

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2779

Park Operations, Park Maintenance & Operations, p 159: Mr. Grogan called attention to the miscellaneous line item to point out how some of the HB 60 transactions were handled last year. He stated these involve a variety of legislative add-ons. Discussion followed, with Representative Rogers requesting detail on what the \$360.0 in HB 60 entails regarding the seven full-time positions created that the Legislature didn't know it was creating. Mr. Grogan commented this situation is not indicative of this particular budget but is throughout all the budgets. He noted the Senate Finance Committee has requested the Agencies address this question. Representative Buchholdt requested the House Finance Committee also receive copies of this information.

DEPARTMENT OF FISH & GAME

Commercial Fish, Salmon, p 167: Mr. Grogan pointed out a 31% increase here, with a total of 24 new positions requested--two full-time, the rest part-time. He advised this BRC did not reduce its request, and the Department is saying it was underfunded 27% because of the vacancy rate assessed by last year's Free Conference Committee; and there was very little vacancy throughout the Department. Brief discussion followed. Representative Rogers asked if they would be coming in with a supplemental, and Mr. Grogan replied he didn't know, that he has only heard rumors.

Commercial Fish, Herring, p 171: Mr. Grogan noted a large increase of over 50%, with a request for one full-time and 11 temporary positions. He suggested the Committee take a closer look as this BRC also failed to reduce its request. The Committee expressed interest in knowing what was actually done with HB 60.

Commercial Fish, Ground Fish, p 175: Mr. Grogan advised Elmer Lindstrom, Fiscal Analyst, Legislative Finance, is working up a package on this for the subcommittee.

Administration & Support, Administrative Services, p 205: Mr. Grogan pointed out a large number of new positions requested and a large increase for an administrative component. Chairman Cotten commented he understands this is due to the apparent move out of the support building into the Taku Twins building. He asked about the lease agreement, and Mr. Grogan said he was not sure what the terms of that lease are but that he will get the requested information. During discussion on the State's leasing policy, Representative Rogers stated he is against the State's forcing private businesses out because it can afford to pay higher rents. Representative Montgomery requested Legislative Finance provide the Committee with a compiled brief containing information on lease space ownership, location, number of square feet and lease terms.

FRED, Operations, p 192: Representative Rogers requested the Committee go back to this BRU, as there is a large increase for new positions (57) and asked if this is all related to staffing hatcheries. Mr. Grogan advised he has been trying to key in on "non-formula" increases, which he described as new programs that don't tie into current ones. There was discussion on new positions for hatcheries, and Representatives Freeman and Rogers requested Mr. Grogan look into the reasons for new hatchery positions requested in their respective districts.

Limited Entry, Commercial Fisheries Entry Commission, p 229: Mr. Grogan called attention to a 40% increase planned for two basic programs: residency investigation and statewide leasing.

Habitat Protection, Gas Pipeline Monitoring, p 243: Noting the request is in excess of \$2 million, Mr. Grogan commented it is a question of being consistent; i.e., what is done in one area should also be done in the others.

Habitat Protection, North Slope Haul Road, p 245: Representative Rogers questioned this unit being wiped out when the road is scheduled to be opened this year. Because of action by the court, he indicated he feels the Legislature ought to look at additional funding here. He added there will be a supplemental for FY 81 introduced.

DEPARTMENT OF PUBLIC SAFETY

Fish & Wildlife Protection/Enforcement, Enforcement, p 251: Last year, Mr. Grogan commented, the Free Conference Committee put in new positions and left it up to the Department to place them. However, they created four new positions--Ketchikan, Juneau, Anchorage, Fairbanks--and he suggested the Committee would want to take a look to see what it got for the money, as there are high associated costs involved.

{Tape HFC 81-5, Side 1, #001}

Fish & Wildlife Protection/Marine, Marine Enforcement, p 257: Mr. Grogan noted the request for five new positions based in Kodiak related to the vessel. Representative Rogers inquired if one vessel or two were purchased. Mr. Grogan will find out.

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Environmental Quality Operations, Placer Mining Project, p 313: Mr. Grogan noted the 57 new full-time positions and discussed the water problems related to the project. Representative Montgomery asked if this involved the location method of claims as opposed to leasing procedure claims. Mr. Grogan indicated this would be in the Department of Natural Resources project budget.

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Representative Rogers stated he thinks there is going to be a budget amendment on this and that a lease is involved.

Gas Pipeline Surveillance, Surveillance Activities, p 324: Mr. Grogan noted an increase of roughly \$1.5 million and 13 new positions requested. Representative Freeman offered comments at this time regarding the on-going situation where the State adds people each year, but there is no pipeline, and wouldn't it make more sense to wait. Discussion followed, with Representative Rogers citing the TAPS tariff case and stating he feels the Legislature should not over appropriate, but should at least keep up on surveillance. During further discussion, Representative Meekins requested Mr. Grogan supply the Committee with a list (see attachment) combining the three areas in the NRMEC budget category where Gas Pipeline Surveillance exist.

In his closing comments, Mr. Grogan stated the Department of Environmental Conservation was treated a little better this year as far as getting appropriations, and all this comes under non-formula increases. In answer to a question from Representative Rogers, he indicated the Governor's Office has been more lenient with this budget as opposed to the others and suggested the Committee take a very conservative approach with this budget. Regarding new positions, Representative Rogers requested information that indicates how many involve general funds, federal funds and program receipts.

Representative Meekins, chairman of the NRMEC subcommittee, announced hearings beginning tomorrow morning at 8:30 in the House Finance Committee room. He added a schedule would be posted shortly.

ADJOURN

There being no further business to come before the Committee, the meeting adjourned at 2:50 p.m.

Tape HFC 81-4, Side 1, #696 - End
 Side 2, #001 - End
81-5, Side 1, #001 - #326

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF — STATE CAPITOL

JUNEAU 99801

M E M O R A N D U M

DATE: February 16, 1981

TO: Russ Meekins, Chairman
NRMEC Subcommittee
House Finance Committee

FROM: Robert L. Grogan
Fiscal Analyst
Legislative Finance Division

SUBJECT: Gas Pipeline Surveillance Budget Request

The following chart indicates the amounts requested by each agency for Gas Pipeline Surveillance. The column on the far right gives the grand total.

	<u>Dept of Natural Resources</u>	<u>Dept of Fish & Game</u>	<u>Dept of Environmental Conservation</u>	<u>Total</u>
100	2,619.7	1,102.9	917.3	4,639.9
200	911.4	268.5	338.8	1,518.7
300	5,477.8	618.8		6,096.6
400	85.3	68.9	26.6	180.8
500	<u>124.6</u>	<u>6.8</u>	<u>196.2</u>	<u>327.6</u>
TOTAL:	9,218.8	2,065.9	1,478.9	12,763.6
 Total Full-Time Positions	 54.0	 21.0	 22.0	 97
 New Positions	 39.0	 6.0	 13.0	 58

RLG:vsw

HOUSE FINANCE COMMITTEE

February 17, 1981

1:35 p.m.

{Tape 81-5, Side 1, #326}

PRESENT

Chairman Cotten called the meeting to order at 1:35 p.m. All members of the Committee were present. Representatives Malone and Adams arrived later in the meeting. Also in attendance: Representative Terry Martin, member of the House Finance Subcommittee on the University of Alaska; Alison Elgee, Fiscal Analyst, Division of Legislative Finance.

UNIVERSITY OF ALASKA BUDGET OVERVIEW

Chairman Cotten introduced the members of the University of Alaska subcommittee: Representative Rogers, chairman, and Representatives Buchholdt and Martin.

Before beginning her presentation, Alison Elgee called attention to the computer run prepared by the Legislative Finance Division, "Budgeted New Positions By Category", dated 2-16-81, as requested by the Committee at yesterday's meeting. She noted the positions are listed by category and again by Agency.

(Representative Malone arrived at this time.)

The University of Alaska consists primarily of university campuses at Fairbanks, Anchorage and Juneau, the community college system, rural cooperative extensions and statewide administration, Ms. Elgee said. She explained the percentage differences between the FY 81 and FY 82 figures as prepared by Legislative Finance and the University.

(Representative Adams arrived at this time.)

Representative Moss questioned Ms. Elgee about the Cooperative Extension Service, shortform p 246. She advised all funds allocated at campus centers would show up in another part of the budget.

There was discussion on the new positions. Ms. Elgee noted the majority of new positions (24) requested are for instruction, with 13 of them requested by the Governor for Chukchi Community College, p 116, which was deleted by the Legislature last year. Chairman Cotten asked where classes are being held, and Ms. Elgee replied at Northwest Community College in Nome. Representative Adams noted this wasn't being done in Kotzebue anyway.

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(Representative Moss left the meeting at this time.)

Chairman Cotten asked about engineering instructors at Anchorage. Ms. Elgee advised there are four positions requested to begin a civil engineering program at Anchorage, however, not on the magnitude of the program at Fairbanks. Representative Rogers commented it is a question of whether or not the State can afford two engineering schools within the State.

There was discussion regarding what happened with the CIP positions last year in Free Conference Committee. Ms. Elgee advised she has requested more information from the University regarding the large amount of funds allocated within the base. She stated this situation--where the University felt its priorities were more important --occurred primarily at Anchorage campus. During further discussion, she explained the University, in the past, has been allowed through the Division of Budget and Management to revise its own programs. As to what positions are reflected in the University's revised program (RP), Ms. Elgee indicated she did not know, that this is information she has requested from the University.

There was discussion on the University's budget format and how it differs from that of other Agencies. In making a comparison, Representative Rogers suggested using the REAA rather than another Agency. He indicated he feels the Legislature has been somewhat discriminatory in its handling of the University budget. He added he doesn't want to detract from secondary education, but doesn't want to forget postsecondary education either. In the matter of the Legislature setting priorities, Chairman Cotten said he feels the University changes too much. Representative Rogers stated it becomes a question of who runs the University--the Board of Regents or the Legislature.

Representative Meekins commented he feels Representative Rogers is accurate, but the REAA is not a good example to use in comparison. With the problems in the REAA's, he indicated there probably should be more legislative control exercised there. He suggested, perhaps, a compromise between the Board of Regents and the Legislature.

During further discussion on University policy, Representative Malone suggested, perhaps, setting up a test case, whereby the Legislature would appropriate the money and see how well the University allocated it.

In answer to a question from Representative Montgomery, Ms. Elgee said she believes the changes are approved by the statewide office rather than by the Board of Regents, who only sees the report. Representative Montgomery cited the Borough Assembly as an example where they appropriate the money, but the local school

board has the authority to decide where the money will go. Representative Meekins argued the University is not like a local school board because it is too diverse, and until there is local autonomy, treating the University as such will not work.

[Tape HFC 81-5, Side 2, #001]

Chairman Cotten asked Representative Adams what the facilities are at Chukchi Community College in Kotzebue. Representative Adams indicated there are four classrooms and an administration building. During discussion, Representative Meekins noted that, last year, the community colleges stated they would rather not have their funds go through the local school districts.

There was additional discussion on the question of who sets priorities and who makes the decisions at the University. Representative Rogers explained the chain of command with regard to who makes budget requests, how priorities are set and expenditure of funds.

Representative Freeman requested the Committee pay special attention to the ratio of instructors and the amount of funds budgeted at the smaller community colleges.

Representative Malone discussed the Policy Advisory Councils, who complain they have no authority and their recommendations don't count.

Representative Rogers announced University of Alaska President Jay Barton is slated to address the Finance Committee on March 15, as well as testifying before the subcommittee that same day.

At this time, Representative Buchholdt stated she would like to "plug" the report to the Twelfth Alaska Legislature published by the interim committee. She added she feels it is a good report and will answer many of the questions brought up today.

Ms. Elgee called attention to the "Analyst's Comments" in the shortform, which she said, would explain what was requested and the Governor's approved level.

Representative Rogers commented the increase is not that large in student loans, intercollegiate expenses and department services. Ms. Elgee advised the major change is not in the budget but in the Governor's appropriation bill; i.e., last year, there were five appropriation levels, and the University could not transfer between appropriations. She also called attention to the University capital budget, noting \$5.5 million requested by the Governor and a \$2.5 million appropriation to the working capital budget.

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Representative Haugen requested a status report on the bond issues for both the operating and capital budgets.

At this time, Ms. Elgee called attention to a report entitled, "The University of Alaska: An Overview of Programs and Expenditures", prepared by the House Research Agency, dated January 1981. She recommended this report to the Finance Committee as providing a good overview of of programs and expenditures. She called special attention to the Conclusion section on p 65 of the report, where it notes three areas that warrant further research: measures of productivity, University demographics and review of capacity utilization.

Representative Rogers announced the subcommittee's plans to hold three teleconferences dealing with Anchorage Community College, Fairbanks Senior College and Organized Research, and all other community colleges.

ADJOURN

There being no further business to come before the Committee, the meeting adjourned at 2:30 p.m.

Tape HFC 81-5, Side 1, #326 - End
Side 2, #001 - #476

HOUSE FINANCE COMMITTEE

February 18, 1981

1:35 p.m.

(Tape HFC 81-5, Side 2 #476.)

PRESENT

Chairman Cotten called the meeting to order at 1:35 p.m. All members of the Committee were in attendance. (Representatives Buchholdt, Meekins and Rogers arrived later in the meeting.) Also present were Representatives Bierne and Bylsma; Jerry Schilz, Legislative Finance Division; and Bob Rehfeld, Division of Budget and Management.

SOCIAL SERVICES BUDGET OVERVIEW

Mr. Jerry Schilz, Fiscal Analyst, Legislative Finance Division advised the total Social Services budget is \$214,161,600, which is a \$31,900,000 overall increase. He said they are requesting 158 full time new positions and 18 part time. He advised 86 of the new positions are for the Pioneers Homes -- the new nursing wing in Anchorage, and the new home in Ketchikan.

(Representative Buchholdt arrived at this time.)

There was brief discussion on the new positions. Mr. Schilz advised the first page of the new position listing is missing from the Social Services short form. Representative Malone said that last fall the Governor added a number of new positions to meet the demand for increased assistance payments. He wondered if any of the new position requests were for these positions. Mr. Schilz said he didn't think so; he said the Department intends to request a supplemental appropriation to cover the costs of some of those positions.

Mr. Schilz advised the Department had one reorganization during the year. He explained the positions they transferred around due to the reorganization are working in the same areas, the reorganization just specified whether they are working on children or adult programs.

Mr. Schilz outlined the major areas of increase in the Social Services budget category. He advised the LONGEVITY BONUS PROGRAM was increased by \$1,498,000. He said the increase is due to legislation passed last year increasing the longevity bonus payments. Payments were raised from \$150 to \$200.

Mr. Schilz explained the PIONEERS HOME increase is based on the new Homes opening up. He said the big increases in costs won't be seen in this budget, but in the FY 83 budget.

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Mr. Schilz said the AFDC increase is caused mainly by legislation passed last year increasing the payments by an average of \$50. He said the AFDC payments automatically tie in with social security. There was brief discussion. Mr. Schilz said the overall increase in the PUBLIC ASSISTANCE ELIGIBILITY component is the result of 49 positions they are requesting this year, the reclassification of the eligibility series of employees, and a salary adjustment of \$612.00.

Mr. Schilz advised the ENERGY ASSISTANCE PROGRAM is mostly a federal program, and the main increase is in the grants line. There was discussion.

(Tape change, HFC 81-6, Side 1.)

Mr. Schilz advised the PROGRAM SERVICES budget category looks like it has had a decrease of \$5 million, but the money was transferred to the DIVISION OF AGING AND ADULT SERVICES. He explained this was part of their reorganization.

Representative Cotten said he had further questions on the LONGEVITY BONUS PROGRAM. He said there is a bill in Committee to raise the payments by another \$50, and the fiscal note to do that is about \$5 million. He asked why the increase last year didn't raise the budget by that amount.

(Representative Rogers arrived at this time.)

Representative Malone commented part of the longevity bonus increase last year was in the FY 81 budget. There was brief discussion.

Mr. Schilz advised the next increase is in the FOSTER AND INSTITUTIONAL CARE BRU's. He explained the Institutional Care cost is tied into the full cost of care statutes, and this accounts for the increase in that BRU.

Mr. Schilz advised the ADULT AND AGING SERVICES BRU is a new component, and is part of the reorganization. He explained the FY 81 authorized amount would be found under the PROGRAM SERVICES BRU.

There was discussion on the appropriation for WOMEN'S SHELTERS. Representative Rogers advised the Governor vetoed the legislative intent for the Shelters last year. He said one problem they have had with appropriations for Women's Shelters is they have no statutory responsibilities outlined. He said there is a bill in the House HESS Committee to take care of this problem. There was further discussion on the budget.

