

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2798

hf0608811505

HOUSE FINANCE COMMITTEE

June 8, 1981

3:05 p.m.

(Tape HFC 81-110, Side 1 #217)

PRESENT

All Members of the Committee were present except Representatives Cotten and Montgomery. (Representatives Rogers, Meekins and Malone arrived later in the meeting.) Present to testify: Douglas Bisbee, Beneficial Finance; and Commissioner Tom Williams, Department of Revenue.

HB 524

Vice Chairman Freeman called the meeting to order and brought HB 524 up for consideration.

HB 524 -- "An Act relating to small loans; and providing for an effective date."

MR. DOUGLAS BISBEE, Beneficial Finance testified in favor of the bill. (See Attachment #1 for testimony.)

(Representative Rogers arrived at this time.)

There was discussion on the bill. Vice Chairman Freeman pointed out the bill has a zero fiscal note.

Representative Rogers MOVED to report out the Labor and Commerce CS for HB 524. There being NO OBJECTION, it was so ordered. CSHB 524 (L&C) was reported out with individual recommendations.

HB 318

The next bill to be considered was HB 318.

HB 318 -- "An Act relating to the control of bee disease."

Representative Rogers said there are several kinds of diseases that can effect bees. He explained how the diseases are carried and said this bill prevents the importation of used beekeeping equipment. He recommended that the Committee approve the \$15.1 fiscal note for FY 82.

There was brief discussion.

Representative Rogers MOVED to report out the Resources CS with the \$15.1 fiscal note. There being NO OBJECTION, it was so ordered. CSHB 524 (Res) was reported out with a "do pass" recommendation.

SB 390

The next bill to be considered was SB 390.

CSSB 390 (Fin) -- "An Act establishing a medical facility special bond guarantee account in the Alaska Medical Facility Authority; and providing for an effective date."

Representative Rogers said his suggestion would be to address the health care needs of the people in the state in a more comprehensive manner than this bill does.

Representative Meekins said he thinks the reason for bringing the bill up at this time is to take testimony on it. He said the problem with this bill is there have not been proper hearings on it this year. He suggested the bill be HELD until he has an opportunity to set up an organized hearing on the issue.

CSSB 390 (Fin) was Held in Committee.

HB 41

Representative Rogers asked what the status of HB 41 ("An Act relating to the health of residents of the state; and providing for an effective date.") was. Representative Buchholdt advised the bill is in Senate HESS, and their staff will be addressing the issue over the interim. She commented the Senate HESS Committee is asking for funding to allow their staff to work on the bill.

SB 168

The next bill to be considered was SB 168.

CSSB 168 (Fin) am -- "An Act relating to state assistance for capital projects; and providing for an effective date."

Vice Chairman Freeman advised the contents of SB 168 were added to HB 1 (the Permanent Fund appropriation). He said that because of some of the amendments that House members and the Governor have asked for, they can't use HB 1 as the vehicle, so they will have to separate the two issues. He said the FCC on HB 1 is in the process of trying to reach an agreement on those amendments which they think both sides will be able to live with. He said they would then come back with a recommendation to be put on SB 168, and that is the reason the Bill is in Committee.

HB 295

The next bill to be considered was HB 295.

HB 295 -- "An Act making supplemental appropriations to the Department of Administration and the Department of Transportation and Public Facilities; and providing for an effective date."

Vice Chairman Freeman explained this bill was in the Transportation Committee where several additions were made that should have been in the capital budget rather than this bill. He said the Administration also went to the Transportation Committee with some recommendations of new items that should have been included in their budget. As a consequence of those actions, Vice Chairman Freeman said, the bill didn't get far in the Finance Committee. He said the Administration does have a list of supplemental appropriations they consider to be a "must". He commented briefly on some of those appropriations. Vice Chairman Freeman said SB 203 is in Committee ("An Act making, amending and adjusting appropriations to the Department of Education; and providing for an effective date."), and could be used to add those supplementals. He commented further on the supplemental appropriations being requested by administration, and said that information should be prepared within the next day or so. He said that list will be presented to the full Committee, and the Committee can take items out if they wish, but he doesn't want additional items added. He said the bill will not turn into a "Christmas Tree" in this Committee.

Representative Adams said he would object to that approach because the Finance Committee would not have a chance to make amendments. He said he has two amendments for SB 168, one dealing with employee count on the North Slope area, and the other dealing with the area differential that needs to be placed in the bill because of the high cost of construction in rural areas. He said he would object to the fact that House Finance members were not able to place amendments on SB 168. Vice Chairman Freeman explained SB 168 is now embodied in HB 1 which is in Free Conference Committee. He said to get some of the amendments that have been requested on the House side, the contents of SB 168 will have to be broken away from HB 1. He said to make it work, they will have to pass a bill on SB 168 (now in House Finance) where they agree with the Senate before hand. He said the amendment being requested by Representative Adams will be one of the amendments considered by the Free Conference Committee.

There was brief discussion on HB 295.

HJR 4

The next bill to be considered was HJR 4.

HJR 4 -- "Proposing an amendment to the Constitution of the State of Alaska relating to limiting increases in expenditures and requiring payment by the state of mandated increased expenditures of a political subdivision of the state."

(Representative Malone arrived at this time.)

(Representative Adams left at this time.)

Representative Malone presented a proposal and explanation for a Finance CS for HJR 4. (See attachment #2.) He said that basically the proposal picks a number as a base year for building a limit, to use that number as a base, adjusted by the change in the value of money and changes in the state's population. He said that would be the limit; however, it would not apply to appropriations that would be income producing investments if the income was returned to the general fund. He said the bill would provide a mechanism so that in extra-ordinary cases, for the good of the people of the state, the limit could be exceeded.

Representative Malone said that last point may be a point of argument, because people may be able to use that to subvert the purpose of the constitutional amendment. He said he wouldn't be against taking that out on the grounds that elsewhere in the constitution the governor has the authority to deal with emergencies in the State.

Vice Chairman Freeman asked what would be the value of choosing a figure rather than choosing some year in the past as the base year. He said he would prefer that they had a limitation based on FY 80. He said the reason he picked that as a base is that it was a year the State had enough money to prepare the budget, but not enough to get too far out of line. He said he would like to use that figure and work out some sort of formula for inflation and population. Representative Malone agreed that would be a simple way to do it. He said the difficulty is it would require, once the constitution becomes law, a real reduction in expenditures. He commented further.

Representative Rogers commented the FY 82 budget is approximately 14 billion, which is the base line for growth as this resolution stands. He said that amount concerns him. Also, Representative Rogers said the House approved a bill today that would require spending 15 billion by FY 86, and he wondered if the way the Resolution is structured, if that would be constitutionally permissible. Representative Rogers said his biggest problem with the Resolution is Alaska's constitution is supposed to be one of the cleanest and tightest, having the fewest possible number of words, and it seems that a general procedure for constitutional amendments should be "to do it in the fewest words possible". He suggested "market rates" in the bill is not a constitutional term. Representative Rogers said the original HJR 4 by Representative Gardiner, although it could be shortened slightly, is a pretty good bill. He agreed the Malone proposal is much better than the Governor's. He commented further. Representative Malone said the way the bill is written will depend on what people want to accomplish in a constitutional amendment. He said any form of amendment that imposes a real lid on spending is going to have to use either a number or base year earlier than FY 83, because by that time nearly all the state's revenues are going to be committed.

(Tape change HFC 81-110, side 2.)

There was further discussion on the proposal.

Representative Rogers asked what the estimated deposit in the Permanent Fund for FY 82 was. COMMISSIONER TOM WILLIAMS, Department of Revenue, said between \$500 and \$550 million, representing 25% of the royalties. Representative Rogers said, then 100% of the royalties would be about \$2 billion. Representative Williams said the gross royalties are slightly over \$2 billion.

Representative Rogers suggested saying the spending limit would be to not spend royalties. He said that would impose some sort of spending limit to start with. He commented further. Vice Chairman Freeman said as far as the general public is concerned, he doubts that they would consider that a spending limitation. He said he would like to see a definite agreement on how much they can spend, regardless of where it comes from.

Representative Malone said in order to have a real limit they have to pick a number earlier than FY 83.

Commissioner Williams said generally the constitution should embody concepts rather than details. He said it would be fairly easy to write a short spending limit. He said the problem is to provide some mechanism to provide for exceptions. He said the problem with providing for exceptions is they can't be sure they have listed all the difficulties that may occur in the future. He said the legislation should also try to establish some system for checks and balances to try and limit the ability of the legislature and executive branch to impose extra-ordinary circumstances. He presented draft legislation (see attachment #3) that is one approach to the problem. He commented further on the draft.

There was discussion on the proposals. Representative Rogers said he believes what they really want to limit is general fund expenditures.

There was brief discussion on putting the National Consumer Price Index in the constitution. Representative Rogers said this is a federal agency, and he wondered what would happen if the federal agency were abolished. He said he thinks they are putting language in the constitution that shouldn't be there.

There was further discussion.

Representative Malone said it seems with all the different approaches to the spending limit, there is some sort of consensus regarding income producing investments -- some want to limit that strictly to the permanent fund, some would like to include all sorts of income producing investments -- however, he said if there is a consensus on that, that is one thing they want to exempt from the limit. He said there also seems to be consensus that there needs to be allowable adjustments for inflation and population. He said there have been proposed quite a number of

things that should be considered exemptions; however, he would suggest only putting in the exceptions for which there is a wide consensus. Those three things are (1) income producing investments; (2) population adjustment; and (3) change in the value of money (inflation). He commented further.

Representative Malone said the basic question is "are they going to have a real limit on spending". He said they are not if the limit applies in FY 84. Vice Chairman Freeman said he would agree. Representative Rogers agreed on that issue. There was further discussion.

(Representative Buchholdt left at this time.)

Commissioner Williams said they are going to have to have a spending limit sooner or later.

There was discussion on the definition of emergency. Vice Chairman Freeman said he didn't think either the legislature or the executive branch would be spending all their time trying to get around the limitation. He said he thinks the Legislature would like to have a crutch to allow them to say no to spending requests.

(Representative Haugen left at this time.)

(Tape change, HFC 81-111, side 1.)

There was further discussion on the various proposals.

(Representative Carney left at this time.)

(Representative Haugen returned at this time.)

Representative Rogers said he believes that by tomorrow morning he and Representative Malone could have a draft CS for HJR 4.

ADJOURNMENT

The meeting adjourned at 5:05 p.m.

Tape HFC 81-110, side 1 #217 to end
 side 2 #001 to end
HFC 81-111, side 1 #001 to #371

TESTIMONY FOR HB 524

PRESENTED BY DOUGLAS S. BISBEE

JUNE 8, 1981

NAME IS DOUGLAS BISBEE AND I AM HERE TODAY AS AN EMPLOYEE OF BENEFICIAL FINANCE, AND SPEAKING IN FAVOR OF THIS BILL.

HB 524 EFFECTS ONLY FINANCE COMPANIES LICENSED TO DO BUSINESS IN ALASKA. AT THE PRESENT TIME, THERE ARE TWO SUCH COMPANIES, BENEFICIAL AND HOUSEHOLD FINANCE, WITH BRANCH OFFICES IN FAIRBANKS AND ANCHORAGE. DUE TO INFLATED OPERATING COSTS IN RECENT YEARS, OUR BUSINESS HAS CONTRACTED INSTEAD OF EXPANDED. BENEFICIAL HAS CONSOLIDATED ITS NINE BRANCHES SERVING SEVERAL COMMUNITIES TO TWO. THIS BILL WOULD HELP THAT PROBLEM AND INSURE THAT MONEY IS AVAILABLE TO NEEDY BORROWERS OF SMALL AMOUNTS BY ADDING SUBSECTION (D) TO 06.20.230 WHICH DOES THE FOLLOWING:

1. INDEXES THE ^{Contracted} ~~BRACKETED~~ AMOUNTS (PRESENTLY 500-1000) TO THE ANCHORAGE COST PRICE INDEX IN INCREMENTS OF 10%.
2. DOES NOT CHANGE EXISTING RATE
3. PROVIDES FOR THE DEPARTMENT OF BANKING TO REVIEW THE CPI AT THE END OF EACH YEAR, EVALUATE THE CHANGES AND NOTIFY LICENSEES OF CHANGES.

SEC. 3 OF THE BILL ALLOWS FOR THE COLLECTION OF A LATE OR DEFAULT CHARGE ON A LATE PAYMENT. FINANCE COMPANIES ARE THE ONLY LENDERS IN ALASKA NOT ALLOWED THIS FEE WHICH COMPENSATES FOR THE ADDITIONAL WORK REQUIRED TO COLLECT THE PAYMENT.

YOUR FAVORABLE CONSIDERATION IS REQUESTED

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Attachment #1

6/8/81

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA

Section 1. Article IX of the Constitution of the State of Alaska is amended by adding a new section to read:

Section 16. APPROPRIATION LIMITATIONS. The amount of State money the Governor may request or the Legislature may appropriate during a fiscal year shall not exceed the amount _____ billion for the base fiscal year of 1982 by more than the cumulative increase in the national consumer price index for the calendar years preceding the Governor's submission of the budget under Section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal censuses or reenumerations. Money appropriated under any exception prescribed in Section 17 shall not be included in the base for determining the allowable increase from year to year.

Section 17. EXCEPTION FROM APPROPRIATION LIMITATIONS. The limitation on increases in appropriation do not apply to appropriations to the Permanent Fund or to other funds which produce income at market rates. Income from appropriations excepted from the appropriation limitation shall be returned to the General Fund and subject to the appropriation limitation. The Legislature may, by affirmative vote of threequarters of the membership of each house, or by a two-thirds vote of the membership of each house on appropriation requests from the Governor, make appropriations in excess of this limit by enactment of appropriation bills limited to a single item of appropriation for a single purpose, but these appropriations shall not be included in calculating the limit for the next fiscal year.

Section 2: The amendment proposed by this resolution shall be placed before the voters of the State at the next General Election in conformity with ART. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

EXPLANATION.

The working philosophy behind this amendment is an aim for consistency with the bulk of the Alaska Constitution. The Alaska Constitution contains simple and explicit statements of intent and design. To lose this simplicity of approach is to also lose ease of understanding by readers. Further, it was felt that keeping a spending limitation as simple as possible would ease voter understanding of the issue when the issue comes on the ballot.

Also in keeping with the idea of mirroring the Constitution, this amendment attempts to reinforce and strengthen the existing system of checks and balances so that the addition of an amendment does not do damage to the political system. The philosophical approach used in this amendment is the desire to limit expenditures of State revenues.

BASE

The amendment calls for a number to be used instead of a fiscal year or other indication of the starting point. Specification of a number will, most likely, decrease ambiguity and lessen the likelihood of litigation. Further fiscal analysis is necessary to determine the proper number.

COVERAGE

The spending limitation will apply to any appropriation from the General Fund. This allows for the direct control of expenditures of all General Fund revenues. Language included in the amendment would also require that the return on any investment or trust funds established through State appropriations be contributed to the General Fund. This will ensure that the expenditure of those receipts will also come under the spending limitation.

Federal receipts and program receipts from other non-State sources (such as user fees and private endowments) would be exempt from the expenditure limitation. This will allow flexibility for State programs to respond to changes in non-State revenues, while requiring that any State assumption of the funding of those programs come under the spending limitation.

Because of the variability of non-State revenues, the inclusion of only State-source General Fund revenues in the spending limitation makes the identification of a base year figure easier and makes future year revenue projections similarly easier.

FORMULA

The formula for adjusting the base year figure is a national measurement of inflation and a measure for State population growth. The change in the national consumer price index has been used as the measure of inflation rather than a measure of inflation in Anchorage or in Alaska as a whole.

This is necessary in that the rate of inflation within Alaska results, in part, from State spending levels. The pattern of State spending has affected living costs in Alaska, and would likely continue to do so under spending at current levels. The rate of inflation reflected in the national consumer price index should be more stable and will not be influenced by the State's own spending pattern.

