

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2808

four-plexes which they currently are not able to do. This is in response to the housing crisis and will allow up to 56 million to go towards the financing of tri-plexes and four-plexes that are owner occupied and should generate approximately 1,180 units. There has been a real disparity between the benefits provided to an individual who is able to buy a home versus an individual who is trying to rent. This would increase the rental market.

Representative Meekins stated that the only change to AIDA is to empower them to make multi-family. AIDA felt that they would do one hundred million dollars of financing which would make approximately 2,000 units available. A total of seven million of state funds will be going to the subsidy program from the income generated from illiquid assets.

Representative Meekins indicated that the commercial fishing loan fund and the fishermen's mortgage and note fund were combined at the request of the department. Additionally, two rural programs in HFC were combined and put into the Department of Community and Regional Affairs. He stated that there was no substantial disagreement and the only controversy was the rate. The rural programs under HFC were getting 8.34% and the non-conforming program was at the ratchet rate. As a matter of policy last year, all housing rates would be at the same rate and it would be the ratchet rate. The drafters and staff went through the statute and changed it to the ratchet rate. Representative Meekins indicated that it is his understanding that the rural program in HFC was done by regulation and therefore did not show up in the statute so when the statutory limits to the ratchet rate were changed it was not picked up and remained at 8.34%. This presented a conflict between the two and there is still a controversy as to which rate should be used when combining the two programs. He indicated that after much discussion the committee established the long range goal as the ratchet rate; however will not implement that change until next January so as not to change during the interim period.

Representative Meekins said that under the alternative technology and energy program, 90% of the loans are going for the purchase of wood stoves which was not felt to be the original intent of the program. Therefore, the committee deleted wood stoves and coal stoves.

RECESS

A recess was called at 3:40 p.m. The meeting reconvened at 3:47 p.m.

SB 666

Representative Meekins MOVED AND ASKED UNANIMOUS CONSENT to approve and report out of committee HCSSB 666 (Finance). There

being NO OBJECTION it was so ordered. HCSSB 6/6 (Finance) was reported out of committee with a "do pass" recommendation.

SB 322

SB 322 - "An Act making supplemental appropriations to pay miscellaneous claims against the state; and providing for an effective date."

Representative Meekins indicated that SB 322 is a defunct appropriation bill which someone had placed in a different appropriation so it is an appropriation title. The committee put the loans appropriations on this bill. The total is \$205 million in general fund and \$9.9 million in other funds. The only difference is the addition of the multi-family.

Representative Carney asked why there was a transfer of funds from the electrification revolving loan fund? Representative Meekins responded that the committee contacted the Alaska Power Authority and asked them about the program. They stated that not only did they not need the \$6.5 requested in the Governor's budget for FY 83 but they still had \$6.5 appropriated last year which was not expected to be utilized. The committee reappropriated those funds for other programs. Representative Carney indicated that the program was instituted to provide low interest loans to electric utilities to provide power to agricultural projects. He stated that Alaska Power Authority did not particularly like the program to start with; however, he is aware that the Matanuska Electric had applications in for some of this money for extending electrical lines.

Tape change 82-37, Side 1, #001

Representative Cotten asked how much of the \$36 million goes to rural and how much to non-conforming? Representative Meekins stated that HFC was requesting \$35 million for the regular rural program and \$10 million for the rural rental program assuming 8.34%. The Community and Regional Affairs non-conforming loans requested \$40 million which was the same appropriation as last year.

Representative Cotten asked what the Community and Regional Affairs Senior Citizen housing program is? RICHARD AKS, Deputy Commissioner, Department of Community and Regional Affairs, stated that it is a grant program to municipalities and non-profit housing development corporations to develop senior citizen housing. He stated that there is a current appropriation of eight million dollars and requests for over eighteen million dollars to date. By combining the appropriations and juggling funds they were able to keep the appropriation below what was requested and this is additional funding for senior citizen housing.

Representative Cotten asked what Section 6 would entail? Representative Bettisworth stated that for proposed new construction and modification of existing facilities; the request was for \$38 million to the loan fund. The governor cut that figure in his operating budget to \$15 million. The private non-profits would pick up four or five hatcheries from the F.R.E.D. division making application from this loan program. He stated that during the free conference committee there will be a specific written recommendation presented to the committee which will go with that fund to the Department of Commerce recommending that they reserve a specific number of dollars for these specific purposes for the private non-profits.

Representative Cotten indicated that he only had two problems with the bill. One was the fact that some people would be receiving loans at 8.34% and others will have to pay 12.38% and with capital budget items included in the loan package.

Representative Meekins MOVED AND ASKED UNANIMOUS CONSENT to delete the word "loans" on page 1, line 14 and on page 1, line 17 on HCSCSSB 322 (Finance). There being NO OBJECTION it was so ordered.

Representative Meekins MOVED AND ASKED UNANIMOUS CONSENT to report out of committee CSCSSB 322 (Finance) as amended. There being NO OBJECTION it was so ordered. CSCSSB 322 (Finance) was reported out of committee with a "do pass" recommendation.

SB 666

Representative Meekins stated that the committee had the illiquid assets appropriated in SB 322 and when they revised the statute it said they had to go in the authorization bill, SB 666. Additionally, the veterans loan has to be appropriated to AIDA. He MOVED AND ASKED UNANIMOUS CONSENT that the previous committee action be rescinded in reporting HCSSB 666 (Finance) out of committee. There being NO OBJECTION it was so ordered.

Representative Meekins MOVED AND ASKED UNANIMOUS CONSENT that the appropriation for the authorization to transfer those illiquid assets to AIDA for the purpose of subsidization of the multi-family program be approved. Representative Cotten OBJECTED. Representative Cotten stated that he is of the opinion that the legislature does not need to subsidize business loans and that is what would be happening by transferring veterans loans to AIDA. The QUESTION was called for. The motion CARRIED.

Representative Meekins MOVED AND ASKED UNANIMOUS CONSENT that a new committee substitute incorporating the amendment be drafted and HCSSB 666 (Finance) be reported out of committee. There being NO OBJECTION it was so ordered.

HJR 71

HJR 71 - "Proposing an amendment to the Constitution of the State of Alaska relating to incurring general obligation indebtedness for veterans housing."

Representative Cotten provided an overview of the resolution. It would amend the constitution to allow the legislature to sell general obligation bonds for other than capital projects (ie: veterans home loans). This would allow the state to access the tax free market as opposed to the taxable market that HFC now accesses with their revenue bonds. The savings would be approximately 4-5% on the interest rate. As a result the state would have that much less subsidy to appropriate.

Representative Cotten MOVED AND ASKED UNANIMOUS CONSENT to report out of committee CSHJR 71 (SA). There being NO OBJECTION it was so ordered. CSHJR 71 (SA) was reported out of committee with a "do pass" recommendation.

(Tape HFC 82-37, side 1 #388.)

RECESS

Chairman Adams called for a recess at 4:15 p.m. and recalled the meeting to order at 4:20 p.m. (Representatives Fuller, Meekins and Carney were not present at this time.)

HB 666

The next bill to be considered was HB 666.

HB 666 -- "An Act appropriating for operating and capital expenses of state government; and providing for an effective date."

DEPARTMENT OF ADMINISTRATION

Chairman Adams said he would entertain a motion to accept the figure of \$5543.8 for the ANCHORAGE PIONEERS HOME. Representative Montgomery SO MOVED. Representative Cotten asked why they are taking the Governor's figures for Anchorage and not for Kotzebue. Chairman Adams said because a new wing will not be in operation at the Anchorage home, the one in Kotzebue is completely functioning.

The Question was called for. There being NO OBJECTION, it was so ordered.

Representative Cotten MOVED to accept the Governor's figures for all the PIONEERS HOMES. The Question was called for: IN FAVOR: 1 (Cotten); OPPOSED: 7. The MOTION FAILED.

DATA PROCESSING, MANAGEMENT SERVICES. Representative Montgomery MOVED to accept the figure of \$580.2. There being NO OBJECTION, it was so ordered.

OFFICE OF INFO. MANAGEMENT. Representative Montgomery MOVED to accept the figure of \$441.6. There being NO OBJECTION, it was so ordered.

OFFICE OF THE GOVERNOR

EXECUTIVE OPERATIONS. Representative Montgomery MOVED to accept the figure of \$4282.2. There being NO OBJECTION, it was so ordered.

LIEUTENANT GOVERNOR. Representative Montgomery MOVED to accept the figure of \$783.0. There being NO OBJECTION, it was so ordered.

DEPARTMENT OF REVENUE

MR. GARREY PESKA, Fiscal Analyst, Legislative Finance Division, reminded the Committee he was asked to check and see if the Department expected to have political contribution funds lapse. He said the Department didn't have any facts concerning 1981 claims; however, for the preceeding two years the actual claims have exceeded the appropriation.

DEPARTMENT OF EDUCATION

EDUCATION PROGRAM DEVELOPMENT. Representative Montgomery MOVED to accept the figure of \$1,387.1. He explained they reduced the student leadership development fund by 50%. Representative Cotten asked what will happen to the program with that figure. Representative Montgomery said there will be fewer students or less program. He commented the local people have the option of supplementing the funds if they want. There being NO OBJECTION to the figure, it was adopted.

STUDENT FINANCIAL AID, WICHE-STUDENT EXCHANGE PROGRAM.

Representative Montgomery MOVED to accept the figure of \$971.1. Representative Cotten OBJECTED. Representative Montgomery advised the new figure would include all existing students with intent that the program be phased out in future years. Representative Cotten asked if they were saying the student loan program could replace WICHE Student Exchange. Representative Montgomery said no, it was the feeling of the Committee that the student loan program for the state was the best in the United States. He said it is a very good program. In a year of budget cutting, Representative Montgomery said this was a reduction they felt should be made. Representative Cotten asked how long the program had been in existance. Representative Montgomery said 10-15 years. Representative Cotten said he didn't understand why they were cutting the program now. He said they have had this

program even in years when the State didn't have any money. He suggested the original figure of \$1257.0 be accepted. Representative Montgomery said it wasn't pleasant for him to have to make the reduction. He said the Department of Education has not had to take a total reduction, and this is a place where a reduction could be made.

The Question was called for. IN FAVOR: 7; OPPOSED 1 (Cotten). The MOTION CARRIED.

AK. POSTSECONDARY COMMISSION, GENERAL ADMINISTRATION.

Representative Montgomery MOVED to accept the figure of \$1223.8. He explained this deletes one position associated with the WICHE Program. Representative Cotten OBJECTED. He said the Governor's figure is even lower than Representative Montgomery's. He asked what the Governor's recommendation was. MS. ALISON ELGEE, Fiscal Analyst, Legislative Finance Division, said the Governor's recommended reduction is all in federal funds. She advised there was a \$500.0 federal fund reduction. She said the Governor's figure would be \$832.9 in general funds and the House figure is \$489.7 general funds. Representative Cotten asked if the Subcommittee was anticipating more federal funds. Ms. Elgee explained PSEC built up their federal funds substantially in anticipation of receiving federal funds. She believes they thought that distorted their budget and backed the amount out again. She said the Committee could either go ahead and approve the amount or back the amount out and have them go through the Revised Program process if they receive the funds. There was further discussion. There being NO OBJECTION to the motion, it was so ordered.

AK. POSTSECONDARY COMMISSION, WICHE-ADMINISTRATION.

Representative Montgomery said the Governor has suggested a \$15.0 reduction. He MOVED to accept the figure of \$55.1. Representative Cotten commented the Governor has also asked for \$1,092 for the WICHE Exchange program. He asked why they decided to go to the Governor's figure for Administration. Representative Montgomery said they had over 15 meetings on this budget. He said he is not going to speak except in broad terms.

(Representative Fuller arrived at this time.)

Representative Cotten said he thinks someone should answer questions as to why these changes are being made in the budget. Ms. Elgee advised the \$15.0 is the money used to pay to WICHE for a mental health fee. She explained further. Representative Cotten commented that \$621.0 was cut from the Governor's budget for programs, yet they are saying they want the same amount to administer. He asked why they are going to the Governor's figure here when they didn't on the others. Ms. Elgee said WICHE Administration is not related to the level of the WICHE Student Exchange Program. She said the reduction by the Committee would

compensate for the lower WICHE figure. There being NO OBJECTION to the motion, it was so ordered.

DEPARTMENT OF HEALTH AND SOCIAL SERVICES.

Representative Montgomery advised there is a change of wording in the COMMUNICABLE DISEASE CONTROL component. He said all the components have been moved into that category.

(Tape change, HFC 82-37, side 2.)

(Representative Meekins arrived.)

PUBLIC HEALTH ADMINISTRATION, ADMINISTRATION. Representative Montgomery MOVED to accept the figure of \$1921.8. He said that is an increase for Independent Options Now. There being NO OBJECTION, it was so ordered.

Representative Meekins MOVED to add \$87,000 for the Smokers program he explained at an earlier meeting. The Question was called for: IN FAVOR: 5 (Hurlbert, Bettisworth, Adams, Fuller and Meekins); OPPOSED: 5. The MOTION FAILED.

Representative Hurlbert MOVED to rescind their action in failing to approve the motion. The Question was called for: IN FAVOR: 3 (Bettisworth, Hurlbert, Meekins); OPPOSED: 7. The MOTION FAILED.

ADULT CONFINEMENT, STATEWIDE SERVICES. Representative Montgomery MOVED that \$130,000 be transferred from the UNIVERSITY OF ALASKA Budget for the University Within Walls Program. There being NO OBJECTION, it was so ordered.

DEPARTMENT OF LABOR

There were no changes to this portion of the budget.

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

REGULATOR COMMISSIONS, OIL & GAS CONSERVATION. Representative Montgomery MOVED to accept a figure of \$2377.9, a difference of \$64.9 which is the deletion of a new position. There being NO OBJECTION, it was so ordered.

DEPARTMENT OF MILITARY AFFAIRS

There were no changes to this portion of the budget.

DEPARTMENT OF NATURAL RESOURCES

Representative Cotten requested an up-date on the ANILCA funds. Representative Bettisworth said the figure is being compiled, and it is something like \$10 million. He advised it was agreed in a

letter signed by the House and Senate to present the information to the Free Conference Committee and they would reinstate that amount.

MANAGEMENT OF FOREST/LAND/WATER RESOURCES, LAND SELECTION/TITLE DEFENSE. Representative Montgomery MOVED to accept the figure of \$359.9 which is the FY 82 authorized number. Representative Cotten OBJECTED. He asked what the source of funds was on this budget item. MR. BOB GROGAN, Fiscal Analyst, Legislative Finance Division, said it is the Agricultural Revolving Loan Fund. There was discussion on the figure. Mr. Grogan said funding at the FY 82 level would allow 9 positions, it would delete the 3 new positions requested. There being NO FURTHER OBJECTION, the motion was adopted.

DEPARTMENT OF FISH AND GAME

Representative Meekins asked if the figures shown in COMMERCIAL FISH are the same numbers the Committee approved except the pay raises are backed out. Mr. Grogan said yes.

DEPARTMENT OF PUBLIC SAFETY

FISH AND WILDLIFE PROTECTION, AIRCRAFT SECTION. Representative Montgomery MOVED to accept the figure of \$996.5. He said this is the Governor's figure. There being NO OBJECTION, it was so ordered.

DRIVER VEHICLE SERVICES, DRIVER SERVICES. Representative Montgomery MOVED to accept the Governor's figure of \$783.2. There being NO OBJECTION, it was so ordered.

DRIVER VEHICLE SERVICES, FIELD OPERATIONS. Representative Montgomery MOVED to accept the Governor's figure of \$3688.6. There being NO OBJECTION, it was so ordered.

ADMINISTRATION, CONTRACT JAILS. Representative Montgomery MOVED to accept the figure of \$3580.0. There being NO OBJECTION, it was so ordered.

DIRECT V.P.S.O. SUPPORT. Representative Montgomery MOVED to accept the figure of \$2606.0. Representative Cotten OBJECTED. He said he hasn't asked why they are moving to accept the Governor's figures; however, in this case he wondered why they were not taking the Governor's figure. Representative Montgomery said the motion is a 5% overall reduction.

RECESS

Chairman Adams called for a recess at 5:07 p.m. and recalled the meeting to order at 5:16 p.m. (Representatives Cuddy, Meekins and Carney were not in attendance.)

DIRECT V.P.S.D. SUPPORT. Representative Cotten said he didn't object to the reduction. There being NO FURTHER OBJECTION, the motion was adopted.

V.P.S.D., ADMINISTRATION. Representative Montgomery MOVED to accept the figure of \$290.6. There being NO OBJECTION, it was so ordered.