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There was discussion on the OFFICE ON AGING appropriation. Mr. Schilz advised the Department has carried forward \$1 million due to a dispute over whether or not a bill passed last year. Chairman Cotten advised that was HB 611. He explained the history of that bill. There was further discussion. Representative Buchholdt asked if all senior citizens were eligible to apply for grants. Mr. Schilz explained they go by RFN's. He said some of the money is federal funds, so in order to qualify they would have to meet federal regulations.

Mr. Schilz advised EMPLOYMENT SECURITY increased 4.3%. There was brief discussion on that program.

Mr. Schilz said the increase in the DAY CARE program is due to the increase of the subsidy to day care centers from \$12 to \$16. There was discussion on the program. Mr. Schilz explained the HEAD START program and said the figure is basically last year's appropriation plus an inflation adjustment. Chairman Cotten commented on a proposal he has received from RuralCAP, and he requested that Mr. Schilz analyze that proposal, and give his recommendation.

There was brief discussion on the CETA component.

(Representative Meekins arrived at this time.)

Representative Moss commented on the ratio between the amount of money going out and the amount being spent on administering the CETA program.

OVERVIEW -- HEALTH BUDGET

Mr. Schilz advised the Governor's request for the Health budget is a 12.2% increase over last year, with a general fund increase of 20.6%. He explained the large increase is due to the loss of federal revenue sharing. He said they are requesting 46 full time and 8 part time new positions. Of that, 22 of the full time positions and 3 of the part time are for API. Mr. Schilz explained the reason for these additional positions is the new wing at API and because Atascadero will no longer take the State's criminally insane patients. There was brief discussion on the food service contract API has with NANA-Mannings.

Representative Rogers commented on past problems with funding of the NORTHERN REGION LABORATORY. Mr. Schilz advised that the PCN's still exist for the positions that were cut last year, but they will need funding this year to continue the positions. He advised the funding would have to be added to the Governor's budget.

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Mr. Schilz advised the change in the NURSING component is that \$370.0 was added last year for Home Health Service under the PUBLIC HEALTH ADMINISTRATION component, and that amount was transferred to the Nursing component. There was brief discussion on the component.

Representative Meekins commented that much of the increase in this budget is due to items the Legislature added last year in HB 60. He commented that over a two year period this budget has increased 93.7%.

There was brief discussion on the ALCOHOLISM program. Mr. Schilz commented it will be difficult to analyze that new program until the evaluation process is done. He advised Mr. Cole is just beginning to let the contract on the evaluation. He explained the largest part of the program has only been in existence for six months. There was brief discussion.

(Tape change, HFC 81-6, side 2.)

There was further discussion on the ALCOHOLISM program. Mr. Schilz advised the total budget for the program is \$18 million, in FY 81 it was \$16 million, and in FY 80 it was \$4.5 million. There was discussion on contracts let under the Alcoholism program, and the Studio Club appropriation.

There was brief discussion on the definition of "continuation". Representative Meekins asked if the Budget Review Committee defines what they mean by continuation. Mr. Schilz said that was correct. Chairman Cotten commented it is hard to understand how program funding can increase 100%, but still remain at the continuation level.

Mr. Schilz advised throughout the Health budget it is difficult to compare figures because they transferred out the lease payments to the Department of Administration.

Mr. Schilz advised the dollar figure for the EMERGENCY MEDICAL SERVICES program didn't change that much. He said the change is in the source of funding. He explained last year the fed's started pulling out of the grant program, and this year they pulled out completely. Representative Rogers said last year funds were made available for Voluntary Ambulance Services through EMS. He said it would be worthwhile for the Committee to consider adding funds for that program to the EMS operating budget.

Mr. Schilz advised there is also a change in the funding source in the MEDICAID programs. He said this is due to the loss of federal revenue sharing. There was discussion. In answer to a question from Representative Malone, Mr. Schilz said the federal

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government is drawing back on their support for the Indian Health Services program. Representative Malone asked if this means there was an actual reduction in services in the program. Mr. Schilz said yes. He said the bush areas are not going to be receiving funds from the Indian Health Services Program. Chairman Cotten asked if there had been an increase in services provided by BIA to make up for that program reduction. Mr. Schilz said that is possible. There was further discussion on the Medicaid appropriation. Mr. Schilz will check out the discrepancy between the figures in the FCC report and the short form for this BRU.

Chairman Cotten said the Committee would continue the overview of the Health budget at tomorrow's meeting.

SUBCOMMITTEE MEETING SCHEDULE

There was brief discussion on the meeting schedule for subcommittees. See attached for the revised subcommittee listing.

ADJOURN

The meeting adjourned at 3:20 p.m.

Tape HFC 81-5, Side 2 #476 to end
HFC 81-6, Side 1 #001 to end
Side 2 #001 to #614

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Official Business

REVISED 2/18/81.

Alaska State Legislature

House of Representatives

Committee on Finance

Pouch V
State Capitol
Juneau, Alaska 99811

HOUSE FINANCE COMMITTEE -- SUBCOMMITTEES

TRANSPORTATION - Freeman, Chairman
Moss, Metcalfe

NRMEC - Meekins, Chairman
Carney, Haugen, Buchholdt, Halford

U. OF A. - Rogers, Chairman
Buchholdt, Martin

SOCIAL SERVICES - Cotten, Chairman
Carney, Beirne

HEALTH - Carney, Chairman
Cotten, Bettisworth

EDUCATION - Moss, Chairman
Meekins, Barnes

PUBLIC PROTECTION - Malone, Chairman
Adams, Bylsma

JUSTICE - Adams, Chairman
Malone, Anderson

GENERAL GOVERNMENT - Malone, Chairman
Freeman, Phillips

DEVELOPMENT - Buchholdt, Chairman
Rogers, Cuddy

HOUSE FINANCE COMMITTEE

February 20, 1981

1:30 p.m.

(Tape HFC 81-6, side 2 #614.)

PRESENT

Chairman Cotten called the meeting to order at 1:30 p.m. All members of the Committee were in attendance except Representative Rogers. (Representatives Moss, Carney and Meekins arrived later in the meeting.) Also present were Representatives Barnes and Bettisworth; and Jerry Schilz and Alison Elgee, Fiscal Analysts, Legislative Finance Division.

HEALTH BUDGET OVERVIEW

Mr. Jerry Schilz, Fiscal Analyst, Legislative Finance Division, continued with the overview of the Health Budget Category. Under DEPARTMENT OF HEALTH AND SOCIAL SERVICES, GENERAL RELIEF MEDICAL, Mr. Schilz advised there is a 16.1% increase. He explained the projection is based on a 6% case load increase and a 14.3% inflation figure. There was discussion on the percentage used for inflation.

(Representative Barnes arrived at this time.)

Mr. Schilz explained there is a 19.6% increase in the PUBLIC ASSISTANCE ADMINISTRATION component. He advised most of the increase is due to salary increases and funding 11 positions that were frozen last year. There was brief discussion on the frozen positions.

(Representative Moss arrived at this time.)

Mr. Schilz advised the overall increase for the ALASKA PSYCHIATRIC INSTITUTE (API) component is 22.3%.

(Representative Bettisworth arrived at this time.)

In answer to a question from Representative Buchholdt, Mr. Schilz said he has not heard of any dismissals or deletion of positions in the API budget. He said they are requesting 25 additional positions. Representative Buchholdt said she has heard from nurses that some are getting less pay and are having working hours shifted. There was brief discussion.

(Representative Carney arrived at this time.)

Representative Freeman questioned the ratio between staff and patients. Mr. Schilz explained API is a full service institution. He said it is a 24 hour facility, and they have

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three shifts. Representative Malone asked if, generally speaking, there has been any kind of a decrease in the use of API or in the type of patients being admitted due to the continuation and expansion of the COMMUNITY MENTAL HEALTH PROGRAM. Mr. Schilz said he did not have any information on this. There was brief discussion.

Under the COMMUNITY MENTAL HEALTH SERVICES component, Mr. Schilz said there is a 9.3% increase. He explained the increase is due to inflation and salary increases. Under the COMMUNITY MENTAL HEALTH SERVICES, GRANTS BRU, Mr. Schilz explained the Department is carrying forward funds added for legislation passed last year as part of its base for FY 82. He explained the Governor vetoed the legislative intent but the allocation remained the same.

Mr. Schilz advised HARBORVIEW had an overall increase of 3%. He said the lease payments to the Department of Administration were subtracted.

Mr. Schilz said there was a 7.6% decrease to the GOVERNOR'S COUNCIL ON THE HANDICAPPED.

(Representative Meekins arrived at this time.)

(Tape Change -- HFC 81-7, Side 1.)

Mr. Schilz explained the differences in the COMMUNITY DEVELOPMENTAL DISABILITIES SERVICES components. He said the monies included under legislative intent last year have been included in the base figure this year, without specification as to where the amounts are to go.

Mr. Schilz advised the LEGAL SERVICES BRU under the Department of Health and Social Services is a new component this year. He said they are requesting an additional \$188.8 to support attorneys in the Department of Law. He said there is an additional \$157.0 elsewhere in the budget for legal services.

Representative Buchholdt asked what the situation was in the HOLISTIC HEALTH CARE area. Mr. Schilz said funds for Holistic Health were included last year during Free Conference as a capital project. He said that this year it has been included as an operating item, with an additional \$201.0 tied in. He advised that the money used last year for holistic health was transferred in from the Commissioner's office. He explained the Governor vetoed legislative intent for grants in the Commissioner's Office BRU but did not delete the money. There was brief discussion. Mr. Schilz said that in many cases last year the Governor vetoed language but left the money in. He guessed that funds for approximately 20% of the legislative intent items vetoed were used the way the Department wanted and not according to legislative intent; in approximately 80% of the cases they

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complied with legislative intent. Mr. Schilz explained that page 173 of the short form -- COMMISSIONER'S OFFICE -- indicates the Legislature added three grant items last year as one time items. The Department indicated the Girl's Club did not receive funds because they did not submit a proposal. He explained some of the money appropriated last year was spent under the Commissioner's Office and some of it was put into Holistic Health Care. He said this year the agency's budget includes that money appropriated last year as a continuation. Representative Freeman said his understanding of what Mr. Schilz said is that the Legislature appropriated money for a specific project last year, the Governor vetoed the intent, the agency didn't do what was intended with the money, but spent it for something else. Mr. Schilz said they spent it for Holistic Health. There was discussion. Representative Buchholdt said the funds for the Girl's Club grant were added under the COMMISSIONER'S OFFICE for FY 81, and she asked if the Club could still receive the money if they submitted a proposal before the end of the fiscal year. Mr. Schilz said they should be able to, but he wonders if the money is still there or if it might not have already been spent.

There was brief discussion on the suit filed by the Budget and Audit Committee against the Governor concerning line item vetoes in appropriation bills.

Mr. Schilz said the 80%/20% ratio he gave earlier was "just off the top of his head" and the figure was probably closer to 90%/10%. He said the agencies did a pretty good job of putting the money out as the Legislature specified.

EDUCATION BUDGET OVERVIEW

Chairman Cotten said the Committee would now receive an overview of the Education budget.

(Representative Meekins left at this time.)

Alison Elgee, Fiscal Analyst, Legislative Finance Division, said the Education budget category is made up of programs within the Department of Education, the G. O. BOND DEBT SERVICE FOR SCHOOLS AND LIBRARIES, and the TRS STATE MATCH. She explained the TRS STATE MATCH includes only funds for the State's half of the employer contribution; it does not include any administrative costs.

Ms. Elgee said the largest portion of the budget is the SCHOOL FOUNDATION PROGRAM. She advised the Budget short form shows an \$83 million increase for the component, but that figure should be reduced by \$10 million because \$10 million was transferred in from another category. She said the total increase for the SCHOOL FOUNDATION PROGRAM is about \$73 million and is primarily due to the following three factors: an increase in the base unit

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value through legislation passed last year, from \$34,000 to \$38,500; the change in instructional unit tables for elementary students (they received more money per pupil); and school districts were allowed to count junior high schools as separate programs even if they are in the same school as the high school. She briefly explained.

Ms. Elgee said the Department has mentioned they will be requesting a supplemental of approximately \$4 million to \$5 million for the FOUNDATION PROGRAM for FY 81.

Ms. Elgee said another area of increase in the Education category is DEBT RETIREMENT FOR LOCAL DISTRICTS. She explained that last year the Legislature budgeted at 100% of the 80% eligible. She said the Department received a late claim and anticipates submitting a \$9 million supplemental request this year.

Chairman Cotten questioned the \$3 million increase in the BILINGUAL PROGRAM shown as an adjustment. Ms. Elgee explained that all adjustments are tied to a single formula. She said when there is an increase in the base unit value it will "pump up" all the components. She said there has been a slow growth to the Bilingual Program every year but it hasn't been significant; the big increase is because of the increase in the base unit value. There was discussion on the Bilingual Program.

Ms. Elgee advised they would see a giant jump in the STUDENT LOAN PROGRAM this year. She said they are submitting a \$3.5 million supplemental request for FY 81. Considering that supplemental, she said they are looking at a \$4 million increase to the Student Loan Program. Representative Haugen questioned the delinquency rate of the loan program. Ms. Elgee said they have an 11% delinquency rate, which is better than the delinquency rate on the federal student loan program. There was discussion on the student loan program. Representative Moss advised the Education Subcommittee would be receiving testimony from Kerry Romesburg, Executive Director of the Postsecondary Education Commission on the Student Loan Program at its meeting on Friday, February 27, and all Committee members were invited to attend. In answer to a question from Representative Carney, Ms. Elgee said there were several bills introduced this session to increase to limit of the student loans. She commented briefly.

Representative Moss asked for an explanation of the 62% increase to the ADMINISTRATIVE PROGRAM SUPPORT, FINANCE AND MANAGEMENT SERVICES BRU. Ms. Elgee explained they transferred in all the Department's overhead expenses.

Ms. Elgee advised the EXECUTIVE ADMINISTRATION, PLANNING INFORMATION AND RESEARCH BRU includes funds for training to implement the Governor's task force on State Standards for Effective Schooling.

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Representative Moss asked for an explanation of the 49.1% increase to STUDENT LOAN -- ADMINISTRATION. Ms. Elgee explained the administrative costs and personnel hired are tied directly to the volume of loans. She said that based on their current ratio, they have requested four full time and one part time position. She didn't believe that would help them get the loans out any faster, it would keep them at the current level. Representative Moss commented on the amount of time it takes to get the loans out. Ms. Elgee said the problem he is talking about is caused because the Commission doesn't receive funding for the student loans until July, so they can't make a firm commitment until that time. She said this slows the whole process. There has been a bill introduced this year, Ms. Elgee said, that would appropriate \$10 million to a Scholarship Revolving Loan fund which could take care of this problem. There was further discussion on the STUDENT LOAN PROGRAM. Ms. Elgee advised the budget for the Student Loan Program includes \$1 million in federal funds, and these funds are "suspect" under the Reagan administration and general funds will probably have to be substituted.

Ms. Elgee said the Department is instituting the Governor's task force on Standards for Effective Schooling, and is requesting two new positions as support staff for the task force. She said the purpose of the task force is to assess and evaluate what we are paying for with our school dollars.

Ms. Elgee advised another area of increase is the VOCATIONAL REHABILITATION PROGRAM. She explained that under the program they examine disabled persons to see if they are able to be rehabilitated to participate in the labor market, and if they are, they have a program to treat them.

Chairman Cotten asked about the ANCHORAGE SKILL CENTER. Ms. Elgee said there is no Anchorage Skill Center. She explained there was an appropriation made for the Skill Center last year but it was vetoed by the Governor. She said there is some disagreement in Anchorage as to whether or not they want to operate a vocational center in competition with the community college. There was discussion.

(Tape Change -- HFC 81-7, Side 2.)

Representative Barnes requested that the Subcommittee consider the question of the skill center versus community college.

Ms. Elgee explained the rest of the Education category is made up of the commissions and the museum/library. She advised the ARTS COUNCIL budget has grown considerably. She commented the Legislature has added a substantial amount every year to this budget with intent on where the grants are to go, i.e., \$500.0 to Alaska Rep. Rather than deleting them as one time appropriations, Ms. Elgee said the Arts Council has rolled them

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into their base budget without delineating where the funds are to go. There was brief discussion. Ms. Elgee will provide a list of where the funds were spent in FY 81.

(Chairman Cotten left at this time.)

There was further discussion on the Arts Council budget.

