

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2822

that with the "world glut" as well as other circumstances, even the \$5.8 billion was optimistic.

ADJOURNMENT

The meeting adjourned at 9:20 a.m.

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

SENATE FINANCE COMMITTEE

May 26, 1981

9:05 a.m.

SFC-81, #59, Side 1 (304-end)

SFC-81, #59, Side 2 (000-601)

CALL TO ORDER

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

PRESENT

All committee members were present. Also attending were Senate President Jalmar Kerttula; Senator Vic Fischer; Senator Pat Rodey; Representatives Mike Miller and Pappy Moss; Commissioner of Administration Bill Hudson; Deputy Commissioner of Administration, Fred Muller; Director of General Services for Administration, George Elgee; Elizabeth Mukhtarian, Director, Division of Adult and Aging Services for Health and Social Services; Vera Gazaway, Florence Barnhardt, and Dove Kull, representing the Older Persons Action Group; and Fiscal Analysts Jerry Schilz and Don Fisher.

CSSSHB 17 (HESS)(efd am)

Co-chairman Bennett moved that CSSSHB 17 (HESS)(efd am) (AN ACT ESTABLISHING AN OLDER ALASKANS COMMISSION) be brought on for discussion.

Senator Sackett advised of proposed amendments to the Senate HESS CS for SSHB 17 prepared by senior citizen groups. These amendments should be incorporated in a Senate Finance Committee Substitute. He further stated that numerous individuals were present to testify concerning the amendments.

Vera Gazaway first appeared before committee representing the Older Persons Action Group from Anchorage. The group is a statewide advocacy organization for senior citizens. The group is "very supportive of both the amendments the proposed Older Alaskans Commission." The bill would give older Alaskans a say in development and formulation of services designed for their benefit.

Representative Mike Miller next appeared, advising that the upon first referral in the Senate, the bill experienced substantial changes. These changes are objected to by senior citizen groups hoping that the Finance Committee will rectify problems in the legislation by passage of a Finance Committee Substitute incorporating changes recommended by older Alaskan groups. As originally envisioned, the Older Alaskans Commission would be granted more than merely advisory powers. Commission members would actually "roll up their sleeves" and partake in the making

of "meaningful decisions." Given the quality and expertise available in senior citizens the Governor could appoint to the Commission, the legislation should work very well. The decision-making capability has the support of the House and senior citizen groups.

Florence Barnhardt appeared next before committee, advising that she is chairman of the Alaska Joint Legislative Committee representing the National Retired Teachers Association, and National Association of Retired Persons. She voiced support for the proposed amendments to be included in the Finance Committee Substitute.

Dove Kull next came before committee as chairman of the Senior Citizen Advisory Board to the Mayor and Assembly of Juneau, and a member of the senior citizen committee which prepared the proposed amendments. She stated that Alaskans over 65 years of age have long been participating members of Alaskan communities who expect their participation to continue beyond 65. Approximately 95% of the 25 million older citizens of the United States are competent. Less than 5% are incompetent. The state often does not recognize this competency, permitting its older citizens to be "treated like infants and incompetents." Senior citizens wish to participate in their own programs since they have experienced aging and recognize its needs.

Mrs. Kull expressed appreciation for past legislative assistance to the elderly, advising that approximately 500 persons are benefiting from Pioneer Home care, and approximately 8,000 persons receive the \$200 a month longevity bonus. Senior citizens receive property tax exemptions and renter rebates. Three hundred units of senior housing are currently occupied. The Office of Aging has channeled \$6 million in Older American Act moneys into approximately two dozen local communities for the benefit of older Alaskans. One million dollars in grants is available for older Alaskan service programs. The Homemaker/Health Aide program assists approximately 500 persons. Medicaid assists approximately 400 persons in nursing homes. The University of Alaska offers free tuition; hunting and fishing licenses are free; free travel is provided on the Marine Highway system. In FY 81 the state spent a total of \$57,917,156 in benefits and services for approximately 20,000 older Alaskans.

At present senior citizen programs are handled by "three or four different departments, half a dozen different divisions, and at least 24 program managers." It's very confusing. Why not establish a single agency--an Older Alaskans Commission--to develop a coordinated, comprehensive plan for all programs. She attested to frustration at the "fragmentation" in delivery of elderly services, and poor planning in the development of benefits. "Finding one's way around is exhausting." She stressed the need for older Alaskans to monitor their own programs rather than merely make recommendations. Let older Alaskans help themselves. In closing, Mrs. Kull stated again her support for the legislation and proposed amendments.

Elizabeth Muktarian, Director of the Division of Adult and Aging Services for Health and Social Services next appeared before committee in response to Senator Sturgulewski's questions concerning the amendment proposal to transfer aging programs from Health & Social Services to the Dept. of Administration. Ms. Muktarian advised that programs handled under the Office on Aging (now within the Division of Adult and Aging Services) include nutrition and social services programs authorized under the Older Americans Act. Approximately \$4 million in program moneys are included. In addition, approximately \$1.5 in senior employment funding would be included as well as 19 staff members currently employed within the Office on Aging.

Programs not included in the transfer are the Adult Protection Program which includes Homemaker and Home Health Aide services, Adult Residential Care, and Adult Foster Care programs.

Senator Sturgulewski raised questions concerning the operational aspects of the Commission. Ms. Muktarian stated that if a Commission is established with administrative powers, in accordance with federal regulations, an advisory committee must also be established.

Senator Sackett moved for preparation of a SCS for CS for SSHB 17 (Finance), including the proposed amendments, and further moved that the Finance Committee Substitute pass from committee with individual recommendations. No objection having been voiced, the Senate Committee Substitute for CS for SSHB 17 (Finance) passed from committee--all members signing do pass.

CS for HOUSE BILL 237 (RES)

Co-chairman Bennett moved that CS for HB 237 (Res.) (AN ACT RELATING TO THE AGRICULTURAL REVOLVING LOAN FUND) be brought on for discussion, advising that Representative Moss was present to testify concerning the legislation.

Mr. Moss stated that HB 237 represents legislation raising limits on the Agricultural Revolving Loan Fund. The bill might not have been necessary had the legislature not repealed, last session, statutory authority which allowed the Revolving Loan Fund to sell "certain papers" to the Dept. of Revenue. The state has \$8.5 million (money available in legislation already passed and signed by the Governor) which "needs to get out to the farmers." The present loan fund is "loaned out" to a total of \$20 million. The needed \$8.5 million cannot statutorily be added to this total without raising fund limits. Mr. Moss advised that his original bill set the limit at \$100 million, the House Resource version removed the limit entirely, and the Senate Resource version establishes the limit at \$50 million. He advised that while \$50 million will "handle the problem" ultimate resolution lies in reenactment of AS 03.10.054 (the previously repealed statute) since moneys flowing into the fund from the Governor's budget will raise the fund almost to the proposed \$50 million limit.

Responding to questions from Co-chairman Dankworth concerning the fact that fund moneys are loaned at 8%--roughly half of the percentage cost of money, Mr. Moss stated that, historically, agricultural people have required lower interest rate loans "in order to feed this nation." He acknowledged the low interest rate to be a subsidy, adding that, in effect, everyone who ate breakfast this morning was in fact subsidized through benefits of the loan fund. Agricultural people cannot afford 14 or 20% interest and continue to farm. Agriculture is a new industry for Alaska, and the infrastructure is only now being created.

Responding to further questions from Co-chairman Dankworth concerning interest rates and available federal funding for agriculture, Mr. Moss stated that the federal interest rate is similar to that of the state program. Funding has in the past been available through Farmer's Home Loan, but more recently such funding has been exhausted, and the program's future is uncertain under the Regan administration.

Senator Eliason asked if agricultural funding is available through CFAB, advising that the fishing industry "is paying 14% now." Mr. Moss responded that while moneys are available, many farmers cannot afford the interest rate. He admitted that agriculture is a "high risk" industry which is just beginning in Alaska. The agricultural industry in Alaska is only three years old, and has already been able to raise the loan interest rate it can afford from 6% to 8%.

Senator Eliason advised that there is really no comparison between the fishing industry and agriculture. He cited a recent report from Bob Palmer's office indicating that after expenditure of millions of dollars for agriculture, the industry will employ approximately 2,300 people, while the fishing industry employs between 40,000 to 50,000 people. Mr. Moss countered with the fact that at one time the fishing industry was new to Alaska also and employed a limited number of people. He pointed to possibilities for expansion of agriculture, citing specifically the development of sub-arctic agriculture.

Representative Moss further pointed to the fact that the state is not spending agriculture revolving loan fund money but loaning it out to be repaid with interest.

A brief discussion following concerning the Buffalo Chip Study and problems surrounding barley crops and intruding bison.

Co-chairman Dankworth moved to pass SCS for CSHB 237 (Resources) from committee with individual recommendations. Senator Eliason objected, expressing a need to "sort out" what is happening in agriculture, given the number of agricultural bills currently before the legislature.

Co-chairman Bennett advised that other agricultural legislation is not "germane" to the bill before committee. Senator Sturgulewski clarified apparent confusion concerning overlapping

legislation, advising that the present bill is needed because the current agricultural loan limit is \$20 million. Outstanding loans have reached that limit. The governor has \$23 million for agricultural loans in his budget and has already signed \$8.5 million (actually part of the \$23 million) into law. The \$8.5 million and the remaining funding in the Governor's budget cannot be drawn against unless the loan limit is raised.

Senator Eliason removed his objection, and SCS for CSHB 237 (Resources) passed from Senate Finance with individual recommendations--Senators Sackett, Sturgulewski, Ferguson and Bennett signing do pass, Senators Stimson, Dankworth, and Eliason signing no recommendation.

SENATE BILL 124

Co-chairman Bennett moved that SB 124 (ACT RELATING TO A STATE OFFICE COMPLEX AT ANCHORAGE) be brought on for discussion.

Senator Sturgulewski directed committee attention to a bill summary from Senate State Affairs, a new Fiscal Note dated 5/20/81, a memorandum resulting from a Senate Finance Subcommittee hearing dated 4/23/81, and correspondence from Commissioner of Administration William Hudson relating to site selection dated 4/9/81. She further advised that both Commissioner Hudson and the bill's original sponsor, Senator Fischer, were present to testify.

Senator Fischer expressed need for consolidation of state offices in Anchorage, advising that the bill represents "enabling legislation" rather than merely an appropriation; "the bill itself is important to creation of the kind of a complex that is contemplated for Anchorage."

Senator Sackett raised a question concerning fiscal impact and was directed to the fiscal note dated May 20, 1981.

Commissioner William Hudson next appeared before committee stating that with assistance of a study group in Anchorage, the Dept. of Administration completed a plan which will combine state employees and offices in Anchorage into a "very servicable location," making government at all three levels accessible to the general public. The original plan calling for the purchase of several blocks and a different type of complex has been pared down to basically one block in the downtown area and a two tower complex. The complex will hold down the size of government, make it "very visible instead of inaccessible," hopefully result in a net operating expense reduction of approximately \$1.5 million per year, and elimination of approximately 100 man years.

Responding to a question from Senator Sackett concerning the status of land acquisition, Mr. Hudson explained that the state has taken no action up to this time since it has no funds for this purpose. When funds are available the state "intends to enlist the aid of a commercial real estate firm to assist us in

developing some site acquisition criteria." Up to this time the state has pared the site down to eight-blocks which rest between federal office buildings, the ARCO complex, the park strip, and the municipal building. The state must now secure a full city block and "then go out on a competitive bid for a development" scheme. Through the competitive process the state will select a scheme to build the complex and then lease purchase it back to the State of Alaska.

When queried concerning ownership of the eight block area under consideration, Commissioner Hudson advised that there are a number of owners, the largest single owner being Bunker Hunt. He added that the state, as a result of listening to and looking at his plans, will "very likely remain somewhat away from his development."

Voicing his understanding that private enterprise will construct the complex and lease purchase it back to the state, Senator Ferguson asked how long it will take to pay off the building. Mr. Hudson responded that within 20 years the state should own the entire complex, land and buildings. Within the same period of time it will cost the state the same amount and possibly less than if the state continues to do business as it now does.

Senator Ferguson next raised a question concerning the status of the complex if state employees from Anchorage are moved to Willow. Commissioner Hudson advised that the size of the complex would encompass approximately 70% of the Anchorage population. The state has purposely diminished the size by 20 to 25% to allow for removal of peoples from Anchorage to Willow. The complex is needed regardless of what happens concerning the capitol move.

Responding to a question from Senator Ferguson concerning "how many people in Anchorage want this building," Mr. Hudson responded that the complex has the support of the mayor's office, local planning agency, the Anchorage municipal assembly, Anchorage Chamber of Commerce, and several private groups. The state held public hearings on the complex and received only one letter of objection.

In answer to a further question from Senator Ferguson asking if the complex would not be better located in the new capital, Commissioner Hudson responded "No . . . because I believe these employees are the type of employees who would continue to serve the regional needs of Anchorage."

Responding to a question from Senator Eliason asking if the state could save money by constructing the complex itself rather than acquiring through private enterprise and lease/purchase, Commissioner Hudson responded that "conceivably there could be some savings," however, the private sector can construct "faster, construct cheaper, . . . can own and operate without new employees to the State of Alaska, and the funds remain on the local tax rolls, and the ultimate results are about the same--the state ends up owning the complex."

Senator Ferguson asked why this type of lease/purchase is not done "all around the state." Commissioner Hudson advised that this type of arrangement has in the past been overlooked. He attested to belief that DOT facilities people have been to some extent overburdened. The construction/lease/purchase arrangement represents a viable alternative which could be used in other parts of the state. Senator Ferguson attested to the necessity of looking at needs statewide rather than "just one town that seems to get everything it wants."

Senator Sackett advised of having read articles stating that the state was considering the most expensive sites in Anchorage. He asked if the Department had looked at alternative, less expensive locations. Commissioner Hudson responded that the state looked at "five general broad areas into the whole Anchorage basin." The combined state and local review team pared the overview down to 144 blocks downtown, and further pared it to 34 and then down to the final 8 blocks. The state could build the complex cheaper if it built out on state land, but this would not provide the "service center" for the public to come into the Anchorage area and find government "all within walking distance."

Co-chairman Dankworth attested to the fact that the type of complex contemplated by this legislation represents a good investment for the permanent fund. When permanent fund legislation is rewritten, it should provide for acquisition of construction such as that proposed for Anchorage.

Senator Sturgulewski moved that CS for SB 124 (State Affairs) pass from committee with individual recommendations. No objection having been raised, the bill passed from committee-- Senators Dankworth, Sturgulewski, Stimson and Bennett signing do pass, Senator Eliason signing no recommendation, and Senator Ferguson signing do not pass.

ADJOURNMENT

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

SFC-81, #59, Side 1 (304-end)
SFC-81, #59, Side 2 (000-601)

SENATE FINANCE COMMITTEE

May 27, 1981

9:10 a.m.

(Tape SFC 81, # 60, Side 1, 000 - end)

CALL TO ORDER

Co-chairman Dankworth called the meeting to order at 9:10 a.m.

PRESENT

All members of the committee were present with the exception of Co-chairman Bennett and Senator Sackett, who were attending free conference meetings on the budget. Also in attendance were Administrative Assistant to Co-chairman Dankworth, Kathy Martinson; Administrative Assistant to Co-chairman Bennett Judy Noe; Senator Parr; Dick Branton, Deputy Director of Mental Health Division; and a member of the press, Patty Ginzburg.

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 100 (Judiciary)

Co-chairman Dankworth stated the first order of business would be CSSB 100 (Judiciary) (An Act relating to mentally ill persons; and providing for an effective date), and requested that Senator Sturgulewski present the legislation to the committee.

Senator Sturgulewski stated that the legislation before the committee was first begun in 1977. She said there was tremendous support for it; the statutes are presently rather archaic in this area. She stated that prime sponsor Senator Parr as well as Dick Branton, Deputy Director of Mental Health were available for testimony. Since there were other versions of the legislation in the file, Senator Sturgulewski moved and asked unanimous consent that CSSB 100 (Judiciary) be the bill presently considered by the committee. There being no objection, it was so ordered.

Senator Parr stated that this legislation was originally devised by a Task Force of the Alaska Mental Health Association. They hired attorney Joan Katz in Anchorage who drafted the original bill, which was subsequently introduced by Representative Gruening at the end of 1976. Nothing was done with the bill that session, but the next year when Senator Parr was chairing House HESS he cut the bill down to 30 pages and introduced it as CSSB 100 (HESS). There were hearings around the state and the bill was acted on and came across to the Senate and then went across to the House again. This was the third "go around", so since 1976 there has been testimony given by all possible interested parties - Department of Law, the Public Defender, Legal Services, Mental Health Association, the Governor's Mental Health Advisory Council, the Hospital Association, and others.

Senator Parr stated there were two basic "thrusts" to the bill:

1. The civil rights would be guaranteed for a person who is alleged to be mentally ill. The Constitution provides that the second right guaranteed is the right to liberty and the state must be very careful in taking away that right. Many safeguards have been established when someone is accused of a crime, but Alaska has not been so cautious in the mentally ill category. The AG submitted an opinion some time ago listing the possible areas of unconstitutionality in the existing statutes. The new legislation would also protect the rights of the committed person. One of those key rights would be to make sure the person is "treated" and not "warehoused". There would also be the right to communicate with an attorney or a minister, the same guarantees made to people in jails.
2. Treatment of mentally ill persons would be brought closer to home when possible with the new legislation. In most cases, treatment closer to home proves more beneficial than treatment away. At present there is only one facility in Alaska which is authorized to give treatment (API). Also, whenever possible, there would be provided a "least restrictive alternative". If a person can be treated in an out-patient clinic without being locked up, that would be accomplished. That would also mean more people could be treated closer to home as there are more out-patient clinics than there are API's in Alaska. Senator Parr pointed to a flow chart outlining procedures in the file.

Co-chairman Dankworth asked which fiscal note in the file should be considered. There were several fiscal notes in the file; the committee discussed them with Senator Parr. He stated that Mr. Branton would be able to speak to the fiscal notes more specifically.

Senator Sturgulewski asked the committee to look on page 1, line 24 and 25 "(3) that treatment occur as promptly as possible and as close to the individual's homes as possible;". She suggested an amendment to add to that "consistent with minimizing the cost of treatment which must be paid by the department". She stated that the Department of Health and Social Services fiscal note (dated 2/17/81) would go from \$467.5 in FY 82 to over \$5 million in FY 86 to raise the level of care. She felt that (3) as is would require the fiscal note to go even higher. Senator Parr stated that though he had no objection to the amendment, the language was a "principle" and not binding under the Statutes. Senator Dankworth did not think the language said all that much except in the light of a policy statement. Senator Sturgulewski decided to hold her motion on the amendment until a later time in the meeting.

Further discussion ensued on involuntary admission; definition of a "mental health professional"; criteria for commitment; and mentally ill persons related to criminal activity. Regarding crime related matters, Senator Parr pointed to page 36 of the legislation before the committee. He said that the Attorney

General had requested the language as a result of a case in the Alaska Supreme Court in 1978 or 1979.

Mr. Dick Branton, Deputy Director of the Mental Health Division, came forward for testimony. He made further remarks on persons ruled not guilty for reasons of insanity. He also addressed the subject of "involuntary process" and the 120 day review. He stated he was in support of the bill - he felt the bill in its present form represented the best language and would provide a more realistic process for mentally ill persons.

Senator Parr spoke with the committee again on the issue of children under the age of 14. He said that parents have been known to commit uncontrollable children who are not in fact mentally ill. This legislation would also protect those children.

Co-chairman Dankworth requested that Mr. Branton explain the fiscal notes in the file. Mr. Branton stated that the fiscal note dated February 17, 1981 would provide funding for three areas: 1) staffing for Alaska Psychiatric Institute; 2) training for people to handle the additional preliminary examination and screening process; and 3) phase-in for designated treatment facilities in each of the 22 mental health districts.

Senator Sturgulewski moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 100 (Judiciary) 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 Dankworth and Senators Ferguson, Stimson, Eliason, and Sturgulewski signed "do pass".

ADJOURNMENT

The meeting adjourned at 9:45 a.m.

(Tape SFC 81, # 60, Side 1, 000 - end)

SENATE FINANCE COMMITTEE

May 28, 1981

8:40 a.m.

SFC-81, #60, Side 2 (000-end)

SFC-81, #61, Side 1 (000-462)

CALL TO ORDER

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

PRESENT

All committee members were present with the exception of Senator Sackett and Co-chairman Bennett. Also in attendance were Senator Mulcahy; Representative Fred Zharoff; Frank Homan and Paul Huppert, Directors of the Commercial Fishing and Agriculture Bank; and Paul Arnoldt, Director, Division of Retirement and Benefits, Department of Administration.

CS FOR HB 262 (FIN) AM

Co-chairman Dankworth moved that CSHB 262 (Fin.)am (AN ACT ESTABLISHING A FISHERY INDUSTRIAL TECHNOLOGY CENTER AS PART OF THE UNIVERSITY OF ALASKA) be brought on for discussion, advising that Senator Mulcahy and Representative Zharoff were present to testify concerning the legislation.

Senator Mulcahy stated that the legislation establishes a fishing industry technology center within the University of Alaska and funds a policy board for the coming year. The policy board would be composed of representatives from the commercial fishing industry, the processing industry, and three members from the public at large. The board will "look into development of the technology center," determine the direction the program should take, and report back to the legislature in January.

Representative Zharoff spoke briefly to the fact that the technology center presents a unique opportunity for the University and the state to provide leadership in the fishing industry both nationally and statewide.

