

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2724

SENATE FINANCE COMMITTEE
February 15, 1977
9:10 a.m.

Chairman Sackett called the meeting to order at 9:10 a.m. PRESENT
All members of the Committee were in attendance except Senator
Meland who was ill. Also present were Bob Grogan, Fiscal
Analyst; Elaine Mitchell, of the press; and Marco Pignalberi
who entered the meeting at a later time.

Chairman Sackett made the following bill assignments: BILL
ASSIGNMENT

CSHB 5 - Croft
CSHB 117 - Sackett

Senator Butrovich moved that Senate Concurrent Resolution 1,
(Development and presentation of a proposal for "zero-based"
budgeting) be brought on for discussion. Senator Butrovich
stated that the purpose behind the legislation was to enable
the State to evaluate ongoing programs at a designated time
or level of progress to determine whether the program is able
to justify continuance. He further stated that the
Administration has already begun this evaluation.

MOTION
SCR 1

Senator Orsini stated that the idea behind the Resolution
was not to have the Legislature design a zero-based budget
system. It was to get the Administration to act on it. The
Administration is currently in the process of designing such
a system and because they are already doing so, there is no
real fiscal impact on the resolution. The resolution would
merely put the Legislature in a position of formally requesting
that the Administration develop this budgeting.

Senator Croft questioned the advisability of requesting the
Administration to effect the resolution instead of the
legislative fiscal staff. Orsini replied that the Adminis-
tration has primary responsibility for budget requirements
since it prepares the budget.

Further discussion resulted in the following amendment offered AMENDMENT
by Senator Croft: Line 26, following the word "prepare" insert SCR 1
"and request the legislative Budget and Audit Committee to
prepare" delete "a" and change "proposal" to "proposals."
Line 27, change "proposal" to "proposals." In the title of
the Resolution change "proposal" to "proposals."

[Mr. Pignalberi entered the meeting at this time.]

Senator Tillion stated that it should be clearly understood
that the review effected by the above amendment to the
Resolution require no additional legislative staff or increase
in funds.

Upon motion by Senator Butrovich, Senate Concurrent Resolution No. 1, as amended, was passed out of Committee.

Chairman Sackett announced (9:25 a.m.) that the Committee would go into Executive Session for the purpose of discussing personalities and all but Committee members and Mr. Pignalberi left the room.

The Executive Session adjourned at approximately 10:00 a.m. ADJOURN

SENATE FINANCE COMMITTEE
February 16, 1977
9:10 a.m.

Chairman Sackett called the meeting to order at 9:10 a.m. PRESENT
All Committee members were present with the exception of
Senators Croft and Butrovich who arrived later in the meeting.
Also present were Marco Pignalberi; Milt Barker, Fiscal
Analyst; and a press photographer.

Chairman Sackett made the following bill assignment:

SCR 19 - Hohman

BILL
ASSIGNMENT

Chairman Sackett stated that he had created two new
subcommittees. One subcommittee consisting of Senators
Hohman, Croft, and Sackett, will review the University of
Alaska budget specifically in regard to the problems
unveiled over the past two weeks. The second subcommittee
consisting of Senators Orsini, Sackett, and Croft will review
budget formats, projects, and sources.

[Senator Croft entered the meeting at this time.]

Chairman Sackett moved that Senate Bill 140 (An Act relating
to tax credits under the Alaska Net Income Tax Act; and
providing for an effective date) be brought on for discussion. MOTION
SB 140
Chairman Sackett stated that the bill had been introduced by
a number of Senators and called the Committee's attention to
a letter received by himself and Representative Cowper from
Sterling Gallagher, Commissioner, Department of Revenue,
subsequent to the Joint Hearing on Revenue Projects. Chairman
Sackett then asked that Mr. Barker provide the Committee with
some background material pertaining to the bill. Mr. Barker
referred to the 1976 Tax Reform Act providing that changes in
the Federal IRS code, and their application to Alaska taxes
not be effected until two years after Federal enactment. The
proposed bill would make tax credits for child day care and
income for the elderly available to Alaska income tax payers
on their 1976 returns. Mr. Barker mentioned that the bill
carried a fiscal note of 1 million dollars for the day care
credit but administration figures were unavailable regarding
income for the elderly, and the administration has taken no
position with respect to the bill. Further discussion followed
and resulted in a request from Chairman Sackett that the
administration have a representative available at tomorrow's
regular committee meeting to testify concerning the administration's
position regarding this bill.

Senator Orsini moved that Senate Bill 54 (An Act relating to adoption assistance for hard-to-place children in foster homes; SB 54 and providing for an effective date) be brought on for discussion. MOTION
Senator Orsini stated he had a memo from the office of the Commissioner of Health & Social Services indicating that there would be no addition or reduction of administrative costs due to passage of the bill. Senator Orsini further stated that passage of the bill could possibly result in a savings to the State Medicaid program.

[Senator Butrovich entered the meeting at this time and was advised as to the bill currently in discussion.]

Upon a motion from Senator Orsini, Senate Bill 54 passed from Committee by unanimous consent.

Chairman Sackett advised the Committee that hearings with the University of Alaska scheduled for February 24, 1977, have been cancelled. These hearings will be rescheduled sometime within the next two to three weeks.

Chairman Sackett announced that the subcommittee for Public Protection will meet at 1:00 p.m. this date in the Committee Room, and the Committee of the Whole will meet at 10:00 a.m., Saturday, February 19, 1977, for the purpose of reviewing the Education budget, minus the University.

The meeting adjourned at approximately 9:50 a.m.

ADJOURNMENT

SENATE FINANCE COMMITTEE

February 17, 1977

9:10 a.m.

Chairman Sackett called the meeting to order at 9:10 a.m. PRESENT
All members of the Committee were present except Senator Croft who arrived later in the meeting. Also present were Bob Grogan and Milt Barker, Fiscal Analysts; Gary Jenkins, Director, Audit Division, Department of Revenue; and Senator Colletta and Jessie Dodson, Special Assistant to Governor Hammond, both of whom arrived shortly after the meeting commenced.

Chairman Sackett announced that the subcommittee on General Government would meet today at 1:30 p.m. in the Resource Committee room. The Committee of the Whole will meet today at 1:30 in the Senate Finance Committee room to hear testimony given by the Superintendents of Rural Schools; Commissioners Harris (Public Works) and Lind (Dept. of Education), relating to school bond problems.

[Senator Croft entered the meeting at this time.]

Chairman Sackett made the following bill assignments:

SB 121 - Butrovich
SB 122 - Meland
SB 161 - Hohman

BILL
ASSIGNMENTS

Chairman Sackett moved that Senate Bill 140 (relating to tax credits under the Alaska Net Income Tax Act) be brought up for discussion. Chairman Sackett stated that one of the unresolved questions concerning the bill was the administration's position regarding it. Chairman Sackett acknowledged Senator Colletta as one of the sponsors of the bill and Senator Colletta stated that Jessie Dodson, Special Assistant to Governor Hammond would testify on behalf of the Administration. MOTION SB 140

(Transcript of Mrs. Dodson's testimony is attached.)

Following Mrs. Dodson's testimony, Gary Jenkins, Director of the Audit Division of the Department of Revenue testified regarding the 1 million dollar fiscal impact of the bill. Mr. Jenkins stated that the thrust of the bill was to move up the effective date of the tax credit from 1978 to 1976. Mr. Jenkins stated he was unable to answer the question of budget trade-off for the 1 million dollar loss of revenue, but would advise the committee as to how the department had arrived at the 1 million dollar figure. Mr. Jenkins stated that research based on IRS information enabled the department to estimate

a 2 to 3 hundred thousand dollar loss of revenue. Unfortunately, the research information was not specific, and in trying to fit IRS figures to Alaskan costs, the department, following discussion, came up with the 1 million dollar figure as the estimated fiscal impact of the bill.

Mr. Barker noted that the greatest financial impact evidenced in a family budget would come from the federal tax credit for child care, rather than the 16% allowed by the State.

Senator Tillion stated that it was his understanding that since the federal law had changed from a deduction for child care costs to a tax credit for the same, the family availing itself of this tax credit is now better off financially than before, even without a State credit.

Discussion followed and resulted in a motion by Senator Croft that the bill be considered for passage from Committee. Senators Tillion and Orsini objected stating that they would not consider passage until they had answers to the questions of financial gain to the family under the federal credit versus deduction allowance; and where the million dollar loss of revenue in effecting this bill would be made up in the budget.

MOTION
SB 140

Senator Croft then made a motion that the bill be held over for further discussion tomorrow and representatives from the administration and revenue were directed to compile necessary information to answer the above questions at tomorrow's regular 9:00 a.m. meeting.

MOTION
SB 140

Senator Tillion inquired of the Chairman regarding CSHJR 6 (Requesting the President to direct creation of a utility corridor for extension of the Alaska Railroad to the Canadian Border) and was advised that the Chairman and Senator Colletta would be meeting with the governor concerning the bill. The Chairman will bring the bill up for discussion following that meeting.

CSHJR 6

The meeting adjourned at 9:45 a.m.

ADJOURN

TRANSCRIPT FROM TAPE
TESTIMONY OF JESSIE DODSON
RE: SB 140

February 17, 1977

DODSON: I am Jessie Dodson, Special Assistant to Governor Hammond, and the Administration met with the Department of Revenue and we support the concepts of this being granted, the exception, and while our prime concerns were mechanical at first, we do concur that it should go back to the 1976 date.

SACKETT: That it should go back to the 1976 date?

DODSON: Yes, for this year's filing.

SACKETT: Senator Tillion

TILLION: You are willing to swallow the million dollars or so that it will cost?

DODSON: (Reply inaudible.)

TILLIO : I don't know whether I want to.

SACKETT: Okay, I want this for the record.

DODSON: We are aware of the cost.

SACKETT: Do you have any other comments to make?

DODSON: No.

SACKETT: Are there any questions?

Senator Orsini

ORSINI: Mr. Chairman, yesterday in our discussion it was indicated that there was a possibility that it was

a lot more than a million dollars, that it may be up to 5, 6, or 7 million dollars. Has that been pinned down yet? Do you know for sure that it's a million---that's a nice round number.

DODSON: I think Gary will know.

SACKETT: I think that the Department of Revenue can answer that.

TILLION: A million is the bottom I believe isn't it? The least it could cost?

SACKETT: Senator Orsini

ORSINI: Does this indicate that the administration has changed its policy on the balanced budget percentage income from various, or relating, or ongoing projects?

DODSON: No. It's certainly not a change in policy with regard to that. I think that Gary can speak more clearly to just exactly how we intend to do it, but it is our intention that we can still make it a balanced budget.

ORSINI: Well balancing the budget is no problem, because we have plenty of income.

DODSON: Sure.

ORSINI: The problem was the percentage.

DODSON: You are referring to the 69%?

ORSINI: Right.

DODSON: No, I don't think that has changed at all.

ORSINI: We are in effect taking a million dollars or more out of the repetitive income, then shouldn't we

have a like amount or increased amount out of the non-repetitive income, or else decrease our expenditures by that amount? We are changing the formula somewhere. It should appear some other place and I am wondering where else it appears.

DODSON: Well, as I said, I would rather Gary speak to that. I don't know exactly where else it appears. We have not changed our philosophy at all.

SACKETT: But you do support the bill?

DODSON: We feel that this is a proper way to go and I'm sure that when we discuss where it's going to come

TILLION: Yeah, I want to know where the money is being cut out.

DODSON: I don't know.

SACKETT: Are there any other questions of Mrs. Dodson?

Senator Butrovich

BUTROVICH: I'd like to know what is your definition of elderly?

DODSON: Definition of elderly?

BUTROVICH: Yes, I was reading this memo here.

DODSON: I don't have a copy of the memo. I think it's over 65.

SACKETT: Are there any more questions of Mrs. Dodson?

Thank you Mrs. Dodson.

SENATE FINANCE COMMITTEE

February 17, 1977

1:35 p.m.

Senate Finance Committee members in attendance: Senator Hohman, Senator Sackett, and Senators Tillion and Orsini who arrived later in the meeting. Also in attendance: Senator Hackney, Chairman, Senate RESS; Senator Sumner; Senator Ferguson; Senator Willis; and Representative Nakek who arrived latter in the meeting. Individuals appearing before the Committee: Commissioner Harris, Department of Public Works; Richard Holden, Deputy Commissioner, Department of Public Works; Commissioner Marshall Lind, Department of Education; Chris Roust, Planning and Facilities, Department of Education; Ed Frye and Larry Nyland, Upper Railbelt School District; John Dullanty, Lower Kuskokwim School District; Joe M. Kahklen, Chatham School District; Ray Collins, Iditarod Area School District; Edward Gamble, Chatham School District; Charley Chaney, Yukon-Koyukuk School District; Herb Oba, Dillingham City Schools; George White, Northwest Arctic School District; and Ronald W. Hohman, Bering Strait REAA. PRESENT

Chairman Sackett called the meeting to order and advised that this is a Finance Committee Hearing with regard to the problems involved in the construction program in relation to school bond issues. Chairman Sackett stated that with the creation of REAA and with the evolution of Bond approval it has become necessary to take on more responsibility at the local level. REAA
SCHOOL
DISTRICTS

Chairman Sackett requested Commissioner Harris to explain the situation from the the standpoint of the Department of Public Works. Commissioner Harris passed out the Resume of Grant Applications and he outlined the meetings the Department has had with various educators regarding the Program. Information on the procedure for handling grants was distributed. Commissioner Harris stated that the Department of Education and the Department of Public Works have to be in a review position, they have to audit the expenditure of funds, and have to provide for inspection to see that the terms of the Grant application are complied with. Mr. Holden stated that the average length of time for the Department of Public Works to approve the grants is two weeks and two days. The Department has processed approximately \$22 million in grants in the last three weeks.

Senator Hohman asked about the problem with a grant for the Southwest Region School District. Mr. Holden stated there was a problem with the firm the school district hired.

Commissioner Harris stated there may be some school districts they wouldn't approve a grant for, depending on how they are conducting their other business. Senator Sackett asked what procedure is being used for approval of grants and Commissioner Harris stated the system is not the Administration's regulations but it is a formal system within their Department.

Chairman Sackett introduced Commissioner Lind, Department of Education, and invited him to speak on his Department's role with the program. Commissioner Lind stated that the Department has had difficulties with administering the project. He thinks that every effort has been made by his staff to process their end of the project. Commissioner Lind stated that in looking at the whole aspect of the grant program the information he has is that over one-half of the bond money will be utilized for actual construction projects within seven months of the passage of the bond issue.

Senator Ferguson asked about the Hootch Case and Commissioner Lind stated that every effort is being made to comply with the terms of the Hootch Case.

Senator Willis asked how many Districts there are in the State and Commissioner Lind responded that there are 21 REAA Districts and 31 City/Borough Districts.

Senator Hohman asked if final grant approval of the Department of Public Works is based on the Department of Education's approval for funding and he questioned if any Districts are in trouble. Commissioner Lind stated that it is possible that his Department would not recommend grants to a couple of districts based on what their previous history has been, but there would be very few, if any, districts that this would apply to.

Chairman Sackett asked if there were specific guidelines to let the Districts know what to expect. Mr. Roust stated a letter had been sent in September giving priorities and instructions for filling out the application. Mr. Holden stated that the Department of Public Works has made one change and the Districts were advised by letter stating that in the future all grants will be handled out of their Anchorage office.

Senator Hohman requested a memo from the Commissioner of Education advising which Districts were in trouble with organizational and operational practices and how. Senator Sackett requested an outline of the guidelines. Commissioner Lind will provide this information to the Senate and House Finance Committee Chairmen and the HESS Committee Chairmen.

Mr. Ed Frye and Mr. Larry Nyland advised the Committee on the problems the Upper Railbelt School District has had in getting grant approval. They first made application for the grant in April and they have just been advised that the grant was finally approved on February 11. They have received word that bills authorized prior to the approval of the contract will not be the responsibility of the State. Mr. Nyland stated that it still had to be determined who will be responsible for soils bills that had to be done prior to the approval of the contract.

Chairman Sackett asked if they had any specific recommendations as to changes they would like to see in the process. Mr. Nyland stated that one problem is that REAA's have a very high turn over in Superintendent's and that most Districts are very small. The superintendents are being called on to do work they are not qualified to do. They had some questions on the format used for grant applications. It was uncertain how to apply the format to their District and they could get no help from the Department of Public Works. Mr. Nyland stated there was some confusion on what document their architect could use. Initially they were advised that either the Public Works document or the AIA document could be used. They were later advised that they could not use the AIA document. Their architect was uncertain as to what was required to the point where he was reluctant to put price tags on anything.

Mr. Frye stated that right now REAA has no local control. He stated that 30% to 40% of the grant money is not being spent on school construction. Chairman Sackett asked how the one year delay in getting their grant approved effected the cost. Mr. Frye responded that they would be getting 1500 square feet less than what was originally planned.

Senator Hackney requested a response to Mr. Nyland's and Mr. Frye's testimony from the Department of Public Works. Mr. Holden stated that many of the problems with the Upper Railbelt School District came about because they were the first ones to apply for a grant under the program. The Department of Public Works had not yet had a system worked out. Mr. Holden stated there is some misconception on who the Grant money belongs to; also that the Department of Public Works is taking money. He stated that the Department of Public Works is not responsible for the other agencies the School Districts must get approval from. However, the Department of Public Works will work on getting these approvals for the School Districts if they request it --but they will charge the school district for the time.

Chairman Sackett asked what happened to the people who were working for the Department in the construction of schools before the grant program was initiated and Mr. Holden answered that there were 52 projects and they were being handled by one man. Mr. Holden stated that less than 2% of the grant monies is being spent on administration.

Representative Nakak asked who has control of grant monies on grants issued by the Department of Public Works in programs other than the REAA. Mr. Holden stated that the entity receiving the grant has the money but the Department still holds the strings. He stated that this is the same as any State or Federal Government operation that makes grants.

