

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2738

SENATE FINANCE COMMITTEE

January 17, 1979

8:38 a.m.

Chairman Sackett called the meeting to order at 8:38 a.m. Members present were: Senators Sackett, Bennett, Dankworth, Hackney, Ray, Sumner and Hohman. Also present were: Pete Jeans, Director, Business Loans, Charles Webber, Commissioner, and Bert Wagnon, Deputy Commissioner all from the Department of Commerce and Economic Development; Jack L. Tinsley, Director, Veterans Affairs; Sterling Gallagher, Commissioner, Department of Revenue; Tom Barns, Budget Analyst, Office of the Governor.

PRESENT

Chairman Sackett advised the committee that the topic of discussion for the day would be a problem that had arisen during the last couple of months - that being the lack of money. He introduced people from the Departments of Revenue and Economic Development to testify.

TOPIC

Commissioner Gallagher testified for the Department of Revenue. He stated that the general fund balance at the end of FY 79 would be \$550 million as most of the cash flow comes in the last day of the fiscal year. Commissioner Gallagher informed the committee that four years ago it took four to five months to process a veteran loan. It was in 1975 that the Department decided to adopt the "warehouse line" (also referred to as "prepurchase") for a veteran loan which would give assignment of the Deed of Trust on the day the loan closed and all documents would be received by the Department within 60 days. It now takes 60 days to complete a veterans loan and \$10 to \$15 million per month is being used in that program. Jack Tinsley, Director of Veterans Affairs, stated that 80 to 85% of all state loans were home loans. Small Business loans adopted the above procedure a year and a half ago. Commissioner Gallagher stated that the Small Business revolving loan account has about \$400,000 in it which allows only two loans to be in process at one time.

GENERAL
FUND
BALANCE

Commissioner Gallagher informed the committee that at the end of November 1978, there was \$327 million outstanding in the various loan programs and another \$110 million in commitments. As of the end of December 1978, it seemed apparent, Commissioner Gallagher stated, that the Department would have to go back to the old system of processing loans in four to five months because of the lack of funds. Commissioner Gallagher stated that annual payments (principal and interest) received on all loans amounted to probably \$45 million a year and that most loans have a seven-year average life (due to a highly mobile society in Alaska).

OUTSTANDING
LOANS AND
COMMITMENTS

Commissioner Gallagher stated that the cash flow currently is such that if nothing is done (if the oil companies don't pay their income tax in quarterly installments rather than annual installments) that the State will have to borrow up to \$60 million to operate in June 1979. Commissioner Gallagher stated that he is asking for regulations to be issued requiring quarterly tax payments from the oil companies rather than to have them wait until the end of September to pay the whole sum.

CASH
FLOW

Commissioner Gallagher stated that the current FHA rate is 10.6 to 10.7%. The State would have to go over that - at least 11%.

FHA
INTEREST
RATE

Senator Sumner questioned as to whether there would be some way the State could decrease the interest rate to allow more people to take advantage of the Small Business loans. Commissioner Gallagher stated that \$1 million had just been put out for construction purposes so that outside investors could see what the property looked like so they would be interested in investing.

SMALL
BUSINESS
LOANS

Commissioner Gallagher mentioned that the Pension Fund program commitment had been divided as follows: 60% of the funds were invested outside of the State of Alaska and 40% had been invested in Alaska. He stated that under ERISA there had to be a diversification of investments.

STATE
PENSION
FUND

Chairman Sackett questioned Commissioner Gallagher as to whether the Department of Revenue had looked into purchasing foreign currency such as the Japanese yen. Commissioner Gallagher responded that there is a bill being drafted to propose such.

FOREIGN
CURRENCY

Senator Sumner asked Commissioner Gallagher how much more the Department anticipated receiving by investing outside rather than investing in the State. Commissioner Gallagher responded that it would be 1 to 1-1/2% more.

INVESTING -
OUTSIDE VS
STATE

At this time Commissioner Charles Webber from the Department of Commerce & Economic Development took the stand. He stated that he had only taken office on Monday of this week but that he had been aware of the problem since the first of the year. Commissioner Webber introduced Assistant Deputy Commissioner Bert Wagnon. Mr. Wagnon stated that in trying to alleviate the problem, they were trying to work with the Alaska Housing Finance Corporation, basically by AHFC taking over the financing of veteran loans. After meeting with the AHFC in February they hope that veteran loans will be financed by them beginning in April.

ALASKA
HOUSING
FINANCE
CORPORATION

Senator Bennett questioned Mr. Wagnon as to whether he was trying to say that veteran loans would be classified in the low income category. He stated that he did not like those implications. Mr. Wagnon said that was not the case - just that the veteran would be getting the lower interest rate. Also that the maximum loan would be \$75,000 rather than the current \$68,250. However, under the new program the veteran would have to pay more in closing costs - the exact amount not known at this time.

VETERAN
LOANS

Mr. Wagnon continued with the Small Business loan aspect. He stated that the Department would like to set up a revolving loan fund with \$60 million a year to run a viable loan program. Mr. Wagnon stated that a bill is being introduced next week regarding that matter.

SMALL
BUSINESS
LOANS

Pete Jeans, Director of Business Loans, was introduced. Mr. Jeans stated that business applications almost doubled in the last year. Staff has been increased sufficiently to handle 75 applications per month. New offices have been opened in Fairbanks and Anchorage with more applications being received in Anchorage than the rest of the state put together. Current applications total \$65 million. The Department of Revenue has agreed to prepurchase business loans. There is \$35 million in commitments for prepurchased loans made prior to the first of the year. When the prepurchase program started, business loans went up from \$500,000 to \$1 million per month until now they are at \$12 million a month. Mr. Jeans said the Department would like to propose that all funds from that program be appropriated back into the revolving loan fund. They would also request an additional appropriation of \$45 million to be spread between the most active programs - home loans, business loans and commercial fishing - which totals about 80% of all loans.

BUSINESS
LOAN
APPLICATION

Senator Ray questioned if the Department would be able to turn over \$60 million annually. Mr. Jeans said it would drop to about \$30 million next year and then it would go up \$2 to \$3 million each year if there were no additional appropriations. In answer to Senator Sumner's question regarding the amount of the average loan, Mr. Jeans stated it was around \$100,000 at an interest rate of 11%.

AVERAGE
BUSINESS
LOAN

Senator Hohman wondered if any of the 85% of mortgage loans were refinances. Senator Bennett asked if some of the refinancing was due to the five-year residency requirement. Mr. Jeans answered yes to both questions.

REFINANCE
MORTGAGE
LOANS

Chairman Sackett announced that the meeting for Thursday, January 18, had been cancelled and that Senator Sumner would chair Friday's meeting. The meeting adjourned at 9:48 a.m.

ADJOURN

SF 79-1 (side 1 - entire)
through

SF 79-1 (side 2 1-450)

3

1/17/79

4. The data processing charge-back system is new this year and something the legislature has requested in the past.

DATA
PROCESSING
CHARGE-BACK

5. Concerning the RCA rate increase, the administration has attempted to assess the impact of the increase and will need an 8 million dollar supplemental to handle it. This increase is something which affects the entire budget in addition to inflation.

RCA RATE
INCREASE

Mr. Lind next directed committee attention to the comparison of FY 79 figures with those of FY 80 and the resulting percentage increase. He advised that the administration would expend approximately 900 million dollars in operations for this year, and will need supplementals for pay increases, AFPC, assistance payments, and the RCA rate case. The total to be expended for FY 80 is expected to be 1.35 billion dollars, an 11-1/2% increase over the current year. Mr. Lind added that the proposed budget also contains enough funding for new legislation.

OPERATING
FIGURES
79-80

Mr. Lind stated that while capital area comparisons are not really useful because of the extremely large capital appropriation made last year, the recommended total for FY 80 is 25 million dollars. He further advised that the administration has not yet specified the funding which will be needed for the bottom fish industry, but evaluations are now being made. Capitalization will also be required for bonding relating to land disposal.

CAPITAL
EXPENDITURE

The Governor suggests that amounts of the operating budget be appropriated from non-petroleum revenues. These revenues have experienced a 20% reduction due to the \$100 income tax credit and deletion of the gross receipts tax.

Mr. Lind advised that if one were to categorize the FY 80 budget, it would be defined as one which attempts to "hold the line."

Senator Ray raised a question concerning increases in the gasoline tax and its affect on road maintenance, and Mr. Lind responded that administration thinking is such that if the fuel tax were increased, road maintenance would not necessarily be increased--such additional income would simply free up other general fund money for alternate use.

INCREASED
FUEL TAX
EFFECT ON
ROAD
MAINTENANCE

SENATE FINANCE COMMITTEE

January 19, 1979

9:00 a.m.

Senator Sumner, acting as chairman in the absence of Senator Sackett, convened the meeting at 9:00 a.m. All committee members were present with the exception of Senator Ray who entered the meeting several minutes after it commenced, and Senator Sackett who was out of town. Also in attendance were Senator Arliss Sturgulewski; Ron Lind, Director of Budget and Management; Jay Hogan, Director of Legislative Finance; Fiscal Analysts Milt Barker, Dave Scott, Bob Schroeder, and Alison Farnon; Administrative Assistant to the Finance Committee, Garrey Peska; staff from the media including Joe LaRocca and John Hale; and various administrative assistants assigned to legislative members.

PRESENT

Acting Chairman Sumner advised that the purpose of the meeting was presentation by Ron Lind of an overview of the Governor's proposed budget for FY 1980.

BUDGET
OVERVIEW

Mr. Lind distributed a handout, advising that he would be working directly from it while making his presentation (handout dated January 18, 1979, attached to these minutes).

Directing committee attention to the cover letter of January 18, Mr. Lind advised it outlined five areas in which the FY 80 budget differs from FY 79:

CHANGES IN
FY 80
BUDGET

1. Change in definition used for base calculations from "maintenance level" to "continuation." Where in the past "maintenance" indicated continuation of the present level of service, including increased workload and additional personnel, "continuation" builds from a base level and includes only inflation.
2. Requested budget increases beyond continuation have been isolated and prioritized.
3. The administration has created an intermediate budget. All agencies involved in related programs have worked together on prioritization creating a cover program which provides a new level of budget review not used before.

MAINTENANCE
CONTINUATION

COVER
PROGRAMS

Mr. Lind next turned committee attention to the chart entitled Projected General Fund Balance and Cash Available for Appropriations (included within attached handout). He attested to the 1978 year-end balance of 651 million dollars, the existence of 338 million dollars in unsaleable investments, the 72 million dollar deficit connected with the Susitna hydroelectric and other projects, and the 178 million dollars in loan program applications waiting to be processed although the actual amount eventually needed is not known due to the waiting period involved and the fact that some applicants may seek other money.

PROJECTED
GEN. FUND
BALANCE AND
CASH ON HAND

Mr. Lind directed committee attention toward the Department of Revenue publication entitled Revenue Sources FY 1978-80, advising that the 15 million dollar difference between Department figures and those of the administration results from the fact that Revenue (in accordance with the attorney general's opinion) did not recognize the constitutionality of the renewable resource fund.

REVENUE
RESOURCES
FY 79-80

Addressing the state's loan program, Mr. Lind attested to the need to take interest payments from state mortgages and spread such income to other loan programs. Acting Chairman Sumner attested to his feeling (following Revenue's presentation concerning the loan program status 1/17/79, see minutes that date) that there exists within the Department a lack of imagination in handling the finances of the loan program. Mr. Lind stated that he thought Revenue was simply attempting to advise the legislature of the worst that could happen, but added that he would have to defer in-depth comment in this area to the Department of Commerce and Economic Development. Basically, because of the state's huge loan programs, they are going to draw down a significant amount of cash this year. The state just can't afford to continue such a large loan program.

STATE LOAN
PROGRAM

Senator Sturgulewski raised a question concerning analysis attempting to regulate revenue flows once the loan programs are stabilized, and Mr. Lind replied that if the state could average out its revenues over the year, a more effective spread would result, but handling of such a matter would be within the Department of Revenue.

REGULATION
OF REVENUE

Mr. Lind advised of the problems involved in liquidating some state loans such as Veteran loans because state loan requirements differ from those required by commercial banks. Senator Ray raised questions concerning placement of Veteran loans under AHF, asking how such a program would

VETERAN
LOANS

be financed. Mr. Lind responded that while AHF provides primarily low income financing based on tax free bonds allowing low interest rates of 8 to 8-1/2%, by effecting a 2% reserve fund and selling such bonds the state could still offer the Veteran an interest rate below 9%. Such loans would be processed through commercial banks, and while the Veteran might have to pay closing costs, more loan outlets would be available (local banks as opposed to the three state Veteran offices).

Referring to the chart setting forth FY 80 Major Budget Changes, Ron Lind commented on the following items:

Education Grants

Increase based on a 10% increase in the program over last year due to greater percentage funding for pupil transportation.

Grants and Direct Purchase of Services

Student Financial Aid has been increased 1/2 million dollars although the Post-Secondary Education Commission estimates that the program could be expanded beyond the increased level.

Assistance Payments (AFDC & Disabled) increase is due simply to increased costs for services and a few more new people being paid over last year.

Funding Source Change

API and Harborview have been partially funded through Medicaid. Federal Government is not in accord with state use of such funding and Medicaid payments may not be forthcoming for the remainder of the year. Funding for these two facilities has thus been changed to general fund.

State Recorder - Administration maintains that this function should be funded through fee receipts, thus the increase simply represents a funding change.

Game Division - Receipts and license fees are not keeping up with inflation. Increase represents a funding change.

Renewable Resource Development - This area was originally funded from the general fund (statute says administrative costs should be thus funded). Legislative change is being proposed providing funding from proceeds.

National Forest Receipts - No change in service level. This area includes federal money which passes through the state. Such moneys are now being designated as such.

Other Identified Items

University of Alaska increase represents inflation. The University budget (the entire University system) went through a detailed prioritization scheme. The University administration then took prioritized levels to the Board of Regents which broke the budget down into programs. When the University budget was presented to the administration, we suggested further reductions--some of which were accepted. The resulting University budget represents administrative interaction with the Board of Regents.

Pioneer Homes, Anchorage - Increase is mainly inflation.

State Federal Planning Commission - Increase due to the effect of federal legislation.

Court System - The court system did not submit a timely budget and Budget and Management has not had an opportunity to review and evaluate it in light of effect on the Department of Law, Public Defender, etc. The administration simply plugged the court system total into the Governor's budget when it was compiled.

The remaining items represent increases due mainly to inflation, producing a total of 15.8. The 9.0 listed as Other Minor Adjustments represents general inflation throughout the remainder of the budget, including the RCA rate increase.

Senator Ray inquired concerning Marine Transportation, asking MARINE if the .6 figure related to labor problems. Mr. Lind replied TRANSPOR- that it represented in part increased fuel costs and employee TATION benefits.

Senator Sumner questioned the greater than 100% increase in the Department of Transportation budget, advising that the DOT was established in an effort to decrease costs, Mr. Lind responded that since statehood, many Highway administrative costs have been funded through the bond fund. While the budget shows a substantial increase, the bond fund should likewise show a decrease. Senator Sumner

DOT

advised that he believed operations within DOT needed more detailed explanation and clarification.

Acting Chairman Sumner opened the floor to further questions from committee members. No further questions having been raised, the meeting adjourned at approximately 9:50 a.m.

ADJOURN

STATE OF ALASKA

OFFICE OF THE GOVERNOR

JAY S. HAMMOND, GOVERNOR

BUDGET & MANAGEMENT

POUCH AM — JUNEAU 99811

PHONE 465-2213

January 18, 1979

The Honorable John Sackett
Chairman, Senate Finance Committee
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Dear Senator Sackett:

Before you start your review of the 1980 budget submission I think it would be helpful for me to point out certain changes from previous years. The major changes which I will explain in the remainder of this letter are:

1. Change in budgetary base from "Maintenance" to "Continuation".
 2. Prioritization forms
 3. Cover Program Submissions
 4. Data Processing Chargeback
 5. RCA rate increases
1. The base evaluation point for the budget has changed from a concept called "maintenance" to a concept called "continuation". "Maintenance" was equal to the cost of providing the same outcomes. In other words, it was the previous year expanded to account for new workload and capital facilities coming on line. "Continuation" is, for the majority of the state programs, the cost of continuing the same inputs. That is, it accounts for inflation and certain law changes, but not workload increases and therefore it is less than maintenance would be. The factors explaining continuation are shown on a Form 5 for each component.
 2. Increases above continuation are grouped on individual increment pages (Form 6's). Each of these Form 6's has a maximum size and only related service improvements. The forms indicate the priority of the increment within the component as well as within the BRU.

3. In addition to the component and BRU budget prioritizations and submissions, "cover program" submissions were prepared. A cover program is a grouping of related services, regardless of agency. The cover program budget submission explains the expected outcome of their joint efforts and also provides the relative priority of the increments being proposed by each of the BRU's and components comprising the cover program.

In our Executive Review, we found the use of the cover program submissions most helpful in pinpointing items for concentration. We also had our analysts review the detail provided in the individual budget documents for efficiency and funding adjustments. The Cover Program prioritization lists have been updated to reflect actions taken by the Governor in his recommendations.

