

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2730

Senator Orsini questioned the need for funding since the program is a voluntary effort, and Mrs. Gross replied that while the actual information gathering effort is voluntary, funds are needed for travel, data computation, etc., adding that the Federal Sea Grant Program also provides funding, and the State Dept. of Fish and Game is the ultimate beneficiary.

NEED FOR
FUNDING

Senator Meland moved that the bill pass from committee with a do pass recommendation. No objection having been voiced, CSHB 773 (Fin.) passed from committee, all members present signing do pass.

MOTION
CSHB 773 Fin.

Senator Croft moved that HB 780 (Special appropriation to National Council on Alcoholism; Alaska Region) be brought up for discussion, proposing that the bill be replaced with a Finance Committee Substitute. He stated that the \$50,000 including in the Committee Substitute would continue the National Council on Alcoholism educational program for the balance of the fiscal year. Five thousand dollars would be appropriated to the alcoholism program in Petersburg, and \$58,000 would provide a sprinkler system in the alcoholism treatment center in Bethel. The treatment center was apparently designed thinking that the sprinkler system would not be necessary, but building officials have now determined such a system is needed.

MOTION
HB 780

Senator Croft moved that the Finance Committee Substitute for HB 780 pass from committee with a do pass recommendation. No objection having been voiced, SCSHB 780 passed from committee, all members present signing do pass.

MOTION
SCSHB 780

Senator Hohman moved that SB 213 (Relating to the program of rural development assistance in the Department of Community & Regional Affairs) be brought up for discussion, advising that representatives from the department were present to answer questions concerning the bill.

MOTION
SB 213

Carl M. Gonder, Deputy Commissioner of CRA, stated that the department strongly supports the effect of the bill in raising the limit of Rural Development Grants from \$20,000 to \$40,000, and would support an even greater increase.

MR. GONDER
CRA

Chairman Sackett asked when the limit was last raised, and Mr. Gonder replied that he believed the last raise was effected in 1968. Senator Croft advised that it had indeed been 6 years or more since the last increase.

Senator Hohman referred to the annual report published by CRA, specifically the area map of Alaska designating a small number of RDA grants, stating that in regard to these grants, it appeared "someone has turned the spigot off RDA grants for FY 77." He further added that constituents from Bethel had informed him that State administration is tying up the grants with requirements for architects, electrical engineering and sanitation specifications, etc., and that it appeared the state is "spending an awful lot of money to have people in Anchorage and Juneau shuffle paper." He proposed a blanket grant for municipalities as an alternative to governmental "red tape."

ANNUAL
REPORT
DECREASING
RDA GRANTS

Senator Tillion stated that he didn't believe there was anything wrong with the program, but many of the rural communities don't know about the availability of the funds. It is necessary to find an entity that is willing to take the program into the villages and do the paperwork.

Mr. Gonder advised that he believed the decreasing number of grants to be attributable to the current \$20,000 limitation, which is negligible when compared with construction costs. Some villages know they will not be able to complete the project with grant funds, so they don't apply. Also, the federal government has come in with programs covering these rural areas for the entire construction cost, while RDA grants are limited to \$20,000. Because of this fact, rural areas apply for federal funds rather than the state grant.

Concerning administrative guidelines, Mr. Gonder stated that CRA does require that the project have some beneficial community advantage (such as a health center). The project must also provide employment in the rural area, and hopefully establish some local expertise regarding paperwork associated with the project. He added that CRA has recently examined its guidelines, and rewritten and deleted some requirements, specifically the need for an architect to sign off on a project. He added that CRA would soon be writing regulations covering these grants.

CRA GUIDELINES

Referring specifically to the problem in the Bethel area, Mr. Gonder stated that the lack of grants resulted from three causes.

BETHEL AREA

1. Very few applications received by CRA.

2. Applications made for ineligible projects (not community oriented construction).
3. Applications incorrectly filled out.

Senator Tillion requested that CRA prepare and furnish a list of all villages making application for RDA grants. Senator Orsini requested that CRA also furnish a list of federal projects currently under construction and the dollar amounts involved. Senator Hohman further requested that CRA's application review go back 5 or 6 years (at least to the prior administration) in order to determine whether or not a policy of discouragement has been established.

CRA
TO FURNISH
ADDITIONAL
INFORMATION

Senator Hohman next stated that he believed some applications received by CRA met statutory requirements while failing to meet guidelines established by the department, and were thus denied.

Chairman Sackett attested to problems encountered in attempting to construct a \$110,000 log cabin-type community center at Nulato. He stated that he had channeled the project through the Dept. of Education, thinking Education would be faster than CRA, only to encounter the same restrictions, i.e. architectural, electrical, water, sewer, etc. He concluded by stating that the project is currently funded but wrapped up in state requirements, and in a year's time, nothing has been built.

COMMUNITY
CENTER
NULATO

Senator Orsini advised that he believed the architectural requirement to be based upon the size of the construction project, and Chairman Sackett replied that the administration has taken the view that when state money is used for construction of a public facility, architectural sign off is required.

Senator Hohman moved that the bill pass from committee with a do pass recommendation, advising that he did not object to the program or the bill, only to current administration of the program. No objection to the motion having been voiced, SB 213 passed from committee, all committee members present signing do pass.

MOTION
SB 213

Senator Meland moved that SB 453 (Act relating to student loans) be brought up for discussion. He advised that the bill would increase loans for undergraduates from \$2,500 to \$3,000, and added that he really had no more information on the bill other than the fact that Senator Hackney had informed him that HESS discussed and passed the bill on its merits alone (the rising cost of education, plus inflation) without additional backup.

MOTION
SB 453

Chairman Sackett raised questions concerning loan ceilings for graduate and undergraduate students and suggested that the bill be held until the next committee meeting in order to obtain additional information from Dave Scott and Dr. Romesburg.

There being no further matters to come before the committee, the meeting adjourned at approximately 9:55 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

March 23, 1978

9:06 a.m.

Chairman Sackett called the meeting to order at 9:06 a.m. Committee members present were: Senators Sackett, Croft, Meland, Tillion, Orsini & Butrovich. Also present were: Charles Taylor, Budget & Management; Dave Hanson and Pat Conheady from the Dept. of Natural Resources, and fiscal analyst Bob Grogan.

PRESENT

Senator Croft brought HB 645 (supplemental appropriation to the Dept. of Natural Resources) up for discussion. He gave a brief overview of the bill to the committee members. There is a Committee Substitute which has been offered by the Resources Committee that will delete sec. 3 in the original bill.

HB 645

Senator Croft introduced Dave Hanson from the Dept. of Natural Resources to explain to the committee the purpose of this supplemental request. Mr. Hansen explained that this supplemental would: 1) provide data and support to send state's interest to Congress; 2) provide identification, selection and conveyance of 30,000 to 35,000 acres via the d-2 bill; and 3) provide for selection and conveyance of these public & statehood lands via analytical selection in a responsible manner.

PURPOSE

The question was asked why this request was not budgeted in the FY 78 budget. Mr. Hansen explained that at the time the FY 78 budget was being prepared, the Dept. did not know whether or not the d-2 legislation would go into effect. Also there was not sufficient information available to foresee this need.

FY 78
BUDGET

Senator Croft asked why there wasn't a budget amendment in 1977. Mr. Hansen said it was not clear what role the Dept. would take in this project. There was a request for a computer shift in May. At that time they didn't foresee an additional amount needed. It was unclear how far this thing would go. The Dept. will be out of personal services money by April 1978.

BUDGET
AMENDMENT

Senator Orsini asked if this total supplemental would be used for development for computer and research analysis. Mr. Hansen said no, it would be used for personnel brought in for special assignments and travel to Washington D.C. to work with the different committees. Senator Orsini wanted to know how much the computer system will cost. Mr. Hansen replied that it would be from \$100,000 to \$150,000 for the total system from start to finish. He then explained the advantages of having a computer. Senator Orsini then asked if the success of the computer program is favorable to the state. Mr. Hansen replied in the affirmative.

COMPUTER
SERVICE

3/23/78

Mr. Hanson explained to the committee the term "assessment". Assessment identifies a series of criteria; resource assessment is land with farmability potential, oil and gas, hard rock, minerals, etc. These assessments are used in conjunction with the best experts in the state and confirms what many of them are saying; adds something to the credibility of their claims.

ASSESSMENT

Senator Orsini asked if there are people who do not have mining interest in the land who have said detrimental things about the program. Mr. Hanson replied that that is the case. Senator Orsini then asked if they had gone to experts in various resource areas and asked for information from them. Mr. Hanson said they had, and that they had also used planning commission maps and maps that had been up dated.

RESOURCE
EXPERTS

Senator Croft made the remark that \$58,000 from the FY 77 appropriation has lapsed. Mr. Hanson replied that their department was not aware that that amount had lapsed. Some of it could have been for personal services which could not be carried over.

APPROP.
LAPSE

Chairman Sackett asked if there were any more questions for Mr. Hanson. There being none, Chairman Sackett thanked Mr. Hanson and stated that they would look at the bill again in a couple of weeks.

Senator Meland moved and asked unanimous consent that SB 453 (student loans) be brought before the committee. There being no objection, it was so ordered. Senator Meland advised that SB 453 would allow for student loans to be in the amount of \$3,000 rather than the now \$2,500 per year. Senator Meland moved and asked unanimous consent that SB 453 be passed from committee with a do pass recommendation. There being no objection it was so ordered. Senators Croft, Sackett, Meland, Tillion, Orsini, and Butrovich voted do pass.

SB 453

The meeting adjourned at 9:48 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

March 27, 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 Senators Hohman, Butrovich, and Meland. Also in attendance were Judy Crondahl, Administrative Assistant to Senator Sackett; Fiscal Analyst, Bob Grogan; and Gregg Clapper of the press.

PRESENT

Chairman Sackett moved that HB 645 (Supplemental appropriations to the Dept. of Natural Resources) be brought up for discussion, advising that the bill had been assigned to Senator Croft for research. Senator Croft in turn advised that the bill, which had previously been before the committee, requests funding to the Dept. of Natural Resources in the amount of \$15,000 for royalty oil contracts at Prudhoe Bay, and \$255,000 for D-2 lands. Senator Croft further stated that if the committee wished to treat the supplemental similar to those of the University of Alaska, it could make the department find some of the requested funds within the existing budget, adding that he personally felt the department had not offered a viable need for the supplemental. He added that two thirds the way through the fiscal year, the department still appears to have 4% more funds budgeted than will be needed, although some of the funds may be federal. Chairman Sackett asked how much the department lapsed last year, and Senator Croft replied about \$80,000.

HB 645

Chairman Sackett suggested that the bill be returned to the department to determine whether the department could transfer funds to cover needs represented by the supplemental without hurting existing programs, and report back to the committee at tomorrow's meeting. Bob Grogan was instructed to contact department personnel to obtain pertinent information.

HB 645
HELD
OVER

There being no further action to come before the committee, the meeting adjourned at approximately 9:15 a.m.

ADJOURN

SENATE FINANCE COMMITTEE
March 29, 1978
9:06 a.m.

Chairman Sackett called the meeting to order at 9:06 a.m. All Senators were present with the exception of Senator Butrovich. Also present were: Judy Crondahl, AA to Senator Sackett; fiscal analyst Bob Grogan; Lynn Ferry, Coordinator, Anchorage Child Abuse Board; Art Holmberg, Field Director, Div. Social Services; Robert Nelson, Director, Center for Children and Parents; Rep. Mike Miller, and Marva Williams, exec. director, Alaska Plan.

PRESENT

Senator Croft brought up for discussion CSHB 266 (creation of alternative power resource revolving loan fund) Rep. Mike Miller was introduced to testify regarding this bill. Rep. Miller informed the committee that this bill contains measures for a revolving loan fund from which interested people could make application to borrow money from the state to install some type of power generation (windmill, small water projects, etc.) The user will provide at least 80% of the purchase price and pay 8% interest on the amount borrowed.

CSHB 266

Rep. Miller advised the committee that this bill is not in connection with mortgage lending. It is to be identified as a separate loan fund.

NOT MORT.
LENDING

Chairman Sackett asked the desire of the committee on this bill. Senator Orsini made a motion that it be amended to delete the words "or nuclear" on line 15 of page 1. Motion passed.

AMENDMENT

Senator Croft moved and asked unanimous consent that CSHB 266 be passed from committee with individual recommendations. It passed from committee as follows: Do Pass: Senators Sackett, Meland, Tillion and Orsini. Senators Croft and Hohman signed no recommendation.

PASSED WITH
INDIV. REC

Senator Orsini moved that SB 472 (spec. approp. to the Dept. of HESS for Center for Children & Parents in Anchorage/ Child Abuse) be brought up for discussion. Lynn Ferry, Coordinator for the Anchorage Child Abuse Board was introduced to speak regarding the bill. Miss Ferry brought up some of the problems in Anchorage that directly relate to child abuse: doubled population in last seven years, families go to Anchorage to begin new life in a new job which doesn't always materialize, alcoholism, lack of day care and after school facilities, away from family - so no support from family, disintegration of family unit, many single parents, urban shock, much violence.

SB 472

The purpose of this program is to provide long term therapy to families who are known to be abusive, to help keep families together, visit with families in their homes, provide them with multi disciplinary measures available, and expand community education programs. At the present time there is a backlog of about five months.

PURPOSE OF
PROGRAM

The question was raised as to whether or not the program would be better run by the state (Dept. of HESS) or by private non-profit organizations. Art Holmberg from the Division of Social Services seemed to think the state could do a better job if they would be allowed to increase their personnel. Robert Nelson from the Center for Children and Parents felt the private non-profit organizations could do a better job as they would provide theraputic services. Senator Croft felt the state gets better results by contracting with private agencies to do the job.

STATE VS.
PRIVATE
NON-PROFIT

Senator Croft moved and asked unanimous consent that SB 472 be passed from committee with individual recommendations. There was an objection by Senator Tillion. Chairman Sackett asked how many were in favor of passing the bill from committee. There was a majority. SB 472 passed from committee as follows: Do pass: Senators Sackett and Croft. Senators Hohman, Tillion, Meland and Orsini voted no recommendation.

MOTION

Senator Croft moved and asked unanimous consent that HB 645 (Supplemental appropriation to the Dept. of Natural Resources) be brought up for discussion. It was so ordered. Marva Williams, exec. dir. for Alaska Plan was introduced. Miss Williams briefly informed the committee that they need an additional \$45,000 to operate through the end of June. A CS for HB 645 was offered to the committee to include this figure. Senator Croft moved that CSHB 645 be passed from committee with individual recommendations. CSHB 645 passed from committee as follows: Do pass: Senators Sackett, Meland, Hohman, Croft and Tillion. Senator Orsini signed do not pass as amended.

HB 645

The meeting was adjourned at 10:20 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

April 7, 1978

9:10 a.m.

Chairman Sackett convened the meeting at approximately 9:10 a.m. All committee members were present with the exception of Senator Tillion, and Senator Hohman who arrived shortly after the meeting commenced. Also attending were Rick Davidge, of the Alaska Student Lobby; Myrt Charney, Director of the Division of Administrative Services for Legislative Affairs; Fiscal Analysts Dave Scott and Bob Grogan; and Judy Crondahl, Administrative Assistant to Senator Sackett.

PRESENT

Chairman Sackett advised that representatives of the Alaska Student Lobby were present to testify concerning the University of Alaska. Ric Davidge advised that the Student Lobby has taken a positive approach to solving some of the University's problems and has come up with an outline which would detail:

ALASKA
STUDENT
LOBBY

1. Who made the decision.
2. What the decision was.
3. How the decision will affect academic programs.
4. Why the decision was made.

Mr. Davidge further advised that Dave Scott had attempted to develop zero based budgeting when he was with the University, adding that the process must begin at the Department level and involve Department heads sitting down with faculty and students to determine goals, and deciding upon dollar amounts needed for the program. Following initial discussion, the plan would then be forwarded to the University where the University would review the program with the Department heads and discuss cut backs. A document would then be developed and forwarded to the campus level. Upon acceptance at the campus level, it would be presented on a statewide level to the Board of Regents, Governor, Legislature, Free Conference Committee, etc., and back to the Department.

MANAGEMENT
PROCEDURES
PROPOSAL

He added that the above approach would provide a complete record of what is happening to the University budget, plus accountability for decision making. The Student Lobby proposal has been reviewed by a number of individuals for workability, and Mr. Davidge advised

committee members that he was merely attempting to present an idea for suggested upgrading of University procedures, adding that the proposal presented would carry a target date of approximately 3 years.

