

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2725

SENATE FINANCE COMMITTEE

March 17, 1977

9:10 a.m.

Chairman Sackett convened the meeting at approximately 9:10 a.m. All committee members were present with the exception of Senator Croft who arrived later in the meeting. Also present were Mr. Mike Morgan, Director, Vocational Rehabilitation, Dept. of Education, and Mr. Pat Young, Deputy Director of Vocational Rehabilitation; Sue Greene from the Governor's Office; Milt Barker, Fiscal Analyst; Joe LaRocca of the press; and Judy Crondahl, Administrative Assistant to Senator Sackett.

PRESENT

Senator Meland moved that Senate Bill 120 (Supplemental Appropriation to the Dept. of Education - Vocational Rehabilitation) be brought up for discussion. Mr. Morgan testified on behalf of the Department concerning the bill. He stated that the supplemental appropriation was necessary due to the fact that they are out of funds for new vocational planning. He added that they had reserved approximately \$40,000 to do diagnostic work-up on new referrals, but will not have funds to implement programs for them, and these individuals will have to go onto a waiting list which would greatly impede the whole program. The lack of funds will also affect the relationship between the department and hospitals and other areas referring people to the program when we don't have money to help them. The program is currently in a holding pattern through lack of funds.

MOTION  
SB 120

Senator Meland inquired regarding federal funds in the program and Mr. Morgan replied that a lot of the federal funds are available only for specific purposes under Titles 2 and 16, such as Social Security. Workmen's Compensation funds also are to be used only for referrals in that area and Randolph Shepherd funds are available only for blind vendor projects. Mr. Morgan mentioned that they had been working with the Division of Buildings in the hope of establishing a blind vendor in the State Office Building and other state buildings.

Senator Croft questioned the budget increase relating to medical malpractice asking how this would relate to the supplemental. Mr. Morgan replied that the increased fees charged by doctors reflect the medical malpractice problem, that they expect a 25-30% increase in doctors' fees. Another

SB 120  
EFFECT OF  
MEDICAL  
MALPRACTICE

factor effecting the increase is that doctors in Alaska have told us their fees are too low in relation to other states, that in addition to the malpractice problem their fees should be raised. Senator Croft stated that statistics indicate that the Department anticipates an increase of 40% in one year. Mr. Morgan replied that this is correct, adding that the Department doesn't exactly know what the increase will be since it is still negotiating with the State Medical Association on a fee schedule. He advised that in the past the Department paid \$37.50 for a basic medical examination; that now this examination costs at least \$45.00, and it is now the understanding that that amount will increase.

Mr. Morgan advised the Committee that regarding the \$150,000 request in the budget last year, the legislature filed legislative intent that the program seek a supplemental appropriation should funds be needed, and that is now what the Department is doing.

Chairman Sackett referred back to the 1977 statements and the analysis pertaining to costs and asked Mr. Morgan if he had backup figures to prove increased percentages resulting in the supplemental. Mr. Morgan replied that the Department had some figures, but some of the percentage increases were only estimates. Chairman Sackett asked that Mr. Morgan furnish the Committee a memo justifying each percentage increase and each component item making up the \$150,000 request, outlining how these figures and percentages were derived.

Chairman Sackett advised Mr. Morgan that he did not believe any committee member objected to passage of the bill, and would take it up at the next bill session if Mr. Morgan will furnish the requested information.

Senator Tillion moved that Senate Bill 129 (An act relating to medical assistance for needy persons) be brought up for discussion. Senator Tillion advised committee members that the bill changed the existing law so that services provided in the past with state funds can come under federal programs; that the state could pick up 1/2 of the program under federal match. He added that this arrangement would not necessarily effect a savings because more people would be entering into the expanded program. Senator Croft asked why this wasn't done when the program was originated and Milt Barker replied that at the time the law was passed in 1972, the legislature decided to go with just mandatory coverage, and has now decided to add optional care such as intermediate nursing,

MOTION  
SB 129

mental health, eye glasses, etc. Chairman Sackett stated that he believed the state had picked up Harborview. Mr. Barker replied that Harborview came about by legislation, but this program would apply to API.

Senator Tillion stated that he had not checked out the fiscal note, and Sue Greene stated that she had no further information, it was her understanding that the bill effected a simple replacement of funds with what would become available federally. Senator Butrovich stated that he would like to see figures on what the state has been paying in the past, and a determination on whether the savings listed on the fiscal note is correct. Senator Orsini added that he would like to know what the state has been picking up under mandatory services and what will be added as optional factors. Senator Croft added that he would like to find out what other services are available and could be picked up if the program is good.

Senators Butrovich and Croft question the fiscal effect the bill might have in 77 since it has an immediate effective date, and Mr. Barker advised that the program would have to be amended and approved by Region 10. This process would take about 2 months, and the financial affect on the remainder of 77 should not be that great.

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

ADJOURN

SENATE FINANCE COMMITTEE

March 18, 1977

8:15 a.m.

Chairman Sackett convened the meeting at approximately 8:15 a.m. All committee members were present with the exception of Senator Croft who had been excused. Also in attendance were Arthur H. Snowden, Administrative Director of the Court System; Richard Barrier, Manager, Fiscal Operations of the Court System; Michael Rubenstein, Executive Director of the Judicial Council; Bob Schroeder, Fiscal Analyst; and Judy Crondahl, Administrative Assistant to Senator Sackett.

PRESENT

Chairman Sackett advised that the purpose of the meeting was to review the budget for the court system.

PURPOSE  
COURT SYSTEM REVIEW

Mr. Snowden introduced himself and Mr. Barrier and began his presentation. He said that this year's budget does not show a great total rise in dollars. He advised that a number of programs that were in judiciary last year are not this year. Court operations over the last few years have increased as caseloads increased. The absence of plea bargaining and effect of prepaid legal fees have resulted in an increased number of trials. The court system believes that this increase should begin to diminish over the next few years due to the wind-down of pipeline activity.

INCREASED  
CASELOAD

Mr. Barrier advised he would give a general overview of the budget stating that 2 million dollars has been deleted as a result of the Division of Buildings having taken over maintenance, and the transferring of recording operations. He advised that budget increases represent change items for improving the court system, retirement contributions mandated by law, inflation, increased jury costs due to increasing trials, and several positions in contractual necessary due to the elimination of plea bargaining.

GENERAL BUDGET  
OVERVIEW

Mr. Snowden stated that he realized the court system is asking for a great number of positions this year but in the past few years the caseload has increased substantially and the system has endeavored to absorb the increase. This year the system simply needs additional people. Mr. Snowden stated that in 1974 the level of criminal trials in Anchorage was 18 to 20 per year; now there are more than 70 per year. He stated that with the implementation of the point system for traffic offenses, more people are contesting traffic matters. The prepaid legal fees, especially in the case of union members, has increased the caseload as has the mail-in bail system.

NUMBER OF  
POSITIONS  
INCREASED  
WORKLOAD

Senator Orsini questioned the financial impact of certain court decisions, asking if judges had financial information before them concerning the effect of their decision. He added that the legislature has a fiscal note before it passes legislation in order to determine the financial impact of the bill. Mr. Snowden replied that the court system gets hit by decisions implementing new procedures just like any other state agency. He advised that he would like to give the court a fiscal impact statement too, but did not believe that it would change the decision.

IMPACT OF  
COURT  
DECISIONS

Senator Orsini questioned municipal indemnity relating to torts, and Mr. Snowden replied that he didn't know how to handle that. He agreed that it was a problem but didn't believe he would get very far if he went to the court and asked that they take a look at the financial impact upon the municipality when the individual involved has a constitutional right to protect regardless of the fiscal impact.

MUNICIPAL  
INDEMNITY  
QUESTION

Senator Orsini referred to possible court assistance through an LEAA grant and Mr. Snowden advised that about a year ago he sent a paper to LEAA hoping to initiate a study relating to clarification and simplification of court rules. He added that he felt the study was needed in order that people understand the court system and how it works, and that they tend to mistrust that which they do not understand. As an example, he stated he would like to see small claims rules altered, and felt that actions should be limited by the type of case and the complexity of legal issues rather than dollar amounts. Mr. Snowden advised that the team sent to Alaska to evaluate the study was favorably impressed and will soon be making their recommendation to LEAA. He added that the court system must change and become more flexible or it will fail.

LEAA STUDY

Pertaining to the budget, Mr. Barrier advised that 34 people had been transferred into administration; that they were now asking for a total of 41 new positions.

NEW POSITIONS

In the Supreme Court Mr. Barrier advised they are asking for 3 positions an increase of about 30%. The research position is extremely important. The court system took the appeals section and put in supreme court. It was formerly in trial courts but due to low priority given to appeal file preparation by the trial courts this function has been transferred to supreme court. The supreme court has transferred in 2 and are asking for 3, for a total of 5.

SUPREME COURT

Chairman Sackett stated that the committee had a problem computing total positions due to temporary positions within the system. Discussion ensued ending with statement by Mr. Schroeder that the 33 permanent full time positions were correct; that part time work is calculated according to the number of man months, not actual positions.

FULL AND PART  
TIME POSITIONS

Senator Orsini stated that it appears that sentence appeals have increased significantly in the past year and asked if this is due to pipeline activity. Mr. Snowden replied that part of it was but the remainder is just increased litigation due to representation by public defender, so there is no cost to the individual to appeal. Mr. Snowden added that the Alaska Constitution says everyone has a right to appeal. He believes that due to the increase there will be more per curium, or short form opinions, rendered by the court, and more paneling of judges.

APPEALS

Chairman Sackett stated that in maintenance the court system has \$30,000 in general funds for mailing costs and asked if the system has percentage figures to substantiate the increase. Mr. Barrier replied that these funds are designated for addressing and mailing of Supreme Court Opinions. At the same time the court has increased its subscription fees from \$30 to \$50 per year. Those funds show up in general fund revenue not general fund budget.

MAILING COSTS

Chairman Sackett questioned the \$30,000 in general funds for jury instructions. Mr. Snowden replied that these instructions and their use differs across the state depending upon the judge. Their issuance is time consuming and expensive for the litigant. The pattern instructions will cut down on time and costs for each trial.

JURY INSTRUCTIONS

Chairman Sackett referred to \$20,000 in assistance to the bar association. Mr. Snowden replied that in the past the court system has assisted the bar association with regard to disciplinary actions. The bar association requested that the court system ask for the increased support due to their backlog of 140 disciplinary cases pending now.

BAR ASSOCIATION  
ASSISTANCE

Chairman Sackett stated that travel within the system had experienced quite an increase and Mr. Snowden replied that the figures reflect an inflation factor of 10% rather than 6%. Mr. Barrier added that this figure also reflects per diem. Mr. Snowden added that the supreme court has tried to try a case in the city where the problem arose rather than bring the people involved into Anchorage.

TRAVEL & PER  
DIEM

Referring to the District and Superior Courts, Mr. Snowden stated that his office acts somewhat like the governor's office. Trial courts make requests to administration and we review them, cut out positions we do not think are justified and put in positions that have justification. Last year we had over 50 position requests. We submitted only 17 to the legislature to be funded. Now the caseload has caught up and we have to come in for the largest increase we have needed. This year we had requests from the courts for 60 positions; we have come in asking for 40.

POSITION  
INCREASES

Chairman Sackett advised Mr. Snowden and Mr. Barrier that there was a coincidence in that the 23 positions requested in the districts appear to be almost identical to those positions you lost through transfers. Mr. Snowden replied that the transfers were within recording areas where the personnel did just recording and nothing else. He further advised that it is a complete coincidence that the number we are asking for amounts to the same or similar number as those transferred, but it has nothing to do with that at all. There is a similarity in number only, not function. Chairman Sackett stated that the committee is going to look into these positions and make a determination. He added that it was the committee's understanding that in regard to the court system, just because a person is called one thing doesn't mean that is what they do. Mr. Snowden replied that the above statement is correct, specifically in the rural areas where the people there have to do everything. He added that what the court system needs is more cross training so other people can step in and fill in for someone when they are unavailable.

COINCIDENCE IN  
TRANSFERRED  
AND REQUESTED  
POSITIONS

Referring to the position breakdown submitted by Mr. Schroeder, Mr. Barrier advised committee members that this was the first time he had seen the transferred and requested positions compared in such a manner, and after reviewing the breakdown could see how someone reviewing the positions might feel that something was going on there. Mr. Barrier advised that he wished to state very emphatically that the transferred positions were completely separate and apart from those requested in the trial courts. Recording has always been a separate function. Mr. Barrier then reviewed the following requested positions:

Divorce Master - Position in Anchorage. State has pretty much established no-fault divorce as a policy. Under this theory it is much more reasonable to have these matters handled by a master (Range 20) to free the judge to handle trial matters.

- Custody Investigator - Position in Anchorage. Person to research custody and provide marriage counseling. Health & Social Services used to provide this service but they don't have time.
- Traffic Hearing Officer - Position in Anchorage. This position would free the judge for trial work. Propose filling position with new young lawyer (range 18) to effect savings to state in judge's time.
- Secretary-In Court Clerk - She would go into court with hearing officer and transcribe proceedings.
- Transcriber II - If record has to be transcribed for appeal the transcriber does this work. We charge for transcript which is supposed to cover cost of preparation. These positions have absolutely no relation to the recorders who have been transferred out.
- Clerk, Range 10 - This position is for an exhibits control clerk in Anchorage trial courts. Person needed to catalog exhibits, keep track of them and return to owners at conclusion of trial. Exhibit vault has been unattended for approx. 15 years, control person will effect much better operation. Position is needed.
- Four Court Clerk  
I positions - One position in Small Claims court in Anchorage. Filing volume has increased to 2,088 cases last year. Too much for one full time position to handle, need help.
- One position in the civil section in Anchorage trial court. Case load is up.
- One position in the criminal section. More paperwork, more trials, more documents to be handled and complexity of cases has increased.
- One position in traffic section due to increased workload effected by point system, mail-in bail.

- Assistant Clerk** - Position is in Anchorage for microfilming work. There is a tremendous volume of work. Assistance would make court function more efficient.
- Pre-Trial Interviewer** Position in Anchorage to interview those seeking representation at state expense. Determination of indigency. Legislature took this function out of the Public Defenders Office and placed with the court system. This function actually saves the state money by eliminating from public assistance those able to pay.
- Two Clerical Aides**  
(Range 6) - File clerks in central files section in Anchorage. Massive amount of paper work. See that documents are correctly filed and delivered to the proper person. Numerous complaints about Anchorage clerk's office being unable to locate documents.
- Secretary** - Position is to support judge in Bethel. We have not had a judge in Bethel before. Judge Cook says he needs a secretary and law clerk.
- Transcriber II** - Position in Fairbanks. Fairbanks has more appeals than Anchorage.
- Two Court Clerks II**  
(Range 10) - One position is for a calendar clerk in the clerk's office in Fairbanks. It seems to work best to have one person responsible for the calendar.
- The second position is basically an appeals clerk similar to the position in Anchorage. Person to prepare case going from Superior to Supreme Court.
- Assistant Clerk**  
(Range 80) - Half time position for Fairbanks library. library currently has one full time position. It is necessary to keep up the supplements or books become unusable.

- Court Clerk I - Position is in Homer. The court has moved from a magistrate to a district court judge. There is more paperwork and the judge needs more support in the office.
- Transcriber II - Position in Juneau. The need exists and is essentially the same here as in Anchorage and Fairbanks.
- Court Clerk I - Juneau position for supply clerk for Court House facility.
- Court Clerk I - Ketchikan has need for same two positions requested in Juneau. Primarily to free up other employees to do their jobs.
- Intake Officer - Kenai. This is a job that was being done by two other people. Now they are too busy and another person is needed. Judge Hanson says he needs juvenile intake officer and secretary.
- Court Clerk I - Kodiak position to provide support to Judge Madson who is providing superior court level service in area that has never had superior court before. This position will operate as a law clerk and help out as magistrate when the judge is out of town.
- Court Clerk I - Glennallen position due to increased traffic. Even after pipeline subsidies indications are general commerce seems to be holding steady.
- Court Clerk I - Seward position. Seward is fastest growing court in the state. Increased activity related to oil. The judge in Homer is available to go to Seward.
- Court Clerk IV - Valdez position. Pipeline impact appears to be continuing. Traffic and civil problems up significantly during 1976.

Senator Hohman questioned Mr. Snowden regarding the number of positions in Bethel and Mr. Snowden is to supply comparative case load figures for the Bethel area.

Chairman Sackett advised that the legislature is considering an austerity-type budget and he would intend to go entirely through the Court System budget.

The meeting recessed at 10:00 a.m. for roll call at the Senate Floor Session, and reconvened at approximately 10:20 a.m.

RECESS

AUTOPSY INCREASES

Chairman Sackett questioned the \$30,000 amount of autopsy cost increases. Mr. Barrier replied that at the time the budget was prepared the court system was negotiating with pathologists in Anchorage regarding their fees. The pathologists had written asking that their fees be increased 80%. Mr. Snowden stated that since preparation of the budget the court system bid these services in the Anchorage area and was able to secure the services at a 20% increase. We have budgeted \$180,000 and will probably spend that. Therefore, next year I would ask that we receive \$231,000.

Referring to personal services, Chairman Sackett requested a breakdown of history behind merit increases within the court system and how they reflect in the budget. Mr. Snowden stated that he didn't believe merit increases within the court system to be any higher than other areas of the state. Chairman Sackett advised Mr. Snowden that this legislature has a new feeling toward merit increases and Mr. Snowden replied that he was aware of this, but the court system abolished the double step increase over two years ago. Mr. Schroeder added that the question referred to how much in dollars had been paid out in the last fiscal year and how many people were paid as opposed to how many were eligible. Mr. Barrier replied that they had worked basically off the 77 and 78 budget requests and positions shown on those documents. We found that there were roughly 300 employees eligible for merit increases. We are not currently able to compute how many got increases, but basically those who were eligible received them with the exception of approximately 5 people. We paid out approximately \$53,000 for merit increases.

