

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2745

Mr. Arnoldt further attested to problems with municipal employees coming into the system and claiming back benefits with no assets in the system to pay such benefits.

The Chairman asked Mr. Arnoldt if the state's liability would remain open longer if the committee waits for the other bill (HCS for HB 369). Mr. Arnoldt responded "Yes, about 200 firemen are waiting for this issue to be resolved. The court allowed us to seek legislative remedy rather than a court settlement."

The Chairman directed Mr. Arnoldt to research the definition of quasi-public and report back to committee.

Senator Ray attested to his belief that differences between CSHB 243 am and HCS for HB 369 should be "worked out in free conference."

Senator Hohman withdrew his motion calling for deletion of various sections from CSHB 243 am.

Senator Ray additionally questioned claims under disabilities, asking what would happen in the instance of an employee hurt or disabled while working for Fish and Game who subsequently finds another job under Public Safety. Mr. Arnoldt replied "our disability requirement is that he be totally disabled and such disability would stop upon re-employment." He further added that the division is conducting a comprehensive study in the area of disabilities.

Mr. Arnoldt called committee attention to the fact that certain effective dates will have to be changed should the above-discussed deletions be made.

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

ADJOURN

MINUTES
SENATE FINANCE COMMITTEE
February 1, 1980
8:45 a.m.

Chairman Sackett called the meeting to order at approximately 8:45 a.m. All committee members were present with the exception of Senator Sumner. Also in attendance were Senator Stimson; Ron Lehr, Director of the Division of Budget and Management; Vince Wright, Chief of Research, Department of Revenue; Administrative Assistant to Senate Finance Bill Hogan; Fiscal Analysts Dave Scott and Milt Barker; and a representative from the media Joe LaRocca.

ATTENDANCE

The Chairman stated the purpose of the meeting to be discussion concerning funds available for appropriation. Related to the amount of surplus monies after expenditures, and monies the State has in the treasury, he expressed some concern for what he considered to be misleading information getting to the general public. He said that he had spent time with Ron Lehr and the Commissioner of Revenue and that together they had tried to develop various scenarios for what might happen.

APPROPRIATION
FUNDS

Chairman Sackett said that they had found \$3,330,000,000. to be legally available for appropriation, but after budget requests and changes by Legislators and in revenue forecasts, that figure will be affected a great deal. He added that at the end of FY 81, instead of \$3.3 billion, the state can either have a low of minus \$90 million, or a high of \$1.46 billion. There is still the unknown in the area of revenue income from the personal income tax case that the State has with the oil companies, but in any case, it should be made apparent that there are not billions and billions of surplus monies. He then requested that Mr. Lehr begin his testimony.

Mr. Lehr passed out a group of charts to the committee members and stated that he would briefly go through these so that the committee would become familiar with the figures. (Please refer to the charts appended to the end of these minutes.)

MR. LEHR

There was general discussion and questioning as Mr. Lehr explained the figures on the charts. At the end of the first chart, he stated that though there is legally a figure of \$3.330 billion available for appropriation in FY 81, a cash figure of only \$2.5 billion is actually available because a lot of money is not in liquid investments and would be very difficult to appropriate.

Chairman Sackett stated that he had met with Representative Meekins and others, and that the following list was established as being the major issues for expenditures - whether the Legislature approves them or not:

MAJOR
LEGISLATIVE
ISSUES

1. The Land Claims question
2. The Permanent Fund investment
3. Increases in the budget
4. Repeal of income tax - rebate
5. Capital expenditures like sports arenas or health clinics.

He stated that after computing all these possibilities with the \$2.5 billion figure, they came up with scenarios for where the State would be after expenditures or decreases in revenue. He said that in setting up these scenarios, they basically looked at the three packages that have come out, from the Senate, the House and the Governor - and then computed the appropriations that would be necessary from the General Fund. General discussion followed.

Mr. Lehr continued with a description of the Permanent Fund Dividend. He stated that it is sometimes called "tax credit", and is meant to use part of the interest from the Permanent Fund where the minimum payment per share would be \$50. In the first few years it would be equivalent to half an interest in the Permanent Fund. But in FY 81 there would be essentially two payments. He said that the Governor would like to make one payment this fall and then actually have the whole Permanent Fund Dividend in place by next spring, so that essentially, it would become a double payment. With two distributions in one fiscal year, the fiscal note would appear to be somewhere around \$90 million in FY 82. Further general discussion followed.

PERMANENT
FUND
DIVIDEND

Chairman Sackett asked Mr. Lehr to go into the revenue forecasting issue. Mr. Lehr stated that he felt comfortable with the revenue forecasting for a couple of years. But, he said that the expenditure forecasting is too low, and that that was a condition of the mathematical model. He explained that it subtracts out money for lapses without realizing that the money has already been subtracted out. This causes us to have a higher General Fund balance because the expenditures are too low. He said that expenditures should be closer to \$1.4 billion instead of \$1.320 billion.

REVENUE
FORECASTING

Some discussion followed and committee members again expressed frustration in terms of what constituents expect in terms of money, as opposed to what is actually there to spend. Senator Ray left the meeting. Chairman Sackett

re-stated his earlier concern that many people (and legislators) have been lead to believe that there is a tremendous surplus of money for appropriation. But he wanted to make clear that a negative balance at the end of FY 81 is a definite possibility after the large policy decisions the Legislature is now dealing with. He added that at the very best, we could have \$1.4 billion at the end of FY 81. He stated that at this point he would like to bring all this into terms of realism.

There was some further discussion, and then the Chairman announced the following schedule for next week:

Monday, Feb. 4	- 8:30 a.m.	Fish and Game
Tuesday, Feb. 5	- 8:30 - 9:00 a.m.	Legislative Retirement
	9:00 - 10:00 a.m.	Fish and Game
Wednesday, Feb. 6	- 8:30 a.m.	Environmental Conserv.
Thursday, Feb. 7	- 8:30 a.m.	Bill Session (SB 310)
Friday, Feb. 8	- 8:30 a.m.	Bill Session

The meeting adjourned at 9:30 a.m.

ADJOURN

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>Total Available General Fund Balance 6/30/79</u>	\$ 684.3	\$ 684.3
Investments not readily saleable ⁽¹⁾		(485.3)
<u>Cash Available for new Approp. 6/30/79</u>		199.0
FY 80 Operations through 6/30/80		
Revenues ⁽²⁾ 2,159.0		
Appropriations ⁽³⁾ 1,260.4		
To General Fund	898.6	898.6
Additional Investments not readily saleable ^{(4),(5)}	-	(173.5)
<u>Total Available General Fund Balance 6/30/80</u>	1,582.9	
<u>Cash Available for New Approp. 6/30/80</u>		924.1
FY 81 Operations through 6/30/81		
Revenues ⁽²⁾ 2,987.7		
Appropriations ⁽³⁾ 1,240.0		
To General Fund	1,747.7	1,747.7
Additional Investments not readily saleable ⁽⁵⁾	-	(117.0)
<u>Projected Total Available General Fund Balance 6/30/81</u>	<u>3,330.6</u>	
Cash Available for New Appropriation 6/30/81		2,554.8
Total Investments not readily saleable		775.8
<u>Balance Legally Available for Appropriation</u>		<u>3,330.6</u>

Starting Balance	Case I 2550	Case II 2550	Case III 2550	Case IV 2550	Case V 2550	Case VI 2550	Case VII 2550
Native Land Claims (110)	(110)	(110)	(110)	(110)	(110)	(110)	(110)
Perm. Fund I (1500)	(1500)			(1500)	(1500)		
Perm. Fund II (900)		(900)	(900)			(900)	(900)
FY 80 Invest I (225)	(225)	(225)	(225)	(225)	(225)	(225)	(225)
FY 81 Invest I (400)	(400)	(400)	(400)		(400)		
FY 81 Invest II (100)				(100)		(100)	(100)
Perm. Fund Dividend (185)	(185)	(185)	(185)	(185)	(185)		
Income Tax Repeal I (220)			(220)		(220)		
Income Tax Repeal II (340)						(340)	(340)
Leg. Expend. I (150)							
Leg. Expend. II (250)							(250)
Leg. Expend. III (350)						(350)	
Emergency Fund (200)						(200)	(200)
Total Uses (Non-add)	(2420)	(1820)	(2040)	(2120)	(2640)	(2225)	(2125)
Balance Available	130	730	510	430	(90)	325	425

FY 80 Invest I assumes additional \$35.0 per month for housing loans plus \$50 total for other institutions

FY 81 Invest I assumes continuation of FY 80 Invest I into FY 81

FY 81 Invest II assumes creation of State "GNMA" and expanded power of AIDA

Income tax repeal I assumes elimination of the income tax starting with the 1980 (calendar) tax year

Income tax repeal II assumes elimination of the income tax retroactive to the 1979 (calendar) tax year

Starting Balance	Case VIII 2550	Case IX 2550	Case X 2550	Case XI 2550	Case XII 2550	Case XIII 2550	Case XIV 2550
Nature Land Claims (110)	(110)	(110)	(110)	(110)			
Perm. Fund I (1500)		(1500)	(1500)				
Perm. Fund II (900)	(900)						
FY 80 Invest I (225)	(225)	(225)	(225)	(225)			
FY 81 Invest I (400)							
FY 81 Invest II (100)	(100)	(100)	(100)	(100)			
Perm. Fund Dividend (185)				(185)			
Income Tax Repeal I (220)		(220)		(220)			
Income Tax Repeal II (340)	(340)		(340)				
Leg. Expend. I (150)	(150)						
Leg. Expend. II (250)		(250)	(250)	(250)			
Leg. Expend. III (350)							
Emergency Fund (200)	(200)						
Total Uses (Non-add)	(2025)	(2405)	(2525)	(1090)			
Balance Available	525	145	25	1460			

Entry	Case I	Case II	Case III	Case IV	Case V	Case VI	Case VII
Start Balance I -100-	100						
Start Balance II -500-			500				
Start Balance III-1400-		1400					
Revenues I -4600-		4600	4600				
Revenues II -4400-	4400						
Expenditures I (1400)		(1400)					
Expenditures II (1600)			(1600)				
Expenditures III (1800)	(1800)						
End Balance	2700	4600	3500				

Revenues II assumes elimination of personal income tax

MINUTES
SENATE FINANCE COMMITTEE
February 4, 1980
8:35 a.m.

Chairman Sackett convened the meeting at approximately 8:35 a.m. All committee members were present with the exception of Senator Sumner. Also in attendance were Senators Mulcahy and Stimson; Representative Meekins; Keith Specking, Legislative Assistant to Governor Hammond; Commissioner Thomas Williams from the Department of Revenue; Bert Wagnon, Deputy Commissioner of Commerce; Fiscal Analyst Dave Scott; Administrative Assistants to Senate Finance Garrey Peska and Bill Hogan; Administrative Assistants to House Finance Mike Doogan and John Crandahl; and representatives from the media including Joe LaRocca.

ATTENDANCE

The Chairman advised that CSHCR 33 am (Requesting the Governor to direct action relating to the investment of the state general fund surplus and to the participation of financial institutions with the division of business loans in loan programs of benefit to the state's economy) was before the committee for discussion purposes. Commissioner Williams from the Department of Revenue and Deputy Commissioner of Commerce Wagnon appeared before committee advising that CSHCR 33 am directs both Revenue and Commerce to take action, adding that both departments concur in the policies reflected in the resolution.

CSHCR 33am

Commissioner Williams advised that in accordance with page 2, line 1, section (1) the state is to purchase not more than \$35 million each month running until June 30, 1980. Such purchases are to be made from the general fund "for only Alaskan residences." He stated that his only comment concerns the 9.5% interest rate, adding that he would like to see Alaska Housing Finance urged to meet a like rate. He further advised that Revenue's experience with federal credit unions has been extremely satisfactory both in terms of the spirit and the letter of the program, adding that he foresees no problem continuing with the program up to the directed amount.

COMMISSIONER
WILLIAMS

Responding to questions from Senator Kerttula concerning department action under resolution directive ("If you receive this directive what are you going to do about it?"), Mr. Williams advised he would "shoot for the \$35 million if the market can take it. We want to get money out to the people."

Responding to questions raised by Senator Ray concerning subsections (B) and (C) on page 2 of the resolution, Mr. Williams replied that (B) addresses business loans while (C) speaks to residential mortgages. Mr. Wagnon further added that the anticipated funding would be used to originate new loans rather than for refinancing. Senator Ray then advised that the resolution requires a letter of intent concerning refinancing in order that the resolution not be misinterpreted by financing institutions.

Commissioner Williams advised that refinancing "may not be bad in all cases." He added that Revenue would not want people refinancing just to take advantage of a lower interest rate or to withdraw the equity in a home and place it in gold, etc. On the other hand, refinancing would be beneficial to a businessman wishing to expand his business or "get it in shape" for the coming tourist season. If a businessman can extract the capital from his home to put into his business, Commissioner Williams advised he saw nothing wrong with refinancing since the moneys would be put back into the economy.

Senator Kerttula suggested a directive which would seek new financing first and secondly make funding available in other areas.

Commissioner Williams set forth the following areas in which financing included in the resolution might apply:

- (a) People who want to build a new home.
- (b) People who want to buy an already-built home.
- (c) People who are interested in buying a home from someone else.
- (d) Refinancing situations where a home might be refinanced to expand or increase equity in one's business.

Chairman Sackett commented on the department's interest in the program proposed by the resolution and asked why the department had not initiated such a program on its own. Mr. Williams stated that the state "put money out last year" and is now in the process of evaluating how the money was used. He added that the department has determined that some of the funds were susceptible to abuse. He further added that he was not saying that abuses occurred, but the department's programs were susceptible to abuse.

The Chairman again asked why the Legislature must issue such a directive. Why does the department not effect such a program on its own? Commissioner Williams then advised that the resolution represents "a recent meeting of the minds" between himself and Representative Meekins concerning goals. In the past there have been differences concerning the best method of approaching these goals.

Senator Ray expressed concern not only for the individual who wishes to borrow to enhance his business but also for the individual wishing to go into business.

Representative Meekins appeared before committee advising it was his intent that refinancing not be allowed under the resolution. He added that Senate Finance might wish to attach additional language making such a reservation clear. He further stated that it is understood between the commissioner and himself that the department would give preference to new construction.

Senator Kerttula advised that "no one doubts the value of housing," adding that some housing loans would appear to qualify as welfare programs and should carry a low rate of interest.

Mr. Meekings stated that the 9.5% set forth in the resolution evidences a precedent set last year. The idea is to move quickly and make loan funds available in advance of establishment of the permanent fund loan program. House Finance felt that the 9.5% interest rate would be less controversial than 8.5%. Mr. Meekins added that he felt the House could have passed something less than 9.5%, but the House was concerned something lower would cause the resolution to move more slowly in the Senate.

Commissioner Williams attested to the fact that the current mortgage rate of 13% does not reflect the real estate market but instead evidences federal regulation due to tight money. He further advised of his belief that current rates reflect a transitory phenomena and that rates will come down to 10 or 10.5%. The Commissioner advised that the point he hoped to make is that the state should take advantage of funding available at this time "so Alaskans do not have to ride the rollercoaster of high interest rates."

Senator Ray voiced his concern that if interest rates for loans on new construction are lowered too much, new construction will "go," but homes already built and waiting

for someone to move in will not.

Senator Bennett asked whether the proposed 9.5% interest rate would reach the people the loan program is trying to help, adding he would support "something closer to 7 to 7.5%."

Mr. Meekins advised that if the loan program proposed under the resolution lasted 4 months (4 mos. x \$35 million per month = \$140 million), a drop in interest rate from 9.5% to 8% (1-1/2%) would result in a \$2.1 million cost to the state treasury. For the purchaser, every percentage point reduction means "about \$100 a month off the mortgage payment."

