

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2668

HOUSE FINANCE COMMITTEE
Tuesday, April 19, 1977
4:00 p.m.

All Committee members were present with the exception of Rep. Rhode. Also present were Milt Barker, Fiscal Analyst, Legislative Finance Division, and Marcia Hubbard, Department of Health & Social Services.

Discussion of SB 122

*Discussion
of SB 122*

Milt Barker gave an explanation of the proposed figure changes in the proposed committee substitute for SB 122. The figures that are in the Senate Finance Committee Substitute are the correct figures. Contract Institutions is the Department's request to fill a contract with Hope Cottage. General Relief is a supplemental based on a projection of expenditures. ARCA and Gateway Opportunity Center were supposed to be funded through Legislative intent last year, but that was never actually done. Public Health Labs is for construction of and moving into new lab facilities in Fairbanks. Child Support Enforcement -will bring that agency up to 40 positions, currently they have 15. Adult Protective Services is for the studio club in Anchorage which is a halfway house for alcoholics. All those additions to the bill below General Relief Medical were put in by the Senate.

Marcia Hubbard commented regarding Malpractice Insurance briefly, that Contract Institutions is for a regular grant contract with Hope Cottage, and \$50,000 of the monies requested for ARCA is to fill legislative intent of last year.

Rep. Meekins commented on the Child Support Enforcement and recommended that their funding not be increased and that they should not receive a supplemental this year. The program needs to be looked into during the interim. The Subcommittee for both the House and the Senate have recommended an interim study of the program. Mr. Meekins made a motion to delete the \$154,100 for Child Support Enforcement from HCS for CS for SB 122. Discussion followed and there being no objection to the motion, it carried.

*Deleted
\$154,100
for Child
Support
Enforcement*

Rep. Cowper informed the members of a request by the Fairbanks Rehabilitation Association, Inc. to cover a shortfall of \$85,000 due to conclusion of moving contracts with the military who has started doing their own moving. A motion was made to add in \$85,000 for Fairbanks Rehabilitation Association, Inc.. There being no objection, the motion carried.

*Added In
\$85,000 for
ARCA-Fbnks
Shortfall*

Motion to report out House Finance CS for SCSSB 121 with

the amendments per the proposed HCS and those just previously adopted by the Committee carried with unanimous consent.

Reported Out
HFCS for
SCSSB 121

Discussion of CSSB 121

Discussion
of CSSB 121

Explanation of the requested supplemental appropriation by Marcia Hubbard. \$200,000 has been owed to the Borough since FY 75, but it was unknown until a recent audit. The Borough was funding alcohol programs throughout the Borough. They are programs that are now funded through the Salvation Army. In regards to the caribou disaster program, it will be overexpended if the existing support and employees sums are paid in the amount of \$70,000 (approximately). Regarding the Eligibility Determination program, there are three employees under contracts with the North Slope Borough who are "eligibility workers". These employees make the decision of food stamps eligibility and process the applications.

Rep. Haugen commented regarding the consistent addition of persons to handle these programs.

Discussion regarding the hiring of local persons to man these eligibility offices and the caribou disaster.

Rep. Duncan made a motion to amend CSSB 121 by adding \$70,000 for the caribou disaster. There being no objection, the motion carried.

Added In
\$70,000 for
Caribou Disaster.

Rep. Duncan made a motion to report out with unanimous consent a Finance Committee Substitute with the above adopted amendment and a Letter of Intent that the Department hire local persons to man the Food Stamps offices whenever possible. There being no objection, the motion carried. (House Finance CS)

Reported Out
HFCS for CS
SB 121 with
Letter of
Intent

Discussion of HB 361

Discussion
of HB 361

Rep. Miles briefly explained the origin of HB 361 and the other versions of the bill. Primarily, the bill provides for the Board of Regents of the University of Alaska to be put under the normal budgeting procedures of State agencies.

Rep. Cowper commented that Kent Dawson and Dr. Don Dafoe have also studied the effect of the bill on the University's financial situation and Mr. Dawson to make an explanation to the Committee members: Three major issues - (1) the accounting procedures, (2) the Executive Budget action, and (3) some mechanisms for the Commissioner of Administration to be able to take care of a cash flow problem should it occur. The DOA would not be operating the accounting system, but setting the guidelines that they use for their accounting

system. The bill puts them under the Executive Budget Act. The University apparently feels strongly regarding line item transfers. One suggestion has been that a transfer could be approved by the Board of Regents and then sent to the Legislative Finance Division within thirty days so that the Legislature can keep track of what they are doing. Another proposal was made that the Legislature give them a working capital fund within the Department of Administration in an amount of about \$6 million. The intention is pretty much same amongst those concerned, but there may be some differences in the mechanics of it.

Comment by Rep. Cowper that a provision be added to take care of their cash flow problem. The latest word from Ed Rasmussen is that they have enough money to last until the 1st of June. They found \$2 million that they had not billed out from two years ago. Suggest the problem be addressed by authorizing monies from the General Fund through Receivables. The DOA would have to okay the receivables before they advanced monies. Comments by Dr. Dafoe regarding the cash flow problem. Explanation regarding some differences in Bill Berrier's proposal and the subject bill with reference to the cash flow problem.

Further discussion regarding correcting the cash flow problem.

Chmn. Cowper appointed a subcommittee consisting of Representatives Duncan, Meekins and Rhode to work out some sort of proposal by the end of the week to this bill. Would like it to include a provision by which they can be advanced funds, rather than setting up some sort of revolving fund that the Legislature would have to be continually appropriating monies to. Rep. Duncan was appointed Chairman and the subcommittee was instructed to check with Dr. Dafoe, Speaker Hugh Malone and Rep. Gardiner and report back to the Committee.

Subcommittee Appointed.

Speaker Hugh Malone commented that there is a bill (HB 261) that is supposed to go along with this bill.

Meeting adjourned at 5:15 p.m.

Adjourned

Tape H77-64, Log 0015
to Log 1784

HOUSE FINANCE COMMITTEE
Wednesday, April 20, 1977
2:50 p.m.

The following members were present: Reps. Freeman, Guy, Rhode, Duncan, Swanson. Vice-Chairman Freeman called the meeting to order noting the lack of a quorum.

Reps. Malone, Miller, and Brown were also present.

HB 214 was the first bill to be discussed. Rep. Malone was present to testify. He explained that this would forgive some monies owed to municipalities for judicial services. This came about in '75. The rationale was that the courts in Alaska were a function of state government, and the state should pay the cost. The legislation passed in '76. Some of the billings have since been paid and some have not. There's no public purpose being served by going back and collecting money from local governments.

HB 214

Rep. Malone also commented on HB 424, saying it was introduced to pay back those municipalities that had previously paid the increased billing that came due. The localities are set out in the bill as to what the amount of reimbursement would be. The judicial services provided are basically court matters in connection with municipal business. The state government doesn't charge any private corporation for services in court. The operation of the court system is a function of state government. HB 424 is an attempt to be equitable. Someone should not be penalized for paying their bills.

HB 424

Action on these bills was delayed as there was no quorum.

The next bill before the Committee was HB 358. Jack Roderick, Deputy Commissioner of Natural Resources, was present to testify. He said this was a supplemental request to acquire seismic information on the Beaufort Sea. It's probably a good investment for the state. The oil companies go out and contract for the data and hold it. It's their information.

HB 358

(Rep. Cowper arrived at 3:05)

Rep. Duncan wondered if the U of A was doing any research on this. Mr. Roderick replied that he was not aware that they were. Mr. Roderick continued that the data is in raw form and needs a person to interpret it.

Rep. Cowper asked how much it would cost for the state to do its own seismic work. Mr. Roderick said in a study of the cost it was determined that a grid of 100 miles X 15 miles could run from \$70,000 to \$2,500,000. It depends on the type of geophysical work you do and how much detail you want.

Mr. Roderick continued that this was the tip of the iceberg. The legislature will have to address how much information we should get from the oil companies. If the legislature appropriates the money and we can acquire it and interpret it we are adding into being able to work the information that we require from the oil companies. Rep. Rhode asked how confidential this information would be and who would hold it. Mr. Roderick replied that this would be the state's information. There's no reason to disseminate it at this point. Ultimately the legislature will have to address whether it's confidential or not.

Rep. Cowper commented on the problem of getting a quorum at the meetings.

The meeting was adjourned at 3:15.

Tape H 77-63
0241 - 0918

HOUSE FINANCE COMMITTEE
Thursday, April 21, 1977
4:15 p.m.

All members were present except Reps. Schaeffer and Guy. Reps. Smith, Ose, Rudd, and Malone were also present.

The first bill for discussion was HB 10. Rep. Miller said a provision for 55-year retirement age for state employees was tacked on to the legislative pay raise. When that failed, so did the age 55 retirement for those state employees. That was not the intent. The testimony in State Affairs says this has a "0" fiscal note because the state is continuing to figure rates as if it were on the books. Bob Gates, Director of Retirement, said he would like to offer a technical amendment changing the date to October 14, 1976.

HB 10

Rep. Cowper asked Mr. Gates to comment on HB 69. This adds the employees of the Alaska Jail System during territorial days. Mr. Gates said the best estimate was that this covered a maximum of five individuals. There would be a fiscal impact of around \$19,000 in FY 78. The rate will be 1/100 of 1% on the state's payroll. Rep. Cowper moved and asked unanimous consent to report out Finance Committee Substitute for HB 10. There was some discussion by Reps. Duncan and Meekins of adding other non-covered past employees into the bill. Rep. Cowper said Finance CS for HB 10 would have Secs. 1 and 2 as in the current bill. Sec. 3 would encompass the text of HB 69. Sec. 4 would establish a retroactive date to October 15, 1976. Sec. 5 would make it an immediate effective date. The fiscal note would be \$19,000. There was no objection, So, Finance CS for HB 10 was reported out with a DO PASS recommendation.

HB 69

Finance CS
for HB 10
reported out

The next bill for consideration was HB 463. Rep. Malone was present to speak on the bill. He said this legislation basically comes from some points that were cited in the State of Women report, which the last legislature funded. It will provide for counseling, shelter, and preparation for employment outside the home. The idea is to set up a pilot program so a way can be developed in the state to provide help for battered wives. The state currently is not involved in funding anything of this nature. The proposal is that this would be operated by a non-profit organization. In spite of the fact that this is a pilot program, there's substantial statewide support for the initiation of this type of program in Anchorage. The legislation answers a serious statewide need.

HB 463

Rep. Malone continued that there may be other sources of funding; the pilot program is one way of locating those sources of funding. Rep. Rudd was present and was asked to testify. She said this is a problem that knows no economic limits or social limitation or geographic limits. It's one of the most untreated and serious problems we have in Alaska and the rest of the nation today. In the Anchorage area there are 180 beds available to men, that's the Salvation Army rescue mission type of place. There were only five beds available to women, and those were not available to women with children. There's a severe inequality at the present time.

Rep. Cowper introduced Kit Evans who was with a non-profit organization in Anchorage. She reiterated what had been said regarding the need for such shelter for battered wives. Rep. Gruening asked if there would be any charges involved. Ms. Evans explained that there would be a sliding scale based on accessible income. It's important that the women feel they are helping to pay part of their keep. Rep. Swanson asked why this would be a security-type place. Ms. Evans said the men will follow the women to the shelter. HB 463

Rep. Gruening moved and asked unanimous consent to report out HB 463. There was no objection, so HB 463 was reported out with a DO PASS recommendation. *reported out*

SB 204 was the next bill before the Committee. Mr. Hogan said that in the course of drafting the CS some additional thoughts came to Mr. Berrier. Sec. 4 contains the severability clause. It says the AG and the Governor cannot do what they did this year with declaring part of a sentence unconstitutional. Sec. 5 would abolish Executive Order 20. There was no objection to the revised text of the House Committee Substitute. SB 204

HB 358 on seismic data was next on the agenda. Rep. Duncan moved to report out HB 358 and asked unanimous consent. There was no objection, so HB 358 was reported out with a DO PASS recommendation. HB 358
reported out

The next bill was HB 214. Rep. Freeman moved and asked unanimous consent to report out HB 214. There was no objection, so it was reported out with a DO PASS recommendation. HB 214
reported out

HB 424 was next before the Committee. Rep. Freeman moved to report it out and asked unanimous consent. There was no objection, so HB 424 was reported out with a DO PASS recommendation. HB 424
reported out

Next on the agenda was SB 232. Rep. Ose was present to testify. He explained that after the fire in Anchorage, no one went to take care of the things that were left. There's a building up in Palmer with the State Fairgrounds. They have requested the train and the planes that were left after the fire. There are nine planes altogether and seven of them they will be able to renovate. The National Guard helped them move the stuff. They won't be able to get the planes done for this summer. It will take about a year to get them back into condition. This is not just for the fair. It will be open year-round. SB 232
*Finance HCS
reported out*

Rep. Cowper commented on the cost. It would be \$100,000 for building assembly and insulation. \$5,500 per plane for renovation X 7 planes = \$38,500. To hire a half-time person would be about \$15,000, and full-time for two months during the summer at \$2,000 for a total of \$17,500. Put \$10,000 in contingency and maintenance to end up with a Total of \$166,000. That would cover from now until July 1, 1978.

Rep. Freeman moved to report out Finance CS for SB 232 with the figure of \$166,000. There was no objection. The Committee report was circulated and HCS for SB 232 was reported out with a "do pass" recommendation.

(Tape changed to #H 77-64)

Next before the Committee was HB 440. Rep. Swanson moved to report out the proposed CS. Rep. Cowper said other states use this toll-free phone call system of answering voters questions. The average cost of a phone call is \$2.85. There was no objection to reporting the bill out, so CSHB 440 was reported out with a "do pass" recommendation. HB 440
Finance CS
reported out

The next bill was HCR 38. Rep. Cowper moved to report out the proposed CS for HCR 38. There was no objection; so, CSHCR 38 was reported out with a "do pass" recommendation. HCR 38
CS reported
out

The meeting was adjourned at 5:50 p.m.

Tape H 77-63 #0918
to Tape H 77-64 #0118

HOUSE FINANCE COMMITTEE
Friday, April 22, 1977
4:05 p.m.

Committee members Freeman, Duncan, Buchholdt, Meekins Swanson, and Rhode were present. Those members absent were Chmn. Cowper, Gruening, Schaeffer, Haugen and Guy. Also present were Representatives Specking and Osterback, Commissioners Brooks and Burton, and Diane Nelson, Admin. Assistant to Rep. Osterback. Vice Chairman Freeman chaired the meeting.

Discussion of HB 361

*Discussion
of HB 361*

Rep. Freeman informed the members that J. Hogan told him that he thought the Senate Committee had just passed a bill on the same subject matter as this one. Mr. Freeman suggested that they hold HB 361 until the Senate Bill comes in, at which time they could do them both together. There was no objection to the suggestion and it was decided to hold HB 361 for receipt of the Senate Bill.

Discussion of HB 337

*Discussion
of HB 337*

Rep. Freeman asked Mr. Specking if he intended to speak on this bill. Mr. Specking replied that he had, but there are changes that he will have to look at first.

Rep. Osterback then commented as the original sponsor of the bill, stating that legislation needed to be changed in order to protect the state's resources. Comments to the lack of coordination between the Departments of Fish and Game and Public Safety to enforce the regulations of the Fish and Game Board. Reference to memos between Commissioner Burton and Deputy Commissioner Wellington regarding some of the problems within the department.

*Comments by
Rep. Oster-
back*

(Chmn. Cowper arrived at 4:15 p.m.)

Further comments by Rep. Osterback as to the concentration on enforcing the regulations with an eye to court cases, rather than preventing the crime before it has actually commenced. There are a lot of fish taken illegally while the troopers wait to act in order to have proof of the crime. Comments by Diane Nelson, Administrative Assistant to Rep. Osterback along the same lines.

Commissioner Brooks informed the Committee that the Governor had indicated to him that he felt that in the long view Fish and Wildlife Protection should be within the Department of Fish and Game. He stated, however, that transfer of the function would take a good deal of planning and time and that it should not be done at this time. The reasons are that the Fish and Wildlife function presently

*Comments by
Comm. Brooks*

is so well integrated within the Public Safety program. It would be difficult to separate them without crippling the Troopers and Fish and Wildlife Protection sections because they share a good many things, i.e. office space, equipment, some administrative facilities, etc. There is a need for careful planning in that respect.

Comments by Rep. Rhode and Comm. Brooks regarding the responsibilities of biologists in regards to regulations enforcement.

Chmn. Cowper informed the members and other persons present of his intention to finish the testimony on HB 337 and one other bill and hold the remainder of the matters listed on the agenda for the next day; asked if there were further questions of Commissioner Brooks and, there being none, thanked him for attending the meeting.

Commissioner Burton responded to some of the comments made by Comm. Brooks and Rep. Osterback and said that the biggest problem seems to have been that he receives things that Comm. Brooks never sees, and Comm. Brooks receives things that he never sees. It would be "one less headache" for him, as far as he is concerned, if they transferred the protection function back to the Fish and Game, but it is not the answer to the problems. *Comments by Comm. Burton*

Rep. Specking commented that it is recognized by everyone that there are some problems, but that it is his feeling that any action at this time would be premature. *Comment by Rep. Specking*

Mr. Phil Yonkers commented that he is the President of the North Star Borough, but appearing before the Committee as a fisherman and that in his opinion the laws don't need changing, but perhaps the approach. It would seem more effective to put the stream guards out in plain sight, rather than hiding until they see the crime taking place, and thus discourage the stream robbers before they start.

Chmn. Cowper moved that the Committee report out with unanimous consent HB 337. There was objection and the motion failed.

Motion to Report Out failed.

Discussion of HB 259

Discussion of HB 259

Chmn. Cowper commented that this bill has been before the Committee before. It is regarding fiscally informed voters.

A motion was made to report out the Senate Finance CS for HB 259 with a -0- fiscal note. There being no objection, the motion carried.

Report Out SCSHB259 - -0- Fiscal Note

Chmn. Cowper informed the Committee members that the meetings will be called by Vice Chairman Freeman while the Free Conference is meeting.

Meeting adjourned at 5:10 p.m.
Tape H77-65, Log 1494
to Log 2401

Adjourned

HOUSE FINANCE COMMITTEE
Saturday, April 23, 1977
1:30 p.m.

