

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2821

The subcommittee added 50.0 for support of the Governor's Commission on the Handicapped (at the request of Representative Meekins), producing a new total of 183.5.

ALASKA ARTS COUNCIL - ADMINISTRATION AND SUPPORT, p. 167

Alison Elgee advised that the 200.0 grant for the Perseverance Theatre was not included by the subcommittee because no other Arts Council grants were designated. The budget includes an additional 300.0 (above maintenance) in funding for the Arts Council. The Senate also has a bill which would provide over \$3 million in arts council funding. Senator Sturgulewski moved to hold this component open pending receipt of backup information from Senator Dankworth. No objection having been raised, the component remained OPEN.

PUBLIC BROADCASTING COMMISSION, p. 175

The Governor submitted a Budget Amendment adding \$1.5 million to his original budget. Inclusion of the amendment still did not bring Commission grant funding up to the request level. The request was based on a new formula for funding broadcasting stations. The formula is termed the "Essential Services Limit" and provides sufficient funding for operation and local program production. The subcommittee chose to fund the full Commission request based on backup from individual stations. Reponding to a question from Co-chairman Dankworth regarding transfer of the Commission from Education to General Government, Alison responded that the transfer would be shown prior to free conference. The Governor has no conceptual problems with the formula, he simply chose not to fully fund it for the coming year. The subcommittee added the 789.9 necessary to bring the Commission up to full funding. Responding to a question from Senator Sackett concerning funding for Capital 82, Alison responded that a total of 145.0 is included for 90 day coverage of the legislature on a bid basis.

Senator Ferguson raised questions concerning funding for Alaska Public Radio Network. Alison Elgee advised that 30.0 was funded specifically for the Network. She further advised of Commission funding allocated to various stations to purchase public radio network services on a buy-back basis. Funding is available in various public radio stations to cover the Network request. Senators Dankworth and Ferguson advised of concern that public radio is interferring (competing) with private stations. Senator Ferguson advised of his feeling that the Alaska Public Radio Network is interfering with Alaska Radio Network--a private enterprise. Senator Stimson moved that this component remain open, pending Senator Eliason's return to the meeting (he was temporarily absent). The committee agreed to hold action on this program in temporary abeyance, pending additional backup information.

MUSEUMS, p. 179

Alison Elgee advised of grants contained within the subcommittee total of 987.6, including 168.2 for preparation of two Humpback Whale skeletons, 62.0 to increase museum grants-in-aid to 116.0, and 25.0 to study feasibility of establishment of the Alaska Native Artifacts Endowment Fund (the Endowment fund would allow the museum to acquire artifacts when available). Senator Sackett moved to add 10.0 for a museum catalog, and 46.3 for the Alaskan Native Village program. In response to controversy concerning the Humpback Whale skeletons, Alison Elgee stated that funding would cover not only preparation of the skeletons but necessary research involved. She added that discovery of the skeletons represents a "rare find" in that there are no other intact skeletons around. If the state decides not to preserve the skeletons, the Smithsonian will come and take them. Senator Sackett inquired concerning Representative Buchholdt's proposal to purchase Alaskan artifacts from other museums and return them to Alaska. Alison Elgee advised that the museum is presently conducting a field expedition to review foreign museum collections. The 25.0 set forth for the endowment fund was funded in anticipation of possible retrieval of Alaskan artifacts. Funding for the artifacts themselves, however, would be better placed in the capital budget. Senator Bennett moved for addition of 32.0 for lighting, display of furnishings, and barriers for the Circle Historical Museum. Senator Stimson moved to add 50.0 for the photo/sound montage. Senator Ferguson moved to add 231.0 for the NANA Arts Museum of the Arctic, Inc.--a non-profit organization unrelated to NANA regional. No objection to the above additions having been raised, they were included in the operating budget.

#### STATE LIBRARY - REGULAR OPERATIONS, p. 183

Alison Elgee advised of grant funding included within the subcommittee total of 3374.9. The committee adopted the subcommittee recommendation.

#### FAIRBANKS NORTH STAR BOROUGH - RESOURCE EDUCATION PROJECT, p. 191

Alison Elgee advised that the 84.4 funded within this municipal grant would allow the Fairbanks Borough to obtain approximately 2,500 acres from the BLM to put together a resource project through the school district. The land will be available for a variety of purposes. No objection to the above program having been raised, the funding was approved.

#### DEBT SERVICE

The subcommittee appropriated funding for debt service at the Governor's level. No objection having been raised, such funding was accepted by committee.

#### ADULT & POSTSECONDARY SUPPORT - ADULT BASIC EDUCATION, p. 105

Alison Elgee advised that the subcommittee recommended additional funding of 200.0 for the Independent Options Now Group to aid the

handicapped, and 300.0 for literacy projects statewide. Senator Sturgulewski advised that the Independent Options program consists of two parts. Unless both parts are funded, the program will not work. Senator Sturgulewski moved to add an additional 217.074 to bring the program total to 417.4. She advised of the cooperative agreement between Dept. of Education and Health and Social Services. Senator Ferguson moved to add 88.5 for village learning centers (on behalf of Rep. Fuller). Senator Stimson called committee attention to the loss of federal funds for adult basic education. Alison Elgee advised of a survey being conducted statewide relative to federal funding, advising that the actual status of such funding is unknown. Co-chairman Bennett moved to hold this program OPEN pending determination of how the committee wished to deal with federal funds. Alison Elgee advised of an additional request from Senator Sackett for 530.0 for the Yukon Koyukuk School District. Because of the policy implications of Chukchi and Yukon/Koyukuk, both areas were left open for full committee discussion. Senator Sackett advised that the above relates to a new program for adult vocational education. This portion of the interior currently has only one learning center with two staff people offering programs through the University of Alaska. Senator Sackett moved to include the funding. No objection having been raised, the above additions were included in the operating budget.

ALASKA ARTS COUNCIL - ADMINISTRATION AND SUPPORT, p. 167

Senator Sturgulewski distributed a request for 3425.0 for grants through the arts council in addition to the 1.8 million suggested by the Governor. She advised that such funding would consolidate numerous requests. Senator Eliason objected, advising of legislation to fund the program. Funding of the program within the budget amounts to "pulling the bill from another committee." He further objected to funding \$2 million for the repertory theatre, advising of his belief that such funding should pass through the normal bill and committee process. Senator Dankworth agreed that the committee, in funding the education budget, had funded items that should properly have been included in legislation. Senator Eliason stated that his argument rests not with the Arts Council, but with the funding of \$3 million in grants and \$2 million for the repertory theatre in the budget rather than through the bill process. Senator Sturgulewski attested to the review mechanism and standards built into the Arts Council. Senator Sackett raised questions concerning placement of Institute of Alaska Native Arts funding under the Arts Council, advising that this program had previously been placed under the State Library to get away from Arts Council politics and what appears to be a Council preference for funding larger groups. Alison Elgee advised that of the 2835.0 funded for the Council by the Governor, 1.8 million is designated for funding of large groups, while the remaining 1.0 million would fund smaller groups. Senator Sackett spoke of his displeasure with state agencies which use public funds to lobby the legislature. He cited specifically the Repertory Theatre and REAA's. Co-chairman Dankworth concurred, suggesting intent

language that no state funding be used for lobbying. He further suggested that such intent apply throughout the budget. Senator Sturgulewski agreed, stating that lobbying efforts are conducted on behalf of AHFC, loan programs, etc. Co-chairman Bennett advised that he would request that Jay Hogan draft such intent to apply to the entire budget. Senator Stimson attested to many state agencies which employ "legislative liaisons." Senator Eliason restated his support of funding for the Arts Council and voiced again his objection to funding for the Repertory Theatre, stressing a need to look at the theatre alone. Co-chairman Bennett restated Senator Sturgulewski's motion and called for a show of hands. Upon committee vote the additional 3.425 million was added to the Arts Council budget. Senator Sackett directed that the Institute of Alaska Native Arts be deleted from this BRU and replaced with 200.0 for the Perserverance Theatre. The 50.0 for the Institute is to be placed on a separate BRU. Funding for the Perserverance Theatre was thus designated as a specific grant.

#### PUBLIC BROADCASTING COMMISSION - p. 175

Co-chairman Bennett directed committee attention back to the Broadcasting Commission. He moved that intent language stating that moderators or staff of Capital 82 cannot appear in the program more than 5% of the time be included in the FY 82 budget (roughly 2-1/2 minutes per 30 minute program). Senator Ferguson advised of need for a breakout of funding for the Alaska Public Radio Network. Following a brief discussion concerning funding for public radio buy back time from private stations, Senator Ferguson advised that he had no objection to public radio buying back time from private stations. He stated that his intent was to leave public radio alive, but prohibit it from competing with private stations. Alison Elgee suggested backing out 30.0 and attaching intent that funding for radio news is to be purchased from other than the public radio network. Senator Ferguson moved the suggested funding reduction and intent. No objection having been raised, the motion carried.

#### EXECUTIVE ADMINISTRATION - PROJECT ETA, p. 89

Senator Sackett moved to add 176.6 for a video heritage instruction project for the Yukon-Koyukuk School District. No objection having been raised, funding for the project was added to the operating budget.

#### EXECUTIVE ADMINISTRATION - PLANNING INFO & RESEARCH, p. 87

Senator Sackett moved to add 100.0 for an integrated accountability and audit program for the Iditarod School District to develop internal audits for REAA's. The funding would set up a system to be used by all REAA's.

#### K-12 EDUCATION PRDG. SUPPORT - EDUCATION PROGRAM DEVELOPMENT, p. 79

Senator Sackett moved to add 200.0 for the Alaska Native leadership project. Funding would go to the Alaska Native Foundation in order to continue the above program for another year. Senator Sackett also moved 100.0 for a pilot preschool project for the Yukon Flats School District. Senator Ferguson moved 193.3 for the Alaska Intern Program which would provide experience for women who aspire to positions of educational leadership in Alaska. Senator Stimson questioned funding the statewide internship program through the Northwest REAA, suggesting that it instead be funded through the Dept. of Education. Senator Stimson then formalized his suggestion, moving that the internship program be funded through DOE rather than through the REAA. Senator Sturgulewski agreed, supporting the motion. Senator Ferguson objected. Upon a show of hands, the motion failed. Senator Ferguson moved that the internship program be included in the operating budget. No objection having been raised, funding for the internship program as well as other additions to this component were included in the operating budget.

#### FINANCIAL SUPPORT - OTHER DEBT RETIREMENT-LOCAL, p. 47

Alison Elgee advised that the committee had earlier funded retirement of local school bonded indebtedness at 80%, and then left the component open for further discussion. Senator Stimson moved to rescind earlier committee action and fund retirement at 100%. Upon a show of hands the motion failed and the 80% funding stood.

#### NEW COMPONENT - SABBATICAL LEAVE, 42a

Senator Stimson moved to re-establish a component for Sabbatical Leave and fund the component at 300.0. Senator Stimson advised of concern for the great number of teachers and administrators leaving education (roughly a dozen superintendents are leaving). He further advised of "burn out" among teachers and the need for them to get away temporarily in order to return refreshed. Hopefully, funding of a sabbatical leave program will provide incentive to remain within the teaching profession. No objection to the new component or its funding having been raised, it was added to the operating budget.

#### ADJOURNMENT

The meeting adjourned at approximately 4:45 p.m.

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SFC-81, #51, Side 1 (157-end)  
SFC-81, #51, Side 2 (000-end)  
SFC-81, #52, Side 1 (000-end)  
SFC-81, #52, Side 2 (000-707)

# Alaska Air Carriers Association

TESTIMONY  
OF  
TULINDA DEEGAN  
PRESIDENT  
ALASKA AIR CARRIERS ASSOCIATION  
BEFORE THE  
ALASKA STATE SENATE  
COMMITTEE ON FINANCE

ON  
PROPOSALS TO INCREASE  
INVESTMENT TAX CREDITS

MAY 8, 1981

TESTIMONY  
OF  
TULINDA DEEGAN  
PRESIDENT  
ALASKA AIR CARRIERS ASSOCIATION  
ON

PROPOSALS TO INCREASE  
INVESTMENT TAX CREDITS

MAY 8, 1981

MR. CHAIRMAN, IT IS MY PLEASURE TO PRESENT THE VIEWS OF THE ALASKA AIR CARRIERS ASSOCIATION ON PROPOSALS TO INCREASE THE INVESTMENT TAX CREDIT ALLOWABLE IN THE STATE OF ALASKA.

THE ALASKA AIR CARRIERS ASSOCIATION, FOUNDED IN 1966, REPRESENTS AIR CARRIERS ENGAGED IN THE TRANSPORTATION OF PASSENGERS, CARGO AND MAIL. THE MEMBERSHIP INCLUDES CERTIFICATED AIR CARRIERS, COMMUTER AND AIR TAXI OPERATORS. THE KEY PURPOSE OF THE ASSOCIATION IS TO FOSTER AND PROMOTE AN ENVIRONMENT THAT ASSURES SAFE AIR TRANSPORTATION IN THE STATE OF ALASKA.

THE AIR CARRIER INDUSTRY IN THE STATE OF ALASKA IS FACING INCREASING COST OF NEW EQUIPMENT. THE FOLLOWING TABLE PRESENTS THE COST OF NEW AIRCRAFT AVAILABLE TO THE AIR CARRIER INDUSTRY.

NEW AIRCRAFT USED IN ALASKA RANGE FROM \$70,000 TO OVER \$40 MILLION. CLEARLY THE CURRENT CEILING OF \$500,000 FOR INVESTMENT TAX CREDIT IS INADEQUATE.

# NEW AIRCRAFT COST ESTIMATES

| <u>MANUFACTURER<br/>MODEL</u>       | <u>PASSENGER<br/>SEATS</u> | <u>ESTIMATED<br/>COST</u> |
|-------------------------------------|----------------------------|---------------------------|
| AGUSTA 109                          | 5                          | 700,000                   |
| CESSNA 185                          | 5                          | 70,000                    |
| CESSNA 206                          | 5                          | 95,000                    |
| AEROSPATINLE 350 ASTAR              | 5                          | 370,000                   |
| LEAR-24F                            | 6                          | 1,500,000                 |
| MBB                                 | 6                          | 800,000                   |
| CESSNA 207                          | 7                          | 95,000                    |
| BEECH KING                          | 8                          | 1,900,000                 |
| CESSNA CONQUEST                     | 9                          | 1,300,000                 |
| CESSNA TITAN COURIER II<br>CE-404   | 9                          | 456,000                   |
| CESSNA CITATION II                  | 10                         | 1,845,000                 |
| LEAR 35                             | 10                         | 3,200,000                 |
| SIKORSKY S76                        | 12                         | 1,400,000                 |
| BELL HELICOPTER 212                 | 13                         | 1,425,000                 |
| PILABUS BN TRISLANDER<br>BN-2A111-2 | 16                         | 476,000                   |
| GAF NOMAD N24A                      | 16                         | 991,146                   |
| EMBRAER BANDEIRANTE<br>EMB-110P1    | 18                         | 1,265,000                 |
| DEHAVILLAND TWIN OTTER<br>DHC-6-300 | 19                         | 1,300,000                 |
| AEROSPATIAL PUMA                    | 19                         | 3,000,000                 |
| CASA<br>C-2L2-200                   | 26                         | 1,750,000                 |
| SHORTS BROS. LTD.<br>SHORTS 330     | 30                         | 2,390,000                 |

| <u>MANUFACTURERS<br/>MODEL</u> | <u>PASSENGER<br/>SEATS</u> | <u>ESTIMATED<br/>COST</u> |
|--------------------------------|----------------------------|---------------------------|
| BOEING VERTOL                  | 44                         | 13,500,000                |
| DEHAVILLAND DASH-7             | 50                         | 5,700,000                 |
| FOKKER F27MK500                | 50                         | 5,300,000                 |
| BOEING 727                     |                            | 20,000,000                |
| 737                            |                            | 15,000,000                |
| 767                            |                            | 40,000,000                |

## SENATE FINANCE COMMITTEE

May 9, 1981

10:10 a.m.

(Tape SFC 81, # 53, Side 1, 000 - end)

(Tape SFC 81, # 53, Side 2, 000 - 760)

CALL TO ORDER

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

PRESENT

All members of the committee were present. Also in attendance were Legislative Finance Fiscal Analysts Alison Elgee and Elmer Lindstrom; Legislative Finance Director Jay Hogan; Administrative Assistant to Co-chairman Dankworth Kathy Martinson; Senator Gilman; Comptroller of Division of Treasury, Anselm Staack; Representative of School Boards in Alaska Bob Green; Lobbyist for Lower Yukon School District Pamela Neil; and representative of NEA Alaska, Bob Manners.

SENATE BILL NO. 390

Co-chairman Bennett stated that the first order of business would be consideration of SENATE BILL NO. 390 (An Act direct the commissioner of revenue to make a loan to the board of trustees of the Alaska Hospital and Medical Center; and providing for an effective date), and requested that Senator Sturgulewski present the legislation to the committee.

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 390 (Finance)

Senator Sturgulewski stated that a task force from the Governor's Office working with the Alaska Hospital, had implemented a financial proposal embodied in CSSB 390 (Finance). The CS avoided the realm of the unconstitutional special legislation and used the established Alaska Medical Facility Authority vehicle. That meant that there was a market test involved. Senator Sturgulewski moved that CSSB 390 (Finance) (An Act establishing a medical facilities special bond guarantee account in the Alaska Medical Facility Authority; and providing for an effective date) be brought before the committee for consideration, as well as the Letter of Intent. There being no objection, it was so ordered.

Senator Sturgulewski then requested that Mr. Anselm Staack come forward to speak on the specifics of the legislation.

ANSELM STAACK, TREASURY COMPTROLLER, DEPARTMENT OF REVENUE

Mr. Staack, Treasury Comptroller for the Department of Revenue, came forward. He stated that in this plan (similar to procedures used for AHFC, AIDA and others) the Alaska Hospital and Medical

Center would basically be feasible within five years. However, they have an immediate financing need in order to stay alive and stay viable. In this particular case, they need to refinance the outstanding mortgage on the hospital in the professional office building. And the Alaska Medical Facility Authority (the way the Committee Substitute is drafted) would issue a set of bonds in order to obtain the money which it would loan to the Hospital Board to pay off the various mortgages and purchase the Professional Office Building. A key to the entire plan is a Guarantee Fund for what would basically be for a period of five years. It is the ability to draw on that guarantee that would make the bonds salable, at a rate lesser than what they are currently paying on their mortgage. So instead of a 10% rate which they are now paying on the mortgage, they would be paying about 9%. The objective is that with the sale of the bonds, the money would be escrowed, would be dispersed by the Commissioner of Revenue to the Alaska Medical Facility Authority and that would be placed behind the bond issue with the sufficient cash flow the hospital now generates. Five years later, the State would get its money back along with interest earned on that money. The guarantee solely acts as a way to elicit others to put their money into the project. It provides them security which would normally not be there because right now the Hospital could not refinance itself. Another key aspect of the plan is that it is a real community type effort in terms of the fact that the State puts up the guarantee type money and the Municipality of Anchorage would transfer and exchange lands so that the Hospital would wind up with its own property plus about 15 acres of expansion property for a heliport pad and other areas of land that it needs. He summarized the benefits as follows:

1. An independent third party would be doing the financing - the Alaska Medical Facility Authority. It contains three commissioners and four members from each of the health agencies in the state.
2. All financing would be conducted in open public review.
3. The Authority may not have to draw all the money. That is why the accompanying appropriations bill says that if the money is not all used by June 30, 1983 to place behind the guarantee, then there would be other funds available.
4. This maintains the health care review process that the State has established in terms of full certificate of need. It maintains getting the regular certificate of need which the Hospital is going through right now. They currently have a "grandfather" certificate of need. They are going through the same situation in terms of financing as the Fairbanks Memorial Hospital, which financed a \$12 million bond issue through the Alaska Medical Facility Authority.
5. This particular process would subject the Hospital to a market test which is very detailed. In terms of fact, the

Hospital has to keep its financial statements clean in the interest of becoming feasible.

6. There would be a favorable advantage in terms of rate with this particular plan.

Senator Sturgulewski thanked Mr. Staack, and Co-chairman Bennett opened the meeting for discussion. Questions and responses ensued on subjects such as protection of the State's money; the amount of money put into the guarantee as opposed to how much would be actually used; the value of the facilities their market test; similarities between the Alaska Hospital and the Fairbanks Hospital; and the feasibility study previously mentioned. Co-chairman Dankworth stated he had talked with the Governor at length on the legislation before the committee at this time, and said that the Governor supported it also.

Senator Ferguson moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 390 (Finance) be moved from committee with individual recommendations. There being no objection, it was so ordered, and the committee report was signed as follows: Co-chairmen Bennett and Dankworth, and Senators Stimson, Ferguson and Sturgulewski signed "do pass".

Senator Sturgulewski moved and asked unanimous consent that the Letter of Intent be adopted. There being no objection, it was so ordered.

#### SENATE BILL NO. 119

#### COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 119 (HESS)

Co-chairman Bennett stated the next bill for consideration would be SB 119 (An Act relating to provisions for adequate housing for teachers in the public schools in rural areas). He pointed to CSSB 119 (HESS) (same title) in the file as an alternative measure, and then requested that Senator Stimson present the legislation to the committee.