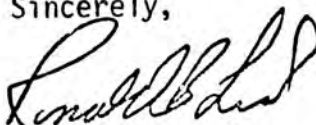
We have identified 42 cover programs for the state. The majority of the participants in these programs were able to work together and provide a reasonable product with which a review could be performed. Certain of the cover programs were required to start their prioritization at a level below the sum of the continuation amounts for each of the affected BRU's.

For example, the University of Alaska made extensive use of the prioritization process and began below continuation throughout their budget. A review of the items which they identified as a result of this process allowed us to much more quickly review their budget.

4. Throughout the budget the conversion of the Division of Data Processing to a chargeback system has resulted in increased requests for many components. This means that the using agencies are now budgeting directly for data processing services and that the majority of the budget within the Division of Data Processing is shown as funded from inter-agency receipts. Increased costs identified within continuation calculations should be viewed as transfers from the Division of Data Processing.
5. The RCA rate increase of 87% has added substantially to the contractual funding requirements within the continuation level. The 1979 appropriation did not contain funding for these increases and we are requesting a supplemental in the amount of \$ 3.4 mil, of which \$ 2.9 mil is General Funds, to provide funding for the current year.

A number of other minor changes were made in FY 80 budget format to ease the technical preparation of the budget. Unfortunately, these changes resulted in additional paper being used to document the requests. I hope that you will find the combination of the cover program submissions along with the expanded detail submissions easier to work with for your technical as well as legislative review. If we can provide you any additional information or assistance please contact me.

Sincerely,



Ronald B. Lind
Director

cc: Jay Hogan, Director, Legislative Finance

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

	<u>General Fund</u>	<u>Total</u>
FY 80 Operating Budget	975.2	1,315.3
FY 80 Capital	<u>18.7</u>	<u>35.1</u>
Total (Detailed in the Document)	993.9	1,350.4

COMPARISON WITH FY 79

	<u>FY 79 Adjusted</u>	<u>FY 80 Recommended</u>	<u>% Increase (Decrease)</u>
<u>Operating Budget</u>			
<u>Total Appropriations (to date)</u>	1,193.5	1,315.3	10.2
General Funds	<u>893.8</u>	<u>975.2</u>	<u>9.1</u>
<u>Additional Appropriations¹</u>	9.6	40.3	319.8
General Funds	<u>7.2</u>	<u>29.8</u>	<u>313.9</u>
<u>Total Operating</u>	1,203.1	1,355.6	12.7
General Funds	<u>901.0</u>	<u>1,005.0</u>	<u>11.5</u>

Capital Budget

<u>Total Appropriations (to date)²</u>	518.2	35.1	[93.2]
General Funds	<u>174.1</u>	<u>18.7</u>	<u>[89.3]</u>
<u>Additional Appropriations¹</u>	22.5	11.8	[47.6]
General Funds	<u>12.5</u>	<u>6.3</u>	<u>[49.6]</u>
<u>Total Capital</u>	540.7	46.9	[91.3]
General Funds	<u>186.6</u>	<u>25.0</u>	<u>[86.6]</u>

Total Budget

<u>Total Funds</u>	1,743.8	1,402.5	[19.6]
General Funds	<u>1,087.6</u>	<u>1,030.0</u>	<u>[5.3]</u>
<u>Total Revenues</u>	1,015.0	1,065.4	5.0
Non-Petroleum Revenues ³	<u>353.2</u>	<u>363.6</u>	<u>2.9</u>
% General Fund Operating Budget Funded with Non- Petroleum Revenues	<u>39.2</u>	<u>36.2</u>	N/A
% General Fund Total Budget Funded with Non-Petroleum Revenues	<u>32.5</u>	<u>35.3</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. These additional appropriations are net of estimated lapses, which are estimated to be 1½% of the general fund operating budget.
2. Total Capital Appropriations: This item does not include appropriations made for bond issues. In November, 1978, voters approved approximately \$271 million in various bond issues.
3. Petroleum Revenues are defined as: corporate petroleum taxes; oil and gas severance taxes; oil and gas production taxes; and net Royalties, rents and bonus sales.

PROJECTED STATEMENT OF CHANGES IN
GENERAL FUND BALANCE AND
CASH AVAILABLE FOR APPROPRIATIONS
(MILLIONS OF DOLLARS)

	Column I GENERAL FUND BALANCE	Column II CASH AVAILABLE
<u>Balance of General Fund 6/30/78</u>	651.1	651.1
Investments not readily saleable ⁽¹⁾	-	(338.0)
<u>Cash Available for new App. 6/30/78</u>	-	313.1
FY 79 Operations through June 30.	-	-
Revenues 1,015.0	-	-
Appropriations (1087.6) ⁽²⁾	-	-
From General Fund	(72.6)	(72.6)
Additional Investments not readily saleable	-	(178.0)
<u>Balance of General Fund 6/30/79</u>	578.5	
<u>Cash Available 6/30/79</u>	-	62.5
FY 80 Operations through June 30.		
Revenues 1,065.4 ⁽³⁾	-	-
Appropriations (1030.0) ⁽²⁾	-	-
To General Fund	35.4	35.4
Additional Investments not readily saleable		(3.0)
<u>Projected Balances General Fund 6/30/80</u>	<u>613.9</u>	
Cash Available for Appropriation	-	94.9
Total Investments not readily saleable		<u>519.0</u>
<u>Balance Legally Available for Appropriation</u>		<u>613.9</u>

FY 80 MAJOR BUDGET CHANGES

Debt Service: \$ 16.7

Education Grants to Political Subdivisions:

Foundation Program Support	\$19.0	
Teachers Retirement System Match	2.1	
Financial Support	<u>4.6</u>	25.7

Grants and Direct Purchase of Services For Individuals:

Student Financial Aid	\$.5	
Longevity Bonus	1.0	
Old Age Assistance	.5	
Assistance Payments (AFDC & Disabled)	3.2	
Program Services	2.5	
Medicaid/General Relief Medical	<u>1.5</u>	9.2

Funding Source Changes - no service difference:

Alaska Psychiatric Institute	\$ 1.3	
Harborview Hospital	5.2	
State Recorder	[.9]	
Game Division	.7	
Renewable Resource Development Admin	[.4]	
National Forest Receipts	<u>[.9]</u>	5.0

Other Identified Items:

University of Alaska	4.0	
Pioneer Homes	.7	
State Federal Planning Commission	[.6]	
Fisheries Rehab & Enhance Division	.5	
Commercial Fish	.9	
Adult Confinement	1.1	
Juvenile Confinement	.5	
Troopers	.7	
Court System	3.0	
Transportation Maintenance	.6	
Marine Transportation	2.3	
Elections	[.5]	
Dept. of Revenue	.7	
State Bldgs & Public Facilities	.7	
Legislature	<u>1.2</u>	15.8

Other Minor Adjustments: 9.0

TOTAL \$81.4

\$ 975.2	Operating 1980: Detailed in Document
<u>893.8</u>	Operating 1979: Adjusted
\$ 81.4	

SENATE FINANCE COMMITTEE
January 23, 1979
9:02 a.m.

Chairman Sackett called the meeting to order at 9:02 a.m. All committee members were present. Also present were: from the Department of Administration Henry Masters, Deputy Director of Finance and Kellus Sewell, Director of Administrative Services; Ron Lehr, Deputy Director, Division of Budget & Management, Fiscal Analysts Alison Farnan and Milt Barker, Administrative Aide to Senator Sackett, Garrey Peska, and Joe La Rocca of the press.

PRESENT

Chairman Sackett brought SB 11, An Act relating to purchasing by state agencies to the attention of the committee for discussion. He introduced Henry Masters and Kellus Sewell from the Department of Administration to give the Department's viewpoint of the bill. Mr. Masters stated that due to the fact that sometimes the various departments order an item that will be damaged in shipment or receive a substitute, they would like to insert "in accordance with all the terms and conditions of the agency's order" after the word "agency" on line 10.

SB 11

After some discussion back and forth among the various committee members regarding the bill language and what type of "punishment" would be meted out should an agency not pay a bill in time to take advantage of the discount, it was the consensus of the committee to amend the bill as follows: After the word "agency" on line 10, add the phrase "in response to an agency's order".

Senator Sumner made a motion that SB 11 as amended be passed from committee with a Do Pass recommendation. Senator Ray objected. Senator Sumner made a motion that SB 11 am be passed from committee with individual recommendations. There being no objection, it was so ordered. SB 11 amended passed as follows: Senators Sackett, Dankworth, Hackney and Ray voted no recommendation. Senators Sumner, Bennett and Hohman voted do pass.

MOTION

Ron Lehr from Budget and Management appeared before the committee to testify on SB 50 (An Act amending the Executive Budget Act). Mr. Lehr informed the committee that SB 50 would make performance reporting optional rather than mandatory. In 1977 the Sunset Bill was passed which required much more reporting than previously. Chairman Sackett asked Mr. Lehr if Section 1 was identical to the Sunset law provision. Mr. Lehr responded that that was his understanding. Chairman Sackett then asked Mr.

SB 50

Lehr if Budget & Management complied with the Sunset law the past year. Mr. Lehr replied "We did not." Senator Sackett inquired "What would it have entailed had you done so?" Mr. Lehr said it would have required extensive man hours and that he didn't know how it would affect the various state agencies. Senator Ray wanted to know if that meant there would be a performance report about every four years. Mr. Lehr responded in the affirmative.

Chairman Sackett asked for the desire of the committee. There being no response, the bill was tabled until a later date.

COMMITTEE
DESIRE

At this point Chairman Sackett said he would like to go over the rules and regulations of the Senate Finance Committee for the benefit of the new members. He explained that there are two parts to research on a bill - research of the bill itself and research of the budget. He offered assistance from himself and from those members who had been prior members of the Finance Committee. He advised of the use of the short forms, Red Books and analysts and suggested that each area be taken advantage of.

Committee members were requested to advise Chairman Sackett of the category that they would be interested in working in. Chairman Sackett informed the committee that they would be assigned a category on January 24. He also explained that each bill would be assigned to a member for research, that that member would report to the committee with a recommendation for that particular bill.

Chairman Sackett inquired if the short forms had been received by the Department. Milt Barker advised that there are two SHORT FORMS short forms here at the present time and the remainder would be received by the end of the week.

The meeting was adjourned at 9:45 a.m. with instructions that the next meeting would be held January 24, 1979, at 9:00 a.m.

ADJOURN

SENATE FINANCE COMMITTEE
January 24, 1979
9:10 a.m.

Chairman Sackett convened the meeting at approximately 9:10 a.m. All committee members were present. Also in attendance were Garrey Peska, Administrative Assistant to the Finance Committee; Alison Farnan, Fiscal Analyst; various assistants assigned to committee members; and (for a portion of the meeting) Senator Kerttula.

PRESENT

Chairman Sackett made the following bill assignments:

SB 5 - Dankworth
SB 8 - Bennett
SB 15 - Hackney
SB 21 - Sackett
SB 47 - Hohman
SB 50 - Ray

BILL
ASSIGN-
MENT

The Chairman next distributed a handout listing the following subcommittee assignments for budget categories:

Development

Sumner, Chairman
Dankworth
Sackett

General Government

Dankworth, Chairman
Ray
Bennett

Justice

Sackett, Chairman
Hohman
Bennett

Education

Hackney, Chairman
Dankworth
Hohman

Health

Ray, Chairman
Hackney
Sumner

Natural Resources

Committee of the Whole

BUDGET
CATEGORY
SUB-
COMMITTEES

Public Protection

Bennett, Chairman
Dankworth
Ray

Transportation

Hohman, Chairman
Hackney
Dankworth

Social Services

Ray, Chairman
Hackney
Sumner

University of Alaska

Committee of the Whole

He advised that it is incumbent upon the subcommittee to schedule hearings for testimony pertaining to its designated budget area, adding that committee members should enlist the help of Legislative Finance staff for budget review.

The Chairman announced the committee would begin budget review next week (possibly Tuesday or Wednesday, 8:30 to 10:00 a.m.) with the Court System and move on to Committee of the Whole review of the University.

Senator Ray informed committee members of a possible constitutional question arising from the Court System's desire to establish a state appellate court.

APPELLATE
COURTS

Chairman Sackett adjourned the formal committee meeting at approximately 9:15 a.m., allowing former committee members (Senators Hohman and Sackett--Ray left the meeting at this time) time to familiarize new members with budget workbooks and shortforms.

ADJOURN

SENATE FINANCE COMMITTEE

January 29, 1979

9:10 a.m.

Chairman Sackett called the meeting to order at 9:10 a.m. Senators present were: Hackney, Sumner, Dankworth, Sackett and Bennett.

PRESENT

Chairman Sackett inquired of the committee members if there were any bills to be brought before the committee for discussion. There were none.

Chairman Sackett advised the committee that he wants to begin closing the budget on March 15, 1979. Therefore, each sub-committee will have the month of February and two weeks in March for their members to work on each category after which time the categories will be brought before the committee as a whole for consideration. He anticipates having the budgets completely closed by the first of April.

BUDGET
CLOSE-OUTS

There was a brief brief exchange between Senators Sumner and Sackett on the RCA sale.

RCA SALE

The meeting adjourned at 9:13 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

January 30, 1979

9:05 a.m.

Chairman Sackett convened the meeting at approximately 9:05 a.m. All committee members were present with the exception of Senator Sumner. Also in attendance were Senator Stimson; Richard Barrier, Manager, Fiscal Operations & Administration, Alaska Court System; Bob Schroeder, Fiscal Analyst; Garrey Peska, Administrative Assistant to the Finance Committee; various administrative assistants assigned to committee members; and representatives from the media including Joe LaRocca.

PRESENT

Advising that the purpose of the meeting was review of the Court System budget, the Chairman introduced Mr. Rick Barrier to committee members and directed committee attention to page 129 of the Justice short-form containing the Court System budget.

COURT
SYSTEM
BUDGET
REVIEW

Mr. Barrier stated he would provide a brief overview of the budget, advising that said budget totals \$23,237.7 for the coming year, representing a 14% increase over last year's adjusted figure, including salary increases, etc.

14%
INCREASE

Mr. Barrier briefly advised committee members of the administrative change in usage and definition from "maintenance" to "continuation," adding that figures designated as maintenance within the Court System budget are not in fact sufficient to maintain the present level of service.

MAINTEN-
ANCE

Mr. Barrier advised that the Court System prepared its budget before the administration realized it would have a short-fall this year, adding that now that the short-fall is recognized, the Court System does not expect to have everything requested funded. He added that he believes everything the Court System has requested is important, and that the Court System will cooperate with the committee in reaching an appropriate funding level.

SHORT-
FALL

Commencing his budget review with the Supreme Court, Mr. Barrier advised that the major item for discussion in this area is really not included in the budget

SUPREME
COURT

request, namely establishment of an Intermediate Court of Appeals between state superior courts and the supreme court. The supreme court has reached the point where there now exist over 600 backlogged cases. If the backlog continues to the degree anticipated, it will soon take three to five years to get a case from the superior to the supreme court. The Court System has attempted to evaluate alternatives to alleviate the problem. Creation of the three member Intermediate Court of Appeals would reduce the supreme court workload and eliminate anticipated delays. The Court System will be submitting a bill establishing the intermediate court and requesting appropriate funding. The bill will also have an impact on the supreme court budget. If the appeal court is allowed, the additional legal assistants requested in the supreme court will not be needed.

INTERMEDIATE
COURT OF
APPEALS

Chairman Sackett advised that he had been informed by Art Snowden that approximately \$300,000 could be cut from the total Court System budget. Mr. Barrier responded that he believed such a statement to be true, and he believed the committee could "get quite a bit out of the supreme court."

Senator Ray raised a question concerning the percentage of lower court decisions overturned by the supreme court. Mr. Barrier replied that he believed the percentage was approximately 40%. Senator Ray asserted that the percentage was actually 50 to 60%. He suggested that such percentages perhaps indicate a lack of competency at the lower court level or a lack of ability on the supreme court's part to "make up its mind." Mr. Barrier responded that in looking toward the future, the Court System anticipates increased appeals resulting from confusion attendant the new criminal code provisions. Senator Ray raised a question concerning what would prevent the supreme court from overturning a like percentage of appeal court decisions, and Mr. Barrier responded that there would be no right of appeal from the Intermediate Appeal Court to the supreme court.

PERCENTAGE
OF LOWER
COURT
DECISIONS
OVERTURNED

Senator Dankworth raised a question concerning the number of backlogged cases which represent legitimate appeals, adding that perhaps the law governing right of appeal should be revised. Mr. Barrier responded, setting forth the number of criminal, civil, and sentence appeals pending.

RIGHT OF
APPEAL
REVISION?

Chairman Sackett advised that the court system would need to respond to many of the questions raised by committee members before its bill establishing the proposed appellate court could pass the legislature.

Chairman Sackett next inquired concerning the seven new positions requested in the Supreme Court budget, and Mr. Barrier responded that six positions relate to "externs." These externs are basically law clerks (law students who come up for a semester at a time). The last position provides a part-time clerk for pro tem Justice Dimond (six months).

