

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2718

are necessary to provide for the construction of the Facility;

(d) provide a construction schedule and completion date for the construction of the Facility;

(e) obtain all material permits and licenses relating to the Facility that are necessary for the construction of the Facility; and

(g) enter into all leases of real property for the site of the Facility.

10.2.2 Commissioner's Approval.

On or before December 31, 1981, Buyer shall provide to the Commissioner documents evidencing Buyer's diligence in proceeding to do all of the foregoing. If within 60 days from submission of the documents, the Commissioner determines that such documents do not demonstrate completion of each of the items listed in Article 10.2.1, the Commissioner may terminate this Agreement by giving thirty (30) days' notice to

Buyer. If all of the foregoing have been completed, the Commissioner shall have sixty (60) days from submission of the documents to review them and either approve or disapprove the Facility. The approval shall be at the sole and absolute discretion of the Commissioner. Upon approval, Buyer shall construct the Facility in compliance with Article 4.2.1 hereof. Thirty (30) days after disapproval by the Commissioner this Agreement shall terminate and Buyer shall have no further right whatsoever to receive any crude oil from Seller, except that Buyer, pursuant to Article 14.2 shall have the obligation to purchase royalty oil if Seller elects to sell such oil to Buyer.

10.2.3 Facility Start-up. If Buyer has not begun processing crude oil in the Facility on or before March 1, 1986, the Commissioner may terminate this Agreement including any obligation to make any further deliveries of crude oil on March 31, 1986, or at any time thereafter by giving notice of termination

to Buyer prior to start-up of the
Facility."

16. Article 14.1 is hereby amended by deleting from the third line of clause (ii) thereof the words "into petrochemicals."

17. Article 16.1 is hereby amended by deleting the address of Buyer and replacing it with the following addresses:

"The Alpetco Company
601 W. 5th Avenue, #320
Anchorage, Alaska 99501

and
The Alpetco Company
3700 Buffalo Speedway
Houston, Texas 77098"

18. Article 23.2 is hereby amended by deleting the third sentence thereof.

19. Article 26.7 is hereby amended by replacing the words "extensions of time periods" with the word "approvals."

20. Seller and Buyer hereby ratify and confirm all provisions of the Agreement, as amended by this Second Amendment.

21. Seller and Buyer each hereby represent and warrant to each other that it has full power and authority to execute, deliver and perform this Second Amendment and that this Second Amendment, and the Agreement as amended by this Second Amendment, constitute valid and binding obligations of such party and are enforceable against such party in accordance with their terms.

22. The Agreement as amended by this Second Amendment shall become effective upon its due execution and delivery by each of Seller and Buyer and if approved by the Alaska Royalty Oil and Gas Development Board and the Alaska State Legislature, to the extent such approvals are required by Article XXII of the Agreement. This Second Amendment shall be null and void if it is not so approved on or before June 7, 1980.

IN WITNESS WHEREOF, the Seller has caused this Second Amendment to be executed by its Commissioner of Natural Resources and the Buyer has caused this Second Amendment to be executed by its General Manager as of the day and year first above written.

THE STATE OF ALASKA

ATTEST:

BY:

Commissioner, Department
of Natural Resources

APPROVED AS TO FORM:

THE ALPETCO COMPANY

ATTEST:

BY:

General Manager

I, Frank M. Smith, certify that I am the Vice President of the Buyer in the above contract, that Dudley K. Parker was then General Manager of said Buyer, that said Agreement was duly signed for and in behalf of Buyer by authority of its governing body, and is within the scope of its powers.

Vice President

(CORPORATE SEAL)

THE STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on this 30th day of May, 1980, before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared Robert E. LeResche, to me known to be the Commissioner of Natural Resources for the STATE OF ALASKA, and known to me to be the person who executed the within instrument on behalf of the STATE OF ALASKA, and acknowledged to me that the same was signed as a free act and deed of the STATE OF ALASKA for the purposes and uses therein stated.

WITNESS my hand and notarial seal the day and year last above written.

NOTARY PUBLIC in and for Alaska.
My commission expires: _____

THE STATE OF ALASKA

FIRST JUDICIAL DISTRICT

)
) ss.
)

THIS IS TO CERTIFY that on the 30th day of May, 1980, before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared the General Manager of THE ALPETCO COMPANY, a Florida general partnership, and known to me to be the person who executed the within instrument on behalf of the partnership herein named, and acknowledged to me that the same was signed as a free act and deed of said partnership for the uses and purposes therein stated and pursuant to its authority.

WITNESS my hand and notarial seal the day and year last above written.

NOTARY PUBLIC in and for Alaska.
My commission expires: _____

LAW OFFICES
Hedland, Fleischer & Friedman
A PROFESSIONAL CORPORATION
1016 WEST 6TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99501

(907) 279-5526
(907) 279-3633
—
JOHN S. HEDLAND
HUGH W. FLEISCHER
SAUL R. FRIEDMAN
JAMES T. BRENNAN
JANALEE R. STRANDBERG
EDWARD P. NOLDE
PATRICK M. ANDERSON

MEMORANDUM

From: *John S. Hedland*
John S. Hedland

June 3, 1980

This Memorandum is directed at the question of whether, under the circumstances that presently exist, the Alaska Legislature and the Royalty Advisory Board may legally approve the proposed Second Amendment to the Alpetco contract. In my opinion, the answer is no, for the reasons set out below. This discussion is limited to the question insofar as the specific provisions in the Alaska statutes and administrative regulations related to the sale of royalty oil bear upon it, and does not address any infirmities that may exist under other relevant law, e.g. Article VIII, §§ 10 and 17, and Article IX, § 6 of the Alaska Constitution.

The relevant statutory and regulatory provisions are as follows:

A.S. 38.05.183: Sale of Royalty. (a) The sale, exchange or other disposal of a mineral obtained by the state as a royalty under § 182 of this chapter, or the sale, exchange or other disposal in whole or in part of a right to receive future mineral production under a state lease under this chapter, shall be by competitive bid and the sale, exchange or other disposal made to the highest responsible bidder, except that competitive bidding is not required when the commissioner, with

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the prior written approval of the Alaska Royalty Oil and Gas Development Advisory Board where applicable, determines that the best interest of the state does not require it or that no competition exists.

(b) When competitive bids are required, the commissioner, with the prior written approval of the Alaska Royalty Oil and Gas Development Advisory Board, may reject all bids if he determines that because of the amount of the bids, the lack of responsibility on the part of the bidders, or for reasons consistent with the criteria set out in AS 38.06.070, the acceptance of the bids would not be in the best interest of the state.

(c) If the commissioner determines that a sale, exchange or other disposal of a mineral obtained by the state as a royalty under § 182 of this chapter or of a right to receive future mineral production under a state lease under this chapter shall be made otherwise than by competitive bid, and the Alaska Royalty Oil and Gas Development Advisory Board where applicable has approved that determination, the commissioner shall make public in writing the specific findings and conclusions upon which that determination is based.

(d) Oil or gas taken in kind by the state as its royalty share may not be sold or otherwise disposed of for export from the state until the commissioner with the approval of the Alaska Royalty Oil and Gas Development Advisory Board determines that the royalty-in-kind oil or gas is surplus to the present and projected intrastate domestic and industrial needs. The commissioner shall make public, in writing, the specific findings and reasons on which his determination is based and shall, within 10 days of the convening of a regular session of the legislature, submit a report showing the immediate and long-range domestic and industrial needs of the state for oil and gas and an analysis of how these needs are to be met.

A.S. 38.06.050: Board approval required.

(a) No sale, exchange, encumbrance, or other disposition of oil or gas or of the rights

or waiver of the rights to receive future production of royalty oil or gas may be made by the commissioner of natural resources under AS 38.05.183 without the prior written approval of the board.

(b) Bids or applications for the purchase of royalty oil or gas may not be rejected by the commissioner of natural resources without the prior written approval of the board.

(c) Competitive bidding in a sale, exchange or other disposition described in (a) of this section may not be waived by the commissioner of natural resources under AS 38.05.183 without the prior written approval of the board.

(d) The board may require conditions relating to the sale, delivery, transportation, or refining or processing within the state to be included by the commissioner of natural resources in the offer of and sale by competitive bidding of oil or gas obtained by the state as royalty under AS 38.05.182.

A.S. 38.06.055: Action by legislature. (a) In addition to the approval by the board required under § 50 of this chapter, no sale, exchange or other disposition of oil or gas or of the rights or waiver of the rights to receive future production of royalty oil or gas may be made by the commissioner of natural resources under AS 38.05.183 without the prior approval of the legislature by a concurrent resolution concurred in by a majority of the members of each house except for sales, exchanges, or other dispositions made for a term of no more than one year, which may be entered into to relieve storage or market conditions. Any short-term sale, exchange or other disposition entered into under the authority of this subsection may not be renewed with the prior approval of the legislature by a concurrent resolution concurred in by a majority of the members of each house.

(b) Contracts for the sale of state-owned royalty gas or oil that specify the sale and delivery of not more than 400 barrels of crude oil per day or not more than 460 barrels of natural gas liquids per day or not more than

2,400 Mcf of natural gas per day may be executed without ratification by the legislature.

A.S. 38.06.070. Criteria. (a) In the exercise of its powers under § 40(1) - (2) and § 50 of this chapter the board shall consider

(1) the revenue needs and projected fiscal condition of the state;

(2) the existence and extent of present and projected local and regional needs for oil and gas products and by-products, the effect of state or federal commodity allocation requirements which might be applicable to those products and by-products, and the priorities among competing needs;

(3) the desirability of localized capital investment, increased payroll, secondary development and other possible effects of the sale, exchange or other disposition of oil and gas or both;

(4) the projected social impacts of the transactions;

(5) the projected additional costs and responsibilities which could be imposed upon the state and affected political subdivisions by development related to the transaction;

(6) the existence of specific local or regional labor or consumption markets or both which should be met by the transaction;

(7) the projected positive and negative environmental effects related to the transaction; and

(8) the projected effects of the proposed transaction upon existing private commercial enterprise and patterns of investments.

(b) When it is economically feasible, the board may require, as a condition of the sale of oil or gas obtained by the state as royalty, that oil or gas be refined or processed in the state and may, when it is feasible and in the best interests of the state to do so, provide for processing or refining of the oil or gas under a contract entered into by competitive bidding before the sale of the oil or gas.

(c) The board shall make a full report to the legislature on each criterion specified in (a) or (b) of this section for any disposition of royalty oil or gas which requires legislative approval. The board's report shall be submitted for legislative review at the time a resolution for legislative approval of a proposed disposition of royalty oil or gas is introduced in the legislature.

11 AAC 26.100: BID OR APPLICATION. A bid or application for the purchase of royalty oil or gas is a written response to and complying with a specific solicitation by the commissioner under A.S. 38.05.183, A.S. 38.06 and this chapter.

It is clear under A.S. 38.05.183(a) and 38.06.055(a) that both board approval and legislative approval must precede commissioner negotiation of a contract for sale of royalty oil or gas without competitive bidding. Execution of such a contract by the commissioner is conditioned upon "prior written approval" of the board and "prior approval" by the legislature. It is likewise clear under A.S. 38.06.070 that board approval must precede legislative approval, since the board's report must be available to the legislature at the time the legislature approves the transaction. Finally, under 11 AAC 26.100, bids or applications for the purchase of royalty oil or gas must be in response to "a specific solicitation by the commissioner." Under A.S. 38.05.183(a) competitive bidding may be waived only where the board "determines that the best interest of the state does not require it or that no competition exists." The requirement that the commissioner solicit bids or applications is obviously in furtherance of this provision, since the board could not possibly make a rational determination that the public interest does not require competitive bidding or that no competition exists without soliciting

information from potential bidders to enable it to determine whether in fact there is any competition and what the available alternatives are. Consequently, it is clear that the "specific solicitation by the commissioner" of bids or applications must precede board review of the proposal to waive competitive bidding, and must obviously be a solicitation of the public generally or at least of those who may be reasonably expected to be interested, and not a private solicitation of an individual prospective purchaser. Thus, a four-step process, in the following chronological order, must take place before the state may validly waive competitive bidding and sell large quantities of royalty oil or gas to a particular purchaser. (1) A public solicitation by the commissioner of bids or proposals for the purchase of royalty oil or gas; (2) Board approval of a specific sale and the waiver of competitive bidding, and a report to the legislature with respect to such proposed sale; (3) Legislative approval of the transaction; (4) Execution of the agreement by the commissioner.

Nothing in the statutory or regulatory framework authorizes the type of transaction in question here, where the contract is executed with the prospective purchaser by the commissioner prior to legislative or board approval, where the board cannot possibly approve the contract and make a report to the legislature in time to permit any meaningful review of it, and where no solicitation of bids or proposals has been made by the commissioner prior to approval by either the board or the legislature, or execution of the contract. This procedure clearly violates the

statutory framework and the strong policy in favor of competitive bidding, and a waiver of competitive bidding only where the circumstances clearly show that it is unwarranted or futile to engage in it.

