

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2686

Chairman Cowper referred to the NRMEC category and moved to add \$2027.4 for Cadastral Land Surveying; he further moved that this amount be in general funds. He advised that both the Governor and Senate accepted that figure; the House wanted to add it to the operating budget, but it was not added there. There being no objection, it was so ordered.

NRMEC

Representative Meekins commented that a policy decision needs to be made regarding the corrections bond package. He stated there are two facilities in Anchorage that need to be renovated at a cost of about \$2 million. He stated something has to be done as there are court cases pending on these facilities. Chairman Cowper stated that after considering bond issues they may want to have a supplemental capital budget. There was brief discussion.

Representative Schaeffer stated the Criminal Justice Planning Agency sent out a proposal to construct three public safety buildings. He stated they have received LEAA funds, but need an additional \$65.0 for the three buildings. Chairman Cowper stated they might be eligible for additional federal funds, and he would like to hold this until Mr. Barrier had an opportunity to check into it.

Mr. Barrier, Alaska Court System, stated the Governor submitted their capital budget as a separate bill. He asked the Committee to consider doing something for the Sitka building as it has no cooling system and it gets hot in there. He requested \$65.0 for a cooling system. There was discussion.

CAPITAL -
BUDGET TO
CAUCUS

Chairman Cowper stated they would submit the Capital Budget to the Caucus and it will then come back to the Committee.

ADJOURN

The meeting adjourned at 5:20 p.m.

Tape HFC 78-119 #001 to end
78-120 #001 to 770

5/24/78

HOUSE FINANCE COMMITTEE

May 25, 1978

8:40 a.m.

All members of the Committee were in attendance except Representative Schaeffer. (Representatives Buchholdt, Duncan and Gruening arrived later in the meeting.) Also present to testify were: Commissioner Marshall Lind and Mary Madden, Department of Education; Heather Flynn, Anchorage School District; Robert McHenry, Superintendent, Aniak School District, and Susan Murphy, Lobbyist for five school districts.

Chairman Cowper called the meeting to order and brought HB 719 up for consideration.

"An Act relating to state aid for schools; and providing for an effective date."

Chairman Cowper referred members of the Committee to a Memorandum from Representative Parr, Chairman of the HESS Committee, concerning this bill.

Commissioner Lind, Department of Education, stated the Committee substitute for this bill was compiled from several other bills. He stated this bill addresses not only bilingual education, but also establishes the instructional unit allotment for 1980, and includes provisions for a bilingual materials development center. He advised that HB 851 and HB 800 were combined in this bill.

Commissioner Lind stated he would like to speak to bilingual education. He advised the Governor's bill called for an appropriation of \$5.2 million. He stated this is in addition to the \$700,000 they have in the Governor's budget under the grants program. He stated it is their feeling, based on an assessment of needs, that the school districts will need \$5.2 million. In addition, Commissioner Lind said they feel the \$700,000 for materials is also needed.

(Representatives Duncan and Buchholdt arrived.)

Commissioner Lind gave the past history of the program and stated this year they have approximately \$680,000 available in bilingual education in both operating and grant money. He stated that is not sufficient to do the job.

Commissioner Lind advised the House HESS Committee changed the formula. He said the Committee felt that within one year's time there would be about a ten-fold increase in state

general funds for bilingual education. He stated they were concerned that the schools may not be able to utilize that increase; and they were also concerned that sufficiently qualified people would not be available.

Commissioner Lind stated their request is that the program be funded at the Governor's request. He stated it is their best estimate of what they will need.

There was discussion on the federal funding pattern in this area. In answer to a question, Commissioner Lind replied the federal contribution will not go down, with the exception of Title 7, Johnson-O'Malley. He indicated there would be an increase in services for bilingual education, which is a significant increase over what the State has put in in the past. He advised the greatest need for these services is in the Kuskokwim area.

Chairman Cowper asked for an explanation of the programs offered at the Regional Resource Center. Ms. Madden advised one program is where an instructor fluent in the child's home language is sent to the village to teach the child. The second type of program, she stated, is where the child comes to school and is taught in his home language. The third and largest program, she advised, deals with those children with limited English-speaking ability. She stated, although they speak some English, they are taught written skills in their home language first before they progress to English skills.

Chairman Cowper asked where these materials come from, and Ms. Madden replied some comes from the University campus, some from C&RA, and some material is available from the lower 48 states.

Chairman Cowper asked if there was a bilingual instructor in every school, and Ms. Madden answered where applicable. He then asked how many schools are involved in the State, not counting BIA schools. Ms. Madden stated she didn't know how many schools, but that this involves 30 districts. Chairman Cowper asked if this would involve at least 100 schools, and Ms. Madden answered "at least". There was discussion on salary schedules for bilingual instructors. In answer to a question, Ms. Madden advised the salary differs from district to district.

Ms. Flynn advised there are 65 schools in the Anchorage School District and that salary scale for bilingual instructors goes from \$6.80 per hour to \$9.00 per hour.

Chairman Cowper then read a letter from Representative Parr, HESS committee chairman, dated 5-4-78, recommending the Finance Committee not accede to the requests to

raise the bilingual funding in CSHB 719 (attached). Commissioner Lind advised one of the things to be taken into consideration is that some of the federal funds are not being used for bilingual education. He noted how the money is to be spend is a decision by the school board.

[Representative Gruening arrived at this time.]

Commissioner Lind commented, last year, several school districts were found to be in violation of Title 6 of the Civil Rights Law, and that the State Board of Education will now need money to correct the situation. He indicated he feels they will use that money well. In answer to a question, he stated very little money is for administration and none is for the Department of Administration. Ms. Madden explained the \$700,000 will be used for in-service training and staff development. She advised the formula \$5.2 million deals with direct program costs and not indirect program costs.

In answer to a question regarding the training of bilingual instructors, Ms. Madden advised it takes more than the ability to speak the language to teach the language. She stated the Regional Resource Center takes a person who speaks the native language and trains him to teach that language.

There was discussion on the percentage of the base instructional unit allotment the districts are allowed. Commissioner Lind called attention to a minor adjustment in the Southeast Island School District, which changed from 104% to 108% of the basic instruction per unit. He advised this was an oversight on their part. The other adjustment, he noted, involves the Kodiak Island School District, which went from 112% to 116%. He advised the district asked for 120%, but the Department felt 116% was sufficient.

Commenting on the 6% increase for the instruction establishment of the unit amount for FY 79, Commissioner Lind stated, originally, the bill called for approximately a 10% increase. He advised the State Board of Education went on record as supporting the 10% increase; the Governor took the 6% increase. He remarked he supports the 10% increase in agreement with the State Board and realizes the fiscal impact is significant but feels this can be utilized. Chairman Cowper asked if that position was advanced before the HESS committee, and Commissioner Lind answered he did relay his position to the HESS committee some weeks ago. There was further discussion.

Representative Swanson asked how many REAA's operated in the black over the increased formula. Commissioner Lind replied he thinks they all were and that it varied from

\$25,000 in excess of \$400,000. He also commented that the first year of operation was done without firm data for previous years and noted the second year would be more significant.

Representative Swanson questioned the 10% increase going toward salary increases. Commissioner Lind indicated he didn't know how much of that would go into salary increases, but doubted it would increase everyone's salary 10%. He also commented, wherever possible, the money should go to the school districts. Discussion followed. Representative Swanson asked if anything was being done about the increased cost of insurance that comes out of the district unit allotment, and Commissioner Lind replied they are working on it.

Ms. Flynn, member of the Anchorage School Board, testified at this time, stating she would address the committee substitute. With regard to the larger districts, she advised, the question came up as to how bilingual funds are used. She stated, "The truth of the matter is we are spending the money anyway." She noted they are under federal and State mandate to have these programs.

Ms. Flynn advised 27 different languages have been identified in Anchorage; the largest being Spanish, then Japanese, Korean, Vietnamese, etc., with the Native Alaska language comprising the smallest group. Currently, she advised, they have exactly one certificated bilingual instructor; the others come under the classification of "bilingual tutor". She stated they definitely need some in-service training. She advised Anchorage is not going to offer a 10% across-the-board increase and that the 6.7% is strictly dollars--not benefits. She remarked, as they are under a number of mandated programs, they can justify an 8.2% increase, and flatly stated the 6% increase will not cover costs. She stressed the 10% is needed.

Chairman Cowper asked the extent of their duty with regard to non-English speaking children. Ms. Flynn explained they are mandated under the Lowe law to teach children in their native language. She commented Anchorage feels that, as English is the spoken language of the country, it should be stressed; but, on the other hand, they try to preserve the language and customs of the non-English speaking people. In answer to a question, she replied eight students speaking a foreign language within the district constitutes having a bilingual tutor.

There was brief discussion on HB 550 (unemployment insurance), with Ms. Flynn advising Anchorage has to put in \$1.6 million to cover unemployment. In answer to a question, she replied bilingual instructors are not eligible for this; they are only eligible if they are not under

HB 550

contract, and, she noted, Anchorage has "on-going" contracts. She indicated, however, bilingual tutors are eligible under HB 550.

Susan Murphy, representing Southwest Regional School District (Latham, Southeast, Lower Kuskokwim, St. Mary and Iditirod), stated she would address her remarks specifically to the bilingual portion of the bill. She testified that bilingual education is required by both the federal and State and that four of the five school districts she represents were named in the Civil Rights Law case when the schools were state-operated. She outlined the case. In answer to a question, she replied the Johnson-O'Malley money is supplemental money. She commented if funds are cut from \$5.2 million to \$3.1 million they would not be able to provide these programs; and yet, she added, they must provide these programs and that "morally" they should provide them.

[At this time, Chairman Cowper was called out of the meeting and Vice Chairman Freeman conducted the meeting.]

There was discussion on the bilingual formula being an on-going thing. Ms. Murphy indicated she did not foresee this at all and felt it would be an initial expense.

Representative Buchholdt asked what is done with the Johnson-O'Malley money, and Ms. Murphy advised this is used for travel, cultural activities, sports equipment, puppet workshops, etc. Funds for bilingual education, she stated, are used to teach a child English or to teach him in his own language. It was also noted some of the districts do not administer Johnson-O'Malley monies. Discussion followed.

At this time, Mr. McHenry testified briefly on bilingual education, urging consideration of the 10% increase. He commented this was his first year in Aniak, and that they do not operate a lot of bilingual programs, but that there are two schools where this is necessary. He commented they do not have control of the Johnson-O'Malley money. In answer to a question, he replied there are eight schools in the Aniak School District, which is the Kuskokwim REAA.

Vice Chairman Freeman advised further testimony on HB 719 would continue at the meeting this afternoon.

The meeting adjourned at 10:00 a.m.

HB 719
HELD OVER

ADJOURN

HFC 78-120 #0770 - End
78-121 #0001 - #0190



Official Business

Alaska State Legislature

House of Representatives

Committee on

Health, Education & Social Services

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Representative Steve Cowper, Chairman
House Finance Committee

FROM: Representative Charles H. Parr, Chairman *CH*
House HESS Committee

DATE: May 4, 1978

The HESS Committee has forwarded you CSHB 719. This CS contains sections:

1. raising the basic foundation level
2. increasing the area differentials for the Kodiak and Southeast Island school districts.
3. putting funding for bilingual instruction on a foundation formula rather than a categorical grant basis.

Undoubtedly the Finance Committee will be asked to override the HESS Committee cut in bilingual funding (from \$5.2 million to \$3.0 million). I wish to point out that heretofore DOE has had about \$650,000 per year for bilingual, and that this amount is already in the budget for FY 79. The bill, plus the budgeted amount, would make \$3.7 million available for bilingual education.

Increasing bilingual funding by a factor of 550% in one year seems to me sufficient. The department wants to increase it by 950%.

It should also be noted that there is Federal funding available to a number of districts for this purpose, in addition to state general fund money.

We should do something about special education this year. The problems are real. In the absence of a bottomless pot of money I strongly recommend that the Finance Committee not accede to the requests to raise the bilingual funding in CSHB 719.

More money for special education because of the limitations of training people, etc. HESS don't think they could spend that much in a year.

HOUSE FINANCE COMMITTEE

May 25, 1978

3:15 p.m.

All members of the Committee were in attendance. (Representative Gruening arrived later in the meeting.) Also in attendance: Representatives Rudd, Bradley, Kelly and Miller; Senator Willis; Heather Flynn, Anchorage School District; Bob Green, Alaska Association of School Boards; Mike Morin, House HESS Committee; Steve Hold, Department of Education; Mr. Behlke, Mr. Berkowitz, Mr. Corbus and Ms. Arlis Sturgelowski, Capital Site Planning Commission.

PRESENT

Chairman Cowper called the meeting to order and stated discussion would continue on HB 719.

HB 719

"An Act relating to state aid for schools; and providing for an effective date."

Ms. Flynn, Anchorage School District, stated she would like to lay to rest the rumor that the Anchorage bilingual program is "rolling in dough". She stated the reason for the large amount of funds at the end of last fiscal year was because \$5 million in 874 funds came through the day before the end of the fiscal year. She stated those funds are being used in this years budget. She stated they also received special education funds that have been used in the budget. She advised they did end up \$200,000 ahead; but some of that was capital money they transferred for renovations. She advised that this year they have encumbered every dollar.

Mr. Bob Green, Alaska Association of School Boards, stated they would like to support the change in the bill that speaks to area differentials of school districts. He stated they strongly support the 10% increase in foundation support. He stated their operating expenses are in excess of 10%.

(Representative Gruening arrived at this time.)

Chairman Cowper requested Mr. Morin, House HESS Committee, to explain the Committee's rationale for funding the bilingual program at the rate it did, and their decision on the foundation program. Regarding the foundation program, Mr. Morin stated they looked at the rate of the instruction units over the past five years and compared it to the average increase in the cost of living in the state. He stated it appeared to them that 6% was a more consistant, less inflationary figure. He stated the Committee also felt this may be the time to slow the program down and see how they can start to get more for their dollar.

5/25/78

Representative Meekins asked if there was a cost of living adjustment every year in the foundation program. Mr. Morin stated there has been every year since 1972-3. He stated it is not an automatic adjustment, it has been done by legislation.

Representative Duncan asked what the percentage increase has been every year. Mr. Morin responded: 1973-4 5%; 1974-5 7%; 1975-6 8%; 1976-7 6%; 1977-8 10%; 1978-9 5%.

Mr. Morin advised that on the bilingual program they looked at the categories that had been established. They looked at the different figures and found that the weighted formula submitted by the Department would be a ten-fold increase. Mr. Morin advised the feeling of the Committee was that by the time staff development took place they would be into another year, so if they gave them a small allocation this year they could gage how they spend the money, and then look at what to give them in future years. There was brief discussion on the program.

Representative Meekins asked how much they are actually getting in increased service to the bilingual program. Mr. Morin stated they are still looking at close to a 100% increase in funding. He stated the HESS Committee indicated a willingness to move this up to the \$5 million level following this fiscal year.

Representative Freeman moved to report out the HESS Committee Substitute. Representative Buchholdt objected, and stated she is not clear on which fiscal note is being accepted. Chairman Cowper stated they were accepting the one dated May 3, 1978 by Nat Cole. Representative Guy moved to amend the motion to include \$5.2 million for the bilingual fund (wording in HB 851). Chairman Cowper objected. The question was called for: 6 in favor, 5 opposed. The motion carried. The question on the main motion was called for. 2 opposed. The motion carried. Finance CSHB 719 was reported out with a "do pass" recommendation. (NOTE: A new fiscal note was submitted after the meeting to reflect the amended motion.)

CSHB 719
REPORTED
OUT

Chairman Cowper brought HB 610 up for consideration.

HB 610

"An Act making supplemental appropriations to the Department of Health and Social Services, miscellaneous, and providing for an effective date."

Mr. Barker stated the Department advised him that next Tuesday (May 30th) is the deadline to make their AFDC payment. He stated if this supplemental is not passed, they cannot make the payment. He stated they have submitted a letter requesting changes in the bill, making a reduction in foster care and additional money for institutional care.

5/25/78

Representative Meekins asked when he was advised of their need for the funds, and Mr. Barker answered today. Representative Meekins commented they will have a crisis on Tuesday and didn't tell him until today. Mr. Barker stated this was correct.

Representative Haugen moved and asked unanimous consent to table HB 610. Representatives Freeman and Meekins objected. The question was called for: 3 in favor; 7 opposed. The motion failed.

Representative Guy moved to defer further action on the bill to a later date. Chairman Cowper objected stating the AFDC payments need to be made. Representative Guy withdrew his motion.

Representative Freeman moved to report out a finance committee substitute for HB 610, incorporating the new numbers from the Department's letter of May 1, 1978. Representative Buchholdt objected, and requested an opportunity to read the material in the file before voting on the bill.

Chairman Cowper called a recess at 3:55 p.m. and recalled the meeting to order at 4:10 p.m.

RECESS

Representative Buchholdt removed her objection. There being no further objection, CSHB 610 was reported out of Committee with a "do pass" recommendation.

CSHB 610
REPORTED
OUT

Chairman Cowper stated the next bills to be considered were:

HB 857 - "An Act relating to planning for and development of the new Alaska capital, including incorporation of a new capital city; and providing for an effective date."