Mr. Davidge further advised that the plan had been discussed with the Board of Regents, and the Student Lobby was at this time requesting that, through Legislative intent, the University be directed to at least consider the Student Lobby management proposal.

Senator Orsini questioned the cost of effecting the proposed management plan, and Mr. Davidge replied that the cost would be determined by the SAT computer contractor at the University, and Dr. Brewer is to furnish these figures when available.

(Senator Hohman entered the meeting at this time 9:20 a.m.)

Replying to a question from Senator Orsini regarding a problem concerning input from lower levels, Mr. Davidge stated that all levels of request would be accumulated and provided to the Board of Regents.

Dave Scott advised that the suggested proposal would allow him access to University information and files, adding that inaccessibility to University files and information has been a major problem for him. Ric Davidge stated that availability of and access to information would be one of the benefits of the Student Lobby proposed management program in that the Legislature would be able to go to the computer terminal and immediately obtain needed information.

Senator Orsini asked if the University has made a move toward the type of system proposed, and Mr. Davidge replied that Mr. Diebold talks about the need for an institutionalized decision-making process, but at the same time, the University does not allow access to any information. Mr. Davidge concluded his remarks by restating that the greatest benefit of the proposed system would be the opening of doors to the University budget process and access to on-line items whenever such items are needed.

Senator Sackett moved that HB 911 (An act making a supplemental appropriation to the Legislative Affairs Agency) be brought up for discussion, advising that Mr. Myrt Charney was present for the purpose of

MOTION
HB 911

testifying on the bill. Mr. Charney advised that the supplemental was necessary to cover expenses of the legislative session through the 120th day, adding that the fiscal note covers the next 30 days. Mr. Charney further advised that the item listed at the bottom of his breakdown sheet (copy attached to these minutes) is the cost for Capital 78 T.V. costs which expired March 26, plus a one time item of \$3,000 for session teleconference calls. The \$3,000 will also allow post-session time for preparation of a final report by the individual coordinating the teleconference project since the individual will not be with the Legislature next year, and the report will be of substantial benefit to the person handling video and teleconferences next year.

Responding to a request from Chairman Sackett concerning use and function of the teleconference program, Senator Orsini advised that his committee had used the program, adding that the agency administering the program has a schedule and the party wishing to use the service requests time from the agency. He added that the end result is committee access, through testimony received from outlying areas, to more of a home town version of the type of groups and individuals which usually testify before committees.

Chairman Sackett requested a breakdown for the \$11,000 funding for Capital 78, and Mr. Charney advised that the amount is based on an \$800 per day cost for T.V. coverage, including start-up time which is approximately two weeks before the session starts.

Replying to a question from Chairman Sackett regarding the amount of funding Capital 78 receives from the Educational Broadcasting System, Mr. Charney replied that he did not know how much it received, adding that last year it did not receive funding from the Legislature for the 90 day session but received a supplemental for additional session time.

Chairman Sackett advised Mr. Charney that he (Charney) was responsible for these funds and should be aware of other sources for funding when available. Chairman Sackett questioned the increase in personal services and daily costs, and Mr. Charney replied that additional personnel had necessitated the increase. Senator Croft inquired concerning the number of temporary

employees working for the Legislature, and Mr. Charney guessed that the total was approximately 190. Chairman Sackett responded that the total in last year's budget was 146, and Mr. Charney replied that the Legislature now employs 8 additional individuals since last year.

Senator Hohman raised questions concerning establishment of the Ketchikan Legislative Information Office, and Mr. Charney responded that the position had been established but not funded. Senator Hohman asked whether Mr. Charney foresaw any problems establishing the 8 new information offices for this year, and Mr. Charney replied that he anticipated no problems.

Chairman Sackett questioned the \$300 per day item for session travel, and Mr. Charney replied that such travel would be authorized by the President of the Senate and Speaker of the House for out-of-town committee hearings such as those on the capital move issue.

Senator Hohman moved that HB 911 pass from committee with a do pass recommendation. No objection being voiced, HB 911 passed from committee, all members present signing do pass.

MOTION
HB 911

Senator Orsini moved that SB 471 (An act relating to the annual motor vehicle registration tax) be brought up for discussion, advising that State Affairs proposes a committee substitute for a bill passed last year allowing a municipality at its option to have the tax on motor vehicles collected by the state and reimbursed to the municipality. Anchorage was the only city to adopt this approach. The bill introduced by Senator Willis would return this function to the municipal property valuation approach. The committee substitute includes a declining tax rate, while the original bill allows an elderly exemption from motor vehicle property tax, with the state to reimburse municipalities for revenue lost through the elderly exemption. Responding to a question from Chairman Sackett concerning the amount of funding involved in the state reimbursement, Senator Orsini replied he did not have a dollar amount since no data is available through the Dept. of Public Safety concerning the number of vehicles owned by individuals over 65 years.

MOTION
SB 471

Senator Orsini further advised that the committee substitute eliminates the elderly exemption and increases slightly the lowest level of taxation for commercial vehicles, the thinking being that if a commercial vehicle is still being used, (no matter how old) it still has value. Senator Orsini added that the bill would not effect an ad valorem tax; one would pay as much for a Volkswagen as for a Cadillac. The proposed tax would substitute for the ad valorem tax but is not such itself. The bill would further require registration of the vehicle at its owner's address, so the owner would have to pay the tax for the area in which he lives. Senator Orsini added that the feeling behind the bill is that it would include more vehicles than the current personal property tax.

Chairman Sackett advised that the bill would be held over until the next committee meeting and come before the committee Monday, April 10, 1978.

There being no further action to come before the meeting, it adjourned at approximately 10:00 a.m.

SB 471
HELD
OVER
ADJOURN

**SUPPLEMENTAL APPROPRIATION
1978 SESSION**

<u>Object Code</u>	<u>Component</u>	<u>Daily Cost</u>	<u>30 days to 5/8/78</u>
Personal Svcs	Legis. Leadership	500	15,000
	Exec. Administration	200	6,000
	Administrative Svcs.	1,800	54,000
	Research Services	100	3,000
	Legal Services	800	24,000
	Session	8,100	243,000
	Teleconferencing	100	3,000
TOTAL Personal Services		11,600	348,000
Travel	Session (Per Diem)	3,000	90,000
	Session (Travel)	300	9,000
TOTAL Travel		3,300	99,000
Contractual Svcs	Session (Routine)	2,000	60,000
	Session (Television)	800	24,000
	Session (Security)	200	6,000
	Teleconferencing	700	21,000
TOTAL Contractual Services		3,700	111,000
Commodities	Session	700	21,000
TOTAL Commodities		700	21,000
TOTAL Daily Operating Costs		19,300	579,000
Plus:	One time items		
	Contractual Services Session Television		11,200
	Operating Costs (3/26-4/8)		
	Contractual Services Session Teleconferencing		3,000
GRAND TOTAL - Supplemental Appropriation			<u>593,200</u>

SENATE FINANCE COMMITTEE

April 10, 1978

9:05 a.m.

Chairman Sackett called the meeting to order at 9:05 a.m. Those members present were: Senators Butrovich, Sackett, Tillion, Hohman, Meland and Orsini. Also present were Judy Crondahl, AA to Senator Sackett; fiscal analyst Milt Barker; Richard R. Wilson, Director Division of Public Assistance, HESS; and Bob Stickles, Chief Driver Service, Public Safety.

PRESENT

Chairman Sackett informed the committee that he would like to have them take a look at SB 324 (An Act relating to beverage dispensary and retail liquor licenses) and SB 558 (An Act relating to the marital deduction in testamentary transfers). Chairman Sackett said he felt these two bills had no financial impact, and as such, should not be before the Finance Committee. After having looked at the bills, the committee decided to recommend SB 324 to the Judiciary Committee and to report SB 558 without recommendation as having no financial implication. Both committee reports were thus signed by all members present.

SB 324

SB 558

Senator Orsini moved that SB 471 (An Act relating to the annual motor vehicle registration tax) be brought before the committee for discussion. There being no objection, it was so ordered. Senator Orsini presented a Committee Substitute for this bill delineating the decrease in motor vehicle registration tax over the sixth, seventh and eighth years of the life of a motor vehicle. He also explained the exemption of paying motor vehicle registration tax by senior citizens (those over the age of 65).

SB 471

Senator Orsini moved that the proposed CS for SB 471 be passed from committee with individual recommendations. It was so ordered. SB 471 passed from committee as follows: Do pass: Senators Tillion and Orsini. Senators voting no recommendation were: Sackett, Hohman, Meland and Butrovich.

MOTION

Chairman Sackett moved and asked unanimous consent that HB 619 (An Act making a supplemental appropriation to the Department of Labor, vocational rehabilitation and Pump Station #8; and providing for an effective date) be brought for discussion. There being no objection, it was so ordered. There had been a CS prepared for this bill which added a section appropriating \$10,000 from the general fund to the Office of the Governor to be paid as a grant to the Kotzebue Sound Fisheries Cooperative. Senator Tillion had an objection on this particular section feeling that it had some implications on the Japanese getting a percentage of the fish. It was decided that Senator Tillion would meet with Senator Ferguson on this section.

HB 619

4/10/78

Chairman Sackett moved that HB 619 be passed from committee. Chairman Sackett asked how many votes they had to pass from committee the original HB 619. There being a majority, it was so ordered. HB 619 passed from committee as follows: Do pass: Senators Sackett, Butrovich, Orsini, Tillion, Meland and Hohman. MOTION

Senator Hohman moved and asked unanimous consent that SB 556 (medical assistance for needy persons) be brought up for discussion. There being no objection, it was so ordered. Mr. Dick Wilson from the Dept. of HESS informed the committee of the area this bill proposes, mainly health clinics for rural Alaska. Mr. Wilson stated that there would be more utilization of the Medicaid program. However it would be a different cost factor, a savings to the state. Mr. Wilson advised the committee that four years ago the legislature passed a bill allowing the licensing of physicians assistants to assist in this type clinical services. To date, nothing has been done in this area. SB 556

Senator Orsini noted that the HESS Committee added an amendment to SB 556. Mr. Wilson told the committee that the amendment "outpatient surgical care centers" would take care of minor surgery in the rural areas. AMENDMENT

Senator Hohman moved that SB 556 be passed from committee with individual recommendations. There being no objection, it was so ordered. SB 556 passed from committee as follows: Do Pass: Senators Sackett, Meland, Tillion and Butrovich. Senators Hohman and Orsini voted no recommendation. MOTION

Senator Tillion moved and asked unanimous consent that SB 477 be brought before the committee. There being no objection, it was so ordered. Senator Tillion briefly advised the committee of his findings and made a motion that SB 477 be passed from committee with a Do Pass recommendation. There being no objection, it was so ordered. All members voted Do pass. SB 477

The meeting was adjourned at 10:00 a.m. ADJOURN

SENATE FINANCE COMMITTEE

April 11, 1978

9:03 a.m.

Chairman Sackett called the meeting to order at 9:03 a.m. Members present were Senators Tillion, Orsini, Croft, Hohman, Meland and Sackett. Also present were: Judy Crondahl, AA to Senator Sackett; Joe LaRocca of the press and Arthur H. Snowden, II, Administrative Director of the Alaska Court System.

PRESENT

Senator Croft moved that the committee discuss HB 253 (special appropriation to fisheries enhancement revolving loan fund in Department of Commerce & Economic Development). Senator Croft informed the committee that the amount of the special appropriation is no longer needed.

HB 253

Senator Tillion moved that the committee discuss SB 288 (certification of social workers). Senator Tillion gave a brief review of the bill and its merits. There was some discussion as to the difference between a certified social worker and a professional social worker.

SB 288

Senator Tillion moved that SB 288 be reported out of committee with individual recommendations. It was so ordered. SB 288 passed out of committee as follows: Do pass: Senators Sackett, Croft and Meland. Senators Hohman and Tillion signed no recommendation. Senator Orsini signed do not pass unless amended.

MOTION

Senator Orsini moved and asked unanimous consent that SB 285 (inquiries into death) be brought up for discussion. It was so ordered. Senator Orsini introduced Arthur Snowden from the Alaska Court System to bring information to the committee on this bill. Mr. Snowden informed the committee that the state needs a medical examiner to perform autopsies. This is the first bill introduced to the legislature that is favored and supported by almost every department in the state that has to do with postmortem examinations. The morticians, of course, do not like the bill as it would take a lot of business from them.

SB 285

Mr. Snowden told the committee that up until two years ago the court system paid doctors \$50.00 per hour to perform an autopsy. The usual time involved in the examination was one hour. Then the doctors thought that the \$50.00 wasn't enough and began charging \$250.00 for each examination. A short time ago a group of doctors came up with the figure of \$360.00 per examination. The court system feels this is out of line. The bill provides for a state medical examiner at a fixed salary. Currently the state conducts approximately 600 autopsies per year.

STATE
MEDICAL
EXAMINER

Mr. Snowden thanked the committee for their time in listening to his remarks. He asked that they think seriously about passing this bill.

Senator Meland moved and asked unanimous consent that SB 456 (agricultural and industrial fairs) be brought up for discussion. It was so ordered. Senator Meland told the committee that in essence the bill is increasing the amount of money given to fairs. Each district where a fair is taking place must come up with an equal amount of money. The bill would provide for increased premiums and added facilities.

SB 456

Senator Meland moved that SB 456 be reported out of committee with individual recommendations. Senators Hohman, Orsini and Tillion objected. The motion failed.

MOTION

Senator Croft moved and asked unanimous consent that SB 444 (Act relating to Native handicraft) be brought up for discussion. There being no objection, it was so ordered. Senator Croft advised that the purpose of the bill is to straighten out the problems with the silver hand (emblem indicating craft made by authentic native) and the black hand (indicating craft is from Alaska, but not made by natives). Senator Tillion said he has talked to a number of Alaskan artists who oppose the bill. They said it is just another hassle for the artists.

SB 444

Senator Croft moved and asked unanimous consent that SB 444 be reported from committee with individual recommendations. There being no objection, it was so ordered. SB 444 was reported out of committee as follows: Do pass: Senator Sackett. Those signing no recommendation were Senators Hohman, Croft, Meland and Orsini. Senator Tillion voted do not pass - silver yes, black hand no.

MOTION

Senator Croft moved that the committee take up HB 588 (supplemental appropriation to the Department of Natural Resources for repurchase of certain oil & gas leases in Kachemak Bay). Senator Croft gave a very brief overview of the bill and moved that it be reported out of committee with individual recommendations. It was so ordered. Members signing do pass were Senators Sackett, Hohman, Croft, Meland and Tillion. Senator Orsini voted do not pass.

HB 588

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

ADJOURN

SF-78 #35 (1527-enc
SF-78 #36 (1-370)
4/11/78

SENATE FINANCE COMMITTEE

April 12, 1978

9:00 a.m.

Chairman Sackett called the meeting to order at 9:00 a.m. Those members present were Senators Sackett, Butrovich, Tillion, Orsini, Croft & Meland. Also present were: Judy Crondahl, AA to Senator Sackett; Joe LaRocca of the press; Marsha Hubbard, Dept. of HESS; fiscal analysts Bob Grogan and Milt Barker; and Senator Ferguson.

PRESENT

Chairman Sackett informed the committee that the major topic for discussion would be CSHB 644 (supplemental appropriation to the Department of Health & Social Services, Medicaid miscellaneous, general relief medical and handicapped children) with regard to counter cyclical funding.

CSHB 644

Marsha Hubbard from the Department of Health & Social Services gave the committee a breakdown of the anticipated additional increases for the various categories which would be affected by the counter cyclical funding.

Senator Croft raised the question of why the term "counter cyclical". Marsha Hubbard explained that it means "to smooth out the economic cycle."

The question was asked as to whether or not there had been a bill in committee in January that had to do with counter cyclical funding. It was reported that indeed there had been such a bill - HB 580. The supplemental appropriations from that bill have already been put against federal funds received for that quarter. Milt Barker explained to the committee that for the next couple of quarters these funds have been budgeted.

Senator Butrovich raised the question: Do we have this bill because we have more federal funds than anticipated? Miss Hubbard explained that it because there are more expenses than anticipated. Senator Butrovich then asked: Did we not appropriate enough general funds to get us through the year for general relief and Medicaid? It was explained that HB 580 was for the previous quarter.

