

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2684

Representative Freeman asked how much could be sold each year in bonds. Commissioner Gallagher stated they are recommending \$275 million for the next two years.

Mr. Ted Swick, White Weld Company, advised that White Weld as an entity no longer exists; it was purchased by Merrill, Lynch, Fenner & Smith. Mr. Swick stated he thinks Commissioner Gallagher focused on the essence of their report. He stated he could not take issue with any of Gallagher's recommendations in terms of issuing bonds, as far as responsible management of the debt of the state is concerned. He said White Weld did not recommend that the State issue bonds to get their ratio of debt service of general fund revenues to 16%.

White
Weld
Company

Mr. Swick stated they were asked to critique a report done by another firm. He stated their report accepted the assumptions of the Dean Whitter report, based on other research available. White Weld's judgement is based on their feelings about the bond market and the state of Alaska as they see it. He stated the language of the report was supposed to say the state could go as high at 16%. White Weld is not recommending anything, it is their judgement that Alaska can go as high as that if they so choose.

Mr. Swick stated the other portion of their report asked the question, once a major program is launched, how do you get debt raised and maintain the credibility of the State. He stated their conclusion is that you can issue a note of debt, and raise money when you need it.

Chairman Cowper stated there is one part of the report he would like Mr. Swick's comments on, and that is the proposition that the State must demonstrate a commitment to finance the capital move project in order to get bonds. He stated there has been the suggestion that the move be bonded in parts.

Mr. Swick stated if the program is going ahead, the state will, in fact, be selling bonds over a period of years. He said the market place is very willing to lend money for a very large project, but they look at some things that go beyond the recommendations that are used by agencies to regulate debt. They will look at the size of the project and ask if the state knows what it is getting into, are they able to pay for it, etc. Mr. Swick stated for the public to make an informed vote on a \$900 million bond issue, they have to know it is a \$3.5 billion project. If the voters are in favor of this, the lenders will know the people want to do this and understand what it is going to cost. He stated this is very important.

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Mr. Swick advised the lenders will then want to meet the people who are going to "run the show" -- they want to see them and get the feeling that the State is determined to do this, and will make it work.

Mr. Swick stated these things can't be put into ratios for debt service. He advised the rating agencies look at bonds and set up mediums, but the market also goes beyond that.

Representative Freeman said, in other words, when people make the decision to buy bonds, they want to know the project is going to be completed; he asked what would happen if the decision was made to fund half the move, a split move, etc. Mr. Swick stated he doesn't think that changes anything. If the program is to build half the capital in Willow, and leave the other half in Juneau, and that is the program accepted by the voters, then that is the program being built.

Representative Freeman asked, if they moved the capital with revenue bonds, would that be more expensive; and would it require voter approval. Mr. Swick stated the question of voter approval is a legal one. He stated he guesses revenue bonds could be floated in Alaska without a public vote. He stated a revenue bond is really a "user pay" type of cash flow. He stated they are subject to a different method of analysis. He advised that as a class of security, they are thought of as less credit worthy. Financially speaking, it would cost more. Mr. Swick stated the problem with revenue bonds in the early stages of the capital move, he would say, is there would be no market. He stated he didn't think the State could borrow the money on revenue bonds.

(Representative Gruening arrived at this time.)

Representative Duncan said Mr. Swick indicated if half of a move was the plan accepted, the bond market would have no problem with it. He asked if there would be some concern that half a move really meant half a move now, and half later on. Mr. Swick said the State would have to prove to the lenders that this was not a problem. Representative Duncan asked if this could be difficult to sell. Mr. Swick stated they would have to address some difficult remarks. He stated the program would have to have full support.

Representative Buchhold asked how far below what is considered a good rating could the state go with funding projects. Mr. Swick stated with improper managing the state could lose its credit rating. He stated if the ratio drops down, the rating will go much higher. He said whether or not a program like the capital move would cause the rating to be lowered, he doesn't think it would be.

Representative Buchholdt asked if it would make a difference in that bond market that so many people are involved in the project. Mr. Swick stated what it means is that the state will have to sell less bonds.

Mr. George Behlke, Capital Site Planning Commission, said that Representative Haugen had asked at yesterday's meeting if any studies had been done relating to the impact the capital move might have on bonding capacity. Mr. Behlke stated in the Dean Whitter report, they asked him to try and make some sort of study on what the impact would be on the state's bonding capabilities. He stated they did some scenarios. One was based on not having the State's debt service going beyond 8% of general fund revenues. He advised that based on that, they were able to establish a scenario whereby the State should be able to see \$100 million in bonds per year for projects not associated with their capital plan, and that debt service would rise to 8.27% of what was anticipated to be the general fund revenues during that time span.

Capital
Site
Planning
Commission

Mr. Behlke advised they also did another scenario at 5.5%. He stated at this figure they could sell \$40 million in other projects. He advised the \$40 million they are talking about was in dollars that were not escalated.

Mr. Behlke advised they looked at bonding in the State of Alaska as opposed to bonding just by the State. He said they put in the capital move bonds projected by the Commission, \$100 million per year for other State projects, and then took what other state and municipal agencies are selling today, and escalated what they are selling at 8% per annum. He advised that by 1994 the total bonds sold by the State came to \$1 billion. Mr. Behlke stated they didn't think if it went this way the State could. Mr. Behlke stated the reason for the difference is they put schools in the state amount, and they recognized land sales. He advised that is \$202 million in 1978 dollars. Representative Duncan asked when the first revenue comes in for land sales. Mr. Behlke answered in 1982-1983, but it is not very significant at that time. In 1987 it will probably be about \$11.1 and in 1994 about \$37.5, so more than two-thirds of the land will be sold after 1987. There was brief discussion on land sales.

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Mr. Behlke stated in answer to Representative Duncan's question at yesterday's meeting asking if there was a consultants report on the escalation rate, in part 9B of their document there are pages done by Hanscomb. He advised the indices are back here. He advised they did consultant work for the Capital Site Selection Committee and established some rates in 1975 (on page 50). Representative Duncan said he was not sure this answered his question. That page has only the base. Mr. Behlke stated page 48 has their recommended percentages. He said this consultant did work for the Capital Site Selection Committee in 1975, and they used this indices for them. He stated he did not believe they would change from that to a compound rate. Representative Duncan commented this seems to be a very important thing to find out, and asked if they could get that information from Hanscomb. There was further discussion on the inflation rate. Mr. Behlke stated if they ran the numbers out on an index basis, you would end up with an interest rate of about 8.4% per annum. He stated that 12% per annum doesn't make any sense in relationship to anything. He advised the inflation rate in the red booklet (including the Blanchard Co. report) from 1970-1977, which included the pipeline years, was from 9.3% to 9.4%; so he doesn't see how 12% could have any relationship at all.

Mr. Behlke referred to the red booklet and stated it contained some pages concerned with new cities and communities. The text indicates that new cities will not "go". He advised the American City Corporation has been involved with successful new cities. They advised the new capital city would probably be successful because the land is free, and they have been conservative on their sales price. He advised that new cities sometimes run into trouble with governmental agencies; they don't anticipate these problems because the City Development Corporation will be developing the land. Also, the new city will not be competing with other cities for people to live there, because there are built-in jobs. Mr. Behlke advised that consultants who have new town experience say this is a building utopia for developers.

Mr. Daniel Malick, Leonard Lane Associates, presented material on how they arrived at the figure of 6% per year growth rate for state government (see attachment). There was discussion between Representative Meekins and Mr. Malick on the growth rate figure, in which Representative Meekins indicated he did not agree with the figure, and thought 2% might be closer.

Leonard
Lane
Associates

Mr. Duncan asked how they arrived at the 6% figure. Mr. Malick stated the number utilized was not 6% at all; the result of their methodology was 6%. He advised they looked at relocating people from everywhere in Alaska, for central positions.

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Central positions were identified as those positions which are not regional. He stated they decided to project the growth on a department by department basis, and look at departments as they are situated in a particular location. He advised that when counting existing positions to be sure they were central positions and in existence, they asked the administrator of the department what he thought was the most reasonable expansion based on their understanding of the program. Mr. Malick advised they then broke those responses down into three areas: 2% growth, 6% growth and 10% growth rate. From that they came to the 6% number. He stated they then asked themselves if it was reasonable, so they looked at trends, other reports, etc., and what they came up with tended to come close to their same point. There was further discussion on the figure.

Representative Duncan asked if this type of study had ever been conducted in other state governments. Mr. Malick stated he is not familiar with any other study; but it is so basic that it may have been done. Several members of the Committee indicated they thought the growth rate would be something other than 6%.

Mrs. Burg presented testimony before the Committee in which she stated that land was donated to Juneau as the capital, and it was a voluntary trust; that it falls under the laws of eminent domain; there is no necessity to move the capital; and the state has no jurisdiction in the capital. She also questioned the public purpose for which the capital is being moved. Representative Freeman requested a copy of her statement, and Mrs. Burg stated she would provide this.

The meeting adjourned at 4:30 p.m.

ADJOURN

Tape HFC 78-95 #506 to end
HFC 78-96 #001 to end
HFC 78-97 #001 to 022

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April 20, 1978

Mr. Charles Behlke, Chairman
Capital Site Planning Commission
310 K Street
Anchorage, Alaska 99501

Dear Commissioner Behlke:

We have prepared this letter as a summary of our analysis of the growth rate for state central positions utilized throughout the capital planning process. We have observed that certain members of the State Legislature as well as the media believe a 6% per year growth rate has been utilized to project the rate of expansion of state government. While correct in a general sense, the details of our analysis indicate a growth rate approximating 6% but varying from year to year as the size and programatic makeup of State government changes. The details of our analysis are quite accurately described in our final submittal to the planning commission as well as further clarified and summarized in a letter we prepared for the Commission on January 29, 1978. I have enclosed with this letter both of the items mentioned above. In addition, we have taken the time to review our analysis with Frank Homan and Eric McDowell, subcontractors to Leonard Lane Associates, for this project. The remainder of this letter details these further investigations.

Unlike most economic sectors for the State of Alaska, State government, its size, its programatic focus, and its economic impact are directly tied to Executive and Legislative policy and action. Actual growth in State government occurs only after specific approval by both branches. Thus, all projections of State government growth assume decision making by the Legislature and the Executive branch consistent with the precedents they have set. Our estimate of 6% for central State position growth is most reasonable in light of this precedent. However, it may prove inappropriate if the Executive and Legislature decide to break with precedent and achieve an alternate growth rate.

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Our analysis of the precedents set by the Executive and Legislature related to government growth indicates 6% to be a most conservative annual growth rate. The following facts would tend to support this point:

- From 1960 to 1970, State government employment grew at a rate of 10.2% per year while the population grew at only 2.9%. Capital city growth during this period was at 6.3% per year.
- From 1970 to 1976, State government employment grew at 6.7% while the population, as a whole, grew at 5.3% per year. Capital city employment increased at 8% per year.
- During the early years after statehood, government employment expanded primarily on a regional and local basis utilizing its growth to project state services into the many diverse areas of Alaska. Following the nine-hundred million dollar oil lease revenues, State government growth focused on the expansion of central government positions at the capital site. In a general sense, growth of state government regional and local positions is primarily a function of population, whereas growth in central positions is predominately a function of available state revenues.
- In 1975, the "Man in the Arctic program; phase II" conducted by the Institute of Social & Economic & Governmental Research of the University of Alaska and the National Bureau of Economic Research of Cambridge, Massachusetts, developed a computer model to simulate the growth of various economic segments in Alaska resultant to petroleum development. Projections of State government growth from utilization of this model provide the single most academically sound method for projecting State government growth. Utilizing the medium growth scenario, which in our judgment is most appropriate, State government growth in the 1974-1985 period is estimated at 8.1%. During the recommended capital relocation period through 1990, a growth rate of 6.6% per year is projected. This growth would be primarily stimulated by increasing oil revenues and would suggest government growth predominately in the central government sectors. Thus, our 6% per year growth assumption is most conservative in light of the many precedents which would suggest higher growth rates.

Rather than defend or further substantiate our recommendation for a 6% growth rate in central positions, we feel it enlightening to examine the prerequisites for a lower growth rate if indeed the Executive and Legislature desire to break with precedent and discipline themselves through various means to reduce current State employment growth trends. In order to achieve a growth rate significantly less than the 6% projected, one or more of the following events must occur:

- State revenues available for general fund and CIP expenditures could be reallocated, or total revenues reduced.
- Through a strong exercise of a policy of self-restraint, the Legislature would deny increases in funding to support, new and expanded programs as well as to support the growth necessary to maintain existing levels of service on a per capita basis. Never in the State's history has government growth been less than State population growth. Population growth in the relocation period has been estimated by the "Man in the Arctic program" model at 4.9% per year.
- Through improved management practices and organizational design, the entire State government must annually achieve increases in operating efficiency. Given that increased operating efficiency is always a goal of the State government administration, reductions in the overall growth rate of State government would require extraordinary efficiency measures well beyond those currently utilized.

Having examined and re-examined the issue of State government growth, we feel strongly committed to our original growth rate projections to the Capital Site Planning Commission. Our

reviewers who sense an exaggeration on our part for purposes of expanding the new capital development program need only to espouse one or more of the three lower growth rate options listed immediately above. While agreeing that anything is possible, in our judgment the above three options are improbable.

We have appreciated the opportunity to assist the Capital Site Planning Commission. It is our hope that our efforts to review portions of our work can be of assistance to the Commission during their testimony to the State Legislature.

Sincerely,

LEONARD LANE ASSOICATES



Daniel F. Malick

DFM/jh

enclosures (2)

cc: Morton Hoppenfeld
Representative Bob Bradley
Frank Homan
Eric McDowell

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LEONARD LANE



ASSOCIATES

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January 29, 1978

Morton Hoppenfeld, Director
Capital Site Planning Commission
310 "K" Street
Suite 700
Anchorage, AK 99501

Dear Mort:

An article in this morning's Sunday Anchorage Times, dated January 29, 1978 prompts me to write a letter to you and the Commission clarifying the growth rates that have been used for projections for central state employment at the capital site. I am assuming in this letter that the report the Commission is critisizing is the summary material and charts we provided you some weeks ago. This material indicated that an annual growth rate approximating 6% per year was assumed for all personnel projections. What this material does not indicate is the extensive research on the part of the consultants to both substantiate and to test alternatives to this selected growth rate. In the following paragraphs, I would like to outline to you the procedures we utilized:

As an overview, the number of state personnel were reviewed on a yearly basis for each year since statehood. While there have been some dramatic fluctuations, an overall average compounding growth rate approximating 6% was found. In addition, the personnel growth at the present capital city of Juneau prior to the recent oil boom beginning in 1970, was 6.5% annually. Since most state central employment is in Juneau and most employment in Juneau is central, we feel this rate is the single most appropriate rate for comparison to our figures. A review of personnel projections developed by the University of Alaska's Institute of Social and Economic Research for both state and local employment concluded that a 5.8% growth rate could be expected under a moderate economic growth scenario. While each of the above studies supports our selection of a six percent growth rate, our analysis has indicated some reasons for

the differences. Some of these critical differences were addressed by the consultants during the personnel projections analysis, and are listed here:

- o Projections presented to the Commission were for central personnel only. Other estimates of growth rates were calculated for populations not restricted to state central personnel only.
- o Due to the rapid growth in both population and economy in the state of Alaska, accelerated governmental organization and service increases were required which would otherwise be outside the scope of a gradually maturing state government operating in more stable conditions. It is a major assumption of our projections that the maintenance of existing service levels and the creation of new programs should be representative of a more stable period than that experienced in 1973-1976.
- o By far the most predominant factor affecting the growth in state central personnel is legislative funding. Past experience has shown that dramatic increases in available revenues to be budgeted by the Legislature can dramatically and unusually affect state personnel growth. Events of this dramatic sort have not been considered in the consultant's projections.
- o Few departments in state government have formalized plans for their personnel growth in future. A review of the state's Operating Budget procedures provide little assistance in evaluating state personnel growth rates for periods beyond two or three years.

Due to our inability to derive from secondary and aggregated data sources relevant statistical detail for the determination of a growth rate for state central personnel, the consultants engaged in an analysis of growth on a department-by-department basis. The elements of this analysis were as follows:

1. During the extensive interviews conducted by the consultant with each department, questions were asked to determine the Department's best judgment
2. One of three growth rates were assigned to each Department at each location; 2% per year for Departments at locations where current staffing was considered reasonable and adequate for existing

level of services; 6% per year for those Departments at locations where service requirements were expanding at a moderate rate approximating population growth, and 10% per year for those departments at locations where greatly expanding services were required or currently planned. The table provided as an appendix to this letter details the assignment of these growth rates to the various Departments and locations.

3. Personnel projections for all future periods were derived from a application of the above growth rates to the number of central personnel varified in September 1977 for each Department at each location.
4. When aggregated for all Departments at all locations, this method of projection yielded an average growth rate over the relocation period of 6.23%. Due to the fact that different Departments are growing at different rates, this overall average annual growth rate is not constant each year. At the beginning of the relocation in 1982, the yearly growth rate for all state central positions is 6.04%. By the final year of the relocations in 1994, this rate is projected to be 6.48%.

