

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2726

SENATE FINANCE COMMITTEE

April 21, 1977

8:15 a.m.

All members of the Committee were in attendance except Senator Meland. Senator Hohman arrived later in the meeting. PRESENT
Also in attendance: Staff members Milt Barker and Judy Crondahl; Don Dickey, Alaska State Chamber of Commerce; W. W. Hopkins & Judy Hopkins, AOGA; Tim Bradner, BP Alaska; Tom Williams, Department of Revenue; John Messenger, Dept. of Revenue; Alan Latham, Legislative Affairs; Robert Walker, Exxon; Waco Shelley, Mobil; James Dodson, Jr., Alaska Air Carriers Association; K. E. Showalter, SOHIO; Mark Singletary, ARCA; Dale Teel, Anchorage Natural Gas; Robert Cole, State Office on Alcoholism; Larry Uaura, Union Oil Co; and Elaine Mitchell and Joe LaRocca of the Press.

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

BILL
ASSIGNMENT

SB 404 am - Croft

Chairman Sackett moved and asked unanimous consent that SB 167 (relating to the excise tax on and license fees for sale of intoxicating liquors) be brought up for discussion. There being no objection, it was so ordered. Chairman Sackett requested that Mr. Messenger explain the difference between the original bill and the Special Committee on Alcoholism's Committee Substitute for SB 167.

SB 167

Mr. Messenger stated the original bill increased the rates for hard liquor, beer and wine and made different rate adjustments for table wines and dessert wines. He stated the bill also changed the tax rate for wholesalers. He presented a table that outlined the difference in rates between the original and the Committee Substitute (see attachment #1).

Senator Orsini stated the calculations are based on 1975 consumption and asked Mr. Messenger if he thought these figures might not be a bit high. He stated it was his understanding that liquor consumption was up significantly in 1975 due to the pipeline, etc. and asked if this might not change in future years. Mr. Messenger stated the figures are going to be fairly close.

Senator Croft asked about a revised fiscal note for the Committee Substitute and was advised that the fiscal note for the Committee Substitute is the same as the one for the original bill.

Senator Butrovich moved the Committee accept the Special Committee on Alcoholism's Committee Substitute for SB 167 and that it be passed from Committee with individual recommendations. There being no objection, it was so ordered.

SB 167
MOTION

Chairman Sackett moved that SB 149 (relating to the tax on motor fuel for watercraft) be brought up for discussion. There being no objection, it was so ordered. Chairman Sackett stated the Resources Committee has proposed a Committee Substitute for this bill. SB 149

Senator Orsini advised he has received letters supporting SB 149 from the Cities of Bethel, Seward, Skagway and Juneau.

Commissioner Harris commented on the original bill and the Committee Substitute. He stated the original bill would provide for an increase of approximately \$2 million in tax reserves. He stated his understanding of the Committee Substitute is that larger vessels would be allowed a 30% exemption. He stated his feeling is that this would probably be a further reversal of conditions that now exist.

Commissioner Harris stated that the larger vessels are the ones that impose the heaviest load on facilities in boat harbors and they constitute 7 to 8% of the total fleet.

Mr. Don Stater stated the increase in the tax is about \$700,000 in revenue. He stated that relating it to 10% provision is about \$1.3 million. In answer to a question from Senator Croft regarding amount of tax revenue if the loopholes were closed entirely, he stated he believed it would be approximately \$400,000 to \$500,000.

Mr. Stater stated the vessels in the 30 to 60 foot class are paying most of the cost and the vessels in the 100 foot class are the ones that cause the most damage to the floats and entail the most cost for constructing a harbor. Senator Tillion stated he agrees with this.

Chairman Sackett questioned Commissioner Harris' figure of \$2 million increase in tax reserves. Commissioner Harris stated he was in error and the figure would be \$1.3 million.

Chairman Sackett asked Commissioner Harris to explain how much the Department anticipates losing from existing revenues should the Committee Substitute pass with the language it has in it. Commissioner Harris stated they anticipate a gain of approximately \$500,000.

Senator Tillion asked who absorbed most of the costs of this increase and Mr. Slater stated it would be the intermediate vessels.

Senator Croft asked what documentation is available to show that larger vessels take the most advantage of the exemption. Mr. Slater stated it is very difficult to document this. He stated their figures are based on size of gear licenses.

Mr. Slater stated there has been a 15% increase in sales of fuel each year and there has only been a 6% increase in the tax.

Senator Butrovich stated the Governor's bill does not suggest eliminating the 10% exemption and asked what the Department recommends. Commissioner Harris stated the Department recommends the 10% exemption stay in. He stated the reason for this is to arrive at a compromise position and make some allowances for heating fuels for people that have to provide heat inside their vessels.

Senator Butrovich asked why the Resources Committee recommended a 30% exemption and Senator Croft stated he believes it was to provide for larger vessels, such as crab boats, that need the additional fuel to provide for circulating sea water for their live tanks and, therefore, take additional fuel. Senator Tillion stated this was correct, but while these vessels are non-propulsion they are tied up to the docks and causing wear and tear to the floats.

Senator Tillion moved that the original bill for Senate Bill 149 be passed from Committee with individual recommendations. There being no objection, it was so ordered. SB 149 MOTION

Chairman Sackett moved that SB 103 (act concerning the oil and gas properties production tax) be brought up for discussion. There being no objection, it was so ordered. SB 103

Mr. Messenger stated the Department is in favor of the concept of the Bill. He stated the proposed resources Committee Substitute contains sections from both the original bill and the Governor's bill (Senate Bill 238). Mr. Messenger stated there are several things in the Committee Substitute the Department is opposed to. He outlined these items and advised he will present a memo on recommended changes.

Mr. Williams stated there are a number of technical changes in the Committee Substitute that are going to create additional problems. He outlined these changes. They will also be included in Mr. Messengers Memo on recommended changes.

Senator Orsini stated the unknown quantity is what the FEA is going to do. He asked if passing oil and gas bills might not just be a waste of time and questioned whether or not the Legislature would have to pass other legislation next year. Mr. Messenger stated it is because of this uncertainty that the State should pass this legislation in order to protect itself.

Senator Orsini asked about this legislation in light of President Carter's speech of April 19, and Mr. Williams read an excerpt of an attachment to that speech regarding Alaskan oil (see attachment #2).

Mr. Williams stated there is no provision in the committee substitute for a gas flaring tax. Chairman Sackett stated that since the committee substitute does not even address this, existing law would remain in effect. Mr. Williams stated there is no gas flaring tax at the present time. Senator Tillion asked if the gas flaring tax were added to the Committee Substitute, if Mr. Williams thought this bill was superior to the Governor's bill. Mr. Williams stated that if the other technical changes were made it would be superior in terms of solving some of the economic loss.

Senator Croft asked what amount of gas would no longer be flared if the tax were passed. Mr. Williams stated that immediately we would probably not see a great reduction of flaring.

The meeting recessed at 9:56 a.m.

RECESS

CSSB 167

<u>Beverage</u>	<u>Current tax/gal</u>	<u>Proposed</u>	<u>Incr</u>	<u>Galons/1975</u>	<u>Add'l Revenue</u>
Beer	.25	.325	.075	8880.3	666.0
Wine				873.3	
Light	.60	1.00	.40	436.6	174.6
Heavy	.60	1.35	.75	436.6	327.5
Dist. spirits	4.00	5.00	1.00	1,359.4	1,359.4
Total tax increase					<u>2,527.5</u>

in an attachment to

The following is the text of President Carter's speech tonight (April 20th) insofar as it pertains to Alaska North Slope oil pricing:

"Inclusion of North Slope oil in the domestic composite price under the current provisions of EPCA would introduce a degree of unnecessary uncertainty into domestic crude oil pricing. This is because of the large volume of new Alaskan oil that would initially be moving into the composite average at a wellhead price anticipated to be considerably below the current average. Under the proposed amendments and extensions of the EPCA, this problem would be eliminated. The \$5.25, the \$11.28 and new oil pricing tiers, adjusted for inflation, would be substituted for the composite average limitation. Alaskan oil would be subject to an \$11.28 wellhead ceiling price, but would be treated as foreign oil for purposes of the entitlements program. New Alaskan oil finds would be subjected to the new oil wellhead price."

SENATE FINANCE COMMITTEE

April 21, 1977

1:40 p.m.

Attendance was the same as in the morning except Senator Meland was in attendance. PRESENT

Chairman Sackett recalled the meeting to order and stated discussion would continue on SB 103 (oil and gas properties production tax). SB 103

Senator Croft introduced Dale Teel, President of Anchorage Natural Gas. Mr. Teel stated they have had a 23% and a 15% rate increase recently. He stated that passage of this legislation would insure another rate increase. He stated there did not seem to be a reason for the tax and recommended the Legislature not impose a tax on natural gas.

Senator Tillion asked what percentage of gas is used for residential consumption. Mr. Teel stated that 40% or more is used in Alaska.

Mr. Larry Uaura, Union Oil Company, read a statement from Larry Wilson, Associate Tax Council for Union Oil. See attachment #1.

Mr. Mark Singletary, Regional Attorney and Legislative Council for ARCO presented testimony before the Committee. He stated their tax rate is already higher than anywhere else in the country. He stated their Prudhoe Bay operation will be only average and by no means unique within oil producing properties in this country. He stated that since the State has a surplus budget at this time, he cannot see the need to impose this tax for additional revenue. He recommended equalizing the tax burden, rather than taxing just the oil companies.

In terms of the specific bill, Mr. Singletary stated it is neither good nor bad. He stated the tax rate would be of concern no matter what the rate was. He stated they are concerned with the Economic Limit Formula. Mr. Singletary remarked that if the Legislature feels a tax increase is warranted then this bill is as good as any for that purpose, but he would suggest it be revamped to make it more meaningful.

Mr. Kent Showalter representing SOHIO presented testimony to the Committee. He stated he agrees with testimony presented by others this afternoon.

Mr. Showalter stated that one issue of importance is how Congress will react to Alaska's oil. He stated he feels the state is taking an inconsistent position in both Washington and Juneau. He advised it is his understanding that Congress will begin acting on oil on May 3rd.

Mr. Showalter stated he has trouble understanding how the State can change taxes so quickly. He stated that in effect their oil will be competing with foreign oil. He stated that with higher prices for oil there is no incentive to explore further for oil. He presented a hand-out concerning the effect of the proposed tax increases (see attachment #2).

Mr. Messenger presented his memo of April 21, with recommended changes to CSSB 103. See Attachment #3.

Chairman Sackett requested Mr. Messenger to answer the question in Mr. Wilson's testimony "Is the statutory presumption of 100 barrels, before or after royalty? Is 'total production during the month' before or after royalty?" Mr. Messenger stated it would be after royalty.

Chairman Sackett asked Mr. Williams to explain how they will calculate when a sizeable amount of gas is associated with oil production (Mr. Wilson's comments on page 2 of his testimony). Mr. Williams stated there are some costs that are unique to oil and some that are unique to gas. He stated that costs that fall in between should be apportioned and that he would recommend this be done on a case by case basis rather than make an attempt to legislate.

Senator Croft asked Mr. Messenger if items D, E, F and H in his Memo were the technical changes he mentioned earlier in the day. Mr. Messenger stated they were. Discussion on items in the Memo.

Senator Croft moved that the Finance Committee put out a committee substitute including items D, E, F, and H of Messengers' Memo and that they be added to the Resources Committee Substitute. He further moved the Finance Committee Substitute be put out with "individual recommendations". There being no objection, it was so ordered.

FINANCE
CS FOR
CSSB 103
MOTION

The meeting adjourned at 2:52 p.m.

ADJOURN

LARRY WILSON
TESTIMONY BEFORE THE
SENATE FINANCE COMMITTEE
APRIL 21, 1977

I have had less than 24 hours to review a draft of this bill which contains interlining, ~~posted on~~ amendments and other notations which are unclear as to meaning.

Alaska's severance tax law is already by far the most complex in the country. This bill, which attempts to piece together ^{two} ~~to~~ separate bills, introduces a further complex concept which is far from clean in meaning and application.

It is not at all clear to me nor to Union's engineers, how the so-called "Economic Limit Factor" is to operate. In fact, ^{the TVMS} ~~reserves~~ used in the formula are not even clear.

- (1) ~~The formula says, P.E.L. means the "production rate at the economic limit." Is this a daily rate? A monthly rate? See section 013(c) as renumbered, where the word "monthly" is used in connection with the production rate.~~
- (2) Is the statutory presumption of 100 barrels, before or after royalty? Is "total production during the month" before or after royalty?
- (3) Production at the economic limit really means how many net barrels to the producer, times the value of the barrels, will equal the cash expenses for the same measuring period (for example, one month).

To arrive at a per day production rate, one first has to know the amount of expense and divide it by the value per barrel to get the number of barrels it takes to equal the expense. Those barrels are then divided by the number of wells, and then by the number of days in the month. Presumably, this is what is meant by "P.E.L." in the formula. But the well days in "P.E.L." will not necessarily be the same as the "well days" (W.D.) in the numerator of the exponent because in actual operation, some wells will not operate every day of the month. *

We at Union have had no opportunity to do anything but work this formula out on a very simplified example. It was there that we began having problems in interpreting just what these terms really mean. What happens, and how does one calculate under a formula, when there is a sizeable amount of gas associated with oil production? Frankly, we do not know at this point how this is done and it is an important detail which has to be thought out.

I am aware that some sort of computer run has been made using these formulas. I was given one on Wednesday, April 13, when ten percent tax and a 75¢ per barrel "floor" was being considered. That analysis raised Union's tax to a level of 12.7%. The latest one I received (about an hour ago, as this is being written) shows an effective rate of 11.0%. Assuming that the percentage is accurate (and we have not had time to check it out ourselves) and when the property tax is considered, this raises Union's tax

burden in Alaska to unreasonable levels. Since January 1, 1974, Union and other Cook Inlet producers have borne the brunt of the onerous cents per barrel tax, which has steadily risen while our oil values have remained virtually unchanged.

When I last checked it, about a year ago, Union and the other companies for whom Union reports severance taxes, had already paid over five million dollars in added taxes due to the cents per barrel mechanism which was supposed to be a protective device to the State rather than a means of obtaining a windfall.

In this bill, the cents-per-barrel rate is set at 65¢, but it becomes 69¢ per barrel when adjusted for a 35 degree oil. We wish to register our continued objection to the use of the so-called "floor" device which has effectively set a level which reflects an effective rate which is unreasonably high compared to our control price of around \$4.85 per barrel.

As noted, the economic limit factor is presumed by statute to be 100 barrels unless proven otherwise at a hearing by "clear and convincing" evidence. As I explained to the Senate Resources Committee, the "ground rules" for determining "economic limits" are unrealistic. In the original version of SB 238, one had to devise operating costs (limited ~~for~~ ^{for 70-80%} stated expenses) by a per barrel value based on comparable oil at the West Coast back to the wellhead. For Union, this meant Indonesia crude valued at about \$14.50 per barrel on the West Coast, less about \$1.00 for transportation to Cook Inlet.

CS for SB 103 uses the same rules on operating expenses (Section 013(d)) but the "value" can be divided into the operating expense, now ^{CAVS} apparent to be ~~in~~ Section 013(d). ¹ [?]
 ~~Sect 013 (e)~~ ⁱⁿ ~~Section 013(e)~~ has apparently been lifted from another (e) [?]
 part of the law and inserted as the way or the means of identifying what the "value" is to be, which is to be divided into the operating expense. However, it is far from clear just what it is that 013(e) provides in the context of a "value" to divide into operating expense.
 Section 013(e) refers to "gross value"; see Section 013(c) as renumbered, which referred simply to "value".

The "value" to be divided into the operating cost, has to be the value which the producer actually receives but Section 013(e) is far from clear in pinning this down.

A glaring deficiency in the bill is the limitation of operating expenses to the four listed in Section 013(d) and also in 013(g) in connection with gas. Union's engineers strongly disagree with this approach as being totally unrealistic. The operating expenses to be considered are generally any cash expenses that would be affected by a decision to produce or not to produce.