At this time Senator Ferguson was introduced to testify regarding Sec. 9 (of the proposed Senate Committee Substitute for HB 644 - not being aware that the CS originally came from the House) for \$10,000 to the Kotzebue Fisheries Coop to continue the study now being done. Senator Ferguson would like to have Jake Okomoto do a study comparing Alaska fisheries to those of Japan. In

response to a question raised by Senator Tillion regarding whether or not he expected the Japanese to get involved in Alaska's fisheries, Senator Ferguson replied: No. Senator Ferguson said he hoped to get a hatchery in the Arctic area as there is a need for one there. He hoped to have something in the realm of chum salmon. Nothing is being done in that area at present.

Senator Meland asked if this is only for a study? Are there any projects started at this time? Senator Ferguson replied that it will only be a study.

Senator Butrovich asked: Do you contemplate a private deal or a type of facility such as the eight in the budget this year? Senator Ferguson said he had not talked with anyone about a private hatchery. He wants the money to be put into enhancement and development.

Senator Tillion gave his feelings of Jake Okomoto regarding the man's personal reputation. Senator Tillion feels Mr. Okomoto's reputation is of such poor quality that it would not be a good idea to have state dealings with him. Senator Tillion also feels that there should be no capital from Japan used in this study as it may give the Japanese a toe hold in the fishing areas of Alaska.

Senator Ferguson assured Senator Tillion that he does not plan to use any capital from Japan. Nor does he plan to sell any fish to Jake Okomoto. There will be state funds used for the hatchery project and he only wants to use Jake Okomoto to do the study.

Senator Butrovich stated that he wished Senator Ferguson had been at the Natural Resources meeting of the previous day to see about getting these funds budgeted for FY 79. Senator Ferguson stated that he had no problems with the Dept. of Fish & Game and would be happy to meet with them at their next meeting (Wed., April 12, 1:30 p.m.)

Senator Ferguson said he would like to ask just one question of Senator Tillion: If we had people from Canada, Russia, Japan and the United States and had planned for a hatchery in the Arctic, would there be a problem? Senator Tillion stated he had no problem with that. He felt if the study were to go through someone else, maybe U of A, sea grant, then it would be alright.

At this point Senator Ferguson removed his request from CSHB 644 (Senate version).

REMOVED
REQUEST

Senator Croft moved and asked unanimous consent that CSHB 644 be passed out of committee with individual recommendations. There being no objection, it was so

MOTION

ordered. CSHB 644 passed as follows: Do pass: Senators Sackett, Tillion and Croft. Those voting no recommendation were Senators Butrovich, Orsini and Meland.

The meeting was adjourned at 9:40 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

April 20, 1978

8:04 a.m.

Chairman Sackett called the meeting to order at 8:04 a.m. All members of the committee were present. Also present were Judy Crondahl, AA to Senator Sackett; fiscal analyst Dave Scott; Jerry Smetzer, Exec. Dir. for Fairbanks Town & Village Association; and Roger Weed, Morris Thompson and Robert Cadjew with Hope Cottage in Anchorage.

PRESENT

Chairman Sackett said for the minute records, he was reassigning CSHB 642 (act making special appropriation to the mortgage insurance fund of the Alaska Housing Finance Corporation) from Croft to Sackett. This bill will be taken up in committee as soon as the budget is completed.

CSHB 642

Chairman Sackett asked if there was an objection to the Finance Committee sponsoring a Senate Bill making a special appropriation for power and water projects, the bill being primarily for Senator Willis' district. Senator Hohman moved and asked unanimous consent that the Finance Committee sponsor the bill. There being no objection, it was so ordered.

Chairman Sackett made the following bill assignments:

CSHB 622	Sackett
SB 541	Croft
SB 542	Croft
SB 545	Sackett
SB 594	Tillion
HB 877	Meland
HB 704	Hohman
SB 589	Sackett
HB 25	Tillion
CSSB 544	Meland

ASSIGN-
MENTS

Chairman Sackett introduced Jerry Smetzer to present information on CSHB 795 (supplemental appropriation to Dept. of CRA for Fairbanks Town & Village Assoc. for Development, Inc.). Mr. Smetzer told the committee that the purpose of the program is to work with small towns and villages in interior Alaska in the areas of land status, construction details (coordinating their construction with other construction in the area so machinery could be used at the same time), questions answered in regard to helping people with the financing of facilities.

CSHB 795

Senator Butrovich asked if FTVA might be able to utilize funds from AFHC? Mr. Smetzer said he thought that would be possible. Senator Orsini suggested that there might be possible funding for this project through a bill (SB 533) that would be coming to the Finance Committee some time next week.

SB 533

Mr. Smetzer stated that an appropriation had been made to FTVA last year in the amount of \$75,000. The Governor had vetoed that amount, and they received \$37,500.

Senator Hohman moved and asked unanimous consent that CSHB 795 be passed from committee with individual recommendations. There being no objection, it was so ordered. CSHB 795 passed as follows: Do pass: Senators Sackett, Hohman, Croft, Meland, Tillion and Butrovich. Senator Orsini signed no recommendation.

MOTION

Chairman Sackett introduced Roger Weed who gave a presentation in behalf of Hope Cottage in Anchorage. Mr. Weed gave a slide presentation showing why and how Hope Cottage operates. Hope Cottage has 29 separate housing facilities and cares for 140 persons who are physically handicapped and/or mentally retarded. Mr. Weed said they were asking the committee to include them in the capital budget with a request for \$620,000 to assist them with the building of a new facility which would meet all Medicaid specifications.

HOPE
COTTAGE

At this point the committee took up the budget on the University of Alaska. The minutes for that portion of the meeting will be found in the section under Budget Close-outs for this date.

U of A
BUDGET

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

ADJOURN

SENATE FINANCE COMMITTEE

April 25, 1978

8:10 a.m.

Chairman Sackett called the meeting to order at 8:10 a.m. All members were present with the exception of Senator Butrovich. Also present were Judy Crondahl, AA to Senator Sackett; fiscal analysts Barker, Grogan, and Schroeder; Director of Legislative Finance Jay Hogan; Robert E. Buttane, Program Director for the Bethel Alcoholism Treatment Center; Frederick Pete, Regional Technical Assistant, Yukon-Kuskokwin Health Corp.; Vern Roberts, Director, and Bob Stickles, Div. of Motor Vehicles, Dept. of Safety; from Wage & Hour Labor, Dale Cheek, Director, Lee Leland, Supervisor and Tom Haas, Finance Officer; Ted Smith, Assistant Commissioner/Director of Lands, Dept. of Natural Resources; and from the Division of Budget and Management Ron Lind, Director and Frank Matulich, analyst.

PRESENT

Chairman Sackett made the following bill assignments:

HB 832 - Sackett
SB 603 - Sackett

ASSIGNMENTS

Chairman Sackett brought up HB 877 (supplemental appropriation to Dept. of Labor, industrial safety, state inspection) for discussion. Mr. Dale Cheek from the Dept. of Labor brought to the committee's attention that there is a shortfall in the Departments funding for the current year. He indicated that the amendment for fishermen's funding is on HB 920 and should be disregarded as far as this bill is concerned.

HB 877

Chairman asked for the desire of the committee. Senator Meland moved and asked unanimous consent that HB 877 be passed from committee with a do pass recommendation. The motion passed and was so ordered. HB 877 passed as follows: Do pass: Senators Sackett, Meland, Tillion and Orsini.

MOTION

Chairman Sackett introduced Vern Roberts from the Div. of Motor Vehicles, Dept. of Safety to convey to the committee the request for \$127,100 for the purchase of vehicle license plates and tabs. This request was denied in the Governor's budget and therefore the Dept. needs additional funding. Mr. Roberts indicated to the committee that new plates with blue letters and numbers on a yellow-gold background with an Alaska flag will be what the Dept. has ordered.

BUDGET
AMENDMENT
NO. #11

Chairman Sackett introduced Ted Smith from the Dept. of Natural Resources to discuss the problems connected with HB 704 (special appropriation to the Dept. of Natural Resources, division of land and water management). Mr. Smith indicated to the committee that the main problem is one of consistent failure to accurately estimate the increase in the workload (30% - 40% increase). Chairman Sackett asked if the Dept. had made a request to Administration for assistance in this area and why water applications are so high. Mr. Smith replied yes to the first question, and to the second, water applications pertain to all waters in the state, not only to state water. Chairman Sackett then asked how far behind the Department is in their work. Mr. Smith said they have applications pending from 1964. As of the first of April 1978 there were 5435 applications pending.

HB 704

Chairman Sackett asked for the desire of the committee. Senator Hohman moved and asked unanimous consent that HB 704 be passed from committee with individual recommendations. It was so ordered. HB 704 passed from committee as follows: Do pass: Senators Sackett, Meland, Tillion and Orsini. Senator Hohman signed no recommendation.

MOTION

Senator Hohman moved and asked unanimous consent that SB 540 (special appropriation to the office of alcoholism in the Dept. of HESS) be brought before the committee for discussion. It was so ordered. Senator Hohman introduced Bob Buttane and Fred Pete to talk to the committee on the bill. Mr. Buttane started by telling the committee that last Fall Senator Colletta conducted public hearings on Alaska's No. 1 problem - alcoholism. SB 540 requests \$8,200,000 for a comprehensive program to deal with this problem. Senator Orsini requested information regarding breakdown by bill (SB 540 - SB 552). Mr. Buttane indicated that he would furnish that information.

SB 540

Mr. Pete indicated to the committee that he is a Regional Technical Assistant in the Alcoholism Prevention Program of the Yukon-Kuskokwim Health Corp., serving 16,000 native Eskimo residents of 55 regional villages in an area of over 58,000 square miles. Mr. Pete told the committee that the problem of alcoholism leads to many mental health problems. Mr. Pete indicated that his department is trying to establish five centers per year up to 1983 to assist people with this type of problem. In response to a question by Senator Hohman, Mr. Pete reported that South Central Health Planning and Development Inc. is located in Anchorage. There being no further questions, Chairman Sackett thanked Mr. Buttane and Mr. Pete for their presentation.

At this point Ron Lind and Frank Matulich came before the committee to answer questions concerning the capital budget. Mr. Lind indicated that the original estimate

CAPITAL
BUDGET

for the capital budget was \$915,000,000 and the anticipated revenues would be \$928,000,000. The difference would be appropriated to the permanent fund. Mr. Lind stated that the Governor had set a limitation of \$275,000,000 for the State budget and did not support the increase in the budget. He also indicated that the state revenues should cover all on-going spending operations of government. The Governor's position has not changed from last year.

Jay Hogan passed to committee members a summary of recommendations and estimated future appropriations (copy attached) and explained some of the figures. The Operating Budget has been increased by 4.7 (million) and the Capital Budget increased by 1.2 (million) making a total budget increase of 5.9 (million). Special appropriations and new legislation passed come to 3.9 (million) for a total committed budget of 889.1 (million). There has been a decrease in estimated revenue since January 1978 from 35.5 (million) to 27.5 (million).

Chairman Sackett asked if 1.2 million extra had been requested by the Governor for the new budget amendments. Mr. Hogan replied in the affirmative.

Mr. Lind began enumerating some of the large items in the budget: \$10 (Million) for capital site planning, \$12 (million) for the North Slope Haul Road, \$4 (million) for salary increases. Senator Sackett asked "What does that leave for us?" Mr. Lind replied "Well, I assume you will not pass all that we have suggested. We are looking now to see whether we can cut something out." Chairman Sackett that he would like for him to come up with his priorities on the capital budget and let the committee know what areas he could cut out. He told Mr. Lind that the committee would not act on the capital budget until they received that information. Chairman Sackett stated that there is a tremendous amount budgeted for education because that category had been so underfunded last year.

Senator Orsini asked whether it would be a policy of the committee to go by the Governor's ceilings. Chairman Sackett stated "You can stay within his guidelines or you can override his veto."

There being no further business, the meeting adjourned at 9:19 a.m.

ADJOURN

**SUMMARY OF RECOMMENDATIONS
AND ESTIMATED FUTURE APPROPRIATIONS**
(Millions of Dollars)

	<u>General Fund</u>	<u>Total</u>
FY 79 Operating Budget	\$859.6	\$1,142.1
FY 79 Capital	19.7	575.0
Total	\$879.3	\$1,717.1

COMPARISON WITH FY 78

	<u>FY 78 Adjusted</u>	<u>FY 79 Recommended</u>	<u>% Increase (Decrease)</u>	
<u>Operating Budget</u>	<u>\$1,047.0</u>	<u>\$1,142.1</u>	<u>\$ 9.1</u>	
<u>General Fund</u>	<u>768.9</u>	<u>859.6</u>	<u>11.8</u>	<i>4.7 = 864.3</i>
<u>Capital Budget</u>	<u>57.5</u>	<u>575.0</u>	<u>900.0</u>	
<u>General Fund</u>	<u>29.8</u>	<u>19.7</u>	<u>(33.9)</u>	<i>+1.2 = 20.9</i>
<u>Other Appropriations (to date)</u>	<u>15.1</u>	<u>-0-</u>	<u>NA</u>	
<u>General Fund</u>	<u>13.7</u>	<u>-0-</u>	<u>NA</u>	
<u>Total Budget</u>	<u>1,119.6</u>	<u>1,717.1</u>	<u>53.4</u>	
<u>General Fund</u>	<u>812.4</u>	<u>879.3</u>	<u>9.2</u>	<i>+5.9 = 885.2</i>
<u>Additional Appropriations *1</u>	<u>49.4</u>	<u>45.7</u>	<u>NA</u>	
<u>General Fund</u>	<u>44.8</u>	<u>35.5</u>	<u>NA</u>	<i>Passed Special</i>
<u>Total</u>	<u>1,169.0</u>	<u>1,762.8</u>	<u>50.8</u>	<i>Approps. 3.3</i>
<u>General Fund</u>	<u>857.2</u>	<u>914.8</u>	<u>6.7</u>	<i>New Legis. .6</i>
<u>Non-Recurring Items</u>	<u>(32.4)</u>	<u>(523.5)</u>	<u>NA</u>	<i>3.9</i>
<u>General Fund</u>	<u>(32.4)</u>	<u>- 0 -</u>	<u>NA</u>	
<u>Lapses</u>	<u>NA</u>	<u>*4</u>		
<u>General Fund</u>	<u>(12.9)</u>			
<u>Comparative Budget *2</u>	<u>1,136.6</u>	<u>1239.3</u>	<u>9.0</u>	
<u>General Fund</u>	<u>811.9</u>	<u>914.8</u>	<u>12.7</u>	<i>27.5</i>
<u>General Fund Revenues *5</u>				
<u>Recurring Revenue *3</u>	<u>349.9</u>	<u>388.4</u>	<u>11.0</u>	<i>-11.9</i>
<u>% of Comparative General</u>				<i>916.6</i>
<u>Fund Budget</u>	<u>43%</u>	<u>42%</u>		

*1 Additional Appropriations: This item is an attempt to estimate future appropriations that will be made to fund supplementals now being requested, salary increases for employee contracts not yet negotiated, new legislation that is expected to pass this session and legislative adjustments to budget proposals.

*2 Comparative Budget: Excludes major Capital and Special Appropriations not expected to continue into the future.

*3 Recurring Revenue: Excludes direct petroleum sources. Projections made at the time of the FY 7 budget submissions were \$304.0 revenue versus \$786.3 comparative general fund expenditures which equated 39% of the General Fund Budget.

*4 FY 79 lapse expected to equal supplemental needs. Budget presented does not anticipate any additional needs.

*5. Revenue Sources FY 77-79, Quarterly Update, March 1978

SENATE FINANCE COMMITTEE

April 26, 1978

9:05 a.m.

Chairman Sackett convened the meeting at approximately 9:10 a.m. All committee members were present with the exception of Senator Croft. Also in attendance were Milton Lipton and William Brown from Martin J. Levy & Consultants; Michael Stanfield, Vice President Loeb Rhodes, Hornblower & Co.; R. R. Meyer, President, Northwest Alaskan Pipeline Company; David K. Watkiss, attorney for the Pipeline Company; Ben J. Lange, Consulting Engineer for the Pipeline Company; William C. Foster, Patton, Boggs & Blow; Sterling Gallagher, Commissioner of Revenue; Administrative Assistant to Senator Sackett, Judy Crondahl; Fiscal Analysts Bob Grogan and Milt Barker; and members of the press including Joe LaRocca.

PRESENT

Chairman Sackett advised that the purpose of the meeting was to hear testimony from Mr. Milton Lipton, legislative consultant on gas and oil, concerning SB 603 (Act creating the Alaska Gas Pipeline Financing Authority) and SCR 102 (Relating to a direct investment by the state in the Alaska natural gas pipeline project).

