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Governor's request for personal services CIP direct costs but not the other line items, and request that next year the remaining line items be funded and indirect costs disappear. Senator Sturgulewski added that CIP indirect costs come from general funds while regular CIP costs come from interagency receipts or bond funds.

HIGHWAY DESIGN & CONSTRUCTION - ADMINISTRATION & SUPPORT, p. 145

Jay Hogan advised of a slight difference between House and Senate figures due to the fact that the Senate allowed the requested administrative officer position. Co-chairman Dankworth requested that this component remain OPEN pending later discussion.

HIGHWAY DESIGN & CONSTRUCTION - DESIGN, p. 147

The committee adopted the House and Senate total of 627.6.

HIGHWAY DESIGN & CONSTRUCTION - CONSTRUCTION, p. 149

The committee adopted a like figure for House and Senate of 1572.8, allowing no new positions.

HIGHWAY DESIGN & CONSTRUCTION - CIP INDIRECT COSTS, p. 151

Jay Hogan advised that the only thing funded by both the House and Senate was personal services--all other line item funding was rejected based upon the following legislative intent:

> The Governor requested general fund support for CIP program costs not directly related to specific projects. When the legislature is given complete 'line item' budgets for the CIP programs - similar to those submitted for all other operating programs - the question of 'other' general fund support can be addressed. In those budgets, however, the 'CIP indirect costs' should be combined with and shown as general fund supoort within each CIP program budget.

The committee adopted recommended House and Senate funding of 3653.4.

HIGHWAY DESIGN & CONSTRUCTION

The committee adopted House and Senate recommendations for the following components:

DEPUTY COMM CIP PROGRAM, p. 153 - 212.9

HEADQUARTERS CIP PROGRAM, p. 155 - 4144.0

CENTRAL REGION CIP PROGRAM, p. 157 - 12326.3

INTERIOR REGION CIP PROGRAM, p. 159 - 9955.6

SOUTHEAST REGION CIP PROGRAM, p. 161 - 4316.8

WESTERN REGION CIP PROGRAM, p. 163 - 970.9

SOUTHCENTRAL REGION CIP PROGRAM, p. 165 - 4728.6

RIGHT OF WAY - OPERATIONS, 169

The committee adopted the recommended House and Senate total of 776.9.

RIGHT OF WAY - CIP INDIRECT COSTS, 171

Jay Hogan advised that, again, as with prior CIP funding, the House and Senate allowed funding for personal services only, for a total of 557.0 and legislative intent as previously set forth.

AVIATION DESIGN & CONSTRUCTION

The committee adopted House and Senate recommendations for the following components:

DIRECTOR, p. 175 - 187.5

DESIGN, p. 177 - 447.2

CONSTRUCTION, p. 179 - 522.2

AVIATION DESIGN & CONSTRUCTION

Jay Hogan advised that, as with previous CIP funding, the subcommittees allowed funding of personal services only for the following components:

CIP INDIRECT COSTS, p. 181 - 58.0

AVIATION CIP PROGRAM, p. 183 - 4536.5

HARBOR DESIGN & CONSTRUCTION - OPERATIONS, p. 187

Jay Hogan advised of a slight difference between House and Senate figures since the Senate allowed the requested accounting clerk position. Senator Stimson requested that the component remain OPEN pending later consideration.

HARBOR DESIGN & CONSTRUCTION

Jay Hogan advised that the subcommittees deleted funding for all line items but personal services in the following CIP components:

CIP INDIRECT COSTS, p. 189 - 209.0

HARBOR CIP PROGRAM, p. 191 - 739.4

FACILITIES DESIGN & CONST, p. 193

Components within this unit are new to the Transportation Category since they were previously funded within the General Government category. The committee adopted the House and Senate recommendations for the following components:

ADMINISTRATION, p. 195 - 616.8

DESIGN, p. 197 - 271.8

CONSTRUCTION, p. 199 - 226.9

CIP INDIRECT COSTS, p. 201 (personal services, only, funded) - 478.5

CENTRAL CIP PROGRAM, p. 203 (personal services, only, funded) - 1548.8

INTERIOR CIP PROGRAM, p. 205 (personal services, only, funded) - 659.5

SOUTHEAST CIP PROGRAM, p. 207 (personal services, only, funded) - 581.0

PLANNING & PROGRAMMING, p. 209

Jay Hogan advised that the components within this program provide a good look at the planning function. Senator Sturgulewski advised that the program relates to major policy issues and asked that it be held OPEN for later consideration (committee attendance had dwindled in the course of the meeting, and Senator Sturgulewski voiced a need for all members to be present when decisions relating to funding of transportation planning were made.) Pages 209 through 225 were thus held OPEN.

DEBT SERVICE, p. 227

Mr. Hogan advised that the Governor, House, and Senate were in agreement concerning the concluding program in the Transportation Budget--Debt Service.

ADJOURNMENT

The meeting adjourned at approximately 3:00 p.m.

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SFC-81, #37, Side 2 (470-end)
SFC-81, #38, Side 1 (000-811)

sf0429810835

# SENATE FINANCE COMMITTEE
April 29, 1981
8:35 a.m.

(Tape SFC 81, # 38, Side 2, 000 - end)
(Tape SFC 81, # 39, Side 1, 000 - 454)

## CALL TO ORDER

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

## PRESENT

All members of the committee were present. Senators Eliason and 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; Director of Legislative Finance, Jay Hogan; and members of the press, Joe LaRocca, Rosemarie Alexander and John Mathews.

## TRANSPORTATION BUDGET CATEGORY

Co-chairman Bennett stated that the committee would continue with consideration of the Transportation Budget Category and requested that Senator Sturgulewski begin. Senator Sturgulewski stated that she would return to the pages in the print-out that had previously been left open.

DEPARTMENT OF TRANSPORTATION - ADMINISTRATION - FINANCIAL MANAGEMENT - page 17

Senator Sturgulewski stated this page had been left open pending questions on the new positions by Co-chairman Dankworth. She requested that Mr. Hogan provide back-up on the positions. Mr. Hogan said the positions were all related to the computer data base, and to problems in the department with keeping track of the cost of projects, allocation costs, and the general financial requirements of the department which have grown tremendously in recent years due to the increased numbers of projects. All the positions are accounting or information management related, and are all 3/4 funded. Co-chairman Dankworth removed his objections. Senator Sackett asked Senator Sturgulewski if she had reviewed job descriptions, workload statistics or reorganization impact on these new positions. He thought that there were a tremendous number of positions regardless of the workload. Senator Sturgulewski stated that the CIP positions had never been shown in the budget before, and thought that the positions would have be shown (with their travel, etc.,) before the committee could ever get an idea what to cut, etc. It has been impossible previously to find out what the 1,443 CIP positions were doing. Senator Sackett noted that in this component only three of the new positions were CIP. Mr. Hogan stated that the new DOTPF reorganization hit the subcommittee after they had completed their work, so they did not know how the new organization proposed to "lay out" with regard to administrative people. He thought the next step would be to get Commissioner Ward to detail the reorganization to the committee. Until then, it would not be known whether or not the five new positions would be needed. Additionally, status on these projects is not now available so regardless of how many positions there are, they are not able to provide this kind of management information. He said that the fifth new position was a high-priced computer data base position; the department is long past the time when it can operate on ledger books and then provide status reports on all their projects. There are hundreds and hundreds of projects on the books now as opposed to five or six years ago when there were only perhaps a hundred projects. Senator Sackett stated he did not feel the problem would be solved by adding additional people - there are 400 positions now. Of the five positions, he thought the one most needed would be the data based specialist, though the equipment would be the most important thing in order to make final move from the archaic system they now have. He still questioned the other four new positions. Senator Sturgulewski stated she felt it was a policy decision. She did not feel the problem would be solved until over $3 million (in General Government) for a management information system. She reiterated that she thought it was a value judgement, and thought it would be impossible to say precisely what the effect of the new positions would be until the system is underway and tighter management control is achieved. She stated there was strong intent language in the budget for present control, and she thought the judgement could be better made next year.

Senator Sackett moved that only the Data Base Specialist be approved. On a show of hands, the motion passed. Otherwise, the subcommittee figure was adopted.

DEPARTMENT OF TRANSPORTATION - INTERIOR REGION M & O - page 43

Mr. Hogan stated the Interior Region had been left open in its entirety.

DEPARTMENT OF TRANSPORTATION - INTERIOR REGION M & O - page 45

Mr. Hogan stated that both the House and Senate subcommittees had the same figure. There were no new positions requested. Both House and Senate figures would provide continuation level budgeting in Contractual and Commodities, but with the specific inclusion of those monies put in for new airports, improved airport maintenance and operation efforts. That was true of the next page also - Highways. The subcommittee figure was adopted.

DEPARTMENT OF TRANSPORTATION - INTERIOR REGION M & O - HIGHWAYS - page 47

Mr. Hogan stated there was a difference between the House and the Senate figures. Included in the Senate figure was a program for maintenance on the Elliott Highway between Minto and Manley Hot Springs for $370.0. Senator Sturgulewski moved to include two positions for $75.0 for 3/4 funding. There being no objection, it was so ordered. Senator Sackett moved that $153.0 for 3/4 funding be added to extend the time the Steese Highway and Taylor Highway would be kept open to October 31. There being no objection, it was so ordered.

DEPARTMENT OF TRANSPORTATION - INTERIOR REGION M & O - FACILITIES - page 49

Mr. Hogan stated that House and Senate figures were the same, and there were no new positions. The subcommittee figure was adopted.

DEPARTMENT OF TRANSPORTATION - INTERIOR REGION M & O - EQUIPMENT FLEET - page 51

Mr. Hogan stated that the House and Senate figures were the same, with a modest reduction from the Governor's figures. He added that this was a new subject area in the Transportation budget this year; it had been transferred from the General Government category. The subcommittee figure was adopted.

DEPARTMENT OF TRANSPORTATION - INTERIOR REGION M & O - ADMINISTRATION - page 53

Mr. Hogan stated the House and Senate figures were the same, and there were no new positions. Senator Sturgulewski pointed out that Senator Fahrenkamp had raised a question concerning making sure funds are expended for maintenance in a particular area. She was concerned mostly with the North Slope Haul Road. So, the subcommittee had listed the North Slope Haul Road so that it would show as a separate appropriation this year. The subcommittee figure was adopted.

DEPARTMENT OF TRANSPORTATION - NORTH SLOPE ROAD M & O - ROAD MAINTENANCE - page 57

Mr. Hogan stated that both the House and Senate had incorporated the GBA for $547,800 to reach the figure of $5,842.8. He said there were two new positions approved by the House and Senate that were included in the GBA for two Security Guards at the Yukon Information Station. Senator Sackett asked for a copy of the back-up on that GBA. The subcommittee figure was adopted.

DEPARTMENT OF TRANSPORTATION - NORTH SLOPE ROAD M & O - FACILITIES - page 59

Mr. Hogan stated the House and Senate figures were the same and that no new positions had been added. The subcommittee figure was adopted.

DEPARTMENT OF TRANSPORTATION - NORTH SLOPE ROAD M & O - EQUIPMENT FLEET - page 61

Mr. Hogan stated there were three new positions requested and approved by both the House and Senate subcommittees. Funding source would be the working capital fund. The subcommittee figure was adopted.

DEPARTMENT OF TRANSPORTATION - SOUTHEAST REGION M & O - HIGHWAYS - page 66

Senator Sturgulewski explained that all positions had been held open the previous day as some of the members of the committee were not present. Co-chairman Dankworth asked for an explanation of the two requested equipment operators in Klawock. Mr. Hogan stated they would be full year positions to provide year-round maintenance on the Big Salt Road, Thorne Bay Road and on Prince of Wales Island. There is an additional 36 miles of road presently to be maintained from the Klawock station. Senator Eliason stated that Thorne Bay is the biggest logging company in the country, and is connected to Klawock by road. Mr. Hogan stated that there was a history of controversy going back three or four years, and this was the first overture by DOTPF to improve the maintenance in that area. The subcommittee figure was adopted.

DEPARTMENT OF TRANSPORTATION - SOUTHEAST REGION M & O - EQUIPMENT FLEET - page 70

Senator Sturgulewski stated there was a request for a Heavy Duty Mechanic in Craig and a Station Mechanic in Prince of Wales Island. She stated that she had a delegation of people from Southeast, and apparently DOTPF is starting to take some responsibility for that road, and on that basis, those positions are necessary. The House did not allow those two positions. The subcommittee figure was adopted.

DEPARTMENT OF TRANSPORTATION - FAIRBANKS INTERNATIONAL AIRPORT - page 113

Senator Sturgulewski stated this had been held open as Co-chairman Bennett had not been present at the time it was previously taken up. Mr. Hogan explained that both the House and Senate subcommittees agreed with the Governor's figure, and there were no new positions. The subcommittee figure was adopted.

DEPARTMENT OF TRANSPORTATION - MARINE TRANSPORTATION - SOUTHEAST SHORE FACILITIES - page 130

Senator Sturgulewski stated that both the House and Senate subcommittees had put in two clerk positions for the marine transportation system. A number of requests had come in to add to the clerical capability so that people would find it easier to get on the ferry system. There had been discussion earlier that the Juneau office was not open during the lunch hours and after

4:30 p.m. She thought that adding Legislative Intent would be appropriate. The following language was proposed: "To provide better ferry reservation service to the public, the Division should use flex-time/over-time as required to keep the various reservation offices open from 6:00 a.m. in the morning, through the noon hour, to 8:00 p.m. in the evening." Discussion ensued. Senator Stimson moved that the Legislative Intent be included. There being no objection, it was so ordered. It was decided that the above Legislative Intent should be inserted on page 138 of the print-out, Marine Transportation - Administration.

Further discussion ensued on page 130. Co-chairman Dankworth requested further justification for the two positions. Senator Sturgulewski stated that Senator Zielger as well as others in Southeast had specifically requested these positions, to alleviate the many complaints. Co-chairman Dankworth thought that the use of flex-hours along with the Legislative Intent on page 138 would alleviate the problem and did not feel the new positions were necessary. Senator Sturgulewski stated that the problem was also with numbers of positions as people calling for information or reservations had to wait an appallingly long time. Mr. Hogan stated that this was the "key" access point with Alaska and the rest of the country, and was where the complaints historically abound. The subcommittee figure was adopted.

DEPARTMENT OF TRANSPORTATION - HIGHWAY DESIGN & CONSTRUCTION - ADMINISTRATION & SUPPORT - page 144

Senator Sturgulewski stated that the new requested position here would be an Administrative Officer in Juneau. Funding would be 3/4 full-time for $44.4. Discussion ensued on salaries. Co-chairman Dankworth moved to eliminate the position. On a show of hands, the position was eliminated. Otherwise, the subcommittee figure was adopted.

DEPARTMENT OF TRANSPORTATION - HARBOR DESIGN & CONSTRUCTION - OPERATIONS - page 186

Mr. Hogan explained the requested Accounting Clerk III would be to provide adequate services to the existing and future CIP engineering personnel. Co-chairman Dankworth moved to eliminate the position. Senator Eliason objected, and stated that the office was getting behind in authorized projects. He said that a lot of the delay was because this particular division was understaffed. Upon a show of hands, Co-chairman Dankworth's motion failed.

Senator Ferguson stated he had the following projects he would like added in this component: 1) $15.0 for a dock feasibility study in St. Michael; 2) $25.0 for a small boat harbor feasibility study in Teller; and 3) $35.0 for a boat harbor and dock feasibility study in Unalakleet. The committee discussed whether these requests should be included in the Capital Budget or the Operating Budget. Senator Sturgulewski stated she felt they should go in the Capital Budget. Upon a show of hands, the motion carried and the above items were placed in this component.

BEGIN NEW TAPE, SFC 81, # 39, Side 1, 000 - 494

DEPARTMENT OF TRANSPORTATION - PLANNING & PROGRAMMING - page 209

Senator Sturgulewski stated that this whole BRU had been left open. She explained the differences between the Senate and House subcommittee figures. She stated there had been a great deal of discussion about Planning and Programming and how it related to Design and Construction, and proceeded to explain. She stated they had received a lot of requests for CIP conversions this year - about 70. In FY 81 the number of positions was 147. The House funded the total budget, but "Freemanized" it by calling for 85% of the total. Senator Sturgulewski's position was different in that she proposed that the 147 positions be put into one category (even though those positions are spread around different regions) and then come back next year with a really tight budget. She said there are too many positions that are not well enough defined. She added that a great deal of Legislative Intent had been included in this BRU as far as what the subcommittee would be looking for. The goal would be to get program statements much the same as DNR would submit so that the total relationship between this area and Design and Construction would show. Further discussion ensued on this approach. Senator Sturgulewski added that there were about 70 positions the Senate subcommittee had not put in. The House subcommittee had "Freemanized", or short-funded so that DOTPF would come back with the desired information. Senator Dankworth made a statement on "Freemanizing". Co-chairman Bennett stated that he thought "Freemanizing" was a type of threat that would mandate Legislative action at some point; he did not know of any instance where action had ultimately been taken. Rather, he said, it was usually a matter of a "cave-in" and then a supplemental appropriation. Senator Sturgulewski suggested that the Senate subcommittee proposal be approved, and then have Commissioner Ward in to talk about the re-organization. She thought that other action would be arbitrary. The total number of positions cut was discussed. Senator Sackett asked if Senator Sturgulewski had been satisfied in her research with all the dollar figures used, and further asked if there was historical data to go on. The committee returned to the whole question of the CIP funding system - Senator Sturgulewski stated the whole system was archaic. Senator Sackett thought a problem would develop next year in that there would be a base established that would be used by the department and the Governor and by the Legislature to build upon, and the dollar figures may be off in that base figure as the departments have a tendency to push a lot of excess money into the 200 through 500 codes. Mr. Hogan stated this was a valid question in the sense that these positions that had been "brought in out of the cold" should be kept in a separate unit like the one they are now contained in. That way they would be clearly identifiable for all time. If they are allowed to be merged into the budget structure, then Senator Sackett's concern would happen. But this way, that would be prevented. Senator Sturgulewski added that the Legislative Intent language is included to further confirm that approach. Co-chairman Bennett asked that this be monitored during the interim.

Mr. Hogan gave the corrected figures for page 211 - where all the Senate numbers show.

DEPARTMENT OF TRANSPORTATION - PLANNING & PROGRAMMING - ADMINISTRATION - page 211

The following figures are the corrected figures for this page. Personal Services - $6,355.4; Travel - $128.0; Contractual - $840.1; Commodities - $51.7. The total would be $7,375.2 (also for the General Fund). The number of positions would be 144, and the number of man-hours would be 1,728.

Senator Stimson asked Senator Sturgulewski what kind of time frame she was looking at in regard to the position cuts. Senator Sturgulewski stated she thought Commissioner Ward should come before the committee. She said she thought the following questions should be asked: 1) would the specific plan for reorganization change the budget before the committee substantially and would budget amendments be necessary, and 2) if the department is in fact reorganizing, what impact would that have on level of service, etc. She suggested since the House and Senate subcommittee approaches were quite different, that the committee be sure to get answers to the above.

Senator Stimson stated he agreed more with the "Freemanizing" approach since there has been such blatant disregard for Legislative Intent in the past. Senator Ferguson disagreed with Senator Stimson. Senator Stimson moved to short-fund Planning and Progamming at the 85% level. Upon a show of hands, the motion failed.

Senator Sturgulewski stated she would arrange to have Commissioner Ward before the committee for the above purpose.

Senator Sturgulewski stated that at this point the committee had addressed everything that had been left open previously.

Co-chairman Bennett asked that committee members review the NRMEC budget before Monday and be prepared to deal with it at that time.

DEVELOPMENT BUDGET CATEGORY

Senator Sackett asked that the committee return to the Development Budget Category momentarily. He stated that a motion had previously been passed to add $160.0 in the Tanana Chiefs Conference for agriculture. He moved that this addition be deleted and be replaced with $180.0 to the Upper Tanana Development Corporation for a planning grant for that region. There being no objection, it was so ordered. Senator

Sturgulewski asked if there was a bill introduced that would do the same thing. Senator Sackett stated no, not anything he had introduced. Senator Sturgulewski stated she would look into it, and Senator Sackett stated if there was a duplication in a bill, he would take care of it.

Co-chairman Bennett stated that the committee would reconvene at 1:40 p.m. to begin the Social Services Budget Category.

RECESS

The meeting recessed at 9:45 a.m.

