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Research - Page 2 of the fiscal note sets forth three scenarios for funding dividends based on existing law plus inclusion of children, the per capita approach, and accumulation approach based on 1981 residency.

Responding to questions from Senator Sturgulewski concerning funding relating to the permanent fund contained in the FY 83 budget, Phil Wall advised that the FY 83 budget contains ongoing funding needed for distribution (bringing in and processing of applications). He also advised of need for a $409,000 supplemental due to time delays caused by the Supreme Court case.

Responding to a question from Senator Stimson as to whether or not dividend income would affect longevity bonus payments, Commissioner Williams advised that while he did not know from personal experience, he believed the longevity bonus was funded on a formula basis regardless of how much income an individual has When further questioned by Senator Stimson concerning adjustment of dividends for child support arrearages, etc., Commissioner Williams stressed a need to keep the dividend program steady. If benefits are based on need they cannot be limited by residency requirements. The bill insulates state welfare payments from the dividend program, but dividends will still have an affect on federal welfare payments.

Mr. Rod Betit and Gordon Landes from the Department of Health and Social Services next appeared before committee. Mr. Betit distributed a handout setting forth three example households and income these families would derive under normal public assistance programs as well as income received should CSSB 842 (Finance) become effective (copy of the handout appended to these minutes). Mr. Betit attested to problems surrounding recent changes in the federal approach to assistance, advising that in the past assistance was predicated on personal income. Federal assistance now depends on retrospective budgeting, meaning that the agency looks two months back and bases benefits on those figures.

The proposed committee substitute attempts to ensure that no one is hurt as a result of a dividend payment which would preclude receipt of public assistance. Mr. Betit next conducted a step-by-step review of his handout. Upon concluding he advised that CS for SB 842 in effect builds a safety net over permanent fund dividends. He advised that re-entry of welfare recipients in public assistance programs following receipt of a dividend poses no problem although it might require some overtime within the department. He advised of a fiscal note from Health & Social Services which had not yet cleared the Commissioner's office and been oficially submitted. The total note shows a cost of $2 million for the medical safety net, total savings for one-month of non-participation of approximately $4 million, for a net savings of approximately $2.4 million in program money, plus the need for administrative costs of $200,000 for seasonal and overtime workers, for a total net savings of approximately $2 million. There is no negative impact. A complete safety net which would continue public assistance programs plus the permanent fund would cost approximately $7.5 million dollars.

Responding to a question from Senator Sturgulewski concerning problems surrounding a hold harmless approach to the legislation, Mr. Betit advised that such an approach would inject a management problem in that if recipients are held harmless (they receive both public assistance benefits as well as permanent fund payments) there is no incentive to dispose of the permanent fund dividend. If not held harmless, recipients would have to spend the $1,000 before again becoming eligible for public assistance.

Responding to a question from Co-chairman Bennett concerning agencies other than the Department of Health and Social Services which provide "gratuities," Mr. Betit stated that programs such as day care, public defender services, public housing, etc. were not included in department considerations. Co-chairman Bennett requested that the committee be provided a listing of all such programs in order to assess the "whole mosaic." Mr. Betit agreed to do so.

Committee attention reverted to the child support issue and whether or not fund dividends should be exempt from levies for support arrearages. Susan Burke advised that she did not believe the Governor would object to "carving out this exemption." Senator Eliason advised that he served on the Free Conference Committee drafting original legislation. He stated that although it was then-President Clem Tillion's feeling that it was important each resident got "a piece of cash," child care arrearages should not be included in the 50% exemption.

When questioned by Senator Sturgulewski regarding comparison of the Department of Law draft of the proposed committee substitute with the draft from Legislative Legal Services, Susan Burke noted one or two tense changes, but advised that aside from those she had no problems with the draft.

Senator Sturgulewski advised of need of a fiscal note from the Department of Health and Social Services which Mr. Betit said would be forthcoming. She then summarized the considerations facing committee members:

1. Regarding the welfare situation, is the safety net sufficient?

2. Should the legislation contain hold harmless provisions costing approximately $7 million?

3. Should the bill exempt child support arrearages from the execution exception?

At this time the committee took a brief recess, 2:20 p.m.

RECESS - 2:20 p.m.

RECONVENE - 2:27 p.m.

Upon reconvening Senator Sturgulewski moved for adoption of CS for SB 842 (Finance). No objection having been raised, the committee substitute was adopted. Senator Eliason moved to amend CS for SB 842 at Page 7, Line 2:

Following the period after individual, insert:

This exemption does not apply to obligations for child support.

No objection to the foregoing amendment having been raised, it was incorporated in the committee substitute.

Senator Sturgulewski moved that CS for SB 842 (Finance) pass from committee with individual recommendations. No objection having been raised, the committee substitute passed from Senate Finance--Senators Stimson, Sturgulewski, and Eliason signing do pass, Co-chairman Bennett signing no recommendation.

Co-chairman Bennett announced that SB 684 (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) originally scheduled for hearing this date would be discussed next week.

He further announced that Senate Finance had recently received CSHB 666 (Fin) am (ACT APPROPRIATING FOR THE OPERATING EXPENSES OF THE STATE GOVERNMENT)--the House Budget--and would very soon be reviewing it in light of the Senate Budget.

ADJOURNMENT

There being no further matters to come before committee at this time, the meeting was adjourned at approximately 2:30 p.m.

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

EXAMPLE I

AFDC Family of 4 With No Income	Normal Program Without Permanent Fund		CSSB-842 Finance	
	Annual	Monthly	Annual	Monthly
AFDC	$ 7608	$ 634.00	$ 6974	$ 581.16
FS	3264	272.00	2992	249.33
Energy	425	35.42	425	35.42
Medicaid	4560	380.00	4560	380.00
Permanent Fund	-0-	-0-	1000	83.33
	$15857	$1321.42	$15951	$1329.24

EXAMPLE II

OAA Single Household With $250 ALB	Normal Program Without Permanent Fund		CSSB-842 Finance	
	Annual	Monthly	Annual	Monthly
OAA	$ 6312	$526.00	$ 5786	$482.17
FS	-0- Ineligible -0-		-0- Ineligible -0-	
Energy	425	35.42	425	35.42
ALB	3000	250.00	3000	250.00
Medicaid	1140	95.00	1140	95.00
Permanent Fund	-0-	-0-	1000	83.33
	$10877	$906.42	$11351	$945.92

EXAMPLE III

Family of 3 (2 adults) $950 Gross Income With Rent of $400	Normal Program Without Permanent Fund		CSSB-842 Finance	
	Annual	Monthly	Annual	Monthly
FS	$ 1368	$ 114.00	$ 1254	$ 104.50
Energy	425	35.42	425	35.42
Earnings	11400	950.00	11400	950.00
Permanent Fund	-0-	-0-	2000	166.66
	$13193	$1099.42	$15079	$1256.58

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SENATE FINANCE COMMITTEE
April 13, 1982
8:35 a.m.

(Tape SFC 82, # 16, Side 1, 340-end)
(Tape SFC 82, # 16, Side 2, 000-690)

CALL TO ORDER

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

PRESENT

All members of the committee were present with the exception of Senator Ferguson. Also in attendance were Senator Fahrenkamp; John Katz, Commissioner of Department of Natural Resources; Mark Wittow, Commissioner's Assistant, Department of Natural Resources; Howard Roitman, Consultant to Department of Natural Resources; Greg Winegar, S.E. Manager of Division of Loans & Veterans Affairs; Theda Pittman, Executive Director of Alaska Public Offices Commission; Dick Bradley, Legal Counsel for Legislative Affairs Agency; and members of the press including Todd Hardesty, Patty Ginzburg and Craig Medred.

SB 769

Co-chairman Bennett stated the first 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). He stated that the bill had been before the committee previously and that testimony had already been taken, but that it had been held for further comment from Co-chairman Dankworth.

Co-chairman Dankworth thanked the committee for holding the bill for his attendance. He moved and asked unanimous consent that Committee Substitute for SB 769 (Finance) be moved from committee with individual recommendations. There being no objection, it was so ordered. The committee report was signed as follows: Senators Stimson and Eliason signed "do pass", and Senators Sackett, Dankworth and Bennett signed "no recommendation".

SB 843

Co-chairman Bennett stated the committee would next consider SB 843 (AN ACT RELATING TO SURFACE COAL MINING AND THE SURFACE EFFECTS OF UNDERGROUND COAL MINING; AND PROVIDING FOR AN EFFECTIVE DATE), and requested that Co-chairman Dankworth present the legislation to the committee.

Co-chairman Dankworth stated there were a number of people present to testify on the legislation. He said that he personally felt it was an important piece of legislation. The federal government set up a system in 1977 that the state could participate in the regulations for standards and procedures for coal mining operations. This bill would give the authority for the participation. He then asked that Senator Fahrenkamp to testify on Committee Substitute for SB 843 (Resources) since she was its author.

Senator Fahrenkamp stated there was an analysis of the federal bill, along with the analysis for the state bill, in the file. She said that the department schedule requires publication of the proposed program within 120 days of legislative adjournment. She said the Resources Committee had studied the legislation carefully. OSM in San Francisco had indicated approval of the Resources Committee Substitute. She said they were delaying on the regulations as the federal regulations will be rerun in July. Other than that, she saw no problems and asked that the committee support Committee Substitute for SB 843 (Resources).Co-chairman Dankworth requested that Commissioner Katz explain the legislation to the committee. Commissioner Katz came forward and stated his support of the bill. He said it reflected a "very arduous process" including four major changes over the last two years. Since the legislation was so complex, DNR thought it necessary to go through detailed consultation with the mining industry, public interest groups, and others. He said the coal industry supports the legislation; public interest groups basically support its enactment. He said that all outstanding issues had been resolved with sister state agencies. He said the legislation did not reflect his personal philosophy of federal/state relations, but it was the product of a series of abuses in mainly the eastern U.S. over a period of years before the matrix of environmental legislation. He said it was extremely comprehensive federal law, and really did not leave much flexibility for state enactment. However, he recommended strongly that the legislation be adopted; DNR had investigated and determined that there was no reasonable liklihood of congressional amendment in the future on any major provision. He said that litigation had already been threatened and if the legislation was not enacted, he was certain the result would be federal takeover of the program. He stated they had sought to make the bill as responsive as possible to the unique situation in Alaska. This was done in consultation with the Federal Office of Surface Mining, and they had been advised by letter that there was only one problem - and that problem was resolved by the Senate Resource Committee when they compiled their version.

Commissioner Katz stated that the fiscal note accompanying the bill reflected a true picture of their needs. He said the four positions requested were absolutely essential to implement the program. He said the Federal Office of Surface Mining not only requires the statutory authority for the program, but also the physical capacity to run it. He said it was his judgement that the DNR Division of Minerals and Energy Management was one of the most efficient components of DNR. He said he had looked at the possibility of implementing existing personnel, but found it would just not work. He also said that there would be a significant federal share for the components of the surface program - the total amount in the first fiscal year would be $563,000, while the state share would be $162,000.

Senator Sackett pointed to the requested $375,000 for Contractual in the fiscal note, and said there was not breakdown at all. He requested Commissioner Katz to explain. Commissioner Katz responded they thought that was a better way to go than to use existing personnel for small operator's assistance and the abandoned mine program. He then called upon Howard Roitman, consultant to DNR, to elaborate. Mr. Roitman went into the fiscal note amounts in more detail. He concluded by saying that he would provide a written backup to the committee later in the day.

Senator Stimson brought up the question of how the environmental groups had been addressed in this bill. Mr. Roitman stated the groups had presented nine potential amendments aimed at strengthening parts of the bill such as enforcement requiring higher penalties for violations. They also wanted to make bond release more difficult; he said the regulations he was drafting would be responsive to that. Senator Fahrenkamp added that she would provide the minutes from the Resources Committee meetings to Senator Stimson. Mark Wittow added that one of the amendments they had requested was to delete the small operator's assistance program, and that was already required by federal law. Senator Stimson asked if Commissioner Katz was comfortable with how the environmental concerns had been addressed. Commissioner Katz said he was comfortable with the legislation. but the regulation drafting process was not yet complete. The regulation drafting had been slowed down until the state adopts the legislation.

Co-chairman Dankworth asked if there was any chance the federal government might pull out of the program. Commissioner Katz responded that he saw no indication of that. He said that in this instance he didn't think they could as they were imposing such an onorous statutory framework on the states, and for them not to provide the requisite seemed unlikely. Mr. Roitman added that about one half of the budget in the first year fiscal note came out of the federal Abandoned Mine Land Fund, which was composed solely of contributions from coal operators.

Co-chairman Dankworth moved and asked unanimous consent that Committee Substitute for SB 843 (Resources) be moved from committee with individual recommendations. There being no objection, it was so ordered. The committee report was signed as follows: Senators Stimson, Sturgulewski and Eliason signed "do pass", and Senators Sackett, Dankworth and Bennett signed "no recommendation".

SB 517

Co-chairman Bennett stated the next order of business was consideration of SB 517 (AN ACT RELATING TO CHILD CARE AND DAY CARE ASSISTANCE; AND PROVIDING FOR AN EFFECTIVE DATE), and requested that Senator Eliason present the legislation to the committee.