The four listed as being allowed are only a part of the proper expenses. This feature of the bill must undergo change to accord with reality in the oil business. If ^{such as} ~~structural~~ limitations were put in the law, it could produce rather strange and distorted

results. Can anyone really argue with the fact ^{that} payment of the severance taxes on production or property taxes on equipment are expenses to be reckoned with in determining the economic limits?

Without changes to the method of determining economic limits to accord with reality, the method is of little value to give meaning to the concept. If a taxpayer is to have a fair and adequate hearing on a matter as important as the economic limit is to the formula and the tax payables, then the rules should be spelled out clearly to avoid endless argument.

The 6.4¢ per MCF floor price on gas will obviously raise Union's effective rate of tax far above the 10% of value stated in the bill. For example, for gas sold at about 42 cents, the effective rate would be over 15% and it does not appear that the economic limit factor would assist much in lowering this.

We believe it is not warranted to accelerate the payment date to the 20th of the month. It is already a strain on the producers to get returns filed by the end of the month, where the data has to be processed out of the state. Only ten days is gained from this, and we see no need for compounding an already existing administrative problem.

In summary, we believe a lot more thought has got to go into this bill. Union engineers, while not having time to run detailed calculations, have determined preliminarily that even

when the economic limit approaches as much as three-fourths of the total production (for example, ~~400~~, total production of 1,200 and an economic limit of, say, 800 or 900) the effective rate could still be over ten percent for the producer. Again, we were not totally sure of the meanings of all the formula terms, but the overall effect of the formula seems to keep the effective rate high, even when the economic limit is high in relation to production. Obviously, more time has got to be spent in determining this with more certainty.

PRUDHOE BAY
EFFECT OF PROPOSED SEVERANCE TAX INCREASES
CSSB 103

(In Millions)

Oil Revenues*	=	\$139,146	
Oil Tax @ 7.7%	=	10,714	(Current Rate)
Oil Tax @ 12.0%	=	16,697	(Proposed Rate)

Increase on Oil = \$ 5,983

Gas Revenues**	=	\$ 20,700
Gas Tax @ 4%	=	828
Gas Tax @ 10%	=	2,070

Increase on Gas = \$ 1,242

INCREASE ON BOTH OIL AND GAS = \$7,225 +62.2%

* 1977-2005, From Wainwright Securities 4/1/77 Report

** Assumes 23 trillion CF Total Production at a constant \$1.00 per MCF Wellhead Price.

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

POUCH 5 - JUNEAU 99011

JAY S. HAMMOND, GOVERNOR

April 21, 1977

The Honorable John Sackett
Chairman
Senate Finance Committee
Alaska State Legislature
Juneau, AK 99811

Dear Senator Sackett:

We recommend the following changes in CSSB 103:

A. p. 1, 1. 24 - Replace "\$.65" with "\$.9375", which is 12.5% of \$7.50.

B. p. 2, 1. 7 - Insert a subsection (a) to read as follows:

"(a) The amounts set out in sec. 11(c) and sec. 16(c) of this chapter shall be increased or decreased by a percentage equal to the percentage of change in the Gross National Product Deflator published by Bureau of Economic Analysis of the United States Department of Commerce. Changes in tax rates will be computed based on changes in the Gross National Product Deflator from that of the First Quarter 1977 Gross National Product Deflator. The department shall post the changes in the tax rates periodically and shall notify every person producing oil within the state of the changes."

Present language would be retained as subsection (b).

C. p. 2, 1. 8 - Insert "as adjusted by (a) of this section" between "chapter" and "applies".

D. p. 3, 1. 3 - Put a "." after paid, deleting the remainder of that sentence and replacing it with the following sentences:

"The taxpayer may rebut this presumption at a formal hearing under AS 43.05.420 by providing clear and convincing evidence of a different monthly production rate at the economic limit for the lease or property. The hearing shall be held before February 15 of the year or within six months after commencement of oil production for a lease or property."

E. p. 3, l. 10 - Delete the "." after "section" and add the following:

"and shall be used for purposes of this section for all oil production during that calendar year from the lease or property."

F. p. 3, l. 14 - Amend the line to read as follows:

"direct operating costs include production supplies, purchased fuel, routine mainte-"

G. p. 3, l. 24 - Amend subsection (e) to read as follows:

"For purposes of this section, oil production shall be valued on the basis of the prevailing acquisition cost C.I.F. at West Coast refineries for imported oil of like quality, minus the reasonable cost of transportation between the point of production of the oil from the lease or property and those West Coast refineries."

H. p. 3, l. 28 - Insert the word "gas" between "of" and "production".

I. p. 4, l. 25 - Between "field" and "." insert "or some other field within 100 miles in the state".

J. p. 7, l. 6 - Replace "." with ";" after month and add the following:

(13) "gross value at the point of production" means:

(A) for oil, the value of the oil at the point where it is metered or measured (by automatic custody transfer meter, tank gauge, or other method approved by the commissioner) in a condition of pipeline quality on the premises of the lease or property from which it is recovered; however, if the oil is not of pipeline quality when it is removed from the premises of the lease or property from which it is recovered, or if the oil recovered from a lease or property is not metered or measured (by automatic custody transfer meter, tank gauge, or other method approved by the commissioner) on the premises of the lease or property from which it is recovered, then the gross value at the point of production is the value of that oil at the off-premises location where the oil is first metered or measured (by automatic custody transfer meter, tank gauge, or other method approved by the commissioner) in a condition of pipeline quality;

(B) for gas recovered from or in association with oil, the value of the gas at the point where it is accurately metered or measured after separation from the oil; for gas run through a gas processing plant, the gross value at the point of production is the full consideration received by the producer for the gas if sold in an arm's length transaction or, in the absence of an arm's length transaction, is the sum of the value of the liquids extracted from the gas at the plant and the value of the residue gas, less a reasonable allowance for processing the gas at the plant and for transporting the gas to the plant from the premises upon which the oil production operation is conducted; and

(C) for gas not recovered from or in association with oil, the value of the gas at the point where it is accurately metered or measured or the value of the gas at the point of sale, if any, on the premises of the lease or property from which the gas is recovered, whichever is the higher value; for gas run through a gas processing plant, the gross value at the point of production is the full consideration received by the producer for the gas if sold in an arm's length transaction or, in the absence of an arm's length transaction, is the sum of the value of the liquids extracted from the gas at the plant and the value of the residue gas, less a reasonable allowance for processing the gas at the plant and for transporting the gas to the plant from the point where it was accurately metered or measured;

(14) "oil production operation" means the operation by which oil is recovered from a lease or property and rendered into oil of pipeline quality, and includes any gathering done before the oil is finally tendered into oil or pipeline quality;

(15) "pipeline quality" means good and merchantable condition.

A section should be added to CSSB 103 between the present sections 2 and 3 to make the following technical amendment:

*Sec. 3. AS 43.55.020(e) is amended to read:

(e) Gas produced and used, except gas used in the operation of a lease or property in drilling for or producing oil or gas, or for repressuring, is considered, for the purpose of this chapter and in the amount used, as gas produced [REMOVED OR SOLD] from a lease or property.

April 21, 1977

We suggest adding to that section further language to restore the gas flaring tax:

"Gas flared under a permit granted by the Department of Natural Resources under AS 31.05.170(11)(H) is considered as gas produced, except that it is subject to a tax equal to twice the tax computed under sec. 16 of this chapter as adjusted by sec. 12 of this chapter per thousand cubic feet of gas for the month in which the gas was flared."

Very truly yours,


John R. Messenger
Deputy Commissioner

SENATE FINANCE COMMITTEE

April 22, 1977

8:10 a.m.

Chairman Sackett convened the meeting at approximately 8:10 a.m. All committee members were present. Also in attendance were Representative Cowper; Representative Beirne; Rodger Pegues, Assistant Attorney General; Mary Elsner and Palmer McCarter from the Department of Community & Regional Affairs; Bruce Boyd, Management Consultant from Fairbanks; Phil Nash, CSEA; Jay Hogan, Director, Division of Legislative Finance; Mike Harmon with the AP; Ed Hein from the Anchorage Times; and Judy Crondahl, Administrative Assistant to Senator Sackett.

PRESENT

Chairman Sackett moved that House Bill 117 (Act relating to legislative appropriation process) be brought up for discussion. He advised that Representative Cowper was present to testify on behalf of the bill. Representative Cowper stated that Alaska will have substantial surplus funds during the coming years and concern has been expressed that the operating budget be kept within limits. In 1974 the Federal government passed a law requiring Congress to set a budget ceiling by resolution. Passage of this law has had a dramatic effect in the sense of Congressional approach to the Federal budget.

HOUSE BILL
117

H.B. 117 provides that the legislature establish by concurrent resolution by the 45th legislative day, a ceiling on general fund expenditures for the budget year. The resolution would have to be introduced in the house where the budget is first introduced and the budget should be calendared by the 90th day. Representative Cowper advised that he didn't believe the bill was a panacea, but did think it was a step in the right direction.

Senator Orsini inquired as to how the bill would handle situations such as the Anchorage earthquake or the Fairbanks flood. Representative Cowper advised that the legislature would have to amend the resolution or issue a superseding resolution in the event of such a disaster. He advised that the purpose of the resolution was to signal to the public what the ceiling was going to be and he didn't anticipate any problem with the resolution should a disaster situation arise, although it might be appropriate to amend the bill to provide for such an event. Senator Tillion advised that he had been present at all special

legislative sessions and didn't see any problem regarding the disaster situation, adding that the legislature is capable of working it out. Senator Orsini advised that he too believed the legislature could work the problem out but thought perhaps it might be tying its own hands by passage of the bill. Senator Croft advised that Section 1 refers to a resolution which has no binding effect. It is not a law; it is a resolution.

Senator Croft stated that there is approximately 100 million dollars in FY 77 legislation that is not in the budget and inquired as to what impact this would have when the ceiling is set under the proposed bill. Representative Cowper replied that the bill states that the legislature shall establish the total amount of general funds that will be appropriated during the fiscal year. He assumed that new legislation that has a fiscal note would be included. Senator Orsini asked if there would be any problem with disagreement between the houses over the amount of the ceiling. Representative Cowper said it was possible that the bill would not work, that in order for it to function properly, it would require cooperation among the individuals involved. This approach has worked for the Federal government and should work for the state. He added that he especially liked the idea because it focuses on income.

Chairman Sackett moved that Senate Concurrent Resolutions 13 and 14 (Annulling regulation limiting costs for hospital construction under Revenue Sharing and annulling regulation requiring builder of hospital or health facility to apply for state Revenue Sharing) be brought up for discussion and advised that Dr. Beirne was present to testify on behalf of the Resolutions. Dr. Beirne advised that he caused the above resolutions to be introduced into the Senate because he believed the regulations that they annul are contrary to law. He stated that at the time the regulations were adopted, he felt they were contrary to law. He wrote the department asking that the regulations not be implemented, but the department effected them nonetheless. He added that he then consulted an attorney. His attorney, Mr. Schlosberg felt he had alternative solutions to his problem; he could either go to court or submit a resolution to the legislature. Dr. Beirne said he chose the legislative route and, accordingly, had the resolutions introduced. He stated that the regulations are either contrary to the law or in compliance, and he believed them to be contrary. He further added that he felt that if the department has a problem with the law, it should move to change the law, not write regulations around it.

SCR 13 & 14

DR. BEIRNE

Dr. Beirne stated that Resolution 13 deals with total project costs, advising that any hospital in the state undergoing construction has the right to apply for Revenue Sharing moneys up to 25% from state match. He advised that he had applied for these moneys and the department wrote regulations which prevented him from getting the funds. He added that the department has tied total project costs to Hill-Burton requirements. He advised committee members that the state had not stopped his hospital construction project, only slowed it down.

Dr. Beirne stated that Resolution 14 deals with the ability of the project sponsor to either apply directly to the state for these funds, or apply through a municipality. He advised that the law said he could apply directly to the state or go through the local government. He stated that he did not apply through the local government but directly to the state. Later, the department wrote a regulation stating that a sponsor could not apply directly to the state. He advised that he believed the above action to be contrary to law.

Senator Orsini inquired as to whether or not Dr. Beirne intended to pursue damages against the state due to delays caused in construction should the resolutions pass. Dr. Beirne replied that he did not intend to pursue damages; he was just interested in getting his project completed, adding that he had made other arrangements and proceeded without state aid. He advised that if the regulations passed, he would be eligible for approximately 200 thousand dollars from the state. He further added that the law had been on the books for years with no regulations, but now, suddenly, regulations were written to block this project.

Senator Meland asked Dr. Beirne what reason the department had given for wanting to change the regulations. Dr. Beirne replied that the department never gave him a reason, but stated only that the law did not cover the subject adequately.

Senator Croft referred to Resolution No. 13 stating that it limits allowable costs to Hill-Burton requirements. The department had an Opinion from the Attorney General in 1972 saying that it was authorized to limit these costs. He added that the department had limited the costs and as a consequence the Lake Otis project was deleted, but it was really no different than other projects. Dr. Beirne acknowledged that the department had received the Opinion but he didn't believe the Opinion to be correct, adding that it is "wishy-washy." He further added that the last hospital to benefit under the program was Soldotna and they had many difficulties establishing their costs. The department could have gone to the

legislature and asked for a definition of the law and clarification rather than resorting to regulations.

Senator Croft referred to Resolution No. 14, pertaining to eligible applicants. He advised that this regulation is based on passage of the certificate of need legislation. The department now appears to be required by law to use the certificate of need to determine which applications are appropriate. Dr. Beirne stated that the law says that an applicant can apply directly to the state or through the municipal government, and he didn't feel the certificate of need changed the law. He added that he did not get a certificate of need for his project because he had grandfather rights going back several years.

Mr. Pegues appeared before the committee to answer questions regarding the resolutions. Senator Orsini stated that one of the muddying effects relating to the problem was due to the transfer of the distribution of Revenue Sharing function from HESS to Community & Regional Affairs. He advised that it appeared that when the function was shifted from one department to the other, existing regulations were not adopted. He asked if this was the usual case. Mr. Pegues replied that usually the regulations are transferred with the function where there has been a continuous application of the law.

SCR 13 & 14

MR. PEGUES

Senator Croft referred to Resolution 13 pertaining to the Attorney General's Opinion from 1972, and asked if Mr. Pegues had looked over the Opinion that says the department could interpret costs. Mr. Pegues replied that politically the Opinion probably could have been stronger, but there has been a policy within the Dept. of Law saying that opinions should not be too strong. The Attorney General's position is that the law has been continuously applied as appropriate for differing circumstances by different agencies.

Regarding Resolution No. 14, pertaining to the certificate of need, Mr. Pegues stated that a problem has developed regarding the certificate. It was felt that the local government was the best body to determine local hospital needs. Senator Croft stated that Dr. Beirne has said there is a provision which allowed him to go directly to the state. Mr. Pegues replied that he believed this provision pertains to areas like Glennallen where there is a need for hospital services but the need is not within a municipality. Senator Croft asked that Mr. Pegues furnish the committee an Opinion as to why he believes this provision is limited to areas in the state not included within municipalities.

Mr. Palmer McCarter next appeared before the committee advising that he represented the Division of Community & Regional Affairs, the agency having responsibility for Revenue Sharing funds. He advised that Senate Bill 474 which passed the legislature last year mandated that the department adopt regulations to establish minimum standards for various categories including hospital construction. CRA went to the departments that sign off on applications as they come in from the municipalities. The category dealing with health was sent to HESS. Basically, HESS indicated that all projects approved by it for participation in Revenue Sharing had met Hill-Burton requirements with the exception of the Lake Otis project. No other hospital has been allowed costs other than those included within Hill-Burton standards. The department put into writing what had always been the standard used by HESS. (Land acquisition and financing costs are not eligible under Hill-Burton.) The department feels that Resolutions 13 and 14 will annul regulations mandated by the legislature last year.

