

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2793

ARTHUR YOUNG

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HB 187
ARTHUR YOUNG & COMPANY
730 I STREET
ANCHORAGE, ALASKA 99501



February 5, 1981

Mr. Tom Williams
Commissioner of Revenue
Department of Revenue
Pouch SA
Juneau, Alaska 99811

Dear Tom:

In introducing legislation in the U.S. Senate to correct a Revenue Procedure, Senator Lloyd Benston said that the IRS had stretched the law to the breaking point. He went on to say that that particular revenue procedure was "a good example of the way in which IRS sometimes takes a statute aimed at correcting a simple problem and stretches it with a closely tailored interpretation in order to extract revenues and inflict undue burdens on taxpayers". The Department of Revenue has recently done exactly the thing that Senator Benston accused the IRS of doing when it issued Regulations 15 AAC 05.210. These regulations purport to interpret Alaska Statute Section 43.05.220. This Section in the Statute reads as follows:

"Five percent shall be added to a tax for each thirty-day period or fraction of the period during which the taxpayer fails to file at the time or times required by law or regulation a return or report, or pay the full amount of the tax, or a portion or a deficiency of the tax, as finally determined by the Department and required by this title..."

The offensive part of the new regulation regards the failure to file penalty and states:

"The failure to file penalty is computed on the total tax liability (total tax liability means the total tax disregarding prepayments or withholding credits) reported by the taxpayer or as subsequently determined by the Department."

An example in the same regulations demonstrates the application of this provision. In the example, the tax return showed a tax of \$1,000. The taxpayer had prepaid (either through estimated tax

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payments or withholding) \$800, leaving a balance due of \$200. The tax return in the example was filed 33 days after the due date. The example concludes that the penalty in this instance would be \$100 (10% of \$1,000). It can be seen, therefore, that the penalty has been charged on the \$1,000 tax liability rather than the \$200 tax due, an effective penalty of 50% of the tax due rather than 10% as provided by law. A further extension of this line of reasoning would indicate that a taxpayer who had overpaid his state taxes, but was late filing his return, would also be subject to a penalty. For example, a corporation with a tax liability of \$50,000 and estimated tax payments of \$75,000 would have an overpayment of \$25,000; however, under the State's regulations any penalties for late filing would be calculated on the \$50,000 tax.

Unfortunately, when Section 43.05.220 was passed by the Legislature it did not make clear the amount to which 5% should be applied to calculate the penalty. One only has to look, however, at the Department of Revenue's past practice and the practice of the Internal Revenue Service and every other taxing authority of which the writer has knowledge, to see how this kind of a penalty statute is always interpreted. Throughout its entire history, the Department of Revenue has assessed a late filing penalty based on the balance of tax due. The balance of tax due is also the measuring stick for the assessment of late filing penalties asserted by the Federal Government, the State of California, and all other states of which I am aware.

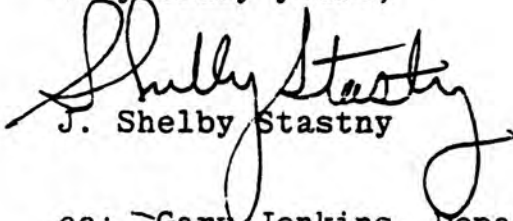
This unwarranted interpretation of the Statute is obviously aimed at extracting revenues and inflicting undue burdens upon taxpayers in a manner beyond the bounds of any reason. If a taxpayer has paid his tax liability, there is no particular state interest served by penalizing that taxpayer for not filing a form with the State on time. It is my sincere desire that the State Department of Revenue, through administrative decision, will rescind this onerous provision in the Regulations. If, however, the Department of Revenue does not see fit to take this action, I am requesting by copies of this letter to the Senate Finance Committee and the House Finance Committee that remedial legislation be enacted. I do not believe for a minute the remedial legislation is necessary, however, if that is the only avenue available to correct this obvious injustice, it will be pursued.

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Please feel free to call if I can answer any further questions concerning this position.

Very truly yours,


J. Shelby Stastny

cc: -Gary Jenkins, Department of Revenue
-Rep. Sam Cotten, House Finance Committee
-Rep. Joe Hayes
-Rep. Joe Montgomery
-Senator Ed Dankworth, Senate Finance Committee
-Senator Don Bennett, Senate Finance Committee
Alaska Society of CPAs Taxation Committee
Alaska Bar Association Taxation Committee

JSS/pf

ITEMS TO BE INCLUDED IN REPORT

MAN MONTHS REQUIRED

- (1) Information concerning the economic and financial situation of agricultural development necessary to evaluate and support agricultural development projects.
- (2) A planning process to update annually the agricultural plan and its 10-year projections.
- (3) A planning process to examine annually the long-range economic viability of the existing state agriculture industry, future developments proposed in the agricultural plan, and the distribution of economic and socioeconomic benefits and costs.
- (4) Recommendations for changes in the organization of state government to implement the agricultural plan efficiently.
- (5) Programs for state support of small-scale and subsistence agriculture.
- (6) Recommendations for research and development, education, and extension services necessary to support the plan.
- (7) A budget for the upcoming fiscal year for continuing and new state agricultural programs.
- (8) The cost of associated capital and infrastructure requirements.
- (9) Projections of the marketing needs of Alaskan agricultural production.
- (10) plans to maintain agricultural land for agricultural uses.
- (11) methods to ensure that agricultural development is compatible with the optimum uses of other resources, including timber and fish and game, and
- (12) methods to ensure that agricultural development will proceed with sound environmental practices and energy efficiency.
- Items (1) through (4) will be dealt with together as a group:
- Phase 1: 3 months
Phase 2: 10-12 months
- Phase 1: 3 months
Phase 2: 4 months
- Phase 1: 2 months
Phase 2: 2 months
- Items (7) and (8) will be dealt with together.
- Phase 1: 4 months
Phase 2: 6 months
- Phase 1: 6 months
Phase 2: 6 months
- Items (10) through (12) will be dealt with together as a group:
- Phase 1: 2 months
Phase 2: 3 months

TO: Bob Palmer

FROM: Hudson Glimp
Lead Consultant to the Winrock International
Livestock Research and Training Center; one
of the founders of Winrock International;
currently a farmer in Danville, Kentucky;
spokesman for Winrock International and
the collaborative team on the Alaska Project

DATE: May 14, 1981

RE: Justification of \$800,000
for Agricultural Planning

These are my own offerings of what I have determined to be the
breakdowns for Alaskan agricultural development planning:

1. PROJECT DIRECTOR	\$60,000	
2. OFFICE EXPENSES	60,000	
3. CONSULTANT TIME (@\$6,000/mo. for first phase of 30 months)*	180,000	* ALL "Months" are "Man Months"
4. TRAVEL & PER DIEM FOR CONSULTANTS (@\$5,000/mo. for first phase of 30 months)	150,000	
5. OTHER TRAVEL & PER DIEM (for project director and other staff)	50,000	
6. COMPUTER SERVICES & PUBLICATION EXPENSES	80,000	
7. HEARINGS (for public input)	40,000	
8. CONTINGENCY (5 percent)	40,000	
9. OVERHEAD (about 20%)	<u>140,000</u>	
TOTAL	\$800,000	

INPUT ON VARIOUS ITEMS

The following comments are offered on the twelve charges to the AAAC in HCR 29, pp. 2-3.

Items (1) through (4) (see attached) will require three months. Biggest thrust will come in the second phase -- as much as ten to twelve months will be in the second phase.

It might be achieved by a full-time person as opposed to a consultant.

Item (5), "small-scale and subsistence programs" -- Phase 1 will be three months. You need quite a bit of input early on for many reasons. You will need four months for Phase 2.

Item (6), "research, development and education" -- Phases 1 and 2 will take two months each.

Item (7), "upcoming fiscal year budget", and Item (8), "associated capital and infrastructure requirements" -- Will take four months initially and then six months for Phase 2.

Item (9), "marketing needs". I've included marketing, processing and distributions systems in this. Six months will be needed initially; 12 months for the long term.

NOTE: In the second year of this thing, the items for development planning, evaluation process, and marketing -- it would be two full-time people. Two very critical ones -- politically and for your sake and for agricultural development scheme.

Items (10), (11) and (12), I've lumped together. Phase 1 would take two months and Phase 2 would take three months.

I've added three categories:

{	1. Livestock Production Systems	Phase 1: 5 months
		Phase 2: 6 months
{	2. Horticulture (fruits and vegetable crops)	Phase 1: 2 months
		Phase 2: 2 months
{	3. Feed Grains and other Cash Crops (rapeseed, etc.)	Phase 1: 3 months
		Phase 2: 3 months

That comes up with:	Phase 1:	30 months
	Phase 2:	50 months

I have made no attempt to separate out what percentage of that could be accomplished by Alaskan personnel versus outside consultants. I hope that one-third can be accomplished by Alaskan personnel -- U of A, etc.

It is vital that you be involved in all phases of the planning process.

The overhead might throw them, but there are certainly going to be costs to us.

(In response to a question that Bob Palmer asked Glimp about the first phase info that would be presented to the Legislature by January 15, Glimp responded:)

The report (to the Legislature) should be a fairly comprehensive document, outlining in reasonable detail where Alaska should be going in agriculture production; what the major development efforts and costs associated with those efforts would be; and any policy consideration that the Legislature should need to be aware of. Should be laid on the table at that time.

The short-term and long-term should be included in the first phase; they will be reliable projections...the benefits to the State from committing itself to this course. I would expect Legislature would have strong recommendations and responses. I would anticipate changes in direction for the second phase.

Regarding something the Legislature can look at as the next project, this should be part of Phase 1. Would expect Phase 2 documents to be "Bible" for ag development in Alaska for next five to eight years.

The Legislature and you could live with it.

I have been involved in ag projects around the world, both as an observer and as a participant. I am impressed with the progress (in Alaska) and the little mistakes you've made. The priorities (you've established) have been right.

(In a separate subject regarding the City of Nenana's proposal to the Legislature for funding for their ag development, Glimp said:)

"You have to kill the Nenana sort of thing [because it should be coordinated through one agency--the AAAC]; the planning document can stop that sort of nonsense."

HF0515811415

HOUSE FINANCE COMMITTEE

May 15, 1981

2:15 p.m.

{Tape HFC 81-82, Side 2, #474}

PRESENT

Chairman Cotten called the meeting to order at 2:15 p.m. All members of the Committee were present, with Representatives Buchholdt, Moss and Meekins arriving later in the meeting. Also in attendance: Representatives Eric Sutcliffe, Mike Miller and Jim Duncan; Gary Jenkins, Director, Division of Audit, Department of Revenue; Rod Pegues, Assistant Attorney General, Department of Law; General and Mrs. B.B. Talley; Alison Elgee and Jerry Schilz, Fiscal Analysts, Division of Legislative Finance.

HB 460

Chairman Cotten advised the first order of business is HB 460:

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

Chairman Cotten noted this is a continuation of hearings begun yesterday and lasting through this morning. He indicated Representative Malone had requested testimony from the Department of Revenue.

Recapping for the Committee, Representative Malone referred to suggested amendments submitted yesterday in a memorandum (see Attachment 1) from Gary Jenkins, Department of Revenue, which were not incorporated in the Resources CS for HB 460. In addition, he continued, there were other amendments proposed and adopted by the Committee yesterday, pending comments by the Department of Revenue on their amendments. Those amendments (see Attachment 2) pending, he continued represent one that he offered dealing with custom processing and exemption of that activity from payment of the fish tax, and an amendment by the United Fishermen of Alaska that adds language to the definition of value.

At this time, Gary Jenkins presented testimony on CSHB 460 (Res), referring to his memorandum in which he suggests a fourth condition be added in Sec. 3 of the bill. He advised they have had discussions with Senator Eliason, who originated this concept and who indicated no problem with this additional condition. He stated the other major point in his memorandum was that the original bill had several provisions in it regarding the salmon enhancement tax, and the Department is seeking clarification as to the intent of the Legislature. He noted there has been some question on whether the tax is intended to be on fish caught in a region or fish sold in a region. The general information he has

received is that it is to be on a sold basis; although there was some response that indicated it is on a caught basis. The original version of the bill specified caught basis, he said, but it could have been modified to say sold.

Another concern, Mr. Jenkins explained, is that of a potentially serious loophole in the law as enacted in that it provided for the salmon enhancement tax to be collected in a very narrowly defined situation where a fisherman who has a commercial fishermen's license and sells to a processor who is licensed under Title 43.75. He pointed out a tremendous volume of fish is sold to independent buyers or people who are not processors, thus, not licensed under law. He advised the Department has adopted emergency regulations that will soon be permanent in an attempt to solve that problem. However, he believes that, if challenged, it probably won't stand up. He indicated there is some support in the statute, but it is hazy. The proposed language in the original bill, he stated, would have solved that problem.

Representative Malone mentioned a point brought up by John Sund, Administrative Aide to Representative Terry Gardiner, after yesterday's meeting was that changes in the enhancement tax law could hinder the effectiveness of the tax itself; i.e., if voted in under one set of circumstances, then changed under another, without holding a new election. Mr. Jenkins indicated this is a valid point and commented there would be a serious problem if in fact the legislation as proposed is passed, which is on a caught basis. However, if modified for clarity that it is to be on a sold basis within a region only, which is the basis on which the elections were conducted, he advised, then it would completely resolve that issue. The situation was one of clarification, he said, because at no point in the legislation did it specify caught or sold--whichever is immaterial to the Department--only that a tax be collected. If the language specified salmon sold in a region, he continued, then it would be in line with the elections that were carried out in the various regions.

Representative Malone asked if there has been any difficulty so far or if the potential was just there. In response, Mr. Jenkins noted the law just went into effect April 1, and so far there hasn't been a single return filed at this time. He added they have modified the original regulations so that it will be on a sold basis, and explained the significant problem in this area is where a fisherman brings his fish to Juneau, for example, and sells them to a cash buyer. Technically under the law, he said, that buyer has no responsibility to collect that enhancement tax, and the Department is trying by regulation to put the burden on the fishermen to report the amount of fish sold in the region and to pay the tax. He indicated potentially serious violations in attempting to enforce the tax in this situation, so the Aquaculture Association in that area would lose that tax. There was further discussion.

Representative Freeman stated a question was posed to him regarding a situation where fish were caught in American waters and sold in Canada. Mr. Jenkins replied there would be no tax collected. "This was the point," he said; "Our interpretation is that it is immaterial where the fish are caught and hauled to a processor beyond the 12-mile limit--there is no tax on it; if they are hauled into Canada and sold, there is no tax on it." The flipside, he said, is that if the fish are caught beyond the 12-mile limit but brought into Southeast, then they will be taxed.

In view of the point raised by Mr. Sund, Representative Malone indicated it might be more appropriate to handle this within intent in the regulations at this time. Mr. Jenkins responded there is no question in his mind that there would be a potential legal question if the Legislature modified the law to go to a caught basis or an either/or as to whether that would negate all the original elections. Representative Malone said he would like to review the Committee Reports on the original legislation that was adopted before incorporating the amendments.

Noting these amendments were not included in the Resources CS, Representative Malone asked if the Resources Committee addressed either of the Revenue amendments. Representative Sutcliffe responded the Resources Committee did not consider these amendments, that he wasn't aware of them at the time.

(Representative Rogers left the meeting.)

AMENDMENT -- ADOPTED

Representative Malone moved to incorporate in the bill the amendment to Section 3, that adds a new subsection (4) under AS 43.75, as recommended by the Department of Revenue. He asked unanimous consent this amendment be adopted. There being no objection, it was so ordered.

{Tape HFC 81-83, Side 1, #001}

Representative Malone advised against incorporating the other amendment suggested by the Department at this time. Instead, he recommended the Committee not hold the bill nor amend the law on that, but stated he would like the opportunity to research the legislative record on the enhancement tax to come up with clarification and perhaps address this in a letter of intent, as the objective is not to rewrite the entire law. If it is required that the law be changed, he stated legal research is indicated, and it could be addressed later.

(Representative Rogers returned to the meeting.)

Chairman Cotten moved an amendment to delete the entire contents of Section 4 and subsequently Section 9 as well, dealing with the effective date of Section 4. This would remove the large fiscal note that accompanies the bill. Representative Adams objected.

During discussion on this amendment, Representative Rogers indicated an alternative would be to allow a gradual climb from maybe 20% now to 30% for the next fiscal year and 40% the year after that and 50% the year after that, if necessary. There was further discussion on the recipients of this tax and the regular revenue sharing recipients.

In rebuttal, Representative Sutcliffe said he tried to explain at yesterday's meeting that the fishing industry is basically "peaked out" right now and that it takes all the monies received by the municipalities just to keep the existing industry going. He stated he hoped it is the intent of the Legislature to encourage the fishing industry to get into bottom fishing, which he described as being extremely labor-intensive and not a three-to-six months operation but year-round; and the only way to attract bottom fishing in the already hard-pressed communities is to allow them to develop the necessary infra-structure. This money would allow the development of the infra-structure and, in the long run, increase the revenue sharing back to the State, he continued; it is an investment in the communities, not an expenditure.