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

There were no changes to this portion of the budget.

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

There were no changes to this portion of the budget.

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

CHILD ASSISTANCE, CHILD CARE and DESIGNATED GRANTS. Chairman Adams requested a motion to reduce Child Care by \$100.0 to \$594.7, and add \$100.0 to Designated Grants with intent that it go to the day care center at Mt. View for a latch string program. Representative Montgomery SO MOVED. Representative Cotten OBJECTED. He said he didn't think the funds should be taken out of the Child Care component. He said that program has already been grossly underfunded. He said he would like to increase the Child Care figure to \$7.3 million and add \$100.0 under designated grants. He said he was in favor of the \$100.0 for the latch string program, but not of reducing the other. The Question was called for: IN FAVOR: 7; OPPOSED: 1 (Cotten). The MOTION CARRIED.

LEGISLATURE

There were no changes to this portion of the budget.

UNIVERSITY OF ALASKA

UA-JUNEAU. Representative Montgomery MOVED to delete this component by the amount transferred for the UNIVERSITY WITHIN WALLS program. There being NO OBJECTION, it was so ordered.

DEPARTMENT OF EDUCATION.

ADULT BASIC EDUCATION. Representative Montgomery said he feels they should reduce the vocational education program by 50%. He MOVED to accept the figure of \$3468.6. There being NO OBJECTION, it was so ordered.

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

MUNICIPAL REVENUE SHARING. Representative Cotten said it looks to him like they are underfunding Municipal Revenue Sharing by \$2

million, and he objects to that figure. He MOVED to add \$2 million to the figure to fully fund the program. Chairman Adams OBJECTED. The Question was called for: IN FAVOR: 1 (Cotten); OPPOSED: 7. The MOTION CARRIED.

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

LABORATORIES, REGIONAL LABS. Representative Haugen MOVED to add \$12.5 for training and certification for a new total of \$1580.9. There being NO OBJECTION, it was so ordered.

RECESS

Chairman Adams called for a recess at 5:30 p.m. and recalled the meeting to order at 5:35 p.m.

HB 666

Representative Haugen MOVED AND ASKED UNANIMOUS CONSENT that the changes made at today's meeting be incorporated into the Finance CS for HB 666 and that the bill be reported out. Representative Cotten OBJECTED.

Representative Cotten said he thinks there are other places where reductions can be made, such as in the Risk Management Program. He said he thinks by passing out the bill they will be allowing decisions to be made by the Free Conference Committee and the Governor. He said he thinks the Chairman's goals were admirable and, in some cases, excellent work was done. In other cases, he said, no consideration was given to the actions taken by the Committee. He said he didn't think the bill was in shape to pass it on to the next Committee. He commented he will carry on his objections on the Floor.

Chairman Adams said he thinks this is the first time they have had an open process in the budget process. He said they have had many hearings and many hours of work went into the budget. There was further discussion between Representative Cotten and Chairman Adams.

The Question was called for: IN FAVOR: 3 (Montgomery, Adams, Haugen); OPPOSED: 6. THE MOTION FAILED.

Representative Meekins MOVED THAT THEY RESCIND their previous action in failing to report out CSHB 666 (Fin). The Question was called for: IN FAVOR: 8; OPPOSED: 1 (Cotten). The MOTION CARRIED.

Representative Haugen MOVED AND ASKED UNANIMOUS CONSENT that the amendments be incorporated into the Finance CS for HB 666 and that CSHB 666 (Finance) be reported out of Committee. The Question was called for: IN FAVOR: 8; OPPOSED: 1 (Cotten). The

MOTION CARRIED. CSHB 666 (Finance) was reported out with a "do pass" recommendation.

HB 586

The next bill to be considered was HB 586.

HB 586 -- "An Act relating to permits for overweight vehicles."

Representative Bettisworth said his Subcommittee held several public hearings on this bill. He said the result of those hearings is in the proposed Finance CS which transfers the functions to the Department of Commerce and Economic Development. He said there are two fiscal notes, one from the Department of Commerce and Economic Development for \$25.1 and one prepared by Elmer Lindstrom for \$1353.2. He said he would further recommend a letter of intent stating that when this function is transferred from the Department of Public Safety to the Department of Commerce and Economic Development, that the physical equipment also transfer. There was brief discussion on the positions.

MR. ELMER LINDSTROM, Fiscal Analyst, Legislative Finance Division, said he requested a fiscal note that transfers all the dollars over to the Department of Commerce. He said this bill does not transfer the state trooper positions. He said it deletes those troopers from the request. He said the people who are operating the weigh stations are listed on the fiscal note. He said they are civil employees currently under the Department of Public Safety, and they will be transferred.

Representative Bettisworth MOVED AND ASKED UNANIMOUS CONSENT that CSHB 586 (Fin) be reported out of Committee with the two fiscal notes and the letter of intent. There being NO OBJECTION, it was so ordered. CSHB 586 (FIN) was reported out with a "do pass" recommendation.

(Tape Change, HFC 82-38, side 1.)

HB 574

The next bill to be considered was HB 574.

HB 574 -- "An Act relating to the hours of the day during which persons may be present or alcoholic beverages sold or consumed on licensed premises."

Chairman Adams gave a brief overview of the bill. Representative Cotten asked what they needed this bill for. There was no response. Representative Cotten MOVED that HB 574 be HELD in committee. There being NO OBJECTION, it was so ordered.

HB 835

The next bill to be considered was HB 835.

HB 835 -- "An Act establishing the Alaska Safety Advisory Council."

Chairman Adams gave a brief overview of the bill. He said there is a proposed Finance CS and the bill was assigned to Representative Carney who is not present.

MS. JUDY KNIGHT, Special Assistant, Department of Labor, said they do support the bill. She said the fiscal impact is only \$20.0. She said \$31.0 would come from receipts. There was brief discussion on the bill.

Representative Bettisworth MOVED that CSHB 835 (Fin) be reported out with the Fiscal Note. There being NO OBJECTION, it was so ordered. The bill was reported out with a "do pass" recommendation.

HB 800

The next bill to be considered was HB 800.

HB 800 -- "An Act relating to the residency requirement for exemption from sport fishing, hunting or trapping licensing."

Chairman Adams gave a brief overview of the bill.

Representative Cotten MOVED on lines 13 and 18 that "30" be changed to "15". There being NO OBJECTION, it was so ordered.

Representative Cotten MOVED to incorporate the amendment into a Finance CS and that the bill be reported out with a new fiscal note. There being NO OBJECTION it was so ordered. CSHB 800 (FIN) was reported out with a "do pass" recommendation.

HB 812

The next bill to be considered was HB 812.

HB 812 -- "An Act making a special appropriation to the Department of Education for state match of federal money for the operation of Mount Edgecumbe High School; and providing for an effective date."

Chairman Adams presented a Finance CS that would appropriate \$1,000,000 to enable freshmen to attend Mount Edgecumbe High School.

Representative Fuller MOVED that CSHB 812 (Fin) be reported out. There being NO OBJECTION, it was so ordered. CSHB 812 (Fin) was reported out with a "do pass" recommendation.

BILL ASSIGNMENT

Chairman Adams appointed Representatives Cotten and Bettisworth to a Subcommittee on SB 84 (processing of permits by state agencies).

ADJOURNMENT

The meeting adjourned at 6:05 p.m.

Tape HFC 82-35, side 1 #682 to end
 side 2 #001 to end
 HFC 82-36, side 1 #001 to end
 side 2 #001 to end
 HFC 82-37, side 1 #001 to end
 side 2 #001 to end
 HFC 82-38, side 1 #001 to #263

CORRECTION

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

BILL ASSIGNMENT

Chairman Adams appointed Representatives Cotten and Bettisworth to a Subcommittee on SB 84 (processing of permits by state agencies).

ADJOURNMENT

The meeting adjourned at 6:05 p.m.

Tape HFC 82-35, side 1 #682 to end
 side 2 #001 to end
HFC 82-36, side 1 #001 to end
 side 2 #001 to end
HFC 82-37, side 1 #001 to end
 side 2 #001 to end
HFC 82-38, side 1 #001 to #263

FOR AN ACT ENTITLED: "An Act relating to state lands; and providing for an effective date."

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

* Section 1. AS 38.05.180 is amended by adding a new subsection to read:

(v) In order to achieve the purposes of (a) of this section, to conduct the pre-sale analysis required by (f) of this section, and to assist the department in knowledgeably managing the leasing, exploration, and development of oil and gas resources underlying state land, the commissioner shall require persons conducting geophysical exploration for oil or gas resources or drilling a stratigraphic test well on unleased state land to provide him with access to and copies of all uninterpreted exploration data and exploration information acquired from these activities. The commissioner shall pay all reasonable costs of reproducing the data and information. The commissioner shall keep all exploration data and exploration information submitted to the department under this subsection confidential in accordance with AS 38.05.035(a)(9)(c). All employees, agents, or contractors of the department who have access to exploration data or exploration information submitted under this paragraph are subject to AS 11.56.860.

* Section 2. This Act takes effect immediately in accordance with AS 01.10.070(c).

A M E N D M E N T

Offered in the HOUSE

By Martin and Rogers

TO: CSHB 159(L&C)

Page 2, after line 6: insert the following new material:

* Sec. 3. AS 23.30.040(a) is repealed and reenacted to read:

(a) There is created a second injury fund, administered by the commissioner. Money in the second injury fund may be used only for

(1) payments for the benefit of persons entitled to benefits from the second injury fund under this chapter as ordered or awarded by the board; and

(2) the cost of the rehabilitation services administered under AS 23.30.041.

Renumber subsequent bill sections.

Attachment #2

Alaska

HOUSING



FINANCE CORPORATION

April 1, 1982

The Honorable Russ Meekins, Jr.
Chairman, Loans Subcommittee
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Meekins:

Alaska Housing Finance Corporation has requested a supplemental bond authorization for FY 82 in the amount of \$210 million and a bond authorization for FY 83 of \$875 million.

The \$592 million of bond authorization received from FY 82 was based upon an estimate of mortgage loan demand of \$855 million and did not allow for the availability of funds beyond June, 1982. The Corporation availed itself of the full \$200 million of tax exempt bonds authorized under the Mortgage Subsidy Bond Tax Act of 1980. We estimate that a minimum of \$100 million of the proceeds of those bond sales will remain uncommitted on June 30, 1981. The carryover of these funds was felt to be preferable to losing a portion of the \$200 million which is authorized for the State of Alaska during calendar years 1981 - 1983.

We currently estimate that loan approvals for FY 82 will approach \$1 billion. We anticipate that funds currently available, when combined with the \$50 million of remaining bond authorization for FY 82, would be sufficient to operate the program until early June. However, were the public to become aware that the Corporation estimates it will be out of funds without legislative relief in the form of increased bond authorization we would expect the demand to increase dramatically as it has in the past under the same circumstances.

We feel it is critical to demonstrate to the residents of the state the continuity of the financial program of the Corporation. This is of particular importance at a time when many communities anticipate record building seasons and a general strengthening of local economies. To accomplish this we desire a level of bond authorization to insure the Corporation's ability to commit to mortgage loan purchases through July, 1982 which would allow a one month cushion. It should be emphasized that this bond authorization request is not a request for additional subsidy funds for the current fiscal year.

Attachment #3

-513-

Suite 300

Telephone (907) 274-4621

Plaza 201 E. 3rd Avenue

4/1/82

P.O. Box 1020
Anchorage, Alaska 99510

The Honorable Russ Meekins, Jr.
Chairman, Loans Subcommittee
April 1, 1982
Page 2

The request for a bond authorization in the amount of \$875 million for FY 83 is based upon the attached schedule. This schedule indicates the sources of funds expected to be available for mortgage purchases. The schedule reflects expansion of the program to tri and four-plex financing.

If you have any questions please contact Denna Cline at 465-2301 or myself at 276-5599.

Sincerely,

Mark Cameron
Mark Cameron *by DCC*

SUMMARY OF PROPOSED BOND FINANCINGS
Fiscal Year 1983

	<u>Carry-Over From Previous Year</u>	<u>Program Repayments and Earnings</u>	<u>Bond Proceeds</u>	<u>Sales Costs</u>	<u>Subsidy</u>	<u>Mortgages Used As Subsidy</u>	<u>Subsidy Allocation</u>	<u>Funds Available For Mortgage Purchase</u>
First Mortgage Taxable Program - State Assisted Mortgage Bonds	100	60	413	(5)	144	(130)	11	593
First Mortgage Veteran's Program - Veteran's State Guaranteed Bonds			75	(2)	9			82
First Mortgage Tax-Exempt Program - Home Mortgage Bonds	100		145	(3)	40	(24)	(11)	247
Second Mortgage Taxable Program - Second Mortgage Bonds	10		162	(2)	74			244
Second Mortgage Tax-Exempt Program - Home Improvement Loan Bonds	<u>5</u>	<u>—</u>	<u>40</u>	<u>(1)</u>	<u>16</u>	<u>—</u>	<u>—</u>	<u>60</u>
Sub-Total	<u>215</u>	<u>60</u>	<u>835</u>	<u>(13)</u>	<u>283</u>	<u>(154)</u>	<u>—</u>	<u>1,226</u>
Increase For Tri and Four - Plexes			<u>40</u>	<u>(1)</u>	<u>17</u>			<u>56</u>
TOTAL	<u>215</u>	<u>60</u>	<u>875</u>	<u>(14)</u>	<u>300</u>	<u>(154)</u>	<u>—</u>	<u>1,282</u>

28/1/17

MEMORANDUM

DATE: March 29, 1982
TO: Representative Russ Meekins
FROM: Carl Nelson
SUBJECT: Summary of Proposed Changes

AHFC

- 1) Allow the corporation to access the international bond market. Could result in a 1% savings on interest rate on bonds.
- 2) Decrease the amount of time for notice of bond sales to 24 hours. Could save up to 1% on interest rate on bonds.
- 3) Authorize the corporation to make loans for owner-occupied tri-plexes and four-plexes.
- 4) Pending the passage of HJR71, allow the corporation to use veterans G.O. bonds for veteran loans. This would save \$34 million per year.
- 5) Allow the purchase of commitments of loans from the corporation as follows: 1% for the first six months and 1/6% per month thereafter for up to a year total.
- 6) The rural owner-occupied and non-owner-occupied programs are moved to Dept. of C&RA.
- 7) Second mortgage program - Set the limit to no more than \$90,000 at subsidized rate, counting all loans 1st, 2nd, etc.

AIDA

- 1) Authorize the corporation to make loans for multi-family housing of five units or more.

Agriculture Revolving Loan Fund

- 1) The program is expanded to allow the financing of land clearing for farming.
- 2) Institute variable-rate interest to reduce farmer's dependence on subsidized funds and make for more equitable distribution of the funds.

Division of Business Loans

Alternate Technology and Energy

- 1) In keeping with the original intent of this program the following items will no longer be eligible for these loans: fireplaces, woodstove, coal and and multi-fuel burning devices.
- 2) The loan limit is raised to \$30,000, with interest at 5% on the first \$15,000, and 15% on the remainder.

Residential Energy

- 1) The department will be able to waive the requirement for energy audits where they feel the audits are unnecessary.

Child Care Facilities

- 1) The repayment time for these loans is increased from 10 to 20 years.

Commercial Fishing Loan Fund and Fishermans Mortgage and Note Fund

- 1) The two programs will be combined.
- 2) The qualification will be clarified.

Historical Districts Loan Fund

Language from HB6

- 1) The loan limit will be raised to \$250,000.

Mining Loan Fund

- 1) Converts this program to a revolving loan fund.

Community and Regional Affairs

Division of Housing Assistance; Nonconforming Housing

- 1) AHFC's rural programs are transfered to this program.
- 2) Effective Jan. 1, 1983 the interest rate is increased to the ratchet rate.

Bills To Be Used As Vehicles

SB 593

- 1) Supplemental bond authorization for AHFC.
- 2) Liberalized AHFC second mortgage program.

SB 666

- 1) Omnibus loan package.

SB 322

- 1) Appropriations.

SUMMARY OF CASH APPROPRIATIONS
in Millions of Dollars

	FY82 Appropriation	FY83 Proposed
<u>AHFC</u>		
Special mortgage purchase program	222.0	0.0
Mobile home program	18.0	45.0
<u>Housing Assistance Fund</u>	65.0	46.0
Dept. of C&RA includes non conforming housing and the rural programs previously in AHFC.		
<u>Agriculture Revolving Fund</u>	14.0	10.0
<u>AIDA</u>	8.0	0.0
<u>Scholarship Revolving Fund</u>	48.8	52.0
<u>Rural Electrification Revolving Loan Fund</u>	6.5	0.0
<u>Division of Business Loans</u>		
Commercial fishing	4.5	10.0
Fishermans mortgage and note	1.8	
Fisheries enhancement	8.0	17.0
Child care facilities	0.2	0.4
Residential care facilities	0.1	0.0
Alternative technology and energy	5.5	4.0
Residential energy conservation	5.5	4.5
Bulk Fuel	1.0	1.0
Historical districts	0.2	0.5
Mining	20.0	15.0
TOTAL	429.1	205.4

HOUSE FINANCE COMMITTEE

April 3, 1982

1:10 p.m.