The growth rates developed by the consultants from an analysis on a Department-by-Department basis compare quite reasonable with overall growth rates determined from historical and other statistical sources. The summary documents presented to the Commission and attached to the financing plan do not explicitly indicate the detail presented in this letter. The final report currently being prepared by Leonard Lane & Associates will contain this information.

As a final footnote to my explanation, I would like to state my professional opinions as to the level of confidence that one should place on the projections we have prepared. We, as consultants with much experience in Alaska, do, nevertheless, deny any ability to foretell Alaska's future. Our analysis reflects a well educated "guess" and derives from a simple mathematical model whose results are no more accurate than the logic employed in its design and the input data utilized in its computations. Given more time, greater financial resources, greater sophistications in technique, and a cadre of computers and demographers, a more convincing assessment of the growth in sophistication of the analysis, any and all conclusions relating to the future would be subject to immediate professional disclaimer in the event of natural and political circumstances well beyond either your or my control. In spite of this, we still conclude, that

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LEONARD LANE



ASSOCIATE

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these projections being utilized by the Capital Site Planning Commission, for purposes of fulfilling their legislative mandate are the more resonable and relevant than most produced to date. Further efforts in this area would not materially change the conclusions you have drawn and would most likely cloud the important issues with minor philosophical debates.

Leonard Lane & Associates appreciate the opportunity to serve the Commission in its professional capacity as specialists on the Commission in its professional capacity as specialists on Alaska state government, its personnel, and its space requirements.

Sincerely,

LEONARD LANE ASSOCIATES



Daniel F. Malick
Senior Associate

DFM/jh

cc: Leonard Lane
Frank Homan

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LEONARD LANE



ASSOCIATE

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- (2) Regional state government positions. Since the new capital is likely to be the largest city in the Mat-Su region, it may become the center of regional state government services, at least to some extent. The court system will be represented at the capital with some employment, probably in the form of a superior court. Highly regionalized departments such as Health and Social Services, Transportation and Public Facilities (especially during the development phase of the city), and Fish and Game are likely to have regional offices as they do in all Alaskan cities of appreciable size.
- (3) Local state government positions. These positions will service the resident population of the capital city. Even though they constitute secondary sector employment, these positions will occupy state office space and facilities and should be planned for. In the present capital city there are about 225 local state government employees servicing a local population of 20,000 persons. The Departments of Labor, Health and Social Services, Public Safety, Transportation (street and highway construction and maintenance) and Public Facilities (janitorial, security and maintenance staff for all state buildings and facilities), the University of Alaska Community College (the present capital's community college employs about 60) and the Alaska Court System in the form of district and superior courts, will be the major employers of state workers serving the local population and maintaining the city's state facilities. Using population as a guide, a city of 30,000 would require the services of approximately 335 local state government employees. The term "local state government position" means a state government position serving the local area as distinguished from a local government (city or borough) position.

Projecting Central State Government Growth

An interesting fact in state government growth has occurred in recent years, particularly in the post-Prudhoe Bay period. This is, central state government employment has grown at a faster rate than regional and local state government. Since 1970, central is estimated to have grown at 7-8% per year while regional and local have increased by 4-5% annually. With the rapid growth of Alaska's population it would seem that the opposite would be true as the government responds to service the growing regions of the state. Local government (city and borough) has increased substantially to meet the growth at the community level.

There are several apparent reasons for central state government growing faster than regional and local state government and it appears that history may repeat itself over the next several years. Central state government growth is largely explained by these factors.

- (1) When additional funds have become available the legislature uses them to expand existing programs and, more significantly, initiate new ones. Each new program requires a complete central organization for administration, planning, and control, while an existing program requires only some additional field and central staff to meet increased demand for services. The tendency to create new programs and enter new areas of public services will likely continue because of the increase in available funds beginning with the budget for fiscal year 1979 due to North Slope oil production.

- (2) Federal government trends and national trends have placed new emphasis on planning, energy, environmental and industrial regulation and assistance to local government. All of these are heavily central in nature with work loads oriented to policy-making and administering. For example, two of the three newest departments are Community and Regional Affairs and Environmental Conservation, in which 69% of the positions are central.
- (3) The Constitution of the State of Alaska calls for a strong executive and central government with emphasis on accountability. This factor tends to make employment in the capital city substantial and subject to continued growth as long as funding is available.
- (4) The major state programs which are highly regionalized were already regionalized by 1970 when oil lease funds became available. Highway construction and maintenance, public works, marine and air transportation, Health and Social Services programs including health and correctional institutions, and higher education are examples.

Growth in these major regional programs has been more the result of the need to service the increased population while central government growth responded to available funds, new programs and additional population. Also, the federal government plays a large financial role in many of these regional programs such as highways and higher education. This financial participation allowed a regional state government build-up prior to 1970 when the state itself had only modest revenues.

- (5) Many political observers feel the Permanent Fund is not likely to be increased beyond the current 25% of non-renewable resource revenue. Thus, the other 75% will continue to be available for state programs which result in two general things. These are public works projects which require staff and maintenance upon completion and new and expanded programs which mean additional state employment.

In essence, expenditures of additional state funds will eventually result in additional state employment or state supported employment. If the state's outlook to 1990 is for increasing state revenues and a growing population, then the outlook for central state employment is also one of continued growth.

Growth Rate Selected for Central State Employment

A critical part of the planning process is the selection of a future growth rate which represents the most reasonable direction which central state employment is likely to take.

Future economic factors, past studies, historical growth rate, other projections and existing econometric models were reviewed in the process of projecting future growth.

For purposes of capital city planning we estimate that central state government positions likely to be located in the new capital will grow at an average annual rate of approximately 6.0%.

For purposes of comparison this is lower than the 1970-1977 growth rate of 8.0% for state employment in the present capital city and slightly higher than the growth of all state government for that period. The growth rate in the present capital prior to 1970 was 6.3% annually. The 6.0% rate is also slightly above that projected by the University of Alaska's Institute of Social and Economic Research for all state and local government.

In summary, we feel the 1977-1990 growth rate of state central employment will be tempered from that of post-Prudhoe Bay period but will be sustained by additional state revenues, further economic development, additional population and the tendency for central state employment to grow at a faster rate than other state employment.

Projection of Central Positions
Likely to be Located in the
New Capital 1977-1990

	<u>Projected at 6.0% Annual Growth Rate</u>						
	<u>1977</u>	<u>1980</u>	<u>1982</u>	<u>1984</u>	<u>1986</u>	<u>1988</u>	<u>1990</u>
Juneau	2569	3060	3437	3863	4340	4877	5479
Anchorage	584	696	782	878	987	1107	1246
Fairbanks' & Other	<u>14</u>	<u>17</u>	<u>19</u>	<u>21</u>	<u>24</u>	<u>27</u>	<u>30</u>
Total	3167	3773	4238	4762	5351	6011	6755

Present Status of All State Government Employment

Central and Regional Local Positions: The table below shows the geographic responsibility of all state government employment in the state of Alaska as of September, 1977. This data is the baseline information from which analysis of state employment can be performed to address such issues as employment in the new capital city and the possibilities of reorganization or further regionalization.

Slightly less than one-third of executive, legislative and judicial branch employment is central in nature. This means the responsibilities of the positions are statewide and function as part of central government. By means of interviews and research, 3,167 of a total 3,657 central positions were identified as likely to be located in the new capital.

All regional and local state government positions were assumed to remain at their present locations. Regional and local state employment totalled 7,618 from the executive, legislative and judicial branches of government. However, the new capital, in its own right, will contain some regional and local state employment. This is not covered in our analysis of central employment as likely to be in the new city. In addition, 490 central positions were identified as likely to stay in their present locations due to workload, facility requirements, or other compelling reasons.

HOUSE FINANCE COMMITTEE

April 28, 1978

8:40 a.m.

All members of the Committee were in attendance, except Representatives Duncan, Guy and Schaeffer. Representatives Buchholdt, Gruening and Meekins arrived later in the meeting. Also in attendance: Speaker Malone, Representatives Miller, Chatterton and Snider; O.K. Gilbreth, Director, Division of Oil and Gas Conservation, Department of Natural Resources; Milton Lipton, Vice President, W.J. Levy Consultants; Jim Rhode, Administrative Assistant to Chairman Cowper; Milt Barker, Fiscal Analyst, Legislative Finance Division.

PRESENT

Chairman Cowper called the meeting to order and brought HB 854 up for discussion:

HB 854

"An Act relating to the leasing and exploration of state land for oil and gas development."

Mr. Lipton introduced himself and stated his firm has been retained by the Legislature. He commented he would direct his remarks to the differences between the original bill and the Resources committee substitute. He discussed the leasing provisions in the committee substitute and stated he believes this limits the ability of the Commissioner by imposing a five-year leasing program. He suggested the Committee consider the inflexibility of the program before writing it into law.

Mr. Lipton stated something that was in the original bill but not in the CS is that the Commissioner may withhold leasing in a certain acreage. He commented it should be taken into consideration that the Commissioner have the option to lease some of the exploratory acreage.

The next item Mr. Lipton discussed had to do with bidding values--royalty bidding. He stated the change in the CS is in the work obligations section and remarked he is in favor of the CS taking this out. He discussed sliding scale bidding values. He suggested the Legislature consider minimum work commitments on all leases.

[Representatives Buchholdt and Gruening arrived at this time.]

Mr. Lipton referred to page 4 of the CS and discussed the exploration incentive credit system. He talked about front-end and bonus bidding and bidding variables. In referring to page 5, line 18 of the CS, regarding bidding methods open to the Commissioner to prolong the economic life of a field. He advised this is in the statute at the present

time, but if royalty bidding is left in, this clause should be modified so that royalty cannot be obtained on a competitive basis. The CS change was the maximum option, he advised, which was reduced from 100% to 95%. He commented this is an improvement over the previous bill. There was discussion on the pros and cons of reduced acreage and the maximum amount of acreage any company can hold.

Chairman Cowper asked if most states have a requirement on work leases, and Mr. Lipton indicated no, this is not a requirement. However, he stated, there are obvious difficulties in Alaska, such as terrain, and there should be a specified approach to work obligations.

[Representative Meekins arrived at this time.]

Representative Meekins posed a question on the ability of the Commissioner to allow reduction on oil leases. Speaker Malone stated Alaska has a cash bonus bid, and under that system, the money tied up in that bid is the incentive to get on with the exploration. He commented Mr. Lipton's suggestion does need to be considered.

Commenting on front-end bonuses, Representative Freeman stated he feels the Legislature should not do too much gambling with the State's money. Mr. Lipton advised the State gets very little front-end bonuses. There was discussion on how much the State would lose with regard to the different methods of bidding. Mr. Lipton commented a percentage of net profits is always preferred to front-end bonuses, but there is reason for flexibility. He advised to open up a number of options for the State would be an improvement. He stated all the bill does is allow the Commissioner to conduct lease sales in various ways.

There was further discussion on front-end bonus versus percentage of net profits. Representative Gruening asked what other method was available. Mr. Lipton advised this is highly speculative and he could not make a decision as to what method is better, but stressed that Alaska needs to provide flexibility and alternatives. Speaker Malone commented you could do this only on an assumed case, and the only time the Commissioner would have enough information would be just before the lease sale.

In answer to a question, Mr. Lipton stated if there is more flexibility in bidding methods, it would increase the competition of the companies, in that it would improve the competitiveness between the companies when bidding on a lease. Representative Chatterton asked if Mr. Lipton had any suggestions on safeguards to avoid a confrontation. Mr. Lipton replied every company bidding should know the exact gross value allowable costs.

There was discussion on acreage limitation, with Representative Gruening commenting it is his understanding a bidder can bid on more than one lease. Mr. Lipton replied that is correct so long as that person has not exceeded the 2,000-acre maximum limitation.

HB 854
HELD OVER

At this time, Chairman Cowper brought up HB 815 for discussion:

HB 815

"An Act relating to oil and gas conservation;
and providing for an effective date."

Representative Chatterton advised he had nothing further to add to his testimony of yesterday on this bill. He stated, at that time, he presented a sectional analysis of HB 815, in addition to proposing five amendments.

Chairman Cowper stated he had a question on Section 4, Confidential Reports, of the Resources committee substitute, and asked for an explanation of the two-year limitation policy on confidential information. Representative Chatterton advised the 24-month limitation came about in the early 1960's and was to make an attempt that the information not be held too long and to encourage more participation.

Chairman Cowper asked Representative Chatterton to explain the circumstances where the confidentiality might be extended another two years--or a total of four--as outlined in his proposed amendment presented yesterday. Representative Chatterton advised explorers anticipate future lease sales, and to gain advance subsurface information, they would be in a preferential situation if they had this confidential material. He cited, as an example, in anticipation of the Beaufort Sea lease sale, there would be a definite advantage in getting early information. He noted the two-year requirement is running out.

There was discussion on making everything public information, with Chairman Cowper questioning why a company that just has a track of land should have an advantage over any one that wants to bid. Representative Gruening commented this information is not kept from the State, only from the bidders. Representative Chatterton stated that was correct and that he agreed with Chairman Cowper that it is a matter of policy decision. There was further discussion.

At this time, Mr. Gilbreth presented testimony on HB 815. He commented the Department has worked closely with the sponsors of the bill and that some of the changes were their recommendations. He added the Department supports the bill. He commented on the oil and gas statute on the Inter-State Compacting Commission as being a model form.

Mr. Gilbreth advised he would like to address Section 4, page 1, line 24, and the amendment proposed by Representative Chatterton. He advised the Department recommended taking out the language "marked confidential". He stated this simply means that someone would not be required to stamp information "confidential", as sometimes a page is inadvertently not marked, and this causes problems. He advised he feels if the report is just kept confidential, as this section requires, this would be sufficient. He also proposed an amendment to Representative Chatterton's Amendment 2, which he advised, deletes conflicting language in Section 4 (see attached). He stated this amendment makes the language consistent.

Mr. Gilbreth discussed the Administrative Procedure Act in both the present statute and the amendment. He stated through the Administrative Procedure Act, upon a 10-day written notice, has to give a 30-day notice for hearings, which obviously causes problems in the length of time the Department has to wait before action can be taken. He advised this came to light in the case of the Baluga River field in the Cook Inlet area. He commented the Attorney General's opinion stated the Department can advertise but cannot act on these; the Department must go through the Administrative Procedure Act, regardless of size. He advocated, when this pertains to one well or one field, the Legislature give the Commissioner the authority to act.

There was discussion on the confidentiality provision. In answer to a question, Mr. Gilbreth stated this was a means to help the operator to protect the information he acquired --spending time and money--for a reasonable time. From the Department's standpoint, he advised, the law gives them the right to require certain reports be filed. However, he commented, the operator gives the Department proprietary information if they don't make this information public. He stated some of the information they give the Department is not required by law, but they give it to them, provided it is kept confidential and not made public.

The meeting adjourned at 10:00 a.m.

ADJOURN

HFC 78-97 #0053 - #1553

AMENDMENT

OFFERED IN THE HOUSE:

BY: Chatterton & MaloneTO: House Finance Comm HOUSE BILL No. 815SENATE BILL No. -PAGE: Pages 1, 3 & 8LINE: See below1. Page 1 - Line 20Delete: (,dipmeter surveys,)Gilbreth Amendment
4/28/782. Page 1 - Between lines 26 and 28

Add a sentence: Notwithstanding, should the Commissioner upon his own finding determine the required reports and information ~~[marked confidential]~~ are of significant geologic importance to the valuation of unleased acreage in the vicinity, he shall ~~[continue to]~~ keep ~~[confidential]~~ the reports and information ~~[marked]~~ confidential until 15 days after a lease sale of all affected unleased acreage, unless the owner of the well gives written permission to release the reports and information at an earlier date.

3. Page 3 - Line 23Delete: (may) and add shall4. Page 8 - Line 4

After the word "amended," add the phrase "or the unit area contracted,"

5. Page 1 - Line 24Delete (24) and replace with 48

HOUSE FINANCE COMMITTEE

April 28, 1978

1:25 p.m.

All members of the Committee were in attendance except Representatives Gruening, Meekins and Rhode. In attendance to testify on bills were: Representatives Chatterton and Malone; Mr. Gilbreth, Director, Division of Oil and Gas Conservation; Dr. Joe Sonneman, Consultant; Mr. Ed Phillips, Division of Mineral and Energy Management; and Mr. Gene Whiles, Chevron USA.

PRESENT

Chairman Cowper called the meeting to order and moved the Finance Committee sponsor a bill relating to retirement benefits. He advised it is for three persons who were territorial public employees, and one retired teacher. There being no objection, it was so ordered.

FINANCE
COMMITTEE
SPONSORED
BILL

Chairman Cowper brought HB 830 up for discussion.

HB 830

"An Act establishing the Alaska Oil and Gas Conservation Commission; and providing for an effective date."

Chairman Cowper advised that Representatives Chatterton and Malone were the original sponsors of the bill. Representative Chatterton stated this bill is a standard type of bill setting up a Commission. He advised this Commission will deal with, and have the authority granted to it, that is in the existing Title 31 (the oil and gas conservation statutes). He stated they will be charged with administering Title 31.