MERIT INCREASES

Commodities reflect an increase in paper products of 10%, and an adjustment in accounting expenses. Previous budgeting in this area took funds out of administrative budget. We have tried to transfer over part of the funding for these commodities for more accurate cost accounting. There is an increase in commodities and a decrease in administration.

COMMODITIES

Chairman Sackett questioned the \$50,000 figure for maintenance, stating that this amount appeared to be high. Mr. Barrier advised that it was a large amount of money but must be viewed in context. The court system has 63 courts throughout the state containing more than 1 million dollars worth of equipment. This equipment must be kept up or it will deteriorate and cost more in the long run. Chairman Sackett advised that he was not satisfied with that answer.

EQUIPMENT  
MAINTENANCE

Chairman Sackett next asked for an explanation of the Change Section, in particular the microfilm function. Mr. Snowden replied that two years ago the legislature gave us money to microfilm files. We would now like to microfilm our current cases also. It would save time in court and attorney time. An attorney can come to court and view the film rather than having to chase down the file.

MICROFILM

Regarding the \$30,000 request for judicial training, Mr. Snowden advised that this reflects LEAA support of judicial training. Within the next year or two there is a good chance these training programs may not be funded through federal programs and we are requesting continuance funds once the federal money is gone. Senator Tillion stated that he thought the state should think about getting in the habit of dropping federal programs when the federal government drops the funding. He further added he would suggest that the whole \$30,000 be cut. Mr. Snowden advised that this was not a high priority item but he wanted to be certain the legislature was aware that the federal funding might be cut.

JUDICIAL  
TRAINING

Regarding remote court facilities, Mr. Snowden advised that the court system still has about 15 magistrates who work out of their homes. We traditionally put money in our budget so we can move these magistrates into facilities when they become available.

REMOTE COURT  
FACILITIES

Regarding the increased rate for jury fees, Senator Butrovich asked if there is a set policy for calling jurors. Mr. Snowden replied that this is set pretty much by statute and names are chosen from tax rolls. The current rates are \$15.00 per day and the court system is seeking an increase of \$5.00 to bring the daily pay up to \$20.00. Mr. Snowden advised that inflation hits everybody and the jury fee really works a hardship upon the private employee who forfeits his regular pay when called for jury duty. Mr. Schroeder asked that the court representatives clarify how a state employee is paid for jury duty. He added that it was his understanding that the state employee did not

JURY FEES

collect a check, and asked who pays the amount he would otherwise receive into the general fund. Mr. Barrier stated that the system was not set up to exclude state employees, the state employee might receive his check and it is up to him to see that those funds are sent back. This is the case in Anchorage. Mr. Schroeder stated that under Mr. Barrier's understanding there is no way the state could know who returns the money and who does not; it is strictly on an honor system. Mr. Snowden added that the supervisor knows that the employee has been a jury participant and this knowledge serves as a cross check. Mr. Schroeder replied that he didn't believe the supervisors know how the system works and would not know to check on repayment. Mr. Snowden stated that Mr. Schroeder's concern was well taken; that he would check on this and try to submit material by the middle of next week as to what the current procedure is and if it would be possible to effect a computer print out which would exclude state personnel from the payment process.

Mr. Barrier advised that the \$32,000 for minor facilities remodeling was mostly in the Anchorage area with some of the funds to go to Nome. The remodeling entails mostly putting up a few walls, etc., in order to make existing facilities more functional.

MINOR  
FACILITIES  
REMODELING

Mr. Snowden asked that the committee turn its attention back to equipment for a moment. He advised that under the state contract Yukon Office Supply is the state equipment contractor. The court system would be able to get supplies and equipment cheaper if they did not have to go through the state contractor. He further stated that it was his belief that state bidding in many areas does not save money; it costs more. The state wastes a lot of money in this area and it should be looked into.

EQUIPMENT  
STATE  
CONTRACTOR

Pertaining to administration and support, Mr. Snowden advised that this area related to the operation of his office. He stated that his responsibility has increased and the office is requesting a new position for a secretary I. The people within his office share secretaries; no one has their own.

ADMINISTRATION  
& SUPPORT

The research analyst is needed to supply statistical accounting information.

RESEARCH  
ANALYST

The rural court coordinator is needed to help magistrates with administrative work. The secretary would help with this administrative work and support the coordinator.

RURAL COURT  
COORDINATOR

The last position is in the law library. We have not had a new library position within the last few years. It is silly to have a library and not keep it up. Senator Tillion stated that in Anchorage the court system has three libraries in the same

LIBRARIES

building. Mr. Snowden replied that when a supreme court judge goes into the library to work, the case he is working on is usually very sensitive. He leaves his papers and resource material there and the library becomes an extension of his office. It is not a matter of status to have the supreme and superior court libraries separate, it is a matter of function. The supreme court library is not a large area and there is no one manning it. Chairman Sackett stated that there appeared to be a lot of duplication in cost of books. Mr. Snowden replied that there is but the duplication is a trade-off for the security the judge needs.

Chairman Sackett again mentioned the problems the committee has had trying to determine where temporary employees are, how they came about and what has happened to them. Mr. Barrier explained that when the court system abolishes a PCN it is transferred out and allowed to sit for awhile. The same number may eventually be reused when a new position is created or we acquire another body. The aforementioned is what occurred concerning the PCN 3102 (formerly an assistant clerk in Homer which shows up this year in Anchorage). Mr. Schroeder stated that this practice makes it difficult to understand the flow of personnel. Mr. Barrier advised that they could present a chart to show the transfers of PCN's, and added that as far as he knew there was no intention to confuse by switching the PCN numbers.

PCN'S

Regarding the positions in child enforcement, Mr. Snowden advised committee members that a letter explaining the court system's position had been furnished Senator Tillion and he is aware of the situation there.

CHILD ENFORCEMENT

Regarding capital improvements, Chairman Sackett questioned the fact that the governor did not include in his budget anything for capital improvements for the court system. Mr. Snowden replied that that was correct, the court system did not get the necessary information to the governor in time for inclusion with his budget. A bill has now been presented to effect the capital improvements. Mr. Snowden then explained the following capital improvement requests:

CAPITAL  
IMPROVEMENTS

Barrow - In 1971-72 the legislature and courts made some sort of agreement for a combined facility, but the effort died. Other development approaches have also failed. Have tried to bid the project but no bidders; would consider lease-back arrangement.

- Fairbanks - \$60,000 for planning of future Fairbanks Court House. \$650,000 for site acquisition (lot across from the court house, we feel the state should purchase this property).
- Nome - Planning money because additional space needed to meet future governmental needs.
- Dillingham - Facility in Dillingham is completely inadequate. We are looking forward to a judge in Dillingham in the future. Would try lease-back arrangement in this area because people will bid. We would go for \$50,000 operating funds and will try lease-back arrangement.

Mr. Snowden elaborated further on the serious nature of the situation in Barrow, stating that part of the problem is that a lot of land is owned by the North Slope Borough. It is difficult for individuals to get land to build a facility that could be leased to the court system.

Senator Butrovich voiced opposition to the \$650,000 for site acquisition in Fairbanks. Mr. Snowden replied that they would be happy to effect a lease-back arrangement in the Fairbanks area also; that they simply felt the lot abovementioned would be a good piece of property for the state to purchase.

Representatives from the court system left the meeting and Mr. Michael Rubenstein, Director of the Judicial Council appeared before the committee.

JUDICIAL  
COUNCIL

Mr. Rubenstein advised committee members that last year the council's budget was 186.5 and this year it is 228.1. The reasons for the increase are a 10% inflation factor and one new position for \$26,000. The positions the council now has include Mr. Rubenstein, his secretary, an administrative assistant, and three people in the office. The present budget includes only Mr. Rubenstein, his secretary, and one other position. The other people have been working in the office all year. He advised that one person was hired under contractual. There was a position in last year's budget for an investigator. When we began working on the sentencing study, we used the investigator position for this work. The other personnel were hired on federal grants.

BUDGET  
INCREASES

NUMBER OF  
POSITIONS

Senator Meland stated that ten years ago the council's budget was \$10,000 and now it is over \$200,000. Mr. Rubenstein stated that before, the state contracted with private law firms for selection of judicial candidates. That this arrangement did not handle the workload that the council now does. He added that 1973 was the year the budget took its biggest jump. The council is now holding more meetings; last year they held 9 and this year anticipate 12.

Senator Orsini questioned the council's practice of requesting position increases to retain people originally hired under federal grants. He also questioned Mr. Rubenstein regarding the number of grants the council currently has. Mr. Rubenstein replied that the council currently has one grant to hire coders and key punch operators. We now need more part time people to go through files. Senator Orsini asked if the council intends to apply for other grants. Mr. Rubenstein replied no, but there is a grant for a screening program. There are people working in the D. A.'s Office in the plea bargaining area under a federal program, and there is also the court watcher's program. Mr. Rubenstein added that they had tried this last year pertaining to Judge Williams, to effect judicial council recommendations regarding retention, but the voters elected him anyway. He stated that the council had done its job even though it was unpopular. Mr. Rubenstein advised that the council tries to make state and federal funds work together.

PROJECTS &  
FEDERAL GRANTS

Senators Sackett, Meland and Butrovich left the meeting at this time.

Mr. Rubenstein advised that the council works with the court system in regard to budget preparation and stated that last year the council started to work on a comprehensive sentencing study; this year it will be working with the criminal code revision commission and setting up a revised sentencing structure.

SENTENCING

Senator Orsini questioned Mr. Rubenstein regarding the decision-making process regarding project selection within the council, and he replied that these decisions are made at council meetings. Senator Orsini expressed concern over the amount of control the council has over its own function, adding that he did not want to see the state lose control when it has responsibility for the budget. Mr. Rubenstein stated that everything he has mentioned that the council wants done is the result of a meeting where the council made a decision and approved upcoming projects.

COUNCIL  
FUNCTION

Senator Orsini asked what else the council was going to be doing other than sentencing. Mr. Rubenstein replied that it is going to try to improve ways of evaluating judges, and is going to work with the criminal code commission. Regarding the court watching program (federal money not in the budget) he said he mentioned this program because they hope to use some of that money for the study relating to retention of judges.

ADDITIONAL  
PROJECTS

like to propose using information in AGES System for judges in determining sentences. Computer data would help in effecting uniformity of sentencing.

Senator Orsini adjourned the meeting at approximately 12:25 p.m.

ADJOURN

SENATE FINANCE COMMITTEE

March 21, 1977

8:15 a.m.

All members of the Committee were in attendance, except Senators Sackett, Tillion and Croft. Also in attendance: Judy Crondahl, Glen Vernon; Kerry Romesburg, Executive Director, Post Secondary Education Commission; and Richard B. Engen, Director, Libraries and Museums.

PRESENT

Vice-Chairman Hohman called the meeting to order and stated the purpose of the meeting was to continue discussing the Department of Education Budget.

DEPARTMENT  
OF EDUCATION  
BUDGET

Mr. Kerry Romesburg, Executive Director, Post Secondary Education Commission, spoke on the WICHE program (page 75 of short form). He presented materials to Committee members explaining the purpose of the program. Mr. Romesburg stated all funding for the Program comes from the General Fund. Senator Hohman stated the program is increased from \$6,000 to \$12,000 and asked where funding had come from in previous years. Mr. Romesburg stated in previous years the other state participating in the WICHE program paid one-half the costs. However, Alaska is the only one of the 13 participating WICHE states that does not have graduate students attending school in Alaska but is sending students to the other schools. Therefore, the other State's are no longer paying participating costs for Alaskan students.

WICHE  
PROGRAM

Mr. Romesburg stated they have received 221 applicants for the program and they are estimating that 137 of these applications will be accepted. Therefore, their budgeting request is based on 137 students participating in the Program. The Governor is recommending the same number of applicants as they had last year, which was 120 students. Mr. Romesburg requested the Committee come in with a budget higher than the Governor's request.

Senator Orsini asked if the acceptance of applications is based on students participating in graduate programs in areas where Alaska has a need for professionals. Mr. Romesburg stated they asked the Department of Labor to project the manpower needs for the State and it was determined that there was a need for professionals in all areas. Senator Orsini asked if they had done any studies to project which areas had the greater need and Mr. Romesburg responded they had not gone into such detail. He stated they would probably have to determine this if there participation rate exceeds the amount of funds.

Vice-Chairman Hohman asked if students who qualify for the WICHE program can also qualify for student loans and Mr. Romesburg said they could.

Mr. Romesburg stated the amount of their budget request as indicated on page 75 is 734.1. In checking over the figures he has determined that an error was made in the state's

participation fee for dental hygiene. He advised that their actual budget request should be 731.7.

Senator Butrovich stated he would like to see more justification for the need for professionals in the categories accepted. Mr. Romesburg stated they are checking into the law category now and should have that information available.

Mr. Richard Engan, Director, Libraries and Museums, testified on the State Museum (page 75 of short form). He stated the budget request for the State Museum is at a maintenance level. Mr. Engan advised they had received a grant from National Endowment on the Arts to fund a statewide conservator for a nine month period.

STATE  
MUSEUM

Senator Butrovich asked how much money was budgeted for acquisition of artifacts. Mr. Engen stated this is in the capital budget and the request is \$25,000.

Senator Orsini asked if the budget request was strictly an inflation increase and Mr. Engen stated it was and that it was prepared this way at the instruction of the Budget Review Committee.

Senator Orsini asked how much had been spent on acquisitions over the past years. Mr. Engen stated that an estimate would be \$25,000 per year for the past six years. He advised he did not have figures for years before that. Senator Orsini asked if they received donations and Mr. Engen responded they have received many excellent pieces by donation.

Senator Orsini asked about the Alaska Transportation Museum in Anchorage and Mr. Engen advised the Department of Education had transferred this to the Alaska State Fair in Palmer.

Vice-Chairman Hohman asked what the cost of the security system for the State Museum was and Mr. Engen stated it was approximately \$100,000. He said the security system had been installed at the same time some other renovations had been done and the total cost of the remodeling was \$174,000. Vice-Chairman Hohman stated the Management and Efficiency Study recommends a security system be installed at the cost of \$20,000. Mr. Engen stated this recommendation was not for the State Museum, but for the State library.

Vice-Chairman Hohman stated the audit report recommends the inventory report should be completed. Mr. Engen stated they are still working on the computer part of the inventory of artifacts. He stated they have had some difficulty working with the Department of Administration in getting their computer print outs changed.

Vice-Chairman Hohman asked about the audit report statement that there was a theft problem with artifacts. Mr. Engen stated this is a potential problem and that there had been no thefts since the Museum was transferred to State Libraries. He stated the potential problem was because the artifacts were not tagged.

Vice-Chairman Hohman stated there was another audit recommendation which stated that artifacts be tagged. Mr. Engen advised they are currently working on this and hope to get an adequate handle by the end of this fiscal year.

Vice-Chairman Hohman asked what the one-time expenditure of \$20,000 was for. Mr. Engen stated this was put in the budget last year by the Legislature and it was for a grant to the City of Saxman to raise, recarve and restore totem poles they currently have. He advised they are working with the City of Saxman to get this completed.

State Library (page 98 and 99 of the short form) was discussed. Vice-Chairman Hohman asked what the two new positions were for and Mr. Engen stated that both positions were in Anchorage at the Alaska Health and Science Information Center. He stated the Center is being moved from the Public Health Building to the University of Alaska Consortium Library in Anchorage. Mr. Engen stated this project will be jointly funded by Public Health, the University of Alaska, and the Department of Education. He advised the budget figures on the two new positions are correct and the confusion arises because they are taking two part time positions and changing them to one full time position.

STATE  
LIBRARY

Vice-Chairman Hohman asked Mr. Engen to explain what has been done on the Management and Efficiency Study recommendations. Mr. Engen stated that Recommendation #334 (Install detection devices to eliminate theft losses) will be implemented with federal funds at a cost of approximately \$23,000. Vice-Chairman Hohman asked if they agreed with the anticipated savings amount of \$15,000. Mr. Engen stated he did.

Management and Efficiency Recommendation #335 (Provide the library with copies of all agency publications) was discussed. Mr. Engen stated there is a statute that sets up a State documents depository. He stated there are times the materials do not get into the libraries because they are not properly transmitted to the library.

Management and Efficiency Recommendation #336 (Eliminate In-House libraries in Juneau) was discussed. Mr. Engen stated they are working with the Department of Fish and Game to see if they can transfer duplicate materials to the State library. They are also working with Environmental Conservation to correlate their library with the State Library. He stated the intention of this is that the State Library would have the responsibility for the library, but the physical location would be where they have the most need for it. The State Library would not have the necessary room. Vice-Chairman Hohman asked if he agreed with the Study's projected savings of \$115,000. Mr. Engen stated these savings would show up in other agencies budgets, for example, Health and Social Services has transferred their films to the State Library, so two positions have been deleted from the HESS budget with an approximate savings of \$30,000.

Vice-Chairman Hohman asked by how much their budget could be reduced because of the Management and Efficiency study recommendation. Mr. Engen stated they savings would not be to the State library but to other agencies. He will provide documentation on these savings to the Committee.

Management and Efficiency Recommendation #337 (Establish a contralized audiovisual facility) was discussed. Mr. Engen stated this was to establish a centralized facility where agencies could obtain tape recorders, films, etc. He advised their budget request includes monies to set up this program.

Anchorage Media Center (page 101 of short form) was discussed. Mr. Engen stated the problem with the film library is that most of the films are very old and worn. He stated \$100,000 was appropriated to provide for new films. Mr. Engen stated there is a request for \$100,000 this year.

