

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2677

HCR

97

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The House Finance Committee has also determined that the best available estimate of the general fund surplus for FY 79 is \$583,000,000. However, as much as \$339,000,000 of this would be in illiquid assets by the end of FY 79, limiting the cash surplus available to \$244,000,000.

As of November 30, 1977, total loan and mortgage assets of the general fund were \$258,000,000, an increase of \$3,000,000 or 1% over the prior month and \$78,000,000 or 43% over the prior year. See Table 1 attached.

Based on the above estimates of funds available, the House Finance Committee proposes that \$946,600,000 be available for appropriation for fiscal year 1979. This amount would include the operating and capital budget, special appropriations, and new legislation funded by fiscal note in the general appropriations act. Supplementals for FY 79 are assumed to be offset by lapses. Table 2 compares supplementals to lapsed amounts for recent years.

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If 10% annual budget growth is projected using assumptions for revenue based on those outlined in this report, the unobligated general fund balance will rise from \$583,000,000 in FY 79 to \$823,000,000 in FY 83 before beginning to fall, down to \$692,000,000 in FY 85, and continuing to decline thereafter.

Thus, even if future budget growth is held at or below the 10% level established as a ceiling for FY 79, a great accumulation of additional surpluses in the general fund over the period through FY 85 is unlikely under the given revenue assumptions. Moreover, if illiquid assets held by the state continue their strong upward trend, these surpluses would result in cash balances no greater than the \$244,000,000 projected for FY 79 and possibly much less.

2-9-1978

Date



Dick Freeman
Chairman

TABLE 1

STATE OF ALASKA
GENERAL AND SEGREGATED STATE PROGRAM FUNDS
COMPOSITION OF INVESTMENT HOLDINGS
November 30, 1977

Asset Type	Current Month		Prior Month		Prior Year	
	% of Total Cost Value	Cost	Yield	Cost	Cost	Cost
LOW AND MORTGAGE PROGRAMS						
State of Alaska Loan Programs						
Agriculture	.2	\$ 420,715.68	5.10	\$ 421,960.89	\$ 580,278.04	
Commercial Fishing	3.8	\$ 9,735,962.69	6.50	\$ 9,404,990.14	\$ 5,396,947.76	
Fisheries Enhancement	.5	\$ 1,400,000.00	7.50	\$ 1,400,000.00		
Small Business	3.4	\$ 8,677,932.26	7.50	\$ 8,415,442.36	\$ 6,601,773.46	
Tourism	3.7	\$ 9,647,089.04	7.50	\$ 9,707,830.25	\$ 8,481,521.90	
Veterans	67.8	\$ 175,253,901.86	6.87	\$ 167,655,422.35	\$ 120,144,978.89	
Total Loans	79.4	\$ 205,135,603.53		\$ 197,035,645.99	\$ 141,205,500.05	
Bank Loan Incentive Program	1.0	\$ 2,698,952.09	8.02	\$ 2,490,027.97	\$ 1,907,466.24	
Obligations of State Corporations						
AKFC Notes	7.6	\$ 19,599,072.79	6.22	\$ 19,601,908.60	\$ 9,174,781.70	
ASFC Notes	4.0	\$ 10,361,850.36	7.00	\$ 9,678,850.36	\$ 4,831,106.00	
ASFC Bonds	.2	\$ 553,346.00	4.74	\$ 553,346.00		
MICA Notes	.4	\$ 1,000,000.00	9.50	\$ 1,000,000.00	\$ 1,000,000.00	
U of A Notes	1.3	\$ 3,318,000.00	5.00	\$ 3,318,000.00		
Total Obligations	13.5	\$ 34,832,269.15		\$ 34,152,104.96	\$ 14,805,887.70	
Obligations Pledged to AKFC	5.8	\$ 14,882,243.95	7.11	\$ 15,383,798.30		
FHA/VA Mortgages				\$ 5,400,000.00	\$ 17,482,812.96	
Certificates of Deposit	5.8	\$ 14,882,243.95		\$ 20,783,798.30		
Total Pledged		\$ 25,000.00	5.90	\$ 25,000.00	\$ 125,000.00	
Loans to Native Corporations	.3	\$ 743,000.00	6.03	\$ 743,000.00	\$ 4,534,337.00	
Loans to Alaska Municipalities					\$ 180,061,003.95	
TOTAL	100.0	\$ 258,317,068.72		\$ 255,199,577.22		

Table 2

GENERAL FUND
(\$ Millions)

FY	SUPPLEMENTALS	LAPSE	DIFFERENCE
69	3.7	- 8.8	12.5
70	18.7	3.6	15.1
71	21.3	14.4	6.9
72	18.4	17.8	.6
73	8.6	20.6	-12.0
74	14.8	- .3	15.1
75	44.6	44.1	.5
76	37.3	40.9	- 3.6
77	28.1	32.9	- 4.8

The Resources Committee has had HOUSE BILL NO. 591 (to unauthorized parking on state property) under consideration and a majority of the members of the Committee recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 591 (same title) and that it do pass. Concurring: Osterback (Chairman), Eliason, Urion, Akers and Miller. Not concurring: Malone has no recommendation; Snider and Smith recommend do not pass.

HB
591

HB 591 was referred to the Judiciary Committee.

The Finance Committee has had HOUSE BILL NO. 672 (special appropriation to the Office of the Governor, Lieutenant Governor, Arctic Winter Games; effective date) under consideration and a majority of the committee recommends it do pass. Concurring: Freeman (Vice Chairman), Gruening, Duncan, Buchholdt, Swanson, Meekins, Schaeffer, Guy and Rhode.

HB
672

HB 672 was referred to the Rules Committee for placement on the calendar.

The Citations were referred to the Rules Committee.

COMMUNICATIONS

A letter dated February 7, 1978 to Speaker Malone was received from Kent Dawson, Executive Assistant to the Governor, stating that Mr. Doug Riggs of the State of Alaska's Washington, D. C. office will be in Juneau the 8th, 9th and 10th of February for quarterly briefings with the Governor and Cabinet.

REPORTS OF STANDING COMMITTEES

CSSB 40 The Labor and Management Committee has had COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 40 (state and municipal employment) under consideration and a majority of the committee recommends it be replaced with HOUSE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 40 (same title) and that it do pass. Concurring: Brown (Chairman), Osterback, Anderson and McKinnon. Not concurring: Smith and Hayes have no recommendations.

CSSB 40 was referred to the Rules Committee for placement on the calendar.

HCR 97 The following is the Finance Vice-Chairman's report on HOUSE CONCURRENT RESOLUTION NO. 97: (establishing general funds available for appropriation for fiscal year 1979 and making tentative allocations to program categories).

HOUSE FINANCE COMMITTEE REPORT ON HOUSE CONCURRENT RESOLUTION NO. 97

Pursuant to Chapter 66 SLA 1977, the House Finance Committee has reviewed the fiscal outlook for fiscal year 1979 with particular attention to the expected level of petroleum-related revenues. After considering the possible variation in timing and magnitude of these revenue flows, the Committee has concluded that the best available estimate of unrestricted revenue for fiscal year 1979 is \$946,600,000, including funds accruing to the Renewal Resources Development Fund.

This estimate is based on the following assumptions:

1. Average daily Prudhoe oil production of 1,130,000 barrels per day limited by the capacity of the Trans-Alaska Pipeline. In theory, the pipeline with Pump Station #8 repaired and all other existing pump stations operating has a capacity of 1,300,000 BPD. A normal operating ratio for such a pipeline would be 97% or 1,261,000 BPD. Alyeska had publicly represented through-put capacity to be 1,200,000 BPD until recently when they reduced the estimate to 1,160,000 BPD due to greater-than-anticipated viscosity of Prudhoe crude. This would be an operating ratio of 89%. The assumed through-put of 1,130,000 BPD reflects an operating ratio of 87%.

2. A pipeline tariff of \$6.20 which is the average of the rates filed by the eight Alyeska owner companies. Based on protests by the State of Alaska, the United States Department of Justice, the Arctic Slope Regional Corporation, and the ICC's Bureau of Investigations and Enforcement, the ICC attempted to limit tariffs during an interim period (terminating around February 1, 1978) to an average of \$4.84 per barrel; but the Supreme Court suspended this interim tariff. This lesser ICC tariff was based solely on reducing the owner companies rate of return on equity to 22% from 45%. No reduction was made for other items of contention such as the depreciation period and inclusion of "cost over-runs" in the tariff base. The State hopes to split the ICC decision-making process to allow early resolution (possibly by mid-summer 1978) of those issues, such as the rate-of-return, that involve questions of methodology and not of fact. If successful, the tariff could be as low as \$4.84 during FY 79; however, the companies are almost certain to protest this split of the ICC proceedings should the Commission accept it.
3. Tanker charges are assumed to average \$1.00 to the West Coast and \$3.50 to the Gulf Coast. Prior to the beginning of North Slope production, the respective tariffs had been estimated at \$.70 and \$2.00 by both public and private sector analysts. The State views these charges as excessive and may attempt to limit them to reasonable amounts for severance tax purposes via either regulation or legislation. With respect to royalty, the State is currently seeking, by court action, to limit tanker charges used in determining the "value" upon which royalty is based.
4. 430,000 BPD of the 1,130,000 BPD produced are assumed to be marketed on the Gulf Coast. If more than this 38% of total production is sold on the Gulf Coast, the average Prudhoe wellhead value will be less, due to the fact that the additional \$2.50 in tanker charges would be absorbed by the producers. A December 1977 report from W.J. Levy Consultants Corporation indicates that, in fact, West Coast petroleum demand for electric power generation, for which the heavier North Slope crude is suited, may decline during 1978-1980 due to ending of the drought and the consequent increase in hydro-electric output, as well as new coal and nuclear-electric generating capacity.

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5. The average oil price for Alaskan crude in various refinery markets is estimated at \$13.02 during the first half of FY 79 and \$13.70 during the second half. This is the equivalent of the OPEC price and does not reflect a possible reduction that may come from the producer having to absorb a 50¢ to 75¢ entitlement penalty that the Department of Energy has established for Alaskan crude in California markets. Moreover, this penalty, in combination with an entitlement bonus of \$1.74 for certain California crudes which were in danger of being shut-in, gives a total advantage of \$2.24 to \$2.49 to those California crudes and, thus, may force more Alaskan crude to the Gulf Coast. This, in fact, is the purpose of this new entitlement treatment and is the reason the total differential is roughly equivalent to the additional tanker cost of \$2.50 to the Gulf Coast from Los Angeles. The Department of Energy views this entitlement differential as an impetus to construction of west to east pipeline capacity.
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Veterans	67.8	175,253,903.86	6.87	167,655,422.35	120,144,978.89
Total Loans	79.4	205,135,603.53		197,055,645.93	141,205,500.05
Bank Loan Incentive Program	1.0	\$ 2,698,952.09	8.02	\$ 2,490,027.97	\$ 1,907,466.24
Obligations of State Corporations					
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ASDC Bonds	.2	553,346.00	4.74	553,346.00	—
MICA Notes	.4	1,000,000.00	9.50	1,000,000.00	1,000,000.00
U of A Notes	1.3	3,318,000.00	5.00	3,318,000.00	—
Total Obligations	13.5	34,832,269.15		34,152,104.96	14,805,887.70
Obligations Pledged to AFRC					
FHA/VA Mortgages	5.8	\$ 14,882,243.95	7.11	\$ 15,383,798.30	—
Certificates of Deposit		—		5,400,000.00	—
Total Pledged	5.8	14,882,243.95		20,783,798.30	17,482,812.96
Loans to Native Corporations					
		\$ 25,000.00	5.90	\$ 25,000.00	\$ 125,000.00
Loans to Alaska Municipalities					
	.3	\$ 743,000.00	6.03	\$ 743,000.00	\$ 4,534,337.00
TOTAL	100.0	\$258,317,068.72		\$255,199,577.22	\$180,061,003.95

Table 2

GENERAL FUND
(\$ Millions)

FY	SUPPLEMENTALS	LAPSE	DIFFERENCE
69	3.7	- 8.8	12.5
70	18.7	3.6	15.1
71	21.3	14.4	6.9
72	18.4	17.8	.6
73	8.6	20.6	-12.0
74	14.8	- .3	15.1
75	44.6	44.1	.5
76	37.3	40.9	- 3.6
77	28.1	32.9	- 4.8

The Resources Committee has had HOUSE BILL NO. 591 (to unauthorized parking on state property) under consideration and a majority of the members of the Committee recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 591 (same title) and that it do pass. Concurring: Osterback (Chairman), Eliason, Union, Akers and Miller. Not concurring: Malone has no recommendation; Snider and Smith recommend do not pass.

HB
591

HB 591 was referred to the Judiciary Committee.

The Finance Committee has had HOUSE BILL NO. 672 (special appropriation to the Office of the Governor, Lieutenant Governor, Arctic Winter Games; effective date) under consideration and a majority of the committee recommends it do pass. Concurring: Freeman (Vice Chairman), Gruening, Duncan, Buchholdt, Swanson, Meekins, Schaeffer, Guy and Rhode.

HB
672

HB 672 was referred to the Rules Committee for placement on the calendar.

HOUSE FINANCE COMMITTEE
January 10, 1978
1:15 p.m.

All members of the Committee were in attendance. Representatives Buchholdt, Duncan and Freeman arrived later in the meeting.

PRESENT

Chairman Cowper called the meeting to order and stated he would like to make the subcommittee assignments the same as they were last year. He stated he would like to aim at bringing the budget out within 60 days.

SUBCOMMITTEE
ASSIGNMENTS

[Representatives Buchholdt and Duncan arrived.]

Chairman Cowper advised he would like to see a bill that would set a budget ceiling on expenditures come out within three weeks.

There was discussion on subcommittee assignments. There was no objection to having the same assignments as last year.

Chairman Cowper advised the Committee that he intends to raise the matter of capital projects this year. He stated it is his personal opinion that there is no reason to have bond issues for capital projects. He advised he was speaking personally, and not for the Committee, on this issue.

CAPITAL
PROJECTS

[Representative Freeman arrived at this time.]

Representative Haugen commented on revenue sources and stated he believes the Committee should have a good idea of what the State's revenue sources are going to be. Chairman Cowper concurred and stated he thinks the Committee should have a detailed briefing of revenue projections when they start reviewing the budget.

Chairman Cowper brought the following bill up for discussion.

HJR 46 Urging the U. S. Senate to reserve from ratification Articles 9 and 10 of the proposed United States-United Kingdom Tax Convention.

HJR 46

Representative Gruening stated he is waiting for a memo from Gregg Erickson (Legislative Affairs) dealing with the impact of this Resolution, and he would like to receive that before any action is taken on this.

HOUSE FINANCE COMMITTEE
January 12, 1978
3:16 p.m.

All members of the Committee were in attendance. Also in attendance: Representative Nels Anderson and Milt Barker, Fiscal Analyst, Legislative Finance.