Senator Stimson requested that CSSB 119 (HESS) be considered by the committee at this time, and also pointed to a letter in the file from Senator Parr summarizing the legislation. He regreted that he would have to leave the meeting at some point for his daughter's graduation ceremony. He said that the following information might be helpful to the Senate Finance Committee:

1. Testimony before the HESS Committee indicated that there are many cases of extreme difficulty with housing for teachers in rural school districts. The committee received reports of teachers living in packing crates, in a jail, of being cramped together in insufficient space, and in being forced to share housing with teachers of the opposite sex. There seemed to be no doubt that something needed to be done.

2. The bill in its original form imposed no costs on school districts which could not be absorbed within existing budget. Any school district could meet the requirements of the bill with a simple ditto, xerox or mimeo brochure and by giving a little administrative time to assist in acquiring housing.
3. The HESS Committee received testimony that at least one teacher had a certificate revoked after leaving a district before expiration of contract because she could not find a place to live. The Committee did not feel that such a penalty was appropriate and therefore included section 3 in the HESS CS.
4. The quality of rural education will depend in large measure on a qualified and stable teaching force. It would not be unreasonable to require school districts to make some effort to inform and assist teachers in finding housing and thus encourage stability. A district which fails to do so should not be able to severely penalize a teacher who refuses to live in such intolerable conditions.

Senator Stimson stated that there were a number of people present to speak on the legislation and advised that Representative Montgomery would testify first.

#### REPRESENTATIVE JOE MONTGOMERY

Representative Montgomery stated he had been involved with Alaska schools for some years before entering the legislature, so he felt he was aware of many of the problems in the various districts. Housing was a severe problem in many of the school districts. Last summer he had conducted an REAA oversight committee meeting with a member of every REAA or school board present. Housing was the topic of concern. However, he did not feel that the HESS CS in its present form would solve the problem. He also did not feel that the original version (SB 119) had "any teeth in it", and would only be informative. He thought that Section 3 of the HESS CS was not appropriate in this particular legislation, and would provoke a series of legal suits between teachers and school districts. He was not in favor of mingling two problems in one piece of legislation. He concluded by saying that though there was a teacher housing problem in Alaska that needed to be solved, he was not in favor of the legislation as written.

#### BOB GREEN, REPRESENTATIVE OF SCHOOL BOARDS OF STATE OF ALASKA

Mr. Green stated that he shared the concerns of Representative Montgomery on this particular bill. He said that the school boards were not opposed to solving the teacher housing problems, but they were somewhat "perplexed as to how to deal with those particular needs." The two main problems the school boards have in dealing with the housing situation are with 1) financing and acquisition, and 2) whether or not housing problems can legally be addressed by the school districts. He said that this

particular bill "only muddies the water" at this time. Also, he did not agree with tying in the revocation section (3) was a mistake as the school districts are afraid this would be used as a "catch-all to jump contract". Like Representative Montgomery, he felt that the "assist" language in the HESS CS was unclear - was it financial assistance or location assistance? Like Representative Montgomery, he felt that the use of "reasonable" in (7) would precipitate many problems. He felt that there would be tremendous cost involved in seeing if a district complied with the law in these cases. He stated that as far as the revocation of license business went, a commission would not revoke a license without "just cause", and the language in this bill would open the door for increased complexities on this whole issue. He concluded by saying that the school districts were in favor of anything that would really assist with the teacher housing problems in rural Alaska.

Senator Sturgulewski asked what he thought of the original bill. Mr. Green responded that the original bill would be much better, with revisions.

BEGIN NEW SIDE, Tape SFC 81, Side 2, (000 - 760)

Mr. Green stated that the sections 1 and 2 of the original bill would be acceptable with the following revisions:

1. That the legislation deal only with new employees, under the assumption that existing employees are already knowledgeable about the situation.
2. That all language concerning costs (including energy and maintenance costs) be moved into the informing section so that people are informed on specific problems in specific assignment locations in the REAA's.

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 119 (Finance)

Senator Ferguson distributed copies of CSSB 119 (Finance) (same title), and stated he thought this version would take care of the informing problem, and allow school boards the latitude of keeping negotiations where they are now. Senator Stimson requested that Mr. Green comment on CSSB 119 (Finance).

BOB GREEN, REPRESENTING SCHOOL BOARDS OF ALASKA

Mr. Green stated that CSSB 119 (Finance) followed the same format as the other versions. He suggested the following changes:

1. That the legislation deal only with NEW employees.
2. That ambiguous terms such as "substance and quality" and "reasonable" be deleted.
3. That a disclaimer clause be added to the bill.

Mr. Green added that some districts would rather put funds into salaries rather than into a housing subsidy program while other districts would rather have a housing subsidy program - that door should be kept open. He said that there could be problems with using the "remote site" terminology, but that would at least make it clear that in cities and boroughs, this law would apply only to those areas with those kinds of situations.

PAMELA NEIL, LOBBYIST FOR LOWER KUSKOKWIM SCHOOL DISTRICT

Further testimony was given by Pamela Neil, who stated that the Lower Kuskokwim School District is addressing the housing problem in question. At this time there was a committee comprised of teachers, board members, advisory school boards and all people involved. She stated there were 23 educational areas within the Lower Kuskokwim REAA and there were probably 23 different problems at least. She stated that the teachers themselves cannot agree on what they want. She stated that she saw no problem with CSSB 119 (Finance). She stated that the district felt the other versions would compound the problems.

BOB MANNERS, REPRESENTING NEA ALASKA

Mr. Manners stated that NEA Alaska represents about 5,000 teachers in Alaska. NEA considered this a high priority piece of legislation. He said that there are districts dealing with the problem right now. NEA also recognizes that some school districts are having difficulty dealing with the problem as they are presently under constraints. And then there are some districts that refuse to deal with the housing problem. NEA had previously submitted a statement to the department on the costs of the legislation, and the fact that the State Board of Education is in favor of this kind of legislation. He also described a series of four letters addressing Section 3 of CSSB 119 (HESS). He thought it was important to recognize that school boards are also employers, and that some uniform standard for informing should be imposed. He stated the original bill would not solve all of the problem, but language was included that would give school boards latitude in where they function. He emphasized that NEA was not seeking special treatment for teachers in that housing other than what was in the area generally was not being requested.

Mr. Manners discussed the housing problem in terms of cost, and availability and delivery of quality education. He cited situations where teachers must use up to 80% of their take-home pay to deal with their own housing, and added he thought that was excessive and probably interfered with the teacher's ability to deliver quality education. He cited other situations that interrupt delivery of quality education. In some places, single employees only have to be sought; in other places only married couples can be hired, etc. He said that in some cases, the employers will not deal with the problem at the bargaining table as there is no clear statute specificity that compels them to do so.

Senator Ferguson asked Mr. Manners if he felt the original legislation would have fiscal impact. Mr. Manners stated he did not think so, but employers might. Senator Ferguson stated he thought it would. He then asked Mr. Manners his opinion of CSSB 119 (Finance). Mr. Manners responded that restricting it to new employees would not deal with the problem entirely as there would still be a problem with involuntary transfer. He was also concerned that the "safe harmless" section in the two CS versions would give a district not wanting to deal with the problem the latitude to avoid it altogether. His last concern was the meaning of "remote site" in CSSB 119 (Finance). Senator Ferguson asked if the State provided funding and housing wouldn't the districts deal with the problem. Mr. Manners responded he thought the majority of the districts would in that case.

Co-chairman Dankworth commented on living conditions in the various communities in rural Alaska. He commented on the prohibitive cost in providing the same kind of housing in rural communities as one would find in Anchorage or Fairbanks. Mr. Manners stated that there is a teacher turnover rate of 30% or 40% in Alaska, and a good part of it was because of housing.

Further discussion ensued on possible similar legislation in other states, and on Senator Ferguson's proposed CSSB 119 (Finance) implying fiscal impact.

Senator Stimson requested that Senate Bill No. 119 be held in committee, to be considered at a later time. There being no objection, it was so ordered.

#### SENATE BILL NO. 164

Co-chairman Bennett advised the next bill for consideration was SENATE BILL NO. 164 (An Act making a special appropriation to the Department of Natural Resources for completion of the analysis of certain geochemical samples; and providing for an effective date). Senator Sturgulewski stated she was on the Senate Resources Committee and did support the bill, but that Senator Fahrenkamp had a great deal of information. She suggested that the bill be held until Senator Fahrenkamp could appear before the committee. She added that the Department of Natural Resources also supported the legislation. She again requested that the bill be held in committee until a later time. Co-chairman Dankworth stated that he had reservations about this bill as there is considerable funding set aside in the Governor's Capital Budget for DNR to gather data. It was determined that the bill would be held in committee at this time.

#### BUDGET AND AUDIT CONTRACTING PROCEDURES

Co-chairman Dankworth stated that the Budget and Audit Committee had adopted contracting procedures/standards so that future embarrassing situations could be avoided. He said that he and Representative Cotten had agreed that each finance committee should devise some guidelines for contacting.

Co-chairman Dankworth moved that the Senate Finance Committee accept this type of contracting procedure consistent with Budget and Audit and consistent with the procedures adopted by the House Finance Committee. Senator Ferguson stated that he was in agreement with the adoption of contracting procedures, but added that he would prefer the motion be held until all members of the committee were present. Co-chairman Dankworth advised he had no objection to that, so the motion was held until a later time.

ADJOURNMENT

The meeting adjourned at 11:55 a.m.

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(Tape SFC 81, # 53, Side 1, 000 - end)  
(Tape SFC 81, # 53, Side 2, 000 - 760)

## SENATE FINANCE COMMITTEE

May 12, 1981

8:40 a.m.

SFC-81, #54, Side 1 (000-end)

SFC-81, #54, Side 2 (000-534)

CALL TO ORDER

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

PRESENT

All committee members were present with the exception of Senator Ferguson, who arrived shortly after the meeting began, and Senator Dankworth, who did not attend. Also attending were Senator Mulcahy, Thomas K. Williams, Commissioner of Revenue; Lee McAnerney, Commissioner of Community & Regional Affairs; Lou Bandirola, Deputy Director, Division of Sport Fish; Kent Lee Woodman and Steve Cloud of Yellow Electric, Ltd.; Legislative Aide to Senator Rodey, Jim Kelly; Fiscal Analysts Milt Barker and Elmer Lindstrom; representatives of the press including Joe LaRocca, and administrative assistants to Senate Finance Sandy Nusbaum and Judy Johnston.

REVISED REVENUE PROJECTIONS

Commissioner of Revenue Tom Williams first appeared before committee, advising that the story earlier aired on the radio claiming that revenue forecasts are down by \$500 million was "not accurate." The Department of Revenue has not run a full-scale revenue forecast since March. The last two weeks have evidenced a significant softening of the the very short term or "spot oil" market. Saudi Arabian oil has been delivered in the Gulf of Mexico for a price lower than the official state price one would pay in Arabia. The price for West Texas sour crude has also dropped significantly. Both Arabian and Texan oil serve as benchmarks which indicate the value of Alaskan oil. The price softening results from the fact that, world wide, production is exceeding consumption. Two factors cause this:

1. Saudi Arabia is producing more oil than usual (the official limit is 8-1/2 million barrels a day--it is currently producing over 10 million barrels a day).
2. The United States and the western nations of Europe have curbed their consumption of fuel more than expected.

These changes in fuel production and use have created a situation of imbalance and a short term or spot market depression of prices. Most of Alaska's crude oil is not sold on the spot market; it's sold on an ongoing contractual basis with provisions for periodic adjustments in price. If the spot market remains

low, it will eventually affect long-term arrangements. Commissioner Williams stated that because of the possible spot market affect on long-term contracts, he advised the Governor that rather than the \$6 billion in projected revenue, the state should expect about \$5.9 billion--a drop of about \$161 million from earlier projections. It is possible the reduction could be as much as \$500 million. "One can develop reasonable assumptions that come out \$500 million down. But one can still develop reasonable assumptions today as well that would result in an upside over what we were saying in March." It is this range of outcomes which the Department attempts to analyze when making its computer forecasts. The Department traditionally picks the middle value--the average of possible outcomes.

Commissioner Williams advised that the Department had not "geared up" its computer model, but it was his guess that, based on current oil prices, the middle value has "probably come down by as much as \$160 million since March." He pointed out, however, that in the March forecast, the possibility of being down \$500 million was within the range of reasonable values generated by the computer. Approximately 20% of the time "it came out at that level or even lower still," but 80% of the time it came in "at that level or higher." Mr. Williams stated that at this time the odds have "moved upward but not a great deal." He advised of his feeling that the \$500 million level will remain the middle value. He attested to difficulties involved in trying to estimate how long Saudi Arabia will continue increased production. If they continue until Christmas, the state could expect to lose \$500 million. Mr. Williams advised of his hope that Saudi Arabia will announce its plans at the next OPEC meeting. The situation has already continued longer than expected.

(Senator Ferguson arrived at the meeting at this time, 8:45 a.m.)

Co-chairman Bennett asked Commissioner Williams where the foregoing situation "leaves" Alaska in October when federal moneys are gone and the state is expected to fill in with general fund. Commissioner Williams responded that if oil revenues were lower by \$500 million, "there would not be very much available in the treasury for the legislature when it convenes in January, or if it were called into special session . . . ." He added that if there is no money to appropriate, the legislature could do no more than shift funding from areas to which it was previously appropriated. Commissioner Williams reiterated the Department's belief that while a "potential for discomfort" exists, mid-range expectations indicate that revenues will be down by \$160 million rather than \$500 million. He repeated, however, that "with very plausible assumptions" it is possible to project that revenues might "be down by \$500 million" or lower. Responding to a question from Co-chairman Bennett concerning "the worst nightmare" with which the state might be faced, Commissioner Williams advised that the March forecast projected a \$900 million reduction as the lowest case--"the very rock bottom . . . ."

Responding to a question from Senator Sturguleski advising of her understanding that if the legislature appropriates to the maximum at this time, and income diminishes, it will only be able to reappropriate when it returns next year, Mr. Williams stated that the legislature would basically be taking funding from programs previously funded, or deferring funding of previous programs, in order to "make a . . . FY 83 appropriation." This could be accomplished since part of the current appropriation represents funds which will not actually be expended until after FY 82. He cited last year's HB 60 as an example, advising that the legislation contains significant amounts of funding which have not yet been expended. However, "by the end of this summer a lot more will have been expended" because summer is the construction season. He emphasized that on "massive construction projects," the legislature can fund the project from receipts during a given fiscal year, but the call on the treasury for those funds may occur in subsequent fiscal years.

Responding to a question from Senator Sturgulewski concerning the rainy day account, Mr. Williams stated that the account is available in the event of natural or human-caused disaster. The fund is triggered by a finding by the Governor and concurrence by leaders of both houses that an emergency exists.

#### BILL ASSIGNMENTS

Co-chairman Bennett made the following bill assignments:

- SB 170 - Eliason
- SB 248 - Eliason
- SB 342 - Ferguson
- SB 343 - Ferguson
- SB 388 - Sturgulewski
- SB 409 - Stimson
- SB 410 - Stimson
- SB 423 - Sturgulewski
- HB 1 - Dankworth
- HB 262 - Dankworth
- SJR 4 - Dankworth

#### SENATE BILL NO. 404

Co-chairman Bennett announced that SB 404 (ACT RELATING TO THE ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY) would now be brought on for discussion.

Senator Stimson stated that Jim Kelly, Senator Rodey's legislative aide, was present to answer questions concerning the bill. Mr. Kelly directed committee attention to a Finance Committee Substitute, a sectional analysis of the substitute (copy attached) and an additional piece of backup entitled "The AIDA Bill: What Does It Mean?" (copy also attached).

Responding to a question from Senator Sturgulewski concerning overlaps in state loan programs, Mr. Kelly stated that AIDA overlaps with the Mining Loan Fund in the Division of Business Loans, CFAB, the Agricultural Loan Fund, and ARC. There should be no problem with the Agricultural Loan Fund because of its lower interest rate. The Mining Loan Fund also has a lower interest rate than AIDA, and if the MLF is capitalized, should not overlap AIDA. ARC is designed to provide venture capital rather than financing for debt and thus should not greatly overlap AIDA. The greatest potential for overlap is with CFAB. On the other hand, AIDA can purchase loans from CFAB, like a bank, so the potential for overlap is lessened.

Commission Williams next appeared on behalf of the legislation, complimenting the committee on its committee substitute, advising that it represents a "quality effort"--an improvement over the bill the Governor submitted. He advised that interest rates contained in the legislation divide the "universe of loans" into two parts--those that qualify for tax exempt financing, and those which do not. AIDA, in the past, has worked only with those who do qualify. AIDA's first umbrella sale will close next week. In the course of preparing this sale, the department found that a threshold for loans should be established. Below the threshold a loan is too small to fit well under the bond program. The costs involved become disproportionately large for the borrower. As an example, Mr. Williams cited the case of a \$15,000 borrower included within the umbrella. This loan had to have its own series of bonds which had to be marketed, and it had to bear its proportionate share of the total cost of the bond issue. The term on the loan is very short (three years) so the interest cost to the borrower on the bonds alone came to about 8%. After the borrower paid his proportionate share of the issuance cost he was up to 11 or 11-3/4%. This points up difficulties for both borrower and the department as administrator in having a separate series of bonds for loans of this size. This applies to all small loans under \$150,000. They are too small for the bond market. They qualify for tax exempt financing, but costs associated with that do not make it "worthwhile." The department suggests that AIDA set a threshold size for loans, and that smaller loans be funded from either spin-off from the \$166 million loan portfolio AIDA received last year, or appropriations to the authority for that purpose. Funding would thus be from a direct source of funds within the authority rather than imported capital. These loans still qualify for AIDA financing and are in the tax exempt part of the loan "universe." Mr. Williams directed committee attention to Sec. 9(a), advising that this section applies to the above category of loans.

Responding to a question from Senator Sturgulewski concerning a possible state subsidy involved in making smaller loans in the above manner, Mr. Williams responded that financing would include a "concealed subsidy"--the difference between the interest rate on tax exempt bonds versus the interest rate that could be obtained from "regular investments" (approximately 5 percentage points). Senator Sturgulewski asked if the above arrangement

doesn't represent a deviation from the administration's approach to loan programs. Mr. Williams responded that while it is a deviation, total demand for such loans will probably not amount to \$10 million a year. The state would thus only be subsidizing approximately \$10 million of a total \$400 million program. Senator Stimson questioned the fact that the \$150,000 threshold is not spelled out in the bill. Commissioner Williams advised that the threshold would not be statutorily set, but would instead be effected by regulation. Such regulation would permit adjustment in accordance with economic conditions. Senator Sturgulewski advised of concern regarding the concealed subsidy and a threshold that could be raised or lowered without legislative review. Commissioner Williams cited the need to "preserve flexibility" within the statutory framework in the event that Washington, D.C. imposes restrictions upon the program.

Co-chairman Bennett raised questions concerning overall problems relating to state loan programs, the "tangled web" of state loans available, and the effect of state loan programs on private banking. Commissioner Williams advised that AIDA is designed to work through banks and "magnify" the number of customers a bank can service with the resources at hand. The state has greater resources than the combined resources of all private financial institutions together. The state is attempting to refrain from stifling private banking by working through these institutions and requiring at least 10% participation in the private sector. This forms a partnership between the state and private banking. The potential for abuse of state loan programs by an individual obtaining a "multiplicity" of loans is something which concerns the governor. At the present time there is no consensus as to how to deal with possible abuse, but the administration acknowledges the problem and expects to present recommendations to the next session of the legislature.

Co-chairman Bennett spoke to state involvement in companies which by right should have gone bankrupt, but have essentially been "bailed out" by the state. Mr. Kelly cited a provision in the bill which would terminate the relationship between AIDA and a private bank if the bank's AIDA loans exhibit a 2% delinquency factor.

Mr. Kent Lee Woodman of YELLOW ELECTRIC, LTD. next appeared before committee and read his prepared statement (copy of his testimony is attached).

Following Mr. Woodman's testimony, Co-chairman Bennett announced that SB 404 would be rescheduled for further testimony at 8:30 a.m., Wednesday, May 13, 1981.

#### SPONSOR SUBSTITUTE FOR SENATE BILL 111

Co-chairman Bennett moved that SS for SB 111 (ACT RELATING TO FISHING AND HUNTING LICENSE FEES AND FISHING PERMITS) be brought on for discussion.

Senator Eliason directed committee attention to the Resource Committee Substitute, advising that the legislation originally started out as a repealer and later became an increase in license permits. He read a list of license fees in other states (Montana, Idaho, etc), and advised that by increasing the fee for non-resident sport fishing licenses, the state will "recoup" money lost by repealing the salmon stamp. Senator Eliason advised that it is not unreasonable to expect visitors to pay more for non-resident licenses since Alaskans do so when visiting other states.

Co-chairman Bennett proposed several amendments to the bill. At line 13, he moved to change "five-day" to "fourteen days" to allow for a two week vacation period. He further moved to change line 14 from a "one-day" license to "three days" in order to accommodate weekend charters.