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(Tape SFC 81, # 38, Side 2, 000 - end)
(Tape SFC 81, # 39, Side 1, 000 - 494)

sf0429811355

# SENATE FINANCE COMMITTEE
April 29, 1981
1:55 p.m.

(Tape SFC 81, # 39, Side 1, 495 - end)
(Tape SFC 81, # 39, Side 2, 000 - end)

## AFTER RECESS

Co-chairman Dankworth called the meeting back to order at 1:55 p.m.

## PRESENT

All members of the committee were present with the exception of Co-chairman Bennett. Also in attendance were Administrative Assistants to Co-chairman Bennett, Judy Johnston and Sandy Nusbaum; Administrative Assistant to Co-chairman Dankworth, Kathy Martinson; Legislative Finance Fiscal Analyst Jerry Schilz; and a representative from AWARE.

## SOCIAL SERVICES BUDGET CATEGORY

Co-chairman Dankworth requested that the committee begin consideration of the subcommittee findings on the Social Services Budget Category, and requested that Senator Sackett begin his presentation.

Senator Sackett stated that the Governor's total request had been $217,409.8 (with a GBA of $190.9), and the total subcommittee figure was $211,239.4, for a decrease of $3,112.1 ($2,952.0 was in the General Fund). He stated that there were two BRU's he planned to ask for the full committee's figures. The Pioneer's Home in Ketchikan, and Eligibility Determination, were the two components receiving the highest number of positions. Additions were minor in the other components. The CETA position count shows some transfer from federal funding to General Fund. Senator Sackett also noted that in the Social Services budget, the Governor's figure was accepted in many cases; the reason was that this was the first year there was no supplemental request. In previous years there were numerous supplementals. He stated that Jerry Schilz of the Legislative Finance and Marsha Hubbard of the department worked closely on this budget also, and he was comfortable about it for the first time.

Senator Sturgulewski stated that there had been discussion with people in the administration regarding the possibility of establishing positions in the budget, so that everybody would have a maximum so that moving funds through RP, etc. could be reduced. The Food Stamp program was sited as being a difficult exception - there had been a crisis which called for added positions. She asked if Senator Sackett thought that was a valid reason for keeping the Senate Finance Committee from going into a position control. Senator Sackett stated no, that though the

Legislature is gone for about six months of the year, there is never a time when either a budget or a supplemental cannot be approved. Senator Sturgulewski stated her feeling were the same.

DEPARTMENT OF ADMINISTRATION - LONGEVITY BONUS - page 3

The subcommittee figure was adopted.

DEPARTMENT OF ADMINISTRATION - PIONEERS HOMES - SITKA - page 7

Senator Sackett stated there was a 6% vacancy and turnover in this component. The subcommittee figure was adopted.

DEPARTMENT OF ADMINISTRATION - PIONEERS HOMES - FAIRBANKS - page 9

Senator Sackett stated the Groundsman position was the only deletion from the Governor's figure. Co-chairman Dankworth requested this page be held open since Co-chairman Bennett had stepped from the room momentarily. There being no objection, this page was held OPEN.

DEPARTMENT OF ADMINISTRATION - PIONEERS HOMES - PALMER - page 11

The subcommittee noted a vacancy factor of 5%. The subcommittee figure was adopted.

DEPARTMENT OF ADMINISTRATION - PIONEERS HOMES - KOTZEBUE - page 13

The subcommittee figure was adopted.

DEPARTMENT OF ADMINISTRATION - PIONEERS HOMES - ANCHORAGE - page 15

The subcommittee had deleted 9 positions from the requested budget as they were only for 1.5 months each. The subcommittee figure was adopted.

DEPARTMENT OF ADMINISTRATION - PIONEERS HOMES - CENTRAL OFFICE - page 17

Senator Sackett stated the only reduction here was in Commodities, which was reduced $6.0 because the actual FY 81 was $600.00. Prescription drugs had been combined with their ongoing Commodities. Jerry Schilz added that in FY 81 $100.0 had been added for prescription drugs, with expected program receipts from the sale of the drugs, while $600.00 was for commodities purchases. The subcommittee figure was adopted.

DEPARTMENT OF ADMINISTRATION - PIONEERS HOMES - KETCHIKAN - page 19

Senator Sackett stated the large number of positions is related to the fact that this was a new program. Unlike last year, it is budgeted 1/2 year with only 4 full-time yearly salaries. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - ASSISTANCE PAYMENTS - AFDC - page 25

Senator Sackett said the subcommittee went into a great deal of detail on this component because in past years AFDC had been underbudgeted by quite a substantial amount. He added that their back-up material "washed" against their requested 14% inflation figure. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - ASSISTANCE PAYMENTS - AID TO THE BLIND - page 27

Senator Sackett stated the only change on this page was the transfer of the various funds and grants going to Mauneluk, to a new BRU created at the end of the print-out. He stated that the committee would note transfer of Mauneluk funding throughout the budget. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - ASSISTANCE PAYMENTS - AID TO THE DISABLED - page 29

$91.1 went to the Mauneluk BRU, and Senator Sackett stated that all the Mauneluk funding "washed", with the exception of one addition which he would explain when the committee got to the Mauneluk BRU. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - ASSISTANCE PAYMENTS - GENERAL RELIEF - page 31

Senator Sackett stated that there had been a lot of discussion recently regarding President Reagan's recommendations on General Relief as it applies to American Indians. Those recommendations are not reflected on this page as nothing as yet as been settled. The subcommittee figure was adopted.

Senator Sackett stated that on Department of Labor CETA programs, the subcommittee retained the Governor's recommendations, though the Governor is expected to submit a Governor's amendment at some point.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - ENERGY ASSISTANCE PROGRAM - ENERGY ASSISTANCE - page 35

The subcommittee added the GBA for $29.7 and transferred out $52.0 for the Mauneluk BRU. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - PUBLIC ASSISTANCE ELIGIBILITY - ELIGIBILITY DETERMINATION - page 39

Senator Sackett stated the subcommittee had arrived at a 2% vacancy factor. Last year actual was 1.8%. GBA for $161.2 for Mauneluk was added, and then transferred to the Mauneluk BRU.

Four full-time positions were added. At the request of Senator Kerttula, positions # 2 and 19 were changed from Wasilla to Palmer. Two Clerk III's were placed in Wasilla and one Eligibility Worker II in Palmer. The net change was $2.7, and the reduction of one permanent full-time position. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - PUBLIC ASSISTANCE ELIGIBILITY - STAFF DEVELOPMENT - page 41

$3.3 was transferred to the Mauneluk BRU. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - PROGRAM SERVICES - HOMEMAKER SERVICES - page 45

The subcommittee recommended the Governor's figure. However, one position was transferred to the Adult & Aging Component on page 91 due to the reorganization. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - PROGRAM SERVICES - DAY CARE - page 47

The subcommittee figure was the same as the Governor's figure. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES _ PROGRAM SERVICES - YOUTH SERVICES - page 49

Senator Sackett stated the increase over the Governor's figure was $40.0 which was a request from Senator Hohman for a grant to the Kwethluk Children's Shelter for operations and renovation.

Senator Stimson stated he had the two following items he would like included in this component. 1) Family Connection Program in Anchorage - $60.0, and 2) Anchorage Child Abuse Board - $665.0. Discussion ensued on the two requests. It was determined that neither was in the budget presently. On separate motions, both requests were added without objection.

Senator Eliason requested that this component be held open, and there being no objection, this page was held OPEN.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - JUVENILE CUSTODY - S.S. FOSTER CARE - page 55

Senator Sackett stated there was a transfer of $75.0 to the Mauneluk BRU. He stated the subcommittee included a $10.0 request for the Alaska Foster Parents Association, for the total subcommittee figure of $3,181.1. The subcommittee figure was adopted.

Co-chairman Dankworth requested an explanation of the Mauneluk BRU. Senator Sackett stated it was the non-profit organization for the Nana Region and the area of the Kobuk Valley. The State dedicated funding to Mauneluk as a non-profit organization, and they hire their own people to provide services on behalf of the State. He said it was less expensive than a State operation, and has worked out very well. He added that originally, this was a proposal by Senator Ferguson. Since the funding was inadvertendly dropped last year, they must be "pulled out" this year. Senator Ferguson stated that it would be the same number of dollars that would be distributed to the Nana Region, except that by contracting with a non-profit organization more services are provided for the same amount of money. Mr. Schilz added that there had been legal problems regarding the delivery of the contract, but most of those problems have been worked out, so the program will be much smoother this year.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - JUVENILE CUSTODY - FOSTER CARE PROB SERVICES - page 57

The subcommittee figure was the same as the Governor's figure. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - JUVENILE CUSTODY - SOCIAL SERVICES INSTITUTIONAL CARE - page 59

Senator Sackett stated that the Governor had recommended $10,101.8, and the Senate subcommittee recommended $7,504.2. He said that Jerry Schilz had found an error in the Governor's figure, and after conferring with the Governor's Office, the Governor's Office agreed they had made an error and submitted a GBA to correct it. Senator Sackett also pointed to the Legislative Intent for this component on page 60 regarding placing children in foster homes.

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Senator Sackett thought it was more economical to place children in foster homes rather than in institutions.

At Senator Sturgulewski's request, Mr. Schilz further explained the error the Governor's Office had made in this component. He stated they had decreased their average daily rate from $145.78 to $105.63, based on actual figures up through March, 1981.

The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - JUVENILE CUSTODY - INSTITUTIONAL CARE PROB. SERVICES - page 61

Senator Sackett stated there was a reduction from the Governor's figure. Inflation was reduced, and the balance was transferred to Grants and Claims for $109.0, and transferred all of commodities to Grants and Claims also. There was also a reduction based on the department's estimate of April 9, 1981 of $746.0, which the Governor's Office has subsequently agreed to. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - SOCIAL SERVICES - SOUTHCENTRAL REGION - page 65

Senator Sackett stated all the new positions had been deleted except one. Three upgrade requests were disallowed also. Senator Stimson asked if the request figures reflected an effort to de-centralize. Mr. Schilz stated that they did become de-centralized a little more each year. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - SOCIAL SERVICES - NORTHERN REGION - page 67

Senator Sackett stated one Social Worker in Barrow was allowed, and the part-time position in Tok was disallowed. The Social Services Association in Nenana was restored for $22.4. There were no other changes from the Governor's figure. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - SOCIAL SERVICES - SOUTHEASTERN REGION - page 69

No new positions were allowed. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - SOCIAL SERVICES - WESTERN REGION - page 71

The subcommittee recommended the Governor's figure. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - SOCIAL SERVICES - NORTHWESTERN REGION - page 73

$98.8 was transferred to the Mauneluk BRU. The GBA for $8.4 was added. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - SOCIAL SERVICES - SOUTHERN REGION - page 75

The subcommittee recommended the Governor's figure. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - SOCIAL SERVICES ADMINISTRATION - CENTRAL OFFICE - page 79

The subcommittee recommended the Governor's figure. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - SOCIAL SERVICES ADMINISTRATION - STAFF DEVELOPMENT - page 81

The subcommittee recommended the Governor's figure. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - CONTRACT SERVICES- MAUNELUK - page 83

Senator Sackett noted that this was where all the Mauneluk transfers had been placed. The subcommittee also added $88.4 on top of the $996.7 in transfer monies from other components. Senator Sturgulewski asked if most of the funding here was for formula payments based on actual numbers of people. Senator Sackett stated that half was, and gave the following examples: Old Age Assistance, Aid to Disabled, etc. The rest were based primarily on their portion for the Northwest Region, like Staff Development, Eligibility Determination, and Foster Care (to the extent that there is so much per person). Senator Ferguson stated there were 11 villages being served. Senator Sackett stated that in his estimation, the program was working very well. Mr. Schilz explained that the department could not carry the funding in the budget this year as an appropriation because last year after free conference, the appropriation had been inadvertently dropped. This year is the only year the funding will have to be "pulled out" - next year it will show as a continuation item. Mr. Schilz added that there is one appropriation in the Health Category budget which was in last year and will show again this year.

The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - WIN - page 87

The subcommittee recommended the Governor's figure. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - ADULT AND AGING SERVICES - ADMINISTRATION - page 91

The subcommittee recommended only the Clerk Typist and disallowed the Assistant Director. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - ADULT AND AGING SERVICES - ADULT SERVICES - page 93

The subcommittee recommended $4,168.5. Of that amount $2,414.7 is for Homemakers. $66.1 was transferred to the Mauneluk BRU for Homemaker Services, and $1,950.4 to a new BRU called Domestic Violence. He stated there would be more discussion on this new BRU. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - ADULT AND AGING SERVICES - DOMESTIC VIOLENCE - page 95

Senator Sackett stated the Governor had recommended $2,088.8. The subcommittee had received a request for about twice that amount. He thought the committee as a whole should make a decision on this request.

Senator Ferguson moved to add $88.4 to the $48.6 in the Mauneluk budget, to bring them up to $137.0 (which was the budget he had worked out). Senator Sackett stated this problem had already been taken care of.

Senator Sackett stated that the recommendation for Domestic Violence & Sexual Assault was $4,843,559. There was Legislative Intent on page 94. Senator Sturgulewski asked Senator Sackett if he had received in-put on how the request would compare with the Governor's recommendation. He responded that he had not. Mr. Schilz stated that last years budget for this component was $540.3. Last year the Governor's request was $540.3 plus a 10% or 11% factor, but the end result was $1,085.9 after the vetoes (before vetoes, the figure was $900.0). The amount this year is the amount after vetoes plus 8% inflation ($1,950.4). Additions to that figure were located in the Legislative Intent. Senator Ferguson moved that the $137.0 for the Bering Sea Women's Group be increased to $142.6, as the women's shelter has to move and cover increased rent. Senator Sackett stated that he would like to leave this component open for further consideration at a later time. Co-chairman Dankworth and Senator Sturgulewski also requested that it be left open. There being no objection, this component was held OPEN.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - AGING GRANTS - AGING GRANTS - page 103

Senator Sackett stated the subcommittee increase from the Governor's figure was for a request by Senator Hohman for the Bristol Bay Senior Center for $271.0. Also, the funding sources were changed. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - OLD AGE ASSISTANCE PAYMENTS - OLD AGE ASSISTANCE - page 107

The subcommittee change from the Governor's figure was a transfer of $307.0 to the Mauneluk BRU. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - QUALITY CONTROL - QUALITY CONTROL - page 111

The subcommittee recommended the Governor's figure. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - TITLE XX OFFSET - pages 113 and 115

Senator Sturgulewski requested an explanation of "offset". Mr. Schilz explained that the Social Services budget is all General Fund. In the past the federal government would offset a certain amount of social services in a lump sum to reduce general fund (in this case $5 million), and increases federal funds (in this case $5 million). The subcommittee figure was adopted.

DEPARTMENT OF LABOR - EMPLOYMENT SECURITY - page 117

Senator Sackett pointed to the total summary page for Employment Security rather than go through the entire BRU. The Governor's recommendation and the subcommittee recommendation were the same. The funding sources were mostly federal funds, all in the CETA related programs. He stated that the Governor may be submitting an amendment, but so far has not. So, for the time being, the subcommittee recommended the Governor's figure, with one exception on page 119. On page 119, Senator Sackett recommended that the source of funding be changed for seven CETA positions and eight Food Stamp positions, from $123.7 in FY 81 to $412.2. He thought that in a small way, this would help with some of the problems being experienced in the transition, though it would not take care of the major problem. The subcommittee figures were adopted.

DEPARTMENT OF LABOR - EMPLOYMENT SECURITY - UNEMPLOYMENT INSURANCE - page 121

Senator Sackett stated the only change here was that a portion went to another BRU. Mr. Schilz stated that the Department of Labor systematically transfers positions every year, and every year they try to reallocate for "cross-walks" in the federal system. So they are running two accounting systems, and actually end up with fewer positions than they had last year. The subcommittee figure was adopted. Senator Stimson asked if the federal receipts would be lost or cut back. Senator Sackett stated that was unknown at this time. The subcommittee figure was adopted.

DEPARTMENT OF LABOR - EMPLOYMENT SECURITY - FRAUD INVESTIGATION - page 123

The subcommittee recommended the same as the Governor. The subcommittee figure was adopted.

DEPARTMENT OF LABOR - EMPLOYMENT SECURITY - CETA SERVICES - page 125

Senator Sackett stated that the funds for CETA Services would come in from the Municipality of Anchorage, and if they don't get the federal funds, the State won't either. The subcommittee figure was adopted.

DEPARTMENT OF LABOR - EMPLOYMENT SECURITY - ESD DIRECTORS OFFICE - page 129

The subcommittee recommended the same as the Governor. The subcommittee figure was adopted.

DEPARTMENT OF LABOR - EMPLOYMENT SECURITY - DATA PROCESSING - page 135

The subcommittee recommended the same as the Governor. The subcommittee figure was adopted.

DEPARTMENT OF LABOR - EMPLOYMENT SECURITY - WIN (DOL) - page 137

The subcommittee recommended the same as the Governor. The subcommittee figure was adopted.

DEPARTMENT OF LABOR - COMMISSIONER'S OFFICE (LABOR) - page 141

The subcommittee recommended the same as the Governor. The subcommittee figure was adopted.

DEPARTMENT OF LABOR - ADMINISTRATIVE SERVICES - MANAGEMENT SERVICES - page 145

The subcommittee recommended the Governor's figure. The subcommittee figure was adopted.

DEPARTMENT OF LABOR - ADMINISTRATIVE SERVICES - LABOR MARKET INFORMATION - page 147

The subcommittee recommended the Governor's figure. The subcommittee figure was adopted.

DEPARTMENT OF LABOR - ADMINISTRATIVE SERVICES - RESEARCH CONTRACTS - page 149

The subcommittee reduced the Governor's request by $75.0 because they had put the funding into the "base", and there was a one-time appropriation from last year to study the unemployment in the Lower Yukon and Kuskokwim region that was not a continuing program.

DEPARTMENT OF LABOR - ADMINISTRATIVE SERVICES - DESIGNATED GRANTS - page 151

Senator Sackett stated this component was based on a request for a new BRU for $60.0 as a grant to the Upper Tanana Development Corporation for a local hire study. Last year he had appropriated $25.0 which was insufficient. So the funding was saved, and if the $60.0 is appropriated, the study will take place. They intend to work primarily with Northwest Gas Pipeline and the Institute for Social & Economic Research to determine an employment picture in that region. The subcommittee figure was adopted.

DEPARTMENT OF LABOR - ALASKA PLAN - ALASKA PLAN - page 155

Senator Ferguson moved that this component be held open. There being no objection, this component was held OPEN.

DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS - SENIOR CITIZENS TAX RELIEF - HOMEOWNERS' PROPERTY TAX EXEMPTIONS - page 159

Senator Sackett stated that there was really no way to reduce this figure. The subcommittee recommended the same as the Governor. The subcommittee figure was adopted.

DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS - SENIOR CITIZENS TAX RELIEF - RENTERS' EQUIVALENCY, REBATE - page 161

The subcommittee recommended the same as the Governor. The subcommittee figure was adopted.

DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS - SENIOR CITIZENS TAX RELIEF - WATER & SEWER ASSESSMENTS DEFE - page 163

The subcommittee recommended the same as the Governor. The subcommittee figure was adopted.

DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS - SENIOR CITIZENS TAX RELIEF - MOTOR VEHICLE EXEMPTION - page 165

The subcommittee recommended the same as the Governor. The subcommittee figure was adopted.

DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS - CHILD ASSISTANCE - DAY CARE - page 169

Senator Sackett stated that the change recommended here was in Legislative Intent - that $80.0 be included for the Mountain View Latchstring Program. Senator Sturgulewski stated she had a request for a grant of $251,744 for the Suicide Information Referral Service. She stated it was a program that had received money from the State before, and now they are computerizing all the resources on a state-wide level. Discussion ensued and it was decided that this program should be placed in a new BRU. Senator Sturgulewski stated she would hold her motion on this request so that members could review the request. So, the subcommittee figure on page 169 was adopted, and page 169 was CLOSED. The request by Senator Sturgulewski was held until a later time. If it passed, it would be put in a new BRU.

Senator Stimson requested a new BRU for the Anchorage Association for the Education of Young Children for $135.0. He stated this would be for the training of the teachers working with day care students. He stated it was an on-going program that was established last year. He moved that the figure be adopted. There being no objection, it was so ordered.

Senator Sackett moved that an Employment Center in Galena be created, to be put in the Operating Budget. The State would contract with a non-profit entity. He had previously distributed back-up on this request. There being no objection, it was so ordered. Senator Sackett asked that Mr. Schilz place the request in the appropriate spot in the budget.

DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS - CHILD ASSISTANCE - HEAD START GRANTS - page 171

Senator Sackett stated that though the subcommittee figure was presently the same as the Governor's, a request might be submitted at a later time for $3.9 million for Head Start throughout the State. This funding would be requested to absorb more federal cutbacks.

Senator Ferguson moved $442.0 for Kawerak, Inc. for operation of early childhood village programs, and requested it be included in this component. There being no objection, it was so ordered.

DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS - CETA - page 173

Senator Sackett stated that again, the subcommittee had recommended the Governor's figures since this area was so unknown at this time. The subcommittee figure was adopted.

DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS - CETA - SERVICES AND ADMINISTRATION - page 185

The subcommittee recommended the Governor's figure. The subcommittee figure was adopted. Senator Sackett noted that all these funds would be federal receipts, so if the federal funding is cut, there will be no funding available.

DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS - SENIOR CITIZEN HOUSING DEVELOPMENT - page 186

The subcommittee recommended the Governor's figure. The subcommittee figure was adopted.

DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS - CITIZEN PARTICIPATION PROJECT - page 191

The subcommittee recommended the Governor's figure. The subcommittee figure was adopted.

STATE BOND COMMITTEE - DEBT SERVICE - PIONEERS HOMES - page 197

The subcommittee recommended the Governor's figure. The subcommittee figure was adopted.

STATE BOND COMMITTEE - DEBT SERVICE - SENIOR CITIZEN HOUSING - page 199

The subcommittee recommended the Governor's figure. The subcommittee figure was adopted.

It was determined at this time that the committee had considered the Social Services Budget Category, and that there were four pages held OPEN. Senator Sackett stated that the committee should be able to go through the Health Budget category the following morning.

Senator Fliason moved that the committee return to Youth Services on page 49, which had been held OPEN previously. There being no objection, it was so ordered.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - PROGRAM SERVICES - YOUTH SERVICES - page 49

Senator Eliason stated he had had discussions with Senator Sackett on this program. He had earlier distributed back-up for a request for a pilot program to deal with social problems in his district. The funding of $154.7 would go to the City of Angoon Youth Services Program. Senator Eliason moved $154.7 for this program. There being no objection, it was so ordered.

It was determined that this page would still be held OPEN.

Co-chairman Dankworth stated the committee would meet again at 8:30 a.m. the following morning.

ADJOURNMENT

The meeting adjourned at 3:00 p.m.

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5/2/81

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# SENATE FINANCE COMMITTEE
April 30, 1981
8:40 a.m.

SFC-81, #40, Side 1 (000-end)
SFC-81, #40, Side 2 (000-714)

## CALL TO ORDER

Co-chairman Don Bennett convened the meeting at approximately 8:40 a.m.

## PRESENT

All committee members were present with the exception of Senator Ferguson who arrived shortly after the meeting began. Also attending were Jay Hogan, Director of Legislative Finance; Dick Berg, Director of Administrative Services for Legislative Affairs; Fiscal Analyst Jerry Schilz; and administrative assistants to Senate Finance Judy Johnston and Kathy Martinson.

## BILL ASSIGNMENTS

Co-chairman Bennett made the following bill assignments:

SB 352 - Bennett
SB 396 - Bennett
SB 406 - Dankworth
SB 496 - Stimson
SB 514 - Ferguson
HB 294 - Sackett

## CS FOR HB 488 (FINANCE)

Co-chairman Bennett moved tha CS for HB 488 (Finance) (ACT MAKING SUPPLEMENTAL APPROPRIATIONS FOR THE OPERATION OF THE LEGISLATURE AND THE LEGISLATIVE FINANCE DIVISION) be brought on for discussion.

Co-chairman Dankworth asvised that the $1,948,500 appropriation contained in the legislation would fund the legislature through the 125th day. He further advised that Messrs. Hogan and Berg were present to answer questions and testify concerning the bill. No questions were raised.

Co-chairman Dankworth moved that CS for HB 488 (Finance) pass from committee with individual recommendations. No objection having been voiced, CS for HB 488 (Finance) passed from Senate Finance--all members present signing do pass.

## HEALTH - OPERATING BUDGET

Co-chairman Bennett advised that the committee would next begin close-outs of the Health Operating budget.

Senator Sackett stated that he effected a 6.2% reduction in the Governor's figures. The subcommittee health budget shows a 4.2% increase over FY 81. Full time positions have increased from 891 for FY 81 to 906 for FY 82 (a total increase of 15 positions).

NURSING - FIELD NURSING, p. 3

Senator Sackett advised that the subcommittee deleted the new position and associated costs and reduced vacancy and turn over for a new total of 4970.3. The new total was adopted by committee.

NURSING - HOME HEALTH SERVICE, p. 5

The committee adopted the Governor's figure of 428.9.

NURSING - ADMINISTRATION, p. 7

The committee adopted the Governor's figure of 899.1.

NURSING - EARLY SCREENING, p. 9

The subcommittee deleted both a full and part time position vacant since 1980 and deleted vacancy and turn over for a new total of 457.3. The new total was adopted by committee.

CONTRACT SERVICES - MAUNELUK, p. 13

The subcommittee adopted the Governor's figure of 190.3, added 102.0 for the Mauneluk Mental Health Program, and transferred in 507.9 from Alcohol Abuse Grants for a total of 800.2. Fiscal Analyst Jerry Schilz advised of an additional "last minute add on" for a Health Practitioner in the Nenana region (192.9), producing a new total of 993.1. No objection to the above additions having been raised, the new total was adopted.

COMMUNICABLE DISEASE CONTROL - TB CONTROL, p. 17

The committee adopted the Governor's figure of 729.8.

COMMUNICABLE DISEASE CONTROL - VD CONTROL, p. 19

The committee adopted the Governor's figure of 332.8, permitting an additional public health nurse in Anchorage.

COMMUNICABLE DISEASE CONTROL - IMMUNIZATION, p. 21

The committee adopted the Governor's figure of 400.5.

COMMUNICABLE DISEASE CONTROL - EPIDEMIOLOGY, p. 23

The committee adopted the subcommittee recommendation of 304.0 which represents a decrease in contractual and equipment resulting from elimination of the proposed new information system.

HEALTH & SAFETY, p. 27

The subcommittee total of 157.3 represents application of the Governor's Budget Amendment transferring 215.7 to the Dept. of Environmental Conservation. The subcommittee total was adopted by full committee.

CHILD AND FAMILY HEALTH - MATERNAL CHILD HEALTH, p. 31

The subcommittee allowed no new positions. The committee adopted the subcommittee total of 815.9.

CHILD AND FAMILY HEALTH - HANDICAPPED CHILDREN, p. 33

Grants and claims were reduced 283.5, producing a new total of 1692.1. Reduction was effected in the continuation base, based on expenditures of the past two years. The recommended subcommitee total was adopted by full committee.

CHILD AND FAMILY HEALTH - COMMUNICATIVE DISORDERS, p. 35

The committee adopted the Governor's figure of 712.1.

CHILD AND FAMILY HEALTH - CHILD DEVELOPMENT SERVICE, p. 37

Senator Sackett advised that while the Governor's figure and the subcommittee total are the same, 381.9, the two budgets are slightly different in that the subcommittee took out a position allowed by the Governor and substituted a federally funded position of its own. The committee adopted the subcommittee budget.

CHILD AND FAMILY HEALTH - ADMINISTRATION, p. 39

The committee adopted the Governor's figure of 165.6.

CHILD AND FAMILY HEALTH - NUTRITION, p. 41

The subcommittee recommended at total of 1132.9 which represents continuation level funding due to loss of federal funds. The committee adopted the subcommittee recommendation.

CHILD AND FAMILY HEALTH - SPECIAL EDUCATION GRANTS, p. 43

The subcommittee recommended the Governor's total of 404.1. Senator Eliason moved to add 70.0 for the Sitka/Dillingham infant learning program. No objection to the motion having been voiced, the new total of 474.1 was adopted.

CHILD AND FAMILY HEALTH -DESIGNATED GRANTS, p. 45

Senator Sackett advised that the above component is composed of 67.6 for the Bethel Prematernal Home and 45.1 for the Kuskokwim Health Corporation for a total of 112.7. The above funding was accepted by full committee.

LABORATORIES - REGIONAL LABS, p. 49

Senator Sackett advised that the subcommittee allowed the virologist II and wished to add a biologist for Fairbanks and a lab assistant. Jerry Schilz was directed to compute costs for the two additional positions and report back to committee. The component was held OPEN pending receipt of the aforementioned figures.

LABORATORIES - ADMINISTRATION, p. 51

The committee adopted the Governor's figure of 152.5.

PUBLIC HEALTH ADMINISTRATION, p. 55

The subcommittee deleted a new position and reduced vacancy and turn over for a new total of 1059.5. The committee adopted the foregoing figure.

PUBLIC HEALTH ADMINISTRATION - HEALTH EDUCATION, p. 57

The subcommittee deleted a full time position vacant since 1979, reduced vacancy and turn over, and failed to adopt the Governor's amendment for continued federal grant, producing a new total of 155.9. The committee adopted the subcommittee recommendation.

PUBLIC HEALTH ADMINISTRATION - GRANT TO GAAB, p. 59

The committee adopted the Governor's total of 939.1.

PUBLIC HEALTH ADMINISTRATION - ANCH. ED. PROGRAM/HANDICAPPED, p. 61

The committee adopted the Governor's figure of 170.9.

PUBLIC HEALTH ADMINISTRATION - DESIGNATED GRANTS, p. 63

The subcommittee recommended a total of 56.7. To the foregoing figure Senator Sackett added 170.2 for the Noorvik Dental Health Clinic, and 70.0 for the Craig Health Clinic. Senator Stimson added 100.0 for Health Care Advocates (a group working in the areas of Asbestosis, producing a new total of 396.9. Following further discussion, the committee elected to hold this component OPEN for later consideration.

EMERGENCY MEDICAL SERVICES - ADMINISTRATION, p. 67

The committee adopted the Governor's figure of 339.8. Senator Sackett noted that the above component is slowly moving from federal funds to general funds.

EMERGENCY MEDICAL SERVICES - ADVISORY COUNCIL, p. 69

The committee adopted the Governor's figure of 31.8.

EMERGENCY MEDICAL SERVICES - GRANTS, REGIONAL COUNCILS, p. 71

The committee adopted the Governor's figure of 1365.0.

EMERGENCY MEDICAL SERVICES - DESIGNATED GRANTS, p. 73

The subcommittee recommended a total of 53.6. Senator Dankworth advised of possible additional requests for grant funding and asked that the component remain OPEN for later consideration.

MEDICAID, p. 75 - 87

Senator Sackett directed committee attention to comparison of the Governor's figure of 48388.8 with the subcommittee total of 42742.7, advising that the Governor over-estimated the "net revised estimates as of April 3." The administration will be sending over a letter requesting the reduction rather than effecting a reduction by budget amendment. Responding to a question from Senator Stimson concerning federal funding cuts, Senator Sackett advised that cuts at the federal level are at the present time only rumor. Jerry Schilz advised that he had spoken with the Department and was informed that the Department has enough general funds to carry the program until the legislature meets next year. The subcommittee total was adopted by full committee.

GENERAL RELIEF MEDICAL, p. 89-101

Again Senator Sackett invited committee comparison of the Governor's figure of 14133.5 with that of the subcommittee, 9121.2, advising that the recommended decrease was agreed-upon by the department. Jerry Schilz advised that in the past funding was provided for contractual services "outside" for handling of general relief payments. In this budget the committee is viewing "actual" figures rather than estimates. Co-chairman Bennett advised that at one time the state was one to two years behind in general relief payments. Senator Sturgulewski expressed concern that funding be sufficient to adequately operate the program so that physicians and pharmacists do not have to carry extended receivables. Jerry Schilz advised that the recommended total does not represent an attempt to short fund the program or force a supplemental next session, but an attempt to fund in accordance with actual need. Senator Sackett added that last year he reduced the program's supplemental by half and its budget by half, yet the program has not required a supplemental during the current session. The subcommittee total of 9121.2 was adopted by full committee.

PUBLIC ASSISTANCE ADMIN/COLL. - ADMINISTRATION, p. 105

The subcommittee recommended 1877.8, advising that it deleted a vacant position and allowed one position requested by the Governor. The subcommittee recommendation was adopted by committee.

PUBLIC ASSISTANCE ADMIN/COLL - COLLECTION, p. 107

The committee adopted the Governor's total of 52.0.

ALCOHOL AND DRUG ABUSE - ADMINISTRATION, DRUG ABUSE GRANTS, p. 111, 113

Senator Sackett advised that the subcommittee took the Governor's figure of 2426.4 for Administration and 1299.6 for Drug Abuse Grants, but fell about 1.2 million below the Governor in Alcohol Abuse Grants (p. 115) He stressed the need for evaluation of programs as well as prevention. Senator Sturgulewski stressed the need for intent language which will continue the social study of alcohol abuse. She further voiced concern for the need to evaluate alcoholism programs. Jerry Schilz advised of contractual funding of 810.0 for evaluation, advising that the work would not be conducted internally but would be contracted out through RP. Given data processing costs, the above funding request is not out of line since evaluation will involve setting up a computer program, initiating a system of reporting forms, and compiling statistics.

(Reverse tape, SFC-81, #40, Side 2)

Co-chairman Dankworth advised of his concern that although alcohol-related programs have been significantly increased, "no one helps the alcoholic." The state conducts more studies but renders no actual assistance. Co-chairman Bennett agreed, advising that the only thing the state has done is "hire social workers, but no one has been helped or cured."

Following further discussion, the committee adopted the Governor's figure for the above components.

ALCOHOL AND DRUG ABUSE - ALCOHOL ABUSE GRANTS, p. 115

Senator Sackett recommended a total of 12539.0, including the following intent language:

> 91.7 Yukon Kuskokwim Health Corporation for Southwest Regional Substance Abuse Counselors.
>
> 1000.0 for Yukon Kuskokwim Health Corporation for Development of Alcohol Prevention Program in Southwest Alaska.
>
> 87.0 for the Selawick Alcohol Program (Sackett)
>
> 133.9 for a University of Alaska contract to the Alcoholism Addiction Center for a study of pipeline impact on alcohol and drug abuse in the State of Alaska (Sturgulewski)
>
> 10.0 for Seward Life Action Council (Colletta)

ALASKA PSYCHIATRIC INSTITUTE, p. 121

Senator Sackett advised that the subcommittee eliminated vacant positions since API is not "coming in with a supplemental this year." The subcommittee allowed all new positions (related to moving the "very, very, criminally insane" from Atascadero to API). Total funding of 10608.0 includes the Governor's budget amendment for 79.5. The committee adopted the above-mentioned funding.

COMM MH SERVICES - REGIONAL ADMINISTRATION, p. 127

The committee adopted the Governor's figure of 249.3.

COMM MH SERVICES - JUNEAU REGIONAL M H CLINIC, p. 131

The committee adopted the Governor's figure of 358.5.

COMM MH SERVICES - COMMUNITY MH GRANTS, p. 133

The committee adopted a total of 4181.7 including the following intent language:

209.6 for the Galena Health Center for Yukon-Koyukuk Mental Health Program.

100.0 for Anchorage Community Mental Health Center for Facility Planning Grant.

3872.1 undesignated.

HARBORVIEW, p. 137

The committee adopted the Governor's figure of 5887.1.

GOVERNOR'S COUNCIL/HANDICAPPED, p. 141

The committee adopted the Governor's figure of 71.9.

COMMUNITY DD SERVICES - CLIENT PROGRAM MANAGEMENT, p. 145

The committee adopted the governor's total of 70.4.

COMMUNITY DD SERVICES - COMMUNITY SERVICES, p. 147

The committee adopted a total of 4321.6 which includes intent that 89.9 go to the Fairbanks Rehabilitation Association, Inc. for operation of a training program for handicapped adults.

MH ADMINISTRATION AND SUPPORT - CENTRAL OFFICE ADMINISTRATION, p. 153

The committee adopted the Governor's total of 687.9.

MH ADMINISTRATION AND SUPPORT - MH ADV COUNCIL AND LAND BOARD, p. 155

The committee adopted the Governor's total of 19.8.

MH ADMINISTRATION AND SUPPORT - SPECIAL PROJECTS & GRANTS, p. 157

The committee adopted the Governor's total of 390.0.

INFORMATION SYSTEMS - DATA SERVICES, p. 161

The committee adopted the Governor's total of 2337.6. Senator Sackett advised that the subcommittee did not include the Governor's budget amendment for this component, perferring to "save it for Free Conference."

SHPDA - HEALTH PLANNING & DEVELOPMENT, p. 167

The committee adopted the Governor's figure of 503.1.

SHPDA - CERTIFICATION & LICENSING, p. 169

The committee adopted the subcommittee total of 348.9 which reflects deletion of the Health Facility Surveyor position vacant for more than a year.

SHPDA - ADMINISTRATION, p. 171

The committee adopted the Governor's total of 156.9.

SHPDA - STATE HLTH PLANNING COMMITTEE, p. 173

The committee adopted the Governor's total of 101.7.

SHPDA - HSA GRANTS, p. 175

The committee adopted the Governor's total of 300.0.

SHPDA - NHSC-HEALTH CLINICS, p. 177

Senator Sackett recommended that the state "pick up" funding for Native Health Service Clinics which will be "going out of business" due to loss of federal funds. He recommended a total of 1750.0 for clinics located at Barrow, Galena, Nome, Unalakleet, Craig, Juneau, Kodiak, Anchorage, Fairbanks, Palmer, Mt. Village, McGrath, and Cold Bay. He further stated that the foregoing represents a new BRU within the Health Budget and "about the only addition" he made to the budget. Fiscal Analyst Jerry Schilz stated that communities will submit proposals for clinic operation to the department. If the proposal is viable and funds available, the project will be funded and later audited. Senator Sackett requested that Mr. Schilz draft intent language pertaining to grants for inclusion within the BRU. Co-chairman Bennett requested that the BRU remain OPEN pending later consideration.

COMMISSIONER'S OFFICE, p. 181

Senator Sackett advised that the above component is part of the court suit brought by the legislature against the administration. He recommended at total of 623.3, advising that the subcommittee decreased the component 33.1 and added back 14.7 in travel. The recommended total was adopted by committee.

ADMINISTRATION (DHSS) - DIRECTOR'S OFFICE, p. 374

The committee adopted the Governor's figure of 374.4.

ADMINISTRATION (DHSS) - PERSONNEL, p. 187

The committee adopted the Governor's figure of 493.8.

ADMINISTRATION (DHSS) - SUPPLY, p. 189

The committee adopted the Governor's total of 317.1.

ADMINISTRATION (DHSS) - FINANCE, p. 191

The committee adopted the Governor's total of 876.6.

ADMINISTRATION (DHSS) - GRAPHIC ARTS, p. 193

The committee adopted the Governor's total of 43.1.

ADMINISTRATION (DHSS) - AUDIT, p. 195

The committee adopted the Governor's total of 442.0.

ADMINISTRATION (DHSS) - FRAUD INVESTIGATION, p. 197

The committee adopted the Governor's total of 174.0.

ADMINISTRATION (DHSS) - VITAL STATISTICS, p. 199

The committee adopted the Governor's total of 384.3.

LEGAL SERVICES, p. 201

The subcommittee recommended zero funding for this BRU. Senator Sackett advised that instead of funding in-department counsel, the department should contract with the Department of Law for legal work. The committee adopted the ZERO funding recommendation.

ELIGIBILITY SYSTEM, p. 207

The subcommittee recommended a total of 1418.5, advising of a 198.0 decrease due to too large a request in contractual funding. The committee accepted the subcommittee recommendation.

HOLISTIC HEALTH, p. 211

Senator Sackett advised that he deleted all requested transfers from the Commissioner's Office for a new total of 561.7. Co-chairman Bennett requested that the component remain OPEN pending later consideration.

MANAGEMENT & BUDGET, p. 215

The committee adopted the Governor's total of 493.7.

DEBT SERVICES - HEALTH FACILITIES, p. 219

The committee adopted the Governor's figure of 4115.0 for debt service.

## ADJOURNMENT

The meeting was adjourned at approximately 9:50 a.m.

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SFC-81, #40, Side 1 (000-end)
SFC-81, #40, Side 2 (000-724)

sf0501810830

SENATE FINANCE COMMITTEE
May 1, 1981
8:30 a.m.

(Tape SFC 81, # 41, Side 1, 000 - end)
(Tape SFC 81, # 41, Side 2, 000 - 431)

CALL TO ORDER

Co-chairman Bennett called the meeting to order at 8:30 a.m.