(Tape HFC 82-38, Side 1, # 263)

PRESENT

Members of the committee in attendance: Representatives Adams, Haugen, Montgomery, Bettisworth, Chuckwuk, Cuddy, Fuller, Hurlbert and Meekins. Representatives Cotten and Carney were excused.

OTHERS PRESENT: Representative Randolph; Gene Wiles, Chevron Oil Company; Keith Specking, Office of the Governor; Phil Wall, Department of Revenue; Lorraine McGregory; Robert Kessel, Director, Division of Audit, Department of Revenue; Al Mongin, Assistant to Representative Metcalfe; Ken Humphries, Division of Retirement & Benefits, Department of Administration; Cherie Shelley, Executive Director, APEA; Dr. Randall Ackley, Director, University Within Walls Program; Harold Joe; Sheila Nickerson; Roger Lange, Division of Corrections, Department of Health and Social Services; Bob Schroeder, Fiscal Analyst, Legislative Finance Division; and Marian Schafer, Longevity Bonus, Department of Administration.

Chairman Adams called the meeting to order and informed committee members that the first bill to be considered would be HB 699.

HB 699

HB 699 - "An Act making a special appropriation to the University of Alaska for the purchase, renovation, and maintenance of the careage House for use as student housing; and providing for an effective date."

Chairman Adams provided an overview of the bill. The bill previously been considered by the committee. A proposed finance committee substitute was prepared which appropriates \$10.9 for land acquisition and \$2.2 for site preparation, architectural and engineering design in planning for the housing project.

Representative Bettisworth MOVED to report out of committee CSHB 699 (Finance). There being NO OBJECTION it was so ordered. CSHB 699 (Finance) was reported out of committee with "individual recommendations".

HB 2

HB 2 - "An Act relating to the use and disposal of state land."

Representative Bettisworth MOVED AND ASKED UNANIMOUS CONSENT that amendments 1, 2, 3, 4 and 5 be incorporated in the resource committee substitute for HB 2 (see attached - attachment #1). There being NO OBJECTION it was so ordered.

Representative Bettisworth MOVED AND ASKED UNANIMOUS CONSENT to incorporate amendment #2 in the resource committee substitute for HB 2 (see attached - attachment #2). Representative Ariams OBJECTED for purpose of discussion. Representative Bettisworth stated that this amendment has to do with the long standing dispute between the Department of Natural Resources and the University of Alaska in control and management of the University of Alaska's land grant lands. He indicated that the state has agreed to turn the lands back to the University and this is enabling legislation to accomplish that. Chairman Adams asked if the compromise between Natural Resources and the University of Alaska Board of Regents was settled? Representative Bettisworth stated that it is. Chairman Adams REMOVED HIS OBJECTION.

Representative Bettisworth MOVED to delete the words "but subject to the appropriation of money and additional legislation to implement that agreement" on amendment #2. There being NO OBJECTION it was so ordered.

Representative Bettisworth MOVED AND ASKED UNANIMOUS CONSENT that a committee substitute be drafted incorporating the approved amendments and CSHB 2 (Finance) be reported out of committee. There being NO OBJECTION it was so ordered. CSHB 2 (Finance) was reported out of committee with "individual recommendations".

Representative Chuckwuk MOVED that the committee rescind its action in reporting HB 2 out of committee. Representative Chuckwuk referred to a press release which stated that "Alaska residents will soon have the opportunity to obtain land through sweat equity, if a homesteading bill approved by the House Resources Committee becomes law". Representative Chuckwuk stated that if the bill was passed there would be many problems created. He stated that when the legislature promotes new areas of development people come to the legislature and ask for additional development concerns (ie: schools, roads, etcetera). Representative Chuckwuk stated that he is concerned that the original sponsors, who are fiscally conservative, would even promote this legislation. He referred to the community of Lake Clark which originated from a homestead program and the current inclusion of funding in this year's proposed capital project for a new school for the community. It is Representative Chuckwuk's feeling that this type of homesteading should not be allowed.

The QUESTION was called for. The MOTION FAILED. CSHB 2 (Finance) was reported out of committee.

GENE WILES with Chevron Oil Company stated that it was his understanding that their company was going to be given an

opportunity to testify on this bill. He indicated that this is an illustration of where the administration has "piggybacked" an amendment on a bill and there has been no opportunity for a hearing on the bill. He stated that he has not had an opportunity to testify nor anyone else in the room. He indicated that he did not feel this was the proper procedure for handling a bill. Mr. Wiles stated that Chevron Oil Company objects to the bill.

HB 23

HB 23 - "An Act establishing a personal loan program for Alaska residents; and providing for an effective date."

KEITH SPECKING with the Office of the Governor, stated that the governor is supportive of the one time only distribution provided that it will be enacted with an on-going program. He stated that if a choice had to be made between the two, the governor would probably choose the on-going dividend distribution program.

Representative Meekins asked how the fact that there was not a Supreme Court decision relates to the governor's feeling that he would prefer an on-going program? Mr. Specking indicated that they are still hopeful that a decision will come. Should that decision come after members have left, there would be in place a back stop that would provide for an on-going dividend distribution that would consist of one-half of the earnings of the permanent fund divided by the population. He stated that originally there would have been a dividend payment of \$50 which had required that the legislature provide general fund money to make up the difference between half the earnings at the \$50 amount. Subsequently, the legislation has been rewritten to exclude the requirement for any general fund addition to the annual dividend.

Representative Meekins asked if the court comes down in a month and didn't invalidate it; then would the permanent fund dividend program which has already been passed be the one which is implemented? Mr. Specking indicated that it would. He stated that there is a very strong expectancy that there would be an on-going dividend distribution program. He stated that were he a legislator, he would not want to leave Juneau without having an on-going distribution program.

Representative Fuller stated that this is a one-time program and asked if the governor accepts that this is the best that can be done at this time? Mr. Specking stated that the governor does not accept that this is the best that can be done. He indicated that the governor would prefer to see a one-time with a continuing program which could be amended to the bill. The governor has no substantive problems with the language for the one-time program.

Chairman Adams stated that one of the eligibility requirements is the residency requirement of six months. He asked if Mr. Specking saw any problems with the legality of that? Mr. Specking stated that they have researched the issue and believe that the six month period could be held. He stated that as you extend the period of residency you become more subject to someone making a test of it.

REPRESENTATIVE RANDOLPH, sponsor of the bill, informed committee members that the bill is a one-time only, \$1,000 payment, which makes use of the funds which have already been appropriated plus those which would have to be appropriated if the Supreme Court rules in favor of the state for this year. He stated that he agrees to some extent with Mr. Specking that the legislature devise a continuing program. Representative Randolph stated that the bill allows for a couple of minor studies which he feels are important. One would study the effect of a direct distribution based on this distribution plan. He indicated that there is a lot of disagreement about what the benefits will be. He indicated that there is a need to evaluate the effect of a distribution payment. HB 24 will provide money for a study to accomodate that evaluation. The second study which is desirable is a detailed analysis of other approaches to direct distribution, specifically that philosophy embodied in HB 642 which deals with the royalty trust proposal.

Chairman Adams asked if he had been working with the Department of Revenue to get an accurate fiscal note? Representative Randolph stated that his information from Revenue indicates that during FY 82 the cost will be \$645,000 and FY 83 would be over two million. He stated that the fiscal notes are to be available on Monday, April 5.

Representative Montgomery referred to the section pertaining to minors; he asked if there are restrictions on how those payments will be handled? Representative Randolph stated that there are not. The subcommittee's opinion is that the money which goes to minors should get into the family so they can receive benefit from the funds.

With regard to the Royalty Trust program, Representative Randolph stated that it would provide for an on-going distribution program that would not be subjected to people moving to Alaska and receiving funds only after a short period of time. He stated that this is one of the short comings of just continuing the distribution through this program. Representative Randolph stated that under the trust program; those individuals who are Alaskans as of the effective date of the trust would be beneficiaries of the trust. Individuals arriving after the effective date would not receive any benefit in the trust. He stated that there are a lot of unanswered questions which should be looked at.

Tape Change 82-38, Side 2, #001)

There was discussion concerning clauses included in the bill for the protection of elderly residents on a fixed income and protection by the administering department against fraud.

With regard to a question from Representative Chuckwuk concerning the policy, purpose and findings section of the bill; Representative Randolph stated that it is included to make it clear what the legislature's intent is and in the event of future legal actions what the state's position is. He stated that you have to have a public purpose when distributing money.

Chairman Adams indicated that it is his intent to hold HB 23 until such time as the fiscal notes which are to accompany HB 24 are submitted by the Department.

HB 24

HB 24 - "An Act making a special appropriation to the Department of Commerce and Economic Development to establish a personal loan program; and providing for an effective date."

Representative Randolph stated that the total cost of the legislation is \$430,092.1. He stated that he would suspect that the \$650,000 fiscal note which will be coming from Revenue is in addition to this figure.

Representative Meekins stated that he would like to commend the originator of the idea of a study on the effects of a distributio program. Representative Randolph responded that there was testimony and the point evolved that if you take the same billion dollars and directly distribute it and compare it to the same billion dollars which is used to pay for high priced construction workers on capital projects or highly paid state employees; the federal tax implication is far less under a direct distribution than it is if it were going out in wages to individuals who are making relatively high salaries. Representative Meekins stated that with regard to the appropriation, there is a bill by the Permanent Fund Board of Trustees, which would create an undistributed fund account. They would take 50% of the actual income any one year which would return to the permanent fund and the other 50% would go into this undistributed account. He stated that the actual income which the statute refers to is a weighted average which is always going to be less as long as the balance of the fund is increasing like it is with contributions and 25% mandantory in. He stated that if they were to accept that legislation, which is recommended by the board, it would put 50% of the last year actual into the fund which would be approximately \$100 million more than what actually went into the general fund this year. Consequently, you would have approximately \$100 million which without that bill would be

returning to the permanent fund principal which would go to the dividend account. He stated that you might be able to appropriate the \$100 million out of that account instead of the general fund.

There was discussion concerning the amount of interest accrued on permanent fund deposits and utilization of the interest to absorb the administrative costs associated with HB 23.

HB 24 was held pending receipt of fiscal note information.

HB 862

HB 862 - "An Act making the repeal of AS 39.35.545 retroactive to July 1, 1968; and providing for an effective date."

LORRAINE MCGREGORY, a thrity-six year resident of Alaska, gave a background of her experience with the inequities of the state's retirement and widows benefits program.

Representative Chuckwuk MOVED to report out of committee HB 862. There being NO OBJECTION it was so ordered.

Representative Montgomery MOVED that a letter of intent be included with the bill and reported out of committee. There being NO OBJECTION it was so ordered. HB 862 was reported out of committee with a letter of intent and a "do pass" recommendation.

RECESS

Chairman Adams called a recess at 2:15 p.m. The meeting reconvened at 2:27 p.m.

BILL ASSIGNMENTS

Chairman Adams made the following bill assignment:

HB 11 - Re: Midwifery - CARNEY

HB 806 - Re: Hazardous or toxic substances - BETTISWORTH

HB 286 - Spec. approp/Grant/Nenana/ferry construction -
HAUGEN

HB 357 - Re: Adult Public Assistance - CARNEY

HB 758 - Re: Energy program for Alaska - HAUGEN/BETTISWORTH

HB 878 - Issuance G.O. bonds/ U. of A. Dormitory - ADAMS

SB 101 - Re: Trs. and Authorization adoptions/ regs/ Teachers Retirement Board - CHUCKWUK

SB 545 - Re: Release after conviction of offense - HURLBERT

HJR 48 - Am. Ak. Constitution/ Size of Legislature - CHUCKWUK

The next bill to be discussed was HB 37.

HB 37 - "An Act repealing all state taxes except the oil and gas corporate income tax (AS 43.21); and providing for an effective date."

Representative Cuddy stated that both sides of the issue are in agreement with regard to Sections 1 and 2; however, Section 3 is controversial. He referred to a memo from the Department of Law dated March 25, 1982 (see attached - attachment #3). The Department is concerned with the public purpose requirement and wondering if there is public purpose in doing away with the supposed motor fuel tax. Representative Cuddy stated that he is not completely satisfied that there is not a constitutional problem in violating the public purpose requirement in Section 3. He stated that he agrees that the motor fuel wholesalers should not get hit with back taxes due because someone misrepresented the intended use for the motor fuel. He questioned whether there was a need for another state employee as noted in the fiscal note.

ROBERT KESSEL, Director of Audit with the Department of Revenue, stated that CSHB 37 was precipitated as a result of audits performed by the Department of Revenue wherein deficiencies were noted in the collection of the motor fuel tax on the part of the distributors. Section 3 of the bill is one which concerns the Department and they feel it is unnecessary. Mr. Kessel stated that they have been working with an attorney representing the motor fuel people who have been audited and the motor fuel wholesalers who have been audited. He stated that the Department feels those meetings have been successful and that next Tuesday they would be meeting individually with the distributors involved to look at an audit scope and would allow them to strike from the audit those sales where a reasonable belief exists that these sales were used for heating oil. Mr. Kessel stated that arrangements have been made for next Tuesday and Wednesday in Anchorage to allow those dealers to obtain affidavits from contractors stating that they have used certain fuel as heating oil. Upon the receipt of the signed affidavits, they will be removed from the audit and the audit assessments would be reduced.

Mr. Kessel indicated that instead of Section 3 the Department would recommend that a Letter of Intent be drafted instructing the Revenue Department to remove from the current audit those sales of motor fuel where a reasonable belief exists that such motor fuel was in fact used as heating oil.

Representative Bettisworth informed committee members that in those areas where a dealer can not get certification for the purchase of the fuel that was used as heating fuel; the Department is going to try to collect back taxes from motor fuel distributors. He stated that even if Section 3 is removed, they will continue to do that.

Tape Change 82-39, Side 1, #001

AL MONGIN, Aide to Representative Metcalfe, stated that on the point on the affidavits, this is an important procedural step; however, there are some dealers who have customers who have either gone bankrupt or have moved and they would not be able to secure affidavits. He stated that under the Department of Revenue's current procedures in order to take the matter to court the dealer must pay all of the assessment. That is the purpose of Section 3 which is to find another avenue of legal redress for those dealers. Mr. Mongin stated that where a dealer delivers diesel fuel to a holding tank, the practice in the past has been to request a list which part would be used for motor vehicles and which part for heat and the tax would be collected on that basis. The Department for thirty-five years accepted this practice and now it is the department which is going retroactive, not the statute which was the view Representative Metcalfe took in having this bill drafted.

Representative Fuller stated that the air carriers go along with the amendment which puts a one-half cent a gallon tax on aviation gas and one-fourth cent a gallon on all aviation fuel. He stated that the reason they are willing to tax themselves is that although the money can not be dedicated; it is the expectation that the agency will help the Alaska Aviation Safety Foundation to have this additional money to run their own aviation program.

Representative Fuller MOVED to accept the amendment and a new committee substitute be drafted (see attached - attachment #4). There being NO OBJECTION it was so ordered.

Representative Fuller MOVED AND ASKED UNANIMOUS CONSENT to report out of committee CSHB 37 (Finance). There being NO OBJECTION it was so ordered. CSHB 37 (Finance) was reported out of committee with a "do pass" recommendation.

(Representatives Cuddy and Hurlbert left.)

HB 501

The next bill to be considered was HB 501.

HB 501 -- "An Act making a special appropriation to the Department of Education for the university within walls program; and providing for an effective date."

Chairman Adams gave a brief overview of the bill. He advised there is a proposed Finance CS which would appropriate \$800,000 to the Division of Health and Social Services, Division of Corrections.

DR. RANDALL ACKLEY, Director, University Within Walls Program, advised this bill is the second step in developing a statewide education training program in correctional facilities in the State. He said the funding, because of some of the problems they have had, would be more effectively placed in the University of Alaska budget. He said they have had problems in receiving RSA's. It sometimes take 3 to 5 months to move the money from one state agency to another.