Representative Adams stated he objects to the removal of Section 4, because communities and municipalities that have this type of industry have to provide services and need this money for this type of increased economic activity.

HB 460 HELD

During further discussion, Representative Malone requested HB 460 be held over, pending further information on the impact the deletion of Section 4 would have. There being no objection, HB 460 was held over.

CSSB 86 (RLS)

Chairman Cotten advised the next order of business is consideration of CSSB 86 (RLS):

CSSB 86 (RLS) - "An Act relating to relocation of the state capital, and repealing and reenacting the law enacted by the initiative popularly known as the 'FRANK Initiative' to provide for the determination of the costs of capital relocation."

Chairman Cotten announced the Committee would be addressing the proposed Finance HCS for CSSB 86 workdraft, dated 5/14/81, which he authored--new title:

HCS CSSB 86 (Fin): "An Act relating to relocation of the state capital, and repealing and reenacting the law enacted by the initiative popularly known as the 'FRANK Initiative' to provide for the determination of the costs of capital relocation; and repealing and reenacting AS 44.07, the Alaska Capital City Development Corporation law."

At this time, Representative Miller, noting he has not had the opportunity to see a copy of this workdraft, respectively requested that, out of fairness to him and to the other Representatives and, particularly, to his community (Juneau), no action be taken on SB 86 until Monday, in order that he and his constituents might have a chance to analyze and respond with their observations and suggested amendments. He indicated he is not requesting that hearings not be held nor that amendments not be considered. In response, Chairman Cotten pointed out "some people have had a chance to review the bill and already have a whole stack of amendments ready (to offer)." Representative Miller observed SB 86 is probably one the most important bills being considered this session, and he feels the opportunity to present amendments should be available while the bill is still in Committee, rather than being forced to "amend the bill from the hip". Chairman Cotten thanked Representative Miller for his comments.

(Representative Malone left the meeting.)

The following is a transcript of the remainder of the meeting:

COTTEN: Are there individuals that wish to testify on SB 86 today? As soon as Mr. Malone comes back, I'm going to make a motion. Representative Rogers.

ROGERS: I do have some comments on the bill and some questions if I could, and I do have some amendments (see Attachment 3) when you do get ready for markup.

(Representative Malone returned to the meeting)

COTTEN: Okay. At this point, I'm going to make a motion to adopt this proposed House Committee Substitute as the Finance Committee Substitute for SB 86; and after that motion, the Chair would entertain any and all amendments to the committee substitute that hopefully will have been adopted at that time. At this point, I would move that we adopt the HCS for CS for SB 86 (Finance).

ROGERS: Object.

ADAMS: Object.

COTTEN: All those in favor of adopting the committee substitute raise your hand. Five votes for. Those opposed. Four opposed. The committee substitute is adopted. There are a couple of amendments that the Chair is going to offer. On page 2, line 11, and on page 22, line 5, eliminate/delete the word: necessary; it is a redundancy. We've got that in two places in the same sentence. (He repeated again for Representative Haugen.) On page 3, lines 27, 28 and 29, delete the language: Appointed members shall be confirmed by a majority of the members of the legislature in joint session. It has been called into question the

constitutionality of this, as cited by Bradner vs. Hammond. I'd move and ask unanimous consent that this language be deleted. Hearing no objection, that language will be deleted. I've got one other amendment here. I'm not sure if everyone has this amendment. Okay. I'll get it duplicated and offer it at a later moment. Are there other amendments? Representative Rogers.

ROGERS: Mr. Chairman, first I do have a question. Has this bill been prepared by Legislative Legal Division?

COTTEN: No, this is a workdraft that we prepared ourselves.

ROGERS: Has the revisor of statutes gone through the bill?

COTTEN: Not to my knowledge.

ROGERS: Okay. I would make a request that the bill go through the revisor prior to it moving out of committee. As you know, the revisor often recommends substantial change to a bill in order to conform with legislative drafting style, and to correct errors and so on; and I would request that, before the bill be moved from committee, it go through the revision process.

COTTEN: I'll take your request into consideration, Mr. Rogers.

ROGERS: On page 1, lines 15 and 16, it deletes planning, design, studies and field investigations and allows money to be expended for those, which is not in the current FRANK Initiative. What is the definition of field investigations?

COTTEN: Mr. Rogers, the original FRANK Initiative did allow, in some people's opinion, certain planning and other processes that would include going out into the area and making determinations as to the soil quality and other considerations like that to help make a determination of the cost, what sort of planning and architectural and other studies would be required in order to give a good, true estimate. So, at one point, I heard a member of the Department of Law say that it may be even illegal for him to be talking about the capital move since the FRANK Initiative, under some interpretation, might have prevented any effort to be expended by the state. We wanted to make absolutely clear in here that there could be the reasonable and necessary planning motions and functions take place in order to be able to determine some of the cost figures that we fully intend to have the people vote on through other provisions of 44.06.196. Field investigations would include, I think, a pretty broad range of investigations as to what's going to be required as far as building, and the reason for that would be to better be able to determine the cost estimate.

ROGERS: Does field investigations include opening of pioneer roads into the new capital site as was listed on one of the fiscal note explanations for the appropriations?

COTTEN: Right. You have to get in there somehow.

ROGERS: So, in fact--

COTTEN: I suppose it might be cheaper to hire helicopters to move in there, but I think it might be also cheaper to put some sort of a pioneer access road in there so you can get your equipment in to make your soil samples.

ROGERS: Okay. So this bill does allow opening of pioneer roads into the capital site.

COTTEN: If that would be required for a field investigation, I don't see why not.

ROGERS: Okay. I would move on page 2, line 14, after the word government, insert the words: including the facilities required by AS 44.06.100 - AS 44.06.190; and ask unanimous consent for the adoption of the amendment.

COTTEN: I object to that. What--

(Representative Buchholdt arrived at this time.)

ROGERS: 44.06.100 - .190 is the original capital site, capital relocation initiative.

COTTEN: I'm aware of that. Which facilities are required under that?

ROGERS: It discusses road, railroad, 24-hour airline service.

COTTEN: That's in, would you site the section that that's in?

ROGERS: Yes, that's in 44.06.130. Section 1 of the 1974 Initiative took effect December 11, 1977.

COTTEN: Would you read .130?

ROGERS: Yes. Selection of potential sites. The capital selection committee shall within 12 months, etc., select three sites, none may be within a radius of 30 miles, etc., not less than 100 square miles, contiguous, not necessarily rectangular, classified as reserve-use land, shall be selected with due regard to accessibility by road, railroad, 24-hour airline service and terrain necessary for airport construction.

COTTEN: It doesn't sound that they require that those things be involved here. I expect that they probably will, as they'd be deemed necessary utilities, most likely, but that was the

requirements that was given to the site selection committee, and they should have given due regard to the availability of those services when selecting one of the sites. I'd be opposed to the amendment. There is an objection to the amendment. All those in favor of the amendment. (Three were in favor.) Those opposed. (Four were opposed.) Okay.

ROGERS: Mr. Chairman, page 3, line 18, and page 4, line 6, I'd move to delete City of Fairbanks and insert Fairbanks North Star Borough.

COTTEN: I object.

ROGERS: Mr. Chairman, this is on the membership of the Alaska Capital City Development Corporation. The City of Fairbanks has some, depending on whose numbers you believe, 20 or 30,000 people. The Fairbanks North Star Borough has between 50 and 60,000 people, and as elected representative of a larger group of people. So I think the mayor of the Fairbanks North Star Borough would be a more appropriate member.

COTTEN: Is there any other discussion? Those in favor of the amendment. (Three were in favor.) Those opposed. (Four were opposed.) Amendment fails.

ROGERS: Mr. Chairman, on page 4, line 12-14, I'd move to delete the words: and all appointed directors shall be confirmed by a majority of the members of the legislature in joint session.

COTTEN: I object to that. This isn't a strong point. The first part was, again, according to the Attorney General, this may or may not be in violation of the constitution, as cited by Bradner v. Hammond. In the first part, this was the transition team, if you will. The Legislature wouldn't have had a chance to confirm these anyway by the time they got back to the session with a report by next year. This other case, the board doesn't take effect until, when and if, the ballot proposition is passed by the voters; and I just think that so often the Legislature does require that, even though the Attorney General doesn't agree with us, often times, as you know, you and I have been on the same side fighting on this question many times, but I don't think we should be required to pull this out. The Attorney General did say that this would be a severable clause, and that absolutely, if this provision were struck down, the rest of the bill would not suffer as a result. So I'd prefer to keep it in myself. Representative Malone.

MALONE: Mr. Chairman, as I understand it, this board would have rule-making power. Legislation gives them rule-making power, and generally those types of boards can be made subject to legislative confirmation. At least, unless I'm reading the

bill all wrong. Whereas, over on page 6, the rule-making power.

COTTEN: Right. May adopt regulations. Further discussion. Those in favor of the amendment. (Three were in favor.) Those opposed. (Four were opposed.) Amendment fails.

ROGERS: Mr. Chairman, on line 15, page 4, it requires a member of the organization be a real estate broker licensed in Alaska. Can I ask why?

COTTEN: I think it's a good idea. As we all know, there's a lot of land that's going to be transferred to the CDC under certain conditions; and I don't think it's a bad idea at all to have somebody that's experienced with land development on the corporate board.

ROGERS: I'd move on page 5, lines 9-13, delete the sentence: Directors other than state employees are entitled to receive \$200 per day, etc. Mr. Chairman, I'd ask unanimous consent for the adoption of that amendment.

COTTEN: I object to that.

ROGERS: Mr. Chairman, my concern is that they can authorize what days they're going to receive that \$200 per day, and I know the Board of Fish, for example, meets for days and days, and they don't get \$200 a day. So under this, they're going to get \$267 per day. Actually, they get per diem plus this compensation.

COTTEN: I would offer an amendment to your amendment, and delete on line 11, starting after the word meeting, the word: and; and include for deletion: for each additional day of service performed for the corporation which is authorized pursuant to rules adopted by the board of directors. But, the original CDC law, as you know, and this is part of it, except for the language that I'm proposing to delete there. Many boards, including the board of directors for the permanent fund and others, make more money than this and are probably being called upon to leave their normal businesses to perform the public service work here; and it's not like they're in the Legislature where they don't expect any money.

ROGERS: I'd accept that as a friendly amendment.

COTTEN: Is there any objection to the amendment? Well, wait a minute now. I'm just going to back off of that. We'll vote on yours first.

ROGERS: Mr. Chairman, there was an amendment moved to my amendment.

COTTEN: I withdraw my amendment to your amendment, Mr. Rogers.

ROGERS: I withdraw my amendment.

COTTEN: Okay. Now, I'll move my amendment to delete the language starting with and on line 11 and ending with directors on line 13. Is there objection to that amendment? (There was no objection.) Okay.

MILLER: Mr. Chairman, could I ask a question?

COTTEN: Certainly.

MILLER: On page 6, you allow meetings to be called by telephone. Are these people going to be paid for days in which they have telephone meetings?

COTTEN: Let's see. Mr. Miller, what happened there was; originally, we had an electronic media meeting provision. As you know, a lot of reports and commissions would like to meet, for instance, by teleconference or video-conference these days. We tightened that up to preclude being able to send their vote in by telegram, but we had envisioned, in this case, a teleconference situation or video-conference situation hookup where it would be required participation in a meeting. So in that case, even though it may not be a full day's meeting, just as this other meeting may not be a full day's meeting, they certainly would, under strict definition, be entitled to the \$200 per day, yes.

MILLER: Thank you.

ADAMS: I'd like to make a couple of amendments, please. On page 3, I'd like to, subsection (a)(1)(A), change five to six. At the end of the same subsection, after Anchorage add: mayor of a city in an unorganized borough; Mr. Chairman. What this board of directors that is here, developed by the Alaska Capital City Development, is only areas with organized boroughs; and I think that the state's, in this council, have to realize there are people living in unorganized boroughs also that should be able to participate in this development. That's the particular amendment, Mr. Chairman. I ask unanimous consent.

COTTEN: I object. Any other discussion? Those in favor of the amendment. (Two were in favor.) Those opposed. (Five were opposed.) Amendment fails. Do you have another amendment? Representative Rogers.

ROGERS: There's a real curious thing here on page 3, lines 19-21, persons who are appointed to the New Capital Site Planning Commission and who on May 1, 1981, were physically present in the state. Can you give me the names of those people?

COTTEN: No, I can't.

ROGERS: It is, I understand, three people, and there is a memo from Mr. Talley somewhere, or Mr. Harris, that does make the names available, I understand.

COTTEN: I think one of them's Lee Coffman in Juneau, and probably Carson from Fairbanks, and--

ROGERS: Oh here, I just got one. George Morrison.

COTTEN: Morrison, from Fairbanks, too? Two Fairbanksens and one Juneauite.

ROGERS: Mr. Chairman, is it--

COTTEN: I believe that's right. Oh, Carson's from Anchorage? Okay. So you've got one. Morrison's from Anchorage; Carson's from Fairbanks. Okay. One from Fairbanks, one from Juneau and one from Anchorage.

ROGERS: Do you know of any other legislation that's required a certain person to be appointed to a board? Three people.

COTTEN: In fact, we thought we might have a little trouble with that, and we contacted the Attorney General's Office, and Mr. Pegues allowed that this would probably pass constitutional muster.

ROGERS: We'll see about that in court.

COTTEN: We'll see about that in court, huh?

ROGERS: On page 6, I'd like to move an amendment on line 4, which has been duplicated and placed in front of each member (see Attachment 4). It begins: insert new sections, 44.07 Application. Mr. Chairman, this one is contracting procedures, and it's, with striking of the word the legislature and insertion of the word Capital City Development Corporation, would extend all the contracting procedures which we have reformed in the State House by passage of HB 154 and 156. Would extend those contracting reforms to the Capital Development Corporation.

COTTEN: Representative Rogers, do you know if any other public corporations are under the same requirements as far as contracting procedures are concerned?

ROGERS: No, Mr. Chairman, I believe we began by reforming our own house with the intent that we would reform other contracting procedures in other agencies to follow. In fact as I recall, the Floor discussion was that these tightened contracting procedures should be extended to state agencies. Of course, we're tightening the screws on ourselves first.

COTTEN: I object to the amendment. Representative Rogers.

(Representative Moss arrived at this time.)

ROGERS: Can I ask? Under the existing bill, it has some real strange things about the capital city development committee being able to exempt itself from any state law when it comes to those issues.

COTTEN: Does this amendment address that question?

ROGERS: No, I've got another one that'll address that question too. I think this does affect the contracting procedures, and it would insure that the contracting procedures are those same that the legislature follows.

COTTEN: Is there any other discussion on the amendment? Those in favor of the amendment raise your hands. One, two, three, four, five. Those opposed. (Five were opposed.) Amendment fails. Representative Adams.

ADAMS: I'd like to, at this time, move to recind all action that we took on amendments, starting with Amendment #1 from Representative Rogers.

COTTEN: Alright. The motion is to recind all action on all amendments that have been proposed so far. All in favor of that motion. Five. Those opposed. (Five were opposed.) Motion fails. Representative Adams.

ADAMS: Okay. I'd like to restate my amendment on subsection--

COTTEN: Wait, wait, wait. Okay. We finished your amendment, right?

ROGERS: We finished that one. I do have others, but I'll yield.

COTTEN: We'll switch back and forth here until you both get tired. Go ahead, Representative Adams.

ADAMS: Thank you. On page 3, Mr. Chairman, on subsection (a)(1)(A), I'd like to change five to six; at the end of subsection after Anchorage, I'd like to add: mayor of a city of an unorganized borough. Mr. Chairman, if I may explain this. The way they've got this--

COTTEN: Your motion's out of order, Representative Adams. It's already been tried twice now. You made the motion once, and it failed. You made the motion to recind the action in failing to adopt it, and that failed. So the third time. You've already two shots at it, and it didn't work either time. So I'd say that. This is the same motion you offered before, right?

ADAMS: Yes it is.

COTTEN: It's out of order.

ADAMS: Okay, I yield to--

COTTEN: Representative Rogers.

ROGERS: It is, unfortunately, out of order. I have another section here. Just pass them down. This is an amendment, page 6, line 20, adding a new subsection (c). Requires the board of directors of the CDC to prepare minutes of each meeting in a standard format, say who was there and the names and affiliation of witnesses, roll call vote and requires the chairman to maintain a chronological file of minutes accessible to board members and to the public. I'd move we adopt this amendment, Mr. Chairman. It's essentially the same, boiled down, the committee procedures we are requiring of the legislature under HB 155.

MONTGOMERY: Object.

COTTEN: Yeah. I object here. I don't have problem with the concept of requiring the board to keep minutes of the meeting, but it may be that something has slipped the drafter's eye here that might complicate procedures a little bit. I'm sure it wouldn't have been intentional, so I'd just like a little time to take a look at it.

ROGERS: Mr. Chairman, I'll tell you the ones where it's intentional.

COTTEN: You'll tell me, huh? Well, I'm certainly not going to question any of your motives, Representative Rogers. Let's say that we both have a different objective on this legislation. What do you mean there when you say the affiliation of each witness?