PRESENT

All members of the committee were present. Also in attendance were Administrative Assistant to Co-chairman Bennett Judy Johnston; Administrative Assistant to Co-chairman Dankworth, Kathy Martinson; Senator Mulcahy; Alaska Renewable Resources Corporation representative, Bill Spear; Department of Revenue Division of Treasury Comptroller, Anselm Staack; John Greeley; and Alaska Nurses Association representative Barbara Walker.

SENATE BILL NO. 140

SENATE BILL NO. 141

Co-chairman Bennett stated the committee would then consider Senate Bill No. 140 (An Act establishing a fishery product revolving loan fund; and providing for an effective date), 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 requested that Senator Eliason present the bills to the committee.

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 140 (Finance)

Senator Eliason pointed to COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 140 (Finance) (An Act establishing a fishery product revolving loan fund and providing for loans and loan guarantees for commercial fish purchasers; and providing for an effective date), and it was determined that the committee was considering this version.

Senator Eliason gave a history of the various versions of the bill in the file. He stated that there had been concern that $100 million would be set aside for this program, and he had sought options to that situation. He said that he had gone back to the same situation as last year where the Department of Revenue guaranteed loans were C-FAB. He found that $100 million could be generated by depositing $40 million in the Department of Revenue. The interest from the $40 million, and the guaranteed loans through C-FAB would generate the $100 million. So, he stated that essentially he had incorporated the Governor's revolving loan fund, along with the guarantee through C-FAB, so that there are two different methods. He recommended that the bill containing both these options be passed from committee.

Senator Eliason stated that there was a COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 141 (Finance) (An Act making a special appropriation to the Department of Revenue for loan guarantees for commercial fish purchasers; and providing for an effective date) in the file for $40 million, which would replace the original bill calling for $100 million for the revolving loan fund.

Senator Eliason stated two minor amendments had been incorporated in CSSB 140 (Fin) which had been recommended by the Commissioner of Revenue. He stated that the guaranteed portion was structured through a meeting with the Commissioner of Revenue, C-FAB, processors and the Legislative Legal Services. He concluded that Mr. Staack, Treasury Comptroller of the Department of Revenue was present to answer any technical questions.

Referring to page 3, subsection (b), Senator Sackett asked for a list of people who would benefit from this legislation this coming fiscal year. He stated that during the first hearing on this legislation, ARRC and C-FAB were requested to provide the Senate Finance Committee with a list of applicants, but it had never been received. Senator Eliason stated that a list of people who received the loans last year was available. He provided a copy of the ARRC loans. Senator Bennett asked who would be the prospective borrowers of the money. Senator Mulcahy stated that the way the bill is drafted, it would give preferance to any fish processor that is 50% or more owned by Alaska residents. He stated that there was deep concern in the Resources Committee that the small processors around the State of Alaska would be needing financing. He added that the other thing the bill would do is to exclude those companies that are over 80% owned by "foreign aliens". So, he thought it would be difficult for C-FAB to come up with a comprehensive list at this time - the list would change if this legislation is passed. Senator Sackett stated that he had asked specifically during the first hearing for a list of applicants from ARRC and C-FAB, and also for the annual report from Icicle Seafoods. He stated he had received none of the material, except the list from ARRC just passed to him from Senator Eliason. He stated that he wanted to know specifically who this legislation would help - he did not wish to eliminate people from the list, but just wanted to know who they would be.

Senator Sackett next asked (in regard to ARRC financed or owned processing plants throughout Alaska) if there had been any research done as to their ownership, and the possibility of them coming back to the State in another form requesting loans. He wondered if the State was borrowing from the State. Senator Eliason stated he did not know how many applications C-FAB had at that time, because presently the vehicle does not exist for them to guarantee the loans. So, if they have applicants its only because they are anticipating the passage of this bill. He added that the Governor's revolving loan package would not be funded if the committee chose to go with the guaranteed program. Senator Sackett stated that he had talked with people, and it was not that difficult to get the applicants or at least information on the applications from all the lending institutions in Alaska; he assumed that would be done.

Senator Sackett stated that he would like to learn more about ARRC's ability to make loans and how that would relate to this legislation. Senator Eliason requested that Mr. Bill Spear, Chairman of ARRC, come before the committee to respond.

Bill Spear stated that the simple answer to Senator Sackett's question was that there were many different types of financing. The type ARRC specializes in is deeper, long-term financing, equity financing and some long-term debt. Pack financing, which is the subject of this legislation, is short-term financing for about a year and the requirements greatly exceed ARRC's entire capitalization. The type of financing ARRC does is to basically get the company running with a decent debt/equity ratio. The actual purchase of fish, and turning around after sale, is probably comparable to inventory financing in a retail business. Certainly, he said, not every eligible Alaskan company has come to ARRC or C-FAB, but the ones ARRC has financed are clearly Alaskan. ARRC has either gone through the stock ownership of the larger companies, or has made an independent determination. There are a number of applicants ARRC has not approved though they qualify as Alaskan companies. In conclusion, he stated that they are just too radically different types of tools - one is a short-term relatively high interest type loan, and ARRC offers a long-term take-out investment type loans.

Senator Sackett stated that ARRC does have the ability to do short-term financing if it so choses. So, he thought in essense, this legislation would just be adding onto ARRC's total capitalization and lending capabilities. Mr. Spear stated that ARRC had testified in the Senate Resources Committee that ARRC was not equipped and did not really want to do pack financing. ARRC had done pack financing two or three years ago for some small floating processors because there was no other source available, but the amount of money ARRC has would not really cover one-one hundredth of the total pack of the State.

Senator Eliason stated he had the list of those participating in the revolving loan fund last year, and would distribute it momentarily.

Senator Stimson asked Mr. Staack if there were any other options for handling this situation. He asked if it would be possible for AIDA to handle these loans. The need is for a revolving loan fund, or a way to economize on some money using the guarantee approach, but he was not aware of other options.

Senator Sturgulewski asked Mr. Staack if the administration would support CSSB 140 (Finance). Mr. Staack stated that with the two amendments proposed by the Commissioner of Revenue, yes the administration would support the bill.

Senator Stimson asked how the program worked last year. Mr. Staack stated that C-FAB had operated as the "production agent". If a $10 million loan was made to a fish processor, C-FAB took 20% of the loan. The remaining $8 million portion would be made with a third party financer - like the Spokane Bank of Cooperatives (which is in the Federal Fund Credit System). Then the State would have executed the guarantee with C-FAB, who would pass the guarantee through to the third party financer.

Senator Ferguson asked if the $40 million was made available, were there already enough applications to consume the $40 million. Mr. Staack stated that he did not know, but could only speak from last year's experience. Last year $22,880.0 worth of guarantees were activated (the actual loan amount was higher than that because of the C-FAB retention).

Senator Sackett asked how they had arrived at the $100 million figure in SB 141. He asked what and who was used as a base for that figure. Mr. Staack stated that the $100 figure was based upon types of potential processing volumes within the State that have been conducted by other banks within the State. Senator Sackett asked that the committee be provided with that information. Mr. Staack stated he would furnish the information.

Mr. Spear stated that with some knowledge of the industry, he could estimate that the industry will probably buy anywhere from $500 million to $1 billion worth of fish. Together Icicle Seafoods and Ocean Beauty would probably buy $100 million worth of fish. So, he thought the $100 million was a rather small fraction of the total pack, and was probably one of the reasons why the resident question became more crucial. To address Senator Ferguson's comment, he stated that most companies that will be processing salmon this year have lined up a substantial portion of their financing to the extent they are able to do it. He stated the NEFCO bankruptcy had a rather chilling effect on the financial community throughout the country for Alaskan fish processing, so some of that money is not as available as it may have been in past years.

Senator Sackett stated that with this legislation, there would be a new program of inventory financing - interim financing for the State. And if this funding was just a small portion of the total, he would like to have some idea of what to expect next year and the year after that. He did not feel the State should be running this loan business without knowing what it was getting into.

In regard to the $100 million figure, Co-chairman Dankworth stated he was first approached by the National Bank of Alaska (which is a big participant in these kinds of loans). The President of that bank said that they would need probably about $100 million. The total fish pack loan was well over $300 million. Some of the banks making loans in the past were worried because of earlier problems in selling the fish pack. He concluded that he got the impression that Mr. Rasmuson of the National Bank of Alaska thought that would be an appropriate figure, and then discussed that figure with the Governor's Office and the Department of Revenue. He added that he had not recently been following the legislation, but wanted to offer the above information in answer to Senator Sackett's question about where the $100 million figure came from.

Senator Ferguson asked if the program would be based on a first come, first served concept. Mr. Staack stated that if the program was run the same way it was run last year, it would not be discriminatory. Whoever "got in first" would be funded as long as they met the requirements.

Senator Ferguson was concerned that if there are $40 million worth of applications already submitted, that would preclude anyone from his district being able to get any of this financing. Mr. Staack stated that it must be remembered that though he did not know how many applications have been submitted at this time, there is much more than $40 million available in total financing. The $40 million in CSSB 141 was only the guaranteed portion. That coupled with the fact that the working draft of the bill says that the guaranteed portion can be up to 50% of the loan. So, if $100 million is put out and C-FAB or another institution retains $20 million, and $80 million provided by the Federal Fund Credit System or other institution, the $40 million becomes the maximum amount of guarantee. So, $100 million worth of financing could be generated. The guarantee would work kind of like a sophistocated insurance policy for the lending institution. So, there would really be much more financing than just the $40 million.

Senator Eliason stated that he did not think that would be true because last year $66 million of securities was transferred to the guaranteed loan programs in Department of Revenue, and over $100 million could have been generated with that base. However, they only made $16 million worth of loans; so there was money available that was not used.

Senator Stimson asked about the effect of the interest rate and whether it would be reduced by the guarantee. Mr. Staack stated that in the draft bill, the interest rate would set a level to float with a 6-month weekly auction T-Bill rate plus 3 3/4% points. So, at a 12% rate, it could be 15 3/4%. It would not be the 9%, 10% or 11% type housing program. It would be a lot closer to market rates, but would not be the 22% some people might pay on super short-term financing on strict inventory because it would have a relative level of risk with it. This would be a 15% or 16% rate, which is very good for short-term financing, for turnover in less than a year. It would not be a subsidy at all.

Senator Stimson asked if there were any defaults on last years program. Mr. Staack stated at this point there were no defaults. There is $22,880,000 worth of guarantees still out - that was the original amount. None of the pledge agreements have been activated yet.

Senator Eliason moved and asked unanimous consent that CSSB 140 (Finance) be moved from committee with individual recommendations. Senator Sackett objected. He stated that this would be creation of a new program which would obviously expand, and the committee should not be "hiding behind the idea" that they would be able to hold the amounts down. He stated that anyone with "any brains in the business" would automatically go to the State at 16% rather than to a private lending institution for 22%. He stated that the other reason was that he did not have the answers to the questions he had previously asked on how the figures had been conceived. He did not have the administration's response from the Department of Revenue that processing volumes were brought to the State through the various banks. He requested that the Senate Finance Committee vote so that each member would know exactly what the committee was doing. He concluded that with the demands on State revenues this year, this new program which would surely expand, and would leave that much less for other programs.

Co-chairman Dankworth asked what the difference was between the 16% interest for State loans, and the 22% interest required by banks. Mr. Spear stated that the difference was made up mainly by the fact that private lending institutions are taxable entities that must pay federal taxes. Senator Sackett added that he had been told by Commissioner Williams of Department of Revenue that the State loans would be at 17 & 3/4%, and that some processors are going to the banks right now for short-term financing at 21% and 22%.

Co-chairman Dankworth stated that though he agreed with Senator Sackett's concerns, he did feel that industry in Alaska would be in trouble if steps were not taken to find a solution to their problems. He asked if other members agreed, or if they thought that financing would be available someplace else. Senator Sturgulewski stated she felt the legislation was needed. She added that Milt Barker had sent a memo to Representative Cotten speaking to the interest rate formula. She stated she did not think foreign industries should be financed, but did feel the people in Alaska should be helped with financing.

Senator Mulcahy stated that there were two flows of rates - as the commercial market goes up and down, the prime interest rate changes. So there would be certain times of the year when it would be advantageous to use a private lending institution, and other times when it would not. However, the added advantage with the State loan was the guarantee. He stated he would provide Senator Sackett with verbal charts presented in the Resources subcommittee by Commissioner Williams showing how the fluctuations in the 6 month T-Bill rate and the commercial rate might make it advantageous (regarding interest) to go to a commercial bank at certain times.

Senator Eliason stated that everyone realized these were difficult times. In the fishing industry, fish processors are either going broke or are being capitalized by foreign interests. He stated he knew for a fact that one of the major fish companies in Alaska was at the point where the only financing they can get is from a foreign source. He thought that by adding this guarantee provision, the Legislature would be doing a service to the State as well as to the companies in the industry. The State would not be losing money. With the money "on deposit", as much as would be made in the permanent fund would be generated. He stated that the fishing season had begun two months ago, and people in the industry were awaiting passage of this legislation; he urged the committee to pass the bill out of committee.

Co-chairman Bennett stated that other loan programs were awaiting funding also, and sited AHFC, the Miner's Loan Fund, etc. He stated that priorities must be established. He stated that Senator Sackett had made an excellent point, and he agreed that there was really no back-up to substantiate the fiscal note. He added that the committee was being asked by proponents of this legislation to "just trust me". He did not think that was a very sound way to conduct business. He asked for further discussion and/or amendments from members of the committee.

Discussion ensued concerning the incorporation of Commissioner Williams' amendments. The language suggested by the Commissioner had been changed, but Senator Eliason stated the amendments had actually been incorporated in CSSB 140 (Finance).

Co-chairman Dankworth moved that CSSB 140 (Finance) be adopted as the version being considered by the committee. There being no objection, it was so ordered.

Senator Eliason moved and asked unanimous consent that CSSB 140 (Finance) be moved from committee with individual recommendations. Senator Sackett maintained his objection. A vote was taken on whether to pass CSSB 140 (Finance) from committee with individual recommendations. Upon a show of hands, Co-chairman Dankworth and Senators Sturgulewski, Eliason and Stimson voted in favor of passing the bill from committee. Co-chairman Bennett ruled that the bill would be passed from committee with individual recommendations. The committee report was signed as follows: Senators Sturgulewski and Eliason signed "do pass", Co-chairman Bennett and Senator Sackett signed "do not pass", and Co-chairman Dankworth and Senators Stimson and Ferguson signed "no recommendation".

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 141 (Finance)

Co-chairman Bennett stated that there was a CS in the file for SB 141, and moved and asked unanimous consent that the committee adopt CSSB 141 (Finance) for further consideration. There being no objection, it was so ordered, and CSSB 141 (Finance) was before the committee. Co-chairman Bennett asked that Senator Eliason present the bill to the committee.

Senator Eliason stated that CSSB 141 (Finance) was the funding bill that would transfer $40 million to the Department of Revenue for the guaranteed loan fund.

Co-chairman Bennett asked about the lapse date of June 30, 1982, and asked if the funding needed to be tied up that long. Mr. Staack responded that the language June 30, 1982 meant that if the money had not been placed as a "guaranteed" by that time, the money would lapse back into the general fund and could be used for other purposes. Further discussion ensued. Mr. Staack stated that the fiscal year end would be a very clean cut-off and that problems had been experienced in other programs with lapse dates other than the fiscal year end. He stated that the Department of Revenue could provide the committee with status reports in terms of how much is guaranteed during the interim.

Co-chairman Bennett moved and asked unanimous consent that line 10 of CSSB 141 (Finance) be changed from $40,000,000 to $10,000,000. He stated this amount would be more in keeping with previous loan funds that other resource harvesting loan funds have had to live with. Senator Stimson objected, and asked if $10 million would generate proportionately the same amount that $40 million would have. Mr. Staack stated he did not believe it could. Senator Eliason stated that problems would really be created by reducing the amount to $10 million. Senator Sturgulewski also stated an objection to Co-chairman Bennett's motion. Upon a show of hands, Co-chairman Bennett and Senators Ferguson and Sackett voted in favor of Co-chairman Bennett's motion. The motion failed.

Senator Eliason moved and asked unanimous consent that CSSB 141 (Finance) be moved from committee with individual recommendations. There being no objection, it was so ordered, and the committee report was signed as follows: Senators Sturgulewski and Eliason signed "do pass", Senator Ferguson signed "do pass if amended", Co-chairmen Bennett and Dankworth signed "no recommendation", and Senator Sackett signed "no recommendation - until better research is accomplished".

SENATE BILL NO. 238

Co-chairman Bennett stated the next bill for consideration would be Senate Bill No. 238 (An Act relating to the practice of nursing; and providing for an effective date), and requested that Senator Eliason present the legislation to the committee.

Senator Eliason asked that Barbara Walker from the Alaska Nurses Association come forward to speak on SB 238. Ms. Walker came forward and stated that the Nurses Association supported the enactment of SB 238. During the past few years, the Association had worked in cooperation with the Board of Nursing to obtain input from nurses throughout the state regarding needed changes in the existing law. A performance review of the Board of Nursing had been conducted by the Division of Legislative Audit in 1978, and the Board of Nursing was the only Board to receive a very favorable report. She stated that the recommendations since that review were contained in SB 238. Primarily, the bill represented an updating of existing law, changing archaic language, redefining sections dealing with the definition of nursing and practical nursing. The highlights of the bill regarding sunset review recommendations provide for the Board to issue temporary permits for practice to any nurse who would be eligible to take the licensing exam. Authority is given in SB 238 to the Board to address continuing competency requirements for nursing practice. The Sunset Review Committee recommended to include an Licensed Practical Nurse to the Board of Nursing, which was also found in the bill. Ms. Walker stated that the Board and the Administrative Agency are given the authority to evaluate the fee structures, and the bill reflected some increase in fees for licensing.

Ms. Walker stated that there were other major changes in the bill. It would provide for the licenture of foreign nurses in a more timely manner. The bill would delete the "inactive status" of a nurse. The Board and the Association both felt that the "inactive status" clause in the existing law serves no purpose. The effect would be the same as a "lapse license", and since the bill provides for a "lapse license", the ineffective section on "inactive status" was removed. The new bill affirmed the Board's responsibility to issue regulations regarding the advanced nurse practitioners who are now working in Alaska and have been working under regulations adopted by the Board of Medicine and the Board of Nursing since January of 1980. She stated that the bill would clarify the violation in the Denial of License sections and brings them into conformity with the new criminal code. She added that this change was a recommendation of the Sunset Review Committee. She concluded by saying the bill would more clearly outline the Board's responsibility in accrediting nursing education programs. She stated that the bill had a low fiscal note, and there were representatives from the Alaska Board of Nursing and the Department of Commerce and Economic Development present if members had further questions.

Discussion ensued on licensing requirements. Senator Ferguson stated he had a problem with the Department of Health and Social Services and its requirements for nurses to go to certain communities, specifically nurse for Unalakleet. He stated he would deal with the problem at a later time, but wanted the Nurses Association to be aware of the problem.

Senator Sturgulewski asked Ms. Walker what her recommendations were on the HESS Committee amendments. Ms. Walker had not had time to review the amendments thoroughly, but thought they were just technical amendments.

Senator Sturgulewski asked Ms. Walker if anything in the bill would change working relationships between doctors and nurses. Ms. Walker stated it would not. She stated both the Medical Practice Act and the Nursing Practice Act rules and regulations are very specific regarding the collaborative relationship between Advanced Nurse Practitioners and physicians. She added that the only change made regarding medicine at all is that the regulations under this bill for Advanced Nurse Practitioners would be promulgated by the Board of Nursing instead of jointly with the State Medical Board.

Co-chairman Dankworth asked if any organization Ms. Walker was aware of opposed SB 238. She responded that the President of the Medical Board appeared at the Senate HESS Committee and commented on the promulgation of regulation section. The organization of the State Medical Society did not present opposing testimony. The Hospital Association presented some suggested amendments to the bill that the HESS Committee considered and did not feel were necessary. Otherwise, she had no knowledge of any opposition from any other groups or individuals; the Nursing Association had not been contacted by anyone.

Senator Sackett moved that the bill be held in committee for further consideration. There being no objection, it was so ordered, and the bill was held in committee.

Co-chairman Bennett stated that the committee would recess at this time and meet again at 1:40 p.m. for further consideration of the Justice Budget Category.

RECESS

The meeting recessed at 9:40 a.m.

