

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2833

SENATE FINANCE COMMITTEE

March 11, 1982

9:05 a.m.

(Tape SFC 82, # 8, Side 1, 000-027)

CALL TO ORDER

Co-chairman Bennett called the meeting to order at 9:05 a.m.

PRESENT

All members of the committee were present with the exception of Senators Stimson and Eliason.

SB 746

Co-chairman Bennett stated the first order of business would be consideration of SB 746 (AN ACT MAKING A SPECIAL APPROPRIATION TO THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT, OFFICE OF MINERAL DEVELOPMENT, FOR PRODUCTION OF A DOCUMENTARY FILM ON ALASKA'S MINING HISTORY AND POTENTIAL; AND PROVIDING FOR AN EFFECTIVE DATE). He noted that there was a Committee Substitute for SB 746 (Finance) (AN ACT MAKING A SPECIAL APPROPRIATION TO THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT, OFFICE OF MINERAL DEVELOPMENT, FOR PRODUCTION OF A DOCUMENTARY FILM ON ALASKA'S MINING HISTORY AND POTENTIAL; MAKING A SPECIAL APPROPRIATION TO THE OFFICE OF THE GOVERNOR FOR PARTICIPATION OF THE ALASKA GAMES UNIT IN THE ARCTIC WINTER GAMES; AND PROVIDING FOR AN EFFECTIVE DATE) in the file.

Senator Ferguson moved and asked unanimous consent that Committee Substitute for SB 746 (Finance) be moved from committee with individual recommendations. There being no objection, it was so ordered, and the committee report was signed "do pass" by all members present.

ADJOURNMENT

The meeting adjourned at 9:06 a.m.

(Tape SFC 82, # 8, Side 1, 000-027)

SENATE FINANCE COMMITTEE

March 12, 1982

9:10 a.m.

No recording for this meeting.

CALL TO ORDER

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

PRESENT

All committee members were present with the exception of Co-chairman Dankworth and Senator Stimson. Also attending were Commissioner of Community and Regional Affairs Lee McAnerney; Richard Asks, Deputy Commissioner of Community and Regional Affairs; Palmer McCarter, Director of Local Government Assistance for Community & Regional Affairs; Ginny Chitwood, representing the Alaska Municipal League; Fiscal Analyst Elmer Lindstrom; and administrative assistant to the Finance Committee Judy Johnston.

SB 830 and SB 836

Senator Sturgulewski asked that SB 830 (ACT EXTENDING THE TIME DURING WHICH ASSISTANCE FOR MUNICIPALITIES AND UNINCORPORATED COMMUNITIES IS PAID UNDER ch. 60, SLA 1981) and SB 836 (ACT EXTENDING APPROPRIATIONS MADE FOR ENTITLEMENTS TO MUNICIPALITIES AND UNINCORPORATED COMMUNITIES AND FOR EXTENDING APPROPRIATIONS FOR ADMINISTERING THE ENTITLEMENTS) be simultaneously brought on for discussion.

She advised that although the bills were assigned to Co-chairman Dankworth, he had asked her to bring them before committee on his behalf since he would be "out of town" at the time of the meeting. She stated that both bills extend appropriations and lapse dates contained in legislation passed last session. For further information, she directed committee attention to a memorandum from Fiscal Analyst Elmer Lindstrom (copy attached) and a position paper prepared by Deputy Commissioner of Community and Regional Affairs, Richard Asks.

Senator Sackett moved that SB 830 and SB 836 pass from committee with individual recommendation. No objection having been raised, the bills passed from committee--all members present signing do pass.

ADJOURNMENT

The meeting was adjourned at approximately 9:12 a.m.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

M E M O R A N D U M

TO: Senator Ed Dankworth, Co-chairman
Senate Finance Committee

FROM: Elmer Lindstrom, Fiscal Analyst
Legislative Finance Division

DATE: March 11, 1982

SUBJECT: SB 830, SB 836

Ch. 60, SLA 81 (SB 168) authorizes a one time payment to incorporated and unincorporated communities in the amount of \$1000 per person to be paid during the fiscal year ending June 30, 1982. Ch. 61, SLA 81 (HB 1) appropriated \$380,000,000 GF to the Department of Administration and \$24,987,000 GF to the Department of Community and Regional Affairs for payment of the entitlements authorized in SB 168. These appropriations carried a lapse date of June 30, 1982.

Subsequent to the passage of SB 168 and HB 1 it became necessary due to budgetary constraints to split the payment of the \$1000 per person entitlement into two year appropriations, i.e., a portion of the funds were made available for expenditure during FY 82 with the balance available during FY 83. This was accomplished in Sections 63-64, Ch. 92, SLA 81 (HB 297).

The purpose of SB 830 is to amend Ch. 60, SLA 81 (SB 168) to allow for payment of the \$1000 per person entitlement over a two year period rather than one year as originally envisioned. This was clearly the intent of the legislature when they split the entitlement into two year appropriations in HB 297. Similarly the purpose of SB 836 is to amend the appropriations made in HB 297 to allow those appropriations available for expenditure during FY 82 to be carried forward into FY 83. All unexpended and unobligated funds will lapse into the General Fund on June 30, 1983.

EL:dh

SENATE FINANCE COMMITTEE

March 17, 1982

9:15 a.m.

(Machine Malfunction - No Tape)

CALL TO ORDER

Co-chairman Bennett called the meeting to order at 9:15 a.m.

PRESENT

All members of the committee were present with the exception of Co-chairman Dankworth and Senator Sackett. Also in attendance were Judy Johnston, Administrative Assistant to Co-chairman Bennett; Senator Colletta; Bill Brock of the Board of Governors of the Medical Indemnity Corporation of Alaska; Dennis Dewitt, Executive Director of the Alaska Hospital Association; Ken Moore, Director of Division of Insurance for the State of Alaska; Sandy Nusbaum, Administrative Assistant to Co-chairman Bennett; Jay Hogan, Director of Legislative Finance; and members of the press, Todd Harvesty, David Ramseur and Craig Medred.

SB 548

Co-chairman Bennett stated the first order of business would be consideration of SB 548 (AN ACT RELATING TO THE MEDICAL INDEMNITY CORPORATION OF ALASKA (AS 21.88).), and requested that Senator Sturgulewski present the bill to the committee.

Senator Sturgulewski stated that Senator Colletta was present to speak on the legislation since he had sponsored the original bill, and she added that Mr. Brock, Mr. Dewitt and Mr. Moore were also available to answer questions. She pointed to an analysis in the file, indicating changes in the original bill. She moved and asked unanimous consent that Committee Substitute for SB 548 (Finance) (SAME TITLE) be brought before the committee for consideration. There being no objection, it was so ordered.

Senator Sturgulewski asked that Senator Colletta step forward to speak on Section 3 of the Committee Substitute, since it was the only major change from the original bill. Senator Colletta gave a short history of the legislation. He said that legislation was first enacted in 1972 when there was controversy over medical contracts because of insurance rates; an insurance entity was created for doctors as a result. He was on the free conference committee that wrote that legislation and he became prime sponsor of SB 548 mainly because of association with the problem since the beginning. He said that CS for SB 548 would be extremely helpful if Medical Malpractices "raises its ugly head" again, and added that the amendments found in the CS were acceptable to him.

Senator Eliason raised questions concerning the changes in the Committee Substitute, and on insurance rates. Mr. Brock, Board of Governors for the Medical Indemnity Corporation of Alaska, stated that it would be difficult for him to give a straight comparison of the previous rates and those in effect now, mainly because there were really no rates to compare. He said that the rates now being charged were somewhat above the initial rates because of the changes in insurance in 1978, and added that it had come up only a modest amount from year to year. In response to Senator Eliason's question as to the effect on other insurance carriers in Alaska, he stated that other carriers were changing their rates in a comparable manner; he agreed that they did influence the market.

Senator Ferguson asked for a valid example of "other hazards" found in Section 3. Mr. Brock said that premises liability should cover such things as a pediatrician's office for example, because there were so many children in the area at all times as opposed to most other types of medical premises.

Senator Sturgulewski moved and asked unanimous consent that Committee Substitute for SB 548 (Finance) be passed from committee with individual recommendations. There being no objection, it was so ordered, and all members present signed "do pass".

REPORT ON OPERATING AND CAPITAL BUDGET POSITIONS

Co-chairman Bennett requested that his Administrative Assistant Sandy Nusbaum report to the committee on the response received from the administration as to the number of CIP positions established by RP. Ms. Nusbaum read to the committee a memo dated March 15, 1982 from the Director of Budget and Management Ron Lehr. Co-chairman then pointed to the packet addressed to the Chairmen of the House and Senate Finance Committees dated March 12, 1982 from Ron Lehr on the same subject. (Both memorandums are appended to the end of these minutes, while the backup supporting the memos will be found in the back of the minutes notebook.) Ms. Nusbaum qualified that these reports contained information for all departments with the exception of DOTPF. Co-chairman Bennett requested that Jay Hogan come forward to comment on the reports.

Mr. Hogan stated he had not seen the smaller, most recent report, but that he was familiar with the larger one dated March 12. He said that last year a statement of intent had been issued to every department having CIP positions to go through 1983 that they should be put into the budget. He added that many of the positions had been prepared for the budget in November, but the fact that the Senate Finance Committee was just now getting the report makes the decision-making job so much more difficult - especially because the House Finance Committee is already almost finished with their budget presentations. He said that the report dated March 15 was even more interesting as it indicated that 353 positions had been created from Capital Budget monies.

He said that to comply with the state law, all of those positions should be included in some part of the Appropriations Act. He added that all the positions the legislature decides to accept should also be in the Appropriations Act so that it will be clear that they are talking about a "ceiling" in state government.

Senator Sturgulewski noted that last year, in addition to DOTPF, there were about 199 positions created by Program Receipts; now the present report listed over 300 of those positions. She felt that in order to handle the Capital Budget, these positions should all go into the Operating Budget; however, some of them would be obsolete as soon as the projects were finished. She asked for comment from Jay Hogan. Mr. Hogan suggested it might be possible to require legislative approval of the RP process during the interim - he said this was done in the early 1970's so that the positions as well as the monies had to be approved.

Further discussion ensued. The lateness of the reports in questions raised such comments as the one by Co-chairman Bennett, who stated that much of the subcommittee work already accomplished will now be outdated. He requested that Mr. Hogan compile a complete list of the number of positions approved in the budget last year, and then put the positions from the two reports into the budget, so that the committee would know what the total position picture was like. He said he didn't think anyone had "a handle" on the total number of employees the administration has put on and followed with the example of Public Safety buying a helicopter with peace officer position monies. He concluded by saying that it was extremely difficult to make prudent judgments on the budget without total figures.

ADJOURNMENT

The meeting adjourned at 9:45 a.m.

(Machine Malfunction - No Tape)

6/26/81

STATE OF ALASKA
BUDGETED NEW POSITIONS BY AGENCY

*** AGENCY SUMMARY TOTALS

*** AGENCY SUMMARY TOTALS		GOVERNOR'S BUDGET		HOUSE BUDGET		SENATE BUDGET		F.C.C. BUDGET	
TITLE		APPROVED POSITIONS	SALARY & BENEFITS	APPROVED POSITIONS	SALARY & BENEFITS	APPROVED POSITIONS	SALARY & BENEFITS	APPROVED POSITIONS	SALARY & BENEFITS
OFFICE OF THE GOVERNOR		19	849.8	7	730.4	6	730.4	19	849.8
	FULL TIME	19	849.8	7	730.4	6	730.4	19	849.8
	TEMPORARY	4	19.4	3	14.7	3	14.7	4	19.4
***	TOTAL	23	869.2	10	745.1	9	745.1	23	869.2
DEPARTMENT OF ADMINISTRATION		160	3492.3	123	2993.8	120	2859.3	135	3124.0
	FULL TIME	160	3492.3	123	2993.8	120	2859.3	135	3124.0
	PART TIME	14	143.5	10	101.8	10	101.8	10	101.8
	TEMPORARY	9	70.0	8	53.9	8	53.9	8	53.9
***	TOTAL	183	3705.8	141	3149.5	138	3015.0	153	3279.7
DEPARTMENT OF LAW		23	1031.1	21	885.6	22	933.4	24	1037.9
	FULL TIME	23	1031.1	21	885.6	22	933.4	24	1037.9
	PART TIME	1	11.1						
***	TOTAL	24	1042.2	21	885.6	22	933.4	24	1037.9
DEPARTMENT OF REVENUE		9	361.1	7	334.6	7	166.0	15	469.0
	FULL TIME	9	361.1	7	334.6	7	166.0	15	469.0
	PART TIME	24	307.6		307.6		307.6	24	307.6
***	TOTAL	33	668.7	7	642.2	7	473.6	39	776.6
DEPARTMENT OF EDUCATION		36	1120.0	33	1017.7	33	1017.7	33	1017.7
	FULL TIME	36	1120.0	33	1017.7	33	1017.7	33	1017.7
	PART TIME	4	48.8	4	48.8	4	48.8	4	48.8
***	TOTAL	40	1168.8	37	1066.5	37	1066.5	37	1066.5
DEPARTMENT OF HEALTH & SOCIAL SERVICES		158	4866.8	128	3917.6	127	3834.1	143	4330.6
	FULL TIME	158	4866.8	128	3917.6	127	3834.1	143	4330.6
	PART TIME	18	161.7	16	131.1	16	131.1	16	131.1
***	TOTAL	176	5028.5	144	4048.7	143	3965.2	159	4461.7
DEPARTMENT OF LABOR		10	431.6	11	431.6	9	355.8	12	431.6
	FULL TIME	10	431.6	11	431.6	9	355.8	12	431.6
	TEMPORARY	2	35.0	2	35.0	2	35.0	2	35.0
***	TOTAL	12	466.6	13	466.6	11	390.8	14	466.6
DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT		23	779.8	19	634.2	10	402.0	25	881.9
	FULL TIME	23	779.8	19	634.2	10	402.0	25	881.9
***	TOTAL	23	779.8	19	634.2	10	402.0	25	881.9
DEPARTMENT OF MILITARY AFFAIRS		2	74.9	1	22.9				
	FULL TIME	2	74.9	1	22.9				
***	TOTAL	2	74.9	1	22.9				

6/26/81

STATE OF ALASKA
BUDGETED NEW POSITIONS BY AGENCY

*** AGENCY SUMMARY TOTALS

TITLE		GOVERNOR'S BUDGET		HOUSE BUDGET		SENATE BUDGET		F.C.C. BUDGET	
		APPROVED POSITIONS	SALARY & BENEFITS	APPROVED POSITIONS	SALARY & BENEFITS	APPROVED POSITIONS	SALARY & BENEFITS	APPROVED POSITIONS	SALARY & BENEFITS
DEPARTMENT OF NATURAL RESOURCES	FULL TIME	87	3510.3	37	1272.2	25	853.8	80	3241.6
	PART TIME	7	82.4	7	82.4	7	82.4	7	82.4
***	TOTAL	94	3592.7	44	1354.6	32	936.2	87	3324.0
DEPARTMENT OF FISH & GAME	FULL TIME	44	1450.2	38	1187.3	26	805.2	45	1450.2
	PART TIME	81	582.3	59	425.6	15	214.8	81	582.3
	TEMPORARY	36	312.3	34	274.3	20	179.5	36	312.3
***	TOTAL	161	2344.8	131	1887.2	61	1199.5	162	2344.8
DEPARTMENT OF PUBLIC SAFETY	FULL TIME	39	1396.8	34	1434.3	45	1801.1	62	2292.5
***	TOTAL	39	1396.8	34	1434.3	45	1801.1	62	2292.5
DEPARTMENT OF TRANSPORTATION	FULL TIME	148	4331.7	125	3528.7	74	1417.0	135	3818.2
	PART TIME	17	298.1	7	118.0	15	251.1	19	288.2
***	TOTAL	165	4629.8	132	3646.7	89	1668.1	154	4106.4
DEPARTMENT OF ENVIRONMENTAL CONSERVATION	FULL TIME	51	1934.2	39	1454.3	16	635.3	54	1991.1
	PART TIME	3	79.5	5	79.5	4	44.3	5	79.5
	TEMPORARY	6	107.9	6	107.9			6	107.9
***	TOTAL	60	2121.6	50	1641.7	20	679.6	65	2178.5
DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS	FULL TIME	30	1102.4	30	1102.4	24	848.7	27	960.3
	PART TIME	2	28.2	2	28.2	3	44.0	3	44.0
***	TOTAL	32	1130.6	32	1130.6	27	892.7	30	1004.3
LEGISLATURE	FULL TIME			1	26.7				
***	TOTAL			1	26.7				
ALASKA COURT SYSTEM	FULL TIME	22	647.9	13	392.5	6	216.3	17	514.9
***	TOTAL	22	647.9	13	392.5	6	216.3	17	514.9
UNIVERSITY OF ALASKA	FULL TIME	58	2327.7	129	4085.0	56	1977.5	87	2910.6
	PART TIME	10	121.7	23	300.2	9	118.9	15	223.4
***	TOTAL	68	2449.4	152	4385.2	65	2096.4	102	3134.0

3/17/82

6/26/81

STATE OF ALASKA
BUDGETED NEW POSITIONS BY AGENCY

*** AGENCY SUMMARY TOTALS

TITLE		GOVERNOR'S BUDGET		HOUSE BUDGET		SENATE BUDGET		F.C.C. BUDGET	
		APPROVED POSITIONS	SALARY & BENEFITS	APPROVED POSITIONS	SALARY & BENEFITS	APPROVED POSITIONS	SALARY & BENEFITS	APPROVED POSITIONS	SALARY & BENEFITS
*** TOTAL ALL AGENCIES	FULL TIME	919	29708.6	796	25451.8	606	18853.6	913	29321.9
	PART TIME	181	1864.9	133	1623.2	83	1344.8	184	1889.1
	TEMPORARY	57	544.6	53	485.8	33	283.1	56	528.5
	*** TOTAL	1157	32118.1	982	27560.8	722	20481.5	1153	31739.5

*** TOTAL NEW POSITION FUNDING

FEDERAL FUNDS	2150.1	2061.8	1815.7	2057.0
GENERAL FUND	23316.8	22109.5	15741.4	23636.0
OTHER FUNDS	6650.6	3388.8	2923.9	6046.0
*** TOTAL FUNDING	32117.5	27560.1	20481.0	31739.0

STATE OF ALASKA

OFFICE OF THE GOVERNOR

BUDGET & MANAGEMENT

MAR 15 1982

JAY S. HAMMOND, GOVERNOR

POUCH AM
JUNEAU, ALASKA 99811
PHONE: (907) 465-2211

March 15, 1982

The Honorable Don Bennett and Ed Dankworth
Co-Chairmen, Senate Finance Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Senators Bennett and Dankworth:

This memo and attachments are in response to your February 10, 1982 request regarding FY 82 RPX positions established through January 31, 1981. I have taken the liberty to provide a bit finer level of information than what you requested. I hope it will be useful.

