

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2713

Projects that Could Be Advertised by October 1, 1980 con't.

April 8, 1980

WESTERN REGION

*** RS-0131(18), Nome-Teller
Hwy. 12-26

1,500,000

July or August

TOTAL

1,500,000

*** Federal Obligation After
October 1, \$1,500,000

GRAND TOTAL ALL REGIONS

\$81,322,000

* Federal \$28,064,000

** Recommended State \$26,408,000

*** Federal Obligation After
October 1, \$26,850,000

HOUSE FINANCE COMMITTEE

April 9, 1980

2:35 p.m.

All Committee members were present, except Representatives Moss and Smith. Also in attendance: Representative Joyce Munson; John Crandall, Administrative Assistant to Chairman Meekins; Jerry Schilz, Fiscal Analyst, Legislative Finance Division.

PRESENT

Chairman Meekins called the meeting to order and announced the first order of business is CSSB 394 am:

CSSB 394 - "An Act exempting the income of commercial airline flight crews from the Alaska net income tax; and providing for an effective date."

CSSB 394

Representative Rogers advised he would be making amendments to CSSB 394 incorporating HB 436 (Authorizing married taxpayers to compute and pay state income taxes in accordance with rates applicable to the returns of individuals) and HB 464 (Relating to indexing of the state income tax). Representative Rogers moved that a House Finance Committee Substitute for CSSB 394 be prepared with the following amendments:

Section 1: Section 1 of HB 464
Section 2: Section 1 of HB 436
Section 3: Section 2 of HB 464
Section 4: Section 1 of CSSB 394am
Section 5: Section 3 of HB 464; changing "by sec. 2 to
"by sec. 3"; and "December 31, 1978" to
"December 31, 1979"
Section 6: Section 2 of HB 436
Section 7: Section 2 of CSSB 384am; changing "This Act
is" to "The provisions of sec. 4 of this Act
are"; and changing "applies" to "apply"
Section 8: Section 3 of CSSB 384am and HB 436; Section 4
of HB 464
New Title: "An Act relating to state income taxes; and
providing for an effective date."

AMENDMENTS

Without objection, the amendments were adopted.

ADOPTED

Representative Duncan moved to delete Section 2 of CSSB 394am (Section 7 of the HCS). Representative Freeman objected. After brief discussion, the question was called for, and the motion failed (3 in favor; 5 opposed).

AMENDMENT

DEFEATED

Representative Rogers moved to report out a House Finance Committee Substitute for CSSB 394 as amended above with a new fiscal note. There being no objection, it was so ordered. HCS for CSSB 394 was reported out with individual recommendation.

FINANCE HCS
FOR CSSB 394
REPORTED OUT

Chairman Meekins advised the next order of business before the Committee is to take action on the fiscal notes for HB 746 (Overtime compensation under flexible work hour plan). He stated the bill is currently in Rules and was not referred to Finance, and the Committee would only be considering the fiscal notes, not the bill. Representatives Rogers and Montgomery recommended the zero fiscal note, commenting if this is voluntary, why create new positions and new cost. Chairman Meekins moved to approve the zero fiscal note. There being no objection, it was so ordered.

HB 746
FISCAL NOTE

ZERO FISCAL
NOTE APPROVED

The next bill to come before the Committee was HB 447:

HB 447 - "An Act terminating the existence of the Board of Nursing Home Administrators on January 1, 1981 and reassigning its responsibilities to the Department of Commerce and Economic Development; and providing for an effective date."

HB 447

Representative Rogers noted last year the Commerce Committee recommended this be sunsetted. After brief discussion, Representative Rogers moved to report out HB 447. There being no objection, it was so ordered. HB 447 was reported out with a "do pass" recommendation.

HB 447
REPORTED OUT

Chairman Meekins advised the Committee would continue budget closeouts with the HEALTH budget category. Representative McKinnon, subcommittee chairman, presented the overview, noting the Governor's figures were recommended in the majority of components.

HEALTH BUDGET
CLOSEOUTS

Nursing, Early Screening, p 10: Representative McKinnon advised the subcommittee allowed 10 positions, including the Public Health Nurse in Anchorage which they had originally deleted.

Communicable Disease Control, TB Control, p 14: Representative McKinnon stated the vacancy was reduced to 3%, and all 12 positions are currently filled.

Environmental Health, General Sanitation, p 24: Representative McKinnon the vacancy was reduced to 5% and travel was increased using FY 79 authorization and inflation. Representative Rogers explained why there was a request for increase in travel on behalf of Representative Moss.

Child & Family Health, Handicapped Children, p 30: Representative McKinnon pointed out \$50.0 was added back in to fully fund the YKHC otitis media program. The Department had only funded half.

Child & Family Health, Special Education Grants, p 40: Representative McKinnon noted grants was reduced by \$36.1, which is the amount of the grant of the Arctic Association for the Retarded in Fairbanks and is being funded in HB 60 as a Senate item. Representative Rogers asked if there would be objection to 1/10 of that being shown in continuation in next year's budget. During discussion, Representative Rogers moved INTENT that the continuation figure for FY 82 be based on the Governor's request for this year. There was no objection. Jerry Schilz advised new grant figure is \$314.2; new total, \$358.4. INTENT

Public Health Administration, Administration, p 51: Representative McKinnon pointed out two additions: \$15.0 for Fairbanks Breast Cancer Center and \$361.0 for Home Health Demonstration Projects in Juneau, Ketchikan and Fairbanks. He noted Anchorage has its own program.

Public Health Administration, Grant to GAAB, p 55; Public Health Administration, Anchorage Ed Programs/Handicapped, p 56: Representative McKinnon noted the grant to Anchorage is broken down into two components now. Discussion followed. Chairman Meekins moved to add in inflation. There was no objection.

Emergency Medical Services, Administration, p 61: Representative McKinnon noted a change in funding source. He said the federal cuts mainly affect Fairbanks and Southeast, and the subcommittee adopted the Governor's budget amendment that is coming in on this. Jerry Schilz provided new breakout figures: \$181.1 federal receipts; \$70.4 general fund.

Emergency Medical Services, Grants, p 65: Representative McKinnon advised this is the other change effected by the Governor's budget amendment. New breakout: \$515.8 federal receipts; \$529.1 general fund.

Public Assistance Admin/Coll, Administration, p 98: Representative McKinnon advised personal services was reduced by \$250.5. He noted there is a new Governor's budget amendment to fund the new Medicaid Payment/Information System, which created a new BRU. He explained what the budget amendment does. All the subcommittee allowed, he stated, is the \$493.0 transferring out of existing programs.

Info Systems, Data Services, p 104: Representative McKinnon noted this is where the \$242.5 is deleted that is being transferred into the new Medicaid Information System. He added the first three new positions requested were also deleted, with the intent to allow them to fund those positions out of CIP positions.

SHPDA, Health Planning & Development, p 111: Representative McKinnon advised contractual was reduced to FY 80 plus inflation.

SHPDA, Certification & Licensing, p 113: Representative McKinnon pointed out travel was reduced.

SHPDA, Health Planning Committee, p 116: Representative McKinnon advised the request for new position, Health Planner I, was deleted. He also noted travel was reduced to FY 80 plus the RP plus inflation.

Alcohol & Drug Abuse, p 121: Representative McKinnon said this was left at the Governor's figure pending the Chairman's proposal. Chairman Meekins moved his alcohol and drug abuse package (Attachment 1), stating it is slightly under \$11 million. There was no objection. Representative McKinnon indicated the subcommittee recommendation is to include intent for a grant to Ketchikan Youth Services (Malone request). After brief discussion, Representative McKinnon withdrew the request.

Alaska Psychiatric Institute, p 129: Representative McKinnon stated vacancy was reduced 2% from the Governor's figure.

Community MH Services, p 130: Representative McKinnon requested this area be addressed by the whole Committee because additions requested would put the HEALTH budget substantially over the limit.

At this time, Representative Joyce Munson made her requests (Attachment 2) and explained. Discussion followed.

p 129: Chairman Meekins moved the subcommittee recommendation plus \$150.0 (Munson request) for severely emotionally disturbed children with INTENT. There was no objection.

Representative Freeman moved his request for \$60.0 to Ketchikan Gateway Mental Health Center with INTENT for a mental health worker in the Prince of Wales Island communities of Hydaburg, Klawock and Thorne Bay. There was no objection.

p 141: Representative Rogers moved \$3579.9 (Munson request), excluding Aleutian Chain. Under grants, Chairman Meekins moved the figure \$3622.9 (Munson request for Alaska Mental Health Association) plus Representative Freeman's request of \$60.0. He indicated the request for educational programs could be done by fiscal note. There was no objection.

p 155: Chairman Meekins moved to accept Representative Munson's request increasing travel \$2.5 and contractual by \$2.7. There was no objection.

Harborview, p 145: Representative McKinnon advised the only change from the Governor's budget was an increase in the vacancy assessment.

Community DD Services, Residential Care, p 153: Representative Duncan brought up this component and asked if the money for Research, Inc. is still in the grant column. Mr. Schilz indicated it is. After brief discussion, Representative Duncan said he would have to do some more checking.

Representative Duncan brought up Children's Home for Individual Learning & Development (CHILD) and noted \$50.0 was in the HB 60 , which funds them for three months. He moved \$125.0 for CHILD for FY 81. There was no objection.

The meeting adjourned at 4:00 p.m.

ADJOURN

Tape HFC 80-40 Side 2 #800 - End
 80-41 Side 1 #001 - End
 Side 2 #001 - #772

Mutual proposal

ALCOHOL AND DRUG ABUSE

ADMINISTRATION

	<u>FY 80</u>	<u>GOV. 81</u>	<u>HOUSE</u>
PERS. SERV.	504.3	514.2	656.6
TRAVEL	79.7	78.9	208.2
CONTRACTUAL	203.5	267.0	412.9
COMMODITIES	131.1	8.0	14.2
EQUIPMENT	0	2.0	11.9
TOTAL EXP.	800.6	870.1	1303.8
I-A TRANSFER	<u> </u>	<u>6.1</u>	<u>9.0</u>
	800.6	876.2	1312.8

NEW POSITIONS

GOV -	1. CLERK TYPIST III	ANCHORAGE
HOUSE -	1. DRUG ABUSE COORDINATOR	JUNEAU
	2. UPGRADE TWO 1/2 - TIME TO FULL-TIME CLERK TYPIST II	ANCH-JUNEAU
	3. HEALTH FACILITY SURVEYOR	ANCHORAGE
	4. CLERK TYPIST III	ANCHORAGE
	5. CLERK TYPIST III	JUNEAU

ALCOHOL ABUSE GRANTS

<u>FY 80</u>	<u>GOV 81</u>	<u>HOUSE</u>
2739.3	3546.9	8720.0

No INTENT: 112.7 FOR GRANT TO KETCHIKAN YOUTH SERVICES

DRUG ABUSE GRANTS

<u>FY 80</u>	<u>GOV 81</u>	<u>HOUSE</u>
1085.3	1183.0	1183.0

minutes 4/9/80

Additions to the Operation Budget
Health

P.129 - A-

15 01 Change persons served to 7317.9

Reason:- Funding for 244.0 permanent and temporary is underfunded by \$310,633.00 for vacancy factor of 18 positions. To continue staff, should have increase of \$240,000 -- \$260,000. Staff has gone down from 260 approximately ten years ago to 244 today.

cont 03 Change from 554.9 to 804.9 and add legislative intent that \$250,000 will be for severely, emotionally disturbed children. *115000 11/10/80*

P.143 - *Common MH Lines, Common MH Services*

cont 07 Change from 2948.8 to 3748.8, include legislative intent additional funds of 397.6 to replace federal funds for Anchorage. \$100,000 *for new start in the Aleutians.*

15 P. 157 - *Common MH Lines, Common MH Services*

Travel 02 Change 4.5 to 7.0 *2.5 x 1.4*

cont 03 Change 4.7 to 7.4 *2.7*

Both are underbudgeted and this is the liason between programs. parents etc.

P. 165 - *N - Admin + Support, Central Adm. Admin*

Travel 02 Travel change 27.5 to 33.5 *6.0*

Need additional for directors to travel. *11/10/80*

P.169 - *MH Admin + Support, Common MH Services*

cont 07 Change 23.1 to 98.3 *75.2*

Legislative intent: \$68,000 - Educational Programs *Do by FN*
\$30,000 - Alaska Mental Health Association

COMMUNITY MENTAL HEALTH SERVICES
PROGRAM BUDGET FY 1981

<u>Southeastern Region</u>	<u>FY1981 Gov.'s Req</u>	<u>Letters of intent</u>	<u>Munson Recom.</u>
Sitka	77.7	77.0	77.0
Kethikan	306.2	306.2	306.2
Juneau	<u>327.5</u>	<u>327.5</u> N.C.	<u>327.5</u>
Sub Total	711.4	710.7	710.7
 <u>Southcentral Region</u>			
Dillingham	72.0	112.4	112.4
Kenai	141.7	182.4	182.4
Cordova	86.7	95.6	95.6
Homer	92.4	95.9	95.9
Copper River	69.3	66.5	66.5
Kodiak	195.8	202.0	202.0
Aniak	70.9	101.0	101.0
Anchorage	569.4	Competing 967.2A.C.M.H 569.4Municip.	967.2
Seward	98.2	98.2	98.2
Bethel	136.3	136.9	136.9
Valdez	87.2	86.0	86.0
No-Aleutian Chain	-0-	Competing 478.9 97.4 130.0	150.0
Sub Total	<u>1619.9</u>	<u>2623.0</u>	<u>2294.1</u>
 <u>Northern Region</u>			
McGrath	92.4	105.8	105.8
Barrow	109.0	193.0	160.0
Nome	119.9	112.5	112.5
TCC	114.4	135.0	120.0
Tok	93.2	93.2	93.2
Galena	93.4	98.0	98.0
Fairbanks	<u>325.6</u>	<u>380.9</u>	<u>380.9</u>
Sub Total	944.9	1118.4	1070.4

GRAND TOTALS

3276.2

-739-

4452.1

4075.24-9-80

HOUSE FINANCE COMMITTEE
April 10, 1980
9:10 a.m.

[Tape HFC 80-42, Side 1 #001.]

All Members of the Committee were present except Representatives Moss, Smith and Schaeffer. Present to testify was Bert Hall, Municipality of Anchorage.

PRESENT

Chairman Meekins called the meeting to order and said the Committee would receive further testimony on the HEALTH budget.

HEALTH

Mr. Bert Hall, Municipality of Anchorage, Behavior Health, commented that Anchorage is the only area in the state that provides core public health service. He explained core public health, and said the Anchorage health department has 22 programs. He said the State has shared in the cost of these core services in the amount of \$560.0. He said over the last years there have only been two increases in the amount the State has provided. He commented that the costs of health care have continued to rise, and the budget is currently \$2.8 million; yet, the State's share has decreased. Presently, the amount of State support is 20% for core public health service in Anchorage.

Mr. Hall said that elsewhere in the State public health services are provided by state employees. He said Anchorage is requesting 50% of their budget from the State (\$1.4 million). He commented they have very strong support from the Department of Health and Social Services in regards to the service they are providing. He requested that the Committee give strong consideration to this substantial increase in the budget.

Mr. Hall said he would also like to address the community mental health center program. He said the center is going to be very short funded this year, primarily because of a reduction in federal grants. He said the health center has reached the point where they will have to lay off people. He commented on problems the Center has had.

Mr. Hall commented the total amount available from the State for all the State's programs is only \$2.9 million, and Anchorage ends up getting only a portion of that. He commented on the local contributions to the mental health center. He said the Center gets only \$522.0 from the State. He said there is not enough money in "the state pie".

4/10/80

Representative Rogers said the Committee approved \$967.2 for Anchorage in the Health budget yesterday, which is 27% of the total of what they need.

Chairman Meekins thanked Mr. Hall for testifying.

The Subcommittee's recommendations on the EDUCATION budget were considered.

EDUCATION

Mr. Dave Scott, Legislative Finance Division, advised the Subcommittee's recommendations total \$351 million, which is a 6.6% increase over the Governor's recommendation. He said this is a 1.8% increase in general funds. He said the three largest areas of increase were Debt Retirement-Local, the Student Loan Program and Alaska Public Broadcasting Commission. He said that other areas increased included Alaska Arts Council and Pupil Transportation. He said these areas are \$9 million above the Governor, but they do have substantial cuts in other areas.

Department of Education:

Financial Support-Districts, Pupil Transportation: Mr. Scott advised the Subcommittee accepted the Department's original figure. He said the Department indicated they did not provide or support the figure the Governor recommended.

Federal Programs: In answer to a question from Representative Rogers, Mr. Scott said they didn't know yet whether federal program grants would be impacted by the President's decision to balance the budget.

Mr. Scott advised the Subcommittee accepted the Governor's budget amendments for Boarding Home Grants and State Contract Programs.

Financial Support-Other, Debt Retirement-Local: Mr. Scott explained how this had been funded in the past (80%) and advised the Subcommittee is recommending that the statute be funded at 100% this year. Chairman Meekins pointed out this is a \$5 million increase. Mr. Scott commented these funds do not go to the school districts, but to the cities/boroughs.