It may be argued that some prior approval by the board and/or legislature negates the requirement of following the statutory and regulatory procedure in this case on the theory that the second amendment to the Alpetco contract is merely a technical amendment to the original contract and not a new sale or exchange of royalty oil and gas. Any such contention must fail. The nature of the entire undertaking since February, 1978, particularly as Alpetco's commitment under the prior contract bears upon the existence of competition and the necessity for competitive bidding, has changed materially and the change goes to the heart of the contract. Initially, bids or applications were solicited by the commissioner prior to execution of the agreement with Alpetco. Only Alpetco was willing to commit itself to the construction of a petro-chemical facility which was deemed to be in the interests of the state because of the greater employment it would afford as opposed to a fuels refinery. A petro-chemical facility is neither required nor contemplated by the current proposal, and any determination that competitive bidding was unnecessary with respect to a petro-chemical facility, that only Alpetco was willing to build, can hardly justify a waiver of competitive bidding under present circumstances, where a petro-chemical plant is no longer in the picture.

Moreover, all of the benchmark requirements intended to demonstrate the feasibility of the project, i.e. the obtaining of 1.5 billion dollars in financing commitments and the expenditure of one hundred million dollars prior to receiving royalty oil have been deleted from the new contract, which obviously changes it materially. Under the present proposal, the "benchmark" requirements do not come into play until one and a half years after Alpetco has been receiving royalty oil, and, regardless of whether they are met or not, the commissioner has the absolute discretion to approve or disapprove of the facility. Under these circumstances, it is transparently obvious that neither potential investors nor Alpetco itself is going to commit itself to the extent necessary to meet the benchmark requirements and the transaction is, purely and simply, a noncompetitively and privately negotiated agreement to sell royalty oil on preferential terms to Alpetco under circumstances where construction of any facility is tenuously if at all connected with the sale.

A further question is whether, even if the board and the legislature may approve a privately negotiated contract in the absence of a prior solicitation by the commissioner of bids or applications, the legislature may approve the contract prior to approval by the board. A.S. 38.06.070(c) unambiguously requires that board approval precede legislative approval, and that the legislature have a specific and detailed report from the board at the time it considers approval of the contract. This provision is not an arbitrary procedural timetable; rather, it is

an integral part of the statutory framework that is designed to insure that the legislature, which is not in as good a position as the commissioner to develop a factual record, have available for it the specific basis of the board's determination. Under these circumstances, a court would be highly unlikely to waive compliance and give effect to legislative action that takes place prior to board action and prior to preparation of the board's report. In Moore v. State, 553 P.2d 8 (Alaska 1976), the court held, in the context of the Kachemak Bay leases, that the requirement that a sale or disposition of state lands be, as a condition to such sale, determined by the commissioner to be in the best interest of the state, was not waivable and was subject to judicial review to determine whether the determination had in fact been made. The majority of the court, in an opinion by Mr. Justice Rabinowitz, stated as follows:

The legislative procedural directive of AS 38.05.035(a)(14) requires of the Director an independent, reasoned evaluation of a proposed sale. Although he is not expressly obligated to make a formal written finding, he must at a minimum establish a record which reflects the basis for his decision. 553 P.2d at 36.

In this case, the applicable statute clearly does require written findings, and the case is even stronger that the failure to follow the prescribed procedures will invalidate the action taken. The legislature must have before it the board's report to make a reasoned decision as to its determination. The requirement is jurisdictional.

It is no answer to argue that the board's approval of the 1978 Alpetco agreement suffices to validate the amendment, since it was predicated upon the presence of contractual provisions that the amendment deletes from the contract. Similarly, the commissioner's findings in 1978 pursuant to A.S. 38.05.183(c) that competitive bidding was not required for the original contract (if any such findings were ever formally made) cannot suffice to validate the amendment since they were also predicated upon the presence of contractual provisions that the amendment deletes. Finally, it cannot be argued that legislative approval of the amendment pursuant to an act, as opposed to a concurrent resolution, under the doctrine of State of Alaska v. A.L.I.V.E. Voluntary, 606 P.2d 769 (1980) would have the effect of overruling inconsistent statutory requirements, since such an act, to the extent that the requirements of the other provisions are evaded, would clearly be a special act. Under Article II, § 19 of the Alaska Constitution, a special act may not be employed where a general act can be made available. Abrams v. State, 534 P.2d 91 (Alaska 1975); State v. Lewis, 559 P.2d 630 (Alaska 1977). There is clearly a general law procedure by which contracts such as the one in question can be entered into where appropriate. This procedure contemplates public solicitation of bids or applications by the commissioner, formal determinations by the board and the commissioner that competitive bidding is unnecessary, and legislative approval of the specific transaction on the basis of the record developed before the board and the written report of the board. Special

legislation to permit Alpetco to obtain a contract in contravention of these requirements and on terms unavailable to any other prospective purchasers, in the absence of even a solicitation of interest from them, is prohibited by the above-cited constitutional provision.

CONCLUSIONS:

1. In the absence of a prior solicitation of bids or applications with respect to the sale of royalty oil, the commissioner has no authority to make the requisite determinations to waive competitive bidding and negotiate a contract.

2. Legislative approval of the Alpetco contract, whether by resolution or otherwise, cannot precede royalty board approval and submission of the royalty board's report to the legislature.

3. Any prior determinations by the commissioner or the royalty board with respect to the 1978 Alpetco contract were predicated upon the presence of contractual provisions that the second amendment would delete. Therefore the prior determinations do not fulfill the requirement of such determinations with respect to the second amendment.

4. Legislative approval of the second amendment to the Alpetco contract without compliance with the above provisions would constitute a special act in violation of Article II, § 19 of the Alaska Constitution.

5. The proposed second amendment is a substantial and material rewrite of the original contract which changes its very

essence and is therefore a new sale or exchange of royalty oil, and must be treated as such. It contains no requirement that a refinery be built, that Alpetco incur any liabilities in return for the purchase of royalty oil for one and one-half years, or that profits from such royalty oil be dedicated to financing of the refinery, and is drafted in such a manner as to make compliance with the benchmarks essentially impossible. As such, while in form it is an amendment to a contract related to the construction of a refinery, in substance it is a new negotiated sale of royalty oil which violates the relevant Alaska statutes relating to such matters.

3700 BUFFALO SPEEDWAY
HOUSTON, TEXAS 77098
TELEPHONE 713 8401243 TELEX 791461

December 13, 1979

Dr. Robert E. LeResche
Commissioner of Natural Resources
Pouch "M"
Juneau, Alaska 99801

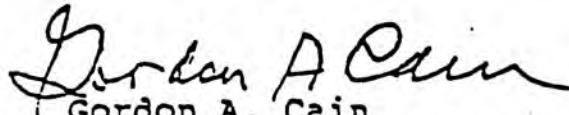
Dear Commissioner LeResche:

When negotiating the terms of its Royalty Oil Contract with the State of Alaska some two years ago, Alaska Petrochemical Company insisted on a right to begin purchasing the royalty oil prior to the time of plant start-up. As you know, we held out for this right so that we could have this crude processed into products we would eventually make in Alaska and thus begin developing market channels for them. We also maintained that we needed the opportunity to benefit from interim crude transactions in order to help the economics of building a large plant in Alaska.

While the Royalty Oil Contract does not require us to do so, we have maintained all along that profits realized from the sale or processing of the crude prior to plant start-up could be critical to the success of the project.

It is therefore with great pleasure that I attach hereto letters from the individual partners of Alpetco representing a commitment to reinvest such profits as required for equity in Alpetco.

Sincerely,


Gordon A. Cain
President

GAC/my

Attachment (HFC)

- 1112 -

6/5/80

December 13, 1979

The Alpetco Company
c/o Alaska Petrochemical Company
3700 Buffalo Speedway
Houston, Texas 77098

Dear Sirs:

The undersigned, Alaska Petrochemical Company, is a 23.4% partner in The Alpetco Company ("Alpetco"). Alpetco, a joint venture partnership, was established as of October 1, 1979, by the undersigned, Charter Oil (Alaska), Inc. and E. F. Hutton (Alaska) Inc. (collectively, the "Partners") to receive an assignment of the rights and to assume the obligations of Alaska Petrochemical Company under the Agreement for the Sale and Purchase of State Royalty Oil dated February 22, 1978, and amended May 17, 1978 (the "Royalty Oil Contract"), between Alaska Petrochemical Company and the State of Alaska.

While not required by the terms of the Royalty Oil Contract, Alaska Petrochemical Company hereby agrees to leave in Alpetco or contribute to Alpetco an amount equal to Alaska Petrochemical Company's net profits resulting from the sale and/or processing of interim crude oil by Alpetco, as required for Alaska Petrochemical Company's equity in Alpetco.

Sincerely,

ALASKA PETROCHEMICAL COMPANY

By Gordon A. Chan

CHARTER OIL (ALASKA), INC.
P. O. Box 4726
Jacksonville, Florida 32201
904/358-4395

December 13, 1979

The Alpetco Company
c/o Alaska Petrochemical Company
3700 Buffalo Speedway
Houston, Texas 77098

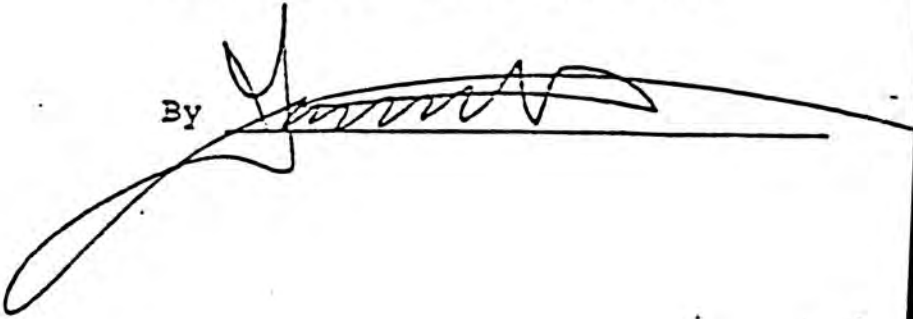
Dear Sirs:

The undersigned, Charter Oil (Alaska), Inc. is a 70.0% partner in The Alpetco Company ("Alpetco"). Alpetco, a joint venture partnership, was established as of October 1, 1979, by the undersigned, Alaska Petrochemical Company and E. F. Hutton (Alaska) Inc. (collectively, the "Partners") to receive an assignment of the rights and to assume the obligations of Alaska Petrochemical Company under the Agreement for the Sale and Purchase of State Royalty Oil dated February 22, 1978, and amended May 17, 1978 (the "Royalty Oil Contract"), between Alaska Petrochemical Company and the State of Alaska.

While not required by the terms of the Royalty Oil Contract, Charter Oil (Alaska), Inc. hereby agrees to leave in Alpetco or contribute to Alpetco an amount equal to Charter Oil (Alaska), Inc.'s net profits resulting from the sale and/or processing of interim crude oil by Alpetco, as required for Charter Oil (Alaska), Inc.'s equity in Alpetco.

Sincerely,

CHARTER OIL (ALASKA), INC.

By 

E. F. HUTTON (ALASKA) INC.
One Battery Park Plaza
New York, New York 10004
212/742-5000

December 13, 1979

The Alpetco Company
c/o Alaska Petrochemical Company
3700 Buffalo Speedway
Houston, Texas 77098

Dear Sirs:

The undersigned, E. F. Hutton (Alaska) Inc., is a 6.6% partner in The Alpetco Company ("Alpetco"). Alpetco, a joint venture partnership, was established as of October 1, 1979, by the undersigned, Alaska Petrochemical Company and Charter Oil (Alaska), Inc. (collectively, the "Partners") to receive an assignment of the rights and to assume the obligations of Alaska Petrochemical Company under the Agreement for the Sale and Purchase of State Royalty Oil dated February 22, 1978, and amended May 17, 1978 (the "Royalty Oil Contract"), between Alaska Petrochemical Company and the State of Alaska.

While not required by the terms of the Royalty Oil Contract, E. F. Hutton (Alaska) Inc. hereby agrees to leave in Alpetco or contribute to Alpetco an amount equal to E. F. Hutton (Alaska) Inc.'s net profits resulting from the sale and/or processing of interim crude oil by Alpetco, as required for E. F. Hutton (Alaska) Inc.'s equity in Alpetco.

Sincerely,

E. F. HUTTON (ALASKA) INC.

By

20/10/79



June 3, 1980

Dr. Robert E. LeResche, Commissioner
Department of Natural Resources
State of Alaska
Pouch M
Juneau, AK 99509

Dear Dr. LeResche:

While an in-depth analysis of the proposed negotiated contract for the sale of North Slope Royalty Oil, to ALPETCO, has not been possible, it would appear that such sale has questionable basis. Tesoro has continued to express its need for additional oil to satisfy its in-state refinery needs. If a negotiated sale of north slope crude oil to ALPETCO is now being contemplated, Tesoro would like to express its interest in competing for that oil.

During the consideration for the sale of royalty oil in 1978, Tesoro was thwarted in its efforts to obtain royalty oil when the State conditioned, in part, the sale of the royalty oil on the construction of a major petrochemical facility within the State. Now that this and other requirements, which Tesoro did not believe were economically feasible, have been eliminated, Tesoro is of the opinion that an opportunity should be provided to compete for that royalty oil.

Tesoro would also like to again express its need for additional royalty oil and to reassure the State of

-1114-

Attachment

Tesoro Petroleum Corporation, 5700 Texas Drive, San Antonio, Texas 78238, (512) 523-5424

6/5/80

Dr. Robert E. LeResche
June 3, 1980
Page Two

Alaska of its rediness to purchase and receive any and all
of the royalty oil not otherwise delivered to ALPETCO.