Attachment 1 summarizes the total number of operating and capital budget positions (Position Control Numbers) established by agencies. The operating budget positions are divided into two groups, budgeted and non-budgeted. Budgeted positions are those positions established to implement projects or new programs, funded by the Legislature. Included in this group are positions contained in the Governor's FY 82 budget as amended, positions related to fiscal notes and special legislation, and positions required to perform special legislative intent projects funded in the miscellaneous line item of the Free Conference Committee reports. There were approximately 700 PFT budget positions established between July 1, 1981 and January 31, 1982.

Nonbudgeted positions are those that were established outside the legislative intended scope of the budget. Positions of this type are often established as a result of economy measures by state agencies when it is determined to be more efficient to hire a state employee for a project instead of contracting with the private sector for the same work. In these instances funds are often transferred from other budget line items into the personal services line item to finance the position. There were 95 non-budgeted positions established as of January 31, 1982. Of this total, 84 positions were established in the Adult Corrections program to comply with Judge Carlson's order to secure alternative prisoner housing pending the opening of new corrections facilities in late FY 83. A delete/add supplemental approved February 11, 1982 (Chapter 9, SLA 82) funded 70 of these positions. Since the legislature approved this supplemental budget one might consider these budgeted positions. Adjusting for this fact reduces the total nonbudgeted PFT position count to 25.

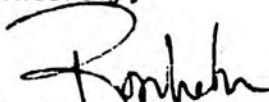
Positions indicated in the capital budget column are those that were established to perform the work of capital projects funded by the Legislature.

These positions are always considered budgeted, because they are required to complete capital projects, i.e., the positions would not be established without the related capital projects. These positions are terminated when the projects are completed.

Attachment 2 is a copy of our position authorization (SA 21) file. This file lists all positions established between 7/1/81 and 1/31/82. It should answer most of your questions about type, location, status, etc. of positions.

I hope the information in Attachments 1 and 2 satisfies your concerns. If you have additional questions please call me.

Sincerely,



Dr. Ronald D. Lehr
Director

Attachments

Attachment 1
Summary of All Positions Established Between 7/1/81 - 1/31/82

<u>Agency Status</u>		<u>Total PCNs</u>	<u>Operating Budget</u>		<u>Capital</u>
			<u>Budgeted</u>	<u>Non-Budgeted</u>	
Gov.	PFT	17	16	1	0
Admin.	PFT	127	108	3	16
	PPT	6	6	0	0
	SEAS	3	3	0	0
	TEMP	4	4	0	0
	<u>Total</u>	<u>140</u>	<u>121</u>	<u>3</u>	<u>16</u>
Law	PFT	34	32	2	0
	PPT	1	1	0	0
	<u>Total</u>	<u>35</u>	<u>33</u>	<u>2</u>	<u>0</u>
Revenue	PFT	14	14	0	0
Education	PFT	18	16	0	2
	PPT	6	6	0	0
	<u>Total</u>	<u>24</u>	<u>22</u>	<u>0</u>	<u>2</u>
H&SS	PFT	186	92	87*	7
	PPT	9	8	0	1
	<u>Total</u>	<u>195</u>	<u>100</u>	<u>87*</u>	<u>8</u>
Labor	PFT	18	18	0	0
Commerce	PFT	37	27	1	9
	PPT	1	1	0	0
	<u>Total</u>	<u>38</u>	<u>28</u>	<u>1</u>	<u>9</u>
Military		0	0	0	0
Nat. Res.	PFT	176	118	0	58
	PPT	7	7	0	0
	SEAS	2	2	0	0
	<u>Total</u>	<u>185</u>	<u>167</u>	<u>0</u>	<u>58</u>
Fish & Game	PFT	110	61	1	48
	SEAS	118	106	0	12
	<u>Total</u>	<u>228</u>	<u>167</u>	<u>1</u>	<u>60</u>

<u>Agency Status</u>	<u>Total PCNs</u>	<u>Operating Budget</u>		<u>Capital Budget</u>
		<u>Budgeted</u>	<u>Non-Budgeted</u>	
Public Safety				
PFT	80	80	0	0
PPT	3	3	0	0
<u>Total</u>	<u>83</u>	<u>83</u>	<u>0</u>	<u>0</u>
Env. Consv.				
PFT	32	32	0	0
PPT	8	8	0	0
<u>Total</u>	<u>40</u>	<u>40</u>	<u>0</u>	<u>0</u>
C&RA				
PFT	17	17	0	0
PPT	1	1	0	0
<u>Total</u>	<u>18</u>	<u>18</u>	<u>0</u>	<u>0</u>
DOT/PF				
PFT	68	68	0	0
PPT	10	1	9	0
SEAS	1	1	0	0
<u>Total</u>	<u>79</u>	<u>70</u>	<u>9</u>	<u>0</u>

<u>TOTAL</u>				
PFT =	934	699	95*	140
PPT =	52	42	9	1
Seasonal =	124	112	0	12
Temporary =	<u>4</u>	<u>4</u>	<u>0</u>	<u>0</u>
Grand				
<u>Total =</u>	1114	857	104	153

*NOTE: 70 of these positions were established pending approval of Chapter 9, SLA 82, a court ordered delete/add supplemental appropriation for Adult Corrections. Adjusting for this fact reduces the total nonbudgeted PFT position count to 25.

STATE OF ALASKA

OFFICE OF THE GOVERNOR

BUDGET & MANAGEMENT

March 12, 1982

JAY S. HAMMOND, GOVERNOR

POUCH AM
JUNEAU, ALASKA 99811
PHONE: (907) 465-2211

The Honorable Don Bennett and Ed Dankworth
Co-Chairmen, Senate Finance Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Senators Bennett and Dankworth:

The purpose of this letter is to transmit to the legislature, budget information on capital positions "authorized" or existing in all state agencies. This information excludes Department of Transportation and Public Facilities (DOT/PF) capital positions because they were included in the Governor's operating budget submission previously transmitted to you.

As noted in the attached binder this information is organized by agency. Agencies were requested to separately identify both direct charge and overhead capital positions on the CIP 1 forms, and to document all related line item detail on CIP 2 forms. (A copy of the Detail Budget Instructions relating to CIP positions is attached).

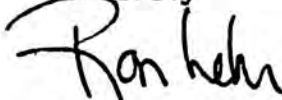
Those agencies which do not have capital positions have included a letter affirming that fact.

With the exception of DOT/PF, there are 308 existing PFT Capital positions which are anticipated to continue into FY83. A summary of this information, by agency, is provided in the front of the binder.

I hope this information contributes to your review of the FY83 budget. If you have any questions please call me.

Attachment

Sincerely



Dr. Ronald D. Lehr
Director

cc: Representative Joe Hayes, Speaker
Senator Jalmar Kerttula, President
Jay Hogan, Legislative Finance
Keith Specking, Legislative Assistant

SENATE FINANCE COMMITTEE

March 18, 1982

9:05 a.m.

No recording for this meeting, machine malfunction.

CALL TO ORDER

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

PRESENT

Present were Co-chairman Bennett and Senators Stimson, Eliason, and Ferguson. Co-chairman Dankworth and Senators Sackett and Sturgulewski did not attend. Also present were Senator Bob Mulcahy, Judy G. Knight, Special Assistant to the Commissioner of Labor, and administrative assistant to Senate Finance Judy Johnston.

SB 658

Co-chairman Bennett moved that SB 658 (ACT INCREASING THE FEES FOR A COMMERCIAL FISHING LICENSE) be brought on for discussion.

Senator Bob Mulcahy appeared to speak in support of the legislation. He advised that last session the legislature appropriated approximately \$200,000 to the fund. The fund is "in trouble" again, and an interim Labor and Commerce Committee has determined that the fund should be self-sustaining. A drain on funding has occurred as a result of having extended fund coverage from the three mile limit to the two hundred mile limit.

The number of licenses issued over the past few years has remained fairly steady. Legal opinion holds that the only constitutional method for making the fund self-sustaining is an increase in license fees. An increase from the current \$10 resident and \$30 non-resident fee to \$20/\$60 would keep the fund solvent through 1986. An increase to \$30/\$90 would provide solvency to 1991 or 1992.

Responding to questions from Senator Stimson, Senator Mulcahy advised that the Fisherman's Fund is much like Workmen's Compensation. A fisherman--a license holder--can receive up to \$2,500 to help with medical costs, transportation, etc. Beyond this amount he must "look to insurance carried by the boat."

When Senator Ferguson questioned the need for the Resources Committee amendment adding to the bill an effective date of January 1, 1983. Senator Mulcahy advised that the amendment was attached at the suggestion of the Department of Labor; it relates to the licensing cycle.

Senator Eliason stated that the Fishermen's Fund represents a "good program which has worked well." It is actually an insurance program which benefits fishermen more than "what they are putting into it." Senator Mulcahy agreed, advising that the United Fishermen of Alaska support the bill.

Senator Ferguson moved that SB 658 pass from committee with individual recommendations. He further moved that the legislation pass with the Resources Committee amendment. No objection having been raised, SB 658 as amended by the Resources Committee passed from Senate Finance--all members present signing do pass.

SB 552

Co-chairman Bennett moved that SB 552 (ACT RELATING TO EMPLOYMENT PRACTICES AND WORKING CONDITIONS) be brought on for discussion. He directed committee attention to a proposed Senate Finance Committee Substitute for SB 552 (ACT EXEMPTING CERTAIN CHILD CARE WORKERS FROM THE ALASKA WAGE AND HOUR ACT).

Senator Mulcahy spoke in support of the Committee Substitute. He advised that the legislation would affect three child-care homes around the state: one in Senator Sackett's district, one in Senator Ferguson's district, and one in Senator Mulcahy's own district. The bill was drafted in accordance with federal regulations (federal law) and establishes minimum pay for an individual employed by a child-care facility who also resides at the facility and receives room and board. The legislation would preclude a claim for overtime by such an employee.

Senator Ferguson advised that he had checked with those operating the Nome child-care facility, and although "they would like to have the figures higher," the proposed Committee Substitute is acceptable.

Senator Eliason moved that the Committee Substitute for SB 552 (Finance) pass from committee with individual recommendation. No objection having been raised, the bill passed from Senate Finance--all members present signing do pass.

ADJOURNMENT

There being no further matters to come before committee at this time, the meeting was adjourned at approximately 9:25 a.m.

SENATE FINANCE COMMITTEE

March 22, 1982

9:03 a.m.

SFC-82, #8, Side 1 (028-142)

CALL TO ORDER

Co-chairman Don Bennett convened the meeting at approximately 9:03 a.m.

PRESENT

All committee members were present with the exception of Senators Sackett, Ferguson, and Eliason. Also attending were Senator Charlie Parr; Dr. E. S. Rabeau from the Dept. of Health & Social Services; and administrative assistants to Senate Finance Sandy Nusbaum and Judy Johnston.

SB 737

Co-chairman Bennett moved that SB 737 (AN ACT MAKING A SPECIAL APPROPRIATION TO THE DEPARTMENT OF HEALTH AND SOCIAL SERVICES TO BE USED TO COMBAT THE CAUSES AND EFFECTS OF BIRTH DEFECTS) be brought on for discussion.

Senator Parr appeared before committee to testify in support of the legislation. He advised that the \$100,000 appropriation requested in the bill would continue the March of Dimes genetic clinic which is threatened by reduction of federal funds. The actual amount needed for the clinic is approximately \$145,000. Senator Parr advised that \$100,000 represents an amount "they can get by on." Funding will permit the March of Dimes to bring a specialist from the University of Washington to conduct clinics throughout Alaska. The clinics deal with diagnosis of chromosomal deficiencies. The requested appropriation of \$100,000 is small in comparison to the cost of lifelong care for an individual whose deficiency might have been detected and corrected.

Responding to a question from Co-chairman Dankworth concerning indication on the fiscal note that the \$100,000 appropriation might be "expended over a 5 year period," and the correlating 1987 lapse date in the legislation, Senator Parr stated that he did not feel such a provision was necessary. However, it was added by legislative affairs in the event that federal funds were to "come in." State funding could then be carried into another year for later use. Based on an anticipated need for \$145,000 and state funding of only \$100,000, Senator Parr advised that he did not anticipate any carry over.

Senator Sturgulewski moved that SB 737 pass from committee with individual recommendations. The Co-chairman called for a show of hands from those in favor of passage. The show of hands

indicated unanimous consent. SB 737 thus passed from the Senate Finance Committee--all members present signing do pass.

ADJOURNMENT

There being nothing further to come before committee at this time, the meeting was adjourned at approximately 9:07 a.m.

SFC-82, #8, Side 1 (028-142)

sf0324820910

SENATE FINANCE COMMITTEE

March 24, 1982

9:10 a.m.

(Tape SFC 82, # 8, Side 1, 156-593)

CALL TO ORDER

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

PRESENT

All members of the committee were present with the exception of Senator Ferguson. Also in attendance were Judy Johnston, Administrative Assistant to Co-chairman Bennett; Attorney General Wilson Condon; Assistant Attorney General Ron Lorenzon; Director of Department of Law Administrative Services, Richard Pegues; Legislative Finance Fiscal Analyst Bob Schroeder; and members of the press, Karen Davies and Todd Hardesty.

BILL ASSIGNMENTS

Co-chairman Bennett made the following bill assignments:

SB 121 - Eliason	SB 784 - Dankworth
SB 195 - Sackett	SB 813 - Stimson
SB 215 - Ferguson	SB 825 - Dankworth
SB 430 - Sackett	SB 826 - Dankworth
SB 608 - Dankworth	SB 828 - Dankworth
SB 620 - Sturgulewski	SB 838 - Bennett
SB 627 - Stimson	SB 839 - Eliason
SB 669 - Ferguson	SB 850 - Sturgulewski
SB 670 - Dankworth	SB 853 - Sturgulewski
SB 699 - Bennett	SB 854 - Sturgulewski
SB 714 - Stimson	SB 856 - Eliason
SB 735 - Sturgulewski	SJR 80 - Eliason
SB 741 - Eliason	SR 20 - Sackett
SB 783 - Sturgulewski	HB 421 - Sturgulewski

SB 744

Co-chairman Bennett stated the next order of business was consideration of SB 744 (AN ACT MAKING SPECIAL APPROPRIATIONS FOR LEGAL FEES AND LITIGATION COSTS RELATED TO OIL AND GAS MATTERS; AND PROVIDING FOR AN EFFECTIVE DATE), and requested that Co-chairman Dankworth introduce the legislation to the committee.

Co-chairman Dankworth stated the bill was to appropriate litigation costs related to oil and gas matters before the state. He then called upon Attorney General Condon. Attorney General Condon stated that at the request of Co-chairman Dankworth, he had prepared Committee Substitute for SB 744 (Finance) (SAME TITLE), and he would give an overview of each section of the

legislation. Senator Sackett requested the Attorney General to tie his comments to last years appropriations.

Sections 1 and 2: Attorney General Condon stated these were requested funds to continue the corporate income tax litigation. He said last year the legislature amended the corporate income tax to put a limit on the total exposure to the state. He said that on the "table" now is \$1.8 billion; if the state loses, it would probably have to pay back \$1.5 and keep \$300 million. He said he did not believe that case could be settled unless the oil companies were willing to "walk away" from it. He said the state has filed a motion for summary judgment and the companies would be filing their response in May, and he was hopeful the case could be decided on the basis of the summary judgment. He said he could expect a decision on the case sometime in early winter. Then, no matter what happens, it would be appealed at least to the Alaska Supreme Court. Last year the combined request between the Department of Revenue and the Department of Law was about \$1.5 million; this year they were requesting slightly over \$1 million to pay for Department of Law people working on the case, as well as for expert witnesses for the litigation. He said they would definitely need that money unless the oil companies did decide to "walk away", which he doubted. Senator Sturgulewski asked if the requests in Sections 1 and 2 were for full year funding, and AG Condon responded yes. Questioning and clarification on the case took place between Co-chairman Dankworth and AG Condon.

Section 3: AG Condon stated this was a request for the funding necessary to fund the TAPS Tariff case from now until mid-february or the first of March of next year. Referring to the Committee Substitute, he said it was \$4,433,350. The request in the original bill was for \$7,380,000. Last year, the Department asked for one-time funding of \$23 million, but the legislature decided to fund only one year at a time. With the \$4 million, about \$25 million will have been spent on the case. The TAPS Tariff case was divided into two phases. The first phase has been decided by the Administrative Law Judge and is now before the Federal Energy Regulation Commission was how to compute an oil pipeline tariff. He said it was his feeling that there would be fairly major modifications to the Administrative Law Judge's decision, if and when the FERC ever decides it. Phase 2 was determining just what numbers should be "plugged" into the algebraic equation in order to come up with the tariff. In other words, what was the rate base? He said this case was now being heard by the Administrative Law Judge. He said they had filed their testimony and their witnesses were now on the stand being cross-examined. He said the cross-examination would go on for some time.

Co-chairman Bennett asked what the state would stand to gain if the case was won. AG Condon stated that no matter what happened in the short term, the tariffs would be reduced to some degree. It could amount to \$1.5 billion. The worst case would be for the tariffs to stay the way they are now (\$6 dollars). Co-chairman

Dankworth stated the revenue reflection on the state budget each year would be somewhere around \$170 million if the tariff were reduced to \$5 dollars. Further questioning and discussion ensued.

Section 4: AG Condon stated this was a request for \$211,700 for extra costs to be incurred in the next year to move the Amerada Hess litigation along. They have attempted over the last couple of years to reach a settlement, but he was not optimistic that it could be settled at all unless the state acquired in the company's views of what royalty values on the North Slope ought to be. At this point the Department of Law needs to hire expert witnesses in the event the case goes to trial. They have moved for summary judgment in the case and he was modestly optimistic that they could get it. He said the case was almost five years old and should be resolved. He said they would use their own people in the Department of Law, and the funding would be full year.

Co-chairman Dankworth moved and asked unanimous consent Committee Substitute for SB 744 (Finance) be adopted by the Senate Finance Committee. There being no objection, it was so ordered, and CS SB 744 was adopted.

Co-chairman Dankworth moved and asked unanimous consent that Committee Substitute for SB 744 (Finance) be moved from committee with individual recommendations. There being no objection, it was so ordered and all members present signed "do pass".

ADJOURNMENT

The meeting adjourned at 9:30 a.m.

(Tape, SFC 82, # 8, Side 1, 156-593)

SENATE FINANCE COMMITTEE
March 25, 1982
9:05 a.m.

