

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2682

Community College - Kenai

KENAI CC

Instruction: There was discussion on the figures. Mr. Scott advised there was a request for an addition in this component for a program between the Seward Skill Center and the College. Representative Rhode moved to add a total of \$72.2 for two instructors for the petroleum technology program, and \$5.0 for travel. He moved that these be added to the #7 column (\$737.4).

He further moved to add \$21.9 to that figure for two positions (#2 and #6 in workbook). There being no objection, it was so ordered. The total figure is \$836.5.

Support Services - Academic: Chairman Cowper moved to accept the request figure of \$63.7. There being no objection, it was so ordered.

Support Services - Student: Chairman Cowper moved to accept the request figure (\$79.5) plus \$18.2 for a career counsellor, with legislative intent indicating that the \$18.2 addition is for the career counsellor. There being no objection, it was so ordered.

Support Services - Admin. & Plant: Representative Rhode moved to accept the request figure (\$343.4), with an addition of \$40.8 for an administrative officer/registrar. There being no objection, it was so ordered.

Community College - Ketchikan

KETCHIKAN CC

Instruction: Representative Freeman moved to accept the maintenance figure (\$587.7) plus \$50.0 for the Marine Technical Program. He stated this \$50.0 is in addition to the \$24.0 already budgeted for the program. There being no objection, it was so ordered.

Support Services - Academic: Chairman Cowper moved to accept the Request figure of \$108.9. There being no objection, it was so ordered.

Support Services - Student: Chairman Cowper moved to accept the request figure of \$23.7. There being no objection, it was so ordered.

Support Services - Admin. & Plant: Chairman Cowper moved to accept the request figure of \$225.5. There being no objection, it was so ordered.

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Community College-Kodiak

KODIAK CC

Chairman Cowper moved to accept the maintenance figure less the new positions for the following:

Instruction

Support Services-Academic

Support Services-Admin. & Plant

Support Services-Student

There being no objection, it was so ordered. (Mr. Scott will provide the corrected figures.)

Community College-Kuskokwim

KUSKOKWIM CC

Instruction: Chairman Cowper moved to accept the maintenance figure of \$1449.4. There being no objection, it was so ordered.

Support Services-Academic: Chairman Cowper moved to accept the maintenance figure of \$217.2. There being no objection, it was so ordered.

Support Services-Student: Chairman Cowper moved to accept the maintenance figure of \$114.6. There being no objection, it was so ordered.

Support Services-Admin. & Plant: Chairman Cowper moved to accept the request figure of \$571.2 minus \$16.5, and adding the salary step increments, for a total of \$554.7. Representative Guy objected. There being no further objection, the motion carried.

Support Services-Yupik Center: Chairman Cowper moved to accept the request figure of \$90.5. There being no objection, it was so ordered.

Community College - Mat Su

MAT SU CC

Chairman Cowper moved to accept the maintenance figure (column 6) less the new positions, and adding the salary step increments for the following:

Instruction

Support Services-Academic

Support Services-Student

Support Services-Admin. & Plant

Support Services-Eagle River

There being no objection, it was so ordered. (Mr. Scott will provide the corrected figures.)

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Community College - Northwest

NORTHWEST CC

Instruction: Chairman Cowper moved to accept the request figure of \$556.4. There being no objection, it was so ordered.

Support Services - Academic: Chairman Cowper moved to accept the figure of \$42.4. There being no objection, it was so ordered.

Support Services - Admin. & Plant: Chairman Cowper moved to accept the column 13 figure of \$205.5, adding \$3.5 as an adjustment to the base. There being no objection, it was so ordered.

Community College - Sitka

SITKA CC

Chairman Cowper moved the column 13 figure, less new positions and adding the salary step increment, for the following:

Instruction

Support Services-Academic

Support Services-Student

Support Services-Admin. & Plant

There being no objection, it was so ordered. (Mr. Scott will provide the corrected figures.)

Community College - TVCC

TVCC

Chairman Cowper moved to accept the column 13 figure, less new positions, plus the salary step increment for the following:

Instruction

Support Services-Academic

Support Services-Student

There being no objection, it was so ordered. (Mr. Scott will provide the corrected figures.)

Rural Education Centers

RURAL
EDUCATION
CENTERS

Chairman Cowper moved to accept the column 13 figure, plus adjustments for the following:

Instruction-Rural Centers

Instruction-Central Support

Support Services-Research

Support Services-CES

Support Services-Academic

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There being no objection, it was so ordered. (Mr. Scott will provide the corrected figures.)

Support Services-Administration: Chairman Cowper moved to accept the column 13 figure less \$64.4 which is Ramos' salary which was double-budgeted, and less one position. The total is \$93.6. There being no objection, it was so ordered.

Student Loans, Scholarships

STUDENT
LOANS

Chairman Cowper moved to accept the request figure for the following:

Fairbanks: Total \$348.3.

Anchorage: Total \$902.9.

Juneau: Total \$5.3.

Kuskokwim: Total \$159.0.

There being no objection, it was so ordered.

Auxiliary Service Operations

AUXILIARY
SERVICE
OPERATIONS

Chairman Cowper moved to accept the request figure for the following:

University Centers

Community Colleges

There being no objection, it was so ordered.

Representative Gruening asked committee members to refer to University of Alaska - Anchorage, Support Services - Student, and moved to add \$30.0 to the budget request with legislative intent indicating it is for co-ed skiing and running, for upgrading the coaching staff for alpine skiing and men's and women's cross-country skiing.

UAA

Chairman Cowper requested Mr. Scott to prepare the University of Alaska budget, including the changed figures, assuming that all items left open will be the request figure, and report back to the Committee.

The meeting adjourned at 5:35 p.m.

ADJOURN

Pate HFC 78-75 #1555 to end
HFC 78-76 # 001 to end
HFC 78-77 # 001 to 1340

4/11/78

HOUSE FINANCE COMMITTEE

April 12, 1978

1:30 p.m.

All members of the Committee were in attendance, except Representative Guy. Representatives Gruening and Meekins arrived later in the meeting. Also in attendance: Jim Edenso, Deputy Commissioner of Treasury, and Gary Jenkins, Director, Audit Division, Department of Revenue; Richard Holden, Deputy Director, Facility Planning & Research, DOT/PF; Peter Fromuth, Teleconferencing; Jim Rhode, Aide to Chairman Cowper; Alison Farnan and Milt Barker, Fiscal Analysts, Legislative Finance Division.

PRESENT

Chairman Cowper called the meeting to order and stated there would be a teleconference between Anchorage and Juneau on the subject of Bonds versus Pay-As-You-Go. He stated after the testimony of each Anchorage witness, the Committee would be able to ask questions.

TELECONFERENCE
ANCHORAGE/
BONDS VERSUS
PAY-AS-YOU-GO

[Representative Gruening arrived at this time.]

Chairman Cowper announced the first witness to testify is Cliff Hitchens, Architect, Hanscomb Associates, Inc., Anchorage. (Charity Kadow, Anchorage moderator, announced his taped presentation made on 4-11-78 would run for 11 minutes.)

[Representative Meekins arrived at this time.]

In his presentation, Mr. Hitchens discussed bond packages for capital improvements and how they relate to the November general elections, in that much time is lost from the time the bond issue is voted on to actual construction of a project. He discussed planning, design and construction time and the costs of various construction materials. He commented on the uncertainty of the final cost and noted there is an 8% escalation factor. He ended his statement by saying it will cost the taxpayers more money to go with a bond issue.

Chairman Cowper advised the next presentation would be from Mr. Holden, Juneau.

Mr. Holden commented on the planning and building advantages of direct funding over bonds. He discussed bond selling with regard to the November election time being the wrong time of the year, in that a whole construction season is missed due to the fact that construction cannot begin until the money is received.

There was a brief discussion on interest charges on bond issues by Mr. Edenso.

Representative Meekins asked if it made a difference if the Legislature appropriated funds through the budget process or whether this is put to the voters through a bond issue. Mr. Holden replied a possible disadvantage of direct appropriation might be that you would be dealing with a lot of different packages and a bond package is complete. There was discussion on the revolving fund, with Mr. Holden stating this fund does not support pre-planning. There was further discussion on the cost of bonds being more expensive than inflation.

The next witness to present testimony was Max Hodel, Operation Breakthrough, Anchorage. He stated Operation Breakthrough recommends the State and municipalities share in the responsibility for capital improvements. There were no questions from the Committee of this witness.

Next to testify from Anchorage was Gary Thurlow, Attorney. He discussed nonrenewable resource revenues and commented on the convention center in Fairbanks. He referred to HB 886 with regard to capital improvements and rural communities. He discussed rural development throughout the State, and commented the bill does not make provision for rural schools. There was discussion on the per capita limits that exist in HB 886, with Representative Gruening stating this bill allows for growth per capita share for smaller communities.

[There were technical difficulties in the transmission from Juneau to Anchorage; i.e., Juneau could receive Anchorage, but Anchorage could not receive Juneau. It was decided a telephone call to Anchorage be made asking that the witnesses proceed with their testimony, which would conclude the teleconference.]

Bill Hall, National Bank of Alaska, Anchorage, was the next witness to testify. He discussed the financial impact of Operation Breakthrough. He talked about the convention center complex figures, if it were placed in Anchorage, and how it would impact tourists and visitors in a positive way.

Representative Swanson asked if the convention center was supposed to be like the Seattle Dome. As there were further technical problems in Juneau's transmission to Anchorage, Mr. Edenso gave a brief breakdown on the total cost for land acquisition and construction of the convention center.

The next witness to testify was Rich Wilson, Municipal Government, Anchorage, who stated Operation Breakthrough is unique, in that it is an action program and can identify how to fund the capital improvement programs. He stated

the work done by Operation Breakthrough culminated in a report made in December, which suggests three alternatives for financing capital improvement projects; (1) raise the property tax, (2) embark on a sales tax program, exempting medicine and food or through local income tax. He stated the latter was rejected because it would take new legislation for authority to do this. He discussed the pros and cons of sales versus property tax, and indicated strong committee agreement on property tax. He stated Operation Breakthrough supports a 50-50 sharing program of State and local funds for Anchorage projects as well as for the rest of the State.

Elizabeth Cundra, Attorney, Anchorage, gave a brief presentation on her views on Alaska and stated she helped draft the 50-50 fund sharing bill and that it is a commitment to the future.

[The teleconference ended at this time due to technical difficulties. The meeting recessed at 2:40 p.m. and reconvened at 3:05 p.m.]

RECESS

Chairman Cowper announced HB 832 is up for consideration:

HB 832

"An Act providing for an individual income tax credit; and providing for an effective date."

Representative Freeman explained the two changes made in the Finance Committee Substitute. He advised first, the limits of the credit only to "adults" has been eliminated, therefore, the credit would be only available to any taxpayer filing a return who has a tax liability. Secondly, he stated the language was changed to limit the amount of credit to no more than the tax due after other credits. He advised this will no longer be a refundable credit. In commenting on the fiscal impact, he referred to the March 17 memorandum from Ken Humphreys, Legislative Affairs Agency, with attached tables, noting the estimated loss of revenue for FY 79 is \$22.3 million, \$44.5 million for FY 80 and \$68.0 million for FY 81.

Chairman Cowper asked for comment from the Administration. Mr. Jenkins referred to his memorandum/fiscal note of April 14 and stated the credit is clear and straight forward and would result in no additional costs in administration. He advised other that the Department's (Mr. Messenger's previous testimony on HB 832 on 3-8-78) initial objection to loss of revenue, he had no further comment.

There was discussion on and comparison of the tables attached to the Legislative Affairs memorandum, with regard to fiscal impact. Representative Freeman stated he does not feel this is unreasonable.

Chairman Cowper proposed the following amendment to the Finance Committee Substitute:

"This Act takes effect upon passage of an Act entitled 'An Act establishing an oil and gas corporate franchise tax', denoted in the Tenth Legislature as HB 322."

Extensive discussion followed, with Representative Freeman stating he objected to this amendment because he felt it would be detrimental to the passage of the bill. He stated he felt it unfair to "'piggyback' one of our own bills". He commented HB 832 is the result of four years of study and that the target date was always the 1978 tax year as this was the beginning of the oil flow through the pipeline. He discussed the background of the bill in detail. In closing, he stated he feels this would set a bad precedence which would condemn the bill. He commented, if the Legislature is going to reduce the tax burden on the State, there should be no strings attached; it should stand on its own. He stated this amendment amounts to "black mail" and, if the oil bill cannot support itself, then the Legislature would be penalizing the people of the State of Alaska.

In rebuttal, Chairman Cowper commented he feels HB 832 is a good bill from the standpoint of public policy. He discussed the various tables on the estimated loss of revenue and stated he feels the State's financial position should not be jeopardized and that there should be some provision for replacement. He commented the petroleum revenues projected by the Department of Revenue are much less than expected due to the transportation costs being much greater than originally estimated. He stated HB 322 passed both Houses last year easily and that he feels the multi-national corporations should pay their fair share of the taxes.

[Chairman Cowper called a brief--3:40 p.m. to 3:42 p.m. --recess at the request of Representative Meekins.]

RECESS

Representative Gruening noted both these bills are tax reforming bills. He commented HB 322 passed overwhelmingly on a bipartisan basis and that the Senate should address this issue. He stated he feels this bill will come back to the House in Free Conference Committee.

Representative Freeman restated his position that he feels HB 832 is important enough to stand or fall on its own and that it should not be used as a pawn. There was further discussion on figures, with Chairman Cowper stating this would result in a substantial reduction in revenue and that he feels it prudent to

provide for this. He commented they were discussing money that will probably be going into the Permanent Fund, and Representative Freeman replied the Permanent Fund has already been taken into account.

Representative Gruening commented he supports the bill but feels the liquid portion of the Permanent Fund balance would be further reduced by its passage unless there is compensation for the loss of revenue. He indicated the proposed amendment would tie the two together.

Representative Gruening moved and asked unanimous consent that the proposed amendment be adopted. Representative Freeman objected. There was brief discussion, with Chairman Cowper stating perhaps the Committee should take a better look at the spending patterns and projected revenue figures without the proposed amendment. Representative Gruening withdrew his motion.

Mr. Jenkins commented on subsection (d) relating to the location of the space on the income tax return form for the tax credit. He noted "a prominent location at the bottom of the form" would force the Department to redesign the form. There was brief discussion.

Chairman Cowper advised HB 832 would be held over for further consideration. He announced the next meeting would be tomorrow at 9:00 a.m. on the capital budget.

HB 832
HELD OVER

The meeting adjourned at 4:06 p.m.

ADJOURN

HFC 78-77 #1341 - End
78-78 #0001 - End
78-79 #0001 - #0140

HOUSE FINANCE COMMITTEE
April 13, 1978
9:10 a.m.

All members of the Committee were in attendance, except Representatives Meekins and Schaeffer. Representative Swanson arrived later in the meeting. Also in attendance: Representatives Nels Anderson and Pete Lovseth; Jim Rhode, Administrative Assistant to Chairman Cowper; Jay Hogan, Director, and Alison Farnan, Bob Schroeder, Dave Scott and Bob Grogan, Fiscal Analysts, Legislative Finance Division.

PRESENT

Chairman Cowper called the meeting to order and stated the Committee would address the **CAPITAL BUDGET**.

CAPITAL
BUDGET

Mr. Hogan advised the Committee there is a problem with the Appendix: Capital Improvement Program book, in that bond projects are all interwoven in the projects in the bill. He indicated there is a compendium by Mr. Barker of all bond issues pending and asked if the Committee would like to take up the projects in the appropriation bill first. Chairman Cowper indicated yes.

Chairman Cowper advised, while waiting for Mr. Hogan to return with the listing, he would like to address HB 832:

HB 832

"An Act providing for an individual income tax credit; and providing for an effective date."

Chairman Cowper moved and asked unanimous consent that Finance Committee Substitute be reported out with the following change: subsection (d) delete "at the bottom of" and insert "on". He commented he would still like to bring the figures up to date and that this is part of the House's fiscal program and referred to HB 322 being acted on by the Senate. There being no objection to the proposed change, it was so ordered. Finance Committee Substitute for HB 832 was reported out of Committee with a "do pass" recommendation.

FINANCE CS
FOR HB 832
REPORTED OUT

Chairman Cowper commented that, even though the capital move bill is still in State Affairs Committee, he would like a general consensus of the Committee on setting a date for taking up this issue. He suggested April 26 and 27, and there was no objection to this.

[Representative Swanson arrived at this time.]

In commenting on the capital budget, Chairman Cowper advised the Committee that, due to the reorganization of the Department of Transportation and Public Facilities, they can line item projects in their districts but that

CAPITAL
BUDGET

they would be answerable for these decisions. Representative Swanson commented briefly on DOT/PF's disregard for legislative intent as it relates to the Nenana school district.

Chairman Cowper commented on bond breakdown and stated he would be using information compiled by Representatives Parr, Nakak, Rhode, Anderson and Swanson with regard to the rural areas.

Bond bills on the University of Alaska were discussed:

UNIVERSITY
OF ALASKA

SB 451 - Chairman Cowper commented one approach might be to put the University in the capital budget and chop down the projects to the minimum. He stated if bonding of schools were to be replaced, it would have to be done over a two-year period. He stated the whole thing cannot be done at once this year. There was discussion of the on-going capital expenditure program.

Representative Duncan indicated he would like some indication of a top figure. Representative Gruening commented HCR 97 passed a total \$946.6 million for the operating and capital expenditure budget, unless some new revenue measures are passed which could increase the total. He noted petroleum revenues are down.