Fine Arts Camps: Mr. Scott advised the Subcommittee added \$15.0 for camps.

Cross Cultural Education: Mr. Scott advised the Subcommittee accepted the Governor's Budget Amendment that transferred this component to the UNIVERSITY OF ALASKA. (Discussed earlier, under University of Alaska budget recommendations.)

4/10/80

Museums: Mr. Scott advised the Subcommittee's recommendation is to accept only one of the four positions requested (position #1 in short form). He said the Subcommittee also added \$100.0 as a grant for the Agricultural Museum in Fairbanks.

State Library, Regular Operations: Mr. Scott advised the Subcommittee recommends that positions #4, 5 and 6 (in the shortform), which are funded by interagency receipts, be approved. He said the Subcommittee also reduced the equipment figure, taking only replacement equipment and library books.

Administration Program Support, Administrative Services: Mr. Scott advised the Subcommittee proposed a 1% turnover assumption.

K-12 Educ. Program Support, Educational Programs: Mr. Scott advised the Subcommittee did not accept the new positions requested.

K-12 Educ. Program Support, Career Vocational Education: Mr. Scott said the Subcommittee accepted the Governor's Budget Amendment which is totally funded with federal funds.

K-12 Educ. Program Support, Special Education: Mr. Scott said the Subcommittee accepted the new position requested and made a general reduction, using an inflationary allowance only.

Adult & Post-Sec. Support, Adult Basic Educ.: Mr. Scott advised the Subcommittee accepted the Governor's figures with the understanding there are bills in the Legislature that, if passed, could add substantial amounts of money.

Adult & Post-Sec. Support, Grants Admin.: Mr. Scott advised the Subcommittee did not allow the new positions requested.

Executive Administration, Commissioner: Mr. Scott advised the Commissioner asked for \$12.0 in travel for the additional Board meetings, and the Subcommittee cut the number of Board meetings in half.

Executive Administration, Planning Info. & Research: Mr. Scott said the Subcommittee deleted the new positions and their associated costs.

Executive Administration, Project ETA: Mr. Scott said the Subcommittee took the funds from personal services and put them in the contractual line item.

4/10/80

State Board of Education: Mr. Scott advised this is a new component to identify the State Board of Education meetings. He said the reduction is in travel for the Board meetings.

Skill Center Programs, Seward Center: Mr. Scott said the Subcommittee accepted position #5 in the short form -- custodian, and they also accepted positions #7 and #8 which are funded from other funds.

Skill Center Programs, Anchorage Center: Mr. Scott commented the Anchorage Skill Center is not yet ready -- the building has not even been started. He said the Subcommittee allowed the full time coordinator and \$100.0 in contractual for curriculum development.

Vocational Rehabilitation, Counseling & Placement: Mr. Scott said the Subcommittee recommended establishment of a Wasilla office, and included support costs for that office.

Vocational Rehabilitation, Services to Clients: Mr. Scott explained the Subcommittee reduced the grants request from the Governor's figure and added funds back in with intent that the amount of \$125.0 is for adult handicapped basic education.

Vocational Rehabilitation, Administration: Mr. Scott advised the Subcommittee made reductions in contractual services.

Vocational Rehabilitation, Employment of Handicapped: Mr. Scott advised the Subcommittee included funds for the Commission on the Handicapped.

Alaska Historical Commission: Mr. Scott said the Subcommittee reduced travel and equipment.

Alaska Arts Council: Mr. Scott said the Subcommittee increased the grant amount. He said project decisions will be made by the Arts Council. Chairman Meekins said the Subcommittee received requests from hundreds of different entities and, since they couldn't include all the requests, they decided the Arts Council should make the determination.

Public Broadcasting Commission: Mr. Scott advised the Subcommittee increased the grants figure. He briefly explained what is included in that figure. Mr. Scott said the other change was in contractual. He explained the Governor did not fund Capital 1981. He said the Subcommittee put back in \$130.0 with intent that Capital '81 be under the direction of the Commission.

4/10/80

Scholarship Loan Program: There was brief discussion on the increase.

Student Financial Aid Administration: Mr. Scott said the Subcommittee recommended approval of positions #1 (full time) and #5, 6, 7 and 8 (part time).

There was brief discussion on the overall increase and the Governor's budget limit.

The Education Subcommittee's recommendations were accepted.

The meeting adjourned at 9:55 a.m.

ADJOURN

Tape HFC 80-42, Side 1 #001 to end

4/10/80

HOUSE FINANCE COMMITTEE
April 10, 1980
1:40 p.m.

All Committee members were present, except Representatives Moss, Schaeffer and Smith. Representatives McKinnon and Freeman arrived later in the meeting. Also in attendance: Representative Hugh Malone; John Crandall and Mike Doogan, Administrative Assistants to Chairman Meekins; Director Jay Hogan, and Fiscal Analysts Milt Barker, Alison Elgee, Bob Grogan, Jerry Schilz and Bob Schroeder. PRESENT

Chairman Meekins called the meeting to order and advised the Committee would finish BUDGET CLOSEOUTS. BUDGET CLOSEOUTS

JUSTICE: Bob Schroeder indicated this was left open to add a couple of magistrates. Chairman Meekins moved the Governor's budget for the court system plus the magistrates. There being no objection, it was so ordered.

PUBLIC PROTECTION: Mr. Schroeder advised nothing was left open in this budget.

GENERAL GOVERNMENT: Alison Elgee stated the recommendation is to accept the Governor's figures for the System Services component, eliminating the EDP coordinator in Fairbanks. The Computing Services component would show a reduction of \$261.3, she advised, and reduces contractual \$177.3 budgeted as a depreciation expense and maintains the current level of accounting support.

[Representative McKinnon arrived at this time.]

In Management & Consulting Services, Ms. Elgee stated the recommendation is the Governor's figures. Representative Duncan recommended the Governor's figures in Legislative Budget.

[Representative Freeman arrived at this time.]

SOCIAL SERVICES: Referring to Adult Supportive Services Recap Sheet (Attachment 1), Representative Rogers moved the figure \$3,084.3 plus \$220.0 for the Studio Club, which he indicated was left off the list, for total of \$3,304.3. There being no objection, it was so ordered.

Representative Guy read from a handout on the Tundra Women's Coalition budget and moved to increase their grant by \$41.0. Representative Rogers objected, and discussion followed. The question was called for, and the motion failed (Guy in favor; 4 opposed).

DEFEATED

Office of the Aging, p 88, Representative Rogers moved a change in legislative INTENT to add the words "and domestic violence programs". There being no objection, it was so ordered.

Representative Rogers noted there are supposed to be some new positions in Department of Health & Social Services. He called attention to the addition of a new program in Adult Residential Care in Mental Health for \$500.0. Chairman Meekins stated he would like to amend Representative Rogers motion to one person. There was no objection.

Adventure-Based Education, p 6 - Representative Rogers moved to delete Alaska Pacific University and insert Berring Straits REAA. He explained the contract is with Alaska Pacific University, and the Attorney General has ruled this illegal because APU's religious affiliation. During discussion, Chairman Meekins admitted this is a controversial issue and that he feels the concept is good but would like to leave the contract with APU. The question was called for, and the motion failed (Rogers in favor; 4 opposed). DEFEATED

Alaska Plan, p 3, was brought up by Representative Rogers and discussed. Chairman Meekins indicated he would like to keep the recommendation of the subcommittee with a commitment to bring this up in Free Conference Committee.

[Tape HFC 80-42, Side 2, #586]

JUSTICE:

At this time, Representative Hugh Malone presented testimony on the recommendations contained in the Report of the Committee on Minority Judicial Sentencing Practices, February 10, 1980 (see handout Attachment 2). He stated there is currently a Pre-Trial Intervention program in Anchorage, and he recommends this be expanded to Fairbanks, Juneau, Kenai and Kodiak; cost would be \$348.2. At the minimum, he said, it should be expanded to Fairbanks. He commented the pre-sentencing reports need to be made uniform. He discussed costs and positions involved. He stated he recommends the number one priority, which is the position in the Public Defender's Office, as noted on page 44 of the Report. He then read an excerpt from page 44 of the Report. Representative Rogers noted the Committee denied the Attorney II and Secretary positions in Fairbanks, added the Attorney in Kenai and approved the Kotzebue and Nome positions. Representative Malone indicated the highest priority is in Fairbanks, and he recommends the Governor's request be supported by the Legislature.

[Tape HFC 80-43, Side 1, #001]

Representative Malone called attention to INTENT for the Judicial Council (Attachment 3) and explained. Representative Rogers moved the INTENT. Representative Guy moved the additional funding for FY 81 for the Judicial Council. There was no objection.

Representative Rogers moved the Attorney II and Secretary I positions in Fairbanks and the figure \$348.2. Representative Montgomery objected. Representative Rogers amended his motion to add the word "Anchorage" but not to add funds. The question was called for, and the motion carried (6 in favor).

UNIVERSITY: Representative Rogers moved an amendment to the budget that does not include money, but adds a section to the bill referring to AS 37.25.010 regarding federal receipts budgeted in Organized Research. Representative Duncan objected, stating he feels this is premature and commented on the lawsuit. The question was called for, and the motion failed (2 in favor; 3 opposed).

HEALTH: Representative McKinnon moved to increase the grant to the Municipality of Anchorage for General Health Services from \$616.0 to \$1.4 million based on Mr. Bert Hall's presentation at this morning's meeting. Representative Montgomery stated he strongly supports this. Representative Rogers moved to amend the motion to split the difference between the \$616.0 and the \$1.4 million. The question was called for, and the amendment to the motion failed. The question on the main motion was called for, and the motion carried (4 in favor; Guy opposed).

DEVELOPMENT: Representative Duncan advised the recommendation for Land Trustees is \$488.0. There was no objection.

Representative Duncan brought up Alaska Renewable Resources Corporation. Representative Rogers moved full funding at the Governor's request. The question was called for, and the motion failed. Representative Rogers moved the figure \$1 million. The question was called for, and the motion failed. Representative Rogers moved continuation level \$660.0. The question was called for, and the motion failed. Chairman Meekins stated the Committee is recommending zero, but is holding it open. Representative Freeman objected. Representative Duncan moved \$330.0. The question was called for, and the motion carried. After brief discussion, Representative Freeman moved and asked unanimous consent to recind the previous action by the Committee. There was no objection. The figure for ARRC is ZERO.

Rogers moved the amount \$1,476.1 in Office of the Governor, Renewable Resources Contingency Fund. Representative Duncan objected. Representative Rogers withdrew his motion.

FY 81 CAPITAL BUDGET: Chairman Meekins moved the Governor's figures with one change in Bottom Fish money that should come out to be consistent with the operating budget. Representative Rogers objected, then withdrew his objection. There being no further objection, it was so ordered.

CAPITAL
BUDGET

The meeting adjourned at 3:05 p.m.

ADJOURN

Tape HFC 80-42 Side 2 #001 - End
80-43 Side 1 #001 - #615

ADULT SUPPORTIVE SERVICES RECAP SHEET

Rogers
4/10/80

Existing Shelters

FY-81

AWAIC (Anchorage)	386.1
AWARE (Juneau)	250.5
WIC-CA (Fairbanks)	350.0
TUNDRA (Bethel)	150.0
BERING SEA (Nome)	154.9

New Shelters

WISH (Ketchikan)	112.5
SITKA	20.0
KOTZEBUE	62.8
KODIAK	60.0

Existing Womens Resource Centers

ALASKA W.R.C. (Anchorage)	190.0
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New Womens Resource Centers

S.E. ALASKA W.R.C. (Juneau)	85.0
S.T.A.R. (Anchorage)	89.4
ALEUTIAN-PRIBILOF	25.0
KENAI-SOLDOTNA	79.1
JUNEAU MENS PROGRAM	60.0

<u>SUB-TOTAL</u>	2075.4
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Other

ADULT RESIDENTIAL CARE (M.H.)	500.0
HERITAGE HOUSE	119.9
ADULT FOSTER HOMES	36.0
ADULT DAY CARE	100.0
DISPLACED HOMEMAKERS (Fairbanks)	253.0

<u>SUB-TOTAL</u>	1008.9
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<u>GRAND TOTAL</u>	3084.3
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Studio One *2075.4*
3084.3

*Malone
4/10/80*

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF LAW

CRIMINAL DIVISION

POUCH KC - STATE CAPITOL
JUNEAU, ALASKA 99811

April 1, 1980

The Honorable Hugh Malone
Alaska State House of Representatives
Pouch V
Juneau, Alaska 99811

Re: Pre-Trial Intervention and Diversion Project

Dear Representative Malone:

Enclosed is a notebook of materials which explain in some detail the Department of Law's present Pre-Trial Intervention and Diversion Project. Section I consists of the Project Plan for the present project that has been established in our District Attorney's Office in Anchorage through a grant from the Governor's Commission on the Administration of Justice. It includes a description of the project, the specific eligibility criteria for participation and a considerable amount of background information that may be of assistance to your staff in evaluating the project for you. Section II contains a copy of a detailed evaluation of the project which was prepared by the Criminal Justice Center of the University of Alaska at our request. Section III includes the concept paper for implementation of a statewide project which was prepared by Chris Cobb who is responsible for the daily administration of the present program in Anchorage.

While the enclosed materials should provide a complete picture of diversion as an effective alternative to prosecution in many cases, they are somewhat lengthy and I thought that it would be of assistance to you if I were to set out a brief overview of the program as well as the fiscal information you requested.

For a number of years now I have been of the view that one of the difficulties with the criminal justice system is that our laws have made too many things subject to criminal penalties and fail to differentiate between offenders on the

basis of qualitative differences in conduct. Additionally, our system has been designed to deal with offenders in only one way and that is to involve them in the system through a full blown prosecution. Consequently, many offenders have been prosecuted in the past with all of the formality that involves to a certain extent because no other alternative was available. You touched upon this problem the other day during consideration of House Bill 812 in House Judiciary. The bottom line, however, is that there are many individuals who violate the criminal laws who are not criminals in the sense that they are not caught up in a lifestyle that revolves around criminal conduct. It is simply not necessary nor productive from society's point of view to subject such offenders to the full, complicated procedures which formal prosecution involves, particularly if they can be more effectively rehabilitated through alternative procedures.

In any event, in late 1977 I submitted a grant application to the Governor's Commission on the Administration of Justice to fund an interrelated project in Anchorage that was designed to improve the level of screening and evaluation that went into our decision to file charges, to provide police agencies with an improved level of legal advice and to establish a pilot diversion project which the District Attorney's Office case screening unit could look to as an alternative to pressing formal prosecution in certain well defined cases.

The diversion program was designed to provide an alternative to formal prosecution for less serious offenses and offenders. It involves the suspension of prosecution on the condition that an offender participate voluntarily in a specific program worked up for each individual. If the rehabilitative program is completed successfully then all charges are dismissed against the offender. The project in devising rehabilitative programs has placed emphasis on restitution to victims, the development of employable skills, community work service and community based supervision as alternatives to formal prosecution. The overall objective of the project has been to achieve both a reduced rate of recidivism and a monetary saving to the criminal justice system in comparison with the costs of traditional processing through the criminal justice system. The present program, as limited as it is, has had a positive impact on the system overall, freeing resources of this department, law enforcement agencies, the Anchorage Municipal prosecutor's office, the public defender agency, the court system and the division of corrections to concentrate on more serious cases.

A primary requirement of the program is that before a case can be diverted a determination must be made that a prosecutable offense which can be proven beyond a reasonable doubt exists. This is important for two reasons: first, it is fundamentally unfair to subject anyone to either a prosecution or, for that matter, to a program of diversion unless a determination has been made by a prosecuting attorney that an offense which can be proven at trial has been committed; second, for diversion to work those cases in which an offender does not succeed and is returned to the system for prosecution must result in a conviction to set an example for all other offenders who have been given the opportunity to participate in the program.

The program also includes a series of specific eligibility criteria that define both offenses and offenders who may be considered for diversion. These criteria are included in the enclosed materials. As a general rule, only first time offenders who have committed relatively minor offenses are eligible. As the program evolved and was proven to be successful, the eligibility criteria were expanded. There remains room for further expansion but it is important to do so carefully because community acceptance is the real key to the success of the program.

The decision to allow an offender to participate in the program is initially made by the prosecuting attorney in charge of the screening of cases referred to us based on the specific eligibility requirements previously mentioned. The offender is then referred to the Associate Coordinator of the program (a non-lawyer) who must determine whether the offender is a person the program can work with and if so, then an individualized program is devised. The requirements of the program are reduced to writing, signed by the offender and subsequently filed with the court. In exchange for giving up certain rights (for example, the right to a speedy trial) and for agreeing to satisfy the requirements of the treatment plan within a specified period of time, most commonly six months, the state agrees to subsequently dismiss the underlying offense. Depending on the particular offender and the offense committed, the program may involve counselling, restitution to victims and community work service. Prosecution of the defendant is suspended ("deferred") until the defendant successfully completes the requirements of the program. If the defendant fails to comply with the requirements, the agreement is terminated and the state is free to reinstate criminal prosecution.