Mr. Lou Bandirola, Deputy Director of the Division of Sport Fish, appeared on behalf of the department, advising that the move from ten days to five days was suggested as a possible alternative to the original bill which included a change in license fees as well a change in daily periods. Both the change of fee and daily periods were incorporated without any particular rationale. Responding to a question from Senator Sturgulewski concerning whether committee amendments would change the fiscal note, Mr. Bandirola stated that the changes might alter slightly the income received from the one-day license, but it would be difficult at this time to come up with a figure since the figure would not be substantial.

Responding to a question from Senator Sackett concerning the statutory repeal contained in Sec. 4, Mr. Bandirola stated that the statute relates to the \$5.00 King Salmon/Steelhead stamp required to harvest these fish. The stamp was purchased in addition to the customary fishing license. The punch card is still in effect by regulation and will provide the department with information concerning the taking of King Salmon and Steelhead. The stamp was initiated by a sportsmen's organization in Anchorage in an attempt to generate additional funds for King Salmon/Steelhead programs.

Senator Stimson moved that CS for SSSB 111 (Resources) as amended by Co-chairman Bennett pass from committee with individual recommendations. No objection having been raised, the CS passed from Senate Finance--all members present signing do pass with the exception of Senator Sackett who signed no recommendation.

#### SENATE BILL NO. 422

Co-chairman Bennett moved that SB 422 (ACT AMENDING GRANT LIMITS FOR CERTAIN PROGRAMS OF THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS) be brought on for discussion.

Commissioner McAnerney appeared before committee, advising that the administration is in favor of the change from \$40,000 to

\$100,000 for rural development assistance grants as well as the change from \$60,000 to \$100,000 for bulk fuel storage. She stated that both increases would be beneficial because of inflation. The legislation carries no fiscal note since existing departmental processes and personnel will be used to administer these upgraded programs.

Senator Sturgulewski moved that SB 422 pass from committee with individual recommendations. Senator Stimson briefly objection for the purpose of receiving clarification concerning bill language. He removed his objection when his inquiry was satisfied by Commissioner McAnerney. No further objection having been raised, SB 411 passed from Senate Finance--all members present signing do pass.

#### ADJOURNMENT

The meeting adjourned at approximately 9:45 a.m.

SFC-81, #54, Side 1 (000-end)

SFC-81, #54, Side 2 (000-534)

TESTIMONY BEFORE THE SENATE FINANCE COMMITTEE

Committee Substitute for SENATE BILL 404

12 May 1981 - Juneau, Alaska

Gentlemen (Ladies), My name is Kent Lee Woodman. With me today is my partner Mr Steve R Cloud. We are Anchorage businessmen who felt strongly enough about the ramifications of SB 404 to take the time away from our busy schedules, spend over \$600.00, and come down here to make some input, and ask some questions.

First, let me assure you, that though we have our own firm, YELLOW ELECTRIC, Ltd, at heart, we are here precisely because Yellow is completely typical of a number of other small businesses, especially those in the construction trades, and because we feel that something very wrong will happen, to the individual and collective detriment of many Alaskans if 404, or a similar measure does not pass the legislature this session.

Yellow is typical because it is an established business, operated and owned by long time Alaskan residents, and it has been through 2 very difficult years. It was, in fact so very typical, that Dave Rose specifically requested permission last year to utilize a three page letter we wrote him about our firm and its challenges, in his efforts to make some legislative changes to the AIDA program. He requested, and we agreed, to use the letter and make it public.

There have been many programs to come out of Juneau in the past 5 years, to benefit many Alaskans. These programs have ranged from support and assistance to the Fish industry, forestry, barley farming, mineral development and individual home ownership. There have been many good things come from these programs, and I imagine some abuses.

I wish to speak today of the needs of the small businessman, who has not benefited from any program to date. First, let me review the current AIDA program as pertains to such contractors. There are basically 2 programs. The first is the stand-alone program, which allows tax-free bonds to be sold against a specific project. Generally these projects are in the several million dollar range and quite frankly, stretch the concept of "small business" a tad. The other program provides a pool of funds based upon non-taxable bonds. Because of the requirement to comply with the provisions of various IRS rulings, and in order to maintain the tax-free nature of the bonds, certain restrictions must be applied to the loans.

The two restrictions which prevent access to the program by 90% of the existing small businesses are: 1. Lack of ability to utilize the program to refinance anything. 2. Lack of ability to utilize the program for any working capital.

In effect, the program works against the existing small business and for the outsider who wants to come up and open a new facility, or build something, often in direct competition with an existing businessman who is trying to hang on by his fingernails.

In the past two seasons, many small businesses went out of business, reorganized under one or more of the somewhat more flexible bankruptcy regulations, or stretched so thin <sup>they're</sup> ~~its~~ near breaking. Generally what happens is that the businessman must cut way back on personnel, minimize his expenses, and takes on some heavy, short term debt either through short term loans at terrible interest rates, or through inability to pay all his bills on time, and being in arrears and in debt.

This season is already known as the biggest construction season in at least Anchorage history...with home sales exceeding even the 1977 pipeline period. Many contractors in Anchorage are desperately trying to gear up for this season, get out from under the heavy short term debt load and invest in equipment and personnel. There are thousands of projects underway. The funds approved for many bush programs in the last legislature, ranging from runway extensions to erosion control, road projects, school additions and the like, are only just now coming off the drawing boards. The funds will be spent through a 36 month period, creating many opportunities in the bush as well as in the urban areas.

Private industry is spending considerable funds on development of resources, systems, facilities and programs, ranging from the new dock at Valdez to the water injection program on the slope to Misty Fjords to new banks and shopping centers.

In order for a contractor or businessman to gear up, he needs access to capital for rolling stock, tools, office and accounting upgrades, communications, and personnel programs. He needs to purchase stock, materials and many other items and it takes cash UP FRONT.

When difficult times come upon small businesses, they cut back on personnel drastically, putting those folks out of work, amplifying the normal seasonal cyclic effect inordinately. Then we have folks on welfare and unemployment. How much better it would be if the financing were available, to keep the employees on board year-round, allowing minor reductions in the mid-winter through normal attrition? How much better to be geared up and rolling when the season begins rather than having to start from scratch each time.

In recent years, the seasonal cycle for construction in the Anchorage area has virtually vanished. Contractors start footings in September and October and heat them in the winter, beginning framing in March. Others work all year to frame and cover in facilities to allow them to work at more relaxed pace on finishing inside all winter. With the high price of interim financing, this latter program, however, suffers.

Because of the price of money, all projects must be completed with a minimum of construction time, a minimum of higher priced interim financing. In order to meet such a goal, developers and builders must cut corners, pave the first year instead of the 2nd after settling, hire carpenters, plumbers and electricians who pop up from California, Oregon and Washington in their trucks, operate all season with out of state plates out of the backs of vans and pickups.

The local contractor has a difficult time beating all this. Oftentimes the work is shoddy and there is no one to pin it on.

It is our understanding that the primary purpose of certain changes in the AIDA language, as provided by the original SB 404 and by the original Committee Substitute, would have allowed AIDA to invest a certain amount in secured programs. Among these would have been certain SBA insured loans. These loans are already 90% backed by the Federal Government, and it would only be this portion which would be investment material. The results of such a program would be that the qualifying SBA borrower would have funds available at approximately 12% firm instead of the conventional SBA program of 2% over low Wall Street prime. That rate today, by the way, would result in a loan of some 22% interest!!!!

AN EXTREMELY SIGNIFICANT  
FIGURE - ACCORDING TO THE  
COMMISSIONER'S TESTIMONY

Yellow already has an SBA for about \$150,000 approved and on hold, pending this legislation. This money would be instantly invested in the community and in our employees. Large chunks would be utilized to upgrade truck fleets and tools, and to invest in management systems and tools which would create a more stable, year-round operation for 20-30 Alaskans. Were no such program to be forthcoming this session, and were Yellow faced with 22½% money, we would have to carefully re-investigate our plans and manning levels.

It is important to note that one cannot simply pick up the SBA loan now and shoot for a buy-out in the next session, for then we have a 100% refinance condition on our hands.

There is a portion of our SBA package, which would relieve us from 2 short term debts. Each of these is with a supplier which pays 2% for payments by the 10th. We've not been able to obtain that 2% for over 2 years because we could never get our balance down to zero. This means, in a firm that buys some \$750,000 in materials locally each year, that we are giving away about \$15,000!

It is our understanding that there have been members of the AIDA board down here to make input. Similarly you've heard from bankers, SBA and the Department of Commerce and Economic Development. One imagines that you've had just about all the high level theory and esoteric input you need.

Our purpose is to make some grass roots input. We are the people affected.

We recognize that Alaska is not a sovereign nation, and that tinkering with the economy is a dangerous business and one that has ripple effects everywhere. We also recognize that the discovery of oil is "tinkering" with the economy in a mammoth fashion, injecting large sums of cash directly into the economy. We do not ask for a subsidy; we abhor subsidies, give-aways, "special programs" and the whole welfare mood of our society today. We consider this program to be at the very heart of what AIDA and Commerce and Economic Development are supposed to be doing. These are, after all, LOANS TO BE PAID BACK. These money ~~yes~~, after all, are injected directly into the community and invested in PEOPLE.

Our company does not manufacture hoola hoops, did not get stuck with an inventory of recreational vehicles or snow machines. We did not expand up into the Matanuska Valley 2 years ago to get "in on the rush" and now find we are hurting. Our company has been around for a long time. We have been around for longer....I first arrived in 1952. We are not looking for a bailout. We have a program for creation of a stable, year-round employment firm for several dozen Alaskans, a firm that provides quality work and a valuable service in construction of residential and commercial facilities, repairs, restorations and service work.

The \$85,000 home program with the 5% interest; the \$147,000 home program with the 10% interest.... they are all great, but they are dangled in front of us, just out of our reach. One developer with whom we work, just secured some \$10 million in operating funds at 14%, but that is very rare indeed, and only available because he is a large and well known developer. Most cannot even get an appointment.

BOTTOM LINE:

We urge you to ignore high level bickering and empire building which seem to be at the root of some of the negative testimony you have had on this bill and its derivations to date. We urge you to pass out with a unanimous DO PASS, an acceptable version of the bill, and do it today so that it stands a chance in the House prior to the end of the session.

The Administration is in favor of the bill, so veto is not likely if you do not dork it up so much they become suspicions.

We understand that AIDA currently has some \$2 million a month which could go directly to this program, to the great benefit of AIDA and its bond position. We understand that SBA estimates the market for funds under this program at some \$80 million a year.... somewhat more than the \$24 million available, even if AIDA could utilize the funds for the program. We understand that come either 1 or 30 June, that AIDA will lose its authority to issue bonds, and that when its \$15 million on hand currently expires, they will effectively close down in the middle of the busiest and most prosperous season ever to come along.

If our understandings are correct, we urge you this date, to amend this bill or develop another to at once extend the authority of AIDA to operate and to fund as required, this valuable program.

Faced with 22½% money, what small businessperson can really organize, gear up and make a good season out of what appears to be an excellent 5 year stretch? After hanging on by our fingernails for 2 years, watching our homes and valuables become more and more at risk trying to tide over untill improvement, we are now faced with the inability to do much about the prosperity that is here. On the other hand, if we were fresh up here from California and wanted to open a firm just like ours for all our California friends to work in. we would qualify easily for ½ million!

Please, please, let this one piece of legislation work out for small business. We do not have the tax incentives we were told we'd get. We do not have the bonus money we all expected. We do not have a chunk of our own destiny, and we are prohibited from even participating in what could be our own recovery.

We'd be pleased to respond to particulars and detailed questions about our own operation, our understandings of our colleagues in other trades etc.

Incidentally, should you ask why we are here and you may or may not have heard from anybody else, there are 2 reasons I can think of:

1. First, the impact of the provisions of this bill on the SBA/ AIDA program are known to only a very small radius of folk. It would take a reletively sophisticated small businessperson or contractor to have ferreted it all out. We had some help from our banker, and the timeliness of our SBA approval hit right on the introduction of this bill.

2. Secondly, most of the contractors are heavy into that part of the year when they run from 0500 to midnight, and they simply have no energy or wherewithall to study, research and come down. They would surely flounder if they did.

7-7-7-7-7

Most have already investigated AIDA and the SBA and have already found out that AIDA was effectively closed to them and that SBA needs 22½%.

AIDA is supposed to be investing in business and industrial expansion. Supposed to be injecting amounts of capital here and there to help folks help themselves. The Department of Commerce and Economic Development says it all in its name....but there is nothing for us.

We want to grow with the state, become stable, participate in our own recovery.

thank you very much:



Kent Lee Woodman, President and Administrator  
Steve R Cloud, Vice President and Manager

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Official Business

# Alaska State Legislature

## Senate

### Committee on Finance

5/11/81  
Pouch V  
State Capitol  
Juneau, Alaska 99811

#### SECTIONAL ANALYSIS OF CS SB 404 (FINANCE)

\* Section 1: Amends AS 44.88.010, LEGISLATIVE FINDING AND POLICY, in three ways: (1) allows AIDA to finance business expansions as well as new businesses; (2) reduces wordiness in the present statute by re-defining small business (see AS 44.88.220(12)); and (3) expands the types of businesses to whom AIDA may make loans by the addition of agriculture, timber, and multi-family dwellings.

\* Section 2: Amends AS 44.88.050, MEETINGS, for the purpose of allowing the AIDA board of directors to meet and transact business by conference telephone.

\* Section 3: Amends AS 44.88.070, PURPOSE OF THE AUTHORITY, to reduce wordiness (see remarks on Section 1).

\* Section 4: Amends AS 44.88.080, POWERS OF THE AUTHORITY, to reduce wordiness (see remarks on Section 1).

\* Section 5: Amends AS 44.88.105, CAPITAL RESERVE FUNDS, for the purpose of allowing AIDA to establish reserve funds which do not carry with them the moral obligation of the state. Such a reserve fund would be implemented when and if AIDA decides a particular project to be bonded needs the security of a reserve fund, but the authority does not wish to place the state at risk in regards repayment of principal and interest to the bondholder.

\* Section 6: Repeals and reenacts AS 44.88.155, ENTERPRISE DEVELOPMENT FUND. Subsection (a) establishes the fund as a trust fund, and sets out the sources of the fund. Subsection (b) sets out the uses of the fund, and expands the present allowable investments of the fund to include SBA- and FHA-guaranteed loans. Subsection (c) sets out the terms of all loans to be purchased by AIDA, including making statutory the requirement for at least 10 percent bank participation. Subsections (d) and (e) are technical provisions.

\* Section 7: Amends AS 44.88.157, LOAN INSURANCE, for the purpose of allowing AIDA to establish loan insurance accounts which do not carry with them the moral obligation of the state (see remarks on Section 5).

\* Section 8: Repeals and reenacts AS 44.88.158, SMALL BUSINESS ENTERPRISE LOAN ACCOUNT. Subsection (a) establishes the account within the enterprise development fund, and sets out the sources of the account. Subsection (b) sets out the uses of the account, as does subsection (c). This account is strictly for the purchase of guaranteed portions of loans.

\* Section 9: Adds a new section, AS 44.88.159, INTEREST RATES. Subsection (a) establishes the interest rate for projects which qualify for tax-exempt financing, but which are not financed with the proceeds of tax-exempt bonds. The interest rate is the tax-exempt rate. Subsection (b) establishes the interest rate for all other projects. That interest rate is the taxable bond rate. Subsection (c) sets out a method for subsidizing, up front, the interest rate for all projects which do not qualify for tax-exempt financing. The subsidy would require a special appropriation for that purpose, as well as an authorization by the legislature of the total dollar amount to be loaned, at subsidized rates, during the year.

\* Section 10: Adds a new section, AS 44.88.165, DELINQUENT LOANS. If more than two percent of the total outstanding balance of loans purchased from a financial institution become delinquent for more than 90 days, AIDA must discontinue purchasing loans from that institution until the delinquency is reduced to less than two percent.

\* Sections 11-12: Amend AS 44.88.220, DEFINITIONS, by making technical changes in the definitions of "business enterprise" and "project".

\* Section 13: Amends AS 44.88.220, DEFINITIONS, to make clear that the definition of "project costs" includes expansion of a project, as well as construction or acquisition.

\* Section 14: Amends AS 44.88.220, DEFINITIONS, by redefining "small business enterprise". The new definition includes tourism, commercial fishing, mining, timber, agriculture and multi-family dwelling enterprises - provided the project applicant's gross income does not exceed \$10 million. The effect is to limit AIDA's financings of commercial projects to small businesses.

\* Sections 15-16-17: Amend AS 44.88.220, DEFINITIONS, by making technical changes in the definitions of "tourism enterprise", "commercial fishing enterprise" and "mining enterprise".

\* Section 18: Amends AS 44.88.220, DEFINITIONS, by adding new definitions for "agriculture enterprise", "timber enterprise", "multi-family dwelling enterprise" and "commercial activity". Multi-family dwelling enterprise means a project for 8-plexes or larger. Commercial activity includes working capital, inventory and accounts receivable.

\* Section 19: Authorizes AIDA to issue up to \$400 million in revenue bonds during FY 82.

\* Section 20: Repeals a provision enacted in chapter 120, SLA 1980, which requires AIDA to return to the General Fund the remaining outstanding balance of the \$166 million in loans appropriated, as of July 1, 1983.

\* Section 21: Immediate effective date.

*from Jim Palmer,  
Senator Rodey's off.*

The AIDA Bill: What Does It Mean?

According to its board of directors, AIDA needs a bill this session for five reasons:

- 1) to receive legislative authorization to issue more than \$50 million in bonds in FY 82;
- 2) to gain the flexibility to secure bond issues with reserve funds which do not morally obligate the state;
- 3) to use the cash flow generated from last session's appropriation of \$181 million in money and assets, to purchase additional loans;
- 4) to transact official board business by conference telephone; and
- 5) to capitalize itself with the \$166 million in paper assets which were appropriated last session with strings attached.

The proposed committee substitute (Finance) accomplishes those five objectives, and also the following:

- 6) expands the financing program to include types of businesses not previously eligible;
- 7) expands the financing program to include types of lending not previously permitted;
- 8) expands the financing program to include higher loan limits than previously authorized;
- 9) maintains AIDA's position in the secondary market;
- 10) provides for a strengthening of AIDA's portfolio through the purchase of guaranteed loans;
- 11) directs AIDA to concentrate its commercial activities toward small business enterprises;
- 12) rewrites much of the existing law which is wordy, vague and ambiguous; and
- 13) allows AIDA to lend as much as \$425 million to Alaskan businesses within the next 12 months, at below market rates.

## SENATE FINANCE COMMITTEE

May 13, 1981

8:40 a.m.

(Tape SFC 81, # 55, Side 1, 000 - 211)

CALL TO ORDER

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

PRESENT

All members of the committee were present with the exception of Co-chairman Dankworth and Senator Sackett. Also in attendance were Administrative Assistant to Co-chairman Bennett, Judy Johnston; Administrative Assistant to Co-chairman Dankworth, Kathy Martinson; Administrative Assistant to Senator Fahrenkamp, Jim Palmer; and members of the press, Joe L. Locca and Rosemarie Alexander.

BILL ASSIGNMENTS

Co-chairman Bennett made the following bill assignments: SB 559 - Ferguson, and HB 358 - Sturgulewski.

SENATE BILL NO. 164

Co-chairman Bennett stated that the committee would consider SENATE BILL NO. 164 (An Act making a special appropriation to the Department of Natural Resources for completion of the analysis of certain geochemical samples; and providing for an effective date), and requested that Administrative Assistant to Senator Fahrenkamp, Jim Palmer testify on the legislation.

Mr. Palmer presented background information on the bill. He said that earlier in the session, the Senate Resources Committee had received testimony from a scientist (Dr. Weaver) from the Los Alamos Laboratory in New Mexico. He had testified that they had accumulated quite a few samples of minerals from all over Alaska. However, they had just recently been defunded by the federal government. About 20,000 of these samples were yet to be analyzed, and there were prospects of the samples being moved to Tennessee and being lost forever. So research information to the State of Alaska was in jeopardy. \$800,000 would be necessary to analyze the remaining 20,000 samples. Since that time, Senator Fahrenkamp had gathered further testimony on the bill, and had meetings with the Department of Natural Resources. The Department of Natural Resources had formally announced to Senator Fahrenkamp by letter that they support this legislation. A Letter of Intent was prepared by the Senate Resources Committee as a result of the letter from the Commissioner of the Department of Natural Resources. The Resources Committee then passed SB 164 from committee with a unanimous "do pass" recommendation.

Senator Sturgulewski stated that after her investigation of the proposed legislation, she was persuaded that there was basic mineral resource and geotechnical data Alaska should have. She added that the Resources Committee Letter of Intent would also be important as an accompaniment to the legislation so that DNR could negotiate the appropriate contract.

Co-chairman Bennett asked where the information would be stored, and who would have access to it. Mr. Palmer stated anyone could have access to the information and that it would be stored in Fairbanks as part of the State's basic data bank through the Department of Natural Resources.

Co-chairman Bennett asked what areas of the state the samples were from. Mr. Palmer stated they were from about 20 areas in the state. He listed some of the areas:

- Barrow - 90 samples
- Wainwright - 209 samples
- Point Leigh - 124 samples
- Delong Mts. - 630 samples
- Circle - 1,340 samples
- Charley River - 1,340 samples
- Nulato - 700 samples
- Kinkisha River - 500 samples
- Iditarod - 1,200 samples

Co-chairman Bennett asked if these were surface samples or core samples. Mr. Palmer stated they were surface samples - preliminary research.