SFC-82 #8, Side 1 (593-end)
SFC-82 #8, Side 2 (000-end)

CALL TO ORDER

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

PRESENT

All members of the committee were present with the exception of Senators Sackett and Ferguson who arrived shortly after the meeting began. Also in attendance were Lt. Governor Terry Miller; Commissioner of Revenue Tom Williams; Ron Lorensen, Deputy Attorney General; Fiscal Analyst Milt Barker; George Krusz, representing the Alaska State Chamber of Commerce; administrative assistants to Senate Finance Pete Jeans and Judy Johnston; and representatives from the press.

BILL REASSIGNMENT

Co-chairman Bennett reassigned SB 670 from Co-chairman Dankworth to Senator Ferguson.

SJR 61

Co-chairman Bennett moved that SSSJR 61 (PROPOSING AMENDMENTS TO THE CONSTITUTION OF THE STATE OF ALASKA RELATING TO APPROPRIATIONS AND CREATING AN INVESTMENT FUND) be brought on for discussion. Co-chairman Dankworth directed committee attention to a proposed CS for SS for SJR 61 (Finance) (PROPOSING AMENDMENTS TO THE CONSTITUTION OF THE STATE OF ALASKA RELATING TO APPROPRIATIONS AND THE RETENTION, INVESTMENT AND EXPENDITURE OF CERTAIN STATE REVENUES; AND SUPERSEDING THE AMENDMENTS PROPOSED BY LEGISLATIVE RESOLVE NO. 1, FIRST SPECIAL SESSION OF THE TWELFTH LEGISLATURE (FSS FCCSSJR 4)).

Co-chairman Dankworth advised that of all the important matters to come before the legislature during the session, none will have more lasting effect on Alaska (aside from permanent fund legislation) than the foregoing resolution. It is an extremely important piece of legislation. Since passage of SJR 4, it has been determined that SJR 4 does not represent an effective spending limitation. The proposed committee substitute for SSSJR 61 improves spending limitation legislation and would supersede SJR 4.

Directing committee members to a memorandum dated March 24, 1982, prepared by Pete Jeans, Co-chairman Dankworth explained sections of the proposed committee substitute. Section 16 basically

states that the legislature could not appropriate for operating and capital expenses, more than the state receives in taxes. The section also includes a mandate for the governor to "balance the books as he goes along." The Co-chairman spoke to the need to balance the books in 1982 due to the fact that past legislatures have appropriated funds based on projected revenues. Projections have recently fluctuated downward; hence the need to restore balance

Section 17 of the proposed committee substitute would establish an Alaska Resource Fund. The fund would derive moneys from the same source as the permanent fund. The resolution would establish as a part of the constitution the requirement that 50% of such funding be placed in the permanent fund and 50% be placed in the Alaska Resource Fund. Moneys in the Resource fund could be used in three ways:

1. The legislature (upon voter approval every two years at the general election) could appropriate 1/5 or 20% of the fund balance for voter-approved projects.

2. Money in the fund would be invested at a rate of return similar to market rates (e.g. U.S. Treasury bills which are currently paying 12%).

3. Money in the fund could be invested in capital projects owned by the state that will return the investment to the fund and provide a G.O. bond market rate of return to the state.

Lt. Governor Terry Miller appeared before committee, testifying in support of the proposed committee substitute. He advised that last year's special session had worked hard to get SJR 4 to the voters. This was not an easy task. The Lt. Governor stated that he intended to campaign actively for voter approval of SJR 4, advising that although it has defects, it is better than nothing. He added, however, that he welcomed improvements to SJR 4, and in his judgment the proposed committee substitute for SSSJR 61 contains needed improvements and should be seriously considered by the legislature. The Governor and the administration support CS for SSSJR 61 as an improvement over SJR 4.

Lt. Governor Miller stated that SJR 4 would have greater impact at the beginning of its life, but CS for SSSJR 61 would prove better over the long term since "it better differentiates between what is royalty income and moneys coming to the people of the state in the form of their interest in land ownership as opposed to the tax base" upon which most states operate on an ongoing basis. In addition, CS for SSSJR 61 removes some of the ambiguity in treatment of operating and capital funding and leaves determination of the proper mix of funding to future legislatures.

Referring to Section 17, Lt. Governor Miller suggested amending language at Page 2, Line 9:

After "invested" and before "in" add:

"as provided by law"

Referring to Section 15, Lt. Governor Miller advised that he was extremely pleased with the provision which would elevate 50% contributions to the permanent fund to the constitutional level. The section contains another important provision in that it requires investment of the fund at market rates. Under such a provision, people of the state will not see the fund dissipated by artificially low interest rates which are in effect a form of spending. This provision will also prevent the fund from being raided by future politicians, governors, legislatures.

Advising that he was speaking for himself rather than the administration, he suggested that the resolution might be further improved by language which would inflation-proof the fund. Reading the constitutional provision for the permanent fund, he recommended adding "after income is returned to the permanent fund to offset inflation, all other income from the permanent fund shall". . . . Such language would guarantee the purchasing power of the fund. Without this constitutional language, the fund is vulnerable to contraction as the inflation rate continues to rise. He advised he would support the resolution without the language, and added that if the committee did not wish to make such a change, it should consider alternative language requiring that 25% of the interest on the fund be returned to the fund. Such a requirement would place into constitutional law inflation-proof language which would prevent shrinkage of the fund.

Section 26 contains language from SJR 4 relating to the capitol move. This section is important to "keep faith with the bargain which was struck for a once and for all show and tell vote on the capitol move."

Lt. Governor Miller concluded his remarks by stating that the proposed CS for SSSJR 61 represents an improvement over SJR 4, which if enacted into law and placed before the voters will do better constitutional duty than SJR 4.

In response to a question from Senator Stimson concerning whether or not CS for SSSJR 61 addresses current income projection fluctuations, Lt. Governor Miller advised that CS for SSSJR 61 does deal with revenue problems in that its long-term limitation is better than SJR 4. SJR 4 represents a short term limitation. CS for SSSJR 61 addresses the problem on a philosophical premise which is much more defensible. It addresses future income strains upon which the budget will be based rather than setting an arbitrary base which automatically escalates over time.

Senator Sturgulewski raised questions concerning requirements for balancing the budget contained in Section 16, asking if perhaps

the legislation should be amended to make clear that the Governor must remain within the budget, but that the legislature has authority to come back at the beginning of each session and make balancing adjustments. Lt. Governor Miller advised that he did not feel the amendment should be used as a vehicle for altering the balance of power between the two branches of government. He attested to the need to have a mechanism for reducing spending if revenues are less than estimated. The existing constitution inherently gives the governor the authority to reduce spending, at least in the executive branch. This authority is part of the executive power of the governor. Language in the resolution makes explicit, language which is already implicit in the constitution. The ultimate purpose of language in the resolution is not to disturb the balance between the two branches of government, but to "take care of fiscal problems."

Senator Sturgulewski spoke to the need for language which would put responsibility for balancing the budget upon the legislature. Co-chairman Dankworth advised that the resolution effects no change in the balance of power, it simply requires by constitutional mandate that spending be reduced in accordance with incoming revenues.

In his closing remarks, Lt. Governor Miller advised that the proposed CS for SSSJR 61 makes "enormous" improvements in the constitutional language of the permanent fund. These improvements by themselves would commend the resolution to passage by the voters. In addition, it is philosophically defensible and over the long term does better duty in limiting state spending.

Commissioner of Revenue Tom Williams next appeared before committee, advising that while SJR 4 will work as a spending limitation, CS for SSSJR 61 represents a significant improvement. The administration not only supports language contained in the proposed committee substitute, it does so without qualification or limitation. Mr. Williams praised the legislation, calling it an excellent piece of work which puts state government on the source of funds it should be on--taxes on the public, or user fees for those who are using special facilities. The wealth of the state, however, would not be used to fund current costs of government. The Resource fund serves a useful purpose and provides something the permanent fund is not intended to provide. Money in the permanent fund remains there forever and only the income from the fund is available. The Resource Fund provides an essential cushion--a constructive place to put proceeds from state natural resource ownership without locking it up forever. The money is available for use. Not only does it provide income available to the general fund, it also makes funds available for investment, and every two years up to 1/5 of the fund balance can be appropriated for voter-approved projects.

The CS for SSSJR 61 fixes as constitutional law dedications to the permanent fund now existing as a combination of constitutional and statutory law.

Language requiring investment at market rates will prevent special interest subsidized loans which technically produce income, but which in reality are "stealing from the future."

Mr. Williams added that while he shared with Lt. Governor Miller a desire to inflation-proof the fund, that provision would appear to go beyond the scope of this particular resolution. The Resolution is really a limitation on spending which would tighten SJR 4. He urged that the committee approve legislation (SB 684) which would inflation-proof the permanent fund by returning part of the income back to the fund.

In closing, Mr. Williams advised that CS for SSSJR 61 represents legislation with which the administration "feels comfortable." It should work even better than SJR 4.

Regarding Senator Sturgulewski's concern for the legislative role should the governor effect cutbacks due to declining revenues, Mr. Williams advised that the legislative role is clear through provisions in the constitution. If the legislature disagrees with the Governor's attempt to restore balance between revenues and expenditures, it is free to reappropriate where the governor may have cut and substitute cuts of its own by amending prior appropriations.

Responding to concern by Senator Sturgulewski that the fact that 1/5 of the fund could be appropriated only every two years was perhaps not clearly stated in the Committee Substitute, Commissioner Williams advised that such appropriations were sufficiently limited to two years by the requirement for voter approval at a general election. It is also clear as to when the balance is determined for purposes of measuring the 1/5 to be appropriated. Such a measure would be taken at the time the appropriation is enacted "not necessarily when it's voted on by the people, but when it's passed and signed into law, subject to voter approval."

Senator Sturgulewski asked if adding "real" following "All" and before "income" on Page 3, Line 3, would assist in inflation-proofing the permanent fund. Mr. Williams advised that such an addition would work, but "real income" is an economic term. If the committee wants to make a change of that type, it should establish a clear legislative history--a letter of intent saying that by "real income" the committee means income earned over and above the rate of inflation.

Co-chairman Dankworth advised that numbers listed in the charts attached to Mr. Jeans' memorandum were derived from December revenue projections and that they would change when the Dept. of Revenue issues new figures. Mr. Williams advised of substantial revisions in forecast amounts, and stated that updated projections would be available tomorrow afternoon. Co-chairman Dankworth advised that committee charts would be updated as soon as new projections are available.

Mr. George Krusz appeared before committee representing the private sector via the Alaska State Chamber of Commerce. Last fall the Chamber Board of Directors adopted a policy statement in support of SJR 4. Since that time the State Chamber, Commonwealth North, the Associated General Contractors, Common Sense for Alaska, and the Resource Development Council met jointly to review the spending limitation and came up with recommended changes, i.e. revising the calculation method of increasing expenditures beyond the \$2.5 billion limit from inflation and population factors to population increases and annual per capita income changes. The group also suggested that unappropriated and unexpended balances be placed in a reserve fund to be utilized biannually for citizen tax relief and/or capital investments. The Chamber supports Co-chairman Dankworth's concern that SJR 4 does not adequately address the available revenue question. As an additional recommendation, Mr. Krusz suggested including specific language dealing with capital expenditures for energy and transportation infrastructure requirements as outlined in HJR 67 (Capital Investment Fund). Mr. Krusz concluded his remarks by advising that although the Chamber Board has not met to review CS for SSSJR 61, he felt certain the Chamber would back it should it be substituted for SJR 4 on the November ballot.

Senator Ferguson moved to amend the committee substitute at Page 3, Line 13, by inserting a new paragraph to read:

If a majority of those voting on the question at the general election in 1982 disapprove the ballot proposition for a total cost to the state of providing for relocation of the capitol, the question of relocation of the capitol shall not be presented to the voters or legislature prior to the year 2007.

Senator Ferguson advised that inclusion of the amendment would represent twenty-five years of peace from bickering over the capitol relocation. Co-chairman Dankworth objected to the above amendment, advising that the resolution is too important a piece of legislature to encumber with capitol move problems.

Senator Ferguson then moved to delete Section 26, relating to the vote on capitol move funding. Co-chairman Dankworth stated that Section 26 was included because it would simply eliminate the need for the public to vote twice--once on the move and again on funding for the move.

Senator Ferguson advised that the total cost of the move to the state is unknown. He further expressed doubt that the relocation committee would come up with an accurate figure. If the move is voted down, a twenty-five year moratorium on the capitol move would guarantee that the spending limitation is protected. Co-chairman Dankworth requested that the amendment not be included in the resolution, suggesting instead that it be included in

separate legislation. Since the CS for SSSJR 61 was drafted as a replacement for SJR 4, the amendment would effectively kill the resolution.

Senator Sackett advised that he did not understand why the resolution makes an exception for capitol move costs. Relocation costs are not the only costs which will be appropriated from the fund--an exception should also be made for Susitna. If state projects are huge, billions of dollars, the funds have to go to the public for appropriation. Why does everything have to go to the public except relocation funding?

Co-chairman Dankworth advised that Section 26 was included because of a conflict between the constitutional amendment to limit spending and the appropriation of relocation funding--both of which are to be placed before the voters in November. The resolution says that the people cannot do what they are voting to do in funding the capitol move. One contradicts the other. Section 26 represents an attempt to remove the contradiction.

Ron Lorensen appeared before committee to explain the conflict, advising that SJR 4 contains similar language. The question is, when the capitol move question is before the voters, will approval constitute a vote of approval for expenditure of funds in the future? The determination was made to insert Section 26 in order to avoid future legal problems and possible litigation. The language was retained in CS for SSSJR 61 in order not to tip the political balance on the capitol move issue and allow that issue to affect substantive spending limitation provisions contained in the resolution.

Senator Ferguson asked if Mr. Lorensen could see anything legally wrong with his proposed amendment. Mr. Lorensen answered that he saw no legal problems.

Co-chairman Dankworth reiterated that Section 26 is considered "boilerplate" language. He further advised that inclusion of Senator Ferguson's amendment would sink the CS for SSSJR 61. Senator Ferguson stated that current language in the resolution "takes one avenue," while his proposed amendment "takes the other avenue"--there has to be a balance.

Senator Sackett spoke to the fact that relocation of the capitol has caused "more strife and separation in the state than any other issue." It has been before the people "because of Atwood and the Anchorage Times for the last twenty years." It would be nice, once the people vote on it, not to have the issue before the public again for awhile. Co-chairman Dankworth disagreed, advising that the legislature has dealt with the capitol move problem, and it will be placed before the voters in November. The resolution, on the other hand, represents an important piece of legislation which deals with an entirely different subject. Section 26 was added only "so that people wouldn't have a voting conflict."

Referring to charts appended to Mr. Jeans' memorandum, Senator Sackett advised that while it is not shown in chart figures, the capitol move is a part of the legislation in that revenue projections for the fund created by the resolution do not show expenditures. Chart figures show interest accruing to the fund, but they do not show expenditures as a result of relocation of the capitol. Senator Sturgulewski attested to merit in Senator Sackett's argument in that if Section 26 remains in the resolution it will represent a prior call on fund revenues, since it actually appropriates dollars for the move. She advised that while she did not support Senator Ferguson's motion for a twenty-five year moratorium on the move question, there is, however, an inconsistency in the figures as pointed out by Senator Sackett. The figures do not contemplate the impact of a direct appropriation for relocation.

Co-chairman Dankworth moved that CS for SSSJR 61 be held for further discussion at tomorrow's meeting.

ADJOURNMENT

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

SFC-82 #8, Side 1 (593-end)
SFC-82 #8, Side 2 (000-end)

SENATE FINANCE COMMITTEE

March 26, 1982

8:35 a.m.

SFC-82 #9, Side 1 (000-125)

CALL TO ORDER

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

PRESENT

All committee members were present with the exception of Senator Sackett. Also attending were Deputy Attorney General Ron Lorensen, and administrative assistants to Senate Finance Sandy Nusbaum and Judy Johnston.

ARRC MEETING OF BOARD OF DIRECTORS

Co-chairman Bennett read to members a newspaper clipping giving public notice of the upcoming meeting of ARRC's Board of Directors to be held in Seattle, Washington. He advised that the notice invited public attendance and offered an opportunity for the public to be heard. Co-chairman Bennett commented on the fact that ARRC chose to hold its meeting outside the state while inviting Alaskan residents to attend.

SJR 61

Co-chairman Bennett moved that SSSJR 61 (PROPOSING AMENDMENTS TO THE CONSTITUTION OF THE STATE OF ALASKA RELATING TO APPROPRIATIONS AND CREATING AN INVESTMENT FUND) be brought on for discussion. Co-chairman Dankworth advised that the CS for SSSJR 61 (PROPOSING AMENDMENTS TO THE CONSTITUTION OF THE STATE OF ALASKA RELATING TO APPROPRIATIONS AND THE RETENTION, INVESTMENT AND EXPENDITURE OF CERTAIN STATE REVENUES; AND SUPERSEDING THE AMENDMENTS PROPOSED BY LEGISLATIVE RESOLVE NO. 1, FIRST SPECIAL SESSION OF THE TWELFTH LEGISLATURE (FSS FCCS SJR 4) had been discussed at yesterday's meeting but no action was taken on the measure.

Senator Ferguson advised of objection to Section 26, advising that language contained there remains a problem.

Advising that amendments could be offered to the proposed Committee Substitute following its adoption, Co-chairman Dankworth moved for adoption of the Committee Substitute for SSSJR 61, asking for unanimous consent. No objection was voiced.

Co-chairman Dankworth next moved to amend the Committee Substitute as follows:

Page 2, Line 9, after "invested" and before "in" insert

"as provided by law"

No objection to the foregoing amendment having been raised, it was adopted.

Senator Ferguson moved that the CS for SSSJR 61 pass from committee with individual recommendations. No objection having been raised, CS for SSSJR 61 passed from Senate Finance--Senators Sturgulewski, Stimson, Dankworth, and Bennett signing do pass, Senators Ferguson and Eliason signing no recommendation.

ADJOURNMENT

The meeting was adjourned at approximately 8:40 a.m.

SFC-82 #9, Side 1 (000-125)

SENATE FINANCE COMMITTEE
March 29, 1982
9:05 a.m.

(Tape SFC 82, # 9, Side 1, 125-516)

CALL TO ORDER

Co-chairman Bennett called the meeting to order at 9:05 a.m.

PRESENT

All members were present with the exception of Senator Eliason. Also in attendance were Administrative Assistant to Co-chairman Benriett, Judy Johnston; lobbyist for Association of Regional Aquaculture Associations, Kent Dawson; and Executive Director of the Southern Southeast Aquaculture Association, Mr. Ron Wendte.

SB 612

Co-chairman Bennett stated the first order of business was consideration of SB 612 (AN ACT RELATING TO INCREASING THE AMOUNT OF CORPORATE INCOME TAX REVENUE THAT MAY BE SHARED WITH MUNICIPALITIES), and requested that Senator Sturgulewski present the legislation to the committee.

