

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2820

HEALTH BUDGET CATEGORY

Co-chairman Bennett requested that Senator Sackett begin with unfinished pages in this category.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - LABORATORIES - REGIONAL LABS - page 49

Senator Sackett stated that new figures were available for the add-in on this page for the Microbiologist Lab Assistant and the Virologist. He asked that Mr. Schilz present the new figures. Personal Services - \$1173.5; Travel - \$17.2; New Total - \$1482.3; 33 new positions; staff months changed to 420. There being no objection to the new figures, they were adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - EMERGENCY MEDICAL SERVICES - DESIGNATED GRANTS - page 73

Senator Sackett stated that Co-chairman Dankworth had requested this page be held open. Since Co-chairman Dankworth was not present at that time, the committee decided to go on to the next page.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - HOLISTIC HEALTH - HOLISTIC HEALTH - page 211

Co-chairman Bennett requested that someone provide a description of Holistic Health - what it does and who is benefited. Senator Stimson stated he was familiar with the meaning of holistic health, but did not know anything about this particular program. Senator Sackett stated that the program was started last year as a result of Mrs. Hammond's efforts. \$500,000 was appropriated originally, and \$139.4 was transferred in in addition to that. Marsha Hubbard, Director of the Budget and Management Office in Health and Social Services explained that the program served four major population groups, but primarily is aimed at introducing preventative health using non-medical states of the art. Hospice activities are looked at for those who are terminally ill. They are looking at changes in nutrition and lifestyle for children and individuals who are in long-term care, and at various nutritional instruction management activities for middle aged populations. It is a series of grants given to such groups as the Alaska Parent/Teacher's Association, the Fairbanks Pioneer Home, the Juneau Correctional Facility, the Hospice group in Juneau, and five or six adult and children's organizations in Anchorage. She stated there was a list of the other grantees in the budget. She said that this new program is being tested, but at the present time is not being evaluated for its total output. She could not say as yet how this program has changed the health status of Alaskans.

Further discussion on the program ensued. Co-chairman Bennett stated that the institutions already have contract nutritionists, etc. He was concerned that it could continue to be monitored for years.

Co-chairman Bennett moved that this component be zeroed. Upon a show of hands, the motion failed.

Co-chairman Dankworth suggested putting a sunset on this component, or possibly add intent to see that the program is evaluated. Marsha Hubbard stated there was a bill introduced by the request of Budget and Audit to sunset this program during FY 82. Senator Sackett asked what the legal method of sunsetting the program right in the budget would be. Mr. Schilz stated he did not know if there was a way to sunset it other than by passing a bill, but the audit could still be done, whether there is a bill or not. Senator Stimson asked if Legislative Intent could be added in the budget requesting a Legislative Audit of the program; he added that the sunset is already added in and the program will end at the end of 1982. The question would be whether or not to fund the program again. Senator Sturgulewski stated that a Legislative Audit can be requested at any time - there is no need for Intent. Senator Sackett agreed, and stated that as a separate motion, the Senate Finance Committee should request an evaluation and Legislative Audit.

Co-chairman Bennett amended his previous motion by moving that the Senate Finance Committee request the Budget and Audit Committee to do an Audit of this program and provide a report to the Senate Finance Committee. Senator Sackett moved that Intent be added that the Senate Finance Committee is extremely concerned about the purpose of this program, that the program be evaluated, and that FY 82 be the final year of funding. Co-chairman Bennett stated that his most recent motion could be amended to include Senator Sackett's motion on Intent. There being no objection to the final motion, it was so ordered.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - SHPDA - NHSC-HEALTH CLINICS - page 177

Senator Sackett requested that Marsha Hubbard speak on this component. He wanted more back-up on exactly who they were, what they were and why they were in the budget.

Ms. Hubbard stated that the proposal had been put together by the Tanana Health Corporation. Quite early in the year they identified two possible federal short-falls that they were at that time predicting for the State of Alaska. One was in the Community Primary Health Care Grants that are received by certain health corporations to operate primary clinics. On page 3 of the report they are listed as operational grants. The other program they were concerned about was the National Health Corps Service. These were two very different types of programs. The National Health Corps Services acquires medical professionals, places them in communities to work in primary health care clinics. The operational grant program provides contractual funds to local corporations to operate primary health care clinics - these would be included in the health services block grant under the Reagan proposal. The Tanana proposal shows \$140.0 for Kodiak and \$410.0 for Anchorage for operational grants. She stated that at the

present time Reagan is not suggesting to delete those programs in their entirety, but to take a 25% cut. Ms. Hubbard added that she anticipated there would be a 25% short-fall in federal FY 82. The degree to which that federal fiscal year occurs in Alaska's fiscal year may minimize the short-fall, but at the present time, the proposal for those two grants is overstating their short-fall by 75%. Ms. Hubbard stated that the other program - the National Health Service Corps - was one totally in limbo at this time. She cited other problems related to the NHSC in Alaska. She stated that Tanana Health Corporation would like sufficient funds to entice health professionals into the rural communities. She stated her best recommendation might be to fund a new form of the Corps - a State Health Service Corps - perhaps in the manner the Tanana Health Corporation is suggesting.

Senator Sackett moved that his previous figures be changed so that the following communities be funded: Barrow North Slope Clinic - \$55.0; Galena - \$90.0; Nome - \$130.0; Unalakleet - \$45.0; Craig - \$45.0. For the developing sites, he moved the following figures: Mountain Village/Pilot Point - \$75.0 and \$90.0; McGrath - \$75.0; Cold Bay - \$75.0. The total was \$740.0. There being no objection, it was so ordered.

Senator Stimson moved and asked unanimous consent that \$35.0 be added for the Anchorage Health Clinic to take care of the 25% cut. There being no objection, it was so ordered. Co-chairman Bennett stated he did not think it was the State's responsibility to cover this 25% cut. Further discussion ensued, and Senator Stimson moved and asked unanimous consent that the committee's action on his motion for \$35.0 for the Anchorage Health Clinic be rescinded. There being no objection, it was so ordered.

Senator Sturgulewski stated that she would move at the appropriate time that there be Intent language to request the Department of Health and Social Services to come back with what would be the appropriate role for the State in this whole area. She did not feel there was enough information at that time to know who would be hurt and who would not be hurt by the cuts.

It was determined that this page would be held OPEN until a later time.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - EMERGENCY MEDICAL SERVICES - DESIGNATED GRANTS - page 73

Co-chairman Bennett stated that Co-chairman Dankworth had said that the committee should close this page without his presence. The subcommittee figure was \$53.6. The subcommittee figure was adopted.

DEPARTMENT OF HEALTH & SOCIAL SERVICES - PUBLIC HEALTH ADMINISTRATION - DESIGNATED GRANTS - page 63

Senator Sackett stated that Co-chairman Dankworth had requested this page be held open. The subcommittee figure was \$396.9. Co-

chairman Dankworth arrived in the meeting moments later and requested that this page be held open for further consideration. There being no objection, it was so ordered, and the page was held OPEN.

Senator Sackett stated that the Head Start component was still open, but would not be ready for closure until a later time.

PUBLIC PROTECTION BUDGET CATEGORY

Fiscal Analyst Bob Schroeder arrived at the meeting at this time, and the committee began the following review and close-out of the PUBLIC PROTECTION budget category.

ALCOHOLIC BEVERAGE CONTROL BOARD, p. 5

Mr. Schroeder advised that the subcommittee "took out" the double funding and reduced the remaining budget by 5%. Senator Sturgulewski asked if employees of the board are charged with responsibility for monitoring bars and liquor stores to see that they adhere to regulated hours for opening and closing and refrain from serving or selling to minors. Senator Ferguson attested to the fact that hours which bars may be opened and closed are set by individual communities rather than the ABC board. Senator Sturgulewski expressed concern that ABC board employees "only sit at desks and don't do what should be done." Co-chairman Bennett advised that ABC board employees are charged with technical regulation--"seeing that the booze is not watered, etc." Senator Sturgulewski requested that the component remain OPEN for delineation of responsibility. No objection having been voiced, the component was held OPEN for later discussion.

OCCUPATIONAL SAFETY - OCCUP. SAF. & HEALTH, p. 19

Bob Schroeder advised that five former components under Occupational Safety--General Administration, Compliance Inspection, Health Inspection, and Training & Consultation--have been "rolled" into this remaining component. Mr. Schroeder further advised that the subcommittee took the Governor's budget and reduced it by almost 50%. Senator Ferguson stated that the reduction was effected at his recommendation, because, although they mean well, "all they do is go around and harass people." Co-chairman Bennett stated that he had been responsible for this category of the budget over the past few years, and would have liked to "get rid of it" (the occupational safety inspection program). Other states have abolished the program and permitted federal inspectors to perform this function. The committee adopted the subcommittee recommendation of 1934.1.

FISHERMANS FUND, p. 21

The subcommittee funded the Governor's total of 1040.5.

SECOND INJURY FUND, p. 23

Bob Schroeder advised of a Budget Amendment for \$115,200, adding two people to the division to reduce the backlog. He stated that the subcommittee incorporated the budget amendment but changed the funding because of HB 94 and HB 159 (legislation to "take care of the shortfall"). The subcommittee "took administrative costs" and funded them from general funds. The subcommittee requested a policy statement from the Governor concerning future use of general funds by this program. Senator Ferguson moved that the committee "delete the first five categories" and not fund the Governor's amendment (not accept the Governor's budget amendment and return the Second Injury Fund to general fund). Senator Stimson objected, advising that he had spent considerable time on workmen's compensation. He added that the second injury fund represents a "real puzzle." Senator Ferguson stated that if the Governor's "comes in" with a policy statement regarding use of general funds, he (Ferguson) would recommend to the free conference committee that the Governor's budget amendment be funded. This program was held OPEN for later consideration.

ADMIN. OF WORKER'S COMPENSATION, p. 25

Bob Schroeder advised of a Governor's Budget Amendment in the amount of \$410,700 in general funds necessary to sufficiently staff this program in order to process claims within the statutory 20-day period. The subcommittee funded the amendment, the request for 8 new positions, and the 2 positions included in the budget amendment. An additional request has been received for 160,000 for a study of the Division of Workmen's Compensation relating to administration and procedures dealing with vocational rehabilitation. Senator Stimson further requested addition of 55,000 for a management analyst. Upon a show of hands, the above additions were included in the program and the committee adopted the following line item funding and total: personal services, 1135.2; travel, 97.2; contractual, 384.0; commodities, 25.7; equipment, 29.7; grants and claims, 582.5; total, 2414.3.

WAGE & HOUR ADM., p. 27

The subcommittee took the Governor's budget and reduced it by 5% for a new total of 775.4. The committee adopted the subcommittee recommendation.

MECHANICAL INSPECTION, p. 29

The subcommittee did not allow the Governor's Budget Amendment for the ski tow inspector, and reduced the Governor's budget by 5% for a new total of 1008.1. The committee adopted the subcommittee recommendation.

WEIGHTS & MEASURES, p. 31

The subcommittee allowed the mobile home inspector, but did not allow the clerk typist or the weights and measures inspector since program priorities were not sufficient to fund. The committee adopted the subcommittee recommendation of 755.7.

BANKING SECURITIES & CORPORATIONS - CORPORATIONS, p. 35

The committee adopted the subcommittee recommendation of the Governor's budget reduced by 5% for a new total 237.2.

BANKING, SECURITIES & CORP. - FINANCIAL INSTITUTIONS, p. 37

The committee adopted the subcommittee recommendation of the Governor's budget reduced by 5% for a new total of 966.5.

INSURANCE DIVISION, p. 39

Bob Schroeder advised that the subcommittee took the Governor's budget and reduced it by 5%. Senator Stimson mentioned that the House allowed 60,000 for an actuarial study of employment insurance including self-insured. Senator Ferguson advised that he would be willing to include such funding at free conference but not within the Senate budget since the study was not a part of Senate subcommittee deliberation. At a later time, however, the committee returned to this program, and funding for the study was included, producing a new total of 874.6.

OCCUPATIONAL LICENSING - ADMINISTRATION, p. 45

The subcommittee deleted the requested position and reduced the remaining Governor's budget by 5%. The subcommittee took 35,100 from the new position in the Budget Amendment and put it in contractual services, requesting that the division use the funding to establish an alternative information system. The subcommittee did not disallow the Budget Amendment, but rather restructured it. The recommended total of 666.8 was adopted by committee.

OCCUPATIONAL LICENSING - LICENSING BOARDS, p. 47

The subcommittee reduced travel and eliminated contractual for a new total of 169.5. The committee adopted the recommended total.

OCCUPATIONAL LICENSING - INVESTIGATIONS, p. 49

The subcommittee did not allow the investigator position, but did allow the transferred position via Budget Amendment. The subcommittee reduced the Budget Amendment by the transferred position, and the remainder of the Governor's budget by 5% for a new total of 488.2.

OCCUPATIONAL LICENSING - REAL ESTATE COMMISSION, p. 51

The subcommittee did not allow the two requested positions and reduced the remainder of the Governor's budget by 5%. Bob Schroeder advised that the Real Estate Commission is the only state commission with staff people. The legislature "may be looking at 2' other commissions which may want to have permanent staff also." The committee adopted the recommended figure of 215.9.

ADMIN. & SUPPORT, p. 53

Bob Schroeder stated that the following legislative intent is not the intent of the subcommittee but rather the intent of the Senate Finance Committee regarding CIP positions:

Capital improvement positions have by tradition been established, funded, and supported outside the appropriated budget process contrary to the Executive Budget Act. Beginning with the fiscal year 1983 budget presented to the legislature, all capital improvement positions 'authorized' or existing in all state agencies and all line item detail associated with those positions shall be budgeted for appropriation in accordance with the detail budget instructions published by the Office of the Governor, Division of Budget & Management.

In considering funding for Admin. & Support, the subcommittee deleted the 3 requested new positions, included the 2 positions in the Governor's Budget Amendment, and reduced the Governor's budget by the deleted position costs and 5%, for total funding of 747.9.

REGULATORY COMM. - AK. TRANS. COMM., p. 57

The subcommittee did not allow the requested new position and reduced the Governor's budget by 5%. The committee adopted the recommended total of 1480.0.

REGULATORY COMMISSIONS - ALASKA PIPELINE COMMISSION, p. 59

The subcommittee found that SB 113 contains contractual funding for this commission and thus reduced contractual accordingly. The remainder of the Governor's budget was reduced by 5%, producing a new total of 546.3 which was adopted by full committee.

REGULATORY COMM. - AK. PUBLIC UTILITIES COMM., p. 61

The subcommittee accepted the Governor's Budget Amendment and reduced the remainder of the budget by 5%, producing a new total of \$2005.3 which was adopted by full committee.

ADJOURNMENT

The meeting was adjourned at approximately 1:00 p.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)

SENATE FINANCE COMMITTEE

May 4, 1981

8:45 a.m.

SFC-81, #45, Side 1, (000-695)

CALL TO ORDER

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

PRESENT

All committee members were present with the exception of Senators Eliason and Sackett. Senator Ferguson arrived approximately fifteen minutes after the meeting began. Also attending were Fiscal Analyst Bob Schroeder, Administrative Assistant to Senate Finance Judy Johnston, and representatives from the press including Joe LaRocca.

PUBLIC PROTECTION

Co-chairman Don Bennett advised that the meeting was convened for continued review and close-out of the PUBLIC PROTECTION budget. Fiscal Analyst Bob Schroeder directed committee attention to p. 63 of the budget printout.

SEARCH & RESCUE, p. 63

Bob Schroeder advised that this program relates primarily to Civil Air Patrol activities. The subcommittee took the Governor's budget and reduced it by 5%, producing a new total of 523.4. The committee adopted the recommended figure.

DISASTER PLANNING & CONTROL - CIVIL PREPAREDNESS, p. 67

This program relates to civil defense. The committee adopted the subcommittee recommendation of the Governor's budget reduced by 5% for a total of 742.6.

DISASTER PLANNING & CONTROL - RADIOLOGICAL PROGRAM, p. 69

Since this program is fully federally funded, the committee adopted the Governor's total of 51.8.

DISASTER PLANNING & CONTROL - CITY PARTICIPATION, p. 71

The committee adopted the federally funded Governor's total of 130.0.

DISASTER PLANNING & CONTROL - FLOOD CONTROL, p. 73

The committee adopted the subcommittee recommendation of the Governor's budget reduced by 5% for a new total of 73.4. Senator

Ferguson advised that the Governor's Budget Amendment is a housekeeping measure and not relative to the budget process.

DISASTER PLANNING & CONTROL - TRAINING, p. 75

The subcommittee reduced the Governor's budget by 5% for a new total of 19.0. Bob Schroeder advised that travel funding covers the cost of bringing guardsmen in for training. The committee adopted the recommended total.

DISASTER PLANNING & CONTROL - DISASTER RELIEF ACT, p. 77

The program includes 1 full-time and 1 part-time position to administer Disaster Relief funds received from the federal government. The committee adopted the subcommittee recommendation of the Governor's budget reduced by 5% for a new total of 51.0.

DISASTER PLANNING & CONTROL - EARTHQUAKE RESPONSE STUDY, p. 79

Bob Schroeder advised that no funding is requested for this program in the FY 82 budget. A program report should be available by the end of the year.

DISASTER PLANNING & CONTROL - DESIGNATED GRANTS, p. 81

Funding of 7.8 is provided as a designated grant to the National Alert Patrol for various items of communication equipment.

ALASKA NATIONAL GUARD - OFFICE OF ADJUTANT GENERAL, p. 85

Bob Schroeder advised that the subcommittee deleted a position and reduced the Governor's budget by 5% for the new total of 1202.1. The committee adopted the subcommittee recommendation.

ALASKA NATIONAL GUARD - STATE ARMORIES, p. 87

The committee adopted the subcommittee recommendation of the Governor's budget reduced by 5% for a new total of 969.6.

ALASKA NATIONAL GUARD - FEDERAL ARMORIES, p. 89

The subcommittee reduced the general fund portion of the above program by 5%, producing a new total of 1200.2. The committee adopted the subcommittee recommendation.

ALASKA NATIONAL GUARD

The committee adopted recommended subcommittee totals reflecting a 5% reduction of the Governor's budget for the following programs:

ARMY TRAINING SUPPORT, p. 91 - 587.5

AIR TRAINING SUPPORT, p. 93 - 862.6

RETENTION AND RETIREMENT, p. 95 - 1146.3

ALASKA NATIONAL GUARD - ALASKA MILITARY ACADEMY, p.97

Bob Schroder advised that this program relates to a "small operation at Camp Carrol." The committee adopted the subcommittee recommendation of the Governor's budget reduced by 5%, for a new total of 6.7.

ALASKA NATIONAL GUARD - ALASKA STATE MILITIA, p. 99

Bob Schroeder advised that this program relates to a request to establish a civilian militia charged with civil order duties. The subcommittee did not feel the information submitted with the request warranted establishment of a new component and, therefore, did not fund the budget.

FIRE SAFETY, p. 101

The committee adopted the subcommittee recommendation for a 5% reduction in the Governor's budget, producing a new total of 1008.8.

HIGHWAY SAFETY PLANNING AGENCY, p. 103

Bob Schroeder advised that the recommended subcommittee total of 1231.2 represents a 5% reduction in grants and claims, and inclusion of the following:

80.0 to contract for an emergency equipment specialist to maintain emergency equipment in outlying areas.

110.0 to Mauneluk for NANA Region search & rescue operations

7.7 to Kiana for fire fighting equipment and maintenance

The committee adopted the subcommittee recommendation.

DRIVER VEHICLE SERVICES

The committee adopted recommended subcommittee totals representing a 5% reduction in the Governor's budget for the following sub-programs:

DRIVER SERVICES, p. 107 - 738.9

VEHICLE SERVICES, p. 109 - 398.8

FIELD OPERATIONS, p. 111 - 3647.4

ADMINISTRATION, p. 113 - 660.4

COMMISSIONER'S OFFICE - ANIMAL INDUSTRY, p. 117

Bob Schroeder advised that the above program provides inspectors, such as meat inspectors, statewide. The committee adopted the subcommittee recommendation for the Governor's budget reduced by 5%--a new total of 577.6.