Senator Sackett introduced Joe Kahklen who presented testimony for the Chatham School District. They did not feel that the amount of the grant would build the type of school that will be suitable for Angoon. Senator Hackney asked how the grant amount

was arrived at and Mr. Kahklen stated that this was the amount of the bond issue.

Discussion on architects and plans. Mr. Holden stated that in order to reuse plans it would be necessary to change the laws. Discussion on bond issues and how amounts are arrived at. Mr. Holden stated his Department is trying to get a better handle on this so the Legislature will have better information with which to make their decisions.

Mr. Ray Collins, Iditarod Area School District presented testimony concerning their grant. He stated that in order to get grant approval it was necessary to have someone on their staff preparing the advance information. This creates a problem in that monies spent prior to the approval of the grant cannot be paid for with the grant. He also stated that their architect is reluctant to use the AIA document. Mr. Holden stated that they determined the AIA document could not be used because it favored the architect to such an extent that if errors in the building should occur due to architectural error, the State may not be able to sue the architect.

Mr. Holden stated that planning funds are available for REAA districts to use for advance information prior to obtaining their Grant. Chairman Sackett asked how many Districts were making use of these funds and Mr. Holden stated "only 2%". Mr. Collins stated that he was not aware that planning funds were available.

Mr. Roust stated that the Department of Education advised the Districts by letter in early September that planning funds were available. Senator Sumner suggested that letters were possibly being mailed to the wrong individuals since so few Districts seemed aware that planning funds were available. Chairman Sackett asked why Districts were advised of this in September when the program went into effect July 1. Mr. Holden stated that they did not have addresses for all REAA Districts until September.

Senator Tillion stated it appeared that many of the problems occurred because of a change-over between two programs. Chairman Sackett disagreed, stating that changes in the program were necessary, if only to obtain a more refined method. He requested that the Superintendents meet together and come back to the Committee with specific recommendations.

Senator Ferguson stated that the Bush Caucus would be meeting with the Superintendents on February 18th at 11:30 a.m. to discuss any problems within the school districts.

RECESS

The meeting recessed at 3:50 p.m. until 1:30 p.m., February 18th.

SENATE FINANCE COMMITTEE
February 18, 1977
9:02 a.m.

Chairman Sackett called the meeting to order at 9:02 a.m. All Committee members were present with the exception of Senators Hohman and Tillion. Also present were Jack Tinsley, Director, Division of Veterans' Affairs; Gary Jenkins, Director, Audit Division, Department of Revenue; Ron Lind, Director, Division of Budget and Management; Bob Grogan and Milt Barker, Fiscal Analysts; Joe LaRocca of the press; and Rose Palmquist.

PRESENT

Chairman Sackett announced that Committee hearings with the REAA superintendants would continue this afternoon at 1:30, to conclude by 3:00 p.m. He also announced that there would be a joint Finance Committee meeting with the House Tuesday, February 22, 1977, at 1:15 p.m. for the purpose of hearing testimony on Pipeline Commission supplementals.

Chairman Sackett made the following bill assignments:

BILL
ASSIGNMENTS

SB 110 - Orsini
SB 129 - Tillion

Upon motion, Senate Bill 140 (An Act relating to tax credits under the Alaska Net Income Tax Act) was before the Committee for discussion. Mr. Jenkins advised the Committee he was prepared to answer questions raised at yesterday's hearing relating to the effect of the Federal deduction versus a credit for the average taxpayer.

MOTION
SB 140

Mr. Jenkins presented Committee members copies of his Analysis of Child Care Expenses (copy attached) based on an average yearly income for an Alaskan family. He stated that in his hypothetical family the husband earns \$20,000 a year; the wife \$10,000; the family pays approximately \$400 a month for the care of their three children. Mr. Jenkins stated that if the family did not have enough deductions to itemize, they could not take advantage of the child care deduction. He has assumed in his analysis that the family had itemized deductions of \$3,000, not including child care. Working through the \$30,000 gross income and taking the itemized deductions would leave the family \$18,450.00 taxable income. Applying the Federal rate of 28% and the Alaska rate of 5.5%, the taxpayer received a tax reduction of \$1,754.00.

Using a tax credit rather than the deduction in the same basic family situation, the Federal credit resulted in an \$800 saving to the taxpayer. If approved, the Alaska credit would result in a savings of approximately \$128, for a total potential tax

benefit under the credit of \$928.00. Mr. Jenkins advised Committee members that it was evident that the taxpayer under the credit system would lose \$826.00 if Alaska effects the credit and \$954.00 if the State does not. He further stated that the loss would increase as the taxpayer's income went up, and the loss would become less as the taxpayer's income became smaller and would disappear at roughly the \$8,000 income level. Below the \$8,000 level the credit would be more advantageous, and taxpayers earning more than \$39,000 would not have gotten any deduction.

Mr. Jenkins stated that the benefit to the credit system was that more taxpayers would avail themselves of the credit than did those under the deduction system because the credit would be available without itemization while the deduction was contingent upon itemization.

Mr. Ron Lind, Director, Division of Budget and Management, appeared before the Committee stating he was prepared to answer questions pertaining to how the revenue loss incurred by effecting this bill would be made up in the budget. Mr. Lind stated that the Administration is assuming the legislature is going to pass other tax measures that will more than make up for the \$500,000 loss in revenue resulting from the subject bill. Chairman Sackett advised Mr. Lind that it was his understanding the governor was in support of the bill and wanted it passed, but the Committee's prime concern was where the loss in revenue would be made up in the budget. Chairman Sackett then asked Mr. Lind if he was correct in his understanding, based on Lind's prior statement, that the governor expects the funds to come from the legislature. Mr. Lind stated that if the legislature passed the governor's budget exactly as proposed and did not make any adjustments, he didn't feel there would be a significant change in the budget due to passage of this bill.

Senator Orsini stated he was aware that the legislature was considering a number of bills to reduce taxes, not to generate new revenue and mentioned that there appeared to be a difference between the Administration and the legislature as to what should be done with taxes. Mr. Lind replied that this is the only bill of which he is aware that has the governor's support for reduction of taxes.

Senator Butrovich questioned Mr. Jenkins concerning the ultimate cost of the bill in terms of lost revenue, and Mr. Jenkins replied that he had to base his estimates on Federal figures and assume them to be accurate. He feels that the net effect in Alaska would be no more than \$500,000, and that \$1,000,000 would be the maximum amount of credit.

Upon motion by Senator Croft Senate Bill 140 was unanimously passed from Committee.

MOTION
SB 140

Senator Meland made a motion that Senate Bill 4 (An Act relating to Veterans' Loans) be brought up for discussion. Mr. Jack Tinsley, Director, Division of Veterans' Affairs introduced himself stating he was before the Committee to answer questions which arose during prior discussion of the bill. Senator Croft asked Mr. Tinsley if he had reviewed the Committee Substitute which states that if the veteran no longer lives in the duplex, the loan will then be treated as a business loan rather than residential. Mr. Tinsley replied that the Division has no problems with the bill and would support it but it is not a high priority item.

MOTION
SB 4

Senator Meland questioned Mr. Tinsley regarding fiscal impact of the bill. Mr. Tinsley replied that there was no difference in the cost of processing a home loan or commercial loan.

Senator Orsini asked Mr. Tinsley how the Division intended to insure that the veteran continued to live in half of the duplex. Mr. Tinsley answered that the Division would use the fire insurance policy as an annual check. He stated that the veteran would be eligible for a homeowner's policy as long as he resided in half the building. Should he move, the policy would change and the Division would follow up on that.

Upon motion by Senator Meland, Committee Substitute for Senate Bill 4 was unanimously passed from Committee.

MOTION
SB 4

Senator Orsini moved that Senate Bill 10 (A special appropriation to the Department of Education/State Libraries and Museums) be brought on for hearing. Senator Orsini stated he was in receipt of correspondence from the State Library advising that the special appropriation was for restoration of historical photographs some of which date back before the turn of the Century, and for setting up a cataloging system enabling the library to process material requests more efficiently. Senator Orsini stated that in discussions with the Director of the State Library pertaining to why the funds were not included in the library budget, he was advised that in order to include restoration costs he would have had to omit other library programs and did not feel the other programs were of less importance. The Director further stated that federal funds were for specific grants and no such federal grants were available for this specific purpose. He further stated that the bill would not produce an ongoing increase in personnel for the library. The necessary restoration and

MOTION
SB 10

cataloging system would be set up using temporary or contractual personnel. Senator Orsini stated he would obtain written confirmation from the Director of the library to the effect that the bill would produce no increase in future library budgets, and no federal funds are available for the project.

Chairman Sackett reminded Committee members of the 10:00 a.m. meeting tomorrow morning pertaining to education.

The meeting adjourned at approximately 10:00 a.m.

ADJOURN

Analysis of Child Care Expenses Deduction vs Credit

	Initials	Date
Prepared By		
Approved By		

Beverly Hills
Hedberg
Form 1551 (11-77) - Form 9254 Green

Assume:
Husband earned \$20,000
Wife Earned 10,000
Family has 3 Children
Child care expense of \$400 per month
Itemized deductions of \$3,000 excluding child care expense.

Computation of Deduction

Adjusted Gross Income	30,000
Itemized deductions	7800
Exemption deduction	22200
	3750
Taxable Income	18450
Federal TAX RATE	28.70
ALASKA TAX RATE	5.570
Federal Tax reduction due to deduction	1474
ALASKA TAX reduction due to deduction	280
TOTAL reduction in TAX	1754

Computation of Credit

Same facts as above

Federal TAX Credit	800
ALASKA TAX Credit (if approved)	128
Total potential credit	928

NET INCREASE IN TAX AS A RESULT of Credit w/ AK. 926

NET INCREASE IN TAX AS A RESULT of credit w/o AK. 954

SENATE FINANCE COMMITTEE

February 18, 1977

1:40 p.m.

Members of the Committee in attendance: Senators Sackett, Meland and Tillion. Also in attendance: Senator Hackeny, Chairman, Senate HESS; Senator Ferguson; Commissioner Harris, Department of Public Works; George White, Northwest Arctic School District; Larry Nyland and Ed Frye, Upper Railbelt Schools; John Dullanty, Lower Kuskokwim Schools; Ray Collins, Idatarod Area School District; Richard Holden, Department of Public Works; James R. Wakefield, LIUNA Local #942; Herbert Oba, Dillingham City Schools; Representative Akers; Chris Roust, Department of Education; Ronald W. Hohman, Bering Strait REAA; Matilda Gamble, Chatham District 18 Angoon; Joe M. Kahklen, Chatham School District; Nellie Ward, Tundra Times; Charley Chaney, Yukon-Koyukuk School District.

PRESENT

Chairman Sackett called the meeting to order and asked Mr. Collins to continue his testimony. Mr. Collins stated that the reason the District has applied for a grant was to cut the cost of school construction. Mr. Collins cited as an example the most recent one-classroom school constructed by the district at a cost of \$440,000. He stated that they now hope to spread \$500,000 around the district and intend to build four units with these funds by constructing pre-cut or modular units and avoiding the necessity of securing an architect. Mr. Holden stated that the district would have to go through the same basic procedure with a pre-cut building and still run the risk of ending up with a building that would not pass the building codes.

REAA
SCHOOL
DISTRICTS

Mr. Collins also stated that the present force account limit of \$25,000 was too restrictive and should be raised. He stated that the limit should be between \$100,000 and \$125,000 for their purposes.

Mr. Charley Chaney presented testimony for the Yukon-Koyukuk School District (position paper attached). He stated their grant application has been approved with the exception of the selection of the architect. He stated they are within a few weeks of losing this construction season and explained problems that had delayed the processing of their application. Mr. Chaney stated that if the procedure for grant applications was better defined they could have saved at least one month. He stated that one of their problems with the Department of Public Works in the past has been the Department's slowness in approving change orders, it takes approximately eight weeks. Discussion on problems of meeting code regulations.

Mr. Holden stated he had a meeting with the fire marshall and they are developing a check list of the various code requirements in the State. He stated that codes are the biggest cost addition in building today. Mr. Holden stated the Department of Public Works would like to come before the

Legislature with recommended changes in code regulations. The Department is in the process of working on these recommended changes now.

Mr. Chaney suggested the Legislature consider forming a building code committee that would have jurisdiction over at least school construction. This Committee could approve and accept construction and then approve changes all at one time.

Senator Tillion stated the code was designed to see that the Bush did not design their own jobs. He stated that REAA's might be able to get a waiver from the fire marshall on that building code. Mr. Holden stated that would not be possible as the State Fire Marshall must personally inspect the property. If, after he inspects is, there is a fire he could be personally liable. Mr. Chaney stated he is not suggesting tinkering with codes; he is recommending sitting down with the necessary people at one time to approve changes. Mr. Holden stated this is possible, but it costs money.

Senator Tillion asked if the Department of Public Works had a proposal for stock architectural plans. Mr. Holden stated that REAA's are going in the oposite direction -- that they want to set up their own planning and building. He said there would be a statutory problem if they were to have stock plans. Commissioner Harris stated that if they are going to do this they would have to have funds to prepare standardized designs; that the different areas of the State have different requirements. He stated that about 20 plans would give the State what they need.

Chairman Sackett asked Mr. Chaney if the Yukon-Koyukuk District could get an architect and have him approved by the Department of Public Works within the next two weeks. Mr. Chaney responded that in theory they could. Chairman Sackett requested that he be kept advised.

Senator Tillion asked much the Department of Public Works would allow on force account. Commissioner Harris stated that the most he would recommend would be a maximum of \$50,000.

Mr. Holden stated that the Department of Public Works contract states that the State owns the plans. Senator Tillion suggested that the Department could stock pile the plans and eventually they would have enough standardized plans to meet the needs of the State. Senators Ferguson and Sackett are going to work on this.

Mr. Chaney stated that if the grant applications are approved and started this summer, there are going to be a great number of buildings going up. He asked if the Department of Public Works was prepared for this influx of building. If not, he stated there would be a long delay before contractors got paid. Chairman Sackett stated this is a problem with

all construction, not just REAA's. Mr. Holden stated that there are two parties involved in this and that the Districts and contractors must get the proper documentation to the Department. Commissioner Harris stated that the average amount of time in paying bills is now 32 days and that this is acceptable to the contractors.

Mr. Chaney stated that many schools need to be up-graded to meet current codes. He suggested the legislature may need to appropriate additional funds to do this. Commissioner Harris stated that the Division of Buildings is currently getting cost estimates on this and that a total estimate to up-grade these buildings would be between \$80 - \$120 million. He stated that many schools are not worth refurbishing. Chairman Sackett asked what the Administration is doing and Mr. Holden stated they are currently developing a procedure so that the school districts will have a formal system to use in evaluating their buildings. He stated this information should be distributed in April.

Mr. Herb Oba, Dillingham City Schools, asked if anything can be done to lessen the slack time between getting approval from each of the agencies. Mr. Holden stated that if there is good cooperation between the REAA's they could review so they don't have any design review time after they are finished and could expect a week turn around.

Chairman Sackett asked what is the difference in terms of REAA's that have gone on their own versus those that have stayed with the Department of Public Works for their construction. Mr. Holden stated that do not have a comparison record yet. He stated that those who have stayed with the Department are easier to work because they do not have to go through the grant paperwork requirements. He stated that the advantage of going REAA is that the areas have local control of the project.

Mr. George White, Northwest Arctic School District, advised the Committee on their grant status. He stated that the problem with their architect was in getting his contract through the Division of Buildings. He stated that if the REAA's are to be successful they must have a greater degree of local control.

Chairman Sackett commented that there seems to be a fight between the Department of Public Works and the REAA's over the selection of architects. Mr. Holden stated it is the Department's responsibility to see that the architect firm is qualified and experienced before they award them work. Mr. Holden stated he does not think the Districts are able to evaluate an architect's proposal at this time.

Ronald W. Hohman, Bering Strait REAA testified. He said he would like to compliment the Department of Public Works for their activities in the past year. His district's relationship with the Department has been very satisfying. He stated his District did have a problem concerning the Hootch consent

decree, but it was mainly a problem in understanding the legalities in the decree and the problem has now been taken care of. He agrees with the need to have the force account limit raised. He stated his District has no problem with their time schedule because work they are doing this year was designed two or three years ago.

Joe Kahklen, Chatham School District stated that the funding they have received is inadequate for their needs. He stated that school children in rural areas are behind students in urban areas. According to tests rural children are two years behind in reading.

Chairman Sackett thanked the individuals from the school districts for taking the time to come down and testify. He stated that he intends to take the REAA's on as a primary project. He requested that the Districts keep him advised on the projects in their areas. Chairman Sackett stated that the Committee needed time to evaluate what has been presented to them and asked if those testifying would be in Juneau again within the next few months. Mr. Hohman stated that the Superintendents would be in town for a meeting on March 14 and 15. Chairman Sackett suggested the Committee get together with the Superintendents at that time.

The meeting adjourned at 3:01 p.m.

ADJOURN

Yukon - Koyukuk School District

BOX 367
NENANA, ALASKA 99760
(907) 832-5594

February 16, 1977

JOE B. COOPER
Superintendent of Schools

POSITION PAPER, YUKON-KOYUKUK SCHOOL DISTRICT REGARDING CAPITAL CONSTRUCTION.

ALLAKAKET

BETTLES FIELD

HUGHES

HUSLIA

KALTAG

KOYUKUK

MANLEY
HOT SPRINGS

MINTO

NULATO

RUBY

TANANA

The position of the Yukon-Koyukuk School District is that the present and past method of designing and constructing schools for rural Alaska is unwieldy and will continue to be unwieldy until major changes are made in the procurement process.