Mr. Williams suggested that perhaps greater program emphasis might be made toward a transitional approach to housing which would enable people to make the transition from paying rent to purchasing a home. He suggested possible movement from a rental unit into a prefabricated home.

Mr. Wagnon, speaking on behalf of the Department of Commerce, advised that Sec. 3 of the resolution reflects upon the policy of requiring 10% loan participation by a financial institution. There is, however, no participation requirement on loans under \$50,000, and there is no participation on loans on Limited Entry Permits. Loans over \$50,000 require 10% bank participation. The banks service and perform collection functions for such loans. Banks, in short, "do a lot of the work for us." The department has an "astronomical" number of loan requests, and there is currently a 12 week delay when an individual requests a loan. If the department is mandated to do away with bank participation:

DEPUTY
COMMISSIONER
WAGNON

- (1) It will increase the loan backlog.
- (2) The department would have to add employees to help process loans and would have to continue adding such employees until the department has absorbed the commercial loan business in the state.

Mr. Wagnon concluded his statement advising "to me the best of both worlds, and I know it's not perfect, is to use the banks and their expertise."

Mr. Meekins responded that the subject resolution is not meant as a permanent solution to the loan situation. He conceded that bank participation

has, in the past, reduced the need for additional state employees, but qualified his remarks by adding "right now, with reverse yield, I think it's a bad time to have bank participation." He further advised that the function of the resolution would end with the fiscal year or upon action by the legislature. He suggested that the legislature "look at the \$50 million previously put into the banks," advising that banks were reluctant to use the funding for purposes intended by the legislature and instead invested it in safe investments at 15 to 16%. Investment could have been made in small business in Alaska but with greater risk. Mr. Meekins further stated that private banks will not loan in depressed areas, while the state can seek good loans in these areas. He further advised that in accordance with Mr. Wagnon's earlier remarks, the Dept. of Commerce will probably need a supplemental for additional employees.

Chairman Sackett asked Mr. Meekins if it was the intent of the resolution that these loans not only fail to require bank participation, but that they also need not be processed through private banks at all. Mr. Meekins responded that perhaps a service fee arrangement could be worked out with the banks, and the expertise provided by the banks could still be used.

Senator Ray raised a question concerning collateralization of state loans and 100% financing. Mr. Wagnon responded that equity is required on all loans. The state, basically, provides 75% financing.

Mr. Meekins stated that his proposed resolution would not change equity requirements. The banks could participated if they were interested. It was the intent of last year's FCC to "make the money go farther" by requesting bank participation. Now, however, the resolution is "saying we have enough money to fully fund these (loans), so we are taking that requirement off."

Mr. Wagnon advised that he "would like to see" Sec. 3 of the resolution deleted, suggesting that private banks "are capable of participating up to 10%." He further advised that Sec. 4 relating to regional veterans' offices represents a "moot" portion of the resolution. Regional veterans' offices are not now functioning. Additional permanent employees would have to be hired to man these offices. Sec. 4 "has mechanical difficulties so far as implementation is concerned."

Additionally, Mr. Wagnon stated he could not comply with Sec. 5 until a statutory amendment is effected,

advising that he didn't believe the interest rate could be changed by resolution.

Mr. Meekins responded that Secs. 4 and 5 represent amendments made on the floor of the House. Even though compliance with these sections might not immediately be possible, the House wished to go on record in support of reopening veterans' offices and lowering the interest rate on veterans' loans.

Responding to questions concerning the time frame involved in commencing such a loan program, Commissioner Williams advised that if the state had a general fund loan program, financial institutions could begin accepting applications "the very next day." The Commissioner also attested to the importance of drafting letters to financial institutions in order that they might "understand the plan."

Senator Ray directed a question to Mr. Wagon concerning Sec. 5, advising that interest rate requirements for veterans' loans require only that such interest shall not exceed 9.5%. Mr. Wagon corrected his prior statement concerning the need for statutory amendment in order to change the interest rate on veterans' loans.

Senator Kerttula advised of his opinion that 30 to 40 year residents of the state should enjoy the same benefits as veterans. He further stated that he had no objection to providing veterans loans at 8.5%, but he has problems in not providing such loans to long-term residents.

Senator Hohman moved to amend CSHCR 33am on page 2, line 15, by changing the interest rate from 9.5% to 8%. Further amendment by Senator Hohman was interrupted by Senator Ray voicing objection to the proposed reduction. Senator Ray stated he needed more time to consider such an amendment.

Senator Hohman advised that he wished it known that it is the position of the committee that the interest rate should be reduced. He further requested that correspondence be directed to the administration relative to compliance with 168 SLA 1978, concerning capital outlay, and the 25% contribution. Senator Hohman further stated that he believed the administration could implement a loan program whether the resolution is passed or not. The administration could also ignore the resolution if it should be passed. He added that he did not "mind" passing it, but would prefer to await administrative response to his previously suggested correspondence.

Mr. Meekins stated that while the resolution is not "binding in any way," he believed its program would be implemented should the resolution be passed.

Senator Kerttula advised that while he supported the resolution as well as the proposed amendment, he favored holding the resolution until a later time.

The chairman advised that CSHCR 33 am would be held in abeyance with Senator Hohman's motion for amendment pending.

CSHCR 33am
HELD IN
COMMITTEE

The meeting adjourned at approximately 9:50 a.m.

ADJOURN

Recorder malfunction,
no tape for this
meeting

MINUTES
SENATE FINANCE COMMITTEE
February 5, 1980
8:40 a.m.

Chairman Sackett called the meeting to order at approximately 8:40 a.m. All committee members were present. Also in attendance were Senators Stimson and Mulcahy; Fiscal Analysts Bob Grogan and Dave Scott; Administrative Assistant to Senate Finance Bill Hogan; and representatives from the press, including Joe LaRocca. The following representatives from the Department of Fish and Game were also present to present testimony: Commissioner Ronald Skoog; Deputy Commissioner of Resource Management Don Collinsworth; Deputy Commissioner of Program Management Carl Rosier; Director of Division of Administration Russel Clark; Executive Director of Fish and Game Boards Greg Cook; and Director of Division of Commercial Fisheries Steven Pennoyer.

ATTENDANCE

Chairman Sackett stated that Commissioner Skoog would present an overview of the "short form" Fish and Game Budget to the committee, and asked Commissioner Skoog to commence.

MR. SKOOG
FISH AND
GAME
BUDGET

Commissioner Skoog stated that though there is a great increase in the FY 81 budget over the FY 80 one, after any budget cuts it will be brought back in line with approximately what the budget was in FY 79. He proceeded to list the following factors in support of his budget requests. He said that inflation creates a growing lack in operational matters. Though he did not question the validity of SB 198 (rehiring non-permanent employees, state personnel system), he did say that it had a great impact on the department since during the year there are 600 - 700 temporary employees. He said that the whole area of fish and wildlife, including the subsistence values, needs further exploration due to the growing economic impact. He added that the Port of Seattle has contributed \$15 million for planning of the bottom fish industry on that port. Continuing support for his requests, he stated the department has continuing demands in terms of time and money (\$100,000 last year) for their regulations, and that a great deal of time and energy is now being devoted to the D-2 issue. There is an increasing national and international concern which is a constant drain on the department staff. Also, the department is stepping up its public participation programs. In the area of all management programs, he stated that there is presently a need for money and staff to develop data cards for the proper implementation of these programs; he added that the less data the department has, the more restrictive they tend to become.

Commissioner Skoog stated that public communications and travel will require full funding; getting to different communities and working with the advisory committees along the Yukon River, etc., is a continuing effort of the department. He mentioned that in the area of hatcheries, operational funds are becoming a problem. Though the intent of the department is to "hold the line" with hatcheries, maintenance is necessary, and a period of time is needed to evaluate each hatchery. Concluding, he said that the main concern of the department is to develop all fisheries divisions (working with the federal government), and adding imposed systems to what the natural systems can bear. He stated that those points essentially cover the program areas and the problems and goals of the department.

General discussion and questioning followed. Senator Ray asked the Commissioner what the department's association with the Fish Board is, as well as what the process is for passage of regulations. The relationship and the process was described preceeding a further specific question from Senator Ray concerning regulations adopted by the Board of Fish having to do with prohibiting commercial fishing from charter vessels. Executive Director of Fish and Game Boards Greg Cook responded, saying that the department does respond to public feeling, which is what happened in this case, and that the amount of this type of fishing from other types of vessels, such as seiners or gill-netters, was negligible compared to what happened from the charter vessels. He added that yes, it was a type of discrimination but that they felt it was called for in this instance. Senator Ray did not feel this explanation to be adequate.

BOARD
OF
FISH
REGULA-
TIONS

There was discussion and questioning concerning the development of a treaty between the State of Alaska and Canadian fisheries (as well as some Upper Yukon fisheries) to protect and maintain the King Salmon runs. Senator Kerttula asked that this idea be explored. Senator Ray also requested that the department look into negotiating with Canada on a safety treaty. Deputy Commissioner of Program Management Carl Rosier stated that the department is in the process of going into negotiations at this time.

FISHERIES
TREATIES

Senators Kerttula, Hackney and Sumner requested a meeting with the Commissioner at a later time to discuss specific questions they had concerning small boards, the management of Chitina dip-net fisheries, and the cooperation between the commercial fisheries and Fisheries Rehabilitation, Enhancement and Development) FRED.

Chairman Sackett left the meeting and asked Senator Hohman to take the Chair.

Further general discussion followed concerning the department budget, program efficiency and fisheries problems. Fish quality, marketing and non-discriminatory distribution of

the fisheries resource was discussed. Senator Hohman asked Carl Rosier about the activities of the department task force on the Bristol Bay fisheries. Mr. Rosier replied that the main concerns are catch, processing, quality and marketing. He added that the task force will be reporting to the Governor on February 15, 1980. Senator Hohman brought up the question of un-utilized resources and how new and broader marketing development could be a solution to this problem. Further discussion followed.

The committee turned to the subject of the short form budget and Chairman Hohman asked that the Director of the Division of Administration come forward to speak on the Administration and Support Program category. Discussion followed; it was established that in the Short Form Book, page 243, vol. 2, # 7 (Maintenance Man IV, Fairbanks) was erroneously entered and should be deleted.

FISH AND
GAME
ADMINISTRA-
TION AND
SUPPORT

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

ADJOURN

MINUTES
SENATE FINANCE COMMITTEE
February 6, 1980
8:35 a.m.

The Chairman convened the meeting at approximately 8:35 a.m. All committee members were present. Also in attendance were Senator Stimson; Commissioner of Department of Revenue, Thomas K. Williams; Commissioner of the Department of Fish & Game, Ronald O. Skoog; Gregg Cook, Executive Director of the Boards of Fish & Game; Steve Pennoyer, Director Division of Commercial Fisheries; Russell H. Clark, Director, Administration for Fish & Game; Fiscal Analyst Bob Grogan, Administrative Assistants to Senate Finance Garrey Peska and Bill Hogan; and representatives from the media including Joe LaRocca.

ATTENDANCE

The Chairman moved to bring CSHCR 33am before the committee for discussion purposes (transcript of meeting proceedings relative to CSHCR 33am attached as minutes for this portion of the meeting).

CSHCR 33am

Following discussion of the above-mentioned resolution, the committee resumed review of the FY 81 budget for the Department of Fish & Game.

TAPE # 7

DESCRIPTION

NATURAL
RESOURCES

SF-80, Side 1

- 236 The Chairman moved to resume budget review, p. 260, Volume II, shortform for NATURAL RESOURCES, Program: Boards of Fish and Game.

Boards of
Fish & Game

Commissioner Skoog and Gregg Cook, Executive Director Boards of Fish & Game, appeared before committee. Mr. Cook advised that the two boards were created for the purpose of conservation of fish and game within the state. The boards are also responsible for "dealing" with the Advisory Committee System.

Gregg Cook

- 237 Primary budget needs:

- (1) Support of boards and regulatory process
- (2) Support for Advisory Committee and Regional Council System
- (3) Public communication by the Boards' Offices

2/6/80

- 246 The first portion of the budget relates to statutory meetings of both boards. The Board of Fisheries meets twice annually for the purpose of effecting regulations. One meeting, held in the fall, relates to fin fish, while the spring meeting deals with shell fish.
- 252 In addition, five regional hearings are required by statute. The requested budget includes travel and per diem plus other expenses relative to meeting attendance.
- 259 The Board of Game has a fall meeting for informational purposes, and the Board acts on regulations at its spring meeting. The number of days devoted to the regulatory process has been steadily increasing due to the number of individuals testifying before the board. Public testimony has increased by almost 200% in the last few years.
- 277 Chairman Sackett called for questions from committee members concerning the \$463 request by the Board of Fish & Game. Senator Ray questioned the fact that last year the Boards were authorized \$62 thousand, transferred \$7 thousand to personal services, and seemed to "manage" with this funding. However, for FY 81 the Boards appear to be requesting five (or more) times as much.
- 299 Commissioner Skoog advised that the Board's original request would have funded the full Regional Council System (\$400 thousand). The Governor's Office suggested instead implementing only one council in order to study implementation methods, with the intention of adding councils at a later time. The department felt it could "have gotten all six of the regions for \$400 thousand."
- 314 When Chairman Sackett questioned what appears to be a \$200 thousand request for implementing only one region, Mr. Skoog corrected his previous statement, responding that the department originally intended to fund six regions. Later the department decided to initially only fund two, hence the \$400.0 request. The Governor's Office decided that only one should be funded at this time, so the \$400.0 request was cut in half.
- 331 When Senator Bennett inquired concerning increases in the number of persons testifying, Mr. Cook responded that one reason for the great increase is the encouragement given by the Legislature to the Advisory Committee System.

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Mr. Cook further advised that as far as the general public is concerned, he feels that while there is greater complexity to current regulations, there is a "fairly high level of acceptance for regulations passed by both boards."

- 368 Commissioner Skoog spoke to the need to expand the function of the Advisory Committee, explaining that some of the committees have not functioned well because of staff situations. Additionally, he advised that, when budgeting, increased meeting time demands additional funding ("it takes more money to keep people at meetings for a longer time").
- 409 Discussion occurred between the Chairman, Commissioner Skoog, Mr. Cook, and Russell Clark concerning the \$49.1 requested as contractual funding. The Chairman advised that contractual funding should not be tied to the three newly requested positions.
- 455 Mr. Clark responded that he believed such funds were indirectly tied to the positions under expansion of the program.
- 492 Committee budget review next directed its attention to Commercial Fish, p. 197. The Chairman advised that the FY 80 authorized amounted to 10155.2, the department requested 12722.8 and received a supplemental for 194.0, while the Governor recommended 13290.5. Commercial Fish
- 502 Steve Pennoyer appeared on behalf of the Commercial Fisheries Division and presented his budget overview. Mr. Steve Pennoyer
- 514 Commercial Fisheries has responsibility for management of both commercial and subsistence fisheries in the state. It thus has responsibility for stock regulation.
- 522 Proper management requires knowledge of each stock and reproduction necessary to maintain the stock.
- 526 Fishing stock resources, such as Bristol Bay, fluctuate, and it is necessary to determine when surpluses occur in order to allocate the resource. Such management dictates the benefit the public will get from the resource.
- 539 Commercial Fisheries also has responsibility for research, forecasting of patterns, and development of management plans. The division maintains 21 permanent offices statewide and 100 field camps.