Senator Eliason asked if Mr. Palmer had been in contact with the laboratory recently, wondering if there was a possibility the federal government would refund the program. Mr. Palmer responded that he had been in contact with Senator Stevens' office and he said he would try to get federal funding but has not been successful so far. In the event the program is federally funded, the funding from this legislation would revert back to the General Fund.

Senator Sturgulewski moved and asked unanimous consent that SB 164 be moved from committee with individual recommendations, along with the Senate Resources Committee Letter of Intent. There being no objection, it was so ordered, and the committee report was signed as follows: Co-chairman Bennett and Senators Stimson, Sturgulewski and Eliason signed "do pass", and Senator Ferguson signed "no recommendation".

#### ADJOURNMENT

The meeting adjourned at 8:50 a.m.

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(Tape SFC 81, # 55, Side 1, 000 - 211)

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SENATE FINANCE COMMITTEE

May 14, 1981

8:35 a.m.

SFC-81, #55, Side 1 (211-end)

SFC-81, #55, Side 1 (000-060)

CALL TO ORDER

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

PRESENT

All committee members were present with the exception of Senator Ferguson who arrived shortly after the meeting began and Senator Dankworth who did not attend. Also attending were Senator Don Gilman; Commissioner of Revenue Thomas K. Williams; Sterling Gallagher, Vice President of John Nuveen, Inc.; Jay Hogan, Director, Legislative Finance; Judy Crondahl, Director of Administrative Services, Dept. of Administration; Ginny Chitwood of the Alaska Municipal League; and administrative assistant to Senate Finance, Judy Johnston.

SENATE BILL 404

Co-chairman Bennett moved that SB 404 (AN ACT RELATING TO THE ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY) be brought on for discussion.

Sterling Gallagher, Vice President of John Nuveen, Inc., appeared before committee on behalf of AIDA as one of its underwriters. Speaking to the impact of the IRS Code on the expansion of AIDA's authority to \$10 million, Mr. Gallagher stated that under the \$10 million exception, you must file an election with IRS for the first three years of the project to ensure that you do not spend more than \$10 million in that political jurisdiction. AIDA would thus be required to set up a reporting procedure to keep track of borrowers' expenditures within political subdivisions. This procedure would probably require additional staff to track these loans.

A subsequent legal risk is involved in that the principal user of a facility may not necessarily be the borrower. As an example Mr. Gallagher cited the case of a commercial building owned by XYZ Corporation but occupied by Exxon. The IRS exemption rule also applies to the user of the building. Thus, AIDA would be required to track the manner in which the facility is used, and ensure that exception requirements are not violated by the user.

Mr. Gallagher advised that both land and depreciable property can continue to be financed under the \$10 million exception, just as under the present \$1 million exception rule. AIDA cannot, however, finance inventory or refinancing.

The \$10 million expenditure has to be complied with by the borrower within a six year period. This six-year period dates three years back from the date of bond closing and three years forward (expenses must be determined for three years before the bonds and subsequent expenses must be kept track of for three years after the bond sale). All of the above expenditures must be reported to the IRS.

Mr. Gallagher reiterated that a single \$10 million project may be conducted per political subdivision (\$10 million in the North Slope Borough, \$10 million in the Anchorage Borough, \$10 million in the unorganized borough).

He advised that the foregoing is relative to proposed versions of SB 404, since the legislation expands AIDA to \$9 million and the allowance for 10% bank participation expands the loan level to \$10 million (page 6, line 2).

#### Advantages of expansion

1. AIDA could "do" more than one loan. Under the old \$1 million exception rule, as long as the \$1 million loan was outstanding, another tax exempt loan could not be financed. Expansion to \$10 million allows AIDA to finance more than one loan.
2. If AIDA goes to a statewide program, it has better markets. Many projects cannot be "done" in the \$1 to \$10 area because of the lack of markets.
3. The program helps Alaskan firms rather than those in the "South 48." It also provides more assistance to less advantaged firms (the Alaska firm vs. those in the "Lower 48"--Lower 48 firms are generally better capitalized).
4. It fosters competition between banks.
5. The lower interest rate allows more people to take advantage of AIDA programs.

#### Disadvantages of expansion

1. It costs more money and requires state support.
2. More risk
  - a) AIDA must comply with legal requirements of the principal user test, and
  - b) AIDA must comply with the 1 to 10 reporting risk
  - c) Greater financial risk due to larger scale projects

Responding to questions from Senator Sturgulewski concerning limitation of the "moral obligation of the state" to \$1 million

and the effect such a limitation will have on project saleability, Mr. Gallagher advised that some projects will be saleable and others won't be. He added that if the moral obligation provision is removed, removal will "make for a lot more expensive program." At present umbrella bonds (up to the \$1 million limit) are sold with three financial backing tools:

1. The \$100 million net worth requirement on AIDA
2. The 150% coverage rule maintained for all general obligations of the authority
3. The moral obligation of the state.

The last tool (moral obligation) is the greatest tool. Removing the moral obligation creates a more expensive program (expansion of AIDA from the \$1 million exemption to the \$10 million exemption with no increase in the \$1 million moral obligation in effect removes the moral obligation from loans over \$1 million--thus creating a more expensive program in the bond market).

Co-chairman Bennett stated that SB 404 would at this time be returned to bill files and brought up for continued hearing at the Monday, May 18, meeting.

#### SENATE BILL 368

Co-chairman Bennett moved that SB 368 (ACT RELATING TO LOCAL SERVICE ROADS AND TRAILS) be brought on for discussion.

Senator Gilman appeared on behalf of the legislation, advising of a proposed CSSB 368 (Finance) to be offered by Senator Sackett. Senator Gilman advised that the committee substitute is "not substantially different than the original bill." The committee substitute:

1. Redefines the state secondary road system--"anything that is not on the federal aid primary system." Essentially it includes "farm to market" roads and outlying roads not on the main highway system and places these roads under the local service roads and trails program. A borough or city could use local or state money for construction or improvement of such roads but local entities are not empowered to maintain the roads without voter or proper charter permission.
2. Provides for acquisition of right-of-way from project costs.
3. Provides that local government and DOT may enter joint-participation agreements for construction and upgrading of secondary roads.

4. Provides that Second Class Boroughs may acquire, construct, and maintain local roads and trails (boroughs may participate in such activities by ordinance).

The original bill contained an unworkable allocation system. The proposed legislation returns funding to the original roads and trails formula.

Senator Sackett moved that CS for SB 363 (Finance) pass from committee with individual recommendation. No objection having been raised, the CS passed from Senate Finance--all members signing do pass.

#### SENATE BILL 559

Co-chairman Bennett moved that SB 559 (ACT RELATING TO STATE GRANTS) be brought on for discussion.

Judy Crondahl appeared to testify concerning the legislation, advising that the Department of Administration has been handling municipal grants over the past year and paying "the money out to the municipalities." The department has encountered a problem with three or four grants made last year wherein municipalities were "uncomfortable" agreeing to maintain and operate facilities for which they received grant funding. She cited as an example the City of Valdez which received a grant to extend the runway at a state-operated and maintained airport. The city did not want to "bind" itself to future operation and maintenance when the state had maintained the airport in the past.

She suggested amending language which would make clear for the future that in giving out grants, the state would not be obligated to maintain facilities which are essentially local priorities received through state money. She suggested that the following sentence be added to subsection (c) on page 2:

This requirement does not apply to an existing facility for which a grant has been received for repairs or improvements and which is being operated or maintained by the state at the time of the grant agreement if the grant will not substantially affect the operation, maintenance or costs to the state.

Jay Hogan next appeared to testify on the legislation. Mr. Hogan advised that the language proposed by Mrs. Crondahl and the grant bill itself do not impact on the "court case." The bill does impact one of the situations in the court case by use of the word "allocation." The legislation makes clear that grants may be either allocations or appropriations whereas existing law refers only to appropriations. The bill itself is essentially neutral as far as the law suit is concerned, and has been reviewed and approved by attorneys handling the lawsuit for Budget and Audit.

Senator Sturgulewski questioned wording contained in the proposed amendment, suggesting that it should perhaps receive legal

review. Judy Crondahl responded that the suggested wording was quickly prepared and submitted for consideration of the concept rather than its legal form. Senator Ferguson moved for adoption of the amendment. No objection having been raised, it was adopted.

Responding to a question from Senator Stimson concerning designated grants, Jay Hogan stated that the change in language relates to instances wherein the legislature designates a recipient and the department has had an ongoing relationship or program with that agency for years and "has absolutely no problem passing the money through to that agency." It seems an unnecessary exercise to "have" to solicit proposals. For that reason, it is suggested that the wording be changed to "may" solicit proposals, depending upon circumstances. Existing law requires that the department solicit proposals no matter what the circumstances. All grants flow through state departments. Municipal grants go through Administration, unincorporated community grants go through Community & Regional Affairs, and other named-recipient grants go to whatever department has "that sphere of influence."

When asked if the language precludes the funding of grants to newly-formed agencies, Mr. Hogan responded that the language "doesn't preclude anything." The department might wish, however, to solicit proposals from a group of newly-formed agencies and select the best one.

Mr. Hogan requested that an additional amendment to SB 559 be effected, removing the extraneous "not" from page 4, line 1. Co-chairman Bennett directed that the amendment be effected.

Senator Ferguson moved that SB 559, as amended, pass from committee with individual recommendations. No objections having been raised, the amended bill passed from Senate Finance--all committee members signing do pass.

#### ADJOURNMENT

The meeting was adjourned at approximately 9:35 a.m.

SFC-81, #55, Side 1, (211-end)  
SFC-81, #55, Side 2, (000-060)

## SENATE FINANCE COMMITTEE

May 15, 1981

8:40 a.m.

(Tape SFC 81, # 55, Side 2, 060 - end)

(Tape SFC 81, # 56, Side 1, 000 - 260)

CALL TO ORDER

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

PRESENT

All members of the committee were present. Also in attendance were Administrative Assistants to Co-chairman Bennett, Judy Johnston and Sandy Nusbaum; Administrative Assistant to Co-chairman Dankworth, Kathy Martinson; Legislative Finance Division Fiscal Analyst, Jerry Schilz; Department of Community & Regional Affairs Division of Local Government Assistant Director, Palmer McCarter; Senator Kerttula; Department of Labor Division of Administrative Services Director, John Post; and Municipality of Anchorage Social Services Director, Jule Jones.

SENATE VERSION OF OPERATING BUDGET

Co-chairman Bennett stated that the Senate version of the budget was being distributed to the members at this time. He said the idea was that members could review the document over the weekend for any possible omissions or changes, and then the bill would be considered for passage by the whole committee.

SENATE BILL NO. 240

Co-chairman Bennett stated that the next order of business would be consideration of SENATE BILL NO. 240 (An Act establishing a program of financial assistance for feasibility studies of proposed boroughs in the unorganized borough; and providing for an effective date), and requested that Senator Sturgulewski present the bill to the committee.

Senator Sturgulewski stated that the bill had been considered earlier in the Community and Regional Affairs Committee. It basically sets up a program through the Department of Community and Regional Affairs for feasibility studies for proposed boroughs. There have been a number of studies funded directly, and it appeared that this legislation would give an additional option for communities interested in looking at the issues in unorganized areas, including local government or coordinative mechanisms, economic development potential, and capital facility needs. She stated that Palmer McCarter, Director of the Division of Local Government Assistance in the Department of Community and Regional Affairs, was present to testify before the committee.

Mr. McCarter stated this was the one bill the Department of Community and Regional Affairs had requested the Governor to introduce on their behalf this year. The department considered it priority in terms of other proposed legislation presented earlier to the Governor.

Mr. McCarter said that his division has historically had requests from various regions of Alaska that would like to study borough incorporation. Presently, the only way these communities can do these studies is by direct legislative grants. Fort Yukon in Senator Sackett's district was successful in getting a legislative grant administered through the Department of Community and Regional Affairs. This grant went well, but other grants passed through other agencies or non-profit organizations in the state have not produced a very useful product as there were no standards or criteria tied to the grant. He stated that the legislation would establish programs within the Department of Community and Regional Affairs though there would be no additional staff required to administer the program. According to the fiscal note attached to the bill, \$360.0 would be needed in the contractual area. This figure was based on the assumption that probably two areas in the state might come apply for the borough feasibility study. The grant amount would be a basic \$30.0, plus \$30 dollars on a per capita basis. Each study would require about \$120.0 - within the three year time limit. Another \$120.0 was requested on the assumption that the department might receive three applications, or that one area of the state might have a population to justify more than the \$120.0 per study.

Further discussion and questioning ensued on subjects such as selection of communities; who would be contracted for the studies; and faults in the present system. Senator Ferguson expressed opposition to the legislation.

Senator Sturgulewski moved and asked unanimous consent that SB 240 be moved from committee with individual recommendations. Senator Ferguson objected. Senator Sturgulewski pointed out again that this legislation would offer an option to communities. Senator Ferguson thought that the legislation would create a "mishmash" of studies. Upon a show of hands, Senator Sturgulewski's motion carried. The committee report was signed as follows: Senators Stimson, Sturgulewski and Eliason signed "do pass"; and Co-chairmen Bennett and Dankworth, and Senators Sackett and Ferguson signed "no recommendation".

#### SENATE BILL NO. 420

Co-chairman Bennett stated the next bill to be considered was SENATE BILL NO. 420 (An Act making a special appropriation to the Legislative Affairs Agency for a legislative information office and teleconference center at Naknek; and providing for an effective date), and requested that Senator Sturgulewski present the bill to the committee.

Senator Sturgulewski stated that Senator Hohman had been notified, though he was not present before the committee. She said basically this was a request for establishing a Legislative Information Office and Telecommunications Center in Naknek. The original bill was for \$206.0, but information had been received indicating that actually \$171.0 was adequate. The Legislative Council had considered a motion to budget all the Legislative Information offices requested around the state - it included the Naknek Office. The motion failed; Representative Malone's office stated the issue would probably come up again in House Finance. Some of the members in Legislative Council may have voted against the motion because they felt it was more appropriately a finance committee matter. As head of the Legislative Council, Representative Malone is planning to develop some policy during the interim on establishing Legislative Information Offices. So at this time, there is no policy or standards as to which community should have a Legislative Information Office. It appears to be a matter for this body to decide the issue.

Co-chairman Dankworth moved and asked unanimous consent that the bill be held in committee until a later time. Senator Ferguson objected for the purpose of submitting an amendment for a Legislative Information Office in Unalakleet to be open during the session only. Co-chairman Dankworth withdrew his motion. Senator Ferguson moved his above amendment. Upon a show of hands, the motion carried.

Co-chairman Dankworth stated that he was opposed to passing this bill from committee until back-up material was provided, and until the policy question previously mentioned by Senator Sturgulewski was settled. Co-chairman Dankworth renewed his above motion to hold the bill in committee. Upon a show of hands, his motion carried, and the bill was returned to the file.

#### SENATE BILL NO. 413

Co-chairman Bennett stated the next bill for consideration was SENATE BILL NO. 413 (An Act making a supplemental appropriation to the Municipality of Anchorage for transportation for the elderly and handicapped; and providing for an effective date) and requested that Senator Stimson present the legislation to the committee.

Senator Stimson stated that he had asked Jule Jones, Director of Social Services for the Municipality of Anchorage, to provide testimony to the committee, and requested that she come forward to explain the need for the appropriation.

Ms. Jones explained that the Municipality of Anchorage offers a combined service for supplemental transportation to the People Mover System for elderly and handicapped citizens in Anchorage. They were working toward two sources of funding. The elderly receive a grant from the Alaska Department of Health and Social Services through the Older Americans Act to the Municipality of Anchorage. Anchorage contracts with transportation services to

provide that specific service for anyone over 60 years of age who is unable to use the People Mover or who has no other form of transportation. There is a priority on the services primarily for medical purposes, volunteer programs, and for some social occasions. She said that prior to unification of borough and city, the Municipality had a very small program specifically for the handicapped. That program, as well as the handicapped population, has grown significantly in the past several years. However, there has been no assistance other than municipal funds to operate that program. Because many elderly citizens can be considered handicapped, they have combined those services which are run under the one contract. Last year there were a number of requests to include mentally retarded or moderately retarded individuals who were unable to use the People Mover System and were consequently "stranded or isolated in their homes", and were not able to participate in many of the work and social activities in the community. There has also been a tremendous increase in people from all over the state who either use or participate in the rehabilitation and social facilities in Anchorage. In summary, these factors account for the tremendous increase in need for the service.

Discussion and questioning ensued on subjects such as the Municipality of Anchorage providing some of the funds; previous knowledge of expansion of the program; those dependent on the program for employment; the total current budget; other possible sources of funds; the Municipality of Anchorage "slush fund"; mismanagement of the transportation program; and possible transfer of the funding from SB 413 to CSHB 358 (Finance).

Senator Stimson stated that he would move at the appropriate time to transfer the contents of SB 413 to CSHB 358 (Finance).

#### COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 358 (Finance)

Co-chairman Bennett stated the next bill for consideration was COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 358 (Finance) (An Act making supplemental appropriations to the Department of Health and Social Services and the Department of Labor and amending the 1980-1981 general appropriations Act (ch. 120, SLA 1980); and providing for an effective date), and requested that Senator Sturgulewski present the legislation to the committee.

Senator Sturgulewski stated that basically the bill would appropriate \$773.1 in new federal funds (section 2 and 4), and would reallocate funds in other sections. She requested that John Post from the Department of Labor, and Ron Davey from Department of Health and Social Services come forward to testify on the legislation. First, she stated that Senator Kerttula wished to propose an amendment to the bill.

Senator Kerttula stated that the Rules Committee had brought the amendment to his attention. He stated that the Research Office and other areas of the Senate budget had approximately \$1 million that would lapse July 1. Active recruitment for the Research

Division is taking place. He stated that he would like to see the \$1 million lapse extended to June 30, 1982. Copies of his proposed amendment were distributed. Hearing no objection to the amendment, Co-chairman Bennett stated that the amendment was adopted.

Mr. Davey came forward and stated that the Department of Health and Social Services was effected by sections 1 through 4. Sections 1 and 2 would move funds to cover a shortfall in the Division of Public Assistance (specifically in Eligibility Determination). Sections 3 and 4 would cover a shortfall in the AFDC program which was caused by a last minute change in the legislative package passed last year to increase levels of AFDC assistance as the entire fiscal note was not picked up. Sections 1 and 2 were the most important and dealt with \$1.4 million in shortfalls in the Eligibility Determination request unit. He explained the sequence of events that led up to the shortfall, and pointed to the handout on the subject in the file.

Discussion and questioning ensued on the Eligibility Determination shortfall problem.

BEGIN NEW TAPE, SFC 81, # 56, Side 1, (000 - 260)

Senator Sturgulewski requested that John Post, Director of Administrative Services, come forward to speak on Section 5 of the bill. Mr. Post stated there was a request for realignment for WIN (Work Incentive - a Department of Labor program) from a separate component to a component within the Employment Security BRU. The reason is that there is an inter-change of services between ES and WIN staff. He said that the FY 82 budget has already been realigned this way, though there would be no financial implications. FY 81 has not yet been realigned.

Senator Stimson moved and asked unanimous consent that sections 1 and 2 of SB 413 be transferred to CSHB 358 (Finance). There being no objection, it was so ordered.

Senator Sturgulewski moved and asked unanimous consent that CSHB 358 (Finance) be moved from committee with a Senate Finance Committee Substitute incorporating all the above changes. There being no objection, it was so ordered and the committee report was signed as follows: Senators Eliason, Sturgulewski and Stimson signed "do pass", and Co-chairman Bennett and Senator Sackett signed "no recommendation".

#### ADJOURNMENT

The meeting adjourned at 9:35 a.m.

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(Tape SFC 81, # 55, Side 2, 060 - end)  
(Tape SFC 81, # 56, Side 1, 000 - 260)

sf0518810840

SENATE FINANCE COMMITTEE  
May 18, 1981  
8:40 a.m.

SFC-81, #56, Side 1 (260-end)  
SFC-81, #56, Side 2 (000-692)

CALL TO ORDER

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

PRESENT

All committee members were present with the exception of Senators Dankworth and Ferguson. Also attending portions of the meeting were Lt. Governor Terry Miller; Senator President Jay Kerttula; Fiscal Analysts Elmer Lindstrom, Milt Barker, Bob Grogan, Alison Elgee, Jerry Schilz, and Don Fisher. Representatives from the press, including Joe LaRocca, were also present as well as administrative assistant to Senator Rodey, Jim Kelly, and administrative assistants to Senate Finance Judy Johnston, Kathy Martinson, and Sandy Nusbaum.