It is the recommendation of the Yukon-Koyukuk School District that the bond monies be transferred directly to District Board control; and that the Department of Public Works function in an audit capacity in this process much as the Department of Education does in the transfer of foundation monies which go directly to the school boards of Alaska.

The present available options of either the Department of Public Works handling the entire project or the new school districts asking for grant assumptions are not workable within the concept of local control of the education process. There is very little difference whether the district applies for a local grant or goes with Department of Public Works in the traditional process; in either case the Department of Public Works maintains functional and complete authority in the construction process from architect selection to final acceptance from the contractor. Is that degree of local control within the intent of Senate Bill 35?

An example, in fact, is that the Yukon-Koyukuk School District is within a week or two of losing the complete 1977 construction season because the district's choice of architectural firms has not yet been approved by Department of Public Works. A good deal of time and effort was spent in selecting an architectural firm;--one that was small enough and flexible enough to devote a good deal of individual attention to meeting local needs and conditions. We feel that the state's licensing procedures assures that they are competent as architects and engineers. Evidently the lack of approval by Department of Public Works is based on other criteria.

MICHAEL FLORA
Director
Federal Programs

COLIN BAXTER
Director
Basic Instruction

CHARLES CHANEY
Maintenance Supervisor

MARJORIE PUGH
Business Manager

POSITION PAPER-Page 2

If the 1977 construction season is lost by the Yukon-Koyukuk School District, the direct cause of the foregoing will be the reluctance of the State to accept local control of capital construction.

The District Board has demonstrated beyond a shadow of doubt that they are eminently competent in the handling of money. The basic operating monies for this district total more than the capital bond monies and in essence the District Board is having no trouble maintaining its own operating budget.

Another major consideration is the amount of time lost due to DPW Rules and Regulations in such small areas as change orders in the buildings. These can take four to six weeks while the contractor supposedly has his crew do nothing; waiting for approval from all the necessary people. This ends up with buildings that will not pass code since no contractor can afford to wait six weeks with a vacant building and the crew doing no work. It is our opinion that the Department of Public Works has so many rules and regulations that they have not been able to construct buildings in the past that would meet building codes or budget constraints. Now this same department is trying to give us grant monies and impose the same rules and regulations upon us. We realize these are to safeguard State monies however, they do just the opposite, in that, due to inflation and higher contract bids (because of all the rules and regulations they must put up with) it actually turns out to be a waste of taxpayers money (estimates vary in this amount from 20% to 40%).

It has also been stated that breaking up the Department of Public Works into new divisions would streamline the operation. However, experience shows that whereas in the past the District could go directly to Juneau, now the documents go through the Fairbanks Office, which in turn run them through the Anchorage Office, which in turn send them to Juneau for the final approval. This simply adds many weeks waiting time, if only in lost mail time.

POSITION PAPER-Page 3

Unless something is done immediately to speed up the process there will not be any construction started in this district this year using the 1976 bond monies. The architects must have time to design the buildings, bid them and contractors must be able to collect materials and get them on the job site, all the time tying in with the barge schedules. These projects should have been started a month ago when this district was ready. Our selected architectural firm was ready to go to work immediately as of January 15th, but we have found nothing but delays and now we are told that our choice of firms is not acceptable to the Department of Public Works. Their reason being that the firm is overextended. However, our experience has been that when a firm gets several contracts they simply increase the size of their staff. A check of architectural firms in this state finds most of the staff quite mobile. Moving from one firm to another depending upon who has the contracts is only good business sense.

Based on all of our past experience, the only recommendation that we can see that will speed up the process and possibly get the work started this summer is to have the bond monies go directly from the State to the REAA Boards and allow them to set up their own rules and regulations for construction in much the same manner that the foundation program monies are given to the board. The Department of Education acts, in most instances, strictly as an audit and service organization. They see that we do follow state laws and Department of Education regulations, which are easy to follow. However, the Department of Public Works views itself as a supervisory agency and the controlling agency. The only solution, as mentioned earlier, is to completely bypass the Department of Public Works in the funding and building and allow them audit and final inspection privileges on local projects. This will cut building costs immensely, speed up the process and guarantee buildings that will pass fire, health, building and conservation codes which, based on recent experience, we are unable to do at the present time.

Sincerely,

Joe B. Cooper
Superintendent

JBC:ln

SENATE FINANCE COMMITTEE

FEBRUARY 21, 1977

9:05 a.m.

Chairman Sackett called the meeting to order at 9:05 a.m. All Committee members were present with the exception of Senator Croft who arrived later in the meeting. Also present were Elaine Mitchell of the press; Fiscal Analysts Bob Grogan and Milt Barker; and Senator Colletta.

PRESENT

Chairman Sackett made the following bill assignments:

CSHB 182 - Sackett
SB 43 - Croft

Bill
Assignment

Chairman Sackett made the following meeting announcements:

ANNOUNCEMENTS

Subcommittee on Natural Resources to meet this afternoon at 1:30 p.m. in the Senate Resource Committee room.

Subcommittee on Transportation will meet this afternoon at 1:30 p.m. in the Senate Finance Committee room.

Combined Senate Finance meeting with House Finance tomorrow February 22, 1977, at 1:15 p.m. pertaining to gas transportation commission supplementals.

Senate Finance would be taking up Senate Concurrent Resolutions Nos. 3, 4, and 5, relating to disposal of royalty natural gas at the regular Finance Committee meeting at 9:00 a.m. tomorrow.

(Senator Croft entered the meeting at this time.)

Chairman Sackett stated he was establishing a Committee policy commencing this date whereby subcommittee status reports would be given at the regular Committee meeting each Monday. Subcommittee Chairman then gave brief verbal status reports.

Chairman Sackett advised the Committee that Senate Bill 4 (An Act relating to Veterans' Loans) reported out by the Committee February 18, would be returned due to technical problems and further review.

SB 4

Senator Croft moved that Senate Bill 45 (An Act relating to radiation protection) be brought up for discussion. Senator Croft referred to earlier discussion on the bill stating that it transfers inspection responsibility from Environmental Conservation to Health & Social Services. He further stated that this inspection should be accomplished with the Department's existing staff as evidenced by a letter of intent from the Committee at the time of passage. Senate Bill 45 passed from Committee upon unanimous consent, subject to letter of intent.

MOTION
SB 45

The meeting adjourned at 9:25 a.m.

SF 77 # 7 (1649 - 1924)

SENATE FINANCE COMMITTEE

February 22, 1977

9:05 a.m.

All members of the Committee were present. Also in attendance: Bob Grogan, Fiscal Analyst; Senator Poland; Senator Colletta; Hank Pratt, Southern Natural Gas; John Van Dyke, Southern Natural Gas; George Silides; and Elaine Mitchell of the Press.

PRESENT

Chairman Sackett called the meeting to order and advised that he has received a response from Governor Hammond on his letter requesting that all supplementals be submitted to the Finance Committee by February 21st. The Governor stated that a few supplementals will be coming down after that date, primarily those supplementals concerned with salaries that are still being negotiated.

SUPPLE-
MENTALS

Chairman Sackett made the following bill assignments:

SB 130 - Senator Hohman
SB 173 - Senator Sackett
CSSB 4 - Senator Meland

BILL
ASSIGN-
MENTS

Chairman Sackett advised that SCR's 3, 4 and 5 have also been referred to the Finance Committee and they will be discussed before the Committee at today's meeting.

Tillion moved that SCR 3 be taken up at this time. There being no objection, it was so ordered. Senator Orsini asked if the amendment forwarded to the Finance Committee from the Senate Resources Committee had, in fact, been passed by all members of the Committee. Senator Tillion stated that the amendment had not been passed by all members of the Resources Committee. He stated that the amendment was prepared by a small group and Resource Committee members were asked if they had any objection to this amendment being presented to the Finance Committee for their consideration. Senator Tillion stated that he was not in favor of the amendment as he felt it would be detrimental to the contract.

SCR 3

Chairman Sackett requested comments from witnesses. Mr. Henry Pratt, representing Southern Natural Gas, stated that they did not see that the amendment was necessary. Senator Croft asked if the contract is approved by the Legislature and the Congress, and then the Federal Power Commission repeals 13 B of the Natural Gas Act 1976, isn't it possible that the gas could be shipped out of State without the State getting any for in-state use? Mr. Van Dyke, Southern Natural Gas, stated that you have the question of State's rights, that the State has the gas and has contracts written to deal with it as it related to 13B. Mr. Van Dyke stated that a delay could be caused by passing this amendment. He stated his Company could have problems with this amendment as it is an additional condition that they had not agreed to in the contract.

Senator Butrovich requested an Attorney General opinion concerning the amendment.

The Finance Committee recessed at 9:20 in order to get the Attorney General and reconvened at 9:40 a.m. with Attorney General Avrum M. Gross in attendance.

RECESS

Senator Orsini asked if it might not be premature to discuss the amendment to SCR 3 at this time as there is no motion before the Committee. Chairman Sackett stated that in view of the testimony that has been taken in the past 10 days, discussion of the amendment was in order.

SCR 3

Chairman Sackett requested Attorney General Gross to comment on the amendment. The Attorney General stated that the question was if 13B of the Natural Gas Act were repealed, would the State be able to use their own natural gas. Mr. Gross stated that if the gas were committed under this contract we would have difficulty getting the gas back for the State's use. He stated that if 13B were to be repealed, the State would have problems but they would be unrelated to the contract. He advised that if the State were to use the gas for in-state use and the gas was sent down the pipeline, the State would be comingling the gas and would need Federal Power Commission approval to take the gas off line. The Federal Power Commission (FPC) may not give the State approval. If the State did not have a contract having a take out provision and 13B were repealed, the State would have the same problem. Either way, the State would have to have approval from the FPC to get the gas off the line.

Senator Orsini asked why the Resources Committee felt the amendment was necessary and Senator Poland stated that the Committee felt that 13B was necessary. If 13B were repealed the State could not take gas off line without FPC approval but the State would still retain the gas at the well-head, so the State could trade gas at the well-head if it so desired. The Committee felt that if the gas got into the pipeline and was comingled the State would lose the gas.

Senator Croft stated that if the contracts are approved and then 13B is repealed, the State has no authority to take gas back. The FPC does not have to approve the take back provision and FPC has the authority to take the gas out of the State.

Mr. Gross stated that if FPC does not approve the contract there would be various questions and the State would not want to go forward with the contracts. If FPC does approve the contract there will be a take back provision in the contract for intra-state use. He stated the effect of 13B would be unrelated.

Mr. Gross stated that if the gas is put on an intra-state pipeline and the FPC refuses to allow the State to take it off, the State cannot use it for inter-state use unless the State built their own inter-state line. Further discussion on intra- and inter- state pipelines. Mr. Gross stated the

State needs FPC approval to get in-State use of gas unless the State has built their own pipeline.

Senator Butrovich asked Mr. Gross what he thought of the amendment. Mr. Gross stated that he does not see how the amendment enhances the contract in anyway. He stated he does not know whether or not the state has a conditional power to approve the contract. He does not think the legislature can approve what will happen under certain conditions and he does not think the amendment will give the State any greater rights than it has.

Discussion on State's rights if 13B is repealed. Mr. Gross stated that if 13B is repealed, the State's right to take gas off line depends upon FPC whether or not the State has a contract. Even with the contract the State will need FPC approval to take the gas off the line.

Chairman Sackett asked if 13B is repealed will the contracts be terminated and Mr. Gross answered no. Senator Tillion asked if 13B were repealed in a few years, would it endanger our existing rights on the contract. Mr. Gross stated the rights of the contract would not be effected. In order take gas off any intra-state line the State would need the approval of FPC. The contract has nothing to do with this. The contract simply allows the State to get the gas back from the buyer.

Senator Tillion moved that SCR 3 be passed out Committee with a "Do Pass" recommendation. Croft moved that SCR 3 be amended at line 29, removing the period after approved, and adding the words: On condition that if Section 13-B of the Alaska Natural Gas Act of 1976 is repealed prior to approval of the contract by the Federal Power Commission, the contract is terminated.

MOTION

Senator Tillion objected stated that adding an amendment at this time could endanger the entire contract and the amendment would not give the State any additional protection. Senator Croft stated the amendment would help make sure the State has political support not only for the approval of the contract but to keep 13B. Discussion on amendment. Question on amendment. Meland, Croft, Hohman and Sackett in favor; the amendment passes.

Question on passing SCR 3 as amended from Committee with a "Do Pass" recommendation. The motion failed.

Tillion moved that SCR 3 as amended be passed out of Committee with individual recommendations. The motion passed with 4 in favor.

MOTION

Senator Tillion moved that SCR 4 be brought up for discussion. There being no objection, it was so ordered. Croft moved that SCR 4 be passed out of Committee with the same amendment as SCR 3, with individual recommendations. There being no objection, it was so ordered.

SCR 4
MOTION

Senator Orsini moved that SCR 5 be brought up for discussion. There being no objection, it was so ordered. Senator Orsini moved that SCR 5 be passed out of Committee with the same amendment as SCR 3, with individual recommendations. There being no objection, it was so ordered.

SCR 5
MOTION

Chairman Sackett reminded Committee members that there would be a joint meeting with the House Finance Committee at 1:15 a.m. this afternoon. There being no other business to come before the Committee, the meeting adjourned at 10:35 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

February 24, 1977

9:07 a.m.

All members of the Committee were present except Senator Hohman. Also in attendance, Don Smith, Elaine Mitchell and Joe LaRocca, of the Press.

PRESENT

Chairman Sackett called the meeting to order and asked if members had any bills to bring before the Committee. Discussion on status of Committee bills.

Chairman Sackett made the following bill assignment:

BILL
ASSIGN-
MENT

SB 81 - Senator Butrovich

Chairman Sackett asked if Committee members were having any problems getting back-up information for supplementals. Senator Butrovich stated he wanted to have Cathy Lloyd testify before his subcommittee regarding the alcoholism program. Senator Butrovich advised that the person to contact in the Administration for appropriation bills, other than administration bills, is Fran Ulmer. Discussion on supplementals.

Senator Butrovich advised there will be a Resources Subcommittee meeting at 1:30 today in the Resources Committee Room.

ANNOUNCE-
MENTS

Senator Orsini advised there will be a Justice Subcommittee meeting tomorrow from 8:00 a.m. to 10:00 a.m. in the Finance Committee Room.

Chairman Sackett announced there will be no Finance Committee meeting tomorrow. He stated he is working on a schedule for subcommittee meetings.

The meeting adjourned at 9:30 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

February 28, 1977

9:10 a.m.

Chairman Sackett called the meeting to order at 9:10 a.m. PRESENT
All Committee members were present with the exception of
Senator Tillion. Also present were Elaine Mitchell, of
the press; Milt Barker, Fiscal Analyst; Gene Smith and
Robert J. Cole from the Office of Alcoholism of the
Department of Health and Social Services; and Judy Crondahl.

Senator Meland moved that Senate Bill 4, (An Act relating MOTION
to Veterans' Loans) be brought on for discussion. He CSSB 4
stated that a Committee Substitute had been drafted to
include a definition of "owner-occupied duplex" and to
set a 30-day requirement for payment to the state of the
downpayment difference between a residential and commercial
loan. Senator Meland moved and asked unanimous consent
that the bill be passed from Committee with a do pass
recommendation. Upon a show of hands, the bill passed
from Committee.

Chairman Sackett made the following bill assignments: BILL
ASSIGNMENT
HB 210 - Sackett
HB 244 - Sackett

Chairman Sackett announced the following scheduled
meetings:

Subcommittee on General Government will meet MEETINGS
this afternoon at 2:00 p.m. to take up the
Office of the Governor and Lt. Governor.

Natural Resources will meet tomorrow morning
from 8:00 a.m. until 10:00 a.m.

Development subcommittee will meet this coming
Saturday, March 5, commencing at 10:00 a.m.

Monday, March 7, 1977, 8:00 a.m. to 12:00 noon,
meeting with staff (Glen Vernon) and auditors
on the University of Alaska.

Friday March 11, and Saturday, March 12, meeting
with University of Alaska representatives.

MOTION
SB 121

Senator Butrovich moved that Senate Bill 121, (Supplemental Appropriation to the Dept. of Health & Social Services) be brought on for hearing. Senator Butrovich introduced Mr. Gene Smith and Robert J. Cole from the Office of Alcoholism of the Department of Health and Social Services, stating that they would speak to the portion of the supplemental dealing with alcoholism and the director of social services would cover the remainder of the supplemental.

Mr. Smith stated that the need for the funds requested in the supplemental occurred when the Anchorage Borough billed the Department in FY 77 for services rendered in FY 75 under Federal 4 and 6 programs. The Anchorage Borough had apparently billed the Department at one time during the term of the federal funding. At that time the Alcoholism funds were encumbered, but the billings were returned to the Anchorage Borough for additional information prior to processing. During the transition between Anchorage municipal government to the Borough government, the bills were misplaced; the error was not discovered by Department auditors; the alcoholism funds were allowed to lapse; and the submission of these bills after the extended period of time has necessitated the requested supplemental.

Chairman Sackett cited numerous examples whereby Health & Social Services has transferred funds within the Department to areas other than those for which the funds were appropriated. He questioned why this had not been done to take up some of the slack by making funds available to the Alcoholism Office. Mr. Cole replied that he believed this had probably already been done as much as possible.

Committee members referred to the November 4 memo from David W. Freer, advising the Office of Alcoholism to pay the amounts due out of their current appropriation and if necessary to seek a supplemental. Mr. Cole stated that they have paid nothing toward the billing from the Office's current appropriation. The Office had looked into doing so and determined it was not possible because they were no longer under Federal Title 4 and 6 program funds.

Committee members directed Messrs. Smith and Cole to determine from Mr. Freer what he meant in his memo when he directed the Office to satisfy the billings from their current appropriation. In addition, both gentlemen were directed to determine if there were not sufficient funds within the Department that could be transferred to cover at least a portion of this amount.