- 546 The division has become decentralized because the resource is decentralized. Commercial Fisheries operates offices from Ketchikan to Kotzebue.
- 549 Mr. Pennoyer attested to the need to determine the value of the resource to the state, and to further determine the revenue derived from the resource.
- 552 Mr. Pennoyer at this time directed committee attention to his chart estimating the value of the resource to fishermen. Last year 35,000 fishermen participated in the annual harvest; 75% of these fishermen were Alaska residents.
- 562 Revenues derived from the fish tax and licensing fees raise approximately \$21 million while management costs about \$15 million, "which is our request, although that is not all general fund."
- 572 The division's authorized figure of 10155.0 for FY 80 was \$800 thousand below the continuation level. This reduction, plus legislative intent requesting that the department not reduce certain major programs, resulted in an approach to allocation "which meant shaving off individual projects and pieces of projects."
- 576 Instructions received from the Administration to be followed for FY 81 budget preparation started the division out at 90% of FY 80 as a base. The foregoing, coupled with inflation, has put the division \$2 million below the FY 79 funding level. This situation demanded a new approach to budgeting and the division has zero-based the budget and reprioritized its projects.
- 598 Department objective at this time is to maintain Alaska fisheries at some level--not necessarily at the best level--and to optimize returns from the fishing industry. Another objective is development of fisheries.
- 607 Mr. Pennoyer displayed a chart setting forth funding requests for the budget. He advised that requests for the coming year are organized along the species line rather than the former method of budgeting.
- 627 Mr. Pennoyer displayed an additional chart defining five fisheries units. Senator Sumner attested to the fact that the charts presented by Fish &

Game are not meaningful for purposes of committee deliberation. He further voiced frustration over the fact that chart figures "mean nothing to me," and advised of department need to relate its function (job) to dollars "of increased yield."

- 644 Mr. Pennoyer alluded to frustrations involved in financial management of programs which span perhaps ten years. Senator Kerttula advised of committee understanding that much effort "goes into making a successful program," but some figures "thrown" at the committee are not really adequate.
- 657 Senator Kerttula advised of department need to review its figures and production levels for comparison with European standards and yields. Mr. Pennoyer attested to inherent faults in such comparison due to the high costs of operating in Alaska.
- 671 Senator Bennett requested a breakdown of the \$26 million in revenue generated by the fishing industry, and Mr. Pennoyer agreed to furnish the breakdown.
- 680 Mr. Pennoyer further attested to the fact that "belt tightening" has allowed the department to request and fund some new things within continuation funding.
- 696 Part of the continuation request involves an attempt statewide to make temporary employees and turn them into permanent part-time seasonal employees. The \$262 request would upgrade temporary help to seasonal.
- 709 Mr. Pennoyer also spoke to three increments relating to salmon forecasting, advising of department need for "additional seasonal time."

The Chairman advised that the department appears to be seeking a total of 81 new positions, and Mr. Pennoyer stated that the total includes upgraded seasonal workers.

- 719 Mr. Pennoyer further advised of the need for additional help in Juneau and Ketchikan in association with the department's Southeast Forecast Program, as well as additional help requirements in the troll fishery program for Southeast. He added that management of the troll program has been a laissez-faire process in the past.

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Reverse Tape
SF-80 # 7
Side 2

- 005 Increased requests under Salmon relate to work to be done on the Upper Yukon River as well as the Kuskokwim. The increase under shell fish represents mostly inflation.
- 010 The vacancy factor listed under Headquarters is given as 11%. The department does not believe vacancy factors reach that percentage. Vacancy is really "more like 4 or 5%." Mr. Pennoyer requested "lump" funding of 416.0 to offset this vacancy factor.
- 060 The Chairman questioned placement of some fishery biologist positions under "administration," and Mr. Pennoyer replied that these positions serve in an administrative capacity to oversee and monitor programs as well as maintain quality.
- 187 The meeting adjourned at approximately 9:55 a.m.

ADJOURN

TRANSCRIPT
SENATE FINANCE COMMITTEE
February 6, 1980

Meeting called to order 8:35 a.m.

SACKETT: Move to bring up HCR 33 if there is no objection. When we last brought this up we had discussed it for over an hour and there was a motion pending with a request also for a letter from Commissioner Williams. The motion pending was to reduce 9.5% to 8%, and 8% to 7%. You have before you a letter which Commissioner Williams has sent to the Finance Committee, and Commissioner Williams is here if anyone has any questions with regard to the letter. Commissioner would you come up please? Commissioner could you explain the letter to us? Do you want a copy?

WILLIAMS: Should I introduce myself for the record again?

SACKETT: For the record you're Commissioner Williams.

WILLIAMS: Yes, your request to me of two days ago asked first for a statement of position with respect to reducing the interest rates by 1-1/2 percentage points. From 9.5 and 8.5 for veterans in the present version of HCR 33, down to 8% and 7% respectively. And I would respectfully urge the committee not to do so. The first reason is a reason that reflects a fact of economics and the inability of the market to provide housing quickly. The fact is that if you lower the cost for a commodity like money, making money available at a lower interest rate will allow people who can afford say \$600 a month to bid a higher price, and because you do not have quick additions to the supply

of houses (it takes a while to build a house), those people will continue to outbid people who make lesser amounts of money who could afford perhaps a monthly payment of \$500 a month. And I included in there an example illustrating exactly how this works with numbers that we've worked up. Now you can buy an \$80,000 house at 9.5% and have a \$604 a month payment. The purchaser who can afford that \$604 a month payment at an 8% rate of interest can afford a \$90,000 house because of the lower interest rate on the mortgage. You go from a \$72,000 mortgage to an \$82,000 mortgage. And over the short term, given competition for housing, he will outbid his less affluent competitor. Over the long term, you'll have housing manufacturers able to respond to the need (I mean housing constructors, I should say) respond to the needs of the person who is less affluent and eventually you'll see a supply of housing come onto the market place which will be adequate to take care of the needs of the person with the lesser amount. But I would call the committee's attention to the fact that this Resolution on its terms is suggesting a course of action (strongly urging, I should say) a course of action on the administration until June 30 of this year or until the legislature passes a permanent institution to take care of housing problems. And since by its nature it's a short term measure and because of the short term effects, I would suggest what we may see instead of more people able to get housing (conventional housing) is that the people who can get it now or who can get it at 9.5 will

just simply pay a higher price to get it. The seller is aware of this factor too. The second reason I would do it is that there is the interest savings--from 9.5 to 8% is a tremendous savings. I don't disagree with the idea that this is a way for people to receive a benefit, they certainly do, but the point I would make is to put it into perspective by going with a 9.5 rate given today's market rates of between 13 and 13.5%. I just used 13% in my letter. You have the interest subsidy over the life of the mortgage down to 9.5; this is already almost equal to the amount that is being borrowed over the 30 year period. And as you know, when you're paying your mortgages, your first payments are mostly interest and very little principal. And it's only when you get out in the later years of the mortgage that you're paying lots of principal and relatively little interest. And that's called the rule of 78's, and what it means is if you turn your house over after 5 or 6 years or 10 or 12 years, which is about what the average seems to be running now with 9.5% money, it means that most of the interest impact will have occurred by that time (or a major portion of it), and the point I would make to the committee is simply that going down to 9.5 and 8.5 for veterans as a recommended level for interest rates already reflects a very major savings to the Alaska citizens. And in light of the cost of inflation and the reduced buying power of our dollars, I just think that going further, although it's attractive, and if I wanted a loan I would certainly want to see you pass it, I would recommend still that you not.

KERTTULA: One quick question.

SACKETT: Senator Kerttula

KERTTULA: I hate to interfere, but how can you justify going from 13.5 to 9.5. You're really on the backs of all the people of the state as investors in doing that. What was the gymnastics which allowed you to do that--that brought you down from 13.5 to 9.5?

WILLIAMS: Well the gymnastics on that was first, I

KERTTULA: Because there are a lot more millions there obviously as investors than there are in other interests. I just want to know.

WILLIAMS: Okay, the reason is simply this: First of all, 9.5% is the number that has been approved by the legislature. It's a number that is authorized for the business loan program, for instance, to charge to Alaska citizens.

HOHMAN: At the request of the administration we authorized that. That was an administration proposal.

WILLIAMS: I understand that. Before that, the number was even lower. At the time of the administration proposal interest rates were not, as I recall, although I wasn't here in this position when the proposal was made, the interest rates were in the 11 to 12% for prime and now we're looking at 15-1/4% as prime. So we've had a set

KERTTULA: I think I have a logical question, Mr. Chairman, if I may pursue it. You have the reputation of being a high interest, return-the-most-to-the-treasury-and-then-I-don't-know-what-we-do-with-that-but-we-do-it-again, and I suspect there's some social good, at least we hire some people to do this for us.

Now again, what was the gymnastics that allowed you to bring it down from the 15-1/4% then. Now I'm speaking of housing, I'm not speaking of business loans, to this level as a recommendation, or why not fight it up? It all fits your argument, the argument between 9.5 and 8.5 that's all. Why didn't you recommend a higher rate?

WILLIAMS: If I were really trying to live up to a reputation of trying to get as much yield to the treasury as possible, I wouldn't be recommending anything lower than what the current market rate is. But I don't recommend that for several reasons:

- (1) the market rate is artificially high due to disruptions caused by federal monetary policy, and I believe that after the effects of those disruptions have allowed themselves to work through the economy, we will see these come down to the range for mortgages between 10 and 10.5. To go from 10 to 10.5 down to 9.5 over the long term is not that great a mortgage subsidy. There is still a subsidy involved, but it is not as great as the comparison with 13%.

- (2) The general fund investment act authorizes the commissioner to invest not only on a demand basis but with due regard to the effects that you have in the economy, and you have people who are in a very distressed situation because the ability

of people to buy houses has fallen off a cliff, practically, as interest rates have risen a comparable cliff on the other side, you know. That's the major reason we don't have a healthy housing industry up here. It's the extremely high cost of money. And, in order (it is a temporary phenomena) for people not to go bankrupt while we're waiting for interest rates to come down in a year or 18 months, and also in order to have the essential business activity up here in anticipation of the expanded economy we expect from L & G and from the gas pipeline and on and on, all these different projects on the near horizon, we don't want to see a repetition of what happened with the oil pipeline where we were (the Alaska business sector) was largely unprepared.

KERTTULA: Mr. Chairman, I'll bring it to a quick conclusion. It seems to me that as a broad social purpose if the guy can afford to pay the \$605 a month, so we're taking care of a whole bunch of people in that range group of income, but it doesn't work if you can only afford to pay \$500 and something a month.

WILLIAMS: I guess it's a question of judgment.

KERTTULA: I don't know what I'd do if I were in your shoes, I'm just curious.

SACKETT: Okay, Senator Ray.

RAY: Maybe I can help you out, Mr. Williams. In financial circles isn't it true that the reason for high interest rates is to curb inflation?

WILLIAMS: That's the stated purpose.

RAY: The stated purpose. And in political circles isn't it advantageous for somebody in the administration or in the legislature who sees a bonanza of money--isn't it politically astute to go forward with a housing program and lower the interest rates to make that a public program?

WILLIAMS: It certainly is.

RAY: Well, that's the answer to your question.

SACKETT: Any further questions for Commissioner Williams?

SUMNER: As it relates to your letter, is it not (this is marginally true) but is it not further, or closer to the truth that everyone for the amount of dollars that they would be able to afford would be able to buy a better place to live?

WILLIAMS: I think, I don't know. I believe that as a general proposition that sounds correct, but you sort of have a gap between what you can buy in a prefabricated or mobile home and what you buy in a stick-built home. There seems to be a gap there. I suppose the transition is supported by condominiums, so I would say yes, the answer probably is yes.

SUMNER: And once one of higher income outbids one of the lower income presumably that market is then satisfied and the lower interest rate would allow someone in the lower income brackets to buy a house better than he could otherwise afford.

WILLIAMS: That's true.

SUMNER: Okay. And if this creates some stimulation in the economy, this would also bring some money back to the treasury as well would it not?

WILLIAMS: I don't know what--yes, it certainly does.

SUMNER: Okay, right, and if it does, it means that our yield to the treasury is not really 7.5% or 8%, that it's marginally higher than that.

WILLIAMS: There's a justification for my not going for 13% too.

SUMNER: But what I've said is true, is that correct.

WILLIAMS: Yes, that's true.

SUMNER: Thank you.

SACKETT: Any further questions of the commissioner?

HOHMAN: Well, just to sort of summarize then, Senator Sumner indicated many ways that lowering interest rates would result in good public service which I, for one, equate, referring to Senator Ray's statements, with good politics. I don't think we've heard much discussion on the second letter. Have you talked about both your letters here today?

WILLIAMS: No sir. I only furnished you that letter.

SACKETT: What do you have?

HOHMAN: I have

SACKETT: That has nothing to do with this resolution that's on loan programs.

HOHMAN: Yes it does. It has something to do with 37.10.070.
the requirement that banks participate to the extent of 25%.

SACKETT: Right that's on the mortgage part on section 1.
We're not asking in this resolution for less than 25%. On
section 2 we're asking for the waiver of 25% which can be
allowed.

RAY: Mr. Chairman

SACKETT: Senator Ray.

RAY: Isn't it true that under the existing law the administrators
of this program can go down below 9.5% if necessary.

SACKETT: Commissioner Williams.

WILLIAMS: Mr. Chairman, with respect to making mortgage money
available from the general fund there are in fact no guidelines.

RAY: It says up to 9.5%

WILLIAMS: Are you talking about the business loan program now, sir?

RAY: Yah.

WILLIAMS: Yes, it's my understanding that's up to 9.5%.

That is a commerce program. I believe you're correct on that.

RAY: Well doesn't the resolution deal not only with housing
but with business loans at the same time.

WILLIAMS: I think sections 3, 4, and 5 of the resolution (3 and 4
anyway) are talking about commercial loans, and that's the up
to 9.5% language. When we're talking about housing mortgages,
the statute is silent in terms of the general fund as to a
prescribed interest rate. So the answer to your question with
respect to both programs is yes. There is nothing in the statute
that prevents going below 9.5%. Nine and a half percent represents

an upper limit only for business loans, but aside from that there's nothing magic about the number.

RAY: Well, Mr. Chairman, again you're talking in your letter about Governor Hammond responding to that shortly, you must have some indication, or aren't you at will to explain what his position is going to be. You are his commissioner and we are considering this bill.

WILLIAMS: I understand. I believe the fundamental points of interest are described here. First of all, there is a need to do something quickly. It describes how much we're talking about and it describes the method we're going to proceed, namely the commitment to purchase loans. With respect to interest rates, I have a recommendation to the Governor and I have recommended 9/5%.

RAY: This is an overall comment, Mr. Chairman.

SACKETT: Senator Ray. .

RAY: Irrespective of what the interest rate is finally going to be, it's going to be the determination of the public in how much they can afford and if all things go as they have in the past, a couple or an individual will exceed his payment installments anyway, so I don't know what the argument is really about 9.5 or 8%. We're still going to have the problem of putting people in houses.

SUMNER: I would like to ask you two questions:

- (1) Is there a model available that would give us a close idea of what the return to the state would be as a result of both the interest rates and the added stimulus to the economy on that sort of return

to the state. In other words, if we were going to put money out (and we do put money out of the state) and it earns a return, it seems to me we may be close to charging, even at these rates, our Alaska residents more dollars for the money than we are getting in terms of a yield from outside.

So the questions are:

- (1) Do we have a model that could adequately indicate the total return to the general fund as a result of this program, and
- (2) If we do, I'd like to have you bring that information to us before this gets to the floor. Probably a couple days or thereabout. If not, I'd like to have you by that time give us your best guess of what the total return might be.

WILLIAMS: Mr. Chairman, may I restate what the questions are to make sure that I understand them.

SACKETT: And answer.

WILLIAMS: Yes, I will. The first one is about a model that calculates the ripple effect of allowing money to go into the economy and how much that means in terms of state revenue. The answer to that is to my knowledge I know of no such model that can do that. The rule of thumb is a multiplier of between 4 to 4.5 and we would have to just use averages in terms of a certain level of economic activity and how much of that the state sees in a form of revenue and that would be on the basis of historical data. So, it's not a good model. It would be just an

approximation. And the second question is, if there were such a model, and, I presume, or a crude approximation, what is the return to the state.

SUMNER: All right. And I want you to know that I'm going to make an estimate. So if you tell me you don't know, you'll not have a defense against my argument. So I want you to come back with a figure.