ANCHORAGE  
MEDIA  
CENTER

Senator Orsini asked how much time was spent in sending films from one location to another. Mr. Engen estimated that about 75% of the time is spent in transit.

Vice-Chairman Hohman asked about the \$65,000 drop in program receipts. Mr. Engen stated the Governor's Budget Review Committee instructed the State Library to include \$250,000 for program receipts. These were to come from schools for use of the films. The Governor's Budget Review Committee then dropped this amount to one-third of the amount. He stated that last year the Legislature dropped this so funding for films came entirely from the General Fund.

Vice-Chairman Hohman asked if there were any supplementals or budget amendments and Mr. Engen stated there were not. However, he advised there will be a Revised Program for the Museum which will accept some federal funds for a Statewide museum workshop. He stated they do not have the necessary materials for the request yet.

The meeting adjourned at 9:30 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

March 23, 1977

8:10 a.m.

All members of the committee were in attendance except Senator Croft. Also in attendance Judy Crondahl, Administrative Assistant; Bob Swain, President, Alaska Retarded Citizens Association; and Commissioner Phil Hubbard, Department of Commerce and Economic Development.

PRESENT

Senator Sackett called the meeting to order and made the following bill assignments:

BILL  
ASSIGN-  
MENTS

CSHB 38 - Butrovich  
SB 218 - Hohman  
SB 176 - Tillion  
SB 60 - Orsini

Senator Meland moved and asked unanimous consent that Senate Bill 120 (Supplemental appropriation to Department of Education/Vocational Rehabilitation) be brought up at this time. There being no objection, it was so ordered. Senator Meland stated the memo prepared by Mr. Morgan, Director, Division of Vocational Rehabilitation on March 17 answered the questions brought up at the previous meeting. A copy of this memo had been presented to all Committee members.

SB 120

Senator Meland moved that SB 120 be passed out of the Finance Committee with a "Do Pass" recommendation. There being no objection, it was so ordered.

SB 120  
MOTION

Senator Willis introduced Mr. Bob Swain, President, Alaska Retarded Citizens Association (ARCA). Chairman Sackett requested Mr. Swain to tell the Committee what ARCA is and what the Legislature can do to help them. Mr. Swain stated that beginning in 1971 and through 1974, ARCA has been constructing a building at a cost of \$2 million. In addition, they have been running a program for retarded children. He stated a \$53.2 thousand supplemental was approved by the Legislature last year and it was understood that that amount would also be in this year's budget. He stated this amount was not approved. He advised that as of March 15th, ARCA is operating with a \$160,000 deficit. They anticipate they will need an additional \$200,000 to operate through July 1.

ARCA

Chairman Sackett stated they have received no detailed documentation as to the basic fiscal needs ARCA would require. Mr. Swain advised that ARCA is trying to get Federal Funds. He stated they have \$450,000 secured, but they need an additional \$850,000 to meet their budget. Their total budget is \$1.2 million. Senator Orsini asked how much of this \$850,000 they will be able to get from Federal Funds. Mr. Swain stated he believed they would be able to obtain \$200,000 to \$300,000.

Senator Orsini asked what benefit it was to the State to appropriate money to them rather than going to a State institution. Mr. Swain stated a State institution would cost them more money. He stated that in a State institution a child doesn't get the support of the Community. He advised that there vocational and rehabilitation facility put 150 people to work last year. Senator Orsini asked if 90% of the program is supported by State funds, without State control, why not have the State run it completely? Mr. Swain stated that he hopes in the long run the State can take it over. Mr. Swain stated that unless this amount of money is appropriated they will not be able to continue the program.

[Senator Willis & Mr. Swain left at this time.]

Chairman Sackett moved that Committee Substitute for House Bill 154 (an act making special appropriation to mortgage insurance fund of the Alaska Housing Finance Corporation) be brought up for discussion. There being no objection, it was so ordered. CSHB 154

Commissioner Hubbard stated the Governor does support the \$2 million request. He stated this Bill is necessary in order to sell bonds in market place.

Senator Orsini asked if the primary purpose of the Bill was for rural loans. Commissioner Hubbard stated that is the primary purpose of the program. He stated in the past loans were concentrated in Anchorage and Fairbanks. He stated the \$2 million would be set aside at National Bank of Alaska as an insurance fund. Once this gets up to 2% of funding of mortgages the \$2 million will be returned to the General fund. He stated that in the past FHA required that loans had to be in urban areas, but with this appropriation they will no longer have to deal with FHA and will be able to make loans in the rural areas.

Senator Orsini asked how many loans had been provided to rural areas in the past and Commissioner Hubbard estimated that 5% of the loans were rural and 95% were urban; however, with this appropriation they will be able to turn those percentages around.

Senator Orsini asked how much money will be going to areas outside of organized boroughs and first class cities. Commissioner Hubbard stated he did not know, but he would provide this information to Senator Orsini. Senator Orsini asked if this information could also be provided on veteran home loans and Commissioner Hubbard advised he would check on this and advise Senator Orsini.

Chairman Sackett asked how Commissioner Hubbard would define "rural". Commissioner Hubbard stated they are primarily referring to the "bush" area in Western and Northern Alaska.

Chairman Sackett moved that CSHB 154 be passed out of the Finance Committee with a "do pass" recommendation. There being no objection, it was so ordered.

CSHB 154  
MOTION

Senator Orsini moved that Senate Bill 110 (An act relating to the State Physical Therapy Board) be brought up for discussion. There being no objection, it was so ordered. Senator Orsini stated that at the last meeting a question as to removal of restrictions as to appointments by the Governor was raised. He stated that previously the only individuals interested and qualified to serve on the Board were members of the Physical Therapy Association. He stated there a now a number of people interested who are not necessarily members of the Physical Therapy Association. Chairman Sackett asked if he had documentation on this and Senator Orsini stated the only way it could be documented was if he asked all those who had licenses if they were members of the Physical Therapy Association.

SB 110

Chairman Sackett asked what the correct fiscal note was. Senator Orsini stated the correct amount was \$2.9 and advised that in the budget the figure was \$2.5. He stated the \$2.5 figure was incorrect.

Senator Orsini moved that SB 110 be passed out of the Finance Committee with a "Do Pass" recommendation. There being no objection, it was so ordered.

SB 110  
MOTION

Senator Hohman moved and asked unanimous consent that Senate Bill 130 (Act relating to bidding on highway projects valued at less than \$20,000) be brought up for discussion. There being no objection, it was so ordered. Senator Hohman stated the purpose of this bill is to allow the Department of Highways discretion in letting maintenance and repair contracts. He stated the Department has indicated a savings of \$75,000 on the fiscal note accompanying this bill.

SB 130

Senatoe Hohman moved and asked unanimous consent that SB 130 be passed from the Finance Committee with a "Do Pass" recommendation. There being no objection, it was so ordered.

SB 130  
MOTION

Senator Hohman stated there are three bills in the Finance Committee that relate to the Budget and Audit Committee. They are SB 204, SCR 19, and SJR 16. Senator Hohman moved and asked unanimous consent that Senate Bill 204 (Relating to revision of appropriations under the Executive Budget Act) be brought up for discussion. There being no objection, it was so ordered.

SB 204

Chairman Sackett requested Mr. Jay Hogan, Director, Legislative Finance to explain these bills. Mr. Hogan stated that when Alaska first became a State there were no provisions for making changes in the budget during the interim. In

1962 there was a provision to allow increases in expenditures at the international airports for the revenue fund. Also in that year the Governor proclaimed by Executive Order that the Governor had authority to make transfers between appropriations, to authorize new positions, and to receive and authorize expenditures between funds. In 1963 the Legislature recognized this problem and gave the Governor statutory authority to receive and expend funds. This remained in the General Appropriations Act every year until 1971. In 1971 the Budget and Audit Committee was established. Mr. Hogan read the Budget Act language concerning this and stated this language remained in the Act since 1971. He advised the Committee that last July the Governor informed the Chairman of the Budget and Audit Committee that he would continue to send Revised Programs to the Committee, but that since the Attorney General's Office had determined that the approval was not constitutional, he would not be bound by their decision. Mr. Hogan stated there was then a second Attorney General opinion relating to the question of transfers of money between appropriations. This was also determined to be invalid by the Attorney General's Office. This lead to the suit by the Budget and Audit Committee.

Senator Butrovich asked, for purposes of this Act, what the definition of program receipts was. Mr. Hogan stated program receipts would be receipts from the international airport and receipts from hospitals. It would not include license monies.

Further discussion on Senate Bill 204. Senator Tillion stated he did not think the Administration should have the authority to hire permanent employees without the approval of the Legislature. Chairman Sackett asked how many employees were added each year though revised programs. Mr. Hogan stated approximately 100 employees. Discussion on Budget and Audit Committee procedure. Further discussion on permanent employees being added without the approval of the legislature. Tillion recommended that all new employees added during the interim be considered temporary employees until approved by the Legislature.

Senator Tillion moved that SB 204 be amended to include the wording "no one has the authority to create permanent positions except by legislative approval" and that Section 3 (h) (2) "permanent" be changed to "temporary". Question on motion. Senators Tillion and Orsini in favor, motion failed.

SB 204  
AMENDMENT

Senator Tillion moved and asked unanimous consent that SB 204 be passed from the Committee with individual recommendations. There being no objection, it was so ordered.

SB 204  
MOTION

Senator Butrovich requested Mr. Hogan to provide the Committee with a memo concerning the intent of Section 3-1 regarding the definition of program receipts. Mr. Hogan will provide a memo.

Senator Hohman moved that Senate Concurrent Resolution 19 (relating to transfers of funds) be brought up for discussion. There being no objection, it was so ordered. SCR 19

Senator Hohman moved and asked unanimous consent that SCR 19 be passed from the Committee with a "Do Pass" recommendation. Senator Orsini objected and requested an explanation. Mr. Hogan stated that since the Attorney General determined that review and approval by the Budget and Audit Committee was unconstitutional, the Governor has been making transfers between appropriations. This resolution is a catalog of the transfers made. The purpose of this resolution is to create a standard.

Senator Orsini asked what steps would be taken by the Budget and Audit Committee as addressed in the Resolution. Mr. Hogan stated this wording was inserted at the request of legislative counsel in the event they wanted to change their course of action. He stated this wording does not apply to any specific action.

Senator Orsini removed his objection and SCR 19 was passed from Committee with a "Do Pass" recommendation. SCR 19 MOTION

Senator Hohman moved and asked unanimous consent that Senate Joint Resolution 16 (Proposing an amendment to the Constitution of the State of Alaska relating to the work of Interim Committees of the legislature) be brought up for discussion. There being no objection, it was so ordered. SJR 16

Senator Hohman stated this is an amendment to the constitution that defines the authority of interim committees. Senator Orsini asked what the alternatives to this Resolution were and Mr. Hogan stated the Legislature could go to Court and challenge the Attorney General Opinion.

Senator Hohman moved that SJR 16 be passed from the Committee with a "Do Pass" recommendation. Senator Orsini objected. The motion carried. SJR 16 MOTION

Senator Butrovich moved and asked unanimous consent that House Bill 189 (Act making special appropriation to the Department of Public Works for construction of a new dock at Cold Bay) be brought up for discussion. There being no objection, it was so ordered. CSHB 189

Chairman Sackett presented a Committee Substitute for HB 189. He stated that revenue forecasts indicate funds would be available to go ahead with these projects. FINANCE COMMITTEE SUBSTITUTE CSHB 189

Senator Tillion stated there are certain items included that he would be happy to approve; however, he would like further information and documentation.

Chairman Sackett moved for the adoption for Finance Committee Substitute for HB 189. Senators Tillion and Orsini objected.

Senator Orsini stated that as Chairman, Senator Sackett has always been very meticulous about details of bills passed out of Committee and he stated he feels this bill should be explained in greater detail. Chairman Sackett concurred and stated he would be happy to explain any of the items in the bill. Senator Orsini stated this bill needs a closer scrutiny and he would like to know where each of these appropriations go. He stated that in glancing over the bill it appears that most of the appropriations, with the exception of the University of Alaska facilities, are for the Bush. Chairman Sackett stated that appropriations go to Anchorage, Fairbanks and Juneau.

Senator Tillion stated he would like to hear from the Department of Highways to see where these are in the five-year plan and what projects they will be.

Senator Orsini stated he had a responsibility to his constituency to attend floor sessions of the Senate and that he did not feel there was enough time to discuss the bill at this time.

[Senator Orsini left at 10:05 a.m.]

Senator Butrovich asked if this Bill is passed from Committee, what the procedure would be when it is on the floor and amendments come in. Senator Sackett stated the procedure would be the same as for any other bill passed from Committee -- there will be no amendments. Senator Sackett stated he believes it is close enough to the end of the Session that items legislators want will already be included in the FY 78 budget.

Senator Hohman stated there are several typographical errors: Page two, line 4 should be "Kwigillagok"; line 6 should be "YKHC"; and page 3, line 25 should be "Kinuk".

Senator Tillion stated he may be in favor of the bill but he wants further information.

Chairman Sackett moved Finance Committee Substitute for House Bill 189 be passed from the Committee with individual recommendations. Tillion objected, motion carried.

CSHB 189  
MOTION

Chairman Sackett advised there would be an 8:00 a.m. bill session on Thursday, March 24, 1977.

The meeting adjourned at 10:15 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

March 24, 1977

8:20 a.m.

All members of the Committee were in attendance, except Senator Croft. Also Judy Crondahl, Administrative Assistant; Alison Farnan, Fiscal Analyst; and Elaine Mitchell and Joe LaRocca of the Press.

PRESENT

Chairman Sackett called the meeting to order. Senator Hohman moved that Senate Bill 161 (Special appropriation to legislative Affairs Agency) be brought up for discussion. There being no objection, it was so ordered. Senator Hohman stated the purpose of this bill was to set up nine legislative information offices throughout the State. He stated the purposes of these offices is to provide the State information on legislative activities.

SB 161

Senator Hohman stated the amount appropriated in the Bill is not accurate (\$102,800). He stated the correct amount for setting up these offices is \$248,800. Senator Hohman moved that SB 161 be amended to change \$102,800 in line 11 to \$248,800. Senator Tillion objected.

Senator Orsini commented that several of the areas to receive the offices (Galena, Fort Yukon) serve a very small population and that there are probably several other towns in the State that would also like to receive offices. Chairman Sackett stated the bill was probably looking at geographic areas and that these towns would serve several other communities in the area.

Senator Meland asked where legislative information offices are currently located and Senator Hohman advised that offices are in Anchorage, Fairbanks and Juneau. Senator Meland asked what is available from these offices and Senator Hohman stated they are staffed with an administrative assistant equivalent to the administrative assistants that work for the legislators, and that each office has a terminal facility to provide the community with up-to-date information.

Senator Orsini stated that many other areas will possibly want a legislative information office and commented that if the bill reaches the floor, several legislators may amend it to include an office in their district.

Senator Tillion stated there are many other projects that require funding and he does not think the legislative information offices are effective. He stated that the offices provide information for only a small portion of the people and stated that most people receive their information from media coverage. Chairman Sackett stated this was not an "either-or" situation, that there is funding available for other projects and this will not take money away from them. He also stated that he disagreed with Senator Tillion's statement that the information offices only provide

to a small number of people. He stated that many benefit from these offices. Senator Hohman stated the purpose of these offices is to make people aware of what the legislators are doing in Juneau.

Senator Hohman recommended that SB 161 be returned to the bill files until Committee members could come up with some alternatives. Chairman Sackett stated SB 161 would be taken up at a later date.

Senator Hohman moved that Senate Bill 136 (relating to compensation of members of the Code Revision Commission) be brought up for discussion. There being no objection, it was so ordered. Senator Hohman stated this bill was introduced by the Judiciary Committee by request. He stated that the reason this additional language was introduced because of the feeling that attorney's should be compensated for their time away from their businesses. Senator Butrovich stated he disagreed with this. Senator Hohman stated the fiscal note is in the amount of \$19,600, assuming there are 40 days of meetings. Senator Hohman moved that SB 136 be returned to the bill files. There being no objection, it was so ordered.

SB 136

Senator Tillion moved that Senate Bill 168 (special appropriation to Department of Health and Social Services and to the Department of Education for alcohol-related programs) be brought up for discussion. There being no objection, it was so ordered. Senator Tillion recommended that the \$350,000 to be appropriated for public information and education regarding alcohol abuse be removed from the Bill as he does not think this type of program is effective or worth the amount of money expended.

SB 168

Senator Tillion stated this bill was introduced as a separate bill and not as a part of the Department of Health and Social Services budget because they hoped it would be funded by the increase in the alcohol tax. Senator Tillion stated that he feels this area is important enough that they not wait for that funding.

Senator Butrovich stated he would like to have someone from the Department testify. Senator Tillion stated he would make arrangements to have the appropriate people testify.

Senator Tillion moved that Senate Bill 129 (an act relating to medical assistance for needy persons) be brought up for discussion. There being no objection, it was so ordered. Senator Tillion stated he did not have all the necessary information from Region 10 to insure that this bill will result in the savings it is expected to. He stated he sees no urgency in passing this bill until Region 10 determines this really will save them money. He stated he does not expect this information to be available before the end of the Session.

SB 129

Chairman Sackett stated that at the last meeting when this bill was discussed, Senator Tillion was requested to obtain back-up information on this bill, including a history of medical assistance programs through Region 10. He asked if Senator Tillion had this information. Senator Tillion stated this information was in the memo provided to Committee members from Mr. Schroder, Director, Division of Mental Health and Developmental Disabilities, dated March 21, 1977.

Senator Butrovich stated he would like to hear someone from Administration testify on this bill. Chairman Sackett requested Senator Tillion to ask Jerry Schroder and Sue Green, from the Governor's Office to testify.