The portion of the formula which allows adjustment of the spending limit for the average rate of State population growth over the past two census periods is the same as is contained in both versions of the spending limit bill (HJR 57 and SJR 4). The identification of the federal census as a basis for population growth rates ensures that the population change figures are determined by a source outside State Government. Any other formula which would allow a State entity to set population growth figures could potentially create a situation wherein the State adjusts its spending limit (upward) based on its own (inflated) population growth figures. It is questionable whether the State has a reliable population monitoring system.

EXTRAORDINARY APPROPRIATIONS

A mechanism is included within the amendment to allow for unusual, unanticipated events or for needed projects which have wide general support. Since an addition is being made to the Constitution, we need to insure that future Governors, legislators, and citizens have an opportunity to respond to events and needs which we cannot foresee. However, it was felt to be equally important to insure that a door was not left open to routinely exceed the spending limitation. Therefore, the amendment presents a means by which to exceed the spending limit, but makes use of that means only by an extraordinary majority. In keeping with the concept of checks and balances, two options were provided. The first means calls for initiation of the extraordinary appropriation from the Governor. When so initiated, passage of the appropriation act depends upon the concurrence of two-thirds vote of each house of the legislature. Extraordinary appropriations can also be initiated by the legislature; but in this case, three-fourths vote of each house must pass the appropriation measure, thus insuring a majority sufficient to overcome a possible veto. The reason for the differences in the majority needed for passage lies in the belief that the chief executive is elected statewide and is more responsive to statewide needs than a coalition of legislators. On the other hand, a three-quarters majority of both houses is fully as representative of statewide interests; hence, the inclusion of a means for legislatively initiated extraordinary appropriations.

The amendment specifies that each appropriation bill can contain only a single item. Again, this works toward the goal of common agreement on need to exceed the limitation, as "log rolling" is more difficult when single appropriation bills are at issue.

It should be pointed out that, while there is no mention made in this amendment, the amendment does not change the Governor's existing power to act in cases of disaster or emergency. Furthermore, the referendum process remains unchanged, whereby the legislature can decide by simple majority vote to put spending questions before the voters, although funding of these items (aside from revenue bonds) falls under the spending limitation.

EXPENDITURE LIMITATION CHECKLIST

BASE

1 fiscal year

A number

Which number?

Only state funds?

Federal funds?

All?

FORMULA

Private sector growth

CPI plus population

other

COVERAGE

Should coverage be of operating budget only?

Should there be exemptions? and if so, should they be open-ended or enumerated?

Should general fund and federal funds be covered?

Should these be exemptions or override:

- Disasters - how to identify & who votes? (See Excess below)
- Disaster reserves
- Permanent Fund contributions
- Permanent Fund dividends
- Capital projects
- Loan capitalization - What to do about operational expenses and large maintenance costs?
- GBO repayment funds
- Increases in user fees
- Costs from court orders
- Costs from transfer of federal authority
- One-quarter of income from Permanent Fund
- Money in trust

OVERRIDE

By vote of Legislature

2/3 or 3/4?

By vote of people

Should this be limited by type? New operating programs?

OTHER ISSUES

Local government

"Apple pie/pork" trade

Proportion of capital to operating

Unfunded obligations

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EXCESS

Where can it go and how can it get there?

Permanent Fund only

Allow "earmarking"?

Trust accounts

By whose vote?

Invest at market rate

PLAN A

<u>Lid</u>	<u>Except</u>	<u>Excess</u>
general fund only	(simple majority) other people's money	automatically into PF at market rates

In Plan A, the tradeoff is tightest in favor of holding the line - e.g. expenditure vs. expansion of new services.

PLAN B

<u>Lid</u>	<u>Except</u>	<u>Override</u>	<u>By Referendum</u>
State general fund only op/cap/etc	(simple majority) GOB PF User Fees Fed/other	2/3 or 3/4 legislative vote specified types very limited	?

MALONE

<u>Lid</u>	<u>Except</u>	<u>Override</u>
General fund & federal dollars op/cap/everything	(simple majority) PF GOB debt service	2/3 legislative majority everything else

GOVERNOR

<u>Lid</u>	<u>Except</u>	<u>Override</u>	<u>By Referendum</u>
General Fund only op/cap/etc	(simple majority w/ veto possible) money in trust PF PF dividends Loan capitalization GOB service disaster fund user fees court ordered dollars fed-state authority transfer 1/4 PF income	2/3 legislative majority disaster dollars	Excess capital projects

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Exemptions

A. Costs from Court Orders.

The costs of complying with court orders seem, at first blush, limited to legal costs and onetime program costs to "remedy" some problem that may be addressed by the court. However, a court order might have long-term program cost implications. Also, it is not clear that an exemption would apply just to the the budget year in which a court order would initially import, or would exempt permanently program costs that were initially "added" to the budget by court order rather than by legislative action.

The 'Molly Hootch' agreement is a case in point. (Technically, this was an agreement approved by the court, but could as easily have been a court directive.) This case resulted in tremendous capital construction for village schools, as well as the attendant operating budget expenditures, maintenance and operation. The construction of Molly Hootch school committed the State to a pattern of educational service delivery that had significant, ongoing capital and operating budget implications.

The question is - should these types of expenditure be exempted from State spending limitations? Should the State's education budget be split between "exempt" and "limited" types of expenditures?

The problem is basically a question of ultimate responsibility for expansion of governmental services. A court case may require the State to take on a new service or expand a current service significantly. While it may not be "fair" to have that service counted against the expenditure limitation, it also seems against the whole purpose of the expenditure limitation to allow for the complete exemption (or separate accounting) of services "added" by court order from any comparison with a spending limitation.

The concern is that court decisions may result in services that have a completely separate identity from those originally under a spending limitation. Such services, if exempt from the spending limit could grow, flourish and have life of their own.

While one-time legal costs resulting from a court order might logically be exempted from a spending limitation, any service delivery expenditures resulting for a court mandate should be included in the general mix of State services delivered to the public. A court mandated service becomes a service such as any other demanded by the public.

(While it is true that including a court mandated service (or any other new service) under the spending limitation places more pressure on that spending limit, this is not a reason to create a "dumping ground" for State services that are added after the adoption of the spending limit. An exemption should not be used simply to delay the time when an expenditure limitation simply becomes too tight.)

C. Money Received in Trust for a Specific Purpose.

The meaning of this exemption needs to be clarified. First, appropriation of money to a trust for a specific purpose could be argued as an allowable exemption, to get general funds out of the capital and operating budget stream. However, unless it is specified that those funds are to be invested at market rates of return, this type of exemption could be used to subsidize a loan or investments project.

Second, it should be clear that the return from "trust fund" investments be returned to the General Fund for appropriations under the spending limit. This will prevent the operating expenses of any particular service from being removed from the expenditure ceiling through the creation of a "trust" or "endowment." If the purpose of an expenditure limit is in part to control the growth of government, program costs should not be exempted from limitation simply through the creation of an endowment.

MONEY RECEIVED IN TRUST

The intention of this exception is to allow for the acceptance and expenditure of bequests to the State; for example, support of the University. It seems appropriate to except from the limit other people's money given to the State for specific purposes.

LOAN CAPITALIZATION

This is one of the most difficult problems. On the one hand, the State has created a large constituency for loans. Subsidized loans distribute State benefits unequally. No one is recommending that the subsidy portion be placed outside the limit. However, if the capitalization is placed outside, then it is predictable that large sums will flow into those loan programs, whether they are needed or not. Additionally, the argument can be made that placing capitalization outside the limit will make it very difficult to identify the subsidy cost. Most of the return on loan funds go into the General Fund, although some of the "revolving loan" funds keep a level of capitalization (declining balance) within the fund. A strong argument can be made for placing loan capitalization under the limit: loans are but one way of achieving State goals; the Legislature should have the flexibility to determine the best way of achieving such goals. If loan capitalization is excepted, it should be clear that neither the subsidy portion nor the administrative costs are to be removed from the limit. In any event, the structure and control over the loan programs should be thoroughly explored.

INCREASES IN USER FEES

On the one hand, there is a risk of a tax being relabeled a "user fee" and, therefore, any user fees collected by a State agency or the State itself should be subject to the limit. On the other hand, user fee increases could be subject to legislative approval (or disapproval).

It seems poor public policy to deny a government service to those who are willing to pay for it.

Is there anything that would prevent charge of debt service of revenue bonds as a user fee?

PERMANENT FUND CONTRIBUTIONS

If the desire is to keep the Constitutional amendments wording as general as possible, "exemptions" could be handled as follows:

"Appropriations to funds which serve only to produce income at market rates and which income shall be returned to the General Fund and subjected to the State spending limit, are exempt from the State spending limit."

DISASTERS

There seems to be agreement that "disasters" should be provided for outside the limitation. Questions, however, occur regarding the tightness of a definition or process that would restrict the use of this exemption to those situations truly qualifying.

If a situation is beyond question a "disaster," then it should be relatively simple to collect a super majority to override the spending limitation.

Restricting the definition to those disasters declared by the Governor and voted on by a super majority would also serve the purpose of preventing abuse.

CAPITAL PROJECTS

"Appropriation" is debt service on State revenue-bonded capital projects is subject to the limit?

The exception of capital projects has appeal to those who feel that Alaska has a great need for infrastructure development, etc. However, excepting capital projects from the limit creates problems. First, new capital projects place burdens on the operating budget. The cumulative effect of these increases may distort the usual budget by its demands. It would also be politically as difficult to say "no" to constituents who want new football fields, etc., as it is now, if capital projects were exempt from the limitation. The Governor's solution is to suggest voter approval. However, there is no reason for voters to turn down projects, since alternatives for the money are not offered. The situation could be improved by requiring that capital projects' operating and program costs be both identified and accommodated within the spending limitation. Another solution is to provide for a fund which is limited in some way that would provide for local capital projects (viz. Capital Foundation Fund). Without some control, capital projects' expenditures could be as uncontrollable as now and become a time bomb ready to explode the spending limitation. Another solution which has been suggested is to include capital projects within the limit (a higher limit) and specify that capital budget items can be no more than x percent of the annual expenditures. If capital projects are outside the limit, consideration could also be given to defining those capital projects eligible for funding as those which are needed to meet essential government services and necessary to the health, safety and welfare of residents.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

ROOM 308
CAPITOL BUILDING
POUCH V
JUNEAU, ALASKA 99811

907-465-3818

907-465-3810

MEMORANDUM

TO: Senator Arliss Sturgulewski, Chairman
Legislative Budget and Audit Committee

FROM: Glen L. Svendsen, Special Assistant *LS*
Legislative Budget and Audit Committee

DATE: June 5, 1981

SUBJECT: Local Government Issues related to State Expenditure Limitations

Spending Limitation

Issues related to local government expenditures, and their relation to State expenditure limitations.

1. Property Tax Relief and State Policy on Repayment
 - A) may not be related to either inflation or population change, as municipal decisions to take on or upgrade services may be separate from new population growth.
 - B) If State does not repay full amount, political pressure may follow to do so, but the Legislature does not have to fully fund local property tax relief under present circumstances. That is, the Legislature has not formally taken on responsibility for local tax relief under municipal assistance or other programs.
 - C) If State, through other legislation, restricts the ability of local governments to raise revenue (i.e., repeal rules taxes, reduce mill levy limitation or changes in levies) the State has, in effect, voluntarily taken on the responsibility of funding local governments. This may, in turn, have impacts on the State budget that have nothing to do with the formula for adjustments to the base year's expenditures, as local resident demands for improved services are translated into legislative budget requests.

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- D) Relation to resolutions before the Committee: Under HJR 57, increase appropriations for local tax relief that would be above the level otherwise allowed by expenditure limitation, but could be approved by a 2/3 majority vote of both houses. Under SJR 4, appropriations for property tax relief must fall under the limitation. Under the Governor proposed sponsor substitute for SJR 4, some form of "trust" could conceivably be established for property tax relief, and money directed to that trust could be exempt from inclusion in the expenditure formula. (P.S. - The ability to account for "trust funds" separately under the Governor's substitute encourages the creation of such trusts, which raises separate policy questions.)

2. Municipal Bonded Debt

- A) There is a good deal of interest in the Legislature's role toward municipal debt. A bill now in process would provide an appropriation to help subsidize municipal bonds by paying the difference between current market rates and the eight percent maximum rate of interest at which those municipal bonds would be sold. In addition, the Municipal Bond Bank purchases municipal bonds for resale; State funds are then used in sales, guarantees and to cover potential defaults by communities.
- B) If the State's policy is to continue support for municipal bonding, the spending limitation could create a problem in meeting the costs of increased levels of bonding. There is a major backlog of significant capital project needs in most Alaskan communities. It is conceivable that these projects could result in growth in State costs in excess of the growth allowed under either version of the spending limitation.
- C) The problem arises in fitting the State's subsidy of local bonds into the list of exempted expenditures. HJR 57 would allow a special appropriation upon 2/3 majority vote of both houses. The Senate version, SJR 4, would not allow such an exemption, although there may be some evidence of intent to do so. State bonds and capital construction funds approved by the voters would be exempt from the budget limitations; however, the State could not have the same budgetary freedom in regard to local projects that are approved by local voters. As noted above, the Governor's sponsor substitutes to SJR 4 would allow appropriations subsidizing local bond projects to exceed expenditure limitations if some sort of trust and dedication system were established.
- D) Local capital projects may result in higher local operating budgets, just as at the State level. What this means is a need for additional local revenue. Local citizen dissatisfaction with local tax rates, coupled with State level budget surpluses,

June 5, 1981

will be translated into more pressure on the Legislature to fund local governments. This will add operating costs to the State through local capital expenditures that might not originally be predicted in State expenditure forecasts.

3. Shifting of services from the State to the local level.

- A) One means of holding down State budget growth is to shift various program (and budget) responsibilities to the local level. This, obviously, increases the cost of local government while reducing the budget liabilities of State government. Without increased appropriations to local government, the shifting of responsibility to the local level would require an increase in revenue derived from local sources. Coming on the heels of a period of local tax reductions and demands for complete elimination of local taxation, such an increase in local tax rates would create strong pressures on the Legislature to increase funding of communities and curtail their ability to raise revenues. In effect, the State may not actually (i.e., politically) be able to shift major fiscal burdens to local governments.
- B) Shifting program responsibilities to local government and restricting the ability of local governments to raise revenue are mutually contradictory actions. The Legislature has, in effect, forced itself to choose between increased appropriations to local governments, or curtailment of the services it has shifted to the local level. (Curtailment of some services transferred to local control may be an option. It all depends upon whether the service is nonessential, or whether the State requires provision of a service after responsibility is transferred - such as requirements that locals adopt a permit system, etc.)

4. Local government expenditures in general.

- A) Implicit in the argument linking expenditure limitations to population growth and the rates of inflation is the assumption that the existing levels of service are adequate, or that there are enough "frills" in government expenditures that an adequate level of services can be provided if the budget is "properly" appropriated. This basic assumption, however, may not be true, especially for local governmental expenditures, for it is at the local level that the existence and quality of public services varies so markedly from what might be considered to be desired by most people. This means that there is a built-in capacity for local governments to use - and demand - more money than would be allowed under an expenditure limitation, if revenues were otherwise available.

- B) I think that the existence of large sums of money in the State treasury will lead to expectations for service improvements at the local level, as well as public resistance to paying higher local taxes. This will lead to pressures for the State to pick up not only State budget increases, but local government costs as well. The Legislature needs to have a clear policy toward local taxation from the outset. Presently, the Legislature seems to be accepting arguments that the State should pick up a portion of the local tax effort (i.e., full funding of revenue sharing and municipal assistance, local debt service subsidy, etc.). If the State adopts an expenditure limitation, it should reevaluate whether the State should pick up local tax effort (i.e., which result from expenditure decisions controlled at the local level.)