PRESENT

Chairman Cowper advised that Mr. Hogan (Director, Legislative Finance) would present an overall explanation of the budget on January 16th. He advised that short forms would be printed on the 16th or 17th, and then budget analysts would make a general presentation to the Committee.

Chairman Cowper advised that bill sessions would be held, as a general rule, every Wednesday at 1:15 p.m.

MEETING
SCHEDULE

Chairman Cowper appointed the same subcommittees that were in effect last year, with the exception that Representative Loveseth would replace Mr. Specking on Natural Resources. (See attached list of subcommittees.)

SUBCOMMITTEE
ASSIGNMENTS

Chairman Cowper requested that Mr. Milt Barker give a review of the revenue picture. Mr. Barker presented information concerning revenue projections. The first pages of information he presented were from the Governor's Executive Budget Act. He advised that these two pages show how much money is in the bank, and what they expect to receive and expend in 1977-78.

REVENUE
PROJECTIONS

(Secretary's Note: See attachment 1 to minute book for copy of materials presented by Mr. Barker.)

Representative Meekins asked what the difference was between the balances on the two pages. Mr. Barker stated they were given the amount appropriated for FY 78 -- not all of the funds will be expended by the year's end. He advised that eventually the amount will be paid out from accounts payable.

Representative Freeman asked what the \$145 million increase in General Funds meant. Mr. Barker stated this is not an increase, but a decrease. He advised this is made up of an actual budget deficit of \$85.2 plus an increase in investments. Chairman Cowper asked if the \$85.2 was the Governor's figure. Mr. Barker stated that work done by Legislative Affairs indicates there could be a \$90 million deficit.

Mr. Barker advised that original revenues had been estimated to be more equal to projections. He advised that the reasons for the short fall were outlined in the Memo's from Mr. Haggart (Legislative Affairs) dated November 4 and 9, 1977. He advised that basically revenue is less due to the State receiving less petroleum revenue than anticipated. He stated that non-petroleum taxes were up in this period.

CORRECTION

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

Representative Gruening stated this resolution would outlaw the unitary business method of figuring income. It would reduce flexibility in terms of the State's ability to deal with multi-national corporations. He stated there is a problem in determining what the actual financial impact of this Resolution might be. He requested the Resolution be held until he received the memo from Mr. Erickson.

HJR 46
HELD

Chairman Cowper brought the following bill up for discussion.

HB 580 An Act making supplemental appropriations to the Department of Health and Social Services, Medicaid; and providing for an effective date.

HB 580

Mr. Ron Lind, Division of Budget and Management, advised that Federal law requires that the State spend or obligate these funds within six months of receipt. He advised the Federal government is in the process of changing their law, and in the process Alaska received more money than anticipated. He advised that in order to receive the additional monies the State had until January 12, 1978 to obligate it. He stated these funds must be handled in the same manner as regular State receipts are handled -- they have to be appropriated through the entire Legislature.

Chairman Cowper asked if any General Funds were involved and Mr. Lind answered no.

Discussion on Medicaid. Representative Meekins asked if the Medicaid budget was guesswork and Mr. Lind answered yes, the State says we are going to pick up certain obligations, and the federal government pays 50% and the State pays 50%.

Representative Buchholdt stated over the interim she became aware of problems within the Homemaking Service Program and asked for an explanation of what Medicaid Home Nursing is about. Mr. Lind stated these are actual nursing homes, such as St. Ann's Home, and is in no way connected with the Homemaking Program.

Mr. Hogan stated it is the Division's position that this appropriation could have been handled by the revised program process through the Legislative Budget and Audit Committee at any time in past months. He advised the reason it was not handled in this manner is because of the dispute between Legislative and Executive (Kelley v. Hammond).

Representative Freeman moved and asked unanimous consent that House Bill 580 be passed out of Committee with a "do pass" recommendation. There being no objection, it was so ordered.

HB 580
PASSED

There being no further business to come before the Committee, the meeting adjourned at 1:55 p.m.

ADJOURN

HOUSE FINANCE COMMITTEE

January 12, 1978

3:16 p.m.

All members of the Committee were in attendance. Also in attendance: Representative Nels Anderson and Milt Barker, Fiscal Analyst, Legislative Finance.

PRESENT

Chairman Cowper advised that Mr. Hogan (Director, Legislative Finance) would present an overall explanation of the budget on January 16th. He advised that short forms would be printed on the 16th or 17th, and then budget analysts would make a general presentation to the Committee.

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PROJECTIONS

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Representative Meekins asked what the total loss was in oil revenue. Mr. Barker stated roughly \$200 million.

Chairman Cowper asked if the State had any mechanism to investigate tanker charges to see if they are justified. Mr. Barker stated the Commissioner of Revenue is entitled to limit tanker charges to what he sets as reasonable. He stated they haven't prepared any estimates of what is necessary yet. Brief discussion on tanker charges.

Mr. Barker presented his Memorandum of November 15, 1977 which discusses issues involved in the pipeline tariff debate. He also presented a Memorandum from Mr. Haggart dated November 17th which offers long range revenue projections to 1985. He stated this Memorandum has three different sets of assumptions. He then presented a December 5, 1977 memorandum from himself which contains long range projections to the year 2005.

Mr. Barker presented a Memorandum from himself dated November 25th which traces what the actual growth of the budget has been since 1960. There was discussion of the predictions. Mr. Barker stated this Memo indicates there was a doubling of the budget in 1969 after the Prudhoe Bay discovery was made. He stated that when there is a big jump like that in the budget, it makes it look very high, and Committee members should look at the overall period.

Chairman Cowper suggested that Committee members may want to refer to the information presented by Mr. Barker when they are considering the budget.

Chairman Cowper stated that Mr. Hogan would discuss a resolution to set a budget ceiling by the 45th day of the Session with the Committee on January 16th. There was brief discussion on such a resolution.

BUDGET
CEILING

The meeting adjourned at 4:00 p.m.

ADJOURN

Tape HFC 78-1 #921 - 1554

HOUSE FINANCE COMMITTEE
PROGRAM CATEGORIES -- 1978

University of Alaska Committee of the Whole

SUBCOMMITTEES

Ways & Means Gruening - Chairman
Meekins, Cowper,
Schaeffer, Rhode

Education Buchholdt - Chairman
Gruening, Specking
*Cotten

Justice. Guy - Chairman
Freeman, Carpenter
*Miles

General Government & Development . . . Duncan - Chairman
Buchholdt, Lethin
*Ose (Development)
*Miles (General Gov't.)

Public Protection. Schaeffer - Chairman
Swanson, Rhode
*Hayes

Natural Resources Swanson - Chairman
Duncan, Haugen
*Loveseth & Snider

Health & Social Services Meekins - Chairman
Cowper, Haugen
*Smith (Social Services)
*Nakak (Health)

Transportation Freeman - Chairman
Guy, Beirne
*Dankworth

SPECIAL SUBCOMMITTEE

Budget & Audit Recommendations Duncan - Chairman
Buchholdt, Urion

*Standing Committee Members

HOUSE FINANCE COMMITTEE

January 16, 1978

1:23 p.m.

All members of the Committee were in attendance. [Representative Gruening arrived late.] Also in attendance: Representative Anderson, Jay Hogan and Bob Grogan, Legislative Finance Division.

PRESENT

Chairman Cowper called the meeting to order and requested that Mr. Hogan and Mr. Grogan address the Committee concerning the Budget. Mr. Grogan handed out copies of page 7 of the Governor's Budget Address and page 1 of Senate Bill 413, and advised the Committee that when looking over the budget in detail they found only \$5 million is shown in the Governor's budget to be appropriated to the fund for fisheries, agriculture, hydroelectric development. He stated the Governor will introduce new legislation (Senate Bill 413 - Making a special appropriation to the Department of Natural Resources, Agriculture) which comes to \$4.793. He advised the effect of this would be understating the budget by \$5 million. Mr. Grogan stated that part of the Governor's program as stated in the budget message is not funded in the budget. He advised they felt this was rather significant as it could result in about a 15% decrease in the amount the free conference committee on the budget is to look at.

BUDGET

Mr. Hogan stated the table presented by the Governor indicates \$35.5 million is available for supplementals, new legislation, salary negotiations, etc., but in reality only \$35.0 million is available, because \$5 million has already been "plugged" for other projects (SB 413).

Chairman Cowper stated there had been discussion in previous years about the timing of public employee contracts, as they haven't always been negotiated before the budget had been passed. He asked if anything had been done on this. Mr. Hogan stated that some of the contracts come due at the end of the calendar year, but some are still in July. He advised this is still a problem.

[Representative Gruening arrived at this time.]

Representative Haugen commented on the Renewable Resources fund. He stated that the Legislature's intent was that this fund was to accumulate revenues up to 85% until the fund was at \$250 million. He stated he feels very strongly that the fund should have the ability to accumulate these funds and use only the interest from the revenue. He stated department's are already going after monies in the fund. Representative Meekins stated he agrees with this and stated what the Governor is asking seems to violate that intent.

Further discussion on Governor's budget message.

Mr. Hogan stated that in regard to the overall budget, the General Appropriations Act (HB 627) has been forwarded to the Finance Committee. He stated that normally the transmittal letter accompanying this bill is of no consequence, however, this year the transmittal letter states:

HB 627

"For purposes of clearly identifying for the legislature federal program receipts, they are set out in this bill as appropriations, even though in most instances the state treasury is merely a conduit from the federal treasury to the program involved and the federal money is not, as a general rule, subject to the state legislature's appropriation process."

Mr. Hogan advised this relates directly to the suit between the executive and legislative (Kelley v. Hammond). He stated that basically this is putting the Legislature on notice that although federal monies are in the appropriation bill, it is just as a matter of good bookkeeping, and that federal monies will not be appropriated through passage of the bill. Mr. Hogan stated the Committee should be aware of this as the Attorney General seems to want to whittle down the Legislature's authority in the appropriation field.

Mr. Hogan stated the Governor is introducing a new kind of bill this year (HB 604 is first to be referred to finance committee) making FY 78 appropriation adjustments. He stated these bills are being introduced as a result of the LB & A suit. He stated that since the Law reads that there will be not transfers between appropriations, what the Governor has done is submit a series of bills that would effect transfers between appropriations by amending the General Appropriations Act. He stated the staff would recommend that the Executive be encouraged to submit these bills as revised programs. He advised that originally these bills had been made up as revised programs.

APPROPRI-
ATION BILLS

Chairman Cowper stated that HB 580 which was passed through the houses in record time is also somewhat related to the suit. However, it was his understanding that funds made available had to go through the normal legislative process.

HB 580

Representative Meekins asked if the Budget and Audit Committee could only consider what had been presented to them by the Executive. Mr. Hogan stated this is correct and added that it is unwritten tradition that the Committee cannot change any revised programs. They can either approve or disapprove them.

BUDGET
& AUDIT

Mr. Hogan stated the General Appropriations Act (HB 627) also has another innovation to it. The chart on page 3 gives a list of various bond funds appropriated. He stated the free conference committee on the budget would then consider bond fund monies in addition to other monies in the budget. Mr. Hogan stated he thinks the reason for this is that the Alaska Supreme Court ruled that the Governor cannot line item veto bond authorizations. Mr. Hogan stated the chart lists bonds that have not even passed the Legislature yet. He stated these are bonds that will be introduced during the course of this legislature. He advised this could create a chaotic situation if there was a free conference on bond authorizations meeting at the same time as the free conference on the budget is meeting, and the free conference on the budget missed one of the bonds approved.

HB 627

Mr. Hogan stated this also leads to the point of getting out of bond purchases. He advised that normally the reason for bonding is that the state doesn't have any money available. Brief discussion on bond issues.

Mr. Hogan advised that a bill was passed by the Legislature last year which requires that a resolution shall be passed which sets a budget ceiling by the 45th day of the Session. He stated his understanding is that since the Legislature has to pass the bill, the Committee only has 2 1/2 to 3 weeks to get the bill into resolution form. Chairman Cowper stated his understanding of the bill is that it would list tentative allocations between program categories; the total figure would be binding but the allocations between programs would not be.

RESOLUTION:
BUDGET
CEILING

Chairman Cowper requested the Ways and Means Subcommittee to report back to the Committee with a proposed resolution by February 3. He stated he would like to work on the basis that subcommittee chairmen will try to get some figures to the Ways & Means Committee during their consideration of the Resolution.

Representative Rhode asked what would happen if this resolution were not passed. Chairman Cowper stated there would probably be a certain amount of public pressure. Discussion on what the resolution should contain. Chairman Cowper suggested checking with representatives to see what is done on the federal level.

Mr. Hogan advised the Committee on the progress of the Legislative Budget and Audit suit. He stated that if the constitutional amendment passed by the Legislature last year were approved in the General Election, it would negate the suit.

BUDGET &
AUDIT SUIT

Chairman Cowper asked what had been done with person authorized for capital budget. Mr. Hogan stated: "the money was used to hire a building contractor to run the cost of construction and facilities at the new capital site. These figures will be available -- they were using the original time table of the Capital Site Planning Commission which was to be February 1 and then put back until February 15; now the document setting cost estimates has been released one and a half months earlier than anticipated. -- what the contractor did was concentrate on the buildings. The Committee will have a document that shows their assumptions, and the assumptions they used to price-out the types of buildings, sometime in February."

Chairman Cowper asked if they have any staff capability through this person to help with the capital appropriation. Mr. Hogan responded: "not per say in the capital appropriation. The person contracted with is an East Coast general contractor. One of the things he mentioned in discussing the project is what sort of 'construction scheme' was used in Alaska. One that has come into favor, and one recommended by the Roust Corporation to the CSPC, is a construction management approach whereby you negotiate with a builder to design a structure and work out the mechanics to find savings in construction. It has some of the aspects of low-bid construction, but not some that lead to buying or constructing something that turns out to have so many corners cut that it is not a functional building. This is an approach that is apparently used quite extensively on the East Coast and is quite manageable. Part of this approach requires extensive pre-project planning. The building firm is on-board right from the conceptual design phase up to the time the building is turned over to the buyer. You have a much greater understanding of what it is you are setting out to design or build than you do under the approach where, say, the Division would design a building for an agency, then goes out to bid and someone else runs a final design, then the agency gets involved and changes it around, which is why when a building gets built it does not relate to the building originally approved. This is of some interest and might be a reason to look into, from the standpoint you can more accurately predict and project costs of major construction. They can help in that respect and can look over any project plans that exist. Our problem with that is that normally plans don't exist."

Chairman Cowper stated the committee as a whole would begin being briefed on the budget categories as soon as short forms are available. He stated these meetings would be optional and Committee members did not have to attend if they felt they would not be helpful. Chairman Cowper requested that all subcommittee chairman make their committee members aware when and where meetings would be held.

The meeting adjourned at 2:45 p.m.

ADJOURN

HOUSE FINANCE COMMITTEE
January 17, 1978
1:20 p.m.