Dr. Ackley said Alaska has had the unfortunate situation of having a 57% increase in the prison population since 1978. The cost of each person being in prison, simply for room and board, is over \$30,000 a year, and this does not include the cost for construction of facilities. He said they have approximately 400 students in educational programs around the state. He said with this funding they will move into the second stage of the program, which is providing a learning center, to provide basic education. He said it would also provide for development of ten vocational areas in the state's education program.

(Representative Hurlbert returned at this time.)

Dr. Ackley commented further on the need for this type of a program in correctional facilities.

Representative Montgomery questioned his comment that putting the money into the Department of Health and Social Services would delay the program. Dr. Ackley commented the funds lapse on June 30 and if the money isn't spent it will lapse. He explained they were given a grant to set up a training program that was supposed to start on July 1. He said they received a RSA in March directing them to have their request in no later than February 15 -- two weeks before they received the letter. Representative Montgomery commented if the money were appropriated to the University it would still lapse. Dr. Ackley agreed, but he said the funds would be available July 1. There was discussion on where the funds should be placed.

MR. HAROLD JOE testified in favor of the legislation.

MS. SHEILA NICKERSON said what they have is a comprehensive cohesive statewide University program that provides opportunities for inmates to get an associate arts degree from the University of Alaska - Juneau. She said this means if an inmate is transferred to another institution that he will be able to proceed forward with his academic career. She said the aspect of the University of Alaska - Juneau is very important. She explained the degree says the inmate obtained it from UAJ, not

that he obtained it in jail, which is a tremendous help to the prisoner. She said their primary concern is that inmates be able to have jobs when they get out. She commented further on the program.

Representative Meekins said he supports the program. His only concern is where the money should be placed. Ms. Nickerson said she thinks the funds belong in the University budget.

Representative Meekins asked what they do about inmates who are not ready to try and obtain a University degree, who really need to get their GED's. Ms. Nickerson said there is a GED program in the institutions they can go to.

Representative Fuller expressed concern that if the funds are placed in the University budget he will not be able to get the necessary support to have the bill passed. He recommended going along with the Finance CS.

In answer to a question from Representative Chuckwuk, Chairman Adams said this is a one time appropriation. He said there are also funds in the operating budget in the Division of Corrections. MR. BOB SCHRÖDER, Fiscal Analyst, Legislative Finance Division, said there is about \$625,000 in the program around the state.

Representative Meekins said he doesn't see why there should be a problem with transferring the funds. He said he didn't want the program hurt. He asked if Mr. Lange could respond to the comments made on the problems with getting the funds and make a commitment that the funds wouldn't be delayed. MR. ROGER LANGE, Division of Corrections, said the RSA system is a problem whether they are dealing with the University of Alaska or the Department of Transportation. He said these transactions seem to take a remarkable length of time to get through the system. He said he would assure the University that the appropriation in the budget would be available to them. There was further discussion.

Representative Montgomery commented the \$800,000 is a statewide appropriation, not just for Juneau.

Representative Montgomery MOVED AND ASKED UNANIMOUS CONSENT that CSHB 501 (Fin) be reported out of Committee. There being NO OBJECTION, it was so ordered.

Representative Chuckwuk commented the efforts of the Committee have been to cut the budget this year. He said by passing this appropriation they are contributing to an operating budget by increasing the amount.

CSHB 501 (Fin) was reported out with a "do pass" recommendation.

HB 725

The next bill to be considered was HB 725.

HB 725 -- "An Act relating to the effect of absences from the state on receipt of the Alaska Longevity Bonus; and providing for an effective date."

Chairman Adams gave a brief overview of the Bill.

Representative Bettisworth said he has had a number of requests from long time Alaskans to have an opportunity to be able to go outside for more than 30 days and not lose their longevity bonus.

MS. MARIAN SCHAFFER, Director, Alaska Longevity Bonus, testified the Department of Administration believes there should be no changes made to the Statute relating to the Longevity Bonus. She said they feel it is contrary to the statute to pay people for being outside the State. She advised the fiscal note is based on the number of recipients absent from the State during the last 12 calendar months. She said she has been asked to convey to the Committee that if they wish to enact this legislation, there are some minor changes they would propose.

(Tape change, HFC 82-40, side 1.)

Ms. Schaffer said they would recommend that all persons absent over 30 days let the Department know and they will be paid retroactively upon their return. She said they would also recommend that only one such payment be allowed in a 13-month period.

Representative Meekins asked how much they lapsed last year. Ms. Schaffer said approximately \$250,000 out of a \$19 million budget. Representative Meekins asked if they expected to lapse any funds this year. Ms. Schaffer said approximately \$400,000.

Representative Meekins asked how many people actually notify them of temporary absences from the State. Ms. Schaffer said very few do not. She said approximately 95% do.

Representative Meekins said he thinks the fiscal note was incorrectly prepared. He didn't think the cost would be as much as the fiscal note indicates. There was discussion.

Representative Bettisworth asked if the Department had prepared an amendment along the lines of the changes she suggested. Ms. Schaffer said they have not at this point.

Chairman Adams said he opposed this legislation. He said he thinks it gets away from the purpose of the bonus which was to help people staying in Alaska pay for the high cost of living.

Representative Meekins asked what happens if a person has to leave for medical reasons. Ms. Schaffer said the statute doesn't make any provisions for that situation.

Representative Meekins suggested a compromise to this legislation would be to continue to only allow for vacations outside for 30 days, but make an exception for people forced to leave for medical reasons. Representative Bettisworth said he thinks that would be an excellent amendment.

Chairman Adams said he will hold the bill in Committee so further amendments could be considered.

(Representative Hurlbert left.)

HB 853

The next bill to be considered was HB 853.

HB 853 -- "An Act relating to permanent fund dividends; and providing for an effective date."

Chairman Adams gave a brief overview of the bill.

Representative Montgomery MOVED AND ASKED UNANIMOUS CONSENT to report the bill out with a zero fiscal note. There being NO OBJECTION, it was so ordered. HB 853 was reported out with a "do pass" recommendation.

HB 639

The next bill to be considered was HB 639.

HB 639 -- "An Act relating to supplemental employee benefits; and providing for an effective date."

Chairman Adams presented an overview of the bill.

MR. KEN HUMPHRIES, Division of Retirement and Benefits, said when the program was initially instituted they think there was clear legislative intent that the program constitutes a retirement program. He said removing the age limit will have two effects. He said it may adversely effect the interest earnings for the other participants. He said from an administrative point of view it is an inconvenience. He said the retirement issue really surfaces on this question. He said the bill will allow people to withdraw the money.

Mr. Humphries said they think it is up to the Legislature to decide what the intent of the legislation was.

MS. CHERIE SHELLEY, Executive Director, APEA, disagreed with Mr. Humphries statement on the legislature's intent. She said this

issue was not even addressed. She said the situation was that they would work out these things later. She said APEA has always objected to the age of 55 and \$1,000 limitations. She commented that many employees retire after 20 years of working for the state.

Ms. Shelley advised the program was tailored to the individual employee so each employee could decide what to do with their own funds.

REPRESENTATIVE DICK RANDOLPH, District 20, said he thinks this legislation serves a legitimate purpose. He said this money does belong to those people. He recommended amending the legislation on page 1, line 12 to change "may" to "shall".

Representative Montgomery asked if that were done, would the employee then not have the choice of leaving the money in if he wished. Representative Randolph said he would still have the choice. The Legislation says "shall, upon application of the employee . . .".

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

Representative Chuckwuk MOVED to report the bill out as amended with the fiscal note. There was brief discussion. There being NO OBJECTION, it was so ordered.

HB 689

The next bill to be considered was HB 689.

SSHB 689 -- "An Act relating to registration of motor vehicles by members of the Alaska National Guard."

Representative Meekins MOVED AND ASKED UNANIMOUS CONSENT to report SSHB 689 out of Committee. Representative Fuller OBJECTED. There being NO FURTHER OBJECTION, SSHB 689 was reported out with individual recommendations.

ADJOURNMENT

The meeting adjourned at 4:00 p.m.

Tape HFC 82-38, Side 1, #263
82-38, Side 2 to end
Tape HFC 82-39, Side 1, #001
82-39, Side 2 to end
Tape HFC 82-40, Side 1, #603

HB 2

FOR AN ACT ENTITLED: "An Act relating to state lands; and providing for an effective date."

#1

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

*Section 1. AS 38.05.180 is amended by adding a new subsection to read:

(v) In order to achieve the purposes of (a) of this section, to conduct the pre-sale analysis required by (f) of this section, and to assist the department in knowledgeably managing the leasing, exploration, and development of oil and gas resources underlying state land, the commissioner shall require persons conducting geophysical exploration for oil or gas resources or drilling a stratigraphic test well on unleased state land to provide him with access to and copies of all uninterpreted exploration data acquired from these activities. The commissioner shall pay all reasonable costs of reproducing the data. The commissioner shall keep all exploration data submitted to the department under this subsection confidential in accordance with AS 38.05.035(a)(9)(c). All employees, agents, or contractors of the department who have access to exploration data submitted under this paragraph are subject to AS 11.56.860.

*Section 2. This Act takes effect immediately in accordance with AS 01.10.070(c). This Act shall apply only to uninterpreted exploration data acquired after the effective date of this Act.

*Section 3. "Uninterpreted exploration data" means facts and statistics which have not been analyzed or processed.

#1

that he obtained it in jail, which is a tremendous help to the prisoner. She said their primary concern is that inmates be able to have jobs when they get out. She commented further on the program.

Representative Meekins said he supports the program. His only concern is where the money should be placed. Ms. Nickerson said she thinks the funds belong in the University budget.

Representative Meekins asked what they do about inmates who are not ready to try and obtain a University degree, who really need to get their GED's. Ms. Nickerson said there is a GED program in the institutions they can go to.

Representative Fuller expressed concern that if the funds are placed in the University budget he will not be able to get the necessary support to have the bill passed. He recommended going along with the Finance CS.

In answer to a question from Representative Chuckwuk, Chairman Adams said this is a one time appropriation. He said there are also funds in the operating budget in the Division of Corrections. MR. BOB SCHROEDER, Fiscal Analyst, Legislative Finance Division, said there is about \$625,000 in the program around the state.

Representative Meekins said he doesn't see why there should be a problem with transferring the funds. He said he didn't want the program hurt. He asked if Mr. Lange could respond to the comments made on the problems with getting the funds and make a commitment that the funds wouldn't be delayed. MR. ROGER LANGE, Division of Corrections, said the RSA system is a problem whether they are dealing with the University of Alaska or the Department of Transportation. He said these transactions seem to take a remarkable length of time to get through the system. He said he would assure the University that the appropriation in the budget would be available to them. There was further discussion.

Representative Montgomery commented the \$800,000 is a statewide appropriation, not just for Juneau.

Representative Montgomery MOVED AND ASKED UNANIMOUS CONSENT that CSHB 501 (Fin) be reported out of Committee. There being NO OBJECTION, it was so ordered.

Representative Chuckwuk commented the efforts of the Committee have been to cut the budget this year. He said by passing this appropriation they are contributing to an operating budget by increasing the amount.

CSHB 501 (Fin) was reported out with a "do pass" recommendation.

HB 725

The next bill to be considered was HB 725.

HB 725 -- "An Act relating to the effect of absences from the state on receipt of the Alaska Longevity Bonus; and providing for an effective date."

Chairman Adams gave a brief overview of the Bill.

Representative Bettisworth said he has had a number of requests from long time Alaskans to have an opportunity to be able to go outside for more than 30 days and not lose their longevity bonus.

MS. MARIAN SCHAFFER, Director, Alaska Longevity Bonus, testified the Department of Administration believes there should be no changes made to the Statute relating to the Longevity Bonus. She said they feel it is contrary to the statute to pay people for being outside the State. She advised the fiscal note is based on the number of recipients absent from the State during the last 12 calendar months. She said she has been asked to convey to the Committee that if they wish to enact this legislation, there are some minor changes they would propose.

(Tape change, HFC 82-40, side 1.)

Ms. Schaffer said they would recommend that all persons absent over 30 days let the Department know and they will be paid retroactively upon their return. She said they would also recommend that only one such payment be allowed in a 13-month period.

Representative Meekins asked how much they lapsed last year. Ms. Schaffer said approximately \$250,000 out of a \$19 million budget. Representative Meekins asked if they expected to lapse any funds this year. Ms. Schaffer said approximately \$400,000.

Representative Meekins asked how many people actually notify them of temporary absences from the State. Ms. Schaffer said very few do not. She said approximately 95% do.

Representative Meekins said he thinks the fiscal note was incorrectly prepared. He didn't think the cost would be as much as the fiscal note indicates. There was discussion.

Representative Bettisworth asked if the Department had prepared an amendment along the lines of the changes she suggested. Ms. Schaffer said they have not at this point.

Chairman Adams said he opposed this legislation. He said he thinks it gets away from the purpose of the bonus which was to help people staying in Alaska pay for the high cost of living.

Representative Meekins asked what happens if a person has to leave for medical reasons. Ms. Schaffer said the statute doesn't make any provisions for that situation.

Representative Meekins suggested a compromise to this legislation would be to continue to only allow for vacations outside for 30 days, but make an exception for people forced to leave for medical reasons. Representative Bettisworth said he thinks that would be an excellent amendment.

Chairman Adams said he will hold the bill in Committee so further amendments could be considered.

(Representative Hurlbert left.)

HB 853

The next bill to be considered was HB 853.

HB 853 -- "An Act relating to permanent fund dividends; and providing for an effective date."

Chairman Adams gave a brief overview of the bill.

Representative Montgomery MOVED AND ASKED UNANIMOUS CONSENT to report the bill out with a zero fiscal note. There being NO OBJECTION, it was so ordered. HB 853 was reported out with a "do pass" recommendation.

HB 639

The next bill to be considered was HB 639.

HB 639 -- "An Act relating to supplemental employee benefits; and providing for an effective date."

Chairman Adams presented an overview of the bill.

MR. KEN HUMPHRIES, Division of Retirement and Benefits, said when the program was initially instituted they think there was clear legislative intent that the program constitutes a retirement program. He said removing the age limit will have two effects. He said it may adversely effect the interest earnings for the other participants. He said from an administrative point of view it is an inconvenience. He said the retirement issue really surfaces on this question. He said the bill will allow people to withdraw the money.

Mr. Humphries said they think it is up to the Legislature to decide what the intent of the legislation was.

MS. CHERIE SHELLEY, Executive Director, APEA, disagreed with Mr. Humphries statement on the legislature's intent. She said this

issue was not even addressed. She said the situation was that they would work out these things later. She said APEA has always objected to the age of 55 and \$1,000 limitations. She commented that many employees retire after 20 years of working for the state.

Ms. Shelley advised the program was tailored to the individual employee so each employee could decide what to do with their own funds.

REPRESENTATIVE DICK RANDOLPH, District 20, said he thinks this legislation serves a legitimate purpose. He said this money does belong to those people. He recommended amending the legislation on page 1, line 12 to change "may" to "shall".

Representative Montgomery asked if that were done, would the employee then not have the choice of leaving the money in if he wished. Representative Randolph said he would still have the choice. The Legislation says "shall, upon application of the employee . . .".

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

Representative Chuckwuk MOVED to report the bill out as amended with the fiscal note. There was brief discussion. There being NO OBJECTION, it was so ordered.

HB 689

The next bill to be considered was HB 689.

SSHB 689 -- "An Act relating to registration of motor vehicles by members of the Alaska National Guard."

Representative Meekins MOVED AND ASKED UNANIMOUS CONSENT to report SSHB 689 out of Committee. Representative Fuller OBJECTED. There being NO FURTHER OBJECTION, SSHB 689 was reported out with individual recommendations.

ADJOURNMENT

The meeting adjourned at 4:00 p.m.

Tape HFC 82-38, Side 1, #263
82-38, Side 2 to end
Tape HFC 82-39, Side 1, #001
82-39, Side 2 to end
Tape HFC 82-40, Side 1, #603

HB 2

FOR AN ACT ENTITLED: "An Act relating to state lands; and providing for an effective date."

#1

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

*Section 1. AS 38.05.180 is amended by adding a new subsection to read:

(v) In order to achieve the purposes of (a) of this section, to conduct the pre-sale analysis required by (f) of this section, and to assist the department in knowledgeably managing the leasing, exploration, and development of oil and gas resources underlying state land, the commissioner shall require persons conducting geophysical exploration for oil or gas resources or drilling a stratigraphic test well on unleased state land to provide him with access to and copies of all uninterpreted exploration data acquired from these activities. The commissioner shall pay all reasonable costs of reproducing the data. The commissioner shall keep all exploration data submitted to the department under this subsection confidential in accordance with AS 38.05.035(a)(9)(c). All employees, agents, or contractors of the department who have access to exploration data submitted under this paragraph are subject to AS 11.56.860.

