

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2704

9-1-79



Official Business

Alaska State Legislature

House of Representatives

Committee on Finance

Pouch V
State Capitol
Juneau, Alaska 99811

SUB-COMMITTEE ASSIGNMENTS:

HEALTH:	McKinnon - Chairman Guy Montgomery
SOCIAL SERVICES:	Rogers - Chairman Schaeffer Montgomery
DEVELOPMENT:	Duncan - Chairman McKinnon Smith
GENERAL GOVERNMENT	Duncan - Chairman McKinnon Smith
TRANSPORTATION:	Freeman - Chairman Moss Meekins
PUBLIC PROTECTION:	Schaeffer - Chairman Haugen Duncan
JUSTICE:	Guy - Chairman Moss Duncan
UNIVERSITY OF ALASKA:	Rogers - Chairman Freeman Meekins
EDUCATION:	Moss - Chairman Schaeffer Montgomery
NRMEC:	Smith - Chairman Freeman Haugen Meekins

Transcript of January 16, 1980, House Finance Committee meeting on "Revenue Discussion":

Meekins: Okay. Let's move on. I'll take (III.) D. E. and F. Rural Transportation, Rural Communications and Telecommunications. In rural transportation, there's been a lot of work on that, and I've had a study done that really documented very well, I think, some of the problems in rural areas. There's going to be quite a large request for improvements in rural transportation; that is, extension of runways, runway lighting, weather reporting services, everything. That's statewide, not just one district, but a statewide thing. But it could very well run into (inaudible). The total request, regardless of over how many years it's put, would be in the tens of millions or more --maybe 50 or 100 million.

Telecommunications--I don't know about that, but I have heard that the Senate had an interim committee on telecommunications. I've heard that they are coming in for over 100 million/150 million on telecommunications alone.

(The Committee then went on to discuss land distribution.)

HOUSE FINANCE COMMITTEE

January 21, 1980

1:50 p.m.

All members of the Committee were in attendance. The following Senate Finance Committee members were also present: Senators Sackett, Hohman, Hackney, Bennett, Meland and Sumner. Other legislators present: Representatives Anderson and Malone, and Senators Fahrenkamp and Mulcahy. Also present: Sandra Bradley, A. A. to Rep. Freeman; Dona Lehr, Policy Development; Phil Smith, RurAL CAP; Bert Wagnon, Department of Commerce & Economic Development; Dave Kakzuk, Kakzuk & Assoc.; Jerald Shutts; Mary Levan, House Resources; Ruth Allington, A.A. to Sen. Fahrenkamp; Commissioner Tom Williams, Department of Revenue; Deputy Commissioner Pete Bushre, Department of Revenue; Keith Specking, Office of the Governor; and Ron Lehr, Division of Budget and Management.

PRESENT

Chairman Meekins called the meeting to order. He said the Committee would consider an emergency fuel supply assistance bill. He advised there is presently not a bill on this subject before the Committee, but because this is an emergency situation, his intention would be to use an existing Senate appropriation bill currently residing in House Finance as a vehicle for the emergency fuel supply bill, in order that they can get the bill onto the floor of the House tomorrow.

EMERGENCY
FUEL
SUPPLY
ASSISTANCE
BILL
(SB 125)

Mr. Phil Smith, Executive Director, RurAL CAP stated the cost of energy to all Alaskans has increased dramatically over the last few years. He said the situation that exists this year was relatively predictable. He commented on the reasons bush areas will be having trouble obtaining fuel, and said there are many communities that do not have enough fuel to make it through the winter.

Mr. Smith stated that RurAL CAP has been dealing with this fuel situation for the past six years. They have established a revolving loan program. He said the purpose of the program is to go into communities where there is no established cash pool and make a loan to the entity responsible for the operation of the community, and that entity pays back the money after they sell the fuel. He advised they have made 95 loans of this nature using federal funds. Mr. Smith explained the program is fairly straight forward -- they make loans for the product (fuel), when the fuel must be flown into a community they make a grant for the additional fuel costs (the difference between air fare and barge costs). He said RurAL CAP did not want to operate a "give away" program; what they are doing is providing a financing mechanism.

1/21/80

Mr. Smith advised that this year they have a situation where Federal Congress changed the fuel assistance program Rural CAP has been operating under in the past. This year Congress put constraints on the program: the funds must be used to assist individuals whose income does not exceed 125% of the federal poverty guidelines, and the assistance cannot exceed \$400 per household. He said this means they cannot get the funds and use them for a revolving loan fund type of program.

Mr. Smith presented information to the Committee which shows that 34 villages will be out of fuel, or anticipate being out of fuel, this winter. He advised the numbers he has provided are estimates. They anticipate needing \$1.2 million to meet this winter's needs for fuel in the villages. He said there will also be individual emergency situations that come up, and they need to be able to respond to unforeseeable problems. He advised their request is for \$1.5 million.

Mr. Smith said another factor contributing to the fuel crisis is that most of the people in the villages work seasonally and they don't have any money until the Fall; however, they have to place their fuel requests in the Spring.

Chairman Meekins asked how they will get the fuel to the villages. Mr. Smith said they anticipate an employee of Rural CAP flying out to the area and meeting with the Council or whoever is in charge of the village's operation. They will survey the fuel in the community and find out how much more fuel will be needed. The Council will agree to shoulder the debt and a promissory note will be executed. If the situation is critical, they will phone the information back to Anchorage and cut the purchase order out to whomever the local bulk oil dealer might be. At the same time they will begin negotiations with the air carriers to move the fuel into the community. If feasible, and if there is not an emergency situation, they will look at trucking the fuel in. He advised the additional cost of air fare (over cost of barge) will be a grant to the community.

Chairman Meekins asked what would happen if a village cannot guarantee a loan. Mr. Smith said under their present authority they cannot make grants for the fuel to villages. He said this is a loan program. He advised the Department of Health & Social Services does have some assistance funds that can be made available to low income individuals. He said they feel it would be inappropriate for Rural CAP to get involved in direct payments to individuals. He advised they have met with representatives from the Department of Commerce & Economic Development to discuss tying the two programs together so Rural CAP could take applications from individuals for their fuel requests.

Chairman Meekins asked what Rural CAP has received for this program from the federal government. Mr. Smith said they received \$100,000 in 1974 and an additional \$735,000 last Spring.

In answer to a question from Representative Guy, Mr. Smith explained the revolving loan program. He said the community enters into an agreement with RurAL CAP that they will borrow a sum of money and repay it as they sell the fuel. He commented that by and large the pay back on these loans has been remarkable. In answer to questions from the Committee, Mr. Smith said the \$1.5 million request would be for a loan/grant program. Based on past requests, Mr. Smith estimated there would probably be less than 50% of the funds paid out as grants. He said they hope to use whatever federal money they have available (from pay backs, etc.) for the grant part of the program, and keep the state part just for the product, as a loan.

Chairman Meekins asked about long term plans to solve the problem. Mr. Smith said the Governor has identified \$5 million to use in this mode. He said it would help to receive the other \$3.5 million now, in which case they would be fairly well geared up to make "up front" loans for fuel in the Spring. He said it would help to receive the \$3.5 million by May at the latest. Representative Rogers commented that the House Resources Committee is working on a program to assist in a long term solution to the problem. There was further discussion.

Mr. Bert Wagon, Deputy Commissioner, Department of Commerce & Economic Development, advised they met with the Governor this morning concerning RurAL CAP's letter of January 17th (in member's bill files). He stated the Administration supports the \$1.5 million request, but they would like to see \$250,000 held in the Governor's contingency fund solely to meet emergency fuel problems in rural areas. Mr. Wagon advised the Governor will be introducing his complete energy packet next Monday, and the \$3.5 million will be included in that package. There was brief discussion on the Governor's energy package.

(Tape Change -- HFC 80-5 Side 2)

Mr. Wagon advised the Governor's energy package will include three basic items -- bulk fuel, conservation loan program, and conservation tax credits. He said the \$1.5 million request from RurAL CAP is to meet an emergency situation that exists right now, the Governor's energy package is based on more than just what is occurring right now. Mr. Smith added that the \$1.5 million is needed between right now and next Spring. The \$3.5 million is needed for the "up front" period of time in the Spring. There was discussion on the \$1.5 million request and the Governor's request that \$250,000 be placed in his contingency fund. Mr. Wagon said that if RurAL CAP needs the entire \$1.5 million, Administration would support a \$1.75 million appropriation, in order that \$250,000 could be placed in the contingency fund. Chairman Meekins commented that if the \$250,000 were put in the contingency fund, that amount would lapse at the end of this fiscal year if the money is not needed.

Chairman Duncan wondered how closely administration is coordinating with the various departments. He commented on a \$3 million appropriation through the Department of Health and Social Services that Legislative Budget and Audit approved last December, which was to be available as direct payments to individuals to pay vendors for fuel. Mr. Wagnon said he assumed that is the same program Mr. Smith mentioned earlier that would pay up to \$400 per household. Mr. Smith said that program might solve the problem of availability, but it would not solve the supply problem. He said if there is no fuel available in the villages, the assistance program will not do much good. There was brief discussion on Rural CAP. Mr. Smith stated that Rural CAP will cover all the villages throughout the State.

Chairman Meekins said the vehicle for this bill would be Senate Bill 125, which is an appropriation bill presently in House Finance. He moved that a House Finance Committee Substitute be prepared appropriating \$1.5 million to Rural CAP for a loan/grant program, and \$250,000 to the Governor's Contingency Fund to be used for emergency fuel problems in the villages. There was brief discussion. Representative Rogers requested that Rural CAP keep records on how much of the money is used for grants and how much for loans, and that they provide that information to the Committee. There being no objection, HCS SB 125 will be prepared.

HOUSE
CSSB 125
REPORTED
OUT

Chairman Meekins moved that HCS SB 125 be reported out of Committee. There being no objection, it was so ordered.

A recess was called at 2:30 p.m. and Chairman Meekins recalled the meeting to order at 2:50 p.m.

RECESS

Chairman Meekins said the next order of business would be consideration of HB 509.

HB 509

An Act making a special appropriation to the Alaska permanent fund; and providing for an effective date."

Representative Malone commented that right now the State is experiencing a period of greatly increased revenue that parallels the situation at the beginning of the decade. He said the Legislature has to decide if the state government and its expenditures are going to follow the patterns begun in the 1970's. He thinks there is good reason to not do that.

Representative Malone said that by passing HB 509 the Legislature would quadruple what is in the Permanent Fund right now. He commented the one consideration that came up in conversations concerning this bill was how to appropriate

1/21/80

\$900 million from the state treasury to the Permanent Fund when there isn't \$900 million in the state treasury. He said that in order to take care of that problem, he is recommending an amendment that would make the legislation effective the beginning of the fiscal year. He said the amendment would make the legislation effective July 1, but the money would not necessarily be expended or paid over to the Fund until it is available. He said if this amendment were accepted the Department would be in a position to see what the other demands on the treasury were. He commented this amendment was the simplest approach he could come up with.

Chairman Meekins commented that 93% of the State's funds are coming from the pipeline, which could create problems if the pipeline were to shut down. He suggested a contingency be put in the legislation in the event the state doesn't get all its money when it expects to. He commented that in the past the revenue projections haven't been all that accurate. Representative Malone commented the Committee could draft language so that if there were an inadequate cash reserve or liquid balance in the treasury to meet the needs of the state, the legislation would not become effective. He suggested this may not be that serious a problem.

Representative Freeman said if the Legislature treats this appropriation differently from other appropriations it may end up secondary to other appropriations. He commented that notwithstanding the legislation, they will probably not appropriate money to the Permanent Fund if they don't have the money. Chairman Meekins commented that because of the nature of the Permanent Fund, once funds go in they cannot be taken out, which makes this different from other capital appropriations.

Representative Rogers suggested that as an alternative to the July 1 date, the Committee might want to consider appropriating \$100 million each month until the \$900 million had been appropriated. He commented that if there were an emergency, the Legislature would probably be called in for a special session anyway. There was discussion on different approaches that might be taken.

Mr. Keith Specking, Legislative Assistant, Office of the Governor, said the House is to be commended for taking this issue up at the beginning of the Session. He advised that Governor Hammond would like to express his support of Representative Freeman's Bill, HB 509.

Commissioner Tom Williams, Department of Revenue, advised the Department is projecting liquid balances at the end of this month in excess of \$900 million. He said they anticipate that by June this will grow to over \$1.5 billion. He commented that the Governor has proposed a supplemental capital appropriation that would reduce that amount. There was discussion on the Department's figures. Commissioner Williams advised the Department is projecting the following liquid balances:

\$960 million at the end of January
\$980 million at the end of February
\$1.1 billion at the end of March
\$1.16 billion at the end of April
\$1.9 billion at the end of May
\$1.55 billion at the end of June

After further discussion, Commissioner Williams said there was a difference between the figures of the Department and the Division of Budget and Management in the amount of \$600 million.

Representative Freeman asked what would happen if the Legislature passed this bill to appropriate \$900 million to the Permanent Fund effective July 1, and there wasn't \$900 million available. Commissioner Williams said first they would ascertain if it was necessary to transfer the funds on that date. Assuming the answer to that was no, and the transfer could be spread over the fiscal year, there would be no problem. If the answer was yes, they could borrow on anticipated revenues, and then repay the note as funds came in during that fiscal year. Representative Freeman commented he doesn't care how the money gets into the Permanent Fund as long as there is a commitment that it is going to go there.

Chairman Meekins called a recess at 3:25 p.m. in order that the Department could find out why there is a discrepancy between their figures and the Division of Budget and Management's figures. He recalled the meeting to order at 3:40 p.m. (Tape HFC 80-6, Side 1 #193.)

RECESS

Commissioner Williams advised the difference in figures is that the Department of Revenue is showing the actual cash in the treasury which includes cash that is encumbered. The Division of Budget and Management has netted that out. He advised that figure comes to \$289 million in cash in the treasury that has been encumbered. Also, the Division of Budget and Management has taken out \$160 million which is the supplemental appropriation for this fiscal year. The Division also projected operating expenditures on an accrual basis. He advised that at the end of June, Budget and Management's figure is \$924 million. Chairman Meekins asked if in looking at the number to appropriate from, they should use Budget and Management's figure. Commissioner Williams said this was correct.

Chairman Meekins asked if passing the Malone amendment to the bill would create any problems. Commissioner Williams said it should not. He said they have never had a time when they did not have funds available in the treasury to cover warrants as they come in. He said they would transfer the money very carefully to assure there was enough money in the treasury to cover warrants as they came in. In answer to a question from Chairman Meekins, Commissioner Williams stated they would transfer the money to the Permanent Fund as rapidly as possible. He said if the Legislature appropriated \$900 million to the Permanent Fund, Administration would look at this as something to be executed as rapidly as possible.

Representative Duncan asked what would happen if an agency came in requesting \$100 million for a capital project, and they had to put the \$900 million in the Permanent Fund. He asked how the Department would set their priorities. Commissioner Williams said if it was something like a capital project that must be initiated immediately, they still wouldn't need the full amount for that capital project immediately, because there will be a lag before they expend all the funds.

Chairman Meekins said he didn't think the Committee needed to put any language in the bill to address this problem, but he thinks the Department should be concerned about the Committee's concern, and should advise the Committee on how they intend to approach this. There was further discussion.

Representative Rogers suggested adding a new section to the bill saying "Beginning March 1, 1980 and on the first day of the month thereafter, the Commissioner shall deposit 20% of the liquid balances from the general fund into the Permanent Fund until the conditions set out in section 1 of this bill have been satisfied." There was discussion.

Chairman Meekins moved that a letter of intent accompany the bill stating the Committee's intent is that the \$900 million be transferred to the Permanent Fund as quickly as possible. There being no objection, it was so ordered.

LETTER
OF
INTENT

Representative Rogers moved and asked unanimous consent that the Malone amendment be adopted. There being no objection, it was so ordered.

Representative Rogers moved and asked unanimous consent that a House Finance Committee Substitute for House Bill 509 be prepared incorporating the Malone amendment, and that CSHB 509 be reported out. There being no objection, it was so ordered.

