

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2792

\$500.0 for OCS studies to the Council on Science and Technology, p 326, of the NRMEC BUDGET CATEGORY. There was no objection.

GENERAL GOVERNMENT BUDGET CATEGORY

Representative Malone said the funding level is already somewhat less than the Governor's level in the Department of Policy Development and Planning (DPDP). He said they are going to have to rely on some word from the DPDP. Chairman Cotten asked the four-member subcommittee to work with the Department in developing some recommendations.

UNIVERSITY OF ALASKA BUDGET CATEGORY

Representative Rogers said they were requested to come up with a level of funding that might be more acceptable. He said they came in with a figure 15.8% above FY 81 (see Attachment 3).

Representative Rogers pointed out an error in the Legislative Additions. He said \$62.5 should have been added for Anchorage and \$62.5 for Fairbanks for the Alaska Hockey Invitational Tournament. He said they did accept the budget amendment in program receipts. Representative Rogers briefly explained the handout, and said they are 9.7% below the regents request and over the Governor's request by about \$5 million. There was brief discussion on the subcommittee recommendation.

Representative Rogers moved and asked unanimous consent that the subcommittee's recommendations for the UNIVERSITY BUDGET be accepted. There being no objection, it was so ordered.

Chairman Cotten advised the UNIVERSITY BUDGET CATEGORY is closed.

NATURAL RESOURCE MANAGEMENT (NRMEC) BUDGET CATEGORY

Chairman Cotten commented on the inequity in the distribution of funds to the various aquaculture associations. Representative Rogers moved to add \$50.6 for the Lower Yukon Kuskokwim Aquaculture Association and \$299.0 to the Northern Southeast Regional Aquaculture Association for coho/king salmon lake fertilization. There was no objection.

Chairman Cotten asked if there were any objection to CLOSING THE ENTIRE OPERATING BUDGET. There being no objection, Chairman Cotten pronounced the OPERATING BUDGET CLOSED.

ADJOURNMENT

The meeting adjourned at 5:30 p.m.

Tape HFC 81-74, Side 2, #200 - End
HFC 81-75, Side 1, #001 - End
Side 2, #001 - End
HFC 81-76, Side 1, #001 - #382

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF — STATE CAPITOL

JUNEAU 99801

MEMORANDUM

DATE: May 5, 1981

TO: Honorable Sam Cotten, Chairman
House Finance Committee

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

SUBJECT: CSHB 487 (Finance)

CSHB 487 (Finance) relating to AIDA and AHFC does the following:

BILL SECTIONS AHFC

- | | |
|---------------|---|
| 1,3,5 | 1. includes triplexes and fourplexes within the category of owner-occupied residences eligible for 9% or 10% loans; |
| 1,3,5 | 2. provides loans for purchase of condominium housing in dwellings with more than four units at 10% (veterans purchases of condominiums units are 9%) on the first \$90,000; |
| 1,3-6 | 3. provides loans for purchase, construction, or rehabilitation of cooperative housing at 10% on the first \$50,000 per unit; |
| 1,3,4,
5,7 | 4. provides loans for construction or rehabilitation of multi-family rental housing with more than four units at an 11% interest rate on the first \$50,000 per unit if the rental vacancy rate is below 5% and if the loan has 10% bank participation; |
| 3 | 5. limits the loan amount for multi-family cooperative or rental housing to \$75,000 per unit or \$1,500,000 per project; |
| 2 | 6. authorizes mortgage pass-through certificates; |
| 8 | 7. allocates \$200 million in tax-exempt bonding authority to AHFC which may reallocate amounts to municipalities; |

1030

AIDA

- | | | |
|----------------------------|-----|---|
| 9,10,12
17-20,
21-28 | 8. | adds expansions, timber, and agriculture to the authorized AIDA loan purposes; timber and agriculture loans are limited to \$1 million; |
| 14,16 | 9. | gives AIDA discretion in deciding whether to establish a loan insurance account and whether to attach a moral obligation of the State to make up any deficiencies to any bond reserve funds it creates; |
| 11 | 10. | disallows working capital and inventory loans; |
| 15 | 11. | disallows subsidized interest rates on loans purchased with AIDA assets; |
| 29,30 | 12. | authorizes \$647 million in AHFC bonds and \$230 million in AIDA bonds; |
| 13,31 | 13. | eliminates AIDA application fees; limits AIDA commitment fees to 2% of the loan amount. |

MB:vsw

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

Honorable Sam Cotten
May 4, 1981
Page 2

AIDA

- | | | |
|----------------------------|-----|---|
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MB:vsw

MEMORANDUM

To: Members, House Finance Committee
From: House Task Force on Violent Crime
Subj: Task Force Recommendations
Date: May 6, 1981

I. Operating Budget Add-On's Proposed by the Task Force

1. Law Enforcement Officer Training	\$269,025
2. Judges Training	50,000
3. Anchorage Police Pilot Projects	473,360
4. Sexual Assault Prosecution	661,860
5. Victim/Witness Assistance	275,927
6. Pre-Trial Diversion	350,409
7. Public Education	530,000
8. Corrections	<u>122,527</u>
TOTAL	\$2,773,110 *

II. Other Budget Proposals Endorsed by the Task Force

1. Additional Trooper Investigators
2. AFINA
3. VPSO
4. Alaska Network on Domestic Violence
5. Alcoholism Grants
6. University Within Walls
7. Child Abuse Treatment and Prevention Programs such as the Anchorage Child Abuse Board and the Fairbanks Child Protection Task Force
8. Early Intervention Programs for Juveniles such as Family Connection

III. Legislation Sponsored by the Task Force

1. A bill to repeal AS 11.41.210 (a) (1) which allows persons to resist or interfere with an unlawful arrest
2. A bill to prohibit post-conviction bail for violent felony crimes
3. A bill to remove the possibility of using intoxication as a defense to intentional conduct requirements of an offense involving violence to persons

4. A bill to allow the alternative of video-taped testimony of minor rape victims or closed court proceedings during the examination and cross-examination of minor rape victims
5. A bill to make it easier for victims of domestic violence to obtain temporary restraining orders against offenders
6. A bill shortening the hours of the day during which persons may be present or alcoholic beverages sold or consumed on licensed premises

IV. Legislation Sponsored by Others Endorsed by the Task Force

1. CSSB65: Remedial amendments to last year's local option law designed to eliminate legal obstacles to village prohibitions against the sale, importation and consumption of liquor
2. CSSB89: A bill to expand the reporting requirements mandated in Alaska's Child Protection Law to require the reporting of victims of mental abuse and sexual exploitation
3. CSHB287: Remedial amendments to Alaska's Domestic Violence Law

V. Other Recommendations

1. Propose House Resolution to extend the term of the House Task Force on Violent Crime
2. Study the adequacy of existing penalties for violent crimes
3. Study the feasibility of establishing a bail schedule for violent crimes in the law and prohibiting OR bail for violent crimes
4. Study the feasibility of establishing in law a preference for violent crime cases in court calendaring

FY 82 UA BUDGET

ITEMS DELETED FROM BOR BUDGET

Regents/SW Admin

#134	Increased Program Support	47.4
#135	Program/Budget Analyst	55.1
#167	Program Review/Evaluation	100.0
UNIT TOTAL CUTS		<u>202.5</u>

UAF

#121	Administrative Services - Property Control	59.1
#145	Relocation & Recruitment (partial: Funded 65.0)	50.0
#168	Admissions & Reconds - Clerks	53.3
#169	KUAC-TV Programming	11.9
#177	Speech & Drama - Assistant Professor	34.9
#197	Cross-Cultural Ed. Development pgm (Partial: Funded 150.0)	~~157.7~~ 307.7
UNIT TOTAL CUTS		~~366.9~~ 524.6

Org. Res.

#60	Climatic Chamber Repairs (to capital budget)	28.0
#69	Ecological/Meteorological Equip Pkg (to capital budget)	23.0
#104	Census Center -Assoc. Prof. & Support (ISER)	38.5
#178	Cross Cultural Doctoral Research Training	44.8
#190	Seafood Science Research Faculty & Support	68.7
#198	Fisheries Oceanography -Assoc. Prof. (IMS)	29.8
UNIT TOTAL CUTS		<u>236.9</u>

UAA

#124	Accountng Office Sercretary	25.1
#147	Admissions & Records - Clerical Staff & Support	64.9
#182	Faculty Governance - Program Support	22.6
#189	Admissions Recruitment Program - Counselor	55.3
#191	Arts & Sciences - Faculty Clerical Staff	23.4
UNIT TOTAL CUTS		<u>215.9</u>

ACC

#126	Equipment Replacement - Vehicles	20.0
#194	Police Academy	32.0

Chukchi All but 30.6 to heat buildings 671.4 G.F.

CCRE #199 Institutional Studies Office 60.4

TVCC #95 Para-Professional Counseling 46.0

Ket CC #117 Curriculum Development 51.4

KPCC #150 Trade & Industrial Equipment Replacement (To capital budget) 5.0

CC's TOTAL CUTS 886.2

TOTAL ALL BOR CUTS ~~1,908.4~~ G.F.

2,766.1

1024

FY 82 UA BUDGET

ITEMS DELETED FROM REGENT'S BUDGET Page 2

Regents/SW Admin.

Reduce General Funds & Increase Other funds for interest income	285.0
CIP Conversions - Split G.F. & Project Funds	124.2

UAJ

Travel & Recreation Program	46.8
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ACC

Department of Public Safety Officers - Delete one position	34.6
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CC Admin

ACCFT Contract Additional Costs (to HB 298)	982.5
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TOTAL THIS PAGE	1473.0
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TOTAL DELETED FROM BOR BUDGET	~~3281.5~~ 3539.2
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UA STATEWIDE FY 82
LEGISLATIVE ADDITIONS

BRU	TITLE	TOTAL COST
UAF	Additional Library Hours	33.2
	Home Economics Teacher Training	75.0
	Phys Ed. Support Staff, Coaches, Gym Staff	107.1
	Engineering Program Support	226.1
Org. Res.	Permafrost Conference	25.0
UAA	Intercollegiate Athletics	79.4
CC Admin.	Statewide Petroleum Extension Program	233.0
	Instructional TV Production	115.0
ACC	ACC Women's Center Support	96.5
	Eagle River Extension	13.0
	Community Outreach Program	110.0
Ket. CC	Marine Cadet Program	60.0
Kod. CC	Library Aide	5.4
Kus. CC	Yupic Translation of Constitution Phase II	56.0
MSCC	Instrucional Materials	8.0
Rural Ed.	Bilingual Materials Center Support	500.0
Coop. Ex.	Food Preservation Training	22.8
	Small Farm Program Media	5.0
	Samll Scale Livestock Development	21.6
	Reindeer Agent	78.4
TOTAL		1870.5

1006

Attachment 3

5-6-81

hf0507811355

HOUSE FINANCE COMMITTEE

May 7, 1981

1:55 p.m.

(Tape HFC 81-76, side 1 #352.)

PRESENT

All Members of the Committee were present except Representative Malone. (Representative Meekins arrived later in the meeting.) Present to testify were: Representatives Jack Fuller and Mike Miller; Dick Engen, Director, Division of Libraries, Department of Education; and Jana Varrati, Network on Domestic Violence & Sexual Assault.

HJR 17

Chairman Cotten called the meeting to order and brought HJR 17 up for consideration.

HJR 17 -- "Relating to an amendment to the Constitution of the United States which would require that total federal appropriations not exceed total estimated federal revenues in a fiscal year in the absence of a national emergency."

Representative Rogers presented the following LETTER OF INTENT for HJR 17:

The Finance Committee has reviewed HJR 17 on the merits of the constitutional amendment to balance the federal budget. The Finance Committee requests the Judiciary Committee to consider the effect of a federal constitutional convention as requested on page 2, lines 6 through 12, the question of whether a federal constitutional convention can in fact be limited as to subject matter, and the applicability and effect of the resolved clause on page 2, lines 16 through 18.

Representative Rogers MOVED AND ASKED UNANIMOUS CONSENT that HJR 17 be reported out with the "Letter of Intent" AND with a further referral to the JUDICIARY COMMITTEE. There being NO OBJECTION, it was so ordered. HJR 17 was reported out with a "do pass" recommendation.

HB 92

The next bill to be considered was HB 92.

HB 92 -- "An Act relating to library assistance grants; and providing for an effective date."

Representative Buchholdt said she checked with the State Library for additional information on the subject and they sent her a

Memo outlining which libraries would be covered under the bill (see attachment #1). She said the bill has a fiscal note of just over \$1 million.

Representative Buchholdt said another concern in Education is the museums. She presented a proposed CS for HB 92 which would include grants for museums. She said the fiscal note for the addition of museums would be about \$500.0.

Mr. Dick Engen, Director, Division of Libraries, said the Memo presented by Representative Buchholdt explains what has happened with funds in the past. There was discussion on the differences between regional resource, regional research and area center libraries. Mr. Engen explained the basic difference is in size.

Representative Montgomery asked why the "potential area centers" have been limited to the ones in the Memo. Mr. Engen said those are the communities that, over a period of years, have indicated an interest in providing services to a larger area than their local taxing jurisdiction. He said these are examples of communities that have indicated an interest.

(Tape change, HFC 81-76, side 2.)

Chairman Cotten appointed Representatives Montgomery and Freeman to a subcommittee to review HB 92, and to see if it would be necessary to introduce a special appropriations bill since the bill would be establishing a grant fund.

HCS CSSB 321 (fin).

HCS CSSB 321 (fin) -- "An Act making, amending, adjusting, and repealing appropriations and extending lapse dates on certain appropriations; and providing for an effective date."

Chairman Cotten advised this bill would be brought up on the House Floor today. He said he has two amendments to the bill which follow the same guidelines as the original material in the bill (see attachments #2 and #3). Chairman Cotten advised attachment #2 was offered by Representative Gardiner. He explained he tried to get this taken care of when the Bill was in Committee, but he wasn't able to get the information in time.

Chairman Cotten said his intent would be to offer these two amendments as Finance Committee amendments and request that no other amendments be offered on the Floor. Representative Rogers said he OBJECTED to the Fish and Game amendment, and he requested that Chairman Cotten hold off in offering that Amendment for one hour so he could have an opportunity to get additional information from Fish and Game. Chairman Cotten agreed.

HB 334

The next bill to be considered was HB 334.

HB 334 -- "An Act making special appropriations for village safe water facilities, solid waste facilities, and water and sewer systems; and providing for an effective date."

Chairman Cotten presented the House Finance CS which he said includes the changes he and Representative Adams have agreed upon. Representative Adams briefly explained the changes.

Chairman Cotten MOVED AND ASKED UNANIMOUS CONSENT that this CS be adopted in lieu of the CS adopted at yesterday's meeting. He said the fiscal note is \$2 million less. There being NO OBJECTION, it was so ordered.