SCR 13 & 14

McCARTER,
CRA

Senator Orsini asked if it wouldn't have been a simple matter for the department to say that applications shall meet Hill-Burton standards and allow for land acquisition and financing costs. Mr. McCarter replied that the department could have done that, but doing so would not have established regulations along the standards under which the department had previously been operating. He advised that the regulations were adopted in accordance with the legislative mandate.

Regarding Resolution No. 14 dealing with facility sponsors, Mr. McCarter advised that the only exception to this regulation related to local fire departments. Fire departments that are not located within municipalities should be able to apply directly to the state. The department has also applied this provision to hospitals where there is no municipality involved.

Mr. McCarter advised that the department sent the regulations to the Attorney General's Office for review. The department also held public hearings, mailed copies of the regulations to legislators and native corporations as well as municipalities. No one had any objection to them aside from Dr. Beirne. When Dr. Beirne objected, the department sent a copy of the regulations and Dr. Beirne's letter to the Department of Law asking for an opinion as to whether there were problems with the regulations. The Department of Law stated that it saw no problem with the manner in which CRA was operating. Lake Otis had not properly applied

for the funds since the application had not gone through the municipality.

Senator Sackett referred to the fiscal note stating that it indicated that other hospitals might apply for land acquisition and financing costs should the resolutions pass. He asked Mr. McCarter if he had any idea how much this might ultimately cost. Mr. McCarter replied that the fiscal note referred only to Lake Otis funding if the regulations were not applied, and added that the department does not take the position that Lake Otis is entitled to these funds. The fiscal note simply gives an estimate as to what Lake Otis would have coming should the project go to court.

Dr. Beirne responded to Mr. McCarter's statements advising that he had spoken with the Soldotna hospital administrator and the administrator showed him costs indicating that Soldotna had included everything. Mike Bradner has previously testified that the Fairbanks Hospital used everything but the land (which was donated by the city) as costs in their project.

SCR 13 & 14
BEIRNE'S
RESPONSE TO
McCARTER

Dr. Beirne next advised committee members of the difficulties he had encountered before the Health Planning Council in Anchorage. Dr. McGinnis (then Commissioner of Health & Social Services) had advised Dr. Beirne to apply through the municipality. Dr. Beirne applied to the Health Planning Council for the City of Anchorage (composed of administrators and staff from hospitals in the Anchorage area), and the Council concluded that there was no need for the additional beds proposed by the Lake Otis project. The Council made it impossible for the project to obtain a certificate of need through the municipality. Dr. Beirne added that since rejecting his application, both the Teamsters and Providence hospitals have added beds in excess of the number he had applied for.

Senator Tillion asked Dr. Beirne if he had a construction schedule. Dr. Beirne replied that he did, but due to the lack of state moneys, the project has been delayed a year. He advised that he has secured a hospital consultant in San Francisco who has produced an updated feasibility study. With the feasibility study the project can now go to lending institutions and secure financing.

Senator Meland asked what would happen if the legislature does not pass Resolutions 13 and 14. Dr. Beirne replied that if the resolutions do not pass it would not affect the project materially at all. The project will have been denied 200 thousand dollars but it will still proceed. He added that he would like to see the resolutions passed, advising that the regulations almost stopped

the project because it did not have funds to purchase the feasibility study necessary to obtain financing. Dr. Beirne stated that he has currently put about a million dollars into site improvement and building foundation.

Senator Tillion asked Dr. Beirne what would happen concerning the court case should the legislature pass the regulations. Dr. Beirne replied that his attorney had advised him that his position is very good and there is no problem in filing against the Attorney General's Office.

Senator Orsini asked Mr. McCarter what the effect would be upon the fiscal note should Resolution 13 fail and Resolution 14 pass. Mr. McCarter replied that in the above situation the Lake Otis project would come directly under Hill-Burton and could apply. He advised he would have to review the fiscal note further, stating that he felt the hypothetical situation would reduce the note somewhat, but advising committee members that he would have to get back to them with more information following review.

Senator Tillion introduced Mr. Phil Nash (CSEA) advising that he was before the committee to testify concerning Senate Bill 148 (Child Support Enforcement). He advised that the bill was not yet before the committee but Mr. Nash was in Juneau from Anchorage to testify before another committee, and had asked to testify before the Finance Committee at this time. Mr. Nash distributed folders containing copies of the committee substitute proposed by the Senate Judiciary Committee to committee members. He also provided a position paper from the Department of Health & Social Services (copy attached).

SB 148
Mr. NASH

Mr. Nash stated that the committee substitute is composed of several parts. It provides for failure and remedies relating to that failure of the custodial parent to allow visitation rights to the non-custodial parent. It adds a new section from the Uniform Reciprocal Enforcement Act which would allow application of support orders from other states within the State of Alaska. It would open IRS records to the department for the purpose of establishing the whereabouts and employment status and earning level of absent parents so the court can determine appropriate support payments. It would open the criminal justice records to determine whether or not the absent parent is still located within the State of Alaska and his employment status. A most important portion provides for administrative review in enforcing child support orders and the means for enforcing payments. He further added that the bill puts the onus on the non-custodial parent to come to the Enforcement Agency for a determination of

support payments rather than going to court. The individual still has the right of appeal to the court in the event he is not satisfied with the arrangement worked out with the department. This arrangement would quite effectively reduce the workload in the Superior Court.

Mr. Nash advised that the department currently has 11,000 cases on file. Of these cases, approximately 5,600 are problem cases. Support arrearages resulting from filed cases is over 9,000,000.

Senator Butrovich questioned Mr. Nash concerning handling of welfare cases by the department. Mr. Nash advised that Federal law gives the department the right to perform services for welfare cases and anyone else who requests these services; those that can afford the services are charged for them, and for those who cannot afford the services there is no charge.

Senator Butrovich asked if the department could collect arrearages in a situation where one parent is in Alaska and the other located outside the state. Mr. Nash replied that the department is able to assist in this situation and has collected a little over 2,000,000 so far. Mr. Nash added that in the above situation, the custodial parent could come to the department for assistance in obtaining support arrearages rather than having to see a lawyer and file for a judgment through a court proceeding.

Senator Tillion advised that there had been some problems in the child enforcement area and the collection function was being moved from Health & Social Services to the Department of Revenue.

Senator Butrovich advised that he felt the bill was an improvement over the current system but he had received a lot of letters from people who come under the act and they have a number of problems with the bill.

Chairman Sackett asked Mr. Nash if he had a fiscal note. He replied he did not but believed the program would be a savings over what the state now has, adding that it would not be an increase over what is now budgeted, and may even effect a decrease.

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

ADJOURN

APRIL 25, 1977

SCR 13 & 14

JUDY,

SPOKE WITH ROD PEGUES THIS DATE REGARDING
THE OPINION SENATOR CROFT REQUESTED
PERTAINING TO ATTORNEY GENERAL'S INTERPRETATION
THAT APPLICATION DIRECTLY TO THE STATE VS.
CERTIFICATE OF NEED/MUNICIPALITY ROUTE FOR
APPLICATIONS TO CRA FOR HOSPITAL CONSTRUCTION
REVENUE SHARING APPLIES ONLY TO PROJECTS WHICH
ARE NOT LOCATED WITHIN MUNICIPALITIES. MR. PEGUES
SAID HE WOULD HAVE TO GET TOGETHER WITH MR. McCARTER
FROM CRA AND WOULD HAVE THE OPINION AS SOON AS
POSSIBLE, ALTHOUGH HE COULD NOT PROMISE THAT IT
WOULD BE AVAILABLE BEFORE THE CLOSE OF THE
SESSION.

kh

POSITION PAPER
CS FOR SENATE BILL 148
"An Act Relating to Child Support Enforcement"

The Committee substitute for Senate Bill 148 addresses several topics of immediate concern to the administration of child support matters in the State of Alaska.

(1) The modification of the Uniform Reciprocal Enforcement of Support Act, Chapter 25, Title 25:

(a) To amend existing statutory requirements of that Act to conform to the transfer of certain duties from the Clerks of Court to the Child Support Enforcement Agency as required specifically and by implication in Chapter 23, Title 47, (Chapter 251, Laws of Alaska, 1976);

(b) To amend existing statutory requirements of that Act to clarify and expedite the obtaining of jurisdiction over the obligor; and

(c) To include the registration of foreign Support Orders.

(2) The modification of the Child Support Enforcement Agency Act, Chapter 23, Title 47, to clarify the legislative intent and to conform statutory procedures to the Rules of Civil Procedure and Alaska's Common Law.

(3) The modification of the Child Support Enforcement Agency Act, Chapter 23, Title 47, to establish, define, or clarify: parental obligations; duties of the Agency; determination of paternity; uniform fee schedule; reimbursement of welfare; subrogation or assignment of court ordered child support to the Agency for welfare recipients; administrative recovery of welfare administrative determination of the financial responsibility of absent parents subject to review by Administrative Hearing Officer and the Superior Court; and Execution in satisfaction of administratively determined support obligations.

(4) The modification of the Criminal Justice Information Systems Security and Privacy Act, Chapter 62, Title 12, to provide access to the Criminal Justice Information System by the Agency for child support enforcement activities only.

(5) The modification of the Act relating to the Administration of Revenue Laws, Chapter 5, Title 43, to provide access by the Agency to state revenue reports and returns for child support enforcement activities only.

(6.) The modification of the Child Support Enforcement Agency Act, Chapter 23, Title 47, to transfer the Agency from the Department of Health & Social Services to the Department of Revenue.

(7) The creation of specific civil and criminal remedies for refusal or bad faith interference by the custodian with the rights of custody and visitation granted by a court.

The most significant part of the proposed legislation is referred to in paragraph (3) above.

It would limit the cases assigned to the Agency by the courts in the future to only those cases where there has been a specific application for the Agency services or the custodian is a recipient of AFDC. Provisions authorizing the establishment of a uniform fee schedule to be charged against the obligor for late payments and non-sufficient fund checks are included.

Existing legislation concerning the establishment of paternity conflicts with federal law. The Bill provides for the determination of paternity either on application of the mother or where the children are welfare recipients. The Agency would be precluded from establishing paternity in cases involving incest, forcible rape, adoption, or where it would not otherwise be in the best interests of the child.

The proposed legislation provides for statutory authority for the Agency to seek reimbursement from the obligor for welfare paid to a child, limited by the amount of child support previously ordered by the Superior Court. (This is presently accomplished only by contract with the recipient.) It provides means for the Agency to collect welfare reimbursement by administrative processes. Where there has been no previous Superior Court Order, the Agency could establish the amount of the Child Support obligation from standards established or those used by the Superior Court, unless the obligor demands a hearing by an Administrative Hearing Officer or by a Superior Court. The Bill then provides for the establishment and satisfaction of liens and garnishment for child support by administrative process, subject to disapproval by the Superior Court.

The most important portion of the Bill identified in paragraph (1) above concerns extradition, bail, intra-state cooperation for location investigations, and registrations of foreign Support Orders.

Criminal non-support is a misdemeanor in Alaska, and obligors cannot be brought back to this state to answer for those charges. In many other states, however, it is a felony, and Alaska must return the individual to the requesting state. The Bill would provide that where an obligor submits to our jurisdiction for civil child support matters he would be relieved of extradition.

The existing state law provides that under certain circumstance, an obligor may be arrested when a reciprocal action is served, but it does not provide for the release of the person. Judges are, therefore, reluctant to issue a bench warrant and those obligors evade detection. The Bill provides that the obligor may be released upon his own recognizance, or upon giving bond in an amount set by the Court to assure his appearance at the hearing.

The existing law provides that the Department of Health and Social Services is the State Information Agency with the sole duty of compiling lists of courts. The Bill would designate the Agency as the State Information and Locator Agency for all child support matters, and would authorize other Departments of State Government to cooperate in releasing information to the Agency concerning the last known address and last known employer of the obligor, and would require the Agency to keep information received confidential for use only for purposes of child support enforcement.

The Bill would provide for the registration of Child Support Orders from other states, without the necessity of holding another hearing in the courts of this state unless the obligor should desire it. This would relieve court congestion.

The most important aspect of that portion of the Bill identified in paragraph (2) above concerns the modification of the existing statute concerning the reduction of arrearages to judgment to conform with the Rules of Civil Procedure and the Common Law. It would eliminate the unique and apparently conflicting language concerning retrospective modification of Divorce Decrees. It would also return to the previously existing state of the law wherein custody hearings and support hearings were bifurcated, with custody matters handled by private attorneys.

The Department of Health and Social Services generally supports the Bill and strongly recommends its passage, not only as a more effective and efficient method of providing support for the minor children of non-welfare families in this state, but also as a means of reducing the financial impact of otherwise increasing federal and state welfare costs.

Recommended By: Phil Nash
Phil Nash, Administrator
CSEA

April 21, 1977
(Date)

Approved By: Francis S. L. Williamson
Francis S. L. Williamson
Commissioner - DHSS

21 April 1977
(Date)

Comments by the Governor's Office:

By: _____

(Date)

SENATE FINANCE COMMITTEE

April 23, 1977

9:10 a.m.

All members of the Committee were in attendance except Senator Croft. Also in attendance Legislative Finance staff members: Bob Schroeder, Milt Barker, Bob Grogan and Judy Crondahl.

PRESENT

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

BILL
ASSIGNMENTS

SB 269 - Meland
CSHB 72 - Orsini

Senator Meland moved that CSHB 164 (making a 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 requested that Bob Schroeder explain the Bill. Mr. Schroeder explained the differences between the House Committee Substitute and the original Governor's bill.

CSHB 164

Discussion on the change of Adult Confinement at the Third Avenue Annex in Anchorage from \$47,500 in the Governor's bill to zero in the House Committee Substitute. Mr. Schroeder explained this amount was requested to pay for rent of the Annex for six months in 1976. He stated Corrections had been appropriated these monies in FY 76 but they expended them for other purposes. He stated this money could be found elsewhere in their present budget.

Chairman Sackett recommended legislative intent stating that this payment was budgeted in FY 76 but was spent for other purposes and it is the intent that the agency make this payment from the FY 77 budget, using personal services vacancy and making reductions in other line items.

CSHB 164
LEGISLATIVE
INTENT

Senator Meland moved that CSHB 164 be passed out of Committee with a "Do Pass" recommendation. There being no objection, it was so ordered.

CSHB 164
MOTION

Senator Orsini moved that HB 286 (act amending the FY 76 General Appropriations Act) be brought up for discussion. There being no objection, it was so ordered. Senator Orsini stated this is a housekeeping bill. He stated that Budget and Audit determined that statistical methods that were used brought forth figures that were not correct.

HB 286

Senator Orsini moved that HB 286 be passed from Committee with a "Do Pass" recommendation. There being no objection, it was so ordered.

HB 286
MOTION

Chairman Sackett moved that SB 128 (relating to commercial fishing licenses) be brought up for discussion. There being no objection, it was so ordered.

SB 128

Chairman Sackett stated there are two proposed amendments to this bill and stated copies would be made and given to Committee members later in the meeting.

The meeting recessed at 9:50 a.m. and reconvened at 11:10 a.m.

RECESS

Senator Meland moved that HB 166 (making a supplemental appropriation to the Department of Community and Regional Affairs) be brought up for discussion. There being no objection, it was so ordered. Senator Meland advised this is a request for a supplemental appropriation in the amount of \$120,000 for FY 77 for the purpose of funding a contract for legal services with the Alaska Legal Services Corporation.

HB 166

Senator Meland moved that HB 166 be reported out of Committee with "Individual Recommendations". There being no objection, it was so ordered.

HB 166
MOTION

Chairman Sackett moved that SB 128 (relating to commercial fishing licenses) be brought up for discussion. There being no objection, it was so ordered. Chairman Sackett presented a memo from John Farleight, Administrative Assistant, Senate Resources Committee, dated March 18, 1977 concerning recommended amendments. See attachment #1.

FINANCE
CS FOR
SB 128

Senator Tillion stated the purpose of the bill was to combine all fishing license requirements under one single piece of paper. He stated there is also a substantial increase in the license fees. Senator Tillion advised the fishermen's groups endorse this bill and their feeling is the decrease in the paperwork requirements makes up for raise in license fees.