All members of the Committee were in attendance, except Representative Duncan. Representatives Gruening and Haugen arrived later in the meeting. Also in attendance were Ron Lind, Director, Budget Management; and Representative Nels Anderson.

PRESENT

Chairman Cowper called the meeting to order and stated the purpose of the meeting was the presentation of the budget overview by Mr. Lind.

Mr. Lind commented on two general items: (1) He said there were salary increases for all government employees based on the best estimate of inflation and that the amounts can be adjusted later. He also stated there were changes in the method of benefits given and in such things as FICA. (2) He stated there are two types of supplemental bills being introduced this year; one requesting increases in appropriations, the other appropriation adjustments. He also stated the General Appropriations Act included all appropriations for bond projects. He stated the Governor thinks of bond funding as a method of financing, instead of as approvals or disapprovals. He said this may cause problems for the Legislature later during Free Conference Committee meetings.

GENERAL
COMMENTS

Mr. Lind stated the general fund includes such things as salaries not yet negotiated. He said the \$5.5 million appropriated for Natural Resources (referred to in special SB 413) is included in the general fund.

Going over the major budget items for FY 79 (see attachment), Mr. Lind stated that, under the education category, the increases look much like last year, with the major increase in pupil transportation. He stated the Governor did not request any funding for lunch subsidies. Representative Buchholdt asked if any of the funds provided for in pupil transportation could be used for private transportation. Mr. Lind replied the major funds would go for public schools and a portion of those funds could be used for private transportation, but it is very minor. He stated there are funds allocated for voice communications and specialized instruction, also funds for student financial aid and adult education.

BUDGET ITEMS
EDUCATION

Mr. Lind stated the major increase in social services is in the expansion of the Pioneers' Homes program. He stated also there is a substantial increase in assistance payments. Representative Schaeffer asked the status of

SOCIAL
SERVICES

the Pioneers' Home in Kotzebue. Mr. Lind said a bid had come in and that the Governor would be receiving a request from administrative personnel shortly. Representative Meekins asked how much money is allocated for this program, and Mr. Lind answered \$600 thousand is appropriated.

(Representative Gruening joined the meeting at 1:40 p.m.)

Mr. Lind stated the Homemakers program would require State funding, and for the current year, supplemental appropriation would be necessary. He stated the program ran out of funds about January 10, 1978, and is currently being funded by the State. Mr. Lind said funds are allocated for senior citizens tax exemption, which provides assistance in tax and rental payments.

In the health category, Mr. Lind stated more people are applying for general relief medical and medicaid, which he feels is due to an increased awareness in this program. However, he stated the major increase in health would occur in nursing homes due to inflation rates. He said they would be funded half by the State and half by the federal government. He stated some health funds would be used in the expansion of the Alcoholic Recovery program, replacing federal grants. Some funds would be used for nursing data, which shows minor increased activity and for accounting personnel. (Federal Indian Fund Act: Those not eligible for BIA are eligible for aid under the new Indian Health Service Act. The State would determine eligibility and send that information to the federal government. The State would share half the cost of this program with the federal government.)

HEALTH

In the natural resources area, the majority of the money would go into fisheries. In the land management area, funds would be devoted to water conservation and safe water sites. Funds are allocated for mineral resources, with \$300 thousand going to petroleum production and field safety. \$150 thousand would go for the crew of the Coast Guard vessel "Vigilante".

NATURAL RESOURCES

In the public protection area, specifically the Department of Motor Vehicles, Mr. Lind stated the Governor has not provided for full-time additional staffing. However, funds have been provided for computer upgrading and temporary help. Mr. Swanson asked if anything can be done to alleviate the problem in Fairbanks for obtaining drivers' licenses and automobile registration. Chairman Cowper said he also felt very strongly about this problem and that something must be done. Mr. Lind replied he believed the positions provided for in computer upgrading would alleviate this problem as it would allow more access to computers. Mr. Lind said the Governor has also requested temporary employees--not permanent --to help during automobile registration. Staggered

PUBLIC PROTECTION

automobile registration as a solution to this problem was also discussed. Mr. Lind brought up the fact that the Legislature voted to change the color of license plates last year and stated the Governor does not recommend funding for that purpose as it would cost approximately \$1 million. Mr. Lind reported costs increased for maintaining State Armories.

Under administration of justice, Mr. Lind stated there are increases in adult and juvenile confinements, as well as in the State Police Department. There was a discussion of the State taking over the Nome jail. Representative Swanson asked what happened to the policemen the Legislature approved to be hired last year and the Governor vetoed. Mr. Lind said he didn't know but believe these were for the Anchorage area, and they voted for local participation.

ADMINISTRATION
OF JUSTICE

(Representative Haugen joined the meeting at 2:09 p.m.)

Mr. Lind advised they are submitting the court system budget as it was submitted to the Governor. He stated there are some changes in the development category and that the major increase is in shared taxes.

Representative Gruening stated the Governor introduced a bill putting \$10 million into the Permanent Fund and asked where the money is included. Mr. Lind stated the \$10 million is in a separate bill. He stated all they are talking about here are General Fund projects, which are not concerned with renewable resources funds. Representative Gruening stated he thought the Governor was suggesting that part of the \$10 million would go into the permanent fund. Representative Guy asked if there were two permanent funds, and Mr. Lind replied there were: the Alaska Permanent Fund and the Renewable Resources Permanent Fund.

GENERAL
FUNDS

In transportation, Mr. Lind stated funds would go for various additional staffing, mainly for planning areas. Chairman Cowper asked if the Department was going to request a supplemental appropriation. Mr. Lind replied it is his understanding they will not need one.

TRANSPORTATION

In the general government category, Mr. Lind stated they are requesting an additional \$200.0 in contingency. He stated they are at the point where all the funds are specifically allocated to projects that are occurring right now (i.e., D-2, homemakers, etc.). He advised they are requesting \$2 million for capitol site planning to keep the project going until the general election. He advised they estimate debt service will go up by \$6.9 million. There was a brief discussion on the office in Washington, D.C.

GENERAL
GOVERNMENT

The meeting adjourned at 2:30 p.m.

ADJOURN

Tape HFC 78-2 #1898 - 78-3 #690

FY 79
MAJOR BUDGET ITEMS
(\\$ millions)

FY 79	Budget bill	\$ 879.3	
FY 78	Appropriated to date	<u>812.4</u>	<u>\$ 66.9</u>
Difference			

EDUCATION

Administration	Teachers' Retirement	2.9	
Education	Financial Support Programs	37.6	
"	Educational Telecommunications	.5	
"	Student Financial Aid	<u>1.6</u>	42.6

SOCIAL SERVICES

Administration	Longevity Bonus	.8	
"	Pioneers' Homes	.6	
Health & Social Svs.	Assistance Payments	.6	
"	Homemakers	.5	
Comm. & Reg. Affairs	Senior Citizen Tax Exemption	<u>.4</u>	2.9

HEALTH

Health & Social Svs.	R. Medical	2.0	
"	Medicaid	<u>4.1</u>	6.1

NATURAL RESOURCES MANAGEMENT AND ENVIRONMENTAL CONSERVATION

Natural Resources	Land Management	.6	
Fish and Game	FRED Fisheries Rehab. & Enhancement Div.	<u>2.1</u>	2.7

PUBLIC PROTECTION

Public Safety	Motor Vehicle & Drivers' Licensing	.8	.8
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ADMINISTRATION OF JUSTICE

Health & Social Svs.	Adult Confinement	1.8	
"	Juvenile Confinement	.6	
Public Safety	Detachments	.5	
"	Support Services	.6	
"	Judicial Services	.4	
Courts	Courts	<u>1.9</u>	5.8

FY 79
MAJOR BUDGET ITEMS (cont.)
(\$ millions)

DEVELOPMENT

Revenue	Shared Taxes	\$ 1.7	
Comm. & Reg. Affairs	Revenue Sharing	1.8	
"	National Forest Receipts	<u>.7</u>	\$ 4.2

GENERAL GOVERNMENT

Government	Contingency Fund	.2	
"	Elections	.9	
"	Capitol Site Planning (to capital budget)	(1.4)	
Law	ICC Rate Case	1.0	
Legislative	All	<u>1.0</u>	1.7

DEBT SERVICE

Bond Comm.	All	6.9	6.9
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CAPITAL BUDGET

All	Net adjustment	(10.1)	(10.1)
Net all other		<u>3.3</u>	<u>3.3</u>
			\$ 66.9

HOUSE FINANCE COMMITTEE
January 20, 1978
1:25 p.m.

All members of the Committee were in attendance except Representatives Guy, Meekings and Haugen. Also in attendance: Attorney General Av Gross, Dick Pegues and Richard Burnhaur, Department of Law; Harry Grant, E. T. Leland, Judy DuBois, Dale Cheek, and Tom Haas, Department of Labor; Alison Elgee, Division of Budget and Management; and Bob Schroeder and Alison Farnan, Legislative Finance Division.

PRESENT

Chairman Cowper called the meeting to order and stated the first order of business was to discuss HB 648.

HB 648

HB 648 - An Act making a special appropriation to the Department of Law; effective date.

Mr. Gross stated this bill is requesting that \$958,300 be appropriated from the general fund to the Department of Law for presentation of the state's position at ICC tariff hearings. He gave Committee members background information on what has happened in this case to date. He advised that the tariffs filed by the oil companies were substantially higher than expected and the Department of Law was given authority to pursue the case. He stated the Department hired a law firm in Washington, D.C. to deal with the ICC case. He advised the State joined with the Justice Department staff and the Arctic Slope Regional Corporation to challenge the rates.

Mr. Gross advised that the case will be argued before the Supreme Court in the Spring. He stated that the Supreme Court has authorized the companies to receive the higher tariff rate, with the difference between the higher rate and the rate set by the ICC to be held in escrow until the case has been settled. He stated that if the State is successful in winning the case, it will receive the money at a later date. He advised they are arguing the validity of the initial tariff that was filed. He stated this case is going to involve months of comprehensive testimony and it became clear that the firm they had initially hired was not big enough to handle the case.

As an example of the effort being put into this case by the oil companies, Mr. Gross cited a document from Sohio which indicates that the companies are going to put together a computer system just to index the documents filed during the investigation.

Mr. Gross stated they will request an additional \$2.3 million over the next two years to handle this litigation. He advised the remainder of that amount will be in the regular Department of Law budget. He advised that in order to keep the effort going they need the \$958,300 appropriation at this time. He advised that if this litigation is successful they could increase the State's treasury by billions of dollars.

Representative Rhode asked if any of this work is a duplication of work done by the Alaska Pipeline Commission and Mr. Gross responded no, it is supplementary to it.

Representative Gruening asked if the Department of Justice is participating in this hearing and Mr. Gross responded yes, they are intervening on the State's behalf and are supporting Alaska.

Representative Buchholdt asked if they are requesting enough money. Mr. Gross stated he believes they are doing a responsible job; however, he won't hesitate to come back to the Legislature and request additional funds if he feels it is necessary.

Representative Freeman moved and asked unanimous consent that HB 648 be passed from committee. There being no objection, it was so ordered. A majority of the members recommended "do pass".

HB 648
REPORTED OUT

Chairman Cowper stated the next order of business to come before the Committee was House Bill 613.

HB 613

An Act making supplemental appropriations to the Department of Labor, workmen's compensation, local hire and second injury fund; and providing for an effective date.

Ms. DuBois stated she is testifying on the first section of this bill, wherein Workmen's Compensation is requesting \$39,300 to meet obligations for payment of claims. She advised these are basically totally disabled persons. She advised that the reason they are requesting this supplemental appropriation is that some cases were in litigation at the time the budget was prepared so they were not able to provide an accurate account of what the payments would be. Ms. DuBois advised that the permanent appropriation would carry them through May, but it would not have sufficient funds to make payments in June.

Representative Rhode asked if the \$39.3 would be sufficient and Ms. DuBois said it would be.

Mr. Dale Cheek, Department of Labor, advised he is testifying on the second section of this bill, wherein they are requesting \$110,000 for the purpose of providing enforcement of the Local Hire Act. He advised they are asking for eight additional positions. Mr. Cheek stated the Local Hire BRU was decreased last year under the assumption that it would no longer be necessary with the wind down of the pipeline. He stated they kept four positions to keep the program going. He advised they have had more discriminatory complaints filed in the last six months than have been filed in the history of the program. He advised they have nearly 150 cases filed for administrative hearing of individual complaints.

Representative Buchholdt asked if they had any staff in Fairbanks right now and Mr. Cheek stated they do not. He advised this is where they want to put the positions as this is where the bulk of the complaints are coming from.

Representative Freeman asked why they are having more complaints now when the pipeline is winding down. Mr. Cheek stated that many complaints occurred because of the actions of one of the maintenance companies in importing workers from Outside. He stated they are receiving the complaints and are obligated to work on them under the Local Hire Act.

Discussion on the Local Hire Act. Mr. Cheek stated the act exempts management and professional personnel.

Chairman Cowper stated he would like to amend the motion to include a new section relating to the Second Injury Fund. He stated that Mr. Peter Tremont was severely injured while working for Fluor. He stated that under workmen's compensation from the Second Injury Fund he could receive \$200.0. He is willing to settle for \$70.0. Chairman Cowper advised there is not enough money in the Second Injury Fund to pay for this. Mr. House advised that this settlement is due Mr. Tremont and would have been taken care of already if there was money in the fund. He advised these funds will be returned to the General Fund at a later date from the employer's fee paid to workmen's compensation.

FINANCE
CS FOR
HB 613

Chairman Cowper moved and asked unanimous consent that a finance committee substitute for HB 613 be prepared, adding a new section 3 to state: "The sum of \$70,130 is appropriated from the General Fund to the Department of Labor, second injury fund, for the purpose of contributing to a lump sum settlement for injuries to Peter J. Tremont." There being no objection, it was so ordered.

Representative Freeman asked if there was any indication as to when the Court was going to decide on the local hire law. Mr. Cheek stated they are going to testify on the law in late February. He advised the decision will probably be out in June. Further discussion on the Local Hire Act.

Representative Duncan moved and asked unanimous consent that the finance committee substitute for HB 613 be reported out. There being no objection, it was so ordered. A majority of the members recommended do pass.

CSHB 613
REPORTED
OUT

Discussion on the resolution concerning setting a budget ceiling. Representative Gruening recommended the Committee have a meeting on this next week.

The meeting adjourned at 2:45 p.m.

ADJOURN

HOUSE FINANCE COMMITTEE
January 25, 1978
1:20 p.m.

PRESENT

All members of the Committee were in attendance, except Representative Schaeffer. Representative Duncan arrived later in the meeting. Also in attendance: Representatives Osterback and Nakak; John Messenger, Department of Revenue; Dick Hall, Alaska Housing Finance Corporation; Alison Elgee, Budget and Management; Janet Green, Office of the Governor; Bob Walt, Office of Telecommunications; Judy Dubois and Dan Haas, Department of Labor; Phil Marenno, Chatham Aquaculture and Marine Institute; and Steve Brown, University of Alaska, Juneau.