EXTERN
POSITIONS

Chairman Sackett questioned the large increase in contractual services, and Mr. Barrier responded that \$29,000 has been spent on a program developing civil proceedings jury instructions and that another \$30,000 will be required to complete the work. The \$60,000 is for implementation of criminal instructions under the new criminal code.

CONTRACTUAL
SERVICES

JURY
INSTRUCTIONS

Turning committee attention to the Trial Courts, Mr. Barrier advised that this budget component represents the heart of the Court System budget. It is at this level suits are initiated. The component shows an increase of 5% and requests a total of 31 new positions including improved services. Roughly one-half of these positions are needed in order for the Court System to maintain its current level of service. While the actual total requested appears to be 36 or 37 positions, some of these positions are half time. A total of 364 positions are authorized within the component at this time. In addition, Mr. Barrier attested to the need for a \$580,000 supplemental relating to payment of private attorney fees. Senator Ray requested an itemized listing of payments made to attorneys for court-appointed representation, and Chairman Sackett asked that such itemized listing be provided for both the budget and the sought-after supplemental.

TRIAL COURTS

PRIVATE
ATTORNEY
FEES

Mr. Barrier next gave a brief history of the need for such payments, advising that in 1974 the Court System assumed responsibility for appointing the Public Defender or, in the case of a conflict of interest in the Public Defender's Office, alternative legal representation for indigent parties. The Court System also has the responsibility to pay these private attorneys. Such private counsel is provided on a case by case basis where conflicts of interest arise. There

PUBLIC
DEFENDER
CONFLICT
OF
INTEREST

is not much the Court System can do about such appointments since it cannot force the Public Defender to take a case where a conflict of interest exists.

Chairman Sackett advised of audit report recommendations concerning repayment of private attorney fees, asking Mr. Barrier what the Court System has done to follow such recommendations. Mr. Barrier responded that Anchorage has developed a listing of outstanding costs, but the Court System is not a collection agency. Funds taken in by the Court System in repayment of attorney fees revert to the general fund rather than remaining within the Court System. It is up to the Attorney General's Office to go out and collect such accounts. Chairman Sackett asked if any such accounts had been collected to date, and Mr. Barrier responded that he would assume the Court System has collected some accounts but not a substantial amount.

PRIVATE
ATTORNEY
FEES
REPAID

Senator Ray raised questions concerning his understanding that in excess of \$100,000 in state funding has been expended for private counsel to "keep a defendant from being extradited to Florida." Mr. Barrier advised that the subject case involves a group of three businessmen operating as Alaska Market Management. They had apparently "fallen on hard times" when suit was brought against them, and they had no funds. The Public Defender was appointed to represent one partner, the other partner pled guilty, and private counsel was hired for the third partner. The third partner went to trial on the case and the state has expended in excess of \$100,000 on the trial to date. Senator Ray next asked if it is true that the third partner has property or money located in some other state, but is able to qualify as an indigent in Alaska. Mr. Barrier responded that the man was declared indigent in the State of Alaska. He added that in accordance with current criteria for state representation, an individual is declared indigent if he is not able to afford an attorney to defend him against a charge. Mr. Barrier stated that most attorneys require a substantial retainer prior to accepting a case (often one or two thousand dollars for a misdemeanor).

INDIGENTS

Mr. Barrier again stated that the issue of private attorney fee repayment to the state is a difficult thing to enforce. If the individual loses the case and goes to jail, the state "isn't going to get much out of him." If he is acquitted it would appear he

INDIGENT
FEES
REPAID?

should make repayment. The whole subject of repayment needs looking into. It is not an easy matter to collect these funds.

Senator Dankworth advised that it appeared the legislature should perhaps revise the eligibility standards for indigency determinations, and Mr. Barrier attested to the problem of not having enough staff to closely investigate indigency eligibility. Senator Hackney advised that the problem appeared to him to be one resulting from the relative ease with which one can obtain state representation, and Chairman Sackett asked Mr. Barrier if the Court System ever makes recommendations to the legislature for statutory changes. Mr. Barrier responded that the Court System has conducted some studies--none of which correspond to the subject problem. Senator Hackney next inquired concerning recourse on the part of the state against one receiving indigent representation when he is in fact capable of paying his own way. Mr. Barrier replied that, again, such efforts require adequate staff to follow up. It is a matter of getting local knowledge concerning a man's possessions to investigators within the Public Defender's office.

INDIGENT
ELIGIBILITY
CRITERIA
TO BE UP-
DATED

Senator Dankworth advised that he would like to see the Court System identify statutes dealing with indigency and the legislature should then take care of making necessary changes.

COURT SYSTEM
TO IDENTIFY
INDIGENT
STATUTES

Chairman Sackett advised that the committee would adjourn in order to participate in floor action in the Senate, but would continue hearings on the trial courts budget component at 9:00 a.m. tomorrow morning. The meeting adjourned at approximately 9:50 a.m.

ADJOURN

SF-79 Tape 2, Side 2 (578 - end)
Tape 3, Side 1 (0-569)

-25-

1/30/79

NOTE 2/1/79 Tape 3 portion of this meeting did not record recorder malfunction.

SENATE FINANCE COMMITTEE
January 31, 1979
9:05 a.m.

Chairman Sackett called the meeting to order at 9:05 a.m. All Senators were present. Also present were Senator Stimson, Rick Barrier from the Alaska Court System and several news reporters.

PRESENT

Chairman Sackett informed the committee that again they would be going over the Court System budget with Rick Barrier. Chairman Sackett gave a brief review of the previous day's meeting.

COURT
SYSTEM
BUDGET

Trial Courts was the portion of the budget where Mr. Barrier began. He advised the committee that there would be continuing increases in juror payments. Both Anchorage and Fairbanks are instituting a new concept with trial jurors - that being that the jurors will serve for one week rather than one month at a time. This concept will increase the number of positions to 31 new full-time positions and five or six part-time positions. Half of these positions are for the continuation of present level of service and the other half are for additional policemen in Anchorage.

TRIAL
COURTS

There was discussion back and forth between the committee members and Mr. Barrier regarding the new positions requested and whether or not they were really necessary to continue with the present level of service provided. Mr. Barrier said if the Legislature would not allow any new positions that the Court System would operate to their best under the current level, but the service would not be on the current level if the case load continued to increase. Mr. Barrier commented that they had projected some areas that they weren't sure about the cost, but had come up with the closest figures available.

NEW
POSITIONS
REQUESTED

Senator Dankworth stated that the Legislature would like to ask all agencies to delete all of the new programs and maintain the current level of service - that they could function properly without the new programs.

Chairman Sackett questioned Mr. Barrier as to why they wanted to double the rural juror duty payment. Mr. Barrier explained that the payment is currently \$20.00 per diem and the payment would be increased to \$40.00 per diem. Chairman Sackett responded that \$20.00 per day was sufficient.

JUROR
DUTY
PAYMENT

The subject of vacancies and turnover was discussed. Mr. Barrier explained that the Court System will fill a vacant position with a temporary person during the interim while recruiting new personnel.

VACANCIES

Mr. Barrier brought to the committee's attention that the largest single item in the Administration and Support category of the Court System was for the purpose of continued improvement of the state-wide law library system. Also included in this item was \$120 ,000 for expansion and improvement in the computer operation system. Mr. Barrier stated that \$15,000 was included to assist the Court in putting on the 1980 Conference of Chief Justices to be held in Anchorage. He stated that they would like to have a nice conference and that it would be good public relations for all the 50 states that would be represented.

ADMIN.
AND
SUPPORT

A copy of the Intent Language attached to the 1978 General Appropriations Act which was vetoed by the Governor was passed out to the committee members (copy attached hereto).

INTENT
LANGUAGE

The meeting adjourned at 9:55 a.m.

ADJOURN

NOTE 2/1/79 Tape 3 did not
record due to recorder
malfunction

SF 79-3 (1/569-end)
(2/1-629

LANGUAGE VETOES IN THE 1978 GENERAL APPROPRIATIONS ACT

Category: EDUCATION
Department: University of Alaska
Component: Board of Regents
BRU: Board of Regents Office
General Appropriations Act
Page: 8-9

Intent: The University may award merit salary increases from savings within the approved budget components. Savings amounts identified for this purpose are subject to reallocation by the chancellors for award, notwithstanding provisions of AS 37.07.080(E). ~~The student government organization on any campus may establish a student body fee upon approval of a majority of those students voting at an election. The holding of an election for this purpose, and the fee amount, do not require the approval of the Board of Regents. The student government is responsible for the expenditure of its budgeted funds, and the Board of Regents shall not impose any signature or review requirements by University officials.~~

Category: SOCIAL SERVICES
Department: Department of Education
Component: Vocational Rehabilitation
BRU: State Supported Facilities
General Appropriations Act
Page: 18

Intent: The allocation for state supported facilities includes a grant of \$80,000 to the Gateway Opportunity Center in Ketchikan.

Category: SOCIAL SERVICES
Department: Department of Education
Component: Youth Employment Services
BRU: Grants
General Appropriations Act
Page: 18

Intent: ~~The appropriation for Youth Employment Services includes a grant of \$60,000 to the Municipality of Anchorage and an additional grant of \$60,000 if matched by at least \$30,000 by the Municipality of Anchorage.~~

Category: SOCIAL SERVICES
Department: Health & Social Services
Component: Public Assistance Eligibility
BRU: Eligibility Determination
General Appropriations Act
Page: 19-20

Intent: ~~The allocation for eligibility determination includes a grant of \$18,400 to the United Crew Band in Tok for a public assistance coordinator.~~

Category: SOCIAL SERVICES
Department: Health & Social Services General Appropriations Act
Component: Office of Aging Page: 20-21
BRU: Grants

Intent: The allocation for office of aging grants includes a grant of \$25,000 to the Municipality of Anchorage for a Human Support Services referral service for the elderly and a grant of \$24,500 to the Upper Tanana Aging Program for use as matching funds.

Category: SOCIAL SERVICES
Department: Health & Social Services General Appropriations Act
Component: Administration Page: 21
BRU: Commissioners Office

Intent: The allocation for the Commissioners Office includes grants of \$350,000 to AWAIC in Anchorage, \$80,600 to JCAAW in Juneau, \$82,900 to WIC-CA in Fairbanks, \$51,500 to FWC in Bethel, and \$52,000 to BSWC in Nome for women's shelters.

Category: HEALTH
Department: Health & Social Services General Appropriations Act
Component: Child & Family Health Page: 24
BRU: Communicative Disorders

Intent: The appropriation for Child & Family Health and its expenditure are contingent upon the following: \$100,000 is to be granted to YKHC for treatment of otitis media.

Category: HEALTH
Department: Health & Social Services General Appropriations Act
Component: Laboratories Page: 24-25
BRU: Regional Labs

Intent: The allocation for regional labs includes a contract of \$57,500 to YKHC for strep control.

Category: HEALTH
Department: Health & Social Services General Appropriations Act
Component: Alcohol and Drug Abuse Page: 26
BRU: Administration

Intent: The allocation for alcohol and drug abuse administration includes \$18,900 for grants to send 10 persons to the Johnson Institute Training Program.

Category: HEALTH
Department: Health & Social Services General Appropriations Act
Component: Community Developmental Page: 27
Disabilities Services
BRU: Residential Care

Intent: The-allocation-for-residential-care-includes-a-grant
of-\$9,000-to-YKHC-for-the-provision-of-alternatives
to-institutionalization-for-mentally-retarded-persons
in-Met-Village-

Category: NATURAL RESOURCE MANAGEMENT
Department: Fish & Game General Appropriations Act
Component: Commercial Fish Page: 31-32
BRU: Research

Intent: The-Commercial-Fish-Research-Appropriation-and-its
expenditure-are-contingent-upon-the-following---The
expenditure-of-ten-thousand-dollars-for-a-hard-shell
clam-study,ten-thousand-dollars-for-a-fall/winter
herring-stock-assessment-in-the-Prince-William-Sound
area,rellocating-the-approved-new-position-for-Nome
to-Kotzebue, and-permanent-relocation-of-full-time
biologists-to-the-Yukon-Kuskokwim-and-Bristol-Bay-areas.
The-appropriation-is-further-contingent-upon-the-expen-
diture-of-\$30,000-for-a-test-fishery-in-the-lower
Koskokwim-area-with-local-villagers-as-participants.
The-\$30,000-appropriation-becomes-effective-immediately
in-accordance-with-AS-01.010.070(c)-

Category: NATURAL RESOURCE MANAGEMENT
Department: Fish & Game General Appropriations Act
Component: Fisheries Rehabilitation Page: 32-33
Enhancement Development
BRU: Administration

Intent: This-appropriation-and-its-expenditure-are-contingent
upon-the-following---The-expenditures-of-\$250,000-for
the-Lake-Fertilization-Program-and-\$164,400-for-the
Regional-Comprehensive-Planning-Program, the grant-of
\$150,000-to-the-Deer-Mountain-Hatchery-and-the-grant
of-\$75,000-to-the-Association-of-Village-Council-Presidents-

Category: NATURAL RESOURCE MANAGEMENT
Department: Fish & Game
Component: Administration & Support
BRU: Administrative Services
General Appropriations Act
Page: 33

Intent: The--allocation--includes--a--grant--of--\$257,000--for--the
Anchorage--Bee--and--a--grant--of--\$157,000--for--the--Fairbanks
Bee.

Category: NATURAL RESOURCE MANAGEMENT
Department: Environmental Conservation
Component: Water Programs
BRU: Environmental Analysis
General Appropriations Act
Page: 34

Intent: The--allocation--includes--a--grant--of--\$127,000--for--water
supply--assistance--for--Tulaksak.

Category: ADMINISTRATION OF JUSTICE
Department: Public Safety
Component: Crime Identification &
Apprehension
BRU: Detachments & CIB
General Appropriations Act
Page: 42

Intent: The--appropriation--for--detachments--and--CIB--and--its
expenditure--are--contingent--on--the--assignment--or
transfer--of--a--state--trooper--to--serve--the--city--of
Ninilehik--and--adjacent--area.

Category: DEVELOPMENT
Department: Commerce & Econ. Development
Component: Economic Enterprise
BRU: General Operations
General Appropriations Act
Page: 44

Intent: The--allocation--includes--a--grant--of--\$907,700--for
the--Bristol-Bay--Regional-Development-Council--and
a--grant--of--\$500,000--for--the--Alaska-Native-Foundation
for--the--Village-Management-Assistance-Project.

Category: DEVELOPMENT
Department: Community & Regional Affairs
Component: Local Boundary Commission
BRU: Organizational Grants
General Appropriations Act
Page: 45

Intent: The allocation includes grant of \$1007,000 \$75,000
for Fort Yukon Borough Study.

Category: TRANSPORTATION
Department: transportation
Component: Marine Transportation
BRU: Administration

General Appropriations Act
Page: 47

Intent: ~~During annual overhaul, each vessel shall be equipped with centrally located facilities for infant care.~~

Category: TRANSPORTATION
Department: Transportation
Component: Administration
BRU: Commissioner's Office

General Appropriations Act
Page: 47

Intent: The FY 79 operating budget for the Transportation category has been approved by the Legislature as requested by the Governor (FCC report FY 79 operating budget, transportation). However, the full fiscal year budget has been funded only for the first 9 months of FY 79 for all programs except Marine Transportation. The Legislative Budget and Audit Committee will prefile for introduction in the first session of the 11th legislature a supplemental appropriation to provide funding for the transportation programs during the last quarter, FY 79. The Department shall operate under the assumption that all budgeted operating programs will be funded by the Legislature for the full fiscal year.

~~The Department shall not curtail or close the Highways Research Laboratory in Fairbanks.~~

~~The Department shall not charge the owners or operators of taxicabs a fee for the right to pick up or discharge passengers at an airport or air navigation facility owned or controlled by the state.~~

Category: TRANSPORTATION
Department: Transportation
Component: Interior Region
Operations & Maintenance
BRU: Airports

General Appropriations Act
Page: 49

Intent: ~~The District shall provide for mail delivery to the Gesna-Wien Lake Area.~~

Category: TRANSPORTATION
Department: Office of the Governor
Component: Executive Operations
BRU: Policy Development & Planning

General Appropriations Act
Page: 51

Intent: ~~The Allocation for Policy Development & Planning includes a grant of \$40,000 to the Municipality of Anchorage for the Municipality to determine the~~

feasibility-of-becoming-a-master-grantee-of-all
grants-and-programs-relating-to-the-aged-and-admin-
istered-within-the-boundaries-of-the-Municipality
of-Anchorage-

Category: GENERAL GOVERNMENT
Department: Transportation General Appropriations Act
Component: Public Facilities Maintenance Page: 55-56
& Operations
BRU: Southeastern M & O

Intent: The-allocation-for-Public-Facilities-Maintenance
and-Operations, Southeast District, and its expenditure,
are-contingent-upon-all-authorized-permanent-full-time
positions-in-this-component-being-recruited-for-and
filled, positions-in-this-component-shall-not-be-placed
in-frozen-status.

