

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2687

Representative Meekins discussed the multipurpose senior citizen center in Anchorage for \$800,000. Chairman Cowper commented this was put in for planning in Fairbanks last year, and the Governor cut it. Representative Meekins stated he would propose placing senior citizen multipurpose centers in Anchorage, Homer, Bethel and Barrow. There was further discussion, with Representative Meekins stating he feels the centers wouldn't cost that much. He moved the multipurpose senior citizen center in Anchorage. Representative Swanson objected. After brief discussion, Representative Meekins withdrew his motion. He advised he would provide further information tomorrow.

Chairman Cowper moved all the health facilities contained in CSSB 622 (Finance). There was objection. The question was called for, and the motion failed.

Representative Rhode moved a care center for juveniles in Kenai at \$250,000. He advised this would be recreational facilities for 13-17 year olds and explained that it was in HB 785, the House capital budget, but not in the Senate capital budget. There being no objection, it was so ordered.

ADOPTED

SB 618, fisheries management and development facilities, was discussed. Chairman Cowper stated this is the same as HB 710. He commented maybe the Committee should hold off on this bill until FRED "gets its act together". Representative Schaeffer objected. Chairman Cowper noted two years from the bond issue, and none of the projects have been finished--still in the planning process. There was discussion, with Chairman Cowper requesting Representative Schaeffer contact FRED to see what kind of plan is necessary to get this done. He commented perhaps this could be put in the capital budget.

SB 618

There was discussion on the preliminary design facilities, and Mr. Grogan gave a brief description of the problem that exists in Bristol Bay due to a lack of markers and buoys. Representative Osterback stated they have been fishing too far out from the line, with the result that fishermen have been arrested. Discussion followed.

There was brief discussion on the Snettisham and Ship Creek Hatcheries, with Mr. Grogan explaining they have distinct advantage in the water sources.

Chairman Cowper advised this bond issue would be by-passed for the time being, with the understanding that the Kotzebue Sound Hatchery will be addressed.

Chairman Cowper brought up SB 619, trails and recreational facilities, for consideration. He advised this corresponds with HB 712.

SB 619

Representative Swanson passed out proposed amendments to CSHB 712 (Resources) and advised the Finance subcommittee agreed with the Senate figures (SB 619). Discussion of the various projects followed.

Representative Rhode advised Silver King wayside and Izaak Walton wayside - Kenai Peninsula can be deleted as they have been approved in both the House and Senate capital budgets.

DELETED

Chairman Cowper moved the Chiniak Highway wayside at \$25,000 and the Anton Larson Bay boat ramp at \$60,000 - Kodiak. He noted the smaller items can be taken care of in Free Conference Committee on the capital budget. Representative Swanson moved to add the Fort Greely bike path - Delta Junction at \$125,000. Representative Schaeffer objected. The question was called for, and the motion carried.

ADDED

ADDED

Representative Swanson moved the community recreation (park, playground, track) in Valdez. Chairman Cowper objected. The question was called for, and the motion failed.

Representative Guy moved footpaths and walkways in Bethel at \$250,000. There was objection. The question was called for, and the motion failed.

Representative Freeman noted there is \$500,000 already in the capital budget for bike and foot trails.

Representative Rhode brought up the Whiskey Gulch land acquisition and stated \$1000,000 is in the capital budget for this. In answer to a question, he advised this is for 1,300 feet of beach front acquisition and development. He stated the total cost is \$396,100, not counting the federal money. He added this is scheduled to be put on in 1981. There was no motion on this project.

Representative Swanson discussed a request from Representative Bradley regarding an ice hockey rink in Eagle River. There was discussion on community recreational facilities. Representative Swanson moved the figure \$2,135,000. Chairman Cowper objected. The question was called for, and the motion failed.

Representative Schaeffer requested this bond issue be left OPEN, so that he could provide back-up information for an item tomorrow.

OPEN

SB 449, water supply and sewerage systems, was brought up for discussion. Chairman Cowper commented there is no corresponding House Bill. There was brief discussion on the number of safe water projects in the villages over the past few years. Chairman Cowper commented funds have been appropriated through RP's and been approved by Budget and Audit Committee--at least six projects.

SB 449

Chairman Cowper suggested the Committee approve a bond issue for \$22,570,000, unspecified, with the INTENT that \$5 million be used for funding Village Safe Water Act. Representative Guy so moved with intent. There being no objections, it was so ordered.

INTENT

ADOPTED

SB 620, Armory improvement and construction, was brought up for consideration. Chairman Cowper advised this is the same as HB 709 (Governor). Representative Schaeffer moved the figures in SB 620. There being no objection, it was so ordered.

SB 620

ADOPTED

Chairman Cowper brought up SB 625, public safety facilities, and commented the Committee should consider combining this with correctional facilities, rather than as two separate bond issues. He added SB 625 and HB 889 are corresponding bills.

SB 625

Representative Meekins moved to add HB 890 (HESS) to SB 625. Chairman Cowper stated this would make about a \$31 million package. There being no objection, it was so ordered. House Finance Committee Substitute for CSSB 625 was reported out, new title, with a "do pass" recommendation.

ADDED

FINANCE HCS  
FOR CSSB 625  
REPORTED OUT

Chairman Cowper moved and asked unanimous consent that House Finance Committee Substitute for CSSB 620, as previously approved, new title, be reported out. There being no objection, it was so ordered. Finance HCS for CSSB 620 was reported out with a "do pass" recommendation.

FINANCE HCS  
FOR CSSB 620  
REPORTED OUT

Chairman Cowper moved and asked unanimous consent that House Finance Committee Substitute for CSSB 449 be reported out, new title, as previously approved with INTENT. There being no objection, it was so ordered. Finance HCS for CSSB 449 was reported out with a "do pass" recommendation.

FINANCE HCS  
FOR CSSB 449  
REPORTED OUT

SB 448, flood control and harbor projects, was brought up for discussion. Chairman Cowper commented he would like to keep the package at \$35 million.

SB 448

Representative Duncan noted the subcommittee recommends CSSB 448 (State Affairs). He stated he would like to add the Haines Municipal Dock and moved the figure \$750,000. He explained it will become a freight-handling facility. There being no objection, it was so ordered.

ADDED

Representative Meekins objected to including the Whittier small boat harbor and moved to delete it. There was discussion, the general concensus being this be held OPEN.

OPEN

Chairman Cowper advised the Committee would meet tomorrow to continue work on bond bills.

The meeting adjourned at 5:00 p.m.

ADJOURN

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HFC 78-132 #0960 - End  
78-133 #0001 - End  
78-134 #0001 - End  
78-134 #0001 - End  
78-135 #0001 - End  
78-136 #0001 - #0372

HOUSE FINANCE COMMITTEE

June 5, 1978

3:50 p.m.

All members of the Committee were in attendance. Also in attendance was Representative Snider.

PRESENT

Chairman Cowper called the meeting to order and stated the Committee would consider Bond Bills. The first set of bond bills discussed were those relating to Port Facilities. There was discussion on the projects in CSSB 448. Representative Meekins moved to delete \$3.5 million for the Whittier Small Boat Harbor. There being no objection, it was so ordered.

BOND BILLS

Representative Meekins moved to delete \$1.5 million for Sitka small boat harbor development. Four in favor, five opposed. The motion failed. Representative Gruening moved to rescind their action in failing to take Sitka out. Six in favor, four opposed. The motion carried. (Sitka was deleted.)

Representative Swanson moved to add \$300,000 for Anderson Flood Control. There was discussion. Three in favor, five opposed. The motion failed.

A recess was called at 4:20 p.m. and the meeting was recalled to order at 4:30 p.m.

Highway Bond Bills were considered. Representative Freeman suggested waiting until SB 624 comes in, and work off that. There was discussion.

Representative Freeman stated the Subcommittee's recommendation would be to accept the Governor's projects in HB 711 totaling \$60,100,000 and adding \$1.5 million for the Fairview Loop Road; \$150,000 for Wrangell sidewalks, curbs and gutters; \$150,000 for Homer sidewalks, curbs and gutters, and \$150,000 for Bethel sidewalks and walkways; for a total of \$62,050,000. There was no objection to Representative Freeman's suggestion. Chairman Cowper stated this would be held until SB 624 comes into committee.

Chairman Cowper advised they have been requested to reconsider action taken regarding Hatcheries in SB 618. There was discussion. He recommended reporting out SB 618 taking out \$8 million for the Main Bay Hatchery in Prince William Sound, and adding the Kotzebue Hatchery Development in Kotzebue Sound in the amount of \$5 million. Representative Gruening requested further information on the hatcheries in the bill before reporting it out. There was further discussion.

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Representative Meekins moved to report out SB 618 taking Chairman Cowper's recommendation, for a total of \$17,300,000. Representative Gruening objected. Five in favor, five opposed. The motion failed. Chairman Cowper stated they will call the Department in to testify on the hatcheries and report the bill out after that.

The meeting adjourned at 5:36 p.m.

ADJOURN

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Tape HFC 78-136 #372 to end  
78-137 #001 to 709

6/5/78

HOUSE FINANCE COMMITTEE

June 6, 1978

1:25 p.m.

All members of the Committee were in attendance except Representatives Guy, Schaeffer, Duncan and Rhode.

Chairman Cowper called the meeting to order and brought SB 601 up for consideration.

SB 601

"An Act making special appropriations to the power projects revolving fund; and providing for an effective date."

Chairman Cowper advised this bill had been referred to a subcommittee chaired by Representative Haugen. Representative Haugen stated the main question is whether or not the money should go to the Department of Revenue or the Alaska Power Authority. Representative Gruening presented a proposed House CS for the bill and stated that in the Senate version \$6 million goes into the power projects revolving loan fund, and this version puts an additional \$10 million into the Alaska Power Authority.

Chairman Cowper moved and asked unanimous consent that a House Finance Committee Substitute, as presented by Representative Gruening, be reported out. There being no objection, it was so ordered. HCS SB 601 was reported out with a "do pass" recommendation.

HCS SB 601  
REPORTED  
OUT

(Representatives Swanson, Meekins and Buchholdt left at this time to attend a House Floor Session.)

Chairman Cowper stated that, although a quorum was not present, they would receive testimony on SB 562.

SB 562

"An Act relating to Alaska land policy; and providing for an effective date."

Mr. Phil Holdsworth, Consulting Engineer and Legislative Council, presented proposed amendments to the bill. He stated his suggestions satisfy the Land Use Planning Commission.

The meeting adjourned for a Call of the House at 1:40 p.m.

ADJOURN

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Tape HFC 78-137 #710 to 892

6/6/78

HOUSE FINANCE COMMITTEE

June 6, 1978

4:50 p.m.

All members of the Committee were in attendance. Also in attendance were Representatives Eliason and Rudd; Phil Holdsworth, Consulting Engineer and Legislative Council; Chuck Holly, Alaska Miners Association; Pat Conheady, Division of Lands; J. B. Tangen, Juneau Branch, Alaska Miners Association.

PRESENT

Chairman Cowper called the meeting to order and brought SB 601 up for reconsideration.

SB 601  
RECONSIDERED

"An Act making a special appropriation for power and water projects; and providing for an effective date."

Chairman Cowper stated when he moved to report the bill out earlier this afternoon, he had been under the impression that the Subcommittee agreed with the recommendation to accept the Committee Substitute. He stated it develops that the Subcommittee did not have a recommendation, so he would like to return the bill to the Committee for consideration. He stated the amendment by Gruening appropriates the money to the Alaska Power Authority. There was discussion on the bill.

Representative Haugen stated the question is should the money go to the Alaska Power Authority or the Department of Revenue. Representative Gruening stated the \$10 million they are discussing is for construction, design and engineering. He advised that Mr. Yould, Executive Director, Alaska Power Authority, will be in town tomorrow. He suggested that if Mr. Yould indicates at that time that there is some problem with administering the funds, he would be willing to go back to the original bill. Representative Duncan stated he would like to see all this in one area. Chairman Cowper commented that as the revenue picture stands right now, he doesn't believe they can go ahead with the project.

Representative Eliason stated that for the Sitka project, they are concerned that if this goes to the Alaska Power Authority they might not have the funding, it will be delayed, or something else will happen. He stated they have been assured by their bonding people that once this loan is made they will not come back to the State, unless through the Alaska Power Authority. They will be free to float their own bonds. There was further discussion.

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Chairman Cowper moved to report out HCS SB 601, with the understanding that the bill will remain in Committee until Mr. Yould has had a chance to testify before the Committee; if his remarks are satisfactory to the Committee, the bill will be reported out. There being no objection, it was so ordered. The bill report will be signed after Mr. Yould testifys.

HCS SB 601  
REPORTED  
OUT PENDING  
YOULD  
TESTIMONY

Chairman Cowper stated the next bill to be considered was CSSB 562 am.

CSSB 562

"An Act relating to Alaska land policy; and providing for an effective date."

Mr. Holdsworth, explained the amendments he had presented earlier.

Mr. Chuck Holly, Alaska Miners Association, stated they have some of the same concerns as those outlined in Mr. Holdsworth's amendments, but their concerns are broader. He referred to page nine of the bill and urged this be modified in some sense. He stated he thinks the bill may create new and unnecessary management planning systems. He stated it sets out a system which they are not sure is desirable or even obtainable.

Mr. Holly stated there are problems with Section 7. He stated this section is partly redundant with existing statutes. He stated his understanding from Mr. Holdsworth is that the Commission did not actually work on this section. He stated he didn't see why this land management system should be in statute when it could be handled by the regulatory process.

Mr. Holly presented suggested wording for Page 8, lines 22 and 24; and Page 9, line 7 to Chairman Cowper. He stated they concur with Mr. Holdsworth's amendment #9(e). He suggested it could be eliminated if they were to strike the whole thing setting up the new management system on the next page. He stated they agree with Mr. Holdsworth that Section 3 should be stricken and AS 38.05.300 should be repealed. He stated there are additional housekeeping changes.

Chairman Cowper asked what their objection was on pages 10 and 11 regarding the management system. Mr. Holly stated that instead of setting up specific management systems, it would appear that trails, for instance, could be managed by State Parks. He stated it would not need to be a specific system.

Mr. Conheady, Division of Lands, stated with regard to Mr. Holdsworth's proposals, they are pretty much in line with what they tried to do originally, and they agree with those. He stated he is trying to digest Mr. Holly's recommendations.

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He stated they concur with repealing section 3. He stated they do not view section 38.04.070 as creating a new system. He stated the State's public domain sections would be a very desirable thing. There was discussion.

Mr. J. B. Tangen, Juneau Branch, Alaska Miners Association, stated they concur with the earlier amendments stated. Regarding section 38.04.070, Mr. Tangen stated the bill seems to establish three new systems that do not exist now. He urged that subsection (e) on page 9 be deleted. He suggested the state trail definition be entirely deleted from sections nine and ten. He asked that section 3, page 13, line 25 be deleted. He asked that Section 38.04.070 be deleted.