SB 603
SCR 102

Mr. Lipton introduced himself and his associate, Mr. Brown, and outlined the following considerations to be taken into account when discussing SB 603:

MR. LIPTON

Why has establishment of authority for investment of bonds been proposed?

1. It is clear that Alaska has an interest in the pipeline.
2. Alaska has a vested interest in seeing that the pipeline is expeditiously completed.
3. Alaska certainly has an interest in the lowest possible cost of transportation.

Mr. Lipton advised that representation has been made by Northwest that it will need state assistance in financing, and unless received, the construction effort will be

substantially delayed. The importance of expeditious completion will be one of the basic questions before the legislature.

Cost saving difference between natural gas pipeline transportation costs and oil pipeline transportation in regard to well-head price.

In the instance of the gas pipeline, transportation costs will have little or no bearing on the well-head price of gas. The price will be determined by the federal regulatory commission in Washington, D.C. (FERC). A difference in transportation cost will not affect the well-head cost, but will affect the price of gas to the consumer.

Interest rates cost savings

If 1 billion dollars in revenue bonds is sold by the state and placed at the disposal of Northwest, the interest cost of the debt will be lower than if the funding were raised on the regular bond market because of the tax free status of Alaska's bonds.

Will interest rates reduce transportation, and how much?

Northwest's financial plan indicates that transportation costs would be reduced approximately 4% due to the reduction in interest costs. If transportation costs on the Alaska segment amount to .70 to .75¢, 4% would effect a savings of 3¢ per mcf. If transportation costs on the entire pipeline are effected, it would save the distributor approximately 3¢ on a cost of \$2.00 to \$2.50, and the consumer, who will be paying approximately \$3.00 to \$3.50, will save about 3¢ per mcf.

Mr. Lipton advised that he did not believe the reduction on interest costs resulting from tax free bonds would be a significant factor bearing upon what price the consumer pays. If there is a savings of 3¢ per mcf on the Alaska segment of the pipeline, and if Alaskan consumers were to take gas off the line at Fairbanks, there would be a savings to residential and industrial users in the State of Alaska.

The cost savings involved are not significant enough to warrant establishment of authority for issuance of tax free bonds, and purpose must be looked for elsewhere.

Expediency of obtaining financing

The major impact of state participation could be efficacy of financing the remainder of the debt on the pipeline if 1 billion dollars of the debt is removed from the normal bond market and assumed by the state in the form of tax free bonds.

Mr. Lipton proffered the following rough figures to illustrate the above statement. A 10 billion dollar project necessitates approximately 12 to 14 billion dollars in available capital, and a 20% equity debt of approximately 10 to 10-1/2 billion dollars in total capital to be raised by long term debt, resulting in 7.8 billion dollars in debentures which would have to be sold on the U. S. capital market. If 1 billion dollars in revenue bonds are taken out and do not go through the regular market, this would leave 6.8 billion to be financed by Northwest. Northwest will have to go to the normal debt market for 7.8 billion dollars if Alaska says "no," and seek financing of 6.8 billion dollars if Alaska says "yes."

Within the range of capital debt, would tax free bonds be a significant factor in the speed in which needed capital could be raised?

Mr. Lipton advised that he believed the tax fee bonds could have a significant impact on the time it takes to raise needed funds, and might even affect the interest rates paid. The proposal contained in SB 603 is much more relevant to the ability of Northwest to finance the regular debt in the capital market than it is to the cost of the service, but just how relevant is difficult to assess. There is no question that if the state authorizes the sale of revenue tax free bonds, it would broaden the market of investors to which Northwest can appeal for funding, and this broadening can affect the facility in which funding could be raised. Thus, the argument is that it makes a difference in the financing whether Northwest has to raise 7.8 or 6.8 billion dollars. The more money to be raised, the more difficult it is to raise, and the more difficult the terms are to negotiate.

Risk to Alaska

Buyers of the bonds will be forewarned that the faith and credit of the State of Alaska is not behind these bonds, and that the bonds are supported entirely by revenue from the pipeline.

Affect of the bonds upon the credit of the State of Alaska

At the present time, the State of Alaska has outstanding bonds of approximately 250 million dollars. An additional billion dollars in revenue bonds would multiply 5-fold the demand Alaska is making on the tax free market.

Effect upon other bonds

If it makes a difference to Northwest whether it has to float 7.8 or 6.8 billion dollars in bonds on the regular market, it makes a difference to Alaska whether or not it has 250 million dollars in bonds in the market or 1 billion 250 million. Mr. Lipton added that while he was not suggesting the bonds would affect Alaska's credit rating whatsoever, the fact that the state has had resort to this type of market in the past may affect what the state can do in the future.

Credit of the State of Alaska in Washington D.C.

The state requires many things from the federal government in order to get natural gas to market:

1. Establishment of firm price per mcf (currently \$1.48).
2. Conditioning cost determination to be made by FERC. Commission must decide whether conditioning costs are included in the \$1.48 or to be added at the well-head.
3. Also, a decision must be made concerning whether gas will be sold in the states on an incremental basis or a rolling basis-- a vital issue to production and distribution.

In addition to the above needs, SB 603 would require Congress to authorize that the revenue bonds be sold tax free. In effect, this means a federal subsidy for the pipeline.

Example - 1 billion dollars worth of bonds which (except for the tax free authorization) would have been sold at 9% in a taxable bond market would result in 90 million dollars in payments, and a loss of taxable income to the federal government of 40 to 50 million dollars.

Likewise, if any of the interest free bonds are sold in the State of Alaska, such as to a native corporation, the State of Alaska would also be subsidizing the pipeline through loss of taxable income.

Scope of SB 603

As the bill appears at present, it doesn't mean that 1 billion dollars in revenue bonds are going to be sold. The bill is conditioned upon completion of a satisfactory financing and regulatory package, because although authority is established and request is made of Congress to grant tax free status, the bonds cannot be issued except upon resolution of the authority itself. SB 603, in effect, gives conditional authority which becomes effective only if the authority has been able to obtain tax free status, and the commission has been persuaded that the bonds are an integral part of a financing package and regulatory scheme which makes sufficient revenue available for payment of interest and debt upon the bonds.

The conditional legislation would enable the pipeline partners to go to the tax free market and say they have conditional authorization from Alaska to enter the market and begin necessary negotiations.

Suggested alternative within SB 603

Mr. Lipton advised that he would like to see the committee consider an alternative which provides for sale of the bonds to be made by the legislature rather than the commissioners, adding that the legislature should be cognizant of the entire project.

He added that Northwest is presenting a financing package for:

1 billion dollars of equity, 2 to 3 billion dollars of regular debt (A mortgage bonds), 1 billion dollars of tax free (B mortgage) bonds, and 1/2 billion dollars of equity-related funds subscribed by the State of Alaska.

Pertaining to Northwest's package, Mr. Lipton raised the following questions:

1. How would financing be restructured if Alaska does not provide 1/2 billion dollars in equity-related funds?

2. What will be done in terms of regulatory authorization for tariffs?

3. To what extent will revenue be sufficient to cover interest and debt if there are increases or fluctuations in the market?

4. Does the state have blanket assurance as to the order of satisfaction of the debt if there is a revenue deficiency?

Mr. Lipton added that he believed the legislature should have knowledge of these matters before final authorization is made, and authorization should be forthcoming from the legislature rather than the commissioners.

Risk of placing authority in the legislature

Mr. Lipton offered the following considerations when reflecting upon placement of authority under SB 603 in the legislature:

1. Will it adversely affect the feeling of Congress re: tax free status to have authority for sale of the bonds so vested?

2. Would it affect interim negotiations with markets for sale of tax free bonds?

3. Would it be more difficult for the pipeline partners to sell their bonds if sale of tax free bonds is tied to the legislature?

It is difficult to judge how serious an impact legislative approval would have, but Mr. Lipton suggested that there are sufficient questions outstanding regarding Alaskan access to tax free bond markets in the future.

In summary, Mr. Lipton stated that the first decision to be made is whether or not to commit 1 billion dollars in revenue bonds, adding that he believed the issue to be far reaching enough to warrant vestment of final authority in the legislature rather than the commissioners, further adding that cost implications, financing, effect upon Alaska credit, and vestment of final authority are all serious considerations confronting the committee.

Responding to a question from Senator Tillion concerning possible project delays because the legislature is not in session, Mr. Lipton replied that he had never felt the legislature should usurp administrative function, but he believed the issue to be so far reaching, that the legislature should be involved, adding that considerations here are even more serious because Alaska is being asked to make a decision without adequate information.

DELAYS
CAUSED
BY LEGIS-
LATURE

Senator Tillion asked if Mr. Lipton recommended passing SB 603, but retaining final authority in the legislature, and Mr. Lipton replied that he "would not even recommend that, but would suggest that you [the committee] consider it and hear the other side."

SHOULD
SB 603
PASS?

Replying to a question from Senator Tillion voicing concern for the amount of financing the municipal market can absorb (citing as examples the Valdez port facility and bottom fish industry), Mr. Lipton stated that the question does not revolve around only the 1 billion dollars to be derived from the tax free market, but the fact that purchasers look to the source of their bonds. If the state is already in the market for housing and port facilities, the purchasers must make a judgment as to how many Alaskan bonds they wish in their portfolio, adding that purchasers generally seek diversification.

MUNICIPAL
MARKET
V. GAS
BONDS

Responding to a question from Senator Tillion concerning purchaser preference for resource bonds over sewer and highway bonds, Mr. Lipton stated that the fact that authorization for pipeline construction was granted at the instance of Congress, is a valuable consideration, making the project a favorable investment because of national interest.

RESOURCE
BONDS V.
SEWER &
HIGHWAY

Replying to a question from Senator Orsini concerning other sources of cheap gas, Mr. Lipton advised that the question would center upon the amount of cheap gas (such as Mexican or Canadian) and its cost upon arrival in the United States, adding that he didn't believe these markets would prejudice the pipeline project. He added that the U. S. is considering other alternative gas supplies much more expensive than the pipeline (liquefied gas imports), advising that there is much merit in the availability of Alaskan gas as an American resource, and national interest has clearly been expressed.

OTHER
SOURCES
OF GAS

Senator Hohman asked if Mr. Lipton was convinced that the state needs to be involved in order for the project to go ahead, and Mr. Lipton replied "no," that he thought a case was being presented to the committee to the effect that there would be problems in raising the additional 1 billion dollars in the conventional bond market without state support. The easiest thing to do is to come to the state and minimize the problem by getting the state to float 1 billion dollars in bonds. Mr. Lipton posed the following questions concerning the project:

DOES
STATE
HAVE TO BE
INVOLVED
IN PROJECT

1. If the state opts out of the project, what would the financing package look like?

2. How much more equity would be picked up by the partners?

3. What different classes of bonds would be issued?

4. What higher rate of interest would have to be paid?

Mr. Lipton stated that there is no question but what the problem of financing would be eased if the state assists. If the state opts out, the project will continue, but it will be delayed, it will be more difficult to raise the funding, and funding will be secured at a higher interest rate.

Responding to a question from Senator Hohman concerning the effect of project completion without state assistance, Mr. Lipton stated that the effect would be an increase in the price of gas to distributing companies and the outside consumer, and if the cost becomes too large, distributing companies would have to enter into contracts and compete with other fuel.

PROJECT
COMPLE-
TION
W/OUT
STATE

Mr. Lipton advised that more important than the cost would be the potential delay which could cause problems in the bond market. Delay in producing gas is a cost to the company and the state because the state is injecting the gas, which is a very costly process. Any increase in real cost reduces the value of the resource. It is to the advantage of the United States to get this gas as soon as possible. For Alaska, anything that increases the real cost of producing and transporting this resource depletes the value of the resource.

PROBLEMS
CAUSED
BY DELAY

Replying to a question from Senator Butrovich concerning the process for securing tax free status for the bonds, Mr. Lipton replied that a bill would be introduced in the U. S. House of Representatives, requesting authority to issue interest free bonds. He added that he had no idea how long the process might take, but since the administration supports pipeline construction, it would probably support the tax free bonds

PROCESS
FOR
SECURING
TAX FREE
BONDS

Responding to a question from Senator Orsini concerning whether Mr. Lipton would agree with the findings set forth in numbers 1 through 4 of SB 603, Mr. Lipton replied that while timely completion of the project is needed, and the project is certainly essential, the real issue is not the project itself, but the financing, and whether or not the state should participate.

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

ADJOURN

SENATE FINANCE COMMITTEE
April 27, 1978
8:05 a.m.

Chairman Sackett called the meeting to order at 8:05 a.m. Those members present were: Senators Sackett, Hohman, Butrovich, Tillion and Meland. Also present were: Judy Crondahl, AA to Senator Sackett; fiscal analysts Scott, and Barker; D. Sisco and Dick Blanchard of the William Blanchard Co.; with the Northwest Alaskan Pipeline William C. Foslem, Attorney, Patton, Boggs & Blow, H. W. Cann, Bank of America, & Morris Thompson, VP; With NAPLINE R. R. Meyer, President, Ben Lange, engineer-consultant, David K. Watkiss, lawyer and J. W. Allen, V.P. financing; and Michael Stanfield, V.P. with Lock Rhoades, Hamblower & Co.

PRESENT

Chairman Sackett informed the committee that the purpose of the meeting was to receive testimony from the Wm. Blanchard Company regarding the Capital Move Costs and North West Alaskan Pipeline and the Administration on the pipeline study.

Mr. Jay Hogan, Director of Legislative Finance advised the committee of the categories of the Capital Site Cost Information study that was passed out to them. He then introduced Mr. Dick Blanchard, President of the Wm. Blanchard Company to give testimony to the committee.

Mr. Blanchard prefaced his remarks with the cost estimate totals for the three categories Municipal, State and Utilities with their totals and the escalation cost involved for the years 1978 through 1994. The totals are:

1977 Base	\$ 840,710,953
8%	1,622,395,388
10%	1,924,424,575
12-1/2%	2,390,728,587
15%	2,978,564,256

Mr. Blanchard explained that the background for the figures presented were shown on the separate Cost Estimate sheets.

Mr. Blanchard told the members that there were a number of things that were not included in the cost estimates. For instance, there is no new private or residential work included. His company assumed that the soil bearing would be adequate. However, they knew that in some cases it would not be. Even for those cases in which they knew the soil bearing would not be adequate, the cost was not estimated to make it so. Other items that were not included in the cost estimate were: unusual subterranean conditions and some dredging that might be necessary.

Mr. Blanchard told the committee that his company had prepared their estimates on the basis of drawings that had been presented by the State or buildings constructed in other areas.

Senator Tillion asked whether or not any taxes for the new site had been taken into consideration on the cost estimates. Mr. Blanchard replied in the negative.

Mr. Blanchard said the elementary schools had been based after the Auke Bay Elementary School in Juneau. All of the construction costs such as site work, excavation, complete reinforcing, sheet metal, electrical, plumbing, laminated beams, carpentry, materials, roofing, etc. had been considered in the estimate. His company had conferred with subcontractors in the Anchorage area regarding materials and used the labor price for his area (New Jersey) and made adjustments for Willow conditions. They prepared these estimates in greatest detail possible in the same manner as when his company is bidding on a general contract.

Then Mr. Blanchard began his discussion on cost escalation assumptions. His company felt that there were four different possible compound escalations: 8%, 10%, 12-1/2% and 15%. His company is accustomed to evaluating costs for general construction - usually in three-year periods. If the last seven years (1970 - 1977) in the Anchorage area were considered, considering a combination of cost index and means index, 9-1/2% escalation prevailed. From 1974 to present considering different indexes available and different construction costs, the escalation rate was 11-1/2% to 12%. Mr. Blanchard stated that trying to project into the future was a more difficult task. Important influences in those projections would be what work was proceeding currently. He stated that the capital project by itself would not have great inflationary concern on costs. However, he fully expects that the escalation rates in the next years to be at least the same as in the last four years.

Senator Tillion made the comment that after the oil construction had been completed that it was very noticeable that the bids that were coming in were very reasonable. He gave as an example airport construction. Senator Tillion then stated that he felt the report gave the committee all the information they needed to make their decision.

At this point Senator Hohman took over the chair as Senator Sackett had to attend another meeting. Chairman Hohman indicated that the committee would be taking testimony from North West Alaskan. Mr. R. R. Meyer, President of North West was introduced together with David Watkiss who is an attorney for that company.

Mr. Watkiss began his discussion by saying that he did not presume to come up here and tell the committee what is Alaska's best interest. He stated that he has followed

Prudhoe Bay for a number of years. Then Mr. Watkiss told the committee that as it is an election year and the congressional members will be going home soon to campaign, it is necessary to pass SB 603 quickly so North West Alaskan can go to Congress for the needed authority for financing.