Chairman Cowper commented the capital bill does not necessarily have to be passed in FY 79 and that it could be treated as a supplemental for FY 78. He indicated this would be one way to handle it. He stated he would suggest large amounts of capital improvements might await the passage of HB 322. Discussion followed.

At this point, Mr. Hogan made a public announcement on the superior court decision in the case of the authority of the legislative Budget and Audit Committee. He advised the decision handed down by Judge Stewart states that the Budget and Audit Committee cannot, in its capacity as a legislative body in the interim, set policy or approve transfers between appropriations made by the Governor. He stated what this means is that Budget and Audit cannot approve revised programs, but he stated, Judge Stewart also ruled that the Governor does not have this authority either. Discussion followed, with Mr. Hogan stating this would probably result in funds being stacked to await being put into the budgets. In answer to a question, he stated he felt the Governor would probably appeal. He stated this is not a loss for the Legislature, but more like a "Mexican stand-off".

KELLEY vs
HAMMOND
DECISION

Chairman Cowper requested Committee members go through the capital improvement items to see if they wished to add anything. Mr. Hogan made the suggestion that the

Committee add its projects in different sections, rather than all in one, and take the Governor's projects and accept them or line them out. There was brief discussion, with Mr. Hogan stating nothing can be vetoed in a bond bill.

Chairman Cowper asked if there were any other large projects to be added in SB 451, in addition to what is there. Representative Swanson brought up the museum for the University and asked if it were going to be done in two phases. He noted one contract has already been let. Chairman Cowper commented they have received \$6.4 million--\$6 million in a direct appropriation and \$.4 in EDA grants. He stated he feels this will be sufficient. Representative Buchholdt indicated she may have something to add.

There was discussion on there being two University bond bills, with Chairman Cowper stating he didn't know the reason for the split and that he feels the bonds should be consolidated. There was discussion on the Board of Regents' \$1.5 million request for Seward dock facilities, with Mr. Scott advising this has to do with erosion of the dock walls. Chairman Cowper asked Mr. Scott to explore this situation further.

The meeting adjourned at 10:00 a.m.

ADJOURN

HFC 78-79 #0140 - #1064

HOUSE FINANCE COMMITTEE

April 13, 1978

1:25 p.m.

All members of the Committee were in attendance except Representatives Meekins and Guy.

PRESENT

Chairman Cowper called the meeting to order and stated discussion would continue on the CAPITAL BUDGET. The Committee reviewed FY 79 General Obligation Bond bills.

CAPITAL
BUDGET
G.O. BONDS

Representative Haugen asked if they had any idea of what the bond issue on the capital move was going to be. Chairman Cowper stated it would probably be somewhere around \$800 million. He stated there are two policy questions that have to be resolved: (1) is the Legislature required to include inflation; if so, how much; and (2) is the Legislature required to fund for future government growth.

Bond Bills were then discussed.

EDUCATION

HB 861 - State aid for school construction. Chairman Cowper stated his understanding is that this takes care of the Hootch Case requirements. There was discussion on school construction.

(Representatives Gruening and Schaeffer arrived at this time.)

Chairman Cowper stated that at one time the thought was that schools with an organized tax base should not be included in the rural bond issue. He stated the Committee would have to decide whether to do this, this year or not, and would have to find out if school districts have any real tax base. He stated if it were opened, it would have to be opened up for everyone. There was brief discussion.

Chairman Cowper appointed a Subcommittee to study these bond issues and come up with a general approach. The Subcommittee consists of: Representative Haugen, Chairman; and Representative Buchholdt. He recommended that Representatives Parr and Cotten be asked to participate.

HB 714 - Vocational Education Facilities. There was brief discussion on the projects contained in the bill. Chairman Cowper commented that no interest had been indicated for the bill.

SOCIAL SERVICES

HB 41 - Ketchikan Pioneers Home. Representative Freeman stated the Pioneers Board only requested two things for Pioneers Homes. One was the Ketchikan Pioneers Home, and the other was an addition in Anchorage.

HB 291 - Hospitals and Family Care Centers. There was brief discussion on the bill. Representative Freeman stated he will have to check it out, but his recollection is that money was appropriated on a matching basis for some of these centers last year.

HB 713 - Health Facilities. Representative Buchholdt stated Harborview had a fire. Insurance Coverage was going to pay part of the cost, but the repairs are going to cost more than what the insurance will cover. Representative Haugen commented on the need for fire prevention systems in Valdez and API, and stated the fire marshall could shut the facilities down. Representative Freeman stated this bill was introduced this year, so the figures should be fairly up-to-date.

SB 17 - Pioneers Home - Ketchikan. Representative Freeman stated he believed the proper thing to do would be to put all the Pioneer Home requests together and consider them as a whole.

NATURAL RESOURCES

HB 710 - Fisheries Management & Development Facilities. There was brief discussion on the bill. Representative Freeman questioned how much of an effect nonprofit hatcheries would have on the bill.

HB 712 - Trails & Recreational Facilities. There was brief discussion. Representative Rhode stated these funds are not for maintenance and operation, but for providing land and facilities.

SB 449 - Water Supply & Sewerage Systems. There was brief discussion. This is for local municipalities, with 25% local funding.

PUBLIC PROTECTION

HB 709 - Armory Improvement and Construction. Representative Rhode asked if the funds for Kotzebue were included last year. Representative Schaeffer stated they were, but the Governor vetoed them. Mr. Hogan advised that during the interim it was discovered that the Governor could not line item veto portions of bond bills. Representative Freeman asked if he had to either accept or reject the entire bill, and Mr. Hogan stated this was correct.

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HB 889 - Public Safety Facilities. Committee members did not have any detailed information on this bill.

HB 890 - Correctional Facilities. There was brief discussion. Representative Gruening commented this bill is apparently in total contradiction with Representative Meekins' plan. Representative Buchholdt commented that the McLaughlin Gym is very important, as the Youth Home does not have any recreational facilities at this time.

DEVELOPMENT

SB 445 - Flood Control, Port Facilities and Small Boat Harbors. Representative Duncan recommended adding \$500,000 for the Haines small boat harbor. There was brief discussion.

SB 448 - Flood Control & Harbor Projects. Representative Duncan stated the items included in this bill are also included in SB 445. Representative Haugen advised he has a request for an additional \$35,000 in his district.

TRANSPORTATION

HB 711 - Highway, ferry, airport, local service road and trails. There was brief discussion. Representative Freeman asked if this would be a federal match. Representative Haugen stated not for all the funds, some are for maintenance facilities.

HB 787 - Airport Lighting Projects. There was brief discussion.

GENERAL GOVERNMENT

HB 768, HB 782, and SB 508 - Cultural Facilities. Representative Duncan stated HB 782 is in House Finance Committee. He stated there is a lot of support for this bill. He explained the purpose of the bill.

There was discussion on the bond bills. Representative Freeman asked how much money was available for direct appropriations. Mr. Hogan advised that since the Governor introduced the budget, he has increased it by \$5.3 million and revenue has fallen from the projected \$928 million to \$916 million. He advised the House's operating budget comes very close to the Governor's revised request figure. He stated that figure does not include amounts for salary increases, the Haul Road, etc. Mr. Hogan advised that when the Governor originally introduced his budget, he stated there was \$35 million for the Legislature to "play with". Mr. Hogan advised that amount has now been reduced to \$18 million which does not take into consideration new programs, salaries, etc.

ADJOURN

The meeting adjourned at 3:05 p.m.

e HFC 78-79 #1064 to end
HFC 78-80 # 001 to 1083

4/13/78

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HOUSE FINANCE COMMITTEE

April 14, 1978

9:12 a.m.

All members of the Committee were in attendance, except Representative Meekins. Chairman Cowper and Representative Gruening arrived later in the meeting. Also in attendance: Ken Garison, Director, University of Alaska Services Planning, and Jerry Newberg, Associate Director, Northern Region, and Earl Fullingham, Associate Director, South Central Region; Representative Nels Anderson; Dave Scott, Fiscal Analyst, Legislative Finance Division.

PRESENT

Vice Chairman Freeman called the meeting to order and stated the Committee would consider CAPITAL BUDGET bond proposals, SB 451, University of Alaska Capital Improvements.

CAPITAL
BUDGET/U of A

[Chairman Cowper arrived at this time.]

Land Acquisition, Access Roads & Parking Lot - Sitka:

In discussing the mental health lands trade, Mr. Garrison stated at the time the \$300,000 request was made, they anticipated buying the land. He advised the status now is that the Mental Health Lands people have to decide which of the six parcels of land they would like traded. In commenting on the current right-of-way situation, he advised \$100,000-\$125,000 would be needed to improve the road, but stressed this is not to purchase the land. In answer to a question, he stated final figures would be in as soon as the Mental Health Lands Board made their decision, probably in a couple of weeks. He stated the amount of roadway involved is 15 feet that comes up from the highway.

Chairman Cowper asked what needs to be done to the parking lot, and was informed this involves grading, paving and lighting. In answer to a question regarding the cost of this project alone, Mr. Garrison replied \$25,000.

Storage Facilities - Fairbanks: Chairman Cowper stated it is his understanding this is for storage of hazardous materials and asked what kinds of materials this would be. Mr. Garrison advised the materials are basically those used within research and teaching functions at the University and that they are now stored in utilidors.

[Representative Gruening arrived at this time.]

There was discussion on where the separate storage facility would be built, with Mr. Newberg stating it would be 2,000 square feet in size and explosion proof. He commented 10,000 square feet would be required just to add on to existing facilities.

Water Treatment Improvements, TVCC - Fairbanks:

Mr. Garrison advised this is a priority project, as the water treatment plant there is currently at its maximum and definitely needs improvement. He stated the project would cost between \$250,000-\$300,000, but he would like to come back to the Committee in a week with a final figure.

Upgrade Utilities - Juneau: Mr. Garrison stated the existing wells at the Auke Bay campus have reached their saturation in usage. This project, he stated would provide improvement to the fresh water problem there. Chairman Cowper requested copies of the studies made and any recommendations for this improvement. There was brief discussion on the \$800,000 capital improvement request.

Maintenance/Warehouse Building - Kenai: In explaining this request, Mr. Garrison advised, in the development of the Kenai campus, the growth factor has outstripped the availability for further storage. In answer to a question, he stated planning and engineering costs would be for consultant fees.

There was discussion on the method in which this office is funded, with Mr. Garrison stating, basically, they are still capital funded. There was discussion on the function of the office and on out-house and in-house costs. Mr. Garrison stated his office takes each project and reviews it individually. In answer to a question on project costs, he stated his office adjusts the project budget with regard to the time element.

There was discussion on the central staffing, with Chairman Cowper commenting on the conflict in the situation where salaries are dependent upon passage of bond issues. He mentioned general fund CIP positions in DOT/PF in this regard. Mr. Garrison stated they have a three-year progressive program where 85% of the staff is on capital funding. He stated most other employees, site inspectors, job inspectors, are on general fund. Discussion followed on fluctuation of capital planning positions and projects.

Chairman Cowper asked how many people are absolutely necessary, and Mr. Garrison stated 12-15 employees on general fund would be adequate but that any less would make it extremely difficult to maintain contact. In answering questions, he replied this does not include secretarial help and that right now there are 20-22 CIP positions. He advised, currently, there are three professional people--director, land manager and one engineer--and two drafting support people on general fund and that all regional people are on capital support. Mr. Scott commented that, actually, there are four professionals, a program design officer, who was not mentioned. Mr. Garrison indicated that was correct but that the position is currently vacant.

In answer to a question, Mr. Garrison replied the Office of Planning, Design and Construction is under statewide. In discussing decentralization, he commented he feels it necessary to be centralized in this, as they can be consistent which promotes greater efficiency. Representative Gruening asked if DOT/PF couldn't do the same thing, to which Mr. Garrison replied that, right now, his office can do it for less money. Discussion on being centralized.

Storage Facilities, Kuskokwim CC - Bethel: Mr. Garrison advised if they had the storage space there, they could order by barge, thereby saving money and being more efficient. He stated the growth factor is also involved here and that currently boxes are being stored in corridors. He stated this would be a addition to an existing building and that the request is for 525 square feet at \$175 per square foot.

Remove Architectural Barriers - Statewide: Mr. Garrison advised this request is to comply with federal requirements for those institutions receiving grants that all programs be accessible to the physically handicapped. He stated this project must be completed by June 30, 1980, in order to be eligible for the federal grants. There was discussion on the use of ramps and elevators where appropriate. Representative Swanson asked if some of this money will be used for consultant's fees, and Mr. Garrison replied a portion will be but that they are trying to do this themselves. There was discussion on the use of consultant's fees.

Chairman Cowper stated the Committee would continue consideration of the CAPITAL BUDGET, University of Alaska at 1:15 p.m.

The meeting adjourned at 10:00 a.m.

ADJOURN

HFC 78-80 #1084 - #1760

HOUSE FINANCE COMMITTEE
April 14, 1978
1:20 p.m.

All members of the Committee were in attendance except Representatives Schaeffer, Meekins, Gruening and Guy. In attendance testifying on the University of Alaska were: Mr. Ken Garrison, Mr. Brian Emerick, Chancellor Cutler, and Rick Davidge.

PRESENT

Chairman Cowper called the meeting to order and stated that discussion would continue on the CAPITAL BUDGET, UNIVERSITY OF ALASKA, SB 451 (U. of A. Capital Improvements.)

CAPITAL
BUDGET

U. OF A.

Chairman Cowper requested a break-out of those positions involved in deciding whether or not to build projects, as opposed to those who are actually construction oversite personnel. He stated his intention would be to put these positions into the General Fund budget. Mr. Garrison stated it is difficult to separate these positions totally, because some of the people who make the decisions are also used to plan the projects -- such as the director, land manager, engineer, etc. Chairman Cowper stated he thinks it is a poor precedent to have people planning jobs and having their jobs depend on those construction jobs. Mr. Garrison concurred, and stated he will provide a break out.

SB 451:

Library Access and Improvements - Juneau: Mr. Emerick stated these funds are for improvements on the oldest building on the Juneau campus, which was built in 1969. He stated the changes are needed to improve the library, which includes installing an elevator for the handicapped, which is necessary according to the interpretation of the Civil Rights Act. There was discussion.

(Representative Buchholdt arrived at this time.)

Chairman Cowper requested a copy of the written directive from the federal government requiring the elevator to be installed. Mr. Garrison stated he would provide this to the Committee.

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Science Lab Completion - Ketchikan: Mr. Erickson advised Building #2 in Ketchikan was finished with rough-end plumbing to be finished and used as a laboratory facility when required. He advised they are now prepared to expand the physical science area, and would like to have the plumbing finished off.

Educational Equipment - Statewide: Mr. Garrison advised this is equipment for U. of A. Fairbanks; Community Colleges; and the Kotzebue Extension Center. Chancellor Cutler advised that his priorities for the \$557.0 for Fairbanks are as follows: environmental science first, then agricultural, and then engineering and chemical. The \$550.0 for Community Colleges is for Anchorage, Kenai, Mat-Su, and Sitka. Mr. Garrison advised the \$50.0 for Kotzebue is in support of their business office skills program.

Land Acquisitions - Juneau: Mr. Erickson advised this is for purchase of the Bedford and Horton property. There was discussion on both. Chairman Cowper commented he would rather have the negotiations settled before the University comes in and requests funds. Mr. Erickson stated the timing is not always such that this can be done.

Classroom/Office Building - Anchorage: Mr. Garrison advised this is a request for a new facility for the Anchorage Community College. He stated his Department made an analysis and found that with anticipated growth, by the time this building was constructed it would come very close to being filled up. Brief discussion on the need for the building. Chairman Cowper asked if the operations expense analysis would be for maintenance of the building. Mr. Garrison said that basically this was correct. He stated this would include things that would be required of administration to run the building -- plant and support for additional space on the campus. There was discussion on space in Anchorage. Mr. Garrison advised they plan to make the campus in Anchorage a very compact unit.

Renovate Phase I Bldg. - Kenai: Mr. Garrison advised this is for necessary repairs to the dock in Seward which was hit by devastation during the earthquake. He advised that Phase I is laying a base to protect the slope, and Phase II would be reinforcement of that. He advised the total cost over several years will be \$3.4 million.

SB 450 - U. of A. Activities Facilities

Performing Arts Center completion - Anchorage: Mr. Garrison advised this building has been completed over about three funding periods. He stated they have a need for additional

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equipment to completely finish out the aspects of the theatre program. There was discussion on the request for the scene shop. Chairman Cowper stated there is \$160,000 budgeted for administrative planning and engineering for this \$800,000 project, and asked why. Mr. Garrison stated if his Department was funded with general funds this would show up under the operating budget. He stated that all the effort that goes into a building comes out of support funding. He stated that amount is an estimate at this time. Mr. Davidge stated the Performing Arts Center in Anchorage is the most disfunctional theatre ever built. He suggested the Committee might want to request a complete cost analysis of this facility to see what they are getting. There was discussion on the Performing Arts Center.

Patty Building Ice Rink Completion - Fairbanks: Chairman Cowper stated there was not enough money appropriated to start with, and the bond issue for this failed last time. Chancellor Cutler advised they did put a black-top in over the ice rink so it could be used for tennis, volleyball, jogging, etc., until they receive funding to complete the ice-rink.

Parking & Site Improvement - Anchorage: Mr. Garrison advised that as they are completing the large athletic facility they are anticipating considerable community use for the facility. He stated they are in need of additional parking. He stated this was in the original plan of the mega-structure.