CSHB 509
REPORTED
OUT

Chairman Meekins presented a proposed Committee Substitute for HCR 33 ("Requesting the Governor to direct action relating to the investment of surplus state funds and the participation of state agencies and corporations in loan programs of benefit to the state's economy.") He asked if the language on page 2, line 21 created any problems for the Department. Mr. Bert Wagon, Department of Commerce & Economic Development said if the intent was to eliminate even the 10% bank participation, the language would do that. However, he advised the Department is opposed to this action.

HCR 33

After brief discussion on the Resolution, Chairman Meekins suggested holding the bill one more day in order to give Committee members an opportunity to look over the proposed Committee Substitute. There was no objection.

HCR 33
HELD

The meeting adjourned at 4:20 p.m.

ADJOURN

Tape HFC 80-5 Side 1 #422 to end
 Side 2 #001 to end
HFC 80-6 Side 1 #001 to 821

HOUSE FINANCE COMMITTEE
January 22, 1980
1:45 p.m.

All members of the Committee were present, except Representative Guy. Representatives McKinnon, Rogers and Duncan arrived later in the meeting. Also in attendance: Representative Richard Randolph; Thomas Williams, Commissioner, and Joseph Donohue, Deputy Commissioner of Taxation, Department of Revenue; Dave Chatfield, Alaska Credit Union League; John Crandall and Mike Doogan, Administrative Assistants to Chairman Meekins; Milt Barker, Fiscal Analyst, Legislative Finance Division.

PRESENT

Chairman Meekins called the meeting to order and advised the Committee would hear testimony from the Commissioner of Revenue on the Governor's tax credit proposal.

GOVERNOR'S
TAX CREDIT
PROPOSAL

[Representatives McKinnon and Rogers arrived at this time.]

Tom Williams presented a brief overview of the bill, which, he stated, was being introduced this afternoon in the House. He commented the paramount concern is that there be an association between benefits and the permanent fund. He explained the permanent fund contribution rate would be increased to provide a "permanent fund dividend".

Arguing against repeal of the State's personal income tax, Mr. Williams stated Administration feels this would result in an inequitable distribution to the people of Alaska. For example, under the Governor's proposal, he noted, benefit would be accorded those whose culture is based on subsistence, as well as retired persons, divorced women, etc., while tax repeal would penalize them.

As a final argument against repeal, Mr. Williams observed, if something is free, people want more of it; that in making them pay something keeps them interested in government. He agreed the time has come to distribute benefits back to the people, but feels it is necessary to preserve institutions in place. He mentioned new deposits and future revenues and stated he would like to see a system of credits. He commented he feels the disagreement is over the method of distributing benefits back to the people, not in doing so.

Chairman Meekins commented all the lists he has seen separates tax reform or repeal from direct distribution of oil wealth (AGSOC, Alaska, Inc., etc.). He commented he feels it is a matter of comparing apples and oranges and indicated he favors a direct distribution to the people.

During a discussion on costs, Mr. Williams cited a \$130 million figure for the first year and one-half the income thrown off from the permanent fund. Representative Freeman asked if the \$130 million figure is before or after the tax credits referred to in the Governor's proposal. Mr. Williams answered Revenue's forecast includes those credits.

During further discussion, Representative Freeman expressed his thoughts on using personal income tax as a vehicle to distribute benefits to the people. "What about those who don't contribute income tax?" he queried, referring to the tax credits the Governor's proposal would allow. For instance, he noted, retired persons and those in subsistence already receive certain benefits the average taxpayer does not. He asked if Mr. Williams had any figures regarding those already receiving benefits, and Mr. Williams indicated no. Representative Freeman stated he has a problem with awarding an income tax credit when a person does not have income or does not make enough money to pay income taxes.

Representative Rogers brought up the cost of administration. Mr. Williams responded the cost of administering the permanent fund dividend should be small. He pointed out, If a person is found to have purjured any benefits, he would forfeit all benefits. There was discussion of audit expenses. Joe Donohue indicated the Department has requested \$250,000, which he feels, would insure aggressive audits.

Representative Moss wondered about the residency requirement under this proposal, and Mr. Williams responded he feels that, with respect to denying people, the State has to balance competing rights. For instance, he noted, 30-day residents are allowed to vote, but there is a one-year residency requirement to run for the Legislature. On conferring benefits, he commented, the requirements are not so stringently enforced; but longevity counts, and the longer a person stays, the greater the benefit.

Regarding tax reforms, Representative Moss asked if oil companies are considered people or things. Mr. Williams replied he doesn't believe corporations are people, but believes they are allowed to have separate legal entities that exist by sufferance of the State.

Referring to the Institute of Social and Economic Research report on the Governor's energy proposal, Chairman Meekins stated he has heard that, under the Governor's proposal, most of the benefit would go toward the rural areas. Mr. Williams indicated he was not in a position to comment on that. Chairman Meekins requested a copy of that report be sent to the Finance Committee. Mr. Williams indicated compliance.

REQUEST

Commenting on the Freeman tax credit method, Chairman Meekins asked for a comparison of the Governor's plan. Mr. Williams explained the Governor's proposal would allow residents to claim one \$50 permanent fund dividend for each year of residency, using 1959, the year of Alaska statehood as base. For example, he advised, a 20-year resident would be eligible for \$1,000; in succeeding years, the dividend would increase depending on the number of residents claiming dividends and the amount of money in the permanent fund. During discussion, Mr. Williams advised a person who does not owe taxes would receive a cash payment dividend.

There was discussion on the "30-day wonder" versus the 30-year resident. Chairman Meekins indicated he favors the Freeman concept and disagrees with continuous linear increments. Mr. Williams stated he feels there is valuable inter-contribution from short-term people. Chairman Meekins responded he feels "people ought to have the option of being short-term if they are willing to pay the price."

Representative McKinnon commented he feels this should be a distribution of oil wealth and not called tax reform as subsistence people should not be penalized just because they don't contribute monetarily. He added, however, he doesn't mind using income tax as a vehicle.

Representative Rogers indicated he also feels oil wealth and tax money are two different issues. Using the Governor's six-year proposal, he stated, half the people wouldn't benefit.

Testifying before the Committee, Representative Randolph stated he definitely sees it as two separate issues--that of oil wealth and people's earned income. He further stated he feels the government has too much and the people too little. On the question of income tax reduction versus tax repeal, he stated he is for an outright income tax repeal and cited his reasons. He stated he disagrees with the majority of benefits going to the

RANDOLPH
TESTIMONY

Bush. He maintains there is no natural energy crisis in Alaska and that there is no need for a big State savings account. In conclusion, he stated he feels the real point is there will be no equitable distribution without a complete income tax repeal. Discussion followed on moral and social obligations.

[Chairman Meekins called a recess at 3:00 p.m. and recalled the meeting to order at 3:25 p.m. Representative Duncan joined the meeting at this time.]

RECESS

There was brief discussion on the budget. Chairman Meekins requested subcommittee chairmen set goals and limits in their budget categories and let him know as soon as possible.

Chairman Meekins brought HCR 33 up for consideration:

HCR 33 - Requesting the Governor to direct action relating to the investment of the state general fund surplus and to the participation of financial institutions with the division of business loans in loan programs of benefit to the state's economy.

HCR 33

Chairman Meekins read through the Finance Committee Substitute for HCR 33.

Regarding section (C), Representative Moss asked if this pertains to a mortgage already in process, and would it include money needed for completion of a house. Mr. Doogan indicated yes to the latter, but advised there is still some question concerning refinancing. He stated the Department of Revenue has recently prohibited this. He indicated Revenue's policy has been not to refinance, and the resolution does not challenge the statute.

Brief discussion on section (D) followed, with Chairman Meekins commenting he feels it should be on a first-come, first-serve basis when it comes to State loans.

Chairman Meekins read an excerpt from information provided by Bertram Wagnon, Department of Commerce and Economic Development (attached), regarding the disadvantageous effect the elimination of bank participation would have on the Department.

Representative Smith pointed out a concurrent resolution cannot annul regulations. Chairman Meekins requested Representative Duncan look into the matter of staffing requirements (14 new positions) and the four-to-six month delay in loan applications as indicated by Mr. Wagnon.

Chairman Meekins noted there is nothing in HCR 33 about the veteran's program nor AHFC. He added Representative Cotten has indicated he will be proposing an amendment to reopen the regional office. Representative Duncan expressed concern with loading HCR 33 with amendments that the Department cannot respond to. The Committee was in agreement.

There was brief discussion on the \$35 million figure. Joe Chatfield stated that seems to be the appropriate amount. Chairman Meekins commented the banks should be complimented on their use of the \$50 million last year.

Representative Smith moved to leave in the 10% participation requirement by banks (deleting language on page 2, line 21) because of the staffing problem and the four-to-six month time delay in processing loan applications. There was objection, and discussion followed on this being a hot issue in certain areas of the State. Chairman Meekins described what he calls the "reverse yield curve" and stated he feels HCR 33 addresses this.

SMITH MOTION

Representative Rogers stated he would reluctantly support the motion because he feels banks should have some piece of it.

The question was called for, and the motion failed (four in favor--Smith, Rogers, Haugen, Montgomery; four opposed--Freeman, Duncan, Moss, Schaeffer; McKinnon not present for vote).

FAILED

Representative Rogers moved and asked unanimous consent that Finance Committee Substitute for HCR 33 be reported out. There being no objection, it was so ordered. Finance CS for HCR 33 was reported out with a "do pass" recommendation.

FINANCE
CS FOR HCR 33
REPORTED OUT

The meeting adjourned at 4:15 p.m.

ADJOURN

Tape HFC 80-7 Side 1 #001 - End
 Side 2 #001 - End
 80-8 Side 1 #001 - #682

Charles R. Webber
Commissioner

Bertram L. Wagon
Deputy Commissioner

Information concerning bank participation, subordination, loan payment deferral

Pursuant to your request for an analysis of the impact of (1) reduction or elimination of bank participation, (2) subordination working capital and inventory loans, and (3) loan payment deferral, the following is presented for your information.

I. Elimination of bank participation ^{ff} ~~ME~~ As you are well aware, the Governor recently reduced bank participation from 25% to 10%. This reduction will result in an increase in ~~the~~ number of applications the Division of Business Loans is receiving. I am unable, at this time, to quantify the exact increase which will result from this action. I am convinced that we will see some increase in the number of applications.

The positive aspects of this reduction are that

- (a) recipients of loans will pay a lower net interest cost in that a smaller portion of their loan^s will be at the higher bank rate;
- (b) the banks will more than likely be receptive to the reduction in that fewer bank funds will be tied up in participation loans; and
- (c) applicants will more than likely have more success in moving their applications to the banking system primarily due to the lower amount of bank funds involved and the lower payment which may make some marginal projects feasible.

While I feel positive, in a sense, about the reduction, I am still firmly convinced that it is essential that we retain, at a minimum, 10% bank participation. The complete elimination of bank participation will result in a massive influx of application^s which would severely backlog the Division of Business Loans more so than it is now.

In my letter of Friday, January 18, to Representative Russ Meekins, I indicated that the complete elimination would create "an horrendous workload on the Division of Business Loans." At the current time the division takes approximately 10 weeks for an average application to be processed. This 10 weeks is calculated from the time the application is received until action by the credit committee.

If bank participation were completely eliminated, I think it entire^{ly} possible that the processing time could move to four or five months in short order. In addition, bank participation involves the State and the private financial institutions in a cooperative venture. While there has been some criticism of the participation, I feel, over the long haul, it is advantageous for the State to take advantage of the private financial community and the expertise which they possess. Participation ensures that the banks originate, service and collect loans which they make. This function of the banks

reduces the requirement for the State to continually add employees to the payroll. I feel it is very positive that the banks continually be involved in the lending functions primarily because, with the massive amount of funds which the State has at its disposal, if prudence is not exercised and the private financial community utilized, it is entirely feasible that the State's banking system could be weakened.

II. Subordination Working Capital and Inventory Loans ^{of} Mr. Pete Bushry, Deputy Commissioner for the Department of Revenue, is preparing a position paper on these ^{three} items.

I feel that working capital and inventory loans are generally short-term loans (normally one accounting cycle) and have traditionally been handled by the commercial banking sector. I should point out that inventory loans, in particular, require a high degree of post-monitoring by financial institutions.

The staff of the Division of Business Loans, unless vastly expanded, would be unable to be in the field extensively enough to monitor these types of loans. The difficulty with working capital loans is that ~~the~~ the use of the proceeds there is ~~critical~~ critical. While it creates much intrinsic appeal to utilize the words, "working capital," it's important to keep in mind that the most important facet is the proper management and utilizing of working capital. Without control of the use of funds, I feel that the State would merely be refinancing firms for the extraction of equity for the intent purposes of working capital, while reality would indicate that the funds would be used for purposes of which the loan program ~~were~~ not intended.

III. Loan Payment Deferral

The Department at this time is opposed to a blanket loan payment deferral. As I understand some thought has been given to a three-month, complete and utter loan payment deferral which, while it might have short-sighted political appeal, I feel, over the long haul, it will severely jeopardize the integrity of the State loan program.

Once a blanket deferral has been granted the political pressures will exist that will make it extremely difficult not to continue to do payment deferrals in the future. I feel, by opening this flood gate, it will be turning a business-like loan program into a quasi-grant program with the attendant ramifications which will result in a squandering of taxpayers' money.

Administratively, the loan payment deferral idea has many problems which have not been addressed. Statutorily, our loans are limited as to term. Many of our loans are made at maximum term. Any deferral of three months, conceivably, would result in a violation of the statutes and that would be over the max term.

If the loan payment deferral were just made for those who are shorter than their statutory maximum terms, naturally not all the recipients of these loans would benefit. I should also point out that these State loans, which have been made, are at a substantial interest rate below that which is charged by the private banking sector. A blanket deferral would merely be giving this segment of the population another benefit, while those people who do not have State loans would receive nothing. -56- 1-22-80

The mechanics of the deferral are complex and would create considerable confusion. If both interest and principal were deferred and added on to the tail-end of the loan, considerable interest expense would need to be spread either over the last three payments or incorporated somewhere within the loan repayment scheme. If the idea is to waive the interest, I believe we could have legal complications which the Attorney General's office would need to pursue.

Legal complications would exist, in any case, on a blanket deferral and ~~that~~ I believe it would be imperative that all notes dictating payment terms be rewritten. Administrative we are talking about numerous man-hours.

vall/4

HOUSE FINANCE COMMITTEE
January 25, 1980
1:40 p.m.

(Tape HFC 80-8, Side 1 #683)

All members of the Committee were present except Representative Guy. Present to testify was Ron Lehr, Director, Division of Budget and Management. Also present were Legislative Finance Division Fiscal Analysts Bob Grogan, Alison Elgee and Jerry Schilz; and members of the Press. PRESENT

Chairman Meekins called the meeting to order and stated the purpose of the meeting was to receive an overview of the budget from the Division of Budget and Management. Mr. Ron Lehr presented excerpts of the Executive Budget document (see attachment #1 -- House Finance Committee Briefing Budget Overview). Mr. Lehr explained their figures are somewhat different than in the past because in the past they tended to only look at the operating budget for the ceiling, and this year they included the capital budget and other legislation. He explained that the \$78.9 "additional appropriations" figure includes \$30 million for the foundation increase, \$40 million in salary increases and \$8 million for other new legislation. Referring to the salary increase, Mr. Lehr advised that \$16 million is contained in the operating budget, which will allow salaries to be paid to all bargaining units at the level that would have been paid with the 1979 retro.

OVERVIEW
OF GOV.'S
BUDGET

Mr. Lehr advised the Governor will be transmitting a letter saying the budget ceiling should be raised by \$5 million. He explained they prepared the figures in August and their estimate was \$5 million low. Mr. Lehr said the general fund operating budget increase is 17.7%, and the total budget ceiling (including the additional \$5 million) will now be \$1245.0. Mr. Lehr stated that figure does not include the funds for conversion of C.I.P. positions; the reason for that is because they are not spending more money, the funds are just coming from a "different pot". He said there is another \$8 million for the C.I.P. conversion.