Chairman Cowper called the meeting to order and stated the first order of business was to hear a presentation from Dick Hall, Alaska Housing Finance Corporation. Mr. Hall presented booklets concerning AHFC and stated his testimony is concerned with HB 642 (An Act making a special appropriation to the mortgage insurance fund of the Alaska Housing Finance Corporation; effective date) and advised the bill is currently in the House State Affairs Committee.

PRESENTATION
FROM DICK
HALL -- RE:
HB 642

Mr. Hall advised that last year AHFC received a \$2 million appropriation from the Legislature to fund the mortgage insurance fund. He stated they are now requesting two appropriations; one is a supplemental appropriation in the amount of \$1,720,000, and the other is a regular appropriation for fiscal year 1979 in the amount of \$2,880,000. He advised the supplemental appropriation is critical to the ongoing programs of AHFC. He stated the regular appropriation will serve approximately 4,000 Alaskans. He advised that AHFC has made loans on \$306 million serving over 6,000 Alaskans.

Mr. Hall stated AHFC's ability to sell bonds rests totally on the quality of their program and there is a limit to the number of bonds they can sell. They are assuming they can sell \$230 million in bonds.

Mr. Hall explained that AHFC works in the following manner: the home buyer goes to the lender, the lender, in turn, comes to AHFC, Freddymac, etc. for funds. He stated that AHFC is successful because they are using tax exempt bonds. He stated AHFC is doing approximately 40% of the secondary money market in the State. He advised they try to avoid working directly with the home buyer because they are the secondary, not primary, lender.

Mr. Hall explained that the State Mortgage Insurance Fund is funded by 2% of the outstanding bonds. This is what they are asking the Legislature to fund. He stated this goes into an investment account that will only be used if there were to be a major economic downfall.

Representative Gruening asked what happened when there was a default and Mr. Hall advised they have had no defaults. He stated when there is a foreclosure the homes have sold for an amount higher than the original amount.

Mr. Hall said that basically the state mortgage insurance fund becomes a savings account. He stated it represents a Fannymae guarantee on the loan. Chairman Cowper asked what the current balance of the fund is and was advised the balance is \$3.6 million. Chairman Cowper asked what was done with the income of the account and Mr. Hall responded it will "roll back in" and eventually they won't have to ask the Legislature for funds because the earnings off the fund will be high enough. He advised that the Department of Revenue manages that funds.

Mr. Hall stated AHFC received all its operating funds from the bond money. He stated they also have sold notes. He advised that under the federal arbitrage laws they are allowed unlimited gain on notes. He stated the Corporation has been able to accumulate \$3 million in note money which is unrestricted net worth to the Corporation.

Mr. Hall stated AHFC is loaning money at a 7 1/2% interest. He stated FreddieMac or mortgage companies interest rates are approximately 9 3/4%, so they are passing a 2% savings on to Alaskans using the program.

Mr. Hall advised that page three of the booklet gives a breakdown of where the loans are being made. 74.3% of the loans are in Anchorage. Mr. Hall stated this is where the people are and where the high turn-over in homes is. He also stated this is where the bond bank likes to see the loans being made. He advised that the Fairbanks North Star Borough received 8% of the loans, and Southeast received 8%. Mr. Hall stated they are trying to comply with legislative intent concerning trying to solve the problem of making loans in the rural areas; however, he stated that in order to sell bonds they must have a marketable title on the land and fire insurance on homes; both are a problem to get in rural areas.

Chairman Cowper asked if the problem of obtaining titles could be taken care of through federal legislation and Mr. Hall stated that would be a tremendous undertaking for AHFC to take on. Representative Guy stated he thought these restrictions could be waived and Mr. Hall stated AHFC basically stays out of that, it is between the title company and the loan applicant. Representative Meekins commented that he is looking into this problem.

Representative Haugen commented that getting involved in rural loans could drive the interest rate of bonds down, which would ruin the entire program. Mr. Hall stated this was correct.

Mr. Hall stated AHFC would like to comply with legislative intent, and the Board of Directors passed a resolution stating they want to get into the rural area as much as possible. He stated in October the Board initiated a new policy. He stated they make loans to Urban (Anchorage), Suburban (Kenai, Juneau) and Rural (Bush) areas. He stated they are getting money out of the Anchorage area by stating that Urban and Suburban money can be used in the Rural areas, but Rural and Suburban money cannot be used in the Urban area. He advised that AHFC does not disapprove any rural loans that meet underwriting criteria. He advised that in the past year they made 28 loans to the rural area and disapproved one loan.

Mr. Hall stated that prior to receiving the legislative intent concerning rural areas, AHFC became involved in two pilot projects for rural areas. He stated that one project was loans of \$2,000 for home improvements; they put \$50,000 into that project. They put \$150,000 into another project with a maximum loan of \$15,000 per applicant. Mr. Hall stated they served a total of 48 people under these programs. He advised that of the \$354,000 loaned under these programs, the auditors have advised that \$83,000 should be written off as bad loans. Mr. Hall stated AHFC has made an effort to get into this market, but apparently they did something wrong, and did not find the right solution.

Mr. Hall stated he has told the Legislature before, if they want AHFC in that market, then they should give AHFC the money, and the Legislature should take the risk.

Mr. Hall commented on the capitol relocation to Willow, and how AHFC can become involved. He stated that planners are "dreamers" and may not be correct on what AHFC can get from the bond market. Mr. Hall stated AHFC's ability is related to what they can get in the bond market. He advised that no matter what the legislature passes, AHFC is limited to what it can do by the

bond market. He advised they are forecasting that their ability will be within the \$200 million range at that point. He stated that AHFC's operation will not be able to cover the total proposal in the capitol relocation report.

Mr. Hall advised they must have approval of the appropriation by February 20th. He stated if they don't have it they will have to change the comments in their official statement, which would not be in the best interest of the Corporation or the program. He stated if the bill is not passed, they will have to cut off the program in Mid-April because they will be out of money. He stated the reason for this is that they were underfunded last year.

Representative Nakak stated he is concerned about AHFC's continuing ability to perform. He stated the enabling legislation had reference to housing in rural Alaska, as did last year's legislative intent. He stated they have housing constraints in the villages. He advised he is willing to support this legislation, but would like solutions to this basic problem.

Representative Haugen stated AHFC currently has a well-run program; if they get into the bush it could ruin the entire program. He recommended keeping the program and getting another one for the bush.

Chairman Cowper appointed a special subcommittee, to be chaired by Representative Meekins, to look into the problem of obtaining home loans in the bush area.

Chairman Cowper thanked Mr. Hall for appearing before the Committee, and stated there would be further discussion on this when HB 642 is before the Committee.

Chairman Cowper stated the next item before the Committee would be House Bill 611.

HB 611

An Act making a supplemental appropriation to the Office of the Governor, Telecommunications; and providing for an effective date.

Mr. Bob Walt, Office of Telecommunications, stated they are requesting a supplemental appropriation in the amount of \$235,000. He stated this request was brought about because of separate, but related activities, not anticipated when the budget was put together. He advised these funds will be used for participation in the intra-state tariff hearings and rate separation hearings concerning RCA. He stated they are engaging an economic consultant firm and a private economist with those funds. Mr. Walt advised the Governor felt it was in the best interest of the State to pursue the rate case. There was brief discussion on the RCA rate increase and RCA publicity.

Representative Freeman commented that he thought this was a function of the APUC and asked why the Office of Telecommunications was involved. Chairman Cowper stated the Legislature directed the Office of Telecommunications to participate through a resolution passed last year. He stated his recollection is that the fiscal note accompanying that resolution was lost and the funds were not appropriated. He stated that lost fiscal note was in the amount of \$100,000 and asked why they are now requesting \$235,000. Mr. Walt stated the magnitude of the case is much larger than what they had originally anticipated.

Representative Buchholdt commented that the original fiscal note was \$100,000, they are now requesting \$235,000; she asked what the total cost would be when they were done. Mr. Walt stated \$235,000 is only a guestimate. He stated they may need an additional \$150,000 in their next fiscal year's budget. Representative Duncan asked if that amount was included in their FY 79 budget. Mr. Walt stated it was not, at this point because they did not know how much they would need. He stated that the problem is that they cannot completely control the effort. Representative Duncan stated he should have this information within the next two weeks, as that is when he will be closing-out this budget category.

Mr. Walt stated OT misestimated the amount they would need originally. He stated the additional cost is a matter of reacting to other activities that have occurred in this case. Discussion on where funds would be spent.

Representative Duncan moved and asked unanimous consent that HB 611 be reported out. Representative Freeman objected. The question was called for and the motion passed with six in favor and three opposed (Freeman, Rhode and Haugen). HB 611 was reported out with a "do pass" recommendation.

HB 611
REPORTED OUT

Chairman Cowper stated the next item to be brought before the Committee was House Bill 662.

HB 662

An Act relating to an income tax refund for the 1977 tax year and making miscellaneous amendments to the income tax statutes; and providing for a effective date.

Mr. John Messenger, Department of Revenue, stated this had been discussed previously before the Joint House/Senate Finance Committee meeting. He advised that last year Congress passed a complete revision of the federal tax code. He stated this act did several things -- one thing it did was eliminate the standard deduction; but it plugged the equivalent right into the tax schedule itself. He stated that for federal income tax purposes

there was no net difference in tax liability. He stated that Alaska has its tax rate split from federal government. Alaska included the change that eliminated the standard deduction, but did not pick it up on the other side. He advised that the net effect was to raise everyone's tax liability in the state. He advised this was an unintended result.

Mr. Messenger stated that HB 662 deals with this problem. Sections one and two make permanent changes in the statute to correct this problem. Section three deals with the problem specifically for this year. He stated that people are already starting to file their returns under the current law. He advised that the Department of Revenue is proposing that automatic repayment of tax payments equivalent to what taken out as the standard deduction be made. He stated the Department thinks this is better than trying to require people to file a separate return or to try and plug it into the current tax form.

Representative Buchholdt requested an explanation of the fiscal note in the amount of \$56,200. Mr. Messenger stated this is to hire some temporary people for this special project so there will be no delay in making refunds or in processing returns.

Mr. Fred Brown, Certified Public Accountant in Juneau, stated he disagreed with the method the Department wants to use to correct the problem. He stated that some of his clients who would otherwise be receiving a refund from the State will have to make a payment and then wait to get the money back. He stated that some people do not have the money to do this. He stated an alternate solution could be to have the Department get the word out, and those submitting the return and taking the deduction could submit a statement advising that they have taken the deduction.

Representative Meekins asked if this only affects people who itemize and Mr. Brown stated no, it could affect teenagers who would normally get everything back, but might have to submit \$10-\$20 and wait to get it back. Chairman Cowper commented that this seems to be a wasteful process.

Mr. Messenger stated that if they get people filing in different ways, they would have to create two systems for processing returns and it would create problems.

Chairman Cowper stated the problem is with people who would have to pay money and then get the money back at a later date. Mr. Messenger stated that as a practical matter they would not be penalized for not paying in this

type of situation, and the matter would take care of itself. However, he stated that the more returns they get like this, the more special handling will be required, which will result in late returns.

Representative Freeman moved and asked unanimous consent that HB 662 be passed from Committee with the following letter of intent:

HB 662
LETTER
OF INTENT

The Department of Revenue shall take reasonable steps to inform Alaskan taxpayers of the change in the law as evidenced by this bill, including written notice to businesses and professions which customarily assist in the preparation of tax returns. It is the intent of the Legislature that as few citizens as possible be required to pay the amounts which will later be refunded.

Mr. Messenger asked if the Department could submit a new fiscal note taking into account the additional amount necessary for publicizing this change and for processing of this system. The Committee concurred.

HB 662
NEW FISCAL
NOTE

There being no objection to the motion it was so ordered. HB 642 was reported out of committee with a "do pass" recommendation.

HB 622
REPORTED
OUT

Chairman Cowper stated the next item to be discussed by the Committee was House Bill 619.

An Act making a supplemental appropriation to the Department of Labor, vocational rehabilitation and Pump Station #8; and providing for an effective date.

HB 619

Ms. Judy DuBois, Department of Labor, asked what happened on the House floor concerning the finance committee substitute for HB 613. Chairman Cowper stated HB 613 was passed in the original version.

Mr. Haas, Department of Labor, stated they are requesting additional funds from the Second Injury Fund to the Department of Labor. He advised that part of these funds are to go the Department of Education, Division of Vocational Rehabilitation. He stated that in FY 78 the Department of Labor did not receive a billing for their services and as a result the funds appropriated were spend for payments to Second Injury Fund recipients. He advised they had some additional payments to these recipients.

Ms. DuBois stated that when a worker is injured and can no longer work in that vocation, those needing retraining in another vocation work with Vocational Rehabilitation to receive the necessary training.

Representative Duncan moved and asked unanimous consent that HB 613 be reported out. There being no objection, it was so ordered. HB 613 was reported out of committee with a "do pass" recommendation.

HB 613
REPORTED OUT

Chairman Cowper stated the next item to come before the Committee was House CS for Senate Bill 118 (2nd Finance).

FINANCE
CS FOR
SB 118

An Act making miscellaneous appropriations to the Department of Revenue, the Legislative Affairs Agency, the University of Alaska, and the municipality of Anchorage; and providing for an effective date.

Chairman Cowper stated that SB 118 is a "dead bill". He stated there are several studies provided for various areas that the Administration and others believe they need at this point, and SB 118 could be used as a vehicle for these bills.

Chairman Cowper stated that Section 1 deals with the YES program and is a proposal to fund the program for the municipality of Anchorage in the amount of \$60,000. He stated this was approved in the Free Conference Committee, but somehow was funded out of restricted sources. Mr. Barker stated the restricted funds were out of CETA, and CETA funds were not made available as there was no "hard cash" forthcoming from the State. He advised that the municipality of Anchorage put up \$35,000 of their own money to operate the YES program at a reduced level. The appropriation would appropriate \$60,000 to the municipality of Anchorage for the cost of the program to carry them through the end of the year. Representative Meekins stated the Anchorage program is a very good one that seems to work.

Chairman Cowper stated section 2 appropriates \$20,000 to the Department of Revenue to conduct a study comparing oil and gas taxation imposed by the state and other states. Mr. Messenger stated there was a study done by the Alaska Oil & Gas Association and the state has some problems with that study and believes a study should be done showing what the relative burden of the tax structure is in other states. Mr. Messenger stated the study will be contracted out to a firm who is not working with AOGA. Representative Haugen commented that money is continually being spend for studies and he doesn't think they are resolving any of the problems.

Chairman Cowper stated sections 3 to 6 relate to studies to be conducted jointly by Legislative Affairs and the Department of Revenue; one regarding fishery taxation and the other regarding investment of tanker vessels. Representative Freeman asked why these were being conducted jointly and Mr. Messenger stated the Department of Revenue has information in their computers which cannot be made available on an individual basis, but can be made available to be analyzed.