RECESS

Chairman Cotten called for a recess at 2:30 p.m., and recalled the meeting to order at 2:40 p.m.

HB 243

The next bill to be considered was HB 243.

HB 243 -- "An Act relating to the Alaska National Guard and Naval Militia; and providing for an effective date."

REPRESENTATIVE FULLER, District 22, Nome, advised there is an identical bill (SB 54) in State Affairs that has already passed the Senate.

Representative Fuller briefly explained the first section of the bill and said the total projected cost for that section is between \$2,000 and \$3,000 annually. He said the second section of the bill is the most important. He said it is designed to protect the enlisted members from financial loss. He explained the bill provides that \$65 per day be paid when there is a disaster in the state and Guard members are called out to active duty. He explained there is no fiscal note to the bill unless there is a disaster, and then the funds come out of the contingency fund of the Governor.

(Representative Meekins arrived at this time.)

Representative Rogers asked what they are getting now. Representative Fuller said there are getting \$12 a day. He commented further.

Chairman Cotten suggested deferring action on this bill until the Committee received the bill passed by the Senate and currently in House State Affairs. There was no objection. HB 243 was HELD IN COMMITTEE.

HB 279

The next bill to be considered was HB 279.

HB 279 -- "An Act relating to state aid for school construction."

Chairman Cotten said he was not ready to move the bill at this time; however, the Committee would take testimony.

Representative Carney said essentially the bill is designed to provide up front funds for debt service. He said the bill has the state paying not only 100%, but also paying it when it is due, not 2 years down the road. He advised in the past there has always been a shortage in this appropriation -- the state paid about 50% of the entitlement this year. Representative Carney said there is a substantial impact to his proposed amendments to the bill.

Representative Rogers said the fiscal note on the bill is incorrect. He said the 20% payment is the incremental effect of the bill; the 80% is already being paid by the state. He said he believes the costs of the bill is \$20 million for the first year, plus \$12 million a year, plus a lump sum payment. He suggested that because of the size of the fiscal note that they put a year's delay on the effective date. There was discussion.

Chairman Cotten appointed Representatives Carney and Rogers to a Subcommittee to consider the fiscal note and committee substitute for HB 279, and report back to the full committee with their recommendation.

RECESS

Chairman Cotten called for a recess at 3:00 p.m. and recalled the meeting to order at 3:15 p.m.

HB 6

The next bill to be considered was HB 6.

HB 6 -- "An Act relating to historical districts and to loans qualifying under the Historical District Loan Act; and providing for an effective date."

REPRESENTATIVE MILLER, District 4, Juneau, said this bill is "only housekeeping". He explained at the present time a municipality sets up a historical district and building owners are eligible for historical district loans at 6% interest. He said the legislation wasn't intended to limit them to one district to a town, and this bill makes it clear that a community may have more than one district. Representative Miller said at the present time there is a \$100.0 limit on the state's participation for a loan, and this bill raises it to \$250.0.

Chairman Cotten asked if there was any money in the fund. Representative Miller said no. There was brief discussion.

Representative Rogers MOVED AND ASKED UNANIMOUS CONSENT that HB 6 be reported out of Committee. There being NO OBJECTION, it was so ordered. HB 6 was reported out with a "do pass" recommendation.

HB 91

The next bill to be considered was HB 91.

HB 91 -- "An Act relating to domestic violence, sexual assault, and adult crisis intervention programs."

MS. JANA VARROTI, Network on Domestic Violence and Sexual Assault, explained this bill is the enabling legislation to set up a Council on Domestic Violence and Sexual Assault. She said by setting up the Council they hope to create a focus on the problem.

Chairman Cotten asked if the Council would be the state agency to monitor proposals and administer the grants. Ms. Varroti said that was correct.

Representative Rogers commented the State has not had any statistics on which to base its level of appropriation by community. He said this should help them to gather statistical information.

Representative Rogers said he did have some concerns about the HESS CS. He said it may be unconstitutional in that it requires a person to say they have been a victim of domestic violence. He also said he believes the departments should have a vote, since it is their Department. Representative Rogers presented a proposed Finance CS correcting these two items.

Representative Rogers MOVED AND ASKED UNANIMOUS CONSENT that CSHB 91 (fin) be adopted. There being NO OBJECTION, it was so ordered.

Representative Rogers said the Department of Public Safety submitted a fiscal note totaling \$495.0, adding six positions. He said he has prepared a reduced fiscal note to three full time and one part time positions totaling \$257.4. He commented briefly on the fiscal note.

Representative Rogers MOVED AND ASKED UNANIMOUS CONSENT that CSHB 91 (fin) be reported out with the \$257.4 fiscal note. Representative Meekins said he objected to the fiscal note. There BEING NO OBJECTION, CSHB 91 (fin) was reported out with a "do pass" recommendation.

(Tape change. HFC 81-77, side 1.)

ADJOURNMENT

The meeting adjourned at 3:35 p.m.

Tape HFC 81-76, side 1 #382 to end
 side 2 #001 to end
HFC 81-77, side 1 #001 to 019

MEMORANDUM

HB 92
State of Alaska

TO: Representative Thelma Buchholdt
Alaska State Legislature

DATE: May 4, 1981

FILE NO:

TELEPHONE NO: 465-2910

FROM: Margaret Leibowitz ML
Deputy Director
Alaska State Library

SUBJECT: LIBRARY NETWORK ORGANIZATION

Regional Resource Libraries

Anchorage Municipal Libraries - Z.J. Loussac Branch
Interlibrary loan - 5 year total, \$184,650 (Anchorage space has been so limited no other regional service is provided.)

Fairbanks North Star Borough Library - Noel B. Wien Library
Northern Region Library Services - 5 year total, \$295,131
(includes mail service, film circuit, paperback service, long loans, interlibrary loan, collection development)

Juneau Municipal Libraries - Juneau Memorial Library
Phonorecord Loans - Southeast Planning, film circuit, collection development - 5 year total, \$20,912 (Juneau's space also limits regional services at present)

Regional Research Libraries

E.E. Rasmuson Library, University of Alaska, Fairbanks
Special project grants - Periodicals, list etc., 5 year total, \$12,300. Participates in network activities.

University of Alaska, Anchorage, Library
No grant since 1975. Participates in network activities.

Alaska State Library
Not eligible for the grants - basic program is all related to the services of the network.

Area Center Libraries

Nome- Kegoayah Kozga Library - library staff, collections and services for 7-18 communities in the surrounding area. 5 year total, \$92,074.

Bethel - Kuskokwim Consortium Library - library staff, collections and services for 9-12 communities in the surrounding area. A new project this year with a Legislative grant and with \$16,000 from the State Library.

Potential area centers are Kodiak, Ketchikan, Sitka, Dillingham or Naknek. So far only Kodiak has indicated a strong interest. Boroughs such as Kenai Peninsula, North Slope, and Matanuska-Susitna are also potential recipients if projects are for activities which benefit both local and statewide library services.

Attachment #1

May 4, 1981

MEMO TO: Representative Thelma Buchholdt (continued)

FROM: Margaret Leibowitz, State Library

Allocation of funds:

The Interlibrary Cooperative Assistance grants would necessarily be dependent on the services provided. Since Fairbanks provides all regional services, it would receive a minimum of \$78,000 if it continued to do so. Both Anchorage and Juneau will be able to increase services when they have new headquarters. In the meantime alternate locations might provide some regional services or the services might be improved by collection development, automation or other factors that affect regional services.

The Research libraries need support of their strong participation in interlibrary loan and in developing special access tools such as newspaper indexes and serials lists which can be used statewide. In the event of a Capital move an alternate Southeast Research Library will have to be selected and assisted.

Because the regulations need to be developed with the assistance of librarians, users, Advisory Council and the State Board of Education, I hesitate to say exactly how the money will be allocated. Project proposals will be evaluated for both short and long range benefit to the whole Alaska Library Network. The initial figures were estimated at

\$50-70,000 for each Regional Resource Library with the remaining amount for special emphasis projects at one or more of the three

\$60,000 each for the two Research Libraries and the remaining amount for special emphasis projects at these or other libraries with special collections

\$25,000 for Area Center libraries plus special projects.

For example of a special project - Kenai Community Library is preparing work sheets to add its collection records to the Washington Library Network so that the materials will be available for interlibrary loan. Some assistance in staff salaries would allow them to proceed quickly.

Attached is the 1969 Summary Report of Library Services for All Alaskans, A Statewide Library Development Plan.

If you have other questions, please let me know.

1 * Sec. _____. (a) Sec. 9, ch. 204, SLA 1972, Page 29, Kasilof River
2 Wier \$15,000 is repealed.

3 (b) Sec. 11, Ch. 153, SLA 1977, page 54, line 24 is amended to
4 read:

5 Starrigavan Esturine Pen Rearing Expansion [341,100] 254,655.

6 (c) Sec. 24, Ch. 80, SLA 1979, page 64, line 8 is amended to
7 read:

8 King Salmon Drainage Repair (E.D. 16) [39,500] 29,789.

9 (d) Sec. 19, Ch. 279, SLA 1976, page 39, is amended to read:

10 Fairbanks Regional Office Generator [22,300] 7,050

11 (e) Sec. 286, Ch. 50, SLA 1980, page 57, line 20 is repealed.

12 (f) The sum of \$226,406 is appropriated from the general fund to the
13 Department of Fish and Game, Commercial Fisheries Entry Commission for a
14 permit application backlog reduction project.
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AMENDMENT

OFFERED IN THE HOUSE:

By: Hurlbert

To: HCS CS HOUSE BILL No. _____

SENATE BILL No. 321 (fin) :

PAGE: 12

LINE: between lines 8 & 9

ADD A NEW SECTION 32 TO READ:

Section 5, Ch. 118, SLA 1980, page 1, lines 2 through 4
are amended to read:

Alakanuk roads construction 450,000

[Alakanuk road, planning and
engineering, right-of-ways,
utilities]

Chapter 118

1	and resurfacing		620,000
2	Alakanuk road, planning and		
3	engineering, right-of-ways,		
4	utilities		450,000
5	Unalakleet road	Unalakleet	500,000
6	Road paving, reconstruct airport		
7	to Louse Town Slough road and		
8	bicycle trail	Bethel	2,500,000
9	Mountain View Drive - reconstruct		
10	from E. 5th to Commercial		
11	Drive	Anchorage	1,500,000
12	Hiland Drive - gravel upgrade	Anchorage	1,000,000
13	Bragaw construction, O'Malley		
14	to Huffman	Anchorage	1,750,000
15	Hillside Drive paving and grade		
16	improvement, O'Malley to		
17	Abbott	Anchorage	1,000,000
18	Steese bicycle path	Fairbanks	90,000
19	Local service roads and		
20	trails	South Anchorage	1,000,000
21	Main Tree Street - Valleyview	Anchorage	350,000
22	Skylane - Mt. View Drive -		
23	surfacing	Fairbanks	650,000
24	Portage - Whittier Bud car rail		
25	project		375,000

(b) The appropriations for projects made in this section may be reappropriated among the projects by law.

* Sec. 6. The sum of \$5,204,300 is appropriated from the "1980 Transportation Construction Fund" to the Department of Transportation and Public Facilities

ties to be allocated in accordance with the following subject to reallocation between projects in accordance

Project

AVIATION

- Central region aviation
- Interior region aviation
- Southeast region aviation
- Western region aviation
- Homer airport
- Chignik Lagoon runway
- Big Lake airport runway
- Levelock runway
- Skagway runway

* Sec. 7. (a) The sum of \$7,190,000 is appropriated from the "Transportation Construction Fund" to the Department of Transportation and Public Facilities in the amounts and for the purposes

Project

AVIATION

- Nuiqsut airport - Phase I
- Circle Hot Springs airport
- Emmonak airport - Phase I
- Moosah airport

(b) The appropriations for projects made in this section may be reappropriated among the projects by law.

* Sec. 8. The sum of \$9,544,700 is appropriated from the "Transportation Construction Fund" to the Department of Transportation and Public Facilities to be allocated in accordance with the following subject to reallocation between projects in accordance

Project

HOUSE FINANCE COMMITTEE

May 8, 1981

8:10 a.m.

[Tape HFC 81-77, Side 1, #027]

PRESENT

Chairman Cotten called the meeting to order at 8:10 a.m. All members of the Committee were present, except Representatives Adams, Malone, Meekins and Moss. Also in attendance: Representative Mike Miller, chairman, House State Affairs Committee; Cherie Shelley, Executive Director, Alaska Public Employees Association; Robert Manners, National Education Association/Alaska, Inc.

Chairman Cotten advised the first order of business was consideration of HB 121:

HB 121 - "An Act requiring annual adjustments under the teachers' and public employees' retirement systems; and providing for an effective date."

Representative Miller presented testimony, addressing his remarks to the State Affairs CS for HB 121. He explained how the original bill was expanded to include the Judicial Retirement System and National Guard benefits.

(Representative Freeman left the meeting.)

Representative Miller advised the last half of the bill is a housekeeping measure, noting there is no policy involved in the pension provision--merely a revision of the statutes. He explained the fiscal note, indicating the cost-of-living adjustment has been scaled back as far as he feels it can be. He stated he wouldn't like to see it cut back any further.

(Representative Freeman returned to the meeting.)

Chairman Cotten wondered how Alaska's retirement systems compare to other states. Representative Miller indicated he feels Alaska is one of the top three. Some states do have Post-Retirement Pension Adjustment (PRPA), he commented. He added he feels doing this in measured, calculated amounts is the right way to do it.

Representative Montgomery complimented Bob Manners on the good job he has done "in cranking this up to 7%". He stated he feels the Alaska Teachers' Association deserves credit.

Representative Carney referred to page 3 of the CS which "lumps the disabled in with everyone else". Representative Miller advised this was put in at the request of Alaska Public Employees Association (APEA) and leaves them exactly where they are right

not--apparently at 50%. He commented he too wondered why they weren't upped. Cherie Shelly, APEA, responded they don't receive anything till age 55.

(Representative Rogers left the meeting.)

Chairman Cotten brought HB 118 up for discussion:

HB 118 - "An Act relating to the teachers' retirement system; and providing for an effective date."

Representative Buchholdt, prime sponsor of the bill, explained the change in eligibility requirements is basically citing a different section of the statutes and involves Department of Education and University of Alaska employees.

At this time, Bob Manners, NEA, testified that essentially what this does is open up the access for retirement at an early age but requires that a teacher must have at least 20 years of credited service and at least 10 years of membership service. He recognized the need to look at PRPA as addressed in HB 121.