(Representative Duncan arrived at this time.)

Representative Chatterton advised Title 31 is currently being administered in the Department of Natural Resources, Division of Oil and Gas Conservation. He advised that through regulation an oil and gas conservation committee has been established. He advised the Division has a propitiatory responsibility, but it also has a regulatory responsibility; and there might in the future be a conflicting interest within administration. He stated he believes it would be proper to set up a Commission before this happens.

(Representative Guy arrived at this time.)

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Representative Chatterton stated he believes because this relationship exists, they should set aside the Commission with a regulatory function. In so doing, Representative Chatterton stated, the State would be coming before the Commission with no more or less "clout" than any other entity.

Chairman Cowper referred to section 31.05.009 (qualification of members) and asked if they were putting themselves into a corner by putting in these qualifications. He stated there are not many petroleum engineers and geologists in the state, particularly those willing to leave the industry. He stated this has been a problem with the Pipeline Commission. Representative Chatterton stated the philosophically he has no disagreement; however he did feel that in this bill, because this Commission is dealing with highly technical matters, that they should specify these qualifications. He stated that if the Committee feels this is bad, he has no objection to it being broadened.

Chairman Cowper referred to the conflict of interest section, and stated he didn't want the same type of situation they have with the Oil and Gas Board, where people with stock in oil or gas companies couldn't serve on the Board. Representative Chatterton advised this bill specifically requires disclosure, but does not eliminate anybody who has stocks, or is a member of a related corporation. There was brief discussion.

Mr. Gilbreth, Director, Division of Oil and Gas Conservation, stated they understand the concern for this bill; however, he stated this has not been a problem in the past, and things seem to be working well as they are, so they are opposed to the bill at this stage. He stated if the Legislature decides there should be a Commission, they think this bill as drafted is workable and they could live with it.

Mr. Gilbreth advised the present Oil and Gas Conservation Committee is delegated the responsibility to administer AS 31 by the Commissioner of Natural Resources, and this is reinforced by regulation. He advised that AS 31 puts the responsibility in the Department. He stated they have three basic sections in the Division. The three committee members are the chief petroleum geologist, the chief petroleum engineer, and the director of the division. He advised they meet sporadically throughout the year. He stated he doesn't think they are close to having these positions be full-time jobs.

Mr. Gilbreth advised the bill projects three commissioners, and if the commissioners are to be set out separately and function as a commission with staff, they would require additional funding. He stated the fiscal note referred to in House Resources indicates this would cost about \$315,000

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the first year. With inflation, etc., after five years it would run to \$500,000. He advised if the present staff is utilized the fiscal impact would be between \$33,000 and \$34,000 to move the division out of Natural Resources. He advised it would take one administrative type to implement the Commission at this point.

Chairman Cowper asked if under the second method, he was talking about the director and two other persons being the Commission. Mr. Gilbreth stated if the Legislature wanted to do this, yes. The impact would be about \$30,000 a year.

Mr. Gilbreth referred to the qualifications section, and stated it seems it would be good to have those qualifications. He stated the situation has been set up to put these positions in the exempt field. He advised that if the Legislature wants someone with these qualifications, they are going to have to pay for him. There was brief discussion on other sections of the bill. Representative Gruening asked if the Commission had to be attached to some department. Mr. Gilbreth answered not according to Legislative Affairs.

(Representative Meekins arrived at this time.)

Dr. Joe Sonneman, Consultant, said he liked Representative Chatterton's approach of separating the functions. He referred to qualifications of Commission members and suggested the Committee consider qualifications for a petroleum economist.

Dr. Sonneman stated he would also like to testify on HB 815.

HB 815

"An Act relating to oil and gas conservation; and providing for an effective date."

Dr. Sonneman stated this bill establishes production and powers of rationing for the state. He suggested the notion of economic waste be added to physical waste. He stated it seems Alaska is wasting a lot of its royalties. There was brief discussion.

Chairman Cowper moved and asked unanimous consent that the finance committee sponsor a bill, at the request of Representative Eliason, for a supplemental appropriation for power and water projects. There being no objection, it was so ordered.

FINANCE
COMMITTEE
SPONSORED
BILL

4/28/78

Chairman Cowper stated that Representative Malone is in attendance to testify on HB 854.

HB 854

"An Act relating to the leasing and exploration of state land for oil and gas development."

Representative Malone stated the Resources Committee has recommended a Committee Substitute for HB 854. He said he would like to explain the purpose of the legislation and then go through the bill itself. He advised this bill emerged from work done by the last Legislature (1975-1976). He stated the main purpose of the study is to establish an orderly and on-going rational program of leasing oil and gas land in the State. He stated if the state is going to rely on the "free market", then it is in the state's interest to make it as competitive and broad as possible.

Representative Malone referred to page 1, line 27 of the bill, and stated the process was revised to include legislative review. He stated it was decided to not have legislative review of lands that were going to be leased in the next year. Instead, they provided that in the fourth and fifth years of the program, lands being leased are subject to a check by the Legislature. He stated the idea was that lands might be identified, and the legislature might want to delay the leasing of the land. To make sure that occurred, the Legislature could make sure those lands would not be leased.

Representative Malone advised section (c) provides that no leases shall be issued unless they are submitted to and approved by the Legislature, with the exceptions outlined in section (d).

Representative Malone referred to page 3, and said that discretion is given to the Commissioner in leasing lands.

Chairman Cowper referred to section (c), and asked if this might be heavy on the Commissioner. Representative Malone stated it might be, but he supposed any legislative participation in leasing runs into that department. He explained the section, and stated he doesn't think it is very cumbersome; he thinks it is fairly simple. He stated it is a five year plan, and once they are past the third year the legislature would not have any interference in the process of leasing lands.

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EQ 1

Chairman Cowper questioned what would happen when you have a lease sale going on around an island. Representative Malone stated this might cause a problem necessitating an amendment to the bill. He stated basically these portions were put into the bill for legislative review and approval to prevent any major policy clashes between the legislature and administration. He stated he would suggest if the amendment is to provide more flexibility that a standard limiting a finding be set out by Administration. He stated the Resources Committee felt some sort of oversight with teeth in it made sense.

Representative Malone referred to section (f), page 3, lines 19-24, and stated this section makes it clear that the royalties share reserved to the state is free of all lease and unit expenses. He stated this section also gets into an explanation of different leasing methods.

Representative Malone stated the Committee should keep in mind that they are talking about an overall and ongoing leasing program. He stated when looking at that, it is not logical to consider that they are going to look at each proposed lease as if it were the main chance for the state. He stated he thinks they want to encourage economic activity in the State, not noneconomic activity. There was discussion on the different leasing methods.

Representative Malone stated in discussion they felt that royalty bidding was not a good idea because someone might overbid. He stated if you have any kind of provision at all you also have to have a provision to reduce that royalty share.

(Representative Swanson arrived at this time.)

Representative Malone stated the main problem with royalties is they are talking about gross production. He stated if someone bids in a high royalty base, and if you have a provision that a bid can be reduced, you are guaranteeing that the person who gets the bid is going to get part of the State's share.

There was further discussion on leasing methods. Representative Malone stated the Committee might want to include a section stating the Commissioner might require a minimum work commitment on the lessee of the tract. There was discussion.

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Representative Malone advised section (h) is a system for incentive credits. He stated the idea behind this is to encourage an inventory of state lands. He advised they didn't research the question to see if there is a constitutional problem, but language was included to state that credits could not be applied unless the legislature approved an amount to renewable resources and the permanent fund to off-set the amount that would have come in. He stated this question should be resolved. He stated the idea was to encourage geophysical work on state lands, so the state can manage their lands more effectively. Representative Gruening stated perhaps they could approach the constitutional problem by, rather than requiring legislative approval, allowing the Commissioner of Revenue to determine the additional amount. There was brief discussion.

Representative Malone advised section (i) is concerned with the economic effect of a royalty sale. He explained the provision.

Representative Malone advised section (j) stated that portions of cash bonus payments can be deferred. He stated section (k) was put in to make sure everyone is "reading from the same thing" when figuring out bidding. He stated section (l) provides for storage of the state's royalty share.

Representative Malone advised that section (m) is a significant section of the bill. He stated it provides that the lease must cover an area not exceeding 5,760 acres, and must be for a period of five years, and not to exceed ten years. He stated the most significant section is the five year portion. He stated the idea is to encourage people to do something with the leases they have. Representative Malone advised the industry is opposed to this section, on the grounds that it takes a long time to develop a lease in Alaska. He stated it is in the state's interest to provide a reasonable period of time, but not too long. There was brief discussion on the oil industry's objections.

Representative Malone stated section (n) refers to rental payments for tracts. He stated section (p) authorizes the Commissioner to change the terms of a lease for purposes of conservation and developing a unit. He stated there might be some conflict here between this section of the bill and the proposed revisions in Title 31.

Representative Malone referred to section (q) and stated he did not think this section will be effected by Title 31, but the Committee should consider this.

Representative Malone stated section (r) provides that producing acreage is not to be counted against limitations on acres under lease.

Representative Malone stated section (u) may be in conflict with limitations that appear in HB 815. He stated it might be better to leave these questions up to the Oil and Gas Conservation Commission to answer when they are established.

Representative Malone stated section (v) is a local hire provision. He stated section (w) is a controversial section of the bill. He advised the consultants advised not keeping this section in; the Department supports retention of the provision for non-competitive bidding. He stated that basically this section provides a mechanism for non-competitive leasing of state lands. He stated the Committee kept this provision in, because the Department said this is not an important part of the State's leasing program. He stated the Department felt the Commissioner should have the flexibility to negotiate a lease that protects the state's interest. Representative Malone stated the whole idea of a leasing program is based on a competitive system existing in a free market. Chairman Cowper commented this section is going to need some work.

Representative Malone advised the major oil companies are opposed to section (x). He stated it provides that the Commissioner may adopt a regulation in advance of a specific oil and gas lease sale to restrict joing bidding. He stated the idea is to promote competition.

Representative Malone advised that section (y) is a provision to give the state the right to purchase oil and gas at the fair market value or regular price. He stated the reason it was put in the bill is that it has been a policy of the Legislature to try to find in-state use, and increase in-state development of oil and gas.

Representative Malone stated section (z) provides that all non-interpretive data will be turned over to the state. He advised this will be handled conficentially.

Representative Malone advised that section (aa) provides for continuation of existing non-competitive leases.

Representative Malone stated that section 3, page 12, reduces from 500,000 to 200,000 acres, the amount of leases that can be held by any one company. He stated the idea here was to encourage the development of these lands. He stated it gives the companies ten years to perform. Representative Malone suggested the total amount of acreage would be irrelevant if they had a long amount of time. He stated if that is the case, there is no reason to limit the amount of land.

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Representative Malone stated section 5 is basically a restatement of the early section on payment of bids. He stated they have to put down 20% of the bid.

Representative Malone advised the Department and oil companies don't like section 6. He stated it would allow the legislature to review immediately all five years of the leasing program, and disapprove any part of it. But, Representative Malone stated, if a review policy is going to be started, it has to be started someplace.

Representative Malone stated this bill provides for an on-going lease program. He stated it provides for an orderly process of how lands are selected; it provides legislative review of leasing programs; it provides flexibility in actual leasing mechanisms. He stated it allows the executive branch to structure bids on leases in a fashion they believe encourages competition.

Mr. Gene Whiles, Chevron USA, appeared to testify before the Committee. He read from the testimony he presented to the House Resources Committee concerning this bill. Mr. Whiles stated that basically they do not feel there is a need for this legislation. He stated they feel the system they have has been operating well.

Mr. Whiles stated royalty bidding would encourage speculation and place more exploratory risk on the State. He stated the sliding scale would be difficult to administer. He said straight royalty bidding will result in premature abandonment, and administration would be very complex.

Mr. Whiles said net profit sharing is the most disadvantageous to have in royalty bidding. He said it would remove most of the incentive for efficiency in operations. He said they feel shared royalty bidding is not only disadvantageous to the State, but also to the companies. He suggested this method be dropped.

Mr. Whiles stated he thinks the ten year lease is better than the original bill which stipulated a five-year lease.

Mr. Whiles advised they feel the passage of this bill, with the five year plan hinders the Commissioner in leasing programs. He stated they object to the banning of joint bidding. He thinks this will cut down on the amount of money and the number of bidders the state will get for their bids. Mr. Whiles stated this also applies to the reduced acreage. He stated this will preclude those companies already close to 200,000 acres from bidding on state leases.

Mr. Whiles stated he is not sure if section (j) on page 5 correlates with section (c), and this should be checked into. He stated section 6 should be deleted from the bill.

In conclusion, Mr. Whiles stated they think the leasing program they have has been successful. He requested that if the bill is adopted, the changes they have suggested be included.

Mr. Ed Phillips, Economist, Division of Mineral and Energy Management, stated if they were dealing with a perfect certainty -- they knew all costs and prices -- then competitors would be insured that they were getting the maximum amount for oil in the ground. He stated that under these conditions bidding would yield the highest amount for the state. He stated this is not the situation, and competitive bidding could result in a different situation for the state. He stated the systems bonus bid is the only one that will increase the risk. He stated all others tend to reduce the risk. He stated this will probably reduce the number of bids they will get.

Mr. Phillips stated straight royalty bidding reduces the financial risk, but it does have some problems. He stated one is early shut down. He stated the net profit system is the most riskless of the alternatives. He stated that in terms of the State wanting to encourage risk exploring, this is the best alternative.

Mr. Phillips stated that in areas that are extremely risky, profit sharing has many attractive features. He stated it reduces the front end filters. He stated there are administrative problems with profit share bidding.

Mr. Phillips stated there is very little to commend bonus bidding. He stated the only thing to be said for it is that it reduces the number of bidders.

HB 854
HELD-OVER

The meeting adjourned at 4:50 p.m.

ADJOURN

Tape HFC 78-97 #1553 to end
HFC 78-98 # 001 to end
HFC 78-99 # 001 to 1734

4/28/78

HOUSE FINANCE COMMITTEE

May 2, 1978

2:08 p.m.

All members of the Committee were in attendance, except Representatives Rhode and Swanson. Representatives Duncan and Gruening arrived later in the meeting. Also in attendance: Norm Gorsuch, Lobbyist, Alyeska Pipeline Service Company; Greg Erickson, Director, Division of Research, Legislative Affairs Agency; Jim Rhode, Administrative Assistant to Chairman Cowper; Milt Barker, Fiscal Analyst, Legislative Finance Division.

PRESENT

Chairman Cowper called the meeting to order and brought up HB 815 for discussion:

HB 815

"An Act relating to oil and gas conservation; and providing for an effective date."

Representative Freeman moved and asked unanimous consent that Finance Committee Substitute for HB 815 be reported out. There being no objection, it was so ordered. Finance CS for HB 815 was reported out with a "do pass" recommendation.

FINANCE CS
FOR HB 815
REPORTED OUT

Chairman Cowper brought up SSHB 830 for consideration:

SSHB 830

"An Act establishing the Oil and Gas Conservation Commission; and providing for an effective date."

Chairman Cowper moved and asked unanimous consent that Finance Committee Substitute for SSHB 830 be reported out. There being no objection, it was so ordered. Finance CS for SSHB 830 was reported out with a "do pass" recommendation.

FINANCE CS
FOR SSHB 830
REPORTED OUT

[Representative Duncan arrived at this time.]

The next item to be addressed by the Committee was HB 854:

HB 854

"An Act relating to the leasing and exploration of state land for oil and gas development."

Chairman Cowper advised this bill deals with the repealing of policy decisions; one has to do with Section (x) on page 10, which relates to non-competitive leasing. The policy decision, he stated, is whether the Legislature wants to approve non-competitive leasing under these circumstances. He advised the Committee must also make a decision regarding Section (z), page 11, the "take-back" option.

Chairman Cowper advised present policy does allow for non-competitive leasing under certain circumstances. Representative Meekins commented he would like to take the whole thing out, as he was impressed with Mr. Lipton's testimony on that point.

Chairman Cowper commented the language on page 10, line 19, "including leasing noncompetitively" could be deleted and replaced with "; provided, however, that noncompetitive leasing shall be prohibited." There was brief discussion. Chairman Cowper commented Section (bb) also makes reference to noncompetitive leasing. Representative Meekins moved and asked unanimous consent the deletion and addition of the above language be adopted. There being no objection, it was so ordered. In answer to a question, Mr. Erickson stated he concurs in this. He also added 400,000 acres is out and it is his understanding the Department plans to issue those noncompetitive leases prior to the date of this act.

FINANCE
AMENDMENT
ADOPTED

[Representative Gruening arrived at this time.]

Chairman Cowper discussed royalty bidding (Section (x)) and stated he feels this should be left in the bill; Representatives Freeman and Gruening concurred. There was brief discussion. Chairman Cowper called for a motion; there being none, the section remained as it.

Chairman Cowper brought up Section (n), page 6, regarding the five-year lease period, and stated he feels the Commissioner has enough discretion to lengthen this period if need be. There was brief discussion; the result being this section would remain as is.