Mr. Lehr advised they are treating the supplemental capital appropriation as a separate item because they didn't want it to be included in the base for future years. There was brief discussion on the supplemental operating budget requests.

(tape change -- HFC 80-8 Side 1)

Mr. Lehr advised they modified the revenue assumptions they received from the Department of Revenue to assume a 1% rate of return on general fund balances. He explained why they

1/25/80

did this. In answer to a question from Chairman Meekins, Mr. Lehr said they feel comfortable with the 2%-3% real growth figure.

Mr. Lehr explained the balance sheet on pages 16-17 of the Executive Budget document.

Mr. Lehr appraised Committee members of some of the major changes in the operating budget. In Education, he said they have increased the loan program staffing by four people, and have increased the amount of loans from \$8 million to \$10 million. He said part of that increase is federal funds. He advised the Cross-Cultural Education program was increased 85% to expand their rural teacher training program. He advised increases to the University of Alaska budget are "pretty much across the board". He explained their reasoning here was that the University has not had any significant increases in past years, and they would like to give President Barton time to find out what the University's strong and weak programs are -- if the University wants new programs in FY 82 they will have to get funding by taking out another program. Mr. Lehr said Administration does not expect to see a big increase for the University in FY 82. Mr. Lehr said the major increases for both the Health and Social Services categories are in the Formula programs. There was brief discussion. In the NRMEC category, Mr. Lehr said the biggest increase is for the Department of Fish and Game. He said they increased the Department by about 27% this year, with the increase spread pretty-much throughout the Department. He said they have also made an increase in the Fish and Wildlife Protection area of over 20%. Mr. Lehr said the Department of Natural Resources had no real major increase. He said they are requesting \$1.6 million for implementation of the five-year oil and gas leasing schedule. He explained the Department has done their budget somewhat different this year than in the past. In the Public Protection category, Mr. Lehr said there were no major changes. He advised Workman's Compensation was allowed \$300.0 to speed up processing claims. He said there will be a supplemental request for Workman's Compensation. Mr. Lehr said the largest increase in the Justice category was in the corrections area, which received about a 27% increase. He advised there will also be a large supplemental request for corrections. He advised they have added \$900.0 to Prosecution because of their increased case load, and they have also increased Public Defender by \$500.0. In the Development category, the largest increases are in the revenue sharing programs. There was brief discussion. Representative Haugen requested a full report on the activities of the Alaska Renewable Resources Corporation for the last year. Mr. Lehr will provide this information to Committee members. In the Transportation category, Mr. Lehr said there is \$3.3 million in for conversion of CIP positions, \$2.5 million for Marine Transportation; and

a \$2.5 million increase to fully fund the haul road. There was brief discussion on the CIP positions. Mr. Lehr advised that in the General Government category, there is an additional \$4.7 million for CIP conversions. He said the only other large increase in this category is \$1 million for Elections. There was brief discussion.

Mr. Lehr briefly explained what is in the "summary of requests" (attached). Referring to the Department of Natural Resources supplemental, Mr. Lehr advised they are requesting \$7 million for land surveying. He explained that if they get the money through the normal budget process, they might not receive the funds until July, which makes it difficult for them to do the actual work. He advised they put the request in a supplemental because if it gets passed in March they will have enough time to use the funds in FY 81. There was brief discussion on other appropriation items.

Mr. Lehr said they separated out the Renewable Resources Fund and did not treat it as general funds. He said the listing (attached) shows how they recommend spending the funds. He said they expect to try and appropriate the rest of the Renewable Resource funds into the Permanent Fund. There was discussion between Representative Rogers and Mr. Lehr on the legality of this.

There was brief discussion on the Native Land Claims payments.

Mr. Lehr said this is the first year the Legislature will be seeing a six year capital plan. He said this is a larger undertaking than what they have done in the past, and is one of the reasons the capital budget has not yet been presented to the legislature. He said it will be provided next week. Mr. Lehr commented they are enthusiastic about the six year program, and said there are two things they can get from the program. The Agency has to establish some long term objectives to develop an overall plan, and by having program information on capital budgets, it is possible to compare the directions of the capital budget versus the operating budget.

(tape change -- HFC 80-9, Side 1)

Mr. Lehr presented a Memo from Tom Bergstrom, Department of Natural Resources concerning 2/3 funding. (See attachment #2). There was brief discussion.

The meeting adjourned at 2:45 p.m.

ADJOURN

Tape HFC 80-8, Side 1 #683 to end
 Side 2 #001 to end
HFC 80-9, Side 1 #001 to 143

1/25/80

001

HOUSE FINANCE COMMITTEE BRIEFING

BUDGET OVERVIEW

January 25, 1980

001

Attachment #1

1/25/80

SUMMARY OF RECOMMENDATIONS
AND ESTIMATED FUTURE APPROPRIATIONS
(Millions of Dollars)

	<u>FY 80 Adj</u>	<u>FY 81 Rec</u>	<u>% Increase (Decrease)</u>
<u>Operating Budget</u>			
<u>Total Appropriations (to date)¹</u>	<u>1,312.1</u>	<u>1,476.7</u>	<u>12.5</u>
<u>General Funds</u>	<u>965.7</u>	<u>1,095.1</u>	<u>13.4</u>
<u>Additional Appropriations²</u>	<u>39.3</u>	<u>82.9</u>	<u>110.9</u>
<u>General Funds</u>	<u>32.0</u>	<u>78.9</u>	<u>146.6</u>
<u>Total Operating</u>	<u>1,351.4</u>	<u>1,559.8</u>	<u>15.4</u>
<u>General Funds</u>	<u>997.7</u>	<u>1,174.0</u>	<u>17.7</u>
<u>Capital Budget</u>			
<u>Total Appropriations (to date)³</u>	<u>206.1</u>	<u>754.1</u>	<u>265.9</u>
<u>General Funds</u>	<u>100.6</u>	<u>58.0</u>	<u>(42.3)</u>
<u>Subtotal Regular Budget</u>			
<u>Total Funds</u>	<u>1,557.5</u>	<u>2,321.9</u>	<u>48.6</u> ✓
<u>General Funds</u>	<u>1,098.3</u>	<u>1,232.0</u>	<u>12.2</u>
<u>CIP Conversion</u>			
<u>Total Funds</u>	<u>-0-</u>	<u>8.0</u>	<u>-0-</u>
<u>General Funds</u>	<u>-0-</u>	<u>8.0</u>	<u>-0-</u>
<u>Total Regular Budget</u>			
<u>Total Funds</u>	<u>1,557.5</u>	<u>2,321.9</u> ✓	<u>49.1</u>
<u>General Funds</u>	<u>1,098.3</u>	<u>1,240.0</u>	<u>12.9</u>
<u>One Time Supplemental/Special Capital Appropriations</u>			
<u>Total Funds</u>	<u>162.7</u>	<u>-0-</u>	<u>-0-</u>
<u>General Funds</u>	<u>162.7</u>	<u>-0-</u>	<u>-0-</u>
<u>Total Budget-All Items</u>			
<u>Total Funds</u>	<u>1,720.2</u>	<u>2,321.9</u>	<u>35.0</u>
<u>General Funds</u>	<u>1,260.4</u>	<u>1,240.0</u>	<u>(1.6)</u>
<u>Revenues</u>			
<u>Total State Revenues⁴</u>	<u>2,159.0</u>	<u>2,987.7</u>	<u>38.4</u>
<u>Non-Petroleum Revenues</u>	<u>357.7</u>	<u>499.4</u>	<u>39.6</u>
<u>% General Fund Total</u>			
<u>Regular Budget Funded</u>			
<u>with Non-Petroleum Revenues</u>	<u>32.6.</u>	<u>40.3</u>	

¹The FY80 General Fund Operating figure includes \$4.0 million of Highway Working Capital Fund which was used by the Legislature to offset general funds in Chp. 80, SLA 79.

²Additional Appropriations: This item is an attempt to estimate future appropriations that will be made to fund supplementals now being requested, salary increases for employee contracts, new legislation that is expected to pass this session and legislative adjustments to budget proposals. These additional appropriations are net of estimated lapses, which are estimated to be 1 1/2% of the general fund operating budget.

³The large increase in non-general funds is due primarily to bond requests and federal funds for transportation.

⁴Petroleum Revenues are defined as: corporate petroleum taxes; oil and gas severance taxes; oil and gas property taxes; and net Royalties, rents and bonus sales. Petroleum Revenues are net of Permanent Fund contribution, Renewable Resource fund, and Native Land Claims payment.

PERCENTAGE CHANGE IN OPERATING BUDGET BY CATEGORY
(IN MILLIONS OF DOLLARS)

	FY 80 ADJUSTED		FY 81 GOVERNOR'S RECOMMENDATION		PERCENTAGE CHANGE FY 80 ADJUSTED TO FY 81 RECOMMENDED	
	GENERAL FUND	TOTAL	GENERAL FUND	TOTAL	GENERAL FUND	TOTAL
EDUCATION	\$335.8	\$385.4	\$345.1	\$395.7	2.7%	2.6%
UNIVERSITY OF ALASKA	\$85.6	\$174.1	\$100.9	\$185.3	17.8%	6.4%
SOCIAL SERVICES	\$73.0	\$142.0	\$85.8	\$163.2	17.5%	14.9%
HEALTH	\$51.6	\$89.9	\$69.2	\$116.8	34.1%	29.9%
NATURAL RESOURCES MANAGEMENT	\$71.5	\$94.2	\$88.0	\$119.3	23.0%	26.6%
PUBLIC PROTECTION	\$24.3	\$32.6	\$26.6	\$36.5	9.4%	11.9%
ADMINISTRATION OF JUSTICE	\$81.5	\$87.7	\$96.2	\$99.2	18.0%	13.1%
DEVELOPMENT	\$47.7	\$58.6	\$59.6	\$71.2	24.9%	21.5%
TRANSPORTATION	\$126.4	\$143.2	\$151.5	\$171.5	19.8%	19.7%
GENERAL GOVERNMENT	\$64.3	\$104.6	\$80.3	\$126.0	24.9%	20.5%
TOTAL OPERATING BUDGET	\$961.7	\$1,312.2	\$1,103.1	\$1,484.7	14.7%	13.1%

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1/25/80

SECTION II: SUMMARY OF REQUESTS

The first of the two supplemental/special appropriations contains a variety of project types, ranging from rural schools to highway projects. A brief description of each project is contained in the next section. The major types of projects in this request are: (1) transportation projects (highways, ports, etc.) that can be under construction during summer of 1980; (2) energy conservation projects that have a payback of less than eight years; (3) supplementary funds to complete certain needed projects, e.g., Ketchikan jail, Anchorage Pioneers Home; (4) forward funding of certain ongoing activities, e.g., Employee Housing Renovation; (5) completion and/or construction of remaining rural schools to be built as a result of the Tobeluk Consent decree; (6) adequate funding to enable the Susitna Feasibility Analysis to proceed to the first "go-no go" decision point; and (7) other miscellaneous projects where timing is an important consideration.

Transportation and Miscellaneous Appropriations

<u>Project</u>	<u>Agency</u>	<u>Request</u>	
Employee Housing Renovation & Replacement	Administration	\$ 1,931.0	GF
Nursing Wing, Anchorage Pioneers' Home	Administration	3,000.0	GF
Susitna Feasibility Analysis	Commerce & Ec. Dev.	7,500.0	GF
EDA (Skill Center) Shop Building	Education	800.0	GF \$600.0 FED
Tobeluk Consent Decree Schools *	Education	8,009.4	GF
Subport Building Upgrade	Fish & Game	149.5	GF
Automated Budget System	Governor's Office	500.0	GF
Ketchikan Jail Completion	Health & S. S.	949.3	GF
Energy Conservation Measures	DOT/PF	25,000.0	GF
Ketchikan TV System	DOT/PF	60.0	GF
Highway Projects **	DOT/PF	57,390.0	GF
Aviation Projects **	DOT/PF	11,000.0	GF
Ports & Harbors & Marine Trans Projects **	DOT/PF	24,380.0	GF
Kasilof Hatchery Modifications	Fish & Game	875.0	GF
	TOTAL	\$141,544.2	GF \$600.0 FED

* Nightmute, Little Diomed, Kasigluk and Shaktoolik School projects. See project descriptions for individual funding requests.

** 59 highway, aviation, marine transportation and harbor projects. See project descriptions for individual funding requests.

The other supplemental/special capital appropriation involves only projects for the Department of Natural Resources. There are two types of projects in this request: (1) advance funding for surveying for land disposal; and (2) projects relating to forest fire prevention and suppression activities.

Natural Resources Appropriations

<u>Project</u>	<u>Agency</u>	<u>Request</u>	
Cadastral Land Surveying	Natural Resources	\$ 6,903.1	GF
Statewide Fire Warehousing	Natural Resources	854.0	GF
Canadair CL-215 Purchase	Natural Resources	5,067.0	GF
Fire Suppression Fund	Natural Resources	5,000.0	GF
Firefighting Costs	Natural Resources	3,603.0	GF
	TOTAL	\$ 21,427.1	GF

FY 81 General Fund Capital Budget (thousands)

1. Education	\$ 2,805.9
2. University of Alaska	1,320.0
3. Social Services	988.0
4. Health	363.6
5. NRMEC	14,373.1
6. Public Protection	2,691.6
7. Administration of Justice	1,376.2
8. Development	12,442.3
9. Transportation	9,044.0
10. General Government	12,597.0

TOTAL \$ 58,001.7

FY 80/81 Bond Packages

1. Education Bonds	\$ 22,060.9
2. University of Alaska Bonds	20,550.0
3. Fisheries Protection Bonds	4,218.8
4. Water and Sewer Bonds	25,520.0
5. Corrections and Public Safety Bonds	22,901.2
6. Transportation Bonds	145,473.8
7. Energy Conservation/Facilities Upgrade Bonds	18,100.0

TOTAL \$258,824.7

FY 81 Use of Renewable Resources Fund

1. Alaska Renewable Resources Corporation	\$ 20,000.0
2. Swan Lake Hydroelectric	18,000.0
3. Lake Tyee Hydroelectric	10,000.0
4. State Forest Nursery	870.3
5. Agriculture Revolving Loan Fund	12,000.0
6. Delta Agriculture Project	1,000.0

TOTAL \$ 61,870.3

Other General Fund Appropriations

1. Permanent Fund Contribution	\$1,500,000.0
2. Permanent Fund Dividend	215,000.0
3. Accelerated Native Land Claims Payment	300,000.0

TOTAL \$2,015,000.0

STATE
of ALASKA

MEMORANDUM

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF ADMINISTRATION & MANAGEMENTBAM
JAN 25 REC'DTO: ☐ Ron Lehr
Budget & Management

DATE: January 25, 1980

FILE NO:

TELEPHONE NO:

FROM: Tom Bergstrom *TBS*

SUBJECT: Two-Thirds Funding

The Department of Natural Resources was funded at two-thirds of the Free Conference Committee appropriation for FY 80. This action has had several adverse, though not insurmountable, consequences for the Department.

First, many of DNR's activities are highly seasonal. This is particularly true of the Divisions of Parks, Geological and Geophysical Survey, Technical Services (cadastral surveying), and many sections within the Division of Forest, Land, and Water Management. The expenditures of these divisions are not constant and, as a consequence, eight-months funding does not necessarily purchase eight months of operations. Additionally, some divisions which are not normally seasonal have also been affected. The Division of Minerals and Energy Management, because of the intense preparation activity for the Beaufort Sea Lease Sale, is nearly out of money. Many of the funding codes associated with these divisions are now exhausted or are rapidly being depleted and, rather than suspend operations in an individual component, the Department has been compelled to file for a large number of line-item transfers and revised programs. If the Department receives its final one-third funding these monetary transfers will have to be reversed and the funds restored to their original appropriations. Both steps are time-consuming and will complicate any program audits of DNR's FY 80 budget.

