

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2817

34. UAA, PHYSICAL CHEMISTRY, ASSISTANT PROFESSOR - 35.8

Funding would provide for new assistant professor of physical chemistry as part of the new civil engineering program. Upon a show of hands, the above funding was INCLUDED in the University operating budget.

35. COMMUNITY COLLEGE ADMINISTRATION, ACCOUNTANT - 48.3

The new accounting position for community college statewide administration is needed to "keep up with fiscal report requirements." Upon a show of hands, the above funding was INCLUDED in the University operating budget.

36. UAJ, LIBRARY BOOKS, 40.4

Funding would purchase additional library books for UAJ. Upon a show of hands, the above funding was INCLUDED in the University operating budget.

37. ACC, COMPUTER INFORMATION SYSTEM EQUIPMENT & MAINTENANCE - 33.0

Funding provides for maintenance of additional equipment in the computer information system at ACC. Upon a show of hands, the above funding was INCLUDED in the University operating budget.

38. COMMUNITY COLLEGE ADMIN., INSTRUCTIONAL LABOR POOL - 10.0

Funding will provide for additional staff (temporary personnel) to "keep up with peak workload periods" such as budget preparation. Upon a show of hands, the above funding was INCLUDED in the University operating budget.

39. UAF, PURCHASING, DEPUTY DIRECTOR - 55.8

Funding would allow of deputy director of purchasing to provide additional "help" in this area due to campus growth. Upon a show of hands, the above funding was INCLUDED in the University operating budget.

40. UAA, FISCAL ANALYST - 42.5

Funding will provide for an analyst at UAA to work on internal reporting and internal budget development. Upon a show of hands, the above funding was INCLUDED in the University operating budget.

41. KODIAK CC, MEDIA CLERK - 14.2

Funding will bring a part-time media clerk, who coordinates media development with the librarian, up to full-time. Upon a show of hands, the above funding was INCLUDED in the University operating budget.

42. TVCC, REGISTRATION CLERK - 24.8

Additional clerk is need in admissions and records office to maintain student records. Upon a show of hands, the above funding was INCLUDED in the University operating budget.

43. ORGANIZED RESEARCH, COOPERATIVE RESEARCH, STATE PRIORITIES - 62.5

Mrs. Elgee advised that the above funding represents the first item under committee consideration not included in the Governor's budget. Upon a show of hands, the above funding failed to gain approval and WAS NOT INCLUDED in the University operating budget.

44. UAF, ENVIRONMENTAL SCIENCES, SHIPBOARD LABORATORY - 27.7

The above funding would provide for a new program consisting of an intern cruise for graduate students in order that they might conduct oceanographic and fisheries-related studies. Upon a show of hands, funding for the above program WAS NOT INCLUDED in the University operating budget.

At this time Senator Sackett expressed concern that the committee might "be missing some element" in conducting budget review in the above manner since in merely adding programs and people to what is basically a maintenance budget for the University (10%), the committee fails to see the whole picture. As an example, he cited inclusion of priority item No. 39 (Deputy Director of Purchases, UAF). When viewing the priority list, the committee has no idea of the number of personnel already working in purchasing, and whether additional personnel was allowed last year. He advised of his preference for increasing instruction while keeping down administration and support. When viewing the priority listing, one cannot ascertain what is instructional and what is administration and support and how they relate to existing, on-going programs. Senator Sturgulewski agreed with Senator Sackett, advising that under the approach the committee is taking, there is no way to evaluate "what we have and determine whether it is good or bad." She added that she did not support the committee approach to the University budget, that she was "feeling very uncomfortable" about it. She further added that since she supported the regents' budget, she supports the programs thus far added by committee, but feels that she isn't seeing the total picture.

Senator Sackett advised that he had no desire to go through the shortform page by page, but finance staff should review existing programs and determine whether there are errors and funding which represents new programs (or increases in existing programs) included in maintenance funding. He stated that up to a million dollars in errors have been "caught" in prior budget years. He added that the University has a tendency to expand maintenance beyond "what it actually is," and stressed the need to "see what

happened in a BRU in the past when adding new people or programs."

Co-chairman Bennett directed Mrs. Elgee to prepare base information for committee review at the next meeting. He further stated his concern that committee budget review might degenerate to the point where it is considering individual items such as typewriters. He advised that the committee approach to budget review was not inappropriate since the University budget has already received thorough review by individual chancellors, University administration, the board of regents, and the Governor's office. Committee review of each individual item will only lengthen the legislative session.

45. UAA, ARTS & SCIENCES PROGRAMS - 25.5

Funding will provide for additional supplies. Upon a show of hands, the above funding was INCLUDED in the University operating budget.

46. UAJ, RESTORE BOAT FOR FISHERIES TECHNOLOGY - 15.0

UAJ was donated a fishing boat which needs navigational and hydraulic equipment. Funding would also provide for operation and maintenance. Upon a show of hands, the above funding was INCLUDED in the University operating budget.

47. KENAI PENINSULA CC, OFFICE OCCUPATIONS - 25.5

Funding would provide for classroom support in office occupations area as well as the cost of updating equipment. Upon a show of hands, the above funding failed to be adopted and WAS NOT INCLUDED in the University Operating budget.

48. TANANA VALLEY CC, WELDING INSTRUCTOR - 49.4

Co-chairman Bennett advised that with the coming of the pipeline and other construction projects, welders will be greatly needed. Upon a show of hands, the above funding was INCLUDED in the University operating budget.

49. KENAI PENINSULA CC, MARINE TECHNOLOGY - 21.4

Funding would purchase additional labor pool staff, and equipment for marine technology. Upon a show of hands, the above funding failed to be adopted and WAS NOT INCLUDED in the University operating budget.

50. KODIAK CC, PLANNING COUNCIL TRAVEL - 3.2

Funding would permit planning council travel to outlying areas to be certain that all villages have input in the budget development process.

51. UAA, ARTS & SCIENCES - 23.5

Funding would provide for an additional secretary for Arts and Sciences Faculty. Upon a show of hands, the above funding failed to be adopted, and WAS NOT INCLUDED in the University budget.

ADJOURNMENT

The meeting adjourned at approximately 10:00 a.m.

SFC-81, #21, Side 1 (000-end)

SFC-81, #21, Side 2 (000-631)

SENATE FINANCE COMMITTEE

April 1, 1981

8:40 a.m.

(Tape SFC 81, # 22, Side 1, 000 - end)

(Tape SFC 81, # 22, Side 2, 000 - 304)

CALL TO ORDER

Co-chairman Bennett called the meeting to order at 8:40 a.m.

PRESENT

All members of the committee were present. Senator Ferguson arrived at 8:50 a.m. Also in attendance were Administrative Assistant to Co-chairman Bennett, Judy Johnston; Administrative Assistant to Co-chairman Dankworth, Kathy Martinson; Legislative Finance Fiscal Analyst Alison Elgee; and a member of the press, Rosemarie Alexander.

BILL ASSIGNMENTS

Co-chairman Bennett made the following bill assignments:

SB 242 - Stimson

SB 243 - Stimson

BILL SESSIONS

Senator Sackett inquired as to the meeting schedule for bill consideration. Co-chairman Bennett responded that the committee would consider SB 103, SB 18 and SB 87 at 8:30 a.m. on April 3.

UNIVERSITY OF ALASKA OPERATING BUDGET PRIORITIES

Co-chairman Bennett stated that the committee would continue with consideration of the University of Alaska Operating Budget Priority List.

28. UAF - EDUCATION - TEACHER TRAINING - \$22.2

Senator Stimson asked that the committee return to consideration of priority # 28. He stated he would like to add \$100,000 to the UAF pre-service training program. These funds would provide for more pre-service emphasis for teachers heading to rural Alaska, and would concentrate on the native culture, language and environment. (Back-up for this request is appended to the end of these minutes.) Ms. Elgee commented that the existing program was outlined on page 26 of the short-form book. Co-chairman Dankworth noted that a bill had been introduced in the House for what he thought was the same purpose. Senator Stimson pointed out that the bill was for in-service training, not pre-service

training, and also that it would be handled through the Department of Education rather than UAF. He moved and asked unanimous consent that the \$100,000 be added to item # 28.

On a show of hands, the item was INCLUDED.

Senator Sturgulewski stated she understood Ms. Elgee had further back-up on some of the items the committee had held earlier, and asked that these items be taken up at this time. Co-chairman Bennett stated that would be fine.

10. PRINCE WILLIAM SOUND COMMUNITY COLLEGE - NEW FACILITY COMING ON LINE - LEASE SPACE - CURRENT - \$59.8

Ms. Elgee stated that this priority was covered on page 204 of the short-form book under Administration and Plant. She said PWSCC was given by the State three 8-plexes in Valdez which previously were utilized by the Department of Health and Social Services for employee housing. They were ASHA buildings covered through the State's ASHA bonding process. The State has turned them over to the University and the University will be picking up the ASHA costs for these facilities in utilizing them for classroom space.

Senator Sackett asked how many people were in PWSCC to warrant 24 apartments being converted into classroom space. Ms. Elgee responded that these apartments would replace commercial space PWSCC has been using. The \$59.8 would be the net cost of adding the additional space.

On a show of hands, # 10 for \$59.8 was INCLUDED.

12. KENAI PENINSULA COMMUNITY COLLEGE - NEW FACILITIES - CONTRACTUAL SERVICES - \$13.3

13. KENAI PENINSULA COMMUNITY COLLEGE - UTILITIES - NEW FACILITY - \$9.6

Ms. Elgee stated that she had asked that these priority items be held so that she could make sure they were not duplications. She stated that she had learned they were not duplications. The KPCC is going to be using these two office buildings to conduct their office occupations classes and their vocational technology classes. They previously have been utilizing the high school classroom space which will no longer be provided free.

On a show of hands, # 12 and # 13 were NOT INCLUDED.

21. ORGANIZED RESEARCH - FOREST MANAGEMENT RESEARCH - FAIRBANKS FACULTY AND SUPPORT (AES) - \$80.2

Senator Eliason stated that his question had been that he knew there was a good forestry school at Sheldon Jackson and he wondered how this item would relate to that program. He

said that he had learned that it was a different program. Ms. Elgee agreed, stating that it would be research efforts in forest protection and management and would not be an instruction program to duplicate anything Sitka is offering. Co-chairman Bennett commented that in the Interior there are three large tracts of lands being researched by the same group.

On a show of hands, # 21 was INCLUDED.

29. ORGANIZED RESEARCH - MARINE EDUCATIONAL PERIODICAL - EDITOR & SUPPORT (ASG) - \$54.7

Ms. Elgee explained that this priority was a funding request to provide the Alaska Tidelines publication. The publication is printed as a newspaper by the Alaska Seagrass Institute and is made available to all the schools in the State on a subscription basis, though there is no charge. It is presently being provided to 420 out of 530 schools under a federal grant. The school teachers seem to be very much in favor of the publication, according to the University. To insure the validity of the information, the publication is checked by University scientific staff before it is released. The publisher formerly published the Senior Scholastic magazine, so it is a professional publication designed for use in elementary and secondary grades 4 - 12.

On a show of hands, item # 29 was NOT INCLUDED.

30. UAA - RECRUITMENT AND RELOCATION FUNDS - \$75.0

Ms. Elgee stated that the question had been how much money would be allocated for recruitment, and how much would be allocated for relocation at UAA. She stated that UAA has \$25,300 in their continuation base for relocation and no money for recruitment at all. This increment would provide an additional \$24,300 for recruitment, and an additional \$50,700 for relocation. Senator Sackett asked if this was part of the contract with the community college teachers. She stated that it was not - it was recruiting non-bargaining unit faculty. Senator Sackett stated that in the base every year there has been recruitment money. Ms. Elgee stated that UAA has been using all their base funds for relocation expenses, and has no funds for recruitment. She added that up to this year, funds have been appropriated on a statewide level and allocated to the various campuses. UAF used part of their funding for recruitment but UAA did not. This request would be an addition of \$75,000 to the \$25,000 they have already received.

On a show of hands, item # 30 was NOT INCLUDED.

31. UAJ - CONSTRUCTION TECHNOLOGY - PROGRAM SUPPORT - \$100,000

Ms. Elgee stated that these funds are being requested to build condominium units for student housing, to be built through the construction technology program. The question had been whether from a policy standpoint this had been clearly presented to the Board of Regents so they would understand exactly what they would be purchasing. She stated that this had been done, and that the Board had made approval based on that presentation, so she did not believe there would be conflict there with the housing. She stated that there are currently two student housing units at UAJ - one for men and one for women, to provide housing for approximately 10 people. After construction, the condominiums will be covered under the auxiliary services program for self-supporting units as rents will cover the costs.

On a show of hands, item # 31 was NOT INCLUDED.

47. KENAI PENINSULA COMMUNITY COLLEGE - CLASSROOM SUPPORT - \$25.5

Senator Sackett asked that Ms. Elgee refer the committee to the short-form page and provide explanation of why it was needed. Ms. Elgee stated that this item was covered on page 120 of the short-form book, and would provide additional lease costs, primarily for the office occupations program, to lease Lanier and Wang machines so that people in the program will become familiar with some of the more modern equipment now being utilized in potential work places. Senator Sackett asked if this was just an expansion of the existing program, and Ms. Elgee stated that it was.

On a show of hands, item # 47 was NOT INCLUDED.

52. UAJ - CENTER FOR EDUCATION REHABILITATION STUDIES - PROGRAM SUPPORT - \$10.5

Ms. Elgee stated that this item would correspond to page 72 of the short-form book. This item would provide support costs for a program started statewide in this fiscal year for education rehabilitation in jails. Funding was provided for this program last year, but support costs were insufficient to meet the needs of providing this program statewide. Co-chairman Bennett asked if this was the program providing university level instruction to inmates. Mr. Elgee responded that it was.

On a show of hands, item # 52 was INCLUDED.

53. MATANUSKA SUSITNA COMMUNITY COLLEGE - SOCIAL AND MATH INSTRUCTORS - \$95.0

Ms. Elgee stated that this item would correspond to page 174 of the short-form book, and that it would provide for one

math science instructor and one social science instructor for additional classes to meet student demand in the area. Senator Sackett stated that these figures were approved in the Governor's version. It was determined that though this item marked the 12.5% Governor's level, the committee had disallowed earlier items so that the Senate Finance Committee was still below the 12.5% level.

Senator Ferguson moved that the committee not consider the remaining priority items on the list after voting on item # 53. Ms. Elgee stated that the previous day, the committee had approved items to a 1.8% level, so she still did not think they would be at the 12.5% level after including # 53. Senator Sackett asked if the \$100,000 add-on earlier in this meeting had been taken into consideration; Ms. Elgee stated that it had not. Senator Ferguson confirmed his motion.

On a show of hands, item # 53 was INCLUDED.

Senator Ferguson moved and asked unanimous consent that the committee not approve any further items on the increment priority list. Senator Stimson objected, and stated that though he did not necessarily disagree with Senator Ferguson he did feel a dissatisfaction with what he felt the committee had done with the University budget up to this point. He did not know what kind of direction the Legislature was providing the University. He thought the Legislature had a financial obligation to provide some direction to the University. He stated that he had concern about duplications in the budget (discussed earlier by the committee). More specifically, it appeared to him that with this statewide university system, there was no reason for not having program emphasis in specific geographic areas. In some cases, the same programs are being offered in a number of different colleges. His concern was that he did not have a clear understanding of a University philosophy or direction in relation to the priority items the committee had been dealing with. He added that the approved civil engineering program in Anchorage was a duplication of an already existing program. He said that last year a nursing program was created in Fairbanks when there was one already existing in Anchorage. He wondered if the satellite nursing program in Fairbanks would provide the same caliber training as the more established one in Anchorage. He did not feel this was the direction the University ought to be taking, and just wanted to take this opportunity to state that he did not have a good feeling about the priority items already agreed upon.

Senator Dankworth agreed with Senator Stimson's remarks, but stated that this budget was different than a regular agency budget in that the Board of Regents stands between the University and the Legislature. He stated that he had seen an improvement however. Senator Stimson restated his concern for the number of duplicated programs. Senator Sackett stated that there were many, and that throughout the years, half of them were created by the various legislators and half politically motivated within the

Board of Regents. He stated that there were numerous fisheries programs that could have been in one place. A few years ago, the petroleum engineering program was started in one place and then duplicated in another. He also mentioned that the nursing program was originally at Alaska Methodist University before it was duplicated by UA at Anchorage and then Fairbanks. Senator Sturgulewski asked if the committee could ask for a "supplemental report" next year to show these different program duplications. She did say that if there was a constituency in one area that needs to be served, some of these duplications might be justified as not everyone can afford to travel to different campuses. Senator Stimson stated that he had been told that there are over 140 courses that are duplicated on the community college and University of Alaska campuses. He stated if that was true it was "outrageous". He said that maybe the way the committee approaches the BRU structure would give them a better "handle" next year.

Comments were made concerning the various numbers of appropriation levels for the University. It was decided that the committee still had a decision to make on this issue.

Senator Sturgulewski requested that before the committee voted on Senator Ferguson's motion, consideration be given to one more item on the Increment Priority List. Senator Ferguson stated he would remove his motion for that purpose.