HB 857 &
HB 965

HB 965 - "An Act providing for the issuance of general obligation bonds in the amount of \$448,800,000 for the purpose of paying capital construction costs of the new Alaska capital; and providing for an effective date."

Representative Freeman commented that the Committee has been through hearings on this bill before, they have read everything possible to be read on the move, and his feeling is that everyone at this table has their mind made up on which bill and which figure they are going to support. He stated that he personally objected to going through the same arguments and routine they have heard before. He stated he would prefer choosing the bill and funding that the majority of the Committee prefers and moving on that.

5/25/78

Chairman Cowper stated it was not his intent to repeat all the hearings that were held in the State Affairs Committee. He stated he does think the people in the Committee should know what they are voting on. He stated that he was not prepared to vote a bill out right now. He stated they could start with the original bills if the Committee preferred.

Mr. Behlke, Capital Site Planning Commission, stated the basic difference between the original bill and the State Affairs bill is that they had submitted a full capital move plan and State Affairs proposed a basic move plan with the concept of moving 3200 state employees by 1987. He stated the price tag on that move is approximately \$900 million. He stated all employees to be moved under that plan were to come from Juneau.

Arliss Sturgulewski, Capital Site Planning Commission, stated there are three changes in the text of the legislation: (1) the addition of an oversight committee; (2) change in the creation of the city government itself from a second class city to a first class city; and (3) a change in the composition of the members of the capital city development corporation.

Chairman Cowper suggested that Representative Kelly explain the rationale for his Committee's decisions. Representative Kelly commented that he agreed with Representative Freeman that it was a matter of picking the number they wanted. He stated they felt \$3.5 billion figure was excessive and not what the voters voted for in 1974. He stated they also felt they could cut down on the impact to Juneau by moving central employees only. Representative Kelly stated that considerable changes were made to the original bill, but other than the numbers at the end of the bill, he thinks the changes were for the best. He stated he would be careful about taking the original bill as a start. He advised that the changes in the State Affairs bill make it a much stronger vehicle.

Mr. Behlke stated the Commission felt the wording put into the State Affairs bill improved the bill.

Representative Gruening stated they should decide which bill then want to work on first. He stated in dealing with the development corporation, he has some problems with the scope and powers of the corporation. Chairman Cowper recommended that HB 857 be discussed first. Representative Gruening advised he had prepared a proposed committee substitute for that bill.

PROPOSED
CSHB 857

5/25/78

Representative Gruening stated he has a number of questions on the CDC. He stated all legislative and executive control has been removed from the CDC, and it is not subject to the Executive Budget Act. Representative Gruening asked why they went in the direction they did. Mr. Behlke stated they talked with people who had developed a city to find out what to do. He stated this would be a corporation that would oversee the development of the city. Ms. Sturgulewski stated in order to have a successful city they need a careful development plan. She stated a great deal of this was done to protect the State's interest and it would, in fact, be a capital that the people wanted. She stated it is in the State's interest to see that it is done well and cohesive.

Representative Gruening commented that because state land is involved he thinks that State should be involved. He stated the problem with this Corporation is that he doesn't see that the State has much involvement. He stated the State Affairs bill calls for transfer in total of land to the development corporation. Mr. Birkowitz stated he feels they were very sensitive to the concerns of prospective citizens and the State. He stated they tried to accomplish a fair balance between the two. He said the eventual outcome is to leave local government in control. He said he thinks the primary concern of the Commission was to see that there would be a city.

Representative Gruening referred to his workdraft and explained the changes on page 3. Mr. Birkowitz stated this is what he wanted originally, and he thinks Community and Regional Affairs is the appropriate agency.

Representative Gruening stated the change on Page 5, line 16 makes the Administrative Procedures Act applicable to meetings. Mr. Birkowitz stated he is not sure the Administrative Procedures Act would be relevant to CDC. He stated the CDC was designed to be nongovernmental in the way it acts. He stated he approves of having open meetings, but doesn't think the Administrative Procedures Act is applicable. There was discussion.

Mr. Birkowitz stated he believes the deletions on page 8, line 3 corresponds with the later deletion of pages 21 to 33. He stated the deletion of this material eliminates some of their flexibility. Mr. Behlke stated in their planning the state building will be put in general obligation bonds. He stated he doesn't see any areas in which leases are planned; however, by taking this out it does reduce their flexibility in leases and revenue bonds. He stated the Commission wanted to give them as much flexibility as possible. There was discussion. Representative Gruening suggested that if they need the power at a later date, the Legislature could grant it then.

5/25/78

Representative Gruening stated the change on page 8, line 22 is not a major point. Ms. Sturgulewski agreed.

Representative Gruening stated that after the word "proper" on line 22 all the language was stricken in the workdraft. He stated the effect of this was to establish conditions for disposal and acquisition of property. He stated it removes the power to sell or mortgage land in order to raise money. Mr. Birkowitz commented that the power to mortgage appears in subsection 6 which has not been changed. Ms. Sturgulewski stated the basic philosophy is based on how to develop the city. She stated they might want to encourage a certain kind of development to take place that is not, at that point, economically possible without some incentive. She stated this gives them the power to see that the master plan is carried out. She stated that by cutting this, the Committee is whittling away the Corporations ability to develop the new city.

Committee members commented that it was hard to follow this without copies of the workdraft in front of them. The meeting was recessed until copies of the draft could be made available.

The meeting recessed at 5:00 p.m.

ADJOURN

HOUSE FINANCE COMMITTEE

May 25, 1978

7:15 p.m.

All members of the Committee were in attendance except Representatives Rhode, Swanson and Schaeffer. (Representative Meekins arrived later in the meeting.) Also in attendance: Mr. Belke, Mr. Birkowitz, and Ms. Sturgulewski, Capital Site Planning Commission; Representatives Miller, Rude and Kelly; Senator Willis; Mr. Billy Berrier, Legislative Affairs Agency; and Carolyn Burg.

PRESENT

Chairman Cowper called the meeting to order and stated discussion would continue on HB 857.

HB 857

"An Act relating to planning for and development of the new Alaska capital, including incorporation of a new capital city; and providing for an effective date."

Representative Gruening advised that copies of his workdraft were now available. Ms. Sturgulewski advised that the changes up to page 9 were not of such substance that they would object to them. She stated they have problems with the changes on page 9. Mr. Behlke stated they feel it is extremely important for the CDC to be able to do what is in this section. He stated that if section (11) were deleted, the city could do just about anything. He stated they feel it is important that this section be left in. Ms. Sturgulewski stated this section mainly means that they will have the ability to develop a plan and see that it is carried out. Representative Gruening stated his concern is that this would prevent the municipality from having much to say. There was discussion.

PROPOSED
CSHB 857

Representative Gruening stated they are concerned with two entities -- the Mat-Su Borough and the capital city. He stated he thinks there should be some provision for approving of planning and zoning powers by the Mat-Su Borough. He stated this would allay his fears. Mr. Behlke stated deleting this section would restrict the initial development. Chairman Cowper stated he agreed with the Commission on this. Representative Rudd stated she has a proposed amendment, which she will present later, which she thinks will take care of this problem. Mr. Birkowitz stated this is a critical area from a land use planning point of view.

Mr. Birkowitz advised the changes on page 9, line 24 and page 10 are cosmetic changes, which they have no problem with. He stated they do have problems with the changes on page 11. Mr. Behlke stated if this section is changed the State loses its authority with the development plan. He stated they feel this should revert back to the Corporation rather than the Borough.

5/25/78

Representative Rudd stated she has a revised draft of the way the Mat-Su Borough and the capital city are going to work. She stated she agrees with the Commission on this Section. She stated she thinks the Corporation should develop the plan. Representative Rudd stated she will offer suggested language to show the Borough has to concur with the plan. She stated that from there on, the Assembly carries on the function. There was discussion on the development plan. On page 11, line 8, Representative Rudd recommended going back to "Corporation", and on page 10 reinsert the lines regarding financing and hearing decisions. She read a Memo from a member of her staff concerning a phone conversation with Mat-Su Borough Mayor Larson, where she stated he seems to be confirming the statements of the Commission.

Chairman Cowper stated it seems to him that the Mat-Su Borough doesn't want to do any planning and zoning. There was discussion on the responsibility of the Borough in planning and zoning. Ms. Sturgulewski suggested providing that any action that had an impact outside of the capital require concurrence by the Borough. Representative Rudd stated they are looking for a way for the two groups to "mel" together. Representative Gruening stated his only objection to Rudd's amendment is on the approach of the general development plan. There was discussion on the word "concurrence" in the amendment. Mr. Barrier suggested using "review and comment" or "approve". There was brief discussion. Representative Gruening suggested coming back to this later.

Ms. Sturgulewski stated the deletion on page 11, line 12 ties in to the split move. Representative Gruening stated the last part of the State Affairs CS also puts in a split move. He stated he took those sections out. He stated he thinks action on this should be deferred until they get into the bond issue. He stated he thinks it can be settled at that time.

Ms. Sturgulewski stated in answer to an earlier question of Representative Duncan regarding public hearings, that is referred to in sections (c) and (d) on page 12. She stated that is deleted in Gruening's workdraft. Representative Rudd suggested amending this to put those sections back in. Ms. Sturgulewski stated the Commission thinks those sections are very important. Mr. Berrier commented there is no hearing process on restricted covenants. He stated they are not set out in the General Development Plan. Representative Gruening stated he is not sure this section has to be deleted since it appears the Mat-Su Borough is not going to play an active role.

Representative Rudd recommended putting page 12, lines 5 through 8 back in.

Mr. Behlke stated page 14, lines 6-7 give the Mat-Su Borough authority to approve plans. He stated he doesn't think the Borough has any interest in getting involved. Representative Rudd stated that someday the Borough is going to be in charge of planning; and they have to get involved somewhere. Chairman Cowper stated there should be some mechanism to phase them into the process. Representative Rudd stated she doesn't care if they want it or not, they are going to have that responsibility. She stated they should find a way for them to take over. There was discussion. Representative Rudd recommended including "approval" here. Ms. Sturgulewski stated she thinks some of the things that were cut out here gave them some protection.

There was discussion on the change on page 14, line 16. Mr. Behlke commented that if the Assembly doesn't have power this has no meaning.

Ms. Sturgulewski stated they have no problem with the change on page 15, line 4. Representative Rudd stated she thinks this should be changed back to "shall".

Representative Rudd stated the language on line 15 should be deleted. She stated it is part of the original bill taken out by state affairs. Mr. Berrier stated this was correct.

(Representative Meekins arrived at this time.)

Page 17 was discussed. Ms. Sturgulewski stated she thinks it is critical that someone have eminent domain power so they can move ahead. Representative Gruening stated he thinks a lot of these functions are already covered. Mr. Berrier stated under present law either the state, city or borough would have the power to condemn. There was discussion. Representative Gruening stated he feels uncomfortable giving the eminent domain powers to the CDC. He stated he thinks this power should be used discretely. Ms. Sturgulewski suggested giving them this power, but requiring a check by another entity.

Representative Gruening stated they needed language included that required approval of the necessary bonds before they proceed. Mr. Behlke stated there should be some mechanism if the bonds fail.

Ms. Sturgulewski stated they have no problem with the change on page 18.

Ms. Sturgulewski stated they are concerned with the changes on page 19. She stated this brings up a whole series of questions, like who is going to develop, etc. Representative Kelly asked if this referred to the entire 56,000 acres or the 4,000 acres of the capital city itself. There was discussion on the specific development plan and the general development plan.

Mr. Berrier stated under the amendment they would have three land owners within the capital city area. He stated the State would initially own all the land, and would maintain all land that is not conveyed to anyone. He stated there would also be land directed for public use. He advised this would be deeded to the city. He stated the specific development plans would be a series of plans to develop neighborhoods. He stated at the time the plan is approved, the land will be conveyed to the corporation. Mr. Birkowitz stated they are not concerned with the concept of transferring land, but with the timing of transferring land. He stated if this is taken away from the CDC and given to the city -- first of all, the city isn't even there yet. He stated secondly, if there are two groups involved, they will get in each others way. Representative Kelly stated with the CDC they know what they are going to get in terms of land development. Representative Gruening stated that his concern is that before the land is conveyed that there be a financing plan and that the bonds are approved. He stated that is his main concern. Mr. Birkowitz suggested having an effective date conditional on the approval of bonds. There was discussion. Mr. Berrier will work on the language for this.

Representative Gruening stated the page 19 lines 17-18, refer mainly to the revenue bonding question. Mr. Birkowitz stated they don't think it makes any difference if this is taken out.

Mr. Birkowitz stated they have no problem with the change on page 19, line 23. He stated the Commission has no problem with the deletion of pages 20 through 31. He stated it all related to bonds and can be taken care of somewhere else.

There was discussion on page 31, line 12-29. Representative Gruening stated if the CDC is under the Executive Budget Act, the normal committee process would be in effect, so they took out the Oversight Committee. Representative Kelly stated this is a major deviation from the State Affairs CS. He stated they felt the less the Legislature had to do with the development of the capital city, the better the capital city would be. Ms. Sturgulewski stated she thinks this is a policy question.

There was discussion on the word "bond" on page 34, line 23. Mr. Berrier stated this word should come out.

Representative Rudd stated she has questions on line 29, page 34. She suggested including the words "substantially implemented".

There was brief discussion on the change in numbers on page 35. Mr. Behlke stated these numbers should be contingent on what size plan is used. He stated they have no problem with the other changes on page 35.

Mr. Behlke stated they had no problem with the change on page 36, line 26. He questioned the need for the definitions on lines 21 and 24 on page 36. Mr. Berrier stated they appear to be redundant.

Mr. Birkowitz stated they are concerned with the deletion on page 39. He stated this goes straight to the heart of the concept of the CDC and the role it is to play. Representative Rudd stated she would like to see involvement by the Mat-Su Borough before the transfer. Representative Kelly stated that under the CDC plan the land is given in title to the CDC, and is no longer state land. He stated they do what they want with it, and at such time as the CDC dissolves, the land is turned over to private owners.

Representative Meekins asked Representative Rudd if she was concerned with the continuity of the plan and how to make the transition. Representative Rudd stated this was correct; in addition, she is concerned that it happen as soon as possible.

Mr. Behlke advised that in this plan the borough would not get any land except perhaps the schools.

There was brief discussion on the statutes deleted on page 41. Representative Gruening advised the deletions on pages 42 and 43 deal with the split move.

Mr. Berrier presented proposed language for the effective date: "This Act takes effect December 5, 1978 if a bond issue including all bondable costs of the physical location of the capital has been approved by the voters of the State, or at a later date if bonds are approved at a date later than December 8." Ms. Sturgulewski commented this wording ties back to the FRANK initiative. There was brief discussion. Representative Kelly stated he thinks bondable costs as determined and defined by whom should be included in the effective date. Representative Gruening stated those issues will be resolved in relation to the bond issue, and he doesn't think the corporation should be doing things until the bond issue is approved.

Representative Gruening moved to accept all the amendments on pages 1 through 8 of the workdraft. There being no objection, it was so ordered.

Representative Gruening moved to delete the crossed-out language on line 25, page 9. There being no objection, it was so ordered.

Representative Gruening moved to delete the language crossed out in the workdraft on page 10. There being no objection, it was so ordered.

5/25/78

Representative Rudd presented a proposed change for page 12. Representative Gruening moved to include Representative Rudd's proposed change with the addition of "comments of the assembly must be made within sixty days of submission of the plan to the assembly". There being no objection, it was so ordered.

Representative Gruening stated on page 12 they were not removing any language but were adding a new section (d). Representative Meekins moved to accept Representative Rudd's suggestion that section (e) be deleted and the following put in its place: Amendments to the general development plan may be proposed by the assembly to the Mat-Su Borough. There being no objection, it was so ordered.

Representative Gruening moved on page 5, lines 7, 8, and 9, to delete all wording after "AS 36.10.010". There being no objection, it was so ordered.

Representative Gruening moved to accept the changes indicated on the workdraft on page 15. There being no objection, it was so ordered.

Representative Gruening moved to delete section 160 relating to eminent domain on page 17. Representative Meekins objected for further information. Representative Gruening stated he believed existing eminent domain powers would be sufficient. Mr. Birkowitz recommended including language stating the CDC could request the state to condemn land. There was discussion. Representative Meekins moved to amend Representative Gruening's motion to include "request that the state, on behalf of the corporation" after "may" on page 17; and that lines 11, 12 and 13 on that same page be deleted. There was no objection to the amendment. There was no objection to the main motion.

Representative Gruening moved to accept the changes in the workdraft on page 18. There being no objection, it was so ordered.

Representative Gruening moved to accept the deletion on line 23, page 19. There being no objection, it was so ordered.

Representative Gruening moved to delete pages 20 through 33 as indicated in the workdraft. There being no objection, it was so ordered.

On page 34, Representative Gruening moved to accept the language as it appears in the workdraft plus deleting "bond or" on line 23, and replacing "completed" with "substantially implemented" on line 29. There being no objection, it was so ordered.

Representative Gruening moved to accept the language in the workdraft on page 35. There being no objection, it was so ordered.

On page 36 Representative Gruening moved to delete subsections (10) and (11). There being no objection, it was so ordered.