Senator Meland moved that Senate Concurrent Resolution #15 (relating to the winter maintenance of Icy View Road by the Department of Highways) be brought up for discussion. There being no objection, it was so ordered. Senator Meland stated this is approximately 3/10's of a mile of road and the cost is estimated at \$32,600. He stated there was a need for the Road and it was up to the Committee to determine whether or not to pass the Resolution.

SCR 15

Senator's Tillion and Butrovich indicated they would like to hear from the Department of Highways on this. Senator Tillion expressed concern that passing this bill would take away some other road project that has been budgeted for.

Chairman Sackett made the following bill assignments:

BILL  
ASSIGNMENTS

SB 53 - Orsini  
CSSB 198 - Tillion

Chairman Sackett stated the Committee would meet to discuss the Education budget on Saturday, March 26th, from 9:00 to 10:00. He advised that subcommittee's would be meeting from 10:00 to noon on Saturday. Senator Orsini stated there would be a Justice Subcommittee meeting on March 25th at 1:00 p.m.

Senator Hohman moved that Senate Bill 118 (an act making a supplemental appropriation to the Department of Administration) be brought of for discussion. There being no objection, it was so ordered. Senator Hohman that information on this bill was provided to the Committee in a memo from Mr. Gates, Director, Division of Retirement & Benefits, dated December 10, 1976. Discussion on the Retirement System. Senator Hohman stated it was apparently the consensus of the Committee that there were problems with the Retirement System and perhaps they should have further discussion at a later date.

SB 118

Senator Hohman moved that SB 118 pass from the Committee with a "Do Pass" recommendation. There being no objection, it was so ordered.

SB 118  
MOTION

Senator Hohman moved that Senate Bill 12 (an act relating to the number of superior court judges) be brought up for discussion. There being no objection, it was so ordered. Senator Hohman stated the purpose of this bill is to replace a District Court Judge in Ketchikan with a Superior Court Judge. Senator Hohman stated the fiscal note prepared by the Court System indicates the cost will be \$112,000. He stated this is not correct and this fiscal note is apparently an attempt by the Court System to defeat the bill. Discussion on cost. The difference between a District Court Judge and a Superior Court Judge is \$8,000.

SB 12

Senator Orsini requested further information from Fiscal Analyst Bob Schroeder. Mr. Schroeder stated the fiscal note indicates they would have to bring in four additional positions. He stated as they already have a court there, these new positions are not justified. Mr. Schroeder stated the only additional position the Committee might consider adding would be one secretary for the Judge with a cost of approximately \$18,600.

Chairman Sackett moved that a new fiscal note be prepared indicating the cost would be \$26,600 -- \$8,000 additional in salary, and \$18,600 for the addition of one secretary. There being no objection, it was so ordered.

SB 12  
NEW FISCAL  
NOTE

Senator Orsini asked if the position of District Court Judge had to be deleted since they are exchanging this position for a Superior Court Judge. Senator Hohman moved that the bill be amended to include Sec. 22.15.020, reducing the number of judges in the First Judicial District from three to two. There being no objection, it was so ordered.

SB 12  
AMENDED

Senator Hohman moved that Senate Bill 12 as amended be passed from Committee with a "do pass" recommendation and with a new fiscal note. There being no objection, it was so ordered.

SB 12 am  
MOTION

The meeting adjourned at 9:55 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

March 28, 1977

8:25 a.m.

Chairman Sackett convened the meeting at 8:25 a.m. PRESENT  
All committee members were present. Also in attendance were Gene Smith, Marsha Hubbard, and Roy A. Freng, from the Department of Health and Social Services; Thomas R. Branton from the Department of Health and Social Services, Mental Health Division; Dan Kemp from the Division of Public Assistance; Tom Biss; Leonard Lane from the Governor's Office; Milt Barker and Alison Farnan, Fiscal Analysts; and Judy Crondahl, Administrative Assistant to Senator Sackett. In attendance for a portion of the meeting were Sheila Peterson and 13 correspondent students from various locations throughout the state.

Chairman Sackett made the following bill assignments:

|                   |                    |
|-------------------|--------------------|
| SB 17 - Butrovich | BILL<br>ASSIGNMENT |
| SB 39 - Sackett   |                    |
| SB 63 - Meland    |                    |
| SB 244 - Tillion  |                    |
| SCR 13 - Sackett  |                    |
| SCR 14 - Sackett  |                    |
| SCR 23 - Hohman   |                    |
| SCR 35 - Croft    |                    |

Chairman Sackett moved that Senate Bill 27 (Relating to the New Capital Site Planning Commission) be brought up for discussion. The Chairman advised committee members that there was a Committee Substitute for this bill which came out of the State Affairs Committee. In addition, there is a House Committee Substitute (CSHB 331) dealing with the same topic. The Chairman stated that he would propose a Committee Substitute by the Senate Finance Committee and presented committee members with a copy of his working draft, advising that he had followed closely the House Bill. The proposed Committee Substitute changes the membership on the commission to 11, to include the Mayor of the Matanuska-Susitna Borough, the Mayor of the City and Borough of Juneau; and the Commissioner of Natural Resources. The duties of the Commission remain the same, but the Commission MOTION  
SB 27

would present its findings to the Legislature by March 15, 1978. The other area of change relating to the Committee Substitute is a provision for statewide telecommunication service from the new capital.

Senator Tillion objected to the proposed Finance Committee Substitute stating that it looked like it had been drafted by the City & Borough of Juneau, and advising that he preferred the Senate State Affairs version. Chairman Sackett stated that he had talked with the House State Affairs Chairman and upon comparing the two bills had picked the House version due to the fact that it appeared they had put a lot more work in on their bill. Senator Tillion stated that he still preferred the Senate State Affairs substitute adding that he felt the bill should do nothing more than the referendum demands but nothing less, and if necessary let the issue go to a vote again. He added that he didn't see anything wrong with developing a life system cost analysis but felt that the bill should detail costs on a yearly basis

Senator Orsini questioned the use of the life cycle cost system, stating that this is usually used to define alternatives and decide what kind of a facility should be built, not the ultimate cost. He further added that he didn't feel the provision for statewide telecommunications was a necessary part of this bill due to the fact that this service should be provided no matter where the capital is eventually located. Chairman Sackett advised that he felt this provision should be included because the communication was absolutely necessary and he didn't believe it would become a burden to the bill.

The committee took a 10 minute recess at approximately 8:50 a.m. Upon reconvening at 9:00 a.m. Chairman Sackett advised committee members that Senator Tillion had requested that the above bill be held over for discussion at tomorrow's bill session to allow time for proper review by all committee members.

RECESS

CSSB 27  
HELD OVER

[At this time Ms. Sheila Peterson and 13 correspondent students from throughout the state entered the meeting.]

Chairman Sackett moved that Senate Bill 58 (Relating to hydrological data) be brought up for discussion. He advised committee members that this is a Governor's bill, the essence of which is to require water well drillers to file basic water and aquifer data relating to quantity, and other water survey results, with the proper state authority. Judy Crondahl explained that Health & Social Services is supposed to have been performing this function but they have not. Environmental Protection has responsibility for water safety standards but not quantity control. The bill would allow the Department of Natural Resources to issue permits based upon quantity data supplied by the well drillers. She further added that while EPA and the U. S. Geological Survey maintain some data, their information is not necessarily what the state would require for issuing a permit.

MOTION  
SB 58

Senator Tillion stated that he supported the bill particularly in relation to industrial use.

Senator Croft advised that it was his understanding that this bill simply transfers authority from one department to another, yet it appears to have a \$40,000 fiscal impact for this year. He was advised by Chairman Sackett that EPA has responsibility for safety control of the water but not collection and control of the quantity data effected by this bill. Up to this point in time no one has been doing this even though the authority to do so previously existed.

Senator Croft asked if the bill would require an individual digging his own well on private property to comply with the requirements. Senator Tillion replied no, the bill only requires that professional well drillers provide the information. Senator Croft asked if the state would have the authority to require all the data and statistics. Chairman Sackett stated that he would conduct further research to answer the above question and determine whether there are any funds in the current budget with which to perform this function, and would bring the bill up for discussion at a later time.

Senator Butrovich moved that Senate Bill 119 (Supplemental appropriation to Dept. of Administration - Longevity Bonus and Pioneers' Home) be brought up for discussion. He advised

MOTION  
SB 119

committee members that he had drafted a Committee Substitute after having requested an opinion from the Attorney General regarding whether malpractice insurance could be backdated to July. The opinion stated that it could and a subsequent opinion from Mr. Barrier advised to the same effect. The state is covered for FY 76 (essentially for protection against the statute of limitations) by its contract with Alaska Pacific Assurance Company. There has been a redetermination made on behalf of the Pioneers Homes regarding their malpractice coverage under MICA and as a result the Homes will be lapsing approximately \$464,000. The bill requests that \$528,627 from federal funds be transferred to the Department of Administration for the bonus program. The bill will require no general fund moneys, Administration will be using Pioneers Homes funds that will be lapsing and the federal funds appropriated by this bill. The Department has requested that the funds be appropriated in this manner rather than by the RP process.

Senator Croft restated his understanding of the above situation, adding that it appeared that the Homes would still be paying a premium to MICA but it would be much smaller than anticipated, resulting in the lapse which, when added the the federal money, makes up the amount of the longevity bonus fund. Senator Butrovich replied that the above understanding was correct, and moved that the subject bill pass from committee with individual recommendations. There being no objection, it was so ordered.

Senator Meland moved that Senate Bill 122 (Supplemental appropriation to Dept. of Health and Social Services) be brought up for discussion. He advised committee members that representatives from the Department were available to testify.

MOTION  
SB 122

Mr. Smith stated that the supplemental would apply to various programs in the health category and that part of the funds were for malpractice insurance for the coming fiscal year. It also applies to Contract Institutions, BRU's within the Division of Mental Health and the General Relief and Medicaid programs. The malpractice insurance is the first portion of the bill and figures therein are based on information received from MICA through the Department of Commerce.

Chairman Sackett asked how much of the funds for malpractice could be absorbed, and how much of the absorption would be federal funds. Marsha Hubbard replied that the department could not identify funds for absorption until later in the year. At the present time the department projects no lapses in public health and mental health funds.

Senator Croft asked why this funding was being handled by a supplemental rather than a budget request. Marsha Hubbard replied that at the time of budget preparation the MICA program was not far enough along to be able to determine rates. We did not have enough figures available to determine what should be included in the 78 budget. Mr. Smith added that this coverage is purchased by the Department of Administration under a blanket policy.

Senator Croft stated that he understood that Administration allocated a proportionate share to each department for insurance coverage and asked why there wasn't a reduction in premiums when the Department changed over to MICA. Mr. Smith replied that that shows up as a part of personal services which includes employee liability insurance picked up by Administration out of payroll; Health & Social Services has no control over this. Senator Croft again stated that if the state is getting insurance from MICA, and used to get this somewhere else, there should be a reduction. Mr. Smith replied that the reduction would be in administration. Senator Croft questioned the \$144,000 coverage for 7 doctors through MICA, and Mr. Barker advised that Alaska Pacific Assurance provided coverage for liability on all state employees for \$35,000.

Mr. Branton testified regarding care of disabled residents, advising that there had been some savings in this area. At the Atascadero Criminal Facility we have been able to keep the population below 15 and will lapse approximately \$48,900. We will lapse approximately \$58,500 because of a contract clause with Hope Cottage. They have not performed in accordance with this clause and we have reduced our payment.

Chairman Sackett advised the representatives that he would like them to go back and look again at the appropriation in terms of absorbing the malpractice

costs with existing or federal funds and then come back to the committee.

Senator Croft stated that last year there was money in the budget identified for ARCA in Anchorage and Ketchikan. These funds were identified in a letter of intent. He added that the Department takes the position that the funds were not appropriated, but merely designated by intent, and he would like to condition payment of these funds within the bill or appropriate money for those areas within the supplemental. Mr. Branton advised that the money that was provided in the appropriation was less than the amount required to maintain existing contracts. There was a contract with ARCA but no money available. There was no way existing contracts could be funded and money paid to ARCA. Chairman Sackett advised that he would like to have the problems with ARCA resolved before passing the supplemental out. ARCA

Alison Farnan advised the committee that the House Budget is available, and asked that committee members pick up copies pertaining to their area of review. HOUSE BUDGET

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

SENATE FINANCE COMMITTEE

March 29, 1977

8:15 a.m.

Chairman Sackett convened the meeting at approximately 8:15 a.m. All committee members were present with the exception of Senator Tillion who arrived shortly after the meeting began. Also in attendance were John Becker, Maintenance Engineer from the Department of Highways; Commissioner Sterling Gallagher and Dick Alexander from the Department of Revenue (both of whom arrived later in the meeting); Jay Hogan, Director, Legislative Finance; Alison Farnan, and Milt Barker, Fiscal Analysts; Judy Crondahl, Administrative Assistant to Senator Sackett; and Elaine Mitchell of the Press.

PRESENT

Chairman Sackett announced that the committee had received House Bill 52 (An Act appropriating for the operating and capital expenses of the state government) and assigned the bill to the whole committee.

BILL  
ASSIGNMENT  
HB 52  
HOUSE BUDGET

Chairman Sackett then moved that Senate Bill 27 (Relating to the New Capital Site Planning Commission) be brought up for discussion, and further moved that the Committee pass Senate Finance Committee Substitute for Senate Bill 27 with individual recommendations. Senator Orsini objected to the motion stating that he had a number of questions which needed answers prior to passage.

MOTION  
SB 27

MOTION  
CSSB 27

Senator Orsini referred to page 2 of the Committee Substitute, asking what the concept was behind selection of commission members. Chairman Sackett replied that the selection would be based on judicial division not population.

COMMISSION  
MEMBERSHIP

Senator Orsini then referred to page 4, section (d), asking what the intent of this section was, due to the fact that it refers to regionalization and decentralization of government. Is it the intent to look at regionalization first and if it appears to be workable, then capital site development will be based on regionalized government,

or will the commission plan a number of buildings for possible legislative modification as to size and decentralization. Chairman Sackett advised that the intent was to look at the overall development plan including decentralization and regionalization, so the legislature will have a true picture of the total concept together with alternatives. Senator Orsini stated that it was difficult for him to see how the study could be done in time to use the results in a construction program. Chairman Sackett replied that his intent was to have both the legislature and the public able to evaluate a complete picture of the total overall project.

Senator Orsini referred to page 5, section (f), asking if the intent was to deal with comparative analysis between moving the capital or leaving it in Juneau. Chairman Sackett replied that this section was intended to gather the costs associated with moving. Senator Orsini again stated that the section deals with comparative costs. Chairman Sackett replied that he had discussed this section with Senator Tillion; that the section deals with costs plus environmental impact, adding that there has always been the possibility of a suit being filed in connection with the capital move. Chairman Sackett stated that he really didn't feel strongly about this section; he simply felt that if the legislature is going to gather information, it should get the best and most complete information available.

COMPARATIVE  
ANALYSIS

Senator Orsini questioned the availability of unbiased information, and added that he could foresee a possible technical problem in subsection (b) on page 7, regarding the contract with the school to do the financial plan, and the commission's ability to determine who the school will work with.

On page 8, section (b), Senator Orsini inquired as to the source of funding, stating that the section refers to state and federal funding. He asked if it was the intent to provide funding from local sources also. Chairman Sackett replied that he felt this was an area the commission would have to address and come up with its own recommendations. He added that it was not his intent that local government and support be excluded.

LOCAL  
FUNDING

[Senator Tillion entered the meeting at this time and was advised that the Committee Substitute for Senate Bill 27 was under consideration on a motion that it pass from committee with individual recommendations.] Senator Tillion stated that he imagined the Committee Substitute had enough votes to pass, but wished to state that he felt the bill would destroy Juneau; that the referendum stated that there should be a regionalization of government.

Upon Chairman Sackett's original motion, Committee Substitute for Senate Bill 27 passed from committee with individual recommendations; Chairman Sackett and Senator Croft voting do pass, Senators Orsini and Tillion voting do pass if amended, and Senators Butrovich, Hohman, and Meland voting no recommendation.

Senator Butrovich moved that Senate Bill 121 (An Act making a supplemental appropriation to the Department of Health and Social Services) be brought up for discussion. Senator Butrovich advised that this is a Governor's bill requesting a supplemental appropriation to the Dept. of Health and Social Services for alcoholism grants and program services dealing with foster care. He advised that he had prepared a Committee Substitute for the original bill. He stated that the department had submitted its letter of March 16, relating to the comedy of errors between the Borough of Anchorage, the University and the department which allowed needed funds to lapse (March 16, 1977, memo attached to these minutes).

MOTION  
SB 121

Senator Hohman advised that the Legislative Budget and Audit Committee has an RP before it in the amount of \$63,000 designated for the Anchorage Borough, and asked how this RP related to the above bill. Milt Barker replied that he believed the RP related to the pipeline impact bill and would effect additional program activities this year, while SB 121 would cover prior year projects where funds were allowed to lapse due to deficient bookkeeping processes.

Regarding the foster care portion of the supplemental, Senator Butrovich advised that last year's Free Conference Committee stated its intent that funds

FOSTER CARE

designated for institutionalized care not be transferred, and a supplemental would be considered based on adequate justification. He advised that the department has documented more cases at a higher rate and the additional funds are now needed. Senator Butrovich moved that the committee adopt the Committee Substitute for Senate Bill 121 and pass it out with individual recommendations. The Committee Substitute passed from committee with individual recommendations, Senators Meland, Tillion and Butrovich signing do pass; Senators Sackett, Hohman, Orsini and Croft signing no recommendation.

MOTION  
CSSB 121

Senator Butrovich moved that Senate Bill 81 (An Act making a supplemental appropriation to the Department of Public Works and the Office of the Governor for capital relocation site planning) be brought up for discussion. He advised committee members that a Committee Substitute had been prepared, adding that it changed the amount to be appropriated from \$685,000 to \$459,000. He stated that the difference was due to a reduction of the amount allocated for soils testing and analysis from \$500,000 to \$200,000, and the addition of \$74,000 for meteorological monitoring.