78. ANCHORAGE COMMUNITY COLLEGE - TEACHERS - AVIATION MAINTENANCE - \$72.4

Senator Sturgulewski stated that substantial funding had been put into the capital portion of this program for operation, but it was her understanding there weren't enough teachers. Ms. Elgee stated that the facility was built to meet an increasing demand in the Aviation Maintenance Technology program on the ACC campus. Senator Sturgulewski stated this program would be helpful to train a workforce throughout the State and moved that item # 78 be approved.

On a show of hands, item # 78 was INCLUDED.

CUT-OFF POINT - UA PRIORITY LIST

Senator Ferguson replaced his earlier motion to accept no further priority items. Senator Eliason asked if this motion pertained only to the priority list. Senator Ferguson answered yes. There being no objection, it was so ordered.

UNIVERSITY OF ALASKA BUDGET ADD-ONS - MEMBERS OF THE COMMITTEE

Chairman Bennett stated that at this time consideration would be given to add-ons by members of the committee.

Senator Eliason referred to a memo he had sent to Co-chairman Bennett and Dankworth on March 16, 1981 requesting more support

to the Extension Service as it relates to villages. (This memo is appended to the end of these minutes.) He stated that there has been considerable interest in agriculture in Southeast Alaska these last few years. He suspected that the high cost of living among other things had precipitated this interest. He stated that his request was for \$157,000, and would be directed to programs that have been successful in previous years in Angoon, Hoonah and Kake. Co-chairman Dankworth asked if this would be a "one-time thing", and also requested further information on the breakdown provided in the back-up. Senator Sackett responded that it would be part of an existing statewide program. He added that funds had been appropriated the last two legislative sessions to development corporations and also through UA Extension Center for small agricultural projects in rural areas. These projects have proved to be very successful. He said that there were some projects in Senator Ferguson's district and numerous ones in his own district, and all of them to his knowledge have worked out very well.

Senator Eliason moved and asked unanimous consent that this request for \$157,000 be approved. Senator Sackett moved and asked unanimous consent that \$125,000 be approved in this same proposal for a Resource Agent for McGrath (for \$75,000), and a Resource Agent Assistant for Galena (for \$50,000). (Back-up is appended to the end of these minutes.) He said that there is one person in Galena now who travels to McGrath, to the Lower Yukon (Holy Cross area) and up as far as Tanana. Because the villages have really benefited by this program, and because the Galena Resource Agent hasn't had enough time to consistently cover the other villages, they have requested an addition to that area. Co-chairman Dankworth asked if equipment was involved in the request, and Senator Sackett responded no, that \$200,000 had been appropriated for that purpose last year.

Upon a show of hands, Senator Eliason's motion for \$157,000 and Senator Sackett's motion for \$125,000 were INCLUDED.

Senator Sturgulewski asked the committee to turn to Items # 137, 138 and 139 on the Increment Priority List for acquisition of books. She asked if there was a Capital Budget request for books, or if they were all in the Operating Budget. Senator Sackett, Co-chairman Bennett and Ms. Elgee confirmed that there were Capital Budget requests for books. Ms. Elgee stated that the Capital Budget request was in Instructional Equipment, and she did not believe the University had used Instructional Equipment for library books in the past. Senator Sturgulewski asked if Ms. Elgee had been able to judge the adequacy of the request. Ms. Elgee stated that she did not know, but that it was the Associated Student Body # 1 priority. In order to fulfill Senator Sturgulewski's request, Senator Sackett suggested that Ms. Elgee go through the last three years of appropriations in the Capital and Operating Budgets. He said that in all campuses they had put between \$500,000 and \$700,000 at a time and it may be that those funds have not been entirely utilized yet. Co-chairman Bennett added that HOUSE BILL NO. 60 also had an

appropriation for library books. Senator Sturgulewski stated that she would like Ms. Elgee to provide information on UA library books by the next week.

Co-chairman Bennett pointed to a letter from UA President Jay Barton dated February 16, 1981. The committee decided that though they would consider this letter, it would be taken up at a later time. (The letter describes three groupings of potential University accomplishments and is appended to the end of these minutes.)

UNIVERSITY OF ALASKA BUDGET AMENDMENTS - FROM OFFICE OF GOVERNOR

Ms. Elgee asked if the committee would like to consider the Budget amendments that had been transmitted from the Governor's Office. (The list is appended to the end of these minutes.) Co-chairman Bennett stated that would be fine.

Senator Sackett asked why the amounts were so large. Ms. Elgee stated that all the appropriations not marked General Fund, and the large ones in Auxiliary Services are primarily there because the University has experienced increased program receipts in their bookstore, student services, and student housing for the following reasons: Due to inflation the cost of materials and salaries has risen. Also, due to increased enrollment, increased sales have demanded that stocks be replenished. These such amendments were not requests for increased funding, but were merely requests for increased authorization to receive and expend monies.

Senator Sackett asked about the General Fund amendments. Ms. Elgee stated that the first one was for the Reindeer Research Program. It was an item appropriated through HB 60 last year. The University treated it as a "one-time" item and then later thought better of it and decided if they could they would like to continue the program. So, this represents a continuation amount for an appropriation made last session.

Ms. Elgee went on to say that the Community College Teachers Contract did not renegotiate the COLA until January, so they were not able to include the request amount in their budget. She stated that the \$982.5 was entirely for COLA.

BEGIN SIDE 2, Tape SFC 81, # 22, 000 - 304

Senator Sturgulewski stated that she was glad to see that the budgeting was being adjusted for the self-supporting Auxiliary Service Program as the Budget and Audit Committee had seen a lot of RP's come through.

Ms. Elgee stated that the last item on the Governor's amendment list was a Capital Budget item for Building renovation and repair. Senator Sackett asked what the problem was with Moore Hall. Ms. Elgee stated that with the construction of the

improperly insulated second floor extending over the first floor, it couldn't be properly heated so it has been kept closed.

Senator Sturgulewski moved the Governor's amendment list 1 - 15. Senator Sackett asked unanimous consent. There being no objection, it was so ordered.

UNIVERSITY OF ALASKA - CIP POSITIONS

Senator Sturgulewski stated that the University has a number of CIP positions which are not shown. She stated that she and Representative Freeman (they are both on the Transportation sub-committee), would be recommending that the CIP positions be placed under the Executive Budget Act. She asked that the committee consider having the University of Alaska CIP positions placed in the budget with Bond Funds as a source of funds in order to begin getting control of those positions. She asked that the committee consider putting CIP positions throughout the Administration into the budget. She said there are also about 200 CIP positions in the Department of Natural Resources, and about 1,500 CIP positions in the Department of Transportation. Senator Sackett asked to see the listing first; Senator Sturgulewski stated that she would provide that information. Co-chairman Bennett stated that the University budget would be taken up again the following week, and that the CIP issue could be taken up at that time.

UNIVERSITY OF ALASKA INTEREST INCOME FROM DRAWDOWNS

Senator Sackett stated that he had spoken with Ms. Elgee concerning the amount of interest that may have been erroneously shown, and requested that she share that information with the committee.

Ms. Elgee explained that the UA interest income from drawdowns which they receive from both capital and operating appropriations (shown in Statewide Administration, Statewide Staff and Support, page 3), is part of the program receipts UA generates. This particular budget estimates interest income received at \$515,000. She had discussed this with the University and asked them what interest they would have to realize in order to be able to meet that appropriation level, and they said approximately 6.5%. The problem they have with estimating it any higher is because of the gigantic fluctuations that have been occurring in the investment market. However, in the last two years they have realized better than \$1 million in interest income. She wanted to point out that if the money is not appropriated as program receipts to the University it reverts back to the General Fund and is used for other purposes.

GENERAL COMMENTS - UA BUDGET

Senator Sturgulewski asked if the University would be able to re-adjust the priorities now that the committee had approved up to approximately 12.5%. She wondered how much control the

Legislature had, and how much movement within the appropriations occurs. Co-chairman Bennett responded that he did not believe UA programs had actually been set. As an example, he said that last year \$110,000 had been allocated to Tanana Valley Junior College for petroleum technology instruction. But only about \$18,000 was spent at the junior college and the rest was spent at Anchorage and Kenai; so even though there was a single line, he was not sure the University had been limited to it. He asked Senator Sackett to comment. Senator Sackett stated that he thought the policy was set only to extent that there are existing programs going on that cannot be changed. But, any new programs within the appropriation levels provided could be changed as they wish. He and Senator Sturgulewski agreed that the control really gets down to the appropriation.

Co-chairman Bennett stated that he thought the committee would take up the University budget one more time before closing it out. He asked Co-chairman Dankworth about the Capital portion. Co-chairman Dankworth stated that he had begun review of the Capital portion and would be prepared at a later time. Ms. Elgee stated that she could provide project descriptions to describe the various capital requests. Co-chairman Bennett stated that the committee would consider the capital portion as well as legislative add-ons the following day. He added that he thought Senator Ferguson was almost ready with the Justice Category, and that NRMEC would probably be begun soon.

ADJOURNMENT

The meeting adjourned at 9:40 a.m.

(Tape SFC 81, # 22, Side 1, 000 - end)

(Tape SFC 81, # 22, Side 2, 000 - 304)

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MEMORANDUM OF INTENT

Budget Request Unit: University of Alaska Fairbanks
Component Title: Education: Teacher Training
Appropriation Amount: \$ 100,000

Statement of Intent:

It is the intent of the Legislature that \$100,000 be expended by the Education Department of the University of Alaska Fairbanks to develop and implement regional orientation programs for new to the district certificated employees or Rural Educational Attendance Areas who volunteer for the aforementioned project, and who are also willing to share the cost of the same.

There is a critical need for implementing orientation programs that would prepare teachers to be successful in rural Alaska. Each year 90% of the new teachers hired by Alaskan school districts come from outside of the state. Very few of these teachers have been prepared to meet the unique challenges of teaching in rural Alaska. Consequently, many teachers leave the state during or after their first year of teaching. This high turnover, which exceeds 50% in a number of rural school districts (see attached), is not only costly, it is detrimental to rural students because of the lack of programmatic continuity.

In order to achieve an effective rural Alaskan orientation design, the goals of the program must be consonant with the realities of rural schools, their environments and those who are the recipients of school services. An orientation program must integrate: an historical framework for viewing contemporary issues in Alaskan education; the anthropology of Alaskan natives; native corporations; the evolving life style of villages in Alaska; the formal and informal learning environment of the native child; cultural norms of native students; cross-cultural teaching strategies; adjusting to the rural environment and life style; teaching in multi-grade/multi-subject classrooms; successful rural teaching strategies; students' special language needs; etc.

The intent of rural orientation projects must be to increase the effectiveness of rural Alaskan educators to inturn improve the quality of the students' school experience. The above mentioned appropriation would enable the Education Department of the University of Alaska Fairbanks, which has a clearly established teacher training program in the area of rural cross-cultural education to plan and implement, within the available resources, regionalized, comprehensive, long-term sequential orientation programs rather than the traditional "one-shot-only" inservice orientation workshop.

RURAL TEACHER TURNOVER

<u>School District</u>	<u>1977-1978</u>	<u>1978-1979</u>	<u>1979-1980</u>
A	22%	25%	21%
B	33%	37%	34%
C	30%	75%	53%
D	62%	50%	68%
E	0	40%	75%
F	63%	39%	50%
G	39%	28%	30%
H	32%	27%	9%
I		31%	49%
J	22%	16%	34%
K	25%	16%	28%
L	28%	19%	25%
M	23%	23%	15%
N	38%	46%	30%

The above percentages include transfers, terminations, resignations, etc.

ALASKA STATE LEGISLATURE - SENATE



SENATOR RICHARD I. ELIASON

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COMMITTEES

FINANCE

RESOURCES

STATE AFFAIRS

March 16, 1981

MEMORANDUM

To: Senator Bennett, Co-chairman -
Senator Dankworth, Co-chairman -
Senate Finance Committee

From: Senator Eliason *DEK*

Re: * Budget Request for inclusion in University of
Alaska Budget

In these times of extremely high food and freight costs, home gardening is becoming increasingly important to Alaskans. This is particularly true in out-lying areas where fresh produce is rarely available, prohibitively expensive when it is, and knowledge and use of good nutrition tends to be poor. There is a critical need in Southeast Alaska to provide education about home gardening food preservation and nutrition. The best means for accomplishing this is through the University's Cooperative Extension Service.

However, the Extension Service is woefully short-handed in Southeast and lacks travel funds to allow the extension workers, who are in Southeast, the means to get out to the villages where they're needed so badly.

To initiate a good low-cost program for education in gardening, and preservation and use of produce, I propose an appropriation of \$157,000 be added to the University of Alaska Extension Service budget to establish a new agricultural resource agent in Sitka, and home economist in Juneau, provide travel support for these two new agents and the two already in Southeast (one agricultural agent in Juneau and one home economist in Ketchikan), a small amount of gardening equipment and supplies and travel support for VISTA workers which would allow use of this valuable resource to back up this program at very little cost to the State. All of Southeast will benefit from this important educational service. It is a program in which the State gets a lot for its money.

Senator Bennett
Senator Dankworth
Page 2
March 16, 1981

Enclosed please find a letter from Dr. James Mathews,
Director of the Cooperative Extension Service, outlining the
budget for the development of this program.

My total request is for \$157,000. I will appreciate the
consideration of this request by you and the entire finance
committee when the University of Alaska budget is before us.

Enclosure

cc: Senator Ziegler
Senator Ray



COOPERATIVE EXTENSION SERVICE

UNIVERSITY OF ALASKA
FAIRBANKS ALASKA 99701

March 6, 1981

Senator Richard L. Eliason
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Senator Eliason:

As per your request to provide information concerning development of home gardening, preservation and use, following is our projection of resource needs. The information is presented in the priority order we think would address the educational need most effectively. We believe that a position of an Agricultural Resource Agent based at Sitka will allow us to build an effective educational delivery for home gardeners. It will also allow us to broaden information access to fisheries and related marine interests.

Agricultural Resource Agent - Sitka*	\$70,000
Agent salary	
Secretarial support	
Office equipment and supplies	
Travel	
Travel Support	\$10,000
Agricultural Agent - Juneau	
Home Economist - Ketchikan	
Gardening Equipment and Supply Support	\$ 3,000
Travel Support - VISTA Associates	\$ 4,000
Home Economist Position - Juneau*	\$70,000
Agent salary	
Secretarial support	
Office equipment and supplies	
Travel	

*Office rent cost is not viewed as a significant cost because of co-location with other University functions.

We appreciate the interest and support that you have reflected. As you know, we currently have only one Agricultural and Youth Extension Agent (Juneau), one Home Economist (Ketchikan), and one Marine Advisory Agent (Petersburg) serving the entire Southeastern region.

Senator Richard I. Eliason

March 6, 1981

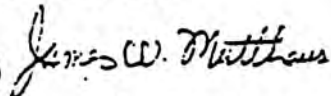
Page 2

If support for the positions and resources identified is achieved, Extension agents would be located in major Southeastern communities, and ability to reach small communities would be greatly enhanced. We see the VISTA Associate component as a highly viable extension of professional educational expertise.

We are beginning a Master Gardeners Program in cooperation with SEA-CAP this April. We anticipate through their support the participation of 15 to 20 small community home gardening leaders in an intensive 40-hour training program. As part of that effort, such leaders are expected to become local information sources and support to people in their respective communities.

We look to expansion of the Cooperative Extension network, as you propose, as a very important building block, particularly as it relates to broader educational service to Southeastern Alaskans in small communities, and specifically as it relates to improving home food production, preservation and utilization.

Sincerely,



James W. Matthews
Director

JWM/ml

cc: Chancellor Pat O'Rourke
Extension Program Leaders
Walt McPherson, Extension & 4-H Agent
Kristy Long, Extension & 4-H Agent
Brian Paust - Marine Advisory Program Agent

Alison!

J. A.

McBrath
Palmer

15,000

50,000

McBrath Learning Center desires to set up a program in the McBrath area for small scale agriculture. At the present time they are covered by the Palmer Learning Center however due to the popularity of the program and the increased workload it is now necessary to create a separate entity.

The Palmer Appropriation is for an assistant for expansion of the agricultural program for the Palmer region and surrounding communities.





UNIVERSITY OF ALASKA

FAIRBANKS, ALASKA 99701

February 16, 1981

Dear Don:

This letter amplifies the discussions we had at lunch last Friday. This grouping may be useful as you develop policies for capital funding this year.

The University's capital budget request for FY 82 is shown below in three groupings. Group I consists of expenditures which could be made virtually immediately upon approval of their funding by the Legislature and Governor.

Group I:

<u>Projects</u>	<u>Locations</u>	<u>Amounts</u>	<u>Gov's Budget</u>
Fire Pumper - UAF	Fairbanks	\$ 120.0	120.0
Instructional Equipment-CCREE	Statewide	2,783.0	500.0 *
Instructional Equipment-UAF	Fairbanks	1,418.2	*
Working Capital Fund	Statewide	2,500.0	2,500.0
Statewide Administration			
Equipment/Computer	Statewide	518.1	—
On-Line Student Records System	Statewide	600.0	—
Land Acquisitions -UAJ	Juneau	400.0	—
Equipment -UAJ	Juneau	470.0	*
Instructional Equipment-UAA	Anchorage	825.6	*
Research Equipment-UAF	Fairbanks	1,865.5	—
Marine Training Vessel-CCREE	Valdez	84.7	—
Administrative Equipment-CCREE	Statewide	178.1	—
Equipment -UAA	Anchorage	210.8	—
Administrative Computerized			
Regist.	Fairbanks	81.0	—
Total Group I:		\$12,055.0	\$3,120.0
		Difference \$8,935.0	

* The Governor included \$500.0 for instructional equipment to be utilized statewide.