WILLIAMS: Forewarned is forearmed.

SUMNER: Thank you.

KERTTULA: Two quick ones. It seems to me again that if we are willing to propose social purpose to the profits from this portfolio, why not give it the first time around? And two, I understand you, as a money manager, have one big political problem and that is the public's refusal to recognize that an 8% loan (an 8% mortgage) will be discounted if you have to make it liquid for some purpose up the street. And you may have to discount it 50%. The public has got to recognize that they have a portfolio that's going to be discounted. A billion dollar portfolio of mortgages may only be worth \$500 million for the following reasons. They should be always informed about that so it isn't a big nightmare for you if you ever have to sell them. That's your problem and I sympathize with you, that's the big problem you have politically speaking.

SUMNER: Mr. Chairman, let me just comment. The other side of that argument is that at least that money was spent in the state. It created an economic benefit to the state.

KERTTULA: Well, we probably really ought to have a category saying, "but we really got some tax money back and we had less unemployment, and this is over here in the plus column,"

you're right, you're right.

SACKETT: Any further questions on this?

HOHMAN: Mr. Chairman, there was a letter that I just received from the commissioner that dealt with 37.10.070(A)(10) and (11) which requires bank participation to the extent of 25% on these mortgages which we didn't adhere to in the \$50 million (remainder of sentence inaudible). I'm wondering what that part of the statute would do in putting \$35 million out in a residential mortgage portfolio. Where would the bank get their 25%? They're supposed to be short of liquidity now, or cash, and where would they get the money to participate to the extent of 25%; and if they had the money, how much would they pay for the money, and how much would they have to charge in order to participate, and wouldn't that be a high interest rate (inaudible) of what we're trying to do by lowering the interest.

WILLIAMS: Mr. Chairman, first of all, let me explain to the committee that I had mentioned this matter with Senator Hohman on an individual basis and as a courtesy, which I apologize to the other members of the committee, I gave him a letter and advance copies of the bill the Governor is going to be introducing today. That is why there are not other copies here and I apologize to the other members of the committee for not doing so. With respect to the 25% participation, that is the problem that we have right now if we want to get anything along the lines of the program that HCR 33 is talking

about off the ground now. The banks don't have the 25%. If they could get the 25%, they're looking at 12-1/2% or in that range, very high cost money, that they would have to borrow, and it would only be on a short-term money basis. It would be hot money, in other words, six-month commitments, not commitments that would run on for enough years that you could afford to make a 30-year mortgage with it. That's the problem. That's why we want to have a change in the investment act for the general fund that allows us in a case where there is mortgage insurance (personal mortgage insurance) available to protect the mortgage, we do not need to have the 25% bank equity in order to protect the state's position in the mortgage. The idea of the bank equity (the 25% participation) is in the event the deal goes sour, you know, you have to have quite a loss in the foreclosure action before you really are losing any money. If you have insurance, you can get yourself to the same position. You finance 95% of the market value of the house and have insurance for 20%. You still have 75 of the top 25% that is covered in the market place. This provision has been since 1977. A provision of the bill that I transmitted to Senator Hohman, has been adopted in the pension funds and (both pension funds) the only reason the pension funds could not be used, of course, is that they could not buy mortgages at 9-1/2% consistent with the fiduciary responsibility there.

But somehow, and I believe it was through an oversight, when this additional language was included in the pension funds it was inadvertantly omitted from the general fund, which is why we made the mistake in the first place, is we assumed that if you can do it with a pension fund with a higher fiduciary standard than it has, we could certainly do it with the general fund. Then, lo and behold we ran into the 25% requirement which is a good requirement if you don't have mortgage insurance. But mortgage insurance changes the game completely.

SACKETT: Senator Ray.

RAY: Mr. Chairman, I wonder if we could get right down to the instrument we're talking about here, the resolution. I still have a question in my mind on page 2, is subsection (c) of 1 compatible with section 3 in that we're talking about financial institutions, and we're waiving it on business loans but we're not waiving it on mortgages, is that correct?

Do you have a copy of the resolution?

WILLIAMS: I know what you're talking about. I would like to eliminate the participation requirement in the housing mortgage program. We have a statute that right now requires 25% participation regardless of whether there is mortgage insurance or not, and that's the obstacle. You can't change that by having a resolution. And so that's why we're introducing a bill today.

SACKETT: Senator Ray

RAY: Mr. Chairman, again, aren't those two sections incompatible as they appear in the resolution? It seems to me that they are.

WILLIAMS: (c) under 1 is talking about one class of loans, home mortgages, which would be addressed by an investment program of the general fund.

(Change Tape from SF-80 #6 (Side 1) to SF-80 #7)

RAY: Again Mr. Chairman, I'm still not satisfied with your explanation the other day on (c). First you said that only those loans entered into after the money starts going in would be considered. In other words, refinancing would not be considered, and then you shimmied a little bit and said oh, in certain cases we would do it. I think there should be a clarification. I mean whose going to be the determining factor, you or one of your agents, or some clerk down in the office? Or is it political favor or--that's what you're running into is what I'm getting at.

WILLIAMS: If there is to be any refinancing under the new loan program, well first of all let me say this, I believe that certainly my position on the issue is not a strong one one way or the other. I would recommend to the Governor to respect the clear legislative expression of intent on the matter of refinancings.

RAY: Okay. Then, Mr. Chairman, won't it be perhaps more expressive of legislative intent on (c) if the word should under (c) were changed to shall? That makes it manditory.

SACKETT: Commissioner respond first.

WILLIAMS: Mr. Chairman, I guess to my mind, Senator Ray, I

don't know whether the changing of should to shall clarifies it. I have a question in talking about loans entered into between a financial institution and a borrower after the date of adoption of this resolution. A refinancing is a loan, and it would be entered into after the date of this resolution between the parties described, and I think that if you want a clearer expression of legislative intent,

RAY: Put non-refinancing loans then.

WILLIAMS: That's right.

RAY: All right, that's what we're really after. At the pleasure of the committee, and if that's the intent of what we're trying to do here is push new money in and get new construction underway, I'd make that a recommendation, Mr. Chairman.

SACKETT: Specifically to do what.

RAY: Mortgage purchases shall include only (page 2), mortgage purchases shall include only, I don't know the venacular, what would you use there.

SACKETT: How about new?

WILLIAMS: I would suggest if you want to address that, that you go to line 10 and after the words "this resolution" add "but not including loans for purposes of refinancing existing loans."

RAY: That's fine.

SACKETT: Is that all right?

HOHMAN: Yes, "but not including loans for purposes of refinancing existing loans."

KERTTULA: I would move that amendment.

SACKETT: We already have one. We already have an amendment pending. Okay, is there anything else for the commissioner?

HOHMAN: I'd just like to ask the commissioner, Mr. Chairman, I understand that the banks have a problem with liquidity.

They have a lot of their money tied up in residential portfolios. Looking at this question of refinancing, what would happen if we were to provide a certain sum of money to each bank for buying their residential portfolios for single family or duplexes? What would that do to the business climate of the state? What would that do to the problems the banks are having with liquidity?

WILLIAMS: Mr. Chairman, with respect to the second part first. It won't improve the bank's liquidity at all because the way we would administer the program, and the way that Legislative Budget and Audit has recommended that we administer the program, is that we make a commitment, and then when they're ready to close, at that time we advance the money. So at that time the bank simply serves as a conduit between

HOHMAN: But I'm talking about setting up an additional amount of money to not purchase new, but existing portfolios. I don't know if I expressed that right, excuse the interruption if I did. Make additional provisions to purchase existing portfolios for single family duplexes being held by the banks presently.

WILLIAMS: Okay, okay, in that, I'm sorry, I apologize. Certainly bear in mind I'm not a banker, but I believe that if you took

an asset and replaced it with a new one, that is what you're doing with refinancing, replacing an old loan with a newly made one, and the money that the old one represented would be freed up. A lot of people have gotten refinancings with money that was brought in from outside through mortgage corporations or whatever. And, I don't know what the effect of that would be. It would be a negative effect. But to the extent that Alaskan institutions had their own money freed up, that would tend to be a positive influence. You could achieve a similar result by placing money simply on deposit with them or whatever it may be. But it was exactly this type of consideration that led me to, I don't know if Senator Ray used the word "waffle" or not, to stake out one ground and then seem to undercut it on the issue of refinancings because there are things that refinancings could serve that might well be considered beneficial results.

BENNETT: Just one question Commissioner maybe you could help me, currently I understand Oregon is putting out loans to veterans at about 5% interest. Is there any reason they can do this and we can't? Are they in a destitute situation?

WILLIAMS: No they have a different program. They raise the money through tax exempt bonds by pledging the full faith and credit of their state. We, and every other state, to the best of my knowledge, have used separate legal entities, public entities like Alaska Housing Finance Corporation, with revenue bonds, because the security is provided by a pool of money, and essentially the mortgages themselves. It is not as strong a

security as the full faith and credit of a sovereign state with its taxing powers and its economic base within it. And so the Oregon bonds enjoy a better rating, are a different type of bond, and the cost of money is lower.

KERTTULA: We'd have to go to the people for that type of bond.

WILLIAMS: Every time, that's correct.

HOHMAN: Mr. Chairman,

SACKETT: Senator Hohman.

HOHMAN: Senator Ray has a proposed amendment, I have a proposed amendment, and I tried to draft last night a third amendment which I was, because of the lateness of the hour and everything, unable to do, I'd like to request that we hold this bill with the amendments for one additional day.

SACKETT: Is there objection to that? Without objection.

WILLIAMS: Thank you Mr. Chairman

SACKETT: Thank you, sir.

MINUTES
SENATE FINANCE COMMITTEE
February 7, 1980
8:40 a.m.

Chairman Sackett called the meeting to order at approximately 8:40 a.m. All committee members were present with the exception of Senator Sumner. Also in attendance were Senators Stimson and Kelley and Representative Meekins; Director of Division of Retirement Benefits Paul Arnoldt; Fiscal Analysts Milt Barker and Jerry Schill; Administrative Assistants to Senate Finance Nancy Harvey, Garrey Peska and Bill Hogan; Mr. Jack Johnson of Alaska Properties Association; and members of the press Joe LaRocca and Jean Kisor.

ATTENDANCE

Chairman Sackett made the following bill assignments:

BILL
ASSIGNMENTS

SCR 40	-	Senator Ray
SB 1	-	Senator Hohman
SB 319	-	Senator Ray
SB 324	-	Senator Bennett
SB 366	-	Senator Hackney
SB 374	-	Senator Sumner
SB 375	-	Senator Sumner
SB 382	-	Senator Ray
SB 383	-	Senator Kerttula
SB 385	-	Senator Hohman
SB 388	-	Senator Sackett
CSHB 509	-	Senator Sackett

The Chairman advised the committee that they would proceed to consider COMMITTEE SUBSTITUTE FOR HOUSE CONCURRENT RESOLUTION NO. 33 amended (Requesting the Governor to direct action relating to the investment of the state general fund surplus and to the participation of financial institutions with the division of business loans in loan programs of benefit to the state's economy). He stated that there was a motion pending from the previous day concerning an amendment on page 2, line 15, changing "9.5" to "8.0", and on page 2, line 29, changing "8.5%" to "7.0%". He asked if there were further objections to the amendment, and there being none, the amendment was adopted.

CSHCR 33 am

AMENDMENT
ADOPTED

The Chairman stated that the next amendment for consideration was Page 2, line 10, after "resolution" insert "but not including loans for purposes of refinancing existing loans." Senator Ray moved that the amendment be adopted and there being no objection, it was so moved.

AMENDMENT
ADOPTED

2/7/80

Senator Hohman asked to bring up the next amendment, which was to add a new "(6)", reading: "Provide for purchasing existing single family or duplex loans held by all Alaskan Federally insured financial institutions, in the amount not to exceed \$10,000,000 for each such institution, provided that each such institution agrees in writing to reinvest at least 50% of the amount derived from the purchase into home, business and consumer loans to eligible Alaskans."

Senator Hohman further asked that Mr. Jack Johnson, of Alaska Properties Association, come forward to speak on this amendment in terms of:

1. How the banks would react.
2. What the potential impact of this language and the placement of the money might be.

Mr. Johnson came forward and stated that he felt the banks would be delighted - at least the smaller ones. He said that these banks are experiencing the same problem as the people of the state with shortages of cash, and that they are paying as high as 13% now for short term money to meet obligations. For that reason, they cannot participate in loans of any type for Alaskans. He qualified his statements by saying that he was speaking generally, as there are some banks in Alaska that can well afford to, but since they are thinking of their stockholders they are thinking in terms of a short term treasury note rather than taking a chance on small businesses. He said that a number of banks, over a period of years, have accumulated "in-house" home loans that are yielding somewhere between 9 - 10% but that the bank can't sell them to secondary sources right now because that yield isn't high enough - even though that same yield to the state would be very effective. He said that if the residual and "roll-over" effect of this capital injection over a wide base by putting it into all of these lending institutions at one time were figured, it could be seen as a safe, fair, effective and practical way of distributing financing. He added that the banks that have "stock-piled" these home loans are the ones that should be helped as they took a chance on them and as a result are "stuck" with them now that they have a shortage of cash. Mr. Johnson went on to say that in addition these banks have been leveraged very highly; when the federal government increased the interest rates and "screwed down" the economy, it gave notice to the regulators that these banks had to become more liquid. Consequently, they could not leverage their deposits as heavily as they were, and had to either raise new capital or call in some loans. As a result, many people who had been relying on banks for many years, were faced with foreclosures and orders to liquidate assets so that the bank could reduce its leverage position. In conclusion, Mr. Johnson said that he felt this amendment would have a tremendous effect on the entire business community. He said that "1st deeds of trust" are good assets with good security when they have mortgage

insurance and meet all the criterias.

CSHCR 33 am

After discussion on the pros and cons of this amendment and how it would relate to the intent and content of the rest of the resolution, Senator Ray proposed a revised amendment to read "(6) Provide for loans by the state to all Alaskan Federally Insured Financial Institutions in the amount not to exceed \$10,000,000 for each such institution, provided that each such institution agrees in writing to reinvest at least 50% of the amount derived from the loan into home, business and consumer loans to eligible Alaskans. The rate of interest of said state loans shall be 10%."

Senator Hohman asked that his original amendment be withdrawn and replaced by the new one. Senator Ray moved that the revised amendment in question be adopted. Senator Kerttula objected, then withdrew his objection. There being no further objections, the amendment was adopted.

AMENDMENT
ADOPTED
CSHCR 33 am

Senator Hohman moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE CONCURRENT RESOLUTION NO. 33 amended (as amended by the Senate Finance Committee) be passed from committee. There being no objection, it was so ordered. The members signed the committee report as follows: Sackett, Hohman, Kerttula, Sumner and Hackney - "do pass"; Ray - "no recommendation".

MOTION TO
PASS FROM
COMMITTEE
CSHCR 33 am

Chairman Sackett advised that the committee would take up further consideration of COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 243 amended (An Act relating to teachers' and public employees' retirement; and providing for an effective date). The Chairman requested that Mr. Paul Arnoldt, Director of the Division of Retirement Benefits come forward and discuss all proposed amendments to the bill with the committee. Discussion and questioning followed concerning the amendments (all amendments are described in the letters appended to the end of these minutes). Senator Hackney moved that all amendments be adopted. There being no objection, it was so ordered.

CSHB 243 am

AMENDMENTS
ADOPTED
CSHB 243 am

The Chairman advised that the committee would then consider SENATE BILL NO. 15 (An Act increasing the Alaska longevity bonus; and providing for an effective date). Senator Ray moved and asked unanimous consent that SB 15 as amended by the Senate Finance Committee be moved from committee with individual recommendations. There being no objection, it was so ordered. All members signed the committee report "do pass".

SB 15

MOTION
SB 15

The meeting adjourned at approximately 9:50 a.m.