Chairman Cowper stated they have discussed only those items that appear in the Governor's bond bill. He asked if there were any projects not approved by the Governor that the University feels are especially necessary this year. Mr. Garrison advised their original request totaled \$190 million, and there was a considerable amount of evaluation of those requests. He stated the Governor has reduced that to \$35 million. He stated he believes the University and Regents' position would be that their request be supported in any way it can be. Chairman Cowper asked if there were any immediate needs that were overlooked. Mr. Garrison stated there are projects like improvements to the Chapman Building in Fairbanks. Mr. Garrison advised these projects are identified in the supplement to the yellow book presented to Committee members earlier.

Chairman Cowper advised there was another bond bill not yet discussed, SB 9 (community colleges). The consensus of the Committee was to hold off in discussing this bill until it came over from the Senate side.

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Mr. Davidge presented the three top priorities of the Alaska student body, which are not included in the Governor's budget. See attachment.

There was brief discussion of the capital items in the operating budget as explained beginning on page 13 of the FY 97 Executive Budget "Appendix: Capital Improvement Program".

Chancellor Cutler advised he is requesting two items which are not in the bond bills, but are in the University's supplement. He stated the first is a request for \$52.0 for installation of a data link with Fairbanks North Star Borough. He stated this would increase service to the library and would increase the use of books.

Chancellor Cutler stated his other request relates to the need for support in their rare book collection. He advised they have a donor who will bring their Alaska collection up substantially. But he (Elmer Rasmuson) will not donate the books until there is adequate security in the building (both fire and safety). He urged the Committee to give serious consideration to this request.

Chairman Cowper stated that for the other areas of the Capital Budget, he would refer those bills to the existing subcommittees that were formed for the operating budget. In addition, Chairman Cowper made the following Subcommittee assignments:

<u>Facilities for the Elderly</u> - referred to Representative Meekins.	<u>SUBCOMMITTEE APPOINTMENTS</u>
<u>Water Supply Sewerage System</u> - referred to Committee of the whole.	
<u>Trails and Recreational Facilities</u> - referred to Representative Swanson.	
<u>National Guard Armories</u> - referred to Representative Schaeffer.	
<u>Cultural Facilities</u> - referred to Representative Duncan.	
<u>Highways and Airports</u> - referred to Representative Freeman.	

Chairman Cowper asked these subcommittees to consider all the bond issues in their category and report back to the full committee.

Chairman Cowper brought HB 728 up for discussion.

HB 728

An Act making a special appropriation to the Department of Health and Social Services for acquisition of a mobile dental clinic to serve residents of rural Alaska; and providing for an effective date.

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The Committee read the testimony from Patrick Pletnikoff on this bill (in bill file). Chairman Cowper stated this mobile dental clinic is not for the Aleutian area only. He stated it could be used in other rural areas.

Representative Guy moved and asked unanimous consent that HB 728 be reported out. There being no objection, it was so ordered.

The meeting adjourned at 4:05 p.m.

HB 728
REPORTED
OUT
ADJOURN

TAPE HFC 78-81 #001 to end
HFC 78-82 #001 to 1292

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Second Priority, Statewide

Arts and Humanities Building, Canyon Campus

Total construction cost \$3,750,000, 1977

Annual operating cost \$150,000

This new facility would provide pre and classroom space which will tie in with existing campus facilities and programs. There is a growing population in the Asher Bay Area along with an increasing number of students. There are no facilities available on campus or in the community to have specialized or large general meetings. Maintenance and operation costs can be expected to run near \$3.50 per square foot. Some of this cost may be offset by fees for certain revenue type functions. Presently more than 50% of all classes taught by the Asher campus are taught in local secondary school facilities. There are no large general meeting facilities or classrooms which can accommodate large classes available in the community at times convenient to college students and programs.

(see enclosure #2)

Third Priority, Statewide

Touche Valley Community College, Phase 1

Total construction cost \$3,600,000

Annual operating cost \$190,000

This provides for construction of a Technical Education Center near the Asher campus for technical career education. The facility would consist of 90,000 square feet of flexible open space which can accommodate a variety of programs.

(see enclosure #3)

The main problem with each of these three statewide priorities is fractional, however it is important that for the first 11 students across the state have recognized that they practical need is for pre and classroom space in Asher. For the students, live with these facilities and have them first and what the main problem is practically require the inclusion of these three facilities in the plan for 1978 and 1979 before the end of this year.

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The Alaska State Legislature

Following a review of the University of Alaska, N 1972 Capital Improvement Request which was approved by the Board of Regents at their meeting in June, the Alaska State Legislature has established three capital requests as their highest priority.

The lobby did not take exception, generally, to these items prioritized by the Board under the first five groups.

- A. Protection of life or health of students or general public.
- B. Protection of investment in plant.
- C. Projects mandated by Federal law or existing contract.
- D. Completion of existing structures.
- E. Planning Studies.

however, we do take specific exception with their prioritization under the sixth group - Facilities development for instruction and research program needs - or new facilities.

Each member caucus of the lobby was asked to discuss one new facility on their campus which students felt was of the most urgent need. When these were selected the lobby prioritized the selections on a statewide basis. The results of this prioritization are considerably different than what has generally been the trend, at least from within the University.

These facilities were chosen for their need, effectiveness of policy by the legislature, acceptance to the voters of Alaska, and finally their ability to facilitate growth.

First Priority Request

General Classroom and Office Building, Anchorage - \$1,200,000
Total construction cost \$5,400,000
Annual operating cost \$175,000

This new facility is designed to house 2,500 students and 1,000 faculty and office building construction of approximately 1.5 million square feet. The building will house 40 sections of 100 square foot each.

(See enclosure 11)

HOUSE FINANCE COMMITTEE

April 17, 1978

8:45 a.m.

Representatives Gruening, Duncan, Buchholdt, Freeman, and Haugen were in attendance. Also in attendance testifying on HB 781 were: Allen Greg, President; and Shirley Rittiger, State Coordinator, Cultural Facilities Development Committee; Dorothy Anderson, Dillingham; Sid Wright, Petersburg; Jerry Wilson, Kodiak; Clothille Bahobik, Sitka; Diana Kates, Skagway; Dave Natting, Haines; Chris Putman, Cordova; Carol Durfner, Anchorage; and Jane Stewart, Juneau.

PRESENT

Vice-Chairman Freeman called the meeting to order and stated the Committee would receive testimony on HB 781.

TESTIMONY
ON HB 781
& HB 782

An Act authorizing state aid to municipalities for construction and development of cultural facilities.

And HB 782:

An Act providing for the issuance of general obligation bonds in the amount of \$30,106,000 for the purpose of paying the cost of cultural facilities; and providing for an effective date.

Representative Duncan explained the purpose of these bills. He stated a Committee was formed several years ago to find out the needs for cultural facilities. He advised they had originally requested \$80 million, but that amount has been reduced to \$30 million. Representative Duncan stated the Department of Commerce and Economic Development would manage the fund. He stated the bill sets up a formula for local contributions based on assessed evaluation and population of the communities. He stated that formula does provide that land can be used for the local match. Representative Duncan also advised the bill provides that the municipalities pay all operating costs of the facilities.

Mr. Allen Greg, President, Cultural Facilities Development Committee, stated his Committee is a statewide committee representing twelve Alaskan cities that have been working toward the goal of providing cultural facilities to their respective communities. He introduced the members of the Committee in attendance.

Mr. Greg stated this is one of the few bills introduced in the Legislature that is based on the needs of the communities. He stated research was done and costs obtained before this legislation was introduced.

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Representative Freeman asked how the Committee was set up. Mr. Greg advised they strove to make this Committee official. He stated each of the representatives has a letter of authority from their municipal government and local art groups allowing them to speak for the municipality.

Representative Buchholdt stated she would like to hear from Dorothy Anderson regarding Dillingham and Naknek. Ms. Anderson advised the Naknek project is a \$400,00 project for a museum. She stated that currently Naknek has nothing. She advised they are set to go on their project.

Ms. Anderson stated the Dillingham project is for \$9 million. She stated it is an auditorium/theatre facility seating 350, plus seating for 150 more persons. She stated it will contain a museum, workshop space, and a large area for rentals. She advised the Dillingham Center and community college could be housed there. She stated the Resource Center wants to be housed there. Ms. Anderson advised they would be servicing ten villages in that center, and there is currently no meeting place in Dillingham. She stated the City feels it can maintain the facility because it will have user groups residing there. Representative Buchholdt asked how they intended to get the other villages to participate. Ms. Anderson stated there is constant motion in and out of Dillingham from surrounding villages.

Mr. Sid Wright, Petersburg, stated that 26 years ago Petersburg built an auditorium as part of the school structure. He advised the Community participates in drama, music and little theater events, and they also receive visiting groups from Outside on the arts circuit. He stated the building they are currently using is old and was improperly designed to begin with. He stated the gym was also built in the 20's. Mr. Wright stated eight years ago the school began doing a needs assessment. They decided to build the needed facilities in two phases. He advised that Phase I has been built, but the theatre has not. He stated as part of their plan, they would include an FM radio station in the facility. It will be built contiguous to the high school. He advised the City, through the school budget, will pay the maintenance of the theatre. Vice-Chairman Freeman asked how much the facility will cost. Mr. Wright advised it will be \$3 million.

Mr. Jerry Wilson, Kodiak, advised they plan a multi-purpose facility for Kodiak. He stated the City has no cultural facility, or any place to hold a large meeting of any kind. He stated the facility would be used as a theatre but also for visual arts, and as a convention facility for tourism. He stated he thinks the facility could have a definite economic impact for the area, and the community thinks it is

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critical to have some sort of facility. He stated they have prepared a complete operating and maintenance budget which they think is realistic. Vice-Chairman Freeman asked what the facility would cost. Mr. Wilson stated it would cost \$3,899,500.

Ms. Clothille Bahobik, Sitka stated they are in dire need of an adequate home for arts. She advised the building they have planned will be adequate for all arts. Ms. Bahobik advised the facility will service the college and schools for day and evening use. She advised the current building (Centennial Building) is inadequate in size and availability. She stated the new building will be funded by user groups, grants, and museum support. She stated it will cost \$225,000 a year to maintain the building. Representative Freeman asked why the Centennial Building isn't adequate. Ms. Bahobik stated the stage is too small; the full high-school band cannot perform on the stage. She stated the Centennial Building was built as a convention center, and it is not a performing arts building. She stated their exhibit area has no security, and they need a secure building in order to display their art.

Ms. Diana Kates, Skagway, stated they don't have any sort of facility in Skagway at this time. She stated there are many user groups interested in an arts building and a building that will serve tourism. She advised there are over 100,000 tourists coming into Skagway and they have limited facilities for their use. She advised the facility they are presently using is over 70 years old and is decaying. She stated at the present time Skagway has no arts program in the school, mainly because there is no facility that can be used. She stated they have no office for educational operations because they have no space. She stated they cannot bring any touring companies in because they have no housing. The building they are planning will cost \$4 1/2 million. It will also house part of the City government offices which will help in the cost to maintain the building. In addition, it will be used for school educational programs and arts.

Mr. Dave Natting, Haines stated they currently have the Chilkat Center for the Arts. He explained what the Center is used for. He advised they plan a modernization of the interior of this building to create a first-class and nicely functioning performing arts center. He stated they have a very critical need for this upgrading as they now have a very aggressive program and use of the facility. He advised they have a maintenance plan put together, structured to verify the Community has a plan to manage the facility without state support. Representative Freeman asked what the estimated cost of the refurbishing was. Mr. Natting advised it was \$1 1/2 million.

Ms. Chris Putman, Cordova, stated Cordova is like Skagway in that they have nowhere to meet. She stated that any culture-related program has to complete with the athletic programs because the gym is the only place to meet, and this is hard to do because the gym is used from 7:30 in the morning to 9)30 at night. She stated there is currently no tourism in Cordova, but it would be a good place to hold a convention if they had a facility. She stated they are planning a building with some secured space, and it will be built adjacent to the school. She advised their estimated cost of the building is \$3.4 million.

Mr. Carol Durfner, Anchorage, stated she has served on four commissions dealing with development of cultural facilities. She stated the need for a facility in Anchorage is great. In 1976 there was a 160% increase in frequency of performances alone, and there are 60 arts groups in Anchorage. She advised they currently have four facilities they use, and all of them are inadequate. She advised the plan for Anchorage is unofficial at this time. She explained the "Breakthrough" proposal for a facility, and stated its estimated cost is \$25 million. She advised this proposal has not been officially accepted by the municipality or the assembly yet. Ms. Durfner stated she believes Anchorage is two or three years away from building their facility. There was brief discussion on the Anchorage plan.

Jane Stewart, Juneau, stated she represents 16 user groups. She advised the Juneau plan for a facility is a little over \$13 million. She stated it will be hard for Juneau to have a cash match. She also stated the municipal maintenance nad operation is a significant contribution. She stated the local performers need a facility. She stated the facility will also be used for tourism, but the arts really need a home.

Shirley Rittiger, State Coordinator, advised that Hydaburg has been working to put together a package where they can duplicate a community house. She stated they plan to use it as a place to keep their artifacts and records of their local history.

Ms. Rittiger advised Angoon also wants to build a mini-museum. She stated they are interested in having a facility to keep their relics in. She stated they feel that in ten years all their artifacts will be gone if they don't have a place to keep them.

Ms. Rittiger stated the city of Ketchikan is also in this program, but was not able to be here to testify.

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Representative Buchholdt stated the bond measure has a figure of \$30 million, and she asked how they would select the communities who would receive the funds. Ms. Rittiger stated at this time they have made no definite decision on which communities would be first. She stated they do not have the authority to do that, although they do have some basic guidelines. She stated the decision would be made by the Department of Commerce and Economic Development.

Representative Buchholdt asked if they intended to request another bond issue in a few years. Ms. Rittiger stated they would have to come back for another bond request.

Representative Duncan advised the critical part of this legislation is on page 4 where they worked out a formula for local participation. Mr. Greg stated the Committee feels very strongly that the percentages indicated in the legislation are the only workable percentages. He stated that to raise the percentage would kill the legislation because the communities that are currently involved would no longer be able to participate.

Representative Duncan asked what the local annual operating costs would be for some of the Communities. Mr. Greg indicated Sitka's cost would be about \$200,000 a year, and the figure is about the same for Juneau and Ketchikan.

Mr. Greg commented it speaks well for the people in Alaska that the communities involved are willing to work towards this goal with no guarantee that their facility will be the first to be built.

The meeting adjourned at 10:00 a.m.

ADJOURN

Tape HFC 78-82 #1295 to end
HFC 78-83 # 001 to 959

4/17/78

HOUSE FINANCE COMMITTEE

April 17, 1978

1:25 p.m.

All members of the Committee were present except Representatives Rhode, Meekins, and Buchholdt. Also in attendance to testify on bills were Representative Gardiner, and Dick Holden, Deputy Commissioner, Department of Transportation and Public Facilities.

PRESENT

Chairman Cowper called the meeting to order and brought HB 722 up for consideration.

HB 722

An Act relating to science and technology.

Representative Gardiner stated the bill was introduced by the Governor, but was drafted by a group of people including himself. He stated the bill was drafted because, basically, there are problems with the way research is contracted in this state at this time. He stated there is a problem with coordination between researchers and people who "live in the real world". He stated there is a lack of coordination between research agencies and research arms (example: Fish and Game does not utilize any other research on fisheries). The end result is that all agencies come to the Legislature to get research projects for their own agencies. He stated there is a lack of coordination between researchers and government decision making. He stated there are research agencies that don't have any real purpose other than to keep going. He stated this lends to a lack in the quality of work being done.

(Representative Duncan arrived at this time.)

Representative Gardiner stated this bill is an attempt to try and coordinate the research being done. He stated it provides a mechanism to have an analysis of research being done and coordinate between work being done. He advised that page 2 of the bill is the portion establishing a Council. He stated it would be set up to provide a focal point on what research has been done. He stated the Council is prohibited from doing any research itself. He stated the hope is that the Council will give both the Executive and Legislature a handle on what the research agencies are doing.

(Representative Guy arrived at this time.)

Representative Freeman commented that the fiscal note is not correct. Representative Gardiner stated it has been corrected. The correct figure is \$103.7.

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Representative Freeman questioned page 2, line 12, where it states that one member of the Council shall be a member of the legislative staff. Representative Gardiner stated he suggested this with the purpose in mind that this not be a political organization. He stated he believes there are some members of the professional permanent legislative staff who could be designated to serve on this council. He stated it seems this would be more appropriate than having a member of the Legislature serve.

Representative Freeman referred to page 3, line 4, section (4), and asked if the Council was going to get money. Representative Gardiner stated that one of the things that came out after working on this bill was that if the Legislature wanted to, in the future the Legislature might choose to fund research through the Council on a competitive basis. He stated this would not be effective unless the Legislature funded the money.

Representative Gardiner stated the Council doesn't have any real power other than advisory.

(Representative Gruening arrived at this time.)

Mr. Dick Holden, Deputy Commissioner, Department of Transportation and Public Facilities, appeared before the Committee to testify on the bill. He stated that the amendments put in by the State Affairs Committee seem to be pretty rational. He advised that one deals with federal contracts to the state. He stated that as an example the University might receive a federal contract to do research on Alaska. He stated that very little of that research would be from the "State's view-point".

Mr. Holden stated there are 57 universities doing research contracts. There are 145 institutes doing research in Alaska, all about Alaska, that the state doesn't know about. Chairman Cowper asked how it would be if, as a condition of providing information, the State require that these institutes provide a copy of their work. Mr. Holden stated it could be done that way. He stated if you have a state coordination mechanism to advise what research is going on, you will probably find all researchers will come in. He stated in the research community there is a lot of traded information because it is to their benefit.