Representative Rudd stated she has six amendments to propose to the bill. She stated they all relate to the ability of municipalities to retain their jurisdiction on use of state land in municipalities. She advised the first amendment says municipalities do have the right to selection of lands. She suggested deleting Section 6 of the Statehood Act in addition to this amendment.

Representative Rudd stated amendment #2 proposes much stronger language providing that no land developed by the Commission shall become effective until there has been a public hearing, etc. She advised the Department feels section .305 covers her concerns in this area, but she does not agree. Mr. Conheady stated the amendment is not inconsistent with present policy, but they feel there are problems with the amendment. He stated they find this amendment superfluous, and they think there could be regulatory problems if it ever comes to be a court case. Representative Rudd stated she did not agree with this. She stated it appears the process currently in law only applies to municipalities receiving notice, and provides it may comment. She stated she is trying to guarantee that comments from municipalities will be noted and responded to from the Commission.

Representative Rudd stated amendment #3 again makes a stronger statement that subdivisions must conform with municipal subdivisions. She suggested deleting words "material sales" if they adopt the language.

Representative Rudd stated she has three alternative amendments for her amendment #4. Mr. Conheady read section .020 of the statutes.

Representative Rudd explained amendment #5. Mr. Conheady stated they have no problems with this amendment.

Representative Rudd stated amendment #6 states interested persons may appeal. She advised that municipalities are interested persons. There was discussion.

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Representative Freeman asked if, aside from the benefits to municipalities, there were any benefits under this bill to citizens. Chairman Cowper stated he thought it did set out some broad policy decisions. There was brief discussion.

Chairman Cowper stated discussion on CSSB 562 would continue at this evening's meeting.

The meeting adjourned at 6:15 p.m.

CSSB 562  
HELD OVER

ADJOURN

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Tape HFC 78-137 #892 to 1165

6/6/78

HOUSE FINANCE COMMITTEE

June 6, 1978

7:40 p.m.

All members of the Committee were in attendance. Representatives Gruening, Meekins, Buchholdt, Schaeffer and Guy arrived later in the meeting. Also in attendance: Ted Smith and Pat Conheady, Division of Lands; Chuck Holly, Alaska Miners Association, Phil Holdsworth, Consulting Engineer, and Pete Froehlich, Attorney General's Office.

Chairman Cowper recalled the meeting to order and stated discussion would continue on CSSB 562.

"An Act relating to Alaska land policy; and providing for an effective date."

Chairman Cowper requested an overall policy statement from Mr. Smith, Division of Lands. Mr. Smith stated the management of state land has not followed any statutory guidelines. He stated they do have policy guidelines, but they have been amended so many times they cannot discern any management for state lands. He stated this bill is an attempt to do this. He stated he thinks this bill fills a void in their management program. He stated he thinks it is needed.

(Representative Gruening arrived at this time.)

Chairman Cowper stated there had been discussion earlier on section 38.040.070, pages 10 and 11; and he asked if Mr. Smith had any comments on that. Mr. Smith stated this is one of the stronger parts of the bill. He stated he didn't think it should be deleted. He stated there is no management scheme for any other state public domain lands. Mr. Holly commented that he still thinks some of these things might as well be in the state park system. There was discussion.

(Representative Meekins arrived at this time.)

Representative Rhode asked how much violence CSSB 562 does to HB 133. Mr. Smith stated he didn't think it did any.

Representative Haugen stated that in the area of wild and scenic rivers, in many scenic river systems there has been talk of major highways that come up to them. He asked how this would effect power line rights of way. Mr. Smith stated that would very likely be incompatible use. There was discussion.

(Representatives Schaeffer and Guy arrived.)

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Representative Gruening asked why the proclamation by the Governor was necessary. Mr. Smith stated under present law the Legislature comes in for areas over 640 acres. He advised that by granting interagency land management, a state agency can transfer management of parks up to 640 acres. He said the Proclamation was put in to make the level of decision making higher.

(Representative Buchholdt arrived at this time.)

Chairman Cowper stated he thinks parks should be established by an Act of the Legislature. There was further discussion. Chairman Cowper commented that some kind of land management bill would be a good thing to have in Washington D.C. when they are lobbying on the d-2 bill.

Representative Freeman asked what this bill allows them to do that they can't do now. Mr. Smith stated he didn't think it allowed them to do anything they can't do now; he thinks this is actually more restrictive on their authority than present law. He stated the bill outlines things they should be doing, in terms of planning, etc. He stated that under this bill land would have to be classified before being disposed of. He stated under current law it may be classified. There was discussion.

Changes to the bill were discussed. Representative Rhode moved to accept amendment #1 by Representative Rudd. Representative Freeman objected. Three opposed. The motion carried.

Representative Gruening moved to remove on page 2, letter (a) and to strike the language from lines one to ten. There being no objection, it was so ordered.

Representative Haugen moved on page 2, line 15 after "subsistence" to add "energy development". There being no objection, it was so ordered.

Chairman Cowper moved on page 3, line 25 to change section (4) to read: "to restrict developemnt in hazardous locations such as flood plains and avalanch zones; and". There being no objection, it was so ordered.

Representative Freeman stated that on page 4, section AS 38.04.020 comes in conflict with HB 720. There was discussion. Representative Freeman moved to delete that section. There being no objection, it was so ordered.

Mr. Smith advised that on page 4, line 3 "fiscal year" should be changed to "calendar year".

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Representative Rhode moved on page 5, line 18 to add "hydro-electric and aquaculture sites". There being no objection, it was so ordered.

Representative Gruening moved on page 5, line 10 to add: "Provided, however, that adequate reservation for public rights of way shall be made;" and deleting section (e). There being no objection, it was so ordered.

Chairman Cowper moved on page 5, line 26 to change "may" to "shall". There being no objection, it was so ordered.

On page 6, Representative Freeman moved to remove section AS 38.04.040 relating to mental health lands. There being no objection, it was so ordered.

Representative Meekins moved on page 5, after the language inserted by Representative Gruening to add: "(a) sale programs are preferred except that lease programs shall be used". There being no objection, it was so ordered.

Chairman Cowper moved on page 7, line 10 to add Representative Rudd's revised amendment #3. There was brief discussion. There being no objection, it was so ordered.

Representative Freeman moved on page 7, line 7 after "land owners" to add "except as otherwise provided by law". There being no objection, it was so ordered.

Chairman Cowper moved on page 8, after line 15 to add "and in accordance with AS 38.05.305". There being no objection, it was so ordered.

On line 22, Chairman Cowper moved that subsection b(2) be omitted and that the following be inserted: "(2) consider physical, economic and social factors effecting regions or areas and involve other agencies and the public in achieving a systematic inter-disiplinary approach." There being no objection, it was so ordered.

On Page 9, Representative Gruening moved to delete Section 7(7), lines 3 and 4. There being no objection, it was so ordered.

Chairman Cowper moved on page 9, lines 24 to 26, that section (e) 6 be deleted. There being no objection, it was so ordered.

A recess was called at 9:40 p.m. and Chairman Cowper recalled the meeting to order at 9:50 p.m.

After discussion of Representative Rudd's proposed amendment #4, Representative Freeman moved on page ten to delete lines 3 and 4, and to delete section (c) on page 11, lines 4-9. There being no objection, it was so ordered.

There was discussion on public reserve systems. Representative Gruening moved on page 11, line 7 to change "systems" to "categories" and on line 8 changing it to "lands" and on line 14 deleting "systems". There being no objection, it was so ordered. Representative Gruening moved on line 5 to change "systems" to "categories". There being no objection, it was so ordered. Chairman Cowper moved on line 11 to change systems to "categories"; to change "systems" to "categories" on line 26, and to change "4" to "2". There being no objection, it was so ordered.

Chairman Cowper moved to accept Representative Rudd's proposed amendment #5. There being no objection, it was so ordered.

Chairman Cowper moved to accept Representative Rudd's proposed amendment #6. There was discussion. Two opposed. The motion carried.

Representative Rhode moved on page 11, line 2 to change "systems" to "lands". There being no objection, it was so ordered.

Chairman Cowper moved on page 13, line 1 to take out "proclamation of the Governor or" and add "by law". There being no objection, it was so ordered.

Chairman Cowper moved to delete the language between lines 10 and 20 on page 13. There being no objection, it was so ordered.

Chairman Cowper moved to delete sections 3 and 4. There being no objection, it was so ordered.

Representative Haugen moved on page 3, line 15 after "subsistence" to add "aquaculture". There being no objection, it was so ordered.

Chairman Cowper stated he would like to add the Wood River-Tikchik Park to this legislation. He stated the land allowed there was chosen by the state for the purpose of creating a park. He stated it would have been done in 1976 but Representative Anderson objected. He stated the people in Representative Anderson's district now want this park.

Mr. Pete Froehlich, Attorney General's Office advised he worked on the original bill with Alaska Legal Services. He advised the park is approximately 1.4 million acres. He stated the bill would also allow additions by the governor by proclamation of 126,000 acres.

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Chairman Cowper stated they would be adding the language from the original bill. There was discussion on adding this.

Chairman Cowper moved to amend CSSB 562 to add the Wood-Tikchik State park legislation, with the understanding that the description is going to be the same as the original governor's bill; that all references to "wilderness" park will be stricken and replaced with "state parks"; and on page 4 the language in (c) after "incompatable use" will be stricken. There was discussion.

Representative Freeman asked why this park is different from any other park. Chairman Cowper stated this park is away from most of the population centers. He stated there are residents of the villages that will be affected by what goes on in the park. He stated that because of this they set up a mechanism so they could have some say in the management of the park. There was further discussion.

The question was called for. Six in favor, four opposed. The motion carried.

Chairman Cowper moved to report out House Finance Committee Substitute for SB 562 containing the amendments adopted by the Committee. He stated the bill will be prepared and brought back to the Committee. There being no objection, it was so ordered.

HCS CSSB 562  
REPORTED OUT

The meeting adjourned at 11:20 p.m.

ADJOURN

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Tape HFC 78-139 #001 to end  
78-140 #001 to end  
78-141 #001 to 103

6/6/78

HOUSE FINANCE COMMITTEE

June 7, 1978

2:20 p.m.

All members of the Committee were in attendance, except Representative Buchholdt. Representative Gruening arrived later in the meeting. Also in attendance: Representatives Mike Miller, Merle Snider, Al Nakak and Pete Loveseeth; Charlie Johnson, Vice President, Kawerak, Inc.; Eric Yould, Director, Alaska Power Authority; Sterling Gallagher, Department of Revenue; Robert Roys, Director, FRED Division, Department of Fish and Game; Dick Holden, Deputy Commissioner of Administration, Department of Transportation and Public Facilities; Jim Rhode, Administrative Assistant to Chairman Cowper; Bob Grogan, Fiscal Analyst, Legislative Finance Division.

PRESENT

Chairman Cowper called the meeting to order and advised the Committee would hear testimony by Mr. Johnson, Vice President of Kawerak, a Native non-profit organization. He stated, essentially, the management of the organization, at the time, contracted with the State to operate programs and vastly understated the expenses, the result being Kawerak is in bankruptcy.

KAWERAK

Mr. Johnson advised Kawerak is requesting an appropriation to help pay 1975-76 operating expenses of the State-contracted programs. He advised the old debts now total \$322,934 and forced Kawerak into Chapter 11 federal bankruptcy, which was filed September 24, 1976. He commented the debts incurred were primarily the result of program operations--inadequate funding for these services--and not due to bad management. He noted no evidence of misappropriation was found.

Mr. Johnson advised, since he took over the vice president position in February 1977, they have been able to raise the funding level from \$700,000 to \$3 million annually, with prospects for more funding. He further stated Kawerak has reestablished itself as a viable service delivery agency, and that their accounting and fiscal management system was found to be as good or better as any in the State, according to the CPA firm of Coopers and Lybrand. He advised they are the first prime sponsor in the nation ever to be reestablished under CETA.

Mr. Johnson advised the contract is being renegotiated in Nome and that, when the State took back the boarding home programs from Kawerak in 1977, it budgeted more than it cost Kawerak to run the programs the following year. He stressed that Kawerak operates the best run programs in the State. Kawerak's purpose, he advised, is to become involved in the State economic and political system. He

commented that Adult Basic Education considers this the best ABE program in the State and have asked Kawerak to publish an ABE letter throughout the State next year.

In answer to a question, Mr. Johnson advised approximately \$52,000 is directly owing to State-related agency debts, such as the University of Alaska, rural schools and CETA Manpower. He commented he feels the State would be justified in promoting Kawerak as this would not be setting a "bail out" precedent, but merely continuing its practice of renegotiating contracts to meet operating expenses. He added that as early as 1975 the State recognized its contracts with Kawerak were not covering all the expected services and that Mr. Richard Smith, State Internal Auditor, so indicated in his audit, at that time, to the Department of Education and stated the contracts should be rewritten to cover the true cost of service delivery.

Dissolving Kawerak and starting anew has been discussed and considered, Mr. Johnson advised, but that would jeopardize the confidence of the people of the Bering Straits region to function in the economic and political system and would destroy the efforts to regain the confidence of the State and federal agencies. In the long run, he stated, it would be much cheaper for the State to help Kawerak out of the Chapter 11 bankruptcy.

[Representative Gruening arrived at this time.]

Mr. Johnson commented Kawerak is now funded at approximately \$2-1/2 million, part of which is used to gain economic and political independence. He added they would like to put Native teachers in those positions. He went on to describe some of the programs. Again, he stated, he feels the alternative is to fight this out of bankruptcy. He noted they have been working with Senator Ted Stevens office, and the federal money will be available.

Referring to Mr. Johnson's letter to Representative Nakak, 3-16-78, Chairman Cowper commented the State Auditor said the contract should be renegotiated and that this is well worth considering. He noted the Committee does not have a bill before them, but added he would like to go into Free Conference Committee with this.

Representative Rhode noted Kawerak is presently funded at \$2-1/2 million and asked where this comes from. In reply, Mr. Johnson stated the bulk, 75%, is federally funded, and 25% is State funded. There was brief discussion.

Chairman Cowper brought up SB 601 for reconsideration:

SB 601

"An Act making a special appropriation for power and water projects; and providing for an effective date."

Addressing his comments to Mr. Yould, Chairman Cowper advised the Finance Committee is considering a \$10.6 million appropriation for the Green Lake hydroelectric project in Sitka. He stated there was a question as to whether the funds should go to the Alaska Power Authority or to the Department of Revenue. The question is, he stated, can the Power Authority act with the same haste and dispatch that Revenue can. He added this is an interim deal.

Mr. Yould responded as follows:

"I think I understand the problem. First, it is my feeling that appropriations for power purposes should come through the Power Authority. On the other hand, realizing this will be the first such appropriation and that there is a certain reason to proceed with haste on this project because we are entering the field season, and I do need the appropriations immediately, I would have to say, under this situation, I don't believe that we can respond quite as fast as the Department of Revenue can for the following reason.