ROGERS: The same thing that's meant in in the bill that passed the Legislature. I guess if someone comes, if applicable, the affiliation would be Alaska Loggers Association or the FRANK Committee or whoever. If someone is coming and testifying before the board as representing some group. That's what I mean.

COTTEN: Mr. Rogers, I'd ask you to withdraw this amendment for the moment and allow a little more time for review of it, and ask you to offer it at a later time, rather than voting against it.

ROGERS: Okay. If the Chairman will give me the opportunity to make it at a later time, I will hold that amendment. Okay, next would be

COTTEN: Let me try one. Does everyone have this (see Attachment 5)? It's on page 1, Section 1, at the end of 44.06.196(a) add the following. Yeah, that's it. It says: Either the ballot proposition or the official explanation of it be forwarded to voters shall contain an estimate of the number

of central state employees likely to be relocated from Juneau and from Anchorage. This would require that, at least on the ballot or in the official voter pamphlet, that the voting public would have an opportunity to know, for sure, the number of central state employees likely to be relocated from Juneau and Anchorage. This is in response to one of the Governor's concerns that perhaps the voters wouldn't have as much information as they should have. I don't feel that it in any way hinders their ability to make that determination nor does it in anyway inflate or otherwise impede what we expect to have happen. Is there any objection to this amendment?

ROGERS: Object. Mr. Chairman, I'd move to delete the words: either; and the words: or the official explanation of it to be forwarded to voters.

COTTEN: I object to that.

ROGERS: My amendment to your amendment would require that it be on the ballot proposition.

COTTEN: I understand that. Those in favor of the amendment to the amendment. Representative Moss.

MOSS: The amendment that Representative Rogers proposed there, wouldn't it be the same even if we didn't have: Either; in there? If you said: The ballot proposition or official explanation of it to be forwarded to voters. Maybe I misunderstood what Representative Rogers said on his amendment to the amendment.

COTTEN: Representative Rogers.

ROGERS: Mr. Chairman, as I understand the amendment offered by Representative Cotten that the information wouldn't necessarily have to be on the ballot proposition. It could be in the voter pamphlet instead, and not everyone. The purpose of my amendment to the amendment is I don't believe everyone's going to read the voter pamphlet; but I do think people are going to read the question on the ballot.

COTTEN: Representative Moss.

MOSS: Then what you're saying is it should appear on the ballot for sure rather than maybe.

ROGERS: That's correct.

COTTEN: The original, I'm sure I don't need to remind anyone that the original FRANK Initiative didn't mention anything about numbers of employees. In fact, the original FRANK Initiative didn't really even require that all the cost be put before the people. So we're attempting to offer as much information as possible, without cluttering up the ballot,

but also offering it in a. It may well be that it would go on the ballot. This doesn't preclude it, the Legislature's ability to put it on the ballot. Just says that that information will be made available in one form or the other. Is there any other discussion? Those in favor of the amendment to the amendment. (Three were in favor.) Those opposed. (Five were opposed.) Amendment fails. Those in favor of the original amendment. One, two, three, four, five, six. Those opposed. (Three were opposed.) Amendment passes. I counted Haugen, Montgomery, Malone, Cotten, Buchholdt and Carney.

{Tape HFC 81-83, Side 2, #001}

ROGERS: (During tape change, he presented an amendment--see Attachment 5--adding a new sub-) Section (44) Alaska Capital City Development Corporation. This would make the members of the board subject to conflict of interest reporting requirements.

COTTEN: Would you read the amendment again.

ROGERS: New section, and I guess it would go, I'm not sure exactly where, it could go anywhere. Section, whatever the number is, AS 39.50 is amended by adding a new section to read: (44) Alaska Capital City Development Corporation.

COTTEN: (44), is that the way it would be listed?

ROGERS: Yes, there are 43 other boards and commissions listed so far under AS 39.50.

COTTEN: I thought they were letter designations for those additions.

ROGERS: The revisor of statutes changed that this year, and it's no longer a letter designation.

COTTEN: Okay. I don't see any reason why they shouldn't have to file conflict of interest forms. Is there other discussion or other comments on that? Representative Malone.

MALONE: Yes. Mr. Chairman, I agree that it's probably good public policy that they do, but just on the language of the amendment, I think that usually when we incorporate the conflict of interest disclosure requirement for people on boards and commissions and so forth, that we incorporate it in the specific reference in the law that establishes that board or commission with their powers as well as in the conflict of interest law itself. Now, maybe I'm wrong on that; maybe it changed; but my recollection is that these are always two-part things that affect two parts of the statute.

COTTEN: Representative Rogers.

ROGERS: Well, Mr. Chairman, it may have been on some occasions, but as I recall, whenever Representative Parker offered the amendments in past years, he just wrote out. I remember it was SS, then TT, then UU; that each new one went further down the alphabet.

COTTEN: Okay. Could I ask you to withdraw that amendment and offer that at a later time too? It would give us time to do the minor research that'd be necessary for that.
Representative Rogers.

ROGERS: Mr. Chairman, the other half of it is on page 21, lines 11-12, so this would comply with the way Representative Malone would like to have it. So I won't withdraw the amendment.

(Representative Haugen left the meeting.)

COTTEN: Representative Malone.

MALONE: Mr. Chairman, the other half of it is in the draft bill so it would appear the amendment is improperly formed.

COTTEN: How's that now, Representative Malone? It's not already listed in 39.50 though?

ROGERS: Right. It is not listed in 39.50.

COTTEN: It's listed here, but not in 39.50. Okay. In that case, I won't have any objection to the amendment. Mr. Malone.

MALONE: Mr. Chairman, on the amendment though, I guess we could leave it up to the drafting attorney. The number is just listed (44), and perhaps that's the right number. I suppose it doesn't matter, but the section is 39.50.200(b), and there's some, I guess, 43 of those present. The last one appears to be the Alaska Energy Center.

ROGERS: Mr. Chairman, Representative Malone is correct. That should be: AS 39.50.200(b) is amended by adding a new subsection to read.

COTTEN: Alright, I'll accept that. Is there any objection to the amendment. Hearing no objection, the amendment's adopted.

(Representative Freeman left the meeting.)

ROGERS: Mr. Chairman, on page 9, lines 11-13. It says the corporation may utilize basic data, studies, investigations of the New Capital Site Planning Commission--why isn't it just Capital Site Planning Commission--but anyway, as deems appropriate, but shall not be bound by the limitations of and

requirements for planning specified in 44.06.200 to .260.
Can you explain to me what that means?

COTTEN: Okay. I think that they were required under there in one point to provide the same facilities that were present. (Title 44 Statute book was passed from Representative Rogers to Chairman Cotten.) This includes .230. As you know, it outlines some of the requirements that the Capital Site Planning Commission had to follow. I think that's where we found that the language that required when applying for a city of 30,000, basically, I think that's what we're trying to avoid at this time.

ROGERS: Well, I'd move to delete that language. Lines 11-13, starting with: as it deems appropriate through .260.

COTTEN: Is there any other discussion? Those in favor of the motion.

ROGERS: Mr. Chairman, I noticed that we're missing a couple of our members.

COTTEN: If you can get six people, well then it'll make a difference, right? Including your missing members. I'll give them a yes vote, even though they're gone. How's that? Will that do you any good? (inaudible) Representative Moss.

MOSS: Mr. Chairman, I just want to apologize for being late; but I was trying to push a bill we passed today, and I'm sorry I was late getting back in time.

COTTEN: That's quite alright, Mr. Moss.

ROGERS: I'll withdraw that amendment.

COTTEN: Alright.

ROGERS: Mr. Chairman, on page 10, line 5, I'd move that after the words AS 44.06.196, we add: , including the costs of AS 44.07.140(b).

COTTEN: Which is what?

ROGERS: Mr. Chairman, that is on page 14, and it says that: All state agencies may extend with or without consideration assistance to the corporation, and they may loan officers to the corporation, employees to the corporation, and that those employees remain as public employees. It is my belief that the cost of those employees, if those employees are (inaudible) the commission, is a cost of moving the capital.

COTTEN: I object. We're already paying them, and probably I could make some more editorial comments about how many we're paying; but I'd say that it isn't going to cost us any more. We aren't going to have to hire any new people if they can

afford to loan them out for periods of time when they may not be needed. It might be that. Again, I'll refrain from editorial comments, but my opinion is that it probably wouldn't cost us anymore money.

ROGERS: Well, Mr. Chairman, in that case then they aren't needed and they ought to be eliminated.

COTTEN: Take 'em out. Let's go.

ROGERS: Well, you're the one that's picking them out. You've got the language to pick them out in the bill.

COTTEN: I'm saying, if you can identify some public employees that aren't necessary, well then maybe we can eliminate them now.

ROGERS: Well, that's my point, Mr. Chairman. If they're not necessary, we should eliminate them, and then whatever functions you want them to perform, that you want performed, are costs; and if they are necessary, then you're pulling them away from necessary tasks, and that's a cost.

COTTEN: Which comes first, the chicken or the egg, right?

ROGERS: Yes.

COTTEN: I'm just saying that perhaps there's times when there's certain periods that they wouldn't be needed, yet you don't want to lay them off or fire them. I think it's kind of a nit-picking detail that we could both argue about quite awhile; but I'd opposed the amendment. Any other discussion on the amendment? Representative Carney.

CARNEY: I just wanted to make a point that this is planning, and it is provided for under the FRANK Initiative (inaudible).

COTTEN: Good point. Representative Buchholdt.

BUCHHOLDT: Mr. Chairman, I think if we have to cut corners here, I think perhaps the place to cut it would be the members of the board. Because if we took out their \$200 per diem, I don't think you could cut down on staff at this time. But if we had to cut corners, like I said, which I don't think is necessary, we could cut there.

COTTEN: Representative Moss.

MOSS: Mr. Chairman, are these figures we're talking about here, are they going to show in that total cost in the capital move, or what?

COTTEN: Which figures?

MOSS: Well, aren't we talking about some added costs to the cost of moving and so forth?

COTTEN: Where is that?

MOSS: Well, I don't know. That's what I'm trying to catch up on this thing here. I'm kind of behind schedule, and I'm trying to catch up.

COTTEN: I think that's the point Mr. Rogers is making. That this section will add to the cost, and the opposition was that it would not add to the cost; and in fact, the original terms of the FRANK Initiative, as Mr. Carney pointed out, would allow us to do planning in any event, and that is what this would be. I think we're covered one way or the other.

MOSS: In other words, you don't feel that there's any extra cost involved in it that would be necessary to put out the total cost of the move.

COTTEN: I don't think so. I suppose in some way the definition of cost, if you assume that a state employee is receiving a paycheck, and depending on what he is doing, that's what's costing us the money. Well, I suppose that we might say that, in that case, if he's over there helping the planning commission or the Capital Development Corporation, that that is a cost. But my suggestion is that that cost would have been endured by the state in any event, since he already was a state employee.

MOSS: Well, the point is though, if he's doing that, then he's not doing the regular assigned work, is what I'm trying to get at.

COTTEN: That's right. That's correct.

MOSS: So then, who's going to be doing the regular assigned work, while he's over there doing that planning?

COTTEN: Well, they shouldn't loan him out if he has something to do.

MOSS: Well, somebody's got to do the planning work on it, is what I'm trying to get at. Are we going to need extra people to do it or what?

COTTEN: I don't know. Representative Montgomery.

MONTGOMERY: It's permissive, anyway. It says: may. Be up to the judgment of the people, so it's permissive. It's not mandated.

COTTEN: Representative Malone.

MALONE: Yes, Mr. Chairman, if we might haul in on this, some of those 40 people that are running up and down the road projects in Mr. Moss' district (inaudible).

MOSS: I'll agree with that, Mr. Chairman. I'd like that, because then I could get some of my roadwork done, by George, that they should be doing and reducing the cost of some of my roadwork. I'd get another two miles like I lost on that project up there on Richardson Highway because of it.

(Representative Freeman returned to the meeting.)

ROGERS: Mr. Chairman, I'll withdraw the amendment. But on line 8, it uses the word necessary indemnification costs; and it sounds like one of the trick words you always talk about in capital move legislation. I'm wondering why it doesn't just say indemnification costs. Is there an unnecessary indemnification cost, or is that a trick to exclude some of the cost of indemnification?

COTTEN: It's not a trick. Are you suggesting there are tricks in the original FRANK Initiative, Mr. Rogers.

ROGERS: No, Mr. Chairman, but you have suggested there are tricks.

COTTEN: This is not a trick.

ROGERS: Well, then what's the difference between saying necessary indemnification costs and just saying indemnification costs?

COTTEN: It may well be that some. You wouldn't have to indemnify the entire city, which would be possible under 44.08. Under the most extreme circumstances, if everybody left Juneau, well then everybody would have to be indemnified. Only those who will be indemnified are the ones we should calculate the costs on.

ROGERS: Well, I guess my concern is that a committee, which is staffed with pro-movers, as you've said it is, in order--

COTTEN: I don't believe I said that.

ROGERS: Well, you said you set it up in order to get the job done.

COTTEN: I don't believe I said that either, Mr. Rogers.

ROGERS: That the corporation might decide it's not necessary for anybody to move. Just by voting that it's not necessary for everybody to move, and thus not include any of the real indemnification costs. We've discussed indemnification costs before. Oh, I'm sorry. It was Representative Carney who said that the majority of pro-movers. That wasn't you. I

apologize on that. But the discussion on March the 25th, we discussed indemnification. You said it was your intent that indemnification would be included, and so I guess I just don't understand what the purpose is of putting the word necessary in there.

COTTEN: I think it's self-explanatory. You would only pay those costs that are necessary. Some caution. Some people aren't going to need to be indemnified, because they aren't going to have to leave.

ROGERS: I agree with you, but if it's up to the corporation to decide whether it's necessary for people to move, and if the corporation is trying to artificially hold down the cost of the move, they could decide that it's not necessary for some people to move, when the people feel that it is necessary for them to move. It seems to me that one word is a nice little trick that could be used to artificially keep the cost down.

COTTEN: Well. The Capital Development Corporation is being asked to estimate the number of state employees that would be required to relocate, and as a function of that, they would be able to identify the necessary indemnification costs.

(Representative Haugen returned to the meeting.)

ROGERS: There other members waiting to speak on this, Mr. Chairman. But--

COTTEN: Representative Carney.

CARNEY: Thank you, Mr. Chairman. I just want to make the point that there's no way to be absolutely certain of the indemnification costs. All these people can come up with is the estimated indemnification costs. Indemnification is based on actual laws on property value after the fact, and so I think you're arguing an unnecessary point, because they will be required to come up with the estimate of the indemnification. So it's going to be an estimate no matter how they approach it.

COTTEN: Representative Boss.

BOSS: Mr. Chairman, this indemnification. Are we talking about in the Juneau area, because of the loss of the employees? Or in this particular thing here, part of this added cost. For example, when they're doing this, they've got to build new houses, new business, and everything else up there, and I suspect that a lot of the loan monies that we have out in housing loans and so forth, it might be requested for construction of houses. Now state-supported loans are used. Would those costs be considered part of the capital move; in other words, to subsidize the interest rates that are in there. Is this going to be part of the indemnification thing that's going to show up in this total thing?

CORRECTION

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COTTEN: That has absolutely nothing to do with indemnification, Representative Moss. Indemnification is referring to a law that was passed I think in about 1976 or 1977 that would compensate people in the Juneau area, both business and residential, in the event of/as a result of the capital moving, they weren't able to sell their property. That has nothing to do with whether the state's going to subsidize home loans in the future or not in the Willow area.

MOSS: Well, wouldn't that be part of the thing. I'm just trying to get--

COTTEN: It may well be, but I think that's a different question from indemnification.

MOSS: But it seem's to me that would be part of the total cost that we're talking about. Now, what if this guy down here, he's got to go in another business now, and he has to get a loan for it. Is that part of the indemnification cost we're talking about?

COTTEN: No.

MOSS: To build a new build a new business to take up the slack that we've had due to the Legislature and the capital being here. Is that considered part of the indemnification?

COTTEN: Compensation for property in Juneau that's not saleable is what we're talking about when we're talking about indemnification. There's a law in the books here, 44.08, if you'd like to check it out. Representative Carney.

CARNEY: I want to make one more point, and that is that the original initiative that said that the to move the capital specified that it be done in such a way so as not to unnecessarily impact the economy of Juneau. So the degree to which that will occur will have a direct effect on indemnification.

COTTEN: I agree with that. Representative Rogers.

ROGERS: I move to strike necessary and insert estimated.

COTTEN: I object.

MOSS: That sounds like a good idea.

COTTEN: Those in favor raise your hand. Those opposed.
(Secretary was unable see the vote.) Motion fails.

ROGERS: Mr. Chairman, I'd move, page 10, after line 10, insert a new subsection (d), which reads: (d) the difference between interest paid on loans under AS 44.07.160(b) and market rates of interest. Mr. Chairman, the bill provides

for this real interesting kind of loan program. On page 15 where the

COTTEN: Representative Malone's going to have an amendment on that here shortly.