COMMISSIONER'S OFFICE - SEAFOOD INDUSTRY, p. 119

Bob Schroeder stated that the program represents an attempt to emphasize development of a seafood industry. The subcommittee "put on" two positions for a net increase of 7 full-time, 1 part-time, positions. Four positions are placed in Palmer in order to establish inspection capabilities re: shell fish poisoning. Sanitation inspectors were also added to inspect seafood processing. These positions will be based in Dillingham and Dutch Harbor. The committee adopted the subcommittee recommendation of 653.4.

COMMISSIONER'S OFFICE - ADMINISTRATION, p. 123

Bob Schroeder stated that the Governor's budget included a request for an Administrative Assistant. The subcommittee deleted the position and reduced the budget by 5% for a new total of 185.9. The committee adopted the subcommittee recommendation.

FIRE PREVENTION - TASK FORCE, p. 127

The subcommittee took the Governor's budget and applied 5% reduction for a new total of 145.5. Bob Schroeder stated that the task force is basically a planning group. Co-chairman Bennett attested to the fact that several entities appear to be involved in fire fighting and alluded to his concern that efforts will be duplicated and a need for consolidation of these functions.

DEBT SERVICE, pp. 131-133

Debt service was fully funded per the Governor's figures.

ADJOURNMENT

The meeting adjourned at approximately 9:20 a.m.

SFC-81, #45, Side 1 (000-695)

SENATE FINANCE COMMITTEE
May 5, 1981
8:45 a.m.

(Tape SFC 81, # 45, Side 2, 000 - end)
(Tape SFC 81, # 46, Side 1, 000 - 278)

CALL TO ORDER

Co-chairman Bennett called the meeting to order at 8:45 a.m.

PRESENT

All members of the committee were present with the exception of Senator Eliason. Also in attendance were Executive Director of Alaska Public Broadcasting Corporation, Charlie Northrup; Department of Education Fiscal Officer, Steve Hole; Commissioner of Department of Transportation, Bob Ward; and Senator Kerttula.

SENATE BILL NO. 203

Co-chairman Bennett stated the first order of business would be consideration of SENATE BILL NO. 203 (An Act making supplemental appropriations to the Department of Education; and providing for an effective date), and requested that Co-chairman Dankworth present the bill to the committee.

Co-chairman Dankworth stated that he had intended to have a committee substitute drafted, but first wanted some questions answered on amendments in the file. He stated he wished the entire committee to decide whether or not to incorporate the amendments into the committee substitute version.

Co-chairman Dankworth stated that Section 1 of the bill was no longer necessary because of the enactment of the Revolving Loan Fund in the Postsecondary Commission, so he planned to move to delete Section 1 in the committee substitute. He stated that the final figure for Section 2 had been readjusted to \$8,130,174, instead of \$9,800,000. He said that the difference was related to excess funds not required, and would bring it up to 100% of 80%. He stated that Section 3 would remain the same.

Co-chairman Dankworth then pointed to amendments requested by the Department of Education. He requested that Steve Hole, fiscal officer for the Department of Education come forward to speak on the department's proposed amendments.

Mr. Hole came forward and began with the amendment requesting \$20,000 for travel costs for State Board of Education meetings. Mr. Hole stated that the request was for funds that would enable the Board to carry out the balance of its responsibilities for this fiscal year. Co-chairman Dankworth asked for an explanation

of the out-of-state meetings. Mr. Hole stated that these were for national level Board meetings.

The next amendment was transferring \$210,000 from the REAA local formula to the Seward Skill Center to cover the cost of reduction in CETA funded students. Mr. Hole explained that there was a slight excess in the Local Formula REAA account, and there is a shortfall in the Skill Center tuition payments account, occasioned by a combination of reduction in federal CETA funding, and the elimination of a preferential rate that DOE used to charge CETA for those youngsters now no longer charged. The result was a slight shortfall in the account. The transfer of \$210,000 would fully fund the tuition account.

Co-chairman Dankworth next asked Mr. Hole about the request for a change in the language for a museum security system using 1978 funds. Mr. Hole stated that it was a language change only and did not entail any funding.

Referring to an amendment for \$19,300 for KHNS in Haines - submitted by Senator Eliason, Senator Sackett stated he would like to add two requests - \$45,580 for KSKD in McGrath, and \$23,900 for KCAW in Sitka. He stated that in 1979 they had received either 1/2 or 3/4 funding because they were not ready to come on line. Then when they did come on line, the legislature passed the full year appropriation, but the Governor's Office took the 3/4 funding formula for those two stations - hence the current request.

Co-chairman requested that Charlie Northrup, Interim Executive Director for the Alaska Public Broadcasting Commission, come forward to speak on the APBC supplemental requests. Mr. Northrup spoke to the request for \$60,000. He said that within that amount there was \$10,000 for a temporary employee while a permanent employee was on medical leave, \$25,000 for travel, and \$25,000 for contracted legal services. He said all these requests related to the Tape Delay Center.

The next APBC request was for \$25,800 for the Delay Center. Funds had been booked as an operating item instead of a capital item, so at the end of the year, the computer showed monies still in the operating account that actually were not there.

Co-chairman Dankworth questioned Mr. Northrup on the \$10,000 requested for equipment. Apparently, it was equipment that had been ordered previous to his employment, but could not be returned.

Senator Ferguson asked if RATNET (Rural Alaska Television Network) was in the Alaska Statute. Mr. Northrup stated it was by virtue of Executive Order # 50. Senator Ferguson stated he did not think so. He thought the committee would be expending money for something not in the statute.

Co-chairman Dankworth requested that Mr. Hole return to the committee table to speak on Section 3 of the original bill for \$4,500,000 for the foundation program. Senator Ferguson stated that this request had been submitted on February 3, 1981, and then asked when the State Board of Education got the supplemental request. Mr. Hole stated he did not know. Senator Ferguson asked for a breakdown of the \$4,500,000 supplemental. Mr. Hole stated it came from a conceptual error in putting together the fiscal note for SB 199 last year. The break-out would be on a pro-rata basis across all school districts simply because that is the way the program is funded. The total account is that much short - if the money was not appropriated, then the \$4.5 million would be taken as a percentage of every school district's entitlement and they would be reduced that amount.

Senator Kerttula stated that political points of view were inherent in APBC staff. He stated that when politicians were invited to speak on a television show, they should not be "put down" if they chose not to attend. He stated that APBC should look more closely at their policies. He stated it was not their right to expect "anybody to come to anything you show or request". He requested that the situation be straightened out.

Co-chairman Dankworth moved that all the discussed amendments and/or changes to the original bill be adopted. There being no objection, it was so ordered.

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 203 (Finance)

Co-chairman Dankworth moved and asked unanimous consent that the above adopted amendments and/or changes be incorporated into COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 203 (Finance) (new title), and that it 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 signed "do not pass"; Senators Sturgulewski and Ferguson signed "no recommendation"; and Co-chairman Dankworth and Senators Sackett and Stimson signed "do pass".

COMMISSIONER ROBERT WARD TESTIFIES ON DOTPF REORGANIZATION

Senator Sturgulewski stated that at this time Commissioner Ward was present to speak on questions the committee had formulated at an earlier time while discussing the Transportation Budget category. The questions centered around what the reorganization would be, how it would effect delivery of services, and whether or not there would be an impact on this year's budget. She requested that Commissioner Ward come forward.

Commissioner Ward stated that the reorganization presently being implemented in the department involves one unit out of four. Since DOTPF was created in July, 1977, it was composed of four units - 1) Design & Construction; 2) Maintenance and Operations; 3) Planning & Programming; and 4) Administration. All were headed by Deputy Commissioners with offices in Juneau, except for

the Maintenance and Operations Deputy Commissioner whose office is in Anchorage.

He continued saying that when DOTPF was created, the Design and Construction unit was not established as an inter-modal, multi-modal construction unit - which means that highways, waters and harbors, buildings and aviation were kept separate with each being headed by a Director with very strong headquarters operations and varying degrees of regional organization in each mode. For example, highways had design and construction units in five regions headed by regional engineers who reported to a Design and Construction Director for highways located in Juneau with a "very strong headquarters presence that really called all the shots in the region". Aviation was headed by a Director located in Anchorage who for all practical purposes was not regionalized - there was a strong headquarters staff in Anchorage with a slight regional presence in Fairbanks and some regional organization in Anchorage. Waters and Harbors Design and Construction was headed by a Director located in Juneau with a very strong headquarters presence and no regional organization. Buildings was headed by a Director located in Anchorage with three regions (Interior, Central and Southeast) - again with very strong headquarters component with no great degree of autonomy in the regions.

Executive Order # 39 which created DOTPF called for strong regional presence and also called for cross-utilization of personnel, engineering talents to make it a inter-modal, multi-modal organization. The reorganization being proposed now is just to come closer to the real mandate of Executive Order # 39 from 1977. He stated that DOTPF proposed to accomplish the reorganization with the same basic number of people. Since the reorganization is being done at the height of the construction season, DOTPF is not making "big, sweeping, sudden moves that would effect the programs presently under way". So, they are extending the implementation period from now until October, 1981.

Commissioner Ward continued with a description of the new organization. He stated there would be a Director of Transportation Design & Construction in the Interior Region in Fairbanks responsible for all modes of design and construction in that region. The Director of Transportation Design & Construction in the Central Region in Anchorage would be responsible for all functions and activities in all modes. Juneau would be the same, except there would be a headquarters function in Juneau that would provide for the setting of standards for statewide designs and construction, and provide for technical support services to support the regions. But the Juneau headquarters office would not have veto power or in-line authority over the regions - it would be a support function and not a control. Its effect on the other regions would be mainly on the highways mode of design and construction presently located in Valdez - because where there were five principal regions, there would now only be three. "The Western Region headquartered in Nome has actually functioned the way it will continue to

function for quite some time because the design function is not active in Nome now, and construction is." And it will continue to be so with the provision in the organization for the Interior Region out of Fairbanks. It will operate Valdez the same way Nome is being operated now by moving the design function out of Valdez and leaving the construction there as a residency from Anchorage. He did not feel it would have an effect on the other regions. There have been no requests for increase, the budget will not be impacted, there are no new positions requested. The same number of directors and the same number of employees will be utilized to do a larger amount of work.

BEGIN TAPE SFC 81, # 46, Side 1, 000 - 278

Commissioner Ward stated that DOTPF assumes that the guidelines and rules pertaining to the department will remain the same.

Senator Sturgulewski asked how the new organization would allow DOTPF to run more smoothly and to produce more work. Commissioner Ward responded that responsibility would be centralized in all modes, with a strong Deputy Commissioner in each region. He gave an example of right-of-way as causing problems in the present organization, especially in congested areas. The Chief of all rights-of-way is in Juneau, and though the regional people do the work, they don't report to anyone in the region but to the right-of-way chief in Juneau. Decisions made from Juneau many times compete with regional priorities. Under the new organization, all regional decisions will be made in the respective regions - for all modes.

Senator Ferguson asked how many DOTPF employees would have to move out of Nome. Commissioner Ward responded that none would have to move, as far as he was aware at that time. Senator Ferguson stated that when DOTPF was first formed in 1977, it was supposed to provide better response to the needs of the regions. He had not found that to be true, and expressed the hope that this new organization would in fact provide that needed response to the regions.

Senator Sturgulewski stated that there was a significant amount of money being requested for a Management Information System in DOTPF. She hoped the Legislature would support that request totally, because she thought there had been inordinate demands placed on DOTPF for retrieval of information. She felt this problem had created a lot of concern to legislators who had requested unavailable information. Commissioner Ward agreed this was a priority.

Senator Kerttula asked to comment. He stated he had a great deal of respect for Commissioner Ward. However, he stated that he had been on the Finance Committee when the Department of Highways had been created about 20 years ago. There were many problems then that were ultimately straightened out, though new ones have since developed. He said that he had his own theories on why the structure was not working well. He stated that if the Department

was to really become efficient, it ought to be located in Anchorage.

Commissioner Ward stated it might not be the appropriate time, but in terms of general comments, he wanted to point out that the department has been subject to a good deal of criticism. Also, he stated, sometimes DOTPF does things right and people recognize that too. However, starting with last year, a dramatic increase has been shown in capital projects. And there will continue to be more. There have been many questions centering around whether or not the department will be able to handle all these capital projects. From Commissioner Ward's perspective, he is working for Governor Hammond, and "I work for what he wants to do with an organization that I inherited, and it can work". He qualified that it could "work better". But, DOTPF has not come in to ride on the "coat tails of unbelievable wealth" and say, "because we might get all this coming in on us, we want excessive increases in our budget". Commissioner Ward stated that there were "very few more people working in DOTPF now getting paychecks than got paychecks in 1977 in the combination of both the departments." He said that the present budget request was reasonable, and they have not asked for extra money. They can do the job, but will need the funding they have requested.

Senator Sturgulewski stated that she would at this time distribute a draft of a report from Commissioner Ward showing the General Fund and CIP positions. She desired to make note publically while the Commissioner was present, that the Senate Finance Committee was working on the Planning & Programming request and there would be further discussion.

Co-chairman Bennett thanked Commissioner Ward for his testimony. He added that the meeting would recess at this time and would convene again to take up the General Government Budget category at 1:40 p.m.

Senator Sturgulewski mentioned that there would be a meeting Friday at 9:00 a.m. in the Governor's Conference Room on the Permanent Fund. Professor Gordon would be present as a specialist in free market economics to speak on management of oil wealth and government intervention. She thought the Senate Finance Committee members might be interested in attending.

RECESS

The meeting recessed at 9:35 a.m.

(Tape SFC 81, # 45, Side 2, 000 - end)
(Tape SFC 81, # 46, Side 1, 000 - 278)

SENATE FINANCE COMMITTEE

May 5, 1981

1:45 p.m.

SFC-81, #46, Side 1 (278-end)

SFC-81, #46, Side 2 (000-816)

RECONVENE

Co-chairman Don Bennett reconvened the meeting at approximately 1:45 p.m. All committee members were present with the exception of Senator Eliason. Also attending were Fiscal Analyst Don Fisher, and Administrative Assistants to committee Judy Johnston, Kathy Martinson, Max Gifford, and Sandy Nusbaum.

GENERAL GOVERNMENT

Co-chairman Bennett announced that the meeting was convened to conduct review and close-out of the GENERAL GOVERNMENT budget. Co-chairman Dankworth presented an overview of the General Government operating budget per the attached "Budget Summary Comments." He concluded his remarks advising that while he spent "a lot of time" going through the budget, in the end his efforts effected only a 1% reduction. He attested to the difficulty involved in attempting to cut the budget in a single legislative session and stressed the need to limit funding at the administrative level. Co-chairman Bennett advised of his belief that the budget could be reduced by reducing governmental responsibility. The committee thus began the following review of General Government.

EXECUTIVE OPERATIONS - EXECUTIVE OFFICE, p. 3

The subcommittee effected a 5% cut across every category and allowed no new positions unless justified. For the above program the House and Senate agree on a total of 3065.8, which represents five new positions, reduction of travel to the FY 81 level, and the setting out as a separate component the special projects office. The committee adopted the subcommittee recommendation.

EXECUTIVE OPERATIONS - SPECIAL PROJECTS COORDINATOR, p. 7

The subcommittee transferred three positions, travel and associated costs into this sub-program, effecting a total of 378.7. The committee adopted the subcommittee recommendation.

EXECUTIVE OPERATIONS - CONTINGENCY FUND, p. 9

The committee adopted the Governor's figure of 750.0.

EXECUTIVE OPERATIONS - EXECUTIVE MANSION, p. 11

The committee adopted the Governor's figure of 182.6.

EXECUTIVE OPERATIONS - REGULATORY REFORM OFFICE, p. 13

The subcommittee deleted this component. No objection having been raised in full committee, the component was DELETED.

EXECUTIVE OPERATIONS - LIEUTENANT GOVERNOR, p. 17

Co-chairman Dankworth advised that the subcommittee adopted a position count of 9--returning the office to the FY 81 level. The House and Senate agree on a like total. Senator Sackett asked if the positions are vacant or filled, and Co-chairman Dankworth advised that they are filled. Senator Sturgulewski moved to put the requested positions back in the budget. Senator Stimson objected. Upon a show of hands, the positions were included in the Lieutenant Governor's operating budget. Co-chairman Dankworth advised that funding for this office will be basically the Governor's request of 789.9 less 5%.

EXECUTIVE OPERATIONS - DPDP, p. 21

The subcommittee denied three new positions, transferred 300.0 to Economic Development and 165.0 to NRMEC, reduced funding for the petroleum study and study of oil and gas leases. The committee adopted the subcommittee recommendation of 1365.4.

EXECUTIVE OPERATIONS - GROWTH POLICY COUNCIL, p. 23

The subcommittee did not fund this component. The committee adopted the subcommittee recommendation and the Growth Policy Council was NOT FUNDED.

EXECUTIVE OPERATIONS - BUDGET AND MANAGEMENT, p. 27

The House and Senate agree on a 5% reduction in the Governor's figure and allowed the transfer from the Governor's Office for a total of 1960.6.

EXECUTIVE OPERATIONS - INTERNAL AUDIT, p. 29

Co-chairman Dankworth advised that the House and Senate agree on a total of 654.0. The subcommittee denied the request for three internal auditors. Senator Sturgulewski advised of her concern that the above program already has far less staff than needed for a government the size of Alaska's. She further attested to weakness in cash control and the need for internal audit to conduct spot checks and necessary follow up. She requested that this component remain open for later consideration. No objection having been raised, the component was left OPEN.

EXECUTIVE OPERATIONS - COUNCIL OF ECONOMIC ADVISORS, p. 31

Co-chairman Dankworth advised that both the House and Senate subcommittee agreed to delete this component. Senator Stimson questioned whether the council was newly created and perhaps had not yet "gotten off the ground." He requested that the component

be held OPEN pending later consideration. No objection having been raised, the component was held OPEN.

EXECUTIVE OPERATIONS - ECONOMIC ANALYSIS, p. 33.

Co-chairman Dankworth advised that the above component was NOT FUNDED by the Governor, the House or Senate. The economists have been transferred to Budget and Management.

OFFICE OF THE GOVERNOR - AK LAND USE COUNCIL, p. 35

Co-chairman Dankworth advised that funding for this component will be considered with the D-2 project budget. This component was NOT FUNDED by the Senate.

ELECTIVE OPERATIONS - ELECTIONS, p. 39

The subcommittee funded the three part time positions for a total of 1594.1. Don Fisher advised that backup did not support need for the Deputy Director during election years, and the subcommittee therefore disallowed the position. The subcommittee recommendation was adopted by full committee.

SALARY AND BENEFITS INCREASES - EXECUTIVE AGENCIES PART I, p. 43

The subcommittee took the Governor's Amendment figure of 12223.5. Funding represents deletion of 135.8 GF and 12.0 PR for the Gas Pipeline, 39.2 for D-2 funding, and 75.9 for the Haul Road. The committee adopted the subcommittee total.

ALASKA STATEHOOD COMMISSION, p. 53

The subcommittee funded the three positions requested in Amendment No. 206 and funded travel at the continuation level (FY 81 plus inflation). The subcommittee total of 392.5 was adopted.

PUBLIC OFFICES COMMISSION, p. 55

The House and Senate agree on a total of 393.8. The committee adopted the subcommittee recommendation.

OFFICE OF THE COMMISSIONER, p. 57

The House and Senate agree on a total of 651.3. The subcommittee denied the amendment requesting a special assistant but funded the amendment for telecommunications. The subcommittee total was adopted.

OFC OF INFO MANAGEMENT - p. 59

Co-chairman Dankworth advised that the above represents a new component which will provide planning for data processing needs as well as staff training for other agencies. The subcommittee funded the Governor's figure at 100%. This component was

transferred from data processing and includes no new positions. The Governor's figure of 457.0 was adopted by committee.

ADMIN. SERVICES - FISCAL/PERSONNEL, p. 63

Co-chairman Dankworth advised that the above component conducts in-house functions such as bill paying, etc. The subcommittee recommended a total of 569.4. The subcommittee recommendation was adopted.

ADMIN SERVICES - WORD PROCESSING CENTERS, p. 65

The House and Senate agree on a total of 741.0. The subcommittee denied the request for two secretaries and effected a 5% reduction to the Governor's figure. The subcommittee total was adopted.