Committee members present were Representatives Freeman, Rhode, Meekins, Duncan, Swanson and Buchholdt. Committee members absent were Representatives Cowper, Gruening, Haugen (who were in Free Conference), Schaeffer and Guy. Vice Chairman Freeman chaired the meeting. Also present were Representatives Miles and Parr, Dr. Dafoe, and Glen Vernon, Fiscal Analyst, Legislative Finance Division.

Discussion of HCR 60

HCR 60 Reported Out -
Do Pass

Motion to report out HCR 60 with a majority "do pass" recommendation carried with unanimous consent.

(Changed tape - H77-66)

Discussion of SB 261

*Discussion
of SB 261*

Dr. Dafoe commented briefly on SB 261 and explained that the main difference between HB 361 and SB 261 is that the latter provides that the University shall be a state agency and that they will be under administrative adjudication. The CS proposes adding a section re-enforcing the authority of the administrative auditor.

Rep. Miles commented that the last sentence in subparagraph (a) and the first sentence appear to be contradictory in the proposed CS. Dr. Dafoe replied that the difference is that the one calls for the total that can be advanced for any one year.

Rep. Parr commented that the bill came up from the HESS Committee in quite a different form. It was the opinion of the HESS Committee that the only way that the Commissioner could delegate the funds would be to go up to Fairbanks and set up an office there and that it would be best to specify and not leave open.

Dr. Dafoe explained that on state appropriated funds, they are now drawing down on a monthly basis. So there is no problem there. The term "all money" would present some problems if read in a certain way.

Further comments and discussion regarding the language in the HESS CS and the proposed Finance CS and the intent of the Legislature that the University be accountable to the Administration and Legislature as other state agencies are.

Rep. Duncan made a motion to amend the proposed CS by striking line 14 and substituting with "This procedure to be established by the Commissioner of Administration for the care, control and management of all money of the

University and for keeping complete records of all money of the University." There being no objection, the motion carried.

Rep. Duncan made a motion to amend the CS by adding a new section - "the cash flow amendment". There being no objection, the motion carried.

Rep. Duncan made a motion to report out Finance CS for SB 261. There being no objection, the motion carried.

Report Out HCS
for SB 261 (Finance)

Dr. Dafoe commented that he would have Bill Berrier prepare the CS and he would bring it down for approval.

Discussion of SB 123

Discussion of
SB 123

Mr. Richard Holden, Deputy Commissioner, Department of Public Works, appeared in support of the House CS for SB 123 and to present some amendments to HCS for SB 123 proposed by Commissioner Harris. Gave a brief explanation of some of the problems the Department has been encountering with the existing statute and the purpose of the proposed amendments.

Rep. Swanson made a motion to amend the HCS on line 13 by striking the words "of the" and line 14 by striking the words "80 per cent". There being no objection, the motion carried.

Amendment

Rep. Duncan made a motion to adopt the definitions amendments proposed by Comm. Harris. There being no objection, the motion carried.

Adopted Pro-
posed Amends
by Dept./P.W.

Rep. Duncan made a motion to insert the word "rural" in the proposed amendment (see attached sheet) and to adopt the same. There being no objection, the motion carried.

Rep. Freeman asked if there were further amendments to be made and there being none, Rep. Duncan moved to report out House Finance CS for SB 123. The motion carried with no objection.

Reported Out
HCS for SB 123
(Finance)

Discussion of CS for HB 89 (Finance)

Discussion of
CS HB 89 (Fin.)

Representative Parr gave a brief explanation of HB 89.

Rep. Swanson asked what assurances the Legislature has that it would lower the taxes of the people inside the borough. Rep. Parr replied that it doesn't guarantee that, but that it does require that the Commissioner report back to the Legislature every year with a report of what taxes have been levied or lowered. Swanson said he would like to see some sort of guarantee in the bill that the taxes will be lowered.

Rep. Meekins commented that the best way is to let the taxpayer become aware of what the state has contributed. The experience has been that when revenue sharing has been increased, the taxes have not gone down, but up.

Rep. Parr commented that the Fairbanks North Star Borough had a very high millage rate that did go down as a result of this program.

Rep. Buchholdt made a motion to report out House Finance CS for HB 89. There being no objection, the motion carried. Report Out
CS HB 89 (Fin.)

Meeting adjourned at 2:55 p.m.

Adjourned

Tape H77-66, Log 0000
to Log 1498

Attachments

sh - sc
WFC - sc
4/23/77

adopted

Section 2. AS 35.27.020 (c) is amended to read "At least one per cent of the [overall] construction cost of a building or facility approved for construction by the legislature subsequent to the enactment date of this Chapter,

Final
or in case of a school facility, at least one half of one per cent, will be reserved for the following purposes: the design, construction, mounting [AND ADMINISTRATION] of works of art in the public building or public facility.

adopted

Section 3. AS 35.27.030. Definitions is amended to read "In this chapter:

- (1) "Department" means the Department of Public Works;
- (2) "public facilities" includes schools, office buildings, court buildings and other facilities which are designed for substantial public use;
- (3) "construction cost" is that cost expended for the actual construction of the facility, exclusive of the costs of land acquisition, site investigation, design services, administrative costs, equipment purchases and any other costs not specifically incurred within the construction contract or contracts awarded for the construction of the facility.

L-112
HFC
4/23/77

Original sponsors: Ferguson, Ray,
Sackett, et al

Offered: 4/21/77
Referred: Finance

1 IN THE SENATE

BY THE STATE AFFAIRS COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 123

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 art work in public buildings and
7 facilities."

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

9 * Section 1. AS 35.27.020(e) is amended to read:

10 (e) The artist who executes these works of art shall be selected
11 by the architect for the department with the approval of the department,
12 after consultation with the Alaska State Council on the Arts and the
13 principal user of the public buildings or facilities. Of the artists
14 selected 80 per cent ^{leave in} shall be residents of this state. The artist
15 selected may contract with, or be assisted by, any other person, without
16 regard to residence, in the performance of the work of art.

17
18
19
20
21 + Amendments

HOUSE FINANCE COMMITTEE
Monday, April 25, 1977
3:25 p.m.

The following members were present: Reps. Freeman, Swanson, Rhode, Duncan, Meekins, and Buchholdt. Reps. Ose and Gardiner were also present.

Vice-Chairman, Rep. Freeman, called the meeting to order.

The first bill for discussion was HB 26. Rep. Swanson explained that this makes the money in the revolving loan fund available to someone who wants to buy waste heat from a producer and get into business. There's no fiscal note. Rep. Duncan was opposed to the fact that this sets no maximum amount that can be loaned. He moved to set a ceiling of \$200,000; there was no objection.

HB 26

*loan
ceiling set*

Rep. Swanson moved to report out a Finance CS for HB 26. There was no objection, so it was reported out with a "do pass" recommendation.

*Finance CS
reported out*

The next bill for consideration was HCR 10. Rep. Ose was present to testify. Rep. Duncan moved to report out HCR 10. There was no objection, so HCR 10 was reported out with a "do pass" recommendation.

*HCR 10
reported out*

Rep. Gardiner was present to testify on the next bill, HB 40. Rep. Gardiner said the question came up as to where timber is as a natural resource. Historically forestry was handled by the feds. It would be wise for the state to put more emphasis on the management of its forestries by creating a Division of Forestry. One of its functions would be to provide policy level information and guidance. This would give the timber industry more confidence in the activities of the state. The fiscal note is a bit extensive. The idea was to upgrade the position of the person responsible, the Chief Forester. One of the functions of the Director of the Division of Forestry would be to help get together with people in the timber industry and come up with something that was workable.

HB 40

Ted Smith, Director of the Division of Land and Water, then testified. He said he had been appointed as the State Forester. Creating a Division of Forestry would weaken forestry in the state if you removed it from the present structure and put it someplace else. You would lose some of the support.

Rep. Freeman asked what was happening on the log salvage situation. Mr. Smith said that was one of the things he's looked into. The logs are of no value to the state. A consultant has been contracted with to go over the salvage bill and write up the regulations and put it into effect. A permit would be issued for exclusive salvage rights in an area.

(Rep. Duncan left the meeting, so there was no longer a quorum.)

Roger Allington, Land and Engineering Officer for SeAlaska Corp, was also present to speak on HB 40. He said he also believed that timber is a major resource. With the new state lands and native lands (in excess of 500,000 acres of timber lands) it is important that there be a high degree of exposure in the state to forestry. SeAlaska is concerned with locating the State Forester in the Division of Lands. In Klukwan there were poorly conducted operations by the state. If there had been a Division of Forestry headed by a stronger state Forester some of the problems would not have occurred. The positions listed in the fiscal note will be needed whether HB 40 passes or not. The positions are better tacked onto SB 59 than HB 40. Setting up a Division of Forestry would strengthen the forestry position in Alaska. It is extremely important that forestry be separated so that it can concentrate on forest lands and work cooperatively with state and private enterprise. Sealaska is in favor of the bill. The bill is acceptable and is not in opposition to SB 59. HB 40

Bob Janes, U.S. Forest Service, was also present to testify on HB 40. He explained that the Forest Service stand on the bill is one not necessarily in favor. It's one way of accomplishing a stronger recognition of a growing forest land resource. The Forest Service has advocated a stronger state forestry position for the state. We are in support of recognizing the need for a strong state forestry organization in Alaska. We would not oppose HB 40. We feel that the existing organization in the state needs to be tested more thoroughly.

Noting the continued lack of a quorum, Vice Chairman Freeman adjourned the meeting at 4:20 p.m.

HOUSE FINANCE COMMITTEE
Tuesday, April 26, 1977
1:30 p.m.

All Committee members were present with the exception of Representatives Cowper, Haugen and Gruening, who were in Free Conference Committee. Also present were Ted Smith, Director, Division of Land & Water Management, Rep. Nakak, Bob Van Hout, Lobbyist, National Education Association, Rep. Gardiner, and David Gray, Administrative Assistant to Senator Ferguson.

Discussion of HB 114 & HB 115

"An Act establishing a fire suppression fund; and providing for an effective date" and "Special Appropriation" therefor.

*Discussion
of HB 114
and HB 115*

Ted Smith explained the need for the fund and special appropriation. The figure is too low, but it is the amount the Governor approved. They fight the fire and then are reimbursed for the costs. The way it has worked in the past is that we come in for a supplemental after the fire has been suppressed. This works a hardship on the people the Division contracts with, such as heavy equipment contractors, etc. There have been some complaints from the private contractors regarding this manner of payment.

*Ted Smith,
Div. of Land
& Water Mgmt*

In answer to a question regarding the availability of general funds, Mr. Smith replied that they have to qualify for them and ordinarily do not qualify under the present requirements. All of the Northwest states have a similar program to what this bill is asking for.

Comments regarding bills in the Budget & Audit Committee.

Rep. Schaeffer made a motion to report out HB 114 and HB 115 with unanimous consent. It was pointed out that they must be separate motions. The motion was, therefore, amended to report out HB 114 and carried with unanimous consent.

*Report Out
HB 114*

Re HB 115

Rep. Swanson made a motion that HB 115 be amended by changing the figure of \$750,000 to \$500,000. There was objection and the motion failed.

Mr. Smith reminded the Committee that this appropriation is not actually money that will be set aside; it will just be available from the General Fund if needed, without having to wait for an appropriation.

Motion to report out HB 115 with a majority "do pass" recommendation carried.

*Report Out
HB 115*

Discussion of HB 212

*Discussion
of HB 212*

Mr. Van Houte informed the Committee that most of the features of SB 225 are incorporated into HB 212. The system now has regional differentials for cost of living. A recent study has shown that those figures are unrealistic. Anchorage is used as a base. In the current law areas are designated by a 1965 map. In this particular bill, the districts are mentioned by name. This would help to clarify what REAA is being talked about.

*Bob Van Houte
National Education Assoc.*

Discussion regarding the needs in different districts and the effect of this bill.

Mr. Van Houte said that the instructional unit for the fiscal year needs a figure in the bill. Presently going into the fiscal year 1978 at 27.5.

Rep. Nakak spoke in support of HB 212, but said he was disturbed by the change made by the HESS Committee. One impact factor that has been deleted is the isolation factor. Suggested an amendment. Reinstitute Sec. 3 (14.17.051 presently on the books) which was a part of the original bill.

Rep. Nakak

David Gray made comments regarding the two versions of the bill and cautioned the Committee that adjustments should be very carefully made and might need to be readjusted since the figures used as a measure are not actual figures.

David Gray

Rep. Swanson made a motion to move Instructional Units 4 and 5 into Unit 6, excluding the North Star Borough which would remain at 112%. There was objection. The motion was carried.

Amendment

(Rep. Duncan handed out copies of materials prepared for SB 225 regarding Haines Borough School District and the problems there due to the closing of the lumber mill.)

Rep. Duncan made a motion to move Haines Borough School District to Unit 6. There being no objection, the motion carried.

Amendment

Rep. Meekins made a motion to amend the bill to read "Sec. 14.07.051(a) and (b) be repealed." Motion carried.

Amendment

Discussion regarding revising the fiscal note.

Motion to report out Finance CS for CSHB 212 carried.

*Report Out
Finance CS*

Discussion of SB 317

*Discussion
of SB 317*

Rep. Duncan gave a brief explanation of this bill. There is a similar bill in the House. In the first session of the 9th Legislature there was a bill passed that would make taxable income by residents even if and when they were employed out of the state. White Pass and Yukon has had some problems with this. This would provide an exemption for the

income earned outside the United States for the year January 1, 1975 to January 1, 1976. The Administration testified in favor of this in Senate Finance Committee.

Motion to report out SB 317 carried unanimously.

Report Out
SB 317

Discussion of HB 106

There was a motion to report out HB 106. There being no objection, the motion carried.

Discussion
of HB 106-
Report Out

Discussion of HB 357

Rep. Gardiner handed out some materials to the Committee and briefly explained the purpose of the bill.

Discussion
of HB 357

Motion to report out a Finance CS with a Letter of Intent to be drafted by Jim Rhode carried.

Report Out
Finance CS &
Letter of
Intent

Re HB 356

Rep. Gardiner suggested that the Committee "just let HB 356 be."

HB 356

Discussion of HB 1

Rep. Gardiner told the Committee that he and Rep. Gruening had worked with Legislative Audit on the drafting of certain provisions of this bill. It will put the Legislature in a better position to use the Budget and Audit Staff during the interim to implement the Intent of the Legislature.

Discussion
of HB 1

Rep. Gardiner

Rep. Duncan commented that the Legislative Budget and Audit Staff makes recommendations to the Budget and Audit Committee for program changes. If those recommendations are not acted on by either of the houses, nothing is done.

Vice Chairman Freeman suggested that a subcommittee of the authors come back with a proposed Finance Committee Substitute.

Referred to
Subcommittee

Re HB 40

Testimony was heard on HB 40 yesterday. Motion to report out HB 40 with revised fiscal note carried.

Discussion
of HB 40-
Report Out

Meeting adjourned at 5:30 p.m.

Adjourned

Tape H77-67, Log 0000
to Log 2350

HOUSE FINANCE COMMITTEE

April 27, 1977

1:15 p.m.

All Committee members were present except Reps. Cowper, Haugen, and Gruening, who were attending a Free Conference Committee meeting. Others present were: Dr. Dafoe, Consultant to House Finance Committee; Rep. Bradley; John Havalock, Director of Legal Studies, and Director of Criminal Justice Center, University of Alaska; Robert Van Houte, NEA; H. Kirk Henry, Jr., Household Finance Corporation; Lois Richardson, Administrative Services Director, Dept. of Military Affairs; Gary Jenkins, Audit Division, Dept. of Revenue; Peter Bushre, Treasury Division, Dept. of Revenue; Mr. Branton, Mental Health Division.

The first bill for consideration was HB 351. Mr. Havalock was present to testify on the bill.

HB 351

Mr. Havalock explained that this will take the law-related programs at the University of Alaska to an improved form of organization. The problem this bill is addressing is a problem of the delivery of legal services to the public and the manpower development and delivery of legal education to broader classes of people. The services are presently so expensive that the government has to subsidize legal services for lower income people so middle income people cannot get legal services at all because they can't afford them. U of A has a paralegal curriculum to train people to deliver services to rural Alaska. This gathers the administration of the bill adopted last year -- the clerkship bill -- into a workable thing.

Rep. Meekins asked a question on the clerkship program. Mr. Havalock explained that it provides for someone attending one year at an accredited law school and completing the qualification for the bar by taking a three-year clerkship. The state legal system hasn't awakened yet to the number of legal transactions which have evolved in the state. Whole new classes of property have been created. The system now is not prepared to meet the needs.

Rep. Swanson asked if there was opposition from the Bar. Mr. Havalock replied that there was some opposition, but it's not unanimous. Rep. Swanson commented that it would scare him to turn anyone loose after two years to practice law.

Rep. Meekins moved and asked unanimous consent to report out the HESS Committee Substitute for HB 351. There was no objection, and CSHB 351 was reported out with a "do pass" recommendation.

HESS CS
for HB 351
reported out

The Committee next considered HB 487. Mr. Van Houte suggested that an addition be made to the bill; that is, one retired teacher and one retired employee to serve on the established retirement board. Dr. Dafoe commented that adding the retired employee and teacher would add \$4,000 to the fiscal note. He went on to say that adding the retired members would be logical.

HB 487

Mr. Bill Dean, President of the Rural Retired Teachers unit, was present to state that he favored the inclusion of a teacher's retired and employee's retired person.

HB 487

Rep. Duncar moved these proposed amendments: In (6) make it "a retiree who is under the PERS", and (7) a retiree who is under the Teachers Retirement System. Rep. Rhode objected. Rep. Buchholdt objected saying she preferred the original bill. The motion to add the retirees failed. A motion was made to report out the original HB 487. There was no objection, so HB 487 was reported out.

*motion for
amendments
failed*

HB 487
reported out

The next bill for consideration was HB 388. Mr. Henry was present to testify. He said that Household Finance is in favor of passage. The demand for credit has expanded over the past few decades. If the loan limit was raised, customers could save money. There are savings through loan consolidation, and presently many customers have a second loan and pay high interest.

HB 388

Rep. Freeman moved to report out HB 388. The committee report was circulated and HB 388 was reported out "without recommendation".

reported out

HB 163 was next before the Committee. Mrs. Richardson gave a brief presentation. Rep. Duncan moved to report out HB 163. There was no objection, so HB 163 was reported out with a "do pass" recommendation.