Ms. Elgee said the ALASKA PUBLIC BROADCASTING COMMISSION's Budget is a continuation budget. She said the Commission requested a significant increase but it was not approved by the Governor. Representative Malone asked why there was such a jump in the Commission's request. Ms. Elgee said the request is based on the Studio's budgets, and she hasn't seen those individual budgets. There was brief discussion. Representative Malone said he thought it would be good for the Legislature to be able to see those individual studio budgets so they can see what is going on. Ms. Elgee said the status of the Commission is in limbo. She said a part of the Governor's Executive Order would combine them with the Department of Administration. Representative Montgomery asked how it would effect their budget if that reorganization occurred. Ms. Elgee said her understanding is there would not be a big change dollar-wise. She said the change would be to put the Commission in a policy role. There was brief discussion.

(Chairman Cotten returned at this time.)

Ms. Elgee said the STATE LIBRARY is beginning a new program "Conservation of Alaskana".

Ms. Elgee said they are requesting 32 full time new positions in the Education category. Of those, nine positions have been created by revised program in this fiscal year and there are employees in those positions. There was discussion on the new positions.

In answer to a question from Representative Adams relating to the Debt Retirement for Local Districts, Ms. Elgee said it does not cover schools in cities and boroughs; it is mostly rural schools in unorganizational areas. She said she will provide Representative Adams with the information concerning the total amount of bonds outstanding. In answer to another question of Representative Adams', Ms. Elgee said the problem with directly paying off the bonds is with the arbitrage. There was further discussion on debt retirement.

Representative Malone said that last year there was some discussion on whether or not the state was getting its money's worth from the Education budget. Ms. Elgee said she believes that is what the Governor's task force on effective schooling is trying to find out. There was brief discussion.

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ADJOURN

The meeting adjourned at 2:55 p.m.

Tape HFC 81-6, Side 2 #614 to end
HFC 81-7, Side 1 #001 to end
HFC 81-7, Side 2 #001 to #483

HOUSE FINANCE COMMITTEE
February 23, 1981
1:35 p.m.

[Tape HFC 81-7, Side 2, #483]

PRESENT

Chairman Cotten called the meeting to order at 1:35 p.m. All members of the Committee were present. Representatives Buchholdt and Malone arrived later in the meeting. Also in attendance: Representative Randy Phillips, member of the House Finance Subcommittee on General Government; and Fiscal Analysts Elmer Lindstrom, Bob Schroeder and Don Fisher, Division of Legislative Finance.

(Representatives Buchholdt and Malone arrived at this time.)

DEVELOPMENT BUDGET OVERVIEW

Elmer Lindstrom began his presentation by noting an overall increase in all funds of 73.9% in the FY 82 budget, a 78% increase in general funds and a total of 41 new positions requested. Most of the increase in this budget category has come about as a result of legislation--SB 1, SB 438, HB 687--enacted last year, he said. SB 1, he stated, affects a number of components in this budget. Referring to Alaska Housing Finance Corporation (AHFC), he noted 10 of the 41 positions requested are for the Housing Assistance Authority. He also noted decreases as a result of SB 1; i.e., a net reduction of 7 positions, representing authority lost in tourism, small business and some types of fishing loans. Referring to SB 438 and HB 687, related to energy and establishing the Alaska Energy Center, he advised a budget has not yet been received, but he anticipates receiving one shortly. Representative Rogers commented they are in the process of hiring an executive director and noted HB 687 carried a \$6 million fiscal note for the first year and \$13 million for the second part. In answer to a question, he replied he is a non-voting member of the Board of Directors and that legislators will be taken off the board next year, by request of the Governor.

Mr. Lindstrom pointed out new components transferred into OFFICE OF THE GOVERNOR, Coastal Zone Management; and in the DEPARTMENT OF NATURAL RESOURCES, the Agriculture Action Council, requesting three new positions. He noted two new programs here dealing with Coal and Geothermal Development. Representative Rogers noted the Committee would be addressing an energy supplemental (HB 173) on this at tomorrow's meeting.

Representative Meekins commented he has never seen a budget submitted with such drastic changes; for example, DEPARTMENT OF REVENUE, Municipal Assistance, shortform page 13, an increase of 700%. Mr. Lindstrom stated this is the single largest increase and noted there is a Senate Finance supplemental that is currently in the House that revises the Governor's figure on revenue sharing upward from \$33,500.0 to \$51,900.0.

There was discussion on the definition of "municipal assistance" and "revenue sharing" and the formulas used to calculate both. Mr. Lindstrom explained the municipal assistance program is primarily based on a per capita amount and revenue sharing takes into consideration the local tax effort. He added HB 192 last year completely changed the revenue sharing program, and distribution of the funds is based on 10%.

There was brief discussion on DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS, Community Assistance Grants, Rural Development Grants, p 110, with Mr. Lindstrom stating the major increase there reflects the three new positions requested.

Chairman Cotten asked about DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT, Foreign Offices, p 78-82. Mr. Lindstrom explained the German Office was placed in the capital budget last year, but because of the established European Office in Copenhagen, it was felt the German Office would be redundant, and the Department elected to delete it.

{Tape HFC 81-8, Side 1, #001}

Chairman Cotten requested information on Alaska Industrial Development Association (AIDA) and AHFC. Mr. Lindstrom will provide information on those two budgets.

Chairman Cotten asked about DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS, Administrative Services, p 144. Referring to the note on p 143, Mr. Lindstrom explained the decision of the Department to consolidate some of the services.

Representative Rogers requested a return to DEPARTMENT OF NATURAL RESOURCES, Energy Management, p 99-101. He called attention to a bill last year on geothermal leasing on which there was a hefty fiscal note. He commented he felt the fiscal note was padded last year; then the Department took those funds and transferred them to another program.

Referring to DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS, Administration, Office of the Commissioner, p 142, Representative Buchholdt questioned the veto items under Agency Response. Mr. Lindstrom advised it is his understanding just the intent.

language was vetoed, not the funds. There was brief discussion on the pending lawsuit.

Representative Montgomery referred to the FY 81 legislative intent regarding the Asian Office report to be submitted to the Legislature by February 15, 1981, and requested the Committee be provided with copies of that report.

Representative Rogers questioned the increase--all general fund money--in DEPARTMENT OF REVENUE, Alaska Renewable Resources Corporation (ARRC), p 8. He commented they should be getting 22-1/2% of the royalties and asked how this is handled in the capital budget. Mr. Lindstrom stated the Agency capital budget request for \$76,000.0 was reduced to \$22,000.0 in the Governor's budget. Representative Meekins commented one of the problems here is the money has not been appropriated for the things it should have been.

Representative Moss asked about DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS, Office of the Commissioner, p 143. Mr. Lindstrom called attention to the FY 81 intent on p 142, indicating legislative grants represents the difference.

AT EASE

(Chairman Cotten called a brief at ease from 2:10 p.m. until 2:12 p.m. Representative Meekins left the meeting at this time.)

JUSTICE BUDGET OVERVIEW

There was brief discussion on judges added last year.

Bob Schroeder advised of a \$27,127.0 increase in the budget, with a Law Enforcement Assistance Agency (LEAA) decrease that shows up in the DEPARTMENT OF LAW under Criminal Justice Planning Agency--for a net decrease in federal funds of \$1,525.0. He noted a request for 98 new positions; however, it does not include 10 positions that were not shown as new positions, so the total new position count is 108. Representative Rogers wondered how many new positions were really needed. Mr. Schroeder described instances where there is a lack of clerical backup.

There was discussion on DEPARTMENT OF HEALTH & SOCIAL SERVICES, Youth Services, p 88-106 with Chairman Cotten noting several 100% increases there. Mr. Schroeder advised the Fairbanks Youth Facility is not new but was only funded last year for five months. The Nome Youth Facility and the Juneau Women's & Juvenile Facility, he stated, are new and will come on line this year. He added it takes about the same amount of staff for the Juneau and Nome facilities as it does for the larger facilities. Chairman Cotten commented on the large increase for out-of-state

contractual. Mr. Schroeder explained it does reflect a larger amount of persons. Average cost per day for FY 81 last year was \$34.25, and for FY 82, it is \$45.53, he said. In addition, he noted they usually run short here and come in for a supplemental. Answering questions during discussion, he advised it is cheaper to maintain prisoners in out-of-state facilities than in-state. He added he has heard a rumor which indicates the federal prisons are being under-used. Chairman Cotten questioned the use of the Eagle River Correction Center where 98 inmates are housed. Eagle River, Mr. Schroeder said, is basically a transition facility used for the final six-months of the program. Prisoners sent out of state require maximum security, he stated, and Alaska does not have the facilities to accommodate them. Chairman Cotten asked if Mr. Schroeder has any indication the Eagle River facility is changing from minimum to maximum security. Mr. Schroeder said he is not aware of it and added they do have a medium-maximum security section that is isolated. Chairman Cotten asked if there is a capital budget request for that facility, and Mr. Schroeder indicated no, that in prior years it has been funded through a bond issue. Answering Chairman Cotten's question regarding a long-range capital plan for expansion, Mr. Schroeder explained they do not have to have a capital appropriation to expand.

Representative Rogers called attention to the note, p 36, DEPARTMENT OF LAW, Criminal Justice Planning Agency, regarding the loss of federal funds and asked if there is a statutory basis for them to keep from going under state funds. For example, he said, they collect the discretionary funds under Action Grants, then under Planning, they add a new position and transfer all the funding from federal funds to general funds. Mr. Schroeder stated there is an authorization, but it is not irrevocable. He added they are dropping off their grants and are planning from the standpoint of developing their statistics.

Referring to DEPARTMENT OF ADMINISTRATION, Public Defender, p 8-16, and noting the Legislature did not give them the positions last year, Representative Rogers asked if the acute need for new positions is gone. Mr. Schroeder advised the Governor's Budget Review Committee (BRC) put together information based on workload. Representative Rogers requested that information be provided the Committee.

Referring to the DEPARTMENT OF PUBLIC SAFETY, Crime Identification & Apprehension, Narcotics Unit, p 123, Chairman Cotten asked if the \$60.0 in HS 60 went for drug buys, and Mr. Schroeder indicated yes, this money is predominantly used for drug buys. Chairman Cotten asked if there have ever been lapses. Mr. Schroeder advised \$74.6 was lapsed in FY 79 and \$60.0 in FY 80 in contractual services.

In answer to a question from Representative Buchholdt regarding OFFICE OF THE GOVERNOR, Human Rights Commission, p 5, Mr. Schroeder advised the Agency requested the \$793.4 after the BRC reviewed their budget. He stated the request is for approximately 14 new positions and related costs to cut down on the backlog and appears in the budget workbooks.

Representative Adams, Justice subcommittee chairman, announced a meeting this Wednesday morning at 6:00 a.m. in the Senate Finance Committee room.

PUBLIC PROTECTION BUDGET OVERVIEW

Mr. Schroeder stated the FY 82 request is for \$4,855.0 or 12-1/2% over FY 81, with an increase of 6.3% in federal funds, 6.18% in general funds and 11.5% in program receipts; and the total new positions requested is 22.

There was brief discussion on positions. Representative Rogers noted "Workmen's" Comp has been changed to "Workers'" Comp.

Answering questions from Chairman Cotten on DEPARTMENT OF LABOR, Occupational Safety & Health (OSHA), Mr. Schroeder explained p 8, 10, 12, 14 and 16 have been combined into one component on p 18 and that they are asking for a total of \$10.0 less than last year. Chairman Cotten asked if sunset laws have any relation to this budget, and Mr. Schroeder stated nothing has been dropped off. However, he noted there was a focus on the need for more investigators that was brought out in the hearings by Representative Brown.

(Representative Carney left at this time.)

{Tape HFC 81-8, Side 2, #001}

Referring to DEPARTMENT OF ENVIRONMENTAL CONSERVATION, Commissioner's Office, regarding Food Inspection, p 114-122, Mr. Schroeder explained that, last May 21, there was a budget amendment requesting all the various food inspection be moved into one area in the Department of Health & Social Services and the Department of Natural Resources, all under the umbrella of the Department of Environmental Conservation. He briefly described the reorganization that took place and indicated 26 of the positions have disappeared in the various parts of the budget. He added, in other Agencies, this budget has never been slighted by the Legislature. Representative Rogers commented this is reminiscent of the old shell game. Relating to positions, Mr. Schroeder said, in effect, they are asking for four new positions in Palmer, Ketchikan and Anchorage. Representative Malone asked where they are headquartered, and Mr. Schroeder replied they were headquartered in Anchorage when they

were in the Department of Natural Resources budget. Representative Buchholdt asked if seafood inspection involves off-shore inspecting, and Mr. Schroeder indicated he is not aware of anything that operates on the high seas, that this has to do basically with in-state or domestic inspection. He added meat inspectors do work for the federal government. Representative Moss requested further information containing detail on specific funds relating to new positions, as this shows up under equipment and commodities. During discussion, Mr. Schroeder stated most of the \$27.5, p 117, is for new positions. He stated, at this point, he didn't know if these positions were added through revised programs (RP's) or just how they appeared.

Referring to DEPARTMENT OF MILITARY AFFAIRS, Disaster Planning & Control, Radiological Program, p 69, Representative Buchholdt wondered if perhaps this program should be intensified with regard to nuclear fallout in the Arctic region. Representative Rogers indicated there is current legislation pending that would expand this program.

In answer to a question from Representative Buchholdt on Alaska National Guard, p 82-96, Mr. Schroeder stated he believes the State is in the process of transition and will check on this.

Representative Malone asked for a definition of "fractional full-time" positions, and Mr. Schroeder explained this occurs when positions are budgeted by man-months. He added some Agencies budget bodies and some budget workload; there is no consistent approach throughout the budget. Brief discussion followed, with Representative Montgomery wondering why there can't be consistency--whatever system is used.

(Representative Meekins returned at this time.)

GENERAL GOVERNMENT BUDGET OVERVIEW

Chairman Cotten asked about legislative salaries. OFFICE OF THE GOVERNOR, Salary & Benefits Increases, Legislature, p 44, and Don Fisher stated this was a one-time figure last year.

Mr. Fisher advised the net increase for FY 82 over FY 81 is just under \$48,000.0 or an increase of 22-23%, with a 16% increase in the total budget. The Governor has requested a total of 142 new positions--125 full-time, 12 part-time, 5 temporary.

Mr. Fisher advised lease payments have been coordinated under the DEPARTMENT OF ADMINISTRATION, Building & Equipment Services, Leasing Facilities, p 132. He added there will probably be a budget amendment on this showing up later in the session. During discussion, he advised the State leasing policy should be clarified within the next few weeks; however, there is a computer

printout available (about 2-inches thick) now, but it is difficult to read. Chairman Cotten asked if the State enters into long-term leasing arrangements, and Mr. Fisher advised that, to his knowledge, leases are written on a one-year basis and there is normally an escape clause in the agreement. Mr. Fisher will check on the leasing arrangements regarding the Behrends Building and the Taku Twins.

Mr. Fisher advised the ASHA payments have also been coordinated into the DEPARTMENT OF ADMINISTRATION, just like the lease payments. He pointed out the Special Projects Coordinator, OFFICE OF THE GOVERNOR, was not broken out separately this year.

There was discussion on the OFFICE OF THE GOVERNOR, Division of Policy Development & Planning (DPDP), p 21, and the breakdown of funds.

Representative Rogers referred to the new positions in DEPARTMENT OF ADMINISTRATION, Risk Management, p 81, and stated, in the past, most of this has been contracted out. He noted there is a decrease under contractual and commented it is a matter of the State agency wanting to take over what it has been contracting out.

Referring to OFFICE OF THE GOVERNOR, Executive Operations, Lieutenant Governor, p 17, Representative Rogers noted the House approved a new position last year, and the Free Conference Committee added four new positions. He requested Mr. Fisher find out what those people do.

In Council of Economic Advisors, p 30, Representative Rogers pointed out this was new last year. He questioned the increase under miscellaneous which is supposed to represent inflation. Representative Meekins described how DPDP feels the Growth Policy Council and the Council of Economic Advisors should be combined, while the Lieutenant Governor wants to keep it separate. Representative Rogers commented the problem is this is all budgeted under miscellaneous.

DEPARTMENT OF LAW, Legal Services, FERC Continuation, p 141: Assuming passage of SB 114 in its original form, Representative Rogers commented there is going to have to be money in here.

Representative Malone brought up the Capital Improvement Project (CIP) positions and requested Mr. Fisher find out how many of those positions, through RP's, are already on board. Last year, Mr. Fisher explained that they requested 4 new positions, and this year, the request is for 70 new positions to be converted from CIP to operating. Referring to the Transportation budget--ferries in particular--Representative Freeman, subcommittee

chairman, asked that Mr. Fisher find out how many CIP positions are involved.