Senator Eliason stated that Committee Substitute for SB 517 (Finance) (AN ACT EXTENDING THE DURATION OF REPAYMENT OF LOANS FOR CHILD CARE FACILITIES; AND PROVIDING FOR AN EFFECTIVE DATE) was in the file. He said that most of the material in the original bill had already been acted upon, so the Committee Substitute would just deal with the remaining material, and would extend the period for repayment of loans for child care facilities from 10 to 20 years. He said that the original sponsor, Senator Parr, had no objection to the Committee Substitute. He said the fiscal impact would be $-0-, and added that Greg Winegar, S.E. Manager for Division of Loans and Veterans Affairs,was present to answer further questions from the members.

Senator Eliason moved and asked unanimous consent that Committee Substitute for SB 517 (Finance) be moved from committee with individual recommendations. Senator Sackett moved that a $-0- fiscal note be attached to the bill. There being no objection to either motion, it was so ordered, and all those present signed "do pass" with the exception of Co-chairman Dankworth who signed "no recommendation".

HB 154

Co-chairman Bennett stated the committee would next consider 2d Committee Substitute for HB 154 (Rules) (AN ACT RELATING TO FINANCIAL DISCLOSURE; AND PROVIDING FOR AN EFFECTIVE DATE). He stated that Senate Committee Substitute for HB 154 (Finance) (SAME TITLE) would be found in the file. He stated that Theda Pittman, Executive Director of Alaska Public Offices Commission, was present to testify on the legislation.

Theda Pittman came forward to give a sectional analysis of SCS HB 154 (Finance). She said this bill version was a result of requests for amendments by the Commission.

> Section 1 would establish an April 15 due date for a conflict of interest statement, to be filed by a person who becomes a state candidate between January 1 and April 15. The reason was to give those filing for candidacy after January 1 time to submit their statement for the previous calendar year. Also, they added a requirement to update the conflict of interest statement annually for each year previous to the date of election.
>
> Section 3 would raise the threshold at which sources of income must be reported, from over $100 to over $5,000. The over $100 was a burden for those who have clients or customers or renters that have to be reported; the Commission felt that by raising the amount to $5,000, the items that appeared on the statements under sources of income would be the more significant items in terms of the individual's

financial holdings. They recommended the same change in the requirements for loans and loan guarantees or credit obligations. Also, the Commission recommended removing the requirement to report financial information for nondependent children who are living with the reporting official. She said these are mostly college students who maintain the home address but are in fact financially independent.

Section 5 would add charter commission members to the list of those required to file conflict of interest statements because of the impact on communities of the work done by charter commission members.

Section 6 would eliminate the requirement that service area candidates file a conflict of interest statement. Presently, they don't have to file an annual statement, but must file as candidates.

She concluded that those were the changes the Commission had recommended, with the exception of an item that was in the State Affairs Committee version but had been dropped out of the Senate Finance Committee version. The language was in Section 4: "A campaign contribution reported by a public official or candidate under AS 15.13 does not need to be reported under this section." Co-chairman Bennett stated it might be the same as language on page 2, line 27, and Ms. Pittman stated that language might accomplish the same purpose.

Ms. Pittman recommended changing "a spouse" to "the spouse" on page 4, line 18 of SCS HB 154 (Finance). Co-chairman Bennett stated this change would be made.

BEGIN SIDE 2, SFC 82, # 16, 000-690

Senator Eliason moved and asked unanimous consent that Senate Committee Substitute for Committee Substitute for HB 154 (Finance) be adopted. Senator Stimson objected, raising questions concerning provisions for those in the medical profession. He then removed his objection. There being no further objection, it was so ordered.

Further discussion on medical profession exemptions ensued, as well as various other ramifications of the version before the committee at that time. Senator Sturguelwski again brought up the question of the language that had been left out of the Finance Committee version. Dick Bradley of the Legislative Drafting noted that it had appeared to him that that language was to be left out, but he could reinstate it if the committee so desired. Co-chairman Dankworth took exception to the bill, saying he thought the whole issue had been made too complicated.

Senator Stimson moved and asked unanimous consent that Senate Committee Substitute for Committee Substitute for HB 154 (Finance) be moved from committee with individual recommendations. Co-chairman Bennett noted that line 18, page 4 would be changed from "a spouse" to "the spouse". There being no objection, it was so ordered, and the committee report was signed as follows: Senators Sturgulewski, Stimson and Bennett signed "do pass", and Senators Dankworth, Eliason and Sackett signed "no recommendation".

BILL ASSIGNMENTS

Co-chairman Bennett made the following bill assignments:

SR 25 - Eliason
SB 557 - Sackett
SB 621 - Sackett
SB 634 - Dankworth
SB 686 - Dankworth
SB 689 - Sturgulewski
SB 719 - Sturgulewski
SB 720 - Sturgulewski
SB 721 - Sturguelwski
SB 722 - Sturgulewski
SB 817 - Ferguson
SB 851 - Eliason
SB 864 - Dankworth
SB 865 - Sturgulewski
SB 875 - Stimson
SB 876 - Stimson
SB 884 - Ferguson
HJR 71 - Eliason
HB 457 - Sturgulewski
HB 549 - Bennett
HB 666 - Bennett

ADJOURNMENT

The meeting adjourned at 10:00 a.m.

(Tape SFC 82, # 16, Side 1, 340-end)
(Tape SFC 82, # 16, Side 2, 000-690)

sf0414820907

SENATE FINANCE COMMITTEE
April 14, 1982
9:07 a.m.

SFC-82 #17, Side 1 (000-754)

CALL TO ORDER

Co-chairman Don Bennett convened the meeting at approximately 9:07 a.m.

PRESENT

All committee members were present with the exception of Senators Stimson and Dankworth who arrived shortly after the meeting began. Also attending were Kurt Dzinich of the Senate Advisory Council; Don Hostack, Director Dept. of Commerce and Economic Development, Division of Loans and Veterans' Affairs; Dr. Dean F. Olson, Chairman, Alaska Renewable Resources Corporation Board of Trustees; Bill Spear, Trustee, Alaska Renewable Resources Corporation; Wayne C. Littleton, President, Alaska Renewable Resources Corporation; administrative assistant to Senate Finance Judy Johnston, and representatives from the press.

SB 697

Co-chairman Don Bennett moved that SB 697 (ACT RELATING TO THE ALASKA RENEWABLE RESOURCES CORPORATION) be brought on for discussion. Senator Sturgulewski directed committee attention to a proposed CS for SB 697 (Finance) (ACT ESTABLISHING THE ALASKA RESOURCES CORPORATION IN PLACE OF THE ALASKA RENEWABLE RESOURCES CORPORATION (AS 37.12)), a fiscal note showing program receipts rather than general funds as the corporation's funding source, a section-by-section analysis of the substitute, and a memorandum from Wayne Littleton, President of the Alaska Renewable Resources Corporation.

As background information, Senator Sturgulewski advised that this is the sunset year for the Alaska Renewable Resources Corporation.

She alluded to past dissatisfaction with the corporation and last year's hold back on funding which in effect put the corporation in an on-hold basis. Dissatisfaction centered on corporate management, the management structure, and lack of directed purpose. During the legislative interim much cooperation from the Senate Banking Committee, Belden Daniels, Budget and Management, ARRC representatives, and legislative staff in Senator Dankworth and Senator Sturgulewski's office produced the proposed committee substitute.

The CS for SB 697 (Finance):

Proposes a more traditional management structure.

Expands the scope of the corporation to resource projects rather than strictly renewable resource projects.

Focuses on small business.

Transfers the corporation from the Department of Revenue to the Department of Commerce and Economic Development.

Establishes a capital fund.

Changes management from a board of trustees to a board of directors approach. The board of directors will be comprised of four members plus the Commissioner of Commerce and Economic Development.

Does away with the corporation's ability to make grants. The corporation must invest in economically viable projects at market rates.

Stipulates that not more than $500,000 may be invested in any one project. This limits the corporation to investments in small businesses.

States that no loans shall be made for short-term working capital.

Makes the corporation subject to the Executive Budget Act.

Allows for continuation of existing projects.

At this time Senator Sturgulewski requested that representatives from the corporation appear before committee to speak to:

1. Whether under the proposed legislation, the corporation could continue to service investments it now has.

2. The proposed capital fund, its workings, and the corporation's ability to make loans.

Dr. Dean Olson, Wayne Littleton, and Bill Spear appeared before committee on behalf of the Alaska Renewable Resources Corporation. Senator Sackett asked if the corporation had a portfolio listing of its investments. Dr. Olsen advised that he did not have a listing with him. The investments were enumerated in the corporation's annual report--a copy of which was furnished to each senator.

Speaking to the first of the concerns raised by Senator Sturgulewski, Mr. Littleton advised of his belief that the corporation could continue to operate if placed on a self-sustaining basis. Mr. Littleton advised that the corporation had reviewed its investments to determine which had ability to meet loan terms, and came up with program receipts of "just under $4 million." Corporate operating expenses projected for FY 83 are

$1,154,000. This projection assumes that the corporation will be restructured from three full time trustees to a five man board which would meet once a month. Income generation as well as principal repayments for the coming year would produce approximately $3 million more for investment. The corporation currently has a cash fund which would increase the amount available for investment during FY 83 to approximately $11 million. In subsequent years, as existing investments go on stream on a principal repayment basis, income would increase to where the corporation would have, as a minimum, approximately $3 million a year.

Responding to a question from Senator Eliason concerning future appropriations to the corporation, Senator Sturgulewski advised that the committee substitute proposes that the corporation function like a revolving loan fund. Unless the legislature wished to expand the capital, the corporation would work within the funding already appropriated to ARRC.

Responding to additional questions from Senator Eliason concerning the $3 million available for investment in subsequent years, Mr. Littleton stated that $3 million represents a minimum. The $3 million for the coming year is based on known repayments from current projects. Some of the projects have deferred principal and interest repayments for stipulated periods of time.

Responding to a question from Senator Sackett concerning the purpose of the new corporation, Senator Sturgulewski advised that it allows for areas not covered in various other loan programs--specifically development financing. It also allows for debt equity investment in resource projects. It is not limited to renewable resources as was the original legislation.

Co-chairman Dankworth attested to the fact that ARRC could not be left "the way it was"--something needed to be done. The proposed CS for SB 697 (Finance) is perhaps a "stopgap" measure in that a new governor and new legislature may wish to review and possibly adjust all loan programs. He further attested to need for evaluation and restructuring of ARRC management as well as specific new direction. He added that his complaints concerning ARRC result from lack of direction, vague legislation, and poor structuring.

Referring to Section 27, deleting "renewable" from ARRC's title and redefining "resource," Senator Dankworth asked for clarification as to what the restructured ARC could and could not do, and asked if ARC could finance canneries and processing plants. Mr. Littleton answered that ARRC investments in processing plants were not made to acquire the facilities, but were intended as "restructuring loans." He advised of the desirability of ARC being able to "take real estate as collateral to support the loan position," and that perhaps ARC could participate in the acquisition of manufacturing facilities. ARC should not, however, become a substitute real estate loan agency.

Senator Dankworth asked if ARC could continue to make equity investments, and Senator Sturgulewski responded that "there will be debt and equity but not grants, and there is a limitation on the amount . . . ." She further advised that ARC may not invest in more than 49% of the combined equity and debt of an applicant, may not own more than 49% of the voting shares of stock, and may not finance more than 70% of the cost of the project.

Referring to Section 2, PURPOSES, Senator Sturgulewski stated that the CS proposes to establish ARC capabilities and measurement standards. She attested to problems with loan funds when direction is unclear and there is no process for monitoring the program. Section 21 contains provisions for appraising the program to determine if it is meeting its goals.

Referring to Section 27, Senator Eliason questioned the wisdom of expanding the program into areas where there are existing loan programs, since ARC will have only $3 million a year to invest. Senator Sturgulewski attested to the need for flexibility in the area of development financing which is not available in other loan programs which subsidize interest rates. Responding to a further question from Senator Eliason concerning demand for ARC financing since ARC investments would be made at market rates, Dr. Olson advised that ARC investments represent different kinds of funds in that they are equity moneys or can be a combination of debt and equity. This is a novel characteristic of ARC. For a new business this is often the kind of capital it lacks. He stressed the importance of the fact that the restructured ARC is not competitive, does not displace or replace other programs, but makes available to a "broader arena of markets that kind of special capital that is required by start-up and new enterprises."

Senator Bennett advised of his belief that when one speaks of making equity money available it can conversely be said that interest-free money is being made available. Dr. Olson responded, "I don't regard it that way at all." Co-chairman Bennett then asked what return the state derives from such investments. Dr. Olsen advised that one reason for lack of return up to this time is that equity financing is a very new program. Investments in equity often require a "gestation period before the buy-out occurs." It is not until the buy-back of equity shares that interest acquired by the investor is returned. This period could be seven, eight, nine years after the initial investment.

Directing committee attention to Section 11, Senator Sturgulewski advised that ARC must invest in economically viable projects at market rates. The intent in the CS is to hold ARC accountable for prudent investment and a market rate of return.