Bennett, Senator Don

-2-

February 16, 1981

Planning is required before beginning projects listed in Group II and Group III below, which planning cannot be done prior to the time that the University receives funding to cover planning costs. Architectural and related work often costs about 10% of the total project.

The University should be able to complete required planning and let contracts within about three to six months after receiving funding for the projects which are listed below as Group II:

Group II:

<u>Projects</u>	<u>Locations</u>	<u>Amounts</u>	<u>Gov. budget</u>
Handicap Barrier Removal	Statewide	\$ 2,724.4	\$500.0
Physical Plant/Water Treatment	Fairbanks	650.0	650.0
Seward Pier/Roof Repair	Seward	564.0	564.0
Complete HOF Spine	Anchorage	280.0	280.0
Coal Handling Facility and Hose Drying Tower	Fairbanks	965.0	65.0
Building Repair/Renovation	Statewide	4,465.6	650.0*
Mobile Classroom-CCREE	Sitka & Rural Education	312.2	—
Salt Water System II	Juneau	200.0	—
Roads, Streets, Parking	Statewide	3,404.0	—
Electrical Feeder Upgrade	Fairbanks	200.0	—
Total Group II:		\$13,765.2	\$2,704.0

** Includes the Governor's budget amendment of \$350.0 difference \$11,056.2

It will take over six months, perhaps nine months, after getting funding for the following projects before contracts for construction work can be signed. Architects must be selected. The Board of Regents must approve of selections. And then, of course, there is a need to complete preliminary and detailed drawings before there can be calls for bids from contractors.

UNIVERSITY OF ALASKA

Bennett, Senator Don

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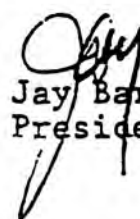
February 16, 1981

Group III:

<u>Projects</u>	<u>Locations</u>	<u>Amounts</u>	<u>Gov. budget</u>
Elvey Building Addition	Fairbanks	\$17,660.0	—
Classroom Building-UAA	Anchorage	13,800.0	—
Core Marine Building	Juneau	5,395.0	—
Statewide Administration Bldg.	Fairbanks	9,780.0	—
Office Building-CCREE	Anchorage	4,300.0	—
Galena Classroom Bldg. CCREE	Galena	1,430.0	—
		<u>\$52,365.0</u>	<u>0</u>
		difference \$52,365.0	

If you wish to receive any additional information on these or related matters regarding the University's FY 82 budget request, please let me know or contact Sherm Carter or Ashok Dhangra.

Cordially,


Jay Barton
President

JB:dm

The Honorable Don Bennett
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Total University Capital budget request
Governor's recommendation
Difference

\$78,185.2
5,829.0
\$ 72,356.2

(5)

University Budget Amendments Transmitted by the Governor

1. Organized Research "Reindeer Research"	\$ 407.4 G.F.
2. Community College Statewide "ACCF Community College Contract"	\$ 982.5 G.F.
3. UAF "Auxiliary Services"	\$ 1,279.6
4. UAA "Auxiliary Services"	\$ 435.0
5. UAF "Public Service (KUAC)"	\$ 41.1
6. UAA "Academic Support"	\$ 30.0
7. UAA "Administration & Plant"	\$ 25.0
8. ACC "Instruction"	\$ 200.0
9. Kenai Peninsula C.C. "Auxiliary Services"	\$ 35.0
10. Ketchikan C.C. "Auxiliary Services"	\$ 10.0
11. Kodiak C.C. "Auxiliary Services"	\$ 3.1
12. Matanuska-Susitna C.C. "Auxiliary Services"	\$ 15.0
13. Prince William Sound C.C. "Instruction"	\$ 424.0
14. Sitka C.C. "Auxiliary Services"	\$ 2.0
15. Capital - Building Renovation and Repair	\$ 350.0 G.F.

SENATE FINANCE COMMITTEE

April 2, 1981

8:45 a.m.

SFC-81, #22, Side 2, (309-end)

SFC-81, #23, Side 1, (000-673)

CALL TO ORDER

Co-chairman Don Bennett convened the meeting at approximately 8:45 a.m.

PRESENT

All committee members were present with the exception of Senator Eliason. Also in attendance were Fiscal Analyst Alison Elgee, and administrative assistants to Senate Finance Judy Johnston and Kathy Martinson. Attending the latter portion of the meeting were Representative Terry Martin, as well as representatives from Rand Corporation: David Lyon, Vice President; Edward Merrow, Director Energy Policy Program; and Dr. Bruce Goeller.

UNIVERSITY OF ALASKA, CAPITAL BUDGET REVIEW

Co-chairman Dankworth advised that Alison Elgee was before committee to familiarize members with the University capital budget. He asked that Mrs. Elgee go through the budget and explain what the University is asking for and what the Governor has approved. He further advised that the committee would not conduct budget mark-up today but would only review and become more familiar with this area of the budget.

Mrs. Elgee distributed to committee members summary sheets containing the University's priority listing of capital projects as well as the Governor's funding for FY 82. Mrs. Elgee stated that funding shown for FY 83 represents projects the Governor wishes to see resubmitted for consideration and possible approval within that budget, rather than projects he definitely intends to fund in that budget year.

Mrs. Elgee also directed committee attention to correspondence grouping projects not by priority but in terms of "how fast the projects can get out on the street." Group I projects require no planning and can commence immediately. Group II projects could begin within six months. Group III projects would require a minimum of six months, possibly longer, before construction could begin.

The committee commenced review of University capital projects.

HANDICAPPED BARRIERS REMOVAL - U. requested 2,724.4--Gov. approved 500.0

The requested expenditure would apply to four campuses, UAA, UAF, UAJ, and ACC. Extensive testimony stressing need for barrier removal was heard at ACC. The \$500.0 approved by the Governor would be spread among the four above-mentioned campuses.

UAF-FIRE PUMPER - 120.0

This request was approved by the Governor.

UAF-WATER TREATMENT FACILITY - 650.0

Funding provides for Phase II, installation and hook-up, of project constructed through G.O. Bonds. This request was approved by the Governor.

SEWARD DOCK REPAIRS AND RENOVATION - 564.0

Funding would provide for a number of small items in addition to a 25 ft. extension to the dock. This request was approved by the Governor.

UAA/ACC COMPLETION OF CAMPUS SPINE - 280.0

Funding would complete construction of UAA project (walkway linking UAA and ACC) which is incomplete due to lack of funding. The walkway will be enclosed as originally planned, eliminating wind problems and ice build-up. The Governor approved this request.

INSTRUCTIONAL EQUIPMENT - U. requested 2,783.0, Gov. allowed 500.0

Instructional equipment was originally shown by community college. The Governor combined all instructional equipment statewide and allocated 500.0. Backup shows the proposed allocation to each college. The number one priority is telecommunication, technical, computer equipment.

UAF-INSTRUCTIONAL EQUIPMENT - U. requested 1,418, Gov. combined with 500.0 above

The Governor combined requested funding in the 500.0 allocated for statewide instructional equipment (above).

WORKING CAPITAL FUND - 2,500

The University working capital fund was reduced from \$5 million to \$2.5 million. The above funding would bring the fund balance back up to \$5 million. The Governor approved the request.

COMPUTER AND RECORDS MANAGEMENT EQUIPMENT - 518.1

Request would fund records management equipment statewide. The Governor approved the request.

ON-LINE STUDENT RECORDS SYSTEM - 600.0

Funding would provide for a computerized student records system statewide which could be used and accessed by everyone. This is a priority need on community college campuses. The Governor approved this request.

LAND ACQUISITION - GRASLE PROPERTY - 400.0

Funding would provide for acquisition of the spit of land between Harris and Aurora Harbors in Juneau for the marine technology facility. Mrs. Elgee advised that she was not sure the University "would be able to utilize the money if appropriated." The Governor deferred this request.

UAF INSTRUCTIONAL/PLANT EQUIPMENT - 470.0

The governor combined the above request with the prior authorization of 500.0 statewide for instructional equipment.

COAL HANDLING FACILITY/HOSE DRYING TOWER - U. request 965.0 - Gov. allowed 65.0

The 65.0 approved by the Governor would provide for the hose drying tower. The 900.0 requested would fund the coal handling facility, permitting the coal coming from Healy (high moisture content) to be properly dried.

BUILDING REPAIR AND RENOVATION - U. requested 4,465.6 - Gov. allowed 300.0

Requested funding would provide renovation of Moore Hall, Patty Athletics Building and the Old Museum on the Fairbanks campus.

STATEWIDE ADMINISTRATION BUILDING - 9,780.0

On the Fairbanks campus statewide administration currently occupies space in buildings designed for classrooms. This is "putting a crunch" on classroom space. Administration wishes to move into a building of its own. The Governor deferred this request.

UAF MARINE TECHNOLOGY CORE BUILDING - 5,395.0

Building is to be located across from Juneau-Douglas High School with an overpass over Egan Drive. The Governor deferred this project.

UAF - ELVEY BUILDING ADDITION FOR RESEARCH - 17,660.0

This request relates to the need for additional space for organized research on the Fairbanks campus. The Governor deferred this request.

UAA - INSTRUCTIONAL EQUIPMENT - 825.6

The request for instructional equipment at UAA is smaller than other units within the University system since UAA received a large amount for such equipment last year. The Governor deferred action on this request.

UAF - RESEARCH EQUIPMENT - 1,865.5

Request would fund additional research equipment. The Governor deferred action on this request.

MOBILE CLASSROOMS - 312.2

Funding would provide for four mobile classrooms statewide. Three would be located on moveable vans, the fourth would be a floating classroom which could be taken to logging camps. The Governor deferred funding of this request.

MARINE TRAINING VESSEL - 84.7

Funding would provide a marine training vessel for Prince William Sound Community College. The Governor deferred funding of this project.

FISHERIES SALTWATER SYSTEM - PHASE 2

The saltwater system would be used in conjunction with UAJ's fisheries program. The Governor deferred funding of this project.

ADMINISTRATIVE EQUIPMENT - 178.1

Funding includes community colleges, rural education, and extension division equipment needs broken out from instructional equipment needs. The Governor deferred funding of this project.

At this point Senator Ferguson advised that he saw no need to continue review of remaining projects since the Governor did not approve them. Co-chairman Dankworth advised that committee members should nevertheless be aware of projects requested by the University. Senator Sturgulewski agreed, advising she would appreciate continuing the review in order to be better able to make a decision concerning what is ultimately included in the budget.

UAA PHYSICAL PLANT/ADMINISTRATIVE EQUIPMENT - 210.8

Funding would provide for maintenance and upgrade of equipment at UAA. The Governor deferred funding of this request.

ROADS, STREETS AND PARKING - 3,404.0

Funding would provide for upgrading of parking areas and campus access roads statewide. The Governor deferred funding of this project.

CCREE OFFICE BUILDING - 4,300.0

ACC administrative offices currently occupy classroom space. There is need for additional administrative office space so the college does not have to expand. The Governor deferred funding of this project.

GALENA RURAL EDUCATION CENTER - 1,430.0

Senator Sackett advised of his feeling that the current arrangement of offering University classes in the evening at the high school is highly compatible, and the University, therefore, does not need a building of its own. The Governor deferred funding of this project.

UAA CLASSROOM BUILDING - 13,800.0

Representative Martin appeared briefly testifying in support of this project. He advised that Alaska is losing its lifeline when it loses full time students to outside Universities. Alaskan students demand full time courses. Currently 62% of Alaska's students "go outside" for schooling. Full four-year course offerings would encourage them to remain instate. He stressed the need for the 13.8 in funding for construction this year in order to satisfy student demand. (This project was deferred by the Governor.)

ELECTRICAL FEEDER UPGRADE - 200.0

Funding would alleviate electrical problems at UAF. Funding was deferred by the Governor.

UAF - ADMINISTRATIVE SERVICES-COMPUTERIZED REGISTRATION
ASSESSMENT - 81.0

Funding would speed up and make student fee registration more accurate. Funding was deferred by the Governor.

(Change Tape, SFC-81, #23, Side 1, (000)

UNIVERSITY LIBRARIES

Responding to a question from Senator Sturgulewski concerning the need for library books, Alison Elgee advised that the University received a large appropriation several years ago and still has a balance of approximately \$220,000. Senator Sturgulewski advised of the need to assess University library standards against the national standard. Alison Elgee stated that, according to Form 6, even if all requested funding for library books is appropriated, University libraries would still not meet national standard.

Senator Sackett requested that Mrs. Elgee "go through the last four years" and look at capital and operating budgets to see how

much has been appropriated for library books and how that amount relates to the national standard.

Senator Stimson stated that the credibility of the University is based on what is available in the library. Meetings with students indicate the libraries are inadequate. He advised of his lack of understanding why library books aren't top priority. Senator Sackett advised that appropriations for library books have come from the legislature rather than from the University. He advised of interest in seeing what became of funding after it was appropriated.

OPERATING BUDGET

At this time committee attention reverted to the University operating budget and the following additions made:

ORGANIZED RESEARCH - 42.6

Funding will provide for a demographer to work in the Census Center on a population project dealing with future student populations. No objection to the above addition having been raised, the funding was INCLUDED in the operating budget.

PETROLEUM EXTENSION PROGRAM - 108.0

Co-chairman Bennett moved that the Petroleum Extension Program, an ongoing program through Tanana Valley Community College and the Seward Skill Center, be increased \$108.0 to a new total of \$343 and transferred to Statewide. No objection to the above motion having been raised, the funding was INCLUDED in the University operating budget, and the program transferred to Statewide.

RAND CORPORATION REPRESENTATIVES

At this time Senator Stimson introduced representatives of Rand Corporation, David Lyon, Vice President; Edward Merrow, Director of Energy Policy Programs; and Dr. Bruce F. Goeller.

Mr. Lyon advised that Rand Corporation is a non-profit (no shareholders) corporation structured similar to a University. The firm is headquartered in Santa Monica, California. Corporate representatives have come to Alaska to discuss approaches to energy policy issues. He advised of a study conducted by the corporation for the government of the Netherlands, advising that problems faced by the Dutch government are very similar to those confronting Alaska.

Mr. Merrow and Dr. Goeller conducted a review of the Netherlands project displaying color coded charts to highlight options/alternatives of specific problems and the consequences of such alternatives in terms of security, financial impact, ecology, commerce, recreation, and social implications. Dr. Goeller stressed the fact that it is not the function of Rand

Corporation analysis to effect a decision. The firm remains objective, leaving the ultimate decision to the client. Rand analysis simply highlights alternatives surrounding a complex problem and the consequences of those alternatives. Interested groups with different points of view will generally agree on an alternative for differing reasons. The analysis process also strains out alternatives which are simply not feasible in order that a final decision can be made.

ADJOURNMENT

The meeting adjourned at approximately 9:55 a.m.

SFC-81, # 22, Side 2 (309 - end)
SFC-81, # 23, Side 1 (000 - 673)

SENATE FINANCE COMMITTEE

April 3, 1981

8:40 a.m.

(Tape SFC # 23, Side 2, 000 - 704)

CALL TO ORDER

Co-chairman Bennett called the meeting to order at 8:40 a.m.

PRESENT

All members were present with the exception of Senator Eliason. Senator Ferguson arrived at 8:50 p.m. Also in attendance were Senator Kerttula; Paul Hupert, member of the Agriculture Action Council; Mr. John Doyle of the University of Alaska Marine Advisory Program; Robin Halvorson, Administrative Assistant to Senator Fahrenkamp; Senator Ray; Robert LaResche, Commissioner of DNR; and members of the press, Joe LaRocca and Mallin Jennings.

SENATE BILL NO. 87

Co-chairman Bennett stated that the first order of business would be consideration of SENATE BILL NO. 87 (An Act relating to the Agriculture Revolving Loan Fund), and requested that Senator Kerttula come before the committee to discuss the legislation.

Senator Kerttula came forward with Paul Hupert, a member of the Agriculture Action Council. He stated that Mr. Hupert understood the needs of agriculture in the State. He provided the following back-up on this legislation. He said that last year authority given to appropriate up to \$20 million for various agriculture loan programs (chattels, short-term loans for feed and seed, and first mortgage long-term farm acquisition and development). He said that the maximum allowable was \$20 million in the Agriculture Loan Fund, but they could take first mortgage, aged and secure loans, and sell them to the Department of Revenue so that in reality there would always be more than \$20 million available to them. One way or another after last years legislation, the opportunity to sell those loans to the State was eliminated. However, as a result of that, and as a result of bringing on the Delta project (which needs more money for short-term seed and feed loans as well as building loans), and the Pt. McKenzie project, there is no choice but to increase the authorization limits. This loan program started in the '50's, and Senator Kerttula said he had "pretty well written every word of it since the 60's". There was a \$1 million authorization which was raised to \$5 million, then again raised to \$20 million. Now, he stated, it must be raised to a minimum of \$50 million. He stated that it was a well-run program, and he thought it was the "key" to agriculture development in Alaska.