Mr. Fisher pointed out several components were zeroed out this year in OFFICE OF THE GOVERNOR: Reapportionment Board, which is finished; D-2, which ended with passage of the lands bill; Economical Analysis, which was split between Office of the Governor and Department of Administration. The DEPARTMENT OF ADMINISTRATION created a new component, Office of Information Management, by moving positions from Data Processing. Representative Rogers asked if the positions were transferred but not the funding and stated it seems like more shell game. Mr. Fisher indicated this was done at the end of last year and he has requested information on this from Administration.

DEPARTMENT OF ADMINISTRATION, Retirement & Benefits, p 124-129: Chairman Cotten noted a considerable increase. Mr. Fisher explained how SB 26 last year raised the PERS positions. Representative Montgomery inquired if the retirement and benefits of the judicial is encompassed here, noting it is only the last few years that judicial retirement has been involved in the retirement system. Mr. Fisher indicated this is part of what SB 26 did last year.

{Tape HFC 81-9, Side 1, #001}

There was considerable discussion on Retirement & Benefits. Representative Montgomery expressed concern that, because the judicial benefits are so high and they have not been paying into the system, the fund may not be actuarially sound. During further discussion, Chairman Cotten requested Representative Malone, General Government subcommittee chairman, look into this matter and request a written report from Dick Arnoldt, Director of Retirement & Benefits. Representative Rogers stated he understands the court retirement system is not actuarially sound and added he would like to see a report on both the PERS and TRS retirement programs also. Representative Malone commented an actuary study may have to be done. Mr. Fisher will make preliminary investigations on this.

LEGISLATIVE BUDGET & AUDIT COMMITTEE, Legislative Council, p 272: Representative Malone advised the Legislative Council subcommittee will meet the middle of next week. He stated there has been no work done on the budget by the Council to date. He also announced the General Government subcommittee will meet in the Senate Finance Committee room on Tuesday and Thursday mornings from 8:00-9:00 a.m.

ADJOURN

Chairman Cotten advised the Committee would address HB 173, HB 188 and HB 136 at tomorrow's 1:30 p.m. meeting. The meeting adjourned at 3:47 p.m.

Tape HFC 81-7, Side 2, #483 - End
HFC 81-8, Side 1, #001 - End
Side 2, #001 - End
HFC 81-9, Side 1, #001 - #310

HOUSE FINANCE COMMITTEE
February 24, 1981
2:10 p.m.

(Tape HFC 81-9, Side 1 #310)

PRESENT

All members of the Committee were in attendance except Representative Meekins. (Representative Rogers arrived later in the meeting.) Also present were: Representative Fuller; Mr. Wendte, Ketchikan Chamber of Commerce, and representatives of the city of Ketchikan, Ketchikan Gateway Borough, Ketchikan School District, city of Saxman, and Ketchikan Community College; Roger Luvra, Manager, Matanuska-Susitna Borough; Bruce Lemont, Assistant Superintendent, Matanuska-Susitna School District; Clarissa Quinlan, Director, Division of Energy and Power Development; and Terry Dizenski, Energy Power Coordinator, Fairbanks.

KETCHIKAN DELEGATION

Chairman Cotten turned the gavel over to Vice Chairman Freeman for a special presentation from the Ketchikan delegation. Mr. Wendte, Ketchikan Chamber of Commerce acted as the spokesman for the Ketchikan group. He explained they are trying to approach the Legislature in as cohesive a manner as they can, and representatives of the city of Ketchikan, the Ketchikan Gateway Borough, the Ketchikan School District, the city of Saxman, and the Ketchikan Community College are present.

Mr. Wendte said they feel that a strong commitment towards the development of hydropower is important to future of the State. He said utilizing the State's nonrenewable resource income to develop hydroelectric energy should be one of the highest priorities of the legislature. He said hydropower effects all areas of the State, not just the Southeastern portion. He said for the long term future of the State, having a long term source of energy is an extremely wise investment. They are open to whatever approach the Legislature decides on the best approach to financing hydroelectric development. He said they have discussed SB 25 and 26, and are willing to work with legislators to define the best method.

Mr. Wendte said other areas of interest to Ketchikan include the investment of state dollars in the education of their children. He advised the Ketchikan School Board is willing to work with the Legislature in working out certain problems that exist in the funding mechanisms. He said they feel there is a need to develop forward funding to school districts. He explained they have

problems with the equalization program as it applies to Ketchikan. They feel it penalizes them for raising local tax dollars.

Mr. Wendte said they support funding for equipment for the marine and fisheries program at the Ketchikan Community College. He commented this is not a priority of the Board of Regents, but they urge legislators to consider appropriating the \$315.0 for that purpose.

Mr. Wendte said that traditionally Ketchikan has been the most stable community in the State. They are trying to develop more diversification, he said. Concerning the development of U.S. Borax, Mr. Wendte said it appears the federal problems regarding the development have been resolved and they plan to begin construction for development in 1984. He advised the community is presently developing and planning for the impact of that project. He commented further.

Mr. Wendte said another area of economic diversification is a project the Saxman Council has put together for \$1.5 million to match local and federal funds for the Saxman terminal port and industrial development activity. Mr. Wendte said other items of concern to the community include harbor utility improvements and participation in the cultural facilities program.

Chairman Cotten asked where they are with the marine maintenance facility the Legislature approved last year. Mr. Wendte said he understands DOT/PF has acquired the land and is beginning to demolish the structures on the land; they expect to start construction this summer. He commented further.

Representative Freeman thanked the Ketchikan delegation for appearing before the Committee and testifying on the community's needs. He turned the gavel back to Chairman Cotten.

HB 136

Chairman Cotten announced the Committee would consider HB 136.

HB 136 -- "An Act making a supplemental appropriation to the Department of Natural Resources for the Iditarod Trail Race; and providing for an effective date."

Representative Fuller, District 22, explained the bill appropriates \$50,000 for the sixth annual Iditarod, and parallels legislation enacted in past years. He said the Iditarod Race has become one of the biggest winter tourism events in the entire state. He commented further on the Race, and presented Committee members with copies of their 1981 budget (copy in Original Bill file).

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Representative Freeman MOVED AND ASKED UNANIMOUS CONSENT that HB 136 be REPORTED OUT. There being no objection, it was so ordered. HB 136 was reported out with a "DO PASS" recommendation.

HB 188

The next bill to be considered was:

HB 188 - "An Act making a special appropriation for reconstruction of the Iditarod Elementary School in Wasilla; and providing for an effective date."

Representative Carney explained the Iditarod Elementary School in Wasilla was destroyed by fire. He said there are some problems with the insurance on the school, and it is important that the Borough receive the \$2 million special appropriation right away to begin reconstruction on the school.

Mr. Roger Luvra, Manager, Matanuska-Susitna Borough, advised there were 437 students housed in that school. He said the fire caused severe damage to the structure of the facility. At the present time the elementary students are being housed at the Wasilla junior and senior high schools; but there will not be room to accomodate them at those schools next year. Mr. Luvra said the estimate to bring the school back into use is \$6.2 million. He explained they need the \$2 million now in order to carry the design forward, proceed with advertising for bids, and to order the equipment to replace what was damaged in the fire. He said they need this long lead time so they can order the items and get them on site by the time construction begins.

Representative Montgomery asked what the estimated cost of replacing the building was. Mr. Luvra said reconstruction, demolition work and content replacement totals \$6.2 million. Representative Montgomery asked what the value of the insurance was. Mr. Luvra explained the borough had a blanket policy so they don't have a specific figure for the school at this point in time. He said they are dealing with the insurance company on the question of what the amount of insurance would be. Representative Montgomery said he can't understand the need for the \$2 million. Mr. Luvra explained the insurance company has a blanket policy with the Borough. He said their procedure is to develop an estimate on the cost of bringing the facility back to what it was when originally constructed, and that is the figure the insurance company will look at when reimbursing the Borough. Based on that, he said, the Borough anticipates receiving a certain dollar value from the company, but that figure has not yet been computed. He explained what they have to do is provide funding differences on what was there in 1971, adding today's prices, access for the handicapped, and additions needed to meet

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building codes. Representative Montgomery asked if the \$2 million was enough according to their estimate. Mr. Luvra said that is what they are hoping. Representative Montgomery asked if there was a possibility of the Borough filing suit on that insurance. Mr. Luvra said yes there was. He commented briefly. Representative Montgomery asked if the \$2 million plus the possibility of a settlement from the insurance company was enough for them to go to bid on the project. Mr. Luvra said they anticipate having a final report completed in the month of April, which would allow them to begin the plan for insurance purposes. He said they believe they could get enough money to begin opening bids in June 1981. Mr. Luvra said right now the Borough doesn't have the funds to address the cost of even getting the plans back. He commented further.

Representative Montgomery asked where the school was located. Mr. Bruce Lemont, Assistant Superintendent, Matanuska-Susitna Borough School District, said it was located right in Wasilla. Presently they have placed the 5th and 6th graders in the high school and the 2nd through 4th graders in the junior high. He said it is urgent to get the facility started.

Representative Adams said he didn't have any difficulty with the appropriation, but he is concerned with the recovery of insurance funds by the Borough. He PROPOSED AMENDING the bill so that any excess funds received by the Borough from the insurance company would be turned over to the state. There was discussion.

Representative Malone said he didn't understand how they arrived at the \$2 million figure. Mr. Luvra said that figure is strictly an estimate. He said the estimate was based on the information available about 2 weeks ago when the architect received instructions from the fire marshalls office. He said the figure is not firm, they are not sure exactly what the figure will be above the insurance replacement value. There was further discussion. Representative Carney commented if the Committee approves the clause recommended by Representative Adams, any excess money comes back to the state, and that way "the state will be covered." Representative Montgomery said he agreed with the thought, but his concern is what happens if the bid comes in, the insurance company gives the amount due, the state gives this \$2 million, and it still isn't enough to cover the bid. There was further discussion on the insurance policy.

RECESS

Chairman Cotten called for a recess at 2:50 p.m. and recalled the meeting to order at 2:58 p.m. (Representative Rogers arrived at 2:50 p.m.)

02/24/81

HB 188

The Committee continued with their consideration of HB 188. Representative Adams MOVED TO AMEND HB 188 to add a new section 2 "The unexpended and unobligated portion of the appropriation made by this Act lapses into the general fund June 30, 1981" and to renumber the remaining sections accordingly.

Representative Freeman said he didn't see what this would accomplish. He asked if anyone thought they would underexpend the amount they receive. Representative Adams said he did not know, but if, after the insurance recovery any money is left, it would be put back into the general fund.

Chairman Cotten advised it was not his intent to move the bill out of Committee today, but he would like to Committee to consider amendments and perhaps come up with a letter of intent.

Representative Rogers MOVED TO AMEND THE AMENDMENT to change "June 30, 1981" to "December 31, 1981". Representative Adams said he had no objection to the amendment to his amendment. There being no objection, the amendment to the amendment WAS ADOPTED.

The main motion as amended was before the Committee. There being no objection, the amendment as amended WAS ADOPTED.

Chairman Cotten advised a draft finance committee substitute for HB 188 would be prepared and brought back to the Committee.

HB 173

The next bill to be considered was:

HB 173 - "An Act making appropriations for housing loan programs and for residential energy programs; and providing for an effective date."

Chairman Cotten explained the bill as introduced contains an appropriation for the Alaska Housing Finance Corporation. He said a bill has passed the Senate (SB 185) to take care of that appropriation, and it would be his intention to consider the appropriation for housing loans on that vehicle. Chairman Cotten said there is a proposed Finance CS for HB 172 -- (new title) "An Act making appropriations for residential energy programs; and providing for an effective date."

Representative Rogers explained the proposed Finance CS makes two appropriations for the performance of residential audits. He explained that last year they passed legislation so that the state pays the major part of the costs of examining an

02/24/81

individuals' home for consumption and possible areas for saving energy. He said the program didn't get going until late in the year -- the contracts were not let until early December, yet the \$1.2 million appropriation is totally committed. He said the demand for the energy audits has been phenomenal.

Representative Rogers explained section 2 of the bill appropriates funds for an additional 11,000 audits to be conducted between March 15 and the end of this fiscal year. He said it provides funds for an audit training manual, administrative costs, and printing of audit forms. Representative Rogers explained the first section of the bill appropriates \$3,000,000 to be paid out as refunds and grants. He explained an individual is eligible for up to \$300.

Clarissa Quinlan, Director, Division of Energy and Power Development, explained that essentially there are three basic elements to their energy program. She said that on the residential energy audits the process they have implemented is to provide training for auditors throughout the state. Chairman Cotten asked how many training sessions they have held. Ms. Quinlan said they have held approximately 10 sessions and 500 people attended the courses; of those people, 236 passed both the written and practical exams. In answer to a question from Chairman Cotten, Ms. Quinlan said they have held 3 intensive one week training sessions and are now holding semester long courses in Anchorage in Fairbanks. She said the reason for the semester long course is there is so much material to be presented that putting it into an intensive one week course was overwhelming to most people. She said the courses are being conducted in conjunction with the community colleges.

Representative Moss asked who is being trained. Ms. Quinlan said the courses are open to the public; they do not have any set prerequisites. There was further discussion on the training program. Ms. Quinlan explained that people passing the course receive certification by the State that they have passed. The State then enters into contracts with those individuals to perform a specific number of audits within a particular community.

Representative Montgomery asked what the cost of the course was. Ms. Quinlan said there is no charge. Representative Montgomery asked if there was any check up on the efficiency of the audits performed. Ms. Quinlan said they have several mechanisms in place. She said there is an evaluation form of the audit itself which must be submitted with the application for a grant. She said they also do on site monitoring and will handle any complaints that come in.

02/24/81

Representative Haugen asked how the amount of the grant was determined. Ms. Quinlan said the legislation fixed the grants at a set rate.

Ms. Quinlan said a third element of the program is that the audits form a basis for application for low interest loans for conservation renovation. She said they can apply for up to \$5,000 at 5%. There was further discussion on the program. Ms. Quinlan advised the legislation states the homeowner must pay \$10 for the audit. Representative Carney asked what kind of homes qualify for the audits. Ms. Quinlan said they cannot be under construction; the building must be substantially completed with someone living in it. There was further discussion on who qualifies to perform the audits.

Chairman Cotten asked, if this appropriation is passed, could someone who hasn't already contacted an auditor get an audit and a refund. Ms. Quinlan said they hope so. She said there is a backlog of people. She commented the program is operating by word of mouth, they have ceased all advertising, but the program is still growing. Representative Carney asked how the funds were allocated. Ms. Quinlan said it is based on the 1980 census district population figures and the number of degree days within the community. There was discussion.

(Tape change, HFC 81-10, side 1.)

There was further discussion on the competitive situation among auditors and who gets contracts. Representative Rogers commented there are two parts to an audit. He said in the second part the auditor goes from room to room with the homeowner showing where and how energy is being wasted and indicating where changes should be made. He said it is a very long process, taking two to three hours. He said one of the purposes of the program is to show people what they can do to conserve energy.

Mr. Terry Dizenski, Energy Audit Coordinator, Fairbanks, said they have received a tremendous response from the people in Fairbanks for audits to be done. He said he has 150-200 people waiting for audits on his list, and he gets a number of calls every day and people come into his office to pick up lists of auditors. There was brief discussion.

Representative Malone MOVED AND ASKED UNANIMOUS CONSENT that the Finance CS for HB 173 be REPORTED OUT. There being no objection, it was so ordered. CSHB 172 (Finance) was reported out with a "DO PASS" recommendation.

02/24/81

ADJOURN

The meeting adjourned at 3:55 p.m.

Tapes HFC 81-9, side 1 #310 to end
 side 2 #001 to end
HFC 81-10, side 1 #001 to #289

02/24/81

HOUSE FINANCE COMMITTEE

February 25, 1981

2:40 p.m.

{Tape HFC 81-10, Side 1, #289}

PRESENT

Chairman Cotten called the meeting to order at 2:40 p.m. All members of the Committee were present, except Representative Buchholdt. Representatives Meekins and Rogers arrived later in the meeting. Also in attendance: Robert Maynard, Assistant Attorney General, Department of Law; Lisa Parker, Administrative Assistant to Chairman Cotten; Elmer Lindstrom, Fiscal Analyst, Division of Legislative Finance.