The meeting adjourned at approximately 9:55 a.m.

ADJOURN

Tape #SF-77 #8 (2155 to end)
SF-77 #9 (Start to 395)

-58-

2/28/77

SENATE FINANCE COMMITTEE

March 2, 1977

9:15 a.m.

Vice Chairman Hohman called the meeting to order at 9:15 a.m. All members of the Committee were present with the exception of Chairman Sackett who arrived shortly after the meeting commenced. Also present were Elaine Mitchell, of the press; Mr. Sterling Gallagher, Commissioner, Department of Revenue; Mr. Gary Jenkins, Director, Audit Division, Department of Revenue; and Senator Rodey. PRESENT

Motion was made to bring Committee Substitute for House Bill 182 (An Act relating to tax credits under the Alaska Net Income Tax Act) up for hearing. Mr. Gallagher appeared before the Committee to testify on the subject bill. He stated that the purpose of the 1976 Tax Reform Act was to give the state some time delay before tax reforms enacted by the Federal government became effective in Alaska. The child care credit resulting from the subject bill would be a retroactive credit to the taxpayer as of the date of the Federal reform. Mr. Gallagher stated that if the bills passed immediately, the Department would be spared a great deal of unnecessary paperwork since most taxpayers have not yet filed their returns for this year. He further stated that he felt the credit for child care was desirable, and the credit would become law in 1979 even without passage of the present bills (SB 140 and CSHB 182 are essentially the same bill). MOTION CSHB 182

[Senator Sackett entered the meeting at this time.]

Questions were raised by Committee members concerning the fiscal note for the bill and Mr. Gallagher replied that previous notes were incorrect and that after considerable research Department estimates are now \$800,000 to \$1,000,000.

Senator Orsini questioned Mr. Gallagher concerning the \$800,000 budget loss and the effect of this loss on the 60-40 ratio. Mr. Gallagher replied that the \$800,000 loss was not in the budget at the present time, but due to the fluctuation in oil prices, he did not feel the ratio would be affected.

Senator Orsini stated that if the \$800,000 was not accounted for in the budget, and the Department is supporting the bills resulting in the credit, it must be a top priority item. Mr. Gallagher replied that their support did not mean this item was top priority, it simply meant that the Department found the credit to be desirable in attempting to separate good tax reforms from bad, and the tax credit was in the best interest of the citizen and to bring the state into conformity with the Federal government.

Senator Tillion asked what would be cut from the budget to make up the \$800,000 loss, stating that somewhere one of the Department's or the legislature's projects would have to be cut to make room for the 1.6 million dollars for this project bringing the state into conformity with Federal tax law. Mr. Gallagher replied that it was up to the legislature to decide whether it is worth being in conformity. He added that in respect to time, the bills came up after the governor's budget had been prepared. Senator Orsini asked if the governor would be willing to raise his budget if the legislature passes the bill. Mr. Gallagher replied that if the Federal changes had occurred earlier in the year, we might have had a bill ourselves, and the financial considerations would have been in my budget.

Amendment No. 1 to Senate Bill 140, proposed by Senator Rodey was brought on for discussion and Senator Rodey advised Committee members that Mr. Gallagher would speak on the issue. Mr. Gallagher stated that the Department did not support the amendment. At the present time a penalty is only applied to taxpayers when deliberate negligence or fraud is expected, and the Department finds that the taxpayer has really been trying to avoid paying taxes. A 5% penalty per month is charged in this case. Mr. Gallagher stated he was not aware that the Department had been guilty of negligence or fraud concerning refunds. He stated that the refund time is usually less than 3 weeks, but there are returns that have been "fouled up" and it takes 2 months to research and correct. In the case of the latter return, the taxpayer would benefit under the proposed amendment from the Department's need to research and straighten out the return. The fiscal note for the proposed amendment is \$142,000 for additional employees during tax season to insure that everything gets out in 30 days, and that the amendment could possibly exact expenditures up to \$2,000,000. Senator Sackett asked that Mr. Gallagher provide a breakdown of the \$142,000

AMENDMENT
SB 140

cost and asked how he arrived at the \$2,000,000 expense figure. Mr. Gallagher replied that returns come in at the rate of approximately 100,000 per month. The Department would need at least 8 people on a temporary basis to scan claims for refunds to see that they got out in 30 days. They would also need at least 5 full time auditors to check into returns to get them moving faster. The \$2,000,000 analysis is based on a review of last year's files to determine the number of refunds returned after the 30-day period which would necessitate payment of a penalty by the state under the proposed amendment.

Senator Croft asked Mr. Gallagher if the Department had the right to write regulations, would that take care of those taxpayers who could jam-up the Department's works by filing incorrect returns necessitating research by the DEpartment solely for the purpose of taking advantage of the 5% penalty refund? Mr. Gallagher replied that he really didn't know, he felt the ability to write regulations would help, but that the Department expects 30 to 40 thousand more refunds this year than last year.

Senator Croft asked Mr. Gallagher if it wasn't only fair that since the taxpayer is held to the April deadline, the Department be held to the 30-day refund limit? Mr. Gallagher replied that the taxpayer is well aware of the April deadline while the Department has to gear up for a tremendous burden of paperwork with more returns coming in every year and refunds due on 85% of them. Senator Croft asked if a 60-day return period would be more reasonable in terms of getting refunds out, and Mr. Gallagher replied that 60 days would be better.

Senator Orsini questioned the wording in the amendment pertaining to the running of the 30-day penalty period. From a reading of the amendment he understood that if a person has his return in on April 11, on April 12 the Department owes him 5% on the return he has coming, and on May 12, the Department owes him another 5%. Mr. Gallagher replied that his understanding of the wording was the same.

Upon further discussion it was decided that the amendment would be dealt with on the floor of the Senate, and motion was made that CSHB 182 pass from Committee with individual recommendations. Senator Tillion objected to the motion. Upon a show of hands the bill passed from Committee

AMENDMENT
SB 140
MOTION
CSHB 182

with individual recommendations, Senators Croft, Hohman, Meland, and Butrovich signing no recommendation, Senator Sackett signing do pass, and Senator Tillion signing do not pass.

Chairman Sackett made the following bill assignments:

SB 12 - Hohman	BILL
SB 150 - Croft	ASSIGNMENT
CSHB 122 - Sackett	
CSHB 220 - Butrovich	

The meeting adjourned at 10:00 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

March 3, 1977

9:20 a.m.

Chairman Sackett called the meeting to order at 9:20 a.m. PRESENT All Committee members were present with the exception of Senator Tillion. Also present were Elaine Mitchell and Joe LaRocca of the press; Sterling Gallagher, Commissioner of the Department of Revenue; Milt Barker, Fiscal Analyst; and Judy Crondahl.

Motion was made to bring House Bill 210 (An Act providing for interim management of the Alaska Permanent Fund; and providing for an effective date) up for hearing. MOTION HB 210 Commissioner Gallagher stated that he was before the Committee to testify concerning this bill. He stated that the purpose of the bill was to allow the Commissioner of Revenue to invest the permanent fund on behalf of the state. The permanent fund became law February 22, 1977, and currently contains \$700,000. Commissioner Gallagher stated that the law set the fund at 25% of designated revenue receipts and this bill does also. He then offered brief explanations for the numbered sections of the bill permitting investment in:

- (1) Guaranteed obligations of the U. S. Government, such as SBA funds.
- (2) Obligations secured by law - World Bank Bonds.
- (3) Certificates of deposit in U. S. commercial banks.
- (4) Corporate investment-grade securities with ratings of BAA or above, such as General Motors, utility bonds, etc.
- (5) Bankers acceptances (similar to time certificates of deposit) arising out of international trade by institutions doing business with domestic institutions.
- (6) Repurchase agreements (very short term investments).
- (7) Deposits in savings and loan associations. (Not as safe as the bank funds, associations not allowed by law to collateralize.)
- (8) Credit unions, not to exceed 10% of union's shares.

Senator Orsini questioned Mr. Gallagher in connection with No. (7) as to security offered by savings and loan institutions and whether there was merit in limiting investments in these institutions to perhaps \$100,000. Mr. Gallagher replied that he did not intend to invest in this category during the next few years, stating he was careful as to what he put in, had been looking to investments in other banks and at the present time could see no reason to go to the savings and loan associations. He further stated that it was his belief that the savings associations within the state were fairly safe.

Senator Orsini then referred to No. (8) asking why there was a limitation on credit unions. Mr. Gallagher replied that that was done for the same reason the limitation was applied to the savings and loan institutions.

Mr. Gallagher then referred to Section (b) of the bill, relating to execution of contracts for custody of securities, and stated that this section was necessary since most of the securities were never brought to Alaska but maintained in the banks from which they were purchased.

Mr. Gallagher explained that Section (c) permitted him to transfer the permanent fund to the agency established specifically for its management upon two weeks' written notice from that agency.

Senator Sackett brought HB 244 (An Act making a special appropriation to the Department of Revenue for the interim management of the Alaska Permanent Fund) up for discussion stating that the bill appropriated \$26,000 or 1/10 of 1% of the income. Senator Sackett asked Mr. Gallagher why the bill was not introduced by the Governor and what the Department's intentions were. Mr. Gallagher replied that the fiscal note will not take place until next July, but the appropriation would allow the Department to have the money immediately, so the appropriation was requested. Senator Sackett asked him why he didn't put in a request in 77. Mr. Gallagher replied he wasn't familiar with the nuances of the law and he thought the fiscal note would pass. Senator Sackett asked if the reason behind the appropriation was the fact that he couldn't do anything under his present budget, and since the permanent fund was set up the legislature should pass a supplemental appropriation for it. Mr. Gallagher again stated that he assumed the

MOTION
HB 244

fiscal note would pass and when advised by Senator Sackett that fiscal notes don't appropriate money he said he wasn't familiar with the nuances of the law.

Senator Orsini asked how much would be in the permanent fund as of June next year and Mr. Gallagher replied that the fund contained \$700,000 now and would contain approximately \$84,000,000 at the end of next fiscal year.

Senator Hohman requested that Mr. Gallagher supply the Committee with a memo on the eight categories in the bill giving examples of the type of investments and to-date figures of proposed investments. Senator Croft asked that Mr. Gallagher also include anticipated earning levels for each investment. Mr. Gallagher stated that they estimated the earnings at 6%, but this depends upon what securities you buy. A treasury bond pays 4-1/2%, while a ten-year bond 6-1/2 to 7%. He intends to invest in some short term securities and some long term, achieving a balanced portfolio.

Senator Croft asked if anything in the bill would authorize the Department to invest in any contract program and Mr. Gallagher replied no, he would not be able to make this kind of commitment.

Senator Butrovich asked that when Mr. Gallagher submits his memo to the Committee he also include a little history and background material on the bill.

Senator Sackett stated that the Committee would take the bill up for further discussion when the requested information has been received.

Senator Orsini moved that Senate Bill 110 (An Act relating to the State Physical Therapy Board be brought on for discussion. He stated that this bill served essentially the same purpose as Senate Bill 109 (An Act relating to per diem allowances for the Board of Psychologist and Psychological Association Examiners) but for members of the Physical Therapy Board instead. He stated the bill was accompanied by a letter from the Governor illustrating the need for the bill. Senator Orsini stated that there are currently no funds available for board members to travel to meetings. His understanding was that travel expenses were not established at the time the board was set up in order to facilitate passage of the bill initiating the board. Senator Sackett asked if the \$2,500 fiscal note was for travel only and requested a breakdown of actual travel costs. He also

MOTION
SB 110

requested that Senator Orsini look into the removal of restrictions as to appointments by the governor since this is a policy change and he believed the Committee should have sufficient information before it.

The meeting adjourned at 9:50 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

March 8, 1977

9:07 a.m.

All members of the Committee were in attendance except Senator Sackett. Also in attendance: Judy Crondahl, Administrative Assistant to Senator Sackett; Mr. Jim Edenso, Deputy Commissioner of Treasury, Department of Revenue; and Dick Alexander and Ronald Rech, Treasure Division, Department of Revenue. PRESENT

Vice-Chairman Hohman called the meeting to order and stated discussion on HB 122 would be delayed until tomorrow. He moved and asked unanimous consent that House Bill 210 (Interim management of the Alaska Permanent Fund) be brought up for discussion. There being no objection, it was so ordered. HB 210

Mr. Edenso advised he was here to answer questions brought up at the last meeting when the Alaska Permanent Fund was discussed. Mr. Edenso stated that at the last meeting there was a question concerning the investment of the \$900.4 million received from sales at Prudhoe Bay in 1969. He presented a fact sheet concerning those funds (see attachment).

Mr. Edenso stated there was a question concerning the anticipated rate of return of the investment on the Permanent Fund. He stated that if 25% is contributed each month, the fund should have approximately \$90 million by June 30, 1978. Funds would be put into Certificates of Deposit of two and three year lengths. The two year notes would expect a return of 6% and the three year notes would expect a return of 6 1/2%. The total return would be 5.7% for a dollar amount of approximately \$8 million.

Mr. Edenso stated the intent of the Department is not to hold the portfolio in long term securities, but to allow them to remain in short term securities and investments would be made out of State. The Department would design a real policy decision under House Bill 285. The Department does not want to make any long term policy decisions concerning investment of the funds.

Senator Tillion questioned Mr. Edenso's statement that he would not want to make any investments in Alaska, and asked if this means the funds would be put in "cold storage" until it is determined they would be used. Mr. Edenso answered yes and Senator Tillion stated this is not what House Bill 210 says. Mr. Edenso stated the Department would be investing the securities under item one of House Bill 210 (Obligations of, or obligations insured or guaranteed by, the United States or Agencies or instrumentalities of the United States). He stated the intent of the bill is that it would phase out once the enabling legislation for the permanent management of the fund is passed. Mr. Edenso stated he believes the Department would be managing the fund for twelve to eighteen months.

Mr. Edenso stated the fund currently has approximately \$733,000 in it. Senator Butrovich asked if this was invested in short term securities. Mr. Edenso stated he believes these funds are in a savings account at this time as they have not yet set up an accounting system for the Permanent Fund monies. He stated they are earning approximately 5% in interest right now.

Senator Croft stated he did not see the need for the other seven items in HB 210 if all the monies were going to be invested under number one. Mr. Edenso stated they want to have the authority there to allow the Department to have flexibility to change structure of portfolio in order to respond to changing marketing conditions.

Senator Croft asked if the Department intends at this time to invest in Treasury Securities. Mr. Rech stated that is a decision that would have to be made at the time the monies were invested. Mr. Edenso stated the strategy for the most conservative portfolio right now is under number one.

Senator Butrovich commented that with the way the money market is right now, it is a good idea to be able to stay loose. Mr. Edenso concurred, stating that right now they anticipate some type of response in the money market when the President makes his decision concerning the tax rebate.

Vice-Chairman Hohman stated the Committee had requested Commissioner Gallagher to provide written information concerning the eight categories. Mr. Edenso stated he was not aware this information was to be in writing; however, he did have a letter he wrote to Representative Gruening concerning these items which he presented to the Committee (see attachment).

Senator Butrovich asked if the State Government had to pay Federal taxes on income received from investments and Mr. Edenso stated they did not.

Senator Butrovich asked if bonds were included under number four and Mr. Edenso stated they were. Senator Butrovich commented that the bond market is sometimes pretty attractive interest-wise. Mr. Edenso agreed stating they were about 3% more lucrative than government securities, but they were generally long term (ten years or longer) and were less easy to convert into cash.

Mr. Edenso commented that in the past the Department of Revenue has demonstrated a good knowledge in marketing the State's assets. He stated the return on investments is coming back at a good rate of return even during adverse marketing conditions. Mr. Rech stated that over the last three years there are two different returns to follow. One is a realized rate of return which has increased from 5% to 7%. The other is a total rate of return, which includes realized gain and market appreciation or depreciation, which is somewhere around 10% to 11%.

Vice Chairman Hohman questioned Mr. Edenso's figure of \$90 million in the Permanent Fund as of June 30, 1978. He advised that Commissioner Gallagher stated there would be \$84 million in the funds. Mr. Edenso stated this was because figures have been revised since the Commissioner made that statement. They are expecting between \$2 - \$3 million in the fund prior to the end of FY 77 and \$89 million in FY 78, so the total is approximately \$90 million.

Senator Butrovich moved that HB 244 (Special appropriation to the Department of Revenue for the interim management of the Alaska Permanent Fund) be brought up for discussion. There being no objection, it was so ordered.

HB 244

Mr. Edenso stated that House Bill 244 is to allow the State to obtain contractual services with a safe-keeping agency in FY 77 and FY 78 for the Permanent Fund. He advised that the contractual service would be identical to the service currently being provided by the General Fund safe-keeping agency. However, the Department thinks it advisable to go out to bid to obtain the best cost.

Senator Croft asked if the Governor had vetoed the \$50,000 that was appropriated for this purpose in the budget. Mr. Edenso stated he believes that was a portion of \$185,000 that was for establishing enabling legislation for the Permanent Fund. The Governor felt it could be done of \$135,000.

Senator Croft asked why the Department didn't request the money for this last year. Mr. Edenso replied that last year it was not known what shape the Permanent Fund would be, how large it would be, etc. and the Department felt if they began to establish this last year it might be misunderstood by the Legislature.

Senator Croft stated that the amount expended from contractual through December 30, 1976 was only 40% and asked why.

Mr. Edenso stated he would have to look at the budget to respond, but he believes that the total amount appropriated to contractual will be expended after services to date have been paid for.

Senator Croft asked why they should appropriate money when the Division will lapse approximately \$12,000 and the amount requested is only 1% of that. Mr. Edenso stated there are two positions in the Treasury Department that are not filled. One is an Investment Officer II, which was filled the first of February. The other position is a Debt Manager. That position has been difficult to fill with a qualified person at the range it is. Senator Croft asked if there had been any attempts to reclassify the position and Mr. Edenso stated he would try to reclassify if he cannot hire a person within the next month.