Co-chairman Dankworth asked if the CS contains provisions for withdrawal from equity positions by ARC. Does language allow for divestment of the state's equity position within a stipulated time period (e.g. ten years)? Senator Sturgulewski directed committee attention to Section 14, which requires that the corporation begin divesting itself of its equity interest in a project within ten years or before the end of the term of the loan. Co-chairman Bennett voiced concern regarding language which requires ARC to "start divesting" itself, advising that under such wording the divesting process could be "a fifty year plan." Dr. Olson advised of awkwardness surrounding negotiations for a buy-out at the end of a stated time period. Language requiring the corporation to commence the buy-out would insure that ARC investment represents a temporary arrangement, and that the borrowing company will eventually buy out state interest. Responding to further questions from Co-chairman Bennett as to whether ARC is really required to get out under language contained in Section 14, Dr. Olson advised that if a project in which the new ARC invests "takes off as is planned and hoped for, . . . and the net worth builds strongly in the early years, the intention would be . . . that the shares be reacquired and that the ARC be taken out." The situation is more difficult when earnings don't accumulate as rapidly as planned and the company is characterized as "walking wounded." Its net worth neither accumulates rapidly nor does it go bankrupt. It does not, however, have the capital to reacquire the shares. The length of time ARC would be involved depends upon the performance of the company.

Advising that he had not been as critical of ARRC as some of his fellow legislators, Senator Stimson stressed need for the resource corporation to continue, and expressed concern at the dropping of "renewable" from the corporate title. He stated that the role ARRC plays in providing venture capital for renewable industries is critical in the development of Alaska. Does the CS allow the corporation to move toward the original intended purpose of ARRC or has a major shift occurred? Mr. Olson advised that ARC represents a major shift in that the new corporation would be more conservative than the original ARRC because it must live within its own budget as described by its earnings. It would also make investments over a broader arena, hence over time renewable projects would comprise a lesser portion of the corporation's portfolio. There would also be a tendancy, in addition to conservatism in investment philosophy and policy, to gravitate to higher yield investments. This represents a significant policy shift.

Co-chairman Dankworth made reference to ARRC's recent board of directors' meeting in Seattle, Washington, asking why the meeting was held out of state. Dr. Olson advised that that was the first time a board meeting was held outside of Alaska. It seemed reasonable since a couple of the corporation's larger investments have offices in Seattle. The meeting allowed board members to spend a full day with company principals. Co-chairman Dankworth advised of "bad feelings for those . . . up in Alaska." Since the average resident could not afford to fly to Seattle for the meeting. He suggested that the principals from Seattle could have come to Alaska for the meeting. He concluded his remarks advising of his hope that Alaska corporations would hold future meetings in Alaska, attesting to the fact that out-of-state meetings "didn't look good."

Senator Sackett raised questions concerning current ARRC investments, advising that as of September 30, of the $39 to $40 million invested, delinquent loans total $7 to $8 million. Past due amounts on these loans total $1,700,000. Have these figures changed? Mr. Littleton advised that delinquent loan totals include two major investments which are in Chapter 11 (bankruptcy). While in bankruptcy, they cannot make payments. Technically they are delinquent. They are in the process of reoganization--the outlook is bright for both companies.

Co-chairman Dankworth requested that the bill be held for further discussion at a later time. In closing remarks, Mr. Spear advised of dramatic changes to ARRC contained in Section 16 which limits the amount ARC can invest in any one project. These limitations would require that applicants come to the corporation "with $520,000 in either debt or equity in order to get $500,000 out of the company." The foregoing represents a company which has a great deal of equity and could find financing somewhere else, or "someone who already has a lot of debt built up or at least a commitment for debt." Mr. Spear questioned whether there would be many applicants for ARC assistance under the limitation. Rural projects and research and development projects would probably not qualify. Mr. Spear attested again to the fact that such a limitation represents a dramatic change in ARRC, and concluded his remarks by stating that "the type of organization that we have is going to be described by the type of applicants and investments that come up."

Dr. Olsen expressed appreciation for legislative concern for ARRC and advised that he regards the proposed CS for SB 697 (Finance) as "a reasonable new beginning."

ADJOURNMENT

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

SFC-82 #17, Side 1 (000-754)

sf0415820810

SENATE FINANCE COMMITTEE
April 15, 1982
8:10 a.m.

(Tape SFC # 17, Side 2, 000-end)
(Tape SFC # 18, Side 1, 000-393)

CALL TO ORDER

Co-chairman Bennett called the meeting to order at 8:10 a.m.

PRESENT

All members of the committee were present with the exception of Senator Stimson. Also in attendance were Judy Johnston, Administrative Assistant to Co-chairman Bennett; John Katz, Commissioner of Department of Natural Resources; Mark Wittow, Assistant to Commissioner of Department of Natural Resources; Tim Wallis, President of Doyon, Ltd.; and members of the press Todd Hardesty, Patty Ginzburg and Jean Kaiser.

SB 875 and SB 876

Co-chairman Bennett stated the first item on the agenda was consideration of SB 875 (AN ACT RELATING TO THE TRANSFER OF THE OWNERSHIP AND MANAGEMENT OF UNIVERSITY OF ALASKA TRUST LAND FROM THE DEPARTMENT OF NATURAL RESOURCES TO THE BOARD OF REGENTS OF THE UNIVERSITY OF ALASKA; AND PROVIDING FOR AN EFFECTIVE DATE). He added that Committee Substitute for SB 875 (Resources) (SAME TITLE) was in the file. He also stated that SB 876 (AN ACT MAKING SPECIAL APPROPRIATIONS AND APPROPRIATION TRANSFERS TO THE DEPARTMENT OF LAW FOR IMPLEMENTATION OF A SETTLEMENT AGREEMENT; AND PROVIDING FOR AN EFFECTIVE DATE) was the companion bill to SB 875. He requested that Commissioner Katz of the Department of Natural Resources come forward to testify on the legislation.

Commissioner Katz stated that DNR was strongly supportive of the University lands agreement which was negotiated by DNR on behalf of the administration. He said that DNR believed it was a fair and just settlement of pending litigation, and should not be construed as a land trade or some kind of voluntary agreement. In the absence of this kind of agreement, he said, the litigation would continue and be concomitant on certainty that would be created in everyone's detriment. To his knowledge there was no outstanding opposition to the agreement "within the four corners of that agreement". The Municipality of Anchorage also had litigation pending with the University and would like that settled within the context of this agreement, and as far as he knew, they did not object to the substance of this agreement.

Mr. Katz stated that there were three basic components of the agreement:

1. Conveyance of all right, title, interest and management of University grant lands - a little in excess of 100,000 acres. They had concluded that there was no alternative to this plan. The problem was that as long as the land is part of the state public domain, it tends to be treated by the legislature and the administration as just a part of the public domain. The judge pointed that out to be an error - that in fact the State of Alaska has a trust responsibility to the University, and the rules and regulations applied generally to the public domain may not necessarily comply with the trust requirements pertaining to university land. So, to assure everyone that the trust obligations will be met in the future would be to segregate those lands and put them under the management of the regents. He said that university officials could speak to the development of their plan for utilization of the lands in question.

2. An appropriation of $500,000 to the Department of Law, subsequently to the University and then to the Department of Natural Resources would be made. The purpose of the money would be to appraise a number of interests in land that has been created over the years, which detracts from the value of land that the university would otherwise have. So it seemed necessary to determine the valuation so that just compensation could be provided. Then, two additional positions would be funded at DNR for a reasonably short period of time to administer the agreement. He said that though no request for fiscal back-up had been made, he did have some information available.

3. The relationship to the future. Under that approach the parties have agreed on a methodology for evaluating the encumbrances and other occurances which have led to a reduction in value of certain university lands. Prior to the next legislative session, those encumbrances would be evaluated by appraisers and an amount of money or other consideration would be determined. The administration was not willing to sign off and the future legislature could not be bound by the results of that process. So, the proposal is that the valuation resulting from the process would be presented to the next Governor and the next Legislature and they would have to determine how to deal with it. This third part could wait until next year for approval, and it would provide substance and the leverage for the Municipality of Anchorage to resolve its concerns.

Some discussion and questioning ensued. Senator Sackett moved and asked unanimous consent that Committee Substitute for SB 875 (Resources), along with the Resources Committee Letter of Intent, be reported out of committee with individual recommendations. There being no objection, it was so ordered, and the committee report was signed "do pass" by all those present with the exception of Senators Dankworth and Ferguson, who signed "no recommendation".

Senator Sackett moved and asked unanimous consent that SB 876 (AN ACT MAKING SPECIAL APPROPRIATIONS AND APPROPRIATION TRANSFERS TO THE DEPARTMENT OF LAW FOR IMPLEMENTATION OF A SETTLEMENT AGREEMENT; AND PROVIDING FOR AN EFFECTIVE DATE) be reported from committee with individual recommendations. There being no objection, it was so ordered, and the committee report was signed as follows: Senators Sackett, Sturgulewski and Bennett signed "do pass"; and Senators Eliason, Dankworth and Ferguson signed "no recommendation".

SB 880 and SB 881

Co-chairman Bennett stated the next order of business was consideration of SB 880 (AN ACT RELATING TO THE SALE OF ROYALTY OIL BY THE STATE OF ALASKA TO DOYON, LTD.; AND PROVIDING FOR AN EFFECTIVE DATE). He stated that the Resources Committee Substitute was also in the file - Committee Substitute for SB 880 (Resources) (SAME TITLE). He asked that John Katz, Commissioner of Department of Natural Resources, come forward to testify on the legislation. Mr. Katz stated that since some members of the committee were present at prior presentations, he could describe them only briefly if the committee so desired. However, he said he was prepared to deliver a "full-blown version" of the process, policies and contracts. Senator Sackett requested that Mr. Katz only deliver a condensed version.

Mr. Katz stated that of the two contracts being considered today there would be detail and summary material forthcoming to the committee. In addition to the Doyon and Tesoro contracts being discussed today, DNR was still continuing negotiations with three parties: 1) Provident Oil Company of Arizona has offered a very high premium on state royalty oil as well as other benefits; 2) Suneel Trading Company has proposed the idea of using petrocoke as a blend with royalty oil; and 3) Chevron USA.

Mr. Katz stated there were several major principals involved in every major contract; they were:

1. Preferance for in-state processing and refining.

2. Concern for impacts of negotiations and contracts on the market-place, and consequent governmental neutrality wherever possible.

3. Policy related to the price term. They concluded the most equitable methodology was to adopt the weighted average field price of the producers on the North Slope. The weighted average field price would be adjusted by whatever happens with Amerada Hess.

4. Term of the contracts. Each is for 12 years. Prudhoe Bay production begins to decline 8 years from now and they picked the 12 years for two reasons: 1) to provide equity to all who were competing for royalty oil, and 2) after the 12 years Prudhoe Bay production declines precipitously and they wanted

to maximize the options of the Governor and the Legislature at that time to determine state royalty oil policy.

5. Volume. They wanted to retain a substantial amount of uncommitted volume. This is not a good time to be negotiating royalty oil contracts as there is a glut on the world market. Also there are a number of interesting proposals for use of state royalty oil which have not yet come to fruition, so they didn't want to preclude their access to royalty oil in the future by disposing of all the volume.

6. Reservation fee, or option fee. They felt once the state made a committment of royalty oil to a proponent, the loss of the flexibility to use that royalty oil in other situations is a detriment to the state that is quantifiable in some terms. This new policy was not embodied in prior royalty oil contracts, but now they feel very strongly about it. They did make one concession on the reservation fee in the instance of Doyon. The Doyon contract in their opinion involved the competition between two important policies (new entry, and the reservation fee itself), so in this instance they chose the former, and suspended the reservation fee for four years. He added that the Royalty Oil and Gas Board disagreed with them on this point.

7. Interim Taking. He said that after observing the Alpetco situation, they had developed a policy in adamant opposition to interim taking.

8. Willingness to provide 100% of royalty oil to in-state refining or processing operations. Lesser amounts were considered, but they concluded that the benefit to the state was not all that great, and the detriment to the companies involved could be very great.

9. Return oil policy. This would involve pipeline refineries like Mapco, and hopefully the Doyon operation. They accept a gross refinery charge then return a significant amount of oil to the pipeline for possible downstream use. DNR saw the opportunity for the state to maximize the volume it was dealing with, by in essence using the same oil twice because Mapco or Doyon would be required to pay a quality penalty.

10. Rural Alaska policy. He said at this point in time it probably was not reasonable to expect that anybody would be willing to build a new refinery in rural Alaska because the refinery margins these days are so slim. However, in every set of negotiations they asked the question of "what are you willing to do for rural Alaska in the way of distribution or something else that would be helpful?" He said they don't yet have a contract with Chevron USA, but they would be most capable of doing something for rural Alaska because of its distribution network.

11. Petro-coke policy. He said this issue has tended to dominate some of the royalty oil discussions. They saw the possibility of using royalty oil to compliment development of state coal resources. For that reason they are examining the possibility of using royalty oil to obtain the purchase of petro-coke that would then be blended with Alaska coal probably somewhere on the Pacific Rim.

12. In-state taking on in-value price which the state receives. He said that in-state taking does impact the in-value price because it results in a displacement on royalty crude on the west coast. He said there was a 2-tier price system involving the west coast and the gulf coast. The west coast price is higher and is reflected back in Alaska's revenues and severance taxes. Therefore, displacement on the west coast does have a negative impact. However, the scenarios could change and Alaska could benefit. So, they identified a total possible negative impact associated with each contract of $4 million. In the case of the Tesoro contract, they were provided with documentable evidence of its positive secondary and tertiary economic benefit for the State of Alaska, and possibility of negative impact was more than compensated for by the probability of positive impacts. They felt the same way about the Doyon contract, but had not yet obtained the same kinds of information.