Yours truly,

James C. Phelps, President
Tesoro Petroleum Corporation

JCP:bjp

cc: Lt. Gov. Terry Miller
Senator Mike Colletta
Senator Clem Tillion, President of the Senate
Senator Bill Sumner
Representative Bill Miles
Representative Terry Gardiner, Speaker of the House of
Representatives
Don Wold, Executive Director of the Alaska Royalty Oil
& Gas Development Advisory Board
Commissioner Tom Williams
Dr. George Rogers
Dr. Don Triplehorn
Richard Lyon

IPMAFUB AHG

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0058 DLY 1723 CST 06/03/80

PMS THE HONORABLE ROBERT LERESCHE

COMMISSIONER OF NATURAL RESOURCES

POUCH M

JUNEAU, ALASKA 99811

JUN 3 PM 2 53

JUNE 3, 1980

THE HONORABLE ROBERT LERESCHE

COMMISSIONER OF NATURAL RESOURCES

JUNEAU, ALASKA

(907) 465-2422

MSG. NO. 0-6-138

ALASKA PETROLEUM COMPANY AND THE COASTAL CORPORATION HAVE BEEN CLOSELY MONITORING THE EFFORTS OF ALPETCO TOWARD COMPLYING WITH ITS ROYALTY OIL CONTRACT AND THE RENEGOTIATION OF THAT CONTRACT NOW IN PROGRESS. WE QUESTION THE LEGALITY OF THIS RENEGOTIATION OF THE CONTRACT AND ARE PREPARING A COMPLAINT CHALLENGING IT. WE NEGOTIATED IN GOOD FAITH WITH THE STATE FOR THIS CONTRACT IN 1977 AND 1978. OUR OFFER FOR THIS SAME ROYALTY OIL AND REFINERY PROJECT WAS NOW ADVANCED BY ALPETCO IN THE AMENDED CONTRACT.

Attachment (HFC)

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6/5/80

IPMAFUB AHG

QAPEOYEIM155 06/03/80

TLX COASTAL D HOU DLY PD

0358 DLY 1723 CST 06/03/80

PMS THE HONORABLE ROBERT LERESCHE

COMMISSIONER OF NATURAL RESOURCES

POUCH M

JUNEAU, ALASKA 99811

JUN 3 PM 2 53

JUNE 3, 1980

THE HONORABLE ROBERT LERESCHE

COMMISSIONER OF NATURAL RESOURCES

JUNEAU, ALASKA

(907) 465-2422

MSG. NO. 0-6-138

ALASKA PETROLEUM COMPANY AND THE COASTAL CORPORATION HAVE BEEN CLOSELY MONITORING THE EFFORTS OF ALPETCO TOWARD COMPLYING WITH ITS ROYALTY OIL CONTRACT AND THE RENEGOTIATION OF THAT CONTRACT NOW IN PROGRESS. WE QUESTION THE LEGALITY OF THIS RENEGOTIATION OF THE CONTRACT AND ARE PREPARING A COMPLAINT CHALLENGING IT. WE NEGOTIATED IN GOOD FAITH WITH THE STATE FOR THIS CONTRACT IN 1977 AND 1978. OUR OFFER FOR THIS SAME ROYALTY OIL AND REFINERY PROJECT EXCEEDED THE OFFER NOW ADVANCED BY ALPETCO IN THE AMENDED CONTRACT.

WE WISH TO BE CONSIDERED IN THIS RENEGOTIATION PROCESS. WE ALSO WISH TO BE CONSIDERED AS PURCHASER FOR OIL OR PORTION OF THE ROYALTY OIL SOON TO BE AVAILABLE. WE ARE PREPARED TO PAY A HIGHER PRICE FOR THIS OIL THAN THAT OFFERED BY ALPETCO AND TO BEGIN NEGOTIATIONS IMMEDIATELY. PLEASE TELEPHONE ME AT (713) 877-6816.

G. H. SHIPLEY

AND G. S. WYATT, JR.

THE COASTAL CORPORATION

HOUSTON, TEXAS

913-831-6333

Original sponsor: Rules/Governor

Offered: 6/3/80

1 IN THE SENATE

BY THE RULES COMMITTEE

2 CS FOR SENATE CONCURRENT RESOLUTION NO. 68 am

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 Approving the Second Amendment to the
6 Agreement for the Sale and Purchase
7 of State Royalty Oil between the
8 State of Alaska and The Alpetco
9 Company.

10 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 WHEREAS an Agreement for the Sale and Purchase of State Royalty Oil was
12 executed on February 22, 1978, by the State of Alaska and Alaska Petro-
13 chemical Company, was amended on May 17, 1978, and was assigned to The
14 Alpetco Company under an assignment executed on December 13, 1979, and ap-
15 proved by the state on February 4, 1980; and

16 WHEREAS the Agreement for the Sale and Purchase of State Royalty Oil
17 between the State of Alaska and Alaska Petrochemical Company may be amended
18 under article XXII of the agreement; and

19 WHEREAS the state and The Alpetco Company mutually desire to reduce the
20 amount of crude oil that the state must sell to The Alpetco Company under the
21 agreement; and

22 WHEREAS the state and The Alpetco Company mutually desire that certain
23 provisions of the agreement be amended to clarify the obligations of the
24 state and The Alpetco Company under the agreement; and

25 WHEREAS an amendment to the Agreement for the Sale and Purchase of State
26 Royalty Oil under article XXII of the agreement may be executed by the state
27 and The Alpetco Company only with proper prior authorization, including
28 approval by the legislature; and

29 WHEREAS the commissioner of natural resources submitted the Second

1 Amendment to the legislature for consideration and approval;

2 BE IT RESOLVED by the Alaska State Legislature that the Second Amendment
3 dated May 30, 1980, to the Agreement for the Sale and Purchase of State
4 Royalty Oil, dated February 22, 1978, between the State of Alaska, acting
5 through its commissioner of natural resources, and The Alpetco Company is
6 approved, and the agreement, as amended, is ratified and confirmed.

Introduced: 6/2/80
Referred: Resources

BY THE RULES COMMITTEE
BY REQUEST

1 IN THE SENATE

2 SENATE BILL NO. 590 am

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act approving the second amendment to the agreement
7 for the sale and purchase of state royalty oil between
8 the State of Alaska and the Alpetco Company; and provid-
9 ing for an effective date."

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

11 * Section 1. FINDINGS AND PURPOSE. (a) The legislature finds that

12 (1) an agreement for the sale and purchase of state royalty oil
13 was executed on February 22, 1978, by the State of Alaska and the Alaska
14 Petrochemical Company, was amended on May 17, 1978, and was assigned to the
15 Alpetco Company under an assignment executed on December 13, 1979, and ap-
16 proved by the state on February 4, 1980;

17 (2) the agreement for the sale and purchase of state royalty oil
18 between the state and the Alaska Petrochemical Company may be amended under
19 article XXII of the agreement;

20 (3) the state and the Alpetco Company mutually desire to reduce
21 the amount of crude oil that the state must sell to the Alpetco Company under
22 the agreement;

23 (4) the state and the Alpetco Company mutually desire that certain
24 provisions of the agreement be amended to clarify the obligations of the
25 state and the Alpetco Company under the agreement;

26 (5) an amendment to the agreement for the sale and purchase of
27 state royalty oil under article XXII of the agreement may be executed by the
28 state and the Alpetco Company only with proper prior authorization, including
29 approval by the legislature; and

1 (6) the second amendment to the agreement for the sale and pur-
2 chase of state royalty oil has been submitted to the legislature for its
3 consideration and approval.

4 (b) It is the purpose of this Act to approve the second amendment to
5 the agreement for the sale and purchase of state royalty oil between the
6 State of Alaska and the Alpetco Company, dated May 30, 1980, in accordance
7 with the terms of the agreement providing for the sale and purchase of state
8 royalty oil entitled "Agreement for the Sale and Purchase of State Royalty
9 Oil", dated February 22, 1978, and to do so in a manner which

10 (1) conforms to provisions of law requiring legislative review and
11 approval of contracts for the sale of state royalty oil and gas; and

12 (2) is consistent with the opinion in State of Alaska and Depart-
13 ment of Revenue v. A.L.I.V.E. Voluntary, 606 P.2d 769 (1980), which calls
14 into question the use of a concurrent resolution to take legislative action
15 that binds parties other than the legislature.

16 * Sec. 2. AMENDMENT APPROVED. The amendment to the "Agreement for the
17 Sale and Purchase of State Royalty Oil" between the State of Alaska, acting
18 through the commissioner of natural resources, and the Alpetco Company, dated
19 May 30, 1980, and presented for legislative review and approval by the gover-
20 nor on May 30, 1980, is approved, and the agreement, as so amended, is
21 ratified and confirmed.

22 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
23 070(c).
24
25
26
27
28
29

Teapot Dome crude draws high bid of \$43.52

POWERINE Oil Co. submitted a high bonus of \$7.52/bbl for crude from Teapot Dome field in Wyoming, pushing the company's total bid in a government sale to \$43.52/bbl.

That makes the government-owned crude among the costliest in the world.

The California company's bonus was added to the highest posting for crude in the surrounding area, \$36/bbl, and was apparently enough to acquire 4,500 b/d from Naval Petroleum Reserve No. 3 for its Santa Fe Springs, Calif., refinery.

The annual sale in Casper drew 29 bidders for the 36°-gravity oil from the field, located about 35 miles north of that city.

Only a year ago, the top bidder—Sinclair Oil Corp.—had submitted a bonus of 65¢/bbl. At that time, the top posted price was about \$16/bbl.

Bids from the Jan. 8 sale are being analyzed by the Department of Energy.

DOE earlier said it hoped to announce this week awards from bidding for Elk Hills crude. A December sale of government crude in the California field drew bids ranging up to \$11.12/bbl above an apparent high posting of \$30.20 in the area (OGJ, Dec. 31, 1979, p. 54).

Postings advance. Elsewhere, uncontrolled U.S. crude prices continued to climb, with several more companies raising their posted prices.

Shell Oil Co., Exxon Co. U.S.A., Sohio Supply Co., and Cities Service Co. are now matching Gulf Oil Corp.'s top price of \$37.30/bbl for high-quality West Texas crude. The move represented a \$2/bbl increase for the companies.

Sun Petroleum Products Co. went to \$37.25/bbl from \$35.25/bbl for Coastal Grade A. Mobil Oil Corp. raised its price for West Texas sweet to \$35.30/bbl from \$32.80.

Rock Island Refining Corp. raised its price for Illinois crude to \$35/bbl from \$32.50. And Marathon Oil Co. increased its top price for Wyoming, Illinois, Indiana, Nebraska, Michigan, and Texas crudes to \$35/bbl from \$32.50.

HOUSE FINANCE COMMITTEE
ADDENDUM
TO MINUTES

In the last days of the second session of the Eleventh Legislature, House Finance Committee members reported out the following bills (see attached Journal pages for Committee recommendations):

June 2, 1980

HCS CSSB 509 (Finance) - (new title) - "An Act establishing telecommunications divisions in the Department of Administration; amending the statutes relating to telecommunications; transferring certain telecommunications functions to those divisions; and providing for an effective date." Reported out with letter of intent (pages 1931 and 2024-2027 of House Journal).

June 3, 1980

HCSSB 26 (finance) - (new title) - "An Act relating to public employee benefit programs; amending the duties of the Public Employees Retirement Board; relating to earlier service credit under the teachers' retirement system and the public employees retirement system; establishing minimum retirement benefits; relating to participation in the state program of supplemental employee benefits; relating to the deferred compensation program; repealing the Legislative Board of Retirement Benefits, creating the Alaska National Guard retirement system; relating to the judicial retirement system; increasing the benefits paid under the territorial public employees' retirement system; relating to retirement benefit eligibility for disabled peace officers and firemen; and providing for an effective date."

HCSSB 294 (finance) - (new title) - "An Act relating to power projects of the Alaska Power Authority and the Susitna River hydroelectric project; and providing for an effective date." Reported out with fiscal note dated 5/26/80 in the amount of \$135.0.

House Finance Committee
Addendum
Page 2

June 4, 1980

CSSB 450 am - "An Act making a special appropriation to the Legislative Council for a study of options for local acquisition and ownership or management of the Fairbanks International Airport and the Anchorage International Airport; and providing for an effective date."

HCS CSSSSB 355 - by the Judiciary Committee - "An Act establishing the Alaska Administrative Journal; and providing for an effective date."

SCR 43 am - "An Act establishing as a joint committee of the Eleventh Legislature a committee of the house of representatives and senate concerned with the organization and procedures of a state constitutional convention." Reported out with zero fiscal note dated 6/1/80.

June 5, 1980

SB 323 am - "An Act making a special appropriation to the Department of Health and Social Services for homemaker-home health aide services; and providing for an effective date."

