

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2678

HOUSE FINANCE COMMITTEE

February 15, 1978

1:15 p.m.

PRESENT

All members of the Committee were in attendance, except Representatives Buchholdt and Guy. Also in attendance: Representatives Lisa Russ and Nels Anderson. From the Department of Health and Social Services: Dr. Jerry Schrader, Director, Division of Mental Health and Development-Disabilities; Cathy Lloyd, Deputy Commissioner for Administrative Management; Marcia Hubbard, Fiscal Analyst. To testify on HB 133: Mike Smith, Assistant Commissioner/Director of Lands, Department of Natural Resources; Ted Burns, Attorney for Municipality of Anchorage; Jim Nordale, Attorney, North Star Borough; Jim Raleigh, Alaska Municipal League; Lee Sharp, City and Borough of Juneau. Bob Grogan and Milt Barker, Fiscal Analysts, Legislative Finance.

Chairman Cowper called the meeting to order and stated the first item to be discussed was SB 129:

SB 129

"An Act relating to medical assistance for needy persons; and providing for an effective date."

Dr. Schrader presented the program change portion of SB 129. He advised this bill would assist the Department and Division in collecting reimbursement from Medicaid of services provided persons under 21 years of age who receive psychiatric care. The program has been in effect for several years and has always claimed reimbursement, but is now having difficulty in doing so. Under current law, the Department must prove each case medically disabled. He stated passage of this bill would allow the Department to claim reimbursement for this group of people without having to prove in each individual case that each person is medically disabled.

Marcia Hubbard gave a presentation on the fiscal aspect of SB 129. She advised approximately 25% of the API budget is funded through inter-agency receipts by the Medicaid program. She stated two programs were authorized for operation in FY 78: an intermediate-care facility for the mentally retarded and in-patient psychiatric services for those under 21 years of age and over 65. She stated most of the people in the latter group fall into the under age 21 area. This program, started in FY 75, has been claiming receipts since that time. She explained last fall, under a Medicaid audit, claims for the last three years were deferred, based on the belief that each individual medical file had to be reviewed; consequently, all inter-agency receipts for those three years are in question, with the ability to claim this year deferred.

Ms. Hubbard stated passage of this bill would allow the Department to categorically determine that each individual under age 21, who meets income standards, is eligible for Medicaid reimbursement. She announced there is no change on the percentage of the budget projected as claimable; however, 25 people were projected as eligible and there are 30, and projected cost per day of \$101 is \$165. She stated the fiscal note shows an increase of \$337,000 in FY 78 and \$677,000 for FY 79. The Department asked that the fiscal note not be passed until the federal audit is completed. Chairman Cowper stated the fiscal note to SB 129 would be heldover by the Committee.

SB 129

Ms. Hubbard informed the Committee the program claimed receipts for the first half of the year, which were not reimbursed and won't be even with the passage of SB 129; however, Medicaid will reimburse receipts for the second half of the year. She stated the federal government does not allow the Department to claim people between the ages of 21 and 65 under this program.

Representative Gruening asked if the federal government required that parents of these people receive AFDC to be eligible. Dr. Schrader answered they must meet income eligibility standards under AFDC in addition to being medically disabled. Ms. Hubbard informed the Committee, if the person is under age 21, the parents income is counted; if the person is over 21, there are no services available for Medicaid reimbursement. There was discussion as to what constitutes eligibility.

Representative Swanson asked if the 10% growth factor in the fiscal note reflects inflation or if it represents an increase in the amount of people serviced. Ms. Hubbard advised the Medicaid reimbursement rate is set on a pro rata cost of operating a bed in the Institution, which operates a 200-bed facility for \$6.7 million. API's budget request is \$7.4 million, which is 10% higher than last year. She stated the bulk of the increase is the result of salary increases (5-1/2%). Dr. Schrader stated the program can claim only what was spent for each individual, which is a percentage of the total operating budget of the facility.

Representative Gruening moved and asked unanimous consent that SB 129 be reported out, without the fiscal note. There being no objection, it was so ordered. SB 129 was reported out with a "do pass" recommendation.

SB 129
REPORTED OUT

Chairman Cowper stated the next order of business was discussion of CS for HB 133, as reported out last year by the Community and Regional Affairs Committee. (An Act relating to selection and transfer of state land to municipalities; and providing for an effective date.) He gave a brief review of the status of the bill, stating HB 133 was

HB 133

introduced last year and referred to the Finance Committee during the closing days of the session. The Committee felt, at that time, there was not sufficient information nor time to act on the bill; therefore, it was deferred until this year. HB 133

Representative Freeman asked if it was intended the Committee move the bill out today, as he questioned the bill's philosophical approach and stated he would like more time to examine the bill. Chairman Cowper expressed his feeling on the importance of acting on this bill as soon as possible.

Representative Schaeffer announced his intent to propose a Finance Committee Substitute to HB 133; however, Chairman Cowper announced the Committee would address itself to CS for HB 133, as reported out last year by Community and Regional Affairs. He asked Mr. Smith to present testimony at this time.

Mr. Smith commented on the State's position advising, as of May 4, 1977, all major boroughs had indicated their support of this CS for HB 133, except the North Slope Borough. He stated they were meeting in Point Barrow to work out a compromise. Mr. Smith stated there was some minor amendatory language required to update from last year contained in his February 10 letter and a new fiscal note attached to his January 31 letter. He stated he favors settling up the existing law. There was discussion on whether this law can be repealed and whether acreage adjustments can be made downward as well as upward. Chairman Cowper stated he received a letter today from the Kenai Borough indicating full support of CS HB 133.

Representative Gruening asked if there would be a conflict between this bill and the homesite bill, and Mr. Smith replied he did not see a conflict. Representative Swanson asked how many actual acres involved in the homesite bill and was informed there is a total of 25,000. Representative Rudd explained Page 4, Section (f) outlines a joint planning process by which the State and municipalities reach a selection together as to what land is available.

Mr. Smith stated his letter of May 4, 1977, which sets out in-lieu payment and shows a maximum of \$39 million with a minimum of \$12 million through FY 88, has been updated and those figures have been substantially reduced. There was discussion on municipalities taking payments in lieu of land and how the figure of \$1,500 per acre was arrived at.

Representative Meekins brought up the subject of mental health lands being swapped, and was informed this would be insignificant as only 500 acres out of 8,000 were involved. However, Mr. Smith indicated the Department would be willing to allow amendatory language to the bill so that mental health lands or school lands could be exchanged for land of equal value.

The Committee next heard testimony from Mr. Burns. He stated the Municipality of Anchorage has and continues to support CS for HB 133. He stated Anchorage supports the mental health lands bill. He stated there are 3-4 acres of mental health lands and 2,000 acres of school lands around Anchorage.

HB 133

Jim Nordale testified the North Star Borough supports CS for HB 133 as now presented. He stated they favor settlement of existing legislation that would "close the door" on this matter. Representative Rudd asked if he could foresee possible conflict between the City and Borough of Fairbanks as to possible entitlement, and Mr. Nordale replied he didn't believe there would be any. Mr. Smith indicated there would be no problem as the entitlements would be separate.

Jim Raleigh testified the collective municipalities desire endorsement of CS for HB 133 currently before the Finance Committee.

Lee Sharp testified the City and Borough of Juneau supports CS for HB 133. However, he stated there were two proposed changes (1) that the original 13,600-acre entitlement be increased to 30,000 acres, and (2) that a section be added to the bill which would allow some municipal selections be made in the mental health trust lands.

Chairman Cowper stated, in summary, he feels the Committee has three choices: (1) to proceed under the existing law, (2) to pass the law essentially as it is, or (3) to repeal the current law and come up with another plan. He stated the Committee would address HB 133 in a work session tomorrow evening, February 16, at 7:30 p.m.

HB 133
WORK SESSION

[The meeting recessed at 3:47 p.m. and reconvened at 4 p.m.]

RECESS

Chairman Cowper stated the next bill to be discussed was HB 645:

HB 645

"An Act making supplemental appropriations to the Department of Natural Resources; and providing for an effective date."

Mr. Smith testified Section 1 of this bill appropriates \$15,000 to the Department for funding a specialist in order to complete the contract for the sale of royalty oil from Prudhoe Bay, and Section 2 appropriates \$255,000 to the Department for expenditures committed on D-2 land proposals. He stated this work is essentially done, but this funding would maintain capabilities, with particular interest in political processes in Washington, D.C. He stated this information is contained in a memorandum from Dave Hanson to Commissioner LeResche dated September 2, 1977.

Representative Freeman moved and asked unanimous consent that HB 645 be reported out. There were objections from Representatives Schaeffer and Swanson. Representative Schaeffer subsequently withdrew h's objection. Representative Swanson was concerned with the validity of retaining advisors without prior legislative approval. He was advised this was customary, but it is subject to legislative approval. Mr. Smith will forward copies of the contract to Committee members. The question was called for and the motion passed (Representative Swanson opposed). HB 645 was reported out with a "do pass" recommendation.

HB 645
REPORTED OUT

Chairman Cowper asked Mr. Smith if he would like to testify on HB 704 at this time. Mr. Smith stated he would prefer Mr. Ted Smith, Director, Division of Land and Water Management, present testimony at a later date. HB 704 was held-over.

HB 704
HELDOVER

Chairman Cowper stated the next items of business to come before the Committee are the approvals of the Governor's appointments of Sharilyn Mumaw of Anchorage to the Board of Regents, term expiring February 4, 1980; and Bob Ward, Anchorage, to the Alaska Power Authority, term expiring January 1, 1982. It was the consensus of the Committee that Bob Ward be approved and that approval of Sharilyn Mumaw be withheld until such time as she can appear before the Committee.

HFC APPROVAL
APPT AK POWER
AUTHORITY

The meeting adjourned at 4:20 p.m.

ADJOURN

HFC 78-13 #104 - 78-14 #1387

HOUSE FINANCE COMMITTEE
February 16, 1978
7:40 p.m.

All members of the Committee were in attendance. Also present were Speaker Hugh Malone and Representatives Lisa Rudd and Charles Parr; from the Department of Health and Social Services: Commissioner Helen Beirne; William Huston, Director, Division of Corrections; Lee Dalby, Division of Corrections; Marsha Hubbard, Fiscal Analyst; Michael C.T. Smith, Assistant Commissioner/Director, Division of Lands, Department of Natural Resources; Bob Grogan and Milt Barker, Fiscal Analysts, Legislative Finance.

PRESENT

Chairman Cowper called the meeting to order and stated the Committee would hear testimony on HB 628 (An Act making supplemental appropriations to the Department of Health and Social Services, Administration of Justice). He stated this bill would make supplemental appropriation for FY 76 payment to the City of Anchorage and FY 78 funding of temporary positions. Chairman Cowper stated Commissioner Beirne would testify at this time.

HB 628

Commissioner Beirne stated she would like to comment briefly on Department activity. She advised the Department is working on a master plan for correctional facilities which also includes a complete, statewide criminal justice plan. She stated many facilities are overcrowded, and the Department is currently working on alternatives to alleviate this problem. She stated some things that might help the situation are Eagle River changing its classification policy so people can go into the Palmer Adult Camp, which is underbedded; meetings with Alaska Psychiatric Institute concerning sex offenders, with regard to their being placed in correctional or mental facilities; and transfers being made from the Sixth Avenue facility to Ridgeview Manor, which leaves beds for others. She stated these are just some of the items the Department is working on in addition to the master plan.

Mr. Huston presented testimony on the first portion of HB 628, stating this first section deals with FY 76 payment to the City of Anchorage for rental of the Anchorage Annex facility. (See Department of Health & Social Services Position Paper on HB 628, dated 2-16-78.) He advised the rent payment for the first half of FY 76 had been paid and that nonpayment of this second half (November 1, 1976 through June 30, 1977) was strictly a bookkeeping oversight. He stated there were funds to cover this payment in the FY 76 budget; however, if these funds were now taken out of FY 78, it would create a deficit of \$95,000. He was asked how much had lapsed and answered \$58,873, but it was never encumbered. He stated the Department had asked

for a supplemental appropriation last year and had been turned down by the Finance Committee, who had indicated "sloppy bookkeeping". Chairman Cowper stated he believed the Committee took the position the Department should take it out of component funds.

Mr. Dalby presented additional testimony on HB 628, with regard to the FY 78 funding for six temporary positions for correctional officers to staff the Anchorage Annex wing being vacated by women inmates transferred to Ridgeview. He advised last year at the Free Conference Committee hearing, the Legislature stated: "If the women inmates are moved to Ridgeview in FY 78, the Legislature will consider a supplemental appropriation request if properly supported". He stated the Ridgeview facility opened the last week in December 1977. Last year, he stated, the Department had requested permanent positions, but they were deleted. These positions, he informed the Committee, would be for six temporary officers for six months, as outlined in Schedule 2 of the Position Papers.

Mr. Dalby advised the \$17,384 for FY 77 Bethel jail services is included in the \$45,000, as detailed in Schedule 5. He stated the Division of Corrections took over the operation of the Nome jail October 1, 1977. The City of Nome had operated the facility through September 30, then submitted a bill to the State for September, which exceeded available funds appropriated. Mr. Dalby stated the City of Nome had a contract through August.

Chairman Cowper stated HB 628 would be referred to the subcommittee for analysis, and the subcommittee would present its recommendations to the Committee in a meeting next week.

HB 628
HELD OVER

Chairman Cowper brought the following bill up for discussion: CSSB 394

CSSB 394 - An Act making a supplemental appropriation to the Department of Health and Social Services; and providing for an effective date.

Commissioner Beirne stated there has been lots of controversy over the Homemakers Services program; however, she feels the program has merit. She urged support of the bill and stressed the importance of moving it out as soon as possible.

Mr. Granato advised the available funds for Homemakers Services ran out in January 1977 due to an increase in the use of the services. He stated the \$15,000 appropriated from the Governor's contingency fund would see the program through February 25. He stated the time

limit is critical and urged passage of this bill so that the program would not be discontinued.

Representative Freeman asked why the program came up so short of funds. Ms. Hubbard explained the problems were due to the fact that the budget request was based on early 1977 activities and that there was a substantial increase in Homemakers Services in FY 78, plus the fact that the salary classification of homemakers was adjusted to correspond to the State salary schedule--Range 5B. She stated the contract was awarded to Werner's Bookkeeping Services, who in turn, processes the monthly payroll. Homemakers are paid between \$3 and \$5 per hour.

Representative Parr testified on the second section of the bill, which deals with funds being appropriated to the Wrangell Social Services Office to ease the workload of in the Fairbanks and Anchorage areas. He advised the need is critical, as food stamp applications are taking three to four weeks to process, and the Office is sending people to the churches in Fairbanks. He stated the problem has been discussed with Commissioner Beirne, who informed him the forms are in the process of being computerized. Commissioner Beirne commented she was not sure this influx of applicants is due to anticipation of the coming pipeline or the phasing out of the old one.

Chairman Cowper moved and asked unanimous consent that House Committee Substitute for CSSB 394 be reported out with new Section 3 as follows:

HFC CS for
CSSB 394
REPORTED OUT

"Sec. 3. The sum of \$41,354 is appropriated to the Department of Health and Social Services, Division of Public Assistance, to fund temporary employees for additional social services in Fairbanks and Anchorage."

There being no objection, it was so ordered. House Committee Substitute for CSSB 394 was reported out with a "do pass" recommendation.

Chairman Cowper stated the Committee would now address HB 133 (selection of State land by municipalities). He advised he had requested Representative Rudd, Chairman, Community and Regional Affairs Committee, to sit in on the work session on this bill. At this time, Speaker Malone asked to testify on HB 133, and Chairman Cowper deferred to him.

HB 133

Speaker Malone stressed the importance of moving HB 133 out of the House this year, if it is going to take action on this bill at all. He stated future land classifications

will be taking place and claims will be more difficult to reach. He gave a brief background on the bill, stating he is aware amendments will have to be established, but cautioned the Committee not to load the bill down with too many. He stated the Committee should consider providing some mechanisms that would allow review by the Director of Lands in case of disagreement with the municipalities. He stated the Committee should take the approach to see what can be done to make land available and not have to resort to in-lieu payments. He again urged legislative settlement this year.

Representative Freeman expressed his concerns over the inequities of the bill, citing land shortage in South East Alaska and that more land should be devoted to private ownership. Speaker Malone stated he believes this can be settled through separate legislation.

The meeting adjourned at 9 p.m., with a work session on HB 133 immediately following.

ADJOURN

HFC 78-14 #1388 - 78-15 #1017

HOUSE FINANCE COMMITTEE

February 21, 1978

1:21 p.m.