"Under the present enacting legislation of the Power Authority, we probably could move with haste on making this loan following, that is, a meeting of the Board of Directors. However, the new bill, HB 442, which will amend slightly the Power Project Revolving Loan Fund, requires that we promulgate rules and regulations. We are in the process of proceeding with these rules and regulations, based on the prospects that HB 442 will be passed. However, we are still looking at a two-month lead time as required by State law just to get these regulations promulgated.

"Consequently, if it's the belief and feeling that Sitka can wait for two months, then the Power Authority or Revolving Loan Fund, perhaps, should be used; but if it's the determination of this body and the Municipality of Sitka that they want to proceed immediately, it would be my suggestion that the Department of Revenue be the agency that this money is channeled through.

"On the other hand, it might be desirable if this body were to indicate, with this appropriation, a certain legislative intent that all future such appropriations do be channeled through the Power Authority in lieu of the Department of Revenue."

INTENT  
DISCUSSED

Representative Gruening stated one of the problems is that the Department of Revenue, Commissioner Gallagher, was "nervous" about Alaska Power Authority getting this. He commented he didn't know if this is a timing problem. He asked Mr. Yould if he meant that, if the bill doesn't pass, the Power Authority could proceed with great dispatch.

Mr. Yould responded in the following manner:

"Our present enabling legislation does not require us to have rules and regulations. As a matter of fact, we have made a \$1/2 million loan to Alaska Electric Light and Power without rules and regulations. However, our new enabling legislation will require that we adopt rules and regulations before we make loans."

Representative Gruening asked Mr. Yould if he knew enough about the Green Lake project to know if the two-month time period would make a difference.

Mr. Yould replied as follows:

"We are into a field season, and I guess I would have to say, if they truly want to get the work done that they say they want this year, this field season, they are probably going to need a good share of that money --perhaps not all of it, but a good share of it. It's really my desire this be routed through the Power Authority, but on the other hand, I can understand their concern."

Representative Duncan stated that it is his understanding of the situation in Sitka that it is a critical matter and that they need the money now, rather than waiting two months. He remarked that normally he advocates directing this through Alaska Power Authority, but that he would not want the project jeopardized by waiting. He stressed he feels this money should be put into the Department of Revenue with a letter of intent, as suggested by Mr. Yould, that future projects would go through the Power Project Revolving Loan Fund and the Power Authority.

INTENT  
DISCUSSED

Chairman Cowper concurred in this and recapped for Representative Haugen, who just returned to the meeting, the "gist" of Mr. Yould's comments.

On the basis of Mr. Yould's comments, Representative Haugen stated, Sitka is in dire straits, and he feels they should be accommodated and that this should go through the Department of Revenue. He quickly added this is contrary to what he would really like to see happen and commented on the work that has been done to have power projects routed through Alaska Power Authority. However, he commented, in this particular case, to relieve the strain in Sitka, this appropriation should be done with haste and that it should go through the Department of Revenue. He noted the trouble with Revenue is that they have a couple of projects lined up.

Representative Gruening stated the main question is whether there are sufficient funds to make the appropriation in any case and made reference to the \$6 million appropriation in Section 1 of the Finance Committee Substitute adopted yesterday. He commented the letter of intent should be discussed and asked Mr. Jim Rhode to elaborate.

INTENT  
DISCUSSED

Mr. Rhode advised the \$6 million figure was reached by the \$3.4 million for the water problem in Anchorage, up just over a million from the version that left the Finance Committee and that was based on later information. The original figure of \$2.3 million, he stated, brings this to a total of \$5.9 million, which was rounded off to \$6 million. He advised there is another sum of \$1/2 million that both Finance Committees placed in the capital budget in connection with a feasibility study for the power plant project in Cordova. He stated the money was to come from the Renewable Resources Fund in the Senate, and in the House, the money was to come from the General Fund; that \$1/2 million was to go to the Power Project Revolving Loan Fund in both instances.

In reply, Mr. Yould explained:

"There are some 10 projects, excluding the Power Creek project, that should be stated in a letter of intent. I am talking only about proposed feasibility studies for hydro-power projects, and it is understood the \$3.4 million for the Municipality of Anchorage would be spelled out in the letter of intent, a total figure here of power study requirements total up to \$2,450,000, which when added to the \$3.4 million, represents \$5,850,000; and it is my understanding the intent was to round this off to \$6 million.

"I would suggest that, when it comes to the point of making these loans to the communities, the communities, after bringing these propositions before their communities or reassessing their true needs, may opt for

a different requirement than what was actually spelled out there. So, there will have to be some discretion left to the Board of Directors of the Power Authority on the actual terms and the amounts of the loans. But, we will, generally, try to stick to the amounts I have stated right here.

"In the event we might have one figure ear-marked for a community, then the community, because of the desires of their governing bodies, decides they only want half as much. For instance, I would like to see, in the letter of intent, the authorization for the Power Authority to use the remaining money for loan purposes for other projects.

"The projects that have been identified to me and the amounts for the projects that I feel are in order are:"

Mr. Yould then went on to list the projects noted in the attachment. He added, one project noted on the list that he did not include was the feasibility study of the Cordova project.

SB 601  
HELD OVER

At this time, Chairman Cowper brought up HJR 73 for consideration and solicited Mr. Yould's comments:

HJR 73

Relating to the Alaska Power Authority, the Phase I environmental, economic, social and engineering studies of the Susitna Hydroelectric Project, and the incurring of indebtedness for Phase I.

Mr. Yould stated HJR 73 is the same as SJR 50, and the Senate Finance Committee moved SJR 50 out of committee last Saturday.

Chairman Cowper asked that Mr. Yould address HJR 73, though the Committee may use the Senate vehicle.

Mr. Yould referred to his letter to Senator Huber, 2-24-78, and Senator Huber's letter to him, 3-13-78 (attached). He presented a brief overview of the resolution, stating the Susitna Hydroelectric Project has been under study for years. He explained that, back in 1975, shortly after the study, Senators Stevens and Gravel then presented testimony that this project would benefit very few Alaskans and that financing this project through something other than federal funds should be considered. He advised State or federal backing was discussed, and Senators Stevens and Gravel developed that maybe this project could be accomplished through the Army Corps of Engineers--through the Omnibus bill.

HJR 73, Mr. Yould advised, only gives the Alaska Power Authority the authority to proceed through Phase I of this project. He commented the Board of Directors of the Power Authority feels that this is a good mechanism to assure that they can proceed with this project.

Chairman Cowper asked Mr. Yould if he feels the resolution is adequate, and Mr. Yould indicated yes and that the Senate is happy with it. He added the resolution allows the Power Authority to proceed with the financing of Phase I and that it encourages Congress, Senators Stevens and Gravel, regarding Section 203 legislation. He advised he would provide the Finance Committee with a copy of Section 203 legislation, if they so desired. In answer to a question, Mr. Yould replied the Power Authority needs in excess of \$25 million.

After brief discussion on the status of SJR 50, Representative Swanson moved and asked unanimous consent that the Committee report out HJR 73. There being no objection, it was so ordered. HJR 73 was reported out with a "do pass" recommendation.

HJR 73  
REPORTED OUT

In answer to a question from Representative Loveseth, Mr. Yould advised the Power Creek project is being provided for in the Power Authority's normal operating budget.

Chairman Cowper stated, at this time, the Committee would address the general obligation bond bills. He advised they would begin with CSSB 618, fisheries management and development. It was noted this corresponds to HB 710, the Governor's bill.

GO BOND BILLS  
CSSB 618

[Chairman Cowper left the meeting at this time (3:20 p.m.), and Vice Chairman Freeman assumed the Chair.]

There was extensive discussion on the Snettisham and Ship Creek Hatcheries, with Mr. Roys providing information. He stressed the importance of clear water. He advised this is an important factor in determining the cost of the project. In answer to a question, he noted the roe survive better in clean water, as opposed to dirty water. He pointed out there are not very many good hatchery sites in Prince William Sound, but added that the Main Bay Hatchery site can be doubled in production. There was further discussion on the hatchery site investigations.

[Chairman Cowper returned at this time (4:10 p.m.) and conducted the meeting.]

Representative Gruening moved to include Snettisham Hatchery at \$5.5 million and Ship Creek Hatchery at \$6.4 million. Representative Schaeffer amended the motion to include Kotzebue Hatchery development at \$5 million. There being no objection, it was so ordered. ADOPTED

Representative Swanson moved to add \$500,000 for the next phase at Clear Hatchery. Representative Freeman objected. There was brief discussion. The question was called for, and the motion failed.

There was further discussion on the Snettisham Hatchery needing more money. Representative Miller made a statement as to that effect. There brief disucssion on cost estimates. Mr. Holden advised preplanning sites identified three good hatchery sites--Snettisham, Main Bay and Ship Creek.

Representative Duncan moved to increase Snettisham to \$6,002,700. Representative Swanson objected. The question was called for, and the motion carried (six in favor; three opposed).

ADOPTED

Chairman Cowper moved the field stations at Dutch Harbor, Weir and Chignik. There being no objection, it was so ordered.

ADOPTED

There was brief discussion on the Bristol Bay markers and buoys, with Mr. Roys stating lining up with a series of buoys would be a real protective measure for fishermen. Mr. Roys advised fishermen have requested better marking of the fishing distances in Bristol Bay. There was discussion on the law being necessary.

Representative Guy moved the markers and buoys in Bristol Bay. There was objection. The question was called for, and the motion failed (five opposed; four in favor).

Chairman Cowper moved and asked unanimous consent that House Finance Committee Substitute for CSSB 618 be reported out as amended. There being no objection, it was so ordered. Finance HCS for CSSB 618 was reported out with a "do pass" recommendation.

FINANCE HCS  
CSSB 618  
REPORTED OUT

Chairman Cowper brought up CSSB 624, highway, ferry, airport, local service roads and trails, for consideration.

CSSB 624

Representative Freeman recapped by stating the Committee started off with a \$6.1 bond issue from the Governor's projects in HB 711, and added \$1.5 for the Fairview Loop Road, \$150,000 for Wrangell sidewalks, curbs and gutters, and \$150,000 for Bethel sidewalks and walkways.

Representative Freeman proposed adding two requests that are in CSHB 711. He moved the pedestrian crossing at Muldoon and East 6th Street at \$200,000 and Mountain View Drive at \$1.2 million. There being no objection, it was so ordered.

ADOPTED

Chairman Cowper advised there was a Governor's amendment to the bond issue. Mr. Hogan explained this and recommended appropriating by district. There was some discussion, with Mr. Holden commenting on the Point Hope Road. Chairman Cowper moved Mr. Hogan's suggestion that these items be broken out by region--not district. There being no objection, it was so ordered. Representative Freeman commented this would be a \$63,450,000 bond issue.

ADOPTED

Chairman Cowper moved and asked unanimous consent that House Finance Committee Substitute for CSSB 624 be reported out with the adopted changes. There being no objection, it was so ordered. Finance HCS for CSSB 624 was reported out with a "do pass" recommendation.

FINANCE HCS  
FOR CSSB 624  
REPORTED OUT

The next bill up for consideration was CSSB 619, parks, trails, waysides, footpaths and recreational facilities.

CSSB 619

Chairman Cowper noted the Committee previously voted to adopt the items in CSHB 712, excluding Silver King wayside and Izaak Walton wayside, and added Chiniak Highway wayside at \$25,000 and Anton Larson Bay boat ramp at \$60,000, both Kodiak, and Fort Greeley bikepath, Delta, at \$125,000.

Chairman Cowper moved and asked unanimous consent that House Finance Committee Substitute for CSSB 619 be reported out. There being no objection, it was so ordered. Finance HCS for CSSB 619 was reported out with a "do pass" recommendation.

FINANCE HCS  
FOR CSSB 619  
REPORTED OUT

CSSB 451, University of Alaska, was the next bill up for discussion.

CSSB 451

Chairman Cowper moved and asked unanimous consent that House Finance Committee Substitute for CSSB 451 be reported out as voted on previously, by deleting land acquisitions in Sitka and Juneau; and adding SB 450, with the exception of the Patty Building ice rink; and adding the Seward Marine Station at \$1.5 million and the fire hazard removal, Anchorage, at \$220,000; making this a \$12,970,000 bond issue. There being no objection, it was so ordered. Finance HCS for CSSB 451 was reported out with a "do pass" recommendation.

FINANCE HCS  
FOR CSSB 451  
REPORTED OUT

The next bill up for consideration was CSSB 621, Vocational Education facilities.

CSSB 621

Chairman Cowper recapped by stating the Committee previously voted to accept the items and figures in CSHB 714 (HESS); and added \$2.3 million for TVCC and \$5 million for Anchorage air.

Representative Guy moved the career tech building in Bethel at \$1,430,000. Representative Gruening objected. The question was called for, and the motion failed (six opposed, one in favor).

Representative Schaeffer moved \$200,000 for Kiana shop facility and provided the Committee with backup material. After brief discussion, he amended his motion to \$180,000. There being no objection, it was so ordered.

ADOPTED

Chairman Cowper moved and asked unanimous consent that House Finance Committee Substitute for CSSB 621 be reported out as amended, reflecting a \$13,620,000 bond package. There being no objection, it was so ordered. Finance HCS for CSSB 621 was reported out with a "do pass" recommendation.

FINANCE HCS  
FOR CSSB 621  
REPORTED OUT

CSSB 448, flood control and harbor projects, was brought up for discussion.

CSSB 448

Chairman Cowper recapped by stating the Committee accepted the subcommittee's recommendation (CSSB 448 - State Affairs). Representative Freeman advised Sitka and Whittier were deleted and Haines was added at \$750,000.

Representative Swanson moved Anderson flood control project at \$288,000. There being no objection, it was so ordered.

ADOPTED

Representative Meekins moved to include Whittier and Sitka. Chairman Cowper objected. Representative Gruening moved to amend the motion to reinstate Whittier only at \$3.5 million. The question was called for, and the motion failed (five opposed, four in favor).

Chairman Cowper moved and asked unanimous consent that House Finance Committee Substitute for CSSB 448 be reported out as adopted, reflecting a \$30,288,000 bond package. There being no objection, it was so ordered. Finance HCS for CSSB 448 was reported out with a "do pass" recommendation.

FINANCE HCS  
FOR CSSB 448  
REPORTED OUT

The next bill up for consideration was CSSB 622, health facilities and senior citizen centers.

CSSB 622

Chairman Cowper recapped by stating, so far, the bill includes Harborview Hospital fire prevention, Valdez; API fire presentation, Anchorage; Pioneers Home, Ketchikan; and Juvenile Care Center, Kenai.

Representative Meekins distributed backup information on the Eastchester Multipurpose Senior Citizen Center and moved this be added at \$727,000. There being no objection, it was so ordered.

ADOPTED

Representative Rhode moved the Pioneers Home in Homer at \$434,000 and distributed a cost sheet. There being no objection, it was so ordered.

ADOPTED

Representative Duncan moved the Juneau Nursing Home at \$283,000. Representative Swanson objected. The question was called for, and the motion carried.