June 2, 1980

June 2, 1980

HOUSE JOURNAL

1931

The Finance Committee has had COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 509 (Rules) amended (establishing telecommunications divisions in the Department of Commerce and Economic Development; transferring telecommunications functions to those divisions; and changing the name of the department to the Department of Commerce, Economic Development, and Telecommunications; and providing for an effective date) under consideration and a majority of the committee recommends it be replaced with HOUSE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 509 (Finance):

CSSB
509
(Rls)
am

"An Act establishing telecommunications divisions in the Department of Administration; amending the statutes relating to telecommunications; transferring certain telecommunications functions to those divisions; and providing for an effective date."

that it do pass; attaches a letter of intent and a fiscal note. Concurring: Meekins (Chairman), Moss, Rogers, Schaeffer, Duncan and Guy. Not concurring: Montgomery, Haugen, McKinnon and Smith have no recommendation.

CSSB 509(Rls)am was referred to the Rules Committee for placement on the calendar.

Fiscal note appears in House Journal Supplement No. 84.

The letter of intent follows:

HOUSE FINANCE COMMITTEE

LETTER OF INTENT

HCS for CSSB 509

It is the intent of the legislature that the Department of Administration use the funds appropriated in the fiscal note for HCS CSSB 509 (Finance) to effect the consolidation of state telecommunications as directed in the legislation. The legislature recognizes that funding may not be sufficient to accomplish all of the goals and intents of HCS CSSB 509 (Finance). However, the first year is one of transition, and funding appropriated is deemed sufficient for the transitional period. The Department of Administration shall present to the first session of the twelfth legislature a budget request for fiscal year 1982 sufficient to accomplish the goals and intents of HCS CSSB 509 (Finance) during FY 82.

Russ Meekins

Russ Meekins, Chairman

June 3, 1980

HOUSE JOURNAL

1959

HCS SB 365 RECEDE

Yeas: 0

Nays: 35

Anderson, Barnes, Beirne,
Bettisworth, Branson, Brown,
Buchholdt, Chatterton, Cotten,
Duncan, Eliason, Freeman, Fuller,
Gardiner, Guy, Halford, Haugen,
Hurlbert, Malone, Martin, Metcalfe,
Miller, Montgomery, Moss, Munson,
O'Connell, Osterback, Parker, Parr,
Phillips, Randolph, Rogers,
Schaeffer, Smith, Zharoff

Not

Voting: 5 Carney, Hayes, McKinnon, Meekins,
Miles

And so, the House failed to recede.

The Speaker appointed the following members to a FREE
CONFERENCE COMMITTEE to meet with a like committee from
the Senate to consider the above bills:

Representative Parr, Chairman
Representative Anderson
Representative Barnes

The Chief Clerk was instructed to so notify the Senate.

The House reverted to

REPORTS OF STANDING COMMITTEES

The Finance Committee has had SENATE BILL NO. 26 (cre-
dited service under the public employees' retirement
system; effective date) under consideration and a
majority of the committee recommends it be replaced
with HOUSE COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 26
(Finance):

SB
26

"An Act relating to public employee
benefit programs; amending the duties
of the Public Employees Retirement
Board; relating to earlier service
credit under the teachers' retirement

SB
26

system and the public employees retirement system; establishing minimum retirement benefits; relating to participation in the state program of supplemental employee benefits; relating to the deferred compensation program; repealing the Legislative Board of Retirement Benefits, creating the Alaska National Guard retirement system; relating to the judicial retirement system; increasing the benefits paid under the territorial public employees' retirement system; relating to retirement benefit eligibility for disabled peace officers and firemen; and providing for an effective date."

and reports it back with individual recommendations. Duncan, Rogers, Guy and Haugen recommend do pass. Meekins (Chairman), Freeman, Moss and McKinnon have no recommendation.

SB 26 was referred to the Rules Committee for placement on today's calendar.

ANNOUNCEMENTS

Rules SB 573, CSSB 2	Capitol 208	On recess
FCC on SB 239 Alcoholic beverages	Capitol 124	1:00 p.m., 6/3
FCC on HB 192 Equalization of tax resources	To be Posted	Sometime before 2:30 p.m., 6/3
FCC on HB 945 Interest rates - bonds	To be Posted	
FCC on HB 644 Alaska Statehood Commission	To be Posted	
FCC on SB 205 Spec. Approp. Alaska Housing Finance	To be Posted	
FCC on SB 365 Dealing liquor w/out a license	To be Posted	

Messages dated June 3, 1980 were read stating the Senate has passed the following:

FIRST READING AND REFERENCE OF SENATE RESOLUTIONS

CS COMMITTEE SUBSTITUTE FOR SENATE CONCURRENT RESOLUTION
SCR NO. 68 amended, by the Rules Committee:
68
am

Approving the Second Amendment to the Agreement for the Sale and Purchase of State Royalty Oil between the State of Alaska and The Alpetco Company.

was read the first time and referred to the Rules Committee.

FIRST READING AND REFERENCE OF SENATE BILLS

SB SENATE BILL NO. 590 amended, by the Rules Committee by request, entitled:
590
am

"An Act approving the second amendment to the agreement for the sale and purchase of state royalty oil between the State of Alaska and the Alpetco Company; and providing for an effective date."

was read the first time and referred to the Rules Committee.

REPORTS OF STANDING COMMITTEES

SB The Finance Committee has had SENATE BILL NO. 294 amended
294 (relating to the Susitna River hydroelectric project; effective date) under consideration and a majority of the committee recommends it be replaced with HOUSE COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 294 (Finance):
am

"An Act relating to power projects of the Alaska Power Authority and the Susitna River hydroelectric project; and providing for an effective date."

SB
294
am

that it do pass and attaches a new fiscal note. Concurring: Meekins, Rogers, McKinnon, Guy, Moss and Duncan. Not concurring: Freeman (Vice Chairman), Haugen, Smith, Montgomery and Schaeffer have no recommendation.

SB 294am was referred to the Rules Committee for placement on the calendar.

Fiscal note appears in House Journal Supplement No. 85.

The Rules Committee has had SENATE BILL NO. 573 (continuing the existence of the Board of Marine Pilots and amending the law relating to its powers and responsibilities; effective date) under consideration and a majority of the committee recommends it do pass and that the House Commerce Committee letter of intent on HB 1025 (page 1085 of the journal) be adopted. Concurring: Cotten (Chairman), Brown, Miller, Parr and Phillips.

SB
573

SB 573 appears on today's calendar.

REPORTS OF SPECIAL COMMITTEES

The FREE CONFERENCE COMMITTEE, which has had COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 114 (Rules) amended (competitive bidding under the Fiscal Procedures Act) and HOUSE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 114 (Finance) amended House (same title) under consideration recommends that:

HCS
CSSB
114
(Fin)
amH

FREE CONFERENCE COMMITTEE SUBSTITUTE
FOR SENATE BILL NO. 114

"An Act relating to state contracting and procurement procedures, and competitive bidding under the Fiscal Procedures Act."

be adopted.

The Finance Committee has had COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 450 amended (making a special appropriation to the Legislative Council for a study of options for local acquisition and ownership or management of the Fairbanks International Airport and the Anchorage International Airport; effective date) under consideration and a majority of the committee recommends it do pass. Concurring: Meekins (Chairman), Rogers, Moss, Duncan, Schaeffer and Freeman. Not concurring: Haugen, Montgomery and McKinnon have no recommendation.

CSSB.
450
am

CSSB 450am was referred to the Rules Committee for placement on the calendar.

↑
REPORTS OF SPECIAL COMMITTEES

The FREE CONFERENCE COMMITTEE, which has had COMMITTEE SUBSTITUTE FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 836 amended (use of state fish and game resources by aliens and nonresidents; effective date) and SENATE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 836 (same title), under consideration recommends that

CS
SSHB
836
am

FREE CONFERENCE COMMITTEE SUBSTITUTE
FOR HOUSE BILL NO. 836

"An Act relating to hunting, guiding and transporting; creating the Guide Board; terminating the Guide Licensing and Control Board; relating to the use of state fish and game resources by nonresidents and nonresident aliens; and providing for an effective date."

be adopted.

The report was signed by Senators Rodey (Chairman), and Fennett; and Representatives Hurlbert (Chairman), and Fuller.

The above report was duplicated for each member and will be taken up under Unfinished Business.

FCCS SB 161 appropriated to Legislative Budget & Audit Committee
 HB SB 481 appropriated to Legislative Council
 556

MEMORANDUM

TO: Irene Cashen, Chief Clerk
 Alaska House of Representatives

FROM: J. H. Hogan, Director
 Legislative Finance Division

SUBJECT: FCC HB 556 Totals

The following are totals for the FY 81 General Appropriations Act:

	<u>General Fund</u>	<u>Total</u>
Operating	1,192,144,452	1,575,152,252
New Legislation	314,704,600	317,208,500
Capital	369,349,300	826,710,300
	\$1,876,198,352	\$2,719,071,052
Misc. Front Sections	8,304,000	24,291,000
Total	\$1,884,502,352	\$2,743,362,052

REPORTS OF STANDING COMMITTEES

CS The Finance Committee has had COMMITTEE SUBSTITUTE FOR
 SSSB SPONSOR SUBSTITUTE FOR SENATE BILL NO. 355 (Finance)
 355 (establishing the Alaska Administrative Journal; effective
 (Fin) date) under consideration and a majority of the
 committee recommends it be replaced with the Judiciary
 HOUSE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR
 SPONSOR SUBSTITUTE FOR SENATE BILL NO. 355 (same title),
 and that it do pass. Concurring: Meekins (Chairman),
 Rogers, Moss, Haugen, Duncan, Schaeffer and Freeman.
 Not concurring: Montgomery and McKinnon have no recommendation.

CSSSB 355(Fin) was referred to the Rules Committee
 for placement on the calendar.

A message dated June 4, 1980 was read stating the Senate has adopted the following:

FREE CONFERENCE COMMITTEE SUBSTITUTE
FOR HOUSE BILL NO. 945
"An Act relating to interest rates on
state bonds and notes; and providing
for an effective date."

FCCS
HB
945

passed the Senate.

FCCSHB 945 was referred to the Chief Clerk for engrossment and enrollment.

A message dated June 4, 1980 was read stating the Senate has approved the following citations and they are returned:

Honoring Robert & Miriam Morrison

Honoring Oma B. Day

Honoring Valdez High School Band
and Choir

Honoring Sol Urie

Honoring Karen Rudolph

Commending Johnny Collinsworth

Honoring Avrum Gross on retirement

The above citations were referred to the Chief Clerk for enrollment.

REPORTS OF STANDING COMMITTEES

The Finance Committee has had SENATE CONCURRENT RESOLUTION NO. 43 amended (establishing as a joint committee of the Eleventh Legislature a committee of the house of representatives and senate concerned with the organization and procedures of a state constitutional convention) under consideration and a majority of the

SCR
43
am

SCR committee recommends it do pass and attaches a fiscal
43 note. Concurring: Meekins (Chairman), Rogers,
am Freeman, Duncan, McKinnon and Schaeffer. Not concur-
ring: Montgomery has no recommendation.

SCR 43am was referred to the Rules Committee for place-
ment on the calendar.

Fiscal note appears in House Journal Supplement No. 86.

CSSB The Judiciary Committee has had COMMITTEE SUBSTITUTE
42 FOR SENATE BILL NO. 42 (relating to the termination
of rental agreements of mobile home park dwellers and
tenants) under consideration and a majority of the
committee recommends it be replaced with the Judiciary
HOUSE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE
FOR SENATE BILL NO. 42 (Judiciary):

"An Act relating to rental agreements
or leases of mobile home park dwell-
ers and tenants."

and that it do pass. Concurring: Parr (Chairman),
Malone, Martin, Brown, Anderson, Phillips and
Buchholdt.

CSSB 42 was referred to the Rules Committee for place-
ment on the calendar.

HCS A letter of intent on HOUSE COMMITTEE SUBSTITUTE FOR
CSSB COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 509 (Finance)
509 amended House (short title: establishing telecommuni-
(Fin) cations divisions in the Department of Administra-
amH tion; effective date) follows:

The Honorable Terry Gardiner
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. Speaker:

After consideration by the House Commerce Committee
of CS for SB 509, the Finance Committee adopted a
slightly different version of the legislation, and that
version has passed the House. Through this letter, the
Chairman of the House Finance Committee and the Chairman

SCR committee recommends it do pass and attaches a fiscal note. Concurring: Meekins (Chairman), Rogers, am Freeman, Duncan, McKinnon and Schaeffer. Not concurring: Montgomery has no recommendation.

SCR 43am was referred to the Rules Committee for placement on the calendar.

Fiscal note appears in House Journal Supplement No. 86.

CSSB The Judiciary Committee has had COMMITTEE SUBSTITUTE 42 FOR SENATE BILL NO. 42 (relating to the termination of rental agreements of mobile home park dwellers and tenants) under consideration and a majority of the committee recommends it be replaced with the Judiciary HOUSE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 42 (Judiciary):

"An Act relating to rental agreements or leases of mobile home park dwellers and tenants."

and that it do pass. Concurring: Parr (Chairman), Malone, Martin, Brown, Anderson, Phillips and Buchholdt.

CSSB 42 was referred to the Rules Committee for placement on the calendar.