ADMIN. SERVICES - CENTREX, p. 67

The House and Senate agree on a total of 370.6, including funding of the amended amount and intent that the state study the feasibility of purchasing centrex equipment. The subcommittee total was adopted.

TELECOMMUNICATIONS SYSTEMS - OPERATIONS, p. 69

The subcommittee basically funded the Governor's figure of 9129.6 which includes the transfer of 39 positions from DOTPF (State Agency Communications), 3 positions from DOTPF (Public Telecommunications), 4 positions from Alaska Public Broadcasting, and 1 position from DOTPF. The above-stated funding was adopted by committee.

(Reverse tape, SFC-81, #46, Side 2, 000)

TELECOMMUNICATIONS SERVICES - PLANNING, p. 71

The subcommittee recommended a total of 302.5--requested new positions denied. The committee adopted the subcommittee recommendation.

ACCOUNTING - PRE-AUDIT, p. 75

Co-chairman Dankworth advised that this program audits vendor payments. The requested position was denied and a total of 337.7 was recommended by subcommittee. The subcommittee recommendation was adopted.

ACCOUNTING - ACCOUNTING SERVICES, p. 77

The Senate denied the new position and associated costs for a recommended total of 293.6. The committee adopted the recommended figure.

ACCOUNTING - PAYROLL ACCOUNTING, p. 79

The Senate and House agree on a total of 581.8 which represents a 5% reduction of the Governor's figure. The recommended figure was adopted.

ACCOUNTING - ADMINISTRATION & SUPPORT, p. 81

The House and Senate agree on a total of 259.2. Both subcommittees denied the new position and effected a 5% reduction of the Governor's figure. The recommended total was adopted.

ACCOUNTING - FINANCIAL SYSTEMS, p. 83

The subcommittee took the Governor's figure of 1853.3. Co-chairman Dankworth advised that the above represents a new component transferred from data processing. The component will provide in-house software to state agencies. The Governor's figure was adopted by committee.

RISK MANAGEMENT - OPERATIONS, p. 87

The House and Senate agree on a total of 377.0 which represents denial of the new position and associated costs as well as a 5% reduction. The committee adopted the recommended figure.

RISK MANAGEMENT - PREMIUMS, p. 89

Both the House and Senate funded the Governor's total of 5308.0, but denied the Budget Amendment for \$2 million in Pipeline Interruption Insurance. The committee adopted the subcommittee recommendation.

RISK MANAGEMENT - LOSS RETENTION, p. 91

Co-chairman Dankworth advised that the above component represents state insurance. He added that pipeline interruption insurance would have been paid out of this fund. The interruption insurance was denied. Total funding of 7672.5 was adopted for this component.

PERSONNEL & LABOR RELATIONS - PERSONNEL, p. 95

The subcommittee funded a total of 3164.8 which represents the Governor's figure with Budget Amendments. The subcommittee attached intent to FY 82 funding, requesting that the Division of Personnel monitor and evaluate its application processing operation and report back to the legislature next year. The recommended subcommittee total was adopted.

PERSONNEL & LABOR RELATIONS - LABOR RELATIONS, p. 97

The House and Senate agree on a total of 749.6, representing a 5% reduction of the Governor's figure. The recommended total was adopted by committee.

GENERAL SERVICES, p. 99

The committee adopted the subcommittee recommendation of the Governor's figure for the following components:

PURCHASING, p. 101 - 1116.8
PROPERTY MANAGEMENT, p. 103 - 352.3

GENERAL SERVICES - CENTRAL MAIL & SWITCHBOARD, p. 105

The Senate and House agree on a total of 508.8. Both subcommittees denied the new positions but basically funded the Governor's budget otherwise. The subcommittees allowed "some new equipment." The subcommittee recommendation was adopted.

GENERAL SERVICES - CENTRAL DUPLICATING, p. 107

The House and Senate agree on a total of 1450.9 which includes 3 part time positions but not the requested two full time clerks. The subcommittee recommendation was adopted.

GENERAL SERVICES

The committee adopted subcommittee recommendations for the Governor's figure for the following components:

ARCHIVES, p. 189 - 693.8
SURPLUS PROPERTY, p. 111 - 163.5

DATA PROCESSING - MANAGEMENT SERVICES, p. 119

The committee adopted the subcommittee recommendation of the Governor's figure of 658.2.

LABOR SERVICES - LABOR RELATIONS AGENCY, p. 125

The committee adopted the subcommittee recommendation of the Governor's figure of 92.8.

LABOR SERVICES - EQUAL EMPLOYMENT OPPORTUNITY, p. 127

The House and Senate agree on a total of 492.7 having denied the new positions, and funded the component at a continuation level plus intent which encourages placement of the EEO office within the Division of Personnel to provide closer scrutiny of employment standards and activities and the impact on equal opportunity for minorities and women in state employment. The committee adopted the subcommittee recommendation.

RETIREMENT & BENEFITS - P.E.R.S., p. 131

Co-chairman Dankworth advised that the House and Senate are in agreement in denying the new positions and taking a 5% reduction of the Governor's figure for a recommended total of 1403.4. Senator Stimson submitted a request to transfer some positions to Anchorage to handle public employee and teacher retirement problems there. Co-chairman Dankworth stated that he could not

support such a move. Senator Stimson asked that the component remain open pending further discussion at a later time. No objection having been raised, the component was held OPEN.

RETIREMENT & BENEFITS - T.R.S., p. 133

The House and Senate agree on a total of 1057.4, representing no new positions and a 5% reduction of the Governor's budget. The subcommittee recommendation was adopted.

RETIREMENT & BENEFITS - OTHER BENEFITS, p. 135

The House and Senate agree on a total of 1539.4 which represents denial of new positions but funding of the Governor's Budget Amendment. The subcommittee recommendation was adopted.

BUILDING & EQUIPMENT SERVICES - LEASING & FACILITIES, p. 139

Co-chairman Dankworth advised that the above represents a new component for which the House and Senate agree on total funding of 21187.6. The recommended funding was adopted by committee.

BUILDING & EQUIPMENT SERVICES - EMPLOYEE HOUSING, p. 141

The committee adopted the Governor's total of 1360.4.

LEGAL SERVICES - OPERATIONS, p. 145

Co-chairman Dankworth advised that the agency requested 14 new positions. The Governor allowed 13. The House and Senate disallowed 2--the Washington D.C. attorney (the least of the agency's priorities) and the permanent fund attorney. Funding for the navigational attorney was transferred to interagency receipts. The committee adopted the subcommittee recommendation of 6619.5.

LEGAL SERVICES - ADMIN. & SUPPORT, p. 149

The committee adopted the Governor's total of 368.2.

REVENUE OPERATIONS - AUDIT, p. 153

The committee adopted the Governor's figure of 3067.5 but denied the Budget Amendment.

REVENUE OPERATIONS - PETROLEUM REVENUE, p. 155

The committee adopted the Governor's total of 1600.1.

REVENUE OPERATIONS - ENFORCEMENT, p. 157

The committee adopted the Governor's total of 1551.8 but denied the Budget Amendment requesting 14 six-month positions to assist rural Alaskans apply for permanent fund dividends.

REVENUE OPERATIONS - TREASURY MANAGEMENT, p. 159

The committee adopted the Governor's figure of 2097.5.

CHILD SUPPORT ENFORCEMENT, p. 161

Co-chairman Dankworth expressed concern regarding the above project, advising that the agency has not prosecuted anyone for non-support. He stated his "feeling" that the state has "some real problems with the law." More people working in this agency are not going to help. Senator Sturgulewski advised that Senator Eliason has worked on this program and feels an additional five positions are needed. She requested that the component remain OPEN for later consideration. No objection having been raised, the component was held OPEN.

ADMIN & SUPPORT - OFFICE OF THE COMMISSIONER, p. 165

The House and Senate agree on a total of 1089.4 which represents reduction of the permanent fund attorney. The committee adopted the recommended figure.

ADMIN & SUPPORT - ADMINISTRATIVE SERVICES, p. 167

The House and Senate funded the Governor's figure plus his Budget Amendment for a new total of 151874.1. The committee adopted the recommended figure.

ADMIN & SUPPORT - FISH & GAME LICENSING, p. 169

The House and Senate funded the Governor's figure less the 10.0 twice-requested salmon stamp permit costs. The committee adopted the recommended figure of 303.7.

STATE AGENCY COMMUNICATIONS - SUPPORT TO STATE AGENCIES, p. 173

Co-chairman Dankworth advised that the function of the above component was transferred to Transportation and is no longer to be funded under General Government.

BUDGET & AUDIT COMMITTEE - LEGISLATIVE AUDIT, p. 211

The subcommittee recommended the Governor's figure of 2544.1. Senator Sackett asked Senator Sturgulewski if she had had a chance to "go through" the B & A budget. She responded that the above amount represents the figure "put in" for B & A, and that she could provide the difference between that amount and funding for previous years. She concluded her response, adding "this is a prepared figure, although I have gone over it." The above funding was adopted by committee.

BUDGET & AUDIT COMMITTEE - LEGISLATIVE FINANCE, p. 213

Senator Ferguson requested that this component remain OPEN for later discussion. No objection having been raised, the component was held OPEN.

BUDGET & AUDIT COMMITTEE - COMMITTEE EXPENSES, p. 215

Co-chairman Dankworth advised that he accepted the House subcommittee recommendation for 900.0. Senator Sturgulewski attested to "a whole lot of things put in HB 60" which will necessitate B & A attention. The subcommittee recommendation was adopted.

LEGISLATIVE COUNCIL, p. 219

Co-chairman Dankworth moved that funding for the Council be held OPEN for later consideration. No objection having been raised the Council budget was held OPEN.

OFFICE OF OMBUDSMAN, p. 245

Co-chairman Dankworth recommended 1262.0, advising that the House accepted the CETA position while the Senate did not. The Senate total was adopted.

ADJOURNMENT

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

SFC-81, #46, Side 1 (278-end)
SFC-81, #46, Side 2 (000-816)

GENERAL GOVERNMENT CATEGORY
FY 82 BUDGET
BUDGET SUMMARY COMMENTS

The Governor's FY 81 budget for this category totaled \$237,998.8 all funds. Salary increases funded in General Government which spread over the entire state budget are not included in this total.

The Governor's FY 82 budget request totaled \$255,553.5 plus the total Governor's budget amendments to date of \$23,291.0. The combined total is \$278,844.5. Again salary increases were not included.*

Comparison of the FY 81 and FY 82 budgets shows an overall increase of approximately 16% in the FY 82 budget.

The Governor's adjusted FY 82 request for General Funds was \$263,682.2. This shows an increase of \$24,483.3 over the FY 81 authorized. The House Finance subcommittee recommended funding \$261,119.3 and the Senate side recommended funding \$260,863.4. The House figure decreased the Governor's amount by \$2,562.9, while the Senate reduced the Governor's figure by \$2,818.8.

The changes summarized above can be accounted for in creation of some new programs and new organizational revisions resulting in additional personnel and supportive costs in this budget.

New components included:

Alaska Land Use Council (Gov's Office)	359.1
Office of Information Management (D of A)	457.0
Financial Systems (D of A)	1853.3
Administration and Support (Law)	368.2

Note: Some of the above components were created from existing programs.

Program revisions included: +/(-)

Reapportionment Board (Gov's Office)	(312.2)
Nat'l Lands Legislation (Gov's Office)	(1919.0)
Economic Analysis (Gov's Office)	(625.0)
**Telecommunications Systems (D of A)	9129.6
**Telecommunications Services Planning (D of A)	507.2
Leasing Facilities (D of A)	21,257.4
Fed. Energy Regulatory Comm. (FERC)	(2000.0)

Changes explained:

There was an effort in this budget to decentralize systems services, i.e., the servicing of program software, by putting those elements closer to the users of the programs. An example of this was the creation of Financial Systems in the Accounting BRU, Department of Administration.

Data Processing was further reorganized by setting out the Planning function into the Information Management office in the Department of Administration. This agency will also provide training and technical support to user agency staff in Data Processing.

The Data Processing Amendment B100212 adds 9 new positions to the original FY 82 request of 9 new positions for a net increase of 18 this year. The actual increase is 22 when considering transfers and reductions from the FY 81 level.

The Leasing of Facilities by agencies was consolidated into the Department of Administration Leasing and Facilities component. This revision plus the consolidation of ASHA payments here increases Leasings' budget by over \$21,000.0, but reflects a savings in the respective agency budgets.

Telecommunications were reorganized and consolidated into the Department of Administration. This revision was presented in the form of a Governor's Amendment and results in an increase of 15 new positions and \$746.5 distributed into three new budget components. New positions were spread over several components including a new Deputy Commissioner in the Department of Administration.

New Positions:

The FY 82 Governor's adjusted Budget requested 132 new positions in this category. The House Finance subcommittee approved 53 in committee, while the Senate approved 50.

Comparison of recommendations - Senate and House:

The House Finance subcommittee has thus far recommended approval of \$299,488.6, while the Senate Finance subcommittee recommended \$299,232.7. This represents a difference of \$255.9 greater for the House.

The Senate Finance subcommittee recommendation reduces the Governor's adjusted figure by \$4,058.8, a 1% reduction.

Footnote:

* Salary increases in FY 81 totaled \$45,327.6 and in FY 82 to date total \$12,223.5.

** These are new components but created as part of a re-organization and replace components elsewhere.

SENATE FINANCE COMMITTEE

May 6, 1981

8:45 a.m.

(Tape SFC 81, # 47, Side 1, 000 - end)
(Tape SFC 81, # 47, Side 2, 000 - end)
(Tape SFC 81, # 48, Side 1, 000 - end)
(Tape SFC 81, # 48, Side 2, 000 - 314)

CALL TO ORDER

Co-chairman Bennett called the meeting to order at 8:45 a.m.

PRESENT

All members of the committee were present with the exception of Co-chairman Dankworth and Senators Sturgulewski and Eliason. Also in attendance were Administrative Assistant to Co-chairman Bennett, Judy Johnston; Administrative Assistant to Co-chairman Dankworth, Kathy Martinson; Senator Kerttula; Deputy Commissioner of Department of Natural Resources, Geoff Haynes; Director of Administration and Management for Department of Natural Resources, Tom Bergstrom; Commissioner Nix of Department of Public Safety; Commissioner Skoog of Department of Fish and Game; Legislative Finance Fiscal Analyst, Bob Grogan; and members of the press, Joe LaRocca, Rosemarie Alexander and Karen Davies.

NATURAL RESOURCES MANAGEMENT & ENVIRONMENTAL CONSERVATION BUDGET CATEGORY

Co-chairman Bennett stated he would like to begin the NRMEC budget category by having brief over-views presented by the Commissioners and Deputy Commissioners of the departments involved. He added that he would like to hear encapsulated versions of where the departments are, where they are going and descriptions of any significant projects to be continued or instigated during the next fiscal year. He requested that Deputy Commissioner of Department of Natural Resources, Geoff Haynes, come forward to begin testimony.

MR. GEOFF HAYNES, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES

Mr. Haynes reviewed briefly each BRU in the DNR portion of the NRMEC budget as follows:

Commissioner's Office - No new positions, continuation request only.

Administrative Services - No new positions, continuation request only.

Information Records Management - Request for DNR title plant for reflection of increased business - CIP conversions for ALARS computer system and public information projects.

Research & Special Projects - Request for new positions in coastal management to carry out responsibilities as directed by the Governor's Office. Also increases for general policy research and for interagency review. This was just a reflection of the amount of business being done in those areas.

Land Management - New increment for Land Selection Title Defense - Increases for general grant selections - Request for land exchanges

Land Disposal Fee Title - No new positions.

Limited Land Disposals - Increments included for management plans in areas where development is anticipated and where land allocations must be made.

Water Management - Nothing new except one project under Water Use Management, which was a member in the Western States Water Council.

Forest Management - The primary increments were in small timber sales, and some small increments for the beach log salvage program in SE and SC Alaska. A small increment for Forest Practices Administration, and another small one for the Tyonic timber sale.

Fire Protection & Suppression - There were some increased positions to handle the additional workload in new land from the federal government. Forest, Land & Water Management & Administration - No new positions - No increments.

Oil & Gas Management - There were some additions to existing projects, primarily to reflect the fact that there were three oil and gas lease sales per year, which must be monitored for compliance. Also, the administration of the income from oil and gas leases under Royalty Income Accounting shows about five requested new positions. Other increments have to do with implementation of a net profits lease accounting system on a continuation of DNR analysis of Prudhoe Bay reservoir and management thereof.

Resource Inventory & Assessment - No new positions - No increments.

Minerals & Energy Development - A number of new positions and additional funds were requested in the Mineral Claims Adjudication project, reflecting the increase in the price of gold and other metals, and the increase in the number of mining claims. Same for the Mining Offices.

Mineral Resources Administration - New positions requested for Division of Minerals and Energy and Division of Geological & Geophysical Surveys. Again, the requests reflect the increased business DNR is doing.

Parks - Historic Resource Management - No new positions, no increments.

Park Operations - There were some increments for land management. There was no one now responsible for land transactions. There is an increment for beginning a state trail system much in demand in Alaska. Additional funds for master plans for existing parks were requested.

Park Maintenance and Operations - There were some increases for visitor protection for the Ketchikan area. Also requested were some additional funds for park maintenance and maintenance on capital facilities already existing.

Parks Administration - No new positions.

Mr. Haynes stated that there were also three DNR components that were in the Development Budget Category - Coal Development, Geothermal Development and Agriculture. With this, Mr. Haynes concluded his summary of the changes from last year.

Senator Sackett asked if DNR had reorganized at all this past year. Mr. Haynes responded no. Senator Sackett noted that the difference between the amounts appropriated in FY 81 and the requested amounts for FY 82, was a tremendous one. He said that about 1/2 of the requests were normal, but the other half were tremendous increases from last year. He requested that Mr. Haynes justify all increases over the 25% increase level. Mr. Haynes proceeded as follows:

Pipeline Surveillance - There were a number of new positions requested on the assumption that the gas pipeline will be approved and DNR will have to be ready to negotiate and administer a right-of-way lease, and conduct surveillance activities. All funds would be reimbursable inter-agency receipts from Northwest Pipeline.

Limited Land Disposals - 46% increase. Mr. Haynes stated DNR is set up on a project basis, which is prioritized by demand. This project has to do with anything less than selling the land authorized on State land. It simply reflects an increase in business.

Forest Management - 45% increase in timber industry and sales. This was primarily the small timber sales project - firewood, house logs and anything less than a very large timber sale like the one in Haines or Icy Bay. In both the Fairbanks and Anchorage area there is a tremendous demand for small timber sales.

Fire Protection & Suppression - Even though project fires are handled on an individual basis, DNR still has to set up and maintain the State Fire Department to respond to fires. So, the fire department size must be increased as an inevitable cost of receiving lands from the federal government. Mr. Bergstrom interjected that the most significant increment in Fire Protection Suppression was a \$1 million payment authorized to BLM for pre-suppression activity. That \$1 million estimate was based on the assumption that DNR would receive 20 million acres of land this year. That is no longer the case; at maximum DNR will receive 14 million at 5 cents per acre, for a \$700,000 increment rather than \$1 million. Further, about 4.5 million acres are in North Taylor Mt. area with an extremely low fire susceptibility, and so rather than \$1 million from BLM, the maximum DNR would need was \$465,000.

Lease Sales - Oil and Gas Management - The Lease Sale Administration increment was most demanding area. Oil and Gas lease sales require monitoring of lessees for compliance with lease terms from the standpoint of money, approval of plans of operations and monitoring of unit agreements. Since there are three sales per year, each one generates additional leases to administer.

Co-chairman Bennett questioned Mr. Haynes on the pay schedule for those metering the oil and gas lines. He also asked if Mr. Haynes knew of any improprieties in this area. Mr. Haynes responded he was not aware of any improprieties, but in terms of monitoring the income received (on volume of oil and federal pricing regulations), there are only two people watching the "state cash register". So, there is no in-depth work being done, like audits, etc. The Department of Revenue carries out some of these functions. However DNR administers the terms of the lease, so the 131% increase is a reflection of this function. Co-chairman Bennett's concern was that cash reserves and cash monies were being handled with efficiency and expertise. Mr. Haynes stated there was a legislative Audit done a couple of years ago, with recommendations to DNR. DNR hired on contract an associate professor for petroleum accounting from Texas Tech., who went through all DNR procedures and made subsequent recommendations. The request for this year is a result of the legislative audit. He stated he would submit the report to the Senate Finance Committee for the record.