Chairman Cowper then brought up Section (z), page 11, dealing with the "take-back" option. He commented this type provision would depress price bidding and asked for Mr. Erickson's comments as to whether it is reasonable to require that. Mr. Erickson stated this provision is going to reduce gas company interest, particularly in the Susitna Basin, but stated he had no judgement on the policy involved. He further commented, however, those supplies could be very important to the State and will not be available unless there is this type of provision. Chairman Cowper asked if the federal government could void that, and Mr. Erickson replied he didn't know but expected that the State wouldn't be able to, at least without a fight.

There was further discussion on amendatory language in Section (z). Representative Meekins suggested leaving out the language on fair market value. In answer to a question, Mr. Erickson stated the fair market value is the price between

the producer and the State. He further commented fair market value is a willing buyer and a willing seller. There was further discussion.

Chairman Cowper suggested the following language for Section (z):

FINANCE
AMENDMENT

"An oil or gas lease may give to the state the right to purchase for in-state use a specified volume of oil or gas produced from a lease issued in accordance with this section. The disposal of oil and gas purchased under this subsection shall be subject to the provisions governing the disposal of royalty set out in Sec. 183 of this chapter."

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

ADOPTED

Chairman Cowper moved and asked unanimous consent that Finance Committee Substitute for HB 854 be reported out, incorporating the amendatory language adopted today. There being no objection, it was so ordered. Finance CS for HB 854 was reported out with a "do pass" recommendation.

FINANCE CS
FOR HB 854
REPORTED OUT

Chairman Cowper brought up HB 595 for consideration:

HB 595

"An Act relating to income of the Alaska permanent fund; and providing for an effective date."

Representative Gruening commented the main permanent fund bill was HB 596, which was reported out by the Finance Committee on March 17. He advised HB 595 deals with the use of the income, in that it reinjects the income and the earnings back into the permanent fund itself. He advised it allows for, with legislative approval and the approval of the trustees, pledging of the income "stream" to help secure financing for power projects. He advised it guarantees indebtedness issued by government agencies or municipalities in State power projects.

Representative Meekins moved and asked unanimous consent that HB 595 be reported out. There being no objection, it was so ordered. HB 595 was reported out with a "do pass" recommendation.

HB 595
REPORTED OUT

The meeting adjourned at 4:30 p.m. to a work session on HB 720.

ADJOURN

HFC 78-100 #0001 - #0954

HOUSE FINANCE COMMITTEE
May 3, 1978
11:35 a.m.

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

PRESENT

Chairman Cowper called the meeting to order and brought HB 947 up for discussion.

HB 947

"An Act making a supplemental appropriation to the Legislative Affairs Agency; and providing for an effective date."

Mr. Jim Rhode stated the Chairman of the Legislative Council assured him that all they did in this bill was put in a pro-rated amount for each day. Ms. Alison Farnan advised this bill covers session expenses through May 31st.

Chairman Cowper moved and asked unanimous consent that a finance committee substitute be reported out, adding a new section appropriating \$32.5 to the Legislative Finance Division for additional session expenses. There being no objection, it was so ordered. CSHB 947 was reported out with a "do pass" recommendation.

CSHB 947
REPORTED
OUT

The meeting adjourned at 11:39 a.m.

ADJOURN

Tape HFC 78-100 #955 to #996

5/3/78

HOUSE FINANCE COMMITTEE

May 4, 1978

1:25 p.m.

All members of the Committee were present except Representatives Guy and Gruening. In attendance to testify on bills were: Representatives Malone, Gardiner, Anderson, Osterback, Snider, and Rudd; Bill Hudson, Director, Division of Marine Transportation; Mr. Art Snowden, Administrative Director, Alaska Court System; Richard Barrier, Manager, Fiscal Operations, Alaska Court System; Dr. Spence, Department of Health and Social Services; Alitha Henry, St. Jude's Center; Leslie Walker, Department of Education.

PRESENT

Chairman Cowper called the meeting to order and brought HCR 118 and HB 914 up for discussion.

HCR 118

HCR 118 - "Directing the Legislative Council to create an Interim Committee on Resources during the forthcoming interim."

HB 914 - "An Act making a special appropriation to the Legislative Council for the continuation of a bottomfish project; and providing for an effective date."

HB 914

Chairman Cowper stated HB 914 is the accompanying appropriation for HCR 118. Representative Osterback, Chairman, House Resources Committee, stated they had an Interim Committee working on this project last year, but they did not get to complete it. He stated they would like to have the Interim Committee continue through this summer so they can finish their work on the bottomfish project. He advised this is a very important issue. He said if they drop the project now it will take a long time to get it started again. He stated there are still many resources that should be studied, and explained the market they are looking at in fisheries. Representative Osterback advised they are requesting \$66,498 to finish the project.

(Representative Swanson arrived at this time.)

Representative Buchholdt asked what they were trying to develop; if this was for a bottomfishery project or if they were trying to get private industry involved. Representative Osterback stated what they are trying to do is get Alaskan people loans so they can put up their own processing plants. He stated they are trying to continue this program for another six months to show people how and where to get loans and find the markets.

5/4/78

Chairman Cowper asked if this was a joint committee between the House and Senate and Representative Osterback advised it was.

Chairman Cowper asked if there were other studies going on in regards to the bottomfishery. Representative Osterback stated he didn't think so. Chairman Cowper stated the Governor has hired a bottomfish coordinator, and the Finance Committee has passed out several bills concerned with the bottomfishery. Representative Meekins wondered if there was anyway all these projects could be coordinated. Chairman Cowper stated he had an amendment to the Resolution which he thinks will take care of this.

There was brief discussion on how the \$66,498 would be spent.

Chairman Cowper moved and asked unanimous consent that a finance committee substitute be prepared for HCR 118 adding a new section (6) to state: "coordinate its activities with the Office of the Governor and other federal, state and municipal agencies, and with private entities to the extent this may be feasible, which are engaged in similar research and studies; he further moved that CSHCR 118 be reported out of Committee. There being no objection, CSHCR 118 was reported out with a "do pass" recommendation.

CSHCR 118
REPORTED
OUT

Representative Swanson moved and asked unanimous consent that HB 914 be reported. There being no objection, it was so ordered. HB 914 was reported out with a "do pass" recommendation.

HB 914
REPORTED
OUT

(Representative Duncan arrived at this time.)

Chairman Cowper stated the next bill to be considered was HB 256.

HB 256

"An Act relating to the raw fish tax."

Representative Anderson stated the C & R A Committee Substitute would increase the amount of revenue going to each organized borough from 10% to 20%. He advised it would increase the amount of the raw fish tax collected from unorganized boroughs from 10% to 20%. He presented information on the shared fish tax refunds to local governments in 1974.

There was discussion on the bill and fish taxes in general. Chairman Cowper commented this is "piece-meal" legislation.

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Representative Freeman moved and asked unanimous consent that the Community and Regional Affairs Committee Substitute for HB 256 be reported out. Chairman Cowper commented the fiscal note shows a loss of revenue to the state of \$245,000 which goes to the cities and boroughs. There being no objection to the motion, it was so ordered. CSHB 256 was reported out with a "do pass" recommendation.

CSHB 256
REPORTED
OUT

Chairman Cowper stated the next bill to be considered was HB 909.

HB 909

"An Act making special appropriations to the Alaska Court System; the Office of the Governor, Public Defender's Office; and the Departments of Administration and Law; and providing for an effective date."

Mr. Snowden, Alaska Court System, stated he had advised the Committee earlier that the Anchorage police were increasing their work force. He stated they told the Committee that once the impact was determined that would come back to the Committee with that information. He advised that HB 909 is that information.

Mr. Snowden stated the reason for this bill is that the Anchorage police force increasing their work force by 43% would tremendously impact the court system. He stated there has been an immediate impact. He advised that 23 officers were started in March. Mr. Snowden advised that in January there were 749 cases filed, in February there were 660 cases, and in March when the additional police went on the road, their cases increased by 21%. He advised that in April the increase was 33%, so there has been an immediate impact.

Mr. Snowden advised the original bill requested \$720.0 for additional personnel for the court system. He advised there was a request for an amount of money for the Public Defenders' Office, and \$107.0 to move the Records Office out of the Court Building.

Representative Freeman stated he would think if there were more police on the road, there would be less crime, not more. Mr. Snowden responded that they are adding 70 policemen to patrol an area that was previously patrolled by five troopers. He stated the troopers couldn't and didn't devote time to traffic and speeding offenses. He stated there has already been a dramatic increase. Mr. Rick Barrier stated they will be arresting more people because they will be seeing more things that have been happening anyway. There was discussion.

5/4/78

There was discussion on the workload of the court system. Mr. Barrier stated they have done a study of their non-judicial personnel, and have found that at the present time they have a very efficient system. Mr. Snowden advised they are looking at between 60 and 80 arraignments a day.

(Chairman Cowper left at this time.)

Mr. Richard Mitchell, General Service and Supply, stated they would prefer not to move the Records Office at this time. He stated it would be inconvenient. He stated they are not totally adverse to moving the Office, they would just prefer that it be done at a later date. Mr. Snowden stated the Records Office is not the most critical space. He stated that moving the Public Defender out is more critical. He stated they could hold off moving the Records Office until January or February of next year.

HB 909
HELD OVER

Vice-Chairman Freeman stated HB 909 would be held over. He stated the next bill to be considered was HB 278.

HB 278

"An Act providing for geographic cost-of-living salary differentials for judicial officers; and providing for an effective date."

Representative Malone stated the concern of this bill is to provide that there would be an equivalent area cost of living increment provided to judges that is provided for other state employees. He explained the bill. He stated the real value of the salary will remain the same, and he thinks it is reasonable to do this. He stated if you are going to have good judges, you are going to have to pay for them.

Representative Malone advised the difference between the committee substitute and the original bill is that the committee substitute deletes the portion that would provide for contributory retirement in the system for judges. He advised the Judiciary Committee felt that could be better handled in other legislation applying to judicial retirement.

There was discussion on the cost-of-living differential. Representative Swanson asked if judges were under the jurisdiction of a salary commission. Representative Malone stated they are, but it is not the intent of this bill to increase their salary. He stated the intent is to provide that they have an equivalent real dollar comparison, regardless of where they are located. He stated this is separated from the salary question in regards to state employees. There was discussion on salaries.

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Representative Rhode questioned the effective date clause. Representative Malone stated the intent was not to make this be retroaactive, and that should be changed.

Vice-Chairman Freeman stated he would hold this bill over because Chairman Cowper had a proposed amendment.

HB 278
HELD OVER

Vice-Chairman Freeman stated the next bill to be considered was HB 629.

HB 629

"An Act making a supplemental appropriation to the Department of Transportation and Public Facilities, vessel operations; and providing for an effective date."

Mr. Bill Hudson, Director, Division of Marine Transportation, stated this bill is the negotiated wage increase for the Inland Boatman's Union, after their strike in 1977. He advised that basically it is for FY 78 -- July, 1977 through June 1978. He stated the increase is zero for the first six months, and 1 1/2% to 2% increase for the balance of the year. Mr. Hudson advised this increase is the entire wage increase for FY 78 as negotiated after the strike.

Representative Duncan moved and asked unanimous consent that HB 629 be reported out. There being no objection, it was so ordered. HB 629 was reported out with a "do pass" recommendation.

HB 629
REPORTED
OUT

Vice-Chairman Freeman stated the next bill to be considered was HB 548.

HB 548

"An Act relating to the education of exceptional children."

Representative Rudd stated this bill expands the program now in the Department of Health and Social Services which provides training and education for infants who are mentally retarded or physically handicapped. She advised that if the program is expanded to work with children before age three, some of the children can be worked with to the extent that they are able to enter normal schools when they are older. She stated that until recently, children were left lying in their cribs until they were three years old. Recently they have started an infant stimulation program where children are taught how to move, balance themselves, etc.

Representative Rudd stated this program exists in Health and Social Services now. The bill proposes to amend the program to make it mandatory upon the request of parents, school districts, REA's, or non-profit corporations. She stated it proposes to transfer the program from being a permissive one to being mandatory if the State receives a request for service.

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Representative Rudd stated in the past the cost of this program was about \$75.0 a year. She stated the fiscal note indicates the new program will cost up to \$325.0, which is an increase of \$215.0 over what they are spending this year.

Representative Rudd requested that the HESS Committee Substitute be amended to include the words "and involves parents in the education and training of their children" on lines 14 and 25.

(Representative Gruening arrived at this time.)

There was discussion on the bill. Representative Swanson expressed concern that the word "shall" instead of "may" could cause financial problems for the program. Representative Rudd stated the word "shall" is important in the bill, as they want to make the program available to all children in the state. There was further discussion.

Dr. Spence, Department of Health and Social Services, and administrator of this program, stated that if the Bill were passed, the program would be made available to any group of two or more children requesting the program. He stated it would be the responsibility of his office to accumulate the requests for service that come in and prepare a budget based on those needs.

Representative Duncan moved to accept the amendment suggested by Representative Rudd. There being no objection, it was so ordered.

HB 548 am

Mrs. Elitha Henri, St. Jude's Center, advised that they support the bill, as does the Association for Retarded Children in Fairbanks.

Ms. Leslie Walker, Department of Education, stated she would like to assure Representative Swanson that the word "shall" in the bill will not cause the state any problems at all. She stated there are standards set up for assistance, and those requesting the program must meet certain eligibility requirements. She advised that by incorporating this program for children under the age of three, the State may be able to reduce the number of children they have to help later on.

Representative Duncan moved that a finance committee substitute be prepared, incorporating Representative Rudd's amendment, and that the bill be reported out of committee. There being no objection, it was so ordered. CSHB 548 was reported out with a "do pass" recommendation.

CSHB 548
REPORTED
OUT

5/4/78

Vice-Chairman Freeman stated the next bill to be considered was HB 862.

HB 862

"An Act making special appropriations to the Department of Education for the Transportation Museum of Alaska, Inc.; and providing for an effective date."

Representative Buchholdt moved and asked unanimous consent that HB 862 be reported out. There being no objection, it was so ordered. HB 862 was reported out with a "do pass" recommendation.

HB 862
REPORTED
OUT

(Chairman Cowper returned at this time.)

Chairman Cowper requested that the Committee return to considering HB 278.

HB 278

"An Act providing for geographic cost-of-living salary differentials for judicial officers; and providing for an effective date."

Chairman Cowper stated he has a proposed committee substitute which would limit that differential to five steps. There was further discussion on the bill.

Representative Duncan moved that a finance committee substitute be prepared, incorporating Chairman Cowper's changes, and that the bill be reported out. Representatives Swanson and Schaeffer opposed. CSHB 278 was reported out with "individual" recommendations.

HB 278
REPORTED
OUT

Chairman Cowper stated the next bill to be considered was HB 951.

HB 951

"An Act making a supplemental appropriation to the Department of Health and Social Services for a model child care program; and providing for an effective date."

Chairman Cowper stated this is a needed program in Fairbanks.

Representative Swanson moved to add a new section appropriating \$50.0 for the Enep'ut Children Center in Fairbanks. There being no objection, it was so ordered.

Representative Schaeffer moved to add a new section appropriating \$50.0 for the Kotzebue Day Care Center. There being no objection, it was so ordered.

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Representative Rhode moved to add a new section appropriating \$250.0 to the Kenai Care Center (HB 785). There being no objection, it was so ordered.

Representative Buchholdt moved to add a new section appropriating \$304,000 to the Anchorage Community College for a model educational child care program (HB 961), with the understanding that HB 961 would also be considered on its own merit. There being no objection, it was so ordered.

Chairman Cowper requested that a Committee Substitute be drafted incorporating these additions.

HB 951
HELD OVER

Chairman Cowper stated the next bill to be considered was HB 583.

HB 583

"An Act relating to unemployment insurance; and providing for an effective date."

Chairman Cowper advised these are technical amendments related to SB 116 that was passed last year. He advised that Administration claims that without passage of this bill the unemployment insurance trust fund could experience a loss of \$3 to 4 million. He stated the bill contains a retroactive clause.

Representative Haugen moved and asked unanimous consent that HB 583 be reported out. There being no objection, it was so ordered. HB 583 was reported out with a "do pass" recommendation.

HB 583
REPORTED
OUT

Representative Swanson requested permission to prepare a resolution concerning the Tok Road, to be considered as a finance committee sponsored bill. There being no objection, it was so ordered.

FINANCE
COMMITTEE
BILL

Representative Buchholdt requested that HCR 129 be brought up for consideration.

HCR 129

"Relating to the Anchorage Recreation Area."

Representative Buchholdt stated they would like to address this problem, and have this resolution passed as soon as possible. She advised there is no fiscal note for the Resolution.

Representative Swanson moved that HCR 129 be reported out. There being no objection, it was so ordered. HCR 129 was reported out with a "do pass" recommendation.

HCR 129
REPORTED
OUT

5/4/78

Chairman Cowper stated the next bill to be considered was SSSB 473.

SSSB 473

"An Act making a special appropriation to the Department of Natural Resources for site planning, design, and engineering of campground accommodations on the Skagway-Carcross highway; and providing for an effective date."