Category: GENERAL GOVERNMENT
Department: Transportation General Appropriations Act
Component: Facilities Planning & Research Page: 56-57
BRU: Procurement Policy

Intent: The-allocation-for-the-Department-of-Transportation
and-Public-Facilities-Procurement-Policy-includes
\$15,000-for-an-inventory-of-state-government-offices
in-Petersburg-which-occupy-rented-facilities.--The-
Department-shall-then-prepare-basic-sideview-and
floor-plans-and-a-cost-estimate-for-a-state-office
building-to-house-those-offices.--Plans-shall-include
projected-future-needs.--The-Department-shall-present
this-information-to-the-first-session-of-the-Eleventh
State-Legislature-on-or-before-February-17-1979.

SENATE FINANCE COMMITTEE

February 1, 1979

9:00 a.m.

Chairman Sackett convened the meeting at approximately 9:00 a.m. All committee members were present with the exception of Senator Bennett who entered the meeting shortly after it commenced. Also in attendance were Mr. Al Gleason, Vice President, Pacific Power & Light Co.; Mr. Chuck Robinson, Executive Vice President, RCA Alascom; Mr. Ben Agee, President, RCA Alascom; Mr. Robert Walp, Director, Office of Telecommunications; James Love representing the Alaska Public Interest Research Group; Sharon Macklin representing the Alaska Telephone Association; Garrey Peska, Administrative Assistant to the Finance Committee; various administrative assistants assigned to committee members; Alison Farnan, Fiscal Analyst; and members of the media including John Hale, Mike Harmon, John Greeley, and Joe LaRocca. PRESENT

Chairman Sackett introduced Mr. Gleason, Mr. Walp, and RCA representatives to committee members, advising that the purpose of the meeting was discussion concerning the proposed sale of RCA Alascom to Pacific Power & Light. RCA SALE TO PACIFIC POWER & LIGHT

The Chairman stated that his concern regarding the sale centered on two primary interests:

- (1) The relationship of the State with regard to the sale, particularly concerning rural communication (the State now has a relationship with RCA based on ground stations).
- (2) State concern over the 80% increase in telephone rates. The administration is requesting a supplemental of \$83 million to cover the cost of this increase.

Because of the lack of transportation facilities within the State, it depends quite heavily on telephone service. The Chairman addressed Mr. Gleason asking what effect the proposed sale would ultimately have upon the State.

Mr. Gleason stated that Pacific Power and Light is an electrical utility headquartered in Portland, Oregon which provides utility services to surrounding states. The company has grown through consolidation of smaller electrical utility companies. In 1954 the company consolidated its first telephone utility serving 70,000 customers. Since that time Pacific Power has acquired a number of other small telephone companies, and a subsidiary of Pacific Power now serves over 170,000 telephone customers. The parent company is also involved in coal mining activities to fuel its own steam plants as well as for sale in the mid-west.

PACIFIC
POWER
OREGON
BASED
ELEC.
UTILITY

Mr. Gleason advised that Pacific Power was made aware in the latter part of 1978, that RCA might sell its Alaska properties. Pacific Power took a look at RCA, investigated the economic situation of the state, and decided Alaska would be a good addition to its system. He added that Pacific Power believes it can provide the service the Alaskan public asks for. The rate increase request does not involve Pacific Power since it is being made by RCA before the PUC. Mr. Gleason next stated that Pacific Power began negotiations with RCA in November and has now reached a satisfactory purchase price for Alascom. He further stated that Pacific Power would be coming into Alaska to operate Alascom and would like to see that facility managed by Alaskans. It is Pacific Power's hope to retain Alaskans now employed by RCA.

(Senator Bennett entered the meeting at this time.)

Mr. Gleason advised that the purchase transaction has progressed through normal channels in that the original agreement arrived at in November has been processed, and application has been filed with the PUC seeking permission to proceed with the sale. Pacific Power intends it file its application with the FCC sometime next week. Given regulatory approval sometime within the next 90 days, Pacific Power would hope to purchase the property--the communications network to be known as Alascom (dropping the RCA prefix).

Senator Ray raised a question concerning Mr. Gleason's statement that Pacific Power is not involved in the rate increase request, and Mr. Gleason clarified his statement, advising that he had not meant that Pacific Power does not care whether the increase is approved, but the sale is not contingent on the rate increase.

SALE NOT
CONTINGENT
UPON RATE
INCREASE

Mr. Gleason added that a utility has to take a business viewpoint that regulatory bodies over a period of time will deal fairly with a utility and see that it derives a fair rate of return. He added that Pacific Power feels the interim increase is justified and would be disappointed if it was not granted.

EFFECT OF
REGULATION
OVER TIME

Chairman Sackett raised questions concerning the fact that the agreed-upon purchase price is substantially over book value. Mr. Gleason replied that the figures suggested by the chairman were not accurate. Responding to a subsequent question from the Chairman pertaining to acquisition adjustment costs, Mr. Gleason responded that the acquisition adjustment cost would appear on the books of the purchasing company and will not affect the rate base of Alascom or the rates being charged. He added that with this above-book cost Pacific Power is purchasing the good will of RCA and the right to do business in Alaska. The acquisition adjustment cost will not affect the interim rate increase or the permanent rate increase. Senator Sumner stated that based on Mr. Gleason's statements concerning book value and acquisition adjustment costs, it would appear Pacific Power "winds up" getting no return on the \$30 to \$40 million above book value it has agreed to pay. He next asked who was going to pay this cost, the Alaska consumer or consumers in other states. Mr. Gleason stated that the stockholders will end up taking less return on equity on their original investment, but Pacific Power would, hopefully, earn more on future investments as the company expands. In addition, while stockholders would earn less on the original investment, Pacific Power would not have the cost of starting up a new business when it assumes RCA's property. Senator Sumner expressed concern over the fact that Pacific Power would be paying \$30 to \$40 million more than book value, not get the rate increase, and perhaps lose money. Mr. Gleason replied that Pacific Power is assuming that Alascom will earn a sufficient rate of return on its investment over time.

BOOK VALUE

ACQUISITION
ADJUSTMENT
COSTS

Senator Hackney advised of rumors relating to RCA's plans to regionalize its management and move this function out of Alaska. He asked Mr. Gleason if Alaska's telephone communication system would be operated from Oregon (would there be any change in the employment situation in Alaska). Mr. Gleason responded that the operation would continue to be managed and operated by people in Alaska. There is no plan to consolidate the Alaskan operation with Oregon. However, five years from now, with our fluctuating economy, Mr. Gleason advised that the situation might

EMPLOYMENT
WITHIN
ALASKA

change, but at this time there is no plan to move the operation as suggested by Senator Hackney. Senator Hackney next questioned the fact that "five years from now" might become "now" if the rate increase is not approved, and Mr. Gleason responded to the effect that if the rate increase is not approved, another would be immediately requested and justified.

Senator Ray question Mr. Gleason concerning Pacific Power's willingness to pay above market price for "good will," based on the fact that RCA currently has no competition. Mr. Gleason responded that the term "good will" really means the value of the ongoing business and the right to conduct that business. Normally, 1.7 to 1.9 times the book value is average for utility purchases throughout the United States, and Alaska represents a good prospect for future investments.

VALUE
OF GOOD
WILL

Mr. Robert Walp, Director of Telecommunications next appeared before the committee, advising that he believed thorough investigation of the sale should be made and the PUC should conduct public hearings. He added that preliminary investigation by Telecommunications has found that Pacific Power has a good reputation, good management, and a good performance record under regulations. Pacific Power and Light has formed a subsidiary (Pacom) which will actually acquire Alascom. Pacific Power is actually investing a small amount of capital in the project, \$1/2 million, and will be borrowing the remainder, pledging stock in Alascom as security to Morgan Guaranty and Trust. The state is concerned, however, by the acquisition adjustment arrangement because, as suggested in preceding questions raised concerning this financing, someone has to pay the bill. If the acquisition adjustment is allowed, there will have to be some reflection of this additional cost. If the acquisition cost is \$30 to \$40 million above book value, the effected revenue requirement will be \$10 to \$12 million dollars. If the company does not show this cost in its rate base, its cost of capital will rise and there will be some kind of reflection somewhere. Mr. Walp advised that he believed it would be the customers within the State or elsewhere who will end up paying the cost. If the effect were to be spread over the entire Pacific Power "empire," the effect on individual customers might not be too bad. Mr. Walp contrasted the proposed purchase arrangement to the existing arrangement whereby Alascom is owned by the RCA Corporation, advising that he believed if the proposed purchase is allowed to proceed, the State should obtain some guarantees concerning rate increases, etc. The State needs to establish a cooperative environment between it and "these companies

MR. WALP
TELECOM-
MUNICATIONS

to guarantee the companies a fair rate of return."

Responding to questions from Senators Ray and Dankworth concerning who will bear the cost of the contemplated above-market-value purchase price, Mr. Walp replied that the cost could be spread over the entire consolidated Pacific Power system, and if so done, the effect in Alaska would be negligible. If because of the existence of Pacom this cannot be done, the cost would fall back on the Alaskan consumer. Senator Ray then asked if, in Mr. Walp's opinion, the intended purchase would increase the utility cost to Alaskan consumers, and Mr. Walp replied "I believe so."

Chairman Sackett asked if the state has developed a position regarding the sale, and Mr. Walp replied that it had not since it only recently received the file, but it expects to have a policy soon.

Responding to a question from Senator Sumner concerning financing of the project, Mr. Walp replied that Pacific Power would be putting up \$1/2 million, assuming RCA's \$90 million loan, and has received assurances from Morgan Guaranty Trust Company for up to \$210 million in loans. Funds from Morgan Guaranty would be used to purchase Alascom stock, with the stock securing the loan.

PROJECT
FINANCING

Mr. James Love next appeared before the committee and distributed a handout relating to RCA Alaska Communication's statement of income for calendar year 1976--the year the rate increase is based upon (copy appended to these minutes). Mr. Love advised that the group he represents, Alaska Public Interest Research Group, has intervened in RCA's rate increase proceeding. When the group heard that the communications utility was going to be sold, it thought the state might want to consider public ownership. Mr. Love advised that 2/3 of the costs experienced by RCA are operating costs. Of the \$73 million designated as operating expenses, \$1 million was spent for public relations, a portion designated as expenses for the rate case (to be passed on to the consumer), etc. The greatest difference in cost between state ownership and private ownership would be federal income tax which accounts for 16% of RCA's incurred costs. Public ownership would show an immediate savings of this amount. Bonds sold on behalf of RCA are also higher than the state would have to pay, resulting in more cost savings under public ownership. Income to RCA is very high--over

MR. LOVE

ALASKA
PUBLIC
INTEREST
RESEARCH
GROUP

17% return to equity. Studies of electrical utilities nationwide have shown that rates are cheaper under Public ownership. Another consideration for public ownership is the tremendous rate increase requested and the impact it will have within the state.

RCA proposes raising rates in the rural areas almost 200-300%. Under its new rate design, RCA is moving away from its present rate system and the increase will not be borne evenly. The bush area will increase almost 200-300% while Anchorage, Fairbanks, and other populated areas will bear an increase of less than 95%. Such an arrangement threatens the ability of these bush areas to develop a viable communication system.

BUSH AREA
RATE
INCREASES

Mr. Love recapped his presentation, advising that public ownership would:

- (1) Eliminate the payment of federal income tax from Alascom income.
- (2) Permit lower rates on bonds.
- (3) Save the users a great deal of money.

BENEFITS
OF PUBLIC
OWNERSHIP

He further advised that for the above reasons his group wished to appear before the committee to suggest the committee consider the possibility of public ownership. Also, because of the fact there is only one purchaser involved in the transaction and no competition, there is a great likelihood that the sale will go through, and the state will not have another opportunity to purchase since utilities are not often put up for sale.

Replying to a suggestion by Senator Ray that RCA may not wish to sell to the state, Mr. Love advised that he believed RCA would do so should the state offer the same purchase price as Pacific Power. Senator Ray then stated that to match the proposed purchase price the state would have to offer 30 to 40% over book value, asking Mr. Love how the state would get its money back. Mr. Love responded that considering the income tax savings and reduced bond costs, the state could save \$20 million of the \$30 million the first year without increasing the rate. Senator Ray then asked Mr. Love if he didn't feel the PUC would insist the state lower its rates because of its decreased expenses, and Mr. Love replied "yes, that is a possibility." Senator Ray next asked Mr. Love if he was aware of any utility operated by the state which makes money.

Mr. Love responded that on a nationwide basis public utilities do make money, while in Alaska it is said that some state-owned facilities are simply not managed well. He further added that RCA has also not managed well in that it has earth stations in the bush which are falling apart, and it has bought switching equipment it is unable to use.

NATIONWIDE
UTILITY
PURCHASE
COSTS

Mr. Love advised that Pacific Power is paying \$30 million above book value not because RCA has done a good job in Alaska, but because Pacific knows it is worth that price to get into Alaska.

Senator Dankworth asked if the Alaska Public Interest Group is opposed to the sale aside from the fact that it believes the state should purchase the utility, and Mr. Love responded that his group intends to oppose the sale unless certain promises are made.

Senator Sumner advised committee members that Mr. Love's suggestion of alternative ownership is not new, that he (Sumner) would advocate acquisition under GSOC, providing private ownership rather than public.

GSOC
OWNERSHIP

Referring to local ownership of earth stations located in some villages, Senator Hohman asked Mr. Gleason where Pacific Power stands concerning ownership of such stations. Mr. Gleason advised that his reaction at this time is that service would probably be better through single ownership rather than local ownership, adding that such a decision should be made essentially on the basis of providing the best service.

LOCALLY
OWNED
EARTH
STATIONS

Responding to a question concerning ownership of Pacific Power, Mr. Gleason advised that ownership is vested in stockholders, none of which are large holders (not over 5% of the stock). The company is listed on the New York Stock Exchange and over 60% of the ownership is held in states west of the Mississippi. He further added that two Alaskan banks are signatory to Pacific Power's funding which would purchase Alascom stock (National Bank of Alaska and Alaska Pacific Bank to the amount of \$2-1/2 million).

PACIFIC
POWER
STOCK
OWNER-
SHIP

The meeting adjourned at 10:00 a.m., permitting committee attendance at the Senate Floor Session.

ADJOURN

FOR CALENDAR YEAR 1976

2/1/79

RCA ALASKA COMMUNICATIONS STATEMENT OF INCOME
APUC permanent rate proceeding, Exhibit .II, page 1

1.	Operating Revenues	\$114,318,306
2.	Operating Expenses	73,370,545
3.	Net	40,947,761
4.	Other/extraordinary/delayed income	116,224
5.	Income taxes (federal)	
6.	current	2,035,000
7.	deferred	2,880,000
8.	investment tax credit	6,594,000
9.	TOTAL FED. INCOME TAXES	11,509,000
10.	Other operating taxes	5,178,837
11.	Interest costs	5,410,942
12.	Net income for RCA	18,965,206

WHERE DOES THE OPERATING REVENUE GO

Expenses	64.18%
Federal income taxes	10.07
State and local taxes	4.53
Interest	4.73
Net income for RCA	<u>16.58</u>

IF THE STATE OWNED THE SYSTEM

Capital structure and rate of return

1.	debt	60%	at	7%	=	420
2.	equity	40%	at	10%	=	400
3.	weighted cost of capital				=	8.2%
4.	Rate base, using 1976 13 month average, per APUC filing					189,720,266
5.	Return on rate base at 8.2%					15,557,059
6.	Operating expenses					73,370,545
7.	Cost of service					88,927,604
8.	Contribution in lieu of state and local taxes					5,178,837
9.	Revenue Requirement					94,106,441
10.	Reduction in rates					20,211,865
11.	Reduction in rates as a percentage					17.68%

WHERE THE MONEY WOULD GO WITH STATE OWNERSHIP

Expenses	77.97%
Federal income taxes	-0-
Contributions in lieu of state and local taxes	5.50
Interest	9.91
Income to the state	<u>6.61</u>

1. Based on the 1976 test year, RCA claimed it was losing 50,000 dollars daily and was entitled to a rate hike of 137%. RCA only asked the APUC for an 87% rate hike on an interim basis and is now seeking a 95% rate hike. The 87 percent rate hike was designed to increase the intrastate toll rates by 18 million dollars.
2. In 1976 the gross revenues for intrastate toll charges was \$21,252,269. \$9,125,416 of this was given to the local exchange companies in settlements to connecting companies, leaving RCA with a net revenue from intrastate toll calls of \$12,126,853.
3. Under state ownership, RCA could have practically eliminated all charges for intrastate toll calls altogether, and the revenue from the interstate calls would have met most of its revenue requirements.
4. The 1976 test year needs to be changed in the future as the interstate rates are modified by the F.C.C., and as the utility grows. But the fact remains that the overall revenue needs of the utility will always be substantially less under state ownership. Clearly a large amount of this savings could be shifted to the intrastate side of business.

SENATE FINANCE COMMITTEE

February 5, 1979

8:40 a.m.

In the absence of Senator Sackett, Senator Hohman called the meeting to order at 8:40 a.m. Senators Hohman, Ray, Dankworth, Hackney, Summer and Bennett were present.

PRESENT

(Due to weather conditions at the Juneau airport, Senator Sackett arrived at the meeting at 9:00 a.m.) Also present were: Dave Scott, fiscal analyst, Hugh Fate, President of the U of A Board of Regents and Dr. Sherman Carter, VP for Finance and Comptroller, U of A.