*Section 2. This Act takes effect immediately in accordance with AS 01.10.070(c). This Act shall apply only to uninterpreted exploration data acquired after the effective date of this Act.

*Section 3 . "Uninterpreted exploration data" means facts and statistics which have not been analyzed or processed.

#1

Amendment to HB 2: "An Act relating to state lands; and providing for an effective date."

* Section 1. PURPOSE. The purpose of this Act is to provide for the settlement of certain claims and litigation, and to transfer legal title and management of University-grant lands from the Department of Natural Resources to the University of Alaska Board of Regents.

* Sec. 2. CONVEYANCE. The Commissioner of the Department of Natural Resources is authorized and directed to convey to the University of Alaska Board of Regents all right, title, and interest of the State of Alaska in and to those University-grant lands identified in Appendices E and N in the document entitled "Settlement Agreement Between The Department of Natural Resources, The Department of Revenue, And The Department of Administration and The University Of Alaska and The Board of Regents, As Trustees For The University of Alaska," which was submitted to the Alaska State Legislature on the date of the introduction of this bill, the terms of which are hereby ratified as to the duties and obligations of the State of Alaska and the Board of Regents of the University of Alaska, ^B ~~but subject to the appropriation of money and additional legislation to implement that agreement.~~

* Sec. 3. AS 14.40.170 is amended to read:

Sec. 14.40.170(a)(4). have the care, control and management of all the real and personal property of the university, including the management of those University-grant lands conveyed to the University of Alaska Board of Regents pursuant to section 2 of this Act in accordance with the purposes provided for by the Act of March 4, 1915 (38 Stat. 1214), as amended, and the Act of January 21, 1929 (45 Stat. 1091), as amended;

* Sec. 4. AS 14.40.170 is amended by adding a new subsection to read:

Sec. 14.40.170(a)(7). adopt reasonable rules providing for prudent trust management, and providing for adequate public notice of all sales, leases, exchanges or other dispositions of University-grant lands, or interests therein.

* Sec. 5. This Act takes effect immediately in accordance with AS 01.10.-070(c).

#2

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

JAY S. HAMMOND, GOVERNOR

POUCH K--STATE CAPITOL
JUNEAU, ALASKA 99811

March 25, 1982

Honorable David W. Cuddy
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Cuddy:

You have requested an opinion from this department concerning the constitutionality of § 3 of CSHB 37 which provides a retroactive tax exemption to dealers of motor fuel who failed to collect the tax based on a reasonable belief that the fuel was not to be used as motor fuel. There was also concern expressed at the March 25 subcommittee hearing on the need for a penalty provision which would provide the Department of Revenue with a remedy against the "user" of motor fuel who files a false certificate of use. These two issues will be addressed in turn.

AS 43.40.010(c) presently imposes a duty upon the dealer to collect the motor fuel tax. The dealer is absolutely liable for failure to collect the tax if the sale is not exempt. Section 3 of CSHB 37 could change the law to retroactively grant tax relief to the dealer based solely upon the dealer's "reasonable belief" that the sale was exempt, whether or not the sale was in fact exempt. The effect of this proposed change is that claims presently enforceable by the Department of Revenue would be forgiven because all dealers who now owe taxes could raise a new defense to payment which would retroactively absolve them from liability.¹

It is the Department's view that this amendment may violate Article IX, section 6 of the Alaska Constitution. This section provides that appropriations of public money may be made only for a public purpose. While the Alaska Supreme Court has not specifically addressed the question of the

¹ It should be noted that even under the present law, the Department of Revenue would certainly consider the dealer's belief as evidence of whether the sale is exempt. However, the law requires some objective evidence of exemption and not just the dealer's untested belief.

Honorable David W. Cuddy
Alaska State Legislature
March 26, 1982
Page 2

validity of retroactive tax repeals, courts in other jurisdictions have held that as a general rule, retroactive repeals of validly imposed taxes constitute an appropriation of public money for essentially private benefit. City of Yakima v. Huza, 407 P.2d 815 (Wash. 1965); In re Skinners Estate, 303 P.2d 745 (Cal. 1956); In re Stanford's Estate 58 P. 465 (Cal. 1899). The prohibition applies not only to an actual refund of taxes, but to any legislation that would "in any way surrender, impair or limit rights that have become fixed." In re Skinner's Estate. The rationale of these decisions is that retroactive repeal which forgives unpaid taxes does not benefit the collective public to whom the money in the state treasury belongs, but benefits the private individuals who receive the funds.

The proposed language in § 3 of to CSHB 37 does not appear to be a release of tax liability for the benefit of the general population of Alaska. Rather, it is intended to benefit dealers who failed to collect the tax at the time of sale as required by AS 43.40.010(c). For these reasons, we would recommend that § 3 be deleted from the bill.

A question was also raised at the hearing as to whether the penalty contained in AS 43.40.020 and repealed by Section 3 Ch. 116 SLA 1977 should be reinstated to provide recourse against the user who files a false certificate. Representative Metcalfe has correctly pointed out that the general penalty provisions of AS 43.05.290 would apply to the user who files a certificate and ultimately uses the fuel in a manner that is not tax exempt. However, it may be helpful to clarify the obvious intent of AS 43.40.100(3)(c) by providing that in addition to penalties, the user who files a certificate of use for fuel that is in fact not exempt is also liable for the tax itself.

Honorable David W. Cuddy
Alaska State Legislature
March 26, 1982
Page 3

If we can be of any further assistance to you or
your subcommittee, please let me know.

Sincerely,

WILSON L. CONDON
ATTORNEY GENERAL

By: 
Barbara Herman
Assistant Attorney General

AMENDMENT HB 37

*Section 1. AS 43.40 is amended by adding a new section to read:

Sec. AS 43.40.015. SURTAX ON AVIATION FUEL. (a) There is levied a surtax on aviation fuel, in addition to the tax imposed in AS 43.40.010, in the following amounts:

- (1) One-half cent a gallon on all aviation gasoline sold or otherwise transferred in the state or consumed by a user; and
 - (2) One-fourth cent a gallon on all aviation fuel other than gasoline sold or otherwise transferred in the state or consumed by a user.
- (b) The surtax levied under this section shall be deposited in the general fund. The legislature may annually appropriate an amount equal to the proceeds of the surtax levied in this section for aviation safety training programs.

*Sec. 2. This Act terminates on July 1, 1985.

*Sec. 3. This Act takes effect immediately in accordance with AS 01.10.070(c).

HOUSE FINANCE COMMITTEE

April 5, 1982
8:35 a.m.

(Tape HFC 82-40, Side 1, #603)

PRESENT

Members of the Committee in attendance: Representatives Adams, Fuller, Montgomery, Cuddy, Haugen and Bettisworth. Representatives Cotten, Chuckwuk, Hurlbert, Meekins and Carney were not present.

Chairman Adams explained that HB 684 and HB 685, which had previously been in committee, were returned to Finance for consideration. The first bill to be discussed was HB 684.

HB 684

HB 684 - "An Act relating to the compensation of public officers and employees; and providing for an effective date."

Representative Cuddy MOVED AND ASKED UNANIMOUS CONSENT to report HB 684 out of committee. There being NO OBJECTION it was so ordered. HB 684 was reported out of committee with a "do pass" recommendation.

HB 685

HB 685 - "An Act making supplemental appropriations to the Office of the Governor and to the Legislative Affairs Agency to pay additional costs of salaries and benefits for fiscal year 1982; and providing for an effective date."

Chairman Adams explained that \$16,569.0 would be appropriated for salaries and benefits for 1982. He explained that only permanent positions would be allocated for and vacant positions reduced. He explained that no state employee would lose his job; however, vacant positions would be used to pay the salaries. A total of 5% of each of the categories was used as a base figure. There are presently 1,015 vacant positions which would be reduced by 866 positions.

Currently there are 14,790 full-time positions which would be reduced to 14,050 for a reduction of 740 positions which are currently vacant. Currently there are 2,525 part-time positions which would be reduced to 2,399 for a reduction of 126 vacant positions. The total funds which would be generated from the

reduction in vacant positions will total \$35,488,300 in salary included in FY 83.

Chairman Adams explained that either every state employee should receive a salary increase or noone and this is the best compromise to meet that requirement.

Representative Haugen MOVED AND ASKED UNANIMOUS CONSENT that a Finance Committee substitute be drafted incorporating these changes and be reported out of committee. There being NO OBJECTION it was so ordered. 2nd CSHB 685 (Finance) was reported out of committee with a "do pass" recommendation.

ADJOURNMENT

The meeting adjourned at 8:42 a.m.

Tape HFC 82-40, Side 1, #603-#653

HOUSE FINANCE COMMITTEE

April 5, 1982

2:05 p.m.

(Tape HFC 82-40, side 1 #653.)

PRESENT

Members of the Committee in attendance: Representatives Adams, Bettisworth, Chuckwuk, Cotten, Cuddy, Fuller, Haugen, Hurlbert, Montgomery, and Meekins. (Representative Carney was not present.) PRESENT TO PROVIDE TESTIMONY: Representative Randolph; and Pam Neal, Lower Kuskokwim School District.

HB 23

Chairman Adams called the meeting to order and brought HB 23 up for consideration.

SSHB 23 -- "An Act establishing a personal loan program for Alaska residents; and providing for an effective date."

Chairman Adams advised they recieved a fiscal note from the Department of Health and Social Services which indicates a savings of \$11825.6 and one from the Department of Revenue showing a savings of \$416 million.

Representative Cuddy MOVED AND ASKED UNANIMOUS CONSENT to report out CSSSHB 23 (Finance) with the two fiscal notes. Representative Cotten asked if there was intent language. Chairman Adams said the motion didn't include any intent language. Representative Cuddy said there was a proposed committee report.

(Tape change, HFC 82-40, side 2.)

Representative Cuddy MOVED TO AMEND THE MOTION to report out CSSSHB 23 (Finance) with the two fiscal notes and the letter of intent. There being NO OBJECTION, it was so ordered. The bill was reported out with a "do pass" recommendation.

HB 24

The next bill to be considered was HB 24.

SSHB 24 -- "An Act making a special appropriation to the Department of Commerce and Economic Development to establish a personal loan program; and providing for an effective date."

Representative Cuddy MOVED AND ASKED UNANIMOUS CONSENT that CSSSHB 24 (Finance) be reported out of Committee. Representative Hurlbert stated he has an amendment to the bill. Representative Cuddy WITHDREW HIS MOTION.

Representative Hurlbert MOVED to amend the proposed Finance CS in section 1 to add "and the cost of administering the dividend program". Representative Meekins OBJECTED. He said with that language Administration could take as much as they wanted to out of the Permanent Fund for administering the program. He said he didn't think that was a good practice. Representative Cuddy agreed with Representative Meekins. Representative Hurlbert said since they have done away with the income tax this is the only place where it would show the cost of developing the program. He said with his amendment the fund that is supposed to be going to the citizen would bear the cost of administering the program and the amount will be taken from their check. He said the cost will be about 1/2 of 1%, and he thinks the citizens should know how much it costs to administer the program.

The Question was called for: IN FAVOR: 2 (Hurlbert, Bettisworth); OPPOSED: 7. The MOTION FAILED.

Representative Cuddy MOVED AND ASKED UNANIMOUS CONSENT that CSSSHB 24 (Finance) be reported out of Committee. There being NO OBJECTION, it was so ordered. The bill was reported out with a "do pass" recommendation.

HB 872 and HB 876

Chairman Adams advised that HB 872 ("An Act making a special appropriation to the federal budget impact fund; and providing for an effective date.") and HB 876 ("An Act providing for a federal budget impact fund; and providing for an effective date.") have been held in Committee because of the questions raised over the legality of the proposed Finance Committee Substitutes. He advised he will continue to HOLD these bills until Representative Carney returns.

HB 618

The next bill to be considered was HB 618.

HB 618 -- "An Act relating to state aid to municipalities for capital projects; and providing for an effective date."

Chairman Adams gave a brief overview of the bill.

Representative Cotten noted this bill has not gone to the Community and Regional Affairs Committee. He recommended the bill have a CERA referral because it deals with the activities of

local governments and that Committee is currently considering a major revision to Title 29.

Chairman Adams asked if there was any objection to having HB 618 referred to the Community and Regional Affairs Committee. There being NO OBJECTION, it was so ordered.

HJR 41

The next bill to be considered was HJR 41.

HJR 41 -- "Proposing an amendment to the Constitution of the State of Alaska defining the term 'appropriation'."

Chairman Adams gave a brief overview of the bill.

Representative Meekins advised the difference between the CS and the original bill is that the Judiciary CS deletes "means an authorization to withdraw money from the treasury for a specified purpose". He explained this would allow the Beirne Homestead initiative to go ahead, and to be legal.

Representative Cotten asked if by saying it doesn't include disposition of surface estate, does that mean any other assets of the state could be appropriated. Representative Meekins said the Consitution says they cannot amend and appropriate by initiative. He said he thinks that would still be left up to interpretation. Representative Cotten said this resolution isn't a definition, it is an disclaimer on an definition. Representative Meekins agreed. There was further discussion on the resultion.

Representative Montgomery MOVED to report CSHJR 41 (Judiciary) out of Committee. Representative Cotten OBJECTED. The Question was called for. IN FAVOR: 9; OPPOSED: (1) Cotten. The MOTION CARRIED.

HB 637

The next bill to be considered was HB 637.

HB 637 -- An Act relating to limited entry and providing penalties for the taking and sale of fish without an entry permit, interim-use permit, or emergency transfer slip, and an identification card."

Representative Chuckwuk advised this legislation is an attempt to solve the problems they have been having in Bristol Bay and all Alaska with people abusing the system. He said this would make both the fishermen and processors responsible for their actions by imposing a stiff penalty. He presented proposed amendments to the Resources CS (see attachment #1.)

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

Representative Chuckwuk MOVED to report out a Finance CS incorporating the amendments. There being NO OBJECTION, it was so ordered. CSHB 637 (Finance) was reported out with a "do pass" recommendation.

HB 836

The next bill to be considered was HB 836.

HB 836 -- "An Act repealing the state program that provides for funding of art in public places."

Representative Cuddy presented an amendment that he said would make the legislation less harsh. He MOVED to accept the amendment. There being NO OBJECTION, it was so ordered.

Representative Cuddy advised the amendment would have language stating they don't have to put 1% into funding for art. He said the amendment also says there will be a special appropriation. He said there won't necessarily be less spending for art, but the amendment does at least make the Legislature aware of what is being spent.

Representative Cotten said he thinks they should make sure whether or not the Legislature would be voting on particular art projects. Representative Cuddy explained there will be one appropriation for all art projects. He said the appropriation wouldn't show which building gets which project. He said that would be up to the Arts Council.

Representative Cotten said when it comes to funding the appropriation for art, he doesn't think it will work. He said they will end up with zero for art. Representative Cuddy agreed that could happen, especially in a year like this one where they are cutting the budget. He said he thinks the Legislature should have the ability to decide whether or not funds should go to this area.

Representative Bettisworth said he supported the amendment. He said it is obvious someone should make decisions on art projects.

MS. PAM NEAL, Lower Kuskokwim School District, advised 1/2 of 1% is required. She said their Board established a policy on how the artwork would be chosen and the feeling of the School District is this money could also be used as part of their art program for the school and be part of the education process. She said this is sometimes the only exposure the village people and students have to what art is. Ms. Neal said they do favor the amendment over the original bill.

Representative Cotten asked how this bill would affect appropriations that have already been made for capital projects. Representative Cuddy said he thinks this bill would be for the future, but he can't answer for sure. Chairman Adams disagreed. He said it would apply to all projects after the legislation is adopted.

There was further discussion on the bill.

Representative Cuddy MOVED to report out a Finance CS for HB 836 incorporating the amendment, with the fiscal note. Representative Cotten wondered how DOT could arrive at this fiscal note when the Legislature doesn't even know what the capital budget will be. Representative Cuddy agreed. He said if there was a zero capital budget there would be no savings. He said he doesn't know how they can have a fiscal note. He said he didn't know how to deal with a variable savings. Representative Cotten suggested a fiscal note showing an amount from zero to \$600,000 would be more accurate.

Representative Cuddy said he would prepare a variable fiscal note. Chairman Adams said he would allow Representative Cuddy to prepare a new fiscal note with that terminology.

Representative Hurlbert advised he is opposed to this legislation.

There being NO OBJECTION, CSHB 836 (Finance) was reported out with a new fiscal note. The bill was reported out with "individual recommendations".

ADJOURNMENT

The meeting adjourned at 2:55 p.m.