Representative Gruening moved to accept the changes in the workdraft on page 37. There being no objection, it was so ordered.

On page 39, in lieu of section 610, Representative Gruening moved to accept language proposed by Mr. Berrier. There was brief discussion. There being no objection, it was so ordered.

Representative Gruening moved to delete lines 22 on on page 42, and to delete page 43. Representative Meekins objected. Representative Gruening stated the split move question is going to be resolved on the floor of the House and in the bond issue. He stated he didn't see any reason to put this in at this time. Representative Meekins asked that Representative Kelly explain the State Affairs Committee's intention here. Representative Kelly stated they started out with the same idea that Representative Gruening had; but they felt that when they developed the compact capital it would have to be locked in legislatively. He stated they attempted to give Juneau some security by locking this in legislatively now. Representative Kelly stated it was not his intention to debate the split move concept in this Committee. He stated he will save that for the Floor. Representative Meekins maintained his objection. The question was called for. Representatives Meekins and Buchholdt opposed. The motion carried.

Representative Gruening moved the following effective date clause: This Act takes effect 30 days after certification of a bond issue for cost for relocation has been adopted by the voters of the state. There was discussion on certification. Ms. Sturgulewski asked if there was anything needed in this legislation to allow the Capital Site Planning Commission to continue on with environmental studies, etc. during this period. There was brief discussion. Representative Gruening stated he saw no problem with the CSPC continuing through 1981. The question was called for. Representatives Meekins and Buchholdt opposed. The motion carried.

Representative Gruening moved to prepare a a finance committee substitute, with the Committee Report not being signed until members of the Committee had an opportunity to look over the new bill. There being no objection, it was so ordered.

FINANCE
CSHB 857
PREPARED

5/25/78

The following statement was read into the minutes at the request of Carolyn Burg:

"Carolyn Burg was here involuntarily only to hold the rights for Juneau. She objects to this whole issue of the Capital Move Issue inasmuch as this Committee and the Capital Planning Commission have no jurisdiction in this matter as it is completely unconstitutional and void. Thank you."

The meeting adjourned at 9:55 p.m.

ADJOURN

Tape HFC 78-122 #001 to end
78-123 #001 to 1373

5/25/78

HOUSE FINANCE COMMITTEE

May 26, 1978

4:25 p.m.

All members of the Committee were in attendance, with Representatives Buchholdt, Meekins, Gruening and Haugen arriving later in the meeting. Also in attendance: Representative Tim Kelly; Ron Lind, Director, Division of Budget & Management, Office of the Governor; Charles Behlke and Arliss Sturgulewski, Capital Site Planning Commission; Jim Rhode, Administrative Assistant to Chairman Cowper; Jay Hogan, Director, and Alison Farnan, Fiscal Analyst, Legislative Finance Division.

PRESENT

Chairman Cowper called the meeting to order brought up HB 969 for consideration:

HB 969

"An Act making supplemental appropriations for the operating and capital expenses of the state government; and providing for an effective date."

Chairman Cowper commented this does not involve general funds, but FY 78 operating and capital budget expenses.

Mr. Lind presented an overview of the bill, advising these are items that have been processed by revised programs this year and referred to his letter of May 23 (attached). He stated this takes the original bill and adds these three "Omnibus" Supplemental Bill Amendments--May 5, 12 and 23. He advised the bill also asks for approval to continue those portions of the federal funds noted by asterisks in the May 23 letter.

Representative Rhode referred to the May 12 amendment, Department of Fish & Game, and asked if that was general fund money. Mr. Lind indicated no---no State money is involved in any of this.

Representative Freeman moved and asked unanimous consent that Finance Committee Substitute for HB 969 be reported out, incorporating the three "Omnibus" Supplemental Bill Amendments. There being no objection, it was so ordered. Finance CS for HB 969 was reported out with a "do pass" recommendation.

FINANCE CS
FOR HB 969
REPORTED OUT

[Representative Buchholdt arrived at this time.]

HB 965 was brought up for discussion:

HB 965

"An Act providing for the issuance of general obligation bonds in the amount of \$966,000,000 for the purpose of paying capital construction costs of the new Alaska capital; and providing for an effective date."

Mr. Jim Rhode distributed to the Committee two different inflation rate summaries; one at 8% and one at 9-1/2%, which includes bondable costs.

[Representatives Meekins and Gruening arrived at this time.]

Mr. Behlke advised the \$966 million plan for capital construction costs included all things that were bondable. He added since then, the Capital Site Planning Commission was asked to do these summaries for 1980-1994 at 8% and 9-1/2%. He then outlined the two summaries.

Ms. Sturgulewski discussed the Commission's purpose in coming up with a financial plan that handled the bonding and financial payment and have it include the Attorney General's "bondables". She explained the assumptions that were made. She advised these "bondables" were \$1-1/2 million. She commented state bonds have increased dramatically, and the debt service for state bonds has gone up considerably. She advised the interest remaining to be bid is approximately \$470 million, and before that it was \$306 million. There haven't been any changes made in indemnification, she advised.

In answer to a question by Representative Buchholdt, Mr. Behlke advised a 7% inflation rate was suggested by their consultants, but they decided by unanimous consent to select 8%; the Commission recommends 8%. He advised the Blanchford information contains the cost escalation and cost completion in Anchorage. For 1970-77, he advised, some construction costs had gone up to 9%; but, he reminded, that includes four years of OPEC.

[Representative Haugen arrived at this time.]

At this time, Ms. Sturgulewski distributed to the Committee two letters (attached) regarding Alaska's inflation rate; one from Mr. Richards, 5-22-78, Alaska Pacific Bank; and one from Mr. Hall, 5-24-78, National Bank of Alaska. She explained both.

In answer to a question, Mr. Behlke advised their position has not changed and that the Commission recommends the \$966 million bond issue as adjustment on the generalized plan. There was further discussion, with Mr. Behlke stating, the \$1.498 billion would be within the context of the Attorney General's ruling.

[Chairman Cowper left the meeting at this time, and Vice Chairman Freeman conducted the meeting.]

Ms. Sturgulewski commented on the Capital City Development Corporation's net return to the State, in 1994, being \$117 million. Mr. Behlke advised the 1994 plan is to handle the movement of all State central employees from Juneau to Fairbanks--approximately 3,100-3,200 employees. He stated employment would grow at 6% per annum; this would accommodate 3,600 employees. Discussion followed on whether or not the split move to Willow is mandated. Ms. Sturgulewski commented the September 9th ruling mandated the move and the inclusion of the growth factor. She advised they felt this was clear and that the financial plan was an integral part of their plan.

[Chairman Cowper returned to the meeting at this time.]

Mr. Behlke advised the plan, after about 1986, is for a complete city. He indicated they could accommodate this, but that it takes time to run this out on the computer. He stated they can't change the rate at which the employees move. Basically, he advised, what the Committee is looking at are basic move plans, by Representative Kelly, 1994 plan for "bondables" at 8% and 9-1/2%. There was brief discussion on the differences.

Representative Freeman moved that the Finance Committee report out HB 965. Chairman Cowper objected. Representative Meekins explained his position is that there are two proposals; neither of which is satisfactory to him. He stated he thinks, basically, this was a good idea which would give the State better government; however, instead, they have a bond issue that purports to be for moving the capital when a major portion of the costs are for governmental growth.

HB 965

Representative Freeman stated he is convinced the \$966 million figure can be justified. Representative Meekins commented he didn't think it was right to put the costs of growth on a bond issue. Representative Buchholdt remarked she had hoped the Committee would try to work out a smaller figure.

The question on the motion was called for (Representatives Cowper, Buchholdt and Meekins opposed), and the motion carried. HB 965 was reported out (five recommending "do pass" and six with "other" recommendations).

REPORTED OUT

At this time, Chairman Cowper stated the Committee would consider further additions to the CAPITAL BUDGET.

CAPITAL
BUDGET

Representative Gruening moved to add \$130.0 for a spay clinic in Anchorage. Representative Swanson objected. There were nine in favor, one opposed; the motion carried.

Representative Freeman advised that, during the caucus there was a request for \$60.0 for day care facilities at the University of Alaska, Anchorage. He stated he was opposed to this. Representative Meekins moved to add the \$60.0. There were four in favor, five opposed; the motion failed.

Representative Gruening moved to add \$89.0 for an X-ray unit at the Fairview Health Clinic in Anchorage. There being no objection, it was so ordered.

There was discussion on the seal-coating for 14 miles of the Fairview Loop Road. Chairman Cowper moved to add the figure \$500.0 for this project. Representative Meekins objected. There were six in favor, three opposed; the motion carried.

Chairman Cowper stated the CAPITAL BUDGET is now closed.

The meeting adjourned at 5:28 p.m.

CAPITAL
BUDGET
CLOSED
ADJOURN

HFC 78-123 #1374 - End
78-124 #0001 - #0698

STATE OF ALASKA

OFFICE OF THE GOVERNOR

BUDGET & MANAGEMENT

JAY S. HAMMOND, GOVERNOR

POUCH AM — JUNEAU 99811
PHONE 465-2213

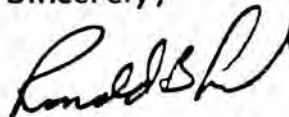
May 23, 1978

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

Dear Representative Cowper:

Attached you will find our May 23 list of adjustments to the "Omnibus Supplemental" Bills, HB 969 and SB 615. This list is sent to you in accordance with our previously announced plan to periodically submit all new items that have been recommended for approval until such time that further amendments would slow passage. At that time we intend to submit a new bill or utilize the authority specifically being requested (through separate legislation) to accomodate the remainder of the 1978 program receipts funding adjustments deemed necessary.

Sincerely,



Ronald B. Lind
Director

Attachment

MAY 23, 1978 "Omnibus" Supplemental Bill Amendments

<u>ITEM</u>	<u>ITEM AS PREVIOUSLY SUBMITTED OR AMENDED</u>	<u>AMOUNT THIS AMENDMENT</u>	<u>TOTAL</u>
I. Amendments to Operating Budget:			
Natural Resources Management and Environmental Conserva- tion			
Department of Natural Resources			
-Water Management	40,000	78,100*	78,100* + 40,000
-Forest Protection & Management			
Fire Protection-State	32,800	64,300	97,100
Research & Technical	Ø	12,900	12,900
-Park Management			
State-Federal Coordination	Ø	42,800*	42,800*
Department of Fish and Game			
-Habitat Protection			
Land and Water Management	Ø	42,000*	42,000*
Department of Environmental Conservation			
-Water Programs			
Environmental Analysis	95,300*	36,500*	131,800*
Public Protection			
Department of Commerce and Economic Development			
-Insurance			
Insurance Companies	Ø	75,000*	75,000*
Department of Military Affairs			
-Alaska Disaster Office			
City Participation	Ø	60,200	60,200
Administration of Justice			
Office of the Governor			
-Criminal Justice Planning			
Discretionary Grants	Ø	75,100*	75,100*
Development			
Department of Commerce and Economic Development			
-General Operations	Ø	2,500*	2,500*

<u>ITEM</u>	<u>ITEM AS PREVIOUSLY SUBMITTED OR AMENDED</u>	<u>AMOUNT THIS AMENDMENT</u>	<u>TOTAL</u>
Department of Natural Resources			
-Agricultural Development			
Administration and Support	Ø	50,000*	50,000*
II. Amendments to Capital Budget:			
Transportation			
Department of Transportation			
and Public Facilities			
-Highways			
Federal Aid for Highway			
Construction & Engineering			
Program	Ø	3,000,000	3,000,000
III. Funding Sources			
Federal Receipts	11,214,500	464,400	11,678,900
Program Receipts	1,713,000	3,075,000	4,788,000

May 12, 1978 "Omnibus" Supplemental Amendments

<u>Item</u>	<u>Item As Previously Submitted or Amended</u>	<u>Amount This Amendment</u>	<u>Total</u>
I. Amendments to Operating Budget:			
Social Services			
Dept. of Education			
Vocational Rehabilitation			
Disability Determination	\$ 0	\$ 98,600	\$ 98,600
 Health			
Dept. of H & S S			
Mental Health Admin.			
Developmental Disabilities	0	5,000	5,000
 NRMEC			
Dept. of Natural Resources			
Geological & Geophysical Programs			
Resource Investigations	0	61,000*	61,000*
 Dept. of Fish and Game			
Sport Fish			
Investigations and Research	\$ 22,500*	36,000	22,500* 36,000
 Commercial Fish			
Research	50,000	72,200*	122,700*
 Dept. of Environ. Con-			
servation			
Water Pollution Control	0	61,200*	61,200*
Facility Construction & Operation	0	3,000*	3,000*
Environmental Analysis	0	95,300*	95,300*
 Admin. and Support			
Office of the Commissioner	12,000	54,500*	12,000 54,000*
Management Services	8,100	7,700*	8,100 7,700*
Technical Services	0	15,000*	15,000*
 Regional Offices			
Southeast Region	0	4,100*	4,100*
Southcentral Region	0	13,500*	13,500*
Northern Region	0	2,400*	2,400*

<u>Item</u>	<u>Item As Previously Submitted or Amended</u>	<u>Amount This Amendment</u>	<u>Total</u>
General Government Office of the Governor Policy Development & Planning	\$ 0	\$ 43,000*	\$ 43,000*
II. Amendments to Capital Budget:			
Public Protection			
Dept. of Military Affairs			
Construction of Maintenance Shop, Nome	0	394,500	394,500
Construction of Maintenance Shop, Bethel	0	394,200	394,200
Nome Hanger Crane and Heating Repairs	0	120,000	120,000
III. Funding Sources:			
Federal Receipts	\$9,733,300	1,481,200	11,214,500

May 5, 1978 "Omnibus" Supplemental Amendments

<u>Item</u>	<u>Item As Previously Submitted</u>	<u>Amount of This Amendment</u>	<u>Total</u>
University of Alaska Organized Research	2,946,400	11,500	2,957,900
Social Services			
Dept. of Labor Unemployment Insurance	0	361,000	361,000
Dept. of Comm. & Reg. Affairs CETA	0	1,270,400	1,270,400
Natural Resources Management and Environmental Conservation			
Dept. of Fish and Game Commercial Fish/Research	0	50,500*	50,500*
Dept. of Natural Resources Water Management	0	40,000*	40,000*
Dept. of Environ. Conservation Program Coordination	<u>0</u>	<u>11,700</u>	<u>11,700</u>
		<u><u>1,745,100</u></u>	

<u>Funding Source</u>	<u>Item As Previously Submitted</u>	<u>Amount of This Amendment</u>	<u>New Total These Fund Sources</u>
Federal Receipts	7,999,700	1,733,600	9,733,300
Indirect Cost Recovery	<u>238,200</u>	<u>11,500</u>	<u>249,700</u>
		<u><u>1,745,100</u></u>	



Alaska Pacific Bank

May 22, 1978

Arliss Sturgulewski
Vice Chairman,
Capital Planning Commission
310 "K" Street
Anchorage, Alaska 99501

Dear Ms. Sturgulewski:

In my opinion the rate of inflation in Alaska over the next decade will average between 7 and 8% per year.

Forecasting the rate of inflation in Alaska is not as difficult as one might imagine because our inflation rates coincide precisely with those of the "Lower 48" in general. Running a mathematical regression analysis, using changes in the U.S. Consumer Price Index as the independent variable and changes in the Anchorage Consumer Price Index as the dependent variable, reveals a coefficient of correlation of .94. That is, 94% of the change in the Anchorage Consumer Price Index is due to changes in the U.S. Consumer Price Index in general. Local factors explain only 6% of the change in our consumer price index.

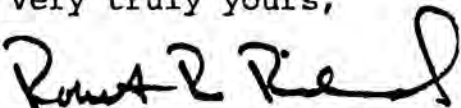
Because of this relationship, it is fairly easy to forecast future Anchorage inflation rates, simply by taking a look at the forecast of future inflation rates for the United States in general. Currently, the nation is undergoing a reacceleration of inflation. It appears as if the U.S. Consumer Price Index will rise about 7% this year. The general consensus of forecast, which I follow, calls for U.S. inflation rates to continue to creep upward, approaching 9 to 10% within a few years.

Arliss Sturgulewski
May 22, 1978 - Page 2

Historically, the rate of inflation in Anchorage has been less than the rate of inflation in the U.S. in general. (Note that I am talking about the rate of inflation, not absolute price levels. Indeed, absolute prices in Alaska have been higher than absolute prices in the "Lower 48".) During the pipeline boom years of 1975 and 1976, this situation was reversed, and the rate of inflation in Anchorage exceeded that of the "Lower 48." In 1977 the rates of inflation in Anchorage and the "Lower 48" were about equal, and I feel this year, 1978, we will resume the historical pattern of the rate of inflation in Alaska being slightly below that of the rate of inflation in the U.S. in general.

All of the foregoing lead me to conclude that the most reasonable rate of inflation to expect in Anchorage over the next decade is an average rate of 7 to 8%.