ADJOURN

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT & BENEFITS

JAY S. HAMMOND, Governor

POUCH CR
JUNEAU, ALASKA 99811

February 5, 1980

The Honorable John Sackett
Senator
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Senator Sackett:

Certain bills that passed during the first legislative session contained portions of our housekeeping bill (HB 243). To make CSHB 243am consistent with the current statutory language, we suggest the following changes.

1. Deletion of Secs. 4 and 22, which were passed verbatim last year (Ch 81 SLA 1979). Additionally, the deletion of lines 22 and 23 on page 36 in Sec. 49, which establish effective dates for Secs. 4 and 22.
2. Corrections of effective dates in two sections.
 - a. Sec. 47, page 34, line 27 change September 1, 1979 to September 1, 1980.
 - b. Sec. 49, page 36, line 12, change July 1, 1979 to July 1, 1980.
 - c. Sec. 49, page 36, line 26, change December 31, 1979 to December 31, 1980.

Jim McKenzie of the Legislative Affairs Agency has suggested other corrections which would make CSHB 243am in accord with legislation passed in Ch. 82 SLA 1979 in regard to state legislators. We concur with Mr. McKenzie's proposals and submit them to you for your approval. These changes are as follows:

Sec. 26 page 19, line 19 "base salary," page 20, line 22 "employer" and page 21, line 14 "membership services," amend as follows:

- (6) "base salary"

February 5, 1980

(A) means the total remuneration payable under contract for a full year of membership service, including addenda to the contract;

(B) has the same meaning as "compensation" under AS 39.35.680(8) when applied to a state legislator who elects membership under AS 14.25.040(b);

(15) "employer" means a public school district, the Board of Regents of the University of Alaska, the Department of Education, the National Education Association of Alaska, the Regional Resource Centers, or the state legislature with respect to a state legislator who elects membership under AS 14.25.040(b);

(20) "membership service" means

(A) full or part-time service as a teacher in a public school in the Territory or State of Alaska, or both, under the supervision and control of the Territorial Board of Education or the Department of Education or the school board of any city, regional educational attendance area, or borough school district;

(B) full-time or part-time teaching at the University of Alaska or a full-time administrative position at the University of Alaska which requires academic standing and which has been approved for inclusion in the system by the administrator;

(C) any period during which the teacher receives a disability benefit under this system or is on an approved sabbatical leave granted in accordance with AS 14.20.310; or

(D) continuous service as a state legislator when performed by a state legislator who elects membership under AS 14.25.040(b), subject to the requirements of AS 14.25.040(c);

Finally, Senator Bill Ray has questioned the use of the word "quasi-public" in Ch 39.35. In response to the inquiry, the Attorney General's Office has provided us with a definition of the term "quasi-public." The memorandum is enclosed for your review.

Sincerely,



Paul B. Arnoldt
Director

* Pg 9. Inc 10 - , divided by 12.

PBA/AW/jb
Enclosure

STATE
of ALASKA

MEMORANDUM

TO: Hon. W.R. Hudson, Commissioner
Department of Administration

DATE: February 1, 1980

ATTN: Paul B. Arnoldt, Director
Div. of Retirement & Benefits

FILE NO: J-66-444-30

TELEPHONE NO:

FROM: AVRUM M. GROSS
ATTORNEY GENERAL

SUBJECT: Definition of public
or quasi-public or-
ganization

By:

Rodger W. Pegues
Assistant Attorney General

You have asked for our advice on the meaning of the term "public or quasi-public organization" as used in the Public Employees Retirement Act at AS 39.35.560 and AS 39.35.680(17).

"A public or quasi-public organization created wholly or partly by, or deriving its powers from, the legislature of the state," as set out in AS 39.35.560, cannot be given a single or dispositive definition. The term is simply too vague. It could include almost any organization that falls within its terms. It would seem to include non-profit regional corporations in their capacities as rural housing authorities or as rural electrical authorities. It would appear to include any entity established by law and not considered to be the state or a political subdivision for purposes of AS 39.35.680(17). It might even include the Alaska Commercial Fishing and Agriculture Bank when, under AS 44.-54.220, it ceases to be a state agency and becomes a private corporation. However, because the bank would then, by statute, be "private," it may be that it can not then be public or quasi-public. In other words, there is an element of uncertainty here which cannot be resolved by any general rule.

RWP/pjg

RECEIVED

FEB 4 1980

DIVISION OF RETIREMENT

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT & BENEFITS

JAY S. HAMMOND, Governor

POUCH CR
JUNEAU, ALASKA 99811

February 7, 1980

The Honorable John Sackett
Senator
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Senator Sackett:

I concur with the committee that the term "quasi-public" should be removed from Ch. 39.35. In addition to the deletion of this term from Sec. 27, page 26, line 6 of CSHB 243am, the word "quasi-public" should properly be removed from other sections of the chapter that are not contained in this bill. These sections are as follows: Secs. 39.35.120(a), 310(a) and (b), 560, and 680(17).

We have been advised by the Attorney General's Office that the deletion of the word "quasi-public" seems appropriate due to the ambiguity of the term.

Sincerely,



Paul B. Arnoldt
Director

PBA/AW/jb

cc: Senator Hackney

MINUTES
SENATE FINANCE COMMITTEE
February 8, 1980
8:45 a.m.

In the absence of Chairman Sackett, Vice-chairman Hohman convened the meeting at approximately 8:45 a.m. With the exception of the Chairman who was absent from the meeting, and Senator Sumner who arrived shortly after the meeting began, all committee members were present. Also in attendance for various portions of the meeting were Senators Colletta, Ziegler, and Rodey. Also attending were Julius Brecht, Director, Division of Banking; Mike Clemens from the Department of Public Safety; Fiscal Analysts Bob Grogan, Bob Schroeder, and Milt Barker; Garrey Peska, Administrative Assistant to Senate Finance; and representatives from the media including Joe LaRocca.

ATTENDANCE

Vice-chairman Hohman moved that SB 301 (Act authorizing the state, through the Department of Public Safety, to participate in the Alaska avalanche warning system) be brought up for committee discussion.

SB 301

Mike Clemens appeared on behalf of the Dept. of Public Safety, advising that the bill would fund participation between joint state and federal agencies in an avalanche warning system to be coordinated by the Forest Service, involving the Bureau of Land Management, National Weather Service, and state Departments of Transportation and Natural Resources. The system would require funding of \$95 thousand every six months. A companion bill (SB 302) would fund the joint cooperative effort for the first 18 months of operation. Thereafter, the costs would level out. Mr. Clemens distributed to committee members his revised fiscal note setting forth funding for the first calendar year. He advised that \$285 thousand represents first period costs for the full 18 months. Previous Forest Service estimates of program costs were too low, hence the need for the revised fiscal note.

MIKE CLEMENS

Senator Hackney inquired concerning the number of new positions needed for the project, and Mr. Clemens advised there would be no new positions.

Senator Kerttula expressed concern that given authority in the proposed program the federal government might arbitrarily close roads, etc. Mr. Clemens advised that he was not knowledgeable concerning authorities to be delegated between federal and state agencies, but said that DOT is concerned regarding control provisions once the warning has been given. Senator Kerttula suggested

2/8/80

a letter of intent be attached to the bill directing that until authority and control has been "straightened out" between the federal and state government, no funding for the program will be provided.

Senator Summer arrived at the meeting at this time, 8:55 a.m.

Senator Ray suggested that perhaps amending the bill language would clarify authority. He proposed that page 1, CSSB 301 lines 12 through 16 be amended to read: AMENDMENT

The Department of Public Safety shall develop and implement a statewide avalanche warning system. The statewide system shall (followed by existing enumerations (1) through (5)).

Senator Ray expressed his belief that such wording would allow for program control by the state.

Senator Colletta, sponsor of the original version of SB 301 advised that he had no objection to the proposed amendment to the committee substitute.

Mr. Clemens stated that he didn't believe the proposed amendment would change the federal position. The new language would merely "put us in a different bargaining position with them."

Senator Kerttula supported Senator Ray's amendment, adding that he would also like an answer from the federal government concerning whether "funding will change." Mr. Clemens was directed to consult with the Forest Service and report back to committee. Mr. Clemens stated that he foresaw no financial impact under the proposed amendment since the intent of the project remains the same.

Senator Bennett moved that CSSB 301, as amended, pass from committee with a do pass recommendation. No objection having been voiced, CSSB 301 with the Senate Finance amendment passed from committee, all members signing do pass. MOTION
CSSB 301
W/AMENDMENT
DO PASS

Vice-Chairman Hohman moved that SB 310 (Act exempting interest earned from certain financial institutions from the Alaska net income tax) be brought up for discussion, advising that Senator Ziegler was present to testify concerning the legislation. SB 310

Senator Ziegler advised that the Judiciary Committee had taken extensive testimony on the bill from numerous people associated with state financial institutions. He

2/8/80

said there was no objection to the bill although several amendments were discussed. The intent of the bill is to grant some sort of state tax exemption on savings accounts and TCDs which would be favorable to the small investor.

Senator Ray advised of his objection to the bill because he believes it to be "discriminatory."

Senator Ziegler advised of a caveat relating to the legislation, citing as an example the case of an individual who goes to the First National Bank investing \$10 thousand in a time certificate of deposit. Interest earned on such a time deposit would be exempt from state tax. If the same individual borrowed against the time certificate (used the time certificate as collateral for a loan), interest paid on the loan would be tax deductible. Such a situation is known as "double dipping" and is against federal law.

Senator Ray advised that it does not seem to make sense to single out people having bank accounts and give them a special tax break. The bill would give special consideration to those with such accounts. He added that he could understand the desirability of such an exemption in the case of elderly or handicapped individuals but not for the average person who happens to have a bank account. Senator Ziegler attested to the fact that perhaps someone who has saved over the years is entitled to some tax relief.

Senator Kerttula suggested that perhaps the Department of Revenue should be called to testify on the bill, and Senator Ray stated his belief that the existing zero fiscal note appears to be erroneous in that failure to collect a previously-collected tax has some impact on revenue.

Vice-chairman Hohman advised committee members of a request from the bill's sponsor, Senator Kelley, that the bill be held. He advised that the bill would be returned to committee files pending testimony by Dept. of Revenue and further communication from Senator Kelley. Senator Ray advised that he did not object to the bill in concept, he simply believes it does not go far enough.

Vice-chairman Hohman directed committee attention to a memo from Legislative Counsel Jack Chenoweth, (relative to SCS CSHCR 33) advising of no statutory precedent for loans to be made to financial institutions. The Vice-chairman advised that the memorandum speaks

SCS
CSHCR 33

2/8/80

specifically to section (6) added by committee while the resolution was in Senate Finance. The Vice-chairman further advised that while the newly added section appears to have no legal basis, other parts of the resolution also appear to lack such basis. It is the position of the committee that section 6 is intended to serve as a directive to the Governor to do what he feels right within the administration. The Vice-chairman stated that SCS CSHCR 33 is scheduled for floor discussion immediately following the committee meeting and he wished the committee position on the resolution to be clear.

Senator Ray next moved that SCR 40 (Relating to expansion of the period during which older Alaskans may travel free on the state marine highway system) be brought up for discussion, advising that Senator Rodey was present to testify. SCR 40

Senator Rodey advised that the Committee on Services to the Elderly suggested the bill which would extend by two months the time during which older Alaskans may travel without charge on state ferries. He advised committee members of an amendment by State Affairs limiting the time to May 15. Senator Ray expressed concern that problems might arise wherein over-zealous state employees (i.e. a purser on one of the ferries) might force an elderly person to leave the ship or pay his fare should the May 15 deadline occur while an elderly person is enroute aboard one of the ferries. Senator Ray suggested that perhaps "on or about" should be added to the May 15 deadline. Senator Rodey advised that the time period has not been fixed by the department because of the department's inability to provide an exact time frame.

Senator Kerttula stated that the fiscal note on the resolution evidences zero fiscal impact. He further expressed concern that such notes do not reflect careful consideration.

Senator Ray moved that the bill pass from committee with a do pass recommendation. Senator Bennett objected, moving instead that the bill pass with individual recommendations. No objection to individual recommendation having been noted, SCR 40 passed from committee, Senators Hohman, Ray, Kerttula, Hackney, and Sumner signing do pass, Senator Bennett signing no recommendation.

MOTION
SCR 40
NO REC.

Senator Sumner moved that SB 374 (Act making supplemental appropriation to the Department of Public Safety, Division of Fish and Wildlife Protection, for marine enhancement) be brought up for discussion, advising that the \$239,500

SB 374

2/8/80

request includes additional fuel costs, and \$152,000 needed as a result of cancellation of contracts with the federal government for enforcement of the Marine Mammals Protection Act. The State wished firmer management of its marine mammals which the federal contract did not provide. The funding requested in the resolution will allow enforcement patrols to continue at present level.

Senator Sumner moved that SB 374 pass from committee with a do pass recommendation. No objection having been raised, SB 374 passed from committee--all members present signing do pass.

MOTION
SB 374
DO PASS

Senator Sumner next moved that SB 375 (An Act making a supplemental appropriation to the Department of Public Safety, Division of Fish and Wildlife Protection) be brought up for discussion. The bill requests \$105,000 for maintenance of the M/V SPEEDWELL which was seized by authorities and is now within jurisdiction of Alaskan courts. It is the state's responsibility to properly maintain, secure, and repair the \$5 million vessel while in custody. No funds have been budgeted for such a purpose and costs are running \$700 per day. Most of the costs will be returned to the state upon conclusion of the court case.

SB 375

Senator Sumner moved that SB 375 pass from committee with a do pass recommendation. No objection having been voiced, the bill was so passed from Senate Finance.

MOTION
SB 375
DO PASS

Senator Ray moved that SB 302 (Making a special appropriation to Dept. of Public Safety for participation in the Alaska avalanche warning system) be brought up for discussion. He suggested that the funding increase from the \$135,000 stated in the bill to the \$285,000 figure most recently estimated by the Forest Service as the cost of the program be effected by amendment. No objection to such an amendment having been voiced, it was adopted. Senator Sumner then moved that SB 302 as amended by Senate Finance pass from committee with a do pass recommendation. No objection to the motion having been raised, SB 302 and the adopted amendment passed from committee--all members present signing do pass (Senator Kerttula left the meeting before the committee report was signed).

SB 302
AMENDMENT

MOTION
SB 302
W/AMEND.
DO PASS

The meeting adjourned at approximately 9:30 a.m.

ADJOURN

SF-82 # 8 Side 2 (411-end)
9 Side 1 (entire side)
Side 2 (000-381)

2/8/80

MINUTES
SENATE FINANCE COMMITTEE
February 11, 1980
8:40 a.m.

Chairman Sackett called the meeting to order at approximately 8:40 a.m. All committee members were present. Also in attendance were Senator Mulcahy; Administrative Assistant to Senate Finance Bill Hogan; Fiscal Analyst Bob Grogan; Commissioner Skoog of Fish and Game; Director of Commercial Fisheries Steve Pennoyer and his Administrative Assistant Marianne Johnson; Chief of Vessels Section Carl Lehman; Chief of Public Communications Delores Moulten; Director of Sport Fish Rupe Andrews and his Administrative Assistant Cherry Holly; Director of Division of Administration Russell Clark; Director of Fisheries Rehabilitation, Enhancement and Development (FRED) Bob Roys and his Administrative Assistant Beverly Allen; and members of the press including Joe LaRocca.