Second, some special and one-time appropriations cannot be used for the purpose intended by the legislature. For example, the Mineral Laboratory component received \$112.0 in federal funds to purchase an X-ray spectrometer and entered into a contract with the Federal Government to perform work for which the equipment is mandatory. However, because of the funding restriction only 75.0 is actually available and the spectrometer cannot be purchased, nor the contractual obligation discharged.

Third, in some instances vendors of essential services cannot be paid or, assuming the Department receives its final third funding, will at least be paid late. For example, the Office of the Commissioner was appropriated \$150.0 for legal services associated with the gasline regulatory proceedings, but only \$100.0 could be encumbered for that purpose. As of mid-January, because of the scheduling of the proceeding, nearly the entire \$150.0 had been billed. DNR cannot pay the full bill and the firm representing

Attachment #2

003

1/25/80

January 25, 1980

the State will have to wait until sufficient funds are available. Additional administrative costs are incurred by this procedure since two encumbrance documents must be prepared and there is also a distinct possibility that some late-paid vendors may levy interest charges on overdue bills.

Finally, uncertainty as to DNR's continued FY 80 funding has inhibited preparation for normal springtime activities such as contract negotiations for land disposal surveying. Additionally, DNR must shortly initiate preparation of lay-off lists and commence notification of employees since the Department will not be able to meet March payrolls. This procedure has not yet been started because of the demoralizing affect it would doubtless have on employees, but it cannot be delayed much longer if DNR is to live within its two-thirds funding level.

HOUSE FINANCE COMMITTEE

January 28, 1980

1:45 p.m.

All members of the Committee were present, except Representatives Duncan and McKinnon. Representative Moss arrived later in the meeting. Also in attendance: Don Kubley, Alaska International Development; Milt Rambaud, Urban Services & Housing Development Company, San Francisco; John Crandall, Administrative Assistant to Chairman Meekins; Milt Barker, Fiscal Analyst, Division of Legislative Finance.

PRESENT

Chairman Meekins called the meeting to order and announced the Committee would hear a presentation on the Japanese Investment Council.

JAPANESE
INVESTMENT
COUNCIL

Don Kubley read a statement explaining Alaska International Development, whose interest is in renewable resources in Alaska. (See handout attached.) He then introduced Milt Rambaud from San Francisco.

Mr. Rambaud advised the program was created by Japan to address the balance of payments problem. Concerned the United States will reduce Japanese imports, he stated, the Japanese government has ordered its banks to invest in U.S. secondary markets at low interest rates. He explained the term "Japan, Inc.", a phrase coined by a Fortune Magazine author. It describes, he stated, a "trinity" composed of the Japanese government at the top, Japanese banking at the left corner and Japanese business and industry on the right.

In discussing eligibility requirements, Mr. Rambaud advised credit is based on yearly bond rating. He noted five banks and one savings and loan in Alaska qualify. There was discussion on loan terms. Representative Montgomery asked if there is an early pay-back penalty, and Mr. Rambaud responded he didn't know, but that the threeyear moritorium is discretionary.

[Representative Moss arrived at this time.]

During further discussion, Chairman Meekins noted general obligation bonds have to go to a vote of the people. In answer to a question, Milt Barker advised the Governor has set a GO bond ceiling of \$275 million, and the bond rate is 5.6%. The question of GO bonds having to go to capital projects--not housing--was also discussed.

It was brought up that perhaps Mr. Rambaud could talk directly to Alaska Housing Finance Corporation. Mr. Rambaud indicated AHFC does not meet the eligibility requirement of a minimum of \$10 million in assets.

Representative Rogers asked about the loan fee, and Mr. Rambaud replied it is a three-point loan fee. He explained the "yen-bond".

In conclusion, Mr. Rambaud stressed he does not represent the Japanese government and has nothing to do with underwriting, but simply accepts the loan applications and submits them to the Japanese. He called the program "politically expedient".

Chairman Meekins advised he and Representatives Rogers and Freeman would confer with legal staff and follow-up on this matter with Mr. Kubley.

The meeting adjourned at 2:25 p.m.

ADJOURN

Tape HFC 80-9 Side 1 #154 - #778

CORRECTION

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

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ADJOURN

Tape HFC 80-9 Side 1 #154 - #778



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- Industrialized Housing
- Aid - World Bank Loans
- International Housing Projects

GUARANTEED PERFORMANCE HOUSING PRODUCTION CONTRACTS

To: Joint Senate - House Finance Committee
Alaska Legislature

USHDC has recently been appointed a subcontractor by Intercounsel, Inc., of Shiba Park, Toykyo, Japan, to originate Yen-Bond loan applications (States, Counties, Boroughs, Cities, etc.) or Federally insured lenders with deposits of \$100,000,000 or more.

The minimum acceptable loan request is Ten Million Dollars based upon a loan ratio of 10 to 20% of a lenders deposits, or a Moody's rating in the case of a government agency.

A typical loan commitment would read as follows:

LOAN AMOUNT: \$10,000,000 and up

INTEREST RATE: 7.5%

TERM: 13 year, quarterly amortization with
first three years deferred if requested.

POINTS: 3 point fee

100% emission to borrower.

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Urban Services Realty & Investment Company

Urban Services and Housing Development Co.

The Housing Action People

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- International Housing Projects

**GUARANTEED PERFORMANCE
HOUSING PRODUCTION
CONTRACTS**

Joint Senate - House Finance Committee
Alaska Legislature
Page 2

Loan is made in US dollars and repayment is made in US dollars. Japanese government guarantees the amount and interest to the originating bank via a document called a Yen-bond. The standard processing time will approximate 60 days for commitment, 90 funding.

Call Milt Rambaud at the above address for information.

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FOREIGN HOUSING: Where It's Really At!?

Could a balmy South Pacific country provide opportunities for a REALTOR® from Anchorage to develop 1,500-2,000 homes? Read further to learn the answer.

The housing market in the United States has long ago been only a replacement housing market. There are very few, if any, who have yet to live in their first house. Yet, millions of people for the first time in history have some cash to spend on debt service. Countries like Jamaica, Trinidad, Bahamas, Fiji, Tahiti, Tonga, Samoa, Philippines, Malaysia, Indonesia and all of South America and Africa are developing a working class, albeit with low salaries, who want to move into their first home.

The lack of volume housing in these countries is due to the same difficulty that the average American had in owning his own home in 1910-1920. That was, no long term loans, no low down payments.

The average home loan in many countries is 50% loan, 50% cash down, 10-12 year term, 14-16% interest, and 1-10 points, due mainly to no government guarantees and no secondary money market to buy loans.

This has been changed somewhat by the United States Congress. Congress passed a bill that enables the State Department to issue a loan guarantee of 100% of the loan amount for housing built in "developing countries." This program, along with FHA loan insurance and the IRS, is one of the few programs that actually makes money for the US Government.

The program works as follows: Mr. Anchorage REALTOR® must contact the Minister of Housing in whatever country he prefers, and present a proposal. Normally, this is a preliminary subdivision proposal similar to an FHA or Planning Commission package. This includes a preliminary master plan, working drawings of the main models and evidence of site control.

The reason for first seeking approval of the Minister of Housing of the Government of Fiji or wherever is due to the fact that the State Department, unlike HUD-FHA, deals primarily with other governments, not American citizens. Hence, the local government must first approve a project and request the U.S. Government loan guarantee. The investment to this stage will range \$4,000-25,000 depending on the size of the project.

Once the local government has approved a project, the next step is to present the same package with the final drawings to and accompanied by local government housing staff, to the U.S. Embassy. The Embassy has real estate and other technical staff from the nearest Agency for International Development (AID) mission complete their review

of the proposed project. (Not every Embassy has an AID mission.) If it is approved, or modified and approved, the U.S. Ambassador then forwards it to the State Department in Washington, D.C., with his recommendations for approval. A final review and requested changes are then completed. The document known as "Housing Investment Guarantee Loan Certificate" is issued to a lender, usually a large savings and loan in

continued on page 8



Milt H. Rumbaut is a former acting chief of real estate for the Dept. of Housing and Urban Development in the regional office, San Francisco and Deputy Chief, Redevelopment & Land Marketing Branch, Housing Assistance Administration, HUD, Washington, D.C. He has been a "turn-key" developer of over 6,000 housing units since leaving HUD.

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Foreign

continued from page 7

the Chicago area. They then deposit their funds (usually several S & L's participate in the loan) with the New York Federal Reserve Bank, acting as an agent for the State Department, and the first hard dollars arrive in the country of your choice. If it's a \$20,000,000 project, usually \$5,000,000 is the first increment.

As the contractor (frequently the developer who wants a construction job) starts 50-60 homes, the local bank, usually an American bank such as Chase Manhattan, Bank of America, FNCB or 1st National of Chicago, inspects the construction and signs the Notice of Completion. The construction loan is paid off, and the buyer moves in and takes over the loan.

The buyers are restricted to nationals of the country in which the project is located. Americans cannot buy the homes. Since local labor and materials are quite inexpensive and U.S. building technology sharply reduces the time to complete a house, the prices range from \$8,500-15,000. While this is not a large house, it does shelter people in a decent, safe and sanitary home. The average profit margins are 10-15%, less than the Anchorage market, but it is multiplied by 1,500 to 2,000 homes.

Why should a country approve your project? First, it costs the local government nothing. Second, you bring in \$16-18,000,000

spent on materials and labor. You create jobs on site, on the docks, in trucking, materials, concrete firms and so on. Thirdly, without spending one nickel the government takes credit, with your help, for providing the housing. You generally become most welcome in the halls of the local government.

The only requirement of the government is that they must agree to repatriate the dollars on the loan. That is, if a loan is made by Chicago First Federal Savings & Loan, the country must let the loan payments go back to Chicago 1st Federal.

The loan becomes attractive to many U.S. bankers and is, in fact, restricted to FHA approved mortgagees. The loan rate is set by law at one (1) percent higher than the FHA single family rate; FHA rate is 8.5%, hence, foreign rate is 9.5%; usually 24 year term, 90% of sales price and no foreclosure problems to worry about. Our State Department, in essence, pays U.S. bankers in the case of a foreclosure. Therefore, a lender has a guaranteed 9.5% yield with no risk.

This is so attractive to U.S. bankers that I have lenders that will commit hundreds of millions to this program, yet only a few builders - developers - REALTORS® are taking advantage of this program. There are numerous successful projects throughout the free world. Most developers come from the Washington, D.C. Miami and Texas area.

Fiji, Tonga, Philippines, Jamaica, Bahamas, anyone???

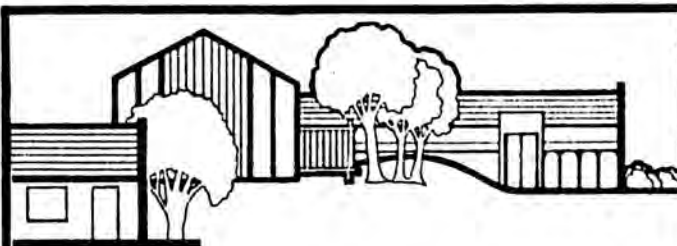
RESSI COURSE, LUNCHEON PLANNED

The Real Estate Securities and Syndication Institute (RESSI) will conduct a class entitled Advanced Techniques in Real Estate Syndication at the Captain Cook Hotel December 5 through 9.

Featured instructors for the class are Harris Lawless, past president of RESSI, and Alan Parisse, chairman of RESSI's Education Committee. Parisse was in Anchorage in August to teach a mini-course in the syndication of single family dwellings. Both Lawless and Parisse are experienced syndicators and are on the RNMI instructing circuit.

Prerequisite to taking this class is the completion of RESSI Course #1. Openings have been expanded from 20 to 40. Contact Ken Gain or Kingston Peters for more information.

A RESSI luncheon at noon on December 8th at the Cook is open to the public. Both Lawless and Parisse will speak, and Ken Shaw says that it will be of interest to investors, attorneys and CPAs. Call Ken at Dynamic for lunch reservations and information.



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Anchorage, Ak 99501
Phone (907) 276-7816



Camille Davis

"For art sake"

RESUME

Milt Andre Rambaud

Emphasis on Banking, Saving & Loan and Mortgage Co. Management

Education and Training

Completed High School in San Mateo, California, in three years. Attended College of San Mateo as a Real Estate and Insurance major, Seattle University as a Real Estate and Insurance major and also at San Jose State University. Real Estate instructor and student at University of Maryland, Army Education Division; various courses at San Jose State University Graduate School. Completed all Real Estate courses required by State of California, Department of Education for degree in Real Estate.

SREA, Principles and Techniques of Residential Appraising.

SREA, Numerous Economic and Appraisal Courses.

Course I. School of Mortgage Banking, Wells Fargo Bank Head Office.

Chamberlin Real Estate School at age 17.

Course II. School of Mortgage Banking, Mortgage Bankers Association.

SREA, Principles of Multi-Family Appraising.

Twenty-seven (27) workshops or seminars on underwriting, construction inspection, economic analysis, etc., taught by the Department of Housing and Urban Development, Federal National Mortgage Association or Federal Housing Authority personnel.

Faculty member at University of Maryland, Overseas Division; College of San Mateo, University of California. Taught all real estate courses required for degree in Real Estate.

Experience

Trust real estate property manager, Trust Department - Wells Fargo Bank Head Office.

Loan Officer and appraiser, Great Western Savings & Loan, Redwood City, California.

Vice President and Chairman of Loan Committee, City Mortgage Co., San Mateo, California.

Executive Vice President and Chief Executive Officer, City Mortgage, Co., San Mateo, California.

Real Estate Officer, Department of Housing and Urban Development, San Francisco, California.

Acting Chief of Real Estate for eleven western states, Department of Housing and Urban Development, San Francisco, California.

Deputy Chief, Redevelopment and Land Marketing Branch, Housing Assistance Administration, D.H.U.D., Washington, D.C.

President, Urban Services and Housing Development Company, San Francisco, California.

Actively engaged in real estate finance, underwriting, loan originations, economic analysis, development and secondary loan sales since majoring in Real Estate in college.

RESUME

Milt Andre Rambaud

Page Two.

Professional Affiliations (Past and Present):

Member and Director, Land Executives Association
Member, National Association of Housing and Redevelopment Officials
Member, Society of Real Estate Appraiser
Member, Mortgage Bankers Association
Member, Savings and Loan League
Associate Member, California Home Builders Association
Member, California Association of Real Estate Teachers
Associate Member, National Association of Realtors (formerly youngest
licensed real estate salesman in California)

Present Employer

Urban Services and Housing Development Company has been a "turnkey" developer for local and international firms and individuals who developed over 8,000 units of homes or apartments throughout the free world.

I also have set up and run construction camps.

I have construction management expertise as well as extensive construction inspection experience.

I have secured millions of dollars of federal grant or bid contracts for suppliers and construction firms. This consulting area has been the urban services part of the firm.

Southeast Alaska Empire, Juneau, Alaska, Tuesday, January 29, 1980 —PAGE FIVE

Japan offers \$500 million in loans to Alaska banks

By The Associated Press

Fearful of repercussions stemming from an unfavorable trade balance, Japan is peddling \$500 million in low interest loans to the state of Alaska and a few banks.

The money is part of \$12 billion a consortium of Japanese banks has offered to lend U.S. banks and low-risk state governments at 7.5 percent interest, which is well below the U.S. prime rate, according to a proposal outlined before the House Finance Committee Monday.

The loans would be for 13 years, and a three-year deferral of payments would be allowed, although interest would continue to be compounded.

The proposal was outlined by Milt Rambaud, whose San Francisco-based Urban Services and Housing Development Co. has been hired by the Japanese to make presentations to groups in several Western states.

Rambaud said the loan program, which he termed "politically motivated," was ordered by the

Japanese government. Japan's nearly 4,000 banks were required to participate in the program, which got underway about four months ago, he said.

"Politically they (Japanese officials) are hoping the U.S. government will soften its push to limit imports," Rambaud said. The three-year deferral on loan payments would help reduce the balance of payments for that time period.