Referring to companion legislation (HB 263 - ACT MAKING AN APPROPRIATION TO THE UNIVERSITY OF ALASKA FOR THE FISHERY INDUSTRIAL TECHNOLOGY CENTER) and the accompanying fiscal note for \$200,000, Co-chairman Dankworth expressed concern that in subsequent years operating costs for the center might climb to \$1 million or more a year. He asked Senator Mulcahy how large the operation might eventually become. Senator Mulcahy responded that he perceived the technology center, to be located at Kodiak, to be operational in 1985 or 1986. A facility to house the operation would have to be constructed and operations would center on technology of the fishing fleet and processing

industry. Information and techniques developed at the center would be distributed statewide through the outreach function of the University's community college system.

Referring to amendments to the legislation offered by the Senate HESS committee, Senator Sturgulewski asked Senator Mulcahy if he supported them and whether they should be included within the legislation. Senator Mulcahy stated that the amendments should be incorporated.

Senator Sturgulewski inquired concerning operations at the proposed center, asking if the center would function as a data collecting agency. Senator Mulcahy responded that he did not envision the center as a data collecting agency but rather as an entity which would use data collected by other agencies in conjunction with fishing and processing technology.

When asked if the proposed center had been approved by the University, Senator Mulcahy responded that the program has the approval of the Board of Regents. Senator Stimson asked if a similar policy council for the center currently exists at the University. Senator Mulcahy responded that at this time there is nothing similar on the West Coast, let alone the State of Alaska. The only thing comparable is the White Fish Authority in England which deals with basic fisheries technology. Senator Stimson voiced support for the technology program, asking if such a program could be established within the University without need of a policy council. Senator Mulcahy stressed the importance of having a council made up of individuals from various segments of the industry to make recommendations concerning "what would be workable within the University structure." It is important that both the fishing fleet and processing industry have a "strong voice" in putting the program together.

Senator Stimson expressed concern that the state has spent a great amount of time "studying" problems of the fishing industry but has not yet implemented a pilot project which would actively work to solve problems or develop new techniques.

Senator Stimson additionally raised questions concerning the honorarium and other costs associated with board membership, asking if the honorarium is really necessary. Senator Mulcahy advised of his understanding that the honorarium would cover travel and per diem expenses for the board.

Senator Sturgulewski, in attesting to the state's "fractionized" approach to fisheries, advised that while she supports the proposed technology program, she feels it would be a mistake to think that the program will solve state management and coordination problems. Senator Mulcahy agreed that "some overall planning must be done" in the area of state fishery programs.

Co-chairman Dankworth moved to effect the following amendments:

Page 2, Line 25, Subsection (b)

Reduce the number of policy council members from 11 to 7

Page 2, Line 27, Subsection (1)

Reduce processing industry membership from four to two

Page 2, Line 29

Delete "and at least one employee not in management" and insert "or employees" (the foregoing is taken from HESS amendment)

Page 3, Line 3, Subsection (2)

Reduce commercial fishing membership from four to two

Page 3, Line 9, Subsection (d)

Delete "Each member of the policy council shall be a resident of the state." and insert "At least five members of the policy council shall be residents of the state." (HESS amendment)

Page 3, Lines 13 through 15, Subsection (b)

Delete all of subsection (b)

Senator Eliason raised a question concerning residency of policy council members, suggesting that all members be residents of the state. Senator Mulcahy countered that some qualified members of the processing industry reside outside of Alaska. He stressed the need to be able to draw on their expertise and suggested that they not be eliminated from council consideration.

Senator Eliason next expressed apprehension concerning selection of policy council members by the President of the University, advising that the President could in effect structure the council as he wished. The senator questioned whether the President should have such control. Senator Sturgulewski advised that the task force which worked on the proposed technology center "cut across a lot of lines" in obtaining a commitment from the Board of Regents to make the program work within the fishing industry. Senator Mulcahy advised that he shares Senator Eliason's concern that the policy council not become merely an "academic board." However, the University has committed to making the program work. Senator Mulcahy advised that he anticipates no problems with the legislation as currently structured.

Senator Eliason stated that the legislation details make up of the council and the manner in which it is to function, but fails to state exactly what the council will do. Senator Mulcahy advised that council members would plan for the center, determine what kind of facility is needed, where it should be located, advise the University on program development, and ultimately give direction to the center.

Senator Ferguson moved that a SCS for CSHB 262 (Fin) be prepared based on the amendments proposed by Co-chairman Dankworth, and that the SCS pass from committee with individual recommendations. No objection having been raised, SCS for CSHB 262 (Fin) passed from Senate Finance--all members present signing do pass.

HOUSE BILL 263

Co-chairman Dankworth next moved that HB 263 (AN ACT MAKING AN APPROPRIATION TO THE UNIVERSITY OF ALASKA FOR THE FISHERY INDUSTRIAL TECHNOLOGY CENTER) be brought on for discussion.

Returning to a previous question concerning honorarium, Co-chairman Dankworth advised that payment of an honorarium should not be necessary during initial developmental stages of the program and moved to eliminate such funding, reducing the total appropriation from \$200,000 to \$183,000. Senator Sturgulewski agreed, advising that since policy council membership has been reduced, perhaps travel and per diem could be reduced from \$20,000 to \$12,000, resulting in an \$8,000 reduction in the \$183,000 request, producing a new total of \$175,000. Co-chairman Dankworth formalized the above reductions, moving to eliminate the honorarium and limit travel to \$12,000 for a new appropriation total of \$175,000.

Senator Sturgulewski moved that HB 263 as amended by committee pass with individual recommendation. No objection having been raised, HB 263, as amended by committee, passed from Senate Finance--all members present signing do pass.

CSHB 413 (JUD) AM

Co-chairman Dankworth next moved that CSHB 413 (Jud) am (AN ACT RELATING TO THE ALASKA COMMERCIAL FISHING AND AGRICULTURE BANK) be brought on for discussion.

Senator Sturgulewski moved to bring the Senate CS for CS for House Bill 413 (Finance) before committee for discussion purposes. She directed committee attention to a summary of CFAB legislation submitted by Frank Homan, as well as a summary bearing her name (dated May 27, 1981) explaining amendments included within the SCS for CS for HB 413 and SB 388.

The SCS contains two major changes from previous legislation:

1. Ability to use limited entry permits as security for loans. (page 3, section 6)
2. Removal of CFAB members, currently members of PERS, from the state retirement system. (page 1, lines 28 and 29)

Another major change (page 4, line 13 and 14) would permit legislative access to bank records for audit purposes. The SCS includes additional language (page 4, Sec. 44.81.270) concerning the audit and release of audit information (page 5, Sec.

44.81.280). Legislative audit of the bank has in the past become a major issue in that the state has approximately \$32 million in public money in CFAB. There is thus need for legislative oversight. Senator Sturgulewski advised that Paul Huppert and Paul Arnoldt were present to testify concerning the legislation.

Senator Ferguson raised questions concerning auditing of CFAB. Senator Sturgulewski advised that while the bank is currently audited by private companies, provisions contained in the SCS for HB 413 would permit legislative audit.

Paul Huppert, Vice Chairman of the board of directors of CFAB next appeared before committee, advising that he is one of the five original directors appointed by the governor. At the original meeting of the board it was understood that CFAB would be a private cooperative bank. The bank undergoes audit by a private CPA. A copy of the audit is provided to the administration and legislature. The bank further receives management audits twice a year and an additional audit is performed by the Spokane Banker's Cooperative, the entity from which CFAB leverages money. Mr. Huppert advised that he would welcome additional audit by the banking commission, but stated that he has problems with an audit conducted by Legislative Budget & Audit since the audit would represent a management audit and "sometimes things are let out to the public out of context, and it is detrimental to the bank."

Mr. Huppert advised that he is currently president of a telephone cooperative which received \$35 million in federal money through the REAA program. The cooperative is required to submit a yearly audit to REAA. REAA must agree to and approve the private auditor selected by the cooperative. At no time has REAA ever refused the cooperative's selection of an auditor. Mr. Huppert stressed that the bank, in objecting to Legislative Budget and Audit review, is not attempting to "duck an audit."

Mr. Huppert stated that the bank needs amendments to its original legislation such as the provision which would allow use of limited entry permits as security for loans. The bank currently has 40 loans pending on this question.

Responding to a question from Co-chairman Dankworth concerning the status of bank employees, Mr. Huppert testified that employees were "never hired as state employees," and it is the opinion of the directors that they are not state employees. He added that in his opinion the bank should not have "been in PERS" in the first place.

Responding to a further question from Co-chairman Dankworth concerning bank objection to legislative audit, Mr. Huppert advised that his objection results "from past history." He stated that previous experience with an audit of a revolving loan fund, basically a management audit, led him to believe that management audits should not be public information. These audits should serve as management tools rather than for release to the

public. He added that the bank receives a management or procedural audit through the banking cooperative.

Co-chairman Dankworth, commenting on behalf of his constituents, advised that public opinion indicates need for a management audit of the bank. From press coverage of the bank, the public has seen lavish furnishings, etc. Mr. Huppert responded that at present the bank has 206 members who are ultimately responsible to the state. He added that since the bank received instructions not to be a "soft money bank" it has turned down loans. Every time a loan is turned down there are going to be "questions on the street." The bank has funded 73% of the requests it has received; it thus has basically 28% of its inquiring customers who are unhappy. The bank is fulfilling the intent of the legislation as originally proposed. It is striving to become an independent cooperative and should not be permitted to become another state loan program. The directors are currently working on a system to return state funding. The bank has already repaid \$200,000 on the original \$2 million loan. Members currently have approximately \$4.5 million invested in the bank since they are required to place 10% of any loan in stock.

Responding to a statement from Co-chairman Dankworth to the effect that he was having difficulty grasping exactly why the bank objects to legislative audit, Mr. Huppert advised that he felt the bank should not become "a political football." He admitted that the board has in the past made mistakes. In continued dealing with people, the bank will perhaps continue to make mistakes since it is a highly visible organization. He added that the organization is highly visible precisely because it has been effective and successful in meeting the needs of fishermen and farmers. He further stated that three years from now five of the directors will be elected by members of the bank. The membership of the bank represents a more appropriate body for monitoring bank activity than the legislature.

Co-chairman Dankworth stated that the price an entity pays for accepting public funds is public involvement in the function of the entity through audits, etc. He added that he didn't think it would hurt CFAB to be audited. Mr. Huppert advised that he would welcome an audit by the banking commission. Senator Sturgulewski interjected that original CFAB legislation includes provision for audit by the Division of Banking within the Department of Commerce and Economic Development resulting in a report to the board of directors. Such an audit does not include "getting in and taking a look at the management situation." The legislature is now requesting that the legislative auditor have an opportunity to review CFAB management. She added that while the financial health of the bank looks fine, there are some perceptual problems. Since public moneys are involved, an audit might allay some of the "comments . . . on the street." As long as \$32 million in public funds are involved, CFAB is not a private cooperative.

Responding to questions from Senator Eliason asking if the legislature audits Alaska Housing Finance Corporation and the Renewable Resource Fund, Senator Sturgulewski advised that the legislature has authority to audit both programs.

In response to Co-chairman Dankworth's reiteration that if a program receives public money it should likewise receive public scrutiny, Mr. Huppert directed committee attention to the 50 year history of REAA cooperatives. In that time span, the REAA has experienced only one failure in its system. The federal branch which oversees REAA programs accepts a private audit in fulfillment of federal requirements.

Mr. Paul Arnoldt, Director of the Division of Retirement and Benefits, next appeared before committee, advising that the SCS for CS for HB 413 (Fin) would amend the responsibilities and structure of CFAB. It appears that there will be a transition period when CFAB goes "from a public corporation to a private entity." The Department is concerned that following the above-mentioned transition, the state not set a precedent of including private entities in the public retirement system. In including CFAB the state would "open the door to any and every company or organization that would like to join." Organizations such as CFAB which are created by the legislature, derive power and authority from the legislature, and employ individuals hired in accordance with the State Personnel System, leave Administration in the difficult position of having to determine whether these individuals are state employees, or whether the organization is a public organization with employees who can join as employees of a political subdivision. The attorney general has assisted several times in making these decisions. The decision in this instance is that, for retirement purposes, CFAB as currently structured is considered a public organization eligible to join through a participation agreement as a political subdivision. Under the participation agreement:

1. CFAB has the right to termination of its own volition.
2. The state can terminate the agreement if it finds CFAB to be in violation of terms of the agreement.
3. The agreement can be terminated if CFAB ceases to be eligible under statute to participate in the PERS system.

Should CFAB be terminated under provision three, listed above, the system would protect accrued benefits for individuals by allowing individuals to vest accrued-to-date benefits or receive a refund of their contributions. If the political subdivision withdraws, termination is effective 90 days thereafter. If the state finds the entity in violation of the agreement, termination is effective after 90 days. If the statutory authority is removed, termination is immediate. The actual date of withdrawal may be established at an agreed upon date. Senator Sturgulewski suggested establishment of a date approximately six months in the future for the 35 employees of CFAB. Mr. Arnoldt added that CFAB

employees have not been informed of pending withdrawal. If an employee is allowed to vest, a portion of the employer's contribution would have to be retained in order to protect the vesting while the balance would be returned to the employer for reinvestment in another retirement system.

Senator Sturgulewski moved that because of lack of time for further discussion, SCS for CS for HB 413 (Finance) be returned to committee files for later consideration. No objection having been raised, the bill was held in committee.

ADJOURNMENT

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

SFC-81, #60, Side 2 (000-end)
SFC-81, #61, Side 1 (000-462)

SENATE FINANCE COMMITTEE
May 29, 1981
8:45 a.m.

(Tape SFC 81, # 61, Side 1, 462 - 558)
CALL TO ORDER

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

PRESENT

All members of the committee were present with the exception of Co-chairman Bennett and Senator Sackett who were attending the free conference session on the budget. Also in attendance were Senator Fahrenkamp and a member of the press, Joe LaRocca.

SENATE BILL NO. 37

Co-chairman Dankworth stated the next bill for consideration would be SENATE BILL NO. 37 (An Act relating to international airport revenue bonds), and requested that Senator Fahrenkamp come forward to present the legislation to the committee.

Senator Fahrenkamp stated that SENATE BILL NO. 37 (title above) and SENATE BILL NO. 343 (An Act relating to the source of the appropriation for improvements to the Fairbanks International Airport; and providing for an effective date) were companion bills. In 1978 \$8.5 million was passed through both houses for improvements to the Fairbanks International Airport in bond form. The bond market was bad at that time, so the department was able to borrow funds from other areas. Now, SB 343 merely takes the \$8.5 million out of the bonds approved for sale so that they won't be sold, and SB 37 takes the \$8.5 million out of the international revenue funds and stops the sale on the bonds, and reduces \$8.5 from what they are entitled to sell. The legislation is technical to take care of what has already been done.

Senator Fahrenkamp offered an amendment to SB 37, Section 2 "This Act takes effect immediately in accordance with AS 01.10.070 (c)".

Senator Eliason asked what would be done with the remaining appropriations. Senator Fahrenkamp responded that those monies were for other projects authorized by law.

Senator Sturgulewski moved and asked unanimous consent that Senator Fahrenkamp's above proposed effective date amendment be adopted. There being no objection, it was so ordered.

Senator Sturgulewski moved and asked unanimous consent that SB 37 as amended be moved from committee with individual recommendations. There being no objection, it was so ordered,

and the committee report was signed as follows: Co-chairman Dankworth and Senators Eliason, Ferguson, Stimson and Sturgulewski signed "do pass".

SENATE BILL NO. 343

Co-chairman Dankworth stated the next order of business would be consideration of SENATE BILL NO. 343 (An Act relating to the source of the appropriation for improvements to the Fairbanks International Airport; and providing for an effective date), and requested that Senator Fahrenkamp speak on the legislation.

Senator Fahrenkamp stated that this bill was a companion to SB 37, and stated her remarks were the same as with the above bill. Senator Ferguson moved and asked unanimous consent that SB 343 be moved from committee with individual recommendations. There being no objection, it was so ordered and the committee report was signed as follows: Co-chairman Dankworth and Senators Ferguson, Eliason, Stimson and Sturgulewski signed "do pass".

ADJOURNMENT

The meeting adjourned at 8:55 a.m.

(Tape SFC 81, # 61, Side 1, 462 - 558)

SENATE FINANCE COMMITTEE

June 1, 1981

8:50 a.m.

(Tape SFC 81, # 61, Side 2, 000 - 744)

CALL TO ORDER

Co-chairman Dankworth called the meeting to order at 8:50 a.m.

PRESENT

All members of the committee were present with the exception of Co-chairman Bennett and Senator Sackett, who were attending free conference on the budget. Also in attendance were Administrative Assistant to Co-chairman Bennett, Judy Noe; Legislative Finance Fiscal Analyst Alison Elgee; Steve Hole, Fiscal Officer for the Department of Education; and Dave Thomas, Director of Special Education for the Juneau School District.

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 365 (HESS)

Co-chairman Dankworth stated the first order of business would be consideration of CSSB 365 (HESS) (An Act relating to special education; and providing for an effective date), and requested that Senator Stimson present the legislation to the committee.

Senator Stimson stated that he wanted to make some changes in CSSB 365 (HESS) to make it CSSB 365 (Finance). He said these changes would lower the fiscal note on the bill. He pointed to Section 1 of the bill on line 14 "(2) in districts with ADM of 3,000 or more, one instructional unit for each 11 special education pupils or fraction of 11 pupils in ADM." He stated he would like to change "11" to "14" in both instances in (2). He said this would be a revision of the formula for determining the amount of money available for special education. With this adjustment, the fiscal note would be a total of \$14.7 million. There were two purposes for the above change. One was that with the present system for special education, the teachers are using a tremendous amount of time just keeping track of the formula (the amount of time they spend with one of the four different levels of students). As a result there are a lot of people spending more time doing paperwork than teaching - or they are working with the students and not getting the paperwork done. This change would alleviate a lot of that paperwork. The other reason for the change was that larger school districts particularly in the urban areas are currently funding a disproportionate amount of special education programs out of their local contribution. For example, in Anchorage, they considered the local contribution going to special education to be three times what it was in the regular programs. He said that Mr. Dave Thomas was available from the special education program in the Juneau School District to speak on this problem. He then

requested that Mr. Steve Hole, Fiscal Officer for the Department of Education come forward to testify on the fiscal note.

Mr. Hole made himself available to answer questions on the fiscal note for CSSB 365 (HESS). Senator Sturgulewski requested that Mr. Hole give the rationale for the difference in instructional units between the larger school districts and the smaller ones. Mr. Hole stated the two primary reasons for Section 1 were to eliminate the level of service required to keep track of the amounts of time youngsters spend in programs, and to provide for increased state aid for the larger, more urban school districts. The big cities tend to draw youngsters with physical and mental problems since there are hospitals, physical therapists, etc., available for people with disabilities. So, these more urban communities end up with a disproportionate number of severely handicapped youngsters. CSSB 365 (HESS) was designed to support the costs for those kids. He said that the maximum amount of money a large school district can generate for these severely handicapped children is about \$3,500 to \$4,000, when in fact the actual cost per child can go up to as high as \$12,000 to \$15,000. Section 1 would resolve that disparity.

Mr. Hole stated that Section 2 would provide for summer school as a recognized service required by some of these children who because of their handicap tend to regress a great deal unless their education is continuous. In-service training would also be recognized as a necessary part of any school program for teachers who were involved in the special education programs. Consequently, school districts would use foundation support for those program.

Section 3 was a "hold harmless" for any district which would otherwise receive less under this formula than it would under the present one.

Questioning and discussion followed on in-service training; the Child Study Team; screening processes for eligible children; potential for abuse of the program; present abuses that would be eliminated by this legislation; who performs in-service training; and how this legislation was connected with SENATE BILL NO. 18 (An Act establishing a special aid program for providing special education programs during the summer of 1981; effective date).

Mr. Hole stated the "cleanest" way to handle the funding in the two related bills would be to pass only one on to the Governor. However, if both bills are passed on to the Governor, the \$4 million in SB 18 could be deducted from the fiscal note accompanying CSSB 365 (HESS). It was made clear that the \$14 million in CSSB 365 (HESS) was for all programs, while the \$4 million in SB 18 was only for the summer school program for handicapped children. It was decided that the committee would take testimony from Mr. Thomas of the Juneau special education program, but would hold the bill one day to resolve the fiscal note problem with the duplicated \$4 million, since the \$4 million in SB 18 was to lapse September 1, 1981. Mr. Hole stated that

the department's preference would be for a total amount to be appropriated to special education to be administered through the regular foundation program rather than to have a separate program for summer school. This way the school districts could determine their own priorities in their special education programs. Mr. Hole added that nevertheless, he would not like to see SB 18 "killed". Co-chairman Dankworth stated that the fiscal note could be zeroed for SB 18 in free conference. Co-chairman Dankworth called Mr. Thomas forward for testimony.

Mr. Thomas, Director of Special Education for the Juneau School District came forward and stated that they were definitely in support of CSSB 365 (HESS). He said that at present the local contribution is about \$300.0 over what is generated under the foundation program. Co-chairman Dankworth asked further questions on in-service training and the screening process for handicapped children. Mr. Thomas stated that the Child Study Team was composed of teachers, the Administration, parents and the tester. The referred child has to go through a lengthy battery of tests (psychological, medical, etc.). Then the experts look at the total picture of what is happening at home and what is happening at school, so that only those severely mentally or physically handicapped children are qualified. Those other children with emotional or drug related problems who were absent from school a great deal of the time were referred to the Department of Health and Social Services or to probation, etc. He added that in-service training was required by law presently; but with the limited monies now available it seemed more important to gear it toward the children rather than to in-service training.

Co-chairman Dankworth thanked Mr. Thomas for his testimony and stated that the bill would be held in committee until the following day.