SB 603

Mr. Watkiss quoted a comment made by Mr. Lipton in the meeting of the previous day "There is no cost and no risk to the State." Mr. Watkiss said "We look upon this as a means for the State to declare it's interest in the project without in any way encumbering the State or committing the State's revenue. It is very important to us. It is definitely a part of the package we would like to take to the lenders. You have all types of protection with this financing package because until it has been finally approved by the various people that must be a part of it (and that's the finance committee that must be satisfied with this reliable, responsible project) and all segments of it are properly financed before the financial package would be approved. When the package is put together with statement to the Federal Regulatory Commission and presented to them for their final approval and the structuring of tariffs. That all has to be done before we can obtain a final certificate." Mr. Watkiss stated that he felt this approach would be much better than other ways that have been suggested, for example, the State to join with the producers in some type of guarantee for some of the debts of this project so the State could obtain private financing.

Mr. Watkiss said that Mr. Lipton had made several "significant points" on the previous day which he repeated. One of those points was that "Alaska needs to take a clear interest in this project to see that it is built and that it is built expeditiously." Again, he advised the committee that he did not presume to advise the committee. Their advisor (Mr. Lipton) had already stated what needed to be done and Mr. Watkiss said he certainly concurred with that position. He stated "That's why we're here encouraging you to let us move forward because there are a number of things that must be done." Some of the "things" he indicated that must be done are: an energy bill, information on well head pricing, will the gas be rolled in or on an incremental basis.

At this point Mr. Watkiss said there were a couple of questions that they should address: Would there be any adverse effects on the tax free bond revenue market down the road that could affect the municipal bonds that Alaska might want to issue. Mr. Watkiss stated that there are two bond markets - private and public. The private market includes insurance companies and sophisticated investors. They are not looking at Alaska's credit. They are looking at the project, security and integrity. Mr. Watkiss stated that they had provided some of the staff members with information regarding the bonding. Senator Hohman stated that he would like to have a copy of that information. Mr. Watkiss said it would be provided.

Mr. Watkiss said that from the outset all financing plans have always contained some participation by Alaska. He stated "We thought it was clearly in Alaska's interest to participate. Alaska is obviously a beneficiary." He said that other suggestions in financing are not nearly as satisfactory for Alaska as what his company's financial advisors have come up with. "They're talking guarantees. Guarantees certainly put the credit of Alaska on the line going in. We're not asking for that. We, of course, as you know, have another bill that we're suggesting for you to study." He said that they have put together a financing package that they want the committee to study to determine whether or not they want to put their funds into it. They are not asking that it be done until the package has been fully formed and the committee knows who all is involved and what the returns will be. Again he emphasized that they hope the committee will move on this soon "because there's really no risk. There is merely an expression, a positive expression, a clear expression from Alaska on seeing this project go forward." Again Mr. Watkiss repeated that the people who will be investing will not be looking at the credit of Alaska, but will be looking at the project.

Mr. Watkiss told the committee that the State's annual return on their investment would be 1/8 of 1% or \$1,250,000. Alaska's interest is to get as high a price as possible for their resources. Alaska, Alberta, producers and investors have been approached in the same manner. North West Alaskan is looking to these people for their support.

Mr. Meyer passed out a book on the State plan for financial participation in the pipeline project. He informed the committee that the book contained information regarding the whole project, not just the Alaska segment.

Senator Hohman stated that as he understood it, the State has no legal responsibility if the project were to go broke. He asked if that would detrimentally affect the State's ability to bond. He also stated that there presently is a \$1 billion bond before the legislature. How will that affect the market? Mr. Watkiss stated that he was no bonding expert, but there was a very significant bond market and the state should take advantage of part of that market. He said the Senate (federal) version of the energy bill already contemplates the similar use of tax exempt bonds to develop energy projects. They did not specifically earmark the Alaska project and that is why the NW Alaskan is wanting to go back to talk to them before the energy bill is finalized and passed. Again Mr. Watkiss quoted from Mr. Lipton's testimony of the previous day "It doesn't affect the credit rating of the State in any way."

Senator Butrovich stated that he would like to have on a letterhead from NW Alaskan a statement of their intent of what they think the effect would be on the State. Mr. Watkiss said they would be happy to provide that statement.

Senator Butrovich was concerned as to who would be in charge of doing the building? Mr. Watkiss said Arco has been taking some leadership in that direction. Preliminary discussions are underway. People are waiting to see what happens to the energy bill before they make any moves.

Senator Butrovich voiced a question concerning the time frame involved as far as construction was concerned. Mr. Meyer said Arco had stated that they have at least a year to 18 months advantage of a head start over the State. However, he did not elaborate as to any specific time frame for construction.

There being no further questions for North West Alaskan, Chairman Hohman thanked them for their testimony.

At this point Sterling Gallagher, Commissioner of Revenue, took the stand. Mr. Gallagher stated that there are three different aspects to the bill under discussion (SB 603): the State's credit, authority draft and compromise proposal.

Mr. Gallagher told the committee that there are as a general rule five different markets for bond sales:

- Bank market - usually buys G. O. bonds - short term.

- Casualty Insurance Companies - long term bonds

- Life insurance companies - intermediate bonds

- Mutual bond fund - created two years ago

- Individuals - long general obligations.

Mr. Gallagher stated that as far as the State's debt structure is concerned, the average life of the State's debt is about eight years and usually sold to banks. Alaska Housing Finance is finding its way into the new mutual bond funds. Some light and power companies are buying. Several major insurance companies are not buyers. This could be a positive approach to opening life insurance companies to Alaska funding Mr. Gallagher said.

As to the way this bill (SB 603) is drafted, Mr. Gallagher said there is some credibility involved, but not creditability. The bill is drafted very narrowly for reasons of state wide interest.

Mr. Gallagher told the committee that SB 603 would authorize \$1 billion in bonds to be sold. Senator Hohman asked if passage of the bill would give the authority to do it right now. Mr. Gallagher said yes.

There being no further business to discuss, the meeting was adjourned at 9:40 a.m.

ADJOUR

SENATE FINANCE COMMITTEE

April 28, 1978

8:10 a.m.

Chairman Sackett convened the meeting at approximately 8:10 a.m. All members were present with the exception of Senator Croft. Also in attendance for various portions of the meeting were Mr. Vernon L. Perry, Director, Pioneers' Benefits; Robert W. Sullivan, Executive Director, Alaska Housing Finance Corporation; representatives from the Department of Transportation including H. D. Scougal, Ray Shumway, Herbert Lehfeldt, and James O'Sullivan; Fiscal Analyst Bob Grogan; Administrative Assistant to Senator Sackett, Judy Crondahl; members of the press including Joe LaRocca; and Representative Swanson.

PRESENT

Senator Hohman moved that SB 418 (Act relating to Alaska Longevity bonus) be brought up for discussion, advising that the bill raises the monthly longevity payment from \$125 to \$150. Chairman Sackett advised that the bill is similar to the longevity bill previously passed by the committee and now residing in Rules, adding that Rules apparently does not have sufficient votes to bring the bill out.

SB 418

Senator Butrovich questioned the effective date of the bill, and Chairman Sackett advised that it would take effect immediately. Mr. Perry stated that it would be more expedient for the Department to have the effective date coincide with the commencement of the fiscal year. Senator Hohman moved that a Committee Substitute be drafted deleting section 3 of the bill and changing section 2 to state that the act takes effect July 1, 1978. Changes effected by the committee substitute appeared satisfactory to committee members, and Senator Hohman thus moved that Committee Substitute for SB 418 pass from committee with a do pass recommendation. No objection having been voiced, CSHB 418 passed from committee, all members present signing do pass, Senator Orsini noting "do pass unless amended."

CSSB 418

The committee next turned its attention to the operating budget for Natural Resources for the

NATURAL
RESOURCES

4/28/78

purpose of budget review and closeout.

LIMITED ENTRY (p. 3)

Senator Butrovich moved the Governor's figure of 1146.1.

FISHERIES COMMISSIONS

International North Pacific (p. 7)

Senator Butrovich moved the Governor's figure of 12.0.

International Fisheries (p. 9)

Senator Butrovich moved the Governor's figure of 122.5.

Pacific Marine Fisheries (p. 11)

Senator Butrovich moved the Governor's figure of 27.4.

Law of the Sea (p. 13)

Senator Butrovich moved the Governor's figure of 18.9.

COASTAL ZONE MANAGEMENT

CZM Administration (p. 19)

Senator Butrovich moved the Governor's figure of 1939.6, but Senator Orsini raised questions concerning the end of the planning cycle and requested that the sub-program be held open pending further research by Bob Grogan.

OPEN

NOAA (p. 21)

Senator Butrovich moved the Governor's figure of 126.5.

FISH & GAME LICENSING (p. 23)

Senator Butrovich moved the Governor's figure of 573.9, but Senator Orsini questioned why program receipts could not be made to pay a greater share of the cost for the program. Senator Butrovich advised that federal funding is designated for specific purposes rather than general operation. Bob Grogan further advised that general fund is making up a smaller portion of the project costs than before.

LAND MANAGEMENT

Central Office (p. 25)

Senator Butrovich moved for adoption of 3.7 for commodities, the remaining figures to be the Governors, resulting in a new total of 696.5.

Land & Water Director (p. 27)

Senator Butrovich moved the Governor's figure of 143.4

Water Management (p. 29)

Senator Butrovich recommended the following figures:

Personal Services	80.6
Travel	2.0
Contractual	4.3
Commodities	.8
Equipment	<u>1.1</u>
New Total	88.8

Bob Grogan noted that position no. 4 has been deleted.

ADMINISTRATION & SUPPORT

Cadastral Engineering (p. 31)

Senator Butrovich recommended the following figures:

Personal Services	683.3
Travel	12.4
Contractual	139.1
Commodities	16.2
Equipment	<u>14.0</u>
New Total	865.0

DISTRICT OPERATIONS

Southeast District (p. 35)

Senator Butrovich moved the Governor's figure of 449.6.

Southcentral District (p. 37)

Senator Butrovich recommended the following figures:

Personal Services	1038.4
Travel	29.2
Contractual	300.0
Commodities	30.0
Equipment	<u>10.0</u>
New Total	1407.6

Northcentral District (p. 39)

Senator Butrovich recommended the following figures:

Personal Services	669.4
Travel	21.0
Contractual	146.5
Commodities	22.7
Equipment	<u>1.7</u>
New Total	861.3

GEOLOGICAL & GEOPHYSICAL PROGRAM

Resource Investigations (p. 43)

Senator Butrovich moved for adoption of a new total of 1050.0.

Publications (p. 45)

Senator Butrovich moved for adoption of a new total of 175.0.

Mineral Laboratory (p. 47)

Senator Butrovich moved the Governor's figure of 250.5.

Regulations and Information (p. 49)

Senator Butrovich moved the Governor's figure of 168.1, advising that the subcommittee took the Governor's figure with the exception of salary increases which are mandatory.

Administration (p. 51)

Senator Butrovich moved for adoption of the following figures:

Personal Services	108.9
Travel	6.5
Contractual	110.4
Commodities	2.0
Lands & Buildings	8.3
New Total	236.1

MINERAL AND ENERGY MANAGEMENT

Leasing Mgmt. (p. 55)

Senator Butrovich moved the Governor's figure of 233.0.

Petroleum Mgmt. (p. 57)

Senator Butrovich moved for adoption of the following figures:

Personal Services	372.7
Travel	18.0
Contractual	265.9
Commodities	4.6
Equipment	.7
New Total	661.9

Bob Grogan advised that the subcommittee added the two positions requested by the Governor, and the additional position requested in Budget Amendment No. 4 for a Reservoir Planner. Senator Butrovich

also proposed the following legislative intent:

Positions allowed are to be funded from excess vacancy.

Minerals Mgmt. (p. 59)

Senator Butrovich recommended the following figures:

Personal Services	48.4
Travel	6.0
Contractual	4.7
Commodities	.1
New Total	59.2

Administration (p. 61)

Senator Butrovich recommended the following figures:

Personal Services	156.3
Travel	7.0
Contractual	58.9
Commodities	2.2
New Total	224.4

OIL & GAS

Conservation (p. 63)

Senator Butrovich recommended the following figures:

Personal Services	826.2
Travel	62.0
Contractual	154.0
Commodities	7.0
Equipment	5.0
New Total	1054.2

ROYALTY OIL AND GAS BOARD (p. 65)

Senator Butrovich recommended the following figures:

Personal Services	75.7
Travel	14.0
Contractual	106.7
Commodities	2.0
New Total	198.4

FOREST PROTECTION & MANAGEMENT

Fire Protection-State (p. 69)

Senator Butrovich moved the Governor's figure of 163.7.

Fire Protection-BLM (p. 71)

Senator Butrovich moved the Governor's figure of 1209.6.

Research & Technical (p. 73)

Senator Butrovich advised that the subcommittee allowed the position which the Governor did not, and moved for adoption of the following figures:

Personal Services	58.6
Travel	3.0
Contractual	8.2
Commodities	11.2
Equipment	4.8
New Total	85.8

Management and Timber Sales (p. 75)

Senator Butrovich moved for adoption of the following figures:

Personal Services	99.4
Travel	5.7
Contractual	21.9
Commodities	1.4
Equipment	1.8
New Total	130.2

Administration (p. 77)

Senator Butrovich moved the Governor's figure of 63.5.

LANDS ADMINISTRATION & SUPPORT

Lands Management (p. 81)

Senator Butrovich moved for adoption of the following figures:

Personal Services	381.1
Travel	10.0
Contractual	214.3
Commodities	44.0
Equipment	.5
New Total	649.9

Classification (p. 83)

Senator Butrovich recommended the following figures:

Personal Services	246.1
Travel	15.5
Contractual	46.3
Commodities	1.8
Equipment	1.9
New Total	311.6

CONSERVATION ACTION CORPS (p. 85)

Senator Butrovich moved the Governor's figure of 506.7.

PARKS & RECREATION-DISTRICTS

MAT-SU (p. 89)

Senator Butrovich moved for adoption of the following figures:

Personal Services	283.2
Travel	4.1
Contractual	136.3
Commodities	13.4
Equipment	.8
New Total	<u>437.8</u>

Chugach (p. 91)

Senator Butrovich moved for adoption of the following figures:

Personal Services	270.7
Travel	4.5
Contractual	130.0
Commodities	26.5
Equipment	3.4
New Total	<u>435.1</u>

Kenai-Kodiak (p. 93)

Senator Butrovich moved the Governor's figure of 235.7.

Southeast (p. 95)

Senator Butrovich moved the Governor's figure of 226.3.

Copper Basin (p. 97)

Senator Butrovich moved the Governor's figure of 137.0.

Interior (p. 99)

Senator Butrovich moved for adoption of the following figures:

Personal Services	216.0
Travel	9.3
Contractual	125.0
Commodities	19.5
Equipment	1.1
New Total	<u>370.9</u>

DISTRICT OPERATIONS

Operations Administration (p. 101)

Senator Butrovich moved the Governor's figure of 49.4.

PARK MANAGEMENT

Park Development (p. 105)

Senator Butrovich moved for adoption of the following figures:

Personal Services	195.9
Travel	5.9
Contractual	10.0
Commodities	2.3
Equipment	1.0
New Total	215.1

State-Federal Coordination (p. 107)

Senator Butrovich moved for adoption of the following figures:

Personal Services	71.7
Travel	2.9
Contractual	10.0
Commodities	.5
New Total	85.1

Administration & Support (p. 109)

Senator Butrovich moved the Governor's figure of 233.0.

Rural Recreation AST (p. 111)

Senator Butrovich moved the Governor's figure for this sub-program - zero.

HISTORIC RESOURCE MANAGEMENT

Interpretation (p. 123)

Senator Butrovich moved the Governor's figure of 304.0.

LAND USE PLANNING

Planning Unit (p. 127)

Senator Butrovich moved the Governor's figure of 111.3.

State-Federal Commission (p. 129)

Senator Butrovich moved the Governor's figure of 638.3.

MANAGEMENT AND ADMINISTRATION

Office of the Commissioner (p. 133)

Senator Butrovich moved for adoption of the following figures:

Personal Services	459.1
Travel	26.7
Contractual	249.8
Commodities	6.6
Equipment	2.0
Lands & Buildings	51.0
Misc.	<u>47.1</u>
New Total	842.3

Bob Grogan advised that the 47.1 miscellaneous appropriation is designated for the contract for off-shore leasing coordination. In addition, 4.0 has been added per Budget Amendment No. 22.