Representative Duncan stated section one is a result of a study funded through the Legislative Council last year to look at the impact on Skagway as a result of the Carcross highway. He stated they found there would be a significant impact and there is going to be a need for campground accommodations. He advised they found they will be able to get 90% federal funds for the campground.

Chairman Cowper requested that a new section be added stating "The sum of \$100,000 is appropriated from the general fund to the Department of Natural Resources for the purpose of producing and purchasing commercial television time for a film to inform the Alaska public on the distribution and status of public land in Alaska."

Representative Haugen moved that a finance committee substitute be prepared for SSSB 473, incorporating Chairman Cowper's proposed new section, and that the bill be reported out. There being no objection, it was so ordered. HCS SSSB 473 was reported out with a "do pass" recommendation.

CS SSSB 473
REPORTED
OUT

Chairman Cowper stated the next bill to be considered was HB 954.

HB 954

"An Act making a special appropriation to the Department of Transportation and Public Facilities for the acquisition of a site for a permanent maintenance facility for state ferries; and providing for an effective date."

Representative Gardiner stated they are requesting \$1 million for the purpose of developing a marine maintenance facility in Ketchikan, specifically for the marine transportation system. He stated the funds would be used for construction and acquisition of a site to make marine maintenance feasible. Representative Gardiner stated the most viable alternative would be an addition to the City of Ketchikan port development. He stated this would make additional dock space for docks up to 1100 feet and supplying 78,000 square feet for warehousing and other activities relating to the maintenance of the ferry system. He advised that additional federal funds are available through the City of Ketchikan.

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Mr. Ira Leningrad, Planning Director, Ketchikan Gateway Borough, advised that annually the state is spending \$2 million on non-dry dock work. He stated this work can be done in the State, and it is one of the Governor's priority goals. He stated he didn't think it would be possible to begin a domestic maintenance program unless a particular site is selected. He stated that unless this is done, no industry will be able to make investments. He stated the Governor's proposal will simply not come about unless they are located on a physical site.

Chairman Cowper asked if anyone had considered the feasibility of a dry dock facility. Mr. Leningrad stated it has been considered, but they are several years away from that.

Representative Gardiner stated that presently each ferry spends over sixty days in Seattle, and of that, only five days is actually spent in dry dock.

Mr. Leningrad stated with this appropriation they could provide a \$1 million local match. He stated they are not going to do that without a commitment of the site.

Representative Swanson commented this bill is long overdue. He believes the State should also look into a dry dock facility. Chairman Cowper stated he believes that could be done through legislative intent in the budget.

Representative Swanson moved that HB 954 be reported out. There being no objection, it was so ordered. HB 954 was reported out with a "do pass" recommendation.

HB 954
REPORTED
OUT

Chairman Cowper stated the next bill to be considered was HB 939.

HB 939

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

Mrs. Farnan advised that this bill brings the employees who are not covered by the bargaining unit up to the 5% increase signed into the general government contract. She advised that the appropriation should be made to the Office of the Governor, rather than the Department of Administration as indicated in the bill. She advised that HB 333 (An Act relating to compensation for state employees not covered by a collective bargaining agreement; and providing for an effective date) is the enabling legislation for this bill.

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Representative Swanson moved that a finance committee substitute be prepared, changing the appropriation to the Office of the Governor, and that the bill be reported out. There being no objection, it was so ordered.
(Secretary's note: After the meeting, the fiscal analyst noted there was a question on this bill, and HB 939 was brought up again at the May 5, 1978 meeting.)

HB 939
REPORTED
OUT

Chairman Cowper referred to HB 933 and stated the Court System was going to ask that a 5% increase be included for them in this bill. He recommended this bill be held over. There being no objection, it was so ordered.

HB 933
HELD
OVER

The meeting adjourned at 4:37 p.m.

ADJOURN

Tape HFC 78-100 #996 to end
HFC 78-101 #001 to end
HFC 78-102 #001 to 524

5/4/78

HOUSE FINANCE COMMITTEE

May 5, 1978

1:20 p.m.

All members of the Committee were in attendance, except Representatives Guy, Meekins and Swanson. Representatives Gruening and Schaeffer arrived later in the meeting. Also in attendance: Rick Barrier, Manager, Fiscal Operations, Alaska Court System; Cherie Shelley, APEA; Robert Van Houte, NEA-Alaska; Dick Engen, Director, Libraries & Museums, Department of Education; Ross Soboleff, Rural Cap; Paul Arnoldt, Division of Retirement & Benefits, Department of Administration; Jim Rhode, Administrative Assistant to Chairman Cowper; Bob Grogan, Milt Barker, Dave Scott and Alison Farnan, Fiscal Analysts, Legislative Finance Division.

PRESENT

Chairman Cowper called the meeting to order and noted HB 442 ("An Act relating to the Alaska Power Authority.") was returned to Committee so that the Committee Report (2d Finance) could be signed. He stated, when the bill was reported out on 4-19-78, a Finance amendment had been omitted from the final printing. He advised this has now been corrected and asked that the Committee sign the Committee Report for HB 442 (2d Finance) now before them.

HB 442
(2d FINANCE)
COMMITTEE
REPORT
SIGNED

Chairman Cowper brought the following bills up for consideration:

HB 933 - "An Act relating to compensation for employees not covered by a collective bargaining agreement; and providing for an effective date."

HB 933

HB 939 - "An Act making a supplemental appropriation to the Department of Administration; and providing for an effective date."

HB 939

Chairman Cowper commented HB 933 provides for a new salary schedule for classified and partially exempt employees in the executive branch of State government receive a 5% cost-of-living adjustment (COLA) and that permanent and temporary employees of the judicial branch and the University of Alaska and permanent employees of the legislative branch receive the same.

Mr. Barrier presented testimony on behalf of the Alaska Court System. He stated the Salary Commission last year recommended salary increases for these employees, as it has been over two years since they have had a cost-of-living adjustment. He advised he is talking about approximately 90 people (judges, commissioners, etc.), and the total cost would be slightly less than \$200,000.

He commented it is important to do this this year, as these people are already behind, and putting it off would make them that much farther behind. This way, he stated, they would be somewhat in line with the rest of the employees.

Chairman Cowper asked the total cost of all positions involved in HB 933, and Ms. Farnan replied \$199.8.

Representative Freeman commented on his philosophy with regard to salary increases. He remarked the question should be: "Is the salary adequate as is?", and employees should not receive an increase "just because someone else gets one." He commented he feels uncomfortable with this, and added there is a big constituency that do not receive a cost-of-living adjustment.

Mr. Barrier stated the Commissioner of Administration is responsible for negotiating the contracts with the various units and has been trying to keep the increases down; cost-of-living increase only. He commented, without this increase, and with a change in Administration or existing staff, it will be harder next year to obtain and retain employees. He stated he feels these people should be compensated as their employees have been. He further stated the salaries of these employees have always been set by the Legislature and that these particular 90 employees are not being compensated equally or fairly. He advised these are people who are not in a position to bargain for their salaries.

[Representative Gruening arrived at this time.]

Discussion followed regarding fiscal impact of HB 933 and HB 939. Chairman Cowper recapped by stating, if HB 933 is adopted, the cost would be \$199.8. In answer to a question, Ms. Farnan explained the fiscal impact for HB 939 is almost \$2.5 million for FY 78, which would be for FY 79 should the Committee adopt HB 933. Chairman Cowper stated he feels the Commissioners should get a raise but is not sure about the others, particularly the University people. He commented any pay raises granted the University should be restricted to the staff and faculty--not the administration.

Representative Buchholdt asked, regarding exempt and partially-exempt employees, if a State agency is re-required to use a list of classified eligibles, and Ms. Farnan stated the agency does not have to take those employees from the State list of eligible employees in personnel.

Chairman Cowper asked if University employees are under the classification in Section 1 of HB 933. Mr. Scott replied they do not fall under this salary schedule; they have their own; however, they can adopt this through official action.

Representative Freeman commented he would like to compare the existing salary schedule with the one contained in HB 933. In answer to a question regarding the 5% COLA increase for the University, Mr. Scott explained it has been done that way for the last two years.

Chairman Cowper brought up revised budget amendments. Ms. Farnan explained a budget amendment came up today to be inserted into the bill--\$5 million. She advised this will be taken up at Free Conference if they so choose. Chairman Cowper commented he feels it unfair not to address the bill, that the Committee should find a way. There was discussion on deleting the retroactive portion of the bill and the reference to the University.

In answer to a question, Ms. Farnan advised Section 1 refers only to the executive branch. Chairman Cowper asked what relationship this has to the salary requirements. Ms. Farnan made reference to HCR 45 and stated by adopting this 5% increase, it would be like taking away the authority of the Salary Commission. Chairman Cowper discussed dissolving the Salary Commission, as salaries are raised over their recommendations, which makes the Legislature look foolish. Mr. Barrier remarked he couldn't see where this would be taking away their authority, as HB 933 is not setting salaries.

Chairman Cowper proposed Section 1 be adopted, Section 2 be omitted, Section 3 be renumbered Section 2, and Section 4 renumbered Section 3, to read "This Act takes effect July 1, 1978." Representative Gruening so moved and asked unanimous consent that Finance Committee Substitute for HB 933 be reported out. There being no objection, it was so ordered. Finance CS for HB 933 was reported out with a "do pass" recommendation.

FINANCE CS
FOR HB 933
REPORTED OUT

Chairman Cowper commented this would be addressed in Free Conference Committee. He advised the Committee would defer further action on HB 939. (The Committee Report on HB 939 signed at the 5-4-78 afternoon meeting was voided.)

HB 939
HELD OVER

HB 820 was brought up for consideration:

HB 820

"An Act relating to the teachers' retirement system; and providing for an effective date."

Mr. Van Hout testified briefly on this bill. He stated this is not a cost-of-living adjustment (COLA) bill, and advised this would add money into the account. He explained to fund this, everyone (State, schools and teachers) would contribute 7%. At the present time, he advised, only the teachers are contributing 7%; under this bill, the State and the schools would each contribute 6.7%. Chairman Cowper noted the Legislative Board of Retirement Benefits has endorsed HB 820.

Chairman Cowper asked Mr. Houte to address the HESS committee amendment. Mr. Van Houte stated this relates to the Post-Retirement Bonus section, which provides that, if there are insufficient funds available to pay in full the bonuses granted in a given year, those teachers who retired first would be eligible to payment before those retiring after them are considered. He advised the HESS amendment deletes the word "teachers" in Section 6 and inserts "those persons receiving disability or survival benefits and to any other member age 60 or older". He stated the HESS committee felt clarified the language and made it more fair.

The fiscal note was discussed. In answer to a question, Mr. Van Houte stated COLA would be added to the base amount.

In discussing early retirement, Mr. Van Houte advised most teachers retire at age 59. He added some are earning additional income, but most are not retiring early; only those who do not enjoy good health are taking early retirement.

Representative Duncan moved and asked unanimous consent that HB 820 be reported out incorporating the HESS committee amendment. There being no objection, it was SO ordered. HB 820 with HESS committee amendment was reported out with a "do pass" recommendation.

HB 820
w/HESS AMEND.
REPORTED OUT

HB 558 was brought up for consideration:

HB 558

"An Act extending leaves of absence to certain temporary employees of the state."

Referring to the State Affairs committee substitute (An Act extending leaves of absence to and amending the group insurance benefits of certain employees of the state, and certain of its political subdivisions; and providing for an effective date.), Representative Duncan advised this bill has been addressed before but held over pending receipt of a new fiscal note.

At this time, Ms. Shelly stated the University people are waiting for the fiscal note, with regard to Section 3.

Mr. Arnoldt presented a status report on the health insurance negotiations, stating they received a bid from the carrier for a 30% increase.

There was discussion on the fiscal notes, with Representative Duncan stating the Committee should have received a fiscal note on Sections 1 and 2 only, as the Committee voted on 4-4-78 to adopt Sections 1 through 4 and delete Sections 5 and 6. A fiscal note was prepared, with Chairman Cowper's signature, based on an estimated average of 875 State temporary employees qualifying for benefits, with first-year cost of \$1,085.1--\$868.0 general fund.

Representative Duncan briefly explained Section 4, stating this provides that, if both husband and wife work for the State, and one is part-time, they would not have to pay double on health insurance.

Representative Duncan moved and asked unanimous consent that Finance Committee Substitute for HB 558 be reported out deleting Sections 5 and 6, renumbering Section 7 to Section 4, and making effective date July 1, 1978. There being no objection, it was so ordered. Finance CS for HB 558 was reported out with a "do pass" recommendation.

FINANCE CS
FOR HB 558
REPORTED OUT

HB 806 was brought up for discussion:

HB 806

"An Act relating to the child care facility revolving loan fund; and providing for an effective date."

Representative Buchholdt provided background information on the original bill and the HESS committee substitute, noting the changes. She advised the HESS committee held extensive hearings and could provide more back-up material should the Finance Committee so desire.

The HESS CS, she advised, raises the loan limit from \$30,000 to \$50,000, not to exceed \$100,000 in total loans to a single child care facility (Section 1).

Section 2 of the HESS CS, she stated, keeps the \$10,000 provision for people who have very little collateral. She advised Section 3 extends the provision to include not only certification but also licensing.

Section 4, she advised, relates to the new loan limits extended in Section 1. She commented they still have to apply for Certificates of Need to the Department of Community and Regional Affairs.

Chairman Cowper commented on the zero fiscal note.

Representative Gruening moved and asked unanimous consent that the HESS committee substitute for HB 806 be reported out. There being no objection, it was so ordered. HESS CS for HB 806 was reported out with a "do pass" recommendation.

HESS CS
FOR HB 806
REPORTED OUT

Chairman Cowper brought HB 903 up for consideration:

HB 903

"An Act establishing an invention awards program."

Chairman Cowper presented background information on the bill, stating this is the result of a request from Russell P. Wertz, Fairbanks, and referred the Committee to his letter (see attached). He advised Mr. Wertz points out there is very little that serves as incentive anywhere for inventors. He commented HB 903 would establish an invention awards program costing \$5,000, which would pay the cost of the patent.

Chairman Cowper suggested the following amendment: page 1, line 19, delete "nine" and insert "three" members; page 3, line 12, add "during the 24 months immediately preceding the date of the contest." The latter amendment, he advised, was suggested by the Commerce committee. He also suggested the Committee approve a fiscal note of \$12,000, which Ms. Farnan would prepare.

AMENDMENTS

Representative Buchholdt asked if this applied only to scientific inventions, and Chairman Cowper replied it applies to all inventions requiring a patent.

Representative Gruening moved and asked unanimous consent that Finance Committee substitute for HB 903 be reported out with the proposed amendments. There being no objection, it was so ordered. Finance CS for HB 903 was reported out with a "do pass" recommendation.

FINANCE CS
FOR HB 903
REPORTED OUT

The next bill up for discussion was HB 805:

HB 805

"An Act making a special appropriation to the Department of Health and Social Services for the prevention and treatment of otitis media; and providing for an effective date."

Representative Buchholdt, prime sponsor, provided background information. She stated Dr. David Spense, Section of Family Health, Department of H&SS, testified extensively before the HESS committee, regarding a study done on otitis media. She advised they found there is still an existing need for help in this area, that it is still a problem in the State.

Chairman Cowper stated last year, there was an otitis media program started through Rural Cap. He asked if HB 805 is to be coordinated with that program. There was discussion on this, with Representative Buchholdt stating that project went through the Department of Community and Regional Affairs for the Bethel area.

Chairman Cowper advised there was a considerable amount put in the budget for otitis media already. Mr. Barker explained the Finance Committee increased the Governor's amount by \$50,000 to \$100,000 for surgery and treatment costs of otitis media and a new position. Representative Buchholdt advised this proposal came from the Department of HESS, as this wasn't included in the Governor's budget, and they felt there was a need. She advised she had additional back-up information in her files that she would provide for Committee members.

Chairman Cowper requested that Representative Buchholdt check this out further to see if or how this coordinates with the existing program and to see what is being done statewide regarding otitis media. He also commented he feels Rural Cap is doing a good job. HB 805 was deferred at this time.

HB 805
HELD OVER

The next item up for discussion was HB 842:

HB 842

"An Act relating to the functions and organization of the state publications library distribution center."

Chairman Cowper stated he put the bill in originally for the purpose of centralizing the State's information and requiring State agencies to file their reports in a central place so that a person would only have to check in that place for information, which would help in coordinating existing studies, etc.

Mr. Engen testified at this time, citing two examples where this system would be advantageous. He stated, currently, there is a lot of material that is never filed with the State Library, and also a lot of data that is never published; this information may exist in a computer file. He advised HB 842 provides for a centralized listing and centralized access to this information. He also stressed the inventory and listing and indexing of information will be centralized; not the information itself, which will be contained in many different places.

Chairman Cowper stated he had in mind a mini-library. Mr. Engen advised they are not requiring that, but indicated published information should be filed with the State Library Depository System, where information is interfaced and matched with the Smithsonian Scientific Exchange and programs that deal with federal money in the State.