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(Tape SFC 81, # 41, Side 1, 000 - end)
(Tape SFC 81, # 41, Side 2, 000 - 431)

sf0501811350

# SENATE FINANCE COMMITTEE
May 1, 1981
1:50 p.m.

SFC-81, #41, Side 2 (432-end)
SFC-81, #42, Side 1 (000-end)
SFC-81, #42, Side 2 (000-593)

## CALL TO ORDER

Co-chairman Don Bennett convened the meeting at approximately 1:50 p.m.

## PRESENT

All committee members were present. Also in attendance were Representatives from the Alaska Network on Domestic Violence and Sexual Assault including Caren Robinson, Legislative Chair for the group; Jim Ayers representing the Head Start Program; Art Snowden, Administrative Director of the Alaska Court System; Richard Barrier, Deputy Administrative Director of the Court System; Marsha Hubbard, Director of Management and Budget for Health and Social Services; and administrative assistants to Senate Finance Kathy Martinson and Judy Johnston.

## SOCIAL SERVICES OPERATING BUDGET

Co-chairman Bennett announced that the meeting was convened to close out components remaining open in the SOCIAL SERVICES OPERATING BUDGET.

PIONEERS HOMES - FAIRBANKS, p. 9

Senator Sackett recommended the subcommittee total of 2977.4. Reduction from the Governor's figure represents elimination of the Groundsman position. The subcommittee total was adopted.

PROGRAM SERVICES - YOUTH SERVICES, p. 49

Senator Sackett advised that the subcommittee originally recommended 783.9, including 40.0 for the Kwethluk childrens shelter (operations and renovations). Senator Dankworth had earlier requested that the component remain open while he reviewed backup for proposed additions of 665.0 for the Anchorage Child Abuse Board and 154.7 for the Angoon Youth Service. In addition to the above, Senator Sackett moved for inclusion of 60.0 for Family Connection Services. Senator Ferguson further moved to add 135.0 for Inuunailig. Senator Dankworth raised questions concerning legal problems which might arise in funding native health corporations. Senator Ferguson stated that in the past problems had arisen concerning Region 10 funds, but these problems had been overcome by the non-profit corporations. Senator Sturgulewski advised that she would like to "see" something in writing concerning the legal situation. She also added that she would like to see the Department regionalize its programs. Fiscal Analyst Jerry Schilz was directed to obtain the necessary correspondence.

The subcommittee recommendation and proposed additions were adopted by full committee.

SOCIAL SERVICES ADMINISTRATION - SUICIDE PREVENTION (new page, 80-A)

Senator Sturgulewski moved to create a new BRU following page 80, and funding of 251.1 for a study of information referral services relating to suicide prevention, to be funded through the Crisis Center in Anchorage. No objection to the above funding having been raised, it was included in the budget.

ADULT AND AGING SERVICES - DOMESTIC VIOLENCE, p. 95

Representatives from the Alaska Network on Domestic Violence and Sexual Assault appeared before committee. Caren Robinson spoke on behalf of the group, advising that the Network was formed about four years ago in an effort to deal with sexual assault throughout the state. The Network currently operates programs in Ketchikan, Sitka, Anchorage, Barrow, Bethel, Fairbanks, Kenai, Kodiak, Kotzebue, Nome and Juneau. Requests for funding have also been received from Palmer (109.0) and Homer (74.0) where programs are currently operating with volunteer workers. Seed money is also requested (500.0) to initiate programs in Dillingham, Tok, Valdez and Copper Center.

Senator Sackett attested to the fact that last year at Free Conference the Network's budget was increased substantially. Resulting growth appears to be "haphazard." He cited instances such as Juneau and Anchorage where three programs, Standing Together, Alaska Women Resource Center, and Abused Women Aid, seem to be "dealing with the same concept." Programs seem to grow by virtue of "anyone who comes in with a proposal." In addition, no legislation exists which creates such an entity as the Network. Senator Sackett advised that he was not opposed to the concept, but he was opposed to its growth without guidance--haphazard growth.

Caren Robinson responded that HB 91, which the Network hopes to get passed this session, contains enabling legislation. Addressing what appears to be overlapping or duplicative programs, Caren Robinson advised that "each one does something different." In Juneau, AWARE assists those involved in domestic violence and provides help and shelter to women in Southeast Alaska. The local shelter accommodates approximately 20 women from rural areas per month. AWARE also deals with rape and incest, and is in effect performing three functions. The Women's Resource Center provides education and training for women once they have been removed from situations of domestic violence. MEN works with those who perpetrate domestic violence and abuse.

In Anchorage, Abused Women shelters women and children who are victims of domestic violence. Standing Together deals specifically with rape. The Alaska Women's Resourse educates and trains both women and men.

Shelters in all communities cover a whole region where shelters are not available and offer services to rural, outlying areas. The Network originally attempted to establish 5 regional shelters. Caren Robinson spoke briefly to the infeasibility of sending a woman from Kotzebue to a shelter in Anchorage.

Responding to a question from Senator Ferguson concerning salaries, Caren Robinson advised that the Network "tried to come up with a basic salary schedule." Some Directors are working at $2,000 per month. Staff is working at $1,000 per month.

Senator Stimson stated that requested funding for the Network appears to cover:

Inflation
Expansion
Loss of Federal Funds
Requests for additional centers

Responding to questions relating to loss of federal funds, Ms. Robinson stated that the loss amounts to "over a million dollars." CETA workers have thus far been covered through special arrangement with the alcoholism program, but the Network is experiencing difficulty manning the crisis line.

Ms. Robinson attested further to the fact that the Network was originally formed to deal with women, but it finds increasing need to deal with children involved in domestic violence. Children coming to shelters are "in just as bad shape as their mothers."

Co-chairman Bennett attested to need to deal with perpetrators of rape and domestic violence at the judicial level, advising that unless conviction and punishment result from these crimes, the state, through the foregoing programs, is "recycling laundry." Caren Robinson advised that the Network works with judges, state troopers, and social workers when dealing with rape and domestic abuse. The Network's enabling legislation (HB 91) will place it within the Department of Public Safety. The Network has attempted to establish that the acts with which it deals are crimes and those perpetrating such crimes are going to be arrested.

Senator Sturgulewski advised of her feeling that "it is darn near criminal" the state does not have an evaluation system for services rendered by the Network. She asked if enabling legislation contains an evaluation process. Ms. Robinson described the make up of the governing council and advised of its authority to develop standards and disburse fundings as well as need for a data collection and tracking system. Placing the

Network within the Department of Public Safety would provide a budgeting mechanism.

Co-chairman Dankworth advised that he has problems with someone coming in and doubling their budget. Although the Network provides a worthwhile service, the committee has no idea where the shelters are, and who the people involved are. He added that the Network received over $2 million last year from the Free Conference Committe, $1 million from the Governor, and $1 million in federal funding. The Network now has a budget of nearly $3 million over last year. While the figure appears high, the state, in actuality, is faced with having to pick up $1 million in lost federal funds to remain even. He stated that two issues appear to face the committee:

1. Do we want to pick up $1 million in federal funds?

2. How much do we want this budget to increase this year?

Senator Ferguson moved for adoption of the following as a "bottom figure" for Network Funding:

| | | |
|---|---|---|
| Aleutian Pribilof Association | | $ 59,272 |
| Sitka | | 76,000 |
| South Peninsula, Homer | | 74,765 |
| Valley Women's Crisis, Palmer | | 109,680 |
| Bering Sea Women's, Nome | | 142,600 |
| Kotzebue Crisis Project | | 137,000 |
| Ketchikan | | 165,000 |
| Soldotna | | 99,000 |
| Juneau | (Men Emerging Now) | 63,510 |
| | (Women's Resource) | 67,500 |
| | (Aware Program) | 338,250 |
| Women In Crisis, Fairbanks | | 354,466 |
| Tundra Women's Coalition, Bethel | | 250,500 |
| Barrow | | 137,000 |
| Anchorage | (Standing Together) | 108,750 |
| | (Alaska Women Resource) | 238,500 |
| | (Abused Women Aid) | 514,500 |

(Senator Ferguson advised that his total had been $2.939 before he added $46,272 to the Aleutian Pribilof Association and $46,000 to Sitka.) The foregoing funding "basically gives them 50% over what they got last year." Senator Sackett advised of a total of $3.031 for the Network.

Senator Stimson objected to the motion, advising that he wished to "make sure that what we do is not detrimental." Co-chairman Dankworth stated that the above funding represents a 50% increase in general funds over last year. The committee should now decide whether it wishes to replace lost federal funding.

Senator Sturgulewski moved to amend Senator Ferguson's motion, adding $500,000 to replace lost CETA funds.

Senator Stimson advised that given Senator Ferguson's foregoing recommendation and Senator Sturgulewski's proposed replacement of CETA funds, he felt it appropriate to ask Network representatives where their programs stand in light of the preceding funding and anticipated federal cuts. Senator Ferguson advised that he felt the foregoing suggestion highly improper, stating that he wished to go on record as having increased the Network budget 50% from last year. Senator Stimson responded that the Network has totally lost its federal funding and increasing the budget 50% from last year "still puts them below their last year's budget."

Senator Ferguson restated his motion for funding previously set forth, minus the CETA funds proposed by Senator Sturgulewski. Upon a show of hands the motion carried and figures for individual Network programs set forth above were adopted.

Senator Sturgulewski next moved that $550,000, a portion of the CETA funds cut at the federal level, be added to Network funding. Upon a show of hands her motion carried, producing a new total for p. 95 of 3581.0. She further stipulated that replacement funding for CETA moneys be allocated in accordance with Network need rather than "where the CETA cuts were made."

ALASKA PLAN - p. 155

The committee adopted the Governor's total of 428.4 for this component previously left open.

CHILD ASSISTANCE - HEAD START GRANTS, p. 171

Senator Sackett advised that while Head Start Programs requested a total of 3.9 million, the subcommittee recommended 1668.9.

Senator Stimson stated that Mr. Jim Ayers, Deputy Director of RuralCap was present to testify concerning the program. Mr. Ayers stated that he has worked with Head Start Programs throughout the state for the past four years. The program was originally developed in 1965 as a research and demonstration project. It now serves 52 communities through 9 grantees. Funding comes from both the Federal and State level, and state funding "goes through the C & RA budget." Head Start is the most successful early childhood program on record. Alaska and Mississippi have had their federal funds "frozen at the 1979 level."

The program requires that each child enrolled have a complete dental and medical assessment. It also provides 2/3 of the nutritional requirements for preschool children from low income homes. Approximately 57 children are on the waiting list in Anchorage, and approximately 200 children in rural areas are not being served. Information received for the $3.9 million request documents the need. Mr. Ayers distributed a summary of Head Start information. The request includes establishment of a basic funding formula to assure equitable distribution so that each child entered in the program will have equal opportunity to succeed within the system he or she is about to enter. If the $3.9 is funded, total Head Start funding would be $7,484,968.0. This would serve 1,200 children, plus another 10% that move through the program and then drop (actual total of 1,310 children). Head Start provides 252 jobs. Cost analysis indicates that for every $29,742.00 invested by the state there is a real job, there are 5 children served on a comprehensive basis, there is one person involved in a training program which may lead to a BA, there are 5 families provided with comprehensive training and support services. Funds flow through the community.

Salary levels are grossly below state and educational level jobs. A teacher in the Head Start Program makes less than a teacher's aid in the education system although they perform the same duties as teachers and are involved in additional education and training programs. Approximately 67% of the children served have extreme deterioration of the mouth. Some have serious language difficulties as a result of bilingual backgrounds, and approximately 20% of the children have identifiable handicaps--most of which result from speech impairments and delays.

There is no advocacy for this program other than those directly involved in the program. Without the requested funding there will be a reduction in services and the number of children served. The $3.9 is a reasonable request.

Senator Sturgulewski raised questions concerning the existing budget, the impact of CETA funds, amount of increment for new programs, and the C & RA program review process. She and Senator Dankworth requested that this component remain OPEN for later discussion. No objection to their request having been voiced, Head Start was held OPEN.

JUSTICE

At this time the Committee turned its attention to the following components in the Justice Operating Budget:

CORRECTIONS ADMIN. & SUPPORT - DIRECTORS OFFICE, p. 89

Senator Ferguson moved to delete the position of Assistant Director of Corrections, advising that the Director's office is already "top heavy" and the Assistant Director is "hindering the program." New figures are Personal Services 1019.5, Travel 58.0, Commodities 15.5, Total Expended 1335.0. No objection to the above action having been voiced, the above figures were adopted by committee.

CORRECTIONS ADMIN & SUPPORT - TRAINING & CAREER DEVELOPMENT, p. 91

Senator Ferguson moved that all four positions be deleted and two positions be reinstated, advising that "two people can do a job" for which four were requested. He further moved that the above

BRU be deleted and replaced by one entitled CAREER ENHANCEMENT TRAINING and that funding for the new BRU be 130.3. No objection to the motions having bee voiced, the newly created BRU was funded a total of 130.3.

COURT SYSTEM

Art Snowden, Administrative Director of the Court System and Rick Barrier, Deputy Administrative Director, next appeared before committee. Mr. Snowden stated that in 1980 there were 143,000 cases filed in the Alaska Court System. There were 140,000 cases disposed of. Of that number, approximately 13,000 cases were at the superior court level. There were approximately 12,000 dispositions. One-twelfth of the work at the Superior Court level relates to criminal matters. There were 906 felony filings and approximately 790 dispositions. Filings and dispositions don't match up because of outstanding warrants and requests for delays in proceedings. There has been a 70% conviction rate within this category, Of the 787 dispositions at the criminal level, approximately 700 took place within five months of arraignment. Approximately 7/8 of the cases went from opening to closing in a five month period.

In the past there has been criticism regarding leniency on the part of judges. Since 1976 when plea bargaining was abolished by the state, the severity of sentencing has increased approximately 70%.

As an entity, the court system serves in more parts of the state than just about any other organization within the state through its magistrates in 60 locations and its urban courts. Alaska has an efficient court system. A House Finance Committee study of the system found it to be one of the most efficient state entities. Audits conducted by Legislative Budget & Audit Committee have found the system to be efficient in the handling of its budget.

The continuation level for the upcoming year is 30,257,400 up from an authorized level of 23,596,100 or approximately $7 million. The $7 million basically represents money mandated by action of the legislation. Approximately $3,865,000 represents budget alterations necessitated by statewide pay raises. Approximately $2,679,000 is brought about by statutory mandate that the judicial retirement system be actuarily sound and that moneys be appropriated into the system on an annual basis. The foregoing plus .5% for inflation on travel, postage rates, etc. was added to achieve continuation funding. In addition the court system is requesting a 6% increase in the judicial budget. Within the request are 22 positions, and a number of items such as travel, recording, data processing, etc. If the legislature does not fund the 6% increase, analysis indicates that 16 of the 22 positions are necessary to allow the court system to maintain current services to the public. The other 6 positions would improve the court's ability to serve the Alaskan public. The 6 positions total $187,000 and represent addition level funding.

The courts are also requesting $69,000 in equipment which would be amortized over the next year. The court also requests $370,000 to increase juror pay $10 per day. The Federal courts pay jurors $30 per day, the state currently pays $20 per day. There hasn't been an increase in state juror pay for three to five years. If the foregoing requests are not funded, the court budget would be reduced $626,000. The court system is requesting a true increase over continuation level of only 3.7%.

Senator Ferguson directed committee attention to a xerox computer run of the court system budget, setting forth subcommittee recommendations totaling $30,095.9. Senator Sackett asked Mr. Snowden how much over the court system's continuation level the subcommittee recommendation would be. Mr. Snowden responded that the subcommittee recommendation is approximately $376,200, plus add-ons by Senator Ferguson, under the court system continuation level.

The court system budget as proposed by subcommittee was adopted by full committee (xerox printout attached).

ADJOURNMENT

The meeting adjourned at approximately 3:35 p.m.

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SFC-81, #41, Side 2 (432-end)
SFC-81, #42, Side 1 (000-end)
SFC-81, #42, Side 2 (000-593)

CATEGORY: ADMINISTRATION OF JUSTICE
AGENCY: ALASKA COURT SYSTEM

PROGRAM: COURTS, ADMIN. & SUPPORT

| COMPONENT DESCRIPTION | FY81 ATH | FY81 SUP | CONT | REQUEST | GOV AMD | GOVERNOR | HOUSE | SENATE | F.C.C. | BILLS | LEG.REC. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| APPELLATE COURTS | 2451.7 | | 3077.5 | 3144.8 | | 3144.8 | | 2928.0 | | | |
| TRIAL COURTS | 18063.4 | | 23801.0 | 25141.0 | | 25141.0 | | 23707.8 | | | |
| ADMINISTRATION & SUPPORT | 3061.0 | | 3378.9 | 3707.0 | | 3707.0 | | 3460.1 | | | |
| ** TOTAL | 23576.1 | | 30257.4 | 31992.8 | | 31992.8 | | 30095.9 | | | |
| ** CHANGE VERSUS FY81 ATH | | | | 35.7% | -100.0% | 35.7% | -100.0% | 27.6% | -100.0% | | |
| OBJECT DESCRIPTION | | | | | | | | | | | |
| PERS. SERV. | 13978.6 | | 21005.2 | 21653.0 | | 21653.0 | | 20166.8 | | | |
| TRAVEL | 706.9 | | 791.9 | 846.9 | | 846.9 | | 804.5 | | | |
| CONTRACTUAL | 5333.7 | | 5480.1 | 6137.3 | | 6137.3 | | 5830.4 | | | |
| COMMODITIES | 417.5 | | 450.9 | 454.9 | | 454.9 | | 432.1 | | | |
| EQUIPMENT | 234.5 | | 154.1 | 432.0 | | 432.0 | | 393.4 | | | |
| LANDS/BLDGS | 2423.0 | | 2375.2 | 2468.7 | | 2468.7 | | 2468.7 | | | |
| MISC. | 481.9 | | | | | | | | | | |
| FUNDING SOURCE | | | | | | | | | | | |
| GENERAL FUND | 23433.1 | | 30257.4 | 31992.8 | | 31992.8 | | ~~30095.9~~ | | | |
| OTHER FUNDS | 143.0 | | | | | | | ~~300[illegible]~~ | | | |
| ** GENERAL FUND CHANGE VS. FY81 ATH | | | | 36.5% | -100.0% | 36.5% | -100.0% | 28.4% | -100.0% | | |
| POSITIONS | | | | | | | | | | | |
| FULL-TIME | 496.0 | | 496.0 | 518.0 | | 518.0 | | 502.0 | | | |
| PART TIME | 26.0 | | 27.0 | 26.0 | | 26.0 | | 27.0 | | | |
| TEMPORARY | 7.2 | | 5.2 | 5.2 | | 5.2 | | 5.2 | | | |
| STAFF-MONTHS | 6159.0 | | 6159.0 | 6405.0 | | 6405.0 | | 6225.0 | | | |

5/1
30095.9
correct

506



5/1/81

CATEGORY: ADMINISTRATION OF JUSTICE
AGENCY: ALASKA COURT SYSTEM

PROGRAM: COURTS, ADMIN. & SUPPORT
SUB-PROGRAM: APPELLATE COURTS

*** * * * SENATE ANALYSIS * * * ***

GOVERNORS REC 03,144.8

| OBJECT GROUP | VARIATION | | DESCRIPTION: SENATE VERSUS GOVERNOR |
|---|---|---|---|
| 01 PERS. SERV. | -186.3 | -7.2% | DELETE NEW POSITION (60.6), REDUCE REMAINDER BY 5% (125.2). |
| 02 TRAVEL | -7.3 | -5.0% | 5% REDUCTION. |
| 03 CONTRACTUAL | -18.5 | -5.0% | |
| 04 COMMODITIES | -2.2 | -5.1% | |
| 05 EQUIPMENT | -2.5 | -22.3% | DELETE NEW POSITION EQUIPMENT (2.0), REDUCE REMAINDER BY 5% (.5). |
| ** TOTAL | -216.8 | -6.9% | |

SENATE FIGURE 02,928.0

NO NEW POSITIONS AUTHORIZED.

