

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2729

have expressed willingness to purchase the barley provided it meets U.S. No. 2 quality standards and is competitive in price.

Since details regarding marketing and transportation remain questionable, it was agreed that 1978 and 1979 should serve as a test market prior to the larger market produced by the Delta Project in 1979. The project has taken on added importance due to the use of grape seed for cooking oil. However, not many farmers have much experience growing the crop and the test market would allow time in which to gain such experience.

1978  
TEST  
MARKET

Senator Orsini questioned the fact that funds contained in the supplemental would push the loan fund beyond its 5 million dollar limitation, and additionally expressed concern over the whole loan category in relationship to transfers to the Department of Revenue. Mr. Palmer referred to the February 1, 1978, memorandum from Ron Lind, stating that with retained earnings put back into the fund it would exceed the 5 million dollar limitation. He added that retained earnings are only calculated at the end of the fiscal year and it is a very simple matter to have some of the earnings shipped back to the general fund, in order that the balance remain below the fund limit. Mr. Palmer added that according to the Attorney General's Office, the above situation should not become a problem because it is not governed by the Constitution. Anything the legislature does in the way of an appropriation supersedes the loan limit. Retained earnings may be returned to the general fund or the legislature may increase the loan fund beyond the 5 million dollar limit, which would appear to be the action which should be taken.

LOAN FUND  
EXCEEDS  
5M LIMIT

Concerning the sale of loans to the Department of Revenue, Mr. Palmer stated that such a practice was done to a small degree, but the subject fund is truly a revolving loan fund, and earnings can be used to make additional loans. The managing department does not like to sell any more paper to Treasury than it has to, because funds then go into the Treasury instead of into the fund for additional use. All costs and expenditures associated with administering the fund are paid from the retained earnings, and for this reason the managing department prefers to keep the paper at home.

SALE OF  
LOANS TO  
REVENUE  
DOES NOT  
INCLUDE  
REVOLVING  
LOANS

Vice-Chairman Hohman referred to an audit report regarding the establishment of allowances for uncollectable loans, and Senator Tillion replied that while some of the

DEFAULT  
LOANS

loans are in default, none are uncollectable because they are all secured by real estate as collateral. It is simply a matter of the State collecting them. Mr. Palmer added that at present 7% of the loans are delinquent 30 days or more, and 4% are in litigation. Since 1959, an average of 2% of the loans have gone bad. He concluded by stating that all administrative costs have been paid out of the fund, so the fund pays its own way. Although there have been some losses, there have also been enough earnings to compensate.

Senator Orsini moved that SB 414 pass from committee with individual recommendations. Vice-Chairman Hohman inquired concerning the number of committee members intending to sign do pass, and upon a favorable show of hands, Senator Orsini amended his prior motion to reflect passage of the bill from committee with a do pass recommendation. MOTION SB 414

(Senator Croft entered the meeting at this time.)

Senator Meland moved that House Bills 114 and 115 (Act establishing a Fire Suppression Fund, and Act making a special appropriation to the Fire Suppression Fund) be brought up for discussion. He advised that Ted Smith was before the committee to answer questions raised at a prior hearing on the bill. Mr. Smith explained that the Department of Lands has established a point system for determining attack priority on wild fires. The Division attacks every reported fire within its jurisdiction. The Division uses the priority rating system to determine which areas should be serviced first. Residential areas constitute the first priority, followed by resources, land, etc. HOUSE BILLS 114 115

Senator Tillion asked if the Division fights fires in Black Spruce areas where the timber is of no value. Mr. Smith replied that while the Division does not have much of this type of timber within its jurisdiction, the Division has taken the position of fighting all reported fires. The Division fought 180 fires last year, of which only 2 escaped the first attack. The size of the average fire last year was 3 acres. Mr. Smith stated that he felt it was better to attack fires rather than run the risk of their becoming too large to control. DIVISION FIGHTS ALL FIRES

Senator Orsini raised a question concerning municipal reimbursement for fire fighting costs, and Mr. Smith REIMBURSEMENT

replied that it is the state's responsibility to fight fires on all state and private lands. Generally, the only reimbursement received is from fires fought on federal lands, or in some cases, when responsibility for the fire is attributed to negligence. The federal government will continue to fight fires on native held lands until the lands become productive, or for a period of 20 years.

Senator Croft stated he would like to have language in the bill to the effect that the Division will protect lives and property, but not fight fires burning in remote areas. Senator Tillion agreed with Senator Croft, adding that fires fought in the bush endanger the lives of fish and wild life in the burned area due to chemicals used in the fire fighting process. He added that if the fire poses no threat to life or property, the Division should not commence fire fighting activities. Mr. Smith replied that operating along the lines suggested by Senators Croft and Tillion would place the responsibility for deciding whether to fight a fire upon a low paid dispatcher located nearest the burning area.

INTENT

Senator Meland moved that the committee take the recommendations of the Director of Lands regarding fire fighting operations. Senator Croft objected, stating he would like to attach language directing primary fire fighting responsibility toward protection of lives and property. Mr. Smith stated that he would prefer that such intent apply to the entire fire fighting program rather than merely House Bills 114 and 115. Senator Tillion stated that he would like to have the intent stated in the budget but also wished to have it attached to the subject bills. Senator Meland moved that the bills pass from committee subject to a letter of intent to be placed in the budget, and House Bills 114 and 115 passed from committee.

MOTION  
HB 114  
HB 115

Senator Orsini moved that House Bill 611 (Act making a supplemental appropriation to the Office of the Governor, Telecommunications) be brought up for discussion. He advised that the bill seeks a 235 thousand dollar appropriation from the general fund to the Office of the Governor to cover the costs of RCA rate hearing protests by Telecommunications. Telecommunications intervened in the interim rate increase for intrastate rates filed by RCA by going to Budget and Management and obtaining approval

HB 611

to take funds from the Telecommunications operating budget for application against the cost of protesting the RCA proceedings. The supplemental contained in HB 611 would reimburse Telecommunications for funds advanced from its operating budget toward the rate proceedings--approximately 100 thousand dollars.

Senator Orsini further advised that in addition to APUC review of rate increases, the legislature had asked Telecommunications to intervene in the proceedings. Senator Tillion advised that his understanding of the above statement indicates that the supplemental is the result of action the legislature requested that Telecommunications take, and Senator Orsini replied that the supplemental is something the legislature should have funded in the budget but didn't. Telecommunications was told to become involved in permanent rate proceedings. The Legislature did not direct involvement in interim proceedings because it did not know the interim proceedings would occur.

TELECOM-  
MUNICATION  
INTERVEN-  
TION  
SOUGHT BY  
LEGIS.

Senator Hohman inquired concerning the reason two state agencies (APUC and Telecommunications) were involved in the rate proceedings, and Senator Orsini replied that the APUC is the final arbitrator, while Telecommunications intervened as a consumer of RCA.

Representative Brown explained that need for the supplemental resulted from a misunderstanding on the House side in not getting HJR 32 and its fiscal note to the Finance Committee.

HJR 32  
FAILURE  
TO FUND

Mr. Shaginaw reported that as a result of Telecommunication's intervention in the interim rate proceedings, representing the consumer position, the APUC denied the rate increase, resulting in an 11 million dollar saving to the state from its 140 thousand dollar expenditure. Expenditures by Telecommunications were high because the APUC staff supported the rate increase, and Telecommunications had to obtain additional legal assistance in waging the protest. APUC recommended the rate increase despite the fact that RCA had shown a 18 million dollar profit for the test period.

PROTEST  
RESULTS

APUC STAFF  
POSITION

Representative Brown supported Mr. Shaginaw's statement, advising that the APUC staff does not work directly for APUC. The staff took the position in support of RCA.

Had the APUC staff seen its role as stated in the administrative regulations, Telecommunications would not have had to expend so much in making its presentation.

Mr. Hogan entered the meeting at this time to clarify the question concerning passage of HJR 32 without the accompanying fiscal note providing funding. He stated that while HJR 32 passed the legislature, the fiscal note process for funding was not followed. Measures reported to the Free Conference Committee are measures coming out of the finance committees. HJR 32 never passed through either finance committee and was not brought to the attention of finance committee members. He further added that if the fiscal note procedure is not followed, Legislative Finance staff is placed in the position of writing appropriations. Legislative Finance has designed a mechanism to keep track of all fiscal notes coming through both finance committees, but it cannot keep track of everything going on in the legislature. Mr. Brown replied that the House had tried to adopt a clearing house method for finance committee members to be aware of measures containing financial impact. Senator Hohman suggested that the bill remain in committee while a letter is drafted to the presiding officers of both Houses, advising of problems arising when items such as HJR 32 do not go through the finance committees.

LEGIS.  
FINANCE  
POSITION  
HJR 32

Senator Orsini advised that there was some urgency involved in passing the bill due to the fact that Telecommunications had used its operating funds to support the protest and needed the supplemental. Senator Hohman advised that the bill would come before the committee again at tomorrow's meeting.

HCR 97

Discussion followed concerning carrying HCR 97 (Establishing general funds available for appropriation for FY 79) on the floor of the Senate in Senator Sackett's absence, and it was decided that request would be made to hold the bill over one legislative day pending his return.

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

ADJOURN

SENATE FINANCE COMMITTEE  
February 22, 1978  
9:05 a.m.

Chairman Sackett convened the meeting at 9:05 a.m. Members present were: Senators Sackett, Hohman, Croft, Meland and Orsini. Also present were: Judy Crondahl, Assistant Aide to Senator Sackett; Alison Farnan, fiscal analyst; Jay Hogan, Legislative Finance, Senator Hackney; Sandy Nusbaum, Sec/AA to Senator Butrovich; Ric Davidge, Facilitator, Alaska Student Lobby; Janet Green, Admin. Officer, Office of the Governor; George Shaginaw, Deputy Director, Office of Telecommunications.

PRESENT

Chairman Sackett indicated to the Committee that they would be discussing HB440 (Special Appropriation to LAA & Dept. of Admin. for toll-free phone service). Chairman Sackett informed the Committee that a Senate CS for HB 440 (Supplemental appropriation to LAA and the Legislative finance division) had been prepared to take the place of HB 440. The committee discussed the new proposal and decided to change the amount of \$35,000 in Sec. 2 to \$34,000. Senator Hohman moved and asked unanimous consent that SCSHB 440 with a letter of intent be reported out of committee with a do pass recommendation. Chairman Sackett asked how many were in favor. A majority agreed. SCSHB 440 passed as follows: Do pass: Senators Sackett, Hohman, Meland, Orsini. Senator Croft voted no recommendation.

HB 440

SCSHB 440

MOTION

Chairman Sackett brought before the committee HB 611 (Supplemental appropriation to the Office of the Governor - Telecommunications). Senator Orsini brought Senator Sackett current on what had transpired on HB 611 in the previous committee meeting. Chairman Sackett asked for the recommendation of the committee. Senator Orsini made a motion that HB 611 be reported out of committee with a do pass recommendation. All were in favor. HB 611 passed as follows: Do pass: Senators Sackett, Hohman, Croft, Meland and Orsini. Senator Hohman made a motion that Chairman Sackett write a letter to President Rader (letter attached) regarding referral from the Senate floor.

HB 611

MOTION

Senator Orsini made a motion that SB 463 (supplemental appropriation to Dept. of Fish and Game) be reported out of committee without recommendation and sent to the Resources Committee with the notation "Send to Resources and return to Finance." It was so ordered. All Senators present signed no recommendation.

SB 463

MOTION

Meeting adjourned 9:43 a.m.

ADJOURN

SF 78 #14  
(0002-0866)  
2/22/78



POUCH V  
JUNEAU, ALASKA 99811

## Alaska State Legislature Senate

February 22, 1978

The Honorable John Rader  
President  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

Dear President Rader:

This morning the Senate Finance Committee reported out HB 611, an act making a supplemental appropriation to the Office of the Governor, covering state participation in certain telecommunication rate hearings. The state participated in these rate hearings per instruction of HJR 32, passed by this body last year. Attached to HJR 32 was the enclosed fiscal note showing that the program effort would require the appropriation of \$250,000 of state general fund money.

According to the bill history, also enclosed, this measure, although requiring a substantial general fund commitment, was not referred to either House or Senate Finance Committees. As a result, the measure did not automatically appear on our listing of measures to be funded by the fiscal note process in the General Appropriations Act. Thus, we now have a supplemental appropriation for these program costs.

This problem can be avoided in the future if both presiding officers will refer all measures requiring appropriations to either or both of the standing finance committees.

Sincerely,

John C. Sackett  
Chairman  
Senate Finance Committee

Enclosures

PAGE 1212

06/25/77

## HISTORY OF LEGISLATION

R01-33F-3040

PAGE 0213

**HJR 32** RELATING TO REVIEW OF INTERSTATE AND INTRASTATE TELEPHONE SERVICE AND RATES

AMENDED TIL 1 CS \*

PRIME SPONSORS: STATE APP.

BY REQUEST

TE ACTION

COMMITTEE REPORTS

READING BY UNAN CONSENT

NO-02

| DATE     | SEQ. NO. | JOURNAL PAGE | HOUSE ACTION                            |
|----------|----------|--------------|-----------------------------------------|
| 03/18/77 | 01       | 0581         | FIRST READING -- COMMITTEE REPORTS      |
| 03/18/77 | 02       | 0581         | TELE -- DP04, NA01                      |
| 03/18/77 | 03       | 0582         | S.A. -- OTHER01                         |
| 04/14/77 | 04       | 0859         | COM -- DMP02, CS05                      |
| 04/22/77 | 05       | 0973         | SECOND READING                          |
| 04/22/77 | 06       | 0973         | COM CS ADOPTED BY UNAN CONSENT          |
| 04/22/77 | 07       | 0973         | ADVANCED TO 3RD READING BY UNAN CONSENT |
| 04/22/77 | 08       | 0973         | THIRD READING                           |
| 04/22/77 | 09       | 0973         | PASSED BY DIV 30-06-04                  |
| 04/22/77 | 10       | 0973         | HSE SUPPL 50 FISCAL NOTES               |
| 05/27/77 | 21       | 1595         | TRANSMITTED TO GOVERNOR                 |
| 06/03/77 | 22       | 1666         | READ BY GOVERNOR -- SENT TO LT GOVERNOR |
| 06/22/77 | 23       | 6000         | LEGISLATIVE RESOLV NO 101               |

| DATE     | SEQ. NO. | JOURNAL PAGE | SENATE ACTION                           |
|----------|----------|--------------|-----------------------------------------|
| 04/23/77 | 11       | 0943         | FIRST READING -- COMMITTEE REPORTS      |
| 05/05/77 | 12       | 1101         | S.A. -- DP03, NR02                      |
| 05/06/77 | 13       | 1126         | RLS -- OTHER03                          |
| 05/26/77 | 16       | 1438         | RLS -- OTHER03                          |
|          |          |              | TAKEN UP IMMEDIATELY                    |
| 05/07/77 | 14       | 1162         | SECOND READING                          |
| 05/07/77 | 15       | 1162         | RECOMM RLS TIL 05/11/77 BY VOICE VOTE   |
| 05/26/77 | 17       | 1462         | READ AGAIN SECOND TIME                  |
| 05/26/77 | 18       | 1462         | ADVANCED TO 3RD READING BY UNAN CONSENT |
| 05/26/77 | 19       | 1462         | THIRD READING                           |
| 05/26/77 | 20       | 1462         | PASSED BY DIV 16-00-04                  |

**HJR 33** PROPOSING AN AMENDMENT TO THE CONSTITUTION OF THE STATE OF ALASKA RELATING TO RECESS AND ADJOURNMENT OF LEGISLATIVE SESSION

PRIME SPONSORS: BROWN

E ACTION

| DATE     | SEQ. NO. | JOURNAL PAGE | HOUSE ACTION                       | DATE | SEQ. NO. | JOURNAL PAGE | SENATE ACTION |
|----------|----------|--------------|------------------------------------|------|----------|--------------|---------------|
| 03/21/77 | 01       | 0599         | FIRST READING -- COMMITTEE REPORTS |      |          |              |               |
|          |          |              | STATE APP. JUDICIARY RULES         |      |          |              |               |

**HJR 34** URGING ENVIRONMENTAL DEFENSE OF THE ARCTIC NATIONAL WILDLIFE RANGE

PRIME SPONSORS: MALONE

CO-SPONSORS: ELIASON MILLER

E ACTION

| DATE     | SEQ. NO. | JOURNAL PAGE | HOUSE ACTION                            | DATE     | SEQ. NO. | JOURNAL PAGE | SENATE ACTION                      |
|----------|----------|--------------|-----------------------------------------|----------|----------|--------------|------------------------------------|
| 03/21/77 | 01       | 0599         | FIRST READING -- COMMITTEE REPORTS      | 04/19/77 | 07       | 0881         | FIRST READING -- COMMITTEE REPORTS |
| 04/15/77 | 02       | 0872         | RES -- DP06, NR03                       |          |          |              | RESOURCES RULES                    |
| 04/18/77 | 03       | 0893         | SECOND READING                          |          |          |              |                                    |
| 04/18/77 | 04       | 0893         | ADVANCED TO 3RD READING BY UNAN CONSENT |          |          |              |                                    |
| 04/18/77 | 05       | 0893         | THIRD READING                           |          |          |              |                                    |
| 04/18/77 | 06       | 0893         | PASSED BY DIV 27-09-04                  |          |          |              |                                    |

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HJR 32

Title Relating to Review of Interstate and Intrastate Telephone Service & Rate

Requested by House Commerce Committee Date 30 March 1977

II. FISCAL DETAIL

Agency Affected Commerce and Economic Development

Program Category Affected Protection

Budget Request Unit(s) Affected Alaska Public Utilities Commission

EXPENDITURES (Thousands of Dollars)

|                          | FY 77 | FY 78 | FY 79 | FY 80 | FY 81 | FY 82 |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES    |       |       |       |       |       |       |
| 200 TRAVEL               |       |       |       |       |       |       |
| 300 CONTRACTUAL          |       | 250.0 |       |       |       |       |
| 400 COMMODITIES          |       |       |       |       |       |       |
| 500 EQUIPMENT            |       |       |       |       |       |       |
| 600 LAND & STRUCTURES    |       |       |       |       |       |       |
| 700 GRANTS, CLAIMS, ETC. |       |       |       |       |       |       |
| TOTAL                    |       |       |       |       |       |       |

FUNDING (Thousands of Dollars)

|                 |  |       |  |  |  |  |
|-----------------|--|-------|--|--|--|--|
| GENERAL FUND    |  | 250.0 |  |  |  |  |
| FEDERAL FUNDS   |  |       |  |  |  |  |
| OTHER (Specify) |  |       |  |  |  |  |
|                 |  |       |  |  |  |  |
|                 |  |       |  |  |  |  |

POSITIONS

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| FULL TIME |  |  |  |  |  |  |
| PART TIME |  |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |  |

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. The APUC does not have staff to accomplish tasks set forth in a full rate proceeding with RCAA. Revenue requirements and rate of return will be contracted to consultants outside the state.
2. It is anticipated that a portion of the expenses associated with the investigation and hearing would be allocated back to RCAA under Sec. 42.05.651 of the Alaska Statutes. Monies received from allocated costs return to the General Fund.