ROGERS: Where the commissioner may make loans, and it doesn't say what the interest rate should be; and it seems to me if they are subsidized interest, that that is a cost of moving the capital. And it's one that you would agree is a cost of moving the capital.

COTTEN: I still don't understand what you're getting at here.

ROGERS: Well, in other words, if we make the loan at 1% and the market rate is 12%, that 11% difference is a cost to the state of moving the capital, unless you're going to say. Now I assume that the amount of the loan you're not going to count as a cost of moving the capital. If they give a \$100 million to the Capital City Development Corporation as a loan, if you're counting that as a cost, then I don't have any problem. I withdraw the amendment, but if you're saying that's a loan, and so that's not a cost, then any interest subsidy or the opportunity cost is a cost. And that's what the intent of the amendment is.

COTTEN: Well I'm going to object to the amendment, but I may at a later time go with you to recind the action, depending on what we finally do with the language on Section 44.07.160. Representative Carney.

CARNEY: I'm going to make a comment that part of the cost, part of the factors to be included in determining the actual cost will be relative to keeping the capital in Juneau. So if we're going to include those opportunity costs in financing for the new capital, then do it for Juneau too. So it should balance out.

COTTEN: Mr. Rogers.

ROGERS: Mr. Chairman, I don't know of any special loan funds that make loans for development of facilities in Juneau.

CARNEY: Alaska Housing Finance Corporation loans for housing.

COTTEN: Any further discussion on the motion? All in favor. Those opposed. Okay, that's five to five.

ROGERS: Mr. Chairman, on page 10, line 13, after the word lands, I'd move that we insert: other than lands acquired under AS 44.07.150. Mr. Chairman, what this section does is it allows the netting out of the money from land sales. But under 44.07.150, which is on page 15, the corporation can acquire real property through the exercise of eminent domain or in any other lawful manner. And my concern is that that opens

up the ability to buy land or acquire by eminent domain and then sell it and have the netting out of the sale be subtracted from the cost of the move, which I don't think is the intent of your netting out section here. So the only lands, the only deduction for lands, could be lands that are actually in the capital site itself, which I think is the intent of your original subsection (2) there.

COTTEN: Let's see. Well, the state has to go out and act on behalf of the corporation, acquire the property including eminent domain. So if the state did that upon request of the Capital Development Corporation, condemned some land, paid for it, transfer those assets to the corporation--

ROGERS: --and then the corporation sold the land, that shouldn't be--

COTTEN: Well, now what, do you think that. I don't believe that that's the idea there. I don't think that they'd be acquiring land by purchasing by such a complicated process in order to only turn around and sell it.

ROGERS: I don't think so either. That's why I want to have this amendment.

COTTEN: I think it's unnecessary myself. Representative Moss.

MOSS: Mr. Chairman, I'd like to ask Representative Rogers. This land that's being sold, does this thing here let it be sold on the same conditions that we've been selling, say ag land and stuff, by lottery and things like that?

ROGERS: It's totally up to the corporation, Mr. Moss.

MOSS: In other words, we will have set up some new land sale regulations?

ROGERS: Yes. This bill exempts them from the Alaska Lands Act, AS 38.05, and from the Homesite Act, AS 38.08.

MOSS: In other words, HB 31 that we've gone--if I may continue, Mr. Chairman--HB 31 that we've just passed then, it talks about the sale of lands, doesn't apply in this case?

ROGERS: That's correct.

ROGERS: Well does this amend the lands regulations?

ROGERS: No, it just has a section that exempts them from the lands regulations. We'll get to that one at a later.

COTTEN: Any other discussion on the motion? Those in favor raise your hand. (Four were in favor.) Those opposed. (Five were opposed.) Anybody else have any amendments? You want to jump in.

ROGERS: In that same section, Mr. Chairman.

COTTEN: How many more amendments do you have or do you know?

ROGERS: I don't know. I haven't counted.

HAUGEN: Well, I know I'm getting tired of sitting here.

ROGERS: Well, Mr. Chairman, it looks like we've got a good vote lock on it. I don't know how important it is to keep making them, but there are some items in this that just really concern me as a matter of public policy and as. You know, I recognize that you've got the votes to move this bill and to pass the bill. There are some things that this Capital City Development Corporation can do which are unique for any other state entity.

COTTEN: Maybe you can hit those ones that concern you the most first.

ROGERS: Well, it'd be better if there were 11 members here on the ones that concern me the most.

COTTEN: Got one member ill.

ROGERS: Yes. I guess I could wait and do all these on the Floor, but I think it would take a lot less time to try to do them here.

COTTEN: Like I say, I wasn't asking you to stop. I just want to know how many more you have.

ROGERS: Well, about a dozen here, and I don't know--

COTTEN: Okay. Let's go.

ROGERS: My problem, Mr. Chairman, is that I've only had about 2--2-1/2 hours to review the bill, and some of that was on the Floor of the House, which is not exactly the easiest, trying to listen to debate also. And the bill is substantially changed from the bill we discussed on March 25th, or on the date--I don't have the log here in front of me--when we discussed SB 86. I haven't had any time to prepare, and I think I concur with Representative Miller's request that there be an opportunity to prepare a little bit better on the bill. (inaudible) One I think that is very important is on page 10, line 14. I would move that, at the end of that line after 44.07180, we add the word, add: , which exceed revenues that could be derived from the sale or lease of lands within the new capital site if the capital were not moved. Mr. Chairman, this is one that we have discussed before. I agree that the revenues, due to the capital move, the state receives from lands within the site could legitimately be subtracted from the capital move. However, we could receive some money from the sale of those

lands today if we held an auction in 10 minutes, and it seems to me that whatever that that cost, excuse me, those revenues should be deducted from the revenues which are deducted from the full cost of the move.

COTTEN: Representative Buchholdt, and then Carney.

BUCHHOLDT: Mr. Chairman, I agree with Mr. Rogers that if he, and if he would put down his amendment and give us time to think about them instead of just shooting them out like this where automatically we have a negative reaction towards them. But if they are really positive and creative changes to make it better, I wouldn't have any objection. But perhaps, we have this weekend to work on these amendments, and then Monday, we would present them to this body.

CARNEY: I object to that. I think we should finish the work today. But I had a suggestion on Representative Rogers' amendment, if we decide (inaudible) amendments that that value be the value of its value when it was set aside for the capital site, not its value today.

COTTEN: Once again on that.

CARNEY: When it was selected as the capital site, he wants the value included in the cost of relocation, its value before its inflated value as a result of the capital move, right? That was set aside as the capital site some years back, and that's the value that we should apply to it if we approve that kind of amendment.

COTTEN: Seems like it's awful tough to get to. I think there's something to what he is saying. That you started back before the issue came up, and since the value, and moved the value up according to inflation over the years, as if it were never a capital site. I think it's probably worth more just because we call it a capital site. That's what you're saying, right?

CARNEY: I'm not talking about inflating it. I'm talking about actual value of it.

COTTEN: The actual value back then?

CARNEY: No reason to inflate it.

COTTEN: Well, inflate it to what today's price would have been had it not been named as a capital site, just like any other land up in that area. I suppose it's got some in it.

CARNEY: (inaudible) I'm not sure that (inaudible).

COTTEN: For instance, if we took a 100 square-mile radius, across the highway and down the road a little bit and put

that up for sale, you'd get the money for it. Even though there's no capital site going to be there.

CARNEY: My point is if we planned to dedicate the capital site when we passed the capital site (inaudible), that's the value, that day, that should apply.

COTTEN: Representative Rogers.

ROGERS: Well, Mr. Chairman, first in response to my colleague from Anchorage. I understand her frustration in having these amendments just laid out here in the committee, and I understand that from having seen the same thing on the bill itself; not having the opportunity to review that earlier today. In terms of what time the value of the land, it would seem to me that it would be the land at the time it's sold. Whatever it's value would have been were there no capital development, and that's how many dollars. If we were to sell the land on January 1st, 1986, and the capital's not moving, is one value; and January 1, 1986, the capital is moving, is a different value on it. The difference between those two could, in my opinion, could legitimately be subtracted from the cost of the move. Because that is extra revenues the state is getting because of the move. To go back and say the value as of 1974 allows/assumes that the land would have been sold in 1974 had the initiative not or had the voters not set aside the capital site in '76.

COTTEN: Representative Malone.

MALONE: Mr. Chairman, I think it's possible to place a pre-site selection value on the land in today's dollars. It's possible to do that. You could either start with what the estimated value would have been before site selection, and carry that forward to 1981 dollars, or you could take the average sales price for state lands in Alaska that aren't capital site lands. Try it that way. There'd be various ways of getting at it. It'd be very difficult, I think, to take say an acre of land that's adjacent to the capital site and say that that had a value that was unaffected by the capital site, because obviously land values are very volatile, and you need some, take it to indicator that wasn't that volatile, it wouldn't mean anything.

CARNEY: I withdraw my amendment. I don't want to make that amendment. I'll try that again.

COTTEN: With that amendment pending, let me take five.

RECESS

(The committee recessed from 3:55 p.m. until 4:15 p.m. All committee members were present, except Representative Meekins.)

COTTEN: Now, we've only got one of your amendments sitting on the side right now, right, that's put aside? That on the committee minutes?

ROGERS: Committee minutes and there was another one that you said might be able to be reconsidered by Monday after people had a chance, which is the rate of interest paid, the interest on loans, depending on whether the Malone amendment passes or not. Those are the two that I know of so far. I do intend to replace the Fairbanks Northstar Borough amendment as well.

COTTEN: Okay. That one is not the one that I suggested you set aside. I'd like to set this one aside too for a vote on Monday morning. There's something there that I can't deny as far as value of that land, but I want, if it does go in the bill, I'd like to be certain as to what the actual meaning of what we're putting in there is, and I'm not sure that the amendment as you've stated it is clear enough. But you can either withdraw it, or I'll oppose the amendment.

ROGERS: Okay. I'd. There's another issue that I'd like to raise, and I'm not sure exactly what the best way of doing this is, but I guess I'll take my language from the Capital Site Planning Commission. Move a new sub (3) on line 10, page 14-15, page 10, between lines 14 and 15, new subsection (3). In making its estimate, the corporation shall use the average annual rate of inflation for construction costs for the preceding 10 years.

CARNEY: I object.

COTTEN: I object as well.

ROGERS: Mr. Chairman, I don't know what other rate of inflation we'd want them to use on the costs.

COTTEN: That's probably why I'm against it. I don't. In determining costs, they will undoubtedly consider the inflation factor, and as you pointed out, you don't know what else to give them. I think it doesn't hurt to have it remain an open question. Does anyone else have any discussion on it. Representative Carney, do you have any?

CARNEY: I just object.

COTTEN: Those in favor of the amendment. (Five were in favor). Those opposed. (Five were opposed.) Motion fails.

ROGERS: Okay. Mr. Chairman, there are three places or two places, page 11, line 20, page 22, line 3, that refer to. (He repeated for Chairman Cotten.) It's the same language that's used on page 22, line 3, where it's got health, educational and community facilities. I'd move to to add after the word educational the words postsecondary

educational. That would include the Willow Community College.

COTTEN: Object. I know of a lot of communities larger than Willow is now and probably will be for many, many years that don't have community colleges. So.

ROGERS: Such as?

COTTEN: Eagle River.

ROGERS: Which is a part of the Municipality of Anchorage, which does have a community college.

COTTEN: Right. And Willow is a part of the Mat-Su Borough, and they've got a community college half way between Palmer and Wasilla or out on the Willow Highway there somewhere. So.

ROGERS: Probably lose this one too, then.

COTTEN: Those in favor of the motion. (Five were in favor.) Those opposed. (Five were opposed.) Motion fails.

ROGERS: We'll do the next one here. Page 12, line 10. Move to delete judicial and insert election. Mr. Chairman, this would have no effect on the cost of the move but it would require that hearings be held in each election district. That'd be in the 28 different parts of the state instead of the four judicial districts of the state.

COTTEN: Object.

CARNEY: I'll object.

COTTEN: Any comments.

ROGERS: Mr. Chairman, I'd point out right now that it doesn't even require hearing in the Mat-Su Borough.

COTTEN: I think that there's adequate public hearing requirements already. Those in favor of the motion. (Five were in favor.) Those opposed. (Five were opposed.) Motion fails.

ROGERS: Page 14, I'd move to delete on lines 24-27 the words: The schedule shall identify the dates by which reviews and approvals by state agencies, and issuance of necessary permits, must be completed in order to allow work to proceed in accordance with the plan.

COTTEN: I object.

ROGERS: Mr. Chairman, my concern here is that the corporation can say to the state agency you have three days to give us a permit, and the state agency then has three days to make

decisions. As I read this, this allows the corporation to force agency issuance of permits within time periods specified by the corporation. I don't think that's your intent.

COTTEN: Well, if you. I think that the sentence structure there, if you'd read it, where it says: in order to allow work. I'm not sure what's the proper grammatical term for that is, but it appears to me that the schedule shall identify the dates, and the dates by which the reviews and approvals must be completed in order to allow work to proceed. So they'll say we must have our permit by the 15th of April in order to proceed. So I think that the schedule shows when they'd like to have it done, but I don't think it requires the state agency to approve a permit or issue a permit by that date.

ROGERS: I'd withdraw the amendment, and instead put in its place, on line 26, delete the word must and insert should. If that's your intent. That you just want to know what the dates are, I have no objection to that. My concern was that the must forced the agencies to issue the permits on the dates listed in the schedule.

COTTEN: I think that must is still the same word. I don't believe that there's any way you can say that this requires the state agency to do it, and when you say must, I mean that's what the schedule says, it must be completed by this date in order for us to go ahead. It's a matter of semantics here, I suspect. And I still think that must is a stronger word, but at the same time, it does not require the agency to issue a permit. I don't think that anybody could say that this section of the statutes requires the state agency to issue a permit. Those in favor of the motion. (One was in favor.) Those opposed. (Five were opposed.) Motion fails.

ROGERS: Mr. Chairman, I'll ask/check with legal to find out if that--

COTTEN: I appreciate that. If I'm wrong in that--

ROGERS: Okay. Mr. Chairman, page 15, line 22, move to delete shall, insert may. I don't think that we can say that. Essentially that says that the Legislature shall make an appropriation, and you can't do that in a statute.

COTTEN: I don't think that's what it says. I object to that. I think that that defines how the funds shall be funded. It shall be funded by what means? By means of appropriation.

ROGERS: Well, I read that to say that the Legislature shall make an appropriation. That's what that says. If we don't fund it by appropriation, are we violating the law?

COTTEN: Are we violating when we fund municipal assistance at less than 10% of what the statutes allow for them?

ROGERS: Yes.

COTTEN: We're violating the law?

ROGERS: Bending it. I don't think that says we shall appropriate in that section.

COTTEN: I think this just describes the means by which the funds shall be capitalized. Did you have any suggestions on this section, Representative Malone? I remember we talked about this before.

MALONE: Mr. Chairman, I don't have any immediate suggestion to the section concerns with subsection (b) on page 15 under .160. The fund itself would be funded by appropriations, and the commissioner of revenue be limited in whatever loans are made to the amount of appropriations. I think that's proper. The part of subsection (b) that may need some further change is in the last sentence: the terms and conditions agreed upon between the commissioner and the corporation. In the case of making loans, there are always terms and conditions that are not spelled out in the law. But there might be some basic terms and conditions we should put in here might be required of loan funds.

[Tape HFC 81-84, Side 1, #001]

(During the tape change, the question on the motion was called for, and the amendment failed--three in favor; five opposed.)

(Representative Haugen left the meeting.)

ROGERS: Mr. Chairman, on page 16, line 20-27, I'd move to delete subsection (b). This allows sale, lease or other disposal without public bidding or public sale.

CARNEY: Object.

ROGERS: Mr. Chairman, I understand that people want to give a fair amount of powers to the corporation, but I'm not sure that you want to go this far.

MOSS: This is a bad deal, without public bid. Mr. Chairman.

COTTEN: Just a second. Let me. I would like to. Go ahead Representative Moss.

MOSS: I have a question. Representative Rogers, now this sale that's in this thing, maybe you can tell me. This is city property that's sold? Does this paragraph here allow them to just sell it to anybody without a bid or anything? And that's why we're taking it out?

ROGERS: Mr. Chairman, in response--

MOSS: Is this property within the capital area or down here or where?

ROGERS: Mr. Chairman, that would be any property which is owned by the corporation, which would include the property within the capital site and any other property they might acquire by eminent domain. It does require public notice and 10 day's reason for what the waiver is, but it allows them to essentially ignore the requirements we place on any other state agency. I think, before people get carried away with pro-move fervor, it might be worthwhile to look at what powers we're giving to this independent corporation.

COTTEN: Are you suggesting that I'm being carried away with criminal fervor, Mr. Rogers?

ROGERS: Not by any means, Mr. Chairman.

COTTEN: I didn't think you'd make a statement like that, if you're talking bout anybody on the committee.
Representative Moss.

