

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2813

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SENATE FINANCE COMMITTEE MINUTES

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**SEE MISC. SUBJECT INDEX for
general budget discussion**

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 485-3795

MEMORANDUM

TO: Senator Bennett, Co-chairman
Senate Finance Committee

FROM: Robert L. Grogan, Fiscal Analyst *RLG*
Legislative Finance Division

DATE: April 6, 1981

SUBJECT: Project Additions by the Legislature
to the FY 1981 Budget.

As you have requested, Legislative Finance has compiled a listing of projects added by the Legislature in FY 81 (see attachment). The projects shown are operating budget items that were added to the budget bill or by HB 60. The "positions created" and "requested for FY 1982" columns indicate the impact these FY 81 additions have had on the Governor's FY 82 request.

The projects are grouped by agency within categories. A summary of category totals appears as the first page.

Attachment -
RLG:dh

HISTORY OF LEGISLATIVE PROJECT ADDITIONS
FY 81 - FY 82
CATEGORY SUMMARY

<u>CATEGORY</u>	<u>FY 81 AMOUNT</u>	<u>YEAR TO DATE EXPENDITURES</u>	<u>POSITIONS CREATED</u>	<u>REQUESTED FOR FY 1982</u>
EDUCATION	1,270.5	923.7	2	1,416.0
UNIVERSITY OF AK.	2,461.5	980.6	23	1,974.6
HEALTH	12,842.5	N/A	19	13,975.2
SOCIAL SERVICES	6,041.4	N/A	5	5,049.2
NATURAL RESOURCES	3,040.2	1,542.3	88	2,771.2
JUSTICE	4,728.0	2,346.4	35	4,432.0
PUBLIC PROTECTION	698.7	158.5	8	600.3
DEVELOPMENT	26,428.4	3,149.4	72	16,824.4
TRANSPORTATION	1,357.3	212.0	2	1,461.9
GENERAL GOV'T	<u>785.9</u>	<u>220.1</u>	<u>11</u>	<u>949.0</u>
	59,654.4	9,533.0	265	49,453.8

Prepared by:

Legislative Finance
April 2, 1981

HISTORY OF LEGISLATIVE PROJECT ADDITIONS

FY 81 - FY 82

BY CATEGORY, BY AGENCY

<u>CATEGORY</u>	<u>PROJECT TITLE</u>	<u>AMOUNT</u>	<u>YEAR TO DATE EXPENDITURES</u>	<u>POSITIONS CREATED</u>	<u>REQUESTED FOR FY 82</u>
Education					
<u>AGENCY</u>					
Department of Education	Grant to Alaska Repertory Theatre through Alaska Arts Council	500.0	500.0	Ø	500.0 ⁽¹⁾
	Instructional Television	<u>770.5</u>	<u>423.7</u>	<u>2</u>	<u>916.0</u>
	CATEGORY TOTAL	\$1270.5	\$923.7	2	\$1416.0
<u>CATEGORY</u>					
University of Alaska	ALRM Timber Thinning	140.0	54.0	1	140.0*
	Petroleum Engineering Training-UAF	150.0	38.3	1	
<u>AGENCY</u>	Great Alaska Shootout	200.0	88.6	Ø	100.0
University of Alaska	Instructional Telecommunications	850.2	544.1	4	606.3
	Cross Cultural Seminar-Kodiak	5.0	Ø	Ø	5.0*
	Drafting Program (NWCC)	140.0	24.2	5	140.0*
	Petroleum Technology (TVCC)	233.0	64.5	3	233.0*
	Cantwell Research	30.0	15.0	Ø	30.0*
	Alaska Science Conference	15.0	13.8	Ø	15.0*
	Coal Research Lab	150.0	78.0	1	150.0*
	Publication of Alaska Research Proj.	18.3	15.6	Ø	18.3*
	Alternative Energy Research	130.0	44.5	1	130.0*
	Reindeer Research	<u>400.0</u>	<u>unknown</u>	<u>7</u>	<u>407.0</u>
	CATEGORY TOTAL	\$2461.5	\$980.6	23	\$1974.6

(1) Carried forward \$500.0 without specifically identifying the Alaska Repertory Theatre as the grant recipient.

* estimate

LEGISLATIVE ADDITIONS
FY 81 - FY 82
BY CATEGORY, BY AGENCY

<u>CATEGORY</u>	<u>COMPONENT</u>	<u>FY 1981 AMOUNT</u>	<u>POSITIONS CREATED</u>	<u>FY 1982 REQUEST</u>
Health				
<u>AGENCY</u>				
Health & Social Services	Public Health Administration	\$ 742.9	Ø	\$ 196.3
	Home Health Service	Ø	7FT 2 PT	375.1
	Emergency Medicaid Admin.	7.5	Ø	8.3
	Alcohol and Drug Abuse	11169.3	12FT	12477.5*
	Alaska Psychiatric Institute	150.0	Ø	Ø
	Special Projects & Grants	Ø		162.0
	Mental Health Grants	117.0	Ø	129.9
	Community Services	190.5	Ø	211.4
	Family Support & Community Svcs.	218.3	Ø	242.3
	Commissioner's Ofc. - Grants	247.0	Ø	33.0
	Holistic Health	Ø	Ø	139.4
CATEGORY TOTAL		<u>\$12842.5</u>	<u>19FT 2PT</u>	<u>\$13975.2</u>

*approximate and includes FY 81 appropriation out of HB 60.

LEGISLATIVE ADDITIONS
FY 81 - FY 82
BY CATEGORY, BY AGENCY

<u>CATEGORY</u>	<u>COMPONENT</u>	<u>FY 1981 AMOUNT</u>	<u>POSITIONS CREATED</u>	<u>FY 1982 REQUEST</u>
Social Services				
<u>AGENCY</u>				
Health & Social Services	Youth Services (Grants)	\$ 219.6	0	\$ 243.7
	Program Services (Grants)	2754.6	1	0
	Adult Services (Grants)			1869.3
	Aging Grants (Grants)	1737.0	0	1580.7 ⁽¹⁾
	Homemaker Services (Grants)	<u>1046.5</u>	<u>—</u>	<u>1046.5</u> ⁽²⁾
AGENCY TOTAL		\$ 5757.7	1	\$ 4740.2
Department of Labor	WIN - Fairbanks Office	<u>283.7</u>	<u>4</u>	<u>309.0</u>
CATEGORY TOTAL		<u>\$ 6041.4</u>	<u>5</u>	<u>\$ 5049.2</u>

(1) 1 million appropriation, HB 611 included

(2) Special appropriation, Ch. 140, SLA 1980

HISTORY OF LEGISLATIVE PROJECT ADDITIONS
FY 81 - FY 82
BY CATEGORY, BY AGENCY

PAGE 1

<u>CATEGORY</u>	<u>PROJECT TITLE</u>	<u>AMOUNT</u>	<u>YEAR TO DATE EXPENDITURES</u>	<u>POSITIONS CREATED</u>	<u>REQUESTED FOR FY 82</u>
Natural Resources Management & Environmental Conservation					
<u>AGENCY</u>					
Department of Fish and Game	Resource Assessment	\$ 125.0	\$ 24.1	3	\$ 125.0*
	Environmental Monitoring-SE	131.0	7.1	3	131.0*
	Fish Disease Control	62.2	22.7	2	62.2*
	Non-Game Wildlife	150.0	6.0	2	207.8
	Delta Bison Range	50.0	16.7	0	50.0*
	King Salmon Addition	66.2	-0-	0	66.2*
	Kuskokwim Salmon Study	175.0	99.0	0	129.0
	Kuskokwim Coho Research	46.9	46.9	12	44.1
	Kuskokwim Mgmt Expansion	128.1	98.0	14	77.3
	Yukon Research & Management	500.0	400.0	14	315.0
	Cook Inlet Sonar	166.5	125.0	0	91.4
	Bering Sea Herring Mgmt	153.6	20.0	10	134.9
AGENCY TOTAL		\$1,754.5	\$ 865.5	60	\$ 1,433.9
Department of Natural Resources	Bethel Recorder's Office	40.0	-0-	1	40.0
	McGrath-Lime Hills Investig.	95.1	27.6	4	95.1
	General Geologic Hazards	176.4	58.3	5	252.7
	Western Clearwater	14.0	-0-	0	14.0*
	Healy Quadrangle	4.0	3.0	0	4.0
	Paradise Haven Maintenance	184.3	184.3	4	184.3*
	Ft. Abercrombie	47.6	47.6	1	47.6*
	Kenai Garbage Pick-up	40.0	40.0	0	40.0
	Mat-Su Range	30.0	30.9	1	30.9
	Chilkat Operations	20.4	20.4	1	20.4
	Independence Mine	37.0	37.0	1	37.0
AGENCY TOTAL		\$ 689.7	\$ 449.1	18	\$ 766.0

HISTORY OF LEGISLATIVE PROJECT ADDITIONS
FY 81 - FY 82
BY CATEGORY, BY AGENCY

PAGE 2

<u>CATEGORY</u>	<u>PROJECT TITLE</u>	<u>AMOUNT</u>	<u>YEAR TO DATE EXPENDITURES</u>	<u>POSITIONS CREATED</u>	<u>REQUESTED FOR FY 82</u>
NRMEC - Continued					
<u>AGENCY</u>					
Department of Environmental Conservation	Permit Center - Fairbanks	\$ 35.3	\$ 10.6	1	\$ 10.6*
	Wastewater Advisory Board	4.5	2.7	0	4.5
	Wastewater Disposal Permits	127.2	-0-	3	127.2*
	AGENCY TOTAL	\$ 167.0	\$ 13.3	4	\$ 142.3
Department of Public Safety	Fish & Wildlife Prot.-rural	\$ 29.0	\$ 14.4	2	\$ 29.0*
	Fish & Wldlf Prot.-Statewide	400.0	200.0*	4	400.0*
	AGENCY TOTAL	\$ 429.0	\$ 214.4	6	\$ 429.0
CATEGORY TOTAL		\$3,040.2	\$ 1,542.3	88	\$ 2,771.2

* - Estimate

HISTORY OF LEGISLATIVE PROJECT ADDITIONS
FY 81 - FY 82
BY CATEGORY, BY AGENCY

<u>CATEGORY</u>	<u>PROJECT TITLE</u>	<u>AMOUNT</u>	<u>YEAR TO DATE (12/31/80) EXPENDITURES</u>	<u>POSITIONS CREATED</u>	<u>REQUESTED FOR FY 82</u>
Administration of Justice					
<u>AGENCY</u>					
Department of Law	Volunteer Coordinator (Pretrial Division)	29.2	12.0	1	33.0*
AGENCY TOTAL		29.2	12.0	1	33.0*
Dept. of Health & Soc. Svcs.	Corrections Master Plan-Palmer	121.2	3.5	1	17.2
	Alcoholism Counselors	84.6	Ø	3	81.6
	Inmate Equipment, Juneau	10.0	5.3		Ø
	Classroom Training, Juneau	120.0	120.0		129.6
	Institutional Instruction, Ridgeview	26.1	7.1	1	23.9
	Local Facilities	200.1	200.1	2	200.1
	Institutional Nurses	55.0	31.4		46.2
	Master Plan, Statewide Pool	166.0	47.4	9	368.5
	Educ. Counseling, statewide	200.0	Ø		216.0
	Community-based programs	200.0	100.0		200.0
	Career Counselor, McLaughlin	41.4	Ø	1	39.1
	Master Plan-Volunteers Coord.	78.2	17.9	3	66.1
	Data Processing	56.5	56.5		33.9
	Chaplaincy Program	60.0	60.0		97.2
	Public Hrngs. for jail locations	50.0	Ø		Ø
AGENCY TOTAL		1469.1	649.2	20	1519.4