Senator Tillion stated the new subsection (b) in the proposed Finance Committee Substitute (page 3 of attachment) deals with interim use and entry permit fees.

Chairman Sackett asked how much is anticipated in additional revenue due to the increase in license fees. Senator Tillion advised that with the increased fees and the growth factor, the Department is anticipating an addition of approximately \$1 million. He advised the major increase is in license fees for non-resident Alaskans.

Senator Hohman asked what impact the passage of this bill would have on vendors. Senator Tillion stated that any slack caused by this bill would be taken up by the increase in the amount the vendor is to receive in commissions (increased from 5% to 15%), so the vendor will be making about the same amount of money.

Senator Hohman asked if this bill would impose more paperwork on the vendor and Senator Tillion advised there will be a substantial reduction in paperwork.

Chairman Sackett moved that a Finance Committee Substitute be prepared to include pages 2, 3 and 4 of the attachment, and that the Committee Substitute be passed from Committee with individual recommendations. There being no objection, it was so ordered.

CSSB 128
MOTION

Senator Orsini moved that SB 78 (relating to the disposal of surplus fish) be brought up for discussion. There being no objection, it was so ordered.

SB 78

Senator Orsini recommended the bill be replaced with a Finance Committee Substitute deleting the lottery method of disposing of surplus fish. Discussion on the lottery and bidding methods of disposing of fish.

Chairman Sackett stated action on this bill would be deferred to a later date.

The meeting adjourned at 11:30 a.m.

ADJOURN



Alaska State Legislature

NEAU ALASKA

March 18, 1977

MEMORANDUM

To: The Honorable John Sackett
Chairman
Senate Finance Committee

From: John Farleigh
Administrative Assistant
Senate Resources Committee

Re: Amendment to CS SB 128

Pursuant to the 200 mile limit legislation enacted last year by Congress, the Alaska Department of Fish and Game is allowed to regulate fishing vessels "registered under the laws of the state." Section 6 was added by the Resources Committee to define "registered under the laws of the state" so that the Department of Fish and Game can begin regulating fishing vessels beyond the three-mile limit. However, due to an oversight, the committee substitute did not include an immediate effective date for this section. Therefore, I have drafted an amendment and attached it for your consideration which would allow the department to regulate fishing beyond the three-mile limit beginning this year.

AMENDMENT

OFFERED IN THE SENATE:

By: Finance Committee

To: CS for SENATE BILL No. 128

HOUSE BILL No. _____

PAGE: 8

LINE: 21

Delete: "This Act takes effect January 1, 1978."

Insert: "Section 6 of this Act takes effect immediately
in accordance with AS 01.10.070 (c)."

Add a new section to read:

"*Sec. 20. Sections 1 - 5 and 7 - 18 take
effect January 1, 1978."

CS ~~712~~ 5B 128

OK
3/27

*Sec. 4. AS 16.05.460 is amended to read:

Sec. 16.05.460. COMMISSIONER OF REVENUE MAY APPOINT AGENTS [DEPUTIES].

The commissioner of revenue may appoint qualified persons as his agents [DEPUTIES] to receive applications, issue licenses, and collect license fees under secs. 440-480 [720] of this chapter, and to assist in the completion of annual application/renewal forms for interim-use and entry permits under secs. 16.43.150 and 16.43.210-220.

*Sec. 5. AS 16.05.470 is amended to read:

Sec. 16.05.470. FEE FOR ISSUANCE OF LICENSES AND PERMIT RENEWAL ASSISTANCE.

(a) A person appointed and authorized by the commissioner of revenue to sell licenses under secs. 440 - 480 [720] of this chapter, except salaried employees of the state, shall retain the sum of 15 [FIVE] percent of the fee for the issuance of a license. An agent [A DEPUTY] shall transmit monthly to the commissioner all license fees collected by him, less the authorized commission, together with a full accounting of the fees. The commissioner shall make monthly remittances of the fees collected to the proper state official. The commissioner is not liable for defalcation or failure to account for the fees collected by an agent [A DEPUTY], but he shall require a bond in the sum he considers adequate, conditioned upon the faithful accounting of money collected.

(b) A person appointed ~~and authorized~~ ^{of revenue} by the commissioner ^{under sec.} 16.05.460 to issue licenses under secs. 440 - 480 [720] of this chapter, except salaried employees of the state, shall retain the sum of 15 [FIVE] per cent of ~~the fee for the issuance of the interim-use or entry permit~~ ^{fee} for assisting in completion of the annual application/renewal form for said interim - use or entry permit. An agent [A DEPUTY] shall transmit ^{monthly} [monthly] to the Commercial Fisheries Entry Commission all application/renewal forms and fees collected by him, less the authorized commission, together with a full accounting of the fees. [THE COMMISSIONER SHALL MAKE MONTHLY REMITTANCES OF THE FEES COLLECTED

TO THE PROPER STATE OFFICIAL.] The commissioner ~~and~~ and the Commercial Fisheries Entry Commission-are [18] not liable for defalcation or failure to account for the fees collected by an agent [A DEPUTY], but the commissioner [HE] shall require a bond in the sum he considers adequate, conditioned upon the faithful accounting of money collected.

SENATE FINANCE COMMITTEE

May 3, 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 Meland who arrived shortly after the meeting commenced, and Senator Butrovich who was absent. Also present were Alison Farnan, Fiscal Analyst, and Joe LaRocca of the press, both of whom arrived later in the meeting.

PRESENT

Chairman Sackett moved that Senate Bill 238 (Act relating to the oil and gas properties production tax) be brought on for discussion. He advised committee members that this bill has a committee substitute prepared by the Resource Committee. Senator Croft advised that the committee substitute was identical to the original bill which was passed out before, with the exception of page 3, Sec. 43.55.012. Chairman Sackett then read the new language to committee members. Senator Croft stated that with the exception of the 7.5% limit the committee substitute was taken from the Governor's bill. He also stated that there was some question with regard to whether or not it is clear that the limit applies annually. Chairman Sackett moved and asked unanimous consent that the bill be passed from committee with individual recommendations. There was no objection, and the bill passed from committee.

MOTION
SB 238

(Senator Meland entered the meeting at this time.)

Senator Croft moved that House Bill 5 (Relating to exemption from real property taxes for senior citizens) be brought up for discussion. He advised that the House had passed a committee substitute and the basic difference between the substitute and the original bill is the retroactive statement contained in Section 2, and the effective date clause contained in Section 3. Senator Croft referred to the limit placed on exemptions. He advised that when the original exemption bill was passed, everyone assumed that 7% would produce approximately \$50.0 to \$60.0 exemptions from taxation. Rather than having the above effect, the bill produced a \$40.0 tax exemption. The effect of raising the allowable exemption will be a cost of approximately 195.0 a year, and at this time approximately 75% of all Alaska's senior citizens are exempt.

MOTION
HB 5

(Alison Farnan and Joe LaRocca entered the meeting at this time.)

Senator Croft advised that the bill will benefit retired persons on limited incomes as well as senior citizens who are well able to pay the tax due to the fact that it removes the limit completely. Senator Croft advised that several different approaches have been taken in addressing the problem giving rise to the subject bill. One approach is the circuit breaker, which measures exemptions by income. Another approach is the one used in Oregon where a person over 65 does not have to pay the tax, but it becomes a lien on the property. The individual does not have to satisfy the lien while he resides on the property, but it demands satisfaction when he no longer lives there.

Senator Orsini stated that he wished to present the other side of the argument; that of an elderly individual with a small house located downtown. This individual is able to live in the house and curtail development that might otherwise occur.

Senator Tillion alluded to the tax structure in Japan where the government takes 1/2 of everything over the assessed value of the property. He further added that when the bill was considered, the reason the exemption was not limited to 100.0 was because the limitation would require local municipalities to continue to assess the property for exemption purposes.

Senator Orsini asked if the State currently has statutes preventing fraud under the proposed bill. Senator Tillion replied that the chances of fraud are very low, and the municipalities will be elevated from the task of having to assess the property.

Senator Croft moved that the bill pass from committee with individual recommendations. There being no objection, the bill passed from committee.

MOTION
HB 5

Senator Tillion moved that House Bill 152 (Act relating to mental health advisory council) be brought up for discussion. He advised that in accordance with PL 94-63, the Department of Health & Social Services must have an advisory body as long as it receives federal funds. At the present time the department does not meet federal requirements. The board has to be comprised of both consumers and providers of mental health care and there was no way the department could comply without remodeling the whole program if the Statewide Health Coordinating Council was to assume the mental health advisory function. It was therefore decided that creation of the state mental health advisory council would provide

MOTION
HB 152

the most expedient route for coming into compliance with federal law.

Senator Orsini asked how much the department currently receives in federal funds. Senator Tillion replied that the amount is approximately 700.0.

Senator Orsini asked who regulates mental health lands and Chairman Sackett replied that the Division of Lands handles this function. Senator Orsini advised that he understood there was a separate mental health group that has to approve use of mental health lands, and that policy is set by this body. Senator Tillion advised that he believed the agency was an overseeing authority rather than an actual directing body. He further added that funds used on mental health equal or exceed those brought in. Senator Tillion made a motion to move the bill from committee with a "do pass" recommendation. Chairman Sackett amended the motion to request passage with individual recommendations. There being no objection, the bill passed from committee. Chairman Sackett directed that Fiscal Analyst, Milt Barker, check on SEC regulations and provide an opinion memo to Senator Tillion.

MOTION
HB 152

The meeting adjourned at approximately 8:40 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

May 4, 1977

8:10 a.m.

All members of the Committee were in attendance. Also in attendance: Senator Poland; Glen Akins, Coordinator, Alaska Coastal Planning Control; Penny Lockridge, Assistant Coordinator, State Alcohol Program; Legislative Finance Fiscal Analysts Bob Grogan and Milt Barker; and Judy Crondahl, Administrative Assistant.

PRESENT

Chairman Sackett called the meeting to order.

Senator Hohman moved that CSHB 342 am (an act relating to the management of the coastal resources of the state) be brought up for discussion. There being no objection, it was so ordered.

CSHB 342 am

Senator Poland stated there is a proposed Senate Resources Committee Substitute for this bill. She stated the proposed Committee Substitute is the same bill as SB 220. Senator Poland stated she believes this bill gives communities local control. She stated the bulk of the funds for this program are federal funds (FY 78 state funds of \$250,000 and federal funds of \$1.2 million). Chairman Sackett asked if the amount of general funds would change if the Committee Substitute were adopted and Senator Poland stated they would not.

Senator Meland stated he has received correspondence from the City and Borough of Sitka indicating they are against the bill and asked if other communities were supporting the bill. Senator Poland stated she believes the City and Borough of Sitka is not looking at the Statewide picture and that other communities do support this bill.

Senator Orsini questioned how this bill will relate to the unorganized borough and Mr. Akins stated it is his understanding that an amount will be available for the unorganized borough.

Senator Orsini stated the Community and Regional Affairs Committee adopted a letter of intent to accompany this bill and he asked if Finance Committee members were interested in a similar letter of intent. General Consensus of the Committee was that they were not interested.

Senator Hohman moved that Senate Resources Committee Substitute for CSHB 342 am be passed from Committee with Individual Recommendations. There being no objection, it was so ordered.

SENATE
CS FOR
CSHB 342 am

Senator Butrovich moved that CSHB 38 (an act creating the Alaska youth hostel system) be brought up for discussion. There being no objection, it was so ordered.

CSHB 38

Senator Butrovich stated he has a proposed Finance Committee substitute which he had drafted after the meeting with Committee members and Representative Mike Miller. He stated he believes this proposed committee substitute removes all objectional parts.

Senator Butrovich advised there is a new fiscal note to accompany this proposed Committee Substitute which states that General Fund expenditures in FY 78 would be \$5.4; in FY 79 \$11.9; and in FY 80 \$13.4. He stated the bill is changed so the Director of the Division of Parks will assign the coordinator of the Program and it will be someone already employed by the Division.

Senator Butrovich stated he understands that Federal funds are available for this type of program. He stated he is favorably impressed with the youth hostel system.

Senator Butrovich moved that Senate Finance Committee Substitute for CSHB 38 be passed from Committee with individual recommendations. Senator Tillion amended the motion to pass the bill out with a do pass recommendation. There being no objection, it was so ordered.

SENATE
CS FOR
CSHB 38
MOTION

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

Penny Lockridge stated the Office of Alcoholism's first priority in this Bill would be public information and education; their second priority would be training of personnel for services in Alcohol Treatment and Counseling Programs; their third priority would be alcohol training curriculum; their fourth would be medical alcohol detoxification services; and their fifth priority would be operation of 30-day residential intensive treatment facility. In answer to a question from Senator Croft, Ms. Lockridge stated this bill was drafted under the assumption that an excise tax on alcohol would be passed. She stated that since that tax will not pass, her Office has presented their list of priorities in the event the Legislature plans to cut any part of the bill.

Senator Hohman asked if the \$350,000 appropriation for public information and education regarding alcohol abuse would be used by public broadcasting systems within the State. Ms. Lockridge stated it is her understanding that most of the money will be used for development of a comprehensive education campaign. She stated she doesn't think there is enough local expertise to do this.

Senator Butrovich stated he would much rather have this money spent on the patients instead of for public information.

Senator Orsini asked if there was any evidence that programs of this type are effective and Ms. Lockridge stated there were several reports and she could provide them to Senator Orsini if he wished. Senator Orsini commented that there have been several television spots against smoking and there are still more people than ever smoking. Senator Croft stated he thinks these spots are effective with young children. He stated that with programs like this he thinks it takes several years before results are evident.

Chairman Sackett moved that a Finance Committee Substitute be drafted appropriating \$804,500 to the Department of Health and Social Services for the Medical Alcohol Detoxification Services (\$100,00); Operation of 3-day residential intensive treatment facility for alcohol affected persons \$800,000; and training of personnel for services in Alcohol treatment and counseling programs at various locations \$104,500; and that \$66,000 be appropriated to the Department of Education for development and implementation of an alcohol education curriculum for use in the state's schools; and \$350,000 be appropriated to Department of Education, Alaska Public Broadcasting for program for alcohol abuse. Senator Tillion objected.

FINANCE
CS FOR
SB 168

Senator Tillion stated he was only in favor of the first three items mentioned in the motion. Senator Orsini stated that after considering Senator Croft's remarks on the cigarette commercials, he thinks past programs have been aiming at the wrong market and more emphasis should be placed on preventing children from acquiring these habits. Chairman Sackett concurred.

Question on the motion to pass Finance CS for SB 168 from Committee with individual recommendations. Tillion objected. Motion carried.

CSSB 168
MOTION

The meeting adjourned at 9:00 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

May 5, 1977

8:10 a.m.

Chairman Sackett convened the meeting at approximately 8:10 a.m. All committee members were present with the exception of Senator Croft who arrived only minutes after the meeting began. Also present were: Senator Ferguson; Representative Gardiner; Joe LaRocca of the press; Bob Grogan, Fiscal Analyst; Judy Crondahl, Administrative Assistant to Senator Sackett; Jim Edenso, Deputy Commissioner of the Alaska Department of Revenue; David Gray, Administrative Assistant to Senator Ferguson; and Elaine Mitchell of the press.

PRESENT

Chairman Sackett moved that House Bill 285 (Making a special appropriation to the Department of Commerce and Economic Development; Alaska Public Utilities Commission) be brought up for discussion. He advised that Mr. Edenso from the Department of Revenue was present to testify for the Department.

MOTION
HB 285

(Senator Croft entered the meeting at this time.)

Mr. Edenso stated that the interdepartmental committee had recommended that a study of Alaskan village facilities be undertaken. The purpose of the study would be to determine the status of these cooperatives and their accounting systems. The REAA's have refused to sign contracts with the cooperatives for furnishing electricity because of the high costs involved. The study would determine a reasonable course to follow for the REAA schools. HB 285 requests funds for the APUC to undertake the study. This agency is responsible for managing and regulating utility rates throughout the State of Alaska and has established operating procedures. The amount requested for the study is \$238.0. The study would be completed prior to the end of the calendar year 1977, and would distribute to the legislature a recommendation as to what the policy in this area should be.