In response to Co-chairman Bennett's first question, Mr. Bergstrom stated that there were two people working in that area - Revenue Field Auditor III for \$56,000 per year; and an Internal Auditor II for about \$39,000. He stated that DNR proposes six new positions which would include another Internal Auditor II, three Accounting Technician I's, a Regulation Specialist II, and a Clerk Typist III. The requests were a result of the above recommendations.

Co-chairman Bennett was concerned that those people monitoring the monies received be sufficiently professional, as the job entails such large amounts of money. Senator Kerttula stated his "hearty" concurrence, as "one mistake could mean millions of dollars". He cited scandals on reservations in the south 48 and on federal lands that went into "perhaps hundreds of millions and possibly billions of dollars".

Resource Inventory Assessment - Mr. Haynes stated there was a - 22% for one and an increase of 123.2% for the other. But, he explained, there were no increments, so they are just adjustments for current projects. Senator Sackett pointed out that there was almost 100% increase in the total program. Further discussion determined it is an 18% overall increase.

Minerals & Energy Development - The Minerals Development increase was primarily for mining claims adjudication and reflects the fact that there are a lot more mining claims now than in the past. Also, the mining offices around the state have to be maintained.

Mineral Resources - Mr. Haynes gave the same justification. There is a backlog of business in this area.

Park Operations - Design & Development - Mr. Haynes stated most of the increases related to increments having to do with land management and realty because the Division of Parks is handling an increased amount of land and projects primarily capital. There are land questions such as establishing boundaries or dealing with rights-of-way. There is no one to carry out those functions now, so it has become a high priority. There are also funds for setting up a state trail system, and some additional funds for master plans to complete existing parks. This comment concluded response to Senator Sackett's request for justification on components with more than a 25% increase request.

Senator Sackett asked if there were CIP conversions. Mr. Haynes responded there was one instance of CIP conversion - under Research & Special Projects under the management of the Administration BRU. There were 7 positions being converted. Senator Sackett asked how many positions were still under CIP in DNR. Mr. Bergstrom responded about 120 or 125 not reflected in this budget at all. These were a result of the large capital appropriations given DNR in the last three years. Mr. Haynes said for the Land Survey, Land Disposal, ALARS computer, Offshore Marine Boundaries, Parks Capital Projects, and Seismic Oil and Gas Data Analysis. Senator Sackett requested that all those positions be summarized and provided to the committee. Mr. Haynes stated the information would be provided.

Senator Sackett asked if the total DNR increase over last year was 43.8%. Mr. Bergstrom responded that was correct, and added that the most significant increase was Pipeline surveillance for

an increase of about \$5 million, which was all program receipts. Mr. Grogan stated that the percentage increase for General Fund (excluding the gas pipeline) was 29%.

Mr. Haynes stated that the prime responsibility of DNR was to provide for the development of natural resources and to place them in private hands, either through partial or full conveyance of those interests for development of the resources. He said there is a tremendous demand to do that and that is the way all DNR programs are related. The increases in DNR were purely production oriented projects to get more and more resources out for people to use. He said the the economy of the State revolves around natural resources and virtually every project in DNR either makes money directly for the State or enhances the economy.

Co-chairman Bennett requested that Mr. Haynes elaborate on Parks Operations as it was up 72%.

Parks Operations - Mr. Haynes stated Park Design and Development has to do with the work associated with designing and developing the park system itself. The increments for this year are \$88,400 for a Land Management and Realty project (which he had mentioned earlier), so that there would be a Realty Officer present to handle problems relating to boundaries or rights-of-way. Its absolutely necessary in order to manage the property. \$27,500 was requested for the beginning of a state trail system. People around the state are concerned that existing trails, whether historic or recreational, be maintained and not sold in land disposals. \$25,500 was requested for master plans for each element of the state park system in order to know where facilities would be developed and what uses would be permitted. Mr. Bergstrom stated that the 72% increase was only for Park Design and Development; however, overall, Parks Operation has an increase of only 7.6%.

Co-chairman Bennett expressed concern that parks and waysides during the tourist season were "choked" with people, and Alaska residents find it difficult to even get in to set up their tents. He did not feel that enough was being done to accomodate the tourists and the needs of Alaska residents. He requested that more lake and stream access be made a priority. Mr. Haynes agreed, but commented on the problems of finding the right land. Mr. Bergstrom added that part of the problem was related to the "divorce" of the Operating and Capital Budgets so that there was development but no maintenance.

Co-chairman Bennett thanked Mr. Haynes and Mr. Bergstrom for their testimony.

MR. RONALD SKOOG, COMMISSIONER, DEPARTMENT OF FISH & GAME

Co-chairman Bennett then requested that Commissioner Skoog come forward to present an overview of the Fish and Game portion of

the NRMEC budget category. Mr. Skoog stated he had with him Mr. William Demmert, Deputy Commissioner of Program Management and Mr. Russell Clark, Director of Administrative Services.

Commissioner Skoog stated the Fish and Game Budget request was for about \$58.7 million, which was about a \$10.4 million increase over last year. The primary concerns in the budget request were:

1. Fisheries - In the Commercial Fisheries area there had been a great need for more crab, shrimp and herring surveys and increased programs. Southeastern Chinook Salmon is also requiring much more effort on the department's part to determine what the population levels are. There is a greatly expanding Sport Fisheries every year. Part of the process is providing access for sport fishermen into the fishing areas - for example the Mat-Su, Cook Inlet area. The Sport Fish Office has been working closely with Chip Dennerlin of the DNR Parks Division to coordinate similar efforts. FRED is finding the main emphasis to be bringing the new hatcheries on line. When they are ready to go, staff must be developed to run them.
2. Game - The Marine Mammals Office is a primary concern in that program. There is an increased need for more information on just what the status of the various game populations are throughout the state - both from the standpoint of the new federal mandates as well as the whole regulatory process which now includes subsistence.
3. Non-Game Program - This new program was started last year and is continuing.
4. Habitat - This division was primarily concerned with the land transactions and oil and gas leasing programs that are presently going on. The Stream Cataloguing system is important to the Placer Mining industry, as well as the Anadromous Fisheries program. And now there is a greatly expanded federal oil leasing program due to Secretary Watt, and Fish and Game will have to "plunge into this" in order to "keep pace" with some of the leasing programs.
5. Subsistence - This program has an ever increasing need for more detailed information on just what the subsistence needs and concerns are. It has to tie in better than it has in the past with the regulatory processes of the Board of Fisheries and Game. The program now requires a lot more data in order to stay out of court.
6. Data Processing - Along with all the expanding above programs, there is now an increased demand for timely information.
7. Administration - The load in this area of the department has increased greatly over the past four years, even though the

staff and capabilities of the Division of Administration has remained essentially static.

8. D-2 - The federal mandates in this area has generated major problems in the department. This need will be addressed in a separate budget, but Commissioner Skoog wished to point out that the D-2 was quite separate from the Operating Budget and there was a minimum of overlap.

Commissioner Skoog thanked the committee for the opportunity to speak and stated he was available to answer any questions.

Senator Sackett asked what the 1981 request percentage was over the 1980 request. Commissioner Skoog answered about 31%, with a 21.6% increase this year. Senator Sackett comment about the Subsistence section on paper not "jibing" with the oral justification the Commissioner had just made. Commissioner Skoog responded that a lot of the needs for subsistence would become evident in the D-2 budget. Senator Sackett requested that the Commissioner combine the two so that he could have an idea of the total picture. Commissioner Skoog stated he would provide that information.

Co-chairman Bennett thanked Commissioner Skoog for his testimony.

SENATE BILL NO. 323

Co-chairman Bennett stated that the committee would take a break in the NRMEC Budget Category review process and consider SENATE BILL NO. 323 (An Act making a supplemental appropriation to the Department of Public Safety to pay Bristol Bay charter and operations costs; and providing for an effective date), and requested that Senator Ferguson present the bill to the committee. It was determined that the committee was considering COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 323 (State Affairs) (An Act making appropriations to the Department of Public Safety for fish and wildlife protection; and providing for an effective date).

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 323 (STATE AFFAIRS)

Senator Ferguson requested that Commissioner Nix of the Department of Public Safety come forward to speak on the legislation. Commissioner Nix stated that he supported CSSB 323 (SA), and stated it would allow the department to lease one vessel and purchase one vessel for Bristol Bay primarily for the purpose of fish and wildlife protection. He said this would fill a void that exists between their capabilities. The department has historically used its patrol vessel "The Vigilant" (which is a 100 foot, three screw, 2000 horsepower vessel), and small Boston Whalers to work the Bristol Bay fishery. A "middle of the road" type vessel would give them the capability of servicing shallow water operations, beaching operations on a tide, working the set-net fisheries, etc. It would also be a small combination boat that would allow the department to work the same fisheries

at Kodiak and at Sand Point. The offshoot would be that it would also provide service vessels in the event there is some need to react to certain rescue operations and/or reported threats of violence if there is some misunderstanding in price negotiations. He concluded that the legislation would be vitally important to the operation of the fishery at Bristol Bay.

BEGIN SIDE 2, Tape SFC 81, # 47, (000 - end)

Senator Sackett requested that Commissioner Nix explain the difference between the original bill and CSSB 323 (SA). Commissioner Nix responded that as a result of the Bristol Bay Task Force hearing in Senate Judiciary, the ability to provide service vessels was inserted. The original bill was submitted after the Senate hearings and it addressed separately Public Safety attempts to report threats and acts of violence. In fact, the department could use the ability to work the fisheries much better, and planned to put funds into leasing vessels. One of the suggestions by the State Affairs Committee was to purchase vessels instead, and Commissioner Nix agreed with this approach. So there would be one purchase and one charter. There is already enough money in the Public Safety budget to lease one other vessel. There are no vessels leased presently. Responding to a question by Senator Sackett, Commissioner Nix stated he did not think there would be a continuing cost. The Bristol Bay operation is budgeted for every year. The small amounts related to fuel costs and overtime could be absorbed in the regular operation budget.

Senator Ferguson moved and asked unanimous consent that CSSB 323 (SA) 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 and Ferguson signed "do pass".

RETURN TO NRMEC BUDGET CATEGORY CONSIDERATION

Co-chairman Bennett stated that the committee would then continue consideration of the NRMEC budget, adding that Senator Kerttula had sent word that the Senate Finance Committee would not have to attend the floor session this day. He stated that a note would be sent to Senator Kerttula so that members of the committee would be excused. He then requested that Legislative Finance Fiscal Analyst Bob Grogan come forward to present the NRMEC budget to the committee.

Senator Sackett asked about the Governor's Budget Amendments. Mr. Grogan stated that there were a number of GBA's pending in Budget and Management that would arrive at a later time. Senator Sackett asked for a copy of the back-up on the D-2 portion since there might be a \$10 million adjustment to the budget at a later time.

Mr. Grogan explained the documents he had distributed to the committee members for the budget overview. He stated that the

House subcommittee had been chaired by Representative Meekins, and Representatives Carney, Haugen were members (with Representative Halford attending many of the hearings). He said that the House subcommittee operated under a general guideline calling for a 5% reduction in general funds throughout all the departments in the NRMEC category. They had asked each commissioner for the best general fund reduction spots in the respective budgets. DNR had responded with a ranking of their incremental projects with the lowest to the highest priority, so that the lowest priority projects could be "knocked out" until the "right number" was achieved. The subcommittee followed that approach unless the subcommittee felt certain projects were of legislative priority. Fish and Game had responded by submitting a list of incremental projects that had been submitted to the BRC last year. There was a considerable amount of difficulty in accepting those projects for reduction inasmuch as it seemed that almost all of them were someone's priority. So in this case, the subcommittee decided to cut all general fund throughout the Fish and Game department by 5%, and they also made some additional reductions on some new positions allowed by the Governor. 20% of the new position cost was deleted, with the idea that there would be vacancies and the positions could not be filled in time to require the full 12 months funding. That reduction also occurs on all projects added by the House subcommittee. The Department of Environmental Conservation decided not to submit reductions over projects, but rather take it across the board, and they submitted a line item reduction schedule to the House subcommittee. He thought the House subcommittee used the DEC list with no changes. In the case of DNR and DEC, the 5% reduction of the general fund was realized. In the case of Fish and Game it was not since most of the legislative add-ons by the House subcommittee were in the Department of Fish and Game.

Regarding the project prioritization method DNR had used, Senator Sackett asked Mr. Grogan if he had been able to analyze whether or not the base costs they used were correct in terms of positions needed for each individual project. Mr. Grogan responded that since project budgeting by DNR was begun, the projects were either funded or deleted in their entirety. Senator Sackett stated that was the fallacy of project budgeting.

In regard to the D-2 amendment, Senator Sackett noted that operating costs were \$5,763.7, and asked Mr. Grogan if he had been able to analyze that amendment consistent with the way he had analyzed the rest of the budget. Mr. Grogan responded he was working on that. The DNR approach had not presented a problem in that the amendment was in the Operating Budget. But the Fish and Game portion of it was presented in the Capital Budget and does not reflect capital expenses - it is in fact an operating budget. At that point, the House subcommittee took it back to the Governor's Office and said it would all have to be in the Operating Budget. This was the current status, but he added, there has been little review to date on the D-2 amendment.

Mr. Grogan stated that another significant reduction dealt with the gas pipeline. The budget for that component assumed there would be full start-up pipeline construction in FY 82, which is now obviously not going to be the case. So the House subcommittee went back to the Pipeline Coordinator's Office and asked them to get together with all the agencies involved and give us a more realistic figure. This was done, and the figures are shown without change in the House column on the print-out. However, since these monies would all be program receipts, the general fund picture would not be altered. He said those were probably the two largest cuts overall.

Mr. Grogan had distributed a copy of the DNR increment priority list, and at this time he went through the list with the committee and explained what the House subcommittee had done. This list is appended to the end of these minutes.

Using the Short Form booklet, Mr. Grogan next gave a brief overview of the what the House subcommittee had done with the Fish and Game portion of the NRMEC budget category.

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Discussion and questioning ensued throughout Mr. Grogan's testimony on the House subcommittee action on the Fish and Game budget. Mr. Grogan reviewed the House subcommittee action by going page by page through the computer print-out. The Senate Finance Committee began making motions as follows:

DEPARTMENT OF FISH AND GAME - COMMERCIAL FISH - SALMON - page 167

Senator Sackett asked what programs the 24 positions in Sitka were for. Mr. Grogan stated that it was the S.E. Troll Evaluation project, and added that it was the only project like that deleted in the House. Senator Sackett asked if there was Legislative Intent on the 20% reduction in Personal Services that the department would not come back with a supplemental. Mr. Grogan responded that there was not.

DEPARTMENT OF FISH AND GAME - COMMERCIAL FISH - SHELLFISH - page 169

Mr. Grogan stated that the \$75.0 added by the House for shellfish survey shortfall was in his opinion not required. He thought it had been included due to a misunderstanding; the Commercial Fish staff indicated there would not be a shortfall though there is money in the program. He stated that a portion of the \$41.7 for Norton Sound King Crab Studies was for Personal Services and that was where the 20% reduction for \$4.4 shows up in Personal Services. The other House reductions were 5% across the board. Co-chairman Bennett asked how much overlap there was with these studies and those being done by the University of Alaska. Mr. Grogan stated he did not think there was much overlap. No motions were made at this time.

Mr. Grogan stated that the expansion of this program budgeted by the department was deleted by the House subcommittee. There was a 20% reduction for all the new positions added; a 5% line item reduction; and \$386.6 was added back in to basically make up what had been taken out in terms of total dollars.

Senator Sackett asked if the Senate Finance Committee was closing out the pages at this time. Co-chairman Bennett stated yes, that the House figure would be taken unless a Senate Finance Committee member specified either the Governor's figure or a Senate figure.

Senator Sackett asked what should be done in instances where positions were allowed but the funding had been reduced. Co-chairman Bennett stated that it was assumed that all new positions would be zeroed unless a member of the Senate Finance Committee made a motion otherwise. Mr. Grogan stated that in many instances, the House position count was understated. For example, on this page, the House allowed the positions the Governor asked for, but there was also an additional \$386.6 added in (of which a sizeable portion would be Personal Services). So there would be new positions added. He said another way of looking at it was that these were just like additions put into HB 60 where the agency came back with additional positions. It was the House subcommittee's decision to hold the projects in the Miscellaneous line item so that they could be followed more easily. Mr. Grogan said he had a back-up sheet breaking down the miscellaneous line item in each component where the House subcommittee had added Personal Services amounts into the Miscellaneous column. Senator Sackett was concerned what was included in the Miscellaneous line item. Other members requested the line item breakdown. Mr. Grogan stated that the \$386.6 was broken down as follows: \$162.4 in line item 100; \$14.9 in travel; \$79.7 in Contractual; \$32.0 in Commodities; \$97.6 in Equipment. He said that there were not many examples of the use of this formula, but that it occurred in components where project funding had been deleted from a line item and then reinstated in the Miscellaneous column. Senator Stimson stated that if the positions had been "authorized" in that way, then the figures should correlate. Further discussion ensued. Senator Stimson stated that he was worried that this approach would lead the committee to the same problem it had previously had with identifying the CIP positions in the various agencies. Mr. Grogan restated that it had been the House subcommittee decision to cut the requested herring program and add back their own in the Miscellaneous column, with some priority changes.

Senator Sackett moved that the Senate Finance Committee approach be "no new positions, and 5% reduction". There being no objection, it was so ordered. It was determined that this motion was only for the Herring component.

Senator Stimson asked Mr. Grogan to let the committee know where the House subcommittee had used that formula in other components.

Mr. Grogan stated he would call those components to their attention.

DEPARTMENT OF FISH AND GAME - COMMERCIAL FISH - SHELLFISH - page 169

Mr. Grogan asked that the committee return to this page, and stated he did not have the committee's Legislative Intent. He stated that no new positions had been requested. The House cut 5% across the board, and added two projects.

Senator Sackett moved that the Shellfish Survey Shortfall for \$41.7 be included; funding in Personal Services be included; and a 5% reduction be taken in everything else. There being no objection, it was so ordered. Senator Sackett stipulated that his motion meant to do away with the Miscellaneous line item figure; he felt the committee would be deceiving itself. The funding in the Miscellaneous line item should be spread over the other Operating Budget line items. Senator Sackett added that these components should be made consistent with all the other components.

DEPARTMENT OF FISH AND GAME - COMMERCIAL FISH - SALMON - page 167

The committee then returned to page 166 for the same reason. Senator Sackett asked Mr. Grogan if he could convert the requested add-ons into new positions. Mr. Grogan stated he could - all the costs were Operating. He added that the intent on those programs stipulated that the programs would not be one-time costs. Senator Sackett stated that if they are not one-time costs, they should be shown the same way all other costs are shown.

Senator Ferguson moved that \$50.0 be added for the Lower Kuskokwim River Salmon Sockeye Identification project. No new positions would be added as the project would be in Contractual. It was determined that Senator Sackett's previous motion had been using the House base, with a change in the method of showing costs. Senator Ferguson's motion for \$50.0 would be added to the House base figure in Contractual.

DEPARTMENT OF FISH AND GAME - COMMERCIAL FISH - HEADQUARTERS ADMINISTRATION, PLANNING AND REVIEW - page 173

Mr. Grogan stated there had been a straight 5% reduction in the House figure. The House figure was adopted.

DEPARTMENT OF FISH AND GAME - COMMERCIAL FISH - GROUND FISH - page 175

Mr. Grogan stated there was a 5% reduction overall, mainly in Personal Services. Senator Ferguson moved that \$100.0 be added for the Yukon Kuskokwim Fresh Water Fishery, and \$100.0 for the Kobuk-Selawik whitefish and Sheefish Assessment program be added

to the Contractual line item. There being no objection, it was so ordered. Otherwise, the House figures were adopted.