IV. DATE March 30, 1977

PREPARED BY Marvin R. Weatherly, Commissioner

AGENCY Alaska Public Utilities Commission

PHONE 272-1487

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

SENATE FINANCE COMMITTEE  
February 23, 1978  
9:10 a.m.

Chairman Sackett convened the meeting at 9:10 a.m. All members were present with the exception of Senators Orsini and Tillion. Also present were: Judy Crondahl of Senator Sackett's office; fiscal analysts Alison Farnan and Bob Grogan; Joe La Rocca of the press; Phil Moreno, Project Coordinator, CAMI, Inc.; and from the Dept. of Fish & Game Mary Ann Johnson, Admin. Asst., Laurie M. Wojech, Leg. Liason, Jeff Morrison, Dir. of Admin., Carl L. Rosier, Dir. of Comm. Fishing, and Lowell S. Bauick, Chief Engineer.

PRESENT

Senator Hohman moved and asked unanimous consent that SB 441 (special appropriation to the Office of the Governor) be brought up for consideration. Mr. Phil Moreno was introduced to talk about CAMI, Inc. Mr. Moreno informed the committee that about 1 1/2 years ago Chatham Cannery became available for sale. Mr. Moreno would like to either purchase or lease these facilities as a rehabilitation facility for kids. Mr. Moreno wants to help young girls stay out of trouble, teach marine techniques, home in on a career awareness program, help young people improve their self image and become aware that they are totally responsible for what happens to them. A course will be taught in Adventures in Attitudes, improving communications skills, both personal and vocational. The first year's pilot project will cost at least 1.5 million dollars. Right now Mr. Moreno is asking for \$30,000 for a 90-day feasibility study.

SB 441

CAMI, INC.

Senator Hohman made an additional request to change SB 441 to SCCS 441 to include funding of \$35,000 to the Anchorage School District for an educational ombudsman to serve as a referral program with parents and students, to resolve problems that are causing kids to drop out of school. This is a one-year pilot program. Without objection by the committee, it was so ordered.

CSSB 441

EDUCATIONAL  
OMBUDSMAN

Senator Hohman moved and asked unanimous consent that SCSSB 441 be passed from committee with individual recommendation. Without objection, it was so ordered. CSSB 441 was reported out as follows: Do pass: Senators, Sackett, Hohman and Meland. Senators Croft and Butrovich signed no recommendation.

CSSB 441

Senator Butrovich brought up SB 399 for discussion. He informed the committee that a CSSB 399 had been prepared. Senator Butrovich recommended that CSSB 399 be reported out of committee with a do pass recommendation. All members present signed do pass.

SB 399  
CSSB 399

Chairman Sackett assigned the following bills:

SB 387 - Butrovich  
SB 425 - Meland  
SB 409 - Sackett  
SB 401 - Meland  
SB 384 - Hohman

ASSIGNMENTS

Senator Meland brought SCSHB 613 (supplemental to Dept. of Labor) to the attention of the committee. He moved that SCSHB 613 be passed out of committee with individual recommendations. There were no objections. Chairman Sackett moved that it be so ordered. SCSHB 613 passed from committee with all members present voting do pass.

SCSHB 613

The meeting was adjourned at 9:46 a.m.

ADJOURN

SF 78 #14  
(866-1416)  
2/23/78

SENATE FINANCE COMMITTEE

February 27, 1978

9:00 a.m.

Chairman Sackett convened the meeting at approximately 9:00 a.m. All committee members were present with the exception of Senators Hohman and Croft who arrived later in the meeting. Also in attendance were Senator Hackney; Roger Lange, Administrator, Office of Internal Review, Department of Health & Social Services; Foster Diebold, President of the University of Alaska; Dr. Earl Brewer, Vice President for Finance & Comptroller for the University; Patrick O'Rourke, Director, Rural Educational Affairs; Ric Davidge, Alaska Student Lobby; Wally Olson, Alaska Community College Federation of Teachers; Barbara Thomas from the Division of Budget and Management; Dale Cheek, Director, Division of Wage & Hour, Department of Labor; members of the press including Elaine Mitchell, Jean Kiser, and Paul Nussbaum; Fiscal Analyst Dave Scott, and Judy Crondahl, Administrative Aid to Senator Sackett.

PRESENT

Senator Orsini moved that Senate Bill 271 (Relating to the purchase by the State of social services) be brought up for discussion and advised that Senator Hackney and Roger Lange were present to testify concerning the bill. Mr. Lange stated that the committee substitute passed by the Senate HESS committee appears to rectify problems in the current statutes regarding financial responsibility for social services in the private sector, particularly regarding reimbursement for depreciation costs and cost settling allowances involved in providing private care for children.

SB 271

Senator Hackney directed committee attention to line 17 of the committee substitute, stating that this section of the bill provides for an equity charge, based on 1/12 of the annual cost of the care given. The effect of the language is to even out yearly payments to private care providers.

Annual  
cost

(Senator Hohman entered the meeting at this time.)

On page 2, line 23 of the committee substitute the language deals with depreciation costs. At the present time, depreciation is not allowed. Past costs have remained quite stable, but more recently, lack of ability to declare and receive reimbursement for depreciation has become a definite burden on child care agencies, and some are seriously considering closing their doors. Senator Hackney added that while the bill appears to have a high price tag, if the child care agencies were to go out of business and the state was forced to assume such services, the cost of providing similar care would be at least double that of the private sector.

DEPRECIATION

Mr. Lange advised that the only area of concern for the Dept. of Health & Social Services involve page 1, line 13, allowing the department to adopt regulations determining what costs and allowances are reasonable and necessary. The Attorney General's office feels this language would perhaps leave another cloud upon the understanding between the Department and child care associations, and would suggest some language to allow for cost settling and establishment of upper limits for staff salaries, etc.

REGULATIONS

Regarding cost settling, Alaska Statute 47.40.040 sets the rate for any given year based on prior year costs and a cost of living allowance. Rates set at the first of the year are applicable to the entire year. Cost settling is based on retroactive determination for the subject year.

COST  
SETTLING

(Senator Croft entered the meeting at this time.)

Chairman Sackett asked if the Department had established standards for allowable limits of service, and Mr. Lang replied that the Department has submitted such standards to Budget and Management for review. Chairman Sackett requested that the Department furnish a copy of these standards to the finance committee.

ALLOWABLE  
LIMITS

Discussion ensued regarding preparation of the fiscal note and Mr. Lange stated that the note was derived from figures developed by the child care agencies a little over a year ago. Mr. Lange used the 7 million dollar expenditure for FY 1978 for the fiscal

FISCAL  
NOTE

note, plus funds appropriated by the Legislature in the project request area, and added appreciation, which resulted in the best figure he was able to provide.

Following a discussion initiated by Senator Tillion concerning salaries for child care workers, Senator Hackney advised that the child care agencies are not asking for a salary schedule even approaching the State level, and the Department will have control over these salaries. All the agencies are asking for is a little relief. Senator Hackney concluded by stating that he did not want to see the child care function taken over by the State of Alaska. Mr. Lange advised that salaries for child care positions are currently running a good 30% below comparable salaries. As of 1970, most agencies providing child care service are church related, some of which have missionary status and their employees earn as little as \$360.00 per month. At this time, the Department does not know how much salary adjustment will be necessary, but it has asked the agencies to provide estimated cost figures.

SALARIES  
FOR CHILD  
CARE  
WORKERS

Chairman Sackett deferred further action on SB 271 pending receipt of Department standards submitted to Budget and Management for review.

SB 271

Chairman Sackett moved that House Bill 717 (Supplemental appropriation for salaries and operating expenses of the University of Alaska) be brought up for discussion, and advised that President Diebold, Dr. Brewer, and Mr. O'Rourke were present to answer questions concerning the bill. Commencing the discussion, Dave Scott set forth items clearly defined in the bill previously passed by Senate Finance (CSSB 462). He stated that the Senate Bill: (1) allowed for the salary increases from funds appropriated through the Governor's Office, (2) allowed 1 million dollars for statewide administration, (3) stated that Management Team expenditures were to be covered by the supplemental appropriation, and (4) set program figures \$470,000 less than the amount provided in the House Bill.

HB 717

Chairman Sackett questioned figures associated with the military supplemental, stating that the finance committee has so far heard 5 different versions regarding management and funding of military programs. Senator Tillion added that he did not like the idea of the

MILITARY  
PROGRAMS

U.A.A. including military student enrollments in figures used as a basis for new construction, when actually the military base provides on-base instructional facilities. Mr. O'Rourke replied that of the approximately 2,000 students on the military bases, a number of them take classes at the campus too, and Senator Tillion replied that while this was true, a portion of the students enrolled on campus take courses on base, so benefits derived by the base and University remain mutual.

MILITARY  
ENROLLMENT  
USED  
BY UAA

Chairman Sackett stated that in back-up material furnished by the University, it stated that the University program needed general fund monies because it (the University) had a prep program which was lost. While the University has said it had general fund monies for these programs, these funds have never been shown in the University budget. Finance Committee review of the budget discloses that the University has never reflected military programs in the past. Sometime during the past week, the University apparently found \$120,000 credited to the U.A.A. account which was transferred to A.C.C. to cover military program costs. That still leave \$60,000 needed for military programs. In the past, the University has taken such needed funds out of transfers or contingencies. Chairman Sackett inquired concerning why the University had not taken the needed \$60,000 out of contingency funds for this year and put the request in next year's budget. He further questioned the fact that the University may have a \$200,000 short fall at U.A.A. if the supplemental is not approved, yet the University has not requested \$200,000 for U.A.A. He added that if the University needs the \$200,000 it must request it for the specific purpose and not take funds out of other programs.

BACK-UP  
MATERIAL  
DISCREPANCIES

Mr. Diebold replied that the problem regarding the funding of military programs appears to have begun with the curious relationship between A.C.C. and U.A.A. as to "who would do what in terms of these programs." At this point, Mr. O'Rourke read the prepared statement dated February 26, 1978, relating to Military Programs at the Anchorage Community College (copy attached to these minutes).

\$60,000  
A.C.C.

Following the reading of the presentation, Senator Orsini asked where the \$200,000 needed by U.A.A. would be obtained, and why it wasn't included in the supplemental request. Mr. O'Rourke replied that he didn't know, that these programs were under the control of former Chancellor Lindauer. Senator Orsini referred

\$200,000  
SHORT-FALL  
UAA

to page 2, of the A.C.C. presentation concerning the \$120,000 budget revision for tuition income and expenses. Mr. O'Rourke replied that A.C.C. has "maxed" out at the amount of tuition that is included within its appropriation this year (a certain amount coming from tuition, and a certain amount coming from general fund). A.C.C. has come forward with a request for other tuition fees that it expects to receive in the amount of \$120,000, which is not budget and would be used to off-set expenses.

\$120,000  
ACC

Chairman Sackett asked if U.A.A. would be submitting a request to cover the \$200,000 short fall, and Mr. Diebold replied "no" because it was not clear in his mind specifically what the funds are for, and how U.A.A. intends to meet its courses without requesting the money.

UAA  
\$200,000  
SHORT-FALL

Senator Orsini again referred to the status of the on-base programs, asking who administers them and how great the need for these programs appears to be. He added that information supplied to him indicated that income from on-base courses is more than enough to cover course expenses. Mr. O'Rourke replied that if Senator Orsini was referring to all course costs, including administration, these costs are not covered by onbase programs; however, if he was referring to simply the cost for the instructor teaching the course, this cost was covered by the program.

COSTS  
OF  
ON-BASE  
PROGRAMS

Senator Orsini then asked who administers upper division courses on base, and Mr. O'Rourke replied that U.A.A. administers upper division courses, while A.C.C. is responsible for lower division courses.

UAA  
UPPER DIV.  
ACC  
Lower Div.

Chairman Sackett stated that it was his understanding that at this time U.A.A. is not asking for the \$200,000 short fall, and Mr. Diebold replied that this understanding was correct. Dave Scott then asked how the University intended to solve the problem of Regent budget cuts. Mr. Diebold replied that the Board of Regents passed an action which directed him to cut back 2% at each BRU level. He added that the above action was not a part of the regular agenda, but had simply sprung from discussion at the most recent board meeting. He stated that he had no answer to the budget cut question, adding that he was well aware of the problems at U.A.A. Dave Scott stated that he was concerned by the fact that Commissioner Allen and the Department of Administration were aware of the problem approximately two weeks ago,

2% REGENT  
BUDGET  
CUT

while President Diebold had apparently only recently been notified. He further stated that it appeared the University was asking for 3.4 million dollars, while at the same time the Regents were instructing Mr. Diebold to cut 1.3 million dollars from the budget. Mr. Scott asked if the finance committee should not properly be considering the difference between the two figures. Mr. Diebold replied that he understood it was clear that Regent directed cuts should not come from the pending supplemental, adding that "while the right hand is requesting supplemental funds, it is not right that the left hand reduce those funds."

REGENT  
CUTS  
vs. SUPPLE-  
MENTAL

Senator Croft requested a follow-up statement regarding the \$200,000 short fall at U.A.A., and Dr. Brewer replied that confusion resulted between the two college units. A.C.C. asked for \$180,000 in the supplemental. As a result of fluctuation in income, A.C.C. has come up with \$120,000. The Director of U.A.A. has indicated that he can adjust to the \$200,000 short fall and make it through with certain curtailments. Senator Croft restated his understanding to be that U.A.A. does not need \$200,000 for the military program in Anchorage. Dr. Brewer replied that the \$60,000 would carry through the military program for A.C.C., and Mr. O'Rourke added that U.A.A. will absorb the \$200,000 short fall in its budget. Senator Croft then stated that it was his understanding that if the legislature appropriates \$60,000 for A.C.C., this amount will take care of the military short fall, and that having done so, the legislature has taken appropriate steps to solve the problem and, hereafter, if the program has problems, the administration of the University is to blame.

MILITARY  
PROGRAM  
& SHORT-FALL  
RECAP

Dr. Brewer stated that the Director of U.A.A. intends to make up the short fall by abbreviating summer school programs starting them in July instead of earlier in the summer. Senator Orsini asked why the University had reduced services provided by U.A.A. while fully funding A.C.C., and Dr. Brewer replied that while the above statement was true, that services were reduced at U.A.A., the fact still remained that A.C.C. had requested the supplemental. Senator Orsini asked why U.A.A. had not requested more funds to keep its programs at full service for the summer session, and Dr. Brewer replied that he believed the committee would find U.A.A. in an untenable position to ask for \$182,000 and then drop the request down to \$62,000 and then come back in with a \$260,000 request. Senator Orsini stated

UAA  
CURTAILMENT  
OF SUMMER  
PROGRAMS

that he felt it more untenable to curtail educational programs for students. Chairman Sackett asked how the University had ended up with the short-fall, and Mr. O'Rourke replied that the \$200,000 represents a short fall which U.A.A. has already committed.

Chairman Sackett inquired of Mr. Diebold concerning the status of the University budget, and Mr. Diebold replied that the Board had passed portions of the 1979 budget pending changes to be made by the Board's finance committee. All of the zero-based budget portion was determined to be faulty because of the weighted criteria applied against the units. Two areas have ended up underfunded. The Board directed the administration to go back into these areas and reapply the criteria, making it more equitable. These adjustments will change all other BRU's, so the administration only has two areas which have currently been approved and passed by the Board. When pressed for a target date for the final budget, Mr. Diebold said he was hoping for completion by the end of next week (March 10, 1978). He added that the Board finance committee would be able to approve adjusted zero-based portions of the budget, negating the need for passage by the entire Board.

U of A  
BUDGET

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

ADJOURN

February 26, 1978

MILITARY PROGRAMS  
ANCHORAGE COMMUNITY COLLEGE

The history of the varying dollar requests that have come forward for ACC's military programs has been very difficult to trace. Part of the problem lies in the transfer of military programs from ACC to UAA and then back again to ACC. This was done by Chancellor Lindauer over the past year. As a result in some cases the program was transferred but not the dollars to go with it. In any event for Anchorage Community College it appears that the request for \$182,000.00 was too large of a request to have gone forward with in the first place. However, if the military programs of both UAA and ACC are taken together, then it appears that the \$182,000 request is too little. Exhibit 1 and Exhibit 2 break out in summary fashion the income and needed general fund dollar for both UAA and ACC. Exhibit 1 treats each unit separately while Exhibit 2 would indicate the impact of what would occur if they were both treated together. This information has been provided by Stan Vaughn, Director of the UAA Accounting Office.

What seems to have happened is basically this: In FY '77 the military program was budgeted and operated by ACC. The budget identified as military totaled 428.2 in expenses and 445.0 in income. However these budget figures were for the operation and administration of the military PREP program, a noncredit program, and the income was actually to be received from the Veterans Administration through the student and the income would have exceeded the cost of the program. Since the budget was balanced at the total Anchorage Community College level, the excess income was in effect utilized as a source of funds to operate the rest of the ACC budget which included the credit instruction and was reflected in the expense budgets of various ACC instructional departments. The credit instruction costs for the military were not broken out separately nor was the credit tuition income generated by the military courses broken out separately. The only thing that appeared separately was the noncredit PREP program. Credit instruction on the military bases came from the various instructional departments of ACC.