ATTENDANCE

The Chairman stated that the purpose of the meeting was to continue with the review of the Department of Fish and Game Short Form budget. He requested that the committee begin with:

BUDGET
REVIEW
DEPT. FISH
AND GAME

TAPE # 10

DESCRIPTION

SFC-80-Side 1

- 24 Division of Commercial Fisheries - Ground Fish sub-program. MR. PENNOYER
Volume 2 of Operating Budget for Natural Resources, pp.214,215. GROUND
Mr. Steven Pennoyer, Director of the Division of Commercial FISH
Fisheries, stated that the Ground Fish sub-program had a
base level budget with additional funding requests. He
said that in past years, they had received funding from the
North Pacific Fisheries Board and that though these funds
would not be available the next year, they were included
in the present request. He went on to describe the request
units in the budget summary.
- 145 Vessels Section - volume 2, pages 258 and 259. Mr. Carl MR. LEHMAN
Lehman, Chief of the Vessels Section stated that the section VESSELS
is composed of two classes of 16 vessels. Most of the budget
is used for maintenance and operation of the larger vessels.
He stated that the Division of Commercial Fisheries uses the
bulk of their facilities, and that their main duties are to
run crab, shrimp and herring assessments, haul freight and
do logistical work for the marine environment. He said that
the Vessels Section has been part of the Administration and
Support Division for many years, but that two years ago, they
became an independent section and at the present time have no
full time clerical support. They have asked for one position
and the funding to bring their underfunding from 6% to 1%.

Commissioner Skoog stated that their main problem is to maintain vessels in order to conduct adequate surveys. The committee discussed the inherent problems of having a vessels program operating in Alaska where maintenance facilities are expensive, distant and/or not fully equipped, especially for the larger vessels.

COMMISSIONER
SKOOG

- 268 Public Communications - volume 2, page 240. Ms. Delores Moulten, Chief of Public Communications stated that this office works a two-way communication with the public, that of a Board and the advisory commission. The major foci are "short term" communication (news releases, newspapers, radio, etc.), and "long-term" communication (T.V., magazines, films, etc.) She stated that budget changes are reflected in these areas, as well as in the contractual services required for the magazine, and in personnel. Commissioner Skoog stated that there are only five positions in the office and that two of these are clerical; he added that they have all been working under a great deal of pressure. Senator Ray asked Ms. Moulten general questions about the magazine, and the committee discussed the operation of the office in general.

MS. MOULTEN
PUBLIC
COMMUNICA-
TION

- 381 Division of Sport Fish - volume 2, pages 218 - 226. Mr. Rupe Andrews, Director of the Division of Sport Fish, distributed two reports to the committee, and stated that sport fishing entails the largest group in Alaska; 200,000 to 250,000 people last year spent \$114 million pursuing their sport. He stated that the budget for FY 81 would allow the staff to better regulate this program and to provide economic value to urban areas. He elaborated on the economic value as well as the social value of the sport fishing industry. He said that quality data is a necessity in developing this industry. Mr. Andrews then gave a short slide show of the preparation of the Chinook run in the Taku drainage as an example of the type of work the Sport Fish Division does.

MR. ANDREWS
SPORT FISH

- 580 Senator Ray asked questions relating to the part-time hires made by the Division. Cherry Holly, Administrative Assistant to Mr. Andrews stated that due to the conversion of temporaries to part-time employees, it appeared that there were more positions being requested than is the actual case. Senator Ray pressed the point that some departments are dragging their feet on the content of SB 198 and that he wanted to make sure that the intent of the bill was well understood.

MS. HOLLY
PART-TIME
HIRE
(SB 198)

- 616 Russell Clark, Director of Administration and Support, came forward and stated that his division has worked very closely with the Department of Administration on this problem, and though the Department of Fish and Game does not really fall into the group that SB 198 is trying to get to, they are well aware of the intent of the bill. He added that it

MR. CLARK
PART-TIME
HIRE
(SB 198)

would take them 25 working days to get approval to hire someone for the payroll and that the paper processing for 500 separate individuals would take up a tremendous amount of Division of Personnel time. Further general discussion on this subject followed.

- 717 Senator Sumner requested summary type data on the economic benefits of the sport fish industry. Senators Kerttula and Hohman asked for the same information

SFC-80-Side 2

- 6 Chairman Sackett asked for a break-down of "other funds" on page 219. He also wanted to know how close the division is to the actual figures. Mr. Andrews responded that they are very close. General discussion followed.
- 90 Senator Hohman requested that along with the previously requested information (side 1, tape footage 717), he would like to receive comparable data for Kuskokwim, Good News Bay and Bristol Bay.
- 127 Fisheries Rehabilitation Enhancement Division - FRED - volume 2, pages 230 - 234. Bob Roys, Director of FRED, stated that the preceeding week he had distributed reports to the committee members on his division. He proceeded to give an overview of the division - citing major goals and problems. He stated that FY 80 budget cuts had forced closure of several facilities, including the one at Sitka, Fire Lake and the Juneau genetic pathology lab.

MR. ROYS
F.R.E.D.

9:30 a.m.- Senators Ray, Sumner and Bennett left the meeting.

Chairman Sackett asked about the status of the Clear, Alaska hatchery. Mr. Roys responded that the project will go to bid two weeks from now and that all other preliminary work has been completed. He added that \$655,000 was originally put in the '76 bond program and that construction will require reallocation of \$600,000. The estimated cost of the entire project is \$1.2 million. Senator Hohman asked how much money has been spent so far. Mr. Roys said that he would provide that information. Senator Kerttula asked about the status of the Big Lake hatchery. Mr. Roys stated that the rearing capabilities of that hatchery were expanded the year before to 16 million Sockeye and 14 million Coho, and that he would send a letter to Senator Kerttula on the subject.

General discussion and questioning followed on grant money available for starting hatcheries and the feasibility of lake fertilization.

2/11/80

392 Beverly Allen, Administrative Assistant to Mr. Roys, explained to the committee why it appears that they have requested more positions than they actually have. She said that they use a project "zero-based" budget method, which works for them, but may not be totally compatible with the state system.

MS. ALLEN
BUDGET
METHOD

506 Chairman Sackett advised the committee that they would continue to consider the Fish and Game budgets for Game, Limited Entry and Habitats at the next meeting.

The meeting adjourned at approximately 9:50 a.m.

ADJOURN

SFC - 80 - Tape # 10
Side 1 (000 - 727)
Side 2 (000 - 506)

2/11/80

MINUTES
SENATE FINANCE COMMITTEE
February 12, 1980
8:35 a.m.

In the absence of Chairman Sackett, Vice-chairman Hohman convened the meeting at approximately 8:35 a.m. Senators Hackney, Hohman, Kerttula, and Summer were present. Senators Bennett and Ray arrived after the meeting commenced. Also in attendance were representatives from the Department of Fish and Game; Commissioner Ronald Skoog; Donald McKnight, Donald Collingsworth, Russell Clark; and Dick Logan; in addition to Senator Stimson; Budget Analyst for Senate Finance Bill Hogan; and representatives from the media including Joe LaRocca.

PRESENT

The Vice-chairman announced that the meeting was convened for the purpose of continued review of the FY 81 budget for the Department of Fish & Game.

DEPT. OF
FISH & GAME

Commissioner Ronald Skoog appeared before the committee accompanied by Mr. Don McKnight who was "filling-in" for the director of game currently absent from the city.

TAPE # 10

SFC-80, Side 2

DESCRIPTION

- | | |
|-----|--|
| 528 | Mr. McKnight advised he would present an overview of department programs as well as plans for the coming year. |
| 533 | The Division of Game has three basic goals: <ul style="list-style-type: none">(a) Maintenance and enhancement of wildlife resources of Alaska(b) Provide for optimum utilization(c) Interaction with the public, other agencies, and the federal government in protection and use of wildlife. |
| 546 | Fish and Game's primary role is to gather and provide facts--facts to be used in the decision making process concerning regulations. To this end, the department has many programs involving survey and inventory (S & I). |

2/12/80

- 555 The wildlife population is dynamic in that it does not remain static for any period of time. There is continually a need to update and "keep abreast" of routine information gathering. Some data gathering involves research which is an intensive process involving the use of refined statistics.
- 574 1979 demonstrated increased need to decentralize the division's organization and get people out into smaller communities to work with not-previously-exploited game populations.
- 583 The division thus opened offices in smaller communities, but in 1979 the division had to cut back \$550 thousand in programs because anticipated federal funding did not materialize.
- 591 The division was reduced below the authorized level for FY 80, minus the \$500 thousand cutback. The FY 81 budget has been cut back even farther. The federal cutback is tied to changes in the federal fiscal year.
- 596 In FY 79 the division "tried to second-guess the effect of changes in the fiscal year," but "missed the federal figures and came up with approximately \$1 million less."
- 609 Mr. Skoog attested to the fact that the department "must work on estimates regarding federal funds." The money does not become available until September.
- 613 Mr. McKnight advised that even at this time (approx. two years after the funding cutback) the department cannot "figure out what happened concerning the federal appropriation." Part of the problem would appear to rest with the condition of the economy.
- 642 Responding to questions concerning whether or not the state "will ever get this money back," Commissioner Skoog advised that this year the department projected \$3,750.0 in federal funding. It will actually receive \$3,885.0.
- 650 Responding to questions from Senator Sumner concerning the source of the federal funding,

Mr. McKnight advised that it comes from the Federal Aid to Wildlife Preservation tax. Apparently last year the total amount collected federally was less, so the state got less. "People were not buying firearms, bows and arrows, etc."

670 Due to Presidential action, the department will have less land area and less wildlife to manage. However, the state still has the same, and increasing, numbers of people interested in hunting and using wildlife resources.

681 Commissioner Skoog advised that the department will still have responsibility for management of wildlife in Alaska. Even with withdrawal of park lands, monuments will still fall within the purview of the state for population control and conservation.

694 Mr. McKnight advised that the state is "going to have to more intently manage its wildlife" while dealing with development and environmental information relative to wildlife.

704 The state is currently in a situation where it is going to have to invest some money in its game resources if it intends to continue to use them.

710 Responding to questions from the Vice-chairman relating to exclusive guide districts, Commissioner Skoog responded that in terms of conservation such areas would restrict use of a specific area.

Senator Ray arrived at the meeting at this time, 8:50 a.m.

712 Continuing his statement concerning exclusive guide districts, Commissioner Skoog stated that such an arrangement would restrict the harvest for other Alaskans. The commissioner concluded by advising that while the concept is a good one, he is not sure how one would go about handling the matter.

New Tape
SFC-80 # 11
Side 1

Senator Sumner attested to the fact that the above-mentioned guide arrangement represents "limited entry in its truest form," advising that an area should be easier to manage since the number of hunters would be restricted.

- 025 Commissioner Skoog responded that guiding is a commercial venture as opposed to subsistence, and the department is faced with a problem of trying to allocate resources.
- 050 Senator Hackney inquired concerning the hunter safety program, (How many people in the program? How does it work?)
- 062 Mr. McKnight replied that the program consists of two individuals (a statewide coordinator in Anchorage, and his secretary) and is federally funded through the excise tax on hand guns.
- 075 The program centers on private citizens, the federal material provided, and training of individuals by instructors. He further added that "just because some people are good citizens, they do the training for us."
- 099 Responding to a question raised by Senator Hackney concerning publication of the hunting safety manual, Mr. McKnight responded that the manual is not revised every year, but the department will be releasing a revised version soon. The manual is distributed to hunter safety instructors in numbers according to need.
- 110 Senator Hackney then asked if boating safety instruction could possibly be combined with the hunter safety program. Mr. McKnight responded that he would have to look at the requirements for the federal program, but at the present time there appears to be no reason why the two couldn't be combined.
- 130 Senator Hackney further attested to the need to provide a state program which oversees both boating and hunting safety. Commissioner Skoog advised of his belief that federal funding for hunter safety is "pretty well confined to teaching hunting safety. People who are knowledgeable in this area might not necessarily be good in boating safety."
- 167 Mr. McKnight advised that the division's budget request essentially "asks to get back to the FY 79 program level." The department has vacated biologist positions in Homer, Talkeetna, and Bethel. Stations in Yakutat and Kotzebue are at this time tentative.

- 192 One of the programs the department has had to drop is the West Arctic Caribou survey. It will be necessary for the department to conduct this survey next summer or lose "our handle on the caribou population."
- 204 In addition, the department might lose existing programs in disease and parasite control. One position has already been dropped. Two water fowl positions may be lost as well as the refuge position and the Cook Inlet Marshes (old cabin) project. The wolf survey and inventory position is also in jeopardy and Mr. McKnight stressed the need for good information on wolf populations because of the publicity Alaska receives concerning wolf control.
- 247 Referring to vacant positions and the need to "cut" because of funding problems, Commissioner Skoog advised that when the department "cuts," it has to cut in the bush area. When trying to save funds, the department has to cut back in areas where it is most expensive to maintain personnel. The department then loses contact with these bush areas.
- 270 Senator Kerttula questioned the department concerning prior management mistakes such as overhunting in the Susitna Valley, and department need to "get some new top people." Mr. McKnight advised that in areas of fish and game both the public and the department are "opinionated." The only thing better than opinion is fact. Some of the department's facts have been questioned. The department has sought public opinion because it does not have funding to gather the facts and conduct necessary studies. The best source of information is conducting a field study. Such studies result in measurable fact.
- 361 Commissioner Skoog further attested to the fact that the area of fish and game contains a great many more "experts" than other fields--local experts with limited knowledge and without benefit of "the overall picture." When the department does not have adequate funding, it has to make the best estimate it can with the information it has. This kind of judgment frequently results in error, but the department can only make its decision on the best information it has.
- 404 Commissioner Skoog further commented concerning the competency of staff within the department

and alluded to difficulties involved in removing inefficiency under the state personnel system.

- 410 The Commissioner further attested to need for the \$200 thousand budgeted for research, advising that some department programs had to be "cut out" due to lack of such funding.
- 424 The department has effected a new approach to wildlife in Alaska. Based on the 1975 Fish and Wildlife Study of wildlife values in the U.S., plus information gathered in Alaska, the department has come up with a conservative estimate of \$100 million as the value return from the state's wildlife resource.
- 444 The FY 81 budget includes:
- \$4,000,000.00 in Federal Funding
 - \$2,000,000.00 in Licensing Revenues
 - \$ 400,000.00 in General Funds
- 458 Responding to questions from Senator Kerttula concerning moose harvesting and farming techniques, Mr. McKnight replied that in the United States one is "looking at a publicly-owned resource." A hunter buys his license, shoots a moose, and takes it home and puts it in his freezer. In European countries such as Sweden, "someone owns the land, and the hunter has to pay for the right to hunt." Currently, the Cordova area is the only area harvesting a moose herd. In this area there appears to be no "predator problem," but Cordova represents a special situation in Alaska.
- 507 Commissioner Skoog further advised that the "moose situation in Sweden" results in part from established forests and habitat able to sustain moose populations. The problem in Alaska results from the fact that returns are limited as well as public paranoia "about burning."
- 553 Committee review continued from page 249 (GAME, Investigations and Research) through page 257 (GAME, Special Projects) with no additional questions raised by committee members.
- 564 Senator Hackney formally requested that department representatives explore the possibility of at least distributing boating safety material through the hunter safety program without need of additional employees. The Vice-chairman directed that Senator Hackney's request be embodied in a formal letter of inquiry directed to the department.

- 580 Mr. McKnight advised that he was sure the department could distribute the boating information, but he was not certain training would fall within regulations governing federal funds. Mr. McKnight advised he would "get back" to the committee on this item.
- 590 Mr. Dick Logan, Chief of the Habitat Protection Section appeared before committee, advising of program reorganization in order to (1) maintain yield and (2) identify access for hunters.
- 620 The program is funded as follows:
- (1) General Funds
 - (2) Federal Receipts
 - (3) Program Receipts
- 629 Concerning land disposal and identification of blocks of land, Mr. Logan advised that last year he had no money for this program. Actual site design is now needed and the \$103.5 is requested for planning, site design, and support people. Funding also includes an omnibus request of 20.6.
- 650 Mr. Logan also attested to the need for 44.7 under timber harests, advising of 18 major timber sales and only two individuals to deal with them. Responding to a request from Senator Bennett, Mr. Logan agreed to "look into the timber harvest situation in Interior Alaska."
- 673 The Oil and Gas request of 43.5 includes Beaufort and Cook Inlet sales. The department does not have people in Bristol Bay and needs three persons for off-shore sales. This request also includes an omnibus appropriation of 50.3.
- 688 Requests under p. 274 (Special Federal Projects) include:
- A. Oil & Gas
 - Bristol Bay
 - Chukchi Sea
 - RALI 225.4
 - Transportation Corridor, etc. 186.6
 - B. Coal
 - Beluga 183.1
 - Coal BMP 96.6

C. Hydroelectrical

(1)	Instream Flow	81.6
(2)	Susitna	186.6

Alaska is making the most significant shift nationwide to hydroelectricity as a renewable power source.