The benefits of the program have already been significant. First, the program has been highly successful in keeping first time offenders from further involvement in criminal

activity. As of June 30, 1979, only 18 of a total of 365 participants over the first 15 months of the project were terminated from the program for a violation of the conditions of participation. By avoiding the disillusionment and hardships which result from conviction and incarceration, by aiding offenders in finding employment, and by providing counselling, the project has been effective in discouraging recidivism. Second, the cost of formal prosecutorial proceedings, including possible appeal, are avoided. Additionally, as previously indicated one of the conditions of participation in the project is the payment of restitution to victims. During the first 15 months of the project, a total of \$70,000 in restitution was obligated out of which \$58,000 had been collected and returned to victims. Lastly, a total of 6,268 hours of volunteer work within the Anchorage community has been performed by offenders participating in the project.

From its beginning in March, 1978, the Pre-Trial Intervention and Diversion Project has been entirely funded through LEAA grant funds awarded to the Criminal Division by the Governor's Commission on the Administration of Justice. Until recently, funding was assured for the project through September 30, 1980, with a good possibility for continuation funding through June 30, 1981. However, there has been a recent reduction in LEAA funds and present indications are that funds will not be available to continue the project past the expiration of the present fiscal year. The present Grant Award under which the project operates expires on June 30, 1980, and to date we have not been successful in obtaining assurances concerning further funding.

The present project in Anchorage consists of one Associate Coordinator, two Community Counselors who we would like to upgrade to Psychological Counselor I positions, one Secretary I and one part-time Graduate Student Intern. Approximate FY '81 costs to continue the program are as follows:

Personal Services:	140.3
Travel:	2.0
Contractual Services:	18.0
Supplies & Commodities:	2.5
Equipment:	-0-
TOTAL:	162.8

To expand the project on a statewide basis would involve the addition of an Attorney III to assume responsibility for overall policy direction and supervision, an additional Associate Coordinator position to be located in Anchorage

and responsible for coordinating the program outside the Anchorage area, four paralegal assistant II positions to be located at Fairbanks, Juneau, Kenai and Kodiak and three Clerk Typist III positions to be located in Fairbanks, Juneau and Anchorage. These positions assume funding for additional non-attorney staff support already requested in the Governor's FY 81 budget submission which would be partially available for necessary support services for an expansion of the Pre-Trial Intervention and Diversion Project. Additionally, paralegal assistant positions at Juneau, Kenai and Kodiak could also be responsible for the delivery of improved victim/witness services which the Criminal Division is presently implementing through a separate discretionary grant award from the Law Enforcement Assistance Administration. Approximate FY '81 costs that would be required to expand the diversion project statewide are as follows:

Personal Services:	275.0
Travel:	21.5
Contractual Services:	25.9
Supplies and Commodities:	9.0
Equipment:	<u>16.8</u>
TOTAL:	348.2

Lastly, you requested that I indicate the anticipated budgetary increase that would be required in order to expand the Pre-Trial Intervention Project to include only the Kenai Peninsula. Assuming (1) that the Anchorage project would continue to exist as a base of support for a program on the Kenai Peninsula and (2) that our FY 81 budget request is fully funded providing additional clerical support in Kenai which could be employed in activities associated with the project, the funding which would be required is as follows:

Personal Services:	33.5
Travel:	1.5
Contractual Services:	2.5
Supplies & Commodities:	1.0
Equipment:	<u>2.0</u>
TOTAL:	40.5

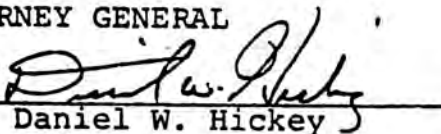
In addition to the coordination of diversion services, the position funded under this proposal in Kenai could also provide for an improved level of victim/witness services under the previously mentioned grant. For your information, I've enclosed a copy of a memorandum that describes the Victim/Witness Assistance Project which we presently have underway, as well as a sample of the kinds of materials we are trying to put together to make the criminal justice system more understandable to people.

If you have any further questions concerning our Pre-Trial Intervention Project, please let me know. I would be most happy to work with you or someone from your staff on any of the items addressed in the Report of the Committee on Minority Judicial Sentencing Practices.

Very truly yours,

AVRUM M. GROSS
ATTORNEY GENERAL

By:


Daniel W. Hickey
Chief Prosecutor

DWH:gm

Enclosures

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..INTENT

The Judicial Council should implement a system of periodic reporting on sentencing information to all courts, as well as to the Department of Law, the Alaska Public Defender Agency, and other interested institutions or persons. These periodic reports should contain at least the following information on each sentence rendered in Alaska: (1) the name of the sentencing judge; (2) the length and terms of the sentence; (3) the ethnic background of the defendant; (4) the income level of the defendant; (5) the specific offense of conviction; (6) the defendant's previous criminal history; (7) the extent of personal injury or property damage or loss; (8) whether or not a firearm or other weapon was employed in the offense; (9) the type and quantity of drug, where relevant; (10) whether the defendant was on probation or parole at the time of the commission of the offense; and (11) whether the defendant was intoxicated or under the influence of drugs at the time the offense was committed.

HOUSE FINANCE COMMITTEE

April 11, 1980

9:10 a.m.

[Tape HFC 80-43, Side 1 #615.]

All Members of the Committee were present except Representatives Moss, Smith and Schaeffer. Also present were the Legislative Finance Division Fiscal Analysts. PRESENT

Chairman Meekins called the meeting to order.

OPERATING
BUDGET

Mr. Jay Hogan, Legislative Finance Division, presented Committee members with four computer print outs summarizing the proposed House operating budget. He explained the print outs, and advised the House budget is \$4.5 million over the Governor's request. There was discussion on the budget. Chairman Meekins requested that the Analysts provide him with a list of projects that were added at the request of Administration.

[Tape change, HFC 80-43, Side 2.]

There was discussion on the number of positions added. Mr. Hogan advised the computer print out on the number of employees was not correct. Chairman Meekins requested the information be corrected.

The meeting adjourned at 9:55 a.m.

ADJOURN

[Tape HFC 80-43, Side 1 #615 to end
Side 2 #001 to 385

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HOUSE FINANCE COMMITTEE

April 11, 1980

1:50 p.m.

[Tape HFC 80-43, Side 2 #385.]

All Members of the Committee were present except Representatives Moss, Smith, Guy and McKinnon. Also present were Representatives Carney and Phillips; and Jesse Dodson, Governor's Disaster Office.

PRESENT

Chairman Meekins called the meeting to order. He appointed a Subcommittee to review the Bond Bills: Representatives Rogers, Schaeffer and Haugen.

BOND BILL
SUBCOM-
MITTEE

Chairman Meekins said the Committee would participate in a conference call with Mayor George Sullivan, Municipality of Anchorage, concerning the wind damage in the Anchorage area, and how the State might help.

ANCHORAGE
STORM

Mayor Sullivan said his office has received 976 phone calls from people in the community reporting damage to their property from the storm. Of those calls, 771 were uninsured claims. He said the amount of money for damage claims is \$3,146,600, not including damage to schools or the municipality's claims. He advised that from that amount they deducted \$326,700 in airplane damage claims, which gives a total of \$2,819,900 in claims from the private sector.

Mayor Sullivan said the Municipality's claims total \$385,000 and damage to schools is \$295,000, for a total of \$680,881.

Mayor Sullivan advised that 7% of the breakout is for Eagle River/Chugiak.

Mayor Sullivan said the question that continues to be raised is what process is going to be used to handle the problem. He suggested there were two ways to go about it. He suggested one approach would be a grant program. Under that approach the money could be appropriated directly to the municipality. He explained if this were done, they would hire an adjustor to work with the people on damage claims, and the adjustor would write up a report. He explained after a request for funds has been submitted they could issue a check within 24 hours.

Mayor Sullivan said the other approach would be a loan program. He said if this were done the money should be funneled through the Governor's Disaster Office. He explained the Municipality could not handle a loan program.

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Mayor Sullivan commented he has received calls from insurance adjustors who have indicated that if a grant program were used it would encourage people to not buy insurance, because if something happens the State or Federal government will come in and pick up the bill. He commented further.

Mayor Sullivan advised that his understanding is that the funds to pay the Municipality claim would have to go through the Governor's Disaster Office.

Chairman Meekins commented on a previous meeting between Mayor Sullivan and the Anchorage legislators.

Mayor Sullivan commented the more cautious approach would be the loan program, but it would take longer to get it implemented. There was further discussion.

[At this point the conference call was accidentally disconnected; while waiting for the call to be reconnected, Chairman Meekins suggested that Representative Duncan explain the situation at the Auke Bay School in Juneau.]

Representative Duncan advised that when the problem originally occurred the city engineer estimated it would cost \$1.5 million to correct the foundation problems. He said that since then he has received a revised estimate from City Manager Mar Winniger in the amount of \$1,750,000. He read from the Memo he received from the City Manager.

AUKE BAY
SCHOOL

Chairman Meekins asked why there is a problem. Representative Duncan explained the school was built in 1968, and after about six months of occupancy they began to notice cracks in the walls. He explained that since then the soil under the building has moved and there is a possibility that with a slight earthquake or tremor the building could collapse or sink. He explained that the students have been taken out of the school and are currently double-shifting with Glacier Valley School. There was brief discussion.

[The conference call with Mayor Sullivan was reconnected.]

Chairman Meekins asked if there was any precedent in terms of grants or loans. Jesse Dodson, Governor's Disaster Office, advised there are already small business loans in effect for the Anchorage storm. She commented if the State decides to go with a grant program, the Small Business Administration won't come in with a loan program at all. She suggested SBA would be the best mechanism for a loan program. In answer to a question from Chairman Meekins, Ms. Dodson advised that in this case SBA does do loans for personal property and they will also make loans for homes that are not covered by insurance. She said the interest rate on the loans is between 3% and 5%.

ANCHORAGE
STORM

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In answer to Chairman Meekins' question, Ms. Dodson said there is no precedent for giving direct loans.

Mayor Sullivan advised his office had been in touch with Frank Cox of the Small Business Administration, and Mr. Cox had indicated it will be several weeks before they can make their first loan, if they make any at all. He said his understanding is that the Fed's will not be making any loans. There was discussion between Mayor Sullivan and Ms. Dodson. Ms. Dodson commented that in the past the SBA has made the money available pretty quickly; she said they can move quickly when they need to.

Chairman Meekins suggested this request be held until further information was received.

[Tape change, HFC 80-44, Side 1.]

Chairman Meekins advised the Committee that he has talked with the Governor concerning the operating budget limit. There was brief discussion on the budget.

The meeting adjourned at 2:25 p.m.

ADJOURN

Tape HFC 80-43, Side 2 #380 to end
HFC 80-44, Side 1 #001 to 056

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HOUSE FINANCE COMMITTEE

April 14, 1980

1:55 p.m.

All Committee members were in attendance, except Representative Moss. Representatives Rogers and Haugen arrived later in the meeting. Also in attendance: Amory and Hunter Lovins, Energy Consultants; John Crandall, Administrative Assistant to Chairman Meekins; Director Jay Hogan and Fiscal Analysts Milt Barker, Alison Elgee, Bob Grogan, Jerry Schilz, Bob Schroeder and Dave Scott, Legislative Finance Division.

PRESENT

Chairman Meekins called the meeting to order to discuss the FY 81 BUDGET. The number of new positions was brought up. Jay Hogan advised the House budget is 106 employees lower than the Governor's budget. Chairman Meekins noted the budget would go to caucus tomorrow.

[The meeting recessed at 2:00 p.m. and reconvened at 2:45 p.m. Committee members present: Vice Chairman Freeman, Representatives Haugen, McKinnon, Rogers and Smith.]

RECESS

Representative Rogers introduced Amory and Hunter Lovins and advised they helped with the work that was done during the interim on energy conservation and alternative energy.

[Representative Guy arrived at this time.]

Amory Lovins indicated that, of the studies done on the 15 industrial countries so far, there are sufficient renewable resources to provide energy for our needs. He listed, in order of expense, the cost of various energy sources.

LOVINS
ENERGY
PRESENTATION

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

Answering questions from Chairman Meekins, Mr. Lovins indicated yes, that building any new electrical power stations at this time is uneconomical. He stated in Alaska the fuel needs are for heating homes and liquid for automobiles, and electricity is expensive when compared with oil and soft technology. He also stated it is cheaper to go with energy conservation, such as insulating houses and using more efficient appliances before considering building any more power plants. He defined "soft technology" as active and passive solar heating, wind power, etc. He gave examples of how alternative energy sources could be used in Alaska, such as wind power in Nome and solar energy in the rail belt.

Representative Freeman commented he didn't think solar energy would be feasible for Ketchikan. He stated it was felt that building the hydroelectrical plant in Ketchikan to harness the 13 feet of rain that falls each year is much more reasonable. Mr. Lovins told of new, more sophisticated collectors for solar heat that can be adapted here, because they go by brightness as opposed to sunlight. He said this has worked quite well in Scandinavia. Mr. Lovins also discussed the possibility of utilizing Ketchikan's pulp mill as an energy source. He pointed up the need to tailor or localize soft technology to this area. He maintained it is uneconomical for any size hydro plant unless it will service a very large area. It was mentioned that federal regulation defines small hydroelectrical plants as 25 megawatts or less--Ketchikan is 22 megawatts. Representative Freeman commented "insulation won't make the lights shine." Hunter Lovins indicated this points up the need for local studies to be done, perhaps through a center, on alternatives in order of the cheapest source.

Representative Rogers noted there is an energy proposal before the Committee now. During discussion, Chairman Meekins commented it used to be much cheaper to pay the energy costs rather than insulate; now the reverse is true.

In conclusion, Mr. Lovins advised if energy is used wisely and efficiently, there is enough energy available. He stated the need is not for developing new technologies, but to apply existing ones in economical ways. He noted there is no need for a large technical infra-structure to develop this.

The meeting adjourned at 3:45 p.m.

ADJOURN

Tape HFC 80-44 Side 1 #056 - End
Side 2 #001 - #219

HOUSE FINANCE COMMITTEE

April 16, 1980

1:50 p.m.

[Tape HFC 80-44, Side 2 #219.]

All Members of the Committee were present except Representatives Moss and Haugen. [Representatives Meekins and McKinnon were not PRESENT present at the beginning of the meeting.] Present to testify were: Commissioner Tom Williams, Department of Revenue; Deputy Commissioner Peter Bushre, Department of Revenue; Deputy Commissioner Jeff Haynes, Department of Natural Resources; Representative Randolph; Gary Jenkins, Audit Division, Department of Revenue; Rod Bettit, Division of Public Assistance, Department of Health & Social Services; and Gordon Stockdale, Administrative Assistant to Representative Duncan.

Vice-Chairman Freeman called the meeting to order and brought HB 208 up for discussion.

HB 208

"An Act relating to pension fund investments; and providing for an effective date."

Mr. Peter Bushre, Deputy Commissioner, Department of Revenue, explained the bill was originally introduced in response to the rapid changes in the investment climate to give them the capability to invest under highly inflationary and unstable economic conditions. He said the need for the legislation has not changed; if anything, it is even more critical. He commented the Committee has already heard a great deal of testimony concerning the reasons behind HB 208.

Mr. Bushre directed the Committee's attention to the proposed Committee Substitute. He advised that he worked with the legislative staff in drafting the CS. He said they needed to bring the pension fund statutes up to date -- eliminate the types of investments that are no longer available, and also eliminate imprudent investments (investments that might be considered in the realm of social investing rather than what is really needed for a fiduciary trust like the pension fund). Mr. Bushre said the CS relies heavily on the legislation adopted by the Legislature in SB 161 (permanent fund legislation).

Mr. Bushre pointed out some of the major changes made to the existing pension fund law. He said they currently have the ability to invest pension fund monies in mortgages, government bonds, corporate bonds, common stock, and in "money market instruments" (a variety of short term maturity debt obligations). However, he said existing law also permits them to invest pension fund assets in state loans, municipal bonds, mutual funds, and a few other items, some of which are not even in effect anymore. He said these items don't have any place in a fiduciary trust.

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Mr. Bushre said they believe it is necessary to not only invest to preserve the capital of the fund, but also to invest with an eye towards earning the best rate of return they possibly can. In the CS, Mr. Bushre said there is an attempt to remove all the sections they consider to be non-trust investments. He said they have added the requirement that all investments be made at competitive national market rates of interest. He said they incorporated the language in the original draft of HB 208, which would give them the necessary flexibility to invest in an inflationary climate. He said that includes foreign securities, foreign time deposits, gold, real estate equity funds and hedging.

Vice-Chairman Freeman asked how important to the bill it was to include the ability to invest in gold. Mr. Bushre commented the new language in the CS is changed from the CS (page 4, line 29 of bill). He explained they can only invest 15% of the fund in gold and it must be 99.5% pure. He commented the higher percentage of purity, the easier and more marketable the gold is. He said this new language is more restrictive than the open ended clause in the original bill. In answer to Vice-Chairman Freeman's question, Mr. Bushre said he feels the gold provision as outlined in this bill is critical to the bill because it is the only store of value asset they have listed in this piece of legislation.