Members of the Committee in attendance were Representatives Cowper, Swanson, Gruening and Haugen. Also in attendance: Representatives Nakak and Rudd; and Sharilyn Mumaw, appointee to University of Alaska Board of Regents. Representatives Schaeffer, Meekins, Buchholdt and Freeman arrived later in the meeting.

PRESENT

Chairman Cowper called the meeting to order and stated that although there was not a quorum of committee members present, they would begin the interview with Sharilyn Mumaw, appointee to the University of Alaska Board of Regents. Representative Swanson asked that Ms. Mumaw provide the Committee with a copy of her resume.

SHARILYN
MUMAW--U OF A
BOARD OF
REGENTS
APPOINTEE

Representative Gruening asked Ms. Mumaw why she wanted to serve on the Board of Regents and what she thought she could do as a regent. Ms. Mumaw stated that when she first attended the University she decided that she wanted to become involved. She advised she began by becoming involved in student government and felt that it was a logical step to go from there to the regents position. She stated she hopes to be able to take the student's voice to the Board.

In answer to a question of Representative Swanson concerning the possibility of programs being cut, Ms. Mumaw responded that her primary concern would be that the level of education not be harmed in any way. Chairman Cowper asked if she intended to meet with representatives from other campuses to get their input and Ms. Mumaw stated that she did.

Chairman Cowper stated that a quorum was now present, and advised that the next order of business was to discuss House Bill 642.

HB 642

An Act making a special appropriation to the mortgage insurance fund of the Alaska Housing Finance Corporation; and providing for an effective date.

Representative Meekins stated that the subcommittee (Representatives Gruening, Meekins and Nakak) met to discuss the problem of how to stimulate housing in rural areas, and how AHFC might participate. He advised that the subcommittee

came up with a proposal on how they might proceed. He stated that part of that proposal would be to pass out a Committee Substitute for HB 642 deleting Section 2, which is the FY 79 appropriation. He stated that doing this would approve the supplemental appropriation for this FY, which AHFC has indicated they need by March 8; and would give them room to negotiate with the FY 79 proposal.

Chairman Cowper asked if the FY 79 appropriation would then be included in the budget or if the Finance Committee would sponsor a bill. Representative Meekins stated they would like to have the Committee sponsor a bill as they would have legislative intent that they would like to include in the language.

Representative Gruening moved that a finance committee substitute for HB 642 be prepared, deleting section 2, changing section 3 to section 2, and deleting the last sentence of that section; and that the committee substitute be reported out. There being no objection, it was so ordered. Finance CS for HB 642 was reported out of Committee with a "do pass" recommendation.

FINANCE
CS FOR
HB 642
REPORTED
OUT

Representative Meekins advised that a new bill is being drafted. He stated it would approve AHFC's FY 79 appropriation in two sections. One portion, in the amount of \$1.44 million, would be appropriated with no conditions. The other \$1.44 million would be appropriated with conditions on its spending. He advised the first portion would fund AHFC through October. He stated the conditions on the second half being appropriated would be dependent upon the start of a direct loan program in rural areas.

AHFC
FY 79
APPROPRIATION
BILL

He stated AHFC would have \$3 million general fund money to start the direct loan program into rural areas. He advised this program would not be with the current program, but would be a new program, in order that the current program not be jeopardized by the problems in the rural area.

Representative Meekins also advised that they are considering a state mortgage guarantee fund so AHFC could go to the bond market for funds.

Representative Meekins stated that AHFC has extensive authority in the statutes. He stated they have 24 provisions, but they are only utilizing one of those provisions.

Chairman Cowper asked if Committee members had any objection to this legislation being prepared as a finance committee sponsored bill. No objections were noted. Chairman Cowper stated the finance committee would sponsor the bill and it would be referred back to the committee.

2/21/78

Chairman Cowper moved and asked unanimous consent that the Committee recommend that Sharilyn Mumaw's appointment to the University of Alaska's Board of Regents be confirmed; and that he be authorized to write a letter to the Speaker of the House advising that this action had been taken. There being no objection, it was so ordered.

SHARILYN
MUMAW
APPOINTMENT
APPROVED

Chairman Cowper advised that HB 133 would be discussed at tomorrow's meeting.

The meeting adjourned at 1:45 p.m.

ADJOURN

Tape HFC 78-16 #001 to 601

2/21/78

HOUSE FINANCE COMMITTEE

February 22, 1978

1:30 p.m.

All members of the Committee were in attendance. Also in attendance: Representatives Lisa Rudd, Mike Miller, Nels Anderson and Al Nakak; Department of Natural Resources: Mike Smith, Assistant Commissioner/Director, Division of Lands; Ted Smith, Director, Division of Land and Water Management; Department of Transportation: Heines Noonan, Assistant Commissioner/Manager of Revenue Fund; Clayton Hueners, Director, Division of Aviation Design and Construction; Lee Sharp, Juneau City Attorney; Jack Chenoweth, Staff Attorney, Legislative Affairs; Legislative Finance: Jay Hogan, Director; Bob Grogan, Fiscal Analyst.

PRESENT

Chairman Cowper called the meeting to order and stated the first matter under consideration is HB 133 (selection of State land by municipalities). He stated the Committee would be working with Community and Regional Affairs Committee Substitute and incorporating proposed Finance amendments. He stated it was his intent to take each amendment separately and vote on its adoption. He asked Representative Meekins to present the explanation of the amendments to the Committee.

HB 133

Representative Schaeffer stated he had a proposed committee substitute, but would hold off introducing it until he heard the amendment proposals.

Representative Meekins advised the subcommittee had come up with four amendment proposals: (1) deals with mental health lands, (2) deals with school lands, (3) is an operative to determine acreage entitlements, and (4) puts a limitation on cash payments. He stated the first provides that mental health lands could be selected or traded by municipalities for land of equal value, with prior approval of a board, as set forth by Max Gruenburg, Chairman, Mental Health Advisory Council, in his testimony of February 6. He stated the second amendment provides the same basic provisions go for school lands. There was discussion on the proposed amendments, and it was decided no formal action would be taken at this time; however, the Committee would hear comments from Mr. Mike Smith regarding these amendments.

PROPOSED
AMENDMENTS

Mr. Smith answered questions on national forest land selection going on in Wrangell and Petersburg. He stated he felt these differences could be handled in the future by separate legislation. He stated he could see no problem with the concept involved in the first two amendments; however, it was his opinion that University of Alaska lands be included, so that all three trust lands are dealt with in the bill, as they are located throughout the state. He stated the trust lands are probably the most valuable economical lands the State holds title to today.

Representative Rudd asked for an explanation of the ratio of three acres traded for one acre of trust land, and was informed by Mr. Smith that this is based on a conservative estimate of their value. He stated the reason these lands are so valuable is that most are located near population centers, inside cities; so if the boroughs want the valuable trust lands, they will have to trade three acres for one acre of trust land. Discussion on the 3-1 ratio.

HB 133

[The meeting recessed at 1:57 p.m. and reconvened at 2:03 p.m.] RECESS

There was a motion to adopt amendments 1 and 2 dealing with mental health and school lands. Representative Freeman objected; a discussion followed, with the motion being withdrawn, and the Committee proceeding to the next proposed amendment.

Representative Meekins advised, for the third amendment dealing with acreage entitlement, he used the acreage from CSHB 133 as a base, taking into consideration two concepts: population and size of the boroughs. He stated his formula was based on a ratio of 3-2-2; or 60% acreage, 20% population, 20% area. He stated the acreage he came up with is an average of this formula. A discussion followed on how more land could be made available.

Mr. Mike Smith advised the Department will be working on declassification of certain land so that more can be made available to the boroughs. He stated the basic definition of vacant, unreserved, unappropriated land is based on a classification set up at statehood. He stated land for coal and oil and gas leases were classified years ago; however, if land originally appropriated for these purposes is not being used or is incapable of producing, then they can be declassified and made available for selection by municipalities. There was a discussion on land classification and declassification.

The last amendment considered by the Committee was the in-lieu payment, which, Representative Meekins stated, would only apply to the boroughs if there were no land available. Representative Meekins advised it proposes a \$100 per capita limit. Representative Schaeffer stated the North Slope Borough did not want in-lieu payment. He stated the land is there, but it is classified. There was more discussion on land classification and certain land being declassified.

There was discussion of transfer of lands with respect to the homesite bill and private ownership. Representative Freeman proposed the Committee consider including an amendment which stated any land received by the municipalities over and above the original entitlement under law, that after two years, they be required to sell some of the land

at public auction. He stated he would like to see this be a condition of entitlement. Discussion on different conditions in different boroughs with regard to Representative Freeman's suggestion. Discussion of boroughs being able to opt out of this procedure. There was a discussion on indemnification, with regard to the capital move. Mr. Smith advised 1975 was the base year the formula for indemnification was set.

Representative Swanson brought up the subject of the unorganized boroughs and stated he had a proposed amendment. Discussion on REAA and whether this should be treated in separate legislation or could be stated in legislative intent in the current bill. Discussion on the need to mandate selection of lands for future boroughs, with Representative Swanson stressing a need for setting an amount. There was a discussion on why Alaska chose boroughs over counties.

It was the general consensus of the Committee the proposed amendments to HB 133 be adopted. A Finance Committee Substitute to HB 133 will be drafted for presentation at a later date, advised Chairman Cowper, with provision to include University of Alaska lands so that all trust lands are represented. Formal action on HB 133 was deferred until next week.

HB 133
HELD OVER

Chairman Cowper stated the next item of business was HB 704: HB 704

"An Act making an appropriation to the Department of Natural Resources, division of land and water management; and providing for an effective date."

Chairman Cowper stated he was the sponsor of the bill and gave a brief background. He stated the bill provides an appropriation to the Division of Land and Water Management so that they can reduce the backlog of applications. He asked Mr. Ted Smith to testify at this time.

Mr. Smith stated the backlog in processing applications is due to an increase in applications and understaffing, not inefficiency. He stated there simply are not enough people to handle the applications. In answer to a question, he cited April 1977 as the date the Division first noticed it was behind.

Chairman Cowper asked if the amount of the appropriation would allow the Division to catch up on the backlog. Mr. Smith indicated it would and that the Division is in the process of reviewing and changing procedures which would also cut down on the backlog for next year.

Representative Guy referred to fiscal note figures for travel, and Mr. Smith stated this had to do with getting

out in the field, which was imperative. He stated, due to the delay in processing these applications, changes occur, and it is important to get personnel out in the field to check this out. There was a discussion of when these positions would be terminated and if this was a one-time appropriation. Chairman Cowper replied it was his intent this additional staff be off the payroll as of June 30, 1979, and that a separate accounting be made. Mr. Smith indicated this would be done.

Representative Haugen moved and asked unanimous consent that HB 704 be reported out with the following letter of intent:

HB 704
LETTER OF
INTENT

"The purpose of this bill is to provide a one-time only appropriation for the Division of Land and Water Management in order that they may clear up their backlog by June 30, 1979. The employees authorized will be separated out for budget purposes, and additional personnel for the future will be considered separately and in the normal course of budget proceedings."

There being no objection, it was so ordered. HB 704 was reported out with a "do pass" recommendation.

HB 704
REPORTED OUT

Chairman Cowper brought the following bill up for discussion:

HB 622

HB 622 - An Act making a special appropriation to the Department of Transportation and Public Facilities to continue the construction of a North-South runway at Anchorage International Airport; and providing for an effective date.

Chairman Cowper stated Representative Rudd is the prime sponsor and would give a presentation on this bill. He indicated it was not his intent the Committee take action on the bill today.

Representative Rudd stressed the need for a North-South runway in Anchorage, stating currently there is only one to handle all the air traffic. She stated this plan has been in the works for the past eight years, with construction to have begun this spring; clearing has already been completed. However, she stated, a Mr. John Overby has brought a lawsuit against the federal government, claiming noise impact; thus, preventing construction of the runway. She advised Mr. Overby is a resident who lives approximately one mile south of the proposed runway site. She stated the judge has issued an injunction, and the earliest possible trial date is April 7; thereby delaying construction for at least a year. She stated total cost of the project is \$32 million, which can be funded out of the Alaska International Airports Revenue Fund. She stated the funds designated for this project will be reimbursed by the Federal Aviation Administration.

At this time, Mr. Hueners presented testimony, stressing the critical situation at the Anchorage facility. He stated there are 70,000 jet operations per year, with a 75% cross-winds condition. He further stated, currently, the 747 jets have to go to Fairbanks. He advised the State has the potential to collect from the federal government when the injunction is lifted, but the Department's main concern is with the delay caused by the lawsuit. He stated the plan has merit; however, there is one drawback in that if the runway is financed in this way, it would complicate funding on other projects by the International Airports Revenue Fund, such as terminal expansion at the Anchorage facility. He advised that Commissioner Harris may attempt to amend this bill to increase the request for revenue bond authorization to cover the terminal expansion.

There was discussion on the State's being able to collect FAA funds if the project were financed in this manner. Mr. Hueners advised this is the first multi-year grant under the Airport Aid Development program. He stated the initial federal grant in June 1976 was for \$6 million which can be collected when the lawsuit is won. Mr. Hueners was asked if this will decrease other federal grants, and he replied it would not.

Mr. Hogan questioned the decision to fund the whole project this year, wondering if a portion of the funds requested could be appropriated. Mr. Hueners stated the Department feels the best way to do the job is with a single contract, as plans and specifications have been prepared and this makes the project easier to control, in addition to resulting in a significant savings. He stated the only logical alternative would be two additional contracts: site preparation at \$19 million and base course lighting at \$12 million. However, the Department was concerned with losing a whole construction year in doing it that way. He stated the Department would like to be acting on bids right now as inflation is worth about \$200,000 per month.

Chairman Cowper asked if the Department had considered buying out Mr. Overby, and Mr. Hueners explained that this course is being pursued right now. He stated it is presently being handled by the Attorney General's Office, Mr. Avrum Gross, and the Commissioner's Office. Mr. Hueners was asked if Mr. Overby could sue the State if the State received funding and proceeded with construction of the runway, and he indicated no.

Mr. Hogan stated in 1974, there was a proposal to sell additional revenue bonds to construct new terminal facilities. It was objected to by the operators who forced the cancellation of that sale, and the State had to repurchase those bonds. Mr. Hogan questioned this situation

happening again. He felt the Committee should make sure the users of the airport don't force another cancellation or withdrawal of the sale, and he questioned how this would affect users who still want the terminal upgraded. Mr. Noonan referred to \$10.6 million in Series E bonds, which, he stated, were successfully defeased. He stated there was a profit of \$70,000, which was turned over to the general fund as required under IRS regulations; however they are still carried on the books as revolving bonds. Mr. Noonan stated there is a meeting with the carriers in Seattle on March 21 and 22. There was a discussion on bonding, with Series E, F and G being mentioned.

It was the general consensus of the Committee that Mr. Av Gross be requested to testify, with regard to negotiations with Mr. Overby. Chairman Cowper stated action on HB 622 would be deferred until such time.

HB 622
HELD OVER

Chairman Cowper brought HB 773 for consideration, stating Representative Miller, prime sponsor, would present testimony on the bill:

HB 773

"An Act making special appropriations to the Alaska Trollers Association; and providing for an effective date."

Representative Miller advised the first section of the bill requests an appropriation of \$25,000 from the general fund to the Alaska Trollers Association for their Logbook Program. He stated this would take care of the program through FY 78, and the \$65,000 requested in Section 3 would be sufficient for FY 79. He stated the Logbook Program provides valuable information for biologists for the Department of Fish and Game. There was discussion as to the merit of the program. Chairman Cowper stated he felt it was an inexpensive way to obtain information. He advised the \$65,000 appropriation could be dealt with next year and proposed a Finance committee substitute omitting "sec. 1 of" in Sec. 2; omitting Sec. 3 and Sec. 4; existing Sec. 5 to be renumbered Sec. 3.

Representative Duncan moved and asked unanimous consent that Finance Committee Substitute for HB 773 be reported out. The question was called for, and the motion passed, with one opposed (Schaeffer). Finance Committee Substitute for HB 773 was reported out with the majority recommending a "do pass".

FINANCE CS
FOR HB 773
REPORTED OUT

The meeting adjourned at 5:10 p.m.

ADJOURN

HFC 78-16 #0617 - #1654
78-17 #0000 - End of Tape
78-18 #0000 - #1683

HOUSE FINANCE COMMITTEE
February 24, 1978
8:35 a.m.

All members of the Committee were in attendance. Also in attendance: Kellus Sewell, Department of Administration; Bill Leria, Division of Policy Development and Planning, Office of the Governor; Virginia Delpias, Alaska Conservation Society; Brian Rogers; Joseph Chomski, Birch, Horton, Bittner and Monroe.