HISTORY OF LEGISLATIVE PROJECT ADDITIONS
FY 81 - FY 82
BY CATEGORY, BY AGENCY

<u>CATEGORY</u>	<u>PROJECT TITLE</u>	<u>AMOUNT</u>	<u>YEAR TO DATE (12/31/80) EXPENDITURES</u>	<u>POSITIONS CREATED</u>	<u>REQUESTED FOR FY 82</u>
Administration of Justice					
<u>AGENCY</u>					
Dept. of Public Safety	Village Public Safety Officer	2994.7	1662.2	14	2754.6
	Domestic Violence Training	50.0	13.0	Ø	Ø
	Narcotics Buy Money	100.0	?	Ø	100.0
	Scent Detection, canine	10.0	10.0	Ø	Ø
	Dillingham Jail Renovation	75.0	?	Ø	25.0
AGENCY TOTAL		3229.7	1685.2	14	2879.6
CATEGORY TOTAL		4728.0	2346.4	35	4432.0
Public Protection					
<u>AGENCY</u>					
Department of Commerce	Power Production Asst. Act	148.5	62.1	3	170.8*
	Alaskan Job Market/Beluga Mktng.	100.0	?	Ø	Ø
AGENCY TOTAL		248.5	62.1	3	170.8*
Department of Labor	Electrical & Plumbing Inspects.	205.3	?	4	231.3*
AGENCY TOTAL		205.3	?	4	231.3*

HISTORY OF LEGISLATIVE PROJECT ADDITIONS
FY 81 - FY 82
BY CATEGORY, BY AGENCY

<u>CATEGORY</u>	<u>PROJECT TITLE</u>	<u>AMOUNT</u>	YEAR TO DATE (12/31/80) <u>EXPENDITURES</u>	<u>POSITIONS CREATED</u>	<u>REQUESTED FOR FY 82</u>
Public Protection (continued)					
<u>AGENCY</u>					
Dept. of Military Affairs	C.A.P. Aircraft maintenance	124.0	96.4	Ø	134.0
	Asst. Adjutant General-Air	62.4	?	1	64.2*
	Armory Repair/renovation	<u>58.5</u>	<u>?</u>	<u>Ø</u>	<u>Ø</u>
	AGENCY TOTAL	244.9	96.4	1	198.2*
	CATEGORY TOTAL	698.7	158.5	8	600.3

*estimate

HISTORY OF LEGISLATIVE PROJECT ADDITIONS
FY 81 - FY 82
BY CATEGORY, BY AGENCY

<u>CATEGORY</u>	<u>PROJECT TITLE</u>	<u>AMOUNT</u>	<u>YEAR TO DATE EXPENDITURES</u>	<u>POSITIONS CREATED</u>	<u>REQUESTED FOR FY 82</u>
Development					
<u>AGENCY</u>					
Dept. of Administration	Alaska Energy Center	<u>6075.0</u>	<u>133.2</u>	<u>22.0</u>	<u>6404.7</u>
	AGENCY TOTAL	6075.0	133.2	22.0	6404.7
Commerce & Econ. Develop.	Energy Plan	200.9	120.2	2.2	253.8
	Energy Standards/Public Educ./				
	Auditor Training	308.5	123.9	4.0	303.8
	Energy Audits/Refunds/Grants	4575.4	1420.0	4.0	4931.7
	Residential Energy Cons. Loans	195.0	Ø	4.0	135.0*(1)
	Bulk Fuel Loans	104.5	Ø	1.0	37.0*(2)
	Rural Loan Offices	587.6	372.8(3)	Ø	Ø(3)
	Computerization of Loan Records	<u>200.0</u>	<u>Ø</u>	<u>4.0</u>	<u>80.0*</u>
	AGENCY TOTAL	6171.9	2036.9	19.2	5741.3
Alaska Power Authority	Power Production Asst. Program	<u>1451.0</u>	<u>700.0</u>	<u>1.0</u>	<u>1772.4</u>
	AGENCY TOTAL	1451.0	700.0	1.0	1772.4
Comm. & Regional Affairs	Bulk Fuel Grants	1173.0	40.0	3.0	1257.4
	Legislative Grant Administra.	100.0	32.9	3.0	105.8
	Alaska Native Claims Plan of				
	Survey	298.9	24.4	6.0	356.3
	Rural Development Council	158.6	37.1	3.0	179.9
	Non-conforming Housing Loans	<u>11000.0(4)</u>	<u>144.9</u>	<u>15.0</u>	<u>1006.6(5)</u>
	AGENCY TOTAL	<u>12730.5</u>	<u>279.3</u>	<u>30.0</u>	<u>2906.0</u>
	CATEGORY TOTAL	26428.4	3149.4	72.2	16824.4

FOOTNOTES 1 through 5 are on attached page

FOOTNOTES TO DEVELOPMENT CATEGORY - PROJECT ADDITIONS, FY 81/82

- (1) Capitalization of Residential Energy Conservation Loan Fund included in Governor's FY 82 capital budget at 1250.0.
- (2) Capitalization of Bulk Fuel Loan Fund included in Governor's FY 82 capital budget at 1000.0.
- (3) Rural Loan Offices to be established and operated by the Department of Community and Regional Affairs, Division of Housing Assistance. Funds RSA'd to C&RA from Commerce in FY 81; funds requested in C&RA's budget for FY 82.
- (4) Includes 10,000.0 in loan fund capitalization; administrative costs = 1000.0.
- (5) Includes funding for five rural loan offices. Capitalization for loan fund included in Governor's FY 82 capital budget at 10,500.0.

*estimate

HISTORY OF LEGISLATIVE PROJECT ADDITIONS
FY 81 - FY 82
BY CATEGORY, BY AGENCY

<u>CATEGORY</u>	<u>PROJECT TITLE</u>	<u>AMOUNT</u>	<u>YEAR TO DATE EXPENDITURES</u>	<u>POSITIONS CREATED</u>	<u>REQUESTED FOR FY 82</u>
Transportation					
<u>AGENCY</u>					
Dept. of Transportation & Public Facilities	Admin, Commissioner's Office Rural Airport Impr. Program	350.0	Ø	2	378.0
	Maintenance & Operations - Hwys. & Airports, Administration Rural Airport Impr. Program	617.3	30.0	Ø	666.7
	Maintenance & Operations Highways, Central Add'l Road Maint. on Kenai Penin.	340.0	132.0	Ø	367.2
	Maintenance & Operations Highways, Interior Maint. of Two Mile Section of Road from Hwy. at Mile 91 Tok Cut-off to Gravel Pit	Ø	Not Available	Ø	Ø
	Maintenance & Operations Highways, Interior Road Maint. from Tanana to RCA Site	<u>50.0</u>	<u>50.0</u>	<u>Ø</u>	<u>50.0</u>
AGENCY/CATEGORY TOTALS		1357.3	212.0	2	1461.9

HISTORY OF LEGISLATIVE PROJECT ADDITIONS
FY 81 - FY 82
BY CATEGORY, BY AGENCY

<u>CATEGORY</u>	<u>PROJECT TITLE</u>	<u>AMOUNT</u>	<u>YEAR TO DATE EXPENDITURES</u>	<u>POSITIONS CREATED</u>	<u>REQUESTED FOR FY 82</u>
General Government					
<u>AGENCY</u>					
GOVERNOR'S OFFICE	Council of Economic Advisors	<u>200.0</u>	<u>Ø</u>	<u>Ø</u>	<u>250.0</u>
	AGENCY TOTAL	200.0	Ø	Ø	250.0
<u>AGENCY</u>					
DEPT. OF LAW	DOT/PF Attorney Timekeeping	25.0	Ø	1	38.8
	Navigability Litigation	53.3	22.1	1	62.7
	Gas Pipeline Coordinator	101.0	23.1	2	110.2
	Reapportionment Legal Services	57.4	33.7	1	59.7
	DOT/PF Project Expansion	89.9	46.8	2	125.8
	H&SS Legal Services	181.9	58.7	2	189.2
	Child Support Enforcement	32.4	7.5	1	46.4
	NOAA/NMFS IPA Agreement	<u>45.0</u>	<u>28.2</u>	<u>1</u>	<u>66.2</u>
	AGENCY TOTAL	585.9	220.1	11	699.0
	CATEGORY TOTAL	785.9	220.1	11	949.0

OPENING DAY - TWELFTH STATE LEGISLATURE

Senate called to order by Lt. Governor Terry Miller.

Roll call by Senate Secretary.

Prayer

Certification of election results and attestation to fact that those properly elected are present.

Swearing in of newly elected members.

Nominations for President pro tempore, Kerttula.

Election of permanent president (Kerttula)

Appointment of Committee on Committees:

Kerttula

Dankworth

Bennett

Gilman

Ray

Introduction of guests.

Recess to reconvene at 11:50 for report from Committee on Committees.

sf0119810900

SENATE FINANCE COMMITTEE
January 19, 1981
9:00 a.m.

(Tape SF-81, #1, 000-end of 1st side)

CALL TO ORDER

Co-chairman Don Bennett convened the meeting at 9:00 a.m.

PRESENT

In attendance were the following committee members: Co-chairman Don Bennett, Co-chairman Ed Dankworth, Senator Frank Ferguson, Senator Terry Stimson, and Senator Arliss Sturgilewski. Senator Dick Eliason arrived shortly after the meeting convened. Senator Sackett did not attend.

Also in attendance were Senate President Jalmar Kerttula, Jay Hogan, Director of Legislative Finance; Fiscal Analysts Milt Barker, Alison Elgee, Don Fisher, Bob Grogan, Elmer Lindstrom, Jerry Schilz, and Bob Schroeder, as well as administrative assistants to the committee Kathy Martinson and Judy Johnston.

COMMITTEE POLICY

Co-chairman Bennett advised that he convened the meeting to share with members his thoughts concerning committee policy. He advised of his intention to adjourn committee meetings at least ten minutes before the 10:00 a.m. floor session. Items remaining on the agenda at that time will be taken up at the next meeting.

Senator Bennett stated that both his office and the office of the committee Co-chairman, Senator Dankworth, will be open at all times to committee members.

BUDGET CATEGORIES

Co-chairman Bennett assigned the following categories for budget review:

EDUCATION	Senator Eliason
UNIVERSITY OF ALASKA	Committee of the Whole
HEALTH & SOCIAL SERVICES	Senator Sackett
NATURAL RESOURCES	Committee of the Whole

PUBLIC PROTECTION	Senator Ferguson
JUSTICE	Senator Bennett
DEVELOPMENT	Senator Stimson
TRANSPORTATION	Senator Sturgulewski
GENERAL GOVERNMENT	Senator Dankworth

The Co-chairman announced that Ron Lehr, Director of Budget and Management, will appear before committee Wednesday, January 21, 1981, at 1:30 p.m. to present an overview of the Governor's Budget.

BILL ASSIGNMENT

Co-chairman Bennett assigned the following bills:

SB 2 - Stimson
 SB 17 - Dankworth
 SB 48 - Eliason

The Co-Chairman advised that, assuming Finance is the last committee of referral before a bill goes to the floor, Senators assigned bills to research and report back to committee will be expected to carry the bills on the floor of the Senate.

COMMITTEE FUNCTION & PRIORITIES

At this time Co-chairman Bennett turned the meeting over to Co-chairman Dankworth who directed members' attention to a memo dated January 14, 1981, (copy attached to these minutes) relating to operation of the Co-chairmanship of the committee. Co-chairman Dankworth stated that all decisions will be jointly made. The intent is to disseminate some of the power within the legislature and allow more individuals to participate in decision making.

Speaking to capital projects, Co-chairman Dankworth advised he has requested that Jay Hogan prepare a form to be completed when requesting projects in the capital budget. By way of the form members will know who the requesting party represents. Requests must be accompanied by backup defining a need for the project.

Co-chairman Dankworth advised that he and Co-chairman Bennett have met with Senate President Kerttula and developed direction

for the capital budget. He advised of priority need for the following projects:

1. Hydroelectricity/Replacement Energy

Large amounts of energy leave the state in the form of oil. This energy is not replaced. The Co-chairman attested to great need for the Susitna hydroelectric project as well as other hydroelectric projects.

2. Intertie Line

There is a definite need for this line between Anchorage and Fairbanks.

3. Agriculture

The state must continue its commitment to agricultural development.