Planning & Research (p. 141)

Senator Butrovich moved for adoption of the following figures:

Personal Services	460.5
Travel	21.3
Contractual	125.5
Commodities	5.5
Equipment	3.5
Misc.	<u>188.5</u>
New Total	805.1

He advised that the subcommittee allowed positions 2, 6, 7, and 8, only. Bob Grogan further advised that the 188.5 miscellaneous appropriation is intended for agricultural land classification, adding that the administration has submitted a line item breakdown, and he would suggest placing all funding as one appropriation.

STATE PIPELINE SURVEILLANCE

Oil Pipeline Surveillance (p. 145)

Senator Butrovich moved the Governor's figure of 83.7.

Gas Pipeline Review (p. 147)

Senator Butrovich moved the Governor's figure of 1029.6.

PIPELINE - ADMIN.

Pipeline - Other (p. 149)

Senator Butrovich moved the Governor's figure of 22.7.

At this time Chairman Sackett advised that Mr. Sullivan from the Alaska Housing Finance Corporation was present to testify concerning CSHB 642 (Fin.) (Act making

CSHB 642
(Fin.)

special appropriation to the mortgage insurance fund of the Alaska Housing Finance Corporation). Mr. Sullivan advised that the bill requests \$1,720,000.00 to the mortgage insurance fund in order for Alaska Housing to continue its loan programs. He added that Alaska Housing has benefited residents of the state who would not otherwise have been able to secure mortgages in the normal market, and during the period March 1, 1977, through March 1, 1978, the Corporation purchased 102 million dollars worth of conventional loans originating within the state, providing an interest rate differential to mortgagors of approximately 1-1/2%. This interest rate differential has resulted in a savings of roughly 23 million dollars in interest payments over the life of the mortgages for the people involved.

Alaska Housing is obligated under its current program to furnish mortgage insurance funding which adds a degree of comfort to those purchasing Alaska Housing bonds on the open market. This mortgage insurance fund must contain 2% of the balance of the Corporation's outstanding loans at any time.

In order to secure the mortgage insurance funding and continue mortgage loan programs, funds must be appropriated by the legislature, or secured through working funds appropriated to Alaska Housing. The Corporation is asking for committee assistance at this time to continue the loan program. The \$1,720,000 will permit Alaska housing to purchase 80 million dollars in mortgages during the coming months.

In addition, Mr. Sullivan stated that the Corporation intends to raise existing loan limits and income limitations to improve the program and make it available to more people. He offered for committee review his letter of February 10, 1978, (copy attached) directed to John Crandall, Administrative Assistant to Representative Meekins, setting forth suggestions for broadening the program. Senator Orsini asked if broadening the program would lessen its effectiveness, and Mr. Sullivan replied, "absolutely not." Mr. Sullivan cited specifically the following program changes to be effected:

Current loan limit on single family dwelling is \$65,000, would change limit to at least \$75,000, and raise 95% loans from \$60,000 to \$65,000.

Change existing limits on condominiums from 85% of the value to at least 95%, if approved by FNMA or FHLMC. If not approved, the Corporation would still recommend raising the percentage from 85% to 90%.

Change the duplex program. Alaska Housing now purchases only new construction. In the future, it would also purchase existing duplex construction.

On single family dwellings financed at 90%, the loan limit would increase from \$65,000 to \$70,000. Financing limits at 95% would increase from \$60,000 to \$65,000.

For rural Alaska, financing for single family dwellings would be \$90,000 and duplex financing would be raised to \$130,000.

Income criteria for loan eligibility is also being upgraded.

Mr. Sullivan added that loans are available for the original purchase of structure, not refinancing. He also stated that the interest rate for the last Alaska Housing bond sale was 6.36% and the rate for the sale prior to that was 6.28%. The next bond sale will probably incur a slightly higher rate, but the state will still be able to obtain a favorable interest rate because the bonds have a good reputation.

Senator Tillion moved that the bill pass from committee with a do pass recommendation. No objection being voiced, CSHB 642 (Fin.) passed from committee, all members present signing do pass.

MOTION
CSHB 642
(Fin.)

The committee next turned its attention to the problem of maintenance and repair of the Tok Cut-off, and the stretch of roadway running from Tok to Valdez.

TOK
CUT-OFF

Mr. Shumway advised that deterioration of the road commenced with pipeline construction. While the Department attempted to control use of the road, pipeline construction took precedence, and the Department began to notice traffic impact on the Richardson Highway.

MR.
SHUMWAY

Mr. Shumway stated that the Department felt responsibility for the roadway was federal because damage resulted from extraction of a natural resource for national use, and the Department prepared legislation for congressional consideration to this effect. While congress conducted studies determining that 64 million dollars worth of damage had occurred because of pipeline traffic, it refused to accept responsibility for the damage. Conversations with representatives from other states where natural resource extraction has resulted in road damage indicate that the federal government does not accept responsibility in these areas, nor provide additional federal funding for road repair.

Tok was scheduled for work in early 1970, but a shift in priorities due to pipeline construction removed 25 to 30 million dollars from this project to take care of emergency road situations. In addition, Mr. Shumway stated that the Department has experienced a 150% increase in the cost of highway construction since 1967, but has received no increase in revenue or funding to accelerate programs, and it simply cannot build what is needed. There is also a great need for state funding to fill the gap between maintenance money and funds for complete reconstruction. The Department would like to bring the road up to the standard it was when built, but needs approximately 40 million dollars more per year beyond what it currently receives in federal aid.

The worst section of the Tok Cut-off is designed and ready to go, but not scheduled priority-wise until 1980. With the gas pipeline construction scheduled to commence at approximately the same time, the Department will be facing further deterioration of the roadway.

Mr. Lehfeltdt advised that he had driven the roadway and discussed problem areas with those living in the vicinity. He stated that the road was built to standards of 25 to 30 years ago, and is

MR.
LEHFELDT

difficult to repair because maintenance material in the area is primarily glacial silt, and the road is especially subject to frost heaves.

Senator Sackett asked Department representatives what they intended to do concerning the road condition, and Mr. Shumway replied that the Department would soon be paving approximately 3 miles, but until further funding is forthcoming, nothing other than routine maintenance can be done. He advised that primary concern centers on approximately 39 miles of bad road (the Cut-off) between Gakona and Tok, adding that there are approximately 20 miles on the Glen and 60 to 80 miles on the Glen/Sourdough Highways in equally as bad condition as the Cut-off.

Senator Sackett questioned the introduction of a bond bill for highways which includes federal funds, inquiring concerning limitation on federal funding. Should the state increase its portion of funding, are federal programs available to match, or is the Department currently using the maximum in federal moneys? Mr. Shumway replied that while the Department is currently using the maximum available, Congress is scheduled to wrap up its session on transportation needs sometime during the week. Current Congressional legislation looks as though the administration has submitted the usual 15 million dollar package. If the House substitute is adopted, however, the state could possibly secure additional funding as there could be up to 135 million dollars in federal aid available after 1979.

Representative Swanson inquired concerning how long it would take to start construction on the section to Little Tok should funding be appropriated immediately, and Mr. Shumway replied that the preliminary work is done, and the project would take about two years to complete, adding that Highways is currently spending 1 million dollars a year maintaining the road.

REP.
SWANSON

Chairman Sackett advised that the committee would meet at 8:00 a.m. Monday (May 1, 1978) to continue review of the Natural Resources budget and commence capital budget closeout.

There being no further matters to come before the committee at this time, the meeting was adjourned at approximately 9:40 a.m.

ADJOURN

Alaska HOUSING FINANCE CORPORATION



February 10, 1978

Mr. John Crandall
Legislative Assistant
Alaska State Legislature
House of Representatives
Pouch "Y"
Juneau, Alaska 99811

Dear John:

Reference our telephone conversation of February 9, 1978, I am providing for your review a synopsis of actions approved by the Board of Directors of Alaska Housing Finance Corporation at their meeting held on February 3, 1978.

1. Condominium Loans - 95% loan-to-value ratio (5% down payment) loans will be made on condominium projects that have FNMA or FHLMC approval.

90% loan-to-value ratio (10% down payment) loans on all condominium projects that do not have FNMA or FHLMC approval.

On new construction or conversions that are not to be FNMA or FHLMC approved, Alaska Housing Finance will prior approve project.

The same guidelines apply to PUD's.

2. Duplexes - On all duplexes, new or existing, 80% loan-to-value ratio (minimum down payment, 10% cash and secondary financing permitted for the other 10% down payment).

Maximum loan amount, \$90,000 in urban and suburban areas; \$130,000 maximum loan in rural areas.

3. Existing loan limits changed as follows:

Existing maximum loan of \$65,000 (90% loan-to-value ratio) is increased to \$75,000 (90% loan-to-value ratio).

Existing \$60,000 (95% loan-to-value ratio) increased to \$65,000 (95% loan-to-value ratio).

3., Continued

This is appropriate to single-family residential and condominium/PUD units.

4. The Board refined the definitions of "urban", "rural", and "suburban", essentially as follows:

Urban - Municipality of Anchorage.

Suburban - Those towns and/or cities listed on Page 204, Alaska Blue Book, 1977, in the column headed "Population 1977 (estimated)". They are Kenai, Fairbanks, Valdez, Juneau, Ketchikan and Sitka, i.e., all towns/cities with populations of over 4,500, excluding Anchorage.

Other communities within the State are designated as rural.

5. Existing income limitations in all affected areas will be increased 5%.
6. Alaska Housing Finance Corporation is requesting \$2.6 million in funds from the State of Alaska under the Housing Development Fund Program for the purpose of purchasing mortgages for non-owner occupied, single-family and/or two-family residences in rural areas of Alaska.

It is the opinion of AHFC that this is within the suggestions offered by the Commissioner of Revenue and AHFC's further action will be contingent upon the terms and conditions outlined by the Commissioner of Revenue.

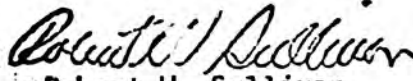
John, it is believed that as a result of refining the definition of "rural", as was done, this opens up many areas to our existing liberalized program for those areas, i.e., maximum loan amount on owner-occupied duplexes is \$130,000; maximum loan amount for single-family residences is \$90,000, and no income limitations. These changes in our program have been approved by the Board without an effective date. They will be placed in effect when the requested appropriation for the Mortgage Insurance Fund has been signed into law by the Governor and funds from the appropriation being available to AHFC. The necessity for this, John, is the fact that by opening up the loan program, as enunciated above, it is our belief that we will be the recipient of a considerable number of loan applications and we have a necessity to feel sure that we will be able to accommodate these applicants and obviously, in order to do so, we must have the funds available.

Mr. John Crandall
February 10, 1978

- 3 -

If I may be of further service or if you have any questions, please don't
hesitate to contact me.

Sincerely,


Robert W. Sullivan
Executive Director

RWS:bj

SENATE FINANCE COMMITTEE

May 3, 1978

8:30 a.m.

Chairman Sackett convened the meeting at approximately 8:30 a.m. All committee members were present with the exception of Senator Croft who arrived shortly after the meeting commenced, and Senator Tillion who was absent. Also in attendance for various portions of the meeting were Senator Kerttula; Robert E. LeResche, Commissioner of Natural Resources; Elke Kallab, Research Analyst for Legislative Affairs; Phillip Holdsworth, Lobbyist for South East Conference, Usibelli Coal Mines, and Alaska Miners Association; Patrick Conheady from the Dept. of Natural Resources; Jay Hogan, Director of Legislative Finance; Administrative Assistant to Senator Sackett, Judy Crondahl; and Mike Harmon of the press.

PRESENT

Judy Crondahl distributed a listing of Senate Capital Projects for committee review, and Jay Hogan distributed to senators serving as chairmen for respective budget areas, completed budget information for individual budget categories.

Chairman Sackett moved that CSHB 627 (Fin.) (An Act appropriating for the operating expenses of the state government) be up for passage, advising that the staff has experienced problems with the computer, but will have a final bill out later in the day. He added that he hoped to be able to go into caucus following the daily floor session to answer any questions, in order that the budget bill can be read across the Senate Secretary's desk today, and taken up on the floor Thursday or Friday.

CSHB 627
(Fin.)

Questions arose concerning the correct total for the Governor's budget, including budget amendments, and Mr. Hogan was directed to check for correct totals and return to committee prior to adjournment.

Chairman Sackett moved to bring SCR 84 (Approving the sale of royalty oil to Tesoro-Alaskan Petroleum) and SCR 96 (Approving amendments to the royalty oil sales agreement between the State of Alaska and Golden Valley Electric Association) on for discussion, advising that Mr. LeResche was present to testify concerning both resolutions.

SCR 84
SCR 96

Commissioner LeResche began his testimony on SCR 96, advising that the contract amendments accomplish three things:

1. Change the price.
2. Require that the state provide line fill.
3. Provide security to the state.

The necessary changes are the result of events that have happened since the original contract was signed. The price stipulated in the contract was the highest in-value price the state could get. The state got the price a year ago because it had hope that the stated amount would be the well-head price (while preparing the well-head rate suit). As the situation turned out, there is no way for the state to get the contract price and, consequently, Golden Valley Electric was being charged more than the state could get for the oil. Golden Valley brought this fact to the state's attention, and the state agreed to amend the contract so Golden Valley would be paying what the state should be getting.

The line fill and security agreements result from negotiations with ALPETCO. These concessions are in the ALPETCO contract, and Golden Valley has demanded equal treatment. The administration's feeling is that the demands do not expose the state to any harm, so the administration chose to accommodate Golden Valley.

(Senator Croft entered the meeting at this time 8:45 a.m.)

The state provides the initial line fill and Golden Valley pays for the fill at the price it is worth at the time received. Essentially, the state owns the line fill during the term of the contract.

Security arrangements were revised to reflect the amount the state actually has at risk. It requires a bond or other security in the amount owed the state at any time. Should Golden Valley default, the state is secured.

Senator Butrovich inquired concerning how Golden Valley's contract compares with refining contracts, and Commissioner LeResche replied that although the Royalty Board has approved the refining contracts, and Mr. Silides has sent a letter saying that the

contracts would be signed, the signed contracts have not been received. He added that Golden Valley has not used any oil under the old contract because of the price differences.

Senator Orsini inquired concerning whether or not the state is selling the oil to Golden Valley at a lower price than it would to others, and Commissioner LeResche replied, "no," each producer pays a different well-head price. Under the original contract Golden Valley would pay the highest price, even through the oil comes pro rata for each producer, so under the contract amendments, the state is adjusting the terms so Golden Valley pays a pro rata price.

Chairman Sackett raised a question concerning the definition of "line fill" and why the state made such a concession. Commissioner LeResche advised that the state gave the concession because it allowed the same to ALPETCO, Golden Valley demanded equal consideration, and the administration felt it would result in minimal, if any, detriment to the state. In an effort to define the "line fill," Commissioner LeResche cited the following example:

Suppose Golden Valley is taking 5,000 barrels a day, and it takes 3 days to get to Fairbanks, this means that Golden Valley has 15,000 barrels of oil that it does not pay for until the end of the contract. The line fill is Golden Valley's share of the oil which is continually in the pipeline. (Formula - the daily take in barrels times the number of days for transport, at roughly \$6.00 per barrel.)

Senator Orsini inquired concerning whether or not any opposition to the resolution has been voiced, and Commissioner LeResche replied that he was aware of none.

Referring to SCR 84, Commissioner LeResche advised that the resolution refers to an extension of the Tesoro contract. It is impossible due to regulations, for the state to get any more for its oil than it is getting from Tesoro, so the Tesoro agreement has been extended for an indefinite period until the state can get more money for its oil, at which time the price would be re-negotiated. At present, the state has only two choices, either cancel the agreement and make no money, or extend the agreement (not change the state's income) with Tesoro.

SCR 84

Senator Orsini restated his understanding of the above to be that regardless of whether the state sells to Tesoro or someone else, it cannot get more than the present price. Commissioner LeResche stated that the above understanding is correct, adding that the administration had tried everything; it had even looked into ancillary benefits, but determined that the contract with Tesoro was the best it could do.

Replying to a statement from Senator Orsini advising that he felt that if Tesoro was getting "cheap" gas the price savings should be passed on to Alaskan consumers, Commissioner LeResche responded that he agreed with Senator Orsini, but added that costs for Tesoro continue to climb simply through inflation, even though the price of crude remains constant.