HCS A letter of intent on HOUSE COMMITTEE SUBSTITUTE FOR CSSB COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 509 (Finance) 509 amended House (short title: establishing telecommunications divisions in the Department of Administration; effective date) follows:

The Honorable Terry Gardiner
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. Speaker:

After consideration by the House Commerce Committee of CS for SB 509, the Finance Committee adopted a slightly different version of the legislation, and that version has passed the House. Through this letter, the Chairman of the House Finance Committee and the Chairman

of the House Commerce Committee offer substitute language for a letter of intent for the legislation, based in part upon the letter of intent of the House Commerce Committee which appears on page 1426 of the House Journal, but taking into account the changes in the legislation which occurred from the time the bill was reported out of House Commerce to the time that it passed on the floor of the House.

HCS
CSSB
509
(Fin)
amh

We recommend that the following be adopted as the letter of intent for the House Finance Committee substitute:

The primary goal of the Finance CS for CSSB 509 is to aggregate the state's telecommunications activities into one agency to assure responsibility and accountability for the state's telecommunications activity.

The major intent and purposes of the Finance CS for CSSB 509 are set out in the intent and purposes section. This letter of intent is to clarify the powers and duties of the telecommunications divisions and of the telecommunications commissions, as well as to provide intent for the continued operation of the Satellite Television Project.

Two major divisions are established in the Department of Administration: (1) the public telecommunications services division; and (2) the telecommunications systems division. Both divisions are to be supervised by a deputy commissioner. It is the intent of the legislation that the deputy commissioner be familiar with the various aspects of telecommunications and be skilled in the various aspects of executive management.

The public telecommunications services division is intended to serve the needs of noncommercial public broadcasting, instructional telecommunications, and health communications, giving technical, consultative, and other assistance and coordination as necessary to these constituencies.

The public telecommunications services division will serve as a primary state funding agency for grants to educational and other public services agencies for telecommunications and other activities as are necessary for the successful utilization of telecommunications for education and public service. The division shall establish policies and regulations for these education services grants with the approval of the Instructional Telecommunications Commission with staff approved by the Commission to directly supervise these instructional support activities.

HCS
CSSB
509
(Fin)
amh

For the first time in Alaska, state law will specifically prohibit state agency interference with, and control of, the content of any programming or communication delivered for any public purpose by any technology. Program content responsibility remains with the individual agency or entity providing program production or distribution.

The House believes strong and vigorous commissions performing "watch-dog" functions with regard to actions of the divisions is central to an enlightened telecommunications policy. The possibility of even the appearance of government influence or control of broadcast schedules or material is too great a threat to constitutionally guaranteed rights of free speech and press for the legislation to call for less than strong commissions with direct access to the Governor, the Legislature, and the citizenry.

The newly constituted Public Broadcasting Commission and Instructional Telecommunications Commission provide more insulation for recipients of state funds in these areas than the current system. The Commissions are also given, for the first time in statutory language, direct access to the Governor and the Legislature for their positions and recommendations. Finance CS for CS for SB 509 requires that division recommendations for instructional telecommunications grants, the individual requests for public broadcasting funds, and the recommendations of the respective Commissions all be forwarded to the Commissioner, the Governor, and the Legislature, so that the Governor and the Legislature can be fully informed of any conflict that may exist between the division and the respective commissions. In addition, the deputy commissioner is charged with the responsibility to report to the Governor, the Legislature and the Public Broadcasting and Instructional Telecommunications Commissions any attempt to influence the airing of any program or the content of any program.

The telecommunications systems division is established to provide a full range of planning, design, development, management and consultative services for telecommunications used by state agencies and public institutions. These technical services are intended to assist the state's executive branch agencies and related organizations (i.e. policy advisory committees) in coordinating their use and development of telecommunications services. It is not intended that the division provide legislative or judicial branch services, unless specifically requested to do so by agencies within those branches of state government. The division should not seek to construct or operate telecommunications facilities to the

June 4, 1980

HOUSE JOURNAL

2027

detriment of the communications rate payers of Alaska. The division shall be bound by AS 37.05 and by current FCC Rules and Regulations in procuring communications services for state agencies.

It is the intent of the House to continue the state-funded Satellite Television Project. As soon as is practical, the telecommunications systems division is to contract for the continued operation of the satellite delay center, and is to monitor the technical performance of the operations contractor. Specific language is included in Finance CS for CSSB 509 to assure the continuation of the Satellite Television Project as it is currently constituted. This language, for the first time, incorporates into statute the major role played by commercial stations and their network affiliates. The Public Broadcasting Commission will provide a selection mechanism for programming transmitted to rural areas. The procedure must maximize consideration of local preferences on as fairly representative a basis as is practicable. The language also protects existing contractual arrangement between and among the commercial stations and their affiliated networks and program suppliers.

HCS
CSSB
509
(Fin)
amH

Respectfully submitted,

Russ Meekins, Jr.
Rep. Russ Meekins, Jr.
Chairman
House Finance Committee

Fred Brown
Rep. Fred Brown
Chairman
House Commerce Committee

REPORTS OF SPECIAL COMMITTEES

The FREE CONFERENCE COMMITTEE, which has had COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 192 (Finance) amended (providing for equalization of the tax resources of

CSHB
192
(Fin)
am

REPORTS OF STANDING COMMITTEES

SB 323 am The Finance Committee has had SENATE BILL NO. 323 amended (making a special appropriation to the Department of Health and Social Services for homemaker-home health aide services; effective date) under consideration and a majority of the committee reports it back without recommendation. Concurring: McKinnon, Rogers, Haugen, Freeman, Smith and Montgomery. Not concurring: Meekins (Chairman), Moss, Guy, Schaeffer and Duncan recommend do pass.

SB 323am was referred to the Rules Committee for placement on the calendar.

HCS The following memorandum on FCCS SB 239 was received,
CSSS duplicated and placed on each member's desk:
SB
239
amH

June 5, 1980

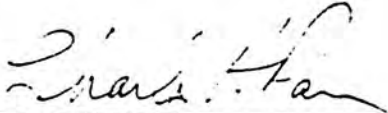
MEMORANDUM

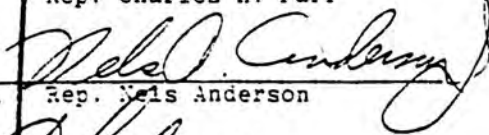
TO: All Members of the House

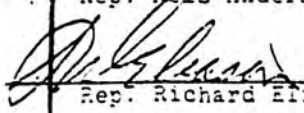
SUBJECT: FCC for SB 239

This is to notify the body of a specific change in the FCC report starting on page 50, line 3, which would be Sec. 04.11.710. Delete all material up to and including line 1 on page 53. This deletes Secs. 04.11.710 through 04.11.750.

The Conferees have agreed to this revised report and the Senate has adopted the same.


Rep. Charles H. Parr


Rep. Neil Anderson


Rep. Richard Eliason

JOINT MEETING
HOUSE FINANCE AND RESOURCES COMMITTEES

Governor's Conference Room
February 12, 1980
9:10 a.m.

The following Finance Committee members were present: Representatives Meekins, Freeman, Moss, Haugen, Montgomery and Guy. Resource Committee members present: Representatives Fuller, Miles, Chatterton, Halford and Zharoff. Also present: Commissioner Ernst Mueller, Randy Blyliss and Glenn Akins, Department of Environmental Conservation; Jeff Haynes, Ted Smith, G. S. Best, C. M. Hoffman, Edward Yarmak, Department of Natural Resources; Mayor Carroll Fader, Jack McBride and Kathryn Carsson, Ketchikan Gateway Borough; Don Furdney, Charles Pool & Associates; M. A. Menzies, R & M Consultants; Joe Geldhof, Alaska Conservation Society; and Bob Grogan, Legislative Finance Division. The meeting was teleconferenced to Ketchikan.

PRESENT

Chairman Meekins called the meeting to order and said the purpose of the meeting was to get all the participants of a recent controversy on the land issue in one room.

LAND
DISPOSAL/
KETCHIKAN

[See attached transcript of meeting .]

Mayor Fader commented briefly on the land issue and requested that Mr. McBride review the things he has been involved with in trying to resolve the issue of getting land to the people. Mr. McBride said the issue is concerned with getting land out to the people and there are a number of problems. He commented that he has attended hundreds of meetings on land and they have had a number of public meetings. He said they shouldn't be looking for the culprit, but meeting to get the job done right. Chairman Meekins concurred that this is an attempt to resolve the problem. He commented that somewhere along the line the policy enacted by the Legislature and supported by Representative Freeman was changed, and the alternatives chosen were not the alternatives that would have been chosen by the policy makers.

Chairman Meekins stated the meeting would reconvene at 1:30 in the House Finance Committee Room. A recess was called at 9:50 a.m.

Tape HFC/HRC 80-1, Side 1

House Joint Meeting
February 12, 1980

Meekins: The purpose of this meeting is to get all the participants in a recent controversy in one room so that we can get to the bottom of it. It has to do with the problem in Ketchikan, and we were wondering whether or not there might be problems in other areas of the state. We've got here today, people from the Div. of Lands and also the Dept. of Natural Resources and Dept. of Environmental Conservation. And also some representatives from Ketchikan. What I'd like to do then is to turn it over to Oral to try to give an explanation of the problem and see if we can then get some response.

Oral: What we're talking about is land disposal program proposed for Ketchikan that's 265.7 acres of land to dispose of , and 197.4 acres for right-of-way and greenbelt areas, and the actual land to be disposed of amounts to 68.3 acres, that's roughly half acre lots, 117 of them. The problem started in -- the reason I have become quite upset about this is that, the fact that the Mayor of Ketchikan, Mr. Fader, who is sitting right behind me, wrote a letter to the Div. of Lands in which he says that the Borough Assembly is recommending to the Planning and Zoning Commission and the Planning Board that the Mud Bay subdivision plat not be approved. I took exception to that to the extent that, as most of you members here, a lot of members here remember earlier in the meeting the three conferees, the Speaker of the House, the President of the Senate, and the Chairman of the House and Senate Finance Committee, had a meeting with the governor in which they discussed this, and when you were talking about the municipals -- municipalities right to override or veto for land disposal program. I read the letter from the Mayor as an example of one of the reasons that I didn't think it was proper to allow municipalities to override. Like everything else around this place there are no secrets and it doesn't take time for the word to get around, and the word got back to Ketchikan and the people were a little upset about it. As a consequence to this, we had a teleconference meeting, myself on one end and a room full of people, I think there was eleven or twelve of them on the other end, and this lasted for about an hour and one-half, and that's kind of a tough go when you're -- kind of feel like you're cards are stacked against you. Anyway, I went to the program and explained to them my stand, my feelings as far as the land disposal program was concerned. And what I didn't understand at that time was why they were offering resistance to it knowing the way I feel about it. And as a consequence of this we began to find out things that I didn't know about, and I have a feeling that the elected officials in Ketchikan did not know about.

And, one of the reasons -- one of the objections of the municipalities side was that the subdivision, the way that it was laid out would require a sewage disposal system and the reason -- the question was asked why do we have to have a sewage disposal system. The reason is because the lots are small. And one question followed another. Why are the lots small? Well, it all depends on who you talk to. I talked to the Div. of Lands and Div. of Lands said the lots were small because the Planning Dept. of Ketchikan recommended this particular size lot. I go back to the Planning Div., they say that they recommend this because the DEC says that they wouldn't approve on-site sewage disposal for lots even if they were five acres. And, I kept being tossed back and forth, the municipal government, in this case actually the Borough Planner, provided me with a copy of all the correspondence that she had available, which deals with (indisc). And when I go through and read it, I find that some of the people that I was a little put out about in the first place, I don't -- I'm convinced at least at this point, that they are not culpable. I have a letter in here, for instance, with the Div. of Lands says that they will -- would make the subdivision in three to five acre lots; and, so then I come back and I find the reason -- and again in other correspondence, that says that DEC says they won't approve it even if it is five acres. This is where I begin to have real problems. For those of you that are not acquainted with Ketchikan, let me explain the situation. In Ketchikan, the town is located right along the beach and we have a road runs, well the part where people live on it, runs out to about 16-1/2 to 18 miles, there's road out beyond that, but of course there are no people living there. And, then there is a road that's -- where people live along both sides of the road and side roads, it goes south for about 10 miles. Now, in the area there's -- living outside the City of Ketchikan, there's probably, just a rough estimate, Mayor or somebody can correct if I'm wrong, but my estimate would be that there's probably three to four thousand people in that area. Now, all of the soil along there, it's not that much difference, again if you've been to Ketchikan, you know you start at the beach and you've got rock with a little soil and muskeg and trees that probably goes to the top of the mountain. That's just the way the town was made. In that area, as far as sewage disposal is concerned, the City of Ketchikan itself has a sewage disposal system. It has gathering lines and then they dump it in the bay, that's their sewage disposal system. They're in the process of complying with the law to correct that. Other than that, at the south edge of the City of Ketchikan, we have a Coast Guard Base, and they have a sewage treatment plant, with -- meeting all the specifications -- the federal government completed that. About three or four miles from Ketchikan, there's the village of Saxman which is a really, really small community, they also have a sewage treatment plant. The federal government paid for that. Other than that all the rest of the people in that area, every home,