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5/1/81

CATEGORY: ADMINISTRATION OF JUSTICE
AGENCY: ALASKA COURT SYSTEM

PROGRAM: COURTS, ADMIN. & SUPPORT
SUB-PROGRAM: APPELLATE COURTS

| | | | | | ------ F I S C A L | Y E A R | 1 9 8 2 ------ | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EXPENDITURES & FUNDING | (01) FY80 ACT | (02) FY81 ATH | (03) FY81 RP | (04) FY81 SUP | (05) CONT | (06) REQUEST | (07) GOV AMD | (08) GOVERNOR | (09) HOUSE | (10) SENATE | (11) F.C.C. | (12) BILLS | (13) LEG.RFC. |
| 01 PERS. SERV. | 1401.9 | 1622.7 | | | 2513.2 | 2573.8 | | 2573.8 | | 2387.5 | | | |
| 02 TRAVEL | 81.6 | 130.3 | | | 145.9 | 145.9 | | 145.9 | | 138.6 | | | |
| 03 CONTRACTUAL | 312.9 | 477.6 | | | 370.7 | 370.7 | | 370.7 | | 352.2 | | | |
| 04 COMMODITIES | 28.1 | 40.0 | | | 43.2 | 43.2 | | 43.2 | | 41.0 | | | |
| 05 EQUIPMENT | 8.3 | 27.6 | | | 4.5 | 11.2 | | 11.2 | | 8.7 | | | |
| 06 LANDS/BLDGS | | 20.0 | | | | | | | | | | | |
| 07 GRANTS, CLMS | | | | | | | | | | | | | |
| 08 MISC. | 156.1 | 133.5 | | | | | | | | | | | |
| ** TOTAL EXPEND | 1988.9 | 2451.7 | | | 3077.5 | 3144.8 | | 3144.8 | | 2928.0 | | | |
| 09 I-A TRANSFER | 1.4 | | | | | | | | | | | | |
| 10 FED. RECEIPT | | | | | | | | | | | | | |
| 11 G. F. MATCH | | | | | | | | | | | | | |
| 12 GENERAL FUND | 1988.9 | 2451.7 | | | 3077.5 | 3144.8 | | 3144.8 | | 2928.0 | | | |
| 13 PGM RECEIPTS | | | | | | | | | | | | | |
| 14 OTHER FUNDS | | | | | | | | | | | | | |
| 15 FULL-TIME | 34.0 | 45.0 | | | 45.0 | 46.0 | | 46.0 | | 45.0 | | | |
| 16 PART TIME | 1.0 | 2.0 | | | 2.0 | 2.0 | | 2.0 | | 2.0 | | | |
| 17 TEMPORARY | 1.3 | 5.2 | | | 5.2 | 5.2 | | 5.2 | | 5.2 | | | |
| 18 STAFF-MONTHS | 435.0 | 615.0 | | | 615.0 | 627.0 | | 627.0 | | 615.0 | | | |

NEW POSITIONS

| TITLE | LOCATION | TYPE | REQ | S&B COST | OTH.COST | TOT.COST | FED.FUND | GEN.FUND | OTH.FUND | GV | HS | SN | FC | FN |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 COURT RULES ATTORNEY | ANCHORAGE | FULL | 1 | 60.6 | 2.0 | 62.6 | | 62.6 | | 1 | | | | |
| ** NEW POSITION TOTALS | | | 1 | 60.6 | 2.0 | 62.6 | | 62.6 | | 1 | | | | |





5/1/81

CATEGORY: ADMINISTRATION OF JUSTICE
AGENCY: ALASKA COURT SYSTEM

PROGRAM: COURTS, ADMIN. & SUPPORT
SUB-PROGRAM: TRIAL COURTS

*** * * * SENATE ANALYSIS * * * ***

GOVERNORS REC $25,141.0

| OBJECT GROUP | VARIATION | | DESCRIPTION: SENATE VERSUS GOVERNOR |
|---|---|---|---|
| 01 PERS. SERV. | -1135.3 | -6.7% | DELETE 16 NEW POSITIONS IN THE GOVERNOR'S BUDGET (439.1), REDUCE REMAINDER BY 5% (827.4), ADD JUVENILE INTAKE OFFICER IN PALMER, 41.8, MAGISTRATE IN BARROW, 44.7, AND JUVENILE INTAKE OFFICER IN BARROW, 44.7. |
| 02 TRAVEL | -29.8 | -5.0% | 5% REDUCTION. |
| 03 CONTRACTUAL | -227.0 | -5.0% | |
| 04 COMMODITIES | -16.7 | -5.0% | |
| 05 EQUIPMENT | -24.4 | -11.2% | DELETE NEW POSITION EQUIPMENT (15.5), REDUCE REMAINDER BY 5% (10.1), ADD EQUIPMENT FOR PALMER POSITION, .6, AND BARROW POSITION, .6. |
| ** TOTAL | -1433.2 | -5.7% | |

SENATE FIGURE $23,707.8

POSITIONS AUTHORIZED

| | TITLE | LOCATION | TYPE | APP | S&B COSTS | FED.FUND | GEN.FUND | OTH.FUND |
|---|---|---|---|---|---|---|---|---|
| 6 | COURT CLERK I | KOTZEBUE | FULL | 1 | 29.1 | | 29.1 | |
| 13 | LAW CLERK | KODIAK | FULL | 1 | 32.0 | | 32.0 | |
| 14 | COURT CLERK I | KODIAK | FULL | 1 | 24.0 | | 24.0 | |
| 20 | JUVENILE INTAKE OFFICER | PALMER | FULL | 1 | 41.8 | | 41.8 | |
| 21 | MAGISTRATE | BARROW | FULL | 1 | 44.7 | | 44.7 | |
| 22 | JUVENILE INTAKE OFFICER | BARROW | FULL | 1 | 44.7 | | 44.7 | |
| ** TOTALS | | | | 6 | 216.3 | | 216.3 | |

5/1 Added by Ferguson

-509-

5/1/81

CATEGORY: ADMINISTRATION OF JUSTICE PROGRAM: COURTS, ADMIN. & SUPPORT
AGENCY: ALASKA COURT SYSTEM SUB-PROGRAM: TRIAL COURTS

| EXPENDITURES & FUNDING | (01) FY80 ACT | (02) FY81 ATH | (03) FY81 RP | (04) FY81 SUP |
|---|---|---|---|---|
| 01 PERS. SERV. | 11656.9 | 10771.1 | | |
| 02 TRAVEL | 447.0 | 484.5 | | |
| 03 CONTRACTUAL | 3205.6 | 3655.1 | | |
| 04 COMMODITIES | 288.2 | 308.6 | | |
| 05 EQUIPMENT | 99.7 | 92.7 | | |
| 06 LANDS/BLDGS | 2436.5 | 2403.0 | | |
| 07 GRANTS, CLMS | | | | |
| 08 MISC. | 396.0 | 348.4 | | |
| ** TOTAL EXPEND | 18579.9 | 18063.4 | | |
| 09 I-A TRANSFER | | | | |
| 10 FED. RECEIPT | | | | |
| 11 G. F. MATCH | | | | |
| 12 GENERAL FUND | 18579.9 | 18063.4 | | |
| 13 PGM RECEIPTS | | | | |
| 14 OTHER FUNDS | | | | |
| 15 FULL-TIME | 365.0 | 397.0 | | |
| 16 PART TIME | 13.0 | 23.0 | | |
| 17 TEMPORARY | 1.0 | | | |
| 18 STAFF-MONTHS | 4480.0 | 4885.0 | | |

F I S C A L Y E A R 1 9 8 2

| EXPENDITURES & FUNDING | (05) CONT | (06) REQUEST | (07) GOV AMD | (08) GOVERNOR | (09) HOUSE | (10) SENATE | (11) F.C.C. | (12) BILLS | (13) LEG.REC. |
|---|---|---|---|---|---|---|---|---|---|
| 01 PERS. SERV. | 16462.5 | 16986.6 | | 16986.6 | | 15851.3 | | | |
| 02 TRAVEL | 543.0 | 596.0 | | 596.0 | | 566.2 | | | |
| 03 CONTRACTUAL | 3952.6 | 4539.3 | | 4539.3 | | 4312.3 | | | |
| 04 COMMODITIES | 333.3 | 333.3 | | 333.3 | | 316.6 | | | |
| 05 EQUIPMENT | 134.4 | 217.1 | | 217.1 | | 192.7 | | | |
| 06 LANDS/BLDGS | 2375.2 | 2468.7 | | 2468.7 | | 2468.7 | | | |
| 07 GRANTS, CLMS | | | | | | | | | |
| 08 MISC. | | | | | | | | | |
| ** TOTAL EXPEND | 23801.0 | 25141.0 | | 25141.0 | | 23707.8 | | | |
| 09 I-A TRANSFER | | | | | | | | | |
| 10 FED. RECEIPT | | | | | | | | | |
| 11 G. F. MATCH | | | | | | | | | |
| 12 GENERAL FUND | 23801.0 | 25141.0 | | 25141.0 | | 23707.8 | | | |
| 13 PGM RECEIPTS | | | | | | | | | |
| 14 OTHER FUNDS | | | | | | | | | |
| 15 FULL-TIME | 397.0 | 416.0 | | 416.0 | | 403.0 | | | |
| 16 PART TIME | 23.0 | 22.0 | | 22.0 | | 23.0 | | | |
| 17 TEMPORARY | | | | | | | | | |
| 18 STAFF-MONTHS | 4885.0 | 5107.0 | | 5107.0 | | 4951.0 | | | |

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5/1/81

NEW POSITIONS

| | TITLE | LOCATION | TYPE | REQ | S&B COST | OTH.COST | TOT.COST | FED.FUND | GEN.FUND | OTH.FUND | GV | HS | SH | FC | FH |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | INTAKE PRETRIAL SERVICE OFC. | JUNEAU | FULL | 1 | 40.4 | .6 | 41.0 | | 41.0 | | 1 | | | | |
| 2 | INTAKE PRETRIAL SERVICES OFC. | KETCHIKAN | FULL | 1 | 40.4 | .6 | 41.0 | | 41.0 | | 1 | | | | |
| 3 | COURT CLERK II | JUNEAU | FULL | 1 | 24.7 | 2.8 | 27.5 | | 27.5 | | 1 | | | | |
| 4 | LIBRARIAN ASSISTANT | KETCHIKAN | FULL | 1 | 10.5 | | 10.5 | | 10.5 | | 1 | | | | |
| 5 | MAGISTRATE-LAW CLERK | NOME | FULL | 1 | 44.7 | | 44.7 | | 44.7 | | 1 | | | | |
| 6 | COURT CLERK I | KOTZEBUE | FULL | 1 | 29.1 | 1.0 | 30.1 | | 30.1 | | 1 | | 1 | | |
| 7 | MICROFILM CLERK | ANCHORAGE | FULL | 1 | 22.8 | | 22.8 | | 22.8 | | 1 | | | | |
| 8 | TRAFFIC CLERK | ANCHORAGE | FULL | 1 | 22.8 | 1.7 | 24.5 | | 24.5 | | 1 | | | | |
| 9 | LAW CLERK | ANCHORAGE | FULL | 1 | 30.0 | 1.0 | 31.0 | | 31.0 | | 1 | | | | |
| 10 | DEPUTY CORONER | ANCHORAGE | FULL | 1 | 31.0 | .6 | 31.6 | | 31.6 | | 1 | | | | |
| 11 | VITAL STATISTICS CLERK | ANCHORAGE | FULL | 1 | 22.8 | 1.6 | 24.4 | | 24.4 | | 1 | | | | |
| 12 | ACCOUNTING CLERK | KENAI | FULL | 1 | 24.0 | | 24.0 | | 24.0 | | 1 | | | | |
| 13 | LAW CLERK | KODIAK | FULL | 1 | 32.0 | .6 | 32.6 | | 32.6 | | 1 | | 1 | | |
| 14 | COURT CLERK I | KODIAK | FULL | 1 | 24.0 | 1.5 | 25.5 | | 25.5 | | 1 | | 1 | | |
| 15 | TRAFFIC CLERK | PALMER | FULL | 1 | 23.4 | 1.5 | 24.9 | | 24.9 | | 1 | | | | |
| 16 | ACCOUNTING CLERK | FAIRBANKS | FULL | 1 | 25.4 | | 25.4 | | 25.4 | | 1 | | | | |
| 17 | PROBATE CLERK | FAIRBANKS | FULL | 1 | 25.4 | | 25.4 | | 25.4 | | 1 | | | | |
| 18 | MICROFILM CLERK | FAIRBANKS | FULL | 1 | 25.4 | 1.6 | 27.0 | | 27.0 | | 1 | | | | |
| 19 | SMALL CLAIMS CLERK | FAIRBANKS | FULL | 1 | 25.4 | 2.0 | 27.4 | | 27.4 | | 1 | | | | |
| 20 | JUVENILE INTAKE OFFICER | PALMER | FULL | 1 | 41.8 | .6 | 42.4 | | 42.4 | | | | 1 | | |
| 21 | MAGISTRATE | BARROW | FULL | 1 | 44.7 | | 44.7 | | 44.7 | | | | 1 | | |
| 22 | JUVENILE INTAKE OFFICER | BARROW | FULL | 1 | 44.7 | .6 | 45.3 | | 45.3 | | | | 1 | | |
| ** | NEW POSITION TOTALS | | | 22 | 655.4 | 18.3 | 673.7 | | 673.7 | | 19 | | 6 | | |





5/1/81

CATEGORY: ADMINISTRATION OF JUSTICE
AGENCY: ALASKA COURT SYSTEM

PROGRAM: COURTS, ADMIN. & SUPPORT
SUB-PROGRAM: ADMINISTRATION & SUPPORT

*** * * * SENATE ANALYSIS * * * ***

GOVERNORS REC $3,707.0

| OBJECT GROUP | VARIATION | | DESCRIPTION: SENATE VERSUS GOVERNOR |
|---|---|---|---|
| 01 PERS. SERV. | -164.6 | -7.9% | DELETE NEW POSITIONS (63.1), REDUCE REMAINDER BY 5% (101.5). |
| 02 TRAVEL | -5.3 | -5.0% | 5% REDUCTION. |
| 03 CONTRACTUAL | -61.4 | -5.0% | |
| 04 COMMODITIES | -3.9 | -5.0% | |
| 05 EQUIPMENT | -11.7 | -5.7% | DELETE NEW POSITION EQUIPMENT (1.6), REDUCE REMAINDER BY 5% (10.1). |
| ** TOTAL | -246.9 | -6.7% | |

SENATE FIGURE $3,460.1

NO NEW POSITIONS AUTHORIZED.

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5/1/81

CATEGORY: ADMINISTRATION OF JUSTICE
AGENCY: ALASKA COURT SYSTEM

PROGRAM: COURTS, ADMIN. & SUPPORT
SUB-PROGRAM: ADMINISTRATION & SUPPORT

FISCAL YEAR 1982

| EXPENDITURES & FUNDING | (01) FY80 ACT | (02) FY81 ATH | (03) FY81 RP | (04) FY81 SUP | (05) CONT | (06) REQUEST | (07) GOV AMD | (08) GOVERNOR | (09) HOUSE | (10) SENATE | (11) F.C.C. | (12) BILLS | (13) LEG.REC. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 01 PERS. SERV. | 1995.5 | 1584.8 | | | 2029.5 | 2092.6 | | 2092.6 | | 1928.0 | | | |
| 02 TRAVEL | 74.4 | 92.1 | | | 103.0 | 105.0 | | 105.0 | | 99.7 | | | |
| 03 CONTRACTUAL | 983.0 | 1201.0 | | | 1156.8 | 1227.3 | | 1227.3 | | 1165.9 | | | |
| 04 COMMODITIES | 108.2 | 68.9 | | | 74.4 | 78.4 | | 78.4 | | 74.5 | | | |
| 05 EQUIPMENT | 111.1 | 114.2 | | | 15.2 | 203.7 | | 203.7 | | 192.0 | | | |
| 06 LANDS/BLDGS | 18.9 | | | | | | | | | | | | |
| 07 GRANTS, CLMS | | | | | | | | | | | | | |
| 08 MISC. | | | | | | | | | | | | | |
| ** TOTAL EXPEND | 3291.1 | 3061.0 | | | 3378.9 | 3707.0 | | 3707.0 | | 3460.1 | | | |
| 09 I-A TRANSFER | | | | | | | | | | | | | |
| 10 FED. RECEIPT | | | | | | | | | | | | | |
| 11 G. F. MATCH | | | | | | | | | | | | | |
| 12 GENERAL FUND | 2912.3 | 2918.0 | | | 3378.9 | 3707.0 | | 3707.0 | | 3460.1 | | | |
| 13 PGM RECEIPTS | | | | | | | | | | | | | |
| 14 OTHER FUNDS | 378.8 | 143.0 | | | | | | | | | | | |
| 15 FULL-TIME | 49.0 | 54.0 | | | 54.0 | 56.0 | | 56.0 | | 54.0 | | | |
| 16 PART TIME | | 1.0 | | | 2.0 | 2.0 | | 2.0 | | 2.0 | | | |
| 17 TEMPORARY | 1.0 | 2.0 | | | | | | | | | | | |
| 18 STAFF-MONTHS | 594.0 | 659.0 | | | 659.0 | 671.0 | | 671.0 | | 659.0 | | | |

NEW POSITIONS

| TITLE | LOCATION | TYPE | REQ | S&B COST | OTH.COST | TOT.COST | FED.FUND | GEN.FUND | OTH.FUND | GV | HS | SN | FC | FN |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 ENGINEERING TECHNICIAN II | ANCHORAGE | FULL | 1 | 37.7 | | 37.7 | | 37.7 | | 1 | | | | |
| 2 LIBRARY ASSISTANT II | ANCHORAGE | FULL | 1 | 25.4 | 1.6 | 27.0 | | 27.0 | | 1 | | | | |
| ** NEW POSITION TOTALS | | | 2 | 63.1 | 1.6 | 64.7 | | 64.7 | | 2 | | | | |

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5/1/81

CATEGORY: ADMINISTRATION OF JUSTICE
AGENCY: ALASKA COURT SYSTEM

PROGRAM: JUDICIAL QUALIFICATIONS
SUB-PROGRAM:

*** * * * SENATE ANALYSIS * * * ***

GOVERNORS REC $58.3

| OBJECT GROUP | VARIATION | | DESCRIPTION: SENATE VERSUS GOVERNOR |
|---|---|---|---|
| 02 TRAVEL | -0.4 | -4.8% | 5% REDUCTION. |
| 03 CONTRACTUAL | -2.5 | -5.0% | |
| ** TOTAL | -2.9 | -5.0% | |

SENATE FIGURE $55.4



-514-

5/1/81

CATEGORY: ADMINISTRATION OF JUSTICE
AGENCY: ALASKA COURT SYSTEM

PROGRAM: JUDICIAL QUALIFICATIONS
SUB-PROGRAM:

FISCAL YEAR 1982

| EXPENDITURES & FUNDING | (01) FY80 ACT | (02) FY81 ATH | (03) FY81 RP | (04) FY81 SUP | (05) CONT | (06) REQUEST | (07) GOV AMD | (08) GOVERNOR | (09) HOUSE | (10) SENATE | (11) F.C.C. | (12) BILLS | (13) LEG.REC. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 01 PERS. SERV. | | | | | | | | | | | | | |
| 02 TRAVEL | 1.3 | 7.4 | | | 8.3 | 8.3 | | 8.3 | | 7.9 | | | |
| 03 CONTRACTUAL | 6.4 | 27.6 | | | 29.8 | 50.0 | | 50.0 | | 47.5 | | | |
| 04 COMMODITIES | .3 | | | | | | | | | | | | |
| 05 EQUIPMENT | | | | | | | | | | | | | |
| 06 LANDS/BLDGS | | | | | | | | | | | | | |
| 07 GRANTS, CLMS | | | | | | | | | | | | | |
| 08 MISC. | | | | | | | | | | | | | |
| ** TOTAL EXPEND | 8.0 | 35.0 | | | 38.1 | 58.3 | | 58.3 | | 55.4 | | | |
| 09 I-A TRANSFER | | | | | | | | | | | | | |
| 10 FED. RECEIPT | | | | | | | | | | | | | |
| 11 G. F. MATCH | | | | | | | | | | | | | |
| 12 GENERAL FUND | 8.0 | 35.0 | | | 38.1 | 58.3 | | 58.3 | | 55.4 | | | |
| 13 PGM RECEIPTS | | | | | | | | | | | | | |
| 14 OTHER FUNDS | | | | | | | | | | | | | |
| 15 FULL-TIME | | | | | | | | | | | | | |
| 16 PART TIME | | | | | | | | | | | | | |
| 17 TEMPORARY | | | | | | | | | | | | | |
| 18 STAFF-MONTHS | | | | | | | | | | | | | |

sf0502811005

SENATE FINANCE COMMITTEE
May 2, 1981
10:05 a.m.