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. Article IX of the Constitution of the State of Alaska is amended by adding new sections to read:

Section 16. APPROPRIATION LIMITATION. The amount of state money the governor may request or the legislature may appropriate during a fiscal year shall not exceed the amount of \$ _____ for the base fiscal year of 1982 by more than the cumulative increase in the national consumer price index for the calendar years preceding the governor's submission of the budget under section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the state's population as shown by the last two federal censuses or reenumerations. Money appropriated under any exception prescribed in section 17 of this Article shall not be included in the base for determining the allowable increase in appropriations from year to year.

Section 17. EXCEPTIONS FROM APPROPRIATION LIMITATION. The limitation on increases on appropriations under section 16 of this Article does not apply to appropriations to the permanent fund established in section 15 of this Article or to other funds which produce income at market rates. Income ~~that is returned to the general fund from the permanent fund or from other funds producing income at market rates~~ shall be subject to the appropriation limitation under section 16 of this Article. The legislature may, by affirmative vote of two-thirds of the membership of each house, make an extraordinary appropriation in excess of the limitation under section 16 of this Article, but each extraordinary appropriation shall be limited to a single item of appropriation for a single purpose. Each extraordinary appropriation shall be subject to the provisions regarding vetoes in Article II, sections 15 and 16 of this Constitution, except that a three-quarters vote of the membership of each house shall be required to override a veto of an extraordinary appropriation. In the budget submitted under section 12 of this Article, the governor may not propose any extraordinary appropriation other than an appropriation to the permanent fund, and no item of appropriation submitted in the budget by the governor under section 12 of this Article may be made an extraordinary appropriation.

* Sec. 2. The amendment proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with Article XIII, sec. 1 of the Constitution of the State of Alaska and the election laws of the state.

HOUSE FINANCE COMMITTEE

June 9, 1981

1:50 p.m.

(Tape HFC 81-111, side 1 #371.)

PRESENT

All members of the Committee were present except Representatives Cotten and Montgomery. (Representatives Rogers and Malone arrived later in the meeting.) Also present: Representative Martin; Anselm Staack, Comptroller, Department of Revenue; Emmett Wilson, Director, Alaska Hospital; and Keith Specking, Office of the Governor.

SB 148

Vice Chairman Freeman called the meeting to order. SB 148 was brought up for consideration.

CSSB 148 (Fin) am -- "An Act relating to housing loans; and providing for an effective date."

Representative Meekins explained the Special Committee on Loans was charged with looking at three different kinds of loans. He advised that CSSB 148 (Fin) am applies to nonconforming loans. He said the prime sponsor of that legislation has agreed with the Loan Committee's request to take the contents of that bill and the Loan Committee's recommendations, and have a CS prepared incorporating the Alaska Housing Finance Corporation, the Alaska Industrial Development Corporation, and nonconforming loans. He said this bill is to be sent to the Floor tomorrow.

Representative Meekins explained a Finance Committee CS for SB 148 will be prepared incorporating all the recommendations of the Special Committee on Loans. He presented a summary explanation of what the Committee is recommending. (See attachment #1 -- Memo from Milt Barker to Rep. Russ Meekins.) There was brief discussion on the Memo.

Representative Rogers MOVED to report out a House Finance CS for SB 148 incorporating all the recommendations of the Special Committee on Loans (New Title -- "An Act relating to state loan programs under the Alaska Housing Finance Corporation, the Department of Community and Regional Affairs, and the Alaska Industrial Development Authority; and providing for an effective date."). There being NO OBJECTION, it was so ordered. HCS CSSB 148 (Fin) was reported out with a "do pass" recommendation.

SB 390

The next bill to be considered was SB 390.

CSSB 390 (Fin) -- "An Act establishing a medical facilities special bond guarantee account in the Alaska Medical Facility Authority; and providing for an effective date."

MR. ANSELM STAACK, Comptroller, Department of Revenue, explained the bill.

REPRESENTATIVE MARTIN commented the report sent to the Senate Finance Committee said the minimum they needed was \$52 million. He wondered how the Legislature could be assured this legislation included the three major points passed by the House last session.

(Tape change, HFC 81-111, side 2.)

Mr. Staack said his understanding is that this bill is very close to the bill passed by the House last year except it is somewhat strengthened.

In answer to a question from Representative Martin, Mr. Staack said there has been an appraisal done on the Professional Office Building. On the hospital itself, Mr. Staack said the appraisal done by the Public Health Service indicates the value was at least \$34 million. He said in the particular plan before the Legislature, the value still stays at \$34 million, which is the value of the mortgage itself. He said there have been appraisals done of the Professional Office Building by three different sources, and one of those has been updated in the last two months. He commented further on the appraisals.

MR. EMMETT WILSON, Director, Alaska Hospital, explained the U. S. Department of Labor has told the Pension Trust Fund to divest itself of the Alaska Hospital mortgage. He said they have roughly a \$37 million mortgage on their real estate. He explained they are asking the State to assist them for a five year period because of a feasibility study that indicates in five years they will be able to issue revenue bonds on the open market. Mr. Wilson explained the Professional Office Building is a totally integrated structure. He said it is one unit although it is under separate ownership. He said they now occupy between 35% and 40% of the space in the Professional Office Building. He said it is to their advantage to try and purchase that building. He said it doesn't make any sense for them to go out and build another structure along side an existing structure they already own.

Mr. Wilson said they are making this proposal because of a decision by the Department of Labor on the federal level for the Pension Fund to divest itself of its holdings. He said they were advised they have until the adjournment of the Legislature to resolve the issue. He said if not, the mortgage holder will foreclose on the hospital. He commented the mortgage holder

feels they have a moral obligation to keep the facility open. He said all they are trying to do is refinance their existing holdings and repurchase the Professional Office Building.

There was discussion.

Representative Meekins MOVED and asked unanimous consent that CSSB 390 (Fin) be reported out of Committee. Representatives Moss and Adams OBJECTED. Four in favor, two opposed. The motion CARRIED. CSSB 390 (Fin) was reported out with individual recommendations.

(Representatives Meekins and Haugen left at this time.)

HCR 34, HCR 35

The next bills to be considered were HCR 34 and HCR 35.

HCR 34 -- "Relating to the establishment of an in-state coal coking facility."

HCR 35 -- "Relating to the construction of facilities for the extraction, use and export of Alaska's coal."

Representative Buchholdt advised HCR 34 was reported out of the Special Committee on Coal with a CS. She explained the bill requests the Governor and Commissioner's to check into the possibility of building in-state refineries. She said the Coal Committee held hearings, and the people who testified were interested in getting this Resolution passed.

(Representative Adams left.)

A QUORUM WAS NOT PRESENT AT THIS TIME.

Representative Buchholdt explained HCR 35. She said there is a great deal of interest in the industry to let the private industry take care of the construction of facilities.

HCR 34 and HCR 35 were held for further action when a quorum is present.

HB 199

The next bill to be considered was HB 199.

HB 199 -- "An Act relating to the Guide Board; and providing for an effective date."

(Representative Rogers arrived at this time.)

MR. KEITH SPECKING, Office of the Governor, advised the reason for this legislation is that the guide board will be discontinued as of June 30 of this year.

(Tape change, HFC 81-112, side 1.)

Mr. Specking said there were a number of meetings held with legislators, guides, the Department of Labor, and others. He said that basically the Governor is anxious to see a regulatory system in place. He said the Board has been highly used by Public Safety and Fish and Game as a resource management tool.

(Representative Haugen returned at this time.)

A QUORUM WAS PRESENT.

Mr. Specking explained the bill.

(Representative Malone arrived at this time.)

(Representative Carney left at this time.)

Mr. Specking said he believes if they are to get a bill passed this year they will have to accept what is in this bill.

HB 199 was held in Committee.

HCR 34

Representative Buchholdt requested that HCR 34 be brought up at this time.

HCR 34 -- "An Act relating to the establishment of an in-state coal coking facility.

Representative Buchholdt MOVED to report out the Special Committee on Coal CS for HCR 34. There being NO OBJECTION, it was so ordered. CSHCR 34 (Coal) (new title: "Relating to the establishment of an in-state petroleum coking facility.") was reported out with a "do pass" recommendation.

HCR 35

Representative Buchholdt requested that HCR 35 be brought up at this time.

HCR 35 -- "Relating to the construction of facilities for the extraction, use and export of Alaska's coal."

Representative Buchholdt MOVED to report HCR 35 out of Committee with no fiscal note. There being NO OBJECTION, it was so ordered. HCR 35 was reported out with a "do pass" recommendation.

SB 3

The next bill to be considered was SB 3.

CSSB 3 (Fin) -- "An Act relating to guardians and conservators; and providing for an effective date."

Representative Buchholdt said similar bills were before the Judiciary Committee in past years. She said this was a House priority last year.

Representative Rogers MOVED to report the bill out of Committee with the \$140.8 fiscal note. There being NO OBJECTION, it was so ordered. CSSB 3 (Fin) was reported out with individual recommendations.

ADJOURNMENT

The meeting adjourned at 3:35 p.m.

Tape HFC 81-111, side 1 #371 to end
 side 2 #001 to end
HFC 81-112, side 1 #001 to #561

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

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

June 8, 1981

MEMORANDUM

TO: Honorable Russ Meekins
House Finance Committee

FROM: Milt Barker, Fiscal Analyst
Legislative Finance Division

SUBJECT: HCS SB 148 (Finance)

The following are the major revisions to CSHB 487 (Finance) relating to AHFC and AIDA, and CSSB 148 (Finance) am, relating to nonconforming housing loans, which are to be incorporated into HCS SB 148 (Finance):

AHFC

1. Authorization for second mortgages for either home purchase or home improvement:
 - a) interest rate is the same as first mortgages;
 - b) subsidized portion of the loan is equal to \$90,000 less any outstanding first mortgage balance;
2. the "Rogers ratchet" interest rate:
 - a) starts at 10%;
 - b) gradually adjusts upward to 3% below the corporations cost of funds;
 - c) in no case is less than 10% unless corporations cost of funds is less than 10%;
3. authorization for board meetings via electronic media;

1491

Attachment #1

6/9/81

4. annual report to legislature must include summary of past efforts and future plans regarding outreach and satisfaction of loan demand in rural areas;

5. legislative intent that the corporation study second mortgages before implementing;

6. automatic extension of prior year bond authorization in absence of legislative action;

7. AFHC is to pay a higher servicing fee for loans in rural areas;

AIDA

1. bond authorization increased to \$400 million;

2. automatic extension of prior year bond authorization in absence of legislative action;

3. loans purchased with bond proceeds will be held in the enterprise development fund:

a) 10% bank participation at a minimum required;

b) 20% bank participation for moral obligation on loans over \$1 million required;

c) no moral obligation on loans over \$10 million;

d) maximum loan is \$7,500,000 or 75% of project costs;

e) AIDA to establish income limits for project applicants for loans purchased from bond proceeds;

4. small enterprise account will use AIDA assets and cash flow to purchase loans for:

a) working capital, inventory, and refinancing up to \$500,000 which are federally guaranteed; the interest rate is the tax-exempt rate;

b) new multi-family rental and cooperative housing of three or more units up to \$50,000 per unit or \$3,000,000 per project; the interest rate is 1% greater than the "Rogers ratchet";

c) other small enterprise projects at the tax-exempt rate;

- d) letter of intent giving working capital and inventory loans first priority on \$2 million cash flow from existing AIDA assets and allocating 30% thereof to such loans which are less than \$100,000;
- e) definition of "small enterprise" includes telecommunications utilities with gross income less than \$20,000,000;

Nonconforming Loans

- 1. construction loans only to intended occupants;
- 2. no more than 20% of nonconforming loans may be in urban areas;
- 3. interest rates equal to the "Rogers ratchet" (in effect no subsidy for amounts greater than \$90,000);
- 4. higher servicing fees are to be paid for loans in rural areas;
- 5. intent that C&RA originate loans only if there is a demonstrated lack of service available prior to January 1982;
- 6. intent that approved business loans be processed to completion beyond FY 81 (HCR 40);

Appropriations

- 1. reduce nonconforming loans to \$40 million;
- 2. increase AHFC rural mortgage loans to \$20 million;
- 3. appropriate \$20 million to AIDA for multi-family housing;
- 4. allocate \$20 million of the AHFC special mortgage loan purchase program to second mortgages for home improvement.

HF0610811415

HOUSE FINANCE COMMITTEE

June 10, 1981

2:15 p.m.

(Tape HFC 81-112, side 1 #561.)

PRESENT

All members of the Committee were present except Representatives Cotten, Montgomery, Buchholdt and Meekins. (Representative Rogers arrived later in the meeting.)

SB 576

Vice Chairman Freeman called the meeting to order and brought SB 576 up for consideration.

CSB 576 (Fin) -- "An Act making a supplemental appropriation for the operation of the legislature; and providing for an effective date."

Representative Malone said previous appropriations for the Legislature have included funds for certain retroactive pay increases. He said that pay increase has not gone into effect. He advised if they want to make this supplemental appropriation consistent with previous appropriations, an additional \$318.0 would be required.

Representative Malone said his recommendation would be to report this bill out and deal with the pay increase issue on another appropriation bill.

Vice Chairman Freeman advised there is a memo from Legislative Finance requesting an appropriation of \$13,539 that should probably be placed in this bill. (See attachment #1.)

Representative Adams MOVED to amend the bill on line 13 to change "163rd" to "155th". Representative Moss OBJECTED. Representative Adams commented some of them have jobs to go back to. He said if they could shorten the Session by even one week it would help all people concerned. Vice Chairman Freeman pointed out "part of this money is required for people who don't have a decision on when we go home". Representative Adams WITHDREW HIS MOTION.

Representative Moss MOVED to add a new section to the bill appropriating \$13,539 to the Legislative Finance Division. There being NO OBJECTION, it was so ordered.

Representative Moss MOVED to report out a House Finance CS incorporating the new section. There being NO OBJECTION, it was so ordered.

Representative Malone MOVED that the following letter of intent be accepted:

"The first legislative supplemental passed by the Twelfth Legislature, Chapter 12 SLA 1981, included \$9,000 additional per day for retroactive staff pay increases from the 90th day in the event they should be authorized.

HCS CSSB 576 (Fin) does not include any additional funding for pay increases from the 126th through the 163rd day. Should the legislature decide to authorize pay increases, an additional appropriation must be made through some other vehicle."

There being NO OBJECTION, it was so ordered. HCS CSSB 576 (Fin) was reported out with a letter of intent and individual recommendations.

SB 203

The next bill to be considered was SB 203.

CSSB 203 (Fin) am -- "An Act making, amending and adjusting appropriations to the Department of Education; and providing for an effective date."

Vice Chairman Freeman presented and explained a proposed House Finance CS for SB 203 (New title: "An Act making, amending, adjusting, and extending appropriations; and providing for an effective date."). He said the HCS contains only those appropriations that are absolutely necessary. He said he would prefer that this bill "not be Christmas Treed".

Representative Carney MOVED that HCS CSSB 203 (Fin) be reported out. There being NO OBJECTION, it was so ordered. The bill was reported out with a "do pass" recommendation.

SB 57

The next bill to be considered was SB 57.

CSSB 57 (Trsp) -- "An Act relating to transportation safety; and providing for an effective date."

(Tape Change, HFC 81-112, side 2.)

Representative Malone MOVED to report CSSB 57 (Trsp) out of Committee. There being NO OBJECTION, it was so ordered.

Representative Malone MOVED to accept the \$20.7 and \$0.631 fiscal notes. There being NO OBJECTION, it was so ordered.

CSSB 57 (Trsp) was reported out with a "do pass" recommendation.

(Representative Rogers arrived at this time.)

HJR 4

The next bill to be considered was HJR 4.

HJR 4 -- "Proposing an amendment to the Constitution of the State of Alaska relating to limiting increases in expenditures and requiring payment by the state of mandated increased expenditures of a political subdivision of the state."