Mr. Messenger stated the funding for the fiscal note for the fishery tax study was taken from a fiscal note that accompanied HB 555 last year. He stated the tanker cost study will partially contain Department of Revenue information, but the majority of the funds will go to contracting with an outside party that has the expertise on tanker costs, etc. He stated this is expertise that is not available in Alaska.

Representative Haugen again stated he believed studies were a waste of effort. Mr. Jim Rhode stated the Commissioner of Revenue has statutory authority to declare a reasonable tanker charge, however he cannot do so unless he has the necessary information to determine what is necessary. He stated this study would be very useful.

Chairman Cowper stated that section 7 of the bill appropriates \$58,000 to the University of Alaska, Juneau to produce a film concerning the D-2 lands.

[The meeting recessed at 4:04 p.m. and reconvened at 4:15 p.m.]

Mr. Steve Brown, University of Alaska--Juneau, stated that initially this was prepared for the Alaska Human Forum to produce the film. They are going to fund the film in the amount of \$46,000; the University is going to put up \$11,000 and they are requesting the rest from the Legislature. He stated they have received support from the Land Use Planning Commission, the D-2 Steering Council, and the Alaska Federation of Natives. He stated he believes that the support they have received from all these entities indicates they will be very objective in producing the film. He stated the object of the film is to bring to the people as objective and informative information as possible concerning the national public interest lands issue under D-2. Discussion on the film being impartial. Mr. Brown advised the intent is to prepare the film for public television in the state.

Chairman Cowper stated it is not his intent to move the bill out of Committee today.

SB 118
HELD
OVER

Mr. Phil Moreno, Chatham Aquaculture and Marine Institute, presented testimony to the Committee concerning a pilot project for juveniles he would like help in funding. (See attached brochure for explanation of program.) He stated they need \$30,000 for a 90 day project to see if the program can be put into operation. He stated they will also need approximately \$1 1/2 million in funding for equipment. He advised that the \$30,000 would be to hire 3 people for 90 days to bring in an actual written proposal. Chairman Cowper stated he would like to defer consideration of this until a later date.

Chairman Cowper stated he would like to aim at March 1st as the date when subcommittee's will present their budget to the full committee.

Representative Rhode presented a bill relating to state aid for school construction and moved and asked unanimous consent that this bill be sponsored by the finance committee. (See attached for a copy of the bill.) There being no objection, it was so ordered.

FINANCE
COMMITTEE
SPONSORS
BILL

ADJOURN

The meeting adjourned at 4:45 p.m.

Tape HFC-78-4 #1067 to end
Tape HFC-78-5 # 001 to end
Tape HFC-78-6 #001 to 1157

INTERIM BOARD OF DIRECTORS

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AMI is an on-going project of the Native Improvement and Development Association of Sitka. NIDAS is the non-profit arm of Shee-Atika Corporation of Sitka. The facilities in Chatham are being leased to Shee-Atika by New England Fish Company.

CAMI's offices are located at:

Marine View Apartments
230 S. Franklin St. - Rm. 202
Juneau, Alaska 99301 586-2038

Phil Moreno Project Coordinator
Jonathan Sperber Assist. Project Coordinator

CAMI, INC.

CHATHAM AQUACULTURE AND MARINE INSTITUTE



A PRIVATE NON-PROFIT
NON-DISCRIMINATORY ORGANIZATION

1-25-78

OBJECTIVES

The Chatham Aquaculture and Marine Institute (CAMI) is a pilot project whose purpose is to cause the rehabilitation of our troubled youths. Geographically relevant aquaculture, marine and forestry programs will be employed in the program. These activities are all supportive to the goal of having young people, perhaps for the first time, feel good about themselves and the world around them.

FACILITIES

Based at an unused cannery facility at Sitkoh Bay (25 miles west of Angoon), CAMI will be a 24-hour residence institute caring for 48 boys and girls, ages 12 to 18. The 9-month program will serve the statewide area of Alaska, with preference given to the Southeast Alaska region. The curriculum and subsequent job opportunities are applicable to this area). The recipients of these services will be Southeast Alaska youth who are, incarcerated for various offenses such as drug and alcohol-related abuses, and individuals whom the State of Alaska determines have a need for structured care.

ATTITUDES

The proposed CAMI program is oriented toward establishing positive behavior and attitudes. Students will be provided a wide variety of experiences aimed at healthy, honest interaction with others. Parents are encouraged to participate in attitude-awareness workshops and counseling sessions at CAMI, in order to create a healthy home environment for the returning student.

VOCATIONAL

Career-awareness seminars will be put on at Chatham by various State and Federal agencies, and there are opportunities for the youths to do work for these groups on a contractual basis. Summer programs such as YCC and YES will also be made available to our students.

SUMMARY

CAMI is a private non-profit, non-discriminatory organization. As CAMI is in formative and grant-seeking stages, we are receptive to regional community input, and will disseminate information to the public concerning our program.

We at CAMI are extremely proud and enthusiastic of our project, and for the chance to help our greatest resource - the young people of Alaska.

THE CHATHAM AQUACULTURE AND MARINE INSTITUTE

PLANS TO PROVIDE THE FOLLOWING SERVICES:

- .24-hour Medical Service
- .Resident Psychologist
- .Counseling Services
- .Full Educational Services
- .GED Program
- .Career-Awareness Seminars
- .Personal Dynamics Workshops
- .Aquaculture Program
- * .Rehabilitation of Local Streams
- .Experimental Fisheries Projects
- .Safety Programs
- .EMT Training
- .First-Aid Courses
- .Native Cultural Programs
- .Rehabilitation of Local Historic Sites
- .Hydroponics and Greenhouse Gardening
- .Nutrition Program
- .Use of Native Foods
- .Woods and Coast Arts and Crafts
- .Basic Logging Techniques
- .Marine Navigation Courses
- .Homemaking Skills
- .Boat Building and Repair
- .House Building Skills
- .Environmental Conservation

Betty 4596

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 HOUSE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state aid for school construction;
7 and providing for an effective date."

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

9 * Section 1. AS 43.18.100(a) is repealed and re-enacted to read:

10 (a) During each fiscal year, the state shall allocate to an
11 organized borough or a city which is a school district, the following
12 sums:

13 (1) payments made by the borough or city during the fiscal
14 year two years earlier for the retirement of principal and interest on
15 outstanding bonds, notes or other indebtedness incurred before July 1,
16 1977 to pay costs of school construction, and cash payments made by the
17 borough or city before July 1, 1977 to pay the cost of school construc-
18 tion;

19 (2) 50 per cent of

20 (A) payments made by the borough or city during the
21 fiscal year two years earlier for the retirement of principal and
22 interest on outstanding bonds, notes or other indebtedness incurred
23 after July 1, 1977 to pay costs of school construction;

24 (B) cash payments made after July 1, 1977 by the borough
25 or city during the fiscal year two years earlier to pay costs of
26 school construction.

27 * Sec. 2. This Act takes effect July 1, 1978.
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29

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-1-

HOUSE FINANCE COMMITTEE
January 27, 1978
1:15 p.m.

All members of the Committee were in attendance, except Representatives Haugen and Schaeffer. Representative Meekins arrived later in the meeting. Also in attendance were Representatives Charles Parr, Terry Gardiner, Nels Anderson; Alison Farnan, Milt Barker, Bob Grogan, Fiscal Analysts, Legislative Finance; Jim Rhode, Administrative Assistant to Chairman Cowper.

PRESENT

Chairman Cowper called the meeting to order and stated the first order of business was to discuss HB 161. He asked Representative Parr to testify.

HB 161

HB 161 - An Act relating to credit in teachers' retirement system for service in the United States Merchant Marine.

Representative Parr stated this bill would permit counting World War II Merchant Marine service toward retirement, the same as regulation servicemen under Teachers' Retirement System (TRS). He feels the Merchant Marines should be considered in the same category as the Army-Navy-Air Force, therefore, entitled to the same benefits. He stated the United States turned down the Merchant Marines on military retirement. (See Attachment 1) He believes HB 161 would rectify this inequity. He advised that, as the Merchant Marines are no longer in existence (being dissolved by Act of Congress in 1952), the number of people affected would be declining. He stated, at present, not more than 20 Alaskans are involved. (He commented Representative Haugen is one.) Representative Swanson wondered if the State was to continue to "pick up bits and pieces" in this manner. Discussion followed as to whether this proposal could be incorporated under Public Employees Retirement System (PERS). Chairman Cowper advised he would like to see this service explored further, and stated he would request fiscal analysis before making recommendation. HB 161 was tabled at this time.

Representative Gruening gave a presentation on Legislative action on the State budget, with regard to establishing deadlines for determining the total amount of State general funds to be appropriated during FY 79 and for preliminary allocation of these funds between budget categories in both the operating and capital budgets. These amounts are to be determined by the 45th day (February 22). Chairman Cowper recommends it be passed out of Committee and on the House floor by February 6-7, in order to allow the Senate enough time to act.

BUDGET

Mr. Barker presented a brief summary of the estimated general fund balance. (See Attachment 2) Some of the considerations discussed were whether to appropriate at the level of recurring revenue or dip into the surplus, or should projects normally funded through bond issues be funded through direct appropriation. Representative Gruening stated budget figures were based on tariff decisions being favorable. Mr. Jim Rhode stressed the importance of setting budget limits early.

Chairman Cowper stated the next item to be discussed was the new fiscal note for HB 662. (An Act relating to an income tax refund for the 1977 tax year and making miscellaneous amendments to the income tax statutes; and providing for an effective date.) HB 662 was reported out of Committee with a "do pass" recommendation on January 25, with a letter of intent and on the condition the new fiscal note be approved. The new fiscal note provides for a total of \$83,000 for FY 78 be appropriated for publicizing the change and implementing the system proposed in HB 662. Chairman Cowper moved and asked unanimous consent the new fiscal note be adopted. There being no objection to the motion, it was so ordered.

NEW FISCAL
NOTE HB 662

Chairman Cowper stated the next item to be discussed was the introduction of HB 699. (An Act authorizing reimbursement of certain travel expenses to legislators during legislative sessions; and providing for an effective date.) He stated this bill, sponsored by the Committee, was inadvertently introduced in the House before Committee approval. Chairman Cowper stated if any member objected to the introduction of this bill, it would be withdrawn immediately. He said the bill would be referred to the Committee where it can be changed. Representative Freeman stated he objected to a bill's being introduced in the name of the Committee without the Committee's having seen it first. Mr. Jim Rhode apologized and stated he was very sorry it had happened and would see it did not happen again. Chairman Cowper again asked if there were any objection to HB 699 being introduced in the House. There being no objection, the bill stands on its introduction.

HB 699

Chairman Cowper stated the next order of business to come before the Committee is House CS SB 118.

HOUSE CS
SB 118

An Act making miscellaneous appropriations to the Municipality of Anchorage, the Department of Revenue, the Legislative Affairs Agency, the University of Alaska, and the Department of Commerce and Economic Development; and providing for an effective date.

Chairman Cowper stated he would like to take the bill one section at a time and the Committee pass on each appropriation separately. (Testimony concerning this bill was heard on January 25.)

Representative Gruening moved and asked unanimous consent that Section 1 be adopted. There being no objection, it was so ordered.

HCSSB 118
SECTION 1
ADOPTED

Representative Freeman moved and asked unanimous consent that Section 2 be adopted. There being no objection, it was so ordered.

SECTION 2
ADOPTED

Representative Rhode moved and asked unanimous consent that Sections 3 and 4 be adopted. Representative Swanson objected to Section 3, which appropriates funds for a joint study to be set up to analyze the fishery policy of the State. Brief discussion, with Representative Swanson withdrawing his objection. The motion to adopt Sections 3 and 4 was so ordered.

SECTIONS 3&4
ADOPTED

Representative Freeman moved and asked unanimous consent that Sections 5 and 6 be adopted. There being no objection, it was so ordered.

SECTIONS 5&6
ADOPTED

Representative Rhode moved and asked unanimous consent that Section 7 be adopted. Representatives Gruening and Swanson objected to Section 7 concerning the filming for public television. Representative Swanson expressed concern over the partiality of the film and stated it was his opinion a letter of intent be attached to the bill regarding Section 7. Representative Gruening stated he would like to see private broadcasters produce a film on Alaska. Discussion on the intent of the film and whether it is for State and/or national distribution.

SECTION 7

Representative Swanson moved and asked unanimous consent that Section 7 be adopted with the following letter of intent:

The film for which the appropriation in Section 7 is made will be a fair and unbiased presentation, and not supportive of any particular interest group.

LETTER OF
INTENT

There being no objection, it was so ordered.

ADOPTED

[Representative Meekins joined the meeting at 2:45 p.m.]

At this time, the Committee heard testimony from Representative Gardner requesting the appropriation of \$10,000 to the Department of Commerce and Economic Development to assist in setting up a bottom fish research association.

BOTTOM FISH
RESEARCH ASSN

Chairman Cowper moved and asked unanimous consent that a new Section 8 be added to HCSSB 118 be adopted to read as follows:

HCSSB 118
NEW SEC. 8

The sum of \$10,000 is appropriated from the general fund to the Department of Commerce and Economic Development for the purpose of a grant to establish a bottom fish research association.

There being no objection, it was so ordered.

Chairman Cowper advised prior Section 8 would become Section 9.

Representative Duncan moved and asked unanimous consent that House CS for SB 118 (2nd Finance) be reported out. There being no objection, it was so ordered. House CS for SB 118 was reported out of Committee with a "do pass" recommendation.

HOUSE CS FOR
SB 118
REPORTED OUT

Representative Anderson requested permission to address the Committee on the subject of Legislative intent. He expressed concern that Legislative intent was not being carried out and asked the Committee's help in deciding a course of action. Chairman Cowper stated he felt very strongly about this problem and that the Committee would address the matter at this time. Committee members reported they were aware of the matter and were in agreement that a stand must be taken now. Several Committee members cited instances where Legislative intent had been ignored by the Executive Office. Chairman Cowper stressed the importance of agreeing on a course of action now and not leaving the matter unanswered. Several suggestions were made such as finding the parties responsible and deleting those positions or the agency responsible and cutting its funds.

LEGISLATIVE
INTENT

Chairman Cowper stated Susie Fowler, Legislative Assistant, Budget and Audit, is preparing a report on Legislative intent. The discussion was tabled until such time as each subcommittee chairman has had a chance to go over this report and make recommendations to the Committee.

There being no further business to come before the Committee, the meeting adjourned at 3:30 p.m.

ADJOURN

Merchant Marine Wants Benefits

WASHINGTON — (NEA) — When World War II closed, Allen Groneman received a document from the White House expressing the "heartfelt thanks of the nation" for his efforts in helping to defeat the Axis powers. It was the only thanks Groneman got. He was a merchant marine in the war and his country has never been generously grateful.