every single home, that's three or four thousand people, there is not one single sewage disposal plant. They're all on-site sewage disposal. When I -- what I'm trying to say is that, when the DEC tells me that when they will not approve on-site sewage disposal even if it is five acres, I'm beginning to become highly suspicious. Suspicious why, maybe I'm a little paranoid about it. I recall, some of the people have been around a little longer, a few years ago the Dept. of Environmental Conservation made the decision, on their own, that they were going to change the minimum lot size in the Ketchikan area. And they did that, they did it by regulation. This completely upset community because we had all these lots that are (indisc) people waiting on all these different things, and they come along, after the fact, and change the plot sizes. The local legislators went to them and complained and (indisc) everything we could do and explaining the problem, and they were adamant, they wouldn't do anything about it. We solved the problem very simply by drawing up regulation and overturning their -- drawing up a resolution overturning their regulation. Since that time, we have had no problem with DEC on the lot size, but I suspect that maybe there's -- again, maybe this is not fair, but I have the feeling that they have been waiting for their time to come, and this is it. So, I tried to think when I first became aware of this what -- how this thing was developing, I tried to think of somebody who could verify to what I was saying and I happen to think of a real easy one. The Speaker of the House lives out in the country and he has a house and he has on-lot sewage disposal, so I ran right quick to ask him what his lot size was and he says one-half acre. Mr. Chairman, what I'm trying to say is that all these people have lived there and have for probably, I should know how old the town is, but let's say 80 years at least, and we've been making it alright. Now, there is no argument, I wouldn't argue with anybody that maybe the soil conditions in Ketchikan area are not ideal for on-site sewage disposal, but that's the way they are. It's -- you know, there's nothing you can do about it. And there are other circumstances that they talk about in this report, they talk about there is only two foot of soil, and there is clay and there's rock and all sorts of things. They don't mention in there -- where in there that there is 13 feet of rain, so there's other things that enter in to it. Besides, the point I'm trying to make is, we have survived and there has been no problem. So, that brings again up to date, as to the best I can tell you. I finally decided that, that there was a possibility that the problem that we have here may be, this may be just one sample and there may be other cases where land disposal programs are being held up or being deterred simple because somebody at the bureaucratic level was making some kind of a decision. And, frankly I resented for the fact, that the quality making people, the legislators and the elected local people were, in this particular case, came in the conflict, when really it was none, when neither one of us were really making any of the decisions that caused it. It was the -- as I told one of my friends in Ketchikan, I have the feeling that, and I said

I think your bureaucrats and my bureaucrats are wheeling and dealing behind our back and none of us know what's going one, and I resent that. So, I thought the best thing we could do, I asked Mr. Miles and his committee which is working on the revision to the land bill, if maybe this would be a good time to examine (indisc). Again, if you want to look at the packet, I've asked my aid to put them in some kind of chronological order, (indisc) there's a map that shows the layout that ended up in half acre lots, you'll find in there the Div. of Lands says that there intention to go ahead with the three to five acre subdivison and Resource (indisc).

Meekins: Mr. Freeman, I'd like to get your estimation in some (indisc), the three parties we're talking about here are Lands, the Municipality of Ketchikan and DEC. Okay, now, what I would like you to do is just briefly tell me what each one of those have told. In other words, it looks like there is sort of a -- everybody is saying something different, so I'm trying to get straight. What is Lands doing, or what do they say, just as briefly as you can.

Freeman: As briefly as I can, Mr. Chairman, as you well know, I've been for the last four or five years, I've been very critical of Div. of Lands (indisc) but in my particular feeling at this time, that they're not culpable, and I didn't know that when I started looking into this because they have notified both -- in the correspondence that we have, here's the letter, and I have said that they're going to go ahead with the program. It is there intent to go ahead with (indisc)

Meekins: And what happen that intent?

Freeman: What happen to that intent apparently, to the best I can figure and any of the parties can correct me at anytime, the best I can figure out is that Div. Of Lands told me that they had been instructed by the administration to do everything they could to cooperate with municipality and I agree with that. I think that's profitable for them to do. So, the municipality says that don't want, they don't want three to five acres. You know, they can't go for this because they are going to have to have a sewage disposal system and there is no money provided for it. They are going to have to have the sewage disposal system and so if they're going to have to have the sewage disposal system, which is the word that DEC gives them, then they would prefer to have the lots bunched together in small areas, it would be less expensive. I can't quarrel with them on that, though I keep coming back to the fact that DEC says, you're not going to have (indisc)

Meekins: So Lands was going to go ahead with it, but they wanted (indisc) municipality, the municipality said that they wanted to go ahead with the smaller lots to facilitate a future sewage disposal, and that was because DEC recommended that.

Freeman: DEC said that, as I understand it (indisc) DEC says that they will not approve of the small -- on-lot sewage disposal regardless of the size of the lot.

Discussion between Miles and Freeman on location of Mud Bay in Ketchikan.

Miles: And those houses they're within one-half mile, quarter of a mile, a mile of the existing?

Freeman: There's houses right along this side, yes. It would be across the road.

Miles: Just across the road, and those have on-site (indisc)

Meekins: I would like to propose a question to who is ever going to represent DEC, if you'd respond to the problem that Mr. Freeman is bringing up.

Mueller: My name is Ernie Mueller and I'm the Commissioner of Environmental Conservation. We just were informed of the exact reason for this meeting yesterday and we have tried to pull together our files so that we could provide you the information that we have. Apparently, DNR's consultant to this particular project which were both Charles Poole and Assoc. and Tryke, Nyman and Hayes, that did the soils examination which was the information that the department uses and eventually when it comes to us, to determine whether or not a particular subdivision or lot is capable of absorbing waste from a septic tank through a soil absorption system. That -- those consultants through a series of meetings informed a number of people, including the Borough Land Committee and ourselves, and the Dept. of Natural Resources. Now the soils comprising the Mud Bite and south Saxman subdivision were not capable of absorbing sewage disposed on-site, using conventional, affordable treatment systems. Essentially, they -- I would presume, use their own engineering judgment and experience and we are familiar with both of those firms.

Meekins: Was that regardless of the lot size.

Mueller: Eventually, Mr. Chairman, it becomes regardless of the lot size because in order to make it work, you would have to build a soil absorb sewage system that is so expensive -- that it is prohibitive. And, in many cases -- in other words, we're looking at it from a standpoint of the ability of the soils to absorb waste, the amount of soil that you have to do that per square foot, if you will, and this particular subdivision is very small. It is conceivable that you could build a gigantic soil absorption system on a five or ten acre lot that might be able to work, but no person would reasonably be able to afford that. So based on that information, and without every coming in formal petition to us to review that, we were asked to sit down with DNR and the consultants and

the Borough Land Committee to try to work out a solution. We merely provided some technical expertise. My understanding is that the drawings on the wall which, some of which represent different configuration of that particular subdivision, were -- the guidelines were given by the borough, and I think, myself that they are doing some good work here although we don't really concern ourselves with such areas as streets or in many cases optional types of sewage collection design because that's up to the local people and their consulting engineers. But, our information is, and I think that the information that consultants to BNR provided, is very simple, and that is that a soil absorption system cannot work in that kind of a situation. Now, we've had -- I'm sure the committee is aware, we've been involved for a number of years in trying to develop a series of conditions that will allow people to develop their land in the Ketchikan area and other areas in Alaska, and still be able to dispose of their waste from their development in a manner that does not threaten the public health, including their own and including adjacent property owners. In some cases in Ketchikan, of course, subdivisions are many years old. Lots are only now being developed that were sold before we revised our regulations or were subdivided before we revised our regulations before 1977. So, those lots, in our opinion, are essentially grandfathered in. We have no requirement for a permit, if you will, for individual homeowner to build a septic tank and attempt a soil absorption system which may or may not fail in the future. What happens, of course, in many cases, is that banks will come in and ask for our opinion, and we have regulations that describe what is required in a subdivision so we give our opinion to the banks and they may or may not grant a loan to someone who wishes to build a new house in Ketchikan, Fairbanks or where ever it is. So, in this particular case, we're dealing with a new subdivision that can be designed to solve this particular problem and so we're not dealing with a grandfathered in lot, but maybe a third of an acre or half an acre, where somebody in our opinion should attempt on an individual basis to try some kind of a system or loses his land value. And the other situation that you should be aware of is the fact that over the last few years we have tried to encourage people to use other than septic tanks systems in Ketchikan. To use an individual small package plant. These if they are operated properly, can do a much better job of digesting the waste than a septic tank. However, you're still faced with the problem of the ultimate disposal of those wastes after digestion, and that's the problem with soil absorption system. But, these are a little better in some kinds of areas where we know you might be discharging the waste, say, into the mud flat or into a tidal area or something like that. They are -- in some cases, equivalent to secondary treatment which is the federal requirement. So, as near as we can figure that's the situation. It is indeed true that if a sewer system was to be built in Mud Bite subdivision, but for economical reasons, for those kinds of reasons, it is more economical to build a system to

serve a larger number of lots than it is to small lots -- a larger number of small lots than it is a small number of large lots, in terms of the individual assessment per lot. This is one of the problems we have eventually faced in areas such as Fairbanks where the State many years ago put in large lot subdivisions and people's wells are running dry and they've got five acre lots and they're going to have enormous expensive time putting in a public water supply system in those areas. Our recommendation and actually what it is a proposal by DNR to us is that -- and I guess the borough has approved this as well, is that a common collector system be used that's gravity fed, and that collector system discharge out to the ocean and it wouldn't have any lift stations so it would not require expensive lift station maintenance. And that each individual homeowner would put in a package plant to discharge to this common collector system and that would solve the problem from our perspective. As was mentioned, and I think if you read carefully the correspondence from the borough, the borough is also concerned about the costs of streets and other improvements and the cost of putting in sewer lines and the cost of putting in streets, if they are done at the same time, you could save a substantial amount of money. At least that's been our experience in common construction and rights-of-way easements and that sort of thing. So, anyway that is our particular position. We feel that in this particular case, the common collector system works very well. It can solve a potential longterm problem for the residents of that particular area, if there were -- if they did attempt to put in a sewer system, on-lot waste disposal systems such as septic tanks and drain fields have subsequently failed over -- our experience has been -- over a series of experiences like this, such as in Fairbanks and in Homer and in many other places, that eventually the threat to the public has become so great that they have to form a service area, the state has to come in there with grant money, federal and state grant money, local government will have to participate or put in a very expensive sewer collection and treatment system after the fact and essentially the residents will be paying two, one that they bought that failed and one that is an aggregate that they will pay for later on. We're doing this in Blainlike Subdivision in Fairbanks right now. (Indisc) collector system, but that's another area. So, that's the kind of problem we're faced with.

Meekins: I don't know that much about the technical details but common sense tries to tell you that that the public health is more threaten if you have 1/4 acre lots and one person on each one of those than if you've got one person on five acre lots. The congestion obviously would increase the hazard of public health. It seems to me that's pretty simple. I can understand your point about if you are going to put in gathering lines, it's more economical to do it (indisc) San Francisco style, I don't really understand why it is that up until the time that you do that, it seems to me that you'd be better off with the largest lots you could get. That way you

wouldn't increase the congestion.

Mueller: Mr. Chairman, there may be in view of just proximity of buildings and so on, and maybe you're correct. I think that our view, we don't have any control over that, if people want to build five acre lot subdivisions with a sewer collection system, that's fine with us. It's just that when the borough took a look at that, they were looking at in terms of long term economics, I'm sure, and they felt that....

Meekins: It appears to me that there's a trade-off involved. It's not a clear cut question, there's a trade-off involved between the long term expense of putting in gathering lines, or whatever you call that kind of system, putting in this system that people are spread out more, being more expensive on the one hand, but in the short run that would be better until you have that situation, it's got to be better that you have people on five acre lots instead of half acre lots. And in addition, you said that eventually, you know, when people come into this area eventually there's going to be hazard to public health and the state will be forced to come in and build a system. That's plausible, but I think that time will come a lot quicker if they are on one-half acre lots than if they are on five acre lots. Am I correct in that assumption. (Indisc)

Mueller: If they were putting in soil absorption system that's indeed true, but if someone was to put in a soil absorption system on a half acre lot, well, we would never approve a new subdivision with soils of this type for lots as small as half an acre for use with soil absorption system. There simply -- as I mentioned before a five acre lot soil absorption system won't work there either. The soils are just simply not conducive to that kind of waste disposal. At least from the information that the consulting engineer to DNR has gathered.

Meekins: You didn't answer my question. My question was whether or not my feeling that a half acre lot would be worse off, a half acre lot than they are in a five acre lot, in terms of the public health in regards to -- it seems if you've got more room you've got, by definition, you're better off than if you try to put ten times as many people in the same area, you're going to be worse off.

Mueller: If you're going to put soil absorption systems in that's correct. Essentially what you're doing is, by putting in five acre lots your spacing out what eventually will be a pool of untreated sewage on the ground. You're spreading out the houses and the possibility of a child wondering through somebody else's pool of raw sewage is more remote if the lots were small, that's true.

Meekins: Not to give yourself more time until it gets to be critical.

Mueller: Not really. It depends on the design of the soil absorption system. As a practical matter....

Meekins: This people that have been using this system for X number of years, I don't know how long (indisc) that are grandfathered in from your regulations, then they must obviously be creating a public health hazard. Do you say that Ketchikan is in bad shape right now. That they are (indisc) some sort of a health hazard, that the public health is threatened. (Indisc).