Senator Hohman advised the committee that in the absence of Senator Sackett and that President Diebold had not arrived, the meeting would be an overview of the budget presented by fiscal analyst Dave Scott.

OVERVIEW
U OF A
BUDGET

Mr. Scott passed out various handouts to the committee indicating some of the changes that would be in the U of A shortform, salary savings as proposed by President Diebold, (copy attached), areas of legislative interest in prior years (copy attached), tuition rates in various Western states, and answers to some questions asked by Senator Sackett to Attorney General, Avrum Gross. Mr. Scott advised the committee that the above information might be useful to them when they did go over the budget.

INFORMATION
RELATIVE TO
BUDGET

Dr. Fate stated that the Board of Regents for the University would meet in Nome on February 15 to discuss an increase in student fee rates. At this time, Alaska is one of the states with the lowest tuition rates. He said the Board of Regents will probably go along with the suggested increases proposed by Administration. He also stated that he felt the increase in student fees would not detract from the number of students who would enroll at the University.

STUDENT
FEE
INCREASES

Senator Ray questioned Dr. Fate as to whether or not the student fee increase had anything to do with the increased cost of living. Dr. Fate said the increase was simply a dollar amount needed to bring the budget back. He said a cost of living adjustment would mean more of an increase. 1973 was the last time there was an increase in student fees.

Chairman Sackett, having just entered the meeting, stated that since President Diebold had not been able to make the meeting today, the committee would take up Statewide - Central Offices, Organized Research and Campuses the remainder of the week.

Chairman Sackett assigned the following bills:

SB 77	-	Ray
SB 86	-	Sumner
SB 96	-	Dankworth
SB 103	-	Hohman
SJR 16	-	Hackney

BILL
ASSIGNMENT

Chairman Sackett advised the committee that beginning February 12 they would be taking up the category of NRMEC and going over that budget.

NRMEC
BUDGET

The meeting adjourned at 9:10 a.m.

ADJOURN

January 9, 1979

TO: Chancellor Cutler
Chancellor Harrison
Chancellor O'Rourke
Chancellor Jones
Vice Chancellor Mather
Vice President Carter

FROM: Foster F. Diebold
President

RE: Salary Savings

The fact that all authorized positions at a university are not filled continuously is recognized. Accordingly, in providing financial support for any university, some amounts less than stated salaries for all positions actually are required. Standard procedure at state-supported universities nationally is to receive less than the stated salary requirements, with the difference between the amount appropriated and the total salary requirement if all positions were continuously filled being termed "salary savings".

Steps are now being taken to determine the amount of this salary savings requirement which will be imposed by the State on the University of Alaska for FY 80. To permit appropriate University response during this process, various statistical information is being accumulated regarding the amount of so-called salary savings actually accumulating during FY 79. As you know, Sherman Carter is obtaining from your staffs information on actual salary savings being accumulated this year. The purposes for that are to ensure that those required savings actually are effected, so that no deficit results, and secondly, to get accurate determinations on how much in the way of salary savings actually is being generated. Previously, at this University, no such information was accumulated centrally.

For FY 79, the State dictated a 3% salary savings factor for the University of Alaska. That is, appropriations 3% less than the total stated salary requirement, if all positions were continuously filled, were provided to the University. Several possibilities exist for FY 80. However, there seems no question whatsoever about the fact that the University every year henceforth will be required to absorb salary savings.

One approach which the State conceivably could use would be to require the University to absorb salary savings in FY 80 equal to those which it actually generated in FY 79. However, that would be an inaccurate and inadequate approach. Many parts of the University had positions open this year which seemingly should be filled continuously next year. The 3% factor being used for FY 79 will be low in some cases and may be very hard for other elements of the University to meet. Therefore, simply continuing the 3% factor also would be an inadequate approach.

What now must be done will be somewhat difficult, however, I need you to generate certain information as I shall explain below. I would like you to have this information to the Vice President for Finance by January 22, 1979. I am sorry to press you on this issue, but it is of extreme importance to the University, and unless the University cooperates and provides such data, I feel confident that salary saving factors simply will be computed by the State and imposed on the University without its input.

January 9, 1979

Chancellors/ Vice President for Finance/ President Diebold

Re: Salary Savings

-2-

What the Central Administration of the University now needs from each addressee for the areas indicated is as follows:

- a. His best estimate of the actual salary savings which will be generated in the appropriations concerned during the entire FY 79.
- b. His best estimate of the salary savings which will be generated by appropriations in FY 80.

In computing the information requested in sub-paragraph "b" above, start by assuming that the University will receive funding in FY 80 as apparently will be recommended by the Governor. Information concerning that funding level is presented in the attachment. Regarding your projected salary savings, I want to emphasize very strongly two or three points. You are to compute the estimates as accurately as you can. While I expect you to be conservative with your projections, they should be sufficiently close to what actually will materialize in FY 80 that the differences can be justified and explained. Specifically, if your estimates of salary savings are only slightly less than the savings which actually materialize, there will be no problem. But, if anyone projects salary savings of, say 2%, when actual salary savings of, say 8 %, actually materialize, there will be problems. I intend to "play it straight" and not "play games" with the State on this issue. Again, salary savings can and should be projected carefully and perhaps a bit conservatively, but I shall not tolerate projections which are blatantly false or inaccurate.

I shall determine the University's response to the State with respect to salary savings which would be realistic and reasonable for the State to impose on the University after analyzing the information submitted as requested above. However, most likely the University will request that the State impose different salary saving requirements next year for various elements of the University, rather than any flat, across-the-board percentage for the entire University as was the case for FY 79.

I thank you in advance for your cooperation in this matter. If you have technical questions regarding what to compute or how to compute it, please contact Sherman Carter.

FFD:dm

cc:

Dr. Hugh B. Fate, President, and
Members of the Board of Regents
Dr. Thrombley
Dr. Gruenig
Ms. Demmert

Enclosure

UNIVERSITY OF ALASKA
FY80 SHORTFORM
AREAS OF LEGISLATIVE INTEREST IN PRIOR SESSIONS

UNIT	ITEM(s)	SHORTFORM PAGE
BOARD OF REGENTS	1-Governor's fund source revisions, Student	.1,11
	Fees and Indirect Cost Recovery	
	2-Independent staff budgets:FY77-79	.8
	3-Annual Audit report	.8
	4-Competition between Research units and state . . .	-
	private firms for contracts	
	5-Statewide Academic Master Plan	-
	6-Sabbatical Leave program policies	10
	7-Recruitment/Relocation policies	.12
	8-Intercollegiate Athletics programs and	.14
	state support	
STATEWIDE ADMINISTRATION	9-Enrollment statistics	-
	10-General salary increase request for non-BU. . . .	-
	staff	
	11-Salary Savings rates	-
	1-Growth in statewide staff	v,20
	2-Compliance with reporting requirements.	20
	to Legislative staff	
	3-Data processing services	22
	4-Risk Management, compliance with FY79.	24
	5-Staff Benefits rates, collection of surplus. . .	vi,26
	and distribution of expenses	
UNIV. CENTER-FAIRBANKS	1-Academic Master Plan	32
	2-Staffing ratios, class size	32
	3-Accreditation support	32
	4-Petroleum Engineering program development. . .	32
	5-Cross-Cultural program development	32
	6-KUAC- relationship with local community. . . .	36
	interest groups and APBC	
	7-Library acquisitions funding	38
	8-Museum program development	38
	9-Academic administration, number of Dean's, . .	38
	Director's, etc.	
	10-Support for Housing program	42
	11-Grants & Contracts office, billings for	46
	Research grants	
	12-Purchasing program, federal compliance	46
	13-Direct support of Heating Corporation	46

UNIVERSITY OF ALASKA
FY 80 SHORTFORM
AREAS OF LEGISLATIVE INTEREST IN PRIOR SESSIONS

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UNIT	ITEM(s)	SHORTFORM PAGE
UNIV. CENTER-ANCHORAGE	1-Academic Master Plan	52
	2-Staffing ratios, class size.	52
	3-Coordinating programs with ACC	-
	4-Engineering program development.	52
	5-Criminal Justice Center funding.	54
	6-Library acquisitions funding	56
	7-Theater operation funding	56
	8-Academic administration, number of	56
	Dean's, Director's, etc.	
	9-Student Center operation, surplus	60
	fees from Revenue Bond dedication, and proration of expenses with ACC	
	10-Proration of administrative services	62
	with ACC	
UNIV. CENTER-JUNEAU	1-Academic Master Plan	68,70
	2-Reorganization	68,70
	3-Fisheries program	68
	4-Coordination of programs between	-
	SESC and JDCC	
	5-Staffing ratios, class sizes	68,70
	6-Community Interest program growth.	70
	7-Library acquisitions funding	74
	8-Academic administration, number.	74
	of Dean's, Director's, etc.	
	9-Rental of administrative space	80
	10-Support of Housing program	80
CC-STATEWIDE ADMIN.	1-Academic Master Planning	86
	2-Accreditation of individual campuses	86
	3-Organization, including components of	86
	the REA Division	
	4-BU contract, status of contract, funding	88,90
	of negotiated item requiring legislative action	
ANCHORAGE CC	1-Academic Master Plan	94
	2-Coordination of programs with UAA	-
	3-Staffing ratios, class sizes	94
	4-Eagle River program	94
	5-Public Service program growth	96
	6-Academic administration, number of	98
	Dean's, Director's, etc.	
	7-Student Center operation, proration	102
	of expenses with UAA	
	8-Proration of administrative services	104
	expense with UAA	

UNIVERSITY OF ALASKA
FY80 SHORTFORM

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AREAS OF LEGISLATIVE INTEREST IN PRIOR SESSIONS

UNIT	ITEM(s)	SHORTFORM PAGE
KENAI PENINSULA CC	1-Academic Master Plan	108
	2-Coordination of petroleum programs with Alaska Skill Center	108
	3-Program growth and budget growth	-
	4-Student Housing, service to entire peninsula	-
KETCHIKAN CC	1-Academic Master Plan	120
	2-Staffing ratios, class sizes	120
	3-Marine Technology program	120
KODIAK CC	1-Academic Master Plan	132
	2-Staffing ratios, class sizes	132
	3-Enrollment stability	-
KOTZEBUE CC	1-Establishment in April, 1978, agreement with local city/schools	144
KUSKOKWIM CC	1-Academic Master Plan	154
	2-Yupik Language Center.	158
	3-Support for Housing program.	164
MUSKOGEE CC	1-Academic Master Plan	168
	2-Vocational program emphasis.	168
NORTHWEST CC	1-Academic Master Plan	180
	2-Enrollment stability, emphasis on correspondence credits, local hire for faculty	180
	3-Use of Nome-Beltz facility	-
PRINCE WILLIAM SD. CC	1-Establishment in April, 1978, agreement. with local city/schools	194
	2-Local support of 200.0 in start-up costs	-
SITKA CC	1-Academic Master Plan	206
	2-Accreditation	-
	3-Sheldon Jackson consortium	210
TANANA VALLEY CC	1-Support of administrative costs of Community Interest/Non-Credit courses	220
	2-New Vocational/Technology building space, coordination with local school district and Hutchison Career Center	220, 228

UNIVERSITY OF ALASKA
FY80 SHORTFORM
AREAS OF LEGISLATIVE INTEREST IN PRIOR SESSIONS

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UNIT	ITME(s)	SHORTFORM PAGE
RURAL EDUCATION	1-Support for Learning Centers	232
	2-Alaska Native Language Center.	236
	3-Placement of Cooperative Extension	240
	program in this Division	
ORGANIZED RESEARCH	1-Means to approach state support for Research at the University	-

SENATE FINANCE COMMITTEE

February 6, 1979

8:40 a.m.

Chairman Sackett convened the meeting at approximately 8:40 a.m. All committee members were present. Also in attendance were Dr. Sherman Carter, Vice President for Finance & Comptroller, University of Alaska; Dr. W. Russell Jones, Acting Chancellor, University of Alaska, Juneau; Dr. Kerry Romesburg, Executive Director, Postsecondary Education Commission, Dept. of Education; Frank Spargo from the Governor's Office; Mason West, Jr., representing the Community College Teachers; Representative Brian Rogers; Fiscal Analyst Dave Scott; various administrative assistants assigned to committee members; representatives of the media including John Hale and Joe LaRocca; and Garrey Peska, Administrative Assistant to Senate Finance.

PRESENT

Chairman Sackett advised that the committee would continue shortform review of the University of Alaska budget commencing with Statewide Administration, and he advised that Dr. Sherman Carter was present to speak on behalf of the University.

UNIVERSITY
OF ALASKA
BUDGET
REVIEW

Dr. Carter expressed apologies for President Diebold's absence (due to weather conditions Mr. Diebold has been unable to reach Juneau) and requested that the hearing be delayed pending the president's arrival or, according to committee wishes, that he (Carter) be allowed to speak in the president's stead. The Chairman requested that Dr. Carter proceed in Mr. Diebold's absence, directing committee attention to page 9 of the budget shortform--Board of Regents (Regents Staff & Support).

DR. CARTER

BOARD OF
REGENTS
STAFF &
SUPPORT

Dr. Carter gave a brief overview of the budget, advising that local chancellors had been requested to submit budget needs to President Diebold and the Board of Regents for review. The total request from the chancellors amounted to a \$31 million increase over the continuation funding level (a 41% increase). The Board of Regents allowed an 8% increase over continuation funding (a total increase of 11%). A great deal of prioritizing went into the budget preparation before presentation to the Governor.

OVERVIEW
BUDGET
INCREASES

Dr. Carter next testified concerning recent accomplishments at the University, noting that:

- (1) The budget request was submitted in a timely manner.
- (2) The financial statement got out on time. The audited statements were ready by the first of November which is about standard for a university system.
- (3) W-2 forms were timely distributed.
- (4) Monthly comparison with budget expenditures has been effected. The University is having difficulty getting its comparisons in the format required by the state. It is now attempting to automate and modernize its accounting system and working to solve the reporting requirement problem.

UNIVERSITY
ACCOMPLISH
MENTS

Responding to questions from Chairman Sackett concerning the SCT contract, Dr. Carter advised that the University remains under contract with SCT, and SCT is working with the University to automate the University system. He further advised that it will take until approximately the first of January two years hence for the system to be fully automated.

SCT
CONTRACT

AUTOMA-
TION

Replying to questions raised by the Chairman concerning payments to SCT, Dr. Carter responded that the University currently budgets \$1.9 million for personnel and approximately \$265 thousand for other costs such as materials. Chairman Sackett stated that from the above it appears the University spends approximately \$2 million to have its accounting done. Dr. Carter replied that the contract was renegotiated and some reductions effected in overhead costs. SCT will also not receive a percentage cost for supplies. Originally, SCT was selected on the basis of competitive bids--SCT submitting the lowest bid. Dr. Carter advised that it is his feeling the University should eventually take over this function, but such assumption does not appear feasible until 1981.

SCT PAY-
MENTS

Dr. Carter next advised that last year the University reduced its outstanding accounts receivable by about one third. The University is doing about \$40 million worth of federal contract work wherein it has to incur certain costs and then bill for them. The University is trying continually to improve the accounts receivable

ACCOUNTS
RECEIVABLE

situation, but it needs to carry about 15% of its annual accounts receivable in working capital.

Having advised committee members of his former position as financial Vice President for the University of Idaho, Dr. Carter was asked his impression of the University accounting system. He responded that in his opinion it is out of date, and there are many problems with it. It is currently somewhat precarious due to digit code use and the necessity of hand operation of some accounting functions. He again stated that the University is attempting to automate within the next two years, adding that he believed some of the old problems such as inability to pay people on time have been resolved. He further added that the University should have the ability to carry its own accounts receivable with the understanding that this funding be used for nothing else.

UNIVERSITY
ACCOUNTING
SYSTEM

Responding to the understanding voiced by Senator Ray that in two years the University would be conducting all its accounting, Dr. Carter stated that the University does the accounting while SCT runs the computer system. It's a joint effort.

Dr. Carter next advised that in the budget request for the coming year the University identified certain items pertaining to the Board of Regents. The University is attempting to develop a long range development plan. When asked by the Chairman if such a development plan represents the proposed master plan, Dr. Carter responded "yes, this plan will need continual development and upgrading." It is not complete, and the new Vice President of Academics will be working on it.

LONG RANGE
DEVELOPMENT
PLAN

Chairman Sackett advised that in the past the committee has dealt with financial aspects of the University and has not had time to devote to the academic area. He added that emphasis should now be on upgrading the academic curriculum, citing numerous students going "outside" for postsecondary schooling.

EMPHASIS ON
ACADEMIA

Dr. Carter advised committee members that in the coming budget year the University would be working to improve planning and shifting certain people in facilities planning now paid by capital funds into the operating budget. The current operation is not really proper financial treatment of this function, advising that the \$367 which shows up as new positions and funding is really just a shift of the above mentioned planning function, representing a 4% increase for the Board of Regents.

SHIFT OF
PLANNING
FUNCTION

Another issue currently being addressed by the University is land management. The University owns approximately 105 thousand acres (excluding campuses), valued at an estimated \$150 million. The income from this land could be used to help finance the University via lease of the land or sale and placement of sale proceeds in endowment moneys. In 1976 the University earned \$142 thousand from this land and \$200 thousand in 1979.