Senator Croft moved and asked unanimous consent that House Bill 210 be passed out of Committee with individual recommendations. There being no objection, it was so ordered.

Senator Croft moved and asked unanimous consent that House Bill 244 be passed out of Committee with individual recommendations. There being no objection, it was so ordered.

The meeting adjourned at 10:00 a.m.

Return Analysis on Investment Agency Account

Original Contribution:

9/25/69 \$900.4 million

Remaining Funds in Investment Agency Account:

12/31/76 \$245.9 million

Total Earnings since inception as of 12/31/76 \$309.3 million

Realized Investment Return per year:

1970	8.50%
1971	10.1 %
1972	6.46%
1973	6.10%
1974	6.58%
1975	6.62%
1976	7.30%

Disposition of Funds:

Alaska Bank Certificates of Deposit	\$100,000,000
Common Stocks	18,000,000
Marketable Securities	782,000,000

Negotiable Certificates of Deposit
Governments
U. S. Agencies

February 22, 1977

The Honorable Clark Gruening
Chairman of the Special Committee
on the Alaska Permanent Fund
State Capitol
Juneau, Alaska 99811

Dear Mr. Gruening:

Re: House Bill No. 210 - Interim Management
of the Alaska Permanent Fund

The provisions of House Bill No. 210 provide for the following investments in the Alaska Permanent Fund:

1. Both short term and long term direct obligations of the U. S. Treasury and obligations of federal agencies such as the Federal Home Loan Bank and the Federal National Mortgage Association.
2. Obligations of international organizations of which the United States is a member.
3. Certificates of deposit of Alaska banks and major banks in such financial centers such as New York, Chicago, San Francisco, and Los Angeles.
4. Corporate securities rated the equivalent of Baa or better by a major nationally recognized rating service.
5. Bankers acceptances of major U. S. banks which are short term obligations of these banks.
6. Repurchase agreements to facilitate overnight cash investments.
7. Deposits of federally insured savings and loan associations not to exceed ten per cent of each savings and loan association's deposits exclusive of federal, state, and municipal deposits.
8. Fixed term certificates of debenture of federally insured credit unions, the term utilized to designate a credit union deposit, not to exceed ten per cent of each credit union's shares.

Sincerely,

Jim Edenso
Deputy Commissioner, Treasury

JE:ga

SENATE FINANCE COMMITTEE

March 9, 1977

9:03 a.m.

All members of the Committee were in attendance except Croft and Tillion. Also in attendance: Judy Crohdahl; Attorney General Avrum Gross and Bob Maynard, Assistant Attorney General, Department of Law.

PRESENT

Chairman Sackett called the meeting to order. The following bill assignments were made:

BILL
ASSIGNMENTS

SB 95	-	Butrovich
SB 209	-	Butrovich
SCR 15	-	Meland
CSSB 159	-	Orsini
SB 191	-	Butrovich
HB 152	-	Tillion
HB 154	-	Sackett
HB 189	-	Butrovich
HJR 10	-	Tillion
SJR 16	-	Hohman
SB 27	-	Sackett
SB 78	-	Orsini
SB 175	-	Sackett
SB 204	-	Hohman

Chairman Sackett moved that House Bill 122 (An act making a supplemental appropriation to the Alaska Pipeline Commission and providing for an effective date) be brought up for discussion. There being no objection, it was so ordered.

HB 122

Mr. Gross stated that \$656,000 of this request is for a contractual arrangement with Terry Lenzher to have him investigate the Alyeska construction for the State to aid their case before the Interstate Commerce Commission regarding tariffs. Mr. Gross stated there are two parts to this contract: One is the Department of Law contracting for the actual trial; and the other is the investigation of the case which is with the Pipeline Commission.

Mr. Gross stated the Department of Law and the Pipeline Commission have met and concur that the overall control of this should belong to the Department of Law.

Mr. Gross stated there are two other areas which this appropriation is concerned with. One is \$156,000 for the Pipeline Commission to establish methodology to see how they are going to set rates. And the other is \$21,000 to hire a CPA Auditor and Engineer.

Senator Orsini asked if the CPA Auditor and Engineer was one position or two. Mr. Gross stated it is two positions and the funding requested is for three months in FY 77. These positions have been requested in the FY 78 budget.

Mr. Gross stated there is obviously a great deal of money involved in preparing the case for presentation before the ICC. He stated the Legislature last year indicated they wanted to get moving on this. Mr. Gross stated that if there is a 1¢ change in the tariff it could mean \$850,000 to the State.

Senator Hohman asked who was doing the methodology study and Mr. Gross stated Michael Ileo Technical Associates. Mr. Gross stated this study will enable them to set rates for all pipelines in the State. Senator Butrovich asked if ICC must approve the rate and Mr. Gross said yes.

Senator Butrovich asked if there was enabling legislation for this appropriation (concerning the investigation). Mr. Gross stated that last year the Legislature passed legislation giving the Department of Law authority to prepare the case (Chapter 201 of Statutes).

Senator Orsini asked why the methodology study was necessary and Mr. Gross responded that the Pipeline Commission feels this is absolutely necessary to their being able to perform their regulatory function. Senator Orsini asked if the Pipeline Commission determined if local expertise was available before going outside. Mr. Gross stated he did not know but would find out and advise the Committee.

Senator Hohman asked what the probability was for the State's case before the ICC having any effect on the tariff rates. Mr. Gross said he didn't know as there was no precedent. However, he stated the amounts involved are so high that if they can change the tariff by even 1¢ they could make back all the money that was spent.

Senator Hohman asked what was involved in the investigation. Mr. Gross responded they would be looking at things like feather-bedding, the welds on the pipeline, etc.

Senator Hohman moved and asked unanimous consent that CSHB 122 be passed from the Finance Committee with a "do pass" recommendation. There being no objection, it was so ordered.

CSHB 122
MOTION

Senator Butrovich moved that CSHB 220 (An Act making supplemental appropriation to the Department of Natural Resources for Iditarod Trail Race) be brought up for discussion. There being no objection, it was so ordered.

CSHB 220

Senator Butrovich moved that CSHB 220 be passed out of the Senate Finance Committee with individual recommendations. There being no objection, it was so ordered.

CSHB 220
MOTION

Senator Meland moved that Senate Bill 109 (Act relating to travel and per diem allowances for the Board of Psychologist

SB 109

and Psychological Associate Examiners) be brought up for discussion. There being no objection, it was so ordered. Sackett asked about \$2,500 fiscal note. Senator Orsini stated that he is working on SB 110 which has the same fiscal note, and they are incorrect. He stated that travel and per diem costs should be \$4,500. Senator Meland stated he would find out what the correct figures should be.

The meeting adjourned at 9:45 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

March 10, 1977

8:15 a.m.

All members of the Committee were present. Also in attendance: Judy Crondahl, Glen Vernon; Bob Gates, Director, Retirement and Benefits, Department of Administration; Kent Dawson and Marian Endicott, Office of the Governor; Robert Frederick, Executive Director, Alaska Historical Commission; Milt Thompson, Department of Education; Nathaniel Cole, Deputy Commissioner, Department of Education; Mike Pocaro, Executive Director, Alaska Public Broadcasting Commission; D. M. Murphy, Executive Director, Alaska Rural Teacher Training Corps. PRESENT

Chairman Sackett called the meeting to order. Senator Tillion moved that Senate Bill 135 (Participation of employees of North Pacific Fishery Management Council in public employees retirement system) be brought up for discussion. There being no objection, it was so ordered. Senator Tillion advised there is a Committee Substitute for this bill. SB 135

Mr. Gates stated the CSSB 135 creates the authority for the North Pacific Fishery Management Council employees to participate under both the public employees retirement system and designates the Council as a governmental entity which allows them to participate in the State's group insurance program. He stated there is zero fiscal impact. Prior to entering into the agreement, Mr. Gates stated he is awaiting word from the Council stating they will cover all future employer costs. Chairman Sackett asked what would happen if the Council did not agree with this. Mr. Gates stated the State would not enter into the agreement.

Senator Tillion moved and asked unanimous consent that CSSB 135 be passed from the Senate Finance Committee with a "do pass" recommendation and that it be accompanied by a letter of intent stating that the Administration should not sign any contract at any time if it includes cost to the State. There being no objection, it was so ordered. CSSB 135 MOTION

Senator Tillion moved and asked unanimous consent that SB 68 (An Act making a special appropriation to the Department of Public Works, Haines boat harbor completion; and providing for an effective date) be brought up for discussion. There being no objection, it was so ordered. Senator Tillion stated there is a Committee Substitute for this bill and explained the purpose of the bill. SB 68

Senator Tillion stated the appropriation amount is in the capital improvement section of the FY 78 budget and that if this bill is passed that amount would be deleted from the capital improvement budget. Discussion on the bill.

Senator Tillion moved and asked unanimous consent that CSSB 68 be passed from the Senate Finance Committee with individual recommendations. There being no objection, it was so ordered. CSSB 68 MOTION

3/10/77

Chairman Sackett advised that persons from the Department of Education would testify on the budget.

DEPARTMENT
OF EDUCATION
BUDGET

Alaska Historical Commission: Mr. Robert Frederick, Executive Director, gave a brief explanation of the Commission's activities. He stated that HB 142 now before the Legislature would transfer the Alaska Historical Commission from the Office of the Governor to the Department of Natural Resources. This transfer will have a fiscal impact since the position of Executive Director will be deleted. There will also be a savings of \$960,000 which was budgeted for rent.

Council on the Arts: Marian Endicott, Office of the Governor, advised that a bill has been introduced transferring the Council on the Arts to the Department of Education. Chairman Sackett asked if legislative intent had been complied with concerning the Visual Arts Center and Ms. Endicott indicated she would have to check with Mr. Helms on this and will advise.

Teachers Retirement: Mr. Bob Gates, Director, Division of Retirement and Benefits stated that since the original budget was submitted a later actuarial study was made that indicates a lower rate from 7.09 to 6.53. The anticipated rate of growth in total was also reduced. The original budget request was \$16 million and has not been reduced to \$13,984,400 for FY 78.

Hohman asked if BIA teachers being added to the program got credit for BIA service. Mr. Gates stated they could buy into the Program up to a maximum of fifteen years. Discussion on who was eligible to participate in Program. Hohman requested information concerning people who are receiving retirement benefits from the program for service outside Alaska. Mr. Gates stated approximately 25% of benefits paid was based on service outside of State. He will provide the Committee additional information.

Financial Support Programs: Mr. Milt Thompson, Department of Education, stated this is the largest budget request within the Department. These funds flow to various departments in the State.

Page 15 of short form (Foundation Program-Regular). There is a \$2 million supplemental request.

Page 17 (Pupil Transportation-Public) has a Budget Amendment coming to finance committees of \$14.3 and they are requesting a supplemental appropriation of \$2.163. Mr. Thompson stated they are in the process of revising regulations. He does not yet know what the magnitude of the decrease will be. Senator Sackett requested the Committee be advised before the end of the Session if they anticipate any changes and Mr. Thompson stated he would advise by April 15.

Mr. Thompson stated Debt Retirement-Local (page 23) has no anticipated changes.

Tobacco Tax Distribution (page 29) was discussed. Senator Butrovich has figures from the Department of Revenue concerning the Tax that he will provide to Committee members.

Supplemental Programs (page 33) was discussed. Mr. Thompson stated this program is to provide assistance to teachers who have spent seven years of service in State so they may go back to school. They have to be pursuing some study that is of critical need in the State.

Local Formula-REAA (page 35) was discussed. Mr. Thompson stated there is a budget amendment coming and new new figure is increased by \$1,673,100. There is a supplemental for FY 77 in the amount of \$829,800.

Foundation Program-REAA (page 39) was discussed. Mr. Thompson stated there will be a budget amendment on revenue. The General Fund will be reduced by \$16.5 million and the funds will go directly to the regional area. Mr. Thompson stated that when REAA's were established Federal government stated the State can continue to receive the funds if they want to call REAA's a State Agency. Senate Bill 225 is concerned with this. REAA's are a political subdivision of the State and contingent on the passage of the Bill, federal funds will go directly to the REAA's.

Bilingual Fund (page 41) was discussed. Mr. Thompson stated they are conducting a survey to find out how many bilingual students there are. Year to date expenditures are for twelve operational grants and five mini-grants. \$466,263 has been committed to date. Chairman Sackett requested a copy of this information.

The meeting recessed at 10:00 a.m. and Vice-Chairman Hohman reconvened the meeting at 1:20 p.m.

RECESS

Regional Resource Centers (page 43) were discussed. Mr. Thompson was asked about the \$40,000 reduction and he stated this was a special one time appropriation for the South Central Resource Center.

Cross Cultural Education (X-CED): D. M. Murphey, Executive Director, stated there are four purposes for the Program: (1) increase number of native teachers; (2) educate Native bilingual persons; (3) prepare teachers in-state to fill positions being created by the case of People vs. Lind; and (4) encourage and support under-graduate programs.

Mr. Murphy stated that since the budget was submitted there has been a change in salaries which will add about \$5,000 to the budget. A Budget Amendment will be submitted.

Alaska Public Broadcasting: Mr. Mike Pocaro, Executive Director, stated Alaska Public Broadcasting is involved in public radio, public TV, in funding the legislative TV coverage, a special legislative feedback hearing circuit, and mini-television.

Vice-Chairman Hohman stated that SB 696 (Chapter 223, Section 5) appropriated \$150,000 for the establishment of a public radio network. Vice-Chairman Hohman asked if the legislative intent accompanying this legislation had been complied with. Mr. Pocaro stated the Commission feels they have lived up to the legislative intent by providing a public radio, the network to the radio, and by providing feedback. He stated they believe they have lived up to or exceeded the legislative intent and used less money to do it. This was accomplished with \$50,000.

The meeting recessed at 2:00 p.m. and reconvened at 2:35 p.m. Vice-Chairman Hohman gave a brief explanation of what was discussed prior to the recess. Chairman Sackett turned the gavel back over to Vice-Chairman Hohman for the purpose of continuity.

RECESS

Representative Fred Brown stated that \$50,000 was spent to establish the public radio network. He expressed concern that the additional \$100,000 that was appropriated for this purpose was used to make up for the \$348,000 the Governor vetoed from the Alaska Public Broadcasting's budget.

Discussion on how the \$50,000 was spent and whether or not the additional \$100,000 would lapse. Mr. Pocaro stated the Commission feels that did live up to the legislative intent by establishing the public radio network at a cost of \$50,000. He stated he did not know where the additional \$100,000 was but that it was not in the radio network account. Mr. Pocaro stated the Commission had no intention of circumventing legislative intent and if what they did was wrong they will do whatever is necessary to correct the situation.

Vice-Chairman Hohman stated the Committee would find out where these funds are from the Department of Education or Administration. The Committee stated they were pleased with what the Alaska Public Broadcasting Commission has done but they are concerned that the legislative intent accompanying Senate Bill 696 was complied with.

The meeting adjourned at 3:15 p.m.

ADJOURN

SENATE FINANCE COMMITTEE

March 14, 1977

8:15 a.m.

Chairman Sackett convened the meeting with all committee members present with the exception of Senators Croft and Hohman who arrived later in the meeting. Also in attendance were Bob Schroeder, Fiscal Analyst; Judy Crondahl, Administrative Assistant to Senator Sackett; and Joe LaRocca.

PRESENT

Chairman Sackett made the following bill assignments;

BILL
ASSIGNMENT

HB 95 - Sackett
HB 141 - Tillion
SB 168 - Tillion
SB 243 - Hohman

Chairman Sackett stated that the purpose of the meeting was to review the Court System Budget and Mr. Schroeder proceeded to begin the review with the Supreme Court. Mr. Schroeder stated that the Legal Assistant and Secretary requested were due to a 30% increase in appeals and 60% backlog. He further stated that two positions from the appeals section of the trial courts had been transferred into Administration of Justice under the Supreme Court giving this area a total of 30 positions. They are now asking for two law clerk interns and a secretary part time. Mr. Schroeder stated that they were actually adding seven people and that the problem in reconciling positions is due to temporary positions.

COURT
SYSTEM
BUDGET

Senator Orsini asked what the theory is behind State support of the bar association. Mr. Schroeder replied that the funds are for investigations; that the court system had \$30,000 for this purpose last year and is requesting \$20,000 more this year, to be used objectively for investigations.

BAR
ASSOCIATION

Senator Sackett stated that the contractual showed a 30% increase and Mr. Schroeder replied that this is what the figures imply but there is an actual 50% increase when you look at all costs.

CONTRACTUAL

Chairman Sackett questioned the additional funds requested for pattern jury instructions and Mr. Schroeder replied that these are something they have needed for several

JURY
INSTRUCTIONS

years. In the past each judge has had his own method of giving instructions, and the Court Systems feels that standardizing these instructions will cost \$30,000. Senator Orsini asked if LEAA money would be used in the above project and Mr. Schroeder replied that they were requesting general fund money.

Chairman Sackett questioned the \$106,000 in retirement payments and Mr. Schroeder advised that the State is paying approximately \$15,900 to the survivors of Justice Boney; approximately \$28,800 to Justice Dimond; \$28,200 to Justice Nesbitt; and approximately \$27,800 to Justice Fitzgerald. RETIREMENT

Regarding new positions, Mr. Schroeder stated that last year the legislature transferred the recording sections out of the Administration and Support Section of the Court System into Administration. He stated that the Supreme Court was asking for some new positions but not as many as the District Courts and cited the Anchorage area as an example. He said that 15 positions had been transferred out of Anchorage last year; they are asking for 15 positions this year in the District Court. He cited similar occurrences for other areas within the State where the positions transferred out last year are requested this year. Mr. Schroeder added that he felt if administration officials for the court system were to be questioned concerning these positions, they would attribute the requested positions to different duties, but in most instances the salary range and talent for the requested positions appear to be similar or the same as those transferred. Committee members requested that Mr. Schroeder supply them with a comparative list for these positions. RECORDING OFFICE TRANSFERS

Senator Orsini asked if the recording function still remains within the Court System and Mr. Schroeder replied that it did and that a lot of the recording offices are small offices dealing primarily with recording duties pertaining to property matters.