Senator Stimson asked if \$50 million was a "magic" figure. Senator Kerttula responded no, that he had chosen that figure because he was pretty conservative and he believed that this loan should come back to the Legislature for increased authorization from time to time so that the Legislature has an opportunity to re-prioritize programs. He added that \$50 million would be a minimum figure, but he felt that it would be adequate for this year and possibly next year also, depending on what happens to Pt. McKenzie in court.

Senator Stimson asked if there was an average-sized loan. Senator Kerttula responded that the lowest loans would be only \$3,000 to \$4,000 and the highest ones could go to the maximum allowable of $\$3/4$ - \$1 million. That would be including the first mortgage security. It was later established that an average loan would be about \$16,000.

Senator Stimson asked if the existing loan fund was depleted at this time. Senator Kerttula responded that it was. He explained that about \$5 million authorized requests by the Loan Board are pending. The Department of Natural Resources, Agriculture Division, did not recognize that the legislation under which they could sell first mortgages had been prohibited, so they did not see a need to make changes. Consequently, seed, fertilizer and farm machinery loans are currently pending until funding is made available.

Senator Sturgulewski asked if Senator Kerttula would like to see the legislation changed back to the way it was. Senator Kerttula stated that he felt an agricultural loan fund could be identified now without having to go back to a secondary mortgage market. But, he said that he was extremely indignant that the pressures of the State Employees and Teachers Retirement people are such that they don't want to invest in the State of Alaska. He said that the Alaska taxpayers support their salaries and the retirement portion, and he thought a lot of that fund should be directed back to the State of Alaska. He stated that there was lobbyist pressure years ago to remove any access to veterans housing and agricultural loan funds. He thought that was incorrect and short-sighted, and he thought the safest investment in the world is in the State of Alaska.

Senator Sturgulewski moved and asked unanimous consent that SENATE BILL NO. 87 be moved from committee with individual recommendations. There being no objection, it was so ordered. The committee report was signed as follows: Co-chairman Bennett and Senators Sackett, Sturgulewski and Ferguson signed "do pass", and Senator Stimson signed "no recommendation".

Senator Sackett stated at this time that he had asked the Commissioner of Department of Natural Resources to be present in case members had further questions on the above legislation. There were no questions directed to Commissioner LeResche.

SENATE BILL NO. 103

Co-chairman Bennett stated that the next bill to be considered would be SENATE BILL NO. 103 (An Act making a special appropriation to the Legislative Council for a salmon quality control education program; and providing for an effective date), and requested that Mr. Doyle of the University of Alaska Marine Advisory Program come forward to testify.

Mr. Doyle stated that the above program was part of the Cooperative Extension of UA and also part of the Alaska Seagrant College Program. He stated that he had worked with Senator Kerttula in the initial planning of this project. Mr. Doyle made comments pertaining to Alaska's food product, and changes in the marketplace (particularly increases in demands for frozen salmon). As a result there is an increase in the number of cold storages mostly to the westward in Alaska, and a very large increase in the frozen salmon produced (upwards of 150 million pounds as opposed to a traditional amount of 15-20 million pounds). Because of this increase, there are now a large number of people who are not familiar with handling salmon for the frozen market as they have traditionally fished for a canned fish market. He stated that people in the industry are also not keeping pace with technology, and mentioned for example that the Norwegian industry is producing salmon of a particular color to suit various markets they wish to meet. He mentioned that they are part of Alaska's competition, as well as the Canadians, in the European market. Both these industries have had long-term programs in education and regulation to increase the quality of their product. The proposal before the committee would be a multi-pronged extension type education program for the entire fishing industry - for fishermen, tendermen and processors. There was reason to believe that this program would produce results. He stated that last year Dr. Kramer and he were asked to go to Mt. Village for a concentrated one week education program. A later letter from the Mt. Village operation manager indicated that the percentage of # 1 salmon eggs rose from 44% in the past to over 80% in the 1980 pack. Being the most delicate part of the fish, salmon eggs are very good indicators of quality. He added that there were no customer claims against any of the frozen product issued last year, and that fewer internal blemishes were found in salmon split for salting. He thought this program could be extended statewide, with heavy concentration in the Prince William Sound area.

Senator Kerttula stated that Legislative Council assigned him to the salmon quality control study group. He described the function of the group, which was primarily a result of the Bristol Bay fisheries scare of about three years ago. He said that the fishermen and the processors agreed on very little, but they did agree on the need to disseminate the most modern information available on fishing techniques and quality control from the time fish are caught all the way through the processing stage. Mr. Doyle had been brought in as someone who had had 17 or 18 years of experience teaching quality control, and as

someone who has the confidence of both groups. A paper was developed on the entire industry, which was brought to the Legislature last year. He said that Senator Sackett helped him with legislation. The bill was supported, but somehow the money was lost. However, he thought the idea was still essential and he strongly supported the present legislation.

Discussion ensued on how the program would be run. Proposals for the work could be submitted to the Legislative Council and Mr. Doyle thought the University could do the work. Senator Stimson thought the appropriate place would be in the University providing it would be an outreach to the industry, but it appeared by the way the budget was written that it would not be a part of the University. Senator Kerttula stated that Mr. Doyle would control the funding so that money could be spent as needed. He said that the money could actually be funded to Legislative Council or Legislative Affairs as a "pass-through" to this purpose, as long as Mr. Doyle could control the expenditures. He expressed some frustration with the amount of time required for expenditures when funding is made directly to the University, and pointed specifically to a horticulturist program.

Senator Sturgulewski asked if Senator Kerttula saw the program becoming "institutionalized" after next year. Senator Kerttula responded that he conceived of it in the same way he saw many programs being run on the community college level. He felt the University could pick it up if they wanted to; however, he felt that the burdensome overhead the University would put on it would probably require twice the funds. He did stress that he thought there was a continuing need, but that this would be a pilot project to prove a point.

Senator Sackett moved and asked unanimous consent that the bill be moved from committee with individual recommendations. Senator Sturgulewski stated that she thought it would be excellent as a pilot project, but it seemed to her that it should be placed in an appropriate agency for the long-term. There being no objection, it was so ordered. The committee report was signed as follows: Co-chairman Bennett, and Senators Sackett, Ferguson, Sturgulewski and Stimson signed "do pass".

SENATE BILL NO. 18

Co-chairman Bennett stated that the next bill for consideration would be SENATE BILL NO. 18 (An Act relating to special education; and providing for an effective date), and asked Senator Stimson to present the bill to the committee. It was established that the committee was actually considering COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 18 (Finance) (An Act establishing a special aid program for providing special education programs during the summer of 1981; and providing for an effective date), along with a new fiscal note for \$1,936,800.

Senator Stimson stated that their original concern was a special education program for the summer. The HESS committee had

attempted to establish a formula for the funding and ended up with an unnecessarily large fiscal note. Following that, Senator Stimson had come up with essentially the same proposal, limiting the special education services to Title III and IV students (the more severely handicapped) with a formula of using 33% of foundation unit amount applied in a regular instructional unit formula. So, it would be specifically for the summer program. He thought that the fiscal note for \$1,936,800 was probably larger than what the actual cost would be because a number of districts will not be aware of the program and will not have ample time to take advantage of it. He stated that he and Senator Fahrenkamp had worked together on this legislation to combine it with SENATE BILL NO. 365, which is the special education task force. He said that CSSB 18 (Fin) would take care of the summer program this year, but the fiscal note would be contained in SB 365 if it passes and there would be no duplication of funds. He said that there is a sunset provision in CSSB 18 (Fin) with the intent that the bill is for this coming summer only. If CSSB 18 (Fin) is passed, then \$1,936,800 could be deducted from SB 365. Discussion ensued. Senator Stimson requested that Robin Halvorson, Administrative Assistant to Senator Fahrenkamp, come forward to testify on the legislation.

Ms. Halvorson only wished to add that it was essential for level III and IV students to receive year-round education. These are children who are unable to retain what they learn, so when their education stops in June they experience a great loss.

Senator Sackett asked for a definition of "special education" for level III and IV. Senator Stimson stated that it was essentially the severely handicapped - physically and emotionally handicapped, and mentally retarded.

Senator Stimson moved and asked unanimous consent that CSSB 18 (Fin) be moved from committee with individual recommendations. There being no objection, it was so ordered and the committee report was signed as follows: Co-chairman Bennett and Senators Sackett, Stimson, Sturgulewski and Ferguson signed "do pass".

CONSIDERATION OF BILLS SCHEDULE

Co-chairman Bennett announced the following schedule for bill consideration: Monday - SB 162, SB 222, SB 307 and SB 178. Tuesday - SCR 10, SB 282, SB 156, SCR 16. Wednesday - SB 242, SB 243, SB 69, SB 48.

ADJOURNMENT

The meeting adjourned at 9:20 a.m.

(Tape SFC 81, # 23, Side 2, 000 - 704)

SENATE FINANCE COMMITTEE

April 6, 1981

10:00 a.m.

SFC-81, #24, Side 1 (000-end)

SFC-81, #24, Side 2 (000-494)

CALL TO ORDER

Co-chairman Don Bennett convened the meeting at approximately 10:00 a.m.

PRESENT

All committee members were present with the exception of Senators Ferguson and Stimson. Also in attendance were Senator Bettye Fahrenkamp; Bob Palmer, Coordinator for Special Projects in the Governor's Office; Fred Muller, Deputy Commissioner for Dept. of Administration; Ron Lind, Deputy Commissioner of Dept. of Transportation and Public Facilities; Marty Nusbaum; Jerry Smetzer, representing the City of Nenana; Greg O'Claray, Lobbyist for the Inlandboatmen's Union; Fiscal Analysts Bob Grogan and Elmer Lindstrom; administrative assistants to committee, Judy Johnston, Maria Converse, Kathy Martinson, and Sandy Nusbaum; and representatives from the press including Joe LaRocca.

Fiscal Analyst Bob Grogan distributed a memo setting forth additions to last year's budget and the consequences of those additions in terms of positions added and the need for ongoing or recurring funding. (A copy of the memo and attached charts is retained in the committee minute book and labeled "Attachment A.")

Mr. Grogan stated that Legislative Finance sent correspondence to each commissioner requesting the above-mentioned information. Information received from Departments was "somewhat non-standard" in form, and Legislative Finance refined the information as best it could for presentation to committee. Funding shown in the "FY 81 Amount" column is "straightforward." Information shown in the "Year To Date Expenditures" column is the weakest and most unrefined. Legislative Finance has no information in this column for Health & Social Services (approximately \$18 million for which there is no expenditure data).

(Senator Ferguson arrived at the meeting at this time, 10:10 a.m.)

Bob Grogan advised of a total of 265 permanent full time positions created as a result of last year's operating budget and HB 60. He further advised that agencies have requested a total of \$49.5 million for the coming year relative to last year's new positions.

Responding to a question from Senator Sackett concerning Dept. of Fish and Game figures which indicate expenditures of \$46.9 for 12 positions in Kuskokwim Coho Research, and a total of \$128.1 for 14 positions in Kuskokwim Management Expansion, Bob Grogan advised that the positions represent seasonal people who may work only a few weeks during the summer. They are, however, under the new personnel rules, shown as permanent positions.

Referring to the \$175.0 designated for a Kuskokwim Salmon Study, Senator Sackett advised that funding was to be for one year only. Although the funding could be spread over a couple of years, the study represents a one-time-only appropriation and additional funding should not be requested for FY 82. Senator Sackett asked how many other categories have projects of this type. Bob Grogan advised that such projects represent the idea behind the Legislative Finance memo and attached charts. Members felt that in some cases projects that were added as one-time-things are requesting additional funding in the FY 82 budget.

Responding to a question from Senator Sturgulewski concerning positions created by legislation other than HB 60, Bob Grogan advised that such positions as well as those created by Budget Amendment (added at free conference) are not included in the Legislative Finance report. Co-chairman Bennett directed that such information be compiled and brought back to committee.

SPONSOR SUBSTITUTE FOR SENATE BILL 162

Co-chairman Bennett moved that Sponsor Substitute for SB 162 (ACT MAKING SPECIAL APPROPRIATIONS TO THE ALASKA AGRICULTURAL ACTION COUNCIL FOR A SMALL GRAIN MARKETING SYSTEM) be brought on for discussion.

Senator Sackett advised that Senator Fahrenkamp and Bob Palmer were present to testify concerning the legislation. He further advised of concern regarding authorization under the legislation and whether or not the Council can "have an appropriation made to it."

Senator Fahrenkamp advised that she had been told the appropriation could be made, but stated she had not "looked" into the question further. She suggested that Mr. Palmer provide the bulk of the testimony on the bill and concluded her remarks advising that timing is essential if the Nenana project is to proceed.

Bob Palmer stated that he had been assured by the Department of Law that the Agriculture Action Council has authority to receive and expend money. The Council also has authority for development projects, and the subject legislation can be classified within the scope of a development project.

Mr. Palmer stated that he was before committee in support of SSSB 162 and urged expeditious handling of the legislation. He alluded to several amendments that should be effected, and then

went on to advise that the first year's crop for Delta I was harvested last year. At that time the Governor's office had actual facts rather than simply theory as far as costs of production per acre, the yield per acre, the cost of transportation to tidewater, world prices for the commodity, and world demand for Delta crops. As a result of these facts, the Governor gave the go-ahead on expansion of the Delta project (Delta II). Land for this phase is scheduled to be sold this fall. In addition, planning has proceeded on land in the Nenana/Totchaket area, and preliminarily study has begun on Yukon/Kuskokwim areas of land suitable for agriculture. Much of this land is involved in the Native Claims Settlement. When developed, however, it could join in the same marketing and transportation system which would serve Delta and Nenana. All the grain the State can put through a unit system makes the unit cost more feasible.

The State needs a transportation system as part of its overall plan. It does no good to develop the land and produce the grain if there is no place to market it. There are two primary markets. The first objective from the beginning was a change in the ratio the state presently faces whereby it ships in approximately 98% of its red meat and produces only about 2%. The first objective is to make competitively priced grain available to livestock producers in Alaska so they have the incentive to expand their herds or begin new herds instate. This is already happening. Barley shipped from Seattle costs approximately \$220 a ton to livestock farmers in the Matanuska Valley while Delta barley sells for \$100 a ton and costs approximately \$25 to bring down to the Valley. We have essentially "backed-out" imported grain, replacing it with locally-produced grain. Instate consumption of locally-produced grain has gone from about 2500 tons to 6500 tons anticipated for this year.

However, there is no way an instate livestock industry can utilize grain as fast as it is produced. As a result, the State must have the capability to export surplus grain. This requires three things not now in place:

1. A transfer facility at North Pole at railhead so that grain trucked from Delta to railhead can be efficiently transferred from truck to rail.
2. Railroad cars of proper configuration (covered grain hopper cars--protected from the elements).
3. Tidewater shipping facility--a grain elevator to efficiently load from railroad cars to the storage facility and then onto a ship.

These three necessities are covered in SSSB 162 with the exception of the railroad cars that had earlier been included but were removed when we thought we had found alternative funding.

Alternative funding is not available after all and the railroad cars should be reinserted as an amendment (\$1 million).

In addition to the above change, construction costs for the grain elevator should be increased from \$5.7 million to \$6.5 million as a result of site, labor, and power costs projected by T. E. Everson of Minneapolis. Increase costs are attributed to 18% inflation in construction costs of this type and inclusion of a 7-1/2% contingency fee. Reports from Everson as well as the Transportation Committee recommend Seward over Anchorage as the tidewater site.

Mr. Palmer directed committee attention to a chart demonstrating production and contemplated production in Delta I and Delta II. This year, the second year into the Delta project requires that 60% of the soil be prepared for planting by June 1. Seed for 18,000 acres has been "brought in." Some farmers last year got as much as two tons of grain per acre, some got less, depending upon when the planting was done. The State must be prepared to "take care" of surplus grain. The State currently has approximately 1,000 tons held over from last year. This year it must be prepared to export the surplus. If work commences now, the storage facility can receive grain by November 1 and be ready to ship by January 1. Some grain may have to be temporarily stored on the ground at Delta, but once in place the facilities contemplated by SSSB 162 will serve producing areas, Nenana-Totchaket, the upper Susitna, and the river systems which can barge grain to the transfer facility at North Pole and rail ship from that point.

The State has a signed agreement from Frank Jones, Manager of the railroad that the railroad will have in place a "loading gantry, etc." available for this purpose without charge. The State has also arranged to lease land adjacent to the tracks from the railroad for \$8,000 a year. Everything is in position; funding is the critical part.

Responding to a question from Senator Dankworth concerning cost of the hopper cars, Mr. Palmer said the State has received a range of approximately \$40 to \$50 per car. Twenty (20) cars are needed. It is possible the State can get used cars and refurbish them. Cost will depend upon price of the car and amount of refurbishing needed. These are 100 ton hopper cars which would allow a turn around of "no more than seven days." The number of days can possibly, with time, be brought down to three days. Cars will carry grain from North Pole to tidewater while trucks bring more grain into North Pole. The transfer facility at North Pole will not have the same capacity as the tidewater facility. The project is basically a matter of logistics and scheduling so that the whole system works.

Responding to a question from Senator Dankworth concerning construction and operation of the export terminal, Mr. Palmer said that the state will build the facility and then solicit lease or lease/purchase proposals from the private sector. The

State wants "out of it" as quickly as possible. The state will not operate the facility.