UNIVERSITY
LAND

There is no reason why revenues of \$3 million cannot be generated from management of these lands. The Regents have decided to manage the land themselves. Responding to a question from Senator Bennett concerning the possibility of timber sales on University lands, Dr. Carter stated that part of the management problem results from the fact that no attempt has yet been made to determine how these lands can be effectively used.

Responding to a question from Senator Ray concerning the type of land owned and the portion available for sale, Dr. Carter cited University ownership of the following acreage:

275 acres of urban land
16,537 acres of designated rural land
53,340 acres of general rural land
34,000 acres of remote land
105,182 acres

(Note - figures do not add up)

He advised that he believed the Regents had the right to sell all the above-cited land, that how much they elect to sell is up to them, advising that he knew of no restrictions against sale of the land. Chairman Sackett instructed staff members to investigate and determine whether or not restrictions exist and what portion of the lands can be sold.

REGENTS
RIGHT TO
MANAGE OR
SELL LAND

Dave Scott advised committee members that the \$250 thousand listed in the operating budget represents income from the land while the \$160 thousand in management funding is a request from general funds. Dave Scott asked Dr. Carter if the \$160 thousand represents a one-time expenditure, and Dr. Carter responded "no, the cost of managing this land will be an annual cost," but within two or three years the income should be up to \$3 million. Even if the land is sold, and the money placed in an endowment fund, the University should be able to earn \$7 or \$8 million from it. The intent is that these assets not be consumed but continue into perpetuity.

INCOME FROM
U. LAND

Chairman Sackett advised Dr. Carter that the committee has no material relating to potential land revenues, asking that Dr. Carter provide such information through Dave Scott.

Chairman Sackett referred committee members to page 9 of the shortform, questioning Dr. Carter concerning the need for the personal secretary to the Board of Regents. Dr. Carter advised that the secretary would perform work for the Board of Regents currently being accomplished by one of the secretaries in the President's office. Because of increasing volume, the position is necessary.

NEED FOR
SECRETARY
IN REGENTS
COMPONENT

Chairman Sackett questioned Dr. Carter concerning year-to-date travel costs for the Board of Regents, and Dr. Carter advised he would check on such figures and respond to the committee.

QUESTION
REGENT
TRAVEL COSTS

Senator Ray questioned the 9 positions located within the Board of Regents component, asking if the Board did not already have a secretary. Dr. Carter responded that these positions include budget analysts, four auditors, one controller, one executive assistant, and one administrative assistant, but no secretary.

POSITIONS
WITHIN
REGENTS
COMPONENT

Dave Scott advised that the Board of Regents is a new component area isolated within the last three years. The Board specifically requested its own staff and it now appears that the University has transferred that staff. In response, Dr. Carter referred committee members to page v. of the shortform dealing with University of Alaska Statewide Offices Staffing Patterns, advising that it was his understanding that when the University got into financial trouble, the Board of Regents undertook to build up its own staff interposed between the University and the President. Dr. Carter further stated that he believed staff functions to be important and in need of being performed, adding that he didn't believe a duplication of function exists, but the University is experiencing a shifting of control of these functions. Responding to a question from Senator Sumner concerning who made the decision to effect the shifting, Dr. Carter stated that the internal audit was not being effectively performed, and the Board of Regents felt this function would work better within the organization. He added that the Regents made the decision while he felt it was a good decision and one which he had recommended.

REGENTS
STAFF

Committee members having voiced concern that the Board of Regents would encounter problems because it relies too heavily on information provided by the President, Dr. Carter advised that he has strong feelings in this area but felt somewhat uncomfortable trying to second guess the intention of the Board. He concluded his statement advising that he didn't feel the University would again get into the trouble previously experienced.

Turning committee attention to page 11 of the shortform-- Board of Regents (Sabbatical Leave Program), Chairman Sackett advised that the University requested \$293 thousand while the Governor recommended \$210.1 thousand. Dave Scott advised that this is the first year sabbatical leave has been individually funded. Dr. Carter advised that in the past the University has budgeted more money than necessary and used excess funding for other things. The above situation is not the case this year in that the University is short on funding in this area. The sabbatical leave program takes funding out of the individual chancellor's offices and places it under central administration. Dr. Carter advised that he believed such a practice to be wrong in that such funding should be under the control of individual chancellors. Dave Scott asked if it is not true that final approval for sabbatical leave is not with individual chancellors but with central administration. Dr. Carter responded that while approval is vested with central administration, control of the funding should rest with the chancellor. The process won't be as efficient if funding goes through central administration. Dave Scott attested to the need to place sabbatical funding with central administration so individual chancellors will not be able to use other funds to make up sabbatical deficiencies.

SABBATICAL
LEAVE

Addressing committee attention to page 13 of the shortform--Board of Regents (Recruitment - Relocation). Dave Scott advised that the component represents another area isolated for the first time as a separate component. Chairman Sackett asked Dr. Carter how many people the component request would cover. What is the average paid in the way of expenses for new personnel? Dr. Carter replied that it is his understanding the University is statutorily required to pay one month's salary toward

RECRUITMENT
&
RELOCATION

moving costs. He further advised that it is his understanding that upon completion of a contract, the University is obligated to pay relocation costs, adding that President Diebold should speak to this area, indicating that President Diebold does not feel the University should continue this practice. Dave Scott advised that he was aware of a statutory requirement which specifies that if the University brings someone to Alaska from the states and the position is cancelled, it must then pay relocation costs.

Dr. Carter advised that the budget request for this component is based on numerous anticipated new positions. If the new positions are not allowed, this component will be summarily reduced.

Dr. Carter further added that such recruitment and relocation costs apply only to professional staff positions as well as individuals under community college contracts.

Chairman Sackett next directed committee attention to page 15 of the shortform--Board of Regents (Intercollegiate Athletics). Dr. Carter advised that the amounts requested are in accordance with chancellor requirements. There is no intent to increase the program or the amounts spent. Again, Dr. Carter stated that the component represents funding which needs to be controlled by individual chancellors rather than through central administration. Chairman Sackett advised that he agreed with Dr. Carter theoretically, but when funding is continually misused, as per past University practice, one unit must be made responsible. Dr. Carter again attested to the desirability of decentralized control, adding that the University needs flexibility in the use of its funding, advising that if the University has to come to Juneau for approval of funding transfers, fiscal management is going to become much more cumbersome and inefficient. Chairman Sackett advised that the University budget has been broken down into more components than any other agency, adding that state agencies have no trouble functioning within components--when a program runs out of funding, it stops!

INTERCOL-
LEGIATE
ATHLETICS

Senator Hohman raised questions concerning the intercollegiate invitational basketball tournament conducted in Anchorage over the Christmas holidays, asking if the tournament was a financial success. Dr. Carter

ANCHORAGE
TOURNAMENT

responded that the tournament was conducted at the suggestion of the Anchorage chancellor. He further added that it is his understanding it lost money. Central administration was skeptical about the financial feasibility of the tournament, but there was pressure to conduct it, and considerations had been made, so the chancellor allowed it to proceed. Dr. Carter stated that the only method for avoiding such losses in the future would be to establish a reserve fund based on gate receipts from successful events, advising that, again, it is the chancellor's responsibility to conduct such activities. Chairman Sackett advised that he believed the actual event could be initiated at the chancellor level, but when it comes down to one group which is responsible to the public, that group should be the Board of Regents under which intercollegiate athletics has now been placed.

The Chairman advised that discussion of the University budget would continue at 8:30 a.m. tomorrow morning and adjourned the meeting at approximately 9:55 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

February 7, 1979

8:37 a.m.

Chairman Sackett called the meeting to order at 8:37 a.m. Senators Bennett, Sumner, Ray, Sackett, Hackney and Dankworth were present. Also from the University of Alaska were Howard Cutler, Jane Demmert, Frank Harrison, W. Russell Jones, Sherman Carter, Patrick O'Rourke; from the Office of the Governor Frank Spargo and Dan Zobrist; Kerry D. Romesburg, Postsecondary Education Commission; Mason West, Jr., President of ACCFT Local 2404, and fiscal analyst Dave Scott.

PRESENT

Chairman Sackett introduced Foster Diebold to begin testimony. University of Alaska President, Foster Diebold opened his remarks with the statement that "the U of A has spent an arduous past eighteen months in efforts designed to bring under control fiscal and other management problems which were the result of prior mismanagement." He stated his past year objectives and accomplishments. He then turned to the FY 80 budget and the Board of Regents. (Copy of opening remarks attached to these minutes.)

U OF A
OPENING
REMARKS

Chairman Sackett requested that Dr. Carter answer some of the questions of the previous day that were asked by the committee. How many acres of University land cannot be sold? Out of 105,000 acres owned by the University, there are approximately 12,000 acres in Fairbanks that cannot be sold. Question regarding SB 159: SB 159 gave the Board of Regents the option to manage the University land; the Board of Regents reserved the right to control it themselves. What was the amount of money spent by the Board of Regents in travel? In FY 78 \$64,700 was budgeted and \$63,354 was spent. That included travel for both Board of Regents and other staff involved with them. In FY 79 \$70,800 was budgeted for travel and to date \$17,204 has been spent.

QUESTIONS
FROM
PREVIOUS
DAY

There was extensive discussion regarding recruitment and relocation expenses. In FY 78 there were no funds budgeted for recruitment and relocation. \$241,055 was spent and was taken from excess fringe benefits. Expense for recruitment and relocation is no longer done that way. Now it is actually shown as recruitment and relocation.

RECRUITMEN
AND
RELOCATION

Senator Ray read portions of a letter from a Mr. Alexander regarding an application submitted for employment with the University of Alaska which further resulted in an interview with a Mr. Westman. There was discussion between the committee and the University officials regarding the hiring of new staff. It was the majority opinion of the committee that when at all possible they would like to have the University hire Alaskans rather than outsiders.

HIRE FROM
WITHIN
STATE

At this point the committee took up the University portion of the budget. They considered page 21 of the short form - Statewide Staff & Support. Dr. Carter explained that there are seven positions requested. These are not new positions, but rather positions that are already filled. The University is trying to shift these positions into the operating budget from the construction budget. Mr. Scott advised the committee that land management is also included in this area.

STAFF &
SUPPORT

At this time (9:25 a.m.) the committee recessed until 9:40 when Chairman Sackett reconvened the meeting, discussing page 23 of the shortform - Data Processing Service. Two new positions were requested here that were not included in the Governor's recommendation. These positions are necessary in the accounting department. Senator Sumner questioned as to how much money the University saved in their renegotiations with SCT. Answer: \$275,000 over a three-year period.

DATA
PROCESSING
SERVICE

P 25 - Risk Management - Dr. Carter advised the committee that last year the Legislature ask that Risk Management be included with the Department of Administration. Dr. Carter advised that they are working closely with Administration now and have been for the past year. There was discussion back and forth between the senators and the University people regarding insurance, workmen's comp, premiums, reserve accounts and claims.

RISK
MANAGEMENT

P 27 - Staff Benefits - Mr. Scott advised that all charges were compiled in one spot.

STAFF
BENEFITS

P 29 - RCA Rate Increase Distribution - Due to a 87% rate increase these funds are needed to pay for increased lease costs of equipment and telecommunications lines statewide. At this time the University is trying through the Governor's Office to get a supplemental appropriation to cover FY 79. President Diebold has requested the faculty and staff to take advantage of the computer mail system rather than make toll calls and use the regular mail. There should be quite a savings just in this area.

RCA RATE
INCREASE
DISTR.

At this point Chancellor Cutler from Fairbanks took the stand. Dr. Cutler began his remarks by saying that at this time there is the largest head count in the history of U of A in Fairbanks, however, the student credit hours has not reached that point. At the present time the number of students has increased 25% over the last two years while the student credit hours has increased 27%. Dr. Cutler enumerated his priorities in preparing the budget for Fairbanks: 1) opening the new museum building, 2) strengthening college of environmental sciences, and 3) add to the school of business and school of agriculture and land resources.

FAIRBANKS
U OF A
PRIORITIES

Dr. Cutler then remarked on the U of A Fairbanks "crises situations": 1) the athletic program is operating in the red, 2) financing of library, 3) no sabbatical leave money for faculty development, and 4) relocation expenses - none available.

"CRISES
SITUATIONS

At this point the committee returned to the shortform, P 33 - Instruction. Dr. Cutler said they desperately need the following positions: Petrologist, professor of marine science, professor of petroleum engineering, and two courses in limnology (the study of lakes). Also as the enrollment has increased in Economics, they need a professor for that course.

INSTRUCTION

P 39 - Academic Support - Dr. Cutler advised the committee that this area included the museum program. The new building is almost completed, but there are no monies available to get the building open. (Funds have been obtained from private source for the actual moving). Dr. Cutler advised that he must have positions 2, 3, 6 and 18 from this page and position 4 from shortform page 47 in order to open the new museum. Senator Sumner asked whether any of the staff from the old museum could be used in opening the new one. Dr. Cutler said all of the old staff would be used in the new museum, but they had to have the additional personnel also.

ACADEMIC
SUPPORT

Dr. Cutler informed the committee that soon there is to be information available through the Washington University library by computer. U of A will be able to have access to all of Washington's books and vice versa. One third of the Fairbanks collection is not duplicated in what Washington University has. In 1980 both Washington University and Alaska University will be connected with the Library of Congress. Senator Sumner asked if it would be possible for there to be an outlet or terminal hookup in Juneau so the legislators would have the same access. The answer: Yes. The questions: How? and How could it be funded?

ACCESS BY
COMPUTER TO
WASH. UNIV.
LIBRARY

(At this time [10:25 a.m.] Senator Hohman entered the meeting).

P 35 - Research & Prof. Centers - Dr. Cutler made the statement that when there is a dig, if the U of A in Fairbanks doesn't accept the artifacts, they will be shipped out of the state.

RESEARCH
& PROF.
CENTERS

P 43 - Student Services - Dr. Cutler advised that there is a \$10,000 request to support artists in the festival of native arts - a very important cultural event to be held in March.

STUDENT
SERVICES

P 47 - Administration and Plants - Dr. Cutler stated that positions 1 and 2 were needed to help keep up the collections and accounting process. Also position 4 is needed in the museum. In answer to the question regarding how many people are working in the museum, there are 3 full time and 3 part time professionals, 1 full time and 2 part time specialist staff, 2 part time services staff, 1 full time and 1 part time technical, and 2 full time and 1 part time clerical. Dr. Cutler stated that the new museum is just about double in size of the old museum in both area display and collections area.

ADMIN.
& PLANT

Chairman Sackett advised the committee that the meeting for Feb. 8 would begin at 8:30 a.m. and they would continue with the U of A budget. The meeting adjourned at 10:40 a.m.

ADJOURN

SF 79-5-1 (215-end)
SF 79-5-2 (entire)
SF 79-6-1 (1-506)

UNIVERSITY OF ALASKA

February 2, 1979

TO: The Honorable John Sackett, Chairperson, and
Members of the Senate Finance Committee

FROM: Foster F. Diebold
President 

RE: University of Alaska/ FY 80 Budget Presentation

As all of you are well aware, the University of Alaska has spent an arduous past eighteen months in efforts designed to bring under control fiscal and other management problems which were the result of prior mismanagement. These problems, of severe magnitude, had caused the University of Alaska to lose credibility with virtually every level of constituency within the State including, certainly, the members of the Legislature. In this regard, I can remember distinctly last year as members of the Legislature asked me as I sat before them giving testimony why should they again, as in prior years, concede to the University still another opportunity to correct its deficiencies, and on this subject there followed much debate. In the last analysis the Legislature, in general, and the Senate Finance Committee particularly, assigned the University to once again seek to correct itself during FY 79.

As President of the University, my primary objectives during the past year were to (1) correct the fiscal problems and bring under control the financial operation, (2) fill administrative positions with highly competent persons, (3) bring about management stability, (4) decentralize the administrative process, (5) increase the autonomy of the major administrative units, (6) provide the Board of Regents with the necessary information and choice of options to develop sound policies, and (7) establish information liaison with the Legislature. Only through the successful implementation of these objectives could the University begin to regain credibility. It now appears that the efforts of many have been successful, and although more remains to be done, the University of Alaska has righted itself and is deserving of continued support.

It is with a real sense of accomplishment that we can now report to you that (1) accurate and timely status/management reports are available monthly (they are routinely mailed to the legislators), (2) the University of Alaska Financial Statements for FY 78, prepared by Coopers & Lybrand, our external auditors, were available in October and as you will recall it was not even possible in the previous year to put together a comprehensive financial report, (3) the Coopers & Lybrand Report to Management on Accounting Procedures and Controls was available and distributed last month, and it is reasonable to say that in light of the suggestions provided in that report, as well as our ongoing activities during the past year, we are into the final phase of pulling under control every aspect (i.e., accounting, receivables, cash receipts, purchasing, expenditures, inventory, and endowment program) of our financial operation.