ADOPTED

Chairman Cowper moved the health facility in Hooper Bay at \$100,000. There being no objection, it was so ordered.

ADOPTED

Representative Schaeffer moved the Kobuk health facility at \$100,000. There being no objection, it was so ordered.

ADOPTED

Chairman Cowper moved and asked unanimous consent that House Finance Committee Substitute for CSSB 622 be reported out with the additions, making this a \$7,406,000 bond package. There being no objection, it was so ordered. Finance HCS for CSSB 622 was reported out with a "do pass" recommendation.

FINANCE HCS  
FOR CSSB 622  
REPORTED OUT

Chairman Cowper brought up HB 782, cultural facilities, for discussion. He commented, if unspecified, he would like to suggest a \$15 million bond issue.

HB 782

Representative Freeman moved and asked unanimous consent that Finance Committee Substitute for HB 782 be reported out with the figure \$15 million. There being no objection, it was so ordered. Finance CS for HB 782 was reported out with a "do pass" recommendation.

FINANCE CS  
FOR HB 782  
REPORTED OUT

Chairman Cowper advised the Committee is not holding only one bond issue--rural schools. He commented they would await action by the Senate.

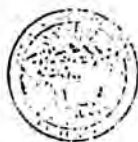
The meeting adjourned at 5:50 p.m.

ADJOURN

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HFC 78-141 #0104 - End  
78-142 #0001 - End  
78-143 #0001 - #0464

ALASKA POWER AUTHORITYBack-up Information on Funding Level for the  
Power Project Revolving Loan Fund

|     |                                                                                                                                                                                              |             |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| 1.  | Completion of detailed design and FERC License application for rehabilitation of the Lower Salmon Creek hydroelectric project in Juneau.                                                     | \$ 200,000  |
| 2.  | Reconnaissance grade feasibility study of the Chilkat River Tributary Project near Haines                                                                                                    | \$ 50,000   |
| 3.  | Reconnaissance grade feasibility study of Port Lions Hydro Projects and Geologic Investigation.                                                                                              | \$ 80,000   |
| 4.  | Reconnaissance grade feasibility study and geologic investigation of Grant Lake Project at Seward.                                                                                           | \$ 70,000   |
| 5.  | Reconnaissance grade feasibility study and Advanced Engineering and Design of the Run-of-the-River hydropower project on Power Creek at Cordova.                                             | \$ 500,000  |
| 6.  | Advanced Engineering and Design and license application for the most feasible project in the Petersburg/Wrangell area.                                                                       | \$ 200,000  |
| 7.  | Reconnaissance grade study for Gartina Creek near Hoonah, Gunnak Creek near Kake, Thayer Creek near Angoon, and Black Bear Lake near Klawock.                                                | \$ 120,000  |
| 8.  | Studies to include capital improvements to the Beaver Falls hydroelectric project, and explorations, final design and license application for the Swan Lake hydropower project at Ketchikan. | \$1,400,000 |
| 9.  | Reconnaissance grade study of Lake Elva project near Dillingham.                                                                                                                             | \$ 20,000   |
| 10. | Reconnaissance grade study and geologic mapping of Chakachamna project near Anchorage                                                                                                        | 150,000     |
| 11. | Reassessment of Bradley Lake Project near Homer.                                                                                                                                             | \$ 100,000  |
|     | SUBTOTAL                                                                                                                                                                                     | \$2,910,000 |
| 12. | Funds sufficient to provide for needs of communities not previously contacted.                                                                                                               | \$2,090,000 |
|     | TOTAL                                                                                                                                                                                        | \$5,000,000 |



Alaska State Legislature  
Senate  
Pouch V  
Juneau, Alaska 99811

March 13, 1978

Mr. Eric P. Yould  
Executive Director  
Alaska Power Authority  
333 West 4th, Suite 31  
Anchorage, Alaska 99501

Dear Mr. Yould:

In response to your letter dated February 24, 1978, I offer the following comments and suggestions.

Development of Alaska's hydroelectric potential should receive top priority. I believe the Authority should immediately inventory potential hydroelectric sites, both large and small, then prioritize the sites based on comparative economics and needs of the communities envisioned to receive service from the various projects. Those projects identified as top priority should be pursued expeditiously. Appropriate lands should be acquired by the State and dedicated for that purpose. Federal and State permits should be obtained. Construction would follow as soon as possible.

I would suggest that in most cases the Authority should finance and own the facilities, including connecting transmission lines to the various load centers. However, when practical the operation and maintenance of said facilities should be contracted to existing electric utilities with the necessary expertise. This scheme would maximize job opportunities in the private sector rather than expand the State government personnel system.

Prompt development of the Upper Susitna Hydroelectric System is top priority for the area I represent, Fairbanks/Interior.

In order to expedite this project it is highly desirable to maximize the State's involvement and thereby minimize Federal participation. I would encourage the Alaska Power Authority to place this project on the front burner and turn on the heat. Assuming that the Susitna project will be built, the Authority should immediately undertake a feasibility study regarding a transmission line tie between South Central and Interior Alaska. I believe there would be many benefits from such an interconnection. If feasible, the Authority should construct the line at an appropriate time prior to construction of the Susitna project. It would be used to wheel energy between respective load centers and reduce some of the individual reserve requirements. Of course, it would also be used to provide construction power for the development itself.

Page 2  
Mr. Eric P. Yould  
Alaska Power Authority

The Authority may be of immediate assistance to both of our Fairbanks-based utilities, GVEA and FMUS. They are proceeding jointly with plans to construct a 150MW coal-fired steam plant at Healy, Alaska. Said facility is scheduled to be on line by October 1983.

In my opinion, the Authority should finance this facility via tax exempt revenue bonds. Such an undertaking could save the utility companies at least a point or two on a 160 million dollar + investment. Accordingly, their customers would ultimately realize thousands of dollars in savings on future energy bills.

Further, I would again suggest that the Authority own the facility and enter into an operating and maintenance agreement with the entity presently operating a plant at Healy.

In the event you require additional enabling legislation to properly function in accordance with my suggestions and concerns, I will be pleased to be of assistance.

Sincerely,

John Huber

JH:jw

# ALASKA POWER AUTHORITY

333 WEST 4th - SUITE 31 - ANCHORAGE ALASKA 99501

February 24, 1978

The Honorable John Huber  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

Dear Senator Huber:

This is to inform you that, with my appointment, the Alaska Power Authority is essentially open for substantive business. As I'm sure you are aware, the Alaska Power Authority was created under Chapter 56 of Alaska Statute 44. We are to perform as a corporation for the State of Alaska for the purpose of providing a means for developing reasonable cost power generation for Alaskan communities. To fulfill this mandate we may either provide financing through the sale of revenue bonds, or we may acquire (whether by purchase, construction, gift or lease) and operate power projects. Project financing through the issuance of revenue bonds represents a pledge of the power revenue for the payment of interest and retirement of bonds; thus the State would encumber no debt as the result of our projects.

To acquaint you with the type of projects that we could assist in developing, we are the State's entity that would provide for the development of the Susitna hydroelectric project and for all other hydroelectric projects in the State that proved to be economically, environmentally and socially acceptable. We could also assist in providing for fossil fuel fired generation such as coal or diesel.

As an engineering and financing organization we will be able to provide the expertise necessary for evaluating the economic and environmental merit of various proposed energy projects. My personal background is in engineering in which I hold two degrees and seven years of experience. As a five year State resident active in electrical power planning, I am very much aware of the statewide energy needs and our available power options. The Board of Directors for the Power Authority consists of Messrs. Bob Ward (Chairman), Charles Conway (Vice-Chairman), Jack Wick, Frank Murkowski and Commissioner H. Phillip Hubbard. Our present Bond Counsel is Wohlforth and Flint and our Financial Advisor is the First Southwest Company.

I would welcome your views on how the Power Authority can best assist in providing for the State's energy needs.

Sincerely,



Eric P. Yould  
Executive Director

## SUSITNA STATUS

Historical Background: The tremendous energy potential of the Susitna River has been known for many years. The Bureau of Reclamation and the Corps of Engineers, along with private institutions have conducted numerous studies of Susitna's potential. Both of the Federal agencies conducted reconnaissance level studies in the late 1940's and each published their findings in the early 1950's. The more specific and detailed early studies were performed by the Bureau of Reclamation. In fact, in a 1960 feasibility report, the Bureau of Reclamation outlined a plan of development in the Upper Susitna River Basin consisting of four high-head dams with a combined firm annual energy capability of roughly 6.3 billion kilowatt hours. The Bureau studies were backed up by limited foundation explorations for three of the four damsites (Devil Canyon, Vee and Denali were drilled, Watana was not drilled). However, with the discovery of Cook Inlet natural gas, the economic attractiveness of the Susitna project plummeted. With the formation of the international oil cartel and the dramatic rise in fuel costs during the 1970's, Congress requested that the Corps of Engineers re-evaluate the Bureau of Reclamation proposal for developing the Upper Susitna River and to report its recommendations and findings to Congress. Because of questionable foundation conditions at the upper two damsites (Vee and Denali), and the attendant environmental impact associated with those two projects, the Corps modified the proposed development by raising the height of the second upstream dam, Watana, and deleting the Vee and Denali dams. The two-dam Devil Canyon-Watana scheme of development would provide 6.1 billion kilowatt hours firm annual energy but at a lesser cost and environmental impact than the four dam scheme. The Corps evaluated a number of energy alternatives and concluded that coal fired generation and Susitna hydro-electric are the most feasible long range options for the rail-belt energy demand. Of the two options, the economic attractiveness of the Susitna project appears to be significantly greater than coal fired steam generation. In October 1977 dollars, the estimated construction cost of the two dam scheme and attendant transmission facilities is \$2.1 billion. The average annual fuel rates from Susitna should be at least 30 percent less than that of its coal counterpart.

Project Description: The Upper Susitna River Basin is a 5810 square mile area bordered on the North and West by the Alaskan mountain range, and on the South by the Talkeetna Mountains. Primary wildlife within the basin consists of moose, bear, Dall sheep, caribou, wolf, raptors, and resident fish. Anadromous fish do not migrate into the Upper Susitna, but they do spawn in the streams and sloughs downstream from the basin outlet. The river is glacially fed and averages 7.1 million acre feet of runoff annually. The plan of development includes an 810 foot high earthfill dam at the Watana site, a 635 foot high thin-arch dam at Devil Canyon and 365 miles of transmission line. The Watana project would inundate 43,000 acres of land and 54 miles of natural

river, and Devil Canyon would flood 7500 acres of land and 28 miles of river. In tandem, the projects would produce a total of 6.1 billion kilowatt hours of firm annual energy and an average of 0.8 billion kilowatt hours of annual secondary energy. It is estimated that Watana could be on line by 1990 and as demand dictates, presumably five years later, Devil Canyon would be brought on line. Based on the preliminary design, the two projects would be capable of withstanding the effects of an 8.5 magnitude earthquake with an epicenter of 40 miles from the project.

Present Status: The Corps of Engineers submitted their Susitna feasibility report to Congress in 1976. Pending the Chief of Engineers final report to Congress, the project was given conditional authorization to proceed to Phase I Advanced Engineering and Design as a federal project. (Section 160, Water Resources Development Act of 1976). Contained in the same Bill is Section 203 known as the Alaska Hydropower Development Fund. This section provides for a joint venture in developing hydropower projects in Alaska in which, for previously authorized hydropower projects, the Corps of Engineers would design and construct the project using state financing and the state would own and operate the project. Bradley Lake and Snettisham are the only authorized projects in the state which qualify for development under this program. Because the Office of Management and Budget (OMB) felt that there was insufficient field exploration to substantiate the project cost estimate contained in the Corps 1976 feasibility report, the Chief of Engineers did not make his final report to Congress. Thus, Susitna remains an unauthorized project, disqualifying it for participation under Section 203. However, in order to provide the necessary explorations the Corps has made \$3.0 million available for a 12 month foundation exploration program which should lead to final authorization of the project. That 12 month effort began on January 1, 1978.

1978 Water Resources Development Act: Since Section 203, as it presently reads, makes it difficult for the State to provide the necessary financing for Phase I Studies, the Act will be amended under the 1978 Water Resources Development Act. State and federal personnel, along with their bond counsel and financial and legal advisors, have agreed upon the proper language which should be contained in Section 203. Also included in the pending bill will be direct authorization of the Susitna project thus making it eligible for Section 203 participation exclusive of the OMB desire for the \$3.0 million twelve month exploration program. The bill should reach the Senate Water Resources Subcommittee in mid April. The House version of the bill will probably not contain the amending language for Section 203 nor direct authorization for Susitna. Thus, these items will have to be added in conference committee. Considering the other national issues, it is estimated that the bill will not be authorized before July, 1978. Thus the Phase I Studies could begin by the latter part of the 1978 field season.

Alaska Power Authority Action: It is the intention of the Alaska Power Authority to participate under Section 203 for the Phase I studies. Financing for the studies would come from the sale of municipal bonds; thus, the State would not be subjected to debt encumbrance. Should the \$25,000,000 plus Phase I studies indicate that the project is not feasible, the Federal Government would repay the cost and interest of the bonds. At the conclusion of the Phase I studies, the State would have the option to proceed into construction with the Corps of Engineers or to use the services of a private engineering firm. Many of the studies to be conducted under Phase I would be managed by the Power Authority rather than the Corps of Engineers.

Plan of Study: The Alaska Power Authority made \$100,000 available to the Alaska District Corps of Engineers in July, 1977 for the purpose of developing the Phase I Study program. The Corps submitted their first draft to the State in September, 1977. Based on the State's review comments, the Corps is now finalizing the Susitna Plan of Study.

Land Status: The Susitna project would flood roughly 50,000 acres of land of which 24,000 acres have been classified as power withdrawal lands. This land, along with most of the remainder needed for the two proposed dams and reservoirs, has been claimed by the Cook Inlet Native Corporation and four native villages. Until the land can be transferred to the Natives, the Bureau of Land Management retains custody for the Federal government. Prior to entry for Phase I studies, access permission would be necessary from either BLM or the Native Associations depending on the owners at that time. The Cook Inlet Region is presently negotiating with the four villages to trade them out of the Susitna land. Presumably, the region would then negotiate the Susitna land for possible excess military land on Fort Richardson. The State could then claim the Susitna land under the terms of the Statehood Act, if it so desired.

D-2 Classification: Although the Susitna River was included as one of twenty rivers that should be studied by the BLM for possible classification as a Wild and Scenic River in 1972, Susitna was dropped from the list during the early screening. It was suggested in the study, however, that Susitna should be studied further. The House Interior Subcommittee has drafted their version of the D-2 Land Classification Bill and has included Susitna as a river that should be studied for possible classification as a Wild and Scenic River. Despite this classification, provisions have been made to allow for Phase I studies by the Corps of Engineers. Construction, however, would not be permitted until completion of the Wild and Scenic River study. Furthermore, as long as the land belongs to the federal government, it is questionable whether Phase I studies could be conducted exclusive of the Corps of Engineers.