Senator Sturgulewski explained that this bill had been drawn up due to a change in the corporate income tax last session. She pointed the committee to a chart in the file. She said the change was that the state would receive 30% rather than 10% of the income tax. She said that this was a permissive rather than a mandatory figure. She said that if the old law were in effect, the 10% would have generated \$114 million in FY 83, whereas at 30% it would generate \$101 million. She said the legislation was meant just to bring the figures in line with what they should be.

Co-chairman Dankworth added that when the oil and gas tax bill (SB 524) was written last year, they forgot to go back and change the municipal tax, so this legislation was just a housekeeping measure. He said this would not be a new type of tax increase. Questioning and discussion followed.

Senator Sturgulewski moved and asked unanimous consent that SB 612 be moved from committee with individual recommendations. There being no objection, it was so ordered, and all members present signed "do pass", with the exception of Senator Sackett, who signed "no recommendation".

SS SB 702

Co-chairman Bennett stated the next order of business was consideration of SS SB 702 (AN ACT TRANSFERRING PARTS OF CERTAIN FISCAL YEAR 1982 AGRICULTURAL ACTION COUNCIL APPROPRIATION

ALLOCATIONS TO THE NENANA-TOTCHAKET AGRICULTURAL DEVELOPMENT PROJECT; AND PROVIDING FOR AN EFFECTIVE DATE), and requested that Senator Sackett present the legislation to the committee.

Senator Sackett stated that the original bill was to transfer FY 82 Delta appropriations (survey, clearing and loans) to Nenana-Totchaket. Last year funding requests to Nenana-Totchaket were not fully appropriated primarily because of personality problems between a person in the administration and one in Nenana. So when the funds became available from Delta II this year, it was considered appropriate to transfer them. Since that time, Committee Substitute for Sponsor Substitute for SB 702 (AN ACT TRANSFERRING PARTS OF CERTAIN FISCAL YEAR 1982 AGRICULTURAL ACTION COUNCIL APPROPRIATION ALLOCATIONS TO THE NENANA-TOTCHAKET AGRICULTURAL DEVELOPMENT PROJECT; MAKING A SPECIAL APPROPRIATION TO THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT FOR DISTRIBUTION OF ADDITIONAL SALMON ENHANCEMENT TAX RECEIPTS TO REGIONAL ASSOCIATIONS; AND PROVIDING FOR AN EFFECTIVE DATE) had been written. He requested that Kent Dawson or Mr. Wendte come forward to testify on the new portion of the bill.

Mr. Wendte came forward and gave a history of the reason for the legislation. He said in 1976, the legislature adopted a mandatory assessment whereby fishermen could vote in an assessment and the money went through a blind trust and was paid directly to the association. That subsequently was challenged in court and the Juneau Superior Court ruled it unconstitutional. The case has been appealed by the State of Alaska and his association; the Supreme Court took it under consideration about one and one-half years ago. In 1980 the legislature revised the statute to provide for regions where fishermen can vote in a salmon enhancement tax that goes directly into the general fund so that the legislature can make appropriations back to the associations. In the fall of 1983, elections were held again and fishermen in the Cook Inlet region, Southern Southeast and Northern Southeast voted themselves to be taxed 3%. After January of last year, the need arose to amend the Governor's budget. The Department of Revenue as well as other groups, did a quick estimate of what the receipts for the enhancement would be for FY 82. The legislature appropriated \$1.3 million for the salmon enhancement tax to the three regions. As of December 31, the actual amount collected was \$2,010,000. So the amount requested in this supplemental was so the appropriation would conform to the actual receipt of the taxes that have come in - \$704,300.

Questioning and discussion followed. Senator Sackett noted that there was a fiscal note in the file from the Department of Environmental Conservation for \$355.3 for FY 83, and stated there was no reason for this amount of money.

Senator Sackett moved and asked unanimous consent that Committee Substitute for Sponsor Substitute for SB 702 be moved from committee with individual recommendations. There being no

objection, it was so ordered, and the committee report was signed "do pass" by all members present.

Senator Sackett moved and asked unanimous consent that the fiscal note in the file from the Department of Environmental Conservation be revised at the zero level. There being no objection, it was so ordered.

ADJOURNMENT

The meeting adjourned at 9:20 a.m.

(Tape SFC 82, # 9, Side 1, 125-516)

SENATE FINANCE COMMITTEE

March 30, 1982

8:30 a.m.

SFC-82 #10, Side 1 (000-435)

CALL TO ORDER

Co-chairman Don Bennett convened the meeting at approximately 8:30 a.m.

PRESENT

All committee members were present. Also attending were Senator Don Gilman and Representative Hugh Malone, as well as administrative assistants to Senate Finance Judy Johnston and David Rogers.

SCR 44

Co-chairman Bennett moved that SCR 44 (EXTENDING THE LIFE OF THE BLUE RIBBON COMMISSION ON THE STATE PERSONNEL ACT) be brought on for discussion.

Co-chairman Dankworth moved that the Resolution pass from committee with individual recommendations. No objection having been made, SCR 44 passed from Senate Finance--Senators Eliason, Dankworth, Sackett, and Bennett signing do pass, Senators Ferguson and Stimson signing no recommendation.

HB 318

Co-chairman Ed Dankworth moved that CS for HB 318 (Resources) (AN ACT RELATING TO THE CONTROL OF BEE DISEASE) be brought on for discussion, advising that Senator Gilman and the bill's sponsor, Representative Malone, were present to testify concerning the legislation.

Referring to a proposed Senate Finance Committee Substitute for HB 318, Senator Gilman advised that the Senate version of the legislation was drafted to include "different methods of disposing of bees," as well as provisions for dealing with imported honey. He advised of need to amend the proposed Committee Substitute at Page 1, Line 14:

After "equipment" and before "is" add "or honey."

Representative Malone next appeared before committee, advising of an additional amendment at Page 1, Line 15:

At the beginning of the line, before "is" add

"the bee equipment."

Co-chairman Ed Dankworth moved for adoption of SCS for HB 318 (Finance) (ACT RELATING TO THE CONTROL OF BEE DISEASE) including the amendments suggested by Senator Gilman and Representative Malone. No objection to the motion having been raised, the Senate Finance Committee Substitute was adopted.

Senator Eliason raised a question concerning the fiscal note and the volume of bee and honey business statewide. Senator Gilman advised that in his area one small shop sells more than a quarter of a million dollars worth of honey. At some time between now and the 20th of April, 1500 shipments of bees will come into the state. Resident owners of bees are concerned that imported bees may carry disease.

Co-chairman Dankworth moved that the SCS for HB 318 (Finance) pass from committee with individual recommendations. No objection having been raised, it passed from committee--all members present signing do pass.

Before departing the meeting, Representative Malone read aloud the following note from Senator Eliason:

The pedigree of honey does not concern the bee,
A clover anytime to him is aristocracy.

BILL ASSIGNMENTS

Co-chairman Bennett made the following bill assignments:

SB 45 - Ferguson
SB 274 - Eliason
SB 698 - Eliason
SB 769 - Dankworth
SB 781 - Bennett
SB 802 - Sturgulewski
SB 804 - Sackett
SB 837 - Stimson
SB 845 - Stimson
HB 154 - Bennett
HB 756 - Bennett

HCR 23

Senator Ferguson moved that HCR 23 (RELATING TO THE GATHERING AND EVALUATION OF COMPREHENSIVE INFORMATION ABOUT SALMON STOCKS IN THE ARCTIC-YUKON-KUSKOKWIM MANAGEMENT AREA) be brought on for discussion. Since the gathering and study of information sought in the resolution was undertaken last year, Senator Ferguson advised that he had spoken with sponsors of HCR 23 and they were agreeable to use of the resolution to extend the life of the REAA Oversight Committee. Directing committee attention to a proposed SCS for HCR 23 (Finance) (EXTENDING THE LIFE OF THE REGIONAL EDUCATION ATTENDANCE AREA BUDGET OVERSIGHT COMMITTEE) and the accompanying Fiscal Note for 100.0, Senator Ferguson advised that in 1980 the oversight committee was established to review REAA's

and highlight problem areas. In the past committee budgets have been reviewed "after the fact." The proposed committee substitute would request DOE to review the budget, and the legislature would review work done by the Department. Senator Ferguson advised that the committee is comprised of himself, Senators Stimson and Mulcahy, and Representatives Fuller, Montgomery, and Moss.

Co-chairman Dankworth advised of other considerations relating to education to come before committee during the upcoming weeks, and asked that the resolution be held in committee a day for further review. No objection having been raised, the resolution was held in committee.

Co-chairman Bennett advised of a need to continue the meeting following receipt of material from Budget & Management. He thus recessed the meeting until 4:00 p.m.

RECESS - 8:45 a.m.

RECONVENE 4:05 p.m.

RECONVENE

Co-chairman Don Bennett reconvened the meeting at approximately 4:05 p.m.

PRESENT

All committee members were present. Also attending were Director of Legislative Finance Jay Hogan, Fiscal Analysts Alison Elgee, Alison Farnan, Garrey Peska, Bob Schroeder, Elmer Lindstrom, and Bob Grogan, administrative assistants to Senate Finance Judy Johnston, Sandy Nusbaum, Paul Pesika, Dick Robinett, and representatives from the press.

GOVERNOR'S REVISED BUDGET

Co-chairman Bennett distributed for committee consideration new budget figures taking into account budget shortfalls. Projected revenues for next year are approximately \$1.5 billion. It is obvious that given recent projections, the Governor's original budget cannot be funded. He advised that he had asked the Governor's office to get together with his commissioners and cut \$2 billion from the budget request. The Governor has thus formulated a revised budget of \$1.56 billion.

He instructed each member to review his or her category of the budget in light of previously-held subcommittee meetings with department representatives as well as input from constituents and be prepared to discuss the revised budget in the near future.

Co-chairman Bennett attested to the fact that much time has been spent in subcommittee hearings on the Governor's original budget. However, those hearings anticipated a \$3.2 billion budget. The

sudden shift to a \$1.5 billion dollars budget necessitates re-evaluation of state funding.

In closing, Co-chairman Bennett advised, "We are in drastic budgetary times, and there is no way in the world that we can program all the worthy projects that we would like to have for our state and for our constituents."

ADJOURNMENT

There being no further matters to come before the committee at this time, the meeting was adjourned at approximately 4:10 p.m.

SFC-82 # 10, Side 1 (000-435)

SENATE FINANCE COMMITTEE

March 31, 1982

8:50 a.m.

(Tape, SFC 82, # 10, Side 1, 435-611)

CALL TO ORDER

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

PRESENT

All members of the committee were present with the exception of Senators Ferguson and Eliason. Also in attendance were Bob Palmer, Coordinator of Special Projects, Office of the Governor; Judy Johnston, Administrative Assistant to Co-chairman Bennett; Kurt Dzinich, Senate Advisory Council; and members of the press.

AQUACULTURE VIDEO REPORT

Co-chairman Bennett announced that the first order of business was to see a video report on aquaculture in Alaska, which had been compiled by the Special Projects Office, Office of the Governor. He asked Mr. Palmer if he wished to add anything. Mr. Palmer stated the video was compiled from parts of a larger, more comprehensive report which will be forthcoming. He said when the documentary film is completed it will be used in a public relations campaign in the "south 48" to show Alaska is doing something with its oil money other tax reduction or repeal, or other things that have had such an adverse reaction in other states. The committee watched the film.

SB 826

Co-chairman Bennett stated the next order of business was consideration of SB 826 (AN ACT RELATING TO PRELIMINARY WORK ON THE SUSITNA RIVER HYDROELECTRIC PROJECT).

Senator Sackett moved and asked unanimous consent that SB 826 be moved from committee with individual recommendations. Senator Stimson objected.

Co-chairman Dankworth, who had been assigned the bill, stated that the bill would not authorize any construction at Susitna. It just allows for continuance of the engineering and design if the feasibility study proves out. He said \$25 million was in SB 625, which would provide the funding.

Senator Sturgulewski stated this bill had come through Senate Resources Committee. She said the legislature has to take specific action to authorize construction. This bill merely allowed the expenditure of money to go ahead with the Federal Energy Regulation Commission (FERC) license, and to move into the

area of preliminary design. Again, she said, there was no construction allowed through this legislation. She said that she supported the bill.

Further discussion and questioning ensued. Senator Stimson was concerned that some of the stipulations placed on Susitna would be circumvented by passage of this bill. Co-chairman Dankworth requested that Mr. Kurt Dzinich of the Senate Advisory to come forward and respond to Senator Stimson's questions.

Mr. Dzinich stated he dealt primarily with hydropower matters. He stated that the preliminary work meant that concurrently with the FERC license application, there would be engineering and field studies going on, so that the time frame could be cut back if the legislature decides to proceed with construction about two and one half years from now. He said the bill would not authorize any circumvention of the existing statutes in terms of the criteria required. He said the economic liability, feasibility, financial analysis, etc., would all remain.

Senator Stimson asked if the legislation would include any kind of site preparation related to Devil's Canyon or Watona Dams. Mr. Dzinich stated it would not; the only thing to be required was an access road so that engineering and field studies can continue. If the project doesn't "go", the access road would be blocked off again.

Senator Stimson asked what decisions were being awaited in terms of the recommendations expected to come out. Mr. Dzinich said the Akers and Batell studies were still to be presented in various areas of the state. Sometime in April, the Board of the Directors of the Alaska Power Authority will be making recommendations to the legislature and to the Governor's Office. The FERC license application would be made about in September of this year.

Senator Stimson asked if it was possible they were allowing APA to enter into contracts prior to the April 30 date that could give them some authorization that would transcend the intent of the legislation. Mr. Dzinich stated "no, I don't think so." He said that if the legislature and the Governor's Office decides not to proceed with the project, then there is nothing APA could do that would circumvent that decision.

Senator Sackett moved and asked unanimous consent that SB 826 be passed from committee with individual recommendations. There being no objection at this time, it was so ordered. All members present signed the committee report "do pass" with the exception of Senator Stimson, who signed "no recommendation."

SENATE FINANCE COMMITTEE BUDGET

Co-chairman Bennett asked committee members to continue to review the budget carefully. He said he thought the following day the committee would attempt to convert the document into a bill form.

Senator Sackett stated he had reviewed his portion of the budget, but he did not feel there was much he could do until the Administration provided him (in writing or verbally) with an explanation of each of his allocations or appropriations with respect to how many positions were cut, how many were left, what amounts were for Travel, Contractual, Commodities and Equipment. He said he could not analyze the budget with just the grand totals to review. He said he would be able to go ahead with the grant figures, but not the rest. Co-chairman Bennett stated he would ask the Administration to be available.

ADJOURNMENT

The meeting adjourned at 9:30 a.m.

(Tape, SFC 82, # 10, Side 1, 435-611)

SENATE FINANCE COMMITTEE

April 1, 1982

8:30 a.m.

(Tape SFC, # 10, Side 1, 612-end)

(Tape SFC, # 10, Side 2, 000-end)

(Tape SFC, # 11, Side 1, 000-378)

CALL TO ORDER

Co-chairman Bennett called the joint House/Senate Finance Committee meeting to order at 8:30 a.m.

PRESENT

All members of the Senate Finance Committee were present with the exception of Senators Ferguson and Stimson. All members of the House Finance Committee were present. Also in attendance were Elmer Rasmusson, Chairman of the Board of Trustees of the Alaska Permanent Fund; Tom Williams, Commissioner of Department of Revenue and Vice-chairman of the Board of Trustees of the Alaska Permanent Fund; Peter McDowell, Trustee of the Alaska Permanent Fund; Robert Greeley, Manager of Corporate Investments of Hewlett Packard; and members of the press Todd Hardesty, John Greeley, Mark Kelly, Patty Ginzburg and Karen Davies.

SS SB 684

Co-chairman Bennett stated the first order of business would be consideration of SS SB 684 (AN ACT RELATING TO THE INVESTMENT AND MANAGEMENT OF THE ALASKA PERMANENT FUND AND TO THE COMPUTATION OF INCOME OF THE FUND WHICH IS AVAILABLE FOR DISTRIBUTION; AND PROVIDING FOR AN EFFECTIVE DATE), and requested that Senator Sturgulewski present the legislation to the committee.

Senator Sturgulewski introduced the bill, saying that according to the legislation that set up the management of the Permanent Fund back in 1980 (Free Conference Committee Report for SB 161) there were three areas addressed - 1) safety of principal, 2) accountability, and 3) legislative oversight. She stated that the Legislative Budget and Audit Committee had set up a special committee that worked with the Board of Trustees over the last 8 or 9 months, and had talked to economists and members of the public as well as special interest groups about the major issues dealing with the Permanent Fund. The result was that the Board of Trustees recommended to the Governor, and he in turn had introduced the legislation before the committee at this time (SS SB 684). There were the three following major areas regarding the Permanent Fund in the bill:

1. Public members would comprise the majority of the Board of Trustees; right now there is a balance of commissioners and public members.

2. There would be a revision of the allowable investments for the Permanent Fund. The major issue here was "inflation-proofing" as there would be a serious decrease in the ability of the Fund to maintain its capital unless there are changes made.
3. A portion of the Permanent Fund earnings would be re-invested, again as an "inflation-proofing" mechanism.

Senator Sturgulewski concluded by saying that she felt this important piece of legislation should be passed this session.

Co-chairman Bennett noted that there was a Labor and Commerce Committee Substitute for the bill in the file, and he also stated that staff was presently distributing Committee Substitute for Sponsor Substitute for SB 684 (Finance) (AN ACT RELATING TO THE INVESTMENT AND MANAGEMENT OF THE ALASKA PERMANENT FUND AND TO THE COMPUTATION OF THE INCOME OF THE FUND AVAILABLE FOR DISTRIBUTION; AND PROVIDING FOR AN EFFECTIVE DATE). He then invited the Trustees of the Permanent Fund to join the members at the table, and to speak on any matter regarding the Permanent Fund so that management and benefits of the Permanent Fund could be improved.

MR. ELMER RASMUSSEN, Chairman of the Board of Trustees for the Alaska Permanent Fund came forward and proceeded, at the request of Co-chairman Bennett, spoke to the changes proposed in CS SS SB 684 (Finance). He said the changes were "simple and yet significant" if the objective of the legislature in first setting up the Permanent Fund was to be achieved.