Very truly yours,



Robert R. Richards
Executive Vice President

RRR/yh

NATIONAL
Bank of Alaska

MAIN OFFICE: BOX 600

ANCHORAGE, ALASKA 99510

(907)276-1132

May 24, 1978

Arliss Sturgulewski
Vice Chairman
Capital Site Planning Commission
310 K Street
Anchorage, Alaska 99501

Dear Arliss:

Per your request we have examined our inflation records vis a vis the Capital Site Planning Commission's assumed inflation rate of 8%. I mentioned to you in our conversation May 22, that I believed 8% to be a conservative estimate, i.e. higher than I would expect. Our examination of the Bureau of Labor Statistics Anchorage Consumer Price Index series would indicate a figure on the order of 6-7% over the next decade.

As you are aware the numbers can be massaged to tell just about any story that is desired. Indeed, if we took the period 1973-1975 to be the harbinger of the future, we could anticipate inflation of 10-11% on average with inflationary "gusts" as high as 14-15%. This period, however, combines two dramatically disruptive events - the oil pipeline boom conditions here in Alaska and the OPEC imposed run-up in oil prices cum Arab oil embargo, nationally and internationally. The effects of these events lingered through a several year adjustment period. For example, we are only just now experiencing the slowdown in activity associated with the end of pipeline construction which occurred in mid-year 1977.

The main point is that the juxtaposition here in Alaska of two such collosally inflationary events as we had in the mid-1970's is not a situation with a high probability of recurrence in the next decade. In fact, the annual inflation rate has declined steadily from the high point of 15.6% reached in the third quarter of 1975.

Quarter to Quarter Annual Rate of Increase of Anchorage CPI

Quarter	Rate of Increase %
I 1974	7.9%
II	8.7
III	11.3
IV	13.1
I 1975	13.8
II	15.6
III	14.8
IV	12.4
I 1976	11.1
II	7.8
III	7.2
IV	6.5
I 1977	6.7
II	6.7
III	7.6
IV	5.8
I 1978	5.8

Prior to 1974, the Anchorage CPI increased at substantially lower rates. Annual average rates of increases are listed below:

	% Change
1971-72	2.7%
1972-73	4.2
1973-74	10.8
1974-75	13.7
1975-76	7.7
1976-77	6.6

A ten year moving average indicates a trend towards higher average rates of increase:

	Annual Average % Change
1960-1970	1.8%
1961-1971	2.1%
1962-1972	2.3%
1963-1973	2.6%
1964-1974	3.7%
1965-1975	4.9%
1966-1976	5.3%
1967-1977	5.9%

The apparent trend towards higher ten year averages is the result of the fact that each succeeding ten year period encompasses a greater portion of the previously mentioned high inflation period 1973-1976. The upward trend should level off and ultimately decline during the next ten to twenty years.

Arliss Sturgulewski
May 24, 1978
Page 3

Why will the inflation rate in Alaska decline? Moderating economic activity and greater scale economies as the Alaska market grows and becomes more sophisticated are two answers to this question. As the market grows there is room for more competition. Witness the recent introduction of TOTE on the Anchorage-Seattle route, or the proliferation of discount stores in Anchorage and Fairbanks. Prior to the pipeline boom, Anchorage had an inflation rate which was less than the national rate, a reflection of the forces of a steadily expanding market at work. We expect this relationship to continue in the future.

What major events could cause a recurrence of the inflation experienced in the 1973-76 period? It's hard to imagine another OPEC price escalation of the scale experienced in the mid 70's. My own expectation is for continued slow erosion of the real price of oil, i.e., the buying power of a barrel of oil has been declining in real terms in the last two years. A major war seems to be the only international event which could act to kick up inflation to the 15% level again. The biggest danger seems to be what is termed "built-in" inflation which is caused by directly tying labor contracts, social security payments, rent and other economic factors to the consumer price index. We believe there are political forces at work which will curtail some of this sort of self-fed inflation in the future.

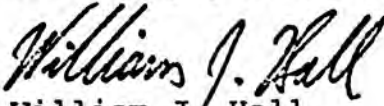
Finally, we do not foresee local events in Alaska of the relative scale of the pipeline project in the next decade. The proposed gas pipeline is not expected to have near the impact of the oil pipeline. Nor would any petrochemical project. The only inflationary situation which could foreseeably occur in Alaska which would be similar to the oil pipeline effect would be the simultaneous occurrence of several large scale projects in combination with run away growth in State spending. Under these conditions which are possible but, in our opinion, unlikely we could see double digit Alaskan inflation again.

With all these considerations, I believe that an average annual inflation rate of 7% is a likely scenario. The 8% inflation rate estimate would represent a more conservative approach to the question. Although, I believe the 8% figure is less likely, for planning purposes it may be prudent to incorporate this element of conservatism.

Arliss Sturgulewski
May 24, 1978
Page 4

I hope this information will be useful. We are happy to be
of assistance.

Sincerely yours,

A handwritten signature in cursive script that reads "William J. Hall". The signature is written in dark ink and is positioned above the typed name.

William J Hall
Economist

WJH:lgp

HOUSE FINANCE COMMITTEE

May 29, 1978

1:20 p.m.

All members of the Committee were in attendance except Representatives Freeman, Guy and Schaeffer. (Representative Swanson arrived later in the meeting.) In attendance to testify on bills were: Representatives Rudd, Nakak, and Lovseth; Dick Holden and Vern Metcalf, Department of Transportation and Public Facilities; Commissioner Mueller, Department of Environmental Conservation; and Mr. Behlke and Ms. Sturgulewski, Capital Site Planning Commission; and Billy Berrier, Legislative Affairs Agency.

PRESENT

Chairman Cowper called the meeting to order and appointed the following Subcommittee to study SB 601 (special appropriation for power and water projects - \$16,430,000): Representative Haugen, Chairman; Representatives Duncan and Rhode. He requested the Subcommittee to confer with the Senate and the Speaker of the House on this bill.

SB 601

Chairman Cowper stated the next bill to be considered was SB 68.

SB 68

"An Act making special appropriations to the Department of Public Works for improvements at the Haines boat harbor; and providing for an effective date."

Chairman Cowper advised the appropriation in this bill was taken care of in last year's budget. He moved to report out a House CS for SB 68, deleting the present material, and putting in the Capital Budget which the Committee has already approved. (The new title would be: "An Act appropriating for the capital expenses of the state government; and providing for an effective date".) Chairman Cowper stated there would be an immediate effective date. There being no objection to the motion, it was so ordered. HCS SB 68 was reported out with a "do pass" recommendation.

HCSSB 68
REPORTED
OUT

Chairman Cowper stated the next bill to be considered was HB 838.

HB 838

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

Representative Meekins asked if under the State Affairs Committee Substitute they had the authority to close the road due to weather conditions, as they do for the Haines Road. Chairman Cowper stated they do.

Chairman Cowper stated they would be accepting the fiscal note dated May 10, 1978 in the amount of \$7297.6.

5/29/78

Chairman Cowper moved to report out the State Affairs Committee Substitute for HB 838. There was brief discussion on the fiscal note. Mr. Metcalf, Department of Transportation and Public Facilities, stated if personnel are employed by the state they would have to work year round. He stated if they are on contract (as indicated on the fiscal note accepted) they would only work when needed. He stated this could be subject to change at a later date. Chairman Cowper stated the fiscal note does not include Fish and Game, Environmental Conservation, or Public Safety. He stated his intent would be that these figures be worked out and added either in the Senate or Free Conference. There being no objection to the motion, it was so ordered. CSHB 838 was reported out with a "do pass" recommendation.

CSHB 838
REPORTED
OUT

Chairman Cowper brought SB 434 up for discussion.

SB 434

"An Act making a special appropriation to the City of Nome to reimburse Nome Joint Utilities for certain extraordinary expenses arising out of the natural disaster of November 14, 1974; and providing for an effective date."

Representative Nakak stated this appropriation is with reference to the work the City had to do after the flood of 1974. He stated this was money spent by the City to finish work created as a result of the storm and subsequent delays and losses of equipment.

There was discussion on the fiscal note. Chairman Cowper stated this is part of an on-going commitment by the State. Representative Buchholdt asked if they could expect any more requests for funding because of the flooding. Representative Nakak stated the only other request is one that has passed through House Finance already (HB 260) and is currently in the Senate Finance Committee. He stated he didn't expect the City of Nome to ask for additional funds for the rest of this year anyway.

Chairman Cowper stated it was his intent to fund this at \$356,693. Representative Nakak stated he had no problem with that figure.

Chairman Cowper stated he would also like the Committee to consider adding the language in HB 653 ("An Act making a special appropriation with respect to a utilities transmission line at Mile 18.1 of the Seward Highway; and providing for an effective date.") to this bill. He stated that last May there was a mud slide on the Seward Highway that wiped out part of the Road. He stated they are going to relocate the road and would like to have the transmission lines relocated with the Road.

5/29/78

Representative Lovseth stated the City of Seward spent \$52,743 to replace much of this. He stated they are asking for reimbursement and funds to relocate the line. He advised that the Department of Transportation and Public Facilities is in accord with this legislation.

Chairman Cowper asked if the State could get reimbursed for moving the utility line. Representative Lovseth stated he did not know. Chairman Cowper stated his understanding is that the President did not declare this a disaster, so there is no federal money available.

Representative Haugen moved to report out a House CS to SB 434, incorporating the language in HB 653, and changing the figure to \$356,693. There being no objection, it was so ordered. HCSSB 434 was reported out with a "do pass" recommendation.

HCSSB 434
REPORTED
OUT

Chairman Cowper stated the next bill to be considered was HB 857.

HB 857

"An Act relating to planning for and development of the new Alaska capital; including incorporation of a new capital city; and providing for an effective date."

The proposed finance CS for HB 857 was reviewed by the Committee. Representative Rhode moved to change line 28, page 2 from "Commerce and Economic Development" to "Community and Regional Affairs". There being no objection, it was so ordered.

Mr. Behlke stated he did not think the sentence "However, the legislative members of the commission serve solely in an advisory capacity" on page 4, line 2 was necessary. He stated this sentence was a hold-over from the original commission bill. There was discussion. Representative Gruening moved to delete that sentence. Representative Meekins objected. 4 in favor, 3 opposed. The motion carried.

Mr. Behlke stated the portion of the sentence stating "from the proposed general development plan" on page 11, line 2, seems to be redundant. Representative Meekins moved to delete this portion. There was brief discussion. Representative Meekins moved to amend the motion to include commas after "approved" and "amendment" on line 2. There was no objection to the amendment. There was no objection to the main motion.

5/29/78

Mr. Behlke presented copies of a proposed amendment for pages 13 and 14. Ms. Sturgulewski stated that at the time they wrote the amendments they are recommending be replaced, the recommendations for a "one-window approach" had not been discussed. She stated they are trying to develop a mechanism whereby all state agencies would coordinate the various processes. She stated she thinks this is a positive way to move that allows all state regulations and codes to be put together in a timely way.

Mr. Berrier stated the proposed amendment would require some rewording, but it would not be anything substantial. Dick Holden, Department of Transportation and Public Facilities, stated they were concerned about the language in the existing committee substitute because it is defensive rather than positive in nature. He stated he thinks they will be better off to get a coordinating committee and put them in the position of coordinating any bureaucracy so they become a positive force. Representative Swanson expressed concern that there was no time limit. There was brief discussion.

Commissioner Mueller, Department of Environmental Conservation, stated there concern is that if there are special conditions put into Law they will end up with in-agency fighting. He stated their concern was that there be time to fit these things together and get the job done. He stated the time-line is in section (e) He stated that by having this Committee he thinks any potential delays or ridiculous requirements will be exposed.

Representative Gruening asked if the Planning Commission was satisfied with the proposed amendment. Ms. Sturgulewski stated it was difficult to say. She stated they think there are enough conditions in the regulations to protect them. She stated they support the amendment. There was brief discussion.

Representative Gruening moved to accept the amendment and asked unanimous consent. Representative Swanson objected. 5 in favor, 1 opposed. The motion carried.

Representative Rudd stated she is concerned with the ability of the Mat-Su Borough to be able to comment on specific development plans. She presented rewritten language for line 29, page 11 through line 2, page 12. She stated this language follows through on the "review and comment" language added in the general development plan. She stated she believes the Committee just forgot to make the same change here. Chairman Cowper moved to accept the language submitted by Representative Rudd for this section. There being no objection, it was so ordered.

5/29/78

Mr. Behlke referred to Page 19, lines 20 and 22, and stated the numbers that were here previously were keyed to the basic move. He stated the 10,000 number should be changed to 37,500, and the CDC should be terminated by 1994 instead of 1988. Representative Gruening stated the feeling was that when they had a population of 10,000 the local city should take over. There was brief discussion. Ms. Sturgulewski stated the municipality goes into effect immediately. She stated it will be carrying out the effects of government; the CDC will have control of state facilities, disposing of land, and working with developers. Chairman Cowper stated that if in 1988 the legislature feels the CDC should continue they would be able to change the legislation. Mr. Behlke stated they would like to see the numbers changed. Representative Rudd stated she thinks Chairman Cowper is correct. She stated the 1988 date has the effect of letting the legislature look at the CDC at that point, and appraise and make judgments on the activities of the corporation. She stated the legislature could then allow it to continue. There was further discussion. This section was not changed.

Representative Rudd referred to page 22 and stated this is where they are appointing a city council. She stated the Council will come into existence immediately, and the council members need not be residents of the Capital city. She said it first it may be a sort of ghost city with no residents. She recommended putting in a requirement that council members be former municipal officials so the council will have municipal experience. There was discussion. Chairman Cowper stated he would think the Governor would take this into consideration when considering council members.

Representative Rudd stated she believed a technical change needed to be made to page 5 to provide that the director not be a legislator. There was brief discussion. Chairman Cowper moved to add "except as provided in AS 44.63.030(a)" after "directors" on line 12. There being no objection, it was so ordered.

Chairman Cowper moved and asked unanimous consent that a finance committee substitute be reported out, incorporating all the changes made at this meeting. There being no objection, it was so ordered. CSHB 857 (finance) was reported out with a "do pass" recommendation.

FINANCE
CSHB 857
REPORTED
OUT

Ms. Farnan presented two fiscal notes to provide the Mat-Su Borough with funds through a grant from the Department of Community and Regional Affairs for either a project planner, or for them to contract out for consulting services. She stated the fiscal note would hinge on the effective date of

5/29/78

the act. Chairman Cowper recommended accepting the lower fiscal note in the amount of \$25.2 for contracting out. There was discussion. The general consensus of the Committee was to wait until the Mat-Su Borough requested funds before taking any action to provide them.

FISCAL NOTES
NOT APPROVED

Mr. Behlke expressed gratitude for the generous treatment the members of the CSPC received in the Committee. Chairman Cowper thanked the members of the Commission for being in attendance.

The meeting adjourned at 3:05 p.m.

ADJOURN

Tape HFC 78-124 #699 to end
78-125 #001 to 731

5/29/78

HOUSE FINANCE COMMITTEE

May 30, 1978

3:14 p.m.

All members of the Committee were in attendance, except Representative Freeman. Representative Buchholdt arrived later in the meeting. Also in attendance: Jack Ferguson, State consultant; Sid Heidersdorf, Department of Health & Social Services; Dave Scott, Legislative Finance.

PRESENT

Chairman Cowper called the meeting to order and brought up HJR 46 for consideration:

HJR 46

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

Representative Gruening reminded the Committee this matter had been taken up earlier and that it relates to the United States-United Kingdom tax treaty. He advised this resolution urges that Articles 9 and 10 of the treaty not be ratified. He stated this would severely limit the ability of the states to tax corporate income earned in those states by United Kingdom corporations.

at this time, Chairman Cowper introduced Jack Ferguson, former administrative assistant to Senator Ted Stevens in Washington.

Mr. Ferguson commented he has been retained as a consultant by Commissioner Gallagher, Department of Revenue, to lobby for Article 94. He advised this is important, because it is a forerunner of treaties to come, such as with Denmark, France and Japan. He stated California and Idaho use the unitary method of taxation. California, he commented, loses about \$130 million, but Governor Brown supports this because it encourages foreign trade. He advised 23 states use the unitary method of taxation, and they support the treaty. He discussed various aspects of the treaty and commented Article 8 gives tax credit to foreign bodies.

[Representative Buchholdt arrived at this time.]

Mr. Ferguson advised the International Chamber of Commerce is lobbying on behalf of the treaty.

Representative Gruening asked when Mr. Ferguson referred to California earlier, he wasn't referring to the United Kingdom treaty, but others; and Mr. Ferguson indicated yes, but once this one goes, the others will follow.

Mr. Ferguson commented one way to argue against the tax application is to do this through legislation, rather than a treaty. He again stressed this is a forerunner of more to come. In answer to a question, he indicated a resolution from the Legislative body would be extremely helpful in lobbying.

There was further discussion on Articles 9 and 10, with Representative Gruening advising Article 10 limits the amount of dividends on trade stock. He also indicated he has a copy of the text of the treaty.

Representative Gruening stated he feels the language in the HJR 46 should be stronger. There was a brief "at ease" so that he and Mr. Ferguson could discuss appropriate amendatory language. Mr. Ferguson commented it is a question of the states' right to apply any unitary action.