Mr. Schroeder stated that the maintenance budget includes 18 new positions and a total of \$315,500 for these positions alone. Senator Orsini asked if his understanding was correct that the Governor had done nothing to the Court System budget. Mr. Schroeder replied that his understanding is correct that this, basically, has been the case for the last few years. MAINTENANCE

Mr. Schroeder advised that the \$131.2 autopsy cost increases were also part of the Court System budget due to the fact that the court generally directs that an autopsy be performed. He further stated that part of this cost is necessary because there are not many people within the State qualified to do this work and travel expenses are high. Committee members asked that Mr. Schroeder obtain a breakdown of the actual figures comprising this requested increase.

AUTOPSY
COST
INCREASES

Mr. Schroeder stated that the \$217,400 increase in contractual stemmed from an increased number of trials. He further stated he had not been able to find out exactly how many new trials they have experienced since they are spread throughout contractual services. He also stated that 6 of the new positions relate to this area.

INCREASED
NO. OF TRIALS

In regard to the above-mentioned transfers, Mr. Schroeder advised that they started with a base of 250 positions for 77 and brought people in from the municipal courts. The municipal courts are now gone, they have become part of the trial court system. We have a difficult time keeping up with part-time and temporary people, they seem to manufacture new temporary positions at will.

(Senator Croft entered the meeting at this time.)

Mr. Schroeder advised that in the change area they are asking for 18 new positions to increase efficiency and service to the public. Chairman Sackett questioned the total cost and Mr. Schroeder replied that they attributed \$31,400 in cost to the new positions, which is less than \$1,000 per position.

Mr. Schroeder stated that the budget includes \$172,700 to increase jury pay from \$15.00 to \$20.00 per day, and that it has been approximately 10 years since this pay has been raised. Mr. Schroeder stated that the jury pay rate really works a hardship on the citizen engaged in private employment. State employees have the choice of jury pay or their salary per day and generally opt for their salary, hence juries in Alaska end up consisting predominately of State employees. Judy Crondahl asked if the money stays in the court system in the instance of a state employee who chooses his pay over the jury fee, and Mr. Schroeder replied that

JURY PAY

the jury fee remains with the court system adding that the paperwork involved in crediting the state agency paying the employee would be too cumbersome to really accomplish anything in the end.

Chairman Sackett inquired regarding the \$30,000 for judicial training stating that this had been LEAA funding in the past and asked if this training could not continue through LEAA. Senator Orsini stated that the LEAA funding was for a three year period, that they have a grant from LEAA for this year and are asking for \$30,000 to continue the training program.

JUDICIAL
TRAINING
LEAA

Chairman Sackett questioned the \$30,000 for minor remodeling and Mr. Schroeder replied that most of this money is for a project they have going in Anchorage in the old court house building.

REMODELING

Chairman Sackett then inquired concerning the Division of Buildings. Mr. Schroeder stated that all maintenance on ASHA buildings is now being budgeted with Public Works and that they have taken \$1,294,000 out of the court system budget.

MAINTENANCE
DIV. OF BUILDINGS

Chairman Sackett asked Mr. Schroeder if he had a true indication of what the total budget increase would be and Mr. Schroeder replied that due to the fact that they have gained and lost people, and lost the Division of Building maintenance money he believed lining-in the separate items would produce a total increase of about \$812.1.

BUDGET
INCREASE

Chairman Sackett asked what they are doing regarding salaries and if there had been any increases. Mr. Schroeder replied that personnel runs about the same as last year. There has been no wholesale upgrading, but at the same time there is no budget deletion for merit increases. Chairman Sackett asked Mr. Schroeder what the court system has done in the past, have they gotten the increase automatically? Mr. Schroeder stated he would have to sit down with the budget and figure out what their steps are. He stated further he didn't have any reason to feel that the Court System had been different than any other agency. Mr. Schroeder was directed to have the Court System break down this information and furnish it to the committee. Mr. Schroeder replied

MERIT
INCREASES

that he would request this information and stated that basically what they have budgeted for merit increases would be 1.5% out of \$1.5 million.

Mr. Schroeder stated that the next item in the budget is the \$600,000 to improve remote court facilities. He advised that that amount spread out is really not going to go too far, and they really don't say specifically what they are going to do with it. They have budgeted \$35,000 for new equipment, to be spread throughout the State, and have budgeted \$22.6 for microfilm equipment to consist mostly of viewers.

REMOTE
COURT
FACILITIES

The committee then turned its attention to the Administration and Support Section of the budget. Senator Meland asked if there was any way to check on the savings effected by combining District and Superior Courts. Mr. Schroeder replied that he didn't know, that he didn't believe anything had been done to approach that. Senator Meland replied that he believed they wanted a court of all jurisdictions, and Senator Tillion stated that there should be a savings in travel.

ADM. & SUPPORT

The committee next took up the Judicial Qualifications portion of the Court System budget. Mr. Schroeder advised the committee that the \$25,000 request was primarily a "slush" fund in the event they should need that money for an immediate investigation they have the resources to carry it out. They have a reduction of personal services and increase in contractual for investigators. Senator Croft stated that it appeared that the Court System should coordinate their investigations with the bar association. Mr. Schroeder replied affirmatively, stating that they could come back in for a supplemental if they needed additional funds.

JUDICIAL
QUALIFICATIONS

Referring back to Administration and Support, Mr. Schroeder advised that they had transferred out \$728,000 for recording and then put back in approximately 34 positions. That breaks down to \$583.9 in personal services; \$4.3 for travel; \$80.0 contractual; \$50.0 in commodities; and \$9.9 for equipment. Mr. Schroeder stated that they were also asking for a new secretarial position. They currently have 4 secretaries available to perform duties for 7 senior officers.

ADM. & SUPPORT

One research position was federal funds in prior years through an LEAA grant. This position is to produce quarterly statistical reports. The position is coming out of federal funding and going into the general fund. They are requesting a rural court coordinator and research analyst. The assistant clerk is going to work in the library. Mr. Schroeder stated that he had been advised by the Court administrators that the system really needs this library position, but he believed that out of the 400 people connected with the system they could transfer someone to fill this need if it is really that urgent.

Mr. Schroeder then referred to the \$359,000 to "beef up" the library. Senator Croft explained that part of the library problem is due to the fact that there is so much duplication. The Supreme Court has its library; the Superior Court has its library; and there is an additional duplication in the public library.

LIBRARY

Mr. Schroeder advised committee members that one of the most common complaints he hears regarding court system funds is made by those who travel on behalf of the system and have witnessed the inequities in fund distribution. He stated that Anchorage and Juneau receive a major portion of the funds while rural areas go wanting. Chairman Sackett asked how this situation could be corrected and Mr. Schroeder replied he didn't know unless the legislature started budgeting directly by judicial districts. More funds directed toward the Second Judicial District would effect a start at getting the money to areas which have in the past not had enough. He further advised that in conversations with court administrative officers they have indicated that with a little encouragement, they would be willing to budget by judicial districts. Senator Butrovich asked that the court system be requested to come in to the legislature next year with their budget broken down into judicial districts.

INEQUITIES
IN FUND
DISTRIBUTION

Regarding capital improvements, Mr. Schroeder stated that there was a bill which has been introduced pertaining to the capital improvement budget.

CAPITAL
IMPROVEMENTS

Chairman Sackett stated that the committee would meet at 8:00 a.m., Friday, March 18, 1977, to continue the review of the Court System budget.

The meeting adjourned at approximately 9:45 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

March 15, 1977

9:15 a.m.

Chairman Sackett convened the meeting at 9:15 a.m.. All committee members were present with the exception of Senator Tillion who arrived later in the meeting. Also in attendance were 37 representatives from the Alaska School Administrators Association (attendance list attached); Elaine Mitchell and Joe LaRocca of the press; and Judy Crondahl, Administrative Assistant to Senator Sackett.

PRESENT

Chairman Sackett made the following bill assignment:

BILL ASSIGNMENT

SB 21 - Butrovich
CSSB 128 - Croft
SB 162 - Sackett

Chairman Sackett advised committee members that he had prepared a letter of intent to accompany House Bill 210 (Interim management of the Alaska Permanent Fund) which was passed from committee March 8, 1977. Chairman Sackett read the letter to the committee and asked that it be approved. Upon motion from Senator Hohman, and unanimous consent by committee members, it was ordered that the letter of intent be attached to House Bill 210, and spread in the Supplemental Journal.

HB 210
LETTER OF INTENT

Senator Meland moved that Senate Bill 109 (Per diem allowances for Board of Psychologist and Psychological Association Examiners) be brought on for discussion. Senator Meland advised that the bill contains a new fiscal note, and presented committee members with the following information pertaining to costs. The Psychological Board consists of 5 members and meets 3 times a year in different Alaskan communities. The average transportation cost is \$166.00; per diem is \$54.35; and inflation figures at 10%. The average period of per diem is 2 days per meeting, for a total fiscal impact of \$3.2. Senator Meland moved for unanimous consent that Senate Bill 109 pass from committee; there being no objection, Senate Bill 109 passed from committee with a do pass recommendation.

MOTION
SB 109

Senator Orsini moved that Senate Bill 110 (An Act relating to the State Physical Therapy Board) be brought on for discussion. He stated that the same basic financial

MOTION
SB 110

information relating to Senate Bill 109 also applied to Senate Bill 110. The breakdown for travel, per diem, number of members on the board and number of meetings per year is basically the same for both bills. Senator Orsini moved that Senate Bill 110 pass from committee, and Senator Croft objected, stating that he would like clarification concerning the appointment procedure. Senator Orsini withdrew his motion stating he would obtain this information and bring the bill up at another time.

Chairman Sackett acknowledged the representatives from the Alaska School Administrators Association and Mr. John Coffee, the president of the organization advised committee members that he and Mr. Bob Crane, the Superintendent of Schools from Kodiak, wished to present to the committee the Association's position pertaining to pending legislation. Mr. Crane stated that they support Senate Bill 163 (Public School Facilities Construction) and Senate Bill 225 (State Aid for Public Education). He said they found portions of both bills extremely desirable, and at the same time expressed concern in several areas. Mr. Crane advised that they found the concept of allocating funds on a formula basis, the equalization process, reduction of support to districts with more than 3,000 students, and getting away from election districts to be extremely desirable. He expressed concern that the bills appear to provide more decision-making authority to the Department (Education) rather than the districts; and advised that they were very concerned that no legislation has been introduced that speaks to FY 79 funding. He added that the districts liked the idea of forward funding so they know one year in advance what the funding will be. In conclusion Mr. Crane stated he wished to advise the committee that for the record the Association was in support of the subject bills.

ALASKA SCHOOL
ADMINISTRATORS
ASSOCIATION

SB 163

SB 225

Mr. Coffee stated that the Association supports Senate Bill 44 (Professional Teaching Practices Commission) and the addition of two lay members to the board.

SUPPORT
SB 44

Mr. Coffee further advised that the Association supports House Bill 109 (Borough School Districts) stating that this bill would define the relationship between the school board and the Borough Assembly and hopefully eliminate jurisdictional problems.

SUPPORT
HB 109

Mr. Coffee advised that the Association opposes House Bill 228 (Teachers Engaged in Collective Bargaining) and its provisions which would mandate administrative leave and travel costs be

OPPOSE
HB 228

paid for negotiators.

The Association supports House Bill 179 (Appropriation to the Department of Education for Community Schools) and Senate Bill 178 relating to the same subject. Mr. Coffee stated that these bills would transfer programs at the level they are called for and would provide full use of facilities owned by the community.

SUPPORT
HB 179
SB 178

The Association opposes Senate Bill 229 (Labor Relations-Certified Employees & School Boards) because it mandates bargaining. Mr. Coffee stated that the Association believes this bill would be a reduction of local authority and would strengthen the union. He further stated that the REAA school districts had an opportunity to opt out of such an arrangement, and every district did so.

OPPOSE
SB 229

The Association favors Senate Bill 211 (Teachers' Bargaining Groups). This bill contains provisions so that school boards do not have to bargain with supervisory personnel. Mr. Coffee advised that the Association did not believe it should be mandated by law to negotiate, that negotiation should be a board option.

SUPPORT
SB 211

The Association opposed Senate Bill 226 (Terms of Regional School Board Members) stating that this bill would be bad for Education if the Board was reduced to an advisory capacity.

OPPOSE
SB 226

Mr. Coffee advised that the Association opposes Senate Bill 155 (Length of School Terms) stating that this bill would allow the school year to be shortened due to fire, natural disaster, or strikes. He said that the Association objects specifically to the inclusion of strikes because in Alaska teachers' strikes are not legal.

OPPOSE
SB 155

The Association opposes House Bill 16 (Instructional Units - School Foundation) and Senate Bill 85 relating to the same subject. Mr. Coffee advised that these bills relate to basic skills and felt their passage would set a bad precedent, and the district should be allowed to make its own decision.

OPPOSE
HB 16
SB 85

The Association supports House Bill 28 (Public Education Funding) as this would give more say to the district as to who enrolls in correspondence study.

SUPPORT
HB 28

Mr. Coffee advised that the Association supports House Bill 301 (Property Destruction by Minors) and Senate Bill 30 (Liability of Parents for Minor) and the increase of financial liability

SUPPORT
HB 301
SB 30

from \$2,000 to \$5,000.

The Association supports Senate Bill 226 (Terms of Regional School Board Members), advising that this bill would lengthen the service time and provide more stability to the board.

SUPPORT
SB 226

Mr. Peter Flisock from Galena spoke regarding Senate Bill 225 requesting that committee members refer to the Governor's letter accompanying this bill and amend the bill to verify that there will be no loss in funds for the districts. He further stated that the isolation factor of 5% in the rural areas is the only means these areas have for covering the extra costs of shipping materials to them. He also asked committee members to review bills passing through committee to determine their potential impact on schools. He particularly singled out legislation relating to insurance rates and Workmen's Compensation. Mr. Flisock also mentioned the difficulty districts have experienced during construction projects with regard to state inspections, citing examples of plans approved by the Fire Marshal's Office, but the building not coming up to code on completion, and the lack of funds to bring it up to the new level of compliance.

SB 225
5% ISOLATION
FACTOR

Mr. John Anttonen from the North Slope Borough School, and Mr. Ty Brown of the Cordova School District spoke in support of retention of the 5% isolation factor in regard to Senate Bill 225.

Mr. Fred Kent representing the Yakutat City School District spoke regarding the 23 communities that have "mini T.V. service," asking that committee members attempt to insure that these funds remain available.

MINI T.V.
YAKUTAT

The meeting adjourned at approximately 9:50 a.m.

ADJOURN

Alaska School Administrators Association

3/15/77

Glen Erickson	Kuskokwim School Dist., Aniak
Charles R. White	Lake & Peninsula School Dist., Naknek
Darroll Hargraves	Nome Public Schools
Peter Fusock	Down Town GALENA
Paul C. Gallaher	Kenai Peninsula Borough Schools
RON HOFFMAN	BERING STRAIT - NOME
Jim Paul	Craig
John Anttonen	North Slope Borough Sch.
Alan Hargraves	Delta/Quincy
Bill Gregory	Unalaska City School Dist.
Fred Kent	Yakutat City School Dist.
LARRY NYLAND	UPPER RAILBELT SCHOOLS
Walter E. Brown	St. Mary's.
Ronald Hargraves	Great Lake Bering School Dist.
Monte McBride	Adak Region Schools
Carl A. Peterson	Alaska Gateway School District
Robert W. McConnell	Hoonah Public School District
DAVID DICKERSON	SOUTHWEST REGION SCHOOLS DILLINGHAM
Will Rigger	Yukon Flats School District
Bill Overstreet	ASB - JUNEAU
Dick H. Bower	Akutian Region Sch Dist
BA Weinberg	Lower Kuskokwim School Dist.
Ly Brown	Cordova Dept of Schools
Henry Hargraves	Dillingham City Sch. Dist. ASB. Supr. of Schools.
Robert Woodward	Copper River School District, Klondike, AK.
Don MacKinnon	DOE
Joe B. Booyen	Yukon-Koyukuk Sch. Dist.
Seamus G. Murphy	DOE
William Suss	Klawock
Lois Stiefel	Whittier

Dale Lunsford
Jim Jennings
GEORGE WHITE

DeWiley Holman
Harry T. Keag

Bristol Bay Borough
Annette Island Sch. Dist.
N.W. Arctic Tch. Dist.
King Cove Schools
Iglooduk Sch. Dist.

SENATE FINANCE COMMITTEE

March 16, 1977

8:30 a.m.

Chairman Sackett convened the meeting at approximately 8:30 a.m. All committee members were in attendance with the exception of Senators Croft and Butrovich who arrived later in the meeting. Also in attendance were Gerald Hiley, Coordinator for Adult & Continuing Education; William D. Thomson, Director, Management, Law and Finance from the Department of Education; Barbara Thomas from the Division of Budget and Management; Richard B. Engen, Director, Libraries & Museums; Leslie Wells, Executive Secretary of the Alaska School Activities Association; Glen Vernon, Fiscal Analyst; Elaine Mitchell of the press; and Judy Crondahl, Senator Sackett's Administrative Assistant.