The first change would enable "an independence" of the trustees. He said they had not yet observed difficulties in the present operation, nor had they been restricted in any way by other groups. However, independence had a broad connotation - being able to find in one place what it costs to run the Permanent Fund, and what the income of the Fund was. Presently, he said that information was not available because the basic costs of running the Permanent Fund are in the Alaska Department of Revenue. So, this bill was requesting that all financial transactions having to do with the fund be concentrated and centralized on the Fund's books. That would mean that all the transactions were visible, but also the source of the money to pay the costs would be charged to the income from the Fund. At the present time, all of the money earned by the Permanent Fund goes into the General Fund; the Constitution makes that mandate unless otherwise directed by the legislature. So, this bill requests that 50% of the income be allowed to be re-invested in the principal of the Permanent Fund. He stated that without this provision, the Permanent Fund "will fail". He explained by saying that regardless of how much is earned on an investment, the fund will never grow if that earning is paid out every year. If there was 1% inflation, the capital as well as the income would decrease by 1%. He said that the Ford Foundation as well as the Rockefeller Foundation have "dismal records", and the true value of one of those funds is less than halved today. He

concluded that one of the most important factors to building a fund with a defense against inflation, was to have this re-investment capability. He reflected on how this would effect the General Fund, saying that he did not think it would effect the General Fund at all. If the bill was passed and became effective by July 1, 1982, all the revenue accrued in the Fund up to that date, would go into the General Fund. That would be the difference between the cash basis and the accrual basis - that being the "lag" in time for the money to be collected as most of the Fund today is invested in security instruments on which interest comes in on certain periods. That money would be considered "in excess" of the amount accrued into the principal of the Fund and redeposited as he had suggested. So, he did not think there would be a burden on the General Fund. As a matter of fact, he thought the General Fund would receive more money if the re-investment activities were operated wisely. Speaking to the use of the word "independence", he wished to eradicate the connotation of "separate", and instead see it as just giving the responsibility to a specially designated professional group as manager of the principal for income.

The second major change was to add one public member and subtract one commissioner on the Board of Trustees. That would allow for more public participation. As well, since the incoming Governor 6 months from now will change the commissioners, there would still be a majority of the Board operating at all times. Stating the the Board of Trustees was an "operating" Board rather than a "policy-setting" Board, he said that most of the members spend about one half their time working for the Board.

The third change dealt with a weakness in the Permanent Fund provisions that they all saw as soon as they got the operation going - this was the inability to safeguard against inflation. This was because the qualifying investments presently were all money instruments - bonds, certificates of deposit, treasury notes, etc. These investments return the money loaned out, but do not reap any additional value to the earnings of the assets. So, in the bill before the committee, they had asked for the same authority the legislature had granted to the Alaska State Employees Retirement Fund and the Teachers Retirement Fund - namely that they be allowed to invest in equity securities - generally called common stocks. He said that request was deleted in the Labor and Commerce Committee Substitute, but he appealed to the House/Senate Finance Committees to re-instate that provision.

BEGIN SIDE 2, Tape SFC # 10

Mr. Rasmusson said the request that the Permanent Fund be allowed to invest in common stocks, also included foreign instruments. He pointed out that through investment in Euro dollars as opposed to U.S. dollars (though they are all actually U.S. dollars), they would get about 1/4 of 1% more on a 90 day instrument (CD or open account), and about 1/2 of 1% on a 6 month instrument. He said the sizes of those institutions were bigger than almost any bank

in the U.S. - there are four or five banks in Canada and Great Britain that do 95% of the business of those countries. So there would be no problem with the safety. They would be able to pay more basically because they are not subject to the federal reserves like regular CD's are. The same concept would apply when dealing with international securities - they need the authority to invest in foreign as well as U.S. securities. Actually, allowing them to go to foreign exchanges would yield higher incomes and tend to offset changes. He said that Japan, for example, would probably be the only nation in the western world this year that would show a positive increase in its gross national product. He concluded by urging passage of the Finance Committee Substitute for SB 684, and said he would try to answer any questions asked by committee members.

CO-CHAIRMAN DANKWORTH, pointing to Section 9 of the Committee Substitute dealing with disposition of income, asked about 50% of the earnings being returned to the principal, with the other 50% going into an undistributed income account. He asked if this section was actually saying that there would be no more income going into the General Fund from the Permanent Fund. Mr. Rasmusson answered "no", the concept already written into the existing Permanent Fund Act would be maintained. One half of the income would go into the Dividend Fund (a separate section in the law). The Act states that it should be the average of the last five years but not more than the current income. To illustrate this he said there is about \$3 billion in the Fund principal at this time. There has been reduction in interest rates this year, but if it earned 13%, there would be about \$400 million in earnings in one year. The bill before the committee would say that \$200 million of that would go into the principal, and the other \$200 million would go into the undistributed income account and would be available for legislative control. The legislature has already said that this money would go out as dividends. As the Fund increases in size from the 25% minimum, or with any other extra amount the legislature decides to put in, the earnings on the fund will also increase. But in order to give stability to the pay-out, the legislature has provided that it should be the average of the last five years. Since the income will be a little higher than the average, there will be a "cushion" built up (a reserve), which will be re-invested. So there would still be 50% available for distribution according to the determination of the legislature.

CO-CHAIRMAN DANKWORTH noted that there seemed to be a tendency to take the interest off the principal and find uses for it other than the operation of State government. Originally, when the people of Alaska voted on it, they wanted the money to go for the operation of state government. Twenty or thirty years from now when the oil revenues decline, this money was seen as a source of income for the operation of government. He was worried that since 50% might be distributed to the people of the state, with the other 50% going back into the principal, there might not be money left to benefit the State of Alaska in future generations. Mr. Rasmusson said there was a choice. If all the money is paid

out as it is earned, there will be nothing left in the Fund except what is earned in principal, so it will go steadily down in value. That was the mistake the Ford Foundation made - now they have about 45% in value left. Say no more money is added to the \$3 billion and it earns about \$400 million at 13%. All that would be paid out, there would be 10% depreciation in inflation, and the Fund would only be worth \$2.7 billion next year. He reiterated there was only one way to offset the depreciation in value - and that would be by retaining in the Fund at least 1/2 of what is earned. He said it was up to the legislature to decide what to do with the other 50%.

REPRESENTATIVE MEEKINS, referring to Section 9 in the Finance CS as well as AS 37.13.140, noted that it appeared there would still be some monies left over after each 50% was put in its proper place. Mr. Rasmusson responded no, that the net income was just the net income in the ordinary accounting sense on a realized basis. And that was the 1/2 they wanted to go into the principal. The other 1/2 of the same type of income would go into the account called "available for distribution". All of the money could be distributed out if the legislatures chooses to do so; however, it has already been established that it would be distributed on a moving average basis. That is the only place where the average comes in, not on the classification of the income.

REPRESENTATIVE COTTEN stated that one of the decisions to be made this year had to do with the independence of the Permanent Fund operation. At the present time the Department of Revenue is actually the staff of the Permanent Fund Corporation. Originally, it was intended to be independent, and he thought they should be able to determine the income and the cost of the operation. He asked Mr. Rasmusson to discuss this aspect further. He also asked what would happen to the Department of Revenue positions if the independence were given. Mr. Rasmusson responded first that the Fund could not be run with their normal staff. Going into how much money it cost for each of the functions, he said that an accompanying resolution was passed with the original bill that provided for the transfer of all the assets from the Department of Revenue over to the Permanent Fund Corporation. That indicated that the legislature had "already anticipated" giving independent status by giving that authority in the resolution. Last year, that step was taken, and the ownership and the title for those assets are now in the hands of the Permanent Fund. When the decision was made for independent ownership, that necessarily assumes the legislature wanted independent management. He said there was a substantial amount of the budget request that was the "carve-out" of what was already in the Department of Revenue, and that would not change. The additional amounts requested were made under the "top case" (assuming there would be about \$4 billion in the Fund by the end of this year). If the Fund income is going to be increased, some money will have to be spent.

REPRESENTATIVE CUDDY asked, assuming there was the 50% re-investment capability, what effect there would be on the value of the Permanent Fund if there were such constraints such as an 8% mortgage, state health insurance, and the mandate that 100% of the Fund be invested in the State of Alaska. Mr. Rasmusson responded he thought it would have two effects. One could be quantified, and the other effect, though real, would be difficult to put numbers to. In the first place, the rules would have to be changed in order to go into an investment posture that would assume reduced income and an allocation of funds that would not be (according to the single objective test) of maximum income with safety. He said the legislature decided it wanted the "prudent man rule". Secondly, he said that presently the rules say that investments shall be made within Alaska on the same terms as with any other place. The Board has taken that to mean that they are to try to invest within the constraints of the investment parameters already set up. And that was why they have set up a mortgage program (about \$30 million is in mortgages now). At the last meeting of the Board, regulations were approved for a new mortgage program - one that was worked out with a task force of realtors, builders and mortgage bankers - and the Fund would accept the first \$50 million of that. Under the present law, that is the only way they can invest in Alaska. If the law is changed so that there is a different criteria than what is in the existing bill, there would be an impossible task of making decisions if there is a departing from the objective of wanting a good return with the safeguards required by these funds. The subjective decision-making creates problems. He cited the Heritage Fund of the Province of Alberta as an example. They were given that impossible task by their provincial parliament, and as a result they not only have investment responsibilities but they development, research and contribution responsibilities. In short, he said, "they are in a mess." Their earnings have dropped so far that they are barely equal to their inflation, etc. Singling out the question of investing in Alaska, he said he had never heard anyone suggest going any farther than having a loan program. A loan program is not quite as obvious as a loss. But it is done at a subsidized rate and for a certain class of people. If instead, the money is invested to maximize the income (commensurate with safety) so that the income can be enjoyed by everybody - then there is no class gaining from the Permanent Fund.

REPRESENTATIVE ADAMS stated he thought the Permanent Fund Corp. would need about \$6 or \$7 million to hire outside expertise to assist in securing stable investments. He asked if this was done, what difference in investments would be made for the State of Alaska. Mr. Rasmusson qualified that the budget could be a lower figure. But nevertheless, since that budget would come out of the income from the investments, money would only be spent as needed. He said it would take some time to develop this organization however, since "you know we're not planting radishes here, we're planting oaks." He said he happened to be on the conservative side, and thought it would take some time to perfect the organization that the trustees have informally discussed.

The type of investments would be of two classes: 1) equities (securities or pooled investments in real estate), and 2) stocks (selection of equities). He said these types of investments cost money. He said he thought they would do a better job because they would spend more time on the fixed income side of investment. He said that on the purchase of mortgages, they would just contract with the Department of Revenue. He said that no steps would be taken until they checked back with the House/Senate liaison committee.

REPRESENTATIVE MEEKINS asked, in terms of purchasing mortgages within the state, if it would make sense to purchase mortgages from Alaska Housing Financing Corporation. He said AHFC goes to the bond market at about 17%, and the Permanent Fund is getting less than that (about 15%). AHFC subsidizes that rate upwards - now between 12 3/4% and 17%. If the Permanent Fund were to purchase those mortgages, he thought everyone would be better off. It would cost the state less than subsidy and the Permanent Fund would be guaranteed the average rate or above. Mr. Rasmusson responded that he had been approached on this idea by others. He said that there is a reason for paying higher rates of interest. It isn't as desirable an investment. The rate of interest is not just a factor of safety, but also the maturity of the obligation. The AHFC has 30 year, fixed rate loans. The "prudent man rule" would have to be repealed, because, he said he did not know of any investment advisor who would advocate investing substantial amounts of an endowment fund at a fixed rate. There is no marketability of these kinds of instruments anywhere near that price. He said that the only monies that would be saved would be the costs of marketing them in New York, bond fees, etc. He thought that would be more than made up by the loss in liquidity and in marketability. He stated he thought there would be more fiscal discipline if the legislature says they have to meet the market test in New York. He concluded that he did not think it could be done anyway under the present law, and also it would not be in keeping with the investment policies of the Permanent Fund.

REPRESENTATIVE MEEKINS qualified that he was mainly interested in case the Permanent Fund could get a greater return than in its alternative investments. In that case, the risk would be the main factor, and he did not understand why the risk would be any greater buying an AHFC bond than it would be making a regular mortgage. Mr. Rasmusson responded by first explaining the mortgage fund they now have implemented. He said when they started their mortgage program, they used a fixed rate based on the daily quotations of a certain issue of the "Jenny May". It was a higher rate than AHFC at the time they instituted, but there came a period later on when interest rates were going down when their program was lower, and they started getting flooded by realtors looking for a cheaper mortgage. They felt in any event they wouldn't be less than 1/4 above AHFC. Then, due to "Rogers' ratchet" decided last year, at the lowest rate, they were higher; and at the higher rate, they were lower. And that is why they currently have about \$30 million in mortgages. One of the

weaknesses with that was that it was a 30 year fixed rate. After meeting with the realtor groups, they came up with a program with adjustable rates based on "option A" which is quoted every day in the Wall Street Journal on the most recently closed mortgages. Currently he thought it was around 15.2%. The "Jenny May" doesn't buy at that rate, and they have a "load" of 2 to 4 points. So, they decided not to put a load on it and plan to buy it at that rate. Coupled with that was the "due on sale" clause put in by the AHFC last year. That returns the life of the mortgage - even though it's 30 year - back to what used to be the rate, prior to the escalation of interest rates, to around 7.5 years. So, they put in a clause that the rate would not change enough so that the payment would rise up more than 7.5% per year - which translates to an interest fluctuation of 1.1% allowing for the principal and interest. Contrasted, is the federal 2%. In summary, it is a program which is adjustable in rates, tends to be short term mortgages, and though it doesn't have the lowest rate it is available for higher mortgages of good quality. He said he thought other modifications might be instituted later such as rental housing or recreational housing, which cannot be done under AHFC.

BEGIN NEW TAPE, SFC # 11, Side 1, 000-378

COMMISSIONER TOM WILLIAMS of the Department of Revenue also responded to Representative Meekins' questions surrounding the Permanent Fund buying AHFC mortgages. He said that last year the Permanent Fund earned 16% while the General Fund earned around 13%. That doesn't mean that they did a worse job with the General Fund, it only means the investments were diversified. Last year the General Fund contained over \$100 million of 7% veterans' mortgages. It also contained another \$100 million of other types of mortgages with rates down to 6%, etc., which pulled the average performance down. The Permanent Fund, if it invests in stocks, will not get 14% dividends per year if interest rates are 14%. It will get capital appreciation of the value of the stock as well as the dividends that are paid that will be counted as income of the Fund. So, to compare the average performance of the portfolio and say that is what is being earned and what this type of investment should be tagged to, is to "mix apples and oranges."

CO-CHAIRMAN BENNETT asked Commissioner Williams what his estimate would be to manage the Permanent Fund. Commissioner Williams said that would not be a separate cost from what it costs to manage the General Fund and the pension funds, other than there is an unquantifiable lost opportunity cost. Department of Revenue staff in the Treasury Division that manages the Permanent Fund are not union employees and they are partially exempt. They come to work at 6:00 a.m. so that they are at work when the markets open in New York City. They are still there at 4:00 and 5:00 p.m. in the afternoon. He said there weren't many union employees who do that. He said they spend about 2/3 to 3/4 of their time managing the General Fund because that has to be liquid, short-term investments, always having enough cash on hand

for needed checks each following day. So, necessarily, with the time remaining, they are investing Permanent Funds or retirement funds in larger chunks of money, because they simply cannot handle a \$3 billion portfolio for the Permanent Fund or a \$950 million portfolio for the pension funds in \$3 or \$5 million increments. He said that both funds are being handled adequately, but they could be managed better if the Permanent Fund were divided out with its own staff. In conclusion, he stated that since the staff was dealing with investments for the General Fund too, it was difficult to divide out what it cost to manage the Permanent Fund investments.

CO-CHAIRMAN BENNETT asked if anyone had traveled to Juneau to testify on the Permanent Fund bill. Mr. Rasmusson requested that Mr. Robert Greeley, Manager of Corporate Investments for Hewlett-Packard, be allowed to speak to the committee on equity investment.

MR. ROBERT GREELEY stated he had been a Trustee and General Manager of the General Electric Pension Trust. Then in the mid '70's he joined the Saudi Arabia Monitoring Agency as part of the North American Team. When the Whitewell/Merrill Lynch merger came up, he "went West." Now he was with Hewlett-Packard. He said the Permanent Fund has a classic problem, and is being experienced across the country. He said that many groups are coming close to the same solutions. He said a fund this size needs a staff to take care of all the analytics and reports and audits needed. To beat inflation he thought many things would have to be done differently than they were 10 years ago. 10 years ago, they probably would have been mostly into equities and possibly some into bonds - all in the U.S. Now Euro-dollars should be involved. He thought the Permanent Fund would have to compete in the market place against a lot of other financial institutions. In doing such the Trustees would have a great responsibility, requiring an adequate staff to insure maximum return.

CO-CHAIRMAN DANKWORTH, again pointing to Section 9, stated he thought the people of Alaska voted for the Permanent Fund thinking the proceeds would go back into the General Fund. But so far, money has been invested outside the State of Alaska, and the other 1/2 would be distributed to the people of the state. He was concerned that it was no longer seen as a source of income to operate state government when Alaska's non-renewable resources were depleted. He asked Mr. Rasmusson how the Permanent Fund would do that. Mr. Rasmusson stated the decision had been made to distribute 50% in cash payments to the people of Alaska. Therefore, he did not really see how it could be said that it was a fault of the Permanent Fund that there would be no dipping into the capital, because if all the income was distributed, all the capital of the fund would be depleted. As an example, he said the reason why Yale University has about 1/3 of the endowment of Harvard was because they fell into that trap and were distributing out income including unrealized appreciation. So, with the Permanent Fund, the legislature has within its power to

make any distribution it wants of the other half of the income. If that half is not left in the fund, not only will it not be available for the General Fund, but it will always be going down.

CO-CHAIRMAN DANKWORTH wished to extend his compliments on behalf of the State of Alaska to Mr. Rasmusson and the Trustees for their work on the Permanent Fund. He added that his questions were not meant to be critical of their work. Mr. Rasmusson urged that the bill be passed.

COMMISSIONER TOM WILLIAMS, in response to Senator Dankworth's question, stated that if the Permanent Fund were throwing off \$150 million in income today, and if for some reason oil production ceased to continue today, and if inflation ran at 10% a year, and if all the money was going into the General Fund, then 30 years from now the State of Alaska would be "able to buy \$8.9 million worth of groceries" with the income. He said the real problem was not with the concept of returning some of the money back to the Permanent Fund so that the income as well as the Fund retains buying power against inflation. He said the real problem was the distribution program. In response to that, as Commissioner of Department of Revenue and not as a Trustee, he said there is no way capital projects, state employees, grants, etc., would have as large an effect on the Alaskan economy than a direct distribution of money to the people.

CO-CHAIRMAN BENNETT thanked those testifying, and stated the Senate Finance Committee would meet again at 1:15 p.m. to consider other matters. SB 684 would be taken up at a later time.

ADJOURNMENT

The meeting adjourned at 9:55 a.m.