Senator Orsini asked if the requested funds would be funding the type of study APUC always does when making rate determinations. Mr. Edenso replied that he felt this would be a special type of study and the cost of the study could be passed on to the servicing communities.

Senator Orsini asked where the REAA's would obtain power if it is not purchased from the Alaska Village Electric Co-operative.

Mr. Edenso replied that if AVEC were to go bankrupt, the state would probably have to provide power to the schools by putting in generators. He added that there just aren't many alternatives. He also restated that the purpose of the study would be to review accounting procedures to see if the problem lies there.

Senator Orsini advised that after speaking with some engineers, it would appear that some of the problems might be engineering-related, and asked if this area of review would be included within the study. Mr. Edenso replied that engineers would be involved in the study team.

Chairman Sackett moved that the committee pass the bill out with individual recommendations. There being no objection, the bill passed from committee.

MOTION
HB 285

Senator Croft moved that Senate Concurrent Resolution 35 (Relating to exchange of earth stations for services to be provided by RCA Alascom) be brought up for review. He advised that Senator Ferguson, sponsor of the legislation, was on hand to testify concerning it. Senator Ferguson advised that the House has a subcommittee on telecommunications chaired by Fred Brown. He stated that what the House had done thus far was pass a supplemental for the Office of Communications for T.V. programming to provide 23 villages and Anchorage, Fairbanks, and Juneau with live T.V. SCR 35 would allow the state to negotiate with RCA concerning the earth stations previously purchased by the state. The intent would be to get the state out of the telecommunications business and allow it to negotiate with RCA for a trade of the earth stations for T.V. time and extend coverage to more communities. The above arrangement would secure approximately two years' of T.V. time in exchange for the earth stations, and would allow for 97 other communities to come into the system. MOTION SCR 35

The Resolution represents the recommendation of the legislature to the Governor. Senator Ferguson advised that if the legislature could get the Resolution and the House bill to the Governor, they would provide more direction to him. The Resolution would not create law, it would simply be a recommendation to the Governor.

Senator Orsini advised that from the above testimony he understood that the state would basically effect an exchange of earth stations for T.V. coverage, and asked who would own the earth stations. Senator Ferguson replied that it would basically be an exchange and that RCA would own the stations. Senator Orsini further advised that he understood the broadcasts would be live for approximately six hours a day. Senator Ferguson replied that

the broadcasts would be live, but individual areas would probably be able to get about as much T.V. as they wished. Senator Ferguson stated that the Resolution would also put RCA on notice that the legislature would be monitoring them to see what kind of service they provide.

Senator Croft moved that the bill pass from committee with individual recommendations. There being no objection, the bill passed from committee.

MOTION
SCR 35

(Senator Ferguson and Mr. Gray left the meeting at this time.)

Chairman Sackett queried committee members regarding their respective positions on Senate Concurrent Resolutions 13 and 14. (SCR 13 - Annuling a regulation which limits those costs which may be included in the "total project cost" in the computation of amounts payable for hospital construction under state revenue sharing. SCR 14 - Annuling a regulation requiring builder of a hospital or health facility to apply through city for state revenue sharing funds.) Senator Orsini advised that he believed those portions of the statute pertaining to hospital revenue sharing were in need of revision, but it was also not the legislative intent that the statutes be interpreted by the department in the manner in which they have been. He stated that he was in favor of passing the Resolutions.

MOTION
SCR 13 & 14

Senator Croft advised that he was opposed to the Resolutions stating that he felt the department had applied the regulations in the case of Dr. Beirne the same way they applied them to everyone else.

Senator Orsini stated that of the two Resolutions, one deals with the type of costs allowed and the other deals with who should get the funds. The legislature specifically said which facilities should get the funding; the legislative intent is clear. Senator Croft stated that he had understood Dr. Beirne to say that his project did not get its application together and apply in time. Senator Orsini stated that the regulation dealt with through Resolution 14 is contrary to legislative intent and the statutes. Senator Croft responded that in that event the statute should be revised rather than pass the Resolutions. Senator Orsini stated that statute revision would not take care of the individual involved and his immediate need. Senator Tillion stated that he thought the legislature would probably have changed the statutes to agree with what the department is doing if the legislature had known the whole story. He added that what was done was not in violation of the statutes even if it should have been.

Chairman Sackett asked if four committee members were willing to pass the Resolutions from committee. Upon a show of hands Senators Butrovich, Orsini, Hohman, Meland, and Tillion indicated they were in favor of passage. Senator Hohman moved that SCR 13 and 14 pass from committee with individual recommendations. There being no objection, the Resolution passed from committee.

MOTION
SCR 13 & 14

Senator Orsini moved that House Bill 203 (Act relating to pay differentials between state employees residing inside and outside Alaska) be brought up for discussion, and requested that the committee pass out the proposed committee substitute. The committee substitute expands the scope of the original bill.

MOTION
HB 203

Senator Orsini advised that the fiscal note does not provide much information. He stated that his research indicated there are three maritime unions affected by the bill. The Marine Engineers and Masters, Mates & Pilots are under a contract and will not be affected at this time. The Inland Boatmen would be affected. This is the largest of the unions with 500 members, 30 of which live outside the state. Senator Orsini advised that under this bill, members of the union who reside outside the state would maintain their pay level while members residing within the state would get increases. This would continue until the cost of living differential was out of reach, or for approximately a five-year period. The savings to the state for the first year would be \$54.0, and this savings would continue on an annual basis for the five-year period. The Marine Engineers have a total of 60 members, 40 of whom reside outside the state. The annual savings if applied to them would be approximately \$100.0 per year. The Masters, Mates & Pilots have 62 members, 31 of which reside outside the state. There would be an annual savings to the state of about 106.0 per year up to five years. Senator Orsini advised that the above-mentioned savings were theoretical only. He stated that at this time only the Inland Boatmen's Union would come under the bill and most of its members live inside the state.

The committee substitute would broaden the scope of the bill to apply residential hire by both state and municipal governments, and where there are capable Alaskans to fill positions, they would be given preference over non-residents. Senator Orsini advised that the State is approaching a situation where there will be an economic leveling off and significant unemployment. The committee substitute would require residential hiring over out-of-state.

Representative Gardiner, one of the sponsors of the original bill advised that he had no objection to the committee substitute.

Senator Croft stated that his understanding of the committee substitute was that it applies preference in local hire now existing at the state level to municipalities as well, and that municipalities cannot opt out of this arrangement. He advised that the Supreme Court has stated that residency requirements cannot be established. He added that he felt as long as the bill avoids a residency test it would be all right.

Chairman Sackett asked if Senator Orsini wished to have the House intent included with the committee substitute when it passed from committee. He referred to a letter of March 4, encouraging State Ferry employees to live within the state, and added that he felt the substance of the letter to be most appropriate. Senator Tillion moved that the committee substitute for HB 203 together with the letter of intent be passed from committee with a "do pass" recommendation. There being no objection, the bill passed from committee.

MOTION
CSHB 203

Senator Meland moved that Senate Bill 44 (Act relating to the Professional Teaching Practices Commission) be brought up for discussion. He advised that the bill merely adds two members to the Professional Teaching Practices Commission. There is a fiscal note in the amount of \$2.4 for travel and per diem incurred by commission members in conjunction with commission meetings.

MOTION
SB 44

Senator Croft advised that the bill adds two public members to the commission and stated that this commission appears to be the first one which takes away a membership majority of professionals on the commission--the teachers no longer have a majority on the commission. Senator Tillion asked Senator Croft if he didn't consider principals as teachers. Senator Croft replied that he did not consider them teachers since they supervise the conduct of teachers. Chairman Sackett read the committee report from Health & Social Services and upon conclusion of the reading Senator Tillion moved that the bill pass from committee with individual recommendations. There being no objection, the bill passed from committee.

MOTION
SB 44

Senator Meland moved that Senate Bill 63 (Special appropriation to municipality of Anchorage for the Arctic Alaska International Conference) be brought on for discussion. He advised that the Governor's Office is very unenthusiastic about the bill, adding that

the Governor's Office had informed him that they had requested that Mr. Byer refrain from using Governor's Office letterhead for Conference correspondence.

Senator Croft advised that he had discussed the bill with the Mayor in Anchorage and added that everyone thinks that the conference is a good idea. It would bring together various countries from the arctic areas, Norway, Sweden, Iceland, Greenland, etc., and provide an opportunity for discussion of common problems. Senator Orsini stated that Community & Regional Affairs had had the bill before it and everyone thought it was a good idea, but nobody wanted to do anything about it. He advised that he had written the Municipality of Anchorage concerning suggestions for directing the conference and to date had received no substantial reply other than a list of social functions the city could provide.

Senator Butrovich advised that he was feeling kind of cool about the bill until he read the strong endorsement from Senate President Rader. Senator Croft advised that until someone makes a commitment, it is easy to forget about the bill. He added that he thought it was a good idea and that there was a lot the state could learn from the conference, and stated he would like to get the bill out.

Senator Butrovich stated that he had read the correspondence pertaining to the bill and advised that to say the attitude in Anchorage was lukewarm would be an overstatement. He added that he didn't want an International Arctic Conference by mail from California (Mr. Byer's present retirement residence).

Senator Tillion stated that he would be willing to move the bill out of committee if Senator Croft would be willing to sign "do pass." Senator Croft said that he would sign "do pass" and the bill therefore passed from committee.

MOTION
SB 63

Senator Tillion moved that Senate Bill 280 (Special appropriation to the Department of Natural Resources to fund state participation in National Soil Survey) be brought up for discussion. He advised that the bill appropriates the sum of \$50.0 to a soil survey program. The U. S. Soil Survey has done a good job, but if the state wants input, it should know what type of soil conditions it is dealing with.

MOTION
SB 280

Senator Meland referred to the fiscal note and the 20 million acres of fillable land. Senator Tillion stated that these acres were designated on the map that was displayed in the Resources Committee.

Chairman Sackett asked if the funds requested by the bill would be a one-time appropriation. Senator Tillion replied that he would expect that it would cost approximately the same amount each year until the survey is completed.

Senator Croft asked if the survey team could really do a survey for 75¢ per acre. Senator Tillion replied that the team would roll across the land and take test borings. Senator Orsini advised that the team would do a lot of the testing by satellite in correlation to what is on the ground. Senator Tillion added that part of the testing has already been done, advising that 3/4 of the 20 million acres have been surveyed. He moved that the bill pass from committee with individual recommendations. There being no objection, the bill passed from committee. MOTION SB 280

Senator Tillion moved that Senate Bill 281 (Act relating to agricultural loans under the Alaska Agricultural Loan Act.) be brought up for discussion. He advised that the bill raises the level of farm development loans but that the loans still have to be collateralized. MOTION SB 281

Chairman Sackett asked if the funding for the bill would come out of the permanent fund. He stated he objected to using permanent fund money to finance the bill and referred committee members to the last section of the bill advising that funding would come from the permanent fund. Senator Tillion advised that he was thinking of preparing a committee substitute for the bill. Chairman Sackett advised that the committee would hold the bill pending further work on it.

Senator Tillion moved that Senate Bill 306 (Establishment of cabins within state parks and game refuges) be brought up for discussion. He advised that he had a letter from Senate President Rader concerning a letter of intent that two cabins be placed in Chugach Park and the two proposed for Kachemak Bay be removed. Chairman Sackett advised that the committee would further review the bill at the next bill session. MOTION SB 306

The meeting adjourned at approximately 9:35 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

May 9, 1977

9:23 a.m.

All members of the Committee were in attendance. Also in attendance: Lois Richardson, Department of Military Affairs; Kent Dawson and Marian Endicott, Office of the Governor; and Joe LaRocca of the Press.

PRESENT

Chairman Sackett called the meeting to order and moved that HB 163 (an act making a supplemental appropriation to the Department of Military Affairs) be brought up for discussion. There being no objection, it was so ordered. Lois Richardson, Department of Military Affairs, appeared before the Committee in order to testify on this bill. She stated this supplemental is being requested in order to provide funding to support the Headquarters of the Third Scout Battalion in Kotzebue due to reorganization and expansion of the Alaska National Guard. She stated they have entered into a contract with the Kikik-tagruk Inupiat Corporation to rent space until the armory can be constructed in Kotzebue. She advised the cost of this rental agreement is \$3,900 per month for a total cost of \$29,300. Ms. Richardson advised they have saved on a lease in another area and will be able to transfer the amount of \$8,100 from that lease to rent the space in Kotzebue. She stated the supplemental request is in the amount of \$21,100.

HB 163

In answer to a question from Chairman Sackett, Ms. Richardson stated they previously had two scout battilions -- one in Nome and one in Bethel. She stated the one in Nome had become very large and hard to handle. She stated the Third Battilion will take care of that.

Chairman Sackett asked if they entered into the contract with the understanding that they did not have the funds; and he asked if they had the Governor's approval. Ms. Richardson answered yest to both questions.

Senator Croft stated he does not understand why they entered into the contract when the money was not appropriated. Ms. Richardson stated they did enter into the contract when there was no approval of funds.

Chairman Sackett stated their year-to-date expenditures indicate they have \$41,300 left for the fiscal year. He asked if any of this amount was to be encumbered for the armory. Ms. Richardson stated it was not. She advised these funds will pay the operating costs of existing armories.

Chairman Sackett asked what the desire of the Committee was in regard to HB 163. As the Committee had no recommendations, this bill was returned to the file.

Chairman Sackett moved that SB 306 (an act relating to the establishment of cabins within state parks and state game refuges) be brought up for discussion. There being no objection, it was so ordered. Discussion on state parks where cabins would be constructed. Senator Tillion stated he did not see the need for the State to build cabins in these parks. He stated people have been and can continue to use tents. Senator Tillion recommended the two cabins in Kachemak Bay be eliminated.

SB 306

Chairman Sackett moved that SB 306 be passed from Committee with individual recommendations and the following letter of intent: Nine cabins to be constructed in the following state parks and game refuges: (1) two cabins in Chugach State Park; (2) two cabins at Lake Clark; (3) two cabins in Denali State Park; (4) one cabin in Susitna Flats State Game Refuge; and (5) one cabin in each of two additional state game refuges, to be chosen by the Commissioner of Natural Resources with the concurrence of the Commissioner of Fish and Game. Senator Tillion objected to the motion. The motion passed.

SB 306
LETTER
OF INTENT/
MOTION

Chairman Sackett moved that SB 117 (an act making a supplemental appropriation to the Office of the Governor) be brought up for discussion. There being no objection, it was so ordered. Chairman Sackett requested Marian Endicott, Office of the Governor, to explain the reason for these Supplemental requests. Ms. Endicott stated that \$12,000 has been requested by the Alaska Arts Council to complete the Ernest Gruening Statue that will be placed in the Capitol Building in Washington, D.C. She stated the reason they need the additional funds is because the original request did not include funds for Mrs. Gruening's travel costs to Washington D.C. She stated there has also been an additional cost of more than \$2500 for costs of artists' renderings.

SB 117

Ms. Endicott stated the second part of this supplemental appropriation is for the Public Offices Commission which is necessary due to expenses incurred due to the new Regulation of Lobbying law. She stated the amount of this request has been reduced to \$31,300. She stated the reason for this reduction is because they have not hired any additional temporary help due to the delay in action taken on this supplemental. Senator Croft asked why a fiscal note was not included with this bill when it was passed. Ms. Endicott stated all she had on this was a memo which indicated it would cost approximately \$60,000 if this bill was passed into law and that a supplemental appropriation may be necessary. She stated that is the supplemental that is now before the Committee.