Representative Malone presented a proposal for a Finance CS. (See attachment #2.)

In answer to a question from Representative Adams, Representative Malone explained the bill is written as a limitation on appropriations, not revenues. He said in FY 80 the total amount appropriated by the Legislature from the State general fund was \$3,068,000,000. He explained if the Permanent Fund appropriation and debt service were subtracted out, the total would be \$2,111,000,000. He advised what this bill would propose to do is set \$2,111,000,000 as the base in FY 80, and adjust that figure annually for inflation and population in the State. He said the only expenditures that would be accepted beyond that would be for emergencies.

There was discussion. Representative Moss said he objects to the proposal because it is discriminatory to certain areas of the State. Representative Rogers pointed out the spending limitation wouldn't apply to state g.o. bonds for schools. Representative Moss said people in his area of the State (REAA's) have to beg for school construction and municipalities don't have to. Representative Malone said Representative Moss makes a good point. He said there are two ways to get around that: (1) create organized boroughs in all areas of the State; or (2) put all education funding on the same footing.

Representative Moss said he is not objecting to putting a limit on state spending; however, he doesn't want what they are enacting to be discriminatory. There was further discussion.

Representative Adams said he thinks the majority of them support the resolution. He said they would like to see a resolution allocating category guidelines.

Vice Chairman Freeman said he is pleased with the Resolution. He said it is clean and concise, and it doesn't leave any loopholes.

Representative Rogers said the bill does retain some flexibility, which he thinks is important in the constitution. He commented further.

Representative Rogers MOVED to accept the proposal as a Finance CS for HJR 4. Representative Moss OBJECTED. He said Article VII, Section 1 of the Constitution says "The legislature shall by general law establish and maintain a system of public schools

open to all children of the state, . . .". He said his concern is that without some leeway in this funding limitation they could be creating a situation where they would not have adequate funding for educational programs. He said that is the only reason he is objecting to the proposal.

Representative Carney commented in his district the need for school construction is also based on population. There was further discussion. Representative Haugen pointed out they could still build schools through bond issues.

Representative Moss pointed out that approximately 25% of their operating budget this year was for schools/education.

Representative Moss WITHDREW his objection to the motion.

There being NO FURTHER OBJECTION, CS HJR 4 (Fin) was reported out with a "do pass" recommendation.

Representative Rogers suggested the Committee consider approving a letter of intent on the bill. He recommended the Committee let the Resolution move out of Committee at this time and consider a letter of intent at a later meeting. Vice Chairman Freeman suggested Representatives Rogers and Malone prepare a letter of intent for the Committee to consider at tomorrow's meeting.

ADJOURNMENT

The meeting adjourned at 3:05 p.m.

Tape HFC 81-112, side 1 #561 to end
side 2 #001 to #548

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

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

June 9, 1981

MEMORANDUM

TO: J. H. Hogan, Director
Legislative Finance Division

FROM: Pat Williams, ^{Pat}Adm. Asst.
Legislative Finance Division

SUBJECT: Legislative Finance - Supplemental Appropriation
Request

As of 5/31/81 we had a balance remaining in our personal services line item of \$191,229. I have calculated our personal services expense from June 1 through June 30 at \$204,768, broken down as follows:

Temporary Employees	\$52,020
Permanent Employees	152,748
	<u>\$204,768</u>
Less 5/31/81 Balance	- 191,229
	<u>\$ 13,539</u>

Supplemental Amount Requested. \$13,539

1496

Attachment #1

6/10/81

SECTION 16.. APPROPRIATION LIMITATIONS. Except for appropriations to the permanent fund and appropriations required to pay the principal and interest on general obligation bonds, general fund appropriations during a fiscal year shall not exceed the amount appropriated in fiscal year 1980 by more than the cumulative inflation and population growth or decline as defined by law. No appropriation in excess of this limit may be made unless a state of emergency is declared by the governor as provided by law.

HF0611811500

HOUSE FINANCE COMMITTEE

June 11, 1981

3:00 p.m.

(Tape HFC 81-112, side 2 #548.)

PRESENT

All Members of the Committee were present except Representatives Cotten, Montgomery, Meekins, Malone and Moss.

SB 181

Vice Chairman Freeman called the meeting to order and brought SB 181 up for consideration.

CSSB 181 (HESS) am -- "An Act relating to the enforcement of child support and changing Rule 56 of the Alaska Rules of Civil Procedure."

Representative Rogers MOVED that the House Judiciary CS (new title: "An Act relating to child support; and changing Rule 77 of the Alaska Rules of Civil Procedure.") be reported out with the \$421.5 fiscal note dated 6/11/81. There being NO OBJECTION, it was so ordered. HCS CSSB 181 (Jud) was reported out with a "do pass" recommendation.

ADJOURNMENT

The meeting adjourned at 3:00 p.m.

Tape HFC 81-112, side 2 #548 to #601

HOUSE FINANCE COMMITTEE

June 18, 1981

7:05 p.m.

(Tape HFC 81-113, side 1 #001)

PRESENT

Committee members Adams, Cuddy, Montgomery, Fuller, Chuckwuk, Hurlbert, Bettisworth and Cotten were present. Representative Haugen was not in attendance. Present to testify were: Representatives Freeman, Halford and Gardiner; Senators Parr and Fahrenkamp; Tom Hanna, Chief, Air and Solid Waste Management Section, Department of Environmental Conservation; Dr. Stillner, Division of Mental Health; Robert Dennum, Vice President, Cook Inlet Region; Dick Angel, Executive Director, Alaska '84; and J. H. Hogan, Director and Elmer Lindstrom, Fiscal Analyst, Legislative Finance Division.

SUBCOMMITTEE APPOINTMENTS

Chairman Adams called the meeting to order. He advised that any previously appointed Subcommittee's of the Finance Committee are hereby disbanded.

SB 168

Chairman Adams brought SB 168 up for consideration.

CSSB 168 (fin) am -- "An Act relating to state assistance for capital projects; and providing for an effective date."

REPRESENTATIVE FREEMAN presented a proposed House Finance CS for SB 168. He explained he was on a Free Conference Committee with Senator Dankworth on HB 1, and the effective date of that bill is contingent upon passage of this bill. He said this bill would make an appropriation of \$1,000 per capita for municipalities, unorganized boroughs, and it requires that any project of over \$1 million have voter approval. In communities that have a population of less than 1,000, he said they can also use the money for operating expenses for capital improvements.

Representative Fuller MOVED to report HCS CSSB 168 (Fin) out of Committee. Representative Cotten OBJECTED to ask a question. He said on page 2, line 7, the money could be used without voter approval for improvement or rehabilitation to an existing public facility. He asked for examples of what that might be. Representative Freeman said rebuilding a street or repaving a run-way. Representative Cotten REMOVED his objection.

There being NO FURTHER OBJECTION, HCS CSSB 168 (Fin) was reported out with a "do pass" recommendation.

SB 100

The next bill to be considered was SB 100.

CSSB 100 (Jud) -- "An Act relating to mentally ill persons; and providing for an effective date."

SENATOR PARR said SB 100 attempts to guarantee the civil rights of the persons that are alledged to be mentally ill as they now do for those who commit a crime, so they would not be committed without due proces, and if they are committed their rights are protected during the time they are in. He said the bill was first recommended by the Alaska Mental Health Association, it was introduced in the Legislature in 1976, and it has passed the House twice before. He said there are no significant changes in the Bill since the time it went through the House the last time. He said there is a sectional analysis of the bill in each members' bill file. He said attached to that analysis is a flow chart showing the procedures that are gone through for involuntary civil commitment under this bill.

Representative Cuddy questioned the \$3.5 million fiscal note from the Department of Public Safety. Senator Parr said his suggestion as sponsor of the bill would be to change that Fiscal Note to zero. He advised there is a fiscal note from the Department of Health and Social Services in the amount of \$467.5 which he has no trouble supporting. He said there is no reason this bill will cause an increase in commitments to justify that increase in the Department of Public Safety.

Chairman Adams asked if there was any objection to not accepting the \$3,505.2 fiscal note. There being NO OBJECTION, it was so ordered.

Representative Montgomery said there is another fiscal note for \$58.0 for the Public Defender increased work load. Senator Parr said the only fiscal note he will stand behind 100% is the one from the Department of Health and Social Services; however, he thinks the one from the Public Defender is reasonable. He said they have never been adequately funded. He said he would not hesitate to recommend the \$58.0.

Representative Cuddy asked how many people would be effected by this Legislation. Dr. Stillner, Director, Division of Mental Health, said last year API admitted approximately 1100 patients; and 70% were involuntary admissions. He said they didn't think the current bill, SB 100, would increase that number of commitments.

There was brief discussion on the fiscal notes.

Representative Montgomery requested that the Secretary read the Committee Report from the Committee of previous referral. The Secretary read the Judiciary Committee report:

Representatives Clockson, Chuckwuk, Miller, Phillips, Brown -- "do pass";

Representatives O'Connell and Anderson -- "No Recommendation".

Representative Hurlbert MOVED to report CSSB 100 (Jud) and the Health and Social Services Fiscal Note out of Committee.

Representative Cotten OBJECTED. He MOVED TO AMEND the Motion to also report out the Public Defender fiscal note. Representative Hurlbert OBJECTED. The question was called for. 7 in favor; 2 opposed. The motion CARRIED.

Chairman Cotten asked if there was any objection to reporting CSSB 100 (Jud) out of Committee with the two fiscal notes. There being NO OBJECTION, the bill was reported out with a "Do Pass" recommendation.

SB 36

The next bill to be considered was SB 36.

CSSSB 36 (Rls) -- "An Act establishing the Citizens' Advisory Commission on Federal Management Areas in Alaska; and providing for an effective date."

SENATOR FAHRENKAMP presented a sectional analysis of the Bill (see attachment #1).

Chairman Adams questioned the \$90.0 fiscal note for Executive Operations. He asked if the staff was necessary to implement this particular act. Senator Fahrenkamp said yes, it is. She said they need researchers. She said the important thing is watching the regulations and reviewing, and comparing what can be done in the intent of regulations.

Representative Hurlbert said he has received correspondence indicating the substance of this bill is being done by other groups. Senator Fahrenkamp said there is another group -- Council with Alaska Lands -- which is made up of agency people appointed by the Governor and Native Corporations. She said they are direct agency heads. She said it is a group of mostly bureaucrats. She said within this bill is a section that directs that these people work together.

Representative Fuller MOVED to report the Bill out of Committee. There being NO OBJECTION, it was so ordered. Chairman Adams MOVED to accept the \$90.0 fiscal note. There being NO OBJECTION, it was so ordered. CSSSB 36 (Rls) was reported out with a "do pass" recommendation.

SB 226

The next bill to be considered was SB 226.

Representative Gardiner explained the bill redesignates loans that were previously made by the Water Resources Revolving Loan Fund and through the Power Projects Fund in the Alaska Power Authority as grants. He said the Bill amounts to a "laundry list" of specific loans from 1976 to the present time. He said this was done on the recommendation of their legal counsel, and the language is somewhat different from what the Senate passed. He said it didn't change the contents of the Bill.

Representative Gardiner said there was one mistake made in the Resources CS. He explained that bill doesn't include a loan that had been made from the Water Resources Revolving Loan fund to the Thomas Bay Power Authority. He presented a proposed amendment at the request of Representative Haugen:

Page 4, line 2, insert a new section:

"(13) the sum of \$300,000, part of the general fund appropriation made to the water resources revolving loan fund by sec. 1, ch. 237, SLA 1976, and loaned from the water resources revolving loan fund to the Thomas Bay Power Authority for the Tye Lake project, is redesignated as a grant from the water resources revolving loan fund to the Thomas Bay Power Authority for reconnaissance studies, design, modification, expansion, and preconstruction engineering for the Tye Lake power project;"

Representative Gardiner said this was inadvertently left out of the Resources CS. He explained the theory behind this bill was that if they are going to pick up new and remaining costs of projects under grants, then it would seem fair to go back and turn the rest of the loans they had into grants so all the projects would receive the same type of treatment for their total cost. He advised that with the Legislation that has come out of the Free Conference Committee on SB 25 and SB 26, this would be consistent.

There was brief discussion on the differences between the Senate bill and the House Resources CS.

Representative Fuller MOVED to accept the amendment. There being NO OBJECTION, it was so ordered.

Representative Hurlbert MOVED to report out a Finance CS incorporating the Resource CS and the amendment. There being NO OBJECTION, it was so ordered. HCS CSSB 244 (Fin) was reported out with a "do pass" recommendation.

SB 214

The next bill to be considered was SB 214.

CSSB 226 (Res) am -- "An Act relating to the mining loan fund; and providing for an effective date."

SENATOR FAHRENKAMP said they have had the mining loan fund for a year now, and they have run into some problems with the program. She advised section 1 takes care of the situation where 51% of the shareholders of a corporation could cut Alaskans out. She said it makes sure that primarily Alaskans get loans. She advised Section 2 removes the stipulation that private lending institutions hold the first lien of mortgage. She said the new language allows both governmental and other private entities to hold the first lien. She said section 3 is an addition to the mining loan fund which allows the Department of Commerce and Economic Development to refinance loans made under the program.

Chairman Adams questioned the \$114.1 fiscal note. He asked if the new positions were necessary. Senator Fahrenkamp said she is not prepared to answer questions on the fiscal note. MR. ELMER LINDSTROM, Fiscal Analyst, Legislative Finance Division said the Division of Business Loans lost the authority to make certain types of loans at the end of this fiscal year and it may be possible that some of those people may be available. In addition, he said they are consolidating the Veterans Loan Fund into the Division of Business Loans, and they have 17 people just servicing existing loans. He said there may be some chance the people within that Division could handle this.

Representative Cotten referred to section 4, and he asked if other State loan programs have the ability to do refinancing. Mr. Lindstrom said he did not know. Senator Fahrenkamp said they allow for refinancing of fish loans. There was brief discussion.

Representative Fuller MOVED to report CSSB 226 (Res) am out of Committee with a zero fiscal note. There being NO OBJECTION, it was so ordered.

SB 244

The next bill to be considered was SB 244.

CSSB 244 (Fin) am -- "An Act suspending the principal and interest due on certain loans authorized by law and by the Alaska Power Authority for power projects, and redesignating the loans as grants for power projects; and providing for an effective date."

REPRESENTATIVE GARDINER advised this is part of the three bill package that came out of the House Resources Committee in relation to energy legislation. (New Title: HCS CSSB 244 (Res) -- "An Act redesignating certain loans authorized by law and by the Alaska Power Authority for power projects as grants for power projects subject to the power development fund; and providing for an effective date.")

SB 214 -- "An Act making a supplemental appropriation to the Department of Commerce and Economic Development for the mining loan fund; and providing for an effective date."

SENATOR FAHRENKAMP advised this is an appropriation to the Mining Loan Fund that was out of funds in early March. She advised there are loan fund applications back-logged, and they are waiting for this bill to move. She said they are waiting to sign applications that are sitting there. She urged this bill be moved post-haste.

Representative Cotten asked how large the package of pending loans was. Senator Fahrenkamp said the last time she checked it was over \$8 million. Representative Cotten asked if the Department has approved these and is just waiting for the funding. Senator Fahrenkamp said yes. Representative Cotten asked how big these loans were. Senator Fahrenkamp said she doesn't know the exact amounts, but the smallest loan is \$41,000 and the largest could be over \$5 million. She said her knowledge of the largest loan is \$2,951,419. Representative Bettisworth said he received a list of pending loans when this bill was considered in Resources, and he will provide that information to Representative Cotten.

Representative Hurlbert asked how large the appropriations in the past were to the fund. Senator Fahrenkamp said last year the appropriation was for 140 million.