(Tape SFC 81, # 43, Side 1, 000 - end)
(Tape SFC 81, # 43, Side 2, 000 - end)
(Tape SFC 81, # 44, Side 1, 000 - end)
(Tape SFC 81, # 44, Side 2, 000 - 535)

## CALL TO ORDER

Co-chairman Bennett called the meeting to order at 10:05 a.m.

## PRESENT

All members of the committee were present with the exception of Co-chairman Dankworth and Senator Eliason. Co-chairman Dankworth arrived at 11:40 a.m. Also in attendance were Senators Kerttula and Mulcahy; Administrative Assistant to Co-chairman Bennett, Judy Johnston; Administrative Assistant to Co-chairman Dankworth, Kathy Martinson; Administrative Assistant to Senator Rodey, Jim Kelly; Vice-President of John Nuveen, Sterling Gallagher; Executive Director of AIDA, Buzz Hoffman; Director of Small Business Loans for Alaska, Frank Cox; Legislative Finance Fiscal Analysts, Bob Schroeder and Jerry Schilz; and Director of Health & Social Services Budget and Management, Marsha Hubbard.

## HOUSE BILL NO. 394

Co-chairman Bennett stated the first order of business would be consideration of HOUSE BILL NO. 394 (An Act making a special appropriation to the agricultural revolving loan fund; and providing for an effective date), and requested that President of the Senate, Senator Kerttula come forward to speak on the legislation.

Senator Kerttula stated that an authorization for the loan fund had previously been passed from Senate Finance Committee. He stated that without recognizing that the loan limits had been met, and without recognizing that the State was no longer a secondary market due to last year's statutory changes, the Agricultural Loan Board and its bureaucracy made commitments for about $6.5 million for short-term crop, seed, feed and chattel loans, and maybe one or two long-term commitments also. Now, the farmers are waiting; some of them perhaps could have found other loans (though he doubted it due to the high interest rates). Senator Kerttula stated that the funds for the loans would have to be provided if the Agricultural Loan Fund is to be continued. He recommended the passage of HB 394 for the above reasons, and pointed particularly to the agricultural program at Delta.

Senator Sturgulewski noted that the legislation increasing the lending capabilities had been passed earlier in the session, and discussion ensued on loan limits. Senator Kerttula stated he was opposed to a "no loan limit" proposed by the House as the Legislature would not have an ability to partake in the decision making for priorities.

Senator Sturgulewski stated that the committee had not acted on the Capital Budget presented by the Governor, which would add about $23 million to this program. She asked if the Legislature would still be asked to support that amount in addition to the $10 million in this bill. Senator Kerttula stated in his view no, but that others may view the situation differently. Senator Sturgulewski stated that Co-chairman Dankworth should be made aware of this possible duplication of funding. Senator Kerttula stated it was his opinion that whatever the amount was in the Capital Budget, it could be reduced by the amount on this bill. He added that the Pt. McKenzie program would be delayed long enough that the farm loan program would not be nearly as in demand as was expected. So, he felt the issue was pretty much for existing farm clearing, "into crop, into building and into chattels".

Senator Sackett asked if the direct appropriation approach was in conflict with the existing law. Senator Kerttula stated it would not be.

Co-chairman Bennett stated that he had checked with the people involved and was told that the $10 million would not be necessary this planting season. He moved and asked unanimous consent that the figure of $10,000,000 on line 10 of HOUSE BILL NO. 394 be amended to read $8,500,000. There being no objection, the amendment was adopted.

Senator Ferguson moved and asked unanimous consent that HOUSE BILL NO. 394 as amended 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, Stimson, Sturgulewski and Ferguson signed "do pass".

It was then decided that the amended version of HB 394 would be made into SENATE COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 394 (Finance) (same title).

SENATE BILL NO. 166

Co-chairman Bennett stated that the next bill for consideration would be SENATE BILL NO. 166 (An Act amending the eligibility qualifications of an electric utility for power production cost assistance payable by the Alaska Power Authority; and providing for an effective date), and requested that Senator Sackett present the bill to the committee.

Senator Sackett stated that there was additional material from Senator Mulcahy's office that he had not yet received, and moved to hold the bill in committee until a later time. There being no objection, it was so ordered, and the bill was returned to the file.

SENATE BILL NO. 404

Co-chairman Bennett advised the next bill for consideration was SENATE BILL NO. 404 (An Act relating to the Alaska Industrial Development Authority; and providing for an effective date), and requested that Senator Stimson present the bill to the committee. Co-chairman Bennett added that testimony would be taken at this time, but that the bill would not as yet be moved from committee. He requested that Senator Stimson present the bill to the committee.

Senator Stimson stated that copies of COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 404 (Finance) (same title) was being distributed. He stated he had worked on this CS with the Senate Banking Committee, and that it would amend Alaska Statute 44.88 in several major ways. He proceeded to explain to the committee what changes would be effected by the Committee Substitute by listing the following:

1. AIDA would be empowered to provide financing for small businesses in need of working capital, accounts receivable and inventory loans. This would be accomplished through the purchase of SBA guaranteed loans at interest rates approximately 8 points below the present market rates.

2. AIDA would be empowered to provide tax exempt financing for IRS approved projects in the $1 to $10 million range.

3. AIDA would be capitalized with $166 million that was provided in SB 1 last session. Instead of having to return it to the General Fund in July of 1983, they would be able to keep it.

4. A provision for at least a 10% bank participation on all AIDA purchased loans would be made statutory.

5. AIDA would be empowered to raise up to $400 million in industrial revenue bonds in FY 82

At this time Senator Stimson stated that Mr. Jim Kelly of Senator Rodey's Office worked with the members on the Senate Banking Committee. He requested that Mr. Kelly come forward to present a section by section analysis of CSSB 404 (Fin).

Senator Sturgulewski requested that before Mr. Kelly speak she be permitted to make information requests. She asked specifically why changes are needed, what the changes would be, and whether or not any changes would be premature. Senator Sackett asked also to be provided with an analysis of the original bill, the Labor and Commerce Committee Substitute, and the proposed Senate Finance Committee Substitute before the committee at this time.

THE FOLLOWING IS A VERBATIM TRANSCRIPT OF TESTIMONY GIVEN BY JIM KELLY:

KELLY: Before I get started, if I could just respond quickly to Senator Sturgulewski's comments. The major change which is envisioned in the bill is of course the provision for allowing financing for the purposes of working capital, accounts receivable and inventory loans. If it doesn't happen now...when SB 1 was passed last year there was a provision that the Division of Business Loans - the State's direct lending program - would shut down as of July 1 of this year and would no longer be making loans for those purposes. So there is a void. AIDA does not have the power under the present law to do that. This bill would allow them to do it, but only through the purchase of SBA guaranteed loans. So, we minimize our risk and still are able to meet the need and have the additional advantage of improving the portfolio of AIDA by incorporating all those guaranteed loans into it, which should have a positive effect when they go to the bond market.

STURGULEWSKI: Just clarification on that, because I think its an important point. Jim, the working capital, accounts receivable, inventory loans were available under the Division of Business Loans through an SBA guaranteed program?

KELLY: No. Not through...there was no SBA guarantee going on - it was just the State lending money directly.

STURGULEWSKI: The State lent in this area, but at a pretty tightly controlled maximum as I remember. I mean there were...like...you know.

KELLY: SBA has a maximum of $500,000.

STURGULEWSKI: No, but, the amount of dollars were set by appropriation and....

KELLY: As with this program. It would have to be set by appropriation.

KERTTULA: The old SBA loan also had a maximum in the small business loan section really.

KELLY: The first section - if you'd like to go over it section by section doesn't really get important until you get to section 6. But just for your information, the first section is the part that deals with legislative finding and policy. The key addition there is the word "an expansion" on line 22, page 1. That was in the original bill and was also in the committee substitute out of Labor and Commerce and still is there. Again, that allows...AIDA right now is only providing financing through the raising of bonds in the tax exempt market. The requirements on that are that it be for new construction, so expansion was never allowed, so adding this word is going to make it possible. The rest of the changes are just cleaning up the language. Instead of mentioning all those words - small business, tourism, mining, commercial fishing, agriculture, multi-family dwellings, timber - we've dealt with all that in the back in the definition section. So a small business enterprise is defined to include all those things and therefore, we can take all those words out wherever they appear in the front of the bill. Just cleans up the language.

On page 3, line 3, this is a change from the Committee Substitute that came out of Labor and Commerce. I again added the word "expansion". I think it must have been an oversight. It doesn't change the intent in any way.

Section 2 allows AIDA to transact business over the telephone, something they are already doing. Again, this is a section which was in the original bill and also in the L & C Committee Substitute.

Section 3 is the business of ridding the statutes of unnecessary words again. No change...no substantive change from any previous version, as...the same thing with Section 4.

Now we're on page 4, Section 5, at the top of the page, and as I recall, this also was in both original versions of the bill. It just establishes a reserve fund other than a capital reserve fund, allows the authority to put up a reserve fund which it does not morally obligate the State should there be some sort of a default on whatever loan this is a reserve against.

STURGULEWSKI: Mr. Chairman, I think somewhere along the line I'd like a little more on that. When we talk about "without moral obligation", I think that gets into a pretty technical thing when you look at the bond market and how it relates to that, and I guess I'd like to know exactly what that means because it...still you've got some relationship between this agency and the State, and what in fact does that mean, and perhaps Levy and Company can speak to that.

KELLY: They can, but the simple answer is that by not requiring this reserve fund to comply with (d) on line 10...(d) is the section that says if that reserve fund is ever depleted then the Authority would go to the Legislature and let them know that it was missing some money and although the Legislature wouldn't be absolutely required to do it, they would be morally obligated. That's what it means...to put that money back into that fund. But...Sterling Gallagher could speak to that much better than I.

Section 6 is the major section of the bill, and its different than either of the two previous bills which you may have seen on it. I tried to write it in such a fashion that (a) tells you where the money comes from and (b) tells you where the money can go. The Enterprise Development Fund is where the $166 million of paper that was appropriated to them last year, and the $15 million in cash, was appropriated...was into that fund. This fund is there for the purpose of raising money in the bond market. This language makes it crystal clear that thats what this fund is all about. And it does that in section (b) where it says that money in the Enterprise Development Fund (line 20) may be used to secure bonds. That's in fact what its there for. I have put that clause back in there..."and shall be held and invested by the Authority in investments authorized under AS 37.10.070(a)". That's the General Fund surplus allowable investment statute, and was missing from both previous versions of the bill. Without that language AIDA would be allowed to invest in anything they chose. This restricts it to what the General Fund is allowed to invest in. In addition to that, they may also be allowed to invest in the purchase of loans which the authority anticipates would be bonded. Again, that's the purpose of it, that's what its doing now, and it ought to be clear in the law that that's what we're talking about. (c) just says that whatever loans they purchase under this fund have to meet the conditions of section (d), which is the attachment - the final page in this packet here. This is language that's already in the statute. I didn't make any of this up. We are looking at Attachment 1 here at the back of the package. These are the terms that have to be met in order for this fund to purchase a loan. It can't exceed $9 million. It came out of Senator Mulcahy's committee at $10 million, but it was always understood that the banks would have to participate at least 10%, so that brings it down to $9 million. So again, there is no substantive change - it just makes it clearer in the law. In addition to not being able to exceed that $9 million, it has to...these give you the rest of the terms. The....

FERGUSON: The work draft here...are we working off the Senate Committee Substitute for SB 404 (L & C)?

KELLY: No.

FERGUSON: Where did this work draft come from?

KELLY: It was distributed this morning.

STIMSON: That's the one that I've worked up.

KELLY: The other terms of those loans is that the project applicant would have to put 25% of the project money into it himself...that's his equity in the business. And an argument could be made there, by the way, that you could drop that number from $9 million down to $6,750.0 for two reasons. One, is that...what we are talking about here is we are talking about umbrella bonding in the $1 million to $10 million range. Apparently, the Authority has just realized they are able to do that. Federal law has a restriction. You cannot do that sort of a bonding unless the project is not going to exceed $10 million. The project will not have cost more than $10 million from three years before the time of the bond issue to three years past that time. So the total project can't cost more than $10 million. Otherwise, it won't be tax exempt. O.K? That's the federal requirement. On the State level, we are saying we want 10% bank participation. That brings it down to $9 million. On the State law on # 2 of the attachment, we are requiring 25% down by the borrower. So technically, that could bring that limit down to $6,750.0. The only reason I didn't put that in there is because you can go higher than that if the project is insured or guaranteed by a qualified mortgage insurance company. The other terms are that the project can't be any longer than 25 years, and it has to be amortized in terms and provisions acceptable to the corporation. And then # 7 (Attachment 1) is an addition...and this comes again from L & C and the original bill...we want to make it clear - 10% bank participation. This is the fund through which they are going to raise all their funds in the bond market. Its full of the restrictions which I think the Legislature wants on it, and its yet flexible enough for them to do more than they are doing now without putting the State at any greater risk than we are at now.

Turning back to page 5 of the work draft - Section 7. This is similar to Section 5. In Section 5 we allowed the Authority to set up a reserve fund which does not morally obligate the State. In Section 7 we are allowing the Authority to set up an insurance fund which does not morally obligate the State. This was done at the suggestion of the previous Executive Director of the Authority, Mr. Dave Rose.

Section 8 is the major substantive change in the program from last year. In the previous versions of the bill, it was sort of a "wordy" title on the fund. It was the small business, mining, agriculture, timber, all that other stuff, loan account. Again, we have just simplified it in calling it the "Small Business Enterprise Loan Fund". And, as in the other loan fund which is established, (a) tells you where the money comes from, and (b) tells you where they can spend the money - sources and uses. This does not have any money in it at the moment. Should this bill pass without an appropriation from the Legislature, it would then be possible for the Authority to use the income from the $166 million which is in the other fund. That income, the principal payments and the interest payments would come into this loan fund and that money could be used for the purchase of the guaranteed portion of SBA loans. That's $24 million. You don't have to appropriate it, they've got $24 million for that purpose already.

STURGULEWSKI: I wonder if this is the section....We have Agriculture Revolving Loan Funds, we have certain kinds of fishing revolving loan funds, we have mining, we have a number of other things. When we...and here I just need a picture painted...when we get all through with our change in AIDA, have we got a whole lot of programs that can do the same thing, and then we can just...kind of like having a "shopping market". Today, we can go over here and tomorrow we can go over there because basically we've got a whole bunch of things that can do about the same thing?

KELLY: There is overlap.

STURGULEWSKI: Well, Mr. Kelly, you are not addressing that then. We are making AIDA into something that can maybe do everything - is that about it?

KELLY: No, this section is....

STURGULEWSKI: Well, I don't know whether its that section or not. My question again gets into that question...we've got a whole bunch of different things set up so how does this relate? We are making AIDA be able to do a lot more and move into the areas where other programs we've set up can already do a part of it. Is that correct?

KELLY: To the degree that we allow AIDA to purchase the guaranteed portion of small business administration loans. We are allowing AIDA to get into something they have never been into before - which is providing financing for accounts receivable, working capital and inventory loans. I don't know if the Agriculture Revolving Loan Program allows money for those purposes or not. I know we've shut down the Small Business, the Tourism and the Commercial Fishing Program in Commerce that used to do those. So that's not being provided any place else. However, in terms of mining...again, I don't know...this is definitely secondary market. I don't know if there is an overlap in the mining market or not.

KERTTULA: There is, we have mining overlap.

STURGULEWSKI: Mr. Chairman, somewhere along the line I think we are going to have to really sit back and look. That was one of the purposes for developing this on all the loans and their various responsibilities. As to whether...we're getting into a "shopping market" where "...gee, I can't do so well over here today, so I'll go over there and...well gee, maybe I'll go over to this other place". And its very hard to look at this program with its changes to understand what those inter-relationships are. And that gets back to my original question. I think we ought to take a pretty hard-nosed look at just what we are doing - what really needs to be done with a new program. And maybe all that justification is there. I'm sorry for interrupting, but that's....

KELLY: I would be glad to take a look at the loan programs we have on the books right now and tell you where the overlap is between this program and those.

STURGULEWSKI: Thank you.

KERTTULA: I'm certain Senator Sturgulewski knows this, but at all times you may have an area that carries it so far, and then this picks up another part of it.

STURGULEWSKI: Sure, that certainly could justify the change, but I don't really understand the inter-relationships.

KERTTULA: I'd like to throw out a quick thought. We didn't want the industrial sector to steal from the production sector in agriculture. And in fact, that would be the tendency if they didn't have other opportunities. We wanted the loan funds to the farm and production sector to be pretty much violate. We didn't want the rest of the whole picture to steal from them. And I think that tends to be, if in fact, you can keep them fairly separate. And that's the reason that the agriculture thing needs alternate "shopping". Though I didn't write this bill.

KELLY: O.K. To go through this Small Business Enterprise Loan Fund, because again, this is the major change and we ought to look at it carefully. Starting with line 13, "...is established in the Authority. The fund consists of money or assets appropriated or transferred to the authority,". At this point, that is zero. "...interest on investments and loans of the small business enterprise fund,". Again, at this point that is zero. "...the unpledged income of the enterprise development fund,". To pass this law, that becomes, during the course of next year, approximately $24 million. "...and other money deposited by the authority.". That is sort of a catch-all phrase. You may want to look at that part of it again. That is where the money comes from.

STIMSON: They currently have $24 million?

KELLY: In cash flow from $166 million - paper that was appropriated last year.

STURGULEWSKI: Is that $24 million currently retained in the fund - that does not go back to the General Fund?

KELLY: That's right. It does not go to the General Fund at the moment. They are putting it into money. They can't even make loans with it. They just have it in the form of CD's.

STURGULEWSKI: What was the Legislative...what do the statutes say currently about that? Senator Mulcahy perhaps knows.

MULCAHY: I believe that money reverts back to the General Fund in 1982.

STURGULEWSKI: Well, it can't really, for security for any loans or anything at all then.

MULCAHY: Mr. Chairman, I believe at this time that the only way it can be used is in the anticipation of the bonding. It can't be used to go out and purchase SBA parts.

KELLY: In the present statute, AS 44.88.155, the Enterprise Development Fund - the last sentence of that section says that any of the repayments of loan principal and interest, which is what we are talking about here - the cash flow - that the authority doesn't need for one purpose or another, lapses into the General Fund. Its the kind of a deal where you are never going to see it in the General Fund because the authority is already going to figure out some use for it.

GALLAGHER: The first...(inaudible)...principal access reverts to the General Fund. It is...(inaudible)...we interpret...(inaudible)...that the money is pledged...(inaudible)...in that bond...(inaudible)....

KELLY: This section, as did the original versions, gets rid of that language which says this money lapses into the General Fund. It wasn't going to happen anyway - we might as well be straight about it. And in addition it capitalizes the fund and allows them to do some things they are not able to do right now. So, that takes care of section (a) on the Small Business Enterprise Loan Fund.

Section (b) is "The authority may use the assets of the small business enterprise loan fund to purchase the guaranteed portion of a loan guaranteed by the federal Small Business Administration...". Mr. Cox is here from the SBA and can tell you all the details on that, but as I understand it right now, SBA is lending to 23% of the small businesses in Alaska today. They have a $500,000 loan limit and technically they are not allowed to loan to anybody unless they have been turned down by a bank. But that seems to be a fairly loose arrangement.

SACKETT: You mean stretching the law?

KELLY: It appears. We are not stretching the law. And, there is also a provision here for the National Marine Fisheries Service guaranteed portions to be purchased by AIDA. Again, its a concept that was explored by their Executive Director, and as far as we are concerned - the State - we have nothing to lose with a guarantee. Guarantee means guarantee, and if anything goes bad, the SBA or the National Marine Fisheries Service comes right in and pays us our money. So, it seems like an appropriate way to take advantage of providing financing for purposes we are not providing it for now. And, there is a section in there - line 22 - which says "...and which is made by a private financial institution..." That specifies that we are talking about "originated" with a private financial institution. That keeps it secondary - not in the direct lending business. "...to a small business enterprise to pay the cost of projects as defined in AS 44.88.220.". That is the definition section, and we should turn to it right now, just so you understand what we are talking about.

Page 7. "Project" is defined there to include everything under the sun, or (B) "commercial activity by a small business enterprise". We've added a definition to "commercial activity" which says "commercial activity means projects, work in process or stock in trade" (that is on page 9, subsection 19, line 25). The reason we added definition for commercial activity is because, as was pointed out by Milt Barker, that when you define project, it says "a plant or facility". A plant or facility is further defined in the next section, and as part of that definition, plant or facility is definitely defined not to mean "work in process or stock in trade". "...work in process or stock in trade" are other ways of saying "accounts receivable, inventory and working capital". The long and the short of it is, we want to make it crystal clear in the law that AIDA is allowed, for the purposes of loans in this loan fund, to finance working capital, accounts receivable and inventory loans. And, we believe we have accomplished it with this language.