Effective December 1, 1976, the Veterans Administration abruptly dropped the PREP program leaving ACC with the budgeted income of \$403,000.00 which could not be collected. ACC immediately took steps to curtail all possible expenses related to the PREP program including terminating the instructors. After these actions there still was an approximate deficit of 234.8 in income shortfall at ACC. This deficit was absorbed by various and sundry cost curtailments in the rest of the ACC budget, the effect of which means that general fund money was used to underwrite the military program costs.

At the same time that this was occurring former Chancellor Lindauer transferred the military expense budget to the UAA, hired an additional administrative staff person and then overexpended the available funds by 222.8 during the balance of FY '77 by running unbudgeted courses on the military bases. This overexpenditure was offset by various cost curtailments in the UAA expense budget.

# UNIVERSITY OF ALASKA

Page 2

Military Programs - ACC

2/26/78

In FY '78 the military budget was established by Chancellor Lindauer in the UAA budget at 220.7 which consisted of 140.0 for administration and 80.7 for instruction. Additionally, \$315,000.00 was anticipated in income from student fees. However the expense budget contained only one full-time instructor position and approximately 52 part-time instructional salaries. The latter was entirely expended during July and August and generated only about \$15,600.00 in tuition income after the net of debt service. Effective for the fall semester of 1977, former President Ferguson transferred authority to run the courses at the military bases from UAA to ACC, but he did not transfer any portion of the budget, either income or expense. In fact there was no provision to deal with the running of the military courses beyond the summer of 1977. It was around this time that the original supplemental request was prepared. ACC had just inherited the military programs and was initially financing the credit instruction from their various on campus departments. Thus, the \$42,000 requested in the Supplemental was to replace part-time instructional money which was now being used for military programs but was initially budgeted and intended for the on campus program. It appears that the additional \$140,000.00 should have been requested part from student fees and part from the Supplemental as long as it was going to ACC alone. If it was requested for UAA also then there should have been a larger sum of general fund money requested. The only possible explanation that I have been able to come up with as to why the \$140,000 was requested from general fund was due to the fact that income projections in late October and early November were not as accurate as those that were received in late January and early February. In addition to this former President Neil Humphrey did not allow any further changes to be made to the Supplemental after the final prioritizations were made in November.

Beginning with the fall of 1977 ACC utilized instructional funds from within its total instructional budget to run the military classes. The total expended through January 31, 1978 is \$93,770.00 (not including administrative costs which are carried in the UAA budget). The total tuition received for those classes is \$114,659.00 after debt service requirements of 35%, but inclusive of those spring classes which people registered for before January 31, 1978. In other words although the income shows higher than the expenses, some of the spring income is already included but none of the spring expenses. A budget revision was submitted last fall to increase the military income and expense program by approximately \$49,000.00. This was passed by the Board of Regents in December and is probably still awaiting action by the Governor's office and LBA. As of the February 24 meeting an additional budget revision was passed by the Board of Regents for a \$120,000.00 in tuition income expenses for ACC which would be coming from the military programs.

If the military budgets continue separately, ACC will require approximately \$60,000.00 of general fund from the Supplemental to complete the year. However, UAA will need approximately \$200,000.00 additional general funds to offset anticipated net shortfall in military income which cannot be offset by some additional income by non-military tuition sources.

Needless to say, the history of this problem is all very confusing. Most of it seems to lie in the transfers of the programs and the confusion surrounding the areas of responsibility for each of the units. As it currently stands certain administrative costs are borne in the UAA budget

UNIVERSITY OF ALASKA

Page 3  
Military Programs - ACC  
2/26/78

but they are not receiving any tuition income. Instructional costs are being carried in the ACC budget and they are receiving tuition income. The fact remains that for the entire military program in Anchorage to come in balance, \$260,000.00 of general fund money would be needed between UAA and ACC. This was not the request that we went forward with. We went forward only with a request for ACC and the sum of money which is necessary to cover their portion of the program is \$60,000.00 from general fund plus the tuition revenues that we have already had approved by the Board.

Attached is information from Campus President Stewart relative to his request for the Supplemental.

INCOME SUMMARY

As currently budgeted and accounted for:

|                                   | <u>BUDGET</u> | <u>ACTUAL<br/>PROJECTED</u> | <u>(OVER)<br/>UNDER</u> |
|-----------------------------------|---------------|-----------------------------|-------------------------|
| <u>UAA</u>                        |               |                             |                         |
| Military Income                   | 215.0**       | 15.0                        | 200.0                   |
| Military Expense                  | 220.7         | 220.7                       | -0-                     |
| **net of other excesses in income |               |                             |                         |

|                      |         |       |         |
|----------------------|---------|-------|---------|
| <u>ACC</u>           |         |       |         |
| Military Income      | 170.0** | 170.0 | -0-     |
| Military Expense     | -0-     | 230.0 | (230.0) |
| **as requested by RP |         |       |         |

SUMMARY

UAA has income shortfall of 200.0  
ACC is short general funds of 60.0  
  
Total need in general funds 260.0

Increase of 80.0 from supplemental request is due to better income projections in February rather than November.

If all military is transferred to ACC:

|                  | <u>BUDGET</u> | <u>ACTUAL<br/>PROJECTED</u> | <u>(OVER)<br/>UNDER</u> |
|------------------|---------------|-----------------------------|-------------------------|
| <u>UAA</u>       |               |                             |                         |
| Military Income  | -0-           | -0-                         | -0-                     |
| Military Expense | -0-           | -0-                         | -0-                     |
| <u>ACC</u>       |               |                             |                         |
| Military Income  | 215.0**       | 185.0                       | 30.0                    |
| Military Expense | 220.7         | 450.7                       | (230.0)                 |

\*\*no RP's processed

SUMMARY

|                                         |                |
|-----------------------------------------|----------------|
| UAA would be in balance                 |                |
| ACC would have a shortfall in income of | 30.0           |
| ACC would short general funds of        | <u>230.0</u>   |
| Total need in general funds             | <u>260.0</u> ✓ |

This differs from Supplemental Request by approximately 80.0.  
Increase due to better income projections in February rather than  
November.

SENATE FINANCE COMMITTEE  
February 28, 1978  
8:35 a.m.

Chairman Sackett convened the meeting at 8:35 a.m. All committee members were present. Also present were: Judy Crondahl, AA for Senator Sackett; fiscal analyst Milt Barker; Elaine Mitchell of the press; and those listed on attached page.

PRESENT

Chairman Sackett indicated that HB 104 (relating to certificates of residency) would be discussed today. Senator Orsini recapped the provisions of the bill. He then introduced Dale Cheek from the Dept. of Labor. Mr. Cheek stated that the law provides penalties for the counterfeiting of certificates of residency and work cards. At the present time there are 5,000 to 7,000 oil and gas related jobs open. The idea is to hire local help rather than to bring in outside help. However, people are not currently required to have a certificate of residency in their possession as under Title 38 of the law. Senator Butrovich questioned why a certain class of people are exempt and others are not. He feels it would be as easy to check one class as another. Section 36 could be worked the same way as Title 38. Senator Croft indicated that five or six years the legislature passed bill saying that if local people were not hired for a given project, allocated state funds would be withheld.

HB 104

CERTIFICATE  
OF  
RESIDENCY

Senator Orsini asked to get a feeling of the committee on the hardship waiver (ie the \$5.00 required to get a certificate of residency). The committee felt it could be held out of first paycheck. Senator Orsini will do more research on the bill and report back to the committee.

Chairman Sackett brought up for discussion HB 439 (relating to the Alaska longevity bonus). He indicated that a major problem in qualifying people for this program is the fact that many of the natives were not born in a hospital and therefore do not have birth certificates. The Office of Vital Statistics can usually come up with documentation, but sometimes that can run into a lengthy amount of time - during which the applicant does not get his much-needed bonus.

HB 439

LONGEVITY  
BONUS

Marie Swanson from the Dept. of HESS stated that in most cases it takes one month to six weeks to verify a birth date. Sometimes if they have to go to Vital Statistics it takes much longer. Mildred Richardson from the Office of Vital Statistics stated that many of the natives are unwilling to give requested information, especially if it involves children who have been given away and are excommunicated from the community. Also they find it difficult to give information requested on forms, mainly because they just don't understand what is being asked.

PLEASE SIGN YOUR NAME, TITLE, AND AGENCY FOR THE RECORD  
AND RETURN THE LIST TO THE SECRETARY. THANK YOU.

| NAME                 | TITLE                                                                        | AGENCY           |
|----------------------|------------------------------------------------------------------------------|------------------|
| Richard K. Wilson    | Director Division of Public Assistance                                       | H+SS             |
| May C. Paget         | Reg. Asst. Pay B.G.R.                                                        | Prof. Asst. H+SS |
| Richard L. Peter     | Asst. Atty. Gen.                                                             | Dept of Law      |
| Dale Cheek           | Director Wage & Hour Div.                                                    | Dept of Labor    |
| Harry Grant          | Wage & Hour Tech.                                                            | " " "            |
| Meredith R. Richards | DPC 4 - Delayed Unit                                                         | Dept H+SS        |
| Daniel H. Zolbert    | Chief - Research & Statistics                                                | Dept H+SS        |
| Eric Hansen          | Training Specialist                                                          | H+SS DPA         |
| Charles H. Jones     | Chairman of Alaska Joint<br>State Legislative Committee<br>on Alaska Affairs |                  |
| Samuel L. Perry      | Director, Bureau of Social Services                                          | Alaska           |
| Marie Swanson        | Language Researcher                                                          | Adm.             |
| Russell Clark        | ANALYST                                                                      | ADMIN.           |
| Janice Gates         | Leg. Liaison                                                                 | DHSS             |

Mrs. Richardson also stated that a time limit of 60 days puts an awful burden on her office. Frequently the office of Vital Statistics will have to turn to a federal census to gather information. Information from that source will take in excess of five weeks. Eskimos do not have a common surname, which makes it even more difficult to obtain. Gathering information from a small village, while the informant is doing his best to be truthful, usually relies on his memory, which is not always the best. As a general rule the documentation received is in conflict with what a person has been told about his birth. Mrs. Richardson also stated that the Social Security people go into the bush at least once a month to get information for their department. People from the Office of Vital Statistics try to go with them at that time. It sometimes helps to gather information prior to the time of a persons 65th birthday. In response to a question by Senator Orsini Mrs. Richardson stated that 90% of the births in rural areas rather than in hospitals are natives. Mrs. Richardson said that the majority of cases take more than 60 days to gather sufficient documentation. Their office processes about 30 cases per month.

Senator Tillion questioned as to whether or not the whole program would be endangered if the longevity bonus was paid to people who are outside in hospitals. Richard L. Peters, Assistant Attorney General stated that the purpose of the bill is to pay the longevity bonus to people who stay in Alaska. It is a cost of living differential. If it is paid to people living outside of the state, it is not a cost of living differential, rather it is income. Fiscal analyst, Milt Barker stated that the cost of living had increased 51% from October 1972 to October 1977 in the Anchorage area. Senator Butrovich said that the raise should be gradual. He feels that if it is raised too quickly there are a lot of people who will not go for it. Mrs. Swanson added a postscript: This program means a great deal to these people. Any increase would be appreciated by them. They really need it.

Chairman Sackett introduced Richard R. Wilson from the Dept. of HESS to testify on SB 438 (aid to families with dependent children). Mr. Wilson stated that this program serves the following types of people: families with children in need, families with parent in need, addition of people in case load, large families with over seven people. This bill does allow for a cost of living allowance (which has not been increased since 1974). Should this bill pass, there will be an increase of approximately one third the current case load. At this point Marsha Hubbard explained to the committee what this would mean to families of various sizes. She stated that the Department is projecting approximately 989 new families who will come into the program and the average payment will be in the neighborhood of \$50.00 each. There are a number of people in Alaska who do not have enough money to feed their children. An increase in payment level will mean an increase in work load

SB 438

AFCD

which means they will need six new positions. Chairman Sackett asked if that would be in addition to the positions the committee gave to that department yesterday. The reply was: Yes.

Senator Tillion stated that 16 years ago 10% of the welfare recipients were third generation welfare recipients. What is the percentage now? Ms Hubbard said she would get that information.

Chairman Sackett asked for the pleasure of the committee. MOTION  
Senator Hohman moved and asked unanimous consent that SB 438 be passed from the committee with a do pass recommendation. Chairman Sackett asked for a show of hands. There was a majority. SB 438 passed from committee as follows: do pass: Senators Sackett, Hohman, Meland, Croft and Butrovich. Senators Orsini and Tillion voted no recommendation.

Senator Croft brought up SB 398 (supplemental appropriation to the Office of the Governor, Public Defender). The request for \$20,200 has been withdrawn. Senator Croft asked that SB 398 be allowed to die in committee. SB 398

The meeting adjourned at 10:00 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

March 1, 1978

8:05 a.m.

Chairman Sackett called the meeting to order at 8:05 a.m. All committee members were present with the exception of Senators Hohman and Croft who arrived after the meeting commenced. Also in attendance for the first portion of the meeting were President Diebold from the University of Alaska; Dr. Earl Brewer, Vice President for Finance & Comptroller; Dr. Wendell W. Wolfe, Dean of Academic Affairs, Anchorage Community College; Mr. Stan Vaughn, Anchorage Community College; Ric Davidge, Student Lobby; Barbara Thomas, Budget & Management; Fiscal Analyst, Dave Scott; and Administrative Aide to Senator Sackett, Judy Crondahl. Attending various portions of the latter half of the meeting, dealing with the permanent fund, were Senators Rodey, Sumner, and Ray; Mr. Robert Dupere, Consultant to the Senate Special Committee on the Permanent Fund; Aides to Senator Hohman, Bob Kocsis and Susan Fowler; and members of the press including Elaine Mitchell and Paul Nussbaum.

PRESENT

Chairman Sackett moved that House Bill 717 (Supplemental appropriation for salaries and operating expenses of the University of Alaska) be brought up for discussion and advised that representatives from the University were present to testify concerning the bill.

HB 717

Mr. Diebold introduced Dr. Wolfe and Stan Vaughn to committee members, advising that they would testify concerning the \$60,000 needed for military programs and the \$200,000 shortfall at U.A.A.

MILITARY  
PROGRAM  
& UAA  
SHORTFALL

Mr. Vaughn stated that in order to determine what has caused the shortfall, one must look back to the FY 1977 budget. Dr. Lindauer chose to transfer the military programs from A.C.C. to U.A.A. In doing so, he directed the staff to transfer the budget over. The budget at that time consisted of approximately \$400,000 in income and expenses. Income was a result of the military prep program which was curtailed during the year by the Veterans Administration, resulting in less income. The military program was run by U.A.A. but at a deficit, with over-expenditures picked up in the U.A.A. budget. The 1978 budget over-estimated income for U.A.A. in the amount of \$200.00.

(Senator Hohman entered the meeting at this time.)

Dr. Lindauer decided not to enact a budget revision to take care of the shortfall amount at that time. In the Fall, it became more obvious that U.A.A.'s budget would not meet expectations. Mr. Vaughn suggested that the shortfall become part of the supplemental request, but Dr. Lindauer would not allow this action. Mr. Vaughn, at this time, attempted to advise the statewide administration of U.A.A.'s situation, but authority to transmit the information was denied, resulting in a "gag" order. The above situation occurred during the period from July through January, and orders were generally verbally given, with the exception of a written memo instructing Mr. Vaughn not to copy anyone on correspondence addressed to Dr. Lindauer. The above history comes down to the fact that U.A.A. now has a significant shortfall in income for this fiscal year, which can be identified as the result of the transfer of military income from A.C.C. Mr. Vaughn added that if U.A.A. were to receive the supplemental for instruction, it would increase the shortfall by \$50,000 because of summer programs.

UAA  
SHORTFALL

Chairman Sackett asked how the \$270,000 for part-time instructional funds would increase the deficit, and Mr. Vaughn replied that the deficit would increase because summer programs would not be as large as expected.

Chairman Sackett next asked how Dr. Lindauer intended to cover the shortfall, and Mr. Vaughn replied that he did not know. Chairman Sackett then advised that in the past, the Legislature has not budgeted for military programs from general fund moneys. If the University was able to cover these programs from contingencies in the past, why can't it do so this year. Mr. Vaughn replied that there was a greater emphasis this year on lower division classes, and in order to fund these classes, money had to be diverted from instructional funds to cover them. Mr. Vaughn added that while he knew income was going to be over-budgeted, he also knew there was a great deal of manipulation going on. Chairman Sackett asked Mr. Vaughn if it was true that U.A.A. was running lower level courses that were not budgeted to begin with, and Mr. Vaughn replied, "yes."

UAA LOWER  
DIVISION  
COURSES  
NOT  
BUDGETED

Chairman Sackett asked University representatives if they had anything on paper to show the committee exactly what happened. Mr. Vaughn stated that he could only offer the figures of 80 to 100 new lower division courses offered through U.A.A. The summer schedule indicates a total of 97 courses which are not budgeted. Judy Crondahl asked how many of the 80 to 100 courses were also offered at A.C.C., and Dr. Wolfe replied that a number were duplicate courses, in that where additional sections were needed, but A.C.C. could offer only a limited number of sections, additional sections were picked up by U.A.A. There was a need for these extra sections, and they were provided. Chairman Sackett replied that there are needs everywhere in the State, but there is just a certain amount of money budgeted to cover them.

UNFUNDED  
LOWER  
DIVISION  
COURSES

Dr. Wolfe stated that military programs are essentially extension programs like those offered in municipal buildings, at the high school, etc., and coordinated and administered by the college. In the instance of the military programs, the military provides the physical facilities for the program, but the courses are not limited to military personnel--civilians can take on-base courses also.

MILITARY  
PROGRAMS  
EXTENSION  
COURSES

Senator Tillion advised that he objected to the University practice of instituting new courses and opening new facilities without proper funding, knowing that the Legislature will not have the "guts" to withhold funding and force cancellation of the courses or close the building (citing the Juneau campus as an example).

Chairman Sackett questioned the creation of a four-year college like U.A.A. by the Board of Regents without Regent knowledge of funding circumstances. He asked why statewide University administration didn't know about Lindauer's short-fall. Mr. Diebold replied that the Board knew of the course problems at U.A.A., and that Acting President Ferguson had said he would eliminate the duplications. Dr. Lindauer was to submit an outline of courses which had been cancelled. Mr. Vaughn added that there were about 30 courses which were cancelled, but 80 to 100 remained in effect.