U.S. officials have been calling for a reduction in Japanese imports. The U.S. trade deficit with Japan is projected to reach \$32 billion in 1980.

Large banks and state and municipal governments that are considered good credit risks are being offered the money, Rambaud said. Only four Alaska banks, one savings and loan company and one credit union would be eligible, he said, because a minimum of \$100 million in deposits is required.

A government's eligibility will be based on its bond rating. Rambaud said the state of Alaska, and the municipalities of Juneau, Anchorage and Valdez probably would be eligible.

HOUSE FINANCE COMMITTEE

January 29, 1980

1:40 p.m.

(Tape HFC 80-9, Side 2 #001)

All members of the Committee were present. Representative Duncan arrived later in the meeting. Also present were Legislative Finance Division Fiscal Analysts Bob Schroeder, Bob Grogan, Alison Elgee, Dave Scott, and Jay Hogan; Glenn Akins, Dem Cowles, Ernst Mueller, Deena Henkins, W. A. Publiconer, and Dale Vallington, Department of Environmental Conservation; Tom Bergstrom, Robert LeResche, Frank Rue and Jeff Haynes, Department of Natural Resources; Ron Lind and Bob Steele, Department of Transportation & Public Facilities; Charles Campbell and Roger Lange, Department of Health and Social Services (Division of Corrections); Rick Barrier, Alaska Court System; and Ron Lehr, Division of Budget and Management.

PRESENT

Chairman Meekins called the meeting to order and said the Committee would receive testimony from the agencies concerning HB 577.

HB 577

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

Chairman Meekins explained this bill provides the additional funding for those agencies that were "short funded" last year. He advised the bill contains only the amount they were short funded, and no additional supplemental requests. He said any additional supplemental appropriation requests will be looked at very closely as he didn't want this bill to turn into a "Christmas Tree" type bill.

Chairman Meekins said the first agency the Committee would hear from would be the Department of Natural Resources. He commented the Committee is aware that the Department is in a "tight spot" right now and needs the supplemental to be passed as quickly as possible.

Natural
Resources

Chairman Meekins briefly explained why these agencies were short funded last year. He said before passing the supplemental, the Committee wanted to be sure legislative intent had been complied with.

Chairman Meekins asked if the Department had complied with the legislative intent in their budget. Commissioner LeResche said they had, with one exception. Representative Rogers said they did not comply with that intent because the money was not included in the FCC budget. He commented there is a supplemental bill in the Resources Committee to cover this.

Concerning reorganization, Commissioner LeResche stated that all their land classifications are done by the district offices (see attached transcript).

Representative Meekins said he thought there might be support for fully funding the Department of Natural Resources FY 80 budget except for the Division of Lands. He commented on the problems the Legislature has with the Division of Lands. Mr. Bergstrom advised they have disposed of 500 acres of land and will get 500 more out in June. He said they have followed closely the letter of intent that came out with the land disposition bill which listed the areas and acreage that should be disposed of. He said they created some controversy in areas that didn't want land disposed of. He said they are working with legislators to make adjustments in the statutes to solve problems that have come up. There was general discussion on when the Legislature had intended to have the land distribution start -- in this fiscal year or the next one.

(Representative Duncan arrived at this time.)

Mr. Haynes agreed there have been problems with some particular disposals. He said part of that was because of the time frame they had to work under this year. Chairman Meekins said there are still problems with the land issue, but he feels a willingness on the Department's part to cooperate. He said there have been some real problems with remote parcels and land out there that has not yet been classified. Representative Freeman commented on the frustration he has felt in dealing with the Department on the land issue for the past two years.

Representative Schaeffer asked if the amount under fire protection would be enough to pay the bills due to the fire in Delta last summer. Mr. Berstrom responded that the Department spent in the neighborhood of \$4 million on fires last year, which gave them a deficit of \$3.4 million. He said they were able to cover some of that by taking funds that would have lapsed last July 1; but for fires after July 1 he said they had no money at all and there were no funds available from the Disaster Relief Fund. He advised that in order to pay the bills they were under a Disaster Proclamation in order to fight fires. He explained the only source they had to get revenue to pay the fire fighters was to arrange for the transfer of \$1.2 million from the Agriculture Revolving Loan Fund. What they did was place the first \$1.2 million in loans and sell them to the Department of Revenue to get the funds to fight fires. Commissioner LeResche explained that essentially what they did was borrow the funds from the Department of Revenue. Chairman Meekins advised the funds to repay the Agricultural Revolving Loan Fund are not in HB 577, but are in another supplemental bill. There was further discussion. In answer to a question from Representative Rogers, Commissioner LeResche explained the only reason they could get the funds from the Agriculture Revolving Loan Fund was because they were under a Disaster Proclamation.

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Representative Schaeffer asked what the situation was on the Beaufort Lease Sale. Commissioner LeResche advised all the leases have been issued and all the bonus money has been collected and put in the bank. The State court did not grant an injunction, so the State went ahead and sold them. He advised on the Federal side, which includes the federal leases and most of the disputed land, they took bids, decided which ones to award, but last week a Washington D.C. judge said they could not award those leases. He advised the Department of Justice is going to go back in to try and get them to stay that order. He commented there is a real chance the federal sale will be invalidated. There was discussion on the suit.

Chairman Meekins requested that Representatives Smith and Freeman make a recommendation to the Committee as soon as possible on the Department of Natural Resources portion of this supplemental appropriation.

Commissioner LeResche commented the Oil and Gas Conservation Commission is still under his Department and they are "really hurting" financially. There was brief discussion. In answer to a question from Representative Rogers, Commissioner LeResche said he doesn't know when their report will be coming out. Chairman Meekins requested that Representatives Rogers and McKinnon look into this specific question and make recommendations to the Committee on what to do in this bill for the oil and gas Conservation Commission.

Commissioner LeResche commented that all funding for the land dispositions was segregated. Chairman Meekins commented they might want to hold that appropriation up in order that the rest of the appropriation will be passed.

(Tape Change -- HFC 80-10, Side 1)

Chairman Meekins said the next agency to testify would be the Division of Corrections. Chairman Meekins commented there was only one piece of legislative intent in this budget which was that the Division more fully utilize space in Alaskan institutions before using institutions outside. He asked if that intent had been complied with. Mr. Charles Campbell, Division of Corrections, said they have complied with the intent of the intent as completely as possible. He said they have not complied with the numbers in the intent. He said the intent was that they utilize their own facilities before sending prisoners "outside" to federal prisons. He commented they do still have a large number of prisoners outside -- approximately 162. He advised that immediately after meeting with Chairman Meekins last April they did a survey on who was out of state, and brought back those they could confine in the state. He said they ran out of appropriate people to bring back and bed space in the state at the same time. They have not been able to go below 150 people.

Corrections

CORRECTION

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

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Corrections

Mr. Campbell commented on the number of prisoners in the various facilities. He said they have fully utilized all the bed space in Alaska's prison system. He said they have approximately 790 prisoners today, while they had approximately 725 prisoners when they testified before the Committee last April. Chairman Meekins commented this is approximately a 10% increase.

Chairman Meekins said he is very satisfied with the Division's effort to comply with the legislative intent. He asked what the Division's financial situation was. Mr. Campbell said he didn't think they would have any serious problems if this appropriation bill was passed by mid-February. He said that after that they would begin having some cash flow problems. He advised that in addition to this short funding supplemental, they are requesting another supplemental. Mr. Roger Lange advised that if they receive this 25% funding they will be in good shape for the present. He said the other supplemental request is for \$2 million. He briefly explained their financial situation.

There was brief discussion on the Ridgeview facility. Chairman Meekins asked how many of the 790 prisoners were women, and Mr. Campbell said approximately 30.

Representative Rogers advised that although it is not mentioned in this bill, there was also one area of the University of Alaska budget that was short funded. He requested that the bill be revised to include \$750.0 general funds and \$50.0 program receipts in the statewide services, data processing area of the University budget. There was discussion on the Legislative Intent added by the Free Conference Committee.

University

"This component has been funded at 75% of the level authorized by the Legislature. The University shall provide information on its implementation of new accounting/reporting procedures for compliance with state accounting procedures to the Legislative Budget & Audit Committee prior to the convening of the 1980 Session. When the Budget and Audit Committee is satisfied with the compliance program of the University, it shall advise the House & Senate Finance Committees of the need for a supplemental appropriation to meet the authorized budget level."

Mr. Scott advised he had just received a letter from the University transmitting a letter from Internal Auditor Dick Smith, which stated the University is in compliance. He said he intended to bring this to the Budget & Audit Committee's attention at their next meeting (this coming Friday). There was further discussion.

Representative Rogers advised the Committee of several problems with the University of Alaska's budget and pointed out several mistakes made when the budget was approved which he thinks should be rectified. Chairman Meekins said he thinks they are all reasonable requests, but he would like them to be addressed in a normal supplemental appropriation bill. Representative Rogers concurred, and said the only item that should be included in HB 577 was \$827.7 for Statewide Computer Operations. Chairman Meekins directed that a Committee Substitute be drafted incorporating that change.

Finance
CS to be
Prepared

Chairman Meekins said the next agency to be heard from would be the Department of Transportation & Public Facilities. Mr. Hogan presented a copy of the Department's response concerning compliance of legislative intent (see attachment). Mr. Lind briefly explained some of the statements made in that response. Chairman Meekins requested a copy of the report mentioned by Mr. Lind when discussing implementation of Chapter 168, SLA 1978 (intent on page 4 of attachment). Mr. Lind will provide copies of this report to Committee members.

DOT/PF

(Tape change -- HFC 80-10, Side 2)

There was brief discussion on the Yukon River Feasibility Study. Representative Rogers expressed dissatisfaction over the amount of time it took to get this study underway.

Representative Schaeffer asked what the status of the capital project for airport lighting was. Mr. Lind said they propose to use money on a pilot project for one airport. He commented that any kind of light beacon would have to be FAA approved, and FAA has stated they are not going to approve strobe lighting for any certified carrier. Representative Schaeffer said he could not understand why the Department was giving federal regulations as a reason for not complying with legislative intent, when they have been specifically directed in the budget to go ahead with this project. Mr. Lind said he is preparing a report at Mr. Hogan's request on airport lighting, and he will provide it to all committee members.

Mr. Lind advised the Committee that if this appropriation bill is held up too long, they will have major problems in the Marine Transportation area. He said they have already had problems, and commented they have not been able to pay Risk Management the total amount of insurance they owe. He said their problems are partly due to the short funding, but are also due to the rising fuel costs. He advised they will need a supplemental appropriation to cover that.

Representative Duncan asked if this was the only area of cost over-runs and Mr. Lind said it was not. He said they will also be having cost over-runs in the Repairs component, and they are talking about a personal services supplemental.

Representative Meekins commented on why they short funded the Court System budget last year. He said their budget was worked on over the interim, and he advised the Committee the report done by law student Judith Penero was very favorable to the court system. Chairman Meekins asked if the Court System was having any cash flow problems, and he asked what kind of supplemental they will be requesting. Mr. Rick Barrier said he believes their cash flow will be adequate for about another month and one-half. He said the only supplemental they are requesting is in the capital area for the Kotzebue remodeling project. There was discussion on the Court System budget.

In answer to a question from Chairman Meekins, Mr. Barrier advised that two or three weeks ago they began a project where they are bringing in judges from the Fairbanks, Juneau, Bethel areas for the next four months to help Anchorage get caught up. He said Anchorage now has an approximate two year delay in civil court. There was brief discussion. Chairman Meekins advised he has introduced a bill to increase the number of judges in Anchorage.

Chairman Meekins said the next agency to testify would be the Department of Environmental Conservation. There was brief discussion on the Department's compliance with legislative intent. Chairman Meekins commented the reason this Department was short funded was because of the land issue problem and agency regulations. Chairman Meekins requested Representatives Freeman and Smith to check into this and make a recommendation to the Committee.

Mr. Dem Coles, Department of Environmental Conservation, said that when the land issue problems arose, \$600 million was associated with the Department of Environmental Conservation (DEC) and it had nothing to do with DEC. Deena Henkins said DEC's only legal concern regarding subdivisions was to review them for suitability on lot sewer disposal. She said of the amount quoted, only \$20 million was for water and sewer. She said DEC doesn't review water systems, they only review for sewer. She advised they have reviewed approximately 50 state subdivisions, and of those they have denied approval to none. She said about 15 were conditionally approved.

Representative Freeman commented it appears he is being "whipsawed" between DEC and the municipalities, and asked how he can find out who is giving him the run-around. Ms. Henkins said DEC should be able to tell him what they have said to a person on any land that has come to them for review. There was brief discussion between Representative Freeman and Ms. Henkins.

Mr. Coles advised there are running into some cash flow problems, but they do not intend to close any offices. He said he believes they will be able to just "squeak by" the next payroll period.

The meeting adjourned at 4:00 p.m.

ADJOURN

Tape HFC 80-9, Side 2 #001 to end
HFC 80-10, Side 1 #001 to end
Side 2 #001 to end

HOUSE FINANCE COMMITTEE
January 29, 1980

** Partial Transcript of Meeting **

[Chairman Russ Meekins; Commissioner Robert LeResche, Department of Natural Resources; and Representative Brian Rogers]

MEEKINS: . . . Any reorganization done by the Department shall provide for local field office involvement in the decision making process, you've done that?

LERESCHE: I'm not sure who had the idea first. We fully agree with it, in fact, now ~~all~~ our land classifications are done by the district offices.

(unclear)

ROGERS: Mr. Chairman, I think that was a piece of intent that I moved. On future land disposals then, the district offices will be making the decisions on which land was offered?

LERESCHE: No. They will be making the land classifications which are the basis of whatever happens next, but the decisions will be continued to be made by this committee we have, which includes (unclear). It's just not possible to meet a statewide quota by letting four different people make their own decisions (unclear).

ROGERS: Unless you told these districts 'this is your quota, now confine yourselves (unclear)'

LERESCHE: But the problem is there (unclear), I don't think we would have a balanced program in the state if we left the absolute decision to the regions.

SCHAEFFER: Speak up please.

LERESCHE: You might end up with 100,000 acres of remote homesites if that's what they all felt like they wanted to do, and we have to have a balanced statewide land disposal. So therefore no, we're not giving them any absolute authority to choose which acres to dispose of.

ROGERS: But you are, to the largest extent possible, letting them be involved with the Committee?

LERESCHE: Yeah, that's right. They're the ones who form this committee that advises us and we make the final decision together.

* * *

DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES

Transportation Category

Administration

Commissioner's Office

Intent: The refusal by the Legislature to move certain CIP positions into this year's appropriated operating budget does not abolish those CIP positions.

Response: Positions not abolished.

Intent: Alaska's competitive bid statute, AS 37.05.230, requires competitive bidding for purchase contracts. There is no requirement that contracts pursuant to which the State earns money, including concession contracts, be subject to the requirements of that section. The Legislature does not find it necessary to grant additional power to the Commissioner to renegotiate concession contracts at public facilities. He already has the power, unrestricted by AS 37.05.230 to so negotiate.

Response: No reply required.

Intent: The Commissioner of Transportation shall ensure that the provisions of AS 19.10.170(B) and AS 35.15.010(B) are implemented by the Department and shall report on the implementation of these provisions in the Departmental budget submission to the second session of the eleventh Alaska State Legislature.

Response: On May 14, 1979 Commissioner Ward appointed a Task Force (3 members from Department and 3 members from industry) to develop an implementation plan that maximizes amount of contracted services without jeopardizing the ability of the Department to provide high quality cost-effective improvements. The DOT/PF has been working and cooperating with the Task Force in deriving a mutually acceptable solution.