Representative Gruening proposed the following amendatory language to HJR 46: page 1, line 23, should read "such a way as to avoid taxes lawfully levied by the states; and"; line 24 should be deleted; page 2, line 1, after "limit the states' right to" add "develop a reasonable system of taxation; and" and delete the remainder of that paragraph; delete lines 5-8 and insert "WHEREAS the use of the federal treaty power is under our federal constitution a most inappropriate mechanism to deal with the taxing powers of the state;"; line 15 add "; and to the Honorable Michael Blumenthal, Secretary of the Treasury." Chairman Cowper moved and asked unanimous consent that the amendment be adopted. There being no objection, it was so ordered.

AMENDMENT

Representative Gruening moved and asked unanimous consent that Finance Committee Substitute for HJR 46 be reported out as amended. There being no objection, it was ordered. Finance CS for HJR 46 was reported out with a "do pass" recommendation.

FINANCE CS
FOR HJR 46
REPORTED OUT

Chairman Cowper brought up SB 408 and SB 409 for consideration:

SB 408 - "An Act making a special appropriation to the Department of Transportation and Public Facilities for preconstruction planning and engineering studies of the Petersville Road; and providing for an effective date."

SB 408

SB 409 - "An Act making a special appropriation to the Department of Natural Resources for a feasibility study of the proposed Tokositna Lodge and Visitor Center in Denali State Park; and providing for an effective date."

SB 409

Representative Gruening provided a brief explanation of both bills. SB 408, he stated, is for pre-construction planning and engineering studies to upgrade and extend the road so that there would be access to the proposed visitor center in Denali State Park, where "you can get a view of Mt. McKinley". He noted, currently, there is no facility within the park and added it would be constructed by the Feds and owned jointly with them. He added this facility has nothing to do with the "teflon tent".

SB 409, Representative Gruening stated, is a \$260,000 appropriation for a site development plan for the proposed visitor center complex, including soil investigation, in Denali State Park. There was brief discussion on the fiscal note.

Representative Swanson expressed concern over a "trade-off with the Feds". He commented, "Some of our people traded off the State right-of-way on Stampede Road to the National Park people." Chairman Cowper commented this would be on State land. Representative Swanson added he had no objection to the bill, but was just concerned with "trade-offs".

Representative Gruening commented this would be a place where people could actually stay and view Mt. McKinley National Wilderness Park; and this appropriation is just to show if the site is feasible for this project. He added the National Park Service sees Mt. McKinley National Park as their own private domain; and this project would at least allow people to see Mt. McKinley. There was discussion on Mt. McKinley being a wilderness park. Representative Gruening added this will be funded within the State Park; the lodge itself would be a federally-funded project within the State park.

Chairman Cowper stated he would like to include in SB 409 an item from the CAPITAL BUDGET; i.e., an option on the Bureau of Land Management Building Building for use by TananaValley Community College. He stated this is the building on Aurora Drive, which is empty at the present time. He noted this would hold the option open until March. In answer to a question, Mr. Scott advised the bond issue would be \$2.5 million to operate, which includes staff and equipment.

Chairman Cowper stated this appears to save the State \$6 million, and noted the Senate is agreeable to this. He proposed adding a new Section 2 (Sections 2 and 3 renumbered accordingly): "The sum of \$275,000 is appropriated from the general fund to the University of Alaska for an option on the purchase of the Bureau of Land Management Building for use by TananaValley Community College."

AMENDMENT

Representative Schaeffer moved and asked unanimous consent that House Finance Committee Substitute for SB 409 be reported out incorporating the above amendment. There being no objection, it was so ordered. HCS for SB 409 (Finance) was reported out with a "do pass" recommendation.

HCS FOR
SB 409 (Fin)
REPORTED OUT

Chairman Cowper moved and asked unanimous consent that SB 408 be reported out. There being no objection, it was so ordered. SB 408 was reported out with a "do pass" recommendation.

SB 408
REPORTED OUT

Chairman Cowper brought up HB 919 for discussion:

HB 919

"An Act relating to grants-in-aid to municipalities and associations maintaining public libraries; and providing for an effective date."

Chairman Cowper advised this is a request by Speaker Malone, which doubles the grants to the public libraries. He noted the cost is \$25,000, with \$9,000 going back into the general fund in FY 77 and \$9,000 in FY 78, which would back-fund it.

Representative Meekins moved and asked unanimous consent that HB 919 be reported out. There being no objection, it was so ordered. HB 919 was reported out with a "do pass" recommendation.

HB 919
REPORTED OUT

The next bill to come before the Committee was SB 45:

SB 45

"An Act relating to radiation protection."

Chairman Cowper asked if Mr. Heidersdorf had testified previously, and Mr. Heidersdorf so indicated.

Representative Gruening commented briefly on his proposed amendment (attached), stating it deals with the siting licensing of atomic power facility. He stated he feels this is a good vehicle, and moved and asked unanimous consent that the amendment be adopted. After brief discussion, there being no objection, it was so ordered.

AMENDMENT
ADOPTED

Representative Gruening moved and asked unanimous consent that House Finance Committee Substitute for SB 45 be reported out. There being no objection, it was so ordered. HCS for SB 45 (Finance) was reported out with a "do pass" recommendation.

HCS FOR
SB 45 (Fin)
REPORTED OUT

The meeting adjourned at 4:17 p.m.

ADJOURN

HFC 78-125 #0731 - #1580

Proposed amendment to HCS SB 45 Radiation Protection

Page 6, line 11: Add new sections:

*Sec. 10. A.S. 18.45.010, 18.45.040, and 18.45.050 are repealed.

*Sec. 11. A.S. 18.45 is amended by adding a new section to read:

Sec. 18.45.025. FACILITIES SITING PERMIT REQUIRED. No person may construct a nuclear fuel production facility, utilization facility, reprocessing facility, or nuclear waste disposal facility ^{in the state} unless he has first obtained a permit from the Alaska Department of Environmental Conservation. The Department of Environmental Conservation shall promulgate regulations governing the issuance of such permits, however, no permit may be issued until:

1) the regulations have been approved by a majority vote of each house of the legislature, and

2) the permit has been approved by the local government with jurisdiction over the proposed facility site, and

3) the permit has been approved by a majority vote of each house of the legislature, and

4) the permit has been approved by the governor.

*Section 12. A.S. 18.45.060 is amended to read:

Sec. 18.45.060. INJUNCTION PROCEEDINGS. When, in the opinion of the governor, a person is violating or is about to violate section 20 or section 25 of this chapter, he shall (MAY) direct the attorney general to apply to the appropriate court for an order enjoining the person from engaging or continuing to engage in the activity and upon a showing that the person has engaged, or is about to engage in the activity, the court may grant a permanent or temporary injunction, restraining order, or other order.

HOUSE FINANCE COMMITTEE

May 31, 1978

9:10 a.m.

All members of the Committee were in attendance except Representatives Gruening, Freeman and Schaeffer. Also present to testify on bills were: Peter Bushre, Department of Revenue; Sherry Shelley, APEA; and Representative Mike Miller.

PRESENT

Chairman Cowper called the meeting to order and brought up HB 980 for consideration.

HB 980

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

Representative Duncan stated that in addition to the supplemental appropriation he would like to add \$11,000 for tubes for the cameras for the Capital '78 program, and \$9,000 for the professional editing recorder. He stated that both of these items are failing, and if they go out, the program could no longer be put on.

Mr. Hogan, Legislative Finance Division, stated their session expenses for temporary employees are \$600.00 a day. He stated that funding the division for the extra 15 days would be \$9,000.

Chairman Cowper moved to amend the bill to add a new section 2 stating: "The sum of \$9,000 is appropriated from the general fund to the legislative finance division for the additional expenses of the Second Session, Tenth Legislature." Representative Swanson objected, stating he objected to including funds for the Capital '78 program. 6 in favor, 1 opposed. The motion carried.

Representative Duncan moved to increase section 1 to \$258,500 with the fiscal note showing that \$11,000 of this is for tubes, and \$9,000 is for the editing recorder for Capital '78. There was brief discussion. Representative Swanson objected. 4 in favor, 3 opposed. The motion carried.

Representative Duncan moved to report out a finance committee substitute for HB 980 with the above changes. There being no objection, it was so ordered. CSHB 980 was reported out with a "do pass" recommendation.

CSHB 980
REPORTED
OUT

Chairman Cowper stated the next bill to be considered was HB 647.

HB 647

"An Act making FY 78 appropriation adjustments for analysis of royalty oil purchase proposals; and providing for an effective date."

5/31/78

Mr. Peter Bushre, Department of Revenue, stated they are requesting a change in the scope of work to be performed under funds appropriated last year under HCR 27. He stated that resolution appropriated funds to investigate the financing of an all Alaska gas pipeline. He advised that it was thought at that time that an all-Alaska gas pipeline would be feasible. He stated a contract was entered into to investigate financing, and upon President Carter's announcement that he preferred the Alcan pipeline, the Department cancelled the contract and submitted a supplemental request to amend the language to include an investigation of the process of Alaska royalty gas. He stated this is not a request for additional funds, it is merely to change the scope of the appropriation.

Chairman Cowper stated this was previously done by the Legislative Budget and Audit Committee. He stated they had made the decision earlier to not entertain these kind of bills. He advised that since then the Court has made a decision, and according to Counsel these bills could be acted on if the title were changed to include "transfers between appropriations".

Chairman Cowper stated he would like to add a section to the bill. He stated the d-2 Steering Council had \$20,000 appropriated to the Legislative Affairs Agency to allow legislators who were not members of the Council to travel on d-2 business. He advised this lapses on June 30, 1979 and he would like to change the act to have the money continue. He recommended adding a new section 3 with the language to be drafted by Mr. Hogan. Representative Meekins so moved, with the appropriation for d-2 to lapse on June 30, 1979. There being no objection, it was so ordered.

Representative Duncan moved to report out a finance committee substitute adding a new section and changing the title. There being no objection, it was so ordered. CSHB 647 was reported out with a "do pass" recommendation.

CSHB 647
REPORTED
OUT

Chairman Cowper stated the next bill to be considered was SB 453.

SB 453

"An Act relating to student loans."

Chairman Cowper stated the bill and fiscal note are self-explanatory. He stated the Committee passed a bill earlier that allowed student loans to be used for students to attend colleges and universities approved by the Postsecondary Education Committee. He stated he would like to have that language added to this bill as a new section 2.

Representative Swanson moved to report out a finance committee substitute adding the new section. There being no objection, it was so ordered. HCSSB 453 was reported out with a "do pass" recommendation.

HCSSB 453
REPORTED
OUT

5/31/78

Chairman Cowper stated the next bill to be considered was HB 946.

HB 946

"An Act relating to withdrawal from the federal Social Security System; and providing for an effective date."

Sherry Shelley, representing APEA and the Confidential Unit, stated both organizations are in favor of the bill, mainly because it provides for an election in the Spring of 1979 where employees can elect whether or not they want to withdraw from the federal social security system. She stated the bill needs two amendments, which are being drafted at the present time. She stated the first amendment relates to the Boatman's Union participation, and the second amendment relates to the actuary figure which they are recommending be reduced to 3/4's of 1%. She stated with that reduction the bill will not cost the state anything. There was discussion on the amendments.

Representative Meekins asked what the rationale for the bill was. Ms. Shelley advised that the APEA is not taking a position on whether or not state employees should opt out of the social security system. She stated they have many members who believe this would be a better way to go, and would like an opportunity to vote on it. She stated the money that is not going into social security would be paid into an enhancement P.E.R.S. program. She stated there are basically four programs. Employees would not get an increased check by withdrawing from social security.

In answer to a question from Representative Duncan, Ms. Shelley stated there are basically four different programs under the bill. She stated the Inland Boatman's Union has a private pension plan, and Public Safety has a different program. She stated that basically the bill set's up four different alternatives for employees. She stated the money previously submitted to social security would go into an insurance program, disability program, and a mandatory deferred compensation program for each temporary employee. There was further discussion on the bill. Ms. Shelley stated the bill provides for an election in the spring of 1979, and should the employees vote to opt out, they would not actually drop out until spring of 1980.

Representative Miller stated there are a substantial number of state employees paying social security that feel a better system could be designed if that same money were taken and put into an enhancement P.E.R.S. system. He stated this bill does not do that; all it does is allow the question to be put before the people who are paying social security. He stated this does not make any difference to the state money-wise. He stated his feeling is that the people who actually pay into the system should make the decision on this.

5/31/78

Representative Buchholdt asked if those groups who opted out could decide to come back in at a later date. Representative Miller stated he was not sure, but thought that once the decision was made it couldn't be changed. Representative Buchholdt asked if the present employees decided to opt out and future employees wanted back in, could they do that. Representative Miller stated he didn't think so. He stated everyone would have to either go out of the system or stay in. There was discussion. Representative Miller stated this would have to be done by all the groups, not just one group. He stated the State would be paying the same amount of money either way.

Representative Rhode asked what this would do to the federal social security program. Representative Miller stated this was a national program and he didn't think it would make any difference if 3,200 employees dropped out. Representative Rhode stated this would be whittling away from the program. Representative Miller stated he didn't think this was their concern. He stated if congress decided this is a threat they might try to "plug the loop-hole" that allows employees to opt out of the system. He stated that right now it is legal to do this.

Representative Duncan stated that people from the Division of Retirement would like to testify on this. He stated he would also like to see copies of the amendments and recommended this bill be held over.

HB 946
HELD OVER

The meeting adjourned at 9:55 a.m.

ADJOURN

Tape HFC 78-125 #1580 to end
78-126 # 001 to 713

5/31/78

HOUSE FINANCE COMMITTEE

June 1, 1978

9:15 a.m.

All members of the Committee were in attendance except Representative Gruening. (Representative Buchholdt arrived later in the meeting.) In attendance to testify on bills were: Representative Miller and Paul Arnold, Director, Division of Retirement and Benefits.

PRESENT

Chairman Cowper called the meeting to order and brought HB 512 up for consideration.

HB 512

"An Act relating to competitive bidding under the Fiscal Procedures Act."

Chairman Cowper stated this is a bidding preference bill. He advised that the present figure is 5%.

Representative Meekins stated the concept is that if \$100 is spent for buying printing outside of the state, the money simply goes out of state; however, if the same \$100 is spent within the state, the state receives money back in taxes, and also people within the state receive the funds. He stated that looking at the total picture, right now the state is losing money. He stated this bill is aimed mostly towards printers.

(Representative Buchholdt arrived at this time.)

Representative Meekins stated there is also a good reason to have a preference bid for non-monetary benefits -- it stimulates employment within the state, etc. He stated he thinks it would be a good policy even if it didn't make good economic sense.

Representative Meekins stated the original bill established the rate at 20%. He advised the State Affairs Committee Substitute put it at 25%, but that did that to have bargaining power. He advised that 27 members of the House are co-sponsors of the original bill, and a majority of the members of the Finance Committee are co-sponsors. He stated he would like to see this bill move out of Committee.

Chairman Cowper asked if there was any indication of what the increased spending to the state would be. Representative Meekins stated it depended on the analysis. He advised the Administration economist says the multiplier is 1.5%. Representative Meekins advised that Administration is opposed to the bill. There was discussion on specs for printing arrived at by the State.

6/1/78

Representative Rhode wondered, if this bill went into effect, how long it would be before the State didn't get outside bidders. Representative Meekins stated that right now the difference in terms of higher costs in Alaska is about 20-25%. He stated one thing about bidding is that businesses in Alaska don't have the capital equipment in place to do the work. He stated he believes a cycle could be started where the more the business is used, the more equipment they will be able to purchase, and the more business they will get.

Chairman Cowper stated the language in the bill is unclear to him. Representative Meekins stated they had trouble drafting language to be sure businesses were actually in-state bidders. Representative Freeman asked if this bill would effect municipalities. Representative Meekins answered that it does not require anyone but the state to give preference. There was discussion on the language in the bill. Chairman Cowper stated the problem is with the definition of "Alaska bidder".

Representative Meekins advised that the federal government has this program, as does Hawaii. He stated Hawaii's figure is 15%. He stated several other states have this.

Representative Rhode commented that if this bill becomes law an Alaska bidder might hook-up with an outside business. Chairman Cowper stated this bill also effects construction concerns.

Representative Meekins referred to page 1, line 12, and stated it says an Alaska manufacturer or warehouser would get 25%; an Alaska bidder would get 15%; and there is already a provision that outside bidders that do a substantial amount of business within the state get 5%.

There was further discussion on the language of the bill. Representative Duncan recommended redefining "Alaska Bidder" and adding a stipulation that the business had to be established in the state for a certain number of years. Representative Meekins stated they could redo the bill to have it not apply to construction. He stated he is really concerned only with the small businesses in the state. There was further discussion. Representative Meekins stated he would come back to the Committee with a better defined, more constricted definition of who is eligible.

HB 512
HELD OVER

Chairman Cowper stated the next bill to be considered was HB 946.

HB 946

"An Act relating to withdrawal from the federal Social Security System; and providing for an effective date."

Mr. Paul Arnold, Director, Division of Retirement and Benefits, presented a fiscal note on HB 946. He advised that Administration's position on the bill is clearly opposed. He stated they are opposed to the concept of withdrawing from social security. He advised that if the state were to take action and not have to depend on any counter-action by the federal government this would have more latitude. But, he stated, they are seeing that the long term approach of social security is to include as many people as possible in that system. He stated social security wants total coverage of all eligible employees. Mr. Arnold stated they also felt that one-third of funding for social security is going to come from federal general revenues. He stated that if that comes to pass those who are not paying into social security are going to want to get back into social security.