PRESENT

Chairman Cowper called the meeting to order and stated the first bill to be discussed would be CSSB 436.

CSSB 436

An Act making a supplemental appropriation to the Department of Administration for the Kotzebue Senior Citizen Center; and providing for an effective date.

Mr. Kellus Sewell, Department of Administration, stated they have received a grant in the amount of \$600,000 from EDA, to be used for the completion of the Kotzebue Pioneers Home. He advised that the bids came back for amounts more than what was available. He stated that the grant required that on-site construction begin by February 24. He advised they received an extension on this date to March 1. He stated this supplemental is the amount of the latest bid less the \$600,000 grant.

Chairman Cowper asked what Administration plans on doing with the Home. Mr. Sewell responded that they have been working with an organization in Kotzebue that has offered a plan for running the Home, in which the Home would be operated entirely by the organization. He stated they have asked the organization for a budget. Chairman Cowper asked if there was any indication of what it would cost to maintain the Home annually. Mr. Sewell stated they have received an estimate from the organization indicating an annual cost of \$625,000, plus a \$25,000 contingency. He advised that the budget for FY 79 had \$653,000 appropriated for the Home.

Chairman Cowper asked how many people the Home would accommodate. Mr. Sewell responded there are 20 beds available; but that the entire community would benefit from the activities that the Home will provide.

Representative Schaeffer asked how long construction had been going on and Mr. Sewell responded since 1973. There was discussion on the foundation and cost of the Home.

2/24/78

Chairman Cowper asked if there had been any negotiations with the City of Kotzebue regarding turning the facility over to the municipality. Representative Schaeffer stated it had been discussed, but there was a technical problem relating to the bonds, so it could not be done.

Chairman Cowper commented that a great deal of money has already been spent on the facility and he feels it would be absurd to not complete it. He recommended exploring the possibility of appropriating funds to get out of the bond in order that the Home could be turned over to the City of Kotzebue with no debt service attached. He stated he did not believe there should be an indefinite general fund appropriation to maintain the facility on a yearly basis.

Chairman Cowper advised that the Senate Committee Substitute had been prepared because the original bill called for an "appropriation adjustment", which was the Governor's way of by-passing the Legislative Budget and Audit Committee. He advised that the committee substitute changes it to a supplemental appropriation.

Chairman Cowper moved and asked unanimous consent that CSSB 436 be reported out. There being no objection, it was so ordered. CSSB 436 was reported out of Committee with a "do pass" recommendation.

CSSB 436
REPORTED
OUT

Chairman Cowper stated there was a back-log of bills in Committee. He stated the Committee would begin holding bill sessions four times a week, on Tuesday, Wednesday, Thursday and Friday mornings at 8:30 a.m. He requested the subcommittees rearrange their schedules.

MEETING
DATES

The next bill to be discussed was House Bill 516.

HB 516

An Act establishing the office of appropriate technology; and providing for an effective date.

Representative Gruening advised that this bill would establish a position in the Office of the Governor, Division of Policy Development and Planning to help disseminate and act as a clearing house in the area of appropriate technology. He stated this office would become connected with some of the major technology centers throughout the United States, and would help individuals to use appropriate technology. He advised that the fiscal note is in the amount of \$49,000.

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In answer to a question from Representative Meekins, Representative Gruening advised that the office would be used to find ways we could use technology to save money and conserve energy, and it would produce funds on a small scale basis. He stated it would always be fairly small in terms of funding.

Representative Freeman asked for an example of what this entity could do that private enterprise could not do. Representative Gruening stated that there could be ways of building homes and methods of heating homes that private enterprise has not become involved in. He stated the purpose would be to develop something that has not already been marketed.

Mr. Bill Leria, Division of Policy Development and Planning, stated the intent of the Bill was to keep this office as small as possible. He advised they had support within the Division that could be tapped into. He advised that the National Association of Appropriate Technology has expressed an interest in establishing this office and funds could be available from them for that purpose.

Representative Rhode commented that this seems like a way of expanding the bureaucracy and that the University of Alaska Cooperative Extension Service provides a wealth of information on this subject. Representative Gruening commented that the information they provide is not in the same area, and that his intention is to always keep this office small.

Representative Freeman commented that Popular Mechanics could probably provide more information than this office could. Representative Gruening stated the purpose of this office would be to take ideas, such as those in Popular Mechanics, and apply them to conditions in Alaska.

Chairman Cowper asked if this function shouldn't be under the Division of Energy and Power Development. Mr. Leria stated they considered that, but that this office would cover much more than just energy. He also stated that that Division deals with major projects, while this is to deal with small ones. Chairman Cowper recommended checking into the possibility of having the new position authorized by the Governor in the Division of Policy Development and Planning budget for FY 79 handle this responsibility. Representative Duncan stated he will check into this.

Virginia Delpias, Alaska Conservation Society, stated her association fully supports this concept. She also read a statement from the Fairbanks Environmental Center indicating their support of this legislation.

Brian Rogers appeared before the committee to indicate his support of this legislation. He advised that while working for the Interim Committee of the House Permanent fund he became aware of the possibilities for this office. He stated that there are funds available on the federal level in this area.

Representative Duncan moved and asked unanimous consent that Sponsor Substitute for House Bill 5/6 be reported out of Committee. There being no objection, it was so ordered. SSHB 5 6 was reported out with a "do pass" recommendation.

SSHB 5/6
REPORTED
OUT

The next bill to be discussed was House Bill 652.

HB 652

An Act making a special appropriation to the Department of Natural Resources for disbursement to the Steering Council on Alaska Lands; and providing for an effective date.

Chairman Cowper advised that there is a Memorandum in Committee members' files from Sharon Long (dated 2/22/78) which provides back-up information on this bill. Items in the Memo were discussed.

Chairman Cowper stated that when the bill was drafted an error was made by the Steering Council office; an additional \$50,000 should have been included for the law firm of Maas, Frim, and Franklin.

Mr. Joseph Chomski, of Birch, Horton, Bittner and Monroe, appeared before the Committee and explained with his firm has been doing on contract for the Steering Council. He stated the Udall bill is a major piece of legislation and they spend a great deal of time tracking down what appear to be minor changes in the bill, that have a major impact. He stated a great deal of time is spent educating staff and legislators on various Alaskan problems and how they relate to the Legislature. He advised there about 82 representatives on committees dealing with the bill.

Mr. Chomski stated that no one had anticipated the level of interest group involvement in the D-2 issue. Discussion on the public interest groups.

Chairman Cowper stated they are talking about a full-time operation in Washington. There was further discussion on the effort in Washington.

Chairman Cowper advised that Mr. Carl Jack from Bethel will be appointed to the Steering Council.

Chairman Cowper advised that the bill also does not include funding for a workshop on joint management in the amount of \$15,000 which should have been included.

Representative Meekins moved and asked unanimous consent that a Committee Substitute be prepared for HB 652, incorporating the two additional amounts (\$50,000 for attorney fees and \$15,000 for joint management workshop), for a total appropriation of \$896,222; and that the Committee Substitute be reported out of Committee. There being no objection, it was so ordered. CSHB 652 was reported out with a "do pass" recommendation.

FINANCE
CS FOR
HB 652
REPORTED
OUT

The meeting adjourned at 9:55 a.m.

ADJOURN

HOUSE FINANCE COMMITTEE
February 27, 1978
1:25 p.m.

All members of the Committee were in attendance. Also in attendance were the following representatives from the University of Alaska: Foster Diebold, President; Dr. Earle Brewer, VP Finance; Pat O'Rourke, Chancellor, REA; Dr. Hugh Fate, President, Board of Regents; Ric Davidge.

PRESENT

Chairman Cowper called the meeting to order and stated the purpose of the meeting was to ask general questions relating to the University of Alaska.

UNIVERSITY
OF ALASKA

Chairman Cowper asked if any policy had been made in regards to the Legislative Intent as set out in the FY 78 Budget Act, which stated " . . . it is the intention of the legislature that the Regents explore organizational structures, and specifically the decentralization of University administration, with a view towards fiscal efficiency and less bureaucracy." Dr. Fate responded that they have implemented some program changes since last year. He stated these changes had been primarily directed to the community colleges and towards better efficiency in the Office of Finance.

Legislative
Intent

President Diebold stated the biggest strides forward with regard to decentralization of specific offices within the University were on the financial side. He advised that the status reports are current within a two week period and are 90% correct. He advised that accounts receivable has improved to the extent that what was identified initially as a \$13 million underfunding, has been identified as a \$7-8 million underfunding now. He stated the deficit has been identified at a bottom line figure of \$3.9 million. He stated the pre-stated figure of \$6.3 million was partially in error. He stated the figure was reduced from \$4.9 million to \$3.9 million due to Board of Regents action last Friday, which took \$1 million out of the Plant fund.

Decentrali-
zation

President Diebold commented that the hiring of former-president Humphrey was probably the biggest indicator of the type of policy the Board wants to implement statewide. He stated that Dr. Humphrey was not an academician, but rather a "commissioner" type of administrator. He stated that the intent was to place greater emphasis for academic decisions at the BRU level. President Diebold stated his intent is to carry-forward with that kind of method.

Chairman Cowper asked when the deficit was identified at \$3.9 million. Dr. Fate stated the external audit which came out last Friday indicated the deficit was \$3.9 million.

Deficit

Chairman Cowper asked what the Regents plan to do about the deficit and Dr. Fate responded they will do all they can to lower that amount, but they may have to come to the Legislature for a supplemental appropriation.

President Diebold commented on freezes, stating they allowed for exemptions if requested by a chancellor. He advised he has waived the freeze in every case where the request indicated it was directly related to providing an educational service. He stated he believes the concern voiced by the legislature is evident in the Board of Regents action last Friday on the 2% BRU recovery action.

Chairman Cowper requested further information on the transfer of Plant funds mentioned earlier. President Diebold advised these funds came from a variety of accounts housed in the Plant fund. He advised he recommended that action to the Board based on recommendations from the external audit and University counsel. He advised that University counsel had stated that the funds had been put into the plant fund legally in 1973, but that legality became questionable under the Executive Budget Act passed in 1977.

Representative Meekins asked what the plant fund is used for. Dr. Brewer responded that a plant fund is set up as a fund different from the general fund for construction, furniture and equipment, etc. In addition, he stated, you can transfer money from the general fund to a plant fund in a non-mandatory transfer (a reserve). He advised that in this instance there were approximately 30 accounts set up (for remodeling of the Bunnell Building, recovery of funds from insurance, etc.). He stated that in addition to transfers from the General Fund, the Plant Fund contains interest accrued to the University from the Permanent Fund in the form of a revolving fund; and endowment funds, where the interest accruing from the principal can be used for operating purposes.

Dr. Brewer stated the external auditor took the position that these funds should lapse.

Chairman Cowper asked if the Regents had any plans for recruitment of a new president. Dr. Fate stated they had several choices, but none were acceptable to the Board, except the action they took (hiring Foster Diebold as President).

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Representative Swanson asked why Dr. Diebold received the salary he did since there was a hiring freeze. President Diebold responded that he was promoted from within, and that a salary already existed for the president's position. He stated the Board did not waive the hiring freeze in hiring him. There was discussion on the hiring freeze.

Representative Meekins asked what the Board's plans were for reorganization. Dr. Fate stated they do plan on more reorganization and they still have a long way to go on decentralization. He advised they haven't determined what mode they will take at this time. Discussion on methods for decentralization.

Reorgani-
zation

Representative Meekins commented there are several legislators concerned with reorganization, and asked when the University would become more aggressive on this issue. President Diebold stated there has been a considerable emphasis on the University's finances. He stated very little has been done in the area of planning beyond fiscal. There was further discussion on decentralization and the role the Post-secondary Education Commission could play in the planning.

Representative Buchholdt stated she has received complaints in the area of academic planning, relating to the lack of leadership and planning particularly in the area of teacher training programs.

President Diebold stated planning is one of the things that was uppermost in his mind when he stated the University has had so many crises that one of the things that has suffered most is planning. President Diebold stated he believes institutional studies is the most important department.

In answer to questions concerning the University's deficit, President Diebold responded that he thinks what they had was not a deficit, but a cash flow problem. He advised that accounts receivable are becoming "clean" enough now that they are borrowable. He advised that the situation which created the deficit with University fees was exactly the opposite -- Accounts Receivable was in such bad shape they could not identify accounts payable.

Deficit

Chairman Cowper stated it is his understanding that the Board of Regents wants to take another look at the University's budget for FY 79. He asked when the Legislature could expect to receive this information from the Board.

President Diebold stated the FY 79 budget to be presented to the Legislature was to include a zero based budget, to come in at 90% and 95%. He advised that when the Board met last week they determined that the set of criteria used to weigh the priorities of the BRU's to put funding in the 90% and 95% level created some problems. He advised that some BRU's came in at substantially below the 90% level. He stated Organized Research came in lower than it should have. He advised that the changes would be completed by the end of next week.

FY 79
Budget

Chairman Cowper asked if the Regents were any better prepared to cope with this type of problem than the Legislature was. He commented that they might have more work that a part-time volunteer body can handle. President Diebold commented that one part of the problem is the Regents haven't received a "fair shake" in terms of information that was brought to them. There was discussion the on zero base budgeting criteria.

Chairman Cowper stated that as an entity under the Executive Budget Act, the University is required to come before the Legislative Budget and Audit Committee any time it wants to make transfers between appropriations. President Diebold stated he believes the fact that revised programs were allowed to pile up at the University and not be submitted for review and approval was unconscionable.

Transfers
Between
Appropriations

Dr. Brewer stated there has been a transition period while they were trying to understand what is required under the Executive Budget Act. He stated the problem that developed is that revised programs did stack up and they are now being worked on. He advised that revised programs are in the process of being transmitted right now.

Dr. Brewer stated it is conceivable that in the early part of the fiscal year, from lack of information, the University could have utilized funds from one appropriation level to another. He stated that is now being taken care of. There was discussion on how the University appraised itself on new laws that take effect.

Chairman Cowper stated they were talking about transfers between appropriations that would have occurred since July 1, 1977. Chairman Cowper suggested that without knowing what transfers between appropriations have been made, there is no way the Legislature can prepare a budget for the University for FY 79. Dr. Brewer concurred.

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Dr. Brewer stated the revised programs were late in being submitted. He advised that when they are brought up to date they will be transmitted to the Governor's Office. He said that at that time the Governor's office will be addressing any transfers between appropriation items. He further stated that it is understood that the University cannot transfer between appropriations without approval.

Mr. O'Rourke stated there have been some transfers before the Governor's office. He stated if these have not come before the Budget and Audit Committee, there is a hold-up in the Governor's Office.

Mr. Scott asked if some transfers had been made and the funds expended on the assumption that the transfers would be approved. Dr. Brewer stated this was correct. Mr. Scott asked if these could be reversed and Dr. Brewer advised it would be difficult to reverse them at this date. There was further discussion on transfers between appropriations.

Chairman Cowper asked when W-2 forms were mailed out and how accurate they were. Dr. Brewer advised they were mailed in January, ahead of the State. He stated he has heard no complaints; but perhaps 1 to 2% were inaccurate.

W-2 Forms

Chairman Cowper requested receiving a copy of Board of Regents meeting minutes anytime decentralization was discussed.

Decentrali-
zation

Senator Hohman, Chairman, Legislative Budget and Audit Committee appeared before the Committee and stated it is his understanding that there is a back-log of Revised Programs that the University has not submitted because of confusion concerning the Executive Budget Act. He stated he would like to recall for the Committee a conversation he had at a Budget and Audit Committee meeting with Dr. Fate and Dr. Ferguson concerning how revised programs would be handled. At that time he stated the Committee's concern was to handle expeditiously any revised program requests of the University. He stated he is disturbed to find out the University has a back-log, as it does not meet the plan they had agreed upon at that time.

Transfers
Between
Appropriations

President Diebold stated the problem does not lie with the Legislative Budget and Audit Committee, but within the University itself.

There was further discussion on the University's accounts receivable. Dr. Brewer stated accounts receivable has been reduced to \$8 million.

Accounts
Receivable

Representative Haugen requested information on how many bonds the University has authorized. Dr. Brewer will provide this information to Chairman Cowper.

Representative Haugen asked how the student size at the University of Alaska compared with other universities. President Diebold stated they would provide him with a print out from other universities in the western region.

Representative Gruening asked if the University had confidence that the deficit, based on these accounts receivable, will in fact be \$3.9 million. Dr. Brewer stated that, based on the certified public accountants report, he is fairly comfortable with that. He stated there could be a fluctuation, but he didn't think it would be anything extremely noticable.