(Tape, SFC 82, # 10, Side 1, 612-end)
(Tape, SFC 82, # 10, Side 2, 000-end)
(Tape, SFC 82, # 11, Side 1, 000-378)

SENATE FINANCE COMMITTEE

April 1, 1982

1:20 p.m.

SFC-82 #12, Side 1 (000-252)

CALL TO ORDER

Co-chairman Don Bennett convened the meeting at approximately 1:20 p.m.

PRESENT

Present were Co-chairmen Bennett and Dankworth, Senators Sturgulewski and Ferguson. Senators Sackett, Eliason, and Stimson did not attend. Also present were Director of Budget and Management Ron Lehr; Director of Legislative Finance Jay Hogan; Fiscal Analysts Garrey Peska, Alison Elgee, Alison Farnan, and Bob Schroeder; and administrative assistants to Senate Finance Judy Johnston and Sandy Nusbaum.

HB 29

Co-chairman Bennett moved that HB 29 (efd failed) (ACT MAKING A SPECIAL APPROPRIATION TO THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT FOR THE YOUTH HOSTEL REVOLVING LOAN FUND) be brought on for discussion, advising of a proposed Senate Committee Substitute for HB 29 (Finance) (ACT MAKING A SUPPLEMENTAL APPROPRIATION TO THE DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES TO RESTORE PARTIAL YEAR FUNDING FOR THE FISCAL YEAR ENDING JUNE 30, 1982).

The Co-chairman stated that the committee substitute will use HB 29 as a vehicle to offset last year's shortfunding of Department of Transportation's budget. The Department proposes laying off approximately 35 employees if the shortfunding is not reinstated. The Department's original request of \$1.7 million has been pared to \$825,000--a bare bones figure.

Senator Ferguson moved to adopt SCS for HB 29 (Finance), and asked unanimous consent. No objection having been raised, the Senate Finance Committee Substitute was adopted. Senator Ferguson then moved that SCS for HB 29 (Finance) pass from committee with individual recommendation. No objection having been raised, the bill passed from committee--all committee members signing do pass.

HB 148

Co-chairman Bennett moved that HB 148 (ACT MAKING A SUPPLEMENTAL APPROPRIATION TO THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT FOR THE REAL ESTATE COMMISSION FOR THE FISCAL YEAR ENDING JUNE 30, 1981) be brought on for discussion. Advising that he did not intend to move the bill from committee at this

time, he moved for adoption and discussion of the SENATE CS FOR HOUSE BILL 148 (FINANCE) (ACT APPROPRIATING FOR THE OPERATING EXPENSES OF THE STATE GOVERNMENT; AMENDING CERTAIN PRIOR YEAR APPROPRIATION ACTS; AND PROVIDING FOR AN EFFECTIVE DATE). No objection having been raised, SCS for CS HB 148 (Finance) was adopted by committee.

The Co-chairman stated that he hoped to hold hearings on the Committee Substitute during the coming week, and that his staff would gladly share information and backup material with committee members. He further advised that Ron Lehr was present to answer questions pertaining to the revised budget.

Administrative assistant Sandy Nusbaum advised of last minute penciled changes made to the CS as a result of computer error. The totals on the bill are correct; the last minute changes are noted in red.

Co-chairman Bennett advised that the revised Governor's budget totals \$1.566 billion.

Senator Sturgulewski raised questions about funding for the University of Alaska, asking if such funding would be made in one appropriation. Co-chairman Bennett attested to need to give management broad authority and flexibility, given the sudden shortage of state moneys. Senator Sturgulewski stated she would be "strained" to support a single appropriation, and Co-chairman Bennett answered that such an approach to funding for the University was "not cast in concrete" (the House budget appropriates to six areas) but intended to allow for flexibility.

ADJOURNMENT

There being no further matters to come before the committee at this time, the meeting was adjourned at approximately 1:30 p.m.

SFC-82 #12, Side 1 (000-252)

SENATE FINANCE COMMITTEE

April 2, 1982

9:05 a.m.

SFC-82 #12, Side 1 (252-367)

CALL TO ORDER

Co-chairman convened the subcommittee hearing at approximately 9:05 a.m.

PRESENT

In attendance were Co-chairmen Bennett and Dankworth and Senator Sturgulewski. Also present at the beginning of the meeting were Commissioner John Katz and Mark Wittow of the Department of Natural Resources, Phil Holdsworth representing the Alaska Miners Association, and Bill L. Heim of AAAC. Also present was Administrative Assistant to Senate Finance Judy Johnston.

INFORMAL SUBCOMMITTEE HEARING

Co-chairman Bennett advised that committee members were convened for an informal subcommittee hearing on SB 732 and SB 722.

SB 732

Co-chairman Bennett inquired concerning whether members of the public present for the hearing had traveled from out of town. Since those attending resided locally and the committee lacked the quorum necessary to pass the bill from Senate Finance, Co-chairman Bennett advised that SB 732 (ACT RELATING TO ISSUANCE OF PRODUCTION LICENSES FOR MINERAL EXTRACTION FROM STATE LAND) would be held for discussion and action at Monday's meeting.

SB 772

Co-chairman Bennett moved that SB 772 (ACT MAKING A SPECIAL APPROPRIATION TO THE DEPARTMENT OF NATURAL RESOURCES FOR CONSTRUCTION OF A PLANT QUARANTINE STATION AT THE PLANT MATERIALS CENTER (AS 03.22) OPERATED IN COOPERATION WITH THE INSTITUTE OF AGRICULTURAL SCIENCES) be brought before the subcommittee for hearing purposes only.

Mr. Bill L. Heim of AAAC appeared before the subcommittee, advising that SB 772 would allow AAAC to import plants from northern latitude countries worldwide. Many food, fiber, and ornamental plants growing in other northern countries should be tested for adaptability in Alaska. Testing would benefit commercial agriculture as well as private homeowners. It would also expand the gene bank at the experiment station and lead to greater plant variety through cross breeding.

He stated that at the present time, those wishing to bring in such plants sneak them in. This could be extremely dangerous as disease could be imported which might wipe out an entire crop. Since Alaska is geographically isolated from diseases, importation is the only way in which a local crop could be contaminated. Because of its natural isolation, Alaska has the potential to raise seeds for use in other states and other countries.

The cost of the station proposed in the legislation would be relatively low since the state already has the land and equipment, and operation of the station would require only one man.

Attesting to support for the legislation, Senator Sturguelwski moved that the subcommittee recommend passage of the bill with individual recommendations at the next committee meeting. No objection having been raised, the recommendation was adopted. Co-chairman Bennett advised that the bill would be before committee at Monday's meeting.

ADJOURNMENT

There being no further matters to come before the subcommittee at this time, the meeting was adjourned at approximately 9:07 a.m.

SFC-82 #12, Side 1 (252-367)

SENATE FINANCE COMMITTEE
April 5, 1982
8:45 a.m.

(Tape SFC 82, # 13, Side 1, 367-end)
(Tape SFC 82, # 13, Side 2, 000-329)

CALL TO ORDER

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

PRESENT

All members of the committee were present with the exception of Senators Sackett and Eliason. Also in attendance were Senator Rodey; Administrative Assistant to Senator Rodey, Jim Kelly; Commissioner of Department of Natural Resources, John Katz, and his Assistant, Mark Wittow; Representative of the Alaska Miner's Association, Phil Holdsworth; and members of the press including Todd Hardesty and Patty Ginzburg.

SB 748

Co-chairman Bennett stated the first order of business was consideration of SB 748 (AN ACT RELATING TO INTEREST ON STATE BONDS AND NOTES; AND PROVIDING FOR AN EFFECTIVE DATE), and requested that Senator Rodey come forward to testify on the legislation. Senator Rodey stated that the bill would essentially allow the sale of bonds the legislature sees fit to authorize. He pointed to two amendments in the file that he had prepared with the assistance of the Department of Revenue, and urged the committee to consider them. He said the amendments would add refunding and a signature requirement. He said that the raising of the rate to 11%, or 110% of the bond-buyer index, was a measure that would allow state bonds to be sold this year, as well as providing a reasonable mechanism for a "cap" on the bond issue. He said that there was \$266 million authorized now, and unless this bill was passed, he doubted very seriously that those existing authorized bonds could be sold.

Discussion and questioning ensued on the two suggested amendments. Senator Rodey stated that the amendment allowing a facsimile signature for the lieutenant governor was a technical one; he said that last year the lieutenant governor had to travel to Chicago just to sign some bonds. He said it could be important on a bond issue when time was of the essence. In response to Senator Dankworth, Senator Rodey stated that the Commissioner of Revenue has the authority of the state to put the Governor's "stamp" on bond anticipation notes.

Senator Sturgulewski moved and asked unanimous consent that the committee adopt the amendments proposed by Senator Rodey, to be

made into Committee Substitute for SB 748 (Finance) (SAME TITLE). There being no objection, it was so ordered.

Senator Sturgulewski moved and asked unanimous consent that Committee Substitute for SB 748 (Finance) be moved from committee with individual recommendations. There being no objection, it was so ordered, and all members present signed "do pass".

SJR 39

Co-chairman Bennett stated the next order of business was consideration of SJR 39 (PROPOSING AN AMENDMENT TO THE CONSTITUTION OF THE STATE OF ALASKA RELATING TO INCURRING GENERAL OBLIGATION INDEBTEDNESS FOR HOUSING), and asked that Senator Rodey testify on the legislation before the committee.

Senator Rodey stated the bill was self-explanatory; however, he presented additional suggested language which would allow the State to accept the "Almanac" which prohibits the sale of tax free bonds for housing, to allow tax free bonds for veteran's housing. The language in his original bill said "or for housing for residents of the state", when the proper language suggested by Alaska Housing Financing Corporation (AHFC) legal counsel was "or unless authorized by law for housing loans for veterans." He said the AHFC language was superior to his own, and he suggested using it. He said the "Almanac" has a great impact on AHFC, and there was at least a 3 to 4% spread on the interest rate between tax free and taxable bonds. So the State would be saved 15% of the cost of loans between a standard AHFC loan and a Veteran's AHFC loan. It would reduce the amount of subsidy and would lower the cost to the buyer.

Senator Sturgulewski stated she thought this was a good bill. Discussion and questioning ensued on subjects such as statutory changes. Senator Rodey said there was no legislation on statutory changes at that time, but there would have to be before a veteran's loan fund was set up. He said it would be simple to do, requiring only a couple of lines in the existing AHFC legislation. He said the authorization would pass probably in November and a bond issue was doubtful before the first of the year. He said there were several proposals presently on that statutory authority; he said all that was needed was an account set up in AHFC. Senator Sturgulewski said this could lower the subsidy the state would have to put toward housing. Senator Rodey said the appropriate vehicle was the bill in Senate Finance from the House, and he could provide the correct language.

Senator Stimson asked about the "window" time for the tax exempt veteran's provision. Senator Rodey responded that the "window" period related to multi-family housing (through December of 1983), but the provision for veteran's loans did not have a "window" period.

Senator Stimson moved and asked unanimous consent that Senator Rodey's suggested amendments be adopted, and that the committee

pass Committee Substitute for SJR 39 (Finance) with individual recommendations. There being no objections, it was so ordered, and all those members present signed "do pass".

SB 772

Co-chairman Bennett stated the committee would next consider SB 772 (AN ACT MAKING A SPECIAL APPROPRIATION TO THE DEPARTMENT OF NATURAL RESOURCES FOR CONSTRUCTION OF A PLANT QUARANTINE STATION AT THE PLANT MATERIALS CENTER (AS 03.22) OPERATED IN COOPERATION WITH THE INSTITUTE OF AGRICULTURAL SCIENCES; AND PROVIDING FOR AN EFFECTIVE DATE). Questioning on who was to testify, and whether or not there should be a breakdown of costs ensued. Co-chairman Dankworth was concerned that this was not the proper place for this amount of funding. Chairman Sturgulewski stated she had information for the record. There was \$400,000 for the construction of the facility on a handwritten fiscal note dated 2/26/82. She said this note showed Personal Services and Contractual, and said FY 83 called for \$136,000. A Technician and a Verologist would be added. She said the fiscal note had not been verified. Co-chairman Bennett suggested holding the bill for one day. There being no objection, it was so ordered, and the bill was returned to the file.

SB 732

Co-chairman Bennett said the next order of business was consideration of SB 732 (AN ACT RELATING TO ISSUANCE OF PRODUCTION LICENSES FOR MINERAL EXTRACTION FROM STATE LAND; AND PROVIDING FOR AN EFFECTIVE DATE), and asked John Katz, Commissioner of the Department of Natural Resources to testify before the committee.

Commissioner Katz came forward with his assistant Mark Wittow. He said he was pleased to support SB 732. The legislation was directed at the important issue of whether a "lease only" system was required for the extraction of hard-rock minerals on state public lands. He said it had been a matter of dispute for the past four years; he said that it, along with the formulation of a reasonable surface infra-structure policy, had become his priority since coming on board as Commissioner. The Department of Natural Resources (DNR) had established an advisory committee on hard-rock mineral development. The "6 (i)" issue (the part of the Alaska Statehood Act passed by Congress which places certain conditions on grants of mineral lands to the State) was taken up in their first series of meetings. There had not been a consensus of how to resolve the problem; he said there were no real important state interests involved in the failure of that resolution. No major environmental concerns would be effected and there were no major concerns relating to economics. It seemed that the State could acquiesce in the request of the Alaska Miners Association that no legislative or administrative initiatives be proposed to solve the problem. Commissioner Katz said he thought that basically the "6 (i)" issue involved the relationship of the state to the holders of land tenure on state

lands, and if they were not comfortable with any solution proposed then it was not really in the state's best interest to impose a solution upon them. He said "I might mention parenthetically that I am opposed to a lease-only system for the disposition of hard-rock minerals." He said certain members of the Alaska Miner's Association persevered until they came up with the proposal before the committee at this time. He said that proposal involved a production license. He said it was not a perfect solution because he did not think there was a perfect solution as the laws in this area were very unclear and "fluid". So, there would be no way to eliminate the risks that were inherent in Section 6 (i) of the Statehood Act. However, he believed the production license approach would come as close as any to mitigate the risk, and as well it would be acceptable to the state as well as the mining community.

Moving on to other aspects of the legislation, Commissioner Katz stated that he had reviewed the fiscal note DNR had prepared to accompany the bill. He thought they were asking for more than was necessary to carry out the purposes of the legislation, so he said the fiscal note could be revised to a lower amount requesting only the Land Management Officer. There would be a reduction in Personal Services of about \$30,000. However, he stressed the need for the existing Land Management Officer necessary to carry out this legislation.

Commissioner Katz also brought up the related matter of the Offshore Prospecting Permit issue. He said the first step was to get an Attorney General's legal opinion on two or three contested legal points. He said that by the time they got the opinion, the Senate Resources Committee had completed its hearings on the "6 (i)" legislation. Then by the time the opinion was assimilated, and amendments were formulated, Senate Finance Committee hearings had begun. He wished to apologize for the lateness of raising the two or three concepts he wished to discuss briefly at this time. However, he did want to let the committee know that DNR had discussed them with Senator Fahrenkamp and with Alaska Miner's Association representatives - and they had all indicated their approval of the amendments to the OPP statutes. He said basically they were confronting a situation with OPP's where in excess of one million acres had been filed upon by three or four companies. In fact, one company had filed for over one million acres underlying both Cook Inlet and the Gastineau Channel. He did not think, even under the existing statutes, that the approval of that number of prospecting permits to any one company would be in the state's best interest. He said he would not approve those, and he thought responsible members of the mining community would be in accordance. Nevertheless, there were three major amendments DNR felt would significantly improve the administration of the OPP statutes. The first was acreage limitation of approximately two townships on the amount of acreage that any company could hold at any one point in time. The second amendment would reduce the number of years a lease could be held. Under the current statute, the department could issue 55 year leases. He did not think it was in the state's

best interest that anyone could hold a lease for that period of time unless there was a production in paying quantities. So they were requesting the committee to consider 10 year leases, with a proviso that if production was occurring in paying quantities the lease could be continued so long as that continues. There would also be a seven year prospecting permit. The third amendment would increase the rental for state leases from \$1 dollar to \$3 dollars per acre, with that amount of money counted against the expenditure requirements related to lease administration. Discussion and questioning ensued on the three amendments that would be coming up on the OPP statutes.

BEGIN SIDE 2, Tape SFC 82, Side 2, (000-329)

Referring again to SB 732, Senator Sturgulewski requested that Commissioner Katz testify on amendments 4 and 5 also. Commissioner Katz stated that amendment # 5, deletion of page 2, line 10 was a suggestion of the Department of Revenue. They have an evaluation of the mining license tax underway at this time, and they were concerned that DNR and Department of Revenue might be following different tracks. DNR discussed that with the miners and it was decided there was no reason to opt for one or the other approach at this time, so they decided to delete it and bring it up with the legislature at an appropriate time later.

Senator Sturgulewski asked questions concerning existing claims and current equities. Commissioner Katz did not feel there would be adverse effects on existing claims. He said he would have no problem however, with adding clarifying language. Senator Sturgulewski stated she would like to have this checked out.

Senator Dankworth questioned ramifications of the second amendment. He wondered if a person would lose their lease if they were losing money on the first five years of operation. Commissioner Katz said he would not interpret the new section in that way; however, he stated that Phil Holdsworth of the Alaska Miner's Association could speak to the question further.

Mr. Holdsworth came forward and stated that the Alaska Miner's Association supported the bill, and that he had already received Senator Fahrenkamp's full support of the suggested amendments before the committee at this time. He responded to Senator Dankworth's question concerning loss of lease if an operation happened to be losing money. He said this was always taken care of in a lease form by regulation, and that the lease would be extended until the operation was running a profit.

Mr. Holdsworth also spoke to the raising of lease rent on state land from \$1 to \$3 dollars per acre. He said these types of operations require a lot of capital investment to get into the business, and as long as what is spent is creditable against the rental there would be no problems. It would also eliminate unqualified people who just want to "paper stake" some of the ground without the intention of doing anything with it.

Senator Sturgulewski moved and asked unanimous consent that Committee Substitute for SB 732 (Finance), along with the revised fiscal note from DNR, be moved from committee with individual recommendations. There being no objections, it was so ordered, and all members present signed "do pass".

Senator Sturgulewski also requested that a new sectional analysis be prepared by DNR.

HCR 23

Co-chairman Bennett stated the next order of business was consideration of HCR 23 (RELATING TO THE GATHERING AND EVALUATION OF COMPREHENSIVE INFORMATION ABOUT SALMON STOCKS IN THE ARCTIC-YUKON-KUSKOKWIM MANAGEMENT AREA). It was noted that there was in the file Senate Committee Substitute for HCR 23 (Finance) (EXTENDING THE LIFE OF THE REGIONAL EDUCATIONAL ATTENDANCE AREA BUDGET OVERSIGHT COMMITTEE).