LEGISLATIVE APPROPRIATIONS

Chairman Cotten advised the Committee would hear a brief presentation on the pending lawsuit regarding the Legislature versus the Governor on items that were vetoed last year. Elmer Lindstrom distributed a memo packet (see Attachment 1) to the Committee which describes how a number of grants set out in legislative intent in the DEVELOPMENT budget for Economic Enterprise were distributed after the intent was vetoed. He called attention to the second memo (second page) and indicated the right column of figures represents what was appropriated, and the left column is what was actually paid out. There was discussion on the amount that was RSAed to Alaska Renewable Resources Corporation (ARRC) for Alaska Seafood Marketing Institute.

(Representative Meekins arrived at this time.)

CSSB 113(Fin)am - "An Act making supplemental and special appropriations for oil and gas matters; and providing for an effective date."

Bob Maynard explained this bill contains funds for continuation of two lawsuits: TAPS tariff and corporate income tax. He advised the funds would be used to hire staff and for outside legal consultation. He said the Governor requested funds to carry this through to conclusion; however, the Senate cut the request to fund only FY 81 and FY 82. He stressed the importance of obtaining the funds now.

Representative Freeman asked, "Who monitors this to see that the State is not ripped off?" Mr. Maynard commented it is the responsibility of the Department of Law, but added that they have not had an attorney to monitor this full-time. Up to this time, he stated, the Department has talked to them regularly about the case, but it has been a secondary review, not full-time. These

funds would allow them to hire a full-time Attorney IV for strategy, he said.

Representative Moss inquired about the salary for an Attorney IV, and Mr. Maynard advised it runs about \$46,000. Noting the cost is approximately \$26 million for conclusion of the case, Representative Adams asked when the Department of Law would come back for further funds, and Mr. Maynard said they would be back next session.

Chairman Cotten commented the Senate felt this would be better monitored on a yearly basis, which was why they cut back the appropriation. In answer to a question from Chairman Cotten, Mr. Maynard advised the methodology of Phase I is now before the Federal Energy Regulatory Commission (FERC).

CSSB 113(FIN)AM REPORTED OUT

Representative Malone moved to report out CSSB 113 (Fin)am. There being no objection, it was so ordered. CSSB 113 (Fin)am was reported out with a "do pass" recommendation.

(Representative Rogers arrived at this time.)

HB 188 - "An Act making a special appropriation for reconstruction of the Iditarod Elementary School in Wasilla; and providing for an effective date."

Chairman Cotten briefly explained his Letter of Intent (see Attachment 2) that he proposed attaching to the Finance Committee Substitute, which incorporates Representative Adams' amendment made at yesterday's meeting.

CSHB188 (FINANCE)REPORTED OUT

Representative Malone moved to report out the Finance Committee Substitute for HB 188, with Letter of Intent attached. There being no objection, it was so ordered. CSHB 188 (Finance) was reported out with a "do pass" recommendation.

ADJOURNMENT

The meeting adjourned at 3:00 p.m.

Tape HFC 81-10, Side 1, #289 - #585

2-25-81

MEMORANDUM

State of Alaska

TO: J.H. Hogan, Director
Budget & Audit Committee
Finance Division

DATE: August 26, 1980

FILE NO:

TELEPHONE NO:

FROM: Richard H. Eakins, Director
Division of Economic Enterprise

SUBJECT: Legislative Appropriations

In response to your letter requesting information on the appropriation to this division for a \$1.2 million dollar seafood marketing study, the attached documentation is forwarded.

The \$1.2 million marketing money has been RSAed to the Alaska Renewable Resources Corporation.

The following list contains the amounts and recipients of grant monies appropriated to this division.

Alaska Renewable Resources	\$1,200,000
Education - Alternative Energy Library	50,000
Alaska Native Arts Marketing	150,000
Anchorage Minority Resources & Services	250,000
Abbot Loop & Rabbit Ck. Little League	35,000
Mat-Su Borough - Economic Dev. Study	75,000
City of Fairbanks - Public Projects Survey	60,000
North Slope Borough - Inupiat Marine Science	200,000
City of Bethel - Computer	100,000
Commerce - to use to administer the above	25,100

Due to the reorganization of the Department's development program and staff no decisions have been made on the program dedications for study money. These decisions will be held in abeyance until the Deputy Commissioner and Program Directors are hired.

Attachments

MEMORANDUM

State of Alaska

TO: J.H. Hogan, Director
Budget & Audit Committee
Finance Division

DATE: August 26, 1980

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TELEPHONE NO:

FROM: Richard H. Eakins, Director
Division of Economic Enterprise

SUBJECT: Legislative Appropriations

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The \$1.2 million marketing money has been RSAed to the Alaska Renewable Resources Corporation.

The following list contains the amounts and recipients of grant monies appropriated to this division.

		<u>Original Appropriation*</u>
Alaska Renewable Resources	\$1,200,000	Ø
Education - Alternative Energy Library	50,000	76,500
Alaska Native Arts Marketing	150,000	300,000
Anchorage Minority Resources & Services	250,000	467,500
Abbot Loop & Rabbit Ck. Little League	35,000	35,000
Mat-Su Borough - Economic Dev. Study	75,000	75,000
City of Fairbanks - Public Projects Survey	60,000	60,000
North Slope Borough - Inupiat Marine Science	200,000	469,000
City of Bethel - Computer	100,000	100,000
Commerce - to use to administer the above	25,100	Ø

Due to the reorganization of the Department's development program and staff no decisions have been made on the program dedications for study money. These decisions will be held in abeyance until the Deputy Commissioner and Program Directors are hired.

Attachments

*Note: Missing entirely from the revised lists are:

Fairbanks North Star Borough MBE, Inc.	177,000
Anchorage Winter Sports	100,000
Haines-Klukwan Resource Study	285,000

MEMORANDUM

State of Alaska

TO: Charles R. Webber, Commissioner
Department of Commerce and
Economic Development

DATE: August 7, 1980

FILE NO:

TELEPHONE NO:

FROM: Jay S. Hammond
Governor

SUBJECT: FY81 Budget

The purpose of this memo is to inform you of my actions concerning FY81 appropriations for the Division of Economic Enterprise.

Prior to taking action on the operating budget, I vetoed HB 962, creating the fisheries business tax grant fund. In my veto letter to the Legislative leadership, I indicated that while HB 962 was of doubtful constitutional validity, the concept embodied in the bill was meritorious and that I was instructing the Commissioner of Commerce and Economic Development to explore alternative methods to accomplish the same purpose.

In Section 3 of the general appropriations bill, the legislature appropriated \$3 million for support of fisheries promotion. Because I had vetoed HB 962, the fund to which that appropriation was made did not exist, and I therefore vetoed that section. That did not mean that fisheries promotion would go unfunded in FY 1981.

At page 51 of the bill, \$3,555,800 was appropriated for economic enterprise in your department. Your functions in that regard would include the promotion of fisheries marketing, and I concluded that \$1.2 million of this appropriation could be made available for that purpose, and the remainder could be made available for other economic enterprises purposes. The legislature had included a rider with this appropriation which I vetoed.

Please advise me if you have any additional questions.

RECEIVED
AUG 12 1980

OFFICE OF THE
COMMISSIONER

RECEIVED
DIV. ECONOMIC ENTERPRISE

AUG 20 1980

DEPARTMENT OF COMMERCE
& ECONOMIC DEVELOPMENT

127

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

July 28, 1980

Richard H. Eakins, Director
Division of Economic Enterprise
Pouch EE
Juneau, AK 99811

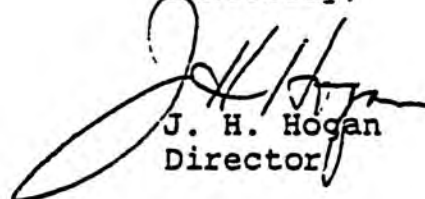
Dear Mr. Eakins:

It is my understanding that the Division of Economic Enterprise has been recently instructed to set aside \$1,200,000 of the Division's appropriation for general operations (see attached pages 51 and 52 of Chapter 120, SLA 1980) for a seafood marketing study. Per a legislative request for information, I am requesting copies of:

1. The budget documentation for this study as presented to the Legislature;
2. If none, the budget documentation currently available to support a Revised Program or other expenditure document;
3. A statement summarizing the Division's current plans for other studies proposed by the Division as part of their FY 81 budget request, and the Division's plans for grants/studies requested and appropriated for by the last Legislature.

Please include with your response copies of all pertinent letters or memoranda, and a summary of any verbal instructions that may have been given regarding the above items.

Sincerely,



J. H. Hogan
Director

JHH:bf

DEVELOPMENT (CONT.)		APPROPRIATION	APPROPRIATION FUND SOURCES	
	ALLOCATIONS	ITEMS	GENERAL FUND	OTHER FUNDS
COPENHAGEN OFFICE (2 POSITIONS)	295,500			
GERMAN TOURISM AND ECONOMIC DEVELOPMENT OFFICE	250,000			
DEPARTMENT OF REVENUE				
ALASKA RENEWABLE RESOURCES CORPORATION (11 POSITIONS)		1,476,100	1,476,100	
SHARED TAXES		11,926,000	11,926,000	
MUNICIPAL ASSISTANCE		34,000		
AMUSEMENT AND GAMING TAX		163,700		
AVIATION FUEL TAX				
929,742 OF THE ALLOCATION FOR AVIATION FUEL TAX TAKES EFFECT ON THE EFFECTIVE DATE OF THIS ACT.				
ELECTRIC AND TELEPHONE COOPERATIVE TAX				
6450,000 OF THE ALLOCATION FOR ELECTRIC AND TELEPHONE COOPERATIVE TAX TAKES EFFECT ON THE EFFECTIVE DATE OF THIS ACT.				
LIQUOR LICENSE TAX				
FISHERIES TAX				
91,377,081 OF THE ALLOCATION FOR FISHERIES TAX TAKES EFFECT ON THE EFFECTIVE DATE OF THIS ACT.				
MUNICIPAL BOND BANK AUTHORITY (2 POSITIONS)				
DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT				
ECONOMIC ENTERPRISE				
GENERAL OPERATIONS (22 POSITIONS)				
THE APPROPRIATION TO ECONOMIC ENTERPRISE INCLUDES THE FOLLOWING AMOUNTS TO BE PAID AS MUNICIPAL GRANTS IN ACCORDANCE WITH AS				
37.05.15: ANCHORAGE - MINORITY RESOURCES & SERVICES INC. 9467,300 AND FAIRBANKS NORTH STAR BOROUGH - F&E, INC. 9177,100 FOR				
MINORITY BUSINESS PARTICIPATION IN STATE CAPITAL PROJECTS; ANCHORAGE - WINTER SPORTS 9100,000, ABBOT LOOP & RABBIT CREEK				
LITTLE LEAGUE FIELDS 935,000, ALASKA NATIVE ARTS MARKETING PROJECT 9700,000, ALASKA ALTERNATIVE ENERGY RESOURCES PROJECT				
976,300; MATANUSKA-SUSITNA BOROUGH - ECONOMIC DEVELOPMENT STUDY 979,000;				
CITY OF HAINES - HAINES KLUKWAN RESOURCE STUDY 9265,000; CITY OF FAIRBANKS - PUBLIC PROJECTS SURVEY AND DEVELOPMENT 900,000;				

PAGE 31

SC3 CSMS 1002 AM 5



DURING SESSION:
POUCH V
JUNEAU, ALASKA 99811
(907) 485-3791

OUT OF SESSION:
1016 WEST 6TH AVENUE
SUITE 418
ANCHORAGE, ALASKA 99501
(907) 272-4541

BILL SUMNER
Alaska State Senator

DISTRICT 7-E

July 23, 1980

COMMITTEES:
RESOURCES
CHAIRMAN
FINANCE
RULES
COMMITTEE ON COMMITTEES
JOINT INTERIM COMMITTEE
ON GAS PIPELINE FINANCING

TO: Jay Hogan, Director
Legislative Finance Division

FROM: Senator Bill Sumner *BS*

SUBJECT: Gubernatorial Appropriations in the FY 81 Budget

I want to bring to your attention an action by the Governor which is causing me much concern. It may be typical of a pattern he followed throughout the FY 81 budget.

Briefly, the Governor, through verbal instructions, has decreased the amount available for grants stipulated in legislative intent under Economic Enterprise's General Operations appropriation by 60% in order to fund a \$1,200,000 seafood marketing study -- an appropriation that does not appear in the budget.

As for more background: The legislature approved a \$3,555,800 appropriation to the Department of Commerce and Economic Development, Division of Economic Enterprise, General Operations. That amount included \$2,145,100 in grants expressed in intent. As was typical throughout the budget, the intent was vetoed but the amount remained at the \$3,555,800 level.

To follow up the division's plans with a program I stipulated in the vetoed intent, Cheryl Frasca of my staff talked with Fred Muller of Economic Enterprise. He explained that because of a 60% cut in the funds available in General Operations, decreases had to be made in the legislatively specified programs. Upon further questioning as to where the 60% decrease was since the funding level was the same as approved by the legislature, he indicated they had been directed by Budget and Management to earmark \$1,200,000 for a seafood marketing study. Asked where in the budget did this appropriation appear, he indicated it did not.

A second conversation with Richard Axe of Budget and Management confirmed the intended use of the funds. He further explained that the Governor had vetoed SCSCSHB 962 which would have created the fisheries business tax grant fund as well as the accompanying \$3,000,000 appropriation found in Section 1 of

Jay Hogan
July 23, 1980
page 2

ch 120 SLA 80. In order to accomplish the intent of the legislation, however, the Governor through verbal instructions to Budget and Management, had directed the Division of Economic Enterprise to fund a marketing study at \$1,200,000. Mr. Axe indicated there might be a written memo directing such as action but if there was, it would be an internal working document.

I question the Governor's authority to take such actions and perhaps it is a matter that the Budget and Audit Committee might best pursue. Your direction in this matter will be appreciated.

cc: Representative Jim Duncan, Chairman, Budget and Audit Committee
Senator George Hohman, Vice Chairman, Budget and Audit Committee

HOUSE JOURNAL

HOUSE FINANCE COMMITTEE

LETTER OF INTENT ON CSHB 188 (FINANCE)

The House Finance Committee has reviewed and passed out CSHB 188 (Finance) to allow the Matanuska-Susitna Borough to begin reconstruction of the Iditarod Elementary School in Wasilla. It is the understanding of the Committee that insurance proceeds for reconstruction are not immediately available to the Borough, while the Borough is presently incurring costs for demolition, architectural and engineering fees. Funds are being made available to the Borough to cover these immediate costs, and to provide funding over and above the insurance recovery which is necessary to bring the school building up to code and replace instructional equipment and furnishings.

It is the intent of the Committee that any funds which exceed the project cost after the amount of the insurance recovery is known, be returned to the State, to lapse back into the general fund.



Samuel Cotten, Chairman
House Finance Committee

HOUSE FINANCE COMMITTEE
February 26, 1981
1:35 p.m.

(Tape HFC 81-10, Side 1)

PRESENT

Chairman Cotten called the meeting to order. All members of the Committee were in attendance except Representatives Meekins, Buchholdt and Carney. (Representative Malone arrived later in the meeting.) Also present were Tom Williams, Commissioner, Department of Revenue; and Milt Barker, Fiscal Analyst, Legislative Finance Division.

HCR 6

Chairman Cotten announced the Committee would receive testimony on:

HCR 6 - "Establishing general funds available for appropriation and making tentative allocations to program categories."

Chairman Cotten explained that yesterday was the 45th day of the Legislative Session, so in accordance with AS 37.07.070, he introduced HCR 6 by the Finance Committee. He commented that was the first day they were able to come up with the correct language on lines 15 and 17 of the Resolution. He said apparently Legislative Finance and the Department of Revenue have come to some kind of a consensus on receipts the State can expect for FY 81-82. Chairman Cotten stated it is important that the Committee have a good idea of what the revenue estimates are. He invited Commissioner Tom Williams, Department of Revenue and Fiscal Analyst Milt Barker, Legislative Finance Division to explain their new revenue projection figures.

Commissioner Williams handed out a sheet of paper explaining the "Funds Available for Appropriation in FY 82". (See attachment #1.)

Milt Barker presented a Memo dated February 25, 1981 explaining the "General Funds Available for Appropriation". (See attachment #2.)

Chairman Cotten explained line 16 of the resolution indicates \$6,218,100,000 is available for appropriation, and he pointed out that the term "available for appropriation" is a legal term for the disposable dollars available regardless of their liquidity or illiquidity.