Representative Gruening asked who he thought would serve on the Committee from the Executive branch. Mr. Holden stated it might be the person making research decisions in his department, or the director of Policy Development and Planning, or maybe a commissioner or deputy commissioner. There was discussion on who would serve on the Council.

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Representative Swanson asked if the Council would be a policy making agency. Mr. Holden stated it would not, the council would propose policy, but not make it. He stated the Governor and Legislature would determine what policy would be made.

Representative Schaeffer questioned the language on page 4. Mr. Holden stated the purpose of this was that there are a number of agencies that submit a contract to do work for, as an example, the National Science Foundation. He stated the intent of the language is that if the State knows that certain research is being done by, say, the University of Alaska, the Council could determine whether or not it was in the state's interest to be involved in the research, and might want to provide additional funds. He stated the reason for the 30 day limitation is they don't want to delay any projects so the principal contractor loses out.

Mr. Holden stated the purpose of this is not to stop anyone from getting research contracts, but to maybe augment funding for the project.

Representative Freeman moved and asked unanimous consent that the State Affairs Committee Substitute for HB 722 be reported out. Representatives Buchholdt and Swanson objected. All else in favor. The motion carried. CSHB 722 was reported out with a "do pass" recommendation.

CSHB 722
REPORTED
OUT

The meeting adjourned at 2:15 p.m.

ADJOURN

Tape HFC 78-83 #960 to 1712

4/17/78

HOUSE FINANCE COMMITTEE
April 18, 1978
9:00 a.m.

All members of the Committee were in attendance, except Chairman Cowper, Representatives Duncan, Guy, Meekins and Rhode. Representatives Swanson, Schaeffer and Gruening arrived later in the meeting. Also in attendance from Department of Transportation & Public Facilities: Dick Holden, Deputy Commissioner, Facility Planning & Research, and Jim Eberhardt; and from Legislative Finance Division: Jay Hogan, Director, and Bob Grogan, Fiscal Analyst.

PRESENT

Vice Chairman Freeman called the meeting to order and noted a quorum was not present. He announced discussion on the CAPITAL BUDGET would continue with the Transportation category.

CAPITAL
BUDGET

Mr. Holden discussed the highway projects with respect to federal funding. He advised they receive federal money on an annual basis through the 105 Program. During calendar year 1977, he stated, some projects haven't yet been built. He advised environmental impact studies sometimes halt the projects, thereby creating problems.

TRANSPORTATION

[Representative Swanson arrived at this time.]

Mr. Holden stated executive order required the DOT/PF Commissioner include and forward to the Governor his recommended project priorities. He advised now the Legislature has the ability to set priority projects.

[Representative Schaeffer arrived at this time.]

There was discussion on general obligation bond funding, with Mr. Holden stating the Department has prioritized projects that have bond funding. He commented the Legislature could leave the Department's priority list intact or add in projects. He stated it is the Department's intention to use up those funds available for the project (as noted in the Capital Improvement Program book, 4-10-78), and if more was required, then go to the contingency fund.

Mr. Holden advised if the Legislature proposes to change priorities or add on projects, that they get this to the Department to make sure they are eligible for the annual 105 federally funded program. He stated the federal year begins October 1. He commented it takes four weeks before the Department receives a preliminary reading as to whether projects are eligible for federal funding. Vice Chairman Freeman commented the Legislature could add to the bond issue amount or line item those projects that are not

eligible for federal money. There was discussion on State and federal funding. In answer to a question, Mr. Holden suggested, if it is purely a State-funded project, a regional appropriation be made.

There was discussion on the book containing the budget management analysis that was distributed to the Committee by Mr. Holden. In answer to a question, he advised after this year, everything will be in one book.

[Representative Gruening arrived at this time.]

There was discussion on the Municipal Planning Organization (MPO) and Anchorage Metropolitan Area Transportation System (AMATS; Juneau, JMATS; Fairbanks, FMATS). In answer to a question, Mr. Holden advised that AMATS is a federal requirement, under federal regulation Title 23. He stated AMATS must approve a project before federal money is received. He stated the Legislature can over-ride AMATS with priority projects on State money, but for federally funded projects, nothing can be added to the list unless AMATS approves it. Mr. Eberhardt added they can't depart from the AMATS list. There was further discussion on the staffing and organization of AMATS, with Mr. Holden stating it is required for populations of 100,000 or more. In answer to a question, he stated the Legislature can change the priority list around. There was discussion on current projects with prior bond funding already committed.

Representative Swanson brought up the Dempsey Bridge and Tok cutoff projects. (For testimony, see attached.)

Representative Gruening asked for an explanation of the difference between maintenance and reconstruction with regard to federal funds. Mr. Holden advised they do not get federal money for maintenance work, and reconstruction requires federal approval if federal money is to be used.

Mr. Hogan commented that the Legislature should consider leaving federal appropriations at the high levels rather than trying to assign projects. He stated appropriations in a bond bill cannot be used for anything else but that project. He further stated this is the first time the Legislature has ever been able to make the highway and airport appropriations. Mr. Holden also suggested the Legislature allocate the State money on State bond projects and leave the federal money in a lump.

Vice Chairman Freeman stated the Committee would get their list of priority projects to the DOT/PF as soon as possible.

The meeting adjourned at 10:00 a.m.

ADJOURN

HFC 78-84 #0001 - #1221

Transcript of testimony between Representative Swanson and Dick Holden, Deputy Commissioner, Facility Planning & Research, DOT/PF, before the House Finance Committee on capital improvement projects, April 18, 1978:

Swanson: Another thing that comes to my mind, in talking about policy. We appropriate \$50,000 for the Dempsey Bridge (I'll use that as an example) and that's all going to be done; the recommendation's in House; all the figures were furnished by the Highway Department; and you decide you don't want that, although we put it in there, and that's a letter of intent and everything, and you don't pay much attention to intent. In order to kill a project, you hire a consultant. He sucks up half the money, then you come back to us and tell us you haven't got enough money to build a bridge.

How are we going to impress on your/the Department that, when we write intent in here, we mean intent; that's where you're supposed to use the money; that you can't change it. Yes, but you do change it.

Holden: Well, Mr. Chairman, I'm not responsible for what happened before last July 1. Okay.

Swanson: Okay; all right. Now, I have a couple...

Holden: I'll tell you what to do--how to get around that. If you think that the Department is ignoring intent, then don't give us intent, put it in the bond issue. Because that...it just then becomes [inaudible] with school.

Swanson: Well, okay, that was going to be another point. Now another thing with the Department, if you will allow me to continue, Mr. Chairman, the Department of Highways told a Mr. Ryers in Tok, a couple of weeks ago, and the Governor was right there when he did it when they were really on the pan about doing the Salinas section of the Tok cutoff, he said: 'Well, all you gotta do is just have the Legislature appropriate the money, and we call that an emergency, and we go out and build the highway.' Now, that's not true, or is it true?

Holden: Yes, it's true.

Swanson: You can go out and appropriate the money on a federal highway and just start construction next week?

Holden: Here's an example; exactly what you're talking about: Bob Thomas, who is my/the Division of Transportation man up in Tok--he didn't exactly say what you just quoted. What he said was this: If the Legislature desires--and the Tok cutoff is a perfectly good example.

It is in terrible condition; it has been essentially destroyed by the pipeline for that section, Mile (what is it, Jim?) Mile 19 through 78 (Jim Eberhardt: 23, yes, right). We haven't got in our capital budget book--all these projects are now in the State's forms, which they never were, Forms 24 through 28--and if you... (Mavis, why don't you get those projects, because it's a good example.) Well, may I go through the problem?

The problem is that, when you're dealing with a federal highway, you can't just go build it. What you can do is you can change our priority proposal to have us allocate all the State and federal money required for construction. Now, what we haven't done in this proposal is we haven't said for this biennium, what we'll start doing is the design of that thing. Now, the design of a highway project takes a long time, because we have to go through a whole lot of hoops. We have to, first of all, well I don't want to bore you with the details. But because of the federal rules and public hearing requirements and so forth, it generally is about 18 months until we get through the preliminary design phase, provided we don't have to make an environmental impact statement; that is, you can get by with what they call an environmental impact assessment. If for some reason it's considered what the feds call a major action, then we have to do an impact statement, and an impact statement is a minimum of nine months to get approved through the various federal agencies from Juneau to D.C.

No, what we proposed with Tok is that we start the design work, and from 25 here you can see, for instance, Tok Highway, Mile 48 through 65, and budget year, we've got \$10,000 to do preliminary survey work; budget year plus 1, \$605,000 to do the preliminary design; budget year plus two, \$469,000 to do the final design; and then we start the next year after that, we fund construction. We have a priority problem. The Tok cutoff--and I agree completely with you--is in a disastrous state. The cost to fix it is about \$35 million; that's our estimate as we can see in the visible future.

Now, to put you in that picture statewide, we are getting approximately (what is it?) \$80 million in ABC funds (\$87 million, something of that sort). Okay, say \$80 million. We'll get \$80 million to spend on a project like Tok for the whole State and federal money plus whatever the State match is required. So, statewide, to do preliminary, secondary and urban stuff plus the special funds that we get, we've got about \$100 million for the whole State.

Swanson: Now, let me go back to policy. What the Department is telling people and what kind of predicament we're in. Now, this guy wants money. He's saying all you got to do is introduce a bill in the Legislature, appropriate

the money, and we'll immediately start building your road; and that's not true. Because you just got through telling me that 18 months--and that isn't what Highway Department told that man out there. They misinformed that man; they deliberately misled him into believing that this is what we can do; and I don't think that you should do that.

Holden: Well, Mr. Chairman, I don't know that Mr. Thomas misled anybody. I'd be very surprised; in my opinion, he is an extremely competent, honest man.

Swanson: Well, I don't know if/whether it was Mr. Thomas who made the statement or not...

Holden: He was the man who was there. What he said was this...

Swanson: Now, wait a minute. I don't think Thomas made those statements. I think somebody out of the Governor's Office made those statements.

Holden: That's not... The Governor wrote a letter to somebody from Tok. I saw a copy of it that said what we've programmed is the design money. Now, what Mr. Thomas said was the Legislature can appropriate the whole amount for the whole budget in just the design money, and you can do that. The problem that you get into then is that's a \$35 million job to do the whole thing, and we've got \$80 million statewide.

Swanson: Now that's... Mr. Chairman, again, I'm going to go back to what you're doing out there. You're going and telling the people that you're going...all we got to do is the Legislature can appropriate the money, and we'll go and build the road; and that's not true. Because everything--the impact statements and everything else--has to be done, and you put the monkey on our back when it doesn't belong there.

Holden: Well, the Legislature can appropriate the whole amount...

Swanson: Agreed.

Holden: ...which gets us through the whole project. What we've proposed is that we do it systematically by providing funding.

Swanson: I agree that you should have done it systematically. You should have picked out the worst sections of road and built them first.

Holden: That's what we're proposing to do.

Swanson: That's where the \$110 million should have gone. Now, anyway that's beside the point. The point I'm trying to make, Mr. Chairman, when we write intent into a piece

of legislation, they should listen to it. I don't know how we're going to write intent. The only way, as he said, is... The only way we can do it is to put it into a bond issue, then the Governor can't red-line it out; and that's the only way we can save it. We save it by losing half our money in the cost of the bonds, and we lose half a road. If we put it into a capital budget, then he can take it out, and I'm quite upset about Mr. Hammond's destroying our railroad now because we have appropriated money right here at this table.

HFC 78-84 #0907 - #1017

HOUSE FINANCE COMMITTEE

April 18, 1978

2:05 p.m.

PRESENT

All members of the Committee were in attendance, except Chairman Cowper, Representatives Meekins and Rhode. Representative Duncan arrived later in the meeting. Also in attendance: Representatives Nels Anderson and Terry Gardiner; Eric Yould, Executive Director, Alaska Power Authority; J. Williamson, R.W. Beck & Associates; Fred Boness, Deputy Commissioner, Department of Natural Resources; Department of Fish and Game: Bob Rausch, Director, Division of Game; Rupert Andrews, Director, Division of Sport Fish; Jeff Morrison, Director, Division of Administration; Jim Rhode, Administrative Assistant to Chairman Cowper; Jay Hogan, Director, and Bob Grogan and Bob Schroeder, Fiscal Analysts, Legislative Finance Division.

Vice Chairman Freeman called the meeting to order and stated the Committee would address HB 442:

HB 442

"An Act relating to the Alaska Power Authority;
and providing for an effective date."

[Representative Duncan arrived at this time.]

In referring to the Finance Committee Substitute (work draft copy) for HB 442, Representative Duncan stated it incorporates all the changes recommended by the subcommittee yesterday. He advised the Committee would hear testimony on proposed amendments by Mr. Williamson, representing the Southeast communities, and decide where to incorporate these in the bill.

Mr. Williamson began his presentation by stating these amendments relate to the engineering and construction phase. He advised the first, would add a new subsection (f) to Section 16. AS 44.56.170 that relates to the establishment of the revolving loan fund. He stated this would provide that projects that have outstanding loans at 3-5% interest rates and not exceeding 50-year terms would not have to repay such loans until the project becomes operable or 10 years from the date of the loan, whichever is earlier. In answer to a question, he stated the communities this would affect are Kodiak, Petersburg, Wrangell, Sitka and Ketchikan.

SOUTHEAST
COMMUNITIES
AMENDMENTS

Mr. Williamson advised the second amendment (page 8, line 3) relates to the "grandfather" clause, and the last amendment to Section 18. AS 44.56.180(e), relating to reconnaissance report approval by the Legislature, would make exception for those projects already approved by the Department of Commerce.

Representative Guy had a question pertaining to the eligibility criteria of the Alaska Power Authority revolving loan fund. In answer, Mr. Yould stated the ability of

the communities to repay the loans will be considered, but APA would take into account the need for the loans as well. Representative Guy brought up the guarantee of indebtedness by the Alaska Permanent Fund Corporation and asked if they were dipping into Permanent Fund money. Representative Gruening stated AS 37.13.200 deals with a guarantee in the income, not the principal. He advised the bill dealing with Permanent Fund procedures is HB 595.

Representative Haugen moved and asked unanimous consent that these amendments be adopted. Representative Gruening objected to the first amendment, stating he feels it should be left up to the discretion of APA as to whether they make these loans. He further stated he objects to repayment not being necessary until the project commences as a term of the loan. He commented, wherever possible, private financing should be obtained. Discussion followed.

There was discussion on the interest rate, with Mr. Yould stating with the revolving loan fund, APA regulations state they can go down to as low as 1% for any number of years for financing. There was discussion on the need for defining "small scale" power projects, with Mr. Yould stating he would not want to put restriction on monetary value and would rather do so on size. Discussion followed on using 5 megawatts as opposed to "under 30 megawatts" in defining small scale. In answer to a question, Mr. Yould stated cost of a 30 megawatt plant is \$70-\$100 million, and Mr. Williamson added that wouldn't be spent all in one year. Representative Gruening moved that power production facilities of 5 megawatts or less be defined as small scale, and then withdrew his motion.

There being no further objection, the amendments were adopted.

AMENDMENTS
ADOPTED

Representative Schaeffer proposed inserting "regional and" after "boroughs," on page 7, line 20. In answer to a question, he replied he is referring to the 12 Native regional corporations. Discussion followed on including profit-making corporations, with Representative Buchholdt pointing out the Native regional corporations fall into that category. Mr. Jim Rhode commented, when the original act was passed, effort was made to have APA supply power to private corporations. In answering a question, he stated Alaska Electric Light & Power is a private corporation. There being no objection to this proposal, it was so ordered.

SCHAEFFER
AMENDMENT
ADOPTED

Representative Duncan stated there had been discussion on deleting language in Section 17. AS.56.180(d) regarding public bidding. He advised it was suggested, on page 10, line 9, that a period be placed after "state", deleting "except that public bidding shall not be required,

AMENDMENT
ON PUBLIC
BIDDING
ADOPTED

if the authority so determines on projects in excess of \$50,000,000." Mr. Yould commented he sees no reason why public bidding should be exempt and that the construction part should be bid and procuring the services of a professional firm should be a negotiable contract. There being no objection, it was so ordered.

Mr. Yould proposed an addition to the "grandfather" clause (Section 17. AS 44.56.180(c)) be made and suggested the following language:

APA
AMENDMENT

"The requirements of Sec. (e) of this section do not apply to any project which the Authority has determined to finance and in which it will not maintain an ownership interest upon completion and for which the Legislature has adopted a resolution of approval prior to the conclusion of the Tenth Legislature."

He stated this would assure this requirement would not be imposed on APA and referred to the Healy and Solomon Gulch projects. Mr. Jim Rhode commented on the situation of bond council regarding these two projects. Representative Haugen asked about the Sitka project, and Mr. Yould replied the Healy and Solomon Gulch projects are projects they can proceed on, and at the present time, APA does not know the Sitka situation. Representative Gruening commented the resolution in this proposal should be denoted "concurrent".

ADOPTED

Mr. Yould brought up subsection (e), page 11, line 1, with regard to the Governor's evaluation and recommendations on long-term plans and wondered if he might hold up this submission if the plan is not completed. Representative Duncan stated ",if any," could be inserted after "plan". There being no objection, it was so ordered.

There being no further comment on HB 442, Vice Chairman Freeman advised action would be deferred until the Finance committee substitute is prepared incorporating the adopted amendments. HB 442 was held over until tomorrow.

HB 442
HELD OVER

Vice Chairman Freeman brought up HB 906 for consideration:

HB 906

"An Act making a special appropriation to the power project revolving fund; and providing for an effective date."