Further responding to question from Senator Dankworth Mr. Palmer suggested that the project be viewed as a fish hatchery. It takes a period of years to develop enough brood stock prior to a return consistent with the cost of the project. The legislature with administration's concurrence has forgiven fish hatchery interest for ten years as well as a ten year principal payment moratorium in order to allow production to become consistent with cost.

Senator Eliason advised that he did not believe it fair to compare agriculture with fish because Alaska's agriculture projects achieve minimal employment and affect a minimal number of people for hundreds of millions of dollars, while the fishing industry "rolls over more than \$2 billion a year," and employs up to 50,000 people. He stated his support for agriculture but raised questions concerning perspective, ultimate goals, the number of people benefited and what it will cost to get there. Mr. Palmer responded that several hundred people are employed in agriculture at Delta in addition to the 22 families involved. The infrastructure is involved, including machinery operators, seed dealers, etc. Two dairies and possibly a third have developed in Delta as a result of grain availability. A hog operation has also developed as well as expanded beef development. Grain is also aiding farmers on the Kenai as well as reindeer herders at Kotzebue. The whole thing gives rise to an atmosphere of agricultural production from which other pursuits follow. The spin-off is at least as large as it is in the fishing industry. The Governor has made a commitment of 500,000 acres in production in the next ten years. This includes not only Delta and Nenana/Totchatet but expansion into the Yukon and Kuskokwim valleys. The State is also looking at possible sites in the Aleutians for beef production. The reindeer herders also want to be involved.

Responding to further question from Senator Eliason concerning an overall plan for agriculture, Mr. Palmer advised that given the fact that initial facts were only available last fall, there has not been adequate time for overall planning projections to be made. He further advised that he hoped to have something for the legislature next session.

Senator Sturgulewski asked Mr. Palmer if he had written response from the attorney general's office, insuring that the Agricultural Council had authority to conduct the contemplated project. She advised of a written opinion to the contrary which she made available the Resources and Finance Committees.

(Reverse Tape, SFC-81, #24, Side 2 (000))

Mr. Palmer responded that he had verbal authority but would request a written opinion. He also advised of pending legislation which would add such authority to the Council.

Senator Sackett moved that Sponsor Substitute for SB 162 be replaced by a Senate Finance Committee Substitute making appropriation through the Dept. of Commerce (per the resource committee amendment), that the appropriation total change at line 10 from \$6.4 to \$8.2 million, that grain terminal costs at line 13 be increased from \$5.7 to \$6.5 million, and that an additional \$1 million be added for railroad hopper cars. He further moved that the committee substitute be signed out of committee but held pending receipt of a written opinion from the Dept. of Law advising that the Agricultural Council has authority to undertake the project. No objection to the above motion having been voiced, CS for SSSB 162 (Fin.) passed from committee--all committee members signing do pass with Senator Sturgulewski signing "do pass assuming AG's ok on power Ag. Council to develop."

SENATE BILL 222

Co-chairman Bennett moved that SB 222 (ACT MAKING A SPECIAL APPROPRIATION TO THE DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES FOR ENGINEERING AND DESIGN OF THREE BRIDGES IN THE NENANA AGRICULTURAL AREA) be brought on for discussion.

Senator Sackett advised of a CS from the Transportation Committee (ACT MAKING A SPECIAL APPROPRIATION TO THE DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES FOR ENGINEERING AND DESIGN OF BRIDGES AND ROADS IN THE NENANA AGRICULTURAL AREA) which "changes the funding source method."

Jerry Smetzer appeared before committee and directed committee attention to maps and charts relating to the Nenana/Totchaket agricultural project. He stated that survey crews have established a centerline for the proposed bridge crossing. There are currently two townships planned for disposal in February of 1982. CSSB 222 requests a special appropriation which would allow the project to "go to bid for engineering design of roads and bridges." Estimates for the work amount to approximately \$500,000. Timing is critical since building of the bridge across the Nenana will require three to four months of engineering design. The end product of the legislation will be a set of blueprints ready for construction of roads and bridges in the agricultural project as well as a survey of available gravel sites. Current estimates set construction costs at \$17.5 million.

Mr. Smetzer directed committee attention to a map "giving a general feeling for the area," and designating townships, the proposed site for the bridge crossing, and oil and gas development areas.

Following Mr. Smetzer's statements, Senator Sackett advised there should be no fiscal note accompanying the bill since a fiscal note attached to an appropriation bill might accidentally result in double funding.

Senator Sturgulewski stated that Resources would soon be considering the major funding request for the Nenana project. She stated she had no objection to expenditure of planning dollars, but felt the legislature needs "a whole lot better grasp on where we're going in agriculture." She added that the Nenana project and its eventual commitment to the 2,000 people associated with it represents a major effort on the part of the state. The state might be faced with endless contingencies. She stated that she has been "appalled at the lack of economic feasibility work that has been done . . . in agriculture." The whole process needs to be subjected to "a hard look." Co-chairman Dankworth agreed with Senator Sturgulewski, advising that he supports the legislation since the contemplated roads and bridges will provide access to oil and gas development areas as well as agricultural properties. He further stated that passage of the bill is in no way an endorsement of agricultural projects; the legislature needs to see some agricultural planning and study/analysis of projects before they are begun.

Senator Sackett moved that Committee Substitute for Senate Bill 222 (Transportation) pass from committee with individual recommendations. No objection having been raised, the Transportation Committee Substitute passed from Senate Finance-- Senators Sackett, Eliason, Ferguson, and Bennett signing do pass. Senators Dankworth and Sturgulewski signing no recommendation.

SENATE BILL 307

Co-chairman Bennett next moved that SB 307 (ACT MAKING A SUPPLEMENTAL APPROPRIATION TO THE DEPARTMENT OF PUBLIC SAFETY FOR COSTS OF THE CONTRACT WITH THE PUBLIC SAFETY EMPLOYEES ASSOCIATION) be brought on for discussion.

Senator Fahrenkamp appeared before committee advising that the legislation was introduced to correct a binding arbitration contract which was "sealed, signed, and delivered" but not appropriated. She stated that she would not pass judgment on whether a good contract was effected on behalf of the state, but stressed need for the state to live up to contracts it has made. Part of the contract has been complied with in that housing costs have been raised, but the state has not yet met its commitment to the workers. For this reason the bill was introduced. The administration has introduced a like bill on the House side.

Senator Sackett moved that SB 307 pass from committee with individual recommendations. No objection having been raised, SB 307 passed from Senate Finance--all committee members signing do pass.

SENATE BILL 178

Co-chairman Bennett moved that SB 178 (AN ACT MAKING A SUPPLEMENTAL APPROPRIATION TO THE DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES TO FUND THE INLAND BOATMEN'S UNION CONTRACT) be next brought on for discussion.

Senator Sackett stated he had contacted the Governor's Office and representatives from the administration as well as the lobbyist for the Inland Boatmen's Union were present to testify. No questions were raised.

Senator Dankworth moved that SB 178 pass from committee with individual recommendations. No objection having been raised, SB 178 passed from Senate Finance--all members present signing do pass.

ADJOURNMENT

There being no further matters to come before committee, the meeting adjourned at approximately 11:20 a.m.

SFC-81, #24, Side 1 (000-end)
SFC-81, #24, Side 2 (000-494)

SENATE FINANCE COMMITTEE

April 7, 1981

8:35 a.m.

(Tape SFC 81, # 25, Side 1, 000 - 822)

CALL TO ORDER

Co-chairman Bennett called the meeting to order at 8:35 a.m.

PRESENT

All members were present. Also in attendance were Administrative Assistants to Co-chairman Bennett, Judy Johnston and Sandy Nusbaum; Administrative Assistant to Co-chairman Dankworth, Kathy Martinson; Senator Ray; Administrative Assistant to Blue Ribbon Commission, Terry Kramer; Senator Parr; Deputy Commissioner of Department of Natural Resources, Geoff Haynes; Department of Commerce & Economic Development Director of Banking, Willis Kirkpatrick; and Director of Local Government Assistance Division, Palmer McCarter.

BILL ASSIGNMENTS

Co-chairman Bennett made the following bill assignments:

SB	3	-	Eliason
SB	132	-	Stimson
CSSB	226	-	Bennett
SB	321	-	Dankworth
SB	351	-	Sturgulewski
HB	394	-	Bennett
CSHB	26	-	Eliason

SENATE CONCURRENT RESOLUTION NO. 10

Co-chairman Bennett stated the next order of business would be consideration of SENATE CONCURRENT RESOLUTION NO. 10 (Extending the life of the Blue Ribbon Commission on the State Personnel Act) and asked that Senator Ray come forward with testimony. Senator Ray brought with him Ms. Kramer, who stated that she had passed out a copy of a memorandum which briefly outlined the kinds of projects the Commission has underway at present. These projects would be continued if the life of the Commission is extended. (This memo is appended to the end of these minutes.)

Senator Stimson asked if the Commission had addressed the issue of minority hire. Ms. Kramer responded that it had not and that the Commission's position was that by doing so, it would be duplicating the State EEO Division's function. Senator Stimson stated that it seemed to him that there were problems within the State Personnel Division with minority hire and affirmative action, and asked Senator Ray if the Commission had ever

addressed that to develop methods of dealing with that issue more effectively. Senator Ray stated that most of those issues were handled by either the Ombudsman or the Human Rights Commission. He stated that the Blue Ribbon Commission would be happy to look into it except that they didn't want to duplicate efforts of other offices. Senator Stimson stated that he felt a lack of real desire on the part of the Division of Personnel to "reach out" for more minorities in the system. He understood how the Ombudsman and EEO could address individual problems, but he was concerned with an "overall look and a general attitude toward involving minorities in the personnel system". He added that if the Blue Ribbon Commission was to be extended, he would like it to address this issue. Senator Ray responded that the Commission would make that a priority if the Senate Finance Committee would enlarge the scope of the Commission's investigations. He said that the Commission could also set up standards and qualifications for legislative employees at the same time.

Senator Sturgulewski noted that the Alaska Advisory Commission and the U.S. Commission on Civil Rights had completed a major study of employment practices involving minorities; she advised that study would reveal some good information. She asked Senator Ray if the Commission had looked into contractual services and asked if contracts were being issued as a substitute to not putting people on the payroll. Senator Ray responded that the Commission had only been able to touch on that subject; it is not really a personnel matter and is not really covered in the legislative mandate for the Commission. He stated that the Commission would be happy to address the issue if the Legislature were to approve that function. Senator Stimson asked if Senator Ray was asking for another statement in the Preamble to so authorize the Commission. Senator Ray responded affirmatively.

Senator Eliason asked if the Commission had looked into the salary structure of legislative employees. Senator Ray responded that the Commission had not, but that if the Legislature would enlarge their scope of investigation, they would. Senator Eliason stated that he felt this was an area that should be addressed.

Senator Ray stated that the University of Alaska has asked for a membership seat on the Commission as it would assist them in getting their personnel structure formulated so that everything would be uniform throughout the State. Co-chairman Dankworth asked who appoints the members. Senator Ray stated that in 1978, the original membership was appointed by the House and there was an election held for chairmanship. Now, as seats become vacant the Commission votes on applications submitted to make for a "well rounded group". He said most of the seats are filled with a balance of administration, public employee representatives, legislators and members of the public.

Senator Stimson brought up the subject of minority hire practices, and further discussion ensued. He asked for a copy of the Blue Ribbon Commission recommendations on resolves # 27 and #

38. Senator Stimson stated that resolves # 27 and # 38 in the resolution give the Commission the authority to look at all problems falling under Title 39 (Personnel Act). Senator Ray stated that with a letter of intent the Commission would be more than happy to address minority hire.

Co-chairman Dankworth moved and asked unanimous consent that a new fiscal note be devised to reduce travel from \$45,000 to \$15,000. Senator Ray stated that the only hardship this would cause would be more localized Commission activities. He thought that if the Senate Finance Committee wanted the Commission to address minority hire, then travel should be increased into bush areas. Co-chairman Dankworth restated his original motion. There being no objection, it was so ordered.

Senator Stimson moved that the committee include a Letter of Intent asking the Commission to look at the question of minority hire and legislative employee salaries. Co-chairman Dankworth objected and stated that so many offices were looking into the question of minority hire that he did not feel the Commission should also. Senator Sackett stated that he did not think anyone was looking into inequities in legislative employee salaries. Senator Bennett asked Senator Ray if the Legislative Council was addressing the issue of legislative salaries; Senator Ray said that to his knowledge the Council had not taken it up. Senator Stimson stated that he did not know of anyone actually addressing the question of minority hire. He said he thought the Commission could do it, and though he did feel it was a serious problem, he did not feel it was a particularly complex one. As far as the legislative employees salary issue went, he was willing to let the Council address it. Co-chairman Bennett stated that he had just been informed by a legislative employee that the two Rules Chairmen would be looking into the legislative salary question during the interim. Senator Eliason stated he thought the Commission should look into it and make recommendations.

Senator Dankworth withdrew his objection. There being no further objections, Senator Stimson's motion carried. Co-chairman Bennett assigned Senator Stimson to chair a sub-committee to draft the Letter of Intent.

Senator Ferguson moved and asked unanimous consent that the bill be moved from committee contingent on the Letter of Intent and the new fiscal note. There being no objection, it was so ordered. The committee report was signed as follows: Co-chairmen Bennett and Dankworth, and Senators Sackett, Sturgulewski, Eliason and Ferguson signed "do pass", and Senator Stimson signed "no recommendation".

SENATE BILL NO. 156

Co-chairman Bennett stated that the next bill for consideration was SENATE BILL NO. 156 (An Act relating to the withdrawal of land for a utility corridor for extension of the Alaska Railroad and the preparation of a report evaluating the effect of

construction of an extension of the Alaska Railroad; and providing for an effective date), and requested that Senator Parr testify on the bill before the committee.

Senator Parr stated that this was an old subject to most of the committee. In 1977 the Legislature passed HOUSE BILLS 47 and 48 to have the utility corridor surveyed. The Governor vetoed most of the money so the Legislature came back in 1978 and restored the funds and DOTPF started the work. DOTPF did not finish the work but did come out with a report. Senator Ray introduced a bill to have the work completed; the bill passed the Senate and died in the House. Now, SENATE BILL NO. 156 is that same bill updated. He stated that this was something that needed to be done and should already be finished, before the gas line survey work. He thought all committee members were aware of the desirability for the railroad corridor and the utility corridor.

Senator Sackett asked if this bill was identical to the one passed by the Senate last year. Senator Parr responded that it was the same, except that the date had been changed.

Co-chairman Dankworth asked about money appropriated for feasibility studies in the past. Senator Parr stated that this bill would deal only with getting the utility corridor (railroad corridor plus land on both sides) surveyed for right-of-way definitions. It would also authorize acquiring needed land that is not now State land. He said this was the physical side of it. He discussed the specific needs for the corridor.

Senator Sturgulewski asked about the validity of the \$3 million figure. Senator Parr responded that the DOTPF has asked for that amount and he was not absolutely sure. Initially \$865,000 was appropriated to survey the corridor and then limit the exact railroad location. Then the Department of Natural Resources was to classify the land, reserve any necessary State land and acquire non-State land. He did not know if the figures in the fiscal note were accurate.

Co-chairman Bennett requested that Geoff Haynes, Deputy Commissioner of the Department of Natural Resources, come forward to testify. Mr. Haynes stated that DNR had received late last year a preliminary corridor identification which DNR went ahead and classified as of January 9, 1981. It was a 300 foot right-of-way with 50 feet on each side of the center line. So, that part had been completed based on what DOTPF had submitted to DNR.

Senator Sackett asked if the fiscal note had been the same for the bill that passed the Senate and died in the House last year. It was determined that the fiscal note was different last year, but Senator Parr stated he felt it was only an inflationary factor. Senator Sackett disagreed and stated he thought there were some problems with the fiscal notes. He asked that the bill be held over until either Mark Hickey or Dennis Dooley from DOTPF could appear before the committee. He said that for CSSB 440 last year there were two fiscal notes. One dated March 17, 1980

had a figure of \$540,000 for FY 81, which would be \$540,000 if brought up to this year. The other fiscal note dated January 28, 1981 for the same bill had a figure of \$570,000 for FY 82. Co-chairman Bennett stated that the bill would be held over one day.

SENATE CONCURRENT RESOLUTION NO. 16

Co-chairman Bennett stated that the next bill for consideration was SENATE CONCURRENT RESOLUTION NO. 16 (Relating to annexation to the City of Nome), and asked that Senator Ferguson present the bill to the committee. Senator Ferguson explained that the legislation would allow the City of Nome to come up with an alternative plan. The fiscal note for \$35,000 would provide for the new plan. The Department of Community and Regional Affairs would contract with a recognized Alaska-based public management, accounting or planning consulting firm. He stated that Mr. Palmer McCarter, Director of Local Government Assistance of the Department of Community and Regional Affairs was available for testimony if the committee wished.

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

SENATE BILL NO. 282

Co-chairman Bennett stated that the next bill for consideration was SENATE BILL NO. 282 (An Act relating to the legal rate of interest), and requested that Senator Sturgulewski present the bill to the committee.