4. Railroad

The state should look into the feasibility of taking over the Alaska Railroad since the entity now operating it will not put more money into it. If Alaska is going to develop its petrochemicals, mining, and tourism, it must explore acquisition of the railroad. There is need to set up an Alaska Railroad Authority.

5. Loans

The state must continue its commitment to housing and small business loans.

6. Municipalities

The Co-chairman further advised of the need for legislation to stop the impress of state decisions upon municipalities. The state is making decisions for municipalities without input from them. He expressed a desire to send funding to municipalities in the form of grants, letting the municipalities decide how the funding will be used. Funding should be spread among municipalities on a population basis, and 50% of such funding should be used for reduction of property taxes. Remaining funds could be directed toward civic centers, roads, docks, etc.

7. Transportation

Respective senators will be reviewing transportation projects in an effort to at least provide some up-front funding. The Co-chairman mentioned specifically a need to again look at the Knik Crossing project.

8. Insurance

The Co-chairman attested to the desirability of "some type of group policy insurance for Alaska."

9. The Capitol Move Mandated by the People

The Co-chairman advised of his feeling that funding will be required to move on with this project.

Co-chairman Dankworth concluded his remarks, advising that the foregoing list represents a "rough look" at projects the Co-chairmen and President Kerttula have discussed, and stated firmly "we will not have another HB 60."

He further advised that he had directed Jay Hogan to include funding within the Legislative Finance budget to allow for "gray-haired expertise." Such funding would allow knowledgeable citizens around the state to travel to Juneau to testify before the committee concerning their areas of expertise.

(Senator Eliason entered the meeting at this time, 9:15 a.m.)

Co-chairman Dankworth then opened the meeting to comment from committee members.

Senator Sturgulewski restated the great need for hydroelectric projects, and expressed a continuing need to look carefully at oil and gas revenues.

Senator Stimson advised he is pleased with the direction the committee is taking, and further advised of need for the finance committee to assume the lead re: policy and the direction the state will take. He further stated that while he supports the Governor's statement concerning the forthcoming budget which would save some, invest some, and spend some of the state income, he does not share the Governor's priorities.

Senator Stimson voiced support for the citizen advisory committee, terming it an excellent idea.

Senator Ferguson advised that the legislature alone appropriates funding; the Governor should remain mindful of this fact.

Senator Eliason spoke to the need for expedient legislation, advising that much of the funding included within HB 60 missed the construction season. He agreed with prior statements by committee members that the biggest issue facing the legislature is energy.

Senator President Kerttula spoke briefly, advising that the policy committee for the Senate is going to be the finance committee and the finance committee chairmen. He attested to a leadership vacuum in state government--a void which the legislature can fill.

He spoke further to the desirability of bringing young people with innovative ideas before the committee as well as experts such as the outgoing administrator of the TVA.

In concluding his remarks, he stressed the importance of energy legislation, advising that he could not conceive of a better time for justifying the existence of the legislature.

Co-chairman Dankworth referred to prior statements concerning the importance of hydroelectric development, stating that oil and gas are equally as important. He further attested to his belief that possibly no other legislature is going to call so heavily upon its members to be more statesmen than politicians.

Senator Sturgulewski voiced a need for some process for making state-governed resources available to the public.

Prior to concluding the meeting, Co-chairman Bennett advised of several "housekeeping" matters, i.e. the committee table will be kept clear; members will keep papers in their individual file drawers; messages will be placed in the hanging file in the front of each member's top file drawer; Senator Bennett's secretary will coordinate scheduled use of the committee room--finance committee members will have priority in such scheduling.

ADJOURNMENT

The meeting adjourned at 9:30 a.m.

Tape SF-81, #1, (000-end of 1st side)



Official Business

Alaska State Legislature

Senate

Committee on Finance

Pouch V
State Capitol
Juneau, Alaska 99811

To: Members of the Senate Finance Committee

From: Senator M.E. Dankworth and
Senator Don Bennett *DB*

Date: January 14, 1981

Subject: Operation of Co-Chairmanship of the
Senate Finance Committee

Co-chairmanship of the Finance Committee creates a need to clearly define how the Co-chairmanship will work. All major decisions affecting legislative and fiscal matters will be concurred in by both Chairmen.

All matters relative to the Operating Budget will be the preliminary responsibility of Senator Bennett. Senator Bennett will chair the Finance Committee when it is considering matters pertaining to the Operating Budget.

All matters relative to the Capital Budget and all matters not relative to the Operating Budget will be the preliminary responsibility of Senator Dankworth. Senator Dankworth will chair the Finance Committee and/or Subcommittee when it is considering matters pertaining to the Capital Budget.

It has been agreed between the two Chairmen that preliminary bill assignments will be agreed upon by both Chairmen, and that no bill will be brought before the Committee without concurrence of both Chairmen.

Senators Dankworth and Bennett will serve together on any conference or free conference committee pertaining to the Operating and Capital Budget bills, and one or the other will serve on conference or free conference committees for all other appropriation bills.

MED/DB/sb

SENATE FINANCE COMMITTEE
January 21, 1981
1:30 p.m.

(Tape SF-81, #1, Side 2, (000-end)

CALL TO ORDER

Co-chairman Don Bennett convened the meeting at 1:30 p.m.

PRESENT

All committee members were present. Also in attendance were Senators Fischer and Gilman; Representatives Bettisworth, Montgomery, Moss, Randolph, and Rogers; Dr. Jay Barton, President of the University of Alaska; Ron Lehr, Director of the Division of Budget and Management; Fiscal Analysts Milt Barker, Alison Elgee, Don Fisher, Bob Grogan, Elmer Lindstrom, Jerry Schilz, and Bob Schroeder; as well as Finance Committee administrative assistants Judy Johnston and Kathy Martinson; and representatives from the press.

OVERVIEW OF GOVERNOR'S BUDGET

Co-chairman Bennett stated that the meeting was convened for presentation of an overview of the Governor's Budget by Ron Lehr.

Mr. Lehr distributed to members a handout representing a page from the operating budget containing a change in allocation which occurred after the budget went to print. In addition, he distributed a computer run dealing with revenue sharing and municipal assistance. Information contained on the computer run does not appear in the budget.

Referring to the summary of recommendations sheet, Mr. Lehr advised that the budget, operating plus capital, has decreased 24%. The decrease results from a capital budget decline of 60%. The operating budget has increased over 20%. The bulk of the increase in operating relates to formula programs. These are programs where the level is essentially set by law, i.e. longevity bonuses, Medicaid, debt service, permanent fund dividends, revenue sharing, etc. Formula programs represent approximately half of the operating budget and are increasing over 33%. Non-formula programs, i.e. state troopers, social workers, are increasing approximately 12%.

POSITIONS

Mr. Lehr advised that the administration included in its budget preparation a great amount of information concerning positions. He spoke to past problems arising from designations of permanent full time positions and full time equivalents (full time equivalents represent the total staff months divided by twelve). This year the administration has shown figures for both permanent equivalent positions and permanent full time positions. These are listed by category and department. The full time equivalent increase is 4.3% or 600 positions. The permanent full time increase is 6.3% or 819 positions. The full time equivalent is a better measure of new positions. Over 200 new positions result from new facilities.

CAPITAL BUDGET

Mr. Lehr advised that per the summary of recommendations, the administration shows a capital request of \$628 million. This represents approximately \$400 million for loans and \$227 million in other capital requests.

LOANS

Mr. Lehr spoke to problems surrounding loan figures, advising that in FY 81, in addition to appropriating a large amount of cash, the legislature also appropriated \$450 million in loans for loan programs. These loans are held by the general fund, not as cash but as a loan portfolio. The \$709 million represents total cash and loans appropriated. The above situation makes it appear as though the Governor were appropriating less this year for loans than last year. In fact he is simply appropriating cash as opposed to loans. This is a more powerful appropriation. The administration is recommending an expansion of loan programs rather than a contraction, even though it looks like less dollars.

OTHER CAPITAL APPROPRIATIONS

These appropriations are going from \$974 to \$227. The FY 81 figure is larger because it includes \$292 million for Native Land Claims and over \$500 million from HB 60. The Governor's number is actually considerably larger since it does not include HB 60.

RENEWABLE RESOURCE FUND

Last year the administration and legislature treated this fund separately from the general fund. In fact it appropriates for projects the same as the general fund. This year the Renewable Resources Fund is treated as a general fund and FY 81 and 82

moneys are rolled together. The administration is not treating the Renewable Resources Fund as a separate funding source.

CIP CONVERSION

The administration has requested this conversion in the past. Under such a conversion overhead positions in DOT would convert to general fund as opposed to taking a percentage off the project (DOT would thus general fund its overhead positions). These positions represent people not directly chargeable to a specific project--data processing people, finance people, design and construction overhead people, etc. The total needed is \$19 million. This amount would convert all affected positions.

ADDITIONAL APPROPRIATIONS

Referring to the summary sheet, Mr. Lehr directed committee attention to the entry designated "additional appropriations," advising that the \$50 million in FY 82 represents expected new legislation to be submitted by the Governor, Budget Amendments dealing with salary increases and other changes. The number in FY 81 is much larger. Generally what one sees here are supplementals. A couple of large items comprise the total figure--\$77 million for the Governor's royalty oil premium distribution, and approximately \$25 million for the TAPS tariff case. These are included within FY 81 because an immediate effective date was requested on the supplementals. Other appropriations include an \$1.8 billion dollar appropriation to the permanent fund. This amount is in addition to the 25% mandated by the constitution. The \$650 million in the Rainy Day Escrow Account relates to potential liability under the oil and gas corporate income tax. The administration is requesting that \$650 million be appropriated to the above account, producing an account total of approximately \$1 billion to cover liability which might result should the state lose the lawsuit. The \$650 million would be composed of two sums coming from the treasury which is expected to contain approximately \$1 billion by the end of FY 81 (\$700 million, cash and \$300 million in loans). To make up the \$650 million, the administration is requesting \$300 million in loans and \$350 million in cash. This would leave \$350 million in cash in the treasury.

Mr. Lehr advised that a large amount of cash is needed in the treasury since expenditures and revenues do not come and go on an even basis (expenditures leave the treasury in a fairly steady stream while revenue comes in much less uniformly). By appropriating to the Rainy Day Account, the state continues to have cash available for cash flow purposes, yet an appropriation has been made in the event the lawsuit is lost.

INCOME TAX PAYMENTS

The administration has budgeted \$185 million for repayment of the personal income tax as a result of having abolished the tax.

FISHERIES PACK LOANS

A total of \$87 million has been budgeted for funding Chapter 33--the Fisheries Pack Loans from last year.

REVENUES

The Governor's budget shows \$681 million in available revenues for FY 82, and estimates total revenues of \$4.955 billion for the year.

SCHOOL DEBT

Approximately \$200 million has been budgeted to pay off outstanding municipal school debt.

ENERGY DEVELOPMENT

The budget includes \$200 to \$400 million (roughly \$300 million) for energy development--predominantly hydroelectricity.

COMMITTEE QUESTIONS AND COMMENTS ON GENERAL OVERVIEW

Senator Sturgulewski asked if the 358 positions to undergo CIP conversion had been added into the full time equivalency. Mr. Lehr responded that these positions would be additional.

The Senator then raised questions concerning appropriations to municipalities for retirement of school debt, citing difficulties involved in retirement of bonds which cannot be prepaid. Mr. Lehr responded that funding would be appropriated to municipalities in securities timed to retire whatever the municipality has outstanding. The bonds would not actually be called in and paid off.

Senator Stimson referred to the Ullman Bill which places AHFC in a tax exempt bond position, asking what provisions have been made to deal with anticipated financing problems. Mr. Lehr responded that the administration assumes this program will be in the taxable market under this budget, and AHFC will be paying 15% plus 1% overhead for its money. AHFC may still finance up to \$100 million non-taxable, so the budget may contain some cushioning since it was formulated upon anticipated passage of the Ullman Bill.