BILL ASSIGNMENTS

Co-chairman Bennett made the following bill assignments:

SB 23 - Ferguson  
SB 94 - Sturgulewski  
SB 100 - Sturgulewski  
SB 146 - Bennett  
SB 149 - Sackett  
SB 189 - Ferguson  
SB 237 - Eliason  
SB 253 - Sackett  
SB 309 - Ferguson  
SB 313 - Ferguson  
SB 315 - Sturgulewski  
SB 316 - Sturgulewski  
SB 338 - Bennett  
SB 339 - Bennett  
SB 344 - Eliason  
SB 365 - Stimson  
SB 373 - Eliason  
SB 461 - Eliason  
SB 477 - Sackett  
SB 496 - Stimson  
SB 519 - Dankworth  
SB 520 - Dankworth  
SB 532 - Bennett  
SB 541 - Sturgulewski  
SB 550 - Dankworth  
SB 560 - Bennett

SENATE BILL 404

Co-chairman Bennett moved that SB 404 (ACT RELATING TO THE ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY) be brought on for discussion.

Senate President Kerttula first appeared before committee, advising that he supports the concept contained in SB 404, but is concerned by what happened to ASHA as a result of the Allman Bill. He attested to need for a "failsafe" in the legislation to ensure that if tax free provisions are no longer available for bond support, the program "comes to an abrupt halt." The business community must understand that if and when this happens, the state will not be in the same position it is with ASHA in that, having "wetted" the appetite of the homeowner, it is obligated to continue the program. He suggested that the state "not get hooked the same way on this one." He further indicated concern for the maximums stated in the bill, suggesting \$3 or possibly \$5 million as the maximum.

Lt. Governor Terry Miller next appeared on behalf of the legislation. He stated that his interest in restructured AIDA legislation stems from experience gained when his office, together with the Dept. of Commerce and Economic Development sponsored loan symposiums throughout the state. Conversations with thousands of Alaskans concerning state loan programs indicate three areas which need to be addressed during this session of the legislature:

1. Availability of funding and interest rates for vessel loans for fishing purposes.
2. Non-owner occupied dwellings/apartment houses.
3. Small business loans.

Until last year, the state had a Division of Small Business Loans. The thrust of this division was moved into AIDA, but the program does not now function with the "breadth" of the old program. Problems result partly from the fact that AIDA is still a new agency, partly because of difficulties/fluctuation in the bond market, and partly because of legitimately different interpretations of what the AIDA board can and cannot do. The board itself was confused as to what it could and could not do as were borrowers and state banks. The foregoing has led to a serious gap in small business loans--a discontinuity between the old program and the new AIDA program. AIDA is working well for the larger more sophisticated borrowers. It is not working well for small borrowers. By dollar volume, the large borrowers occupy the greatest number of dollars invested, but by numbers of transactions, the smaller borrowers are more numerous. Small business people comprise 80% of the business community in Alaska.

The AIDA program, as currently devised, is not working well for them--changes need to be made.

The change which would "disturb the status quo the least and do the most good," would permit AIDA to buy federal Small Business Administration guaranteed loans. The federal Small Business Administration could guarantee up to \$50 or \$60 million per year. Lt. Governor Miller suggested mandating the AIDA board to purchase SBA "guaranteed paper." A small borrower would thus go to his bank, indicate he would like to "take advantage" of AIDA through the SBA guarantee program, the bank would take 10%, the loan would go to SBA, SBA would guarantee the loan, and "AIDA could take out 90% of it."

Lt. Governor Miller further recommended that the legislature consider appropriating \$40 million to AIDA for the coming year--a direct general fund appropriation--so that AIDA can purchase, on a secondary basis from banks, SBA guaranteed loans. If this amount is matched with the \$2 million income stream resulting from the loan portfolio (the \$166 million appropriated last year), it would give AIDA approximately \$64 million for small business loans--loans which could be used for business expansion, inventory, or capital. These loans would be "quality paper." The foregoing represents a reasonable middle road for accommodating the small borrower.

Alaska is experiencing an expansionary economy, and it is difficult for small businesses to expand or obtain needed capital when competing with better-capitalized outside business and chains moving into the state. The Lt. Governor attested to the situation in Fairbanks during the pipeline boom and decline, advising of small long-time Alaskan business which folded during the downturn while newly-established outside chains continued.

Mr. Miller recommended a loan rate of 1/2% above the prevailing tax exempt bond market. If the bond market is 12-1/2%, small business loans could be made at 13%--substantially less than alternative costs for the borrower. He advised that in dealing with small business guaranteed paper, the state should be able to make an interest accommodation. He rejected the proposition that the state provide "artificially low" (8%) loan programs as a method of income distribution of state oil money, advising that such a proposition is not good economically, and represents a "well-intended" form of vote buying. There are areas, however, where the state can improve upon the national economy. The state has done so in regard to single-family owner-occupied housing. He stressed the need for a like program relating to small business to permit financing, expansion, and new business creation.

Lt. Governor Miller further stressed the need to make old state loan programs encompassed within AIDA more workable, advising that changes suggested by the AIDA board such as financing of business expansion, will have "moved over much of that." The loan limitation under the old division of business loans was

\$500,000, with the exception of tourism loans which were extended to \$6 million. Mr. Miller advised that he did not wish to become involved in a policy discussion concerning whether or not the moral obligation of the state should be extended beyond \$1 million since there are good questions on both sides which the committee should address. He added, however, that to the degree that it was the intent of the legislature to move over the old division of business loans intact, while taking advantage of expanded leveraging, the moral obligation of the state should extend to \$6 million for tourism loans only, "because that was the old limit." Mr. Miller stressed the fact that under AIDA the state is not loaning the \$6 million, it is leveraging the funding on the bond market and acting as a guarantor for \$6 million.

Mr. Miller stressed his belief that "accessing the bond market" is not an efficient way to raise money for the small business borrower, particularly those borrowing under \$300,000. Since the limit under the old program was \$500,000, Lt. Governor Miller suggested using that amount as the "cap" for loan funding which would come from the previously mentioned \$40 plus \$24 million. This amount is less than the involvement under the old direct loan program, and yet it accommodates the need. He advised of his belief that no one intended that there be such discontinuity in the loan program. Small business loans went from a well-operating program to an abyss.

Senator Sturgulewski raised questions concerning extension of the moral obligation of the state beyond \$1 million, advising of her understanding that the greatest number of projects seeking financing through AIDA fall within the \$1 to \$5 million range. Lt. Governor Miller advised that borrowers in excess of \$1 million would like to secure better financing and would not have to pay as large a risk premium if the moral obligation of the state were involved. Borrowers would definitely be in favor of raising the moral obligation. Further responding to a question from Senator Sturgulewski concerning demand for loans in this area, Lt. Governor Miller stated that there are not a great number of large borrowers. He emphasized that of the individuals with whom he earlier mentioned having spoken, "dozens upon dozens upon dozens" were small business borrowers trapped between high interest rates, unavailability of money, and infusion of non-resident owned capital taking advantage of the economic upturn.

In closing, Lt. Governor Miller acknowledged that the prospect of appropriating \$40 million, plus \$2 million a month, for a total of \$64 million for small business loans may disturb some legislative members. He asked that committee members consider such an appropriation in light of the fact that the state will "export" over \$2 billion next year (permanent fund contributions), while at the same time importing taxable and tax exempt bond dollars. Does it make sense to export so much and import so much given the current state of the national economy, bond market interest rates, and Alaska's own internal political mix and demand?

At this time Co-chairman Bennett advised that SB 404 would be returned to committee files pending further discussion at a later time.

#### OPERATING BUDGET

The committee next turned its attention to the operating budget (SCS for CSHB 50 (Fin.)(efd. fld.)) and the following additions were incorporated within the budget.

#### DEVELOPMENT

Co-chairman Bennett moved to add funding of \$950.0 to the Dept. of Commerce and Economic Development, Economic Enterprise for the "Alaska Economic Development Forum." No objection having been raised, the funding was approved.

Senator Sackett moved to add \$78.0 for the Eskimo and Indian Olympics. No objection having been raised, the funding was approved.

#### NATURAL RESOURCES

Co-chairman Bennett moved to add 73.4 for Phase II of the fish waste utilization project. The funding was approved.

Senator Sackett moved to add \$57,693 for fish marketing research. The funding was approved.

Senator Eliason moved to add \$82,800 for the fisheries log book program. Approved.

Senator Eliason moved to add \$5,000 for the janitorial contract for the state park at Sitka. Approved.

Senator Eliason moved to add \$14,800 for a seasonal (6 month) ranger during tourist season. Approved.

Co-chairman Bennett moved to add \$126.0 for Phase II of the Tyonek Timber Sale (to produce 50 million board feet of timber and stimulate an economically depressed area of the state). Approved.

Bob Grogan advised of an error in travel funding for Information and Records Management, p. 56, advising that the 11.9 should be changed to 42.4. Approved.

Co-chairman Bennett moved to add \$350,000 to Park Planning and Development for the Independent Ski Area in MatSu. Approved.

Co-chairman Bennett moved to add four part-time positions under the FRED program. The positions are to be placed in Cordova. Consideration of the proposal was held OPEN for further discussion.

Co-chairman Bennett moved to add \$400.0 under Administration and Support for the Copper River Enhancement Study. Co-chairman Dankworth voiced opposition. Upon a show of hands, the motion carried and the funding was included in the budget.

#### GENERAL GOVERNMENT

Senator Eliason moved to add \$42,058 for a Red Meat Station at Homer. Funding would "go through" the Special Project Office within the Governor's Office. Senator Sackett raised questions concerning funding for Red Meat Projects elsewhere in the budget. The request was held OPEN for later consideration.

Co-chairman Dankworth advised of legislative intent to accompany funding for Legislative Finance specifying that \$35,000 in contractual funding be designated for revision of the petroleum cash flow model. The funding is already included in the budget.

Co-chairman Dankworth moved for inclusion of a Budget Amendment requesting \$1,287,100 for state lease space. The first year of operation, funding for rental space is channeled through the renting agency. Thereafter, rental funding goes through central administration. Central administration is short the requested amount for lease costs. Approved.

Co-chairman Bennett moved for reinstatement of the position of Deputy Director of Elections funded by the agency at 65.8 (p. 65). Co-chairman Dankworth objected, but upon a show of hands the motion carried and the funding was included in the budget.

#### SOCIAL SERVICES

Senator Eliason moved to add \$38,300 for a Social Worker II at Sitka. Adopted.

Co-chairman Bennett made reference to \$300.0 in General Relief Medical funding needed due to defunding of Merchant Seaman's health insurance brought about by termination of Public Health Service payments. Senator Eliason and Dennis DeWitt (lobbyist for the Alaska Hospital Association) attested to need for funding for patients requiring chronic or continuing care who are unable to obtain conventional insurance coverage. Senator Eliason advised that the funding would cover a "short term emergency situation." Dennis DeWitt stated that the funding would "cover two months of an existing hospital program." Upon a show of hands, the requested funding was included in the budget.

Senator Eliason moved to add funding for an employment security specialist based in Petersburg who would also serve Wrangell and Kake. Inclusion of such a position was held OPEN while Senator Eliason "checked the figures."

RECESS

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

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SFC-81, Tape No. 56, Side 1 (260-end)

SFC-81, Tape No. 56, Side 2 (000-692)

SENATE FINANCE COMMITTEE

May 18, 1981

2:00 p.m.

(Tape SFC 81, # 56, Side 2, 692 - and)

(Tape SFC 81, # 57, Side 1, 000 - 638)

CALL TO ORDER

Co-chairman Bennett reconvened the meeting at 2:00 p.m.

PRESENT

All members of the committee were present. Also in attendance were Legislative Finance Division Fiscal Analysts Jerry Schilz, Don Fischer, Elmer Lindstrom, Bob Schroeder, Bob Grogan and Alison Elgee; Director of Legislative Finance Jay Hogan; Senator Kerttula; and a member of the press Joe LaRocca.

HOUSE BILL NO. 50 - BUDGET CONSIDERATION

Co-chairman Bennett advised that the committee would continue consideration of the various budget categories. He stated that the bill would remain in committee until the following day, and this session would be utilized to close out categories remaining open.

NATURAL RESOURCES MANAGEMENT & ENVIRONMENTAL CONSERVATION BUDGET CATEGORY

Co-chairman Bennett read a request for Senator Kerttula for F.R.E.D. Operations, Cordova positions - \$24.7 for one Fisheries Biologist, two Fisheries Culturists, and one Fisheries Technician. These were seasonal positions. There being no objection, it was so ordered.

Senator Sackett moved \$40.0 for Bering Sea Fishermen's Association for Yukon River Fisheries Development. There being no objection, it was so ordered.

GENERAL GOVERNMENT BUDGET CATEGORY

Senator Eliason moved \$218.0 for the Red Meat Project. He stated it had been an agency problem with the University of Alaska - it was hoped the facility could be kept open at least the rest of this year. It would serve Senator Gilman's area and also Kodiak and the Aleutian Island Chain. There being no objection, it was so ordered.

Co-chairman Bennett stated the next request was from Senator Eliason for an Employment Security Specialist I in Petersburg. Senator Eliason withdrew his request.

#### EDUCATION BUDGET CATEGORY

Senator Sackett moved \$74.0 for the ABE Program in Nulato, Koyukuk, Huslia, Kaltag, Galena and Ruby. He stated that it was not a part of the request for new federal funds. He stated it was probably one of the best programs run in the state of Alaska, headed by Sister Jenette. There being no objection, it was so ordered.

Senator Sturgulewski moved an amendment for the English as a Second Language Program for \$320.0. The program was designed to provide basic english skills to Chinese refugees. Though the federal government had been encouraging relocation, funding was not covering these basic language needs. There being no objection to her motion, it was so ordered.

Senator Stimson moved a statement of Intent to be included in the budget for the Resource Centers. It read as follows: "It is the intent of the legislature that the Resource Centers in fiscal year 1983 present a proposal exploring ways to coordinate services amongst the three Resource Centers." There being no objection it was so ordered.

Senator Stimson moved a request for ABE for \$1,778.0. He stated that the HESS committee recommended its passage; it was a continuation program, and was one of the more critical areas that the state should step forward and fund as the federal funding would be lost. Co-chairman Dankworth objected.

BEGIN NEW TAPE, SFC 81, # 57, Side 1, (000 - 638)

Co-chairman Dankworth commented on the state picking up previously federally funded programs. Senator Stimson said it was his understanding that the federal funds would run out at least at the end of this federal fiscal year. Upon a show of hands, Senator Stimson's motion carried.

Co-chairman Bennett moved \$150.0 for the Transportation Museum at the request of Senator Kerttula. There being no objection, it was so ordered.

Co-chairman Bennett moved \$45.0 for pupil transportation to the Alternative Education Programs for Senator Kelly. There being no objection, it was so ordered.

Senator Eliason moved \$4.0 for Apple Computer programs. There being no objection, it was so ordered.

#### UNIVERSITY OF ALASKA BUDGET CATEGORY

Co-chairman Bennett moved \$8.0 for Mat-Su Community College roof repair for Senator Kerttula. There being no objection, it was so ordered.

Co-chairman Bennett read a request for \$54.6 (\$48.6 general fund, \$6.0 student fees) for the Prince William Sound Community College for a teaching position in welding. There being no objection, it was so ordered.

Co-chairman Bennett moved \$24.1 for Prince William Sound Community College for a Registration Clerk for Senator Kerttula. Co-chairman Dankworth made a statement concerning leveling the University of Alaska budget at 10%. There being no objection to Senator Kerttula's request, it was so ordered.

Co-chairman Bennett moved \$38.3 for University of Alaska Outreach Institute support for the program in Sitka for Senator Eliason. There being no objection, it was so ordered.

Co-chairman Bennett moved \$70.0 for the Institute for Social & Economic Research in University of Alaska for Senator Stimson. The funding was to be used for a capital impact model. There being no objection, it was so ordered.

#### JUSTICE BUDGET CATEGORY

Co-chairman Bennett read a request for \$94.4 for the Palmer Correction Center, Adult Confinement for three new positions (Correction Officer III and two Correction Officer II's). There being no objection, it was so ordered.

Co-chairman Bennett read a request for \$50.0 for the Alaska Court System for planning and design of a court and office building in Petersburg for Senator Eliason. There being no objection, it was so ordered.

Senator Ferguson moved that the Special Assistant to the Commissioner in Public Safety that he had earlier deleted, be reinstated. There being no objection, it was so ordered.

#### TRANSPORTATION BUDGET CATEGORY

Co-chairman Bennett read a request for \$90.0 for Mountain Village to St. Mary's road maintenance. Senator Sackett stated this request had been zeroed out last year by the Governor, so now they have the road and no maintenance. There being no objection, it was so ordered.

Co-chairman Bennett read a request for \$20.0 for Nome road clearance. There being no objection, it was so ordered.

Co-chairman Bennett read a request for \$50.0 for a transportation system study in Sitka for Senator Eliason. Senator Eliason moved that legislative intent be included in the budget to reassign \$50.0, and add \$150.0 for the study. There being no objection, it was so ordered.

Co-chairman Dankworth reminded committee members that these were the types of projects should be in the Capital Budget.

Co-chairman Dankworth moved a letter of legislative intent to make it clear that the Project Status System and the Life Cycle Costing System produce and "come up with something". There being no objection, it was so ordered.

#### ALASKA BONDED DEBT SERVICE

Co-chairman Bennett asked Jay Hogan, Director of Legislative Finance, for the back-up material for the \$128,000.0 for debt service. It had previously proposed in committee to delete this from the budget. He requested that Mr. Hogan elaborate on this issue.

Mr. Hogan stated that this would be an amendment to the General Obligation Bond provisions in the statutes that would in essence make a continuing appropriation for debt service. The most recent recommendation for this comes from Legislative Audit. In years prior, Alaska's bond council has asked that somehow this be done. Basically, the way the appropriations bill is structured now, debt service is appropriated from the general fund to the bond committee at the end of each program category. If for some reason that amount does not turn out to be right the bond committee still has to meet the obligation. So the Auditor recommended legislation be introduced that would make a continuing appropriation of the additional amounts required. Mr. Hogan felt the entire amount should become a continuing appropriation, and that was what this bill would do. Another reference point was that the measure introduced by the Governor to serve as an expenditure limitation excludes debt service, so if that legislation was ever approved, the debt service should not be in the General Appropriations Act because each time it would have to be netted out. With this method, each year whoever is in charge of the bond committee would take out of the general fund the amount required to pay the debt service. It would be automatic and would not be funded every year.

Mr. Hogan stated there was a provision in the Constitution that states General Obligation debt is in fact a pledge of all the assets of the State towards its payment. So, there were really no choices as far as meeting the debt.

Senator Ferguson moved that \$128,000.0 as well as the language making it a continuing appropriation be included in HOUSE BILL NO. 50. There being no objection, it was so ordered.

#### ADJOURNMENT

The meeting adjourned at 3:30 p.m.

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(Tape SFC 81, # 56, Side 2, 692 - end)  
(Tape SFC 81, # 57, Side 1, 000 - 638)

## SENATE FINANCE COMMITTEE

May 19, 1981

8:35 a.m.

SFC-81, #57, Side 1 (639-end)  
SFC-81, #57, Side 2 (000-end)  
SFC-81, #58, Side 1 (000-177)

CALL TO ORDER

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

PRESENT

All committee members were present. Also attending were Representative Oral Freeman; Representative Sally Smith; Keith Specking, representing the Governor's Office; Anselm Staack and Al Jahner from the Department of Revenue; Fiscal Analyst Milt Barker; and administrative assistants to Senate Finance Sandy Nusbaum and Judy Johnston.

OPERATING BUDGET, SCS for HB 50 (FIN)

Co-chairman Bennett moved that SCS for CSHB 50 (Fin), the operating budget for FY 82, be brought on for discussion. He distributed an amendment to the budget for committee consideration, advising that the amendment would add \$443,800,000 to the budget total. Following committee review, Senator Sackett moved for adoption of the amendment. No objection having been raised, funding for loan programs (the above-requested amendment) was added to the budget.

Senator Ferguson moved that SCS for CSHB 50 (Fin) pass from committee with individual recommendations. No objection having been raised, the budget passed from committee--all members signing do pass.--

CS for HOUSE BILL 1 (FIN)

Co-chairman Bennett moved that CSHB 1 (Fin) (ACT MAKING A SPECIAL APPROPRIATION TO THE ALASKA PERMANENT FUND) be brought on for discussion, advising that Representative Freeman was present to testify concerning the legislation.

Mr. Freeman stated that the above legislation represents an easily understood bill containing one of the most important pieces of legislation to be considered during the current session. He stressed the fact that income derived from oil revenues represents a "one-time thing" in that no one knows how long state oil reserves will last. Legislators have an obligation to provide now for future generations who come after the "last barrel of oil is pumped out of the ground." Current budget figures demonstrate an expenditure of \$4,500 per capita.

Of this amount, all but \$35 is derived from the oil industry (income and other taxes are being eliminated). He stressed the need for placement of oil revenues in the permanent fund for future Alaskans, and requested that HB 1 pass on its merits, allowing future generations to measure the wisdom of current legislative action.

Co-chairman Dankworth raised a question concerning selection of \$1.8 billion as the amount to be deposited in the permanent fund. Representative Freeman explained that when state income "ballooned" last year, he chose a compromise figure somewhere between Dept. of Revenue and Legislative Finance projections of \$1.5 and \$2.2 billion in excess income. Comparing last year's income and budget with this year's projected income, Mr. Freeman advised that the state could well afford to deposit \$1.8 billion for future generations.