Deficit

Representative Gruening stated the legislature is going to be asked to address the deficit, and he asked how this will be identified. President Diebold stated the mechanics of this are being set up with Finance Division Fiscal Analyst Dave Scott. Mr. Scott stated he assumes the Legislature is going to have to address the problem in terms of a FY 77 supplemental to pay for the deficit. Representative Gruening asked how they would know what the deficit was if they took this course. Chairman Cowper suggested one approach might be to pay for the deficit through a third party and state that anything left over would be lapsed back into the general fund. There was further discussion on the deficit.

Mr. Scott stated that there is \$3.9 million in the budget for accrued annual leave. He stated the University is the only state entity to do this. He stated this is annual leave accrued by staff but not taken; this is carried as a liability on the University's books. He advised it is just coincidence that this figure is the same as the deficit figure.

Accrued
Annual
Leave

Representative Haugen asked for a report on reconciliation of accounts receivable. Dr. Brewer will provide.

The meeting recessed at 3:35 p.m. Chairman Cowper recalled the meeting to order at 4:00 p.m.

Recess

There was discussion on when the Committee would work on the University's budget. General consensus of the Committee was to begin on March 6 at 1:15 p.m., and continue through March 7 and 8.

Budget
Close-out

2/27/78

Discussion on when other budget categories would be ready to be closed-out. Chairman Cowper stated that the Transportation category would be closed-out on Saturday, March 4, beginning at 9:30 a.m.

Representative Freeman stated he needs to receive policy decisions from the Committee concerning the transportation category. He stated he has had considerable problem with the Department ignoring legislative intent. He requested that he be authorized to prepare a resolution, to be sponsored by the Finance Committee, concerning this problem. Chairman Cowper so moved. There being no objection, it was so ordered.

TRANSPOR-
TATION
CATEGORY

Representative Freeman stated he is concerned with the utter disregard the Department has for legislative intent. He stated he has tried everything he can to get them to comply. He stated he would like the Committee to consider short-funding the Department. He recommended funding the Department for only nine months, and next year the legislature could provide the additional funds if the Department complied with legislative intent. Chairman Cowper commented this has been done in other states. Representative Meekins stated another alternative might be to take a specific BRU (i.e. Commissioner's Office) and make the funding totally contingent on complying with legislative intent. There was further discussion.

Chairman Cowper moved and asked unanimous consent that the Committee express their support for the method Representative Freeman has indicated he will take in the Transportation category. There being no objection, it was so ordered.

The meeting adjourned at 4:34 p.m.

ADJOURN

Tape #HFC 78-19 #1612 to end
HFC 78-20 # 001 to end
HFC 78-21 # 001 to 1087

2/27/78

HOUSE FINANCE COMMITTEE
February 28, 1978
8:30 a.m.

All members of the Committee were in attendance, except Representative Guy. Representatives Buchholdt, Duncan, Gruening and Meekins arrived later in the meeting. Also in attendance were Representatives Chat Chatterton and Randy Phillips; Robert Stickles, Chief, Driver Services, Division of Motor Vehicles; Neil Thomas, Executive Director, Ann Snowden, Chairman, Willie Ratcliffe, Anchorage, Human Rights Commission, together with various members of the Commission; Robert Gates, Deputy Commissioner, Department of Administration; Bob Schroeder and Alison Farnan, Fiscal Analysts, Legislative Finance.

PRESENT

Chairman Cowper called the meeting to order and stated the first bill under consideration is HB 744:

HB 744

"An Act making a supplemental appropriation to the Department of Natural Resources for the Iditarod Trail Race; and providing for an effective date."

Representative Freeman announced Representative Al Nakak, prime sponsor of the bill, had another meeting to attend, but could be called out to testify should the Committee so desire. It was the general consensus of the Committee this would not be necessary.

Representative Freeman moved and asked unanimous consent that HB 744 be reported out. There being no objection, it was so ordered. HB 744 was reported out with a "do pass" recommendation.

HB 744
REPORTED OUT

Chairman Cowper stated the next bill was HB 551, with Representative Chatterton providing testimony:

HB 551

"An Act providing an exemption for senior citizens from payment for land leased from the state."

[Representative Buchholdt arrived at this time.]

Representative Chatterton stated this bill would grant forgiveness to senior citizens for the annual lease rental payment. Representative Gruening asked how much land is exempt under State leasing procedures. He was informed it was the intent of this bill the whole amount be forgiven, if the person is over 65 years of age. Representative Chatterton stated, under existing law, that person would have property tax.

[Representative Duncan arrived at this time.]

Representative Schaeffer moved and asked unanimous consent that CS for HB 551 be reported out. There being no objection, it was so ordered. CS for HB 551 was reported out with a "do pass" recommendation.

CS FOR HB 551
REPORTED OUT

Chairman Cowper brought up SSHB 760 for discussion:

SSHB 760

"An Act relating to the registration tax on motor vehicles."

Representative Phillips stated this bill provides that automobiles five years and older be placed on a sliding scale with regard to property tax. Mr. Stickles advised the Department recommends this extend even further to apply to all vehicles eight years and older. Representative Phillips stated the only problem is that this tax cannot be claimed on federal taxes, as this is the way the IRS is set up.

[Representative Gruening arrived at this time.]

There was a discussion on being able to call it property tax as opposed to license tax so that it could be claimed on federal taxes.

Mr. Stickles advised the Department, as well as the public, prefers yearly assessment of automobiles, instead of their being assessed at fair market value, as they currently are. Representative Swanson asked if this would require an increase in personnel and was informed it would not as the fees are computer-generated. Representative Phillips advised the State gets 5% of all revenue. There was a discussion on revenue impact, with regard to trucks used in construction. Representative Phillips advised that his bill provides that the fee for a 10 ton truck over 10 years old is \$80 and that, under SB 471, the fee would drop to \$20 in the eighth year. Mr. Stickles was asked if this would affect the rural areas and answered it would not as the only areas this would apply to are Anchorage, Ketchikan and Petersburg. Mr. Stickles stated the Department has received numerous complaints from people who own cars 8-10 years old and who have to pay large license fee. This bill would eliminate a lot of those complaints.

Representative Gruening brought up the last section of the bill, which deals with senior citizens being exempt, and asked how many would be involved. He was informed there is no way for the computer to pull out that information, as age and ownership are not run together.

Representative Gruening moved and asked unanimous consent that SSHB 760 be reported out, pending receipt of a new fiscal note. There being no objection, it was so ordered. SSHB 760 was reported out with a "do pass" recommendation.

SSHB 760
REPORTED OUT

Chairman Cowper stated the next item of business was HB 618:

HB 618

"An Act relating to the annual report of the State Commission for Human Rights."

Mr. Thomas announced Ms. Snowden, newly-elected Chairman, Human Rights Commission, would present testimony. Ms. Snowden stated the Commission does not support the amendment suggested by the Health and Social Services Committee. There was a discussion on the two fiscal notes (1) dated 2-7-78 deals with the H&SS amendment and (2) dated 2-17-78 requests \$100 for distribution of the Human Rights Commission Annual Report. Chairman Cowper stated it is the latter one that is under consideration.

[Representative Meekins arrived at this time.]

Representative Gruening moved and asked unanimous consent that HB 618 be reported out. There being no objection, it was so ordered. HB 618 was reported out with a "do pass" recommendation.

HB 618
REPORTED OUT

At this time, Chairman Cowper asked Mr. Thomas for comment. Mr. Thomas referred to a letter from Mr. Gonzales, Human Rights Commission, dated February 9, 1978, to the Governor, which outlines problem areas. (See attachment) A discussion of this letter followed, with Mr. Thomas providing the Commission's viewpoint. He advised the Governor has requested a joint meeting with the Human Rights Commission and the Equal Employment Opportunity Commission to iron out these problems.

TESTIMONY
HUMAN RIGHTS
COMMISSION

Mr. Ratcliffe stated he felt Alaska does not set a good example in State hiring practices under the existing program. He advised there is a definite need to set minimum standards in hiring minorities and women, and then see to it that they are carried out. There was a discussion on placing responsibilities.

There was a discussion on union contracts, and it was brought up the State might consider the following when writing contracts: (1) Is the government being fair in terms of hiring employees? (2) When the government hires a contractor, is that contractor fair to the employees? (3) When the government hires a contractor, is it being fair to minority contractors? It was also brought up the union is obligated to go by seniority. There was discussion on making positions available to local people, rather than those outside the area.

2-28-78

Ms. Snowden stated the Commission is not happy with the hiring done by the State, and would like to see the EEO Office moved back to the Governor in terms of who is responsible and who is to give direction to these programs. She stated it is essential there be direct access to the Governor. She stressed the importance of a training program.

Chairman Cowper asked Mr. Gates to present the Department of Administration's viewpoint, with respect to the letter of February 9. Mr. Gates stated he does not take exception to most areas of comment in the letter. He stated no one feels the job is under control and that the Administration is aware minorities and women are not being utilized properly. He stated the Administration is currently working on data that should be available April 1, which will provide a breakdown of various positions that make up the workforce in a community. He also advised that, presently, a number of steps are being taken to develop training packages. He stated most of the training would be done primarily by existing EEO staff. There was a discussion on his comments.

The meeting adjourned at 10:00 a.m.

ADJOURN

HFC 78-21 #1088 - 78-22 #819

STATE OF ALASKA

HUMAN RIGHTS COMMISSION

JAY S. HAMMOND, GOVERNOR

204 East 5th Avenue
Room 213
Anchorage, Alaska 99501
Phone: 276-7474

February 9, 1978

Governor Jay S. Hammond
3rd Floor, State Capitol
Pouch A
Juneau, AK 99811

Dear Governor Hammond:

The Human Rights Commission shares, with many Alaskans, a deep concern that state government be known as a model employer which complies fully with equal employment opportunity principles. Unfortunately, the best available data, and enforcement actions before this Commission, indicate that the State has fallen far short of this objective. We are taking this opportunity to report to you on certain deficiencies we believe are within your personal power to correct. In this report we will describe the rationale which other government chief executives use to support equal employment programs. We will compare these to the State's efforts and offer specific recommendations for improvement.

Legal foundations

Government employment at all levels in Alaska is subject to state and federal anti-discrimination laws. The Equal Employment Opportunity Commission, the Labor Department and the U. S. Attorney General enforce the federal laws; the Human Rights Commission enforces state law. Enforcement agencies respond to complaints and initiate their own cases to challenge patterns of discrimination. They also provide information on how to comply.

Most governmental employers try to avoid enforcement actions by monitoring and auditing their employment systems. They try to spot violations and eliminate them. They write plans to deal with long-standing compliance problems, and they educate their people to head off violations before they occur. Many of these affirmative action programs are required by federal laws and orders as a condition of federal assistance.

Alaska has had a function charged with affirmative action responsibility since 1972, when Governor Egan ordered the establishment of an advisory committee. An office reporting to the Governor was staffed shortly before you took office. That "State EEO Program" presently reports to the Commissioner of Administration.

Results in Alaska

This program notwithstanding, Alaska's governmental equal employment profile has made virtually no progress during the past five years. The barest handful of women have progressed beyond clerical grades. There is an embarrassing absence of minorities at all levels. One could go blind looking for women (24) and minorities (1) in the recently released list of 457 state employees making over \$40,000. (The Department of Transportation has none, out of 131 super-grades.)

A recent State EEO office report gives race and sex breakouts for 5,993 state employees. (As will be seen later, this report omits substantial numbers of people.) In ranges 16-25, which comprise everyone from certain administrative personnel and all professional and technical workers through the department head level (2,363 people total), only 3.9% are minority and 20.8% are female. The minority percentage of employees below Range 16 (clerical workers through administrative assistants) is 12.7%. Females comprise 53.5% of total employment at all levels, but 84.6% of all women are below Range 16. Of 549 minorities in this total sample, 33.2% are below Range 16.

This record increases the possibility of enforcement action. Some are already in progress before the Human Rights Commission. Several significant cases were settled short of public hearings. The State is wide open to enforcement and fund cut-offs by the Federal government.

These exposures never should have grown to what they now are. They exist largely because the state, over the past five years, has failed to police itself effectively. Yet these risks can, and should be, reduced by a conceptually sound EEO program.

What is an EEO Program?

Equal employment efforts are a responsibility which the Constitution requires of you. You should, to see that the laws are "faithfully executed," guard against violations. To do that, you must have facts, and must see that your executive authority is used as necessary to anticipate and correct violations. An obvious analogy exists to internal fiscal auditing.

There are 6 major commonly-accepted elements of EEO programs operated by both government and the private sector:

1. Affirmative recruitment - building the on-going credible, personal contacts with minority people, women, older workers etc. and their representatives to insure the maximum number of applications from qualified people.
2. Analysis - developing the facts, on a grade-by-grade and department-by-department basis, and tracking applicants through the hiring process to show where corrective action is most needed.
3. Planning - approving departmental plans which eliminate discriminatory barriers and set out goals for fair employment levels.
4. Monitoring - insuring that departments make good faith efforts to achieve the goals in their plans and using your executive authority to require compliance where necessary.
5. Consultation - serving as advisor to departments as they write plans; advising departments what to do when enforcement actions are pending against them; alerting the Personnel Division to discriminatory procedures and arguing for changes (again using executive authority as necessary).
6. Training - conducting sessions for these with hiring authority on a regular basis on what equal employment rules, policies and philosophies must be followed.

Performance to date

Alaska's equal employment monitoring and auditing efforts since the EEO program was established six years ago have been ill-conceived failures. There are virtually no successes: The people who are presently saddled with this job are doing no better (or worse) than their predecessors.

(We wish to stress that our criticism of the State's efforts is not directed solely at the program's present employees. The worst which could be said about them is that they have failed to correct faulty program concepts which were adopted by other than staff long before the present staff began work.)

For the first two years, State EEO was only an advisory committee with no staff. The Committee either 1) was not

encouraged to use the Governor's authority to order corrective action, or 2) chose not to do so, possibly on the belief that such advice would not be heeded.

When the program attained a handful of staff workers, the Committee continued in its advisory role. To this date it has never had the authority to direct the activities of its staff, or to make final hiring decisions. The staff reported to your office until 1977, when at the urging of the Governor's Efficiency Review it was placed under the Commissioner of Administration. In recent months approval was granted to change the staff director's work location from Juneau to Anchorage.

The lack of program accomplishments during this period may be attributed in part to this diffuse, often conflicting, and occasionally changing program supervision. There is no evidence of a conscious design by anyone to make the program fail. Yet if one were bent on such a course, wouldn't one give the program more than one boss, get it away from the Governor, put it in with the agency it must regulate, and then move the staff director out of town?

Consider these further deficiencies:

1. State agencies have never accepted the EEO staff as advisors who can help when enforcement actions are pending. The reason is the image of an investigative agency which the office developed during its early years. (In 1975 the Human Rights Commissioners reversed an agreement its former staff negotiated in 1974 under which all Commission complaints were being turned over to State EEO.) The State EEO staff has also often lacked the depth of technical understanding of the law which would encourage departments to heed their advice. Instead, this function is usually performed by the Department of Law.
2. The EEO office has not to this date been able to prepare a reliable set of current statistics on state employment by race and sex. The current report does not include the partially exempt or exempt service, temporary hires or Legislative Affairs. The EEO office's Federal report had to be redone when it discovered the computer reports were off by thousands. Nor has the office developed a reliable set of data on the availability of minority and female workers in different occupational classifications, essential information for planning purposes.

3. The office does little affirmative recruitment. We are now compiling a list of as many as 150 women who may be suitable for higher level jobs and minorities for all levels who have recently applied to the Commission. We worked out a method directly with Commissioner Allen and the Personnel people to have them screened. State EEO should be doing this type of thing regularly. Two years ago we suggested a similar recruitment effort to the State EEO Committee when they had \$20,000 in their personnel budget which was due to lapse. They contracted the entire sum to a private individual whose people produced little results.
4. State EEO has never required state agencies to prepare affirmative action plans. It has never written an Executive Order on equal employment for Governor Hammond to issue as the policy basis of this Administration for affirmative action planning. The "plan" it issued over Governor Hammond's signature last year does not come close to commonly-accepted standards for such documents. It would never be approved by a Federal agency as a condition of Federal assistance. It contains unreliable employment statistics, no labor force data, no identification of problem areas and no goals and timetables. At best it is a vague catalogue of quasi-policy recommendations.
5. The State EEO office does virtually no training for state employees who are key to the program's success, despite standing offers over the years from the Commission to help develop the programs. The State's lawyers need a continuing education program on this relatively new area of the law. Personnel people in the departments and at the Division of Personnel need technical training on affirmative action planning and data requirements. Front line supervisors need to know the often unwitting things they do which give rise to complaints. Managers need to learn how to use their authority to undo commonly-accepted elements of employment systems which courts have held to be discriminatory. Instead of a well thought out, multi-level training plan, State EEO has only sponsored a handful of short seminars, mostly for personnel officers.