DOT/PF has agreed to a goal of between 2.5% and 3.0% of total annual CIP program for fiscal year 80 to be accomplished by consultants for transportation projects. This relates to approximately 20% of all preliminary engineering for highways, aviation, and harbor projects. Design contracts are being advertised and agreements negotiated at the present time. (See Attachment A)

Intent: The FY 1980 operating budget for the Transportation Department has been approved by the Legislature as shown in the FCC column of the Free Conference Committee Report on the budget. However, in this act the fiscal year budget has only been 85% funded. The Legislative Budget & Audit Committee will prefile for introduction in the second session of the 11th Legislature a supplemental appropriation to provide full funding for the Transportation Department programs at the level budgeted by the Free Conference Committee.

Response: Department is operating under the assumption that additional funding will be approved.

Attachment #2

1/29/80

Maintenance & Operations

Administration

Intent: The Department shall reimburse the Alaska railroad not to exceed \$390,000 for operating loss to the railroad due to the railroad's provision of Whittier shuttle service 2 trips daily in summer and 2 trips 3 days a week in winter for a total of 224 days of rail service. The Department shall analyze the level of service provided and make recommendations for the provision of adequate permanent train service to Whittier in the FY 1981 budget.

Response: An agreement was reached with the railroad on July 15, 1979 for provision of the service. We are reimbursing the railroad on a quarterly basis in response to billings in accordance with the agreement. Our budget request includes funding for the reimbursement in FY 1981. Planning and Research will select a consultant the week of December 18th who will make an analysis and recommendation by March 1, 1980 regarding permanent train service to Whittier.

Marine Transportation

Administration

Intent: The Division shall include with the FY 1981 budget submitted to the Legislature an estimate of the cost to enlarge the Kake terminal and dock to equip it for mainline ferry service.

Response: Total estimated amount is \$400,000 and it is explained in the 1981 budget.

Intent: The Division shall include with the FY 1981 budget submitted to the Legislature an analysis of improvements in Southeast ferry service that would result from construction of a road from Sitka to Rodman Bay.

Response: The 1981 budget request contains the required analysis.

Intent: The Division of Marine Transportation shall implement the recommendations made in the Legislative Audit Reports on Personnel Aspects (July 28, 1977 - November 6, 1977) and on the Steward's Department (July 1, 1977 - February 15, 1978).

Response: Implementation has been accomplished and is explained in the 1981 budget.

Southeast Region Operations & Maintenance

Highways

Intent: The Region shall include with the FY 1981 budget submitted to the Legislature an estimate of the cost of building a road from Sitka to Rodman Bay.

Response: Preliminary Engineering	\$ 4,826,000
Construction (Incl. R/W & Utilities)	64,344,000
Subtotal	69,170,000
Contingencies @ 15%	10,376,000
Estimated Total, 1979	\$ 79,546,000

Should be increased by approximately 10% per year into future.

Intent: Included within the appropriation for Southeast Region Highways is \$40,000 for winter maintenance of the Thorne Bay/Klawock Road. If ferry service for Thorne Bay can be economically substituted, these funds may be used under a Reimbursable Services Agreement to fund winter ferry service to Thorne Bay.

Response: Marine Highways has found winter ferry service to Thorne Bay not feasible. Southeast Region M & O awarded a contract for the road maintenance and it is being accomplished.

Central Region Operations & Maintenance

Highways

Intent: The Division shall conduct an initial reconnaissance study for a road in Anchorage from Northwood Street to 44th Avenue along the Alaska Railroad right-of-way.

Response: The Municipality of Anchorage has completed a reconnaissance study of this area and they are forwarding a copy in the near future.

Interior Region Operations & Maintenance

Airports

Intent: Included within the appropriation for Interior Region airports is \$4,500 to be paid to air taxi operators as a supplemental grant to fund private delivery of mail to the Cosna-Wien Lake area.

Response: Public announcements are being prepared to notify the residents of the Cosna-Wien Lake area that funding is available for private mail delivery and that we will be advertising for proposals for a carrier to pick up and transport the mail of those individuals who authorize the carrier to obtain their mail from the Nenana Post Office. Area residents will be requested to sign a formal request and authorization at a public meeting to be scheduled. Four thousand five hundred dollars worth of trips with a light aircraft will be scheduled when a significant number of residents have requested and authorized private delivery of their mail.

Highways

Intent: Twenty thousand dollars is included in personal services to pay two temporary maintenance personnel for three months service each based in Central, Mile 127 Steese Highway.

Response: One-half of the authorization was utilized the summer 1979. The second half will be utilized in the summer of 1980.

Fairbanks International Airport

Security

Intent: Japan Airlines plans cargo flights landing in Fairbanks starting in May and Korean Airlines may land cargo/passenger flights later in the year. Should these added flights require increased security, the Department may process a revised program for additional funding or request a supplemental appropriation next year.

Response: No increased security has been required to date.

General Government Category

Public Facilities Design & Construction

Construction

Intent: The FY 1980 operating budet for the Transportation Department has been approved by the Legislature as shown in the FCC column of the Free Conference Committee Report on the budget. However, in this act the fiscal year budget has only been 85% funded. The Legislative Budget & Audit Committee will prefile for introduction in the second session of the 11th Legislature a supplemental appropriation to provide full funding for the Transportation Department programs at the level bud-geted by the Free Conference Committee.

Response: Department is operating under the assumption that additional funding will be approved.

Facilities Planning & Research

Procurement Policy

Intent: Chapter 168, SLA 78 fiscal note authorized 6 general fund positions and was reduced to 3 GF positions by the Governor. The Legislature is allowing three new GF positions in procurement policy which were also established by Chapter 168 but as CIP positions. Conversion of these 3 positions to general fund complies with the original intent of the fiscal note to establish a total of 6 GF positions.

Response: No additional action required.

Intent: Governor's column position count incorrect; should read 30 PFT/360 man-months.

Response: No additional action required.

Intent: The sum of \$1,375,300 of this allocation to Procurement Policy to continue the implementation of Chapter 168, SLA 1978 and to provide for condition surveys and physical inventories of communities with populations in excess of 125 persons is available immediately upon approval of this act in accordance with AS 01.10.070(C). The unencumbered, unexpended balance of the \$1,375,300 allocation shall lapse into the general fund June 30, 1980.

Response: The project mandated by Chapter 168/78 is underway, 41 reports have been completed, 115 are still, or will be, under contract. July 1981 is the anticipated completion date of the entire project.

Intent: The Division of Facilities Planning and Research shall include with the FY 1981 budget submitted to the Legislature schematic drawings and cost estimates for a health center at Tenakee.

Response: Currently advertising for an A/E Design Consultant, utilizing an RSA from Health & Social Services of \$3,400, to provide the schematic and cost estimate.

Intent: In implementing Chapter 168, SLA 1978, the Department of Transportation and Public Facilities shall develop a proposal for the use of combined facilities by State agencies including changes necessary to agency policies and procedures. The Department shall present its report to the second session of the eleventh Legislature.

Response: The Division of Planning and Research has contracted with the firm of Peat, Marwick, Mitchell and Company to conduct a "Combined Facilities Study" to test the feasibility of the State's pursuit of shared facilities among State agencies and with federal and local governments. Funding for this study is from the Public Facilities Planning Fund in the amount of \$70,000. The project schedule calls for an initial presentation of findings and preliminary recommendations by January 28, 1980, with the final report due to the State by February 11, 1980. See Attachment B for a copy of the Consultant's Scope of Work (Appendix A to the contract).

Research and Development

Intent: Governor's position count in error; should read 18 PFT/216 man-months. Governor's analysis should read 16 positions for CIP projects, not 17.

Response: No additional action required.

Office of the Deputy Commissioner

Intent: Governor's position count should reflect 36 man-months.

Response: No additional action required.

Public Facilities

Maintenance & Operations, Western

Intent: Governor's position count in error; should reflect 3 permanent full-time and 4 temporary positions.

Response: No additional action required.

Communications

Support to State Agencies

Intent: Governor's position count in error; should read 35 permanent full-time and 3 temporary positions, 438 man-months.

Response: No additional action required.

Intent: The accountant position and all expenses of the wideband link system authorized in the Division of Communications budget shall be funded through program receipts, beginning in fiscal year 1981.

Response: No action required for fiscal year 1980.

Intent: The sum of \$3,000 in the allocation for Communication, support to State agencies, is for maintenance of the television translator at Tok for which the Department of Transportation and Public Facilities shall provide proper maintenance.

Response: The translator is privately owned. Item 59 of the Attorney General's Review of Riders on FY 80 General Appropriations Bill, May 17, 1979, which was the appendix Governor Hammond's June 1, 1979 letter to the President of the Senate and the Speaker of the House, comments "This rider has no legal force or effect." However, in the past this maintenance item has been handled by the Alaska Public Broadcast Commission through their community grant program. We have arranged to implement an RSA for the \$3,000 with APBC for this purpose.

Telecommunications

T.V. Demonstration Project

Intent: Funds for this component are all general fund.

Response: No action required.

Intent: The appropriation for the Television Demonstration Project in the amount of \$2,553,900 -- FY 1980 full funding -- was determined as follows: \$2,248,900 RCA tariff; \$55,000 uplink charges; \$127,000 State maintenance of mini-transmitters; and \$123,000 overhead maintenance of the Television Demonstration Project. The sum of \$250,000 for the tape delay center and \$200,000 for a management services contract have been deleted from this component's FY 1980 budget.

Response: Program in operation using this funding information as a guide.

Intent: During 1980 the Department of Transportation and Public Facilities shall actively seek alternatives to open-ended State subsidization of television. The Department should report to the second session of the eleventh Legislature on what alternative may be available, including combined use of private and public funds, 'pooling' of users of television services, and any other alternatives which would tend to reduce the State's participation without substantially reducing services.

Response: The Planning Group is working with the Department of Education on an instructional TV feasibility study which will include recommendations on sharing of costs by public and private users. Recommendations, as appropriate from this study, will be included with DOT/PF's report to the Legislature.

Intent: The Department should determine whether any major television network will soon be relaying its programming by use of a satellite available to Alaska, and the extent to which such a development might aid in the reduction of costs to public and private users of television services.

Response: Consideration of this possibility will be included in a report covered in the preceding intent.

Intent: It is the intent of the Legislature that the sum of \$2,553,900 -- FY 1980 full funding -- appropriated for the Television Demonstration Project be used to cover television service and maintenance for at least the following communities: Anchorage, Fairbanks, Juneau, Bethel, Ambler, Anaktuvik Pass, Cape Pole, Chitina, Emmonak, Gambell, Holy Cross, King Cove, Kipnuk, Larsen Bay, Mekoryuk, Noatak, Nulato, Old Harbor, Perryville, Pilot Point, Point Hope, Savoonga, Shageluk, Shungnak, St. Paul, Tatitlek, Tenakee Spring, Sitka, Ketchikan, Cordova, Petersburg, Kotzebue, Valdez, and Kodiak, Nome, Wrangell, Barrow, Dillingham, McGrath, Yakutat, Kiana, Kivalina, Noorvik, Nuiqsut, Ft. Yukon, Sand Point, Unalaska, St. George, Kake, Whittier, Angoon, Wainwright, Point Lay, Kaktovik, Tanana, Unalakleet, Sleetmute, Skagway, Hydaburg, Koliganek, Selawik, Grayling, Seward, Togiak, Anvik, Hughes, Kalag, Telida, Mt. Village, Port Heiden, Stoney River, Koyukuk, Haines, Hoonah.

Response: The following communities are now receiving service: Anchorage, Fairbanks, Juneau, Bethel, Ambler, Anaktuvik Pass, Cape Pole, Chitina, Emmonak, Gambell, Holy Cross, King Cove, Kipnuk, Larsen Bay, Mekoryuk, Noatak, Nulato, Old Harbor, Perryville, Pilot Point, Point Hope, Savoonga, Shageluk, Shungnak, St. Paul, Tatitlek, Tenakee Spring, Sitka, Ketchikan, Cordova, Petersburg, Kotzebue, Valdez, Kodiak, Nome, Wrangell, Barrow, Dillingham, McGrath, Yakutat, Kiana, Kivalina, Noorvik, Nuiqsut, Ft. Yukon, Sand Point, Unalaska, St. George, Kake, Whittier, Angoon, Wainwright, Point Lay, and Kaktovik.

The following communities are ready for service except for FCC license: Selawik and Grayling.

The following communities are the responsibility of APBC. Equipment bid has been awarded and licenses applied for, however; some communities may not be in service by the end of FY 80. Late implementation of service may result in tariff requirements being less than anticipated. The communities are as follows: Unalakleet, Sleetmute, Koliganek, Togiak, Anvik, Hughes, Huslia, Port Heiden, Telida, Mountain Village, Stoney River, Koyukuk, Skagway.

Television service is being received by Hydaburg. Only earth station will be provided by APBC and is on order.

Television service can be received in Haines after FCC license is received.

Earth station bid invitation is out for the community of Hoonah.

The community of Tanana has not given its approval for proceeding with the installation of television service in that area. The APBC has the funds.

State Equipment Fleet

Administration & Support

Intent: State Equipment Fleet Approval is required prior to agencies' use of private enterprise for vehicle repairs and servicing.

Response: The Department of Public Safety is the only agency which is authorized to obtain servicing and repairs from a private vendor on a routine basis for wet rental equipment. This authorization is explained in Policy and Procedure 29-0701. On an emergency or other very limited basis users may obtain private servicing for wet rental equipment. The State Equipment Fleet has classifications of equipment on its inventory called dry rental and non-rental vehicles on which the users are authorized to obtain their own servicing. Prior to assignment to the classification of dry or non-rental status a determination is made that it would be more advantageous for the user to control the maintenance of the vehicle. This should be considered as authorization for the user to obtain private enterprise servicing of the equipment. The State Equipment Fleet's October 6, 1979 inventory indicates a fleet of 291 dry rental and 708 non-rental vehicles. Most of these units are located in areas of the State where we do not have Fleet personnel.

We feel that the procedures now in effect require and provide for prior approval by the State Equipment Fleet before private enterprise services may be used on state owned equipment.

Intent: The State Equipment Fleet in the Department of Transportation and Public Facilities and the Department of Administration shall jointly establish policies and procedures regarding the use of private vehicle leases to help ensure costs to the State of providing equipment services are minimized.

Response: On October 15, 1978, State Equipment Manual 29-1101 established general rules and regulations regarding the use of leased vehicles. Additional leased vehicles Policy and Procedures were issued as follows:

29-1102 Authority to Lease Form
29-1103 Costs and Usage
29-1104 Delivery and Return and Marking

It is believed that DOT/PF State Equipment Fleet is fully following legislative intent on private vehicle leases.

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

OFFICE OF THE COMMISSIONER

POUCH 2 JUNEAU 99811
(TELEX 45 320)

December 27, 1979

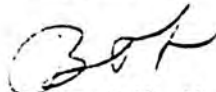
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Jay H. Hogan, Director
Legislative Finance Division
Legislative Affairs Agency
Pouch WF
Juneau, AK 99811

Dear Mr. Hogan:

Enclosed is the Department of Transportation & Public Facilities' status report on compliance of legislative intent which was requested in your memo of July 13, 1979.

Sincerely,



Robert W. Ward
Commissioner

Enclosures

HOUSE FINANCE COMMITTEE
January 31, 1980
1:50 p.m.

All members of the Committee were in attendance, except Representative Duncan. Also present: John Crandall and Mike Doogan, Administrative Assistants to Chairman Meekins.

PRESENT

Chairman Meekins called the meeting to order and referred to Mike Doogan's memorandum of January 31, 1980 (Attachment 1) on the State's loan program and revenue bonding authority. He briefly covered the four points the Committee would be addressing.

REVIEW OF
HFC TOPICS
TO BE
CONSIDERED
THIS YEAR

Chairman Meekins then reviewed a list of subjects (Attachment 2) that would be brought up for consideration before the Committee this session.

The alcoholism program, Chairman Meekins advised, looks to be about a \$14 million package, which includes not only treatment but education and evaluation. He added he has worked on this program for the past few years, and it is most important to him. Representative Moss commented he was interested in the legislation making it a felony for a person to sell liquor to a minor. Chairman Meekins said he is aware of this and noted it has passed the Senate.