Mr. Arnold advised that if the State withdraws from social security, under current law they are barred from ever participating in social security again. He stated if the State does opt out and set up an alternative package, at a future date they would be paying for social security from general revenue funds. He stated that would add to the costs.

Mr. Arnold stated there are many benefits within social security that cannot be replaced. He stated there are several benefits that the state couldn't provide -- one is "portability". He advised the benefits of the social security system are tax free, there is no other pension plan that is not taxed. He stated social security indexes in total any cost of living increase. He stated that neither P.E.R.S. or T.R.S. can provide this, because it is too costly. He stated social security also provides a tremendous amount of survivor/disability benefits that would not be available under other programs.

Mr. Arnold stated the actual bill has inequities built into it. He stated it defines contributions as 7.7% taken from the pool to fund employees. He stated it does not take into account if benefits cost more or less. He stated another problem with the bill is that it receives the same contributions that are going into social security, with an addition of \$4 million, for the first year. He stated that since the contributions are coming in up to a ceiling of \$17,700, the problem is that everyone who makes over \$17,700 will have their P.E.R.S. benefits calculated on their salaries which in some cases are much higher than that. He stated someone would be subsidizing these benefits. He stated the higher the income, the more the employee will be drawing out.

Chairman Cowper asked what would happen to people who work for the state for 4 or 5 years and then leave. Mr. Arnold advised that if they had been with the state for less than

6/1/78

five years, under P.E.R.S. they would only be eligible for a refund. He stated under this bill they wouldn't have any of these funds. He stated the only portion that would be refundable would be the portion going into the deferred comp program.

Chairman Cowper commented that to him it defies logic that Congress will allow withdrawals from social security to continue.

Representative Duncan stated he can understand some problems Mr. Arnold is saying might happen. He stated the bill allows the employees who are the ones contributing to the system to make the decision of whether or not they want to withdraw. He stated he thinks the information being given to this Committee should be given to the employees. He asked if the Administration is opposed to allowing employees to vote on this issue. Mr. Arnold stated Administration is opposed to withdrawing from the social security system. Representative Duncan stated that is not the issue in this bill. He stated the bill gives the employees the right to vote. Mr. Arnold stated the bill states his division shall remain impartial during an election. He stated he doesn't know what that means -- that he can't speak out at all? Mr. Arnold stated he thinks if the employees are given an opportunity to vote they have to be totally informed.

Representative Duncan asked if Administration is opposed to allowing employees the right to make the decision. Mr. Arnold stated if this is the case there is probably not a legislator here who should be here -- every issue should be resolved to the employees. He stated he didn't know what the administration's position was on whether or not a vote should be taken. Representative Duncan stated he thought he should get that answer from the Governor.

Representative Duncan commented the fiscal note is based on passage of the Act. He stated it has \$4 million in costs in 1979 and the bill doesn't even take effect until 1980. Mr. Arnold stated this is in error. Representative Miller stated this fiscal note prompts him to consider circulating among actuary's and getting a retainer. He stated Administration sat in on every meeting concerning this and never once questioned the assumptions made on the bill. He stated that now after the actuary they hired came in with their statement, Administration has the William Mercer Co. coming in and raising the price up 6%. He stated he would like to have the actuary report to the Legislature rather than Administration. Chairman Cowper suggested addressing this through the Legislative Review Board on Retirement and Benefits.

HB 946
HELD OVER

The meeting adjourned at 10:15 a.m.

ADJOURN

Tape HFC 78-126 #713 to 1598

6/1/78

HOUSE FINANCE COMMITTEE

June 1, 1978

3:30 p.m.

All members of the Committee were in attendance, except Representative Buchholdt. Representatives Freeman, Meekins, Haugen and Duncan arrived later in the meeting. Also in attendance: Attorney General Avrum Gross; Brian Shortell, State Public Defender; Art Snowden, Director of Administration, and Rick Barrier, Manager, Fiscal Operations, Alaska Court System; Jim Rolle, Alaska Municipal League; Bob Schroeder, Fiscal Analyst, Legislative Finance Division.

PRESENT

Chairman Cowper called the meeting to order and brought HB 909 up for consideration:

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."

Chairman Cowper advised this bill was considered previously, but that there were problems in Anchorage regarding an increase in the case workload resulting from the addition of policemen.

Mr. Gross commented briefly on this point and turned the presentation over to Mr. Snowden.

[Representative Freeman arrived at this time.]

Chairman Cowper commented it was his understanding there was a down-turn in the felony arrests and a large up-turn in misdemeanors. He asked if the Court System is keeping tabs on how much of an additional caseload has been caused by the Administration's decision not to have plea bargaining in misdemeanors. Mr. Snowden advised this related specifically to felonies. There was brief discussion, with Mr. Snowden indicating a 5% increase in trial rate on the felony side.

Mr. Shortell commented the misdemeanor caseload has increased 100% over the past year and that there is no doubt it is going to go up. He advised the State Public Defender has to defend all civil cases.

Mr. Snowden then presented his proposal. He advised, for the months of March, April and May, there has been a 30% across-the-board increase from last year's filings. In outlining his proposal, he stated they are not requesting

any district court judges. He advised he would move them in temporarily from other districts (Juneau, Ketchikan, other places) as needed. He stated what he is suggesting is a "bare bones" pare-down of positions, and instead of the 18 positions in the initial request, he was talking of about eight. He stated they are requesting a traffic magistrate--of which there is a definite need--an in-court clerk, three criminal court clerks to handle filing, a couple of file clerks, some traffic clerks and one technical operations person. In answer to a question, he replied the original request was for \$800,000-\$900,000 and that this would cut it in half, the cost being \$350,000. He advised this would take them to January, when they would come back and report to the Committee as to the total impact. He added he would also like to request additional travel money to bring in the district court judges from other areas.

[Representatives Meekins and Haugen arrived at this time.]

There was discussion on the above proposal, with Mr. Barrier stressing the heavy increase in the processing of paperwork relating to the caseload over the past three months.

[Chairman Cowper left the meeting at this time, and Vice Chairman Freeman assumed the Chair. Representative Duncan arrived at this time.]

Representative Meekins advised he would like to add to the Anchorage Annex. He discussed the congested condition there and stated they are averaging 142 cases. He advised his subcommittee, in the interim, looked at how these people came into the Annex and discovered most were "busted after 5:00 p.m." He cited the advantages of putting more people on the 8:00 p.m. to 4:00 a.m. shift. In answer to a question, he replied there is \$58,500 in bids.

Vice Chairman Freeman asked Mr. Barrier if he was referring to the original bill or the committee substitute. Mr. Barrier stated the \$700,000 requested in the original bill was cut by the Judiciary Committee in the committee substitute to \$70,000. He advised the \$3350,000 figure is what they worked out recently to fund what is critical and get them through until January when the session starts. He commented there is nothing in front of the Committee at this time to show those figures; it is just an analysis.

Vice Chairman Freeman asked why they are doing this now, rather than in the budget. Mr. Barrier stated the Court System and all Justice Agencies were aware something was going to happen with the police. He advised, at that time, they didn't know what the projected impact would be and waited until they could get together with the Anchorage

police to discuss what the projects would be. The City Police, he advised, stated there was sufficient impact to warrant the additional personnel; and this was how they arrived at the figures presented today.

Mr. Barrier commented they could have submitted a budget request, but that wouldn't have given the Committee a clear picture of what was needed. Mr. Snowden noted there were two branches of government involved, and it was decided to submit their requests in separate legislation rather than in Free Conference Committee.

Representative Gruening commented on the criminal clerk and traffic clerk added in Anchorage last year in FCC. Mr. Snowden advised this did not take into account the 30% increase in the last three months and noted that, when their budget presentation was introduced, he had explained this.

Mr. Snowden further commented criminal cases, by statute, take precedence over civil cases. He briefly touched on Representative Meekin's \$58,000 request and stated Anchorage criminal cases will have to take precedence over civil ones. He noted the four-month backlog of criminal cases which will have to take judicial impact away from the civil cases.

In answer to a question, Mr. Snowden replied the 75 new policemen take over July 1, but added they are already training within the existing municipalities and have been working since March. There was further discussion on the increase in arrests, with Mr. Snowden advising the increase is mostly traffic and misdemeanor arrests. Mr. Gross added, in the past, these areas have been very lightly patrolled by the State Troopers.

Vice Chairman Freeman asked if the 75 policemen replaced the five or six State Troopers, and Mr. Snowden replied they have not been replaced; they still have the five Troopers. Discussion followed, with Representative Meekins commenting on the increased growth in Anchorage and that he feels the policemen are probably justified.

Representative Gruening requested information on the case-loads for both the civil and district courts. Mr. Barrier stated that information is part of the original package presented to Committee members. There was further discussion on the caseload.

In answer to a question from Representative Gruening, Mr. Snowden stated that what the magistrate Representative Meekins proposed would be doing is sitting at the jail nights and setting bail at that time rather than waiting until the next morning.

Mr. Snowden stated all fines generated under State statutes will go into the State treasury. However, he commented he thinks most cases would come in under city ordinance. Brief discussion followed. Discussing the impact already in the courts, Mr. Snowden advised their budget projections show their request would be for three or four district court judges, if these projections hold true. He stated they are asking for much less than what their projections justify. He advised they are asking for the minimal number of people to allow them to carry through. There was further discussion on the positions requested.

Mr. Shortell explained the amount they are requesting. He stated a large amount of that request is for rental space--\$125,000. He advised they are crowded right now, and they are going to be forced out of the court building.

Representative Meekins moved and asked unanimous consent that Finance Committee Substitute for HB 909 be reported out with the following monetary amendments: Section 1, "\$398,000" with \$58.8 for two magistrates; Section 2, "\$180,000"; Section 3, "0"; and Section 4, "\$80,000". There being no objection, it was so ordered. Finance CS for HB 909 was reported out; with four recommending "do pass", two "do not pass", and two "no recommendation".

FINANCE CS
FOR HB 909
REPORTED OUT

The meeting adjourned at 4:30 p.m.

HFC 78-126 #1598 - End
78-127 #0001 - #0929

HOUSE FINANCE COMMITTEE

June 1, 1978

7:35 p.m.

PRESENT

All members of the Committee were in attendance except Representatives Swanson and Freeman. Present to testify were: Ed Orbeck, Commissioner, B.W. Finley, and Jan Oldacre, Department of Labor; Marilyn Miller, Alaska Municipal League; Don Dickey, Alaska State Chamber of Commerce; Ben Benediktsson, Alaska Trucking Association; Bob Green, Alaska Association of School Boards; and Duane Carlson, AFL-CIO.

Chairman Cowper called the meeting to order and brought HB 550 up for consideration.

HB 550

"An Act relating to unemployment insurance."

Chairman Cowper stated they are working off the Labor and Management Committee Substitute. He advised that Representative Meekins has several proposed amendments to that bill.

Representative Meekins advised the current law provides unemployment for a single person, or a person with no dependents, a maximum of \$90.00. He stated the CS raises that to \$130.00; and he is going to propose to raise that to \$150.00. He stated under current law, with three dependents the maximum would be \$150.00; under his proposal it would be raised to \$175.00.

Representative Meekins advised that under current law unemployment insurance can be collected for up to 28 weeks. The CS provides for 21 weeks, and he is going to propose raising that back to 28 weeks.

Representative Meekins stated another point of interest in the bill is the taxable wage base. He stated payments are currently being made on up to 40% of the average annual salary (paying on the first \$10,000 earned). He advised that under the CS they pay 60% of the statewide annual average wage. He stated there is a question as to how much income they should pay on.

Representative Meekins stated that 40% of the benefits currently paid out are paid to people who are residing outside of the state, although they are residents of the state. He stated this creates problems, and it doesn't seem right that these people should be collecting benefits at Alaska's higher rate, which is higher because of Alaska's high cost of living, while living in another state. He stated this creates an incentive for them to not try and find work. Representative Meekins stated he has a proposal to try and rectify this.

6/1/78

Representative Meekins stated page 10 of the CS provides that after four weeks people cannot continue to collect unemployment if they are sick. He stated he has a proposal to delete that.

Representative Meekins the two most significant questions regarding this bill are what limit the Committee wants to make on weekly amounts, and how long they want to pay it.

Chairman Cowper suggested they hear testimony from those who wish to testify before marking-up the bill.

Mr. Finley, Employment Security Division, Department of Labor, advised the CS has an implementation date of October 1, 1978. He stated there is a fiscal note in the amount of \$17,000 out of state money to meet this effective date. He stated they cannot hold back additional money from the employers to implement this bill by October 1st. He stated they will be hard pressed to implement the bill by the October 1st date anyway. He advised the Department's stand is that the bill should be implemented January 1, 1979, not October 1, 1978.

Mr. Finley stated the CS has a tax rate raising the tax rate to 1980. He stated he didn't think that was the intent. Ms. Oldacre, Department of Labor stated this was a technical error and should be taken out.

Chairman Cowper asked how the benefits in Alaska compared with benefits in other states. Mr. Finley stated that with \$90.00 Alaska is at the bottom of the scale. He stated that most other states pay 50% of the maximum salary rate. He advised that Alaska's benefit amount is extremely low.

Representative Gruening asked how the average salary rate compared with other states. Mr. Finley stated Alaska is extremely high. He stated the average salary rate is about \$480.00 a week in Alaska.

Chairman Cowper asked what the rate was in other states compared to the \$90.00 currently being paid here. Ms. Oldacre stated it ranges from about \$63.00 in Texas to \$160.00 in Washington D.C. Mr. Finley advised the rate in the state of Washington is \$119.00. Chairman Cowper stated if the amount of \$175.00 as suggested by Representative Meekins was adopted it would put Alaska in the lead. Ms. Oldacre agreed.

Representative Buchholdt questioned the figure of \$480.00 for the average annual wage. Ms. Oldacre advised that was the 1976 rate. She stated wages are working their way down again and presently are approximately \$440.00 a week. There was an explanation of how these figures were arrived at.

6/1/78

Representative Meekins stated if they went to \$150.00 with no dependents their rate still would be highest; but he thinks it is reasonable to look at the average wage. Mr. Finley stated the federal government recommends all states pay at least 50% of the state's average salary wage. There was discussion on the reason for federal government making recommendations on the program.

Representative Rhode asked how much money was in the fund, and how long it would last under the CS. Mr. Finley stated there is \$56 million in the fund right now. Ms. Oldacre stated the amount and how long it would last would depend on whether or not they raise the tax base or keep it where it is. She stated they will not break the fund. Mr. Finley stated they would increase the tax to keep the fund from going broke. Several charts on funding were presented to the Committee.

Ms. Oldacre advised the CS proposes to increase the cost of the program to about 61%. She stated that is the total cost of the program. She stated under the new proposal for every dollar they pay out now they will be paying \$1.61. The contributions will make up the extra money. Representative Meekins presented a hand-out showing contributions paid and benefits received by each industry. Mr. Barker stated the construction situation is partially due to their low wage base. He stated they typically have higher wages, but are only taxed on the first \$10,000. Representative Meekins stated that under the current situation the cocktail waitress is paying for construction workers benefits. He stated he has a proposal to try and remedy this. He stated his proposal would raise the threshold so the construction workers will come closer to paying their own way.

Marilyn Miller, Alaska Municipal League, stated they are in support of the Labor and Management CS. She requested that Mr. Rolle be allowed to testify at a later date. She stated he is gathering information from League members.

Don Dickey, Alaska State Chamber of Commerce, stated their position has been that they support a realistic revision to the program. He stated it is hard to find out what is reasonable. He stated this started out as a governor's bill paying benefits of \$150.00 with no dependents.

There was discussion on the amount being increased for dependents. Chairman Cowper asked if they checked tax returns to find out how many dependents there are. Mr. Finley stated that under the privacy right laws they can't check tax returns.

6/1/78

Mr. Dickey stated after the Governor's first proposal came out there was a new plan for \$240.00. He stated it then went to \$200.00, and they later came up with \$130.00. He stated in the past they have been taking steps to increase benefits \$5.00 at a time. He stated the CS would be a \$30.00 increase, which they think it realistic.

Mr. Dickey stated a person could start collecting \$55.00 a week for 21 weeks after only making \$750.00. He stated he would end up making \$850.00 more that he made while on salary, and it would be tax free. He stated at present \$10,000 is the taxable wage base. He advised the CS is proposing a tax on 60% of the average weekly salary, which would be a \$25,000 base. He stated if this were adopted the taxable wage base would receive a 100% increase. He stated they think that is too high. He stated 39% of Alaska's wage earners earn less than \$13,000.

Mr. Dickey stated he would agree with doing whatever they could to get the rates for people outside the state reduced to the amount of compensation in the state they are in; however federal government states that cannot be done because it is out of conformity.

Mr. Dickey stated they think the \$130.00 proposed maximum would be digestible. He stated they concur with the Department of Labor that it would reasonable that benefits not be increased until January 1, when they can also change the tax rate. He stated if they start paying additional benefits on October 1st it will cost the state over \$10 million for those four months.