DEPARTMENT OF FISH AND GAME - SPORT FISH - INVESTIGATIONS & RESEARCH - page 181

Mr. Grogan stated there had been a 5% reduction on the House figure. The House figure was adopted.

DEPARTMENT OF FISH AND GAME - SPORT FISH - MANAGEMENT - page 183

The House had accepted the Governor's figure. The Governor's figure was adopted.

DEPARTMENT OF FISH AND GAME - SPORT FISH - SPORT FISH RESTORATION - page 185

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

DEPARTMENT OF FISH AND GAME - SPORT FISH - ADMINISTRATION - page 187

Mr. Grogan stated there had been a 5% general fund reduction over the line items. The House figure was adopted.

DEPARTMENT OF FISH AND GAME - F.R.E.D. - page 191

Mr. Grogan stated this component was similar to those in the Commercial Fish Division with deductions in Personal Services and additions in Miscellaneous. He said that the \$104.0 added for the Cold Bay Hatchery Operation was basically something that was in the budget that the BRC cut because it was a low priority. It was shown as a low priority by F.R.E.D. but the House subcommittee added it back in. \$87.6 was added for Kitoi Bay, Karluk Marking and Tagging Program. The \$229.0 for Lake Fertilization and \$70.0 for Chinook Rehabilitation Research would be passed through directly to the Aquaculture Association. The addition of \$1,208.8 for Fish Marking, Recovery & Evaluation would go into the F.R.E.D. budget as would the \$200.0 for South Central Steelhead Enhancement Research. One program was deleted that was originally budgeted - the Tagging Program. Also a 5% reduction was taken across the board by the House subcommittee, as well as a \$141.2 reduction for all new positions requested by the Governor.

Senator Sackett noted that though the Tagging program for \$222.8 was deleted in Personal Services, the positions were all still allowed. Mr. Grogan stated that this was the same situation - the Tagging program was deleted and the positions were allowed for that program because they added \$1,208.8 for the Fish Marking and Evaluation Program. From looking at the back-up Mr. Grogan had assumed that the positions for these two programs would overlap, so of the 57 allowed positions not related to the Tagging program, most of the rest were needed for hatchery

operations. However, he did not know exactly how many positions would be involved. Senator Sackett asked how many of the 57 positions were related to the Tagging program. After a pause, Co-chairman Bennett stated that this component would be left open until the following day. There being no objection, this component was left OPEN.

Senator Sackett requested that Mr. Grogan bring to the full committee a list separating those positions related to the Tagging Program, as well as a prioritization of the remaining positions.

Senator Stimson asked that Mr. Grogan be prepared to explain why the House had devised the formula for deleting funding in Personal Services and replacing that funding in Miscellaneous. Mr. Grogan stated that the Senate Finance Committee had dealt with all those components except for the Grants component. He said that all the rest would have the funding spread over the line items in the standard way. It was determined that Mr. Grogan would expand on the explanation the following day, as well as provide answers to Senators Sackett's questions.

DEPARTMENT OF FISH AND GAME - F.R.E.D. - ADMINISTRATION - page 195

Senator Sackett moved "no new positions, Governor's figures, and 5% reduction". There being no objection, it was so ordered.

DEPARTMENT OF FISH AND GAME - F.R.E.D. - TECHNOLOGY AND DEVELOPMENT - page 197

Senator Sackett moved the House figure. There being no objection, it was so ordered.

DEPARTMENT OF FISH AND GAME - ADMINISTRATION AND SUPPORT - OFFICE OF THE COMMISSIONER - page 201

Senator Sackett moved the Governor's figure less a 5% reduction, along with an addition of \$19,145.0 for operating funds for the OCS Advisory Committee as a pass through out of Miscellaneous. There being no objection, it was so ordered.

DEPARTMENT OF FISH AND GAME - ADMINISTRATION AND SUPPORT - PUBLIC COMMUNICATION - page 203

Senator Sackett moved the House figure. There being no objection, it was so ordered.

DEPARTMENT OF FISH AND GAME - ADMINISTRATION AND SUPPORT - ADMINISTRATIVE SERVICES - page 205

Senator Stimson moved \$40.0 for a pass-through grant to the Alaska Zoo. Senator Sackett moved on the 8 RP positions only, with a 5% reduction. There being no objection, it was so ordered.

Senator Ferguson moved an additional \$300.0 for the Alaska Zoo. There being no objection, it was so ordered.

DEPARTMENT OF FISH AND GAME - KING CRAB QUALITY CONTROL BOARD - page 207

Mr. Grogan stated this was all program receipts. The figure was adopted.

DEPARTMENT OF FISH AND GAME - GAME - INVESTIGATIONS AND RESEARCH - page 211

Mr. Grogan stated that the House had taken a 5% reduction on all line items and had added \$88.9 for a humpback whale investigation. Co-chairman Bennett requested that this page be held one day and asked that Mr. Grogan make sure that the whale program would be actual scientific research. There being no objection, it was so ordered and the page was held OPEN.

DEPARTMENT OF FISH AND GAME - GAME - MANAGEMENT - page 213

Senator Sackett moved \$634.4. There being no objection, it was so ordered.

DEPARTMENT OF FISH AND GAME - GAME - HUNTER SAFETY - page 215

Senator Sackett moved the Governor's figure. There being no objection, it was so ordered.

DEPARTMENT OF FISH AND GAME - GAME - SPECIAL PROJECTS - page 219

Mr. Grogan stated this was all program receipts and federal money. The figure was adopted.

DEPARTMENT OF FISH AND GAME - GAME - NON-GAME FISH AND WILDLIFE - page 221

Senator Sackett moved the House figure. There being no objection, it was so ordered.

DEPARTMENT OF FISH AND GAME - VESSELS - page 223

Senator Sackett moved the House figure. There being no objection, it was so ordered.

DEPARTMENT OF FISH AND GAME - BOARDS OF FISH AND GAME - page 225

Senator Sackett moved the House figure. There being no objection, it was so ordered.

DEPARTMENT OF FISH AND GAME - SUBSISTENCE SECTION - page 227

Mr. Grogan stated the House had deleted the Seasonal Staff project for \$107.0 in Personal Services. There was a 5% reduction on all line items. Senator Sackett moved to include

the Seasonal Staff project and to take other House figures with the 5% reduction. He also moved that the Eskimo Walrus Commission be included in the Grants and Claims line item. There being no objection, it was so ordered.

DEPARTMENT OF FISH AND GAME - LIMITED ENTRY - COMMERCIAL FISHERIES ENTRY COMMISSION - page 229

Senator Sackett requested that this page be held open as the Director of the program John Williams would be before the committee at a later time. There being no objection, this page was held OPEN.

DEPARTMENT OF FISH AND GAME - HABITAT PROTECTION - LAND AND WATER CONSERVATION - page 233

Mr. Grogan stated that the 5% reduction was the only change. Senator Ferguson moved an item for Senator Eliason - a wildlife vegetation survey in Gustavus for \$5,375.00. There being no objection, it was so ordered.

BEGIN SIDE 2, Tape SFC 81, # 48, Side 2, (000 - 314)

Senator Ferguson moved that \$325,300 be deleted from the continuation level in the Fairbanks Habitat Office, as well as \$120.3 from the FY 82 budget request, for a total reduction of \$425.6. He stated he had a back-up letter for this motion, and that the operation could be well covered by the Department of Environmental Conservation. This motion would effect pages 237 and 241. There being no objection, it was so ordered.

DEPARTMENT OF FISH AND GAME - HABITAT PROTECTION - ADMINISTRATION AND SUPPORT - page 235

Mr. Grogan stated there was only a 5% reduction in the House figure. The House figure was adopted.

DEPARTMENT OF FISH AND GAME - HABITAT PROTECTION - ENVIRONMENTAL MONITORING - page 237

The House figure was adopted.

DEPARTMENT OF FISH AND GAME - HABITAT PROTECTION - SPECIAL FEDERAL PROJECTS - page 239

The Governor's figure was adopted.

DEPARTMENT OF FISH AND GAME - HABITAT PROTECTION - OIL PIPELINE MONITORING - page 241

Senator Sackett moved to zero this component. There being no objection, it was so ordered.

DEPARTMENT OF FISH AND GAME - HABITAT PROTECTION - GAS PIPELINE MONITORING - page 243

Mr. Grogan stated there were no new positions in the House figure. The revised agency request mentioned earlier by Mr. Grogan showed on in this component. Senator Sackett asked if it was a GBA and Mr. Grogan responded no, but that it was a response to a House request to come up with a more realistic figure. Co-chairman Bennett moved that this component be zeroed. There being no objection, it was so ordered.

DEPARTMENT OF FISH AND GAME - HABITAT PROTECTION - RESOURCE ASSESSMENT - page 247

The only difference between the Governor's and the House figure was the House 5% reduction. The House figure was adopted.

DEPARTMENT OF PUBLIC SAFETY - FISH & WILDLIFE PROTECTION/ENFORCEMENT - ENFORCEMENT - page 251

Mr. Grogan stated the House figure was the same as the Governor's figure except that \$1583.0 was added in for the first year increment on a three year enhancement program. The House had requested a response from the Fish and Wildlife people last year on some of the major problems in statewide enforcement. They submitted a large report requesting funding that the House intended to fund year by year. There were also funds requested in the Capital Budget for this program.

Co-chairman Bennett made a motion for Senator Eliason - \$189.0 for a Fish and Wildlife Protection Officer in Hoonah and in Sitka. He then made a motion for Senator Kerttula - \$12.4 for a temporary secretarial position range 10 for 5 months (\$10.8 in Personal Services and \$1.6 in Contractual). He then made a motion for \$745,640 for a permanent commissioned Protection Officer VI, a permanent non-commissioned Protection Officer II, CECD position I, Water Craft II, Air Craft, Off Road Vehicles, Housing and Office Unit, Per Diem, Office Equipment, and Miscellaneous to go into Enforcement in addition to the Governor's figure as a base. There being no objection, it was so ordered.

Senator Stimson requested further information on the three year enhancement program. Mr. Grogan explained it further. He added that it was his understanding from the above motion that the Senate Finance Committee had not included that House increment. That was confirmed by the committee.

DEPARTMENT OF PUBLIC SAFETY - FISH AND WILDLIFE PROTECTION/DIRECTOR - DIRECTORS OFFICE - page 253

Mr. Grogan stated that the House had added \$172.8 to the Governor's figure in Miscellaneous. Senator Sackett moved the Governor's figure. There being no objection, it was so ordered.

DEPARTMENT OF PUBLIC SAFETY - FISH & WILDLIFE PROTECTION/AIR - AIRCRAFT SECTION - page 255

Mr. Grogan stated that the House had added \$137.5 to the Governor's figure in Miscellaneous. Senator Sackett moved the Governor's figure. There being no objection, it was so ordered.

DEPARTMENT OF PUBLIC SAFETY - FISH & WILDLIFE PROTECTION/MARINE -
MARINE ENFORCEMENT - page 257

Mr. Grogan stated both House and Governor's figures were the same. Senator Sackett asked for an explanation of this component. Mr. Grogan stated that the new positions were the cruise for the enforcement vessels statewide. The 5 new positions in Kodiak were requested for the new vessels that had come on line this year. The funding was 3/4 year with adjustments in salary and benefits, related to the new 120 foot vessel that was on the November bond issue. Senator Sackett moved the Governor's figure. There being no objection, it was so ordered.

Co-chairman Bennett stated that the committee would stop on the NRMEC budget category at this point, and reconvene at 1:30 p.m. in the afternoon.

RECESS

The meeting recessed at 11:35 a.m.

(Tape SFC 81, # 47, Side 1, 000 - end)
(Tape SFC 81, # 47, Side 2, 000 - end)
(Tape SFC 81, # 48, Side 1, 000 - end)
(Tape SFC 81, # 48, Side 2, 000 - 314)

SENATE FINANCE COMMITTEE

May 6, 1981

1:50 p.m.

SFC-81, #48, Side 2, (314-end)

SFC-81, #49, Side 1, (000-837)

RECONVENE

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

PRESENT

All committee members were present with the exception of Senators Dankworth and Sturgulewski. Also present were Ernst W. Mueller, Commissioner, Department of Environmental Conservation; John Williams, Commissioner, Commercial Fisheries Entry Commission; Derrill Johnson, Director Administrative Operations for the Commercial Fisheries Entry Commission; Fiscal Analyst Bob Grogan; and administrative assistants to Senate Finance Judy Johnston.

NATURAL RESOURCES

Co-chairman Bennett announced that the meeting was convened for continued review of the NATURAL RESOURCES OPERATING BUDGET, and directed committee attention to p. 163.

COMMERCIAL FISH, p. 163

Mr. John Williams appeared before committee and presented a general overview of the Commercial Fish program. He distributed to committee a handout detailing the manner in which the program would allocate its FY 82 funding. He further advised of a Governor's Budget Amendment for a budget increment in economic research--a total of \$241,000. Other increases in the budget are basically inflationary.

Responding to a question from Senator Sackett concerning economic research, Mr. Williams advised that it includes the addition of four positions (two research positions and two data processing people) for the purpose of developing an enhanced fisheries economic monitoring effort. The Department intends to take existing data (fish ticketing and license data) and use survey techniques to build models which will hopefully predict rates of change in investment and rates of return to the various fisheries. At the present time the Department uses gross earnings to indicate a rate of return. Gross earnings are a "terrible indicator." The model will hopefully allow the Department to establish renewal fees commensurate with the earning power of a permit.

The Department is further statutorily charged with determining optimum numbers of gear limits for each of the fisheries. This

necessitates a balance of biological, management, and economic return considerations.

Several Commissioners also believe that the Limited Entry Act is flawed in that it does not limit capital inputs into fisheries. The economic benefits of limiting access to a common property resource is dissipated through unnecessary capital investment in each unit.

ENVIRONMENTAL CONSERVATION

Following Mr. Williams' appearance, Commissioner Mueller appeared and presented an overview of the Environmental Conservation budget.

He advised that last year Executive Order No. 51 transferred a "large number" of employees from the Dept. of Natural Resources and Dept. of Health and Social Services into Environmental Conservation. Such transfers resulted from legislation emanating from an audit conducted last year. The Department spent a major part of its efforts incorporating these positions and functions into traditional Environmental Conservation operations. As a result of department reorganization, statewide sanitation inspections should be more comprehensive, and duplicate inspections should diminish if one employee can inspect for a number of areas.

Overall the Department has a maintenance level budget with some exceptions. The exceptions include:

- Expand ability to respond to public water supply problems
- Expand public water supply supervision
- Expand technical assistance to public water supply programs to meet health standards
- Expand construction grants program
- Continuation of permanent information center in Fairbanks
- Expand the state's litter control effort
- Expand oil pollution program begun last year

The department is "well along" in the last two programs. Advisory boards have been formed representing a broad spectrum of the Alaskan economy, and the boards have done a good job of putting together what is essentially a "high image public program." The Department has rewritten its oil pollution regulations and the rewriting will greatly impact management of this problem.

In terms of the future, the Department is concerned about hazardous waste. There are currently several bills in the legislature dealing with this problem. The department hopes to "see something come through this year," but at the present time, the department has so much work to do it hesitates to start "anything new."

The department has developed a program for providing funding to communities for solid waste, water supply and waste water disposal in addition to providing technical assistance for operating these programs. The program will expand to meet a "strong need" in Alaskan communities for "these basic human services."

Another new program would fund a joint project between Environmental Conservation, Department of Fish & Game, and Department of Natural Resources for expanded placer mining in Alaska. Commissioner Mueller stressed the need for coordinated efforts relating to permit issuance, technical assistance in meeting state standards, etc. The substantial budget request represents a request from all three agencies not just Environmental Conservation.

Responding to a question from Co-chairman Bennett concerning Environmental Conservation control over food service, water, air, and land (vegetation), and possible duplication or overlap with Fish & Game Habitat, Commissioner Mueller explained that the Environmental Conservation mandate which might parallel Fish & Game is primarily in the water area. Environmental Conservation has responsibility for setting standards for water pollution control and issuing permits for discharge of waste. Fish and Game works primarily to protect anadromous fish streams and deals with problems concerning blockage to fish passage and to some extent the impact of pollution. Regional field offices for Environmental Conservation and Fish and Game work very closely in this area. There is, however, potential for duplication in this area.

Responding to a question from Co-chairman Bennett concerning what appears to be "ganging up" by federal agencies (BLM), Fish & Game, and Environmental Conservation to defeat a proposed project, Commissioner Mueller advised he was not aware of such situations. In fact, these agencies find themselves "on the opposite sides of fences" in some situations, mainly because of the different purpose for which each agency evaluates a proposed project.

Senator Sackett raised questions concerning the placer mining project increase from 160.7 to 817.1 since its inception in 1980, and the need for the requested 22 new positions. Commissioner Mueller advised that funding and positions represent a consolidated request from Natural Resources, Environmental Conservation, and Fish and Game. For convenience the total request was placed within Environmental Conservation. Expansion of the program is needed because of:

- The increase in placer mining claims filed
- Increased concern for impact of mining operations on water quality and fisheries
- Concern that the permit process has been delaying placer miners in their operations

He advised of consolidation of the application for permit process and the need for Natural Resource personnel in Fairbanks to process increasing numbers of applications. Through federal grant, Environmental Conservation has developed a demonstration project to demonstrate methods of controlling water pollution from a placer mining operation. Technical data gained from the project will aid miners in controlling sediment in the streams.

Responding to questions concerning transfers and additions in the Northern Regional Office, Commissioner Mueller advised that the inspection project for which the positions were transferred was under Public Protection in previous years. Positions were also transferred from Health & Social Service to Environmental Conservation offices in Fairbanks, Tok, and Nome and were incorporated into regional offices. Funding was thus requested through the Northern Regional Office rather than leaving these within their former budget categories. The air quality control position is "largely" federally funded under the Clean Air Act, and has been in Fairbanks for a number of years. This employee was formerly a federal employee paid by the state from grant funding. The state now wishes to convert the position to state employment devoted "almost exclusively" to work on the carbon monoxide problem in Fairbanks.

ADMINISTRATION - OFFICE OF THE COMMISSIONER, p. 291

Directing committee attention to the above component, Senator Ferguson moved to add 170.0 for a water control study and 175.0 for an air control study to the House total of 480.2. Both studies will be conducted by the Department. Red Dog mining area has a potential of approximately \$30 billion in lead and zinc. This project in northwest Alaska could be delayed several years without these studies. Bob Grogan advised that the House approach when preparing its budget was to take the department response to the House request for an across the board 5% reduction. The department specified the line items to be reduced, and the House, with almost no exception, took those reductions. No objection to the above additions to the House figure having been raised, the study costs were added to the House total.

ADMINISTRATION - ADVISORY BOARD, p. 293

The department indicated it would cut the advisory board in order to effect the 5% reduction by the House. The Senate, like the House, DELETED FUNDING for the board.

ADMINISTRATION - ADMINISTRATIVE SERVICES, p. 295

Bob Grogan advised that the House reduced personal services by 6.1 for a new total of 465.7. The committee adopted the House figure.

ENVIRONMENTAL QUALITY OPERATIONS - DIRECTORS OFFICE, p. 299

The House reduced personal services by 3.6 for a new total of 446.1. The committee adopted the House figure.

ENVIRONMENTAL QUALITY OPERATIONS - PERMIT SECTION, p. 301

The committee adopted the House total of 191.2.

ENVIRONMENTAL QUALITY OPERATIONS - MONITORING & LAB SUPPORT, p. 303

Bob Grogan advised that the House figure of 679.4 represents a reduction of 8.5 in personal services. Co-chairman Bennett asked if travel would be conducted outside the state. Bob Grogan stated he would look into the matter and respond when he had the necessary information. The committee adopted the House figure.

ENVIRONMENTAL QUALITY OPERATIONS - FACILITY CONSTRUCTION AND OPERATION, p. 305

Bob Grogan advised that the House reduced personal services and travel a total of 14.3 for a new program total of 1333.9. The committee adopted the House figure, but again requested that Bob Grogan determine whether or not travel funding includes travel outside the state.