HB 163
reported out

Next before the Committee was HB 373. Mr. Jenkins was present to testify. He explained that this bill provides for a tax deduction for adopting a child in Alaska. There's a severe disparity between a tax credit and a \$2,000 deduction. Mr. Jenkins said he would like to see the law stay as closely tied to the Internal Revenue Code as possible. A very small percentage of the population would be benefited by this bill.

HB 373

Rep. Buchholdt said she was not sure that all adopting families should be allowed this tax credit. Mr. Jenkins agreed and continued that there are other problems. A second marriage situation where the husband adopts the wife's former children and claims an adoption credit. That's not what this bill was intended to do.

Rep. Buchholdt said she would like to hear from someone from Dept. of Health and Social Services before acting on the bill. There was no objection to the bill being held over.

held over

The next bill for discussion was HB 61. Mr. Bushre of the Treasury Division spoke to the Committee. Mr. Bushre explained that there are a number of ways for doing this. The reserve requirement of the bank is more on a time deposit than on a demand deposit. This is intended to give Revenue the option of choosing between alternatives.

HB 61

Rep. Meekins moved to report out HB 61; there was no objection, so HB 61 was reported out with a "do pass" recommendation.

reported out

The next bill to be considered was HB 99. Mr. Branton explained that this is to remove the \$50 liability for charges for mental health care. When the \$50 limitation was added it encompassed the scope of mental health services. This limited someone who

HB 99

needed acute psychiatric care to \$50. This bill would remove that limitation. It's important that the service not be provided as a free service. (Tape changed to H 77-69)

HB 99

Rep. Duncan moved to report out HB 99. There was no objection. The committee report was circulated and the bill was reported out with a "do pass" recommendation.

reported out

HB 294 was next considered by the Committee. Rep. Buchholdt addressed the State Affairs Committee Substitute. She said there had been a change of title. There should be an office in Washington because there are things happening there which affect the state. At least 21 other states have state offices in Washington. This office could be a coordinating point between state and local governments, public, and federal government. There's \$80,000 in the budget for this, so the fiscal note should be \$16,600 for a total of \$96,600.

HB 294

Rep. Meekins moved to report out State Affairs CS for HB 294. There was no objection. The Committee Report was circulated, and CSHB 294 was reported out with "individual recommendations".

*State Affairs
CS reported
out*

The meeting was adjourned around 5 p.m.

Tape H 77-68 #0000
to Tape H 77-69 #0405

HOUSE FINANCE COMMITTEE
Thursday, April 28, 1977
3:00 p.m.

All Committee members were present with the exception of Representatives Cowper, Haugen and Gruening, who were in the Free Conference Committee on the Budget. Also present were Representatives Anderson and Gardiner.

Discussion of CSSB 27 am

*Discussion
of CSSB 27am*

Rep. Swanson made a motion to report out CSSB 27 am. There was an objection to the motion for the purpose of clarification. The motion is for the bill that passed the Senate.

There was further objection by Rep. Buchholdt who expressed the opinion that the Committee should at least discuss the House State Affairs Committee version before passing this bill out of Committee.

Rep. Swanson called for the question. Rep. Buchholdt objected again and Rep. Meekins reminded the Committee that SB 27 had received a lot of publicity and attention and that everybody should be familiar with the versions of the bill.

Rep. Swanson called for the question again. The motion carried to report out Senate State Affairs CSSB 27 am.

*Report Out
Senate State
Affrs. CSSB27am*

Discussion of HB 250

*Discussion
of HB 250*

Rep. Anderson spoke in support of HB 250. Funding and travel per diem for Fish and Game Advisory Committees. The Administration has not seen fit to pay for this. Considerable difficulty coming up with a reasonable fiscal note. Recommend the fiscal note dated April 4, 1977 by Jeff Morrison for \$221,400 for the travel and per diem for 453 Advisory Committee members throughout the state. The bill needs to be amended to include the per diem.

Rep. Anderson

Rep. Guy made a motion to report out the original version of HB 250 which includes the per diem with the fiscal note dated April 4, 1977 by Jeff Morrison. There being no objection, the motion carried.

*Report Out
HB 250*

Discussion of HB 1

*Discussion
of HB 1*

Rep. Gardiner explained that the State Affairs Committee received the wrong draft of the bill. Changes on Page 3(d) and (e) - duplications were eliminated. The real legislative oversight procedures starts on Page 5, but refer back

to Line 3, Page 3, and Line 1, Page 4. The language starting on Page 5 refers to boards, commissions and programs. The bill is now consistent regarding the procedures. Re-drafting did not change anything in the basic drafting of the bill.

Question by Rep. Duncan regarding language on Page 4. Rep. Gardiner explained that when the "sunset" date of an agency or program comes up the committees will make an investigation and recommendation to the Budget and Audit Committee which will then be made into the form of a bill to sunset these programs. The bill would then be treated like any other bill in the Legislature. The way the language is now will make the budgeting consistent and subject to the Legislature.

*Call of
the House*

(Call of the House - 3:55 p.m.)

Meeting reconvened at 4:10 p.m.

Reconvened

Rep. Swanson made a motion to report out a Finance CS for HB 1. There being no objection, the motion carried.

*Report Out
Finance CS
for HB 1*

(Call of the House - 4:15 p.m.)

*Call of
the House*

Meeting was unofficially adjourned.

Adjourned

Tape H77-69, Log 0418
to Log 1188

HOUSE FINANCE COMMITTEE

May 2, 1977

3:30 p.m.

All members of the Committee were present except Reps. Cowper and Haugen. Rep. Phillips, Sen. Polak, and Sen. Croft were also present. Others present were: Dr. Kerry Romesburg, Post Secondary Education Commission; Dr. LaResche, Commissioner of Natural Resources; Henry Pratt, Representing Alaska Consolidated Shippers.

The first bill for consideration was HB 142. Rep. Buchholdt moved to report out HB 142. There was no objection, so HB 142 was reported out with a "do pass" recommendation.

HB 142
reported out

The next bill to be discussed was HB 13. Rep. Phillips was present and stated that he would like to add an amendment changing the cumulative total to 30 years, 200 to 400 people would be affected. Rep. Guy requested that this bill be held for a short time.

HB 13

On HB 453 and SB 150, Rep. Meekins suggested that a subcommittee be assigned to draft a committee substitute. He continued that he had met with Rep. Nakak to work out some method for taking care of the maintenance problem. Bering Straits has gone about \$7,000 in the hole and have requested help. Rep. Swanson said he would be opposed to making a loan to an REAA. Rep. Meekins explained that that was not the intention. It's intended to be an appropriation under the title of SB 150. The Vice-Chairman appointed a subcommittee of Meekins and Schaeffer to go into the bill and prepare a CS. (Cowper arrived)

HB 453 and
SB 150
subcommittee
assigned

Coming back to HB 13, Rep. Guy suggested an amendment. Insert a new Sec. 2 : "Upon the request of the applicant the Department of Administration is providing a reasonable opportunity for a departmental hearing to an applicant or recipient who has been disqualified." Rep. Swanson objected to the new language. He said this would require an extensive fiscal note because there would be hearings in every community in Alaska. The motion for the amendment was adopted. Rep. Meekins moved to report out the bill. Rep. Cowper objected. The vote was taken: 5 in favor -- 5 opposed, the motion failed.

HB 13
amendment
motion to
report it out
failed

The next bill for consideration was HB 224. Dr. Romesburg suggested the deletion of Sections 8 and 9. Rep. Meekins moved the deletion. There was no objection. Rep. Cowper moved to report out Finance CS based on the HESS Committee Substitute with a "0" fiscal note. There was no objection; so it was reported out.

HB 224
reported out

The next bill for discussion was HB 132. Dr. Romesburg said a half-time person is needed for this, and it turns out that Alaska's share would be \$70,600. Rep. Cowper moved to submit a revised fiscal note which will read 9.0 in contractual and 141.2 in grants and claims. That's 150.2 in FY 78. Dr. Romesburg said he would get the note. The position will be a part-time position. Rep. Duncan moved to report out the HESS Committee Substitute. There was no objection, so the bill was reported out with a revised fiscal note.

HB 132
reported out

Mr. Pratt was asked to testify. He said it was not his intention to irritate the state administration, but there were some areas of disagreement. The FEA opinion is not a good opinion and will create problems for the state. He went on to say that somehow there are those in the state that don't think royalty oil has any relation to other oil. That's simply not true. It would be to the state's advantage to enter into a one-year contract now.

SB 274

Mr. Pratt explained that on the FEA opinion, this bill takes the legislative body out of the FEA problem. The administration would have to make the decision. The value is subject to all of the various wellhead prices. The wellhead prices may vary. It's clear that if an agreement is breached with the state that brings an FEA provision into full bloom. All you would have with the oil companies is a breach of contract.

Mr. Pratt continued that the average product is \$9.25 per barrel. On 24,000 barrels we are talking about \$2.24 in premium. That amounts to \$19,600,000 between now and '78. There's definitely going to be a loss to the state by taking it in value.

Rep. Rhode wondered if a refinery would buy oil under the conditions that it may be taken away from them in a year. Mr. Pratt answered that a refinery that needs the oil will buy it under any circumstances. Rep. Rhode asked which bill Mr. Pratt would favor. Mr. Pratt said either one was acceptable.

Rep. Meekins asked if there was a difference in taking the oil in kind and in contracting it out. Is the contract more secure with regard to the FEA problem? Mr. Pratt replied that there's a difference price-wise. If you take it in value the only thing you get is the wellhead price. If you sell it you have an opportunity of getting more than that.

Rep. Swanson moved to report out Finance Committee Substitute for SB 274. There was no objection, so HCS for SB 274 was reported out with 6 "do pass" recommendations and 5 "no recommendations."

HCS for
SB 274
reported out

There was no further business to come before the Committee so the meeting was adjourned at 5:35 p.m.

The Committee next considered SB 274. Dr. LaResche was asked to comment on the original bill and the revised Finance CS.

SB 274

Dr. LaResche said that the purpose of both bills is one that he concurs with, and that is to be sure that the state makes a conscious decision before taking royalty gas and oil in kind. There are some practical problems with both bills. One question is who is allowed to make what decisions under what circumstances in these bills.

Dr. LaResche explained that if SB 274am or the House Committee Substitute passed, the schedule would go like this: An early finding would be made that it is in the best interests of the state at this time to take in-kind value. Under the Senate Bill the legislature would have to approve this finding. If you did not, we would have to give the producers notice that we were taking the oil in-kind. Within a period of time we would be forced to take the oil in-kind. We would have to negotiate a contract, submit it for approval, and have it approved. This would put the state in a terrible bargaining position. The circumstances that these bills would create would force us to say when we would have to have the contract finished so this would improve the purchaser's negotiating ability. The state would lose much lee-way by disapproving the sale. A 1¢ difference in price is worth \$12-13 million for the state. A 10¢ premium is a \$125 million break. Dr. LaResche said there was a special board meeting this week and all legislators are invited to tell the board what they want. Dr. LaResche continued saying that the present legislation leaves legislative and executive branches of the government open to criticism if they define "best interests of the state" differently.

Dr. LaResche suggested that the best thing the legislature could do at this time is pass a specific resolution saying what you want to do with the oil and gas.

Rep. Meekins asked if this bill passed the House and was concurred in by the Senate what would Dr. LaResche's intent be. Dr. LaResche replied that it would be his intent to take it in-kind. Most people want us to have a sale. Rep. Rhode asked what the administration's position was on this bill. Dr. LaResche said that on the oil we intend to take it in value until such time as we negotiate a good sale which involves state use.

Senator Poland was asked to comment. Senator Poland said she was delighted that the Commissioners wanted to do what the legislature wished. Many of us would like to see oil refined in the state. The price will not go down. By making a year's contract we will be protected for now. The residents of Alaska should be protected from paying freight out and freight back up and being precluded from having a petrochemical industry. (Tape changed to H 77-70) Mr. Silidies commented that anytime you have a third party involved in this the guy down the line won't care about Alaska.

HOUSE FINANCE COMMITTEE
Tuesday, May 3, 1977
4:00 p.m.

All Committee members were present with the exception of Rep. Haugen. Also present were Representatives Miller and Anderson, Milt Barker, Fiscal Analyst, Legislative Finance Division, and Bob Van Houte, National Education Association.

Discussion of HB 425

*Discussion
of HB 425*

Rep. Anderson spoke in support of HB 425 and gave a brief explanation of its purpose - Areas of Alaska have recurring annual problems of erosion. They called the Corps of Engineers for assistance in creating a bill that will enable communities with this recurring problem to react to the situation on an on-going basis, rather than a crisis-to-crisis basis. Recommend the adoption of the Resources CS.

Rep. Anderson

Motion was made to report out Resources CS for HB 425. There being no objection, the motion carried.

Report Out
Resources
CS for HB425

(Secretary had to leave room to make copies.)

Discussion of HCSSB 274

*Discussion
of HCSSB274*

Rep. Gruening explained the changes incorporated into the Finance CS for SB274. The main thrust is to turn this around. This would give the Commissioner authority to take the oil and gas royalty in-kind or in value.

Rep. Duncan made a motion to report out Finance CS for SB 274. There being no objection, the motion carried to report out HCSSB274 (Finance) with individual recommendations.

Report Out
Finance CS
for SB 274 -
Indiv. Recs.

Discussion of HB 426

*Discussion
of HB 426*

"An Act making special appropriation to the Department of Community and Regional Affairs to provide funds for the erosion control grant program; and providing for an effective date."

Motion to report out HB 426 carried with no objections.

Report Out
HB 426

Discussion of HB 435

*Discussion
of HB 435*

Rep. Anderson spoke in support of HB 435 - There is a very serious ear disease that affects a lot of children throughout Alaska, especially rural Alaska. \$150,000 was put into the budget for screening and treating children six years and older. This bill would provide for screening and treatment

Rep. Anderson

of children between the ages of one and six. The hope is to treat the disease before the children enter the school system.

Rep. Buchholdt made a motion to report out HB 435. There being no objection, the motion carried.

Report Out
HB 435

Discussion of HB 343

Discussion
of HB 343

Rep. Miller explained that HB 343 is to increase benefits in the Teachers' Retirement System for all those retired before July 1976. The fiscal note then drops to less than one-tenth what the original amount was. I have been told that the Administration plans to lower the amount of money they put into the system.

Rep. Miller

Rep. Duncan said the CS should read on Line 12 "increases accrued from the first of July of this year".

Rep. Swanson asked if it is compounded quarterly, annually, or what. Mr. Van Houte answered that the Commissioner clearly has the authority to increase the funding to as much as 4% more if there is sufficient funds. The retirement percentage is currently 10%. This only pertains to those who are currently retired. At the present time, during this fiscal year, we have had a three-way contributory system. The state is paying 7.09, school district is paying 7.09, and the teachers are paying 7.0 %. State announced that they were going to reduce the contribution by 1/2%. The system will still be able to fund as it exists now. The teachers will continue to pay the same percentage they do now.

Mr. VanHout

In answer to the source of the 10% figure Mr. Van Houte said that it is partially because they have not had an increase in their retirement system since 1970. Retirement benefits have increased 10% since 1970. This figure is intended to catch up to that.

Rep. Duncan made a motion to report out Finance CS for HB 343 incorporating the changes in the proposed CS. There being no objection, the motion carried.

Report Out
Finance CS
for HB343

Meeting adjourned at 4:55 p.m.

Adjourned

Tape H77-70, Log 1109
to Log 1776

HOUSE FINANCE COMMITTEE

May 4, 1977

2:25 p.m.

The following members were present: Reps. Freeman, Rhode, Schaeffer, Meekins, Buchholdt, and Duncan. Others present were Rep. Miller, Rep. Brown, Senator Ferguson; Mike Smith, Director, Division of Lands; Bob Gates, Director of Retirement; Roy Dunn, APEA.

The first bill to be discussed by the Committee was HB 168, a supplemental to the Department of Administration for miscellaneous claims. These are the stale warrants that can't be paid after they are two years old. Ron Lind had prepared a draft of a proposed Committee Substitute. Rep. Rhode moved to report out Finance CS for HB 168. There was no objection, so Finance CS for HB 168 passed from committee.

HB 168

Finance CS
reported out

The next bill was HB 373, a tax deduction for child ^{adoption} deduction. Rep. Buchholdt objected to the concept of the bill. Rep. Freeman suggested that this one be left.

HB 373

HB 133, relating to selection of land by municipalities, was next before the Committee. Rep. Freeman said the Community & Regional Affairs had recommended the Committee Substitute.

HB 133

Mr. Smith said that in 1963 the legislature passed a municipal borough act forcing areas to become boroughs. The purpose of the CS is to settle up between the state and the municipalities under the state under the original law. The first law set up the groundwork by which all municipalities would be entitled to receive land. That did not work. The Division of Lands never established regulations under which the selection could work. An entitlement has never been determined. It was an impossible situation; everyone interpreted the law differently. This law is one which the state supports and the municipalities listed support. The basic demands of the act are two: how much and which lands.

Mr. Smith continued that for the vast number of municipalities there's enough land within the municipality's boundaries from which a municipality can get its land requirements. Kodiak and Anchorage do not have enough available land to meet the requirements. For those that can't fulfill their requirement, Sec. 208 sets up a framework whereby a municipality can cash in their entitlement and receive payment in lieu of land.

Rep. Freeman asked what kind of formula was used to come up with the discrepancy in funding. Mr. Smith replied that 10% of the vacant lands within the boundaries of that municipality was represented. The 10% figure fell flat in Southeast because land was not available. The land listed is land which has not been set aside by the legislature for something else. Rep. Schaeffer asked about the North Slope entitlement. Mr. Smith said nearly all the land on the North Slope has been classified for mineral and gas development.

Rep. Freeman was troubled by the disparity. If the original law created inequities, it seems silly to perpetuate them. Mr. Smith replied that they were trying to correct them.

HB 133

(The tape was changed to #H 77-71)

Rep. Freeman commented that if the Kodiak Island Borough took its entitlement in cash it would be \$25,000,000. In order for Ketchikan to come out even it would have to pay \$2,700 per acre.

Senator Ferguson was concerned about how this would affect the North Slope Borough. He said the North Slope Borough is involved in a court suit and asked if any other municipalities were involved in court suits. Mr. Smith replied that the Matanuska-Susitna Borough was also involved in a court suit. Senator Ferguson said he would like to withdraw the North Slope Borough from this and introduce legislation at a later date.