- 716 Senator Hackney attested to the need to have information relative to Susitna available when it is needed
- 726 Relative to Placer Mining and the 49.9 request, Mr. Logan advised of 15,000 additional placer mines this year.

Reverse Tape
SFC-80 #11
Side 2

- 025 Mr. Logan spoke to the need for 176.0 for Coastal Zone Management, advising that there has been a great deal of public input on this program.
- 050 Projects proposed under Agriculture include a Bison Study requiring 11.9 in funding.
- 080 Responding to a question raised by Senator Hackney concerning coal mining, Mr. Logan advised that "techniques would be the same at both Beluga and Healy."
- 141 The meeting adjourned at approximately 9:45 a.m. ADJOURN

SFC-80 # 10 Side 2 (528-end)
11 Side 1 (entire side)
Side 2 (000-141)

2/12/80

MINUTES
SENATE FINANCE COMMITTEE
February 13, 1980
8:40 a.m.

Vice-Chairman Hohman convened the meeting in the absence of Chairman Sackett at approximately 8:40 a.m. All members were present with the exception of Chairman Sackett. Also in attendance were Senators Stimson, Tillion and Ferguson; Administrative Assistants to Senate Finance Garrey Peska and Bill Hogan; Fiscal Analysts Alison Elgee and Bob Grogan; Commissioner of Fish and Game Ronald Skoog; Chief of the Subsistence Section Tom Lonner, Commissioner of Environmental Conservation Ernst Mueller; Acting Director of the Environmental Quality Management Division Glen Akins; and representatives from the press Joe LaRocca and Jean Kisor.

ATTENDANCE

Vice-Chairman Hohman stated that the purpose of the meeting was to continue with the Fish and Game short-form budget overview, and that the Subsistence Section Chief would proceed.

DEPT. FISH &
GAME
BUDGET OVER-
VIEW

TAPE # 11

DESCRIPTION

SFC-80-Side 2

158 Subsistence Section, volume 2, page 262 of Operating Budget for Department of Fish and Game. Mr. Lonner stated that the budget request was based on the continuation of the FY 80 funding level, and that they were only asking for one new permanent position beyond those 20 positions currently authorized. As for the program itself, he said that the basic coverage of regional concerns would continue, although certain statewide priorities may change. Since its inception, the section has hired one professional research specialist and one bilingual technician in Barrow, Kotzebue, Nome, Bethel, Dillingham and Galena as well as a research specialist in Fairbanks and Anchorage. A Juneau position is soon to be filled. This staff has begun the following basic subsistence research tasks:

MR. LONNER
SUBSISTENCE

1. Community resource use surveys
2. Harvest surveys jointly with the resource division (particularly in the Yukon, Kuskokwim system)
3. The state is addressed to a series of subject issues on behalf of the Boards of Fisheries and Game including the emergency food shortage in Buckland, the conflict within the Copper River fishery, the results of the controlled use areas in the interior, and the operational definitions of subsistence and barter.
4. Working with advisory committees, other local interest groups and villages to fulfill their information and communication needs.

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Mr. Lonner said that though the proposed FY 81 budget calls for a continuation of these efforts, a surprising number of unanticipated tasks requiring either basic funding, contract research, or coordination with other agencies have come up during the past year. He gave a few examples:

1. A study of funeral potlatches due to the recent Superior Court decision.
2. A study of subsistence exchange
3. A series of films and other media directed to the needs of various regions.
4. Continuing analysis and review of the impacts of the proposed gas pipeline
5. Continuing analysis and review of impact of OCS oil activities in the community fisheries development.
6. Continuing analysis and review of land use and land disposal programs.
7. Extensive attempts at coordination with federal agencies (Fish and Wildlife, National Park Service) on issues like the proposed caribou and migratory bird treaties, the management of Alaska marine mammals, and the changing federal land classifications.

Mr. Lonner concluded by saying that since the full magnitude of these tasks is not clearly defined yet, the efforts in each area are not separately budgeted, but require the section to manage its fiscal resources so as to be able to respond to these challenges.

- 218 General discussion and questioning followed. Senator Kerttula asked about the Copper River program and its staffing. Commissioner Skoog and Mr. Lonner both responded; Mr. Lonner said that he would provide Senator Kerttula with a copy of the "Copper River Position Paper" and with his own comments on staffing needs. Senator Hackney requested the same material, as well as the results of the questionnaire mentioned in this context. Senators Hackney and Kerttula both expressed concern about the Copper River situation and the shortage of fish there.
- 344 Senator Bennett asked about the ground rules for the different types of subsistence fishing. Mr. Lonner responded that initially, fishing is allowed on the weekends, but that numbers of days allowable will increase as the escapement increases. Given the gear type, 15 fish per person and 30 fish per family are allowed.
- 400 Vice-Chairman Hohman stated that the committee would now consider COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 509 (Rules) (An Act making a special appropriation to the Alaska permanent fund; and providing for an effective date), and moved that it be passed from committee with individual recommendations. Senator Ray objected, then withdrew his
- CSHB 509
(RULES)

objection. There being no further objections, it was so ordered, and the members signed the committee report in the following manner: Senators Hohman, Ray and Sumner - "do not pass", Senators Kerttula, Bennett and Hackney - "no recommendation".

MOTION
CSHB 509
(RULES)

- 448 Vice-Chairman Hohman requested that the Commissioner of the Department of Environmental Conservation come forward and begin the budget overview presentation. Commissioner Mueller pointed to two charts set up for viewing, and explained that two years ago, a department working committee was advised to make recommendations to the Commissioner's Office as to the most feasible department organization in response to current issues, new legislation, and more field responsibility. Hence, the charts "track" each position from the old organization to the new one. Mr. Mueller stated that in the process of giving increasing responsibility in the field offices and in making the department more of a "patchwork" organization, the department became smaller rather than larger. Four divisions were combined into two divisions. Mr. Mueller then asked that each division director proceed to describe their programs.

DEPT. OF
ENVIRON.
CONSERVA-
TION
COMMISSION-
ER MUELLER

- 528 Mr. Glen Akins, Acting Director of the Environmental Quality Management Division, stated that their services are provided most directly to the public through the field offices. He explained that the division has been centralized and operates on a local rather than statewide level. He went on to give staffing breakdown, section by section.

MR. AKINS
ENVIRON.
QUALITY
MGMT. DIV.

Senator Bennett asked about the relationship of the water quality people in this division with the sanitarians from Health and Social Services. Mr. Akins stated that he did not feel there was any duplication of effort in the field in this regard.

- 615 Senator Kerttula stated that it was his feeling that deletions in staff should be made from the regional offices rather than from the field offices.

TAPE # 12

SFC-80-Side 1

- 8 He also wished to know what the department policy is concerning the disposal of hazardous material on Alaska lands. Mr. Akins responded that the department has stepped up its concern this year because of PCB and radio-active materials. Senator Kerttula requested suggestions for legislation (in writing) from the department. Commissioner Mueller said that Representative

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Gardiner had proposed legislation last year and that they would be meeting the following week. He asked Senator Kerttula if he wished to attend; the Senator said that he would. Further discussion of this problem of radio-active waste followed, covering such areas as:

1. Certain mining processes.
2. Radio-active materials being used for research and in hospitals.
3. The old Fort Greely reactor.
4. Possible nerve gas stores in Black Rapids and Fort Greely from the 1920's.
5. Availability of old U.S. Army records.

80 Vice-Chairman Hohman stated that the committee would proceed to consider legislation and requested that the Department of Environmental Conservation overview be continued at a later meeting.

107 Vice-Chairman Hohman asked that Senator Sumner introduce SB 122 SENATE BILL NO. 122 (An Act relating to the permanent fund; amending Appellate Rule 45, Alaska Rules of Court Procedure; and providing for an effective date).

Senator Sumner stated that page 2, Article 5, deals with the permanent fund income and how it is distributed to residents of Alaska. He stated that this system would be significantly better than an income tax repeal because it works on a formula of five years. For example, if a person earned \$35,000 a year and had filed income taxes for four or five years, regardless of the amount of taxes paid, they would be entitled to participate in the return of a "pool" of money equivalent to the total amount of income taxes collected in Alaska for that year.

139 Senator Tillion qualified "residency" in the above context. He said that 10% of the permanent fund goes into the program, and as soon as the fund has grown big enough to carry the total program, then "residency" could be inserted. Meanwhile, the program can be "skewed" in favor of residents by using the five year period formula. Therefore, the non-resident who came up for one year would get a small portion refund, while the person who has been paying for five years would get a larger refund portion, in effect, equal to an income tax repeal. The person who had retired two years ago would get a refund portion on the other three years. One-half of the balance (for the two years) would go back on a straight basis to everybody who had filed income taxes in the state.

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- General discussion and questioning followed. Senator Kerttula stated he would favor the income tax repeal as it would be simpler in form than this income tax dividend program. The issue of "residential preference" came up in regard to old-timers who have been in Alaska since statehood, but would only receive a dividend based on the last five years. Senator Tillion stated that the tax records only go back six years, but that it might be possible to rearrange the dispersment. He added that the bill is not without fault, but that at least it makes sure that the "rip-off and run boys" don't "rip-off" much.
- 254
- 281 Senator Ray brought up some possible technical amendments to the bill, and these were discussed at length. It was decided that Garrey Peska would review these possibilities with the Department of Revenue and report findings to the committee at a later time.

The meeting adjourned at approximately 9:50 a.m.

ADJOURN

SFC-80-Tape # 11
(Side 2 - 142 - 750)
SFC-80-Tape # 12
(Side 1 - 000 - 499)

2/13/80

MINUTES
SENATE FINANCE COMMITTEE
February 14, 1980
8:40 a.m.

In the absence of Chairman Sackett, Vice-chairman Hohman PRESENT
convened the meeting at approximately 8:40 a.m. Senators
Hohman, Ray, Bennett, and Hackney were in attendance at
the meeting; Senators Sackett, Kerttula and Summer were
absent. Also in attendance were Senator Stimson;
Commissioner of Revenue Thomas Williams; Deputy Commissioner
of Revenue Joe Donohue; Commissioner of Environmental
Conservation Ernst Mueller; Deputy Commissioner of
Environmental Conservation Deming Cowles; Dale Wallington,
Administrative Officer for Environmental Conservation;
Deena Henkins, Acting Director, Quality Operations,
Environmental Conservation; Wes Coyner representing the Alaska
Bankers Association; Administrative Assistants to Senate
Finance Garrey Peska and Bill Hogan; and representatives
from the media including Joe LaRocca.

Vice-chairman Hohman moved that SB 122 (Act relating to SB 122
the permanent fund; amending Appellate Rule 45, Alaska
Rules of Court Procedure) be brought up for discussion,
directing committee attention to the proposed committee CSSB 122
substitute and advising that Commissioner Williams and
Deputy Commissioner Donohue were present to discuss the
committee substitute.

Mr. Donohue advised that while he understands the general MR. DONOHUE
concept of the substitute, he does not understand how
authority intended within the bill would be administered.
He outlined the following areas of concern:

- (1) Possible need to establish a closing period
for filing claims.
- (2) Claim to be predicated on prior year data.
- (3) How and when the appropriation to fund such
claimed refunds would be enacted.
- (4) How to reduce risk of fraud and overpayment.

The Committee Substitute establishes no given time under
which one can claim repayment (during what period of time
can an applicant file his claim and be included in the
pool?). The state must cut such claims off sometime. While

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Senator Ray suggested April 15 as the cut off date, Mr. Donohue advised that June 30 would be preferable since "many people go for the June extension." Mr. Donohue suggested amending language under (a) to state that those filing a tax return for the preceding tax year would be in the pool if they file before June 30. Claims could also be generated by the department prior to the actual filing.

Senator Ray attested to the need for a "savings clause" for those not qualified to file for the first year of the program. Mr. Donohue advised that 1979 would be the first applicable year under the program. He further added that the previously stated amending language should read "filed or paid any taxes."

Senator Ray suggested that problem areas be defined in the committee substitute and Mr. Donohue return to committee with draft recommendations. Mr. Donohue agreed to do so, but advised he wished to point out additional areas requiring discussion.

Sec. (b) mentions 43.20, it should refer to 43.20.011(a)(d) which relates to individual income tax (Line 18 should refer to 43.20.011(a)(d)).

Department recommendation is that claims filed the first six months of a given year be based on the tax year passed, for which the department has data concerning the total tax collected.

Department would recommend that legislation "come up with a formula which approximates legislative goals rather than a pool which is constantly shifting and has to be tallied every year."

The bill would not be of benefit to individuals living in subsistence cultures which have not filed. Sec. (c)(5) is aimed at those who have filed a 1979 return. It would require subsistence individuals to file a return even if they owed nothing. Such a filing would "get them into the pool." Mr. Donohue questioned the committee's desire under (c)(5), asking if members want "people to file returns even if there is no liability."

Section (e), the formula seems to suggest fractions "which would not work out." It "takes taxes for the preceding years and develops a percentage for one year." Garrey Peska advised that the intent is

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to "determine the percentage that each taxpayer has paid for a five-year period."

Section (f) seems to negate the refundable portion of the bill. Mr. Peska replied that section (f) refers back to (e) and means that refunds within groups would be the same.

Senator Hackney requested that Mr. Donohue compile "a couple of 'for instance'" cases for committee review, demonstrating the manner in which the legislation would function when enacted. Mr. Donohue advised that he would try to do so, and Vice-Chairman Hohman advised that the committee would reschedule the bill for further discussion sometime during the coming week.

SB 122
RETURNED
TO COMMITTEE
FILES

Vice-chairman Hohman next moved that HB 684 (Act to allow certain investments of the general fund in insured mortgages) be brought up for discussion. However, Commissioner Williams was temporarily absent from the meeting and thus unavailable to testify. The Vice-chairman therefore deferred further discussion of HB 684 and continued budget review for the DEPARTMENT OF ENVIRONMENTAL CONSERVATION.

HB 684

DEPT. OF
ENVIRON-
MENTAL
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TION

Deming Cowles, Deputy Commissioner of Environmental Conservation appeared on behalf of the department together with Commissioner Mueller, Administrative Officer Dale Wallington and Acting Director of Quality Operations Deena Henkins. Mr. Cowles advised committee members that in the course of prior testimony he had outlined the general reorganization of department structure. He thus introduced Deena Henkins who presented an explanation of field operations within the department. Displaying an organizational chart, Ms. Henkins advised that Quality Operations is divided between

- (1) Individuals in direct contact with the public.
- (2) Individuals in direct support of regional offices in Anchorage, Fairbanks, and Juneau. Regional offices respond to complaints from the public and are responsible for monitoring air and water quality.

Facilities Operation and Construction administers federal programs for clear air, water, and sewage treatment, etc.

The Director's Office provides indirect support to the field pesticide specialist and contains data management personnel.

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The Permit Section manages "paper work" and tracks the flow of applications and the status of regulation enforcement.

The Gas Pipeline Office is under supervision by the northern regional office. The State Pipeline Coordinators Office provides the point of contact between the state and North West Pipeline Company. The level of participation by the state is determined by North West's pipeline progress, and costs are reimbursable by North West.