Representative Fuller MOVED to report SB 214 out of Committee. Representative Bettisworth OBJECTED. He MOVED TO AMEND the motion to change "1981" to "1982". Representative Cotten OBJECTED. He said his understanding was that this was to take care of pending loans. He said there is a \$20 million appropriation in the FY 82 budget. He said it may be there are a few million extra dollars here, and this would increase the FY 82 dollar amount. Representative Bettisworth said if the money can be designated for the pending loans and not lapse at the end of this fiscal year before the loan could be administered that would be fine; but if they don't get around to making the loans before the end of the fiscal year, the money could lapse. Representative Cotten MAINTAINED HIS OBJECTION. The Question was called for. 7 in favor, 1 opposed. The MOTION CARRIED.

The MAIN MOTION AS AMENDED was before the Committee. There being NO OBJECTION, it was so ordered. SB 214 am was reported out with a "do pass" recommendation.

SB 572

The next bill to be considered was SB 572.

SB 572 -- "An Act making a continuing appropriation for general obligation bond debt service; and providing for an effective date."

Mr. J. H. HOGAN, Director, Legislative Finance Division, presented a letter from the State's bond counsel (see attachment #2) who have long recommended this approach. He explained that, should this bill pass, debt service will be removed from the budget each year and a continuing appropriation will be set up in statute for debt service. He said if the bill passed debt service will never again appear in the budget. He advised the constitution does provide that debt service has "first call on every dime the state has", so they are not really giving up any appropriation authority by making this a continuing appropriation.

Representative Cotten asked what the amount of debt service appropriated in the House budget is. Mr. Hogan said it was \$128 million. Representative Cotten said if they were to remove the \$128 million from the budget, it would be \$1.67 billion. He commented the Senate did not appropriate their debt service in the budget, which makes it appear smaller than what it really would have been. He commented further.

(Tape change, HFC 81-113, side 2.)

Representative Montgomery MOVED to report the bill out with the \$105.9 million fiscal note. There being NO OBJECTION, it was so ordered. SB 572 was reported out with a "do pass" recommendation.

SB 366

The next bill to be considered was SB 366.

2nd SSSB 366 -- "An Act relating to corporations organized pursuant to P.L. 92-203; and providing for an effective date."

MR. ROBERT DENNUM, Vice President, Cook Inlet Region, advised the bill is to correct some technical deficiencies that were introduced into the Alaska Corporations law in 1972 after A.N.C.S.A. was passed. He said there are two technical deficiencies: (1) the inclusion of funds which one native corporation distributes to other native corporations as part of the capital of a corporation, which is inconsistent with the way funds are treated both for tax purposes and financial accounting purposes. He said by including them as part of capital, it makes them liable for dividends. He advised the first part of the Senate bill would make changes so those funds are available for dividends.

Mr. Denum said the second part of the bill deals with a problem that was created by requiring the land that a native corporation receives to be valued at fair market value at date of conveyance, and that is to be part of the capital. He said the native corporations have not been able to value their sub-surface resources in particular and because of that inability, when they engage in a transaction with respect to the land and receive

revenues with respect to the land, it is not possible to determine what portion is being received as a return of capital, and what portion is income. Therefore, he said, it is not possible to determine what portion of the proceeds of such a transaction are available for dividends. Mr. Denum said this bill would correct that by adopting a solution that has been used in a number of state dividend statutes. He said the provision is that a board of directors of a native corporation, if it chooses, can compute profits and pay dividends out of profits without allowance for depletion. He said that recognizes the inability of the native corporation to determine the value of the land that has been conveyed to it.

Representative Cotten said this sounds like something that has pretty wide support. He asked if there was any opposition to the concept of using capital assets as a basis for distribution of dividends. Mr. Denum said they discussed this with the other regional corporations and have not found any opposition to this bill. Representative Cotten said then, to Mr. Denum's knowledge no objections have been raised to this concept. Mr. Denum said that was correct.

Representative Gardiner asked if this affected the capital gains situation at all. Mr. Denum said it does not affect tax treatment.

Representative Montgomery MOVED to report the bill out. There being NO OBJECTION, it was so ordered. 2nd SSSB 366 was reported out with a "do pass" recommendation.

HB 565

The next bill to be considered was HB 565.

HB 565 -- "An Act establishing an Alaska Silver Anniversary Commission; and providing for an effective date."

REPRESENTATIVE GARDINER advised he is the prime sponsor of the bill. He presented proposed amendments to the bill. (See attachment #3.)

Representative Gardiner said there is a \$4 million appropriation request in HB 566 ("An Act making a special appropriation to the Alaska Silver Anniversary Commission; and providing for an effective date."). He said the funds were included in the Senate operating budget, and it will be taken up in FCC.

Representative Gardiner said he thinks this program is carrying on a "bit of luggage" from what was planned as the world's fair in 1984 in Alaska which did not come into being because Alaska was not chosen as a site. He said out of that effort has come something that is probably better and a more usable idea for the people who live in the State.

Representative Gardiner said the Commission legislation is very important in terms of the appropriation. He said one of the concerns expressed is that at this time there is a private group made up of various citizens around the State heading this effort. He explained what this bill would do is, if state money is appropriated to the Commission, it would be administered by the Commission. He said that would provide for a more orderly process and one that would provide for review by public officials and insure that normal procedures are followed for the expenditure of money, and it would so insure the money is spent for public purposes.

Representative Gardiner said at this point the bill would provide for a five member commission appointed by the Governor to administer the funds. Speaking to a philosophy of what the Commission would do, Representative Gardiner said it could be related to the Centennial Celebration Alaska experienced. He commented on some of the facilities that were built during the Centennial. He said this project would be similar in that regard. One of the most important parts of this project, according to Representative Gardiner, is the opportunity it provides to the people around the State to work on some project that has a positive approach. He said there is a lot of conflict in the state over important public policy issues, such as the capital move, subsistence, etc., and some of these issues are regional in nature. He said these issues tend to divide the citizens of the State; so they think of themselves in terms of the region and do not consider themselves to be part of the State as a whole. He said this would give an opportunity for everyone to work together on a statewide basis on a positive project. He said it would give people a better understanding of the statewide problems. He commented further.

Representative Gardiner said one of the obvious benefits of this bill is in the area of tourism. He said this would give Alaskans an opportunity to advertise to travelers what is available in the State.

Representative Gardiner said he thinks one of the fears people have is that this is a scheme to get more money for projects. He said the duties of the Commission spell out that it shall develop a statewide silver anniversary master plan which must be coordinated with existing and proposed local activities throughout the State. He said a lot of these facilities are being planned and are in construction now, and it is important that they have some sort of integration with each other.

Representative Gardiner said his first proposed amendment increases the Commission from five to seven members, and it also provides the Governor will appoint two State officials out of the seven members. He said this would address some people's concern that there be control of the project, and that it follows good business practices and is administered properly. He said it would also insure that they have a statewide viewpoint. Representative Gardiner said his third proposed amendment is to

add a new paragraph under the duties of the commission stating "the Commission shall solicit proposals from around the state for the celebration of Alaska's silver anniversary; these proposals shall include plans for local, regional, and for statewide projects, activities, and facilities, plus financial data on their costs and benefits."

Representative Cotten MOVED to accept the proposed amendments. There being NO OBJECTION, it was so ordered.

Representative Cotten asked if the commission could contract with more than one organization under the proposed amendments. Representative Gardiner said that is correct, they have the flexibility to do that.

Representative Cotten said the Senate has included in their operating budget language that would prohibit groups from having the ability to use state money to come and lobby the Legislature on projects. He wondered if once the Commission came back to the Legislature with its report, if some of the money they might have at their disposal would be used for lobbying for some of the projects that will have been suggested by the Commission. Representative Gardiner said he didn't have that in mind. He said there is a proposed budget by the group working on this project that did include funds for lobbying for that. He said if that policy has been established, they should probably be consistent on this project, and he doesn't have any feeling on that.

Chairman Adams said the bill doesn't include any locations where facilities are going to be built. Representative Gardiner said that is correct. He said it will be proposed to the next legislature. There was brief discussion. Chairman Adams said he would hope this is the only amount the Commission will be asking for in the future. Representative Gardiner said he wouldn't say that is correct. He said that is something that is going to come out of this effort the Commission is going to look at. He said the Alaska '84 group has proposed this legislation and they have felt the brunt of criticism from people who think this is an "Anchorage rip-off". He said the project and people involved have changed a lot and the documents they have prepared call for a central facility in Anchorage and other projects. He said they will receive private funding to build some of the projects; but he cannot say they won't be down here lobbying for funds in the future. He suggested the Commission could provide some discipline on that.

Representative Cotten asked if the intent was to also report out the appropriation bill (HB 566). Chairman Adams said no. He said funds are included in the operating budget for this purpose at this time.

There was further discussion on the legislation.

MR. DICK ANGEL, Executive Director, Alaska '84, said the Commission bill was requested by their non-profit group. He said they felt it was necessary to have some control of public monies. He said they also felt it was the only way to insure that the project became a statewide project. He said their membership has no interest in working on the project unless it is a statewide project.

Mr. Angel said the project would not only benefit the state economically, but it would also provide a positive approach that all the people in the State could work on.

Mr. Angel said they believe the Commission bill takes the planning out of Alaska '84 and puts it in the Commissions "back board". He said they definitely want to see this become a statewide effort. He said they have contacted municipalities and private groups concerning the funding for the projects. He said once the state takes the first step, these groups will follow in providing funds. He commented further.

Representative Fuller MOVED to report out CSHB 565 (Fin) incorporating the amendments. There being NO OBJECTION, it was so ordered.

Representative Cotten MOVED to accept the following letter of intent for CSHB 565 (fin): "It is the intent of the legislature that no state funds will be used to lobby the legislature for projects chosen by the Commission." There being NO OBJECTION, it was so ordered.

CSHB 565 (fin) was reported out with individual recommendations.

SJR 4

The next bill to be considered was SJR 4.

CS SJR 4 (Fin) am -- Proposing an amendment to the Constitution of the State of Alaska relating to limitations on appropriations of state money."

Representative Adams MOVED to report out a House Finance CS for SJR 4 incorporating the contents of the Finance CS for HJR 4, except on line 17 of HJR 4 "1980" shall be changed to "1981". There was brief discussion. There being NO OBJECTION, it was so ordered. HCS CSSJR 4 (Fin) was reported out with individual recommendations.

RECESS

Chairman Adams called for a recess at 8:30 p.m. and recalled the meeting to order at 8:45 p.m.

SB 29

The next bill to be considered was SB 29.

CSSB 29 (Jud) -- "An Act relating to nuclear materials."

Representative Bettisworth MOVED that the following amendment be accepted: page 6, line 21 after "reactor" add: "however, nothing in this act shall apply to a facility that mills and refines uranium ore." Representative Cotten OBJECTED.

Representative Cotten said the point of the bill is to prevent fuel production facilities. He said he supposed the reason for preventing that is to eliminate any of the possible hazards involved. He said he doesn't know that uranium milling and mining is without that possibility. He asked if there was some possible hazard associated with that kind of operation. MR. TOM HANNA, Chief, Air and Solid Waste Management Section, Department of Environmental Conservation, said in terms of uranium milling and mining, they would regulate that under existing statute, not under this bill. He explained they consider uranium mining operations to be a reclamation process which can be regulated under solid waste management. He said what they are really concerned about in terms of hazardous waste is when they are mining material. There was brief discussion.

(Tape change, HFC 81-114, side 1.)

Representative Cotten said he had no further objections. Chairman Adams asked if there was any further objection to the proposed amendment. There being NO OBJECTION, it was adopted.

Chairman Adams recommended the fiscal note be reduced by \$218.8 because the State can get these funds from the federal agency. The new fiscal note totals \$591.0. There being NO OBJECTION, it was so ordered.

Representative Fuller MOVED to report out HCS CSSB 29 (Jud) with the amendment and the new fiscal note. There being NO OBJECTION, it was so ordered.

ADJOURNMENT

The meeting adjourned at 9:00 p.m.

Tape HFC 81-113, side 1 #001 to end
 side 2 #001 to end
HFC 81-114, side 1 #001 to #063

Alaska State Legislature

BETTYE FAHRENKAMP, CHAIRMAN
VIC FISCHER, VICE-CHAIRMAN
BOB BRADLEY
ALIASON
GILMAN
BOB MULCAHY
ARLISS STURGULEWSKI



POUCH V
STATE CAPITOL
JUNEAU, ALASKA 99811
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Senate

Committee on Resources

MEMORANDUM

TO: MEMBERS OF THE SENATE

FROM: SENATOR BETTYE FAHRENKAMP
CHAIRMAN, SENATE RESOURCES COMMITTEE

RE: CSSB 36 "AN ACT ESTABLISHING THE CITIZENS' ADVISORY COMMISSION ON
FEDERAL MANAGEMENT AREAS IN ALASKA."

DATE: APRIL 6, 1981

CSSB 36 is intended to aid the citizens of Alaska who are impacted by the management of federal land in the state by creating a Citizens' Advisory Commission. The Commission will thoroughly review any regulations, management plans or policy statements which will affect the use of federal land in Alaska and make comments to the appropriate federal agency. It is hoped that the Commission, while having no official standing in federal law, will be considered by the agencies it works with as a body which gives due consideration and deliberation to each side of the issues it addresses. (In fact, federal agencies have indicated an interest in working with such a Commission. It will also work with the Alaska Land Use Council which was established under the Alaska Lands Act.)

The need for the Commission is evident. On many occasions, federal land management agencies (including the National Park Service, National Forest Service, Bureau of Land Management and Fish and Wildlife Service) have overstepped their legislative mandate and by doing so, have imposed great hardships on persons living in areas which they manage. Some of the areas of Alaska which already feel they have received short shrift in some instances are Skagway, Glacier Bay and Glenallen.

In the aura of cooperation which exists now with Secretary Watt and the Department of the Interior, the timing is critical for getting the Commission started. President Reagan has placed a moratorium on all regulations which were pending when he took office. However, that action does not remove the potential for implementing the 70-odd pages of interim regulations dealing with Alaskan lands that were placed in the Federal Register on January 19. The effectiveness of the Commission will depend not only on the selection of the Commission, but also will depend on the manner in which it conducts itself. However, that it can be effective is evidenced by a similar committee created in Minnesota.

Attachment #1

1500

In Minnesota, similar legislation was passed in 1975, five years after Voyager's National Park was created. Management plans for the area were already far along, and in those management plans, use of the park by snowmachines, powerboats and float planes for access was denied. During the years which intervened between the establishment of the Park and the establishment of the Voyager's Park Citizens' Advisory Committee, ill feelings arose between park users and park managers. However, since 1975, the committee has been able to establish lines of communication with the federal management agencies, help the Minnesota citizens become more knowledgeable about the operations and potential uses of the park and impact some National Park Service decisions. The committee has been able to defuse some bitter feelings and hostile actions. The committee has earned the respect of both the users and managers of the park.

SECTIONAL ANALYSIS

Section 1.

Sec. 41.37.010 establishes the Citizens' Advisory Commission on federal areas in Alaska. The Commission is a temporary advisory agency of the executive branch. It is charged with considering the views of the citizens of the state in its deliberations.

Sec. 41.37.020 deals with the membership and officers of the Commission. The Commission shall be comprised of 16 members. Eight shall be appointed by the Governor, four by the Speaker of the House of Representatives (2 legislators and 2 citizens). The Commission will elect its own officers.

Sec. 41.37.030 states that the members of the Commission shall be selected from each judicial district of the state. The purpose of this section is to help insure that all of the land users of the state have a voice on the Commission and to avoid the Commission becoming a spokesperson for any one particular interest or geographic area.

Sec. 41.37.040 establishes the length of the terms of service for the commissioners. Commissioners appointed by the Governor will serve for four years. Commissioners appointed by the Legislature will serve for two years. Legislators appointed to the Commission will serve for the length of their legislative terms.

Sec. 41.37.050 provides that a commissioner can be removed from office for cause or for missing three consecutive Commission meetings.