Vice Chairman Freeman stated this would appropriate \$5 million of general fund money to the revolving fund. He indicated the bill can be reported out at this time, if the Committee so desires. However, he commented he

feels the amount should be higher, but does not want to take the responsibility of doubling the figure in the absence of the Finance Committee Chairman.

Representative Haugen commented he feels that Sitka should be mentioned and that the figure should be \$10 million. Representative Duncan stated the subcommittee has not really had a chance to look this bill over. Representative Guy moved action on HB 906 be deferred until a later date. There being no objection, it was so ordered.

HB 906
HELD OVER

[The Committee recessed at 3:30 p.m. and reconvened at 3:40 p.m.]

RECESS

Vice Chairman Freeman brought the following bills up for discussion:

HB 927 - "An Act making a supplemental appropriation to the Department of Natural Resources, Federal-State Land Use Planning Commission; and providing for an effective date."

HB 927

HB 928 - "An Act making a supplemental appropriation to the Department of Natural Resources, Office of the Commissioner; and providing for an effective date."

HB 928

Mr. Boness testified briefly on both bills, stating HB 928 is a \$10,000 supplemental request made to fund legal services (Washington, D.C., attorney) for the State's participation in the Cook Inlet LNG rate-making proceedings. Representative Buchholdt asked if this would increase the rate of gas usage in the Anchorage area. Mr. Boness replied it may have that effect. However, he stated, at this point, it is not a rate hearing but a hearing to address natural gas issues. He advised, if it does become a rate hearing, it will be for gas sold out-of-State. He stated the hearings are going on right now in Washington, D.C.

In testifying on HB 927, Mr. Boness indicated he is not familiar with the request, but commented he believes it is part of the overall study the Federal-State Land Use Planning Commission has been conducting with regard to the status of lands available for State selection.

Vice Chairman Freeman commented Chairman Cowper had suggested combining HB 927 and HB 928 into one bill. Representative Duncan moved and asked unanimous consent that a Finance Committee Substitute be prepared for

HB 927 & 928
COMBINED

HB 927, adding a new Section 2, which would be Section 1 of HB 928, and that existing Section 2 become Section 3. Representative Swanson objected and then withdrew his objection. There being no further objection, it was so ordered. Finance Committee Substitute for HB 927 was reported out with a "do pass" recommendation.

FINANCE CS
FOR HB 927
REPORTED OUT

The next bill to come before the Committee was HB 683:

HB 683

"An Act making a special appropriation to the Department of Fish and Game, Fish and Wildlife books; and providing for an effective date."

Mr. Roth presented background information on this bill, stating several years ago, the Department requested a loan from program receipts in order to publish an atlas (Volume I) primarily on big game. He stated there was strong support for the first book and it was successful and it is now within about \$3,000 in being paid off. He advised this request is for publication of Volume II, an atlas containing maps of locations of various types of fish habitats. He commented the general fund would be reimbursed as the project pays off and that he believes it is a sound investment.

Mr. Andrews gave a brief presentation on the description of the book itself and showed the Committee a model of what it will look like. In answer to a question, he replied it includes all important species of commercial and sport fish. Questioned on the accuracy of the data, he stated it is based on an accumulation of 18 years and that the information was transmitted back to the agencies to make sure it was correct. Representative Buchholdt asked who will purchase the books other than the oil companies. Mr. Roth advised biological consultants, various industries, etc., have expressed an interest in the books.

In answer to a question, Mr. Roth stated 1,500 copies would be printed as opposed to 2,000 sets for the original big game volume. In answer to a question regarding program receipts, he stated they are generated from the sale of the books and the Department breaks this amount out and keeps track of how much is paid back to the general fund. With regard to a question on the printing of the books, Mr. Morrison stated this is contracted out and that the request is for publication and printing costs.

Representative Duncan moved and asked unanimous consent that HB 683 (Resources committee substitute) be reported out. There being no objection, it was so ordered. HB 683 was reported out with a "do pass" recommendation.

HB 683
REPORTED OUT

Vice Chairman Freeman brought up HB 923 for consideration:

HB 923

"An Act relating to the compensation of employees of permanent interim committees of the legislature; and providing for an effective date."

Mr. Hogan gave a brief explanation of his understanding of the bill. He stated it is a product of Chairman Cowper's working to correct the situation that arose regarding high-range positions (re: FCC Report 1977). He advised there is no fiscal impact.

Representative Duncan moved and asked unanimous consent that HB 923 be reported out. There being no objection, it was so ordered. HB 923 was reported out with a "do pass" recommendation.

HB 923
REPORTED OUT

HB 903 was brought up for discussion:

HB 903

"An Act establishing an invention awards program."

Vice Chairman Freeman advised the Committee this is Chairman Cowper's bill. There was brief discussion, and it was the general consensus that HB 903 be held over until Chairman Cowper's return.

HB 903
HELD OVER

The meeting adjourned at 4:11 p.m.

ADJOURN

HFC 78-84 #1221 - End
78-85 #0001 - #1493

P R O P O S E D A M E N D M E N T S

Offered in the HOUSE

TO: HOUSE BILL NO. 442(Finance)

By Southeast Communities
Presented by: J. Williamson
R.W. Beck & Associates

Page 8, line 20:

After "loan." add a new subsection to read:

(f) Persons with loans outstanding from the water resources revolving loan fund (AS 45.86) on the effective date of this Act may borrow from the power project revolving loan fund for a term not exceeding 50 years and at an interest rate of not less than three nor more than five per cent per year on the unpaid balance. Repayment of loan ^{principal and interest} shall commence on the date of commercial operation of the project funded by the loan or 10 years from the date the loan is granted, whichever is earlier.

Page 8, line 3:

After "loans" add the following language:

, except loans made under (f) of this section,

Page 10, line 22:

After "chapter," add the following language:

except on projects with a complete reconnaissance study on the effective date of this Act,

HOUSE FINANCE COMMITTEE
April 19, 1978
1:20 p.m.

All members of the Committee were in attendance, except Representatives Cowper, Swanson and Meekins. Also in attendance for portions of the meeting were the following persons testifying on bills: Senator Hackney, Representative Parr, Bruce Cummings, Division of Retirement and Benefits; Marsha Hubbard and Nola Capp, Department of Health and Social Services; and Sidney Heidersdorf, Department of Health and Social Services.

PRESENT

In the absence of Chairman Cowper, Vice-Chairman Freeman called the meeting to order and stated the first bill to be considered was SB 441.

SB 441

"An Act making a special appropriation to the Office of the Governor; and providing for an effective date."

Senator Hackney advised this is a request in the amount of \$30,000 for the Native Improvement and Development Association of Sitka (NIDAS). He advised Mr. Phil Marino came up with the idea of using the Chatham Cannery and turning it into a center for troubled youth. Senator Hackney advised he has talked to people in the Division of Health and Social Services, and they are excited about the idea. He stated that Roger Lange has worked in this area for many years, and is particularly excited about the idea of getting young people away from the environment that created the problems. He advised the \$30.0 is seed money to get the program started. Vice-Chairman Freeman commented that Mr. Marino had already talked to the Committee.

Representative Duncan moved that SB 441 be reported out. There being no objection, it was so ordered. SB 441 was reported out of Committee with a "do pass" recommendation.

SB 441
REPORTED
OUT

(Representative Gruening arrived at this time.)

Vice-Chairman Freeman stated the next bill to be considered was HB 797.

HB 797

"An Act making a special appropriation to the University of Alaska for expansion of its continuing education program for nurses; and providing for an effective date."

Representative Parr stated the information he has indicates continuing education for nurses is not what it should be. He advised the bill specifies that the education be in areas other than Anchorage. He stated the bill would be used almost exclusively for continuing education, mostly refresher courses.

He advised the second portion of the bill (baccalaureate degrees) would not be feasible at this time because of lack of community facilities and personnel in locations other than Anchorage. He stated that 90% of the funding would be for continuing education.

In answer to a question from Representative Buchholdt, Representative Parr stated the funds will go to areas where the need is greatest.

Representative Buchholdt moved that HB 797 be reported out. There being no objection, it was so ordered. HB 797 was reported out with a "do pass" recommendation.

HB 797
REPORTED
OUT

Vice-Chairman Freeman stated the next bill to be considered was HJR 43.

HJR 43

"Relating to withdrawal from social security coverage by policemen and firemen."

Mr. Bruce Cummings, Deputy Director, Division of Retirement and Benefits, stated they support this resolution. He advised the philosophy behind this resolution is to move these groups of employees out of the employment security system without jeopardizing employment security as a whole.

Representative Duncan asked if this relates to the public employees question. Mr. Cummings stated it is similar, but it is only for policemen and firemen. Mr. Cummings stated there is a committee studying social security withdrawal for the state as a whole. He advised that, if passed the state would withdraw social security coverage for all state employees. He advised HJR 43 would permit this to happen now for policemen and firemen, and not jeopardize the rest of the state employees.

Representative Duncan moved that HJR 43 be reported out. There being no objection, it was so ordered. HJR 43 was reported out with a "do pass" recommendation.

HJR 43
REPORTED
OUT

Vice-Chairman Freeman stated that at the request of Representative Schaeffer HB 822 (supplemental appropriation to the Department of Commerce and Economic Development, Geothermal study) would be held over pending receipt of additional information.

HB 822
HELD-OVER

Vice-Chairman Freeman advised the next bill to be considered was HB 929.

HB 929

"An Act making a supplemental appropriation to the Department of Health and Social Services, Violent Crimes Compensation Board, and providing for an effective date."

4/19/78

Marsha Hubbard and Nola Capp, Department of Health and Social Services, appeared before the Committee to testify on this bill. They presented a position paper. Ms. Hubbard advised the reason for the supplemental request is that they have received claims for 1978 in excess of their authorization. She stated this occurred last year also. She stated at this time they are not over-expending.

Representative Buchholdt moved that HB 929 be reported out. There being no objection, it was so ordered. HB 929 was reported out with a "do pass" recommendation.

HB 929
REPORTED
OUT

Vice Chairman Freeman stated the next bill to be considered was HB 442.

HB 422

"An Act relating to the Alaska Power Authority."

Vice-Chairman Freeman stated the Finance Committee Substitute, with changes requested by the Committee at an earlier meeting, had now been prepared. He called for an at-ease at 1:50 p.m. in order that Committee members could review the Committee Substitute. Vice-Chairman recalled the meeting to order at 2:10 p.m., and asked if there was any objection to the Committee Substitute.

Representative Gruening stated they overlooked something at their earlier meeting, and referred to page 8, sub-section (f). He stated that, as written, the effect of that section is to give those persons that have received general funds the right to come back to the power projects loan fund forever. He stated the intent was to exempt the project, not the person. Representative Gruening moved to amend page 8, section (f), to read "Projects for which loans are outstanding from the water resources revolving loan fund (AS 45.86) on the effective date of this Act may receive additional funding from the . . ." There was brief discussion. There being no objection, it was so ordered.

There was brief discussion on the entire committee substitute. Representative Gruening commented the legislature doesn't have any say about projects under \$5 million, and those which don't have to come to the general fund for money.

Representative Duncan moved that the finance committee substitute for HB 442 be reported out. There being no objection, it was so ordered. CSHB 442 (finance) was reported out with a "do pass" recommendation.

CSHB 442
REPORTED
OUT

Vice-Chairman Freeman stated the next bill to be considered was SB 45.

SB 45

"An Act relating to radiation protection."

4/19/78

Mr. Sidney Heidersdorf, Department of Health & Social Services, advised this bill will transfer statutory responsibility for all aspects of radiation to the Department of Health and Social Services from the Department of Environmental Conservation, except Environmental Conservation will maintain responsibility for radiation that effects the environment. He advised that everything is in the air right now, and no one knows who to call regarding radiation. He stated the fiscal note includes a position in radiation health.

Representative Duncan asked about Keith Specking's letter of March 15, 1978, and Mr. Heidersdorf stated the Department has no objection to the amendments recommended in that letter.

Representative Duncan moved and asked unanimous consent to adopt the amendments proposed in Specking's letter (see attached). There being no objection, it was so ordered.

SB 45
AMENDED

Because a quorum was no longer present, Vice-Chairman Freeman adjourned the meeting at this time. The meeting adjourned at 2:55 p.m.

ADJOURN

Tape HFC 78-85 #1493 to end
HFC 78-86 # 001 to 931

4/19/78

cc: House Finance Members

JAY S. HAMMOND
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 15, 1978

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

Dear Steve:

In reviewing HCS SB 45 it appears that excluding both the Department of Environmental Conservation and the Department of Military Affairs would preclude those agencies from carrying out their statutory responsibilities for radiation related activities.

It is recommended that the following amendments to HCS SB 45 be adopted:

Page 3, between lines 8 and 9, insert the following:

"(c) Sections 475 - 545 of this chapter do not apply to the functions and responsibilities of the Alaska Department of Military Affairs in carrying out the provisions of AS 26 pertaining to the planning for, and response to, radiation resulting from the detonation of atomic or nuclear weapons."

Page 4, lines 14 and 15:

Delete "No state agency other than the Department of Health and Social Services may" and insert in its place "Except for the Department of Health and Social Services, the Department of Environmental Conservation, and the Department of Military Affairs, no state agency may."

Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "Keith".

Keith W. Specking
Legislative Assistant
to the Governor

HOUSE FINANCE COMMITTEE

April 20, 1978

1:26 p.m.

All members of the Committee were in attendance, except Representatives Buchholdt, Duncan, Schaeffer and Swanson. Representative Gruening arrived later in the meeting. Also in attendance: Representative Charlie Parr; Roger Weed, Director, and Rod Cadgin, Hope Cottage; from the University of Alaska; Jerry Bowket, Director, Information Services; Kerry Romesburg, Director Commission on Post Secondary Education; Millie Banfield, Board of Regents; Dr. Donald Dafoe; Jim Rhode, Administrative Assistant to Chairman Cowper; Dave Scott, Legislative Finance.

PRESENT

Chairman Cowper called the meeting to order and stated the Committee would hear testimony from Hope Cottage people regarding a capital request, while awaiting the arrival of President Foster Diebold and Dr. Earle Brewer, University of Alaska.

Mr. Weed testified the \$620,000 capital request is to assist in replacing the facility at Hope Cottage, which does not meet current environmental standards. He advised Hope Cottage is a medicaid project for the severely mentally retarded and handicapped children and that they will be allowed until July 1980 to complete the project. Total cost, he stated, is \$1,620,000, which is the amount determined at the conclusion of a feasibility study by Morris Thompson. He stated they have received \$1,000,000 from the community, but are short \$620,000 in replacing the facility.

HOPE COTTAGE

Representative Meekins stated, as a result if the facility is not replaced, the State would institutionalize these children, probably in Harborview. In answer to a question, he advised Harborview is full and commented they also have a capital request in. He cited three reasons why he feels this project is important: (1) The resources are in the Anchorage area, such as bus systems, swimming pools, etc.; (2) It is closer, in that half the children come from the Anchorage area; (3) It is a better place in terms of helping these children, in that they progress much better in an atmosphere like Hope Cottage.

[Representative Gruening arrived at this time.]

Mr. Weed stated Hope Cottage is one of two medicaid certified projects in the State and that the children, do indeed, make dramatic progress in this less restrictive and less institutionalized type of setting. He advised Harborview will give them less care for more money. Representative Rhode asked if this program is related to the Jesse Lee Home, and Mr. Weed indicated no, that the Jesse Lee Home relates to delinquent and supervision problems.

Representative Gruening commented the merit of the Hope Cottage program shows in the support of the community. Representative Meekins advised the subcommittee would pursue this further.

Chairman Cowper brought up HB 891 for consideration:

HB 891

"An Act providing for the reorganization of the University of Alaska; and providing for an effective date."

Chairman Cowper asked Representative Parr, HESS Chairman, for a review of the bill and its committee substitute. He indicated President Diebold and Dr. Brewer should be here shortly and that their plane had been delayed.

In discussing the highly-centralized structure of the University, Representative Parr stated it is no longer adequate as it once was in earlier years. He stated the growth is such that decentralization of control and operations is both desirable and feasible. He advised the bill keeps the basic existing organizational structure but attempts to require that authority and responsibility be delegated at lower levels.

In referring to CSHB 891, page 3, lines 3-13, Representative Parr advised this provides for the establishing of future campuses. He stated this is subject to legislative approval, and there is a two-year moratorium.

Representative Parr commented the bill envisions that, when budgets are submitted, the Finance Committee would know who made the original budget request. He indicated this bill does not permit a Board of Regents budget; it would be submitted by the chancellors. In discussing the HESS committee's action on the bill, he advised they removed the president from the chain of command, in that the chancellors should be responsible for their own shops.

Representative Parr stated a controversial portion of the bill is the establishment of an advisory council for each campus. He noted the advisory council can "recommend to the Board of Regents the dismissal, demotion, or retirement of the chancellor of the campus or the campus president." He indicated another duty is to advise the Regents "with respect to institutional program direction, campus management and organizational systems, campus budget submissions, and other policy issues as appropriate."

Representative Parr advised a contingency fund has been added to the HESS committee substitute, together with the requirement that the University headquarters be located in the State capital and that any transfer of funds between the campuses is prohibited.

Chairman Cowper brought up the subject of accreditation, and stated he had been informed by a Board of Regent member there may be a problem in that area. He asked if the HESS committee considered that. Representative Parr indicated accreditation was considered and referred to the Northwest Accreditation Association and their comments on HB 493 last year with regard to decentralization of the University. He stated they indicated accreditation would not be jeopardized and that, over the next few years, it would be done on a campus-by-campus basis. Brief discussion followed, with reference being made to Jeff Cook's statement.