Recommendations

The Administration should acknowledge the fundamental conceptual weaknesses of the EEO program throughout its history and

take corrective action. In the alternative, the Legislature may find it necessary to make the decision itself. There are two options for initial corrective action: 1) re-assign EEO functions to the Human Rights Commission, and 2) reform the existing program. The Commission favors the latter course.

To assign the EEO program (or any major element of it) to the Human Rights Commission, is to remove it from your direct authority. The action would essentially deprive your executive officers of their ability to develop the audit information you will require in order to take corrective action. You might also be seen as washing your hands of equal employment responsibilities if you transferred these functions to us. Your Administration should police itself, since the Human Rights Commission is a semi-independent, quasi-judicial enforcement body not subject to your direct control. (The model was developed specifically to create a forum in which equal opportunity questions can be decided without political influence.) There would be a conflict of functions were the Commission to attempt to act both as enforcer and as advisor. Finally, assigning EEO program functions to the Commission without an equal reduction in the present program would lead to spending twice as much money to do the same job.

The existing program can be overhauled and function as effectively as similar programs in other states, many private companies, at the Anchorage School District and in the Anchorage Municipality. Following are some preliminary steps:

1. Return the program to the office of Governor, from which source its legal and policy authority stems.
2. Establish the EEO Committee, by administrative order or by statute, as a policy setting body with hiring authority over the staff. Make committee appointees' terms of service subject to your discretion. Make the director's appointment subject to your approval, serving thereafter at the pleasure of the Committee.
3. Direct the Committee, by administrative order or statute, to establish as its underlying program, the six elements set forth on pp 2-3 of this paper.
4. Support funding the program's activities at its current level for FY '79 and require a comprehensive budget submission to you in keeping with the new program for FY '80.

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5. Request the Committee to strongly consider re-consolidating the staff in Juneau, where it would be more closely in contact with yourself, Commissioners, the Division of Personnel, and personnel officers.

The Human Rights Commission will continue its efforts to assist the State in any way it is requested to assure fair compliance with all equal employment opportunity standards. Thank you very much for giving these concerns your personal consideration.

Sincerely,

John Gonzales
Chairman

JG:pr

HOUSE FINANCE COMMITTEE

March 1, 1978

8:40 a.m.

All members of the Committee were in attendance, except Representatives Guy and Schaeffer. Representatives Buchholdt and Haugen arrived later in the meeting. Also in attendance: Kathy Lloyd, Deputy Commissioner, Garth Patterson, Regional Manager, and Marsha Hubbard, Fiscal Analyst, Department of Health and Social Services; Don Clarkson, Chief Council, Legal Services; Mike Smith, Assistant Commissioner/Director of Lands, Department of Natural Resources, Paul Arnoldt, Director, Division of Retirement, Department of Administration; Milt Barker and Alison Farnan, Fiscal Analysts, Legislative Finance.

PRESENT

Chairman Cowper called the meeting to order and stated the first item of business to be discussed is HB 863:

HB 863

"An Act making a supplemental appropriation to the Department of Health and Social Services, General Relief; and providing for an effective date."

Marsha Hubbard presented background information, stating previously six-month allocations had been made by the region. (See Position Paper attached.) She advised in order to avoid over-spending, the regions followed a priority system for granting General Relief Assistance. She stated, normally, when funds were regionally available, aid was granted to needy families but refused single persons, even though eligible. She stated in March 1977, the priority system of controlling GR funds was protested by Legal Services in Anchorage. She advised the Department met with Liz Arnold, Assistant Attorney General, who recommended immediate restrictions be placed on the funds in Anchorage. She advised this created a critical situation in Anchorage. She stated Legal Services was ready to go to suit, if the restrictions were not lifted. At a GR program public meeting in Anchorage September 14, 1977, it was decided the priority system be abandoned and the needs of all eligible be met until the program funds were exhausted statewide. She advised the restrictions were lifted October 23 and that the program would require a supplemental no later than March 31, 1978.

Ms. Hubbard advised, at this point, there is \$14,000 left for the program. She stated the remaining funds from the Governor's contingency fund have been requested. She advised in January 1978, the Department submitted an initial supplemental request for \$43,000 for the remainder of FY 78, based on a monthly expenditure level. She stated in February, expenditure reports disclosed an expenditure of \$62,900 in January, an increase of \$19,900 over the forecast in January. She stated by the end of February,

the level was to increase to \$77,400. This created a difference of \$34,400 over that forecast in January.

[Representative Buchholdt arrived at this time.]

Representative Rhode asked who was affected by this program and was informed the average age of the recipient was 28 years, resided in the State for at least a year and had no household income.

There was opposition to the idea of employable persons being eligible for this program. Representative Meekins pointed out this is general fund money. A discussion on eligibility followed. The question was raised if these people were eligible even though they received unemployment benefits. He was informed, if they receive the maximum benefits, then they are not eligible. Ms. Hubbard advised most of these people rely on food stamps and churches for meals. Ms. Lloyd stated the majority of this aid goes for housing payments.

Mr. Clarkson discussed the meeting held in Anchorage in September, noting the expenditure for the program is changing daily. He stated the program will have to be terminated if the funds are not made available. He advised the program is necessary to aid single people, especially those just released from jail, as they are not eligible for assistance under any other program. Representative Gruening asked the reason for the rise in the number of people seeking relief, and Mr. Clarkson attributed it to the down-turn in economics. Mr. Clarkson advised that, during the previous fiscal year, money was returned to the general fund.

Representative Meekins moved and asked unanimous consent that HB 863 be reported out. There being no objection, it was so ordered. HB 863 was reported out with a "do pass" recommendation.

HB 863
REPORTED OUT

Chairman Cowper brought HB 25 (CSHB 25 by the State Affairs Committee) up for discussion:

HB 25

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

Chairman Cowper stated this bill has received the consideration of the Committee twice before; therefore, the preliminaries would be dispensed with. However, he advised, there is a new fiscal note, and he asked Mr. Arnoldt for an explanation of the differences between the two notes.

Mr. Arnoldt advised the .89% figure established in the first fiscal note, 5-20-77, is wrong. He stated he doesn't know where that figure came from; it doesn't apply to anything. He advised the rate identified in the new fiscal note, 2-16-78, is correct. Chairman Cowper asked Mr. Arnoldt how he arrived at the current rate figure. Mr. Arnoldt explained the figures were received from the actuary from the William Mercer Company in Seattle. He stated all costings are handled by phone when a bill is introduced. In answer to a question, Mr. Arnoldt advised his function is to provide the best information he can and to state the Administration's position.

Representative Gruening asked for an explanation of the difference between nine days on the old fiscal note and 4.7 days on the new note of additional days unused medical leave the average state employee would receive. Mr. Arnoldt advised this assumption is based on statistical samples of approximately 450 vested employees eligible for normal retirement.

[Representative Haugen arrived at this time.]

At this time, Chariman Cowper asked if anyone else wished to present testimony.

Mr. Robert L. Garrison, Juneau resident, stated he has worked for the Territory and State of Alaska for the past 22 years, averaging 9-1/4 hours sick leave in that time. He expressed his views on the abuses of sick leave and stated his opinion that those who do not take advantage of sick leave should be compensated.

There was discussion on whether the retirement system is the appropriate place to try to eliminate abuses of a personal nature and whether abuses can be lowered by rewarding those who don't. In answer to a question on how many people this program would involve in retirement, Mr. Arnoldt replied this is based on vested employees only and that it would apply to three out of 10 persons.

Representative Swanson asked if terminated employees would be protected under this bill. He cited, as an example, the Fairbanks highway employees who were issued termination slips for no cause. Mr. Arnoldt stated if they are rehired within three years, they would be protected; without this bill, they would not.

Representative Meekins expressed concern with a person fired for cause being allowed to reap benefits. He referred to the term "separation" in Sec. 260(f). Representative Duncan stated this could be amended to read

"termination". This would mean, if that person was re-hired, he would start at zero sick leave. Mr. Arnoldt stated there would be no fiscal impact.

Representative Gruening questioned the terminology "sick" leave in Sec. 365(b). He stated he felt the language should be uniform. This section was amended to read "medical" leave.

Representative Duncan moved and asked unanimous consent that Finance Committee Substitute for HB 25 be reported out with the changes noted above. There being no objection, it was so ordered. Finance Committee Substitute for HB 25 was reported out with a "do pass" recommendation.

FINANCE CS
FOR HB 25
REPORTED OUT

The meeting adjourned at 10:00 a.m.

ADJOURN

POSITION PAPER

ON

HOUSE BILL NO. 863

"An Act making a supplemental appropriation to the Department of Health and Social Services, General Relief; and providing for an effective date."

I. HISTORICAL PERSPECTIVE

For many years the total GR program appropriation had been divided in half and 6-month allocations had been made by region. These allocations were based on the previous year's expenditures in each region. Regions kept their own program balances and could not exceed their allocations without Central Office approval. In order to avoid over-spending, regions followed a priority system for granting General Relief Assistance. The granting of aid by a priority system related primarily to family composition and allowed certain eligible persons to be denied assistance when funding was short. For the most part, under this system so long as funds were regionally available, aid was granted to eligible needy families with young children. However, even when funds remained available single persons (and particularly employable single persons) were generally refused assistance even if they were eligible.

In March 1977, the priority system of controlling GR funds was protested by Legal Services in Anchorage. We consulted with the Attorney General's Office, and it was agreed that we should begin meeting the full need in Anchorage. (It was only the fact that the remaining regions continued to restrict payments which allowed us to make this concession in Anchorage.) However, within a short time, the expenditure pattern started to go into an over-expenditure pattern. We again met with Liz Arnold, Assistant Attorney General. She recommended the immediate restrictions be placed upon spending of funds in Anchorage. This was done.

At this point, the situation in Anchorage became "desperate." Other agencies as well as Legal Services contacted us on the situation.

The Agency met with other helping agencies in Anchorage to explain our funding situation and to seek and coordinate all available resources to meet our mutual clients needs. It appeared that the situation was critical.

Legal Services at this point was ready to go to suit if the restrictions were not immediately lifted statewide. Our Assistant Attorney General, Liz Arnold, attended this meeting with the agency. She advised us that she did not feel we could win the case against Legal Services.

On September 30, 1977 the agency met with the Administration. It was agreed that restrictions should be lifted statewide.

We were to keep informed on the expenditure levels and go for a supplemental.

II. FINANCIAL INFORMATION

In late January 1978, all information assembled to date confirmed that the Program would require a supplemental no later than March 31, 1978. Under the Program, the average monthly expenditure rested at approximately \$43,000. There was no information which indicated that this expenditure level would continue to accelerate; therefore, the Department submitted an initial supplemental request based on a monthly expenditure level of \$43,000 for the remainder of FY 78.

Unexpectedly, expenditure reports received in early February 1978 disclosed an expenditure level of \$62,900 for January, an increase of \$19,900 over the \$43,000 forecast in January. More alarmingly, expenditure information for February to date demonstrates that the rate of acceleration has not subsided. Anticipated expenditures for February are now expected to reach \$77,400, an increase of \$34,400 over that forecast in January.

The extreme fluctuations in this program make it impossible to accurately predict the final outcome for FY 78 (see attachment). However, assuming no further acceleration of the monthly payment level for the remainder of the fiscal year, it becomes readily apparent that there will be a \$404,200 shortfall unless cost containment measures are reinserted in this program. This figure was derived as follows:

\$343.9	Total GR Commitments through February 22.
- 288.0	FY 78 FCC Appropriation
<u>\$ 55.9</u>	GR Commitment in excess of FY 78 appropriation as of February 22.
+ 348.3	Estimated expenditure for remainder of FY 78. This was derived by taking the expected February expenditure level of \$77,400 x 4.5 months to cover the period February 22 through June 30.
<u>\$404.2</u>	Total FY 78 GR supplemental need as of this time.

III. PROGRAM INFORMATION

Distribution of GR Assistance Recipients

<u>Region</u>	<u>October, 1977</u> <u>(Partial Figures)</u>	<u>November, 1977</u>	<u>December, 1977</u>
Anchorage	191	335	433
Fairbanks	44	47	99
Juneau	95	59	110
Bethel	22	31	34
Kotzebue	<u>11</u>	<u>14</u>	<u>14</u>
TOTALS	363	486	690

Characteristics of GR Recipients, October - December, 1977

1. Average age of recipient was 28.7 years
2. 79.6% of all recipients had resided in Alaska one (1) year or longer
3. 69.5% of all recipients had no income in their household in the month aid was granted. The majority of those who did have income were receiving Unemployment Compensation Benefits.
4. The average GR recipient household contained 2.65 persons.
5. 51.9% of all GR recipients lived in single person households.
6. 87.2% of all GR recipients receiving GR vendor payments obtained aid for rent costs.

IV. ALTERNATIVES

- A. Suspend the General Relief Assistance Program for the balance of FY 78.

This alternative would result in the following impacts:

1. Would create a severe hardship on the existing client population of 590 families.
2. Would possibly violate the Administrative Procedures Act which requires any state action having public impact be placed in promulgated regulations.

3. Would be blocked by a temporary restraining order because although the GR statutes are vague and permissive, there is some question as to the legality of suspending the program in its entirety for a long period of time, either with or without regulations.
- B. Reduce the General Relief Assistance Program for the balance of FY 78. This alternative would have the following impact:
1. Would produce a need to develop special restrictive measures.
 2. Would require changes to the Administrative Code Regulations which will become final March 23.
 3. There would in all probability be a temporary restraining order issued through the courts to block this action.
- C. Continue the GR Assistance Program under current program guidelines by passing a supplemental for 404.2.
- This alternative would result in the following impacts:
1. Continuing increased expenditures in the GR program.
 2. No state-induced hardships to present or potential clients.
 3. Would allow the necessary time needed for deliberate and legal reconsideration of GR program changes.

Attachments

APPROVED:

Helen D. Beirne
Helen D. Beirne, Commissioner
Department of Health and Social Services

2/28/78
(Date)

September 9, 1977

Human Support Services
Anchorage Municipality
3500 Tudor Road
Anchorage, Alaska 99503

Dear People:

This is to request your participation in a meeting sponsored by the Department of Health & Social Services, Division of Public Assistance, regarding the shortage of funds for emergency assistance in the Anchorage area.

The meeting is scheduled for Wednesday, September 14 at 9:00 a.m. in Room 426 of the McKay Building.

The current situation is becoming increasingly critical, with funds available through our General Relief program having been depleted to the point where services have been dramatically reduced in recent weeks. It is anticipated that this reduction will continue in upcoming months.

The objectives of the meeting are:

- (1) establish an understanding among concerned agencies as to the nature and extent of the emergency assistance problem;
- (2) develop information as to all emergency services available through the agencies represented; and
- (3) develop a comprehensive prioritized referral system for all agencies to use in providing maximum assistance to persons in need of help in emergency situations.

The meeting will be chaired by Deputy Commissioner Cathy Lloyd.

If you are unable to attend, it would be appreciated if another person could represent your agency.

Should you have any questions on this meeting, please do not hesitate to contact either myself at 465-3355, or our local Regional Manager, Mr. Garth Patterson at 274-6524.

Thank you.

Sincerely,

Don Kamp
Acting Director

cc: Fred McGinnis, Deputy Commissioner
Cathy Loyd, Deputy Commissioner
Garth Patterson, Regional Manager
Liz Arnold, Assistant Attorney General
Sam Granato, Director, Social Services

MINUTES OF GENERAL RELIEF PROGRAM PUBLIC MEETING

ANCHORAGE, ALASKA

Wednesday, September 14, 1977

The meeting was called to order by Catherine M. Lloyd, Deputy Commissioner, Department of Health and Social Services, at 9:10 a.m. Ms. Lloyd and Garth Patterson, Division of Public Assistance, presented statements in explanation of the purpose of the meeting, which was to explain our funding situation and to seek and coordinate all available resources to meet our mutual clients' needs.

Each agency representative present introduced himself and explained the services, his agency offers the indigent in Anchorage. A list of these agencies and participants is attached.