Chairman Cowper addressed the HESS CS for HB 842 and stated one of the problems is with the University of Alaska studies and asked Mr. Engen's comments on specifically mentioning the University in Section 11, Definitions, under "state agency". Mr. Engen replied he feels this would be very appropriate; that it would strengthen the definition of public corporations of the State of Alaska by including the University. Chairman Cowper commented on adding a subsection under Section 3 where third parties are involved in studies, such as oil companies; some of this information is confidential, which would require the University ask permission in filing these copies with the State library. (2nd am. below)

The fiscal note was discussed. Representative Buchholdt asked if it was the intent to catalog every State agency publication and have warehouses of these publications. Mr. Engen stressed the importance is to have the listing made so that the physical location will be known. He advised the material can still be maintained at its present location. He commented the State Publications Distribution Center receives at least five copies of every State publication; that the problem now is those publications are not coming in to the State Library. In answer to a question, Mr. Engen replied the cost is for an input study and for terminal hookup to the Washington, D.C., Library Network. Chairman Cowper commented the \$100,000 referred to in the fiscal note would lapse after a year.

Chairman Cowper moved and asked unanimous consent that Finance Committee Substitute for HB 842 be reported out with the following amendments (HESS CS):

FINANCE
AMENDMENTS

page 1, line 17, delete ",through its operations,"

page 2, Section 3, add new subsection (d),
"As to research projects or studies conducted for third parties by the University of Alaska where no state funding is involved, the University of Alaska shall make a request of the third party for permission to make copies of the final report available to the state library under this chapter. If permission is granted by the third party, the reports shall be deposited with the state library under this chapter."

page 4, line 21, add ", and the University of Alaska and its affiliated research institutes;"

There being no objection, it was so ordered. Finance CS for HB 842 was reported out with a "do pass" recommendation.

FINANCE CS
FOR HB 842
REPORTED OUT

Chairman Cowper brought up SCR 88 for consideration:

SCR 88

Directing the Legislative Council to accomplish a substantive revision of the alcoholic beverage laws.

Representative Duncan moved and asked unanimous consent that SCR 88 be reported out. There being no objection, it was so ordered.

SCR 88
REPORTED OUT

The next bill up for discussion was HB 906:

HB 906

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

Representative Freeman stated this bill was addressed on an earlier date (4-18-78) but noted Chairman Cowper was out of town, and he did not want to increase the amount in the absence of the Chairman. He advised he had an amendment to propose that has no fiscal impact.

Representative Freeman moved and asked unanimous consent that Finance Committee Substitute for HB 906 be reported out, amended as follows: line 11, after "feasibility" add ", design, modification, expansion", and line 12, after "engineering" delete "and design loans" and add "for water supply and hydroelectric projects". He advised this language is taken from HB 442. Representative Rhode objected to the \$5 million figure. Representative Haugen requested the figure be raised to \$10 million to include Sitka. There was brief discussion. The question was called for, and the motion carried. Finance CS for HB 906 was reported out with a "do pass" recommendation.

FINANCE CS
FOR HB 906
REPORTED OUT

The meeting adjourned at 4:00 p.m.

ADJOURN

HFC 78-102 #0528 - End
78-103 #0001 - #1348

Star Route 50667
Fairbanks, Alaska 99701

The Honorable Steve Cowper
Alaska State House of Representatives
Pouch V, State Capitol
Juneau, Alaska 99811

Dear Steve,

I've studied your bill, "An Act establishing an invention awards program" and regard it as an excellent piece of legislation. The bill, if passed in its present form, would serve as a skeletal structure for the invention awards program. The truly substantive issues are left to the discretion of the committee. I would like to make some remarks about how I would like to see that committee function - to flesh out the skeleton to carry my metaphor a bit further.

As a person who spent his youth in the study of science and a good part of his adult life as a working scientist, I have been in a position to witness the most intimate workings of our system of scientific research and technological development. There are a number of things wrong with this system, which could be summarized as follows:

1. Public funds, which are channeled through NSF, DOD, the Universities and private research organizations such as Bell labs and SRI, are mostly consumed in R&D programs which will be of direct proprietary benefit to the nation's largest corporations and the military establishment. Very little of this money goes to work which will be directly useful to the public which pays for the research. We are told, as a means of justifying this alarming fact, that the public eventually benefits through "spin-off"; for example, Corningware is really missile nose cone material. Such justification, on the face of it, sounds like nobless oblige. Clearly, "spin-off" is the pottage that the technological nobility dispenses to the masses.
2. Independent inventors and producers of new technology are quickly co-opted and gobbled up by the large corporations when their products, after years of struggle and high risk ventures, finally gain public recognition and acceptance. How does this occur? A particular case will serve to illustrate this point. Consider solar collectors: after years of work in development and marketing over one hundred producers of solar collectors stand ready to serve the public. Yet in recent months, in response to

this newly developed marketing climate, companies such as Owens-Illinois, Westinghouse, and Exxon through its Daystar subsidiary have received grants of \$320,000.00, \$650,000.00, and \$225,000.00 respectively for proprietary research on solar collectors from ERDA. These organizations are also busy writing a national code of standards for solar collectors which will contain technical requirements which will eliminate the smaller producers from the market.

The point of all of the above is that I feel your legislation will redress the balance more favorably to the small inventor and producer if the committee had that viewpoint. Perhaps the legislation could be amended to insure that viewpoint. The educated but independent inventor is a dying breed because the system has thwarted his efforts in recent years through massive disincentive. I believe he shall have an important social role in the future and should be encouraged in every way. He is a person who is more alert to the needs of the community and in the best position to respond to those needs.

Sincerely,

Russell P. Wertz
Russell P. Wertz

HOUSE FINANCE COMMITTEE

May 8, 1978

1:30 p.m.

All members of the Committee were in attendance except Representatives Gruening, Haugen and Guy. Chairman Cowper arrived later in the meeting. Also in attendance: Marilyn Miller, Alaska Municipal League; and Representatives Anderson, Nakak and Snider.

PRESENT

Vice-Chairman Freeman called the meeting to order and brought CSSB 430 up for consideration.

CSSB 430

"An Act extending the authority of the Alaska Municipal Bond Bank; and providing for an effective date."

Mrs. Marilyn Miller, Alaska Municipal League, stated they support this bill as they did the original concept of a Municipal Bond Bank. She stated they would appreciate the Committee's immediate consideration of the bill in order that the City of Ketchikan can take advantage of it to sell bonds on May 10th.

Representative Freeman advised there is a proposed amendment to the bill, on page two, line one, after "bond", adding "except a revenue bond for electrical generation purposes,". Mrs. Alison Farnan advised that Jim Rhode stated this language was suggested by Eric Wohlforth, Bond Council, and was concurred in by Commissioner Hubbard and Mr. Yewall. She stated the purpose of the amendment is to exclude electrical generation purposes because they want to keep these bonds within the Alaska Power Authority offices. There was discussion on the amendment. The general consensus of the Committee was that they did not want to approve this amendment.

Representative Rhode moved and asked unanimous consent that the C & RA HCS for CSSB 430 be reported out. There being no objection, it was so ordered. HCS CSSB 430 was reported out with a "do pass" recommendation.

HCS CSSB 430
REPORTED OUT

CAPITAL BUDGET

CAPITAL
BUDGET

Vice-Chairman Freeman stated the House version of the CAPITAL BUDGET would now be discussed. Mr. Scott advised that in looking at the Capital Budget's of the Senate and the Governor, they include only general fund projects.

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EDUCATION

Department of Administration:

Rural School Instruction Reconstruction Fund: Mr. Scott advised this was allowed in the Governor's document. He stated this should be g.o. bonds and not general funds.

Department of Education:

Rural School Misc. Upgrades: Mr. Scott stated this \$250.0 is to be used around the state. There was no objection to the figure.

Skill Center: Mr. Scott advised this is for new dormitories at the Seward Skill Center. There was no objection to the figure.

Public Broadcasting:

Homer Radio Station: Representative Buchholdt moved to accept the \$61.0 in capital, as well as the \$61.0 previously put into operating. Vice-Chairman Freeman stated the Senate didn't put anything into operating. Representative Rhode stated they needed the \$120.0. There being no objection to the figure, it was so ordered.

McGrath Radio Station: Representative Buchholdt stated they did not provide any operating money for McGrath, so she would recommend it be left at zero. No objection.

Sand Point Radio Station: Representative Buchholdt recommended zero for Sand Point also. No objection.

Barrow Studio/Equipment: Representative Buchholdt moved to accept the \$66.0 figure, stating they were funded in the operating budget. There being no objection, it was so ordered.

Juneau Satellite Payment: Representative Duncan moved to accept the \$25.0 figure. There being no objection, it was so ordered.

Commercial TV Relay Station - Cooper Landing: Mr. Scott advised this was a Senate addition. The general consensus of the Committee was not to accept this figure.

Mini TV: Representative Schaeffer moved to accept the following figures: \$45.0 for mini TV at Selawik, Buckland, Deering; and \$58.0 for mini TV at Koliganek, Dilling, Kyuk. No objection, so ordered.

Public Studio; Kolg, Dillingham: Mr. Scott advised this was a Senate addition. There was discussion on the figure. Representative Schaeffer moved to accept the figure of \$150.0. There was no objection.

Representative Lovseth stated Cooper Landing had a request for \$20.0 in the budget last year, which the Governor vetoed. He requested the \$20.0 figure be accepted this year. There was no objection.

Representative Swanson moved to add \$5.0 for a radio station in Chicken. There being no objection, it was so ordered.

(Chairman Cowper returned at this time.)

Representative Duncan moved to appropriate \$57.8 in capital money for Lynn Canal Broadcasting. He stated this is for Haines and Skagway, and money was added in the operating budget for this. There being no objection, it was so ordered.

Chairman Cowper moved to bring Sand Point back in, at the \$40.0 figure accepted by the Governor and Senate. There being no objection, it was so ordered.

State Museums:

Chairman Cowper moved to accept the following figures:

Museum Acquisitions \$50.0
Juneau Storage Annex \$112.4
Museum Carpet/Lighting-Juneau \$49.0

There being no objection, it was so ordered.

Haines Sheldon Museum Construction: Representative Duncan moved to accept the figure of \$92.1. He stated this was a project started as a bicentennial project, and the building is partially done. He stated they need the additional funds to complete the building. There being no objection, it was so ordered.

Visual Arts Center Relocation: Mr. Scott stated the building currently at the Anchorage airport needs to be moved. He stated he is not sure if they are talking about moving the building, or relocating the exhibit. Representative Bucholdt stated she has not heard about this either, and recommended it be left at zero. No objection.

Transportation Museum-Palmer: Chairman Cowper stated the House passed a bill out on this last week. The Committee recommended this be left at zero. No objection.

Libraries:

Video Dubbing Bank: Representative Freeman moved to accept the figure of \$33.9. No objection.

Film Acquisition: Representative Duncan moved to accept the figure of zero. No objection.

Rare Alaskana: Chairman Cowper moved to accept the figure of \$10.0. No objection.

Institute of Native Art: Brief discussion. Representative Rhode moved to accept the figure of zero. No objection.

Sitka Russian Church-Ikon Restoration: Chairman Cowper stated this is part of an on-going project in Sitka. He moved the figure of zero. No objection.

Printing & Publication - Gruening: Chairman Cowper stated that basically this is a proposed biography of Ernest Gruening being written by a person on the University of Alaska staff. Representative Buchholdt moved to accept the figure of \$35.0. No objection.

Department of Transportation:

Bethel-Kilbuck Code Upgrade: Chairman Cowper moved to accept the \$40.0 figure. No objection.

Bethel Electric Low Voltage Protection: Mr. Scott advised that neither the Governor, nor the Senate accepted this figure. Chairman Cowper moved the figure of zero. No objection.

Tooksok Bay Oil Fill Line: Not accepted by either the Governor or the Senate. Chairman Cowper moved the figure of zero. No objection.

Chairman Cowper moved to accept the following figures:
(no objection, so ordered)

Kongiganak Upgrade \$30.0

Bethel-Kobuk Water/Sewer \$80.0

Kongiganak-Renovate Old School \$50.0

There was brief discussion on the Atmautluak Water, Sewer, and Plumbing. Chairman Cowper moved to hold action on these. No objection.

5/8/78

Representative Duncan commented that some of these projects under \$25.0 could probably qualify for RDA grants through the Department of Community and Regional Affairs. Chairman Cowper stated this should be looked into.

There was discussion on the figures in the Kuspuk REAA. Chairman Cowper moved to accept the figures in the Kuspuk REAA that were accepted by the Governor and the Senate, for a Total of \$206.5. No objection.

For the rest of the Education capital budget, within the Department of Transportation area, Chairman Cowper moved to accept all figures accepted by both the Governor and the Senate. There being no objection, it was so ordered.

Haines Borough Schools, Vocational Education Building: Representative Duncan stated \$500.0 was approved in 1976. He stated that because of cost increases, the bid comes in at \$245.0 more than what they have. There was discussion on this building and whether or not it should be included within the rural school program. The general consensus of the Committee was to leave this out.

Twin Hills School Reconstruction: There was brief discussion. Chairman Cowper moved to accept the figure of \$200.0. There being no objection, it was so ordered.

Galena Schools-Utilidoor: The Committee had no information on this, so did not accept the figure.

Representative Swanson moved to add \$40.0 for the Nenana School Music Room. No objection, it was so ordered.

Representative Duncan requested that \$45.0 be added as a grant to Juneau for costs of an artist who will be painting a mural to depict the history of Juneau for their centennial. He advised they have received local contributions, but need an additional \$45.0. There was discussion. Representative Duncan advised the mural would be painted on a wall in the Juneau Marine Park. Representative Duncan moved to add \$45.0 to the Alaska Historical Commission to be paid as a grant to the Juneau Centennial Committee for a centennial mural. There being no objection, it was so ordered.

Representative Nakak requested the Committee consider adding \$250.0 for a desalinization plant for the school at Shishmaref. He stated that currently the school has no water. He advised the people he has talked to indicate they can build a plant for that amount. There was discussion. Chairman Cowper stated he did not think a desalinization plant could be built for \$250.0. He recommended holding this over in order that they could check into this and see what could be done.

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Representative Snider requested that \$8,500 be added to the Alaska Historical Commission to restore the Kodiak Baranof Museum. He advised that the municipality has contributed funds, but they lack the money to complete the renovations of the second floor. Chairman Cowper moved to add \$8.5 for Kodiak Museum Renovation. There being no objection, it was so ordered.

UNIVERSITY OF ALASKA:

Planning/Studies:

Architectual Barriers Study-Statewide: Representative Buchholdt questioned the reason for adding funds for a study when the University is already receiving funds to remove some of these barriers.

Chairman Cowper called a recess at 3:30 p.m. and recalled the meeting to order at 3:50 p.m.

There was further discussion on the architectual barriers study. Chairman Cowper moved to accept the figure of zero with the understanding that there are substantial monies in the bond issue to do this. There being no objection, it was so ordered.

Campus Master Plans/Space Utilization: Chairman Cowper stated that what they are trying to do is get the funds to pay for the people in their planning department. He stated he had requested information from them on the number and cost of people within the department in order that he could add that to the operating budget. Mr. Scott advised he has received those numbers. Representative Duncan moved to accept the figure of zero. No objection, so ordered.

WAMI-Rural Medical program-Study: There was brief discussion. Representative Duncan moved the figure of zero. No objection, so ordered.

Library Acquisitions:

There was brief discussion. Chairman Cowper moved to accept the following figures for Library Book Acquisition: Fairbanks \$245.0; Anchorage \$500.0, and Juneau \$38.4. No objection, so ordered.

Chairman Cowper moved to add \$175.0 to purchase scientific books from the Boyse Thompson Institute. He stated this is to go to the Fairbanks campus. There was brief discussion. No objection, so ordered.

5/8/78

Parking/Roads:

UAJ/JDCC-Ray Center Parking Lot Improvements: Representative Duncan moved to accept the figure of \$100.0. There being no objection, it was so ordered.

Road/Parking Lot-Sitka CC: Chairman Cowper moved to accept the figure of \$175.0. No objection, so ordered.

Road/Parking Lot/Facility Improvement-MatSu CC: There was brief discussion. The general consensus of the Committee was to not accept this figure.

Equipment:

There was discussion on the equipment figures. Chairman Cowper moved to accept all the Senate figures under the equipment category, for a total of \$472.9. There being no objection, it was so ordered.

Representative Schaeffer moved to add \$41.0 for instructional equipment at the Kotzebue Extension Center. There was brief discussion. There being no objection, it was so ordered.

Representative Schaeffer moved to add \$40.0 to purchase 2.7 acres for the Kotzebue Extension Center, and that the operating budget be decreased by \$5.0 which is the lease of these lands. There was discussion. There being no objection, it was so ordered.

Remodeling/Construction:

There was brief discussion on the remodeling/construction projects. Mr. Scott advised that the House put Sewage Facility-Palmer in the operating budget, and the Senate put it in the capital budget. Chairman Cowper stated he thought it would be better placed in the Capital budget.