Mr. Dickey stated they haven't heard what the cost of the existing bill is. He stated they don't think Representative Meekins proposals are a compromise. He stated they think the CS is in the realm of reality. He stated they are concerned about payments for dependents since people applying don't have to prove that they have dependents. He stated it would seem reasonable to him to try and give a reasonable rate and not bring dependents in at all.

Chairman Cowper stated if this is a problem, he doesn't see why they can't require some sort of proof. Mr. Dickey stated it is an invasion to their right of privacy. Mr. Finley stated the judges have determined they can't ask for that proof.

Mr. Dickey stated he did think something should be done with the bill this year; However, he recommended talking to people who have done comparisons in other states.

Representative Meekins commented that they are not sure if this is an insurance program or a welfare program. He stated if it is an insurance program everyone should get it, if not it should be based on need. He stated there is a problem of consistent identity.

Mr. Ben Benediktsson, Alaska Truckers Association, stated they hire approximately 17,000 employees and pay about \$11 million in unemployment benefits. He stated that with a 41% increase their costs would be increased to \$15.85 million, and with a 61% increase their cost would be \$17.71 million. He stated those figures have to be transferred somewhere. He stated they presently make approximately a 3.7% return on the dollar, and the additional amount will be passed on to the consumer.

Concerning Representative Meekins question on the definition of unemployment insurance, Mr. Benediktsson stated they consider it as "walking around" money for a person to use while looking for another job. He stated they share Mr. Dickey's concern on what the cost of the bill will be. He requested they not use the October 1st effective date. He stated if this is done the tax rates will have to be artificially inflated to make up the costs. He suggested that prior to the passage of legislation an audit study be done on the entire program. He stated it seems obvious to him that no one really knows how effective the program is, how fair it is, etc. Mr. Benediktsson stated they could live with a rate in the area of \$125 to \$130.

Representative Gruening questioned his statement on an audit being performed. Mr. Benediktsson stated that in previous hearings Representative Hayes requested that an audit be done to find out whether or not amounts of money are accurately being paid. Representative Meekins stated he thought this was an administrative thing that should be taken care of. He stated he didn't think it was a question of fraud. Mr. Dickey stated there are only three investigators in the field and they say their burden is excessive. There was discussion on fraud investigation. Mr. Finley stated there is a need for additional investigators. Representative Brown stated it was the intent of his Committee to include a letter of intent with this committee substitute urging that some additional staff be funded. He stated it was the feeling of the Labor and Management Committee that there were two questions here; what should be in the law and how is it being violated.

There was discussion on the costs in the bill. Representative Meekins stated that everyone in the state that makes contributions only makes contributions on the first \$10,000 of their salary. After they reach that amount, they don't pay anymore for the year. One of his suggestions is to raise that amount to \$20,000. He stated if you increase the benefits and increase the tax base, you have a wider number of dollars to apply the rate to. He stated it is his belief that people making higher wages should pay their own way. Chairman Cowper asked what this would do to the competitive wages of Alaskan contractors. Representative Meekins stated he

didn't think it would do anything to competition in the state. Mr. Finley stated that if an outside contractor comes into the state he would have to pay the same rate.

Mr. Bob Green, Alaska Association of School Boards, stated the purpose of his testimony is to propose an amendment to the bill which would exclude classified employees of the school district during the summer period when schools are shut down.

Mr. Green advised that the federal government mandated in 1976 that, effective July 1, 1978, the schools would become eligible and subject to the provisions of the unemployment act. He stated employees would be able to receive benefits if they didn't have a contract for the next school year. He advised the federal government provides this as an option for the state. He stated this puts the schools in a unique situation because they have certified people, classified people, and they have substitutes. He stated he would like to emphasize that schools are somewhat unique in their manner of employment.

Mr. Green stated the current statute has a clause for unemployment benefits which the Association would agree to if it can be limited to contracted teachers who are not under contract, or any other employee who becomes unemployed for a definite period of time. He stated he didn't think having a vast majority of their employees subject to unemployment benefits for two to three months at a time as a routine matter is a good procedure.

There was discussion on the proposed amendment. Chairman Cowper stated that if an employee doesn't know if he is coming back next year it would seem to be a pretty good case for him to collect unemployment. Mr. Green stated he thinks one of the provisions states that if it is determined that employee benefits were not paid to an employee on the basis that he was expected to come back in the fall, and then he does not come back, he would become eligible retroactively for that period. Chairman Cowper commented that it was hard for him to see the difference between a teacher working nine months a year who thinks he will be hired back in the fall collecting benefits, and a construction worker who works only part of the year and collects benefits for the rest of the year. He stated he thinks if they are going to cover one, they should cover the other.

Duane Carlson suggested, regarding Mr. Green's proposed amendment, that if a person takes the summer off or is going fishing he would not be eligible for unemployment. He stated if a person is not actively looking for work he is not eligible for unemployment benefits. He stated he thinks if someone is actually looking for work, he should be eligible for unemployment benefits.

6/1/78

Mr. Carlson explained what was covered under previous bills. He stated they felt it was not to their advantage to introduce a different bill but to work on the Governor's bill. He stated they had proposed that benefits go to \$240.00 a week at one time. He stated they are in a position where they cannot support the Labor and Management CS. He stated in effect that bill gives less total benefits to the low income earner. He stated they do not think it is just to cut out the people in the bottom spectrum of pay. He advised that 63% of the wage earners earn less than \$12,000 a year.

Mr. Carlson stated he would hope the compromise bill starting at \$35 a week with \$10 per dependent is accepted as a reasonable compromise. He concurred that construction workers should pay more. He stated he thinks the taxable base should go to 100% of the average annual wage. There was brief discussion on the low wage earner.

Representative Meekins suggested going through the Labor and Management CS section by section. He stated he would explain where he had proposed amendments.

Ms. Oldacre stated that Sections 1 and 2 are housekeeping. She advised that Section 3 is a two step increase to the tax base. Ms. Oldacre stated the first year would be 60% of the average annual wage (\$14,000), and the second year it would be 75% of the average annual wage (\$19,000).

Chairman Cowper commented that at about the time these additions come out there is also going to be a substantial increase in social security. He stated these things all come out of the employers' pocket. Representative Meekins commented there are two concepts in this bill: the tax base and the rate to tax at.

Ms. Oldacre advised that Section 4 has a small change. She stated they are trying to tighten up on employers who are delinquent in paying taxes before they go bankrupt.

Ms. Oldacre advised the change in Section 5 extends the definition of "employer" to include individual corporate officers, and makes them liable for unemployment contribution payments. She stated that without that definition they are currently losing about \$1 million a year through this.

Ms. Oldacre advised that Section 6 had housekeeping changes. She advised that Sections 7 and 8 are no longer needed. She advised that in Sections 9 through 14 they have taken AS 23.-20.40 and rewritten it to clarify. She advised that Section 15 is language changes only.

6/1/78

Ms. Oldacre advised that Sections 16 and 18 set out a new benefits schedule and how they are going to calculate those benefits. Representative Meekins advised he passed out another schedule to replace the language in Section 16. He advised that in place of the limit of \$130, it would be \$150. He stated that in his proposal they have included a dependent allowance.

Chairman Cowper asked what would happen if the man was not working but the wife was. Would he get unemployment benefits for the dependents? Ms. Oldacre stated they normally assume the husband is the main support. She stated they don't ask for proof of main support. Chairman Cowper stated he is not going to support this unless people have to prove they have dependents and they are their main support. Mr. Finley stated he thinks they would have a better chance in courts if it was put into law that people had to prove this. Chairman Cowper suggested including language that if a person does prove he has dependents he is entitled to benefits. Representative Meekins stated he thinks the fact that this wasn't in the statute created the problem.

Mr. Finley stated as long as there is a dependency requirement one person in the family is going to get dependency benefits. Commissioner Orbeck commented that because this is an insurance program, he thinks that as soon as the dependency question is heard in court it will be thrown out. There was further discussion on dependents.

Ms. Oldacre advised that Section 17 has a limit of 21 weeks for all claimants earning less than \$13,000.

Ms. Oldacre advised that in Section 18 the Labor and Management CS attempted to reduce benefits on a fair methodology for people living out of state receiving Alaska benefits. Representative Meekins stated supposedly the federal government will not allow them to do this. He stated he thinks the language written by the Attorney General's office should be included here.

Ms. Oldacre advised that Section 19 changes the amount of part time earnings a claimant may receive before deducting money from the benefit amount. She advised that Section 20 is housekeeping.

Ms. Oldacre stated in Section 21 they are trying to tighten up the act. She stated this is looking towards claimants leaving Alaska -- stating they will have to accept whatever wage prevails in the area in which they are filing. Ms. Oldacre advised that Section 22 allows the claimant to file with a referral agency other than the Department of Labor.

6/1/78

Ms. Oldacre advised that Section 23 requires a work search. She stated they have not required this in the past because claimants could not find work in months when they were off. Representative Meekins stated he thinks this is a crucial point and that this is a very good section.

Chairman Cowper appointed Representative Meekins to a Subcommittee to look for a place to include funding for fraud investigators for the Division.

Ms. Oldacre advised the section change in Section 23 is a waiver of disqualification for periods of illness would be allowed for four weeks. Representative Meekins stated he has an amendment to take that sentence out. He stated he thinks this is a policy question. Mrs. Simons commented that unemployment insurance is for people who are able and available for work. She advised they wrote this illness provision in a number of years ago. She stated if a person is ill he cannot be in the labor market, so they limited the period accepted for an illness to four weeks.

Ms. Oldacre stated that in the current law when a person quits voluntarily and signs up for unemployment, he is disqualified for six weeks from the discharge. She stated people are currently taking a vacation during that six week period because they know they can't get the money. They are changing the wording so people will be required to look for work during the period they have been disqualified. There was brief discussion.

Chairman Cowper stated discussion on HB 550 would continue at tomorrow's meeting.

The meeting adjourned at 10:05 p.m.

HB 550
HELD OVER

ADJOURN

Tape HFC 78-127 #929 to end
78-128 #001 to end
78-129 #001 to 1155

6/1/78

HOUSE FINANCE COMMITTEE

June 2, 1978

8:40 a.m.

All members of the Committee were in attendance. Also in attendance: Mary Aarons, teacher of deaf children; Ms. Kay, interpreter for the deaf; several members of the deaf community; Bob Grogan, Legislative Finance Division.

PRESENT

Chairman Cowper called the meeting to order and brought HB 837 up for consideration:

HB 837

"An Act relating to interpreters for deaf persons in civil or criminal litigation or administrative proceedings; and providing for an effective date."

Representative Meekins, prime sponsor, presented an overview of the Judiciary committee substitute. Basically, he stated, the court pays for an interpreter for a deaf person, but that, currently, they don't do this before taking a statement or making an arrest. This bill states that an interpreter will be provided. He also noted the Court System is willing to assimilate this cost in their budget. He discussed the many problems confronting deaf persons.

Chairman Cowper asked what the present court procedure is with respect to the deaf. Representative Meekins answered that, mostly, these cases are dismissed.

Representative Freeman commented translation in court proceedings for the blind is provided and asked if something in the law prevents the court from doing this for the deaf. Representative Meekins indicated no, but added the bill also provides that an arresting officer be provided with an interpreter in the matter of the deaf.

At this time, Arlie, a member of the deaf community, related through Ms. Kay, an interpreter, an incident where he was arrested and would have gone to jail if it hadn't been for the interpreter.

In view of this testimony, Representative Buchholdt commented, if there are opportunities now for court interpreters for the deaf, she feels it is probably the Police Department who needs them. She stated she is more concerned with the deaf person being under pressure when confronted by a policeman, rather than in court. Representative Meekins called attention to Section 2(b)(2) of CSHB 837, which requires that an interpreter be present when a deaf person is arrested or interrogated.

CORRECTION

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

HOUSE FINANCE COMMITTEE

June 2, 1978

8:40 a.m.

All members of the Committee were in attendance. Also in attendance: Mary Aarons, teacher of deaf children; Ms. Kay, interpreter for the deaf; several members of the deaf community; Bob Grogan, Legislative Finance Division.

PRESENT

Chairman Cowper called the meeting to order and brought HB 837 up for consideration:

HB 837

"An Act relating to interpreters for deaf persons in civil or criminal litigation or administrative proceedings; and providing for an effective date."

Representative Meekins, prime sponsor, presented an overview of the Judiciary committee substitute. Basically, he stated, the court pays for an interpreter for a deaf person, but that, currently, they don't do this before taking a statement or making an arrest. This bill states that an interpreter will be provided. He also noted the Court System is willing to assimilate this cost in their budget. He discussed the many problems confronting deaf persons.

Chairman Cowper asked what the present court procedure is with respect to the deaf. Representative Meekins answered that, mostly, these cases are dismissed.

Representative Freeman commented translation in court proceedings for the blind is provided and asked if something in the law prevents the court from doing this for the deaf. Representative Meekins indicated no, but added the bill also provides that an arresting officer be provided with an interpreter in the matter of the deaf.

At this time, Arlie, a member of the deaf community, related through Ms. Kay, an interpreter, an incident where he was arrested and would have gone to jail if it hadn't been for the interpreter.

In view of this testimony, Representative Buchholdt commented, if there are opportunities now for court interpreters for the deaf, she feels it is probably the Police Department who needs them. She stated she is more concerned with the deaf person being under pressure when confronted by a policeman, rather than in court. Representative Meekins called attention to Section 2(b)(2) of CSHB 837, which requires that an interpreter be present when a deaf person is arrested or interrogated.

Representative Duncan wondered if there would be a problem with the term "qualified interpreter shall be made available", and asked if there were "qualified" interpreters in Anchorage, Ketchikan, Juneau, etc. Discussion followed, with Representative Meekins stating there are qualified interpreters in Anchorage. He advised there is a special test an interpreter must take in Anchorage before that person is deemed a "qualified interpreter" for the deaf. But, he added, one of the problems is getting these interpreters to Anchorage to take the test. There was further discussion.

Representative Gruening referred to Section 1(b)(1) and (2), lines 21-26, and questioned the need for that language. Representative Meekins stated he testified before the Judiciary committee that it was his opinion that that was not a relative situation and that that language was not necessary. He stated it was his understanding that that language was voted out by the Judiciary committee and that it has been eliminated in the other portions of the bill. He stated lines 21-26 should be deleted.

Ms. Aarons, Juneau, commented that, in working with the deaf and in teaching deaf children, a law like this would be very important because it would recognize that sign language is the native language of the deaf.

Representative Duncan asked about the test in Anchorage for qualifying interpreters. Ms. Kay advised it is a special video tape test and that three deaf persons and three qualified interpreters sit on a panel and judge whether or not that person taking the test is qualified or not. In answer to a question, she replied she has not taken the test, therefore, is not deemed a qualified interpreter. She advised the National Registered Interpreters of the Deaf requires this test.

Representative Swanson asked how many deaf persons there are throughout the State. Ms. Kay advised there are 150 deaf persons in Alaska; 13 in Juneau, four in Ketchikan, 2 in Sitka, 1 in Kenai.

Representative Swanson moved and asked unanimous consent that HB 837 be reported out with the following attached amendment: page 1, line 20, after "witness" place a "." and delete lines 21-26. There being no objection, it was ordered. HB 837, with attached amendment, was reported out with a "do pass" recommendation.

HB 837
AMENDED
REPORTED OUT

The meeting recessed at 9:10 a.m.

HFC 78-130 #0001 - #0618

HOUSE FINANCE COMMITTEE

June 2, 1978

9:25 a.m.

All members of the Committee were in attendance except Representative Gruening. Present to testify were: Pat Murphy, APEA; and Paul Arnold, Division of Retirement and Benefits.

PRESENT

Chairman Cowper recalled the meeting to order and brought HB 946 up for consideration.

HB 946

"An Act relating to withdrawal from the federal Social Security System; and providing for an effective date."

Mr. Pat Murphy, APEA, advised that in 1975 then Commissioner of Administration Andy Warwick put in a letter of intent to opt out state employees from social security. He advised at that time they circulated a letter to employees asking if they wanted to opt out. He advised that letter of intent would have expired in 1977. He stated since the Legislature was not ready to deal with the issue last year they put it into a Committee to study through HCR 76. He advised they studied the issue for six months. The result of that is the present bill, HB 946.

Mr. Murphy advised the important language, as far as they are concerned, is in section 5 which provides that the Department of Administration shall conduct an election, asking employees if they want to opt out. He stated opting out is a very complex issue. He stated all this bill does is give public employees an opportunity to decide whether or not they want to opt out. He stated APEA is not taking a position on whether or not they should opt out. They will provide the information to their membership.

Mr. Murphy stated the other important item in this bill is how much it is going to cost. He stated as far as they are concerned it is not going to cost anything. He stated the Committee was given money to fund the services of an actuary. According to his calculated costs it would not exceed the present and projected contrubutions of state employees. Mr. Murphy advised that after this report was made, the State's actuary came in with a report that has a cost figure of \$4.3 million. Mr. Murphy stated he has been dealing with this issue for the past three or four months and he is not qualified to say whose figures are right. However, he stated he didn't think it was relevent because they are willing to move the benefit factor down to 2.75% which should absorb the costs.

6/2/78

Mr. Murphy stated they are not asking for a free ride. They are saying reduce the benefits to 2.75% and let their members vote on whether or not they want to opt out. He stated the only cost he sees would be on page 2 of the fiscal note, items 4 & 5, which are costs for the election -- \$5,000 data processing, \$1500 for postage, and \$200 for printing ballots.