Elke Kallab inquired concerning the reason for extending the contract for 5 years rather than a lesser time period, and Commissioner LeResche replied that a shorter time period could be effected, but the extension is meant as a solution which could remain in effect until such time as the price breaks, when a new price can then be negotiated. Ms. Kallab advised that the contract does not allow for such re-negotiation, and Commissioner LeResche replied that he would look into the matter.

Additionally, Ms. Kallab advised that it was not clear whether the extension is an extension of the primary contract or in effect activates one of the 3 year extensions under the contract. Commissioner LeResche responded that it is an extension of the primary contract.

Continuing questions to Commissioner LeResche, Ms. Kallab advised that under the original 1969 contract there was a provision similar to that in the extension, wherein should Tesoro contract with a third party for Cook Inlet oil and pay a higher price than required by contract with the state, the state is entitled to the difference. Conversely, if the state sells Cook Inlet oil to a third party for a lower price, Tesoro becomes entitled to the lower price. The amendment effected by the extension now says that if Tesoro pays the higher price, the state becomes entitled to the difference, but it also says that if the state sells Cook Inlet oil to a third party for a higher price, then Tesoro must pay the higher price, so Tesoro never gets the benefit of a lower price.

She added that the state has protected itself well in the ALPETCO contract by a provision allowing that anytime the state offers lower priced royalty oil to anyone else, ALPETCO has first right of refusal. Ms. Kallab further advised that she thought perhaps the provision as stated in the extension was an oversight, adding that she had not had an opportunity to discuss it with company representatives.

Commissioner LeResche replied that the problem is a minor thing because there is no way the state is going to get a higher price anyway, adding that, basically, the provision represents the one thing the state could figure into the contract which would give it (the state) a theoretical advantage.

Chairman Sackett directed Commissioner LeResche to obtain answers to questions concerning whether the extension is indeed an extension of the primary contract, why the extension is for 5 years, and whether the price for oil can be re-negotiated should the price break within the 5-year period.

Senator Butrovich moved that SB 431 (Act making a special appropriation to the Dept. of Natural Resources for state participation with mineral resource developers in the construction of developmental access roads) be brought up for discussion, advising that the bill appropriates 1 million dollars for development of access roads, and that Mr. Holdsworth was present to testify concerning the bill. SB 431

Mr. Holdsworth advised that he was pleased to see the bill introduced by Senators Huber and Kerttula, adding that the appropriation relates to a law that has been on the books for many years (the road section AS 19.30 has been on the books since 1970), but funding has not been appropriated for these projects. Industry is now in a squeeze because of land freezes and new BLM regulations governing land use. He added that, today, industry will go anywhere that it can gain access to the land. In the past there have been few qualified applicants for this program, but at the present time there are quite a few individuals who could benefit.

Responding to a question from Senator Butrovich concerning a companion bill (SB 521 - Act increasing the

limit of state participation in the costs of construction of developmental access roads), Mr. Holdsworth stated that SB 521 allows the Commissioner of Natural Resources to review applications and enter into contracts where the state participates with the applicant in the cost of construction up to \$50,000 or 50% of the cost of the road. However, applicants must bear all right-of-way costs.

Senator Orsini asked if the bill would, in effect, subsidize access roads to small mining claims, and Mr. Holdsworth responded that the property or deposit has to be developed to a point where it is considered to be a viable mining claim which will result in mineral production. Senator Orsini next asked if it would matter whether the applicant is a large mining company or a one-man operation, and Mr. Holdsworth replied that under the act there would be no difference between the two.

Senator Kerttula advised that in the past, miners could cross streams, lands, etc. when they wished to get to a claim, but now they have to build culverts over streams, etc. Mr. Holdsworth stated that the roads must be built to a suitable standard for movement of equipment, etc., and must be suitable for eventual upgrading. The standards set for access roads are very similar to the state requirements for logging roads. Such roads generally provide only one-way traffic with turn-offs, and would have to be widened for public use, but the subgrade would satisfy state requirements.

Senator Hohman referred to statutory requirements for logging roads and state use of the road and maintenance. He advised that the statute states that access roads are to be constructed as rudimentary traffic roads built to standards which can be readily improved for general public use. The law also indicates that the state would have responsibility for maintenance. The road becomes the property of the state, and so long as the road is used by the applicant, and is open to public use, the applicant shall pay one-half the maintenance costs.

Logging
Road
Require-
ments

State
Mainten-
ance

Senator Croft raised a question concerning legal liability in connection with the road if the state is responsible for a share of the maintenance, and suggested that a representative from the Attorney General's Office speak on the question.

State
Liabil-
ity

Senator Hohman asked if, under the proposed legislation, miners would be acquiring private right-of-ways across state land, and Senator Kerttula replied that the use of public funds for access construction would make it difficult to say that the public could not use the road. Mr. Holdsworth stated that in most cases he did not believe the roads would be of interest to the public since they would be mostly short roads to mining claims.

Patrick Conheady appeared briefly on behalf of the Department of Natural Resources, advising that the department is in favor of the legislation. Chairman Sackett asked Mr. Conheady if the department considered the legislation to effect public subsidy of private roads, and Mr. Conheady replied that one could look at the legislation two ways, advising that the department preferred to look at it the other way.

Senator Orsini advised that his concern was that the legislation would promote roads in remote areas of the state that would require maintenance and jeopardize maintenance funds for other areas.

A representative from the Attorney General's Office arrived and advised that he believed that if the state shares one-half responsibility for maintenance of the access roads, it would also share one-half the legal liability. He advised that highways should speak on the matter, adding that when he worked for highways, the department proposed a bill relating to state responsibility for highway injuries. The bill would have amended Title 9, dealing with state immunity, and he added that such amendment would probably be the only effective manner for dealing with the problem.

Chairman Sackett advised that he would contact a representative from Highways and bring the bill on for further discussion at tomorrow's meeting.

Chairman Sackett, upon receipt of figures from Mr. Hogan, advised that through budget amendments, figures for the Governor's budget have increased 22.4, bringing the administration total from 863.3 up to 885.7. He added that the total Senate budget is 886.7, making the Senate budget exactly one million dollars more than the Governor's.

CSHB 627
(Fin.)

Senator Orsini inquired concerning what is expected of committee members regarding recommendations on the committee report, asking what would happen if one wished to sign "no recommendation." Senator Butrovich

replied that he assumed "no recommendation" would make the senator a free agent with regard to his position on the budget. Senator Hohman advised that he would be extremely disturbed to have someone from the finance committee object to the budget on the floor of the Senate and attempt to grab newspaper headlines. He moved that Senate Committee Substitute for Committee Substitute for HB 627 (Fin.) pass from committee with a do pass recommendation. Senator Orsini advised that he intended to sign no recommendation, and SCSCS HB 627 (Fin.) passed from committee, all senators present signing do pass with the exception of Senator Orsini who signed no recommendation.

SCSCS
HB 627
(Fin.)

Chairman Sackett made the following bill assignment:

SB 59 - Croft
SB 208 - Orsini
SB 358 - Tillion
SB 447 - Sackett
SB 533 - Hohman
SB 534 - Sackett
SB 537 - Meland
SB 538 - Butrovich
SB 543 - Croft
SB 546 - Sackett
SB 547 - Orsini
SB 555 - Orsini
SB 562 - Tillion
SB 576 - Hohman
SB 592 - Hohman
SB 593 - Hohman

BILL
ASSIGNMENT

HB 608 - Meland
HB 870 - Sackett
HB 901 - Meland

SCR 102 - Sackett
SCR 105 - Croft

There being no further matters to come before the committee at this time, the meeting adjourned at approximately 9:50 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

May 4, 1978

8:13 a.m.

Chairman Sackett called the meeting to order at 8:13 a.m. All members were present with the exception of Senators Hohman and Tillion who had been excused. Also present were: Judy Crondahl, AA to Senator Sackett; fiscal analyst Milt Barker, Joe LaRocca of the press; Sterling Gallagher, Commissioner of Revenue; J. W. Allen, VP, Finance, NW Alaskan PL Co.; H. W. Cann III, VP, Bank of America; M. R. Stanfield, VP, Loeb Rhoades, Hornblower & Co.; Mike Bender, Jack Fuzuin & Associates; Dave Watkiss, Dir. NW Alaska PL; Andy Meyer, Pres., NW Alaska PL; William C. Foster, attorney, Patton, Boggs & Blow for NW Alaska PL; Mark S. Hickey, Transportation, DOT/PF.

Chairman Sackett informed the committee that again they would be considering the Gas Pipeline. He asked Mr. Meyer who would be testifying on behalf of NW Alaska Pipeline. Mr. Meyer introduced Mr. Watkiss.

Mr. Watkiss began his dissertation by referring to information requested by Senator Butrovich in the committee meeting of April 27. Mr. Watkiss handed out a memo from from Michael R. Stanfield, VP, Loeb Rhoades, Hornblower & Co. and Howard W. Cann III, VP, Bank of America, to James W. Allen, VP-Finance, NW Alaskan PL Co., outlining Alaska Financial Participation in the pipeline venture. Mr. Watkiss stated that he hoped this information would serve to satisfy Senator Butrovich. However, if it did not, he would be happy to furnish whatever the Senator would like to have.

Regarding the Alaska portion of the participation, Mr. Watkiss said the one billion dollars would be spread over a period of three years, not all in one year.

Mr. Watkiss stated again that the urgency of having the bill passed was so their company could go to Washington D. C. to talk to Congress to get this particular project exempted under the IRS Code, Sec. 103. Senator Gravel is quite involved in the discussions on the tax exempt status, as he is a member of the Senate Finance Committee.

There has been some question as to whether or not the committee feels there should be some type of strings attached on this bill because of the reluctance to give three commissioners authority to complete the financial package. Mr. Watkiss said the State is going to be very much involved in looking at the financial package as there will be three members from the House and the Senate to help put the package together. Mr. Watkiss stated that they hope to have the financial package completed sometime next year.

Mr. Watkiss stated that some of the most sophisticated lenders in the world would be looking at this in regard to financing. Those companies are the ones who would be coming out with eight to nine billion dollars in long-term financing. The Legislature would be looking at those companies who will be going to be involved in this financing. There would be checks all along the way with concern to this project. "Strings attached" would show a lack of true interest on the part of the State. A positive position from the State would be very helpful in a tax position and with lenders who are interested. What NW Alaska Pipeline Company needs is a clear intention from the State that they want this project, that they are interested in seeing it go forward, and, therefore, are willing to pass this legislation, Mr. Watkiss said. He also indicated that this action would be helpful in getting the proper financing.

In answer to a question regarding who traditionally is a buyer of this type of bonds, Sterling Gallagher said that Alaska Housing Finance has found that Allstate is a substantial buyer. Presently there are a number of insurance companies who are buyers - mostly Midwest companies rather than East Coast companies.

Senator Sackett asked a question with regard to the one billion dollar sale over a three-year period. Do you have a schedule or how do you come up with the theory of one billion dollars over three years? Mr. Watkiss stated that if they hold to the present schedule they would be going to the bond market in 1980, 81 & 82.

Senator Orsini asked whether that one billion dollars would be spent evenly over the three years or would it be mostly in one year? Mr. Allen stated that it would not be spent exactly evenly, but as follows:

1980	\$203,000,000
1981	331,000,000
1982	207,000,000.

Mr. Allen said these figures were based on assumptions as to the draw downs need as opposed to the total commitment.

Senator Croft questioned: Rather than setting up a new authority had consideration been given to the existing Alaska Power Authority with modification? Mr. Watkiss responded by saying this is an identified separate project. It could create problems if it were to be co-mingled with other projects. It would be jeopardizing chances if they didn't do it separately.

Senator Sackett wanted to know what is the status of the exemption at the present time. Mr. Watkiss said there

is nothing to work on until they get the Legislature to pass SB 603 (creating the Alaska Gas Pipeline Financing Authority). Mr. Watkiss felt Congress would be receptive to this bill because they were talking about the State of Alaska's participation.

SB 603

Mr. Meyer stated "we hope you will share with us the need for urgency so we can go to Congress with this legislation." Mr. Watkiss said they would provide anything additionally in writing that the committee would like to have.

At this point Senator Sackett brought SCR 102 (Direct investment by Alaska in natural gas pipeline) up for discussion. He requested that Mr. Watkiss give his views on this Resolution. SCR 102

Mr. Watkiss said it was in regard to having a study initiated by the State composed of three members of the House and three members of the Senate to work with Administration. Those members from each body would be kept fully informed through the summer and fall on how NW Alaska Pipeline Company was doing in putting together the financing package. This group would have their own type of consultants to determine the State's interest. The committee would have to be satisfied with the investment of public funds and the best interests of the State. The committee would be able to make an informed judgment on the financial package when it is completed.

Senator Sackett asked Sterling Gallagher where he got the figure of \$200,000 for the fiscal note. Mr. Gallagher replied that that sum should take care of bond counsel, legal counsel, travel, meetings, per diem, etc.

Senator Orsini asked whether or not any of the Midwest states had been approached in regard to financing the pipeline. He felt that as they would be the prime consumers of the gas, they would be interested in the financial package. Mr. Watkiss said it had not been determined at this point whether or not the Midwest would be the prime consumers.

Senator Croft wondered what has been the interest of other producers. Mr. Watkiss said the producers have been waiting for a bill. They are waiting to lay the pipeline to see how much they are going to get for the gas. And, Mr. Watkiss said, until this bill is passed they really don't want to talk to us. Senator Croft then asked "In that regard isn't it necessary for us to get an energy bill to determine prices?" Mr. Watkiss answered that he was almost certain that they would get rolled in prices. Mr. Watkiss said he would like to see it in a bill - it expedites it in going before the Federal Energy Regulatory Commission. Delays result in increases of about one billion dollars a year.

Senator Croft asked of Mr. Watkiss: "If you feel that comfortable with the energy bill, why aren't the other producers interested?" Mr. Watkiss replied that he thought

they would be interested. Their interest is similiar to the State of Alaska. They want to get the most possible for the price. And North West can't move until they get some contracts.

At this point Mr. Watkiss completed his testimony.

Chairman Sackett moved that SB 431 (Special appropriation to Dept. of Natural Resources for state participation with mineral resource developers/access road) be brought up for discussion. Charlie Carillo from the Department of Transportation was introduced to answer any questions the committee might have. SB 431

Senator Orsini voiced his feelings that by the State putting in an access road, they not only would be obligating themselves to the road, but also to the maintenance. This road would not benefit many people in the State as it would be mainly used for mining.

Mr. Carillo said that the cost of state maintenance was about \$5,000 per year per mile. If a community would take on that burden and keep the road up themselves, it would cost only half or even less for maintenance. However, many bush areas do not have the necessary equipment for building or maintaining roads. When the State has to take their equipment into an area, the transportation costs are what makes the maintenance cost so high. A miner with the equipment could do it for about \$1,000 per mile. It all depends on the area - road on a ridge or in the valley.

Senator Croft had a question regarding the estimating of liability insurance costs on these roads. If the State builds them, they are public roads and therefore subject to State insurance coverage. Mr. Carillo said the cost would be very minimal.

Senator Butrovich wondered if the State constructed a road for a mining company could they reimburse their half? Mr. Carillo said there was nothing in the program that would prohibit that. Senator Butrovich said that if a fellow has a mine, he probably has equipment. He could build the road much cheaper than the State could do it.

Mr. Phil Holsworth suggested that the maintenance provision be taken out of the bill. He said the road would be used only for the purpose of mining. If at some time in the future it was decided the road should be opened to the public the State would then take care of the maintenance.

It was decided that Judy Crondahl and Mr. Holsworth would work on a CS for this bill, possibly working it in with SB 521 (Act increasing the limit of state participation in the cost of construction of developmental access roads).

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

ADJOURN

SENATE FINANCE COMMITTEE

May 5, 1978

9:10 a.m.

Chairman Sackett convened the meeting at approximately 9:10 a.m. All committee members were present with the exception of Senators Tillion, Hohman, and Croft. Also in attendance were Senator Frank Ferguson and members of his staff; Carolyn Guess, Commissioner with the Alaska Public Utilities Commission; Clarissa Quinlan, Acting Director, Division of Energy & Power Development; Fiscal Analysts Bob Grogan and Dave Scott; Administrative Assistant to Senator Sackett, Judy Crondahl; and Joe LaRocca of the press.

PRESENT

Chairman Sackett moved that SB 592 (Act providing "lifeline" electrical service to residential consumers of electrical energy) and SB 593 (Act making special appropriation to the residential electrical energy lifeline rate fund) be brought on for discussion, advising that Senator Ferguson, Carolyn Guess and Clarissa Quinlan were present to testify concerning the bills.