In response to questions from Co-chairman Dankworth concerning monthly deposits to be made by the Commissioner of Revenue under Sec. 2 of the bill, Representative Freeman advised that he had been assured that the \$1.8 billion represents funding in excess of that needed for operation of state government. The bill is written in such a manner that appropriation of the \$1.8 billion will not interfere with the operating needs and "necessities of government."

Attesting to differing philosophies concerning distribution of state revenues and needs which must be met within the state, Co-chairman Dankworth stressed the necessity to "save some" while at the same time building infrastructures for transportation, communication, and energy throughout the state. He suggested distribution of state wealth to municipalities in order that municipalities might satisfy local needs. Mr. Freeman argued that municipal distribution should not be "tied" to the \$1.8 billion to be appropriated for savings. The state has sufficient funding to take care of needed infrastructures without tying such projects to permanent fund deposits. There must be a limit on what the present generation can "grab off." He stressed the need to allow future generations to make decisions concerning priority needs in their time. They cannot do so if their heritage is "tied up" in "worn out highways or dams."

Co-chairman Dankworth voiced agreement with Representative Freeman's philosophy but stated concern for "proper balance" in the use of state revenues. He stressed concern that legislators have become so preoccupied with the future that they insure its failure by doing nothing today. He stressed the need to save some state revenues and distribute some to local municipalities. He voiced opposition to placing large amounts of money in an investment bank in New York while Alaskan roads are inadequate, transportation is at a near standstill, docks and airports are rundown, and 65,000 rural Alaskans have no water and sewer. He stressed the need for a balance between saving some of Alaska's income for future generations and meeting the needs of the present generation.

Mr. Freeman responded by advising that when he first saw income projections, it became clear that the legislature would "spend it all--every dime of it." It seems logical, however, with a population of approximately 400,000 and income of \$5.8 billion that if \$1.8 billion is "peeled off" of the total, remaining funding will "take care" of needed projects. He stressed again the need to save for future generations.

Co-chairman Dankworth voiced support for the following distribution of approximately \$6 billion in state revenue: \$2 billion for government operations, \$2 billion for savings, \$500 million for energy, \$500 million for home loans, \$500 for distribution to municipalities, and \$500 million for capital projects.

Mr. Keith Specking next appeared before committee voicing the Governor's desire to have HB 1 pass, terming it the Governor's highest priority aside from the constitutional limit on spending. He advised of the state's ability to attend governmental needs while saving the \$1.8 billion.

Senator Sturgulewski raised questions concerning the "triggering mechanism" attached to the bill, the non-lapse provision contained in Sec. 3, and the bill's affect on next year's budget. Anselm Staack responded that at the end of every month, the department of revenue determines how much is needed (cash flow) for appropriated items and how much is available for the permanent fund. Concerning upcoming budgets, once the \$1.8 billion is appropriated to the permanent fund, it is removed from state revenues and not available for appropriation in 1993.

Responding to a question from Senator Eliason concerning what portion of the \$1.8 billion would be invested outside the state, Mr. Staack stated that the Alaska Permanent Fund trustees have taken the position that within the list of allowed investments certain segments involve loans which can be made within Alaska. Fund policy allows for investment in conventional mortgages up to a limit of \$25 million. Up to 5% of the fund can be invested in certificates of deposit with Alaska financial institutions and up to 5% in SBA and VA federally guaranteed loans. None of the foregoing investment capabilities of the permanent fund have yet been realized. Mr. Staack stated that lack of use of the permanent fund stems from availability of funding through other loan programs and the fact that use of the permanent fund entails application of market rates, resulting in less demand for permanent fund money. Of the \$1.8 billion proposed for appropriation to the permanent fund, approximately \$1.6 billion will be invested in marketable securities available outside the state. Mr. Staack stressed that the permanent fund trustees have been working with the legislative budget and audit committee to effect changes in the permanent fund investment list and expanded investment within the state.

Responding to an inquiry from Senator Ferguson concerning interest received on permanent fund investments, Mr. Staack

responded that the fund is receiving 13-1/2% on a consolidated basis. At the present time with the allowed list of investments, and violently fluctuating interest rates, the above interest rate is "pretty good" in terms of 9-1/2% inflation.

At this time Co-chairman Dankworth offered a SCS for CSHB 1 (Fin), which would preserve the original intent of HB 1 and appropriate \$1.8 billion to the permanent fund while adding sections which allow for distribution of state funds to municipalities.

The sum of \$380,000,000 contained in Sec. 3 represents funding to be distributed to municipalities through the Dept. of Administration for the fiscal year ending June 30, 1982, on the basis of \$1,000 per capita.

The sum of \$24,987,000 contained in Sec. 4 would be distributed to unincorporated communities through the Dept. of Community and Regional Affairs.

The sum of \$73,800 contained in Sec. 5 would cover administrative costs for the Dept. of Administration, while the \$252,800 contained in Sec. 6 would cover administrative costs for C & RA.

Section 7 establishes that the \$1.8 billion appropriated to the permanent fund under Sec. 1 does not lapse under AS 37.25.010.

Section 8 ties passage of SCS for CSHB 1 (Fin) to passage of SB 168.

Co-chairman Dankworth moved for adoption of the SCS for CSHB 1 (Fin). No objection having been raised, the Senate Committee Substitute was adopted.

Senator Ferguson next moved to reduce the appropriation to the permanent fund (contained in Sec. 1 of the SCS) from \$1.8 billion to \$1.5 billion, advising that the cost of inflation is eating up the fund while investment in an infrastructure would save approximately 25% per year in construction costs. Co-chairman Dankworth objected to the motion, voicing support for the \$1.8 billion appropriation based on the fact that the \$1.8 billion will not be deposited if excess funds are not available. Upon a show of hands, the motion to reduce the appropriation failed.

Senator Ferguson moved that SCS for CSHB 1 (Fin) pass from committee with individual recommendations. No objection having been raised, the bill passed from Senate Finance--all members signing do pass with the exception of Senator Ferguson who signed "do pass if amend."

#### HOUSE BILL 177 am

Co-chairman Bennett moved that HB 177 am (ACT MAKING A SPECIAL APPROPRIATION TO THE DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES FOR THE RESURFACING OF THE HIGHWAY FROM THE YUKON

RIVER TO THE ARCTIC OCEAN) be brought on for discussion, advising that Representative Sally Smith was present to testify concerning the bill.

Rep. Smith advised that she had hoped the Haul Road would not open until 1983 in order that it would be better prepared for public travel. Such is not the case, the road is scheduled to open June 1 of this year. The road has been badly damaged by commercial vehicles and preliminary studies indicate approximately \$25 million will be needed to resurface it. Resurfacing will be done in stages with the worst areas receiving first attention. HB 177 requests \$8 million for the first phase of resurfacing. Representative Smith directed committee attention to three letters of intent attached to the bill, advising that the one bearing the latest date represents the version passed by the House.

Senator Ferguson moved for adoption of an amendment proposed by Senator Bennett which would change the title of the bill to (AN ACT MAKING APPROPRIATIONS TO THE DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES RELATED TO THE DALTON HIGHWAY), add \$305,000 for costs associated with opening the Dalton Highway, and realign lapse provisions for appropriations contained in the bill.

Discussion followed concerning condition of the road when received from Alyeska and state responsibility for maintaining it in "secondary" condition. Co-chairman Bennett stressed the need to maintain "the main artery to the state's wealth" in usable condition.

Senator Eliason voiced support for the bill and the proposed amendment. He further moved to add \$3,000,000 for paving at the Petersburg airport. He advised that Alaska Airlines is changing from 727 to 737 aircraft which do not have gravel guards. Alaska will not continue to fly into Petersburg unless the runway is paved. If HB 177 passes, funding will be available for use this summer. He requested that airport funding be included within HB 177 if such inclusion would not jeopardize passage. Senator Ferguson concurred in Senator Eliason's request, advising that Petersburg was overlooked in last year's funding. Senator Ferguson moved that the \$3,000,000 for Petersburg be added to HB 177. No objection having been raised, the funding was to be included in a SCS for HB 177 (Fin).

Senator Ferguson next moved to incorporate the amendment previously offered by Co-chairman Bennett within the SCS for HB 177 (Fin), advising that the title of the SCS should be changed to reflect inclusion of the Petersburg Airport project. No objection to the above motion having been raised, Co-chairman Bennett's amendment was incorporated in the Senate Committee Substitute.

Senator Ferguson next moved that SCS for HB 177 (Fin) pass from committee with individual recommendations. No objection having been raised, the bill passed from Senate Finance--all members

signing do pass with the exception of Senator Sackett and  
Ferguson who signed no recommendation.

ADJOURNMENT

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

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SFC-81, #57, Side 1 (639-end)  
SFC-81, #57, Side 2 (000-end)  
SFC-81, #58, Side 1 (000-177)

## SENATE FINANCE COMMITTEE

May 20, 1981

8:40 a.m.

(Tape SFC 81, # 58, Side 1, 177 - 811)

CALL TO ORDER

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

PRESENT

All members of the committee were present with the exception of Senator Sackett. Also in attendance were Administrative Assistants to Co-chairman Bennett, Judy Johnston and Sandy Nusbaum; Administrative Assistant to Co-chairman Bennett, Kathy Martinson; Senator Parr; Senator Colletta; Steve Hole, DOE Fiscal Officer; Phil Wall, Director of Division of Administrative Services in Department of Revenue; Bob Green, representing school boards of Alaska; Marion Endicott, volunteer for Governor's Council on Gifted & Handicapped; and a member of the press, Joe LaRocca.

SENATE BILL NO. 560

Co-chairman Bennett advised the first bill for consideration would be SENATE BILL NO. 560 (An Act relating to refunds of 1980 state income taxes; and providing for an effective date), and requested that the sponsor of the legislation, Senator Colletta, come forward to present the legislation to the committee.

Senator Colletta stated that last year during the special session, the state income tax was repealed. At that time, June 1st seemed like a distant point; unfortunately it was not considered that many people file for extensions. SB 560 would change the deadline from June 1st to October 1st. That would effect approximately 65,000 people according to the Department of Revenue.

Co-chairman Dankworth moved and asked unanimous consent that SB 560 be moved from committee with individual recommendations. There being no objection, it was so ordered and the committee report was signed as follows: Co-chairmen Bennett and Dankworth and Senators Stimson, Sturgulewski, Eliason and Ferguson signed "do pass".

SENATE BILL NO. 23

Co-chairman Bennett stated the next bill for consideration would be SENATE BILL NO. 23 (An Act increasing state aid for school districts under the public school foundation program; and providing for an effective date) and requested that Senator Ferguson present the legislation to the committee.

Senator Ferguson first requested that Mr. Steve Hole, fiscal officer for the Department of Education, and Mr. Bob Green, representing school districts in Alaska, present testimony to the committee.

Mr. Hole stated that in substance, SB 23 would accomplish "forward funding". Section 3 of the bill would establish the instructional unit value for fiscal year 1983. The effect would be to give school districts plenty of time to plan and budget for that fiscal year without having to wait until the last moment to find out what the level of state support would be. The increase over fiscal year 1982 would be 10%, which was exactly commensurate with the CPI increase as of February 1 of this year. Sections 1 and 2 of the bill clarify some rather unclear language presently associated with the contributions made by municipalities to local school districts. On lines 15, 21 and 22 the change is from "local tax contributions" to "local appropriation". This causes two problems administratively for the Department of Education. The first was that it does not make clear enough what the Legislature had in mind when it referred to the appropriation from the municipality to the school district in the sense that some appropriations are comprised of dedicated revenues (stump fees, raw fish tax, revenue sharing and local tax contributions). So it doesn't give the department a clear indication as to exactly what should be taken into account in computing both supplemental equalization aid and the reduction under supplemental equalization aid required by Section 1. Mr. Hole reiterated that the old language was causing the problem and the new language would solve the problem. It was determined at this time that Mr. Hole was referring to CSSB 23 (Finance).

#### COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 23

Discussion and questioning ensued on subjects such as what taxes would be given by municipalities to the schools; Alaska Statutes referring to municipal appropriations; whether or not there is a justified need for the money; and how supplemental equalization aid affects REAA's. Mr. Hole stated that the Department of Education and the State Board of Education supported the bill.

Referring to the changes described above, Mr. Green stated that from the school boards' point of view the desire was to not appear to be in conflict with municipalities in their efforts to reduce taxes. Should municipalities wish to eliminate the property tax in the future and substitute revenues they receive through revenue sharing or municipal assistance, the existing system could continue at the local level.

Senator Ferguson asked Mr. Hole which fiscal note in the file was appropriate to CSSB 23 (Finance). Mr. Hole responded it would be the one dated May 12, 1981 for \$35 million for the increase in Section 3, and there would be no fiscal impact in Sections 1 and 2. Further discussion ensued on the fiscal note.

Senator Ferguson moved and asked unanimous consent that CSSB 23 (Finance) be moved from committee with individual recommendations. There being no objection it was so ordered and the committee report was signed as follows: Co-chairmen Bennett and Dankworth and Senators Stimson, Sturgulewski, Eliason and Ferguson signed "do pass".

### SENATE BILL NO. 3

Co-chairman Bennett advised the next bill for consideration was SENATE BILL NO. 3 (An Act relating to guardians and conservators; and providing for an effective date), and requested that Senator Parr come forward to speak on the bill. It was determined that the committee was actually considering CSSB 3 (Finance).

### COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 3 (Finance)

Senator Parr stated that though he was not sponsor of the bill before the committee, he had introduced the same legislation the previous year in the House. He stated he was in support of the bill. There were two major thrusts to the bill. One was that in contrast to the present system, guardianship does not need to be 100%. The second thrust would establish a public guardian so that if no private guardian could be found, there would still be a public guardian available. He said that it had finally been decided that the court administrator in the appropriate district would be the public guardian.

Senator Eliason presented his amendment to CSSB 3 (Finance). The amendments read as follows:

Add Section 13.26.105 (d)

If the petition seeks the appointment of a guardian for an incapacitated person who is a veteran or a minor entitled to the payment of money from the federal Veterans' Administration, the petitioner shall give notice of the petition to the administrator of the federal Veterans' Administration.

Add Section 13.26.135 (8)

the administrator of the federal Veterans' Administration  
if the administrator was given notice under AS 13.26.105 (d).

Senator Eliason stated that the intent of the amendment was simply to provide for notification to the Veterans' Administration where applicable. Senator Parr stated that he had no objection to the amendment.

Co-chairman Dankworth questioned the fiscal note, and Senator Parr stated the fiscal note could be somewhat high. It was decided that the fiscal note dated 3/31/81 from the Alaska Court System should be cut approximately in half. Senator Sturgulewski stated that she thought the fiscal note should be adjusted based on salaries proportionately. She moved that FY 82 in the fiscal

note be amended by reducing one position in Southeast and one in Anchorage. The location in Southeast would be left up to the department.

Marion Endicott requested that she be allowed to speak on the fiscal note. She identified herself as a volunteer for the Governor's Council on Gifted and Handicapped. She stated that she had worked on the original fiscal note and did not feel the Court System had submitted adequate documentation to justify the amount requested. She felt the only necessary support function was the administrative office in Anchorage. She described functions of some of the positions involved.

Senator Ferguson moved and asked unanimous consent to hold the bill one day. In the meantime, he would revise the fiscal note and present it to the committee. Senator Eliason objected, stating that there was an amendment from the Judiciary Committee that had been dropped from CSSB 3 (Finance) and requested that a new draft be drawn up incorporating the amendment. Co-chairman Bennett stated that would be fine. There being no further objection, it was so ordered, and the bill was returned to the file. Co-chairman Bennett stated it would be the first bill for consideration the following day.

#### GENERAL COMMITTEE REQUESTS FROM CO-CHAIRMAN BENNETT

Co-chairman Bennett outlined the following requests to the committee:

1. He requested that the members attempt to attend the committee meetings on time so that a quorum could be made.
2. He stated it was fine for the various Administrative Assistants to members to accompany that member at the committee table. However, when a Senator was absent, it was appropriate to leave that Senator's chair vacant as opposed to having an AA occupy it. If the President of the Senate, the Lieutenant Governor or another member of the legislative body attended the meeting he wanted to give them the courtesy of the vacant seat.
3. He stated that the Senate Finance Committee was not the forum for any sort of handouts or any kind of advertisement (social, political, economic, etc.). The floor of the Senate would be more appropriate to that activity.

#### ADJOURNMENT

The meeting adjourned at 9:15 a.m.

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(Tape SFC 81, # 58, Side 1, 177 - 811)

## SENATE FINANCE COMMITTEE

May 21, 1981

9:10 a.m.

SFC-81, #58, Side 2 (000-end)

CALL TO ORDER

Co-chairman Don Bennett convened the meeting at approximately 9:10 a.m.

PRESENT

Committee members Sackett, Sturgulewski, and Stimson were present. Senators Eliason and Dankworth arrived shortly after the meeting began. Senator Ferguson did not attend. Also in attendance were Jay Hogan, Director of Legislative Finance; Fiscal Analysts Alison Elgee, Jerry Schilz, Elmer Lindstrom, Bob Grogan, Bob Schroeder, and Don Fisher. Administrative Assistants to Senate Finance, Judy Johnston, Sandy Nusbaum, and Kathy Martinson also attended as well as Joe LaRocca.

SENATE CS FOR CS FOR HB 50 (FINANCE) - FY 82 OPERATING BUDGET

Co-chairman Bennett advised that the meeting was convened for presentation of a brief overview of the Senate budget prior to vote on the floor. Legislative Finance Fiscal Analysts presented the following review:

EDUCATION

Teachers' Retirement - Governor's Adjusted Figure

Foundation Components - Governor's Adjusted Figure

Financial Support - Governor's Figures with three exceptions

Added - Postsecondary program in NW REAA

Sabbatical Leave Program

Designated Grant, Anchorage for Eagle River Busing

Financial Support Other - Adjustments

Reduction of \$3.5 million in debt retirement local

Addition of \$300,000 for Regional Resource Centers

Administrative Program Support - Governor's Figures

K-12 Education Program Support - Additions

\$150,000 for teacher training (in-service training)

Designated grants listed in the bill

Executive Administration - Adjustments

Planning & Research position disallowed

Added funding in instructional television

for vocational course production, instructional

television grants, continuation of pilot project  
for instructional T.V. in NANA Region  
Designated grants listed in the bill

**Boards and Commissions - Additions**

Added \$15,000 in travel, State Board of Education  
Designated grants

**Adult and Postsecondary Support - Additions**

Added \$1,778,000 to Adult Basic Education  
to cover Federal Fund shortfall  
Added \$300,000 for literacy projects statewide  
Added \$320,700 for English as Second Language Program

**Youth Employment - Additions**

Added funding for youth employment on the  
Alaska Railroad and Yukon-Whitepass Railroad  
Designated grants

**Postsecondary Education, Loan Programs - Governor's Budget**

**Postsecondary Commission Administration - Additions**

Added funding for expanded Adult Education  
Added funding for EIC Network Program

**Skill Center - Additions**

Additional funding for fuel and utilities  
for new facilities coming on line this  
summer

**Vocational Rehabilitation - Additions**

Added support for the Governor's Council  
for Employment of the Handicapped  
Designated grant for deaf interpreter  
referral line

**Alaska Arts Council - Additions**

Added \$3,400,000 for Arts Council Programs,  
\$200,000 designated for Perseverance Theatre

**Public Broadcasting Commission - Addition**

Added \$759,000 for full funding of Commission's  
request for its stations

**Museums - Additions**

Added funding for the Photo Sound Montage  
Added funding for Alaskaland Native Village  
Added funding for preservation of Southeast Whale Skeletons  
Increase in Grants-in-Aid Program  
Added funding for feasibility of establishing an  
artifacts endowment fund  
Designated Grants

**State Libraries - Additions**

Added funding to obtain subsystem of

Washington Library Network  
Designated Grants

Other Addition

Municipal grant to North Star Borough for  
Resource Education Project

Deleted debt service with exception of other funding for general  
education.

UNIVERSITY OF ALASKA

University budget differs from the Governor's in the number of  
appropriations. The Senate appropriated for each individual  
community college, the three major campuses, and administration  
(a total of 19 appropriations plus debt service).

The Senate budget contains few deletions from the Governor's  
budget and includes the following additions:

Oral History Program - \$97,500  
Institute of Social and Economic Research  
for development of Capital Impact Model - \$70,000

U of A Fairbanks, Teacher Training Rural Alaska - \$100,000  
Alaska Native Studies Program - \$238,300  
Typwriters for student use - \$12,000  
Expansion of Library hours - \$72,900  
Expanded gym hours, rec. program - \$80,800

School of Journalism - \$260,000

Engineering School approved for University  
of Alaska at Anchorage

U of A, Juneau, summer day camp - \$18,000  
Intercollegiate athletics - \$500,000

Anchorage CC, - Governor's Request, including  
teachers for Aviation Program

Kenai CC - Governor's Budget

Kodiak CC, contractual/instructional - \$165,000

Kuskokwim CC - Governor's Budget

MatSu CC - Regents' Request

NorthWest - Governor's Budget

Prince William Sound - Governor's Budget with addition  
of Office Occupations Teacher and Registration Clerk

Sitka CC - Regents' Request

Tanana Valley CC - Governor's Budget plus welding instructor

Rural Education - Governor's Budget

**Cooperative Extension - Additions**

Extension Agent Kodiak - \$68,000

Food Price Index - \$62,000

Agricultural Research Agent, Sitka and

Home Economist, Juneau - \$157,000

Small scale agriculture, McGrath - \$75,000

Expand agriculture project, Galena - \$50,000

**Deletions**

Ketchikan CC - Governor's Budget with deletion of director of student services

No funding for Chukchi Community College

**SOCIAL SERVICES**

Total Senate budget \$211,465,600--1.1% lower than the Governor or a total of \$2,500,000 lower than the Governor in general funds based on the following changes:

Pioneer Homes - reduced \$22,500

Public Assistance Eligibility - reduction of \$32,200

Youth Services - Added \$1,054,700 (grants listed in bill)

Institutional Care - reduction of \$3,420,200

Adult & Aging Services - reduction of \$154,000

Domestic Violence - Added \$1,630,600 (shelters listed in bill)

Aging Grants - Added \$271,000

Head Start - Increased \$1,173,100

Designated Grants - \$2,083,500

Reduction of debt service of \$4,232,200.