13. Use of state royalty oil as leverage for something really unrelated to hydrocarbons or oil disposition. They chose not to provide royalty oil in those situations - the relationships were just too attenuated.

14. Adequate security for Alaska's contracts - in view of what has happened with Alpetco. There is firm security in the contracts, with things like a letter of credit amounting to the value of two months of the royalty oil, very tough provisions, and provisions that in essence defer to the Commissioner's interpretation of the contract.

Mr. Katz then discussed the two contracts being considered in the bills presently before the committee - Tesoro and Doyon. He said they would present the Tesoro contract without reservation. He said they would present the Doyon contract with only one reservation in the area of financing. He said when they negotiated their contract with Doyon, all the elements of a successful refinery operation were in place - including financing. Unfortunately, that financing has now slipped and Doyon is actively engaged in finding other financing - which entails finding out what to do with their royalty oil, and secondly returning to the banks with their accomplishments. Initially, Mr. Katz thought Doyon should have the financing matter settled by legislative adjournment, but has since decided that was too arbitrary. He said that Doyon was trying hard to obtain financing, so he now felt comfortable with the Resources Committee version of the bill before the committee to protect the state. He stated that on the basis of all he had said, they believed it was reasonable to say that a "go, no-go" decision by September 1, does relate to an emminent and viable project. And, because of the policy favoring new entry, they felt comfortable that was a good date to distinguish what was emminent and what was not.

Questioning and discussion ensued. Senator Ferguson asked about the last sentence on the Resources Committee Substitute. Mr. Katz stated the House Finance Committee had removed that sentence, and DNR had no problem with its removal. Other questions arose, concerning such subjects as advance taking of royalty oil, pricing differences, and Doyon's attempts to secure financing. Co-chairman Bennett then requested that Tim Wallis, President of Doyon Limited come forward to answer questions of the committee.

Senator Eliason asked about the last sentence in the Resources Committee Substitute. Mr. Wallis stated he did not know. Senator Ferguson moved that the last sentence on Committee Substitute for SB 880 (Resources) be deleted - starting with "The" on line 18, and ending with "1982" on line 21. There being no objection, it was so ordered.

Senator Ferguson moved that the date on line 15 be changed to "October 1, 1982" to give Doyon more time to secure financing. There being no objection, it was so ordered.

Senator Sackett moved and asked unanimous consent that Committee Substitute for SB 880 (Resources) be moved from committee with individual recommendations. He then removed his motion, and then moved and asked unanimous consent that he be allowed not to vote on the Doyon contract. Co-chairman Bennett objected, and stated he thought there was no question that Senator Sackett's vote would be in the best interests of the people of the state of Alaska. The committee concurred, and Senator Sackett was allowed to vote on the Doyon contract.

BEGIN SIDE 2, SFC 82, # 18, Side 1, 000-393

Senator Sturgulewski moved and asked unanimous consent that Committee Substitute for SB 880 (Resources) as amended by the Finance Committee be passed from committee with individual recommendations. There being no objection, it was so ordered and the committee report was signed "do pass" by all those present with the exception of Co-chairman Dankworth who signed "no recommendation".

Senator Sturgulewski moved and asked unanimous consent that SB 881 (AN ACT RELATING TO THE SALE OF ROYALTY OIL BY THE STATE OF ALASKA TO THE TESORO ALASKA PETROLEUM COMPANY; AND PROVIDING FOR AN EFFECTIVE DATE) be moved from committee with individual recommendations. Co-chairman Bennett asked if anyone present wished to testify on SB 881; no one did. There being no objection to Senator Sturgulewski's motion, it was so ordered, and the committee report was signed "do pass" by all members present with the exception of Co-chairman Dankworth, who signed "no recommendation".

Co-chairman Bennett called a brief recess.

RECESS - 9:05 a.m.

RECONVENE - 9:20 a.m.

SB 735

Co-chairman Bennett stated the next order of business was consideration of SB 735 (AN ACT RELATING TO ORGANIZATION GRANTS AND TRANSITIONAL ASSISTANCE FOR MUNICIPALITIES; AND PROVIDING FOR AN EFFECTIVE DATE), and requested that Senator Sturgulewski present the legislation to the committee.

Senator Sturgulewski stated she didn't think there were any questions on the legislation. but there was a bill analysis prepared by Community and Regional Affairs in the file. She said it was a slightly "awkward bill in that it was designed to accommodate Title 29 passing or not passing". She stated that Community and Regional Affairs supported the legislation.

Senator Ferguson recommended that anyone having amendments or opposition to the bill present them at this time. Co-chairman Dankworth commented that he thought there should be a mandatory borough act, but he said he would support this bill at this time.

Senator Sturgulewski moved and asked unanimous consent that SB 735 be moved from committee with individual recommendations. There being no objection, it was so ordered, and all those present signed "do pass".

HB 9

Co-chairman Bennett stated the next bill for consideration was Committee Substitute for Sponsor Substitute for HB 9 (Finance) (efd failed) (AN ACT RELATING TO ENERGY) and asked that Senator Dankworth present the legislation. Co-chairman Dankworth asked that Senator Sturgulewski be allowed to carry the bill before the committee.

Senator Sturguelwski stated that the committee also had before it CS for SB 784 (Finance) (AN ACT RELATING TO THE ALASKA POWER AUTHORITY; AND PROVIDING FOR AN EFFECTIVE DATE). She moved and asked unanimous consent that CS for SB 784 (Finance) replace Committee Substitute for Sponsor Substitute for House Bill 9 (Finance) (efd failed). She pointed to the legislation summary in the file dealing with the Finance Committee amendments, and stated basically sections 1 through 6 dealt various aspects of APA costing and financing of projects. Senator Ferguson stated he wished to reserve the right to prepare amendments to the new version of HB 9. He then stated he would deal with the amendments on the floor. Senator Sturgulewski restated her original motion. There being no objection, it was so ordered, and all those present signed the committee report "do pass" with the exception of Senator Sackett who signed "no recommendation".

RECESS

Co-chairman Bennett recessed the meeting at 9:30 a.m., stating that the meeting would reconvene in the afternoon.

(Tape SFC 82, # 17, Side 2, 000-end)
(Tape SFC 82, # 18, Side 1, 000-393)

sf0415821410

SENATE FINANCE COMMITTEE
April 15, 1982
2:10 p.m.

(Tape SFC 82, # 18, Side 1, 400-439)

CALL TO ORDER

Co-chairman Bennett reconvened the meeting at 2:10 p.m.

PRESENT

All members of the committee were present with the exception of Senator Stimson. Also in attendance were Judy Johnston, Administrative Assistant to Co-chairman Bennett; and members of the press including Bill White.

SB 856

Co-chairman Bennett stated the committee would consider SB 856 (AN ACT RELATING TO INTEREST ON DELINQUENT OIL AND GAS PROPERTIES PRODUCTION TAXES; AND PROVIDING FOR AN EFFECTIVE DATE) and requested that Senator Eliason present the legislation to the committee.

Senator Eliason stated this bill had been introduced by the Legislative Budget and Audit Committee, and added there was a Department of Revenue representative present if the committee wished him to testify. Co-chairman Bennett stated he did not think it was necessary.

Senator Ferguson made the observation that this bill had an opportune title for including taxing gas in place, and added that he may make amendments on the floor.

Senator Eliason moved and asked unanimous consent that Committee Substitute for SB 856 (Finance) (AN ACT RELATING TO INTEREST ON DELINQUENT TAXES; AND PROVIDING FOR AN EFFECTIVE DATE) be moved from committee with individual recommendations. There being no objection, it was so ordered and the committee report was signed as follows: Senators Sturgulewski. Eliason, Dankworth and Bennett signed "do pass", and Senators Sackett and Ferguson signed "no recommendation".

ADJOURNMENT

The meeting adjourned at 2:15 p.m.

(Tape SFC 82, # 18, Side 1, 400-439)

sf0419820845

SENATE FINANCE COMMITTEE
April 19, 1982
8:45 a.m.

SFC-82 #17, Side 1 (439-end)
SFC-82 #17, Side 2 (Half way through to end)
SFC-82 #19, Side 1 (000-529)

CALL TO ORDER

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

PRESENT

All committee members were present. Also attending were Ron Lehr, Director of Budget & Management; Jim Stey, Deputy Director of Budget & Management; Fiscal Analysts Alison Elgee, Alison Farnan, Garrey Peska, and Elmer Lindstrom; Beverly Ward, representing Atlantic Richfield Co.; Dennis DeWitt, representing the Alaska State Hospital Association; administrative assistants to Senate Finance Judy Johnston, Sandy Nusbaum and Max Gifford; and representatives from the press.

HB 148

Co-chairman Bennett moved to rescind earlier committee action (4/1/82) adopting SCS FOR HB 148 (FINANCE) (ACT APPROPRIATING FOR THE OPERATING EXPENSES OF THE STATE GOVERNMENT: AMENDING CERTAIN PRIOR YEAR APPROPRIATION ACTS: AND PROVIDING FOR AN EFFECTIVE DATE) as a replacement for HB 148 (ACT MAKING A SUPPLEMENTAL APPROPRIATION TO THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT FOR THE REAL ESTATE COMMISSION). No objection to the above motion having been raised, prior committee action adopting SCS for HB 148 (Finance) as the Senate budget was rescinded.

HB 666

Co-chairman Bennett moved that CSHB 666 (Fin) am (ACT APPROPRIATING FOR THE OPERATING EXPENSES OF THE STATE GOVERNMENT) be brought on for discussion. He further moved that SCS for CS for HB 666 (Finance) (ACT APPROPRIATING FOR THE OPERATING AND CAPITAL EXPENSES OF THE STATE GOVERNMENT; AMENDING CERTAIN PRIOR YEAR APPROPRIATION ACTS) be adopted as the Senate budget document. No objection having been raised, SCS for CS for HB 666 (Finance) was adopted.

Co-chairman Bennett advised of need for a change on Page 12, Line 17:

Delete: Alaska Renewable Resources Corporation.

The Co-chairman noted that members had before them for review the Senate operating budget, Senate capital budget, and Governor's capital budget. He asked that members look over the documents, advising that the budgets would be brought before committee for discussion at the meeting scheduled for 8:30 a.m tomorrow morning.

Senator Sturgulewski asked if comparative runs would be made allowing members to compare House, Senate, and the Governor's figures with continuation level funding. Co-chairman Bennett announced that comparative printouts would be available in the afternoon.

REVENUE SHARING/ASSISTANCE TO MUNICIPALITIES

Co-chairman Bennett directed committee attention to an unnumbered bill (ACT MAKING SPECIAL APPROPRIATIONS FOR REVENUE SHARING AND OTHER ASSISTANCE TO MUNICIPALITIES) authored by the Finance Committee. He advised that with committee concurrence the legislation would be introduced in the Senate. Co-chairman Dankworth moved that the committee adopt the proposed legislation for introduction. No objection having been raised, committee members concurred in adoption of the foregoing revenue sharing/assistance to municipalities legislation for introduction in the Senate.

Co-chairman Bennett announced that the meeting would be recessed for five minutes.

RECESS - 8:55 a.m.

RECONVENE - 9:05 a.m.

SB 697

Upon reconvening, Senator Sturgulewski moved that SB 697 (ACT RELATING TO THE ALASKA RENEWABLE RESOURCES CORPORATION) be brought on for discussion. She further moved that the CS for SB 697 (Finance)(ACT ESTABLISHING THE ALASKA RESOURCES CORPORATION IN PLACE OF THE ALASKA RENEWABLE RESOURCES CORPORATION (AS 37.12)) pass from committee with individual recommendations.

Senators Sackett objected. Senator Sturgulewski advised of her belief that the Committee Substitute represents legislation which would benefit small business in both rural and urban Alaska. The proposed Committee Substitute is preferable to existing ARRC legislation. Co-chairman Dankworth also spoke in support of the legislation, advising that while he has never been favorably impressed by ARRC and would "have no problem doing away with it completely, something must be established in its place. The ARC contained in the proposed CS represents a more reasonable approach since the corporation would be placed within the Department of Commerce and Economic Development.

Senator Ferguson advised of concern that projected ARC management and operating costs for FY 83 of $1,154,000 are too high for management of a $3 million loan program. He added that "it does not make much sense to throw that much good money after bad . . . ." He further advised of his feeling that ARC management would not be able to properly manage the $3 million. Co-chairman Dankworth stated that the corporation has more than $3 million to manage; it actually has over $40 million.

Senator Sackett proposed an amendment to the CS for SB 697 (Finance):

Delete AS 37.12.010 through AS 37.12.125.

Co-chairman Dankworth objected.

Citing ARRC arrearages (delinquent loans) of $7 to $8 million, and the fact that two of ARRC's major investments are in bankruptcy, Senator Sackett justified his amendment, stating that administration of ARRC funds could be accomplished by the Department of Commerce. As background information, Senator Sackett advised that ARRC legislation passed the legislature while he was Finance Committee Chairman. He advised of feeling "personally hurt" that ARRC has gone from bad to worse in terms of what it has accomplished. Last year the legislature curbed funding for ARRC in an attempt to cure management problems. This year the proposed CS for SB 697 (Finance) purports to correct inequities. ARRC legislation should be repealed and its administrative responsibility given to the Department of Commerce. Co-chairman Dankworth advised that he had "looked into" ARRC and found out there was more involved in effecting changes than merely repealing its statutes. He attested to possible need for additional administrative funding if management was placed under the Department of Commerce. Senator Sackett suggested that should his amendment be adopted, the bill be held in committee for a day pending receipt of a new Fiscal Note from the Department of Commerce. Senator Sackett spoke briefly to experience and expertise within the Department in managing and dealing with loans.