Senator Eliason asked if the administration intends funding municipal revenue sharing at 100% this year, based on the new formula. Mr. Lehr responded, "yes." He added that assistance payments are based on 10% of the corporate petroleum tax.

Senator Eliason next asked what approach the Governor intends to take concerning hydroelectric development funding, given the \$300 million designated for that purpose. Mr. Lehr stated that a final decision has not yet been made. The administration is awaiting response from its financial advisors and bond counsel and would hope to have something formulated by the end of the week. Several options under consideration include a direct loan--a graduated subordinated loan. The utility would pay no principal and interest up front; payments would escalate over time until the debt is paid. Under the other approach, the state would guarantee the project (the revenue bonds issued by the power authority). It would also appropriate funding to a rate reduction fund and use the interest from that fund to help pay principal and interest on the revenue bonds in the early years. The second approach appears much cheaper from the state's viewpoint although from the utility's standpoint the proposals are approximately the same. Neither proposal anticipates 100% funding.

Senator Ferguson inquired concerning unlisted supplementals which might come before the legislature. Mr. Lehr advised that a number of supplementals are pending, in addition to those already mentioned: Student Loan Program, \$3 million; School Foundation, \$6 to \$10 million; supplemental on the permanent fund dividend once the figures are calculated.

Co-chairman Bennett advised that he had been approached by several representatives from the administration requesting items in the capital budget, claiming that the Governor had no objection to their projects; he simply did not want to put them in the budget. The Co-chairman asked Mr. Lehr if there was a reason for this. Mr. Lehr responded that he did not know why this was happening, adding that the administration did not plan to formulate half of its budget and expect the legislature to prepare the other half.

OPERATING BUDGET OVERVIEW

Mr. Lehr next conducted a category review of major changes in the operating budget.

EDUCATION

This budget is increasing 25%. Most of the increase is in foundation formula. There is a \$100 million increase in the

category--\$75 million of which is in the formula which was changed last year by Chapter 26. The other change is in student loans which are increasing approximately \$6 million from the FY 81 figure. The most important non-formula change is a \$500 thousand item for the Task Force on Effective Schooling.

UNIVERSITY OF ALASKA

No major changes. Largest items are operating costs of new facilities-- \$665 thousand. These facilities are scattered around the state--the largest two are in Anchorage (UAA, classroom and office building, \$150 thousand; ACC, aviation complex, \$190 thousand). Community college support is the next largest increase--\$563 thousand.

SOCIAL SERVICES

This category shows a 22% increase in general fund--predominantly in formula programs. Changes in non-formula programs relate to pioneers homes. The state has a new nursing wing opening this May in Anchorage, and a new home opening in Ketchikan. Eighty-six (86) new positions are required to operate the new facilities.

Mr. Lehr pointed to the need for increased personnel to determine eligibility under federal programs such as food stamps. Food stamps themselves are 100% federally funded (\$20 to \$25 million worth), but the state must furnish approximately \$3 million for personnel to run the program. An additional 48 positions will be requested in a supplemental to help handle program backlog. The state is currently in a position wherein it could be sued for failure to meet federal deadlines.

(Change Tape, End SF-81, #1, Side 2 - Begin SF-81, #2, Side 1)

The Child Assistance area under Social Services is increasing approximately \$1 million to cover inflation. The main increase results from raising the average daycare subsidy from \$12 to \$16 a day.

In total, Social Services is increasing approximately 22%. Formula programs, AFDC, Aid to the Blind, Aid to the Disabled, and General Relief are increasing nearly 35%.

HEALTH

The increase in this category is in formula programs. However, since the federal government did not fund the state's share of the federal revenue sharing program, this will cost approximately \$7 million in FY 81 and approximately \$9.4 million in FY 82.

The state is also in the process of opening a long-term care unit for the criminally insane at API. These individuals were formerly housed at Atascadero in California. California will no longer take them, so the state must make instate arrangements for their care. The budget includes \$350 thousand in transferred contract funding, plus an additional \$475 thousand and 22 new positions.

NATURAL RESOURCES

Aside from the Development category which includes municipal assistance funding, Natural Resources has the largest increase--over 30%. Discretionary (non-formula) increases are predominantly in this category. The increases do not represent a lot of large individual items but rather a variety of projects relating to attempts to generate better information such as:

micro-wire tag recovery, Southeast Alaska--\$260 thousand

increased shrimp charters, Alaska Peninsula and Aleutians--\$100 thousand

expanded herring management programs, Western Alaska--\$270 thousand

Information to be gathered will provide the Board of Fish and Game more reliable information on which to base decisions.

FRED increases relate mostly to new hatcheries coming on line in Main Bay, Snettisham, and Clear. Funding will also increase production at existing hatcheries throughout the state. The division is also adding a hatchery evaluation program which involves tagging and tag recovery to determine survival rates.

The Commercial Fisheries Entry Commission is requesting \$240 thousand for economic research into regulated fisheries. The Commission is to base its regulations on economic factors rather than biological factors. The research is necessary.

The largest single increase in NRMEC is \$1 million for a fire suppression contract with BLM, plus another \$380 thousand to help build a state fire suppression program. In the past the state has contracted with BLM to conduct most state fire fighting. This is the last year BLM will so contract. Because of this and the fact that the federal government is conveying a great amount of land to the state, state fire fighting capability must be developed. There was funding in last year's budget for equipment and a warehouse. There is need for more this year.

An additional \$150 thousand is requested to speed up processing of mining claims. With increasing gold prices, the state has experienced significant increases in the number of claims filed, resulting in a substantial processing backlog. Funding will be placed mostly in Anchorage and Fairbanks.

The budget includes approximately \$500 thousand for monitoring oil and gas lease sales in an effort to determine appropriate revenues to be derived from such sales.

The department also needs approximately \$100 thousand to assist in clearing title for land conveyed to the state by the federal government.

The major change under Environmental Conservation represents expansion of placer mining. Last year approximately \$160 was funded for a small project. This year the project has been expanded another \$800 thousand. Again, with increasing gold prices, placer mining has increased, primarily in the Fairbanks area. The goal of the program is to assess the impact of placer mining, provide technical assistance to miners, and expedite the issuing of permits.

PUBLIC PROTECTION

The National Guard retirement system formerly operated on a pay-as-you-go basis. It is now actuarially funded like other state retirement systems. This will cost approximately \$800 thousand.

Environmental Conservation is requesting funds to enhance a program dealing with shellfish poisoning (psp). The state has lost most of its clams to psp. It needs beaches which are certified safe in order to export clams. Funding will provide for laboratories, testing, and field work aimed at reopening this industry.

JUSTICE

This category has a large increase--nearly 30%--most of which relates to corrections and the court system. Corrections has a 38% increase due to new facilities coming on line: an adult men's facility at Palmer, adult women's facility at Juneau, youth facilities at Juneau and Nome.

Public Safety has a \$233 thousand (approx. 40%) increase in the area of narcotics. Funding would also increase administration and support for the troopers. In the past it has been easier for the department to obtain troopers than support people. Troopers thus end up typing. New funding will free troopers for patrol work.

DEVELOPMENT

This category has the largest increase--over 70%. The bulk of the increase is in three programs:

1. Municipal Assistance increases from \$11.4 million to \$92 million.
2. Revenue Sharing increases from \$33.5 million to \$40.5.
3. RDA Grants increase from \$900 thousand to \$3 million. The increase in RDA grants would cover parts of the state which have no organized government.

At this time Mr. Lehr directed committee attention to computer runs setting forth amounts received by communities in FY 81 under revenue sharing and municipal assistance as well as funding these communities will receive under the Governor's figures for FY 82. The largest dollar amount will go to Anchorage (\$37.5 million), since municipal assistances is based upon population.

TRANSPORTATION

The major increase in this category represents conversion of overhead CIP positions to general fund and their inclusion in the operating budget.

There are also significant increases in maintenance and operations for both highways and aviation. The budget includes an additional \$1.3 million for highways and additional lane miles added by recent capital projects as well as another \$1 million for maintenance at rural airports. These amounts are in addition to amounts the legislature added last year. The state now has more rural airports; they are bigger, lighted, and require more maintenance.

The budget also includes some new positions such as the 50 positions required to staff the new North/South runway at the Anchorage terminal (no general funds involved, all international airport revenue funds).

GENERAL GOVERNMENT

In this category lease payments and ASHA payments have been centralized, (resulting in what appears to be approximately a \$20 million increase in the Dept. of Administration). Actually these payments have simply been budgeted centrally rather than within individual agencies. The administration also added an additional \$300 thousand to total estimates in the event new space is needed throughout the year. Exceptions to this central budgeting have

been allowed only in instances where departments have requested significant additional space. Should the legislature choose not to fund programs requiring additional space, the affected department will have to make do with existing space. Existing programs, however have been centralized in the Dept. of Administration.

The budget adds approximately \$500 thousand to the Department of Administration to provide funds for personnel training and to speed up the classification process.

The Department of Revenue shows a decrease of approximately \$850 thousand and 36 positions due to repeal of the income tax.

The administration has tentatively set the permanent fund dividend at \$128 million dollars which is the FY 81 figure. That number will change. A more exact figure should be known by next week.

Mr. Lehr thus concluded his survey of the operating budget, characterizing it as basically increases in formula programs with a few scattered increases in non-formula areas.

COMMITTEE QUESTIONS AND COMMENTS ON THE OPERATING BUDGET

Senator Sturgulewski asked Mr. Lehr for recommendations enabling the committee to "get a better handle" on formula and non-formula programs. Mr. Lehr advised that with a tightly worded constitutional amendment, there would be no problem concerning expenditures, but there might be problems concerning allocations. Without a constitutional amendment, the committee should consider carefully the consequences of changing formula programs. Most of the operating budget was built after the legislature went home. With the exception of municipal assistance which had been underfunded, remaining funding simply funds legislation which is "on the books." The only other option was underfunding of the formula. The Governor felt, however, that if a law exists it should be either funded or changed.

The Senator then asked Mr. Lehr if he felt the administration gives adequate information during the legislative process concerning the ultimate effect of legislation in following years. Mr. Lehr responded, "no."

Senator Dankworth attested to the fact that if the budget continues to increase at its present rate, it will have doubled in three years. He advised that he found such a situation to be intolerable, and stated that he would do his best to find areas within the budget which could be cut.

CAPITAL BUDGET REVIEW

Mr. Lehr advised that when preparing its capital budget, the administration tried to avoid including new buildings if possible. The Governor felt new buildings should be placed before the voters for bond or general fund approval.

EDUCATION

The bulk of educational funding is for rural schools (\$23 million). Other funding (approximately \$7 million) relates to the new service center, library, and classrooms at Seward.

SOCIAL SERVICES

This category represents an area where insufficient advanced planning has been done. The category contains a request for approximately \$3.6 million to complete the Anchorage Pioneers Home. Last year there was a \$3 million request to complete the new wing at the Anchorage Home. Hopefully this \$3.6 million will actually complete the project while producing a project total of \$14 million.

The administration has several other areas in its capital budget where overruns have occurred and funding is requested to cover them. Hopefully, making use of the public facilities planning fund will permit better project definition and cost estimates which will eliminate overruns.

NATURAL RESOURCES

The most significant items in this category are the regional resource inventories. These necessitate approximately \$8 million in funding for Fish & Game and \$9 million for Natural Resources. The intent is to conduct a full resource inventory of the entire state. The state does not have good information concerning its resources both above and below ground.

The budget also includes over \$10 million for survey work under the land disposal program, and another \$4 million for the Anchorage land deficiency payment. Since the state didn't have land available for Anchorage, it made a cash payment in lieu of property. There will be one more \$3 million appropriation for this project next year which will conclude state payments.

Other funding results from traditional requests such as \$2.5 million for information and geological/geophysical interpretation and a couple million for offshore marine boundary surveys to define the boundary between the state and the feds.