Tape HFC 82-40, side 1 #653 to end
side 2 #001 to #684

April 5, 1982

AMENDMENTS TO CSHB 637 (Resources)

Page 1, Line 11	Delete "who is" Insert "while acting as"
Page 1, Line 12	Before "an agent" Insert "as"
Page 2, Line 6	Delete "or employee in a policy-making position" Insert "employee, agent or member"
Page 2, Line 12	Delete "fish processing or primary fish buying" Insert "processing or buying raw fish"
Page 2, Line 14	Delete "four" Insert "three"
Page 3, Line 19	Delete "CRIMINAL"
Page 5, Line 13	After the first "of" Insert "commercial"

EFFECT OF AMENDMENTS

by Rep. Chutkan

Page 1, Line 11 & Line 12 Amendments

Makes the violation penalties apply to only those acting on behalf of those mentioned in Section A.

(An individual who is not employed in one of these positions will not be subject to criminal penalty under this section or while off duty.)

Page 2, Line 6

This section imposes a fine on processor, buyer or co-op equal to the value of the fish purchased in violation.

The amendment explains the list of people whose action may result in corporate liability.

Page 2, Line 12

Defines what businesses may have their licenses suspended or revoked.

Amendment includes businesses processing or buying raw fish rather than limiting it to those who are primary buyers.

Page 2, Line 14

Amendment changes the amount of convictions from four to three before suspension or revocation of a license may take place.

Page 3, Line 19

Amendment is housekeeping. Section no longer applies criminal liability.

Page 5, Line 13

Amendment inserts consistent wording of what fishing privileges are forfeited. Commercial Fishing Privileges.

These are also mentioned on Line 7 and Line 19 of Page 5.

HOUSE FINANCE COMMITTEE

April 7, 1982

1:30 p.m.

(Tape HFC 82-41, Side 1, #001)

PRESENT

Members of the committee in attendance: Representatives Adams, Montgomery, Fuller, Haugen, Chuckwuk, Cuddy, Cotten, Bettisworth, Carney and Hurlbert. Representative Meekins was not present at the meeting.

ALSO PRESENT: Representative Buchholdt; Dennis DeWitt, President, Alaska State Hospital Association; Dave Williams, Department of Health and Social Services; Edger Blatchford, Chairman, Chugach Native, Inc.; Rod Betit, Director of Public Assistance, Department of Health and Social Services; John Pugh, Director of Family and Youth Services, Department of Health and Social Services; Margaret Branson, Alaska Children Services and Alaska Association of Homes for Children; Tom Williams, Commissioner, Department of Revenue; Representative Sutcliffe; Sam Kito; Don Oberg, NEA-Alaska; Robbie Stell, Vern Oremos, Jim Carroll, Alaska State Vocational Association; and Rosie Peterson, Alaska State Advisory Council on Vocational and Career Education.

BILL ASSIGNMENTS

Chairman Adams called the meeting to order and made the following bill assignments:

HB 837 - Re: Unemployment insurance - CARNEY

HB 869 - Re: Crime victim compensation - HURLBERT

HB 546 - Re: State contracts for prof. services/ establishing penalty for violation of prov. of law - CHUCKWUK

SB 746 - Spec. approp. Dept. of Commerce/Office of Mineral Devel./documentary film on Ak. mining history/ spec. approp. Office of Governor/ Alaska games in Arctic Winter Games - CUDDY

HB 703 - Re: use of communications media under Adm. Proc. Act. - CHUCKWUK

The first bill to be considered by the committee was HB 365

HB 365

HB 365 - "An Act making a special appropriation to the City of Cordova for a feasibility study for hospital care; and providing for an effective date."

Chairman Adams provided an overview of the bill.

DENNIS DEWITT, President of the Alaska State Hospital Association, stated that HB 365 and HB 844 are essentially a package. He stated that CSHB 365 (Finance) would provide funding for the first four priorities for health facility construction as determined by the Department of Health and Social Services. Mr. DeWitt stated that the Alaska State Hospital Association agrees with the priorities. He explained that the process included a survey and review by a committee organized by the Department.

In the proposed committee substitute the first section would appropriate money for design and engineering for Cordova which would then be prepared for submission to the legislature for funding for construction. The second section would appropriate for construction in Petersburg which has completed the construction design process. The third would provide funding for design and engineering in Wrangell. The fourth section would provide funding to the Kenai Peninsula Borough for a South Peninsula Hospital in Homer. Mr. DeWitt explained that a bond issue has been passed which would fund half of the program. He stated that by making the appropriation this year there would be a savings of inflation dollars and the local authorization for bonding expires this August. Mr. DeWitt stated that it is important to be able to obtain the local match funds.

Representative Cotten asked if there are other hospitals in the state that are being planned or in need of funds? Mr. DeWitt responded that the committee substitute would include the first four rural hospitals which should be considered. He explained that a study done by the Department entitled "A Report on Rural Hospital and Nursing Homes Inventory and Evaluation Survey" contains a complete listing categorizing the needs of the rural hospitals and nursing homes in Alaska.

Chairman Adams asked if these are pass through grants to municipalities? Mr. DeWitt stated that they are. Chairman Adams asked why there is a need for a plan when municipalities can take care of their own plans for their health facilities? Mr. DeWitt responded that it would be the recommendation of the Alaska State Hospital Association that the \$88.5 in the fiscal note for HB 365 be removed by the committee. He stated that they did not include that amount and it is one which they do not support.

DAVE WILLIAMS with the Department of Health and Social Services explained that the department reviewed HB 365 and HB 844 as a package. He explained that they were not sure if the bills would

stand alone or as companion bills; therefore, they prepared the fiscal note to include a new position which would accompany HB 844.

Mr. Williams stated that the report which Mr. DeWitt referred to, actually shows five facilities in the first year with the other facility being in Glennallen. He stated that it is his understanding that they do not wish state support. Mr. Williams said that the Department supports the way in which the bill puts out planning money first with construction funding secondary.

Representative Haugen MOVED AND ASKED UNANIMOUS CONSENT that CSHB 365 (Finance) be reported out of committee. Representative Chuckwuk stated that he wished to make an amendment to the bill. Representative Haugen WITHDREW his motion.

Representative Chuckwuk MOVED to add the sum of \$310,000 to be appropriated from the general funds as payment as a grant to the Bristol Bay Area Health Corporation for the cost of design and engineering for hospital replacement or renovation.

Representative Cuddy OBJECTED for the purpose of discussion questioning the need for a grant for hospital replacement or renovation and stating that he felt uncomfortable with the request coming in this late in the committee process.

Representative Carney stated that he objected to members putting their capital needs in legislation which comes to the committee and not dealing with those needs as an appropriation in the capital budget.

Mr. DeWitt stated that there is a real question about whether the Bristol Bay area hospital is still a federal or non-federal hospital and whose responsibility is where. He said that the inventory did not include any of the federal hospitals as the state felt that at this time it was a federal responsibility. Mr. DeWitt stated that he has spoken with the administrator and there is some planning going on. The facility is in need of extensive renovation at the very least and there is a real need but it is a matter of answering the question as to whose responsibility it is. He stated that on that basis, and not on a needs basis, they were not included in the survey. Representative Chuckwuk stated that it is the first federal hospital which has been turned over to native people to administer and feels it will be a predecessor for setting a pattern and is a historic landmark.

The QUESTION was called for. The MOTION PASSED.

Representative Haugen MOVED AND ASKED UNANIMOUS CONSENT to amend the committee substitute for HB 365 and report the bill out of committee. There being NO OBJECTION it was so ordered. CSHB 365 (Finance) was reported out of committee with "no recommendation".

HB 844 - "An Act relating to the financing of rural health facility improvements and maintenance."

DENNIS DEWITT stated that this is an attempt to create a system which will prioritize and identify the needs of rural health facility services in Alaska. He stated that there is a need for health services in the state however, it is difficult to resolve those needs in a single fiscal year. As an industry, the Alaska State Hospital Association is suggesting that priorities be established which can be shared by the department, the Association and the Legislature. He stated that the priorities would be set initially by the Statewide Health Coordinating Council after reviewing data and public input by facilities. The commissioner of the department would review the request and either recommend that the priority is appropriate or could make changes based on specific findings.

Mr. DeWitt explained that the format they are suggesting is that the governor make the appropriation request which would allow for negotiations between the administration, legislature and individual communities as to how much burden the community could carry.

Chairman Adams referred to the definition of "rural" health facilities. Mr. DeWitt explained that they had difficulty in determining a definition for rural health facilities and this is not a good definition but is adequate to meet the needs for now. Mr. DeWitt stated that they are working with Representative Malone to come up with a better definition.

Representative Montgomery noted that there is a Statewide Health Coordinating Council and this would add one full-time individual. He asked if this is necessary? Mr. DeWitt stated that they are uncomfortable with the size of the fiscal note and given the type of activities which are required and the existing capacity in the department; it is in fact high.

DAVE WILLIAMS with the Department of Health and Social Services stated that the bill requires an annual update of a health facility inventory. He explained that one complete inventory costs about \$150,000. He explained that the fiscal note represents the cost of updating that inventory with the department's own staff for four years and in the fifth year another full inventory would be completed.

Mr. Williams stated that having just completed the inventory the department is acutely aware that there are several facilities which need work and they support the concept of a program such as this which will prioritize those needs. He explained that the bill does not necessarily change anything which is already in place. He explained that they would like to see a bill that

would establish a program whereby construction and construction funds follow planning and design of a project. He explained that the department's study identifies several concerns along this line.

Representative Montgomery MOVED AND ASKED UNANIMOUS CONSENT to report CSHB 844 (HESS) out of committee along with a fiscal note deleting funding for personal services for a new total of \$31.5. The QUESTION was called for. The MOTION PASSED. CSHB 844 (HESS) was reported out of committee with a "do pass" recommendation.

Tape Change 82-41, Side 2, #001)

HB 412

HB 412 - "An Act relating to dental disease prevention programs in schools; and providing for an effective date."

REPRESENTATIVE BUCHHOLDT, sponsor of the bill, stated that the dental disease prevention program is a very important issue since it deals with health care. She reviewed the changes made by the House HESS committee. She stated that there will be a fiscal note in future years but not in FY 83.

In response to a question from Representative Fuller concerning travel and per diem costs; Representative Buchholdt stated that the communities would incur those costs. Representative Montgomery asked if there is anything which would preclude a school district from providing a program? Representative Buchholdt stated there is not and this would make the program available statewide. She stated that a similar program has been instituted in California with much success and there is a pilot project sponsored by the Tanana Chiefs Conference. The program is a voluntary program.

Representative Fuller MOVED to report CSHB 412 (HESS) out of committee. There being NO OBJECTION it was so ordered. CSHB 412 (HESS) was reported out of committee "without recommendation".

HB 804

HB 804 - "An Act making a special appropriation for payment as a grant to the City of Cordova for a feasibility study of the Bering River coal field port and transportation system; and providing for an effective date."

EDGER BLATCHFORD, Chairman, Chugach Native, Inc. provided testimony in support of HB 804 (see attached - attachment #1).

Representative Fuller MOVED to report SSHB 804 out of committee. There being NO OBJECTION it was so ordered. SSHB 804 was reported out of committee "without recommendation".

HB 357

HB 357 - "An Act relating to adult public assistance."

ROD BETIT, Director of Public Assistance with the Department of Health and Social Services stated that there are twenty-one sections to the bill and all but one section deal with the Division of Public Assistance. He explained that each state can administer a supplemental payment program for those states which had benefit levels which were higher than the national standard. Alaska opted to do that and adopted the national eligibility criteria. Mr. Petit explained that the state is currently in court to debate what the legislative intent was in terms of whether a separate program should be operated with different disability standards and eligibility timeframes or whether it should be "piggy-backing" the federal program. It has been the department's contention that the "piggy-backing" approach is what the legislature originally conceived but the law has never been modified to reflect that.

Mr. Petit explained that this bill would accomplish that and consolidate the three separate programs into one statute and modernizes some of the language. He explained that there is no fiscal impact as a result of Sections 1-20. There is a section 6 added which would permit the department to contract any of its programs not prohibited by federal law and allow greater flexibility as there are more changes in the federal program. It would allow for contracts with local governments and non-profits or to contract with the federal government if that is more cost effective and easier to deliver the benefits.

Mr. Petit stated that there are two changes which have been suggested by their legal counsel regarding section 6. One is that the term "local government" be shorted to "government". The second is to add to subparagraph C "with other than the federal government".

JOHN PUGH, Director of Family and Youth Services with the Department of Health and Social Services explained that the full cost of care statute was put in place in 1971 by the legislature in order to fund residential child care facilities which provide services for children who are in the custody of the department. He stated that the full cost of care statute as operating provides that in any given year the rates for the next year are determined by the amount of money that was spent in the preceeding year plus cost of proportionate share of salary increase and in cost of living which are determined through an annual hearing in February of each year. He explained that the original intent when the statute was put into effect was to

provide a real base level for an industry which at that time was involved with churches, missionaries, etcetera, and which was pulling out whereby eliminating funding.

Mr. Pugh stated that in recent years, due to a number of reasons, the rates have escalated since 1979 by 82%. This year during the subcommittee hearings there was brought up as an issue reducing the funding to this area because of the growth of the last two years. Mr. Pugh stated that the Department's recommendation is that if they are to reduce funding in this program they will have to have repeal of the statute since it requires certain rate structures. If the statute is not repealed, then a certain number of beds will have to be closed-out to make the budget reduction which has been asked by the subcommittee. Mr. Pugh stated that for a one million dollar reduction they would have to close 30 beds and for a two million reduction, which is the present level in the budget, they will have to close 50-60 beds. The Department is concerned about placement of children and the need to have facilities available. If this is repealed and the department is able to contract for residential care facilities; they would be able to continue to obtain the number of replacement beds that are necessary.

There was discussion concerning the daily rate base for residential care and types of care currently operated by the Department. There was discussion concerning urban versus rural care facilities.

MARGARET BRANSON, representing the Alaska Childrens Services and Alaska Association of Homes for Children, stated that they are opposed to the repeal of the full cost of care provision. She explained that last week a compromise where those program administrative costs which are supported by private contributions, grants, and supplemental funding sources would be eliminated from the formula as well as a more concise definition of "education". She stated that it is the feeling that children taken care of by the receiving homes are wards of the state and as such their care is dictated by the state. Ms. Branson explained that they are opposed to going to contract bid.

Representative Montgomery MOVED to accept the committee substitute and report CSHB 357 (Finance) out of committee. Representative Cotten OBJECTED.

Tape Change 82-42, Side 1, #001)

Representative Cotten MOVED to eliminate the deletion of 47.40, full cost of care. Chairman Adams and Representative Montgomery OBJECTED. The QUESTION was called for. Eight OPPOSED and one in FAVOR (Cotten). The MOTION FAILED.

The QUESTION was called for on the main motion. Eight in FAVOR and one OPPOSED (Cotten). CSHB 357 (Finance) was reported out of committee with a "do pass" recommendation.

HB 866

The next bill to be considered was HB 866.

HB 866 -- "An Act establishing a special investment tax credit; and providing for an effective date."

Chairman Adams gave a brief overview of the bill.

Representative Cuddy proposed an amendment that would add a new section 3:

"Sec. 3. The investment tax credit allowed under section 2 of the Act may be claimed only by the tax paying entity actually conducting the qualifying activity, and not transferable."

Representative Cuddy explained they had one gentleman testify before their Subcommittee and he asked that this new section be added. He explained that on the national level, national companies are buying and selling investment tax credits, and the intent of this section is to make sure investment tax credits cannot be bought and sold between companies.

Representative Cuddy said he is not convinced it is in the best interest of the state to pass this legislation.

Regarding the amendment, Representative Fuller said it seems to him they should be encouraging rather than discouraging them, especially when they have joint ventures. Representative Cuddy said his understanding is that it would preclude the XYZ bank from buying an investment tax credit from the ABC mining venture.

Representative Cotten said he thinks he would agree with Representative Cuddy on this, it is supposed to be an incentive to the mining company, they shouldn't be able to transfer that incentive to a bank.

COMMISSIONER TOM WILLIAMS, Department of Revenue, spoke against the bill. He recommended the Committee reject it. He advised he has problems with the concept for the following reasons:

- (1) The legislative findings say the establishment of a special investment tax credit will promote development and will assist the state by diversifying the economy, and that is not true. He said it will not assist investment decisions. The decisions to invest are not a balancing of future income against current expenditures. He said investment tax credits enter the picture only

when they get to the income part of the equation. In either case, Commissioner Williams said, it will benefit existing businesses rather than benefiting future businesses.