ENVIRONMENTAL QUALITY OPERATIONS - SOUTHEAST REGION, p. 307

Bob Grogan advised that the House effected a 10.9 reduction in personal services. Senator Sackett questioned why the House allowed the new positions, and Bob Grogan responded that House action simply effected a 5% reduction. Senator Sackett moved for adoption of the Governor's figure of 939.2 with a 5% reduction and no new positions. No objection having been raised, the motion was adopted.

ENVIRONMENTAL QUALITY OPERATION - SOUTHCENTRAL REGION, p. 309

Bob Grogan advised that the House effected a reduction in personal services and travel. Responding to a question from Senator Sackett concerning continuing federal match for the requested position, Bob Grogan stated that when federal funds are lost, positions covered by such funds generally show up in the budget. These positions should really be included in a Budget Amendment. Budget & Management is still holding all federal Budget Amendments. Senator Sackett moved for adoption of the House figure of 1555.2 less the new position for a new total of 1513.5. The new total was adopted by committee.

ENVIRONMENTAL QUALITY OPERATION - NORTHERN REGION, p. 311

Bob Grogan advised that the House effected reductions in personal services and travel. Senator Sackett moved for adoption of the Governor's figure reduced by 5% and no new positions. Bob Grogan stated that the preceding motion would result in the House figure

of 1524.0 reduced by new position costs of 196.7 for a net total of 1327.3. The new total was adopted by committee.

ENVIRONMENTAL QUALITY OPERATIONS - PLACER MINING PROJECT, p. 313

Bob Grogan advised that the House intent was to authorize the new positions even though the Department can probably not put them all on. Questions arose concerning the type of program contemplated by the Department and whether the program would be a help or hindrance to placer mining operations. Co-chairman Bennett moved to zero the program, advising that the Department will come back with more detail if the program is a priority. No objection having been raised, the program was ZEROED.

ENVIRONMENTAL MANAGEMENT - DIRECTORS OFFICE, p. 317

Bob Grogan advised that the House reduced personal services by 3.6 for a new total of 202.4. The committee adopted the House figure.

ENVIRONMENTAL MANAGEMENT - WATER QUALITY MANAGEMENT, p. 319

Bob Grogan advised that the House reduced contractual by 4.9 for a new total of 1367.4. Senator Sackett moved for inclusion of a maintenance position to "look" at water and sewer projects prior to the point whereat they become inoperative. No objection having been voiced, the new position was adopted.

ENVIRONMENTAL MANAGEMENT - MANAGEMENT & TECH ASSISTANCE, p. 321

Bob Grogan advised that the House reduced personal services by 6.1 for a new total of 549.9. The House figure was adopted by committee.

ENVIRONMENTAL MANAGEMENT - AIR & SOLID WASTE, p. 323

Bob Grogan advised that the House reduced contractual by 7.3 for a new total of 1011.0. The committee adopted the House figure.

GAS PIPELINE SURVEILLANCE - SURVEILLANCE ACTIVITIES, p. 325

Bob Grogan stated that the House figure represents the revised agency request. Senator Bennett moved to zero this component since there is no gas pipeline. No objection having been raised, the component was ZEROED.

OFFICE OF SCIENCE AND TECHNOLOGY - EXECUTIVE OPERATIONS, p. 327

The committee adopted the House and Governor's figure of 280.8.

LIMITED ENTRY - COMMERCIAL FISHERIES ENTRY COMMISSION, p. 229

Bob Grogan stated that the House figure of 2178.9 is the same as the Governor. Co-chairman Bennett moved to reduce the figure by 5% and allow no new positions for a new total of 1758.6. No

objection to the motion having been voiced, the new figure was adopted.

COASTAL ZONE MANAGEMENT - NOAA, p. 3

Bob Grogan advised that the 84.5 funded by the Governor and the House represents federal funds. Co-chairman Bennett advised that funding would be allowed as long as no state funds are involved.

OIL AND GAS CONSERVATION, p. 5

Bob Grogan advised that the House figure of 2220.7 is the same as the Governor. The committee adopted the House figure.

D-2 AMENDMENT

Senator Sackett raised a question concerning the D-2 Amendment. Bob Grogan advised that it would not affect any component. The amendment is being handled almost like a bill. It will be put into the budget as new components. The administration is concerned that D-2 costs not be rolled-in on existing components.

MANAGEMENT & ADMINISTRATION - COMMISSIONERS OFFICE, p. 93

The House took the Governor's figure of 821.2 and added 212.0 for the Haines interdisciplinary team--a study in the Haines area and northward, affecting DNR and Fish & Game. The study will be conducted by the Department and funding spread as needed among the line items. Co-chairman Bennett moved to adopt the House figure of 1033.2. No objection having been raised, the House figure was adopted.

MANAGEMENT & ADMINISTRATION - ADMINISTRATIVE SERVICES, p. 95

The committee adopted the House and Governor's total of 1619.7.

MANAGEMENT & ADMINISTRATION - INFORMATION/RECORDS MGMT., p. 97

The House figure deletes 82.8 relating to the Public Information Project--the publication by Alaska Resources. This is not a monthly, but a periodical which explains what is happening in the Department. Senator Sackett moved for adoption of the Governor's figure, no new positions, and a 5% reduction. No objection having been voiced, the above motion was adopted.

ADMINISTRATION AND SUPPORT - PUBLIC COMMUNICATION, p. 203

Bob Grogan advised that the above component contains the Fish & Game Department publication. Co-chairman Bennett moved to add one position to the House figure of 371.2 for the specific purpose of working directly on the publication. In the past the publication has been published monthly in a rather hit and miss manner. The publication contains valuable information and should be continued. Bob Grogan was directed to obtain cost information relating to the position from the Department.

MANAGEMENT & ADMINISTRATION - STATE RECORDER, p. 99

The committee adopted the Governor's figure of 1306.2.

MANAGEMENT & ADMINISTRATION - RESEARCH/SPECIAL PROJECTS, p. 101

The House deleted the CZM increment. The House figure of 1971.6 was adopted by committee.

STATE PIPELINE SURVEILLANCE - GAS PIPELINE REVIEW, p. 105

This component represents the other one-third of the package on the Gas Pipeline. Co-chairman Bennett stated that there is no Gas Pipeline. The component was ZEROED.

PIPELINE SURVEILLANCE - PIPELINE SURVEILLANCE-SPEC. PR, p. 109

This component relates to the gathering line. The House figure is the same as the Governor. The committee adopted the Governor's total of 236.6.

LAND SELECTION/TITLE DEFENSE, p. 113

Bob Grogan advised that two projects were deleted by the House, Land Exchange and General Grant Selection, and 20.0 was added to facilitate the Cape Fox Land Swap. A total of 77.3 was deleted from the House figure. Co-chairman Bennett moved to accept the House figure of 545.3.

LAND DISPOSAL/FEE TITLE, p. 115

The House and Governor's figure are identical--3044.8. The committee adopted the total.

LIMITED LAND DISPOSALS, p. 117

Four projects were deleted by the House, a reduction of 360.6. Senator Sackett moved for adoption of the House total of 2127.2. No objection having been raised, the House total was adopted.

WATER INVENTORY/ASSESSMENT, p. 121

Bob Grogan advised that the House and Governor's figure are the same, 371.1. Senator Stimson moved to add 73.0 for a dam safety study. No objection having been voiced, the additional funding was added to the above total.

WATER USE MANAGEMENT, p. 123

The House total of 1535.3 reflects a reduction of 27.5. Co-chairman Bennett moved for adoption of the House figure. No objection having been raised, it was adopted.

FOREST MANAGEMENT - TIMBER INVENTORY/SALES, p. 127

Bob Grogan advised that the difference between the House and Governor's figure results from House deletion of the Tyonek timber sale. Co-chairman Bennett raised questions concerning a possible addition for field office work in Kenai. Senator Sackett directed Bob Grogan to determine whether there is an existing program within DNR for interior timber (Fairbanks)--a timber inventory system. If such a system is not currently existing, Bob Grogan was directed to determine the cost of implementing such a program. Co-chairman Bennett requested that the component remain OPEN until a later time.

FOREST RESEARCH, p. 129

The House and Governor's figure are the same at 142.3. The committee adopted the figure.

FIRE PROTECTION/SUPPRESSION, p. 131

The House figure is over \$3 million less than the Governor and reflects a reduction in the number of acres budgeted for. The Department has "no problem" with the House figure. Co-chairman Bennett requested that this component remain OPEN for later consideration.

FOREST LAND & WATER ADMIN., p. 133

The House and Governor's figure are the same, 1540.6. The committee adopted the figure.

OIL & GAS MANAGEMENT - LEASE SALES, p. 137

The House added 174.5 for lease sale enhancement to the Governor's figure of 1636.9. The enhancement addition together with an addition in the subsequent component (Lease Sale Admin.) and a Governor's Budget Amendment form a package which will assist the Department in meeting lease schedule requirements. Co-chairman Bennett moved to accept the Governor's figure of 1636.9. No objection having been raised, the figure was adopted.

OIL & GAS MANAGEMENT - LEASE SALE ADMIN., p. 139

The committee adopted the Governor's total of 1137.0.

RESOURCE INVENTORY/ASSESSMENT, p. 140

The committee adopted the Governor's figures for the following components:

GEOLOGICAL INVESTIGATIONS/MAPPING, p. 143 - 379.9
GEOLOGICAL HAZARD IDENT., p. 145 - 418.2

MINERALS & ENERGY DEVELOP. - MINERAL DEVELOPMENT, p. 147

The House figure of 914.5 represents a personal services correction made by the Department, effecting a deletion of 36.1. The committee adopted the House total.

MINERAL RESOURCES ADMIN. - MINERAL RESOURCES ADMIN., p. 149

Bob Grogan advised that the House deleted 40.0 for a mineral resources administration project--one of the projects that fell within the 5% low priority area. Co-chairman Bennett moved to reinstate the program, thus adopting the Governor's figure of 652.5.

YOUTH CONSERVATION CORPS, p. 151

Bob Grogan advised that the BRC failed to fund this program since the Department did not request it. The House funded it at 231.7. Co-chairman Bennett moved to adopt the House funding. Senator Sackett asked if the program is fully funded by the House Figure. He requested that Bob Grogan obtain further information on full funding for the program. Senator Stimson advised that the Corps serves a very useful purpose. Co-chairman Bennett advised that the program would remain OPEN for later funding at an appropriate level.

HISTORIC RESOURCE MANAGEMENT - HISTORIC RESOURCE MGMT., p. 153

Bob Grogan advised that the House and Governor's figure are the same for this program, 424.8. Co-chairman Bennett stated that he wished to amend the program, adding 414.0 to Historic Resource Management for maintenance of prehistoric sites and historic property. Bob Grogan advised that the project contemplated by the additional funding is included in a Budget Amendment which has not yet come to the legislature. Co-chairman Bennett requested that the amount be funded at this time, and that Bob Grogan watch for the Budget Amendment to insure that the addition is not double funded.

PARK OPERATIONS - PARK DEVELOPMENT, p. 157

The House deleted the Park Realty project and added 54.0 (40.0 for operating youth hostels and 14.0 for T & H Theme Park study. Co-chairman Bennett moved to hold the component open. No objection having been raised, the component was held OPEN.

PARK OPERATIONS - PARK MAINTENANCE & OPER., p. 159

The House and Governor's figure are identical--3151.4. Senator Stimson advised that he (on behalf of Senator Sturgulewski) wished to add 18.3 for maintenance on Stuckagain Road. No objection having been raised, the 18.3 was added to the above-mentioned total.

PARK OPERATIONS - PARKS ADMINISTRATION, p. 161

Bob Grogan advised that the House and Governor's figure are identical. Co-chairman Bennett moved to adopt the House figure of 434.3. No objection having been raised, the House figure was adopted.

D-2 BUDGET AMENDMENT

Senator Sackett requested that Bob Grogan provide additional information on the D-2 Amendment. Co-chairman Bennett advised that he has a copy of the amendment in his office, and that the amendment requests \$10 million and approximately 70 positions.

ADJOURNMENT

The meeting adjourned at approximately 3:05 p.m.

SFC-81, #48, Side 2 (314-end)
SFC-81, #49, Side 1 (000-837)

SENATE FINANCE COMMITTEE

May 7, 1981

8:35 a.m.

Recorder malfunction, no tape for this meeting.

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

PRESENT

All committee members were present with the exception of Senators Dankworth and Strugulewski. Also attending were Senate President Kerttula, Fiscal Analyst Bob Grogan, and administrative assistants to the finance committee Judy Johnston and Kathy Martinson.

NATURAL RESOURCES

Co-chairman Bennett directed committee attention to the NATURAL RESOURCES OPERATING BUDGET, advising that the committee would review program areas previously held open.

LAND MANAGEMENT - LAND DISPOSALS/FEE TITLE, p. 115

To the House total of 3044.8, Co-chairman Bennett moved to add 5.9 for surveying, platting, and patents at Cooper Landing. No objection to the addition having been voiced, it was included in the operating budget.

FOREST MANAGEMENT - TIMBER INVENTORY/SALES, p. 127

Responding to a question previously raised by Senator Sackett concerning an interior timber survey, Bob Grogan advised that such a study could be accomplished under the Governor's budget. Senator Sackett moved to fund this component at the Governor's figure of 1601.4. No objection having been raised, the Governor's figure was adopted.

FOREST MANAGEMENT - FIRE PROTECTION/SUPPRESSION, p. 131

Responding to earlier questions from Senator Sackett regarding fire suppression positions and aircraft, Bob Grogan advised that the contract administrator is basically a coordinator in the field. Co-chairman Bennett moved for adoption of the House total of 3058.1. No objection having been raised, the total was adopted.

RESOURCE INVENTORY/ASSESSMENT - GEO. INVESTIGATIONS/MAPPING, p. 143

To the total of 379.9, Co-chairman Bennett moved to add 150.0 for Cooper Landing mapping. No objection having been raised, the funding was added to the total.

YOUTH CONSERVATION CORPS, p. 151

Bob Grogan advised that the House figure represents the program's funding request. Co-chairman Bennett moved to fund the House total of 231.7. There was no objection to such funding.

PARK OPERATIONS - PARK DESIGN/DEVELOPMENT, p. 157

Co-chairman Bennett moved to add the following projects:

Delta Junction - Clearwater Wayside, 300.8
Big Delta - Quartz Lake Wayside, 754.9
Elliot Highway - Lower Chatanika Wayside, 498.7

Senator Sturgulewski asked why the above projects should be included in the operating budget rather than the capital budget. Co-chairman Bennett responded that funding in the operating budget would give "them" the money to charge against the respective areas being developed or upgraded. Senator Eliason moved to add 300.0 for Pioneer Park at Sitka. Attached to the funding, Senator Eliason proposed intent that funding be used as a pass through to the City of Sitka. When the park is constructed, title shall revert to the state. No objection to the above additions or intent having been raised, they were added to the House total.

FRED, p. 191

Senator Sackett asked which positions relate to the tagging positions deleted by the House. Bob Grogan responded "lines 4 through 15." He distributed to committee members a priority sequence listing of positions. Senator Sackett moved to delete positions 4 through 15 and related costs from the Governor's total of 9096.2 for a new total of 8820.9.

GAME - INVESTIGATIONS AND RESEARCH, p. 211

Bob Grogan advised that the 88.9 added by the House relates to Humpback Whale research being conducted by Chuck Juraz (Sea Search Limited). Co-chairman Bennett moved for adoption of the Governor's figure of 7499.4. No objection having been raised, the Governor's figure was adopted.

FISH & WILDLIFE PROTECTION/ENF - ENFORCEMENT, p. 251

Senator Ferguson moved to add intent relating to airborne hunting, overlimit, and sale of game violations in this program. No objection to the intent having been raised, it was adopted.

ADMINISTRATION AND SUPPORT - OFFICE OF THE COMMISSIONER, p. 201

Senator Eliason moved to add 600.0 for the Stikine River Study. He stated that "by the time the state becomes involved, we could have been generating electricity for 20 years." The study will evaluate available resources, possible damage which might occur

from dam construction, and possible litigation which might be involved. The Sitkine is the largest river in Southeast Alaska. No objection to the addition having been raised, the study was included in the operating budget.

COMMERCIAL FISH - SALMON, p. 167

Senator Sackett moved to add 403.1 for the AVCP Fisheries Task Force pass through. No objection having been raised, the funding was included in the operating budget.

LAND MANAGEMENT - LAND SELECTION/TITLE DEFENSE, p. 113

Senator Sackett moved to add 224.8 for the Alaska Federation of Natives land program. No objection having been raised, the funding was included in the operating budget.

ENVIRONMENTAL QUALITY OPER. - MONITORING & LAB SUPPORT, p. 303

Bob Grogan responded concerning earlier questions centering on whether program travel will entail travel outside the state. The committee adopted the House figure of 679.4, representing a general 5% reduction.

ENVIRONMENTAL QUALITY OPER - FACILITY CONSTRUCTION AND OPER, p. 305

Bob Grogan responded to earlier questions concerning whether or not department travel would entail travel outside the state. Senator Sackett moved to cut travel from 114.1 to 100.0, effecting a new program total of 1323.1. No objection having been raised, the new total was adopted.

ADJOURNMENT

The meeting adjourned at approximately 9:10 a.m.

Recorder malfunction, no tape for this meeting.

SENATE FINANCE COMMITTEE

May 7, 1981

1:45 p.m.

Recorder malfunction, no tape of this meeting.

RECONVENE

Co-chairman Don Bennett reconvened the meeting at approximately 1:45 p.m.

PRESENT

All committee members were present with the exception of Senator Sackett. Also in attendance for portions of the meeting were Representative Hugh Malone; Jay Hogan, Director of Legislative Finance; Fiscal Analysts Elmer Lindstrom, Don Fisher, Alison Elgee, Jerry Schilz, Bob Grogan, and Bob Schroeder.

FINAL OPERATING BUDGET REVIEW

Co-chairman Bennett announced that the meeting was reconvened for final review of all budget categories for closing of programs previously held open, as well as addition and deletion of budget items.

GENERAL GOVERNMENT

EXECUTIVE OPERATIONS - INTERNAL AUDIT, p. 29

Senator Sturgulewski advised she had received no response from the Department concerning staffing needs. Co-chairman Dankworth moved for adoption of the Senate subcommittee recommendation of 654.0. No objection having been raised, the figure was adopted.

EXECUTIVE OPERATIONS - COUNCIL OF ECONOMIC ADVISORS, p. 31

Don Fisher advised that the council has not "spent any money to date," since the project has not yet "gotten off the ground." Co-chairman Bennett moved to ZERO funding for the council. No objection having been raised, funding for the council was ZEROED.

RETIREMENT & BENEFITS - P.E.R.S., p. 131

Senator Stimson moved to establish a PERS position in Anchorage. Co-chairman Dankworth stated that he had no objection, but the subcommittee in its deliberations had allowed no new positions for this component. He added that problems might arise in taking an existing position and moving it to Anchorage. Senator Stimson suggested that the legislature provide "extra money" and legislative intent. Don Fisher was directed to draft language requesting that the department project (in its FY 83 budget) the costs of opening an Anchorage office.

DATA PROCESSING - COMPUTING SERVICES, p. 117

In response to questions and discussion concerning the position count, the committee determined that the count was "okay."

BUILDING & EQUIPMENT SERVICES - LEASING & FACILITIES, p. 139

To the Senate subcommittee total of 21187.6 Senator Ferguson moved to add 414.0 for leased space at Barrow, Nome, and Kotzebue (see attachment). He stated that such a lease arrangement would preclude the need to construct costly new state buildings. He further advised that, generally, state agencies have to carry their own lease costs for the first year. Thereafter, lease costs come through this component. No objection to the above addition having been raised, it was included in the operating budget. Representative Malone advised of a technical Budget Amendment upon which the joint House and Senate subcommittee did not act. Co-chairman Dankworth suggested that the Amendment be held for consideration by the budget free conference committee.

CHILD SUPPORT ENFORCEMENT, p. 161

Co-chairman Dankworth stated that the agency has fallen \$25 million in arrears in prosecution of non-support cases. He advised that changes in the statutes are needed to cure enforcement problems. Senator Eliason attested to the need for changes in the law as well as additional agency people to assist with increasing paperwork. Don Fisher advised that individuals complaining about the program have stressed the need for additional professional people to talk with those pressing suits for non-support as well as additional officers "to call on those owing support." The director of the program feels the professionals and officers are not needed so much as additional clerical people to assist with paperwork. Mr. Fisher described the director's team approach to the processing of support cases.