MOTION  
SB 81

Chairman Sackett asked Senator Orsini where he had gotten the figures contained in the original bill, and Senator Orsini replied that he had obtained them from private professionals in that field of work. Senator Butrovich advised that Committee Substitute figures were obtained from the Department of Public Works. Senator Orsini stated that the difference in soil test figures was due to a different approach to the testing process and that the reduction in funding presented no problem. He added that the meteorological monitoring was simply something he hadn't considered, and he would go along with its inclusion as a necessary item.

Senator Orsini stressed the importance of hydrological testing, especially in relation to flood control, adding that there was a time factor involved in obtaining the data set forth in the bill, and the information should be gathered before the first of the fiscal year. He moved that Committee Substitute

MOTION  
CSSB 81

for Senate Bill 81 pass from committee with individual recommendations. Senators Sackett, Butrovich, Orsini, and Tillion signed do pass; Senators Meland, Croft, and Hohman signed no recommendation.

Senator Croft moved that Senate Bill 43 (An Act relating to the investment authority of the commissioner of revenue as custodian of the retirement funds) be brought up for discussion. He advised committee members that Commissioner Gallagher was present to testify and Commissioner Gallagher introduced Mr. Dick Alexander, the Investment Officer for the Department of Revenue. MOTION SB 43

Commissioner Gallagher stated that Section 1, referred to mortgage loans. Senator Butrovich asked if the bill spoke to the actual mortgage, and Commissioner Gallagher replied no, it pertained more to mortgage insurance unless the borrower had a substantial equity in the subject home or business. INVESTMENT MORTGAGES

Senator Butrovich asked who supplied the insurance referred to in Section 1, and Commissioner Gallagher replied that there are 4 or 5 companies in the state which provide this insurance through banking facilities.

Section 2, deals with bonds and other securities issued by the Canadian Provinces. Commissioner Gallagher advised that the Canadian Provinces sell millions of dollars worth of bonds a year, but pension funds are now allowed to buy them even though they produce a higher yield. Commissioner Gallagher stated that the department is requesting the authority to buy Canadian Government guaranteed securities where they are U. S. denominated securities. He added that these are American securities and the department would require that they be Grade A and above. CANADIAN SECURITIES

Referring to Bankers' Acceptances, Commissioner Gallagher advised that this is a form of Certificate of Deposit and has the same rate of interest. He mentioned two different types of Acceptances, one having coupon interest and the other plain interest. BANKERS' ACCEPTANCES

Senator Croft stated that it appeared that Sections 3 and 4 indicated no fiscal impact, adding that it is his understanding that it is not going to cost any more to do this, and there will be a higher rate of earning on these investments. Commissioner

Gallagher advised that this understanding is correct.

Senator Croft moved that Senate Bill 43 pass from committee with a do pass recommendation. There being no objection, the bill passed from committee.

MOTION  
SB 43

Senator Meland moved that Senate Concurrent Resolution No. 15 (Relating to winter maintenance of Icy View Road by Department of Highways) be brought up for discussion. Mr. John Becker, State Maintenance Engineer was present to testify on behalf of the Department of Highways.

MOTION  
SCR 15

Senator Meland advised committee members that the Resolution requested \$27,000 for conditioning and maintenance of the road. Mr. Becker stated that he had never seen the road, but had discussed it with department personnel in Nome and understood that the road had not been built to standards and would need to be raised and upgraded in order to maintain.

Senator Meland asked if the department would have to shift funds from another district to Nome for maintenance of the road. Mr. Becker replied that that was a possibility. He added that the department would like to improve the road. Senator Orsini asked if the committee stipulated that the upgrading and maintenance be done using funds in the Nome District would this eliminate the transfer of funds from another area. Mr. Becker replied that the department usually moves funds from district to district depending upon what kind of winter the areas experience and the need for additional maintenance.

SHIFTING  
OF FUNDS

Senator Tillion stated that it was his understanding that the Resolution would in effect be adding a local road to state maintenance, and Mr. Becker replied that this understanding is correct.

Senator Orsini again voiced his concern that the funds come out of the Nome District rather than his district or some other district. Mr. Becker replied that the \$27,000 is not in the budget now; and that the resolution refers to maintenance money not CIP or capital improvement.

Senator Tillion inquired as to why federal funds were not available for this extension of the road system to be maintained by the state, and Mr. Becker replied that they were not available for this project.

Senator Meland advised that he believed the bill deserved further consideration and stated he would bring it up for further discussion at another time.

Senator Tillion moved that House Bill 141 (Transferring trademark function to Dept. of Commerce and Economic Development) be brought up for discussion. He advised committee members that the bill was simply a bookkeeping measure, moving the trademark function to Commerce where it should be. Senator Tillion moved that the bill pass from committee with a do pass recommendation and a zero fiscal note. There being no objection, the bill passed from committee.

MOTION  
HB 141

MOTION  
HB 141

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

# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH C - JUNEAU 99811

March 16, 1977

Honorable John C. Sackett  
Alaska State Legislature  
Pouch V - State Capitol  
Juneau, Alaska 99811

Re: Alcoholism Grant-In-Aid  
1975 Appropriation Reestablishment

Dear Senator Sackett:

The Commissioner, Department of Health and Social Services, has requested this office clarify our memo of November 4, 1976, subject as above. Also, since the request for clarification came during testimony on Senate Bill 121, Commissioner Williamson has requested we respond directly to you on this matter.

For the sake of clarity a copy of the memo in question is attached. The following explanation is keyed to each of the three paragraphs of the memo.

Paragraph 1. AS 37.25.010(a) gives the length of time a one-year appropriation may be encumbered, which is two fiscal years: the year the appropriation is made and the succeeding year. After the second year the unexpended balance lapses. Any outstanding indebtedness against a lapsed appropriation must be paid in accordance with AS 37.25.010(b). This section states in part that an indebtedness arising from a prior year for which the appropriation has lapsed shall be paid from the current year's appropriation. In accordance with the above cited statutes the request for reestablishment of the encumbrance was denied. It was realized that payment of the indebtedness might necessitate the Department requesting a supplemental appropriation and this was so stated.

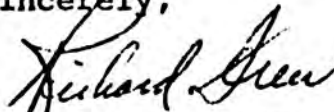
March 16, 1977

Paragraph 2. Until October 1975 the Alcoholism program was funded by 75% federal funds up to a maximum amount. The Department of Health and Social Services did not know whether they were eligible for any more federal funding for the period covered by the indebtedness. Since the federal participation was on a reimbursement basis, we recommended the indebtedness be paid in an expeditious manner and that any federal reimbursement be requested as soon as possible.

Paragraph 3. The U. S. Department of Health, Education and Welfare performed an audit of "Purchased Services Under Titles IV - Part A and VI of the Social Security Act Administered by the State of Alaska," for FY 1974. The alcoholism program was funded under Title IV of the Social Security Act. During the course of this audit serious questions were raised as to the eligibility of the alcoholism program for federal participation. As a result of these questions by HEW the Department of Health and Social Services changed the alcoholism program from 75% federal funding to 100% state funding beginning October 1975. The idea we have attempted to convey in paragraph 3 is that perhaps the alcoholism program should be examined at the State level to determine whether this program is fulfilling the purpose for which it was created.

I hope this answers any questions you may have concerning our memorandum of November 4, 1976. If this office can be of any further assistance please do not hesitate to contact us.

Sincerely,



Richard W. Freer  
Deputy Commissioner

RWF/LB/kw  
Attachment

SENATE FINANCE COMMITTEE

April 1, 1977

8:12 a.m.

Chairman Sackett convened the meeting at approximately 8:12 a.m. All committee members were present with the exception of Senator Butrovich who entered the meeting shortly after it commenced. Also in attendance were Vickie Cunningham; Joe Wilhour; Ken Davis; Mr. George K. Hollett, Deputy Director, Division of Land and Water Management; Milo Griffin (who entered the meeting shortly before adjournment); Judy Crondahl, Administrative Assistant to Senator Sackett; and Elaine Mitchell of the press.

PRESENT

Senator Tillion moved that Senate Bill 129 (An act relating to medical assistance for needy persons) be brought up for discussion. Senator Tillion advised that he was still unable to answer the question of exactly how much money the state will be able to save through passage of the bill, since reply to the question would have to come from Region 10. He advised that the bill would not cost money, and it may well produce a savings in general fund expenditures during the coming year. The bill would transfer programs for which the state now provides funding over to Medicaid. The federal government will have to review and accept these programs prior to allocating federal funds. Senator Orsini asked if the bill would bring in new funds or just shift federal funds. Senator Tillion replied that this year it will just shift funds, but next year it may very well bring in new money.

MOTION  
SB 129

Senator Croft asked if there were other programs the state could opt into to save general fund money. Senator Tillion advised that there are a number of federal programs, but the state has not opted to take them under the state program. This bill refers to the only program we can find that we are currently funding through general fund expenditures that would qualify for federal money. The bill will have no effect on this year's budget, but would give the state authority to seek federal funding for coming years.

Senator Tillion moved that the bill pass from committee with a do pass recommendation. There being no objection, the bill passed from committee.

MOTION  
SB 129

Senator Orsini moved that Senate Bill 159 (An act relating to leasing of State land other than for extraction of natural resources) be brought up for discussion. Senator Orsini stated that the bill dealt with complicated issues relating to state lands and the leasing of those lands. He advised that he understood some people who are leasing state lands are experiencing a great deal of difficulty due to reappraisal, and some are not. He further advised that in dealing with this matter, the committee might solve some of the problems and hurt the state, or it may maintain the state function and hurt some leaseholders. He added that his approach to the bill was to try to be as fair as possible to all concerned. He stated that he had spoken with appraisers, private lessors, and others involved in this type of transaction, and received a variety of different opinions. He advised that his intention was to make leasing of state land competitive with leasing of private land; that the provisions of leasing state land are not as beneficial to the lessor as are private provisions.

MOTION  
SB 159

Senator Orsini advised that the Senate Resources Committee had drafted and passed a Committee Substitute for the original bill, and using Resources' Committee Substitute, he had drafted one of his own. He added that neither his bill nor Resources attempted to solve all of the problems, but did resolve some of the problem areas.

Senator Orsini presented committee members with copies of his graph outlining the relationship between inflation (cost of living) and land. Explaining his graph (copy attached to these minutes), Senator Orsini advised that in the 1960's inflation figured at approximately 3%. During this same time frame, the value of land increased 10%. In the early to mid 70's, the situation is somewhat different due mostly to the pipeline which produced a rapid increase in the cost of living in Alaska of about 7%. At the same time, values of land in Alaska increased 15%. Senator Orsini advised that from the above figures, he attempted to come up with figures for use in dealing with the leasing of state land.

Chairman Sackett requested that Senator Orsini explain the differences between his committee substitute and the one prepared by Resources.

Senator Orsini advised that the Resource Substitute proposed a lease for a total of 55 years. The initial lease period would be 25 years, and thereafter reappraisal and changes in

rent occur every 10 years. The current provision is for these reappraisals to occur every 5 years. My Committee Substitute would provide for 3 initial 10 year periods, and thereafter 5 years. The above provisions are based upon the need for a ceiling for loan purposes from commercial banking institutions. He further added that his proposed Committee Substitute puts a ceiling on the three 10 year periods, and this ceiling is a key point in the ability of the lease to support financing.

Senator Butrovich advised that he felt the length of time would be important in determining whether or not a lease met the criteria established by a banking institution for loan purposes, and asked Senator Orsini if he had checked the terms of his proposed Substitute with the requirements of financial institutions. Senator Orsini advised that the banks were looking for stability. They need the ceiling so they can evaluate the risk involved, and the proposed Committee Substitute has a 30-year ceiling.

Senator Butrovich stated that the Resource Substitute appeared to offer a 25 year initial leasing period while Senator Orsini's changed that time period to 10 years. Senator Orsini replied that it should be viewed as a change from 25 years to 30 years. There is a difference in the amount we can charge at the end of each of the three 10-year periods, but there is a ceiling on the whole 30 years.

Senator Butrovich questioned Senator Orsini concerning how he had arrived at the 170% included in the ceiling. Senator Orsini advised that the percentage figure was derived from the percentage of inflation the state has experienced over the past 10 years. My thinking on that was that cost of living is not only an increase in costs, it is also an increase in income. The economic value from the property would increase as well as the cost of other things. If the state is not in a period of high inflation, the percentage would be the lower fair market value. As an example, Senator Orsini advised that if a leaseholder had a \$1,000 annual lease, and assuming that the percentage actually goes to 170%, the breakdown would be:

\$1,000 for the first ten years  
\$2,700 for the second ten years  
\$2,900 for the last ten years.

Senator Butrovich asked if Senator Orsini had conferred with people testifying before Resources regarding the content of his Committee Substitute. Senator Orsini advised that he

had only completed work on the proposed substitute last evening, adding that he wasn't sure it would get by the Governor, but further adding that there was no question in his mind but that the Governor would veto the Resource Committee Substitute because the time period contained therein is too long.

Senator Orsini advised that another area that should be discussed pertains to the two items that should be taken into consideration when calculating rent. The first item is valuation; and the second is rental rate. Senator Orsini stated that discussions with private lessors had convinced him that the current 8% rental rate charged by the state is too high. The opinion appears to be that 6% is a fair rate given the restrictions on state leases. He further advised that part of the problem is the fact that conditions vary, and what the Committee Substitute attempts to do is build a fair but flexible rental rate based on comparable private rental.

Chairman Sackett asked what the Resource Committee Substitute proposed in the way of rental rates, and Senator Orsini replied that Resources has a maximum of 10%. Senator Orsini stated that his Committee Substitute floats the rental rate; that 8% is the going private rate, but the state has additional conditions (such as lack of an option to purchase) that make it less attractive for an individual to lease state land at 8%.

Senator Orsini further advised that he did not address the question of whether or not the state should be in the leasing business. If we are going to be in the business, it should be conducted as fairly as possible and made attractive enough so people will lease. On the other hand, the state shouldn't give the land away because it does belong to the people.

At this time Chairman Sackett advised that the committee would hear testimony pertaining to the two Committee Substitutes from those present. Mr. George Hollett, Deputy Director of the Division of Land and Water Management addressed the committee advising that he had not before had an opportunity to review Senator Orsini's substitute. Mr. Hollett advised that the state has lease agreements under existing statutes that are not compatible with the going market. Private leases are effected on a case by case basis which the state is unable to do. The state has to set stipulations that apply to all, and added that the Resource hearings pretty well brought out current problems with state leasing.

GEORGE HOLLETT  
DIV. LAND &  
WATER MANAGEMENT

Mr. Hollett further advised that he was aware that if the state was to give 25 year rental terms, the banking facilities would look favorably upon this provision. He further stated that he would hope something would develop which would lend stability if the state is going to be in the leasing business. We find that in residential pieces of property, there has to be a stable period of time in order for institutions to lend. On commercial property the time doesn't have to be as long or there must be a ceiling so the banker can come up with some figures as to payback.

Senator Butrovich advised that he was concerned about what the state is doing to individuals who have entered into leases and improved the property. These people have existing leases and suddenly the state is escalating the rental price on property upon which they have substantial investments. Mr. Hollett advised that everyone agreed that a problem exists. There has to be something in the statutes that lets us get to this situation. The present day situation calls for the state to look at land and get the value.

Senator Orsini advised that his Committee Substitute addressed the question of how to take care of leases entered into over the past 5 years, and referred the committee's attention to Section 4. He advised that this section was very close to the provisions of the Resource Substitute in that it allows a person with an ongoing lease to enter into the new leasing system for the remainder of his lease. The Resource version would allow this person to enter into a total new lease. The ability to change over to the new system would expire on January 1, 1979. If the lessee should choose not to become bound under the new system, his lease would continue as before.

Mr. Joe Wilhour advised that he is currently a leaseholder in the Alaska Industrial Park Subdivision. He advised that he was unable to testify regarding Senator Orsini's proposed Committee Substitute due to the fact he had received a copy upon entering the committee room and was unable to listen to the previous testimony and read the proposed substitute at the same time. He advised that the Resource committee had come up with an acceptable bill which did not cover everything, but would at least keep the leaseholders in his area from losing their land. He stated that if a leaseholder is run off his land, he not only loses the

JOE WILHOUR  
ALASKA  
INDUSTRIAL  
PARK

lease, he loses his improvements and is still left with a mortgage to repay at the bank. He added that there was a definite need for a ceiling, but added that it was no good if the ceiling is too high.

Senator Orsini asked Mr. Wilhour what had happened to his land since the lease commenced. Has there been any rezoning, road improvements, etc. Mr. Wilhour replied that there had been no rezoning, and not much in the way of road improvements either. There had been a recent sewer and water project effected in the area though. Senator Orsini referred to page 2, line 17 of his proposed Substitute dealing with state reappraisals. He advised that under this section, improvements made to leased property by the individual would not be included within the reappraisal. The reappraisals would consider only state-implemented improvements.

Senator Hohman asked Mr. Wilhour how many people maintained leases within the above Industrial Park Subdivision. Mr. Wilhour replied that there are approximately 64 leases. Mr. Hollett advised that of the total 980 outstanding leases between the state and various individuals, not all of them would be affected as adversely as Mr. Wilhour whose lease is in an area where prices have been rising rapidly. Senator Hohman advised that it was his understanding that some leaseholders are being threatened to the point where they will have to walk away from the land, leaving their improvements and investments behind. Mr. Hollett advised that the 63 members of the Industrial Subdivision had hired Doug Baily to represent them in this matter. Mr. Wilhour advised that he believed more leaseholders than those within the Industrial Subdivision were involved in this problem, and cited the Matanuska Valley as another area where the raise in lease price has been just like an eviction notice. The leaseholders just cannot pay the price.