- (2) It is not going to benefit the industry it is intended to benefit. With the investment tax credit for farming, Commissioner Williams said there are far more problems with developing farming such as the inadequate amount of land available, etc. By providing an investment tax credit for the limited amount of land available, he doesn't see how it will expand that industry. He said timber corporations already have tax losses. In order to be used, they would have to sell the tax credit to some other type of business through a leasing interest. For the fishing industry, Commissioner Williams said he didn't see how it would aid in expansion. He said that industry is limited by the number of limited entry permits. He said there may be a very big benefit for the mining industry.
- (3) There is no need for further relief for these industries. Commissioner Williams said last year the Legislature significantly expanded the amount of qualified investments that could be counted. He said they expanded the amount from \$500,000 to \$20 million. He said the Legislature also modified the corporate tax rates last year.
- (4) It is just too expensive for the marginal benefits that will be gained. He said the fiscal note indicates a \$14 million impact for this budget cycle.
- (5) Commissioner Williams quoted from an article written by the sponsor of the legislation where he states "if we cannot learn from our own history we will be destined to repeat it . . .". He said he agreed with the statement, but came up with the opposite result. He said the state's history shows failure from mechanisms like this. He commented on some of the earlier mechanisms. He said reason (5) is that earlier programs predicated on this idea show these ideas fail.
- (6) One-third of the State's non-petroleum income tax base will disappear with the passage of this proposal. Commissioner Williams said he didn't think they should tamper with the state's treasury. He said while they have lawsuits over the state's income tax and the risk of the possibility of litigation over other tax measures, he thinks they are just asking for trouble by widdling further away at the state's tax base.

In answer to a question from Representative Hurlbert, Commissioner Williams said the mining industry has benefited from all the other improvements in the income tax that have provided tax relief. In addition, he said, their tax structure has not been changed since 1962. He suggested if the mining industry cannot develop it is because of the economic situation, access to land, or something else that is not being done.

Representative Fuller asked if some of the fish processors might not benefit. Commissioner Williams said some of the processors might benefit, that is true. He said most of the processors will be looking at losses, so further tax benefits will not help them. He said they need income first; otherwise they will sell those benefits to other corporations.

Representative Carney asked if it was possible under this legislation for an oil company to go into a farming venture. Commissioner Williams said it would be possible to arrange a deal with the farmer so the oil company gets the benefit, not the farmer. Representative Carney asked if that could happen if Representative Cuddy's proposed amendment passed. Commissioner Williams said they could still do it through a subsidiary.

There was further discussion on the purpose of the bill.

Commissioner Williams said he appreciates what the amendment attempts to do. He commented this is something the federal government is trying to do. He said some of the best minds in the congressional staff of the joint revenue committee have been working on ways to close the loopholes. He said IRS has been working on the same thing. It is enormously complicated, he said, and he didn't think the amendment would do what they want it to. He said tax laws are very complicated matters.

Representative Cotten referred to the Borax mining project, and he asked if the Commissioner was concerned more about the loss of revenue to the State. Commissioner Williams said \$82 million is pretty substantial. He said the point is, Borax would probably use the those benefits themselves, but perhaps not; perhaps they would sell it to Sohio, or someone else.

Representative Chuckwuk said it comes to a philosophical question of who should have the money, bureaucrats or business. Commissioner Williams said he didn't think it was as simple as that. He said the question is whether the \$14 million is better off being used by the Legislature for the public.

(Tape change, HFC 82-42, side 2.)

Representative Chuckwuk said if they are looking for tax credit investments, it seems to him it would be better for them to deal directly with the public than going to the state government. He commented further.

MR. SAM KITO testified concerning Commissioner Williams' comments on the transferability of investment tax credits. He said there are regional corporations interested in going into joint ventures with other regional corporations. He said he didn't think they were talking about Sohio going around sucking up investment tax credits. He said he takes the point of view this is to spread tax credits among those doing business.

Mr. Kito said the regional corporations have some acreage selected for agricultural purposes, and he thinks whether or not an investment tax credit is in existence will make a difference as to whether or not they will invest. He said the problem in the fishing industry is that there hasn't been a lot of money reinvested. He suggested such a credit would make a difference to a fish processor in deciding whether or not to make additional investments. Whether it makes a difference before deciding to invest is questionable he said, but it is very significant to the planning process when considering reinvestment.

Concerning the intent of having the investment tax credit transferable, Mr. Kito said that was for the joint ventures that are going to be in existence. He said the ability for partners to sell the investment tax credit should be kept whole.

Representative Cuddy MOVED to accept the amendment adding a new section 3. Representatives Hurlbert and Adams OBJECTED. Representative Cotten agreed the amendment may not solve the problem. He hoped they would approve something like it. Representative Chuckwuk said approving the amendment would basically kill the intent of the original bill. There was further discussion.

The Question was called for: IN FAVOR: 4 (Cuddy, Cotten, Carney, Bettisworth); OPPOSED: 5. The motion FAILED.

Representative Montgomery MOVED to report HB 866 out of Committee. There being NO OBJECTION, it was so ordered. HB 866 was reported out with "individual recommendations".

HB 695 and HB 696

The next bills to be considered were HB 695 and HB 696.

HB 695 -- "An Act relating to employment training and vocational education and establishing the Board of Employment Training and Vocational Education; and providing for an effective date."

HB 696 -- "An Act making a special appropriation to the Board of Employment Training and Vocational Education, Department of Education for operation of the board; and providing for an effective date."

Chairman Adams gave a brief explanation for HB 695. He said there is a HESS CS.

REPRESENTATIVE SUTCLIFFE, District 15, explained how he got to this point on the legislation. He said the HESS CS creates a temporary board made up of the same persons as on the permanent board. He said the intent is that the temporary board would address the questions brought forward by the Department of Education, try to answer the questions, and come up with a compromise. He said the Board will report back to the legislature at the end of the year with its findings. He said the Legislature can then address the issue.

Representative Sutcliffe said the fiscal note for the temporary board is \$58,700. He commented with the support he has gotten on this proposal, he doesn't think he is the only one interested in the bill.

Representative Cotten asked if the Department of Education opposed the bill. Representative Sutcliffe said they opposed the original bill. He said he didn't know how they felt about the temporary board.

Representative Cotten said the only opposition he has heard is they don't need a different board for vocational education other than the Board of Education. Representative Sutcliffe said, looking around the State, he thinks they can all agree something is wrong. He said there are concerns and that is why the temporary board was set up, to find answers to the questions that were raised. There was further discussion.

Representative Sutcliffe said it was not their intent that the bill have any powers beyond a study function.

Chairman Adams advised there are several people here to testify on this legislation -- MR. DON OBERG, NEA; ROBBIE STELL, VERN OREMUS AND JIM CARROLL Alaska State Vocational Association; and ROSIE PETERSON, Alaska State Advisory Council on Vocational and Career Education.

Representative Carney indicated he was prepared to report the bill out of Committee without hearing additional testimony. Representative Chuckwuk asked if anyone present was opposed to the bill. Representative Montgomery said he believes all those present are for the bill. He said the Department of Education and State Board would be opposed to it.

MR. DON OBERG, NEA-Alaska, representing 4800 teachers, said they do support this bill. He said they preferred the original bill, but also support the CS. He said they think it will deal with a problem all their vocational education teachers have had.

Representative Carney MOVED to report CSHB 695 (HESS) out of Committee. Representative Montgomery OBJECTED. There being NO FURTHER OBJECTION, CSHB 695 (HESS) was reported out of Committee "without recommendation".

Representative Carney MOVED to report out a Finance CS for HB 696, appropriating \$58,700 to the Board of Employment Training and Vocational Education, Department of Education. There being NO OBJECTION, it was so ordered. CSHB 696 (Finance) was reported out of Committee "without recommendation".

ADJOURNMENT

The meeting adjourned at 4:20 p.m.

Tape HFC 82-41, side 1 #001 to end
 side 2 #001 to end
HFC 82-42, side 1 #001 to end
 side 2 #001 to #570

TESTIMONY

BY

CHUGACH NATIVES, INC.

HOUSE ON 804
~~SENATE BILL No. 840~~

BEFORE THE

~~SENATE RESOURCES COMMITTEE~~

HOUSE FINANCE
JUNEAU, ALASKA

~~MARCH 29, 1982~~

APRIL 6,

Mr. Chairman
~~MADAM CHAIR~~, MEMBERS OF THE COMMITTEE, LADIES AND GENTLEMEN, MY NAME IS EDGAR BLATCHFORD, AND I AM THE CHAIRMAN OF THE BOARD OF CHUGACH NATIVES, INCORPORATED. CHUGACH IS ONE OF THE TWELVE ALASKA NATIVE REGIONAL CORPORATIONS FORMED UNDER THE ALASKA NATIVE CLAIMS SETTLEMENT ACT. WE SERVE THE AREA OF SOUTHCENTRAL ALASKA, RUNNING FROM THE LOWER COOK INLET AT ENGLISH BAY, EASTWARD TO ICY BAY NEAR YAKUTAT. THE COMMUNITIES OF CORDOVA, SEWARD, VALDEZ AND WHITTIER LIE WITHIN OUR REGIONAL BOUNDARIES, AS DO THE NATIVE VILLAGES OF CHENEGA, EYAK, TATITLEK, ENGLISH BAY AND PORT GRAHAM.

IT IS AN HONOR TO APPEAR BEFORE YOUR COMMITTEE TO DISCUSS THE MERITS OF ~~H. 804~~ S.B. ~~840~~, ENTITLED "AN ACT MAKING A SPECIAL APPROPRIATION FOR PAYMENT, AS A GRANT TO THE CITY OF CORDOVA, FOR A FEASIBILITY STUDY OF THE BERING RIVER COAL FIELD PORT AND TRANSPORTATION SYSTEM; AND PROVIDING FOR AN EFFECTIVE DATE." AS YOU KNOW, A COMPANION BILL HAS BEEN INTRODUCED IN THE ~~HOUSE~~ ^{SENATE} BY REPRESENTATIVE CATO, AND IS NOW BEFORE THE HOUSE FINANCE COMMITTEE. ^{THE BUDGET Cm.}

20
SAB. 540 PROVIDES FOR A STUDY OF THE INFRASTRUCTURAL REQUIREMENTS OF THE PORT AND TRANSPORTATION SYSTEM FROM THE MINE TO THE PORT AT THE BERING RIVER COAL FIELD. THE PROPOSAL IS DESCRIBED IN MUCH GREATER DETAIL IN THIS PROPOSAL WHICH YOU ALL SHOULD HAVE RECEIVED COPIES OF. THIS PROPOSAL, DATED FEBRUARY OF 1982, WAS PREPARED UNDER OUR DIRECTION BY CH2M HILL, NORTHWEST, INC., IN BELLEVUE, WASHINGTON.

THE BERING RIVER COAL FIELD IS LOCATED SOME SIXTY MILES EAST OF CORDOVA IN THE EASTERN PORTION OF THE COPPER RIVER DELTA. IT WAS INTENSIVELY PROSPECTED BY MANUAL METHODS IN THE EARLY YEARS OF THIS CENTURY, AND, IN FACT, WAS THE LOCATION OF THE MAJORITY OF COAL CLAIMS AND LEASES IN THE ENTIRE STATE OF ALASKA. IN 1907, HOWEVER, IT WAS LOCKED UP IN THE CHUGACH NATIONAL FOREST BY PRESIDENT THEODORE ROOSEVELT, AND HAS NEVER SEEN SUBSTANTIAL PRODUCTION SINCE.

THE QUALITY OF THE COAL IN THE BERING RIVER FIELD IS SOME OF THE HIGHEST IN WESTERN NORTH AMERICA. IT RANGES FROM 12,000 TO 16,000 BTU'S, WITH REASONABLY LOW SULPHUR CONTENTS, AND AVERAGE MOISTURE, ASH AND VOLATILE MATTER. THE FIELD CONTAINS COAL RANGING FROM LIGNITE TO SUB-BITUMINOUS, BITUMINOUS AND ANTHRACITE.

THE HIGH QUALITY RANGE OF THE BERING RIVER COAL ENSURES THAT IT WILL NEVER GO WANTING FOR A MARKET IN THE PACIFIC RIM. NOR WILL IT COMPETE WITH THE LOWER QUALITY STEAM COALS FROM THE BELUGA AND NENANA FIELDS, WHICH MAY THEMSELVES HAVE DIFFICULTY FINDING GUARANTEED, LONG-TERM MARKETS.

CHUGACH NATIVES, INC. WAS FORTUNATE TO BE ABLE TO SELECT ONE-THIRD OF THE BERING RIVER FIELD UNDER THE TERMS OF THE ORIGINAL ALASKA NATIVE CLAIMS SETTLEMENT ACT. THEN, LAST YEAR UNDER THE CHUGACH REGION STUDY WHICH WAS MANDATED BY THE ALASKA NATIONAL INTEREST LANDS CONSERVATION ACT, THE FEDERAL GOVERNMENT AGREED TO CONVEY TO US THE REMAINING TWO-THIRDS OF THE FIELD WHICH IS LOCATED WITHIN THE CHUGACH NATIONAL FOREST. THIS TRANSFER SHOULD TAKE PLACE SHORTLY, ONCE THE REMAINING AREAS OF DISAGREEMENT BETWEEN CHUGACH AND THE FEDERAL GOVERNMENT ARE IRONED OUT.

LAST SPRING, IN LIEU OF OUR LAND SETTLEMENT DIFFICULTIES, CHUGACH SUCCEEDED IN STRUCTURING AN AGREEMENT WITH A CONSORTIUM OF FOUR MAJOR KOREAN COMPANIES FOR THE EXPLORATION, DEVELOPMENT AND PRODUCTION OF BERING RIVER COAL. THESE COMPANIES CONSIST OF THE TWO LARGEST TRADING COMPANIES IN SOUTH KOREA: HYUNDAI AND SAMSUNG; AND THE TWO LARGEST COAL MINING COMPANIES AS WELL: DAESUNG AND SAMCHOK. CHUGACH FEELS VERY FORTUNATE IN HAVING PARTNERS OF THIS CALIBER AND MAGNITUDE IN APPROACHING AS SUBSTANTIAL A PROJECT AS THE BERING RIVER FIELD. DEVELOPMENT COSTS ARE ESTIMATED TO BE AT LEAST 150 MILLION DOLLARS.

MOREOVER, UNLIKE MOST OTHER NATURAL RESOURCE EXTRACTION VENTURES IN ALASKA, CHUGACH WAS NOT SATISFIED BY SIMPLY EARNING A ROYALTY PERCENTAGE FOR ITS PASSIVE PARTICIPATION IN THIS VENTURE. CONSEQUENTLY, WE HAVE A FULL 50% INTEREST IN THE PROJECT, WHICH WILL ENSURE OUR SHAREHOLDERS AND ALL OF THE CITIZENS OF ALASKA A LARGER SHARE OF THE ULTIMATE PROCEEDS OF THIS PROJECT.

DURING THE SUMMER OF 1981 OUR JOINT VENTURE DRILLED 10,000 FEET OF CORE IN THE BERING RIVER FIELD, OPERATING A TWENTY-MAN CAMP FOR 24 HOURS A DAY THROUGHOUT THE DRILLING SEASON. IN SPITE OF THE STRUCTURAL COMPLEXITY OF THE FIELD, WE WERE ABLE TO ESTABLISH PROBABLE RECOVERABLE RESERVES IN EXCESS OF 62 MILLION TONS, AND ANOTHER 28 MILLION TONS OF POSSIBLE RECOVERABLE RESERVES. THE 1981 PROJECT COST ON THE ORDER OF \$1.4 MILLION. OUR 1982 PLAN OF OPERATIONS CALLS FOR A SIMILAR INVESTMENT.

NOR HAS CHUGACH BEEN INACTIVE IN THE "OFF SEASON" THIS WINTER. IN ADDITION TO PREPARING THIS PROPOSAL FOR YOUR CONSIDERATION ON THE PORT AND TRANSPORTATION SYSTEM INFRASTRUCTURE FEASIBILITY STUDY, WE HAVE ALSO COMPLETED THE FOLLOWING STUDIES:

1. "PRELIMINARY ROUTING STUDY - BERING RIVER COALFIELDS", BY GOLDER ASSOCIATES IN SEPTEMBER OF 1981;
2. "PHOTOGEOLOGIC INVESTIGATION OF THE BERING RIVER COAL FIELD" BY GOLDER ASSOCIATES IN SEPTEMBER OF 1981;
3. "PRELIMINARY ECONOMIC PROSPECTUS FOR THE DEVELOPMENT OF BERING RIVER COAL FIELD", BY THE KOREA ALASKA DEVELOPMENT CORPORATION, IN SEPTEMBER OF 1981;
4. "GEOLOGY AND DRILLING REPORT OF BERING RIVER COAL FIELD, ALASKA" BY THE KOREA-ALASKA DEVELOPMENT CORPORATION, IN SEPTEMBER OF 1981;
5. "PRELIMINARY REGULATORY ANALYSIS FOR THE BERING RIVER COAL FIELD DEVELOPMENT" BY ERTEC NORTHWEST, IN DECEMBER OF 1981.