Co-chairman Dankworth moved and asked unanimous consent that Committee Substitute for HCR 23 (Finance) be moved from committee with individual recommendations. There being no objection, it was so ordered, and all members present signed "do pass".

BILL ASSIGNMENTS

Co-chairman Bennett made the following bill assignments:

- SB 615 - Bennett
- SB 616 - Bennett
- SB 653 - Stimson
- SB 697 - Sturgulewski
- SB 777 - Sackett
- SB 840 - Ferguson
- SB 843 - Dankworth
- SB 866 - Sackett
- SB 882 - Eliason
- HB 146 - Sackett
- SR 23 - Sackett
- SCR 50 - Sackett

ADJOURNMENT

The meeting adjourned at 9:30 a.m.

(Tape SFC 82, # 13, Side 1, 367-end)
(Tape SFC 82, # 13, Side 2, 000-329)

SENATE FINANCE COMMITTEE

April 6, 1982

8:35 a.m.

(Recorder malfunction, no recording for this meeting.)

CALL TO ORDER

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

PRESENT

All committee members were present. Also attending were Steve Hole from the Department of Education; Vern Roberts, Finance Director for the Matanuska-Susitna Borough; Lee Sharp, Attorney for the City and Borough of Juneau; Ginny Chitwood representing the Alaska Municipal League; Ron Lind, Deputy Commissioner of the Department of Transportation, Administration; John Bates, Deputy Commissioner of the Department of Transportation, Planning & Programming; Bob Cooksey, Representing NEA/Alaska, Inc.; Fiscal Analysts Elmer Lindstrom and Alison Elgee; administrative assistants to Senate Finance Judy Johnston and David Rogers, and representatives from the press.

SB 772

Co-chairman Bennett moved that SB 772 (ACT MAKING A SPECIAL APPROPRIATION TO THE DEPARTMENT OF NATURAL RESOURCES FOR CONSTRUCTION OF A PLANT QUARANTINE STATION AT THE PLANT MATERIALS CENTER (AS 03.22) OPERATED IN COOPERATION WITH THE INSTITUTE OF AGRICULTURAL SCIENCES) be brought on for discussion. He directed committee attention to backup material provided by Senator Kerttula.

Senator Ferguson moved that a zero fiscal note be attached to the bill. No objection to the new fiscal note having been voiced, it was approved for attachment.

Co-chairman Dankworth moved that SB 772 pass from committee with individual recommendations. No objection having been raised, SB 772 passed from Senate Finance--all members present signing do pass with the exception of Senators Dankworth and Stimson who signed no recommendation.

HB 279

Co-chairman Bennett moved that CSHB 279(Fin)am (AN ACT RELATING TO SCHOOL CONSTRUCTION AND TRANSFERRING THE ADMINISTRATION OF THE SCHOOL CONSTRUCTION GRANT PROGRAM FROM THE DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES TO THE DEPARTMENT OF EDUCATION) be brought on for discussion.

Senator Stimson directed committee attention to a proposed SCS for HB 279 (Finance) (ACT RELATING TO SCHOOL CONSTRUCTION AND

TRANSFERRING THE ADMINISTRATION OF SCHOOL OR EDUCATION-RELATED FACILITY CONSTRUCTION FROM THE DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES TO THE DEPARTMENT OF EDUCATION), a Sectional Analysis of the committee substitute, and a new fiscal note dated April 1, 1982. He advised that the proposed substitute would accomplish three things:

1. Transfer responsibility for administration of school construction grants from DOT to DOE.
2. Provide mechanism whereby all REAA and municipal school district project may be included in the governor's capital budget.
3. Increase the percentage of reimbursement to municipalities for school construction to 90% and reduce the two-year lag on payment of reimbursement.

Vern Roberts, Finance Director for the Matanuska-Susitna Borough, next appeared before committee, speaking in support of the proposed Committee Substitute. He advised of current problems at the municipal level due to the "saw tooth" pattern of fluctuating tax collection and the two year lag on state reimbursement for school construction costs. He advised that an increase in the percentage of reimbursement is not so important as elimination of the two-year delay in reimbursement.

Ginny Chitwood, representing the Alaska Municipal League next appeared before committee, stating that the legislation would have minimal fiscal impact to the state since it basically represents a shift of reimbursement payments from one year to another. The state currently reimburses 80% of school construction costs two years after the money was expended. The subject legislation would raise reimbursement to 90% and provide for current year repayment.

Mrs. Chitwood advised that the proposed committee substitute provides adequate protection against "builders of Taj Mahals" since approval by DOE is required prior to reimbursement to a municipality.

Mrs. Chitwood concluded her remarks by advising that current-year reimbursement to municipalities would eliminate the "bulge" now plaguing tax levies.

Lee Sharp, Attorney for the City and Borough of Juneau, next appeared before committee. He stated that of all legislation under consideration during the current session, none is more significant and important to municipalities than the proposed committee substitute. He advised that given the problems surrounding the issuance of bonds, and the saw tooth mill rate, in approximately two and a half years the City and Borough of Juneau will require a 6.5 mill tax increase in order to service its school bonds. Moving reimbursement for school construction

costs to current year status will assist in providing stability to tax levies.

Steve Hole, representing the Department of Education, next appeared before committee, advising that Section 1 through 7 and 9 were included in the Governor's bill. He next gave a brief section-by-section analysis of the proposed substitute:

Section 1 and 2 describe responsibilities of the Department of Education with respect to review of construction plans, determination and approval of eligibility for state aid, and administration of construction grants.

Section 3 includes city and borough school districts in the hierarchy of school construction projects in the Governor's budget. It also provides for DOE to administer grants currently handled by DOT.

Section 4 contains cleanup language for Chapter 8.

Sections 5, 6, and 7 are amendments to DOT's statutes which reflect the shift in administrative responsibilities from DOT to DOE.

Section 8 is the only section having financial impact since it raises the reimbursement percentage from 80 to 90% and eliminates the two year lag in reimbursements.

Section 9 amends Title 43, limiting uses to which debt retirement appropriations can be made.

Section 10 repeals AS 14.08.161 and 43.18.100(b)(2) relating to REAA school construction projects.

Responding to concerns expressed by Senator Dankworth that removing control of design and construction of school projects from DOT might lead to cost overruns due to lack of local expertise, Mr. Hole advised that the bill provides for certification that local individuals are qualified to perform the work. In addition, the work must conform to state requirements, or construction funds will not be released. Following construction, an audit is performed to ensure that funds were spent for the purposes intended.

Referring to \$13 million in cost overruns on the Lower Kuskokwim School, Co-chairman Dankworth asked if the state is financially liable for such costs. Mr. Hole responded that since REAA's have no ability to generate revenue, cost overruns "come back to the state." This situation will not change under the proposed legislation. Municipalities, however, represent a different situation--one to which Mr. Hole did not wish to speak.

Responding to a question from Senator Ferguson concerning construction management contracts and costs, Mr. Hole directed committee attention to Page 3, Line 24 of the committee

substitute, advising that that section limits (in terms of the size of the school construction project) the amount that can be spent for management. Senator Ferguson attested to the importance of such a provision, since management contracts have previously gone to individuals with "no construction ability."

Responding to questions from Senator Sackett comparing sections of the House version of the bill with the proposed committee substitute, Mr. Hole advised that concern was expressed that the House version gave DOE too much control over municipalities, and that the Department might preempt municipal ability to construct schools, interfere with approval of plans and placement in the Governor's capital budget, and the issuance of grants.

Section 2 limits Department involvement to REAA's and relates to grant administration rather than construction oversight. John Bates, Deputy Commissioner of the Department of Transportation appeared before committee advising that approximately 4 REAA's currently construct projects through DOT while remaining REAA's construct their own. Mr. Hole advised that responsibility for administering construction grants is being transferred to DOE rather than being placed back in DOT.

Senator Sackett again raised questions concerning the difference between House and Senate committee substitute language, advising that House language appears to transfer construction responsibilities from DOT to DOE. Mr. Hole responded that the intent was to limit DOE involvement to grant administration rather than the "actual nail pounding construction"--that remains with DOT. Mr. Bates concurred, advising that the intent was to transfer administrative not construction authority.

Senator Sackett advised that he had no problem transferring it all to DOE. He next raised question concerning the two fiscal notes in the file, asking what had caused the increase from the earlier note of \$5.1 to the recent note of \$13.4. Mr. Hole explained that the recent note is based on current entitlements under Title 43. Since the bill would eliminate the two year lag in reimbursement costs, the Department sought information on proposed bond sales for school construction from the Alaska Municipal League. The earlier fiscal note does not take into account FY 82 bond sales, assumes elimination of the Cigarette Tax offset, and does not take into account elimination of the two year lag in reimbursement. Mr. Hole added that the earlier (January) fiscal note represents a "guess" at the financial impact of the bill while the later (April) note is based on firmer figures.

Co-chairman Dankworth raised questions concerning design and construction of state schools in terms of what types of construction state grants would and would not cover. Mr. Hole responded that the same formula is applied to both REAA and municipal schools. Chapter 31 of DOE regulations determines eligibility. When asked if the regulations favor one type of school over another, Mr. Hole responded that determination of

entitlement is "as uniform as it can be." The Department does not treat schools of like size differently in rural areas than it does in municipalities.

Directing committee attention to Page 7, Section 9, Mr. Hole read a sampling of construction items which are not reimbursable under state grants. While residential construction, hockey rinks, and Olympic-sized pools would not be eligible for state aid, schools can construct a reasonable-sized pool for teaching water safety.

Co-chairman Dankworth requested that he be furnished a copy of the formula used for determining eligibility. Mr. Hole responded that he would do so, emphasizing that the Department uses the same formula for municipalities and REAA's alike. The only difference between the two entities is that municipalities can go elsewhere for funding, while REAA's must rely on the state.

Senator Stimson asked that Mr. Hole speak to provisions allowing municipalities access to the Governor's capital budget. Mr. Hole advised that under present language contained in Title 14, only REAA school construction is eligible for inclusion. The proposed committee substitute would allow any school district, municipality or REAA to submit a request for school construction to the Department. The Department would then prioritize the list, and transmit the requests to the Governor along with the priority list. The Governor would decide which projects should be funded in the capital budget, and the legislature could add or subtract as it deems necessary. For the first time, however, the legislature would have before it a list of all school projects that have been requested. The above process would especially accommodate school districts which do not have "the horsepower" to lobby the legislature for a special appropriation for school funding (e.g. Hoonah, Klukwan).

When asked by Senator Dankworth if there is currently anything which prevents the Governor from including a new school for Anchorage in his budget, Mr. Hole responded, "No, but this would establish a process for him to do so. Right now there is only a process for REAA's."

John Bates advised that DOT has been working with DOE since 1977 or 1978 on REAA grant programs. The process in the past has required REAA's to switch back and forth between the two departments in the course of obtaining plan approval, eligibility determination, and grant distribution. School construction must be on state property and in accordance with state statutes. Over the past five years increasing numbers of REAA's have asked "to do their own buildings" (DOT only constructs one or two REAA schools per year). In order to make the grant process more efficient, administration of grants is being transferred to DOE.

When asked by Senator Stimson if there is a method to "tighten up grant programs" in order to deal with REAA cost overruns, Mr. Bates responded that, aside from the state, there is no one else to whom REAA's can turn when cost overruns occur. Grants can be

safeguarded by disbursing only certain amounts at progressive stages of construction. Most claims, however, result in supplemental appropriations through the legislature. DOT makes sure plans are as good as possible and attempts to see that, administratively, construction programs do not "get into trouble." Further oversight by the Department would require additional staff. Mr. Bates advised that aside from one REAA currently involved in litigation, overruns have not been "that much out of line" given the difficulties and expenses of rural construction.

When asked about Department costs in providing oversight, Mr. Bates responded that at present the Department takes 3%. One percent is given to DOE and the other two percent provides for administration of the project.

Co-chairman Bennett advised that SCS for CSHB 279 (Finance) would be returned to committee files for further discussion at a later time.

ADJOURNMENT

There being no further matters to come before committee at this time, the meeting was adjourned at approximately 9:35 a.m.

Recorder malfunction, no tape for this meeting.

SENATE FINANCE COMMITTEE

April 7, 1982

9:10 a.m.

(Tape SFC 82, # 14, Side 1, 000-end)

(Tape SFC 82, # 14, Side 1, 000-380)

CALL TO ORDER

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

PRESENT

All members of the committee were present with the exception of Co-chairman Dankworth. Also in attendance were Administrative Assistant to Co-chairman Bennett, Judy Johnston; Kurt Dzinich of the Senate Advisory Council; Senator Gilman; Paul Lowe, Vice-chairman of the Sierra Club; Dave Hutchins, Executive Director of the Alaska Rural Electric Cooperative Association; Eric Yould, Executive Director of the Alaska Power Authority; Sterling Gallagher, financial consultant with Nuveen Co.; Ken Vassar, Assistant Attorney General; Art Snowden, Administrative Director of Alaska Court System; Steve Hole of Department of Education; Bob Green of the Alaska School Boards Association; David Allison, Executive Director of the Alaska Environmental Lobby; and members of the press including Patty Ginzburg and Bill White.

SB 693

Co-chairman Bennett stated the first order of business was consideration of SB 693 (AN ACT REPEALING THE TERMINATION DATE OF CH. 160, SLA 1980, RELATING TO SUPREME COURT AUTHORITY OVER COURT FACILITIES; AND PROVIDING FOR AN EFFECTIVE DATE).

Senator Sackett moved and asked unanimous consent that Committee Substitute for SB 693 (Finance) (AN ACT CHANGING THE TERMINATION DATE OF THE LAW GIVING THE SUPREME COURT AUTHORITY OVER COURT FACILITIES; AND PROVIDING FOR AN EFFECTIVE DATE) be adopted. Senator Sturgulewski objected. She said that previously, the legislation was to give temporary authority; she wondered what the Committee Substitute would do. Co-chairman Bennett stated that the Act would terminate June 30, 1984. Senator Sturgulewski removed her objection.

Senator Sackett moved and asked unanimous consent that Committee Substitute for SB 693 (Finance) be moved from committee with individual recommendations. There being no further objection, it was so ordered, and all those present signed "do pass".

SB 769

Co-chairman Bennett stated the next order of business was consideration of SB 769 (AN ACT REMOVING THE REQUIREMENT THAT

POWER PROJECTS CONSTRUCTED UNDER THE ENERGY PROGRAM FOR ALASKA BE OWNED BY THE STATE; AND PROVIDING FOR AN EFFECTIVE DATE), and requested that Senator Gilman come forward to testify on the legislation.

Senator Don Gilman pointed to Committee Substitute for SB 769 (Finance) (AN ACT RELATING TO THE USE OF THE POWER DEVELOPMENT FUND FOR FEDERAL POWER PROJECTS UNDER THE ENERGY PROGRAM FOR ALASKA; APPROVING THE BRADLEY LAKE HYDROELECTRIC PROJECT UNDER AS 44.83.384 (c) (1); AND PROVIDING FOR AN EFFECTIVE DATE) in the file. He said Assistant Attorney General Ken Vassar was present to answer any legal questions. He said that they had some problems with the bill because of the constitutionality of special subject legislation. He said essentially what the bill would do would be to give approval for the Bradley Lake project, and as well it would set out some general law for procedures for the approval (section 1). He said there was no intent in this bill to bypass any procedures involved in any other power project. However, he said that the general procedures applied to other power projects did not apply to Bradley Lake because of the ownership issue - who would own the facility. He said the ownership would continue to remain with the Corps of Engineers, while the Alaska Power Authority would provide the financing. He mentioned a series of events necessary for this to come about: agreements signed between the APA, the COE and the Alaska Power Administration for the purchase of power. He said those agreements were "in the works". He pointed also to a sectional analysis in the file, as well as a status update on the Bradley Lake project. He also pointed to a Letter of Intent in the file, which he asked that the Senate Finance Committee consider. He said the contracts could be let for the first phases this fall; right now schedule dictates that contracts be let in December, mobilization during the winter months, with on-site work continuing after break-up next spring. The bill before the committee would allow the project to remain on schedule. Senator Gilman also left with the committee a letter dated March 24 from Eric Yould to Assistant Secretary of the Army Gianelli, as well as a return letter dated March 31 from Gianelli to Yould (see bill file).

Senator Sturgulewski asked if the bill before the committee would actually authorize the construction of the project. Senator Gilman answered yes, providing that (c) (2) and (3) were complied with. Senator Sturgulewski also asked what would happen to the equalizing of power rates throughout the state and the Power Assistance Fund, since the ownership would remain with the Corps of Engineers. Senator Gilman responded that it would become part of the overall picture of the power program. However, he said the letters he had just referred to clearly showed it was the intent of the state to acquire the project after it is constructed, which means it would be operated by the state. The letters also show that the Corps of Engineers clearly understand that intention. If this route is not taken, Alaska will lose 18 months by the need to go back through a de-authorization process, have it de-authorized by Congress, and then apply for a FERC

(Federal Energy Regulation Commission) license. The main advantage of this route was time and consequent savings.

Discussion and questioning ensued. Senator Gilman stated that presently there are 10 projects in the U.S. that are like participating contracts, and Bradley Lake is the "king pin" because it is the largest one. He said he did not think the state would put one dime into the project until it is known by written agreement that Alaska has the exclusive right to purchase the power. Senator Eliason asked questions concerning the rate of payment - 50 years at 3%. No one was sure how much money the federal government has in the project at this point - Mr. Yould was directed to find out.

Mr. Yould, Executive Director of the Alaska Power Authority, stated that the economic analysis that was conducted by the Corps of Engineers did include total costs expended against a project, so he would get that information to the committee. He stated that he was present before the committee to answer technical questions, but not present to testify either for or against the legislation before the committee at this time.

Mr. Dave Allison, Executive Director of the Alaska Environmental Lobby, came forward to testify on the legislation. He said the Lobby was a coalition of 11 environmental and outdoor recreation organizations in Alaska with a membership of about 4,000 Alaskans. He was pleased to be able to be present to give his support of CS SB 769 (Finance). He read his testimony to the committee (attached to the end of these minutes). When he finished, Senator Stimson asked if all the environmental issues had been satisfied, and Mr. Allison answered yes.

Further questioning ensued. Senator Sturgulewski asked Mr. Yould what his opinion was of the agreement Alaska would have with the Corps of Engineers. Mr. Yould responded by saying that APA had been auditing projects to make sure that only legitimate expenses were being picked up. He said they would do the same against the Corps of Engineers, and would look for the most favorable situation for Alaska. Also, before any agreement is entered into, an audit would be done.