REGENT  
CREATION  
OF 4-YR  
U.A.A.

Senator Butrovich inquired concerning the intent behind initiation of the courses, asking specifically whether their initiation was Regent or legislatively directed. Dr. Wolfe replied that it was the desire

of the Regents to have a four-year baccalaureate program established under U.A.A. rather than piecemeal courses offered through A.C.C. Senator Butrovich restated the above to mean that the Board of Regents knew it didn't have funds for the programs, but went ahead and established them anyway, adding that it should be obvious that the University cannot offer twice as many courses for the same amount of money.

Senator Croft asked if University representatives were willing to concede that the Board of Regents let the Anchorage Campus get out of control, and the administration did not know where it stood in funding. He stated that he did not like the solution proposed by University administration for impacting students and faculty by cutting courses and firing professors. He added that he didn't want to see the military program dropped because the University didn't handle its money correctly. He didn't want to see the summer program curtailed, and asked University representatives for an alternate solution. Mr. Diebold replied that the problem resulted from the fact that although money was originally available at U.A.A., too many courses were offered. He added that Senator Croft was absolutely right in that there had been many instances where shortfalls were predictable, but were not taken care of until the end of the year. Senator Croft again asked what the University intended to do without penalizing students and faculty, and Mr. Diebold replied that he did not know. Chairman Sackett suggested that funds from statewide University administration be transferred to U.A.A. to resolve the shortfall.

Chairman Sackett advised that further discussion of the University supplemental would be held over until after the 10:00 a.m. Senate Floor Session, directing University representatives to explore solutions for correcting U.A.A.'s financial problems.

Chairman Sackett moved that Senate Bill 429 (Alaska loan program fund, Alaska permanent fund, renewable resources development fund and other state revenues) be brought up for discussion. He then turned the

U. SOLUTION  
TO SHORTFALL  
CUTTING  
COURSES  
&  
FIRING  
PROFESSORS

HB 717  
HELD-OVER

SB 429

meeting over to Senator Hohman, Chairman of the Senate Special Committee on the Permanent Fund. Senator Hohman advised that while SB 429 deals with the loan program, SB 510 deals with capital programs and financial planning, and SB 511 deals with energy development. He added that considerations from the three above bills had been incorporated in the Special Committee Report entitled, A NARRATIVE ON SENATE BILL 429 (copy appended to this book of minutes), and he introduced the committee consultant, Mr. Robert Dupere, to explain and give a Narrative overview.

NARRATIVE  
ON SB 429

Mr. Dupere advised that page 1 of the Narrative summarizes the opinion polls conducted regarding use of permanent fund moneys. Business and housing financing is high priority, development of renewable resources is high priority, and securing the benefits of the trust is high priority. He next reviewed the following pages containing diagrams outlining Special Committee accomplishments.

DUPERE  
PRESENTATION

Page 18 - Chart showing existing agencies currently involved in loan programs.

Page 19 - Chart containing the Governor's plan for organization and management of the fund principal.

Page 20 - Organizational chart for the House Bill, which includes renewable resources, loan programs, and the investment oversight committee.

Page 21 - The Senate Permanent Fund Committee reviewed all other suggestions and came up with the organization shown on this page. The Senate plan would establish a Division of Collections and designate the Treasury Division to handle all investments. Investigation has shown that the State has a good base upon which to build in the Department of Treasury. Under the Senate proposal, Treasury would outline its investment strategy for a 15-month period and send its outline to the Legislature which would have 60 days in which to voice objection to the outline. If there is no objection, the outline would go into effect. The Senate proposal also allows for a performance audit every quarter.

Page 22 - Chart showing the flow of funds. Twenty-five percent of the mineral receipts goes into the permanent fund. Fund income goes into the Alaska Loan Program. The unallocated reserves shown on the chart represent

the savings account which will exist when the State's non-renewable resources are gone. A 5% renewable resources fund would be established, and income would be used to feed into the Alaska Loan Program to expand 5% capabilities for funding renewable resources programs.

Mr. Dupere advised that SB 511 (Act creating the division of energy and power development) balances current revenue against current expenses, and provides for counter cyclical funding. Under the provisions of the bill, lapsed funds at the end of the fiscal year go into a savings account for the future.

Returning to the Narrative, Mr. Dupere stated that Pages 14 and 15 contain a comparison of existing and Senate proposed loan programs. The main theme of page 14 (existing state loan programs) is to show that there is no consistency regarding who is eligible for a loan. Page 15 (Senate proposed loan program) sets a standard interest rate for everybody, as well as age (18 yrs.), and residency requirements (5 yrs.). It also contains an interest incentive of 1% for the Veterans Loan Program, and Mr. Dupere added that renewable resource loans could also have an interest incentive.

Page 16 sets forth conditions for the Alaska Loan Program. The loan program has expanded to meet cost of living increases such as those in the Anchorage area. There is a \$500,000 maximum loan total per individual. The reason for a set maximum is to insure Alaskan ownership. The statute says that the project must be 60% controlled by Alaskans while 40% of the ownership may come from outside.

Page 24 sets forth an example of what the loan program would mean to the average Alaskan, using a \$50,000 loan for a 30 year period and a bank-furnished average loan charge of 7%. Mr. Dupere stated that insurance is difficult to obtain in some areas (especially rural areas). A reserve account will be set up for insurance needs, and a 6% option fee is available for instances in which a person in a rural area cannot obtain insurance. This option fee arrangement would pay off the loan if the home was destroyed by fire.

At this point, Senator Hohman summarized Mr. Dupere's remarks, stating that the Senate proposed loan program seeks to spread the benefits of the permanent fund to all Alaskans through an expanded loan program. The

Special Committee survey indicates that Alaskans are interested in secure investment of permanent fund moneys, which the Senate program provides for through investment in high grade securities. The interest from these investments is leveraged by the sale of bonds and the state could expect a 10 to 1 leverage. State cost for the bonds will be about 6%, which would place the lending rate at 7% to Alaskans, unless the Legislature decides to include incentives. The Senate loan program provides for a "cleaner" design in state organization. It places the loan programs within the Department of Commerce and places collection responsibility within the Department of Revenue.

HOHMAN  
SUMMARY

Senator Tillion advised that he wished to see default provisions added to the Senate program, in order that a tax (such as a sales or property tax) could be levied to pay off the bond, to get the state debt money back. He added that he didn't believe the legislature was ever going to squeeze from a municipality its share of revenue for such things as police or fire protection to cover bond losses. He felt the state should be in the position of advising the municipality that its default has necessitated application of a property or sales tax.

TILLION  
REQUEST  
FOR DEFAULT  
PROVISIONS

Returning to his explanation of the Narrative, Mr. Dupere stated that page 29 (Illustration A), Renewable Resources Division, sets forth a hypothetical project for Bottom Fish Processing which includes interest for a construction period of 18 months. Mr. Dupere added that Alaska has the resources and should produce an effective yield, provided the right kind of equipment is matched with technology from Denmark and Sweden.

Chairman Sackett inquired concerning whether or not tourism was considered to be a renewable resource, and Mr. Dupere replied that it would not be excluded under the definition contained within the proposed program, adding that the House Sub-committee on Renewable Resources provided the definition. Mr. Dupere further stated that if the state intended to capture renewable resources within Alaska for Alaskans, it was going to have to provide some sort of financing program.

TOURISM  
A RENEWABLE  
RESOURCE?

Senator Tillion stated that he believes the Senate proposal "fills the bill" so far, but the state would probably need some sort of bonds for port facilities. Mr. Dupere stated that the state would perhaps have to go beyond the suggested loan program for port development and rely on financing such as revenue bonds by the state. Senator Tillion also attested to a need for port facilities at Yakutat, and a 5-crew cargo ferry for Sand Point. In addition, he stated that the State would need some regulations to prevent a vacuum cleaner operation from coming up the Alaskan Coast and destroying the bottom fish potential.

TILLION  
PORT  
FACILITIES

YAKUTAT  
& SAND  
POINT

Mr. Dupere advised that the Department of Transportation would develop a need study, community by community, tying-in current state facilities, including repair and replacement, and defining community needs. The community itself would have to support the bonding.

DEPT. OF  
TRANS.  
NEED STUDY

Senator Tillion advised that there are five new bottom fish plants currently under construction, and every position at sea necessitates seven positions in the plant.

BOTTOM FISH  
PLANTS

Mr. Dupere concluded by advising that some minor bills have been introduced which have effect on the loan program and should be gathered up and inventoried for ideas which would compliment the proposed Senate program. In closing, he stated that the Senate proposal provides one-stop shopping for loan programs, and one-stop shopping for financing programs.

Chairman Sackett advised committee members that the Committee Substitute for SB 118 (Supplemental appropriation to Department of Administration, Teachers' Retirement) had been amended by the House prior to passage, and the House is seeking Senate concurrence in its action. President Rader asked the Finance Committee to review the legislation, and Chairman Sackett, in turn, asked if committee members wished to object to the House action. Committee decision was unanimous not to concur in the House action.

SB 118

COMMITTEE  
OBJECTION  
TO HOUSE  
ACTION

Chairman Sackett made the following bill assignments:

BILL  
ASSIGNMENTS

SB 450 - Hohman  
SB 451 - Hohman  
SB 453 - Meland  
SB 470 - Sackett

SB 471 - Orsini  
SB 473 - Meland  
CSHB 577 - Tillion  
HB 672 - Tillion  
HB 735 - Croft

Chairman Sackett advised that the meeting would recess in order for committee members to attend the Senate Floor Session, but the meeting would reconvene upon conclusion of the Session in order to continue discussion on House Bill 717 (University Supplemental).

RECESS  
10:00 a.m.

RECESS

RECONVENE  
11:30 a.m.  
(Tape SF-78 #17 footage 1060)

RECONVENE

The meeting reconvened at approximately 11:30 a.m. with Senators Sackett, Hohman, Orsini, Butrovich, and Croft in attendance.

Mr. Vaughn stated that the shortfall at U.A.A. was discussed between Drs. Lindauer and Ferguson in late August. Dr. Lindauer proposed to transfer military funds from U.A.A. to A.C.C. with an equal amount of tuition to be transferred. The suggestion was not approved by Ferguson because he felt it would solve the budget problem for U.A.A., but would create a problem at A.C.C. Senator Orsini asked if money was shifted between the two colleges when the Board of Regents decided in June to have U.A.A. go into lower division courses, and Mr. Vaughn replied "no," there was no shift at that time. Senator Croft asked if the entire college operation in Anchorage was under the direction of Dr. Lindauer at the time of the above occurrences, and Mr. Vaughn replied that it was.

HB 717

Senator Orsini stated that he had been advised of an additional shortfall in U.A.A. funding for building operations resulting from construction of two facilities. He added that although the buildings were not yet open for student use, they still had to be heated and secured. Mr. Vaughn replied that the responsibility for the new facilities was given to U.A.A. at the beginning of the fiscal year. U.A.A.'s budget was not prepared to absorb the cost of operating the buildings. In addition,

ORSINI  
SHORTFALL  
BUILDING  
OPERA-  
TIONS

U.A.A. was not prepared in its 1978 budget to cover inflation factors in utility costs. U.A.A. presently projects a \$165,000 deficit for these costs and has taken steps to cover the costs by reserving other funds in the budget. In addition, U.A.A. has effected energy-saving steps and is monitoring the utility budget very closely. Senator Orsini asked if any of the shifted or reserved funds had been secured at the expense of academic programs, and Mr. Vaughn replied that equipment and travel funds have been reserved, and the library acquisition budget has been cut back somewhat, but no instructional funds have been cut.

INFLATION  
FACTORS  
IN UTILITY  
COSTS

RESERVED  
FUNDS

Senator Orsini stated that he had also been advised of athletic shortfalls for both Fairbanks and Anchorage. Mr. Vaughn replied that while he was not informed on the Fairbanks problem, he knew that Anchorage had totally expended its funds by the end of December. At that time, there was a budget revision requested to transfer \$65,000 in contingency funds to cover these costs. The request was denied by the Regents at the meeting last week. The local support booster group is at this time looking for ways to cover the athletic funds for the rest of the year.

ORSINI  
ATHLETIC  
SHORTFALLS

Dave Scott stated that the \$400,000 shortfall at Fairbanks was in the area of housing receipts and fiscal plant charge backs to the department for work orders and materials. The Chancellor feels he can cover this shortfall in maintenance programs.

Mr. Scott further stated that the University established a 1% contingency fund, statewide, to handle shortfalls such as U.A.A.'s athletic program. He added that it was his understanding that if the recent Regent ordered 2% cut goes into effect, part of the 1% contingency could be used to effect this cut.

1%  
CONTINGENC  
FUND

Senator Orsini raised questions concerning the varying levels of budgeting and the University's approach to zero base. Mr. Scott stated that a letter of intent approved by the legislature requested compliance with the zero based budgeting analysis specified by the intent. President Humphrey had advised that he could not effect the necessary revisions within the time frame set forth, so Legislative Budget and Audit, in October, gave him more time in which to comply. University instructions for zero-based budgeting were not given until January, resulting in a time crunch. The zero-based analysis was presented to the

ZERO-BASED  
BUDGETING

Board of Regents at the last Board meeting. Dr. Wolfe stated that budget problems had caused Mr. Diebold to return to Fairbanks to work on the problem. Mr. Vaughn advised that everything that was done was done within a very short time frame, adding that things done in a rush usually lack quality.

Chairman Sackett stated that he had asked Mr. Diebold what would happen if statewide administration was reduced by \$200,000, and U.A.A. increased by \$200,000. Judy Crondahl advised that Mr. Diebold had said the University did have funds available, that the supplemental included new positions which have not yet been filled, and Mr. Diebold felt he could find the money somewhere.

SACKETT  
SHORTFALL  
SATISFIED  
BY STATE-  
WIDE ADMIN

Chairman Sackett stated that the University also has the contingency fund to draw upon, and directed University representatives to determine the status of the contingency fund and excess funding in statewide administration. He also directed that the University furnish the committee information regarding transfers of funds, stating that the University has a 70 million dollar budget and the legislature never knows what transfers have been made within the budget. He added that, based on the University's past transfer record, it would seem that the University should be able to transfer funds to cover the \$200,000 shortfall. Chairman Sackett advised that until the Finance Committee received assurance that there were no other funds available, it was not going to appropriate additional money. He added that it is the desire of the committee that U.A.A. and A.C.C. not lose their funds and be unable to continue instruction, but the questions remain as to where the funds will come from. The Board of Regents knowingly committed funds without knowing where the additional funding would come from, aside from requesting the Legislature for more. He again directed the University to go back and try to find funds within the University budget to cover shortfalls.

U. TO  
DETERMINE  
STATUS  
OF  
CONTINGENCY  
FUND

PROVIDE  
INFO.  
RE  
TRANSFERS

Senator Orsini advised that he had learned the University has problems with program grants and may lose some grants because the University approval system is not functional or timely. Requests for approval must pass through the University administration, the Board of Regents, and then the Governor's Office or Legislative Budget and Audit. Dr. Wolfe acknowledged that processing

ORSINI  
GRANT  
PROCESSING

of grants was indeed a problem, especially on the Anchorage campus where the processing system is much less refined than the Fairbanks system, adding that the processing of grants through Anchorage means that the state is losing federal funds.

The meeting adjourned at approximately 12:20 p.m.

ADJOURN

SENATE FINANCE COMMITTEE

March 2, 1978

8:05 a.m.

Chairman Sackett called the meeting to order at 8:05 a.m. All members were present with the exception of Senator Croft. Also present were fiscal analysts Dave Scott and Milt Barker; Judy Crondahl, Aide to Senator Sackett; Joe LaRocca of the press; U of A Alumni Assoc. members Mike Tinker, B. L. Hackenberger, Evy Walters, Doris Brown, Alice Snodgrass, Gordon Picotte, Mike Tauriamen, John O'Shea; Kay Brown, AA to Sen. Rader; Ric Davidge, Facilitator, AK Student Lobby; Andy Karella, Assemblyman, Fairbanks N. S. Borough; Tom Singer, AA to House Committee, House Special Committee on Permanent Fund; Robert T. Dupere, consultant to Senate Committee on the Permanent Fund; Dr. Wolfe and Mr. Vaughn from the University of Alaska; and Jim Edenzo from the Dept. of Revenue.

PRESENT

Chairman Sackett informed the committee that HB 717 would be the first order of business. Dr. Wolfe and Mr. Vaughn were introduced. A memorandum to Dave Scott regarding FY 78 Supplemental - Statewide and President's Contingency was submitted to the committee for their consideration. This handout requested new positions for FY 79 that need to be implemented yet this year. This supplemental request will carry the University through June 1, 1978.

HB 717

Chairman Sackett proposed that the committee take \$100,000 out of the state wide administration and \$100,000 out of the contingency fund to make up the \$200,000 that was spent by the University of Alaska, Anchorage and Anchorage Community College with the following changes: Page 1, Sec. 2, line 15, change \$1,000,000 to \$900,000; Sec. 3, line 19 change \$1,419,300 to \$1,581,600; (5) Anchorage campus: four-year and graduate programs from 224,700 to 324,700; Page 2, line 1 (6) Anchorage Community College from 63,500 to 125,800; and add a Letter of Intent (see attached).

Chairman Sackett introduced Jim Edenzo from the Dept. of Revenue to speak on the Permanent Fund, SB 429. Mr. Edenzo stated that the bill provides for 50% mineral revenue resources and 100% bonuses. 40% of the principal of the permanent fund would be invested in high grade securities, 30% in Alaska private enterprise, and 30% in municipalities. A permanent fund council board has been created which consists of seven members appointed by the Governor. The investment committee called for in the bill is to review all investment possibilities and pass on the. The president is responsible for all operating and financial controls.

SB 429

Mr. Edenzo spoke of the allowances made for the committee to borrow and loan permanent fund funds and to set out conflict of interest policies. Reports and publications would be available to the legislature on such activities. A number of amendments have been prepared, which if accepted, will change the bill substantially. One of the amendments would be to have an investment oversight committee which would be responsible for reviewing all policies of the state. Some of the investment grade securities would include U. S. government guaranteed securities, corporate securities and triple A blue chip stock. Investments in state governments are long term. Short term investments will be kept in a highly liquid form to meet state budget expenditures. Periodically the state has large cash demands and needs to have cash available. Mr. Edenzo elaborated on the fact that investments need to be made in the state. For example, Sitka is looking for funds for the new Green Lake project which has been approved at \$45m. Projects such as these (utilities) need a long term period for repayment, 30 to 50 years.