ADJOURNMENT

The meeting adjourned at 9:30 a.m.

(Tape SFC 81, # 61, Side 2, 000 - 744)

SENATE FINANCE COMMITTEE

June 2, 1981

8:40 a.m.

SFC-81, #61, Side 2 (744-end)

SFC-81, #62, Side 1 (000-179)

CALL TO ORDER

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

PRESENT

All committee members were present with the exception of Co-chairman Bennett and Senator Sackett. Senator Ferguson arrived a few minutes after the meeting began. Also attending were Jay Hogan, Director of Legislative Finance; Steve Hole from the Department of Education; and administrative assistant to Senate Finance Judy Noe.

SENATE BILL 365

Co-chairman Dankworth moved that SB 365 (Act relating to special education) be brought on for discussion. Senator Stimson advised of previous discussion concerning this bill and difficulty involved in blending it with SB 18 (Act relating to special education). Steve Hole appeared on behalf of the Dept. of Education, advising that at Senator Stimson's request he had attempted to combine SB 356 and SB 18 within one fiscal note (fiscal note attached). The fiscal note shows an FY 82 fiscal impact of 10.7 for SB 365. Succeeding fiscal years reflect full funding of the provisions of SB 365. The analysis section demonstrates the effect of SB 356 minus the appropriation which would accompany SB 18. SB 18 would appropriate money for a limited purpose--summer school. If both pieces of legislation are enacted, the result will be as displayed in the analysis section of the fiscal note.

Senator Stimson provided proposed amending language for SB 18 (to be added at free conference committee) for committee review. Senator Sturgulewski raised questions concerning what might happen should one of the pieces of legislation pass without the other. Senator Stimson advised of his understanding that if AS 14.17.041(f) is not changed (per SB 356), the state could essentially end up charging districts for special education when it intended instead to provide them additional funding. Steve Hole attested to need for a "triggering mechanism" in SB 18 in order that SB 365 may not become a burden to school districts.

Jay Hogan appeared before committee in response to questions concerning whether SB 18 should be made contingent upon passage of SB 365. He advised that the free conference committee would

want to add two sections to SB 18 which would only come into play should SB 365 pass.

Responding to questions from Senator Eliason concerning the current status of SB 18 and the time frame involved in establishing summer school programs, Senator Stimson advised that SB 18 is to return from the House today, and will most likely go to free conference tomorrow. Steve Hole added that people are counting on summer school, expecting that in one form or another summer school will be enacted. Concerning the time frame, Mr. Hole advised that timing shouldn't make much difference since the Department will not process payments until after the first of the fiscal year. Prior concern by those involved in special education related to whether or not there would be summer school. Once SB 18 began moving through the legislature, the Department advised that it appeared a summer program would be enacted. Now the question remains whether summer school will be funded under the provisions of a special program like SB 18 or whether it will be provided under the regular foundation support contained in SB 365.

Responding to a question from Senator Dankworth concerning a committee substitute for SB 365, Senator Stimson advised that he wished a Finance Committee Substitute prepared based on the HESS committee substitute, but increasing the number of students per instructional unit (Sec. 1(f)(2)) from 11 to 14. Steve Hole advised that the new fiscal note was drafted to meet the change from 11 to 14 students. Senator Sturgulewski advised of a need to correct the third line of the Analysis section of the fiscal note, changing \$4,000 to \$4,000.0. Senator Stimson also advised of need for accountability for summer school programs and proposed intent language which would provide for legislative program and performance audit of summer school sessions to ensure that "money included in SB 365 goes to special education."

Senator Stimson moved for passage of CS for SB 365 (Finance) together with a letter of intent and the new fiscal note prepared by Mr. Hole. No objection having been raised, the CS for SB 365 (Finance) with a letter of intent and new fiscal note passed from committee.

ADJOURNMENT

There being no further matters to come before the committee at this time, the meeting adjourned at approximately 9:15 a.m.

SFC-81, #61, Side 2 (744-end)
SFC-81, #62, Side 1 (000-179)

SENATE FINANCE COMMITTEE

June 4, 1981

8:40 a.m.

(Tape SFC 81, # 62, Side 1, 179 - end)
(Tape SFC 81, # 62, Side 2, 000 - 639)

CALL TO ORDER

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

PRESENT

All members of the committee were present with the exception of Co-chairman Bennett and Senator Sackett who were attending free conference on the budget. Also in attendance were Richard Berg, Administrative Director for Legislative Affairs; Terry Miller, Lieutenant Governor; Representative Hugh Malone; Tom Williams, Commissioner of Department of Revenue; Jay Hogan, Director of Legislative Finance; and a member of the press Jean Kizer.

SENATE BILL NO. 576

Co-chairman Dankworth stated the first order of business would be consideration of SENATE BILL NO. 576 (An Act making a supplemental appropriation for the operation of the legislature; and providing for an effective date), and requested that Mr. Richard Berg, Administrative Director for Legislative Affairs come forward to testify on the bill.

Mr. Berg stated the bill would cover expenses from the 126th day through the 150th day of the session. He said the calculation was based on the average daily cost of \$40,558. The 150th day was June 10 as received from the Senate Rules Chairman. Discussion ensued on whether June 10th was a realistic date. Senator Ferguson stated he felt a more realistic date would be June 23, or the 163rd day. Mr. Berg stated \$527,254 would need to be added to the bill to cover through the 163rd day, making a total of \$1,540,950 in the bill.

Senator Ferguson moved and asked unanimous consent that the total figure be amended to read \$1,540,950 to cover from the 126th day through the 163rd day, and that these changes be incorporated into COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 576 (Finance) (same title). There being no objection, it was so ordered.

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 576 (Finance)

Senator Eliason suggested a Letter of Intent to accompany the bill stating "this is it, period". Senator Eliason did not make a motion on the Letter of Intent.

Senator Ferguson moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 576 (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-chairman Dankworth and Senators Stimson, Sturgulewski, Eliason and Ferguson signed "do pass".

SENATE JOINT RESOLUTION NO. 4

Co-chairman Dankworth stated the next order of business would be consideration of SENATE JOINT RESOLUTION NO. 4 (Proposing an amendment to the Constitution of the State of Alaska relating to limitations on appropriations of state money), and requested that Senator Sturgulewski present the bill to the committee. He clarified that he had been assigned the bill previously, but that it had just recently been re-assigned to Senator Sturgulewski.

Senator Sturgulewski stated that she understood there was as yet no firm recommendation on the legislation, and that at present, only testimony would be taken. She explained that this legislation was a leadership and a gubernatorial priority, and went on to describe the following material in the members' files:

1. Policy Issue Sheet - Describes the various issues with the expenditure limitation, and covers what things should be used as the base, "what kind of a straight-jacket you start with", and what formula to use to calculate increases. She stated that there was a question on whether the formula should be a cumulative index going back to a single base, or whether a formula should be applied to each previous year actual appropriation. There were also questions on what appropriations and expenditures should be covered by the limitation, and she pointed out quite a divergence between the Governor's bill, the substitute bill and Representative Malone's bill. She stated that the crucial provision was the one made for exceeding the limit - would it be a super majority of two thirds or three fourths or would it be referendum of the voters of the state.
2. Sponsor Substitute for Senate Joint Resolution No. 4, along with an analysis - She stated that this was the Governor's bill with his sponsor substitute.
3. House Joint Resolution No. 57 - This was the version introduced by Representative Malone.
4. Senate Joint Resolution No. 3 - This was the version introduced by Senator Colletta.
5. Financial Information - There were packets from the Governor and from Legislative Finance.
6. Graphs - One graph showed where the General Fund and the Operating Budget come together in about 1990. Another graph showed the historical growth in General Fund per capita

appropriations, taking into account the population, General Fund appropriations and per capita, showing a dramatic increase. She stated this had made a "lot of us believers in control of the amount we expend".

7. Policy Analysis - This was done by Senator Sturgulewski's staff member, Margo Waring, which raises issues dealing with the expenditure limitation. There were no value judgements, but it just brought out the complexity of the issue.
8. Information from John Shannon, Assistant Director of the Commission on Intergovernmental Relations - This was a well respected institution, appointed by the President and the House and Senate on the federal level as well as being representative of local governments.
9. Information from the National/State Legislature on Tax and Limitation.

Senator Sturgulewski then requested that Lieutenant Governor Terry Miller come forward to testify on his perception of some of the issues involved. Co-chairman Dankworth asked her about the Chamber of Commerce involvement. Senator Sturgulewski responded that there was an Initiative prepared by the State Chamber of Commerce which she would make available to the members at a later time.

Lieutenant Governor Miller began by referring to the summary of the legislation that had been distributed during the leadership meeting the previous day, and said that the only difference was that the Governor "pared" two exceptions not reflected in the draft language of the constitutional amendment. One was for the "rainy day fund"; the reason being that any monies not expended had to be maintained on a surplus basis anyway. The other was his "old # 9", which was an incentive to get the Legislature to put more money into the Permanent Fund by screening 1/4 of the revenue stream from that - the feeling being that that kind of policy determination should be made by future legislators and should not be an "artifact" of the Constitution.

He stated that in his own view, this was the most important issue before this session of the Legislature given the temporal nature of Alaska's budget surpluses. He stated a graphic example of that was demonstrated the previous week when the Department of Revenue, much to the alarm of those in the State Capitol, stated that the short-fall could go as high as a billion dollars. He finally announced that there would be an approximate \$315 million short-fall as a result of a change in OPEC pricing policies wherein they would not increase prices at the rate expected, much less cut them back. There was consternation about how that would effect revenue projections and spending plans of this session. It could be imagined what effect that would have on Alaska if there was an oil field depletion. So, the reason for this amendment was to prepare for the day when that finally happens.

Lieutenant Governor Miller stated the Constitutional amendment would accomplish the following:

1. It would "check" the amount of spending in which Alaska is now engaged, to prepare for better financial planning later.
2. It would very clearly limit the role of growth of government in Alaska. He said that the state General Fund budget doubles about every three and one half years. That level of increase would, over time, create a presence of governmental interference in the lives of Alaskans that would be an anathema to their lifestyles.
3. It would create an incentive for an investment scenario whereby instead of seeing much of the surplus funds go into larger operating budgets (larger bureaucracies), they would instead go into revenue producing investments which would benefit the people of the state in other forms.

Mr. Miller stated that was basically the rationale. He confessed that 10 years ago he would have opposed this approach. It was his view that policy makers could sit down and disperse the available amount of money to competing groups in a fashion without too much direction from the Constitution. He further stated that that approach has generally worked fairly well in the Legislature before the advent of the large one-time increases. It was certainly always easier for the Finance Committees to say "no" to pressure groups when the money simply was not there. Now, it is much more difficult to say "no" with these large surpluses. Self-discipline in the system is now much more difficult. Because Alaska is in the unique position of receiving three to four times what is in the annual budget, he believed that some kind of spending control mechanism was absolutely necessary. He said that he would go so far as to predict that given the propensities on the system, exclusive of the personalities, without some kind of amendment there would be no meaningful "check" on the increase in state spending over the next decade or longer. He said though he personally believed that the Prudhoe Bay field would be replaced by other fields so that the "curve" would be much longer than 12 or 15 years, the resource would be depleted at some point in time.

Mr. Miller stated that Representative Malone's approach in HJR 57 was an acceptable vehicle from the Governor's point of view, but if the committee decided to use it as a working document, the Governor would like to offer some perfecting language. However, the Governor's preferred approach was contained in SJR 4 wherein the specific exceptions were identified in advance and approved by the people of the state, in contrast to Representative Malone's version in which the exceptions are not identified and are approved by a kind of extraordinary majority of the state legislature. The thrust of the amendment was to limit discretion in the state capitol - the Governor, the bureaucracy and the state legislature. SJR 4 places those limitations of discretion right into the Constitution by voter approval, and with the

exception of capital projects (which must be voted on by the people of the state) cannot be exceeded, period. He stated that though SJR4 would set a tighter limit and would better serve the purpose of the amendment, HJR 57 would be "acceptable" if the Governor could submit "perfecting language" before the final session on the legislation. He made himself available to the committee if there were questions.

Senator Sturgulewski brought up the formula for a particular limit figure each year. Figures in subsequent years would always relate back to the original limit figure. She asked what kind of incentive would be created if base figure adjustments were made each year depending on actual expenditures.

Lieutenant Governor Miller stated not much consideration had been given to this idea simply because generally this would provide for compounding. Inflation compounds and presumably so does population growth, or decrease compounds on the base, so setting a specific base to be used each year seemed the easiest way to measure. He did say, though, that the system Senator Sturgulewski had just described seemed equally as acceptable but not quite as straightforward. He said the \$2.5 billion was arrived at by the Division of Budget and Management. They had all agreed that it was better to have the base identified by the voters of the state. The fixed figure would also reduce the opportunity for litigation later about what was and what was not in the base. He had been told by Mr. Ron Lehr that he had arrived at that figure by taking the \$1.9 billion operating budget projected for this year and subtracting the \$125 million in debt service (proposed as an exception in the amendment), the \$150 million in Permanent Fund dividends (also a proposed exception), and then adding \$100 million for new legislation, and adding \$500 million for capitalization of loans, and adding \$275 million for capital projects. In reality, the \$2.5 billion proposed in this amendment would be less than what generally most observers feel this Legislature would spend. In other words, if this were the law today, anything in excess of that (for example the capital budget) would require voter approval. So the amendment, while not as strict as he would personally prefer, was more strict than what the Legislature would probably authorize for expenditure.

Senator Sturgulewski noted that there would probably be well in excess of \$1 billion in the capital budget this year. She also noted that Mr. Miller had carefully worded his language so that bonds would not be forced for the additional capital budget. There could be voter approval and then a direct General Fund appropriation could be made. Mr. Miller agreed, and added that he felt with this amendment there would be less and less General Obligation Bonding, and more and more use of direct appropriation with voter approval. He favored a moratorium on bonding short-term.

Mr. Miller then mentioned exceptions for payment of outstanding G.O. bond debts as well as an appropriation for debt service. If

there is a restriction in the Constitution and in the future Alaska decides to go to the bond market, the bond rating of the state would be greatly impaired because notwithstanding what is a very enviable financial situation vis a vis other states, that limit would be very much noted by bond council. In any event, the people of the state are the only people who can authorize a bonding indebtedness - it requires voter approval, just as it would for capital expenditures. The theory was that the thrust of the amendment was to limit the discretion of the Governor, his administration and the legislature, but not to limit the discretion of the people of the state. Ultimately, the people would be the final arbitrators of the questions.

Co-chairman Dankworth asked questions concerning the proposed exceptions from the limitation, monies to come to the state in the future, and the relationship between the operating budget and the capital budget under the limitation. In response, Mr. Miller pointed out the differences between HJR 57 and SJR 4. HJR 57 could accomodate some of Co-chairman Dankworth's concerns, but Mr. Miller did not feel that HJR 57 would stand the "test of time" as would SJR 4. He added that the Permanent Fund was not envisioned as being an expenditure, but rather a type of savings. He said that if the Legislature wants to require extraordinary appropriations to the Permanent Fund over and above that mandated by the Constitution to go out for a vote from the people, and then apply that to other extraordinary appropriations, then he would support it. In relation to the Operating budget and the Capital budget, he believed the Administration would be amenable to some perfecting language if the Legislature wanted a balance preserve within the \$2.5 billion, because in reality the amount would represent some Capital and a lot of Operating.

Co-chairman Dankworth commented on the fact that Capital Budget would be taken to the voters, and those projects would generally be approved. But the Operating Budget would not be taken to the voters, and the Operating Budget was what the voters were so upset about.

Mr. Miller stated that the approach in SJR 4 sets no limit on Capital so long as the voter approves. He said there would be a "iron clad" limit on Operating which could not be exceeded. He said it could be tightened up even further by lowering the amount from \$2.5 billion and also limit the Legislature's discretion with respect to capitalization for loans. Or, a ratio could be set within the \$2.5 billion that "X" amount must be preserved for Capital or non-Operating. He said that he saw no problem with either of those approaches. With the exception of natural disasters, the amendment was specifically on the Operating Budget.

Co-chairman Dankworth clarified his previous statement by saying that the \$2.5 billion would include the Capital Budget for 1982. Presently, there was no language in the legislation to keep the Administration from adding say \$600 million worth of additional new employees and programs to that limit, and still go to the

voters for anything in the Capital Budget. He thought that the alternatives just mentioned by Mr. Miller might take care of that problem. He stated that maybe the formula could state that appropriations for capital projects could not be made in excess of 20% of that appropriated for operating, and anything above that would have to go to the voters. Mr. Miller stated both the approaches were acceptable to him, and he believed they would probably "pass mustard" with the Governor as well. He stated that most Alaskan's have arrived at the point where "any limit, no matter how imperfect and so long as its not a 'sham' is better than no limit", and that was the position from which he was working. Co-chairman Dankworth stated he would like to see the figures related to the tax base.

Senator Sturgulewski stated that the sustainable revenues for 1982 were \$423 million. She was pleased that the Governor called for capital improvements to go to the voters, and that good information on life cycle costs of the projects would also go to the voters. Mr. Miller stated that language could be put in SJR 4, adding that life cycle costs would impact future Operating Budgets.

Mr. Miller thanked the committee for the opportunity to attend the meeting. He reiterated that he thought this was the most important piece of legislation this session, and made himself and the administration available to the committee if assistance was needed with the bill.

Senator Sturgulewski called for testimony from Representative Malone. Representative Malone stated that one of the salient points from the previous discussion was the observation by Senator Sturgulewski that once the depletable resource value was out of the state's revenue flow, the amount of money left for the operation of state government was only a small fraction of the present expenditures. He thought that was an important point to keep in mind. On the expenditure limitation, he said that the only thing standing between the limit most governments face in their expenditures (which is the total amount of funds they can raise), and the Alaska Legislature spending that limit, has been the determination of this Legislature and the past Legislatures to appropriate funds for non-expenditure items - the largest of which are the additional contributions to the Alaska Permanent Fund (last year \$900 million and this year twice that). Consequently, without the determination to do that, there are some legitimate requests for commitments for state funds that could quite easily use up \$5, \$6 or \$7 billion. He said he thought it significant that the Legislature has seen fit not to appropriate to the total level of revenues (or expenditure items), and thought that could continue in the future. He stated there were two basic and different approaches to the spending limitation before the committee - his and the Governor's. He said that in the Constitution fundamental rules were set out for the operation of government. He said it was normally considered the best practice not to make those rules any more specific than the case required, and for that reason he tried to formulate his

approach so that it would take into account that the future is unknown. He said that the original Constitution placed the responsibility for the development of both revenues and expenditures to the Legislature, and that scheme should be maintained on the expenditure limitation amendment. So, there would be a limit but if there were some extraordinary occurrence that required appropriations of available revenues above that limit, the Legislature would have the capability to make that determination. Another approach might be to try to guess all those things that might be required and make them specific; the advantage of that was that the people would know what the exceptions were when it came time to vote. He expressed agreement with Co-chairman Dankworth on his statement about the growth of the state Operating Budget. He thought that a very rigid limit based on a dollar figure or a formula should be set, and then any appropriations over that amount would have to be approved by the people of the state. One disadvantage of that approach was that the approval by the people would have to be scheduled through the process of elections and that would have an effect on the timing of the expenditures. There would also be administrative problems connected with it. In any case, the Legislature would still have to make determinations on what would be exempt from the limit and whether or not those exemptions would go to the people for approval. For example, in SSSJR 4, which capital projects would go under the spending limit and which ones would be put on the ballot? He thought that "reasonable" judgement would be exercised by the legislative and executive branches of government in making those determinations. He thought that the main argument against providing a general safety valve for expenditures over some limit was that a "reasonable" judgment might not be used in making those determinations. It was difficult to think of restrictions most "clever and determined people in cahoots with the Governor could not get around". He wondered if the state hasn't gone past the point where any rational limitation would also mean a substantial decrease in the level of state expenditures. He felt there would always be disagreement on what was a long term investment for the state and what was just administrative cost of government. He thought the best approach to expenditure limitations was to lay out the rules clearly but not make them so rigid that unforeseen circumstances couldn't be dealt with. He concluded that he thought the best way to do that would be to adopt a limit and say anything over that limit goes on the ballot whether its Permanent Fund contributions, dividends, Capital expenditures, or new programs of state government.

Senator Sturgulewski asked Representative Malone if he saw the Legislature developing statutes that would give guidance for the exceptions, or if he saw the political process working out the changes as they came along. In other words, she was asking how the Constitutional amendment as worked out in HJR 57 would be implemented. Representative Malone said he was not sure his "crystal ball" was that good, and that was why he tried to write HJR 57 in general language so that it would apply to all circumstances. He said that any items originally submitted in

the Governor's budget could be excluded as extraordinary appropriation items. He said another thing to try would be to adopt a formula approach and see if it works - say \$2.5 billion with per capital inflation adjustments - and see if its possible to develop a budget based on those things.

In regard to the latest draft of SSSJR 4, Representative Malone said he was not sure what was meant by "transfer of responsibilities from the federal to the state government". Co-chairman Dankworth stated that a federal block grant for instance would be left completely out of the limitation and would operate separately. Representative Malone thought that the limitation should apply to all expenditures, regardless of source and purpose of the funds. It was not clear to him that even federally mandated programs could bypass the state appropriation process and cited the Kelly vs. Hammond case, where Judge Stewart concluded that regardless of the source of the funds, the Constitution intended that they be considered in the appropriation process.

Senator Sturgulewski asked to set up a work session on Saturday to work out some of these problems inherent in the amendment. It was decided that about 8:00 a.m. Saturday would be a good time to schedule the meeting, and the Senate Finance Committee would meet again on Monday morning on the issue. Mr. Milt Barker, Legislative Finance Fiscal Analyst, and Mr. Tom Williams, Commissioner of Department of Revenue would be available to speak at that time.