Groneman was among more than 200,000 civilian sailors who made possible the logistics of the war victory. They were all volunteers, many of them well above soldiering age. Technically they were noncombatants, in fact 5,000 of them died, and 100 of their ships were sunk, a toll that was higher per capita than that of the regular navy.

Groneman is a good example of the heroics of the merchant marines. He routinely served on the North Atlantic run to Murmansk, the most dangerous voyage of the war years. During one mission his ship was torpedoed, and Groneman and his mates spent hours in a raft

waiting to be rescued. Shortly afterward he was back at sea.

Groneman would have rather served in the navy, he says. And he tried twice to enlist. Both times he was reminded that he was more valuable in the merchant marines. Fighting sailors could be drafted, he was told, but somebody had to man the ships that kept the allies supplied with the guns and ammunition they required.

So it was that Groneman and others are not entitled to the benefits given regulation servicemen. Many World War II G.I.'s never left the states, while 83 per cent of all merchant marine officers were at sea. Yet the law recognizes only the former as legitimate veterans.

Groneman has never qualified for G.I. education money, for example. In fact he had to sit out college for a year because veterans were given university spots before him. Neither has he qualified for a home loan, or for G.I. hospitalization. When he dies he will not have a

military funeral, nor so much as the U.S. flag for his coffin.

And there is something else he won't get. A military pension. By law all merchant marines of World War II were required to be naval reservists. Many, like Groneman, stayed in the reserves for 20 years or more. But the law prohibits pensions for career reservists who did not spend some of the war years on active duty.

Unfair? Groneman, of Cincinnati, thinks so. And many of them are now reaching retirement age, some of them need medical care and other help, and their complaints are growing. "We worked as hard as anyone then," says Groneman, "I don't think it's right to forget that we did."

Assuredly, few Americans were forgetting during the war years. Franklin Roosevelt felt so strongly about the need for merchant marines that he is said to have considered making them part of the regular navy. The story is the maritime unions talked him out of it.

Still, Roosevelt insisted that the civilian sailors be as military as possible. So they were uniformed, subjected to military court martial discipline, and given the same POW "protections" as were the regular troops. Roosevelt even armed the merchant marine vessels, albeit not enough and in fact altogether too little.

One example of the inadequacy of the merchant marine armor was the S.S. Stephen Hopkins. When it was attacked by two Nazi ships in 1942, the Hopkins had only one four-inch gun to fire back. Yet when the crew of that gun was killed, an engine room sailor named Ed O'Hara took over and sunk one German boat before succumbing himself.

Had O'Hara lived, of course, he would not have been entitled to veterans benefits. As it is the Merchant Marine Academy at Kings Point, N.Y., has named its gymnasium in honor of his signal bravery.

Apparently, there are some people who would not honor

merchant marines of the or any fashion. Groneman and many people believe the civilian sailors were mercenaries, that their "high pay" of time was sufficient reward for their service. Many still in navy believe this; so also some congressmen.

Hence even at a time when Congress is considering a Bill Goldwater proposal to redefine the status of the veterans of the Women's Air Force Service, lots (also never eligible for the G.I. Bill of Rights), there is pessimism that the merchant marines will not be able to correct history. Old images, even wrong, are not easily overcome.

A breakthrough could be in the offing, however. The Supreme Court is being petitioned to overturn the law which denies naval reserve pension rights to merchant marines who were not on active duty in the war. The argument is that the law is discriminatory; and for many merchant marines of World War II, that's the story of their lives.

GENERAL FUND

(\$ Millions)

<u>FY</u>	<u>SUPPLEMENTALS</u>	<u>LAPSE</u>	<u>DIFFERENCE</u>
69	3.7	- 8.8	12.5
70	18.7	3.6	15.1
71	21.3	14.4	6.9
72	18.4	17.8	.6
73	8.6	20.6	-12.0
74	14.8	- .3	15.1
75	44.6	44.1	.5
76	37.3	40.9	- 3.6
77	28.1	32.9	- 4.8



LAWS OF ALASKA

1970

Source

SB 590 am H

Chapter No.

232

AN ACT

Appropriating to the Department of Highways; and providing for an effective date.

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

* Section 1. The sum of \$120,000,000 is appropriated from the general fund to the Department of Highways for the purpose of constructing the North Slope Road as defined in an Act entitled: "An Act providing for the construction and financing of a highway from the Yukon River to the Arctic Ocean; and providing for an effective date."

* Sec. 2. This Act takes effect on the effective date of an Act entitled: "An Act providing for the construction and financing of a highway from the Yukon River to the Arctic Ocean; and providing for an effective date."

Approved by governor: June 18, 1970
Actual effective date: June 19, 1970

HOUSE FINANCE COMMITTEE
February 2, 1978
1:25 p.m.

All members of the Committee were in attendance except Representative Swanson. Chairman Cowper arrived later in the meeting. In attendance to testify on bills were: Representative Carpenter, Senator Sumner, Mr. Messenger, Department of Revenue; and Mr. Hogan and Mr. Scott, Legislative Finance Division.

PRESENT

Vice-Chairman Freeman called the meeting to order and stated the first order of business would be to discuss Senate Bill 144.

SB 144

An Act relating to the adoption of regulations increasing the cost of doing business with the state.

Senator Sumner stated this bill is intended to address the situation that occurs when a private enterprise contracts with the state to provide a service, a rate is agreed upon, and then a new regulation is added which adds to the cost of the service, without changing the amount of the contract. Representative Gruening asked what would happen if an emergency regulation needed to be enforced. Senator Sumner stated he would have no objection to having emergency regulations exempted, but he did not want the situation to occur where all regulations became "emergency" regulations.

[Chairman Cowper arrived at this time.]

Discussion on who this bill would effect. Representative Meekins stated he agrees with the intent of the bill, however he was concerned with how broadly it seems to apply. Senator Sumner stated he would have no objection to an amendment that would give the Regulatory and Review Committee an option to take some sort of emergency action. Further discussion on the scope of the bill. In answer to a question from Representative Buchholdt, Senator Sumner stated he estimated there were hundred's of times each year where the State enforces regulations that affect the private sector where contracts have already been negotiated.

Chairman Cowper recommended "contractual" be added in front of "services" on lines 11 and 13. Senator Sumnor stated he has no objection to this.

Representative Freeman asked why the bill continues beyond line 15. Senator Sumner stated that at one time they thought the regulatory review would be done in-house and lines 16 through 25 were added for that purpose. He advised he would have no objection to deleting these lines.

Chairman Cowper stated he would like to see a situation where if a regulation increases the cost of an existing contract the state should have to pay the increased cost.

Representative Gruening stated he thinks the bill has a good concept, however, he was concerned that additional problems not be created by the passage of this bill. Representative Gruening suggested adding language stating that the legislature while in session, or the Regulatory and Review Committee while the legislature is not in session, could exempt contractors from regulations.

Chairman Cowper appointed a subcommittee to be chaired by Representative Meekins, and with Representatives Gruening and Haugen as members, to study and prepare a finance committee substitute for SB 144. He directed the subcommittee to report back by February 8th.

SB 144
HELD OVER

Chairman Cowper stated the next topic to be discussed was House Bill 389.

An Act providing for an orientation program for new legislators.

HB 389

Representative Carpenter stated this bill would provide for an orientation program for new legislators to be conducted by Legislative Affairs Agency. He advised the program would be conducted three days prior to the first day of the legislative session. He stated the fiscal note is a guess, that it provides only for the additional per diem for the legislators. Discussion on the merits of such a program. The general consensus of the Committee was that the program was a good idea.

Representative Meekins moved and asked unanimous consent that HB 389 be reported out of Committee. There being no objection it was so ordered. HB 389 was reported out of Committee with a "do pass" recommendation.

HB 389
REPORTED
OUT

Chairman Cowper stated the next bill to be discussed was House Bill 577.

HB 577

An Act making a special appropriation to the Office of the Governor for costs of broadcasting the Arctic Winter Games; and providing for an effective date.

Representative Meekins advised the Committee there is another bill in State Affairs concerning the Arctic Winter Games in the amount of \$75,000. He stated that HB 577 provides only for the broadcasting of the Games. Mr. Hogan advised the Governor's Office has stated they will not spend the money, but will contract with the Public Education Broadcasting Commission to do this. Representative Duncan commented that the amount on the fiscal note and the amount in the bill should be the same.

Chairman Cowper moved and asked unanimous consent that a finance committee substitute for HB 577 be reported out incorporating the following changes: \$10,000 to be changed to \$8,200; and Office of the Governor to be changed to Alaska Public Broadcasting Commission, Department of Education. He further moved that the Committee Substitute be reported out. There being no objection, it was so ordered. Finance CS for HB 577 was reported out of committee with a "do pass" recommendation.

CSHB 577
REPORTED
OUT

Chairman Cowper stated the next bill to be discussed by the Committee was House Bill 373.

HB 373

An Act creating a new income tax deduction for child adoption expenses; and providing for an effective date.

Representative Gruening stated a finance committee substitute for this bill has been prepared changing the credit indicated on the original bill to a reduction. He stated the purpose of this bill is to give people who adopt children the same tax advantage as those who have children through natural birth. Mr. John Messenger, Department of Revenue, stated they estimate the cost of this bill if passed would be approximately \$29,000. Discussion on reason for the bill.

Representative Duncan asked if this was going to be handled as a medical expense, and Mr. Messenger stated it was not. Representative Duncan stated that someone having a child by natural child birth might not get the 3% medical deduction; but anyone adopting a child will automatically get the adoption deduction. Further discussion on the bill.

Representative Duncan moved and asked unanimous consent that finance committee substitute for HB 373 be reported out. There being no objection, it was so ordered. CSHB 373 was reported out with a "do pass" recommendation.

CSHB 373
REPORTED
OUT

Chairman Cowper stated the next bill to be discussed was House Bill 699.

HB 699

An Act authorizing reimbursement of certain travel expenses to legislators during legislative sessions; and providing for an effective date.

Chairman Cowper stated this bill is being introduced as a result of a Legislative Affairs Agency ruling which states that during the legislative session when legislators travel to different towns only transportation costs are authorized; other costs (food, lodging) must be paid by the individual legislator. He stated there is a proposed finance committee substitute. Discussion on the bill. Representative Duncan asked why the committee substitute was drafted. Mr. Hogan stated the committee substitute makes it more of a committee

arrangement. He stated the assumption is that the committee will make the travel arrangements and the hotel, etc. will bill Legislative Affairs directly. He stated the committee substitute takes into consideration what IRS would interpret the per diem to be.

Representative Freeman moved and asked unanimous consent that finance committee substitute for HB 699 be reported out. There being no objection, it was so ordered. CS for HB 699 was reported out with a "do pass" recommendation.

CSHB 699
REPORTED
OUT

Chairman Cowper stated the next items to be discussed were House Bills 716 and 717.

HB 716
& 717

HB 716 - An act making a supplemental appropriation to the University of Alaska, Management Team; and providing for an effective date.

HB 717 - An Act making a supplemental appropriation to the University of Alaska, FY 78 operating expenses; and providing for an effective date.

Chairman Cowper gave background information on the University situation. He stated that last year the University was funded at the FY 77 level and invited to come back this year and request a supplemental appropriation up to a certain amount once they had their "house" in order. He advised that the Legislative Budget and Audit Committee was to conduct an oversight of the University's affairs. He stated he did not think the Committee did their job. Representative Duncan disagreed. Discussion on funding for the University.

Mr. David Scott presented two memo's which briefly explain House Bills 716 and 717 (see attached). Chairman Cowper suggested that HB 717 not be approved as it might lead to the assumption that the Legislature is endorsing the items in the bill. He suggested that instead a committee substitute be prepared giving the University the supplemental appropriation in a lump sum. Representatives Duncan and Gruening expressed concern that if this were done community colleges may not receive the necessary funding and may have to close down. They recommended that allocating a certain amount of the appropriation to the community colleges might be an alternative. Further discussion on the University.

The Committee requested that Mr. Scott provide them with the following information: (1) legislative intent approved by the Free Conference Committee last year regarding the University; (2) what the University thought the agreement was concerning a supplemental appropriation for the management team; (3) what the impact would be if this legislation were delayed -- what the impact on registration would be; (4) the University's current stand on the salary increases. The general consensus of the Committee

was that there was no reason for University personnel to come to Juneau to testify on the bill if they couldn't provided specific information. There was further discussion on the University's finances.

Mr. Scott was requested to provide additional information concerning the bills. Action on the bills was deferred until February 6, 1978.

HB 716 & 717
HELD OVER

Representative Gruening presented the House Concurrent Resolution "establishing general funds available for appropriation for fiscal year 1979 and making tentative allocations to program categories" (see attached) to be introduced by the Finance Committee. Representative Gruening advised the resolution states that up to \$946,-600,000 general funds can be appropriated. He stated if that were all spent there will still be \$273.6 million in liquid capital surplus that has accumulated; but if that amount were spent the State would be spending more than it has taken in. Discussion on the Resolution.

RESOLUTION
SETTING
BUDGET
CEILING

Representative Meekins moved and asked unanimous consent that the Committee initiate this resolution as a Finance Committee resolution and that it be reported out with a Committee Report attached. There being no objection, it was so ordered. The Resolution was reported out with a "do pass" recommendation.

RESOLUTION
REPORTED
OUT

The meeting adjourned at 3:45 p.m.

ADJOURN

Tape HFC 78-8 #599 to end
HFC 78-9 #001 to 1346

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W—ALASKA OFFICE BUILDINGFINANCE DIVISION
POUCH WF—STATE CAPITOL

JUNEAU 99801

February 2, 1978

MEMORANDUM

TO: Members
House Finance Committee

SUBJECT: HB 717 - Supplemental Appropriation -
UA Operating Expenses

This bill is related to the FCC action on the FY 78 University budget, and the adoption of related Legislative Intent. The Intent stated that the Legislature would entertain a supplemental request of an amount not to exceed \$1,000.0 for management of the statewide system, and a companion request of an amount not to exceed \$2,782.5 for the remaining program components of the University.

HB 717 incorporates these two requests and provides for a \$3,725.1 appropriation, which is \$57.4 less than identified in the Intent. It appears that the Governor's Office inadvertently left out a \$57.4 appropriation item for Academic Support-Kuskokwim.

Discussions with Dr. Brewer, University Vice-President-Finance, indicate that the University has authorized the implementation of the \$1,000.0 request for management, although it is not completely committed as numerous positions are still vacant. A portion of the \$2,725.1 request for program components has been authorized for implementation, including the following:

Anchorage

- Public Service - 80.3 Adult Literacy Lab

Rural Educational Affairs

- Public Service - 155.4 Cooperative Extension-Local Government Program and Home Economist Program in Bethel
- Academic Support:
 - Kodiak - 42.0 Library Program
 - Kenai - 34.7 Library Program

- Public Service-Kuskokwim - 0.5 Library Program

- Institutional Support -
Central - 64.4

Position for transfer up past
Vice-President

University-wide - \$892.5

Longevity step increments

Management of the Statewide System - \$1,000.0

This is divided between the Board of Regents Office and
Statewide Administration

- Board 29.4

A secretary for the new Comptroller
position.