PERMANENT  
FUNDS

Senator Orsini questioned as to why the governor's approach seemed so difficult while the senate approach seemed to simplify the matter. Mr. Edenzo felt that it is just the opposite. He feels that it would be very disruptive to the state's loan policy at the present.

The problem of collecting delinquent state loans was discussed. Mr. Edenzo stated that when a potential borrower makes application for a loan, he is the one who has to provide the assurance that he will make repayment. It is not up to the lender to make that assurance. Mr. Edenzo believes that if the process of collecting delinquent loans is removed from the person making the loan, the lender would not take as much care in doing a thorough credit review of the borrower as he normally would do. He feels the lender should follow through on collection. Senator Orsini asked if the state ever uses private agencies in trying to collect delinquent loans. Mr. Edenzo replied that yes they had used private collection agencies.

DELINQUENT  
LOANS

Chairman Sackett brought up the fact that Mr. Edenzo had mentioned that the sale of bonds may be illegal. Chairman Sackett asked Mr. Edenzo to enlarge upon that statement. Mr. Edenzo replied that he felt the committee should obtain legal advice from Legal Affairs on the matter. He did, however, provide the committee with a copy of the analysis on SB 429 prepared by the law offices of Wohlforth & Flint (copy of this report appended to the minute book). Mr. Edenzo also told the committee he would have the balance of the information requested (bond sale) in a week to 10 days.

SALE OF  
BONDS

Senator Hohman introduced Bob DuPere to talk about SB 510 (state budget and state bonding) in connection with SB 429 (permanent fund). Mr. DuPere informed the committee that there needs to be more emphasis on long range planning by the state. At this time most of the planning is done on a 12 to 18 month basis. They need to get cash away from the operating budget. He stated that if this bill is passed the budget will have to be balanced as of June 30th each year. Mr. DuPere stated that they can work with large or small municipalities and would like to do so in six year blocks of time. SB 510

Senator Butrovich asked if there is any provision to control legislation on projects. Mr. DuPere said "Nothing controls the legislature when it has a majority." Presently there is a need study going on in DOT. In answer to a question by Senator Orsini regarding the tie in between DOT and CRA, Mr. DuPere said DOT advises of municipality needs. Senator Orsini questioned as to where the funding comes from for state and municipality planning. Mr. DuPere said most of it comes from the state.

SB 511 (division of energy and power development) is Mr. Barrier's recommendation, according to Mr. DuPere, in hopes of smoothing out the financial difficulties. SB 511

At this point Mr. DuPere passed out an Errata Sheet for SB 429, recommending some changes. As time was growing late and the committee wanted to get back to the University, Chairman Sackett thanked Mr. DuPere for his testimony.

At this time HB 717 again was brought up for discussion. Chairman Sackett proposed a Senate Committee Substitute for HB 717 and include a Letter of Intent. Senator Hohman moved and asked unanimous consent that SCSHB 717 with a Letter of Intent be passed from committee with a do pass recommendation. It was so ordered. SCSHB 717 passed from committee as follows: Do Pass: Senators Sackett, Hohman, Meland, Tillion, Orsini and Butrovich. HB 717  
SCSHB 717

The meeting was adjourned at 10:03 a.m. ADJOURN

SF 78 #17 (1555-end)  
SF 78 #18 (whole tape)  
SF 78 #19 (0-149)  
3/2/78

## SENATE JOURNAL

### LETTER OF INTENT FOR SENATE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR HOUSE BILL 717

The Free Conference Committee, in the course of writing the statement of legislative intent for the FY 1978 budget for the University of Alaska, provided in part as follows:

The Legislature will entertain a supplemental appropriation to the Regents' distribution component . . . in an amount not to exceed \$1,000,000 general funds . . .

As to the remaining budget groups . . . the Legislature will entertain a supplemental appropriation . . . not to exceed \$4,400,000 general funds for these budget groups. Approval of the supplemental appropriation will depend upon whether the University has complied with the legislative intent set forth herein, and further upon the submission of a comprehensible budget format with an amount of detail and backup material similar to that required of every other state agency . . .

The University shall make its plans for FY 1978 based upon these maintenance guidelines and based upon the amount of general funds authorized on the FY 1978 budget plus the additional \$4.4 million (if needed). If the guidelines are met and the supplemental request is properly documented, the supplemental appropriation should be favorably considered by the Legislature.

The Free Conference Committee, in order to guarantee a minimum of funding for certain budget components, provided for "advances" on the supplemental in the FY 1978 budget bill. Some of those "advances" were vetoed by the Governor. The intent bill takes into consideration the advances and the vetoes; thus, the total of all advances and the supplemental approved herein is \$4,400,000, with the exception of specified changes to conform to legislative intent to the greatest possible extent.

Since the FY 1978 budget was signed into law, some unforeseen events have taken place. First is the resignation of the University's new president only a few months after taking office. Secondly, the University has not complied with the above-stated intent to submit a comprehensible budget format for FY 78 which is based upon a reliable statement of appropriations and expenditures against those appropriations.

Because of the Legislature's concern with the students and faculty of the University, the decision was made to fund the supplementals for FY 1978, with

the following exceptions:

1. Statewide Administration - General Reduction (100.0)
2. Institute of Marine Science - Renovation of Irving II Building - Capital Item ( 39.8)
3. Institute of Arctic Biology - Cold Adaptation - New Program ( 45.9)
4. U.A. Fairbanks - Library Circulation System - Capital item ( 52.0)
5. U.A. Anchorage - Research & Professional Centers - New Program ( 46.4)
6. U.S. Anchorage - Provision for shortfall in receipts 100.0
7. Anchorage Community College - Technical programs equipment - Capital item ( 39.9)
8. Anchorage Community College - Military Base Programs - Not General Fund (120.0)
9. Rural Education - New position for former Vice President, REA - not maintenance ( 64.4)

It is apparent from University testimony to the Senate Finance Committee that the University has not adhered to the legislative intent for the FY 78 budget. Because the University Administration allowed the addition of some 30 lower division courses at the University of Alaska, Anchorage Campus, not included under either the definition of maintenance or special additions in the Free Conference Committee Budget, this would necessitate a reduction in military and/or summer session programs. For this reason, and because the Senate Finance Committee does not wish to penalize students or faculty for University mis-management, \$100,000 of the Statewide Administration Supplemental request is being appropriated to cover the shortfall in receipts and over-expenditure in programs at the University of Alaska, Anchorage. An additional \$100,000 to cover these shortfalls in receipts and over-expenditures is to be taken from the existing contingency fund of the President. Since moving funds from the President's Contingency Fund to U.A.A. will involve transfers between appropriations, it is assumed that the University will request approval for these transfers from the Legislative Budget & Audit Committee before any transfers are completed.

The Senate Finance Committee Substitute for Committee Substitute for HB 717 has reduced the number of appropriations from those originally included in HB 717. It is hoped the new level of appropriations will allow flexibility within programs of each campus and yet assure that funds for one campus will not be used for programs at a different campus. The FY 78 University budget was divided into 67 appropriations. This supplemental compresses these appropriations into a fewer number.

It is intended that the University shall have the authority to transfer from any appropriation in Section 3 of this supplemental to any corresponding appropriation established in the FY 78 University budget. The corresponding appropriations are as follows:

| <u>SCSCSHB 717</u>              | <u>FY 78 Budget</u>       |
|---------------------------------|---------------------------|
| Fairbanks                       | Fairbanks                 |
| 4-year & graduate               | 4-year & graduate         |
|                                 | Instruction               |
|                                 | Academic Support          |
|                                 | Student Services          |
|                                 | Tanana Valley C.C.        |
| Tanana Valley Community College | Instruction               |
|                                 | Academic Support          |
|                                 | Student Services          |
| Institutional Support           | Institutional Support     |
| Anchorage                       | Anchorage                 |
| 4-year & graduate               | 4-year & graduate         |
|                                 | Instruction               |
|                                 | Anchorage C.C.            |
| Anchorage Community College     | Instruction               |
|                                 | Academic Support          |
| Mat-Su Community College        | Mat-Su C.C.               |
| Public Service                  | Instruction               |
| Institutional Support           | Public Service            |
| Southeast                       | Institutional Support     |
|                                 | Southeast                 |
| Ketchikan Community College     | Ketchikan C.C.            |
| Sitka Community College         | Academic Support          |
|                                 | Sitka C.C.                |
| Institutional Support           | Academic Support          |
| Rural Educational Affairs       | Institutional Support     |
| Kodiak Community College        | Rural Educational Affairs |
| Kuskokwim Community College     | Kodiak C.C.               |
|                                 | Academic Support          |
|                                 | Kuskokwim C.C.            |
|                                 | Academic Support          |
|                                 | Public Service            |
| Northwest Community College     | Northwest C.C.            |
|                                 | Instruction               |
|                                 | Academic Support          |
|                                 | Institutional Support     |
| Public Service                  | Public Service            |

It is the intent of the Legislature that the funds appropriated through Senate Finance Committee Substitute for Committee Substitute for HB 717 shall be used to keep the University operating at a maintenance level, as stated in the FY 1978 Budget Act. Money shall not be diverted from existing programs to other purposes, such as covering the 1977 deficit, if any.

The Legislature takes note that transfers have apparently been made by the University between appropriation items without requesting prior approval of the Legislative Budget and Audit Committee as required by law. If the University does not comply with stated budget

intent, the University must recognize this will do further damage to the relationship between the University and the Legislature.

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Chairman

SENATE FINANCE COMMITTEE

March 3, 1978

8:05 a.m.

Chairman Sackett called the meeting to order at approximately 8:05 a.m. All committee members were present with the exception of Senator Croft, who was absent, and Senator Orsini who arrived later in the meeting. Also in attendance were Representative Osterback; Judy Crondahl, Administration Assistant to Senator Sackett; Jay Hogan, Director, Division of Finance; and members of the press, including Joe LaRocca.

PRESENT

Chairman Sackett moved that HB 735 (Special appropriation to City of Sand Point for a runway) be brought up for discussion, advising that Mr. Osterback was present to testify concerning the bill.

HB 735

Mr. Osterback stated that the \$40,000 appropriation would fund construction of a cross runway (a runway lying perpendicular to the existing runway) for Sand Point. The runway would be about 1500 feet long and could be used as an emergency runway, accommodating a twin motor aircraft. Construction has been approved by the Department of Aviation. At present, 3/4 of the runway is complete and the city already has the crushed rock necessary for completion.

Senator Butrovich moved that HB 735 pass from committee with a do pass recommendation. No objection being voiced, HB 735 passed from committee, all members present signing do pass.

MOTION  
HB 735

Senator Butrovich moved that SB 440 (Special appropriation to Dept. of Fish & Game to Alaska Eskimo Whaling Commission) be brought up for discussion. He advised that individuals had appeared on behalf of the bill while it was in Resources, requesting they be allowed to take whales for subsistence. Senator Butrovich added that Resources had also heard representatives from the State and Federal governments testify, and the only information the committee could get out of the Department of Fish and Game was a statement to the effect that the Department believes the substance of the bill to be beneficial, but it does not want to oversee the project. The Federal representative who testified stated that the Federal government could not do anything concerning the study without Eskimo assistance. Federal figures indicate that

SB 440

20 to 25 whales were being taken each year until a year ago when 78 were taken, 50% of which were lost after the initial strike. Figures for last year and the loss percentage are the reasons for curtailing this year's take to 12 whales for the entire coast. The Eskimos have agreed to the curtailment, but have requested that funds be made available to study the stock to determine what the State has in the way of inventory for these animals, and whether or not the limit of 12 is reasonable. Senator Butrovich advised that after listening to the testimony in Resources, he would recommend the bill do pass.

Senator Tillion stated that he was in favor of the bill if the appropriation could be designated a sea grant, citing the importance of having the study under the direction of someone who can deal with the Eskimos and has knowledge of what is acceptable and necessary for conducting a scientific study.

Senator Butrovich advised that an amendment by the Resource Committee proposed changing the effective date of the bill from July 1, 1978 to March 1, 1978. Chairman Sackett proposed an additional amendment removing the appropriation from the Department of Fish and Game and placing it under the University of Alaska, Arctic Environmental Information and Data Center (AEIDC).

APPROP-  
RIATION  
TO AEIDC  
RATHER  
THAN F & G

Senator Tillion stated that many of the whales were lost last year because the young Eskimos tried a new hunting technique which failed to attach a line to the harpooned whale. When the whale eventually surfaced, often under an ice flow, it could not be found. The old method secured the whale with a line for later retrieval. Senator Tillion suggested attaching a letter of intent to the bill stating that the study should not exceed the specified amount of funds.

Senator Butrovich advised that he felt he should do more research on the bill, specifically concerning the amount of the appropriation, to determine whether the total amount was actually needed.

SB 440  
BUTROVICH  
TO DO  
FURTHER  
RESEARCH

Mr. Hogan entered the meeting and referred to HB 735, stating that he wished to advise committee members of the fact that he had called the Dept. of Transportation on February 8, 1978, requesting information on the runway project. He again called on February 24, 1978, informing the Dept. of movement of the bill, and advising that he was calling in an

HOGAN  
HB 735

attempt to prevent a situation in which a bill passes the Legislature with a definite appropriation, only to have the Dept. say it doesn't have adequate funds to do what the Legislature requested. He advised committee members that it had been over a month since the Dept. was initially contacted, and it has not yet responded.

Senator Tillion moved that HB 577 (Special appropriation to Dept. of Education for Broadcasting Arctic Winter Games) be brought up for discussion. He advised that the bill appropriates \$8,200 for one hour of televised highlights and three hours of radio broadcast of the Arctic Winter Games by Armed Forces and Public Communications. Funds break down to \$2,200 for travel, and \$3,600 for contractual, adding that the Legislature has funded a grant for contestants to participate in the Winter Games. No motion on the bill was forthcoming from committee members, and the bill was returned to the file.

HB 577

NO MOTION  
HB 577

Senator Meland moved that SSSB 473 (Special appropriation to Dept. of Natural Resources for Skagway-Carcross campground) be brought on for discussion. He advised that the appropriated funds would provide for state participation in the planning, engineering, and construction of campground accommodations on the new Skagway campground. Senator Tillion stated that he believed the appropriation should be placed in the FY 79 capital budget. Chairman Sackett agreed, stating that the bill even carries an effective date of July 1, 1978. Senator Meland stated that it was his understanding that the project was to be completed during the summer of 1978, and Chairman Sackett added that under those circumstances, the bill should seek a special appropriation so the work could be commenced immediately. Senator Meland advised that he would discuss the bill with Senator Ray and bring it up for discussion at a subsequent meeting.

SSSB 473

MELAND TO  
SEEK  
CLARIFICA-  
TION FROM  
RAY

(Senator Orsini entered the meeting at this time, 8:35 a.m.)

Senator Tillion moved that SB 281 (Relating to agricultural loans under the Alaska Agricultural Loan Act) be brought up for discussion, advising committee members that he had talked with those working on permanent fund matters and decided it would not be proper to deal with the permanent fund at this time. He was, therefore, proposing

SB 281

a committee substitute which would simply increase the revolving loan capabilities from 5 million to 10 million; increase the amount loaned on an individual loan from 200,000 to 300,000; and remove all of Section 1 referring to the permanent fund. He added that he would recommend keeping the existing law as it is until all the work on the permanent fund is done.

Chairman Sackett raised questions concerning the use of renewable resource funds rather than general funds. Senator Tillion replied that he had looked into the above arrangement, but the permanent fund people wished to keep renewable resource funds "clean" until the permanent fund situation is settled. He further stated that he had discussed the committee substitute with Senator Kerttula, and Kerttula had no objection to the route proposed. He added that the loans were good secure loans and the bill would not effect any policy changes. Chairman Sackett advised that the Governor's budget has already dipped substantially into the renewable resource fund, adding that for purposes of the bill he did not understand why it should necessitate the expenditure of general funds when the state has 18 million dollars in renewable resources.

Senator Hohman moved that the bill be held in committee ending permanent fund legislation, adding that the proposed senate program would go beyond considerations contained in SB 281.

MOTION  
SB 281

Chairman Sackett questioned Senator Tillion concerning progress on SB 288 (Relating to certification of social workers). Senator Tillion replied that he was seeking information on ways in which the general public would be protected by such certification, adding that he had been supplied information by Senator Rodey advising that certification is needed for protection of social workers, but not necessarily the public.

SB 288

Chairman Sackett announced that the committee would commence budget close-outs in approximately two weeks.

The meeting adjourned at 9:00 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

March 6, 1978

8:34 a.m.

Chairman Sackett called the meeting to order at 8:34 a.m. All committee members were present with the exception of Senator Croft who came in at 9:00 a.m. Also present were fiscal analysts Milt Barker and Bob Grogan; Judy Crondahl, A/A to Senator Sackett; Joe LaRocca, Mr. Harnon and Elaine Mitchell of the press; Kay Brown from Senator Rader's office; and from Dillion Reed & Co. Bob Gerard, Sally Abrams, Mike McClug, Tom Harrow; and Commissioner Sterling Gallagher, Dept. of Revenue.

PRESENT

Chairman Sackett introduced Mr. Gallagher to the committee to discuss the Gas Pipeline. Mr. Gallagher said the state is recommending various institutions to the legislature for their consideration. At this point he introduced Bob Gerard, Vice president, Public Finance of Dillon, Reed, & Co. Mr. Gerard said his company had done a study covering the financial and economical feasibility for royalty gas with pros and cons of each.

GAS  
PIPELINE

Evaluation Criteria - (Intra State)

- Price of end product
- Income to the State
- Required use of State credit
- Alaska residents part in income and other benefits

Price, being the end product, should be competitive.

Structural Options for Ownership

- Department of State Government
- Independent State Authority
- Joint Venture by State and Private Corporation
- Private Corporation
- Trust Concept

Trust concept seems like the most attractive of the alternatives.

Options for Financing

- General Obligation Bonds
- Revenue Bonds
- Direct or indirect guarantee
- Debt by State
- Private financing

Preference would be in the two top areas. State participates more strongly in not using state's credit if it can be avoided.