Discussing the "rainy day" account, Chairman Meekins advised he will soon be drafting a bill--and looking for sponsors--that would put six-month's operating expense into such an account. Representative Montgomery asked who would have the authority to expend from this account. Chairman Meekins stated it would require a declaration of emergency by the Governor and would have to be ratified by two-thirds of the Legislature. He advised his thought is to make it tough, but not impossible to break into--unlike the permanent fund.

Chairman Meekins advised they are working on ways to improve the Health and Social Services budget so there would not be so many supplementals coming in each year.

Chairman Meekins discussed monitoring the Alpetco contract. Representative Rogers indicated he, too, feels this is a good idea.

Commenting on the litter/recycling bill, Chairman Meekins advised it is currently in House State Affairs and that a study is being done to see if it is economically feasible.

The meeting adjourned at 2:10 p.m.

ADJOURN

Tape HFC 80-11 Side 1 #001 - #470

January 31, 1980

TO: Rep. Russ Meekins, Chairman
House Finance Committee

FROM: Mike Doogan

SUBJECT: Loan program/revenue bonding authority work plan

Pursuant to our discussions on the state's loan programs and revenue bonding authorities, I am proceeding on the following work plan.

1. Work with the Department of Revenue to establish link deposit policies for state deposits to include use of money for loans, rates of interest and other terms.
2. Except for housing and small business loans, fund all state loan programs through direct appropriation of general funds.
3. For housing and small business, establish a revenue bonding authority that can access both the taxable and tax exempt revenue bonding markets. For taxable bond financed loans, work out a rate subsidy mechanism through appropriation and/or program receipts from existing loan portfolios where possible.
4. Establish legislative approval thresholds for all revenue bonding authorities so that the legislature must approve issuance of bonds over a certain amount.

January 28, 1980

MEMO TO: Rep. Russ Meekins, Chairman
House Finance Committee

FROM: Mike Doogan

SUBJECT: STATE LOAN PROGRAMS/REVENUE BONDING AUTHORITIES

This memorandum discusses four types of options for legislative action on the state's loan programs and revenue bonding authorities (outlined on pages 5 through 9).

The assumptions used to test these options are:

- (a) the state should, wherever prudent, leverage capital from other sources;
- (b) the state's loans/bonds should be put on a sound financial footing and insulated, insofar as possible, from fluctuations;
- (c) policy decisions on loans/bonds should be made, as a part of the appropriations power, by the legislature.

THE CURRENT POLICY

The first option to be discussed is a continuation, without substantial modification, of the current policy. Accompanying memoranda from Alexander Hoke of the House Research Agency and Milt Barker of Legislative Finance show the number and type of state loan programs/revenue bonding authorities and their levels of activity.

For loans, the current policy clearly runs counter to assumptions on leveraging, insulation and policy making.

Leveraging: As Barker's figures show, most loans made in the last year have been financed, on a dollar for dollar basis at lower than market interest rates, by the general fund. The interest rates alone make sale of these loans by the state difficult. If sale is possible, it will be at a substantial discount (i.e. sale of a \$60,000 loan made at seven percent will yield, in today's market, a maximum of \$30,000). For this reason, such loans are termed "illiquid".

Insulation: The state's two largest volume loan programs (Alaska Housing Finance Corporation and veterans' loans) have

been closed as much as they have been open in the past year. Although they both have been affected by a single event (the introduction of the Ullman bill), there is no guarantee that this event will subside in the next year or that similar events will not occur. Continued manipulation of the tax-exempt bond market could wipe out the state's ability to make loans except through continued investment of general funds.

Policy making: Loan policy is being made either by non-elected officials or by the governor. Since the vast majority of state loans are financed by the general fund, the commissioner of revenue has control of what type of loans are made. Secondly, the commitment of general funds to loans puts them beyond the control of the legislature since the loans are illiquid. Finally, even if, as an example, AHFC can return to the tax-exempt market, loan policy will be made by a non-elected board.

For revenue bonds, the current policy clearly runs counter to assumptions on insulation and policy making.

Insulation: Revenue bonds are issued by the state primarily to get the benefit of tax exempt rates of interest (i.e. cheap money). But, the tax exempt market is subject to four types of risk. First, Congress or the Internal Revenue Service may change the rules. Second, the Federal Reserve System may change the rules. Third, bond market forces may change the rules. Fourth, a state revenue bonding authority may default. Unfortunately for the state's housing loan programs, Congress has changed the rules, with chaos being the result. The trade-off is simple: the benefit of cheap money is coupled with the risk of changing rules.

Policy making: Since revenue bonds do not involve an explicit claim against the state's credit, they are issued by independent agencies. Policy for these agencies is made by independent boards or by non-elected administration officials. This may be a case of the legislature giving something for nothing, since default by a revenue bonding authority would most likely result, as it did in New York City, in financial problems for the state.

INTEGRATED REVENUE BONDING/LOAN PROGRAM AUTHORITY

One option for change from the current policy is the creation of a single, integrated revenue bonding authority. An example of such an authority is found in SS SB 1, but the integrated authority discussed here is somewhat different.

Simply put, the authority would be responsible for issuing all state revenue bonds. Bond proceeds would go for whatever purpose was stated in the prospectus for a particular issue: housing loans, commercial loans, industrial development loans and so forth. Insofar as possible, this authority would access the tax-exempt market. But in cases where the purpose of the bond did not fit the tax-exempt market, taxable bonds could be issued. The problem this would create is an increase in the

interest charge to the consumer, since the market charges higher rates for taxable bonds than for tax-exempt bonds.

Money received from bond sales would then be allocated to the appropriate program. These programs could either be left where they are or consolidated into a single agency.

This option would meet the test of the leveraging and insulation assumptions, but not the assumption on policy making.

Policy making: Again, because revenue bonding carries no pledge of state credit, an independent authority would be necessary. It may be possible to have this authority run by state officers. But, despite the power such an authority would have over the state economy, policy would be made by non-elected officials.

SPLIT REVENUE BONDING AUTHORITIES

A second option is to create separate revenue bonding authorities. The first would issue tax-exempt bonds for purposes allowed by the IRS. The second would issue taxable bonds for purposes not included under tax-exempt definitions. Another option for this second category is to appropriate or otherwise provide general funds rather than issuing taxable bonds.

Unless provision for administrative transfer is made, this would not be as flexible as the previous option. Thus, insulation may be a problem. If appropriation is used to fund non-exempt programs, then leveraging is foregone.

Finally, the policy making assumption is unmet by any revenue bonding plan.

INTEREST/PRINCIPAL EQUALIZATION ACCOUNT

A third option is to appropriate annually to an account which would equalize interest rates on loans made by private financial institutions.

This would work as follows:

A borrower would apply for a loan. If the loan were accepted at a market rate of 12 percent, the equalization account would pay to the institution the difference between 12 percent and whatever interest rate the legislature deems appropriate, say nine and a half percent.

Another option for this account would be to use it to equalize principal payments as well.

This would work as follows:

A borrower would pay 25 percent of his disposable income for his loan. The equalization account would pay the balance. This would equalize access to loan money regardless of income.

Leveraging: Such an approach would increase the ability of private financial institutions to develop outside lines of credit. With a mix of public and private money, a sliding scale of leveraging, based on the borrower's ability to pay, would be established.

Insulation: There are fluctuations in private market capital flows. But, by reducing risk and insuring market rates of return to the private lender, an equalization account would avoid all but the most severe private market fluctuations.

Policy making: This device supplies clear lines along which the legislature can make policy. The legislature would first set the annual loan total by its appropriation to the equalization account. It could further segregate the account by loan type, thereby annually directing the flow of money to certain sectors of the economy.

SUMMARY

Any of the four options listed allows leveraging to some extent. But, leveraging is a two-edged sword. Too much leveraging, or leveraging from an unsound base, increases the risk of default. Either of the two more centralized reserve bonding options would increase control of the revenue bonding process, as would the equalization account option.

None of the options rules out income fluctuations. This simply cannot be done, since the causes of the fluctuations are outside the state's control. But these options can minimize fluctuations to a greater or lesser extent.

As long as the legislature allows non-elected officials to dispose of non-appropriated income, then policy will be made by those officials. Although revenue bonding can be limited to a level approved by legislative resolution, this is not a particularly tight system of control. Only through direct control of funding levels is the legislature likely to regain control of loan and bonding policy.

OPTION #1: THE CURRENT SITUATION

Program Options

1. For veterans and business loans:
 - a. the legislature funds the revolving loan funds by appropriation;
 - b. the commissioner of revenue funds the programs through discretionary investment of general funds.
2. For housing loans:
 - a. the legislature funds AHFC through appropriation;
 - b. the commissioner continues to finance AHFC;
 - c. the commissioner buys directly from private financial institutions;
 - d. AHFC accesses the taxable bond market
3. For all loan programs:
 - a. leave rates and terms as they are;
 - b. alter rates and terms
4. For revenue bonds:
 - a. the legislature limits, either by total or by series, the amount any authority can issue without approval from the legislature;
 - b. some revenue bonding authorities continue to bond without reference to the legislature

Problems

1. The state continues to tie up, on a dollar for dollar basis, general funds in fixed return assets.
2. The control of loan/bond policy continues to reside with non-elected officials.
3. The importation of Outside capital through the tax-exempt market continues to be unstable.

OPTION #2: INTEGRATED REVENUE BONDING/LOAN PROGRAM AUTHORITY

Program Options

1. For bonds:
 - a. management by state bond committee
 - b. other state officers
 - c. independent board
2. For loans:
 - a. loan decisions by bond issuers
 - b. independent loan committee
 - c. operating officers
3. For loans:
 - a. use existing programs
 - b. centralize programs
4. For loans:
 - a. leave rates and terms as they are
 - b. alter rates and terms
5. For oversight
 - a. bond limits by resolution
 - b. large-scale loans by resolution

Problems:

1. The control of loan/bond policy continues to reside with non-elected officials.
2. Without direct subsidy, loan rates set by bond market charges.

OPTION #3: SPLIT REVENUE BONDING AUTHORITIES

Program Options

1. For bonds and loans:
 - a. bond authority (tax-exempt) for industrial and commercial purposes plus bond authority for housing that can issue taxable bonds;
 - b. bond authority (tax-exempt) for industrial and commercial purposes plus direct appropriation/surplus investment for housing
2. For bonds:
 - a. management by state bond committee
 - b. other state officers
 - c. independent board
3. For loans:
 - a. loan decisions by bond issuers
 - b. independent loan committee
 - c. operating officers
4. For loans:
 - a. use existing programs
 - b. centralize programs
5. For loans:
 - a. leave rates and terms as they are
 - b. alter rates and terms
6. For oversight
 - a. bond limits by resolution
 - b. large-scale loans by resolution

OPTION #3: Con't.

Problems:

1. The control of loan/bond policy continues to reside with non-elected officials.
2. Without direct subsidy, loan rates set by bond market charges.
3. Under 1 (b), dollar for dollar use of state general fund for loans.

OPTION #4: INTEREST/PRINCIPAL EQUALIZATION ACCOUNT

Program Options

1. Appropriation applies to:
 - a. interest only
 - b. principal and interest
2. Subsidy is for:
 - a. all loan programs
 - b. certain loan programs
3. If (b), then how are others funded.
4. Level of annual subsidy.

Problems

1. Setting criteria for qualifying programs, subsidy levels.

STATE LOAN PROGRAM

PROGRAM DESCRIPTION

ALASKA STATUTE CITATION

DEPT. OF COMMERCE & ECONOMIC DEVELOPMENT

Alaska Commercial Fishing & Agriculture Bank	44.54.010	--	44.54.250
Business & Industrial Development Corporation	10.10.010	-	10.10.220
Act Small Business Loans	45.95.010	-	45.010.080
Tourism Revolving Fund	45.90.010	-	45.90.040
Commercial Fishing Loan Act	16.10.300	-	16.10.370
Child Care Facility Revolving Loan Fund	44.33.240	-	44.33.275
Fisheries Enhancement Loan Program	16.10.500	-	16.10.620
Historical District Revolving Loan Fund	45.98.010	-	45.98.070
Residential Care Facility Revolving Loan Fund	44.33.320	-	44.33.380
Water Resources Revolving Loan Fund	45.86.010	-	45.86.060
Health Care Providers Insurance	21.88.010	-	21.88.900
Alaska Power Authority	44.56.010	-	44.56.240
Alaska World War II Veteran's Act	26.15.10	-	26.15.170
Alaska Industrial Development Authority	44.61.010	-	44.61.220
Alaska Housing Finance Corporation	18.56.010	-	18.56.210
Alaska State Development Corporation	44.59.010	-	44.59.450
Small Business Development Corporation of Alaska	44.60.010	-	44.60.390
Alaska Economic Disaster Impact Fund	37.11.100		
Alaska State Housing Authority Revolving Fund	18.55.300	-	18.55.380
Alternative Technology & Power Resource Revolving Fund	45.88.010	-	45.88.040

DEPARTMENT OF EDUCATION

Scholarship Loans and Tuition Grants	14.40.751	-	14.40.806
Memorial Scholarship Revolving Loan Fund	14.40.810	-	14.40.845

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Water Supply and Sewerage Systems Fund	46.03.030		
Coastal Protection Loans	30.25.220	-	30.25.280

DEPARTMENT OF NATURAL RESOURCES

Alaska Agricultural Loan Act	03.10.10	-	03.10.60
Alaska Renewable Resources Development Fund	37.11.010	-	37.11.040
Alaska Renewable Resources Permanent Fund	37.11.050	-	37.11.090
Alaska Renewable Resources Corporation	37.12.10	-	37.12.125

DEPARTMENT OF REVENUE

Alaska Municipal Bond Bank Authority
Gas Pipeline Financing Authority

44.58.005 - 44.58.420
44.55.010 - 44.55.200

Mike,

A more thorough analysis will follow
early next week. If you have questions
regarding this listing, please give me a
call.

Alexander H. H. H.