Senator Sturgulewski advised of pertinent issues surrounding ARRC legislation:

1. Responsibility of the legislature and state to the program--there has to be more than custodial management. The state must live up to its commitment to firms which have received assistance. The state's investment must also be protected.

2. There is need for developmental financing of innovative projects in resource development--a need for financing which cannot be obtained from banks.

Senator Sturgulewski acknowledged that ARRC has experienced management problems and agreed that those problems must be addressed. She again attested to the fact that the CS attempts to correct existing problems, and that there is need to "keep faith with existing " ARRC loans and provide developmental financing.

Senator Sackett countered with a statement concerning legislative responsibility in allowing ARRC to continue to exist when the corporation has abused public funds, been taken advantage of, and disbursed free funding which the state will never see returned. He added that while ARRC has been in existence for some time, it has not ventured out into rural areas.

Senator Sturgulewski attested to problems with state loan programs wherein the state has had no means for "keeping a close enough eye" on them. She advised of need for legislative changes which tighten up loan structures and management, set standards, and require follow-up reporting.

Senator Stimson advised of personal problems with the CS since ARRC's original emphasis on renewable resource projects has been broadened to include resource projects. He stated his feeling that it is important that the state have an entity which uses public funding to support and stimulate development of renewal resource projects in the private sector.

Senator Sackett restated his motion to repeal AS 37.12.010 through AS 37.12.125. Upon a show of hands, the motion failed--Senators Bennett, Ferguson, and Sackett voting in favor, Senators Dankworth, Eliason, Strugulewski, and Stimson voting against.

Co-chairman Dankworth advised of his intent to reassess the repeal motion when the bill comes to the Senate floor, declaring that he wished to keep his "options open," adding that he did not wish to see the CS defeated and ARRC continue as it is now.

Senator Ferguson requested that members be furnished with a fiscal note from the Department of Revenue or Commerce relating to the repeal motion. Co-chairman Dankworth agreed, and committee staff was directed to obtain the requested note. <u>Co-chairman Bennett restated Senator Sturgulewski's original motion to move the CS for SB 697 (Finance) from committee with individual recommendations. Upon a show of hands the motion passed. CS for SB 697 (Finance) thus passed from committee--Senators Stimson, Sturgulewski, and Eliason signing do pass, Senator Bennett signing no recommendation, and Senators Sackett and Ferguson signing do not pass.</u>

Co-chairman Bennett announced that the meeting would recess until 1:30 p.m. when it would reconvene to continue discussion of legislation listed on the agenda as well as SB 653. The meeting was recessed at approximately 9:20 a.m.

RECESS - 9:20 a.m.

RECONVENE - 1:40 p.m.

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

PRESENT

Attending were Co-chairmen Bennett and Dankworth, and Senators Stimson, Ferguson, and Sturgulewski. Also present were Lt. Governor Terry Miller; Dale Cheek, Director of the Division of Labor Standards and Safety, Department of Labor; Bob Greene, representing the Alaska Association of School Boards; Bob Cooksey, representing NEA/Alaska, Inc.; Judy Knight, Special Assistant to the Commissioner of Labor; Sandra Withers, Director of Labor Relations for the Dept. of Administration; administrative assistant to Senate Finance, Judy Johnston; and representatives from the press.

SB 653

Co-chairman Bennett moved that SB 653 (ACT RELATING TO EMERGENCY SERVICES EMPLOYEES UNDER THE PUBLIC EMPLOYMENT RELATIONS ACT) be brought on for discussion. Senator Stimson directed committee attention to a proposed CS for SB 653 (Finance) (ACT RELATING TO PUBLIC EMPLOYEES SUBJECT TO COLLECTIVE BARGAINING), and advised that Lt. Governor Terry Miller was present to testify concerning the proposed substitute.

Lt. Governor Miller advised that the legislation addresses an issue of great concern to the state. As background information, he stated that 10 years ago the legislature enacted legislation allowing teachers the right to collective bargaining. Although well intended and basically a good law, it is fatally flawed in that it provides for bargaining but no method for effecting a conclusion. This situation has resulted in illegal strikes in the Anchorage area where teaching professionals--good citizens--were jailed, resulting in community outrage. The proposed committee substitute would rectify problems in the original legislation since it would:

1. Place teachers under the Public Employees Relations Act rather than Title 14.

2. Address only the finality question and leave parts of existing statutes intact.

Under the CS, teachers would become Class 2 employees and have a limited right to strike. The school board could petition the superior court for an order ending the strike and ordering binding arbitration. Only a school board could initiate this action. This would preserve the local autonomy of elected school board members.

The CS further provides that a school board may place on the ballot, before voters for the particular district, the question of whether or not to move teaching professionals into Class 1 employee classification which provides for binding arbitration without the right to strike. Again, only the school board can order binding arbitration, thus preserving the right of local elected members to make decisions.

Portions of the proposed CS include the Governor's proposal which changes the structure of arbitration, not only for teachers but for everyone. Provisions in the legislation establish a panel of arbitrators rather than a single arbitrator. Four of the five members would be chosen from the local community while the fifth member would be a professional arbitrator. This would provide a careful balancing of the rights of all parties involved in bargaining.

Lt. Governor Miller advised that he became involved in preparation of the proposed CS because of his original authorship of mediation legislation and his experience as an arbiter. The proposed CS establishes procedures whereby the public, teachers, and children are protected.

Senator Ferguson asked if Lt. Governor Miller had considered taking something--tenure--away from teachers should they strike. Mr. Miller responded that the foregoing was not considered when working up the proposed substitute. He stated again that the proposed legislation deals most specifically with the finality question while leaving most of the original legislation intact. He advised, however, of a drafting error contained in the proposed bill which would allow the Labor Relations Board to end a strike. It was not intended that the foregoing provision be included--only school boards should have the authority to compel binding arbitration.

Responding to a question from Senator Stimson expressing concern that binding arbitration might place school boards at a disadvantage and end up costing districts more than the current process, Mr. Miller advised that he did not believe that disputes would always end up in binding arbitration. Elected school board members would have to make the decision to go to superior court and order binding arbitration. Only the local board would have such authority. Both parties will thus "look carefully before proceeding into binding arbitration."

Lt. Governor Miller alluded again to disruptions in Anchorage school districts, advising that disruptions will most likely occur again unless the current law is changed.

Responding to a question from Senator Sturgulewski concerning the Blue Ribbon Committee formed by the Governor and the committee's position on the proposed bill, Mr. Miller advised that factors of a task force comprised of teachers, parents, and other representatives, support sections of the bill. The parent perspective was, however, akin to the proposed bill.

Dale Cheek next appeared before committee on behalf of the Department of Labor, Labor Relations Agency which has responsibility for school boards. Mr. Cheek advised that the fiscal note prepared by his agency is based on a combination of SB 653 and SB 668. While his agency has had no experience in dealing with teachers under PERA, Mr. Cheek advised that information culled from other states indicates that in the first four years teachers were covered by PERA, one-half the cases ended up in unfair labor charges. Such charges require hearings under PERA. The bare bones cost of holding an estimated number of hearings under the Administrative Procedures Act is included in the fiscal note.

RECESS - 2:00 p.m.

RECONVENE - 2:13 p.m.

Upon reconvening, Mr. Cheek directed committee members to Sec. 12, and advised that conversations with Assistant Attorney General, Ron Lorensen, indicate that there will be problems concerning "what is negotiable and what is not negotiable."

Senator Ferguson directed attention to Page 6, Line 25, asking if per diem and travel allowances for arbitration panel members would add significantly to the cost of the legislation. Mr. Cheek responded that the arbitration panel would be compensated by the parties. However, there will be some cost relating to administration and record keeping, but this should not represent a large cost to the state.

Sandra Withers, Director of Labor Relations for the Dept. of Administration, next appeared before committee. She advised that the goal of labor relations is to reach a conclusion which is acceptable to both parties. She stressed the need to include a fact-finding process in the legislation. Through the fact-finding process both parties "can take a second look at their respective positions and hopefully come to mutual agreement." She advised that specific language relating to fact-finding was included in the original version of SB 668. Senator Sturgulewski asked if fact-finding is included in current labor negotiations, and Mrs. Withers responded that it is not--negotiations currently go from mediation to binding arbitration.

Senator Ferguson moved to amend the proposed CS for SB 653, adding a new Section 19:

> Teachers shall be taken off the tenure list for participating in a strike.

Co-chairman Bennett requested that amendments to the legislation be held until a later meeting, advising that the present discussion was being had for the purposes of hearing testimony. Amendments and further committee action on the legislation would be deferred to a later time.

Bob Greene, representing Alaska School Boards, next appeared before committee. Mr. Greene advised that from his brief review of the proposed CS, there appears to be no significant difference between it and other bills dealing with binding arbitration. He expressed concern over the supposed choice given local school boards in the CS, since all provisions of the bill require teachers to be governed under PERA, and both Class 1 and Class 2 classifications eventually lead to binding arbitration. In addition, Mr. Greene attested to the fact that the question of negotiable items is not addressed in the bill. Current law on negotiability is extremely vague.

Further, the Governor's task force addressed a number of items which are not included in the bill. The task force recommended that:

1. Teachers remain under Title 14 rather than "going into PERA.

2. Binding arbitration serve as a method of final settlement. However, such arbitration should be limited to wages and fringe benefits.

3. Negotiable items be clearly defined, especially in areas of employee and management rights.

None of the above recommendations are addressed in the proposed CS for SB 653. Mr. Greene concluded his remarks advising that the bill represents "one of the poorer approaches to dealing with collective bargaining in education." He urged that committee members look again at recommendations from the task force.

Senator Sackett requested that Mr. Greene provide committee members with recommended amendments based on task force suggestions. Senator Sturgulewski attested to need for a definition of what is bargainable and the need for a reasonable solution.

Co-chairman Bennett announced that for purposes of amendment and clarification, the bill would be heard again at tomorrow's meeting.

ADJOURNMENT

There being no further matters to come before the committee at this time, the meeting was adjourned at approximately 2:25 p.m.

SFC-82 #18, Side 1 (439-end)
SFC-82 #18, Side 2 (half-way through to end)
SFC-82 #19, Side 1 (000-529)

sf0420820855

SENATE FINANCE COMMITTEE
April 20, 1982
8:55 a.m.

(Tape SFC 82, # 19, Side 1, 529-end)
(Tape SFC 82, # 19, Side 2, 000-612)

CALL TO ORDER

Co-chairman Bennett called the meeting to order at 8:55 a.m.

PRESENT

All members of the committee were present with the exception of Senator Ferguson who arrived at 9:15 a.m. Also in attendance were Tom Williams, Commissioner of the Department of Revenue and Vice-chairman of the Alaska Permanent Fund Board of Trustees; Jim Rhode, Special Assistant to the Trustees of the Alaska Permanent Fund; and members of the press including Todd Hardesty, Patty Ginzburg, John Greeley, David Ramseur, and John Matthews.

SS SB 684

Co-chairman Bennett stated the first order of business was 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 members.

Senator Sturgulewski pointed to the work draft in the file - 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). dated 4/7/82. She said there were the following major components to the work draft:

1. Re-investment of income. She said this issue had received a lot of discussion. Basically the idea of re-investing was to preserve the purchasing power of the fund's principal, and that in turn would preserve the purchasing power of the fund's yearly income. The bill would call for reinvestment of 50% of the income available for distribution.

2. The investment list. CS SS SB 684 (Finance) was different from the original bill in that it was no longer possible to invest in foreign currency. But in general, the list was the same as that permitted under the pension fund, though there were certain restrictions such as not being able to invest in gold.

3. Change in the Board composition. There would be three members from the public and three members from the Governor's principal departments. This was to balance the public policy agreements, and time demands, etc.

4. Board salaries. This was changed from the original proposal allowing the Board to make budget determinations and then submit to the budget process.

Senator Sturgulewski then requested that Tom Williams, Vice Chairman of the Board of Trustees, speak to the Board's position. Tom Williams requested that Jim Rhode also come forward to speak as the Special Assistant to the Board of Trustees. He then stated that he wished to be on record as supporting Committee Substitute for Sponsor Substitute for SB 684 (Finance). He agreed with Senator Sturgulewski that it would "improve an already good program." He said that the Permanent Fund is a "trust" for today and tomorrow. And, in keeping with that trust-like nature, it was important to have full flexibility to act as responsible trustees. He said it was also important that the trustees look to investing the fund for present needs as well as anticipating the future. He said he thought the most important aspect to this was the re-investment of income back into the permanent fund. People argue that 50% shouldn't be put back into the fund because of inflation as well as the fact that there are more oil revenues, while the fund can take care of itself. He said his response to that arguement was that the Permanent Fund represents a transformation of a natural resource that occurs only one time, into a financial resource that is also going to occur one time. The Permanent Fund is the accumulation of money as that transformation goes on, but just like the oil field, the Permanent Fund can be depleted by inflation - it is being depleted now. This effects the wealth of the Permanent Fund more than a distribution of the fund. He said the income from the fund will be available even if half of it is returned back. He did not recommend changing the statutory aspect of direct distribution of the income as it would do more to stimulate the economy and creating benefits generally for Alaskans than creating more government positions or adding more capital projects. He said to preserve the buying power of the income was the most important reason for the re-investments. He gave examples to argue in favor of re-investment. He also sited examples of other companies that had decided not to re-invest in their funds, with the result that their funds steadily grew smaller (like the Ford Foundation).