Funding: \$5.45 million has been included in the federal appropriation for input to the Alaska Hydropower Revolving Loan Fund.

This is the estimated cost of financing the first year of the four year Phase I Study. However, since the total estimated cost is in excess of \$25.0 million, it would be desirable that the entire amount be placed in the Fund. As a show of good faith, upon enactment of the 1978 Water Resources Development Act, the State, through the sale of revenue bonds, would make available the full study cost amount. This would be held in escrow and could only be used to finance the Phase I studies to the extent that matching funds are paid into the Federal Fund. This show of good faith should provide the leverage for the federal government to put up the remainder of matching funds needed for Phase I.

Agreement: A mutual agreement between the Alaska Power Authority and the Corps of Engineers would be developed and signed pursuant to passage of the 1978 Water Resources Omnibus Bill.

HOUSE FINANCE COMMITTEE

June 8, 1978

9:15 a.m.

All members of the Committee were in attendance except Representative Meekins.

PRESENT

Chairman Cowper called the meeting to order and presented the workdraft for HCS CSSB 562.

CSSB 562

"An Act relating to Alaska land policy; and providing for an effective date."

Mr. Grogan advised the fiscal note for the Wood River-Tikchik portion of the bill has not been received yet. He stated the fiscal note on the first portion of the bill has been retracted.

Representative Gruening stated he has some suggested language to the state parks language in addition to what had already been proposed. He stated he favors establishment of the state park, but thinks it should be consistent with other state parks. He stated he had no objection to local input. He presented a proposed draft for changes to the Wood River-Tikchik portion of the bill. He stated he didn't think there was anything in these changes that had not already been provided for. He explained the differences.

Representative Gruening stated he thinks subsistence has been guaranteed in HB 960. He stated that has been changed in the draft. He stated under section (b) it didn't mean they could not use airplanes. There was discussion.

Representative Gruening moved to adopt the changes in his draft, adding under section (b) "reasonable access by aircraft for recreational purposes shall be permitted." There was brief discussion. There being no objection, it was so ordered.

Chairman Cowper stated there should not be a fiscal note for the first part of the bill. He instructed that a fiscal note in the amount of \$15,000 be prepared for travel and per diem for the Wood-Tikchik State Park Management Council. There being no objection, it was so ordered.

NEW FISCAL  
NOTE ADOPTED

Representative Buchholdt moved to report out HCS CSSB 562, incorporating Representative Gruening's workdraft for the Wood River-Tikchik portion. There being no objection, it was so ordered. HCS CSSB 562 was reported out with a "do pass" recommendation.

HCS CSSB 562  
REPORTED OUT

The meeting adjourned at 9:52 a.m.

ADJOURN

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Tape HFC 78-143 #464 to 1174

6/8/78

HOUSE FINANCE COMMITTEE

June 9, 1978

1:20 p.m.

All members of the Committee were in attendance. Also in attendance were Representatives Parr and Snider.

PRESENT

Chairman Cowper called the meeting to order and stated the first bill to be considered was SB 471 (fin.) am.

SB 471 (fin.)  
am

"An Act relating to tax on motor vehicles."

Chairman Cowper stated this bill exempts people age 65 or older from a tax on their motor vehicle. He stated the fiscal note is approximately \$30.0.

Representative Duncan moved to report CSSB 471 (fin.) am out of Committee. There being no objection, it was so ordered. The bill was reported out with a "do pass" recommendation.

CSSB 471  
(fin.) am  
REPORTED  
OUT

Chairman Cowper brought SB 601 am up for consideration.

SB 601 am

"An Act making a special appropriation for power and water projects in the amount of \$16,430,000.

Chairman Cowper moved to report out HCS SB 601 as considered by the Committee earlier, and being drafted now. There being no objection, it was so ordered.

HCS SB 601  
REPORTED  
OUT

Chairman Cowper stated the following bills, SB 541, SB 542, SB 543, SB 544, SB 546 and SB 547, the "whisky bills" would be considered.

"WHISKY  
BILLS"

Representative Parr stated these bills did not receive proper consideration in the House HESS Committee. He stated if they had received proper consideration, he thinks they would still be in Committee. He stated he, personally, only signed "do pass" on one of the bills, and he does not favor any of them.

Chairman Cowper stated the Committee would consider each of the bills.

SB 541 am - "An Act relating to alcohol and drug abuse education in public schools."

SB 541 am

Chairman Cowper stated this bill was self-explanatory. He stated it required school districts to include alcohol and drug abuse programs. He stated he did not know if there was federal money available for this or not. He questioned the accuracy of the fiscal note, saying he did not see why the school districts could not perform the instructional programs within their present budgets. There was discussion on the fiscal note.

Representative Freeman moved to report out SB 541 am with a zero fiscal note. Representative Duncan objected, stating he believes about \$60,000 of this is necessary to provide materials. Chairman Cowper stated there are many alcohol and drug abuse related programs throughout the state, and he believes materials could be available from these programs. There was discussion. Representative Duncan moved to amend the motion to include a fiscal note of \$40.0 for materials. Representative Freeman objected. The question was called for. Five in favor, six opposed. The motion failed. The question on the original motion was called for. There being no objection, it was so ordered. SB 541 am was reported out of Committee with a zero fiscal note.

SB 541 am  
REPORTED OUT  
WITH ZERO  
FISCAL NOTE

The next bill to be considered was CSSB 542 am.

CSSB 542 am

"An Act adding to the powers and duties of the office of alcoholism."

Chairman Cowper stated the Senate apparently approved the fiscal note in the amount of \$6 million. There was discussion on the fiscal note. Representative Meekins asked if this was different from the Alcohol and Drug Abuse component in the Department of Health and Social Services. Mr. Barker advised this is the same thing; they are just increasing the funding. He advised there is \$2.6 million in the component now. Representative Meekins commented that in working in the Health and Social Services budget, one of the problems that had was the belief that the alcohol and drug abuse grants didn't accomplish much towards getting people off alcohol and drug addiction. He stated he is not sure there is any truth to the statement that increasing funding will have a beneficial effect. There was further discussion.

Representative Swanson moved to report the bill out with a zero fiscal note. Representative Freeman objected, stating he didn't think this was a good bill. Representative Swanson withdrew his motion. There was further discussion.

CSSB 542 am  
REPORTED OUT  
WITH ZERO  
FISCAL NOTE

Representative Swanson moved to report the bill out with "individual recommendations" and a zero fiscal note. There being no objection, it was so ordered.

The next bill to be considered was CSSB 543 am.

CSSB 543 am

"An Act relating to alcoholism grants-in-aid."

Chairman Cowper stated the fiscal note is \$800,000. There was brief discussion. Mr. Barker advised the \$391,000 is basically an add on to the grants appropriation in this budget.

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Representative Swanson moved to report the bill out with individual recommendations and a zero fiscal note. There being no objection, it was so ordered.

CSSB 543 am  
REPORTED OUT  
WITH ZERO  
FISCAL NOTE

The next bill to be considered was CSSB 544 am.

CSSB 544 am

"An Act relating to standards for alcohol treatment facilities."

Representative Duncan moved to report the bill out. There being no objection, it was so ordered.

CSSB 544 am  
REPORTED OUT

The next bill to be considered was SB 546.

SB 546

"An Act establishing a tax credit for contributions to alcoholism programs; and providing for an effective date."

There was discussion on the deduction. Representative Freeman stated he assumed the possible loss in revenue could be \$11 million.

Representative Rhode moved to report the bill out with individual recommendations. There being no objection, it was so ordered.

SB 546  
REPORTED  
OUT

The next bill to be considered was SB 547 am.

SB 547 am

"An Act making a special appropriation to the Department of Revenue to increase the number of enforcement personnel employed by the Alcoholic Beverage Control Board; and providing for an effective date."

Mr. Schroeder advised he has received no information from the Alcohol Beverage Control Board on how these funds would be extended, although he contacted them last March. He stated in the operating budget they were funded at the Governor's request level, plus \$10,000 extra for travel. There was brief discussion.

Representative Duncan moved to report the bill out with individual recommendations. There being no objection, it was so ordered.

SB 547 am  
REPORTED OUT

Chairman Cowper stated the next bill to be considered was CSSB 81.

CSSB 81

"An Act making a supplemental appropriation to the Department of Public Works, and providing an effective date."

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Chairman Cowper presented a proposed House CS to this bill. He stated it is for an appropriation to take care of the Capital Site Planning Commission for this year, and another appropriation to take care of the environmental impact statement. He stated this would only be expended on the passage of the bond issue.

Representative Meekins moved to report out HCS CSSB 81. Representative Swanson objected, stating he would like to see language included stating if the bond issue does not pass these funds would lapse back into the general fund. Chairman Cowper suggested writing a letter of intent stating upon certification of the bond issue, should it fail, no further contractual expenditures for the environmental impact assessment will be made. There being no objection, it was so ordered. There being no objection to the motion, HCS CSSB 81 was reported out of Committee.

HCS CSSB 81  
REPORTED  
OUT WITH  
LETTER OF  
INTENT

Chairman Cowper stated the next bill to be considered was CSSB 389.

CSSB 389

"An Act relating to gratuities to prisoners for work performed in prison facilities."

Representative Buchholdt advised this was considered in the HESS Committee. She stated the current procedure is that if a person works he gets \$1 per day. She stated not everyone will be able to get the \$3 a day proposed in the bill; not that many jobs are available. There was discussion. Representative Meekins advised the U. S. Supreme Court has ruled that prisoners cannot be forced to work. He stated language is included so they will not be forced to work. Chairman Cowper stated the fiscal note is in the amount of \$240,000.

Representative Duncan moved to report the bill out. Representative Swanson objected. Two opposed. The motion carried. CSSB 389 was reported out with a "do pass" recommendation.

CSSB 389  
REPORTED  
OUT

Chairman Cowper stated he has a resolution thanking the Arizona State Legislature for supporting the State's position on d-2 before Congress. He moved that this bill be submitted as a Finance bill. There being no objection, it was so ordered.

FINANCE  
COMMITTEE  
SPONSORED  
RESOLUTION

Chairman Cowper stated the next bill to be considered was HB 962.

HB 962

"An Act making FY 78 appropriation adjustments for the Department of Health and Social Services, Division of Corrections; and providing for an effective date."

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Mr. Schroeder advised he has prepared a CS and a memo for the Committee's consideration. It is in their bill files. Chairman Cowper stated these are appropriation adjustments, not new general funds.

Chairman Cowper moved to report out CSHB 962. There being no objection, it was so ordered. CSHB 962 was reported out with a "do pass" recommendation.

CSHB 962  
REPORTED  
OUT

Chairman Cowper stated the next bill to be considered was SJR 16 am.

SJR 16 am

"Proposing an amendment to the Constitution of the State of Alaska relating to the work of interim committees of the legislature."

Mr. Hogan presented a proposed amendment to the bill.

Representative Meekins moved to report out HCS SJR 16 am in accordance with Mr. Hogan's amendment. There being no objection, it was so ordered.

HCS SJR 16  
REPORTED  
OUT

Chairman Cowper stated the next bill to be considered was SB 556.

SB 556

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

Chairman Cowper stated this is \$21.9 in FY 79 as a match with federal funds. He stated it adds to medicaid.

Representative Meekins moved to report the bill out. Chairman Cowper moved to amend the motion to include a letter of intent stating the finance committee concurs with the House HESS Committee letter of intent. There being no objection, it was so ordered. There being no objection, to the main motion as amended, it was so ordered.

SB 556  
REPORTED  
OUT WITH  
LETTER OF  
INTENT

The meeting adjourned at 2:40 p.m.

ADJOURN

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Tape HFC 78-143 #1173 to end  
78-144 # 001 to 1089

6/9/78

HOUSE FINANCE COMMITTEE  
June 10, 1978  
9:10 a.m.

All members of the Committee were in attendance, except Representative Guy. Representatives Haugen, Duncan, Gruening and Meekins arrived later in the meeting. Also in attendance: R.R. Meyer, President Northwest Alaskan Pipeline Company; Representatives Chat Chatterton and Charles Parr; Jim Rhode, Administrative Assistant to Chairman Cowper; Milt Barker, Fiscal Analyst, Legislative Finance Division.

PRESENT

Chairman Cowper called the meeting to order and stated the Committee would address HB 943:

HB 943

"An Act creating the Alaska Gas Pipeline Financing Authority; and providing for an effective date."

In making his presentation, Mr. Meyer testified that the two main purposes in the bill they support are (1) to open up a financial source, which is the tax exempt market; and (2) to obtain support and confidence for the project from the State of Alaska, which would aid in obtaining a waiver of 103 of the IRS Code. He stated HB 943 is a good bill and Northwest Alaskan Pipeline supports it, but added there are some portions of the bill that are confusing or redundant or that were handled last year.

[Representative Haugen arrived at this time.]

Mr. Meyer referred to page 11, lines 18-22, Nomination of a Member of the Board, and stated they find fault with that section because it appears to be a statement of distrust of Northwest and Alaska State Agencies. He commented it seems to denote that Northwest lacks the control to keep their word. He added there is the potential problem of a conflict of interest by a person of the State of Alaska who also represents the Board. He commented they cannot subscribe to something that is discriminatory.

[Representative Duncan arrived at this time.]

Mr. Meyer added they appreciate the effort that was put into the bill and noted their intent was their ability to be honest.

[Representative Gruening arrived at this time.]

Mr. Meyer advised he has prepared a written statement for the Committee, which notes those portions of the bill they find inappropriate (see attached). Chairman Cowper asked that Mr. Meyer explain Northwest's problems with the bill so that they can be discussed.

Noting his comments pertain to Section 44.55.110, Mr. Meyer touched briefly on Conditions (1)-(4), (6) and (12) and stated these are appropriate. Conditions (5) and (11), he noted, could be taken care of through other means. Conditions (7) and (8), he advised, require a little more discussion.

Mr. Meyer stated it is probably desirable to have a document, but the wording itself, not the intent, would impose restrictions that are impossible for Northwest to fulfill. He advised, as presently worded, the bill says "all personnel shall be Alaskans". He stated they feel the language can be worked out useful to both the project and Alaska.

Regarding the contract section, Mr. Meyer stated Northwest will make every attempt to comply with Alaska hire and to be competitive, but again, noted the problem in the wording. There was discussion. Chairman Cowper asked if Mr. Meyer could suggest alternative language. Mr. Meyer stated Northwest felt it would be absurd to dictate to the Legislature how to draft their legislation. Further discussion followed on the contractors being "qualified" and "reasonably available".

[Representative Meekins arrived at this time.]

Representative Gruening asked why Mr. Meyer felt this language was inappropriate. In reply, Mr. Meyer advised Northwest feels this is redundant and should not be addressed in a financial bill. He stated the purpose was to gain the confidence of Alaska and Congress.