MOSS: I think this is a good amendment here, because anytime the state sells anything, I think they ought to put it out. I might want to buy something. Maybe if I couldn't buy it, I'd at least want to be offered a chance to buy it. And I think if this is left in there, there's a lot of people that might want to buy something that being surplus or what-have-you, or they might want to buy it (inaudible). But you could end up with one outfit picking up all the land and all the property that's changed because of this, if this is left in there. Maybe I'm looking at it wrong, but that's what it looks to me like.

ROGERS: Mr. Chairman, I wasn't here in the early 1960s, but I've heard things about oil leases being some real interesting dealings being done on negotiated oil leases without much public notice or anything like that, and people getting some real nice oil leases, which they were able to turn around and sell real quickly. This could be done on 10 day's notice. They could go and negotiate a deal with some private person, give them the land; the person could turn around and sell it and make a huge profit, as this happened with some oil leases on the Kenai Peninsula in the '60s. People ought to be aware of what this allows.

COTTEN: I think you raise a point that's worth discussion here. And not to use this as any kind of excuse or to say that it makes it right, but it is in the current law right now, as you know. It's the same provision.

ROGERS: Well, the current law has not taken effect and won't take effect until--

COTTEN: I understand that. I'm telling you that it's a boiler-plate that's been lifted; and in most cases, we made every attempt not to rewrite everything in there. Again, for most people, this is the first time they've really read what the Capital Development Corporation is able to do. You know, it's been on the books for several years, and there may be that there's a couple of areas that have to do with public policy that might not be public policy that we want to have continue. It may also be that, probably under some conditions, a negotiated contract might be advisable and in the best interests of the state and everybody else concerned. So I'm not saying that in all cases negotiated contracts are necessarily bad, but it seems like this may be a little more broad than what makes me comfortable.

(Representative Meekins arrived at this time; and Representative Haugen returned to the meeting.)

ROGERS: Mr. Chairman, I'd withdraw the amendment with the intent of replacing it on Monday when we have time to consider if there might be alternative wording that would be acceptable to both--those of us opposed and those in favor. On line 29, page 16, I move to delete the words: or the homesite entry provisions of AS 38.08.010 - 38.08.120; and insert instead the language: at least 20% of the land in the new capital site at Willow shall remain available for homesite entry under AS 38.08.

COTTEN: I object to that. The current law says that the real property is not subject to provisions of the Alaska Land Act, under 38.05. That was an amendment that Senator Croft introduced at. I don't remember if you remember the fight that was on the Floor at that time. One of the members of the House suggested that we go ahead and open up the capital site to homesite and OTEs and so forth. That got shot down, and then on the other hand, the Senate amendment allowed that could not dispose of land through the homesite--well there wasn't a homesite program at that time. In any event, I oppose it. I think that we're talking about a disposal program in the site area that probably wouldn't be appropriate to have homesites in the same vicinity.

ROGERS: I'll withdraw the amendment, Mr. Chairman.

COTTEN: Some people said that would've moved the capital if we would have allowed OTEs to go in there.

ROGERS: Some people have said that. Let me try another one here. Page 17, this is one that I think is one of the most important, Mr. Chairman. Line 17, I would move to delete the words: or any other law. Mr. Chairman, this section allows the corporation to ignore any law on the books when it finds that it would impede implementation of its development plan. And that would probably include the conflict of interest law, the, well, I don't know, I could detail almost any law on the

books. I really think we don't want them to allow/ignore any other law.

COTTEN: Yes. I have discussed this with you earlier, Representative Rogers, and thought that there was probably a point worth looking at there. Although, again: Notwithstanding the provisions of (a) of this section or any other law, the corporation may adopt regulations providing that. I'd request that we set that one aside too, and I'd like to do a little more research on that. By Monday morning, I'd be prepared to vote yes or no on all of these, and I hope that other members of the committee would make every attempt to do the questions and research necessary so that we can, in fact, complete our business Monday morning on the bill. I certainly wouldn't try to cut off any debate, but try, again, to get our work done so we can make an important decision on all these questions by that time. Representative Malone.

MALONE: Mr. Chairman. I do concur that the language on line 17 is too broad. The question that I have on this section in the bill is what the responsibility would be of this corporation as an instrumentality of the state to comply with other laws regarding state contracts, particularly the requirement that prevailing wages be paid.

COTTEN: Right. Representative Rogers.

ROGERS: Mr. Chairman, the next point I'd bring up, and I don't have an amendment, is page 18, line 15, we create a Capital City Development Oversight Committee. You may wish to move an amendment which would clear up the single-subject title problems with creating this and not mentioning it in the title.

COTTEN: Not mentioning what in the title?

ROGERS: The fact that you're creating a Capital City Development Oversight Committee.

COTTEN: There is already a Capital City Development Oversight Committee on the books. It's part of the CDC legislation originally.

ROGERS: Yes, but. Okay, fine. If you don't want to move an amendment, I'm not going to move an amendment. On line 27 on that page, I would move to add after: The committee shall select. Just before that, excuse me, on line 26, after the line: The membership from each house must include a member who represents a district which includes the new capital site. I'd move that we add the sentence: The membership from each house must include member who represents a district which includes Juneau.

COTTEN: Object.

ROGERS: Essentially, Mr. Chairman, as it now stands, you've got the President of the Senate and the Speaker of the House; you've got an anti-mover and a pro-mover; and the section says that the. I'm on page 18, membership of this oversight committee. It says that, okay, you've got the president and the speaker so that balances off; and then one of the chairman of Senate Finance Committee chosen by the President of the Senate, and the chairman of House Finance Committee; and then two members from each House appointed by the presiding officers. But essentially that says that the speaker must appoint Representative Carney. The president does represent the district which includes the new capital site, so he's all set. So this says the speaker must appoint Representative Carney, and it seems to be. If we're going to require the speaker to appoint a member who represents the district which includes the new capital site, the president should appoint a member who represents, which includes Juneau, in order to have some degree of balance. In fact, Mr. Chairman, this committee is going to have over-representation by those who favor moving the capital in that I would guess the President of the Senate would choose the chairman of Senate Finance Committee who is a pro-mover, and I know how strong a pro-mover the chairman of the House Finance Committee is.

COTTEN: How strong?

ROGERS: As of today, the chairman of the House Finance Committee, Representative Cotten.

COTTEN: There any discussion on the motion? Representative Meekins.

MEEKINS: Well as far as I see, your motion is not consistent with your argument. Are you replacing language or does that--

ROGERS: No. Adding another sentence.

MEEKINS: A whole new sentence. Okay.

COTTEN: All those in favor of the motion. (Five were in favor.) Those opposed. (Five were opposed.) Motion fails. I'd like to offer an amendment here too, or conceptual amendment. Maybe I should wait on it, but I'd like to give an opportunity for the president, the speaker or the chairman of the finance committees, an opportunity to appoint a designee in a situation where the chairman or the presiding officer may not want to serve or may not have the time to do it. Representative Rogers.

ROGERS: Mr. Chairman, I had no objection, except that I don't think you can allow the President of the Senate to designate anyone, because that would violate the sentence which says that: The membership from each house must include a member

who represents a district which includes the new capital site. You could just take out that sentence and say: The membership shall include Representative Carney.

COTTEN: Well, we don't want to be blatant about this. Okay, I'm going to withhold that until I can find a little better language to use there. Representative Malone.

MALONE: Thank you, Mr. Chairman. It's on a different subject. In the committee's consideration of this bill this afternoon, some members have brought up more questions than others, but some questions I have on the legislation, I don't have amendments to offer at this time. In addition to one that we mention on page 17. On page 20, the section of legislation dealing with the budget of the commission. It's not clear to me. It says, under section .300, line 16: The corporation is subject to the provisions of the Executive Budget Act. But then the next section says that the corporation may, by a two-thirds vote of the board of directors, amend the program and budget. I don't know if it's the intent there to allow they transfer between appropriation items appropriated by the Legislature. I think that needs to be clarified. Secondly, in this whole area of budget, the corporation, as I read the bill, would, and I believe does, have the authority to issue debt. And on other public corporations, the state replaced limits on their debt, the amount of debt they can issue is authorized by the Legislature. And I think we ought to consider that in this legislation as well. But I have no amendment to offer at this time.

COTTEN: Okay. Representative Meekins.

MEEKINS: Mr. Chairman, I just got here, so I was wondering if any discussion has taken place about the language on page 17, line 22.

ROGERS: Yes. That was where an amendment was defeated to allow. It would have prohibited them to do it without public bidding. It's just fine. They can go ahead and negotiate with whoever (inaudible).

MEEKINS: An amendment was offered changing the language which was defeated?

ROGERS: Changing similar language elsewhere in the bill.

COTTEN: Where was that?

ROGERS: That was the one page 16.

COTTEN: I thought we set that aside.

ROGERS: That was set aside. Subsection (b) on line 20-27.

MEEKINS: Mr. Chairman. It's probably a good idea to set those aside. Just to state my concerns with them as I read them here, and I haven't researched the rest of the bill to find out if there's any modification of it anywhere. But just prima facia, it seems to me to be pretty broad-reaching with the wording. I might want to circumvent a little bit or tie down or constrain a little bit. It seems to me that I understand the intent of it. It's not to get wound up in red tape. But on the other hand, there could be potential abuses that if they were serious enough could harm the whole project itself anyway. It's certainly happened in other states to other large projects. I'd be very concerned about that language.

COTTEN: We already did discuss that, that first sentence. That's all, line 17-22, that's all one sentence, right?

MEEKINS: Right.

COTTEN: Right, the portion on line 17 is what got the most discussion there: Notwithstanding the provisions of (a) of this section or any other law. They can go forward without public bidding. That has been set aside as an area that needs a little closer work. Representative Rogers.

ROGERS: Mr. Chairman, on page 20, line 8, move to delete shall, insert may. Mr. Chairman, as it now reads, the legislative audit division and the finance division will be required to provide audits and reports, and I think that infringes on the right of the Legislative Budget and Audit Committee to determine what audits they would provide.

COTTEN: Of course, if you tell the legislative finance, you have the committee go over and walk into legislative finance and ask them whether or not if they can have an analyses, they're only required to say may I, and Legislative Finance Division could, I suppose, say no.

ROGERS: Mr. Chairman, my concern is not over legislative finance but over legislative audit. Legislative audit is created by the constitution, and I think this section may be inconsistent with the statutory sections concerning the legislative auditor. I don't have any particular problem with legislative finance.

COTTEN: This is a provision of the legislative committee, right?

ROGERS: Yes.

COTTEN: So they can go in and ask for an audit anyway.

ROGERS: They can ask for an audit, but it's up to the Budget and Audit Committee normally has to vote on whether or not to conduct an audit. I mean this essentially says that the

audit committee has two bosses--Budget and Audit Committee and the Legislative Oversight Committee on the capital move.

(Representative Haugen left the meeting.)

COTTEN: Representative Malone.

MALONE: Mr. Chairman, I think that Representative Rogers does point out a division of responsibility or authority that could cause some internal problems with the Legislature--might not, but it could--in that the Budget and Audit Committee and Finance Committees and Legislature. They have normal programs to carry out with regard to the staff functions of audit or finance take first priority, even though other legislative requests are present. I don't think we would want a conflict of that. I don't think we need to. Since the people on this committee are legislators, I think that the committee would have the standing to make requests and have work done on the same basis that every committee of the Legislature have, except that somebody has to set priorities. Normally that's the Budget and Audit Committee.

COTTEN: I'd offer an amendment to the amendment that would. Okay, on line 7, delete the words: The legislative audit division and; and on line 8, remove the word audits. So the sentence would now read: The legislative finance division shall provide reports and analyses requested by the committee. I already know that, as a member of the legislative budget and audit committee, that my guess is that if this committee were interested in some audits to be performed by legislative budget and audit, that that would happen. So I'd ask unanimous consent for the amendment to the amendment. Is there any objection to the main amendment now that would read as my amended version just read. (He repeated his amended sentence and continued reading.) The committee may hire and determine the salary of the staff it considers necessary within the limit of the budget approved by the legislature. Representative Rogers.

ROGERS: Mr. Chairman, I'd move to delete the words: and determine the salary of. We've had enough of a hassle this year over committee salaries; and if we're going to allow each committee to set its own staff salary, I think we're going to have a lot of trouble over the interim.

COTTEN: Picky, picky, picky. I agree with you. The committee may hire the staff it considers necessary within the limit of the budget approved by the legislature. Any objection to that? (There was no objection.)

ROGERS: Let's see, that's two amendments in a row.

COTTEN: You agree then that the amendment that finally passed left .280 in there with the language as I read it?

ROGERS: Yes. Okay, Mr. Chairman, I have the same concern that Representative Malone brought up over annual budget, and I'd like to discuss that again on Monday. On page 21, line 19, I'd move to delete the words 90 days and insert the day. The bill as it now reads provides that CDC goes out of existence 90-days after certification of a vote that fails. It takes 30-days to certify the vote. I see no reason to continue it for one day after certification of the vote in December of 1982, if the people vote it down.

COTTEN: Well, I raised that same question when we were discussing the drafting of this. There's probably some middle ground that ought to be achieved here, because I still think there's some problem with the way it's written out. But also if you say they don't exist the day after the vote, well there's probably a lot of responsibility that remains with the corporation to wind down its activities, dispose of assets, whatever the situation might be. Perhaps we should make sure that they don't have the power to continue to move the capital unless the people've said no, if that's the situation. But at the same time, we don't need to terminate their existence for a lot of legal reasons. Maybe someone else has a comment on that.

(Representative Haugen returned to the meeting.)

ROGERS: Mr. Chairman, I'll withdraw that amendment and hold it if there's another way to handle it. I think you understand the concern there.

COTTEN: Representative Malone.

MALONE: Well, Mr. Chairman, I was thinking of a simpler solution that was a shorter period of time that the other idea that would make some other specific wind-down provisions regarding the authority of the commission. Probably we'd better, because in other sections of the bill, there's pre-drawn powers granted. For instance, you wouldn't want a fire sale on lands that the capital site proposition was voted on.

COTTEN: Of course, they would never get the land unless the ballot proposition was approved anyway.

ROGERS: Two more, Mr. Chairman.

COTTEN: That's pretty good timing.

ROGERS: I looked at the time. First, I'd move we recind our action in failure to adopt the two amendments which would delete Mayor of the City of Fairbanks and insert Mayor of the Fairbanks Northstar Borough. It's on the membership of the CDC, page 3, line 18 and page 4, line 6.

COTTEN: Those in favor of recinding our action in failing to adopt the amendment. Representative Meekins.

MEEKINS: I don't really understand the motion, since you already took a vote on it.

COTTEN: He offered a motion earlier that failed to replace the City of Fairbanks mayor with the borough mayor.

MEEKINS: What's the effect of that?

COTTEN: He wanted to put the borough mayor on instead of the city mayor. Representative Rogers.

ROGERS: In response to my colleague from downtown Anchorage, the difference is that sort of the difference between saying. Well, the mayor of the City of Fairbanks represents only those within city limits. The borough mayor represents 60,000 instead of 30,000 people.

COTTEN: I might also add that we also turned down a motion by Representative Adams to include a mayor of a municipality not within borough boundaries, whatever that was.

ROGERS: Mr. Chairman, there is one other thing. I believe the position of mayor of the Fairbanks Northstar Borough comes up for election sooner than the mayor of the City of Fairbanks.

COTTEN: The borough mayor comes up quicker?

ROGERS: Yes. The next time that that changes.

COTTEN: Those in favor of the motion to recind our action in failing to adopt the amendment raise your hand. Two, three, four, five. Those opposed. (Five were opposed.) Motion fails.

ROGERS: Mr. Chairman, I'm not sure exactly where this section will, but what I'd like to do is move it. A subsection, which would read: The corporation shall, if voters approve the relocation cost, co-sponsor with the Alaska Energy Center and open international architectural competition to design an energy efficient city, capital building plan and housing concepts.

CARNEY: I object.

COTTEN: Any discussion. Those in favor of the motion. Is this some discussion? Go ahead.

MEEKINS: Yes, I'd rather discuss this one. Well, I think I could favor having an energy efficient architectural design. I just don't know if that's the real intent here or if there is some sort of delaying action involved or what. Well, I'm suspicious that there is but.

COTTEN: Representative Carney.

CARNEY: Thank you, Mr. Chairman. (inaudible) Most of the question. How long do you think it would take to do that?

ROGERS: Mr. Chairman, in response, I don't know. If the Chair would prefer, I could remake this motion on Monday and have it done this fall. That would be fine with me. My intent is that the capital city, if there be one, be energy efficient.

COTTEN: I hope so too.

ROGERS: Mr. Chairman, I'll withdraw the amendment and prepare it for Monday in a form that would indicate that it's not

COTTEN: I knew we were going to get some of this alternative energy included in the capital move one way or another.

FREEMAN: You could almost heat it with hot air.

COTTEN: Not that any other amendments will be restricted, but I hope that if somebody's got a major point that they want to raise as far as fault with the legislation or different direction they'd like to take, I would appreciate having it brought to everybody's attention now in light of some of the comments made earlier by Representative Miller and Rogers that we ought to have time to consider the major questions here. I'd appreciate the effort that you put forth and then bring it to our attention some of the problems of the bill. We have brought out several legitimate points here, and I think that it's been worthwhile. Representative Rogers.