Mr. Patterson explained that the shortage of funds for his region for the remaining 9 1/2 months of the fiscal year was so severe that the program has stopped serving all eligible clients except 18 year old high school students, persons who have pending SSI disability determinations, and funeral expense cases. There were questions from the floor concerning past and present DPA procedures of making 6 month allocations by region, the granting of aid by a priority system related primarily to family composition which allows certain eligible persons to be denied assistance when funding was short, and related program questions.

It appeared to be the sense of the meeting that the situation was critical; specific case examples of the result of the Anchorage funding restriction were presented. In particular, there were questions concerning the necessity for more timely SSI determinations of disability, and the Department representatives were asked to further investigate the possibility of reducing all GR expenditures by obtaining reimbursement from SSI for GR payments made to this group of eligibles and the possibility of making these payments under the Aid to the Disabled budget, thus relieving GR of this client pressure in funding. The participants requested that another meeting be held as soon as possible to further explore these issues and to present a detailed analysis of the statewide expenditure patterns in the program in order to predict how long funds would be available if the full needs (under the statutory maximum \$80 payment limit) of all eligibles were to be met. A desire was expressed that the media and appropriate legislators be informed of the situation and that the agencies represented be kept informed of GR expenditures on a regular monthly basis.

Two motions were made, seconded, and passed unanimously (state personnel abstaining):

1. That the priority system now in place in Anchorage be abandoned and the full needs of all eligibles be met until program funds were exhausted statewide; and
2. If necessary, that there then be a request made for a special legislative session to provide additional funding.

Ms. Lloyd was asked to discuss these motions with the Commissioner and with the Governor and report their reactions.

Questions were raised about delays in processing Food Stamp applications in the Anchorage Office. Mr. Patterson responded by noting that the current performance averaged 11 days between receipt of application and determination of eligibility and that further reduction of this average would require additional staff. Several agencies testified that current levels of service in the Food Stamp Program impacted their programs negatively. It was the feeling of the group that the eligibility office was understaffed, and that with more staff the process would be speeded up.

Ms. Lloyd expressed the Departments' appreciation for the attendance and suggestions and stated that the next meeting would be held as soon as further information on spending patterns was gathered.

The meeting was adjourned at 10:55 a.m.

Robert Cotant
Anchorage Community Mental
Health Center

Carl John, Liz Blakely,
Dianne Dougherty, Patty More
Anchorage Municipality

Therese Donnelly
Day Care Consultants

Bruce Garberding
Social Services
Cook Inlet Native Association

Rick Brown
Don Clocksin
Alaska Legal Services

Ella Craig
Social Services
Bureau of Indian Affairs

Capt. Clithero
Francis Pate
Salvation Army

Pat Michaelson
Jo Sullivan
Evelyn Moss
St. Francis House

Gay Hunt
Older Persons Action Group

Meredith Hilby
Social Security Administration

Judy Sharpe
Providence Hospital

Liz Arnold
Department of Law

Faye Guthrie
Division of Social Services

Catherine Lloyd, Deputy Commissioner
Department of Health & Social Services

Gordon Landes
Garth Patterson
Division of Public Assistance

HOUSE FINANCE COMMITTEE

March 1, 1978

1:25 p.m.

All members of the Committee were in attendance except Representatives Buchhold and Guy. Also in attendance: Mike Smith, Department of Natural Resources; Phil R. Holdsworth, S.E. Conference; Stuart H. Bowdrin, Bristol Bay Borough; Don Smith, Municipality of Anchorage; Michael Robbins, Kodiak Island Borough; Lee Sharp, City and Borough of Juneau; Representative Lisa Rudd; Jim Rolle, Alaska Municipal League; Andy Karella, Fairbanks North Star Borough; Judi Slayer and George E. Gee, Ketchikan Gateway Borough; Kim Hutchinson, Trust Consultants.

PRESENT

Chairman Cowper called the meeting to order and stated HB 133 was to be discussed.

HB 133

An Act relating to selection and transfer of state land to municipalities; and providing for an effective date.

Chairman Cowper stated there is a work draft copy of a proposed committee substitute, which can be used as a starting point. Representative Haugen requested an explanation of this bill.

Representative Meekins stated the bill originally before the Committee needed to be added to. He stated in the proposed committee substitute he worked with a formula that took the number in terms of acreage and weighed it 60%; weighed the population factor 20%; and the size of the borough was also weighed 20%. He advised this formula increased all boroughs except Fairbanks, Kenai, Mat-Su and Kodiak. He stated the proposed committee substitute also includes a provision that any municipality could choose whichever number they wanted -- either from this bill or the original. He stated there is also a provision changing the amount of land to be sold to private ownership from 30% to 10%; and also provides, if deemed critical, the municipality could opt out. He stated there are provisions to make it difficult to do this. He stated there is one provision that relates to Anchorage -- if there isn't any land available, they will not be required to sell it.

Representative Meekins advised that the provision for cash in lieu of land was not changed. He advised they did set a budget ceiling of \$100 per capita.

3/1/78

Chairman Cowper asked if the statute would be repealed by this proposed committee substitute and Representative Meekins stated it would be. Chairman Cowper suggested that instead of repealing the statute, the Committee include a provision that any municipality that opted to take land under the terms of the original act would waive any benefits under the new Act.

Mr. Mike Smith, Department of Natural Resources, presented a proposed amendment that was prepared by the Department of Community and Regional Affairs. He stated he believed this amendment addressed the problem of when new municipalities were formed.

Representative Swanson stated that rather than consider the Community and Regional Affairs Amendment, he would suggest the Committee consider the amendment he has proposed (see attachment). He stated that in adopting this amendment the State could be sure that those people in rural Alaska would enjoy the same benefits that are put into the current bill.

Representative Swanson moved and asked unanimous consent that the amendment he proposed be adopted. Chairman Cowper objected for the purpose of having the bill explained.

Representative Swanson read the amendment and stated he has reduced the amount of acreage from 250,000 to 25,000 acres to be selected by the state.

Representative Freeman commented that in the entire Prince of Wales Island District there are only 16,000 acres of state land. Representative Swanson stated he does not think the people down the line should be penalized because some areas don't have enough acreage.

Representative Rudd suggested there may be technical problems with the amendment as currently written. She stated that Representative Swanson's problem could possibly be solved through a reservation process, whereby state land that exists in REAA's could be reserved.

Representative Swanson stated that if there are technical problems with the language they could be corrected at a later date; however he thinks the amendment could be adopted now.

Representative Gruening said he supported the concept of Representative Swanson's amendment, and stated not all potential boroughs will want to participate, but they should have the opportunity to do so. He stated he thinks the reservation process might even give them a better selection in the future. Representative Swanson stated he did not have that much confidence in the reservation system.

Chairman Cowper asked how many REAA's there were and Representative Swanson stated there were 21. Chairman Cowper asked if 25,000 acres of land was available in each of the REAA's. Representative Swanson stated he did not have a positive answer. Chairman Cowper asked if the REAA's support this concept and Representative Swanson stated the REAA's in his district do. Chairman Cowper stated the REAA's in Western Alaska do not want state selection of land. There was discussion on the REAA's in western Alaska. Chairman Cowper stated there was a formal agreement between the state and federal governments that there would be no selection of land west of the meridian line. Mr. Smith, Department of Natural Resources, stated this was an agreement made in 1972 and the federal government is holding the state to the agreement.

There was further discussion on Representative Swanson's amendment. [Chairman Cowper left the meeting at this time. The meeting was chaired by Vice-Chairman Freeman.]

Representative Gruening asked how much land, in terms of acreage, there is in these areas. Mr. Smith advised that 12 of the REAA's already have at least 25,000 acres, and the other 9 don't and probably will not be able to.

Vice-Chairman Freeman stated the problem, again, is the lack of land in some areas. He stated it doesn't seem logical to go into an area like Prince of Wales Island, which only has 16,000 acres, and tie up every acre -- especially when they don't want to become a borough.

Lois Kramer, Department of Community and Regional Affairs, read their proposed amendment. Representative Meekins stated he believes this amendment is "red tape" and that it isn't necessary.

A recess was called at 2:20 p.m. Vice-Chairman Freeman recalled the meeting to order at 2:40 p.m.

Representative Swanson stated that during the recess he discussed the amendment with several people and thinks the language could be worked out to the satisfaction of the Committee. He stated he would like to withdraw his motion at this time in order that the amendment could be reworked and presented to the Committee at a later date. There being no objection, the motion was withdrawn.

Mr. Mike Robbins, Attorney for Kodiak Island Borough presented testimony to the Committee concerning HB 133. [See original bill file for HB 133 for a copy of his statement.] He advised that the legislation in the form of the Community and Regional Affairs Committee Substitute is not satisfactory to the Kodiak Borough.

Mr. Phil Holdsworth, Southeast Conference, appeared before the Committee to testify on HB 133. He stated that the proposed amendments seem to be looking down the line to protect future boroughs and cities; but nothing has been said about providing the same protection for Southeastern communities that are cities, but not boroughs. He stated something should be done to protect the cities for future growth or annexation.

HB 133
HELD
OVER

The meeting adjourned at 3:05 p.m.

ADJOURN

Tape HFC 78-23 #156 to 1601

A M E N D M E N T

TO: CS FOR HOUSE BILL NO. 133 (FINANCE)

Page 17, following line 6:

Add the following new material:

(c) In furtherance of the completion of the balance of selections under secs. 6(a) and 6(b) of the Alaska Statehood Act, the commissioner of the Department of Natural Resources shall select not less than 25,000 acres of vacant, unappropriated and unreserved land within the boundaries of each regional educational attendance area established under AS 14.08.

(d) The provisions of AS 38.05.300 - 38.05.310 apply to land selected under secs. 6(a) and 6(b) of the Alaska Statehood Act after the effective date of this Act.

* Sec. 5. AS 29.18 is amended by adding a new section to read:

Sec. 29.18.185. STATE LAND FOR NEWLY INCORPORATED BOROUGH. (a) In addition to the grant paid under sec. 180 of this chapter, a borough incorporated after July 1, 1978, may select 25,000 acres of the vacant, unappropriated and unreserved state land located within its boundaries.

(b) The provisions of secs. 204(a), 205(e) - (i), and 206 - 210 of this chapter apply to the fulfillment of land selections authorized by (a) of this section.

Renumber subsequent sections accordingly.

HOUSE FINANCE COMMITTEE

March 2, 1978

8:50 a.m.

All members of the Committee were in attendance except Representatives Schaeffer and Guy. Representatives Buchholdt and Gruening arrived later in the meeting.

Present

Chairman Cowper called the meeting to order and stated the first bill to be discussed was SB 144.

SB 144

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

There was discussion concerning what had taken place at earlier meetings concerning this Bill.

Chairman Cowper moved that a House Finance Committee Substitute be prepared adding the word "contractual" before "services", deleting lines 16 to 25, and adding "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 Administrative Regulation and Review Committee." He further moved that House CS for SB 144 be reported out of committee. There being no objection it was so ordered. House CS for SB 144 was reported out of Committee with a "do pass" recommendation.

Finance
CS for
SB 144

The next bill to be discussed was House Bill 726.

HB 726

An Act making a special appropriation to the Department of Education, Alaska Public Broadcasting Commission, to implement multi-lingual news coverage of the 1978 legislative session; and providing for an effective date.

Representative Meekins stated that in discussions with members of the Alaska Public Broadcasting Commission, he was advised that their concern was that there be local control and that interpretations not be done centrally, but in the local communities.

The general consensus of the committee was to hold this bill over until someone with knowledge of the bill was available to testify.

HB 726
Held-Over

The next bill to be discussed was HCR 91.

HCR 91

Relating to the financing of an addition to the University of Alaska power plant.

Chairman Cowper stated the University of Alaska has its own power plant. He stated they would amortize the debt through payment of utility bills from the University to the power plant. He advised the University has acquired a need for more power than the plant can provide, so they are having to receive additional power through the Golden Valley Electric Association. He advised the University wants to expand their plant through G.O. bonds and this Resolution is their authority to do this. Chairman Cowper stated the cost to the University will not be any more than it is now.

Mr. Hogan advised this is a customary funding system, although it is infrequently used. He recommended the Committee may want to include the appropriate pages from the Capital Budget as a letter of intent for this bill.

Representative Rhode moved and asked unanimous consent that HCR 91 be reported out of committee accompanied by a letter of intent. There being no objection, it was so ordered. HCR 91 was reported out of committee with a "do pass" recommendation.

HCR 91
Reported
Out with
Letter of
Intent

The next bill to be discussed was House Bill 665.

An Act relating to the Alaska Marine Transportation Advisory Board."

HB 665

Representative Freeman stated the fiscal note seems to be a reasonable figure; he stated they don't know if they will need that money or not.

There was discussion on the ramifications of the handicapped act as it relates to the ferries. Representative Freeman stated the only federal funds in Marine Transportation are for construction, not operation.

Representative Duncan asked how many members were on the Board. Representative Freeman advised there are five. Discussion on the purpose of the Advisory Board.

Representative Freeman stated the problem is that the people within the transportation system have biases. He stated what happens is that they have no one within the Department to represent the wishes of the people.

Representative Duncan referred to page 3, wherein it states "The board shall hold meetings to provide an opportunity for the public to comment on any proposed tariff increases or scheduling changes.", and stated that he thinks this is too limited and the people should be able to comment on any area. Representative Freeman stated it is his belief that this would be one of the primary functions of the Board. Representative Duncan suggested adding the words "the operation of the system including" to that sentence. There was discussion.

Representative Duncan moved and asked unanimous consent that a finance committee substitute be prepared, adding the words "the operation of the system including" after the word "on", to page 3, line 2. He further moved that CS for HB 665 be reported out. There being no objection, it was so ordered. CS for HB 665 was reported out of committee with a "do pass" recommendation.

Finance
CS for
HB 665
Reported
Out

The next bill to be discussed was SB 432 am.

SB 432 am

An Act relating to powers of the Legislative Budget and Audit Committee."

Mr. Hogan advised that this bill grants the Legislative Budget and Audit Committee the power, during the Interim, to enter into a suit to protect legislative interest in matters of fiscal concern. He advised the need for the bill became apparent in the case of Kelly vs. Hammond, when it was discovered that the Attorney General could keep the case out of court because the Committee didn't have the standing to sue. He stated there is a house bill (currently in Judiciary) which would grant the same power to the Legislative Council.

Mr. Hogan advised that the fiscal note indicates the Committee has spent \$18,000 in legal fees for the current case; and any legal action they might feel appropriate could be commenced within the \$30,000 appropriated to the Committee for miscellaneous contractual services.

Representative Duncan questioned the wording "two-thirds majority" on line 13.

Chairman Cowper moved and asked unanimous consent that a house committee substitute be prepared for SB 432, deleting the word "majority" on line 13. He further moved that the bill be reported out of committee. There being no objection, it was so ordered. House CS for SB 432 was reported out of Committee with a "do pass" recommendation.

Finance
CS for
SB 432

Representative Gruening advised he has received a fiscal note in the form of a letter from the Division of Motor Vehicles for HB 760 (An Act relating to the registration tax on motor vehicles). He stated the projected revenue loss is \$47,430.

Fiscal
Note for
SSHB 760

Chairman Cowper moved and asked unanimous consent that the fiscal note for SSHB 760 be adopted. There being no objection, it was so ordered.

Representative Meekins requested that the Committee consider sponsoring a Resolution requesting the Commissioner of Revenue to conduct a study on the loan programs of the State. Representative Meekins moved and asked unanimous consent that the Finance Committee sponsor this resolution. There being no objection, it was so ordered.

Finance
Committee
Sponsored
Resolution:
Loan Program
Study

The next bill to be discussed was HB 133.

HB 133

An Act relating to selection and transfer of state land to municipalities; and providing for an effective date.

Representative Freeman stated there were a number of amendments that were being worked on at the previous meeting. Representative Haugan advised the Committee that he intends to introduce a bill to provide for those municipalities that are not boroughs.

Chairman Cowper stated he would like to go through the proposed committee substitute section by section and informally adopt the sections. He asked if there was any problem with section 1. No problems were indicated.

There was discussion on section 2. Representative Duncan asked if the Committee could see Representative Freeman's amendment prior to adopting this section. Representative Freeman presented his amendment (in original bill file) and stated it is a redraft of sections "C" and "D" on pages 2 and 3.

Representative Freeman advised his amendment rewrote the number of acres to be sold to the private sector to 2 1/2 acres. He stated his concern was that large tracts of land not be sold to private developers. Chairman Cowper commented that this only affects Southeastern and the Bristol Bay Borough.

Representative Freeman stated his contention is that since the Legislature is going back and reworking the amount of land the boroughs are entitled to, and giving them additional land, he sees nothing wrong with putting additional conditions on that land. There was discussion on the amendment.