Representative Gruening asked Mr. Meyer if he didn't feel the State of Alaska should have some conditions with regard to the issuance of these bonds. Mr. Meyer replied they already exist--Congress already has this information. He added this doesn't really relate to bonds.

Chairman Cowper asked if the extent of their difficulties with the bill are contained in his written statement, and Mr. Meyer so indicated.

Discussing Condition (9), Mr. Meyer stated this is an item of equity that should not be fixed at this time, but addressed next year. Chairman Cowper asked what is proposed in the financing of over-runs. Mr. Meyer replied, where there is no insurance to cover any cost over-runs, Northwest has established that the excess funds, if required, shall be used. He noted the risk involvement will be assessed and added this takes the place of guaranteed funds by the federal government.

Chairman Cowper inquired as to the extent of engineering study that is being done at this time. Mr. Meyer advised they are going on at this time and noted of the six

or seven crews, all but one is an Alaskan contractor. He stated the preliminary study has been done, and that at the moment, it is on schedule.

Chairman Cowper asked how much line will be buried and how much will be above ground. Mr. Meyer stated, of the 831 miles, all but 1-2 miles are scheduled for underground.

There was discussion on the coordination of the project. Mr. Meyer advised this involves the pipeline coordinator in Alaska plus various other agencies such as BIA, BLM, etc., as required by the Federal Energy Regulatory Commission (FERC). There was further discussion of the financing plan and the cost estimate.

There was discussion on the pipeline security. In answer to a question, Mr. Meyer advised Northwest is working with Alaska State Police as well as their own security. Chairman Cowper asked what would happen if someone "blasted" the pipeline with a rifle. Mr. Meyer explained, should this happen, there would be an escape of gas and it would cause a crack in the pipeline, which would have to be shut down for repair. He noted there would not be a leakage of a contaminant, such as is the case with oil. He added tests are being done as this relates to accidents.

In discussing Condition (10), Mr. Meyer stated Northwest really has no control over this; they do not own or buy or sell the gas, merely transport it. He commented they will support the zone filing and have started, but feel this is not their problem.

Regarding Condition (13), Mr. Meyer stated, again, this is outside Northwest's powers to grant. He commented this is up to the FERC. He added they would like to have "take-off facilities" defined and suggested this be included. He advised he would submit language, if the Committee so desired.

Mr. Meyer commented Northwest does not feel it is correct for Alaska to ask them to do the reservoir study; however, he stated, they will make available to the State the results of their study.

Regarding the right-of-way agreement, Mr. Meyer advised the statement is confusing and redundant.

Mr. Meyer commented this is the extent of Northwest's objections and added they are not extensive.

Representative Meekins stated he feels the financial people need to feel this is prudent and would feel these conditions are good. Mr. Meyer commented Northwest feels the financial community will consider this a lack of confidence and distrust. He stated this is putting in conditions that are covered by existing statutes.

Chairman Cowper asked Mr. Meyer to comment on what he feels Congress means by the "backdoor" approach to federal financing. Mr. Meyer stated he is speculating maybe they don't want Northwest to get involved, then expect them to finance the project.

In answer to a question regarding the waiver of the 303 IRS Code, Mr. Meyer replied, if Congress doesn't want to change these rules, then all this is for naught. If it passes, he stated, it would make their job easier for financing. There was further discussion on the IRS granting this exemption.

Chairman Cowper stated further hearings on HB 943 would continue after the Call of the House.

HB 943  
HELD OVER

The meeting recessed at 10:18 a.m.

RECESS

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HFC 78-144 #1089 - End  
78-145 #0001 - #0545

## APPENDIX A

### CONSIDERATIONS REGARDING THE CONDITIONS PROPOSED IN HOUSE BILL NO. 943 SECTION 44.55.110

#### CONDITIONS (1)-(4), (6) and (12)

These conditions are appropriate and would be part of the financial plan.

#### CONDITIONS (5) and (11)

Northwest Alaskan has no objection to these conditions although they do not appear to be necessary to accomplish the purposes of this bill and would be taken care of through other means.

#### CONDITIONS (7) and (8)

Northwest Alaskan cannot represent to the legislature that it could construct and operate the pipeline system in a responsible manner and agree to the apparent requirement of this item. The hiring of workers for construction of the pipeline system will be done by execution contractor pursuant to a union agreement negotiated and administered by the execution contractors with the advice and consent of the Project Management Contractor and Northwest Alaskan. The union agreement will have to meet all federal and state laws including the Alaska local hire law.

Northwest Alaskan will, as a matter of policy, require that qualified workers that are reasonably available and identifiable will be drawn from the existing and resident Alaska work force. However, it will be essential that key employees of the execution contractors, the Project Management Contractor and Northwest Alaskan itself must be retained in order to efficiently perform the major task of constructing the pipeline system under the terms and conditions of the President's Decision. As evidence of Northwest Alaskan's willingness to maximize local hire its Chairman, John G. McMillian, has agreed in writing that the Partnership reaffirms its dedication to comply fully with and actively pursue the State's local hire policy, and in so doing will ensure that all Alaskans have an opportunity to be hired for pipeline construction jobs, and that local community residents will be given first preference for the permanent pipeline operation and maintenance jobs.

In regard to contractors, materials and professional services, Northwest Alaskan must retain a bidding procedure to assure the lowest reasonable cost for these services. The Federal Energy Regulatory Commission will be auditing all costs to assure that they are prudently incurred, and has the right to exclude costs from rate base that are imprudent. Within these constraints Northwest Alaskan is willing to provide the opportunity to Alaskan businesses to compete on an equitable basis.

It is recommended that items (7) and (8) be eliminated for these reasons.

#### CONDITION (9)

The size of the pool of capital that is sufficiently large to satisfy all lenders will be negotiated with the lenders. Therefore, it is not appropriate at this time to provide for any minimum percentage. The authority and the legislature will be able to review the capital pool level as part of the financial plan. Therefore, it is recommended that this condition be revised as follows:

"(a) documentation that a capital pool of debt and equity funds has been committed to the project, in order to provide sufficient capital to insure timely project completion;"

#### CONDITION (10)

Northwest Alaskan believes that the items in this condition are taken care of through other means and that this condition should be eliminated. For example, wellhead pricing considerations are matters to be resolved between the gas purchasers and the producers under appropriate laws and approved by the Federal Energy Regulatory Commission. The partnership is a transportation company only and will not buy and sell gas and therefore is not a party to the pricing matters.

Transportation tariff matters will be presented to the FERC for approval. In this connection Northwest Alaskan will support a natural gas tariff for deliveries in Alaska based upon a zone or volumetric tariff concept. Northwest Alaskan has always vigorously urged that Alaska gas be rolled-in for pricing purposes in the contiguous United States markets. Alaska needs no condition for this methodology which is essential to assuring marketability of Alaskan gas.

### CONDITION (13)

Northwest Alaskan believes that this condition is inappropriate and that these matters will be fully addressed in other arrangements. For example, Section 13(b) of the Alaska Natural Gas Transportation Act of 1976 gives the state assurance of taking its gas where it is needed and therefore the partnership must provide take-off facilities for that service. The payment for these facilities, which involve a very minor investment will be up to FERC. Northwest Alaskan has agreed to cooperate to provide gas to the state when it is needed and will continue to do so.

Northwest Alaskan feels strongly that it is not appropriate for it to reimburse the State for the design and development of a computerized three-dimensional Prudhoe Bay reservoir simulation model. As previously mentioned, the partnership will not buy and sell gas but will only be a transporter. Therefore, it will not be involved in any respect in the field production operations. The producers and appropriate state agency will be continuously evaluating reservoir performance and would be the proper responsible parties to determine useful simulation models.

Northwest Alaskan has already agreed to pay the State's reasonable expenses to be incurred for financial and related analyses made to evaluate and/or implement the State's plan to participate in financing the project.

The right-of-way agreement with the state of Alaska will provide for reimbursement of the state's construction monitoring costs under presently existing Alaska statutes.

These examples show that this condition is unnecessary and can be eliminated.

HOUSE FINANCE COMMITTEE

June 10, 1978

1:45 p.m.

All members of the Committee were in attendance. (Representatives Duncan, Swanson, Meekins, Guy and Schaeffer arrived later in the meeting.) Also present were Representatives Dankworth, Parr and Miles. In attendance to testify was Mr. R. R. "Andy" Meyer, Northwest Alaskan Pipeline Company.

PRESENT

Chairman Cowper called the meeting to order and stated discussion would continue on HB 943.

HB 943

"An Act creating the Alaska Gas Pipeline Financing Authority; and providing for an effective date."

Chairman Cowper asked what discussions has been held recently relating to producers' participation in financing of the line. Mr. Meyer stated there have been very few discussions. He stated the producers' position has been that until the price of gas has been determined they are not in a position to discuss the sale of gas. He stated without that having been decided they are not prepared to discuss participation in the project. There was brief discussion.

(Representatives Guy and Schaeffer arrived at this time.)

Chairman Cowper stated there is also a resolution relating to the gas pipeline (SCR 102) and he asked if Mr. Meyer would like to testify.

SCR 102

"Relating to a direct investment by the state in the Alaska natural gas pipeline project."

Mr. Meyers stated he didn't believe they could answer, at this point in time, if this is a good financial investment. He stated these facts will be made available to them within the next six to eight months. Mr. Meyers stated between now and next January the necessary facts will be known and a determination can be made if it is in the best interest of the State to participate.

(Representative Duncan arrived at this time.)

Mr. Meyer stated this Legislature will not reconvene until next year. He stated that in order to be part of the total financing package, it must be put together by the first quarter in 1979. They have, therefore, asked that a study be made and be available to the Legislature at the beginning of next year. He advised the Resolution is to establish a Committee and study contracts and make a recommendation to the Legislature on whether they should invest or not invest. If they should invest, the study should show how it should be done.

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Mr. Meyer stated they are comfortable with the Language in the House Committee Substitute.

(Representatives Swanson and Meekins arrived at this time.)

There was discussion on the local hire provision in the bill. Mr. Meyer stated the Federal Regulatory Commission has to approve any applications. He stated Northwest will support any contractors of the state of Alaska, and if they can obtain support from the Commission they would be happy to include them. He stated these things are not within their power to grant without filing an application for approval. Mr. Meyer stated they have signed a contract to use Alaskan labor and contractors to the extent that it is proper.

There was discussion on Mr. Meyer's earlier testimony on HB 943. Mr. Meyer stated his comments had not been provided to any other Committee because they only received the CS yesterday. He stated their position is these things should not be in a financial bill in the first place.

Chairman Cowper commented there is a problem with passing out this bill as the Committee has not yet received the Senate version of the bill (SB 603). He stated they will hold this bill until the Senate bill is received.

Referring to CSHB 943, Representative Gruening stated he did not know if section #8 had to be in there at all. He stated he would like to have it taken out. Representative Meekins stated he would like to see it left in, but be reworded to do what it is intended to do. There was brief discussion.

Representative Gruening moved to reword section (8) to state: "the establishment of the authority as contained in this chapter shall be the state's sole direct or indirect financial support of the project unless the legislature approves equity-related state financing in the amount of \$500,000,000, as substantially described in 'A Plan for Alaska's Financial Participation in the Alaska Highway Pipeline Project' dated April 17, 1978." There being no objection, it was so ordered.

Chairman Cowper instructed that HB 943 be drafted as a House CS for SB 603, with Representative Gruening's amendment added.

HB 943 INC.  
IN HCS SB 603  
HELD

Chairman Cowper moved to report out HCS SCR 102. He stated they will have to pass a fiscal note at a later date because it is still being revised. There being no objection, it was so ordered. HCS SCR 102 was reported out with a "do pass" recommendation.

HCS SCR 102  
REPORTED  
OUT

6/10/78

Chairman Cowper stated the next bill to be considered was  
HB 721.

HB 721

"An Act making a supplemental appropriation to pay  
miscellaneous claims against the state; and providing  
for an effective date."

Chairman Cowper stated there has been a request from Mr. Lind  
to revise the figures in the bill. He moved to report out a  
CS for HB 721 in accordance with Mr. Lind's letter of May 23.  
There being no objection, it was so ordered. CSHB 721 was  
reported out with a "do pass" recommendation.

CSHB 721  
REPORTED  
OUT

Chairman Cowper stated the next bill to be considered was  
SB 438.

SB 438

"An Act increasing the amount of assistance to families  
with dependent children; and providing for an effective  
date."

Chairman Cowper asked why they needed extra positions within  
the Division when all they were doing was increasing the amount  
of assistance. Mr. Barker stated they were raising the amount  
from \$300 to \$400. He stated there will be new cases in addition  
to the increase in grants. He stated it is not expected to  
have any substantial impact.

Chairman Cowper suggested reporting out a House CS increasing  
the AFDC payments to \$350.0 and deleting automatic inflation  
(sections 2 and 3). There was discussion. Representative  
Meekins commented this is probably going to be out of general  
funds, because the federal government will probably not accept  
the State's decision regarding seeking paternity. Chairman  
Cowper commented the State would probably file a suit if it  
needed to.

There was discussion on the fiscal note. Chairman Cowper  
stated he assumed the cost would be about one-half of what  
the fiscal note indicates. He requested Mr. Barker to get  
a new fiscal note from the Department.

Chairman Cowper moved to report out a House CS for SB 438,  
with AFDC payments at \$350.00 and sections 2 and 3 deleted.  
There being no objection, it was so ordered. HCS SB 438  
was reported out with a do pass recommendation.

HCS SB 438  
REPORTED  
OUT

Chairman Cowper stated the next bill to be considered was  
SB 418.

SB 418

"An Act relating to the Alaska longevity bonus; and  
providing for an effective date."

6/10/78

Representative Buchholdt stated she would like to add the provisions in HB 12 to this bill. She advised that bill allows a person to go out of the State for medical care. Representative Parr explained the HESS Committee Substitute. He advised it allows the Commissioner to make exceptions only if a person had lived in the state for 30 years before going outside. There was brief discussion.

SB 418  
HELD

No action was taken to report the bill out.

Chairman Cowper stated the next bill to be considered was SB 213.

SB 213

"An Act relating to the program of rural development assistance in the Department of Community and Regional Affairs."

Chairman Cowper stated there was no cost involved with this bill.

Representative Duncan moved to report the bill out. There being no objection, it was so ordered. SB 213 am was reported out with a "do pass" recommendation.

SB 213 am  
REPORTED  
OUT

Representative Meekins requested that HB 512 be brought up for consideration.

HB 512

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

Representative Meekins presented a proposed finance committee substitute and explained the bill. He stated he believes it takes care of the problems expressed by the Committee earlier, where they felt the bill was too open.

Representative Meekins moved to report the bill out. CSHB 512 was reported out with a "do pass" recommendation.

CSHB 512  
REPORTED  
OUT  
ADJOURN

The meeting adjourned at 3:00 p.m.

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Tape HFC 78-145 #545 to end  
78-146 #001 to 030

6/10/78

HOUSE FINANCE COMMITTEE  
June 13, 1978  
9:15 a.m.