Representative Rogers wondered if a teacher who taught in Washington could count that. Representative Montgomery indicated yes, but the teacher would have to buy in. As of 1978, Mr. Manners responded, they have to pay the full share.

Chairman Cotten stated it was not his intent to move either of the bills out today, but asked Mr. Manners to indicate his preference. "We would love to have them all," but "HB 121 is probably higher on our priority list," observed Mr. Manners.

Representative Buchholdt referred to a provision in Title 14.25.110(a) that says you don't have to have 25 years if you have 20 years of credited service and 10 years of membership service. "Even the Peace Corps and VISTA still are eligible," she said.

HB 118 and HB 121 HELD

SSHB 9

Chairman Cotten advised the final bill to be considered this morning is SSHB 9:

SSHB 9 - "An Act relating to departments and programs of state government which are concerned with energy; and providing for an effective date."

Representative Rogers, co-sponsor of the bill with Representative Buchholdt and chairman of the Subcommittee on Energy, presented an overview the proposed Finance Committee Substitute for SSHB 9 and indicated there are several amendments. He advised the bill relates to SB 43B, alternative energy program, of last year. He provided a brief sectional analysis. Among the provisions

included, he advised, are an energy audit program, expansion of the powers of the Alaska Power Authority and Department of Community and Regional Affairs.

(Representative Montgomery left the meeting.)

ADJOURNMENT

The meeting adjourned at 8:55 a.m.

Tape HFC 81-77, Side 1, #027 - #708

HOUSE FINANCE COMMITTEE

May 11, 1981

3:15 p.m.

(Tape HFC 81-77, side 1 #708)

PRESENT

All Members of the Committee were present except Representative Meekins. (Representative Malone arrived later in the meeting.) Also present were: J. H. Hogan, Director, and Fiscal Analysts Elmer Lindstrom, Jerry Schilz, Alison Elgee, and Bob Grogan, Legislative Finance Division.

HB 50

Chairman Cotten called the meeting to order and brought HB 50 up for consideration.

HB 50 -- "An Act appropriating for the operating and capital expenses of the state government; and providing for an effective date."

Chairman Cotten said he did not intend to make changes to the numbers in the bill; however, there are a number of technical changes that have to be made. He said the Committee approved funding for the Violent Crimes Task Force in the Administration of Justice category, and the money will be split into the proper allocations. Chairman Cotten said in NRMEC there were two appropriations made to specific recipients of grants, and they did not intend to name private contractors. Chairman Cotten said he would have these corrections made in the bill if there were no objection. There being no objection, it was so ordered.

(Tape change, HFC 81-77, side 2.)

Chairman Cotten said the Committee has not yet reviewed the first two pages of the budget bill. He said section 1 refers to capital funds, and he asked Mr. Hogan to explain why. Mr. Hogan explained section 1 is a statement for purposes of reporting the value of these estimates, it is not an appropriation. Mr. Hogan said this is an "historic carry forward". He said they "have to be able to explain to the FAA and the Federal Highway Administration that these two types of funds actually go to the purposes for which we allude, and this is the way it is done." He explained these are not appropriations, they are statements of revenue.

There was discussion on sec. 2 of the bill. Representative Rogers recommended deleting "general funds" and inserting "reserve for emergency operating expenses", so the interest on revenue anticipation notes would come out of the rainy day

account. There was brief discussion. Mr. Hogan said as a matter of fact the state has not used revenue anticipation notes for some time, they have been using bond fund transfers instead.

Representative Rogers MOVED AND ASKED UNANIMOUS CONSENT on page 1, line 17 to delete "general fund" and insert "reserve for emergency operating expenses". There was further discussion.

(Representative Malone arrived at this time.)

Representative Rogers said the intent of his motion is to let the Governor know the Legislature doesn't want him to use notes at all, unless it is an emergency. There being NO OBJECTION, Representative Rogers' motion was accepted.

Chairman Cotten said sec. 3 would allow the Legislative Budget and Audit Committee to receive and reallocate federal and other program receipts above amounts appropriated in this Act. Mr. Hogan explained this language was first included a few years ago as a result of the Kelly vs. Hammond lawsuit. There was brief discussion.

There was brief discussion on sections 4 and 5.

Chairman Cotten asked what Title XX was in section 6. Mr. Hogan said Title XX is the offset in social security. He said it is a lump sum reimbursement for the social services program. Chairman Cotten asked what would happen if this section wasn't put in. Mr. Schilz explained social security is appropriated from the general fund and then Title XX funds come in as an offset. He said \$5.2 million is the total offset for title XX this year. There was further discussion on Title XX.

In answer to a question from Chairman Cotten, Mr. Hogan advised the language in Sec. 7 has been included for the last four years. There was brief discussion.

Chairman Cotten said his recommendation would be to delete all of section 8. Mr. Hogan said this section is the Governor's office saying they do not want to supervise transfers between allocations for the University. There was discussion. Mr. Hogan said this section is a statement by the governor that the Division of Budget and Management will not police the line item movement of the University.

Representative Adams asked if this section was necessary. Mr. Hogan said it wasn't. There was further discussion.

RECESS

A recess was called at 3:45 p.m., and Chairman Cotten recalled the meeting to order at 3:55 p.m.

HB 50

The Committee continued their review of Sec. 8 of HB 50. Representative Rogers MOVED to delete sec. 8 of the bill and replace it with Sec. 22 of last year's bill:

"Notwithstanding the provisions of AS 37.07.080(e), each appropriation of the University of Alaska is subject to reallocation by the university administration under procedures established by the Board of Regents and the division of budget and management. Transfers may not be made between appropriations except as provided in an Act making transfers between appropriations."

There being NO OBJECTION, it was so ordered.

Representative Rogers MOVED AND ASKED UNANIMOUS CONSENT that the Committee rescind their action on page 1 regarding sec. 2 of the bill. There being NO OBJECTION, it was so ordered.

Representative Freeman MOVED AND ASKED UNANIMOUS CONSENT that Sec. 2 be deleted. There being NO OBJECTION, it was so ordered.

Representative Freeman MOVED to add a new sec. 8 as it appears in the Memo from J. H. Hogan dated April 30, 1981:

"Sec. _____. The figures in parenthesis indicating numbers of positions which follow certain program or subprogram names throughout sec. 10 of this Act shall be the total number of permanent full time or part time positions authorized at any one point in time during the fiscal year. The amounts budgeted for personal services within an appropriation are conditioned upon compliance with the requirement that the total number of permanent full time or part time positions shall not be increased during the fiscal year over the numbers shown in parenthesis for program or subprogram units within the appropriation. Additional positions beyond those indicated in parenthesis may be authorized through an appropriated fiscal note or revised program authorizing receipt and expenditure of additional federal or other program receipts approved in accordance with AS 37.07.080(h)."

Representative Rogers OBJECTED. He said they would be able to get additional positions through revised program 45 days after submission to Budget and Audit. He said there has been concern in the past as to whether the University of Alaska position count is accurate. Ms. Elgee said if anything, it has been overstated.

Representative Rogers asked if the intent of the motion was that they could transfer between allocations within an appropriation. Mr. Hogan said that was correct. There was further discussion. Representative Rogers REMOVED HIS OBJECTION. There being NO FURTHER OBJECTION, the motion was ADOPTED.

Chairman Cotten said \$1.4 million was added in the Health budget category for alcohol and drug abuse. Chairman Cotten said his understanding is that would remain, but they should also extend the lapse date. He MOVED to add the following new section:

"Sec. _____. The unobligated and unexpended balance of appropriations in Section 51, ch. 120, SLA 1980, page 36, line 8 (alcohol and drug abuse) and sections 89 and 95 of ch. 50, SLA 1980 lapse into the general fund on June 30, 1982. The amounts carried forward by this section shall be included in the alcohol and drug abuse budget base used to establish the continuation level for the fiscal year 1983 department budget."

There being no objection, it was so ordered.

RECESS

Chairman Cotten called for a recess at 4:05 p.m., and recalled the meeting to order at 4:10 p.m.

HB 50

Representative Rogers MOVED AND ASKED UNANIMIOUS CONSENT that a Finance CS for HB 50 be prepared, incorporating the amendments made at today's meeting and the figures in the operating budget accepted by the Committee, and that CSHB 50 (fin) be reported out of committee. There being NO OBJECTION, it was so ordered. CSHB 50 (fin) was reported out with a "do pass" recommendation.

HB 92

The next bill to be considered was HB 92.

HB 92 -- "An Act relating to library assistance grants; and providing for an effective date."

Regarding the concern raised by Representative Freeman at the last meeting on this bill concerning the definition of various libraries, Representative Buchholdt said that they determined his concerns were not serious at this time because if Ketchikan does develop their resource library they could become a center library for that region. Regarding Representative Montgomery's question concerning the municipal library at Anchorage, Representative Buchholdt said they would be recognized under the operating funding.

(Tape change, HFC 81-78, side 1.)

Representative Buchholdt said the other issue she wants to bring up relates to the museums (her proposed CS). Chairman Cotten said he doesn't doubt the museums need additional funding; however, it appears many of the examples of need presented by Representative Buchholdt could be presented as capital budget requests. Representative Buchholdt said she would rather include

it in statute so there would be a guarantee that they get the money every year. There was brief discussion.

Representative Buchholdt MOVED to adopt the proposed CS for HB 92. Chairman Cotten asked if she had investigated whether or not they needed an appropriation bill to go with this. Representative Buchholdt said she checked into this, and her understanding is that it could be done either way. She said it is extra-ordinary, but there is no real difficulty with doing it through a fiscal note. Chairman Cotten asked what effect her proposed CS would have on the fiscal note. Representative Buchholdt said, based on 50 museums in the state, they would need an additional \$500.0. She said the total fiscal note would be \$1,580.0 for the first year. There was further discussion on Representative Buchholdt's motion. The question was called for. One in favor, five opposed. The motion FAILS.

Representative Haugen MOVED to report out HB 92 with a \$1,080.0 fiscal note. There being NO OBJECTION, it was so ordered. HB 92 was reported out with a "do pass" recommendation.

ADJOURNMENT

The meeting adjourned at 4:25 p.m.

Tape HFC 81-77, side 1 #708 to end
 side 2 #001 to end
HFC 81-78, side 1 #001 to #204

HOUSE FINANCE COMMITTEE

May 12, 1981

1:50 p.m.

{Tape HFC 81-78, Side 1, #204}

PRESENT

Chairman Cotten called the meeting to order at 1:50 p.m. All members of the Committee were present, except Representative Meekins. Representative Malone arrived later in the meeting. Also in attendance: Representatives Joe Hayes and Ray Metcalfe; Commissioner Tom Williams, Department of Revenue; Harry Goldbar, Executive Director, and Mark Cameron, Corporations Controller, Alaska Housing Finance Corporation; Kent Woodman and Steve Cloud, Yellow Electric, Limited, Anchorage; Jacqueline McClintock, Director, Division of Workers' Compensation, Department of Labor; Mike Doogan, Administrative Assistant to Representative Freeman; Milt Barker, Fiscal Analyst, Division of Legislative Finance.

HB 487

Chairman Cotten advised the Committee would continue discussion of HB 487:

HB 487 - "An Act relating to the Alaska Industrial Development Authority; and providing for an effective date."

Chairman Cotten stated the Committee would be addressing the Finance CS for HB 487 workdraft, which deals with bond sales for Alaska Housing Finance Corporation (AHFC) and Alaska Industrial Development Authority (AIDA) and how the revised revenue projections will affect the program.

REVENUE PROJECTIONS

At this time, Commissioner Williams explained the new revenue projections. He noted there is approximately \$500 million less available today than was projected in March. What has happened, he said, is a softening in oil prices. He explained the March forecast--\$6,061,600,000--reflected the average outcome of a computer analysis. He described all the various ways forecasts are made. He also referred to the Oil Petroleum Revenue Report and advised of a surplus oil situation that has continued since March and is still going on today. Currently, he stated, OPEC--Saudi Arabia, Kuwait, Qatar, Oman--is producing over 10 million barrels per day, when normally they produce 9 million barrels per day. Because this surplus situation has been allowed to continue, he said, the result is that the average would come down, and he has so advised the Governor and the Senate. He indicated about \$160 million less than projected last March, or \$5.9 billion available now. He advised OPEC will be meeting about June 1 to respond to oil price level, which is a very

important, even critical, variable. He indicated he feels the Arabs will be cutting production.

(Representative Malone arrived at this time.)

There was discussion on how the revenue formula is calculated. Commissioner Williams explained the situation changed, really, during the last two weeks, and that yes, there is a possibility the estimates will go lower.

(Representative Rogers left the meeting.)

If the Saudis, who are over-producing because they feel it should be tied to inflation, stick to that decision at the OPEC meeting, Representative Freeman wondered what effect that will have on Alaska. Commissioner Williams indicated it will narrow the range of outcomes in the forecast. He described the various assumptions reflected in Revenue's model. The current cost is \$32-\$34 per barrel, he stated, but feels the Arabs will have to make some sort of concession to get a consensus, such as raising the price to \$36 per barrel.

Representative Moss asked how long this downward trend is expected to continue. Commissioner Williams responded the model indicates a 20% chance it will continue for a month, but a 10% chance it will continue for two months. "The model also builds in the fact that some 'kook' could blow up the line," he added; "it could go up or down."

HB 487

At this time, Commissioner Williams addressed his comments to the Finance CSHB 487 and noted he serves on the board of directors of both AHFC and AIDA. Referring to Section 1 of the bill, expanding multi-family units, he stated this is already set up under Alaska State Housing Authority (ASHA), which he thinks is very good operation of the program, rather than confusing the roll of AHFC.

Commenting on Section 3, Commissioner Williams stated he feels it would be wise for the Committee to allow the interest rates to flow, rather than tying it to a fixed percentage. As market rates fluctuate, he explained, there are variations in the amount of subsidy needed; therefore, during the interim, AHFC may be forced to use up the subsidy money faster than had been contemplated. Setting interest rates is disruptive and leads to a crisis mentality, he said.

In answer to a question from Representative Rogers regarding contributing factors that resulted in the program shortfall this year, Commissioner Williams cited two things that happened this year--first, interest rates moved up, rather than down; and second, there was a greater volume of demand than had been anticipated. He explained they had estimated \$700 million per year, as developed by the University of Alaska, Institute of

Social and Economic Research (ISER), and that it has now been revised upward to approximately \$900 million.

Chairman Cotten asked if he (Williams) was recommending a level below the FANNYMAE rate or that it be a fixed rate. Commissioner Williams stated he recommends that, as mortgages are made, they be allowed at a specified number of percentage points below the interest cost to the AHFC for the funds it is borrowing to finance those mortgages. Discussion followed.