Vice-Chairman Freeman asked if the language were not included in the bill, would the bill still be worthwhile. Mr. Bushre said it certainly would be. He said the bill itself is essential, and the hedging provisions are truly critical.

Representative Rogers concurred that including the ability to invest in gold is a highly important part of the bill.

Representative Montgomery suggested that investing in gold was a highly speculative venture. Mr. Bushre disagreed, and said gold is the primary reserve asset of every major industrial world.

There was discussion between Committee members and Mr. Bushre on investing a pension fund in gold.

[Representatives Montgomery and Schaeffer left. Representative McKinnon arrived.]

After lengthy discussion, Representative Rogers moved that the Finance CS for HB 208 be reported out of Committee. There being no objection, it was so ordered. CSHB 208 was reported out with individual recommendations.

CSHB 208
REPORTED
OUT W/
IND. REC.

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The next bill before the Committee was HB 904.

HB 904

"An Act relating to the auditing of oil and gas royalty and net profits payments and reports; and providing for an effective date."

Mr. Jeff Hayes, Deputy Commissioner, Department of Natural Resources, advised Administration is in favor of the bill. He pointed out the income the state receives from oil and gas revenues supports the State, and for that reason it is in our interest to make sure that what we are getting is exactly what we are entitled to. He explained at the present time there is a division of functions within the Executive Branch, with the Department of Natural Resources being responsible for the leases as the State's landlord and the enforcer of leases; and the Department of Revenue being responsible for revenue in the form of taxes.

Mr. Haynes said the question has been raised, in the form of a legislative audit, as to whether or not there was some duplication of functions. He said there is some duplication, because DNR is responsible not only for collection and enforcement of revenues on oil and gas leases, but also for auditing those. He said the Department collects the royalty payment, and is responsible for determining whether these royalty payments are correct. He said the Department is also responsible, under current law, for collection, auditing and verification of net profit share payments. He said the Department of Revenue currently collects and is responsible for auditing, among other taxes, the oil and gas severance tax, and the oil and gas corporate income tax. He explained the information required for verification of royalty payments is largely the same information that the Department of Revenue uses to ascertain the correctness of production tax payments. He said the same information is required to audit their profit share payments as is needed to audit the corporate income tax.

Mr. Haynes said under present law two groups of auditors, one in DNR and the other in Revenue, are needed to review the same information. He said HB 904 would eliminate this duplication by allowing one staff of auditors to perform simultaneous or package audits under AS 35 and AS 43. He said this action is really in response to recommendations of the legislative auditors.

[Tape HFC 80-44, Side 2 end. Recording error - next portion of meeting not recorded.]

Mr. Tom Williams, Commissioner, Department of Revenue, said they fully support HB 904. He said legislative auditors have recommended three times that these jobs be consolidated.

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He said passage of the legislation would minimize redundant bureaucracy, and minimize the burden to taying leasees. He said it makes sense to pool the confidentiality and audit functions.

Representative Rogers said he has looked over the fiscal note and he supports it.

There was discussion on the bill. Representative McKinnon asked if all the responsibilities are consolidated into one Department, would all the problems be eliminated. Commissioner Williams said they would be consolidated, with one exception. He said the Department doesn't maintain the leasing files, and they have no idea what the conditions are. He said they are asking that only part of the responsibility be transferred. Mr. Hayes explained it is not valid to assume you can split the different parts of leasing. He said some types of violations of a lease that occur are monetary matters, but violations are not exclusively monetary. He explained further.

[Representative Schaeffer returned. Representative Smith left.]

Representative McKinnon questioned the two new positions requested on the fiscal note. He asked if the positions they added last year for auditing could be eliminated from DNR's budget. Mr. Haynes said they still have to do collections, investigations and keep the books. He said the positions would continue to do other than auditing functions. There was further discussion on the positions.

[Tape HFC 80-45, Side 1 #315.]

Representative Rogers moved that a letter of intent be prepared, requesting the Departments of Revenue and Natural Resources to provide information to the next Legislature on what each of the positions are doing, and whether or not there is an overlap in their functions. There being no objection, it was so ordered.

HB 904
LETTER
OF INTENT

Representative McKinnon requested the bill be held one day so that he would have an opportunity to prepare an amendment he is considering offering. There was no objection to holding the bill.

HB 904
HELD

The next bill to be considered was HB 354.

HB 354

"An act making miscellaneous amendments to the revenue statutes; and providing for an effective date."

Mr. Gary Jenkins, Audit Division, Department of Revenue, said HB 354 is a fairly technical correction bill for the items

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under Title 43. He said the bill went through a great deal of testimony in the House Judiciary Committee, and it was rewritten in some parts. He then gave a section by section analysis of the bill.

[Representatives Meekins, Montgomery and Smith arrived.]

Mr. Jenkins said section 1 provides for uniform civil penalties for all of Title 43. He said section 2 makes a minor change in their confidentiality provision. He said they are adding language so a current or former employee could be prosecuted for disclosing confidential information. Section 3 sets out that licensing is clearly public information. Mr. Jenkins explained section 4 provides uniform provisions for assessment of taxes, and section 5 sets up common criminal penalties. He said section 6 would establish uniform enforcement and lien procedures.

Mr. Jenkins said section 8 corrects the tax rate schedule for head of household taxpayers. There was brief discussion. Mr. Jenkins advised section 10 corrects problems created as a result of the 1968 income tax act that did away with the corporate surtax exemption. He said this section adds the exemption back in. He said section 11 is a uniform credit provision for chapter 20 and section 12 establishes rates and enumerates them in law. He said that section 13 outlines capital gains, and provides an adjustment basis for gains that have to be recognized.

Mr. Jenkins advised sections 14 and 16 clear up confusion that resulted from the use of the terms "consolidated returns" and "combined returns". He said section 15 eliminates the double deduction some fishermen have been able to take by deducting the price of their limited entry permit from their income tax in the year of purchase. He said section 17 determines what is the taxable income of a fiduciary trust. He said section 18 deals with allowing the minimum deduction and excessive itemized deductions for non-residents and part year residents. He said sections 19 and 20 relate to credits, so taxpayers only have to use one form for computation of the credits. He said section 21 does the same thing.

[Tape Change, HFC 80-45, Side 2.]

Mr. Jenkins said section 22 is a rewrite of existing sections. He said section 23 clarifies the formula on transportation carriers. He said there is a technical error in this section. Page 15, line 10, "the income tax" should be changed to "tax the income". He said section 24 deals with withholding rules, and section 25 changes "shall" to "may". He said section 26 deals with distrained property, reducing 2 years to 120 days for right of redemption. He said section 27 deletes the different interest rates in the chapter, cross-referencing everything to chapter 5 where the interest rate is 8%.

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Chairman Meekins interrupted Mr. Jenkins testimony and requested HB 556 that the Committee take action on HB 556 (An Act appropriating for the operating and capital expenses of the state government; and providing for an effective date.") so that Committee members could return to Free Conference meetings if they have to.

Chairman Meekins moved to add \$1.4 million to the budget for Alaska Renewable Resources Corporation. There being no objection, it was so ordered.

Chairman Meekins moved to reduce the figure for Legislative Affairs to last year's figure (\$11 million). There being no objection, it was so ordered.

Representative Montgomery moved to add \$750,000 to be appropriated to the Office of the Governor for the New Capital Site Planning Commission (AS 44.06.200) for the purpose of preparing an alternative lower cost plan for relocation of the capitol, for completion of environmental studies, and for other investigations. Representative Smith objected. The question was called for. Four in favor; four opposed. The motion failed.

Representative Freeman moved to report out a Finance CS for HB 556, and he asked unanimous consent. There being no objection, it was so ordered. CSHB 556 was reported out with a "do pass" recommendation.

CSHB 556
REPORTED
OUT

[Representative Meekins left; Representative McKinnon arrived.]

Vice-Chairman Freeman said the Committee would continue to receive testimony on HB 354.

HB 354

Mr. Jenkins explained that sections 28, 29 and 30 are included to solve problems they have had with the motor vehicle tax. He explained. Mr. Jenkins said sections 31, 34, 35 and 36 all specify the information that will be required on licensing (fish processors license, cigarette tax license, etc.), clarifying that information which will be considered public information.

Mr. Jenkins said section 32 cleans up the cigarette tax act. He said section 33 is a cross-reference in penalties, also for the cigarette tax. He said sections 37 and 38 are the repealers, which are all the individual civil or criminal penalties scattered throughout the various chapters. He explained section 39 is a retroactive section making section 15 of the act retroactive to January 1, 1977. (Section 15 deals with the double benefit on limited entry permits.) Mr. Jenkins said sections 40 and 41 make the majority of the sections of the bill effective January 1, 1980. He said the only exception to that is section 5, which the Judiciary Committee felt should not become effective retroactively, so it will become effective upon enactment of the bill.

4/16/80

Representative Montgomery asked if public hearings were held on the changes in the bill. Mr. Jenkins said they spent five or six hours in the Judiciary Committee going through the bill. He said public hearings were not held because these are corrective tax changes, and public hearings are normally not held on this type of legislation.

Representative Randolph presented Committee members with a copy of a letter he had sent to Chairman Meekins two months ago. He said he objected to section 24 of the legislation because it allows the Department to treat Alaskan taxpayers substantially different than the federal government treats them. He commented further.

Representative Duncan asked what the fiscal impact of the bill was. Mr. Jenkins advised there is none. He said there would be an increase to corporations if the bill is not adopted. Representative Duncan commented the Committee does not normally rewrite a bill having no fiscal impact if it has had substantial testimony in other committees.

Representative Duncan moved to report out the Judiciary Committee Substitute to HB 354 with the technical amendment on page 15, line 10, changing "the income tax" to "tax the income". There being no objection, it was so ordered. CSHB 354 am was reported out with individual recommendations.

CSHB 354 am
REPORTED OUT
W/IND. REC.

The next bill to be considered was HB 932.

HB 932

"An Act creating the office of rural development, and the rural development council; and providing for an effective date."

Representative Duncan advised the bill was introduced by the Legislative Budget and Audit Committee at his request. He requested that his Administrative Assistant, Gordon Stockdale, give an overview of the bill. Mr. Stockdale briefly explained the bill (see attachments #1 and #2).

Representative Duncan advised the Attorney General's Office has written a letter on one section of the bill (see attachment #3).

Representative Duncan moved on page 2, lines 5 and 6 of the CS, to delete "rural life style should be of" and insert "preservation of the subsistence economy should be". There being no objection, it was so ordered.

Representative Duncan moved to delete lines 7 and 8 on page 2 of the CS. (Recommendation by Attorney General's Office.) There being no objection, it was so ordered.

4/16/80

Representative Duncan moved on page 4, line 7 after "base" to add "Which is compatible with preservation of the subsistence economy". There was discussion.

Representative Smith commented she sees nothing in this bill that is not already being done by the Rural and Community Development Division under the Department of Community and Regional Affairs. Representative Duncan commented they aren't doing the job. He said what he is trying to do is put together an organization that can cross agency lines and get the job done. There was further discussion.

[Tape change, HFC 80-45, Side 1.]

Vice-Chairman Freeman interrupted testimony on this bill, and requested that Committee members refer to HB 556. Representative Duncan referred to section 8 on page 2 of the bill, and he said that section is concerned with the University of Alaska's reallocation of funds. He said this is part of the law suit the State and the University are involved in, and he thinks it best that this section be taken out of the bill at this time. He moved that section 8 be deleted from HB 556. Mr. Hogan commented this language was submitted in error by the Governor, and he should be sending revised language to the Legislature. There being no objection, it was so ordered.

CSHB 556
LANGUAGE
CHANGE

The Committee continued their consideration of HB 932. Vice-Chairman Freeman reminded the Committee there was a motion on the floor. Representatives McKinnon and Montgomery questioned the need for this type of language in this bill. Representative Montgomery objected to the motion. The question was called for. Six in favor. The motion carried.

HB 932

Representative Duncan moved to report out a finance CS for HB 932, incorporating the above amendments. Representatives Smith and Montgomery objected. There being no further objection, the motion carried. CSHB 932 was reported out with individual recommendations.

CSHB 932
REPORTED
OUT W/
IND. REC.

The next bill to be considered was HB 711.

HB 711

"An Act making supplemental appropriations to the Department of Health and Social Services, division of public assistance, for medicaid, general relief-medical, aide to families with dependent children, aid to the disabled, and old age assistance, for fiscal year 1980; and providing for an effective date."

4/16/80

Mr. Rod Bettit, Director, Division of Public Assistance, Department of Health and Social Services, advised that sections 1 and 2 of this bill were included in the Senate version of HB 60. After brief discussion, Representative Duncan recommended this bill be held until they determined what would be done in HB 60.

HB 711
HELD

HB 711 was held for further information.

The next bill to be considered was HB 512.

HB 512

"An Act relating to historical districts and to loans qualifying under the Historical District Loan Act; and providing for an effective date."

Representative Duncan advised there is no fiscal impact on the bill. He said the bill allows for historical districts and it increases the amount of loans from \$100,000 to \$250,000.

Representative Duncan moved that HB 512 be reported out. There being no objection, HB 512 was reported out with a "do pass" recommendation.

HB 512
REPORTED
OUT

The meeting adjourned at 4:10 p.m.
[Tape HFC 80-45, Side 1 #315.]

ADJOURN

Tape HFC 80-44, Side 2 #219 to end
HFC 80-45, Side 1 #001 to end
Side 2 #001 to end

4/16/80

Concept Statement - HB 932

There is little question that all states will be facing reductions this year in their share of federal funding support in virtually every category. This statement, unfortunately, is especially true in the case of Alaska by virtue of our less than competitive national political significance in this election year, and by our poorly represented interests at the regional federal administrative level. Therefore, it would be untrue to suggest that this legislation will necessarily result in any great increase in Alaska's level of federal funding this year. There are, however, some very valuable benefits to enjoy by taking thoughtful advantage of the President's invitation to join in the recognition of rural and small community economic development as a major national priority. By most definitions, Alaska is the least developed, and the most rural of all the states. Because we are guaranteed a substantially greater role in representing our own case at the federal policy forum under the provisions of the President's new rural policy, we can reasonably expect to achieve some changes in federal policy toward Alaska that are more representative of Alaska's self-determined interests and priorities.

Furthermore, by creating a focus on the high national priority at the State level, we will be far less likely to

Concept Statement (cont.)

miss important opportunities to obtain federal financial leverage for State spending.

Finally, with our attentions turned to the need for infrastructure and revenue base development in the coming years, it is appropriate that we make certain our State agencies operate in concert toward these common goals.

PROFOUND ECONOMIC DEPRESSION, - HAS BEEN
FOR MANY YEARS"

- I. INTENT: Create Rural Development Council to advocate and assist in rural development.

TIMING: Carter has created new Rural Policy - One time opportunity for revising federal relationship; break Region X Policy brokerage.

II. BASIC PROBLEMS:

1. No comprehensive state commitment to rural economy.
2. Village economic institutions have been left to "go it alone."
3. State relates to rural Alaska through narrowly defined agency boundaries.
4. State now has capital resources to leverage private capital in fostering rural development. Existing structure and policy have a history of poor performance.

III. SOME OF THE OBSTACLES:

1. Need for executive commitment to "an active" rural development policy.
2. Failure to recognize private industry role in basic economies (not a strictly government role).
3. Traditional government/private industry adversity precluded partnership approach to development.
4. Failure to recognize rural development is fundamentally urban development.
5. Inadequate direction of public resources to build an economy - needs Executive Commitment.

IV. STATE'S INTEREST:

1. To begin to establish a very fundamental cash economy in rural Alaska - requires special government role.
2. Infrastructure development is an investment; returns are not immediately apparent.

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K-STATE CAPITOL
JUNEAU, ALASKA 99811

465-3600

April 15, 1980

The Honorable Russ Meekins
Chairman, House Finance Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Re: CSHB 932, relating to
rural development

Dear Mr. Chairman:

We wish to call to your committee's attention some legal problems presented by CSHB 932, a bill establishing the office of rural development and the rural development council.

The bill provides for members of the legislature to serve on the rural development council then vests the council with a veto power over the expenditure of federal money for rural development. As you know, the ruling in Kelley v. Hammond was that the constitution does not permit that arrangement. Moreover, by vesting the council with that power and with the duty of providing policy direction for the office of rural development and assisting it in its activities, the bill necessarily makes membership on the commission a public office. Members of the legislature may not, of course, hold other office. Begich v. Jefferson, 441 P.2d 27 (Alaska 1968). Were they to accept appointment to this commission, they might forfeit their office as legislators, that being the general rule.

Additionally, the bill provides (Sec. 44.19.226) for the director of the office of rural development to hire staff and determine their compensation, within the budget limits. No reason occurs why this office should be different from others and not staff and fund positions in accordance with the same rules and procedures as all other agencies. This provision implies a difference.