Mr. Barker said the Administration might be interested in knowing how the numbers were arrived at. He said the amount available

for appropriation was derived by taking the new revenue estimates provided by the Department for FY 81 and FY 82, and adding in the amounts available from prior years that have not yet been appropriated. He explained the Governor set aside \$109 million for supplementals for FY 81 that have not been appropriated yet. He commented the Governor is already requesting supplementals beyond that amount -- \$60 million in supplemental appropriations, \$24 million for tariffs and \$77 million for royalty oil. There was discussion on the figures.

(Representative Malone arrived at this time.)

(Tape change - HFC 81-10, side 2.)

There was discussion on the various state taxes.

Chairman Cotten explained that in preparing the Resolution he attempted to meet the requirements of AS 37.07.070. He advised the Committee that he has introduced a bill to repeal AS 37.07.070 because he doesn't think it is reasonable to expect the legislature to be able to do these calculations by the 45th day of the legislative session. However, he said he thought this was a good exercise for the Committee to go through.

Representative Rogers said he thought it was very worthwhile for the Committee to have a public setting of goals. He said there has been a major change since the statute has been enacted -- the operating and capital budget expenditures make up only one-third of the state's budget now. He said combining the operating and capital into the same resolution may not be a good idea. He thought the percentage for the operating budget is more important. He suggested deferring discussion on the capital budget. He said the requests he has received are for limiting spending for the operating expenses of state government.

Representative Malone wondered if they wanted to beyond the program categories in setting limits and include major priorities of the Legislature which are not in the normal program budget, i.e., energy development, property tax relief. Chairman Cotten thought that if they were to comply with the spirit of the law they would include priorities like hydropower financing. Representative Rogers said he didn't think they have enough information to set those figures at this time. There was brief discussion on the operating budget figure used in the Resolution. Chairman Cotten said it was not his intention to report the Resolution out of Committee at this time.

Representative Haugen said it is important for them to know how much money was appropriated in prior years and how that is fitting in with the ability of the agencies to administer in this fiscal year. He said approximately \$400 million to \$500 million was appropriated last year in HB 60, and he would be interested in knowing how many of those projects are expected to be on the streets at the end of this fiscal year. He commented there is a tremendous amount of money laying in residual accounts right now,

and that should be taken into consideration before additional appropriations are made.

SUBCOMMITTEE GUIDELINES

There was discussion on what guidelines the Subcommittee's should follow in setting budget figures. Representative Malone commented it is hard to put together a subcommittee recommendation without knowing what the legislative priorities are. He said the approach he would like to see them follow would be to basically adopt a continuation budget for those items that are not legislative priorities. There was discussion on the Governor's budget figures.

(Tape change, HFC 81-11, Side 1.)

Subcommittee chairmen commented briefly on what they had accomplished so far. Chairman Cotten requested that subcommittee chairmen have more substantial recommendations on guidelines for the next meeting. He also requested that the chairmen provide him with their recommendations on how much time the budget considerations are going to take them. Representatives Rogers indicated he has targeted March 28 as the date for final mark up of the University budget. Representative Moss said he is shooting for that same date for the Education budget. Representative Freeman said he would have the Transportation budget ready on whatever date the Chariman set.

ADJOURNMENT

The meeting adjourned at 2:50 p.m.

Tape HFC 81-10, side 1 #585 to end
 side 2 #001 to end
HFC 81-11, side 1 #001 to 279

FUNDS AVAILABLE FOR APPROPRIATION IN FY 1982

(\$ millions)

Carried forward from FY 1981

6/30/81 General Fund balance		
(from FY82 Exec. Budget book, p.7)	1,059.0	
Preliminary revision in oil & gas		
production tax receipts	-24.7	
Preliminary revision in royalties	-31.6	
Preliminary revision in AS 43.21	68.3	
Revised 6/30/81 General Fund balance	1,071.0	
Illiquid investments as of 6/30/81	-348.9*	
NET CARRIED FORWARD AND AVAILABLE		722.1**

Net Unrestricted revenues during FY 1982

Estimate from Jan. 1981 Revenue		
Sources book, pp. 6-7	4,955.1	
Preliminary revision in oil & gas		
production tax receipts	-146.3	
Preliminary revision in royalties	-130.9	
Preliminary revision in AS 43.21	360.2	
Net revision in FY82 net unrestricted		
revenues	83.0	
REVISED NET UNRESTRICTED REVENUES		5,038.1

TOTAL FUNDS AVAILABLE FOR APPROPRIATION IN FY 1982 5,760.2**

*Includes \$300.0 million in illiquid investments that Governor Hammond proposes be placed in the "rainy day" account.

**Includes \$350.0 million in cash that Governor Hammond proposes be placed in the "rainy day" account.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

MEMORANDUM

DATE: February 25, 1981

TO: Honorable Sam Cotten, Chairman
House Finance Committee

FROM: Milt Barker, ^{MB} Fiscal Analyst
Legislative Finance Division

SUBJ: General Funds Available for Appropriation

Based on the attached February 23, 1981 letter from Commissioner Williams, the amounts available for appropriation this session are:

Total General Fund
\$6,218.1 million

General Fund Cash
\$5,869.2 million

The difference is \$348.9 million in illiquid assets which is made up of veterans, business and other loans and CD's in Alaskan banks.

The above amounts are net of Permanent Fund contributions, but include renewable resources funds. No amounts for FY 81 supplementals have been deducted.

The attached table shows the dollar and percentage figures for the Governor's FY 82 operating and capital budget exclusive of loans. The totals are:

Operating	\$1776.4
Capital	<u>226.2</u>
Total	\$2002.6

MB:bf

	OPERATING		CAPITAL		TOTAL	
	\$	%	\$	%	\$	%
EDUCATION	505.3	25	30.6	2	535.9	27
UNIVERSITY	136.9	7	5.5	0	142.4	7
SOCIAL SERVICES	121.3	6	4.4	0	125.7	6
HEALTH	108.6	5	1.4	0	110.0	5
NATURAL RESOURCES	121.9	6	54.4	3	176.3	9
PUBLIC PROTECTION	33.9	2	2.3	0	36.2	2
ADMIN. OF JUSTICE	126.4	6	9.7	0	136.1	7
DEVELOPMENT	179.1	9	43.3	2	222.4	11
TRANSPORTATION	186.1	9	52.6	3	238.7	12
GENERAL GOVERNMENT	<u>256.9</u>	<u>13</u>	<u>22.0</u>	<u>1</u>	<u>278.9</u>	<u>14</u>
	1776.5	88	226.2	11	2002.6	100

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH 5
JUNEAU, ALASKA 99811
PHONE: (907) 465-2300

February 23, 1981

The Honorable Sam Cotten, Chairman
House Finance Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Re: Oil and Gas Revenues, FY 81 and FY 82

Dear Mr. Chairman:

This is to follow-up on my testimony of February 12, 1981 to your committee regarding the forecast in our 1981 revenue source book for Oil and Gas Corporate Income Tax receipts in FY 81 and FY 82. You may recall that those forecast figures differed materially from those developed by Milt Barker and from those prepared by me for the Attorney General's analysis.

Immediately after my testimony I called the Petroleum Revenue staff in Anchorage who are responsible for the quarterly petroleum revenue forecasts, and asked them to recheck the figures. They did, and it turns out that the forecast for the oil income tax had not been updated for the revenue source book, primarily because of a temporary short-staffing situation. Accordingly, the forecast was based on somewhat stale information.

Petroleum Revenue have reworked the oil and gas income tax forecast, and it is higher than before. However, they have also done a preliminary update of royalties and production taxes, and despite the effects of decontrol, the forecast of unrestricted General Fund receipts from these sources is down slightly -- chiefly because of continuing worldwide production in excess of demand and because of the increased chance of lower U.S. inflation in 1982. The combined effects are tabulated below.

The Honorable Sam Cotten

February 23, 1981
Page Two

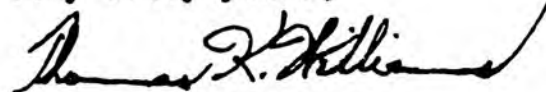
CHANGES IN PETROLEUM REVENUE SOURCES
(based on preliminary data of 2/18/81)
(\$ millions)

	<u>FY 81</u>	<u>FY 82</u>
<u>Prod. & Conserv. Taxes</u>		
12/80 forecast	1178.2	1747.1
2/81 update	<u>1153.5</u>	<u>1600.8</u>
CHANGE	-24.7	-146.3
 <u>Royalty (net of Perm. Fund payments)</u>		
12/80 forecast	1098.7	1757.1
2/81 update	<u>1067.1</u>	<u>1626.2</u>
CHANGE	-31.6	-130.9
 <u>Oil Income Tax</u>		
12/80 forecast	770.0	882.9
2/81 update	<u>836.3</u>	<u>1243.1</u>
CHANGE	+68.3	+360.2
 TOTAL NET CHANGE	12.0	83.0

Kindly remember that these figures are preliminary and may change somewhat (but probably not very much) when the full-blown revenue forecast program is run in a couple of weeks. Of course, I will advise you and the committee right away of the results of that forecast.

Please let me know if you or the committee have any further questions on these matters.

Very truly yours,



Thomas K. Williams
Commissioner of Revenue

TKW:m11

cc: House Finance Committee Members
Senate Finance Committee
Milt Barker

HF0302811640

HOUSE FINANCE COMMITTEE
March 2, 1981
4:40 p.m.

(Tape HFC 81-11, Side 1 #282)

PRESENT

All members of the Committee were in attendance except Representatives Malone, Freeman and Moss. Also present were Senators Stimpson, Mulcahy and Fehrenkamp; Theodore Fleischer, Law Offices of Ely, Guess & Rudd; Bill Berrier, Legislative Counsel; and Jay Hogan, Legislative Finance Division.

(Approximately the first ten minutes of the meeting were not recorded.)

ALASKA STATE LEGISLATURE v. GOVERNOR HAMMOND

Mr. Theodore Fleischer, Ely, Guess & Rudd, testified on the status of the suit filed by the Legislative Budget and Audit Committee against the Governor to clarify the nature and scope of the Governor's item veto authority under ART. II, subsection 15 of the Alaska Constitution. (See attached Memo.) There was brief discussion between the attorneys and legislators present.

ADJOURNMENT

The meeting adjourned at 5:00 p.m.

Tape HFC 81-11, Side 1 #282 to 545

W. EUGENE GUESS 1932-1978
JOSEPH RUDD 1933-1978

ROBERT C. ELY
THEODORE E. FLEISCHER
FRANCIS E. SMITH, JR.
HERBERT BERKOWITZ
MICHAEL G. BRIGGS
DAVID H. BUNDY
HARRIS SAXON
PHILLIP J. EIDE
GARY A. ZIPKIN
JOSEPH M. WILSON
PAUL DESTEFANO
ROBERT H. WOLFE
LOUIS R. VEERMAN
CLIFFORD W. HOLST
JOHN FOSTER
DANIEL G. RODGERS
RICHARD M. ROSSON
LOUIS AGI
HELENE M. ANTEL
JOSEPH J. PERKINS, JR.
CHARLES W. COHEN
PEGGY MENTELE

LAW OFFICES OF
ELY, GUESS & RUDD

A PROFESSIONAL CORPORATION
510 L STREET, SUITE 700
ANCHORAGE, ALASKA 99501
CABLE ADDRESS: "NORTHACRE"
TELEX [090] 28-292
TELECOPIER [907] 279-8354
TELEPHONE [907] 276-5121

JUNEAU OFFICE
SUITE A
MENDENHALL BUILDING
JUNEAU, ALASKA 99801
TELEX [099] 45-368
TELEPHONE [907] 586-3210

NORMAN C. GORSUCH
GORDON E. EVANS
MONTE L. BRICE

JOSEPH A. McLEAN
OF COUNSEL

MEMORANDUM

TO: Legislative Budget and Audit Committee
FROM: Ely, Guess & Rudd
RE: Alaska State Legislature, et al.
v. Governor Hammond, et al.
DATE: February 19, 1981

On July 25, 1980, the Legislative Budget and Audit Committee on behalf of the Alaska State Legislature, and several individual legislators, filed suit against the Governor and the Commissioner of the Department of Administration. The purpose of this action was generally to clarify the nature and the scope of the Governor's item veto authority under Art. II, §15 of the Alaska Constitution and specifically to obtain a declaration that the Governor invalidly vetoed portions of three appropriation bills passed by the Eleventh State Legislature. In his Answer to the Complaint, the Governor defended his actions on the basis that the language vetoed was unconstitutional. The Governor also filed a counterclaim against the Legislature challenging the constitutionality of some seventy-seven appropriations passed by the Legislature, many of which he had not vetoed.

Inherent in both the Governor's defense and his counterclaim is his interpretation of the item veto authority to permit the Governor to "cure" appropriation bills of what he perceives to be constitutional defects. If the Governor is correct in this interpretation, the veto power encompasses not only the power to refuse to assent to the passage of appropriations, but authority to "correct" or amend them

as well. It is the Legislature's position that the doctrine of separation of powers forbids that interpretation and, in fact, mandates a narrow reading of the Governor's item veto authority.

The counterclaim poses an additional serious challenge to the Legislature's authority. The Governor had the opportunity to veto many of the appropriations he now claims are now invalid, but failed to do so. If he is permitted to challenge those appropriations now, after completion of the legislative process, the Governor will have conferred upon himself a "second veto" not provided for by the Constitution.

On November 10, 1980, with these concerns in mind, the Legislature moved to dismiss the Governor's counterclaim. The legal basis for the Legislature's motion is that Art. III, §16 of the Alaska Constitution bars the Governor from filing lawsuits against the Legislature, and thus deprives him of any legal authority to bring his counterclaim. The relevant language of Art. III, §16 has never been construed by the Alaska Supreme Court. Its interpretation of this provision is important to both parties and could have a substantial impact on future "inter-branch" litigation.

The basic concern underlying the Legislature's Motion to Dismiss is a strong belief that the Governor should not be permitted to obtain a judicial declaration as to the validity or invalidity of legislative appropriations. If the Governor objects to an appropriation, it is the Legislature's position that he must do so by appropriately exercising his item veto power. Once appropriations have become law, they should be presumed valid, and the Legislature should not be subject to legal challenges to their validity by the Governor following the close of a legislative session.

On December 19, 1980, the Governor opposed the Legislature's Motion to Dismiss and moved to dismiss the Legislature's claims against the Governor. He contends that the Legislature, as well as the individual plaintiff Legislators, lack standing to sue the Governor and that the Legislature is seeking to usurp the Governor's executive authority by attempting to enforce the law. An unfortunate

side effect of the Governor's counterclaim and his Motion to Dismiss is the substantial delay they have caused in bringing the merits of the Legislature's claims on the question of the Governor's veto power before the Court for resolution. However, given the additional significant challenges to the Legislature's authority raised by both the counterclaim and the Governor's Motion to Dismiss, it was necessary to take the time to present thorough arguments to the Court on these issues, several of which have never been addressed by the Alaska Supreme Court.

In anticipation of a prompt determination of both Motions to Dismiss, the Legislature will file a Motion for Summary Judgment, seeking a decision on the scope of the Governor's item veto power within the next ten days. The legal and policy underpinnings of the Legislature's position are summarized briefly below.

The ultimate question raised by the Legislature's claim against the Governor is: "Does the Governor have the power to rewrite the provisions of appropriations enacted by the Legislature?" The Alaska Constitution grants to the Legislature the power to appropriate funds and to impose conditions on their use. The Governor plays a role in the appropriation process, but it is limited to the submission of the proposed budget to the Legislature and the opportunity to veto "items" in appropriation bills.

The item veto power was historically designed to give the executive a means to nullify any specific appropriation item in a bill containing many appropriations, without being forced to veto the entire appropriation bill. Notwithstanding this purpose for the item veto power, the Governor here, like the Governors of numerous other states, has attempted to use it as a "legislative" tool to amend appropriations. This attempt by state executives to expand their role in the law-making process is evidenced by a proliferation of lawsuits challenging "gubernatorial legislation" and seeking, much as the Legislature has done in this case, a narrow construction of the item veto authority.

The Legislature's position is that the Governor of Alaska has no authority to rewrite appropriations by selectively deleting conditions and limitations; he may only strike the appropriation item in its entirety, thereby reducing the total appropriated fund. There is substantial

support for the Legislature's position in the case law of other jurisdictions. Most state courts have invalidated executive attempts to use the item veto power to legislate and have interpreted it solely as a "negative" tool. The Governor may refuse to assent to an appropriation, but he may not use his veto power creatively to amend the appropriation to give it a different purpose. If the Governor were permitted to do otherwise, he could create an appropriation that had been neither intended, nor voted upon, by the Legislature.