All members of the Committee were in attendance except Representatives Guy, Gruening and Duncan. Also present to testify were Representative Anderson; and Trygve Hermann, Department of Public Safety.

PRESENT

Chairman Cowper called the meeting to order and brought SB 412 up for consideration.

SB 412

"An Act making a supplemental appropriation to the Department of Public Safety, Driver Vehicle Services; and providing for an effective date."

Mr. Trygve Hermann, Division of Administrative Services, advised this bill is for this fiscal year. He explained what the amounts requested were for.

Chairman Cowper commented that approximately \$200,000 is requested for field operations. He stated this was apparently for additional temporary employees which the Department hired without the consent of the Legislature. He said evidently there was no action taken to transfer these funds through the Legislative Budget and Audit Committee, and there was no request for these positions in last year's budget. He stated that when the drivers license and tagging operations got to the point that people had to stand in line for several hours, the Department blamed this on the Legislature. He stated his feeling is that the Department of Public Safety should have to take these funds out of their current budget.

Chairman Cowper asked if Public Safety planned to lapse any funds this year. Mr. Schroeder stated their lapse record has been very low. He stated under present law they cannot move funds from other Division's.

Mr. Hermann commented that part of the reason for the need for additional funds is that last year they contracted out in the amount of \$226,000 to do the work. He stated they canceled the contract this year and did all the work in-house. He advised the \$226,000 is in a different line item and cannot be transferred. Chairman Cowper stated there was no reason they couldn't transfer those funds to pay for this. There was brief discussion on the bill.

Chairman Cowper moved to report out a finance committee substitute for SB 412 changing the title to make it a transfer between appropriations, and asked Mr. Schroeder to prepare the necessary language. There being no objection, it was so ordered. HCS SB 412 was reported out with a "do pass" recommendation.

HCS SB 412  
REPORTED  
OUT

6/13/78

Chairman Cowper stated the next bill to be considered was  
SB 423.

SB 423

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

Chairman Cowper stated the bill is self-explanatory. He recommended the funds for changing to new license plates be deleted (sections 4 and 5). Mr. Hermann advised there is a statute saying the license plates will be changed. There was discussion. Chairman Cowper stated they should change the effective date of the statute.

Representative Schaeffer moved to report out House Committee Substitute for CSSB 423, deleting section 4 and 5, and changing the FY in the bill from 1978 to 1977. There being no objection, it was so ordered. Chairman Cowper requested that a letter of intent be prepared stating it is the intent of the Committee that the effective date of the Statute changing the license plates will be changed in the near future. HCS CSSB 423 was reported out with a "do pass" recommendation.

HCS CSSB 423  
REPORTED OUT

Chairman Cowper stated the next bill to be considered would be SB 626.

SB 626

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

Ms. Farnan advised that since the Senate passed the bill they have found the \$402,000 appropriation can be offset by \$250,000 which is still in benefits increase in the Division of Budget and Management. She advised the amount to be appropriated is \$142,500. She stated that intent should be included indicating it is the Committee's intent to fund the full contract. There was brief discussion.

Chairman Cowper moved to report out House Committee Substitute for SB 626, and asked that language be drafted indicating the entire cost is approved. There being no objection, it was so ordered. HCS SB 626 was reported out with a "do pass" recommendation.

HCS SB 626  
REPORTED OUT

Chairman Cowper stated the next bill to be considered would be SB 627.

SB 627

"An Act relating to participation by employees of the Alaska State Office in Tokyo in the public employees' retirement system; and providing for an effective date."

6/13/78

Chairman Cowper stated this bill allows the employees in the State Office in Tokyo to participate in retirement benefits. He stated the cost is \$13,000.

Representative Freeman moved that SB 627 be reported out. There being no objection, it was so ordered. SB 627 was reported out with a "do pass" recommendation.

SB 627  
REPORTED  
OUT

Chairman Cowper stated the next bill to be considered was HJR 84.

HJR 84

"Expressing appreciation to the Arizona House of Representatives for its support of the state's position on amendment of pending Alaska National Interest Lands legislation."

Representative Freeman moved and asked unanimous consent to report HJR 84 out. There being no objection, it was so ordered. HJR 84 was reported out with a "do pass" recommendation.

HJR 84  
REPORTED  
OUT

Chairman Cowper stated the next bill to be considered was HB 948.

HB 948

"An Act transferring the Bristol Bay Regional Development Council from the Office of the Governor to the Department of Commerce and Economic Development; and providing for effective date."

Chairman Cowper asked what the reason was for transferring the Council to the Department of Commerce. Representative Anderson stated the Department has been working with the Council for the past four years, and it doesn't seem feasible to move it to any other Department.

Chairman Cowper moved to report out Finance CS for HB 948 changing the life span of the Bristol Bay Regional Development Council from 1978 to 1979. There being no objection, it was so ordered. CSHB 948 was reported out with a "do pass" recommendation.

CSHB 948  
REPORTED  
OUT

Representative Meekins requested that HB 684 be brought up for consideration.

HB 684

An Act relating to the executive administration of the Alaska Housing Finance Corporation; and providing for an effective date."

Representative Meekins presented a proposed Committee Substitute. He stated it makes changes in the statutes relating to AHFC, and he explained the changes. He stated the last section of the bill is the authority for the \$1 million appropriation for rural loans already passed by the Committee.

6/13/78

Chairman Cowper asked if AHFC concurred in the changes. Representative Meekins stated they do support the legislation, and many of the changes were made at their request.

Representative Meekins moved to report out CS for HB 684. There being no objection, it was so ordered. CSHB 684 was reported out with a "do pass" recommendation.

CSHB 684  
REPORTED  
OUT

Chairman Cowper stated the next bill to be considered was CSSB 603.

CSSB 603

"An Act creating the Gas Pipeline Financing Authority; and providing for an effective date."

The House CS for CSSB 603, as requested by the Committee on 6/10/78, was presented.

Representative Swanson moved and asked unanimous consent to report out HCS for CSSB 603. There being no objection, it was so ordered.

CSSB 603  
REPORTED  
OUT

The meeting adjourned at 9:55 a.m.

ADJOURN

HOUSE FINANCE COMMITTEE  
June 14, 1978  
8:55 a.m.

All members of the Committee were in attendance with Representatives Guy, Buchholdt, Gruening, Duncan and Schaeffer arriving later in the meeting. Also in attendance: Senator Joe Orsini; Representatives Lisa Rudd and Mike Miller; Ric Davidge, Alaska Student Lobby; Jim Rolle, Alaska Municipal League; Commissioner Sterling Gallagher and John Messenger, Deputy Commissioner of Taxation, Department of Revenue; Jim Rhode, Administrative Assistant to Chairman Cowper; Milt Barker and Dave Scott, Fiscal Analysts, Legislative Finance Division.

PRESENT

Chairman Cowper called the meeting to order and stated the first order of business is HB 986:

HB 986

"An Act relating to collective bargaining by the University of Alaska; and providing for an effective date."

[Secretary Note: The bill was unnumbered at the time of the meeting.]

Chairman Cowper advised the bill is connected with Free Conference Committee and what it does is require the Department of Administration to negotiate with the Board of Regents and the bargaining unit. He stated it also requires the State to sign off on any collective bargaining unit. He stated this amendment to Section 23.40.212 will go a long way toward solving the problem of the past few years.

Currently, Chairman Cowper advised, the University does its own collective bargaining and then comes to the Legislature to present the bill; there has been no accountability. In answer to a question, he replied, they have, in fact, been turned down this year.

[Representative Guy arrived at this time.]

In explanation, Chairman Cowper advised the difference is that every State agency is responsible to the Legislature, but that the University does not have any present accountability; they just come to the Legislature and ask for the money.

[Representative Buchholdt arrived at this time.]

There was discussion on the University's method of collective bargaining.

[Representative Gruening arrived at this time.]

Chairman Cowper moved and asked unanimous consent that HB 986 be reported out of Committee showing a zero fiscal note. There being no objection, it was so ordered. HB 996 was reported out with a "do pass" recommendation.

HB 986  
REPORTED OUT

Chairman Cowper brought Finance HCS for SB 438 up for reconsideration:

FINANCE HCS  
FOR SB 438

"An Act increasing the amount of assistance to families with dependent children; and providing for an effective date."

Chairman Cowper advised the Committee Report was signed and the bill reported out on June 10; however, he would like the Committee to consider an amendment that relates to Pioneers Homes. He stated there are a number of people who were meant to be serviced by Pioneers Homes but are currently not. He proposed the following amendment and commented this solves the problem when people move out of the State:

"An applicant for admission to the Home who has been a resident of the State for 30 years and is otherwise qualified for admission may not be disqualified for admission because of absence from the State if the Commissioner of Administration determines the absence was reasonable."

AMENDMENT

Representative Swanson stated he has misgivings about such an amendment. He stated he feels the State should not be burdened with people who live outside the State. As an example, he cited, a person who lived in Alaska for 30 years and then, for medical reasons, moved out of State.

[Representatives Duncan and Schaeffer arrived at this time.]

There was discussion on the proposed amendment, with Representative Swanson stating this could deprive people who live here who are entitled to a place in the Pioneers Home.

After further discussion, Chairman Cowper stated the bill would be reported out as is.

Representative Duncan stated, for the record, that he is in favor of the amendment.

The next bill up for discussion was CSSB 7:

CSSB 7

"An Act relating to individual tax credits, the gross receipts tax, and the corporate income tax; and providing for an effective date."

Chairman Cowper stated this is the vehicle which repeals the gross business tax and brings in Representative Freeman's bill. He commented there is a minor amendment to Representative Freeman's portion of the bill, which, he stated he feels everyone is in agreement with. What needs to be discussed, he stated, is the way in which the revenues from the gross business license tax will be reimbursed to the municipalities.

Chairman Cowper commented the intent of the Senate was to return to the communities 150% of those revenues, with the additional 50% to be applied to the reduction of property taxes. He stated it may be possible to make that extra funding contingent upon a finding by Community and Regional Affairs and Revenue that the property taxes can be reduced. He further stated he didn't see where the Legislature can make those judgments; maybe give them 100%, then after they have written the budget and set their millage rate, they can get the extra 50%.

Senator Orsini advised there is a phasing out of the gross receipt tax and a phasing in of the corporate income tax and that these overlap for a period. Referring to page 3, line 6, he stated the amendment says, if there is an increase over the base amount, the municipality would get that community to reduce the property tax. He commented he feels the intent is clear, but owing to the lateness of the session and the fact that this really doesn't take effect until next year, perhaps, it would be better to let the bill go without the amendment.

Representative Rudd stated she had problems with trying to impose any kind of reduction of property taxes on a municipality. She commented property taxes stay pretty level, and the services have gone way up, but the municipalities are much more able now to serve the people. However, she stated she feels something must be done to reimburse the municipalities for the reduction of the gross receipts. She stated there are several ways; one is HB 70, the increase in revenue sharing. She discussed briefly the revenue sharing program.

Chairman Cowper commented he feels CSSB 7 is so complicated that HB 70, though a good bill, should not be attached to it. He discussed the municipal bureaucracy, stating they have gotten a little out of control. He commented, when he goes home, the people complain about the borough bureaucrats; they are more concerned about government at the local level than anything else. Discussion followed, with many in agreement with Chairman Cowper.

Chairman Cowper added the Senate intent was for taxpayer relief.

Mr. Rolfe stated he is in agreement with everything that has been said. He suggested the Alaska Municipal League get together this summer with the Department of Community and Regional Affairs and the House C&RA to look at revenue sharing, as this won't take effect until 1980. He commented the level at which this is set--150% increase--it may be generated anyway. He added, "We don't like what it says here, but we can live with it."

Representative Rudd commented HB 70 is a long bill, but not a complex one as Chairman Cowper had stated. She advised all it actually does is add four new categories of entitlements plus a minimum grant for small municipalities of \$25,000. She stated CSSB 7 is much more complex and far less desirable to her. Chairman Cowper commented he did not want to complicate this piece of legislation.

There was discussion on the millage rate. Senator Orsini stated, again, this is two years away, and the bill can be amended. Representative Rudd stressed she is very much opposed to what CSSB 7 does. She added this will lead to an increase in bureaucracy in both the local and State governments. She made reference to limiting the tax to 30 mills.

Representative Freeman stated he can't agree with that as far as the millage rate taxing. He stated that isn't the way it works. He advised, "First, the municipality decides how much money it's going to spend; then they take their assessment; and that figure against what they want to spend is the millage rate." He added, "The taxpayer doesn't care about the millage rate, but he does about the tax rate."

Representative Meekins commented the property tax assessment is what makes this so onerous. He advised growth of government employees on the local level is faster than on the State level. Chairman Cowper concurred and stated maybe what is needed is to fund a study that comes out next year. Discussion followed.

Representative Rhode stated the formula for assessing property is a problem and that maybe it should be changed. Mr. Rolfe stated the municipalities are mandated by State law to assess at 100% of fair market value. He noted that two communities are at the two mill rate. He added the municipalities are also getting more federal and State mandates without any help or reimbursement.

Chairman Cowper stated he doesn't think this is universally true. He stated what we are talking about is maybe this is something more than we can handle in the remaining time left in this session. He again stated he feels the

sensible thing to do is let the bill go as is and mandate a study to get this done next year, as this will not take effect until 1980.

Representative Rudd disagreed and stated her amendment phases this out over a period of 10 years. She commented she would like to ask the Finance Committee to continue a phase-out along with a study over the next few years.

Representative Gruening commented, "What we are doing is making a moral decision on behalf of the next Legislature." He discussed that section of the bill. He stated he didn't think it necessary to set up a separate fund. Mr. Rolle commented, with the exception of revenue sharing, only one year have they received 100% funding. In answer to a question, he advised Anchorage gets \$5 million; Juneau, \$300,000.

Representative Haugen stated he feels Chairman Cowper has the best idea that the whole revenue sharing needs to be reviewed and a study performed. He noted the real problem will be next year.

Representative Gruening commented on the section dealing with the boroughs incorporated after repealing the tax and asked why this should be extended to them. The real problem, he commented, seems to be with the municipalities. Senator Orsini stated the Senate felt this way they wouldn't be "cheated", but noted that Representative Gruening was correct in that they didn't earn this money. He added he thinks any city or borough will be small, at this time, and will not get very much money.

Chairman Cowper commented that, perhaps, a letter of intent could be included that is adopted by both the House and the Senate. There was further discussion. Chairman Cowper added a study was made on HB 70, which is a good bill.

There was discussion on Section 2, page 2, line 5, with Representative Meekins commenting it is important to note that this exempts oil and gas corporate income tax. Senator Orsini stated the Senate intended that this be included, and Mr. Messenger added he thinks another section needs to be added to Chapter 21.

Representative Gruening stated, after looking over the amendment by Representative Rudd, he finds it fair and less complicated than what it deletes. He advised the amendment actually sets up the fund that comes from general fund revenues. The main objection to it, he stated, is the phasing out, which could be omitted; however, he commented he likes it the way it is. He stated, as a matter of policy he prefers the amendment.