Senator Sturgulewski stated that there was a memo in the file which would provide background on the legislation. She stated that Mr. Willis Kirkpatrick, Director of Division of Banking, Securities and Corporations was present an overview of the legislation to the committee.

Mr. Kirkpatrick stated that the Department of Commerce and Economic Development would have no objection to the legislation; however, they are not really promoting it either. It was a situation where "user rates" may not play an important part in the scheme of regulation. This in part would have to do with the type of interest that is being charged on the type of account and the type of agency charging the interest. Brokerage firms controlled by other regulatory agencies are offering margin accounts or an opportunity to buy securities or transactions on credit. The credit portion is not necessarily the viability of the business purpose of the brokerage firm. Their business is the transaction and profit from securities and underwritings. In dealing with the margin account, he said it would also be found that there is a tendency toward sophisticated investors - people who buy on margin or short-sales or other techniques of the

securities industry. These people are very cognizant of what they are paying and what their dollar is earning. They know what various brokers are charging on security rates and the debit balances. For those reasons, the State has no particular objection to the passage of the legislation.

Senator Sturgulewski pointed to the second page of the handout, saying that the federal laws take precedence in a good number of cases dealing with usury bills. (This handout is appended to the end of these minutes.) She stated that if the State does certain things and there is legislation in effect, we would come out from under federal control and the State could gain control of all the usury limits. Then pointing to the first page of the handout, she stated that there is a relatively low interest rate ceiling of 10.5% with certain exceptions. One exception is with the lender/borrower contracting for a higher rate, or when contracts or loan commitments are over \$100,000. This bill asks that there be an exception created in the case a broker loan rate when customers are borrowing money on securities on margin. She felt it was an appropriate bill though it effects a limited industry. But she pointed out again that this was a very competitive business where margin rates are generally very close to the brokers cost of funds and with the extraordinarily high interest rates, a real problem has been created.

Senator Eliason asked if the passage of this legislation would contribute to the inflation rate. Mr. Kirkpatrick responded that he thought it would have no effect one way or another on inflationary matters.

Senator Stimson asked if this interest rate provision would apply only to brokerage accounts. Senator Sturgulewski stated that it would, and stated that Section 2 of the bill narrowly defines the intent.

Senator Sturgulewski moved and asked unanimous consent that the bill be moved out of committee with individual recommendations. There being no objection, it was so ordered. The committee report was signed as follows: Senators Sackett, Stimson and Sturgulewski signed "do pass", and Co-chairmen Bennett and Dankworth and Senators Eliason and Ferguson signed "no recommendation".

ADJOURNMENT

The meeting adjourned at 9:20 a.m.

(Tape SFC 81, # 25, Side 1, 000 - 822)



JUNEAU, ALASKA

Alaska State Legislature

BLUE RIBBON COMMISSION ON THE
STATE PERSONNEL ACT
Pouch AG/Mail Stop 0123
Juneau, Alaska 99811
(907) 465-4442

Senator Bill Ray
Chairman

MEMORANDUM

April 6, 1981

TO: Senate Finance Committee

FROM: Teresa B. Cramer *TBC*
Administrative Assistant

SUBJECT: SCR 10 - Extending the Life of the Blue Ribbon Commission
on the State Personnel Act

There are a number of issues which the Blue Ribbon Commission has not been able to resolve in the time available to it. These include the following:

- review of the state's experience with the nonpermanent category of employees, with a particular concern for problems of local hire in rural areas;
- review of the system of processing applications for state employment by the Division of Personnel to reduce the time it takes;
- continued consideration of the membership in the exempt and partially exempt services;
- development of a proposed disciplinary system to guide state supervisors and to encourage fair and consistent discipline where necessary; and
- comprehensive revision of the State Personnel Rules to improve personnel practices.

The commission requests that its operation be extended for another year so that it may continue with these projects.

TBC:lmk

Alaska State Legislature



Senate

SENATOR
ARLISS STURGULEWSKI

COMMITTEES
CHAIRMAN
Legislative Budget & Audit

Community & Regional Affairs
Finance
Resources

2957 SHELDON JACKSON
ANCHORAGE, ALASKA 99504
DISTRICT 10-H

While in Juneau
POUCH V
JUNEAU, ALASKA 99811
(907) 465-2218

April 7, 1981

RE: SENATE BILL 282

The general design of the state interest-rate law is that of a relatively low interest-rate ceiling (10.5%), with exceptions.

The first exception is that the lender and borrower can contract for an interest rate higher than 10.5 percent. However, this rate cannot be more than five percentage points above the Federal Reserve Discount Rate. (The "Discount Rate" is the rate at which banks (those banks which are members of the Federal Reserve System) can borrow from the Federal Reserve Bank. Ostensibly, the only occasion for borrowing from the Federal is to meet statutory reserve requirements.)

The second exception is for contracts and loan commitments over \$100,000 for which no interest limits apply.

The third exception would be created by this bill. This exception only applies to the "broker loan rate," which is the rate at which broker-dealers lend money to customers who buy securities on margin. ("On margin" means that the customer purchases stock partially in cash and borrows the remainder of the price of the stock from the broker.)

In considering this bill, the following points should be kept in mind:

- A. Brokers are not in the business to make money on their loans to margin customers. Traditionally, they mark up their own cost of funds enough to cover expenses and charge the customer that rate.
- B. The cost of money to broker-dealers is generally very close to the prime rate. It is nearly always within one percentage point of the prime rate.
- C. A formula of "discount rate plus 8%" would have allowed brokers to charge at about their cost of money; a formula of "discount plus 5%" would not.
- D. Persons buying stock on margin are supposed to be a fairly sophisticated group. They know enough to shop for the best rate, and free market competition helps regulate broker loan interest rates.

April 7, 1981

In addition to the State law outlined on the typewritten sheet, there is a set of Federal laws which take precedence.* There is no guarantee that this list is conclusive, but the following are the highlights:

- A. No usury limit on residential mortgages.
- B. No usury limit on business and agricultural loans over \$1,000,**
- C. All Federally-insured financial institutions are eligible for the "Most-Favored-Lender-Doctrine," for loans up to \$25,000. At present, that doctrine, in conjunction with the State of Alaska's Small Loans Act, allows these institutions to lend at up to the Discount Rate plus 8%.
- D. ~~Residential mortgages~~^{***} subject only to a ceiling of the Discount Rate plus a "charge" plus a "surcharge." All three of these are set by the Federal. At present, the three are 13 plus 5 plus 3.

*This is called Federal preemption. If the State does certain things by April 1, 1983, the State will gain control of the usury limits and Federal Preemption will no longer apply.

4/7/81

SENATE FINANCE COMMITTEE

April 8, 1981

8:35 a.m.

SFC-81, #25, Side 2 (000-end)

SFC-81, #26, Side 1 (000-644)

CALL TO ORDER

Co-chairman Don Bennett convened the meeting at approximately 8:35 a.m.

PRESENT

All committee members were present with the exception of Senators Stimson and Ferguson who arrived shortly after the meeting began. Also attending were Senator Charlie Parr; Marshall Lind, Commissioner of Education; Chris Noah, Director of the Alaska Council on Science and Technology; Dennis Dooley from the Division of Planning and Programming, Department of Transportation and Public Facilities; Bill Brown, representing the Dept. of Public Safety; Scott Beardsley and Theresa Martin, Anchorage High School Students; Mary Hawkins, representing the Kenai Peninsula School Board; administrative assistants to Senate Finance Judy Johnston and Sandy Nusbaum; and representatives from the press including Joe LaRocca.

SENATE BILL 156

Co-chairman Bennett moved that SB (AN ACT RELATING TO THE WITHDRAWAL OF LAND FOR A UTILITY CORRIDOR FOR EXTENSION OF THE ALASKA RAILROAD AND THE PREPARATION OF A REPORT EVALUATING THE EFFECT OF CONSTRUCTION OF AN EXTENSION OF THE ALASKA RAILROAD), legislation held over from the previous day's meeting, be brought on again for discussion.

Senator Sackett raised questions concerning several fiscal notes included as backup for the legislation. Dennis Dooley appeared to testify concerning the bill. The fiscal note prepared by Mr. Dooley updates prior year legislation but does not include FY 82 costs for right-of-way acquisition. A second note was subsequently prepared for SB 156, reflecting the original \$570,000 estimate with a 12% inflation factor.

Responding to a question from Senator Sackett concerning whether the Department will conduct right-of-way acquisition in FY 82, Mr. Dooley advised that acquisition of some readily-identifiable parcels may occur in FY 82, but acquisition does not represent a single year exercise. Mr. Dooley stressed difficulties surrounding attempted estimates concerning acquisition costs. He estimated the "range" to be between \$3 and \$4 million. Problems surrounding acquisition costs relate primarily to when the property is acquired. The program has already encountered a 12% inflation factor. Senator Sackett advised that he had no

objection to acquisition or condemnation proceedings if necessary to acquire the property, but he objects to "tying up funds" if they are not needed for the fiscal year.

Co-chairman Dankworth suggested the Department go out and "do" a major portion of the work and then come to the legislature for funding "after you have made the deals." Mr. Dooley advised that the second fiscal note reflects such an approach. One of the liabilities of the note is that the Dept. is prohibited from "seizing moments of opportunity." A funding device for acquisition would allow the Dept. to deal with individuals interested in selling immediately.

Co-chairman Dankworth next asked what would happen should the Dept. not receive the requested \$3 million. Mr. Dooley responded that the Dept. would perform right-of-way assessment work, would be "getting the right-of-way notations down" (legal descriptions), and would conduct a more rigorous assessment of acreages, numbers of property owners, and types of land. The fiscal note also includes funding for an environmental impact statement. The Dept. would conduct an environmental assessment. If the assessment is acceptable, a detailed impact statement may not be necessary and the Dept. would not need the entire \$300,000 designated for that.

Senator Sackett suggested that since only a small portion of the funding will be used in FY 82, and the legislature will be in session the last six months of that budget year, a supplemental could be passed should the Dept. need funding for right-of-way purchases.

Co-chairman Bennett asked if the project could proceed if funding was reduced to \$1.5 million. Mr. Dooley responded, "I believe so, sir."

Responding to a question from Senator Sturgulewski concerning the environmental impact statement, Mr. Dooley advised of Dept. concern that there may be some federal funds or federal land requirements attached to the acquisitions. In addition, the Dept. does not possess maps of sufficient scale relative to the D-2 issue. Mr. Dooley stated that he did not believe land within the needed corridor was involved in D-2. He further advised that the railroad does not have the "random alternatives across land" that a highway or an airport has. Making certain that a corridor is in place is a prudent exercise whether it is used in the immediate or distant future.

Co-chairman Dankworth expressed his feeling that land should not be purchased prior to preparation of an environmental study and determination as to whether land to be purchased falls within D-2. He added that he did not feel "comfortable funding \$3 million for acquisition of land under the above circumstances, yet he did not want to state to "miss an opportunity."

Co-chairman Bennett moved to reduce the \$3 million request to \$1.5 for a new total of \$2.130. No objection to the above having been voiced, the co-chairman directed that a new fiscal note be prepared to accompany the legislation.

Senator Sackett moved that SB 156 with the above-mentioned new fiscal note pass from committee with individual recommendations. No objection having been raised, SB 156 passed from Senate Finance--all committee members signing do pass.

SENATE BILL 48

Co-chairman Bennett next moved that SB 48 (ACT RELATING TO GRANTS FOR NORTHERN TECHNOLOGY) be brought on for discussion.

Chris Noah, Executive Director of the Alaska Council on Science and Technology, appeared to testify in support of the bill. Mr. Noah advised that when the bill was previously before committee, questions arose concerning the names and backgrounds of members serving on the council, location of grant funding throughout the state, and monitoring of the program. Mr. Noah distributed an information sheet setting forth make-up of the council and providing a brief background resume for each member. He next directed committee attention to a map displaying grant distribution throughout the state (Southeast 16%, Anchorage 9.5%, Fairbanks 17.5%, Interior 58%). He further directed attention to the Status of Grants report updated as of March, 1980. He stated that he had contacted the Attorney General's office concerning the grant recipient who has thus far failed to perform, and it has been determined that the individual is in breach of his contract and ripe for litigation.

Mr. Noah stated another progress report will issue in the fall and will include results of summer and early fall grant activities. Mr. Noah distributed a form he had drafted for monitoring grant progress. The form would measure not only the fiscal expenditures under the grant but success or failure of the project as well. Mr. Noah advised that the council would continue passive dissemination of grant results (distribution to the Governor's Office, legislative information offices, and libraries) and would implement active dissemination as time and funding permits (maintenance of a mailing list of interested individuals, preparation of project briefs and articles, work with schools and local governments, etc.).

Co-chairman Dankworth advised that he had no problem with section 1 of the bill (increasing grant funding from \$5,000 to \$7,500), but he objected to section 2, advising that he did not wish to broaden the scope of the council. Mr. Noah advised that language relating to the scope of the council was being changed to reflect assumption of energy-related projects by the Alaska Energy Center, and to allow the Council to fund grants relating to such projects as the red algae/herpes research, and a smoke alarm adapted to rural Alaska. Senator Sackett advised that such projects could be covered under current language permitting grant

funding of projects relating to "industrial enterprise." He moved that broadening language be stricken from the legislation. Senator Stimson objected, advising that he found the new language to be realistic given the fact that the concept behind the program is to "encourage creative people to take advantage of their talents." The program offers "nothing but a lot of hard work" since an individual derives no salary from the grant and must expend proceeds for materials and equipment. He stated that there is need for more latitude within the program as contemplated by the expanded definition of "northern technology."

Senator Sackett, advising of his feeling that the program basically finances personal hobbies, renewed his motion to delete expanded definition language contained in section 2. Upon a show of hands the motion carried (Senators Bennett, Dankworth, Ferguson and Sackett in favor of deletion, Senators Stimson, Sturgulewski, and Eliason against). Concerned that the red algae and smoke alarm projects could not be funded under current grant definition, Senator Stimson moved to add medicine and safety to council authority. Upon a show of hands, however, the motion failed. Senator Stimson next moved that the bill pass from committee with individual recommendations. No objection having been voiced, SB 48, as amended by committee (Section 2 deleted), passed from Senate Finance--all members signing do pass with the exception of Senators Ferguson and Bennett who signed no recommendation.

SENATE BILL 69

Co-chairman Bennett next moved that SB 69 (ACT MAKING A DRIVER IMPROVEMENT COURSE MANDATORY FOR CERTAIN DRIVERS WHO RECEIVE DRIVING DEMERIT POINTS) be brought on for discussion.

Senator Ferguson advised of a Committee Substitute prepared by the Senate HESS Committee as well as a proposed Committee Substitute by Senate Finance. Senator Sackett raised a question concerning the lack of an effective date on all versions of the legislation.

Mr. Bill Brown appeared to answer questions on behalf of the Department of Public Safety. Mr. Brown advised that the Department supports the intent of the legislation since evidence shows that completion of the mandated course tends to upgrade one's driving record. He advised of difficulties which might arise out of the statement relieving one from having to take the course if it is not offered within 50 miles of his residence. The Finance Committee Substitute would amend this language, requiring completion of the course if offered within 50 miles of one's residence or place of employment. The Department of Public Safety would not have information concerning an individual's place of employment and follow up through letters of inquiry would be time consuming and perhaps costly. Location of the course in relation to one's residence and place of employment would also determine whether an individual had 45 days or 2 years

in which to complete the course. This also would require monitoring.

Responding to a question from Senator Stimson relating to the course, Mr. Brown advised that it is an 8 hour course generally conducted in two four-hour sessions. Mr. Brown advised that the Department has no problem with the HESS Committee Substitute, it is the location of the course with relationship to the place of employment contained in the proposed Senate Finance Committee Substitute which would complicate Department handling of the resulting legislation. Senator Ferguson withdrew the proposed Finance Committee Substitute.

Senator Eliason raised questions concerning subsection (d) which states that a driver who has completed the course and later receives additional demerits does not have to take the course again. He moved that this section be stricken from the HESS committee substitute, advising that under the circumstances, a refresher course would not prove harmful.

Co-chairman Bennett moved to amend subsection (b) changing the 50 mile radius for the course offering in relation to one's residence to 100 miles.

Senator Ferguson moved to add an effective date of July 1, 1981, to the legislation.

No objection to the above motions having been voiced they were incorporated within an amendment to be attached to the HESS Committee Substitute for Sponsor Substitute for SB 69.

Senator Ferguson moved that CSSSSB 69 (HESS) as amended by Senate Finance pass from committee with individual recommendations. No objection having been voiced, the HESS Committee Substitute with Finance Amendment passed from Committee--all members present signing do pass with the exception of Senator Ferguson who signed no recommendation.

SENATE BILLS 242 AND 243

Co-chairman Bennett moved that SB 242 (ACT ESTABLISHING THE ALASKA STUDENT LEADERSHIP DEVELOPMENT FUND) and SB 243 (ACT MAKING AN APPROPRIATION TO THE DEPARTMENT OF EDUCATION FOR THE ALASKA STUDENT LEADERSHIP DEVELOPMENT FUND) be brought on for discussion.