Rep. Duncan said he would like a couple of days to look into this bill and get more information. There was no objection, so HB 133 was held over.

held over

HB 343, relating to teachers' retirement, was next on the agenda. Rep. Duncan said this had been reported out yesterday, but there was a problem with some of the language, so it was recalled. Mr. Gates was asked to testify.

HB 343

Mr. Gates explained that the number used in drafting the bill would have excluded certain classes of people. The revised Committee Substitute would deal with anyone eligible. It's to keep them up with the cost of living, but it doesn't build any automatic escalating feature. Rep. Rhode asked how many people would be affected to which Mr. Gates replied 800. The number will decline over time.

new CS

Rep. Duncan moved to replace the Committee Substitute reported out yesterday with the one today. There was no objection; so ordered.

The next bill on the agenda was SP 135, participation by employees of North Pacific Fishery Management Council in PERS and insurance system.

SB 135

Mr. Gates explained that this would extend the definition of a governmental unit. The participation of this group would not cause any problem.

Rep. Duncan suggested tacking HB 369 onto the bill. This would allow employees of APEA and Local 71 to come under the retirement system. Mr. Gates said was concerned that the inclusion of a non-governmental group may make the entire system subject to ERISA and its reporting requirements. Mr. Gates said he would oppose this because of the cost and other implications. These organizations may lose their status of representing state employees in the future. The state would then be stuck with picking up the tab. Rep. Duncan asked if there were currently any non-governmental employees under TRS or PERS. Mr. Gates said there was one under each, but the addition could be critical.

HB 369

tacked on

Rep. Duncan asked about the fiscal impact of HB 369. Mr. Gates said if any organization goes broke the state will have to pay for their benefits. Rep. Miller asked if these people wouldn't have been contributing enough to pay for themselves if the organization went broke. Mr. Gates said that unfortunately that was not the case.

HB 369
SB 135

Rep. Freeman called a 10-minute recess. When the meeting reconvened at 4:15, Rep. Haugen was present.

Roy Dunn of APEA asked to testify. Mr. Dunn said the ERISA Act was brought into being September 2, 1974. The addition of one other element such as APEA would not create a burden. Right now if a state employee wants to go to work for APEA he must drop out of PERS for a period of time. This is unfair to state employees. Mr. Dunn said that Mr. Gate's concern over the financial viability of APEA was unfounded. They just signed a three-year contract with the state. If APEA no longer exists, someone must represent the 5500+ state employees that APEA does. The fiscal note on this element would be "0".

Rep. Freeman said he felt the addition of HB 369 to SB 135 would lessen the chances for SB 135 passing.

Rep. Duncan moved to amend SB 135 by adding a new Sec. 3 incorporating the body of HB 369. Rep. Rhode objected saying the bills should go on their own merits. The motion carried 5-3. Rep. Duncan moved to report out Finance CS for SB 135. There was no objection. Rep. Freeman asked Rep. Duncan to come up with a letter of intent. The committee report was circulated and the bill passed from Committee with "no recommendation."

SB 135
reported out
incorporating
HB 369 --
HCS Finance

SB 148, relating to domestic relations, was next on the agenda. Rep. Freeman referred this bill to a subcommittee of Rep. Meekins and Rep. Duncan.

SB 148
subcommittee
appointed

HB 406, relating to donations of annual leave to the memorial scholarship revolving loan fund, was the next bill to be considered. Rep. Brown testified briefly on the bill, and it was reported out of committee with a "do pass" recommendation.

HB 406
reported out

HB 356, relating to the water resources revolving loan fund, was the last bill to be considered. The bill was reported out of Committee with a "do pass" recommendation.

HB 356
reported out

The meeting was adjourned at 4:40 p.m.

HOUSE FINANCE COMMITTEE
Thursday, May 5, 1977
3:45 p.m.

All Committee members were present with the exception of Representatives Gruening and Cowper. Vice Chairman Freeman conducted the meeting in absence of the Chairman. Also present were Alison Farnan, Fiscal Analyst, Legislative Finance Division, Roy Dunn, Lobbyist for Alaska Public Employees Association, and Dick Wilson, Executive Director, A.P.E.A., and J. Hogan, Director, Legislative Finance Division.

Re HB 165

*Report Out
HB 165*

Rep. Swanson made a motion to report HB 165 out of committee. There was no objection and the motion carried.

Discussion of HB 508 and HB 524

*Discussion
of HB 508*

Rep. Freeman asked Rep. Duncan if it is his intention to incorporate HB 524 into HB 508. Mr. Duncan replied that either way would be fine. They contain the same information.

Rep. Duncan made a motion to use HB 508 as the vehicle adding to it, through amendments, HB 422 which is \$71,000 for salary increase for confidential employees, HB 454 supplemental to Department of Administration for non-covered employees for \$2,486,200. The breakdown is in the bill itself (HB 524) - covers cost of living increases for General Government Bargaining Units. Add section for \$25,000 to cover the Tanzer contract funding for the balance of the fiscal year '77.

There was some question regarding the 5% retroactive pay for the increase.

Rep. Duncan gave a breakdown again as follows: Section 1 appropriating \$686,900 for Labor and Trades Crafts Bargaining Unit (HB 508); Section 2 - \$71,500 to Depart. of Admin. for Confidential Employees (HB 422); Section 3 - \$2,486,200 for Non-covered Employees (UofA, Executive Branch, Judicial Branch, Legislative Branch) (HB 454); Section 4 - \$2,488,400 for General Government Bargaining Unit retroactive to Jan. 1, 1977 (HB 524).

*Breakdown
and incor-
poration of
House Bills
508, 422,
454, 524.*

J. Hogan suggested adding language to avoid the non-transferability problem. Should put in some language making it clear that these sums can be transferred across all of the appropriate budgets.

Rep. Duncan made a motion to report out a Finance CS for HB 508 incorporating the above changes. There being no objection the motion carried.

*Report Out
Finance CS
for HB 508*

Re HB 455

Report Out
HB 455

Motion to report out HB 455 carried unanimously.

Meeting adjourned at 4:30 p.m.

Adjourned

Note: Vice Chairman Freeman requested A. Farnan to prepare a Letter of Intent to accompany HB 508.

LETTER OF
INTENT for
HB 508

H77-71, Log 1550
to Log 2015

Letter of Intent: It is the intent of the Legislature that the appropriation contained in CS for HB 508 can be transferred between appropriations to fund salaries increases for fiscal year 1977, for non-covered employees, confidential employees, general government bargaining unit employees, and labor trades and crafts bargaining unit employees.

HOUSE FINANCE COMMITTEE

Friday, May 6, 1977

1:45 p.m.

Chairman Cowper called the meeting to order at 1:45 p.m. Committee members in attendance were: Reps. Freeman, Duncan, Swanson, Meekins, Schaeffer, Guy, and Rhode. Also in attendance were: Reps. Phillips, Brown, and Snider; John Messenger, Dept. of Revenue; Al Latham, Legislative Affairs; Jim Rhode, Assistant to Rep. Cowper; Rep. Chatterton.

Chairman Cowper moved and asked unanimous consent that Sponsor Substitute for Senate Bill 13 (Act making special appropriation to the University of Alaska to Provide personnel and materials to operate a research facility for study of surplus heat utilization at Fort Wainwright) be brought on for hearing. Representative Freeman moved that the bill be passed from committee. Representative Duncan inquired regarding the amount of the fiscal note, asking if \$50.0 was the correct amount. Chairman Cowper advised that the fiscal impact would be the total amount of the appropriation and, therefore, technically did not carry a fiscal note. The bill provides for use of facilities at Ft. Wainwright to use surplus heat generated by the Wainwright Power Plant for agricultural purposes. Chairman Cowper advised that the use of such heat would be especially useful to the Tanana Valley. There being no objection to Representative Freeman's motion, the bill passed from committee.

SS SB 13

reported out

The next bill for consideration was SB 149, relating to the tax on motor fuel for watercraft. Rep. Cowper remarked that the fiscal note was incorrect. Rep. Haugen asked that this be put aside for someone to testify on the bill.

SB 149

set aside

Mr. Messenger was present to testify on SB 167, relating to the excise tax on and license fees for sale of intoxicating liquors. He said that originally the bill provided for increases in all categories of liquor. The rates proposed were \$.75 for beer, \$1.50 for table wines, and \$2.50 for dessert wines, with hard liquor at \$6.50 per gallon. The bill also provided for increases in various of the liquor license fees. The main increase was in the wholesale license fee. It currently provides a maximum of \$5,000. The proposal was to provide 1% of the gross receipts for the business transactions and receipts above \$500,000. There were several other license fee increases in each of the license categories. The version which passed the Senate provides the same fee structure for the licenses themselves but reduces the amount of increases on the liquor itself. The rate for beer is 32 1/2¢. For table wine it's \$1 per gallon. For dessert wines it's \$1.35. Hard liquor is at \$5. The difference in revenue is addressed very briefly. The original bill would have provided a total of approximately \$10,000,000 in the next fiscal year. The version passed by the Senate would provide \$3,500,000.

SB 167

Rep. Freeman asked if the approach was that this would pay for alcohol related programs. Mr. Messenger said that was correct. Rep. Freeman commented that in many departments there was no relation between the amount of money spent and the amount collected. If you are going to go the route of charging an industry to pay for related programs, there should be some logic behind it.

SB 167

Rep. Meekins said he was not opposed to user taxes, but a tax should not be put on a certain group of consumers. Rep. Swanson interjected the he didn't hold with John Q. Public picking up the tab for someone's self-imposed sickness. Mr. Messenger said this was one area where taxes have not been raised since 1961-62. This would provide a mechanism for covering the cost of alcohol-related problems in the state.

(The tape was changed to H 77-72.)

Rep. Cowper proposed that the bill be moved out of the committee and voted on on the floor. Rep. Swanson said he had an idea for some amendments. He proposed an amendment on page 1, line 17: change 32 1/2 back to 25¢. There was objection; the motion carried 6-4. Rep. Cowper suggested dropping further consideration of SB 167 to the bottom of the agenda.

*moved to
bottom of
agenda*

The next bill to be considered was CSSB 238am, relating to the oil and gas properties production tax. Rep. Cowper asked the chairman of the Ways and Means Subcommittee, Rep. Gruening, for his recommendation. Rep. Gruening stated that a CS had been prepared for HB 321. Rep. Cowper proposed substituting that CS for SB 238. Rep. Gruening moved to report out an HCS for CSSB 238. Mr. Latham was asked to testify.

CSSB 238am

Mr. Latham explained the differences between the proposed bill and the original bill. Rep. Rhode asked what the daily average production was in Cook Inlet. Mr. Latham replied that it was 760 barrels of taxable production. Rep. Rhode asked about the production at Prudhoe Bay. Mr. Latham replied that it would be about 7,600 barrels a day taxable. Jim Rhode asked, given the lack of an escalator, will we realize as much under the Senate version as under present law. Mr. Latham replied that over the past three years the rate of oil has increased at a rate of 23%. If that occurs in the next three years and the price of oil escalates at only 6%, then the present law with the escalator compared to the Senate version with the escalator could probably earn more income in four years than the Senate bill could earn.

Rep. Cowper had a question on the intent. Under the present law there's no taxing for flared gas. He suggested that the word "twice" be omitted. He moved to amend the suggested CS to remove the word "twice" on page 7 line 16. Rep. Guy objected. He said there's no way of knowing how much gas is flared, and the word "twice" should be kept in there. Rep. Meekins pointed out that it's illegal to flare gas anyway. There was no further objection to the amendment; the motion carried.

amendments

Mr. Latham pointed out that on page 8, line 2 the Senate bill left language out. This was placed in the bill to settle the difficulties that they have run into with respect to the point of production in Cook Inlet. Mr. Messenger interjected that the language is to assure that the point where the quality of the oil is measured is at a point where the other elements are removed from the oil. This is to assure that it will be accurately measured for severance tax. Rep. Cowper suggested that if the language is ambiguous the court would look at intent. He suggested sending a letter of intent with the bill to the floor.

CSSB 238am

Rep. Gruening moved to amend subsection (e) page 4 to "for the purposes of calculating the economic limit,". No objection; so ordered.

amendments

Rep. Gruening moved on line 28 page 4 to add the word "only". No objection; so ordered. Rep. Gruening moved to amend page 5, line 1 by adding "The additional direct operating costs not listed in this section may be included only after their inclusion in the regulation adopted by the department." No objection; so ordered. Rep. Cowper asked the expected revenue from this. Mr. Latham said under the present law the total would be \$192,000,000. Your version would be \$292,000,000. That's in the first year, FY 78. The Senate version would be \$242,000,000.

Mr. Vavra of Union Oil said there needs to be a correction made in this amendment changing the cents per barrel to .9375. We suggested the appropriate thing would be to go to a 55¢ floor. Commissioner Gallagher has said he would support a 55¢ and a 75¢ floor respectively. Rep. Meekins commented that the cents per barrel floor would escalate the deflator. Rep. Meekins asked what the effective floor was. Mr. Vavra answered that it's 30¢ for the first increment and 40¢ for the second increment and 50¢ for the third. Rep. Rhode moved to include the amendment changing the figure of .9375. The motion for amendment failed.

Rep. Gruening moved to adopt the HCS as amended and report out CSSB 238am.

The motion carried. The committee report was signed as follows:

HCS reported

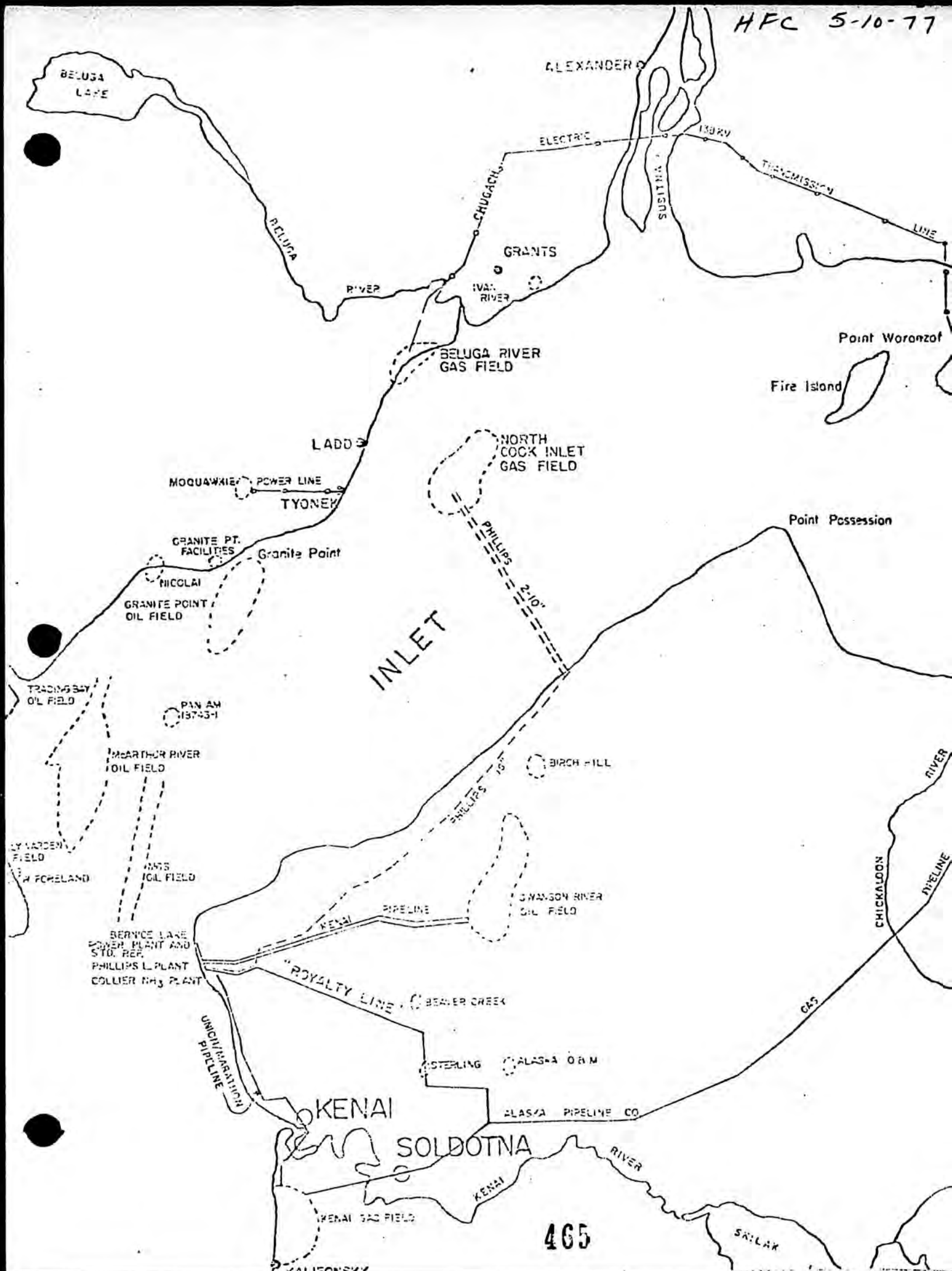
DO Pass -- Guy, Duncan, Cowper, Meekins, Swanson, Gruening, Buchholdt. *out*

DO NOT Pass -- Haugen. NO Rec -- Freeman, Schaeffer, Rhode.

A recess was called.

Tape H 77-71 #2-15 to

Tape H 77-72 #2463



HOUSE FINANCE COMMITTEE
Friday, May 6, 1977
4:45 p.m.

Meeting reconvened at 4:45 p.m.

Discussion of SB 149

*Discussion
of SB 149*

Chmn. Cowper introduced Don Statter, Director, Division of Waters and Harbors, and asked him to comment on the bill itself and the different versions of it.

Mr. Statter presented to the Committee copies of statistical information showing endorsements from approximately ten communities, data regarding costs of boat harbors, etc. One of the older user fees financed programs in the state. The present bill passed by the Senate is favorable. It would roughly double the revenue for the program. There is an on-going need of \$5 million right now to meet the user demands throughout the state. Part of the monies received will be used to administer the program. In 1960 the program staff consisted of ten engineers; the full staff is now only 14.