**HEALTH**

The Senate budget recommendation was \$130,939,200 or 11% lower than the Governor, representing a general fund change of \$12,322,000 less than the Governor, based on the following:

Nursing - reduction of \$46,500

Communicable Disease Control - reduction of \$154,000

Child & Family Health (Handicapped Children) - reduction of \$283,500 (refining of estimates closer to actual)

Regional Labs - Added \$71,300

Anchorage, Programs for Handicapped - Added \$450,000

Medicaid - reduction of \$5,600,000 (changes in estimates)

General Relief Medical - reduction of \$5,012,000 (estimate reduction)

Alcohol Grants - reduced \$1,262,700

Governor's Council for Handicapped - Added \$62,500

Health Clinics (new BRU) - Added \$740,000

Commissioner's Office - Deleted \$22,000 in travel  
Eligibility Systems - Deleted \$198,000  
Holistic Health - Reduced \$139,400  
Merchant Seaman's Health - Added \$300,000  
Designated grants total \$1,418,800  
Debt service - Reduced \$4,115,000

### NATURAL RESOURCES

The Natural Resources category is approximately \$57 million under the Governor's Adjusted Figure (\$27 million in Debt Service, \$13 million Gas Pipeline, \$19 million in unfunded Budget Amendments-- Gas Pipeline and D-2 Budget Amendments).

Additions included in Senate budget were, more or less, absorbed by miscellaneous reductions across the category.

Chief differences between Senate and Governor:

Designated Grants -

\$300,000 added for Pioneer Park at Sitka  
\$224,800 added to AFN for land conveyance

Land Disposal/Fee Title -

\$5,900 added for Cooper Landing Survey

Water Inventory & Sales -

\$126,000 for Tynonic Sale, Phase II

Geological Investigating & Mapping -

\$150,600 added for Geothermal Study in Copper River Area

Park Design and Development -

\$498,700 added for Lower Chatanika Wayside

\$754,900 added for Quartz Lake Wayside

\$300,800 added for Clearwater Wayside

\$350,000 added for Independence Resort Ski Area

Park Maintenance & Operations -

\$ 18,300 added for Stuckagain Road

\$ 14,800 added for seasonal ranger in Sitka

\$ 5,000 added for a maintenance contract at Sitka

Commercial Fisheries, Salmon -

\$ 50,000 added for Lower Yukon-Kuskokwim Salmon  
identification project

\$ 82,800 added for the Trollers Logbook Project

Commercial Fisheries, Ground Fish -

\$100,000 added for Kobuck-Selawick Subsistence Study

\$100,000 added for Yukon-Kuskokwim Fresh Water Study

FRED Administration -

\$400,000 addition for Copper River Fisheries  
Enhancement Project

Designated Grants -

\$ 5,300 added for Gustavus Wildlife Habitat Study

\$300,000 added for the Anchorage Zoo

\$ 19,100 added for Bristol Bay Native Assoc.

\$403,100 added for AVCP Grant

\$ 40,000 added for Anchorage Zoo operations

- \$ 73,400 added for Fish waste utilization project
- Fish & Wildlife Protection, Enforcement -
- \$745,600 added for Fairbanks enhancement
- \$189,000 added for Sitka/Hoonah areas
- \$ 12,400 added for Cordova area
- Commissioner's Office, DEC -
- \$345,000 added for Red Dog Mining Study
- Designated Grants, DEC -
- \$150,000 added Yukon-Kuskowkim Health Corporation

#### PUBLIC PROTECTION

Senate budget is approximately \$7.5 million different than the Governor's adjusted amount. Senate applied a 5% reduction across the board to all components and deleted \$4,887,000 of bonded indebtedness.

#### Changes:

- Occupational Safety & Health -
- Reduction of 50% in general funds
- Worker's Compensation -
- \$55,000 added for management analyst
- \$165,000 added for a self-insurance study
- Insurance Division -
- \$60,000 added for actuarial study
- Search & Rescue, Civil Air Patrol -
- \$22,000 added for repair to building at Sitka Airport
- Highway Safety Planning -
- \$80,000 added for emergency equipment repair specialist
- \$110,000 added for Mauneluk Search and Rescue
- \$7,700 added for Noorvik equipment maintenance
- \$7,700 added for Kiana equipment maintenance
- Seafood Industry, Environmental Conservation -
- Addition of 2 permanent full time sanitarians and
- 2 seasonal sanitarians, located in Western Alaska

#### JUSTICE

The Senate budget is approximately \$8.5 million different than the Governor's adjusted budget. The Senate Finance Committee took a 5% reduction in the Governor's budget and then added the following funding:

- Public Defender -
- Added an attorney and a secretary in Second Jud. Dist., Barrow
- Added an attorney and a secretary in Fourth Jud. Dist., Fairbanks
- Prosecution -
- Added attorney, paralegal, and secretary for First Jud. Dist., at Sitka
- Added attorney and secretary for Second Jud. Dist., Barrow
- Added attorney in Third Jud. Dist. to work Seward, Valdez, Glennallen area
- Adult Confinement -
- Originally deleted the seven requested new positions at

Palmer Correctional Center, but later added back three positions.

Adult Probation -

Added probation officer at Barrow

Dept. of Public Safety -

Detachments CIB -

Added five troopers, Fairbanks, Tanana, and Clear

Narcotics -

Added five investigators and one laboratory chemist

Commissioner's Office -

Reinstated special assistant requested by the Governor and deleted in earlier committee deliberations

VPSO - Added \$4.25 over Governor's Budget

Court System -

Added \$50,000 for planning and design of Petersburg Court Bldg.

Bonded Indebtedness - \$6,095,000 was deleted in consolidation bill.

### DEVELOPMENT

The Development budget (Governor's figure) totals \$204,072,600. The Senate budget for Development totals \$208,157,000, or 2% over the Governor's budget. The Governor's general fund total is \$180,657,600. The Senate general fund total is \$191,284,800 which is 5.8% over the Governor.

Major reductions:

Coastal Zone Mgmt. - deleted (\$5,160,000)

Energy Center - deleted (\$6,404,700)

Alaska Renewable Resource Corporation - deleted (\$1,984,900)

Office of Hydrocarbon - deleted \$304,100

C & RA Bottom Fish Program - deleted (\$1,965,000)

Major additions:

Municipal Assistance - increased \$6,900,000

Division of Tourism, AVA package - \$3,500,000

Grant for Alaska 1984 - \$4,000,000

Remaining additions are municipal grants and designated grants printed in the bill.

### TRANSPORTATION

Jay Hogan called committee attention to pages attached to the budget printout which set forth new positions requested by the Governor and approved by the House and/or Senate, as well as line-item category totals throughout the budget (copies attached to these minutes).

The Transportation budget for the Senate is a "wash." The Senate is \$111,000 lower than the House. There are substantive differences in the manner in which new positions and CIP positions were handled, and which positions were allowed. The purpose and amount of Senate additions are listed in the bill.

There are substantial amounts of legislative intent relating to compliance with legislative audit recommendations and future budgeting of CIP positions.

Additions include:

- Interior Region Highway Maintenance
- Western Highway Maintenance
- Ferry Reservations, service to the public
- Harbor Projects Studies
- New Chenega Village Site
- Sitka Transportation Study

GENERAL GOVERNMENT

Overall the Senate approved a little more than \$8 million less than the Governor's adjusted--\$2 million less than the House.

Revisions:

- Special Projects Office - Broken out as separate component
- Lt. Governor - Funded at request level less 5%
- Growth Policy Council - Not funded
- Council of Economic Advisory - Not funded
- Alaska Land Use Council - Not funded

Elections - Approved a new Deputy Director and three temporary positions. Did not fund additional space in Anchorage

Funded salary increases for \$12,000,000 (negotiated contracts)

Funded all data processing requests at Governor's level

Funded Division of Personnel at 100% of request

Approved Telecommunications amendments as requested except for a few positions.

Funded the leasing consolidation amendment

Pipeline Interruption Insurance was not funded.

Dept. of Law - Approved all new positions with exception of permanent fund attorney and Washington, D.C. exchange attorney

Dept. of Revenue - Denied request to continue employees into the new year

Legislature's Budget - The Senate is \$4,000,000 below the House.

Co-chairman Bennett advised that in accordance with historic precedence, he saw "no reason to open the budget on the Senate floor." He further advised committee members to be prepared to

answer questions which might arise concerning the budget category assigned to them for research. He concluded his remarks stressing the fact that the budget document represents many hours of work, and everything included in the budget came through the committee system and was voted on. The budget represents the collective effort of the committee and was derived through the democratic process.

Responding to a question from Senator Eliason concerning when the free conference committee would begin meeting and when the legislature might adjourn, Co-chairman Bennett advised that the earliest free conference could meet would be this coming Saturday, May 23, 1981, although it is more likely free conference will meet for the first time Tuesday, May 26, 1981.

ADJOURNMENT

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

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SFC-81, #58, Side 2 (000-end)

5/19/81

# STATE OF ALASKA BUDGETED NEW POSITIONS BY CATEGORY

5/21/81

## MMN CATEGORY SUMMARY TOTALS

| TITLE                       | GOVERNOR'S BUDGET  |                   | HOUSE BUDGET       |                   | SENATE BUDGET      |                   | F.C.C. BUDGET      |                   |
|-----------------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|
|                             | APPROVED POSITIONS | SALARY & BENEFITS | APPROVED POSITIONS | SALARY & BENEFITS | APPROVED POSITIONS | SALARY & BENEFITS | APPROVED POSITIONS | SALARY & BENEFITS |
| EDUCATION                   |                    |                   |                    |                   |                    |                   |                    |                   |
| FULL TIME                   | 36                 | 1120.0            | 33                 | 1017.7            | 33                 | 1017.7            |                    |                   |
| PART TIME                   | 4                  | 48.8              | 4                  | 48.8              | 4                  | 48.8              |                    |                   |
| MMN TOTAL                   | 40                 | 1168.8            | 37                 | 1066.5            | 37                 | 1066.5            |                    |                   |
| UNIVERSITY OF ALASKA        |                    |                   |                    |                   |                    |                   |                    |                   |
| FULL TIME                   | 58                 | 2327.7            | 127                | 4035.9            | 54                 | 1899.9            |                    |                   |
| PART TIME                   | 10                 | 121.7             | 23                 | 300.2             | 9                  | 118.9             |                    |                   |
| MMN TOTAL                   | 68                 | 2449.4            | 150                | 4336.1            | 63                 | 2018.8            |                    |                   |
| SOCIAL SERVICES             |                    |                   |                    |                   |                    |                   |                    |                   |
| FULL TIME                   | 158                | 3063.7            | 143                | 2847.3            | 142                | 2783.9            |                    |                   |
| PART TIME                   | 18                 | 120.3             | 16                 | 91.0              | 16                 | 91.0              |                    |                   |
| TEMPORARY                   | 4                  | 18.7              | 4                  | 18.7              | 4                  | 18.7              |                    |                   |
| MMN TOTAL                   | 180                | 3202.7            | 163                | 2957.0            | 162                | 2893.6            |                    |                   |
| HEALTH                      |                    |                   |                    |                   |                    |                   |                    |                   |
| FULL TIME                   | 46                 | 1436.0            | 37                 | 1126.0            | 37                 | 1126.0            |                    |                   |
| PART TIME                   | 8                  | 132.9             | 7                  | 115.1             | 7                  | 115.1             |                    |                   |
| MMN TOTAL                   | 54                 | 1568.9            | 44                 | 1241.1            | 44                 | 1241.1            |                    |                   |
| NATURAL RESOURCE MANAGEMENT |                    |                   |                    |                   |                    |                   |                    |                   |
| FULL TIME                   | 179                | 6562.8            | 109                | 3477.5            | 63                 | 1949.9            |                    |                   |
| PART TIME                   | 87                 | 686.2             | 65                 | 529.5             | 20                 | 283.4             |                    |                   |
| TEMPORARY                   | 42                 | 420.2             | 40                 | 312.2             | 20                 | 179.5             |                    |                   |
| MMN TOTAL                   | 308                | 7669.2            | 214                | 4119.2            | 103                | 2412.4            |                    |                   |
| PUBLIC PROTECTION           |                    |                   |                    |                   |                    |                   |                    |                   |
| FULL TIME                   | 30                 | 1119.5            | 26                 | 969.5             | 16                 | 640.2             |                    |                   |
| PART TIME                   | 1                  | 11.7              | 1                  | 11.7              | 1                  | 11.7              |                    |                   |
| TEMPORARY                   | 2                  | 35.0              | 2                  | 35.0              | 2                  | 35.0              |                    |                   |
| MMN TOTAL                   | 33                 | 1166.2            | 29                 | 1016.2            | 19                 | 686.9             |                    |                   |
| ADMINISTRATION OF JUSTICE   |                    |                   |                    |                   |                    |                   |                    |                   |
| FULL TIME                   | 109                | 3825.4            | 87                 | 3336.7            | 86                 | 3406.9            |                    |                   |
| MMN TOTAL                   | 109                | 3825.4            | 87                 | 3336.7            | 86                 | 3406.9            |                    |                   |
| DEVELOPMENT                 |                    |                   |                    |                   |                    |                   |                    |                   |
| FULL TIME                   | 40                 | 1452.1            | 41                 | 1473.1            | 25                 | 936.2             |                    |                   |
| PART TIME                   | 5                  | 54.0              | 5                  | 54.0              | 6                  | 69.8              |                    |                   |
| MMN TOTAL                   | 45                 | 1506.1            | 46                 | 1527.1            | 31                 | 1006.0            |                    |                   |
| TRANSPORTATION              |                    |                   |                    |                   |                    |                   |                    |                   |
| FULL TIME                   | 148                | 4193.3            | 125                | 3478.7            | 79                 | 1467.0            |                    |                   |
| PART TIME                   | 17                 | 298.1             | 7                  | 118.0             | 15                 | 251.1             |                    |                   |
| MMN TOTAL                   | 165                | 4491.4            | 132                | 3596.7            | 94                 | 1718.1            |                    |                   |

-695-

5/10/81

**STATE OF ALASKA  
BUDGETED NEW POSITIONS BY CATEGORY**

**NNN CATEGORY SUMMARY TOTALS**

| TITLE                          |                   | GOVERNOR'S BUDGET     |                      | HOUSE BUDGET          |                      | SENATE BUDGET         |                      | F.C.C. BUDGET         |                      |
|--------------------------------|-------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|
|                                |                   | APPROVED<br>POSITIONS | SALARY &<br>BENEFITS | APPROVED<br>POSITIONS | SALARY &<br>BENEFITS | APPROVED<br>POSITIONS | SALARY &<br>BENEFITS | APPROVED<br>POSITIONS | SALARY &<br>BENEFITS |
| GENERAL GOVERNMENT             | FULL TIME         | 115                   | 4342.4               | 64                    | 3354.2               | 65                    | 3241.1               |                       |                      |
|                                | PART TIME         | 30                    | 359.6                | 3                     | 334.4                | 3                     | 334.4                |                       |                      |
|                                | TEMPORARY         | 9                     | 78.7                 | 7                     | 49.9                 | 7                     | 49.9                 |                       |                      |
|                                | NNN TOTAL         | 154                   | 4772.7               | 74                    | 3738.5               | 75                    | 3625.4               |                       |                      |
| NNN TOTAL ALL CATEGORIES       | FULL TIME         | 919                   | 29442.9              | 792                   | 25136.6              | 600                   | 13468.3              |                       |                      |
|                                | PART TIME         | 180                   | 1833.3               | 131                   | 1682.7               | 81                    | 1324.5               |                       |                      |
|                                | TEMPORARY         | 57                    | 544.6                | 53                    | 485.8                | 33                    | 283.1                |                       |                      |
|                                | NNN TOTAL         | 1156                  | 31820.8              | 976                   | 27225.1              | 714                   | 20075.7              |                       |                      |
| NNN TOTAL NEW POSITION FUNDING |                   |                       |                      |                       |                      |                       |                      |                       |                      |
|                                | FEDERAL FUNDS     |                       | 2150.1               |                       | 2061.8               |                       | 1815.7               |                       |                      |
|                                | GENERAL FUND      |                       | 23019.5              |                       | 21808.3              |                       | 15335.6              |                       |                      |
|                                | OTHER FUNDS       |                       | 6650.6               |                       | 3354.2               |                       | 2923.9               |                       |                      |
|                                | NNN TOTAL FUNDING |                       | 31820.2              |                       | 27224.3              |                       | 20075.2              |                       |                      |

5/19/81

**STATE OF ALASKA**  
**BUDGETED NEW POSITIONS BY AGENCY**

5/21/81

**NNN AGENCY SUMMARY TOTALS**

| TITLE                                         |           | GOVERNOR'S BUDGET  |                   | HOUSE BUDGET       |                   | SENATE BUDGET      |                   | F.C.C. BUDGET      |                   |
|-----------------------------------------------|-----------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|
|                                               |           | APPROVED POSITIONS | SALARY & BENEFITS | APPROVED POSITIONS | SALARY & BENEFITS | APPROVED POSITIONS | SALARY & BENEFITS | APPROVED POSITIONS | SALARY & BENEFITS |
| OFFICE OF THE GOVERNOR                        | FULL TIME | 22                 | 561.4             | 18                 | 842.8             | 6                  | 738.6             |                    |                   |
|                                               | TEMPORARY | 4                  | 19.4              | 3                  | 14.7              | 3                  | 14.7              |                    |                   |
|                                               | NNN TOTAL | 26                 | 580.8             | 21                 | 857.5             | 9                  | 753.3             |                    |                   |
| DEPARTMENT OF ADMINISTRATION                  | FULL TIME | 160                | 3452.3            | 123                | 2993.8            | 120                | 2859.1            |                    |                   |
|                                               | PART TIME | 10                 | 143.5             | 10                 | 181.8             | 10                 | 181.8             |                    |                   |
|                                               | TEMPORARY | 9                  | 78.8              | 8                  | 53.9              | 8                  | 53.9              |                    |                   |
|                                               | NNN TOTAL | 183                | 3705.8            | 141                | 3149.8            | 138                | 3015.0            |                    |                   |
| DEPARTMENT OF LAW                             | FULL TIME | 24                 | 1042.2            | 21                 | 885.6             | 22                 | 953.4             |                    |                   |
|                                               | PART TIME | 24                 | 1042.2            | 21                 | 885.6             | 22                 | 953.4             |                    |                   |
|                                               | NNN TOTAL | 24                 | 1042.2            | 21                 | 885.6             | 22                 | 953.4             |                    |                   |
| DEPARTMENT OF REVENUE                         | FULL TIME | 10                 | 361.1             | 7                  | 334.6             | 7                  | 166.8             |                    |                   |
|                                               | PART TIME | 24                 | 307.6             |                    | 307.6             |                    | 307.6             |                    |                   |
|                                               | NNN TOTAL | 34                 | 668.7             | 7                  | 642.2             | 7                  | 473.6             |                    |                   |
| DEPARTMENT OF EDUCATION                       | FULL TIME | 36                 | 1120.8            | 33                 | 1017.7            | 33                 | 1017.7            |                    |                   |
|                                               | PART TIME | 4                  | 48.8              | 4                  | 48.8              | 4                  | 48.8              |                    |                   |
|                                               | NNN TOTAL | 40                 | 1169.6            | 37                 | 1066.5            | 37                 | 1066.5            |                    |                   |
| DEPARTMENT OF HEALTH & SOCIAL SERVICES        | FULL TIME | 150                | 4846.8            | 128                | 3917.6            | 127                | 3634.1            |                    |                   |
|                                               | PART TIME | 18                 | 161.7             | 16                 | 131.1             | 16                 | 131.1             |                    |                   |
|                                               | NNN TOTAL | 176                | 5008.5            | 144                | 4048.7            | 143                | 3765.2            |                    |                   |
| DEPARTMENT OF LABOR                           | FULL TIME | 10                 | 431.6             | 11                 | 431.6             | 9                  | 358.8             |                    |                   |
|                                               | TEMPORARY | 2                  | 35.8              | 2                  | 35.8              | 2                  | 35.8              |                    |                   |
|                                               | NNN TOTAL | 12                 | 467.4             | 13                 | 467.4             | 11                 | 394.6             |                    |                   |
| DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT | FULL TIME | 23                 | 779.8             | 19                 | 634.2             | 18                 | 402.0             |                    |                   |
|                                               | PART TIME | 23                 | 779.8             | 19                 | 634.2             | 18                 | 402.0             |                    |                   |
|                                               | NNN TOTAL | 23                 | 779.8             | 19                 | 634.2             | 18                 | 402.0             |                    |                   |
| DEPARTMENT OF MILITARY AFFAIRS                | FULL TIME | 2                  | 74.9              | 1                  | 22.9              |                    |                   |                    |                   |
|                                               | PART TIME | 2                  | 74.9              | 1                  | 22.9              |                    |                   |                    |                   |
|                                               | NNN TOTAL | 2                  | 74.9              | 1                  | 22.9              |                    |                   |                    |                   |
| DEPARTMENT OF NATURAL RESOURCES               | FULL TIME | 85                 | 3377.5            | 36                 | 1181.0            | 23                 | 721.0             |                    |                   |
|                                               | PART TIME | 7                  | 82.4              | 7                  | 82.4              | 7                  | 82.4              |                    |                   |
|                                               | NNN TOTAL | 92                 | 3459.9            | 43                 | 1263.4            | 30                 | 803.4             |                    |                   |