Chairman Cowper stated they would continue discussing this bill this afternoon, beginning at 1:30 p.m.

The meeting adjourned at 10:00 a.m.

ADJOURN

Tape HFC 78-23 #1601 to end
HFC 78-24 # 001 to 1196

3/2/78

HOUSE FINANCE COMMITTEE

March 2, 1978

1:38 p.m.

All members of the Committee were in attendance, except Representative Guy. Representatives Duncan, Buchholdt, Meekins and Gruening arrived later in the meeting. Also in attendance were Representative Lisa Rudd; Michael C.T. Smith, Assistant Commissioner/Director of Lands, Department of Natural Resources; Jim Raleigh, Alaska Municipal League; Jack Chenoweth, Staff Attorney, Legislative Affairs.

PRESENT

Chairman Cowper called the meeting to order and stated HB 133 would be discussed:

HB 133

An Act relating to selection and transfer of state land to municipalities; and providing for an effective date.

Chairman Cowper advised the purpose of the meeting was to go over the Finance committee substitute draft and make any additions or corrections. He stated formal action on the bill would be deferred until next week when the Finance committee substitute would be presented in final form. He advised it was his intent the Committee go over each section and, through a general consensus of opinion, informally adopt or reject each.

Chairman Cowper stated, under Sec. 2, Sec. 201, Determination of Entitlement of Boroughs and Unified Municipalities, (c) and (d) relate to private ownership. He stated Representative's Freeman's amendment, as presented in this morning's meeting, would replace current sections (c) and (d) of the Finance draft. As this affects only Southeast and Bristol Bay, he asked Representative Freeman to comment. Representative Freeman restated his position and asked that his amendment be adopted. There was general agreement among the Committee members these sections be adopted.

[Representatives Duncan and Buchholdt arrived at this time.]

There was a discussion on home rule and if boroughs would be able to opt out. Mr. Chenoweth advised section (e) provides for this.

Sec. 202, In-Lieu Entitlements for Certain Boroughs and Unified Municipalities, was adopted as there were no objections.

The Committee proceeded to Sec. 303, Determination of Entitlement for Cities, with Mr. Smith stating this covers all other remaining municipalities, with regard

to city boundaries. There were no objections, and this section was adopted.

There were no objections to Sec. 204, Status of Entitlements, and 205, Fulfillment of Land Entitlements; and they were adopted.

The Committee addressed Sec. 206, School, University and Mental Health Land, with Mr. Chenoweth stating this section was based on language provided by the Department of Natural Resources. Chairman Cowper asked Mr. Chenoweth to elaborate. Mr. Chenoweth explained this section now includes the University of Alaska lands and that (d) provides that no selection of the trust lands can be made without approval of their respective governing boards. There was a brief discussion of (e) regarding the three-year waiting period. As there were no objections, this section was adopted.

[Chairman Cowper left the meeting at 2:00 p.m., and Vice Chairman Freeman assumed the chair.]

The Committee proceeded to Sec. 207, Selection and Conveyance Procedure, with Representative Schaeffer requesting an explanation of "reasonably compact tracts". Mr. Smith advised this means selection of acreage could not be made in "checkerboard" fashion. There was a brief discussion of (b) regarding over-selection of land by the Alaska Native Claims Settlement Act. There were no objections, and this section was adopted.

Vice Chairman Freeman advised a new section (f) was added to Sec. 208, Payment In Lieu of Land. Representative Duncan asked if there would be a new fiscal note, and Mr. Smith replied one would be forthcoming. There were no further questions, and this section was adopted.

There were no questions regarding Sec. 209, Authorization for Land Exchanges, and it was adopted.

[Representative Gruening arrived at this time.]

The Committee proceeded to Sec. 210, Public Purpose and Expansion Needs. There were no questions, and it was adopted.

[Representative Meekins arrived at this time.]

The Committee addressed Sec. 211, Election of Benefits, and as there were no objections, it was adopted.

The Committee proceeded to Secs. 212, Administration, and 213, Definitions, with Mr. Chenoweth stating the definition to include all three trust lands was added. There were no objections, and these sections were adopted.

Sec. 321 (under Sec. 3), Restriction on Sale, Lease or Other Disposal of Agricultural and Grazing Land, was discussed, with Vice Chairman Freeman asking for an explanation. Mr. Smith advised the old section would be repealed and this new section inserted which would better clarify Legislative intent of two-years ago. There was a discussion on this section, with Representative Duncan asking if grazing lands in Kodiak could be selected. Mr. Smith answered that they could. It was agreed this section be adopted.

There was more general discussion with regard to private ownership. Representative Duncan asked if Kodiak, Kenai, Mat-Su and Fairbanks would be required to put land into private ownership and was informed they would not. There was general discussion on the 30% entitlement and boroughs being able to opt out.

Vice Chairman Freeman advised the Committee would now address Representative Swanson's amendment, which would add new sections under Secs. 4 and 5, State Land for Newly Incorporated Boroughs. Representative Swanson asked Mr. Chenoweth to give the presentation. Mr. Chenoweth explained, basically, this would grant newly incorporated boroughs the same rights as the existing boroughs. He advised it would set aside 25,000 acres of vacant, unappropriated and unreserved land for future boroughs. Vice Chairman Freeman objected to 6(a), stating he is opposed to setting aside 25,000 acres indefinitely. He stated the REAAs might elect not to form boroughs. There was discussion on the REAAs. Representative Rudd stated she favored this amendment as it does make provision for future boroughs. She stated she was aware there would probably be resulting problems but that they could be taken care of in future legislation.

Representative Swanson restated his position and moved and asked unanimous consent that his amendment be adopted. Vice Chairman Freeman stated the Committee would not be taking formal action at this time, and Representative Swanson withdrew his motion. It was generally agreed this amendment be adopted.

As there were no further amendments or questions, Vice Chairman Freeman ^{threw} formal action on HB 133, with new fiscal note, would take place next week.

The meeting adjourned at 3:00 p.m.

HB 133
HELD OVER

ADJOURN

HOUSE FINANCE COMMITTEE

March 3, 1978

8:45 a.m.

Members of the Committee in attendance: Representatives Freeman, Rhode, Cowper, Swanson and Schaeffer. Representative Guy was not in attendance. All other members of the Committee arrived later in the meeting. Also in attendance: Representative Osterback; Vern Metcalf, Department of Transportation and Public Facilities; Ron Lind, Division of Budget and Management; Ken Spray, Alaska Public Service Employees, Local 71; Greg O'Cleary, Alaska Regional Inland Boatman's Union; Dave McDonald, Alaska District Council of Laborers; Jay Hogan, Legislative Finance Division; and Bill Berrier, Legislative Affairs Agency.

PRESENT

Chairman Cowper called the meeting to order and stated that testimony would be heard on House Bill 701, even though a Quorum was not present.

NO QUORUM

An Act providing for ferry service to the Alaska Peninsula and Aleutian Islands; and providing for an effective date.

HB 701

Representative Osterback advised that Admiral Hayes has condemned the freight boats going to the Aleutian Chain. He advised that the cannery boats are hauling freight for the cannery, but not for individuals. He cited examples where individuals and store-keepers were not able to get freight.

[Representatives Buchholdt and Duncan arrived at this time. A Quorum was now present.]

QUORUM
PRESENT

Representative Osterback compared the problem of his area with Southeast, where they have no highway system. He stated he believes it should be subsidized as no part of the highway system pays its own way.

Representative Freeman asked which areas would receive the service and Representative Osterback stated Kodiak to Sand Point (about 350 miles) and from Sand Point to King Cove (about 60 miles). He stated that Dutch Harbor would be an additional 200 miles approximately.

Representative Freeman stated that it appears, from the fiscal note, that the state would be using an existing ferry, which would be making one trip in lieu of going to Kodiak. He stated for that reason he doesn't understand why the fiscal note is asking for more money.

3/3/78

Chairman Cowper asked which companies were involved in shipping freight now and Representative Osterback responded Sealand's "Alaska Developer" is running there now. He stated the problem here is that they have a contract with the Navy which states they have to be in Adak every two weeks, so they will by-pass Sand Point and Dutch Harbor if it is necessary in order to make the run to Adak on time. He advised Sealand is in favor of having a ferry stop in the smaller communities.

Representative Osterback stated that passengers would benefit from the ferry. He stated as it is now their only transportation is through Reeve Aleutian Airways.

Chairman Cowper commented they were talking about a subsidized freight service and asked how far it would extend. Representative Osterback stated it would be to Unalaska. He stated he didn't think they could get it any farther out.

Chairman Cowper asked if a private firm could provide the freight service if subsidized. Representative Osterback stated they tried this with Western Pioneer. He stated they took the money, but never went into the ports they were supposed to go to.

Chairman Cowper stated the rationale for extending the marine highway to the Aleutian Chain and Alaska Peninsula is the same as for having service in Southeastern--there is no highway system. He stated his only concern is if this is the most cost effective way to do it. He asked what initial investment would be necessary.

Representative Osterback stated the 'Tustumena' already took one trip to Sand Point and King Cove.

Chairman Cowper stated they are getting into the question of whether or not the state should consider transporting and freight subsidy. He stated they should also consider if this should be done in other remote parts of Alaska as well. He stated he believes the legislature should address this question as a whole and should come up with a coherent policy.

HB 701
HELD-OVER

Chairman Cowper stated that House Bill 702 is inter-related to HB 701.

HB 702

HB 702 - An Act making a special appropriation to the Department of Transportation and Public Facilities for the construction of a "tustumena" class ferry; and providing for an effective date.

3/3/78

Mr. Vern Metcalf, Department of Transportation and Public Facilities, stated they did send the "Tustumena" to Sand Point and King Cove. He stated they have a trip report on that trip and he will provide it to Committee members.

Mr. Metcalf stated the "Tustumena" is now 14 years old and is running in some of the toughest waters in Alaska. He stated there will be a need for another such ferry in the not too distant future.

Chairman Cowper appointed a subcommittee to be chaired by Representative Duncan, with Representatives Freeman and Rhode as members to study this matter. He tentatively scheduled a meeting on these bills for Wednesday, March 8th, at 8:30 a.m.

HB 702
HELD-OVER

Chairman Cowper stated the next item to be discussed was the practice of subcontracting state work out in lieu of bringing public employees on board to do the work.

SUBCONTRACT-
ING STATE
WORK

Mr. Hogan, Legislative Finance Division, advised the Committee that last year language was discussed that would prevent movement of monies from personal services to other line items. He stated that the problem is that there are some bonified and useful reasons for switching monies from personal services to other line items. He stated he wondered if there was some way language could be drafted so that movement of monies from personal services to fund contractual items could be required to go through the budget process. He suggested wording something to the effect that monies could not be moved out of personal services that lead to abolishment of positions and having a contractor doing the work without going to the legislature first.

[Representative Meekins arrived at this time.]

Mr. Ken Spray, Alaska Public Service Employees, Local 71, testified on this subject. He stated he would like to give two examples of contracts where personal services money was transferred to contractual.

The first example was the Alaska Psychiatric Institute (API) where the Governor's Management and Efficiency Study recommended contracting out the food process service. Mr. Spray stated this would have eliminated 30 to 35 positions. He advised that since they have implemented the recommendation there has been a change in the delivery of food. He stated the residents must now eat in the cafeteria.

3/3/78

Mr. Spray stated they have a contractual obligation with the State that a cost efficiency study must show a savings to the state, and must also show the same level of service is maintained, before positions are eliminated. He stated the study could not show that, so they stopped that program.

Mr. Spray stated they then eliminated the position of the dietitian and went to a contractor from San Francisco. He stated they eliminated a position at the cost of \$20,000 and are paying \$68,000 for a consultant on food service operation. He stated the firm is San Francisco MANI, locally known as NANA/MANI. He stated that in a meeting with representatives at API they found that meals are no longer as nutritious as they were in the past.

Representative Schaeffer questioned the term NANA/MANI. Mr. Spray stated the Native corporation joined with the San Francisco company. He stated his understanding is that NANA owns 51% of the company.

Mr. Spray stated the other example he wished to bring to the attention of the Committee was the Anchorage Pioneer Home. He advised that San Francisco MANI has been awarded the contract for food service, housekeeping and operations. He advised that the Anchorage Pioneer Home is in binding arbitration. He stated that in those discussions they were advised that San Francisco MANI was hired for their expertise in food management, and they will also do the housekeeping and maintenance.

Representative Schaeffer questioned if NANA is also involved in San Francisco MANI, and Mr. Spray stated it was. He stated the NANA portion is headquartered out of San Francisco.

Mr. Spray stated he believes legislative intent was undermined. He advised that NANA/MANI comes under the National Association of Laborers Act and they can go on strike. He advised the NANA/MANI employees are organizing in the Pioneer Home.

Mr. Spray stated there are certain airports that are also on contract. He stated these are private contracts and they can also go on strike. He stated that under the Collective Bargaining Act, employees that blow snow off of runways cannot go on strike when there is snow on the ground.

He stated another example is the State Capitol Building, where the janitorial service is contracted out. He stated the contractors are not providing the same level of service that was provided when the work was done by state employees.

Mr. Spray again referred to the Anchorage Pioneers Home, and stated that prior to its opening they did bring in state employees to get the place operatable. He advised the statement was that it would take 46 state employees to do the work and NANA/MANI is going to do it with 37.

Representative Duncan asked when the contract for the Home was entered into. Mr. Spray stated he believed it was in October. He stated they went in and set up the operation, and were under the assumption that they would get the contract. He stated the state then gave it to NANA/MANI. He advised the cost of the contract is \$642,500 versus a cost of \$807,000 if state employees did the work. He further stated that the cost efficiency study done was a "farce" in that it didn't address any real savings.

Representative Duncan asked where the 37 employees came from and Mr. Spray stated that 5 or 6 are from out of state and the rest are from the Anchorage area.

Representative Buchholdt asked how many employees left API since they changed systems. Mr. Spray stated that since the change they only put in one employee. He advised that 80% of the long term employees are there. However, he stated, there is a morale problem now.

Representative Meekins stated he believes in contracting out to private enterprises when it is efficient, and they do not delete existing employees. He stated it should be a legislative decision.

Chairman Cowper asked Mr. Lind, Division of Budget and Management, if he wished to testify. Mr. Lind stated he believed someone from Personnel should testify. He stated he would assume there were contracts that did not have these problems though.

Mr. Greg O'Cleary, Alaska Region Inland Boatman's Union, stated his union represents the unlicensed employees on the marine highway system. He stated that subcontracting is what caused them to go out on strike last July. He advised that in Canada they contract out for cleaning of ferries. He stated they are paid piecemeal. He advised that as a result of subcontracting, 40 to 60 Alaskan employees are being affected.

Mr. Bill Berrier stated he wondered if the problem could be attacked through the Collective Bargaining Act or the Employees' Rights Act. He stated they are having difficulty getting to the scope of the problem. He stated that apparently requiring a cost efficiency study is not the answer. He stated they could take the approach of prohibiting transfers that would have the affect of terminating full time employees without actual legislative approval; but he stated he is not sure if this would solve the problem.

[Representative Gruening arrived at this time.]

There was discussion on how the problem might be resolved. It was suggested that changes not be made unless they received the approval of the Legislative Budget and Audit Committee.

Mr. Dave McDonald, Alaska District Council of Laborers, stated the State also has a responsibility to the people living in the Pioneer Home. He stated that when San Francisco MANI came into the Pioneer Home, they took away some of the benefits the people in the Home previously enjoyed (butter, grade A meats, etc.). He also stated that when going to subcontractors, jobs should not be taken away from Alaskans.

Chairman Cowper requested members of the Committee consider the problem and try to draft some kind of approach within the bounds of state policy.

ADJOURN

The meeting adjourned at 10:03 a.m.

Tape HFC 78-25 #936 to end
HFC 78-26 #001 to 470

3/3/78

HOUSE FINANCE COMMITTEE
March 4, 1978
9:40 a.m.

All members of the Committee were in attendance except Representatives Buchholdt, Swanson, Meekins, and Guy. Also in attendance: Jay Hogan, Director, Legislative Finance Division.

PRESENT

Chairman Cowper called the meeting to order and established that a quorum was present. He then turned the gavel over to Representative Freeman, Chairman of the House Finance Subcommittee on Transportation.

TRANSPOR-
TATION
BUDGET
CLOSE-OUTS

Chairman Freeman stated that, if the Committee concurred, it would not be his intention to go through the Transportation short form page by page. He stated that the Committee normally judges the budget on what the figures were last year, how many positions were added, etc. He advised that comparing the overall Department of Transportation and Public Facilities budget for this year with last year, the Department actually has a reduction of \$1.375 million. He advised that if bonds are added in (\$1.732 million), the increase is \$357,000. He commented that percentage-wise this was not bad. He advised that as far as the figures were concerned, he had no quarrel with the Department's budget.