ADJOURNMENT

The meeting adjourned at 9:55 a.m.

(Tape SFC 81, # 62, Side 1, 179 - end)
(Tape SFC 81, # 62, Side 2, 000 - 639)

SENATE FINANCE COMMITTEE

June 8, 1981

9:10 a.m.

SFC-81, #62, Side 2 (639-000)

SFC-81, #63, Side 1 (000-710)

CALL TO ORDER

Co-chairman Ed Dankworth convened the meeting at approximately 9:10 a.m.

PRESENT

All committee members were present with the exception of Co-chairman Bennett and Senators Sackett and Ferguson. Also attending were Senator Brad Bradley, Commissioner of Revenue Thomas K. Williams, and Director of Legislative Finance Jay Hogan.

SENATE BILL 146

Co-chairman Dankworth moved that SB 146 (AN ACT RELATING TO VETERANS' BURIAL ALLOWANCES) be brought on for discussion, advising that Senator Bradley was present to testify concerning the legislation.

Senator Bradley advised that research through other state statutes indicates that 75% of the states provide veterans' benefits. At least 37 states provide burial allowances in addition to the \$300 allowance provided by the V.A. Five additional states, not including Alaska, have legislation pending which would provide a state allowance. States which provide burial allowances offer between \$300 to \$750 in addition to the amount provided by the V.A.

Referring to the Committee Substitute for SB 146 (State Affairs), Senator Bradley explained differences between it and the original bill. The CS requires that the burial allowance of \$500 be applied for by heirs or executors of the veteran's estate. Further, burial shall not take place in a cemetery or a portion of a cemetery reserved for paupers. The allowance may be paid for an eligible person even if that person dies while temporarily absent from the state.

Senator Eliason raised questions concerning establishment of residency for purposes of the legislation. Senator Bradley responded that the minimum is 30 days, however the legislation cites no prescribed period. Language in the bill is similar to that of Illinois and Montana, culling out the best wording from statutes in both states. Co-chairman Dankworth raised questions concerning place of residency or domicile at the time of death. Senator Eliason advised of need to define residency within the legislation. Senator Bradley agreed, acknowledging discrepancies

between residency requirements for voting, qualification for loan programs, hunting and fishing licenses, etc. Co-chairman Dankworth suggested adding language providing a burial allowance for veterans "domiciled in the State of Alaska at the time of death." Following further brief discussion, Co-chairman Dankworth directed that Senators Eliason and Bradley work together to formulate appropriate language to present to committee at tomorrow's meeting. CS for SB 146 (State Affairs) was thus held for further discussion at the next meeting.

BILL ASSIGNMENT

Co-chairman Dankworth made the following bill assignments:

SB 301 - Sturgulewski
SB 500 - Dankworth
SB 572 - Sackett
HB 297 - Stimson

SENATE JOINT RESOLUTION NO. 4

Co-chairman Dankworth moved that SJR 4 (PROPOSING AN AMENDMENT TO THE CONSTITUTION OF THE STATE OF ALASKA RELATING TO LIMITATIONS ON APPROPRIATIONS OF STATE MONEY) be brought on for discussion.

Senator Sturgulewski advised that Commissioner Williams and Jay Hogan were present to testify, advising that discussion today should represent a work session on the bill rather than consideration for the purpose of moving the resolution.

Co-chairman Dankworth commented that, over the weekend, important work on the legislation was to have been done and help was needed from Legislative Affairs. Legislative legal services staff were not available when needed Saturday. He strongly suggested that staff be available in the future.

Senator Sturgulewski outlined material placed in members' files for committee review. She advised of difficulty involved in determining a base from which to effect a constitutional limit on spending, citing consideration of the fiscal year, effective date, the dollar figure, inclusion or exclusion of federal funds, a formula--basic items which determine the base. She stated that the most commonly talked about items include private sector growth and CPI plus population. Some individuals favor use of a formula for private sector growth, but the majority favor use of Cost of Living (CPI at the federal level) plus population. Another major issue centers on coverage. Should limitation cover just the operating budget? Should there be a series of exemptions? Should both general funds and federal funds be considered? The Governor's approach considers a number of exemptions. Senator Sturgulewski expressed concern that by having too many exceptions the state might encounter the danger of parallel budgets.

Another major issue relates to overrides. Should the override be accomplished by vote of the legislature, or a vote of the people. If accomplished by the legislature should the majority be two-thirds or three-fourths. If the override is accomplished by vote of the people, should a limited number of issues go to the public such as accumulations to trust funds or the permanent fund.

Senator Sturgulewski directed committee attention to outlines for plans labeled "A," "B," "Malone," and "Govenor," as well as memoranda from her staff concerning local government issues relative to limitation of state government spending. She further advised of a proposed initiative by the Alaska State Chamber dealing with limitation on government spending.

Directing attention to the draft document entitled "BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA," Senator Sturgulewski advised that the draft proposes a "very simple amendment to the Constitution," laying out the broad outline of the limitation. The proposal calls for:

1. The setting of a base amount as opposed to designating a fiscal year. Designation of a base amount will reduce ambiguity, promote clarity, and necessitate a great amount of fiscal analysis in order to establish an appropriate figure.
2. Use of the base figure plus National Consumer Price Index for the calendar year preceding, plus yearly growth or loss of state population shown by the last two federal censuses (average population for the past 10 years, plus CPI) to determine the amount of needed increase.
3. Money appropriated under an exception not to be included in the base for determining increases from year to year (the base will remain constant except for population growth and CPI).
4. Exceptions from the appropriation limits to include appropriations to the permant fund or other funds producing income at market rates (examples, PERS, TRS, etc.). Income produced by such exceptions would be included in the base and available for appropriation without increasing the base.

Responding to questions from Co-chairman Dankworth concerning investments at market rates and fund and savings account investments, Senator Sturgulewski advised that she does not foresee state investment in something like a state airline, although she feels the permanent fund capable of investing in hydro projects if the legislature appropriates the subsidy from the general fund while allowing the permanent fund to provide actual loan moneys at market rates.

As an example of spending limitation function, Senator Sturgulewski cited the instance wherein the state derived \$200 million in unexpected income. These dollars would go into the general fund and could be invested by the Dept. of Revenue.

Thereafter the legislature would go to the voters who would determine whether the funding should be spent or retained in the general fund. She attested to concern for who has authority to decide how the funding should be spent, adding that as elected officials such decision-making authority rests with the legislature, but spending limit legislation should also allow the legislature to go to the voters if necessary.

Senator Sturgulewski stressed the fact that income from state investments must come back within the spending limit and be subject to the limit. The base would remain the same except for CPI and population increases. Citing again the instance of \$200 million in unexpected income, Senator Sturgulewski advised that under the proposed legislation, three alternatives are possible:

1. The legislature through single appropriation could be allowed to exceed the limit.
2. The funding could be placed in a fund which would earn a market rate of return.
3. The question could be placed before the voters, allowing them to make the decision.

Major questions remain concerning the proper method of accomplishing the above alternatives.

Co-chairman Dankworth questioned whether going to the people would ensure a fair distribution of state wealth, particularly in "bush areas." He voiced a preference for retaining authority over excess income in the legislature where a two-thirds majority is required. He voiced concern that the proposed legislation does not effectively limit expansion of the operating budget which is of primary concern to most voters.

Commissioner Thomas K. Williams advised that the Governor had not yet had an opportunity to review Senator Sturgulewski's proposed legislation, and that discussion should be considered informal rather than viewed as the official stand of the administration. He advised that if appropriation to the permanent fund is removed as an exception, people could argue that instead of a \$2.5 billion limitation, the \$1.8 billion should be added to the limitation total to accommodate permanent fund appropriations in the future. This increase in limitation total would provide an opportunity for increased appropriations, not necessarily to the permanent fund. He advised that the state must keep in mind the overwhelming majority by which the public approved the concept of the permanent fund. Surplus moneys could be retained from year to year in the general fund as an unspent balance, or parts of the surplus could be taken and placed in the permanent fund.

Responding to a question from Co-chairman Dankworth asking if appropriation to the permanent fund would require a two-thirds majority, Senator Sturgulewski advised that a simple majority would suffice. The state would be retaining the asset while the

income from the appropriation would come back within the spending limit.

Referring to problems concerning override, Senator Sturgulewski advised that if the Governor proposes an override, approval would require a two-thirds majority of the legislature. If the legislature proposes the override, approval would require a three-fourths majority. Appropriations in excess of the limit would be limited to a single purpose.

Commissioner Williams attested to need to set up a system of checks and balances on triggering of the "exception mechanism" in the event of need to "make an extraordinary appropriation." He suggested that upon a two-thirds vote the legislature would propose an exceptional appropriation. The appropriation would be subject to veto by the governor and override of the veto could be accomplished by a three-quarters majority of each house rather than a three-quarters vote of the combined legislature. As a check on the Governor, to keep him from including "motherhood" issues in his budget, he may not (under Section 12 of the Constitution) propose any extraordinary appropriation other than to the permanent fund. As a check on the legislature, the legislature may not take any item included in the Governor's budget and make it an extraordinary appropriation. These provisions make it difficult for either side to propose extraordinary appropriations unless an extraordinary situation exists.

Jay Hogan next appeared, attesting to provisions contained in the "Malone version" of spending limit legislation. Mr. Malone would apply the limit to all funds from whatever source. Based on discussion at the constitutional convention, framers of the constitution wrote the constitution in such a way that appropriations encompassed funds from all sources; there were no exclusions.

Senator Sturgulewski attested to philosophical questions relating to user fees, program receipts, federal funds, etc.

Co-chairman Dankworth attested to the need for further discussion but lack of time during the current meeting. Senator Sturgulewski asked that members submit "ideas or proposed language" for spending limitation legislature to her for committee consideration and review. She further requested that Jay Hogan begin to "build a figure" for committee consideration.

BOND AUTHORITY FOR AHFC AND AIDA

Co-chairman Dankworth inquired concerning status of bond appropriation legislation. Senator Sturgulewski requested that legislation be introduced by the Finance Committee, read across the Senate Secretary's desk and referred directly to Finance for prompt action. She explained that Alaska Housing Finance and Alaska Industrial Development Authority require that their bonding authority for the coming year be set by the legislature.

Legislation dealing with AHFC and AIDA appears to be headed for free conference. A bond sale by AHFC is proposed for the 11th. Authority for the bond offering is needed before the sale. Timely legislation setting the bond authorization is thus needed.

Senator Sturgulewski moved that the Finance Committee introduce legislation which would set bond limits for Alaska Housing Finance Corporation and Alaska Industrial Development Authority. No objection having been raised, appropriate legislation authored by the Finance Committee is to be introduced in the Senate.

ADJOURNMENT

The meeting was adjourned at approximately 10:05 a.m.

SFC-81, #62, Side 2 (639-end)

SFC-81, #63, Side 1 (000-710)

SENATE FINANCE COMMITTEE

June 9, 1981

8:50 a.m.

(Tape SFC 81, # 63, Side 2, 000 - 446)

CALL TO ORDER

Co-chairman Dankworth called the meeting to order at 8:50 a.m.

PRESENT

All members were present with the exception of Co-chairman Bennett and Sackett who were attending free conference on the budget, and Senator Stimson. Also in attendance were Tom Williams, Commissioner of Department of Revenue; Senator Mulcahy; and members from the press, Karin Davies and Patty Ginzburg.

SENATE BILL NO. 146 (STATE AFFAIRS)

Co-chairman Dankworth stated the first bill for consideration was SB 146 (SA) (An Act relating to veterans' burial allowances). Senator Eliason moved and asked unanimous consent that the bill 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 Dankworth and Senators Sturgulewski and Eliason signed "do pass", and Senator Ferguson signed "no recommendation".

SENATE BILL NO. 593

Co-chairman Dankworth stated the next bill for consideration was SB 593 (An Act relating to bonds issued by the Alaska Housing Finance Corporation and the Alaska Industrial Development Authority; and providing for an effective date) and stated that the bill was assigned to Senator Sturgulewski for the purpose of the discussion.

Senator Sturgulewski stated there was legislation dealing with Alaska Industrial Development Authority and Alaska Housing Finance Corporation that sets the ability to issue bonds in certain amounts. Although that legislation would probably eventually pass, there was some need to get it required by statute that the amount be set as there was a proposed bond sale by AHFC. She stated Commissioner Williams was present and requested that he briefly give the background on the legislation.

Commissioner Williams stated that the law requires that each year the legislature set an authorized level of bonds for the next fiscal year that may be issued by the Alaska Housing Finance Corporation and by the Alaska Industrial Development Authority. If there was no authorization set for FY 82 then no bonds could be issued after June 30. AIDA was in the process of making

commitments of over \$2 million per week. AIDA has cash flow it could commit to the financing of loans in anticipation that they would ultimately be financed with bond proceeds. Once the \$30 million they have available to commit has been fully committed, AIDA will have to discontinue making commitments unless they are assured they will have a bond program next year.

Senator Eliason asked where the original bill was at that time. Senator Sturgulewski responded that SB 404 was in the Senate Finance Committee at that time, which covers AIDA. A lot of work had been done on that bill and it had gone through the committee process. The House Finance Committee had HB 487 that they had done extensive work on. They had combined AHFC and AIDA and it was her understanding that they were putting HB 487 on SB 148 (already passed by the Senate) dealing with non-conforming housing. Then they will send it back to the Senate so it can go on to free conference. The concern was that although the legislation contains the appropriate wording, by the time free conference was resolved, it would be too late for Commissioner Williams. So SB 593 just dealt with that portion setting the bond limits. It was important that the legislation pass so that what was happening in AIDA and AHFC would not be disrupted.

Senator Eliason asked how much state subsidy was required to handle the \$592 million authorization in SB 593. Commissioner Williams stated it would be about \$250 million. He added that with the \$250 million, they could make \$250 million in loans, \$500 million additional loans with bond proceeds at taxable rates, and about \$100 million of loans at tax exempt rates under the Ulman bill. So, there would be close to \$850 million worth of loans financed for the \$250 million in state subsidy.

Discussion ensued on the subsidy issue. Senator Eliason was concerned that there were too many subsidy programs being passed, and that the subsidy rates were too high.

Senator Ferguson asked if either AIDA or AHFC in SB 593 could be deleted. Co-chairman Dankworth stated he did not think so. Commissioner Williams stated the subsidy was still coming from the federal government for the AIDA portion. That subsidy comes in the form that the interest is tax free on the bonds that are issued. The federal government has greatly limited the subsidy of tax free interest on housing bonds which is why AHFC needs the subsidy. But there was no state subsidy involved in the AIDA bonds.

Co-chairman Dankworth commented that the formula being worked on in the House was a "kind of a choking type mechanism" in that as the bond market goes up and down, it "cinches that up". He thought everyone shared the same concern that the program was out of hand in the sense that the legislature could not afford to keep it going. He thought that they had found a mechanism that might begin to "narrow that down" and if the market goes up and down fast enough, it could be "cinched" down to 3%. He thought

that was the only political solution he knew of since the program could not be abolished as it was at present.

Senator Sturgulewski moved and asked unanimous consent that SB 593 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 Dankworth and Senator Sturgulewski signed "do pass" and Senators Eliason and Ferguson signed "no recommendation".

SENATE BILL NO. 572

Co-chairman Dankworth stated the next bill for consideration was SB 572 (An Act making a continuing appropriation for general obligation bond debt service; and providing for an effective date). He stated that when the bonds had been taken out of the budget, this legislation was necessary so that the debt service would automatically be paid without going through the budget process. He stated it was a housekeeping measure.

Senator Sturgulewski stated it was also a major change in how the debt requirements are handled. It would now be a direct tap on the state treasury rather than going through the budget process.

Senator Sturgulewski moved and asked unanimous consent that SB 572 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 Dankworth and Senators Sturgulewski and Eliason signed "do pass" and Senator Ferguson signed "no recommendation".

SENATE JOINT RESOLUTION NO. 4

Co-chairman Dankworth stated that the committee could continue to take testimony on this legislation, (Proposing an amendment to the Constitution of the State of Alaska relating to limitations on appropriations of state money). He hoped that the committee would take action on it the following day. He stated that because of the differences between the House version and the Senate version, it should be moved on to a free conference committee as soon as possible. It was decided that the bill would be held over until the following day.

ADJOURNMENT

The meeting adjourned at 9:10 a.m.

(Tape SFC 81, # 63, Side 2, 000 - 446)

sf0610810845

SENATE FINANCE COMMITTEE

June 10, 1981

8:45 a.m.

SFC-81, #53, Side 2 (446-end)

SFC-81, #64, Side 1 (000-727)

CALL TO ORDER

Co-chairman Ed Dankworth convened the meeting at approximately 8:45 a.m.

PRESENT

All committee members were present with the exception of Co-chairman Bennett, Senator Sackett and Senator Stimson. Also attending were Jim Stey, Deputy Director of the Division of Budget and Management; Willis Kirkpatrick, Director, Division of Banking, Dept. of Commerce and Economic Development; Tom Bergstrom, Director, Division of Administration and Management, Dept. of Natural Resources; Hilton Wolfe, Staff Assistant to the Director of Parks, Dept. of Natural Resources; Russell H. Clark, Director, Division of Administration, Dept. of Fish & Game; Art Zillig, Director, Division of Employment Security, Dept. of Labor; Jacquelyn L. McClintock, Director, Division of Workers' Compensation, Dept. of Labor; and other interested parties listed on the attached attendance sheet.

SENATE BILL NO. 532

Co-chairman Dankworth moved that SB 532 (ACT MAKING A SPECIAL APPROPRIATION TO THE CITY OF FAIRBANKS FOR THE BOY SCOUTS OF AMERICA 1981 NATIONAL JAMBOREE) be brought on for consideration.

Senator Eliason asked if similar funding is available for the Girl Scouts. Co-chairman Dankworth advised that funding was available in the operating budget.

Senator Sturgulewski moved that the bill pass from committee with individual recommendations. No objection having been raised, SB 532 passed from Senate Finance--all members present signing do pass

CSHB 325 (L&C)

Co-chairman Dankworth next moved that CSHB 325 (L&C) (ACT RELATING TO ORDERS UNDER THE ALASKA SECURITIES ACT OF 1959) be brought on for consideration.

Senator Ferguson advised that Willis Kirkpatrick was present to testify concerning the legislation. The Senator further advised that he zeroed the fiscal note, eliminating the position requested by the department since the position is unnecessary at this time. He added that the bill relates to proxy solicitation.

Willis Kirkpatrick next appeared before committee explaining that through amendments to the Securities Act, Congress gave Alaska responsibility and jurisdiction over proxy matters concerning native corporations (jurisdiction was taken from the Securities and Exchange Commission and vested in the state). Under the pending legislation, the state would have remedy powers for violation of proxy solicitation standards. According to current statute, remedy must be effected through court action. The pending legislation makes proxy matters relating to native corporations "a little more efficient . . . and speedy and gives the Division of Banking and Securities the power to void proxies after due process . . . when found to be lacking or misleading."

Senator Ferguson moved that CSHB 325 (L&C) pass from committee with individual recommendations. No objection having been raised, CSHB 325 (L&C) passed from Senate Finance--all members present signing do pass.

Co-chairman Dankworth announced that a joint Senate/House Finance Committee meeting for confirmation hearings is scheduled for 9:00 a.m., Thursday, June 11, 1981.

CSHB 297 (FINANCE)

Co-chairman Dankworth next moved that CSHB 297 (Finance) (AN ACT MAKING APPROPRIATIONS TO THE DEPARTMENT OF LABOR) be brought on for discussion.

The Co-chairman advised that he questioned the need for the administration to come before Finance at a time when the committee has almost completed its budget and request \$5 to \$8 million in supplemental funding. He directed committee attention to the proposed SCS for CSHB 297 (Finance) (ACT MAKING VARIOUS APPROPRIATIONS), stressing the need to justify each requested item.

Jim Stey, Deputy Director of Budget and Management appeared on behalf of the administration. He advised that, at the beginning of the session, Budget and Management "broke out" supplementals by categorical areas and submitted the necessary legislation. At this time, the administration felt it might aid deliberation if it took not-yet-acted-upon supplementals and included them within an omnibus bill. The omnibus bill consists of supplementals submitted to the legislature in January or February which have been stopped in committee. In passing the omnibus bill the legislature would have to act upon only one piece of legislation rather than seven or eight.

Co-chairman Dankworth advised that the foregoing procedure is not "embraced with a great deal of love" so late in the session. He then asked that the committee begin a section by section review.

Section 1 - \$64,500 to Dept. of Labor

This supplemental request was contained in the original version of HB 297. Funding would provide for development of new Workmen's Compensation regulations as well as a hearing officer to assist with the hearing backlog. Funding for these purposes was not included in the FY 81 or 82 budgets.

Senator Sturgulewski raised questions concerning the effect of HB 94 upon the SCS for CSHB 297. Jackie McClinton appeared before committee advising that Section 1 requests a supplemental appropriation--\$24,500 of which would be allocated to the writing regulations and \$40,000 of which would fund additional hearing officers to alleviate the hearing backlog. No regulations have been written since 1959 even though there have been considerable amendments to the act. The department has experienced an increase in litigation due to lack of regulations, and two supreme court cases (1974 and 1976) specifically address the board's need to promulgate regulations. Responding to a question from Co-chairman Dankworth suggesting that the department has known for some time it needed new regulations, Mrs. McClintock agreed, advising that due to excessive workload within the Division, the regulations were never developed. When asked by Co-chairman Dankworth why funding for the regulations was not included in the FY 82 budget, Mrs. McClintock responded, "it was just a one time shot." Funding was not requested in the Department submission to Budget & Management for FY 82, but it was included in a supplemental request submitted to the legislature in April.