ROGERS: Yes. The other point I did raise earlier. I wanted to repeat it as I do believe before this bill passes out of committee. As always the case that we get a version that has been through the revisor of statutes.

COTTEN: Yes. I'll make every attempt to see that we get it. Although I understand the revisor just got fired. But we may have somebody else over there that will perform the same function. Representative Malone.

MALONE: Yes, Mr. Chairman. Between now and Monday, I do want to find out more about public policy reasons for the language contained on line 20, page 3.

COTTEN: What's that now. I'm sorry Mr. Malone.

MALONE: Page 3, line 20 of the draft bill. The public policy reasons behind the language there.

COTTEN: That merely retains the members who haven't resigned. The public members who haven't resigned from the CSPC. These are the people that have maintained an interest enough not to have quit the other commission. Again mention, there's one from Fairbanks, one Anchorage, one Juneau...etc. Representative Adams.

ADAMS: Mr. Chairman, I would like to respond on comments of my concerns on this weak bill here; and it has two kangaroo board of directors and a kangaroo committee, because it does not recognize the people that live in unorgnaized boroughs to be on this board of directors. There are people living outside organized boroughs also that should be representative in this committee. And also this Capital Development Oversight Committee is a stacked committee, Mr. Chairman, and it doesn't get fair representation, and I have concerns in this area. Thank you.

(Representative Haugen left the meeting.)

COTTEN: There's still, for instance on the transition there, there's five in section (a); three in section (b); and then. That's eight, so there's still three other members that are left that will be appointed by the Governor. And on the committee, I believe there is opportunity for the speaker and the president to appoint additional members that aren't already designated membership. Two members from each House appointed by the respective presiding officers. So there is opportunity for you and the mayor of your borough to be on there. I mean it's not like they're closed out or anything. They'd have to be appointed either by the governor or the speaker. Representative Meekins.

MEEKINS: Mr. Chairman, I don't have anything specific, but I do have a concern, as I look through this. I understand that there's a real need and desire because the capital move is, a lot of times, bound up in technicalities, that there's those kind of red tape delays. But my concern is giving too much power, super power to the entities so that prudent procedures, the normal time-worn safeguards and the kind of accountability that you normally have in any kind of major endeavor with hundreds of millions involved are not bypassed. So I may have a couple concerns to that extent. One that I mentioned already was without public biddings. That kind of thing is a concern to me. I think we need to strike a balance between some of the language which is in here which gives the corporation really super powers, and it could cause repercussions in its own right. It could hurt the capital move if normal good procedures were bypassed and something went wrong; then I think there'd be delays that would be worse than some of the red tape delays that would otherwise occur if we go through the normal procedures.

COTTEN: Right, I don't think anybody's interested in creating a monster that would get out of hand there, and I think that some of the items that were brought up today probably would help us eliminate that possibility. Representative Moss.

MOSS: Mr. Chairman, I want to express the same concerns that Representative Adams has. I got a bunch of folks up there that's in the neighborhood where all the revenues being produced is going to do all these grandiose things, and I

think we might be steam-rollered too. I also want to add that I do have a problem on page 17 that I hope that we will take care of on that line 17. I've got real concern on this contract deal. Because it's almost a steam-roller deal. In other words, if something comes up, it's just like a freight-train; it's going to run over the people that might want to have some input into some of these contracts and what-have-you. I do have a concern with that, and I do have the same concern as Representative Adams has, because there is no guarantee that any of the people in my district or any representation will come out of my district or any of the non-borough districts. And that's the greatest majority that you ought to (inaudible) be the state, and it's actually those people that need to get into the new capital, and it's putting closer to them. But those are some of my concerns. Representative Adams expressed them pretty fluently there, I think, and I hope that before we finish up with this bill that we will take that into consideration.

COTTEN: One other thing that I'll pass around here is a proposed CS for a senate bill (SB 292) that is in the committee for funding of the commission--\$2.4 million--and I've got a breakdown here if anybody's interested in seeing it. That'll be up Monday morning as well. Representative Rogers.

ROGERS: Yes. I'd just like to respond to two points that Representative Adams brought up. The first one was he talked about whether the committee was stacked in favor of the move, and I'd just like to quote from the March 25th meeting, minutes of this committee. Representative Rogers asked if the joint interim committee was established to insure that a majority of pro-movers would be on the committee. Representative Carney said yes.

COTTEN: What was that? Wait a minute. Let's just get this straight here. Now this is March 25th?

ROGERS: That's right.

COTTEN: Then was there any discussion of this oversight committee at meeting?

ROGERS: There was discussion of a joint interim committee.

COTTEN: A joint interim committee that was proposed in HB 351. Now this is SB 86.

ROGERS: I wasn't finished.

COTTEN: Well, okay, I'm not finished either, but go ahead.

ROGERS: The other point was in response to a question from Mr. Adams, you said that the governor could appoint his mayor, a mayor from an unorganized borough. That's incorrect. Page 4, line 20: No appointed directors may be full-time elected

or appointed employees or officials of the state or any municipality.

COTTEN: I stand corrected. A member, a person, a citizen can. You're right on that. In regard to the comments you made earlier, I think that Representative Carney could not have been referring to this committee since it wasn't part of any legislation that was in front of the committee at time. To be technical about it. Representative Rogers.

ROGERS: Mr. Chairman, the committee has. The only difference between the composition of the committee and SB 86 and in HB 351 is that HB 351 required that two state senators to be appointed from the two main political parties, so other than that, it's the same: President of the Senate, Speaker of the House, chairman of the finance committee, etc., and one of the representatives shall represent the election district in which the new capital city site is located.

COTTEN: One of the representatives. This is even better then. Alright. You know, the thing about this issue is that unless you decide what the committee makeup's going to be, I don't think there's more than one or two people in this Legislature that have taken a firm position on both sides of this issue. So I think that no matter who you put on there, you usually know how/what their feelings are. I wasn't talking about you, Pappy. Okay, unless there's something else, we're adjourned until 8:30 Monday morning. Or no, on this issue, we're coming in at 10:00 a.m. to work on bills. Not this one.

ADJOURNMENT

The meeting adjourned at 5:05 p.m.

Tape HFC 81-82, Side 2, #474 - End
HFC 81-83, Side 1, #001 - End
Side 2, #001 - End
HFC 81-84, Side 1, #001 - #671

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.

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.

AMENDMENTS TO CSHB 460 (Res)
ACCEPTED BY HOUSE FINANCE COMMITTEE
at 5/14/81 Meeting

Accepted 5/14 Malou
Page 1, line 23. After the word "frozen" add ",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.

Accepted 5/14 United Fishermen of OR
Page 2, line 29. Add new sections 5& 6:

* 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.

RENUMBER REMAINING SECTIONS ACCORDINGLY.

X 6/4
SB 86

X
AMENDMENTS

Rogers

PAGE 1, line 20 before "completion" insert "commencement and"

X page 2, line 14 after "government" insert ", including the facilities required by AS 44.06.100 - AS 44.06.190."

HOLD X page 3, line 18 delete "City of Fairbanks" insert "Fairbanks North Star Borough"
page 3 delete sentence beginning "Appointed"

HOLD X page 4 line 6 delete "City of Fairbanks" insert "Fairbanks North Star Borough"
page 4 line 3 delete "Commerce and Economic Development" insert "Revenue"

X page 4 line 12 - 15 delete "and all joint session"

page 4 line 15 delete "and a real estate broker licensed in Alaska;"

Page 5 lines 9 - 13 delete sentence. *Cotten amended amendment.*

page 9 line 11-13 delete phrase "but shall not.....44.06.260."

X page 10 line 5 before ";" insert ", including costs of AS 44.07.140(b)"

X page 10, line 8 delete "necessary"

page 10 after line 10 add new (d)

SIX HOLD X (d) the difference between interest paid on loans under AS 44.07.160(b) and market rates of interest.

page 10 line 14 after "44.07.180" insert ", which exceed revenues which could be derived from the sale or lease of lands within the new capital site if the capital were not moved."

X page 10 line 13 after "lands" insert "other than lands acquired under AS 44.07.150"

page 11, line 17 after "systems," insert "railroad extension, airport"

X page 11, line 20 after "educational" insert "Postsecondary educational"

X page 12, line 10 delete "judicial" insert "election"

page 15, line 16 after "airport" insert ", railroad"

page 15, line 22 delete "shall" insert "may"

HOLD page 16, lines 20 - 27 delete (b)

HOLD page 17 line 17 delete "or any other law,"

page 17 line 24 delete \$20,000 insert \$5,000

X page 18, line 26 after "site." insert "The membership from each house must include a member who represents a district which includes Juneau."

page 20, line 8 delete "shall" insert "may" *Cotten ampt*

page 20, line 9 delete "and determine the salary of"

HOLD page 20 lines 20-21 delete "and may, by two-thirds vote, and in accordance with AS 37.07 amend the program and budget."

HOLD page 21, line 19 delete "90 days" insert "the day"

page 22, line 1 after "roads" insert "airports, railroads"

X page 22, line 3 after "educational" insert "postsecondary educational"

Attachment 3 Alt Energy Design
HOLD

1153

5-15-81

AMENDMENT

OFFERED IN THE HOUSE:

By: Rogers

To: HOUSE BILL No.

SENATE BILL No. 86

PAGE: 6 after LINE: 4

insert new sections to read:

APPLICATION.

Sec. 44.07.065. AS 44.07.066-44.07.069 apply to contracts for services to be provided to the Alaska Capital Site Development Corporation unless

(1) the total amount of a contract or contracts awarded to a person in a 12-month period does not exceed \$5,000;

(2) the contract is a written employment contract for services to be performed under direct supervision regardless of the existence of an employer-employee relationship and a written justification signed by the person responsible for awarding the contract is filed with the attorney general;

(3) the contract is for construction, repair, or maintenance of a structure and does not exceed \$5,000;

(4) the contract is awarded based on competitive bids obtained under the competitive bid procedure provided in AS 37.05.230; or

(5) the service is to be provided by an agency or department of the state government or by a municipality.

Sec. 44.07.066. REQUESTS FOR PROPOSALS. (a) A formal written request for proposals soliciting an offer to perform the services required under a contract must be extended to a sufficient number of providers of the required services to assure that public interest in competition is adequately served. Proposals from at least six firms shall be solicited for contracts in excess of \$100,000 if the expertise required is widely available. Proposals from at least three firms shall be solicited for contracts of less than \$100,000 if the expertise required is widely available. Formal advertising in a medium which will reasonably bring the proposal to the attention of persons able to provide the required service may be substituted for direct solicitation or used jointly with direct solicitation of proposals.

(b) A request for proposals need not be extended if

(1) there is a single source of the expertise or knowledge required or if one person or firm can clearly perform the required tasks more satisfactorily because of the person's or firm's prior work; however, this exemption from a request for proposals applies only when the board by vote of the majority of the members of the board has approved the exemption and a written justification signed by the person responsible for awarding the contract which details the reasons for the exemption is filed with the attorney general as a public record. Any proposed contract to be awarded under this exemption must also be approved by the board before it is valid.

Sec. 44.07.067. AWARD OF CONTRACT (a) A contract awarded by the board must be executed by the provider of the service, the executive director of the Alaska Capital City Development Corporation, and be approved as to form by the attorney general.

(b) A contract awarded under this section shall contain the amount of the contract stated on its first page.

Sec. 44.07.068. EVALUATION. The board must provide a written evaluation of the services provided under a contract before final payment may be made. The evaluation is open for public inspection.

Sec. 44.07.069. FILING. A copy of each contract must be filed with the attorney general and the lieutenant governor and is open for public inspection.

Correction:

Page 1, Sec. 1

Add at the end of Sec. 44.06.196 (a) the following:

Either the ballot proposition or the official explanation of it to be forwarded to voters shall contain an estimate of the numbers of central state employees likely to be relocated from Juneau and from Anchorage.

GV

AMENDMENT

OFFERED IN THE HOUSE:

By: Rogers

To: _____ HOUSE BILL No. _____

HCS

SENATE BILL No. 86 (Fin)

PAGE: _____

LINE: _____

Add new section _____ to read:

* Sec. _____. AS 39.50. is amended by adding a new ^{sub}section to read:

(44) Alaska Capital City Development Corporation.

HOUSE FINANCE COMMITTEE

May 16, 1981

10:15 a.m.

(Tape HFC 81-84, side 1 #671.)

PRESENT

All members of the Committee were present except Representatives Meekins and Buchholdt. (Representatives Moss and Adams arrived later in the meeting.) Present to testify were: Representatives Fuller and Sutcliffe; Gary Jenkins, Director, Division of Audit, Department of Revenue; Rodger Painter, Executive Director, United Fishermen of Alaska; and Milt Barker, Fiscal Analyst, Legislative Finance Division.

HB 421

Chairman Cotten called the meeting to order and brought HB 421 up for consideration.

HB 421 -- "An Act relating to the exemption of residential property from the property tax; and providing for an effective date."

The bill has a zero fiscal note. Representative Freeman MOVED AND ASKED UNANIMOUS CONSENT that HB 421 be reported out of Committee. There being NO OBJECTION, it was so ordered. HB 421 was reported out with a "do pass" recommendation.

HB 514

The next bill to be considered was HB 514.

HB 514 -- "An Act relating to state aid to volunteer fire departments; and providing for an effective date."

Chairman Cotten said the C&RA CS has no statute citation, and he asked why. Representative Malone said the intent is that this be a short term measure in effect for a period of four years. He said it would sunset in 1985, so it was drafted as a temporary law. He explained the Bill was designed to encourage the formation of fire departments in areas that don't have any incentive to set up a fire department.

Representative Malone said he did not yet have a fiscal note for the bill. He said the bill has changed substantially from its original form, and the fire marshall's office will have to come up with a new fiscal note. He explained the note will be calculated based on the number of volunteer fire departments not

organized as a municipal fire department inside a borough or city.

(Representative Moss arrived at this time.)

Representative Rogers commented this bill would take care of problems in his borough.

(Tape change, HFC 81-84, side #2.)

In answer to a question from Chairman Cotten, Representative Malone explained that right now the state does provide aid to fire departments in unorganized boroughs. He said when the legislation came up in its original form, there was a lot of concern that if a change in the law was provided for, the municipal lobbyists and/or policy makers would be coming in looking for capital grants on top of their present revenue sharing in unorganized boroughs. He said they decided to try this on a temporary basis, and after four years the program could be reviewed. He explained this would be an add on to the amount of revenue sharing going to municipalities at present.

Representative Malone agreed that without the fiscal note it is hard for the Committee to make a decision on the bill. There was further discussion.

Representative Rogers suggested reporting the bill out with a fiscal note to follow, and they could ask the Rules Committee to hold the bill until they receive the fiscal note.

(Representative Adams arrived at this time.)

Representative Rogers MOVED to report CSHB 514 (C&RA) out of Committee with the fiscal note to follow. There being NO OBJECTION, it was so ordered. CSHB 514 (C&RA) was reported out with a "do pass" recommendation.

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."

Representative Rogers asked if the Committee had accepted the motion to take out Section 4. Chairman Cotten said it hasn't passed yet. He said the motion was made, but they never took final action. Representative Moss said he would OBJECT to the removal of section 4.

MR. GARY JENKINS, Department of Revenue, passed out information concerning the fisheries tax (see attachment #1) and he explained the information. There was discussion on the figures.

Chairman Cotten advised there was a MOTION ON THE FLOOR for the removal of section 4. The QUESTION WAS CALLED FOR. Five in favor, 2 opposed. THE MOTION PASSES. Representative Rogers asked if this also meant that section 7 (the transition clause) and section 9 (Section 4 effective date clause) were deleted. Chairman Cotten said that was correct.

Representative Malone requested comments from the Department of Revenue concerning the amendment he proposed and the Committee accepted at the May 14th meeting. Referring to the amendment to Page 1, line 23, Mr. Jenkins said he was not sure what it would do. He suggested it was an odd place to put the phrase in the bill. Representative Malone explained the amendment was offered to provide an exclusion for custom processing when the processor doesn't own the fishery resource. He said the intent would be that the person who actually owns the fish would be the one responsible for the tax. He commented further.

Representative Malone asked if the Department of Revenue reconciled their annual fish tax collections with the pounds caught by difference species as reported by the Department of Fish and Game. Mr. Jenkins said that in the past the Department of Fish and Game was not confident enough of their records to say that they were correct. He said they will be doing more of that in the future because the Department of Fish and Game is becoming more confident of their records. Representative Malone commented there are probably fish being caught in Alaska and being shipped out that don't show up on the tax record at all.

Representative Haugen said that information has to be provided on the fish ticket. He said that information should establish the value of a fish. Mr. Jenkins said they are dealing from the tax point of view from the point they are processed. There was further discussion. Representative Haugen said the fish ticket should provide the information inless the fish is sold out of state.

Mr. Jenkins said they have a difficult problem when the fish are iced and shipped out of state. He said it is very difficult to track.