Senator Tillion referred to page 4, line 21 of Senator Orsini's Committee Substitute, dealing with long term financing. He stated that this section encouraged a person to go to a banker rather than trying to fund the lease himself. He further stated that he believed that a person who could fund the lease out of his own finances should have the same consideration as someone who has borrowed the money.

Senator Orsini again referred to the reappraisal and the fact that he didn't feel improvements made by the individual should increase the value--only state improvements should have this effect. Mr. Davis advised that he didn't think there would be any serious contention regarding this provision, but added that in effect the provision would only make it more difficult to conduct the appraisal. He stated that he didn't feel this type of assessment would be a practical approach to the situation, adding that it would put the appraiser in the position of having to consider school facilities, rezoning, water, sewer, and road systems relating to the property, and yet close his eyes to the buildings and other improvements located on the property when making his evaluation.

REAPPRAISAL  
PROBLEMS

Chairman Sackett advised committee members and those present that the committee would bring the bill up for further discussion at the bill session scheduled for 8:00 a.m., April 4, 1977.

Chairman Sackett moved that Senate Bill 228 (Supplemental appropriation to the Office of the Governor, Alaska Plan Committee) be brought on for discussion. Mr. Milo Griffin, Executive Director of the Alaska Plan appeared to testify. He advised committee members that last year the Plan had requested \$320,000 for yearly operation. The Governor's office cut that figure to \$100,000, and we ran out of funds as of the 15th of this month. The audit recommended that we be refunded, and the Governor's office said they would submit a supplemental to give us enough funds to operate at the existing level.

MOTION  
SB 228  
ALASKA PLAN

TESTIMONY  
MILO GRIFFIN

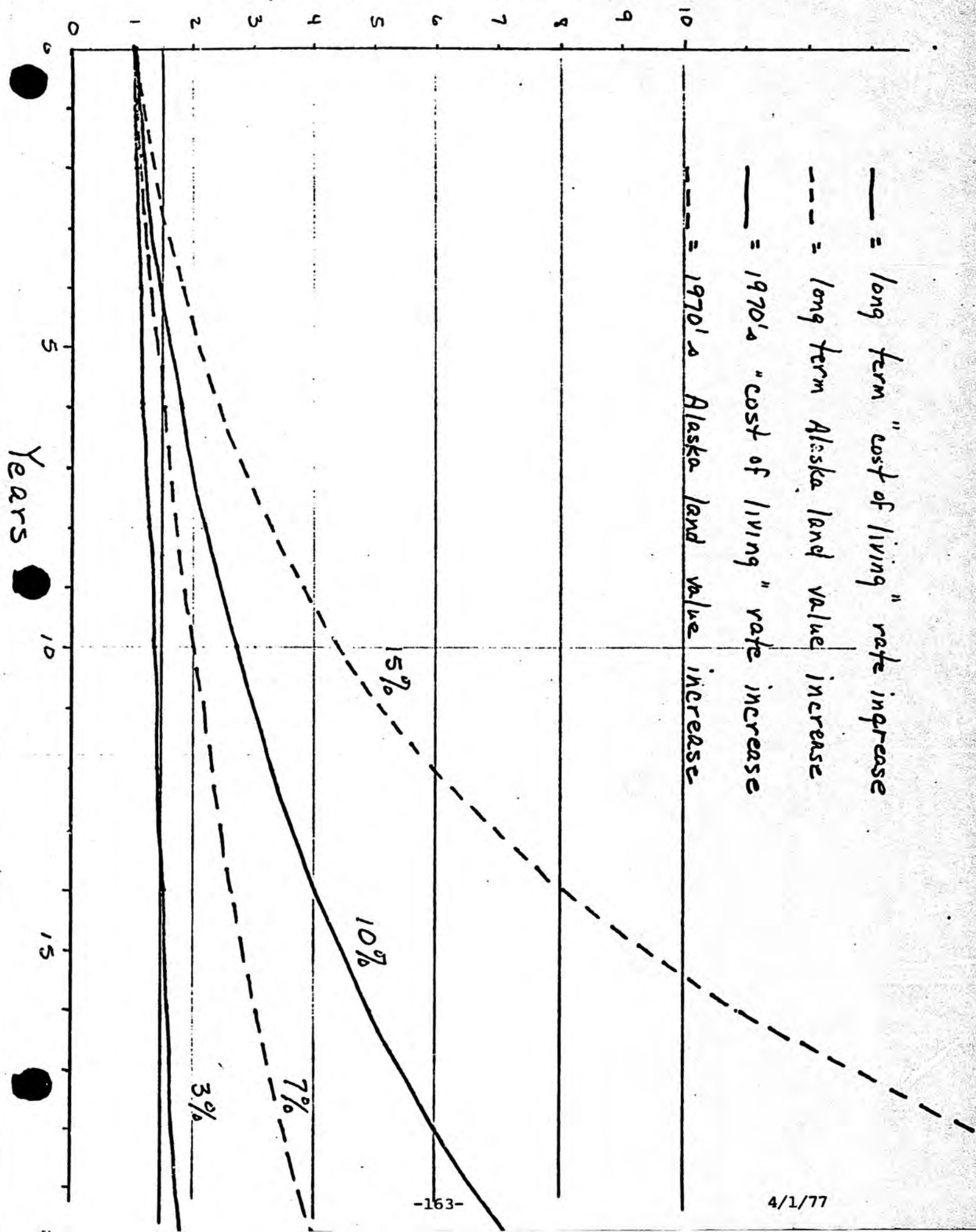
Senator Croft asked Mr. Griffin where the Plan currently is operation-wise. Mr. Griffin replied that they had cut their staff from 14 to 5, and they currently don't have enough funds for payroll this month. He added that Judy Greene from the Governor's office was to have initiated the supplemental but had apparently not followed through. The Plan needs \$50,000 to carry it until June.

Senator Hohman asked if the internal audit report resulted from a routine audit, and Mr. Griffin replied no, the Plan was asking for funds and the Governor's office was not sure whether we should be a state agency or remain in our current status. The audit determined that it would cost too much for us to become a state agency, so the Governor's Office has requested the supplemental.

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

ADJOURN

# Multiple of Value of Initial Worth @ Various Interest



SENATE FINANCE COMMITTEE

April 4, 1977

8:15 a.m.

All members of the Committee were present, with Senators Croft and Butrovich arriving late. Also in attendance: Milt Barker, Fiscal Analyst; Judy Cronlin, Administrative Assistant. Mr. Ken Davis and Joe Wilhour, Lease holders of State land; and the following persons from the Department of Health and Social Services: Marsha Hubbard; Dr. Jerry Schrader, Director, Division of Mental Health; and Bob Kemp, Acting Director, Division of Public Assistance.

PRESENT

Chairman Sackett called the meeting to order and made the following bill assignments:

SB 19 - Sackett  
SB 44 - Meland  
SB 117 - Sackett  
SB 152 - Meland  
SB 184 - Meland  
SB 200 - Butrovich  
SB 228 - Hohman  
SB 240 - Croft  
SB 275 - Hohman  
SB 276 - Hohman  
SB 279 - Tillion  
SB 280 - Tillion  
SB 281 - Tillion  
SB 284 - Butrovich  
CSHB 84 - Orsini  
HB 186 - Sackett  
HB 349 - Sackett  
SCR 38 - Butrovich

BILL  
ASSIGNMENTS

Senator Orsini moved that Senate Bill 159 (Act relating to leasing of State land other than for extraction of natural resources) be brought up for discussion. There being no objection, it was so ordered. Senator Orsini presented information to the committee concerning growth in value of vacant real estate. He also stated that he has received a three page letter from the Legislative Affairs Agency on his proposed Finance Committee Substitute for SB 159 concerning the legal ramifications. He stated he has not yet had the opportunity to go through this in its entirety.

Senator Orsini advised he has talked with Ted Smith concerning the House version of this bill (HB 383) and that it is the same as the recommended Resource Committee Substitute with one minor change in Section 2.

Senator Orsini stated that most lands that are leased are lands held in trust for municipalities or the University and that additional lands will be coming to the State from the village corporations under the land claims act.

Mr. Ken Davis presented testimony to the Committee concerning SB 159. He stated they are in favor of the Resources Committee Substitute for SB 159. He believes the Committee Substitute addresses the needs of both the lease law and the lease holders. He stated that paragraphs one and two on page one are particularly necessary to meet the needs of financial institutions as they have been quoted to him in the last twelve months. He stated that financial institutions requirements are normally for a ten year period exceeding the end of the mortgage. He stated that financial institution will not look at the normal 25% down credit approach. The applicant must have sufficient assets in order to build on State leased land.

RESOURCE  
COMMITTEE  
SUBSTITUTE  
SB 159

Senator Orsini asked if most private leases had an escalator clause and Mr. Davis said they did. Senator Tillion stated that most private leases have an escalator clause but it is designed to give the leasor the same buying power. It is not based on the land becoming more valuable.

Senator Orsini stated that the point is that lending institutions will not loan money on a lease that may increase in value over a period of years. Senator Croft asked if anyone knew of a private lease that was based on the value of land. Mr. Davis stated he knew of none. Senator Tillion stated this was the point he was trying to make.

Mr. Davis stated that page 2, line 23, and page 3, paragraph B of the Resource Committee Substitute, do give financial institutions the right to collect if there is a default. He stated that under present law that right does not exist.

Mr. Davis stated that under line 7 on page 4, the land will be coming back to the State at a faster time frame than you might normally expect.

Chairman Sackett asked for Mr. Davis's comments concerning Orsini's proposed Committee Substitute. Mr. Davis stated that with page 1, line 12 no one would be able to obtain a loan except by using his personal assets. He stated he believes paragraph two takes the incentive for developing a property away. He stated the first ten year appraisal could remove the initiative for anyone to take the initial step in developing a property. He stated he does think the five year terms from that point on are realistic.

FINANCE  
COMMITTEE  
SUBSTITUTE  
SB 159

Mr. Davis stated the State has chosen not to develop the property they are leasing. They have chosen to maintain the property to insure they get an income. He stated the income over a period of years can be less since they have chosen not to develop. Mr. Davis stated that Senator Orsini's proposed bill goes just a little further than HB 383 (Governor's bill by request).

Discussion on the escalation clause being based on improved value of land and on inflationary value. Mr. Wilhour stated that in addition to having the land improved, the state receives additional benefits from its development in income tax, gross tax, benefits of employment and taxes from them. Mr. Davis stated that on page 2, line 11 of the Resource Committee Substitute there is an additional inflationary edge, in that the State can ask and receive prepayment of the annual rental rate.

Senator Croft stated there are several portions of Orsini's proposed Finance Committee Substitute that are desirable. Senator Croft moved that a Finance Committee substitute be drafted to include page 2, subsection (e) of Orsini's proposed committee substitute and that the first two lines be changed to "Changes in property value due to governmental actions, off property improvements, . . ." and that "single family" be added before "residential development" on page three, line 26 of the Resolution Committee substitute. Discussion on the changes. There being no objection, it was so ordered.

SB 159  
MOTION

Senator Meland asked Mr. Davis if he agreed with the changes. Mr. Davis stated he could see no problem with the changes.

Chairman Sackett stated the Finance Committee Substitute for SB 159 would be drafted and presented to the Committee at the April 5, 1977 meeting.

Senator Meland moved that Senate Bill 122 (Supplemental appropriation to the Department of Health and Social Services) be brought up for discussion. There being no objection, it was so ordered. Senator Meland stated persons from the Department of Health and Social Services were here to answer questions on this supplemental appropriation. Ms. Hubbard stated the Malpractice portion is being changed from 144.6 to 138.2 and that the general fund portion is 105.8. She advised there were originally eight BRU's involved with malpractice and that there are now four. Discussion on malpractice.

SB 122

Ms. Hubbard advised that Medicaid has been reduced to zero. She stated that General Relief Medical has been increased from 125,000 to 243,200. Ms. Hubbard stated they have found that one-third of the expenditures for a given fiscal year are submitted and paid after that fiscal year. She stated their current authorized amount is \$2.5 million and their expenditures are \$2.7 million. Discussion on reason for delay in submission of bills. Mr. Bob Kemp stated that services are often rendered before a person is found eligible for General Relief Medical. Ms. Hubbard stated they have conducted a poll concerning date of services and date of payment. She will provide this information to Milt Barker.

Ms. Hubbard stated there is a letter from Ron Lind dated March 15, 1977 concerning reducing Contract Institutions from 216,500 to 99.3. Ms. Hubbard stated that in addition to this, they have requested 53.2 for ARCA to meet legislative intent. Dr. Schrader commented on the ARCA program.

Chairman Sackett asked about the February 22 budget request. Ms. Hubbard stated there was some difficulty in the move. She stated that money was appropriated in FY 75 and that the appropriation had lapsed. She stated there was Revised Program on this to pay for it with prior year lapses and that the Budget and Audit Committee refused it.

Chairman Sackett moved that SB 122 be replaced with a committee substitute to include the following changes:  
Malpractice Insurance be changed from 144.6 to 138.2  
Contract Institutions be changed to 152.5  
Medicaid be reduced to zero  
General Relief Medical be changed to 243.2

COMMITTEE  
SUBSTITUTE  
SB 122

He further moved that the following additions be made:  
A special appropriation to the Division of Public Health for the North Regional Lab -- 29.9  
An appropriation of \$25,000 to Studio Club  
(a demonstration project for an existing program in Anchorage that works with alcoholism)  
An appropriation of \$154,100 for Child Support and enforcement

Discussion on the additional amounts. Senator Tillion stated the \$154,100 was to handle the child support and enforcement case load until the end of the fiscal year and that at that time these positions would be deleted and probably transferred to the Department of Revenue. There being no objection, Finance Committee Substitute for SB 122 was passed from the Committee with a do pass recommendation. CSSB 122  
MOTION

Chairman Sackett presented a letter concerning the University of Alaska Management Team and asked Committee members to consider it for discussion at the next day's meeting. Senator Croft stated he would not be at the next day's meeting and advised he is opposed to the concept. He stated he felt the Legislature should appoint the management team. Discussion. Chairman Sackett stated it would be discussed in detail tomorrow. U. OF A.  
MANAGEMENT  
TEAM

The meeting adjourned at 9:55 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

April 5, 1977

9:10 a.m.

All members of the Committee were present. Also in attendance: **PRESENT**  
Mr. Ken Davis and Mr. Joe Wilhour, Lease Holders of State  
Land; Ross Schaff, State Geologist, Division of Geological  
and Geophysiscal Surveys, Department of Natural Resources;  
Milt Barker, Fiscal Analyst, and Judy Crondahl, Administrative  
Assistant; and Elaine Mitchell of the Press.

Chairman Sackett called the meeting to order and stated the  
proposed Finance Committee Substitute for SB 159 (act relating  
to leasing of state land other than for extraction of natural  
resources) had been redrafted.

SB 159  
FINANCE  
COMMITTEE  
SUBSTITUTE

Senator Croft stated that several of the Committee's changes,  
as stated at the April 4 meeting, were not included in the  
Committee Substitute. The following changes in the pro-  
posed Finance Committee Substitute were made:

Page 4, line 1 - "single family" was added before  
"residential"

Page 4, line 5 - "single family" was added before  
"residential"

Page 4, lines 6 & 7 - a period was inserted after  
"occurs" and "and only if necessary for obtaining  
primary long-term financing." was deleted

There was discussion on whether or not the word "primary"  
on page 3, line 28 should be deleted. Mr. Davis stated  
that the Ad Hoc Committee had recommended that "primary"  
be deleted; however it was not a unanimous decision.  
Mr. Davis stated that those that wanted to leave the word  
in felt that it did give some latitude. He stated that if  
it was not left in, and there was no comparable market,  
then they would have no place to go.

Senator Tillion moved that lines 14 and 15 on page 4 be  
amended to read: (2) changes in property value due to  
private improvements made to the property or other privately  
owned or leased property since originally entering into the  
lease shall be excluded. He stated the purpose of this  
was to insure that the value of the land was not increased  
due to improvements made by the developer on the leased  
or privately owned land surrounding it.

Senator Orsini stated his understanding was that this was  
taken care of by adding "governmental" to Section 1 on line  
12, page 4. Senator Tillion stated this only exempted the  
particular property the individual has a lease on; it does  
not exempt him from increased land values because of improvements  
on property surrounding his lease.

Senator Croft stated he did not agree with the motion. He  
stated he was not convinced that all actions on other areas  
should be excluded.

Question on Tillion's motion. Croft opposed. Motion carried.

Ms. Crondahl advised that at the April 4 meeting, the Committee has concurred that Section B of Orsini's proposed Committee Substitute was to be included. She stated that when the bill was redrafted, Mr. Jack Chenowith advised her that if Section B was to be included, then Section D must also be included. The Committee had no objections to the addition of Section D (line 26, page 2 of the current Finance Committee Substitute draft).

Senator Croft moved that Finance Committee Substitute for SB 159 be passed from the Committee with individual recommendations. There being no objection, it was so ordered.

SB 159  
MOTION

Chairman Sackett moved that Senate Bill 58 (relating to hydrological data) be brought up for discussion. There being no objection, it was so ordered. He introduced Mr. Ross Schaff who stated that the Constitution in Article 8, Section 13, provides that the State is the owner of the water in the State and allocates that water. He stated that in terms of allocation, NR is charged with appropriation of the water, DEC controls pollution, and Fish and Game controls the wildlife.

SB 58

Chairman Sackett asked if the private owner drilling his own well would be required to fill out the paperwork and Mr. Schaff said he would.

Senator Tillion asked if the non-professional well driller would have to hire a professional. Mr. Schaff stated that is not the intent, but the non-professional would have to file with them and log what had been drilled that day.