Commenting on Section 4, Commissioner Williams advised he supports the amendment here, which in effect amounts to an authorization for the authority to impose a due-on-sale clause for future bond sales. From the administrative point of view, he said, this is not only a convenience but may well be a necessity as people are getting less willing to finance long-term bonds. He stated he feels it is an appropriate mechanism to have.

(Representative Malone left the meeting.)

{Tape HFC 81-78, Side 2, #001}

During discussion of the special mortgage loan program due-on-sale clause, Commissioner Williams advised the purpose there is to discourage speculation. Answering questions from Chairman Cotten, Commissioner Williams advised that a bond sale is scheduled for May 19; however, the Board has not met to consider whether the sale should take place because of market conditions and the high interest rates. "Speaking for myself," he said, "unless there is a radical turn of events, it would be my recommendation not to hold the sale, but to let the market stabilize."

(Representative Malone returned to the meeting.)

There was discussion on the effects of the Ullman bill with regard to other areas of financing homes. Commissioner Williams described the problem and indicated some of the methods being used to get around this are the variable rate mortgages or refinancing or renegotiating with a balloon payment at five-year intervals. He also mentioned the shared-appreciation loan mortgage where the lender receives a percentage when the house is sold.

Representative Malone wondered about the turnover rate of houses being sold and the number of refinanced mortgages. Commissioner Williams gave examples of how these concerns can be taken care of, such as with due-on-sale mortgages and restricting how often a house may be turned over.

Representative Moss noticed there are provisions in the CS for timber and agricultural enterprises, and also set limitations on maximum loans. Commissioner Williams stated it is important to remember that the bill deals with two programs--the first half

with AHFC, the second with AIDA--and AIDA still has access to the tax exempt market.

There was further discussion on floating interest rates and a due-on-sale clause. Also discussed was the question of how many times this could be used and within what period of time. Chairman Cotten asked how the program would be affected "if we didn't allow two trips to the trough within a five-year period". Commissioner Williams stated it would provide more control.

Referring to Section 8--Allocation of Tax-Exempt Bonds-- Commissioner Williams advised this is a good idea to reserve solely for AHFC. Chairman Cotten mentioned this was put in at his request. One point to consider, Representative Rogers commented, is that communities in some parts of the State may feel they are not been treated fairly or receive their fair share. In response, Commissioner Williams stated that assumes something that is not in evidence, which is that they cannot issue bonds. It was noted Fairbanks North Star Borough, Kodiak and Juneau have the authority that is set up.

Commissioner Williams stated page 5, line 6, which adds timber and agriculture within the scope of AIDA, is a critical amendment and one that they definitely support as it allows flexibility. Chairman Cotten indicated it was not meant that anything be excluded and mentioned there are some additional amendments that deal with smaller telephone utilities, trapping, etc. He asked if there was any harm in adding these or should they stand on a case-by-case basis. The difficulty, Commissioner Williams said, is the more you put in, there is the problem of something being excluded. He suggested the possibility of adding clarification language that states "including but not limited to". He also noted the Senate Finance Committee (SFC) has added a section titled "Small Business Account" in SB 404 (AHFC/AIDA) that addresses this nicely. Representative Rogers pointed out the definition of small business has been changed from \$10 million in gross receipts to \$10 million in gross profits.

Representative Buchholdt wondered if the reference to "expansion" means it can be used to build up inventory rather than building space. Commissioner Williams indicated yes, but there should be some clarification added in several places. For instance, he said, the language in Section 8, page 9, lines 7 and 8, the remainder of the sentence--"which have been or which the authority anticipates will be financed with the proceeds of bonds."--should be deleted.

(Chairman Cotten left at this time, and Vice Chairman Freeman conducted the meeting.)

Commissioner Williams also pointed out this is not consistent with Section 22, page 11, line 20, defining a project to include commercial activities, which is working capital or inventory. Referring to Section 13--Fees Charged by Authority--page 7, he stated the Board adopted that as a regulation after a

considerable amount of debate. That fee (\$4,000 minimum), which was set up as a mechanism to cover costs, he said, is returned after successful completion of the loan.

(Representatives Moss and Buchholdt left the meeting.)

Referring to Sections 14 and 16, Commissioner Williams stated they definitely support the capital reserve funds which, when created, automatically entail legal obligation. He indicated he feels implied normal obligation that exists in the insurance funds is something to be conserved. He referred to the SFC version, under AS 44.88.157, loan insurance accounts, which also entail implied normal obligation and offered to furnish the Committee with that language.

Section 18--relating to loan limitations--Commissioner Williams stated, has had considerable debate, and he has nothing further to add except that bonds not be limited.

Referring to Sections 29, 30 and 31, Commissioner Williams stated AHFC recommends that bonds be authorized for at least \$672 million and added the Committee might want to consider raising it to \$7 million. Representative Malone commented on the increased bond authorization to allow for three and fourplexes or loans for condominiums between four and 10 units for cooperative housing and multi-family units (see Attachment 1). In response, Commissioner Williams stated he believes AIDA should have its bond authorization increased from \$230 million to \$4 million.

[Tape HFC 81-79, Side 1, #001]

Representative Malone asked if any further limitations on industrial bonds is being considered in Congress, and Commissioner Williams indicated they have managed to limit now because of the Ullman bill, and he thinks they have set their sites on "larger game". He gave examples relating to commercial enterprises, such as McDonald's.

Commissioner Williams indicated he does not think Section 31 should be included, as it annuls two regulations--AAC 99.230(b), regarding the \$500,000 application fee; AAC 99.270(b), regarding \$4,000 loan commitment application fee--which "hacks out considerably more of the regulations than necessary."

RECESS

(Chairman Cotten called a recess at 3:20 p.m. and reconvened the meeting at 3:30 p.m. Committee members absent after the recess: Representatives Meekins and Moss.)

At this time, Harry Goldbar and Mark Cameron, AHFC, testified before the Committee.

(Representatives Rogers, Malone, Adams and Montgomery returned to the meeting.)

Mr. Goldbar presented a general overview of the situation at AHFC and listed the figures for the special mortgage loan funds for FY 82, which are as follows:

- \$264 million -- special mortgage loan fund;
- 50 million -- home ownership insurance fund;
- 20 million -- rural loan fund;
- 5 million -- non-owner occupied; and
- 40 million -- mobile homeowners.

The Board recommends AHFC get statutory authority for a due-on-sale clause. Mr. Goldbar continued and added this is crucial. He also indicated they also have some proposed language, in addition to what is in the bill; at the end of Section 4, insert "and the corporation may enforce the provision."

In response to a question from Representative Malone regarding the probable increase in demand if the provisions were for condos, Mr. Cameron advised the only change to the program that they currently handle is the increase to five units and up, and they don't anticipate the need to have this set by statute. He did indicate AHFC expects an increase in demand for applications with the addition of triplexes. There was further discussion.

Representative Adams asked what percentage of the total the \$20 million for rural use represents, and Mr. Cameron indicated about 6% of the total capital budget request. Representative Adams then inquired if it was AHFC's intent to return to the Legislature each year for this kind of appropriation, and Mr. Goldbar responded so long as you desire to keep the program going.

In response to a question from Representative Malone, Mr. Goldbar explained the figures for the special mortgage loan funds were compiled by ISER, with whom AHFC contracted. Representative Malone requested a copy of the ISER analysis from Milt Barker.

During further discussion of those figures, Mike Doogan pointed out some discrepancies when added to the bond funds. The reason this doesn't work out, Mr. Cameron responded, is the higher the interest rate, the lower the level of bonding; and AHFC anticipates bonding at \$672 million. So the answer is the amount you would put into bonding is \$936 million, commented Mr. Doogan; and Mr. Goldbar indicated that is correct, that is the amount needed to subsidize the program, and added it is projected AHFC will spend every cent they have on this.

Representative Malone asked about the next scheduled bond sale, and Mr. Goldbar advised that, at the April 17 meeting, the Board agreed to set a sale on September 19. Representative Malone asked if AHFC has prepared a prospectus, and Mr. Goldbar indicated they have a preliminary statement. Representative Malone requested a copy. He asked if AHFC feels comfortable with the \$672-\$7 million figure suggested by Commissioner Williams,

and Mr. Cameron indicated yes if the bond sale is held prior to 1982.

Mr. Cameron also stated there appears to be several inconsistencies in the bill as currently drafted. Vice Chairman Freeman requested AHFC submit any proposed changes in written form. Mr. Goldbar indicated AHFC will submit typewritten amendments for language clarification.

At this time, Representative Hayes testified in favor of raising the amount of the umbrella bond issue under AIDA from \$1 million to \$10 million. He quoted from Section 103 of the Internal Revenue Code regarding the amount that can be borrowed under tax-free bonding.

(Representative Rogers left the meeting.)

Representative Hayes noted, however, that the issue of raising the limit is not without its problems. One of the first things AIDA indicated, he said, is that an umbrella bond program for over \$10 million loans should not be combined with the under \$1 million loan program and marketed as one bond issue. He also pointed out the existing umbrella bond regulations were developed under the assumption that no loan would exceed \$1 million. One of the problems with the existing program, which he indicated has essentially worked very well, is that many worthwhile projects--such as expansion of sawmill facilities around the State--are precluded from participating because of the limit; therefore, the program needs statutory authority to contract with the borrower in excess of \$1 million. He did point out that projects are able to be financed for over \$1 million by stand-alone issue, but that there are very few companies in Alaska that can withstand the scrutiny and requirements of those regulations. He read a list of the stand-alone projects, which he obtained from AIDA. Referring to a draft of some of the provisions that should be included, he read covenants (a) through (e) and noted he has spoken with Representative Cotten, who indicated he need not submit a formal amendment. He conceded there are problems and risks involved in raising the limit, but also pointed out the strong indication of need. In closing, he suggested the Committee ought to explore the question of whether the State can meet that need, along with protections should the State become involved.

{Tape HFC 81-79, Side 2, #001}

(Representative Malone left the meeting.)

Representative Metcalfe indicated he had a proposed amendment (see Attachment 2) to HB 487 he wished the Committee to consider. Basically, he explained, the amendment would provide funding for people who were stuck on interim financing. He described several instances where this happened and said he feels there is a difference between people refinancing and those who just don't

have the outlay. He recommended similar language be incorporated in the AIDA section also.

The last witness to testify on HB 487 was Kent Woodman, electrical contractor from Anchorage, who noted he has not seen HB 487, but that he testified before the Senate Finance Committee this morning on SB 404. (See Attachment 3 for written copy of testimony.)

(Representative Adams left the meeting, and Representative Rogers returned at this time.)

HB 487 HELD

HB 298

Vice Chairman Freeman advised HB 298 is the next bill up for consideration:

HB 298 - "An Act making supplemental appropriations to the University of Alaska; and providing for an effective date."

Representative Rogers distributed copies (see Attachment 4) of a Finance CS for HB 298 workdraft and addressed his comments to it. He advised the bill was originally introduced by the Governor to cover increased utility costs. Section 2, he said, deals with the FY 81 cost of the new Community College Federation of Teachers contract. Referring to Section 3 relating to additional costs of the contract, Representative Montgomery noted their calendar does not conform to any other calendar--it splits two fiscal years. Brief discussion followed.

Vice Chairman Freeman advised this bill would be held temporarily until a quorum was present.

HB 94

The next bill to come before the Committee was HB 94:

HB 94 - "An Act relating to the Alaska Workers' Compensation Board, and the second injury fund established under the Alaska Workers' Compensation Act; and providing for an effective date."

Representative Rogers provided a sectional analysis of the Labor and Commerce CS for HB 94. Section 1 has a \$55.0 impact on the general fund, he explained, while Section 2 represents an \$87.0 impact on the Second Injury Fund; and the fiscal note is \$799.4 for the first year.

(Representative Lotten returned to the meeting.)

Representative Rogers distributed copies (see Attachment 5) of a \$160.0 rehabilitation section amendment to the Labor and Commerce

CS for HB 94 and explained this represents a one-time only fiscal note.

At this time Jackie McClintock testified briefly on HB 94. Representative Rogers pointed out currently the bill includes two fiscal notes --\$799.4/4-27-81 and \$55.7/4-27-81--and that adoption of his rehabilitation amendment would add a third. He mentioned the amendment was originally to be rolled into the HB 297 supplemental.

(Representative Buchholdt returned to the meeting.)

CSHB 298 (FIN) REPORTED OUT

Representative Rogers moved to report out a Finance CS for HB 298. There being no objection, it was so ordered. CS for HB 298 (Fin) was reported out of Committee with a "do pass" recommendation.

CSHB 94 (FIN) REPORTED OUT

Representative Rogers moved to adopt the rehabilitation amendment with fiscal note. There being no objection, it was so ordered.

Representative Rogers moved to report out a Finance CS for HB 94 as amended with three fiscal notes attached. There being no objection, it was so ordered. CS for HB 94 (Fin) was reported out of Committee with a "do pass" recommendation.

ADJOURNMENT

The meeting adjourned at 4:35 p.m.

Tape HFC 81-78, Side 1, #204 - End
 Side 2, #001 - End
HFC 81-79, Side 1, #001 - End
 Side 2, #001 - #522

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

JUNEAU 99801

AUDIT DIVISION
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF — STATE CAPITOL

MEMORANDUM

DATE: May 11, 1981

TO: Honorable Sam Cotten, Chairman
House Finance Committee

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

SUBJECT: Loans

This memo discusses some miscellaneous unresolved items relating to loan programs. Statements regarding eligibility of projects for tax-exempt financing are based on conversations with Eric Wohlforth, bond counsel for AIDA and AHFC.

Multi-Family Housing - AHFC

AHFC can include owner-occupied three and fourplexes in mortgage pools purchased with bond funds and associated subsidy appropriations in an amount up to 10% of the mortgages.

However, residences of five or more units could not be included in these pools. Mortgages for these projects could be purchased with the \$40 million AHFC will receive in principal and interest payments on its SAM fund assets. Beyond this amount, AHFC would have to have a separate bond issue for multi-family housing of more than five units.

The subsidy required on taxable bonds for 11% multi-family rental housing loans would be as follows:

Bond Cost	13.75%	14.75%	15.75%	16.75%
Subsidy	24.18%	29.16%	33.45%	36.81%
(as % of \$ amount of loans purchased)				

If multi-family housing is done through AHFC, it may be desirable to appropriate any subsidy required for multi-family rental housing separately to control the amount of subsidy funds put into owner-occupied vs. rental housing. AHFC statutes regarding bond authorizations could be changed to require separate authorization of this item as well.

Multi-Family Housing - AIDA

If these loans are purchased through AIDA, the same subsidies for a taxable bond will be required as under AHFC. The only multi-family projects qualified for tax-exempt bonding are those with 20% or more low to moderate income rental units.