DEVELOPMENT

This category has the largest increase. Most of the increase (\$400 million) relates to loans under AHFC, AIDA, business loans, and the agricultural revolving loan fund. Responding to a question from Senator Dankworth, Mr. Lehr advised that the \$400 million includes funding for both subsidies and capitalization. Under AHFC, \$225 million would be used to reduce interest rates from 15 or 16% to 9%, depending upon whether or not one is a veteran. Approximately \$50 million will be used for rural mortgages and ownership programs. Under AIDA's total of approximately \$23 million, \$8 million will be used to subsidize small businesses while \$15 million will provide capitalization for the "supported stand alone debt program" which essentially provides reserve accounts rather than subsidy.

The Governor is requesting a significant increase in the Bottom Fish program (from approximately \$3 million in FY 81 to \$5.7 million in FY 82).

(Reverse tape, Tape-81, #2, Side 2)

The capital budget also includes agricultural requests for both Delta I and II as well as the Mackenzie project.

The Governor is also requesting \$11.3 million for Susitna which will complete the feasibility study up to the "go/no go" decision point.

TRANSPORTATION

Mr. Lehr advised of several large projects in the Transportation category including \$7.7 million to repower the COLUMBIA. Due to continual engine problems, there is need to replace existing engines.

The second largest request is for \$6 million for gravel resurfacing of the North Slope Haul Road.

The administration has asked DOT how much it hopes to have under construction or contract during the coming summer. DOT has indicated that somewhere between \$300 to \$350 million worth of construction will be underway.

GENERAL GOVERNMENT

The largest requests in this category are for \$2.7 million to upgrade state data processing capabilities (basically purchasing bigger computers) and \$5 million for various energy and safety improvements at state facilities.

At this time Mr. Lehr concluded his capital budget overview, and Co-chairman Bennett opened the floor to committee questions and comments.

COMMITTEE QUESTIONS & COMMENTS ON CAPITAL BUDGET

Co-chairman Bennett requested that the committee be provided a listing of the \$300 to \$350 million worth of construction projects contemplated by DOT, advising that the nature of such projects is critical. Will these projects be completed during the summer or is the \$300 to \$350 million a cumulative figure for construction projects to be spread over a three to four year period?

Co-chairman Dankworth requested the committee be furnished information concerning state bonds--the present status of the bonds, how much has been spent, how much is left, what has been spent in administrative costs, and how near completion projects financed by the bonds currently are.

Mr. Lehr directed committee attention to page 10 of the budget book which outlines state bonds and details what has been used and what hasn't. He further directed committee attention to Form 38 which lists all incomplete capital projects and their current status. This form is sent to the legislature as part of the capital budget request.

Co-chairman Dankworth spoke to the need to mesh available information and determine how many bonds were sold, how much money is available, what the project is for, the present status or stage of construction.

Senator Sturgulewski raised questions concerning the resource inventory and whether inventory results will be usable across departmental lines rather than specifically by a single agency. Does the project have a goal? Mr. Lehr responded that the goal is to produce a unified data base. The intent is to define boundaries and cover the state region by region. A Memorandum of Understanding will be signed by all departments involved before funding is spent.

Senator Sturgulewski further spoke to the fact that the committee has no feeling for how the administration is approaching the impact of D-2 legislation. Resource management and D-2 impact must be well coordinated.

Senator Stimson raised a question concerning the feasibility, given present state wealth, of retiring much of the state bonded indebtedness, asking Mr. Lehr for his analysis of the situation. If the legislature should decide to move in this direction, are

there significant areas of bonded indebtedness the state would be unable to buy its way out of? Mr. Lehr responded that the administration looked very seriously into this. The biggest problem, other than the funding involved, is possible arbitrage. It is not clear whether or not the state would be in an arbitrage situation. One problem is the \$300 million in bonds approved by the voters last November. State financial advisors indicate that the state might "raise the eyebrows" of the IRS which might question the fact that the state paid off \$500 million in old debt and then issued \$300 million in new debt. It would cost approximately \$540 to pay off old debt plus an additional \$300 million in recently issued bonds, bringing the payoff total close to \$1 billion. The state runs into numbers problems at this point. The administration did not receive a conclusive reading on whether or not arbitrage would be involved in such a payoff. Financial advisors felt there would be less trouble with pre-78 bonds due to changes in IRS law. In fact the state could pay off part of the debt. It would not all have to be paid off at once but could be paid in bits and pieces.

Senator Eliason asked if the proposed CIP conversion would prevent "skimming" on construction projects. Mr. Lehr advised that conversion would eliminate non-project specific overhead.

Senator Eliason next asked if Mr. Lehr had overlooked a supplemental to bring revenue sharing up to 100% funding from last year. The Senator advised that the program was approximately \$7 million short last year. Mr. Lehr responded that he is not aware of a supplemental dealing with revenue sharing.

Referring to Senator Stimson's previous question, Senator Dankworth raised further questions concerning payoff of state bonded indebtedness. Mr. Lehr responded that on an approximate total of \$700 million in outstanding state debt, \$540 million placed in a "sinking" fund would retire the debt since the \$540 million could be placed in securities at 12% while paying off 6% money. Senator Dankworth next asked if the foregoing method will be used to pay off school indebtedness, and Mr. Lehr responded, "That is correct." Mr. Lehr further advised that the difference between paying off school indebtedness and paying off state indebtedness results from the fact that no arbitrage is involved in paying the school debt since the debt belongs to municipalities rather than the state. The municipalities did not issue debt with the intention of making money on it. Hence, there is no arbitrage problem. The situation is not the same in the instance of the state. The administration seriously investigated debt payoff and has not received a formal opinion that such a payoff would constitute arbitrage.

Following the above questioning of Mr. Lehr by committee members, Co-chairman Bennett took time to acknowledge Phyllis Bradner for her restoration work in the committee room.

There being no further business to come before committee at this time, the meeting was adjourned at 2:45 p.m.

(Tape SF-81, #1, Side 2 (000-end)
SF-81, #2, Side 1 (000-end)
SF-81, #2, Side 2 (000-487)

SENATE FINANCE COMMITTEE
January 29, 1981
9:05 a.m.

(Tape SFC 81, #3, 000-end of 1st side)

CALL TO ORDER

Co-chairman Bennett convened the meeting at 9:05 a.m.

PRESENT

All members were present with the exception of Senators Sackett and Stimson. Also in attendance were Jay Hogan, Director of Legislative Finance; fiscal analysts Alison Elgee, Jerry Schilz, and Don Fischer; Office of the Governor Legislative Assistant Keith Specking; Administrative Assistant to Senator Bennett, Judy Johnston; and Administrative Assistant to Senator Dankworth, Kathy Martinson.

BILL ASSIGNMENTS

Co-chairman Bennett assigned the following bills:

SB 4 - Sturgulewski

SB 113 - Sackett

Co-chairman Bennett advised that once a bill has been assigned, the senator can formulate a sub-committee of his/her own choosing and the bill can be taken up when the senator is ready. He added that he would like 48 hours advance notice so that the public as well as the legislative body can be notified.

Senator Sturgulewski questioned Co-chairman Bennett's intent insofar as how public hearings on assigned bills would be related to the committee as a whole. Co-chairman Bennett responded that it would depend on 1) whether or not the Senator assigned to the bill wished a hearing to be held before the entire committee, and 2) whether or not the bill was significant enough to warrant a hearing before the entire committee. He reiterated that he would need a 48 hour advance notice before a bill would be brought up before the committee as a whole, and that the member assigned to the bill would carry it on the floor.

UNIVERSITY OF ALASKA BOARD OF REGENTS NOMINEES

Co-chairman Bennett announced that the Senate Finance Committee had been directed by the Senate President, to confirm two new nominees to the University of Alaska Board of Regents, Mr. Don

Abel and Mr. Ed Rasmusson. He stated that if the committee wished to have them come before the committee, he would request it. Senator Sturgulewski stated that since they were to be such important eight year appointments, she would like to have them testify before the committee. She also suggested that perhaps they should call a joint meeting with the Senate Health and Social Services committee since that committee had an involvement also. Co-chairman Bennett stated that the two nominees could appear before the committee, and requested that Senator Sturgulewski check with Chairman Senator Parr of the HESS committee to see if a joint meeting could be arranged.

Senator Ferguson asked for an appropriate time to consider the number of appointment years. He added that he had originally voted for the eight years, but since that time has decided that the Board is so far from public scrutiny that eight year appointments might not be warranted. Co-chairman Bennett responded that a bill would have to be introduced for that purpose.

COMMITTEE FUNCTION

Further discussion ensued concerning the operation of sub-committee work. Co-chairman Bennett stated that any sub-committee wishing to use the committee room for meeting purposes should schedule a time with his secretary Janet Kunzelman. Co-chairman Dankworth stated that he would hold hearings for the committee as a whole on the loan bills, even though parts of those bills would require individual attention and/or preparation.

Co-chairman Bennett made statements regarding the general work cycle of the finance committee during the session. He said that the bulk of the bills are now out in other committees, so that most of the work presently being done by the Senate Finance Committee is on the budget categories on a sub-committee basis. Later, when bills start arriving in committee in larger numbers, and when sub-committees on budget categories are ready to begin presenting their findings to the committee, the committee will be meeting as a whole every day and often for two or three hours per day.

COMMITTEE POLICY

Co-chairman Bennett stated that he had originally hoped that the Senate Finance Committee budget category sub-committees could work jointly with those on the House Finance Committee as far as the budget hearings were concerned so that duplicate interrogation could be avoided. But, as the House has not yet organized, he requested that the senate sub-committees get together with the Legislative Finance fiscal analysts and begin

holding budget hearings with other appropriate people. He said that he would like the sub-committees to begin their presentations to the committee as a whole during the last week in February.

Co-chairman Bennett made the following policy statements to the budget category sub-committees.

1. Excess oil monies

As these oil monies have accumulated in the State's coffers, more and more state divisions have been developed. Many of these divisions only had a one or two year productive cycle where they were offering a dynamic public service. Since he felt that many of these offices had already exceeded their original intent, he asked that the budget sub-committees look at these kinds of functions very closely and evaluate their current need. He asked that it be determined whether or not these offices were merely self-serving or only serving a special interest group, or whether they were still viable and necessary operations. He felt that if they fit the former description they should be zeroed out of the budget so that the monies could be transferred to more worthy causes. If they were serving a viable but nevertheless limited service, he stated that he would like to have the possibility explored of contracting these functions out to the private sector as opposed to having several state employees only performing part-time work.

2. Travel

He stated that it was his opinion in the area of state government travel, that as much as 50% in some categories could be cut, and a minimum of 10% could be cut in most other categories. He added that he would like sub-committees to look especially closely at travel outside Alaska boundaries. It was his opinion that outside travel should be limited to only missions of definite merit, and that service to the people of the state should be the primary criteria.

3. Contracting to the private sector

He emphasized that he would like sub-committees to look at all the services being provided by the state with an idea toward contracting them out to the private sector. He stated that much of government expansion is purely to maintain "in house" control even though they are performing services that would normally belong to the private sector. He had the hope that the spaces and/or positions for any of these kinds of services could be transferred over into more

useful areas, such as the new Pioneer's Home in Ketchikan. He concluded by saying that he hoped the committee would do its best to hold government to a zero growth, and said that he would like that to be the committee's objective wherever possible.

4. Federal monies

Co-chairman Bennett stressed that where federal monies had been obtained as matching monies to develop new state programs, it has been the philosophy to consider this money "free money". However, he stated, after one or two years, the federal money is "weaned" away, and the State becomes fully responsible to fund the existing programs. He asked that the members look into these programs very carefully and try to identify those programs that are not providing necessary services to Alaska citizens.

LEGISLATIVE FINANCE SERVICES

Co-chairman Bennett then requested that Jay Hogan, Director of the Legislative Finance Division, come before the committee and provide the members with a synopsis of the services Legislative Finance could offer to the members of the Senate Finance Committee.

Mr. Hogan passed out a memo to the committee members containing Legislative Finance and Budget and Management (Governor's Office) staff assignments to the budget categories. He noted that Budget and Management has a person assigned to each category, whereas Legislative Finance staff are fewer in number and carry more than one category each. He stated that Budget and Management staff are available to explain changes made at budget review meetings; he said that Legislative Finance staff knows the numbers, but doesn't always know the rationale behind these decisions. He said that in the past the sub-committees have profited by having Legislative Finance fiscal analysts at the various sub-committee meetings.