Chairman Sackett stated he would come back to the Committee with a Committee Substitute or amendment on SB 58.

Chairman Sackett advised that close-outs would begin on Monday, April 11 at 1:30 p.m. with the Education Committee of the Whole.

The meeting adjourned at 10:02 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

April 7, 1977

8:08 a.m.

All members of the Committee were present. Senator Hohman arrived later in the meeting. Also in attendance: Elaine Mitchell of the press.

PRESENT

Chairman Sackett called the meeting to order and made the following bill assignments:

HB 286 - Orsini  
HB 199 - Sackett  
HB 192 - Sackett  
HB 166 - Meland  
HB 222 - Butrovich

BILL  
ASSIGNMENTS

Butrovich moved that Senate Bill 232 (special appropriation to Department of Education for Transportation Museum of Alaska, Inc.) be brought up for discussion. There being no objection, it was so ordered. Senator Butrovich advised that the appropriation of \$68,000 from the General Fund is the amount that was received in the General Fund from the insurance after the fire to the transportation museum in Anchorage. Senator Kerttula requested that the bill be changed in order that the money is appropriated directly to the Transportation Museum of Alaska, Inc. rather than going through the Department of Education. Discussion on legality of doing this. Mr. Hogan, Director, Legislative Finance, advised there may be some problem appropriating money directly to a private corporation. Senator Kerttula stated Transportation Museum of Alaska is a non-profit corporation and that its Articles of Incorporation state that in the event it dissolves, all its assets are transferred to the State of Alaska. Mr. Hogan stated if the bill states the money is to be appropriated to the Transportation Museum of Alaska, the Governor may veto it.

SB 232

Senator Butrovich moved that a Committee Substitute be prepared deleting "assisting" on line 11 and inserting "a direct grant to". There being no objection, it was so ordered.

FINANCE  
CS FOR  
SB 232

Senator Butrovich moved the Committee Substitute for SB 232 be passed from the Committee with a "Do Pass" recommendation. There being no objection, it was so ordered.

CSSB 232  
MOTION

Chairman Sackett moved that CSHB 349 (supplemental appropriation to the Legislative Affairs Agency and the legislative finance division) be brought up for discussion. There being no objection, it was so ordered.

CSHB 349

Chairman Sackett presented a proposed Senate Committee Substitute for CSHB 349 and advised that attached to the Committee Substitute was information explaining the reason for the change.

FINANCE  
CS FOR  
CSHB 349

Senator Croft stated the Committee Substitute funds Legislative Affairs for a 105 day session and stated that is probably not realistic and that another supplemental request would probably have to be passed later.

Senator Orsini questioned \$41,000 for video equipment. Elaine Mitchell advised what machines had been purchased to date and stated the additional equipment is needed. Chairman Sackett stated the problem is that they didn't have sufficient money initially to purchase high quality equipment. Senator Butrovich stated the Legislature did not want to buy poor equipment and then appropriate more money for more poor equipment. Senator Tillion concurred.

Senator Orsini asked for more information on what the Interim Committees would be doing. Senator Meland requested that someone from the House come in and explain the bill in greater detail. Chairman Sackett stated this bill would be brought up for discussion again at the April 8 meeting.

Chairman Sackett moved that Senate Bill 58 (relating to hydrological data) be brought up for discussion. There being no objection, it was so ordered. Chairman Sackett presented a proposed Committee Substitute. He stated the purpose of the Committee Substitute was so that people drilling on their own land would not be required to fill out the reports. Discussion on whether or not the substitute fulfilled that objective; the Committee felt that it did.

SB 58

Chairman Sackett moved that Committee Substitute for SB 58 be passed from Committee with a do pass recommendation. There being no objection, it was so ordered.

CSSB 58  
MOTION

Senator Tillion moved that Senate Bill 176 (relating to powers and organizations to cope with natural and man-made disaster) be brought up for discussion. There being no objection, it was so ordered.

SB 176

Senator Croft asked if this was the same bill that passed the Senate last year but did not make it through the House. Senator Tillion stated it was not exactly the same.

Senator Tillion advised that if the bill passes, the State would get an additional \$250,000 in federal funds. In addition, the State would be eligible for funds from the Federal Government for man-made disasters that we are not eligible for now. Senator Tillion stated the bill does not grant any powers to individuals that they do not already have.

(Senator Hohman arrived at this time.)

Chairman Sackett requested Senator Tillion to find out how this bill differs from the one introduced last year and where funds would be appropriated.

Senator Hohman moved that Senate Bill 228 (supplemental appropriation to Office of the Governor, Alaska Plan Committee) be brought up for discussion. There being no objection, it was so ordered.

SB 228

Senator Orsini stated it was his understanding that the Alaska Plan Committee would discontinue once the pipeline was built. Senator Hohman stated it would still be necessary in order to comply with the federal government on the Equal Employment Opportunity Act relating to construction projects involving State and Federal funds. If the State does not do it, Federal Government will. Senator Croft stated that one of the main purposes for the Alaska Plan was so the State could have residential hire included. If Federal government take over, the State would not be able to do that.

Senator Hohman moved that SB 228 be passed from Committee with a do pass recommendation. There being no objection, it was so ordered.

SB 228  
MOTION

The meeting adjourned at 9:30 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

April 8, 1977

8:05 a.m.

Chairman John Sackett called the meeting to order at 8:05 a.m.

Members Present: John Sackett, Chairman; Pete Meland, PRESENT  
John Butrovich, Clem Tillion, Joseph Orsini, Chancy Croft,  
George Hohman.

Staff Present: Judy Crondahl, John Doyle, Myrton Charney,  
Alison Farnan, Glen Vernon.

Also present was Representative Mike Miller, Chairman of  
the Legislative Council.

Senator Sackett stated that the first bill the Committee CSHB 349  
will take up is CSHB 349.

CSHB 349: An Act making a supplemental appro-  
priation to the Legislative Affairs Agency in  
the amount of \$662,100 for the additional  
expenses of the First Session, Tenth Legislature.

Senator Sackett stated that some questions have arisen as  
to the need for a supplemental for new committees, in view  
of the fact that last year the Legislative Council agreed  
if they had new committees they would work it within their  
existing FY 77 appropriation. In addition to this, the  
Committee wanted to know for what purposes the committees  
were created and what they intend to do with the money.

Representative Miller said he did not recall any agreement  
by the Council that interim committees would function out  
of existing appropriations. He said the reason for the  
supplemental is that the committees want to start functioning  
immediately after adjournment and there is no money in the  
budget to fund that sort of activity. Without the supple-  
mental, they would have to wait until July 1 to start.

He said they do have about \$124,300 in the FY 77 budget  
which could be applied toward interim committees, but that  
doesn't cover the cost. About \$203,000 is necessary to  
accomplish the work of the committees. He said the com-  
mittee chairmen have been asked to submit a relatively  
simple budget and synopsis concerning personal services  
and contractual costs necessary to get going, but all of  
these have not yet been received.

Mr. Miller then briefly explained how the various committees  
came into being. He said the Permanent Fund was a result of  
appointments by the Presiding officers of both Houses; the  
Transportation Committee was an outgrowth of the Senate;

Telecommunications is a continuation of a program that the Council felt was extremely successful; the Alcoholism Committee is an outgrowth of a Senate appointment; Employment Resources and Opportunity is a request received from the Senate and House who cooperated in appointing members to that function. He noted that they have a letter from the Senate President concerning the creation of the Employment Resources and Opportunity Committee. Mr. Miller said the Natural Resources Committee is a House activity. He then distributed a letter dated March 16, 1977, from the Natural Resources Committee outlining the Committee's purpose and its budget (attached to these minutes). He noted that \$31,000 of that Committee's budget is contractual, particularly for use in connection with fisheries areas within the new 200 mile limit. This is an attempt to study what the right thing to do is. He said this budget has been left somewhat flexible; but tough scrutiny will come with the FY 78 budget.

Rep. Miller said he has appointed a special committee to examine the various committees' FY 78 budget requests and reduce them, if possible. He said he believed some of them could be reduced.

Mr. Charney, Director of Administrative Services in Legislative Affairs, said they are trying to operate within guidelines of sound accounting procedures and practices. They want the money now in order to be able to enter into contracts and obligate the funds for those purposes.

Senator Tillion wanted to know what would happen to the committees right now if we said, "No. Wait until July 1." Mr. Charney said some of the money is being spent right now. \$124,000 has been reallocated by the Council already as authorization for the committees to proceed. He remarked that the Presiding officers of the House and Senate appointed some of these committees, and they are already working.

Senator Orsini said he believed that a lot of work could proceed right now without a big expenditure of funds.

Senator Tillion asked if the supplemental were not passed, would it cripple the programs? Representative Miller stated that they simply do not want to waste three months of the interim by waiting until July 1. Senator Tillion said he believed it would be best to first examine final budgets to see whether we wanted the "train to roll at all."

Representative Miller told the members that some committees have already hired staff and these staff may have to be laid off if the supplemental is not adopted.

(Senator Croft arrived at the meeting)

Mr. Charney listed the committees that have hired staff so far: Permanent Fund, Employment Resources, Telecommunications, and a large portion of the Telecommunications budget is in a contract with the U of A that has been signed.

Answering Senator Sackett's question concerning the U of A contract, Mr. Charney said the original contract amount was \$25,000 and an amendment in the amount of \$27,000 has been signed by the authority of the Legislative Council. Regarding the Telecommunications budget, the Council already has \$124,300 and is asking for an additional \$78,900. A breakdown of the source of the \$124,300 allocated to Telecommunications is:

|                                                                       |           |
|-----------------------------------------------------------------------|-----------|
| Surplus from Council                                                  | \$ 50,000 |
| Surplus from Gas Impact Committee                                     | 48,000    |
| Surplus from Agricultural Policy                                      | 20,000    |
| Surplus from Intern Program (a program the Council did not undertake) | 6,300     |

(Senator Hohman arrived at the meeting)

Senator Butrovich said he would like to talk to the various committee chairmen to see what their specific plans are.

Senator Croft noted that the supplemental is for a 105-day session and this is the 89th day. One consideration might be to fund the additional length of the session and address the subcommittee matter in another supplemental.

Mr. Charney said they are out of salary funds now. The original 90-day budget was reduced by 12 days when session employees got a raise, so they are really only funded for 78 days.

Senator Croft asked again if it would be o.k. to pass the appropriation to continue the session and later address the subcommittee question. Representative Miller replied that if we do that, some committee staff may have to be laid off.

Senator Croft said it looked like there is enough money authorized by the Council to keep going temporarily. For instance, Telecommunications could keep going and the remaining money could keep the other committees going for another month until the matter is decided.

Representative Miller said he believed they are very close to the board on the whole thing.

Senator Orsini asked for a breakdown on employees already employed by the committees. Mr. Charney listed the following: Permanent Fund: 4; Transportation: 1; Telecommunications: 1 session person working on the matter now; Employment Resources: 1; Natural Resources: none.

Senator Orsini agreed with Senator Croft's suggestion to pass the portion of the supplemental for operation of the Legislature and consider the interim committee appropriations in another supplemental in about a week or so. He remarked that a screening process might reduce the scope of some of the proposed committee activities, in which case the supplementals may also be reduced.

Representative Miller said he expected that some of the FY 78 committee budgets could be reduced; however, he did not expect that the supplemental requests would be.

That concluded committee discussion of CSHB 349.

Senator Butrovich moved and asked unanimous consent that CSHB 38 CSHB 38 be considered at this time. No objection, so ordered.

CSHB 38: An Act creating the Alaska  
Youth Hostel System.

Rep. Miller endorsed CSHB 38. He said it would establish a system of Alaska youth hostels. He emphasized the fact that they are not creating an empire wherein Alaska would own and operate youth hostels. The bill would create an office in the Division of Parks so the State could coordinate with cities, boroughs, church groups and non-profit organizations which already operate hostels or are trying to organize themselves to do so. For that reason, the fiscal note is very small for FY 77 (\$6,300) and is \$13,900 for future years. The Coordinator would set up a Youth Hostel Committee to establish a regional system through the state. Youth hostels would allow youth and others to travel inexpensively in All Alaska regions. Any grants would not be State grants. He said there is legislation pending in Congress, and he has been told there will be Federal grant money available for youth hostels. The grants would be run through the State Coordinator. Rep. Miller said there is also a chance of getting foundation support. An example of what the coordinator might do is as follows:

Juneau has a successful hostel system. They are now using the Teen Center. Unfortunately, use of the Center has expanded and so the hostel will have to go. At present there is an old Coast Guard building in Juneau that the youth hostel group is trying to get via the City of Juneau. He said it would be helpful to have someone at the State level coordinate this.

Senator Orsini wanted to know if there was some way to work this without creating another committee. Representative Miller said he believed it could be operated without a committee, but he felt there should be some input from the communities so that decisions on location, etc. were not limited to one person.

CSHB 38  
(cont.)

Senator Orsini asked if there were existing committees in Parks and Recreation that could handle this. Representative Miller said if there was, he wasn't aware of them.

Answering a question from Senator Butrovich, Representative Miller said the system is based on the European program that set up hostels so youth can stay in a place for a very nominal amount of money. The places are supervised and the facilities provide running water, toilets, etc. He said there are about five youth hostels in Alaska now, including one in Nome, Fairbanks, Juneau, and Ketchikan.

Senator Meland asked if the supervisors are volunteers. Representative Miller replied that they frequently are. He said sometimes someone gets a small salary, but part of the deal is that the hostel guests clean up after themselves.

Senator Sackett noted that the bill called for an advisory committee and a coordinator, and he could foresee the time when the committee and the coordinator would start asking for grants from the State or a bond issue to construct hostels--they would feel obligated to do so. Representative Miller said additional language could be added to the bill to preclude that from happening. He said the Division of Parks does not see this as a time-consuming job. He added that he knows of no other state that owns youth hostels and he is opposed to Alaska owning them.

Senator Tillion said he could see where we might be getting into a grant program. Representative Miller replied that he would be opposed to state grants.

Elizabeth Paris, Juneau, a member of the Juneau Youth Hostel Committee, a non-profit corporation, stated that her group is currently using the Teenage Club in Juneau. Their group's house parents are unpaid volunteers. She felt this is a very important need and she would agree that youth hostels should not become an arm of the government. She said she talked with Division of Parks personnel and all they see the program as is someone to inspect their facilities. She commented that they are already inspected by the Fire Marshall and the City Sanitarian. Mrs. Paris told the members that they now need a place for the summer. Recently they had 30 kids from Angoon, who had their own chaperones. She said the main reason she would like to see the bill pass is so they can get the old Coast Guard building from the Federal government. The State of Alaska and then the City of Juneau have first choice on

whether to accept it. She would like the Federal Government to give the building to the State for \$1 a year, so the youth hostel group could get it from the State and run it with local participation and not too much red tape.

CSHB 38  
(cont.)

Bruce Bothelo, Juneau, told of his favorable youth hostel experience in Europe. He said he has chaired the youth hostel committees in Ketchikan and in Salem, Oregon. He endorsed the bill. He felt the most important aspect of the bill is that it would stand as a State endorsement of the youth hostel concept.

Judith Meyer, President of Juneau Youth Hostel, Inc., said that she and her husband stayed in European hostels years ago and were so impressed with them that they started a hostel in Juneau. They operated out of private homes for one year and then the former Methodist parsonage. For the last two years they have been in the Teenage Club. They are presently looking for a permanent home. She said about 10% of their guests are international young people, and there is an ever increasing number of Alaskans. She endorsed the bill.

Senator Meland wanted to know who picks up the insurance premiums necessary for an operation of this sort. Mrs. Meyer stated that the American Youth Hostel Association has an insurance program.

There were no further questions from the Committee.

Senator Sackett then assigned the following bills:

|          |   |                |
|----------|---|----------------|
| SB 147   | - | Senator Orsini |
| CSHB 167 | - | Senator Croft  |

Assign  
SB 147 &  
CSHB 167

Next bill to come before the Committee was SB 198 which had been assigned to Senator Tillion:

SB 198 An Act exempting exchanges, commissaries, ships' stores, officers' clubs and NCO clubs operated by the uniformed services of the United States from the cigarette tax.

SB 198

Senator Tillion said it looks like they have us over a barrel, since if we don't exempt them from the tax, they will buy the cigarettes outside and we will lose the gross business tax. He said Ft. Richardson and Elmendorf order through wholesale houses. What it amounts to is if the tax is not exempted purchases will be made directly from outside.

Senator Tillion told the Committee that although he doesn't like it, he didn't see that we have much choice. Referring to a letter dated March 4 from Gary Jenkins to John Messenger in Revenue (in the bill file), Senator Croft asked if we could close the loophole mentioned in that letter.

Senator Tillion said we could not because a State may not levy a tax on any military facility.

SB 198  
(cont.)

Senator Tillion moved that CSSB be reported out of committee with individual recommendations.

Senator Hohman referred to mention of AS 43.50.090 on line 11 and AS 43.50.190 on line 12. What, generally, do these sections refer to? Senator Tillion said he believed one of them covers booze. Senator Butrovich stated that we have two different cigarette taxes--one goes into the general fund and the other goes to the school construction fund.

Senator Hohman asked about the retroactive effective date. Senator Tillion stated that some of the wholesalers have contracted for delivery and still have a cancellation period. The wholesalers are worried that the tax will not be exempted for these orders, in which case they will cancel some of the orders. He said there is no doubt we could force them to pay the tax for what they have bought since January 1, but it will also force ordering directly from outside.

Senator Tillion's motion to report out CSSB 198 with individual recommendations was voted on. All members signed "do pass" so it was reported out "do pass".

CSSB 198  
Reported  
Out

RECESS  
9:20 - 9:25 a.m.