Chairman Cowper moved to accept the Senate figures under remodeling/construction. There being no objection, it was so ordered.

There was brief discussion on using capital funds versus bonds. Chairman Cowper stated some kind of policy decision should be made on whether or not they want to begin phasing in a direct appropriation program.

Chairman Cowper moved to add \$100.0 for the ACC Performing Arts Center fire safety improvements. He stated this is to add the urathane which they heard testimony on earlier. No objection, so ordered.

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SOCIAL SERVICES:

Hope Cottage: Representative Meekins stated the Committee has received testimony from Hope Cottage on the need and reason for this. Representative Buchholdt advised the representatives from District 9 (McKinnon and herself) endorse this request. She stated their needs are extreme, and advised that Hope Cottage is not just for Anchorage residents, but for people from throughout the State. Mr. Barker advised they can receive Medicaid money, but in order to receive it they have to make changes to the building. There was further discussion. Representative Buchholdt moved to accept the figure of \$620.0. There being no objection, it was so ordered.

Chairman Cowper moved to accept the figure of \$35.0 for the Sitka Pioneers Home Greenhouse, and 18.0 for the Mt. View Greenhouse - Juneau. There being no objection, it was so ordered.

Representative Rhode moved to add \$250.0 for the Kenai Peninsula Youth Center. He stated this is capital funding, and the facility takes care of all the Kenai Peninsula. There being no objection, it was so ordered.

Representative Meekins moved to add \$30,000 for a Women's Resource Center and \$16,210 for the Council on Alcoholism in Kodiak. There was discussion on the Women's Resource Center. Representative Meekins advised it will provide assistance to women in crisis. Chairman Cowper asked if this was the same as the Shelter for Battered Women in Anchorage. Representative Meekins stated that the Resource Centers are different from Shelters. He advised the Women's Groups around the state got together and decided there would only be five Shelters around the State, with Anchorage being the main one. He stated the Resource Center in Kodiak is not a shelter. Chairman Cowper stated the problem with funding one Center is that you set a precedent for others. There was further discussion.

Representative Snider stated that almost the entire amount was for capital funds for office equipment, etc. There was further discussion on the amount. Representative Meekins commented that he thinks a one time grant for capital equipment will not be setting such a bad precedent. Representative Snider stated this is a non profit group, the Center will be run mostly by volunteers.

The question on the \$30.0 for the Women's Resource Center in Kodiak was called for. Representatives Cowper and Swanson opposed. The motion carried.

5/8/78

There was discussion on the \$16,210 for the Kodiak Council on Alcoholism. Representative Snider explained the purpose of the funds and advised their most needed item is \$9,000 to purchase a van. There was discussion. Chairman Cowper moved to accept the figure of \$9,000 for the van for the Council. There being no objection, it was so ordered.

The meeting adjourned at 5:20 p.m.

ADJOURN

Rape HFC 78-103 #1348 to end
78-104 # 001 to end
78-105 # 001 to 1511

5/8/78

HOUSE FINANCE COMMITTEE

May 9, 1978

2:50 p.m.

All members of the Committee were in attendance, with Representatives Guy, Duncan, Gruening and Meekins arriving later in the meeting. Also in attendance: Speaker Hugh Malone; Thomas Scott, Coordinator, Division of Public Health, Department of Health and Social Services; Milt Barker, Alison Farnan, Fiscal Analysts, Legislative Finance Division.

PRESENT

Chairman Cowper called the meeting to order and brought up HB 896 and HB 897 for consideration:

HB 896 - "An Act relating to emergency medical services."

HB 896

HB 897 - "An Act making a special appropriation to the Department of Health and Social Services, division of public health, for expenses of the emergency medical services section and to provide grants-in-aid for the support of emergency medical services; and providing for an effective date."

HB 897

Speaker Malone testified at this time, stating HB 896 is the authorizing legislation, making amendment to the current statute. He advised this bill provides for an overall systematic approach to emergency medical services (EMS); it provides that a system allow quick response to an emergency.

[Representatives Guy, Duncan, Gruening and Meekins arrived at this time.]

Speaker Malone discussed the different sections of the statute this bill amends; Regulations, Issuance of Permits, Certificate Required, Immunity from Liability and Penalty. He advised there is a new fiscal note pertaining to the HESS CS for HB 896, dated 5-2-78, prepared by Tom Scott. The fiscal note, he stated, is for FY 80, as there is no fiscal impact expected in FY 79.

He commented he is interested in seeing a statewide program for EMS and a continuation of a statewide training program. He briefly discussed the question of certification contained in the bill.

HB 897, Speaker Malone advised, appropriates \$500,000 to the Department H&SS for operation and training expenses and will pick up where the federal funds slack off. He commented, basically, the federal grants--

which have funded the program to this point--are for the purposes of planning and to start the program; not to fund the on-going training program. He advised, due to revisions of federal regulations, some of those funds will not be available.

Speaker Malone recapped by stating the basic purposes of the two bills is for continuation and improvement of Alaska's emergency medical services.

Representative Guy questioned the distribution of the appropriation brought out in Nurse Patricia Rogers' letter of 4-18-78. Chairman Cowper replied this is covered by the fiscal note. Speaker Malone noted the HESS committee's intent was the distribution that appears on Mr. Scott's fiscal note, 4-12-78. There was brief discussion.

Representative Gruening brought up a question regarding liability as noted in Ms. Laurel Parker's letter (see attached). Her suggestion, he stated, deletes reference to "an aircraft not equipped as an ambulance", page 3, line 26 of the HESS CS. Representative Gruening wondered why this was limited to "an aircraft" and not an ambulance. Discussion followed, with Speaker Malone replying this probably could be taken out and that it is a policy question. Representative Gruening commented he feels this would make that section too broad.

Speaker Malone advised the intent was the transportation of patients from one medical facility to another for the purposes of receiving better care. There was discussion on changing this language to "a vehicle", representing various modes of transportation, such as dog sled, horse, etc.

Tom Scott presented testimony at this time, stating the Department supports the concepts of both bills, but does not recommend an increase over the Governor's request, and referred to the Position Paper (attached).

[The meeting recessed at 3:03 p.m. and reconvened at 3:18 p.m.]

RECESS

There was further discussion on "escort" liability, with Representative Duncan referring to page 3, paragraph 2 of the Position Paper, with regard to the question brought out in the Parker letter. Mr. Scott advised a nurse who escorts a patient outside a hospital would not be covered under the present hospital insurance. He commented, originally, HB 896 did not have any reference to nurses and indicated this is a matter of public policy in how far you go on liability.

Representative Gruening moved and asked unanimous consent that Finance Committee Substitute for HB 896 be reported out, amended as follows: page 3, line 26, delete "an aircraft" and insert "a means of conveyance". There being no objection, it was so ordered. Finance CS for HB 896 was reported out with a "do pass" recommendation.

FINANCE CS
FOR HB 896
REPORTED OUT

Representative Guy questioned how the figures for distribution were arrived at. Mr. Scott replied they were based on the grants received from the particular regions when they were submitted for federal funds.

Representative Swanson moved and asked unanimous consent that HB 897 be reported out. Chairman Cowper stated this includes attached fiscal note and Letter of Intent as follows:

"It is the intent of the Legislature that the funds appropriated in HB 897 be allocated in accordance with the fiscal note submitted by the Department of Health and Social Services, dated 4-12-78, attached."

INTENT

There being no objection, it was so ordered. HB 897 reported out with a "do pass" recommendation.

HB 897
REPORTED OUT

At this time, Representative Duncan brought CSHB 558 (Finance) up for reconsideration:

CSHB 558
(FINANCE)
RECONSIDERED

"An Act extending leaves of absence to and amending the group insurance benefits of certain employees of the state, and certain of its political subdivisions; and providing for an effective date."

Representative Duncan explained the bill was reported out on 5-5-78, but there is a problem with a fiscal note. Chairman Cowper recapped by stating, when the bill was reported out last week, two fiscal notes were approved, and one (dated 5-5-78, prepared by Russell Clark) was missed; that one adds an additional \$359.8 to \$1106.0, or \$1465.8 total. There was brief discussion of the fiscal note. In answer to a question, Ms. Farnan replied 2.7 months is the average employment of temporary employees. Chairman Cowper stated whenever they quit, they would have to be paid; this would have to be a funded liability; temporary employees get paid on a daily basis. There was further discussion of the fiscal note, with Representative Gruening objecting. The question was called for, with five in favor and five opposed. Chairman Cowper advised the bill will go out with the fiscal note as is.

CSHB 558
(FINANCE)
REPORTED OUT
AS IS

Chairman Cowper announced he would like add an item into the CAPITAL BUDGET. He moved and asked unanimous consent that \$140.0 be added into the Education category for a Shismaret desalinization tank. There being no objection, it was so ordered.

CAPITAL
BUDGET ITEM
ADDED --
SHISMARET

The meeting adjourned at 3:45 p.m.

ADJOURN

HFC 78-105 #1515 - End
78-106 #0001 - #0795

April 18, 1978

Rep. Steve Cowper
Pouch V, MS 3100
Juneau, AK 99811

Dear Rep. Cowper:

The Legislative Committee of Northern Alaska Health Resources Association met this week to review several bills of interest to the Association. Our Board has asked that we express our comments to you regarding the Emergency Medical Services Legislation.

House Bill 896 appears to omit a broad spectrum of bush providers in Section 18.08.086. It is the feeling of the Committee that the legislation should consider all bush providers, particularly community health aides and itinerant public health nurses, who potentially will give emergency medical services. Further, the bill should spell out what immunity providers will have prior to obtaining EMS training and receiving certification into this Act.

House Bill 897 should spell out the distribution and the expected resulting products of the \$500,000 to be appropriated for EMS. It's the feeling of the committee that too frequently appropriations such as this are made for the support of the State office and the benefits do not reach the people.

We appreciate your attention to these bills. The need for emergency training and accident and safety education programs is of high priority in our planning and plan implementation.

Sincerely,



for Patricia L. Rogers, R.N.
Chairperson, Legislative Committee

cc: Commissioner, Health & Social Services
Office of Emergency Medical Services

Southwest Region Emergency Medical Services Council

BOX 2170
SITKA, ALASKA 99835

TELEPHONE 747-8005
747-6370

Representative Steve Cowper, Chairman
House Finance Committee
Pouch V
Juneau, Alaska 99801
May 3, 1978

Dear Representative Cowper:

At a Board meeting held on April 29th, the Southwest Region Emergency Medical Services Council carefully reviewed HB 897, appropriating funds to Health and Social Services for emergency medical services; CSHB 896, concerning EMS regulations; and SB 535, authorizing exercise of emergency medical services by municipalities outside the city limits.

At their direction, I am writing to express the Board's unanimous support of SB 535 and HB 897. Additionally, they unanimously agreed to support CSHB 896, but recommend that section 18.08.080 (c) in its present form is too restrictive and should be revised to read:

"No registered nurse or licensed practical nurse who escorts a patient may be liable for civil damages...." deleting the phrase "in an aircraft not equipped as an ambulance".

The Southwest Region Emergency Medical Services Council agrees that all three bills will, if enacted, serve to overcome present difficulties in the EMS field and thereby urges you to vote for their passage.

Yours truly,

Laurel Parker

Laurel Parker
Executive Director

LP:ms

"An Act relating to emergency medical services."

House Bill No. 896 does several things:

- (1) Prohibits all persons from rendering emergency medical care unless they have a certificate from the Department of Health and Social Services authorizing them to do so (page 1, lines 24 to 28).
- (2) Requires the Department of Health and Social Services to establish procedures for the issuance of certificates authorizing persons to provide emergency medical services and/or operate an ambulance (page 1, lines 16 to 23).
- (3) Provides that the Department of Health and Social Services with the concurrence of the Department of Public Safety shall adopt regulations to implement the Certification process (page 1, lines 9 to 14).
- (4) Provides immunity from liability for civil damages for persons certified under the Act for good faith acts or omissions while rendering care to persons in life threatening situations. The immunity is also extended to the employer of the certified person (page 1, lines 29 and page 2, lines 1 to 13).
- (5) Provide immunity from liability for civil damages to a physician who transfers a patient to a hospital that is better equipped to treat the patient and where a prior transfer agreement has been obtained (page 2, lines 14 to 29).

The Department supports the concept of establishing minimum standards for pre-hospital emergency care personnel, vehicles, and ambulance operators as well as the extension of liability to certified providers, and physicians who transfer patients. However, the Department feels that the language regarding the issuance of permits and requiring certificates is too vague. For example the section under "Certificate Required" could, technically, prohibit the "Good Samaritan" in an extreme case, and a ski patrol member in the very realistic case, from rendering emergency care. The Department believes that the present bill should be amended to provide for only the following:

- (1) A mechanism that would give the Department authority to certify medical technicians (EMTs) as having completed an approved training course, and to recertify those who have maintained their skills.

- (2) A mechanism whereby the Department can authorize specific emergency medical technicians to perform advanced life support techniques under the written or oral direction of a physician.
- (3) A mechanism whereby the Department can certify those organizations who meet minimum operating standards to provide ambulance services.

The suggested amendments are attached.

The intended effects of the bill, if amended as suggested, would be to:

1. Establish a uniform standard for emergency medical technicians in the State of Alaska and convey the recognition by the state as meeting that standard through a certification process. At present time EMT training is carried out by over a dozen institutions with half following one standard and half another.
2. Establish uniform standards of advanced life support training and require that in order to practice those skills one must be certified by the State. While most basic EMT courses are based on a standard 81 hour national curriculum, there is no standard for teaching advanced life support techniques, nor is there a standard establishing who may provide them and under what circumstances. Advanced life support skills are those normally provided by physicians and paramedics. It is the glamor area of emergency care which is currently being abused with no way to control it.
3. Establish minimum standards for the staffing, ambulance design, equipping, and operation of an ambulance service and provide a certificate to those services that meet the standard. Currently a majority of ambulances are adequately equipped; however, others are less than adequate. Certification would be voluntary except for those that wished to provide advanced life support services. Air ambulance services would be included.
4. Provide an incentive for ambulance services and other organizations that use emergency medical technicians to use certified EMTs and provide an incentive for ambulance services to become voluntarily certified by providing immunity from civil liability for damages to those so certified.
5. Provide an incentive for physicians in small hospitals to transfer critical patients to better equipped hospitals without the fear of being held liable if the patient deteriorates during the transfer. This is especially important in Alaska where most of our hospitals are not capable of definitive care for the critically injured.

Long transport times, unstable patients and the current medical-legal atmosphere all tend to encourage the conservative treatment approach of doing all that can be done at the local level. However, the critically injured patient needs aggressive care, the kind that is provided at major hospitals and medical centers. Modern inter-hospital transfer techniques can usually provide a level of life support similar to that provided by the small hospital. Hence, the benefits of transfer outweigh the risks involved.

The Department has no intention of regulating the first aid functions of ski patrols, search and rescue groups or other health care providers licensed, certified, or regulated by Alaska Statutes.

As in the original bill, all regulations established by the Department would be concurred with by the Department of Public Safety. They will be based on realistic standards developed by the State Emergency Medical Services Advisory Council. It is not the intent of the amendments to limit the provisions of quality services but to provide an incentive to improve services.

The Department would, by regulation, delegate the personnel certification process to the Division of Occupational Licensing, Department of Commerce and Economic Development.

Recommended by: *Robert I. Fraser* *4/8/78*
Robert I. Fraser, M.D., Director Date
Division of Public Health

Approved by: *Helen D. Byrne* *4/7/78*
Helen D. Byrne, Commissioner Date
Department of Health & Social Services

HOUSE FINANCE COMMITTEE

May 10, 1978

3:05 p.m.

All members of the Committee were in attendance. Also in attendance were Representatives Anderson and Osterback; and Pat Conheady, Division of Lands.

PRESENT

Chairman Cowper called the meeting to order and brought up HB 54 for consideration.

HB 54

"An Act relating to the administration of state land; and providing for an effective date."

Representative Freeman stated the 2nd CSHB 54 is a bill held over from last year. He advised the Judiciary Committee reported it out with a second committee substitute. He and Bradley attempted to make an amendment on the floor to the bill, and it was sent to the Finance Committee.

Mr. Pat Conheady, Division of Lands, explained the bill. He stated the Department has seen the amendment proposed by Representative Miller, and they are in favor of the amendment.

Chairman Cowper asked if the bill needed any further amendments, other than what is in the 2nd committee substitute. Mr. Conheady said no. There was brief discussion on the bill.

Representative Freeman moved to report out a finance committee substitute, incorporating the 2nd Judiciary Committee Substitute and Representative Miller's amendment adding a new section four. There being no objection, it was so ordered. CSHB 54 (finance) was reported out with a "do pass" recommendation.

FINANCE
CSHB 54
REPORTED
OUT

CAPITAL BUDGET

CAPITAL
BUDGET

Chairman Cowper stated the Committee would continue to make recommendations for the Capital Budget in the area of HEALTH.

(Representative Duncan arrived at this time.)

Department of Health and Social Services:

Tok X-Ray Machine: There was brief discussion. Chairman Cowper moved to accept the figure of \$25.0. There being no objection, it was so ordered.