Senator Sturgulewski asked if the Division needs HB 94 as well. Mrs. McClintock responded that it is "absolutely critical." By way of explanation, she advised that the legislative task force appointed to look into Workmen's Compensation problems specifically recommended adoption of regulations. The self-insured program represents an area of major concern. Legislation pertaining to it was included in House Bill 159 and SB 179 which have died, while HB 94 remains pending. Senator Sturgulewski requested that the committee consider HB 94 as soon as possible. Jackie McClintock stated that HB 94 represents an agreement between labor and management on amendments to the act addressed by the legislative task force and is considered to be emergency legislation.

When Co-chairman Dankworth spoke again to the last-minute nature of requested regulation funding, Jackie McClintock explained that a portion of the tardiness results from the fact that last year the Division knew the legislative task force would be appointed, but it did not know what kind of recommendations would "come out of" task force review. Time was needed to review recommendations in order to prepare a bill for the legislature.

Sections 2 & 3 - \$248,000 and \$237,000 to Dept. of Labor

Both supplemental requests were included in HB 297. Mr. Art Zillig appeared before committee advising that supplemental requests would defray costs associated with implementing March

1980 amendments to unemployment laws. When implementing the new law, the Department conducted a cost analysis to determine the most efficient method of doing so. Cost analysis revealed it would be more cost effective to develop a new system through the state's central system rather than operate under the Dept. of Labor's old system. The Dept. had an extremely tight time frame within which to accomplish implementation and contracted with a firm to develop a software package. It was later determined that the state's central system could not handle Dept. of Labor programs. It was thus necessary to acquire a computer to implement the law. The department has been unsuccessful in its attempts to gain reimbursement for implementation costs from the federal government. Appeal was made through Senator Stevens to the Secretary of Labor who also turned down the request.

When asked why funding was not included in the Dept.'s budget request, Mr. Zillig responded that funding was requested in the FY 81 budget through restricted federal funds. The Department did not get the federal funds and is requesting state money to offset the shortfall. He further requested that the effective date on the appropriations (Secs. 2 and 3) be changed from June 30 to September 30 in order to coincide with the federal fiscal year.

Sec. 4, \$228,900 - University of Alaska

Jim Stey advised that requested funding for sewage disposal costs to the College Utilities Corporation formerly appeared in HB 298 (Sec. 1). The need for funding results from a situation wherein disposal costs were simply greater than anticipated.

Sec. 5, \$175,200 - University of Alaska

Jim Stey stated that requested funding is needed to meet salary obligations under recently-negotiated community college teachers' contracts. The administration also has a budget amendment for \$982,000 which represents benefit payments for FY 82. The \$175,000 supplemental is requested for FY 81.

Sec. 6, \$384,000 University of Alaska

The administration did not submit the above funding request for correcting deficiencies in structures at the agricultural experiment station research farm in Fairbanks. This project was requested by the University, disallowed by Budget & Management, and later added by Senator Bennett.

Sec. 7, \$45,000 - Dept. of Natural Resources

Jim Stey advised that the above represents the FY 81 impact of D-2. The administration originally requested over \$800,000, but as the session advanced, funding was reduced to \$300,000. Now, the administration feels that only \$45,000 will be needed for FY 81.

Sec. 8, \$100,000 - Dept. of Fish & Game

Co-chairman Dankworth advised he foresaw no problems with the above funding which would reimburse the Office of the Governor for money spent on emergency construction of the Tsirku River crib dam.

Sec. 9, \$541,500 - Dept. of Natural Resources

Jim Stey advised that the above item represents a late-received general supplemental for over-expenditures in several categorical areas. Budget and Management analyzed the request and prepared a report on areas of expenditure for submission to the legislature. Action has not been taken on this funding although it was submitted for inclusion in CS for SB 267. Senator Eliason stated that funding is included within a CS prepared by Resources. He attested to concern that efforts are being duplicated when the legislature researches and prepares committee substitutes including requested funding while Budget and Management exerts identical effort in preparing its omnibus bill.

Co-chairman Dankworth attested to concern when departments appear to have overspent almost \$1 million, suggesting that Commissioners responsible for such excesses "stand confirmation each year."

Tom Bergstrom appeared before committee explaining that requested funding will "ameliorate the sins that the Dept. of Natural Resources committed in the past." He stated that two years ago, when the Division of Administration was created within the Department, he reviewed past audit reports. The reports did not speak to over-expenditures but pointed to "a number of faulty management practices." Chief among these was the commingling of operating and continuing accounts and the commingling of various kinds of funding which concealed over-expenditures. Over-expenditures were discovered in January of this year. Until that time, accounts within the department were structured in such a way that over-expenditures were not obvious; it was not apparent that funding problems existed. The department was subject to a number of audits, none of which pointed up funding problems. The department has now totally revised its operating code, removed all continuing accounts from operating appropriations, and imposed over and under expenditure controls so that funding problems will immediately become obvious to central management and individual program managers. Program managers who had received federal funds but not collected them, or who had received RSA's and not collected them, were disciplined, demoted, or dismissed. The difficulties the department experienced in the past have been alleviated.

Senator Sturgulewski attested to over-expenditures which have been highlighted by Legislative Budget & Audit audits in federally funded programs such as Youth Conservation, advising that the committee will continue to watch for such problem areas. Mr. Bergstrom advised that the department has now placed a restriction on federal funds and only amounts actually received will be spent.

Co-chairman Dankworth stated his displeasure with departments which increase their yearly budgets and then request funding "on top of that" to cover over-expenditures from previous years. Mr. Bergstrom responded that through tight controls the department has assured that it will lapse in excess of the supplemental request.

Sec. 10, \$125,000 - Dept. of Natural Resources

Mr. Bergstrom advised that the need for contractual services to complete development of the computer program results from increased land transactions and mining claims. The data processing center in Anchorage assured the department there would be ample opportunity to develop the department's program for FY 81. This was not to be the case due to building problems, equipment delivery and programming problems associated with the Department of Administration. The Dept. of Natural Resources sought to contract with Boeing Computer Services to supply the hardware capability for processing of mining claims and land transactions.

Sec. 11, \$70,600 - Dept. of Natural Resources

Mr. Hilton Wolfe spoke to the need for shortfall funding for the Historic Resources Management program, advising that the federal government originally advised that the state would receive \$392,000 for this program. The federal government later, in February, stated that the above funding was "frozen." The department then submitted a request to Budget & Management identifying the problem and requesting \$190,000 for operating expenses. Since then, the feds have restored \$48,000 in frozen funds. The department is also able to use FY 81 funding from a special appropriation for federal shortfalls. The remaining shortfall of \$70,600 is needed to "take care" of operating expenses for the FY 81 budget.

When questioned by Co-chairman Dankworth as to why the department did not stop operations when the federal funds were frozen, Mr. Wolfe responded that by that time the program was already over-expended, having spent more than half of the 50/50 match. Co-chairman Dankworth stressed need for programs to stop or slow down when funding is not immediately forthcoming or exhausted. Mr. Wolfe advised that while the department did not stop the program, it did curtail spending, and the actual amount of expenditure for the BRU will be less than the FCC appropriation. He further advised of uncertainty concerning the magnitude of the problem resulting from federal restriction and partial restoration of funds.

Sec. 12, \$37,700 - Dept. of Fish & Game

Jim Stey advised that additional funding is required to cover travel and per diem expenses of the Board of Fisheries since the December regulatory meeting lasted longer than expected. Budget & Management earlier submitted a request for \$25,000. The

present \$37,700 request represents an increase over the original \$25,000, resulting from later information indicating costs to be higher than anticipated.

Senator Eliason advised that relative to SB 267, he received correspondence from the department stating that the \$25,000 could be absorbed within the department budget. Russell Clark appeared on behalf of the department advising that the original anticipated over-expenditure as of March was \$37,700. The department hoped that it could effect expenditure limitations and reductions in the program to cover the additional 22 days of hearings. Unfortunately, as of yesterday, it appears that department efforts (such as freezing travel and not replacing staff) will not produce the needed funding.

Sec. 13, \$49,700 - Dept. of Fish & Game

Russell Clark advised that funding would cover costs of the Division of Commercial Fisheries program mandated by the Board of Fisheries, involving Cook Inlet and the Tanana River. Total cost of the program for FY 81 and 82 is in excess of \$360,000. The department intends to adjust its budget to cover that portion above this amount. Senator Sturgulewski attested to problems resulting from regulatory boards which mandate action by a department when the department has no opportunity to request funding for the mandated action in its budget.

Sec. 14, \$211,000 - Dept. of Public Safety

Jim Stey advised that Budget & Management earlier requested funding for wildlife protection activities in Bristol Bay in SB 323, asking for \$270,000. The legislature changed SB 323, making it legislative funding for the Capital Development Corporation, and Public Safety funding "got lost in the process." Budget and Management has since revised its request for FY 82 funding from \$270,000 down to \$21,000. Both Co-chairman Dankworth and Senator Sturgulewski expressed strong support for the program.

Sec. 15, \$600,000 - Dept. of Labor

Senator Sturgulewski advised that the above request represents an item the Legislature must take "100% credit for." When Co-chairman Dankworth asked if the \$600,000 for current and future obligations of the second injury fund during FY 81 is "a must," Jackie McClintock responded, "yes sir." She added that the department introduced legislation last year which didn't pass, and has again introduced legislation in HB 94. While legislation has gone through four drafts and remains pending, the program has experienced a deficit of \$600,000.

Sec. 16, \$57,200 - Human Rights Commission

Jim Stey advised that the administration originally submitted the request for additional operating expenses in SB 309. Senator Stimson later introduced legislation (SB 362) requesting a total

of \$93,000. The administration, after reviewing the commission's request, felt that the additional \$35,000 was not necessary. The \$57,200 would purchase new lease space for FY 81. The commission was originally in an old building. The roof caved in and the commission had to vacate. New quarters necessitated additional lease costs. Co-chairman Dankworth requested backup on the request.

Responding to a question from Senator Sturgulewski regarding the \$35,000 difference between Budget & Management's request and funding requested in Senator Stimson's legislation, Jim Stey advised that the difference represents funding requested to offset reduced federal funds resulting from a low caseload level (the federal government funds on a caseload basis).

Co-chairman Dankworth advised that discussion of supplemental requests would continue at 1:30 in the afternoon.

ADJOURNMENT

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

SFC-81, #63, Side 2 (446-end)
SFC-81, #64, Side 1 (000-727)

SFC. 6/10/81

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

NAME	TITLE	AGENCY
HB 325		
Willis F. Kirkpatrick	Director	Banking & Securities
ART Zillig	DIRECTOR	EMPLOYMENT SECURITY DIV.
Lee Balby	Dep. Director	✓ ✓ ✓
TOM FERGSTROM	DIRECTOR	DNR
HARRY AASE	ADMIN OFF	DNR
HILTON WOLFE	STAFF ASSISTANT	DNR - PARKS
RUSS CLARK	Director	FISH & GAME
Richard Rogers	Director	LAW
William Cummings	Assistant Attorney General	LAW
TOM KOESTER	ASST A.G.	LAW
Sam Turbett	Asst. Dir.	Public Works
Paul Troch	Rev. H. Ex	Rev.
Richard Smith	Dpt. Comm	Admin
Judy Gondahl	Director	admin
Mike Clemens	Deputy Director	Public Safety
Jackie McClintock	Director	Workers' Compensation
Paul House	administration	Division Second Injury Fund

SENATE FINANCE COMMITTEE

June 10, 1981

1:55 p.m.

(Tape SFC 81, # 64, Side 1, 728 - end)

(Tape SFC 81, # 64, Side 2, 000 - 772)

CALL TO ORDER

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

PRESENT

All members of the committee were present with the exception of Co-chairman Bennett (who arrived at 2:35 p.m.) and Senators Sackett and Stimson. Also in attendance were Jim Stey of the Division of Budget and Management; Judy Crondahl, Director of Administrative Services in Department of Administration; Anselm Staack, Treasury Comptroller of Department of Revenue; Richard Pegues, Administrative Officer in Department of Law; Jackie McClintock, Director of Worker's Compensation in Department of Labor; Mike Clemmens, Deputy Director of Administrative Services in Department of Public Safety; Tom Koester, Assistant Attorney General; William Cummings, Assistant Attorney General; and a member of the press, Joe LaRocca.

SENATE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 297 (FINANCE)

Co-chairman Dankworth stated the committee would continue with consideration of SCSCSHB 297 (Finance) (An Act making various appropriations; and providing for an effective date) and referred the committee to Section 17 of the work draft.

SECTION 17 - \$89,800 appropriated from the General Fund to the Department of Administration, public defender agency, to pay additional FY 81 travel, contractual services, and commodities costs. Co-chairman Dankworth requested that Jim Stey from Budget and Management speak on the \$89,800. Mr. Stey stated these were costs as a result of over-expenditures in those areas in the performance of their duties. He distributed some back-up material to the members, and stated that this material had been submitted earlier when the request for the \$89,800 was in SB 309. Co-chairman Dankworth asked what the balance was at present in the various line items in the Public Defender Agency. Judy Crondahl, Director of Administrative Services in the Department of Administration came forward and stated the balance as of June 4 in the total Public Defender Agency (including the 4 districts plus the Administration and Support Component) of \$74,500, which includes \$44,900 which was in advance of this supplemental from the Governor's Contingency Fund. If the debts were paid, there would only be about \$30,000 in the agency to cover all line items other than Personal Services. Co-chairman Dankworth asked why

the Public Defender Agency continued to spend and borrow money when the Legislature had appropriated a specific amount for the year. Ms. Crondahl responded that the Public Defender Agency was required to give legal services to indigents who are charged in criminal cases. As a perspective, she stated that the PD Agency received a supplemental of \$84,000 in FY 80; at that time it was under the administration of the Governor's Office. The PD Agency came into the Department of Administration on July 1, 1980. Last year's supplemental was a case of underfunding and that underfunding was not corrected when the budget was submitted for FY 81. The FY 81 budget was prepared by the Governor's Office, not the Department of Administration. The Department of Administration had taken steps through a budget amendment to correct the deficiency in the FY 82 budget. Co-chairman Dankworth did not think her answer sufficient justification. He stated "I don't care if the indigents don't get represented, if they don't have the money. It's not incumbent on someone to go out and see the need and do it when they don't have the money." Co-chairman Dankworth asked Ms. Crondahl if the money was necessary and she responded "yes".

SECTION 18 - Co-chairman Dankworth stated this was another similar issue, and moved on to Section 19.

SECTION 19 - The sum of \$767,700 is appropriated from the general fund to the Department of Public Safety to pay various FY 81 program and contract costs. Mr. Mike Clemmens, Deputy Director of Administrative Services for the Department of Public Safety listed the following items included in the request:

1. The Department of Public Safety contracts with cities to house state prisoners. Because this arrangement has been gradually developing, there have been a couple of situations where the cities have raised questions about the department's responsibility to pay. \$103.4 of the above amount represents this year's contracts with the cities of Unalaska and Homer. The department was planning to resolve these two issues in the FY 82 budget by having them funded as a regular appropriation to the Department of Health and Social Services Corrections Division, and the Department of Public Safety for the Homer contract.
2. An item for \$150,000 represented needs for travel in the Judicial Services Budget. Troopers transport prisoners for the courts, and the travel funds are short. More money has been requested for next year. The present balance was negative and the department projected \$150,000 would be needed to make it through the year.
3. \$150,000 was being requested for the Detachment budget to allow an out-of-court settlement involving the Cruikshank Building in Fairbanks. Basically, changes were made to the building without authorization and the building owner was raising legal issues about the department's role in the matter. The Department has been negotiating through the

Attorney General's Office and they are about to reach a settlement, but that cannot be done without funds. Co-chairman Dankworth stated he was reluctant to appropriate the funds until after the Attorney General had arrived at a settlement.

BEGIN NEW SIDE, SFC 81, # 64, Side 2 (000 - 772)

4. \$229,300 was being requested for Search and Rescue for the Trooper budget. There was one major search involving Martin Olsen and several other search and rescue activities which have gone beyond the \$60.0 previously budgeted. The Bureau of Vehicle Enforcement enforces overweight laws and is funded this year from general fund and program receipts. In next years budget the Governor has approved 100% general funding, but this year they were dealing partially with program receipts collected from the overweight/overwidth permit fees. So if not enough money was collected in this way, the budget would be short. It has been a continual problem in the past, and this year there is a \$85.0 need.
5. Narcotics budget request. Co-chairman Dankworth asked him to skip that portion as he understood the situation already.

Mr. Clemmens stated that excluding the fifth item above, the total was \$760,700. He then went on to other sections dealing with requests from the Department of Public Safety.

SECTION 20 - The sum of \$30,000 is appropriated from the general fund to the Department of Public Safety for completion of the Dillingham jail renovation. Mr. Clemmens stated this had been part of the original SB 309. He stated that this request could be withdrawn from consideration as the department's plans have changed for Dillingham. They had been preparing preliminary designs to renovate the facility there but have since discovered that the planned renovations will not "do the job", and now the city of Dillingham will be providing the facility.

SECTION 21 - The sum of \$68,000 is appropriated from the general fund to the Department of Public Safety for FY 80 contract jail costs for Unalaska. Mr. Clemmens stated that the city of Unalaska, after consulting their lawyers, has determined that the number of state prisoners charged there warrants some reimbursement from the state. A tentative formula has been settled and has been addressed in the future budgets, though there is the need for this year for \$68,000.

SECTION 22 - The sum of \$70,000 is appropriated from the general fund to the Department of Transportation for legal fees related to the CH2M Hill Corporation law suit regarding Russell Creek Hatchery. Mr. Stey from the Division of Budget and Management stated that the Department of Fish and Game had an appropriation to build a fish hatchery at Russell Creek in the Aleutians. They contracted DOTPF to build it, and in turn DOTPF contracted with a private contractor to build the hatchery. The hatchery was built

for the most part, and then it was discovered that there were some design flaws in the construction of the system and now DOTPF is suing the contractor to get them to improve the system. The \$70,000 is the money DOTPF will pay to the Department of Law to continue to fight this legal case to the end of this year and throughout next year. Then in the FY 83 budget there will be an appropriation for the Russell Creek Hatchery. Co-chairman Dankworth was concerned that the Department of Law had to hire another full-time lawyer everytime a lawsuit came up. Mr. William Cummings, Assistant Attorney General for Transportation came forward and stated that he thought the committee should look very closely at the Russell Creek Hatchery claims against the designer. The State is alledging engineering malpractice - the engineer did not exercise reasonable care when he designed the facility. There were some major flaws such as not paying attention to the flooding cycles, etc., and the facility simply did not work. Damages WERE alledged somewhere in the neighborhood of \$5 million. So this should be considered major, complex litigation - there were thousands of documents to be analyzed and considered and it would probably take as much as three to four years to get the case ready to go to trial. The \$70.0 was what the Department of Law would need to get through the rest of this year. The Department of Law would receive the money and there were also contract lawyers on the case. Senator Eliason asked who would determine whether or not contract lawyers would be involved. Mr. Cummings stated it would depend on what was involved, what expertise was available in the department when the suit was filed, and how time-consuming and complicated the case would be.

SECTION 23 - The sum of \$1,152,300 is appropriated from the general fund to the Department of Law, civil division, to pay miscellaneous judgments against the state. Mr. Stey from Budget and Management distributed some back-up material. He said the request was originally submitted in February for \$956,000. Between then and now, the figure has increased to \$1,152,300. He stated Mr. Tom Koester, Assistant Attorney General from the Department of Law was present to discuss the various cases involved in the supplemental request. Co-chairman Dankworth asked Mr. Koester about the Hidden Falls Hatchery case in this request. Mr. Koester stated that perhaps this case could be viewed as being on the "opposite side of the coin" from the Russell Creek Hatchery case. In the Hidden Falls project, there did appear to be some deficiencies in the specifications for the project. As a result, when the contractor went on the site, he was unable to construct the project precisely as designed. He was forced to waste six weeks trying to set up a land based construction camp. The site did not permit that and as a result he had to retreat to Sitka and bring in a floating construction camp site, then as a result he sued the State of Alaska alledging contract claims in excess of \$2.5 million. After looking at his claims and reviewing the plans and specifications as well as the actual conditions on the site, the State concluded there was merit to some of his claims. This was a negotiated settlement

between the DOTPF and the contractor that has now been judicially sanctioned for \$881.4.

Co-chairman Dankworth asked if there was a list of firms the Department of Law has contracted with for services; Mr. Koester said he could supply that information and present it to the Senate Finance Committee at a later time. Co-chairman Dankworth also requested a list of all cases settled out of court and for what amount. Senator Sturgulewski asked that the lists include the standards the Department of Law uses for retaining firms outside the Department of Law.

Discussion ensued on how various suits involving State departments are dealt with through the Department of Law which in turn receives funding from some source and at times contracts with outside firms. Mr. Koester stated it would be quite difficult to collect all the out-of-court-settlements into one list and explained why.

Senator Eliason questioned the total supplemental request amount. Mr. Koester stated the May 13 letter included an additional amount of \$110.0 which was entered in the Superior Court in the first week of May, so it could not have been picked up in the February 23 letter requesting \$956.0. The other request figure of \$77.0 was a result of eight additional judgements that came in after the May 13 request.

Co-chairman Dankworth reiterated his concerns with the various state departments not living within their means, and then approaching the Legislature for supplemental funding at the end of the session. He stated that next session he was going to take more stringent action on this practice. Senator Sturgulewski suggested placing Legislative Intent in the budget that would request the Administration bring justification for all amendments requested after the budget submission, along with a statement as to why the request had not been previously anticipated.