PRESENT

Chairman Sackett made the following bill assignment:

SB 232 - Butrovich

BILL
ASSIGNMENT

Chairman Sackett announced that the purpose of the meeting was to continue review of the budget for the Department of Education. The review resumed on page 42 of the short form and Mr. Thomson testified concerning the Regional Resource Centers. Mr. Thomson stated that the funds within the program, with the exception of less than \$1,000 have all been encumbered in the form of grants, and delivered a breakdown of specific fund areas. (See Attachment)

BUDGET
REVIEW
DEPT. OF
EDUCATION

Pertaining to Financial Support Programs on page 45, Chairman Sackett advised that the committee has the breakdown prepared by the legislative staff. Mr. Thomson stated that these funds are categorical grants from the state department and federal government. Senator Orsini asked who gets the grants, and Mr. Thomson replied that the districts do, for use in elementary education programs under Title I, reading, math, etc. Senator Tillion asked what portion of the grants is federal and what portion is state, and Mr. Thomson replied that it is predominantly federal; the districts come in with a proposal for review prior to issuance of the grant.

FINANCIAL
SUPPORT
(FEDERAL
PROGRAMS)

Regarding Financial Support Programs (Tuition Students), page 47, Mr. Thomson stated that there had been a transfer in this budget because military tuition has been pulled out and put into another program under Component 30. Chairman Sackett asked if there had been a decrease in the program, and Mr. Thomson replied no.

(TUITION
STUDENTS)

Regarding Boarding Home Grants, page 49, Chairman Sackett asked if there was any great change in the program, any supplementals or amendments relating to this specific area. Mr. Thomson replied no, that this year the state pays the full cost of the program.

BOARDING HOME
GRANTS

Regarding Administrative Services, page 53, Mr. Thomson advised committee members that in accordance with legislative intent last year, they had restructured this budget to more fully reflect the operation of the department. They have transferred personnel from component to component. He advised he would provide committee members with a tabulation of these transfers. Mr. Thomson mentioned as an example that they have taken field services and moved this into two components. General overhead is ASHA payments on the State Office Building, and other costs common to the department are now in specific areas.

ADMINISTRATIVE
SERVICES

Regarding Financial Accounting & Audit, page 55, Chairman Sackett asked that Mr. Thomson explain the function of the school financial specialist. Mr. Thomson replied that this position should be in the financial audit department. It is not new funding but a position taken from funds already in the department. The actual funding is from the boarding homes supervisory position. Since we have gone to a grant program we no longer need the other supervisory position so by RP established the position of financial education specialist. Judy Crondahl asked if there was any personal services overhead in position remaining in financial budget and audit. Mr. Thomson replied there was not. Senator Orsini referred to the new position on page 52, asking if this would stay in financial accounting. Mr. Thomson replied that the new position should be shown under financial audit on page 55.

FINANCIAL
ACCOUNTING

FINANCIAL
SPECIALIST

Chairman Sackett referred to the Correspondence Study program on page 59 and questioned the fact that in 1977 part of this was paid by Finance and now it is all general fund. Mr. Thomson replied that 795 is foundation entitlement based on 26 units. The districts pay for costs and services where they are operating their own correspondence program. Senator Tillion advised that there is a problem where people who live close enough to attend a school in their area apply for correspondence study and are turned down by their own municipality, apply to the state and get the correspondence study from the state. Chairman Sackett

CORRESPONDENCE
STUDY

stated that this situation requires a change in law and Mr. Thomson replied that that was correct, that under current law state correspondence study is available to any Alaskan. The choice of this study is up to the individual and the state or borough has no control over it. Mr. Thomson stated that for 450 students the cost per ADM is about \$2,000. Senator Orsini stated that in the next fiscal year we are in the process of having a zero population increase. We have an increasing number of schools and an increase in correspondence study. It would appear from the above that we should be experiencing a decrease in correspondence rather than increase. Mr. Thomson replied that the fact remains that even if a person lives right across the street from the school, there is no requirement that they attend that school, they can take the correspondence study instead. Senator Orsini asked if the above situation has something to do with the quality of our schools, and Senator Tillion replied that it was simply that more people just don't want to be bothered with the school; they get mad at a teacher or something else isn't to their liking.

Chairman Sackett asked that Mr. Thomson explain the funding source change and Mr. Thomson replied that the other funds are interagency receipts in the foundation program, stating that they were showing it as a general fund request. Chairman Sackett asked if supplementally-wise it did not change, and Mr. Thomson replied that that understanding was correct. Mrs. Crondahl asked if they would have to cut back on correspondence study if the children do not materialize. Mr. Thomson replied that that was correct, they would base funding on quarterly reports, stating that it is no different this year, the 211 program receipts are not going to materialize. Mrs. Crondahl replied that if they go in with general funds as they have in 78, they don't need the extra money in Code 8, so it is really a "slush" fund. Mr. Thomson replied that is because of the options as to where the students will enroll.

Chairman Sackett inquired into how they are doing on the year-to-date expenditures and Mr. Thomson replied that they have in an RP to expend foundation entitlements of \$650,000. Chairman Sackett asked if this money was in addition to the \$600,000 they already have and Mr. Thomson explained the relationship between the two figures, stating that the addition was necessary due to increased enrollment.

Referring to Cross Cultural Education on page 61, Mr. Thomson stated that this matter had been discussed with Mr. Murphy before the committee at another hearing. Judy Crondahl asked if 1978 was the last year for the grant, and Mr. Thomson replied that it was, that in 1979 the state would have to make some decision concerning continuing the program. Senator Tillion stated that he believed those connected with this program should be given notice that the program would be winding down.

CROSS
CULTURAL
EDUCATION

The committee then turned its attention to Adult Basic Education on page 79, and Gerald Hiley appeared to testify before the committee. Chairman Sackett stated that the figures show that last year this program received \$798,000; that they request \$783,000 to maintain, and the governor has requested \$843,000. Mr. Hiley replied that the budget structure changed somewhat from last year, and that personnel are carried in different budgets; some through the U. of Alaska, REAA, etc. Chairman Sackett requested a breakdown of these positions. Senator Orsini asked if this project was something the individuals themselves should pay for or the State. Mr. Hiley explained that the project was directed toward people who have not gotten a high school education. Senator Orsini asked what the philosophy behind the program is and Mr. Hiley replied that it was to combat illiteracy. Senator Orsini stated that he was referring to funding for the program and Mr. Hiley replied that some of it is federal funding matched by other agencies such as the University or school districts. Senator Orsini asked if there is a tuition and Mr. Hiley replied no, he further stated that the State's program was operated out of one building while the University had established other areas for their Adult Education programs. Senator Orsini asked why the program couldn't be operated in the schools and Mr. Hiley replied it could. Senator Orsini restated his understanding to be that the philosophy behind the funding by the State is the fact that it is a right of every person in the State to have a 12th Grade education, and Mr. Hiley replied that this understanding is correct. Senator Orsini then inquired into normal increase or decreases in the program. Mr. Hiley replied that enrollment is continually increasing as more people find out about it. The average grade level for those enrolling is 5th to 6th Grade, while the average age is between 30 to 40 years of age.

ADULT BASIC
EDUCATION

Senator Sackett asked why the University had become involved in this type of program on their own. Mr. Hiley replied that the University had been involved ever since he had been associated with the State. He further stated he believed the University

3/16/77

became involved in this area of education as part of the Anchorage Community College operation. Chairman Sackett asked Mr. Hiley if he felt the State's program, the University and BIA adult education programs are well coordinated. Mr. Hiley replied that now the work is better coordinated; it has continually gotten better and that the University is continually contributing more to the program. Chairman Sackett inquired regarding federal source funding and Mr. Hiley replied that this funding depends on amount of federal money appropriated under the Adult Basic Education Act and added that it appears there will be about \$209,000 this year. Chairman Sackett asked if he had an RP coming in on that and Mr. Hiley replied yes.

ADULT BASIC
EDUCATION

Senator Hohman inquired regarding use of the Platinum mining town location as a site for vocational training. Mr. Hiley stated that the commissioner's office has been approached with the proposal but had not yet had an opportunity to go out and take a look to determine cost factors.

PLATINUM MINE
VOCATIONAL SCHOOL

Chairman Sackett inquired concerning the fire service training and Mr. Hiley replied that the department is currently conducting a study into this program for rural areas and hope to have a preliminary report within the next few months. Senator Orsini asked what this program would involve and Mr. Hiley replied that they would be working with volunteer fire departments for training in specific areas such as control of oil or marine fires. Senator Orsini asked if this would be handled through grants and Mr. Hiley replied it could be handled through local fire departments with someone to conduct the actual training.

FIRE TRAINING

The committee then took up Adult Vocational Education on page 83. Mr. Hiley stated that the funds for Adult Vocational Education are the part which is budgeted through federal grants under financial support. Bill Thomson stated that under the federal Vocational Education Act the bulk of that goes to secondary schools. Mr. Hiley added that under the Vocational Education Act 15% of the funds are set aside for adult vocational education, so these funds are administered through Adult Education. Senator Butrovich asked if there would be a difference in funds this year and Mr. Hiley replied, no, it looks about the same. Judy Crondahl asked why this was shown under funds in this budget and Mr. Hiley replied because it is an interagency receipt from the federal and we wanted to set up a focus on the adult education program.

ADULT VOCATIONAL
EDUCATION

The committee next turned its attention to Community Schools on page 85. Chairman Sackett asked that the committee be provided with a list of all schools receiving grants under this program. He stated that there is also a supplemental request for 1.2 million that would additionally provide funding for community schools. Discussion arose regarding the percentage of funding by the state on behalf of community schools and concluded with the statement by Mr. Thomson that instead of fully funding this program the state is half funding.

COMMUNITY
SCHOOLS

Regarding CETA, page 87, Mr. Hiley advised that the reduction of funds was because Manpower has moved out of Education to Community & Regional Affairs. He stated that Education was doing vocational training but they are now under the impression that CRA is going to operate this training other than the 5% funds that the law states the Department of Education will direct. Senator Orsini asked what the 5% pertained to and Mr. Hiley replied that 5% of Title I CETA funds under the CETA Act is for vocational education. (5% of Title I, CETA funds at the national level.)

CETA

Pertaining to the Grants Administration program, page 89, Mr. Hiley stated that the administrative structure of this area had been reorganized to produce more continuity with Adult Basic Education, and will operate as one unit. Community Schools has a position transferred in FY 78 which comes into this budget and creates one position above our request. This area combines all administrative procedures into one operative unit and function. Senator Orsini asked why the fire instructor/coordinator is listed under administration. Mr. Hiley replied that this position is part-time administrative under a contractual area on a temporary basis for three months.

GRANTS
ADMINISTRATION

Pertaining to the Skill Center, page 91, Mr. Hiley stated that the BRU is pretty much the same and the program is much the same as in the past. Senator Tillion questioned the 7 new positions and Mr. Hiley replied these were necessary due to increased program activity and also to provide some recreational programs. Senator Hohman asked if there were any fund source changes and Mr. Hiley replied that the sources had changed somewhat and there is an increase in the general funding; that the department had decided to open the skill

SKILL CENTER

up to anyone who wants to pay tuition. Chairman Sackett stated that the CETA funds have gone to CRA and he would like to see those CETA funds back in the Skill Center and a reduction in general funds. Mr. Hiley advised that the Skill Center is capable of handling up to 200. That they currently have between 130 to 140 depending upon CETA. Chairman Sackett stated he was aware of a budget amendment for \$381,000 in personal services which the governor has requested, and further stated that it appeared two new positions had been added. Mr. Hiley replied that the \$200,000 is for an additional wing on the facility now existing and that legislation has been introduced by Rep. Specking for implementation. Senator Orsini asked how long the average student remains at the facility and Mr. Hiley replied that each student moves through the program at his own rate of speed, but the average is 2 to 3 months. Senator Orsini asked why the program was expanding when it is not completely full now. Mr. Hiley replied that they were not expanding, they intended to offer a greater variety of programs. Senator Kerttula stated that the demand for training varies with the season.

SKILL CENTER
CETA FUNDS

Senator Sackett asked how much of the money in the skill center was from the University and Mr. Hiley replied that there is no University money in the skill center. He further advised that the center offered training in four basic categories: mechanical, culinary, building, and clerical.

SKILL CENTER
AREAS

Mr. Leslie Wells, Executive Secretary of the Alaska School Activities Association next appeared before the committee pertaining to Boards & Commissions, page 123. Mr. Wells advised that the purpose of the law was to assist the activities association to get on its feet and operate programs for boys and girls in the state. The participation of children in activities within the state has nearly doubled within the last 7 years. These activities have in the past been run by individuals on a volunteer basis. Senator Kerttula stated that the concern in this area when the legislation was passed last year was due to the potential for rapid growth within the program. He felt that the current director and secretary should be enough to operate the program for some years to come. Senator Orsini said that he thought the purpose of the board was to coordinate rather than to fund this program. Mr. Wells stated that this was correct, he coordinates activities with the schools, that the increases are due to additional activity within the program, transportation for state meets, trophies, etc., and that

ALASKA SCHOOL
ACTIVITIES
ASSOCIATION

membership fees are the main sources of income.

(Mr. Kerry Romesburg, Executive Director of the Postsecondary Education Commission entered the meeting at this time.)

Mr. Romesburg distributed information pertaining to postsecondary education to committee members and stated that the program had been plagued with a high delinquency rate on student loans. An audit in this area showed that 84% of the loans were delinquent, and some had no record of any payment at all. The reason this situation had occurred was because no one took the time to collect the money. This situation has been changed and we are now going after the loans. He advised that they had been successful to date in that of the 10,886 loans outstanding, they now have a default rate of 23%. When the Governor's Management and Efficiency review came in they recommended the collection process be transferred to the Dept. of Commerce, and projected a delinquency rate of 25%. We feel we have done well to effect the 23%.

POSTSECONDARY
EDUCATION

LOAN DELINQUENCY

Mr. Romesburg stated that the second page of the material he had distributed shows the monthly collection rate. It jumps to a high level in September. This increase is due to implementation of the computer system and 6 temporary people who were able to increase collections. It appears to drop off after September but the drop off is really not as drastic as it appears. The reason for the drop is the fact that we have completely "snowed" the fiscal section of the Department of Education. We are generating checks faster than they can process them and they have gotten behind. The drop reflects the number of checks processed, not the number received. Chairman Sackett questioned the requested increase in personnel and Mr. Romesburg replied these people are necessary due to the increasing number of people moving into the repayment cycle. They had a group of people come in to look at the operation and recommended more people to aid in handling accounts. The current ratio is 1 person in the department to 600 accounts. Chairman Sackett asked why this function had not been transferred to the Dept. of Commerce if that is what the Efficiency Review recommended. Mr. Romesburg replied that they had approached the commissioner and he had replied that Commerce was not prepared to perform this function and showed no interest in it. The commissioner also felt it would not be wise to undertake collection without control over who gets the grants.

COLLECTION
OF DELINQUENCIES

Mr. Romesburg stated that they currently have approximately 10,000 loans outstanding but that number does not include the activity of the current year. They expect to receive a substantial increase in that number in July of this year. He further stated that they had an RP last year and got some money appropriated for data processing which they used to help with the collection effort. Chairman Sackett asked what the amount of the RP was, and Mr. Romesburg replied \$20,000 for contractual, and that the people who performed the work under this RP are now gone. Senator Hohman asked if they hadn't had several RP's this year and Mr. Romesburg replied no, they had received only one.

Regarding the Tuition Grants Program on page 69, Mr. Romesburg stated that the program has been done away with. Chairman Sackett asked if the governor would be coming down with an amendment and Mr. Romesburg replied no. Judy Crondahl asked if the tuition grants program request was made before the election and Mr. Romesburg replied yes it was.

TUITION
GRANTS
PROGRAM

Pertaining to General Administration on page 71, Mr. Romesburg advised that they are requesting additional personnel to handle Veterans' approvals, that this function has been transferred and is coming from federal funds to state.

GENERAL
ADMINISTRATION
VETERANS'
APPROVALS

Regarding the new positions, Mr. Romesburg stated that the Department needs assistance in performing the necessary functions for Chapter 25. He stated that this chapter provides that the Department regulate or authorize licensing for secondary facilities within the state. He added further that they are trying to comply with the law passed by the legislature and now they need the staff to function. Mr. Romesburg advised that 12 institutions had submitted applications and license fees but these applications and fees were returned with the notation that the department could not enforce the statute until it receives funding and personnel. The department also does not have funding for travel to inspect institutions applying for secondary licenses.

ENFORCEMENT
CHAPTER 25
LICENSING
SECONDARY
INSTITUTIONS

Pertaining to the Center for Staff Development, page 73, Mr. Romesburg stated that this program located in Anchorage is a construction training program originally housed with Alaska Methodist University and given to the department on an interim basis until a better place could be found. The department had checked with the University in the past to determine if the University might be interested in taking over the program, but they have expressed no interest in doing so. Senator Sackett asked if there are any general

CENTER FOR
STAFF DEVELOP-
MENT

Chairman Sackett inquired concerning the recommendation that the forgiveness clause be abolished and Mr. Romesburg replied that it was his understanding that this would require legislative action and that this legislation would come through the Governor's Office.

FOREGIVENESS

Senator Kerttula inquired concerning the 40% forgiveness asking when the state determines to start charging on the 60% basis. Mr. Romesburg replied that this is a problem area, that the state charges initially on the basis of 100%, following a one year grace period following completion of the loan recipient's education. During this one year grace period the payments on the loan are deferred but the interest is not. We have asked to be able to defer the interest also. Following the one year grace period payments are due based on 100%, which is, unfortunately, when the recipient is least able to pay. The repayment period is currently 6 years and we have asked for a 10 year repayment period. We currently collect on the basis of 100% and at the end of the 6 year period turn around and send some of it back.

COLLECTION ON
FOREGIVENESS
PERCENTAGES

Senator Kerttula stated that his understanding of the outcome of Free Conference Committee deliberations during the last legislature was that the maximum loan available would be \$20,000. He further stated that regulations had been written limiting this amount to \$10,000. Senator Kerttula stated he is submitting a resolution for the \$20,000 limit; that regulations cannot be written which violate the intent of the law.