Representative Malone said the amendment he proposed was to provide a specific exemption for corporations in the business of custom processing, so the actual owner of the fish would be liable for the tax. He said it doesn't solve the problem of how to track the owner down. He said he thinks there is a problem in that area which the Department is attempting to address through regulations.

There was brief discussion on the cost of collecting the tax. Representative Malone said he thought they should change the tax structure from the processor to the first buyer of the fish.

(Tape change, HFC 81-85, side 1.)

Representative Malone suggested amending the amendment so that a processor is not liable for the fish processing tax when the processor does not own, buy or sell the resource he is processing. Mr. Jenkins said that would do what Representative Malone is trying to do. He said almost every processor does custom processing. He said his concern is they are getting "into a situation of over-kill". He said they are basically saying no one is liable for the tax unless they can catch them under section 100. Mr. Jenkins said to his knowledge this relates to only one processor in the State. Representative Malone said he didn't think it was that isolated a problem. There was further discussion.

Mr. Jenkins said Representative Malone's proposal to change the amendment creates more serious problems. He said he would strongly recommend they defer these types of amendments that complicate the bill, and instead rewrite the whole fisheries processing tax law so it is oriented towards the first buyer in Alaska.

Mr. Rodger Painter, Executive Director, United Fishermen of Alaska, said cash buyers are required to get a \$50,000 bond from the Department of Revenue.

Representative Rogers suggested the bill be re-referred to the Resources Committee for consideration of these issues. Representative Malone suggested either going along with Representative Roger's suggestion or assigning the bill to a Subcommittee of the Finance Committee. There was brief discussion.

Chairman Cotten appointed Representatives Malone and Haugen to a SUBCOMMITTEE TO CONSIDER HB 460 and report back to the full Committee with their recommendations.

HB 131

The next bill to be considered was HB 131.

HB 131 -- "An Act increasing state aid for health facilities and hospitals; and providing for an effective date."

There was brief discussion on the HESS CS for HB 131. Representative Haugen requested this bill be HELD until he had the correct fiscal information. HB 131 was HELD.

HB 142

The next bill to be considered was HB 142.

HB 142 -- "An Act relating to trophy hunting of caribou and moose."

Representative Moss said originally he was a co-sponsor of the Bill. He said since the legislation was introduced he has

received much mail in opposition to the bill, and as a result he requested that his name be removed as a co-sponsor. He advised that if this bill is reported out of Committee he will sign the report "no recommendation" and will probably vote against it on the floor.

Representative Moss said apparently this bill would encourage a person from taking a friend/relative hunting. He pointed out the fiscal note shows a loss to the Department of Fish and Game which will probably have to be picked up in some manner with general funds.

Representative Rogers MOVED to report HB 142 out of Committee. Representative Moss OBJECTED.

Representative Malone MOVED TO AMEND the motion to report the bill out WITH the fiscal note from the Department of Fish and Game. Representative Malone WITHDREW HIS MOTION.

Representative Rogers WITHDREW HIS MOTION.

Representative Malone MOVED to report HB 142 out of Committee. Representatives Moss and Montgomery OBJECTED. There was discussion on the Fiscal Notes. Representative Rogers explained the \$404.0 is a loss of tag revenue and the \$780.0 is a loss of license revenue.

Chairman Cotten MOVED TO AMEND the motion to report the bill out with the \$92,303 fiscal note. Representative Moss OBJECTED. There being NO FURTHER OBJECTION, the motion as amended was adopted. HB 142 was reported out of Committee with Individual Recommendations.

HB 83

The next bill to be considered was HB 83.

HB 83 -- "An Act making a special appropriation to the Department of Fish and Game for the purpose of reducing bison crop damage; and providing for an effective date."

Representative Moss explained the original bill was for a study on how to divert the bison and to do more planning, and HB 82 was an appropriation bill to supply funding for clearing fields and for a cooperative effort between Military Affairs and the Department of Natural Resources. Representative Moss said part of the problem is that the path of the migration pattern of the buffalo was on the base, and they didn't have a plan with the Military.

Chairman Cotten commented this is the only buffalo bill that makes sense to him.

Representative Carney said he would like to MOVE to change this bill to compensate the farmers for their loss. Representative Moss OBJECTED.

Representative Moss further explained the bill and said part of the money is for temporarily confining the buffalo. He explained that part of the planning is in the area they stay in during the summer, and they plan to try to delay the migration.

There was further discussion on the bill.

Representative Rogers MOVED to report CSHB 83(Res) out of Committee. There was further discussion. There being NO OBJECTION, CSHB 43 (res) was reported out with individual recommendations.

HB 487

The next bill to be considered was HB 487.

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

MR. MILT BARKER, Fiscal Analyst, Legislative Finance Division, presented a workdraft CS for HB 487 (CSHB 487 - fin - 11), and a Memo explaining what the draft does (see attachment #2). He explained the first portion of the workdraft, and there was discussion.

RECESS

The meeting recessed at 12:10 p.m.

Tape HFC 81-84, side 1 #571 to end
 side 2 #001 to end
HFC 81-85, side 1 #001 to end
 side 2 #001 to 324

5/16

1100

<u>CITIES</u>	<u>FY 79</u> <u>Actual</u>	<u>FY 80</u> <u>Actual</u>	<u>FY 81</u> <u>Authorized</u>	<u>FY 82</u> <u>Request</u>
Akutau	-0-	106,198	438,547	173,507
Alakanuk	-0-	5	21	8
Aniak	-0-	10	41	17
Anvik	-0-	300	1,239	507
Bethel	-0-	6,449	26,634	10,899
Cordova	98,937	220,782	98,937	373,122
Craig	5,897	23,539	5,897	39,781
Dillingham	61,926	65,710	61,926	111,050
Elim	-0-	580	2,395	980
Emmonak	-0-	5,922	24,458	10,008
Fairbanks	10	20	10	34
Fortuna Ledge	636	3,085	636	5,214
Galena	-0-	719	2,969	1,215
Golovin	-0-	1,164	4,807	1,967
Goodnews Bay	-0-	5	21	8
Haines	3	-0-	-0-	-0-
Homer	6,098	16,605	6,098	28,062
Hoonah	2,912	4,431	2,912	7,488
Hooper Bay	-0-	4,091	16,896	6,914
Hydaburg	2,043	3,604	2,043	6,091
Kachemak	-0-	3,327	13,741	5,623
Kake	12,652	4,842	12,652	8,183
Kenai	41,708	53,958	41,708	91,189
Ketchikan	20,077	10,145	20,077	17,145
King Cove	132,652	162,195	132,627	274,110
Klawock	21,605	4,211	21,605	7,117
Kodiak	134,603	167,240	134,578	282,636
Kotzebue	-0-	1,803	7,446	3,047
Mountain Village	-0-	8,699	35,927	14,701
Nenana	162	229	157	387

AGENCY REVENUE

PROGRAM COMMUNITY DEVELOPMENT

BRU SHARED TAXES

23 18 CONTINUED

COMPONENT FISHERIES TAX

Page 2 of 4

REVISED DATE

FY82

00138

Attachment #

<u>CITIES</u>	<u>FY 79</u> <u>Actual</u>	<u>FY 80</u> <u>Actual</u>	<u>FY 81</u> <u>Authorized</u>	<u>FY 82</u> <u>Request</u>
Nome	-0-	305	1,260	515
Pelican	21,438	60,523	21,438	102,284
Petersburg	107,327	11,520	106,327	19,469
Platinum	-0-	305	1,260	515
Port Alexander	-0-	4,014	16,578	6,784
Port Helden	-0-	2,245	9,272	3,794
Quinhagak	-0-	5	21	8
Saint Mary's	946	917	810	1,780
Saint Paul	-0-	5	21	8
Sand Point	11,648	21,876	11,648	36,970
Seldovia	1,765	3,686	1,765	6,229
Seward	28,668	46,323	28,669	78,286
Shaktolik	-0-	305	1,260	515
Togiak	-0-	10,472	43,249	17,698
Unalakleet	-0-	2,380	9,829	4,022
Unalaska	229,897	449,272	229,897	759,270
Valdez	-0-	20	83	34
Wrangell	10,278	18,110	10,278	30,606
Yakutat	<u>1,437</u>	<u>2,945</u>	<u>1,437</u>	<u>4,977</u>
Total Cities	<u>955,189</u>	<u>1,515,232</u>	<u>1,612,107</u>	<u>2,550,294</u>

BOROUGHES

Municipality of Anchorage	48,201	9,556	48,201	16,150
City and Borough of Juneau	10,901	35,763	10,901	60,439
City and Borough of Sitka	16,252	11,626	16,252	19,648
Bristol Bay Borough	167,722	338,132	167,722	571,443
North Star Borough	10	527	10	891
Haines Borough	27,318	37,575	27,315	63,502

AGENCY REVENUE

PROGRAM COMMUNITY DEVELOPMENT

BRU SHARED TAXES

COMPONENT FISHERIES TAX

Pa 3 of 4

REVISED
DATE

23 18 CONTINUED

FY82

00139

<u>BOROUGH</u>	<u>FY 79</u> <u>Actual</u>	<u>FY 80</u> <u>Actual</u>	<u>FY 81</u> <u>Authorized</u>	<u>FY 82</u> <u>Request</u>
Kenai Peninsula Borough	112,101	134,991	212,101	228,135
Ketchikan Gateway Borough	70,225	26,474	70,225	44,741
Kodiak Island Borough	<u>335,185</u>	<u>226,957</u>	<u>335,185</u>	<u>383,557</u>
Total Boroughs	<u>787,915</u>	<u>821,601</u>	<u>887,912</u>	<u>1,388,506</u>
Total Cities and Boroughs	<u>1,743,240</u>	<u>2,336,697</u>	<u>2,500,019</u>	<u>3,938,800</u>

1170

AGENCY REVENUE

PROGRAM COMMUNITY DEVELOPMENT

BRU SHARED TAXES

2.3 18 CONTINUED

COMPONENT FISHERIES TAX

Page 4 of 4

REVISED
DATE

FY82

00140

F110

	Bus. Lic. 3rd Qtr.	Bus. Lic. 4th Qtr.	Amusement & Gaming	Aviation Fuel	Elect. & Tel. Coop. Initial	Elect. & Tel. Coop. Final	Liquor	Raw Fish July-8/15	Raw Fish 5/16-8/30	Munc. Asst. Base Amt.	Munc. Asst. Excess	Totals
Anchorage, Munc. of	12453454	850734	971483	2503918	424562	209112	2153714	3049	6211	491892369	327122	6109265
Juneau, City & Borough	1053010	111541	151600	4209289	19620	4734	78450	18377	17164	37235678	4461795	64000
Sitka City & Borough	287336	178718	504000	1206351			17700	6018	5578	13163716	16959	193553
Bristol Bay Borough	6931		14400		13155	6479	5400	175761	162341	139856	3252	3106170
North Star Borough	702896	311816	10400		113289	12351		227	278	36672732	55877	193270
Haines Borough	0	21215	2800					19539	18036	727497	1077	46247
Kenai Peninsula Borough	112511	163013	122500		61507	83742		36206	98785	34221133	26848	635429
Ketchikan Gateway Borough	22610	310527	43200	2104656				13750	12724	326056	8713	77866
Kodiak Island Borough	6777	35077	16800		18232	9780		117617	109310	2081451	4177	2197167
Matanuska Susitna Borough	383216	16871	114000		113267	54787				9081733	35107	300715
North Slope Borough	111322	3862733			11783	8804				122092057	7527	1285834
Akholik										13682	234	670
Aktachak										44671	113	11277
Aklak	8711	6600								13713	117	1707
Akolmiut										31327	1037	1550
Akutan									106198	23770	136	7065712
Alakanuk		7266			1414	726		5		527707	1017	9225
Aleknagik					502	431				15958	128	1833
Allakaket										12466	117	5530
Ambler	7324				1213	591				63153	117	27347
Anaktuvok Pass										10500	331	11370
Anderson	673		9000		2231	1101				125413	707	5100
Angoon										276010	1011	10047
Aniak			11600					10		37716	685	4051
Anvik					11776	391		300		10435	197	1786
Atmautluak										1907	386	465
Barrow		3795671								2403947	5240	61235
Bethel	101571	1504	114600					6449		6601135	7434	820733
Brevig Mission										17117	281	458
Buckland	6671									10393	308	1198
Chefornak										55141	378	955
Chevak	6389		9000		2397	1189				21201	903	11975
Chauthbaluk										32905	245	571
Clarks Point										3000	189	217
Cordova	12112		19200		14139	16764	10720	114804	105978	4525600	5245	308777
Craig			20600				3100	12240	11297	500496	1133	3782
Deering	4647									46125	237	1714
Delta Junction	34511		16800							272812	1722	31522
Dillingham	116376		12000		11656	11750	2800	33381	32329	2718324	3196	1232792
	164891.18	177576.93	18247.83	107242.11	86626.	133138.	324774.	551320.	673074.	7731201.07	578015.75	11873544.

	Bus. Lic. 3rd Qrt.	Bus. Lic. 4th Qrt.	Amusement & Gaming	Aviation Fuel	Elect. & Tel. Coop. Initial	Elect. & Tel. Coop. Final	Liquor	Raw Fish July-5/15	Raw Fish 6/16-6/30	Munc. Asst. Base Amt.	Munc. Asst. Excess	Totals
Dionede										7000	211-	3510
Eagle			120 ⁰⁰							83378	5711-	12279
Eek					858-	423-				28433	593	21585
Ekwok										7800	214-	2920
Elim					713-	474-			530-	26120	121-	28142
Emmonak					2631-	6297-			5722-	309176	1052-	139776
Fairbanks	1806988	575900	242 ⁰⁰		60749-	29221-	68625-	9-	11-	104779414	58812-	13924170
Fort Yukon	3250						600-			671417	1227-	15750
Fortuna Ledge			21 ⁰⁰		1219-	630-			3085-	52263	508-	60184
Gaiena	3085		72 ⁰⁰				1100-		719-	674610	184-	107159
Gambell					2583-	1212-				113229	863-	61502
Golovin									1164-	64422	221-	20362
Goodnews Bay					1018-	501-			5-	6495	179-	20477
Grayling					880-	434-				40129	319-	20472
Haines	102012		107 ⁰⁰				5100-			2006387	2637-	287292
Holy Cross					1337-	659-				88378	583-	21621
Homer	51577	28069	600 ⁰⁰		13161-	6781-	11200-	219-	16386-	6204130	4300-	119075
Hoonah			192 ⁰⁰				1600-	1431-	4091-	700587	2110-	
Huoper Bay	700				3531-	1739-				216251	1178-	
Houston			49 ⁰⁰		718-	368-				0-	5117-	63510
Hughes										8053	119-	2095
Iliuslia					818-	1113-				65152	409-	21015
Hydaburg								3601-	3327-	190439	135-	
Kachemak			45 ⁰⁰		914-	450-				49103	523-	
Kake		5106					600-	3-	4831-	215705	1371-	93211
Kaktovik										108473	371-	14557
Kaltag					1120-	567-				0-	0-	17170
Kassan										2000	89-	1170
Kenai	461550	303075	636 ⁰⁰	1753933	11178-	18461-	18600-	28056-	23702-	14576486	8536-	2715374
Ketchikan	7013767	356675	1686 ⁰⁰				32500-	5275-	4170-	20891731	16492-	3440147
Kiana	190 ⁰⁰				2571-	1267-				135525	664-	57974
King Cove							1100-	81311-	77854-	184441	1416-	164535
Kivalina					1197-	589-				159779	510-	2458
Klawock								2190-	2021-	153921	170-	16530
Kobuk										3578	118-	153
Kodiak	162637	54478	408 ⁰⁰	483485	68171-	33577-	17000-	86564-	80476-	16251119	11109-	412021
Kotlik										109606	589-	1685
Kotzebue	83218	702281	72 ⁰⁰		26534-	13072-	3900-		1803-	3374461	1877-	87062
Koyuk					865-	426-				25477	344-	13877
	10063034	1717025	6486 ⁰⁰	2231418	207812 ⁰⁰	103356 ⁰⁰	166725 ⁰⁰	214692 ⁰⁰	233255 ⁰⁰	172603018	132228 ⁰⁰	20333659