Senator Stimson introduced Scott Beardsley and Theresa Martin, high school students from the Anchorage area, interested in speaking to the proposed legislation. Mr. Beardsley advised that many people are not aware of "what goes on in state government." Students in the Anchorage area can make themselves aware through news broadcasts, but student in the bush do not have means to keep in touch with state government. The "Close-up" program will benefit those participating since becoming familiar with one's government is part of the educational process. SB 242 and 243

represents an important step in educating Alaska's future citizens in the democratic process.

Theresa Martin advised that students have indicated a need to be more involved in politics. The program also provides opportunity for high school students from differing areas and backgrounds to meet and exchange ideas concerning government in their specific areas.

Responding to a question from Senator Eliason concerning the length of each "Close-up" encounter, both Mr. Beardsley and Miss Martin advised that while shortening the number of days at the capitol from 5 to 3 might accommodate twice as many students, "they probably wouldn't learn much." Mr. Beardsley reinforced the above statement, advising that students can't "get to know the legislative process in two or three days; it's more complicated than that--a week is barely sufficient."

Mary Hawkins next appeared, testifying on behalf of the Kenai Peninsula School Board. She advised that in the past youth organizations have been very strong but fragmented. The student leadership program would bring these students together within an organized procedure.

Co-chairman Bennett announced a message from Representative Meekins that the House Finance Committee would this afternoon begin budget work on NRMEC.

ADJOURNMENT

There being no further matters to come before committee, the meeting was adjourned at approximately 9:55 a.m.

SFC-81, #25, Side 2 (000-eend)
SFC-81, #26, Side 1 (000-644)

SENATE FINANCE COMMITTEE

April 9, 1981

8:35 a.m.

(Tape SFC 81, # 26, Side 1, 644 - end)
(Tape SFC 81, # 26, Side 2, 000 - end)
(Tape SFC 81, # 27, Side 1, 000 - 300)

CALL TO ORDER

Co-chairman Bennett called the meeting to order at 8:35 a.m.

PRESENT

All members were present. Senator Ferguson left the meeting at 9:00 a.m. Also in attendance were Senators Mulcahy and Kerttula; Commissioner of Revenue, Tom Williams; Ken Klawunder, teacher from Tok School; Chairman of the Board of Icicle Seafoods, Inc., Bob Thorstenson; Vice-President of Icicle Seafoods, Inc., Steve Collins; Rodger Painter, Executive Director of United Fishermen of Alaska; Administrative Assistant to Co-chairman Dankworth, Kathy Martinson; Administrative Assistant to Co-chairman Bennett, Judy Johnston; and members of the press Joe LaRocca and David Ramsuer.

BILL ASSIGNMENTS

Co-chairman Bennett assigned the following bills:

HB 136 - Ferguson
SB 329 - Sackett
SB 368 - Sackett
SB 369 - Dankworth

SENATE BILL NO. 242SENATE BILL NO. 243

Co-chairman Bennett stated that the first order of business would be consideration of SENATE BILL NO. 242 (An Act establishing the Alaska student leadership development fund; and providing for an effective date) and SENATE BILL NO. 243 (An Act making an appropriation to the Department of Education for the Alaska student leadership development fund; and providing for an effective date), which had been held over from the previous day's meeting. He requested that Senator Stimson present the bills to the committee.

Senator Stimson stated that a teacher from Tok School was present to testify before the committee on the above bills, and asked Ken Klawunder to come forward. Mr. Klawunder stated that he was familiar with the national Close-up program also, and thought that the State Close-up program offered many things the national

program could not. Those involved in the State program find the Senators and Representatives readily accessible; the students have a chance to talk with them and really get involved in the operation of government. Conversely, those in the national program are pretty much "awe struck" with the size of government and relatively inaccessability of congressmen. In response to an idea Senator Eliason had expressed the previous day to double the number of students participating, Mr. Klawunder felt that to decrease the number of days students would be in the capitol would leave them with much less of an idea of government process and also would not allow them to follow legislation for a long enough period to gain a knowledge of major issues.

Senator Stimson pointed out that the Close-up Program was only one component of the Leadership Development Program. Also included was the Future Bowl Program (similar to College Bowl) where teams from around the state will be competing in problem solving processes in Anchorage starting next week. A Leadership Academy would also be developed for students in FAA and FHA, etc. He pointed to letters in the file from students involved in those organizations.

Senator Ferguson stated that he had co-sponsored both bills for the reasons stated the previous day as well as at this time, and thought it was important to bring in students from all over the State to participate in Alaska government.

Senator Sackett asked about Anchorage participation in the Close-up Program. Senator Stimson stated that Anchorage had reluctantly participated in the program and could not give a specific answer for their reticence except that the administration made a decision when the school board was not even aware of the program. Only after Senator Stimson made the school board aware of it, did Anchorage make arrangements to participate. Anchorage has not participated in the Future Bowl Program, but have had some of the leadership organizations involved in the other component of the program. Senator Sackett stated that throughout all the years he had been in the Legislature there had been student groups participating in state government. And with all the interest Anchorage has in the capitol, he thought that Anchorage students would come here as part of their civics or government classes. However, he said he had never seen Anchorage students in Juneau and it appeared there was a total lack of interest.

Senator Sackett asked if there was a breakdown on the \$689,000. Senator Stimson responded that there was no back-up on the figure. He said that the program this year had \$450,000 broken down with 55% going to the Student Leadership Program, 18% to Future Bowl and the remainder to the Close-up Program. He said the way this bill was written, it would go out as an RFP and whoever has the best proposal would secure the money for the operation of the program. The language is broad so that types of leadership programs won't be restricted. The \$689,000 figure was

arrived at by the Department of Education based on this year's program, with projected expansion and inflation.

Senator Ferguson moved and asked unanimous consent that SENATE BILLS NO. 242 and 243 be moved from committee with individual recommendations. There being no objection, it was so ordered and the committee reports were signed as follows: SENATE BILL NO. 242 - Co-chairmen Bennett and Dankworth, and Senators Sackett, Stimson, Sturgulewski, Eliason and Ferguson signed "do pass". SENATE BILL NO. 243 - Co-chairman Dankworth and Senators Stimson, Sturgulewski and Ferguson signed "do pass", and Co-chairman Bennett and Senators Sackett and Eliason signed "no recommendation".

SENATE BILLS NO. 140 AND 141

Co-chairman Bennett stated that the next bills for consideration would be SENATE BILL NO. 140 (An Act establishing a fishery product revolving loan fund; and providing for an effective date); COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 140 (Resources) (same title); and SENATE BILL NO. 141 (An Act making a special appropriation to the fishery product revolving loan fund; and providing for an effective date). He stated that it was not the committee's intention to move the bills out on this date, but testimony would be taken at this time. He asked that Tom Williams, Commissioner of the Department of Revenue come forward to testify.

Commissioner Williams stated he was present to speak in favor of the two bills. He said that basically the legislation would create a fishery product revolving loan fund containing \$100 million to finance fish pack inventories of Alaskan processors. Financing would have to be made with one or more financial institutions (with banks, or with the Commercial Fisheries and Agricultural Bank). From the Department's point of view as investors of the State's wealth, there is no subsidy yet. The interest rate provision would be more favorable to a fish processor than what they would ordinarily get from a bank. The reason is that banks have to pay taxes and make a profit. The State doesn't have to pay taxes, and all it has to do is break even. He said that the bills were introduced by the Governor, and COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 140 (Res) has two provisions that were not in the original bill. The first was that loans must be made to processors that are at least half owned by persons domiciled in Alaska - they would have the highest priority. It would be only after meeting the needs of those processors that loans could be made to other processors. The second feature added in the Committee Substitute was that loans could not be made to processors that are 80% or more owned or controlled by foreign interests.

Commissioner Williams described the way the program would work. He said that before the processor starts buying fish, he would line up a commitment from his bank or a group of banks (including SeaFab). If the loan application meets the criteria and if the

borrower is credit worthy and knows his business, then the Revolving Loan Fund would also make a commitment. No funds would be transacted until after the fish had been purchased and processed. In other words, the loan would not be working capital for the processor. However, working capital financing will be much easier for the processor to obtain if he can show he has commitments from his banks and this Revolving Loan Fund.

Pointing to two amendments he proposed to COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 140 (Res), Commissioner Williams proceeded to explain why he did not think the bill would work without them.

BEGIN SIDE 2, Tape SFC 81, # 26

Page 2, line 16 presently states "(2) the term of a loan may not exceed one year,". Commissioner Williams proposed that be replaced to read "(2) if the fund is a participant in a loan to a fish processor that has not been, or appears unlikely to be, fully repaid within a year from the time the loan was made, then the fund may not participate in a new loan to that processor unless there is in effect a reasonable and realistic agreement, acceptable to all participants in the existing loan, under which the existing loan will be repaid in a prompt and orderly fashion;". He felt this amendment would carry "real clout", not the threat that a processors fish will be taken away.

In reference to the first amendment, Co-chairman Bennett asked what would happen in one of the bankers is half owned or nearly owned by a State entity. It appeared to him that the second part of the first amendment would almost be entrapment to continuing with a loan so as to not lose the 48% or 49% of State investments under the other program. He thought that there were some extremely broad discretionary powers in this portion of the proposed amendment. Commissioner Williams agreed that there would be broad discretionary powers, but they would still be held to a prudent man rule. The Department of Revenue manager of the Revolving Loan Fund would not knowingly try to lose money by making the loans. He would not be in the situation of being a venture capital entity. He would in fact be a business lender, and if the business justification is there, it would not matter whether ARRC or SeaFab or any other State agency has an interest in that loan. The Department of Revenue would still be free to say whether or not the fish pack Revolving Loan Fund would not participate. Co-chairman Bennett said that he saw some potential conflicts with the State doing business with the State. Commissioner Williams agreed in the sense that different agencies of the State have different purposes.

Senator Mulcany stated there were two main concerns in the Resources Committee. One, that this would be a true Revolving Loan Fund that would open up each year for new entries so that a few large entities would not be using up the loan fund. He explained his reasoning on this issue. He said that the second concern relating to the funding mechanism could possibly be handled by a Letter of Intent so that not just one or two

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Senator Mulcahy stated there were two main concerns in the Resources Committee. One, that this would be a true Revolving Loan Fund that would open up each year for new entries so that a few large entities would not be using up the loan fund. He explained his reasoning on this issue. He said that the second concern relating to the funding mechanism could possibly be handled by a Letter of Intent so that not just one or two

processors would be able to have the fund totally committed to them. He suggested the Letter of Intent to the Department of Revenue to read "no one person could lend more than 10% of the total fund, unless there was no demand on a part of the fund". He felt this would be workable as a Letter of Intent, but possibly too rigid to be inserted in the Statutes.

Commissioner Williams stated that this would be one way to insure that the fund would in fact revolve. He said that he shared the Resources sub-committee's concern that \$100 million is not enough to finance the entire fish pack, nor is it enough to finance 90% of all the fisheries in Alaska. He thought there would have to be more than a 10% participation by the banks. He thought another way of approaching this problem would be to grant priority to people who are loaned up to their limit from their historic lenders. For instance there are a number of large firms that could take 20% or 30% if they tried to monopolize this \$100 million fund, but they were financed last year by private banks. And if they were financed again by those private banks, they would not have to have a call for anywhere near 20-40% of this fund. They would only have a call on the order of \$5 or \$10 million.

Senator Sturgulewski stated in reference to Commissioner Williams' first proposed amendment that she would like to see the judgement "tighter" from the beginning. Commissioner Williams responded that different fisheries and different processors would have different problems and one of the difficulties in drafting a statute is having enough specificity so that a program can work, but not so much that only certain groups can be served. He thought there would have to be enough flexibility in order to deal with unexpected situations.

Commissioner Williams proceeded to explain his second proposed amendment to COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 140 (Res). Page 2, lines 17 and 18 presently read "(3) the loan must be secured by inventory or accounts receivable of the fish processor and may not exceed 75% of the appraised value of the collateral taken as security;". He proposed that it be deleted and replaced with "(3) the participation of the fund must be ratably secured on at least an equal basis as the participations of all other participants in the loan, and it must be secured by (the) a pledge of the fish processor's inventory being financed by the loan or by the accounts receivable from that inventory or by other collateral acceptable to all participants in the loan;". He pointed out that the present language in the Committee Substitute does not authorize the taking of any collateral other than the inventory or the accounts receivable, and further explained his reasoning for his proposed amendment. He described a situation where the State would be left "holding the bag" on a loan where the collateral or the inventory of a processor would actually reduce to less than the amount of the loan if the price of fish went down. He thought it was important to broaden the collateral to take what the banks would take. Banks take a personal pledge from the owner of the plant as well as taking the

security interest or the collateral of the inventory and the accounts receivable from that inventory. So even if the Revolving Loan Fund is barred from that, the bankers can still be paid off as they have additional collateral over and above what is necessary. He recommended that the State have an equal interest in any security interests the other banks have, in proportion to the amount of the loan. This would be the function of the second amendment. He reiterated that this program should be viewed as a business proposition, not a subsidy.

Further discussion and questioning ensued on subjects such as other State programs lending on inventory; current interest rates; whether or not the Revolving Loan Program would actually be a subsidy; and how many existing revolving loan programs the State is running presently (Commissioner Williams was asked to provide this information to Senator Sackett).

Co-chairman Dankworth asked why it had become necessary for the State to become involved in the interim financing business at all. Commissioner Williams explained. He said that first, there are federal regulations on the amount of money a bank may lend to an individual borrower. Inflation on the part of the borrower, and inflation and/or no increase in the capital structure of any one bank allowing it to raise its loan limits, make this legislation viable. He stated that this industry is growing and there may be a number of processors finding it necessary to improve or adapt their plants to accommodate new developments in the industry. Traditional sources of funds (SeaFirst or Rainier in Seattle or banks in Alaska) may be more than willing to up what they would lend, but they cannot because there is a loan ceiling. At the same time, banks not traditionally involved have been observing the "wild gyrations" in fish prices and may be reluctant to fill the gap. Foreign processors are not necessarily in these positions, but that is not good for Alaskan fishermen.

Co-chairman Dankworth asked if Seattle First or Rainier would testify that they would not finance because there is too much risk involved with the fish pack. Commissioner Williams responded that he thought these banks would say they are running into problems with their lending limits, not that they do not want to continue this business. Co-chairman Dankworth expressed a concern that there are other interests in the State of Alaska requiring interim financing too.

Senator Stimson asked Commissioner Williams if he considered this type of financing high or low risk. Commissioner Williams responded low to medium over time. Senator Stimson asked how much of this money would actually flow to foreign processors. Commissioner Williams was not prepared to answer accurately. Senator Stimson asked what would happen if this fish pack financing were not provided. Commissioner Williams stated that probably foreign processors could get capital from their foreign countries. Other processors may or may not be able to get needed capital. If they could not, they would buy less fish, and more

fish would be sold to those foreign processors who did have capital. Senator Stimson asked if it would be realistic for the Legislature to restrict this so that foreign investors would not have access to the pack financing. Commissioner Williams responded that personally he thought it did not matter who owns the plant if Alaskan fishermen were being benefited. The paramount question as far as he was concerned was who the processor would be serving - fishermen from "outside" or ones from Cook Inlet or Kodiak or Southeast. The intent is to help Alaskan fishermen most, and the identity of the processor is unimportant, if that processor is helping Alaskan industry. Senator Stimson said he had a "ball park" figure of 80% flowing to foreign processors. Commissioner Williams pointed out that COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 140 contained restrictions on foreign processors. Senator Stimson asked if the fiscal note for the legislation could be less than \$100 million if foreign processors were restricted, to which Commissioner Williams replied no.

Further discussion and questioning ensued on how the program would work and what risks would be shared. Who would make judgements on these loans was discussed. Commissioner Williams stated that the fiscal note provides for the hiring of expertise in the Department of Revenue. There was further discussion on foreign involvement and whether or not foreign investments should be restricted. Senator Eliason stated that had been a concern of the Resources sub-committee. Senator Stimson was not convinced that \$100 million was needed in fish pack loans at this time. Senator Eliason was concerned that it be understood this program would not be a subsidy. Senator Mulcahy expressed that the Committee Substitute would provide that loans would go only to processors owned at least 50% by Alaskans. He restated his concern that only two or three Alaska firms would use up all the funding in the loan program. Co-chairman Dankworth again expressed his concern that subsidy would be provided to Alaska fishermen but not to carpenters or plumbers, etc., and wondered if this would be an equitable situation. He said that he had been getting the message from banks that the State should stay out of interim financing.

BEGIN NEW TAPE, Tape SFC 81, # 27, Side 1, 000 - 300

Commissioner Williams stated that this fish pack loan program would not really be interim financing. Rather, he said, it would be long term financing for an asset with a short life, with the asset being there for a year or less. Laughter ensued but Commissioner Williams continued to say that "interim financing" would be the working capital financing, and this money would be used for the long term takeout in that process. The nature of the industry is such that the inventory is not held for years, and though the plant would have a long physical life, it would not be financed.

Co-chairman Bennett stated that there were people from out of town waiting to testify, and asked that Commissioner Williams

come before the committee again at a later time. Mr. Bob Thorstenson, Chairman of the Board of Icicle Seafoods, requested that he be permitted to testify before the committee.