Honorable Sam Cotten
May 11, 1981
Page 2

Tax-exempt bonds could be issued in unlimited amounts for such housing meeting the 20% requirement. The bonds could be issued by either AHFC or AIDA.

No tax-exempt bonds for housing, multi-family rental or otherwise, can be issued under the \$1 million and \$10 million small issues exemptions by virtue of provisions in the Ullman bill.

AIDA - Telecommunications and Other

Telecommunications projects of municipal corporations or agencies and of certain non-profit organizations may be funded from tax-exempt bonds in unlimited amounts. Telecommunications projects of for-profit enterprises would be limited to the \$1 million and \$10 million small issues exemptions for tax-exempt bond financing.

Purchase of loans for trapping purposes could certainly be financed with tax-exempt bonds if there were any real property or plant and equipment to qualify. Items such as snowmachines might qualify if they can be determined to have situs, which in this case means a place they customarily return to. There is no minimum project size below which tax-exempt bond proceeds cannot be used.

Rural Housing - AHFC

As originally planned, AHFC was to bond for its rural housing program. Special title and hazard insurance funds were established to satisfy the bond market. Beyond these problems, housing which generally did not conform to community building standards (foundation, water and sewer, etc.) was to be financed through the non-conforming loan program. To assure that the programs don't overlap, Community and Regional Affairs (C&RA), which administers the non-conforming loan program, requires an applicant to submit a letter from a bank stating that AHFC would not purchase the loan.

The only bonds AHFC has issued for rural housing were entirely purchased by the state. Whether there exists a public bond market for this type of housing (and mobile homes as well) remains a question.

The Governor's budget contains \$20 million for direct purchase of rural owner-occupied housing loans for FY 82. The March 1981 level of AHFC purchases was \$1.4 million. At an annual rate, this would be \$16.8 million.

The Governor's budget also contains \$5 million for rural rental housing. This program just started in April, too early to establish a trend.

Honorable Sam Cotten
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Page 3

Since AHFC is now planning direct purchases, there is no reason they can't adopt the same standards as the non-conforming program; and thus, no reason the programs can't be combined if AHFC is not going to bond. An attached memo from Elmer Lindstrom discusses the non-conforming housing program and their projected need of \$50 to \$60 million for FY 82 based on loan activity independent of AHFC.

Mobile Homes - AHFC

The peak month of AHFC mobile home loan purchases was \$1.5 million in November 1980. March 1981 was down to \$750,000. One possible reason for the decline was the start-up of the home ownership assistance program in February 1981. This program subsidizes interest rates down to 6% for purchase of homes by lower income families. Thus, lower income families may have turned to conventional housing and away from mobile homes.

However, AHFC has decided that legally the home ownership assistance program must be made available for the purchase of mobile homes as well. Thus, there may shortly be an increase in mobile home loan purchases. At \$1.5 million per month, it would be \$18 million per year. The Governor has a budget amendment requesting \$40 million for mobile homes.

Home Ownership Assistance - AHFC

For FY 81 the Legislature appropriated \$2.5 million in cash and \$40 million in veterans and other home loans held by the general fund to the home ownership assistance fund. The interest from the \$52.5 million is used to pay a portion of the payment on home loans made under other AHFC loan programs. As a result, the effective interest rate to the borrower on these other loans can be as low as 6% depending on the borrower's income.

At an average subsidy payment of \$160 per month under the home ownership assistance program, the interest on FY 81's \$52.5 million will support subsidies for 1,900 borrowers. The number of FY 81 and FY 82 projected borrowers are 760 and 1,580 respectively, a total of 2,340.

An appropriation to the home ownership assistance fund is needed that will support 440 additional borrowers. \$18 million for mobile home loans at an average interest rate of 9.7% (1/3 veterans, 2/3 non-veterans) will support subsidies for 909 borrowers. To support only the estimated 440 additional borrowers through FY 82 would require that only \$8.7 million of the amount for mobile homes be appropriated to the home ownership assistance fund.

MB:vsw

Attachment

1067

Attachment 1

5-12-81

Mutual

Section 1 is amended to add:

(6) to refinance loans for residential properties for which there had been no pryor commitment for a loan of more than 10 years in term made to the applicant during or following the owners acquisition of said property.

TESTIMONY BEFORE THE SENATE FINANCE COMMITTEE

Committee Substitute for SENATE BILL 404

12 May 1981 - Juneau, Alaska

Gentlemen (Ladies), My name is Kent Lee Woodman. With me today is my partner Mr Steve R Cloud. We are Anchorage businessmen who felt strongly enough about the ramifications of SB 404 to take the time away from our busy schedules, spend over \$600.00, and come down here to make some input, and ask some questions.

First, let me assure you, that though we have our own firm, YELLOW ELECTRIC, Ltd, at heart, we are here precisely because Yellow is completely typical of a number of other small businesses, especially those in the construction trades, and because we feel that something very wrong will happen, to the individual and collective detriment of many Alaskans if 404, or a similar measure does not pass the legislature this session.

Yellow is typical because it is an established business, operated and owned by long time Alaskan residents, and it has been through 2 very difficult years. It was, in fact so very typical, that Dave Rose specifically requested permission last year to utilize a three page letter we wrote him about our firm and its challenges, in his efforts to make some legislative changes to the AIDA program. He requested, and we agreed, to use the letter and make it public.

There have been many programs to come out of Juneau in the past 5 years, to benefit many Alaskans. These programs have ranged from support and assistance to the Fish industry, forestry, barley farming, mineral development and individual home ownership. There have been many good things come from these programs, and I imagine some abuses.

I wish to speak today of the needs of the small businessman, who has not benefited from any program to date. First, let me review the current AIDA program as pertains to such contractors. There are basically 2 programs. The first is the stand-alone program, which allows tax-free bonds to be sold against a specific project. Generally these projects are in the several million dollar range and quite frankly, stretch the concept of "small business" a tad. The other program provides a pool of funds based upon non-taxable bonds. Because of the requirement to comply with the provisions of various IRS rulings, and in order to maintain the tax-free nature of the bonds, certain restrictions must be applied to the loans.

The two restrictions which prevent access to the program by 90% of the existing small businesses are: 1. Lack of ability to utilize the program to refinance anything. 2. Lack of ability to utilize the program for any working capital.

In effect, the program works against the existing small business and for the outsider who wants to come up and open a new facility, or build something, often in direct competition with an existing businessman who is trying to hang on by his fingernails.

In the past two seasons, many small businesses went out of business, reorganized under one or more of the somewhat more flexible bankruptcy regulations, or stretched so thin it's near breaking. Generally what happens is that the businessman must cut way back on personnel, minimize his expenses, and takes on some heavy, short term debt either through short term loans at terrible interest rates, or through inability to pay all his bills on time, and being in arrears and in debt.

This season is already known as the biggest construction season in at least Anchorage history...with home sales exceeding even the 1977 pipeline period. Many contractors in Anchorage are desperately trying to gear up for this season, get out from under the heavy short term debt load and invest in equipment and personnel. There are thousands of projects underway. The funds approved for many bush programs in the last legislature, ranging from runway extensions to erosion control, road projects, school additions and the like, are only just now coming off the drawing boards. The funds will be spent through a 36 month period, creating many opportunities in the bush as well as in the urban areas.

Private industry is spending considerable funds on development of resources, systems, facilities and programs, ranging from the new dock at Valdez to the water injection program on the slope to Misty Fjords to new banks and shopping centers.

In order for a contractor or businessman to gear up, he needs access to capital for rolling stock, tools, office and accounting upgrades, communications, and personnel programs. He needs to purchase stock, materials and many other items and it takes cash UP FRONT.

When difficult times come upon small businesses, they cut back on personnel drastically, putting those folks out of work, amplifying the normal seasonal cyclic effect inordinately. Then we have folks on welfare and unemployment. How much better it would be if the financing were available, to keep the employees on board year-round, allowing minor reductions in the mid-winter through normal attrition? How much better to be geared up and rolling when the season begins rather than having to start from scratch each time.

In recent years, the seasonal cycle for construction in the Anchorage area has virtually vanished. Contractors start footings in September and October and heat them in the winter, beginning framing in March. Others work all year to frame and cover in facilities to allow them to work at more relaxed pace on finishing inside all winter. With the high price of interim financing, this latter program, however, suffers.

Because of the price of money, all projects must be completed with a minimum of construction time, a minimum of higher priced interim financing. In order to meet such a goal, developers and builders must cut corners, pave the first year instead of the 2nd after settling, hire carpenters, plumbers and electricians who pop up from California, Oregon and Washington in their trucks, operate all season with out of state plates out of the backs of vans and pickups.

The local contractor has a difficult time beating all this. Oftentimes the work is shoddy and there is no one to pin it on.

It is our understanding that the primary purpose of certain changes in the AIDA language, as provided by the original SB 404 and by the original Committee Substitute, would have allowed AIDA to invest a certain amount in secured programs. Among these would have been certain SBA insured loans. These loans are already 90% backed by the Federal Government, and it would only be this portion which would be investment material. The results of such a program would be that the qualifying SBA borrower would have funds available at approximately 12% firm instead of the conventional SBA program of 2% over low Wall Street prime. That rate today, by the way, would result in a loan of some 22% interest!!!!

Yellow already has an SBA for about \$150,000 approved and on hold, pending this legislation. This money would be instantly invested in the community and in our employees. Large chunks would be utilized to upgrade truck fleets and tools, and to invest in management systems and tools which would create a more stable, year-round operation for 20-30 Alaskans. Were no such program to be forthcoming this session, and were Yellow faced with 22½% money, we would have to carefully re-investigate our plans and manning levels.

It is important to note that one cannot simply pick up the SBA loan now and shoot for a buy-out in the next session, for then we have a 100% refinance condition on our hands.

There is a portion of our SBA package, which would relieve us from 2 short term debts. Each of these is with a supplier which pays 2% for payments by the 10th. We've not been able to obtain that 2% for over 2 years because we could never get our balance down to zero. This means, in a firm that buys some \$750,000 in materials locally each year, that we are giving away about \$15,000!

It is our understanding that there have been members of the AIDA board down here to make input. Similarly you've heard from bankers, SBA and the Department of Commerce and Economic Development. One imagines that you've had just about all the high level theory and esoteric input you need.

Our purpose is to make some grass roots input. We are the people affected.

We recognize that Alaska is not a sovereign nation, and that tinkering with the economy is a dangerous business and one that has ripple effects everywhere. We also recognize that the discovery of oil is "tinkering" with the economy in a mammoth fashion, injecting large sums of cash directly into the economy. We do not ask for a subsidy; we abhor subsidies, give-aways, "special programs" and the whole welfare mood of our society today. We consider this program to be at the very heart of what AIDA and Commerce and Economic Development are supposed to be doing. These are, after all, LOANS TO BE PAID BACK. These moneys, after all, are injected directly into the community and invested in PEOPLE.

Our company does not manufacture hoola hoops, did not get stuck with an inventory of recreational vehicles or snow machines. We did not expand up into the Matanuska Valley 2 years ago to get "in on the rush" and now find we are hurting. Our company has been around for a long time. We have been around for longer....I first arrived in 1952. We are not looking for a bailout. We have a program for creation of a stable, year-round employment firm for several dozen Alaskans, a firm that provides quality work and a valuable service in construction of residential and commercial facilities, repairs, restorations and service work.

The \$85,000 home program with the 5% interest; the \$147,000 home program with the 10% interest.... they are all great, but they are dangled in front of us, just out of our reach. One developer with who we work, just secured some \$10 million in operating funds at 14%, but that is very rare indeed, and only available because he is a large and well known developer. Most cannot even get an appointment.

BOTTOM LINE:

We urge you to ignor high level bickering and empire building which seem to be at the root of some of the negative testimony you have had on this bill and its derivations to date. We urge you to pass out with a unanimous DO PASS, an acceptable version of the bill, and do it today so that it stands a chance in the House prior to the end of the session.

The Administration is in favor of the bill, so veto is not likely if you do not dork it up so much they become suspicions.

We understand that AIDA currently has some \$2 million a month which could go directly to this program, to the great benefit of AIDA and its bond position. We understand that SBA estimates the market for funds under this program at some \$80 million a year.... somewhat more than the \$24 million available, even if AIDA could utilize the funds for the program. We understand that come either 1 or 30 June, that AIDA will lose its authority to issue bonds, and that when its \$15 million on hand currently expires, they will effectively close down in the middle of the busiest and most prosperous season ever to come along.

If our understandings are correct, we urge you this date, to amend this bill or develop another to at once extend the authority of AIDA to operate and to fund as required, this valuable program.

Faced with 22½% money, what small businessperson can really organize, gear up and make a good season out of what appears to be an excellent 5 year stretch? After hanging on by our fingernails for 2 years, watching our homes and valuables become more and more at risk trying to tide over untill improvement, we are now faced with the inability to do much about the prosperity that is here. On the other hand, if we were fresh up here from California and wanted to open a firm just like ours for all our California friends to work in. we would qualify easily for ¼ million!

Please, please, let this one piece of legislation work out for small business. We do not have the tax incentives we were told we'd get. We do not have the bonus money we all expected. We do not have a chunk of our own destiny, and we are prohibited from even participating in what could be our own recovery.

We'd be pleased to respond to particulars and detailed questions about our own operation, our understandings of our colleagues in other trades etc.

Incidentally, should you ask why we are here and you may or may not have heard from anybody else, there are 2 reasons I can think of:

1. First, the impact of the provisions of this bill on the SBA/ AIDA program are known to only a very small radius of folk. It would take a reletively sophisticated small businessperson or contractor to have ferreted it all out. We had some help from our banker, and the timeliness of our SBA approval hit right on the introduction of this bill.
2. Secondly, most of the contractors are heavy into that part of the year when they run from 0500 to midnight, and they simply have no energy or wherewithall to study, research and come down. They would surely flounder if they did.

7-7-7-7-7

Most have already investigated AIDA and the SBA and have already found out that AIDA was effectively closed to them and that SBA needs 22½%.

AIDA is supposed to be investing in business and industrial expansion. Supposed to be injecting amounts of capital here and there to help folks help themselves. The Department of Commerce and Economic Development says it all in its name....but there is nothing for us.

We want to grow with the state, become stable, participate in our own recovery.

thank you very much:

Kent Lee Woodman, President and Administrator
Steve R Cloud, Vice President and Manager

Yellow Electric, Ltd
1658 East 59th Avenue
Anchorage, Alaska 99507
(907) 344-3743

Woodman- home: 345-1356
work: 274-0694
Cloud- home: 344-7213
work: 344-3743/1725

Pegues ✓

Original sponsor: Rules/Governor

Funding Information

General Fund	\$1,386,600
Other Funds	-0-
	<u>\$1,386,600</u>

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 298 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making appropriations to the University of
7 Alaska; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. The sum of \$228,900 is appropriated from the general fund
10 to the University of Alaska, Fairbanks, to pay sewage disposal costs to the
11 College Utilities Corporation.