Sec. 41.37.060 states that a legislator or employee of the state or municipality who serve as commissioner shall not suffer loss of compensation. This section also provides for per diem and travel expenses to be paid.

Sec. 41.37.070 allows the Commission to hire staff and contract for outside services.

Sec. 41.37.080 establishes the duties of the Commission. These duties include the consideration of public policy concerns of the state, municipalities and citizens of the state as they relate to or result from federal management of land in Alaska. The Commission can make recommendations to an agency of the state or federal government after it considers public policy. This section also requires the Commission to submit an annual report to the Governor and Legislature.

Sec. 41.37.090 allows the Commission to establish advisory groups. The membership of each advisory group must broadly represent the individuals affected by the management of federal lands.

Sec. 41.37.100 gives the Commission the authority to request the Attorney General to file suit if the Commission determines that the federal land manager is acting in violation of the law, intent of the law or the best interests of the state. The Attorney General will decide on whether to initiate the suit in accordance with AS 44.23.020.

Section 2

Section 2 defines the length of the terms of service for the first Commission members.

Sections 3 and 4

These sections mandate that the Commission terminate on June 30, 1988 unless the Legislature amends this legislation to allow the Commission to function past this date.

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May 28, 1981

RECEIVED
JUN 03 1981

ALASKA DEPARTMENT OF REVENUE
TREASURY DIVISION
JUNEAU

Mr. Anselm C. Staack
Comptroller, Treasury Division
Department of Revenue
State of Alaska
Pouch SB
Juneau, Alaska 99811

Re: Senate Bill No. 572

Dear Mr. Staack:

In accordance with our telephone conversation today, a copy of my letter of February 10, 1976 to Bob Stevenson, with respect to House Bill No. 669 of that year, is enclosed herewith.

I believe that everything I said in that letter with respect to that bill now applies to the present Senate Bill No. 572, except the first paragraph on page 4 of the letter, which relates to a subsection of the previous bill dealing with notes and not included in Senate Bill No. 572.

I am inclined to prefer the language of the 1976 bill, but I believe that the language of the current bill substantially accomplishes the same purpose, and I think that its passage would be very desirable.

Sincerely yours,

C. Richard Walker

Enclosure

nt #2

1515

CORRECTION

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

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JAMES F. CRAFTS, JR.
JAMES K. HAYNES
RICHARD C. BALLADIN
RICHARD J. LUCAS
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CAMERON W. WOLFE, JR.
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ROBERT J. GLOSTEIN
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JEFFREY S. WHITE

May 28, 1981

RECEIVED
JUN 03 1981

ALASKA DEPARTMENT OF REVENUE
TREASURY DIVISION
JUNEAU

Mr. Anselm C. Staack
Comptroller, Treasury Division
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Juneau, Alaska 99811

Re: Senate Bill No. 572

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Sincerely yours,

C. Richard Walker

Enclosure

A Hachment #2

1513

ORRICK, HERRINGTON, ROWLEY & SUTCLIFFE

COUNSELORS AND ATTORNEYS AT LAW

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February 10, 1976

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Mr. R. D. Stevenson
Special Assistant
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State of Alaska
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Juneau, Alaska 99811

Re: House Bill No. 669

Dear Mr. Stevenson:

In accordance with your letter of January 31, this is to state again the reasons why I believe it is important to the State of Alaska that House Bill No. 669 become law as soon as possible. Subsection (a) of AS §37.15.815, as proposed to be added by House Bill No. 669, makes a continuing appropriation for the payment of debt service on general obligation bonds of the State, including bonds heretofore authorized and those which may hereafter be authorized.

As a matter of history, prior to 1972 each bond authorization statute adopted by the Alaska Legislature provided for the establishment of a special redemption fund for the particular issue of bonds being authorized. Each such statute provided that there should be set aside to the credit of the special redemption fund such amounts of money as might be necessary to pay the debt service on the bonds being authorized, and that the fund should be used for no other purpose. This procedure resulted in the creation of a long list of special funds and in unnecessary and cumbersome accounting and other expense for the State.

In 1971, the Revisor of Statutes undertook to prepare a new basic form of bond authorization bill, eliminating unnecessary language in the form theretofore used. His work, in consultation with the office of the Attorney General and bond counsel, resulted in a "streamlined" form of bond authorization bill which was the form used for all of the 1972 bond authorization statutes and which is still in use. One aspect of this new form of bill is the complete elimination of the former provision for a special redemption fund; however, this provision was eliminated with the understanding that it would be replaced by some other form of concrete assurance to bondholders that funds would be set aside for

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the payment of debt service on their bonds, specifically, a continuing appropriation of the kind proposed by House Bill No. 669. Bills to this effect have been introduced in past legislative sessions, but no such bill has yet been adopted, leaving a gap in the statutory scheme for general obligation bonds of the State.

The establishment of a continuing appropriation for debt service, like that which would be provided by House Bill No. 669, is important to the State and to its bondholders. The present procedure, in which the payment of the general obligation debt of the State must depend upon annual appropriations, is impractical, serves no purpose, is dangerous to the credit of the State and is essentially intolerable.

First, it is very difficult, if not impossible, for the administration to make an accurate estimate of the debt service to become due in a future year, unless it is known in advance, as a matter of certainty, that no additional bonds will be issued before the end of that year. If additional bonds may be issued in the year for which the appropriation is to be made or during the time between the preparation of the budget and the commencement of that year, the amount of debt service which will become due thereon will depend upon the amount of additional bonds to be issued, the times at which those bonds are issued and the interest rates which they bear. It is impossible to predict all of these factors a year and a half in advance. Consequently, the annual appropriation will virtually always be too large or too small. If it is too small, it may be necessary to secure a supplemental appropriation, perhaps even at a special legislative session called for that purpose, in order to avoid a default on the debt of the State. To avoid calling a special legislative session to provide an appropriation for debt service on bonds to be issued, the State Bond Committee may be forced to delay needed borrowing or to offer bonds with undesirable terms. This has happened in the past.

Secondly, even if the appropriation proposed by the administration in a given year is, somehow, exactly the correct amount, it is entirely possible that the Legislature at that particular session will not make the appropriation, or will not make it as soon as necessary, because of a deadlock over some unrelated issue, or for some other reason.

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In other words, with the present appropriation system, the State may find it necessary to make undesirable and uneconomic changes in the time of issuance, amount or features of bonds being issued. More important, it could happen that bonds of the State could go into default, to the disappointment of bondholders and to the detriment of the credit of the State, because of a failure of the present system.

Even if the State were able to continue under the present system without any default and without extensive damage or serious inconvenience to its debt management policy, the mere fact that the present gap in the statutes exists--the fact that no permanent statute definitively implements the State's promise that its bonds are secured by its full faith and credit--may well harm the credit of the State, reduce the marketability of its bonds and increase the interest costs thereon. This is especially true now because of the crisis in New York, discussion in the financial press as to the enforceability and priority of general obligation bonds of New York City and the State of New York and the resulting general concern among investors and underwriters as to the practical effect of pledges of full faith and credit.

On the other hand, I can see no reason whatsoever for continuing the present system. The proposed continuing appropriation for general obligation bonds, of course, relates only to debt of the State heretofore or hereafter authorized by the Legislature and by a majority of the voters voting on the bond propositions at statewide elections, debt to the payment of which, under the Alaska Constitution and statutes, "the full faith, credit and resources" of the State are pledged. It is unthinkable that the Legislature or the administration should violate this pledge by failing to budget or appropriate the full amount necessary. Consequently, there is no purpose whatsoever in attempting to retain any power in the Legislature, through control of annual appropriations, to cause the debt of the State to go unpaid. Moreover, since the continuing appropriation in House Bill No. 669 is, by definition, exactly in the amount of debt service required, the Legislature will not be called upon annually to appropriate amounts which may exceed those which turn out to be required, a procedure which is virtually necessary to avoid deficits under the present system.

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Subsection (b) of AS §37.15.815, as proposed to be added by House Bill No. 669, provides a continuing appropriation for the payment of interest on bond anticipation notes issued in anticipation of general obligation bonds, and on revenue anticipation notes. Although provision for these notes is not as important as the basic provision of subsection (a) for general obligation bonds, nearly all of the reasons supporting adoption of subsection (a) apply also to subsection (b). Further, it is even less possible, at the time of preparation of the budget, to predict the amount of interest which may be payable on notes than it is to predict the debt service on general obligation bonds. It can seldom be determined more than a short time in advance whether the issuance of notes will be necessary or advantageous. Consequently, at the time the budget is prepared, it will almost never be known whether or not there will be any interest to pay on notes during the next fiscal year.

As to the legal authority for House Bill No. 669, the following points may be mentioned:

(a) As I understand the annual financial report of the State, Alaska now has many continuing appropriations in effect.

(b) I see nothing in the Alaska Constitution which would forbid a continuing appropriation of the kind suggested and in my opinion House Bill No. 669 would be a valid, constitutional enactment.

(c) The procedure suggested is substantially like that followed by the State of California, except that in California a continuing appropriation is made as to each bond authorization at the time of authorization. E.g., Calif. Water Code §11922.5; see Calif. Government Code §16724(d). Continuing appropriations of this kind have been upheld by the Supreme Court of California. Cf. Riley v. Johnson, 219 Cal. 513 (1933); Riley v. Johnson, 6 Cal. 2d 529 (1936).

(d) The State of Hawaii also has adopted a continuing appropriation for the payment of debt service on bonds of the State, which is a single provision applying to all bonds, present and future, like that proposed by House Bill No. 669. Hawaii Rev. Stat. (1968) §39-11.



Alaska State Legislature

House of Representatives

Committee on Resources

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

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Legal Services

FROM: Rep. Terry Gardiner

DATE: June 17, 1981

RE: Sponsor substitute for HB 565

Please prepare a work draft sponsor substitute for HB 565 and return it to me by 2 P.M., Thursday, June 18th.

1. On Page 1, line 29, delete "The commission consists of five members appointed by the governor" and insert "The commission consists of seven members appointed by the governor of whom ~~two~~ shall be state officials and five shall be citizens from all areas ~~in~~ the state."
2. On Page 2, line 29, delete "Members of the commission shall select a chairman from the membership of the commission." and insert "The governor shall appoint a chairman."
3. After Page 2, line 16, insert a new paragraph (1) and renumber accordingly:
"(1) solicit proposals from around the state for plans for the celebration of Alaska's silver anniversary; these proposals shall include plans for local, regional, and for statewide projects, activities, and facilities, plus financial data on their ~~cost~~ and benefits."

Thank you.

HOUSE FINANCE COMMITTEE

June 19, 1981

8:30 p.m.

(Tape HFC 81-114, side 1 #062.)

PRESENT

Committee members Adams, Hurlbert, Chuckwuk, Haugen, Montgomery, Fuller, Cuddy, Cotten and Bettisworth were present. Present to testify were: Representatives Miller, Beirne and Moss; Senators Stimson and Fahrenkamp; Ken Humphries, Division of Retirement and Benefits; Cliff Berg, Legislative Chairman, Alaska Retired Teachers Association; Jim Palmer, Aide to Senate Resources Committee; Bev Aleck, Aide to Senator Bradley; Bob Greene, Association of Alaska School Boards; J. H. Hogan, Director, and Alison Elgee, Fiscal Analyst, Legislative Finance Division.

SB 242, SB 243

Chairman Adams called the meeting to order and brought SB 242 and SB 243 up for consideration.

SB 242 -- "An Act establishing the Alaska student leadership development fund; and providing for an effective date."

SB 243 -- "An Act making an appropriation to the Department of Education for the Alaska student leadership development fund; and providing for an effective date."

SENATOR STIMSON explained these two bills are to establish a student leadership fund for the state of Alaska to be operated by the Department of Education on a contractual arrangement. He advised an activity similar to what would be included in this program would be the Alaska Close-up program. He said this program came about through discussions he had with the Department of Education last year and they put some money in the budget to establish three programs in the Student Extended Leadership Program. He explained one of those programs was the Alaska Close-up. He said it also allowed for a Future Bowl program with the emphasis being on teaching young people problem solving skills for addressing current problems in the State. He explained they would complete, at the local, state and national levels. Senator Stimson said the third component of this is a program designed to enhance student leadership in the various organizations currently existing in the schools. He said the program in its first year was able to reach approximately 10% of the student population and provide some leadership training.

Senator Stimson explained this program was structured so it would be done on an R.F.P. He said it would be competitively bid and would not add any staff to the Department of Education; most of the money goes directly to the operation of the program.

Representative Fuller asked how this program has been funded in the past. Senator Stimson said last year he put \$500.0 in HB 60.

Representative Adams asked if this will be an on-going appropriation in future years. Senator Stimson said it would.

Representative Cotten said he thinks there is a \$500.0 figure in the budget this year, and SB 243 appropriates \$689.0. He asked if the \$500.0 figure is still in the budget. Representative Adams said that figure is in the operating budget, but it will be taken out tomorrow at Free Conference. Senator Stimson said the \$500.0 was put in in case this legislation didn't pass. He explained the difference in figures is that the \$500.0 is the same amount put in last year and the \$689.0 is the budget they were able to develop. He commented further.

Representative Fuller MOVED to report SB 242 and SB 243 out of Committee. There being NO OBJECTION, it was so ordered. SB 242 and SB 243 were reported out of Committee with "do pass" recommendations.

HB 121

The next bill to be considered was HB 121.

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

REPRESENTATIVE MILLER presented a proposed Finance CS for HB 121 (new title: "An Act relating to the public employees, teachers, judicial, and National Guard benefits; and providing for an effective date."). Representative Miller explained this is a retirement bill. He said it will have virtually no cost in the next fiscal year; most of the costs apply to the following fiscal year. He advised the bill will significantly assist a portion of the population that greatly needs assistance. He said many teachers and public employees retired 10-15 years ago, and the cost of living has sky-rocketed since that time. He stated this legislation has the sanction of the public employee groups, the teacher groups, and also the administration and retirement and benefits people, to remedy the situation of increasing cost of living.

Representative Miller said this is not a give away bill. Each of the groups participating would be significantly increasing their own contribution to the fund. He said their percentages would go up 2% in each category. He said that would mean they would be increasing their contribution about 40% for public employees and about 30% in the case of the teachers.

Representative Miller said at the present time there is an unfortunate situation with these programs in that there is a slight cost of living situation allowed for in the statutes -- called an ad hoc cost of living arrangement. He advised this

means if the State can afford it the Department can increase the cost of living pensions for retired public employees and teachers by 4%. Unfortunately, Mr. Miller said, doing that puts in just enough money to take care of a given year's increase, and it is very actuarially unsound. He said if you make the assumption this is an ongoing increase, even though only one or two million dollars are put aside in a given year to make the ad hoc 4% cost of living increase for the people who will receive it that year, they have actually incurred unfunded liability that, if it were actuarially funded should be in the neighborhood of \$78 million. Representative Miller said it would be far better to abandon the 4% ad hoc program and use the program called for in this bill.

Representative Miller explained this bill has two parts. One would increase the percentage basis on which retirement is funded. He advised right now it is at 2%. He explained how the percentage basis works, and said the bill would raise the 2% figure to 2 1/4% when the employee hits the ten year bench mark, and to 2 1/2% when they reach the 20 year bench mark.

Representative Miller said there is also the P.R.P.A. (Post Retirement Pension Adjustment), and this is what is so important for the retired people. He explained if a person is 65 years or older and the cost of living increases, that person will get 75% of the cost of living increase as measured in the Anchorage Index, up to a maximum of 9%. He said if a person is 60 years old, the person can get 50% of the cost of living increase up to a maximum of 6%, and if a person is 55 years old, he gets a cost of living increase equal to 25% of the increase for a maximum of 3%. Below 55 years old when the cost of living increases, he said, there is no increase at all. He commented further, and said this bill was carefully calculated to help the oldest retirees.