Thus the primary purpose of this lawsuit is to obtain a judicial declaration as to the scope and limitations of the Governor's item veto power. Judicial guidelines to this effect are essential to a vindication of one of the Legislature's most important powers, that of making appropriations. If the Governor is permitted to use his veto to revise the objectives and purposes of appropriations, the Governor will have successfully inserted himself into the process of designing appropriations, heretofore a process in the Legislature's exclusive control. Under the Constitution the Legislature has the right to make law by majority vote. While the Legislature has the theoretical power to override any "creative" vetoes by the Governor, this override can be accomplished only by mustering a three-quarters majority vote of both Houses of the Legislature. It is the Legislature's position that the Governor should not be permitted to force the Legislature to use its override authority simply to maintain its supervisory role over the design and passage of appropriation bills.

In Bradner v. Hammond the Alaska Supreme Court held that under the doctrine of separation of powers, the appointment power committed to the executive branch would be protected against encroachment by the Legislature. While the Legislature's suit was originally intended to resolve only the question of the validity of the Governor's vetoes, with the filing of his counterclaim the Governor has substantially escalated the stakes. There are now two additional significant issues to be determined. First, can the Governor sue the Legislature, despite the provisions of Art. III, §16 of the Constitution which expressly provide that the Governor cannot? Second, can the Governor challenge the validity of conditions and restrictions inserted by the Legislature in appropriations he failed to veto? These

issues, are as important in their own right as those raised by the Legislature in its Complaint against the Governor.

Where, as is the case here, the executive branch has encroached upon the Legislature's exclusive law-making authority granted by the Constitution, it is necessary to resort to the Court to vindicate the Legislature's authority. The Governor has never failed to use litigation as a means of protecting what he deems to be his executive prerogatives, and has on occasion successfully cited the separation of powers concept in support of his position. But, the doctrine of separation of powers is a two-way street; it ought to protect not only the executive branch, but the Legislature as well.

TEF:HMA/mcv

HOUSE FINANCE COMMITTEE

March 4, 1981

1:40 p.m.

{Tape HFC 81-11, Side 1, #545}

PRESENT

Chairman Cotten called the meeting to order at 1:40 p.m. All members of the Committee were present, except Representatives Buchholdt and Malone. Representatives Carney and Meekins arrived later in the meeting. Also in attendance: Bob Palmer, Special Projects Coordinator, and Bob Pollock, Executive Director, Alaska Agricultural Action Council, Division of Budget & Management, Office of the Governor; Lisa Parker, Administrative Assistant to Chairman Cotten; Milt Barker, Bob Grogan and Elmer Lindstrom, Fiscal Analysts, Division of Legislative Finance.

SSHB 49 AND HB 216

Chairman Cotten advised the first order of business is to hear testimony on SSHB 49 and HB 216, companion bills:

SSHB 49 - "An Act making a special appropriation to the Department of Commerce and Economic Development for the Alaska Agricultural Action Council to construct facilities for a small grains marketing system; and providing for an effective date."

HB 216 - "An Act authorizing the Alaska Agricultural Action Council to construct and dispose of grain terminals and elevators; and providing for an effective date."

Representative Moss stated briefly HB 216 was introduced to clarify the authority of the Agricultural Action Council. He introduced Bob Pollock, who would present testimony on SSHB 49.

In his presentation, Mr. Pollock stated the bottom line here is they have reached the point where Alaska has 11,000 tons of surplus grain and must provide a market for the farmers.

(Representatives Carney and Meekins arrived at this time.)

Livestock grain is dependent upon having this elevator, Mr. Pollock stated, as well as the fact that livestock producers need to buy at the same price as in the Lower 48. The elevator, he said, will set the price market. Chairman Cotten asked for an explanation of the tidewater grain elevator. Basically, Mr. Pollock explained, it is a small elevator to receive grain and to load it into the ship and it is designed for fast speed. He held up the design plans, and described how it works. He stated it has the capacity to weigh grain going in and going out.

Representative Rogers stated it is his understanding the elevator will be used approximately 22 hours to load 11,000 tons of grain for export. Mr. Pollock indicated that was correct, all it is going to do is load one ship this year. During discussion, Mr. Pollock advised the cost of grain is \$110 per ton; last year, it was \$69 per ton. He also noted that, while this is a very small facility, it is first class, and the operating cost will be \$6.71 per ton. Representative Rogers asked about the cost of the elevator over a 10-year amortization. Mr. Pollock advised they have a cost-flow analysis (this was passed around to Committee members) and that there is a six-year moratorium on interest and a six-year moratorium on principal. He stated they have projected 128,000 tons over a period of six years and agreed the initial first step is expensive. In answer to a question from Representative Rogers, Mr. Pollock indicated they estimate a tariff of \$6.81 per ton six years from now. He explained tonnage assumptions and how it relates to the grain elevator and to livestock grain.

Chairman Cotten commented it is the intent of the Finance Committee to work closely with the Resources Committee this year to avoid the piece-meal approach, which this appears to be. He asked about the time crunch. During discussion, Mr. Pollock stressed that there is no market for the grain without this elevator. He advised they have contracted out with T.E. Iberson for engineering design and construction management, who estimates the elevator can be completed by November 1; and by January or February, they expect to be ready for grain shipment. Representative Rogers asked when they would be ready to start and where the elevator would be located. Mr. Pollock advised construction can start within 65 days, and the Agricultural Action Council is in the process of deciding on one of two sites selected--Anchorage or Seward. Representative Rogers indicated he favors Seward.

{Tape HFC 81-11, Side 2, #001}

Representative Meekins commented he feels a grain elevator should make economical sense, and while he understands their reasoning for wanting the elevator, he feels the whole package should be considered. Mr. Pollock agreed the transportation system is very important. He went on to explain how this works: It begins with the farmer and the country elevator, then transportation to the transportation site at North Pole, then the transfer facility (from the dock to the railroad car--\$700,000). There are currently no railroad cars in the State that can hold grain, he stated, but this is being pursued. He indicated the total cost will be approximately \$1 million--\$50,000 per car. Finally, the grain is loaded into the ships, which they don't have to worry about, he said. During further discussion, he stated there is absolutely no problem in selling the grain, as the market is there, particularly in the Pacific Rim.

Representative Rogers indicated he is going to support the bill, as he feels it is necessary to keep the large-scale projects going. However, he urged the Council to consider the small farmers and in-state consumption. Mr. Pollock advised that, at any point along this "grain pipeline", the grain can be funneled off.

Representative Adams asked if this would still be competitive even with the world price of grain in the future, and Mr. Pollock indicated yes because of the present world dependence on future grain.

Representative Montgomery inquired if there has been any effort made to contact private businesses or even a cooperative, as there is usually eager money. Mr. Pollock indicated they have been in contact with three or four major private concerns, and they are interested. He called attention to the cost-flow analysis and stated the money they are requesting from the State would be considered a loan. Representative Montgomery stated the bill is not written as a loan, and added he agrees with Representative Mee' in that this is a very piece-meal approach to the project. Representative Moss indicated one of the problems with the original HB 49 was that the loan language was not clear.

There was further discussion, with Representative Freeman wondering if there "is ever going to be a time where this will pay for itself." In his answer, Mr. Pollock indicated yes, this will be self-sustaining as long as there is a Delta disposal in the fall of 1981, a Nenana I disposal in the fall of 1982 and a Nenana II disposal in the fall of 1983. In response, Bob Palmer added that, by next August 20, "you would want to buy one of those farms in Delta Junction; that's how sure I am this is going to work." He stated he feels this is very profitable and offered some hard data regarding supply and demand. Delta Junction will be successful, he said, but the elevator may never be success. He went on to explain the red meat program has always been a primary objective and the elevator is a key to this while waiting for the livestock to build. Representative Carney commented the land market is there, it just has to be developed. He compared Alaska's potential to the Scandinavian countries, where the land and climate are similar and ideal for farming and agriculture.

Representative Rogers commented he feels this is very analogous to the fishing industry, in that State support should be the same as for agriculture. However, he noted there was a request last year for a grain elevator and that each year the demand is more than projected. In response, Mr. Palmer held up a map reflecting in-grain and partially cleared--not necessarily planted--land as of October 1. He explained the terms of the development plan contract which stipulates that, by last May, one-third of the clearing work was required to be done; this year, two-thirds--60% or approximately 30,000 acres--of the land be cleared; and next year, 90% of the land is to be cleared. Although the main concern is to handle that surplus bubble of grain until the red

meat comes on line. Representative Rogers stated he still feels it is more important to consider in-state uses rather than the exporting business.

There was discussion on the location site for the elevator. Mr. Palmer advised the Council has pretty much already decided on Seward.

Representative Meekins commented his skepticism is similar to that of Representative Freeman in that he is still in favor of economic viability of the project and consideration of the total package at one time. For example, he asked about the railroad extension. Mr. Palmer distributed a handout (see attachment) on shipping rates and advised it is an economical system--from facility to elevator to railroad cars. However, he added, at a cost for the extension of \$1 million per mile, currently, there is no way agriculture can justify or support this.

Discussion followed on the definition of "bud car" and boxcar versus grain car. Representative Carney advised a special appropriation was put in last year by Senator Kertula for the purchase of bud cars, which were passenger cars, for transportation from Anchorage and Whittier. He also noted there was some difficulty in talking to the railroad regarding bud cars. In answer to a question from Representative Freeman, he replied boxcars are inferior and in no way suitable for transportation of grain. During discussion, Mr. Pollock and Mr. Palmer described the grain cars as metal gondolas that can hold either grain or fertilizer.

Referring to the cost-flow analysis, Representative Montgomery questioned the figure regarding the interest on the export facility, saying he believes this is in error. He also challenged the low figure computed on operation and management and labor needs. There was discussion.

Representative Rogers again expressed concern about in-state needs being satisfied, and Mr. Palmer advised in-state needs take priority.

Representative Freeman questioned the reasoning, saying the justification for the terminal is to provide grain to raise red meat; then in order to make the project viable, the surplus has to be utilized; therefore, this is a balancing affair. He disagreed with the comparison to the hatcheries, stating that resource (fish) was already here and not forced as he feels is being done with this. During discussion, Representative Meekins suggested the Council needs to rectify the problem brought up by Representative Montgomery concerning the 6% interest moratorium.

In his closing comments, Mr. Palmer indicated he considers this project similar to the salmon hatchery, and it should be treated the same way, building it up so that it can start paying its own way. He agreed with Representative Montgomery that the State should not be associated with operating the project, and that it

should be delivered into the hands of the private sector as soon as possible.

SSHB 49 AND HB 216 HELD

HB 140

Chairman Cotten brought HB 140 up for consideration:

HB 140 - "An Act increasing the longevity bonus."

HB 140 REPORTED OUT

Representative Rogers moved to report out HB 140. There being no objection, it was so ordered. HB 140 was reported out with a "do pass" recommendation. (Fiscal Notes: 2/18/81, \$-0-; 2/20/81, \$5,356.0)

{Tape HFC 81-12, Side 1, #001}

HB 201

The next bill to come before the Committee was HB 201:

HB 201 - "An Act making special appropriations to the Department of Revenue to provide partial interest payments on municipal bonds as a general fund subsidy to local government; and providing for an effective date."

Chairman Cotten noted HB 201 was reported out of the Community and Regional Affairs Committee with a "do pass" recommendation. Indicating it is not his intention to move the bill today, he announced Mr. David Rose, Executive Director, Alaska Municipal Bond Bank, is scheduled to testify before the Committee on this bill tomorrow afternoon. Basically, he stated, it is patterned after HB 950 last year and would subsidize the bond rate.

Representative Rogers advised he is working on an amendment to this bill and requested it be held. Chairman Cotten indicated he would discourage any amendments to the bill and explained. Brief discussion followed. Chairman Cotten pointed out the bill is sponsored by the Finance Committee and introduced at the request of the Municipal Bond Bank.

During discussion, Representative Haugen asked if this would pick up debt service at the local schools. Representative Rogers commented it has to do with bonds that have been approved but as yet unsold. Representative Meekins expressed concern the State is consistently subsidizing down to 8% and that it is not a relevant consideration to continue this. He added he is against fooling around with the market situation.

HB 201 HELD

Chairman Cotten announced there would be a Committee work-session on SB 185, supplemental for Alaska Housing Finance Corporation shortfall, at Friday's meeting. He advised it is not his intent to move the bill at that time, only to accept testimony. Representative Rogers requested an official from the Department of Community and Regional Affairs be brought in to discuss non-conforming loans. Chairman Cotten indicated staff has been alerted.

Representative Adams asked when the Finance Committee guidelines would be out, and Chairman Cotten explained a handout describing subcommittee guidelines would be out tomorrow.

ADJOURNMENT

There being no further business to come before the Committee, the meeting adjourned at 3:00 p.m.

Tape HFC 81-11, Side 1, #545 - End
 Side 2, #001 - End
81-12, Side 1, #001- #309

RATES

(per Alaska Railroad)

North Pole to:

	SEWARD	ANCHORAGE
<u>Tons/Year</u>	<u>Cost Per Ton</u>	<u>Cost Per Ton</u>
10,000	\$14.00	\$13.00
20,000	\$13.00	\$12.25
30,000	\$12.50	\$11.75

USING STATE RAILROAD CARS:

Railroad would pay: \$12.50/day/car, plus 5.6 cents/mile
(loaded/empty)

Round-trip to Seward: 972 miles

Round-trip to Anchorage: 744 miles

One-half day additional time to Seward, plus additional
round-trip mileage equates to approximate cost of 66 cents/ton
extra ground transportation cost of Seward over Anchorage.

HOUSE FINANCE COMMITTEE

March 5, 1981

2:00 p.m.

(Tape HFC 81-12, side 1, #309.)

PRESENT

All members of the Committee were in attendance except Representative Meekins. Representatives Malone and Rogers arrived later in the meeting. Present to provide testimony were: Dave Rose, Executive Director, Alaska Municipal Bond Bank Authority; and Jack Coghill, Mayor, City of Nenana.

SSHB 49 and HB 216

Chairman Cotten advised SSHB 49 and HB 216 had been held over from yesterday's meeting.

SSHB 49 -- An Act making a special appropriation to the Department of Commerce and Economic Development for the Alaska Agricultural Action Council to construct facilities for a small grains marketing system; and providing for an effective date.

HB 216 -- An Act authorizing the Alaska Agricultural Action Council to construct and dispose of grain terminals and elevators; and providing for an effective date."

Chairman Cotten advised he had a proposed amendment to HB 216 which, rather than giving them broad powers to construct and operate a grain elevator, would limit them to the specific project.

(Representative Rogers arrived at this time.)

Chairman Cotten advised that under his proposal section 1 of the bill would be revised to read: "(3) construct, contract to construct and contract to operate a grain terminal and elevator facility and grain subterminal and to dispose of these facilities by sale or lease. The terms of any dispositions shall be approved by the commissioner of commerce and economic development." Representative Moss said he had no objection to the amendment. He MOVED TO ACCEPT THE AMENDMENT. Representative Rogers asked unanimous consent.

Representative Rogers said he had an additional amendment to the bill, to add a new section 2 to read: "AS 44.33.470(b) is amended by adding a new paragraph to read: (12) provide that instate use of agricultural products be the priority use, and that agricultural products be exported only after instate needs

for both quantity and quality are met." Representative Moss OBJECTED to the amendment.

Representative Rogers explained his concern is that the existance of the grain terminal might mean export needs would be taken care of first. He said he wanted to be sure this would not lock away our grain products. Representative Moss REMOVED HIS OBJECTION. Representative Montgomery asked if the amendment was necessary. He suggested "we might be tying their hands" by putting this amendment in. Representative Rogers said his intent is to tie their hands. He said he didn't think it was the purpose of the Agricultural Council to export grain until our instate needs are taken care of. There was further discussion.

(Representative Malone arrived at this time.)

Representative Haugen said they have to be able to show a profit for their operations. He said he thinks they would be interfering with the free enterprise system, and the amendment would do more harm than good. Representative Carney said he thought it was important to put in this amendment. He said the price of the product for Alaskans should be the same price they are getting when they export.

Chairman Cotten requested a brief AT EASE.

SUBCOMMITTEE APPOINTED

Chairman Cotten appointed a subcommittee consisting of Representatives Carney, Moss and Montgomery to consider HB 216 and SSHB 49 and to report back to the Committee when they have come up with a recommendation. He said Representative Carney would be the Chairman of that subcommittee.

HB 201

The next bill to be considered was HB 201:

HB 201 -- "An Act making special appropriations to the Department of Revenue to provide partial interest payments on municipal bonds as a general fund subsidy to local government; and providing for an effective date."