12 * Sec. 2. The sum of \$175,200 is appropriated from the general fund to
13 the University of Alaska, community college statewide administration, for
14 additional costs of the Alaska Community College Federation of Teachers
15 contract for the fiscal year ending June 30, 1981.

16 * Sec. 3. The sum of \$982,500 is appropriated from the general fund to
17 the University of Alaska, community college statewide administration, for
18 additional costs of the Alaska Community College Federation of Teachers
19 contract for the fiscal year ending June 30, 1982.

20 * Sec. 4. The unexpended and unobligated portions of the appropriations

Pegues ✓

Original sponsor: Rules/Governor

Funding Information

General Fund	\$1,386,600
Other Funds	-0-
	<u>\$1,386,600</u>

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19 contract for the fiscal year ending June 30, 1982.

20 * Sec. 4. The unexpended and unobligated portions of the appropriations
21 made by secs. 1 and 2 of this Act lapse into the general fund June 30, 1981.

22 * Sec. 5. The unexpended and unobligated portion of the appropriation
23 made by sec. 3 of this Act lapses into the general fund June 30, 1982.

24 * Sec. 6. Sections 3 and 5 of this Act take effect July 1, 1981.

25 * Sec. 7. Sections 1, 2 and 4 of this Act take effect immediately in
26 accordance with AS 01.10.070(c).

Rogers:

AMENDMENT

OFFERED IN THE HOUSE:

By: Rogers

To: CS HOUSE BILL No. 94 (L&C)

SENATE BILL No.

PAGE: 7 after LINE: 19

INSERT NEW SECTION 8:

* Sec. 8. The Division of Workers Compensation shall undertake a comprehensive study of vocational rehabilitation of injured workers to include (1) organizational planning for a central agency to supervise and control the sequence, timeliness, duration and quality of rehabilitative care; (2) coordinate program interrelationships for distribution of services with other involved agencies; (3) determine the relationship of the employers' and employees' obligations in the rehabilitative process as well as accountability for the performance of rehabilitation facilities; (4) develop methods to minimize the adversary environment and create an atmosphere conducive to successful re-employment; (5) develop re-employment programs for disabled workers; and (6) consider integration of workers' compensation with other programs for the disabled; and (7) review incentives and disincentives for employees, employers and insurers involved in the rehabilitative process. The Division shall report its recommendations for legislation or administrative action by the 30th day of the Second Session of the Twelfth Legislature.

FISCAL NOTE

REQUEST

Bill/Resolution No. CS HB 94 (L&C) -- Rehabilitation amendmentTitle An Act relating to workers compensationRequested by RogersDate May 12, 1981

II. FISCAL DETAIL

Agency Affected Department of LaborProgram Category Affected Administration of Workers' CompensationBRU, Program, or Subprogram(s) Affected Public Protection

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES				95.0	0	
200 TRAVEL				25.0	0	
300 CONTRACTUAL				40.0	0	
400 COMMODITIES				0	0	
500 EQUIPMENT				0	0	
600 LAND & STRUCTURES				0	0	
700 GRANTS, CLAIMS, ETC.				0	0	
TOTAL				160.0	0	

FUNDING (Thousands of Dollars)

GENERAL FUND				160.0		
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY				5		

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

100. PERSONAL SERVICES: Project Coordinator (6 months temporary) 30.0

FISCAL NOTE

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Bill/Resolution No. CS HB 94 (L&C) -- Rehabilitation amendmentTitle An Act relating to workers compensationRequested by Rogers Date May 12, 1981

II. FISCAL DETAIL

Agency Affected Department of LaborProgram Category Affected Administration of Workers' CompensationBRU, Program, or Subprogram(s) Affected Public Protection

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES				95.0	0	
200 TRAVEL				25.0	0	
300 CONTRACTUAL				40.0	0	
400 COMMODITIES				0	0	
500 EQUIPMENT				0	0	
600 LAND & STRUCTURES				0	0	
700 GRANTS, CLAIMS, ETC.				0	0	
TOTAL				160.0	0	

FUNDING (Thousands of Dollars)

GENERAL FUND				160.0		
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY				5		

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

100. PERSONAL SERVICES:	Project Coordinator (6 months temporary)	30.0
	Legal Researcher & Drafter (6 months temp)	25.0
	Research Analyst (6 months temporary)	15.0
	Secretarial/Clerical (2 @ 6month temp)	25.0
		95.0
200. TRAVEL AND PER DIEM:	In-state (includes 3 public hearings)	10.0
	Out-of-state (consult with other states)	15.0
300. CONTRACTUAL:	Technical consultations	15.0
	Office costs and support	25.0
		160.0

IV. DATE

5/12/81

PREPARED BY

AGENCY

PHONE

Brian Rogers
Legislature
465-4825

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

HOUSE FINANCE COMMITTEE

May 14, 1981

8:45 a.m.

(Tape HFC 81-79, side 2 #522.)

PRESENT

All Members of the Committee were present except Representative Meekins. Also present were Representatives Fuller and Miller; Palmer McCarter, Director, Division of Local Government Assistance, Department of Community and Regional Affairs; and Chuck Caldwell, Chief, Research and Analysis and Judy Knight, Special Assistant, Department of Labor.

SCR 16 am

Chairman Cotten called the meeting to order and brought SCR 16 up for consideration.

SCR 16 am -- "Relating to annexation to the City of Nome."

REPRESENTATIVE FULLER said the bill provides up to \$35.0 for a competitive bid contract to do an indepth study of services available in Nome. He commented they had a problem with annexation this year, and they want to see someone come in and look at the services that can be delivered and come up with the background for an annexation plan.

Representative Rogers MOVED AND ASKED UNANIMOUS CONSENT that SCR 16 am be reported out of Committee. There being NO OBJECTION, it was so ordered. SCR 16 am was reported out with a "do pass" recommendation.

HB 508 and HB 509

The next bills to be considered were HB 508 and HB 509.

HB 508 -- "An Act relating to requirements for fiscal notes and employment notes in the legislative process; and providing for an effective date."

HB 509 -- "An Act relating to analysis of employment and unemployment in the state; and providing for an effective date."

Representative Rogers presented proposed Finance CS's for HB 508 and HB 509. He said the fiscal note for HB 508 is \$155.0 for the first year and \$45.0 for future years. He said what they do is put out a contract for the estimating process.

Chairman Cotten asked why they are requesting this of only the Governor, why not everyone. Representative Rogers said his belief is this should be the legislature as well. He said this bill is apparently written in the same way they wrote the law on fiscal notes. He said the intent is that all capital projects over \$1 million would have an employment note.

Representative Rogers explained HB 509 creates a job information bank in the Department of Labor. He explained that given the method, when the legislature puts together a capital budget they will know approximately how many people are unemployed in an area and how many people will be employed by a project. He said the intent is that they will equal each other. Representative Rogers commented that during the Trans-Alaska Pipeline construction phase, a lot of nonresidents were employed on state construction projects because the state employees were already employed.

Representative Rogers said the fiscal note for HB 509 is \$442.0. He explained that currently there are mostly federal funds in the Division of Research and Analysis, and the expectation is that these will be transferred from federal to state funds.

Representative Adams asked if this wasn't a duplication of what is being done today by the Department of Labor in their Manpower Sections. He said they already have a bank such as this in Kotzebue. Representative Rogers said the job information bank would draw heavily on work being done by local job service offices. He said those offices generally know what is going on today, but they haven't gotten into what is going to happen next year. He said the idea is that if the Legislature knows a year in advance where there is going to be unemployment, they can respond to it. In addition, he said, a resident could look and see that there are jobs coming up in a certain classification, and he could get into a training program for one of those jobs.

Representative Adams asked if this survey has anything to do with the state register. Representative Rogers said the survey of unemployment will be based on the information that is now available at the employment office. He said they will also be looking at state construction and base levels of private and public employment.

MR. CHUCK CALDWELL, Chief, Research and Analysis Division, Department of Labor, said the purpose of HB 509 is to forecast the supply and demand of the work force. He explained what information they currently have available.

Chairman Cotten asked if he was saying they might be able to predict far enough in advance to have time to train people to fit jobs. Mr. Caldwell said yes. He said there are also bills in to address the training.

Representative Montgomery said he strongly questions the need for setting up a new entity for this. Representative Rogers said it

is an existing agency. He said this is going to be done by the Department of Labor.

(Tape change, HFC 81-80, Side 1.)

Representative Montgomery asked why the bill was needed, and why this couldn't be done as part of the agency's budget.

(Representatives Montgomery and Carney left at this time to attend a Subcommittee meeting.)

Representative Buchholdt said, if they left this to the Department of Labor, she didn't think it would be done. She said she doesn't think the Department has been developing the kind of labor power the state needs. She commented further.

Representative Moss said he would like to amend the bill to add a new sec. 3 to state "capital improvement projects of less than \$750,000 shall be exempted from the requirements of AS 36.05.010." Representative Moss said his problem is that he has had capital projects in his district where contractors bring people in from outside to do the projects when they could hire locally, and hire two times the number of people on the project. He commented further.

Representative Rogers said he didn't think that had anything to do with the bill before the Committee. Representative Rogers pointed to the Department of Labor's budget and said the state only funds 1% of the employment offices and 1/7% of research; the rest is funded by the federal government. He said if the state wants information that is helpful to it, they are going to have to pay for it.

Representative Moss said he believes this bill is an appropriate vehicle for his proposed amendment. He MOVED to accept the amendment. There was further discussion. Chairman Cotten said he thought they would have a problem with the single subject rule if they added his amendment to the bill. Representative Rogers said he is concerned with the single subject rule. Also, he said he thinks the amendment should be reviewed by the Labor and Commerce Committee.

The QUESTION was called for. Three in favor, five opposed. Representative Moss's amendment FAILED.

Representative Adams said he believes the services outlined in this bill are already being provided. Mr. Caldwell explained the information that comes out monthly from the local job service offices. He said the information required here will be looking towards the future, not just what job orders happen to be in job service at a particular point in time. He commented further.

Representative Adams asked how many employees the Department of Labor has. MS. JUDY KNIGHT, Special Assistant, Department of Labor, said between 600 and 700. Representative Adams said the

fiscal note shows they would be adding 8 full time employees. He asked why this couldn't be done with their current number of employees, without adding new ones. Representative Rogers explained there are no more than six employees in this area, and they are federally funded. He said they cannot require federal funds to be used to meet the state's needs. He commented further.

Representative Freeman said HB 508, in section 1 reads "presented by the governor", and he asked why they included just the governor, why not the Legislature also. Representative Rogers said he would agree to deleting that language on lines 13 and 14. Representative Freeman said he thinks it is something that should be considered.

Representative Malone commented they don't always know when a project is going to go out to bid or when work is going to start on projects requested by the Legislature. He commented further on legislative requests, and suggested something be put in legislation that for projects over a million dollars, the initial appropriations would be for planning and preliminary design on a project. He said if projects were put on a cycle, when the legislature appropriates money for project planning and construction there would be some certainty that the project would go to bid by the next construction season. There was discussion. Representative Rogers suggested this could be done as a policy decision. He said he thinks a number of people are doing that now. There was further discussion.

Chairman Cotten questioned the language on page 2, line 7. Representative Rogers said that is the reason the recommendation is to start with the Governor this first year.

Representative Rogers MOVED AND ASKED UNANIMOUS CONSENT that CSHB 508 (fin) be reported out of Committee. There being NO OBJECTION, it was so ordered. The bill was reported out with individual recommendations.

Representative Rogers MOVED AND ASKED UNANIMOUS CONSENT that CSHB 509 (fin) be reported out of Committee. There being NO OBJECTION, it was so ordered. The bill was reported out with individual recommendations.

ADJOURNMENT

The meeting adjourned at 9:50 a.m.

Tape HFC 81-79, side 2 #522 to end
HFC 81-80, side 1 #001 to 700

HOUSE FINANCE COMMITTEE

May 14, 1981

1:45 p.m.

(Tape HFC 81-80, side 2 #001.)

PRESENT

All Members of the Committee were present except Representative Meekins. (Chairman Cotten arrived later in the meeting.) Present to testify were: Representatives Gardiner and Sutcliffe, Mary Hakala and John Sund, aides to Representative Gardiner; Ginna Brelsford, aide to Representative Clocksin; Bob Palmer, Special Assistant, Office of the Governor; Palmer McCarter, Director, Division of Local Government Assistance, Department of Community and Regional Affairs; and Rodger Painter, Executive Director, United Fisherman of Alaska.

HCR 29

Vice Chairman Freeman called the meeting to order and brought HCR 29 up for consideration.

HCR 29 -- "Relating to the development of a plan for Alaska agricultural development."

MS. MARY HAKALA, aide to Representative Gardiner, explained the bill sets out the agricultural goals of the State. She said the Resources Committee felt, after they completed hearings on agriculture, that more comprehensive, long range planning was needed. She said the resolution requires that a ten-year plan be developed, and it outlines 12 items to be included in that plan.

Representative Rogers asked why they chose the Alaska Agricultural Council. Ms. Hakala said they felt it could do a more comprehensive plan. She said they had to bring in various state agencies and make them compatible. Representative Rogers asked if this assumed passage of legislation making changes to the Ag. Council. Ms. Hakala said the Resources Committee passed out HB 535 which is a recomposition of the Ag. Action Council. She said that bill did not come to Finance because it has no fiscal note, and it is presently in the House Rules Committee. Representative Rogers said, with the passage of those changes, he would have no objection to the Ag. Council.

Representative Adams asked how the \$800.0 fiscal note is to be expended. Ms. Hakala said they don't have a break down on the fiscal note. She said the Council and the Department of Commerce and Economic Development came up with the figure for FY 82. Representative Adams said that without a break down, he would object to the fiscal note.

Representative Rogers said he had the same concern on the fiscal note. He commented further and suggested that could get by with half that amount. There was discussion on the fiscal note.

Representative Carney said he objected to subsection (5) of the resolution: "(5) phase out state financing and subsidies for agriculture;". Representative Rogers said they want to be sure the state doesn't over-subsidize agriculture. There was brief discussion.

Representative Rogers MOVED to change subsection (5) to read:

"(5) phase out state subsidies for agriculture which exceed those for other renewable resources;"

There was brief discussion. Representative Rogers WITHDREW his amendment.

Representative Carney MOVED to delete subsection (5). Representative Malone OBJECTED. He said he thinks the goal should be to develop an industry that is self supporting. Representative Rogers said that is the reason he offered his amendment. He said his concern is that the Ag. Council has not received much state support compared with other resources -- like fisheries. He said his fear is this goal could be used as a reason to delete state support for any portion of agriculture.