Representative Rhode asked if the employees involved in this could have an election without the bill. Mr. Murphy stated the reason for the election being put in the bill is the fact that they could conduct an election, but the Governor would not necessarily live with the results of that election. He stated by being in the bill, this would have the force of law.

Representative Schaeffer asked what the results of the election they conducted earlier were. Mr. Murphy stated they had about 1,000 responses and they were for an opt out. He stated that was two years ago, and information provided was probably biased towards opting out. He advised that from their point of view, next time they will provide unbiased information to their membership.

Representative Buchholdt asked what steps will be taken to be sure the election is unbiased. Mr. Murphy stated because there will be two parties involved -- Administration and the Unions -- with some in favor and some opposed, he thinks the information will be fairly disseminated. He stated he thinks fair information will be put out on both sides of the question.

There was brief discussion on opting out. Representative Freeman asked if Marine Transportation was in favor of the bill. Mr. Murphy stated the IBU at this time favors a vote of their membership, and he thinks they even favor opting out.

Mr. Paul Arnold, Division of Retirement and Benefits, stated one of the things the social security study group addressed was the issue of the advisability of withdrawing from social security. He stated he did oppose those provisions of the bill. Mr. Arnold stated there are inequities in the bill. He stated he would like to make it clear that he is not attempting to "sand-bag" the bill or use the actuary to accomplish this. He stated the only difference between the two actuaries figures was in the methods that were developed. He stated it was about a 6% difference in the total cost. There was brief discussion on the actuary.

Representative Duncan asked if, on page two of the bill, they changed the figure to "3/4's of 1%" if they could assume there will be no cost to the state. Mr. Arnold stated he is not sure. He stated he didn't know what impact this would have as far as reducing the cost. He stated he thinks it would be better if they eliminated the fixed amount.

6/2/78

Representative Meekins asked if he had found out what Administration's position on the bill was. Mr. Arnold stated they are opposed to withdrawing from social security. Regarding having employees vote, he stated he had not had an opportunity to discuss this with the Governor's Office.

Representative Duncan moved to amend the bill on page two to change "1%" to "3/4%". There being no objection, it was so ordered.

Representative Duncan moved to report out a finance committee substitute for HB 946 incorporating the above change. There being no objection, it was so ordered.

CSHB 946
REPORTED
OUT

Representative Duncan stated this would eliminate everything in the fiscal note except those items relating to the cost of the election -- \$6,700 in contractual. He will provide a new fiscal note.

FISCAL
NOTE
REVISED

The meeting adjourned at 10:00 a.m.

ADJOURN

HOUSE FINANCE COMMITTEE

June 2, 1978

1:45 p.m.

All members of the Committee were in attendance. Present to testify on bills were: Jan Oldacre and Mr. Finley, Department of Labor; Duane Carlson, AFL/CIO; and Ken Spray; Local 71.

PRESENT

Chairman Cowper called the meeting to order and stated discussion would continue on HB 550.

HB 550

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

The explanation of the bill by section was continued. Ms. Oldacre stated that the change to Section 24, Page 10, line 28 was just housekeeping changes, as are the changes to subsection (f) page 11.

Ms. Oldacre stated that under Section 25, 23.20.387 is a new section. She advised it gives the department latitude on how large a disqualification a person should have when he misrepresents information on a claim. She stated the section provides that there must be evidence that the person had intended to defraud. She advised that 23.20.388 is also a new section. She stated under this section, once a person has committed a fraud they are going to come down harder on them than they have in the past.

Ms. Oldacre advised that Section 26 has language changes only. Sections 27 and 28 also only have language changes. Ms. Oldacre advised that Section 29 provides for written hearings for claimants that don't live near the offices. She stated this is being contested at this time. Mr. Finley advised that at the present time they are exploring the possibility of telephone appeals on these hearings. He stated they need this language.

Ms. Oldacre advised that Section 30 has housekeeping changes only. She advised the wording in Section 31 came from House Bill 602. It states that Commissioner appeals must be decided within 60 days.

Ms. Oldacre advised that in Section 32, AS 23.20.485 states that if a person intends to receive benefits fraudulently, even if he has not received them yet, he has still committed fraud and should be penalized. She stated the fines and imprisonment have been enlarged.

6/2/78

Ms. Oldacre advised that Section 33 has expanded employer to include referral agencies. She stated Section 34 establishes a base period. Mr. Carlson stated Representative McKinnon requested this. He stated when people are working and injured their earnings stop at that point and they aren't able to return to work. They are asking that anything that had accrued to this point be kept. Mr. Finley stated the Department does not support this section of the bill. He stated if a person is injured and is out of work for three or four years, this section says they have to go back and find out what he had been paid three or four years ago to find out his rate of computation. He stated they feel this is not part of unemployment insurance. Representative Meekins stated the Department has a point when it stated they may have problems administering this section, but he thinks it is a good idea. There was brief discussion.

Ms. Oldacre advised that Section 35 is housekeeping changes.

Representative Meekins advised that he has a list of suggested amendments to the bill. There was brief discussion.

Representative Meekins stated he has proposed language from the Attorney General's office for Page 7 where he is trying to address the problem of 40% of benefits being paid are going to people out of state. He stated they are trying to lower the benefits for those people. Representative Meekins moved to add that Attorney General's language (copy distributed to committee members) to Section 18. There was discussion. Representative Meekins withdrew his motion, and stated they would come back to this later.

Representative Meekins moved in Section 41 to change the effective date to January 1, 1979. There being no objection, it was so ordered.

Representative Meekins moved to accept the language from the Attorney General's office on Page 7, Section 18. In answer to a question from Representative Haugen, Ms. Oldacre stated the federal government has ruled they cannot reduce benefits to people living out of state. She stated that if benefits are reduced, and the federal government rules it is out of conformity, it will not have a substantial impact on the trust fund. There was further discussion. There being no objection to the motion, it was so ordered.

Representative Meekins moved on page 18 to add new sections 37 and 38. He stated these are savings clauses (copies distributed to committee members). Chairman Cowper moved to amend the motion under section 38 to add "final" before "determination" and "is made" after. There was no objection to the amendment. There being no objection to the main motion as amended, it was so ordered.

Representative Meekins stated the next major question is on the weekly benefit chart. He presented a chart to the members of the Committee with his recommendation, making the top limit \$150, and \$175 with dependents. Chairman Cowper asked what the estimated increase in employer contributions will be at this amount. Ms. Oldacre advised the cost to the program for benefits will go up 61%. Mr. Finley stated the Department, based on the Governor's bill, is opposed to increasing benefits to \$175.00 with dependents. The Department's feeling is the limit should be \$150.00 with or without dependents. They feel the dependents allowance should be excluded.

Representative Meekins commented it has been five years since there has been a change in this area. He stated the 61% increase is not much higher than the rate of inflation. Representative Buchholdt stated she thought the dependents section should be kept in here. She stated she would like to see it included even if it means including a section to take care the problem of proving dependency. There was discussion. Representative Meekins moved to accept the weekly benefits at a maximum of \$150/\$175. Seven in favor; four opposed. The motion carried.

Representative Meekins stated currently contributions are only paid on the first \$10,000 of salary. He moved to change "60%" to "75%" and "75%" to "100%" on page one. Mr. Finley stated the Department has no objection to these percentages. There was discussion. Eight in favor; three opposed. The motion carried.

Representative Meekins moved to delete the sentence "however, a waiver of disqualification on the basis of illness is only available for a maximum of four consecutive weeks" on page 10, lines 5 to 7. There was discussion. Five in favor; six opposed. The motion failed.

Representative Meekins requested that representatives of the Department of Labor point out the necessary technical amendments to the bill.

Ms. Oldacre advised the federal government suggested rounding to the nearest thousand dollars for the average annual wage. Representative Meekins so moved. There being no objection, it was so ordered.

Ms. Oldacre advised that on page 3, line 2 "1981" should be changed back to "1974". Representative Meekins so moved. There being no objection, it was so ordered.

Ms. Oldacre advised that beginning on page 4, line 3, the entire section should be deleted. Representative Meekins so moved. There being no objection, it was so ordered.

Ms. Oldacre advised that on page 4, line 22, "rate class" should be changed to "amount". Representative Meekins so moved. There being no objection, it was so ordered.

Ms. Oldacre recommended adding additional language to page 5, line 14 (language presented to the Committee). Representative Meekins so moved. There being no objection, it was so ordered.

Ms. Oldacre suggested on page 5, line 23, changing "denial" to "determination", and deleting "and", putting a period after "it", and adding "The claimant". Representative Meekins so moved. There being no objection, it was so ordered.

Ms. Oldacre recommended deleting the sentence on lines 14 to 16 on page 12. Representative Meekins so moved. There being no objection, it was so ordered.

Ms. Oldacre recommended deleting lines 8 through 14 on page 13. Mr. Finley stated this would provide the Department with the opportunity, when a person owes them money, to take it out of his payments when he becomes eligible. Representative Meekins so moved. There being no objection, it was so ordered.

Ms. Oldacre stated the underlining on page 17, lines 7 and 8 should be deleted. Representative Meekins so moved. There being no objection, it was so ordered.

Representative Meekins moved to add the following language to page 17, line 5: "If those quarters were completed within three years the amount becomes the individuals claims benefit." There being no objection, it was so ordered.

Ms. Oldacre recommended changing the definition of "average annual wage". She stated they would like clear consistant wording rather than the math equasion currently in the language. Representative Meekins so moved. There being no objection, it was so ordered.

Representative Meekins moved to change the effective date so section 6 takes effect on July 1. There being no objection, it was so ordered. Chairman Cowper moved that sections 39 through 41 be rewritten to take into account sections added and deleted by the Committee. There being no objection, it was so ordered.

Representative Gruening moved to add language on page 6, line 18 stating that before additional benefits are paid the Department shall assert that no other person is receiving benefits for the same children. There was discussion. Representative Meekins stated he thinks this is already covered in the law. Chairman Cowper stated it would prohibit double counting of dependents. There being no objection to the motion, it was so ordered.

6/2/78

There was discussion on how requiring proof of dependents was an invasion of privacy. Representative Gruening moved to add a new section 39 to state that in the event obtaining additional benefits for dependents is enjoined or found to be void all portions of section 16 providing for additional benefits for dependents are repealed. Eight in favor, 3 opposed. The motion carries.

Representative Rhode moved to include the amendment requested by the Alaska Association of School Boards. Chairman Cowper objected. There was discussion. Mr. Ken Spray, Local 71, stated they are opposed to the amendment. He stated the schools do lay off between one-third and one-fourth of their employees during the summer months. He stated he thinks they should be treated like any other seasonal employee. There was further discussion. Two in favor of the motion, eight opposed. The motion fails.

Representative Meekins moved to report out a finance committee substitute for HB 550 incorporating the changes adopted by the Committee. There being no objection, it was so ordered. CSHB 550 was reported out with individual recommendations.

CSHB 550
REPORTED
OUT

The meeting adjourned at 3:40 p.m.

ADJOURN

Tape HFC 78-131 #001 to end
78-132 #001 to 960

6/2/78

HOUSE FINANCE COMMITTEE

June 4, 1978

1:10 p.m.

All members of the Committee were in attendance, except Representative Buchholdt. Representatives Gruening and Guy arrived later in the meeting. Also in attendance: Representatives Sam Cotten, Al Osterback, Merle Snider; Jay Hogan, Director, and Milt Barker, Alison Farnan, Bob Grogan, Bob Schroeder and Dave Scott, Fiscal Analysts, Legislative Finance Division.

PRESENT

Chairman Cowper called the meeting to order and advised the Committee would address the General Obligation Bond Bills. He advised he would like to use the Governor's bill as a "mark-up vehicle" and suggested reporting out the Senate bond bills wherever possible.

GO BOND
BILLS

He commented briefly on Speaker Malone's setting up an overall committee on bond bills, consisting of himself (Malone) and Representatives Gardiner and Cotten. He also commented he would like to hold off on the rural schools bond issue at this time. He briefly discussed the State's winning the Hooch Case and stated he feels the schools should be built because they are needed--not mandated.

[Representative Gruening arrived at this time.]

Chairman Cowper brought up the University of Alaska bond bill, SB 451, and stated he would like to suggest a \$20 million bond issue that would coordinate all University items into one bill and include everything except Voc Ed.

SB 451

Mr. Scott advised the land acquisition, access roads and parking lot - Sitka was handled in the capital budget; therefore, this was taken OUT. He also stated the water treatment improvements are not just for TVCC, but the whole Fairbanks campus.

DELETED

Commenting on upgrading utilities - Juneau, Mr. Scott stated this is for burying all utilities on campus and putting in a second well.

Mr. Scott advised the removal of architectural barriers is not statewide, but on the Fairbanks, Ketchikan and Anchorage campuses.

Regarding educational equipment - statewide, Mr. Scott advised the Governor took the \$500,000 lump sum figure for the Regents to allocate. In answer to a question, he explained \$557,000 was for Fairbanks and research, \$32,000 was identified for the institutes and \$550,000 for the Community Colleges at Anchorage, Kenai and Mat-Su.

There was discussion on land acquisitions - Juneau, with Mr. Scott explaining the status on the Horton and Bedford properties. He stated the Bedford property is a conditional sale, and they arrived at an intent to sell on the Horton property. There was discussion on deleting this, with Chairman Cowper advising INTENT would be included that the Legislature invites a supplemental when the land sale negotiations are completed. Representative Freeman moved to delete the land acquisitions - Juneau and include the above intent. There being no objection, it was so ordered.

DELETED

INTENT

Commenting on the classroom/office building - Anchorage, Mr. Scott advised the Senate put in \$1-1/2 million for purchase of library books. Discussion followed.

Chairman Cowper moved to include in SB 451 three of the four items contained in SB 450; i.e., the performing arts center, physical education building and parking and site improvement - Anchorage; delete the Patty Building ice rink - Fairbanks. There being no objection, it was so ordered. He also moved to include the Seward Marine Station waterfront stabilization, docking at \$1.5 million. There being no objection, it was so ordered.

ADDED

ADDED

There was discussion on fire hazard removal in Anchorage. Mr. Scott explained the code requirements were met at the time the buildings were built, but that they do not meet the current code requirements. Chairman Cowper moved to add \$220,000 for fire hazard removal. There being no objection, it was so ordered.

ADDED

Chairman Cowper brought up SB 621, relating to Vocational Education facilities. He advised this is the same as HB 714. He commented the House HESS committee (CSHB 714) pulled the career technical building in Bethel and added the library completion - Kodiak. He moved to accept the HESS figure of \$6.1 million. There being no objection, it was so ordered.

SB 621

ADOPTED

Chairman Cowper moved to add TVCC at \$2.3 million for the Bureau of Land Management Building in Fairbanks. There being no objection, it was so ordered.

ADDED

Chairman Cowper suggested stopping at \$26 million for both SB 451 and SB 621. In answer to a question, he commented he would prefer to use the Senate vehicle (SB 621) so as to get the bills to Free Conference Committee as soon as possible.

Representative Gruening moved to add \$5 million for Anchorage Community College for air frame/aircraft building. There being no objection, it was so ordered.

ADDED

He advised this is to be built at Anchorage International Airport and that it is training facilities for aircraft mechanics. He distributed to the Committee back-up information.

[Representative Guy arrived at this time.]

Chairman Cowper brought up SB 622, health facilities, and suggested putting together a bond issue including both health facilities and Pioneers Homes. He advised this bill is the same as HB 713.

SB 622

The Community Hospital in Sitka was discussed, with Mr. Barker explaining the licensing requirements regarding federal funding--medicaid and medical. There was discussion on Hill-Burton funds being deleted. Mr. Barker advised the Hill-Burton Act, per se, no longer exists, but there is another Act that allows 20% of the funds to be used for hospitals. He stated some money is made available each year, but that it is less than was previously made available.

Representative Swanson moved the \$5.6 million figure for replacing an existing building for the Sitka project. Representative Meekins objected. There was further discussion on both a BIA Hospital and a Community Hospital in Sitka being necessary. After further discussion, Representative Swanson withdrew his motion.

DELETED

There was discussion on Pioneers Homes. Representative Meekins commented Pioneers Homes should not be put in all over when what the senior citizens need is a multipurpose where you don't stay overnight but can take part in the activities. He stated, if you don't live in the Pioneers Home, you don't get to take advantage of the social activities. He advised he feels this provides an incentive for people who don't need to be institutionalized to place themselves there in order to take advantage of the social activities. He also added the cost is great. Representative Guy concurred with this, stating the elderly should be mobile and be able to take part in social activities, such as at a senior citizen multipurpose center.

Representative Freeman noted the Pioneers Home in Ketchikan can be justified. Representative Rhode discussed the survey that was made last year for a Pioneers Home in Homer. He commented a multipurpose senior citizen center may be a substitute for that. He indicated he would have more information tomorrow.

Chairman Cowper moved the Harborview Hospital fire prevention system - Valdez at \$305,000 and the API fire prevention system - Anchorage at \$206,100 and the Pioneers Home - Ketchikan at \$5 million. There being no objection, it was so ordered.

ADOPTED