UNIVERSITY OF ALASKA

February 2, 1979

TO: The Honorable John Sackett, Chairperson, and Members of the Senate Finance Committee
FROM: Foster F. Diebold
President
Re: University of Alaska/ FY 80 Budget Presentation
-2-

In a recent letter from me to Mr. Gerald L. Wilkerson, Legislative Auditor, key issues were discussed which, in my opinion, will serve to bring the University into complete compliance with the State's accounting system within the very near future. The objectives which I set upon assuming the presidency have been, for the most part, achieved. The serious fiscal problems have been brought under control, we have filled key administrative positions with competent people of integrity, the administrative process has been vastly decentralized and the autonomy of the Chancellors correspondingly increased, the Board of Regents have been provided maximal information flow and options to consider in developing policy and governing the University, management stability has been established, and perhaps most importantly, the credibility of the University with its various constituencies has been for the most part restored.

Turning to the FY 80 Budget, let me first indicate that it is the first budget in some years which was submitted on time, and it is probably the first ever which was put together with the broadest possible cross-section of input from University staff down to the departmental level within each of the major administrative units. Further, there were no arbitrary and isolated adjustments or changes to this budget by the central office staff. The budget development process which produced the FY 80 document is the result of a priority process developed by and agreed to by the Chancellors within the limits of the prescribed funding ceilings, both as applied by the Board of Regents and the called-for reductions by the Office of the Governor. The Chancellors and their respective staffs, as well as other members of my staff, have worked long hours with diligence to put forward the best possible document, which among other efforts, included the consideration of approximately 2,000 priorities as requested by the units within each of the Chancellors' area of responsibility.

The major role of the Board of Regents in this FY 80 budget development process should not go unnoticed. The Finance Committee of the Board of Regents reviewed every priority request which came forward and gave direction to the administration for the final document which was again reviewed and then approved by the full Board prior to submission to the Governor. Also, the Board of Regents, in approving my recommendation to begin to develop a comprehensive Master Plan for the University of Alaska, have set in motion the process whereby the budget in FY 81 should reflect a more defined relationship to a comprehensive plan. The first draft of the Master Plan is expected to be available within the next three months and many members of the University community are working on that project now. It should be mentioned that the Office of the President is working closely with the Postsecondary Commission in the preparation of the Master Plan and, with the easing of the pressures related to the former financial condition of the University, we have been devoting increased effort and attention to the academic and organizational administrative needs of the University.

UNIVERSITY OF ALASKA

February 2, 1979

TO: The Honorable John Sackett, Chairperson, and Members of the Senate Finance Committee

FROM: Foster F. Diebold
President

Re: University of Alaska/ FY 80 Budget Presentation

-3-

On behalf of the Board of Regents and the University community, I offer sincere thanks for your ongoing support during what might well have been the most critical period in the history of the University, and I respectfully request you to continue that support.

-0-

FFD:dm

2/7/79

SENATE FINANCE COMMITTEE

February 8, 1979

8:35 a.m.

Chairman Sackett convened the meeting at approximately 8:35 a.m. All committee members were present. Also in attendance were Lieutenant Governor Terry Miller; Keith Specking, Legislative Assistant to the Governor; Senators Stimson and Colletta; representatives from the University of Alaska including Dr. Sherman Carter, Dr. Woodworth Thrombley, Mr. Ashok Dhingra, Dr. Howard Cutler, Dr. W. Russell Jones, Jane Demmert, and Dr. Patrick O'Rourke; Frank Spargo from Budget and Management; various administrative assistants assigned to committee members; Fiscal Analyst Dave Scott; Garrey Peska, Administrative Assistant to the Finance Committee; and representatives of the media including Joe LaRocca.

PRESENT

The Chairman advised that Lt. Governor Miller and Mr. Specking were before the committee to testify on the D-2 lands bills presently in committee (SB 53 - Special Appropriation to Office of the Governor for state's efforts concerning federal withdrawal of Alaska land) and (CSHB 53 - Act making special appropriation to the Steering Council for Alaska Lands for the state's efforts concerning federal withdrawal of Alaska land). Lt. Governor Miller advised that the administration feels the Senate version of the above appropriation gives the Governor the necessary funding to commence the necessary lobbying effort, additional funding to be forthcoming if needed. The contemplated oversight committee would consist of the presiding officers of both houses, chairmen of House and Senate Finance Committees, and chairmen of the House and Senate Resource Committees. The Governor prefers the oversight committee concept to the steering committee proposed under the House version of the appropriation. The need for accountability is adequately met under the Senate version in that it rests with the Governor. Under the House version, the Governor would have to return to the legislature for approval or disapproval of expenditures. This situation would become especially difficult after the

SB 53

CSHB 53

Legislature adjourns. Lt. Governor Miller further advised that he had recently talked with Governor Hammond, and the Governor feels any delay on the bill will adversely affect Alaska's lobbying effort. The administration needs this funding, and it needs the funding now!

Senator Hackney questioned the Governor's original request for \$2.5 million in light of the appropriations proposed by both House and Senate versions of the bill, and Mr. Miller responded that the administration has not withdrawn from its original request, it simply feels that the Senate's proposed \$2 million appropriation would be reasonable at this time even though the administration would have preferred the entire amount.

Senator Ray asked if Mr. Miller believed the Governor would veto the House version of the bill, and Mr. Miller advised that while he couldn't speak for the Governor, should the House version reach his (Miller's) desk, he would recommend it be vetoed. He added that he didn't feel there was a "wide margin of error" involved in the issue. "Whatever happens here, the Governor is going to be held accountable."

Senator Ray asked if the administration is satisfied with the \$2 million figure, and Mr. Miller replied "yes, based on the fact that the oversight committee will look at additional funds as needed at a later date."

Chairman Sackett advised he had asked the Attorney General for a detailed analysis of how the money is going to be spent, adding that the Attorney General had provided an analysis consistent with the time frame allowed. He next asked Mr. Miller if he (Miller) had an idea how much additional funding might be requested, and the anticipated purposes for which it might be needed. Mr. Miller replied that he could not respond to the question at the present time. He would expect the legislative oversight committee to be involved in making such decisions and the committee would be as cognizant as the administration of what is happening. He further stated that the administration does not even know if it can get a "first rate" Washington lobbyist for \$400 thousand. Maybe the State will require more than one lobbyist. The needs are unknown at this time.

Senator Ray moved that the committee effect a committee substitute for CSHB 53, eliminating the Steering Council and substituting appropriation to the Governor's Office. He further moved that the appropriation be reduced from \$2.5 million to \$2.0 million, that the effective date contingent upon establishment of the Steering Council for Alaska Lands be eliminated, and an immediate effective date substituted, and that the Senate Committee Substitute for CS for House Bill 53 pass from committee with individual recommendations. No objection having been voiced, Senate CS for CS for House Bill No. 53 passed from committee--all members signing do pass.

MOTION
SENATE CS
CS HB 53

Senator Ray next moved for adoption of a letter of intent allocating \$25 thousand of the appropriation to a consortium of individuals from Haines and Klukwan to fund a study on bald eagles. He advised that there currently exists a land use plan for the Haines area. The Audubon society has announced it is preparing to conduct a three-year study on eagles, and the Dept. of Natural Resources has indicated it will accept Audubon findings as state policy. People in the Haines area believe there should be an independent study made to verify the findings of the Audubon Society. Senator Ray advised that he believed this funding to be a valid request. He has talked to the administration concerning the matter, and the administration has no objections. Senator Ray moved for inclusion of the letter of intent with Senate CS for CS for House Bill No. 53. No objection having been voiced, the committee report was marked to note attachment of the Letter of Intent to the subject bill.

LETTER OF
INTENT

SENATE CS
CS HB 53

Chairman Sackett next directed committee attention to the operating budget for the University of Alaska, commencing with page 53 UNIVERSITY CENTER-ANCHORAGE ACADEMIC (Instruction). Dr. Frank Harrison, Chancellor of the Anchorage Campus appeared before the committee concerning this budget area. Following his opening remarks, Dr. Harrison advised that during his first four months in Anchorage he has determined:

DR. HARRISON
UAA

- (1) UAA initially needs to strengthen its academic image and shore up management ability.

- (2) The Anchorage area is losing bright minds to educational institutions in the Lower 48.
- (3) UAA has outstripped its ability to accommodate new students because of limitations in the budget.
- (4) The Anchorage area needs a full four-year college.
- (5) Students are being subjected to basic deficiencies in laboratory equipment
- (6) The faculty is being required to work with no support and under conditions which would discourage most educators.
- (7) The Anchorage community is being deprived of many benefits because of the deficiencies at UAA.
- (8) UAA has adequate time in which to develop, but resources are in short supply.

As a consequence of UAA's lacking resources, UAA:

- (1) Can accommodate no additional students. UAA is developing policy to operate on the basis of one student out--one student in.
- (2) Is losing highly qualified faculty members and incurring costly replacement expenses.
- (3) Cannot keep up with the growth of the Anchorage area, and students will be forced to seek opportunities elsewhere.

Referring to priorities within UAA, Dr. Harrison advised that of the \$2.2 million request, \$1.6 falls within the operating budget and \$.6 within capital equipment. Top priority is given to the \$.6 in capital equipment needed to equip laboratories in chemistry, biology, anthropology and nursing. UAA is also in need of support equipment such as typewriters, etc.

UAA
PRIORITY
EQUIP-
MENT

UAA has requested additional library moneys in its operating budget (\$227 thousand). Of the total, \$150 thousand is needed for necessary books, the remainder to continue UAA's subscriptions and its journal collection. Dr. Harrison specifically noted that the UAA Library also serves the Anchorage community.

LIBRARY
NEEDS

In the instructional area, UAA needs a school of engineering. It currently offers the first and second year of engineering and would hope to expand the program to the third and fourth year, ending in a baccalaureate degree. Dr. Harrison advised that the Postsecondary Education Commission is currently preparing a study in this area. Roughly two-thirds of the engineering population in Alaska is quartered in Anchorage. With such resources to draw from, expansion of the engineering program represents a legitimate request. Chairman Sackett questioned Dr. Harrison concerning Regent opinion regarding the engineering school, and Dr. Harrison responded that the possibility is still being explored at the statewide level. The report from Postsecondary should be forthcoming within the next few weeks. Responding to a question from Senator Hackney, Dr. Harrison advised that the proposed expansion would commence with mechanical and electrical engineering, adding that both areas are already offered at the Fairbanks Campus. He further stated that most of the students from Anchorage go to the Lower 48 to study engineering rather than to Fairbanks.

UAA PROPOSED
ENGINEERING
EXPANSION

Senator Sumner asked Dr. Harrison how the state could stop students from going to the Lower 48 for education. Dr. Harrison advised that he really didn't know since many parents feel children should go out of state. This seems to be a feeling nationwide. Parents want their children to get away from home and develop individual decision-making abilities. There also seems to be a lack of confidence in the academic capability of the University of Alaska. Dr. Harrison also expressed concern and questioned whether young people going outside for schooling ever return to Alaska. Senator Sumner questioned Dr. Harrison concerning the likelihood of someone attending school at Fairbanks rather than going outside. Dr. Harrison replied that studies indicate students tend to go outside rather than north, adding that the state needs to provide additional inducement for remaining within Alaska such as scholarships, more degree programs, etc.

ALASKAN
STUDENTS
SCHOOLED
IN LOWER 48

Senator Sumner next asked Dr. Harrison if he was familiar with the state student loan program, asking if Dr. Harrison was aware of the amount expended under this program. Dr. Harrison deferred comment on the total expended to the Postsecondary Education

STUDENT
LOAN
PROGRAM

Commission. Responding to a question from Senator Sumner concerning the percentage of loan recipients going outside for schooling, Dr. Harrison advised that he did not have such figures but would be interested in determining the number of recipients going outside for programs available in Alaska.

Senator Sumner next asked Dr. Harrison if UAA has space which is currently not being used, and Dr. Harrison replied "Our occupancy ratio is exceeded only by the island of Java." Some classes do not even have enough chairs for everyone.

UAA
OCCUPANCY
RATIO

Responding to committee questions concerning the lack of available totals for athletic funding noted on page 14 BOARD OF REGENTS (Intercollegiate Athletics) of the shortform, Dr. Harrison advised that UAA is still in the process of making decisions regarding what activities (sports) to include, adding that funding would be at the continuation level.

UAA
ATHLETIC
FUNDING

Responding to a question from Senator Hackney concerning increased travel funding on page 53 UNIVERSITY CENTER-ANCHORAGE ACADEMIC (Instruction), Dr. Harrison replied that the travel request is coincidental with UAA's request for additional faculty. He added that UAA feels its staff has to get out, attend conferences, and generally keep up on educational innovations in individual fields.

UAA
FACULTY
TRAVEL

Replying to a question from Senator Bennett regarding the number of non-resident students at UAA, Dr. Harrison stated that such percentage is very small, advising that UAA is developing a policy of not taking more students than it can handle. UAA is not actively recruiting students from outside.

NON-
RESIDENT
STUDENTS

Senator Hohman attested to the fact that student loans should not be contingent on the income of the parents or limit the student in his choice of school, adding that if the state intends to keep students inside, it must make statewide educational programs more attractive rather than locking the loan fund into Alaskan attendance.

STUDENT
LOANS

Dr. Harrison advised that it is not always cheaper for the student to go outside since tuition costs do not always reflect total educational costs. Students who go outside tend to increase the total unit cost of

COST OF
EDUCATION

education within the state. If educational costs could be spread over more students, it would cost the taxpayers less for education.

Responding to a question from Senator Dankworth concerning how the state got in the position of having beautiful Olympic-size swimming pools, ice hockey rinks, and gymnasiums but no room for students, Dr. Harrison advised that UAA could accommodate additional students, it just doesn't have the necessary equipment.

FACILITIES
vs. ROOM
FOR STUDENTS

Senator Sumner asked if there is anywhere in the continuance budget where UAA could cut funding, and Dr. Harrison replied that UAA has a "decremented budget" wherein in the event of extreme austerity, it has prioritized items funded in the operating budget.

UAA
DECREMENTED
BUDGET

Responding to a question from Chairman Sackett asking why engineering is suddenly the top priority on the Anchorage Campus, Dr. Harrison advised that UAA has tried to develop different areas within its curriculum. Last year the emphasis was on business; this year it is on engineering due to the great need in this area. Chairman Sackett asked why UAA doesn't build upon existing programs improving them rather than going "a little bit" into so many areas. Dr. Harrison responded that UAA has already developed a nursing school which is nationally accredited. With the heavy concentration of engineering expertise in Anchorage, it is felt UAA can keep more people in Alaska by offering a full three or four year course in engineering.

DEVELOPMENTAL
EMPHASIS

Replying to a question from Chairman Sackett concerning "squabbling" between UAA and ACC, Dr. Harrison advised that in his opinion there was no "squabbling." UAA and ACC are trying to get along as well as possible while the two academic entities pursue different goals and use the same equipment, facilities, etc.

UAA & ACC
SHARED
FACILITIES

Responding to a statement by Dave Scott concerning separate registration at ACC and UAA, Dr. Harrison stated that UAA did not change its registration schedule. It did hold pre-registration while ACC did not, acknowledging that there had been some student inconvenience.

UAA
REGISTRATION

COMMITTEE RECESS 9:40 a.m.

RECONVENE 9:50 a.m.

Upon reconvening, Chairman Sackett directed questions to Dr. Thrombley concerning status of the University's master plan and its affect on each campus. Dr. Thrombley distributed a handout containing a progress model for November 1978 through June 1979 (copy appended to these minutes), advising that the University hopes to have Phase I in effect by June. At that time, the plan will consist of "a pretty good description of the University," defined by units (an outline of who does what, and who has authority to carry out specific programs). The complete master plan will take at least another year. The following year the University will begin evaluating programs to determine whether they should be expanded, eliminated, etc. Dr. Thrombley further stated that it is the feeling at the central office that decisions should not be made program by program until administration has a view of the total University system, adding that he would hope to be able to make some recommendations to the Board of Regents by June.

UNIVERSITY
MASTER
PLAN

Directing committee attention to page 55 of the shortform UNIVERSITY CENTER-ANCH. ACADEMIC (Centers), Dave Scott advised that the component includes the criminal justice study and the center for alcohol and addiction study.

CRIMINAL
JUSTICE &
ALCOHOL/
ADDICTION
STUDY

Referring to page 57 of the shortform UNIVERSITY CENTER-ANCH. ACADEMIC (Academic Support), Chairman Sackett questioned the listed equipment replacement. Dr. Harrison advised that the request and the related quarter of a million dollar media request will upgrade equipment in media services, improving the quality of media instruction.

MEDIA
UPGRADE

Responding to a statement from Dave Scott concerning the transfer of funds in the theater program, Dr. Harrison advised that there is funding here for the theater program rather than relying on ticket sales.