Why the Trust? Citizens directly receive benefits of the Trust. Alaskan residents receive income and tax benefits.

The Trust Concept  
The Federal Government Provides Substantial  
Inducements to Generate Capital Investment

Depreciation  
Depletion  
Investment tax credits  
Deductions for interest expense  
Deductions for other taxes paid

These inducements are provided through the tax system: State and Local Governments as Non-Taxpayers cannot use these benefits in their own investments. The Trust passes these benefits directly to those who can use them: The Citizens of Alaska.

In assuming the state investment, the state's share of gas is 1/8. Therefore, the state should fund 1/8 of the cost of the pipeline, and should share in 1/8 of the profits. Many people feel the pipeline will discriminate against the taxpayers on the lower end of the tax income schedule. This is not the case.

Issues and Questions

Need for completion guaranteed  
Size of State's participation  
Definition of Alaskan citizen

The current Northwest proposal does not guarantee the completion by parent companies. The pipeline should not be started unless there is some guarantee of completion. \$1.4 billion is proposed by Northwest as an investment. Should every resident get benefits, or only taxpayers?

Senator Orsini raised the question as to whether there have been any other states that have indicated any interest in financing this project. As long as they will benefit by the use of the gas, they should help pay to get there. Mr. Gerard said to his knowledge there has been no outside interest.

A trust is a legal vehicle for holding property (there are plain or simple trusts) or it may be defined as a legal device to simplify participation in a venture. Several utilities have been using trusts in oil and gas properties in the last several years. It can ultimately be owned by a number of individuals. Senator Butrovich made the comment that trusts are not a new concept. But is it a new concept as far as governmental interest is concerned? Mr. Gerard said he would say it is.

Senator Orsini raised the question as to whether or not there is an opportunity for an individual to participate in management in the project. The answer: Not in management. However, there would be no objection to another entity created by the people to serve as a general partner and by that participate in management. Senator Orsini then asked whether or not limitations can be placed on a trust? The answer was: If it is so desired.

Chairman Sackett introduced Jim Edenzo from the Dept. of Revenue. Mr. Edenzo said a study is being made on the financing to both interior and tidewater. What kind of funds should be used - state, private, a combination of both state and private, or royalty trust? We need more details on the gas pipeline. Bonner & Moore from Houston has completed their report on Prudhoe and will probably be making their report to the legislature soon. Would Dillon, Read & Co. make a study on the financing of the gas pipeline being constructed? Will it make or lose money? Assuming it could be built and was economically feasible, it is the opinion of the firm that trust financing would be the best financing.

Chairman Sackett commented that initially the Dept. of Revenue started studying with El Paso in mind. At what point did you change? In October El Paso withdrew. At that time we began working with royalty gas and oil.

Rep. Rhode questioned Mr. Edenzo as to whether state funds are considered private funds. Mr. Edenzo replied "not to my general understanding."

Chairman Sackett assigned the following bills:

CSHB 642 - Croft  
HB 744 - Meland  
SB 493 - Sackett  
SB 418 - Sackett  
SB 521 - Hohman  
SB 431 - Hohman  
SB 472 - Orsini  
HB 132 - Tillion  
HB 125 - Butrovich

ASSIGNMENTS

The meeting adjourned at 9:25 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

March 7, 1978

9:05 a.m.

Chairman Sackett convened the meeting at approximately 9:05 a.m. All committee members were present with the exception of Senator Croft who arrived toward the end of the meeting. Also attending were Joan Brooks, State Registrar, Bureau of Vital Statistics; Don Dickey, Executive Director of the State Chamber of Commerce; Fiscal Analyst Bob Grogan; Judy Crondahl, Administrative Assistant to Senator Sackett; and members of the press including Joe LaRocca, Elaine Mitchell, and Mike Harmon.

PRESENT

Chairman Sackett asked if there was objection to the Finance Committee sponsored Sponsor Substitute for Senate Joint Resolution No. 46 (Requesting the Federal Energy Regulatory Commission to schedule hearings in Alaska on the impacts of the natural gas pipeline), and Senator Butrovich replied that a House measure dealing with the same subject matter had already been passed.

SJR 46

Senator Meland moved that SB 473 (Special appropriation to the Dept. of Natural Resources for site planning, design, and engineering of campground accommodations on the Skagway-Carcross highway) be brought up for discussion, and advised that questions raised at a prior discussion of the bill pertained to timing of the project. The sponsor of the bill, Senator Ray, has proposed an amendment changing the effective date from July 1, 1978, to "immediately." Senator Meland moved that the bill, as amended, pass from committee with a do pass recommendation. No objection being voiced, SB 473, with amendment, passed from committee, all committee members signing do pass, with the exception of Senator Tillion who signed no recommendation.

SB 473

Chairman Sackett moved that CSHB 439 (Act relating to the Alaska longevity bonus) be brought on for discussion, advising that two additional bills dealing with the longevity bonus (Senate Bills 418 and 493) have come to the Finance Committee since prior discussion on CSHB 439. SB 418 by Senator Hohman would increase the bonus from \$125 to \$150, while SB 493 by Senator Tillion would increase the bonus from \$125 to \$200. Chairman Sackett advised that the proposed Senate Finance Committee

CSHB 439

Substitute for CSHB 439 would raise the bonus to \$150. He added that prior discussion of the committee substitute had focused on two problem areas, (1) travel and per diem associated with eligibility hearings to be paid to prevailing applicants, and (2) deletion of the retroactive clause to 1975. Senators Tillion and Butrovich objected to Section 3 of the Senate Committee Substitute dealing with bonus payments up to 90 days for individuals seeking medical aid outside the State. Senator Tillion stated that no payments should be made for any time spent outside Alaska. Senator Butrovich replied that the current law allows individuals to remain outside the state for no longer than 30 days while continuing to receive benefits. Senator Butrovich added that the intent of the legislation was to assist the elderly in their attempts to afford remaining in Alaska upon retirement.

Senator Meland added that Alaska now has excellent hospitals and care facilities, so there is no longer a compelling need to go outside for medical care.

Chairman Sackett asked if there were further objections to the Senate Committee Substitute, and Senator Tillion replied that he would raise bonus payments from \$150 to \$200, but he didn't believe other committee members would concur. Milt Barker advised that at present there are approximately 7,000 persons receiving bonus payments. The \$25 increase proposed under the Senate Committee Substitute would increase the program about 2.2 million dollars.

Chairman Sackett moved that SCSCSHB 439 pass from committee, and Senator Orsini objected, stating that the bill goes against a certain class of people. He stated that if the intent of the bill was to keep elderly people in the state, why should a long-term resident be more favorably treated than a new arrival. Majority opinion overruled Senator Orsini's objection, and SCSCSHB 439 passed from committee, all members signing do pass, with the exception of Senator Orsini who signed do not pass.

MOTION  
SCSCSHB 439

Chairman Sackett made the following bill assignments:

BILL  
ASSIGNMENT

HJR 53 - Tillion  
HB 773 - Meland

Senator Meland moved that HB 744 (Supplemental appropriation to the Department of Natural Resources for the Iditarod Trail Race) be brought up for discussion. Chairman Sackett

HB 744

questioned the appropriation increase from \$10,000 to \$20,000. Senator Meland advised that to date the Iditarod Committee has raised \$30,000 through the sale of belt buckles, T-shirts, etc., and expects to net \$30,000 on its raffle, but needing a total of \$80,000 for conducting the race, the Iditarod Committee is requesting \$20,000 from the Legislature.

Senator Hohman moved that the bill pass from committee with a do pass recommendation and asked for unanimous consent. No objection being voiced, HB 744 passed from committee, all members signing do pass. MOTION HB 744

(Senator Croft entered the meeting at this time (9:25 a.m.) and added his signature and do pass recommendation to SB 473, SCSCSHB 439, and HB 744.)

Chairman Sackett advised that the budget has come down from the University of Alaska, but it had not been prepared in short form style and it will take Dave Scott two weeks to put the budget in proper order for committee review. U. OF A. BUDGET

The meeting adjourned at approximately 9:25 a.m. ADJOURN

SENATE FINANCE COMMITTEE

March 8, 1978

9:02 a.m.

Chairman Sackett called the meeting to order at 9:02 a.m. All members were present. Also present were: Judy Crondahl, AA to Senator Sackett; Kay Brown, AA to Senator Rader; Don Dickey, Alaska State Chamber of Commerce; R. Clapper, Capital 78; Frank Seymour, CAPG FOX Corp.; and from the city of Ketchikan Dale Miller, Sally Smith, Ken Madsen, Ken Eichner, Mike Salazar, Judi Slayer, Jim VanArtuorst, Floy Wingren, Paul J. Wingren, Pat Miller, Jack McBride and Helen Kinney.

PRESENT

Chairman Sackett welcomed the delegation from Ketchikan and introduced Ron Wendte, President of the Ketchikan Chamber of Commerce. Mr. Wendte said there is a keen interest in the Ketchikan community regarding the permanent fund, with the most obvious concern of SE being the hydro electric project with lower cost and long term funding for utilities.

KETCHIKAN  
DELEGATION

Ketchikan residents show a great interest in SB 507 and SB 508 which have to do with culture. The city of Ketchikan has been working for several years on a multi-use facility for conferences and recreational facilities which will run in the neighborhood of \$6m to construct.

Mr. Wendte expressed their thanks to the legislature for providing funding for the best manner to design and build a new jail. Also for the Pioneer Home bond proposal, as they have been able to document the need for that facility in Ketchikan.

There are many needs in Ketchikan in the area of DOT which up to this point have been totally ignored. The airport needs a new taxi way. Shommar Bypass has been under consideration for many years. They would like to get started on that. There needs to be established a water maintenance facility for the marine highway system. Shipyard work is now being done in Seattle. If there were a maintenance facility in Ketchikan, the work could be done there. Jobs should be kept in Alaska if at all possible.

The school district is particularly concerned that the legislature look favorably at the school system. They would encourage the passage of the House Bill that moved out of the House last week. Regarding the capital move, please look closely at the current level of funding. Don't take advantages from us to cover the cost of the move.

Chairman Sackett introduced Representative Clark Gruening to give an overview of the House version on the Permanent Fund. Mr. Gruening began by delineating some of the goals of the House:

PERMANENT  
FUND

1. How and who would be managing the permanent fund?

2. At what level of funding in addition to the mandatory 25% the constitution requires would be added?

3. What should be done with the income?

Getting to the management question: One of the primary concerns of the public is that the permanent fund should be permanent. It should not be used to support government operations nor should it be invested in a manner to dissipate the principal.

The key element in the House approach is permanency. The House version will establish a Board of Trustees consisting of three trustees to be responsible for managing all of the funds. Another entity called Alaska Enterprise Investment Corp. will manage up to \$100m of permanent fund resource money and guarantee another \$100m to be used strictly for small and medium scale productive private enterprises and community projects in the state. Trustee function - more conservative, less risky investments be taken. By no means preclude Trustees from investing in Alaska. We have taken great pains to see that some of the trustee money would be invested in Alaska. Public Employees Retirement Fund and Teachers Retirement Fund has about 40% in Alaska mortgage. Probably the trustees wouldn't be any more conservative in dealing with mortgages in Alaska. The House would also establish an investment oversight committee to oversee lending and investment functions of all state agencies including permanent fund and renewable resources and development fund.

BOARD OF  
TRUSTEES

AK ENTERPRISE  
INV. CORP.

One question the House is trying to resolve -to keep politics out of day to day operations of the permanent fund but at the same time insuring some kind of accountability. The Legislature would have to have some ability to change policy as time goes on. A better approach is not to make the permanent fund all things to all people and try to develop a very much enlarged loan program just for the permanent fund.

A similarity in the House and Senate approach is that both take a conservative approach to the investment of principal. As far as difference goes, the House feels they should invest of the principal in Alaska. The House would like to examine the loan programs and expand in areas where priorities are placed. The Legislature needs to develop some loan policies.

The House would have a reserve account for capital projects. They feel that worthwhile capital projects are better than expanding bureaucracies. The House would put more money into the permanent fund and their loan policy would be broader. They do want to give an amount of discretion to the program administrators. The House may want to be in a position to make appropriations. The House program does not expand on loan proposals. They would leave that to future legislatures.

One other difference between the House and Senate - the House would clearly separate management of the permanent fund from other state government. There must be areas of accountability. We would make their actions as public as possible.

The meeting adjourned at 9:55 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

March 9, 1978

9:05 a.m.

Chairman Sackett convened the meeting at approximately 9:05 a.m. All committee members were present with the exception of Senator Croft who arrived shortly after the meeting began. Also in attendance were Jim Edenso, Deputy Commissioner of Treasury; Judy Crondahl, Administrative Assistant to Senator Sackett; Bob Kocsis, Administrative Assistant to Senator Hohman; Fiscal Analyst, Bob Grogan; and members of the press including Elaine Mitchell and Gregg Clapper.

PRESENT

Chairman Sackett moved that SB 429 (Alaska loan program fund, Alaska permanent fund, renewable resources development fund and other state revenues) be brought on for discussion, advising that Mr. Edenso was before the committee to testify concerning the administration's recommendations for changes in the bill. Mr. Edenso referred to his letter of March 8, 1978 (copy attached to these minutes), and proceeded to read the letter to the committee. Upon conclusion of the reading, Mr. Edenso explained the administration's position concerning the fund.

SB 429

He advised that the administration favors introduction of a single-subject bill on the permanent fund, and supports the concept introduced under Section 1 for placing all the loan programs for the state in one "basket." The administration also supports the idea that the permanent fund be administered and managed in a manner allowing for investments in the State, and while it supports the renewable resources development fund concept, it would suggest a separate bill be introduced for this fund.

ADM. POSITION  
EDENSO

(Senator Croft entered the meeting at this time 9:10 a.m.)

Chairman Sackett inquired concerning material which would be excluded by the deletion of Sections 3 through 28, and Mr. Edenso replied that Section 3 addresses the renewable resources fund, while Sections 4 through 28 deal with amendments and deletions necessary to adopt proposed sections of SB 429, calling for the Departments of Economic Development and Revenue to be recomposed; redoing the loan programs; and establishing department procedures for the state; as well as providing guidelines for investment of the loan program fund, renewable resource fund, etc.

Chairman Sackett requested that Mr. Edenso explain attachment A, appended to the March 8 letter. Mr. Edenso replied that the attachment sets forth the administration's recommendations to the House Special Committee on the Permanent Fund regarding structure and organization of the Fund. Administrative recommendations would propose establishing the Permanent Fund as a corporation of the State within the Department of Revenue, and would propose contributing 30% of royalty revenues and 100% of the bonuses to the fund.

In addition, the proposal calls for investment of the Permanent Fund in the securities market and a savings account concept for at least 50% of the principal. It allows for investment of the Permanent Fund of at least 50% within the State of Alaska, and 25% in the private sector of the State's economy, allowing for an additional 25% investment in community projects within the State.

FUND  
INVESTMENT  
IN  
SECURITIES

The proposal would also establish a Permanent Fund Policy Board to develop policies for the Permanent Fund's administration and management, and to work with the legislature on Permanent Fund policies.

POLICY  
BOARD

The administration's recommendations also call for establishment of an investment committee within the Permanent Fund which would have sole responsibility for investing and managing the fund. A president would head the policy board as a non-voting member, and he would serve as chairman of the investment committee. He would also have responsibility for staffing the Permanent Fund's ongoing operations.

INVESTMENT  
COMMITTEE

The administrative proposal outlines the principals of operation for function of the fund within the management structure and organization. It allows for establishment of reserves to set-off investment losses, and enables the Permanent Fund to guarantee investments or debt of other organizations, and establishes reserves for these guarantees.

RESERVE  
SET-OFFS  
& FUND  
GUARANTIES

Lastly, the administration's proposal would call for an effective date immediately upon passage of the bill.

IMMEDIATE  
EFFECTIVE  
DATE

Senator Orsini asked Mr. Edenso if the organizational structure proposed was the same as that of other presentations, and Mr. Edenso replied that essentially it was, the only difference being that the administration

proposes a contribution figure of 30% rather than 50%. Chairman Sackett questioned the change in percentage, and Mr. Edenso replied that Revenue has moved to 30% due to concern expressed by legislators in the House that oil revenues may not obtain the volume expected. Chairman Sackett asked if Revenue's initial figure of 50% was a mistake on the department's part, and Mr. Edenso replied that he didn't believe the 50% was a mistake in August of 1976 when originally estimated, but it became a mistake after the State's experience with Pump Station No. 8, the tariff problem, etc. Chairman Sackett asked Mr. Edenso if Revenue had simply failed to anticipate such occurrences, and Mr. Edenso replied that the Department hadn't anticipated them. Senator Croft stated that Revenue had consistently taken the most favorable figures available, and in every case the eventual figures were quite different--the FDA price was lower, tariffs were higher, etc.

INVESTMENT  
PERCENTAGE  
CHANGE  
FROM 50%  
TO 30%

Senator Meland posed a hypothetical 1 million dollar hydro-electrical project for Sitka, asking Mr. Edenso how the application would be processed in order to secure Permanent Fund financing. Mr. Edenso replied that the application would be processed through the policy board to the Permanent Fund corporation for review and evaluation. If capital in the Permanent Fund were at least 100 million dollars (Mr. Edenso advised that there is a 1% limit on investments, which prohibits an investor from placing more than 1% of the principal in any one investment.), the recommendation for funding the application would be submitted to the Legislature. Financing of the power project could be effected through the Permanent Fund directly or under the guaranty capacity of the Fund. The guaranty for construction would allow for a lower rate of interest on the bonds and would provide for borrowing of feasibility study funds which could be capitalized into the bonds sold for the project. An alternative method of financing would be to go to the Alaska Power Authority for capitalization.

HYPOTHETICAL  
HYDRO  
PROJECT

Senator Butrovich requested that Mr. Edenso supply committee members with copies of the Revenue attachment appended to CSHB 596, and Mr. Edenso stated he would furnish the material and left the meeting at this time.