Chairman Cowper brought up the subject of having a defacto Free Conference Committee to iron out the differences and make a decision. He stated he felt this would save time. There was brief discussion, with Representative Freeman indicating he would like to see the bill go on the calendar as soon as possible and not be held up rewriting it. Chairman Cowper concurred and suggested as House Free Conference Committee members Representatives Freeman, Rhode and himself.

Representative Freeman proposed the following amendments, taken from HB 832, and moved and asked unanimous consent they be adopted:

AMENDMENTS

Page 1, delete lines 19-23, and insert:

"(1) for the first tax year beginning after December 31, 1977 that a taxpayer files an income tax return -- \$100;

"(2) for the second tax year beginning after December 31, 1977 that a taxpayer files an income tax return -- \$200;

"(3) for the third tax year beginning after December 31, 1977 and thereafter that a taxpayer files an income tax return -- \$300."

There being no objection, it was so ordered.

ADOPTED

Representative Gruening moved and asked unanimous consent that the amendment proposed by Representative Rudd be adopted. There was objection. Representative Duncan moved to amend the motion by deleting the last two sentences in (b) of this amendment. There was brief discussion, with Senator Orsini stating this amendment does not phase out the money. Representative Meekins noted the "weening" provision is needed.

RUDD  
AMENDMENT

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

The question on the amendment to the main motion was called for, and the amendment failed (2 in favor; 4 opposed). The question on the main motion was called for, and the motion carried (5 in favor; 4 opposed).

ADOPTED

[Chairman Cowper returned at this time and conducted the meeting.]

Chairman Cowper moved to recind the previous action and adopt CSSB 7. The question was called for, and the motion carried (4 in favor; 0 opposed).

RECINDED

Mr. Messinger advised of some technical amendments. They are as follows:

AMENDMENTS

Page 2, line 7, after "chapter" insert:  
"and under Chapter 21 of this title"

Page 5, line 18, delete "AS 43.70.040(d)" and insert:  
"AS 43.70.030(d)"

Page 5, line 25, delete "Sections 1-3" and insert:  
"Section 1 of this Act is retroactive to  
January 1, 1978. Sections 2-3"

Chairman Cowper moved and asked unanimous consent that these amendments be adopted. There being no objection, it was so ordered.

ADOPTED

Representative Gruening moved and asked unanimous consent CSSB 7 be reported out with the attached amendments. There being no objection, it was so ordered. CSSB 7, with amendments attached, was reported out with a "do pass" recommendation.

CSSB 7  
REPORTED OUT  
w/AMENDMENTS

The meeting adjourned at 10:16 a.m.

ADJOURN

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HFC 78-147 #0001 - #1553

HOUSE FINANCE COMMITTEE

June 15, 1978

10:06 a.m.

All members of the Committee were in attendance, except Representatives Buchholdt and Schaeffer. Representatives Duncan, Meekins and Gruening arrived later in the meeting. Also in attendance: Representative Mike Miller; Ric Davidge, Alaska Student Lobby; Jim Rhode, Administrative Assistant to Chairman Cowper; Dave Scott, Milt Barker, Bob Grogan, Alison Farnan and Bob Schroeder, Fiscal Analysts, Legislative Finance Division.

PRESENT

Chairman Cowper called the meeting to order and brought up CSSB 521am for discussion:

CSSB 521am

"An Act relating to state participation in the costs of construction of developmental access roads; and providing for an effective date."

Chairman Cowper stated what the bill does is double the applicable amount for State participation for access roads. He added there is a zero fiscal note. He stated it is his intention to move, as an amendment to HCS (Resources) for CSSB 521, the entire text of HB 838 as reported out by the House Finance Committee.

[Representatives Duncan and Meekins arrived at this time.]

Referring to HB 838, Representative Duncan stated there was a question on the maintenance of the North Slope Haul Road. Chairman Cowper commented that is a policy question discussed by the Finance Committee, who felt this was worked out.

Chairman Cowper moved and asked unanimous consent that HCS (Resources) for CSSB 521 be reported out with an amendment containing the full text of CSB 838(State Affairs). There being no objection, it was so ordered. HCS for CSSB 521, with amendment, was reported out with a "do pass" recommendation.

HCS (Res)  
FOR CSSB 521  
REPORTED OUT  
w/AMENDMENT

SB 305am was brought up for consideration:

SB 305am

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

Chairman Cowper advised the Committee previously reported out HB 278, which cuts the judges off after five steps. He stated SB 305am is the Senate COLA for the judges. There was brief discussion.

Chairman Cowper moved and asked unanimous consent that House Finance Committee Substitute for SB 305am be reported out containing the provisions in HB 278. There being no objection, it was so ordered. Finance HCS for SB 305am was reported out with a "do pass" recommendation.

FINANCE HCS  
FOR SB 305am  
REPORTED OUT

The next bill up for discussion was SB 637am:

SB 637am

"An Act requiring the use of independent financial advisors for negotiated private sales of bonds or bond anticipation notes; ratifying certain past sales; and providing for an effective date."

After brief discussion, Representative Duncan moved and asked unanimous consent that SB 637am be reported out. There being no objection, it was so ordered. SB 637am was reported out with a "do pass" recommendation.

SB 637am  
REPORTED OUT

CSSB 418 was brought up for consideration:

CSSB 418

"An Act relating to the Alaska longevity bonus; and providing for an effective date."

Chairman Cowper stated the HCS (HESS) FOR CSSB 418 ("An Act relating to the Alaska longevity bonus and to admission to the Alaska Pioneers' Home; and providing for an effective date.") has previously been discussed.

Representative Meekins moved and asked unanimous consent that HCS (HESS) for CSSB 418 be reported out. There being no objection, it was so ordered. HCS (HESS) for CSSB 418 was reported out with a "do pass recommendation."

HCS (HESS)  
FOR CSSB 418  
REPORTED OUT

Chairman Cowper brought HB 891 up for consideration:

HB 891

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

Mr. Scott presented an overview of the Finance Committee Substitute and explained briefly the differences between this and the HESS committee substitute.

Section 9(a)(9)(A), page 5, line 16, Mr. Scott advised, this will be a statewide policy.

Mr. Scott then went on to explain three technical amendments that should be included in the Finance CS. They are as follows.

AMENDMENTS

Page 12, line 21:  
After "designate" delete "an" and insert  
"a campus"

Page 13, line 28:  
After "assure" delete "proper"

Page 13, line 28:  
After "funds" delete "." and add "is in  
accordance with the budget approved by  
the campus student government organiza-  
tion."

Chairman Cowper moved and asked unanimous consent that  
these amendments be adopted. There being no objection,  
it was so ordered.

ADOPTED

There was discussion on the Board of Regents request that  
they have budget approval. Chairman Cowper advised this  
was their main complaint, that this had been taken away.  
He stated now that it has been added in accordance with  
their testimony, there should not be any more complaint.

Chairman Cowper advised this proposed committee substitute  
was worked up by Mr. Scott, Representative Gruening and  
himself. He stated he felt most of the problems the  
Administration and the Board of Regents had were solved.  
He added he didn't feel there will be a problem with  
accreditation.

Representative Haugen asked if the Legislature will be  
provided with a statement of cash value after the end  
of the fiscal year, and Mr. Scott explained that, cur-  
rently, the University is under the Executive Budget  
Act; therefore, this can be requested. He stated it  
was felt that the intent note in the budget is enough  
statutory authority at this time, in addition to the  
statutes that have been changed this year.

[Representative Gruening arrived at this time.]

Mr. Davidge stated the University has only submitted a  
report once. He testified there will be no loss of  
accreditation with this bill. He stated he has discussed  
this with Northwest Accreditation and they have so indi-  
cated. He then went on to state that Alaska Student  
Lobby supports this bill along with the Campus Advisory  
Council, etc. He commended Chairman Cowper and the  
Finance Committee on this legislation.

Chairman Cowper stated it is his intention that the Finance  
Committee Substitute be added to SB 605, currently in Rules.

In answer to a question, Chairman Cowper stated the budget will still go through the Regents; that there is no substantial change, other than the Legislature having access to this. Representative Rhode commented he didn't feel this would solve the University's problem, if there were no change. Chairman Cowper stated he feels that, if the University is now adopting good procedures, it has only been because of the pressure of this bill. Previously, he stated there was very little law to guide the University.

Representative Haugen commented on residual bond funds, and Chairman Cowper stated he feels this is being being done slowly; the University "won't be able to hide the money from the public eye any more."

Representative Gruening moved and asked unanimous consent that Finance Committee Substitute for HB 891 be reported out and added to SB 605 (currently in Rules). There being no objection, it was so ordered. Finance CS for HB 891 was reported out with a "do pass" recommendation.

FINANCE CS  
FOR HB 891  
REPORTED OUT

SJR 50 was brought up for consideration:

SJR 50

Relating to the Alaska Power Authority, the Phase I environmental, economic, social and engineering studies of the Susitna Hydroelectric Project, and the incurring of indebtedness for Phase I.

Chairman Cowper stated, since HJR 73 was reported out, which is now in Rules, it has come to his attention that the project has been taken over by the Army Corp of Engineers and that the project is in a major seismic zone. He added, if there is an earthquake, there is also a potential for biological, as well as geophysical, damage.

Chairman Cowper suggested this be addressed in SJR 50 and proposed the following language:

AMENDMENT

"Futher resolved that the Legislative Affairs Agency shall conduct or contract for an independent review, in consultation with the Alaska Power Authority, based on existing data, of the economic, financial, biological and geophysical implications of the proposed Susitna Hydroelectric Project, and shall report to the Legislature by January 15, 1980."

He this means they don't have to do their own study; they will take the existing data, unless they determine further information is needed. There was brief discussion on the

Research Division of Legislative Affairs doing this. He added the resolution would be accompanied by a \$300,000 fiscal note.

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

ADOPTED

Representative Gruening moved and asked unanimous that Finance HCS for SJR 50 be reported out with fiscal note attached. There being no objection, it was so ordered. Finance HCS for SJR 50 was reported out with a "do pass" recommendation.

Finance HCS  
FOR SJR 50  
REPORTED OUT

The meeting adjourned at 10:50 a.m.

ADJOURN

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HFC 78-147 #1554 - End  
78-148 #0001 - #0734

HOUSE FINANCE COMMITTEE

June 16, 1978

10:51 a.m.

All members of the Committee were in attendance, except Representatives Buchholdt, Duncan and Haugen. Also in attendance: Representatives Al Osterback and Al Nakak; Don Clockson, Alaska Legal Services; Jim Rhode, Administrative Assistant to Chairman Cowper.

PRESENT

Chairman Cowper brought HB 869 up for consideration:

HB 869

"An Act making an appropriation to the Employee Housing Revolving Fund; and providing for an effective date."

Chairman Cowper advised this is the Governor's bill that establishes by statute the Employee Housing Revolving Fund.

Representative Duncan moved and asked unanimous consent that HB 869 be reported out. There being no objection, it was so ordered. HB 869 was reported out with a "do pass" recommendation.

HB 869  
REPORTED OUT

Chairman Cowper brought up the following bills for discussion:

SB 351 - "An Act providing for settlement of the claims of owners and occupants of housing constructed under the remote housing program of 1971 and authorizing a settlement of the claims of owners and occupants of housing constructed under the state remote housing bond program of 1970; and providing for an effective date."

SB 351

SB 352 - "An Act making special appropriations to the Alaska State Housing Authority for the payment of claims arising out of litigation over the design and quality of certain remote area housing; and providing for an effective date."

SB 352

Chairman Cowper advised there is an on-going lawsuit between some of the rural residents and ASHA. He stated the houses built by ASHA are a lot worse than the ones they moved out of.

At this time, Mr. Clockson advised the Committee as to the status of the lawsuit.

The committee substitute for SB 352, he stated would appropriate \$35,000 in attorneys' fees for the litigation by these homeowners, which would be forfeited and waived. He discussed the problems they had last year. He stated there are two different programs being considered in court, with two different judges taking care of them. He stated one might approve the suit; the other no. If there is no approved settlement, he advised, the money would lapse December 31, 1979. He commented the approach is that it is tied to the authorization bill; the proposed committee substitute for SB 351, the total being \$1,364,000.

There was discussion on the quality of the houses that were built by ASHA. The size and cost of the houses was also discussed. Mr. Clockson explained the primary problem was in the designing of the houses--inadequate insulation, ventilation, etc. He stated they were not structurally sound. Representative Guy commented ASHA did not listen to the local people.

There was discussion on the \$5,000 cash to be given to the homeowner in addition to the deed to the house, with Representative Freeman questioning this. Mr. Clockson stated the \$5,000 would be needed to fix up the house so that it is habitable. Representative Freeman stated he objected emphatically to the person receiving both the deed to the house and the "\$5,000 consellation prize".

There was discussion on bonds used, with Mr. Barker advising if the payments on the houses aren't made, ASHA will still have to pay off the bonds.

Chairman Cowper stated the Committee would continue the ASHA hearings after the Call of the House when they would hear Representative Bill Miles testify.

The meeting adjourned at 11:30 a.m.

ADJOURN

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HFC 78-148 #0735 - #1329

HOUSE FINANCE COMMITTEE

June 16, 1978

5:15 p.m.

Chairman Cowper convened the meeting at approximately 5:15 p.m. Present were Representatives Buchholdt, Duncan, Swanson, and Meekins. Also in attendance were Representative Miles; Jay Hogan, Director of Legislative Finance; Fiscal Analysts Milt Barker and Bob Grogan; and Administrative Assistant to Representative Meekins, John Crandall.

PRESENT

Representative Cowper moved that SB 351 (Act providing for settlement of the claims of owners and occupants of housing constructed under the remote housing program of 1971 and authorizing a settlement of the claims of owners and occupants of housing constructed under the state remote housing bond program of 1970) be brought up for discussion. Representative Meekins advised that following discussion with absent members of the committee, sponsor of the bill, and individuals affected by the legislation, and having received their approval, he had prepared a Committee Substitute for SB 351. Mr. Meekins next moved that his House CS for SB 351 pass from committee. No objection having been voiced, HCS SB 351 passed from the House Finance Committee.

SB 351

MOTION  
HCS  
SB 351

Representative Cowper moved that SB 352 (Act making special appropriations to the Alaska State Housing Authority for the payment of claims arising out of litigation over the design and quality of certain remote area housing) be brought up for discussion, urging passage of the bill. No objection having been voiced, SB 352 passed from the House Finance Committee.

SB 352

MOTION  
SB 352

Representative Meekins was charged with the task of obtaining signatures from consenting--but absent--committee members upon the committee reports (specifically minority members), and delivering both bills to the Chief Clerk's Office for presentation to the House.

There being no further matters to come before the committee at this time, the meeting adjourned at approximately 5:25 p.m.

ADJOURN

HFC-78 #148 (1329-1358)

6/16/78