Representative Rhode asked if there were a conflict with this bill and the University constitution. Representative Parr commented, with regard to taking away the Regents' power to approve the budget, the constitution states the University is governed by the Board of Regents in accordance with law. He advised, in the opinion of Legislative Affairs, this does not present a conflict.

In answer to a question, Representative Parr stated HESS committee's approach was the chancellors would do their own hiring and appointing of their own people, not to have someone else do it for them; they would be responsible for their own campus. Representative Gruening brought up the policy being directed toward the president and stated he prefers that people developing policy work directly with the Board of Regents. He indicated he feels the real direction is going to come from the president's office unless this is limited. Representative Parr referred to page 6, lines 24-29, and stated there is no policy-making function there. He commented the president would just make recommendations and provide leadership and monitor and evaluate policy implementation.

At this point, Chairman Cowper asked for comment from Mr. Bowket. Referring to page 9, item (7) (Duties of Chancellors), the annual report to the Board of Regents, Mr. Bowket suggested that what is contained in that report be parallel to the Board of Regents' annual report to the Legislature and that this be addressed in the bill.

In answer to a question, Mr. Romesburg indicated this type of decentralized system does exist in a number of other states, but that the budget aspect does not. He commented he is a strong advocate on decentralization, but is uncomfortable with the budget aspects of the bill with regard to the duties of the Regents. He stated the decentralized portion does nothing the Regents cannot do on their own if they want to; this merely points the direction and gives them a time limit.

Mr. Romesburg expressed concern with that portion of the bill dealing with the Board of Regents "review budgets and transmit recommendations on the budgets to the governor and legislature" (Section 8(a)(7)). He stated the question remains whether budget approval is a required function of the governing board. Mr. Romesburg stated the other area he is uncomfortable with is the fact that there can be no transfers of funds within the system--no proviso for moving funds. There was discussion on the contingency fund, with Mr. Romesburg stating he agrees with that.

Chairman Cowper commented transferring between allocations is already being done by the University, as well as all State agencies. He stated the only alternative is appropriating a lump sum. He remarked this is part of the statewide problem. Mr. Romesburg commented if the University were under the Executive Budget Act--which they are, and acting in good faith--that part of the bill might not be necessary.

Chairman Cowper asked what states have this type of system, and Mr. Romesburg stated there are 24-25 states that have a central governing board. He cited as examples California, Utah, Arizona, and to a degree, Nevada, Oregon and Washington. Chairman Cowper asked if they have centralized responsibility with regard to the budget, and Mr. Romesburg answered yes. Discussion followed, with Mr. Romesburg stating if the Legislature just mandates that the budgets, as submitted by the campuses, be submitted with the Board of Regents' to the Legislature, this would accomplish the same intent.

Mr. Romesburg suggested, when the institutional budgets come in making their recommendations to the Regents, perhaps "approve" as opposed to "review" (page 4, line 28) could be inserted. He stated he feels the governing board is already a judge. Discussion followed, with Mr. Romesburg stating he feels the "approval" language should be in the bill. Mr. Romesburg cited a court case in Nebraska where the legislature appropriated money at campus level, and the Regents said only appropriate in lump sum. He stated the Regents lost.

Chairman Cowper commented the Governor believes a lump sum should be appropriated to the University, while the Legislature believes there should be some intent written, because the budgets do not bear any relation to the original requests by the time they reach the Legislature.

Mr. Scott pointed out Section 8(a)(9)(F) requires that the University adopt "uniform budgeting procedures". Discussion followed, with Dr. Dafoe presenting testimony on this section regarding the preparation of a standard

budget. Representative Gruening commented there should be a separate budget at the campus level so the Regents do not interfere with this. Mr. Romesburg stated, if the Governor and the Legislature would enforce the fact that, the University is under the Executive Budget Act, there wouldn't be this problem.

Representative Parr commented, when it comes to the larger campuses, the campus request could be kept, as opposed to the total budget request. Mr. Romesburg stated he didn't believe the Legislature would be undermining the University at all by doing this.

Mrs. Banfield asked if the Regents are not going to approve the budget, but in fact, the Legislature will be doing it, does this mean that staff has input into writing the budget. Chairman Cowper stated, if by staff she meant legislative staff, then no. He stated the Legislature will get the budget from the Governor as it does every year. He remarked the intent is to treat the University budget like any other State agency budget.

Representative Meekins asked if there would then be an additional column in the short form--a Regents' column. Mr. Scott advised, currently, the short form is the Regents' budget. He stated, under this bill, what is now the maintenance request would be the chancellors' request; there would be another column which would be the Regents' column. Representative Meekins stated it doesn't seem to make any difference; what is critical is the Legislature presently does not have the power to reach back to the chancellor. He commented the agency request column at this time is not at all what the real agency request is. There was brief discussion.

Chairman Cowper advised he would like to continue this hearing tomorrow when President Diebold and Dr. Brewer could be present.

Chairman Cowper brought up HB 737 for discussion:

HB 737

"An Act relating to the indemnification of University of Alaska and school district employees."

Chairman Cowper stated this bill applies to REAAs who are not protected at this time. He advised there is a fiscal note of zero. He commented the bill provides that school boards and the Board of Regents have to insure or indemnify any member of the Board if they are sued.

Representative Guy questioned the REAA's involvement. Chairman Cowper stated it was his understanding that Roger Lang requested that they be included.

Chairman Cowper advised Health and Social Services Committee recommended amending page 1, line 10, changing Sec. 14.12.150 to 14.12.095 and adding a new Section (b) "For the purpose of this section, 'school board' includes regional educational attendance area boards." There was brief discussion.

H&SS
AMENDMENTS

Chairman Cowper moved a Finance Committee Substitute be prepared incorporating the H&SS committee amendments. There being no objection, it was so ordered. Finance Committee Substitute for HB 737 was reported out with a "do pass" recommendation.

FINANCE CS
FOR HB 737
REPORTED OUT

The meeting adjourned at 3:00 p.m.

ADJOURN

HFC 78-86 #0932 - End
78-87 #0001 - #0835

HOUSE FINANCE COMMITTEE

April 21, 1978

8:40 a.m.

All members of the Committee were in attendance, except Representatives Buchholdt, Meekins, and Swanson. In attendance representing the University of Alaska were President Foster Diebold, Earle Brewer, John Morak, and Dr. Block. Also in attendance was Dr. Don Dafoe.

PRESENT

Chairman Cowper called the meeting to order and stated the Committee would continue to receive testimony on HB 891.

HB 891

An Act providing for the reorganization of the University of Alaska; and providing for an effective date.

President Diebold presented written testimony which he had presented to the Health and Social Services Committee on March 20, 1978 (see attachment #1). He advised that in that testimony he was not trying to make the point that the Northwest Association of Schools and Colleges (NWACS) was going to come up to Alaska and remove their accreditation. He stated this would not be the situation. He advised the standard set by the NWASC is a philosophy of institutional integrity. He stated there are other aspects of institutional integrity not related to the fiscal situation. He stated that HB 891 increases the possibility of counterproductive activity within the University. He then read from his HESS testimony.

President Diebold stated these areas in the amended version can be added to the previous list (in HESS testimony) which take away from the management and governing board: Naming and location of statewide office; placing campus personnel officers by statute into the personnel act; limits the administrative authority of the president (this limitation has to do with responsibilities of the chancellors); creates and establishes all campus advisory councils. He stated he is also concerned with the amendment concerning the position of the comptroller. He stated he does think the Board should have a comptroller; his concern is in the description where it states that he disburses funds and then audits himself.

President Diebold stated he supports the notion that it would be functionless to have a board of regents that merely reviews the budget. He stated that in a piece of legislation that wants to free the Board to perform governing functions, that the Board has not been given much latitude to perform those governing functions.

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Chairman Cowper asked other than the requirement that advisory councils confirm the appointment of a chancellor or community college president, what powers was President Diebold concerned about. President Diebold stated he would suggest that any campus advisory committee that begins with a right to approve the executive officer of that unit would think they could control that unit. Chairman Cowper asked if this was the only thing he was talking about. President Diebold stated that from that decision making process will flow a variety of powers to that campus advisory group. Chairman Cowper stated the question asked was, was there anything else in that legislation, other than confirming appointments of chancellors, that he was concerned about. President Diebold stated not specifically, but he is suggesting that if this is enacted, there will be other powers that follow.

Chairman Cowper asked if the Northwest Association of Schools and Colleges was the organization by which the University was accredited. President Diebold stated this was correct. Chairman Cowper asked how they got that power, and who gave it to them. President Diebold stated he believes there are six such organizations in the United States. He advised the NWASC publishes a set of general information on procedures and standards for when accreditation comes up for research. He stated they are non-statutory, and set up standards for what a University will do in terms of organizing itself. Chairman Cowper asked who appoints the persons who serve. Dr. Dafoe advised the members are appointed by the Commission itself.

Dr. Dafoe stated he thinks the approach of the NWASC on non-interference on budgetary matters is more philosophical than anything else. He stated that in Alaska the Association no longer accredits the statewide organization, they accredit components. He stated he thinks their concern will be more on the integrity of the components' budgets than on what the overall budget is.

(Representative Gruening arrived at this time.)

President Diebold stated Dr. Dafoe is right, their concern is with the standards of an individual operating unit. He stated his concern is they don't have enough answers as to whether or not this piece of legislation would have an effect on the institutional integrity of a component as it relates to their budget.

Chairman Cowper asked if he was saying that the Legislature should have no authority at all in setting budgets. President Diebold stated no, he believes that legislative oversight is absolutely appropriate. He stated he is talking about the approval process and how it relates to institutional integrity.

There was discussion on accreditation. Dr. Dafoe stated the NWASC is made up basically of the 13 western states, and middle atlantic. He stated that in addition to the institutional accreditation, there is also accreditation by departments. Chairman Cowper commented that the community colleges that were previously under the umbrella of the University would have to stand or fall on their own merit. He asked if this meant they were going to have to add certain administrative personnel and new professors (double in size) to be accredited. President Diebold said no, but this is something that has to be watched very closely. He stated that many people use accreditation to justify local changes.

Dr. Dafoe stated that relating to President Diebold's concern of the comptroller, if you are making the assumption that the University is going to decentralize accounting and payroll, you have to have a way to take state funds and transfer them to a unit. He stated this is merely an administrative thing, and he doesn't think it would interfere with the comptrollers ability to do a general audit. President Diebold stated he thinks that is what takes place now. He stated he was not making the assumption that they would be decentralizing payroll and accounting.

President Diebold stated the first line responsibility for setting the budget rests with the Board. He stated this legislation suggests the contrary, with the Board only reviewing the budget, and it goes directly to the Legislature for approval. Representative Gruening stated he doesn't see how this could jepordize accreditation. President Diebold stated the Legislature could decide that "campus x" should not be functioning they way it has been and decide to underfund it. He stated if the Legislature did that, the campus would have an accreditation problem. Representative Gruening stated they could do that now. President Diebold stated he is most uncomfortable with legislation that gives the Legislature absolute authority. There was brief discussion.

Representative Gruening referred to page 4, line 28 of the committee substitute, and asked if the words "and approve" were added after "review", if it would take care of President Diebold's objections. President Diebold stated he would be more comfortable with that.

President Diebold stated the primary reason for his going to the Board of Regents and asking for the right to direct the redevelopment of the budget process is that he wants

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to bring the budget down to the departmental level. He stated he wants the chancellors to be in the position where they must design their budget, and arbitrate and negotiate with the governing body, and live with their decisions.

Chairman Cowper stated the organization set up in this bill out of HESS organizes the University on the basis of three university campuses and also has a community college division. He stated that from the standpoint of administrative practices there will be considerable problems between community colleges and senior colleges. He asked how President Diebold felt the best way to handle this was. He asked if the Chancellor of the campus should have overall authority, or if disputes should be arbitrated from above. President Diebold stated the trouble with this question is the assumption that you are dealing with a uniform thing. He stated the campuses are not all the same, and you cannot have the authority with a single chancellor at the university level. He stated the Juneau situation is an example of this, and he would prefer not to comment at this time as they will be meeting next week on this subject. Chairman Cowper stated they are talking about conflicts over space, classroom offerings, etc., and asked if President Diebold would see these conflicts being resolved differently if this bill were to pass. President Diebold stated yes, but he couldn't elaborate at this time. He commented that the way things are done now are not necessarily the way things should be done.

(Representative Duncan arrived at this time.)

Chairman Cowper asked how conflicts are handled between the Anchorage Community College and the University of Alaska, Anchorage at this time. President Diebold advised a council was created this year with representatives from both sides. He stated it was set up to resolve these type of conflicts. He stated that if all issues were uniform, and the councils were operating at 100% integrity, you could have some working kind of thing; but that is not what happens. He stated there are too many "freedoms" where people can move in and do things which you find out about later.

Chairman Cowper asked if the best way to resolve conflicts then was for someone "outside", above the system, to resolve them if it can't be done on a group basis. President Diebold stated in some cases that is most appropriate. He stated he thinks if the Board had a policy governing these things before the fact, it would be a better situation. There was discussion on how conflicts are resolved.

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President Diebold stated he thinks there was a clear attempt in the amended version to reduce the powers of the president.

Mr. John Morack, Associate Professor, Physics, UAF, and President of the Fairbanks Assembly, presented a statement prepared by the Assembly (see attachment #2). He stated the University has had various problems relating to finances, but there has been a significant improvement in this areas. He stated this legislation will add to their problems, and the most serious affect could be on their accreditation.

Chairman Cowper stated he was interested in Moracks's statement that the bill has statewide ramifications which could be detrimental to the Fairbanks campus. He asked what this could be. Mr. Morack commented first, that he didn't think it would make a bit of difference if statewide administration is in Fairbanks or not. He stated there is a tendancy now to think of Fairbanks and the statewide administration as the same thing; they are two separate units. Mr. Morack stated in the past they have had a relationship with TVCC that is pretty good. He stated that he didn't think decisions (such as their relationship with TVCC) should be legislated. He stated there should be enough flexibility within the system so it can be changed easily.

Dr. Block, Associate Professor, Chemistry Department, UAF, presented a letter from the Fairbanks Faculty Association (see attachment #3). Dr. Block stated he would like to echo what President Diebold said, that he is convinced the Board is the best type of board to be governing the University. He stated if the Board's budget authority is removed, there is nothing left for the Board. He stated he still thinks they need be be accredited by NWASC, for transferring students from one institution to another, if nothing else. He advised this is different from departmental accreditation, but he still thinks they need it.

Dr. Block stated the University has reorganized several times in the past four-five years. He stated he is not sure the present structure has been in existance long enough to be sure it will or will not work. He stated that before changing the system again, he would like to give this one a chance to work. Chairman Cowper stated he didn't see any substantial changes in this bill from the way things are done now, with the exception of approval of the budget by the Board, and maybe that situation could be resolved. Dr. Block stated he thinks one thing they would be losing by the passage of HB 891 would be flexibility. He stated it does look like what they are doing now, except that it is legislated. He stated that if it is legislated, there is not much opportunity for even small changes.

Chairman Cowper asked if Dr. Block thought the chancellor should have the right to hire or fire him. Dr. Block stated the chancellor should have the authority to choose who his faculty members would be.

Representative Gruening stated he thinks this legislation actually strengthens the role of the Board of Regents.

Chairman Cowper referred HB 891 to a Subcommittee consisting of himself as chairman, Representatives Gruening and Rhode.

The meeting adjourned at 10:07 a.m.

HB 891
SUBCOMMITTEE
APPOINTED

ADJOURN

Tape HFC 78-87 #835 to end
HFC 78-88 #001 to 535

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UNIVERSITY OF ALASKA

March 20, 1978

Testimony before House HESS / Foster F. Diebold, President, University of Alaska

Re: HB 891

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House Bill 891 states the parameters and tone for that which it seeks to accomplish by starting out on page 1 with, among others, two assumptions. These assumptions are (1) that the accelerated growth of the University of Alaska has reached the point at which "the highly centralized governance and administrative structure...is no longer adequate," and (2) that decentralization will "free the Board of Regents to fulfill the governance functions which it alone can perform: the establishment and monitoring of policy and long-range planning." Both of these stated assumptions are part of the foundation for a bill which seeks, as one of its aims, to withdraw budget control from the Board of Regents by budget decentralization. As stated on page 9 of HB 891, the budget, with recommendations (not approval) by the Board of Regents, will be "forwarded by the President of the University to the Governor and the Legislature." Clearly, HB 891 would take away the Board of Regents' power to control the University budget and "free" the Board to devote itself to "the establishment and monitoring of policy and long-range planning."

I am gravely concerned about this proposed legislation, and to illustrate why I will quote from page 75 of the most recent edition of the ACCREDITATION HANDBOOK of the NORTHWEST ASSOCIATION OF SCHOOLS AND COLLEGES, the organization by which the University of Alaska is accredited:

"IV EXTERNAL BUDGET CONTROL

THE GOVERNING BOARD OF AN INSTITUTION MUST CONTROL THE INSTITUTION'S BUDGET, WHICH IS THE EXPRESSION OF THE INSTITUTION'S PLANS IN FINANCIAL TERMS. UNLESS THE GOVERNING BOARD HAS CONTROL OF THE BUDGET IT CANNOT COMPLETE ITS PLANNING FUNCTION OR ENSURE THE IMPLEMENTATION OF ITS PLANS."