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API: Chairman Cowper stated there are six items within this area that were accepted by both the Governor and Senate. He moved to accept these items:

API Carpeting \$30.0
API Storage Shed \$60.0
API Lighting Fixtures \$21.0
API Exterior Painting \$37.0
Climate Control \$20.0
API Waste Incinerator \$18.0

There being no objection, it was so ordered.

Chairman Cowper moved to accept the figure of \$65.3 for the Shishmaref Clinic. He stated the Clinic burned down last year and they need another one. There being no objection, it was so ordered.

Representative Rhode moved to accept the figure of \$110.0 for the Seldovia Clinic. He advised the Senate approved the figure of \$100.0 for the Clinic. He stated they apparently deleted \$10.0 from the request for sidewalks. He stated he would like to include the entire amount. There being no objection, it was so ordered.

Representative Swanson moved to accept the figure of \$100.0 for the Tok Clinic. He will provide the back-up information to Mr. Barker. There being no objection, it was so ordered.

(Representatives Schaeffer, Gruening and Guy arrived at this time.)

Representative Buchholdt moved to accept the figure of \$32.1 for the Dillingham Ambulance, stating that Representative Anderson has requested this. There being no objection, it was so ordered.

Representative Buchholdt moved to add \$130.0 for a Spay Clinic in Anchorage. She stated this will be a pilot project and is much needed. Chairman Cowper objected in the belief that this should be a municipal responsibility and not a state responsibility. The question was called for Representatives Swanson, Buchholdt, Gruening, Guy and Rhode in favor. Representatives Cowper, Freeman, Haugen, Schaeffer and Duncan opposed. The motion failed.

Representative Duncan advised the Juneau Health Clinic needs \$2,000 to replace a door that was blown off in the Taku winds. No action was taken on this request.

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Representative Guy moved to add \$170.0 for a clinic at Tooksok Bay. He stated this is the figure he has received from Mr. Holden, Department of Transportation, for construction of the facility. There was brief discussion. There being no objection, it was so ordered.

Representative Schaeffer moved to add \$100.0 for the Kipnuk Clinic. Representative Anderson requested this be added because they are currently using a school that was built in the 1930's for the clinic. He stated it is not properly insulated or heated. There was brief discussion. There being no objection to the motion, it was so ordered.

Chairman Cowper stated the next category to be considered was NRMEC.

Chairman Cowper questioned the reason for Cadastral Land Surveying being in the Capital Budget. He stated he thought this belonged in the Operating Budget. Representative Gruening suggested putting in a zero here, and taking care of this in Free Conference. There was discussion. Representative Gruening moved the figure of zero, with the understanding that funds would be put in the operating budget during Free Conference. There being no objection, it was so ordered.

Chairman Cowper stated there are a number of capital projects which the Governor and Senate funded through the Renewable Resources Development Fund. He stated it would not be in keeping with the House's action on the Fund to place these things within it. He recommended accepting those items if the Committee wishes, but placing them in general funds rather than the Renewable Resources Development Fund. There was discussion.

New Wing-DGGS/DOGC Bldg. Chairman Cowper stated the Governor accepted the figure of \$500.0 and the Senate approved \$25.0. Mr. Grogan advised the State approved planning funds only, with the remainder to be bonded. Chairman Cowper moved the figure of \$25.0. There being no objection, it was so ordered.

Chena River Recreation Area: Chairman Cowper moved to accept the figure of \$275.4. There being no objection, it was so ordered.

Silver King Wayside: There was discussion. Mr. Grogan stated he believes this is located in Kenai. Representative Rhode moved to accept the figure of \$424.6. There being no objection, it was so ordered.

Izaak Walton Wayside: Representative Rhode moved to accept the figure of \$147.8. There being no objection, it was so ordered.

King Mountain Wayside: Representative Duncan moved to accept the figure of \$75.0. There being no objection, it was so ordered.

Parks Restrooms-Alterations: Chairman Cowper moved to accept the figure of \$52.0. There being no objection, it was so ordered.

Bike Trails & Footpaths: Representative Duncan read from a request from Representative Miller in which he asked that \$500.0 be included for bike trails and footpaths. There was discussion. Representative Haugen recommended this be held open until they had an opportunity to straighten out the questions there are between the bond issue, federal highway act, and legislation that was passed. There was further discussion. This category was held open.

Rika's Landing Roadhouse: Representative Swanson advised this is a historical roadhouse on the Tanana River, about one and one-half miles above the Parks Highway. He moved to accept the figure of \$25.0. There being no objection, it was so ordered.

Totem Bight: This is in Ketchikan. Representative Haugen moved to accept the figure of \$160.3. There being no objection, it was so ordered.

Highway Roadsides: Mr. Grogan explained what is included here and advised this is all federal money. Representative Haugen moved to accept the figure of \$333.4. There being no objection, it was so ordered.

Mirror Lake Wayside: Representative Buchholdt moved to accept the figure of \$245.7. There being no objection, it was so ordered.

Representative Rhode moved to add \$110.0 for Funny River Acquisition. He advised the Izaak Walton League has it and it can be purchased for that amount. He stated it is approximately 13 acres. Chairman Cowper advised this is also in the Serate's capital budget. There being no objection, it was so ordered.

Whisky Gulch Development: Representative Rhode stated when the Sterling Highway was built in the 50's, they took gravel from the beach here to build it. He stated after the Highway was completed, people used the road to the beach. He stated this road was severely damaged in the earthquake, and people can no longer use the road. He stated after the Sterling Highway was built, the state relinquished their easement rights to that road,

and they would now like to buy the property. He stated he would like to see them buy the property and repair the road. There was discussion on the cost. Representative Rhode moved to add a tentative figure of \$100.0 to buy the property and fix the road to Whisky Gulch. There being no objection, it was so ordered.

Shelter Cabins: Nome, Kotzebue, Barrow: Chairman Cowper moved to accept the figure of \$45.0. There being no objection, it was so ordered.

Representative Swanson moved to add \$10.0 for a footpath approach to the Rex Railroad Bridge. There was brief discussion. There being no objection, it was so ordered.

Representative Buchholdt moved to add \$35.0 for the Fish Creek Recreation Area in Spenard for playground equipment, finishing the parking lot, and finishing the landscaping. Chairman Cowper asked who owned the land. Representative Buchholdt stated it is being developed by the Kiwana's, but she believes the land is owned by the municipality. There was brief discussion. There being no objection to the motion, it was so ordered.

There was discussion on several other projects, but it was determined they should be put in other categories, so they will be brought up at later dates.

Kodiak Shellfish Pots-CF: There was discussion. Representative Duncan moved to accept the figure of \$36.0 in general funds (not the Renewable Resources Development Fund). Representative Gruening objected. The question was called for. Six in favor; four opposed. The motion carried.

Tutka Lagoon Bunkhouse-FRED: There was brief discussion. Representative Rhode moved to accept the figure of \$100.0 in general funds. There being no objection, it was so ordered.

East Creek Bunkhouse-FRED: Mr. Grogan advised this will be out of Dillingham. Chairman Cowper moved to accept the figure of \$150.0 in general funds. There being no objection, it was so ordered.

Communications Equipment-Administration: Representative Duncan moved to accept the figure of \$90.7 in general funds. There being no objection, it was so ordered.

Kenai Salmon Trap Study: Representative Guy moved to accept the figure of \$50.0 in general funds. There being no objection, it was so ordered.

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Blind Slough Bridge (Crystal Lake)FRED: Representative Haugen advised the bridge is ruined, and the only way to get to the hatchery is to replace the bridge. Chairman Cowper moved to accept the figure of \$200.0 in general funds. There being no objection, it was so ordered.

Representative Freeman moved to accept all the figures within the Department of Fish and Game area that were accepted by both the Governor and the Senate. He further moved that these be general fund monies. There being no objection, it was so ordered. The following items were accepted:

Igiugig Field Station Restoration \$27.5
Water Inventory-Central/West \$60.0
Arctic Inventory/Catalog \$75.0
Deer Mt. Hatchery Equipment \$82.7
Tagging Equipment SE \$17.5
Tagging Equipment Central \$17.5
Hidden Falls Hydro Power \$650.0
East Creek Hatchery Access \$92.0
Beaver Falls S-T-R Exp. \$76.0
Fish Transport Unit \$96.0
Walk-In Freezers SC \$41.0
Cannery Creek Hatchery \$129.8

Representative Schaeffer moved to add \$30.0 for a Whitefish Study-Kobuk/Selav. There being no objection, it was so ordered.

Representative Guy moved to add \$100.0 for a Lower Kuskokwim Sonar Counter. Representative Anderson advised that sonar counting is proving to be more accurate than anything they have right now. He stated they are trying to move away from fish counters and the fishermen don't rely on that method. He stated the sonar counter is more accurate in making determinations. Representative Anderson stated he has a phone call in to obtain more information on costs of sonar counters, but the person is out of town right now. He will provide the additional information when he receives it. Representative Guy stated the funding is contingent upon the information received from Representative Anderson. There being no objection to the motion, it was so ordered.

Chairman Cowper moved to add \$75.0 for AVCP fish incubator facilities. He stated this is not the same as the \$25.0 in the Senate figures. He stated this is not for a study, they actually have a facility there. He recommended the Senate's figures be replaced with the \$75.0. There being no objection to the motion, it was so ordered.

Representative Schaeffer moved to add \$100.00 for Sonar Counters at the Noatak River. He stated the funding is contingent on the information received from Representative Anderson. There being no objection, it was so ordered.

Representative Swanson requested that \$51.7 be added for a fish biologist III and three man-month technical assistants for North Range Lake Surveillance for Clear AFB Hatchery. There was discussion. Chairman Cowper stated he believes this should be in the operating budget and not the capital budget.

Representative Haugen moved that \$45.0 be added for Patrol Vessels in the Prince William Sound Area. There being no objection, it was so ordered.

Coastal Protection Fund: Chairman Cowper advised this is a contingency fund so the Legislature doesn't have to appropriate funds if there is an oil spill. Chairman Cowper stated this makes sense to him. He stated this is not general funds. Chairman Cowper moved to accept the figure of \$6 million. There being no objection, it was so ordered.

Warehouses--Kodiak & Homer: Representative Rhode stated he would like to put in half of the figure requested for Homer. Representative Duncan stated he is not sure that it is needed. Representative Rhode moved to accept the figure of \$180.0. Four in favor, four opposed. The motion failed.

Representative Guy moved to add \$20.0 for a Bethel Water/Sewer Feasibility Study. There was discussion. There being no objection, it was so ordered.

Representative Schaeffer stated he would like money appropriated for a study for a hatchery for the Kotzebue Sound Area. He advised the Department of Fish and Game has come up with a figure of \$1 million for a two year study. He stated he doesn't think it will take that long, or should cost that much. There was discussion. Chairman Cowper suggested that a private non-profit organization might be interested in doing the study. There was further discussion. Representative Schaeffer moved that \$90.0 be added for a study of a hatchery at Kotzebue Sound. There being no objection, it was so ordered.

Representative Anderson requested the request for the Fish Counter-Nushagak be left open until he received the information on sonar counters. There being no objection, it was so ordered.

The meeting adjourned at 5:38 p.m.

ADJOURN

Tape HFC 78-106 #795 to end
HFC 78-107 #001 to 1563

5/10/78

HOUSE FINANCE COMMITTEE

May 11, 1978

8:40 a.m.

All members of the Committee were in attendance, except Representative Meekins. Representatives Duncan and Gruening arrived later in the meeting. Also in attendance: Representative Nels Anderson; Bob Grogan, Fiscal Analyst, Legislative Finance Division.

PRESENT

Chairman Cowper called the meeting to order and advised the Committee would continue recommendations for the CAPITAL BUDGET.

CAPITAL
BUDGET

DEVELOPMENT:

DEVELOPMENT

Municipal Bond Bank Reserve - Chairman Cowper moved \$500.0. No objection, so ordered.

Public Works Grants/Loans - Chairman Cowper moved \$625.0, with \$240.0 in matching EDA Funds. No objection, so ordered.

[Representative Duncan arrived at this time.]

Alaska Housing Finance Corporation - Chairman Cowper moved a zero figure, as this has been addressed previously in HB 642 and HB 861. No objection; so ordered.

Alaska Power Authority - Representative Haugen moved \$25.0 to Thomas Bay Power Authority, as a grant for Surprise Lake stream gauge. No objection, so ordered. In addition, Chairman Cowper moved \$470.0. No objection, so ordered.

Red Meat Project - Chairman Cowper moved \$113.1. No objection, so ordered.

Agricultural Loans - Chairman Cowper stated SB 414 increases the Agricultural Revolving Loan Fund by \$500.0. He indicated it is his intent to move the bill out. He moved a zero figure in this component. No objection, so ordered.

State Fairs

Palmer - Representative Buchholdt moved \$46.0 for toilets per request of Representative Ose. No objection, so ordered.

Anchorage - Representative Buchholdt moved \$50.0. There was discussion on Anchorage's having a fair. The dog sled fair and fur rendezvous was discussed as to their being trade or State fairs. Representative Freeman objected. Further discussion followed, with Chairman Cowper commenting they did not receive money last year.

[Representative Gruening arrived at this time.]

Representative Duncan advised the \$50.0 request is for start-up cost to construct a \$12 million building. There was discussion on this being a municipal project as opposed to a capital budget item. Chairman Cowper agreed with Representative Freeman, in that there should be guidelines set as to what constitutes a capital project. However, he stated the unorganized borough causes a problem. Representative Freeman concurred that the unrroughs compound this because they don't pay taxes, but added it doesn't seem fair.

Representative Buchholdt commented on the 30,000 people living in Spenard (her district) receiving very little in comparison to Anchorage and other districts; and yet, she stated, Spenard pays its share of taxes. She further related the problems in Spenard being lumped in with Anchorage and its being considered a "bedroom" community. She stated it is difficult to answer constituents when they ask: "What have you done just for Spenard?"

Chairman Cowper commented a great deal was put in the budget for road improvements in Spenard, which the Governor cut in half. Representative Gruening stated, if this \$50.0 regarding the \$12 million building were a one-time expenditure, he would support it. He asked what Spenard feels the State's responsibility is in this matter.

Representative Buchholdt withdrew her motion for \$50.0.

Palmer - \$55.0, plus \$46.0 (toilets)/Kodiak - \$12.0/
Ninilchik - \$12.0/Haines - \$12.0/Tanana Valley - \$55.0/
Yukon-Kuskokwim - \$12.0: Chairman Cowper moved the above figures. No objection, so ordered.

Nana Development Corporation - Reindeer Feed Study:
Representative Schaeffer moved \$100.0 to develop this feeding process (cheese-cloth growth) for the reindeer. No objection, so ordered.

Fairground Water & Sewer, Fairbanks - Chairman Cowper moved \$100.0. No objection, so ordered.

Village Surveying Fund - Chairman Cowper proposed the \$15.0 approved by the Governor for the surveying of trust lands--14(3)(c)--be adopted. In answer to a question, Mr. Grogan replied he did not know the Senate's rationale for deleting this figure. Representative Schaeffer moved \$15.0 in Contractual for surveying costs. No objection, so ordered.

Department of Community & Regional Affairs: Representative Freeman moved the Senate figures for his priority projects:

Fire pumper truck - Klawock	\$50.6
Fire alarm system - Klawock	6.0
Backhoe - Klawock	27.0
Crawler tractor - Craig	50.0

No objection, so ordered.

Dike - Aniak -- Representative Guy moved \$50.0 for dike repair damaged by the ice and water. Chairman Cowper asked Representative Guy to provide support information for this project. No objection, so ordered.

Erosion Control - Bethel -- Representative Guy moved \$1 million. He stated the river is loaded up with old junked cars. Chairman Cowper commented it is his understanding the Army Corp of Engineers agreed to do this but couldn't handle the bluff. Representative Guy stated they have done a study, and there was a problem regarding continuation of the project. He advised he would like to see the river cleared through the remainder of the main section of town.

Chairman Cowper commented this component would be held OPEN until the status of the Army Corp of Engineers' continuing this project has been determined. He added, originally, they weren't going to do this, but he has since been told they would.

OPEN

Ditching System - Anderson -- Representative Swanson moved \$26.0; \$20.0 for the ditching system, plus \$6.0 for cat rental. No objection, so ordered.

Fire truck - Nenana -- Representative Swanson moved \$25.0 in matching monies. No objection, so ordered.

Fire truck - Klukwon -- Representative Duncan moved \$25.0 in matching monies. He advised a like amount would be contributed by the Central Council, and he would get this in writing. No objection, so ordered.

Erosion Control - Egegik/Port Heiden -- Chairman Cowper advised he received these requests for inclusion in the capital budget; but referred to a bill where C&RA would make these grants themselves. Representative Anderson advised the Senate Resources Committee objected to language from the House side, but they will draft acceptable language and forward to him. In answer to a question, he advised the bill was referred to C&RA, Resources and Finance; it has not yet been reported out of C&RA. Chairman Cowper advised this component would be left OPEN. He then quoted from a letter from the Village Council President of Egegik regarding their cemetery erosion.

OPEN