Mr. Dale Wallington next appeared before committee, advising that the Administrative Offices BRU includes the commissioner's office and the administrative services section. The Environmental Advisory Board is also included within the commissioner's office. The CIP position does all accounting for capital projects within facilities and construction.

At this time Mr. Cowles distributed a listing setting forth the status of last year's legislative intent directed toward the department (copy of the list is attached to these minutes).

Responding to questions raised by Senator Hackney concerning the North Pole sewer lagoon, Mr. Cowles replied that the appraisal had been conducted by a contractor, but Mr. Cowles advised he did not know the contractor's name. Responding to questions raised by Senator Ray, Mr. Cowles replied that according to his understanding the project involves funding for the city to purchase the sewer lagoon in a Fairbanks subdivision. The City of North Pole is at present "deciding what to do."

Responding to questions from Senator Bennett concerning the Anchorage Recycling Project, Mr. Cowles advised that funding purchased equipment and a building for collection of recyclable material. The project is to be on a "pay as you go basis before the end of June." Mr. Cowles added that a private firm in Anchorage currently provides the same service.

Senator Nohman inquired concerning the PHS and HUD project at Tuluksak, asking if the project would be complete this summer. Mr. Cowles replied "according to HUD it will if everything goes as scheduled."

Responding to a question from Senator Ray concerning the Huslia communication system, Mr. Cowles advised that the project consists of a CB system used for communicating weather conditions. Replying to a further question from

2/14/80

Senator Ray concerning the Valdez project, Mr. Cowles stated that while there has been discussion of a ramp construction project, "nothing has happened so far."

Mr. Cowles next advised of his awareness of public displeasure concerning department handling of land disposal to date. He again introduced Deena Henkins, advising that she would explain department authorities.

Ms. Henkins stated that the department is vested with responsibility for reviewing and approving or disapproving proposed sewage disposal systems for subdivisions throughout the state. The department has review 50 such proposals, approved 30 conditionally, 20 unconditionally, and denied none. She advised that the department "has a subdivision pending in Ketchikan where we cannot approve the subdivision for other than a vault or sealed sewage system." Responding to a question from Senator Bennett, Ms. Henkins advised that the Ketchikan subdivision consists of muskeg on bedrock on a hillside and presents a runoff problem. In the Ketchikan case, larger lots will help with disposal. In making the above statement Ms. Henkins referred to a soil study for sewage disposal suitability conducted by Tryck, Nyman & Hayes. The above situation "does not preclude the subdivision from going through, it just complicates the sewage situation." Water samples from ground water and streams in Ketchikan show a high bacteria count. Statutory responsibility for protection of public health interest rests with the department. Ms. Henkins further advised that tracts of three to five acres "might have a little more time before problems begin, but the soil just cannot take the disposal."

Responding to questions concerning collection systems, Ms. Henkins advised that the Small Package System runs treated waste out to sea, permitting no contact with the soil. The concrete vault system also permits no contact with the soil, but the vault has to be pumped occasionally. The aforementioned systems would cost "about \$1,200 to \$1,300 per household."

At this time committee discussion reverted to consideration of HB 684 (Act to allow certain investments of the general fund in insured mortgages), and the Vice-chairman directed committee attention to a proposed committee substitute. Commissioner Williams appeared before committee to speak on the committee substitute. He suggested that language addressing 25% bank participation included as subparagraph (14) in HB 684 be included as new subparagraph 15 within the proposed committee substitute. He further requested that November 1, 1979, remain the retroactive date on newly included subparagraph (15).

HB 684
COMMISSIONER
WILLIAMS

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In addition to the foregoing suggestions, Mr. Williams noted that the committee substitute "reorganizes my department slightly and gives me a classified director of the treasury." Mr. Williams alluded to the fact that such classification might make it more difficult to "dismiss" a future director of the treasury who might not be performing satisfactorily.

Referring to page 2 of the draft committee substitute, item (9), Commissioner Williams advised of his belief that "it is good to consolidate loan programs." Senator Hohman asked Mr. Williams if he believed such consolidation would decrease bureaucracy while increasing public service, and Mr. Williams replied "yes, that is exactly right." He further advised that as a result of the committee substitute (the proposed consolidation), programs now under the Department of Commerce could be eliminated.

Responding to questions posed by Senator Ray concerning sections 10 and 11 of the proposed committee substitute, Mr. Williams responded that he believed the "version passed from the House corrected the situation, especially where you have mortgage insurance."

Vice-chairman Hohman restated Commissioner Williams' recommendations, advising that the proposed committee substitute should incorporate subparagraph (14) from the original bill as subparagraph (15), the retroactive date for subparagraph (15) should remain November 1, 1979, and subparagraphs (10) and (11) should be eliminated from the draft committee substitute.

Mr. Williams then stated that he believes restrictions on the director of the treasury are important when "you don't have mortgage insurance." He further stated that provisions contained within subparagraphs (10) and (11) represent "good things to have; the state may not always have a prudent commissioner."

Senator Bennett asked how soon the department could begin making loans under temporary authority, and Mr. Williams replied that the department could begin the day after "it is passed."

Senator Ray moved that the Senate Committee Substitute for HB 684 pass from committee with individual recommendations.

MOTION
CS 684

Senator Hackney expressed concern that problems with delinquency (loan delinquency) are not addressed in

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the committee substitute. Commissioner Williams advised that while he sees no problem raising the statutory percentage to 2-1/2 or 3%, most banks attempt to maintain loan portfolios averaging 1/2 of 1%. Senator Hackney attested to the fact that some loans run 30 to 90 days delinquent but are still good loans. Commissioner Williams advised that when the state purchases a loan there is no "track record" (repayment record) to look at, hence the need for sound foundations for all loans. Vice-chairman Hohman asked if the banks generally qualify applicants for loans, and Mr. Williams responded "yes, they review the loan and then we review it again before we commit."

The Vice-chairman restated Senator Ray's prior motion for passage of the proposed committee substitute and Senate Committee Substitute for HB 684 (Act relating to permissible investments of the state; creating a division of treasury) passed from committee with individual recommendations--Senators Ray, Hackney, and Bennett signing no recommendation, Senator Hohman signing do pass.

CSHB 684
INDIVIDUAL
RECOMMENDA-
TIONS

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

ADJOURN

SFC-80 # 13 Side 1 (000-end)
Side 2 (000-485)

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SPECIFIC APPROPRIATIONS

North Pole - \$1,500,000 appropriation for purchase of Columbia Park sewage lagoon. \$27,900 contract with city for appraisal. \$21,630 paid to date. Appraisal completed showing value at \$975,000. Columbia Park disagreeing with appraisal since their estimate is \$2.3 million. City is deciding what they want to do.

Wasilla - \$20,000 appropriation for water study. City is using funds to obtain a certificate of need and public convenience from APUC. Contract sent to city on February 5, 1980. After signing, warrant for \$20,000 will be forwarded.

Cordova - \$40,000 appropriation for water system improvements. \$3,000 used to match CEIP grant for water study. After completion of study, the city will request the remaining \$37,000 for specific construction as recommended by study.

Alaska Center for the Environment - The contract between the Department of Environmental Conservation and the Alaska Center for the Environment, for \$46,000 to demonstrate recycling possibilities in the Anchorage area, was entered into August 15, 1979. The final payment period is March 1, 1980. By June 30, 1980, the center expects its revenues to meet the managerial and rental costs being subsidized by this grant.

Huslia - Received \$5,000 in December 1979 to purchase a communication system for safe passage between Huslia and Huslia Hot Springs.

Anderson - Contract for the \$25,000 appropriation to evaluate a self-supporting solid waste disposal system has been signed by the city administrator.

Nulato - \$20,000 appropriation transferred, at the request of Nulato, to the Department of Transportation and Public Facilities to be used for landfill construction and road access. Road and landfill completion is scheduled for spring 1980. Senator Sackett advised that additional funds are needed to complete the site and provide adequate initial operation of the site.

LEGISLATIVE INTENT

Tuluksak - Since the \$15,000 appropriation is insufficient to complete the necessary repair work on the well alone, Tuluksak and DEC officials have agreed to work with HUD in completion of this project, in conjunction with a HUD project due for completion in 1980. Thus the \$15,000 will be combined with federal funds for expanded sanitation improvements in Tuluksak. The State appropriation would be incorporated into the proposed PHS project. PHS engineers and DEC staff will visit the village this spring to perform on-site investigations, and complete the grant to the city before the end of the fiscal year.

Oil Spill Report - A draft report should be completed by the end of February for legislative review prior to completion. Much of the information has already been submitted in the form of testimony before House Resources on HB 205.

MINUTES
SENATE FINANCE COMMITTEE
February 19, 1980
8:40 a.m.

Vice-Chairman Hohman convened the meeting in the absence of Chairman Sackett at approximately 8:40 a.m. All members were present with the exception of Chairman Sackett. Also in attendance were Senator Stimson; Representatives Meekins, Freeman and Rogers; Administrative Assistant to Senate Finance Bill Hogan; Fiscal Analyst Dave Scott; Dr. Jay Barton, President of the University of Alaska; and representatives from the press including Joe LaRocca and Laurie Zahn.

ATTENDANCE

Vice-Chairman Hohman stated that the purpose of the meeting was to hear budget overview testimony from Dr. Jay Barton, President of the University of Alaska, and he asked that Dr. Barton proceed.

TAPE # 14

DESCRIPTION

SFC-80-Side 1

- 12 Dr. Barton stated that he had learned that many of the university's renowned research institutes that are functioning almost 90% on factors that deal with the arctic and the Alaska environment, have been recognized again in Washington D.C. as truly outstanding. He said that the University of Alaska ranks second in the nation federally operated environmental research (for Alaska). And, he added that the University rates 16th in the nation in overall federal confidence in their research programs, as evidenced by federal funding. He went on to say that this last spring almost 28,000 people had registered for a course somewhere in the University system; that is about 6.5% of the population of the state of Alaska.

DR. BARTON
UNIV. AK.
PRESIDENT

Dr. Barton said that in his short 6 months as President of the University, he has sought to re-awaken in the faculty, the staff, the students, and in the citizens of the state, that this university's function is to serve the people of the state - that it is a "land grant institution". He said that the plan before the committee for FY 81, is representative of the first efforts to point the university in new directions. They had established, with the help of the Board of Regents, directions for planning that would change the focus of the university toward the needs of the people of the state. New

LAND GRANT
INSTITUTION
CONCEPT

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program efforts were being made in the areas of rural and native education, renewable resources, in alternative energy sources, and in non-renewable resources. In this planning effort he said they had also been responsive to enrollment pressures, management problems, and financial responsibilities. He pointed out that new money is being sought for vocational training programs because this is a viable direction for many of Alaska's young people to head in; a vocational oriented, career training program is many times called for in place of a full-fledged college education. He said that they also want to continue to upgrade programs in athletics for both men and women.

- 135 Dr. Barton introduced the present planning concept of the university. He said that they are putting in place a "planning system" rather than a "master plan", which has been requested by the Legislature in previous years, and that the "mission statement" before the committee at this time could be considered the first piece of that system. He further qualified the "mission statement", saying it was just a first step, not an overall intention. The next step would be to develop a set of "planning tools", including historical data, internal audits, collection procedures and test procedures for compilation of data. Furthermore, he said that the university needs agreed upon "planning assumptions" with staff, faculty, and the students as to what the future will hold. He said that a "budget and policy council" has been composed of faculty, staff, students and the chancellors, so that everyone will have an opportunity to become involved in the decision-making for the entire university system. He stated that Dean Dale Phillips of the Fairbanks College of Management, is taking a six month leave from his post to head up the planning operation.
- U.A.
PLANNING SYSTEM

The plan which is being presented this year to the Legislature reflects a 19% increase in operating funds. Dr. Barton stated that he felt this was entirely reasonable; over the last two years only an 8% increase was allocated to higher education. He added that over the last few years, the University of Alaska has been the least successful of all the United States in keeping up with inflation. His final point in favor of the 19% increase was that considering the tasks to be accomplished in Alaska, this 19% figure was not at all unreasonable. Dr. Barton stated that he would be happy to defend the details and answer any questions the committee might have.

U.A.
BUDGET
INCREASE

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- 240 General discussion and questioning followed concerning such topics as:
1. Engineering and technical programs within the university system
 2. Admission procedures
 3. Administrative efficiency
 4. Transfer of credits program within/between units of the university system
 5. Fishing industry related programs in the university.

498 Senator Hackney referred to the fact that the Anchorage campus will have the only nursing program in Alaska. He pointed to correspondence he held from nurses who feel that it is a great inconvenience to have to travel to Anchorage. Dr. Barton responded that Vice President Trombly has been working to improve the satellite programs to reach outlying areas. Senator Hackney requested that Vice President Trombly meet with those of the Interior Delegation and discuss the matter further.

U.A.
NURSING
PROGRAM

592 Several questions were asked of President Barton concerning athletics programs at the university, and a great deal of conversation ensued. Committee members agreed that since Alaska has contributed several competitors to national and international sports events without really trying, need for more and better sports programs is indicated.

U.A.
ATHLETICS

Senator Kerttula stated that he had spoken with students who felt that they were not being given proper use of courts, etc., and that not enough money was available to adequately support the sports programs.

TAPE # 14

SFC-80-Side 2

000 Vice-Chairman Hohman brought up the question of how money had been used for the "Great Alaska Shootout", and referred to such devices as "double-dipping", where additional funds were requested to cover expenses for the sports event even though positions and funds for such things had already been funded in the university budget. He requested that Dr. Barton look into the matter and furnish him with a full report. He also asked Dr. Barton to let him know how the University of Alaska would feel about placing the promotional and publicity aspects of such events into the hands of a non-profit organization. He said that they are more specialized in those areas, while the University's academic setting doesn't necessarily lend itself to taking on responsibilities of that type. Representative Meekins agreed and gave examples of how a non-profit organization might better serve publicity

"GREAT
ALASKA
SHOOTOUT"
FUNDING

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and promotional needs for this kind of sporting event. The committee members continued to discuss the athletics programs and their future potential.

- 270 Vice-Chairman Hohman stated that Fiscal Analyst Dave Scott had a few questions to ask of Dr. Barton, and requested that he proceed.

- 297 Mr. Scott asked what the Board of Regents had decided upon in regard to the tuition increase of \$1.2 million. Dr. Barton said that at the last meeting, the Board was "dead-locked" five to five, and that that meant defeat of the motion to increase tuition approximately \$35. per term per person. He added that a request for reconsideration had been filed and that it would be acted upon about March 20.

MR. SCOTT
FISCAL
ANALYST

Mr. Scott asked if the regents had taken a position on the Governor's budget in terms of the tuition increase, and whether or not they are asking for general fund support or for the budget to be reduced. Dr. Barton responded that at this stage they had not gone beyond the consequences of their negative vote.

Mr. Scott said that there was some confusion in the budget document concerning salary increases, and asked if the university was still intending to ask for a general salary increase beyond the cost-of-living-allowances that had been approved recently by the Legislature. Dr. Barton stated that the Governor's pay bill had more than satisfied their salary needs.

- 336 Mr. Scott stated that during the initial review meeting of the university budget he heard that the Governor's Office would approve the budget this year on the assumption that there would be no increase in requests in the 1982 budget; He asked Dr. Barton to comment. Dr. Barton said that he had a letter from the Chairman of the Budget Review Committee in which the Governor's support for the budget as submitted was stated. But, the letter went on to say that the generosity of the Budget and Review Committee did not necessarily commit them to equal generosity in following years.
- 355 Mr. Scott said that last year, the university had made a presentation to the committee on its plans for a land management program that would potentially bring in millions of dollars of revenue over the next few years, but that this year not much was mentioned and he wondered why. Dr. Barton said that the problem with raising funds for the Land Management program rests in the way the state manages the lands for the institutions, so that their long term potential rests in their ability to distinguish general state lands from university

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