UNIVERSITY OF ALASKA

March 20, 1978

Testimony before House HESS / Foster F. Diebold, President, University of Alaska

Re: HB 891

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The NORTHWEST ASSOCIATION is one of the six regional associations in the United States which accredits institutions of higher education. It is reasonable to assume that the Association, which has been in existence since 1917, has a knowledge of what constitutes institutional integrity within the bounds of appropriate autonomy and freedom. It is this knowledge which undoubtedly prompts the statement (also found on page 75 of the ACCREDITATION HANDBOOK) that:

"if an external agency has a responsibility for pre-auditing or post-auditing it should check only on such matters as arithmetic accuracy, authenticity of signature, consistency with the provisions of the budget, and legality; it should not question the appropriateness of a particular expenditure."

Considering the fact that accreditation of the University of Alaska is what makes its degree programs acceptable, and further, allows the University of Alaska, through the United States Office of Education Division of Eligibility and Agency Evaluations, to receive Federal contracts and grants (the University of Alaska annually receives approximately 40 million dollars in contracts and grants), it is almost frightening that in the eleven pages of HB 891 there is no mention at all of accreditation and the consequences thereof as related to the "reorganization" and "decentralization" which are proposed.

To put it simply, and as quoted on page 22 of the NORTHWEST ASSOCIATION ACCREDITATION HANDBOOK:

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UNIVERSITY OF ALASKA

March 20, 1978

Testimony before House HESS/ Foster F. Diebold, President, University of Alaska

Re: HB 891

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"an educational institution can neither conduct a sound educational program if its operational procedures are set by legislative act nor be properly administered if an agency either outside or superimposed upon the institution exercises undue or restrictive financial control."

Listed below are the "operational procedures" of the University of Alaska, which would be set or influenced by the Legislature if HB 891 becomes law:

- (1) naming and identification of the component parts of the Statewide University System (p.2)
- (2) procedures and criteria for the establishment of new campuses (p.2)
- (3) specifying the location of University College extension services (p.3)
- (4) specifying the parameters of the development of the long-range plan(p.5)
- (5) specifying the parameters of personnel action in terms of the Board of Regents' power to remove officers (p.6)
- (6) setting the degree of authority, operational responsibility and duties of the University Chancellors (p.7)

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UNIVERSITY OF ALASKA

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Testimony before House HESS/ Foster F. Diebold, President, University of Alaska

Re: HB 891

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- (7) setting the degree of authority of Community College presidents (p.8)
- (8) setting the degree of authority of the Comptroller reporting to the Board of Regents (p.9)
- (9) setting the procedures for the format, structure and concepts of the University budget development process (p.9)
- (10) setting the organizational structure of the University as to personnel services (p.11)
- (11) setting the organizational structure of the University as to financial services (p.11)

If we are willing to accept as logical the management concept which suggests that goal-setting must be a systematic, controlled effort, then it should not be difficult to recognize that HB 891 encourages the possibility of counterproductive activity by creating, in effect, a non-collaborative budget development policy covering fifteen components each going directly to the Legislature for approval. Further, this process would encourage the components to operate as separate and distinct parts, but nonetheless, somehow, as stated in the introduction of HB 891, the Board of Regents is to engage itself in "long-range planning." The planning process, by any standard,

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UNIVERSITY OF ALASKA

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Testimony before House HESS/ Foster F. Diebold, President, University of Alaska

Re: HB 891

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cannot be separate from the control of the fiscal resources; it doesn't work any other way. Planning is a continuous process which relates organizational aspirations to the limitation of fiscal resources and must be as stated above, systematic. One cannot take fifteen independently arrived at "plans" and mold them after the fact into a rational plan. Planning involves the orderly process of centralized information and data collection; analysis and evaluation of the data; examination of all reasonable alternatives; setting of priorities; development of a planning document; and periodic updating of the planning process and its objectives.

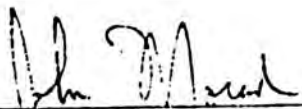
I do not think HB 891 allows any chance for successful implementation of a rational, planning model, nor does it take into account the absolute necessity for a university to sustain institutional integrity by having appropriate autonomy and freedom, and not having unwarranted harrassment and inappropriate pressure. I am certain that the motives of the individuals who developed HB 891 were well-intended and designed to accomplish the very best on behalf of the University of Alaska. I am equally certain that HB-891, if passed into law as now presented, would not help the University at all to better serve the citizens of the State.

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RESOLUTION
from the
STAFF AFFAIRS AND THE ADMINISTRATIVE COMMITTEES
of the
FAIRBANKS ASSEMBLY
UNIVERSITY OF ALASKA, FAIRBANKS



John Morack, President
Fairbanks Assembly

19 April 1978

The staff, students, and faculty of the University of Alaska at Fairbanks wish at this time to express their concern about the many bills relative to the University which the Alaska Legislature is currently considering. We are disturbed that the Alaska Legislature has entered the internal affairs of the University as a result of an administrative malfunction. While well-meaning, such action threatens to destroy the constitutionally established autonomy of the University.

The University has had serious problems in the last few years in its fiscal operation, institutional planning, and decision-making. While these problems have not yet been entirely eliminated, there has been significant improvement in most areas. The fiscal operations have greatly improved in the last few months. Status reports are current and accurate, the few remaining payroll problems are minor, and the administration is seeking solutions for the cash flow problems.

The preparation of the budget has long been a most unsatisfactory process for all units of the University. Under past procedures, the central administration has taken all budget requests and synthesized them into a consolidated budget for presentation to the Regents. In many cases, local priorities are not reflected in the consolidated budget. However, the Board is currently setting up procedures for each unit to present its own budget request directly to the Board.

The Board of Regents is presently responsible for the establishment and monitoring of policy and long-range planning. We feel that the statewide perspective that the Board provides is a useful and necessary ingredient of the statewide higher educational system. We, on the Fairbanks Campus, are deeply concerned that the proposed solution to the problems which exist primarily in Anchorage and Juneau will have statewide ramifications that will be detrimental to the Fairbanks Campus. Organizational change should not be legislated, but should be determined by the Board of Regents to insure the best, most efficient, and flexible delivery of the educational programs at each campus.

Perhaps the most serious concern of the Fairbanks faculty, staff and students is an attempt to withdraw budgetary control from the Board of Regents. This could have a disastrous effect on University accreditation. The Northwest Association

is one of the six regional associations which accredits institutions of higher learning. In its most recent handbook on accreditation, the following statements regarding external budget control are given:

The governing board of an institution must control the institution's budget, which is the expression of the institution's plans in financial terms. Unless the governing board has control of the budget it cannot complete its planning function or ensure the implementation of its plans.

When an institution depends for its support on an external agency--state, church, or other public or private agency--the external agency will determine the amount of support it will provide and may appropriately indicate in broad terms the categories for which support is provided and the amounts. The external agency should not, through line items control or other means, determine in detail how the funds are to be spent. This is a function of the governing board and the institution's officers.

Once funds have been allocated, the normal expectation should be that the amount of funds will not be reduced. If subsequent developments necessitate reduction of the allocation, the governing board and the institution's officers should determine how and where the reductions are to be made.

If an external agency has a responsibility for pre-auditing or post-auditing it should check only on such matters as arithmetic accuracy, authenticity of signatures, consistency with the provisions of the budget, and legality; it should not question the appropriateness of a particular expenditure.¹

In summary, the University has made substantial progress in solving its problems. The House is now considering legislation that adds to rather than resolves the remaining problems. Passage of these bills will promote uncontrolled growth, threaten accreditation, and jeopardize planning and coordination. The governance and financial responsibilities of the University of Alaska must remain with the Board of Regents.

¹Accreditation Handbook; Northwest Association of Schools and Colleges, Commission on Colleges, 1977 Edition, p. 75.

FAIRBANKS FACULTY ASSOCIATION

at the University of Alaska
P.O. Box 80032, Fairbanks 99708

April 20, 1978

The Honorable Steve Cowper, Chairman, and
Members of the House Finance Committee
Alaska State House of Representatives
Pouch V, State Capitol Building
Juneau, Alaska 99811

Dear Representative Cowper:

The Fairbanks Faculty Association was established in 1972 to provide a forum to faculty members for the open discussion of problems affecting the performance of their educational functions and for the development of solutions to those problems; to preserve and strengthen an atmosphere of free inquiry and expression which is essential to academic excellence; to further communication and understanding among faculty, students, and administration; to study and promote improvements in faculty status; to represent faculty interests and responsibilities in policy making and budgeting for the University; to provide information to the people of Alaska and their governing officials on the goals, problems, and needs of the University and its faculty; and to cooperate with the University Assembly and other university groups to accomplish our common purpose.

The Fairbanks Faculty Association's Board of Directors strongly opposes the direct legislative influence over the management and financial operation of the University of Alaska System which is outlined in HB 410, 415, 493, and, particularly, 891. We recognize that past inadequacies in competence and leadership have diminished confidence that the statewide administration and the Board of Regents can institute the necessary controls to assure satisfactory oversight of the University's affairs. We share the frustration of the public and the Legislature with the unrealized expectations for the development and delivery of quality educational opportunities at the university level on the campuses and across the State. We have experienced the demoralizing effects of budget uncertainties and restrictions brought about by an inadequate accounting/management system and a new computer. However, we do not believe that the solution to these problems necessarily lies with the decentralization of the University of Alaska System, nor with removal of the decisions regarding budget allocations from the Board of Regents to the Legislature.

Those who believe that the Legislature will act with more responsibility than the Board of Regents for the best interests of higher education in the State of Alaska have a short memory. Even with the restricted authority of the past, legislative committees have responded to political pressures in impelling the establishment of community colleges, programs, and capital expenditures which were not considered high priorities by those responsible for the governance of the University of Alaska System, the Board of Regents. Rarely were the added costs of these endeavors adequately funded. More often, their added expenses further eroded the programs already offered by the University. It is essential that a university be insulated from political guidance if the integrity of its programs and academic freedom are to be adequately protected.

April 20, 1978

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The Constitution of the State of Alaska requires that the University of Alaska shall be governed by a Board of Regents and that the regents shall, in accordance with law, formulate policy. Control of the budget can determine the policies and development of the University of Alaska perhaps more than any other single factor. Freeing "the Board of Regents to fulfill the governance functions which it alone can perform: the establishment and monitoring of policy and long range planning" is an empty promise if the Board of Regents loses the power to control the University's budget. Furthermore, the loss of budgetary control might seriously jeopardize the University's accreditation which requires that "The governing board of an institution must control the institution's budget, which is the expression of the institution's plans in financial terms." Loss of accreditation would have disastrous consequences for the University of Alaska, its faculties and students, and the public of the State of Alaska.

We believe that the administration and the Board of Regents have already made significant changes in the financial/management structure of the University and should be given every opportunity to evolve the best system of higher education attainable within the total budget allocation provided by the State of Alaska. The payroll system is working, accounts are being brought up to date, and the deficits are being identified and controlled. While commending their progress so far, and expressing a desire to give these structural changes the authority of law, it should be emphasized that the system is still not perfect. Had the previous structures been given the status of law, we would have found our present reforms even more difficult, if not impossible. The University has continuously been changing. Vice Presidential positions have come and gone. Community colleges have been affiliated with senior colleges and then not. Within the campuses, colleges have been reshuffled, contracted, and expanded. Many years of considerable and thoughtful effort have provided the system now in effect and it would seem that a pause to evaluate where we are and in what direction we should be going is now appropriate.

The Board of Regents must establish clear program and policy goals for the University of Alaska System which will set university priorities for future planning and development. A political climate favorable to attract and retain competent administrators must become a reality. The problems are recognized and attempts to solve them are underway. We believe that the proposed legislation before the House of Representatives is inappropriate for the long term best interests of the University of Alaska System of higher education and urge that it not be enacted.

Sincerely Yours,

G. Warren Smith, Presiding Officer
Fairbanks Faculty Association

GWS:db

cc: F. Diebold
H. Fate

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HOUSE FINANCE COMMITTEE
April 21, 1978
1:22 p.m.

All members of the Committee were in attendance except Representatives Swanson and Buchholdt. Present to testify on bills were: Representatives Parr and Carpenter; Ben Benediktsson, Alaska Truckers Association; Don Dickey, Alaska State Chamber of Commerce; Earle Brewer, University of Alaska, and Bill Mullin, Department of Administration; and Jim O'Sullivan and Charles Meggot, Department of Transportation and Public Facilities.

PRESENT

Chairman Cowper called the meeting to order and stated the first bill to be discussed was HB 838.

HB 838

"An Act relating to the North Slope Haul Road."

Chairman Cowper stated that several bills have been introduced relating to the Haul Road. He stated that apparently the best versions have been incorporated into the State Affairs Committee Substitute for HB 838. He advised that Representative Parr is the main sponsor of the bill. Chairman Cowper stated one of the main questions to be answered is "should maintenance be supported by the state twelve months out of the year, or should it be part time maintenance?"

Representative Parr advised the original bill provided that the Road be kept open from May to September. He stated that was done to reduce the cost of maintaining the Road. He advised administration's position was that the cost of keeping the road open was too great to justify. He advised that section was put in to reduce the cost by keeping the road open only during the summer period. Representative Parr advised the committee substitute takes this section out, and provides that the road will be opened year-round, and will be maintained by the Department. He advised the difference in maintenance cost is not that great.

Representative Parr stated the original bill did not contain a provision prohibiting hunting along the road because at that time there was a regulation in effect forbidding it. He advised the committee substitute contains a provision that you cannot hunt within 5 miles of the road.

(Representative Guy arrived at this time.)

Representative Freeman stated he has a question of philosophy. He asked if it was necessary to use the word "maintain" on page 1, line 17 and throughout Article 5. He stated it

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seems the cost of maintaining will be to the degree the state decides to maintain the road. He asked why they have a unique situation here. Representative Parr stated the reason this situation is unique is because Administration has taken the position that the Road was not to be treated like any other state highway. He stated the reason for including that language is to take the power away from the Commissioner on this road.

Representative Freeman asked why they couldn't just put in a bill stating the road is to be opened to the public, and leave it at that. Representative Parr stated if it had been the Administration position that this highway would be treated like any other highway, this special bill would not have been necessary. He stated it seems necessary to bind Administration by statute.

Representative Haugen asked what portion of the Haul Road was built with federal monies. Chairman Cowper stated he believed only the Yukon Bridge portion was funded with federal funds.

Mr. Ben Benediktsson, Managing Director of the Alaska Trucking Association presented a statement and documentation to the Committee. (See attached for statement.) He spoke in support of the committee substitute.

Chairman Cowper asked what the effect would be on the Port of Anchorage if the Haul Road were closed down. Mr. Benediktsson advised total freight through the road amounts to 5% of the cargo put into Anchorage. He stated that if that were dropped there would be a ripple effect.

Representative Meekins asked what the total cost was to keep the road open. Mr. Benediktsson stated the figure he got from Administration was approximately \$7.3 million.

Representative Rhode asked if he had any figures on how much the state would lose in income tax, etc. if the road were closed. Mr. Benediktsson stated it would be approximately \$804,000; he advised approximately \$226,000 would have to be paid in unemployment compensation.

Mr. Jim O'Sullivan, Deputy Commissioner, and Mr. Charles Meggot, Director, Interior Region, Department of Transportation and Public Facilities, appeared before the Committee to answer any questions.

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Chairman Cowper asked if the October 1 date is certain for the Road being turned over to the state. Mr. O'Sullivan stated it will be turned over between the 1st and 15th of October.

Chairman Cowper asked what Alyeska has to do to bring the road up to standard before the Road is turned over to the state. Mr. O'Sullivan stated that have to turn it over in a condition that is based on a "punch list" they have used. Basically, he stated, it means presenting the Road in the manner in which it was built.

There was discussion on the equipment necessary to maintain the road. In answer to a question from Chairman Cowper, Mr. Meggot stated they have been in contact with Alyeska regarding use or purchase of the camps along the Haul Road. He stated Alyeska is in the process of attempting to sell or diverse themselves of the camps, and there is an interested third party. He stated he doesn't know what stage the negotiations are in at this time, but his understanding is that Alyeska was made an offer. Chairman Cowper stated that the appropriation in HB 916 is premature then. Mr. O'Sullivan stated the appropriation is for new facilities built from scratch for state use. Mr. O'Sullivan stated the number of people maintaining the road will probably only be six or eight. He stated Alyeska is not interested in parcelling out part of the camps. Representative Gruening commented that Northwest is asking the state for favors, and asked if they might be willing to lease parts of the camps. Mr. Meggot stated that is a possibility, but they don't know for sure that Northwest is going to get the camps. There was further discussion on camps and equipment.

Chairman Cowper asked if the Governor's budget amendment for the Haul Road is just maintenance of the Road between April and September. Mr. O'Sullivan stated it is between May 1 and September 15, and is \$5.2 million for operations only.

Representative Rhode asked if they had any of Alyeska's records concerning maintainance of the road. Mr. O'Sullivan stated Alyeska will not provide them. They have indicated they would prefer to keep this information "close to the chest". Chairman Cowper asked who Alyeska is contracting with to maintain the road. Mr. O'Sullivan advised that Alaska International Construction is doing the work, but they are phasing out and doing as little maintenance work as necessary.

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Chairman Cowper asked how anyone was going to be able to use the road without any gas stations, etc. Mr. O'Sullivan stated this is one of the reasons they have had difficulties with Alyeska. He stated they want to protect the integrity of their pump stations, and even the State is not welcome. He stated the last thing Alyeska wants is for anyone to think that even in an emergency they can count on relief from Alyeska. Mr. O'Sullivan stated he believes private enterprise will solve the problem of no conveniences on the Road. He advised that the Bureau of Land Management anticipates approaches from private interests once the road is open, and they have indicated they will honor them. Chairman Cowper stated they are looking at Spring 1979, and asked if an individual would have enough time. Mr. O'Sullivan stated he thinks if an individual wanted to put up a business, he could have it ready by next summer.