Mueller: We have been aware of this problem as had the Dept. of Health and Social Services, for a number of years. And we have been developing a series of monitoring stations to take samples from streams and creeks from the Ketchikan area, in developed areas, particularly, and the trend is that a growing number of these streams and creeks are contaminated with -- people (indisc) bacteria, which are indicator of pollution consumed.

Meekins: There is a public health hazard currently.

Mueller: Yes.

Moss: Mr. Chairman, I'd like to know where the majority of the people get there water. Don't they have some sort of collective system (indisc)

Freeman: (indisc)

Mr. Fader and Mr. McBride

JOINT MEETING
HOUSE FINANCE & STATE AFFAIRS COMMITTEES

February 18, 1980
Finance Committee Room
6:45 p.m.

[Tape HFC/HSAC 80-1, Side 1 #001]

Finance Committee members present: Representatives Meekins, Moss, Freeman, Haugen, Guy and Rogers. State Affairs Committee members present: Representatives Miller, Eliason, Martin, Parker, Gardiner and Metcalfe. Other legislators present: Representatives Randolph and Branson.

PRESENT

Chairman Miller called the meeting to order and said the purpose of the meeting was to receive testimony from the various teleconference sites on the broad-ranging subject of income tax, income tax relief and/or dividend dispersal system.

INCOME
TAX

ANCHORAGE TELECONFERENCE SITE

Mr. Lee Fisher, CPA, Testimony supporting SCR 41 and HB 554. Chairman Miller requested a written copy of testimony if available.

Mr. Bob Fleming testimony supporting eliminating the income tax entirely.

Mr. John Havelock testimony on tax reductions (1) how to provide future maintenance income for essential state costs; (2) oil resources and distribution of income from it in a fair manner; (3) how much of the tax to reduce and in what manner.

FAIRBANKS TELECONFERENCE SITE

Ms. Sandy Tarrent testimony supporting total repeal of the income tax.

Ms. Colleen Olds testimony supporting HB 554.

Ms. Judy Clark testimony supporting total repeal of income tax.

SOLDOTNA TELECONFERENCE SITE

Mr. Dennis Friendly testimony supporting repeal of state income tax retroactively to January 1978.

SITKA TELECONFERENCE SITE

Mr. Tom Williamson Jr. testimony against repeal of state income tax. Money should be equitably distributed based on length of residency.

[Tape Change HFC/HSAC 80-1, Side 2]

Mr. Alan Dill testimony supporting giving money back to all people.

ANCHORAGE TELECONFERENCE SITE

Ms. Janis Sarks, FREE Committee, testimony supporting HB 554.

Ms. Barbara Scaman, CPA, Anchorage Chamber of Commerce Legislative Affairs Committee, testimony supporting elimination of state income tax. (HB 554).

Mr. Bill Lamers testimony supporting HB 554.

FAIRBANKS TELECONFERENCE SITE

Ms. Mona Oliver testimony supporting complete repeal of state income tax. Supports HB 554, making it retroactive to 1972.

Mr. Steven Oliver testimony supporting HB 554.

ANCHORAGE TELECONFERENCE SITE

Mr. Bob Hamilton, Management Consultant, testimony on public survey. Supports HB 554.

Mr. Mel Crossbane supports a moratorium on income taxes.

Mr. John McGraw supports HB 554.

Ms. Mary Theu supports eliminating all income tax and school tax.

Mr. Wayne Kitching, supports income tax repeal and reduction of bureaucracy. (Chairman Meekins comment on reduction of number of state employees.)

Ms. Jean VonDormen, Commission on Status of Women, supporting a method to take into consideration those people who would not benefit from a reduction of income tax. Also support reduction of income tax.

[Tape Change -- HFC/HSAC 80-2, Side 1]

Mr. Fred Morgan, testimony supporting elimination of income tax.

Mr. Steven Delitio supports giving back to taxpayer what is rightfully his. Supports HB 554. (Question from Representative Gardiner concerning retired persons no longer paying taxes.)

2/18/80

Mr. Carl Whitzon testimony urging support of HB 554.

Mr. Paul Hartig testimony supporting HB 554.

Mr. Dave Harbor, ARCO, comments on improving investment climate in state.

Mr. Peter Gliesman supporting HB 554.

Comments by Representative Rogers and Mr. Harbor on taxing oil companies.

JUNEAU TELECONFERENCE SITE

Mr. William Richards urging passage of HB 554.

ADJOURN

MEETING ADJOURNED 8:55 p.m.

[Tape HFC/HSAC 80-2, Side 1, #664]

2/18/80

JOINT MEETING
HOUSE FINANCE AND STATE AFFAIRS COMMITTEES

House Finance Committee Room
February 21, 1980
1:50 a.m.

[Tape HFC/HSAC 80-1, Side 1]

Finance Committee members present: Representatives Meekins, Moss, Montgomery, Smith, Duncan, Guy, Haugen, Schaeffer, McKinnon and Rogers. State Affairs members present: Representatives Miller, Martin, Gardiner, Eliason, Fuller, and Metcalfe. Other legislators present: Representatives Osterback, Anderson and Cotten.

INCOME
TAX

Chairman Meekins called the meeting to order and said the purpose of the meeting was to see if the State Affairs and Finance Committees could find any common ground in the approach to take in regard to the income tax issue.

Representative Gardiner said his proposal would be to use the Freeman/Miles/Malone bill as a starting point -- that bill talks about income tax relief and distribution both. Representative Gardiner said they should first set the amount they are trying to rebate; he would suggest somewhere around \$120 to \$160 million. After that figure is determined he recommended working backwards from there to figure out the amount an individual would receive. Representative Gardiner recommended retaining the \$200 distribution presently in the bill. He said the total amount would be in the range of \$170 to \$210 million. He said the bill should contain a provision that the general fund balance is to be retained at a certain level. He recommended that a provision be added so the citizen only has to file a copy of the federal income tax with the State, and the state tax would be a straight percentage of the federal return. He commented further.

Representative Duncan said he is not sure any type of state tax return is going to be successful. He thinks the state should refund everything and reach 100% of the people. There was brief discussion between Representatives Gardiner and Duncan. Representative Duncan said any program selected should be as straight-forward and simple as possible.

Representative Eliason said he agreed with Representative Duncan that the process had to be simple. He thinks they should work towards a maximum in refunding.

Chairman Meekins said he is leaning towards repealing the tax rather than tax credits. He said they should also provide a distribution system for all the tax revenue the state has, so all the people receive it.

Representative Rogers said he would prefer a repeal over the tax credit system advocated by Cotten/Duncan. He commented that a broad tax credit would just wipe out the tax credits we have now. He said the simplest method would be a repeal, and the only reason he is not for a repeal is that he feels the structure may be necessary sometime in the future, and not having it would create difficulties for future legislatures.

Representative Miller said he basically agrees with Representative Gardiner. He said he likes the "menu of benefits" approach. He commented that his concern about repeal is that the poor and retired people, who need the money, are not paying taxes, so they wouldn't receive anything. He said that by repealing the tax, the single group they would be helping the most would be the out-of-staters. Representative Miller said the problem with the Governor's bill is that the money would be coming out of the earnings of the permanent fund, and he thinks the earnings of the permanent fund should be put back into the permanent fund. There was brief discussion.

Representative Metcalfe said he would like to see two bills come out, one repealing the income tax immediately, and the other addressing issues like tax credits.

Representative Martin said he thinks everyone can agree on repealing the \$10 school tax. He said he liked the idea of repeal for the income tax. He commented on the various loan programs the state has.

Representative Smith commented that everyone has a different approach to income tax relief. She said she is leary of the danger of setting up something that creates more problems than it solves. She suggested that by removing the income tax structure they would be completely removing the citizen from the government process.

Representative Haugen said tax relief is those taxes that are being paid right now, and those are the only people you can talk about paying taxes back to. He said he thinks equity will come with the surplus because the income tax is surplus to our needs. He said he is for repealing the tax temporarily.

Representative Guy said he feels very uneasy about repealing the income tax.

Representative Moss said they were talking about "apples and oranges" -- tax credits and income tax repeal. He said he is in favor of repealing the personal income tax, but not the corporate income tax. He recommended putting a ten year "sunset-type" limit on the income tax statute, so future legislatures wouldn't have to re-enact the legislation when the income tax becomes necessary again.

Representative Montgomery said HB 571 reflects many of the statements that have been discussed today. He recommended addressing income tax repeal now and address distribution in other ways.

Representative McKinnon said it is naive to think they can repeal the income tax and then address distribution. He commented that if a direct distribution bill came out, he doubted that a single republication would support it. He said they can't divorce repeal from distribution.

Concerning repealing the income tax, Representative Eliason said he is not concerned about what will happen to legislatures twenty or thirty years from now; he thinks they will be able to face that issue. He said he thinks the unemployed and retirees should receive something, but not out of the income tax repeal -- there are other programs to help these groups. He commented they have to decide two approaches to two different problems, and come up with two different solutions. There was brief discussion.

The meeting adjourned at 2:30 p.m.

Tape HFC/HSAC 80-3, Side 1 #001 to 769

AD HOC COMMITTEE
LOAN POLICY

February 19, 1980
House Finance Committee Room
4:30 p.m.

Legislators Present: Representatives Freeman, Moss, Meekins, Osterback, Phillips, Haugen, Carney, Metcalfe, Cotten, Gardiner and Malone; and Senator Rodey. Present to testify: Peter McDowell, Hohman/McDowell; and Billy Berrier, Legislative Council.

Tape Ad Hoc/Loans #80-1
Side 1 #001 through
Side 2 #351

Peter McDowell, Partner, Consulting Firm of Hohman/McDowell, Juneau presented information on loan programs/revenue bonding authority (see attachment), and a brief overview of HB 661 (Relating to the Alaska Industrial Development Authority). Discussion.

Tape Ad Hoc/Loans #80-1
Side 2 #351 to #550

Billy Berrier, Legislative Council, presented an over-view of the laws relating to bonding. Discussion.

Tape Ad Hoc/Loans #80-1
Side #2 #550 through
#80-1, Side 1 #126

Discussion on possibility of finding method to aid individuals who may lose property before loan programs come on-line.

MEETING ADJOURNED 6:15 p.m.

Tapes Ad Hoc/Loans #80-1, Side 1 #001 to end
Side 2 #001 to end
#80-2, Side 1 #001 to 126

NOTES ON LOAN PROGRAMS/REVENUE BONDING AUTHORITIES

A. General Notes

What are the possible goals of the Legislature (House)?

1. Primary Goals

- (a) Import capital to fund housing, business/industry and state/municipal capital projects in Alaska.
- (b) Expand the Alaska economy in terms of GDP and personal disposable income of present residents, (not in terms of revenue to state government).
- (c) Plan the economic development of Alaska, where
 - State government is the planning agency
 - Private and municipal sectors are encouraged (but not coerced) to fit into State plans with financial incentives provided by State bonding, loan and equity investment programs
- (d) Provide loans at below market interest rates to Alaskan residents, municipalities, and non-profit corporations for limited and/or unlimited purposes.
- (e) Make loan program/revenue bonding policy explicitly (on purpose) rather than implicitly (accidentally) as at present.
- (f) Unify various state loan programs into a single program to enhance planning for priorities and increase organizational visibility and legislative control.

2. Secondary Goals Re Management

- (i) Criterion: The distance from the Legislature with regard to policy and operating decisions.
- (ii) Definitions: Policy decisions are those which define the size, classes of expenditure and general criteria for differentiating among individual recipients of program funds or services.

Operating Decisions are those which differentiate among individual recipients and determine the amounts allocated to individual recipients.

Possibilities

- (a) Policy and operating management by the Legislature itself, or a subdivision thereof
- (b) Policy and operating management by independent state corporation separate from the Commissioner-headed departments
- (c) Policy and operating management by a single commissioner level department of the executive
- (d) Policy management by multiple commissioners (a committee) and operating management by state civil servants not subject to confirmation
- (e) Operating management by private sector commercial banking institutions
- (f) Policy and operating management by municipalities
- (g) Policy and operating management by non-profit and/or quasi-municipal government corporations
- (h) Policy and operating management by state civil servants below the levels subject to Legislative confirmation.

N.B. For all the alternatives above, policy and operating management could be separately assigned to any two alternatives.

P. B. McDowell
February 1, 1980

AD HOC COMMITTEE
LOAN POLICY

February 20, 1980
House Finance Committee Room
4:10 p.m.

Legislators Present: Representatives Meekins, Freeman, Moss, Bettisworth, Cotten, Gardiner, Phillips, Hayes, Osterback and Haugen. Present to testify: Mr. Peter Bushre, Deputy Commissioner of Treasury, Department of Revenue.

Tape Ad Hoc/Loans #80-2
Side 1 #126 through #780

Peter Bushre, Deputy Commissioner Treasury, Department of Revenue presented information on state loan programs administered by the Department of Commerce, and the \$50 million deposited in financial institutions last November; and how funds could have been invested if they were not used for loan programs. Discussion.

Tape Ad Hoc/Loans #80-2
Side 1 #126 to Side 2 #721

Recommendations and discussion on drafting a loan bill. Representative Freeman moved to have staff draft a bill and present to the Committee a work-draft encompassing the recommendations made at this meeting. There was no objection.

MEETING ADJOURNED AT 5:30 p.m.