SB 592

SB 593

Senator Ferguson advised that an APUC study of the 43 to 48 villages currently provided electricity generated by AVEC (Alaska Village Electric Association) indicates that the cost of this electricity to the rural consumer is 37¢ per kw hour. SB 592 would provide for a base of 300 kw hours per month at a consumer cost of 10¢ per kw, the state to subsidize the remainder of the cost. Senator Ferguson advised that while rural areas have revenue sharing based on per capita, generation of electrical energy does not qualify as a revenue sharing program. He added that the average electricity rate at the present time in Anchorage is 3¢ per kw, 13¢ per kw in Bethel, and 37.2¢ per kw to the AVEC subscriber.

SENATOR
FERGUSON

Carolyn Guess next appeared before the committee to present APUC's position concerning SB 592. She advised that the committee might wish to review the "lifeline" definition in terms of the title of the bill, adding that a "lifeline" rate is a low base price for a quantity of electricity which a household uses

CAROLYN
GUESS

for its basic needs. SB 592 does not embody the true lifeline concept because lifeline allocates the cost of electricity through distribution to greater users of electricity, and the cost is borne by the consumer, while SB 592 requires that the state subsidize the electrical program. She added that since SB 592 is not a true lifeline project, she was concerned that its incorporation into Alaska Statutes might preclude a true lifeline project from being implemented at a later time.

Mrs. Guess advised that she had worked with Senator Ferguson on the proposed committee substitute, adding that APUC recommendations have been included in the substitute, while offering the following "new" changes:

Page 2, Line 25 - "unless specifically authorized on a temporary basis by the commission under AS 42.05.411(d),"

Above wording should be deleted because Section (d) was removed from the original bill.

Page 3, Line 1 - "sec. 99(4)"

Above section should read sec. 99(5) rather than (4).

Page 3, Lines 17, 18, & 19.

After the words "effective tariff" on Line 17, place a period, and delete lines 18 and 19.

The above wording should be changed because the tariff will yield operating expenses beyond the rate of return.

Page 4, Line 17, the word "commissioner" should be changed to commission.

The above section addresses the responsibility of APUC to determine whether there should be an adjustment in life line usage rates.

Mr. Guess distributed an APUC position paper including three attachments:

1. Copy of the AVEC docket wherein APUC says there is going to be a problem regarding the high cost of electricity in rural Alaska, and that someone is going to have to address this problem. She added that APUC does not make social policy, it simply sets rates, adding that AVEC has experienced rate increases which have in turn been passed on to the consumer, and the rural customer does, indeed, pay 37.2¢ per kw hour.

2. List of proposed changes to original bill which have already been incorporated in committee substitute.

3. List of utilities which would be eligible for the proposed project because their block costs are beyond 10¢, or because the weighted kw hour is above 10¢. The list also contains utilities exempt from regulation which might qualify should they apply for regulation, and the last page lists areas which may be producing power at rates in excess of 10¢, but are exempt from regulation because their costs are less than \$25,000 per year.

Mrs. Guess added that only regulated utilities would qualify for the program suggested by SB 592.

Mrs. Guess further stated that upon completion of the AVEC proceeding by the APUC, she wrote a memo to Governor Hammond, because she truly believed that someone was going to have to face the problem of high cost electrical needs in rural areas. Senator Orsini inquired concerning the number of kilowatt hours used per rural household, and Mrs. Guess replied that in 1976 the average shown in the AVEC study was 160. Senator Orsini then asked what the average usage is in urban areas, and Mrs. Guess replied that (without electric heat) it is probably between 600 to 900 kw hours. Senator Ferguson advised that his household uses over 1000 kw hours per month, and he doesn't have electric heat.

Mrs. Guess again voiced her concern in using the term lifeline when describing what is really a state subsidy under the terms of SB 592, adding that such use may prohibit a true lifeline project needed at a later time, advising that behind the

lifeline concept is the assumption that everyone has the right to a certain amount of electricity to maintain life, so they don't die, their food doesn't spoil, etc.

Senator Ferguson pointed to the disparity between the 3¢ per kw hour charge in Anchorage, and the 37.2¢ paid by the bush, adding that life line would apply to only 300 kw hours and, thus, would encourage conservation.

Senator Orsini inquired concerning utilities which would be eligible under the bill, asking why, if the intent is to subsidize high electrical cost areas, small electrical utilities should not be included. Mrs. Guess replied that she believed the utilities eligible for the program should be regulated, because the bill will necessitate the use of state bonds as well as consumer bonds. For utilities which are not regulated there is no control on the rate they can charge--there would be no lid on costs.

Senator Ferguson advised that the administration has not taken steps to take care of the problem even though there is a division of energy within the Governor's office. The attitude of both the Governor and the division has been simply to conduct another study concerning the problem. SB 592 attempts to provide a solution to the problem whether this particular solution is short lived or not. Bush communities now have little faith in what the Governor is doing in this area, and cannot wait another two years for a decision to be made. Senator Ferguson further stated that the committee substitute would not take effect until October, which would give the administration time to effect an alternate solution.

Senator Orsini asked Senator Ferguson if he had looked into a more typical lifeline arrangement for consumer absorption of electrical cost rather than state subsidy, and Senator Ferguson replied that he had looked into that possibility, as well as a proposal to place statewide electrical rates at 10¢ per kw hour, producing a revolving fund from which high cost electrical areas such as those supplied by AVEC could draw.

Senator Orsini advised that he had been told that part of the reason for the high costs associated with AVEC was poor management. Mrs. Guess replied that as a result of the APUC study, it was determined that some AVEC management policies should be improved, but she added that the project suffers mainly from lack of sufficient revenue. She further stated that it is a miracle AVEC is operating, because it did not have the revenue it needed to continue operation, adding that the current director has done a "yoeman" job of holding everything together.

Clarissa Quinlan next appeared before the committee, and advised that the APUC sets the basic line rate and approves the tariffs for regulated utilities, while the purpose of the division of energy is to dispense the money. She stated that the division estimates what use will be by the customers for the coming year, and allocates 80% funding to the utility, making adjustments at the end of the year from the remaining 20% funding.

CLARISSA
QUINLAN

Ms. Quinlan advised that the division really didn't know how much the program proposed by SB 592 will cost. The division has estimated that for six months users will probably use the full 300 kw hours, but will use one-half that number during the remaining six months. The division believes there will be 21 utilities serving 71 communities immediately eligible for the lifeline service. An additional 8 utilities which are currently certificated but not regulated, will become eligible within the first year. Approximately 3 to 4 million dollars will be spent during the first year (based on a July 1 start-up rather than October 1), and 19,000 consumers will be served. In addition, the division assumed that the 6 largest utilities would not become eligible, now it appears that Golden Valley is contemplating a rate increase which would bring it within the over 10¢ per kw hour cost criteria under SB 592.

The program will eventually level out at 25,000 consumers rather than the 15,000 listed at no. 5 on the fiscal note, resulting in a yearly program cost of 4 to 5 million dollars, not including inflation.

In addition, electricity rate changes are subject to annual review and possible upgrade by APUC, and Mrs. Guess advised that the block rate could increase upon annual APUC review.

Ms. Quinlan suggested that the definition of lifeline be reviewed to see if the program suggested by SB 592 cannot be more closely defined, adding that the bill does not really promote energy conservation because it allows each utility company to sell power through subsidy to the "lower end of usage." The lower cost of electricity brought in by lifeline may promote the use of more electricity, and this fact was not taken into consideration when the division prepared the fiscal note. She concluded her statement by advising that SB 592 would be setting a major precedent and major state policy which will effect a long term costly program requiring annual state subsidy. For the above reason, Ms. Quinlan suggested the committee might wish to consider placing a termination date upon the program, or pursuing alternatives available rather than subsidy.

Ms. Quinlan advised that the Governor recognizes the electrical needs in rural areas and has looked into alternate possibilities such as the use of school diesel generators to serve entire communities rather than just the school; use of capital funding for purchase of diesel generators to be turned over for community use; the possibility of a demonstration distribution system connecting some AVEC villages to increase efficiency of the system. Also the community development plan initiated by the DOT would insure that prior to further federal or state development (such as housing or schools) in an area, an analysis be made of the electrical system to determine whether or not it can handle the additional load. She stated that part of the AVEC problem results from such construction with no thought of where the power will come from.

Senator Ferguson refuted the alternatives posed by Ms. Quinlan, advising that the purchase of generating plants would cost much more than the project suggested under the subject bill, while the distribution plan would work only for villages located within reasonable proximity of one another. He added that he didn't care whether or not the bill carried a cut-off date so long as a viable alternative is provided upon expiration.

SENATOR
FERGUSON

Senator Butrovich advised that he felt the project needed more study, adding that his concern did not

BUTROVICH
MORE INFO
NEEDED

involve whether he was for or against the bill,
but related directly to the fact that he simply
needed more information before taking action.

Chairman Sackett advised that it was already past
time for the regular Senate session and adjourned
the meeting at approximately 10:10 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

May 8, 1978

9:02 a.m.

Chairman Sackett called the meeting to order at 9:02 a.m. All members were present with the exception of Senator Croft. Also present were Marshall L. Lind, commissioner, Dept. of Education, Senator Ferguson, Representative Hugh Malone, Judy Crondahl, AA to Senator Sackett, and Joe LaRocca of the press.

PRESENT

Chairman Sackett made the following bill assignments:

SB 581	-	Butrovich
SB 577	-	Tillion
SB 9	-	Orsini
SB 421	-	Tillion
SB 585	-	whole committee
SB 449	-	Tillion
SCR 100	-	whole committee
SB 615	-	Hohman
CSHB 861	-	Sackett

BILL
ASSIGN-
MENTS

Chairman Sackett introduced Commissioner Lind to testify on SCR 105 (establishment of pilot program of financial support of public schools in Alaska). Commissioner Lind began his dissertation by saying that this resolution was one of concern to many school districts in the State.

SCR 105

The pilot program will be centered in Anchorage, Northwest Arctic and Haines. The program will take place over a period of three years, with the school districts reporting to the Legislature at the end of two years, and again at the end of the third year with a final report.

Senator Orsini questioned as to whether or not there would be any change in the amount of state participation. Mr. Lind replied that it would stay the same. Mr. Lind said the new system would require two accounting systems. However the pupil accounting system is in need of overhaul at the present time.

Fiscal analyst, Dave Scott, said there should be an audit of the three school districts involved before the program goes into effect. Mr. Lind said there would be no problem there. Senator Ferguson said the Northwest Arctic School District had undergone six audits in the last year and he felt than another audit on them would not be necessary.

Chairman Sackett asked for the wish of the committee. Senator Orsini moved and asked unanimous consent that SCR 105 be passed out of committee with an amendment and a letter of intent and a do pass recommendation. It was so ordered. SCR 105 passed out of committee with all members present signing do pass.

MOTION

Senator Butrovich asked that HB 222 am (public scrutiny of budget process) be brought up for discussion. He introduced Representative Hugh Malone, author of the bill, to speak on its behalf.

HB 222 am

Mr. Malone began his dissertation by saying most decisions regarding the makeup of the budget are made by the people in the departments of state government who are responsible for the different programs. Most of the decision making takes place at the agency level rather than where the public happens to be. Very little is known about what goes on.

Mr. Malone said the basic intent or purpose behind HB 222 is to have the reviews by the agencies be made public before they go to the Governor and the legislature. The public should be involved in the formulation process.

Senator Orsini said he could see how different interest groups could be affected by this piece of legislation, but how would it affect the private individual who did not represent an interest group. Mr. Malone said the legislation would be mainly for the interest group rather than the individual. Senator Orsini then asked if Mr. Malone felt that these organizations didn't have sufficient say now in the budget process. Mr. Malone said no.

Senator Orsini then questioned Senator Hohman: are the Budget & Audit committee members involved enough to make recommendations to the legislature? Senator Hohman replied that the Budget & Audit committee puts a great deal of reliance on the staff.

Senator Tillion asked if this wouldn't make just a pre-budget committee instructing what they could put in the budget? Mr. Malone said he assumed it would take a couple of years before the committee could come up with any conclusions as to how the budget should be worked out.

Senator Sackett asked Mr. Malone to work with Jay Hogan in coming up with a Committee Substitute for Sections 3 and 4, and to come up with a new fiscal note.

Senator Hohman said he had talked with Rep. Clark Gruening regarding using HB 222 am as a vehicle for piggyback for another bill. Mr. Malone stated he had no objection to that.

Chairman Sackett brought up HB 609 (supplemental appropriation to the Alaska Court System, Barrow) for discussion. The committee briefly reviewed the bill.

HB 609

Senator Hohman moved and asked unanimous consent that CSHB 609 be passed from committee with a do pass recommendation. It was so ordered. CSHB 609 passed as follows: do pass: Senators Hohman, Sackett, Meland and Butrovich. Senators Tillion and Orsini voted no recommendation.

ADJOURN

The meeting adjourned at 10:05 a.m.

SENATE FINANCE COMMITTEE

April 9, 1978

8:00 a.m.

Chairman Sackett convened the meeting at approximately 8:00 a.m. All committee members were present with the exception of Senator Orsini who arrived shortly after the meeting began, and Senator Croft who was absent. Also in attendance were Charles Sothan, Deputy Director, Division of Corrections; Lee Dalby, Administrative Officer, Division of Corrections; Mr. Ben Marsh, representing the Whittier City Council; Robert P. Gregovich, Ph.D., Program Administrator, Division of Disabilities, Health & Social Services Division of Mental Health & Development Disabilities; Vern Metcalf, Legislative Liaison for Department of Transportation; Phil Holdsworth, Lobbyist for Alaska Miners Association; Jay Hogan, Director of Legislative Finance; Administrative Assistant to Senator Sackett, Judy Crondahl; and members of the press including Joe LaRocca. PRESENT

Chairman Sackett moved that SB 389 (Act relating to gratuities to prisoners for work performed in prison facilities) be brought on for discussion, advising that Mr. Sothan and Mr. Dalby were present to testify concerning the bill. SB 389

Mr. Sothan advised that the Dept. of Health & Social Services cannot support the bill as written because the amount of gratuity paid will vary according to the pay rate for similar work outside the institution. The amount of the gratuity under the bill is not to exceed \$3.00 per day. Under the present policy, inmates are entitled to \$1.00 per day gratuity, plus 3 days per month meritorious good time for work during the first year of incarceration, and 5 days a month for succeeding years, in addition to extra meritorious good time for extra service. MR. SOTHAN

The problem with the bill is two-fold:

1. The \$3.00 per day gratuity payment will increase the budget \$400,000 per month.
2. The Department feels that some of the wording regarding the rate of pay for inside work in relation to similar outside

work on a sliding scale would create a bookkeeping nightmare.

Chairman Sackett asked how the "bookkeeping nightmare" would result, and Mr. Sothan replied that under the bill, one person would be entitled to a certain rate of pay while another received a different rate, resulting in as many of nine salary schedules to calculate. In addition, some inmates perform one type of work in the morning, and undertake a different chore for the afternoon. Salary adjustments would have to be made for these circumstances. Chairman Sackett advised that it was his understanding that under the bill, one would sign up for work within a job category and remain within that position for a specific period of time, citing as examples cooks, janitors, and laundry personnel within the institution. Mr. Sothan replied that within institutions, there are only a fixed number of such jobs available.

(Senator Orsini entered the meeting at this time, 8:10 a.m.)

Senator Butrovich asked whether working within the institution is mandatory or voluntary, and Mr. Sothan replied that it is voluntary and approximately 1/3 of the inmates do not work while 2/3 do. Senator Orsini inquired concerning the theory behind not requiring inmates to work, and Mr. Sothan replied that the position has been taken that prisoners cannot be forced to work, adding that while the theory has been nationally adopted, the advantages for prisoners who work are much greater than if they simply sit and do nothing.

Chairman Sackett moved that the bill pass from committee with individual recommendations. No objection having been voiced, CSSB 389 passed from committee, Senators Sackett and Butrovich signing do pass, Senators Hohman, Tillion, and Meland signing no recommendation, Senator Orsini signing "no overt recommendation."

MOTION
CSSB 389

Chairman Sackett moved that SB 585 (Act appropriating \$250,000 for the state share of the project cost of the Portage to Bear Valley Road) and SCR 100 (Relating to the Federal Aid Highway System) be brought up for discussion, advising that a representative was present to testify concerning the bills.

SB 585

Mr. Ben Marsh introduced himself, advising that he represents the City Council of Whittier (Whittier consists of approximately 117 year-round residents), and a homeowners/development association consisting

MR. MARSH