Ms. Endicott stated the third part of this supplemental appropriation is \$150,000 for limited entry and she requested that Mr. Adasiak explain the reason for this supplemental appropriation. Mr. Adasiak stated that last year the

conference committee on the budget cut Limited Entry's budget request in half and indicated that, if necessary, Limited Entry could submit a supplemental request up to the amount originally requested. He stated they have submitted this supplemental request and the amount has changed from the \$150,000 originally requested to \$206,000. He stated there were some errors in their figures when the original bill was drafted. Mr. Adasiak advised that \$206,100 is the amount the Limited Entry Commission will require to fund its operation for the rest of this fiscal year.

Chairman Sackett asked why they are asking for this increased amount and Mr. Adasiak advised the original request included two errors: The Division of Data Processing adjusted the amount they were billing the Commission when it was felt they might not continue after November's election. He stated that adjustment was not included in their original supplemental request. Also, the original request indicated that all of the funds to be collected from the Shellfish Economic Study would be received during the current fiscal year. Mr. Adasiak stated that only about \$40,000 of that \$100,000 contract will be received during this fiscal year.

Senator Butrovich moved that a Committee Substitute for SB 117 be prepared changing the amount to be appropriated to Limited Entry to \$206,100 and the amount to the Public Offices Commission to \$32,300; he further moved that CS for S. 117 be passed from Committee with individual recommendations. There being no objection, it was so ordered.

CSSB 117
MOTION

The meeting adjourned at 9:55 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

May 12 1977

8:15 a.m.

All members of the Committee were in attendance. Senator Hohman arrived later in the meeting. Several individuals were in attendance to testify on a specific bill, but did not remain for the entire meeting. Joe LaRocca and Elaine Mitchell of the press were in attendance.

PRESENT

Chairman Sackett called the meeting to order and moved that HB 463 (an act making a special appropriation to the Department of Community and Regional Affairs to conduct a pilot project to establish a shelter for assaulted and battered women and children) be brought up for discussion. There being no objection, it was so ordered. Representative Hugh Malone appeared before the Committee to testify on this bill. HB 463

Representative Malone stated this bill makes a special appropriation to the Department of Community and Regional Affairs to set up a pilot project in Anchorage to provide for a facility where assaulted women and children can be cared for. He stated Anchorage was selected for this pilot project because it is the largest community in the State and also because it is the only community where any statistics on this type of crime have been compiled.

Representative Malone read the House Health & Social Services intent which states "It is the intent of the House HESS Committee that the money appropriated in HB 463 go to the non-profit corporation, Abused Women's Aid in Crisis (AWAIC)." He stated he expected room for 30 to 35 residents in the project.

Representative Malone stated his idea in introducing the legislation was to set the program up as a pilot project. He stated he did not think this type of operation should be continually paid for by the State, but that in order to get some sort of idea on how the program would work he thinks a pilot program is a good method. He stated this project would give other portions of the State an opportunity to see how it will operate. He commented that this project would have to develop community support. He stated one of the reasons for setting this up as a pilot project is that the State would not be under any obligation to continue the program.

Senator Orsini asked if the services this program will offer could be available from existing organizations or agencies if funds were made available. Representative Malone replied that this program will enable those who need help to get the experience and support of people who have encountered this problem on a personal basis. He stated it would provide 24 hour help. He advised the program as set out is not being duplicated at this time.

Senator Orsini stated he believes assaulted and battered women can get the help they need from existing services that are available in Anchorage. He suggested that rather than starting another bureaucracy, that an appropriation by itself may suffice. Representative Malone said that one of the reasons for the letter of intent stating the money is to go to the non-profit corporation A.W.A.I.C. is so there would be no state bureaucracy involvement. He advised that HB 463 has a zero fiscal note. Senator Orsini commented that he didn't think it made any difference if it was state bureaucracy or private bureaucracy.

Chairman Croft asked even if the necessary counseling is available in Anchorage, if the purpose of the bill was not to provide shelter. Representative Malone stated that is the intent and purpose behind taking this approach.

Senator Orsini moved to amend HB 463 am on page 1, line 14, after "organization" add "in the Kenai Peninsula Borough". He stated it seems that most of the services the bill provides for are in existence in Anchorage already, and perhaps the project should be in an area that has none of these services available. He stated the Kenai Peninsula Borough has a large enough population. Senators Orsini, Butrovich and Tillion in favor. Motion failed.

HB 463 am S
MOTION/
FAILED

Chairman Sackett moved that HB 463 am be passed from Committee with individual recommendations. There being no objection, it was so ordered.

HB 463 am
MOTION

Chairman Sackett moved that HCR 43 (approving the extension of the Tesoro-Alaskan Petroleum Company agreement to purchase royalty crude oil taken in-kind) be brought up for discussion. There being no objection, it was so ordered. Mr. Don Wold, Executive Director, Alaska Royalty Oil & Gas Development Advisory Board, appeared before the Committee to testify on this bill.

HCR 43

Mr. Wold stated the purpose of HCR 43 is to extend the Tesoro contract for one year. He advised the State entered into the contract in 1969 and that it expires next year. He advised the contract provides for two three year extensions but they are only requesting a one year extension at this time in order that anticipated changes in FEA price regulations, which will become known during the next year, can be used when extending the contract further. Mr. Wold stated they would be able to enter into a better agreement next year.

Senator Butrovich asked if the State could enter into an agreement with a company other than Tesoro next year. Mr. Wold stated that could, except Tesoro could request relief from the FEA under the Mandatory Petroleum Allocation Regulations where crude oil buyer/seller relationships are frozen unless the buyer decides to terminate the agreement. However, he stated Tesoro has not threatened the State with the FEA supplier/purchaser relationship.

Mr. Wold stated that if the State did not give the contract to Tesoro, then Tesoro would have to import their crude oil. He stated the royalty oil produces about 20,000 barrels a day and Tesoro runs about 40,000 barrels, so they are currently doing some importing. Mr. Wold stated there is no other refinery in Cook Inlet and he knows of no other purchaser.

[Senator Hohman arrived at this time.]

Senator Orsini asked if Standard Oil might be interested in handling Alaskan oil and Mr. Wold responded they are using their own oil.

Mr. Wold advised the State will be getting about \$820,000 more if they extend the contract. He stated the contract has been rewritten so the State will be able to receive the maximum known price for the oil.

Chairman Sackett stated the back-up material provided indicates the State has three alternatives regarding this contract, and he asked why recommendation #1 - allow the contract to expire and take the oil in value - was not taken. Mr. Wold responded that Tesoro receives about half of its total supply from this contract and it would be poor business on the part of Tesoro if they did not seek relief from FEA under the supplier/purchaser relationship. Mr. Wold stated that Tesoro is an in-state user of the oil and the State should want to take care of them first. Also, he stated that Tesoro will want to purchase North Slope oil and this Cook Inlet oil could be used as a negotiating advantage.

Senator Croft moved that HCR 43 be passed out of Committee with individual recommendations and the House letter of intent be accepted. There being no objection, it was so ordered.

HCR 43
MOTION

Chairman Sackett moved that HB 404 am (an act relating to revenue collected by the state for other entities) be brought up for discussion. There being no objection, it was so ordered. Mr. Rod Pegues, Attorney General's Office, appeared before the Committee to testify on this bill.

HB 404 am

Mr. Pegues stated an appropriation for these funds is not necessary because they are considered as "custodial funds". He stated there are not many of these funds, but the Alaska Native Fund is an example of one. Mr. Pegues stated no appropriation by the Legislature is necessary because the State is simply holding the money for the Alaska Native Fund.

Senator Butrovich asked how this was handled in the past. Mr. Pegues stated he believes this is the first year the State has had to make any payments from this category of revenue. He stated there is no need for appropriations to be made, so the Bill is to take it out of the appropriations procedure.

Senator Hohman moved that HB 404 am be passed from Committee with individual recommendations. There being no objection, it was so ordered.

HB 404 am
MOTION

Chairman Sackett moved that CSSSHB 143 (an act relating to immunity and protection of witnesses) be brought up for discussion. There being no objection, it was so ordered. Attorney General Avrum Gross and Dan Hickey of the Attorney General's Office appeared before the Committee to testify on this bill.

CSSSHB 143

Mr. Gross advised the Committee that CSSSHB 143 and SB 276 are identical bills, with minor technical exceptions.

Mr. Gross stated this bill is a result of investigations by the Department of Law in the Fairbanks area. He stated they are trying to develop a program where the Grand Jury can be used in investigations. Mr. Gross advised that right now a witness can take the Fifth Amendment if he doesn't want to say anything.

Mr. Hickey explained the reasons for the bill. He stated Alaska is the only jurisdiction that does not have a General Immunity Statute as far as he knows. Mr. Hickey stated the bill seeks to address the problem where a witness has immunity and is then prosecuted. He stated there is a burden on the State to show that the information they are using did not come from the witnesses' testimony. He advised this bill states that if the State intends to prosecute a witness, they must first file before the Court all information they intend to use against the witness.

Mr. Hickey stated the bill also seeks to address the potential for abuse, focusing on harassment of people by the Government. He stated that he knows of no other jurisdiction that takes the discretion away from the prosecutor and puts it into the hands of the Court. He stated this bill can only be used in certain felony cases. It could not, for example, be used for drug prosecutions.

Mr. Hickey stated the bill also provides a witness protection provision. He stated that in cases where this bill would be used, it is quite possible they would be dealing with people who could be put in danger by testifying.

Mr. Hickey advised that a question was raised on the floor of the House on whether testimony compelled in a state prosecution may be used in a federal prosecution. He stated he has prepared a memo on this and it is contained in the back-up information provided to Committee members.

Senator Croft stated his understanding is that before there can be a request by the Department of Law for immunity the Attorney General must approve. He stated the Court cannot grant immunity unless the Attorney General approves and asked if this was correct. Mr. Gross stated it was correct under this statute.

CORRECTION

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

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HB 404 am
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Senator Orsini requested that Commissioner of Public Safety, Richard Burton, testify before the Committee on this bill. Mr. Burton stated immunity has been one law the Department has wanted for years. He stated the passage of this bill is necessary in order for the Department to successfully go after some of the cases they have and to successfully prosecute them. Mr. Burton stated this is one of the most important tools the legislature can pass this session.

Senator Orsini moved that CSSSHB 143 be passed from Committee with individual recommendations. There being no objection, it was so ordered.

CSSSHB 143
MOTION

Chairman Sackett moved that CSHB 167 (an act making a supplemental appropriation to the Department of Law) be brought up for discussion. There being no objection, it was so ordered.

CSHB 167

Senator Croft stated the original bill, as passed by the House, is a supplemental appropriation to the Department of Law in the amount of \$498,992. He stated he has prepared a Committee Substitute which would appropriate \$837,679 to the Department of Law. Senator Croft stated he has included an addition of \$300,000 for ICC investigation analysis and the amount for judgements against the State has been increased from \$273,992 to \$279,939. He stated he also has included in the committee substitute \$32,740 as Ombudsman Complaint Settlement 75-0154. He stated this amount is to be paid to Kay Hogan as a result of her employee dispute with the Department of Labor. Senator Croft stated he is satisfied that these are all obligations of the State.

SENATE CS
FOR CSHB167

Senator Croft stated the additional amount of \$300,000 is necessary for the ICC Investigation Analysis because if the State doesn't have the necessary information, it cannot make a good presentation before ICC.

Mr. Gross stated this was the first he had heard of the inclusion of \$32,740 for the settlement of Kaye Hogan's complaint. Mr. Gross stated that Mrs. Hogan has not put a law suit before the State. He stated she has made a claim against the State which was denied by the State.

Senator Croft read from a letter from Ombudsman Frank Flavin dated April 22, 1977. Mr. Gross stated Mr. Flavin has made his objections known. Mr. Gross stated they have had negotiations with Mrs. Hogans attorney, Joe Henry and the state offered her an amount of money which he considered a "nuisance sum". Mr. Gross stated he did not believe she had a future claim in court.

Senator Croft stated his request was made at the request of the Ombudsman. Senator Croft stated he has made no investigation on his own regarding this. He stated the Office of the Ombudsman was created by the Legislature and the Ombudsman

feels very strongly that there was improper action on the part of the Department of Labor. Senator Croft stated he can understand the Attorney General's office defending the Department of Labor.

Chairman Sackett requested that copies of the Ombudsman's letter be made available to Committee members. He stated this bill would be discussed at a later date.

Chairman Sackett moved that HB 288 (an act authorizing the division of tourism to make matching grants to promote conventions and incentive travel) be brought up for discussion. There being no objection, it was so ordered. Representative Jim Duncan appeared before the Committee to testify on this bill.

HB 288

Representative Duncan stated this bill gives the authorization for a program started last year. He stated a \$200,000 appropriation for the matching grant program is in the FY 78 budget. Representative Duncan stated this legislation would establish an on-going program so it would not have to be approved each year. He advised the matching grants program is a working program.

Senator Hohman moved that HB 288 be passed from Committee with individual recommendations. There being no objection, it was so ordered.

HB 288
MOTION

Chairman Sackett moved that CSHB 403 (an act relating to indemnification in the event of a decrease in property values within the City and Borough of Juneau resulting from enactment of the capital relocation initiative) be brought up for discussion. There being no objection, it was so ordered. Representative Jim Duncan appeared before the Committee to testify on this bill.

CSHB 403

Representative Duncan stated this bill makes three changes to the Juneau Indemnification statute passed by the Legislature last year. He stated there is concern in Juneau that the program may be terminated prematurely. He stated section 1 changes the date applications can be accepted to December 31, 1985 or until the Legislature deletes the program.

Representative Duncan stated section 2 changes the fair market value of property by providing that the adjustment factor would not be less than the quarterly increase for the years 1971 - 1974 nor greater than the quarterly increase for the four year period immediately preceding the sale. He stated inflation would be about 7% and while that is still low, it makes it much more acceptable.

Representative Duncan stated section 3 provides for a method of assessing new residential properties coming into existence after January 1, 1978.

Representative Duncan stated these changes are necessary in order to keep the air of confidence that has been in Juneau. He advised the fiscal note for this bill is zero.

Senator Orsini stated he does not think these are merely technical changes. He stated that adjusting the date appears to be more of a change in concept. Representative Duncan stated the rationale in changing the date is that they don't think that even if the capital is completely moved by 1980 that all the people will be moved by that time. He stated he believes there will be a phasing process. He stated if people are forced to sell their homes because the program is terminated prematurely, it will create a false market. Representative Duncan stated he does not think there will be a lot of speculation building as there are other safeguards in the act.

Chairman Sackett moved that CSHB 403 be passed from Committee with individual recommendations. There being no objection, it was so ordered.

CSHB 403
MOTION

Chairman Sackett moved that SB 351 (an act providing for settlement of the claims of owners and occupants of housing constructed under the remote housing program of 1971 and occupants of housing constructed under the state remote housing bond program of 1970) and SB 352 (an act making a special appropriation to the Alaska State Housing Authority for payment of claims arising out of litigation over the design and quality of certain remote area housing) be brought up for discussion. There being no objection, it was so ordered. Representative Bill Miles appeared before the Committee to testify on these two bills.

SB 351 &
SB 352

Representative Miles stated these bills are a result of one court action against the Alaska State Housing Authority and another that is expected to come.

[Senator Butrovich left at this time.]

Senator Orsini stated his understanding of this is that several years ago the State funded, through ASHA, remote housing projects and costs of construction were paid by the State. There are defects in the housing and the State is paying for these, not the owners. Representative Miles stated they tried to go in prepare the housing under one project, but it ended up costing more than a settlement would.

Representative Miles stated the bill would cancel the outstanding indebtedness; refund payments made on the mortgages; and quitclaim the interests of the authority in the unit of housing.

In answer to a question from Senator Orsini, Representative Miles stated the State is not paying them two times, but is getting out of costly litigation.

Senator Orsini stated he still feels that something is being paid twice. Senator Orsini stated he believes the State should be trying to get the funds back from the contractor, designer, or whoever caused the deficiency. Chairman Sackett stated the situation here is somewhat like those of the schools, where after the buildings are constructed the State takes the liability. Senator Tillion stated this is the cheapest way out of this situation. Senator Orsini stated this may be, but that someone should be held responsible.