Mr. Stey from the Division of Budget and Management pointed to material on the debt service carry-on package he had distributed for another \$3 million.

Senator Sturgulewski asked Co-chairman Dankworth if he was aware of the request from the University of Alaska for \$982,500. He responded that that request had not been brought up as yet though the back-up was in the file. Senator Sturgulewski stated the UA request had come from HB 298. Mr. Stey stated this was a budget amendment for FY 82 for \$982,500 from general funds for community college contracts statewide. The administration had submitted this as a budget amendment to be included in the current budget bill now before free conference. It had been decided not to include that amendment in the budget, so instead of letting it "drop through the cracks" it was suggested that it be incorporated in this bill. Co-chairman Dankworth stated he would not do that. Mr. Stey stated that it had been submitted on February 23 and Co-chairman Dankworth responded that he had not

seen this budget amendment request until this time. He stated that if the free conference on the budget didn't want to put it in the budget, he did not want to place it in this bill until he had talked with them.

Co-chairman Dankworth next brought up the \$3,465.0 request from the general fund for supplemental appropriation to the state bonding program. Originally, it was thought there was a need for about \$16,250.0, but it "ended up" that they needed \$19 million to avoid the default on the Alaska bond holders. Mr. Stey agreed with Co-chairman Dankworth that there was not much choice in this matter. Co-chairman Dankworth stated he would probably include that in the bill.

Senator Sturgulewski asked Co-chairman Dankworth when the bill would be brought up again. He responded that he would bring it up again the following day if he felt that all the necessary requests had been included. At that time, the bill was returned to the file.

COMMITTEE SUBSTITUTE FOR SENATE JOINT RESOLUTION NO. 4 (FINANCE)

Co-chairman Dankworth stated the next bill for consideration was CSSJR 4 (Finance) (Proposing an amendment to the Constitution of the State of Alaska relating to limitations on appropriations of state money). He stated at this time it was best place for this legislation at this time was in a free conference committee, adding that though more consideration would be given to it, the late date mandated that it go on its way through the legislative process. He said this was the best version he had seen so far, but that hearings should not be continued on this level.

Senator Sturgulewski, who had worked extensively on this legislation, commented that it had been a fascinating exploration for her. She said it was extremely complex and was an area where the Legislature could "if you want to, really pull the wool over the voters' eyes". It could be approached from many angles, and if the Legislature assumes that people really want to limit the state expenditures, there would have to be a "darn tough" amendment. There had been a debate as to whether it should be simple and general, with specific information drawn up by statute later on such as was done with the Permanent Fund. It took the Legislature about 5 years to get that kind of a framework set out, and by then the state budget would be "out of sight". So, the amendment proposed in CSSJR 4 was a tough one; she realized it would have to go to free conference to be settled and worked out with the Governor.

Senator Sturgulewski moved and asked unanimous consent that CSSJR 4 (Finance) be passed from committee with individual recommendations. There being no objection, it was so ordered and the committee report was signed as follows: Co-chairmen Dankworth and Bennett, and Senators Sturgulewski, Eliason, and Ferguson signed "do pass".

ADJOURNMENT

The meeting adjourned at 3:00 p.m.

(Tape SFC 81, # 64, Side 1, 728 - end)
(Tape SFC 81, # 64, Side 2, 000 - 772)

SENATE FINANCE COMMITTEE
June 11, 1981
9:05 a.m.

SFC-81, #65, Side 1 (000-380)

CALL TO ORDER

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

PRESENT

All committee members were present with the exception of Senator Stimson. Also attending were Senate President Jalmar Kerttula; Senator Bettye Fahrenkamp; Representative Sam Cotten; Representative Brian Rogers; Commissioner of Commerce and Economic Development Charles Webber; Director of Tourism Don Dickey; and representatives from the press including Joe LaRocca.

BILL ASSIGNMENTS

Co-chairman Bennett made the following bill assignments:

SR 11 - Sturgulewski
SJR 20 - Sturgulewski
SCR 21 - Dankworth
SJR 39 - Stimson
SB 249 - Sturgulewski
SB 250 - Ferguson
SB 291 - Eliason
SB 304 - Ferguson
SB 305 - Ferguson
SB 318 - Stimson
SB 370 - Sackett
SB 401 - Sturgulewski
SB 486 - Ferguson
SB 514 - Eliason
SB 517 - Eliason
SB 518 - Eliason
SB 552 - Eliason
SB 558 - Bennett
HB 6 - Ferguson
HB 28 - Sackett
HB 29 - Sackett
HB 43 - Eliason
HB 83 - Eliason
HB 91 - Eliason
HB 92 - Ferguson
HB 94 - Stimson
HB 130 - Ferguson
HB 131 - Sturgulewski
HB 148 - Bennett
HB 174 - Sturgulewski

HB 176 - Strugulewski
 HB 188 - Eliason
 HB 196 - Sturgulewski
 HB 198 - Sackett
 HB 201 - Dankworth
 HB 216 - Sackett
 HB 279 - Stimson
 HB 330 - Sackett
 HB 334 - Sturgulewski
 HB 348 - Bennett
 HB 413 - Sturgulewski
 HB 453 - Sackett
 HB 489 - Bennett
 HB 502 - Sackett
 HB 503 - Sackett
 HB 507 - Sturgulewski
 HB 508 - Sturgulewski
 HB 509 - Sackett
 HB 514 - Eliason
 HB 535 - Sackett

DON DICKEY, DIRECTOR OF TOURISM

Co-chairman Bennett requested that Mr. Dickey, the newly appointed or soon-to-be appointed Director of Tourism appear before committee. The Co-chairman expressed his desire to see Alaska's number two industry, tourism, and state investment of approximately \$11 million in that industry, in capable hands.

Mr. Dickey thanked the committee for taking time to talk with him during the waning days of the session, advising that he would be happy to share his three days' of experience with committee members.

Senate President Kerttula advised that he had heard that prior to accepting his present position, Mr. Dickey had lobbied in support of inclusion of publication costs for a consumer magazine as a special addition to the budget. Mr. Dickey advised that he was not involved in the movement and knew nothing of it.

Responding to further question concerning \$2 million added to the tourism budget for T.V. programming, Mr. Dickey advised of his understanding that the Division of Tourism is exploring the possibility of extending advertising from the printed media to selected television markets.

Senate President Kerttula next asked Mr. Dickey if he had several years ago "stolen" the minority leader's secretary. Mr. Dickey responded that while he might have been guilty of theft in that instance, over the years the reverse had happened, he had, in fact, lost staff to the state and legislature.

Attesting to the fact that last year's tourism budget was \$3.3 million while this year the Senate is proposing \$11 million, Representative Cotten questioned Mr. Dickey's former opposition

to government growth and support for a cap on state spending and a constitutional limit on government spending, asking if Mr. Dickey could support a move to increase the tourism budget more than 100%. Mr. Dickey responded, "I've had a whole new insight into state government--in three days." He added that his former employer, The Alaska State Chamber of Commerce, was merely suggesting streamlining government not abolishing it. He stressed the fact that funds should certainly remain for his job and others like it.

Mr. Dickey advised that upon assuming his new position he had called "an impressive first-day conference" in order to meet, mix with his staff, and talk about direction for the division. He stated that he was surprised and pleased by the "small, lean and productive staff." He added that he wished to be judged not by the size of the "desk . . . or bodies employed, but by the product."

Responding to a question from Representative Cotten concerning the division's travel budget and the amount of time Mr. Dickey expected to spend "touring around," Mr. Dickey responded, "Someone facetiously suggested they've already seen me in the office more than some of my predecessors." He added that he had no major plans at the present time other than to acquaint himself with his duties within the state, and planned no major trips unless dictated by the program.

When asked by Senate President Kerttula where he stands on the capitol move, Mr. Dickey responded that he would go wherever the capitol is, if invited.

In response to a question from Co-chairman Bennett concerning whether Mr. Dickey could handle the philosophical transition from free enterprise to bureaucracy, Mr. Dickey stated that in past moments of anger when referring to "bloated bureaucrats" he had not really know what the term meant until Monday morning when he looked at himself in the mirror and saw it clearly.

In closing the meeting Co-chairman Bennett thanked Mr. Dickey for appearing before committee, advising that the meeting was conducted with tongue-in-cheek. He extended to Mr. Dickey the sincere best wishes of the committee, adding that if the legislature could be of assistance to the new director, he should feel free to call upon any member. Mr. Dickey suggest that the committee "just keep working on the budget." In parting he thanked the committee for its "interest and manners," and offered for committee review material (copy attached) dealing with the North Slope Haul Road, advising that reprints would be available at Tok, Haines, Fairbanks, and Anchorage. He further advised of correspondence written in praise of the division publication "Worlds of Alaska."

Responding to a final question from Representative Rogers asking if the Haul Road reprint would bear the correct name of the road--the Dalton Highway--Mr. Dickey answered "I sure hope so--

that ruined my morning." Co-chairman Bennett advised he was sure Mr. Dickey would be looking into the matter "before the sun goes down." Mr. Dickey again thanked the committee, advising that he hoped he would justify committee support and confidence.

ADJOURNMENT

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

SFC-81, #65, Side 1 (000-380)

Alaska State Legislature

SENATOR
DON BENNETT
P.O. BOX 2801
AIRBANKS, ALASKA 99707



Senate

LEGISLATIVE ADDRESS
POUCH V - STATE CAPITOL
JUNEAU, ALASKA 99811

June 4, 1981

Mr. Don Dickey, Director
Division of Tourism
Pouch E
Juneau, Alaska 99811

Dear Mr. Dickey:

Although we, the undersigned, realize that all new appointments to the Division of Tourism in the Department of Commerce and Economic Development are not subject to legislative confirmation, some have grave doubts as to the suitability of your appointment and your qualifications for the job.

Although it is true you have spent many years with the Alaska State Chamber of Commerce, exactly what bearing does that have upon your capability to serve as Director of the Division of Tourism?

Several members of the Senate and House Finance Committees have requested us to hold a public hearing on your appointment. It will be held at 9:00 am in the Senate Finance Committee Chambers on Thursday, June 11, 1981, and we would appreciate your being there promptly, prepared to discuss in detail your alleged qualifications for the position and the direction the division might take under your leadership.

Also, it has come to our attention when you were active on behalf of private enterprise that you consistently ridiculed the bloated bureaucracy. Can you explain to our satisfaction the reason for your sudden change of heart?

Very truly yours,

Handwritten signature of Don Bennett.

SENATOR DON BENNETT
Co-Chairman
Senate Finance Committee

Handwritten signature of Sam Cotten.

REPRESENTATIVE SAM COTTEN
Chairman
House Finance Committee

Handwritten signature of Ed Dankworth.

SENATOR ED DANKWORTH
Co-Chairman
Senate Finance Committee

-cc: The Honorable Jay S. Hammond

Commissioner Charles R. Webber

SDB/ef

-764-

6/11/81

NORTH SLOPE HAUL ROAD

Milepost 73.5
Elliott Highway, 416 Miles
to Prudhoe Bay

By William J. Robertson
Chief, Public Affairs, Bureau of Land
Management, Fairbanks District

Editor's note: The Bureau of Land Management has provided ALASKA® magazine with this log of the Haul Road (officially designated the Dalton Highway) as a supplement to The MILEPOST® and as a public service. We join with the author in cautioning you to use care when traveling the road. The Haul Road is unique in its scenic beauty, wildlife and recreational opportunities. But it is also the most heavily traveled of all gravel-surfaced highways in Alaska. Industrial and commercial use of the road exceeds 2,000 vehicles per month in the summer.

Additional information about the Haul Road is available from the BLM, P.O. Box 1150, Fairbanks, 99707; the Department of Transportation and Public Facilities, 2301 Peger Road, Fairbanks, 99701; and from the Alaska State Troopers, P.O. Box 6188 Annex, Anchorage, 99502.

The Haul Road, Alaska's newest all-weather highway, extends north 416 miles from **Milepost 73.5** on the Elliott Highway. The road winds its way from Alaska's heartland through the rugged Brooks Range to the vast open spaces of the North Slope. At its terminus lies the huge Prudhoe Bay oil field and the Arctic Ocean. This gravel-surfaced highway provides the only road access north of the Arctic Circle in Alaska.

Construction of the highway was begun April 29, 1974, to provide access for construction of the trans-Alaska oil pipeline. After the pipeline was completed in 1978, responsibility for the highway was turned over to the State of Alaska.

The road, 28 feet wide and varying in depth from 3 to 6 feet, required 25 million cubic yards of gravel. In permafrost (permanently frozen soils) the gravel is often underlain by thick sheets of plastic foam insulation to prevent thawing and subsequent breakdown of the highway. This also permitted the use of less gravel, a scarce commodity in many areas.

Although the Haul Road is solely a state-owned and state-maintained highway, the road passes through



The Yukon River bridge and checkpoint at Milepost J 56. Until this year, all traffic north of here was by permit only. The road is now open to the public north to Dietrich between June 1 and September 1. (Sharon Paul, The MILEPOST®)

land with a variety of owners — mostly federal. The largest portion of land managed by the BLM is a strip called the Utility Corridor. This land was withdrawn by Public Land Order 5150 in 1971 to provide for transportation, transmission lines, and pipelines. The corridor, 12 to 24 miles wide, extends from Washington Creek on the Elliott Highway to Pump Station No. 2 on the North Slope. The remaining 60 miles north of the corridor are state-owned lands. Adjacent

summer, the Haul Road from the Yukon River to Dietrich Camp will be open to the public from June 1 to September 1 each year. During other months and north of Dietrich, travel is limited to holders of permits issued only to industrial and commercial users and to residents of the area. (Permits may be obtained from the Alaska Department of Transportation and Public Facilities, 2301 Peger Road, Fairbanks, 99701.)

Industrial use of the Haul Road is extremely heavy, with large tractor-trailers traveling at high speeds. Clouds of dust are a particular hazard causing poor visibility. Use of headlights is advised at all times. Protect your headlights and windshields from flying rocks with wire screen shields. Fueling stops are far between. Fuel, tire repairs and limited food services are available only at the Yukon Crossing. Gas may cost \$2 per gallon, a tire repair, \$15; it is \$45 per hour for shop time and wrecker service is \$5 per mile. Only cash is accepted — no checks or credit cards. Safe drinking water is not available the full length of the road and should be carried.

Caution: Although the Haul Road passes through extremely scenic country and wildlife is abundant, under no circumstances should you stop your vehicle on the roadway. Poor visibility and heavily laden trucks with limited braking capability create a dangerous situation. Soft shoulders and sometimes narrow, rough road surfaces are additional hazards. Stop only where turnouts are provided. Speed limit for the Haul

Facilities Along the Haul Road

J 51.5 Junction: Turn right and drive 5.4 miles to BLM off-road parking area with vault toilets, fire rings, litter barrels; boat launching area.

J 56.6 Gas, diesel fuel, tire repair, wrecker service, sandwiches, pop, emergency communications, toilet, litter barrels, off-road parking.

J 115.3 Toilet, litter barrels.

J 132 Toilet, litter barrels.

J 179 Toilet, litter barrels.

land managers include the U.S. National Park Service (Gates of the Arctic National Park and Preserve) and the U.S. Fish & Wildlife Service (Yukon Flats National Wildlife Refuge). There are few private land-owners along the highway.

On October 5, 1980, the state legislature partially opened the Haul Road to summer public use. Beginning this



Road is 45 mph, but many curves are flat and designed for only 40 mph or less.

Emergencies: Services are extremely limited. However, the Alaska State Troopers patrol the highway and many trucks have citizen's band radio communications in the event of an accident or other medical emergency.

Animals: Wild animals should never be given food handouts. These animals could become dependent on this source and frequent the road areas with its vehicle hazards. Animals seen near the roadway are wild and sometimes dangerous. They should never be closely approached.

The following log covers the entire length of the Haul Road. From Fairbanks, take the Steese Expressway north 11.5 miles to the junction of the Elliott Highway. Continue on the Elliott to **Milepost 73.5** and the junction with the North Slope Haul Road.

LOG OF THE NORTH SLOPE HAUL ROAD

Distance from Elliott Highway/Haul Road junction (J) is followed by distance from Prudhoe Bay (P).

J 0 (P 416) Junction with Elliott Highway at **Milepost 73.5**. An information center for the Haul Road is planned for construction in 1981.

J 1.4 (P 414.6) View of a long length of pipeline as it crests a hill.

J 2.2 (P 413.8) Pipeline passes under the highway.

J 3 (P 413) Sweeping view of the pipeline and Tolovana River area to the southeast. Turnout on south side of road.

J 4 (P 412) Highway descends steeply into the Lost Creek valley. Lost Creek flows into the West Fork Tolovana River. Pipeline is visible stretching across the ridges of the distant hills.

J 5.7 (P 410.3) Lost Creek passes beneath the highway. Pipeline access road. No public admittance. There are many of these access roads along this highway. For security purposes and to prevent damage to the pipeline, they are posted for no public access.

J 6 (P 410) Steep, winding hill out of the valley.

J 9 (P 407) Road follows a high ridge with a spectacular view of Hess Creek area and pipeline. Pipeline parallels the road to the northeast following the tops of the high ridges. Dense birch/black spruce show effects of severe climate and snow loads.

J 10 (P 406) Highway descends into a deep hollow made by one of the tributaries of Erikson Creek.

J 12 (P 404) Small gravel turnout on left.

J 12.1 (P 403.9) Highway passes over a small unnamed creek.

J 19 (P 397) Road passes through expanse of scrub spruce and birch.

J 19.3 (P 396.7) Access to a material site.

J 21 (P 395) Descent to Hess Creek begins. *Caution: 35-mph curves.*

J 23.8 (P 392.2) Hess Creek bridge. Large gravel bar along creek. *Caution:* Sandpit at entrance to gravel bar is an easy place to get stuck. There are no camping facilities available. Have your mosquito repellent handy. Hess Creek is the largest stream between the Elliott Highway and the Yukon River bridge.

J 25 (P 391) Gravel turnout. Good view of pipeline as it crosses Hess Creek and valley.

J 26.5 (P 389.5) The effects of a large lightning-caused forest fire that burned 15,600 acres in 1971 are still visible. This is a good reminder of the scenic damage that can be caused by wildfire. However, fire is a part of the natural environment and can be beneficial in recycling vegetation and providing new wildlife habitat, although it can have the harmful effect of removing valuable timber from man's use.

J 28.3 (P 387.7) Gravel pit road and pipeline access road.

J 29 (P 387) Highway and pipeline cross a creek at the bottom of a low valley.

J 29.5 (P 386.5) Pipeline is close to east side of road. This section is raised on vertical steel pipes called vertical support members (VSMs). The pipeline is constructed this way in permafrost soils where the pipe could not be safely buried. The finned structures extending from the VSMs serve to dissipate heat and to keep the ground frozen and stable.

J 30 (P 386) Most of the rolling hills visible from here are just over 2,000 feet in elevation.

J 33.8 (P 382.2) Tributary of Hess Creek.

J 38.1 (P 377.9) Pipeline goes under road. Evidence of the revegetation project undertaken by the oil companies can be seen here.

J 38.7 (P 377.3) Road to gravel pit.

J 40.3 (P 375.7) Sweeping views to the south of the Hess and Troublesome Creek area.

J 40.8 (P 375.2) Overview of hundreds of square miles of unpopulated land. The most prominent peaks are Raven Creek Hill, Sawtooth Mountain, and Wolverine Mountain.

J 41.3 (P 374.7) Large gravel turnout to the west of road.

J 47.5 (P 368.5) Ridge road with view.

J 47.9 (P 368.1) Highway begins descent to Yukon River.

J 48.9 (P 367.1) Several miles of pipeline can be seen stretching across the distant hills like a crooked snake. The jogs in the pipeline allow for expansion and contraction caused by temperature extremes and protection from possible earth movement during earthquakes.

J 49.1 (P 366.9) Pipeline access road.

J 51.5 (P 364.4) Turn right and drive 5.4 miles over a rough and steep gravel road to a BLM off-road parking area with vault toilets, fire rings, and litter barrels. Boat-launching area on banks of the Yukon River. *Caution:* The river is swift and can be dangerous.

J 53.2 (P 362.8) First glimpse of the Yukon River. As road descends, you can see the pipeline suspended on the side of the bridge where it crosses the river.

Snowden Mountain, 5,775 feet elevation, near Milepost J 204.8. The turnaround point for the public is only six miles north. Beyond the check station there the Haul Road is open only to commercial and industrial users and permit holders.
(Dave Wickstrom, BLM)



J 54 (P 362) Pump Station No. 6. No public access.

J 54.4 (P 361.6) Highway passes over the pipeline. Sweeping view of Yukon River.

J 56 (P 360) Yukon River bridge. This wood-decked bridge was completed in 1975. It is 2,290 feet long and has a 6% grade. As you descend across the bridge to the north shore, two large hovercraft vehicles may possibly still be seen to the east. These air-supported and cable-drawn vehicles were used to carry heavy freight and trucks across the Yukon before completion of the bridge.

J 56.6 (P 359.4) Service facility on west side of highway. Gas, diesel fuel, tire repair, wrecker service, sandwiches, soft drinks, and emergency communications available. Off-road parking, toilet and litter barrels are available. **Caution:** These are the last service facilities until Prudhoe Bay.

J 61.1 (P 354.4) Five Mile Construction Camp.

J 61.4 (P 354.8) Highway crosses over bridge and pipeline. A temporary airstrip (4,000 feet) closely parallels road. **Caution:** Be prepared to stop at control gates at both ends of the airstrip.

J 61.6 (P 354.4) View of Fort Hamlin Hills to the north. One peak rises to 3,154 feet.