- Statewide 970.6

Please see the bill attachment -
Note that all positions are for less
than full-year, creating an approximate
\$225.0 increase into FY 79 for
full-year costs.

Program Components - \$2,725.1

The bill attachment details the proposal. The attached table
summarizes the data to indicate the program areas supported.

DJS:pw

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W—ALASKA OFFICE BUILDINGFINANCE DIVISION
POUCH WF—STATE CAPITOL

JUNEAU 99801

February 2, 1978

MEMORANDUM

TO: Members
House Finance Committee

FROM: David J. Scott
Fiscal Analyst

SUBJECT: HB 716 - Supplemental Appropriation-UA Management Team

The bill is the second appropriation for support of the Management Team. SB 150 appropriated \$150.0 for FY 77.

The Management Team expenses include payment for three consultants: Main, LaFrentz & Co., Dr. Sarafian and Mr. Echols. The distribution of payments is as follows:

	SB 150 <u>Paid</u>	<u>Paid</u>	HB 716 <u>Est.</u>	<u>Total</u>
Main, LaFrentz	93,935	137,620	33,445	171,065
Mr. Echols	9,135	4,551	1,313	5,864
Dr. Sarafian	<u>16,949</u>	<u>10,552</u>	-	<u>10,552</u>
	120,019	152,723	34,758	187,481
Balance	29,981			(29,981)
				<u>157,500</u>

Mr. Echols has submitted an additional billing of \$6,636 which exceeds his contract services agreement. There is some confusion as to whether he received verbal, and binding, authority to perform these additional duties. The Regents are still reviewing the situation, and the \$6,636 is not part of this supplemental request.

DJS:pw

1 IN THE HOUSE

By The Finance Committee

2 HOUSE CONCURRENT RESOLUTION NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 Establishing general funds available
6 for appropriation for fiscal year 1979
7 and making tentative allocations to
8 program categories.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 WHEREAS Chapter 66 of the 1977 Session Laws of Alaska requires that by
11 the 45th legislative day, the legislature shall have established by con-
12 current resolution the total amount of state general funds that shall be
13 available for appropriation for the budget year and the tentative alloca-
14 tion of the funds among program categories in both the operating and capital
15 budgets; and

16 WHEREAS the legislature finds that best available estimate of unre-
17 stricted revenue for fiscal year 1979 is \$946,600,000 which is inclusive of
18 the estimated \$18,100,000 to be deposited in the Renewable Resources Develop-
19 ment Fund; and

20 WHEREAS these estimates are predicated on no legislative action on new
21 revenue measures except for passage of either House Bill 662 or Senate Bill
22 427 providing for refunding unanticipated Alaska personal income tax in-
23 creases resulting from changes in the Federal tax code; and

24 WHEREAS the legislature finds that the best available estimate of the
25 liquid surplus general fund balance for June 30, 1979 is \$273,600,000;

26 BE IT RESOLVED by the Alaska State Legislature that the total amount
27 of state general funds including renewable resources development funds that
28 shall be available for appropriation for the 1979 budget year operating and
29 capital expenditures is \$946,600,000; and be it

1 FURTHER RESOLVED that a tentative allocation of the \$946,600,000 avail
2 able for appropriation shall be made to the various program categories in
3 terms of the following percentages:

	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
4 Education	44%		44%
5 Social Services	7		7
6 Health	5		5
7 Natural Resources	6	1%	7
8 Public Protection	2		2
9 Administration of Justice	9		9
10 Development	6	1	7
11 Transportation	13		13
12 General Government	6		6

13 and be it

14
15 FURTHER RESOLVED that if the legislature clearly changes its policy
16 regarding capital projects and makes a major shift to fund such projects by
17 direct appropriation from the general fund in lieu of authorizing general
18 obligation bonds and if the legislature also passes new revenue measures
19 sufficient to fund these direct appropriations, an additional \$150,000,000
20 shall be available for capital appropriations; and be it

21 FURTHER RESOLVED that this resolution may be amended because of major
22 unforeseen events or genuine emergencies.
23
24
25
26
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29

HOUSE FINANCE COMMITTEE
February 6, 1978
3:10 p.m.

All members of the Committee were in attendance, except PRESENT
Representatives Gruening, Schaeffer and Swanson. Also
in attendance: Max Gruenburg, Chairman of the Mental
Health Advisory Council and Mental Health Lands Board;
Joyce Munson, Executive Director, Alaska Mental Health
Association; and from the University of Alaska:
Dr. Timothy Tilsworth, Assistant to the President for
Academic Affairs; Dr. W. Russell Jones, Interim Chancellor;
Steve Brown, Director of Public Services; Barbara Thomas,
Budget and Management; Dave Scott and Bob Grogan, Fiscal
Analysts, Legislative Finance.

Chairman Cowper called the meeting to order and stated
the purpose of the meeting was twofold: (1) to discuss
CS for HB 717 on supplemental appropriation to the
University of Alaska; and (2) to hear testimony on the
municipal lands bill (HB 133 - An Act relating to selec-
tion of state land by municipalities.) and its suggested
amendment by the State Advisory Council on Mental Health.

Chairman Cowper gave a brief background on mental health
lands, stating these lands were granted by the federal
government for purposes of providing for mental health
and there is evidence they are not being properly admin-
istered under the Division of Lands. He stated the
Committee would take action on HB 133 (CS for HB 133 -
An Act relating to selection and transfer of state land
to municipalities; and providing for an effective date.)
and its proposed amendment on Wednesday, February 15.

Mr. Gruenburg stated that presently the Mental Health HB 133
Lands Board consists of three people: Commissioner of
Revenue, Director of Division of Mental Health and Chair-
man of the Mental Health Advisory Council. Before any
mental health lands can be disposed of, the Director of
the Division of Lands must have the approval of this
Board. He stated approximately one million acres of
land was granted to the Territory of Alaska by the federal
government in the 1956 Alaska Mental Health Enabling Act
to insure financial support of the mental health program,
which was to be administered as a public trust. He stated
the Board was created to insure that federal legislative
intent was carried out. He advised that the Board has
only recently become aware of the fact that these lands,
under the Division of Lands, may have been administered
improperly. He stated the Board was created by the
Legislature in 1976 and met for the first time in April
1976 and, generally, it meets every 10 weeks.

Mr. Gruenburg informed the Committee the main problem, at
present, is that the Division of Lands has difficulty in
administering mental health lands as a public trust. If

this amendment is adopted by the Committee, it would revise the Mental Health Lands Board or "recreate" a Mental Health Lands Board of Trustees composed of the Commissioner of Revenue, the Director of the Division of Mental Health, one member of the Mental Health Advisory Council (elected by the Council--He stated, currently, the chairman of the Advisory Council sits on the Board and it is too much for one person.) and four residents of Alaska to be appointed by the Governor for four-year terms, which would provide that more public people be involved. He stated the Board would be set up in the same manner as the Board of Regents and the Board of Education. (See Attachment 1)

Mr. Gruenburg stated this bill would affect major areas of the State; such lands as under the Baluga coal fields, in downtown Sitka, outside Fairbanks, Haines, Ketchikan, the Matanuska Valley, the Auke Bay campus of the University of Alaska, etc.

He stated Sec. 8, subsection (c), is the most important part of the amendment. He said the Board would have full fiduciary authority and responsibility, the same standard adopted by the Board of Regents and the Board of Education. Mental Health lands could be rented, leased or timbered off so funds can be invested or utilized as regular trust funds. He advised the Board would be empowered to hire outside individual staff so it would not have to be dependent upon all information from the Division of Lands, as their administration is questionable. He said it is in the State's interest that the mental health lands be administered in a uniform manner; consistent with the University of Alaska and other trust lands that already have municipalities. He stated this bill provides for clear municipalities. It provides that the Board be empowered to select and replenish mental health lands by selection of lands of equal value.

Representative Freeman asked why a separate bill was not proposed. Mr. Gruenburg replied it was the Council's desire to have the Board set up as soon as possible to stop fighting with the Division of Lands. This appeared to be the fastest means available to deal with the problem, as the Council was aware this bill was already before the Committee.

Representative Rhode asked if there was a conflict between the federal act and the powers of the Board. Mr. Gruenburg replied that the federal act permits the Legislature to dispose of lands, and the Legislature, by statute, permits the Board to dispose of these lands. He stated the Board was not in favor of selling off lands, as they are to be held in trust for perpetuity for the State; however, it will be dealing with leases, gravel and timber rights and exchanges. He stated the Board does have the right to select other lands of equal value and that they will be looking at long-term leases and exchanges.

Representative Meekins inquired if the Board would be concerned with the location of these lands if they were of equal value. Mr. Gruenburg replied only if the lands exchanged have deferred compensation.

Representative Haugen asked if the City of Petersburg was acquiring title to mental health lands. Mr. Gruenburg answered that, originally, Petersburg requested land for a rifle range and was turned down because that land was in the center of mental health lands. He stated it was his understanding Petersburg then went to the Forest Service for lands. However, he stated the Board is willing to reconsider on a long-term lease, terminable at will, and that this offer to Petersburg still stands.

Chairman Cowper asked if conveyance of these lands might be jeopardized due to improper administration by the Division of Lands, and Mr. Gruenburg answered that was correct.

Representative Meekins stated he felt it was a good amendment but that the title was rather broad. (Proposed amendment title: An Act relating to the disposition of public and trust lands; and providing for an effective date.) Mr. Gruenburg stated CS for HB 133 could be amended to read: CSHB 133
AMENDED TITLE

"An Act relating to selection and transfer of state land to municipalities and establishing a mental health board; and providing for an effective date."

Representative Freeman asked if it was the intention that mental health lands produce revenue, and Mr. Gruenburg replied that it was. Representative Freeman then asked if the Mental Health Lands Board recommended selling some of this land. Mr. Gruenburg stated he did not foresee this happening, unless a specific situation arose, such as a homestead located next to mental health lands, with the house encroaching on these lands; the Board might sell a strip of this land. However, he stated this would be very unusual. As far as leases and use-occupancies are concerned, the Board would make land available on a long-term basis; currently, the Board has no such proposals.

Representative Haugen asked how much revenue is generated from these lands. Mr. Gruenburg stated he didn't have the figures, but would get them. Chairman Cowper reminded the Committee these lands are currently administered by the Division of Lands and that it is their responsibility to provide that information. Bill held over till February 15. HB 133 HELD
OVER

Chairman Cowper asked that Mr. Scott give a presentation on CS for HB 717. (HB 717 was discussed on February 2, CSHB 717

and it was suggested that a committee substitute be prepared. HB 716 was also discussed at that time.)

CSHB 717 - An Act making a supplemental appropriation for salaries and operating expenses of the University of Alaska; and providing for an effective date.

Mr. Scott stated the bill is divided into four sections: Sec. 1 deals with salary money and whether the University needs all rates this year; Sec. 2 deals with original Legislative intent in appropriating funds for program management of the system and includes funds for the \$157,500 for the management team, currently identified in HB 716; Sec. 3 deals with balances of program defined in Legislative intent; Sec. 4 is concerned with Legislative Affairs and the reason funds are being appropriated.

Chairman Cowper asked how this compares with the figures given in the Governor's budget. Mr. Scott stated they are \$57,400 lower, and the Governor has admitted this error.

Representative Meekins stated he thinks the Committee is committed to passing out this supplemental bill; otherwise, it would do damage to the University. Discussion on understanding of supplemental appropriation for the management team.

Representative Meekins moved and asked unanimous consent that CS for HB 717 be reported out as it appears before the Committee. There being no objection, it was so ordered. CS for HB 717 was reported out of Committee with a "do pass" recommendation.

CSHB 717
REPORTED OUT

Dr. Tilsworth stated it was his understanding the management team be funded by supplemental appropriation. He also stated the University is still dealing with FY 76, FY 77 and FY 78 figures and is trying to prepare current figures. Representative Meekins asked if the figures were presiding deficit figures, and Chairman Cowper replied the Committee does not have firm figures yet. Dr. Tilsworth stated as soon as the internal and external audits were completed, the report would be available--hopefully, by the end of February. Discussion on how to clear up the University budget.

Representative Freeman asked if the external audit were being done by an independent firm. Dr. Tilsworth answered that it was being done by Ray Koehler & Company, who have participated in the external audit for the past 6-8 years. Chairman Cowper pointed out that the audit has consistently brought up the problems in its report, but nothing was ever done about it. Brief discussion on why the external audit has been ignored.

Chairman Cowper asked that Mr. Scott give a brief overview of the University of Alaska's budget. Mr. Scott stated the basis of the figures are a compilation of the document submitted to the Governor for FY 79 budget request. He stated, basically, the University has asked for an \$8.8 million total increase. The present document was sent to the Governor's Office in September, where it was suggested it be updated, refined and revised. The figures were based on the assumption of passage of supplemental bill HB 717. The budget amendment should be out in March.

Mr. Scott stated he is not sure what is going on with the University budget. He said the Regents are reviewing this document in terms of zero-base budget analysis required by the Budget and Audit Committee. The Board will meet February 23-24 to take action on this, and it should be in the Governor's Office, with amendment, by first part of March.

Chairman Cowper asked what the overall percentage change was from FY 78, with regard to the difference approved, plus supplemental, and if the FY 78 figures include the supplemental. He was informed they do not.

Mr. Scott said the FY 78-79 figures are misleading as they do not reflect the millions of dollars in the RP the University is not submitting. He stated they have not sent any of that information down here. Dr. Tilsworth stated most RP's should be here Wednesday. Chairman Cowper asked if the University understands appropriation with respect to Legislative intent. Dr. Tilsworth assured the Committee this wouldn't happen again and stated they are in the process of correcting these deficiencies now.

Representative Meekins stated he is considering putting in Legislation relative to the University's research arms competing with private enterprise and wanted to know if this could be done by budget Legislative intent. Chairman Cowper advised it has to be done by statute.

Representative Haugen asked if the FY 76 budget was closed and was informed it closed with a \$1 million deficit. Dr. Tilsworth stated the books on FY 78 will not be closed until the internal audit is completed.

Dr. Tilsworth stated the budget document reflects the Regent's request, but does not reflect the community college bargaining unit's request. He informed the Committee they are requesting a 7.9% increase for faculty salary, effective July 1 for FY 79. He was asked if this increase was over and above the one given last year, and he replied he didn't know if this was in a budget memo, separate bill or amendment.

Discussion of the University of Alaska budget was tabled until the subcommittee has completed its analysis.

The meeting adjourned at 4:30 p.m.

ADJOURN

HFC 78-9 #1347
78-10 #1032

MENTAL HEALTH LANDS BOARD

AMENDMENT TO CS for HB 133

1. Amend the title to read:

"An Act relating to the disposition of public and trust lands and providing for an effective date."