We would recommend that lines 7-8 on page 2 of the

The Honorable Russ Meekins, Chairman
House Finance Committee
April 15, 1980
Page #2

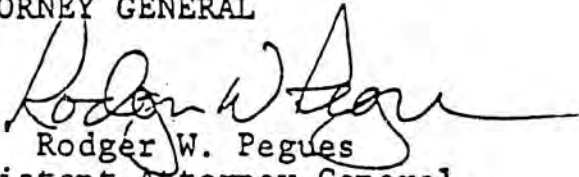
bill be deleted, that lines 25 and 26 on page 2 be deleted, that everything after the word "council" on line 11 and all of lines 12 and 13 on page 3 be deleted, that the words "legislative co-chairman," on line 29 on page 3 be deleted, and that the first sentence on lines 19-20 on page 4 be deleted.

We appreciate this opportunity to bring these matters to your attention.

Sincerely yours,

AVRUM M. GROSS
ATTORNEY GENERAL

By:


Rodger W. Pegues
Assistant Attorney General

RWP/pjg

cc: Honorable Bill Parker, Chairman
House Community & Regional
Affairs Committee

HOUSE FINANCE COMMITTEE

April 17, 1980

1:40 p.m.

All Committee members were present, except Representatives PRESENT Duncan, Meekins and Moss. Representatives Guy and Smith arrived later in the meeting. Also in attendance: Representatives Margaret Branson, Joyce Munson, Randy Phillips, Chat Chatterton and Speaker Terry Gardiner; Ginny Chittwood, Alaska Municipal League; Mike Clemons, Administrative Services, Department of Public Safety; Thomas Monk, Alaska Fire Fighters Association; Joe Donohue, Deputy Commissioner of Taxation, Department of Revenue; Danny Plotnick, Office of the Aging, Department of Health and Social Services; Jack Kreinheder, Issues Analyst, House Research Agency; Mike Doogan, Administrative Assistant to Chairman Meekins.

Vice Chairman Freeman called the meeting to order stated the first order of business is consideration of HB 192:

HB 192 - "An Act providing for equalization of the tax resources of municipalities, continuing a portion of the program of state aid for municipal purposes, and providing for minimum entitlements; and providing for an effective date."

HB 192

Speaker Terry Gardiner explained he would be addressing the original bill and recommended the total level of funding be at \$31 million. Last year, he noted it was at \$20 million.

[Representative Guy arrived at this time.]

Referring to a February 25, 1980, memorandum from Jack Krieheder, Speaker Gardiner briefly discussed how the hospital construction program would be handled.

[Representative Smith arrived at this time.]

Speaker Gardiner called attention to the only two changes he is recommending at the bottom of page 17; line 21, change "\$27,000,000" to "\$31,000,000", and line 23, change "1982" to "1983".

Representative Guy commented on the portion of the bill dealing with roads and noticed it is going to be increased. He stated he feels this is justified.

There was discussion on entitlements and area cost of living differential and if the formula is the same as that of school foundation funding. Speaker Gardiner said he doesn't have a problem with what scale is used, just that it should be in there.

Representative Margaret Branson, District 5, testified at this time, and stated she would like to address page 8 of the bill relating to health facilities and hospitals. She recommended raising the amount on line 2 from \$75,000 to \$200,000, and the \$25,000 on line 3 to \$70,000 for hospitals with less than 10 beds. She explained the problem with small hospitals is that they don't have the vacancy rate. She advised this would be consistent with HB 974 (C&RA CS), which hasn't yet come to Finance. Vice Chairman Freeman offered comments on constraints on the bill, and Representative Branson stated she would appreciate the Committee's consideration of her proposed changes.

Under Section 29.01.010, Representative Guy wondered if it would be possible to set up a subsection concerned with airport maintenance, whereby if a given community were to experience a breakdown of machinery and had to clear a landing strip by hand, they would be able to receive revenue sharing. Vice Chairman Freeman stated he feels this should be approached somewhere in the operating budget under airstrips, and Representative Guy was agreeable.

Testifying at this time was Ginny Chittwood representing the Alaska Municipal League. She distributed a handout (Attachment 1) to the Committee and proposed adding a new section to HB 192 for Public Transit. She advised the League has been working with the municipalities on this, and the problem is one of cost. She discussed the two different ways the League has suggested the assistance be computed.

During discussion, Representative McKinnon stated he is concerned with language being too restrictive, beginning on page 2, line 10. Speaker Gardiner advised this was the definition of what they came up with in the interim. Regarding including interest on surplus funds, he stated he doesn't think this is appropriate. Representative McKinnon advised his main concern was with the property tax assessments and utilities rates. He added he wouldn't object to a letter of intent. Representative Rogers said he is interested in including a public transit section, and that he prefers the second proposal made by Ms. Chittwood regarding the 25%.

Representative Rogers moved an amendment to HB 192 that would allow revenue sharing up to 25% of expenses for public transit, and it is his contention that this would not up the cost of the program. Discussion followed. Speaker Gardiner stated he feels this is a good idea, but that it might create a disincentive for private

AMENDMENT

operators and create problems. He noted it would affect both existing and future private operators, and it would create an incentive for the municipality to take it over. The question was called for, and the motion failed (Rogers, McKinnon & Guy in favor; 4 opposed).

FAILED

Representative Rogers moved a Letter of Intent that the Department of Community and Regional Affairs prepare and recommend legislation for the first session of the next Legislature for revenue sharing for mass transit, taking into account both public and private. He added the Committee might wish to include some money for the study. He indicated he would draft the Letter of Intent. There was no objection.

LETTER OF
INTENT

Representative Rogers moved the following amendments: page 9, delete the word "three" and insert "five"; line 21, delete "\$27,000,000" and insert "\$31,000,000"; and line 23, delete "1982" and insert "1983". There being no objection, the amendments were adopted.

AMENDMENTS

ADOPTED

Representative McKinnon moved an amendment on page 2, line 20, after the word "from" add "utilities,". There being no objection, the amendment was adopted.

AMENDMENT

ADOPTED

Representative McKinnon moved to report out Finance Committee Substitute for HB 192 as amended and with a Letter of Intent. There being no objection, it was so ordered. HB 192 (Finance) was reported out with individual recommendation.

FINANCE CS
FOR HB 192
REPORTED
OUT

The next bill to come before the Committee was HB 863:

HB 863 - "An Act providing for a Task Force on Fire Prevention and Control; and providing for an effective date."

HB 863

Representative Joyce Munson, co-sponsor of the bill, advised the task force is only established for two years and that the backup states this is about 10 years overdue. Commenting on the fiscal note, Representative Munson stated one of the reasons contractual is at a higher level than originally is because of the request by Representative Malone, who wanted expert consultants on arson, etc.

Vice Chairman Freeman called attention to page 2, Section 3, Objectives, and stated he feels the State Fire Marshall should be doing this just as a matter of course. Representative Munson indicated it is not being done. During discussion, Representative Rogers stated he feels Sections 2 and 3 are the most important.

Mike Clemons testified the Department of Public Safety supports the bill as written in the Commerce CS. He noted, in looking at the problem, the bill was designed to leave out any present participants in the fire system. He advised the State Fire Marshall's Office does produce statistical information of the various projects, which is available upon request, but that they will not be active in the task force.

There was further discussion on the fiscal note, with several members of the Committee indicating they feel it is too high. Representative Munson explained that, originally, the fiscal note was not as large, but was revised at the request of Representative Malone. Representative Rogers recommended contractual be reduced to \$60.0. There was no objection.

Commenting on the fiscal note, Thomas Monk advised the Alaska Fire Fighters Association proposal on travel was increased at the request of the Commerce Committee to make it more feasible to rural areas, such as public hearings. Representative Rogers asked what the original proposal was for, and Mr. Monk indicated it totalled in the area of \$150.0. Representative Smith wondered if a 30-minute spot on TV wouldn't be more effective. Representative Munson noted that, in rural areas, whole villages turn out. Representative McKinnon asked if it was intended that the Department of Community and Regional Affairs supply clerical help, and Representative Munson indicated no, that this is included in the fiscal note. In his concluding remarks, Mr. Monk stated it is the hope of the Alaska Fire Fighters Association that, in holding the hearings, the task force will be effective in wildlife protection, marine protection and aircraft protection.

Representative Rogers moved to report out the Commerce Committee Substitute for HB 863, with a \$180.3 FY 81 fiscal note and FY 85 showing zero. There being no objection, it was so ordered. CSHB 863 was reported out with individual recommendation.

COMMERCE CS
FOR HB 863
REPORTED OUT

HB 904 was the next bill to come before the Committee:

HB 904 - "An Act relating to the auditing of oil and gas royalty and net profits payments and reports; and providing for an effective date."

HB 904

Representative McKinnon indicated he is drafting a Letter of Intent to include with the bill and moved to report out HB 904 with the \$104.5 fiscal note. There being no objection, it was so ordered. HB 904 was reported out, Letter of Intent and fiscal note attached, with a "do pass" recommendation.

HB 904
REPORTED OUT

HB 15 was the next bill up for consideration:

HB 15 - "An Act relating to the Alaska longevity bonus."

HB 15

Representative Randy Phillips, sponsor of the bill, advised this is an attempt to add an amendment to the longevity bonus that would include those persons domiciled in Alaska intermittently for a cumulative total of 30 years. Also that they would have to be physically present in the State five years immediately preceding application, he said. The fiscal note, he stated, is for \$390.2, of which \$260.0 would go to the recipients. In answer to a question, he responded this would involve approximately 220,000 persons.

Representative Rogers moved to amend the fiscal note by making the new position temporary or non-permanent for one year only. This would not affect the first year fiscal note, but would affect the succeeding years by deletion of that position. There was no objection.

AMENDMENT

ADOPTED

Vice Chairman Freeman commented on the question of constitutionality of tampering with the longevity bonus which might jeopardize what is already in effect for the long-timers.

Danny Plotnick commented briefly in support of the bill and stated he holds no grievance with those who do not wish to tamper with this, but added he is not concerned about affecting it and feels there will be no problem with constitutionality.

Representative Rogers moved to report out the HESS CS for HB 15 with the minor revision in the fiscal note attached. There being no objection, it was so ordered. CS for HB 15 was reported out with a "do pass" recommendation.

HESS CS FOR
HB 15
REPORTED OUT

The last bill to be addressed by the Committee was SSHB 123:

SSHB 123 - "An Act relating to assessment of property used in connection with exploration for gas and oil."

SSHB 123

Representative Chat Chatterton, sponsor of the bill, from District 10, stated he is employed by Rowen Drilling of U.S., a drilling contracting firm which is also a division of Rowen Company, Inc., a publicly-owned corporation. He said he does not think this is a conflict of interest. In Alaska, he stated, there is no market in drilling rigs being sold to someone; therefore, he went on, the Division of Petroleum Revenue has to go out and manufacture tax assessments. He described how Revenue arrives at its assessment and stated he feels this is unfair. Discussion followed.

Joe Donohue testified at this time in opposition to the bill. HB 123, he stated, was introduced in regard to litigation on this matter currently pending. He listed the three commonly accepted methods for dealing with willing buyer-seller value. The first and preferred method, he advised, is comparable sales; the second is the original cost, with inflation and depreciation by condition; and the third is capitalization of income, which is the least preferred. He described how they evaluate and assess. He commented a million dollar rig in Colorado is not worth a million dollars in Alaska.

The transportation factor was discussed. Mr. Donohue said it wouldn't affect any other type of property other than that which is moved from site to site in drilling exploration. Representative Rogers asked if the rigs are taxed in a year when they are not used for exploration, and Mr. Donohue indicated yes because they have standby contracts, etc. Representative Chatterton advised some are and some aren't on standby under contract, while others are here on speculation.

Representative Chatterton called attention to his proposed amendments (Attachment 2) to the Resources CS for SSHB 123 and explained. Mr. Donohue stated this would treat development drilling the same as exploration, and he has no problem with the proposed amendments.

[Representative Montgomery arrived at this time.]

Representative Montgomery moved to report out a Finance Committee Substitute for SSHB 123 with the Chatterton amendments. The question was called for, and the motion failed (2 in favor; Rogers, Smith, McKinnon, Schaeffer, Guy opposed). Representative Rogers gave notice of reconsideration.

MOTION TO
REPORT OUT
FINANCE CS
FOR SSHB 123
FAILED

The meeting adjourned at 3:25 p.m.

ADJOURN

Tape HFC 80-46 Side 1 #061 - End
 Side 2 #001 - End
 80-47 Side 1 #001 - #288

Kenney Whitworth

Alaska MUNICIPAL League

TELEPHONES
(907) 586-1325
586-6526

204 N. FRANKLIN ST.
JUNEAU, ALASKA 99801

Proposal to amend HB 192 to add a new section to Chapter 89, State Aid for Miscellaneous entitled State Aid to Municipalities for Public Transit Operations.

We suggest two different ways to compute the assistance: (1) 25% of operating costs or (2) 33½% of expenses less fare revenues. Using rough figures from FY '79, the dollar amounts are:

Anchorage	Total Expenses	\$4,250,500 - 25% = \$1,062,625
	Fare Revenues	<u>546,700</u>
	Deficit	\$3,703,800 - 33½% = \$1,234,600

Barrow	Total Expenses	\$ 350,000 - 25% = \$ 87,500
	Fare Revenues	<u>54,000</u>
	Deficit	\$ 296,000 - 33½% = \$ 97,680

Fairbanks	Total Expenses	\$1,108,800 - 25% = \$ 277,200
	Fare Revenues	<u>144,000</u>
	Deficit	964,800 - 33½% = \$ 296,000

Juneau	Total Expenses	\$ 930,200 - 25% = \$ 232,550
	Fare Revenues	<u>100,000</u>
	Deficit	830,200 - 33½% = \$ 276,667

Ketchikan	Total Expenses	\$ 409,412 - 25% = \$ 102,353
	Fare Revenues	<u>338,500</u>
	Deficit	70,912 - 33½% = \$ 23,637

Total 25% of Expenses	\$1,762,228
Total 33½% of Deficit	\$1,928,584

AMENDMENT 1

OFFERED ~~IN THE HOUSE~~

By: Chatterton

To: House Finance Committee HOUSE BILL No. C555 HB 123

SENATE BILL No. _____

PAGE: 1

LINES: 7, 12 & 14

Page 1 - Line 12

After the word "for" & before
the word "gas" — Add: and development of

Page 1 - Line 14

After the word "for" & before
the word "gas" — Add: and development of

Page 1 - Line 7

After the word "for" & before
the word "gas" — Add: and development of

HOUSE FINANCE COMMITTEE

April 18, 1980

1:40 p.m.

All Committee members were present, except Representatives PRESENT Moss, Rogers and Schaeffer. Representatives Montgomery, Smith and Meekins arrived later in the meeting. Also in attendance: Representative Hugh Malone; Senator Patrick Rodey; Jim Kelly, Administrative Aide to Senator Rodey; Danny Plotnick, Coordinator, Office on Aging, and Rod Bettit, Director, Division of Public Assistance, Department of Health & Social Services; Thomas Monk, Alaska Fire Fighters Association; Dove Kull, (State Committee on Services to Elderly, President of Mt. Juneau Chapter, Older Persons Retirement Commission, and U.S. Commission on Civil Rights; Mike Doogan, Administrative Assistant to Chairman Meekins; Jay Hogan, Director, and Jerry Schilz, Fiscal Analyst, Legislative Finance Division.

Vice Chairman Freeman called the meeting to order and noted the Committee was one short of a quorum. He advised the first bill up for consideration is HB 648:

HB 648 - "An Act relating to fire prevention."

HB 648

Representative Hugh Malone, co-sponsor of the bill, advised he would address the Community & Regional Affairs Committee Substitute. He stated this would provide incentives for people to install sprinklers in buildings to meet the National Fire Codes.

[Representative Montgomery arrived at this time.]

Representative Malone provided a sectional analysis of the bill. Section 1 provides that a portion of the assessed valuation would not be subject to the local property tax, he said. Sections 2, 4 and 7 add the definition, he noted, and Section 3 provides that a utility would not use a demand charge for hydraulic sprinklers. He advised Sections 5 and 6 would allow inclusion in the State's commercial loan programs, together with a preference clause in Section 5. Section 8 deals with the tourism programs and grants them authority to provide fire protection. He noted SB 370, a companion bill, does not incorporate the preference clause.

There was discussion on the fiscal note, and Representative Malone stated he would be happy with what is in SB 370, which is to delete the preference section in CSHB 648.

Thomas Monk testified briefly that the Alaska Fire Fighters Association strongly supports this bill.

Representative Duncan moved to report out a Finance Committee Substitute for HB 648, deleting the preference language on page 2, lines 8, 9 and 10, and attaching a zero fiscal note. There being no objection, it was so ordered. CSHB 648 (Finance) was reported out with a "do pass" recommendation.

The next bill to be considered was HB 618:

HB 618

"An Act establishing an Older Alaskans Commission;
and providing for an effective date."