Chairman Sackett made the following bill assignments:

BILL  
ASSIGNMENT

HB 863 - No assignment,  
bill to be discussed  
3/13/78

HB 645 - Croft

SB 477 - Tillion

Senator Tillion moved that HJR 53 (Reimbursement of Alaska advisors to salmon fisheries negotiations) be brought up for discussion, advising that the United States is currently conducting both salmon and boundry negotiations with the Canadians. These negotiations are really "touchy," and it is important that the state be represented. The State Department has had people attending the negotiations, but feels that a resolution from the Alaska Legislature would help. Senator Tillion moved that the resolution pass from committee with a do pass recommendation. No objection being voiced, HJR 53 passed from committee, all members signing do pass.

MOTION  
HJR 53

Committee members rendered verbal progress reports on the review status of their respective budget categories, looking toward budget close-outs within the next two weeks. Chairman Sackett advised that the House has stated it will submit its budget the 20th of March.

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

ADJOURN

# STATE OF ALASKA

## DEPARTMENT OF REVENUE

TREASURY DIVISION

March 8, 1978

JAY S. HAMMOND, GOVERNOR

ELEVENTH FLOOR  
STATE OFFICE BUILDING  
POUCH SB  
JUNEAU, ALASKA 99811

The Honorable John Sackett  
Chairman, Senate Finance Committee  
Capital Building  
Juneau, Alaska 99811

Dear Senator Sackett:

The Special Committee on the Permanent Fund in the Senate has a bill entitled: "An Act relating to the Alaska Loan Program Fund, the Alaska Permanent Fund, the Renewable Resources Development Fund, and other State revenue; and providing for an effective date." The number of this Senate Bill is SB 429.

The administration has reviewed SB 429 and the following are the recommended amendments that the administration supports for the bill:

1. Section 1 amending AS 45 and adding a new Chapter entitled Chapter 96. ALASKA LOAN PROGRAMS FUND. The administration does not support the creation of this fund and subsequent creation of the new division within the Department of Commerce and Economic Development entitled the Division of Alaska Loan Programs, and the establishment of a new division within the Department of Revenue, the Division of Collections. The administration does support the concept that all loan programs be administered by a single State agency. It is the recommendation of the administration that all existing loan programs making direct loans be administered within the Department of Commerce and Economic Development.

The administration does not support the separation of the collection functions on delinquent loans from the investment function of those agencies making the loans. The separation of the collection function would remove an important element of the investment function (credit evaluation responsibility) from the individuals within the respective agencies making those loans. Further, it would remove the checks and balance the Department of Revenue has in evaluating performance of the lending agencies.

Section 1 in Summary: The administration would support the centralization of all loans in the Department of Commerce and Economic Development. The procedure to follow would be to introduce separate bills with the appropriate language to accomplish the agency transfers. The administration does not support using State debt to provide loan capital for loan programs as provided in SB 429. It is recommended that Section 1 of SB 429 be deleted in its entirety.

2. Section 2. This section creates the Alaska Permanent Fund by amending AS 37 and adding a new Chapter to read: CHAPTER 13. ALASKA PERMANENT FUND. The administration has reviewed this section and supports the principle

March 8, 1978

of allowing the Permanent Fund to be invested in Alaska. The administration finds that it is desirable to provide a separate corporation of the State within the Department of Revenue to provide the administration and management of the Permanent Fund. Further, the administration would support a composition of the Permanent Fund that would contribute 30% of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and 100 per cent of bonuses received by the State to the Permanent Fund. The administration recommends that this committee amend Section 2 to create the Alaska Permanent Fund as in the attached draft bill (see Attachment A).

3. Section 3 of Senate Bill 429 creates the Alaska Renewable Resources Financial Assistance program. The administration supports the Alaska Renewable Resources Development Fund. The administration, in keeping with previous stated policy, would support the management of the renewable resources development fund direct lending activity within the Department of Commerce and Economic Development. The investment activity of the surplus funds within the renewable resources development fund should be administered and managed by the Department of Revenue, Treasury Division. The administration recommends that this section of SB 429 be deleted and that a separate bill addressing the Alaska Renewable Resources Development Fund be submitted by the Senate Committee on the Permanent Fund. The administration has not attempted to draft separate legislation on the Alaska Renewable Resources Development Fund and has worked in cooperation with the Subcommittee of the Special Committee on the Permanent Fund in the House on that Committee's proposed legislation for the Alaska Renewable Resources Development Fund. The administration recommends the deletion of Sections 3 through 28 of SB 429.

Sincerely,



Jim Edenso  
Deputy Commissioner

JE:ge  
Enclosure

3/9/78

SENATE FINANCE COMMITTEE

March 13, 1978

9:00 a.m.

Chairman Sackett called the meeting to order at 9:00 a.m. All members were present with the exception of Senator Butrovich. Also present were Senator Hackney, AA to Senator Sackett, Judy Crondahl; from Health & Social Services, Rod Betit, PRESENT Roy Pagenhoft, Richard Wilson, Marsha Hubbard, Cathy Lloyd; Peggy Berch, Alaska Legal Services Corp.; Research Analysts from the Lt. Governor's office, Karen J. Ward and Danith Anderson; Paul Trader, AWG Corp.; and from the Dept. of Education Eula Ruby, Betty Williams, Darby Anderson and Clark Jones.

Chairman Sackett advised the committee that the first order of business would be HB 863 (supplemental appropriation to the Dept. of Health & Social Services, General Relief). Marsha Hubbard began the testimony by giving the background as to why the Department was asking for a supplemental and giving the eligibility requirements. There was some discussion as to the time the program was restricted and the time it was unrestricted. At the present time the program is unrestricted as to eligibility. The average pay per person is \$80.00 per month with the money being paid directly to rent or utilities, not given to the recipient in the form of cash. HB 863

Chairman Sackett inquired as to why the big jump in the amount of funds being requested at this time. Ms. Hubbard explained it is because the program is unrestricted at this time and many more eligible people are requesting assistance. It was the consensus of the committee to hold this bill pending more information from Legal Affairs.

Senator Croft moved and asked unanimous consent that SB 363 (state program for individualized reading instruction) be brought before the committee. It was so ordered. Senator Hackney was introduced to give his views on the bill. Senator Hackney asked that funds be allocated for this program as it has done a great deal of good in various areas around the state. Mostly the bill would provide funding for junior and senior high school teachers to train volunteers to work in this program. The program is primarily for adults, to equip them with a GED (high school equivalent diploma) which would make it easier for them to obtain employment. SB 363

Chairman Sackett raised the question as to why we need this program when we already have similar programs in

the state. Senator Hackney replied that this program is mainly for people who have been out of school for a long period of time. They usually take advantage of this opportunity during the evenings and time when they are not working. Senator Orsini raised the question as to why it is necessary to train those people who are already teaching school. Mrs. Ruby then commented that there is a critical reading problem in the junior and senior high schools. In the last five years there have been some major breakthroughs in this area. Now we have the job of re-training these teachers in the new methods.

Senator Tillion made the comment that a good deal of the appropriation is for salaries. Senator Hackney refuted that in order to utilize volunteer services you have to have someone to direct the operation. Eula Ruby stated that some of the funds would be used for travel, per diem and clerical help. Mrs. Ruby stated that we need to pick up the illiterate people in the state and keep the dropouts going also. Senator Croft said we have tried to avoid having another department provide this service; have tried to rely on the school district to provide the service. Why is REAA not doing the program? Mr. Clark Jones from the Dept. of Education said REAA is still getting things put together. Senator Orsini wanted to know why the legislature should provide funds to train junior and senior high school teachers to teach these students. They should be doing it under their own program in school. Senator Hackney stated that we're really talking about kids who don't learn to read in school. Senator Orsini then wanted to know if that isn't what the special education programs are for. Senator Hackney replied that it seems to be working outside the school. It should work in the school too.

The meeting adjourned at 10:00 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

March 14, 1978

8:35 a.m.

Chairman Sackett convened the meeting at approximately 8:35 a.m. All committee members were present except Senators Hohman and Croft who arrived shortly after the meeting began, and Senator Butrovich who was ill. Also attending for various portions of the meeting were:

PRESENT

Margaret W. Berck, Lobbyist, Alaska Legal Services Corporation  
Paul Troch, Arctic Winter Games  
Thomas H. Robertson Assistant Attorney General  
Health & Social Services  
Rod Beth, Chief of Field Operations  
Cathy Lloyd, Deputy Commissioner  
Richard R. Wilson, Director, Division of Public Assistance  
Lt. Governor's Office  
Karen Ward and Danith Anderson, Research Analysts  
Dept. of Education  
Dave Forbes, Specialist  
Dick Luther  
Evla Ruby, Project A-TIP  
Darby Anderson, Right to Read  
Clark Jones, Adult Basic Ed.  
Military Affairs  
Major General C. R. Necrason  
Brigadier General William J. Sharrow  
Col. Holmsen  
Alaska Association of School Administrators  
Glen Chowning, President  
Darroll Hargraves  
Larry Dial  
Robert Van Slyke  
Ron Hohman

Chairman Sackett moved that HB 863 (Supplemental appropriation to Health & Social Services, General Relief) be brought up for discussion. He advised that the bill had been held over from previous discussion pending clarification concerning an opinion from the Attorney General's Office on restriction of the program.

HB 863

Thomas H. (Ric) Robertson appeared on behalf of the Attorney General's Office, advising that the A.G.'s Office had not given an opinion in writing to Health

ROBERTSON  
A.G.'S  
ADVICE

& Social Services, either formal or informal. He added that he was not involved in the subject discussions, and the assistant attorney general who handled the matter is now working in San Francisco. Mr. Robertson stated that he believed some advice was given HESS to the effect that it would be best to tread lightly in the absence of regulations. The program was, at that time, a viable program, but proposal had been made to restrict it without going through the General Procedures Act. Since the program must be effected by regulations, Mr. Robertson believed it would have been sound advice to say that the program could not be restricted in the absence of regulations, but there is no written documentation to this effect.

NO DOCUMENTED  
OPINION

Concerning the question of whether or not the program could be restricted by regulation, Mr. Robertson replied that it certainly could, subject to the caveat that any restriction would have to be examined for legality in light of its particular language. He added that while the program may be decreased under regulations, it would be difficult to determine whether any one particular restriction would be viable or not.

A.G. - PROGRAM  
COULD BE  
RESTRICTED  
BY REGULATION

Chairman Sackett questioned Cathy Lloyd, asking if the Dept. of Law had requested that Health & Social Services not impose restrictions, and she replied that she had discussed the matter with Liz Arnold and Ms. Arnold felt that the case could not be won because there were no regulations. Ms. Arnold, therefore, advised that the Department should not impose restrictions. Cathy Lloyd added that a number of different attorney generals had dealt with the regulations, advising it would be better to make changes by law. She further stated that while the preceding method had been suggested, it seemed to her that some restrictions could be made in the regulations.

Senator Tillion stated his understanding of the foregoing to be that the Department had implemented restrictions, but upon advice from the Dept. of Law, the restrictions were removed. Cathy Lloyd replied that the above understanding was correct.

DEPARTMENT  
IMPOSED  
RESTRICTIONS  
A.G. URGED  
REMOVAL

Chairman Sackett advised that it appears the Department now has regulations which include everyone, but the question of whether or not the Department has restrictions is not appropriate to the subject bill

because the funds will be appropriated under existing regulations. Cathy Lloyd added that she knew of no way of changing existing regulations until next fiscal year. Senator Tillion stated that he would rather see the program die, and when the Department has regulations taking employable singles off general relief, then the legislature will give the Department its funding. Cathy Lloyd advised that included within the category of "single" were individuals under 18, and disabled persons not falling under Social Security (such as someone suffering from a broken leg and unable to work).

(Senators Croft and Hohman entered the meeting at this time, 8:45 a.m.)

Chairman Sackett asked for a show of hands for passage of the bill, and the bill passed from committee despite Senator Tillion's strong objection, Senators Hohman, Croft, and Meland signing no recommendation; Senator Sackett signing do pass; and Senators Tillion and Orsini signing do not pass.

MOTION  
HB 863

(Representatives from the Department of Health & Social Services left the meeting at this time.)

Chairman Sackett moved that SB 363 (Act creating a state program for individualized reading instruction) be brought up for discussion. Evla Ruby appeared before the committee, advising that she would attempt to answer questions concerning the program. Senator Croft voiced objection to the wording on page 1, line 16, eliminating grants or contracts to religious or private institutions. Mrs. Ruby stated that if the committee felt the wording would make institutions like Sheldon Jackson ineligible, the wording could be deleted. Responding to Senator Croft's question concerning funding the program through Adult Basic Education, Mrs. Ruby replied that the program could be coordinated by any of four different agencies, in that the program will attempt to utilize volunteers to a great extent.

SB 363

MRS. RUBY

Senator Croft next expressed fear by those in Adult Basic Education that since the bill funds additional administrative costs, but effects no academic increase in the program, benefits of the program might be reduced. Mrs. Ruby replied that concern was shared by volunteers who have assisted in the past. However,

those involved in the program work closely with people in Adult Basic Education, and the Fairbanks operation has been especially successful. The thrust of the bill would be to continue volunteer assistance, but satisfy the administrative need for office space, clerical staff, travel, etc.

ADMINISTRATIVE FUNDING  
NOT TO OVER-TAKE PROGRAM  
BENEFITS

Chairman Sackett restated an area of concern previously expressed by Senator Orsini to the effect that the state currently has numerous programs (Adult Basic Education, Resource Center, U. of A. Programs, and Foundation Programs), and has spent hundreds of millions of dollars attempting to educate people, yet some people remain illiterate. He advised that he wished to know how much has actually been appropriated, and why there are still illiterate people in the state. Why are these programs not working?

Senator Tillion advised that he believed part of the problem was due to situations like Mt. Edgecumbe where children graduate after having put in a specified amount of time, regardless of what they have accomplished. Clark Jones replied that he believed part of the problem to be that funding received statewide by Adult Basic Education just isn't enough to provide basic education everywhere in the state. The state must establish a number of key sites which offer an alternative through volunteers. A strong volunteer program would help to service the outlying Alaskan communities where the problem is the greatest.

NEED FOR  
VOLUNTEERS

Chairman Sackett requested that Senator Croft conduct further research to determine the total amount appropriated under existing literacy programs, and further, that he attempt to determine why these programs are not working.

FURTHER  
RESEARCH  
NEEDED  
SB 363

(Representatives from the Department of Education left the meeting at this time, and Representatives from the Department of Military Affairs entered.)

General Necrason introduced himself, General Sharrow, and Col. Holmsen, stating that they were before the committee to testify concerning SB 53 (Relating to benefits for members of the Alaska National Guard & Naval Militia) and SB 60 (Relating to National Guard & Naval Militia retirement & Death Benefits). In addition, General Necrason requested committee support

SB 53  
SB 60

for Military Affairs' 4.3 million dollar budget, advising that the military, in turn, receives 25 million dollars from the federal government for Alaska military operations. He stated that the Army Guard is presently at 90% of authorized, while the Air Guard is presently 80%, adding that the Alaska National Guard, except in emergency situations, is designating for service only within Alaska.

MILITARY  
AFFAIRS  
BUDGET

Col. Holmsen began his presentation in support of SB 60, stating that since 1974 the Guard has had a supplemental retirement program in conjunction with the program for federal guard members (\$50 per month is the current program). In the four to five years the Guard has worked with the program, it has been found detrimental to some individuals. Presently, a guardsman must be a member of the Guard for 20 years and 55 years old for retirement. Under SB 60, an individual could accumulate 20 years' service, establish eligibility, and delay receipt of retirement until age 55.

SB 60

RETIREMENT

Senator Orsini questioned the inclusion of prior service (other than Guard) within Section 3 of the bill, and Col. Holmsen replied that 55-60% of Guard personnel join after prior duty. They come to the Guard with 5 to 10 years of active service behind them, which is beneficial to the state. If an individual came to the Guard with 10 years prior service, under present regulations he would have to spend an additional 20 years (a total of 30 years military service) in the Guard to draw retirement.

PRIOR DUTY

Senator Orsini asked why Guard retirement should not be placed within the state retirement system, and Col. Holmsen replied that the Guard follows the federal pattern for 20-year service. In addition, guardsmen must maintain physical standards and pass a physical exam once a year.

GUARD  
RETIREMENT  
NOT TO BE  
INCLUDED IN  
STATE  
RETIREMENT

In closing his presentation on SB 60, Col. Holmsen stated that federal law requires that an individual spend at least the last 8 years within the reserve component from which he intends to retire, and retirement pay of \$50 per month is payable for the number of months the individual was a member of the Alaska National Guard.

SB 60

SB 53 refers to active duty pay and applies only to active duty in emergency situations. Provisions of the bill would add a salary increase equivalent to

SB 53

ACTIVE DUTY  
PAY

the per diem rate for the State of Alaska. Tying the salary increase to the per diem rate will insure that the Guard will not have to come back to the Legislature for future increases. Current pay is \$15 per day. Daily pay under SB 53 would be \$65, however, currently the state is paying non-military personnel \$97 per day for casual hire during emergency situations.

ACTIVE DUTY  
PAY TIED  
TO STATE  
PER DIEM

In addition, SB 53 provides a gratuity payment in addition to Workman's Compensation upon the death of someone on active duty, providing a lump sum payment to the widow. Col. Holmsen advised that the Guard's active duty record has been excellent in that while some guardsmen have incurred minor injuries, the Guard has never experienced a death.

GRATUITY  
DEATH  
BENEFITS

(Representatives from Military Affairs left the meeting at this time, and representatives from the Alaska Association of School Administrators entered.)

Mr. Glen Chowning, President of the Association advised committee members of the association's position on various bills and educational concepts.

ALASKA  
ASSOCIATION  
OF SCHOOL  
ADMINISTRATORS

The association supports doing away with majority requirements for run-off elections in the REAA schools.

The association supports strengthening requirements for recall petitions for elected officials.

RECALL  
PETITIONS

The association supports allowing up to 180 days accumulation of sick leave to apply to retirement.

SICK LEAVE

The association supports full funding for community schools. It feels these programs are good, and it would like to see them fully funded.

COMMUNITY  
SCHOOLS

The association supports the Department of Education formula for funding bilingual education. School districts must have some way of funding these programs in order to comply with civil rights legislation.

BILINGUAL ED.

The association supports SB 468 (Judicial Review of School Board Decisions) allowing a teacher to seek judicial review as to whether due process was afforded in disputes between teachers and their school districts.