Chairman Freeman stated one of the reasons it is hard to go through the budget page by page is that DOT/PF is in the process of transferring positions from one division to another, and they are not indicated in the short form. He presented a 9-page listing of transfers.

Chairman Freeman stated there was one additional problem and he asked Mr. Hogan to explain it. Mr. Hogan advised the Department has had a total of 12 new positions, 139 deleted positions, 73 reclassifications, and 111 transfers. He advised that this indicates that the budget presented to the Committee last year has no resemblance to what they are actually doing. Mr. Hogan stated the reason for this is there was no budget back up last year, and the real reorganization of the Department has been going on since July 1st. He commented that even the budget the Committee is looking at now is fictitious to a large degree. He advised that an example of this is the advance copy of a revised program he has received, which indicates a net reduction of 47 positions in the Department.

3/4/78

Representative Duncan questioned the deleted positions and Mr. Hogan stated these were allegedly positions that were vacant. Chairman Cowper commented this seemed to be more "cosmetic" changes than anything else. Mr. Hogan concurred. There was brief discussion on deleted positions.

Representative Cowper asked if they had been moving funds from one division to another. Mr. Hogan stated they have brought a total of 12 revised programs before the Legislative Budget and Audit Committee.

Chairman Freeman stated that for several years the Department has been budgeting for more money than they need. He stated it would be his intention to again write in the legislative intent that has been included in previous budgets. He advised that the Department has not complied with legislative intent in the past and has used the excuse that they do not have the funding. He gave as an example the legislative intent regarding plowing Thorne Bay Road in the winter. He stated he has received communications from the Department indicating it would cost \$982,650 to do this. He stated it appears they are not going to pay any attention to the legislative intent.

Representative Cowper stated that representatives of the Department should be asked to appear before the Committee and explain these figures to them. He stated he thinks what they have done is an insult to the Legislature.

Chairman Freeman explained the problem he has had getting information from the Department concerning the legislative intent for Thorne Bay Road. He stated each time he talks to the Department he gets a different answer.

Representative Cowper asked if he considered adding intent this year in the form of a conditional appropriation. Chairman Freeman stated one of the things he had in mind was to fund the Department for only 9 months. He stated if he thought they had an unreasonable amount of fat in their budget he would cut it; however, if he did that the Department would then say they couldn't comply with the intent because they didn't have the funds.

9 MONTH
APPROPRI-
ATION

There was further discussion on the Thorne Bay Road legislative intent.

Representative Nels Anderson stated the legislative intent regarding Lightning Road had not been complied with. He advised the Committee that there was a 23 mile stretch of road between two villages. He stated that 13 miles has

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been upgraded and maintained by the contractors working on the road between Dillingham and Aleknagik. He advised the other 10 miles is what they requested the state to maintain, and he had received verbal confirmation last year from Commissioner Harris that it would be done. He stated that last year the road was closed for three weeks due to being washed out, etc., and that the school buses could not get through. He stated the children now have to take correspondence courses.

There was discussion on other legislative intent which has not been complied with.

Mr. Hogan stated the subcommittee decided to look into the possibility of making a budget for 3/4's of the fiscal year rather than the full year. They recommended that the Governor's budget be approved, but be approved for nine months instead of the full year's funding. He stated the advantage to doing this would be that the Department would have to submit a supplemental to the Legislature in the early part of next session. He stated the agency will then know if it makes a good effort to comply with legislative intent it will get the money; if the agency balks and doesn't have a satisfactory response to the Legislature, they can expect a thorough review of their supplemental request and can anticipate that the full supplemental will not be funded.

Representative Haugen commented that this is what was done with the University last year and it didn't do much good. Mr. Hogan stated the difference is that the University did not have a proper Administration and the facts were not available. He stated they would not have that problem with DOT/PF. There was discussion on taking this approach and how it would work. The Committee indicated their support of taking this method.

Representative Cowper questioned page 95 of the budget short form, which indicates there is a \$92,000 deletion. Chairman Freeman stated this was double budgeted last year. Mr. Hogan stated this was the first year the Governor's Office provided the information on the budgets concerning positions. He stated the information is not accurate.

Representative Cowper questioned the five deleted positions on page 97 of the short form. Mr. Hogan stated these are allegedly all vacant positions. He stated he thinks the Department is quite sensitive about cutting positions where there are people working.

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Representative Cowper stated on Page 93 there is a deletion in the rental part of the highway working capital fund, and he asked if there was any change in the way the Fund was working. Representative Duncan stated it is being handled in the same way. Mr. Hogan stated they have been going through a cleaning-up process of the receipts at the Anchorage and Fairbanks airports, in order to more accurately allocate costs.

Representative Duncan questioned Page 40, maintenance of the Skagway/Carcross Highway. He requested the opportunity to check into this before the Transportation Budget was closed.

Representative Duncan referred to Page 32, and asked if the marine highway system was complying with legislative intent. Chairman Freeman stated they are the only ones who paid any attention to legislative intent. Representative Duncan asked about the legislative intent concerning free travel for school groups. Mr. Hogan stated the Department has a policy that they will not do this. There was brief discussion.

Representative Duncan stated he believed the intent on Page 26 (regarding the appropriation being contingent on the terminal remaining in Seattle) should be restated this year. There was discussion on this. Mr. Hogan stated the appropriation could be made contingent on its use in Seattle. He stated the appropriation would carry the same intent, but it would be a specific appropriation for the Port of Seattle.

Representative Schaeffer questioned Page 71 and there was discussion on positions transferred.

Mr. Hogan stated he would like to discuss with the Committee an opportunity they have with regards to the appropriation bill they have not had before. He stated it relates to how they need to have all agencies be fairly clear on the number of positions. He advised the Department of Law claims the Budget and Audit Committee has no authority to supervise the establishment of new positions because this was not mentioned in the law. He stated the Committee needs to change the program so they can list out positions in the appropriation bill if they want to. He stated the Committee can point out the number of positions opposite each element, which makes the number of positions a matter of law and not intent. He advised that many states do this customarily in their appropriation process. The Committee indicated he should pursue this procedure.

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Representative Duncan stated he is concerned with the highway working capital rate decrease in both the Fairbanks and Anchorage dry rental rate. He stated a corresponding increase is not shown in the highway working capital fund. He stated there is a question as to what they are actually doing there. After discussion, Representative Duncan stated he would check into this.

Representative Duncan stated they have had problems in the past with Marine Transportation moving money without authorization. He asked if any thought had been given to going to a line item appropriation. Chairman Freeman stated he had no objection to this.

Mr. Hogan stated in the past the committee had only two options, they could make an allocation or an appropriation. He stated that by a simple change in bill writing, the committee could have to additional options. They could create two line items, one for personal services, and the other for everything else. He stated if this were done money could not be appropriated out of personal services into other, and vice versa. The Committee indicated this approach should be pursued.

Representative Rhode asked what the percentage of increase was for the Department this year over last year. Chairman Freeman stated it is less than 1%.

Representative Schaeffer commented that the policy changes DOT/PF came up with put Barrow and others in the Interior Region.

Subcommittee Chairman Freeman turned the gavel back to Chairman Cowper.

Chairman Cowper moved and asked unanimous consent that the recommendations of the Transportation Subcommittee be accepted, except that the following pages were to be left open at this time: 27, 41, 71, 79, 83, 93. There being no objection, it was so ordered.

Chairman Cowper stated the next Committee meeting would be March 6 at 1:15 to discuss the University of Alaska.

The meeting adjourned at 11:55 a.m.

TRANSPOR-
TATION
CATEGORY
CLOSED/
EXCEPT 5
PAGES

ADJOURN

Tape HFC 78-26 473 to end
HFC 78-27 001 to 1158

3/4/78

HOUSE FINANCE COMMITTEE
March 6, 1978
1:15 p.m.

PRESENT

All members of the Committee were in attendance, except Representative Schaeffer. Representatives Rhode, Meekins, Freeman and Duncan arrived later in the meeting. Also in attendance: Commissioner Steve Gallagher and Deputy Commissioner of Treasury Jim Edenso, Department of Revenue; Lee Sharp, Juneau City Attorney; from the University of Alaska: Foster Diebold, President; Dr. Tim Tillsworth, Assistant to the President; Dr. Earle Brewer, Vice President of Finance; Dr. Hugh Fate, President, Edward Rasmuson, Vice President, and Don Abel, Secretary, Board of Regents; Barbara Thomas, Budget and Management; Jim Rhode, Assistant to Chairman Cowper; Milt Barker and Dave Scott, Fiscal Analysts, Legislative Finance.

Chairman Cowper called the meeting to order and asked for Committee approval in sponsoring a bill proposed by Representative Haugen. Representative Haugen stated the bill relates to the municipalities in the Tongass National Forest who do not share in the Tongass National Forest receipts. Chairman Cowper moved and asked unanimous consent that this bill be introduced through the Finance Committee. There being no objection, it was so ordered.

Chairman Cowper brought up HB 596 (Permanent Fund) up for discussion:

HB 596

"An Act relating to nonrenewable resource revenues; and providing for an effective date."

Chairman Cowper asked Representative Gruening, Chairman, House Special Committee on Alaska Permanent Fund, for comment.

Representative Gruening stated his presentation is based on the draft of the Chairman's Report in addition to the blue book Proposal for the Alaska Permanent Fund. He stated CSHB 596 is essentially the same as HB 596 originally introduced. Basically, he advised, it creates three separate entities; namely, an Investment Oversight Committee, Alaska Permanent Fund Corporation (APFC) and Alaska Enterprise Investment Corporation (AEIC). The Oversight Committee would provide technical review and oversight of all State agencies performing lending and investment functions; and the Permanent Fund would be managed by the two separate corporations, with the major portion of the fund (5/6) being managed by APEC, headed by three trustees appointed by the Governor and confirmed by the Legislature, who oversee the investments. He advised 1/6, up to \$100 million, is then gathered under the umbrella of AEIC, which is involved in small and intermediate scale

investments in Alaska, particularly small and intermediate scale business enterprises and small community projects.

[Representative Rhode arrived at this time.]

Representative Gruening stated, during the interim, the PF Committee considered a number of amendments suggested by the Department of Revenue, and some were adopted into a committee substitute for HB 596. He stated the Department of Revenue was advocating HE 298, submitted by the Administration, which deals with the size of the enterprise or development bank function. He advised the PF Committee used a cautious approach to the development bank aspect and decided to emphasize the trust aspect. He stated the PF Committee was concerned with what to do with the earnings, whether to dedicate these funds for a particular purpose or reinject them back into the fund to help finance power projects in the state. He stated the PF Committee considered what enterprises were in need of possible financing and to assure that private financing was not displaced. He stated he would like an explanation of the fiscal notes relating to the Oversight Committee from the Department of Revenue.

[Representative Meekins arrived at this time.]

While awaiting testimony from the Department of Revenue, Chairman Cowper asked Representative Gruening to explain the differences between HB 595 (An Act relating to income of the Alaska Permanent Fund) and HB 596.

Representative Gruening advised, basically, HB 595 relates to the use of the earnings of the Permanent Fund, and HB 596 deals with the management aspect. The question was raised by Representative Swanson of these funds being earmarked for renewable resources (fisheries, timber, agriculture and water). Representative Gruening explained HB 682, soon to be referred to the Committee, deals with enhancing and developing renewable resources; however, HB 595 provides that the earnings from the PF be used for community development, such as power projects, within the State. He advised all the bills noted above place emphasis on renewable resources.

At this time, Commissioner Gallagher arrived, and Chairman Cowper asked that he present testimony with regard to the proposed amendments by the Department of Revenue.

DEPARTMENT
OF REVENUE
TESTIMONY

Mr. Gallagher distributed to Committee members a report on Financial Institutions in Alaska and Why Certain Regulatory Requirements Cause a Capital Shortage for Development Within the State, stating he would first like to present this background information.

Mr. Gallagher stated Alaskan commercial banks are approximately \$2 billion in size and are seen as lending institutions, but their true function is to provide a liquidity

institution for the transfer of funds. He stated commercial banks are mandated to look first to instruments (treasury bills) and loans that are highly liquid. He covered the particular problem in Alaska with the winter slow-down of the economy. He stated Alaskan banks also have a larger portion of state and local deposits than any other state, which are also highly volatile. He advised Alaskan banks deal mostly in commercial loans as opposed to personal loans in comparison to other states. He stated because of the liquid requirements, FIDC becomes concerned when over 15% loaned out is tied up in intermediate or long-term assets.

Mr. Gallagher stated savings and loan institutions in Alaska are approximately \$400 million in size, and their main function is to support the housing market. He stated savings and loans are required to maintain 80% of their assets in single-family dwellings, and the other 20% is allocated for multi-family situations. He stated savings and loans have a special liquidity outlet through the Federal Home Loan Bank, where they can borrow up to 35% of their deposits. Chairman Cowper asked the reason only 20% is allowed for multi-family housing development, and Mr. Gallagher replied it is a matter of social policy that their loans go for single-family dwellings. Mr. Gallagher stated loan limits are equivalent to 10% of surplus or \$100,000, whichever is greater. He advised there is also one mutual savings bank in the state whose lending limit is equal to 15% of surplus, which allows them to make a \$1 million loan.

Mr. Gallagher advised Alaska credit unions have approximately \$425 million in assets, and their basic purpose is to make personal loans. He stated Alaska is unusual in that there are more deposits in credit unions than in savings and loans. This is due, he stated, to the higher interest rates they are allowed to pay and the large number of government employees eligible to be members of credit unions. He stated credit unions do not have a liquidity institution developed as so savings and loans, which mandates they keep their assets with short maturities. Representative Gruening asked if the real reason banks do not make many personal loans is because of insufficient capital. Mr. Gallagher answered that commercial banks can make more money lending to commercial enterprises than they can in making personal loans --commercial loans are more profitable.

[Representatives Duncan and Freeman arrived at this time.]

Mr. Gallagher stated there is no major insurance company existing in Alaska; therefore, the \$225 million in insurance premiums go to outside institutions. He stated 90% of insurance company loans are made within 100 miles of the home office, which prevents them from taking an active part in Alaska, except to invest in some long-term Alaskan municipal bonds because of the higher interest rates.

Mr. Gallagher advised there is approximately \$700 million in pension funds in Alaska; \$400 million of which are in two Public Employee pension funds and \$150 million is in the Teamsters pension fund. He stated only 40% of these assets are invested in Alaska, as these institutions are required to maintain a reasonable diversification due to the Employee Retirement Income Security Act of 1974. He stated most pension funds, by statute, are limited to 1st Deeds of Trust and are not allowed to make loans on chattel.

Mr. Gallagher discussed how the financial institutions interplay with the 200-mile limit and their inability to aid in the development of this industry. He advised savings and loans, pension funds, credit unions and insurance companies are not able to loan on the fishing vessels because of their restrictions. He stated only two commercial banks in the State are large enough to handle a fishing boat loan by themselves; National Bank of Alaska and First National of Anchorage; though First National might have to finance the gear elsewhere. He stated it was unlikely NBA would put over 10 of these vessels on their books during the next 10 years. He advised outside commercial banking institutions would have to assist.

Mr. Gallagher discussed the Permanent Fund and how it would relate to the 200-mile limit. He stated the PF would not have the ability to make even one loan for the 200-mile limit due to loan limit restrictions until 1980. He stated it would not have the ability to lend for a complete loan for one onshore processing facility until after 1985. He strongly urged the Committee adopt the recommended amendments submitted by the Governor to the PF Committee. He advised these amendments would allow for reasonable investment of the PF principle to a greater measure in Alaska.

There was discussion of the 1/6-5/6 proposal by the PF Committee as opposed to the 50-50 proposal of the Department of Revenue. Representative Gruening stated designating 50% of the PF to AEIC at this time is premature. He restated his position that the development bank function should be approached cautiously. Mr. Edenso referred to a December 1977 Department of Revenue capital requirements survey within the State that points out the shortage of housing funds. Representative Gruening advised that housing is clearly eligible for the 5/6 APFC funds, as mortgages are invested in the State. There was discussion on the different types of funds. Chairman Cowper commented that the communities usually went to the bond market for funds for capital improvements. Mr. Gallagher indicated they did.

Mr. Gallagher stated the best way to finance the 200-mile limit is with the Title 11 Merchant Marine Act of 1936. When asked for an explanation of this act, Mr. Gallagher stated it is the same act that insures tankers just like