J 62.9 (P 353.1) Entrance to Alaska Department of Transportation (DOT) highway maintenance camp. No public access.

J 65.5 (P 346.7) Highway crosses over buried pipe.

J 69.3 (P 346.4) Crest of hill overlooking the Ray River to the north.

J 70.9 (P 345.1) Ray River overlook and turnout. Scenic view to the west.

J 74.4 (P 341.6) Turnouts on both sides of road. Helicopters flying low along the pipeline belong to the pipeline owners and are used for surveillance and to move personnel and equipment.

J 79.4 (P 336.6) The road reaches a high point providing a good view of Caribou Mountain (3,183 feet) and valley to the north.

J 80.3 (P 335.7) No Name Creek and turnout.

J 81.6 (P 334.4) Fort Hamlin Hills are visible to the east. Tree line on surrounding hills is about 2,000 feet.

J 89.6 (P 326.4) The high, unnamed

hill east of the road is 2,778 feet in elevation.

J 91.3 (P 324.7) Turnout. A good photo opportunity of the road and pipeline to the north. The small green structure over the buried pipe is a radio-controlled valve allowing the pipeline oil flow to be shut down when necessary.

J 96.2 (P 319.8) The road lies above tree line for about 5 miles. Good opportunities for berry picking, wild flower viewing and hiking. From this point north, the terrain becomes more rugged and scenic.

J 99.2 (P 316.8) Turnout. Finger Rock is visible east of the road and most easily seen to the south. This is a rocky tor, or outcropping — a residual feature of erosion. Tors are visible for the next 2 miles. Olsons Lake is visible to the north. The road now descends and passes through several miles of valley bottom with a spectacular view of the mountains.

J 107.1 (P 308.9) Kanuti River crossing and turnout. Good fishing for grayling in season.

J 108.4 (P 307.6) Old Man Construction Camp.

J 109.9 (P 306.1) Visible against the hillside to the east are water bars constructed to prevent erosion above the buried pipeline.

J 110.3 (P 305.7) Beaver Slide turnout.

J 111.5 (P 304.5) View of valley and Fish Creek to the north.

J 114.8 (P 301.2) Fish Creek Bridge and turnout. Grayling fishing in season.

J 115.3 (P 300.7) The Arctic Circle, north latitude 66°33'. Turnout and off-road parking with toilet and litter barrels. A good photo point with views to the south and to the west.

J 120.5 (P 295.5) Connection Rock. A point where two segments of road joined during construction.

J 123.4 (P 292.6) Turnout at South Fork Bonanza Creek. Good fishing for grayling in season.

J 125.1 (P 290.9) Turnout at North Fork Bonanza Creek. Good fishing for grayling in season.

J 132 (P 284) Turnout at Gobblers Knob, 1,500 feet elevation. This is located at the crest of a steep hill and on a point overlooking the Jim

River and valley to the north. Prospect Construction Camp and airstrip are visible. Toilet and litter barrels available.

J 135.1 (P 280.9) Turnout at Prospect Creek.

J 137.2 (P 278.8) Pump Station No. 5. No public access.

J 140.2 (P 275.8) Turnout at Jim River Crossing No. 1. Less than .25 mile downstream to the main river. Good fishing for grayling in season.

J 141 (P 276) Turnout at Jim River Crossing No. 2.

J 144.2 (P 271.8) Turnout at Jim River Crossing No. 3. Good grayling fishing in season.

J 145.6 (P 270.4) First views of Brooks Range foothills to the north.

J 149.0 (P 267) Grayling Lake. Good grayling fishing in season.

J 155.6 (P 260.4) Overlook for the South Fork Koyukuk River valley.

J 156.4 (P 259.6) Turnout at the South Fork Koyukuk River. This large river flows past the villages of Bettles, Allakaket, Hughes, and Huslia before finally draining into the Yukon River near the village of Koyukuk. The two mountains visible to the north are Twelve Mile Mountain (3,190 feet), left, and Cathedral Mountain (3,000 feet). Fishing for grayling in season.

J 159.5 (P 256.5) Bridge over pipeline.

J 160.6 (P 255.4) Good view of Chapman Lake .5 mile west of road.

J 165.7 (P 250.3) Pipeline passes close to the road. The raised section allows wildlife to pass beneath the line.

J 166.2 (P 249.8) Turnout at west side of road.

J 173.6 (P 242.4) Turnout at Coldfoot, site of a historic mining camp at the mouth of Slate Creek on the east bank of the Middle Fork Koyukuk River. Originally named Slate Creek, Coldfoot reportedly got its name in 1900 when gold stampeder got as far up the Koyukuk as this point, then got cold feet, turned and departed. The old cemetery still exists. Emma Dome (5,680 feet) is visible to the west. Good grayling fishing in season at Slate Creek.

J 178.5 (P 237.5) Marion Creek.

J 179 (P 237) Access to Marion Creek campsite. Toilet and litter barrels.

Note: The road from Coldfoot to Galbraith Lake on the North Slope offers spectacular mountain scenery. The Gates of the Arctic National Park and Preserve boundary is located generally on the high slopes to the west from here to Galbraith Lake. Watch for wildlife — especially sheep — on the hillsides. **Caution:** Be sure you are safely off the main roadway before stopping.

J 184.3 (P 231.7) Turnout, litter barrels.

J 185.1 (P 230.9) Turnout. The historic mining community of Wiseman can be seen across the Koyukuk River west of the road. There are many buildings still standing at Wiseman, whose heyday came in about 1910 after the gold rushers abandoned Coldfoot, 10 miles south. About four residents still live there year-round and

others move in during the summer season. All buildings are private property and the residents' privacy should be respected.

J 185.5 (P 230.5) Turnout.

J 186 (P 230) Turnout at Minnie Creek.

J 186.2 (P 229.8) Turnout.

J 187.2 (P 228.8) Turnout at Middle Fork Koyukuk River and access road to Wiseman. *Caution:* Access road is in extremely poor condition.

J 189.3 (P 226.7) Hammond River. The frequent diversion dikes along the east side of the road are to prevent erosion of the road during flooding of the Koyukuk.

J 189.7 (P 226.3) Middle Fork Koyukuk River.

J 191.8 (P 224.2) First view of Sukakpak Mountain (4,000 feet), 10 miles north. Wiehl Mountain (4,000 feet) is east of Sukakpak. The high mountain just to the west of the road is unnamed.

 **J 194.2 (P 221.8)** Good view of Poss Mountain (6,180 feet), 9 miles east of the road.

J 195.2 (P 220.8) Pipe passes very close to road. This section of the pipe is mounted on a freely movable slide between VSMs to allow for earth movements during expansion and contraction of the pipe. Bumpers mounted on the pipe and VSMs absorb shock and prevent damage.

J 196 (P 220) Old cabin just west of road. The history is unknown but is reported to have been constructed in the early 1900s. It is located on private property.

J 196 (P 219.6) Gold Creek.

J 196.8 (P 219.2) Turnout and view of Wiehl and Sukakpak mountains.

 **J 199.3 (P 216.7)** View of the Koyukuk River and an example of a typical braided river, exhibiting the frequent changes of the streambed during high water.

J 202.4 (P 213.6) Turnout and footpath access to Sukakpak Mountain; .5 mile to foot of mountain. The short mounds of earth seen between the road and Sukakpak are called palsas. A palsa is formed by ice beneath the soil pushing the vegetative mat and soil upward.

J 202.9 (P 213.1) Turnout.

J 203.2 (P 212.8) Turnout.

J 203.5 (P 212.5) Turnout.

J 203.8 (P 212.2) Middle Fork Koyukuk River.

J 204.8 (P 211.2) Turnout and a good view of Snowden Mountain (5,775 feet) 10 miles to the northeast.

J 206.8 (P 209.4) Dietrich River crossing. The road now lies in the Dietrich River valley.

 **J 207.4 (P 208.6)** Small, unnamed lake on east side of road with nice view of Sukakpak.

J 209.1 (P 206.9) Dietrich Construction Camp.

J 210.8 (P 205.2) Disaster Creek. DOT check station and turnaround point. The road north of this point is closed to the public without a permit obtained from the DOT/PF office in Fairbanks.

The log of the Haul Road from Disaster Creek to Prudhoe Bay is provided as a service to commercial and

industrial users and to permit holders who may be unfamiliar with the road.

J 215.2 (P 200.8) Panorama of Dietrich River valley and Brooks Range north and west of the road.

J 222.5 (P 193.5) Turnout.

J 226.8 (P 189.2) Pipeline remote valve 75 feet west of road. The arch-shaped concrete structures are used to weight and keep pipeline buried in areas of possible flooding. There are many high, unnamed peaks in this area.

J 233.5 (P 182.5) North Slope Borough Boundary. Borough offices are located in Barrow.

J 236.7 (P 179.3) Large turnout at foot of Chandalar Shelf and beginning of a long, steep (10%) grade. The farthest north spruce tree along the Haul Road is located just south of the turnout. The route is treeless beyond this point.

J 237.8 to J 238.1 (P 178.2 to P 177.9) Several turnouts and view of the Dietrich River valley to the south.

J 238.6 (P 177.4) Turnout at top of Chandalar Shelf. The headwaters of the Chandalar River are to the east.

J 240.6 (P 175.4) Chandalar Construction Camp.

J 243.6 (P 172.4) Begin long, steep climb toward Atigun Pass.

J 245 (P 171) Turnout and view of Chandalar River to the south and Atigun Pass to the north.

J 245.7 (P 170.3) Turnout.

J 246.3 (P 169.7) Turnout at Continental Divide. Nice example of a cirque, an amphitheater-shaped bowl or depression caused by eons of erosion, in mountain east of road.

J 246.6 (P 169.4) Turnout and start of steep decline toward the North Slope. Many mountains in the area exceed 7,000 feet in elevation. The pipeline is in a buried, insulated concrete cribbing to the east. Construction in this area was extremely complex, difficult and dangerous.

J 248.6 (P 167.4) Good opportunities during the next few miles to view Dall sheep.

J 249.8 (P 166.2) Turnout and view of Atigun River valley.

J 251.1 (P 164.9) Atigun Construction Camp.

J 254.2 (P 161.8) Atigun River crossing. *Caution:* Grizzly bear in area.

J 259.5 (P 156.5) Highway link-up. It was at this point that the road construction from the north joined the road from the south.

J 261.1 (P 154.9) Note spectacular geological forms east of road. These folded and faulted marine sedimentary rocks are an ancient and eroded seabed formed during the Paleozoic era (about 300 million years ago).

J 268.6 (P 147.4) Good view of Pump Station No. 4.

J 270.2 (P 145.8) Pump Station No. 4. This pump station and all of the pump stations north of here are powered by gas carried in an eight-inch pipeline buried alongside the road.

J 272 (P 144) Atigun River crossing. The Arctic National Wildlife Refuge boundary is located 3 miles east along the Atigun gorge.

J 274.6 (P 141.4) View of Galbraith Lake and Galbraith Construction Camp. Archaeological evidence found near here during pipeline construction indicates that the area has been used by man for thousands of years.

J 276 (P 140) Road access to Galbraith Construction Camp.

J 281.4 (P 131.5) Toolik Lake west of road.

J 287.5 (P 128.5) Turnout at high point in road. View of Brooks Range south and east.

J 289.5 (P 126.5) Kuparuk River.

J 290.6 (P 125.4) Pipe crossing.

J 295.7 (P 120.3) The short, buried section of pipeline is called a sag bend and is to allow for wildlife crossing.

J 299.5 (P 116.5) First view of the Sagavanirktok River valley from a promontory overlooking the valley and a long range of hills to the east.

J 302.3 (P 113.7) Turnout. Slope Mountain (4,010 feet) is 2 miles west of road.

J 306.8 (P 109.2) Slope Mountain Camp.

J 313.1 (P 102.9) Pump Station No. 3.

J 321.5 (P 94.5) The long range of hills east of the road is the Kakukukruich Bluff.

J 327 (P 89) Turnout at the top of a short grade.

J 328 (P 88) Pipe crossing.

J 336.2 (P 79.8) Happy Valley Construction Camp.

J 350.1 (P 65.9) View of Sagwon Bluffs to the east. The road passes over several low hills that offer views of the surrounding terrain.

J 361 (P 55) Pump Station No. 2 to the east. This is the northern boundary of the Utility Corridor and BLM-managed lands. Land north of this point is managed by the State of Alaska.

J 366.2 (P 49.8) The low hills to the north are the Franklin Bluffs. East of the road, the Ivishak River empties into the Sagavanirktok River on its journey to the Arctic Ocean.

J 367.5 (P 48.5) Turnout.

J 378.6 (P 37.4) The small hill about 5 miles west of the road is called a pingo. Pingos often form from the bed of a lake that has been covered by vegetation. Freezing of the water raises the surface several hundred feet above the surrounding terrain. These were often the sites that ancient peoples used to overlook the countryside for game.

J 379.8 (P 36.2) Turnout at Franklin Bluffs Construction Camp.

J 384.6 (P 31.4) Franklin Bluffs to the east and a pingo to the west.

J 401 (P 15) Pipeline crossing.

J 413.6 (P 2.4) Oil field activity and equipment become visible along the horizon.

J 416.6 (P 0) Northern limit of state-owned and state-maintained highway. Access to the Arctic Ocean is on roads owned by the oil companies. Permission must be obtained. The Deadhorse airport is 2 miles ahead. Continue on the same road for 1.5 miles, turn left at North Slope Borough Office, continue for .5 mile and take first left to airport parking lot past the NANA hotel. □

SENATE FINANCE COMMITTEE
June 12, 1981
9:10 a.m.

SFC-81, #65, Side 1 (380-end)

CALL TO ORDER

Co-chairman Ed Dankworth convened the meeting at approximately 9:10 a.m.

PRESENT

All committee members were present with the exception of Senator Stimson. Also attending were Jim Stey, Deputy Director of the Division of Budget & Management; and Fiscal Analyst Jerry Schilz.

CS for HOUSE BILL 297 (FINANCE)

Co-chairman Dankworth moved that CS or House Bill 297 (Finance) (ACT MAKING APPROPRIATIONS TO THE DEPARTMENT OF LABOR) be brought on for hearing, advising that committee discussion would center upon the SCS for CS for House Bill No. 297 (Finance) (ACT MAKING VARIOUS APPROPRIATIONS). He further directed committee attention to analysis of the legislation (copy attached).

The Co-chairman advised that the legislation had previously been discussed before committee, some deletions and additions made, and the language "cleaned up." At the request of the Attorney General, funding was included for cases involving school districts which might be settled in the interim before the next legislature. Senator Sturgulewski advised that the record should show that wording contained within the legislation relating to the above cases, is "wide enough that we're not making any legislative commitment." Co-chairman Dankworth agreed, responding "absolutely not." He advised that he had reservations concerning inclusion of such funding until he received assurance from the attorney general that inclusion represents "the safest and easiest way to go without committing the state to anything and yet solve the problem if necessary." Funding has been included under those conditions. The legislature is not endorsing any settlement nor is the attorney general.

Senator Sturgulewski questioned deletion of \$45,000 in funding for implementation of Alaska National Interest Lands. Co-chairman Dankworth advised that he deleted the funding since testimony from Budget & Management indicated the \$45,000 was requested in order that the administration could "get a head start" on funding appropriated in the FY 82 budget. The pending legislation should address immediate needs rather than initiate new legislation. For these reasons the D-2 funding was deleted.

Senator Sturgulewski further questioned deletion of Historic Revenue Management Program. Co-chairman Dankworth advised that

he deleted the funding since testimony indicated that the program continued to spend even though advised that it had lost its federal funds. The request appeared to represent funds it would "be nice to have" to which the Co-chairman said "no."

Co-chairman Dankworth advised that he reduced the request from Fish & Game for expenses emanating from the twenty-two day extension of the meeting of the Board of Fisheries from \$37,700 to \$25,000.

Senator Sturgulewski advised that she was pleased to find funding for Youth Conservation included in the legislation, stating that funding for the program represents a commitment which had to be honored. In addition to the foregoing she also voiced approval for adjusted funding for debt service included in the Finance Committee Substitute.

Senator Ferguson questioned the need for funding for the Human Rights Commission included in Sec. 13, advising of his understanding that when the Commission lease on existing space expired, the Commission moved to newer quarters without regard to cost. Co-chairman Dankworth advised that staff research indicates the Commission moved from the Tucker-Dale facility to the Bass Company Building. The Commission moved from offices consisting of 3,745 square feet at \$0.81 per square foot (\$3,046.00 monthly) to offices in a new building containing 5,376 square feet at \$1.36 per square foot (\$7,338.00 monthly). The move was accomplished by way of a waiver rather than by putting the needed square footage out for bid. The same number of Commission employees (26) man the new offices as previously worked in the old quarters. Co-chairman Dankworth expressed his displeasure at the foregoing operation, advising that it represents only one instance of such activity--"they're all doing this."

Senator Ferguson suggested that the Commission be funded only the cost of its previous square footage, the new footage to come out of program receipts. Jim Stey advised that if the full request is not funded, he did not know whether or not the Commission would be "in a negative balance," advising that he would "get back" to committee later in the morning with further information.

Senator Sackett moved to delete funding for the Human Rights Commission (Sec. 13) from the proposed Senate CS for CS for House Bill 297 (Finance). No objection having been raised, the motion carried.

Senator Sturgulewski moved that Senate CS for CS for HB 297 (Finance) pass from committee with individual recommendations. No objection having been raised, the bill passed from Senate Finance--all members present signing do pass.

ADJOURNMENT

The meeting was adjourned at approximately 9:25 a.m.

SFC-81, #65, Side 1, (380-end)

ANALYSIS OF SCS CS HB297

Sec. 1 Formerly HB297 \$64,500 GF Lapse 6/30/82

Worker's Compensation Program. These funds will be used to contract for development of regulations (24.5) and contract for a hearing officer (40.0) in an effort to reduce the current backlog of Worker Compensation claims.

Sec. 2 Formerly HB297 \$248,000 GF Lapse 6/30/81

Computer Equipment. This request replaces federal funds with general funds in the Unemployment Insurance component. These funds were used to purchase additional computer services and equipment during the transition period of conversion to the Department's new IBM 370/140 computer.

Sec. 3 Formerly HB 297 \$237,000 GF Lapse 6/30/82

Redesign of the Unemployment Insurance System. The shortfall in federal receipts on this capital project is due to a decision made by the U.S. Department of Labor to not fund a third party computer operations contract made by the Alaska Department of Labor in order to meet a legislative deadline of October 1, 1980 for implementation of the new Unemployment Insurance law. That contract provided an interim training and operations computer mode so that benefits could be paid on October 1, 1980.

Sec. 4 Formerly HB 298 \$228,900 GF Lapse 6/30/82

University of Alaska Sewage Disposal. Sewage disposal costs were higher than anticipated, due to a rate increase by the college utility corporation.

Sec. 5 Formerly HB 298 \$175,200 GF Lapse 6/30/81'

FY 81 Community College Teachers Contract. Negotiations with AK Community College Federation of Teachers have resulted in continuation of the current contract for another year with a 6.28% salary increase.

This supplemental request is for the period April 1, 1981 through June 30, 1981.

Sec. 6 Requested by Senator Bennett \$384,000 GF Lapse 6/30/82

Safety Improvement to Agricultural Experimental Station, Univ. of AK. This is a result of an OSHA review. It is not certain whether this correction of structural deficiencies is mandatory to meet OSHA regulations. The University believes this is mandatory, OSHA indicates it is not.

Sec. 7 Formerly SB 267 \$100,000 GF Lapse 6/30/81

Glacial Silt Pollution of Chilkat Lake. FRED division used Governor's contingency fund to construct a small dam to prevent the water flow of the Tsirku River from silting the Chilkat Lake salmon spawning area. Last fall the Tsirku River near Haines eroded through an old channel, routing heavily silt-laden water into the rich spawning areas of Chilkat Lake. Continued silt deposition seriously threaten the salmon production of the Lake. The threatened area in the past has annually produced an average of 160,000 sockeye and 10,000 to 20,000 coho in addition to cutthroat trout and char. The requested crib dam, using all local materials, could preserve this salmon spawning area.

Sec. 8 Governor's Amendment to SB 267 \$541,500 GF Lapse 6/30/81

DNR FY 80 Overexpenditures. This problem is a result of several factors: failure to collect valid federal receivables, failure to adjust appropriations to meet available revenues, failure to follow normal accounting practices, and other management oversights.

The categories affected and the amounts requested are indicated as follows:

<u>Category</u>	<u>Overexpenditure</u>	<u>Unpaid Billings</u>
NRMEC	414,601	116,184
Development	5,662	1,179
Public Protection	-0-	3,873
TOTAL	420,263	121,236

Sec. 9 Governor's Amendment to SB 267 \$25,000 GF Lapse 6/30/82.

Boards of Fisheries and Game. This will pay travel, per diem and other expenses related to the twenty-two day extension of the December Board of Fisheries meeting.

Sec. 10 Governor's Amendment to SB 267 \$49,700 GF Lapse 6/30/81

This request will fund the seasonal positions and related expenses required to comply with recent unanticipated directives from the Board of Fisheries. The directives result from the new subsistence salmon regulations for the Cook Inlet region. The positins are needed to monitor the subsistence salmon harvests. These studies can not be completed by 6/30/81, hence, a 1982 lapse date is requested.

Sec. 11 Formerly SB 323 \$211,100 GF Lapse 6/30/82

This appropriation would cover the cost of the purchase of 1 vessel, the leasing of additional vessels and related fish and wildlife protection operations in Bristol Bay during the 1981 salmon season.