Mr. Hogan stated that the fiscal analyst could schedule the department involved to come in a time of the sub-committees choosing, and that they had found it to be a good idea to open the sub-committee meetings with an overview by the Commissioner of the appropriate department. At that time, the sub-committee can also make specific points to the department concerning their budget. The fiscal analysts are also ready to assist in identifying appropriate people for testimony, traditional problem areas, and in pointing out issues that have been of interest to past legislatures. He concluded by saying that Legislative Finance staff is ready to assist in any way it can.

Co-chairman Dankworth stated that in past years he had the feeling that the talents of the Legislative Finance staff were not used; he said that he hoped this year the members would take advantage of the expertise available to them. He stated that he hoped the members would follow Co-chairman Bennett's suggestion to allow no new personnel. He noted that failure to do that by all the members would result in an inconsistent budget.

Senator Sturgulewski wondered if the committee could develop some kind of standard format so that they could get a good analysis of the new positions that were introduced into state government after the legislative approval of programs last year. She added that in many cases, the committee would find that many new positions are already added, and that she felt the committee should be more aware of this method of adding personnel in next years budget. She said that the committee would need justification for the ones that would be added into next years budget, and that Legislative Finance fiscal analyst could assist with this.

Co-chairman Bennett stated that a letter had been sent to all agency heads on January 28, 1981 requesting that very information. Mr. Hogan explained that the letter had requested an explanation of projects and/or personnel added to last years budget. This information would help the committee decide whether projects and/or personnel added to last years budget should become a part of this years budget.

COMMITTEE GOALS

Further discussion ensued concerning committee goals. Co-chairman Bennett stated that governmental expansion can become socialist, and that he was not a proponent of this expansion concept. Co-chairman Dankworth noted that for example, there were originally 8,000 workers on the pipeline, and that figure went up to 15,000; now there are still 15,000 workers there even though the pipeline is complete. Mr. Hogan agreed with Co-chairman Dankworth that the committee must have common policies and goals to work toward. Senator Sturgulewski stated that that common goal might be difficult in the beginning of the sub-committee budget process, but felt that common committee action could be taken after the initial work had been completed.

Co-chairman Dankworth mentioned that he had asked Mr. Hogan to point out a set of presumptions that the committee could peruse at a later time.

HYDROELECTRICITY IN ALASKA

Co-chairman Dankworth stated that the committee would begin to hold policy setting hearings. He added that he was presently

arranging the first one on hydroelectricity in Alaska, and that it would be held February 5, 1981 at 1:30 p.m. He stated that people would be coming in from all over the state to discuss:

1. where Alaska is in the development of hydroelectricity,
2. what projects are about to be begun,
3. what is needed to begin these projects,
4. and, what future plans are for hydroelectricity in Alaska.

Co-chairman Dankworth stated that he would like to see some positive steps taken this session to get some of these projects going.

ADJOURNMENT

The meeting adjourned at 9:50 a.m.

(Tape SF-81, #3, 000-end of 1st side)

SENATE FINANCE COMMITTEE
February 5, 1981
9:05 a.m.

(Tape malfunction - no recording)

CALL TO ORDER

Co-chairman Bennett convened the meeting at 9:05 a.m.

PRESENT

All members were present with the exception of Senator Sackett, who arrived at 9:25 a.m. Also in attendance were Elmer Lindstrom, fiscal analyst for Legislative Finance; Jack Kreinheder, research analyst for the House Research Agency; Legislative Finance fiscal analysts Milt Barker and Alison Elgee; and members of the press.

BILL ASSIGNMENTS

Co-chairman Bennett assigned the following bill:

SB 148 Senator Ferguson

SENATE BILL NO. 125

Co-chairman Dankworth brought Senate Bill No. 125 (An Act making supplemental appropriations to the Department of Community and Regional Affairs and the Department of Revenue for programs which provide state financial assistance to municipalities and other recipients; and providing for an effective date.) before the committee for consideration. He explained that it would allow for a supplemental appropriation that would fully fund the municipal revenue sharing program for 1981. He said that the \$4,600,000 figure in Section 1. should be changed to \$18,400,000, so that when added to last years appropriated figure of \$33,500,000 the total would be \$51,900,000. He stated that reaching the \$51,900,000 figure would mean that the "hold harmless" clause and the "minimum entitlement" clause would be fully funded.

Co-chairman Dankworth stated that the \$45,100,000 request in Section 2. would be added to the \$11,400,000 appropriated last year, for a total of \$56,400,000. This total figure represents 10% of the oil and gas corporate income tax revenues that may be appropriated to the municipal assistance fund.

Co-chairman Dankworth stated that if this legislation passes this session, it would work out to about 3.11 mills per thousand in

tax reduction for the city of Anchorage, for example. Municipalities will use money given by the state to reduce property taxes. The municipal assistance statute suggests an amount of money (10% of oil and gas corporate income taxes) to be given back to the municipalities for this purpose.

Co-chairman Dankworth requested that Legislative Finance fiscal analyst Elmer Lindstrom come forward to speak on the legislation. Mr. Lindstrom further explained the ramifications of this legislation, and pointed to two analyses provided to the committee members at the beginning of the meeting. One was prepared by the Department of Revenue, and served as a breakdown of the Municipal Assistance Fund. The other was a revenue sharing entitlements breakdown prepared by the House Research Agency.

Senator Ferguson asked questions relating to the municipal assistance fund, specifically how the "base" share related to the "excess" share. Mr. Lindstrom stated that the statutes mandate a base share (based on the shares first distributed in 1978) so that there is a minimum share allotted to each municipality, up to the amount \$10,573,422. Excess monies would be shared on a per capita basis, as indicated in column three.

Senator Ferguson asked if there was a breakdown indicating what specific communities would receive. Mr. Lindstrom responded that column four provided that breakdown.

Senator Eliason brought up what appeared to be a discrepancy in the revenue sharing formula. He stated that though Haines and Skagway populations are almost the same, Skagway received almost twice as much money. He felt that the formula was incorrect and wished to take up the matter at some point.

Research analyst from the House Research Agency Jack Kreinheder, came forward at this time and further explained the revenue sharing program formulas. He stated that the principal reason for the difference is in tax effort by the two communities. He said that the differences are explained in Chapter 88. Senator Eliason stated that it seemed to him that communities that are spending more money to have a higher millage rate are receiving more revenue sharing money. Mr. Kreinheder responded that this was the feeling last year and that there was a minimal incentive to raise taxes.

Senator Sturgulewski said that in her view it did appear that some communities would come out with more revenue sharing monies than others, and agreed that this problem should be explored at some time.

Senator Stimson asked why there was only \$11,400,000 in the municipal assistance fund last year since the fund was determined by 10% of the oil and gas corporate income taxes. Senator Dankworth responded that it is not mandatory that the legislature fund it at the 10% level.

Senator Sturgulewski asked Co-chairman Dankworth what guarantee there was that the municipalities would use these funds to reduce property taxes. Senator Dankworth responded that he had been assured that this would happen and that it would be stressed that this would be the intent. Co-chairman Bennett added that he had talked with Mayor Carlson of the North Star Borough and he was aware of this intent and had stated that he would like to use the funds to reduce property taxes. Co-chairman Bennett also stated that Senator Gilman had agreed that this was the intent.

Co-chairman Dankworth moved that the following amendment be adopted by the committee:

On page 1, line 12: Change \$4,600,000 to \$18,400,000

There being no objection, it was so ordered.

Senator Ferguson moved and asked unanimous consent that Senate Bill No. 125 as amended, be passed from the committee with individual recommendations. There being no objection, it was so ordered, and the committee report was signed as follows: Co-chairmen Dankworth and Bennett, and Senators Eliason, Ferguson, Stimson and Sturgulewski signed "do pass"; and Senator Sackett signed "no recommendation".

SENATE BILL NO. 113

Senator Sackett requested that Senate Bill No. 113 (An act making special appropriations for oil and gas matters) be scheduled for Senate Finance Committee discussion. Co-chairman Bennett stated that it could be taken up early in the following week.

HYDROELECTRICITY MEETING

Senator Sturgulewski asked if the hearing on hydroelectricity in Alaska scheduled for later that day was just information gathering, or if hydroelectricity bills would be brought before the committee. It was established that the hearing was meant to gather information only.

ADJOURNMENT

The meeting adjourned at 9:35 a.m.

(Tape malfunction - no recording)

SENATE FINANCE COMMITTEE
February 5, 1981
1:35 p.m.

(Recorder malfunction, no tape for this meeting.)

CALL TO ORDER

Co-Chairman Ed Dankworth convened the meeting at approximately 1:35 p.m.

PRESENT

All committee members were in attendance. Also attending were Senate President Jalmar Kerttula; Senators Fahrenkamp, Kelly, Rodey, Mulcahy, and Ziegler; Representatives Sam Cotten, Ernie Haugen, Oral Freeman, Thelma Buchholdt, Pappy Moss, Russ Meekins, Joe Montgomery, Fred Zharoff, Eric Sutcliffe, Mike Beirne, Robert Bettisworth, David Cuddy, Joseph Chuckwuk, and Vern Hurlbert; Keith Specking from the Governor's Office; Ron Lehr from the Division of Budget and Management; Chuck Webber, Commissioner of Commerce and Economic Development; Robert Mohn, District Engineer for the Alaska Power Authority; Bill Sheffield representing Commonwealth North; Robert Arnold, Public Utilities Manager, Ketchikan; Jim Williamson, Partner, R. W. Beck & Associates; Dave Nease, Manager, Kodiak Utilities Association; Dave Hutchens, Executive Director, Alaska Rural Electric Cooperative Association; Robert Martin, Jr., Utility Manager, Tlingit-Haida REA; Phil Holdsworth, representing the Southeast Conference; Dan Bowey, Manager, Ketchikan Utilities; Fiscal Analysts Elmer Lindstrom and Milt Barker; administrative assistants to various legislative committees, representatives from the press, and interested persons per the attached attendance list.

HYDROELECTRIC POWER

Co-chairman Dankworth advised that the meeting was convened to discuss hydroelectrical development in the State of Alaska. Following brief opening remarks welcoming interested persons in the audience and members of the House of Representatives, the Co-chairman turned the meeting over to Senate President Kerttula.

Reiterating remarks previously made before the Senate Resource Committee, Senator Kerttula praised former Commissioner of Natural Resources, Phil Holdsworth for his far-sighted vision in recognizing Alaska's resource potential. He further applauded Representative Ernie Haugen for his efforts relating to hydroelectricity, comparing Mr. Haugen's work to that of George Norris on behalf of the TVA.

Senator Kerttula advised those present that the philosophies and mechanisms discussed during the meeting would not be "cast in concrete." He acknowledged a need to effect a method of unlocking resource potential which would also return principal and interest to the general fund.

He further spoke to the fact that while last year's budget produced a "1980 boom," continued expenditures could result in a "1990 bust"; he questioned whether the state and its people should be building football stadiums or an industrial base.

No other state has the economic opportunities facing Alaska in the 1980's. The state has the ability to develop hydroelectrical power, tidal power, geothermal power, etc., provide cheap power for all, and build an industrial base. In Alaska, the potential energy supply far exceeds the demand. Alaska can develop its energy potential and still "keep out the black smoke stacks." The state doesn't have a surplus of money, but rather a shortage of ideas concerning how to invest in Alaska.

Senator Kerttula concluded his remarks by stressing the need to develop all of Alaska's energy sources, advising that such development "concerns America's future." America should never again be held hostage because of its dependency on oil. This presents a real threat to all. Alaska can play an important role in helping America fill the energy gap, and thus contribute to national welfare.