Discussion and questioning ensued on such subjects as how the 50% figure was arrived at, and current prime rates and how inflation effects the fund. Mr. Rhode commented on the "real" income of the fund, and on attempts at covering inflation first by having a limitation on pay-outs, which is based on a percentage of the total market worth of the assets, while all capital gains made on stocks or real estate, and all dividends and interest earnings are returned to the fund. He said the trustees of the Alaska

Permanent Fund were also proposing a series of investments that historically have matched or exceeded inflation.

Senator Dankworth stated that he disagreed with the idea of putting one half of the interest back into the Permanent Fund. He said that if everything was for future generations, the people of Alaska right now wouldn't get anything from the fund. He said billions would be invested outside Alaska, while very little would be invested in the state. He thought the money should go into the General Fund. Tom Williams stated the people of the state would see benefits now if the Supreme Court says the Zobels are wrong. He said that in 1976 when the amendment was passed, it was difficult to see how it would be able to support state government - but at that time there was also a personal income tax. He said that ultimately, the income stream diverted away from government by the repeal of the personal income tax can be restored. He said that the income being diverted away from government by the Permanent Fund distribution system can also be restored, if government has a need for it. But it doesn't have a need for it today; that's why the tax was repealed and why the dividend program is in place. He concluded by warning the committee again against the impact of inflation and how re-investing 50% of the income of the fund would help to "inflation-proof" the Permanent Fund.

Senator Dankworth made further comments about the salaries being requested by the Board of Trustees, and reiterated his thoughts about re-investing half of the interest back into the Permanent Fund. He said that portion of the bill would not get his support. Further discussion ensued concerning how future oil money would effect the fund. Tom Williams responded that Alaska oil was a finite resource.

BEGIN SIDE 2, SFC 82, # 19, 000-612

Senator Sturgulewski stated she thought the reason it took five years to get the Permanent Fund going was that there wasn't a common understanding of just what it would be. So, it was an evolutionary process. She felt the committee should move to try to "inflation-proof" the fund. She also asked the committee to turn to the other components of the bill having to do with the investment list and the salaries for the trustees.

Senator Dankworth agreed, but stated that by becoming so preoccupied with the future, it might be that nothing is done today. Mr. Rhode made the comment that the constitutional amendment stated that the money does not <u>have</u> to go into the General Fund as there was the additional language "or as otherwise provided by law." He also made further comments about benefits to the people of the state of Alaska.

Discussion ensued on the investment list. Tom Williams stated there would really be no difference between the investments for TRS and PERS and the Permanent Fund under this legislation. Mr. Rhode agreed, with the exception of investment in foreign currency. Mr. Williams said the return could be improved if the expansion on the list was made. He said right now all the Permanent Fund investments were in "debt instruments" and there was risk as these investments were based on interest rate fluctuations. Discussion ensued on investment in foreign banks. Senator Stimson stated he thought the investment list should be expanded to include foreign investment.

The committee then turned to composition of the Board as well as their salaries. Tom Williams stated they did not want the management of the Permanent Fund to become a "staff function", so salaries were necessary to maintain interested and dedicated people. He also advocated balancing the composition of the board to keep it from becoming politicized.

Senator Eliason was concerned that the Legislature isn't as involved as it once was in the selection, approval and removal of the trustees. Mr. Williams stated that the confirmation powers were to be narrowly construed rather than expanded. Senator Eliason questioned the language "for a good cause" in regard to termination of a trustee, and felt that language should be removed.

Tom Williams brought up the transition rule in Section 15 - this was a "hold harmless" provision for the General Fund for FY 83. Under this bill, which would take effect at the beginning of FY 83 without the transition rule, half of the income from the Permanent Fund that would have gone to the General Fund would be returned to principal. That would have significant effect on the funds available for appropriation in FY 83. Obviously those expectations are already tightly pinched - this bill was a "hold harmless" to avoid further pinching. The transition rule provides that in effect the one half that would have gone into the General Fund in FY 83, in fact will go into the General Fund in FY 83. And it won't be apparent until after there is a new legislature and governor and new expectations about how much will be available in FY 84.

Senator Sturgulewski moved and asked unanimous consent that the bill be held over in committee until Thursday. Tom Williams stated that the fiscal note shows a gain to the General Fund during FY 83, which results going from a "cash received" basis to a "cash earned" basis. There being no objection to Senator Sturgulewski's motion, the bill was returned to the file.

SB 887

Co-chairman Bennett stated the next order of business was consideration of SB 887 (AN ACT MAKING SPECIAL APPROPRIATIONS FOR REVENUE SHARING AND OTHER ASSISTANCE TO MUNICIPALITIES; AND PROVIDING FOR AN EFFECTIVE DATE).

Co-chairman Dankworth moved and asked unanimous consent that SB 887 be moved from committee with individual recommendations.

There being no objection, it was so ordered, and all members present signed "do pass".

RECESS

The meeting recessed at 9:50 a.m. Co-chairman Bennett stated the meeting would reconvene at 3:00 p.m. later in the day.

(Tape SFC 82, # 19, Side 1, 529-end)
(Tape SFC 82, # 19, Side 2, 000-612)

SENATE FINANCE COMMITTEE
April 22, 1982
9:05 a.m.

SFC-82 #20, Side 1 (000-651)

CALL TO ORDER

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

PRESENT

Initially present were Co-chairman Bennett and Senators Ferguson and Sackett. Senators Eliason, Stimson, and Sturgulewski arrived shortly after the meeting commenced. Also attending were Merrill Palmer, Chairman, Haines Branch, Alaska Miners Association; Jon Hallwill, Mayor of Haines, Alaska; Steve Silver, representing the City of Haines; Charles Paddock, President, Chilkoot Indians Association; Walter Clayton, President, Haines Tlingit & Haida; Jack D. Sharp, S.E. District Supervisor, Alaska Division of Emergency Services; James B. Rhode, Special Assistant to the Trustees, Alaska Permanent Fund; Thomas K. Williams, Commissioner, Department of Revenue; Paul Newman, Economic Development Specialist, City of Haines; Jones Hotch, Jr., Member, Chilkat Indian Village; Joe Hotch, Vice President, Chilkoot Indian Village, Klukwan; Joe McGhie, Realty Specialist, Tlingit Haida Central Council; James Howard, Realty Specialist, Tlingit & Haida Central Council; Dave Cline, Alaska Representative, National Audubon Society; Reed Stoops, Director, Division of Research and Development, Department of Natural Resources; Bob Cooksey, Representing NEA/Alaska, Inc.; Dale Cheek, Director, Division of Labor Standards and Safety, Department of Labor; and administrative assistant to Senate Finance, Judy Johnston.

SB 796

Co-chairman Bennett announced that in the absence of a quorum, the meeting was convened for the purpose of hearing testimony from individuals who had travelled from out of town to speak on SSSB 796 (ACT PROVIDING FOR THE MANAGEMENT OF STATE-OWNED LAND IN THE HAINES AREA, ESTABLISHING THE ALASKA CHILKAT BALD EAGLE PRESERVE AND THE HAINES STATE FOREST RESOURCE MANAGEMENT AREA)

Jon Hallwill, Mayor of the City of Haines first appeared before committee, advising that CSSSSB 796 (ACT PROVIDING FOR THE MANAGEMENT OF STATE-OWNED LAND IN THE HAINES AREA; ESTABLISHING THE ALASKA CHILKAT BALD EAGLE PRESERVE AND THE HAINES STATE FOREST RESOURCE MANAGEMENT AREA) has been many years in development. In 1977 the Haines Land Use Planning Report identified eagle habitats and possible uses for the subject land. In 1979 the City of Haines was threatened with federal legislation which would have put the Chilkat Valley into a national preserve. Representatives from the City sent to

Washington D.C. were successful in stopping the federal effort. As a requirement for cessation of work at the federal level, the Governor of Alaska placed in moratorium 53 thousand acres of valley land. Within these acres there could be no development until the eagle phenomenon was investigated, understood, and Audubon studies were completed.

Critical habitat areas and resource areas have now been identified. The Audubon Society would like to set aside habitat areas. The residents of Haines do not want to give up traditional uses of the valley because these traditional uses do not adversely affect the eagles. The Audubon Society, the City of Haines, and residents of Klukwan have thus worked together to produce the subject legislation. The effort has received aclaim throughout the state and on a national level since it represents a bringing together of environmental groups, the logging and mining industry, as well as local government--all of which support the bill.

Since development of the proposed committee substitute, issues have been raised by residents of Klukwan. These issues have been reviewed, and it was found that areas and issues of concern are already covered by state and federal law.

Mr. Hallwill stressed that fact that the legislation before committee represents more than just an "item of local concern." The fact that this year is the 200 anniversary of selection of the bald eagle as the national symbol has focused attention on the Chilkat Valley. The state must move to take care of its land resources or the federal government will do so. Mr. Hallwill concluded his remarks advising that when interests as diverse as the Sierra Club, Schnaible Lumber Company, and local residents all testify in support of the same legislation, "it is a good bill."

Senator Stimson asked if all factions involved in the legislation are in agreement with the provisions of the Finance Committee Substitute for SB 796. Mr. Hallwill responded that as far as he knew they were. Senator Sturgulewski advised that she personally wished to see the legislation "move." It represents good hard work by a number of different interests.

Merrill Palmer, Chairman, Haines Branch of the Alaska Miners Association, next appeared before committee to testify in support of the Finance Committee Substitute. He advised that the current land freeze in the Chilkat Valley jeopardizes mining, timber sales, and native allotments. The present legislation was negotiated by interested parties to provide effective use of the land. The legislation provides for state rather than federal management and control of state land resources. The local land-use plan has been five years in the making but cannot be implemented because of the current land freeze.

Charles Paddock and Walter Clayton next appeared before committee and read into the committee record a letter supporting the proposed legislation and denouncing misrepresentations made by lobbyist Mike Deman on behalf of the Tlingit Haida Central Council (a copy of their testimony--letter dated April 22, 1982, is attached to these minutes).

Joe Hotch, Vice President of the Chilkoot Indian Village, next appeared before committee, advising that only a few of his people believe the bill is a good one. Reports that Klukwan residents were involved in formation of the legislation require clarification. Although residents wished to be included when the bill was drafted, they were not. Mr. Hotch read testimony offered on behalf of Fred J. Donnelly, setting forth nine points of opposition to the bill (copy of testimony attached to these minutes). In closing remarks Mr. Hotch advised, "We really can't see people who do not live in the area making the decision." If their land was in the habitat area, the decision might be different. The foregoing represents the basis upon which Chilkoot Indian Village residents oppose the bill.

In response to Mr. Hotch's testimony, Senator Sackett advised that in preparing the draft Finance Committee Substitute he had reviewed proposed amendments from Klukwan residents with the Division of Lands. He advised of need for further research into a possible amendment relating to the use of eagles for religious purposes which he might offer on the floor of the Senate.

Senator Sackett moved for adoption of the CS for SSSB 796 (Finance). Senator Sturgulewski objected for purposes of further questions regarding native allotments. At this time Mr. Hotch again appeared at the committee table testifying that the Audubon Society had failed to make its yearly report to each group involved in negotiations regarding the habitat. After three years of study, the Audubon Society did not know that the University land was within the proposed eagle preserve. He concluded his remarks by advising that he and his people could not support anything which isn't done "in full complete order."

Co-chairman Bennett announced that at this point in the meeting public testimony would no longer be taken and that members of the committee would proceed to act upon the bill.

Reed Stoops advised that University lands would be treated as private land, and excluded from the boundaries of the preserve. Discussion with University personnel indicates that the University is satisfied that its interests are adequately protected under the bill.

Senator Sackett moved for adoption of CS for SS for SB 796 (Finance). Senator Sturgulewski objected, raising questions concerning native allotments. Speaking to the hold harmless provision contained on Page 3, Section (c), Reed Stoops advised that approved or pending native allotments would be treated as private land until disposition of the allotments.

Senator Sturgulewski removed her objection to adoption of the proposed committee substitute. Upon a show of hands CS for SS for SB 796 (Finance) was adopted. Senator Sackett moved that the Finance Committee Substitute pass from committee with individual recommendations. Senator Eliason raised questions concerning amendments offered by residents of Klukwan and rejected by the subcommittee preparing the Finance Committee Substitute. Senator Sackett stated that a majority of the amendments were unnecessary because they are provided for in other law. Senator Eliason asked Senator Sackett if he (Sackett) was "personally satisfied that the rights of the people of Klukwan have been addressed," and Senator Sackett responded, "Yes--yes, I am."

Co-chairman Bennett restated Senator Sackett's motion for passage of CS for SS for SB 796 (Finance) from committee with individual recommendations. No objection having been raised, CS for SS for SB 796 (Finance) passed from committee--all members present signing do pass.