	Bus. Lic. 3rd Qrt.	Bus. Lic. 4th Qrt.	Amusement & Gaming	Aviation Fuel	Elect. & Tel. Coop. Initial	Elect. & Tel. Coop. Final	Liquor	Raw Fish July-8/18	Raw Fish Munc. Asst. 8/18-8/30 Base Amt.	Munc. Asst. Excess	Totals	
Koyukuk									44150	237 -	44387	
Kupreanof									0	0	0	
Kwethluk									141575	851 -	22277	
Larsen Bay									0	0	0	
Lower Kalskog					1905 -	145 -			20836	431 -	17793	
Manokotak							1500 -		31720	483 -	9022	
McGrath			2400						334964	737 -	86106	
Mekoryuk					1175 -	571 -			23475	336 -	23217	
Mountain Village	793		2400		3818 -	1880 -		8699 -	231315	1047 -	177880	
Napaklak			2400						154680	604 -	21748	
Napaskiak									1500	463 -	4780	
Nenana		15951		135759	2750 -	1897 -	2800 -	119 -	1253466	971 -	221477	
New Stuyahok					1272 -	671 -			37928	513 -	28512	
Newhalen									21132	203 -	4143	
Newtok									9720	272 -	3742	
Nightmute									1995	261 -	2809	
Nikolai									1500	273 -	3087	
Nome	80597	32872	33600				10425 -		305 -	5306404	5584 -	701417
Nondalton	71201		2400						42717	436 -	12755	
Noorvik			6000		2825 -	1391 -			140351	1012 -	66583	
North Pole	23347				11577 -	7189 -	2100 -		3134230	1588 -	571097	
Nutqsut									3000	351 -	3811	
Nulato					2038 -	1004 -			64921	641 -	43321	
Old Harbor					1315 -	647 -			35308	666 -	27214	
Ouzinkie									33133	342 -	6753	
Palmer		8227	83000	64210	2742 -	13452 -	7800 -		5403867	3767 -	1101260	
Pelican			18200					31472 -	29051 -	427 -	610374	
Petersburg	338568	451941	52000				7400 -	5770 -	5530 -	436484	6172 -	716042
Pilot Station					1235 -	608 -			271635	581 -	27003	
Platinum									305 -	61551	112 -	7223
Point Hope									315585	890 -	43518	
Port Alexander									4014 -	29301	195 -	45026
Port Helden									2215 -	23790	176 -	26517
Port Lions					1207 -	575 -			33347	441 -	25834	
Quinhagak	9304				1322 -	631 -			5 -	60261	865 -	36216
Ruby									166179	425 -	11911	
Russian Mission									1500	322 -	2611	
Saint Marys			1800		11421 -	2180 -		437 -	61115	211 -	71251	
Saint Michael					1312 -	676 -			110123	54 -	4609	
	443512	152244	203800	109745	6751500	332511	380250	381947	5070400	2223711	8438300	1752063

41(5171)

	Bus. Lic. 3rd Qrt.	Bus. Lic. 4th Qrt.	Amusement & Gaming	Aviation Fuel	Elect. & Tel. Coop.	Elect. & Tel. Coop.	Liquor	Raw Fish July-5/15	Raw Fish 5/16-6/30	Munc. Asst. Base Amt.	Munc. Asst. Excess	Totals
Saint Paul	9386						1400		5	50138	1091	2771
Sand Point	15366		198 ⁰⁰					11376	10500	44495	1495	28164
Savounga			162 ⁰⁰		2715	1450				23404	189	7686
Saxman										70	0	-0-
Scammon Bay			40 ⁰⁰		957	471				55191	418	24679
Selawik					2451	1305				105221	979	5983
Seluviovia			108 ⁰⁰		2301	1134	8400	1917	1767	515673	1019	17604
Seward	61809	97125	1072 ⁰⁰				12500	283	46040	452336	3433	110100
Shageluk					823	1105				16897	430	1826
Shaktoolik					870	128			305	10105	309	2021
Sheldon Point										11375	270	2877
Shishmaref	13280		600		1623	800				96756	1720	4305
Shungnak	2470				1498	734				123571	382	38116
Skagway	25163		278 ⁰⁰				4675			2158035	1673	281801
Soldotna	139920	1557	312 ⁰⁰	166084	9939	4895	6801			10302106	4764	1326114
Stebbins					929	458				31711	596	2300
Tanana							600			224937	9635	3812
Teller										17191	498	667
Tenakee Springs							1250			139424	272	2916
Toiyak	13991				2837	1398			10472	309819	915	18597
Tooksook Bay	31112	32422			1430	101				90325	618	4350
Tuluksak										15037	498	648
Tununak					1015	515				17577	577	2353
Unalakleet	12350				4538	2235				109943	1220	14600
Unalaska			120 ⁰⁰				3100	233621	215651	117573	18266	478253
Upper Kalskag					671	331				127713	320	2597
Valdez	281088	153588	410 ⁰⁰		51880	23553	13100	6	14	36821652	7850	471376
Wainwright										39676	821	1224
Wales					540	270				131	251	1101
Wasilla	132811	42054	90 ⁰⁰		13100	11774				5153506	4217	81163
White Mountain	86									3000	222	2528
Whittier					2386	1175	2100			163435	544	7859
Wrangell	23211	17858	312 ⁰⁰				9000	9117	8673	2883578	6419	73887
Yakutat			532 ⁰⁰				1100	1531	1114	1269091	853	181201
Unorganized (see accompanying)	271											3
TOTAL	27817705	20035526	3076813	13327674	1219865	621778	588667	136	1274276	1057171005	8282775	168377133
	764041	376604	17700 ⁰⁰	166084	170684	52053	58925	251151	2772131	16848767	63603	1037655

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

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

May 16, 1981

MEMORANDUM

TO: Honorable Sam Cotten, Chairman
House Finance Committee

FROM: Milt Barker, Fiscal Analyst
Legislative Finance Division

SUBJECT: CSHB 487 (Finance) II

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

Bill Section

- 1 Limits a person or their spouse to one AHFC loan during a seven year period;
- 2 Permits AHFC to issue pass-through mortgage certificates;
- 3 Permits AHFC to include "due on sale" clauses in mortgages;
- 4 Allocates \$200 million in tax-exempt bonding authority to AHFC which may reallocate amounts to municipalities;
- 5,7,9,12 Adds expansions, timber, agriculture, telephone,
14,15,17- and multi-family dwellings to the authorized
26 AIDA loan purposes;
- 6 Permits AIDA to transact business by electronic media;

1175

5/16/81

Bill
Section

7. 8,12,21 Disallows working capital, inventory, and re-financing loans by AIDA;
- 10 Eliminates AIDA application fees; limits AIDA commitment fees to 2% of the loan amount;
- 11,13 Permits AIDA to establish bond reserve funds or loan insurance accounts which do not have the moral obligation of the state; disallows moral obligations on bond reserve funds or loan insurance accounts for projects over \$10 million;
- 16 Raises the limit on loans purchased by AIDA to \$7,500,000 for all projects and requires 10% bank participation;
- 27 Authorizes \$492 million in AHFC bonds for FY 82;
- 28 Authorizes \$230 million in AIDA bonds for FY 82.

MBB/pw

HF0516811350

HOUSE FINANCE COMMITTEE

May 16, 1981

1:50 p.m.

(Tape HFC 81-85, side 2 #324.)

PRESENT

All Members of the Committee were present except Representatives Meekins and Buchholdt. (Chairman Cotten arrived later in the meeting.) Present to testify were: Representative Brown; Nick Carney, Director, Division of Agriculture, Department of Natural Resources; Milt Barker, Fiscal Analyst, Legislative Finance Division; Nancy Lord, Aide to Representative Rogers; Mike Doogan, Aide to Representative Freeman; and Alan Blume.

HB 18

Vice Chairman Freeman called the meeting to order and brought HB 18 up for consideration.

HB 18 -- "An Act making a supplemental appropriation to the Department of Public Safety for implementation of the statewide avalanche warning system; and providing for an effective date."

Representative Rogers MOVED AND ASKED UNANIMOUS CONSENT that HB 18 be reported out of Committee. There being NO OBJECTION, it was so ordered. HB 18 was reported out with individual recommendations.

HB 348

The next bill to be considered was HB 348.

HB 348-- "An Act making a special appropriation to the Department of Public Safety for the Alaska avalanche warning system; and providing for an effective date."

There was brief discussion on the need for an avalanche warning system. Representative Rogers MOVED AND ASKED UNANIMOUS CONSENT that HB 348 be reported out of Committee. There being NO OBJECTION, it was so ordered. HB 348 was reported out with individual recommendations.

HB 456

The next bill to be considered was HB 456.

HB 456 -- "An Act relating to agriculture; and providing for an effective date."

Representative Rogers presented and explained a draft finance CS for HB 456 (see attachment #1). He said that section 19 is the expensive section of the bill ("Sec. 19. The Department of Health and Social Services may provide to applicants who qualify for state assistance under AS 47.25 seeds, supplies, and tools for home gardens up to a value of \$50 for each qualifying household."). He said the estimated cost of that section is \$1 million.

Representative Rogers said the fiscal note for the rest of the bill is \$336.0.

Representative Carney asked how they came up with the \$1 million figure. Representative Rogers said they looked at the number of people getting state assistance under AS 47.25 and estimated the percentage that might take advantage of this program.

Representative Moss said he objected to changing the interest rate of 6% to 8% on long term loans. He said he also objected to section 19, which he thinks should be left out of the bill.

Representative Rogers said they could probably get by with \$5,000 for the fiscal note. He said he thinks this is a good opportunity to encourage welfare recipients to do something for themselves.

Representative Malone said he thinks they could substantially reduce the fiscal note as it applies to grants. He asked if, in section 3 of the bill, there was language so these same people could borrow money from the fund. Representative Rogers said he doubts that they would loan money to someone who didn't have a source of income other than welfare.

Representative Rogers pointed out the fiscal note only applies to FY 82. He said there are no program costs after that year. There was brief discussion on the fiscal note.

Representative Malone said he doesn't see the reason for putting the program (in sec. 19) under the Department of Health & Social Services. Representative Rogers explained it was put in that Department because they are already doing the processing on welfare recipients. There was discussion.

Representative Moss MOVED to delete section 19 from the bill. Representative Rogers OBJECTED. There was discussion. Representative Rogers said this program would encourage people to do something for themselves. Representative Adams said he supports the motion. He said he thinks the State is getting to the point where there are too many give away programs.

Representative Montgomery asked if they didn't pass a bill one or two years ago to encourage gardening. Representative Moss said they did. He said they have started a number of village gardening projects where the community as a whole has joined in. He commented further on that project.

Representative Rogers said it seems the only way to get a program to not perpetuate itself is to break out of the mold of having a person coming to the state for money. He said by giving them tools and seeds, some may be able to break away from depending on the state for food stamps.

Representative Carney commented this is in keeping with the village gardening project; instead of giving a lump sum appropriation to a village corporation, they would be doing the same thing to other areas of the state.

Representative Moss said he wanted someone other than the Department of Health and Social Services to be involved. He asked if the Division of Agriculture could handle the program. MR. NICK CARNEY, Director, Division of Agriculture, Department of Natural Resources, said he didn't think they could handle a program such as this without additional personnel. He said the main problem they would have is determining who is eligible. He commented further. Representative Moss asked if he thought section 19 was a good section. Mr. Carney said he thinks it is. He said he thinks they should be making an effort to take these people off the welfare rolls or at least help them improve their diets. He said he is not sure it belongs in this bill, he suggested HB 538 ("An Act relating to a small scale agriculture grant program.") might be more appropriate.

Concerning the interest rate, Mr. Carney said the farming industry has passed a resolution supporting an 8% interest rate for the agriculture revolving loan fund. He said the feeling is they are taking a lot of criticism over the 6% interest rate. Mr. Carney said he thinks the increase is not going to jeopardize the agriculture business. There was further discussion on the loan program.

Regarding section 19, Representative Rogers agreed it might better fit into HB 538, and he said if the Committee would be willing to move HB 456 without that section, he would be willing to take it out.

Representative Rogers MOVED to adopt the proposed Finance CS for HB 456 deleting Sec. 19. There being NO OBJECTION, it was so ordered.

Representative Rogers MOVED to accept the two fiscal notes from the Division of Agriculture. There being NO OBJECTION, it was so ordered.

Representative Rogers MOVED to accept the following letter of intent for HB 456:

"It is the intent of the legislature that the costs of clearing agricultural land be financed by farm development loans from the agricultural revolving loan fund."

There being NO OBJECTION, it was so ordered.

Representative Rogers MOVED AND ASKED UNANIMOUS CONSENT to report out the Finance CS with the fiscal notes and the letter of intent. There being NO OBJECTION, it was so ordered. CSHB 456 (fin) was reported out with a "do pass" recommendation.

HB 130

The next bill to be considered was HB 130.

HB 130 -- "An Act making special appropriations to establish programs to deal with post-traumatic stress disorder; and providing for an effective date."

Representative Moss advised that HESS amended the bill, and he would recommend going back to the original version of the bill with the zero fiscal note.

Representative Moss MOVED to report HB 130 out of Committee. Representative Malone OBJECTED.

In answer to a question from Representative Malone, MR. ALAN BLUME explained Sec. 4 of the HESS CS was put in as an accommodation to Representative Martin and Senator Bradley based on information they received in early April that the \$75.0 for Vietnam Veterans was being taken out of the federal budget. He explained section 4 was added in the event those monies were not re-appropriated or that funding was not given to outreach centers. He said the intent was that in the event federal monies did not come through, the state could pick up the responsibility for an on-going counseling program. He said they have received assurances from the congressional delegation that the money is now in place.

Vice-Chairman Freeman commented the Chairman is against replacing federal funds with state funds unless it becomes necessary.

Representative Malone WITHDREW HIS OBJECTION. Representative Rogers OBJECTED.

Representative Rogers MOVED TO AMEND the motion to report out a Finance CS for HB 130 incorporating the original bill and an immediate effective date clause. Representative Moss said the cost of the bill is \$315,000. There being NO OBJECTION, the amended motion was adopted. CSHB 130 (fin) was reported out with a "do pass" recommendation.

RECESS

Vice Chairman Freeman called for a recess at 2:45 p.m. and recalled the meeting to order at 3:00 p.m.

HB 12

The next bill to be considered was HB 12.

HB 12 -- "An Act creating the Alaska Railroad Authority."

Representative Moss said the Committee received testimony on the bill earlier. He said the fiscal note for the bill is \$376.7 for FY 82.

Representative Moss MOVED that the Transportation CS for HB 12 be reported out with the \$376.7 fiscal note.

Representative Montgomery asked if it would be necessary to put on five new people right away; he wondered if for the first year they couldn't accomplish what they intended with fewer people. Representative Moss said they needed to get someone on board as soon as possible. He said the total for salaries is only \$136.7.

Representative Rogers said a task force can't be created by a letter of intent (see Transportation Committee letter of intent for HB 130).

Representative Moss WITHDREW HIS MOTION.

Representative Rogers MOVED to adopt a Finance CS adding the first paragraph of the letter of intent as Sec. 7 of the bill. There being NO OBJECTION, it was so ordered.

There was brief discussion on the make up of the Commission.

Representative Rogers MOVED on page 2, line 8 and 9 of the bill to delete "subject to confirmation by the legislature in joint session". There being NO OBJECTION, it was so ordered.

(Tape change, HFC 81-86, side 2.)

Representative Rogers MOVED to report out a Finance CS for HB 12 incorporating the changes adopted at today's meeting. There being NO OBJECTION, it was so ordered. CSHB 12 (fin) was reported out with a "do pass" recommendation.

(Chairman Cotten arrived at this time.)

HB 538

The next bill to be considered was HB 538.

HB 538 -- "An Act relating to a small-scale agriculture grant program."

Representative Rogers advised this bill sets up a small-scale agriculture grant program. He said they have been doing this in the budget in the past. He said the bill allows for grants up to \$25.0 per community.

Representative Rogers referred to the Memo from Representative Gardiner to Chairman Cotten (see attachment #2), and he MOVED to amend the bill on page 2, line 20 and page 4, line 23 after

"village" to add "school district, regional educational attendance area.". There being NO OBJECTION, it was so ordered.

Representative Rogers presented a proposed amendment by Chairman Cotten to add a new sec. 3: "Sec. 3. This Act takes effect immediately in accordance with AS 01.10.070(c)." He MOVED to adopt the amendment. There being NO OBJECTION, it was so ordered.

Representative Rogers MOVED to report out a Finance CS incorporating these two amendments with the fiscal note in the amount of \$564.0. There being NO OBJECTION, it was so ordered. CSHB 538 (fin) was reported out with a "do pass" recommendation.

HB 131

The next bill to be considered was HB 131.

HB 131 -- "An Act increasing state aid for health facilities and hospitals; and providing for an effective date."

Representative Haugen said this bill substantially increases the revenue sharing for hospitals of the State. He said most of the smaller hospitals have a difficult time making ends meet without state aid. He commented further.

Representative Adams said he supports the bill, however, he would like to see a breakdown of the fiscal note. He said he would like to know where the \$2 million is going. Representative Haugen apologized for not having that information. He said he would have it by noon Monday. Chairman Cotten suggested passing the bill out of Committee with the stipulation that it not move from Rules until Representative Adams' has the information he has requested.

Based on that understanding, Representative Adams removed his objection to reporting the bill out of Committee.

Chairman Cotten MOVED to report out CSHB 131 (HESS) with the \$2373.1 fiscal note. There being NO OBJECTION, it was so ordered. CSHB 131 (HESS) was reported out with a "do pass" recommendation.

RECESS

Chairman Cotten called for a recess at 3:30 p.m. and recalled the meeting to order at 3:40 p.m.

HB 153

The next bill to be considered was HB 153.

HB 153 -- "An Act relating to ethics in government and establishing the Legislative Commission on Governmental Ethics; and providing for an effective date."