3993

LOAN FUND	STATUTORY AUTHORITY	BOND OUTSTANDING (\$000)	LOANS HELD BY FUND (\$000)	TOTAL LOANS OUTSTANDING (\$000)	# LOANS IN FUND	# OUTSTANDING LOANS	% DELINQUENT 90 or more DAYS		DATE
							\$	#	
Division of Business Loans									
Commercial Fishing Revolving Loan Fund	AS 16.10		681.5	55,473.6	N/A	832	.25	.72	12-31-79
Small Business Revolving Loan Fund	AS 45.95		251.5	79,922.6	N/A	536	4.80	4.85	12-31-79
Tourism Revolving Loan Fund	AS 45.90		830.5	18,757.6	N/A	35	1.19	5.71	12-31-79
Child Care Facility Rev. Loan Fund	AS 44.33		27.7	106.6	N/A	23	-0-	-0-	12-31-79
Water Resources Revolving Loan Fund	AS 45.86		2,500.0	2,500.0	N/A	5	-0-	-0-	12-31-79
Fisheries Enhancement Rev. Loan Fund	AS 16.10		-0-	5,175.0	-0-	7	-0-	-0-	12-31-79
Residential Care Facility Rev. Loan Fund	AS 44.33		-0-	-0-	-0-	-0-	-0-	-0-	12-31-79
Historical District Revolving Loan Fund	AS 45.98		-0-	126.8	-0-	1	-0-	-0-	12-31-79
Alternative Technology & Power Resource Revolving Loan Fund	AS 45.88		-0-	-0-	-0-	-0-	-0-	-0-	12-31-79
Veteran's Revolving Loan Fund	AS 26.15		9,246.9	279,933.0	277	5,849	2.01	1.98	12-31-79
Agriculture Revolving Loan Fund	AS 03.10		7,287.9	9,698.7	245	274	2.00	10.58	12-31-79
Scholarship Revolving Loan Fund	AS 14.40		23,781.0	23,781.0	14,651	14,651	N/A	18.7	6-30-79
Memorial Scholarship Revolving Loan Fund	AS 14.40		10.4	10.4	13	13	-0-	-0-	6-30-79
Housing Development Revolving Loan Fund	AS 18.100.020		-0-	-0-	-0-	-0-	-0-	-0-	12-31-79
Senior Citizens Housing Development Fund	AS 18.100.070		-0-	-0-	-0-	-0-	-0-	-0-	12-31-79
Outdoor Recreational, Open Space, & Historical Properties Development Fund	AS 41.22		-0-	-0-	-0-	-0-	-0-	-0-	12-31-79
Temperate Social Activities Rev. Loan Fund	AS 44.47.320		-0-	-0-	-0-	-0-	-0-	-0-	12-31-79
Medical Malpractice Liability Rev. Loan Fund	AS 21.88.210		1,500.0	1,500.0	1	1	-0-	-0-	1-15-80
Power Project Revolving Fund	AS 44.56.170		6,320.0	6,320.0	9	9	-0-	-0-	1-15-80

Attachment 1

LOAN FUND	STATUTORY AUTHORITY	BONDS OUTSTANDING (\$000)	LOANS HELD BY FUND (\$000)	TOTAL LOANS OUTSTANDING (\$000)	LOANS IN FUND	OUTSTANDING LOANS	% DELINQUENT 90 or MORE DAYS	DATE	
Disaster Relief Fund	AS 44.19.171		-0-	-0-	-0-	-0-	-0-	-0-	12-31-
Alaska Economic Disaster Impact Fund	AS 37.11.100		-0-	-0-	-0-	-0-	-0-	-0-	12-31-
SUBTOTAL			52,437.4	483,305.3	15,186	22,226			
Alaska Small Business Development Corp.	AS 44.60	473.1	313.8	313.8	17	17	7.5	23.5	1-15-
Alaska State Development Corp.	AS 44.59	2,290.0	962.0	962.0	9	9	-0-	-0-	1-15-
Alaska Housing Finance Corp.	AS 18.56	591,060.0	496,643.9	496,643.9	8,782	8,782	N/A	.59	11-30-
Alaska Renewable Resources Corp.	AS 37.12	-0-	1,142.0	1,142.0	8	8	-0-	-0-	1-15-
Commercial Fishing & Agriculture Bank	AS 44.54	-0-	-0-	-0-	-0-	-0-	-0-	-0-	12-31-
SUBTOTAL		593,823.1	499,061.7	499,061.7	8,816	8,816			
Alaska Gas Pipeline Financing Authority	AS 44.55	-0-	-0-	-0-	-0-	-0-	-0-	-0-	12-31-
Alaska State Housing Authority	AS 18.55.300	135,180.9	1,200.6	1,200.6	365	365	-0-	-0-	12-31-
Alaska Medical Facility Authority	AS 18.26	12,000.0	12,000.0	12,000.0	1	1	-0-	-0-	12-31-
Alaska Power Authority	AS 44.56	-0-	-0-	-0-	-0-	-0-	-0-	-0-	12-31-
Alaska Municipal Bond Bank Authority	AS 44.58	42,990.0	39,100.0	39,100.0	22	22	-0-	-0-	12-31-
Alaska Industrial Development Authority	AS 44.61	50,000.0	49,900.0	49,900.0	5	5	-0-	-0-	1-15-

-609-

Attachment 1

<u>LOAN FUND</u>	<u>STATUTORY AUTHORITY</u>	<u>BONDS OUTSTANDING (\$000)</u>	<u>LOANS HELD BY FUND (\$000)</u>	<u>TOTAL LOANS OUTSTANDING (\$000)</u>	<u>LOANS IN FUND</u>	<u>OUTSTANDING LOANS</u>	<u>% DELINQUENT 90 DAYS OR MORE \$</u>
SUBTOTAL		<u>240,170.9</u>	<u>102,200.6</u>	<u>102,200.6</u>	<u>393</u>	<u>393</u>	
TOTAL		<u>833,993.0</u>	<u>653,699.7</u>	<u>1,084,567.6</u>	<u>24,395</u>	<u>31,435</u>	

N/A Means Not Available

Prepared by Legislative Finance
1-29-80

-110-

1-31-80

Medicine
ALCOHOLISM

- Kelso
- Cole

✓ RURAL TRANSPORTATION

- Parker, Harmon
- Bush Caucus

✓ LOAN PROGRAM

- Doogan

✓ REVENUE BONDING AUTHORITIES/DEVELOPMENT MECHANISMS

- Doogan
- Belden Daniels

Porcero
✓ SURPLUS INVESTMENT AUTHORITY

- Doogan

✓ PRIVATIZATION MECHANISMS/DIRECT DISTRIBUTION

- Belden Daniels

Med
✓ RAINY DAY ACCOUNT

✓ RURAL COMMUNICATIONS/TWO WAY T.V.

- Rural Newscoverage
- Statewide Newscoverage
- A.P.B.C. (Porcero)

✓ CORRECTIONS

- Supplemental
- Masterplan

✓ AGSOC

- Smith
- Tussing
- Ross

✓ HESS ESTIMATES

- I.S.E.R.

Waters
✓ LAND

- Research Co. of Alaska (Paul)
- Northeron Resource Management

✓ CAMPAIGN FINANCING

✓ ALPETCO CONTRACT MONITORING

- Baige Halsey (Swik, Plia)

✓ LITTER BILL/RECYCLING

- I.S.E.R.

HOUSE FINANCE COMMITTEE

February 1, 1980

1:45 p.m.

All members of the Committee were present, except Representative Schaeffer. Representative Rogers arrived later in the meeting. Also in attendance: Attorney General Avrum Gross, Deputy Attorney General Wilson Condon and Assistant Attorney General Rodger Pegues, Department of Law; Billy Berrier, Director, Division of Legal Services, and Legislative Auditor Gerald Wilkerson, Legislative Affairs Agency; Peter Bushre, Commissioner of Treasury, Department of Revenue. From Department of Transportation and Public Facilities: Commissioner Robert Ward; Ron Lind, Deputy Commissioner of Administration; Don Statter, Director, Harbor Design and Construction; Charles Matlock, Director, Division of Highway Design and Construction; Jon Scribner and Tom Gallagher. Also present: Representative Jack Fuller; Ron Lehr, Division of Budget and Management; John Crandall and Mike Doogan, Administrative Assistants to Chairman Meekins; Jay Hogan, Director, and Alison Elgee, Bob Grogan and Dave Scott, Fiscal Analysts, Division of Legislative Finance.

PRESENT

Chairman Meekins called the meeting to order and advised the first order of business would be HB 597:

HB 597 - "An Act making a supplemental appropriation to the Department of Natural Resources for the Iditarod Trail Race; and providing for an effective date."

HB 597

Representative Duncan moved and asked unanimous consent that HB 597 be reported out. There being no objection, it was so ordered. HB 597 was reported out with a "do pass" recommendation.

HB 597
REPORTED OUT

The next order of business, Chairman Meekins advised, would be discussion of the 88 exceptions by the Attorney General to last year's capital budget. A handout was distributed to the Committee from Jay Hogan on "Year-to-Date Capital Expenditures" (Attachment 1). Chairman Meekins noted this is otherwise referred to as the "Haugen Report".

ATTORNEY
GENERAL'S
COMMENTS ON
BUDGET
EXCEPTIONS

Mr. Hogan called attention to the pink sheets in the "Capital Budget & Summaries" book (Attachment 2), which detail the Attorney General's ruling on the capital budget items (pink sheet page 54). He briefly reviewed the year-to-date expenditures memorandum and departmental expenditure analysis. He pointed out the appropriation bill took effect in early June last year, rather than July 1, because of early adjournment.

Chairman Meekins called attention to the Governor's May 5, 1979, letter (pink page 57) to the House and Senate Finance Committee chairmen in which the Governor indicates he will not veto budget items and then the Governor's June 1, 1979, letter (pink page 45) which points out exceptions to last year's budget bill raised in a review performed by the Department of Law. He stated the Committee has invited Attorney General Avrum Gross to discuss this problem.

Attorney General Gross stated the concern raised by the Department of Law was the way money was being appropriated. He assured the Committee it was not an offhand way of vetoing items. There is no doubt as to the Legislature's authority, he said and pointed out the Department did not rule things unconstitutional but simply raised the question of the problems confronted in these areas last year. As an example, he cited one of the problems last year was an appropriation made to an unincorporated group of people, which created certain legal problems.

Chairman Meekins asked the Attorney General to comment on the exception noted in Item #9 (pink page 48). The Attorney General pointed out the Department did not suggest to the Governor that he veto nor did they direct the agencies not to appropriate to these institutions but did raise the legal question or problem. He also offered to have a member of his staff available to the Committee when it begins work on the budget.

[Representative Rogers arrived at this time.]

Attorney General Gross commented the Legislature can pass a law that says anything, but it has to establish a criteria for the grants by which the money is administered. He discussed separation of powers and stated the Legislature is attempting to administer its own laws or programs. Chairman Meekins stated the Legislature must direct and stipulate what the grant is for and who it goes to. It becomes a question of at what point do you cross the line from directing to managing, he said.

Attorney General Gross agreed the Legislature should have the power to direct--but not appropriate--the money. The problem, he stated, is the manner in which the Legislature directs it. He advised this should not be done through the budget but by law. He further commented the Legislature should not select the individuals and programs it is appropriating for to administer that

appropriation; it should be done by law. For example, he queried, who would bear the responsibility if a program were poorly administered? Chairman Meekins indicated the Legislature would take the blame if this happened.

During further discussion on separation of powers, the Attorney General stated management and execution of the law is the responsibility of the Executive branch of government. Chairman Meekins argued he feels the Legislature should have the necessary flexibility.

Representative Duncan wondered why the legal question was raised at this time. Attorney General Gross reminded the Committee the money has not been vetoed but that the legal issue was raised. He added the type of grant program (sole source contract) the Legislature proposes is something that should be addressed jointly with the Department of Law. He stated the Legislature should pass a law authorizing the agencies to deal with sole source contracts. Then, he advised, the Legislature could direct the agency to select a certain grantee.

There was further discussion on contracting outside the bureaucracy. Referring to the exception noted in Item #39 (pink page 51), Representative Freeman asked what could be done to facilitate the problem with off-system roads. Rodger Pegues answered the law on highways would have to be changed to give authority to allow for maintenance of off-system roads. The Attorney General added it is a question of amending the Non-Appropriations Act.

Representative Haugen also noted that, in the 16 years he has sat on the Finance Committee, last year was the only time the Legislature had all these problems with the Attorney General's exceptions. He stressed it needs to be worked out so that it does not happen again. The Attorney General agreed but added the question has come up since he has been here, and he assumed it had before.

Representative Moss expressed concern over lapsing of funds for projects, and Mr. Pegues replied there is no problem if they are in the capital budget.

Chairman Meekins commented, in the opinion of the Attorney General, the Legislature is constitutionally overstepping its line of authority, but he asked, how could the Legislature accomplish its goal? Attorney General Gross advised he could draft a law that would, basically, get the job done. He restated that he is

willing to have someone from Law regularly available to the Committee to assist in drafting a law that would establish the type of granting program the Legislature wishes. He added it is not his intent to obstruct but to assist, and the job can be done to the Legislature's satisfaction.

Chairman Meekins stated he appreciated the Attorney General's comments and the manner in which the exceptions questioning the constitutionality were put instead of his recommending veto. He noted the Attorney General did volunteer to address the Committee last year concerning this matter and added the Committee would take up his offer of assistance this year.

At this time, Chairman Meekins asked for comment from Billy Berrier. Mr. Berrier stated it appears the position Law is taking is almost unique in that the the Attorney General said the Legislature may only appropriate to government agencies. In discussing the question of separation of powers, he added he considers that Law's opinion places significant restriction on the powers of the Legislature.

BERRIER
TESTIMONY

Chairman Meekins commented he feels it is a fundamental right of the Legislature to make direct grants. If an appropriation were made to a non-profit corporation, he asked, and it is a question of going to court, would the Legislature win? Naturally, he stated, the Legislature would wish to avoid going to court. Mr. Berrier noted it has to be for a public purpose but stated he thinks the grant would be sustained. He added he feels it could be structured to accomplish the intent without getting into legal tangles.

There was discussion on the Legislature's use of letters of intent, which the Attorney General took exception to. Mr. Berrier pointed out they are not law. Chairman Meekins stated he feels it would create more legal problems if the Legislature should have to pass an authorizing statute each year along with the appropriation. He added he feels a direct grant is more appropriate.

HB 578 (Relating to state grants) was briefly discussed. Mr. Berrier noted this deals with grants, not contracts, and explained the difference. Representative Duncan asked if the word "person" noted in the bill were appropriate. Mr. Berrier answered yes, but that constitutionally it must be for a public purpose. On specific occasions, he stated, the Legislature does make grants to a person. As an example, he cited the case where an individual received a direct grant from the State to satisfy the moral liability resulting from flood injury after the earthquake.

HB 578

Referring to his memorandum, Mr. Hogan stated he wished to make the point that the year-to-date figures do not show any encumbrances because he felt the intent was to get cash into the economy as soon as possible in the capital budget. These figures, he stated, represent only the amounts shown on the State's account as having been paid.

Transportation Commissioner Robert Ward presented an overview of the capital improvement projects using the list provided by Mr. Hogan. He stated it was the Department's intent to get the projects out as soon as possible. There might be some projects not out, he conceded, because the Department did have some problems with certain grants, such as one that was rather vague. He added, however, they had no problem with the Legislature making grants. He indicated there might be cases where there was a conflict in statutes--where some Department people determined differently. Referring to the capital project list, he stated the Department can update this as it is not completely current. He discussed the status of bond funds commenting the Department is trying to become consistent in this.

DOT/PF
COMMISSIONER
WARD

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

Vice Chairman Freeman requested the Department update the list of capital improvement projects and provide an analysis of the bond funds.

REQUEST

Referring to a January 31, 1980, memorandum (Attachment 3) to Jay Hogan from the Department of Revenue, Vice Chairman Freeman discussed prior bond issues. Representative Haugen asked about residual money and where this is being carried. Mr. Hogan explained the cash has accumulated and is still waiting to be expended. These are not stale balances, he stated, it's just that the cash has not been called for yet (Attachment 4).

Commissioner Ward discussed the time element involved with regard to bond issues in the transportation category.

Mr. Hogan noted that, prior to 1974, projects weren't specified, and the Department may or may not have records of what those projects were for. During further discussion, Mr. Hogan cited from the statute on the most recent bond issue, Chapter 138 of 1978. Some of those monies, he stated, are more flexibly appropriated than others. For instance, he said, the bond money is really only appropriated by region, so there is a possibility of swapping projects within a region. However, he stated, they could be stepping on some prior Legislature's intent.

Representative Guy requested Mr. Hogan check to see how and for what reason the \$400,000 was expended in the 1970 authorized bond issue for Water and Sewer Construction.

REQUEST

[Vice Chairman Freeman called a recess at 3:15 p.m. and reconvened the meeting at 3:40 p.m. See verbatim transcript (Attachment 5) regarding Commissioner Ward's response on prior bond issues.]

RECESS

Representative Rogers indicated he had just had a constituent call relating to maintenance of the North Slope Haul Road. He asked how the Department is set on maintenance funds for the rest of this fiscal year and whether all stretches of the road are in the same kind of operating condition. Commissioner Ward responded the Department is at the point where it is out of funds and using other maintenance funds from the interior region for the Haul Road. He added the Department has identified money with the supplemental--roughly \$3.7 million--required to finish up the Haul Road and allow them to pay back the Interior. He commented the supplemental appropriation also envisions continuation of the contract operation on the same basis as they are on now.

Representative Smith asked if they could expect the supplemental, and Commissioner Ward replied it was thought that it was not the Administration that would request the supplemental. Representative Rogers requested the Committee be provided information indicating the size of the supplemental by Monday morning, February 4. Commissioner Ward noted the legislative fiscal analyst for transportation category may have that information.

REQUEST

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

The meeting adjourned at 3:50 p.m.

ADJOURN

HFC Tape 80-11 Side 1 #470 - End
 Side 2 #001 - End
80-12 Side 1 #001 - #685