BILL SHEFFIELD, COMMONWEALTH NORTH

Mr. Sheffield referred to an organizational report relating to hydroelectrical projects, resources, revenues, and state spending, advising that the report represents a "blueprint to use of state wealth." The report emphasizes the need for development of

1. Boat harbors and ports
2. Transportation systems, expansion of the railroad system north to mineral areas
3. New non-seasonal employment
4. Hydroelectricity

Development of Alaska's hydroelectricity will

1. provide an edge against inflation
2. lower the cost of maintaining a home

3. reduce electrical costs for Alaska's people while attracting industry
4. benefit a significant percentage of the Alaska's population. (Mr. Sheffield alluded to a map charting hydroelectrical projects currently "on the drawing board," advising that these projects will benefit over 90% of the Alaskan population.)

In regard to financing for hydroelectric projects, Mr. Sheffield spoke to the need for an Alaska Investment Fund, suggesting that the fund be financed by 25% of the State's resource revenues. Money in the account could be used like a construction account and parceled out for each phase of construction. In order to be eligible for financing, projects should be "self-liquidating" and generate revenue sufficient to cover debt and operating costs. A project should improve the economic outlook for the region in which it is constructed. Hopefully, an abundant supply of energy will attract outside industry and provide permanent jobs in the private sector. Hydroelectric projects should also provide substantial benefits to areas beyond the confines of the community in which the project is based. Eligible projects should also have useful lives in excess of 100 years.

ALASKA POWER AUTHORITY - ROBERT MOHN

Mr. Robert Mohn appeared on behalf of the Power Authority's Director, Eric Yould, and distributed to committee members a report on Authority projects. He directed committee attention to page 5 of the report, advising of statewide generation of energy by source: hydroelectricity, 9%; gas, 56%; coal, 11%; oil, 18%; pulp, 6%. Further, he advised that Southeast Alaska generates 40% of its energy need through hydroelectricity, rural Alaska generates no hydroelectricity, and hydroelectricity provides only 6% of the energy for the railbelt.

Mr. Mohn spoke to difficulties incurred in obtaining licensing for hydroelectric projects, submission of environmental impact statements, etc. before construction can commence. He then presented an overview of current Power Authority projects.

Solomon Gulch - Glennallen, 12 mw, under construction
 Terror Lake - Kodiak, 20 mw, license pending, hoped for this fall
 Swan Lake - Ketchikan, 22 mw, licensed, initial construction beginning
 Tyee Lake - Wrangell/Petersburg, 30 mw, license pending
 Green Lake - Sitka, 16.5 mw, licensed, construction well along
 Snettisham - Juneau, 27 mw, anticipating additional tap and installation of third generator in power house

Power Creek - Cordova, 5 mw, currently under study
Scammon Bay - Scammon Bay, 150 kw, feasibility study begun

Mr. Mohn advised of approximately 25 rural communities which exhibit potential for small scale hydroelectric projects.

He further stated that while many hydroelectrical projects appear economically feasible and cost effective, they often lack financial feasibility and capital investment. He advised that the cost of bonds for such projects has risen from 7 to 11%. Comparing hydroelectricity to fossil fuel, in the long term hydroelectricity is certainly preferable, but start-up is costly to the consumer.

GOVERNOR'S OFFICE

At this time Mr. Keith Specking and Ron Lehr appeared before committee, submitting an overview of administration proposals regarding energy financing. Mr. Specking repeated administration sentiments contained in the budget message, and advised that the administration is exploring a number of power financing proposals aimed at providing more reasonable power to the private sector. Mr. Specking stated that in considering such financing, the administration:

1. granted priority to non-fossil generated hydroelectricity
2. allowed the market to serve as a test of project viability
3. proposed that subsidies be distributed on the basis of consumers served.

Mr. Lehr distributed a handout relating to medium-sized projects (rather than large or small projects). He stated that the A. G.'s office is currently drafting legislation providing for:

- a) Funding through an equity grant.
- b) A restructuring of debt service
- c) A construction completion fund

The equity grant would provide financing through an "up-front" appropriation. A fixed amount per capita for the entire service area would be allowed for a given project. Using \$2,000 per capita (1981 dollars) as an example, Mr. Lehr stated that a given area would be eligible for such a grant on a "one-time basis" up to a total of \$50 million.

The debt restructure approach is not aimed strictly at hydroelectric projects, but at all energy sources. Under this proposal a great amount of debt service would be paid by the ratepayers, in an effort to spread the financial burden of early start-up costs over later years. The project would be constructed through revenue bonds. A loan from the state would then be made to the utility or municipality to pay part of the debt service in early years, and could be repaid in later years when the rate base is larger. Such an arrangement could be made easier by allowing utilities to pay off their revenue bonds prior to repaying the state loan. The rate of interest on the state loan would be the same as that on the revenue bonds. This approach basically represents a restructuring of the revenue bonds.

The third approach, the construction completion fund, would basically capitalize the project until it begins generating income. Problems caused by delays and overruns often plague construction projects. Thus, the need for a project completion fund to help finish the project. The Power Authority would issue revenue bonds on the loan when the project is standing on its own feet, and these bonds would be added to the cost of the project. Such a fund would also be used to pay debt service in the event of a natural disaster, and could tie the project over until the legislature reconvenes.

Responding to a question from Senator Dankworth concerning the \$2,000 per capita allocation contemplated under the equity grant approach, Mr. Lehr responded that there was "no compelling reason for using that figure."

Responding to a question from Representative Meekins relative to the fact that the construction completion fund might encourage cost overruns, Mr. Lehr stated that there would be no advantage to such overruns since the funding would eventually have to be repaid.

Responding to a question from Senator Sturgulewski asking if the above funding proposals would create a "super power" in the Alaska Power Authority, Mr. Lehr responded, "No, all projects would have to be approved by the legislature."

Responding to a question from Rep. Montgomery concerning the amount required to finance the construction completion fund, Mr. Lehr responded that the exact amount would depend upon the amount of construction underway. Estimating current needs, Mr. Lehr stated that approximately \$100 million would be needed for projects now under construction.

Responding to questions from Rep. Cotten concerning whether the above-mentioned account might encourage overbuilding and whether the equity grant takes into account construction costs in rural areas, Mr. Lehr replied that the construction completion account would not encourage overbuilding because funding would be based on population. The fixed amount per capita proposed under the equity grant does not take into account higher costs in rural areas.

Senator Stimson and Rep. Meekins questioned whether equity grant provisions for a price index without area differential is realistic. Senator Bennett questioned the advisability of direct funding for football stadiums, etc., while interest rates for something as important as hydroelectricity remain high.

Following the above discussion, representatives from utilities and electric associations appeared before committee and testified concerning local projects.

TYEE LAKE--DICK BALLARD

Mr. Ballard appeared before committee, advising of difficulties encountered in attempting to secure private financing for the above project which would serve Wrangell and Petersburg. The project faces a 12.4% interest rate in the bond market.

Per capita funding does not consider construction costs in different communities throughout the state, nor does it account for transmission lines, etc. for projects where electricity might have to be transported from as far as 100 miles away.

Small communities will probably always need some small capital investment, but through energy independence they can become part of the economic mainstream of the state.

Small community hydroelectric projects cannot be sold in the bond market, nor could the projects bear the high interest rates expected there. Local utilities are thus asking the state for long-term, low-interest loans rather than a handout. The longer the delay, the higher the cost.

SWAN LAKE--ROBERT ARNOLD

Mr. Arnold, Manager of the Public Utilities in Ketchikan, appeared before committee advising that contemplated hydroelectric projects represent a "once in a lifetime" opportunity for the state to fund energy projects which will carry on into the future and stabilize energy costs for ourselves and our children.

Mr. Arnold, referring to a recent Philadelphia bond issue for a \$600 million project, stated that the interest rate on the bonds was 13.2%. High interest rates make Alaska hydroelectric projects less than financially feasible.

Mr. Arnold advised of a need to help outlying areas as well as larger cities. State assistance to core cities will also help smaller communities, and lower energy costs will filter out to these fringe areas.

In developing hydroelectricity, the state is investing in a non-inflationary energy source for its citizens. Mr. Arnold further advised that neither Bonneville nor TVA would have been built had they faced the financing problems facing hydroelectric projects today. The Ketchikan project is at a critical stage. The construction contract is about to be let, but there is no money. The project cannot afford the 12 or 13% interest rate of the bond market, and is thus seeking legislative help.

GREEN LAKE, SWAN LAKE, LAKE ELVA, WEST CREEK--JIM WILLIAMSON

Mr. Williamson of R. W. Beck and Associates, consulting engineers on the above projects, next appeared before committee. He displayed a chart setting forth generating capacity, financing needs, and resulting power costs for the projects, and spoke to the need for financing "somewhere in the area of 5%." Such an interest rate is necessary, or "the projects are not going to go." The communities in which these projects will be constructed cannot go out to a 13% bond market.

TERROR LAKE--DAVE NEASE

Mr. Nease, General Manager of the Kodiak Electrical Association, next appeared before committee speaking with regard to the Terror Lake and Port Lions projects. He advised that an initial study of Terror Lake (1965) pegged construction costs at approximately \$20 million, a later study (1977) set construction costs at \$84 million. The most recent feasibility study (1980), estimates the construction cost to be \$111 million. Request for a license for the project has been submitted, and the environmental impact statement will be completed in March. The interest rate on financing will be between 12 and 14%. The utility hopes to be licensed by August and let bids in October. Inflation increases the \$111 million project at approximately \$1 million per month. The project will displace approximately 10 million gallons of fuel oil a year.

PORT LIONS

The Port Lions project will handle the town as well as a commercial load.

SUSITNA--DAVE HUTCHENS

Mr. Hutchens, Executive Director, Alaska Rural Electric Co-op, next appeared before committee, advising that the Governor's proposal (previously outlined) is not designed for large projects such as Susitna. SB 25 and SB 26 contain developmental and financing concepts previously approved by the Senate Resources Committee, and set forth a method for equitable funding distribution geared to needs around the state.

The legislation contains five key elements:

1. Low interest financing.
2. A unified program to be used across the state, including Susitna and other power projects for cost assistance funding on a need and opportunity basis.
3. Adequate funding (it does not do much good to half fund a project.)
4. A proposal to fund projects at today's costs, put the funding in a savings account and let the income apply to the project.
5. A list of projects by name. The legislation provides that if a project is not feasible, funding is available for that community for whatever project is feasible in that area.

Referring to item 5, above, Senator Stimson asked if funding would be limited to hydroelectric projects. Mr. Hutchens responded that preference would be given to renewable resource projects, but the program could be applied toward the most workable alternative energy or other type of power project. The project would have to be the best project for the area to be feasible.

Representative Moss spoke to difficulty involved in getting power projects out to the people, asking if a portion of construction cost includes delivery. Mr. Hutchens responded that solution to the problem rests in providing low interest funding to bring power to outlying areas not presently receiving it.

TLINGIT-HAIDA REA--ROBERT MARTIN, JR.

Mr. Martin, General Manager of the Tlingit-Haida Rural Electric Association, next appeared before committee, advising that his organization represents five rural Southeast Alaska villages. The Association implemented diesel-generated power not knowing what the eventual cost would be. The Association is now attempting to promote hydroelectrical projects for ten villages. In so doing, the Association has learned that a switch from diesel to hydro simply involves exchanging the high cost of diesel for the high cost of debt service on hydroelectricity. Although hydro projects are feasible in the long run, the immediate consequence of turning on hydroelectric power is an increase in the cost of electricity. A project like Black Bear Lake at Klawock cannot be funded based on the population served. And a project like that at Kake is marginally feasible with 2% financing.

Mr. Martin voiced strong support for low-interest financing and the provisions embodied in SB 25 and SB 26.

The Association has been operating power projects for four years. Other areas of the state, however, have not yet begun searching for power. Unless something is done very quickly, rural areas will wither, and the State of Alaska will never achieve its true potential.

Responding to a question from Senator Dankworth concerning diesel costs, Mr. Martin responded that a decrease in power costs depends upon use by a larger number of people. Some projects are entirely "used-up" by the time they come on line, so costs will never be reduced.

Mr. Martin advised that funding on a per capita basis would most likely lead to drastic migration from villages. Unfortunately, when such migrations occur, the village loses its talented members--those capable of improving the quality of rural life.