Tapes Ad Hoc/Loans #80-2, Side 1 #126 to end
Side 2 #001 to 731



Official Business

Alaska State Legislature

House of Representatives

Committee on Finance

Pouch V
State Capitol
Juneau, Alaska 99811

M E M O

DATE: February 20, 1980

TO: Mike Doogan

FROM: Becky Fritz

SUBJ: Draft Loan Bill

The general consensus of the Ad Hoc Committee on Loan Policy was to have a bill drafted including the following:

Treat housing, small business, commercial fish, and tourism seperately. All other programs are minor, and the recommendation would be to keep them in the Department of Commerce and fund them by appropriation on a yearly basis from the general fund. (Note: Scholarship Loans would stay the same as they are now.)

Create one agency if possible to over-see loans. Give it tax exempt capabilities, but also allow it to go to the taxable market.

The agency would be subject to the Executive Budget Act for their operating budget and the Legislature would set the limit on how much the total loans would be each year.

The board of the agency would be independent but subject to one year terms.

The agency shall submit a report to the legislature each year. The report will be in the manner of a performance type of audit and should probably be submitted as part of their budget process. Every twothree years a sunsettype audit will be performed on the agency.

Include a provision in the bill to allow veterans' loan changes (Ullman bill) upon approval of a constitutional amendment.

Include a provision to provide loans on land that is leased.

The Legislature will decide the interest rates for small business, commercial fish and tourism loans. All appropriations will be from the general fund.

Housing Loans:

Use banks as seller services -- like AHFC did.

Legislature will establish interest rates.

Allow general fund appropriations and take funds from present loan programs (\$435 million) and appropriate them to a revolving loan type fund so repayments can be utilized to subsidize the interest rate.

[Meekins originally suggested not allowing re-financing.]
General consensus of the Committee seemed to be that refinancing should be allowed.

Rural Housing & Non-Conforming Loans:

Programs would not be under the agency.

Money would be a general fund appropriation, appropriated on a yearly basis, and run through the Treasury. The system would be similar to the one AHFC is using.

Gardiner will be coming back with a proposal to resolve conflict that has arisen between these new loan programs and the Commercial Fish/Agriculture Bank set up two years ago and just now opening.

AD HOC COMMITTEE
LOAN POLICY

March 5, 1980
House Finance Committee Room
4:20 p.m.

Legislators attending the meeting: Representatives Moss, Cotten, Randolph, Bettisworth, Meekins, Hayes, Gardiner, Phillips, Haugen, Freeman and Metcalfe.

Tape Ad Hoc/Loans #80-3
Side 1 #001 through #816

Explanation of work draft of bill --
"An Act establishing the Alaska Loan Corporation." With Legislative counsel Billy Berrier & Ken Vasser.

Questions were raised concerning the following:

Sec. 44.60.405 - Should Commissioners be members of the Board?...

Sec. 44.60.430 LOAN COMMITTEE. Concern was expressed over three people having control of all the loans in the State. Section should be redrafted -- so someone in the Corporation is reviewing the loans to see that they meet the underwriting criteria.

Sec. 44.60.435 LEGAL ADVISOR. Meekins disagrees with this section.

Sec. 44.60.465 PURCHASE OF MORTGAGES AND NOTES. Sub-section (b) deleted.

Sec. 44.60.470 - Page 6, line 1, typo "560" should be 475.

Meeting Adjourned 5:05 p.m.

AD HOC COMMITTEE
LOAN POLICY

March 10, 1980
House Finance Committee Room
4:45 p.m.

Legislators attending the meeting: Representatives Phillips, Bettisworth, Haugen, Freeman, Moss, Meekins, Hayes, Cotten, and Gardiner.

Tape Ad Hoc/Loans #80-3
Side 2 #001 through #790

Continuation of Explanation of workdraft of bill -- "An Act establishing the Alaska Loan Corporation." With legislative counsel Ken Vasser & Billy Berrier.

Questions were raised concerning the following:

Sec. 44.60.530. REPORTS AND PUBLICATIONS. Berrier will prepare draft language for a "goals statement" -- goals as set by the Legislature.

Sec. 44.60.490. Page 13, line 18. Change "chairmen of the house and senate finance committees" to "legislature".

Sec. 44.60.530. Page 17, line 22. Discussion on changing "concurrent resolution" to "bill". Decided to leave as concurrent resolution.

Sec. 44.60.535. Staff to find out from bond people whether State needs to appropriate funds first, or if the projected revenue stream is enough to go on.

*Section 5. Berrier will prepare draft language for some sort of certification by the new Corporation that they are ready to do business before any of the existing entities go out of business.

Include language so the governing body is covered under "conflict of interest provisions".

Tape Ad Hoc/Loans #80-3
Side 2 #806 through
Ad Hoc/Loans #80-4
Side 1 #588

Testimony by Bill Barr of Dean, Writer recommending Alaska Housing Finance Corporation not be done away with. Discussion with Meekins.

Tape Ad Hoc/Loans #80-4
Side 1 #588 through
Side 2 #036

Testimony by David Ormsby, Counsel to underwriters. Reasons for keeping Alaska Housing Finance Corporation. Discussion with Meekins.

The meeting adjourned at 6:20 p.m.

Tape Ad Hoc/Loans #80-3 Side 2 #001 to end
#80-4 Side 1 #001 to end
Side 2 #001 to 039

3/10/80

SUBCOMMITTEE
LOG NOTES

BILL
NO.

TITLE

PAGE
NO.

EDUCATION - 1/24-25, Tapes #80-1 - #80-4

UNIVERSITY - 1/28, Tapes #80-2 - #80-3 (No Log Notes on #80-1)

HOUSE FINANCE COMMITTEE - Education Subcommittee

ATTENDANCE LIST

MEETING DATE:

1/24/80

NAME	REPRESENTING
JOHN F. MOSES	LYSD/REAA
Oscar W. Bower II	LYSD/REAA
Leslie R. Hunter	"
Heather Flynn	Anchorage School Board
Jan Hohman	(Juneau) State Bd. of Education
Joe Cooper	Yukon-Kuskokwim Sch. Dist.
Tom Freeman	Anchorage School Dist.
JOHN PEPER	ANCHORAGE SCHOOL DISTRICT
Bob McConnell	Wrangell School District
Franklin Roth	Observer
Laurie Brady	Sheldon Jackson
Chimney	Baritah '80
Ronald J. Wesley	Northwest Arctic School District
Don MacGowan	Juneau School Dist.
BOB GREENE	ALASKA SCHOOL BOARDS ASSN.
Bill Hogan	SENATE FINANCE Comm
Marlene E. Lusk	Office of the Governor - Budget & Management
Sandy Perry	A.A. Senator Stinson
Chaff Hartman	AK Comm. of Sch. Dist.
Senator Stinson	

Tape #: 1 - Side 1 } RECORDER LOG Date: 1/24/80
 Beg. #: #001 } Tape # HFC 80-1 Time: 1:45
 End #: _____ } Education Subcommittee Page: 1

General Subject: Education Budget -
Foundation Formula

Present: Committee Members: Moss, Montgomery,
 Haugen, Freeman, Meekins, Rogers
 Duncan

Dave Scott, Fiscal Analyst (Legis. Finance)
 [See Attached List]

Log #	Description
001	~~Moss~~ Call to Order 1:45
	Meekins Introduction / Chaired by Moss
026	Moss Intro. comments
051	Commissioner Lind, Dept. Education ^{Intra} _{Comm.}
060	Jam Hohman, State Board of Education Background info. on Proposal before Committee
120	Lind: Funding of Foundation Support Overriding concern: Bring about greater system of Equalization - Foundation Formula as it presently exists
	Mr. Hull + Thompson ↓

General Subject: Education - Foundation Formula

Log #	Description
200	Steve Hull, Dept - Education Explain Equalization (w/chart)
252	Moss question: Discrimination between low/high income districts
271	Meekins: ~~not~~ Graph not current situation? No
281	Hull: Another Approach to Equalization (Chart #2) Close to Alaska's Approach ~~Meekins question~~ Comments by Meekins/ ~~Moss~~ Scott.
337	Hull: (Chart #3) AK's Equalization Program Meekins questioned which were bosh. Hull comments on "874" money (Duncan arrived)
447	Hull: (Chart #4): Effect of Equalization under proposed bill. (X)
488	Meekins: Verbal Description of Formula? Hull: Jan 1, 78 Report State Tax Assessor was used. Total in Report Billion \$ Add \$26 million "874" = ADM x x 5 mills \$1,055 = Arbitrary Access ^{statewide} per pupil

General Subject:

Education - Foundation Formula

Log #

Description

530

District Entitlement Explained
by HullComments by Moss/Scott/Meekins
Hull: Entitlement does have a
historical basis.

600

Meekins questioned Required Local
Effort

635

Hull: Explained Statewide Average
5 mills was determined by Task
Force - Arbitrary #.

Each mill worth approx \$211.

is source of later computations

680

Freeman questioned figures - are

~~that are~~ figures actually "equalization".

Hull responded.

744

Scott: Why did Committee not choose a
maximum rate per child? Hull response

780

Lind: Taxation in Unorganized Borough

Intro: Mr. McKinnon, Chairman
of Committee (Task Force).

General Subject:

Education - Foundation Formula

Log #	Description
814	McKinnon: Comments on Task Force + Introduction of Members. Comments on Equalization
Side 2 ; Tape #1	
001	McKinnon continued Comments on Task Force Equalization Formula.
080	Page 17 of Recommendation
090	Scott: Result of Equalization - why not increase Foundation Formula by 35% & not go through equalization. McKinnon response on necessity to equalize.
138	Rogers questioned adjusting regional cost difference. McKinnon Response
170	Freeman expressed skepticism on Report & \$82 million "price tag" for Equalization. McKinnon response - Committee tried to correct inequities in Formula.
223	Scott: Presented back up info - re: Committee Rec ^{ommendation} & Equalization cost
238	Moss Questioned \$82 million. McKinnon response

General Subject:

Education - Foundation Formula

Log #

Description

260 Moss comments & McKinnon response
on \$82 million ^{needed to meet} needs of school
districts in State.

290 Meekins questioned "Required Local Effort"
on Page 17. McKinnon explained
Formula. Discussion between
Meekins/McKinnon

345 Rogers: Court Action requires Equalization?
McKinnon response. Rogers/McKinnon
Further comments/discussion

400 Meekins: Rich Borough pays more? so
state doesn't have to pay.
Comments on ability of local
effort & state contribution to
various local efforts - McKinnon
response. Suggested legislation
to verify - Information not there.
Further comments by Meekins -
\$1055. is not limit, possible to get
more? McKinnon response.
Scott will prepare chart on ADM
at Request of Meekins

488 Scott: comments

General Subject: Education - Foundation Formula

Log #	Description
490	meekins comments on Municipal Land Selection Act McKinnon: Taxable Property <u>Only</u> Included.
530	Montgomery question: is increase necessary to make system equitable. McKinnon response. Montgomery commented on difference of increase between city/rural. McKinnon referred to page 18 of Report. Trying to identify true cost of doing business in remote sites.
600	Moss: cost of education between rural/city McKinnon response. Task force recommends establishing cost differential between city/rural.
630	McKinnon comments on Charts & Equitable Rates
663	Meekins questions - re state paying totally for Education? McKinnon response - Education is a state function. Meekins comments on
700	local match requirements - Lind response - there should be some form of local contribution.
735	Scott: Further info. on above subject: Revenue limits have been imposed in other state's.
750	Polling of teleconference sites - No Questions

Tape #: #1 (side 2)
#2 (side 1)

RECORDER LOG

Date: 1/24/80

Page: 7

General Subject: Education - Foundation Formula

Log #	Description
780	Mckinnon - Task Force Recommendations Should "separate count" all elementary schools Recommend all districts use same dividing # Looked at HS Formula's. [to get ADM] ² Recommended #17 ^{ADM} be used for H.S. because of Higher Operation Costs. Special Education Program - Bilingual Education Formula comments. Recommend Process to allow districts to to submit requirements 2 yrs in advance

Tape #2 (side 1)

001	Mckinnon - Recommendations Re: Jr. High Important that total process be implemented by law
045	Scott - Comments on SB 199 / Mckinnon: Task Force did not take position on bill Comments by Mass / mckinnon
090	Rogers questioned House HESS CS SB 199 costs. Scott response. Discussion w/ Hull, Scott. Scott will provide figures
124	Lind: Draft Copy of Legislation encompassing Task Force recommendations & worksheet presented.

General Subject: Education - Foundation Formula

Log #	Description
185	Recess 3:30 pm - 3:40 (Present at Recall: Haugen, Moss, Montgomery)
189	Fairbanks Testimony - Comments by Stathare Superintendent Fairbanks School District
248	Joe Cooper, Superintendent Yukon-Kuyukuk SD comments on Task Force Recommendations Support Rec's.
295	Moss questioned \$30 million vs. 80 million funding. Cooper responded & commented on fuel costs
358	Bob Van Slyke, SW Region Schools Superintendent (Dillingham) & Task Force Member comments on Equalization & what task force tried to do. Thinks overall ~~job was~~ ^{Recommendation} good. package; "874" money
447	Questions from Montgomery, Moss, Scott & Van Slyke response.
518	James Whitt - Yukon Flats School District Commented on cost of Equalization; costs of fuel/Energy Increases; Overall comments on Equalization, 874 money, tax base