Representative Malone advised that the program presently has approximately 70,000 cases and \$25 million in delinquencies. Arrearages increase at the rate of over \$400,000 a month. The director has set up five teams consisting of six people each. The teams carry a caseload of approximately 1,400 cases. Mr. Malone added that something must be done to correct the situation. He stated that he was not sure additional clerical people or additional teams are going to help. The director hopes to collect \$9 million during the budget year. Projections indicate approximately \$6 million will be collected. Representative Malone stated that he had suggested to the House that recommendations by the legislature be made in the hope of straightening out what has become a "real mess."

Senator Eliason advised that the director of the program has requested additional clerical help in an attempt to bring the program under control. Mr. Malone advised of his belief that emphasis is needed at a level higher than clerical help. Co-chairman Dankworth advised that the program requires corrective legislation. Representative Malone recommended adoption of the Governor's total of 2564.0, advising that he (Malone) would

attempt to "come up with recommendations" for inclusion in the budget at a later time. Co-chairman Dankworth stated that he would be willing to authorize the clerk typist position contained in the House and Senate budget, but that he would not agree to funding the five additional positions requested by the director. Senator Eliason advised of his belief that problems surrounding this program should be addressed before the legislature goes home. He also advised of his feeling that action should be taken at the present time rather than waiting for free conference where appropriate measures might "drop through the cracks." Don Fisher suggested possible intent language requiring the director to "look at team size and make-up." He advised of complaints that the teams are too large and could be broken down into smaller units headed by a professional person with clerical people for support. Representative Malone attested to the need for language which provides direction and specific instructions as to how the legislature wishes the program to reduce the delinquency rate and keep up with the caseload. Senator Stimson voiced support for funding of the director's request for the five additional positions, even if such a request "doesn't make sense," in order that the program will be flagged for action at free conference. Senators Eliason and Sturgulewski voiced support for "red flagging" this program for free conference consideration. Co-chairman Dankworth advised that he would "go along" with adoption of the director's request with the understanding that if the requested positions are not shown to be justified, they will be eliminated at free conference. Senator Eliason moved for adoption of legislative intent that the program study its team approach to dealing with support enforcement and include a report together with recommended changes with its FY 83 budget. No objection having been raised, the program was funded at the director's request level with attached legislative intent.

LEGISLATIVE FINANCE, p. 213

Senator Ferguson requested inclusion of 170 for the REAA oversight committee study of the drop out rate among native students. Senator Stimson questioned why funding should not be placed in the Department of Education, advising of his understanding that Education had hired an individual to conduct such a study. Senator Ferguson advised that the study is incomplete; the individual hired by the Department did not get enough information from the school districts. Senator Sturgulewski suggested that the Legislative Council would be a better place to deposit such funding. Senator Ferguson advised that the study was suggested over ten years ago and has been needed since that time. He advised that if funding is not placed in Legislative Finance, "it will be another ten years" before the study is concluded. Senator Sackett advised of prior precedence for placing such funding under Legislative Finance. Co-chairman Bennett called for a show of hands on the additional funding. Based upon the show of hands, the funding was included in the Legislative Finance budget.

Senator Sackett read to committee a proposal for additional funding of 160 for a legislative oversight committee on improvements in aviation transportation. He advised that he wished funding including in the Legislative Finance budget since transportation represents a legislative priority.

Senator Ferguson moved that the Legislative Finance budget remain OPEN for further discussion at a later time.

LEGISLATIVE COUNCIL, p. 217

Co-chairman Dankworth moved to hold this component OPEN one more day, advising that he had received the council budget during the noon hour and had not been able to give it appropriate review. He further advised of recent receipt of a Budget Amendment for \$900.0 dealing with telecommunications. He voiced his feeling that free conference should deal with such late-arriving amendments. No objection to holding the council budget OPEN having been raised, it remained OPEN.

Recess - 2:35 p.m.

Reconvene - 2:50 p.m.

UNIVERSITY OF ALASKA

Alison Elgee advised that the committee had previously agreed that the University budget would remain open for later consideration and additions although no specific items remain open. Committee members moved and adopted the following additions:

UAF - STUDENT AFFAIRS - FINANCIAL AID, no. 156

Co-chairman Bennett moved to add 26.7 for the above agency.

UAJ - STUDENT HOUSING

Senator Eliason moved to add 100.0 for student housing at Juneau.

SITKA CC

Senator Eliason moved to add 25.0 for an Accounting Clerk II at Sitka CC.

UAJ - SUMMER PROGRAM

Senator Ferguson moved to add 18.0 for the summer program at UAJ.

UAJ - INTERCOLLEGIATE SPORTS

Senator Eliason moved to add 100.0 for intercollegiate sports at UAJ.

UAF - ORAL HISTORY

Co-chairman Bennett moved to add 97.5 for oral history at UAF (request of Senator Parr).

UAF - SCHOOL OF JOURNALISM

Co-chairman Bennett moved to add 260.0 to UAF for a school of journalism (request of the Governor).

UAF - LIBRARY HOURS

Co-chairman Bennett moved to add 72.9 for extension of library hours at the Fairbanks campus.

STUDENT SERVICES

Co-chairman Bennett moved to add 12.0 for the purchase of typewriters for student use.

UAF - INTERCOLLEGIATE ATHLETICS

Co-chairman Bennett moved to add 400.0 for intercollegiate athletics at the University of Alaska, Juneau (request of Senator Ray).

SPECIAL TOPIC COURSES

Senator Stimson offered legislative intent regarding University handling of special topic courses.

UAF - GYM AND ICE ARENA HOURS

Co-chairman Bennett moved to add 80.8 for longer hours at the gym and ice arena at the Fairbanks campus.

KODIAK CC

Co-chairman Bennett moved to add 165.0 for contractual services at Kodiak CC (request of Senator Mulcahy).

COOPERATIVE EXTENSION SERVICE

Co-chairman Bennett moved 62.7 for 15 volunteers to collect data on behalf of the University (request of Senator Rodey).

KODIAK CC

Co-chairman Bennett moved to add 68.9 for an extension service agent at Kodiak CC (request of Senator Mulcahy).

SUSITNA CC

Co-chairman Bennett moved to add 77.1 for Susitna CC, at the request of Senator Kerttula.

APPROPRIATION BRU'S

Responding to inquiries from Senator Stimson concerning the number of BRU's funded, Alison Elgee advised that the Governor funded the University at a one appropriation level. She advised that funding one BRU for each campus and community college plus University administration and the School of Journalism would result in a total of 20 BRU's. Senator Sturgulewski moved to appropriate 20 BRU's. No objection having been raised, the appropriation level was adopted by committee.

BUDGET AMENDMENT

Alison Elgee advised of a Budget Amendment for \$1,360,555 to the Fairbanks Campus "in other than the G.F. area." Co-chairman Bennett moved to include the amendment. No objection having been raised, it was added to the operating budget.

DEVELOPMENT

NATURAL RESOURCES

Senator Stimson moved to add 25.0 in the personal services line item for Natural Resources Agricultural Research on behalf of Senator Kerttula. He advised that such funding restores the vacancy factor.

C&RA - LOCAL GOVERNMENT ASSISTANCE

Senator Stimson moved to add 50.0 for a borough study in the Ahtna Region.

BUDGET AMENDMENT

Elmer Lindstrom advised of a Budget Amendment for 50.0 G.F. to the Department of Commerce and Economic Development for Alaskan participation in the 1981 food fair in Cologne, Germany. Senator Stimson objected to inclusion of the budget amendment, advising that it was received too late. Upon a show of hands the amendment failed to be adopted.

LOCAL GOVERNMENT

Senator Ferguson moved to provide 87.7 in funding for a government specialist in the NANA Region.

SOCIAL SERVICES

NORTHWEST REGION

Fiscal Analyst Jerry Schilz advised that the Department needs an additional position in this area (someone in a decision-making capacity). Senator Ferguson moved to add 73.5 for the requested position.

CHILD ASSISTANCE - HEAD START GRANTS, p. 171

Senator Sturgulewski advised that the program request totals 3.8. She moved to fund head start at 2.4 with intent that the administration develop standards for delivery of head start services under this component and report back to the legislature in January of 1982.

DESIGNATED GRANT - KAWREK

Senator Ferguson asked if 400.0 had been included for Kawrek. Jerry Schilz advised that it had been funding and set forth as a program of its own.

DOMESTIC VIOLENCE & MAUNELUK

Jerry Schilz advised that 137.0 in funding for Kotzebue is twice listed in the budget--once under Domestic Violence and again under Mauneluk. Mr. Schilz was instructed to delete the funding from Domestic Violence, leaving it in Mauneluk.

HEALTH

GOVERNOR'S COUNCIL/HANDICAPPED, p. 141

Co-chairman Bennett moved to add 52.5 to the Governor's Council on the Gifted and Handicapped.

PUBLIC HEALTH ADMINISTRATION - GRANT TO GAAB, p. 59

Co-chairman Bennett on behalf of Co-chairman Dankworth (who was temporarily absent from the meeting) moved to add 450.0 in specialized day care funding for out-of-home and respite care.

NATURAL RESOURCES

Co-chairman Bennett proposed a letter of intent dealing with the number of hunters and protection officers.

PUBLIC PROTECTION

Senator Eliason moved to add 21,950.00 for maintenance of the CAP building at the Sitka Airport.

ADJOURNMENT

The meeting was adjourned at approximately 3:25 p.m.

Recorder malfunction, no tape of this meeting.



Official Business

Alaska State Legislature

Senate

Pouch V
State Capitol
Juneau, Alaska 99811

To: Sen. Dankworth

From: Sen. Ferguson *2/8*

Date: May 5, 1981

re: Office Space Needs

Per my earlier conversation with you, below are the breakouts of space requirements as provided by the individual departments.

<u>Barrow</u>	<u>8,000 total</u>	<u>Nome</u>	<u>10,000 total</u>	<u>Kotzebue</u>	<u>5,000 total</u>
ADF&G	2,900	ADF&G	2,800	ADF&G	2,750
DOT&PF	2,200	Safety	2,000	C&RA	400
Law	1,200	Law	1,100	Law	300
Court	700	Court	4,100	Court	1,550
Safety	1,000				
			<u>10,000 sq.ft.</u>		<u>5,000 sq.ft.</u>
	<u>8,000 sq.ft.</u>				

The space requirements and the cost are as follows:

Barrow	8,000	sq.ft.	@\$2.00	per foot	x 9	mos.	=	\$ 144,000
Nome	10,000	"	"	"	"	"	=	180,000
Kotzebue	5,000	"	"	"	"	"	=	90,000
								<u>\$ 414,000</u>

Your favorable consideration of this request is greatly appreciated. Should you have any questions, please contact me.

5/7
Very nice Ee - so costly - 61.

SENATE FINANCE COMMITTEE

May 8, 1981

8:30 a.m.

(Tape SFC 81, # 50, Side 2, 538 - end)

(Tape SFC 81, # 50, Side 1, 000 - end)

(Tape SFC 81, # 51, Side 1, 000 - 157)

CALL TO ORDER

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

PRESENT

All members with the exception of Co-chairman Bennett and Senator Sackett were present. Also in attendance were Legislative Finance Fiscal Analyst Alison Elgee; Director of DOE Division of Management, Law and Finance, Marylou Madden; and members of the press, Joe LaRocca and Marylou Sparks.

EDUCATION BUDGET CATEGORY

Co-chairman Dankworth requested that Senator Eliason present the Education Budget Category to the committee. Senator Eliason commented that there were some requests that were not included in the budget, but they would be brought up as a separate item for decision by the committee as a whole. Copies would be distributed to members on all these items. Pointing to the computer print-out, Senator Eliason stated the budget was \$6.8 million under the Governor's proposal; he stated this savings would be explained. He said at this time he and Alison Elgee (Legislative Finance Fiscal Analyst) would only go through the pages where the figure differed from the Governor, or where there were additional legislative requests.

Alison Elgee stated that the Senate subcommittee had accepted the Governor's figures on the first several components. These covered the Teacher's Retirement System and all the Foundation components. There were GBA's submitted on some of the Foundation components which were included. The Governor's figures on Financial Support to Districts.

DEPARTMENT OF EDUCATION - FINANCIAL SUPPORT-DISTRICTS - NW ARCTIC REAA POSTSECONDARY - page 42

Ms. Elgee stated this was the first page with a request that was not yet included as the subcommittee wanted the entire committee's decision. It was a request by Senator Ferguson to close Chuckchi Community College out of UA and establish grades 13 and 14 under the Northwest Arctic REAA. Senator Ferguson stated the legislative committee in the House did a study and recommended this change. He stated that the UA has dropped Chuckchi Community College, so this would just be a transfer of

funds listed in the University budget and placing them in the Department of Education. The figure was \$671,400 general funds. Senator Ferguson stated that the House had included the funds as a grant to the Northwest Arctic REAA. Ms. Elgee stated that on the House side \$889,800 with \$671,400 in General Funds, as a grant to NW Arctic REAA with Legislative Intent that \$889,800 be expended as a grant for the school district operation of a pilot program to conduct grades 13 and 14 in Kotzebue. Senator Eliason stated it was a major policy question to transfer education responsibilities from the University to the REAA, and that was why this request was brought before the entire committee.

Senator Ferguson stated that the proposal had been made last year, but the Governor vetoed it because the University and the State Board of Education were not ready to deal with it. However, this year, there seemed to be no problem and the likelihood of the Governor vetoing it was "nil at this time".

Senator Sturgulewski asked Senator Ferguson if his recommendation was the same as the House and if so, did he also agree with the Intent language. Senator Ferguson answered affirmatively.

Senator Ferguson stated that the ability to handle grades 13 and 14 were in the Alaska Statutes, but the funding mechanism for doing it would have to be passed. His personal opinion was that it would be a better system than the community college system.

Senator Sturgulewski stated she did not think it was a good way to go. She thought improvement of the community college delivery system would be a better approach. She stated that at this point in time, it would be difficult to change to her preferred approach so she would probably support Senator Ferguson's proposal rather than not have an educational system at all in Kotzebue.

Senator Ferguson stated that the University of Alaska was not responsive to the needs in northwest Alaska, especially in the Nana area. With local control, programs could be devised to fit the needs of the area. Also, the Board of Regents set the President's salary at \$71.0, while the district could hire the same type of person for \$40.0 and put the remaining funding into programs.

Senator Sturgulewski was concerned about transfer of credits, etc., for those who intended to go on to further education in the standard system in Alaska and in other states. Senator Ferguson stated that he was quite sure credits would transfer.

Senator Ferguson moved that his proposal stated above be adopted. Upon a show of hands, the motion passed, and the proposal was included on this page.

DEPARTMENT OF EDUCATION - FINANCIAL SUPPORT-OTHER - DEBT
RETIREMENT-LOCAL - page 47

Ms. Elgee stated the reduction here was going back to the pro-
ration of the debt retirement to the districts of 80% of the 80%
formula. This has been the case up until this last year. She
pointed to a chart showing what the reductions would mean to the
various school districts, as well as what the increases they
would be receiving through the substantial increase made in the
foundation formula this year, and the increases to be received
through municipal assistance. The municipal assistance increases
would not be due to passage of SB 125, but just due to increases
in the oil revenues. She added that the municipal assistance
figures were understated as they were computed with the
Governor's figures, and the Senate came in higher on that
particular program.

Ms. Elgee stated that the House effected a substantial reduction
in the Education budget by reducing the Foundation formula. They
reduced all Foundation Formula components by 1 1/2%. The effect
of that was to reduce the school funding in areas not having a
tax base, because the REAA's as well as the municipalities were
being impacted. The Senate subcommittee did not want to take
that approach because there was no alternative funding mechanism
for those areas, so the present Senate figure was computed with
the idea that there was some offset in those areas through
municipal assistance and the other substantial increases they
will be getting through the Foundation Formula.

BEGIN NEW SIDE, Tape SFC 81, # 50, Side 1 (000 - end)

Discussion ensued. Senator Sturgulewski moved that 100% of the
80% formula be funded. Upon a show of hands, the motion carried.

Senator Eliason requested that this page be held open. There
being no objection, it was so ordered and the page was held OPEN.

DEPARTMENT OF EDUCATION - FINANCIAL SUPPORT-OTHER - REGIONAL
RESOURCE CENTERS - page 53

Ms. Elgee stated that the Senate subcommittee put in \$300.0 with
the intent that the funding would be pro-rated based upon the
dollar volume of business conducted by each center during FY 81.
The subcommittee figure was adopted.

DEPARTMENT OF EDUCATION - ADMINISTRATIVE PROGRAM SUPPORT -
FINANCE & MANAGEMENT SERVICES - page 65

Ms. Elgee stated the change from the Governor's budget here was
to delete two positions. One position was a continuation
position that should never have been requested. An EDP Program
Librarian was deleted and the funding was moved from Personal
Services to Contractual Services so that those services could
still be provided to the Administration on a contractual basis.
The Senate subcommittee figure was adopted.

DEPARTMENT OF EDUCATION - K-12 EDUCATION PROGRAM SUPPORT -
EDUCATIONAL PROGRAM - page 71

Ms. Elgee stated the increase was a request for \$50.0 for a grant to the Alaska School Counselors Association. The subcommittee figure was adopted.

DEPARTMENT OF EDUCATION - K-12 EDUCATION PROGRAM SUPPORT - CAREER & VOCATIONAL EDUCATION - page 73

Funding was requested for the Alaska State Advisory Council on Vocational & Career Education for \$116.3. The Senate subcommittee had not included that amount as yet. Senator Stimson commented on the request. Senator Eliason stated there was a bill in the House creating a Task Force on Vocational Education. Senator Stimson moved that the \$116.3 be included. Upon a show of hands, the motion carried. Otherwise the Senate subcommittee figure was adopted.

DEPARTMENT OF EDUCATION - K-12 EDUCATION PROGRAM SUPPORT - EDUCATION PROGRAM DEVELOPMENT - page 79

Ms. Elgee stated there was a request from Senator Ferguson to fund the Selawik Youth Program for \$162.0. This program had existed in the past primarily on CETA funding. Senator Ferguson withdrew his request for the above program. Ms. Elgee added that there was also an addition of \$150.0 for in-service training programs. She said it was the intent of the legislature that the funding be expended by the Department of Education in assisting school districts and REAA's to plan and implement effective in-service training programs to meet the recommendations of the Alaska Professional Development Steering Committee and for in-service training for teachers in the gifted and talented program. None of the funding would be used to create new positions. She stated this was a joint request by Senator Stimson and Representative Moss. The Senate subcommittee figure was adopted.

DEPARTMENT OF EDUCATION - EXECUTIVE ADMINISTRATION - PLANNING & RESEARCH - page 87

Ms. Elgee stated the subcommittee recommended a reduction of \$62.8 for one of the two positions requested for the Task Force on Effective Schooling - Research Analyst I and II. The Task Force was a priority of the Board of Education, and the Board suggested deleting this position if it was necessary. In addition, the Senate subcommittee included \$11.2 for the Department to contract with the Cultural Facilities Development Committee to develop basic design criteria for performing arts spaces. Not yet included was a request by Senator Stimson to include funding for Department of Education to provide as a grant to the Native Education Coalition Task Force to conduct a feasibility study for implementation of an Anchorage Native Heritage Secondary School for \$100.0. Senator Stimson moved the \$100.0 - upon a show of hands, the committee members were tied. Senator Stimson requested that the page be held open. There being no objection, the page was held OPEN.

DEPARTMENT OF EDUCATION - EXECUTIVE ADMINISTRATION -
INSTRUCTIONAL TELEVISION - page 91

Ms. Elgee stated the subcommittee increased this component substantially. Last year in SB 165 a program of funding local education agency grants was started for local program production. The funding for this was not continued in the Governor's budget, so the subcommittee added an additional \$750,000 to continue the program. Also \$750,000 was added for program production in the Vocational Instruction Television Programming areas in renewable resource areas - fisheries, agriculture and forest & land management. In addition to that \$150,000 was provided as a grant to continue the Instructional Education Pilot project in the Nana region (which was also started last year through SB 165). So, a total of \$1,650,000 was added to the Governor's figure. The subcommittee figure was adopted.