Senator Rodey advised the Committee that during the Interim he was Chairman of the Services for the Elderly committee. He commented on that Committee.

Senator Rodey explained that HB 618 sets up the Older Alaskans Commission within the Department of Administration. He advised one of the main functions of the Commission will be to recommend and work with those programs that are federally funded. He said the Office of Aging would stay intact as it is now. He said the Commission would have the authority to make allocations as they see fit.

Senator Rodey said the Bill has received the endorsement of a number of agencies. He said the fiscal note's total is \$6,482.9. He commented on the fiscal note. He said he believes three people will be necessary for the Commission, but he doesn't think they need a tremendous amount of money for the first year. He said the senior citizens have indicated they would be willing to start out at a modest level.

Representative Smith said she has received correspondence from her district from people who don't think the Commission is needed. Senator Rodey said he has received comments from Fairbanks in that regard, but he doesn't think they reflect the feelings of most of the senior citizens in Fairbanks. He said they certainly don't reflect the feelings of most senior citizens in the State. He mentioned some of the groups and individuals who support the bill.

Representative Smith referred to page 4, line 22 of the bill, and asked how the executive director will be chosen. Senator Rodey said almost every Commission selects its own executive director. He said the selection is different from the normal state employee selection process, but it is usual for Commission's like this.

Senator Rodey referred Committee members to the fiscal note, and said that added into the normal expenses were those additional expenses that would be created by the Commission. He said there is approximately \$200,000 under the Governor's request for this unit. He suggested that only three positions be included -- the executive director, the secretary and the research assistant. Representative Smith asked what monies are being transferred out of the Department of Health and Social Services. Senator Rodey said that is \$5.292 million in grants/claims. He said the money presently goes to the Office on Aging, and then is passed through to local programs.

4/18/80

Dave M. Kull, member of the State Committee on Services to the Elderly; President, Mt. Juneau Chapter Older Persons Retirement Commission; and member of U. S. Commission on Civil Rights, provided testimony to the Committee. She said there are 20,000 people in Alaska who are over 60 years of age. She said there are 22 programs for them in twelve different departments, and it is extremely hard to find the programs. She said creating the Older Alaskans Commission is an opportunity to bring together the 22 programs so they know where to look for them.

Ms. Kull read a letter from the U. S. Commission on Civil Rights, wherein it stated it is "important to recognize the need for elderly people to have self determination". She commented further on self determination for elderly persons.

Vice-Chairman Freeman said HB 618 would be held until a quorum is present.

HB 618
HELD

The next bills to be considered were HB 610 and HB 611:

HB 610 &
HB 611

HB 610 - "An Act making a special appropriation to the Department of Administration, Older Alaskans Commission, for programs of benefit to older Alaskans; and providing for an effective date."

HB 611 - "An Act authorizing state aid for service programs for the benefit of older Alaskans; and providing for an effective date."

Mr. Jim Kelly, Administrative Aide to Senator Pat Rodey, explained that HB 610 is the appropriation bill for HB 611. Vice-Chairman Freeman questioned the fiscal note for HB 611. Mr. Kelly said there was no actual fiscal impact. He explained that HB 618 does not include the \$1 million being requested in HB 610, but it does include the staff and administrative services that will be needed for these bills.

Mr. Kelly explained they are trying to add State money to programs in the Office on Aging. He advised the Federal government is cutting back on their programs and the need is for more than the federal dollars that are being received at this time. He said the proposal is to add \$1 million, which is one-fifth of what is presently being made available.

Danny Plotnick, Coordinator, Office on Aging, said this is the first attempt by any type of State legislation to fund those programs currently being funded by federal funds for community services. He said the Department is in favor of the bill. He advised that to date, they have received in excess of \$9 million in requests for grants. He explained some of the programs they would provide grants for.

Vice-Chairman Freeman advised HB 610 and HB 611 would be held until a quorum was present.

HB 610 &
HB 611
HELD

4/18/80

The next bill to be considered was HB 615.

HB 615

"An Act relating to an exemption from municipal property taxation; and providing for an effective date."

Mr. Kelly advised this bill doesn't have any fiscal impact. He said it could even make the State money. He said the bill makes a technical change to current law to make the program work the way it is supposed to. He explained that all senior citizens are supposed to be exempt from paying property tax, but the exemption works differently in each community.

Vice-Chairman Freeman said the bill would be held until a quorum was present.

HB 615
HELD

The next bill to be considered was HB 710.

HB 710

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

Mr. Rod Bettit, Director, Division of Public Assistance, Department of Health and Social Services, advised the Committee the purpose of the bill is to move \$59.0 from one budget to another budget. He explained the need for transferring the funds was created because the funds were part of the data processing charge back, and they couldn't free up enough of the money for the cost of the Medicaid contract. He said the money is available in the Eligibility Determination budget.

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

Mr. Jay Hogan, Legislative Finance Division, explained the other appropriation transfer requests they have received. (See attachment.)

Representative Freeman moved to report out a Finance Committee Substitute for HB 710 incorporating the appropriation transfers for the Department of Health and Social Services, the Department of Labor, and the Department of Transportation and Public Facilities. There being no objection, it was so ordered. CSHB 710 was reported out with individual recommendations.

CSHB 710
REPORTED
OUT

Representative Freeman moved that the HESS CS for HB 618 (An Act establishing an Older Alaskans Commission; and providing for an effective date.) be reported out. There being no objection, it was so ordered. CSHB 618 was reported out with individual recommendations.

HESS CS
HB 618
REPORTED
OUT

4/18/80

Representative Freeman moved to report out HB 615 (An Act relating to an exemption from municipal property taxation; and providing for an effective date.) Representative Smith objected. There being no further objection, HB 615 was reported out with individual recommendations.

HB 615
REPORTED
OUT

Representative Freeman moved to report out HB 611 (An Act authorizing state aid for service programs for the benefit of older Alaskans; and providing for an effective date.) There being no objection, it was so ordered. HB 611 was reported out with individual recommendations.

HB 611
REPORTED
OUT

Representative Freeman moved to report out HB 610 (An Act making a special appropriation to the Department of Administration, Older Alaskans Commission, for programs of benefit to Older Alaskans; and providing for an effective date.) There being no objection, it was so ordered. HB 610 was reported out with individual recommendations.

HB 610
REPORTED
OUT

The meeting adjourned at 2:45 p.m.

ADJOURN

Tape HFC 80-47, Side 1 #289 to end
Side 2 #001 to 469

4/18/80

STATE OF ALASKA

OFFICE OF THE GOVERNOR

JAY S. HAMMOND, GOVERNOR

BUDGET & MANAGEMENT

POUCH AM — JUNEAU 99811
PHONE 465-2213

April 10, 1980

Jay H. Hogan, Director
Legislative Finance Division
Pouch WF
Juneau, Alaska 99811

Re: Amendments to HB 645 for DOT/PF Capital Projects

Dear Jay:

Please amend HB 645 to include language necessary to accomplish the following changes for Department of Transportation and Public Facilities capital projects:

1. In Ch 80/79, Statewide Transportation Program, Runway Lighting and Navigational Aids (\$460,000, page 74, line 17), the twenty-three airports originally specified in the appropriation would be reduced to only one, Noorvik. The strobe lighting for the twenty-three airports is not an FAA approved system, and its continued use may jeopardize federal funding. As a substitute, FAA approved lighting and a prototype power system would be developed and tested for Noorvik.

2. In Ch 153/77, Marine Transportation, Aleutian Coastal Ferry Study (\$100,000, page 59, line 18) would be redesignated Southwest Alaska Transportation Study. This action is necessary to broaden the scope of the work to include an intermodal study as well as the ferry study. This Southwest Study would be carried out in conjunction with the ongoing Aleutian Ferry Study funded in Ch 80/79.

Your assistance in implementing these changes is appreciated.

Sincerely,

Ron

Dr. Ronald D. Lehr, Director
Division of Budget & Management
Office of the Governor

Attachment

01-A21LH

- 790 -

4/18/80

STATE
of ALASKA

MEMORANDUM

TO: [Ronald D. Lehr, Director
Division of Budget & Management
Office of the Governor

DATE: April 10, 1980

FILE NO:

TELEPHONE NO:

FROM: Dick Brant, Budget Analyst *DB*
Division of Budget & Management
Office of the Governor

SUBJECT: DOT/PF Delete-Add Supplemental
for Aleutian Coastal Ferry Study .

I have reviewed DOT/PF's request for a delete-add supplemental which changes a specific appropriation of \$100,000 for an Aleutian Coastal Ferry Study to a more general Southwest Alaska Transportation study. I recommend approval.

The funds involved are from FY 78 general fund capital projects (Ch 153/SLA 77) under Marine Transportation. This is a different source of funds than in a previous RP request which was denied. The use of the funds, to provide greater depth and scope by including an intermodal study along with the ferry study, is essentially the same as B&M has already endorsed.

The \$200,000 appropriation in Ch 80/SLA 79 for the Aleutian Island Ferry Study will remain as is in this proposal.

MEMORANDUM

State of Alaska

TO: Ron Lehr, Director
Division of Budget & Management
Office of the Governor

DATE: March 13, 1980

RECEIVED

FILE NO:

MAR 17 1980

TELEPHONE NO:

Budget and Management

FROM: 
Ron Lind
Deputy Commissioner
Department of Administration

SUBJECT: Delete-Add Supplemental
Action for Aleutian
Coastal Ferry Study
(1977 HB 701)

The Department of Transportation and Public Facilities request the following: That a delete-add supplemental action be initiated for a 1977 Legislative Appropriation (HB 701) of \$100,000 for an Aleutian Coastal Ferry Study sponsored by Rep. Alvin Osterback.

Ch 153 SL 78

Legislative intent originally stipulated that an Aleutian Coastal Ferry Study be implemented, and \$100,000 was appropriated for Planning to undertake this proposal. However, subsequent investigation revealed the \$100,000 appropriation scheduled for Planning was included in Marine Transportation Budget instead. During the interim a preliminary Ferry Study was completed at a cost of approximately \$10,000. This was charged against General Obligation Funding, consequently the initial \$100,000 is still intact in Marine Transportation Budget.

The intent of this action would be to delete funding from the 1977 Aleutian Coastal Ferry appropriation and add it to a proposed Southwest Alaska Transportation Study.

This Southwest Study would then become a part of the ongoing Aleutian Ferry Study funded in 1978 for \$200,000 by Representative Alvin Osterback.

1979, Ch 80

The incorporation of these funds would provide greater depth and scope to the entire project.

It would also utilize those funds in the area for which they were originally intended.

RL:WD:dm

DEVELOPMENT (CONT.)

		ALLOCATIONS	APPROPRIATION ITEMS	APPROPRIATION GENERAL FUND	FUND SOURCES OTHER FUNDS	
1						1
2						2
3						3
4	KETCHIKAN HARBOR FACILITIES	175,000				4
5	JUNEAU HARBOR FACILITIES	325,000				5
6	FAIRBANKS LAUNCHING RAMPS	22,500				6
7	SITKA HARBOR IMPROVEMENTS	100,000				7
8	CORODVA HARBOR IMPROVEMENTS	200,000				8
9	SEWARD HARBOR IMPROVEMENTS	250,000				9
10	WHITTIER HARBOR IMPROVEMENTS	25,000				10
11	ANCHORAGE - SHIP CREEK DREDGING	50,000				11
12	EMERGENCY REPAIRS	75,000				12
13	ADMINISTRATION, PLANNING, ENGINEERING	450,000				13
14	NORTHWEST INTERIOR HARBOR STUDY	15,000				14
15	TENAKEE BOAT HARBOR	50,000				15
16	~~KETCHIKAN PORT PROJECT~~		~~500,000~~	~~500,000~~		16
17	WESTERN ALASKA PORT PROJECTS		300,000	300,000		17
18	~~JUNEAU PORT PROJECTS~~		~~1,100,000~~	~~1,100,000~~		18
19	~~WAKHNE DOCK FEASIBILITY STUDY~~		~~30,000~~	~~30,000~~		19
20	~~VARIOUS DREDGING PROJECTS~~		~~75,000~~	~~75,000~~		20
21	MITKOF ISLAND LAUNCHING RAMP		50,000	50,000		21
22	~~BETHEL WAREHOUSE AND DOCK~~		~~215,000~~	~~215,000~~		22
23	~~WONE BARGE PORT FACILITY~~		~~200,000~~	~~200,000~~		23
24	DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS		~~375,000~~	~~375,000~~		24
25	FAIRBANKS TOWN/VILLAGE ASSOCIATION GRANT		~~25,000~~	~~25,000~~		25
26	FIRE TRUCK - TOK		25,000	25,000		26

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CHAPTER 153

1 DEVELOPMENT (CONT.)

		ALLOCATIONS	APPROPRIATION ITEMS	APPROPRIATION GENERAL FUND	FUND SOURCES OTHER FUNDS	
1						1
2						2
3						3
4	ELECTRICAL PROJECT - RUBY		40,000	40,000		4
5	ELECTRICAL PROJECT - NIKOLAI		~~25,000~~	~~25,000~~		5
6	FIRE TRUCK - GALENA		25,000	25,000		6
7	HUGHES ELECTRICAL GENERATOR		25,000	25,000		7
8	*****		*****	*****		8
9	***** TRANSPORTATION *****		***** TRANSPORTATION *****	*****		9
10	*****		*****	*****		10
11	DEPARTMENT OF TRANSPORTATION					11
12	MARINE TRANSPORTATION					12
13	COLUMBIA FAST FOOD CONVERSION		400,000	400,000		13
14	VESSEL UPGRADE		180,000	180,000		14
15	SPARE PARTS		271,000	271,000		15
16	WASTE DISPOSAL DESIGN		50,000	50,000		16
17	DOCK ELECTRICAL & SAFETY REHABILITATION		40,000	40,000		17
18	ALEUTIAN COASTAL FERRY STUDY		~~100,000~~	~~100,000~~		18
19	ANCHORAGE INTERNATIONAL AIRPORT					19
20	NORTH/SOUTH RUNWAY - STAGE III		6,542,000		6,542,000	20
21	MISCELLANEOUS IMPROVEMENTS		300,000		300,000	21
22	BLAST PROTECTION & RUNWAY SEAL COAT		2,060,000		2,060,000	22
23	AUTO PARKING EXPANSION		930,000		930,000	23
24	FAIRBANKS INTERNATIONAL AIRPORT					24
25	RUNWAY SEAL COAT		650,000		650,000	25
26	AIRPORTS					26
27	RUNWAY GRAVEL, SIX AIRPORTS		750,000	750,000		27

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CHAPTER 153

- 793 -

4/18/20

Funding Information:

General Fund: \$ -0-
Other Funds: \$ -0-
\$ -0-

Introduced: 3/6/80
Referred: Finance

IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

HOUSE BILL NO. 938

IN THE LEGISLATURE OF THE STATE OF ALASKA

ELEVENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act making FY 80 appropriation adjustments for the Department of Health and Social Services, Division of Mental Health and Developmental Disabilities; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 4. Section 23, ch. 80 SLA 1979, page 23, line 25 (Health), is repealed and re-enacted to read:

FUND SOURCES

APPROPRIATION GENERAL OTHER

Community Mental Health

Services \$3,180,300 \$3,165,300 \$ 15,000

* Sec. 5. Section 23, ch. 80 SLA 1979, page 23, line 35 (Health), is repealed and re-enacted to read:

FUND SOURCES

APPROPRIATION GENERAL OTHER

Harborview (156 positions) ~~\$5,521,800~~ ~~\$4,942,100~~ \$1,474,700

* Sec. 3. Section 23, ch. 80 SLA 1979, page 24, lines 16 and 17 (Health), are repealed and re-enacted to read:

FUND SOURCES

ALLOCATIONS APPROPRIATION GENERAL OTHER

~~Mental Health Administration~~

~~and Support~~ ~~\$ 621,000~~ ~~\$ 621,000~~ ~~\$ 200,000~~

~~Central Office~~

~~Administration~~

Funding Information:

General Fund: \$ -0-
Other Funds: \$ -0-
\$ -0-

Introduced: 3/17/80
Referred: Finance

IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

HOUSE BILL NO. 960

IN THE LEGISLATURE OF THE STATE OF ALASKA

ELEVENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act making appropriation adjustments for the Department of Labor, administrative services; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 6. Section 23, ch. 80 SLA 1979, page 19, line 16 (Social Services), is repealed and re-enacted to read:

FUND SOURCES

	APPROPRIATION	GENERAL	OTHER
Employment Security	\$20,322,900	\$ 38,900	\$20,284,000

* Sec. 7. Section 23, ch. 80 SLA 1979, page 19, line 18 (Social Services), is repealed and re-enacted to read:

ALLOCATIONS

Unemployment Insurance (291

positions) \$10,394,600

* Sec. 8. Section 23, ch. 80 SLA 1979, page 19, line 22, (Social Services), is repealed.