Representative Carney said he thinks there is an inference in the line that the agriculture industry is getting more than its share; and he doesn't like that.

Representative Malone MOVED TO AMEND Representative Carney's motion, to change subsection (5) to read:

"(5) develop a self-supporting agriculture industry in Alaska;"

Representative Rogers ASKED UNANIMOUS CONSENT. There being NO OBJECTION, it was so ordered.

Representative Rogers MOVED to report out a Finance CS incorporating that amendment. There was further discussion on the fiscal note. Representative Gardiner said the reason the bill stayed in the Resources Committee so long was because they couldn't get a fiscal note on the bill. He said they asked for advice on how much it would cost and how long it would take, and the response was that it was a two year project and if they were going to do it right it would probably cost \$1 million. He said they asked Bob Palmer to detail that out.

Representative Rogers said his concern is the best they could get in break down is a \$800.0 figure from Administration. There was further discussion.

MR. BOB PALMER, Special Assistant, Office of the Governor, said a group from Winrock (a nonprofit organization active in agricultural development in this state, as well as other states and 27 foreign nations) met with them and agreed that this planning effort was desirable, and their recommendation was that it would cost \$800.0. He said their intent is to come back next year with a "recipe book" of what they intend to do, and ask the legislature if they are going in the right direction.

There was discussion on reducing the fiscal note to \$500.0.

Representative Rogers WITHDREW HIS MOTION AND MOVED to hold HCR 29 until tomorrow's meeting so they could get further information on the fiscal note. There being NO OBJECTION, it was so ordered.

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

HJR_50

The next bill to be considered was HJR 50.

HJR_50 -- "Expressing the sense of the Alaska Legislature that the state's coal resources be developed for sale and export to the Republic of Korea."

Representative Buchholdt advised this bill was introduced by the Special Committee on Coal, and the difference between the original bill and the CS is a change in the title (new title) "Expressing the sense of the Alaska Legislature that the state's coal resources be developed for sale and export".

Representative Buchholdt advised the fiscal note is \$200.0, which they feel is an adequate budget at this time. There was brief discussion on the fiscal note. Representative Buchholdt said the fiscal note is in error; the figure should be in the FY 82 column instead of FY 83.

Representative Haugen MOVED to report the Bill out of Committee with a corrected fiscal note. There being NO OBJECTION, it was so ordered. CS HJR 50 (coal) was reported out with a "do pass" recommendation.

SSHB_43

The next bill to be considered was SSHB 43.

SSHB_43 -- "An Act relating to day care assistance."

Representative Rogers presented a finance CS to the Bill, and he said that sections 1 and 2 amend the existing new fiscal note. He briefly explained the proposed Finance CS.

Representative Rogers said the most difficult part of preparing the bill has been how the day care centers charge for their services. He referred Committee members to subsection (g). He

said there is a problem for parents working part time who need day care. He said day care centers need to know how many children they are going to have each day because they are required to have a certain ratio between staff and children. Representative Rogers said the HESS CS requires a certain number of positions be available on a day by day basis. He said his problem with that is that it would require new positions in the Department of Community and Regional Affairs to find out what the community's impact and demand is. He said they came up with a formula based on last month's demand for enrollment.

Vice Chairman Freeman questioned the fiscal note. Representative Rogers said it is the one dated 5/14/81. In terms of providing services, Representative Rogers said the Department does an excellent job with a small number of people. He said there is a problem in the Mat-Su Borough with day care assistance. He explained the way the law is written now, a municipality has to contract with the state. He said the problem in Mat-Su is the municipality doesn't want to do a day care program. He requested that the Bill be held to give him an opportunity to come up with an amendment to correct that problem.

MR. PALMER McCARTER, Director, Division of Local Government Assistance, Department of Community and Regional Affairs explained their regulations specify that if there is a municipality, they must contract with a municipality for day care.

Concerning the Fiscal Note, Mr. McCarter said both the HESS and Finance CS's talk about a new grant program for training. He said the current fiscal note does not include any amount for a training program. He said the fiscal note only includes funding for the language authorizing up to \$150 per child per facility. He said the fiscal note is slightly underestimated in that it would only provide funding for an average amount of \$100 per child per month. He said if they wanted to fund the full \$150 amount, the fiscal note should be increased by 50%.

Vice Chairman Freeman asked how much they were talking about for training. Mr. McCarter said he has no notion. He suggested just putting a number in and taking it from there. MS. GINNA BRELSFORD, aide to Representative Clocksin, said the HESS intent was that there would be a fund for the grants that would not exceed \$100.00.

Representative Rogers commented one of the major costs in a day care center is keeping up with state regulations. He said the largest single cost at centers is the cost of staffing.

SSHB 43 was held for receipt of Representative Rogers amendment.

RECESS

A recess was called at 3:05 p.m. Chairman Cotten arrived and recalled the meeting to order at 3:15 p.m. (All members were present except Representatives Meekins and Buchholdt.)

HCR 8

The next bill to be considered was HCR 8.

HCR 8 -- "Relating to the preservation of the House of Wickersham."

Chairman Cotten said the fiscal note was \$17.2. Representative Moss MOVED AND ASKED UNANIMOUS CONSENT that HCR 8 be reported out. There being NO OBJECTION, it was so ordered. HCR 8 was reported out with a "do pass" recommendation.

HB 472

The next bill to be considered was HB 472.

HB 472 -- "An Act relating to the maximum amounts which may be loaned under the fisheries enhancement loan program."

Mr. JOHN SUND, aide to House Resources Committee, explained this bill amends the fisheries enhancement loan program. He said the bill changes the amount of loan from \$6 million to \$10 million. He said the reason for bring this in is that the costs are going up for building hatcheries, etc.

Chairman Cotten asked for the reason for the difference between the original bill and the CS. Mr. Sund said the Committee felt if they needed more they should come in and pass a statute for an increased amount.

Chairman Cotten asked if there is a companion bill making an appropriation to the fund. Mr. Sund said that is HB 471 which would appropriate \$25 million to the revolving loan fund. He said he believes there is about \$2 million pending in the loan fund at this time. There was brief discussion on the appropriation bill.

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

(Representatives Moss and Adams left at this time.)

Chairman Cotten commented that HB 471 is being held for further consideration, along with the other loan bills.

Representative Malone MOVED to report out the Resources CS for HB 472. There being NO OBJECTION, it was so ordered.

CSHB 472 (Res) was reported out with individual recommendations.

HB 313

The next bill to be considered was HB 313.

HB 313 -- "An Act relating to the Alaska Fisheries Center and to appropriations to that center."

Representative Gardiner presented a packet of information concerning HB 313, including a sectional analysis of the Resources CS and proposed amendments to that bill (copies included in "original bill file"). He commented the basic reason for getting into this is that fishing is a tremendous resource to the state. He said it is still our number one employer. He said they have to have more than just a University program to develop a fisheries program. He commented that most of the federal fisheries scientists doing research in Alaska are stationed in Seattle. He commented further on the need for the center. He said the bill calls for the creation of a fisheries center. However, the Committee felt there were some unanswered questions that should be answered before the physical building is built. He said one of the amendments to the bill relates to that. Representative Gardiner explained the amendment calls for the Governor to appoint the first board of trustees as a transitional board, and they shall report back to the legislature.

Representative Gardiner commented that by building a central facility, the state would not necessarily have to fund all the operational costs; in fact, they would fund very little.

Chairman Cotten said it seems like a good idea, but sometimes people are not anxious to share information they have available to them, and he wondered what made him think this would be successful. Representative Gardiner said they talked with people who worked in these areas, and they came up with the fact that the physical location of people makes a difference -- if they are located far apart they don't work together. He commented on the physical proximity of people working on the same type of projects in a central research facility. There was brief discussion on where the center will be located. Representative Gardiner said he thinks that is one of the subjects the transitional board will have to address and make recommendations to the Legislature.

(Chairman Cotten left at this time.)

(Representative Moss returned at this time.)

Representative Rogers expressed concern with creating a fisheries research center separate from the University. Representative Gardiner further explained what the fisheries center would do, and said he doesn't think there is much competition between the University and the Department of Fish and Game over research monies. He said he didn't think competition for research funds was a problem.

(Representative Buchholdt returned at this time.)

Representative Rogers said section 7 seems to be the key to what they are going to do this year. He said he is concerned that they are saying what the organization is before they are doing the transitional section. Representative Gardiner said he thinks Representative Rogers is more concerned than the University is. He said they are not talking about replacing all the existing research people in the State; they are talking about trying to pull all these people together. Representative Rogers said primarily the research at the University has been federally funded research, and very little has been state funded. He said it seems to him the University should be the state's research arm. There was further discussion. Representative Haugen said he thinks the Center is going to help the present curriculum of the University.

There was further discussion on Representative Gardiner's proposed amendments. The bill was HELD in committee.

HB 460

The next bill to be considered was HB 460.

HB 460 -- "An Act relating to the fisheries and salmon enhancement taxes; and providing for an effective date."

(Tape Change, HFC 81-82, side 1.)

Mr. John Sund, Aide to House Resources Committee presented a sectional analysis of the bill. (see attachment #1.) He briefly explained each section of the bill.

Mr. Sund said the difference between this bill and SB 200 is that SB 200 specifically says "salmon" -- the freezing of salmon is exempt -- and this bill says freezing of "fishery resources" is exempt.

Representative Rogers said the fiscal note is \$8 million with section 4. Mr. Sund said it is still subject to what the Legislature wants to appropriate. He said the transition clause -- which is the next section -- says that doesn't go into effect until next year. He said the effect is approximately a \$5 million increase.

Representative Malone asked for the reason for increasing the refund to local governments. Mr. Sund said other than being presented as a good idea in the Resources Committee, he doesn't know that any specific reason was given. Representative Sutcliffe said the increase was included at his request. He said right now the fishing industry is in a slump, but the demand placed on communities to continue providing services to the industry has increased. He said revenues are not sufficient to update water facilities, electrical processing plants, etc.

Representative Malone said he is not critical of the idea, he is just wondering why it was introduced. Representative Sutcliffe

said 20% seems to keep most communities right where they are; it doesn't seem to move them ahead. Representative Rogers commented at the time the tax was last increased, people said they wanted the industry to pay its way. He said they are talking about a bill with a \$5 million fiscal note for next year. He said the increase is over what is in the budget right now. Representative Sutcliffe said the industry is taxing itself. He said the money is going to the State and being returned to them. There was further discussion.

Representative Malone questioned the attachment to the fiscal note from the Department of Revenue, where they are recommending that the bill be amended. See attachment #2. Mr. Sund said these issues came up when the bill was ready to be passed out of Resources. He said the Committee voted to delete the language and pass the bill out. He said they agree there are problems with those provisions, but they have not been able to come up with any language to resolve the issues relating to the salmon enhancement tax.

(Representative Buchholdt left at this time.)

Representative Malone said one of the proposed amendments deals with the basic raw fish tax, and another is the definition of "buyer". Mr. Sund agreed the definition of buyer was a good idea, and it would clarify a lot of problems that have come up.

Representative Rogers asked what he thought of the UFA amendment (attachment #3). Mr. Sund said he hasn't seen it.

Representative Haugen asked how they are handling the people who are packing their own fish and shipping them out air freight. Mr. Rodger Painter, Executive Director, United Fishermen of Alaska, said he has been looking at the raw fish tax, and it seems very ambiguous when it comes to cooperatives. He said he knows Representative Malone and Senator Mulcahy have been working on the definition of buyer. There was further discussion. Mr. Sund said he believes the definition under raw fish tax takes care of that.

Representative Malone referred to the other amendment recommended by the Department of Revenue. Mr. Sund said one of the basic problems they have had in working amendments into the salmon enhancement tax is that the condition preceeding the tax is that an election be held. He said an election was held on a very specific set of criteria, and there is great debate among attorney's that if they go in and change the basis upon which the election was held, you may negate the election, and force a new election. He said until that issue gets resolved, it has been their opinion to keep digging and try and find another solution. They haven't been able to do that yet. He said hopefully, the Department of Revenue can resolve this by regulation.

In answer to Representative Rogers question on what he thinks of the UFA amendment, Mr. Sund said he had no problem with their proposed amendment.

(Representative Montgomery left at this time.)

Representative Malone presented a proposed amendment to the bill:

Page 1, line 23: add after "frozen": ", or other goods or services."

Page 2, between lines 11 and 12, add a new subsection:

(b) a person is not liable for the fisheries business tax if the fisheries resource he is processing was purchased and is owned by another person.

Representative Malone said the intent of his amendment would be to exclude from the responsibility of paying the raw fish tax those companies engaged in the business of "custom processing" of fish. He said these are people who are engaged in the processing of fish that they don't buy and sell. He explained at the present time they are required under law to pay the raw fish tax, but they have no way of determining what the value was for that fish. He explained the problem came to light as a result of a number of audits done by the Department of Revenue. He said he wants to find a practical way to allow people engaged in custom fish processing to continue in business. Representative Haugen asked what he is talking about. Representative Malone said he was talking about shore based processing operations, and the difficulty in making them liable for the tax is they don't know what the base is for the tax. There was brief discussion. Representative Malone MOVED TO ACCEPT THE AMENDMENT. He suggested that a representative from the Department of Revenue be asked to come and testify to the amendment. There being no objection, the amendment was adopted.

Representative Rogers MOVED to accept the amendment proposed by the United Fishermen of Alaska. There being no objection, it was so ordered.

HB 460 was HELD to give Department of Revenue officials an opportunity to testify.

HB 313

HB 313 was brought up again at this time.

HB 313 -- "An Act relating to the Alaska Fisheries Center and to appropriations to that center."

Vice Chairman Freeman MOVED TO ADOPT the amendments presented in Representative Gardiner's Memo. Representative Rogers ASKED UNANIMOUS CONSENT. There being NO OBJECTION, it was so ordered.

Representative Malone MOVED AND ASKED UNANIMOUS CONSENT that CSHB 313 (fin) be reported out of Committee. There being NO OBJECTION, it was so ordered. CSHB 313 (fin) was reported out with individual recommendations.

Representative Malone MOVED AND ASKED UNANIMOUS CONSENT that the \$436.2 fiscal note be approved. There being NO OBJECTION, it was so ordered.

ADJOURNMENT

The meeting adjourned at 4:55 p.m.

Tape HFC 81-80, side 2 #001 to end
HFC 81-81, side 1 #001 to end
side 2 #001 to end
HFC 81-82, side 1 #001 to #611



Alaska State Legislature

House of Representatives

Committee on Resources

Terry Gardiner, Co-Chairman
Fred F. Zharoff, Co-Chairman
465-3715

MEMORANDUM

Pouch V
State Capitol
Juneau, Alaska 99811

TO: House Finance Committee
FROM: Rep. Terry Gardiner, *TG*
DATE: 11/May/1981
RE: Sectional Analysis, CS HB 460

House Bill 460 relates to the fisheries salmon enhancement taxes.