Senator Croft asked what happened to the criminal investigations pursued by ASHA. Representative Miles stated they evidently came to nothing. It is his understanding that they could not be prosecuted.

Senator Orsini asked if those doing the construction in the rural areas were properly trained or supervised. Representative Miles stated there were supervisors, but if they were properly trained he did not know.

In answer to a question from Senator Croft, Representative Miles stated these funds are not an outright payment. If the individuals concerned do not accept the settlement, the money will stay in the General Fund.

Senator Croft moved that SB 351 and SB 352 be passed from Committee with individual recommendations. There being no objection, it was so ordered.

SB 351 &
SB 352
MOTION

Chairman Sackett moved that HB 95 (an act relating to bonds of the Alaska State Housing Authority) be brought up for discussion. There being no objection, it was so ordered. Representative Bill Miles appeared before the Committee to testify on this bill.

HB 95

[Senator Orsini left at this time.]

Representative Miles stated that HB 95 repeals one section in the statute which sets a 7% limit on buying ASHA bonds. He advised that money can no longer be bought at that rate.

Chairman Sackett moved that HB 95 be passed from Committee with a do pass recommendation. There being no objection, it was so ordered.

HB 95
MOTION

Senator Croft moved that SB 300 (an act relating to the granting of employment preference to handicapped persons under the State Personnel Act) be brought up for discussion. There being no objection, it was so ordered.

SB 300

Senator Croft stated the purpose of this bill is to grant employment preference to severely handicapped persons. He advised this program has worked on the federal level and that the Office of Vocational Rehabilitation encourages the passage of this bill.

Senator Croft moved that SB 300 be passed from Committee with a do pass recommendation. There being no objection, it was so ordered.

SB 300
MOTION

Chairman Sackett moved that SB 355 (an act making a 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. Mr. Myrton R. Charney, Director of Division of Administrative Services appeared before the Committee to testify on this bill.

SB 355

Mr. Charney advised the Bill appropriates \$194,000 to the Legislative Affairs Agency for additional expenses of the First Session, Tenth Legislature. He stated the legislature is currently funded until the 9th of May. He advised this bill extends that to May 19th. Mr. Charney stated this includes \$8,000 for the two extra legislators that have to be paid this year.

Mrs. Farnan advised the legislative finance division is requesting \$3,800 in this bill to carry them through to the end of the Session. She stated these funds are to pay session staff.

Senator Croft moved that CSSB 355 be passed from committee with individual recommendations and the following letter of intent: CSSB 355 appropriates \$30,000 to the Legislative Affairs Agency for legislator's per diem for an additional ten days due to the extended length of the Session. The per diem is based on the increased legislative per diem rate of \$50 per HCR 45. Should HCR 45 fail to pass and legislative per diem not be increased, \$9,000 of this appropriation shall lapse into the General Fund. There being no objection, it was so ordered.

CSSB 355
MOTION &
LETTER OF
INTENT

The meeting adjourned at 10:00 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

May 16, 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 Orsini who arrived later in the meeting. Also in attendance were: Allan Adasiak from the Commercial Fisheries Entry Commission; Jim Edenso from the Department of Revenue; Phil Hubbard, Commissioner of Commerce and Economic Development; Palmer McCarter and Oren Pomeroy from the Division of Community & Regional Affairs; Larry Chaplin from the Department of Labor; Judy Crondahl, Administrative Assistant to Senator Sackett; Alison Farnan, Fiscal Analyst; Elaine Mitchell, Joe LaRocca, Mike Harmon, and Ed Hein from the press. PRESENT

Senator Sackett moved that House Bill (exemption from real property taxes for senior citizens) be brought up for discussion. Chairman Sackett advised that the bill had been in committee before and had been passed out as a committee substitute. The committee substitute was subsequently amended by Senator Kerttula, but the amendment was not adopted. The bill is again before the committee for consideration due to the increased costs resulting from proposed amendments. He further advised that he had received a number of telegrams from senior citizens who object to any amendments which might jeopardize the bill. MOTION HB 5

Palmer McCarter from the Department of Community and Regional Affairs advised that the Department position opposes the committee substitute which would in effect take off all limitations on exemptions. He further advised that the Department had reviewed Senator Kerttula's amendment proposing to set up limitations, but the department feels these limitations would not have any effect on exemption applicants. McCarter

At the time the bill was prepared by Representative Rhode, the Department was aware that there were some problems with the program. The Department was preparing a bill which it thought would correct these problems, but was unable to get the proposed bill to the House before Rhode put in his bill. Mr. McCarter

stated that 75% of the senior citizens who applied for property tax exemptions had \$45,000 or less in property worth. Of the remaining 25%, the State paid up to \$40,000 on their tax bill. Mr. McCarter referred to the case in which a little old lady over 65 has valuable property but a fixed or limited income. He advised that the Department would suggest a 75% tax credit on the property. He added that the Department strongly objects to the fact that the state should be expected to pay the whole tax bill. He then referred to a person in the Anchorage area holding property worth over one million dollars who will pay nothing, and the State will pick up his taxes. Without limitation, the program becomes a system in which the State pays tax relief to millionaires. He added that the Department supports the proposal of tax equity and tax relief, but believes limitations should exist.

Mr. McCarter stated further that even with the state paying 75% of the tax, Alaska has the most generous tax program for senior citizens of any other state. The Department would support amendments for hardship cases but objects to blanket payment.

Senator Croft asked Mr. McCarter if the Department didn't have regulations exempting only five acres from taxation, even if the legislature should pass the present bill. Mr. McCarter advised that the Department did not have regulations, that it has been a practice of the assessors to cut out the five acres for exemption purposes. He further advised that the Department is now requesting that the legislature establish the limitations by law.

No Regulations
(5 acres)

Senator Croft inquired into the use of the circuit breaker approach in assessment areas over \$100,000. Mr. McCarter advised that there was not much difference between the two approaches. Senator Croft restated his understanding to be that in the above approach the Department was talking about less than \$100,000 difference should the Department exempt everything up to \$100,000, due to the fact that most of the property owned by applicants falls within the \$45,000 to \$150,000 range. Mr. McCarter replied that the above was correct and that he recalled only 5 or 10 applicants above the \$100,000 range.

Circuit
Breaker

(Senator Orsini entered the meeting at this time,
9:25 a.m.)

In reply to a statement from Senator Tillion regarding the necessity for assessment, Mr. McCarter stated that the property would have to be assessed whether or not there were exemptions.

Senator Croft referred to other situations in the Anchorage area and advised that it appeared to him that unless the exemptions were granted the state would be forcing some people out of their homes. Mr. McCarter replied that it was in situations such as this that the Department recognized there were problems with the existing program. In such situations, the Department would propose the 75% exemption and then revert to an income basis to determine tax on a case by case basis. It is for this reason the Department has proposed the circuit breaker concept on top of what the Department already has. Senator Croft referred to different approaches to tax exemption used by other states and stated that it was his understanding that these methods have been very unpopular in the states where they were passed. Mr. Pomeroy advised that he had come from a state where homestead exemptions were applied. He stated that the program worked well and was very popular. He added that a suggestion was made to credit additional circuit breaker funds against income tax or effect a direct payment back on the tax bill. The program did work well and was accepted.

Senator Orsini advised that he felt the state was assisting in stifling downtown development by paying the taxes on land that might otherwise become available for development, thus forcing business out into outlying shopping centers. Mr. McCarter stated that the Department did not agree with Senator Orsini's statement. The Department wants to take care of senior citizens living downtown, and advised that the Department wants the 75% exemption with the circuit breaker approach after that. He further added that the Department wasn't trying to run the little old ladies out of downtown Anchorage.

Mr. Pomeroy advised that the Department had language determinative of a permanent place of abode and read the appropriate language to committee members. He advised that the language was used as a guideline to work with the local assessor to determine the amount of land allowed under the exemption. He added that the exemption

5/16/77

may still be challenged due to the fact that there is no specific size allowance.

Mr. McCarter advised that of the 602 individuals out of 1600 who would be faced with some portion of their property tax, 220 would be taxed less than \$100; 317 would be taxed less than \$500; 41 would pay less than \$1,000; 19 would pay additional tax of less than \$2,000; and 5 would pay somewhere between \$2,000 and \$4,600 in taxes. The Department feels strongly that the program now in effect is equitable and should not be jeopardized to accommodate one or two people.

Senator Tillion advised that he had a problem with assessments where one person owns 20 acres with a small house. Due to high land assessments and taxes, the state is forcing this owner off the land. Mr. McCarter advised that the Department feels there are other programs to cover this type of situation and referred to the Homestead Act and the Agricultural Land Bill. Senator Tillion added that the legislature did not give the Department the right to set up the five acres for exemption, stating that the Department has done this arbitrarily. Mr. McCarter stated that the Department recognizes that this is the situation and is now trying to correct it.

Mr. Pomeroy stated that in regard to Senator Tillion's concern about the need to assess exempted property, the assessments would have to continue to be made in order to keep control and understanding of what the taxable value of any area is for bonding purposes.

Senator Croft was directed by Chairman Sackett to take a look at all alternatives and come up with a recommendation for committee consideration.

Chairman Sackett moved that House Bill 121 (Special appropriation to the Commercial Fisheries Entry Commission) be brought up for discussion. He advised that Mr. Adasiak was present to testify concerning the bill. Mr. Adasiak stated that the Limited Entry Commission has devised an application form which is quite complex. The detailed complexity was necessary in order to determine the eligibility of those applying. The Supreme Court decision in Isakson v. Rickey, has created a new pool of eligible applicants in addition

MOTION
HB 121

Mr. Adasiak

to those eligible under Limited Entry. House Bill 121 would provide the Commission with the necessary funds anticipated to be required to hire and train people and send them into the field to assist in application completion.

Chairman Sackett suggested that Mr. Adasiak look at the \$200,000 amount passed by the Senate and try to find enough money within that amount to handle this function.

Senator Croft advised that even if the legislature passes this bill, it will not become law until June 1, and the Commission would be getting its new appropriation for the fiscal year in July. He asked if the Commission intended that all the work be accomplished between June and July. Mr. Adasiak advised that the Commission had hoped to have the requested funds in March and that now, with the fishing season coming, some of the work would have to be deferred until next fall.

In reply to Senator Croft's question regarding the Commission's ability to handle the function within the existing budget, Mr. Adasiak advised that the Commission had no idea how large the pool was going to be following the Supreme Court decision. And the Department did not know what the court decision was going to be at the time of budget preparation.

Chairman Sackett again suggested that the Commission take a look at the \$200,000 given it last week to determine whether this project can be handled within that appropriation.

Chairman Sackett moved that Senate Bill 338 (Act relating to the tourism revolving fund) be brought up for discussion. He advised that Mr. Edenso and Commissioner Hubbard were on hand to testify concerning the bill. MOTION SB 338

Commissioner Hubbard advised that when the bill was introduced the Department supported it. Subsequent discussions have indicated a concern as to whether the administration can support an increase in the budget at this time. The bill increases state loan participation in tourism-related loans from \$1,000,000 to \$3,000,000. Mr. Hubbard

He stated that the Department continues to support the bill.

Mr. Edenso stated that in regard to the bill Commissioner Gallagher had asked him if it would be possible for the Department of Revenue to participate without increasing the revolving loan fund. He advised that it would be possible for Revenue to participate in the program by purchasing the loan notes received by Commerce for loans made under the program. It merely means that the loans and transfers of funds from the state agencies and the borrower must occur simultaneously. Mr. Edenso advised that the Department of Commerce currently has an appropriation to the Division of Tourism to make these loans. Revenue now purchases loans from the Veterans' Affairs and would anticipate being able to do the same for Tourism Loans through contract with the Department of Commerce. He added that the Department of Revenue has encountered no difficulties with the Veterans' program and would expect that Tourism Loans could be handled in the same manner. He also stated that there was sufficient money in the investment portfolio to purchase the Tourism Loans without jeopardizing existing programs.

Mr. Edenso

Mr. Edenso stated that he did not believe it was necessary at this time to increase the appropriation to the Tourism Revolving Loan Fund to accommodate the increase of the loan limit from one million to three million dollars. He added that these loans would be viewed as investments on which Revenue earns a fixed amount. The appropriation would not be affected, assuming that Revenue makes the investment simultaneously with the closing of the loan.

Chairman Sackett stated that his interpretation of the purpose of the bill was to upgrade the authorized amount of the loan limit without increasing the amount of the appropriation. Mr. Hubbard advised that the above understanding was correct. He added that the Department would like to see the bill approved with a zero fiscal note. When questioned by Chairman Sackett regarding an earlier fiscal note, Mr. Hubbard stated that up until recently the Department had felt there would have to be additional capitalization for the fund, but after discussion with Revenue and Kent Dawson from the Governor's Office, the Department feels it would be

better to effect the program within existing funds. He stated that the Department would furnish a new fiscal note with a zero amount and take back the prior note. Chairman Sackett moved that the bill be passed from committee with individual recommendations based on the zero fiscal note. There being no objection, the bill passed from committee.

MOTION
SB 338

Mr. Adasiak returned to the meeting at this time and advised that during a telephone conversation with the Executive Director of the Limited Entry Commission he was informed that the Commission is now in the hole \$224,000. He added that with the appropriation passed last week and House Bill 121, the Commission should have \$10,000 slack by the end of the year. Chairman Sackett advised that the committee would look into the matter again at the next bill session.

HB 121

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

ADJOURN

SENATE FINANCE COMMITTEE

May 19, 1977

8:25 a.m.

Chairman Sackett convened the meeting at 8:25 a.m. All committee members were present with the exception of Senators Croft and Orsini who arrived later in the meeting. Also in attendance for all or a portion of the meeting were: Alison Farnan, Fiscal Analyst; Judy Crondahl, Administrative Assistant to Senator Sackett; Dick Bradley and Bill Berrier from Legislative Affairs, Legal Services; Sue Green and Kent Dawson from the Governor's Office; Dr. Cole from the Department of Education; Avrum Gross and Dick Pegues from the Department of Law, and members of the press.

PRESENT

Chairman Sackett moved that Committee Substitute for House Concurrent Resolution 45 (Approving certain recommendations of the Salary Commission) be brought on for discussion. He advised that the Resolution had been requested by the Chairman of the Rules Committee. It is a pay bill for the commissioners, legislators, etc. Chairman Sackett referred committee members to the May 18, 1977, memorandum from Alison Farnan, and the May 17, 1977, letter from the Attorney General's Office, transmitting Commissioner Allen's May 5, 1977, memo. He advised that the administration has taken a look at the Resolution and apparently has some questions which need to be answered. He stated that Alison had spoken with Kay Diebels who chaired the commission making recommendations incorporated within the Resolution, and she was unable to answer the above-mentioned questions.

MOTION
CSHCR 45

(Senators Croft and Orsini entered the meeting at this time, 8:30 a.m.)

Mrs. Farnan advised that some of the problems with the Resolution are due to the fact that the commission was not aware of some of the terminology used by the state when it made its report, specifically relating to use of the word "longevity."

Chairman Sackett asked Mrs. Farnan how the legislature should go about answering the above questions. She advised that the legislature would either have to adopt or reject the Resolution and then come out with

other legislation. She added that HCR 45 contains the exact language contained in the Salary Commission's Report.

Senator Tillion inquired as to whether the Resolution could be clarified by a letter of intent, or if it would perhaps be possible to pass the Resolution and then let the administration figure out what the Salary Commission wants. Alison advised that it would be up to the Salary Commission to straighten the matter out.

Chairman Sackett advised that aside from the above problems, the only other change would be removal of the legislative increases. Senator Hohman moved that the Senate Committee Substitute for Committee Substitute for House Concurrent Resolution 45 pass from committee with individual recommendations. Senator Croft objected. Senator Croft advised that he had questions pertaining to adoption of the Resolution and additions or deletions from the Salary Commission Report.

MOTION
SCSCSHCR 45

(Dr. Cole from the Department of Education, and Sue Green from the Governor's Office entered the meeting at this time.)