SACKETT: Would you also provide us with the other parts of 44.88.220?

KELLY: Yes. O.K., back to page 5 in the Small Business Enterprise Loan Fund. Line 24, section (c) is the identical section that was in the other one. Again, loans made under this program also require 10% bank participation at least. Subsections (d) and (e) are "chicken soup" and don't really have much interest to anybody but underwriters and lawyers I think.

BENNETT: In the event of a default, what are the payout priorities? Does the State get paid first? Or the private sector?

KELLY: The State has purchased the entire guaranteed portion, so we get paid first - or AIDA gets paid first.

Page 6, section (f) is the language which allows the Alaska Rural Rehabilitation Corporation to be financed under this program. Technically, that is already allowable under the terms of 37.10.078, which is the General Fund surplus. But, we spell it out clearly here. O.K., so that's the end of that section. That's that loan fund. And again, that loan fund is going to be capitalized if you desire, by the cash flow from the $166 million, and the $15 million we gave them last year, and any additional appropriation you feel like making to them. SBA estimates that the demand for this program would...they are presently doing about $24 million of business right now. However, they estimate, with the subsidy that's inherent in this program, that the demand would go up probably to about $80 million they say. And again, with the 90% bank participation, that means you'd probably have to make an appropriation if you want to go for the total estimated demand of about $56 million. If you want to appropriate money to the Small Business Enterprise Loan Fund for the purchase of the SBA guarantees. The experts are telling us there is about an $80 million worth of demand, given the subsidy. They already have $24 - another $56 would do it.

Section 9 is the part that sets up the subsidy. You should look at this section very carefully so you don't get into something you don't want to. This language again, is language that was in the two previous bills, and there is no change in it. Essentially, what it says is that the rate on loans that you purchase with the Small Business Enterprise Loan Fund, which is the SBA guarantees, is going to be 1/2% above what the tax exempt rate is at that time, on the closest one they've done. Now, they just did one, and it was about 11 and 1/2. So that means the interest rate on this one would be 1/2 point above that 12. And that is why I say its 8 points below the current market rates, because the prime right now is 18%, and for working capital loans they generally charge at least 2 points above, which is 20%. This program is 12%, so that is 8 points they are going to save, so you know its going to be a popular program.

STURGULEWSKI: What would be the impact of this section? What would happen from what currently happens if we deleted (2)?

KELLY: That's a good question. What would happen is that you still have the subsidy on the SBA guaranteed loans, but you would no longer provide a subsidy should AIDA do a taxable bond - which incidently, they don't intend to do right now.

STURGULEWSKI: Mr. Chairman, I would hope that you would asterisk...because I think its a very important area, and it would make quite a difference if we deleted that. I'm not suggesting one way or another. Again, I wonder, could you speak Jim, as to what the implications would be if that remains in there?

KELLY: Well, you ought to think seriously about it because...right now you could take it out because they are able to hit the tax exempt market. So they are not going to raise any bonds in the taxable market. They are not going to use that provision. However, if Congress should change its mind as it did with the Ulman bill, then AIDA may decide to go to the taxable market, and then you've got a similar problem like you've got in AHFC where the subsidy really jumps up.

STURGULEWSKI: This is a little bit the "Henny Penny" kind of thing here...you know...the sky may fall. And, rather than evaluating it when the sky falls, what we are saying is we'll go into this not quite knowing where we are going, but the financial implications may be tremendous. And we can sure see that in what happened at AHFC. So I've got some real questions about this. I don't have enough information now, but I think its a "red flag area".

KELLY: Again, it would not impinge on their ability to do business next year unless Congress changes the law. If Congress doesn't change the law and you took that out, no problem.

KERTTULA: Just in the common press and news, isn't there some real strong looks at SBA generally speaking? I heard...this whole program...I think you'd want to be very concerned that we don't end up subsidizing at the rate of 10% or 12% some of these things.

KELLY: There are actually two issues here. There is SBA and there is industrial revenue bonds. Now, industrial revenue bonds are just like mortgage revenue bonds - and that was the Ulman bill. And that's the bond which is doing a lot of financing for McDonald's and K-Mart's, and consequently its got a lot of Congressmen upset. The Small Business Administration is another thing which Stockman is looking at and considering making changes in too. Those would have different impacts, but both would be substantial on AIDA's program. They could happen independently.

BENNETT: Why are we considering bonding when in fact we apparently have sufficient revenues - we are putting them in all sorts of different pots scattered throughout the State budget?

KELLY: This language came from AIDA.

KERTTULA: Multiply it then, no matter how much you got.

BENNETT: Multiply us into oblivion.

STURGULEWSKI: Not till tomorrow though.

KELLY: O.K., that pretty much takes care of Section 9. Page 7, Section 10 on line 8, is the section dealing with delinquent loans. Now, this is identical to...the only difference between this section...there is already language...there is language in the present law which speaks to delinquent loans. The only difference in this language and the language that came out of the two previous versions is the addition of the word "number" on line 10. The present law reads "...if more than 2% of the total amount of loans...". The two previous versions said "...if more than 2% of the loans...". I think what was intended there was the number of loans, so I put the word "number" in.

STURGULEWSKI: I think that is another area we really ought to think about because you can read the existing statute to mean, I think, "dollar value". And there is a heck of a lot of difference if you're talking about lets say a 2% delinquency on $10 million and you've got one loan for instance that is $5 million. So, again, I think that is a very substantive issue. And I am not going to debate because I haven't the foggiest idea of what the intent had been in the original legislation.

KELLY: The reason I flagged it there is because I believe the intent was to make it more liberal. In fact, what they actually ended up with was something a lot more restrictive. As I understand it, here's what it would mean. If you leave the present law, "...2% of the total amount...", and take this example. Take a bank that has six loans out with a particular...I mean AIDA has six loans with a particular bank. One of those loans is at $10,000 and five of those loans at $100,000. That is a total amount of loans at $110,000. 2% of that total amount is $10,200. So, in other words, a bank could default on the $10,000 loan and would still be under their limit and you would not shut them off. And that's the way it is right now. And that's more liberal than what they are proposing. Because what they are proposing is 2% of the total number. And that means, that first of all, any bank that has less than 50 loans - as soon as one goes bad, they are going to shut down. Its 2%. 50 loans - one loan is 2% of that. So, I think what we want is to keep the present language - "total amount". Otherwise, you are going to be shutting down an awful lot of banks. An awful lot of banks aren't going to be able to participate in this program.

STURGULEWSKI: Explanation. If you have your same scenario, and you've got $510,000, how do you interpret the current law? What do you say that says?

KELLY: That says that if one of those loans is at $10,000 and it goes bad, you can still do business with that bank.

STURGULEWSKI: When couldn't you do business?

KELLY: In that case, if that loan was for $10,300, they wouldn't be able to do business with them. Its 2% of the total amount, so you just have to add up all their loans and take 2% of it. I just don't think there is any question but that you just want to leave it as "...total amount...", which means you would want to delete that section. Again, if you are talking about total number of loans, a bank would have to have 50 loans - any time anything short of 50 loans went bad, they would be shut off, and right now, AIDA only has 53 loans out with all the banks. So, anytime any one of those goes bad, that bank is finished until they get that cleaned up. That's pretty tight. That's pretty stringent. You are going to make the banks awfully "risk adverse" and they already are that way naturally. I don't know if you want to encourage them to be any more "risk adverse". That is Section 10.

Section 11 is identical to the two previous versions. Its a redefinition of "business enterprise" and doesn't seem to be substantive in any way.

Section 12 is the same as the two previous bills.

(Section 13 had been crossed out on the work draft.)

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Section 14, page 8. The other bills say "...a company that had a gross profit of $10 million or less.". I don't think that is a small business. The present law reads "gross of income of $10 million", and that's what this says. We have added the words "for its annual reporting period ending immediately before the application to the authority". That is just a technical thing for their purpose, but the crux of the matter is that you have a choice there. The previous versions would allow you to lend money to anybody whose gross profits were $10 million or less. This version (and present law) would allow you to lend money to people whose gross income is $10 million or less. In real terms, what that means is, right now you can't lend to Cars and

McDonald's - people that have income over $10 million. And, if you leave this as it is now, you wouldn't be able to - if you put it in, you will. Its your choice. Its just a question of what you want to call a small business.

STURGULEWSKI: You've added the multi-family dwelling enterprise. I've been concerned with AHFC - what we are really doing is forcing everybody to have single families in a sense by that, and we are tremendously...getting some inflationary factors built into it. And, also I guess kind of changing what Anchorage is going to look like because you are going to go where the cheap money is. And, I guess what I'd like to know on this one - when we talk about multi-family dwelling, there are always a number of explanations. AHFC as I understand is pretty tight on say, condominiums, which are in fact single family or single residence, on the number of owner-occupied, etc. I guess I'd like to know is, what are we talking about doing here and how does this interface with AHFC and what they are doing? Multi-family could I suppose, go from a duplex, a triplex or a fourplex, depending on what the thing is. And again, how does this relate to what is actually happening, or perhaps should happen, under AHFC. I don't know the answer to that. Maybe....

FERGUSON: My question on that would be, who are we trying to help? You know, all those business that would....

KELLY: Sterling would be able to talk to this, but this program is going to be taken advantage of under the bonding program or its not going to be taken advantage of at all. Because $500,000 isn't going to do, I think, anybody any good for multi-family dwellings. So, its going to be bonded. And if its bonded, that means that 20% of it has to go to low or moderate income income people. So, that's all you know. You don't know if you're even going to be able to pull it off. According to the people at AIDA, they say that this would work...it would only "pencil" if it was an eightplex or greater - otherwise it just wouldn't be feasible. You'll want to talk with them about this question. If you do keep it in, you would want to specify that you are not talking about duplexes, I think, unless you want it to overlap with AHFC. And, you wouldn't want...I know there are a number of efforts afoot in the House to expand AHFC to get into this area too. And this is just something you are just going to have to resolve somewhere down the road.

FERGUSON: Going back under Section 14, under commercial fishing enterprises - does this mean that ARRC could loan money to a corporation, take over that corporation, then borrow money from AIDA?

KELLY: The company could...yes. But, again, the language is identical to the present language. There is no change there - I mean, they can do that now.

So anyway, in this definition section, what you want to call a small business....I don't think there is much of a problem with it until you get to that "multi-family". I think that's rea..y the critical one there.

STURGULEWSKI: Why? What do you mean by that?

KELLY: Well, I mean in terms of overlap with whatever AHFC is doing, and in terms of whether this is really going to be able to happen. I mean, it would be terrible if you thought you were going to be doing something and it turned out you weren't really going to be able to do it. And I think its very difficult to bond for these sorts of programs - to bond for a multi-family dwelling with 20% to low and moderate income. I'm no expert on that though - you'd have to check with someone.

STURGULEWSKI: Before we move on, would you explain (13) in Section 15? What are we saying there?

KELLY: You are saying the same thing you are saying right now. There is no change except the addition of the words "project applicant".

STURGULEWSKI: I know, but what does that mean?

KELLY: Its pretty broad.

STURGULEWSKI: What does it mean in terms of what we are doing and, O.K., lets say you've got a pool of people who could borrow. So what are we saying by saying a "project applicant"?

KELLY: I'm not sure why they added that wording. That's...that came from AIDA.

STURGULEWSKI: I'd like an explanation on that.

SACKETT: At some point in time, I'd like to see some analysis as to the monetary effect on the present programs that exist under AIDA right now - the tourism, the mining, and the commercial fishing - as a result of the expansion of the definition and the expansion of the types of loans that they can get into. But we can get into that at a later time. Because I'm sure that...I just need to get some idea of the ramifications...of what we are doing.

KELLY: As I see it, there are two ramifications. One is that you are allowing all of those...the timber, mining, commercial fishing, all of that business...you are enabling to borrow up to $10 million, which is something they are not doing right now. That is one thing - under the bonding program. But that would have to be for new IRS approved purposes. Secondly, you are allowing them to borrow working capital, accounts receivable and inventory up to $500,000, which is something they are not able to do right now - at subsidized rates if SBA was willing to guarantee it (or the National Marine Fisheries Service).

SACKETT: That is one. But the other area too is by expanding your definition from the present one.

KELLY: Well, I don't know that. The only other thing that's in this bill is that Section 19 allows for $400,000,000 authorization. And you may want to ask AIDA where they get that estimate from. I know that the House is looking at a slightly smaller figure. As I understand it, they are thinking $200 million of that would be "stand alones" and $200 million would be "umbrellas". I don't have any doubt that they could do $200 million of umbrellas at least.

Section 20 has a change from the previous two bills in that those two other repealers - the delinquency rate and the interest rate - were covered. And, you don't need to repeal them because they are already repealed and re-enacted in previous sections of the bill. They haven't been dropped out or anything, they are still going. Same effect as previous bills in that regard.

Section 20 - Section 9(c) is the reversion of the $166 million. Instead of having to return it to the State, the corporation can keep it.

BENNETT: Let me ask you two questions if I might. One is, is there anything here that precludes money from being loaned for ventures outside of the geographical limits of our State?

KELLY: I don't think so, unless its regulations or provisions of the SBA program.

BENNETT: Don't you think there should be maybe? Secondly, what about foreign nationals?

KELLY: Again, that's not addressed. It wouldn't be very hard to address it. You could add it to the definition of a business enterprise - has to be Alaskan owned and in Alaska.

THIS RESPONSE CONCLUDES THE VERBATIM TESTIMONY.

Senator Stimson requested that Mr. Buzz Hoffman, the new Executive Director of AIDA, come forward to testify to the committee on the legislation.

MR. BUZZ HOFFMAN, EXEC. DIR., AIDA

Mr. Hoffman stated he was hired in December, shortly after the program was conceived. Since December (1980?), there are about $185 million worth of loans in the application process. That would break down to about $101 million of loans between $1 million and $10 million, and loans of about $80 million of $1 million or less. He stated that at this time, AIDA only participates in "umbrella" financing with approved lenders within or without the state as long as the loans are only for Alaskan projects. AIDA buys up to 90% of a loan if it qualifies - from credit unions, savings and loan groups, banks, and outside banks (with the Alaska qualification). He stated that real estate is no problem as it is not difficult to determine where the project would be, but fishing boats at times do give AIDA difficulty as far as location of project. He stated that the program has probably covered about 40% of the requirements of the people. He added that the AIDA program has a "lot of holes" in it. He stated that the following recommendations have been made to the Board:

1. AIDA gets its money by borrowing on Wall Street. AIDA was appropriated $15 million in cash, and $166 million in loans to use as bond reserves and working capital in their Enterprise Development Fund. At this time, AIDA can buy loans or make loans only in anticipation of bonding. So, the $166 million loan appropriation is currently generating about $2 million per month in cash flow. All AIDA can do with that money today is in essence use it as a "savings account" for the State of Alaska since any amounts in excess of the bonding requirements could revert to the State on July 1, 1982. Recognizing that the current program covers only 40% of the needs of the people, AIDA found a way in the existing law to facilitate the secondary market of federally insured loans. AIDA recommended that they be allowed to buy the SBA guaranteed portion of the loans that would be made for accounts receivable, working capital, inventory and refinance - then allocate their excess funds to that account.

   He stated that the Small Business Administration was extremely receptive to that idea. SBA indiciated that in the past, since interest rates for SBA loans today are in the 21% range, in an attempt to encourage the banks and other lenders to make those kinds of loans, they have even traveled into the bush areas. They offer to put the loans together and service the loans. However, because of the high rates, there is not much demand. The present demand at the high rates is about $2 million per month (about the amount AIDA could allocate into that program). SBA tells AIDA that the need is far greater than that - to do 100% of that program, about $60 million in addition to the $2 million AIDA could allocate would be required. After 5 years of this funding, the program should be "self-washing".

2. Mr. Hoffman discussed AIDA's experiences on Wall Street. The rating agencies told AIDA (and they tell the world what AIDA's credit rating is so that interest rates can be established) that they have a great concern that the $2 million per month of excess AIDA cash flow will be dissipated. They say AIDA inherited Grade D, C and D "soft" loans and they are concerned that AIDA will make more "soft" loans. So, they won't give AIDA an increased credit or bond rating that really appreciates the $2 million excess cash flow per month. A suggestion was that since there is a demand for "soft" loans, AIDA could allocate that money to buying soft loans with a "hard guarantee of Uncle Sam behind those credits". That would accomplish the following: 1) the

existing social need would be fulfilled; 2) AIDA's bond rating would improve; and 3) the required bond reserves could be funded.

Further discussion ensued of advantages of the authority to proceed with the two above programs. Mr. Hoffman sited the following as the major advantages to that authority:

1. Help a lot of really good business that are not recognized on Wall Street obtain bonding for credits of between $1 million and $10 million. He stated he had a list he would be happy to leave with the committee.

2. Continue AIDA's program of purchasing loans in participation with other lenders to help the needs of the people requiring between $-0- and $1 million. He added that loans as low as $15,000 had been purchased to make the program work. He stated this was awkward and that Wall Street had advised setting a minimum loan amount.

3. Use the SBA loan program and guarantee at rates of no more than 1/2% above the AIDA bonding rate. This way, a minimum loan size could be established, and financing could be provided for "things" AIDA cannot not "touch".

Mr. Hoffman stated the "sad thing about the present bill" was that AIDA could help start a new business, but could not help a business to expand. For this reason, existing businesses in need of financing may have to sell out. Mr. Hoffman stated that the passage of COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 404 (Finance) would enable AIDA to help the expanding business. He thanked the committee members for their time, and made himself available to answer any questions the members might have.

Senator Sturgulewski asked what AIDA and the AIDA Board supports in terms of the latest proposed legislation. Specifically, she was interested to learn AIDA's views on going into the tax exempt bonding market portion of the bill. She asked the following questions in this regard:

1. Does AIDA support this portion of the legislation?

2. If so, why?

3. What would the implications be to the State if this portion of the legislation is passed?

Mr. Hoffman responded that he did support this portion of the legislation. He explained that on June 30, the State Small Business Loan Division is due to sunset. There will be uncompleted loans that will "die" in the process as there will be no funding available to honor the commitments that were made by the State. He stated that the previous AIDA Director had suggested to the Governor that a direct appropriation be made so a taxable bond sale could be accomplished so that money would be available at a reduced rate so that any of those credits could be picked up if the State would not be able to fulfill its commitments. The Governor subsequently put in an $8 million subsidy which on today's market will allow AIDA to raise $20 million over 15 years - but it would give AIDA the ability to pick up those outstanding loans. It was established that this would not require a change in the statutes, but AIDA would just need the appropriation.

Mr. Hoffman stated that from his personal point of view (the Board has not yet taken a position as yet) AIDA should be allowed the authority to sell taxable bonds to provide long-term financing. The true cost of AIDA's borrowing, plus 1/2 of 1% more would be passed on the loans. He stated that the bill before the committee was not worded quite this way, but he thought Senator Mulcahy had an amendment prepared that would make this provision. There would not be a subsidy in this case.

FRANK COX, DIRECTOR, SMALL BUSINESS ASSOCIATION FOR ALASKA

Mr. Cox stated he had worked with Mr. Hoffman and AIDA. He stated that he and Mr. Kelly had some disagreement, but primarily he wished to address the size standards being used. In regard to limiting people to a $10 million gross, he stated that the federal government and the SBA use 500 employees and $10 million as a "rule of thumb" for gross profits. He stated that the provision in the bill may preclude making loans to some small businesses that are very deserving. He stated that SBA makes loans to some small business that are doing over $2 million worth of businesss. He felt that SBA, on that side of the AIDA program, would tend to take care of the problem. He suggested that the Legislature use the size standards that SBA would use.

Mr. Cox also recommended that AIDA be able to buy the bonds. In the rural areas, where SBA is doing most of the lending. This legislation would substantially reduce the consumer cost in places where there are only one or two shipments per year and a lot of money is tied up in working capital or in inventory.

Mr. Cox made a statement on SBA disclosure policies. He stated that if inquiries are made, SBA will give the loan recipient's name, the balance of the account, and whether or not the recipient is in arrears.

Senator Mulcahy stated that he had some amendments he would like placed in the working file for SB 404. He said that the amendments addressed problems that had come up in discussion, and that he may present more amendments in the future.

Co-chairman Bennett stated that testimony on SB 404 would be concluded at this time, and the bill would be taken up for consideration again at a later time.