SB 468  
JUDICIAL  
REVIEW

The association supports adding one year to the process of becoming a tenured teacher, raising the number of teaching years from 2 to 3 (SB 452).

TEACHER  
TENURE

The association does not support required approval of a community school committee in REAA's for hiring personnel.

REAA  
COMMUNITY  
SCHOOL  
COMMITTEES

The association does not support the idea of mandated school committees for community schools in the REAA's. It believes REAA's should be treated like other school districts. In some REAA's, such as Adak and Metlakatla, it is just not practical to have these committees. Decisions regarding community schools should be local.

The association does not support CSHB 489 (Labor Relations School Boards and Others and Employees) broadening the scope of bargaining. The Supreme Court has identified what is debatable, citing only economic considerations. The association is strongly opposed to this bill.

OPPOSES  
CSHB 489

The association is strongly opposed to binding arbitration in that it takes the decision-making authority out of the hands of a public officer and places it in the hands of a third, disinterested, party.

OPPOSES  
BINDING  
ARBITRATION

The association does not believe teachers should have the right to strike.

TEACHERS NO  
RIGHT TO  
STRIKE

It is also opposed to raising the teacher certification fee (SB 526 Teachers' Certificates) to \$50, and is opposed to giving the \$50 to the Professional Teaching Practices Commission, adding that it does not feel the Commission has done what it was established to do.

TEACHER  
CERTIFICATION

The association would like to see funding continued on instructional units. It strongly supports increasing instructional units for the year after next, to 31.9. The increase is needed due to an expected 10% increase in this area.

INSTRUCTIONAL  
UNITS

Senator Croft asked Association members if they were aware that the entire education budget (Governor's Budget) is substantially underfunded, and association members replied they were not.

UNDERFUNDED  
GOV'S BUDGET

To questions posed by Senator Croft concerning the school lunch program, Mr. Chowning replied that the association is in favor of more funding, although it had not chosen to speak to the program. He added that he would like to see the funding on a per meal basis rather than based on income criteria.

SCHOOL  
LUNCHES

Page 78-22

Senator Croft questioned Mr. Chowning regarding association posture on SB 363, and Mr. Chowning replied that while a position had not been agreed upon by the association, he felt it would be somewhat opposed to the program, feeling that the area encompassed within the bill should be an option of the local school board.

SB 363

Mr. Darroll Hargraves appeared before the committee on behalf of the association, and he supported the following concepts: (School Construction)

1. Bills should start with an 80% floor of state funding. (HB 681 State Aid for School construction, contains such a provision.)
2. Two year phase in up-front funding.

SUPPORT  
HB 681

Up-front funding is necessary because in some communities there is simply no tax valuation for the community to use to start a construction project. The up-front funding would enable the bonds to be sold, plans to be developed, etc.

UP-FRONT  
FUNDING

The sliding scale would take into account the regional differences in community financial ability. Some would come in at as high as 100%, while others would be at 80%, 90%, etc.

SLIDING  
SCALE

Senator Tillion raised questions concerning local tax mills and community contribution toward school construction, and Mr. Hargraves replied that while the association had not directly addressed the issue, he believed the community should contribute something toward school construction.

COMMUNITY  
CONTRIBUTION  
TOWARD  
CONSTRUCTION

(Senator Orsini left the meeting at this time, 8:40 a.m.)

Senator Croft advised that one of his concerns has been that the state takes away local control and often appropriates too much money, building facilities which are too elaborate. If the borough or community were to fund 50% of the construction, local control would extend over construction of an adequate facility. Mr. Hargraves replied that the association had not addressed the above problem.

ABSENCE  
OF LOCAL  
CONTROL  
ELABORATE  
FACILITIES

Larry Dial next appeared before the committee and voiced the concern of rural schools that replacement costs for poor facilities have not been included in the Governor's budget. He added that rural schools are also concerned about line-item provisions in contracts at a time when there are many variables in construction costs. Local districts should be able to assign dollars to certain constructions costs for their areas.

RURAL SCHOOL  
REPLACEMENT  
NEEDS

Mr. Dial added that SB 485 (Construction & Repair of Educational Facilities) would grant REAA's authority to approve design and architect selection, and actually begin construction. The DOT has, in the past, been reluctant to grant such authority, and delays caused by DOT paperwork processing have increased construction costs. DOT does not believe local districts can handle these functions effectively, but efficient local control has been demonstrated in various school construction projects around the state.

SUPPORT  
SB 485

LOCAL  
CONTROL

Mr. Bob Van Slyke from Barrow next testified regarding special education within the state. He advised that in accordance with PL 1942, the state is to provide education to handicapped youngsters. The current schedule makes it impossible for local districts to adequately staff and provide the needed services. While legislation is pending to modify the program, the association recommends the following:

SPECIAL  
EDUCATION

1. A one-year moratorium on changing the foundation scale.
2. That funding for FY 79 not be less than FY 78 funding.
3. Department of Education conduct a statewide cost analysis in order that adequate reimbursement schedules can be determined.
4. That the Department of Education be allowed to enter into special arrangements with local districts for funding special education.

Mr. Van Slyke concluded by stating that a change in special education is needed, but it is not apparent just what these changes should be. The association feels that while SB 482 and HB 848 contain desirable features, adoption at this time would be premature.

Ron Hohman testified briefly concerning the need for surplus budgets in rural areas, especially for schools depending on federal funding.

SURPLUS  
BUDGETS

The association having concluded its presentation, Senator Croft moved that HB 672 (Special appropriation, Office of the Governor, Arctic Winter Games) be brought up for

HB 672

discussion, and he additionally moved that the bill pass from committee with a do pass recommendation. No objection having been voiced, HB 672 passed from committee, all members present signing do pass.

The meeting ajourned at approximately 10:05 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

March 20, 1978

9:06 a.m.

Chairman Sackett convened the meeting at approximately 9:06 a.m. All committee members were present with the exception of Senators Butrovich, Croft, and Orsini. Also in attendance for portions of the meeting were Senator Rodey and Representative Cowper. Fiscal Analyst Bob Grogan, Administrative Assistant to Senator Sackett, Judy Crondahl, and Joe LaRocca of the press also attended.

PRESENT

Chairman Sackett moved that SCR 69 (Relating to construction of a lodge and visitor center in Denali State Park); SB 408 (Special appropriation to Dept. of Transportation for pre-construction and engineering, Petersville Road); and SB 409 (Special appropriation to Dept. of Natural Resources/feasibility study of proposed Tokositna Lodge & Visitor Center) be brought up for discussion, advising that the three pieces of legislation pertain to one project. Senator Rodey appeared before the committee stating that the Denali State Park Project was not a new idea, but one proposed 40 years ago. It calls for development of park facilities centered in the Tokositna Valley, upon the point from which Sidney Lawrence painted Mt. McKinley. Senator Rodey added that the National Park Service wishes to move the facilities from the north side of the park to the south side because the north side cannot handle the great number of people visiting the park. The south side is more accessible and would better accommodate visitors.

SCR 69

SB 408

SB 409

The project represents the first time the federal government has built a national park center on state land, and it is willing to enter into an agreement with the state for such development. SCR 69 requests that the Governor proceed with negotiations with the Park Service. Senator Rodey also added that in addition to improved accessibility and increased accommodation, the south side of the park is environmentally better equipped to handle a great number of visitors, since it includes more rugged terrain which could withstand heavy traffic.

SCR 69

SB 408 appropriates \$85,000 for pre-construction and engineering for 26 miles of the Petersville mining road

SB 408

which would need to be upgraded in conjunction with park construction. The road would take off the highway above Talkeetna, at the local junction for Cache Creek.

SB 409 appropriates \$260,000 to the Department of Natural Resources for feasibility and engineering studies necessary for construction of a tourist facility on the south side of the park. SB 409

Chairman Sackett asked what would happen to the facility currently located at the north side of the park, and Senator Rodey replied that it would continue to be operated in the normal fashion, but he believed less people would be visiting the area as the facility on the south side begins to attract visitors. He added that there is currently a long waiting period for accommodations within the park which is especially unfair to Alaskans wishing to visit.

The new facility would generate increased tourism to the Anchorage and Fairbanks areas, as well as Southeast, due to the attraction of Mt. McKinley, and Senator Rodey added that the project is supported by both conservationists and developers.

Senator Hohman moved that SCR 69, SB 408, and SB 409 pass from committee with do pass recommendations. No objection being voiced, the bills passed from committee, all members present signing do pass. MOTION SCR 69 SB 408 SB 409

(Senator Rodey left the meeting at this time.)

Chairman Sackett distributed to committee members a proposed bill allowing Medicare reimbursement for rural health clinics, asking if there was objection to Senate Finance Committee sponsorship and introduction. No objection being voiced, the bill was directed for delivery to the Senate Secretary for introduction. MEDICARE REIMBURSEMENTS RURAL HEALTH CLINICS

Chairman Sackett moved that SB 440 (Special appropriation to Dept. of Fish & Game to Alaska Eskimo Whaling Commission) be brought up for discussion, advising that Senator Rutrovich proposes that a Committee Substitute with attached letter of intent replace the original bill. Chairman Sackett advised committee members that the Committee Substitute would place the \$250,00 appropriation under control of the Arctic Environmental Information and Data Center (AEIDC) rather than the Dept. of Fish and Game; and, additionally, the letter of intent SB 440

would require AEIDC to furnish the Legislature a report of study results by February 1, 1979.

Senator Hohman moved that CSSB 440, with the attached letter of intent, pass from committee with a do pass recommendation. No objection being voiced, the bill and letter of intent passed from committee, all members present signing do pass.

MOTION  
CSSB 440

(Representative Cowper entered the meeting at this time.)

Chairman Sackett moved that CSHB 652 am (Special appropriation to Dept. of Natural Resources for Steering Council for Alaska Lands) be brought up for discussion, advising that Mr. Cowper was present to testify concerning the bill.

CSHB 652 am

Mr. Cowper stated that the \$896,222 appropriation figure represents the amount approved for request by the D-2 Steering Council. He added that the Council considered two methods when approaching its request for funding. The first entailed requesting funding the Council knew it would need, and then waiting as the Legislature progressed to determine additional needs, or, in the alternative, to request the total funding the Council thought it might need and lapse unused funds at the end of the year. The Council chose the latter route, and sought the funds requested in CSHB 652 am--total anticipated funding for the year.

MR. COWPER  
D-2  
STEERING  
COUNCIL

Mr. Cowper next referred to an expenditure breakdown from Sharon Long, setting forth the following items:

Staff and Operations - \$85,722.00

Rent, furnishings, and salaries for staff, including two full-time staff members for the entire year.

Planning and Counseling - \$12,000.00

This function has essentially been accomplished by Mike Rowan, who has done a good job.

Travel/Speakers - \$102,500.00

Travel funding for members of the council, legislators, and others, speaking with authority on D-2.

Communications - \$40,000.00

Telephone, Telegraph, Telex, etc.

Legal Representation - \$150,000.00 (should be \$200,000.00)

The council is represented by the Birch firm which has offices in both Alaska and Washington, D.C. It was

originally thought that \$50,000 of the \$150,000 would be used for the Moss firm in D.C. The original understanding was incorrect in that the \$150,000 will go to Birch, and an additional \$50,000 will be needed for Moss. The proper figure for this item should be \$200,000. Tom Moss is a former Senator who is helping the committee "get in the door," and has been extremely helpful to date. Birch has three attorneys working on D-2 full time, plus a paralegal aid.

Printing - \$13,000.00  
Brochures and other mailings.

Graphics Design - \$4,000.00  
Brochures and reports

Radio Production - \$6,000.00  
Self-explanatory

TV and Film Production - \$140,000.00  
Broadcast time purchase and TV and film production. Includes a 30-minute film on file in case the committee needs to purchase nationwide time.

Space Purchase - \$50,000.00  
The committee has purchased additional space in the Washington Post and Washington Star. Space purchased in Washington newspapers has been very successful.

Direct Mail - \$19,000.00  
Self-explanatory.

Survey Research - \$25,000.00  
Survey of congressional attitudes has been very successful in educating Congressmen. The committee has also bought questions in Gallup and Harris type polls.

Evaluations and Reports - \$12,500.00  
Self-explanatory.

Media Campaign - \$70,000.00  
Contract entered into with Red Boucher which will allow him to go around to editors of national daily newspapers to tell Alaska's story.

News Feed Operation - \$75,000.00  
This operation is connected with the proposal to Red Boucher. In the event the council has an important news release in Anchorage, someone is available to send the release out to other daily publications, contact

editors to get the material printed, and determine when the material will appear in print.

In addition to the above, \$15,000.00 is requested for the D-2 Council Seminar on cooperative management. The Land Use Planning Commission is setting up a seminar for next month, attempting to work out some type of management plan agreeable to all concerned.

LAND USE  
SEMINAR

Mr. Cowper concluded by stating that the appropriation establishes a budget which contemplates the worst, adding that in his estimation the council will not spend all the money, but felt it must request the large sums in order to anticipate needs for the coming year.

Chairman Sackett questioned Mr. Cowper regarding responsibility for management of council funds, and Mr. Cowper replied that while he is Chairman of the Council and Sharon Long heads the staff, requests for expenditures must come before the commission for approval, so the Executive Director does not have a free hand in fund management. He added that Ms. Long has prior experience through two years with the Planning Commission, plus two years on Gravel's staff working solely on D-2, adding that he felt she was probably the best person the commission could possibly have.

MANAGEMENT  
OF COUNCIL  
FUNDS

Committee members questioned the invitation, via letter from Senator Colletta on behalf of the Steering Committee, for participation by various legislators in D-2 proceedings in Washington, D.C. Mr. Cowper replied that Senator Colletta was in charge of the subject task and would be the proper person to reply on that issue, adding that it was his understanding the invitation to visit Washington, D.C. on behalf of D-2 was to be afforded all members of the legislature.

INVITATION  
TO  
WASH., D.C.

Senator Hohman moved that the bill pass from committee with individual recommendations. No objection being voiced, CSHB 652 am passed from committee on individual recommendations, all committee members present signing no recommendation.

MOTION  
CSHB 652 am

Judy Crondahl directed committee attention to the budget packets from the University of Alaska, advising that the University had sent the packets down for review prior to budget close outs scheduled for April 3 and 4.

UNIVERSITY  
PACKETS

Senator Tillion requested that the research assignment for SB 281 (Relating to agricultural loans under the

SB 281

Alaska Argicultural Loan Act) be changed from him to Senator Hohman. No objection being voiced, it was so ordered.

There being no further matters to come before the committee, the meeting adjourned at approximately 9:45 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

March 21, 1978

9:08 a.m.

Chairman Sackett called the meeting to order at 9:08 a.m. Senators Sackett, Hohman, Croft, Meland and Tillion were present. Also present were Milt Barker, fiscal analyst; Judy Crondahl, AA to Senator Sackett; Tom Singer, House Permanent Fund; and Jim Edenzo, Dept. of Revenue.

PRESENT

Chairman Sackett assigned the following bills:

ASSIGNMENTS

CSHB 303 - Tillion  
HB 780 - Croft  
SB 539 - Hohman  
SB 475 - Meland

Without objection SB 429 (permanent fund) was brought up for discussion. Senator Hohman moved and asked unanimous consent that SB 429 be passed from committee with a do pass recommendation. Chairman Sackett asked for a show of hands on those willing to pass it from committee. There being sufficient number, it was so ordered. SB 429 passed from committee with a do pass recommendation, signed by Senators Sackett, Hohman, Croft, Meland and Tillion.

SB 429

Veterans loans and small business loans were briefly discussed. Senator Tillion stated that he felt the law needs to be changed. Senator Hohman said he would like to include them with HB 611 (supplemental appropriation to the Office of the Governor) which is in Free Conference at this time. Chairman Sackett said that was a good idea.

LOANS -  
VETERANS &  
SM. BUS.

Senator Meland brought up SB 401 (supplemental appropriation to the Dept. of Public Safety). After a brief explanation of the bill, Senator Meland moved that SB 401 be replaced with a CSSB 401. He then moved and asked that CSSB 401 be passed from committee with a do pass recommendation. There being no objection, it was so ordered. CSSB 401 passed from committee with Senators Sackett, Hohman, Croft, Meland and Tillion voting do pass.

SB 401

Chairman Sackett advised the committee members that beginning next week the committee will start closing out the budget.

BUDGET CLOSE  
OUTS

There being no further business, the meeting was adjourned at 9:30 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

March 22, 1978

9:05 a.m.

Chairman Sackett convened the meeting at approximately 9:05 a.m. All committee members were present with the exception of Senator Butrovich, who was ill. Also in attendance were Shari Gross, Lobbyist for the United Fishermen of Alaska; Fiscal Analyst, Bob Grogan; Carl M. Gonder, Deputy Commissioner, Dept. of Community and Regional Affairs; Nancy Knoohuizen from Community and Regional Affairs; and Administrative Assistant to Senator Sackett, Judy Crondahl.

PRESENT

Senator Meland moved that CSHB 773 (Fin.) (Special appropriation to Dept. of Fish and Game, Division of Commercial Fisheries) be brought up for discussion, advising that Shari Gross was present to testify on behalf of the United Fishermen of Alaska. Mrs. Gross presented a general outline of the voluntary logbook program initiated by the Alaska Trollers Association in an effort to obtain monitoring information, primarily from the Fairweather fishing grounds. Logbooks were provided trollers in the area for recording daily water temperature, air temperature, size, number, and species of the catch, etc. The information was gathered, tabulated, and provided to the trollers and the Department of Fish and Game. Fish and Game was impressed by the volunteer effort, and wishes to secure additional data via the volunteer program. Fish and Game has advised that it will place a patroller on the fishing grounds to assist in gathering information. CSHB 773 (Fin.) requests \$20,000 to provide the patrol service.

MOTION  
CSHB 773 (Fin)

Senator Meland questioned the need for \$65,000 originally included in the Resource Committee Substitute for the subject bill, and Mrs. Gross replied that the \$65,000 was to be used for next year's operation, but the House Finance Committee had taken the funds out of the bill, saying funding would be included in the budget.

Mrs. Gross added that the trollers are endeavoring to save their industry by providing information to Fish and Game through the voluntary logbook program set up under the Federal Sea Grant Program.

TROLLERS  
ENDEAVORING  
TO SAVE  
INDUSTRY