*Don Statter,
Director,
Div. Waters
& Harbors*

In answer to Chmn. Cowper's comment that it has been reported that the Kodiak people feel that their tax burden is relatively high in comparison to that of the Southeast users, Mr. Statter said that is because there are a large number of larger vessels there which do require more fuel. 8% constitute the big vessels. It costs three times more to provide a berth for the larger vessels. They are really not paying proportionately more as much as they should be. Maintenance of the big berths is considerably more costly than the small ones as well.

Chmn. Cowper commented that he was not thinking so much about the cooking and heating fuel, but of perhaps exempting the tax altogether on sales of large magnitude. Mr. Statter replied that a proposal had been submitted doing away with the fuel tax to big users because it is a burdensome chore to maintain the records and follow-up. There is a feeling also that the big users should not have to pay taxes on cooking and heating fuel at all. The nonpropulsion use exemption has caused problems.

In the form that came out of the Senate, it is equitable.

(Chmn. Cowper invited Rep. Snider to join the Committee.)

Mr. Statter replied to a question by Rep. Freeman regarding the fuel taxes providing monies for revenue instead of harbors that the Agency has appropriated much along the lines of the original Agency appropriation in the past. The needs are running around \$5 million per year, taxes

are generating approximately \$1.5 million. The program is running \$3.5 million short.

*Discussion
Re SB 149*

Rep. Snider asked Mr. Statter to comment on the Governor's veto. Mr. Statter said the veto was not supportive of the program. Kodiak was stuck with a pre-earthquake harbor with post-earthquake needs. The harbor was designed about 1936. There is no question regarding the need for facilities in Kodiak. Everything conceivable has been done for the Kodiak harbor to this point. Can't do anything more to improve it until there is a place available to put in a new one. It is one of the better managed harbors in the state. Kodiak has consistently opposed the fuel tax. It is the only place that there has been any opposition. In most places, the nonpropulsion exemption has caused more problems.

Rep. Freeman asked what the effect would be if all the exemptions were removed. Mr. Statter replied that the taxes would generate about \$.5 million.

Rep. Freeman made a motion to report out a Finance CS for SB 149 with whatever language is necessary to abolish the exemptions and leave the tax where it is.

Motion

Chmn. Cowper commented that before taking a count on this motion he would like to ask Mr. Statter and Mr. Messenger what they think about Rep. Freeman's proposal. Mr. Statter said that he would prefer to see a 2¢ increase with no deduction. 2¢ increase with 10% deduction is probably more politically acceptable. The public is sensitive regarding the cooking and heating fuel. Would prefer to have the exemptions eliminated rather than favor one element more than another. The big vessels may take 100 gallons, but they cost six times as much money to build a place to tie them up.

Rep. Swanson made a motion to report out a Finance CS for SB 149 with the following amendments: Line 15, change "six" to five, leave language regarding the cooking and heating fuel, etc; Page 2, strike all the language to Line 17, leave "cooking and heating" and strike the words "auxiliary engine power".

Motion

Rep. Freeman commented that he thinks it is "an outright ripoff regarding these deductions. Don't see the justice in it."

Rep. Snider said he would like to amend it to give 10% to all boats that are not fishing shellfish and 5% to the others. Would like to give expiration date not beyond a year or two at the most.

*Rep. Snider
Recommendation*

Mr. Statter commented that regardless of what the Committee does, the Administration is going to favor its bill with

the 2% increase and the 10% deduction. Mr. Swanson's would be the next best choice. The least desirable approach would be increasing the tax. Would highly oppose it.

Chmn. Cowper commented that the Legislature doesn't allow loopholes for anybody else and they should not allow them for these boat people either.

Further discussion regarding the method of taxation.

Chmn. Cowper requested a comment from Rep. Snider as to whether he feels Rep. Freeman's motion for amendment is unfair to the boat owners in Kodiak. Rep. Snider said he thinks the whole bill is unfair to them.

R

Rep. Cowper said the amendment would be HCSSB149 - delete the exemptions and leave the tax at the present rate. The revenue effect would be a \$500,000 gain.

Mr. Statter commented that it would be a \$500,000 gain with a 4¢ tax and no deduction. The least acceptable would be to increase the tax and make an automatic limit to 40% on the deduction.

Chmn. Cowper asked if there was objection to Rep. Freeman's motion to report out a Finance CS which would incorporate his suggestions. There being no objection, the motion carried.

*Report Out
Finance CS
for SB149*

Discussion regarding better auditing of the use by the oil companies' vessels.

Discussion of SB 167

*Discussion
of SB 167*

Rep. Swanson made a motion to amend Page 5, Line 10 by putting back the "\$500" figure. There was objection, the motion carried.

Motion =

Rep. Meekins made a motion to amend by striking all of the language on Page 5, Line 5 to Line 19. There was objection, the motion carried.

Motion

Rep. Haugen made a motion to report out a Finance CS with the adopted amendments. There being no objection, motion carried.

*Report Out
Finance CS
for SB 167*

Adjourned at 6:00 p.m.
Tape H77-73, Log 0000
to Log 1549

Adjourned

HOUSE FINANCE COMMITTEE
Saturday, May 7, 1977
11:15 a.m.

All Committee members were present with the exception of Representatives Cowper, Haugen and Gruening who were in Free Conference Committee. Also present were Michael Smith, Asst. Commissioner, Dept. of Natural Resources, and Don Berry, Exec. Director, Municipal League.

Discussion of HB 133

*Discussion
of HB 133*

Vice Chairman Freeman requested Rep. Schaeffer to explain the proposed amendments. Rep. Schaeffer gave a brief explanation.

Rep. Meekins asked if the problem is that the land is classified in a manner that does not really apply to it. Mr. Smith responded, stating that the state has certain land classifications under resources management. All of the land of the North Slope Borough is classified as resources management. North Slope Borough filed for 197,000 acres. The State maintained that those lands are not available. The North Slope Borough took it to Superior Court and a decision came down that the lands are in fact not available. They have appealed it to the Supreme Court.

*Michael
Smith, Asst
Comm., Dept.
of Natural
Resources*

The selection can only be fulfilled by land or in cash payment in lieu of the land. The total number of acres is a vested right. Before a municipality can go into the fund for the cash, they have to be in a position that there is no available land to select. In the case of the North Slope Borough, the 197,000 would have to be taken in cash, the land is not available. A good estimated figure is that the minimum could be \$12 million and the maximum could be \$39 million.

Mr. Smith said that he is explaining this for the municipalities not as the position of the state. The state is allowed to select land. Fourteen years ago the state forced 14 municipalities to organize into boroughs. When they did organize, they were told they could select 10% of the land.

Kenai, Kodiak and Anchorage municipalities' amount of entitlement is going to be larger than the amount of available land. In the North Slope Borough matter the state made a promise and then took it back. The figures are much less than the actual value of the land.

Rep. Meekins expressed his feeling that he doesn't like giving away 100 million acres, but that the state is locked into it

Tape
H77-13
H77-14
209 1150-
0588

by law. In court the municipalities could probably get more than what is asked here.

*Discussion
of HB 133*

Mr. Smith commented that if it were assumed that the North Slope entitlement were used, the amount would probably be more than \$85 million. They could wait and see what eventually happens with the land there, but they have had a revenue problem and they feel they should use some of this entitlement and receive some of their needed revenues.

Rep. Duncan commented that there is a memo from the City Attorney and it doesn't say anything at all regarding this amendment.

Mr. Smith replied that the Southeast has already been interested in the entitlement if there is access to the fund within seven years. In the case of Anchorage, the only reason they have not been in court on this is because they know that this bill is being proposed. Everybody outside of Southeast would receive their land out of the general grants land entitlement. In Southeast the state is entitled to select only 10% of those lands. 10% is only 40,000 acres.

Comments by Rep. Freeman as to the inequities in the law passed regarding these entitlements.

Mr. Smith said that the larger municipalities will not receive additional because they have the lands there already. If the courts decide that one or more of the villages cannot get into this fund, they must select the lands or they can wait.

Rep. Duncan commented that in the committee substitute on page 8 there is a provision regarding payment to the City and Borough of Juneau. Why don't we defer all of them? We have heard other people say that the North Slope doesn't want the land, they want the money. Why not defer some of the others around the state?

In answer, Mr. Smith replied that participation in the fund is not possible for those municipalities where the land is available.

Rep. Freeman thanked Mr. Smith for his assistance and introduced Mr. Don Berry, Executive Director, Municipal League.

Mr. Berry said the Municipal League supports the bill because the land selections matter has been an issue for a

*Don Berry,
Municipal
League*

long time and they finally got everybody together enough to come up with something. With these guidelines, the bill that was passed previously can be corrected.

*Discussion
of HB133*

Rep. Rhode asked if the people who the League has been involved with on this are satisfied with this bill. Mr. Berry replied that they will support it 100% depending on what is done with the North Slope Borough, meaning that if the bill went through the way it is now, the North Slope Borough would not support it, and it therefore would not be 100% support.

When asked by Rep. Duncan if this was ever discussed with the North Slope Borough, Mr. Berry replied that they were invited to attend and join in the formulation of the bill, but did not respond. The League just heard from them for the first time regarding this bill last week.

Mr. Smith commented that as it stands right now, the municipality has a promise of 10% and an amount to organize, but the Community and Regional Affairs Committee feels that they should be given the time and the funds to look into this further.

Rep. Freeman thanked Mr. Berry for his assistance and introduced Ms. Jessie Dodson, Special Assistant to the Governor.

Ms. Dodson said that the Governor's Office strongly supports the bill as it stands. The main point is that unless a land selection bill is passed, there is very little hope of getting private lands into the hands of individuals and municipalities.

*Jessie
Dodson,
Governor's
Office*

Mr. Smith explained the administrative appeal process for those municipalities that protest this act.

(Chairman Cowper arrived - 12:15)

Chmn. Cowper stated that it would be good policy to refer this bill to a subcommittee as the issues involved are too complex and the fiscal impact too great to decide in a committee meeting. Representatives Duncan, Meekins, Schaeffer, and Haugen said they would be interested in working on the subcommittee and Cowper appointed himself to the subcommittee as well. Rep. Schaeffer is to be the chairman.

*HB 133 Re-
ferred to
Subcommit-
tee*

Mr. Smith commented that the state is currently being sued by two municipalities regarding this matter and that the decisions will set a precedent of the manner in which future actions will be decided.

Discussion of Proposed Finance CS for SB 149

Rep. Duncan made a motion to report out the proposed Finance

*Discussion
of Finance
CS for
SB 149*

5/7/77

CS deleting the exemptions and increasing from 4¢ to 5¢ per gallon. There was objection.

Rep. Duncan stated that the Governor would veto the harbor projects if the legislature didn't increase the figure.

Rep. Freeman said he had received the same message, but that it is his feeling that if the Governor wants to veto bills that's his business, and that it is a poor practice to find out if everything is going to be vetoed and how we should put the bill together to make it acceptable. I intend to oppose the bill and will oppose it on the floor as well.

Rep. Duncan replied that there are some critical problems as far as some of the boat harbors go and that it seems to him that it is necessary to bend a little to serve the public.

Further discussion.

Chmn. Cowper called the Committee's attention to the motion to accept the bill selected yesterday (5-6-77) with an amendment to raise the tax from 4¢ to 5¢ per gallon. Upon a vote, the motion carried.

Finance CS
for SB 149
Report Out

Meeting adjourned at 12:50.

Adjourned

Tape H77-73, Log 1550
to H77-74, Log 0588

HOUSE FINANCE COMMITTEE
Monday, May 9, 1977
4:00 p.m.

All Committee members were present. Also present were Commissioner Gallagher, Department of Revenue, Richard M. Donaldson, V.P. for Government & Public Affairs, SOHIO, and Rep. Miles.

Discussion of HB 322

*Discussion
of HB 322*

Mr. Donaldson said that "calling it a franchise tax does not change the fact that it is really still an income tax." There isn't any question whether SOHIO has extensive financial autonomy. Also, "think that the definition in the bill regarding British Petroleum doesn't really square with the law." Discrimination - proposes to tax the larger companies more than the smaller ones. Would have to challenge in court.

*Richard
Donaldson,
SOHIO*

Key point - duplicative taxation. Measurement of three things: people in the state, property in the state, and volume (sales and extraction factor). Three factor formula comes out to 130% being taxed, duplicated taxes for B.P. What the law does now is tax what is within Alaska; the extraction factor would tax everything done within and without the state.

Commissioner Gallagher asked Mr. Donaldson what they do about the double sales taxes problem in other states. Answer: "What I have shown you is the impact on us here. What is done elsewhere does not apply." We have tried to compare Alaska's overall burden with other states and will stand on the figures we came up with. The comparison shows Alaska as being as high as 180% of some of the other states such as Texas.

The effective rate of taxation would be beyond the state's ability to tax and the extraction factor is the cause of this.

In answer to a question by Rep. Gruening regarding SOHIO's feeling toward the book income tax approach, Mr. Donaldson replied that the one that most bothers them is the extraction factor. He said he would respectfully request that the Legislature take another six months or so to decide on this.

Comm. Gallagher commented regarding Mr. Donaldson's statement that the state had done its estimates from what it thought SOHIO should have paid in federal taxes and they had done theirs on what they actually paid. He said if the other states had done a good job in administering their laws SOHIO might very well have paid as much. SOHIO's federal taxable income for last year was just under 5%.

*Comm. Gallag-
her, Dept.
of Revenue*

Mr. Donaldson replied that SOHIO's federal tax is low because they are ^{not} in production yet. It is no measure of the federal taxable income in the future. What we paid in other states where we are in production is a good measure because they are actual figures of production and income, not a projection.

Rep. Gruening made a motion to report out a Finance CS for HB 322 with the following amendment on P. 4, Line 2: after "taxable year" insert "calculated using historical cost account." Chmn. Cowper asked Comm. Gallagher if he had any objection to the motion. There being no objection by the Commissioner or members of the Committee, the motion carried.

Report Out
Finance CS
for HB 322

(Changed tape - H77-75)

Discussion of HCR 67

Discussion
of HCR 67

Rep. Miles explained that the reason for HCR 67 is that there is a considerable lack of energy policy in the state. This resolution is part of a concerted effort to provide Alaska with an energy policy. The fiscal note calls for \$65,000, divided between Personal Services and Travel monies for the committee.

Rep. Miles

Comments by Rep. Meekins and Rep. Swanson regarding the overabundance of subcommittees in the state and the result of an energy policy created under the auspices of the Commissioner of Natural Resources.

Motion to report out HCR 67 carried with no objection.

Report Out
HCR 67

Meeting adjourned at 4:45 p.m.

Adjourned

Tape H77-74, Log 1866
to H77-75, Log 0221

HOUSE FINANCE COMMITTEE
May 9, 1977

Members present: Representatives Duncan, Cowper, Freeman, Rhode, Haugen, Swanson, Guy, Schaeffer, Gruening. Others present: Representatives Miles, Brown, Snider; Sterling Gallagher, Commissioner, Dept. of Revenue; Leonard Lane; John Messenger, Dept. of Revenue.

SCR 17, Commending the Governor's Management and Efficiency Review Team, was the first order of business. It was reported out with a unanimous "do pass" recommendation.

HB 365, Revolving loan fund for residential care facilities, was next before the Committee. Rep. Miles said a revolving loan fund was put together for those areas that may need help. There's no fiscal note. The companion bill was amended upward \$250,000 in the HESS Committee. The maximum loan would be \$20,000. Commissioner Gallagher said the language in (b) was not good constitutionally. It should be "may" purchase instead of "shall" purchase. Chairman Cowper moved to report out Finance Committee Substitute for HB 365 with the following changes: page 2, line 8 change \$10,000 to \$20,000. page 3, line 8 delete "shall" and replace with "may". No objection, so Finance CS for HB 365 was reported out with "no recommendation".

HB 366, the companion to HB 365, was next to be discussed. Rep. Miles said the reason for increasing it is that the maximum was raised. Chairman Cowper moved to report out Finance Committee Substitute for HB 366 substituting the sum of \$100,000 for \$50,000. There was no objection, so Finance CS for HB 366 was reported out "without recommendation".

SB 134, Relating to the paperwork requirements of state government, was next before the Committee. Leonard Lane of the Governor's Office was present to testify. Mr. Lane said he felt this belonged to the Dept. of Administration and not the Office of the Governor. In relation to the Efficiency Study, this sort of thing is being cleared out of the Governor's Office. Chairman Cowper said there had been a suggestion by the State Affairs Committee that the Act expire on July 1, 1979. Mr. Lane said he had no problem with that.

Mr. Lane said he would like to see a major amendment to the bill where agencies are moved from the Office of the Governor to the department where they will better serve. He asked that SB 100 be attached to the bill. Chairman Cowper moved to report out the SB 134 as a Finance CS incorporating the State Affairs amendment regarding an expiration of July 1, 1979, with the fiscal note the same through 1979. There was no objection, so Finance CS for SB 134 was reported out with a "do pass" recommendation.

HB 322, establishing an oil and gas corporate franchise tax, was next before the Committee. Chairman Cowper asked for the basic theory of the bill.

Commissioner Gallagher said this is an income tax bill which is under the franchise bill. This looks at the worldwide income for a firm and looks at income earned in Alaska and looks at property, payroll, and extraction. The alternative to that is a separate accounting system. A franchise tax is a tax on the right to do business in the state. One of the reasons to have a franchise tax on the right of doing business falls on a legal concept of taxability. Finance statement income is not unusual in the state because we tax our banks under that method. This bill will add the federal deductions back in and you will get back to what they report to stockholders. If the bill passes the increased revenue to the state would be \$95-100,000,000 per year. That's a 9 1/4% rate of return, which everyone else has to pay.

Mr. Messenger said there are two problems with our present income tax. One is the definition of net income. To correct the deficiency a tax based on book income is proposed. The other major deficiency is in the apportionment formula. The present formula is property, payroll, and sales. The sales factor is the major offender. Substituting an extraction factor for the sales factor is proposed. As a practical matter, it is very unlikely there would ever be a circumstance of double taxation because of the nature of large multi-national companies.

There was a brief pause in the meeting, and another secretary took the minutes from this point.

Tape H 77-74 (0590 -)

HOUSE FINANCE COMMITTEE

May 10, 1977

4:20 p.m.

Members present: Rhode, Haugen, Guy, Schaeffer, Freeman, Swanson, Meekins, Gruening, Buchholdt, Duncan. Others present: Donald Wold, Executive Director, Royalty Board.