Representative Miller said the fiscal note before the Committee shows the bill would not actually come into effect until next year. He said it will not effect this fiscal year. Representative Miller said this is only fair. He said the bill should be passed one year in advance of its becoming effective because this impacts not only the state, but many municipalities and school districts are part of this program, and they should have a year to make their plans for the increase. He commented there will be an increase, but they have had no opposition from the school districts or municipalities over the increase.

Representative Miller emphasized he has not heard one word of criticism or caution, or anything negative about this legislation from anyone.

There was discussion on the bill.

Representative Cotten asked when Representative Adams announced this bill would be before the Committee this evening. Chairman Adams said this would be included in the "other bills" category he announced. Representative Cotten said the proposed Finance CS

and fiscal note are dated today. He asked if there were available before today. Chairman Adams said no.

Representative Cotten asked Representative Miller if he was familiar with the contents of the Finance CS. Representative Miller said he was. He said he asked Representative Adams to bring the bill up today. He explained it was patterned after SB 400, which was generally the same as HB 121, but up-dated.

Representative Cotten asked, if this bill passes, could the legislature later reduce benefits that have become law. Representative Miller said his interpretation would be they cannot reduce benefits.

There was further discussion.

Chairman Adams said the Coalition's position is to honor anyone's bills from the House. He said they would not hold anyone's bills. He said they are trying to cooperate and work with the minority to make the flow of state business go by.

Representative Cotten said he appreciated that. He said this is an extremely important bill and he doesn't see any reason why it shouldn't be considered. He said there are serious ramifications to the bill, and he wants to be sure they know what they are doing, before passing it.

Representative Cotten asked what the unfunded liability of the two funds are. MR. KEN HUMPHRIES, Division of Retirement and Benefits, said approximately 30%. In dollars it would be somewhere around \$370 million. Mr. Humphries explained how they determine an unfunded liability. He explained an unfunded liability is the amount by which the accrued liabilities exceed the present assets; so if the system were shut down today, the state would not be in the position of being able to put money into the fund immediately to satisfy the current benefits. Representative Cotten asked if it was normal for a pension fund to have such a large unfunded liability. Mr. Humphries said yes. He commented further.

Mr. Humphries said to the extent P.R.P.A.'s are granted on an ad hoc basis, for example under the existing sections in .475 in PERS and .143 in TRS, it is not anticipated, so there is a catch up each time. He said each of these P.R.P.A.'s when added to the one before becomes increasingly expensive. He explained this bill is to "bite the bullet" and face up to the fact that P.R.P.A.'s are being granted to retirement people, and to allow the actuary to fund that amount. He said if this is not done, and they continue the way they have for the last four/five years, it will end up costing even more in the future.

There was further discussion on the Bill.

(Tape change, HFC 81-114, side 2.)

Representative Cotten asked if Administration supports the Finance CS. Mr. Humphries said yes.

MR. CLIFF BERG, Legislative Chairman, Alaska Retired Teachers Association, said this bill has the unanimous support of their Association. He said he thinks everyone understands the needs of the older retired person.

Representative Fuller MOVED to report CSHB 121 (Fin) and the fiscal note out of Committee. There being NO OBJECTION, it was so ordered. CSHB 121 (Fin) was reported out with individual recommendations.

SB 351

The next bill to be considered was SB 351.

CSSB 351 (Fin) am -- "An Act relating to donations of personal leave; and providing for an effective date."

REPRESENTATIVE BIERNE said the bill before the Committee is CSSB 351 (fin) am dated April 16th. He said the Committee also has before them a proposed Committee Substitute which he has prepared: HCS CSSB 351 (Fin) -- "An Act relating to terms of members of the Legislative Council; and providing for an effective date."

Representative Beirne said the Substitute bill is different from the original bill. He said the bill is before the Committee because, due to the recent changes in the House Leadership, the term of membership on the Legislative Council has caused some questions -- whether the members previously appointed will remain in office or new members will be appointed by the new Speaker. He said to clarify that question, it seemed appropriate to clarify the statute. He said that is what the CS does. He explained the CS says of the leadership changes in midstream, the new speaker has the authority to appoint new members to the Legislative Council if he so desires.

Representative Beirne said "in the particular case at hand we have a new coalition which represents a majority of the House, and it would be appropriate for the new Speaker to have the legal authority clearly, without any question, to appoint all the members of the Legislative Council. The Speaker is automatically under the Statute a member of the Council, and he is supposed to appoint the members. It is a very simple issue, but a very important one, and this Substitute bill before you would clarify that issue."

Chairman Adams asked what the case is under the present statute. Representative Beirne said the present statute indicates the speaker shall appoint the members of Legislative Council at the beginning of the Session, and they serve for two years. He said the Statute doesn't take into consideration that a new majority may develop and a new speaker may be elected. He said the law is

confusing, and it would appear the new speaker may not have the legal authority to appoint new members to the Council.

Representative Cotten said SB 351 originally had to do with donations of personal leave for employees of the Legislature. He said he assumed this CS suggests that bill is no longer necessary. He asked Mr. Hogan (Director, Legislative Finance Division) if it was legal now for legislative employees to donate personal leave. MR. JAY HOGAN said apparently it is nowhere so specified. He said it is not legal now. Representative Cotten said if someone wanted to do that, they should probably have a law allowing them to. Mr. Hogan said yes. Representative Cotten said if the contents of SB 351 are stripped, and Representative Beirne's recommendation is inserted, that means they are disregarding the original contents of the bill. He asked if Mr. Hogan thought they could get along without the original bill this year. Mr. Hogan said there is a problem in that they did transfer personal leave at the beginning of the Session for a person under the assumption this bill probably would pass. Representative Cotten asked what the situation would be if the bill didn't pass. Mr. Hogan said he didn't know.

Representative Cuddy asked if there were any Rules changes passed regarding piggy-backing or gutting of bills. Several Committee members indicated the Rules changes didn't take effect until next year.

Representative Beirne said he did speak to the sponsors of the original Senate Bill, and it was their feeling that they did not expect to use this bill this year. He said they indicated they would address the issue next session, and at that time could take care of it. He said they indicated this bill could be used for this purpose.

Representative Montgomery MOVED to report the Bill out. Representative Cotten OBJECTED. He said he thinks there might be a legal problem. He respectfully requested this bill be held one day so he could do some research. Chairman Adams said that research could be done tonight, and if there is a legal problem, he will have the bill taken off the calendar.

The Question was called for. 8 in favor, 1 opposed. The motion passed. HCS CSSB 351 (fin) was reported out with a "do pass" recommendation.

SB 37, SB 343

The next bills to be considered were SB 37 and SB 343.

SB 37(efd added) -- "An Act relating to international airport revenue bonds; and providing for an effective date."

SB 343 -- "An Act relating to the source of the appropriation for improvements to the Fairbanks International Airport; and providing for an effective date."

SENATOR FAHRENKAMP said SB 37 and SB 343 are companion bills. She said SB 37 takes away the authority of DOT/PF. She said it removes \$8.5 million from their authorization for bonding, leaving them the authority for the sale of \$34,825,00 worth of bonds.

Senator Fahrenkamp said SB 343 gives the reason for doing that. She explained that two years ago they had SB 202/SB 203 which authorized the sale of international airport revenue bonds for the construction of work at the Fairbanks International Airport. She said that due to the DOT design and construction time restraints and the bond market, those bonds were not sold, funds were forwarded to do the completion, and now the request is made that those funds be taken from the International Revenue Fund which at that time did not have sufficient funds to handle it. She said these bills are to take care of a situation that arose two years ago.

There was brief discussion on the bills.

Representative Bettisworth MOVED to report SB 37 and SB 343 out of Committee. There being NO OBJECTION, it was so ordered. SB 37 (efd added) and SB 343 were reported out with a "do pass" recommendation.

SB 164

The next bill to be considered was SB 164.

SB 164 -- "An Act making a special appropriation to the Department of Natural Resources for completion of the analysis of certain geochemical samples; and providing for an effective date."

SENATOR FAHRENKAMP explained this is a Senate Resource Committee bill. She said it came to their attention that a lot of money had been spent by the Federal government in doing analyses of strategic metals within the State of Alaska and all of these analyses have not been completed. However, the funding was cut by the Federal government and the samples taken throughout the State will be taken to Oakridge for storage. She explained analysis will not be done on them unless the State contributes to the completion of that analysis. She advised she checked with the Department of Energy, the University of Alaska, miners, and with the Department of Natural Resources to see what to do about it. She said they found they did not have the capability within the State of Alaska to do the type of analyses available to them and lost to the State if they allow the samples to be stored.

Senator Fahrenkamp said this information will be of use to private land owners, like the Native Corporations, and others. She said this is not a situation they can look at this year or the year after; they have to either do it now, or they lose it.

Senator Fahrenkamp said the Department of Natural Resources is authorized to do the contract in the bill. She said they are very familiar with what is needed.

Chairman Adams asked for how many years the State has been contracting with an outside firm to do this analysis. Senator Fahrenkamp explained the State hasn't, the Federal government has. She explained it spent \$60 million throughout the U.S. doing this kind of work.

There was further discussion on the bill.

Representative Fuller MOVED to report SB 164 out of Committee with the Senate Resources letter of intent. There being NO OBJECTION, it was so ordered. SB 164 was reported out with a "do pass" recommendation.

SB 222

The next bill to be considered was SB 222.

CSSB 222 (Irspl) -- "An Act making a special appropriation to the Department of Transportation and Public Facilities for engineering and design of the bridges and roads in the Nenana agricultural area; and providing for an effective date."

REPRESENTATIVE MOSS advised this bill is a \$500,000 appropriation for the Tokchakit agricultural area for the design of bridges and roads necessary for continuing with the agricultural project in that area. He explained one of the problems they ran into in the Delta area was they didn't put their roads in first, and here they are trying "to get the horse in front of the cart for a change". He said they have learned several lessons from the Delta project. He said this funding is the only thing they have included in the budget for the Tokchakit project. He said it is necessary to finish the design on the bridges and get the roads in so they can do clearing in a proper manner.

Representative Fuller requested additional information on the letter from the Minto Village. Representative Moss said he hadn't seen this letter; Minto Village is on the other side of the Tanana River and quite a few miles from this project. He said this appears to be leverage to get some of the things they are trying to get in the Minto area regarding a wildlife habitat area there.

Representative Hurlbert said he received a letter from Russ Naugh, attorney for (unclear), which stated the project has been hastily and poorly conceived with no consideration given to other crucial land resources; therefore they are opposed to the Bill's passage. Representative Moss advised the Corporation mentioned in the letter is the Village Corporation in the Nenana area. He said he is sure they do have problems with it. He said this is part of the reason he didn't try to "ram" through the \$10 to \$15 million previously planned on being put into the project". He

said that is one of the reasons he backed off. He said they do need the access roads though.

There was further discussion on the bill.

Representative Bettisworth MOVED the bill. Chairman Adams OBJECTED to ask a few more questions.

Chairman Adams pointed out the Senate bill gives the appropriation to DOT/PF and the House CS gives the money to the City of Nenana. Representative Moss said he would request that the bill that comes out of Finance would have the funds go through the Department of Transportation.

There was further discussion.

Chairman Adams MOVED to report CSSB 222 (Trsp) out of Committee. There being NO OBJECTION, it was so ordered. CSSB 222 (Trsp) was reported out with a "do pass" recommendation.

HCR 24

The next bill to be considered was HCR 24.

HCR 24 -- "Extending the life of the Rural Education Attendance Area Budget Oversight Committee."

(Tape Change, HFC 81-115, Side 1.)

Representative Montgomery suggested the Committee may want to change the last sentence of the Resolution which states " . . . is authorized to continue to perform the assignments made to it by the president of the senate and speaker of the house of representatives on February 7, 1980, until June 30, 1982." Representative Moss explained the appointments made last year die at midnight June 30th, and new appointments will be made to the Committee. There was further discussion.

Representative Montgomery said \$125.0 was budgeted last year in HB 60. He asked if there was a fiscal note with this. Representative Cotten pointed out funds are included in the General Government category under the Senate Finance Committee. Representative Montgomery asked if this wasn't under the direction of Budget and Audit last year, and he asked if it will continue that way. MS. ALISON ELGEE, Fiscal Analyst, Legislative Finance Division, explained the funds were appropriated through Budget and Audit, and the Legislative Finance Division handled the administration of the account. She said the funding presently in the budget is only for a specific study and not for the operation of the Committee itself.

Representative Montgomery wondered how they are going to proceed. Chairman Adams suggested if he disagreed with the performance of the assignments, that he should talk to the new Speaker. Representative Montgomery said that doesn't bother him, but he is

concerned with the funding portion. Representative Cotten pointed out unless this HCR leaves the Committee tonight, it probably won't make it through both bodies. He MOVED the resolution. There being NO OBJECTION, it was so ordered. HCR 24 was reported out with a "do pass" recommendation.

HB 603

The next bill to be considered was HB 603.

HB 603 -- "An Act relating to relocation of the state capital: 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."

MS. BEV ALECK, Aide to Senator Bradley, said she has been working with the Tally's in the drafting of capital move legislation. She said the Finance CS for HB 603 is identical to the CS for SB 586 passed by State Affairs. She explained the bill provides for repealing and reenacting the FRANK Initiative, with total costs to be approved by the voters and enumerated on the ballot. She said included in the total cost would be estimates that may be expected from land sales which will defray the costs. She said the estimated costs of expanded facilities in Juneau and elsewhere will be provided on the ballot, indicating those costs in the absence of relocation. Ms. Aleck said there will also be an estimate of the central state employees expected to be relocated from Juneau and elsewhere in the State. Also on the ballot, she said, will be the expected population at the capital site as a result of the number of central state employees to be relocated.

Ms. Aleck said for the initial money used for planning, design studies, and field investigations, there is a \$2.4 million fiscal note. (Note: A fiscal note was not presented to the Committee.) Ms. Aleck said this will be the only money used initially by the revitalized Capital Site Planning Commission to complete work that was not completed by the Commission in 1978. She commented further on the work that was not completed. She said the funds will also provide for the Commission to provide a general development plan. She commented further on the costs.

Ms. Aleck said this bill does repeal the old planning laws in 44.06.230, including the 30,000 population of the city by year 1990. She said the new planning law provides for a reasonable number of employees to be relocated, and a population determined from that basis, to be completed at the earliest practicable date.

Ms. Aleck said the Commission is to conduct public hearings in every district throughout the State. After this, in formation of their general development plan, the information will be provided to the Legislature by April 15. She said the completed specific plan will be reported back on August 15, with information given

to the Governor, the director of Elections, and the presiding officers of the Legislature.

Ms. Aleck said this is a compromise bill. She said the Governor has indicated he will support it. She said for relocation proponents and opponents it is acceptable. She said the advantages for the bill to proponents far outweigh the disadvantages. She said the main thing is the saving of time. She said it is figured that for every year lost in capital relocation, is a loss of at least \$45 million.

Representative Bettisworth asked what gross figure that \$45 million annual loss is based on. Ms. Aleck said that is based on a figure of 15%.

Representative Cotten MOVED to Amend to Bill to change the title to add "and providing for an effective date", and to add a new Sec. 8 to state "This Act takes effect immediately in accordance with AS 01.10.070(c)." There was brief discussion.

RECESS

Chairman Adams called for a recess at 10:10 p.m. and recalled the meeting to order at 10:15 p.m.

SB 603

Representative Cotten's MOTION was before the Committee. Chairman Adams OBJECTED to the motion. The Question was called for. Four in favor, five opposed. The MOTION FAILED.

Representative Fuller MOVED to report CSHB 603 (Fin) out of Committee. There being NO OBJECTION, it was so ordered. CSHB 603 (Fin) was reported out with a "do pass" recommendation.

SB 17

The next bill to be considered was SB 17.

CSSB 17 (Fin) am -- "An Act relating to the Executive Budget Act; and to state agency programs; and providing for an effective date."