Chairman Cowper asked how they will patrol the road. Mr. O'Sullivan stated the Department of Public Safety has indicated they plan two transits of the road a day.

Representative Carpenter stated concerning safety on the highway, he thinks consideration should be given to a system of roadside telephones. He stated this is done in other states. He stated he believes Representative Gruening has come close to a solution regarding camps and maintenance; that is to establish some kind of joint use agreement with Northwest. He advised there are 88 material sites between the North end of the Yukon River and Prudhoe Bay and the state could apply for any or all of these sites. He would suggest that maintenance be contracted out for the road.

Chairman Cowper asked if DOT/PF would be interested in contracting out. Mr. O'Sullivan stated this is being explored. He stated they have had contact with three firms in Deadhorse. He stated they will consider contracting, if it is cost effective.

Mr. Don Dickey, Alaska State Chamber of Commerce, stated they support year-round operation of the Road. He stated they support private contracts for maintenance, and they support the five-mile no hunting limitation.

Representative Gruening stated he agrees with the five-mile limitation, but commented that without an allocation for enforcement, it is meaningless. Representative Guy asked how this would effect villagers who subsistence hunt in that area. Representative Carpenter stated this could be taken care of, by giving them permission to hunt.

Chairman Cowper stated it was not his intention to pass this bill out today, but to give Committee members a chance to consider it. He called a recess at 2:53 p.m., and recalled the meeting to order at 3:15 p.m.

HB 838
HELD-OVER

Chairman Cowper stated HB 935 was the next bill to be considered.

HB 935

"An Act making a supplemental appropriation to the University of Alaska; and providing for an effective date."

Chairman Cowper requested an explanation of the figure requested. Dr. Brewer stated the amount of money relative to the deficit that he wants to speak to has nothing to do with accrued annual leave. He stated the deficit figure of \$4.9 million is the figure he would like to address. He advised that \$4.9 million deficit in FY 77 was reduced to \$3.9 million. He stated that deficit is related to overexpending or not realizing the amount of revenue projected in that year. Dr. Brewer stated this deficit has to be addressed apart from the cash flow. He advised if the deficit is not addressed, subsequent audit reports will reflect the same deficit even if they under-expended in the current year. He advised that this concerns him, and he doesn't want the deficit on the books at the end of FY 78.

Dr. Brewer stated that with reference to the cash flow problem, their most current projection indicates \$7.5 million is needed in cash. He advised that they can borrow, under statute, \$4 million. He stated there is a need for an additional \$3.5 million to solve their cash flow problem.

Dr. Brewer stated he would like to address a way they can solve both the cash flow need and the deficit, and reduce the figure in terms of dollars from \$4.9 million to \$3.7 million. He presented a proposed committee substitute for HB 935 (see attachment). There was discussion on the cash flow problem and the deficit.

Mr. Scott asked if when he says a deficit shows on the books, is it showing up in income reports or balance sheets. Dr. Brewer stated they are actually talking about an analysis of the financial report. He stated the deficit would not show up in the State's system of accounting by virtue of the fact that the State does not reflect accrued annual leave. He stated if the University went on the State system, this wouldn't show for them either. Mr. Scott stated they would not have a deficit then if they did not show accrued annual leave. Dr. Brewer stated this is as much a liability as accounts receivable are.

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Dr. Brewer referred to the proposed committee substitute and stated if sections 1 and 2 were added together, it would be \$1.9 million. He stated he wants enough money to stay alive from year to year on the cash basis, and he wants to zero out the deficit. He advised the \$1.2 million would be a paper entry. He advised the \$3.7 in this bill would take care of them at the end of the year in terms of their cash flow requirement. There was brief discussion on accrued annual leave.

Chairman Cowper asked if they changed the statute which states they can borrow up to 10% of receipts, to 20%, if it would solve their problem. Dr. Brewer stated it would help in future years. Chairman Cowper asked if the law was changed, if they would need this appropriation of \$3.7 million. Dr. Brewer stated from a cash point of view, if the law were changed, they would be able to borrow \$8 million; it would probably solve their problem from a cash point of view, but not from an accounting point of view. Chairman Cowper asked if they would still need the \$3.7 million. Dr. Brewer stated he would like to have it to clear up this deficit which has been hanging on since 1973.

Mr. Scott asked if they could direct the internal auditor to not include accrued annual leave in the report. Dr. Brewer stated he thought of this, but it would show up an audit exception and he would prefer not to do this.

Chairman Cowper suggested the committee put out a bill changing AS 37.10.008(b) from 10% to 20%, change House Bill 935 to take care of the section 2 part, and put in intent relating to funding of accrued annual leave. There was discussion. Mr. Scott suggested the intent to the bill indicate the University could continue to use accrued annual leave that differs from the state, and add a footnote to the annual report stating this is not a state funding deficiency.

Mr. Mullin, Department of Administration, stated it is true that the State does not record a liability for annual leave. He stated the position of Administration would be that the University should continue to reflect this as a liability. He stated it is a liability of the state and University. He stated if it is not funded they will continue to produce a balance set out in negative numbers. He stated he believes there should be some mechanism to eliminate the deficit. Dr. Brewer stated the problem is one of mechanics. He stated the Legislature could authorize an appropriation into Revenue to be used for annual leave liability for the University. He stated there would be no cash leaving the state treasury, but the University would have an asset. Chairman Cowper stated it would be a funded liability and Dr. Brewer stated this was correct. There was further discussion.

Representative Duncan moved to change the language from 10% to 20%, and indicate to the University they will follow normal accounting procedures, with a footnote on the annual report, and if they have a deficiency in 1980 they can come back to the Legislature at that time. There was brief discussion. Chairman Cowper stated the motion was to put out a committee substitute for HB 935, with the suggested section 2, to report out a letter of intent (to be drafted by Mr. Scott), and then report out a finance committee bill with a committee report attached, changing AS 37.10.088(b) from 10% to 20% with an immediate effective date. There being no objection, it was so ordered.

CSHB 935/
Letter of
Intent/and
Finance
Committee
Sponsored
Bill
Reported
Out

The meeting adjourned at 4:30 p.m.

ADJOURN

Tape 78-88 #536 to end
78-89 #001 to 1685

4/21/78

Alaska Trucking Association, Inc.

3443 Minnesota Drive
Anchorage, Alaska 99503
(907) 276-1149

STATEMENT
TO
HOUSE FINANCE COMMITTEE
CONCERNING
THE NORTH SLOPE ROAD

FOR THE RECORD, I AM BEN BENEDIKTSSON, MANAGING DIRECTOR OF THE ALASKA TRUCKING ASSOCIATION. MY ASSOCIATION IS MADE UP OF APPROXIMATELY 600 MEMBER FIRMS WHICH EMPLOY 17,000 DIRECT EMPLOYEES AND, USING A 2 x 1 MULTIPLIER, PROVIDE INDIRECT EMPLOYMENT FOR AN ADDITIONAL 34,000 ALASKANS.

THE ATA, REPRESENTING THE STATE'S TRUCKING INDUSTRY, HAS A VITAL CONCERN WITH THE FUTURE OF THE ROAD. BEFORE I OUTLINE OUR SPECIFIC CONCERNS, LET ME RECAP THE HISTORY OF THE ROAD.

ON MAY 2, 1974, IN ACCORDANCE WITH THE TRANS ALASKA PIPELINE AUTHORIZATION ACT OF NOVEMBER 16, 1973, THE DEPARTMENT OF INTERIOR GRANTED THE STATE OF ALASKA A RIGHT-OF-WAY FOR CONSTRUCTION OF THE TRANS ALASKA OIL PIPELINE FROM PRUDHOE BAY TO VALDEZ. THE ALYESKA PIPELINE SERVICE COMPANY (ALYESKA) CONTRACTED WITH THE STATE UNDER AN AGREEMENT DATED JUNE 11, 1971, TO PROVIDE A ROAD, CONFORMING TO SECONDARY HIGHWAY STANDARDS, FROM PRUDHOE BAY TO THE YUKON RIVER - THE NORTH SLOPE ROAD.

ALYESKA WAS GRANTED SOLE USE AND RESPONSIBILITY FOR THE NORTH SLOPE ROAD DURING CONSTRUCTION OF THE TRANS ALASKA PIPELINE. THE INITIAL CONSTRUCTION AGREEMENT BETWEEN THE STATE AND ALYESKA CALLED FOR THE STATE TO ASSUME



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RESPONSIBILITY FOR THE ROAD EITHER AT SUCH TIME AS THE STATE DESIRES, OR WHENEVER THE PIPELINE WAS COMMISSIONED, WHICHEVER OCCURED FIRST. THE STATE HAS NOT ASSUMED THE RESPONSIBILITY YET. THIS AGREEMENT HAS BEEN MODIFIED TO CALL FOR TRANSFER IN OCTOBER OF THIS YEAR.

ON JANUARY 18, GOVERNOR HAMMOND ANNOUNCED HIS DECISION ON THE FUTURE OF THE HAUL ROAD. WE OF THE ALASKA TRUCKING ASSOCIATION AGREE WITH HIS PREMISE THAT TOTAL CLOSURE IS NOT A VIABLE ALTERNATIVE. WE ALSO AGREE THAT THE ENVIRONMENT SHOULD BE PROTECTED. IT MAKES NO MATTER THAT THE CURRENT ADMINISTRATION HAS CHARACTERIZED OUR INDUSTRY AS A DEVELOPMENT ORIENTED SPECIAL INTEREST GROUP. THE FACT IS THAT WE LIVE IN ALASKA AND MANY OF OUR MEMBERS ARE OUTDOORSMEN WHO ARE COMMITTED TO HAVING A STATE IN WHICH THEY CAN TAKE THEIR FAMILIES AND ENJOY ITS UNIQUE BEAUTY. BUT BEYOND THESE POINTS OF GENERAL AGREEMENT, THE TRUCKING INDUSTRY DISAGREES WITH THE GOVERNOR'S POSITION.

WE DO NOT AGREE THAT THE ROAD SHOULD BE CLOSED IN THE WINTER AND OPEN IN THE SUMMER. IN PREVIOUS STATEMENTS THE ATA HAS MADE ON THIS SUBJECT WE HAVE CONCENTRATED ON THE LEGAL, POLITICAL AND BROAD ECONOMIC ASPECTS OF THE ROAD. TODAY I WOULD LIKE TO CONCENTRATE ON THE ECONOMIC IMPACT OF THE ROAD IN A NARROWER SENSE.



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FIRST.....WHAT IS THE USAGE? FIGURES VARY FROM A LOW OF 7,000 PROVIDED BY ALYESKA, TO A HIGH OF 12,000 DERIVED BY THE ATA BASED ON A SURVEY OF OUR MEMBERSHIP. EACH LOAD EARNS \$3,829.00 IN REVENUE FROM FAIRBANKS TO PRUDHOE BAY. SIMPLE MULTIPLICATION PROVIDES A TOTAL OF \$26,803,000 IN REVENUE EARNED FROM THAT LOW FIGURE OF 7,000 LOADS PER YEAR IN ALASKA. THAT SAME CARGO DIVIDED ROUGHLY HALF BETWEEN RAIL AND ROAD WOULD GENERATE SOME \$4,466,000 ADDITIONAL REVENUES TO THE ANCHORAGE AREA TRUCKING FIRMS TO MOVE IT TO FAIRBANKS. IN ROUND FIGURES THIS TOTALS \$ 31 MILLION.

THE TRUCKING INDUSTRY IS VERY LABOR INTENSIVE WITH BETWEEN 50 AND 60 PERCENT OF THE REVENUE DOLLAR GOING TO LABOR. AGAIN USING THE LOWER FIGURE, \$15.5 MILLION GOES TO LABOR COSTS.

THE STATED ADMINISTRATION POLICY IS TO CLOSE THE ROAD DURING THE WINTER MONTHS. THIS WILL HAVE AN IMPACT WELL BEYOND A STRAIGHT LINE COMPUTATION OF LOADS CARRIED. MY INDUSTRY, LIKE MANY OTHERS IN THE STATE, IS CYCLICAL IN ITS ACTIVITY. WE TEND TO DO MUCH MORE WORK IN THE SUMMER THAN IN THE WINTER. NORTH SLOPE ROAD ACTIVITY HAS HELPED REDUCE THE IMPACT OF THE WINTER SEASON SLOW DOWN. INTERESTINGLY ENOUGH THIS IS ALSO THE TIME WHEN THE ROAD IS ON ONE HAND AT ITS BEST AND CONCURRENTLY IS CHEAPEST TO MAINTAIN. THE NORTH SLOPE ROAD SURFACE AND CONDITION RIGHT NOW IS BETTER THAN THE VAST MAJORITY OF THE REST OF THE STATE'S ROADS. THE STATE HAS NOT HAD TO MAINTAIN THE ROAD NORTH OF THE YUKON,



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SO HARD MAINTENANCE DATA IS NOT AVAILABLE BUT THE ELLIOTT HIGHWAY FROM LIVENGOD TO THE TAPS CUT OFF NORTH OF FAIRBANKS IS A SIMILAR ROAD. WE ARE INFORMED THAT WINTER MAINTENANCE IS \$2,500 PER MILE COMPARED TO \$4,800 PER MILE IN THE SUMMER.

THE DEPARTMENT OF TRANSPORTATION HAS ESTIMATED THAT YEAR ROUND MAINTENANCE WOULD COST AN ADDITIONAL \$1.6 - 2.1 MILLION ABOVE THE NOW PLANNED SUMMER MAINTENANCE. THIS FIGURE PALES WHEN COMPARED TO THE GROSS REVENUES PRODUCED BY THE ROAD.

IF THE ROAD IS CLOSED SEVERAL THINGS COULD HAPPEN. FIRST, ALL TRAFFIC MIGHT MOVE IN THE SUMMER. SUPPLY AND DEMAND FOR TRUCKING RESOURCES MAKES THIS UNLIKELY. OUR PRESENT SUMMER HIGH USAGE FIGURES SIMPLY DO NOT PERMIT MASSIVE DIVERSION FOR WHAT IS A LIMITED NUMBER OF TRUCKES. FURTHER WE CANNOT AFFORD TO PARK TRUCKS AND EQUIPMENT BY THE FENCE DURING SUBSTANTIAL PORTIONS OF THE YEAR. WE HAVE TO DO ENOUGH OF THIS IN ALASKA NOW. CARRIERS WILL SIMPLY HAVE TO DIVEST THEMSELVES OF THAT EQUIPMENT. ONE OF MY MEMBERS HAS APPROXIMATELY \$1.7 MILLION IN ASSETS IN FAIRBANKS. A GOOD PORTION OF THAT EQUIPMENT WOULD BE MOVED OUT OR DISPOSED OF IF THE ROAD IS CLOSED EVEN SEASONALLY.

WHAT IS MORE LIKELY TO HAPPEN IS THAT CARGO FROM THE NORTH SLOPE WILL BE DIVERTED AROUND THE STATE. ECONOMICS WILL DICTATE THAT NEEDED CARGO WILL BE MOVED IN BY BARGE AND AIR. IN NEITHER OF THESE CASES WILL VERY MUCH OF THE REVENUE BE EARNED IN THE STATE. HOW MUCH OF THAT CARGO WILL BE



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DIVERTED IS ANYBODY'S GUESS. AT \$2.1 MILLION ADDITIONAL COSTS SOMETHING LESS THAN 600 LOADS WILL MAKE THAT FIGURE UP IN EARNED REVENUE.

LABOR DATA IS A LITTLE HARDER TO DERIVE THAN IS THAT DETERMINED BY REVENUE. IT IS REALLY TOUGH TO DETERMINE HOW MUCH OF THE OPERATION MANAGERS TIME IS DEVOTED TO THE NORTH SLOPE OR HOW MANY DRIVERS ARE DEPENDENT ON NORTH SLOPE OPERATIONS. WE AND THE TEAMSTERS UNION HAVE WORKED TOGETHER AND ESTIMATE THAT SOME 1800 JOBS ARE NORTH SLOPE DEPENDENT. IF, HALF OF THOSE JOBS GO AWAY DUE TO THE NORTH SLOPE ROAD CLOSURE DURING THE WINTER THAT MEANS THAT 900 FAMILIES WILL BE IN A BAD WAY.

THE ATA HAS MET WITH THE ADMINISTRATION INCLUDING A MEETING WITH GOVERNOR HAMMOND ON MARCH 21. SEVERAL THINGS HAVE COME TO LIGHT IN THESE MEETINGS. FIRST, THERE APPEARS TO BE LITTLE, IF ANY, GIVE TO THE ADMINISTRATION POLICY. I REALLY BELIEVE THAT IF THE LEGISLATURE DOES NOT ACT NOW THE ROAD WILL BE CLOSED ON 1 OCTOBER 1978.

SECONDLY, WE HAVE EXAMINED THE BASE DATA PROVIDED BY THE STATE DOT TO SUPPORT THE MAINTENANCE AND CONSTRUCTION NECESSARY TO OPEN THE ROAD AND TO KEEP IT OPEN. WE CANNOT FAULT THAT DATA. IT WILL COST IN THE VICINITY OF \$9 MILLION TO ESTABLISH BASE CAMPS (HB 916) AND SOME \$5.7 MILLION TO MAINTAIN THE ROAD IN THE SUMMER. AN ADDITIONAL