SB 653

Senator Stimson moved that CS for SB 653 (Finance) (ACT RELATING TO PUBLIC EMPLOYEES SUBJECT TO COLLECTIVE BARGAINING) be brought on for discussion. He next moved that language contained in CS for SB 653 (Finance) be placed in CS for HB 174 (Finance) (ACT RELATING TO AID TO FAMILIES WITH DEPENDENT CHILDREN) after deleting the contents of CS for HB 174 (Finance) and changing the title to reflect that of CS for SB 653 (Finance). Senator Ferguson objected but later removed his objection.

HB 174

Senator Stimson moved that SCS for CSHB 174 (Finance) (ACT RELATING TO PUBLIC EMPLOYEES SUBJECT TO COLLECTIVE BARGAINING) pass from committee with individual recommendations. No objection having been raised, the bill was passed from committee--Senator Stimson signing do pass. Senators Sackett, Sturgulewski, Eliason, and Bennett signing no recommendation.

ADJOURNMENT

There being no further matters to come before committee at this time, the meeting was adjourned at approximately 9:45 a.m.

SFC-82 #20, Side 1 (000-651)

April 22, 1982

Alaska State Senate
Pouch V
Juneau, AK 99811.

Dear Senators:

We are the presidents of the Chilkoot Indian Association and the Haines Tlingit and Haida Community Council and we would like to take this opportunity to support and address CSSSSB 796.

Most of our members support the Senate Bill. It has been brought to our attention that Mike DeMan has submitted testimony for the Tlingit Haida Central Council opposing this bill.

We are concerned that the legislature might falsely conclude that Mike DeMan speaks for all of the Native interests and concerns of Haines, which we assure you he does not.

We believe Mike DeMan knows our position, as one of hisaides attended one of our meetings. For some reason, Mike DeMan has forgot to mention our position to the legislature and yet the Tlingit Haida Central Council is supposed to represent our interests as well as that of others.

We assure you we are displeased with this misconception and misunderstanding. We have informed the Tlingit Haida Central Council of our position and we support CSSSSB 796.

Thank you for your consideration of our views.

Sincerely,

Charles Paddock

Charles Paddock, President
Chilkoot IndianAssociation

Walter Clayton

Walter Clayton, President
Haines Tlingit Haida
Community Council

My name is , Fred J. Donnelly,

I am an allottee.

I object to this eagle bill for the following reasons:

1. The Audubon people have never proved a need to enlarge the currant eagle habitat.

2. The eagle population is exagerated, there is no more than 700 to 800 eagles in this habitat at the peak of there gathering, and about a hundred permanent eagle residence in the Chilkat and Chilkoot areas.

3. The special Interest groups like Merrill Palmer and Schnabel are exempt in the territories the Audubon Society wants. Porcupine Creek , Schnabel mine, Glacier Creek , where Palmer has a mine.

4. The allottees that have to live in this area never had any Input in writing up this bill.

5. The people that picked the advisory council to write this bill never owned any land in this eagle preserve nor none of them live in this eagle habitat area.

6. There is more fish that run up the Klehenie River in September to the area above the eagle habitat area, Porcupine Creek and Glacier Creek than there is around Klukwan because they can get their fish easier up around Porcupine and up to the Canadian Border.

7. There is too much trade offs by the Audubon people exempting the special Interest groups.

8. The Iron Mine is in this Special Interest group, they have made a deal with the Audubon people to exempt the territories. the Klukwan Iron ore staked out for dumping of tailings in the main river, which is exactly the Opposite of what the Audubon people policy is suppose to be, and that is to protect the fish and spawning areas. The claims that the Iron Mine is going to use for Dumping tailings got exempted from the eagle Habitat, this goes from Wells Bridge up the Chilkat River for four and a half miles. right in the middle of proposed Habitat area. I helped stake these dump sites claims, and they were not staked properly, and are not patented claims, there are eleven Lakes where Sockeyes Spawn in this tailing dump site claims that are exempted.

9. The Porcupine Creek is a fish Stream and near Glacier Creek also. This land should have been Included in the eagle Proposed habitat Area, This is the area Schnabel and Merrill Palmer Mine. This is the same merrill Palmer that is lobbying for the bill.

Fred J. Donnelly

Fred J. Donnelly

4/22/82

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

NAME	TITLE	AGENCY
Merrill Palmer	Chairman Haines branch Alaska Miners Asso.	City of Haines Haines Borough
Steve S[illegible]		City of Haines
Charles [illegible]	Pres. Chilkoot Indian assoc.	Haines
Walter Clayton	Pres. Haines Tlingit & Haida	Haines
Jack D. Sharp	S.E. District Supervisor	AK. Div. of Emerg. Serv.
James B. Rhode	SPECIAL ASS'T TO TRUSTEES	ALASKA PERMANENT FUND
Thomas K. Williams	Commissioner	AK. Dept. of Revenue
PAUL WELLMAN	ECONOMIC DVLPT. SPECIALIST	CITY OF HAINES
Jones Hotch Jr	member ~~Chilkat Indian Village~~	Chilkat Indian Village
Joe Hotch	Vice Pres Chilkat Indian Village	Klukwan
Joe McGhie	Realty Specialist	Tlingit & Haida Central Council
James Howard	Realty Specialist	T&HCC
DAVE CLINE	ALASKA REPRESENTATIVE	NAT'L AUDUBON SOCIETY

sf0423820920

SENATE FINANCE COMMITTEE
April 23, 1982
9:20 a.m.

(Tape SFC 82, # 20, Side 2, 000-108)

CALL TO ORDER

Co-chairman Bennett called the meeting to order at 9:20 a.m.

PRESENT

All members of the committee were present with the exception of Senators Stimson, Ferguson and Eliason. Also in attendance were Judy Johnston, Administrative Assistant to Co-chairman Bennett; Jeff Haynes, Deputy Commissioner of Department of Natural Resources; Jim Rhode, Special Assistant to the Board of Trustees of the Alaska Permanent Fund; and members of the press including Todd Hardesty, Patty Ginzburg, Bill White and Karin Davies.

HB 756

Co-chairman Bennett stated the first order of business was consideration of CS HB 756 (Finance) amended (AN ACT RELATING TO THE FIRE SUPPRESSION FUND; AND PROVIDING FOR AN EFFECTIVE DATE). Co-chairman Bennett then moved and asked unanimous consent that the committee adopt SCS CS HB 756 (Finance) (SAME TITLE). There being no objection, it was so ordered.

Senator Sackett moved and asked unanimous consent that SCS CS HB 756 (Finance) be moved from committee with individual recommendations. Senator Sturgulewski asked if the memo from the Department of Natural Resources in the file should become a letter of intent. Senator Sackett responded that the first section of the bill covered the issue. There being no objection to Senator Sackett's motion, it was so ordered, and the committee report was signed "do pass" by all members present.

SS SB 684

Co-chairman Bennett stated the next order of business was continued 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 stated she thought the motion to adopt CS SS 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) had already been made. Co-chairman

Bennett agreed, though stated the motion again. There being no objection, CS SS SB 684 (Finance) was adopted by the committee for consideration.

Senator Sturgulewski stated there were differences of opinion on the bill as the Committee Substitute would make some major changes in the Permanent Fund - particularly in the re-investment of one half of the earnings back into the fund. She stated she felt the place for debate was on the floor of the Senate so that the entire body could participate. She urged that the bill be moved from committee for that purpose.

Senator Sackett presented a proposed amendment to the bill which would change the compensation (salaries) to the Board of Trustees back to what exists now. He moved and asked unanimous consent that the amendment be adopted. There being no objection, it was so ordered, and the amendment was adopted.

Senator Sturgulewski moved and asked unanimous consent that CS SS SB 684 (Finance) be moved from committee with individual recommendations. There being no objection, it was so ordered, and the Committee Report was signed as follows: Senator Sturgulewski signed "do pass", and Senators Sackett, Dankworth and Bennett signed "no recommendation".

ADJOURNMENT

The meeting adjourned at 9:25 a.m.

(Tape SFC 82, # 20, Side 2, 000-108)

sf0426820907

SENATE FINANCE COMMITTEE
April 26, 1982
9:07 a.m.

SFC-82 #20, Side 2 (108-293)

CALL TO ORDER

Co-chairman Don Bennett convened the meeting at approximately 9:07 a.m.

PRESENT

All committee members were present with the exception of Co-chairman Dankworth who arrived shortly after the meeting began, and Senators Sackett and Ferguson who did not attend. Also present were Senator Pat Rodey; Kurt Dzinich of the Senate Advisory Council; Fiscal Analyst Bob Schroeder; and administrative assistant to Senate Finance Judy Johnston.

SB 686

Co-chairman Bennett moved that SB 686 (ACT RELATING TO THE RETURN OF PROPERTY RECOVERED OR SEIZED BY LAW ENFORCEMENT AGENCIES OR ACQUIRED AS EVIDENCE IN A CRIMINAL PROCEEDING) be brought on for discussion.

Co-chairman Dankworth advised that Senator Rodey (one of the original sponsors of the bill) was present to speak to CS for SB 686 (Judiciary)(ACT RELATING TO THE RETURN OF PROPERTY RECOVERED OR SEIZED BY LAW ENFORCEMENT AGENCIES OR ACQUIRED AS EVIDENCE IN A CRIMINAL PROCEEDING; AND CHANGING RULE 901, ALASKA RULES OF EVIDENCE). Senator Rodey advised that the legislation would provide for documentation and photographing of property taken as evidence. Storage of such property pending litigation has become a serious problem. The proposed legislation would provide for the return of evidentiary property. Senator Rodey questioned need for the 252.4 Fiscal Note, advising of concern that the Dept. of Public contemplates establishing an elaborate photography lab which is unnecessary.

Senator Stimson spoke in support of the legislation, advising that he had heard stories of property taken in evidence and never returned to its owner. Senator Rodey advised that the department must seize property for evidence if it is to be successful in its prosecution. He spoke briefly to difficulty surrounding return of property due to time periods involved in bringing a case to trial and delays caused by subsequent appeals.

Co-chairman Dankworth spoke to the fiscal note, advising of his belief that it represents an "excuse for public safety to come in an ask for new camera equipment." He further attested to accumulations of personal property in Public Safety's property room and lack of staff to maintain evidentiary equipment, guns, etc.

Co-chairman Dankworth moved that CS for SB 686 (Judiciary) pass from committee with individual recommendation and a zero fiscal note. No objection to the motion having been raised, CS for SB 686 (Judiciary) passed from committee with a zero fiscal note--all members present signing do pass.

ANNOUNCEMENT OF BUDGET HEARING

Co-chairman Bennett advised that the Senate Finance Committee would meet this evening at 7:30 p.m. for the purpose of hearing public testimony regarding the FY 83 budget.

ADJOURNMENT

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

SFC-82 #20, Side 2 (108-293)

sf0426821940

SENATE FINANCE COMMITTEE
April 26, 1982
7:40 p.m.

(Tape SFC 82, # 21, Side 1, 000-330)

CALL TO ORDER

Co-chairman Bennett called the meeting to order at 7:40 p.m.

PRESENT

All members of the committee were present with the exception of Senators Stimson and Ferguson. Also in attendance were Judy Johnston, Administrative Assistant to Co-chairman Bennett; Ginny Chitwood of the Alaska Municipal League; Art Snowden, Administrative Director of the Alaska Court System; and members of the press including John Matthews, Todd Hardesty, David Ramseur, Patty Ginzburg, Karin Davies and Bill White.

HB 666

Co-chairman Bennett stated the committee would consider Committee Substitute for HB 666 (Finance) amended (AN ACT APPROPRIATING FOR THE OPERATING EXPENSES OF THE STATE GOVERNMENT; AND PROVIDING FOR AN EFFECTIVE DATE). He said the particular purpose of this meeting was to take public testimony on the bill from those who would not be able to testify on the bill during regular daily working hours. He asked that those wishing to testify limit their time to about 5 minutes.

Ginny Chitwood, representing the Alaska Municipal League, stepped forward to comment on the operating budget. She stated that there were four appropriations in the budget that would have a large bearing on the property tax and sales tax in the municipalities. They were:

1. Appropriation to the School Foundation Program. A large part of local funding of the local tax bill goes to support education. There is an increase proposed over last year for the School Foundation Program, but the increase is not as much as the legislature established last year. The school boards put their budgets together based on the level established last year and now will be coming to the city council within the borough assemblies to make up the difference between what is in the proposed FY 83 budget and the level established last year.

2. Appropriation for the School Debt Retirement Reimbursement Fund. This program reimburses municipalities for 80% of payments made to retire school debt. She said it was her understanding that the Senate intends to fully fund that program.

3. Appropriation for Revenue Sharing. This proposal for FY 83 will continue at approximately the same level as for FY 82. This would mean a slight decrease to most municipalities as there are more roads now available for special revenue sharing which would decrease the general revenue sharing to everyone else. But, because of the fiscal conditions and projections for state revenue, she thought the proposal was generally accepted by the municipalities. It was reasonable since the state was not receiving more money that that level be maintained as well for municipalities.