2. Insert a new subsection (c) on page 2 between lines 9 and 10 as follows:

"(c) Municipalities may make their selections under this section from mental health lands, subject to approval by the Mental Health Lands Board of Trustees. If such selections are made, the Mental Health Lands Board of Trustees shall be entitled to select state lands of equal value."

Renumber sections (c), (d) and (e) as (d), (e), and (f) respectively.

3. Add the following sections after section 5:

Sec. 6. The legislature finds that the mental health lands granted to the state under the Alaska Mental Health Enabling Act (70 Stat. 709) and other authority shall be administered as a public trust.

Sec. 7(a). AS 38.05.035(a)(13) is repealed and reenacted as follows.

"The Director of the Division of Lands shall

(13) select, administer, and dispose of mental health lands as directed by the Mental Health Lands Board of Trustees."

(b) Until one or more gubernatorial appointees has been appointed pursuant to section 3(a) of this Act, the Mental Health Lands Board established pursuant to AS 38.05.035 as repealed shall continue to function under Sections 6-10 of this Act.

Sec. 8. AS 38.05.042 is added as follows:

"AS 38.05.042 Mental Health Lands Board of Trustees.
(a) There is established in the Department of Natural Resources the Mental Health Lands Board of Trustees composed of the Commissioner of Revenue, the Director of the Division of Mental Health, one member of the Mental Health Advisory Council elected by the council, and four residents of Alaska appointed by the Governor

2-6-78

for four year terms. Initial terms shall be: seat A to expire December 31, 1978, seat B to expire December 31, 1979, seat C to expire December 31, 1980, and seat D to expire December 31, 1981. The representative of the Mental Health Advisory Council and all gubernatorial appointees shall be confirmed by the legislature meeting in joint session.

"(b) The Board shall elect one of its number as chairman. Members shall not be entitled to salary, but shall be entitled to travel and per diem.

"(c) The Board shall select, administer and dispose of mental health lands granted to the state under the Alaska Mental Health Enabling Act (70 Stat. 709) and other authority as a public trust and in accord with said federal statute with full fiduciary authority and responsibility. The Board may establish trust funds administered by the Department of Revenue and other ancillary mechanisms for the administration of the mental health trust.

"(d) Income from the trust may be used to pay necessary administrative expenses incurred under this section.

"(e) The Board shall adopt regulations as necessary to carry out its duties provided that such regulations are consistent with the regulations of the Division of Lands and provided further that such regulations are adopted in accordance with the Administrative Procedures Act (AS 44.62)."

Sec. 9. This Act shall take effect immediately in accord with AS 01.10.070(c).

MEMO

HB 717

SENT TO: Foster Diebold
ON: February 3, 1978
FROM: Pat O'Rourke
SUBJECT: Impact of Lack of Funding FY 78

If supplemental is not funded next week the following impact will prevail:

ACC - approximately 60 3-credit class sections will not be offered this Spring for the military on two bases. Start of these classes is being delayed until February 8, pending passage of the supplemental. If delayed too long, it will be too late to start. The loss of these classes will equate loss of 1600 enrollments, 4800 student credit hours and \$96,000 in tuition income. Additionally, Central Texas College has a short-term contract for adult education on the Anchorage military bases and is anxiously awaiting a collapse of the military base operations by ACC so that they can expand into credit offerings. Further delay then may cause serious long-term impact on the military program.

MAT-SU - five course sections will not be offered. Loss of \$3700 tuition revenue.

NORTHWEST - 17 course sections cannot be offered. Loss of \$6,000 tuition revenue.

Second semester offerings are being delayed by these units.

If the supplemental is not approved at all, summer programs at almost all units will be drastically curtailed or canceled. Lay-offs will occur in some areas, notably at ALL project at ACC, the librarians at Kenai and Kodiak, and all un & sy president.

HOUSE FINANCE COMMITTEE
February 8, 1978
1:17 p.m.

All members of the Committee were in attendance except Representatives Cowper and Haugen. Appearing before the Committee to present testimony on bills: Representative Osterback; Senator Sumner; Janet Green and Karen Ward, Office of the Governor; Paul Arnoldt, Director, and Bruce Cummings, Deputy Director, Division of Retirement and Benefits; Shari Shelley, Alaska Public Employees Association; and Ken Spray, Local 71.

PRESENT

Vice-Chairman Freeman called the meeting to order and stated the first bill to be discussed was HB 735.

HB 735

An Act making a special appropriation to the City of Sand Point for a runway; and providing for an effective date.

Representative Osterback appeared before the Committee to testify on this bill. He stated the City of Sand Point has a contractor there now doing roadwork. They would like to contract with him to put in an emergency runway. He stated the current runway cannot operate when there are north/south crosswinds. He advised they are requesting \$40,000 and the city will pay additional costs. Representative Osterback stated the city has already spent \$10,000 to purchase rock for the runway.

Representative Rhode asked if Sand Point was a first class city and Representative Osterback advised it is a second class city. Representative Buchholdt asked where the present runway is and Representative Osterback advised it is on the spit, right below a bluff.

Representative Meekins moved and asked unanimous consent that HB 735 be reported out of committee. There being no objection, it was so ordered. HB 735 was reported out of Committee with a "do pass" recommendation.

HB 735
REPORTED
OUT

Vice-Chairman Freeman advised the next bill to be discussed was HB 672.

HB 672

An Act making a special appropriation to the Office of the Governor, Lieutenant Governor, Arctic Winter Games; and providing for an effective date.

Karen Ward, Office of the Governor, advised the Committee that in the past this appropriation was for \$60.0. The request is now for \$75.0 to include a \$15.0 appropriation

that was normally paid to Arctic Winter Games from the Athletic Commission to cover costs of administration and awards. She stated this amount is necessary as the Athletic Commission BRU has been deleted.

Representative Buchholdt stated she has several constituents who are interested in participating in the Arctic Winter Games, but have not been able to come up with the money to participate in the past. She asked why participants had to pay for their transportation when part of this appropriation is for transportation. Ms. Ward stated that in the past participants had to pay approximately \$300 and then, depending on how much money the Arctic Winter Games Corporation received, they were reimbursed. She stated they needed the funds from participants in order to guarantee their charter, as the appropriation was always received late.

Representative Swanson stated he also has this concern with picking and choosing participants. He stated this was the reason the Athletic Commission was developed. He stated the Athletic Commission should not have been deleted.

Janet Green, Office of the Governor, stated the Athletic Commission never funded the Arctic Winter Games. She advised that the appropriation for the Games was always introduced by an individual legislator in the past. She stated that this year it is a bill introduced at the request of the Governor. Ms. Green also advised that this appropriation does not cover the entire financial investment of the Arctic Winter Games; she stated they also receive funds from private donors.

In answer to a question from Representative Meekins she stated the funding was never in the budget and it is not in the FY 79 budget. There was discussion on putting the appropriation in the budget for future years.

Representative Meekins recommended that a letter of intent be prepared suggesting that the Governor include the appropriation for the Arctic Winter Games in future budgets. Ms. Ward advised that Arctic Winter Games are not held every year. She stated they are held every other year. She also advised that the appropriation would not be the same each time, as the games are held in various locations, and the amount appropriated depends on transportation to the location of the games, etc.

Representative Swanson stated the Athletic Commission was set up to handle these Games. He stated that if the Commission didn't work the Governor should have fired the

people on the Commission, not disband it. He stated the purpose of the Commission was to recommend what programs the State should get involved in. Representative Swanson advised he will support the appropriation bill, but he does not like the politics involved here. There was further discussion on the Athletic Commission.

Representative Meekins moved and asked unanimous consent that HB 672 be reported out of Committee. There being no objection, it was so ordered. HB 672 was reported out of Committee with a "do pass" recommendation.

HB 672
REPORTED
OUT

Vice-Chairman Freeman stated the next bill to be discussed was Senate Bill 144.

SB 144

An Act relating to the adoption of regulations increasing the cost of doing business with the state.

Representative Meekins presented a proposed Finance Committee Substitute (see attached). He stated that Commissioner Gallegher, Department of Revenue, has advised him that he does not like either version of the bill.

Representative Meekins stated the original bill required that some sort of impact statement be prepared everytime a regulation was required. He advised that the new language in the Committee Substitute puts the burden of determining that the regulation causes increased costs on the contractor.

Senator Sumner reiterated his reasons for supporting this legislation and stated he has no objection to the proposed committee substitute. He stated he feels so strongly that the supplier needs relief from all the regulations that increase his costs that he will support any legislation to that effect.

Representative Meekins stated he believes the committee substitute encompasses all the proposals mentioned by the Committee at the earlier meeting. There was discussion on the committee substitute.

Representative Gruening questioned the language on line 8 where it states "rates paid by the state are adjusted . . ." Discussion on wording. It was suggested that the wording be changed from "are" adjusted to "shall be adjusted by regulation".

Representative Swanson stated this bill could open up a whole new area of problems. He stated that when we are adopting a regulation that increases the cost, then the agency will have to come in and request a supplemental from the Legislature to pick up the increased cost.

Representative Meekins stated the committee substitute is less rigorous than the original bill. Further discussion on the bill. Representative Duncan stated that the committee substitute changes the whole thrust of the bill. He stated that the original version puts the burden on the state, where the committee substitute puts it on the contractor. Representative Meekins stated this was correct. He stated that as a practical matter, if the Legislature requires that no regulation can be adopted until a determination has been made on the affect it will have on rates, it was create more paperwork to determine what the impact will be. Representative Duncan commented that maybe the paperwork is necessary.

Representative Gruening stated he thought the way to handle this would be to require that everytime a regulation is promulgated a fiscal note must be attached.

Vice-Chairman Freeman stated that since the Committee could not reach a consensus on the bill, it would be returned to the subcommittee for further evaluation.

SB 144
HELD
OVER

Vice-Chairman Freeman stated the next bill to be discussed was CSHB 25.

CSHB 25

An Act relating to accrued medical and annual leave of state employees.

Representative Duncan advised there is a State Affairs Committee Substitute to HB 25. He stated the purpose of the bill is related to accumulated sick leave. He stated that currently when an employee retires he loses all his accumulated sick leave. The bill allows an employee to accumulate sick leave as service credit. He explained the sections of the bill.

Representative Meekins asked what service credit was and Representative Duncan stated it is the amount of time an employee has worked. Representative Schaeffer asked what the current formula on sick leave is and Representative Duncan stated it is 1 1/4 days a month with unlimited accumulation.

Representative Schaeffer stated his understanding of sick leave is that it is to be used when a person is sick. He stated he does not understand how it can be construed to add up for his retirement. Representative Duncan stated he believes it could increase cost efficiency in government. He stated that many employees use sick leave when they are not ill, and this would encourage them to stay on the job.

Mr. Paul Arnoldt, Director, Division of Retirement and Benefits appeared before the committee to testify on this bill. He stated that the concept of this bill does put a financial drain on the state. He stated it also goes against the past concept that sick leave is a form of insurance against loss of employment when an employee is sick. He stated he does not agree with Representative Duncan's statement that this would encourage more employees to stay on the job rather than use sick leave. He stated he believes the current system can also encourage employees to stay on the job in that those that use sick leave when they are not ill, lose much of their value in their job. He also stated they can be penalized by not receiving job advances, merit increases, etc.

Mr. Arnoldt advised they anticipate the fiscal note on this bill will increase by about 10%, with a cost of \$215.0. He stated they are looking at a cost of \$1.2 million for FY 79 if the bill is approved.

Representative Duncan asked if his statement on sick leave was the policy of Administration and Mr. Arnoldt stated it was. Representative Duncan asked what benefits the Confidential Unit of Government receive. Mr. Arnoldt stated they do not have sick leave. He stated they receive so many days personal leave which is a combination of both annual and sick leave, and that personal leave can accumulate towards retirement. He stated Administration supports this concept.

Representative Duncan stated this seems to be in conflict with his earlier statement. Mr. Arnoldt stated the policy of the Administration is that sick leave as established in the General Government category cannot be used towards retirement if accumulated.

Representative Duncan stated the Governor's Management and Efficiency study recommends that the personal leave concept be dropped. Mr. Arnoldt stated he cannot speak to the Management and Efficiency Study. He stated that Administration does support personal leave because the whole package of annual and sick leave is contained in one package and the whole accumulative approach is different. Representative Rhode asked who gets personal leave and Mr. Arnoldt advised that only the Confidential Unit receives it.

Representative Schaeffer stated he has problems with this bill and he cannot support it.

Sherry Shelley, Alaska Public Employees Association, appeared before the Committee to testify on the bill. She stated APEA supports the bill. She stated they believe it would deter absenteeism among employees. She stated the current procedure does not encourage early filling of positions because the PCN number is not vacant while an employee takes leave of absence. She stated they do not believe that is good management. She stated that the federal government also uses this concept. She advised that any terms within the retirement program are not subject to collective bargaining.

Further discussion on the bill. The meeting recessed at 2:50 p.m. and Vice-Chairman Freeman recalled the meeting to order at 3:00 p.m.

Mr. Bruce Cummings, Deputy Director, Division of Retirement and Benefits appeared before the Committee to answer their questions. Representative Gruening if personal leave benefits are negotiated. Mr. Cummings stated there are. He stated this was the result of the first collective bargaining agreement. Discussion on personal, sick and annual leave.

Representative Gruening stated that when looking at the cost of leave you have to consider not only that cost, but also the cost due to loss of work. He stated it could be better if an employee takes sick leave upon retirement in that it may be more cost efficient to the State. Mr. Cummings stated this was possible.

Representative Gruening stated he would like someone from Administration to advise if the Attorney General Opinion regarding collective bargaining relates to this. Mr. Cummings stated he did not recall that the Opinion specifically addressed leave. Mr. Arnoldt stated the Opinion states that health and leave insurance benefits are negotiable. There was further discussion.

Mr. Ken Spray, Vice President, Local 71 appeared before the Committee to testify on this bill. He stated that Local 71 supports this legislation. There was discussion on whether or not these items could be negotiated. Vice-Chairman Freeman stated this was an area in which the Committee did not want to get involved. He stated that no action would be taken on HB 25 today.

The meeting adjourned at 3:23 p.m.

CSHB 25
HELD-OVER

ADJOURN

Tape HFC 78-10 #1032 to end
HFC 78-11 # 001 to 1482

SUGGESTED COMMITTEE SUBSTITUTE
FOR

SENATE BILL NO. 144

*Section 1. AS 44.62 is amended by adding a new section to read:

Sec. 44.62.245. REGULATIONS INCREASING COST OF PROVIDING
CONTRACTUAL SERVICE.

(a) When a person has agreed to provide contractual services to the state in return for compensation set by law or regulation and a regulation is adopted which has the effect of increasing the cost of providing that service, the rates paid by the state ^{shall be adjusted by regulation} ~~are adjusted~~ to reflect the increased cost unless the regulation has been exempted from the operation of this section by the Legislature, or if the Legislature is not in session on the effective date of the regulation, by the Administration Regulation and Review Committee.