HCR 59, Approving the disposal to Golden Valley Electric Association, Inc., of royalty oil taken in-kind, was first on the agenda.

Mr. Wold said this is for Golden Valley, which is a public utility company. They have demonstrated the need for this oil. It's a simple contract, the only problem is that the state pricing policy is the highest of prices. Vice-Chairman Freeman asked if the state would get as much money for it. Mr. Wold replied that they would probably get more. Golden Valley can cancel a contract with seven months notice. This contract is designed to get them started by the end of the year in royalty oil.

Rep. Rhode moved to report out HCR 58. Rep. Buchholdt asked how often a contract had to be approved. Rep. Rhode answered every six years. Rep. Buchholdt asked what percentage of the state's 1/8 goes to Golden Valley. Mr. Wold answered that it was approximately 2%. Rep. Swanson expressed concern that higher prices will be paid by the consumer. There was no objection, so HCR 59 was reported out with a "do pass" recommendation.

HCR 58, Approving the disposal to Alaska Pipeline Co. of royalty gas taken in-kind, was next before the Committee.

Mr. Wold explained that this had to do with a contract entered into last year. In the lease agreements the state has the option of taking gas at the wellhead or at a specified point. Phillips Utility is a private company that does not wish to be treated as a public utility. In this contract we are trying to accomplish taking part of the oil and gas in kind and part in value. Since we avoid the jurisdiction of the PUC, there's no one to protect the consumer with respect to charges. Rep. Meekins moved to report out HCR 58. There was no objection, so HCR 58 was reported out with a "do pass" recommendation.

The meeting was adjourned at 4:50 p.m.

Tape H 77-75 (0223 - 0966)

HOUSE FINANCE COMMITTEE
Wednesday, May 11, 1977
1:30 p.m.

All Committee members were present. Also present were Rep. McKinnon, Milt Barker, Fiscal Analyst, Legislative Finance, Jerry L. Schrader, Director, Division of Mental Health, Rep. Rudd, Janet Bradley, Asst. Director, Human Rights Commission, and Shari Gross, Representative, Conference on the Observance of International Women's Year in Anchorage.

Discussion of SB 109

*Discussion
of SB 109*

Dr. Schrader said the Division of Mental Health supports SB 109. The bill is primarily to pay for the travel of the board members of the Board of Licensing. There has been difficulty in getting a full board together since two of the members are lay persons and they have no vested interest and are, therefore, reluctant to pay their own travel expenses at times.

*Schrader, Div
of Mental
Health*

Rep. Duncan made a motion to report out SB 109. Rep. Freeman objected.

Dr. Schrader explained that the board is responsible for licensing psychologists in the state. It is the only licensing board where travel and per diem is not paid. The board has tended to become an Anchorage board since it was least expensive for it to be in Anchorage. There is a need for board members to come from other areas.

Rep. Gruening made a motion to report out SB 109 with unanimous consent. Objection was noted, the motion carried with individual recommendations.

*Report Out
SB 109*

Discussion of HB 399

*Discussion
of HB 399*

Rep. McKinnon said that HB 399 is for the creation of a special utility consumer counsel. The rate-payer is not represented before the Public Utility Commission generally.

Chmn. Cowper asked if the latest fiscal note is consistent with the committee substitute. McKinnon replied that the Attorney IV they are requesting is already in this year's budget. In reality, the fiscal impact is zero. Might involve shifting monies from the Department of Law to this one. Additional monies requested are included in the Department of Law fiscal note. The same person who handles these matters in the Department of Law now would be moved into this position. Both fiscal notes should be combined - PUC's should be zero. Each agency submitted a fiscal note of what they assessed the impact to be on their agency.

re

Comments and further discussion/the purpose of the counsel.

Chmn. Cowper commented that the Department of Law should be requested to prepare a new fiscal note or that the Committee should prepare another one.

Rep. Gruening made a motion to report out a Finance CS for HB 399, but hold for a revised fiscal note. There was an objection which was withdrawn after further discussion. Motion carried with a majority "do pass" recommendation.

Report Out
Finance CS
for HB 399
"Do Pass"

Re HB 407

Rep. McKinnon gave a brief explanation of HB 407. "An Act relating to emergency medical services."

Report Out
HB 407

Rep. Duncan made a motion to report out HB 407. There being no objection, motion carried.

Discussion of HB 303

Discussion
of HB 303

"An Act creating the Alaska Commission on the Status of Women."

Rep. Rudd explained that the Commission would be composed of nine people who would do research and studies and disseminate the information they gather. There used to be a commission on the status of women that was rescinded because it was never funded. The purpose of the re-creation of the commission would be to implement the recommendations contained in the preliminary study mandated by the Ninth Legislature and improve the status of women in Alaska.

Rep. Rudd

Rep. Rudd suggested a life-time period of the commission of five years.

Janet Bradley, Assistant Director, Human Rights Commission, said that the seven Commission members who make the policy of the Commission unanimously agreed to support the concept of the bill. The status of women commission would fill a different role than the Human Rights Commission as the Human Rights Commission is primarily oriented to the processing of cases and enforcement of the law. Presently there is no special funding for public education. The Human Rights Commission expects to work closely with the Status on Women Commission, if it is created, and will file complaints upon their request.

Janet Bradley
Human Rights
Commission

Shari Gross, representing the Conference on the Observance of International Women's Year recently held in Anchorage, said

Shari Gross
Conf. on

that there was unanimous support for the passage of HB 303 by those persons present. Delegates were asked to rank in the order of their priorities what such a commission should cover. Some of the priorities listed were to sponsor an annual conference, study and make public a report on problems of elderly women, minority races, young women and others. Particular interest in full-funding was expressed to allow the Commissioner and staff to travel to the villages and other outlying areas. There was a large native caucus that felt that the previous study had not covered the problems of the native communities women.

*Observance
of Int'l.
Women's
Year*

(Changed tape - H77-76)

Further discussion regarding representation at the conference and the reasons why it is preferable to not put this under the Human Rights Commission.

Rep. Cowper asked Rep. Rudd if she felt that every minority group in the state should be allowed to have their own commission. In response, Rep. Rudd said the reason this was introduced is that 17-20 problem areas of women that have not been addressed were disclosed in the previous study. Rep. Rudd said that she would take the view that if any other group within the state did a study exposing real problems and a real need for further studies, they should also have a request for a special commission seriously considered. One of the problems, as an example, women face in the state is the unavailability of insurance to single women. The only way this type of thing can be handled is by mass education and a group to really tackle it and spend their full-time at it.

Rep. Cowper responded that a problem such as this could be addressed by the Legislature and that if the state is going to put out the money for this, it seems like it would be more effective to address through legislation.

Rep. Rudd said that one of the main things women in the state need is a group to disseminate information around the state. There are a lot of problems that are unaddressable through the Legislature.

Rep. Meekins commented that he supports this bill, but thinks the \$250,000 figure is high and that the original request figure is more appropriate.

Rep. Duncan made a motion to amend CSHB 303 by adding a new section - "Sec. 2. The Alaska Commission on the Status of Women created under AS 18.110.010 shall terminate on June 30, 1981." Rep. Gruening objected and proposed a termination date of June 30, 1979. Rep. Duncan objected and commented that he doesn't think that anything can be accomplished in a two-year program.

*Motion to
Amend*

Rep. Cowper commented that he thought the study itself had much less funding than this and accomplished a great deal

in less than one year. The program could be extended at the end of the two-year period if necessary.

Rep. Buchholdt commented that one of the reasons that it was so much less then is that there was a lot of volunteer work done. Strongly support this bill and would like to see that it should go for a five-year period.

Rep. Cowper said that he would support it with a two-year life span, but not more than that. Reminded the Committee that the question is on the amendment to the amendment. The effect of the latter amendment would be to cut the life span down to two years. There being no further discussion regarding the amendment, the motion carried with objection noted.

*Motion to
Amend Pro-
posed Amend-
ment Car-
ried*

Rep. Meekins made a motion to amend the language on Page 2, Lines 8 to 10 by deleting the first three sentences and including that the term of office of each member is two years. Motion carried with no objection.

Amendment

Rep. Haugen made a motion to refer the bill to a subcommittee. There was objection.

Rep. Cowper said he had intended to go into the fiscal note in some detail.

Rep. Swanson made a motion to strike the language on Lines 23, 25 and 26 on Page 2. Motion failed.

Rep. Cowper stated that it would be his intention that if this goes to a subcommittee, they would have a revised fiscal note back in Committee tomorrow. There are certain aspects of the fiscal note that bother him.

Rep. Rhode made a motion to amend P1 1, Line 20 and 21 by deleting the words "women's organizations". Motion failed. Motion for amendment to P. 1, Line 20 and 21 by adding the words "men's organizations" after the words "women's organizations". Motion failed.

Chmn. Cowper said that a motion to report the bill out is in order, but that the fiscal note would have to be revised. For the purposes of this motion, the Committee will have to assume that the fiscal note will remain the same. Motion to report out a Finance CS for HB 303 carried.

*Report Out
Finance CS
for HB 303*

Meeting adjourned at 4:20 p.m.

Tape H77-75, Log 0966
to H77-76, Log 1406

HOUSE FINANCE COMMITTEE
Monday, May 16, 1977
1:25 p.m.

All Committee members were present with the exception of Representatives Haugen, Swanson and Gruening. Also present were Rep. Nakak, Liz Arnold, Asst. Atty. General, David Gray, Asst. to Sen. Ferguson, Rep. McKinnon, Larry Markley, Chugach Electric Association, Rep. Rudd, Bill Thomson, Department of Education, and James Pfiefer, Division of Insurance.

Discussion of SB 150

*Discussion
of SB 150*

Rep. Meekins explained that SB 150 is being used as a vehicle to put in appropriations for Bering Straits and other REAA's. The REAA's inherited some very old and poor school buildings. They used monies from their operating budgets to begin upgrading and making repairs. The Administration made a loan to them, but it is felt that they should not have to pay it back. The Department of Public Works estimated that in order to bring the schools up to standard it will take a lot more than the amount loaned by the Administration. The two proposed amendments begin on Line 20 and 26.

In response to Chmn. Cowper's question as to the position of the Department on this, Rep. Meekins said he had worked closely with Mr. Thomson and that a Letter of Intent would be drafted to accompany the CS.

Rep. Nakak commented in response to the Chairman's inquiry regarding a breakdown of the figures that they do not have a specific breakdown and that these monies would be injected into the REAA's for maintenance, reparation, etc. The \$755,371 is the original budget figure.

Further discussion regarding the purpose of the requested amounts.

Chmn. Cowper instructed that the Finance Committee would like it to be made clear in the Letter of Intent that the \$2,000,000 does not include the \$755,000 for the Bering Strait REAA.; that the Bering Strait should be a separate one; and that the net result of the proposed CS should be to place the Bering Strait REAA in approximately the same position as the other REAA's.

*Discussion to
be continued
upon arrival
of Mr. Thomson*

(Rep. Meekins informed the Committee that Mr. Thomson was on his way over to assist them regarding this bill. Chmn. Cowper said they would take up another bill until Mr. Thomson's arrival.)

Discussion of SB 295

*Discussion
of SB 295*

David Gray, Assistant to Senator Ferguson, spoke in explanation and support of SB 295.

Chmn. Cowper asked Mr. Gray if he was present in the Senate when they heard this bill, and what was the Administration's position on this, and did the Comm. of Public Works express opposition to the figure in the hearings? Mr. Gray replied that he did not recall any opposition, but that he would have to check the record for a definite answer.

Rep. Duncan made a motion to report out SB 295 with unanimous consent. There being no objection, the motion carried. Reported Out SB 295

Discussion of SB 50

*Discussion
of SB 50*

Rep. McKinnon explained the State Affairs CS for SB 50.

Rep. Duncan referred to a letter to Rep. Cowper from Comm. Hall, Department of Commerce & Economic Development, regarding Section 5 of the committee substitute.

Chmn. Cowper asked if there were further questions of Rep. McKinnon regarding Sections 5, 7, 8 and 9 of the House State Affairs CS.

Reps. Rhode and Haugen expressed their opinions that the original bill was good, but that the additions are not acceptable to them.

Rep. Rudd also expressed concern regarding the additions to the bill and said that she supports the original version as well.

Larry Markley representing Chugach Electric Association commented on the Chugach Electric Association's position on the additions to the bill, specifically, regarding inclusion of "lobbying" in Section 6.

Rep. McKinnon commented that the Public Utilities Commission has apparently changed their attitude toward Section 8. Comments by them were favorable towards the first four sections and they do not concur with Sections 5 and 6. They have no objection to the proposed language of Section 7.

Chmn. Cowper made a motion, for the purposes of discussion, that the committee report the original bill out, including Sections 1 through 4, and include Sections 7, 9 and 10 of the House State Affairs Committee Substitute, with the observations that the provisions of Section 5 might be included in other more all-encompassing legislation.

Reps. Freeman and Haugen stated that they would prefer to report out the original bill. Rep. Freeman moved that the Committee report out SB 50 am in the form as adopted by the Senate. There was objection.

Rep. Cowper moved to amend the motion by proposing to include Section 7 of the HCS. There was objection.

(Changed Tape - H77-77)

Rep. Cowper proposed an amendment to Page 4, line 4 of the House CS by inserting "shareholders and" after the word "informing". This was suggested by the Public Utilities Commission. There was an objection, and after some discussion the amendment was adopted.

Rep. Cowper proposed that Section 9 of the House CS be adopted. There was no objection and the motion carried.

The Committee then entertained the main motion to report out a Finance CS with the adopted amendments. The motion carried with a majority "do pass" recommendation.

Report Out
Finance CS
for SB 50

Discussion of HCR 54

Discussion
of HCR 54

Chmn. Cowper informed the members that HCR 54 should have no fiscal impact on the state and that he doesn't expect it to pass both houses this year. It is based on a resolution last year that they would build a power plant or expand the present one at the University.

Rep. Freeman made a motion to report out HCR 54 with unanimous consent. There being no objection, the motion carried.

Report Out
HCR 54

Continuation of Discussion of SB 150

Continued-
Discussion
of SB 150

Rep. Cowper asked Mr. Thomson if the figures that are reflected in the bill as it passed in the Senate are still correct and how much was spent by Bering Strait in repairing and bringing up to standard the school facilities. Mr. Thomson answered that they had spent approximately \$108,000 last year. Question: How would the Department go about choosing the projects to fund with the \$2 million? Answer: By need first. One of the problems they have incurred is the fire code requirements. The Fire Marshall of a district sets a deadline and the school can be closed down if not brought up to code (subject to discretion of the Fire Marshall) by that deadline. Reply by Cowper that there is legislation taking care of the liability problem. From the standpoint of the safety of the students, do you think there would be anything substantially different in the approach? Thomson: One of the things is that this appropriation will lapse by the end of June. If something goes out, such as

a boiler, there is an immediate need. Question: Is it your opinion that most of the deviations from the fire code are actually dangerous or just technicalities? Answer: That is difficult to say. The fire marshalls always reserve the right to change their minds even after they have approved the plans, etc. There is a fine line to draw between when it is harassment or actually a dangerous situation. Comments regarding the Metlakatla school.

Rep. Cowper commented that the Budget and Audit Committee had gotten on the fire marshall after the Nordale Hotel burned and another place. Perhaps the Legislature is going to have to consider some far-reaching legislation regarding the matter.

Chmn. Cowper suggested that the Committee appropriate \$400,000 to Bering Strait, add \$350,000 to the \$2 million (including Bering Strait), and add in the money required to make an assessment of the REAA schools statewide with a Letter of Intent that it be broken down in two categories - repairs necessary for the safety of the students, and repairs to bring just up to code. Make the appropriation so that it doesn't lapse. That should take care of the immediate problems of Bering Strait and repairs of the school in that district.

Mr. Thomson suggested that the "Major Maintenance" should be appropriated to the Department of Public Works.

Chmn. Cowper referred SB 150 back to the Subcommittee and requested the Subcommittee Chairman, Rep. Meekins, to draft a Committee Substitute with the proposed amendments. Rep. Nakak said he would be glad to work in the Subcommittee in support of the proposed changes.

SB 150 Referred back to Subcommittee

Comments by Rep. Haugen and others regarding the inter-agency struggle, i.e. the fire code problems, and the necessity that the Legislature work out a resolution.

Discussion of HB 399

Motion to adopt the House Finance Committee Fiscal Note revised as of May 16, 1977 carried unanimously.

Adopted Revised Fiscal Note for 399

Discussion of HB 303

Motion to adopt the revised Fiscal Note in the amount of 138.3 carried unanimously.

Adopted Revised Fiscal Note for HB 303

Comments regarding the Budget and Audit Committee interim meetings.

Rep. Duncan made a motion to reconsider SB 150 and add \$15,000 to Community Facilities Development for Cultural Centers Development. Development of art theatres have a shortfall of \$15,000. There was objection and brief discussion and the motion failed.

Discussion of HB 409

*Discussion
of HB 409*

Liz Arnold, Assistant Attorney General, explained that she was assigned to work with the Catastrophic Illness Committee. Probably in haste last year a paragraph was added to a Medicaid bill which created a catastrophic illness statute. Placement of the statute is incorrect and has caused some problems. The HESS Committee's bill proposes to move the statute, defines the committee's powers, and clarifies the intent. From a legal standpoint, the statute needs to be removed completely or done in the manner proposed by the HESS Committee. The Catastrophic Illness Committee really needs some time to gain some experience. The Administration supports the HESS bill.

Rep. Buchholdt proposed an amendment which, if adopted, would change the appropriation from \$457,000 to \$657,000. The Hospital Association feels that up to \$1 million should be appropriated. The \$657,000 figure was recommended by Health Insurance Association of America.

Comments regarding retroactive question.

Comments regarding the need for catastrophic illness assistance.

Liz Arnold commented that the \$300,000 Fiscal Note figure is a very unrealistic figure.

James E. Pfeifer, Division of Insurance, said the Division has some reservations, but generally supports it as a temporary measure. An in-depth study needs to be done. Reservations are primarily (1) designates too much power to the Catastrophic Illness Committee, and (2) there is a wide disparity between the appropriation and the actual amount needed.