Senator Sackett asked how much money had previously been appropriated to the project. Mr. Yould stated \$15 million was appropriated last year. The legislature also passed a resolution showing that they intended to proceed with the project. Senator Sackett asked about interim financing for the project. Mr. Yould stated that in the event they got authorization as well as an "iron clad" agreement signed with the Corps of Engineers whereby they would commit the project and the power from the project to the State of Alaska, then APA would be in a position to get interim financing. At that time they would probably go to a commercial bank, or the revenue bond market. He stated that Sterling Gallagher would be a better position to answer that question.

Mr. Paul Lowe, Vice-chairman of the Sierra Club, came forward to give testimony to the committee on the legislation. He gave his support of CS SB 769 in behalf of the 1,100 Sierra Club members in Alaska. He read his testimony (attached to the end of these minutes).

Mr. Dave Hutchins, Executive Director of the Alaska Rural Electric Cooperative Association, came forward to give his support of the legislation for the Bradley Lake project. He wanted to make it very clear that the project would primarily be a local supply for the Kenai Peninsula area. To be more than that would require a very expensive new transmission line. He also wanted to make it clear that though they supported the Bradley Lake project, they did not see it as an alternate to Susitna.

Co-chairman Bennett thanked everyone for their testimony. He stated that since Co-chairman Dankworth was not present at the meeting, the committee would return the bill to the file and take it up for further consideration at a later time.

SB 649

Co-chairman Bennett stated the next bill for consideration was SB 649 (AN ACT RELATING TO EDUCATION; AND PROVIDING FOR AN EFFECTIVE DATE), and requested that Senator Stimson present the legislation to the committee.

Senator Stimson stated that he was proposing Committee Substitute for SB 649 (Finance) (SAME TITLE), and pointed to the work draft in the file entitled "Interim Education Funding Act of 1982". He stated that the bill would use the ideas informally discussed with the Department of Education to fund schools for an interim period of time, and would allow for a study to be conducted during that period so that a new proposal could be prepared to fund schools in Alaska. He explained each section. Section 1 referred to the study that would be done. He said the necessary funding \$560,000 was in the operating budget, but the Department of Education had prepared a fiscal note in the event the committee wished to go that way. Section 2 was the provision that would suspend the Foundation Program for two years (July 1, 1982 through June 30, 1984). Section 3 was the formula used to establish a per-pupil cost based on average daily membership. The formula was derived by taking the amount of money a school district would use this year using the Foundation Program formula, establishing the total amount for the district, and then dividing it by the average daily membership. Section 4 would provide forward funding for next year - an increase of 5% based on the per-pupil amount proposed. Senator Stimson concluded by saying that there were several people present to make testimony on the legislation, and requested that Steve Hole from the Department of Education come forward.

Mr. Steve Hole from the Department of Education spoke to the computation of entitlement; the amount in the budget; the

differences in Special Education, Vocational Education, Correspondence Studies, etc.

BEGIN SIDE 2, Tape SFC 82, Side 2, (000-380)

Mr. Bob Green of the Alaska School Boards Association, came forward and stated that his organization supported the approach in this legislation. He said he saw it as giving additional flexibility at the local level, though the local school board will have to establish its priorities. Also, he thought it would be a benefit to have two years of data to review. He said the interim approach would not impact anybody as far as money was concerned, but there would just be a different approach to getting the money. He stated the fluctuations in money received by school districts would be less caustic with this approach. Now, if a district loses one or two students, it will lose about \$60,000. With the new approach, only the ADM would be lost if the district loses one or two students.

Senator Ferguson stated he would like the Senate Finance Committee to make up a new \$-0- fiscal note since there was money in the operating budget to carry out the study. He also read the following intent, which he wanted inserted in the operating budget:

In conducting the study of the Foundation Formula Program for the REAA school districts, the REAA Budget Oversight Committee shall be consulted and appraised of the findings from time to time as the study goes forth.

Senator Stimson moved and asked unanimous consent that Committee Substitute for SB 649 (Finance) be adopted. There being no objection, it was so ordered.

Senator Stimson moved and asked unanimous consent that a new \$-0- fiscal note be drawn up by the Senate Finance Committee. There being no objection, it was so ordered.

Senator Stimson moved and asked unanimous consent that Committee Substitute for SB 649 (Finance) be moved from committee with individual recommendations. There being no objection, it was so ordered, and all members present signed "do pass".

ADJOURNMENT

The meeting adjourned at 10:00 a.m.

(Tape SFC 82, # 14, Side 1, 000-end)
(Tape SFC 82, # 14, Side 2, 000-380)

April 7, 1982

TESTIMONY OF ALASKA CHAPTER, SIERRA CLUB, ON SB 769 (BRADLEY LAKE HYDRO PROJECT)
given by Paul Lowe, Vice-Chair

Mr. Chairmen, members of the Committee:

I am pleased to be able to testify here on behalf of over 1,100 Sierra Club members in Alaska. We support passage of SB 769, as amended by the Senate Resources Committee. The Bradley Lake Hydroelectric Project seems at this point to be an appropriately-sized energy-production facility, with minimal environmental impacts and a strong cost-benefit ratio. We believe that the cheapest and most efficient way to provide for Alaska's energy needs is a combination of conservation strategies and a mix of such projects as this, Terror Lake, and others.

Obviously, it is still important to be careful in final design and funding of this and other projects. No one's interests are served if true social, economic, and environmental impacts aren't evaluated beforehand. No one's interests are served if final costs are two or five times higher than estimated. If this happens, who pays for the over-runs? How do you decide what is "cheap energy?" This project's limited size reduces the dangers of such errors, if it is properly handled.

We checked with conservation leaders in Homer before taking this position. The consensus was that: (1) although there were sure to be undesirable impacts on the economy, lifestyles, and environment around Homer during construction, these were manageable; (2) people felt that they had been fairly treated during a careful decision-making process; and that (3) the probable benefits of the Bradley Lake project outweighed the inevitable environmental impacts. Most importantly, I was told again and again that people far preferred Bradley Lake, and similar, reasonably-sized projects, to the prospect of the Susitna Hydro Project. Even at the southern end of the Kenai Peninsula, there was great concern that the Susitna project threatened both commercial and sport fisheries in Cook Inlet, and would lead to an influx of energy-intensive industry, such as petrochemicals or aluminum refining--events that would overwhelm the way of life of many people in the Kenai-Homer area. The Kachemak Bay Conservation Society put this posi-

tion in writing to the House Finance Committee several weeks ago.

In closing, I want to emphasize that the Sierra Club recognizes the need for inflation-resistant energy sources for Alaskans. We recognize that no action is without social, economic and environmental costs and benefits; that people are a part of the environment. We are not opposed to construction of properly-sized and financially responsible energy projects, where careful feasibility studies have been completed and the public thoroughly involved in the process. Responsible government requires all of these. Bradley Lake seems to qualify on all counts.

We do urge the Senate Finance Committee, and the entire Legislature, to use our shrinking State funds wisely, in deciding which combination of projects and services best serve all Alaskans.

Thank you for the opportunity to testify.

SENATE FINANCE COMMITTEE

April 8, 1982

8:30 a.m.

SFC-82 #15, Side 1 (000-end)
SFC-82 #15, Side 2 (000-end)
SFC-82 #16, Side 1 (000-340)

CALL TO ORDER

Co-chairman Don Bennett convened the meeting at approximately 8:30 a.m.

PRESENT

Present were Co-chairman Bennett and Senators Eliason, Sturgulewski, Stimson, and Ferguson. Also attending were Senator Vic Fischer; Representatives Terry Gardiner and Hugh Malone; Attorney General Wilson Condon; Legislative Assistant to Governor Hammond, Keith Specking; Commissioner of Revenue Tom Williams; Phil Wall, Director of Administrative Services, Department of Revenue; Special Assistant to the Trustees, Alaska Permanent Fund, Jim Rhode; Susan Burke of Gross & Burke, legal counsel on Permanent Fund Legislation; Rod Betit, Director of Public Assistance for Health & Social Services; Kurt Dzinich of the Senate Advisory Council; Fiscal Analysts Garrey Peska and Milt Barker; Administrative Assistant to Senate Finance Judy Johnston; and representatives from the press.

SB 842

Co-chairman Don Bennett moved that SB 842 (ACT PROVIDING FOR PERMANENT FUND DIVIDENDS) be brought on for discussion. Senator Sturgulewski advised that discussion would center on the proposed CS for SB 842 (Finance) (same title) dated 4/6/82, prepared by the Dept. of Law. She added that the Division of Legal Services was in the process of reviewing and finalizing the bill and would be providing the committee with an updated draft containing minor technical changes.

Senator Sturgulewski further directed committee attention to a section-by-section analysis of the committee substitute as well as a March 9 letter from the Governor.

The legislation represents the Governor's contingent alternative to Permanent Fund Legislation currently before the Supreme Court.

Representative Terry Gardiner first appeared before committee, stressing the importance of moving on fund legislation this year, and the need to distribute oil wealth to the people of the state. Speaking to the effects of state spending in terms of distribution of benefits, Mr. Gardiner advised that last year the state spent approximately \$4 billion--\$10,000 per resident. Did each resident receive \$10,000 in benefits? The magnitude of state spending is great compared to the average income of its

citizens. The average citizen falls within the \$35,000 \$40,000 income range.

This year the state will spend approximately \$2 billion--\$5,000 per resident. A substantial portion of this will go to the operating budget and benefit residents in the form of state jobs or services. Capital budget funding will benefit the construction industry. But state spending does not benefit all residents equally. Last year the state spent \$500 million in subsidized housing programs from which 7,000 residents benefitted. A permanent fund dividend would ensure that everyone gets something.

Mr. Gardiner cautioned that experience in other countries has shown that oil wealth does not always ensure that everyone receives economic benefits. In some instances it increases the disparity between the "have's and the have not's." Alaska runs such a risk. Approximately 62% of the people who received subsidized housing loans already had houses, and 50% of the recipients were over the average income level. Individuals in lower income levels are not eligible for such programs. As a result, while upper incomes continue to rise, those in lower levels remain in place. A permanent fund dividend would accrue to all equally.

Mr. Gardiner advised that he was not advocating elimination of loan programs or construction programs, but that some system must be effected whereby everyone gets a portion of the state's oil wealth. Government spending trickles down to citizens as though processed through a sieve. The dividend would allow individuals to make their own decisions as to how the money will be spent.

Concerning the complaint by some that payment of the dividend would only lead to greater federal tax liability, Mr. Gardiner responded that it would not be "as large as it seems."

Representative Gardiner attested to concern that the dividend payment would stimulate in-migration. He stated that the effect of dividend payments upon the numbers of people coming to Alaska would not be known until disbursement of payments is tried. He further attested to need for a small appropriation to monitor the impact of fund distribution. Additionally, he stressed the fact that people are moving to the state even without the dividend, given the status of the economy in the lower 48. This migration will continue whether or not dividend payments are made. State funding appropriated to construction projects also causes in-migration.

In his closing remarks, Mr. Gardiner advised that the state has tried "every other form of state funding imaginable." The present legislation represents a "good attempt to make sure that regardless of the outcome of the court case," a distribution will be made to Alaska's citizens.

Responding to a question from Senator Ferguson concerning the inclusion of children within the disbursement plan, Mr. Gardiner stated that the state would be in a vulnerable position if children were not included. Questions arose over whether parents should be able to apply for the dividends on behalf of their children, or whether dividends for children should be held in trust. Senator Sturgulewski advised that the bill makes provisions for children and allows them to claim their dividends at age eighteen.

Responding to a question from Senator Eliason concerning the six-month residency requirement, Mr. Gardiner advised that there was "a good consensus" that the six-month requirement stands a good chance of passage. Thirty days would be safer, but it was felt that thirty days would encourage in-migration. The six month requirement could be challenged, but it would take that long to get an action through the court and by that time the individual challenging the residency requirement would be eligible to receive the dividend. The original legislation was challenged because individuals felt there was no way recent arrivals would ever be equal with long-term residents.

Representative Hugh Malone next appeared before committee advising of House concern for individuals receiving public assistance. Receipt of permanent fund dividends might make these families ineligible for assistance and yet not provide the needed level of help. An attempt has been made in the subject legislation to compensate for federal benefits lost due to receipt of permanent fund dividends which make needy families financially ineligible for federal aid. The cost of the offset is estimated at approximately \$7-1/2 to \$11 million. Mr. Malone stressed the fact that the cost of the offset should not preclude the disbursement plan. He stated that ineligibility problems created by receipt of dividends highlight the federal government's inability to come to "grip with reality." He added that "people at the bottom of the ladder should not be hurt by a program that will help most people."

Senator Victor Fischer next appeared before committee, advising of the effect of the distribution plan upon lower income families. He stated that while he strongly favors the concept of sharing state oil wealth with all Alaskans, 50,000 to 60,000 people (older Alaskans, women, children, disabled persons) might be negatively impacted. In some cases, the poorest of the poor might actually lose money. He cited as an example a family which might receive a \$1,000 permanent fund dividend and lose \$1,500 in public assistance benefits. He advised that general assistance, medicaid, day care, public health, and public defender services might all be affected. He urged substitution of state funds for loss of federal assistance. Of 13,598 households (one parent with two or more children) receiving AFDC, 95% would be terminated from the program if they received a \$1,000 permanent fund dividend (monthly income cannot exceed \$583 to qualify for AFDC). Once cut from the rolls, the family would have to

reapply--a difficult process which normally takes approximately 40 days.

Approximately 4,500 people receive old age assistance or aid to the blind. Income is the criteria for eligibility under these programs also.

Approximately \$1,400 households receive federal energy assistance. This program is also based on income.

In addition, food stamp programs, day care, public housing, etc. all would be affected by the permanent fund disbursement. Senator Fischer stressed the need for "across-the-board" provisions for offsetting federal losses.

Senator Fischer further stressed the need to include language in the committee substitute which would allow levy against an individual's permanent fund dividend for child support arrearages. The substitute currently states that 50% of the dividend is exempt from execution. Child support arrearages should not fall within this exemption since these arrearages are not discharged in bankruptcy proceedings.

Susan Burke of Gross & Burke next appeared before committee. Miss Burke advised that she had handled permanent fund legislation when associated with the Attorney General's Office and had been asked to continue once in private practice.

In summarizing the legislation, Miss Burke advised that it represents the Governor's original bill with changes that he proposed the legislature "put in." The bill is intended to:

1. Provide a backstop for a permanent fund distribution system in the event of an unfavorable ruling from the supreme court.
2. Effect changes in permanent fund law to include children in the program.

As a backstop for the original legislation, the proposed committee substitute would effect a per capita distribution each year. Everyone would receive an equal amount. The distribution would use no general funds, but would instead be funded from one-half of the income from the permanent fund. This would create a personal stake in the fund for Alaska's citizens.

Eligibility is based upon six months' residence in Alaska. Miss Burke advised that when a program requires more than 30 days' residence, a "red flag" is automatically raised. She attested to her belief that six months is supportable if challenged, but wished to inform the committee that "there is a risk."

Concerning children, Miss Burke stated that the issue was not whether or not to include children, but rather how to include them. Should payments be made to children through their parents

or guardians, or should money be set aside year-to-year to be claimed at age 18? Citing problems with native land claim distributions to children resulting in continuing litigation, and the fact that some children do not live with their parents, some have no legal guardian, and others are wards of the state, Miss Burke advised that it was decided that permanent fund distributions should be claimed at age 18.

Concerning the welfare situation, Miss Burke advised that the Governor has kept "an open mind on this question," pending determination of a final price tag. It represents a difficult area. The approach to dealing with loss of public assistance contained in the proposed committee substitute was formulated as a result of discussion with HESS personnel. Final figures for the offset have not yet been compiled.

Miss Burke spoke to the potential for fraudulent claims relating to inclusion of children, and the need for an "easy track record" in verifying claims. The proposed committee substitute contains a provision that information concerning children can only be used for permanent fund purposes.

Miss Burke spoke briefly to current law before the supreme court relating to accumulation of dividend benefits both retroactively (back to statehood) and geometrically (in the future). If dividends were to increase as years go by, state residents will "care that much more about what the fund looks like 20 years from now."

The proposed committee substitute also repeals existing law which allows for loans to the dividend fund from the general fund in order to insure that the dividend will be worth at least \$50.

Responding to an inquiry from Senator Stimson concerning opt out provisions for those who don't wish to receive dividends, Miss Burke advised that one who did not wish to receive dividends would simply not apply. Miss Burke spoke to problems surrounding attempts to deal with income tax problems surrounding dividend payments, including the infeasibility of establishing tax shelters within the Department of Labor due to lack of the employer/employee relationship since not all dividend recipients are state employees. Dividends could, however, be deposited in an IRA account at a local bank to escape tax liability.

Tom Williams, Commissioner of Revenue next appeared before committee. He stressed the importance of establishing an ongoing program, rather than paying a "one shot" dividend. The purpose of the permanent fund is to provide Alaska residents a direct interest in the fund. He expressed confidence that the state will win the case in the Supreme Court.

He advised that welfare problems relating to fund disbursements are very real problems which should be dealt with in separate legislation since the welfare issue will exist regardless of whether the state wins or loses in the Supreme Court.

Co-chairman Bennett advised of need to recess the meeting in order to attend the Senate Floor Session. The meeting was thus recessed until 1:30 p.m.

RECESS - 10:00 a.m.

RECONVENE - 1:45 p.m.

RECONVENE

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

PRESENT

Present were Co-chairman Bennett, Senators Stimson, and Senator Sturgulewski. Senator Eliason arrived at the meeting at 2:00 p.m. Also attending were Legislative Assistant to Governor Hammond, Keith Specking; Commissioner of Revenue Tom Williams; Director of Administrative Services for Dept. of Revenue Phil Wall; Special Assistant to the Trustees of the Permanent Fund, Jim Rhode; Rod Betit, Director of the Division of Public Assistance, Dept. of Health and Social Services; Gordon Landes, Public Assistance Program Officer, Dept. of Health and Social Services; Fiscal Analyst Garrey Peska; and representatives from the press.

SB 842

Co-chairman Bennett advised that the meeting was reconvened for further discussion of Committee Substitute SB 842 (Finance) ACT PROVIDING FOR PERMANENT FUND DIVIDENDS).

Commissioner of Revenue Tom Williams and Director of Administrative Services Phil Wall appeared before committee. Commissioner Williams directed committee attention to a packet of fiscal notes prepared by the department. He advised that the notes were predicated on the assumption that the Supreme Court strikes down the original permanent fund program. In that event the budget request for that program would be cancelled, and a backup program instituted. The bundle of fiscal notes sets forth costs of implementing the backup program contained in the proposed CS for SB 842 (Finance):

General Services - The fiscal note for this division includes the costs of getting applications out to residents, getting the applications back to the department, processing applications, and issuing checks.

Treasury Management - This note includes the costs of managing the fund and investing fund moneys so that they continue to earn income.

Enforcement - This division would guard against fraudulent claims for fund dividends.