Mr. Dave Rose, Executive Director, Alaska Municipal Bond Bank Authority, presented a written statement concerning HB 201. (See attachment #1.) In answer to a question from Chairman Cotten, Mr. Rose said the Municipal Bond Bank has a bond rating of "A" with Moody's and Standard & Poor's. Chairman Cotten asked what the rate would be if they were to borrow money in the general obligation bond market. Mr. Rose said 10.4% in today's market.

Representative Rogers said that last year when the Committee considered HB 950 (Chapter 15, SLA 1980) they said it was a one time deal. He said if the legislature was not considering other sources for municipal assistance, this might be a good idea. He

said they are looking at giving municipalities in excess of \$100 million.

Representative Adams questioned the cap on the maximum amount municipalities can borrow. Mr. Rose explained most municipalities have a cap on the interest rate at which they can issue debt, i.e., Sitka has a cap of 10%, and the municipality of Anchorage has a cap of 8%.

Representative Adams said the March 10, 1980 minutes of the House Finance Committee indicate it was the Committee's intent that last year be the last time they do this. He recommended the bill be reported out with a "do not pass" recommendation.

Chairman Cotten commented that having the bill introduced and brought before the Committee was partially his fault. He said he recognizes the understanding they had last year; however, the municipalities requested that the Bond Bank come back and ask. There was discussion on the Municipal Bond Bank Authority.

Representative Freeman said the main issue is whether or not it is good public policy for the State to subsidize bond issues for municipalities. He said he is not going to vote for this bill.

Mr. Rose commented the Bond Bank is in an awkward position -- in a sense it has become an advocate of the cities. He commented that Sitka acted in good faith by raising their cap from 8% to 10%, and they still find themselves in a bind. Representative Freeman commented that the Bond Bank becoming an advocate of the municipalities is what bothers him. He said there may be a time when a municipality cannot afford to pay a high interest rate on bonds. He said he thinks that in many cases built in cost of living allowances contribute to inflation, and he is not sure the system is working properly when we try to protect everyone from inflation. He didn't see anything wrong with a community saying we can't afford this right now, so we will have to wait.

Representative Malone asked how many dollars worth of bonds they intended to subsidize. Mr. Rose said the total is a \$6 million subsidy -- \$2 million in Anchorage, \$4 million statewide.

(Tape change HFC 81-12, side 2.)

There was brief discussion on the projects. Representative Rogers commented that, of all the projects, Sitka is the only one that seems to have "a good moral argument" since they did raise their cap.

Chairman Cotten asked if all the bonds would be subsidized at 2.2%. Mr. Rose said 2.2% was an average. He briefly explained.

Chairman Cotten commented on the different types of municipal assistance the Legislature is considering, and he asked if a municipality could use those funds to subsidize the bonds or get a loan. Mr. Rose said no because they can't get around the voter

mandate of paying only 3%. He said they cannot use revenue coming into the city coffers, they must use an external source of funds.

Representative Moss MOVED TO AMEND HB 201 to add a new section 3, to state "The sum of \$2,500,000 is appropriated to the Department of Revenue, Alaska Municipal Bond Bank Authority for the purpose of purchasing a revenue bond issued by the city of Nenana." Representative Malone OBJECTED.

Representative Rogers asked if the Bond Bank normally purchased bonds. Mr. Rose said they generally package them. He said the city of Nenana is a special case. He explained it was decided it would not be possible to market bonds on a national basis because their credit is extremely weak. He said his understanding of the purpose of the amendment is that it would appropriate State money to the Bond Bank for the purpose of purchasing that debt because the national market would not purchase it. He said the purpose is to purchase 10 barges and a tug used to provide fuel to communities up and down the river system. He said if they don't purchase the equipment, and it is lost to them, it will adversely effect the entire river system.

Representative Rogers said he intends to support the amendment but he still opposes the bill.

Representative Adams asked if this was requested and rejected by another standing Committee. Representative Moss said it wasn't considered by the Community and Regional Affairs Committee because they didn't want to take a chance of the bill not passing out of Committee.

(Chairman Cotten left at this time.)

Representative Malone requested further information on the project. Mr. Jack Coghill, Mayor of Nenana, explained the General Services Administration (GSA) directed the Alaska Railroad to divest themselves of the river transportation system effective October 1, 1980. He explained the City of Nenana entered into a letter of intent with the Alaska Railroad where they agreed to pick up the cost under the Municipal Bond Bank Authority and then honor the lease the Railroad has with the Yutana Barge Line. He commented it is a very ambitious project for a community of 500 people to undertake and they don't have the resources to make it a viable situation. Representative Malone asked how many people were served by the Barge Line. Mayor Coghill said they served the whole Yukon River drainage to Fortuna Lodge.

In answer to a question from Representative Malone, Mr. Rose said the Bond Bank would in effect be acting as the State's steward and collecting the debt service on the bonds. He explained if they received the appropriation they would negotiate a bond sale on the city's bonds. Representative Rogers asked if the State would get the money and the interest back and Mr. Rose said yes.

Representative Rogers asked if they didn't appropriate these funds how the people would get their oil. Mayor Coghill said the only way would be to fly the fuel in if this system doesn't work. Representative Malone REMOVED HIS OBJECTION to the bill.

Vice Chairman Freeman OBJECTED. He asked if the outfit made any money. Mayor Coghill said they were in a debt position but they came into the black line two years ago. Mr. Rose said their analysis indicated the debt service would barely be covered. He commented briefly on their analysis, and said they feel fairly confident the revenue can be met. Mayor Coghill commented on the agreement with the Alaska Railroad, and said if they cannot successfully put a contract together there is a major Native Corporation "waiting in the wings".

Vice Chairman Freeman asked why they didn't come directly to the State for a loan instead of going to the Bond Bank. Mayor Coghill explained it was their only vehicle to short stop the sale at that time. He said they had to show they "had something in the churn".

Representative Buchholdt asked if the Native Corporation would operate the system. Mayor Coghill explained if they cannot make arrangements with the now leaseholder and be in an equitable position to pay off the bonds, there is a major Native Corporation that will come in and negotiate with them.

Vice Chairman Freeman said he didn't think the Municipal Bond Bank was the proper way to approach this. He said it seems it will clutter up the Bond Bank with things it was not intended for.

Representative Rogers said it isn't as if they just came in and asked for the money. He said the Bond Bank has examined the project and can handle it; the rate has been worked out for the bonds; and they have a letter of intent and plenty of back up information. He said he didn't think much of the original bill, but he thinks this part is important.

The QUESTION ON THE AMENDMENT was called for. The amendment was approved with five in favor and three opposed.

Vice Chairman Freeman announced a Committee Substitute would be prepared. He said it was not his intention to move the Bill out of Committee today.

ADJOURNMENT

The meeting adjourned at 3:08 p.m.

Tape HFC 81-12, Side 1 #309 to end
Side 2 #001 to 543

CHAIRMAN:
NORMAN J. LEVESQUE

BOARD MEMBERS:
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LEE MCANERNEY
LANCE ANDERSON
CARROLL FADER



601 WEST FIFTH AVENUE
SUITE 430
ANCHORAGE, ALASKA 99501
(907) 274-7366

EXECUTIVE DIRECTOR:
DAVID A. ROSE

ALASKA MUNICIPAL BOND BANK AUTHORITY

February 6, 1981

Representative Sam Cotten
and Members of House Finance
Pouch V
Juneau, Alaska 99811

Dear Sam:

During the last session, the Legislature adopted HB 950am (Chapter 15 SLA 1980) which appropriated funds to Department of Revenue for use by the Bond Bank and the Municipality of Anchorage. Funds were to be used as subsidies to municipal debt in such a manner that long term debt (bonds) would not cost a community more than eight percent interest.

When House Finance Committee passed out HB 950, the Record reflects intent: that the subsidy apply to only seven cities; that the measure was taken to assist cities many of which were restrained by voter mandated interest limits; and that subsidy legislation would be provided on a one-time basis.

Subsequent to the appropriation and expenditure of funds, inflation and poor economic conditions have continued and the long term bond market has deteriorated. General obligation bonds currently market at about 10% interest rates while revenue bonds will sell at about 11%. It is clear that our people must pay the cost in terms of either taxes or utility bills. I have been approached by several cities requesting that I reopen the question with your Committee and inquire as to whether it might reconsider its position and sponsor legislation continuing the subsidy for another year.

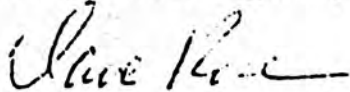
Cities requesting assistance which did not benefit from the program last year are: the City of Fairbanks (utilities), City and Borough of Juneau, City of Homer and City of Nenana. Cities which did benefit last year and wish assistance again this year are City and Borough of Sitka and the Municipality of Anchorage (general government and utilities). I am sure that other cities, unknown to us at this time, will also want to take advantage of the program if it is continued.

Attachment

3/5/81

Sam, I believe that cities willing to bond to raise money--rather than ask for State handouts for everything--be rewarded with some interest rate subsidy assistance. If you agree, I would appreciate Committee introduction of the attached legislation.

Warm personal regards,



David A. Rose
Executive Director

cc: Mayor Bill Overstreet, Juneau
Mayor Jack Coghill, Nenana
Mayor George Sullivan, Anchorage
Administrator "Rocky" Cutierrez, Sitka
Manager Larry Farnen, Homer
Manager Wally Droz, Fairbanks
Ms Ginny Chitwood, Ak. Municipal League

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601 WEST FIFTH AVENUE
SUITE 430
ANCHORAGE, ALASKA 99501
(907) 274-7366

EXECUTIVE DIRECTOR:
DAVID A. ROSE

ALASKA MUNICIPAL BOND BANK AUTHORITY

February 6, 1981

FACTS:

Inflation and adverse national economic conditions have severely affected the long term debt (bond) market.

The 20 Bond Index, the national standard which indicates the interest rate level of bonds purchased, is presently 9.90.
The 30 Utility Index is presently 10.84.

Alaska credits, except for Anchorage, are rated by national bond rating services (Moody's and Standard & Poor's) at "A" or below. Many municipalities are unrated. With these ratings, general obligation bond interest rates will approximate the 20 Bond Index or will exceed it. Revenue issues will approximate the 30 Utility Index.

PROBLEM:

Alaskan cities willing to issue debt within their respective debt capacities cannot afford rates in excess of eight percent without an adverse affect on either taxation or utility rates.

Several issues of bonds have been held in abeyance in hopes that interest rates would fall. Cities cannot wait any longer without placing their summer construction season in jeopardy.

Several cities must issue debt now and cannot wait for subsidy legislation to be enacted. It is hoped that if subsidy is furnished it can apply retroactively to January 1, 1981.

ASSUMPTION:

The State wishes to assist its municipalities who demonstrate the willingness to assist themselves by issuing debt to fund local capital improvement projects.

ALTERNATIVE SOLUTIONS:

1. Do nothing.
2. Fund all projects directly out of the General Fund as grants. (Cost \$60,000,000).
3. State purchase bonds issued by the Bond Bank or a municipality at the 8 percent level. Hold the bonds in the State portfolio for resale when the market improves.
4. Direct the Bond Bank to sell its bonds at market and have the Bond Bank purchase municipal debt at the 8 percent level. Appropriate the differential to the Bond Bank.

DISCUSSIONS:

1. Alternate 1 ignores the problem.
2. Alternate 2 is rejected as too costly to the State. Municipalities have the debt capacity and their citizens have indicated the willingness to bear the debt burden.
3. Alternate 3 is rejected as a poor investment of the State funds. Emergency subsidy can be provided without either temporary or long-term use of \$60,000,000.
4. Alternate 4 is preferred as it uses the least amount of State funds and fully solves the problem. The Bond Bank would utilize \$6,000,000 to provide the full subsidy required for the life of the bonds on a total of approximately \$40,000,000 in bonds.
5. Funds not utilized for subsidy (dependent on market improvements) during period January 1, 1981-June 30, 1982 would lapse.
6. Municipal bonds would be purchased at the 8 percent level. This would apply both to general obligation and revenue debt.
7. Action in this matter, in a timely manner, is essential as the inability to raise funds for construction will delay projects and result in further inflated costs. While bonding costs are \$60,000,000, total construction is much higher as other State and Federal funds are being used--contingent on the availability of local funds.

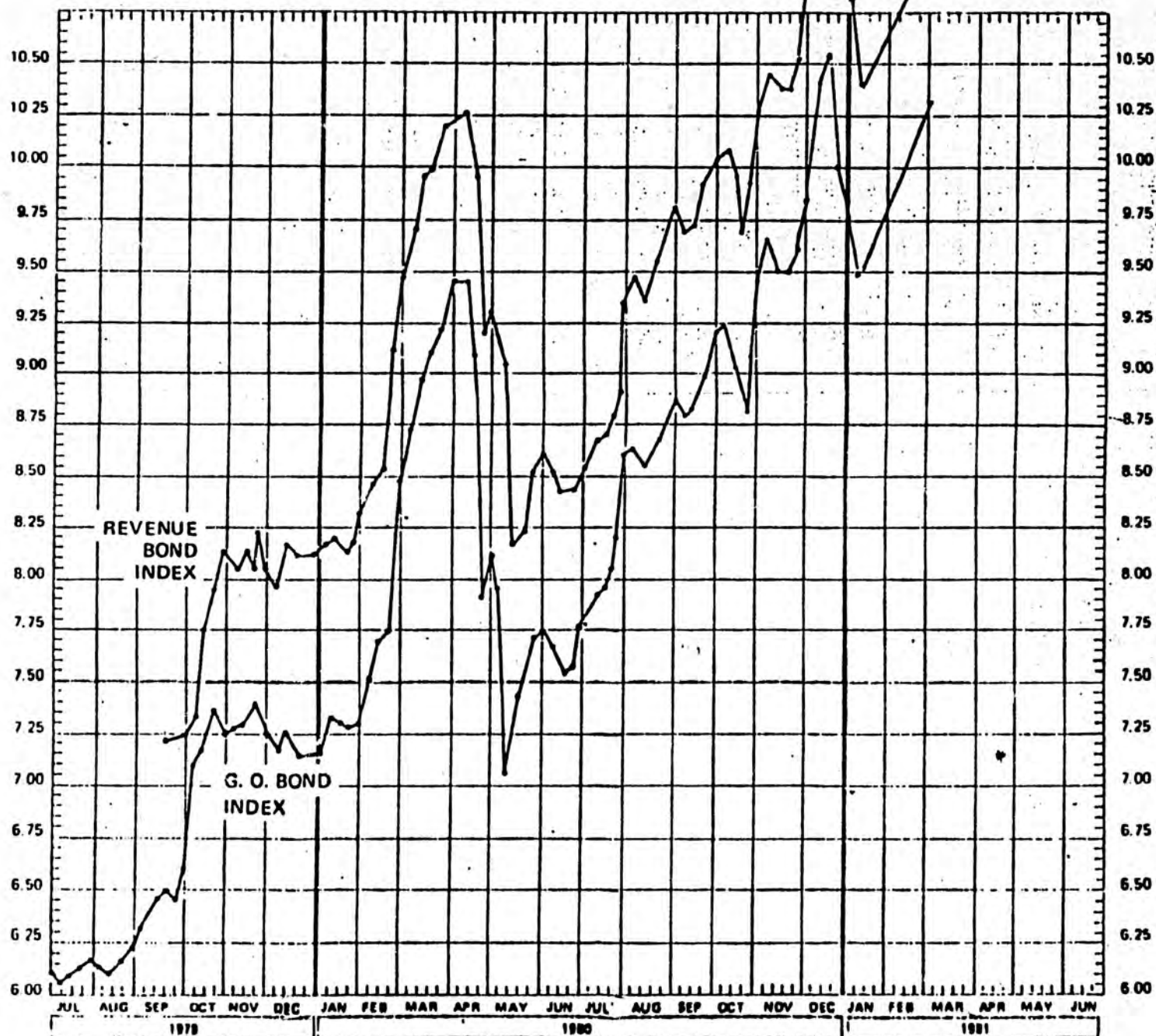
RECOMMENDATION:

1. That the sum of \$6,000,000 be added to the Bond Bank Statutory Reserve Fund through supplemental appropriation.
2. That the sum of \$3,000,000 be made available to Anchorage, separate from the Bond Bank.
3. That the Bond Bank sell its bonds at prevailing market rates. That proceeds be used to purchase municipal bonds in the approximate amount of \$40,000,000; and Anchorage be provided subsidy for approximate issue of \$20,000,000.
4. Draft legislation is attached hereto.

D. Rose/Feb.6, 1981

federal borrowing.

BOND BUYER'S INDEX OF MUNICIPAL INTEREST RATES



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3/5/81