In concluding his comments Mr. Martin requested funding for energy projects as an alternative to placing money in the permanent fund. Putting \$2 billion in the permanent fund, according to Mr. Martin, is tantamount to a father putting money in a savings account while his children go hungry.

Representative Moss expressed his desire to see funding, ("a subsidy, grant, whatever,") put to work on hydroelectric projects rather than being locked up in a state fund. He advised that such projects are an excellent way of "putting money into the pockets of the people."

Senator Dankworth advised of his belief that the state should develop its hydropower in exchange for the natural resources leaving the state.

Representative Sutcliffe questioned Mr. Martin concerning migration from rural areas, asking if subsidized fuel programs are available. Mr. Martin explained that village residents benefit from a one-time grant of \$660 to assist with fuel costs. The program is scheduled to phase-out over a five year period.

Senator Eliason advised that power users in communities near Sitka pay as much as \$500 per month for electricity and have only "one light on at a time."

REQUEST FOR AUDIENCE EVALUATION OF HYDROELECTRIC FINANCING PROPOSALS

At this time Co-chairman Dankworth addressed members of the audience and requested that representatives from local utilities and proposed power projects, review and evaluate both the Governor's proposal for energy financing and provisions contained in SB 25 and SB 26, and provide the committee with follow-up analysis of both approaches.

SOUTHEAST CONFERENCE--PHIL HOLDSWORTH

Mr. Holdsworth appeared before committee advising that the Southeast Conference represents the Chambers of Commerce of fourteen Southeast communities. The Conference is also working with individuals on Susitna and Terror Lake at Kodiak.

The Conference believes that

1. hydroelectricity is the most advantageous method of generating renewable power for the state.
2. the state should ensure loan funds for feasible hydroelectrical projects.
3. the state should take immediate recognition of financing problems resulting from short term financing and high interest rates.

State assistance should:

- A. provide long-term, low-interest loans.
- B. provide a means for offsetting future increased fuel costs.

- C. provide a financing mechanism generated from state oil and gas revenues.
- D. provide for investments which would benefit all citizens of the State of Alaska.

Mr. Holdsworth concluded his statement, advising that SB 25 and 26 meet the need for long-term loans which will be paid back and provide funding for feasible hydroelectric projects.

Responding to a question from Senator Sturgulewski concerning possible construction of projects in excess of necessary capacity, Mr. Holdsworth responded that feasibility is determined by the size of the project.

KETCHIKAN UTILITIES - DAN BOWEY

Mr. Bowey appeared before committee as the former manager of the Ketchikan Utilities. He advised that today Alaska stands where the United States stood in the 1930's in terms of hydroelectrical power. A review of history demonstrates that western commerce grew following construction of hydroelectrical dam projects. Alaska must learn from such growth in the lower states. There is no better way to pass on the benefits Alaska now has to offer than by investing in hydroelectricity.

Speaking to the need for alternate approaches to reducing hydroelectrical costs, Mr. Bowey stated that the Alaska Power Authority only addresses project costs and not related costs such as access roads, etc. He suggested that related needs also be addressed with the possibility of tying a viable hydroelectrical project to a community water system, or hatchery development. He concluded his statement saying that a bit of foresight is necessary in looking at the total development picture, "Alaska traditionally puts the street in, then tears it up and puts in the sewer."

ADJOURNMENT

The meeting adjourned at approximately 4:15 p.m.

PLEASE SIGN YOUR NAME, TITLE, AND AGENCY FOR THE RECORD
AND RETURN THE LIST TO THE SECRETARY. THANK YOU.

NAME	TITLE	AGENCY
Patty Kensing		Alaska Public Radio Net.
Richard Curren	B/A	Tometers Union
Bob Ballard	Chairman	Thomas Bay Power Comm
Jim H. Hill	Mayer	City of Haines
Robert M. Phin	DR. ENGR	AK Power Auth
Robert Z. Arnold	Utilities Manager	City of Ketchikan
Tex Feary	City of Ketchikan	
Robert Martin Jr	Utility Manager	Thrust-Honda REA
Elmer Lindstrom	Fiscal Analyst	Legislative Finance
Ruth Burnett	Mayor	City of Fairbanks
John A. Carlson	Mayor	John North Star Borough
Joe Chackwal	Rep	Dist 16
Richard Buchanan	Admin. Aide	House Resources
Wendy L. Rodan	—	—
Adams, Stey	—	—
Ken McConry	—	—
Roland Shantles	—	Alaska Environmental Lobby
T.P. Thomas	Observer	SE Alaska Tourist Assoc.
Pete Nease	Planner	Angoon community assoc.
David Nease	Manager	Kodiak Club ass.
Bob Mulcahy	Senator	
Shirley Van Dusen	Admin. Asst	Secy affairs

NAME	Title	Agency
Bob Ziegler	Senator	
George May	Program Analyst	Budget & Mgmt.
Sandra Stringer	admin. asst.	Sen. Parr
Dave Hutchins	Executive Director	ARECA
HARRY Sundberg	Secretary	Thomas Bay Pore Comm.
Ernie W. Nicholson	MEMBER	THOMAS BAY PORE COMM.
Dick Olson	member	" " "
Richard Kipp	Mayor	City of Petersburg
Paul W. Poore	MISTIR	WRITING
James D. Whitefield	assemblyman	Juneau
AD. H. O.	MAYOR	KODIAK ISLAND
Bill Skiffert	Commonwealth Exec - Anchorage	
Keith Spensberg	Gov. Office	
Ron Lohr	Director	Dir. of Budget & Management
Jim Palmer	STAFF Director	State Resources Committee
CARMIE SPELLMAN	Staff	Senator Stimson
Steven Rieger	Staff	Senator Stroganowski
James C. Blom	Staff	Rep. Stroganowski
DAVID CUDDY	Representative	State House
Bob Upd	Staff	Rep. Stroganowski, H. Res.
Russ Barber	Member	Public
Bob Wilke	Staff	Anson Tossing
Bob Bittworth	Rep. District	State House
Don Furber	Rep.	State House
David Ramsay	Press	Folk's Daily News - Alaska
Alfred	Press	Capitol
Patty Hensley	Press	APRN

Name	Title	Agency
Wm. R. R. R. R.	Rep.	Legislature
John Williamson	Partner	R. W. Beck and Assoc
Donald D. Bowey	Special Consultant	Consulting Engineers R. W. Beck & Associates

7/24/81

John Spencer

Ch. Arch. Chamber of Commerce

Energy Committee

SENATE FINANCE COMMITTEE
February 9, 1981
9:00 a.m.

(Tape SFC 81, # 3, side 2, 000-815)

CALL TO ORDER

Co-chairman Dankworth convened the meeting at 9:00 a.m.

PRESENT

All members were present with the exception of Co-chairman Bennett and Senator Ferguson. Also in attendance were Administrative Assistant to Co-chairman Bennett, Judy Johnston; Administrative Assistant to Co-chairman Dankworth, Maria Converse; Terry Lenzer, State's chief counsel for Phase II of the Taps Tariff Case (from Washington, D.C.); Robert Maynard, Department of Law Assistant Attorney General; Legislative Finance fiscal analysts Robert Grogan, Milt Barker, Alison Elgee and Elmer Lindstrom; and members of the press including Joe LaRocca.

BILL ASSIGNMENTS

Co-chairman Dankworth assigned the following bills:

SB 8	Dankworth
SB 25	Dankworth
SB 26	Dankworth

SENATE BILL NO. 113

Senator Sackett brought Senate Bill No. 113 (An Act making special appropriations for oil and gas matters; and providing for an effective date) before the committee for consideration. He explained that it contained a number of appropriations, and that though he felt the committee was familiar with the problem areas generally, he would brief the committee on the appropriation history involved. He stated that funding for all litigation had been made since 1976 through regular and supplemental appropriations. The bill before the committee was broken down into the three following categories:

1. An appropriation request of \$24,551,000 from the Department of Law for its expenses in the TAPS tariff case.

2. An appropriation request of \$1,056,200 from the Alaska Pipeline Commission for its expenses in the TAPS tariff case.
3. An appropriation request of \$2,070,600 from the Department of Law and the Department of Revenue for their expenses in the litigation on the corporate oil and gas income tax issue.

Senator Sackett stated that starting in 1976, there was a \$20,000 appropriation from the Governor's Contingency Fund for the TAPS tariff case. During the legislative sessions of 1977 and 1978 there was a \$265,000 supplemental appropriation and a \$200,000 regular annual appropriation. Then the next fall there was an additional supplemental appropriation request of \$958,300. He asked the committee to notice that the supplemental appropriation requests were far in excess of the regular annual appropriations. He went on to say that in 1979 they requested and received \$2,000,000 as their regular appropriation, and in 1980 they received an additional \$1,500,000. In 1980 and 1981 (at the end of the session) they also received \$1,920,000 as a special two-year appropriation as well as the additional \$2,000,000 appropriation this past fiscal year.

Senator Sackett stated that the Department of Law total appropriation request of \$24,551,000 for the TAPS tariff case would be for a number of years. For example, they need a supplemental appropriation for fiscal year 1981 of \$3,449,000, and they need a supplemental appropriation for fiscal year 1982 of \$7,166,000. He said that under phase I (which was completed this year), the administrative law judge changed the scheduling so that the case was speeded up and the Department of Law had to utilize their own people. However, he added, the final result was fine too because the administrative law judge did rule in favor of the state in many, many areas so that the state received in excess of \$100,000,000 more each year than what it would have received otherwise. So it seemed clear that the investments have been good ones to date.

Senator Sackett stated that the Alaska Pipeline Commission was requesting an additional \$310,000 for fiscal year 1981, and an additional \$365,000 for fiscal year 1982, and that these amounts were detailed in the operating budget for fiscal year 1982.

Senator Sackett stated that past appropriations for the corporate oil and gas income tax lawsuit were made in the operating budgets for the Departments of Law and Revenue. In fact, he added, the Department of Law had an RSA position of one attorney funded by the Department of Revenue. He stated that the present request, however, is for continuation and expansion of that program. Their requests are as follows:

1. FY 81 and 82 for Department of Law - \$734,200

FY 83 for Department of Law - \$293,400

2. FY 81 and 82 for Department of Revenue - \$812,280

FY 83 for Department of Revenue - \$231,120

Senator Sackett then stated that it was his recommendation that the committee fund only the supplemental appropriation requests. He explained that since the history of the cases has shown that the costs go up and down and there seems to be no way to predict long-range costs, immediate needs should be covered and further needs can be accommodated for the in operating budget. Meanwhile, the immediate need for supplemental monies will cover legal counsel and consultants on contract so that the work can be continued from one fiscal year to the next without interim delays. He said that he felt that the issues before us are important enough to warrant making the supplemental appropriation requests at this early date in the session, rather than put it in the budget and wait until May or June for the monies to become available.

Senator Sackett reiterated that his recommendation was to change Senate Bill No. 113 as follows:

Section 1. \$3,449,000 for FY 81 \$7,166,000 for FY 82

Section 2. \$ 310,000 for FY 81 \$ 365,400 for FY 82

Section 3. \$ 734,200 for FY 81 & FY 82 - Department of Law

\$ 812,300 for FY 81 & 82 - Department of Revenue

Section 4. Change to cover fiscal years 81 and 82 only.

Senator Sackett then stated that Mr. Lenzer and Mr. Maynard were available for testimony at that time. He requested that the two gentlemen come forward.

Mr. Maynard stated that he was present to answer questions on the budget for the corporate oil and gas income tax lawsuit, and the Alaska Pipeline Commission budget. He then introduced Mr. Lenzer, the Department of Law's Washington D.C. chief counsel for phase II of the TAPS tariff case, which deals with the numbers to be used on the tariff and the question of how much the cost of constructing the Alaska pipeline should be allowed in the tariff.

Co-chairman Dankworth asked if the corporate oil and gas income tax case was being handled "in-house". Mr. Maynard responded that the funds for the CIT case were for one position on a