MR. J. H. HOGAN, Director, Legislative Finance Division, said basically all the bill does is go through the Executive Budget Act, and everywhere where there is a reference to program budgeting, it changes the reference to agency budgeting.

Representative Montgomery asked who would oppose this bill. Mr. Hogan said the Governor's Office of Budget and Management is not supportive of this legislation. He said they prefer the existing program arrangement. He said he is not sure how the agencies feel.

Representative Haugen said he has served under both systems, and he is completely convinced that the "old-fashioned way" -- agency budgeting system -- is simpler, more expeditious for getting the budget out, and he supports completely the idea of going back to agency budgeting.

Representative Bettisworth asked what the recommendation of the Legislative Finance Division was. Mr. Hogan said as far as his staff is concerned, they can work with the budget either way. He said he thinks most members of the Legislature prefer the budget arranged in agency order. He commented further.

There was brief discussion.

Representative Montgomery MOVED to report the bill out of Committee. There being NO OBJECTION, it was so ordered. CSSB 17 (fin) am was reported out with a "do pass" recommendation.

SB 23

The next bill to be considered was SB 23.

CSSB 23 (Fin) -- "An Act relating to state aid to school districts under the public school foundation program; and providing for an effective date."

MR. ROBERT GREENE, Association of Alaska School Boards, said essentially what the bill does is establish a level of funding for FY 83. He said it does not impact the FY 82 budget. He said it is the way the State, since 1973 has dealt with school financing, by establishing a year in advance the level of funding for schools, so they have time for planning. Mr. Greene said most of the school districts must submit a budget to a related agency long before the Legislature could establish a level of funding in the current year.

Chairman Adams asked if all they were doing is raising the unit value from \$38,590 to \$42,450. Mr. Greene said that is correct. He said they are also making it effective on July 1, 1982.

Representative Montgomery asked if there was another suggestion to change some terminology on tax contributions. Mr. Greene said it would not be their recommendation to include that in the bill at this time because, while they feel at some time in the future there will be a need to take care of that situation, it would be more appropriate to leave it because the program doesn't even start until this coming July 1. He said they don't really know the impact of the program; therefore, they would recommend deleting the language.

Representative Montgomery commented on school district budgets.

Representative Cotten said basically this just increased the figure 10% over last year. Representative Montgomery said that was correct. Representative Cotten asked where they got that

figure. Mr. Greene said when the original bill was introduced the Anchorage CPI was 10% at that time, and that was the rationale for that figure.

"Representative Montgomery MOVED to report the Bill out. There being NO OBJECTION, it was so ordered. HCS CSSB 23 (Fin) was reported out with a "do pass" recommendation.

SCR 10

The next bill to be considered was SCR 10.

SCR 10 -- "Extending the life of the Blue Ribbon Commission on the State Personnel Act."

Representative Cotten MOVED to report the Resolution out with the letter of intent and the \$99.1 fiscal note. There being NO OBJECTION, it was so ordered. SCR 10 was reported out with a "do pass" recommendation.

ADJOURNMENT

The meeting adjourned at 10:35 p.m.

Tape HFC 81-114, side 1 #062 to end
 side 2 #001 to end
HFC 81-115, side 1 #001 to #553

HOUSE FINANCE COMMITTEE

June 20, 1981

8:45 p.m.

(Tape HFC 81-115, Side 1 #553)

PRESENT

Committee members Adams, Cotten, Cuddy, Hurlbert, Chuckwuk, Fuller, Haugen, Montgomery and Bettisworth were present. Present to testify were: Representative Beirne; J. H. Hogan, Director, Legislative Finance Division; Ron Lehr, Director, Division of Budget and Management; Bob Clark, Director, Governor's Office of Communications; and Carolyn Berg.

SB 54

Chairman Adams called the meeting to order and brought SB 54 up for consideration.

SB 54 -- "An Act relating to the Alaska National Guard and Naval Militia; and providing for an effective date."

REPRESENTATIVE FULLER explained the National Guard is called up at times at the convenience of the Governor, especially in disasters. He said one of the problems has always been the lowest enlisted men do not get paid like the officers and top paid sergeants. He said this bill is an attempt to bring some equity to the EM's in the low paying grades.

Representative Fuller said the bill qualifies a person under workers compensation if he is disabled. He said there is also a section relating to active duty, and section five provides for a reenlistment bonus. He said there is also a section providing for education reimbursement.

Representative Fuller advised the fiscal note on the bill is \$5.0 for FY 82.

Representative Cuddy asked how the National Guard is doing in terms of enlistments. Representative Fuller said their strength is up right now. There was brief discussion.

Representative Haugen MOVED AND ASKED UNANIMOUS CONSENT that SB 54 be reported out with a "do pass" recommendation and the \$5.0 fiscal note. There being NO OBJECTION, it was so ordered.

SB 351

The next bill to be considered was SB 351.

CSSB 351 (fin) am -- "An Act relating to donations of personal leave; and providing for an effective date."

Chairman Adams advised the Finance Committee took this bill up at their meeting last evening. He said evidently there was an error made in reporting out the HCS CSSB 351 (Fin) -- (New Title) "An Act relating to terms of members of Legislative Council; and providing for an effective date." -- in that a motion was not made to amend the original bill.

Representative Cuddy said his understanding of the Floor debate was that there was a feeling that this bill was in violation of Rule 34. Chairman Adams said there was a technical motion made because the Committee did not properly move to amend the Senate Bill. He said all the Committee did was move to report the bill out of Committee. Representative Cuddy said his understanding was there was a violation of Rule 34.

Representative Beirne said they are securing a legislative counsel written opinion right now on that. He said his understanding is that this is something that has been done over the years, and it is an acceptable procedure. He suggested passing the bill out of Committee at this time, and he would provide members with copies of the written opinion when he receives it.

Representative Fuller MOVED to accept the amendment to CSSB 351 (Fin) am which states that the HCS CSSB 351 (Fin) is accepted instead of the Senate bill. Representative Cotten OBJECTED. He maintained that they would be violating Rule 34 by accepting that motion.

Representative Fuller restated the Motion. Representative Cotten OBJECTED. He asked what the Chairman's intention was regarding the contents of the original SB 351. Chairman Adams asked Representative Beirne if he had conferred with the sponsors of the original bill. Representative Beirne said the original sponsor of the Bill said they expect to address this in some other legislation this year or next year, and they were not interested in using this bill. Representative Cotten asked if Representative Beirne consulted with Senator Dankworth and got his "o.k." to put this amendment on SB 351. Representative Beirne said yes.

Representative Fuller requested SB 351 be moved to the bottom of the Calendar. There being NO OBJECTION, it was so ordered.

(Tape change, HFC 81-115. Side 2.)

SB 559

The next bill to be considered was SB 559.

SB 559 am -- "An Act relating to state grants; and providing for an effective date."

MR. J. H. HOGAN, Director, Legislative Finance Division presented a Memo from himself to Senator Dankworth which explains the Bill.

Mr. Hogan advised the Bill has been reviewed by the outside counsel the Legislative Budget and Audit Committee hired to conduct the law suit relating to last year's vetoes of legislation. He said the Bill was amended to take care of the concerns the Department of Administration had regarding grants. He said it is essentially a housekeeping piece of legislation.

There was brief discussion.

Representative Cotten asked if this bill has ever been before the Committee before. Chairman Adams said it hasn't. Representative Cotten asked if there had been any notification that this bill was going to come up at today's meeting. Chairman Adams said no there hadn't. He said one of the things they are trying to do is bring up bills that have been in House Finance for 151 days in the hope of getting bills out of the Legislature this Session. Representative Cotten stated he protested the bringing up of a bill that has never been announced, when no one has received notice the bill is going to be before the Committee. He said there is nothing he can do to prevent the Chairman from moving the Bill from Committee, but he did protest it. Chairman Adams said his protest is noted.

Representative Montgomery requested that the Committee Report from the previous committee of referral be read. The Secretary read the Community and Regional Affairs Committee Report:

Representatives Grussendorf, Vaska, Bylsma and Miller -- "do pass".

Representative Randolph -- "no recommendation".

Representative Fuller MOVED to report SB 559 am out of Committee. There was discussion.

RECESS

Chairman Adams called for a recess at 9:04 p.m., and recalled the meeting to order at 9:10 p.m.

SB 559

The motion to report the Bill out was before the Committee. There being NO OBJECTION, it was so ordered.

SB 351

Chairman Adams brought SB 351 up at this time. Representative Fuller MOVED to accept the House Finance CS for CSSB 351. Representative Cotten OBJECTED. The question was called for: 8 in favor, 1 opposed. The motion CARRIED.

Representative Cuddy MOVED that HCS CSSB 351 be reported out. Representative Cotten OBJECTED. Eight in favor, one opposed.

The MOTION CARRIED. HCS CSSB 351 (Fin) was reported out with a "do pass" recommendation.

SB 203

The next bill to be considered was SB 203.

CSSB 203 (Fin) am -- "An Act making, amending and adjusting appropriations to the Department of Education; and providing for an effective date."

There was a proposed 2nd Finance HCS before the Committee. HCS CSSB 203 (2nd Fin) -- "An Act making, amending, adjusting, and extending appropriations; and providing for an effective date."

RON LEHR, Director, Division of Budget and Management, said they have five requested additions in HB 203. See attachment #1 (Numbers 1 through 5).

MR. BOB CLARK, Governor's Director of Communication, testified on the Governor's request for \$2 million for a national communications effort. He said this grew out of a request from Alaska's congressional delegation because Alaska has some very serious information vacuums to fill in the National constituency, particularly as it effects Alaska legislation in Congress. He explained the request.

Representative Cotten said Don Young had suggested \$10 million or a similar effort. Mr. Clark said in some ways it is a similar concept, and in some ways it is dissimilar. He said Congressman Young's concept talked about funding an advertising campaign where Alaska would try to present its message in paid space. He said they don't believe that is necessary at this time -- neither the size of the appropriation nor the selection of format. He said they don't believe the best way to correct people's misconceptions about the State is by taking advertising in newspapers, magazines, etc., but rather by stating Alaska has a genuine story to tell, and they believe editorially, by maintaining a media monitor with newspapers and magazines around the country that are doing issues about Alaska, is the best approach. He commented further.

Mr. Lehr explained their other four requests. There was brief discussion.

Representative Cotten asked if Section 32 of the proposed 2nd Finance CS was in the first Finance CS -- the \$4.4 million. Chairman Adams said no, it was a late request from Representatives Gardiner and Freeman.

Representative Cotten said he has received a request for a \$40.0 appropriation from Representative Zharrof. (See attachment #2.)

Chairman Adams briefly explained items 6 through 12 on the attachment.

Representative Cotten MOVED to accept the amendment requested by Representative Zharrof. There was brief discussion on the request. Chairman Adams said he would recognize the request, but would prefer to take the motion to accept the amendments as one.

Representative Fuller requested further information on Zharrof's amendment. Representative Cotten said apparently the Superior Court has recently been ruled in favor of the situation. He said this amendment has passed muster with the Attorney General's Office as far as it being the legal and proper thing to do. He said it appears there are one or two people on the Kodiak Police Force that transferred in from the Fairbanks Police Department before the City was participating in the P.E.R.S.

Representative Cotten's Amendment was listed as amendment #13.

Representative Montgomery said he would offer as amendment #14 an appropriation in the amount of \$320,000 to the Municipality of Anchorage for the Felony Crime Suppression Unit. He briefly explained the program.

Chairman Adams said the only addition to the 2nd Finance CS not listed on the attached sheet is in Section 32 (submitted by Freeman and Gardiner).

RECESS

Chairman Adams called for a recess at 9:40 p.m. and recalled the meeting to order at 9:50 p.m.

SB 202

Representative Bettisworth offered as amendment #15 an appropriation in the amount of \$153,400 to the Municipality of Anchorage for an extra officer in APD's community relations unit to work with the Anchorage Council in establishing a block home program. He briefly explained the program.

MS. CAROLYN BERG testified on the \$2,400,000 to the New Capital Site Planning Commission (#11 on the attached list). She stated she disagreed with this money being put in for the New Capital Site Planning Commission. She explained why. Chairman Adams thanked her for testifying.

There was brief discussion on the amendments. Representative Haugen MOVED that all the amendments be considered as one motion. Representative Montgomery said he could support all the amendments but #13. He requested further information. Representative Cotten explained in 1979 there was a window period where the Legislature changed the retirement statutes and then the following year changed them back. He explained there was a one year period that allowed people in the same situation as this person, where he worked for the Fairbanks Police Department who were not participating members of P.E.R.S. to participate in the program. Representative Cotten said this person now works in

Kodiak for the Police Department. During that window period, this person filed a claim stating he could participate. Representative Cotten said he is the only one who filed a claim although there were several people who were eligible. As a result of filing the claim, this person went to court, and the Superior Court ruled in his favor. Representative Cotten advised it is now on appeal to the Supreme Court. He said the City of Kodiak would have to change their employment agreement with this one individual. He said the costs are not absolutely clear -- it is estimated between \$18,000 and \$40,000 would be necessary to make it right. He said the Attorney General's Office says this is definitely legal. The court has ruled the man is right and he should be able to participate. He said this would be a means by which this case could be resolved much earlier than following a Supreme Court appeal. There was further discussion.

Representative Montgomery MOVED to accept the fifteen amendments and asked unanimous consent. There being NO OBJECTION, it was so ordered.

Representative Montgomery MOVED that a Finance CS be prepared incorporating the amendments into the Bill. There being NO OBJECTION, it was so ordered.

Representative Montgomery MOVED that the 2nd Finance CS for SB 203 be reported out of Committee. There being NO OBJECTION, it was so ordered. HCS CSSB 203 (2nd Fin) was reported out with a "do pass" recommendation.

ADJOURNMENT

The meeting adjourned at 10:00 p.m.

Tape HFC 81-115, side 1 #553 to end
side 2 #001 to 691

ADDITIONS TO SB 203

1. \$2,000,000 to the Office of the Governor for the National Communications Program (FY 82 lapse date)---Governor request
2. \$12,500,000 to the Department of Revenue for 1979 permanent fund dividend payments(supplemental to funds that are already appropriated) --Gov's request
3. \$25,000 to DNR for implementation of the Alaska National Interest Lands Conservation Act (FY 81 lapse) -Gov's request
4. \$40,000 to DNR for shortfalls in the Historic Resources Management program (FY 82 lapse)- Gov's request
5. \$57,200 to the Office of the Governor, State Commission on Human Rights, for additional operating expenses for FY 81- Gov's request
6. \$2,774,000 to DOE for Alaska Skill Center for additional construction costs (no lapse date- Cato request)
7. \$4,282,900 to Dept. of Public Safety for a computerized fingerprint system (Anderson request)
8. \$350,000 to Commerce and Economic Development, Office of Commerical Fish Development for bottomfish development (waste utilization and fish marketing support) Sutcliffe's request
9. \$89,000 to Dept. of Adminstration, Telecommunication Systems for KSKO radio station in McGrath(no lapse date, Sackett's request)
10. \$ 200,000 to Commerce and Economic Development, Division of Energy and Power Development for completion of AVEC's wood gasification project (FY 82 appropriation)
11. \$2,400,000 to the New Capital Site Planning Commission, Office of the Governor for the work of the commission(lapse date FY 82)
12. \$750,000 to DOT/PF for payment as a grant to the Eristol Bay Borough to pay cost overruns of the Bristol Bay Dock Chuckwuk's request

} not in
draft
CS

A M E N D M E N T

Offered in the HOUSE

By Zharoff

TO: _____ :

Page _____ , line _____ :

Insert the following new material:

"Sec. _____. The sum of \$40,000 is appropriated from the general fund to the City of Kodiak for the purpose of paying employer and employee contributions to the Public Employees Retirement System for service rendered as a peace officer for the City of Fairbanks Police Department before that city became a participating employer in the Public Employees' Retirement System.