* Sec. 9. Section 23, ch. 80 SLA 1979, page 19, line 24 (Social Services), is repealed and re-enacted to read:

FUND SOURCES

	APPROPRIATION	GENERAL	OTHER
Administrative Services (67 positions)	\$ 2,807,600	\$ 209,900	\$ 2,597,700

* Sec. 10. Section 23, ch. 80 SLA 1979, page 19, is amended to read, by

adding between lines 24 and 25:

ALLOCATIONS

Research contracts \$ 95,900

Labor market infor-

mation \$ 545,900

Management services \$2,165,800

* Sec. ¹¹~~8~~. Section 23, ch. 80 SLA 1979, page 29, line 35 (Public Protection), is repealed and re-enacted to read:

FUND SOURCES

APPROPRIATION

GENERAL

OTHER

OSHA

\$ 1,649,600

\$ 723,400

\$ 926,200

* Sec. ¹²~~7~~. Section 23, ch. 80 SLA 1979, page 30, line 14 is repealed.

* ~~Sec. 8. This Act takes effect immediately in accordance with AS 01 -~~

~~16-070(-)~~.

HOUSE FINANCE COMMITTEE

April 21, 1980

2:00 p.m.

All Members of the Committee were present except Representative Moss. Also present were Representatives Gardiner, Anderson and Osterback; Senators Tillion and Hackney; John Katz, Special Counsel to the Governor for Alaska Lands; Bob Miller and Rod Mourant, Office of the Governor; Pete Bushre, Deputy Commissioner of Treasury, Department of Revenue; Dean Olsen and Bill Spear, Trustees, Alaska Renewable Resource Corporation; Jim Beaton, Board of Fisheries; John Martin, Environmental Services Limited; John Engie, Icicle Seafoods; Reid Rogers, New England Fish Company; Larry Carpenter, Alaska Longshoreman's Union; and Dave Newhalen, Alaska Independent Fish Marketing Association.

PRESENT

Chairman Meekins called the meeting to order and said the first d-2 LEGIS-
item on the Agenda would be to hear from John Katz on d-2 legis- LATION
lation.

Mr. Katz, Special Counsel to the Governor for Alaska Lands gave an overview of their effort. He said their lobbying effort consists of four principle firms in Washington, D. C., and their efforts are supplemented with help from state officials. Mr. Katz explained their effort picked up from the legislative committee on d-2 that preceded them.

Mr. Katz advised the Senate Energy Committee has reported a bill. He explained they hoped to have that bill amended on the Floor of the Senate. He commented on the Senate's time agreement, which indicates the d-2 legislation will not be on the Floor until after the July 4th recess. He advised the time agreement calls for twenty hours of floor debate and then time for amendments. He commented on some of the amendments they will be requesting. He explained that under the time agreement, they can go through the amending process on the Senate Energy Committee bill, and then Senator Tsongas can propose a whole bill substitute if he is not satisfied with the amendments. He said the time agreement is not favorable to the Alaska Lands point of view. He said at this point it is difficult to gage how well they will do in the process. He said the feeling they have is that they do have enough votes to defeat this Tsongas substitute, but it is difficult to get a reading on what some of Tsongas's other amendments will be. He said they are prepared to start lobbying on the Alaska Lands proposed amendments. He commented further on the lobbying effort.

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Mr. Katz said the word they are getting now is that the direct lobbying effort has saturated the market, and they don't want to overdo it. He said what they are trying to do now is generate mail to the legislators from their constituents. He said that is the reason they have requested the \$4.5 million for paid advertising. He commented on the proposed advertising campaign. He said they have decided against using electronic advertising because it could invoke the fairness doctrine of the FCC. He commented further.

Mr. Katz said the essential message of their campaign is Alaska's energy potential. He said this is one of the few issues that takes the Alaska lands issue out of the context of a "cheap environmental vote". He said the energy issue is being used as the umbrella for their media and lobbying effort. He commented further.

Chairman Meekins commented that Alaska has made national news concerning it's elimination of the income tax and distribution of the oil wealth; he wondered if Alaska would lose support, rather than gain support, because we have enough money to lobby other states. He suggested this might create a backlash. Mr. Katz agreed with Chairman Meekin's comments. He said one of the principle reasons they decided to not recommend radio/t.v. advertising is because they felt there is some precedent for using the print media, but using electronic media is an escalation that could create significant problems. There was brief discussion on electronic advertising.

[Tape change, HFC 80-48, Side 1.]

Mr. Bob Miller said any advertising campaign indicating only Alaska's interests are at issue here would not sit well with the people. He said what they are trying to do is show there are a number of other issues on the minds of most individuals, the job situation, the economic situation, national security, etc. He said the thrust of the campaign has not been developed. He said it will not be aimed at Alaska's needs, but would be more "we want to make you aware of an issue that has as much of an impact on you as it does on us." There was discussion. Mr. Katz commented it would be a mistake to rely on paid advertising or any other singular initiative as a solution.

A recess was called at 2:35 p.m. (Representatives Meekins, Montgomery and Duncan left at this time.) Vice-Chairman Freeman recalled the meeting to order at 2:40 p.m.

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The Committee received testimony on a proposed House CS for SB 140.

HCS SB 140

&

HCS SB 222

HCS CSSB 140 "An Act relating to financial assistance for commercial purchasers of salmon; and providing for an effective date."

Representative Anderson advised the Committee that Bristol Bay suffered an economic disaster in the early 1970's because the fish were not coming back. He said since then the fish have started to return in large numbers, and 1980 is the year they will be reaching a peak in having the fish return. He commented there is a disagreement between what the Department of Fish and Game predicts and what the Japanese are predicting. He said that in any case, the number of fish will be beyond the capacity of the fish processors in the Bay, and they are asking the State to look at their problem.

Representative Anderson said other problems have occurred. He advised the New England Fish Company has closed its entire West Coast operation. He said the fish processors had predicted they could handle 34 billion fish, but that prediction was based on a number of assumptions. One of those assumptions was that the New England Fish Company would be in operation. Representative Anderson said several other fish companies have indicated they probably will not operate this year.

Representative Anderson said that, to further complicate the problem, the entire industry has relied on the Japanese as the primary market of their product, and in Japan last year's fish are still being sold this year. He said because of that the Japanese will not front end loans for the processors as they normally do. He said this is cutting into the ability of the small processor to make plans for this year. He said unless the State steps in to front end the money, there is potential for a disaster to happen. He said he is asking the committee to consider two bills (HCS CSSB 140 and HCS CSSB 222 - "An Act making special appropriations to the Alaska Renewable Resources Corporation and the Commercial Fishing and Agriculture Bank; and providing for an effective date.")

Representative Anderson said he was not prepared to ask the Committee to move the bills out at this time. He said it is a changing situation, and he has been working with Senator Hohman and others to get a handle on the situation.

Representative Anderson said the HCS CSSB 140 is proposing that \$60 million be made available on a six-month basis to be paid back to the State. He commented it is hard to get substantiated numbers on how many people may be affected at

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this time. He said he is asking that the Committee delay passing the bills in order that he can get more specific data on the number of people affected by the problem. He said this is a very serious problem, the extent of which is not measurable at this time. He said he requested a hearing on this subject because he didn't want the Committee to be hit with a request of this magnitude without any advance warning.

Speaker Gardiner said this is a very serious problem. He said there are a number of companies that cannot borrow money at any interest rate to buy fish from the fishermen. He said there are a series of things that have caused this: One is the marketing problems in Japan. He said the market has collapsed somewhat, so the market for fish is not very good. He said the Japanese are not necessarily interested in buying fish.

Speaker Gardiner said that traditionally packers go out and borrow the money to pay the fishermen, and then they sell the fish and pay off the loan. He said the fish are caught in a short period of time and the money has to be paid out then, and the fish sold over a twelve month period. He said interest rates are increasing and the value of fish is going down.

Speaker Gardiner said there was also a problem with the quality of some of the fish that were sent to Japan. He said there was also the difference in the value of the dollar versus the value of yen.

Speaker Gardiner said all these problems converged upon the companies in the last few months.

Speaker Gardiner said the proposed legislation was not put together to help the total industry. He said they are only talking about a portion of the industry that cannot get financing.

Speaker Gardiner said the processors cannot borrow money to buy fish for the upcoming season. He said there are between 8,000 to 9,000 fishermen in the State, plus their crews, who may be affected by this.

Speaker Gardiner said there is also the issue of increased Japanese ownership. He said companies are going to have to take money from wherever they can get it. He commented further.

Concerning section 4 of HCS CSSB 140, Speaker Gardiner explained the Alaska Renewable Resources Corporation did submit this request, and there is a specific piece of legislation dealing

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with it. He said he considers it part of the entire problem, and recommends it be considered along with this legislation.

Vice-Chairman Freeman asked what kind of interest rate would be paid on the loans. Speaker Gardiner said they didn't include a fixed rate. He said ARRC has negotiated some arrangements for financing. He commented the according to ARRC, the companies would be happy with 15%-17% interest rates. He said they are not trying to have the State subsidize the companies.

Vice-Chairman Freeman asked why the companies couldn't get the money. Speaker Gardiner said there are various reasons for different companies. He gave several examples.

Vice-Chairman Freeman asked if he saw this as an on-going program or would it be one time. Speaker Gardiner said they see this as a crisis, and it is a one time thing. He said they included provisions in the legislation to make this a six-month loan. He said they are looking at having all the loans repaid in one year, and he didn't think it should be considered on any other basis. There was further discussion.

Senator Tillion said they are in a peculiar marketing situation for Alaska as a whole this year. He said the market was not capable of sustaining itself at the price where fish were bought. He said a lot of companies are holding fish from last year, and they are not anxious to receive fish at today's prices when they are still holding last year's fish. He said on the other hand, many people of this state will be impacted; he said at the best there will probably be a lot more escapement than is desirable. He said the companies don't have the loan inventory available.

Senator Tillion said this bill will not solve the total problem, but it will cover the needs of that portion of the salmon industry that has a home base here in Alaska. He said if the money is made available, it doesn't have to be at "rock bottom" interest rates.

[Tape change, HFC 80-48, side 2.]

Senator Tillion said that without some assistance, it is going to be difficult for people to buy even the amount they had calculated on buying last year. He said what they have is a financial crunch that hit at the same time the price of salmon dropped. He commented briefly.

Mr. John Martin, Environmental Services Limited (Alaskan consulting firm) said he is representing the Ball Brothers. He said the Ball Brothers is an Alaskan company from Dillingham, and they have been buying fish for several years. He

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said this year they are having difficulty converting a short term loan into a long term loan. He said the difference this makes to the Ball Brothers is that it could make them able to be an aggressive fish buyer in Bristol Bay.

Mr. John Engie, Icicle Seafoods, commented that last year Icicle Seafoods didn't make any money. He said their biggest problem is with the high rate of interest. He said if the State can help out in financing the fish operation with low interest rate loans, it will help the fishermen and processors stay in business. He said they don't need outright loans. In answer to a question from Representative Haugen, Mr. Engie explained that in the fish business they are holding their inventory sometimes from the first of May until December. He said if they are paying high interest rates and storage rates, it will stop the entire industry.

Mr. Reid Rogers, Chairman of the Board of Directors, New England Fish Company, advised their company is spread throughout Alaska. He said they believe in the independent corporation. He commented they are not foreign owned, or owned by a large corporation. He said it is not only his company and its 500/600 employees who are affected, but also other Alaskan owned and operated companies. Mr. Rogers said their problem is that they are caught in a market downfall and their interest bill is running in the neighborhood of \$1 million a month. He said they have had to use capital to pay their bills. He said they are having trouble obtaining credit for the 1980 season, and they cannot go forward unless they have some kind of financing credit. He commented their banks have advised them not to come to Alaska this year. He said they are not afraid of high interest rates, this is a survival issue for them.

Mr. Rogers said there is a growing need for them to come closer to Alaska. He said they would like to be able to stay in Alaska and they are willing to convert their facilities to Alaskan companies, if they are not already. He said they are considering offering state or Alaskan citizen ownership in their company. He commented further.

Vice-Chairman Freeman asked how much the New England Fish Company needed to get them over the hump. Mr. Rogers said if they did everything, including the bottomfish operation, it would be \$22-\$23 million. He commented further. He said the loaning of funds for the proposed bottomfish should be viewed as a venture.

Mr. Bill Spear, Alaska Renewable Resource Corporation Trustee, said that in the course of their regular operation they became aware of the general problems throughout the industry. He said they have only been involved in this proposal for three days. He said they have put together material explaining how they would proceed if ARRC were used as a vehicle to implement the program.

Mr. Dean Olson, ARRC Trustee, presented Committee members with a proposed "ARRC Bristol Bay Emergency Processor Credit and Investment Program" (see attachment). He explained the hand out.

Vice-Chairman Freeman asked Mr. Peter Bushre, Deputy Commissioner of Treasury, Department of Revenue if the State had the money. Mr. Bushre said "no, we do not". He said his understanding is that the need is immediate, and their figures indicate the State will be down to no more than three weeks operating cash reserve by late summer. In answer to a question from Representative Haugen, Mr. Bushre said the money could be available if it were taken from other proposed projects. There was discussion on how Mr. Bushre arrived at his figures.

Mr. Jim Beaton, Board of Fisheries, said this is a problem throughout the industry statewide. He commented on the Board's investigation of the problem, and said that guaranteeing the pack loans looks like a viable option. He commented further.

Mr. Larry Carpenter, President, Alaska Longshoreman's and Warehouse Union, said they are in favor of the bills. He commented the industry is in very dire straights, and if the trend continues it could have mind-boggling effects on employment in the State.

Mr. Dave Newhalen, Alaska Independent Fish Marketing Association, said they support the legislation.

Vice-Chairman Freeman said that in line with the requests made by Representatives Anderson and Gardiner to hold the bills until further information could be received, the bills would be held until a later date.

Representative Rogers requested that HB 778 be brought up for consideration.

HB 778

"An Act relating to the taxation of electric cooperatives; and providing for an effective date."

Representative Rogers explained that since 1960 electric and telephone cooperatives have been paying 6% of their gross receipts as a tax for ad valorem. He explained that as rates went up, the tax also went up. He said he believes it is not fair for rural areas to pay a higher tax just because their price is higher. He commented further and advised there are three fiscal notes attached to the bill. Two of them are zero, and the other estimates a reduction of \$50.0 to the State per year in taxes.

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[Tape change, HFC 80-49, Side 1.]

Representative Rogers moved to report out the Commerce CS for HB 778. There being no objection, CSHB 778 was reported out with a "do pass" recommendation.

COMMERCE
CSHB 778
REPORTED
OUT

Vice-Chairman Freeman advised the Committee had before them the fiscal note for HB 572 (An Act relating to guardians and conservators).

HB 572
FISCAL
NOTE

Mr. Mike Doogan, A.A. to Chairman Meekins, explained the fiscal note came from the Rules Committee where the bill presently resides. He advised the Judiciary Committee did not review the fiscal note, but passed out a letter of intent that zeroed the fiscal note out. He explained that subsequent to that the Committee received a letter requesting the number of positions be reduced from 8 to 2. There was brief discussion on the fiscal note. Representative Rogers moved to report out a fiscal note in the amount of \$122.0, with zero in personal services. There being no objection, it was so ordered.

ADJOURN

The meeting adjourned at 4:00 p.m.

Tape HFC 80-47, Side 2 #468 to end
HFC 80-48, Side 1 #001 to end
Side 2 #001 to end
HFC 80-49, Side 1 #001 to 209

4/21/80

Alaska
Renewable
Resources
Corporation

April 21, 1980

Box 1647
Juneau, Alaska
99802
(907) 465-4616

The Honorable Russ Meekins
Chairman House Finance Committee
Pouch V
Juneau, Alaska 99811

Dear Representative Meekins:

The enclosed pages describe the Alaska Renewable Resource Corporation's Bristol Bay Emergency Processor Credit and Investment Program.

Suite One
313 "E" Street
Anchorage, Alaska
99501
(907) 272-2500

Work Sequence This chart illustrates the decision sequence ARRC will employ, and other institutions involved.

Time Sequence This chart depicts the estimated time for each decision or work component.

List of Processors This is a partial list of of processors which apparently qualify for the program.

Working Capital Estimates This table illustrates roughly the probable aggregate demand for program funds.

We have taken steps to initiate the program. Three processors on the list are now being evaluated. The other processors on the list are being telephoned today. Finally, we are developing the necessary interrelationship with CFAB, and with commercial banks with the specialized abilities required in pack lending. Our staff is being augmented on a temporary basis.