Sec. 12 Formerly HB 297 \$600,000 GF Lapse 6/30/81

Second Injury Fund: These funds will allow the Second Injury program to meet current and future obligations of paying compensation to employees and reimbursement to employers/carriers during FY 81. Failure to pay Second Injury Fund obligations is in violation of AS 23.30.205. A class action suit is pending in Superior Court for Workers' Compensations failure to meet the statutory time-frame.

Note: Funding for this item is under consideration as a fiscal note to HB 94.

Sec. 13 Formerly SB 309 \$57,200 GF Lapse 6/30/81

Human Rights Commission had to vacate office space due to problems with the building. The office space they moved to was more expensive.

Sec. 14 Formerly SB 309 \$89,800 GF Lapse 6/30/81

The Public Defender Travel account and usage has been materially affected by increases in the amount of travel necessary, and by the rapidly escalating costs of such travel. Contractual Services funds will be short due to an unexpectedly high usage of expert witnesses and psychological evaluations in court proceedings. An increase in the cost and type of Alaska Statute Supplements caused a short-fall in Commodities account funding.

Sec. 15 Formerly SB 309 \$10,100 GF Lapse 6/30/81

Board of Parole travel costs for FY 81 were based on a continuation figure that did not include funds transferred from the Governor's Contingency Fund. In addition, a larger number of Revocation Hearings, both in state and out-of state, than were expected combined with rapidly escalating travel charges have also contributed to a short-fall in funds.

Sec. 16 Formerly SB 309 \$767,700 Lapse 6/30/81

- .Contract Jails \$103,400 (Homer \$26,000, Unalaska \$77,400)
- .Cruikshank Bldg. Settlement \$150,000
- .Search & Rescue \$229,300
- .Prisoner Transport \$150,000
- .Vehicle Enforcement \$85,000
- .Narcotics Investigations \$50,000

Sec. 17 Governor's Amendment to SB 309 \$68,000 GF Lapse 6/30/81

This appropriation is necessary to meet FY 80 obligations for the City of Unalaska contract jail operations.

Sec. 18 Governor's Amendment to SB 267 \$70,000 GF Lapse 6/30/82

Law Suit. This supplemental is needed to pay legal fees incurred in a suit by the department against CH2M Hill Corporation for faulty design of the Russell Creek Hatchery. DOTPF has filed claims against CH2M Hill in excess of \$600,000 and feels that they have an excellent chance winning the suit. There are not sufficient balances available in the current project appropriations to cover the additional legal fees associated with this suit.

Sec. 19 Formerly HB 294 \$1,152,300 GF Lapse 6/30/81

Various Judgements against the State. Major cases include: Hidden Falls Hatchery project, \$881,400; and Katchemak Bay Oil Lease Buy Back, \$110,000.

Sec. 20 New Item \$2,000,000 GF Lapse 6/30/82

Lower Kuskokwim REAA. Construction overexpenditures

Sec. 21 New Item \$3,465,000 GF Lapse 6/30/81

Debt Service Payments. The original appropriation assumed two bond sales in FY 81 at 7% interest. The Department of Revenue held one large sale \$125,000,000 at a lower interest rate, 5.7%. The timing of the sale has caused the debt FY 81 service payments to be greater than budgeted.

Sec. 22 Formerly a Governor's FY 82 Budget Amendment
\$982,500 GF Lapse 6/30/82

Univeristy of AK Community College Teachers Contract for FY 82. The FCC on the budget declined to include this item in the FY 82 operating budget.

Sec. 23 Senator Sackett's Request \$122,700 GF Lapse 6/30/81*

Youth Conservation Corps overexpenditures in FY 80 and FY 81.

Sec. 24 Governor's Amendment to SB 267 \$125,000 GF Lapse 6/30/81

Land Sale Contracts & Mining Claims. The Department of Natural Resources currently relies upon the Department of Administration's Anchorage Data Center for computer services. Recent technical problems at the Center have delayed the completion of the revenue and billing system and had a serious impact on the ability of the ALARS project to complete its objectives in a timely fashion. As a result, the Department of Administration, has decided to contract with a private sector firm for program development for the balance of FY 81. The Department of Administration intends to request additional funds in FY 82 to upgrade the Anchorage Data Center and prevent a reoccurrence of this supplemental request.

SENATE FINANCE COMMITTEE

June 15, 1981

8:35 a.m.

(Tape SFC 81, # 66, Side 1, 000 - 795)

CALL TO ORDER

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

PRESENT

All members were present with the exception of Co-chairman Bennett. Also in attendance were Dick Engen, Director of the Division of Museums and Libraries in the Department of Education; Harry Lovitt, Cordova City Manager; Emma Ivey, Administrator of the Wrangell Hospital; Dennis Dewitt, Executive Director of the Alaska Hospital Association; and Senator Kerttula.

HOUSE BILL NO. 92

Co-chairman Dankworth stated the first order of business would be consideration of HB No. 92 (An Act relating to library assistance grants; and providing for an effective date), and requested that Senator Sturgulewski present the bill to the committee.

Senator Sturgulewski stated this was a fairly simple bill that repeals a grants in aid program in existence now, and also brings public libraries assistance grants to local library outlets. It was basic legislation to give stability to some of the smaller libraries. It would also set up an inter-library cooperative assistance grant program to carry out the State regional library plan. She requested that Mr. Dick Engen, The Director of the Division of State Libraries and Museums come forward to testify on the bill.

Senator Sturgulewski asked about the grants in aid repeal and wondered if the new language should include the reporting requirement to go back to the base year so that it could be adjusted annually. Mr. Engen stated there was an annual report submitted each year for each public library in the state now, so that from those annual reports the basis for establishing the base year adjustments for future growth could be extracted. He stated the bill would build on the long range library development plan first adopted in 1969. It would establish the basic public library assistance grants and the inter-library cooperation grants which would be give the various libraries in the state a better opportunity to continue the cooperative network already established.

Discussion and questioning ensued on subjects such as population growth factors; how research libraries would be effected; the Alaska State Library; libraries connected with the University of

Alaska; whether or not the libraries would be performing additional services; and inflation factors.

Senator Sturgulewski moved and asked unanimous consent that HB 92 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 Dankworth and Senators Stimson, Ferguson, Eliason, Sturgulewski and Sackett signed "do pass".

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 131 (HESS)

Co-chairman Dankworth stated the next bill for consideration was CSHB 131 (HESS) (An Act increasing state aid for health facilities and hospitals; and providing for an effective date) and requested that Senator Sturgulewski present the legislation to the committee.

Senator Sturgulewski stated the big item was the increase in the aid to hospitals, although there was also an increase in aid to health facilities. She thought this was an efficient way to assist hospitals as a lot of the smaller hospitals were having financial problems. It would provide a block grant to pay for basic hospital operating expenses, with the remainder full cost to the hospitals, to the patients and to the users. There was a memo in the file from the Department of Health and Social Services stating that the minimum annual expenses of a basic hospital would be \$800.0. So, \$250.0 for these basic grants, does not seem to be out of line for the kind of public service being provided. The concern was that this would become a program expense for each subsequent year. The legislation would raise existing basic grants from \$75.0 to \$250.0 for hospitals with 10 or more beds, from \$25.0 to \$50.0 for those with less than 10 beds, and increase from \$4.0 to \$8.0 for health facilities. She said that Representative Haugen wanted very much to attend the meeting, but was "tied up in a Republican caucus", so he had asked Emma Ivey, Administrator of the Wrangell Hospital to testify before the committee. She added that Dennis Dewitt from the Alaska Hospital Association was also present to speak to the committee, as well as Harry Lovitt, the City Manager of Cordova. She requested that Emma Ivey speak to the committee.

Co-chairman Dankworth asked for Senator Sturgulewski's comments on the Senate HESS amendments before Ms. Ivey spoke. Senator Sturgulewski stated this was an amendment changing the \$1,000 to \$2,000 and said she thought it should be done. She added that Dennis Dewitt would speak on that amendment later.

Ms. Ivey stated that she was the Administrator of the Wrangell General Hospital and Long Term Care Facility - a 23 bed facility. She said that most of the hospitals in Alaska were small and had many of the same problems the Wrangell hospital had such as a small tax base, inflation, and increased energy costs. She stated the hospital was greatly in need of this grant assistance.

Mr. Dewitt, Executive Director of the Alaska Hospital Association, came forward to speak on the amendment. He stated that when the bill was introduced, the \$1,000 on line 11 was inadvertently changed to \$2,000. That was never the intent of the Hospital Association or the sponsors of the bill. The House HESS Committee adopted an amendment to change that and there was an error in the amendment. The amendment changed the number of line 11 as well as the number on line 21. When this error was discovered, the HESS Committee decided it would be better to have it changed in House Finance. The House HESS Committee sent a memo to the House Finance Committee that got separated from the bill. So, it was passed out of House Finance without the correction amendment. When it got to the floor it was decided that the correction should be made in Senate HESS. The amendment itself would impact those clinics and health facilities such as the St. Ann's Nursing Home, Hope Cottage and the Nursing Home in Seward and other clinics having 5 or more beds. These clinics would receive a grant from the state on the basis of the bed capacity as opposed to a "flat" \$8,000. The Hospital Association thought that was equitable given the increase in cost experienced by having that additional capacity to serve the public. Essentially the background of that change was that it was always the intent of the sponsor and supporters of the bill that that would be the case.

Generally, Mr. Dewitt said that the Hospital Association was very supportive of the bill. In its construction, it grants greatest assistance to the smaller hospitals which were in the greatest need.

Discussion and questioning ensued on subjects such as inflation rates. Co-chairman Dankworth was concerned that even though the committee would not be appropriating for more than FY 82 at that time, by FY 86 the formula would bring the cost up to over \$5 million. Senator Sackett stated that the costs were the opinion of one person in the department and though future projections were not binding, they would set precedents without any real justification. He suggested that the FY 82 figure for \$3,766.0 be carried through for the future years, or just be left blank. The way the fiscal note was presently, it would be assumed that the cost would go up every year. Further discussion ensued on this subject. Mr. Dewitt stated the House fiscal note was in error, so the Senate HESS fiscal note was the one the committee should be considering.

Co-chairman Dankworth stated that the committee could continue discussion on this bill, but his intention was to hold it over one day so that he could make up a new fiscal note removing the inflation factor to keep the figure constant over the years.

Questions were directed to Ms. Ivey concerning the doubling of energy costs at the Wrangell Hospital. She stated that in the last two years, costs have doubled even though the hospital is using fewer kilowatts. She said they are still creating their power by diesel electricity. The light bill there runs about

\$2,500 a month for 23 beds. Also, the cost of heating the boilers, etc. has doubled. Senator Stimson stated that the Senate HESS Committee had expressed concerns about the discrepancies between the hospitals, and he wondered if a "flat" distribution was feasible. He suggested waiting to pass the bill through until more information was available. Mr. Dewitt stated that the health facilities have their "backs to the wall" right now and are in desperate financial need - they really cannot wait. He said that essentially the greatest assistance goes to the smaller hospitals, and that Providence Hospital for example, would receive no additional funding as a result of this bill. So, those hospitals in greatest need would receive the most funding so they can get financially "on their feet" and begin to make necessary long-term adjustments to make themselves more economically viable.

Mr. Dewitt stated that the Senate HESS Committee envisioned having the Capital Revenue Sharing issue certificate of need, licensure, this legislation so that there would be an entire package. A formula basis may be reached by next year, however, the arrangement in the bill before the committee would work. He stated he believed the legislation was in the public interest.

Co-chairman Dankworth pointed out that some of the high energy costs being experienced by the smaller hospitals might be relieved if "Representative Haugen and some of the rest of us get our energy package passed this year". Senator Sturgulewski suggested that the bill could "go forward" if the fiscal note were revised, and Co-chairman Dankworth stated he would have no problem with that. He wished to show that the FY 82 appropriation would carry through all the years on the fiscal note, and he wanted to delete the 10% increase shown in the text portion of the note.

Senator Sturgulewski moved the Senate HESS Committee amendment on page 1, line 21 to delete \$1,000 and insert \$2,000. There being no objection, it was so ordered.

Senator Sturgulewski moved CSHB 131 (HESS) as amended, 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 Dankworth and Senators Stimson, Sturgulewski, Ferguson and Eliason signed "do pass".

ADJOURNMENT

The meeting adjourned at 9:15 a.m.

(Tape SFC 81, # 66, Side 1, 000 - 795)

SENATE FINANCE COMMITTEE

June 16, 1981

9:10 a.m.

SFC-81, #66, Side 2, (000-659)

CALL TO ORDER

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

PRESENT

Committee members Bennett, Sturgulewski, Eliason, and Stimson were present. Co-chairman Dankworth and Senators Ferguson and Sackett did not attend. Also attending were Richard B. Engen, Director of Libraries and Museums; Steve Hole from the Department of Education; Eric Eckholm of the Alaska Seafood Marketing Institute; Frank Lee, Administrative Assistant to Senator Brad Bradley; and Fiscal Analyst Milt Barker.

SENATE BILLS 315 and 316

Co-chairman Bennett moved that Sponsor Substitute for SB 315 (ACT PROVIDING FOR THE ESTABLISHMENT OF A JOINT LEGISLATIVE COMMITTEE ON THE ALASKA VETERANS AND PIONEERS MEMORIAL MUSEUM) be brought on for discussion.

Senator Sturgulewski advised that SB 315 (above) and its companion bill, SB 316 (ACT MAKING A SPECIAL APPROPRIATION TO THE LEGISLATIVE AFFAIRS AGENCY FOR THE JOINT LEGISLATIVE COMMITTEE ON THE ALASKA VETERANS AND PIONEERS MEMORIAL MUSEUM) were assigned to her for research. She directed committee attention to Finance Committee Substitutes prepared on behalf of both bills, advising that the Committee Substitute for SSSB 315 alleviates some Department of Education concerns and allows the Governor to appoint to the committee Mr. Engen from the State Library or someone from the Dept. of Education who would bear in mind overall museum needs statewide.

Frank Lee appeared on behalf of Senator Bradley, testifying that veterans statewide wish to see a museum established as a memorial to veterans and pioneers in Alaska. Alaska is the only state which has been invaded by a foreign power. Not since the War of 1812 has the United States had to repulse an enemy from its territories. The Thousand Mile War on the Aleutian Chain was one of the most difficult campaigns of World War II. Over 400,000 American troops were involved in the Alaskan Theater. When the war ended in 1945, thousands of pieces of equipment and buildings were left behind. Alaska is possibly one of the few places in the world where World War II relics remain almost totally intact. The U.S. Corps of Engineers has conducted a study in preparation for clean-up of World War II refuse. Under one proposal, the Corps would bury and burn war artifacts and relics at a cost of

approximately \$25 to \$30 million. The subject legislation proposes that before the Corps begins its work, an oversight committee, in conjunction with state agencies, evaluate military remains and determine what should be restored and placed in an appropriate museum. The museum would attract tourists and historians from around the world. If the state does not act now, these war relics will be lost.

Mr. Lee alluded to private efforts to recover World War II aircraft and sell them outside the state. He advised that such efforts have run into title/ownership problems. It would be much more appropriate for the state to "be in a position of ownership of this aircraft." The legislation proposes state-conducted clean up of selected artifacts from the Aleutians and other areas of Alaska. Such activity would provide employment in the Aleutians where unemployment is currently extremely high. The proposed joint legislative oversight committee could conduct necessary studies and inventories of relics throughout the state for approximately \$200,000. The committee would be terminated one year from the date of inception.

Senator Sturgulewski directed committee attention to the revised committee budget, advising that the \$200,000 total represents a substantial reduction from the original \$300,000 request. Responding to requests from the Senator concerning the proposed film which would document committee activity, Mr. Lee stated that the film (a 30-minute color film to be broadcast on public television) would be competitively bid upon by private film makers. Estimates for such a film run from \$25,000 to \$55,000. The \$32,000 proposed in the budget would provide flexibility.

Responding to an inquiry from Senator Stimson concerning the Department of Education request for \$25,000 to establish a task force for work similar to that of the joint oversight committee, Mr. Lee stated that the Department position paper would utilize existing personnel at the State Museum. He expressed doubt that with such limited funding the Department could "afford to go to the Aleutian Islands" and conduct necessary research and inventory. He further stated his belief that the Department of Education is "conceptually . . . behind this bill." Mr. Lee stressed the fact that no record of all the artifacts and relics available within Alaska exists.

When asked by Senator Stimson if he believed the oversight committee could accomplish its work in one year, Mr. Lee responded, "Yes, sir."

In answer to a question from Senator Eliason concerning oversight committee funding for \$72,000 letters to be mailed to state veterans, Mr. Lee advised that the mailing would distribute a questionnaire which would determine what is important to veterans and pioneers in terms of what should be preserved.

Director of State Libraries and Museums, Dick Engen, next appeared before committee advising of state concern that the

proposed museum be planned in conjunction with other museums statewide. He advised that the \$25,000 requested by the Department of Education relates to preparation of a state plan for development of thematic museums, including the veterans and pioneers museum.

Responding to questions from Co-chairman Bennett concerning the gathering of artifacts, Mr. Engen stated that selected items would be brought to a central location for display while others would only be photodocumented in place and left where they are in the event that restoration and transportation are not warranted. In the event of duplication, parts of various artifacts would be brought together to re-assemble "the best possible one."

Responding to concern by Co-chairman Bennett that next year funding would be requested for restoration and maintenance of the artifacts, Mr. Engen stated that the \$200,000 requested in the pending legislation would fund only the survey and identification of artifacts rather than establishment of the museum. He added that the original fiscal note for the proposed museum was \$2 million. He further added that through operation of the transportation museum at Palmer, the state has learned that restoration of aircraft is an expensive undertaking costing from \$25,000 to \$35,000.

While expressing sympathy for the project, Sen. Sturgulewski questioned the advisability of legislative funding for a film which would "go out and promote the project." She asked if benefits would be derived from such a film or would photographs be adequate for building historical background. Mr. Engen responded that still photographs would be most important because they represent in-place photodocumentation. He added, however, that the state will only get out to "the raw material area" once. Once things are disturbed, the situation changes. He advised of distinct benefit to be derived from having a film record of on-site activity leading to establishment of the museum. The film could be used in the museum itself as part of a display rather than as a promotional tool.

Citing concern expressed by Mr. Engen in Dept. of Education memos relating to the proposed museum, Senator Stimson asked if the subject legislation represents "the most realistic approach we can be taking to a military or veterans' museum at this time." Mr. Engen responded that Department concern relates to the fact that the state frequently receives requests for state funding of special subject type museums. Requests have included a living history museum, the aviation museum at Palmer, two requests for historic aircraft museums, etc. The state must establish a framework within which to fit different types of museums in order to promote effective expenditure of museum funding. The \$25,000 requested by the Department of Education would build this type of framework. He further stressed need to study the pioneer museum concept and its relationship to museums already possessing numerous artifacts from the pioneer area. He attested to need

for already existing state museums to join in activity contemplated by the proposed legislation.

Responding to a question concerning Army efforts relating to the Thousand Mile War and the fact that under the subject legislation the state might duplicate federal effort, Mr. Engen advised that the Army already has an extensive photo record. A tremendous amount of film has been shot (tens of thousands of feet). While perhaps 99% of the footage is not usable, that which is would be a valuable addition to the proposed museum as well as the state film library. He added, however, that existing film is probably not adequate in terms of the survey proposed by the pending legislation.

Expressing a need to rid the Aleutians of war debris while preserving valuable artifacts, Senator Sturgulewski advised of need to interrelate museums statewide. She asked Mr. Engen what is needed in order that he could make recommendations concerning museum direction statewide. Mr. Engen attested to need to project museum development into the future--what will be needed five, ten, twenty years from now. While the state has identified needs for fire protection, security, etc., it has yet to determine what subject areas are not now covered and how best to cover them. The \$25,000 request through the Department of Education would bring together museum and subject experts around the state to address this issue.

Senator Sturgulewski advised that while she is satisfied the legislation would allow needed input and coordination between the legislature and state museum personnel, sufficient questions remain concerning travel funding and the proposed film to warrant holding the bill one legislative day. She thus moved that consideration of the Finance Committee Substitutes for SSSB 315 and SSSB 316 be held until the next committee meeting. No objection having been raised, the bills were held in committee.

ADJOURNMENT

The meeting was adjourned at approximately 9:40 a.m.

SFC-81, #66, Side 2 (000-659)

SENATE FINANCE COMMITTEE
June 17, 1981
9:00 a.m.

(Tape SFC 81, # 67, Side 1, 000 - 150)

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 Stimson. Also in attendance were Senator Bradley and Administrative Assistant to Co-chairman Bennett, Judy Johnston.

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 413 (JUDICIARY) AMENDED

Co-chairman Bennett stated the first order of business would be consideration of CSHB 413 (Judiciary) amended (An Act relating to the Alaska Commercial Fishing and Agriculture Bank; and providing for an effective date), and requested that Senator Sturgulewski present the legislation to the committee.

Senator Sturgulewski stated that there was an SCS in the file.

SENATE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 413 (FINANCE)

Senator Sturgulewski stated the original version from the House had been before the committee several times. The only change since the last discussion was to take the employees out of the PERS system because of advice on possible difficulties using that system. Also, an effective date of December 31, 1981 was added so there would be time for the management to find another retirement program. She stated she thought it was a good bill, and the Board had made a lot of input. She also pointed to additional back-up in the file. She stated the audits would be done by Legislative Budget and Audit. And, she said that a minor change had been made in the existing transition provision to correct a technical flaw.

Senator Sturgulewski moved and asked unanimous consent that SCS CSHB 413 (Finance) be passed from committee with individual recommendations. There being no objection, it was so ordered and the committee report was signed as follows: Senators Sackett, Sturgulewski and Eliason signed "do pass", and Co-chairman Bennett and Senator Ferguson signed "no recommendation".