THEATER
FUNDING

Directing committee attention to page 61 of the shortform UNIVERSITY CENTER-ANCH. OTHER (Student Services), Dave Scott questioned the student/campus

STUDENT
CENTER
OPERATION

center operation fund transfer. Dr. Carter advised that in 1975, \$5 million in revenue bonds were sold. These bonds will retire in 2000. To establish necessary reserves, the University was required to use 35% of the student fees collected. The annual amount required for debt service is \$754,800. The bonds require that collected amounts above payments can be used to equip, maintain, and operate the student center. There is at this time about a quarter of a million dollars above bond requirements collected from student fees. These moneys are being used to equip, maintain, and operate the center. Dave Scott advised that the transfer from the UAA plant fund was a current year transfer accomplished by journal voucher rather than RP. The question, Mr. Scott advised, is whether the surplus has to be used only for the center. Dr. Carter responded that in accordance with bond requirements, after student fee collection has been accomplished and payments made, the Regents may use the excess for operation of the center. He further advised that he wasn't aware the fund transfer was made in an inappropriate manner, adding that the University is not requesting general fund money to operate the student center but is covering the operation out of student fees. Chairman Sackett advised that from the above discussion it appears the University has taken funding out of debt service and transferred it to operating without the knowledge or authorization of the Legislature. Dave Scott stated that the transfer is reflected in the FY 80 budget, asking why the University did not reflect such a transfer in FY 79. Dr. Carter responded that he did not know why the FY 79 transfer was not shown. Chairman Sackett stated that lack of reflecting such transfers represents another example of why the University is in trouble with the Legislature. The amount transferred represents a significant amount of money which, had the Legislature been aware of, it could have used instead of general funds. Dave Scott advised that following discussions with the Governor's office concerning these transfers, it is his opinion that the University wished to do "the right thing," but there was some question in the Governor's office (due to language in the General Appropriation Act) whether such funds constitute program receipts.

Directing committee attention to page 63 of the shortform UNIVERSITY CENTER-ANCH. OTHER (Admin. and Plant), Dave Scott advised of the basic change in

maintenance for proration between ACC and UAA. Chairman Sackett question the fact that the two entities co-exist on the same campus using the same facilities and yet maintenance is being broken down between them. Dave Scott stated that the University has taken specific functions and divided them between the two entities rather than dividing the functions down the middle. Chairman Sackett raised questions concerning duplication of effort under such an arrangement, and Dr. Harrison responded that the intent is to divide the two institutions, not to duplicate functions, but to use existing personnel to perform existing functions.

Chairman Sackett next directed committee attention to page 67 of the shortform, UNIVERSITY CENTER-JUNEAU ACADEMIC, and Dr. Jones appeared before the committee on behalf of the Juneau campus.

UAJ
DR. JONES

Dr. Jones stated that in June 1978, the University of Alaska, Juneau-Senior College and the Juneau-Douglas Community College were combined under one chancellor as the University of Alaska at Juneau. The above combination meant that the two colleges continued to exist but under one administration. Such combination did not result in the cost savings expected by a total merger. The budget to facilitate the merger was "quite tight." Of the \$150 thousand requested, only \$50 thousand was approved. Funding allowed only one position with time split 60% Community College and 40% Senior College. Dr. Jones advised that such an arrangement contributed to combination difficulties he would speak to at a later time.

UAJ &
JDCC
COMBINATION

UAJ has instituted coordination between the two schools that hopefully will eliminate problems the student might have in progressing from a freshman to a senior. It has effected a Policy Advisory Council and an Academic Council to provide program continuity.

Dr. Jones began addressing UAJ priorities, advising that number one is to "firm up" existing degree programs and speak to deficiencies listed in the accreditation report. UAJ must meet accreditation requirements by 1982.

UAJ
PRIORITIES

At this time committee members were summoned to appear in Senate Chambers for floor discussion on D-2 legislation. The meeting adjourned at 10:35 a.m.

ADJOURN

A Suggested Process for Master Planning:

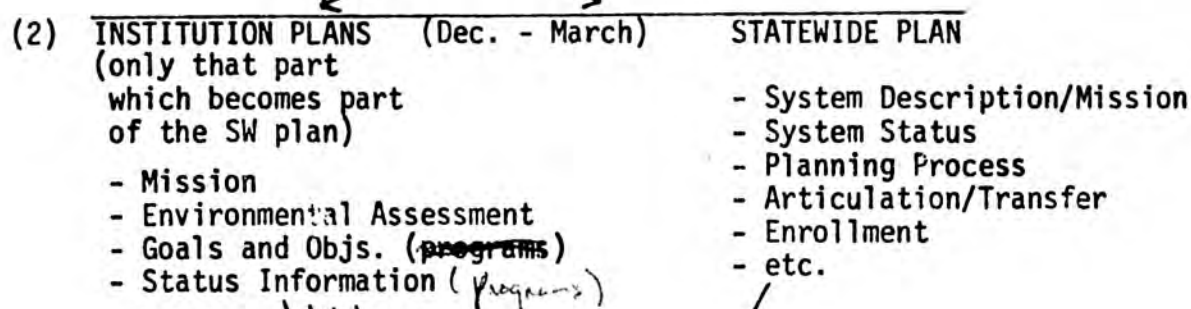
A Compromise Between "Top Down" and
"Bottom Up" Planning Models

(1) STATEWIDE MASTER PLANNING FRAMEWORK
(Dec. 78 - Jan. 79)

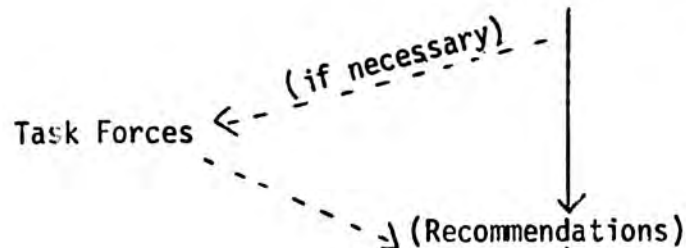
Chancellors
Assembly Pres.
Postsecondary
Comm. Rep. } → input to

Concept
Concerns
Format
Data

to include:
System description
Inst. missions
MP process
Issues



(3) ANALYZE PLANS FOR CONFLICTS
(March)



(4) DRAFT MASTER PLAN - FIRST PHASE (April)

→ Report to: Chancellors
BOR

← Review: External

(6) REVISE DRAFT (May)

(7) BOARD OF REGENTS (June)

(8) To be: continued
expanded
recycled

SENATE FINANCE COMMITTEE
February 9, 1979
8:45 a.m.

In Senator Sackett's absence, Senator Hohman called the meeting to order at 8:45 a.m. Senators Hackney, Ray, Sumner, Hohman and Bennett were present. Also present were: from the University of Alaska, Woodworth Thrombley, W. Russell Jones, Sherman Carter, Ashok Dhingra, and Pat O'Rourke; from Postsecondary Education, Kerry Romesburg and Tom Healey; Richard F. Lomire, Aide to Facilitator for Alaska Student Lobby; and Frank Spargo from the Office of the Governor.

PRESENT

Senator Hohman introduced Dr. Russell Jones from the U of A Juneau to discuss his portion of the University budget. Dr. Jones prefaced his budget report with a few remarks regarding his priorities relating to the Juneau campus: 1) Firm up degree program necessary for accreditation; 2) firm up existing non-degree vocational technical programs where high demand is evident; 3) continue strong development of fisheries program with special emphasis on bottom fish and ground fish. Of these three main priorities, Dr. Jones stated that accreditation was his prime concern.

U OF A
JUNEAU
PRIORITIES

Dr. Jones stated that both bachelors and masters degrees can be earned at U of A Juneau in the fields of Education, Business Administration and Fisheries. Arts and Sciences have no degree program at the present time. At the present time the Juneau campus needs professors for the fields of economics, mathematics and psychology in order to meet accreditation requirements. An accounting course for the business program is a big need currently. Dr. Jones stated that the University needs to add at least two more instructors a year for the next three years in the fisheries program to meet accreditation requirements. Dr. Jones said there have been more full-time students in the last three years and more of them have been working on their degree than in previous years.

Dr. Jones indicated that the fisheries program has the largest percentage of students than any other program. Many of those students are from outside. Indications are that the fisheries program will grow steadily.

A recommendation from the Accreditation Evaluation Report by the Northwest Association of Schools & Colleges dated September 11-14, 1977 recommended that the University insure continuity of program in basic arts, humanities and sciences for the bachelor degree students Dr. Jones said.

Dr. Jones stated that they needed to put into effect Phase 2 of the Ray Center and the fisheries program. He said they had no building designed for arts and humanities at the present time.

Senator Ray asked if there had been any indications that a forestry program was desired. Dr. Jones responded in the affirmative and said that the master plan contains designs and consideration of that program.

At this time the committee began working in the short-form, page 69 - SESC Instruction - positions 1, 2 and 3 are positions extended from a 10-month position to full time. Senator Hohman requested information regarding the fisheries program through the summer months - where they worked and the students who participated. Dr. Jones indicated that position 4 for fisheries would be part time developing and part time instructing. In answer to Senator Ray's question regarding the difference between an Associate Professor and an Assistant Professor, Dr. Jones said an Associate Professor has technical skills necessary for teaching the programs and has had at least five years in the position of Assistant Professor. An Assistant Professor is the entry level into university teaching even after a doctorate degree.

SESC
INSTRUCTION

P 71 - JDCC Instruction - Dr. Jones indicated that position 1 was for an instructor of a very high demand program - welding. He said they don't have enough teachers for the number of students requesting the program. Positions 6 & 7 relate to bottom fish. Fiscal analyst, Dave Scott, indicated that Community College teachers are members of the bargaining unit. The CC contract requires that a new employee cannot be hired higher than the salary level.

JDCC
INSTR.

P 73 - Public Service - Mr. Scott stated that JAC wanted to merge this area into SESC Instruction - P 69. However, he felt it would greatly distort funds between campuses. Dr. Jones explained why he wanted to move the funds into SESC Instruction - SF 79-7-2 (720). The committee suggested that Public Service and Community Service be looked at separately. Dr. Carter said that the funds could be broken down, but it made it very difficult to work with because they had to go to the Governor every time they wanted to move funds from one area to another. Senator Hohman explained that that had been because the Budget & Audit Committee had had a backlog of RP's at one time. Steps are being taken to amend the situation.

PUBLIC
SERVICE

P 75 - Academic Support - Dr. Jones said that money had been appropriated for books, but it had been vetoed. Part of this component is a request for 38.4 for library

ACADEMIC
SUPPORT

books to replace the veto (the maintenance portion). The equipment request for 157.2 includes 118.0 for books and 39.2 for maintenance. Dr. Jones said they really need 150.0 a year for the next five years just to maintain the current level.

P 79 - Student Services - Mr. Scott explained that position 1 moved two parttime instructors into full-time positions.

STUDENT
SERVICES

P 81 - Admin. and Plant - Dr. Jones indicated that 6.5 is for additional office space which would be rented for four professionals and one clerical. They need .5 to retain one mechanical engineer. Dr. Jones stated that his maintenance help has been extremely capable of keeping things in good repair. However, they are not sufficiently trained to take care of every repair. Occasionally the University has to hire outside help.

ADMIN.
& PLANT

P 83 - Consolidation Funds - JDCC & UAJ - Mr. Scott indicated that this is shown only because the program is required to be shown for three years. One position was hired for 60% UAJ and 40% CC.

CONSOLIDA-
TION FUNDS
UAJ & JDCC

At 10:00 a.m. the meeting recessed until 10:15 when Senator reconvened the meeting. The committee then took up the Category of Community Colleges with Dr. Patrick O'Rourke.

P 85 CC-Statewide Admin. - Dr. O'Rourke prefaced his budget presentation with some remarks about the Community College system. Dr. O'Rourke stated that any adult, regardless of his background, could attend a Community College. CC's serve a limited geographic scope. There is no emphasis of major research. Seventy-eight percent of the faculty load is in teaching. Extension Centers (under Rural Education) do not offer a full range of programs. Some of the CC's have no full-time faculty and some have no libraries.

COMMUNITY
COLLEGES

Dr. O'Rourke advised that the \$3 million incremental request for the 15 CC units could be prioritized as follows: 1) Establish base line support for two new colleges in Kotzebue and Valdez; 2) Strengthen existing rural education institutions and establish a new center at McGrath (vocational and transfer); 3) substantial program expansion at Tanana; 4) assistance to Anchorage CC in implementing its master plan (position request for instructor in chemical dependency and additional labor pool support); and 5) modest increase to meet added expenses in enrollment at Kenai CC.

COMMUNITY
COLLEGE
PRIORITIES

At the time Kotzebue and Valdez CC's were formed, the City of Valdez offered \$200,000 to help with the CC - these funds not to be used in the operation of the CC, but rather for the renovation of a building for a place to hold classes. The City of Valdez has now agreed to use \$50,000 for renovation purposes and the remaining \$150,000 for operation.

VALDEZ
CC

Dr. O'Rourke advised that a number of the CC units are currently under going accreditation studies.

Dr. O'Rourke passed out a chart of Comparative Costs of Instruction for FY 80 (copy attached to these minutes) and explained it to the senators.

Dr. O'Rourke indicated that he would like to start a new nursing program to be rotated between the CC's in Sputheast on an annual basis, beginning with Sitka.

NURSING
PROGRAM

Senator Sumner questioned Dr. O'Rourke as to what courses would be offered at Valdez that were not being offered at Kenai. Dr. O'Rourke stated that there would be a disability training program for rehabilitation workers. The people of Valdez felt that they had no access to the Kenai Peninsula CC. Senator Sumner stated that most of the people in Kenai are "imports". He said he would like to be kept informed regarding the Valdez CC. Senator Hohman indicated that that request would be for the whole committee.

VALDEZ
COURSES

Dr. Thrombley began talking about some of the figures of credit enrollment and non-credit enrollment. He said figures are usually put out the third week of the semester and again at the end of the semester. However, these are not always the same as there are many courses dropped and there are students who enroll at any given time during a semester. Senator Ray questioned if there were refunds for courses dropped. Refunds are as follows: 90% refund if course is dropped the first week, 50% refund for a course dropped the second week, and after that, no refund.

ENROLLMENT
& REFUNDS

Senator Hohman asked the possibility of allowing student credit to students who might be able to work during the legislative session. It was decided that Dr. O'Rourke and fiscal analyst Dave Scott would work on that aspect.

STUDENT
CREDIT

Senator Hohman stated that in an earlier meeting of the week that University personnel indicated that they were required by law to pay relocation expenses for personnel who left the employ of the University. Attached to these minutes is a letter dated 2-22-74 from Attorney General, Norman C. Gorsuch refuting that statement. Senator Hohman indicated that there was no need for further discussion in that area; he just wanted to leave that information with the University personnel.

RELOCATION
EXPENSES

P 87 - Statewide Staff & Support - In FY 79 \$100,000 was put in this component for master planning. Would the Legislature want to continue the \$100,000 base? Dr. Carter asked that this component be examined and be discussed with the University personnel.	STATEWIDE STAFF & SUPPORT
P 89 - CBU Contract Agreement - There is a re-request in the shortform for positions not funded in FY 79. There are negotiations for a new contract coming up in June 1980. The Board of Regents will decide at their February 15th meeting in Nome who will be on the negotiation team. If neither side asks for changes before March 1, they will extend the current contract for one more year. Under legislation passed last year, State Administration will be in on all contract proceedings.	CBU CONTRACT AGREEMENT
P 95 - Instruction - Eagle River has been transferred back into the Anchorage CC from the Mat Su CC as it was originally a part of ACC. New Program requests: two accounting instructors, one business administration instructor; positions 1, 5, 12, 14 and 16 especially needed. The ACC will be utilizing Diamond High School for some of their evening classes. Dr. O'Rourke said all of their objectives have to be complete in five years. Senator Sumner wanted to know if that would require more personnel in the next two or three years. Dr. O'Rourke responded that it would mean about 25% more personnel.	INSTR.
P 97 - Public Service - In response to a question regarding the senior citizens program, Dr. O'Rourke said both the credit and non-credit program activities were being moved to areas where the senior citizens didn't have to go to the campuses to attend class. Programs for women specialize in counselling and re-entering the job market.	PUBLIC SERVICE
P 99 - Academic Support - Reflects transfer of ACC resources center.	ACADEMIC SERVICES
P 103 - Student Services - No tuition fees in the student services program.	STUDENT SERVICES
P 105 - Admin. & Plant - This involves a partial transfer of Admissions & Records and Public Information and Affairs Operation from UAA and a transfer of the operation of Public Safety office and Veterans Affairs operations from UAA. UAA now begins classes one week earlier than ACC as ACC did away with the Spring break. They both complete classes at the same time.	ADMIN. & PLANT
P 109 - Kenai - Instruction - Mr. Scott mentioned that there is some concern regarding the working agreements with Kenai and Seward Skill Centers.	KENAI INSTR.

P 115 - Student Services - Career Counsellor - extend
from 3/4 time to full time.

STUDENT
SERVICES

P 117 - Admin. & Plant - Governor's request included
\$11,000 for a one time component. The question was
asked why the business manager needed to be upgraded.
Five years ago the business manager took care of
\$250,000 a year. Now that figure is 1.5 to 1.6 million.
The office needs an upgrade.

ADMIN. &
PLANT

Immediately prior to adjournment the committee discussed
data on tuition increase and the fact that tuition costs
are higher at the Community Colleges.

TUITION
INCREASE

The meeting adjourned at 11:40 a.m.

ADJOURN

SF 79-7-2 (1-end)
SF 79-8-1 (1-end)
SF 79-8-2 (1-end)
SF 79-9-1 (1-332)