AMOUNT OF
LOAN AVAILABLE

Senator Hohma. asked if the student could still go to the school of his choice and Mr. Romesburg replied that at the present time they can and that of the undergraduate students 69.5% of those receiving loans went outside the state for their education while 30.5% remained within the state. Of the graduate students 89% receiving loans went outside the state while 11% remained. Mr. Romesburg added that House Bill 146 says that the student can use his loan outside the state only if his educational needs cannot be met within the state.

LOAN APPLIED
OUTSIDE THE STATE

Mr. Romesburg again stressed the need for additional personnel stating that the program had become a grant program by default rather than a loan program, that they really don't have sufficient personnel to handle the collection function.

NEED FOR
ADDITIONAL
PERSONNEL

funds included in the program, and Mr. Romesburg replied there are not. Senator Tillion stated that he believed the committee should look not just to whether or not general funds are included, but whether or not the program can be dropped and the federal funds picked up somewhere else within the department. Mr. Romesburg replied that the federal funds involved have been designated for specific projects. Senator Tillion was directed to check into the allocation of these federal funds to other areas within the department.

The meeting adjourned at approximately 9:55 a.m.

ADJOURN

STATE OF ALASKA DEPARTMENT OF EDUCATION
PUBLIC SCHOOL FOUNDATION PROGRAM COMPUTATIONS
INITIAL REPORTS RECAPITULATION
1977-78 FISCAL YEAR

School District	Revised 1st. Qr. ADM 1976-77	Projected 1977-78 ADM	Instr. Units	Instr. Unit Allotment	Basic Need	Level of State Support (95% Min.)	Preliminary Computation of Entitlement	Per ADM
Anchorage	35,622	35,643	2,097	27,500	57,667,500	96.0926	55,414,200	1,555
Bristol Bay	258	262	26	36,455	947,830	96.2871	912,638	3,483
Cordova	527	527	49	31,625	1,549,625	97.7992	1,515,521	2,876
Craig	160	160	17	29,562	502,554	98.8855	496,953	3,106
Dillingham	426	367	35	36,455	1,275,925	98.7651	1,260,169	3,434
Fairbanks	9,387	8,828	591	30,594	18,081,054	95.0000	17,177,001	1,946
Galena	135	146	16	38,620	617,920	99.5946	615,415	4,215
Haines	444	440	39	29,562	1,152,918	96.9614	1,117,885	2,541
Hoonah	280	270	28	29,562	827,736	99.5423	823,947	3,052
Hydaburg	105	114	14	29,562	413,868	99.5852	412,151	3,615
Juneau	4,325	4,380	289	27,500	7,947,500	97.2201	7,726,567	1,764
Kake	208	212	22	29,562	650,364	99.6265	647,934	3,056
Kenai	5,248	5,700	425	29,562	12,563,850	95.0000	11,935,657	2,094
Ketchikan	2,600	2,523	178	27,500	4,895,000	96.3773	4,717,669	1,870
King Cove	124	120	15	36,455	546,825	99.2891	542,938	4,524
Klawock	78	75	8	29,562	236,496	99.5499	235,432	3,139
Kodiak	2,129	2,237	182	29,562	5,380,284	97.5735	5,249,731	2,347
Matanuska-Susitna	3,474	4,022	270	28,531	7,703,370	95.8031	7,380,067	1,835
Nenana	189	190	22	36,781	809,182	99.3015	803,530	4,229
Nome	887	845	70	36,455	2,551,850	99.1506	2,530,175	2,994
North Slope	1,136	1,134	127	38,620	4,904,740	95.0000	4,659,503	4,109
Pelican	34	33	5	31,040	155,200	97.0138	150,565	4,563
Petersburg	613	611	47	28,531	1,340,957	97.9846	1,313,931	2,150
Selawik	197	199	21	38,620	811,020	99.8024	809,417	4,067
Sitka	1,672	1,743	127	28,531	3,623,437	96.7827	3,506,860	2,012
Skagway	215	220	20	29,562	591,240	96.0355	567,800	2,581
St. Mary's	104	103	17	37,538	638,146	99.7614	636,624	6,181
Unalaska	129	130	16	36,455	583,280	96.0171	560,049	4,208
Valdez	958	1,053	82	31,625	2,593,250	95.0000	2,463,587	2,340
Wrangell	538	560	45	28,531	1,283,895	97.6223	1,253,368	2,238
Yakutat	162	175	19	31,040	539,760	99.4547	586,544	3,352
	72,364	73,022	4,919		143,436,576		138,024,128	

**SUMMARY OF PUPIL TRANSPORTATION
EXPENDITURES**

District	Actual 1975-76	Projected 1976-77	Projected 1977-78
Chorage	4,210,619.23	4,872,024	5,237,426.00
Bristol Bay	50,807.00	53,280	57,276.00
Cordova	13,915.00	16,455	17,690.00
Craig	13,960.90	13,855	14,895.00
Dillingham	50,852.24	53,828	57,866.10
Fairbanks	1,668,283.82	3,053,540	3,237,556.00
Galena	9,986.00	9,900	10,643.00
Haines	44,733.20	44,172	47,485.00
Hoonah	82.00	100	108.00
Juneau	369,355.36	479,352	515,304.00
Kake	10,771.00	10,800	11,610.00
Kenai	1,008,753.41	356,210	1,492,150.00
Ketchikan	289,416.53	1,388,046	382,926.00
King Cove	2,183.10	2,700	2,903.00
Kodiak	97,590.30	112,302	120,725.00
Mat-Susitna	774,809.39	1,594,284	1,713,856.00
Nenana	44,031.00	43,776	47,060.00
Nome	62,239.98	62,053	66,707.00
North Slope	75,827.44	80,000	86,000.00
Petersburg	48,552.37	54,461	58,546.00
Selawik	971.32	950	1,024.00
Sitka	89,526.45	87,909	94,503.00
Skagway	862.50	1,656	1,781.00
Unalaska	43,717.54	54,180	58,244.00
Valdez	84,357.51	111,096	119,429.00
Angell	36,646.64	35,554	38,221.00
Yakutat	22,608.10	23,940	25,736.00
Adak	64,649.17	65,000	69,875.00
Alaska Gateway	115,756.76	131,601	141,473.00
Annette	14,198.40	14,200	15,265.00
Copper River	287,763.55	304,766	327,624.00
Delta-Greely	144,979.58	237,868	255,709.00
Lake Peninsula	10,080.00	10,800	11,610.00
Lower Kuskokwim	36,638.04	38,640	41,538.00
Southeast Island	7,023.80	12,012	12,913.00
Upper Railbelt	78,486.77	143,000	153,725.00
TOTAL	9,885,035.40	13,574,310	14,592,400.00

State of Alaska
Department of Education

1-77

CIGARETTE TAX DISTRIBUTION
1976-77 Fiscal Year

District School	Basic Allotment	1975-76 ADM	ADM Allotment @ \$16.1854	1975-76 Professional Staff	Prof. Staff Allotment @ \$267.3853	Entitle-ment	Entitle. per ADM
Anchorage	\$3,000	35,535	\$575,148	1,917	\$512,577	\$1,090,725	\$31
Bristol Bay	3,000	249	4,030	23	6,150	13,180	53
Cordova	3,000	550	8,902	47	12,567	24,469	44
Craig	3,000	151	2,444	14	3,743	9,187	61
Dillingham	3,000	402	6,507	38	10,161	19,668	49
Fairbanks	3,000	9,133	147,821	540	144,388	295,209	32
Galena	3,000	141	2,282	16	4,278	9,560	68
Haines	3,000	474	7,672	42	11,230	21,902	46
Hoonah	3,000	260	4,208	29	7,754	14,962	58
Hydaburg	3,000	113	1,829	11	2,941	7,770	69
Juneau	3,000	4,303	69,645	263	70,322	142,967	33
Kake	3,000	198	3,205	17	4,546	10,751	54
Kenai	3,000	5,022	81,283	317	84,761	169,044	34
Ketchikan	3,000	2,597	42,033	178	47,595	92,628	36
King Cove	3,000	116	1,878	13	3,476	8,354	72
Klawock	3,000	63	1,020	7	1,872	5,892	94
Kodiak	3,000	2,093	33,876	137	36,632	73,508	35
Matanuska-Susitna	3,000	3,130	50,660	204	54,547	108,207	35
Nenana	3,000	187	3,027	15	4,011	10,038	54
Nome	3,000	894	14,470	71	18,9	36,454	41
North Slope	3,000	1,074	17,383	83	22,193	42,576	40
Pelican	3,000	38	615	5	1,337	4,952	130
Petersburg	3,000	620	10,035	47	12,567	25,602	41
Selawik	3,000	199	3,221	15	4,011	10,232	51
Sitka	3,000	1,699	27,499	116	31,017	61,516	36
Skagway	3,000	217	3,512	19	5,080	11,592	53
St. Mary's	3,000	113	1,829	8	2,139	6,968	62
Unalaska	3,000	120	1,942	13	3,476	8,418	70
Valdez	3,000	862	13,952	52	13,904	30,856	36
Wrangell	3,000	567	9,177	41	10,963	23,140	41
Yakutat	3,000	148	2,395	16	4,278	9,673	65
TOTALS	\$93,000	71,268	\$1,153,500	4,314	\$1,153,500	\$2,400,000	

12/15/76

STATE OF ALASKA DEPARTMENT OF EDUCATION
PUBLIC SCHOOL FOUNDATION PROGRAM COMPUTATIONS
INITIAL REPORT RECAPITULATION
1977-78 FISCAL YEAR

Regional Education Attendance Areas	Revised 1st Qr. ADM 1976-77	Projected 1977-78 ADM	Instr. Units	Instr. Unit Allotment	Basic Need	Equiv. of Local Support Estimate \$650/ADM	Preliminary Computation of Entitlement	Per ADM
Adak	623	624	43	36,455	1,567,565	405,600	1,973,165	3,162
Alaska Gateway	440	455	48	30,594	1,468,512	295,750	1,764,262	3,877
Aleutian	220	280	33	36,455	1,203,015	182,000	1,385,015	4,946
Annette Metlakatla	400	311	27	28,875	779,625	202,150	981,775	3,156
Bering Straits	322	490	61	36,455	2,223,755	318,500	2,542,255	5,188
Chatham	155	170	20	29,958	599,160	110,500	709,660	4,174
Chugach	72	68	8	33,206	265,648	44,200	309,848	4,556
Copper River	740	750	67	31,625	2,118,875	487,500	2,606,375	3,475
Delta/Greely	835	867	65	30,594	1,988,610	563,550	2,552,160	2,943
Iditarod	305	344	41	38,620	1,583,420	223,600	1,807,020	5,252
Kuspuk	366	398	49	38,620	1,892,380	258,700	2,151,080	5,404
Lake & Peninsula	346	348	49	36,455	1,786,295	226,200	2,012,495	5,783
Lower Kuskokwim	1,457	1,691	135	37,538	5,067,630	1,099,150	6,166,780	3,646
Lower Yukon	729	782	77	37,538	2,890,426	508,300	3,398,726	4,346
Northwest	1,310	1,361	129	38,620	4,981,980	884,650	5,866,630	4,310
Pribilof	185	183	20	36,455	729,100	118,950	848,050	4,634
Southeast	396	481	56	28,875	1,617,000	312,650	1,929,650	4,011
Southwest	520	584	67	36,455	2,442,485	379,600	2,822,085	4,832
Upper Railbelt	358	379	41	36,781	1,508,021	246,350	1,754,371	4,628
Yukon Flats	292	355	44	38,620	1,699,280	230,750	1,930,030	5,436
Yukon-Koyukuk	699	698	84	38,620	3,244,080	453,700	3,697,780	5,297
TOTALS	10,770	11,619	1,164		41,656,862	7,552,350	49,209,212	

ESTIMATED FUNDING FOR REGIONAL RESOURCE CENTERS
FY 77

RRC's	Basic	Est. ADM	Total Est. on ADM	Total Basic and ADM Amount
1. Southcentral/ Aleutian Chain & Kodiak	\$ 85,000*	12,775 2,208 <u>14,983</u>	\$ 93,859 16,215 <u>\$110,074</u>	\$195,074
2. Western	30,000	---	---	30,000
3. Northwest	30,000	2,535	18,612	48,612
4. Southwest (Bristol Bay)	30,000	1,562	11,468	41,468
5. Southeast	30,000	12,898	94,775	124,775
TOTAL	\$205,000	31,978	\$234,929	\$439,929

* Special grant in special education \$40,000 is included

\$439,929.

(TOTAL APPROPRIATIONS \$440,000)

Alaska Unorganized Borough School District
Non-Resident Pupil Tuition
1975-1976 School Year

DISTRICT	ADM	TUITION RATE	ENTITLEMENT	ADVANCE PAYMENT	FINAL PAYMENT
Anchorage Borough Schools	117.594	668.72	\$ 78,637.46	\$ 71,312.97	\$ 7,324.49
Bristol Bay Borough Schools	14.533	709.93	10,317.41	6,921.82	3,395.59
Cordova Public Schools	77.617	420.52	32,639.50	24,660.66	7,978.84
Dillingham City Schools	71.039	422.24	29,995.51	24,660.19	5,335.32
Fairbanks North Star B.S.D.	11.439	443.78	5,076.40	4,326.86	749.54
Galena City Schools	13.922	794.49	11,060.89	8,878.25	2,182.64
Haines Borough Schools	18.722	490.72	9,187.26	7,692.04	1,495.22
Kake Public Schools	30.467	220.29	6,711.58	5,033.69	-0-
Ketchikan Gateway B.S.D.	8.011	574.71	4,604.00	4,300.41	303.59
King Cove City Schools	1.925	456.57	878.90	-0-	878.90
Kodiak Island B.S.D.	511.550	378.71	193,729.10	124,204.44	69,524.66
Matanuska-Susitna B.S.D.	(8.984)	595.88	(5,353.37)	(4,480.28)	(873.09)
Nenana City Schools	73.306	555.94	40,753.74	27,856.35	12,897.39
Nome Public Schools	189.905	490.77	93,199.68	79,772.70	13,426.98
Pelican City Schools	7.506	135.60	1,017.81	802.31	215.50
Petersburg Public Schools	126.700	387.94	49,152.00	36,475.28	12,676.72
Greater Sitka B.S.D.	7.011	609.16	4,270.82	3,220.43	1,050.34
Skagway City Schools	9.933	375.53	3,730.14	2,477.09	1,253.05
Unalaska City Schools	3.511	893.87	3,138.38	2,590.43	547.95
Valdez City Schools	1.673	419.44	701.72	1,408.37	(706.65)
Wrangell City Schools	203.383	231.47	47,077.06	35,976.17	11,100.89
Yakutat City Schools	71.556	254.30	18,196.69	12,290.13	5,906.56
Stewart B.C.	---	---	33,925.00	---	33,925.00
Bureau of Indian Affairs	57.002	2,000.00	114,004.00	141,556.50	(27,552.50)
Total Tuition	---	---	~~784,773.29~~ \$786,651.68	\$621,936.86	\$165,056.93

- (1) Final ADM not submitted
(2) ADM less AUBSD tuition students

STATE OF ALASKA
Department of Education
1975-76 Fiscal Year

NON-RESIDENT TUITION PAID BY DEPARTMENT OF EDUCATION

District	ADM	Tuition Rate	Entitlement	Advance Payment	Final Payment
Anchorage	284.783	668.72	190,440	109,231	81,209
Fairbanks	142.050	443.78	63,039	29,340	33,699
Hoonah	5.000	424.95	2,125	1,062	1,063
Juneau	71.805	562.03	40,357	20,337	20,020
Kenai	20.233	1,014.34	20,523	10,214	10,309
Ketchikan	21.050	574.71	12,080	5,626	6,472
Kodiak	26.508	378.71	10,039	3,685	6,354
Mat-Su	32.722	595.88	19,498	9,191	10,307
Nenana	7.261	555.94	4,037	2,212	1,825
Nome	29.110	490.77	14,286	4,394	9,892
Petersburg	14.244	387.94	5,526	2,909	2,617
Sitka	6.506	609.16	3,963	2,436	1,527
Unalaska	3.506	893.97	3,134	1,341	1,793
Valdez	82.322	419.44	34,529	17,116	17,413
Totals	747.100		423,594	219,094	204,500

Anchorage (On-Base to ABSD)	1,810.050	668.72	1,210,417	920,952	289,465
--------------------------------	-----------	--------	-----------	---------	---------

SUPPLEMENTAL FUNDS PAID IN LIEU OF TUITION PER MEMORANDUMS OF AGREEMENT

	ADM per Agreement	ADM per Found.	Entitle. (Budget)	Entitle. per Actual Expend.	Found. Support	Fed.Funds PL89-313	Advance Payment	Other Rev.	Final Payment
ATCCCA	18	13	197,252	100,867.83	51,326	-0-	58,635		(9,093.17)
Sch. for Deaf	80	80	684,214	577,048.82	340,213	23,459	203,386		9,990.82
API	47	37	248,116	221,809.78	176,339	28,757	73,754		(57,040.22)
McLaughlin	120	96	427,346	415,687.29	383,589	-0-	127,031		(94,932.71)
Alaska Nat. Hsp.	30	21	125,125	100,046.71	82,533	11,308	37,194		(30,988.29)
Totals	295	247	1,682,053	1,415,460.43	1,034,000	63,524	500,000		(182,063.57)

Overpaid
AV-0032

MILITARY TUITION/SUPPLEMENT PER ON BASE CONTRACTS

Anchorage							239,272.01	
Elmen./Ft. Rich.	3,176.262	7,273,583	6,727,145.79	3,995,000	286,011	1,375,650	831,212.78	
Fairbanks							291,281.00	
Eielson/Wainwright	2,596.000		5,922,866.00*	4,209,184	84,476	1,206,000	131,925.00	