Mr. Thorstenson stated that Icicle Seafoods is an Alaska corporation, founded in 1965 in Petersburg Alaska and owned by the fishermen and employees of the company. Employees are becoming a larger equity holder in the company. Operation takes place in Petersburg, Seward, Homer, Ninilchik, Togiak, Nushagak, Naknek, Akutan and some areas in AYK. Fishermen operate from the Canadian border north as far as Kotzebue and west as far as Adak. Icicle Seafoods is in favor of SENATE BILL NO. 140. Their particular problem was that their business is growing and expanding and they are exhausting their lines with banks they have traditionally dealt with. In order to operate profitably and intelligently, they need a larger pack loan. He stated that banks dealing in fish loans deal with specific concepts. Fishing is a very risky business and very few banks have the expertise or the desire to bank fish companies. There are a few banks in the Northwest that have done very well in this area. Icicle Seafoods deals primarily with National Bank of Alaska and Rainier, and have recently have had help from SeaFab and ARRC. Because of the needs of the company for this coming year (approximately \$40 million), limits of banks they have worked with traditionally have been exhausted. In past years, this shortfall has been filled by participant banks from all over the United States (last year Rainier lined up 7 participating banks for Icicle. These banks were nervous investing in the fish business to start, and when the "shock waves" of New England's bankruptcy and other financial problems surfaced last spring, these banks "ran for cover". Fortunately, Icicle Seafoods was an Alaska corporation, and the emergency pack financing saw them through the difficulty. He said that sales in 1981 will exceed \$130 million, the payroll in Alaska is \$16 million, the first fish processes in Alaska is somewhat short of \$16 million. Icicle Seafoods has 1,400 employees in Alaska, and about 3,000 fishermen supplying the product.

In conclusion, he stated that the legislation before the committee at this time would be very helpful. He pointed out to the committee that a diversified fishing company now uses money year around and is no longer a seasonal business so that 12 month financing doesn't cover it. They "turn money" three times a year on the average. There are some products needed through marketing to keep before customers 12 months a year to maintain "space on the shelf", and they have other products they sell immediately after processing. Icicle Seafoods feels that a strong fishing industry is important to the State, to the communities in which it operates, and to the fishermen. As a strong company, Icicle Seafoods could buy all the fish the fishermen can produce, could diversify into new products and take advantage of the various market forms that develop.

Senator Sackett asked that Mr. Thorstenson provide the Icicle Seafood annual report to the committee. Mr. Thorstenson stated

that he would. Senator Eliason asked what would happen if this legislation did not pass. Mr. Thorstenson stated that it would cause a penalty to the Icicle operation. At this time Icicle has \$30 million of the required \$40 million lined up and secured. They could operate with \$30 million short term; however there will be a penalty and they will probably have to take advances from some of their customers which will mean they won't be on the "free market". Consequently some sales will probably have to be made "back to back" regardless of price. They will have to do some expedient things to "turn their pack" within the limits of their financing - probably in some areas not buy fish they would normally buy. All this would also effect what Icicle would pay to the fishermen for the fish.

Co-chairman Bennett thanked Mr. Thorstenson for his testimony, and asked for further testimony from anyone present. Mr. Steve Collins, Vice President of Icicle Seafoods came forward.

Mr. Collins stated that he had been in Alaska 20 years and had previously worked with the National Bank of Alaska, specializing in the fish business. He had been with Icicle for about one and half years. He wished to add to Mr. Thorstenson's statements. He commented again on why the larger banks had withdrawn after the 1979-1980 season. Now, as Icicle is negotiating their coming pack line with Rainier, NBA and SeaFab, they are about \$10 million short. He said that the large banks in New York, California and Hawaii as well as foreign banks, do not really understand the fish business and are "fairweather bankers" only when everything is "lovely". The legal limits of banks supporting Icicle (Rainier, NBA and SeaFab) only allow for a loan of \$30 million.

Co-chairman Bennett thanked Mr. Collins for his testimony. He stated that these two bills would be held over in committee at this time, and would be taken up again in the near future. He asked that the only remaining business was to wish "happy birthday" to Co-chairman Dankworth.

ADJOURNMENT

The meeting adjourned at 9:50 a.m.

(Tape SFC 81, # 26, Side 1, 644 - end)
(Tape SFC 81, # 26, Side 2, 000 - end)
(Tape SFC 81, # 27, Side 1, 000 - 300)

SENATE FINANCE COMMITTEE

April 10, 1981

8:35 a.m.

SFC-81, #28, Side 1 (C00-840)

CALL TO ORDER

Co-chairman Don Bennett convened the meeting at approximately 8:35 a.m.

PRESENT

All committee members were present with the exception of Senator Stimson who arrived shortly after the meeting began, and Senator Ferguson who did not attend. Also attending were Jack Coghill, representing the City of Nenana; David Rose, Executive Director of the Municipal Bond Bank; LTC Henry A. Compton, Recruiting and Retention Officer, Department of Military Affairs, Alaska National Guard; Jeff Morrison and Carla Ellis from the Division of Budget & Management; Judy Crondahl from the Department of Administration; Fiscal Analyst Don Fisher; administrative assistants to Senate Finance Kathy Martinson and Judy Johnston; and representatives of the press including Joe LaRocca.

BILL ASSIGNMENTS

Co-chairman Bennett made the following bill assignments:

SCR 17 - Sturgulewski
SB 252 - Ferguson
CSSSHB 17 - Sackett

SENATE BILL NO. 54

Co-chairman Bennett moved that SB 54 (AN ACT RELATING TO THE ALASKA NATIONAL GUARD AND NAVAL MILITIA) be brought on for discussion.

Senator Sackett advised that LTC. Henry Compton was present to testify concerning the legislation (a transcript of Col. Compton's testimony is attached to these minutes).

(Senator Stimson arrived at the meeting shortly after testimony on SB 54 began, approximately 8:40 a.m.)

Following Col. Compton's testimony, Senator Sackett moved that SB 54 pass from committee with individual recommendations. No objection having been raised, SB 54 passed from Senate Finance--all members present signing do pass.

SENATE BILL 258

Co-chairman Bennett moved that SB 258 (ACT MAKING A SPECIAL APPROPRIATION TO THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS FOR TECHNICAL SUPPORT FOR THE OPERATION AND MAINTENANCE OF VILLAGE WATER AND SEWER SYSTEMS) be brought on for discussion.

Senator Sackett and Eliason requested that action on the above bill be held until another time. No objection to their request having been raised, action on SB 258 was deferred until a later time.

SENATE BILL 322

Co-chairman Bennett moved that SB 322 (ACT MAKING SUPPLEMENTAL APPROPRIATIONS TO PAY MISCELLANEOUS CLAIMS AGAINST THE STATE) be brought on for discussion.

Carla Ellis appeared on behalf of the Division of Budget and Management to testify concerning the legislation. She advised that the appropriation contained in the bill and amendments to the bill represents funds originally appropriated to departments and allowed to lapse. "The bill actually authorizes payment of bills from lapsed balances." Ms. Ellis directed committee attention to two amendments to the legislation, advising that a third amendment has been prepared but not yet transmitted to Budget and Management or copied for committee review.

Senator Sackett moved that SB 322 be returned to committee files pending receipt of the third amendment. No objection to his motion having been raised, the bill was returned to committee files.

SENATE BILL 329

Co-chairman Bennett next moved that SB 329 (ACT MAKING A SPECIAL APPROPRIATION TO THE ALASKA MUNICIPAL BOND BANK AUTHORITY FOR THE PURCHASE OF REVENUE BONDS ISSUED BY THE CITY OF NENANA) be brought on for discussion.

Senator Sackett advised that Messrs. Coghill and Rose were present to testify in support of the legislation (a transcript of their testimony is attached to these minutes).

Following the testimony of Messrs. Coghill and Rose, Senator Dankworth moved that SB 329 pass from committee with individual recommendations. No objection having been raised, SB 329 passed from Senate Finance--all members present signing do pass with the exception of Senators Stimson and Dankworth who signed no recommendation.

Co-chairman Bennett announced that the committee would begin close-outs of the JUSTICE budget at 8:30 a.m., Monday, April 13, 1981.

Senator Sturgulewski inquired concerning commitments between House and Senate Finance subcommittees relative to both Finance Committees as a whole and Free Conference Committee. Co-chairman Bennett advised that areas of the budget wherein the two committees are in agreement will present no problem; other areas will be worked out at Free Conference. Co-chairman Dankworth stressed his desire to see the joint subcommittees work, thus discouraging the need to add additional budget items at Free Conference.

Co-chairman Bennett posed questions concerning alcoholism funding, asking whether it would not be more workable to "put money out" to local areas and allow these entities to conduct their own programs rather than channeling funding through a centralized state-directed program. Senator Sackett advised that the state alcoholism program will lapse between \$1.2 and \$1.3 million. In addition, the state has "given out grants without pre-planning or analysis" to determine whether the program is effectively dealing with the problem. Senator Stimson attested to the fact that there are different dimensions to the problem in urban versus rural areas, thus necessitating an individualistic approach to solving the problem in each area.

ADJOURNMENT

There being no further matters to come before committee at this time, the meeting adjourned at approximately 9:20 a.m.

SFC-81, #28, Side 1 (000-840)

SB 54 - AN ACT RELATING TO THE ALASKA NATIONAL GUARD AND NAVAL MILITIA

Testimony
of
HENRY A. COMPTON
Recruiting and Retention Officer
Department of Military Affairs
Alaska National Guard

Senate Bill 54 has three distinct parts. The first part, Sections 1 through 3, deals specifically with pay and protection for Alaska National Guard members when called to state duty at the call of the Governor. The first section says that everyone who is called to service to the state will receive pay and allowances as provided by the federal armed forces pay schedule. However, no individual will receive less than \$65 per day. It also includes a cost-of-living increase. Our current statute says a minimum of \$6 a day. It was passed soon after the earthquake in 1964 and has been overcome by inflation and other events. The \$65 minimum pay will affect only our lower rank enlisted members. Sergeants, enlisted grade five, and people lower than that currently receive less than \$65 per day. All other members of the guard under the federal pay standards would receive more than \$65. We look at it as simply a guarantee to our younger, lower rank enlisted members that they would not suffer a drastic financial hardship if the emergency to state service lasted any considerable length of time.

Section 2 says in writing that a guard member would be covered by the Workmen's Compensation Act while in duty to the state, and includes a provision that would cover them to and from their home.

This is unique in Workmen's Comp, but it is also unique in that guardsmen being called to state active duty would be on duty the minute they received the call from their higher command.

Section 3 deals with disability as opposed to death, and again deals with the Workmen's Comp section.

Section 4 is a definition of member which is all commissioned, warrant, or enlisted men and women in the guard or naval militia.

Section 5 proposes to restructure the re-enlistment bonus. Currently, enlisted guard members in Alaska receive the equivalent of 10 days of base pay each year for an extension or re-enlistment in the guard. What has happened over the years since this was enacted in 1972, we have a great many professional or career guardsmen who are in fact drawing this bonus today. People with 15, 20, 25 years of service who, because of the way it was originally written, receive 10 days of base pay annually. We propose to change that into a \$3,000 bonus payable for one six-year re-enlistment that would come during the decision-making years in a guardsman's career in the guard. That is through the twelfth year of service. At that time it would stop. We just don't feel we should continue to use the state's money to perpetuate a "careerist" in their job. It amounts now in some cases to merely a "spend it" that is given to them annually. We are making the payments in three \$1,000 increments each two years because we have no recoupment capability of state money, and we felt, let them earn the two years, then we'll pay them \$1,000. The \$1,000 is designed so that the individual will

also share the decision of how to spend the \$1,000 with the family.

In the day before yesterday's paper, I read that of re-enlistment in the military forces, 90% is determined by family or friends of the service member. So, we wanted to encourage the family and friends of service members who may share in the \$1,000 to make the decision as to whether they re-enlist.

Section 6 proposes to add state retired national guard members to a program we currently enjoy for tuition reimbursement. We now reimburse all active members of the guard who perform satisfactorily, up to 50% of the tuition and required fees that they pay to attend any vocational education or technical school within the state. We propose to add a few retired members to that. The feeling is that this would hopefully draw a few more people into the retiree category. That is, they would stay in the guard longer, it would be a retention factor initially, and then a relatively small reward (about \$125 for the average reimbursement amount) for probably 15 or 20 members. But it keeps faith with our retirees. It also continues to remind retirees that they have served and are being rewarded in a small way, and they become recruiters for friends and children.

The Fiscal Note I hope is clear to you. I hope you all have a copy of the Fiscal Note. One thing to point out in the Fiscal Note: because of the every-other-year pay provision of the re-enlistment bonus, we do have a high point in fiscal '84; it drops off; it goes up in '86; when you extend it out into the early 1990's, you will find that the overall costs of the re-enlistment bonus will drop considerably as the members who are currently drawing the 10 days of base pay annually either

retire or drop out of the guard. The overall costs of our program will be reduced until . . . I looked at an actuary in 1992 and, actually, the re-enlistment bonus program in 10 years from now will be less expensive than it is today.

SENATOR STURGULEWSKI - Colonel, I wonder if we could take a look at Section 1. This section indicates that the \$65 is a base, but I'm wondering, the way you have your cost of living adjustment based on the full percent increase of the increase of the consumer price index. That's pretty high. A lot of times you'll see labor contracts and other things coming in for a percentage of that because a lot of times those things, depending on the individual, are not actually transmitted into direct, say deterioration if you will, in cost of living. I was just wondering, have you done anything to project that out and see if in fact your base according to this exceeds what the equivalent grade might be on the federal level?

COMPTON - You mean by adding the 10% in four or five years?

STURGULEWSKI - Yes.

COMPTON - Yes, and I looked also at another thing in the proposals that are currently in Congress for increases in the federal military pay. We know there's going to be a 5.23 in July, and habitually for the last four years the increases in October have been in excess of 10%. I think what's going to happen, Senator, is that the federal standard of pay and allowances will outstrip in the next four or five

years the cost of living raises to the \$65 minimum. I think we'll have fewer members that will have to have their pay allowance supplemented because their pay allowances on the federal scale will be high enough to satisfy the requirement. We have looked at other proposals to compensate the lower ranks. I personally served during the Watts Riots on state emergency active duty, and we had young men under my command that were drawing \$1.75 a day. It's a cumbersome thing to compensate everybody. However, what happens in an emergency situation are guardsmen who will serve for 24 hours a day and maybe have some cold C-rations who serve right along side contract labor persons in the case of a forest fire or a flood who will be earning \$15 to \$20 an hour and have steaks for dinner and this sort of thing. We've experienced . . . I personally have experienced it with highway patrolmen in California who were on full per diem and lived at the Holiday Inn while we slept on the street corner wrapped up in a sleeping bag. So, what we're trying to do is just say 'Hey young men and women, if you have to serve, we're going to make sure that your family doesn't suffer considerable financial hardship.'

SENATOR BENNETT - Any other questions of the Colonel? Do I hear a motion on the bill?

SENATOR SACKETT - Move and ask unanimous consent we put it out with individual recommendations.

SB 329 - AN ACT MAKING A SPECIAL APPROPRIATION TO THE ALASKA
MUNICIPAL BOND BANK AUTHORITY FOR THE PURCHASE OF
REVENUE BONDS ISSUED BY THE CITY OF NENANA

Testimony
of
Jack Coghill, Mayor of Nenana
and
David Rose, Executive Director
The Municipal Bond Bank

COGHILL - The history behind this bill is that in the summer of 1980, the Alaska Railroad indicated to the then leasehold operator of their fleet on the Yukon and Tanana Rivers that the General Services Administration was desirous of terminating their contract through the Federal Rail Administration and was going to sell the equipment under the General Services Administration surplus property on October 1. This triggered a flurry. We contacted the Alaska Railroad knowing that the lifeline on the Yukon River all the way from Saint Mary's up to Fort Yukon was in jeopardy because the barge operation on the river operates four months of the year and if they were to put this to the open market, surely this equipment would go out of state and it would devastate the Yukon River transportation system. So we met with the railroad in August and started a scenario going with them whereby the City of Nenana would be interested in acquiring the equipment and continuing an operating lease on the river. This contact stopped the General Services Administration's position of selling the property in October.

Subsequently we met with the Alaska Railroad in November and with the General Services Administration surplus property people and started

to get the appraisal of the equipment put together to find out exactly what the price was and how we could go into the purchase of it. At that time we contacted the Municipal Bond Bank and subsequently Dave Rose started the process going as to finding out what kind of bonds we could get and where we could place them.

In January we signed a letter of intent with the Alaska Railroad and with Yutana Barge Lines, giving them their leasehold right to negotiate first in good faith with the City of Nenana as to the operation of the barges. Subsequently we put the proposition before the people of Nenana and we got a three to one passage on a bond issue on the 24th of February. Since that time we have found that because the assessed valuation of the municipality of Nenana is about \$6.5 million, there was a real question as to whether we could market on the open bond market a \$2.5 million structure. Just to put the figures together--it was real tough. As to the technicality of it, I'll turn that over to Mr. Rose. We have an operating agreement or a letter of intent with Yutana Barge Lines which gives a good substantial pay-back to the bond issue, and we're not looking for any handout; what we're looking for is a method of investing to keep the barge system in tact on the Yukon River and its tributaries.

DAVE ROSE - Mr. Chairman, I'm Dave Rose the Executive Director of the Municipal Bond Bank. Just to amplify a little bit of what Jack has had to say, the bond bank board, and, of course myself, have