Chmn. Cowper asked if the Administration has indicated that they are going to come up with a better bill and if Mr. Pfeifer has any idea what it would cost a person to get catastrophic illness insurance on a private basis. Answer: It would depend on what type of a program it is. If put under another one, such as Blue Cross, it would probably be nominal. Question: How much would it cost for the state to pick up the tab to insure each Alaskan resident? Answer: That, of course, is socialized medicine. Further discussion.

Rep. Haugen asked Mr. Pfeifer if the Division of Insurance would be willing to work with the Legislative Council and come back with a proposal on this. Mr. Pfeifer replied that they would be glad to.

Chmn. Cowper commented that he would like to know more about the fiscal implications of Rep. Buchholdt's proposed amendment. Liz Arnold replied that the bill in its current form would not allow the Catastrophic Illness Committee to come back with a supplemental.

Rep. Buchholdt explained her proposed amendment.

Chmn. Cowper referred HB 409 to a subcommittee with Rep. Buchholdt as Chairman. Liz Arnold and Mr. Pfeifer were requested to work with Rep. Buchholdt.

*HB 409 Re-
ferred to
Subcommittee*

Meeting adjourned at 4:30 p.m.

Adjourned

Tape H77-76, Log 1388
to Tape H77-77, Log 1936

HOUSE FINANCE COMMITTEE

May 18, 1977

2:00 p.m.

All members of the Committee were in attendance except Representative Gruening. Representatives Meekins, Schaeffer and Haugen arrived later in the meeting. Also in attendance: Representative Nels Anderson; Representative Mike Miller; Robert S. Gates, Division of Retirement and Benefits; Ken Spray, Alaska Public Service Employees, Local 71; and Roy Dunn, Alaska Public Employees Association.

PRESENT

Chairman Cowper called the meeting to order and stated that HB 462 (an act making a special appropriation to the Bristol Bay Regional Development Council) would be brought up for discussion. Representative Nels Anderson was in attendance to testify on this bill.

HB 462
DISCUSSION

Representative Anderson stated he is appearing before the Committee to ask them to extend the term of the Bristol Bay Regional Development Council for an additional year, to run through June 30, 1978. Representative Anderson stated there have been some significant strides forward because of the development of the Council. He advised the Council has prepared three directories, one of which is an overall economic development plan for the Bristol Bay Region. The Council is requesting their term be extended for one year because they have assumed several projects that need to be worked on.

In answer to a question from Chairman Cowper, Representative Anderson stated these projects include: encourage the Bureau of Indian Affairs to establish a regional office in the Bristol Bay area; work with Division of Economic Development in encouraging the Department of Fish and Game to evaluate reindeer herding in Bristol Bay as an industry; work towards transplanting Musk Ox to the Bristol Bay area; encourage the University of Alaska to consider establishing an agricultural extension area in Bristol Bay; establish an economic development planner to gather economic material in the Bristol Bay Area; encourage the State to establish an office in the Bristol Bay area so people in that area can take advantage of loan programs within the state; and develop additional statistics to stimulate local initiative. Representative Anderson stated the Council has developed ten projects they would like to continue working on.

[Representative Haugen arrived at this time.]

Representative Anderson stated the four village councils and the Bristol Bay Native Association have passed resolutions requesting the continuation of the Bristol Bay Regional Developmental Council.

[Representatives Meekins and Schaeffer arrived.]

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Representative Buchholdt stated she recalls hearing the same arguments last year, and asked how long the Legislature has been funding the Council. Representative Anderson advised the Council was established in 1974 and \$274,000 was appropriated at that time. He stated that in 1974 there was no activity; in 1975 Council members were appointed and began putting together a study of what could be done so the Bristol Bay area would not be dependent on salmon as its sole source of income. He advised that in 1975 the Council's term was extended and it continued to utilize the funds from the original appropriation. He stated that in 1976 the term was again extended for one year and an additional \$36,000 was appropriated. They also had some funds carried over from the original appropriation.

[Representative Meekins left at this time.]

Chairman Cowper asked what the Council's budget was now and Representative Anderson stated they were appropriated about \$36,000 last year and they had an additional approximate \$32,000 in unexpended funds from the original appropriation.

Representative Buchholdt asked what the local government in the Bristol Bay area is doing for the economic base. Representative Anderson responded that the Bristol Bay area does not have a borough that covers all the villages within that region. He stated the second class cities have no long term planning capability.

Chairman Cowper requested a copy of the Council's operating budget. Representative Anderson stated he would provide further information on this.

Representative Swanson stated the monies that have been appropriated to the Council could probably be better utilized if they were spent on recent disasters. Representative Freeman stated he thinks the fact that the Council did not expend all their funds immediately is to their credit and if the State can help a community find a sound economic base it should. Representative Guy stated it would be a detriment to Bristol Bay and to the State if the legislature were to cut off funding for the programs that have been started in the past two years.

Chairman Cowper moved to defer taking action on HB 462 until further information on their budget was obtained. There being no objection, it was so ordered.

HB 462
HELD OPEN

Chairman Cowper stated that SB 280 (an act making a special appropriation to the Department of Natural Resources, division of agriculture, to fund state participation in the National Cooperative Soil Survey) was the next bill to be discussed.

SB 280

Chairman Cowper stated there is a memo in the bill file and a fiscal note on this bill.

Representative Rhode moved that SB 280 be passed from Committee with a do pass recommendation.

SB 280
MOTION

Chairman Cowper moved to amend the motion to change the title to include "Department of Public Works" and to change Section 3 to add the sum of \$500,000 to be appropriated to the Cold Bay dock facility. He stated the language would be the same as the language in section 1 of House Bill 189. He further moved to add section 4 stating "this act takes effectively". There being no objection to the amendment, it was so ordered.

House CS for
SB 280
MOTION

Representative Duncan moved to amend the amended motion to change the title to include the "Community Facilities Development Committee" and to include a new section 4 appropriating \$15,000 to this Committee. He stated the language in this section would be the same as what is currently in HB 436. He further moved to change Section 4 in Chairman Cowper's motion to Section 5. Discussion on this motion. Representatives Haugen, Freeman and Cowper opposed. Motion carried.

Question on the main motion as amended. Representative Rhode opposed. Motion carried.

Chairman Cowper advised the next bill to be discussed was HB 25 (an act relating to sick leave credited as service credit in the Public Employee's Retirement System of Alaska). Representative Duncan stated they are looking at the Committee Substitute as prepared by the State Affairs Committee. He explained the purpose of the bill and stated the difference between the original bill and the Committee Substitute is that the Committee Substitute allows for a period of time to elapse in order to verify records.

HB 25

Mr. Gates, Division of Retirement and Benefits, appeared before the Committee to testify on this bill. He stated he believes the main issue is the cost if this bill is passed. Mr. Gates stated he does not have a final figures, but the estimated cost is \$1.6 million for next year. Chairman Cowper stated this bill does not have a fiscal note.

Chairman Cowper asked Mr. Gates if he had any comments on behalf of the Administration on this bill and Mr. Gates stated he does not see any real problems with the bill. He stated the only concern seems to be will the concept of allowing credit for sick leave.

Representative Duncan asked Mr. Gates to explain the \$1.6 million figure and Mr. Gates said the data used was based on nine days of unused sick leave per employee per year. In answer to a question from Representative Duncan, Mr. Gates stated the employer benefit costs will go up somewhere between .80 and .90 percent of pay. He stated employer costs are currently 11.56% and if this bill is passed that will be increased to about 12.45%.

In answer to questions from Representative Swanson, Mr. Gates stated that, under this bill, if an employee retires after twenty-five years of service and he has accumulated one year of sick leave; a year later his retirement benefits will be computed at 26 years rather than 25.

Discussion among committee members on philosophy of giving employees credit for sick leave. Representative Duncan stated that all this bill does is allow for reinstatement of sick leave accumulated if an employee returns to the State within three years and it also allows sick leave to accumulate for retirement. He stated this bill does not encourage employees to cheat on sick leave; rather it encourages them to not take sick leave unless they are really ill. He stated he believes this bill encourages wise use of sick leave.

Mr. Ken Spray, Alaska Public Service Employees Local 71, appeared before the Committee to testify on this bill. Mr. Spray stated the present system encourages misuse of sick leave. He stated the difference between this bill and the present system is that if this bill is passed an employee can accumulate his sick leave and get it when he retires after 25 years, where under the present system the employee will probably have taken his sick leave before he retires at 25 years.

Mr. Spray stated the Governor's Management and Efficiency Study stated that including personal leave in the retirement system would jeopardize the system, and the Study recommended that personal leave be taken out of negotiations.

Mr. Roy Dunn, Alaska Public Employees Association, appeared before the committee to testify on this bill. Mr. Dunn stated this bill is a step in the right direction to help the State keep people on the job. He stated he is not sure the \$1.6 million figure is correct, but wonders how many employees will retire in 1978 that have accrued one year in sick leave. He stated he believes there are not too many. Mr. Dunn stated he would also like to see the fiscal note on how much money has been lost because an employee has taken sick leave prior to his retirement. He stated he believes this bill encourages an employee to stay on the job if he is not sick.

Chairman Cowper recommended deferring action on HB 25 until a fiscal note has been prepared. There being no objection, it was so ordered.

HB 25
HELD OPEN

Chairman Cowper stated HB 462 (making a special appropriation to the Bristol Bay Regional Development Council) would be brought back up for discussion, as Representative Anderson has obtained the information on the Council's budget. Representative Anderson stated the Council's current operating budget is \$78,200. He stated \$42,200 of this was carried over from the 1974 appropriation.

HB 462

5/18/77

Representative Duncan recommended that a Committee Substitute be prepared appropriating \$64,500 to the Bristol Bay Regional Devevelopment Council instead of \$72,000 and that the Committee Substitute be passed from Committee with a do pass recommendation. There being no objection, it was so ordered.

CSHB 462
MOTION

The meeting adjourned at 3:31 p.m.

ADJOURN

Tape #H77-77 1942 to end
#H77-78 001 to 1342

5/18/77

HOUSE FINANCE COMMITTEE
Thursday, May 19, 1977
2:25 p.m.

The Chairman called the meeting to order at 2:25 p.m.

Members present: Steve Cowper, Chairman; Jim Duncan, Ernie Haugen, Leo Rhode, Leo Schaeffer, Red Swanson, Phillip Guy, Russ Meekins, Thelma Buchholdt, Leo Schaeffer.

Also present: Fiscal Analysts Alison Farnan, Robert Schroeder, Milt Barker, Bob Grogan; Commissioner of Labor Edmund Orbeck, Roger Harmon, Assistant Director of Unemployment Insurance, Russ Molt, Acting Director of Wage & Hour Division; Dick Holden, Deputy Commissioner of Public Works, Alan Adasiak, Limited Entry Commission, Phil Daniel, United Fishermen of Alaska; Michelle Shook, Administrative Assistant, Division of Public Health.

First bill to come before the Committee was SB 116:

SB 116: AN ACT RELATING TO UNEMPLOYMENT
INSURANCE.

SB 116 am

Roger Harmon, Assistant Director, Unemployment Insurance, explained to the Committee that this bill has merged provisions of HB 372 into it. This was done so the end product could be adopted by the Legislature prior to adjournment this year. He stated that HB 372 was for the purpose of implementing the mandatory provisions of the Federal Public Law 94-566 signed by President Ford last October. The new Federal law requires that Alaska must implement its provisions by January 1, 1978, if it is to remain in conformity with the Federal unemployment insurance law.

Mr. Harmon said that at the same time the Alaska Senate introduced SB 116 which is an act relating to coverage of fishermen in terms of their applications for unemployment. Mr. Harmon said the purpose of SB 116 was to eliminate the boat owners having to process their paperwork through the State when they were already having to do the same thing through the Federal government. He said he has copies of a document that they had prepared for the House Labor and Management Committee regarding the before and after results of SB 116. Both Bills (HB 372 and SB 116) were in process when a determination was made by the Governor and the House Labor and Management Committee to merge the two bills.

Rep. Cowper asked what the fishermen had to say about the bill. Mr. Harmon replied that he believed they were contacted by Mr. Bloom, but they showed no interest. He said he believed the only interest was shown by lobbyists for a boat owners group.

Tape 77-78 Log 1344 - end
Tape 77-79 Log 000 - 1371

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Responding to Rep. Haugen's question, Mr. Harmon said the provisions in the bill would stop the boat owners from paying unemployment insurance to Alaska, but they would have to pay it to the Federal government, which is a tax on the first \$6,000 of earnings; and coverage would be limited to fishermen in Alaska. In other words, they would have to pay the full Federal portion, but nothing to the State.

SB 116 am
(continued)

Answering Representative Duncan's question, Mr. Harman outlined provisions of HCSSB 116 (Labor and Management) listed on Page 9, Line 18, starting with "Domestic Services." This section provides that employers who pay \$1,000 or more to a domestic employee in any calendar quarter must pay unemployment insurance. He said that "domestic worker" is defined in the Fair Labor Standards Act.

The Committee discussed unemployment insurance as it relates to cities and municipalities. Mr. Harman said right now coverage for cities and school districts is elective. The effect of this bill (and the Federal law) would make it mandatory. He said states and cities are fighting this in Congress.

Representative Duncan asked if the Department had any idea of the fiscal impact to communities under this Act. Mr. Harmon said they could provide that information to the Committee. Mr. Orbeck said he thought the impact was somewhere around \$7 million, and that no one could draw until July 1978. Mr. Harmon said in terms of financial coverage there is a provision to allow cities and state governments to select their method of contribution to the fund. He said the figures they have are prepared under the "Reimbursement" method, which was a decision of Budget and Management. He added that the Federal government has said they will finance the first six months of benefits effective January 1, and municipalities and state governments would not have to bear the costs until July 1, 1978.

Answering Representative Meekins' question, Mr. Harmon said cities and state governments will not have to reimburse the Federal government for the six months' coverage. The Federal government will carry the first six months.

Mr. Harmon told the Committee that the tax rates are computed on a "payroll decline" method. The Federal tax is 90% of the first \$6,000. The State tax is different. He testified that additional provisions of the bill relate to extended benefit costs. Right now, the first 26 weeks are paid out of the State trust fund and 50% is reimbursed by the Federal government. Under the proposed bill, state and municipal governments will have to bear the full burden of costs (for 39 weeks) before they receive any Federal assistance.

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Mr. Harmon then outlined several procedural changes relating to changes in compensation factors.

SB 116 am
(continued)

Representative Swanson asked Mr. Harmon to address the question of coverage for retirees. Mr. Harmon replied that by 1979 each state must have provisions for defining benefits to retirees. He said there is a question as to how to count retirees' wages, and it is a very messy area. He said the Governor has recommended that Alaska not address the retirees matter at this time. He said they would prefer to let other states who are now facing the problem gather facts and figures concerning the question. He said right now Alaska does not count retiree benefits as wages in terms of reduction of benefits.

Mr. Harmon told the Committee that the Governor will soon be introducing a bill calling for a major revision of unemployment insurance provisions. The bill before the Committee now is just to satisfy the feds for the time being.

Representative Cowper asked when this bill will be introduced. Mr. Harman said the bill is in the Governor's office right now, and it is hoped that it will be introduced very soon. Representative Meekins said he would like to see the bill. Mr. Harmon commented that the bill proposed is a very complicated one that will touch everybody and it will take a long time to get it through. He said they are putting out \$75 million in unemployment insurance this year and they are drawing \$100 million in taxes.

Mr. Harman told the Committee that if the mandatory revision in HCS CSSB 116 is not passed, it may jeopardize the unemployment insurance program in Alaska. He pointed out that 62% of the work force in Alaska earns their income in six months or less.

Representative Cowper asked when was the last time the Federal government stepped in to shut down someone's operation. Mr. Harman replied that the last time he recalls was last year when the Feds stepped into Illinois and put in Federal administrators to take over the program. He cited one other example.

Representative Cowper asked how many people work in the unemployment division. Mr. Harman stated that presently they have 200 employees and expect to drop to 150 for the summer. At their peak, there were 300 employees in the division statewide.

Representative Cowper asked how the division measures its work output. In other words, how many applications per employee should they be able to process? Mr. Harmon said it is measured in a number of ways. He said they have a comparison sheet they can provide in the benefit payment area as to their activities and how they relate to FY 74, 75 and 76. He said they have about 20 indicators to measure the benefit payments and their performance, including costs per worker and claims per worker.

Representative Cowper asked if most of the work time is taken up by an original claim. Mr. Harmon said it was. He said the majority of time is spent on the original claim. They are allowed, by federal standards, 54 minutes for an original claim and 12 minutes for a repeat payment.

SB 116 am
(continued)

Representative Duncan wanted to know how many State workers are now covered by unemployment insurance. Mr. Harmon said he would have to look up that information; however, unemployment insurance now covers some cities, the State Employment Security Division, and the Marine Transportation System.

Rep. Duncan asked how many people in the Department are involved in processing the claims. Mr. Harmon said that they have about 200 right now, but the work they perform varies because people are moved around into different areas of work--they are cross-trained to do other things.

Representative Duncan asked the total number of works presently covered by unemployment in the State. Mr. Harmon said there are about 157,000, and they have 200 people employed in unemployment insurance. He said this number is preset by Federal formula. He explained that they have a detailed analysis of how they arrived at the 34 employees mentioned in the fiscal note.

Representative Cowper said it is his intention to ask for action on the bill after the testimony is completed, but he would appoint a sub-committee to work on the proposed fiscal note.

Representative Rhode asked how many unemployment checks the Division has written as of the last issue. Mr. Harmon replied that they write about 18,000 checks a week. Their high was 27,000 in one week, and no check exceeds \$120. He pointed out that in April 1977, 29,100 workers in Alaska and an equal number of outside people filed a claim against the State for unemployment insurance.

Representative Swanson wanted to know how long it takes to process claims by mail. Mr. Harmon said in past years 20% of the mail claims were processed within the first three weeks. Last month 44% of the claims were paid within the first three weeks. He remarked that the employees involved in this endeavor have done an outstanding job.

Representative Meekins moved that HCS SB 116 (Labor and Management) be reported out of Committee. No objection so ordered. The bill was reported out "do pass". The Chairman appointed the following sub-committee to work on the fiscal note: Meekins, Chairman; Cowper, and Haugen.

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SB 117: AN ACT MAKING A SUPPLEMENTAL APPROPRIATION TO THE OFFICE OF THE GOVERNOR (\$249.2)

CSSB 117

Alan Adasiak, Limited Entry Commission, testified concerning the need for the supplemental. He said they are now actually in a deficit spending situation. Representative Cowper stated that in this case the budget clearly indicated that the Legislature would fund this if Limited Entry survived the referendum. Also, it looks as though someone held this bill for a long time.