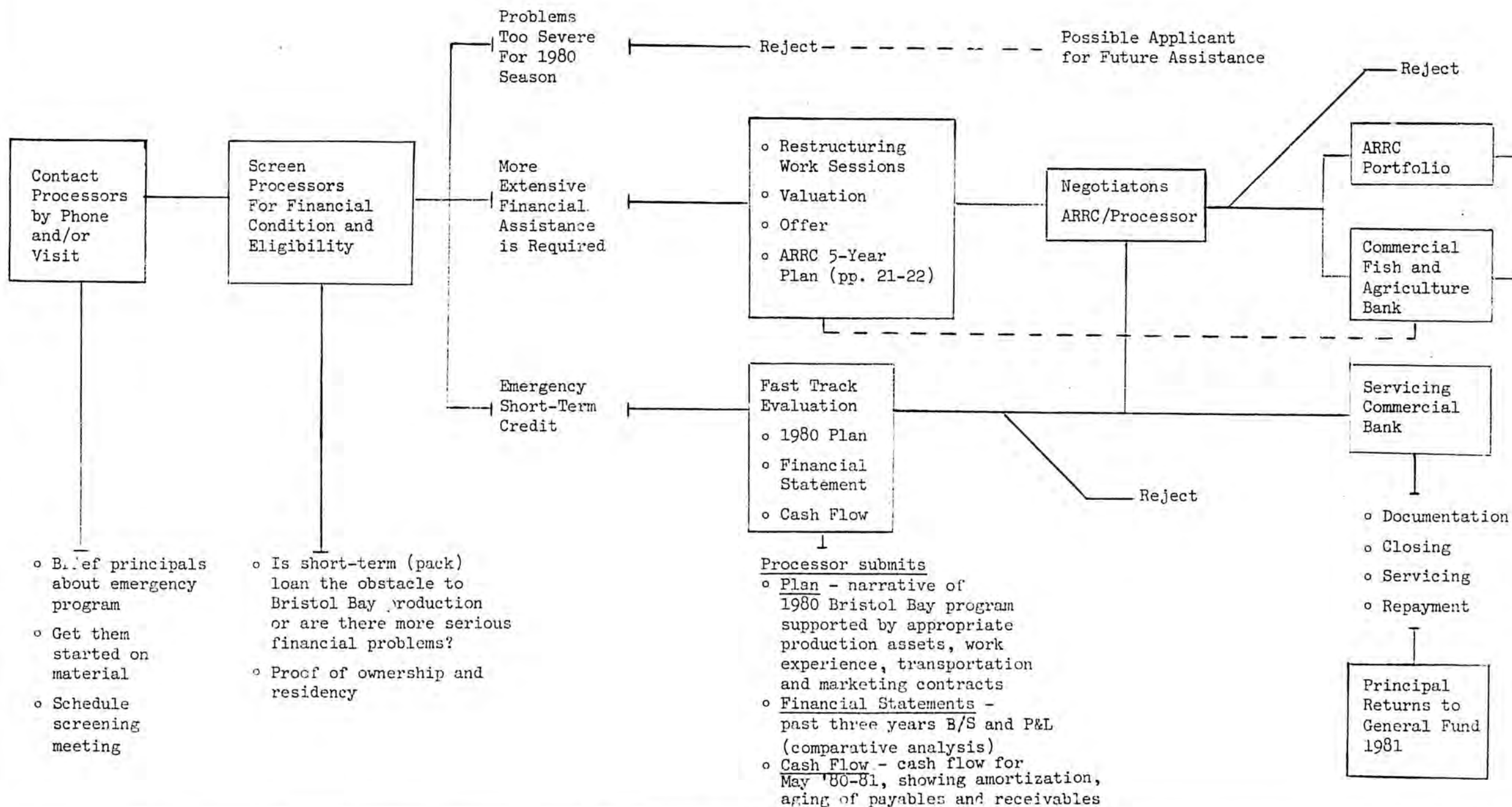
Sincerely,


Dr. Dean A. Olson
Trustee

Attachment

4/21/80

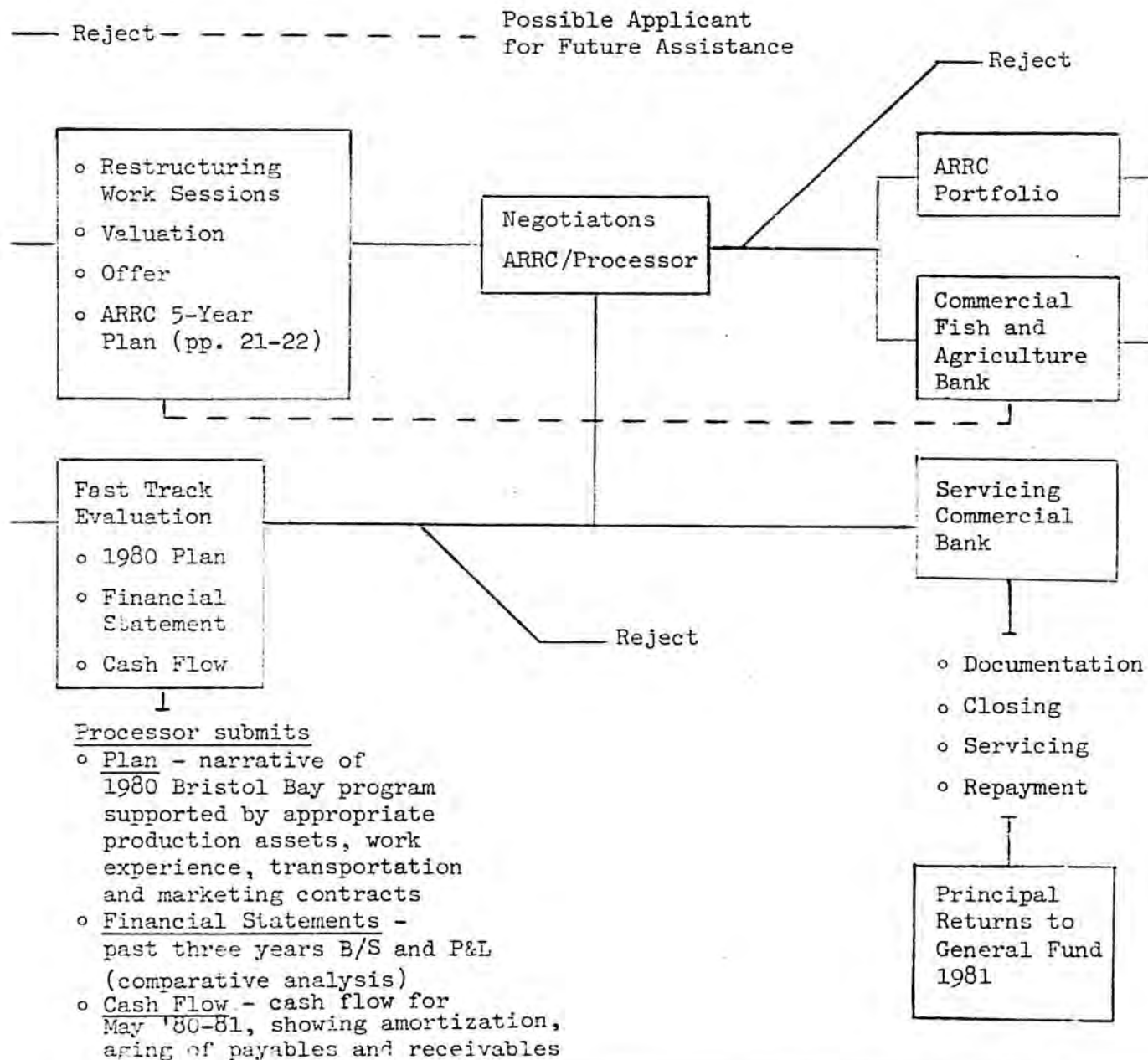
ALASKA RENEWABLE RESOURCES CORPORATION
BRISTOL BAY EMERGENCY PROCESSOR CREDIT AND INVESTMENT PROGRAM
Work Sequence



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CESSOR CREDIT AND INVESTMENT PROGRAM

ork Sequence



- 806 -

4/21/80

RENEWABLE RESOURCES CORPORATION

ANCY PROCESSOR CREDIT AND INVESTMENT PROGRAM

Time Sequence

May 1-9	May 10-17	May 18-31	June 1-
---------	-----------	-----------	---------

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

quired, processor-season credit will be provided upon reaching agreement, pending final

- 807 -

4/21/80

ALASKA RENEWABLE RESOURCES CORPORATION
BRISTOL BAY EMERGENCY PROCESSOR CREDIT AND INVESTMENT PROGRAM
Time Sequence

Work Item	April 24-30	May 1-9	May 10-17	May 18-31	June 1-
(1) Contact Processors					
(2) Screen Processors					
(3) Evaluate 1980 Processor Plans & Financials; Site Visit					
(4) Forward to Servicing Commercial Bank					
(5) Restructuring (if necessary); Valuation; Negotiations					
(6) Investment Agreement (ARRC - CFAB)					

Note: If more extensive financial restructuring is required, processor-season credit will be provided upon reaching agreement, pending final long-term investment document preparation.

Tentative List of Processors Eligible for
Bristol Bay Emergency Processor Credit
and Investment Program

Annette Island Packing Co. (Metlakatla)
E.C. Phillips & Son (Ketchikan)
KeKu Canning Co. (Kake)
Kake Fisheries (Kake)
Alaska Glacier Seafoods (Petersburg)
Engstrom Brothers (Douglas & Dillingham)
Bayview Cold Storage (Cordova)
Sitka Sound Seafoods (Sitka)
Icicle Seafoods, Inc. (Petersburg)
Chugach Fisheries (Cordova)
Diamond E Fisheries (Egegik)
Osmar Ocean Specialties (Ninilchik)
Kodiak Island Seafoods (Kodiak)
Ursin Seafoods (Kodiak)
Royal Pacific (Soldotna)
Ocean Fresh Seafoods, Inc. (Kodiak)
Sea Catch (Soldotna)
Talamatof Fisheries (Kenai)
Weener, Bud (Soldotna)
Mountain Village (Yukon)
Bering Sea Fisheries (Togiak)
Dragnet Fisheries (Kenai)
Larson Bay
Martin's Seafood (Anchorage)
Ball Brothers, Inc. (Anchorage)
J.B. Crow & Sons, Inc. (Bethel)

There will be additions and deletions to this list. Appearance on the list does not guarantee financing. Exclusion from the list does not preclude financing.

ALASKA RENEWABLE RESOURCES CORPORATION

BRISTOL BAY EMERGENCY PROCESSOR CREDIT AND INVESTMENT PROGRAM

FIRM/PLANT PRODUCTION AND

WORKING CAPITAL ESTIMATES

ALASKAN PROCESSORS

Estimated Daily Capacity ('000 Lbs.)	No. Firms Or Plants	Potential Bristol Bay Salmon Production ('000)	Working Capital (\$'000) At Various % of \$1.80 FOB Seattle Wholesal			
			60% \$1.08	70% \$1.26	76% \$1.37	89% \$1.60
Over 200	6	24,000	\$25,920	\$30,240	\$32,880	\$38,400
100-200	5	15,000	16,200	28,900	20,550	24,000
50-100	4	6,000	6,480	7,560	8,220	9,600
0-50	9	4,500	4,860	5,670	6,165	7,200
	25	49,500	\$53,460	\$62,370	\$67,815	\$79,200

Notes: (a) Firms/Plants. Estimated division of facilities is very approximate.

(b) Potential Production. 20 days operation x # Firms/Plants x daily estimate. Mid-points are used.

(c) Working Capital. Industry practice is to provide inventory loans at 60% of expected wholesale price. The \$1.80 FOB Seattle wholesale price is an estimate.

The working capital estimate is aggregate season demand, not pea season need, and hence assumes no product sales during season.

HOUSE FINANCE COMMITTEE

April 22, 1980

1:40 p.m.

All Committee members were present, except Representatives PRESENT
Meekins, McKinnon and Moss. Also in attendance: Speaker
Terry Gardiner; John Sund, Administrative Aide to Speaker
Gardiner; Gary Anderson, President of Alaska Commercial
Fishing and Agriculture Bank; Rick Lobber, Alaska Seafood
Products; John Martin, Environmental Services Limited;
Marilyn Miller, Alaska Municipal League; Sharon Macklin,
representing United Fishermen of Alaska; David Nanney,
Haines Gillnetter, representing Organization for Lynn
Canal Fishermen's Rights and United Southeast Alaska
Gillnetter's Association, Haines Chapter; Mike Doogan,
Administrative Assistant to Chairman Meekins; Bob Grogan,
Fiscal Analyst, Legislative Finance Division.

Vice Chairman Freeman called the meeting to order and
announced the first order of business is consideration
of HB 962 and HB 1002:

HB 962 - "An Act allowing credits against fisheries
taxes; and providing for an effective date."

HB 962

HB 1002 - "An Act making special appropriation to
the fisheries business tax donation fund
in the Department of Revenue; and provid-
ing for an effective date."

HB 1002

Testifying on these bills was Speaker Terry Gardiner,
who advised HB 962 is the authorizing legislation and
HB 1002 is the appropriation bill. Referring to the
study that was done on quality and marketing, Speaker
Gardiner stated the one point made in the report was
that the program has to have the industry support.
He added this provides for a 15% tax credit against
the raw fish tax. He stated the bill lays out a bunch
of conditions on who will qualify for the tax credit.

Referring to a handout (Attachment 1), Speaker Gardiner
explained his proposed amendments to HB 962.

[Vice Chairman Freeman left at this time, and Repre-
sentative Duncan conducted the meeting.]

There was discussion on the fiscal impact of Section 3,
with Representative Rogers asking if this represents
\$1.2 million in lost revenue. Speaker Gardiner indicated
it represents about \$3-1/2 million per year. Representa-
tive Duncan noted the appropriation in HB 1002 is for

\$3.5 million. Representative Rogers stated he is concerned with the accountability to the State in putting out this large amount of money for this organization that is not under the Executive Budget Act or any regulatory authority.

During discussion, Representative Guy asked if this applies to fresh water, and Speaker Gardiner indicated yes. He stated the bill also assures that the product is going to be for Alaska promotion--industry-wide promotion. Representative Guy asked if fish hatcheries would come under this, and Speaker Gardiner indicated no, they would not be eligible.

Representative Rogers asked if there were a budget for how the \$3.5 million is going to be used, and Speaker Gardiner indicated no, but that most of the money would be used for advertising. John Martin noted the bill does not set up specific criteria, but he explained their intent. He stated he feels this is needed for long-term. There was discussion on why the 15% tax was chosen.

Referring to page 2 of Gardiner's proposed amendments, under Section 3, Representative Rogers noted it might be preferable to include reference to statute law, "43.75.036". There was no objection.

Marilyn Miller testified at this time and urged the Committee to adopt Gardiner's amendment on page 2 that would allow the municipality to collect the tax before the credits are deducted.

Next to testify was Rick Lobber, who stated the concept of HB 962 was worked up by Alaska Seafood Products and Environmental Services Limited working together. He explained how the promotion of Alaska seafoods would work and how he hoped to spread the funds over salmon, shellfish and bottom fish.

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

Mr. Lobber advised they don't have an organizational structure per se, and that he had hoped to get this through before April 1. In order to affect next year's program, he stated, they need this funding. In answer to a question from Representative Schaeffer, he indicated it is their intent to promote seafood in general--not a specific brand product. The idea is to promote Alaska, he said.

Testifying at this time was John Martin, who noted Environmental Services Limited has a contract with Alaska Renewable Resources Corporation and that they did the research on this

program. He distributed a handout to the Committee on the Alaska Seafood Foundation, 1980 Implementation Plan (Attachment 2). This year, he explained, they would be addressing two issues: organizational problems in a short time and implementation of a fast-track, concerted effort for promotion of Alaska salmon this year. He indicated they do not have a detailed budget at this time, but could have one ready for the Committee by tomorrow morning. Representative Rogers requested copies of the budget be submitted to the Committee before taking action on the bill.

Sharon Macklin advised the United Fishermen of Alaska do support this and noted they have been involved in working with Alaska Seafood and Environmental Services Limited. She again urged support of the legislation.

Referring to Section 2, line 26, Representative Guy asked what is meant by "administrative areas", and Speaker Gardiner indicated Southeast Alaska, Bristol Bay, AYKA.

Vice Chairman Freeman stated HB 962 and HB 1002 would be held over pending receipt of the budget. Representative Rogers moved that a Finance Committee Substitute for HB 962 be prepared incorporating Gardiner's amendments with the following two changes to the amendments: page 1, last line, after "House" add "of Representatives"; page 2, after "Sec. 3." add "Sec. 43.75.036". There being no objection, it was so ordered.

HB 962 AND
HB 1002
HELD OVER

Vice Chairman Freeman advised the next bill to come before the Committee is HB 961:

HB 961 - "An Act relating to the Alaska Commercial Fishing and Agriculture Bank; and providing for an effective date."

HB 961

Speaker Gardiner stated this bill was introduced at his request and urged support of the bill. He introduced Gary Anderson, President of the Alaska Commercial Fishing and Agriculture Bank.

In his overview of the bill, Mr. Anderson referred to page 3, line 19, and advised the first portion deals with SEAFAB's ability to make loans, and the second portion changes the titles of the officers of the bank, bringing them back into line with normal banking institutions. The middle of page 2, he stated, defines the ability to make loans to the suppliers, which was insufficiently clear before. A more controversial issue, he noted, is the portion dealing with expanding the loans to include processors. He explained they are trying to wrest away from the Seattle-based banks their dominant control of the fisheries. The