I BELIEVE THAT YOU CAN SEE THAT THIS VOLUME OF ON-GOING WORK INDICATES OUR COMMITMENT TO THIS PROJECT.

" THE LEGISLATION BEFORE YOU REQUESTS A ONE-TIME APPROPRIATION OF SOME \$456,500 FOR STUDIES WHICH, WE BELIEVE, CONSTITUTE A LEGITIMATE STATE FUNCTION. THE STUDY CONSISTS OF THREE PARTS:

THE FIRST CONSISTS OF AN INVESTIGATION OF ALTERNATIVE SITES FOR THE PORT FACILITY. THIS WILL INCLUDE A MARINE GEOPHYSICAL SURVEY, A PRELIMINARY TERMINAL SITE EVALUATION, AND A DETAILED EVALUATION OF CONCEPTUAL LAYOUTS AT THE MOST PROMISING SITES. THIS PHASE IS PROJECT TO COST \$205,000.

THE SECOND PHASE WILL CONSIST OF A TRANSPORTATION SYSTEM INVESTIGATION FROM THE MINE SITE TO THE PREFERRED PORT LOCATION. THIS WILL INCLUDE A PRELIMINARY MODE AND ROUTE INVESTIGATION, A DETAILED EVALUATION OF ROUTE CONCEPTS, AND AN EVALUATION OF POTENTIAL HANDLING, STORAGE AND LOADING FACILITIES. THIS SECOND PHASE IS PROJECTED TO COST \$145,000.

THE THIRD PHASE OF THE STUDY WILL CONSIST OF A FINANCIAL AND ECONOMIC ANALYSIS. THIS WILL INCLUDE MARKET IDENTIFICATION, ECONOMIC EVALUATIONS AND FINANCIAL PROJECTIONS. THE DELIVERED COST OF BERING RIVER COAL WILL BE PROJECTED IN TERMS OF DOLLARS PER MILLION BTU'S. THIS WILL ALLOW IT TO BE COMPARED WITH THE DELIVERY COST OF OTHER COALS IN PACIFIC RIM MARKETS ON A DISCOUNTED CASH FLOW BASIS.

IN SUMMARY, WE BELIEVE THAT AN INVESTMENT ON THIS ORDER OF MAGNITUDE IS APPROPRIATE BY THE STATE OF ALASKA IN THE BERING RIVER COAL PROJECT AT THIS TIME. IT WILL SERVE TO COMPLEMENT CHUGACH'S SIZEABLE INVESTMENT IN THE EXPLORATION PROGRAM ITSELF. IT WILL

FURTHER ENSURE THAT THE QUESTION IN SOME PEOPLE'S MINDS OF WHETHER A PORT AT KATALLA OR CORDOVA, OR ELSEWHERE IN THE BERING RIVER AREA IS FEASIBLE, WILL BE ANSWERED.

WE BELIEVE THAT IT WOULD BE APPROPRIATE FOR THE CITY OF CORDOVA, AS THE LOCAL GOVERNMENT MOST SIGNIFICANTLY IMPACTED BY THE PROPOSED DEVELOPMENT, TO RECEIVE AND ADMINISTER THIS APPROPRIATION. CORDOVA SUPPORTS THIS PROJECT, AND HAS INDICATED ITS WILLINGNESS TO ADMINISTER THE PROJECT.

PLEASE BE ASSURED THAT THIS INVESTMENT IN THE BERING RIVER PROJECT WILL NOT COMMIT THE STATE TO SPENDING UNTOLD MILLIONS OF DOLLARS ON IT IN THE FUTURE. HOWEVER, WHAT IT WILL DO, IS HELP TO SPUR ON A PROJECT WHICH WE ARE PURSUING VERY AGGRESSIVELY, BUT WHICH ONLY A YEAR AGO SOME SAID WOULD NEVER BE DONE. THE STATE OF ALASKA DOES HAVE AN APPROPRIATE ROLE TO PLAY IN THE DEVELOPMENT OF NATURAL RESOURCES OTHER THAN OIL AND GAS IN THE STATE, AND WE BELIEVE THAT THIS PROJECT IS A PRIME EXAMPLE OF HOW THE STATE'S FUNDS COULD BEST BE SPENT FOR THIS PURPOSE.

HOUSE FINANCE COMMITTEE

April 13, 1982

1:30 p.m.

Tape HFC 82-42, Side 2, #570

PRESENT

Members of the committee in attendance: Representatives Adams, Fuller, Chuckwuk, Cuddy, Cotten, Carney, Hurlbert, Bettisworth, Haugen and Montgomery. Representative Meekins was excused from the meeting.

OTHERS PRESENT: Lee McAnerney, Commissioner, Department of Community and Regional Affairs; Robert Kessel, Director of Audit, Department of Revenue; Lance Youngquist, Chairman, Alaska Real Estate Commission; and Nola Capp, Administrator, Violent Crime Compensation Board.

Chairman Adams called the meeting to order and informed committee members that it is his intention to close the House Finance Committee on Sunday, April 18. The first bill to be considered was HB 697.

HB 697

HB 697 - "An Act relating to appointment of nonpermanent employees for certain work assignments; and providing for an effective date."

Representative Haugen MOVED AND ASKED UNANIMOUS CONSENT to report out of committee CSHB 697 (L & C). There being NO OBJECTION it was so ordered. CSHB 697 (L & C) was reported out of committee with a "do pass" recommendation.

HB 694

HB 694 - "An Act relating to the Alaska Municipal Bond Bank Authority."

LEE MCANERNEY, Commissioner of the Department of Community and Regional Affairs and chairman of the Bond Bank, stated that they are in support of the bill as amended by the Labor and Commerce committee.

Representative Fuller MOVED AND ASKED UNANIMOUS CONSENT to report out of committee CSHB 694 (L & C) with the fiscal note dated March 17, 1982 from the Department of Revenue totaling \$1.14 in FY 83. There being NO OBJECTION it was so ordered. CSHB 694 (L & C) was reported out of committee with a "do pass" recommendation.

HB 704

HB 704 - "An Act continuing the existence of the Real Estate Commission; and providing for an effective date."

Representative Bettisworth stated that he would recommend retaining and passage of the Real Estate Commission. He stated that in the past when they were looking at boards and commissions under the Sunset provisions; this was one which was given autonomy for control of their own affairs. Representative Bettisworth felt that the Commission has been doing a good job with a minimum impact on the state budget. He stated that they do return more money to the state treasury through fees, etcetera, than it takes to run the operation.

LANCE YOUNGQUIST, Chairman of the Alaska Real Estate, stated that he did not have any testimony on the bill which is to equalize the fees across all the brokers, associate brokers and salesman in an attempt to increase revenues equal to expenditures.

Representative Fuller MOVED AND ASKED UNANIMOUS CONSENT to report out of committee CSHB 704 (L & C) with the fiscal note dated March 19, 1982 from the Department of Commerce and Economic Development in the amount of \$21.1 for FY 83. There being NO OBJECTION it was so ordered. CSHB 704 (L & C) was reported out of committee with a "do pass" recommendation.

HB 93

HB 93 - "An Act making technical amendments relating to state taxation; and providing for an effective date."

Tape Change 82-43, Side 1

ROBERT KESSEL, Director of Audit with the Department of Revenue, provided testimony explaining the changes to be made (see attached - attachment #1).

Representative Cotten asked for further explanation concerning Section 9. Mr. Kessel explained that Section 9 relates to the municipal tax credit. There have been some substantial changes to the Economic Recovery Act under the federal code. Mr. Kessel explained that because of those changes some property is eligible for the 10% much sooner than it was under the old provision. Since the current Alaska statute did not adopt the federal changes until the second January 1 following the change in federal law, you have a piece of property which is eligible for 10% investment credit at the federal level but less for the state.

Representative Cotten stated that it would be more appropriate to hang onto HB 866 and keep all the investment tax credits in one

package. He stated that it would be his preference to take section 9 out of the bill.

In response to a question from Representative Cotten; Mr. Kessel responded that with no legislative action it would become effective the second January 1 following the passage of the federal investment tax credit. This would become Alaska law in January of 1983 if there is no action. Representative Cotten stated that the state is really not making its own decisions about investment tax credits in Alaska with the way the statute is currently written. Mr. Kessel stated that Section 10 of the bill makes Section 9 retroactive to the effective date of the Economic Recovery Act. He explained that what is gained is that in 1981 and 1982 the state would be in conformity with the federal law. Without Section 9 the state would be in conformity in the fall of 1983.

Representative Cotten MOVED to delete Section 9 and 10 from HB 93. Representative Fuller OBJECTED. The QUESTION was called for. Eight OPPOSED and two in FAVOR (Carney, Cotten). The MOTION FAILED.

Representative Haugen MOVED AND ASKED UNANIMOUS CONSENT to report out of committee CSHB 93 (Finance). Representative Cotten OBJECTED. The QUESTION was called for. Eight in FAVOR and two OPPOSED (Carney, Cotten). The MOTION PASSED. CSHB 93 (Finance) was reported out of committee with "individual recommendations".

HB 751

HB 751 - "An Act making an appropriation for payment as a grant to the North Slope Borough for a senior citizens home in Barrow; and providing for an effective date."

Representative Haugen MOVED AND ASKED UNANIMOUS CONSENT to report out of committee HB 751. Representative Carney OBJECTED.

Representative Carney MOVED to amend the bill to include one million dollars for a senior citizens home in W silla. He stated that they are in need of a center and have been having difficulties in securing adequate funding. The QUESTION was called for. Eight OPPOSED and two in FAVOR (Carney, Cotten). The MOTION FAILED.

The QUESTION was called for on the main motion. There being NO OBJECTION, HB 751 was reported out of committee with a "do pass" recommendation.

HB 876

HB 876 - "An Act providing for a federal budget impact fund; and providing for an effective date."

Representative Fuller MOVED to report out of committee CSHB 876 (SA). There being NO OBJECTION it was so ordered. CSHB 876 (SA) was reported out of committee with a "do pass" recommendation.

HB 872

- HB 872 - "An Act making a special appropriation to the federal budget impact fund; and providing for an effective date."

Representative Fuller MOVED AND ASKED UNANIMOUS CONSENT to report out of committee HB 872. There being NO OBJECTION it was so ordered. HB 872 was reported out of committee with a "do pass" recommendation.

HB 869

- HB 869 - "An Act relating to crime victim compensation; and providing for an effective date."

NOLA CAPP, Administrator of the Violent Crime Compensation Board stated that the board supports the Judiciary CS. She stated that the fiscal note totaling \$199.8 for FY 83 is probably high and the board could probably live with less although it is hard to say at this time. In response to a question from Representative Cotten, Ms. Capp stated that their current budget for grants totals \$243,000.

Representative Fuller MOVED to report out of committee CSHB 869 (Judiciary) along with the fiscal note dated February 22, 1982 from the Department of Public Safety in the amount of \$199.8 for FY 83. There being NO OBJECTION it was so ordered. CSHB 869 (Judiciary) was reported out of committee with a "do pass" recommendation.

ADJOURNMENT

The meeting adjourned at 2:10 p.m.

HFC 82-42, Side 2, #570 to end
82-43, Side 1, #001 to #504

Mr. Chamberlain
Markus
my

Robert R. Kessel
Audit Division
April 2, 1982

Testimony - Proposed Committee Substitute for HB 93

Section 1 of the proposed Substitute HB 93 provides that the Commissioner of Game and Fish must submit to the Commissioner of Revenue the names of developing commercial fish species not later than January 31 of each year rather than March 31. The bill also changes the period for which the lower tax rate applies from a fiscal year to a calendar year. The reporting period therefore is made to coincide with the tax year. Section 8 makes a date change to conform to Section 1 (from June 30, 1983 to January 31, 1983).

Section 2 of the bill contains clarifying language to the motor fuel tax law. If a purchaser of motor fuel uses motor fuel for non-highway use in a foreign country the purchaser is entitled to a refund on that fuel which tax has been paid. The word DUTY is out of place since the purchaser must have paid the motor fuel tax and not a DUTY.

Section 3 of the bill changes the interest rate on delinquent taxes from eight percent to twelve percent a year. There has not been a change in interest rates since 1976 and this section brings the interest into closer conformity with the real world of interest rates. For example, CD's now go for 13%, IRS charges 20%.

The Department believes that taxpayers entitled to refunds should be entitled to an interest rate equivalent to that charged delinquent taxpayers. Section 4 of the bill provides the equity by applying the interest rate of 12% to overpayments of tax.

Section 5 ties the interest rate for delinquent oil and gas property production to the rate charged for other taxes. The current rate is 6%. Legislative Audit recommended in SB 856 an interest rate of 10.5%. The Department does not have violent objection to that percentage but believes 12% to be more logical and would be consistent with the proposed increase for other taxes per Section 43.05.225.

Section 6 repeals Section 43.20.172. That section requires that fish processors furnish the Department with names of

persons from whom newly harvested fish were purchased. The names of these persons were then cross-checked against the income tax filers list. Since the individual income tax has been repealed there is no need for Section 43.20.172.

Section 7 repeals AS 44.62.330(a)(20). The Revenue Department has its own taxpayer remedy provisions in 43.05.240. Tobacco Tax is currently the only tax appealed under the Administrative Procedures Act. Section 7 would bring Tobacco Tax appeals under 43.05.240 and would provide for consistency in tax administration. To my knowledge, there has only been one tobacco tax appeal during the past several years.

Section 9 of the bill relates to the Investment Tax Credit. There have been substantial changes in the investment tax credit for federal purposes as a result of the Economic Recovery Tax Act (ERTA) of 1981. The full 10% investment tax credit applies much more frequently than under previous federal law. Section 43.20.021 of the Alaska Statute provides that Internal Revenue provisions are not adopted for state purposes until the second January 1 following the effective date of the federal law. Section 9 of HB 93 speeds up that transition and essentially allows for the more liberal investment tax credits sooner than would the current provisions of 43.20.021. I would like to read from part of a letter written to the Department by Phil Payne of the Alaska Society of CPA's.

Section 9 of the bill is the section responsible for the fiscal impact of 700,000 dollars per year. However, in developing the fiscal note the additional revenue resulting from the increased interest rate for delinquent taxpayers was overlooked. The Department now believes that the additional revenues from interest will probably cancel out the \$700,000 and create a wash situation.

HOUSE FINANCE COMMITTEE

April 14, 1982

4:35 p.m.

Tape HFC 82-43, side 1 #504

PRESENT

Members of the Committee in attendance: Representatives Adams, Fuller, Cuddy, Carney, Chuckwuk, Bettisworth, Hurlbert, Haugen and Cotten. (Representatives Meekins and Montgomery were not in attendance.) PRESENT TO TESTIFY: Commissioner John Katz and Deputy Commissioner Jeff Haynes, Department of Natural Resources; James F. Smith, Vice President, Tesoro Alaska; John Logan, Deputy Director, Division of Retirement and Benefits; Bill Leitch, Economist, Department of Environmental Conservation; and Ron Wente, Southern Southeast Aquaculture Association.

HB 888 and HB 889

Chairman Adams called the meeting to order and gave a brief overview of HB 888 and HB 889.

HB 888 -- "An Act relating to the sale of royalty oil by the State of Alaska to the Tesoro Alaska Petroleum Company; and providing for an effective date."

HB 889 -- "An Act relating to the sale of royalty oil by the State of Alaska to Doyon, Ltd.; and providing for an effective date."

MR. JAMES F. SMITH, Vice President, Tesoro Alaska presented the company statement which he said sets forth their position very clearly:

In analyzing the impact of the royalty crude contract now before you, the Department of Natural Resources wisely considered the question of reduced royalty revenues which might result from the State's decision to take its royalties in kind rather than in value. It is correct that under certain crude sales prices and transportation cost assumptions the State may realize less revenues if royalties are taken in kind. The two primary assumptions that create this revenue depreciation are: (1) that the price of crude is the same on the Gulf Coast as on the West Coast, and that the net back from Gulf Coast sales is lower by transportation cost differences, and (2) that royalty crude taken in kind by an Alaskan refiner will displace existing West Coast sales and increase lower net back Gulf Coast sales thereby reducing the pump station one values on which royalty is calculated.