5/19/81

STATE OF ALASKA  
BUDGETED NEW POSITIONS BY AGENCY

## NNN AGENCY SUMMARY TOTALS

| TITLE                                      | GOVERNOR'S BUDGET  |                   | HOUSE BUDGET       |                   | SENATE BUDGET      |                   | F.C.C. BUDGET      |                   |
|--------------------------------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|
|                                            | APPROVED POSITIONS | SALARY & BENEFITS | APPROVED POSITIONS | SALARY & BENEFITS | APPROVED POSITIONS | SALARY & BENEFITS | APPROVED POSITIONS | SALARY & BENEFITS |
| DEPARTMENT OF FISH & GAME                  |                    |                   |                    |                   |                    |                   |                    |                   |
| FULL TIME                                  | 44                 | 1413.6            | 38                 | 1150.7            | 25                 | 768.6             |                    |                   |
| PART TIME                                  | 81                 | 582.3             | 59                 | 425.6             | 15                 | 214.8             |                    |                   |
| TEMPORARY                                  | 36                 | 312.3             | 34                 | 274.3             | 28                 | 179.5             |                    |                   |
| NNN TOTAL                                  | 161                | 2308.2            | 131                | 1850.6            | 68                 | 1162.9            |                    |                   |
| DEPARTMENT OF PUBLIC SAFETY                |                    |                   |                    |                   |                    |                   |                    |                   |
| FULL TIME                                  | 39                 | 1396.8            | 34                 | 1434.3            | 45                 | 1611.1            |                    |                   |
| NNN TOTAL                                  | 39                 | 1396.8            | 34                 | 1434.3            | 45                 | 1611.1            |                    |                   |
| DEPARTMENT OF TRANSPORTATION               |                    |                   |                    |                   |                    |                   |                    |                   |
| FULL TIME                                  | 148                | 4281.7            | 125                | 3478.7            | 74                 | 1367.0            |                    |                   |
| PART TIME                                  | 17                 | 298.1             | 7                  | 118.0             | 15                 | 251.1             |                    |                   |
| NNN TOTAL                                  | 165                | 4579.8            | 132                | 3596.7            | 89                 | 1618.1            |                    |                   |
| DEPARTMENT OF ENVIRONMENTAL CONSERVATION   |                    |                   |                    |                   |                    |                   |                    |                   |
| FULL TIME                                  | 51                 | 1876.8            | 38                 | 1366.8            | 15                 | 547.0             |                    |                   |
| PART TIME                                  | 3                  | 59.0              | 3                  | 59.0              | 2                  | 23.8              |                    |                   |
| TEMPORARY                                  | 6                  | 107.9             | 6                  | 107.9             |                    |                   |                    |                   |
| NNN TOTAL                                  | 60                 | 2043.7            | 47                 | 1532.9            | 17                 | 570.8             |                    |                   |
| DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS |                    |                   |                    |                   |                    |                   |                    |                   |
| FULL TIME                                  | 27                 | 990.8             | 27                 | 990.8             | 24                 | 848.7             |                    |                   |
| PART TIME                                  | 2                  | 28.2              | 2                  | 28.2              | 3                  | 44.0              |                    |                   |
| NNN TOTAL                                  | 29                 | 1019.0            | 29                 | 1019.0            | 27                 | 892.7             |                    |                   |
| LEGISLATURE                                |                    |                   |                    |                   |                    |                   |                    |                   |
| FULL TIME                                  |                    |                   | 1                  | 26.7              |                    |                   |                    |                   |
| NNN TOTAL                                  |                    |                   | 1                  | 26.7              |                    |                   |                    |                   |
| ALASKA COURT SYSTEM                        |                    |                   |                    |                   |                    |                   |                    |                   |
| FULL TIME                                  | 22                 | 647.9             | 13                 | 392.5             | 6                  | 216.3             |                    |                   |
| NNN TOTAL                                  | 22                 | 647.9             | 13                 | 392.5             | 6                  | 216.3             |                    |                   |
| UNIVERSITY OF ALASKA                       |                    |                   |                    |                   |                    |                   |                    |                   |
| FULL TIME                                  | 58                 | 2327.7            | 127                | 4035.9            | 54                 | 1899.9            |                    |                   |
| PART TIME                                  | 18                 | 121.7             | 25                 | 380.2             | 9                  | 110.9             |                    |                   |
| NNN TOTAL                                  | 68                 | 2449.4            | 152                | 4416.1            | 63                 | 2010.8            |                    |                   |
| NNN TOTAL ALL AGENCIES                     |                    |                   |                    |                   |                    |                   |                    |                   |
| FULL TIME                                  | 919                | 29442.9           | 792                | 25134.8           | 600                | 14700.7           |                    |                   |
| PART TIME                                  | 180                | 1833.3            | 131                | 1602.7            | 81                 | 1204.9            |                    |                   |
| TEMPORARY                                  | 57                 | 246.6             | 88                 | 483.8             | 38                 | 595.1             |                    |                   |
| NNN TOTAL                                  | 1156               | 31820.8           | 976                | 27224.3           | 714                | 20675.2           |                    |                   |
| NNN TOTAL NNN POSITION FUNDING             |                    |                   |                    |                   |                    |                   |                    |                   |
| FEDERAL FUNDS                              |                    | 2190.1            |                    | 2061.8            |                    | 1019.9            |                    |                   |
| GENERAL FUNDS                              |                    | 23019.3           |                    | 21008.3           |                    | 13530.6           |                    |                   |
| OTHER FUNDS                                |                    | 6650.6            |                    | 3534.8            |                    | 2925.9            |                    |                   |
| NNN TOTAL FUNDING                          |                    | 31820.2           |                    | 27224.3           |                    | 20675.2           |                    |                   |

5/19/81

## STATE OF ALASKA -- PROGRAM CATEGORY SUMMARY

## TOTAL OPERATING BUDGET

5/21/81

| CATEGORY-DESCRIPTION                                       | FY80 ACT  | FY81 ATH  | FY81 SUP | FISCAL YEAR 1982 |          |           |           |           |        |
|------------------------------------------------------------|-----------|-----------|----------|------------------|----------|-----------|-----------|-----------|--------|
|                                                            |           |           |          | REQUEST          | GOV AMD  | GOVERNOR  | HOUSE     | SENATE    | F.C.C. |
| EDUCATION                                                  | 389907.9  | 456711.5  |          | 562984.2         | 13260.4  | 558936.5  | 568432.5  | 565948.4  |        |
| UNIVERSITY OF ALASKA                                       | 178206.6  | 195322.0  |          | 219671.7         | 4926.3   | 212787.6  | 222815.0  | 203559.9  |        |
| SOCIAL SERVICES                                            | 136865.3  | 182267.0  |          | 217409.8         | -29.0    | 214160.6  | 214623.2  | 211465.6  |        |
| HEALTH                                                     | 91386.9   | 129188.0  |          | 146894.0         | 1940.3   | 145109.5  | 136527.7  | 130939.2  |        |
| NATURAL RESOURCE MANAGEMENT                                | 91309.4   | 117624.2  |          | 162235.7         | 19253.0  | 156771.8  | 154424.0  | 119287.0  |        |
| PUBLIC PROTECTION                                          | 35000.6   | 38357.7   | 109.2    | 44933.7          | 671.3    | 43203.5   | 43543.9   | 36348.0   |        |
| ADMINISTRATION OF JUSTICE                                  | 88822.8   | 100690.0  | 3416.5   | 131142.5         | 3006.8   | 127827.2  | 129223.1  | 121196.3  |        |
| DEVELOPMENT                                                | 71269.7   | 115831.2  | 65470.0  | 202281.1         | 2560.3   | 201512.3  | 178236.0  | 208157.0  |        |
| TRANSPORTATION                                             | 181049.7  | 202987.2  |          | 255975.2         | 48603.6  | 252907.2  | 293609.4  | 247922.1  |        |
| GENERAL GOVERNMENT                                         | 88423.5   | 283326.4  | 6361.9   | 269910.6         | 37695.7  | 267777.0  | 299515.4  | 297248.4  |        |
| TOTALS                                                     | 1352242.4 | 1822305.2 | 75357.6  | 2213438.5        | 131888.7 | 2180993.2 | 2240950.2 | 2142071.9 |        |
| BUDGET PERCENTAGE CHANGE OVER FISCAL YEAR 1981 AUTHORIZED: |           |           |          | 21.4             | -92.7    | 19.6      | 22.9      | 17.5      |        |
| OBJECTS OF EXPENDITURE:                                    |           |           |          |                  |          |           |           |           |        |
| PERS. SERV.                                                | 449519.9  | 538465.9  | 3445.5   | 593280.9         | 67132.9  | 586533.0  | 651650.7  | 640275.9  |        |
| TRAVEL                                                     | 20560.5   | 23780.9   | 4.0      | 31336.0          | 979.8    | 30607.8   | 30486.8   | 28757.5   |        |
| CONTRACTUAL                                                | 169467.3  | 209382.0  | 4502.9   | 252199.9         | 17019.6  | 237987.1  | 250915.3  | 249460.8  |        |
| COMMODITIES                                                | 47466.1   | 56476.5   | 1.5      | 68279.0          | 3724.9   | 67940.9   | 70919.4   | 70493.3   |        |
| EQUIPMENT                                                  | 8307.8    | 8281.2    | 5.2      | 10205.7          | 486.4    | 9539.8    | 9895.8    | 9769.1    |        |
| LANDS/BLDGs                                                | 10342.5   | 10128.2   |          | 20961.7          |          | 12635.4   | 12639.9   | 12639.9   |        |
| GRANTS, CLMS                                               | 562284.6  | 852661.7  | 65450.0  | 1065698.3        | 34900.9  | 1063123.1 | 1060575.9 | 1114539.1 |        |
| MISC.                                                      | 84293.7   | 123128.8  | 1948.5   | 171477.0         | 7644.2   | 172626.1  | 153866.4  | 16136.3   |        |
| FUNDING SOURCES:                                           |           |           |          |                  |          |           |           |           |        |
| FEDERAL RECEIPTS                                           | 168975.3  | 210681.2  |          | 216805.2         | 2140.0   | 214866.6  | 211473.8  | 207593.4  |        |
| GENERAL FUND MATCH                                         | 35998.3   | 51996.1   |          | 64484.4          | 577.0    | 63671.4   | 58598.3   | 58767.0   |        |
| GENERAL FUND                                               | 998144.2  | 1392906.7 | 75357.6  | 1740632.6        | 77184.6  | 1712796.0 | 1738252.4 | 1653388.5 |        |
| INTER-AGENCY RECEIPTS                                      | 38612.1   | 49113.9   |          | 56546.9          | -1003.3  | 55433.5   | 52639.1   | 48023.0   |        |
| CIP PROJECT FUNDS                                          |           |           |          |                  | 44977.7  |           | 45101.9   | 44977.7   |        |
| GENERAL OBLIGATION BONDS                                   |           | 5.0       |          | 8.0              |          | 8.0       | 8.0       | 8.0       |        |
| AGRICULTURAL LOAN FUND                                     |           | 223.3     |          | 368.0            |          | 359.9     | 359.9     | 273.5     |        |
| FICA ADMINISTRATION FUND                                   | 61.8      | 83.2      |          | 85.0             |          | 85.0      | 85.0      | 85.0      |        |
| FISH AND GAME FUND                                         | 3735.4    | 5262.2    |          | 6076.9           |          | 5978.9    | 5978.9    | 5955.5    |        |
| HIGHWAY WORKING CAPITAL                                    | 12552.6   | 15079.5   |          | 16780.9          |          | 16721.0   | 16346.2   | 16375.6   |        |
| INTERNATIONAL AIRPORT                                      | 14512.9   | 17750.8   |          | 19431.9          | 1124.0   | 19431.9   | 20555.9   | 20555.9   |        |
| PROGRAM RECEIPTS                                           | 20413.3   | 26192.2   |          | 35577.1          | 6937.0   | 35131.6   | 35702.5   | 30049.1   |        |
| PUBLIC EMPLOYEES RETIRE                                    | 1014.3    | 1284.2    |          | 2007.1           |          | 1987.9    | 1852.6    | 1852.6    |        |
| SCHOOL FUND (CIGARETTE)                                    | 2003.2    | 2503.2    |          | 3600.0           | -600.0   | 3600.0    | 3000.0    | 3000.0    |        |
| SECOND INJURY FUND                                         | 1058.1    | 1260.2    |          | 1564.0           | -5.1     | 1554.3    | 1354.9    | 1549.2    |        |
| DISABLED FISHERMANS                                        | 482.3     | 991.4     |          | 1045.7           | -1.7     | 1040.5    | 1040.5    | 1038.8    |        |
| SURPLUS PROPERTY                                           | 141.6     | 163.7     |          | 163.5            |          | 163.5     | 163.5     | 163.5     |        |

5/19/81

STATE OF ALASKA -- PROGRAM CATEGORY SUMMARY  
TOTAL OPERATING BUDGET

| CATEGORY-DESCRIPTION                                             | FY80 ACT | FY81 ATH | FY81 SUP | FISCAL YEAR 1982 |         |          |          |          | F.C.C. |
|------------------------------------------------------------------|----------|----------|----------|------------------|---------|----------|----------|----------|--------|
|                                                                  |          |          |          | REQUEST          | GOV AMD | GOVERNOR | HOUSE    | SENATE   |        |
| TEACHERS RETIREMENT                                              | 973.9    | 1135.0   |          | 1645.1           |         | 1625.1   | 1506.4   | 1506.6   |        |
| VETERANS LOAN FUND                                               | 835.9    | 965.3    |          | 1017.2           | -231.4  | 984.5    | 753.1    | 753.1    |        |
| FEDERAL REVENUE SHARING                                          | 9378.8   | 2350.0   |          |                  |         |          |          |          |        |
| STUDENT FEES, U OF A                                             | 6352.8   | 7917.1   |          | 8618.5           | 606.0   | 8577.5   | 9183.1   | 9161.9   |        |
| INDIRECT COST RECOVERY                                           | 4686.7   | 4333.8   |          | 5467.9           | 128.9   | 5467.9   | 5580.8   | 5580.8   |        |
| DONATED COMMODITY FEE                                            | 107.6    | 85.7     |          | 85.7             |         | 85.7     | 85.7     | 85.7     |        |
| PUBLIC LAW 81-874/GF                                             | 17470.0  | 16000.0  |          | 12015.1          |         | 12015.1  | 12015.1  | 12015.1  |        |
| STUDENT LOAN FUND                                                | 1178.9   | 2050.0   |          | 2767.9           |         | 2767.9   | 2767.9   | 2767.9   |        |
| TITLE 20                                                         | 5010.7   | 4640.9   |          | 5289.4           |         | 5289.4   | 5289.4   | 5289.4   |        |
| RESTRICTED RECEIPTS, U/A                                         | 8205.2   | 6832.4   |          | 10994.9          | 55.0    | 10994.9  | 10899.9  | 10899.9  |        |
| TRAINING & BUILDING FUND                                         | 350.0    | 498.2    |          | 359.6            |         | 355.2    | 355.2    | 355.2    |        |
| GENERAL FUND PERCENTAGE CHANGE OVER FISCAL YEAR 1981 AUTHORIZED: |          |          |          | 24.9             | -94.4   | 22.9     | 24.7     | 18.7     |        |
| POSITIONS:                                                       |          |          |          |                  |         |          |          |          |        |
| FULL-TIME                                                        | 11590.7  | 12893.5  | 2.0      | 13996.5          | 769.6   | 13851.1  | 14542.5  | 14294.7  |        |
| PART TIME                                                        | 1184.1   | 1958.7   |          | 2074.2           | 682.0   | 2051.9   | 2748.3   | 2675.7   |        |
| TEMPORARY                                                        | 661.3    | 736.2    |          | 524.9            | 8.5     | 522.9    | 556.4    | 524.4    |        |
| STAFF-MONTHS                                                     | 160102.8 | 176106.4 | 24.0     | 188259.8         | 10975.8 | 185376.8 | 195692.3 | 189596.9 |        |

## SENATE FINANCE COMMITTEE

May 22, 1981

9:00 a.m.

(Tape SFC 81, # 59, Side 1, 000 - 304)

CALL TO ORDER

Co-chairman Bennett called the meeting to order at 9:00 a.m.

PRESENT

All members of the committee were present with the exception of Co-chairman Dankworth and Senator Ferguson. Also in attendance were Jim Palmer, Administrative Assistant to Senator Fahrenkamp; Dr. Robert Gregovich, Program Director of the Division of Mental Health and Developmental Disabilities; Phil Holdsworth, representing the Alaska Miners Association; and a member of the press, Joe LaRocca.

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 3 (Finance)

Co-chairman Bennett stated the first order of business would be consideration of CSSB No. 3 (Finance) (An Act relating to guardians and conservators; and providing for an effective date). He stated the bill had been held over the previous day so that a new draft of CSSB 3 (Finance) would be prepared, and so Senator Ferguson would have time to prepare a new fiscal note for the legislation. Both new documents were in the file. There was no one present to testify on the new fiscal note. Senator Stimson called upon Dr. Gregovich, Director of Division of Mental Health and Developmental Disabilities in the Department of Health and Social Services, and asked his opinion of the new fiscal note.

Dr. Gregovich stated the new fiscal note was considerably "scaled down". Co-chairman Bennett read a note from Senator Ferguson: "The fiscal year 1981 amount reflects 6 months funding of the Court System's full year funding on the original fiscal note. In each succeeding fiscal year the budget amount reflects a 7% increase over previous year, which is the same as the Court System's original fiscal note." Discussion ensued on the fiscal note. Senator Sturgulewski was not sure the fiscal note would be adequate. Senator Sackett noted that there were still four full-time positions allowed.

Dr. Gregovich stated that the four positions would be fine if they were not secretarial staff - he saw a definite need for key personnel in each area of the state. He stated it would give the Court System the flexibility it would need to deal with the situation. He stated that the need for the legislation was so great that they would be willing to work with the fiscal note presently before the committee.

Senator Sturgulewski moved and asked unanimous consent that CSSB 3 (Finance) along with the revised fiscal note be passed from committee with individual recommendations. There being no objection, it was so ordered, and the committee report was signed as follows: Co-chairman Bennett and Senators Sturgulewski, Stimson, Eliason and Sackett signed "do pass".

#### SENATE BILL NO. 226

Co-chairman Bennett stated the next order of business was consideration of SENATE BILL NO. 226 (An Act relating to the mining loan fund; and providing for an effective date) and asked for testimony on the legislation. Mr. Phil Holdsworth, representing the Alaska Miners Association, came forward. At this time, it was determined that the committee was considering CSSB 226 (Resources).

#### COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 226 (Resources)

Mr. Holdsworth stated that CSSB 226 (Resources) was formulated in the Senate Resources Committee when it was found that people involved in the mining business (but not necessarily the applicant or the manager) had difficulty in qualifying under the requirements of Section 27.09.020. The language was worked out to the benefit of those people, and Mr. Holdsworth stated his support of the bill. He added that HB 581 in the House would make some amendments in this area. Also SB 214 called for a supplemental appropriation for this fiscal year under the loan program.

Mr. Jim Palmer, Administrative Assistant to Senator Fahrenkamp, came forward and stated that the problems that had been addressed in CSSB 226 (Resources) in Sections 1, and paragraphs 2, 4 and 5 had been previously brought to the attention of Co-chairman Bennett and Senator Fahrenkamp by the miners in Fairbanks. This legislation was agreed upon by both the Department of Commerce and Economic Development, and the miners. He pointed to a sectional analysis in the file. He stated Senator Fahrenkamp's support of the legislation.

Senator Sturgulewski moved and asked unanimous consent that CSSB 226 (Resources) be passed from committee with individual recommendations. There being no objection, it was so ordered and the committee report was signed as follows: Co-chairman Bennett and Senators Eliason, Sturgulewski, Stimson, and Sackett signed "do pass".

#### GENERAL COMMENTS

Co-chairman Bennett stated that the Senate President had announced the Senate would not meet the following Monday, so there would be no Senate Finance Committee meetings scheduled until Tuesday. He stated that the Senate had already "signed off" on about \$5.2 billion, so they were already approaching what the revenue projections were - which was about \$5.8. He thought