Sec. 1. This section makes a change in the provision in the fisheries tax dealing with processing a developing commercial fish species and clarifies who is liable for the tax. Specifically, designating that the person who processes the species shall be liable for the tax.

Sec. 2. Amendment to AS 43.75.015(c). This section along with the next (Section 3) makes an amendment to the raw fish tax regarding the definition of who is a processor for purposes of liability of the raw fish tax. Under the present existing definition, a person who freezes a fish is defined as a processor. This has caused problems with those fishermen who are freezing fish on-board their vessels for the purposes of preserving the quality and are later just selling them to a processor on shore for further processing or delivery.

The amendment provided for under these two sections would exempt a person who freezes a fishery resource on-board a vessel from being declared as being a processor and subject to paying the raw fish tax provided that that person subsequently sells that fish to a licensed fish processor. If the person subsequently sells the resource directly on the retail market, than that person is treated as a fish processor and is liable for payment of the fisheries business tax.

Sec. 4. AS 43.75.130. Refund to local governments. This section increases the amount of the fisheries business tax which is subject to refund to local governments under Sec. 130. The provision for the refund for local governments has been in the statutes prior to statehood, although it was fixed at 20 percent. This increases it from 20 percent to 50 percent.

In terms of fiscal impact on the State, it makes no effect on the amount of money that is collected by the State, although it does increase the amount of revenue to be shared back to the municipalities

from approximately \$4 million per year to approximately \$9 million per year. This refund is obviously subject to annual appropriation by the legislature.

Sec. 5. Amends AS 43.76.020(a). This provision deals with the salmon enhancement tax and is a technical amendment due to an oversight in drafting of some legislation last year. The salmon enhancement tax is imposed based upon a vote of the limited entry permit holders in given region of the State. The provisions of the statute allow for the choice of either imposing a 2 percent assessment or a 3 percent assessment. The statute also provides, upon a given vote the assessment tax may be terminated and this provision (Sec. 020) deals with the termination. The way it is presently written and drafted last year, only those individuals or regions which imposed a 3 percent tax are allowed to terminate it and this amendment amends that Section to allow those regions which have imposed a 2 percent tax to also terminate that.

Sec. 6. AS 43.75.136 is a repealer. This is the provision that provides that up to 20 percent of the raw fish tax may be designated by the legislature for purposes of capitalization of the commercial fish and agriculture bank. Since that time, the bank has been fully capitalized with a stock purchase of \$32 million by the State and this Section is no longer needed.

Sec. 7. Transition. The transition provision provides direction on how the taxes which are collected for the purposes of refund to the local government shall be handled. The taxes paid for the 1980 calendar year are actually due to the State on April 1, 1981. This transition provides that those taxes shall be shared in accordance with the Section before it was amended. Taxes paid for the 1981 calendar year, which are actually collected April 1, 1982, shall be shared according to the provisions of this Section as it is amended.

MEMORANDUM

State of Alaska

TO: R. D. Stevenson
Legislative Assistant

DATE: April 22, 1981

FILE NO:

TELEPHONE NO:

FROM: Gary L. Jenkins
Director
Audit Division

SUBJECT: CSHB 460 (Resources)

The committee substitute for HB 460 is basically the same language as that in the original bill except that several sections have been deleted. Those deleted sections would have solved some serious problems which exist in the present fisheries enhancement tax regarding who is responsible for the collection of the tax.

As recommended in my comments on the initial draft of the bill, I would suggest the legislature give consideration to clarifying a few of the proposed provisions. First, Sec. 3 of the bill establishes an exclusion from the Fisheries Business Tax provided certain conditions are met. For purposes of effective administration, I recommend one additional condition be added to AS 43.75.017(a), which is:

(4) the fishery resource is sold by the person claiming the exclusion from tax to a fisheries business licensed under AS 43.75.

This provision will insure our ability to reasonably enforce the law because the tax will be reportable by taxpayers with whom we are already dealing and we will not be required to go out and try to find other persons who might buy the fishery resource and who would then be required to pay the tax.

When the need for the provisions of this bill were discussed previously with some members of the House Resources Committee, it was suggested that the Salmon Enhancement Tax law be clarified regarding whether the taxable event was the act of catching salmon in one of the established regions or was the act of selling salmon in the region regardless of where caught. It was our original understanding that the taxable event was the act of catching salmon in a region, however, during the course of discussions with various legislators, it has become clear that there is a divergence of opinion as to which event is the taxable event. I would strongly urge the legislature to clarify that point by amending AS 43.76.010 and AS 43.76.011.

1095

Attachment #2

5/14/81

Finally, I would also recommend that if this bill is amended to require any buyer to collect the tax, an additional section be added to the bill for the purpose of defining the term "buyer". The following language is suggested for the Legislature's consideration:

"Buyer" means any person who acquires possession of salmon from the person who caught the salmon regardless of whether there is an actual sale of the salmon but excluding any transfer to a person engaged solely in interstate transportation of goods for hire.

This broad language is being proposed to insure that deliveries of salmon to a cooperative would be included. This would preclude an argument that a delivery to a cooperative was not an actual sale upon which the tax would not apply.



UNITED FISHERMEN OF ALASKA

MAILING ADDRESS & OFFICE
197 SOUTH FRANKLIN ST.
JUNEAU, ALASKA 99801
907 586-2820

Rodger Painter
Executive Director

Proposed amendment to CSHB 460 (Res)

Insert on page two, line 29 and renumber:

*Sec. 5. AS 43.75.140 (7) is amended to read:

"value" means the compensation actually received from a fisheries business or other person purchasing fisheries resources (ACTUAL PRICE PAID) for a (THE) fisheries resource by the person taking the fisheries resource (THE FISHERIES BUSINESS), including indirect consideration such as fuel, supplies, or gear, whether paid at the time of purchase of the fisheries resource or tendered as a deferred or delayed payment, except that "value" means the market value of the fishery resource if the taking of the fishery resource is undertaken (PROCURES) in company owned or company-subsidized boats operated by employees of the fisheries business or in boats which are operated under lease or other arrangement;

*Sec. 6. AS 43.75.140 is amended by adding a new paragraph to read:

(9) "taking" means in any manner pursuing, fishing, capturing, or killing fisheries resources.

HOUSE FINANCE COMMITTEE

May 15, 1981

8:55 a.m.

{Tape HFC 81-82, Side 1, #611}

PRESENT

Chairman Cotten called the meeting to order at 8:55 a.m. All members of the Committee were present, except Representative Meekins. Representative Haugen arrived later in the meeting. Also in attendance: Representative Eric Sutcliffe; Bob Palmer, Special Projects Coordinator, Office of the Governor.

HB 460

Chairman Cotten announced the first bill up for discussion is HB 460:

HB 460 - "An Act relating to the fisheries and salmon enhancement taxes; and providing for an effective date."

(Representative Haugen arrived at this time.)

Representative Rogers suggested it might be wise for the Committee to consider separating out that portion of the bill-- Section 4--which carries the \$5,975.0 price tag and let the important part of the fiscal note go.

Representative Malone referred to the amendments previously presented by the United Fishermen of Alaska and noted Joe Donohue, Deputy Commissioner of Taxation, Department of Revenue, would be unable to appear before the Committee to comment on the amendments until 1:30 p.m. this afternoon. He, therefore, requested HB 460 be held until that time.

HB 460 HELD

HB 196

The next bill to be considered by the Committee is HB 196:

HB 196 - "An Act relating to the establishment of the Alaska State Center and a state weather and climate program."

Representative Rogers noted a representative from the Alaska Environmental and Industrial Development Corporation (AEIDC) was not present and explained this passed last year, and some of the functions have been provided by AEIDC the past several years through federal funds. He pointed out the bill has a \$114.0 fiscal note. Chairman Cotten commented this is somewhat a priority of the Governor.

Representative Malone moved to amend the title by inserting the word "Climate" between the words "State" and "Center" and to adopt the \$114.0 fiscal note for FY 82. There being no objection, it was so ordered.

HB 196 AM REPORTED OUT

Representative Rogers moved to report out HB 196 as amended, with fiscal note and amendment attached. There being no objection, it was so ordered. HB 196 am was reported out of Committee with a "do pass" recommendation.

HB 187

Chairman Cotten advised HB 187 is the next order of business:

HB 187 - "An Act relating to the penalty on tax."

Representative Malone noted there was an objection to the legislation on the grounds that, if the provision were enacted into law, a citizen could pay all the tax and refuse to file a return, which is at variance with the law.

There was discussion of the memorandum (see Attachment 1) from Mr. Jenkins, dated February 27, 1981.

Representative Montgomery stated his objection was to the regulations allowing a penalty to be assessed on the whole amount, but that that has been corrected in the Judiciary CS for HB 196, which allows a penalty assessment on what is owed only. He referred to a letter (see Attachment 2) from Mr. Stastny, dated February 5, 1981, which provides a good explanation.

Representative Moss wondered why not eliminate the whole thing. He stated his point is that there is nothing in the statutes that indicates this is a paid amount and that he feels some type of compensation, such as interest, should be made to the person whose money is withheld. He suggested amending this. Representative Malone advised what the bill would do is limit the penalty to the unpaid balance of the tax, which he thinks is a good amendment to the law. He responded this bill pertains only to State taxes and does not affect the IRS, which currently does levy penalties on the whole amount. While he wouldn't have any objection to this type of amendment, he stated it should be worked out with the Department of Revenue because of the implications and would need considerable study. Representative Montgomery indicated he does not support the elimination of the penalty.

CSHB 187 (JUD) REPORTED OUT

Representative Freeman moved to report out the Judiciary CS for HB 187. There being no objection, it was so ordered. CS for HB 187 (Jud) was reported out of Committee with a "do pass" recommendation.

RECESS

(Chairman Cotten called a recess at 9:15 a.m. and reconvened the meeting at 9:25 a.m. Representative Buchholdt left the meeting during this time.)

HCR 29

Chairman Cotten stated the next bill to be addressed is HCR 29:

HCR 29 - Relating to the development of a plan for Alaska agricultural development.

Representative Freeman recapped for the Committee what transpired with HCR 29 at yesterday's meeting and introduced Bob Palmer, who had been requested to provide further information for this morning's meeting.

Mr. Palmer distributed a handout (see Attachment 3) regarding the FY 82 costs and noted this is essentially a transcript of his taped telephone conversation with Hudson Glimp of Winrock International, Kentucky. He briefly discussed Items 1-12.

Representative Rogers moved to rescind Committee action of the previous day to report out a \$500.0 fiscal note. There being no objection, it was so ordered.

Representative Adams referred Items 2-9 and wondered if these were not being duplicated here and noted there is no budget plan. Mr. Palmer pointed out this was not done by a consultant seeking work. He noted he spoke with Experience, Inc., a control data corporation, in his office just before the meeting. Representative Adams wondered if Winrock International would be involved because of conflict. Mr. Palmer indicated, if they are involved, it will only be through their non-profit corporation, which will do this only as a service and not for a fee.

Representative Malone observed the first step in deciding is how to put the plan into action and "you can't engage consultants in Alaska for things they aren't consultants for." He asked if the Ag Council would be selecting the project director. Mr. Palmer responded, "The first step would be the project director and the Council; then the delineation of the functions as to what is expected of the consultants, again trying to get all we can from within the State; with the objective of coming before the Legislature the 15th of January next year with as much detail as we can." If the Administration decided to come up with a plan for review and comment by the Legislature, observed Representative Malone, "this whole thing might work."

Representative Rogers asked if the component will go out to competitive bid, and Mr. Palmer indicated yes.

HCR 29 (FIN) REPORTED OUT

Representative Rogers moved to adopt an \$800.0 fiscal note. There being no objection, it was so ordered.

Representative Malone moved to add INTENT language for the appropriation item that, if included in the budget, the Legislature be provided, along with the preliminary report, a year-to-date report of expenditures. There being no objection, it was so ordered.

Representative Rogers moved to report out a Finance CS for HCR 29, with \$800.0 fiscal note and notation of INTENT. There being no objection, it was so ordered. CS for HCR 29 (Fin) was reported out of Committee with a "do pass" recommendation.

ADJOURNMENT

The meeting adjourned at 9:50 a.m.

Tape HFC 81-82, Side 1, #611 - End
Side 2, #001 - #474

MEMORANDUM

State of Alaska

TO: R. D. Stevenson
Legislative Assistant

DATE: March 26 1981

FILE NO:

TELEPHONE NO:

FROM: Gary L. Jenkins
Director
Audit Division

SUBJECT: CS HB 187

The amended version of HB 187 deletes one of the proposals in the original bill regarding which we had expressed concern in my memorandum of February 27, 1981. The second area of concern which I mentioned in that memorandum has been retained in the committee substitute and my original comments are still applicable.

MEMORANDUM

State of Alaska

TO: R. D. Stevenson
Legislative Assistant

DATE February 27, 1981

FILE NO:

TELEPHONE NO:

FROM: Gary L. Jenkins
Director
Audit Division

SUBJECT HB 187

This bill would make two changes to AS 43.05.220(a) which would significantly alter the functioning of the penalty provision. The first change would give all delinquent taxpayers an additional 30 days in which to file a return or pay a tax before either a failure to file penalty or a failure to pay penalty could be assessed. If for some reason the Legislature feels the filing deadline for filing any particular tax return is not appropriate, then the specific filing deadline should be amended and not permit a carte blanche extension of 30 days before any penalties can be assessed.

The second proposed change in the section would limit either the failure to file or the failure to pay penalty to being computed using only the unpaid balance as a computational base. Our current regulations provide that the failure to pay penalty is computed on the unpaid balance so the only penalty affected by this provision is the failure to file penalty. This provision would seriously thwart our efforts to obtain proper and timely filings of tax returns. This penalty is in the law to insure that taxpayers will meet the statutory requirements to file sufficient information with the department in order that we might ascertain the correctness of the amount of tax which they have paid. All of our statutes have adequate lead times for the filing of returns as well as provisions for obtaining an extension of time to file, most of which are up to six months. If this provision is enacted into law, a taxpayer could pay us a tax, take the position that that is all the tax that was due and refuse to file a return. To ascertain whether he was correct or not, we would be required to expend hundreds of manhours to gather enough information to determine if his original ascertainment was correct. If it was correct, then we would not be able to assert any penalty because there would be no additional tax liability. The end result would be that taxpayers could completely destroy any attempt that we might make at effective tax administration by employing these kind of tactics.