Representative Meekins moved that CSSB 117 be reported out of Committee. No objection, the bill was reported out "do pass".

CSSB 128: AN ACT RELATING TO COMMERCIAL FISHING LICENSES.

CSSB 128

Mr. Adasiak explained that there are certain things that could be streamlined with respect to commercial fishing licensing. Under the system proposed in this bill, a fisherman would have to file only one piece of paper, instead of the two presently required, in order to get a gear license and a permit license. A crewman's license would be separate. He said the total amount of additional revenue to the State will be about \$1 million more than the State now takes in. The bill would bring Alaska into conformity with the advice of the Federal government, wherein the State will be given authority, in certain cases, to manage fishermen's registration. At present we do not register fishermen, we just license them.

Representative Cowper called attention to a revised fiscal note in the amount of \$209.2 prepared at the request of the Free Conference Committee on the budget. He said the money would be appropriated to the Limited Entry Commission in their FY 78 budget.

Phil Daniel, United Fishermen of Alaska, supported the bill because he said the Limited Entry Commission has been operating at a deficit for some time. Mr. Daniels said the burden will be greatest on non-resident fishermen. Another factor in his group's support is that under the 200 mile limit, many fisheries come under Federal jurisdiction. Now, the Federal government is interested in working with our Limited Entry Commission, and his group would much prefer to deal with Alaska's own Commission instead of the Federal government. He added that before any regulations are formally adopted, they must go through public hearings before fishermen.

Representative Buchholdt questioned a sentence in the fiscal note which read, "Revenues generated by CSSB 128 will offset the appropriation." Mr. Adasiak replied that the revenues they will be getting will be about \$600,000 over and above what they need to operate the Commission. This extra money will go into the general fund.

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Representative Haugen asked how much money the Commission is getting on the crew licenses. Mr. Adasiak said they got \$385,000 in 1976. However, under the proposed system, the revenue for crew licenses will drop to about \$113,000.

CSSB 128
(continued)

Representative Haugen moved that CSSB 128 (Finance) be reported out of Committee. No objection, the bill was reported out "do pass." That includes \$209.2 for the new fiscal note.

SB 244 am: AN ACT RELATING TO SPECIAL OFFICERS.

SB 244 AM

Dick Holden, Deputy Commissioner of Public Works, testified that he would like to request an amendment to this bill, in the form of a Finance Committee substitute. The amendment is proposed because of a problem that would arise in the Department of Public Safety, according to Commissioner Burton. Mr. Holden explained that the bill presently before the Committee was drafted in order to allow workmens' compensation coverage of special deputies or other persons hired to fill in as officers for a particular purpose. The amendment that is proposed (drafted by the Attorney General) is to authorize the Commissioner of Public Works to designate private security guards with general police powers to perform passenger screening functions at State airports where screening is required by Federal Aviation Administration regulations. The amendment is submitted at the joint request of the Department of Public Safety and the Department of Public Works. He said the amendment is explained in detail in a May 10, 1977 memo to Governor Hammond from Avrum Gross, together with a proposed bill with three sections. (See bill file).

Answering Representative Cowper's question, Mr. Holden said there is no fiscal impact involved.

Representative Haugen moved and asked unanimous consent that the Committee report out a Finance Committee Substitute to SB 244 am. No objection, so ordered. The committee substitute was reported out "do pass". This committee substitute would add a Section 3, 4 and 5, in accordance with the A.G.'s draft.

Jim Duncan brought before the Committee a bill he proposed relating to speed limits. He wanted to get a consensus from the Committee as to whether or not they would consider sponsoring the bill. The Committee agreed to sponsor the legislation.

HB 409: AN ACT RELATING TO CATASTROPHIC ILLNESS.

HB 409

Representative Buchholdt presented the Committee with copies of a proposed Finance Committee Substitute to this bill. She stated that the amendment to the bill that she proposes is with

respect to reimbursement of applicants. It provides that the Committee on Catastrophic Illness may, in its discretion, reimburse a person who has suffered a catastrophic illness for certain medical bills already paid when the person or his family has sold a home or the assets of a trade or business in order to pay these bills.

HB 409
(continued)

Representative Cowper questioned whether the Department or the Public Health Division could handle this with a part-time Clerk, instead of adding two people, as set out in the fiscal note.

Michelle Shook, Administrative Assistant, Division of Public Health, testified that the positions proposed are a part-time Clerk and a part-time Administrative Assistant.

Representative Cowper asked how many claims were processed last year. Ms. Shook said about 80 claims were processed. She said \$40,000 in the fiscal note (for personal services) is not correct--the amount should be half of that. In addition, the travel money could be reduced since not all the committee meetings will require travel.

Representative Swanson said it appeared that this bill sets no limits as to how much the Division can pay, since it gives the responsible committee the "discretion" to pay. He felt we should handle each case under a separate piece of legislation. Representative Buchholdt replied that the bill provides that the Department can pay the bills directly to the doctor or hospital and the burden of proof would be on the applicant to prove the amount that he paid out.

Ms. Shook explained that they have a set of regulations that are quite restrictive--not everyone is entitled to compensation.

Representative Cowper moved that a House Finance Committee substitute (as proposed by Rep. Buchholdt) be reported out, with two amendments, as follows: Add a phrase in Sec. 47.08.015, REIMBURSEMENT OF APPLICANTS, first sentence, to read, "Subject to the provisions of Sec. 47.08.030," (the committee may....etc.) On page 2, line 10, add a sentence to read: "The Committee may not pay bills incurred prior to July 1, 1976".

Representative Cowper also proposed that the fiscal note be amended to be as follows:

Personal Services	\$20,000
Travel	4,000
Contractual	2,000
Commodities	1,000
Equipment	3,000
Total	\$30,000

No objection, the committee substitute, as amended, and the fiscal note for \$30,000 were reported out "do pass".

CSSB 150: AN ACT MAKING APPROPRIATIONS TO
THE DEPARTMENT OF EDUCATION.

CSSB 150

A proposed House Finance Committee Substitute was presented to the Committee, changing the appropriation from \$8,709,192 to \$9,109,202.

Representative Swanson wanted a breakdown on the \$2,350,000 proposed to go to the REAA's--what REAA's will be the recipients? Representative Meekins said that Mr. Thompson of the Department of Education had previously testified concerning that subject. Mr. Meekins explained that the problem is that a survey is needed to determine exactly where the money is needed--the department does not yet have that information. Basically, the money will be used to bring items up to fire code and correct other safety deficiencies, wherever needed. He added that this is only the beginning--the \$2 million plus will just get them through the interim so the REAA's will not have to draw down on their operating budgets. He stated that any REAA will be eligible and can apply to the Department for these grants.

Representative Cowper concurred with the idea of the Department of Education determining which REAA's needed the money. He then asked Mr. Meekins if the letter of intent to go with this bill had been prepared. Mr. Meekins answered that he is still working on it.

Representative Haugen moved that the Committee report out a House Finance Committee Substitute for CSSB 150, as presented to the Committee. No objection, the bill was reported out "do pass".

There was no further business to come before the Committee, so the Chairman adjourned the meeting at 4:45 p.m.

Adjournment

HOUSE FINANCE COMMITTEE
Friday, May 20, 1977
2:40 p.m.

All Committee members were present. Also present were Speaker Hugh Malone and Rep. Al Osterback.

Discussion of HB 384, 385, and 386

Rep. Duncan proposed to incorporate House Bills 384, 385 and 386 into one bill. He stated section 1 is the same as HB 384 with the exception that there is a two-month's severance pay instead of six months, and the addition of one phrase. The severance pay would apply only when a like job with like pay was not available. Section 2 incorporates HB 385. HB 385 proposed that if positions were abolished, the employees involved would be considered to have completed 15 years of service, no matter how many years had been completed. Rep. Duncan's bill provided 2 additional years of service credit, in addition to what had already been served. The second part of section 2 takes care of HB 386. If a person worked 15 years or more, he would be given normal retirement pension. He would be given two additional years of service credit plus he would be able to apply for early retirement credit. Rep. Duncan noted that on line 29 of the last page of HB 386 a correction should be made to read "early" retirement instead of "normal" retirement.

Chairman Cowper asked what the cost would be to the system.

Rep. Duncan said he had asked for a fiscal note but that Mr. Gates said that he wouldn't be able to prepare a fiscal note because he didn't know how to do it.

Chairman Cowper wanted to know what it was going to cost the P.E.R.S.

Rep. Duncan again stated that Mr. Gates couldn't prepare the fiscal impact because the Administration had made the statement that there would be no terminations because of the D.O.T.

Rep. Haugen stated that the Legislative Affairs Agency was requested to prepare a fiscal note for the three bills regarding what the cost would be for early retirement. He stated that the information had not been provided.

Chairman Cowper then asked what would happen if a person had served 15 years and was terminated because of the D.O.T.

Rep. Duncan stated that the employee would have a total of 17 years service because of the two additional years credit his bill would provide and would therefore be eligible for early retirement with no reduced benefits.

Chairman Cowper stated that the financial information would be necessary when the bill came to the floor.

Rep. Meekins suggested that a hypothetical situation could be used to obtain the required information.

Rep. Freeman wanted to know who in the Administration had said that no employees would be laid off.

Rep. Duncan stated that Don Harris, Fran Ulmer and Bill Hudson stated that decreases would come as a result of attrition, rather than laying off.

Chairman Cowper asked for further questions.

Rep. Swanson wanted to know if a person was able to draw retirement because of this bill and took another state job, would he be able to draw retirement and be paid for his other job.

It was decided after a brief discussion that that would not be a possibility.

The meeting recessed for approximately five minutes at 2:55 p.m. to await the arrival of Mr. Gates for his testimony.

The meeting came back to order at 2:57 p.m.

Chairman Cowper stated that SB 198 would not be taken up today.

Discussion of HB 337

Rep. Osterback gave further testimony on HB 337 with the request that the bill be voted upon and moved out of the Committee. He said that Mr. Malone also wanted to testify on the bill. Mr. Osterback wanted the bill moved out of Finance so that research could be done during this year's interim. He stated the bill would have no effect until 1978. He felt the division should be removed from the Department of Public Safety back into the Department of Fish and Game. A study should be done to find out the impact. He said that by having the study done \$3,000,000 would be saved.

Chairman Cowper asked why the bill should be reported out.

Rep. Osterback stated that when Mr. Whitehead testified, he said the Governor wanted at least a year to look at the bill and that if an effective date was passed on the bill, the Governor would go along with it. Rep. Osterback said that at the present time about \$6,000,000 was being spent without the desired results.

Rep. Haugen said he had talked to Keith Specking after the last meeting regarding this bill and that he plans to come back to next January's legislature with the information of whether or not the division should be moved back into the Department of Fish and Game.

Rep. Osterback stated that HB 337 has an effective date of July 1, 1978. He repeated that by reporting the bill out of Finance it would give the department a chance to research the impact and present the information to next year's legislature.

Rep. Malone gave further testimony. He said he was in favor of transferring the Division of Fish and Wildlife Protection into the Department of Fish and Game. He said the Resources Committee's response on this bill had been split. Mr. Malone said that with the delayed effective date, the Administration would approve the bill. He felt there had been an improvement since the transfer and thought that improved training in enforcement was part of the answer. He said the enforcement function is an integral part of management's function. The division, in its present department, has no coordination or cooperation. The problem began because the Division of Enforcement didn't come up to any reasonable standards. Jim Rearden, Management Biologist, gave testimony that the division should be moved back. There is a continuing need for better enforcement. If it is to protect resources, the division has to be put back sooner or later. If it is simply to carry out a general law enforcement function, then it may be okay where it is.

Rep. Haugen moved to report the bill out.

A majority of the Committee recommended HB 337 be replaced with Resources CSHB 337. Members signing the majority report were Representatives Duncan, Buchholdt, Schaeffer, Guy, Haugen, Cowper.

Members not concurring were Representatives Swanson, Meekins and Rhode.

The meeting recessed at 3:15 p.m. to await the arrival of Mr. Arnold to testify on House Bills 384, 385 and 386 in place of Mr. Gates.

The meeting came back to order at 3:22 p.m. and adjourned at 3:25 p.m. until Monday, May 23, when Mr. Gates could present testimony on House Bills 384, 385 and 386, since Mr. Arnold had no information to offer.

HOUSE FINANCE COMMITTEE
MONDAY, MAY 23, 1977
3:05 p.m.

The Chairman called the meeting to order at 3:05 p.m.

Members present: Steve Cowper, Chairman; Oral Freeman, Leo Rhode, Ernie Haugen, Phillip Guy, Jim Duncan, Leo Schaeffer, Russ Meekins, Thelma Buchholdt.

Also Present: Rep. Lisa Rudd; Fiscal Analysts Bob Schroeder, Bob Grogan, Alison Farnan; City of Juneau Attorney Lee Sharp, Robert Dupere, representing the North Slope Borough; Mike Smith, Director, Division of Lands; Jack Roderick, Deputy Commissioner, Department of Natural Resources.

First bill to come before the Committee was:

HB 133: AN ACT RELATING TO SELECTION AND
TRANSFER OF STATE LAND TO MUNICIPALITIES.

HB 133

The Chairman explained that this bill is an effort by the State to settle some of the claims of the boroughs under the existing law which allows a borough to select up to 10% of vacant, unappropriated and unreserved land existing within the borough boundaries. He said the issue has been pretty well settled, with all the boroughs except the North Slope Borough in agreement with their entitlements. In the case of the North Slope Borough, which has filed a suit against the State, the State claims they are entitled to only 645 acres, and the Borough claims it should have 197,000 acres. Representative Cowper said we will be working from the Community & Regional Affairs Committee Substitute. It is proposed that this committee substitute will be tacked onto a Senate bill which is now in House Resources in the interest of time (in getting it adopted this year).

Representative Cowper asked what would happen to the people who have not made a claim if the act were repealed. Jack Roderick, Deputy Commissioner of the Department of Natural Resources, said he thinks probably they could come back next session.

Representative Cowper said he has a problem with the payment section--it thought it was pretty open-ended. Representative Meekins stated that in previous testimony it was brought out that in almost no case would any municipality opt for the money instead of the land because even "bad" land would be more valuable. He pointed out that it is quite difficult to opt into the payment alternative, since the entitlement has to be greater than the amount of land available. In fact, it must be double.

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5/23/77

Representative Freeman said he thought we should change the law to state that municipalities are entitled to no more than 10% of the vacant, unappropriated and unreserved land within their boundaries. He believed the present formula for determining entitlements to be inequitable, particularly in the case of Anchorage where they took a large amount of land and made it into a park, and are then able to ask the State for the difference in cash.

HB 133
(continued)

Representative Cowper wanted to know if there would be a problem in making a provision stating that the cities have to accept the land within their own boundaries until their entitlement is used up and let it go at that. Mike Smith, Division of Lands, said that is possible, and he did not think it would be detrimental.

Representative Cowper asked if the Department had payment in lieu of land in mind to start with--when did that come into the picture? Mr. Smith said it was added as a provision during the course of joint negotiations with the boroughs.

Representative Cowper wanted to know when the entitlements were arrived at. Mr. Smith explained that it was a different situation for each city. He said if one specific date was picked, it would work to the benefit of some municipalities and to be disadvantage of others, so there was no one date which they could pick that was fair to everybody. He said the original bill did not specify a date, but it cut things off in five years. Subsequent legislation repealed that five-year provision and so the matter could go on and on.

Representative Freeman took exception to the fact that communities in Southeast Alaska are being treated unfairly since they are in the Tongass National Forest which is federal land, and the entitlement had nothing for them in the first place. He pointed out that originally Southeast did not think they had much of a problem because they thought the State would obtain 400,000 acres from the federal government, but that has not happened.

Representative Cowper asked if it wasn't true that the Ketchikan Assembly agrees with their allotment. Representative Freeman replied that they don't have much of a choice, because that is all that is being offered to them by the State.

Robert Dupere, representing the North Slope Borough, testified against adopting the present version of the bill. He took issue with the formula for land selection, feeling that it was not fair to the North Slope Borough. He said the basic problem is that the law utilized federal terms--"vacant, unappropriated, unreserved"--which were handy for the Bureau of Land Management to arbitrarily and capriciously deny any

land for public use. This was reinforced in 1972 when the Municipal Code added "consistent with the best interests of the State." He felt that the solution now offered by the Director of the Division of Lands is arbitrary, capricious and is no solution at all. (See text of Mr. Dupere's presentation attached to these minutes and in the bill file)

HB 133
(continued)

Representative Cowper asked how much unappropriated and vacant land is in the North Slope Borough. Mr. Dupere said, according to the Court, there are 4,156,000 acres.

Representative Rhode felt that the longer the matter goes on the worse it gets. He said they are stymied in his borough until the Legislature acts on the matter.

Representative Meekins said he felt that the way the entitlement is distributed is very arbitrary, and we should change it if possible.

Representative Cowper asked Mike Smith of the Division of Lands to testify. He said the Committee is concerned about what appears to be an inequitable application of the existing law. He asked Mr. Smith if it would be possible to work out a different distribution method. Mr. Smith conceded that it could be done. However, each city looks at the matter from a different viewpoint. For instance, Kenai has a big problem--any acre they move out of State ownership could threaten their entitlement. The Anchorage situation is different yet in that they do not have enough land with which to fill their entitlement. He stated that he did not know of any municipality, except Sitka, that is asking for a particular piece of land that they need now.

Representative Cowper asked if the Division considered a formula based on area and population. Mr. Smith said such a formula is possible, but the reason all the larger boroughs are behind this bill is that they feel it is far. He said any move to reallocate and give them less than set out in the bill may be met with actions against the State in court.

Representative Cowper asked what if the Court rules that the North Slope Borough is entitled to 400,000 acres? Mr. Smith replied that legally they would be entitled to whatever the Judge ruled. The Department would have to analyze their resources to see what lands would be in the best interests of the State.

Representative Cowper asked if there is supposed to be 4 million acres. Mr. Smith replied that is the total amount of state-owned acreage in the borough. Rep. Cowper asked where the figure of 197,000 acres came from. Mr. Smith said to his knowledge that is the number of acres the North Slope filed for in 1974.