DEPARTMENT OF EDUCATION - BOARDS, COMMISSIONS, ASSOCIATIONS -
STATE BOARD OF EDUCATION - page 95

Ms. Elgee stated \$15.0 was added for Travel at the request of the State Board. The subcommittee figure was adopted.

DEPARTMENT OF EDUCATION - BOARDS, COMMISSIONS, ASSOCIATIONS -
OTHER COMMISSIONS AND ASSOCIATIONS-SUPPORT - page 97

Ms. Elgee stated an additional \$335.0 was included as a grant to the Alaska School Activities Association, with \$285.0 going to distribution to school districts for student activities and travel, and \$50.0 for coaches clinics on safety and medical care training. This was for continuation of a program that was begun last year but deleted this year by the Governor as a one-time item. There were also additions made with legislative intent. Marylou Madden, Director of the Division of Management, Law and Finance of the Department of Education spoke to the addition to the Alaska School Activities Association. Co-chairman Dankworth asked for further information on the Arts on the Move Program addition for \$65.0, as well as the \$75.0 addition for a grant to the cultural facilities development committee for operations. Further discussion ensued. The subcommittee figure was adopted.

DEPARTMENT OF EDUCATION - ADULT & POSTSECONDARY SUPPORT - ADULT
BASIC EDUCATION - page 105

Ms. Elgee stated there had been a lot of interest in this area, and she understood Senator Sturgulewski wanted to hold this page open. Co-chairman Dankworth stated the page would be held OPEN.

DEPARTMENT OF EDUCATION - ADULT & POSTSECONDARY SUPPORT - FIRE
SERVICE TRAINING - page 107

Ms. Elgee stated that \$15.0 had been added for the Anchorage Fire Department "Learn Not to Burn" program. The subcommittee figure was adopted.

DEPARTMENT OF EDUCATION - ADULT & POSTSECONDARY SUPPORT - YOUTH
EMPLOYMENT SERVICES - page 115

Ms. Elgee stated \$251.4 was included as additional grants for Alaskan youth to work on the Yukon White Pass Railroads. Of that \$80.0 would go to the Yukon White Pass Railroad, \$171.4 for the Alaska Railroad. She stated the Youth Employment Program on the Alaskan Railroad was begun through the Anchorage School District in FY 81 and it has been very successful, but again the Governor chose to treat it as a one-time item. The subcommittee decided to provide continuation funding for that and expanded the program to include employment opportunities for Southeastern Youth on the Yukon White Pass Railroad. Mr. Elgee stated there was also a request from Senator Hohman for the Kuspuk Aviation Program. Co-chairman Dankworth stated he did not want this program funded; he thought it would be unfair to finance private pilot's license training for a select group. Otherwise the subcommittee figure was adopted.

DEPARTMENT OF EDUCATION - ALASKA POSTSECONDARY COMMISSION -
SCHOLARSHIP LOAN ADMINISTRATION - page 129

Ms. Elgee stated the subcommittee reduced the Governor's request \$54.6 as there was an error in budgeting; the figure was already picked up in General Government. Federal funding was reinstated, so General Funds were reduced \$127.1. It had been brought to the subcommittee's attention that the federal fund loss was still potential and has not actually been effected yet. She pointed to the Legislative Intent statement on page 128. The subcommittee figure was adopted.

DEPARTMENT OF EDUCATION - ALASKA POSTSECONDARY COMMISSION -
GENERAL ADMINISTRATION - page 133

Ms. Elgee stated the subcommittee reduced the budget \$40.0 for federal funds that are no longer going to be available to the Commission. In addition, \$50.0 of federal funds was replaced for EIC Network Program along with an Intent statement that the EIC Network Program would be expanded to Southeastern Alaska. She stated there were two requests from Senator Stimson and one from Senator Fischer. Senator Stimson stated that the Network Program was an excellent program for going into a community and identifying all referral services for assistance to people seeking education or employment. He moved \$200.0 for this program. The request would include \$50.0 already in the budget. There being no objection, the request was adopted.

BEGIN NEW TAPE, SFC 81, # 51, Side 1 (000 - 157)

Senator Stimson explained his second request for \$300.0 for a continuing education program for adults in Alaska. He moved the \$300.0. There being no objection, the request was adopted.

The request from Senator Fischer was for \$61,100 for Student Government meetings for post-secondary students. Ms. Elgee

stated the subcommittee had not included that request because it was felt that these students could apply through the Student Leadership Training Fund. Senator Fischer's request was not included. Otherwise, the subcommittee figure was adopted.

DEPARTMENT OF EDUCATION - SKILL CENTER - SKILLCENTER/SEWARD -
page 137

Ms. Elgee stated the GRA was included, and \$176.4 for fuel and utilities costs for new facilities coming on line at the request of Senator Bennett and Senator Kerttula. The subcommittee figure was adopted.

Co-chairman Dankworth stated the committee would recess at this time and reconvene at 1:30 p.m. for bill consideration.

RECESS

The meeting recessed at 9:50 a.m.

(Tape SFC 81, # 50, Side 2, 538 - end)
(Tape SFC 81, # 50, Side 1, 000 - end)
(Tape SFC 81, # 51, Side 1, 000 - 157)

SENATE FINANCE COMMITTEE

May 8, 1981

1:40 p.m.

SFC-81, #51, Side 1 (157-end)

SFC-81, #51, Side 2 (000-end)

SFC-81, #52, Side 2 (000-707)

CALL TO ORDER

Co-chairman Don Bennett convened the meeting at approximately 1:40 p.m.

PRESENT

All committee members were present with the exception of Senator Eliason who arrived shortly after the meeting began. Also attending portions of the meeting were Commissioner of Revenue, Thomas K. Williams; Mr. Frank Danner of Peat, Marwick, Mitchell & Co.; Mr. Robert Ghee of Alaska International Industries; Tulinda Deegan of the Alaska Air Carriers Association; Mr. Bill Waguman of the Fairbanks Miners Association; Jeannie Kline of the Alaska Chapter, Associated General Contractors of America; Mr. Don Dickey, Alaska State Chamber of Commerce; Jack Chenoweth, Legislative Counsel; Alison Farnan, Administrative Assistant to Senate President Kerttula; Fiscal Analysts Alison Elgee and Don Fisher.

SENATE BILL 524

Co-chairman Bennett moved that SB 524 (ACT RELATING TO AN INVESTMENT TAX CREDIT ALLOWED AGAINST THE STATE CORPORATE INCOME TAX) be brought on for discussion.

Commissioner of Revenue Tom Williams first appeared before committee. He advised that SB 524 would amend the corporate income tax, increasing the amount of eligible investment for which an investment tax credit may be claimed from \$500,000 to \$20 million. Under the Internal Revenue Code, 10% of a qualified investment is allowed as a dollar for dollar reduction in the net tax liability. State law allows (dollar for dollar) a reduction in the corporate tax liability at a rate of 18% of the federal tax credit. As an example of application of both federal and state law, Commissioner Williams advised that if a corporation received a \$1 federal tax credit, it would get an 18 cent credit against its Alaska tax liability. Increasing the amount of qualified investment for which the tax credit may be calculated from \$500,000 to \$20 million results in a \$19,500,000 increase and further results in a potential increase in tax credit available to an individual corporation of \$351,000 (a total of \$351,000 which can be deducted from the corporation's tax bill). If the bill passes, Revenue projects a reduction of approximately \$6

million in state corporate income tax receipts. This reduction would increase gradually to over \$7 million by 1984-85.

Commissioner Williams advised of his belief that SB 524, as presently drafted, is "really not good policy." He explained that most companies with tax liability large enough to avail themselves of the benefits of the increased tax credit conduct "most of their investments outside. He cited as an example an oil company doing business in Alaska which might claim a tax credit for investment in a refinery or a tanker located outside the state, and he warned that such a company would thus be able to shelter income the state previously taxed by seeking a tax credit for outside investments. He added, "I think it's a step away from where we want to be rather than a step towards where we may be going."

When asked if the administration would support the concept or policy contained in SB 524, Commissioner Williams responded "I don't think so My recommendation to the Governor . . . is not in favor of going to \$20 million because I don't think the benefits that we get from allowing that sort of credit will offset the negative revenue effects. . . ."

When asked by Senator Stimson for a figure with which he would "be comfortable" since he doesn't support the \$20 million credit, Commissioner Williams responded that he prefers the existing \$500,000 credit. He added that he saw no reason to increase the credit at this time, given recent upturns in the economy. He stated that there has been "considerable revitalization in Anchorage and Fairbanks and elsewhere through the state . . . I don't think it's necessary to provide further stimulus because we may end up overheating the . . . economic engine."

Mr. Frank Danner of Peat, Marwick, Mitchell & Co. next appeared before committee. He recommended favorable consideration of SB 524 because of tremendous increases in the cost of capital equipment and business personal property necessary to carry on a business in Alaska. Mr. Danner stated that his accounting firm represents small and medium sized businesses in the state (construction companies, individuals involved in the fishing industry, native regional corporations, etc.) The \$500,000 tax credit for capital investment is "completely unrealistic under the circumstances." A D-9 Caterpillar delivered in Anchorage or Fairbanks costs approximately \$435,000. Trucks in the transportation industry cost well in excess of \$100,000 per unit. Alaska businesses have matured since the pipeline years and have shown "remarkable restraint" the past several years in "tolerating the position of the State of Alaska Department of Revenue." While the state has designed numerous loan programs to encourage growth and stimulate new business, the Department of Revenue is against creating a tax climate favorable to local Alaskan business. The fishing, timber, and construction industries are capital intensive and employ many people. Employment of people in Alaska entails the use of capital equipment which is extremely expensive. If the state wishes to

encourage local Alaskan businesses to hire local Alaskan people, it must create a tax climate favorably commensurate with the favorable loan climate in order that businesses may acquire necessary equipment and compete favorably with businesses "outside." The attitude of the Dept. of Revenue appears to run "completely contra" to the desire of the legislature and administration to create a loan program which favors development of business.

Mr. Danner advised that he, personally, was involved in the fishing industry and launched a 108 ft. crab vessel in 1979 at a cost of \$2.1 million for the boat alone, notwithstanding the cost of 750 crab pots and additional support equipment.

Mr. Danner concluded his remarks advising that if Alaskan businessmen are expected to make substantial capital investments, they need a realistic increase in the capital investment tax credit--the increase to \$20 million is not unrealistic.

Responding to a question from Co-chairman Bennett concerning Commissioner Williams' implication that large companies might claim credit for investments made outside the state, Mr. Danner stated that the Dept. of Revenue has adopted regulations requiring multi-national corporations to report on a unitary basis. Income allocated to the State of Alaska is based upon the multi-state tax compact formula of payroll, sales, and equipment (fixed assets located within the State of Alaska). Purchase of a tanker to run to New Orleans rather than Alaska would not apply to assets or income taxable in the State of Alaska.

Mr. Bob Ghee of Alaska International Industries next appeared before committee. He advised that the \$500,000 tax credit was effected in 1975. The state has changed since that time and must recognize these changes. The state has developed a policy to encourage in-state processing of natural resources. Inflation and technology have "shoved the cost of anything into the stratosphere"--a Hercules aircraft that cost \$8-1/2 million a year ago now costs \$11 million. A small miner needs "at least \$1 million worth of equipment just to run a very small mine." Fishing boats run above \$3 million--this is what it takes to compete. Alaska businesses are growing up. NANA, in a joint venture, spent \$33 million to build two drilling rigs in Anchorage. Arctic Alaska has built one rig and intends to build two more in Anchorage. These rigs are subject to the 20 mill exploration tax imposed by the State of Alaska. There are heavy capital requirements in every industry in Alaska--transportation, fishing, construction, timber, mineral extraction. The tax structure should encourage those who live, work, and spend all their time in Alaska. The \$20 million income tax credit will encourage the growth of Alaska firms and allow them to compete with outside business. If Alaska is to overcome the disadvantage of "being at the tail end of the transportation system," high costs, and competition from outside firms, then Alaska tax laws should provide some solid incentive.

Tulinda Deegan next appeared before committee on behalf of the Alaska Air Carriers Association and read a prepared statement (copy attached) in support of increasing the tax credit.

Mr. Bill Waguman next appeared, representing the Fairbanks branch of the Alaska Miner's Association. He advised of his belief that SB 524 "is a good bill." It provides the relief miners should be getting since their investments today are much higher than in the past. Today it costs a "little miner" about \$1 million to go out in the field and mine on "a minimal basis." It costs "a lot more to operate in Alaska." Alaska business should be given extra attention because of high costs, and SB 524 represents a plus "in that direction."

Jeannie Kline next appeared, representing the Associated General Contractors of America. On behalf of the Association she urged favorable consideration of SB 524, because the cost of equipment and the need for large more sophisticated equipment has increased drastically. Passage of the legislation would provide additional working capital to cover the cost of equipment, the shipping and purchase of supplies and materials. Wages and interest rates have also increased. The tax credit would benefit both large established contractors as well as new business attempting to "get into the mainstream."

Mr. Don Dickey next appeared before committee, testifying on behalf of the Alaska State Chamber of Commerce. He urged passage of SB 524, advising that the former tax credit, \$500,000, is not realistic--the increase would be much more beneficial. He pointed out that at a time when the state is blessed with substantial income, much of which is derived from business, it is not unrealistic to give some relief. Money resulting from the tax credit would be reinvested and create additional jobs.

Co-chairman Dankworth moved that SB 524 pass from committee with individual recommendations. No objection having been raised, the bill passed from committee--Senators Sackett, Eliason, Ferguson, Dankworth, and Bennett signing do pass. Senators Stimson and Sturgulewski signing no recommendation.--

At this time Co-chairman Bennett announced that the committee would continue budget close-outs and directed attention to the General Government category.

GENERAL GOVERNMENT

LEGISLATIVE COUNCIL

Co-chairman Dankworth advised that with some difficulty Representative Malone had compiled a budget for the Council, coming up with a total of \$20,900,000. Co-chairman Dankworth requested that Senate President Kerttula and Co-chairman Bennett both reviewed the budget on behalf of the Senate and together evolved a budget totalling \$18,325,100. Alison Farnan advised that the correct total is \$18,502,600. Co-chairman Dankworth

advised that the budget includes funding for House Research as well as a like figure for the Senate.

Responding to a question from Senator Eliason concerning the difference between the above proposals and previous funding, Alison Farnan advised that the total FY 81 authorized was \$21,957,000, the request for FY 82 is \$21,165,000. The \$21,957,000 is the figure from which Senator Kerttula worked. She attested to difficulties involved in determining proper figures since there had previously been no formal budget for the Council. Co-chairman Dankworth attested to the fact the the legislature is dealing with "mushy" figures in this area. The difference between Representative Malone's total and Senator Kerttula's results from cuts made by Senator Kerttula (including elimination of the Washington D.C. office).

Senator Sackett attested to the fact that the committee has spent months reviewing the administration's budget, and to be consistent should now spend "some" time "looking at our own shop." He suggested that the proposed budget be reviewed by committee members and taken up for discussion and closure Monday. Upon further discussion with Co-chairman Dankworth, Senator Sackett agreed upon committee review and approval of the budget with the understanding that changes could be made Monday.

Alison Farnan attested to difficulty involved in compiling the budget within a relatively short period of time.

Senator Ferguson stated that he wished to go on record as opposed to some leadership appropriations and the appropriation for the Senate research division.

Senator Eliason attested to the need to clean up the legislative act, advising that the House is carrying "excess baggage" in terms of people working year round--people working for committees and subcommittees, etc. He stressed the need for reform at the budget level. He attested further to problems involving distorted salaries. Co-chairman Bennett advised that he was not opposed to cutting the legislative budget and invited members to make proposals for cuts which would be voted on by the full committee. The committee thus began the following review of the LEGISLATIVE COUNCIL budget.

SALARIES & ALLOWANCES

Senator Ferguson moved for adoption of the Senate total of 1953.4. Upon a show of hands, the motion carried.

LEADERSHIP

Senator Ferguson moved to reduce leadership funding from 725.2 to 250.0. Senator Sackett advised that the above funding pays salaries for the President of the Senate, Speaker of the House, year round staff, and legislative council. Upon a show of hands the motion carried and the funding was reduced to 250.0.

EXECUTIVE ADMINISTRATION

Senator Ferguson moved to reduce Senate funding from 685.4 to 649.4. Upon a show of hands, the motion carried.

ADMINISTRATIVE SERVICES

Senator Ferguson moved the Senate figure of 3450.5. Upon a show of hands, the motion carried.

HOUSE RESEARCH

Senator Ferguson moved the Senate figure of 566.1. Senator Eliason objected for comment, advising of his belief that the legislature made a mistake two years ago when it eliminated the research division. He inquired concerning whether or not arrangement could be made for the Senate to utilize house research staff. Co-chairman Bennett advised that a search is currently being conducted in an attempt to obtain some expertise. He advised he did not know what the ultimate outcome would be, but it is his understanding there will be two separate research agencies--one Senate and one House. Senator Ferguson advised that he was moving the above funding because of his belief that it is not the Senate's prerogative to "tell the House what to do." Upon a show of hands, Senator Ferguson's motion carried.

LEGAL SERVICES

Senator Ferguson moved the Senate figure of 1359.9 for legal services. Upon a show of hands, the motion carried.

SESSION EXPENSES

Senator Ferguson moved the Senate total of 3561.4, based on 90 days. Upon a show of hands, the motion carried.

COUNCIL & SUBCOMMITTEES

Senator Ferguson moved to reduce funding from 1000.0 to 100.0. Co-chairman Dankworth objected for the purpose of comment, advising that he had attempted such a reduction, but it now appears reasonable that since the legislature established these boards and commissions, it should fund them. Senator Ferguson amended his motion, proposing funding of 250.0. Upon a show of hands, the motion failed. Co-chairman Dankworth advised that the figure had been cut in half by Senator Kerittula and stressed the need to fund committees established by the legislature but allow no positions not committed to. Senator Ferguson moved funding of 800.0. Upon a show of hands, the motion carried.

EQUIPMENT ACCOUNT

Senator Ferguson moved the Senate figure of 349.0. Upon a show of hands, the motion carried.

OFFICE SPACE RENTAL

Senator Ferguson moved the Senate figure of 2000.5. Upon a show of hands, the motion carried.

PUBLIC SERVICES

Senator Ferguson moved the Senate figure of 2321.1. Upon a show of hands, the figure was adopted.

SENATE RESEARCH

Senator Ferguson moved zero funding for Senate Research. Co-chairman Dankworth objected, advising that he did not wish to fund House research and cut the Senate out of research staff. He stressed the need for research staff and restated his objection to the motion. Upon a show of hands, Senator Ferguson's motion failed. Co-chairman Dankworth moved the Senate figure of 566.1. Upon a show of hands, the motion was adopted.

LEGISLATIVE COUNCIL - TOTAL BUDGET

Senator Stimson announced that the total budget for the council, based on the foregoing motions amounts to \$17,827.4. Co-chairman Dankworth moved to adopt the above total with the understanding that backup be gathered together and if it is necessary to make changes, problem areas will be resolved at free conference committee. Alison Farnan and Don Fisher were directed to meet with Representative Malone and assemble appropriate backup.

RECESS - 2:50 p.m.

RECONVENE - 3:00 p.m.

EDUCATION

Senator Eliason moved that the Education category be reopened for the following considerations:

EXECUTIVE ADMINISTRATION - COMMISSIONER, p. 86

Senator Eliason moved that the committee reconsider earlier action and permit funding of 100.0 for K-12 Education Program Support for Anchorage area schools. No objection having been raised, the funding was adopted.

VOCATIONAL REHABILITATION - SERVICES TO CLIENTS, p. 143

Alison Elgee advised that the Senate subcommittee added 87.8 as a grant to the Alaska Association of the Deaf for its interpreter referral line continuation, producing total funding of 2777.3.

VOCATIONAL REHABILITATION - EMPLOYMENT OF THE HANDICAPPED, p. 152