Senator Croft and Senator Orsini requested that Bill Berrier and Dick Bradley, Staff Attorneys, be requested to appear before the committee to clarify questions concerning adoption of the Resolution. In the meantime, Alison advised that language relating to retirement had been dropped from the Resolution because retirement can only be dealt with through the legislative bill process rather than by resolution.

(Mr. Berrier and Mr. Bradley arrived at this time, 8:40 a.m.)

Berrier &
Bradley

Senator Orsini advised that it was his understanding that the law says the legislature cannot amend the Salary Commission Report. He asked if the committee would delete a whole section, or would such action be considered amending the report. He further stated that within each group there are subsections delineated alphabetically, and asked if it would be possible to delete selected subsections. Mr. Bradley replied that the committee could determine what it

wants to approve and delete what it does not wish to approve. Senator Orsini asked if the committee could add in a new section. Mr. Bradley replied that the committee can delete material because it has been given the authority to approve the Report. Senator Croft referred to a memo of May 11, 1977, prepared by Legal Services advising that his interpretation of the opinion was that the committee can take and choose any part of the recommendations or disapprove any section or the whole report, but the committee cannot add material. Mr. Berrier advised that adding material would be going beyond approving or disapproving because the add-on would not be a Salary Commission recommendation. Mr. Bradley added that the legislature had not lost its authority to change the law, but the changes cannot be effected by resolution.

Senator Hohman moved to pass the Resolution from committee with a "do pass" recommendation. Senator Croft objected but advised that he had no objection to moving the Resolution from committee with individual recommendations. Chairman Sackett advised that the bill would pass from committee with individual recommendations.

MOTION
SCSCSHCR 45

(Mr. Berrier and Mr. Bradley left the meeting at this time, 8:45 a.m.)

Chairman Sackett asked committee members if anyone objected to having the committee report come out with a zero fiscal note, advising that the amount will be appropriated in the General Government category of the budget. Alison Farnan advised that the funds would be put into a compenent for salary increases rather than into the individual components affected. Senator Hohman objected and stated that he felt when the committee passes a bill out it should have a valid fiscal note for later reference. The Senate Committee Substitute for Committee Substitute for HCR 45 passed from committee with a revised fiscal note in the amount of 251.6 and a Letter of Intent pertaining to appropriation of the funds.

SCSCSHCR 45
FISCAL NOTE
& LETTER OF
INTENT

Chairman Sackett moved that House Bill 212 (Act relating to instructional units and instructional unit allotments) be brought up for discussion. He advised that he had

MOTION
HOUSE
BILL 212

been working with the administration for about 10 days to effect a satisfactory committee substitute. He stated that what the committee has before it for consideration is the Senate Committee Substitute for the bill, and he advised that Dr. Cole from the Department of Education was present to testify concerning the bill.

Dr. Cole stated that he had provided a fiscal note for distribution and said the note pertained to the revised version of the bill. Upon request from Chairman Sackett that he review the bill section by section, Dr. Cole stated that Sections 1 and 2 were designed to allow the State to deduct up to 100% of the Public Law 81-874 payments from the federal government to the school districts. With regard to the REAA's, Dr. Cole mentioned that the state had previously received 874 funds as part of the S.O.S. budget. The department predicted these funds would continue, and the department's budget for the current year shows federal receipts in the program. If the bill passes, it would allow adjustments in the distribution of these funds as set forth in the budget request.

Dr. Cole

Section 3 would change the equalization portion of the foundation program which affects City and Borough school districts from 95 to 97%. The effective date would be July 1, 1978, and produce a fiscal impact of 2165.9 for FY 79.

Sections 4 through 7 are interrelated and deal with small secondary and small elementary schools. Where these schools have had one instructional unit in the past, they will now have 2 in the small elementary schools and 3 in the small secondary schools. A portion of this section would be effective in FY 78 and the other portion in FY 79. He further advised that Section 6 provides some phase-out protection for school districts which have been providing secondary programs for students who will be leaving to go back to local districts. He cited especially Nome and Dillingham as areas in need of this protection and added that the estimated cost would be approximately \$400.0.

Senator Orsini asked if the department has data which justifies the reduction of instructional units in larger school districts. Mr. Cole cited an example

relating to the distribution of instructional units based upon need between the smaller and larger school districts, and stated that the current ratio per law is one unit to twenty-three students based on a total enrollment of 3,025 or more students.

Senator Croft stated his understanding of the effect of the bill to be an adjustment based on need between the extremely small and extremely large districts. Mr. Cole replied that the above understanding was correct, that the Department has found that it is almost impossible to run a school on one or two instructional units.

Referring to Section 8, Mr. Cole advised that the effective date would be July 1, 1977, and the fiscal impact felt in FY 78. He stated that this is the section that the most work has gone into. He referred to a report by the Institute of Economic and Social Research from the University of Alaska, advising that the department relied upon data from the above source when drafting this section. The cost factor for Section 8 will be 6142.231.

Section 9 contains the hold harmless provision. Dr. Cole advised that in the data that the department had, two districts in particular would have come in under what they presently have in differentials. Nenana and the Upper Rail Belt area are closer to Fairbanks in terms of differential needs, and in order to prevent a loss of value to them in their developing budgets, the department wrote in the hold harmless provision. The approximate cost for this section would be approximately 400.0.

Dr. Cole advised that there is a typographical error on the first page of the fiscal note under General Funds for FY 78. The figure should be \$6,548.9 rather than \$16,154.0. He added that the twelve million dollar impact change between FY 78 and 79 is due to a change in value of the instructional unit. At the present time units are valued at 27.0 per unit. This value will increase to 29.0 between FY 78 and 79. (Section 10)

Section 11 adds a new program for school lunches based on Federal school lunch support. This program is tied to an economic ability to pay.

5/19/77

Discussion followed regarding clarification of various sections based upon questions raised by committee members. Following discussion Senator Hohman moved that the Senate Committee Substitute for Committee Substitute for House Bill No. 212 pass from committee with a do pass recommendation. There being no objection, the bill passed from committee.

MOTION
SCSCSHB 212

(Senator Orsini and Dr. Cole left the meeting at this time)

Chairman Sackett moved that House Bill 117 (Act relating to the legislative appropriation process) be brought up for discussion. He advised that the bill was sponsored by Representative Cowper and that the sponsor had previously testified before the committee pertaining to the bill. Chairman Sackett moved that the bill pass from committee with a due pass recommendation. There being no objection, Committee Substitute for House Bill 117 passed from committee.

MOTION
HB 117

MOTION
CSHB 117

Chairman Sackett moved that House Bill 295 (Special appropriation to the Office of the Governor to extend television demonstration project) be brought up for discussion. Senator Hohman moved that the bill pass from committee with individual recommendations. There being no objection, the bill passed from committee.

MOTION
HB 295

Senator Croft moved that Senate Bill 243 (Act relating to the rate of interest on delinquent tax payments) be brought up for discussion. He advised that until last year the interest on delinquent tax payments was 6%. The legislature raised the interest to 8%. The Governor's Efficiency Study recommendation was to increase the delinquency interest to 10%, the idea being that the state should at least be close to the interest rate charged by commercial banks for loans. Senator Croft moved that the bill pass from committee with individual recommendations. There being no objection, the bill passed from committee.

MOTION
SB 243

(Senator Orsini re-entered the meeting at this time)

Senator Croft moved that House Bill 5 (Exemption from real property taxes for senior citizens) be brought up for discussion. He advised that the

HB 5

difference between a \$100,000 limit and no limit at all would be less than \$25,000. Senator Croft further advised that the committee was aware of the cost of Senator Kerttula's amendment, and he stated that it was his understanding that Senator Kerttula was going to withdraw his amendment. Chairman Sackett moved that the committee pass the committee substitute (the same bill passed from committee when the bill was before the committee at a prior time) with individual recommendations. There being no objection, Committee Substitute for House Bill 5 passed from committee.

MOTION
CSHB 5

Chairman Sackett announced that the committee would meet at 9:00 a.m., Saturday, May 21, 1977, for a regular bill session and executive session pertaining to leadership.

The meeting adjourned at approximately 9:35 a.m. ADJOURN

SENATE FINANCE COMMITTEE

May 20, 1977

9:05 a.m.

All members of the Committee were in attendance except Senators Sackett and Butrovich. Also in attendance were Mr. Richard Block, Director, Division of Insurance; and Mr. Clark King, Alaska State Medical Association.

PRESENT

Vice-Chairman Hohman called the meeting to order and stated the purpose of this meeting was to discuss SB 326 (an act eliminating requirement that health care providers purchase medical malpractice insurance from the Medical Indemnity Corporation of Alaska).

SB 326

Mr. Richard Block, Director, Division of Insurance, stated the State Affairs proposed committee substitute for SB 326 is a major step backwards from where he thought they were. Mr. Block stated the bill that was originally introduced was prepared by the Administration through the Division of Insurance and physicians in the State. He stated it appears that everything they thought was necessary in the original bill has been taken out in the Committee substitute.

Mr. Block stated there was also another bill that makes a \$1.5 million appropriation to MICA to fund current and future operations and he urged Committee members to support that legislation.

Senator Croft asked how the fiscal impact differs between the original bill and the committee substitute. Mr. Block stated the fiscal impact to the state would not change. He stated that in terms of an amount to appropriate there would be no difference.

Senator Croft stated that he and many other legislators were surprised at the beginning of the Session by the need to appropriate an additional \$3 million to MICA and he understands it is going to cost the State another one-third million dollars. He stated he is very leary of doing anything on this bill until he knows the full fiscal impact. Senator Croft further stated it is his understanding that the Committee Substitute removes the mandatory provision for participation in MICA which could result in MICA continuing to cover only the poor doctors; he stated if this were the case then it could end up costing the state a great deal more. Mr. Block concurred with Senator Croft's statement.

Senator Tillion asked Mr. Block if the Administration could live with the original bill and Mr. Block stated they could. Senator Tillion asked if the original bill provided that any doctor that did not want to have anything to do with MICA would not have to participate. Mr. Block stated this is correct.

5/20/77

Senator Croft stated he would like to see what the full fiscal impact of this bill was, particularly after what happened last year.

Mr. Clark King, Alaska State Medical Association, stated the original bill is the one the Medical Association wholeheartedly supports. He stated that participation in MICA under this bill would be less than 100%, but there would still be substantial participation.

Senator Meland asked how many people in ASMA want this law changed. Mr. King stated that ASMA represents about 350 physicians and about 90% of them favor the repeal of the mandatory clause. He stated that in their most recent poll of members, 70% supported the original bill.

Senator Tillion moved the original version of SB 326 be passed from Committee with Individual Recommendations. There being no objection, it was so ordered.

SB 326
MOTION

There being no other business to come before the Committee, Vice-Chairman Hohman adjourned the meeting at 9:25 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

May 21, 1977

9:10 a.m.

Chairman Sackett called the meeting to order at approximately 9:10 a.m. All committee members were present with the exception of Senators Butrovich and Orsini. Also in attendance were Commissioner Gallagher and Jim Edenso from the Department of Revenue; Commissioner Hubbard from the Department of Commerce; Dr. Cole and Gerald Hiley from the Department of Education; Ron Lind and Barbara Thomas from Budget & Management; Sue Green from the Governor's Office; Alison Farnan and Milt Barker, Fiscal Analysts; Judy Crondahl, Administrative Assistant to Senator Sackett; Elaine Mitchell and other members of the press.

PRESENT

Chairman Sackett moved that Committee Substitute for House Bill 322 (Relating to Alaska Net Income Tax) be brought up for discussion. Senator Tillion advised that a Finance Committee Substitute for this bill had been prepared and he preferred that version of the bill.

MOTION
CSHB 322

Commissioner Gallagher appeared to testify on behalf of the bill. He advised that he felt the franchise tax was the preferable manner in which to proceed because it had advantages over what can be done under present law. Commissioner Gallagher added that his preference for the franchise tax was due to its ability to provide separate accounting, and taxation upon the Outer Continental Shelf and tankers.

Commissioner
Gallagher

Senator Croft stated that it was his understanding that the income tax is not designed to pick up additional money but to try to establish equal treatment between companies operating within the state. He added that Alaska businesses currently pay 9.4% in corporate taxes while oil companies pay considerably less. The corporate tax statute as far as oil companies are concerned is inadequate. The purpose of the direct accounting under the franchise tax is to derive additional income. Commissioner Gallagher advised that the tax would derive approximately \$60000.0 the first year, \$150000.0 the next year; and approximately \$180000.0 by 1980, depending upon how quickly the pipeline commences. He further advised that the department has not allocated any dollar amounts to tankers.

Chairman Sackett advised that he would prefer to put out the Resource Committee Substitute. Senator Croft moved for passage of the Resource Committee Substitute with individual recommendations. Senator Tillion objected and moved for passage of the House Finance version of the bill. Senator Meland advised that he had made up his mind in favor of the House Finance Committee Substitute. Upon a show of hands Senators Hohman, Meland, and Tillion voted in favor of passage of the House Finance Committee Substitute for House Bill 322. Senator Tillion stated that he did not object to passage of the bill as either the House Finance or Senate Resource Committee Substitute. Chairman Sackett then ruled that the above motion for passage of the House Finance Committee Substitute had failed, and asked if there was objection to passage of the Senate Resource Committee Substitute. There being no objection, the Senate Resource Committee Substitute for Committee Substitute for House Bill 322 passed from committee with individual recommendations.

MOTION
SCSCSHB 322

Chairman Sackett moved that Committee Substitute for House Bill 89 (Relating to state aid for school construction) be brought up for discussion. He advised that he had discussed with Kent Dawson the possibility of changing the effective date regarding the 80% to 1979.

MOTION
CSHB 89

Sue Green appeared before the committee to testify concerning the bill. She advised that the Governor is particularly concerned about the timing of the fiscal impact of the bill and asked that the bill be delayed pending further discussion between the administration and the legislature.

Sue Green

Senator Croft stated that it was his understanding that minor amendments could produce a workable bill. Discussion followed between Senator Croft and Dr. Cole regarding necessary changes. Following discussion Senator Croft advised that he believed effecting the following changes would produce a satisfactory bill. Beginning with the original House version of the bill, at line 16 change the date from July 1, 1976, to July 1, 1977; line 17, change 80% to 50%; line 21 change July 1, 1976 to July 1, 1977; take the repealer section out at line 24 and change the effective date at line 25 from July 1, 1977, to July 1, 1978. Dr. Cole advised that the Department estimated the fiscal impact over a three

Dr. Cole

period to be approximately 11, 12, and 13 million dollars, and added that the fiscal impact would decline over a period of 20 to 25 years.

In reply to Senator Meland's question regarding the 80%, Senator Croft replied that the 80% would not go into effect. The legislature would work on the percentage in the interim and take care of it at the next session. Dr. Cole advised that the Department is now paying about half of what would be proposed under the bill.

Chairman Sackett asked if there was any objection to the approach suggested by Senator Croft. Senator Hohman objected and asked Dr. Cole if the aid provided by the subject bill is something the school districts have been anticipating. Dr. Cole replied that the aid was indeed anticipated and that school districts have based their bond expenditures on this aid and are expecting to get some of their expenses back. Dr. Cole mentioned that some of the rural schools had experienced problems with land acquisition, but the most recent report to the Department indicates that there is now only one school having problems regarding land.

Senator Hohman stated that there are still rural schools which are underfunded in their ability to construct. He added that he did not like to effect an additional windfall such as the subject bill when the state has other commitments.

Senator Tillion stated that he understood Senator Hohman's position but added that the state does have to build schools in the areas where people are paying taxes. He further added that he would disapprove of the state ever paying more than 80%. The rural areas have a big advantage in that they get their assistance free because there is a greater need in the rural areas.

Senator Hohman replied that education is important and he felt the state has to educate all the kids in the state, and the education is more important than whether the area has the taxing ability. Another matter he referred to was the fact that some of the rural areas have been promised schools but have not yet received them. Senator Tillion advised that the schools have been funded but construction has not begun, and added that failure to commence was not the legislature's fault. Senator