After recess, the next bill for consideration was SB 244 assigned to Senator Tillion:

SB 244

SB 244 An Act relating to special officers

Senator Tillion stated that this bill would allow coverage of special officers under workmen's compensation. Usually these are retired persons called out on police duty for emergencies without pay. We want to cover them under the present law for insurance purposes. He said the bill provides that they will be carried under workmen's compensation only while they are actually on duty and they will be paid the minimum wage paid a full-time state trooper while working.

Senator Croft stated that this implements Recommendation No. 49 of the Governor's Efficiency Study. He said the present law does not address the matter of workmen's compensation or payment of a minimum wage.

Senator Butrovich remarked that this might also save the State from lawsuits.

Senator Tillion moved that SB 244 be reported out with a "do pass" recommendation. No objection

SB 244  
(cont.)

RECESS

9:30 - 9:40 a.m.

(Glen Vernon arrived at the meeting)

After recess, Senator Croft moved and asked unanimous consent that SB 150 be considered by the Committee at this time. No objection, so ordered.

SB 150

SB 150 An Act making a supplemental appropriation (\$13,768,325) to the Department of Education.

Senator Croft told the Committee there were two problems with reducing this supplemental. First, a lot of programs were required to pay the full amount and they are three-fourths through the fiscal year, so a reduction will impact some districts pretty hard. Second, it would be a distressing political reality to cut money out of places in your own district.

Senator Croft then went down the list of the allocations:

FOUNDATION PROGRAM-REGULAR (\$2,000,000). This can be reduced by \$43,000 because the actual figure was rounded-off. He added that the District started using a new method of reporting with regard to the vocational and special education program, and what they originally reported and what is now going to be the full cost is substantially different. One of the big problems is with the Anchorage District. Anchorage originally reported that on Vocational and Special Education they would have 189 units (December 1975 estimate). In the Fall of 1976 they showed only 143 units. However, new figures indicate that they will have the full 189. In addition, the Department messed up and disqualified certain units, i.e., saying they didn't qualify when they did. They have now gone back and allowed those units.

FOUNDATION PROGRAM-REAA. There are two different items here: (1) The new units came on and that changed the entitlement. (2) With respect to \$2,600,000, there were more programs than the REAA had anticipated. The Hootch case that was settled in the Fall of 1976 required the State to take certain action to implement it and there was an increase of programs, students, etc. Sen. Croft said \$5,000,000 of the total \$7,638,000 is due to the fact that the State originally had a Federal opinion that PL 874 money would be paid to the State and distributed to the REAA's. However, in the Fall of 1976 after the Legislature adjourned, the Feds changed their minds and said they would pay the money directly to the REAA's. The State can adjust to this, but the REAA's cannot. He said we probably would not have to pay the \$5 million, since the

money was appropriated by language put in Section 10 of last year's budget bill. The appropriation bill language states that if PL 874 Federal receipts fall short of the estimated appropriation, the shortfall shall be made up from the General Fund.

SB 150  
(cont.)

Senator Orsini wanted to know when we would get the money back, if we have already appropriated it. Would we merely be making an advance payment? Senator Croft said we could do it either way--appropriate it here or not.

Glen Vernon said they have shown an increase in PL 874 money in the FY 78 budget and there was an adjustment made in the budget. Judy Crondahl said it was her impression that there would be a built-in lag year-after-year and it would not change next year's budget.

PUPIL TRANSPORTATION-REGULAR. Senator Croft said there is a considerable feeling that because the Districts do not have a stake in transportation costs, things might get out of hand. The Department of Education said actual costs are about \$200,000 higher than estimated. The Anchorage District Special Education program could transport kids cheaper by taxi than the method they are using now. Anyway, the main reason for the supplemental is that costs are running higher than anticipated and the Districts do not have control of the situation. He said we could cut this back; however, the problem is the Districts are three-quarters of the way through the fiscal year and it would be hard for them to adjust.

LOCAL FORMULA-REAA. This is due to the fact that the equivalent of local support was estimated at \$575 per ADM. However, by the time they plugged everything into it, the figure will be \$611 instead of \$575.

AVEC AND OTHER. Senator Croft said, according to the Department of Education, AVEC messed up in terms of the fact that there is no incentive for a more efficient type of use, since they have to pay a flat rate. Their problem is that the average actual cost for delivering electric service to consumers other than school districts is around 17 cents per kilowatt, but in a lot of districts it actually runs to an average of about 40 cents. This reflects the actual difference. There is a provision in SB 35 adopted in 1975 that the State would pick up AVEC costs.

VILLAGE SAFE WATER. Senator Croft said there is the same problem with this as with AVEC. He said it is a good program but it turns out that in areas that have village safe water the whole thing is subsidized through the school districts or with Department of Environmental Conservation subsidies.

With regard to Nulato and Alakanuk, the Department of Environmental Conservation subsidy is not enough to make it up. The problem is that the annual operating budget for these facilities is now equal to what was originally the total construction cost of the facilities.

SB 150  
(cont.)

Glen Vernon said with regard to AVEC and Village Safe Water, SOS in the past has adjusted to pick it up. Last year there was intent put in the Free Conference version of the budget to the effect that the Legislature recognized these are high and unusual costs which have been borne by some districts and not others, so the Legislature would consider a supplemental this year. He said this is one of the reasons Bill Thompson gave for putting the supplemental in at this time.

ASOSS FY 76 NEGATIVE BALANCE (\$15,866). Senator Croft said this results from SB 25 abolishing SOS. The Department said they simply did not get it all cleaned up and did not know about it in time to include this in the FY 77 budget. He felt the Department of Education will probably lapse more money than this, so he believed we should cut it out of this bill.

AUDIT EXCEPTION-VOCATIONAL EDUCATION. Senator Croft said the Department of Administration completed an audit in September 1976. There was an emergency project cost in this amount. AMU was told to do this by the Department of Education and they are entitled to the money. Mr. Thompson said the grant supervisor in the Department of Education who told AMU to do that has been terminated. He said AMU performed the work they were directed to and is entitled to the money.

Total cuts recommended by Senator Croft were: Reduce Foundation Program-Regular to \$1,956,733 (savings of approx. \$43,000); Cut out the \$5 million in Foundation Program-REAA's; Eliminate \$15,866 for ASOSS FY 76 Negative Balance. The total appropriation would then be \$8,709,192.

Glen Vernon said the net effect of taking \$5 million out of Foundation Program-REAA's in this bill will be that it will be appropriated via another vehicle.

Senator Croft moved that a Committee Substitute as set out by him (\$8,709,192 total) be reported out of committee, with a "do pass". No objection, so ordered.

SB 150  
Reported  
Out  
Committee  
Substitute

Senator Tillion stated that he is now ready to take up SB 176 which was assigned to him.

SB 176

SB 176 An Act relating to powers and organization to cope with natural and man-made disasters.

4/8/77

Senator Tillion informed the Committee about slight changes in working in this bill compared to a similar bill introduced last year. These changes appear on pages 2, 3, 4, 11, 28, 29 and 30. He outlined each of these changes for the members.

SB 176

Senator Tillion said the agency would prefer to have the Governor's contingency fund cover the \$1-1/2 million needed for this legislation. If there were a major disaster, a special session could be called.

Senator Tillion moved and asked unanimous consent that SB 176 be reported out "do pass". No objection, so ordered.

SB 176  
Reported  
Out

#### EXECUTIVE SESSION

Executive  
Session

10:15 - 10:30 a.m.

Immediately upon completion of Executive Session, the Committee adjourned.

Adjournment  
at  
10:30 am

SENATE FINANCE COMMITTEE

April 18, 1977

8:20 a.m.

Chairman Sackett convened the meeting at approximately 8:20 a.m. All committee members were present with the exception of Senator Orsini who arrived shortly after the meeting commenced. Also in attendance were Alison Farnan, Fiscal Analyst; Jay Hogan, Director, Division of Legislative Finance; John Messenger from the Attorney General's Office; and Joe LaRocca from the press.

PRESENT

Chairman Sackett made the following bill assignments:

BILL  
ASSIGNMENT

HB 164 - Meland  
SB 147 - Sackett  
SCR 37 - Croft  
SCR 25 - Butrovich  
SB 289 - Sackett  
SB 271 - Orsini  
SB 13 - Butrovich  
SB 200 - Hohman  
SB 149 - Tillion  
HB 260 - Butrovich  
HCR 47 - Tillion  
HB 167 - Croft

Chairman Sackett presented print out sheets for the Senate operating and capital budgets for committee review. He advised that the total Senate operating figure is 776,833,400 in general fund expenditures, compared to 791,759,300 in the Governor's budget. He added that this represents a reduction of 14,900,000 from the Governor's budget and advised that the major difference between the Senate and House budget is whether or not the budget funds shared revenue taxes and native land claims. The Senate budget includes these items, the House Budget does not. Jay Hogan advised that these items represent roughly 55 million dollars. Chairman Sackett advised that should the claims and shared taxes be added to the House budget, there would be a difference between House and Senate figures of approximately 2 million dollars.

OPERATING  
BUDGET

Pertaining to the capital budget, Chairman Sackett advised that the Governor's budget is 42,350,600, the House 32,900,000 and the Senate 26,372,000. He advised that he wished to add 100,000 under Natural Resources, Environmental Development for a project related to Meadow Creek at Eagle River, Alaska.

CAPITAL  
BUDGET

Jay Hogan requested that committee members review the capital budget for the correct spelling of names relating to specific projects prior to the final budget run. He also stated that the Governor's Office

had requested that legislators furnish back-up material relating to specific projects to Legislative Affairs for reference in handling inquiries when the legislature is not in session.

Chairman Sackett advised that the final version of the bill would be ready for review and signature by committee members shortly after the noon hour and the committee would meet at that time to sign the referral sheet.

Chairman Sackett moved that Senate Bill 317 (An Act relating to state income tax) be brought up for discussion. He advised that Senator Ray had requested the bill be considered as soon as possible, and John Messenger from the Attorney General's Office was on hand to testify regarding it. Chairman Sackett stated that the bill related to income tax on wages earned within the State, and in particular the problem experienced by Skagway residents employed by the White Pass & Yukon Railroad.

MOTION  
SB 317

Mr. Messenger advised that up until two years ago, a resident paid state income tax only upon income he earned within the state. The new law passed two years ago changed the taxable income to include all income earned, with a refund available for taxes paid in another state. Skagway residents employed by the White Pass & Yukon Railroad, a Canadian corporation, were unaware of the new ruling and have only recently been advised that they owe income tax on earnings derived through their employment by a Canadian firm back to 1975. The need to pay the back taxes has caused a financial hardship on these residents and they have sought relief via the subject bill. Chairman Sackett inquired concerning the economic impact to the state and Mr. Messenger replied that he would estimate the cost to be approximately \$20,000 in revenue loss. Mr. Messenger was instructed to obtain definite figures regarding financial impact and appear before the committee for further testimony at the regular committee meeting tomorrow morning.

Chairman Sackett moved that CSHB 215 (Supplemental appropriation to the Dept. of Community & Regional Affairs for a daycare program) be brought up for discussion. He advised that there was an amendment by the Health & Social Services Committee converting program funding from Federal to general funds. Senator Croft moved that the bill be passed from committee with individual recommendations. There being no objection, the bill passed from committee.

MOTION  
CSHB 215

The meeting adjourned at approximately 9:00 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

April 18, 1977

1:35 p.m.

All members of the Committee were in attendance. Also in attendance: Legislative Finance Division Staff Members Jay Hogan, Bob Grogan, Glen Vernon, Alison Farnan, Bob Schroeder; and Senators Kerttula, Willis and Ray.

PRESENT

Chairman Sackett called the meeting to order and moved that CSHB 52 (House budget) be brought up for discussion. There being no objection, it was so ordered.

CSHB 52

Chairman Sackett moved that Senate Committee Substitute for CSHB 52 be passed from Committee with a "Do Pass" recommendation. Senator Butrovich advised that he would sign the bill "no recommendation". There being no objection to the motion, it was so ordered.

SENATE CS  
FOR CSHB 52  
MOTION

Chairman Sackett advised he has the accompanying letter of intent to the Bill which he will request be spread in the journal. There was no objection to the letter of intent.

LETTER OF  
INTENT

The meeting adjourned at 1:45 p.m.

ADJOURN

SENATE FINANCE COMMITTEE

April 19, 1977

9:07 a.m.

All members of the Committee were in attendance except Senator Tillion. Also in attendance: John Messenger, Attorney General's Office; Alison Farnan, Fiscal Analyst; Judy Crondahl, Administrative Assistant. PRESENT

Chairman Sackett called the meeting to order and made the following bill assignments:

BILL  
ASSIGN-  
MENTS

SB 214 - Tillion  
SB 107 - Hohman  
SCR 22 - Hohman  
SB 270 - Butrovich  
HB 266 - Croft  
HB 403 - Sackett  
HCR 30 - Hohman

Chairman Sackett moved that SB 317 (act relating to State income tax) be brought up for discussion. There being no objection, it was so ordered. Chairman Sackett asked John Messenger to provide further information on the Bill.

SB 317

Mr. Messenger stated he couldn't find enough information on how much income is in wages outside the State. He stated that in order to make this Bill relate primarily to those residents in Skagway who were employed in Canada for a portion of the year, he would recommend amending the Bill on Line 10, change "state" to "United States".

Senator Croft asked what the Department's position on the Bill was. Mr. Messenger stated the Department is not actively supporting the Bill. He stated they are not violently opposed to it either.

Senator Meland asked why only ten people employed by the White Pass and Yukon Route were effected by this change in law, when the Railroad employes hundred's of people. Mr. Messenger stated the only individuals effected by the bill were those who were employed for a portion of the year in Canada.

Senator Orsini asked if fishermen who fish outside the twelve mile limit would be effected by this bill. Mr. Messenger stated they would not be, because they are within the 200 mile limit. Senator Croft stated the 200 mile limit did not go into effect until 1976 and this Bill is concerned with 1975. Mr. Messenger stated if wages were paid they would be exempt, if it was business income it would not be exempt.

Senator Croft asked what the obligation of the employer is. Mr. Messenger stated the employer is liable to a penalty if he doesn't withhold taxes. He stated the primary responsibility for paying taxes is with the employee.

Chairman Sackett moved that SB 317 be amended on line 10, delete "state" and add "United States"; and that SB 317 as amended be passed from Committee with individual recommendations. There being no objection, it was so ordered.

SB 317 am  
MOTION

Senator Butrovich moved that SSSB 13 (special appropriation to the University of Alaska for heat utilization study at Fort Wainwright) be brought up for discussion. There being no objection, it was so ordered. Senator Butrovich explained the purpose of the bill was to appropriate \$102,000 to the University of Alaska to work in conjunction with the U.S. Army at Fort Wainwright to study the effects of dissipating surplus heat into the soil. Senator Butrovich stated there appears to be great potential to utilize this heat.

SSSB 13

Senator Meland stated Sitka and Ketchikan would be able to utilize the results of this study. He stated he thinks there is great potential in these areas for utilizing waste heat.

Senator Butrovich moved that SSSB 13 be passed from Committee with a "Do Pass" recommendation. There being no objection, it was so ordered.

SSSB 13  
MOTION

The meeting adjourned at 9:38 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

April 20, 1977

9:20 a.m.

All members of the Committee were in attendance. Senators Butrovich and Croft arrived later in the meeting. Also in attendance: Judy Crondahl, Administrative Assistant; and Elaine Mitchell of the Press.

PRESENT

Chairman Sackett called the meeting to order and made the following bill assignment:

BILL  
ASSIGNMENT

SB 306 - Tillion

Senator Meland moved that SB 184 (an act increasing the limitation on commercial fishing loans) be brought up for discussion. There being no objection, it was so ordered.

SB 184

Senator Meland passed out a letter from Commissioner of Department of Commerce and Economic Development, Phil Hubbard, which recommends two amendments to the bill. He is recommending to sections be deleted because they have already been repealed by Section 2, Chapter 190 SLA 1976.

Senator Meland advised this bill has a zero fiscal note. He stated the increase is necessary because the cost of boats has risen substantially. A boat costing approximately \$54,000 in 1974, cost approximately \$67,000 in 1976, and \$85,000 in 1977.

Senator Meland stated this program approves approximately 60 loans per year. Senator Tillion stated the program has only a 1% default and it is one of the best loan programs the State has.

Senator Meland moved that SB 184 be amended to delete page 1, lines 16 through 20 and page 2, lines 15 through 16; he further moved that SB 184 amended be passed from Committee with a do pass recommendation. There being no objection, it was so ordered.

SB 184 am  
MOTION

Chairman Sackett requested Senator Meland to have information concerning the dollar amount of the loans and expected impact of the bill before the bill comes before the Senate.

Senator Tillion moved that SB 168 (an act making a special appropriation to the Department of Health and Social Services and to the Department of Education for alcohol-related programs) be brought up for discussion. There being no objection, it was so ordered.

SB 168

4/20/77

Senator Tillion stated that page 1, lines 15 and 16, concerning "non-medical alcohol detoxification facility acquisition grants" in the amount of \$367,100, should be deleted as this amount has already been included in another bill.

SB 168 am

Senator Orsini asked if the Program worked and Senator Tillion stated it depended on how "hard-nosed" the Judge was. He stated the Program is a good program.

There was discussion concerning the appropriation for Public Information and Education Regarding Alcohol Abuse. Senator Hohman asked how the money would be spent. Senator Tillion stated that approximately \$100,000 of the \$350,000 would go to the Department of Education and into schools. Senator Hohman asked if this included funds for producing spots for the public education stations. Senator Tillion stated it did. He stated some of the spots would be prepared within Alaska and some would come from Washington D.C. Senator Hohman stated spots coming from Washington D.C. are not going to be meaningful to Alaskans.

Senator Tillion will have someone from the Department of Health and Social Services appear before the Committee tomorrow to answer the Committee's questions.

The meeting adjourned at 9:50 a.m.

ADJOURN