4. Appropriation for Municipal Assistance Fund. This fund is an amount equal to or greater than 10% of the corporate income tax received by the state. In FY 82, the appropriation was $87.4 million. The proposal for FY 83 is $71.3 million, making a 20% decrease. While the state operating budget is remaining about the same as last year, they did not feel it was reasonable that municipalities receive a 20% reduction in their most important fund. The reason the amount was down was not because the state's revenues were down but because the legislature last year changed the method of taxing oil and gas. There was a shift away from corporate to the severance tax and a production tax. It was her understanding that when the shift was made, the intent was not to penalize municipalities, but to make more equitable taxation on oil and gas. Municipalities were assured at the time that because the law reads "an amount equal to or greater than 10%" that no one would be "hung up" on that 10% minimum, and that an amount comparable to what would have been received would be appropriated to municipalities. According to the figures she had from Milt Barker of Legislative Finance, and from the Department of Revenue, she said the indication was that 10% of what the state would have received would have been somewhat over $100 million for FY 83, compared to the $71.3 million that is in the appropriation. With total revenues down, it would be unreasonable to expect the $100 million; however, she did not think it unreasonable that there be at least the same level of funding that was for this current fiscal year.

Senator Dankworth said he thought she was in error in regard to the 10%, but he would check into the matter. He said he understood that the fund, as reflected in this budget, was prorated as if the old SB 524 had not passed last year. He said that Milt Barker might be able to shed some light on the question, but he did not know how there could have been taxes last year that would have yielded, at 10%, over $100 million. He said the year before, they would have got $84 million at 10% of the $184 million. He said he had introduced a bill that would change the 10% to 30% to compensate for the fact that the legislature had failed to change the percentage rate last year when the oil and gas tax was changed. Ms. Chitwood agreed that there was a decrease in total revenues, but there would have been an increase in the corporate income tax. According to the fiscal note for SB 612, the amount of corporate income tax projected for

FY 82 would have been $107 or $108 million (at 10%) and that was the amount that would have gone into the municipal assistance appropriation for FY 83. The $87.4 million figure was the appropriation for the FY 82 based on FY 81 corporate income tax receipts. The $71.3 million figure was based on 10% of corporate income tax received with the change in the law. Co-chairman Dankworth noted that with the change they would have collected only 1/3 of what they would normally under separate accounting. He was surprised that the figure would have been that high. He said he would check those figures out. Ms. Chitwood said in FY 81, 10% was $87.4 million. In FY 82 they were anticipating that 10% would be $71.3. Without the change (SB 524) they were projecting it would have been $108 million. The reason it didn't drop even further below the $71.3 million was because they were only part way into the fiscal year, and the impact of the new tax wasn't for a full 12 months (it was only for one half of that time). Further discussion ensued.

Ms. Chitwood then brought up the subject of tax relief. She stated the municipalities did take the legislative intent seriously last year and they passed on the additional funding in the form of tax relief - so they are not in the situation now where they have expanded bureaucracies that they can cut back again. Senator Sackett asked if that also happened in the Matanuska Valley and she responded that the Mat-Su Valley was faced with funding for schools, but they did use the money to reduce taxes.

Co-chairman Bennett then called for further testimony. Mr. Art Snowden, Administrator of the Alaska Court System, came forward and thanked the Senate staff for working with the Court System on their budget. He said with the 160,000 cases they have this year, as well as a frozen budget, they are in a real bind this year. He wished to thank Senator Eliason's staff for the effort they had extended on the budget work. He said he thought all the work had led to a good budget.

ADJOURNMENT

As no one else present wished to testify before the committee, Co-chairman Bennett thanked everyone for attending. The meeting adjourned at 6:02 p.m.

(Tape SFC 82, # 21, Side 1, 000-330)

sf0427820910

SENATE FINANCE COMMITTEE
April 27, 1982
9:10 a.m.

SFC-82 #21, Side 1 (334-end)
SFC-82 #21, Side 2 (000-end)
SFC-82 #22, Side 1 (000-end), SFC-82 #22, Side 2 (000-200)

CALL TO ORDER

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

PRESENT

All members were present with the exeception of Co-chairman Dankworth who arrived shortly after the meeting began, and Senator Ferguson who attended the latter portion of the meeting. Also attending were Senator Charlie Parr; Lois Cook, Director of Administration, Department of Commerce and Economic Development; Ginny Chitwood, Executive Director, Alaska Municipal League; Fuzzy Sprinkle, President, Fuzzy's Trucking; Ben Rule, Truck Owner-Operator; Ted Harris, Truck Owner-Operator; Tim Gunderson, President, Alaska Truck Owner-Operator Cooperative Association; Shirley A. Willford, President of Women for Alaska O.O., Piloting Sec.; Marion Fishell, President, Professional Piloting Service; Lee Sharp, attorney for the City and Borough of Juneau; Sharon Macklin, representing the Utility Contractors of Alaska; Bill McKeever, President, Tam Construction, Inc.; Donald May, President, May Contracting, Inc.; Sharon Barton, Special Assistant to the Commissioner, Department of Natural Resources; T. L. Thrusher, representing the Alaska Trucking Association; Jon Scribner, Assistant Deputy Commissioner, Dept. of Transportation; Richard Pittenger, Manager, Alaska Chapter, Associated General Contractors; Jeanie Kline, Office Manager, Juneau, Alaska Chapter, Associated General Contractors; Mike Kolivosky, Lieutenant, Bureau of Vehicle Enforcement, Alaska State Troopers; Fiscal Analysts Elmer Lindstrom and Bob Schroeder; administrative assistants to Senate Finance Judy Johnston and Dick Robinett; and representatives from the press.

HB 586

Co-chairman Don Bennett moved that CS for HB 586 (Finance) (ACT RELATING TO PERMITS FOR OVERWEIGHT AND OVERSIZE VEHICLES) be brought on for discussion.

Senator Parr appeared before committee, advising that his testimony would not pertain to the above House bill but would relate instead to a proposed amendment distributed for committee consideration. He said that a number of truck owner-operators--the backbone of Alaska's trucking industry--were present to answer questions concerning the amendment. Owner-operators are currently facing uncontrolled problems in their industry and need legislative help. One of the most serious problems is increasing competition from truckers from the Lower 48 who traffic in and out of Alaska. These truckers work for less than local truckers, reside out of state, pay no taxes, do not pay Alaskan prices for food and clothing, and contribute nothing to Alaska's economy. Alaskan truckers cannot afford to compete and are facing bankruptcy.

The proposed amendment addresses the following:

1. It puts owner-operators in the same category as carriers.

2. It provides minimum rates.

3. It eliminates unfair competition between private and common carriers.

4. It initiates regulations for pilot car operators.

Regulations covering pilot cars are needed since Alaskan operators are not allowed to do business in Canada, yet Canadian pilot car operators come into Alaska to transact business.

Senator Sturgulewski advised that she had heard from individuals both pro and con concerning owner-operator problems. In 1979-80, the ATC "looked into" bringing owner-operators under its authority. This effort met with resistence from owner-operators and teamsters. The ATC thus backed off. Senator Parr advised that the ATC changed its regulations in 1979. What was "applicable then is no longer the case." The situation is not the same today.

Senator Eliason asked if legislation is "in the works" which could accomplish the intent of the proposed amendment. Senator Parr advised that to his knowledge there is no such legislation. Senator Eliason stated his belief that Labor and Commerce would be interested in the amendment and that public hearings should be held on the issue. Senator Parr responded that the basic bill (CS for HB 586 (Finance)) received prior referral to the Transportation Committee. The proposed amendment was presented to the Transportation chairman who refused to act on it, advising that he did not wish to amend a House bill. Senator Parr acknowledged that the proposed amendment represents an unusual method of handling problems confronting owner-operators, but because of the urgency of the situation and the need to take action before the end of the session, he requested that the Finance Committee consider the amendment. Co-chairman Dankworth asked that Senator Parr define the purpose of the amendment. Senator Parr responded that the principal purpose is to prevent Alaska's truck owner-operators from being forced out of business by truckers who come up from the Lower 48. Senator Parr advised that circumstances in the trucking industry have changed from former years when trucking companies owned their own trucks and hired drivers. Today, a typical trucking company running 40 trucks may own only two or three, while the remainder are operated by individual owners.

<u>Tim Gunderson</u>, President of the Truck Owners Cooperative Association, next appeared before committee. He advised that the intent contained in the proposed amendment began as a complete set of regulations distributed to all legislators. The packet described what the Owners Cooperative hoped to accomplish through the ATC. Prior attempts at regulation drew resistence from owner-operators since ATC regulations contained provisions that truckers "could not live with"--provisions involving transfer permits and owner inability to sell a truck once it was issued a permit. Shortly thereafter the ATC changed its leasing regulations to allow charge-back for driver services -previously not allowed.

Local owner-operators pay into state Workman's Compensation, Unemployment, and Social Security. They have, however, no control whatsoever over established rates--their own rate of pay. Rates are set by the carrier. Owner-operators are not allowed under current law to operate their trucks for anyone other than a common or contract carrier (a regulated carrier). Due to lack of regulation for owner-operators, local owner-operators are subsequently dominated and regulated by the carriers. Mr. Gunderson stressed need for legislative protection of owner-operators similar to that afforded carriers. Carriers are now recruiting operators from outside the state because they (the carriers) have reduced rates paid to local owner-operators to a point where the trucks can no longer be operated.

Mr. Gunderson added that he could identify 143 out-of-state trucks hauling loads in Alaska during the past five months. The infliction of approximately 150 outside operators on a local industry of 500 operators hauling 94% of the freight moving over the roads of Alaska devastates a large segment of the industry. This problem is not getting smaller; it is getting larger.

Local owner-operators have come before committee seeking relief from outside competition. Alaskans cannot survive against this type of competition. If the amendment proposed by Senator Parr, or similar legislation, does not "come out of this session of the legislature, by January of next year better than half of the local industry will be gone."

Responding to a question from Senator Eliason concerning the effect of the amendment on the consumer, Mr. Gunderson explained that due to a unique rate structure the effect upon the general public would probably be negligable. Problems arise, however, concerning large volumes of freight (shipments to oil companies). Heavy competition between carriers causes them to dictate what will be hauled, raise and lower rates, and pass off losses to owner-operators.

Co-chairman Dankworth questioned the constitutionality of provisions contained in the amendment, asking what far reaching effects the legislation might have. Mr. Gunderson responded that both the Washington and Oregon log truckers associations long ago got limited entry for the log hauling industry in their respective states. Owner-operators must make application in these states, and the state determines what rates will be paid. The amendment contains no language relating to residency. It simply provides for the ATC to set rates and issue permits based on need. Citing the issues of free enterprise and fair competition, Co-chairman Dankworth questioned whether the state should set rates for services by law. Does this represent protection for a "certain group of people"? Mr. Gunderson responded that the answer lies in "what the rate is set at," and the guidelines used to set the rates. Owner-operators can show the ATC what needs to be done, and demonstrate need with documentation. He added that cutthroat competition harms the industry and Alaskans as well. In conclusion, he stated that owner-operators could live without a set rate--all owner-operators are asking for is "to be allowed to function within Alaska's economy, and not be flooded by a 48-state pool of trucks and severe economic conditions."

Responding to a question from Senator Sackett concerning pilot car services, Marion Fishell appeared before committee, advising that she owns Professional Piloting Service in Fairbanks. Pilot cars accompany wide loads to warn other drivers. Within the State of Alaska, a carrier trucking company receives a permit to do business. Pilot cars, however, are not regulated. Alaskan Pilot cars cannot go into Canada. In the months of November, December, and January approximately 40 Canadian pilot cars came into Alaska through the customs checkpoint and went all the way to Prudhoe Bay. In that same length of time at least five pilot car companies in Fairbanks did not work at all. The ATC can do nothing about foreign competition since pilot cars are not regulated.

Mrs. Fishell raised another point of concern when she advised that the tariff for pilot car services to trucking companies is much higher than what the pilot car service is allowed to bill. The pilot car owner is thus in the position of being told what it can charge a trucking company. The trucking company in turn bills its tariff to the shipper. In the process, the pilot car owner waits from six months to a year to receive payment while attempting to meet payroll, union costs, ESC, and federal deposits.

Mrs. Fishell stressed need for assistance in either eliminating foreign competition or providing arrangements whereby Alaskans can work in Canada. She stated that while everyone appears to be afraid of additional regulation, "One more regulation would do us a world of good." The legislature should either fill the regulatory gap relating to owner-operators or deregulate the entire trucking industry and "Let all of us get out there and get after it." Owner-operators, including pilot car service owners are caught in the middle.

Responding to a question from Senator Eliason concerning the effect of unregulated trucking upon the consumer, Mrs. Fishell answered, "It would be mass chaos!" Large shipments (those to oil companies) would be given preference over shipments of food and clothing.

Responding to inquiry from Co-chairman Dankworth concerning "what is involved in being a pilot car," Mrs. Teshill responded that pilot cars represent safety factors--an extension of the truck's warning system.

Co-chairman Bennett directed committee attention to specific language in the proposed amendment relating to pilot cars, advising that their issue is separate from that of owner-operators.

Co-chairman Dankworth again raised the Constitutional question, citing Alaska's inability to limit work on the North Slope to local residents. Tim Gunderson again came before committee advising that the amendment makes no reference to residency--the point which caused Constitutional problems in past legislation. There is no residency requirement for the proposed owner-operator permits. New permits will be issued based on need for additional trucking equipment. Mrs. Fishell added that a number of states have some type of limited entry for their trucking and construction industries. This is not unique to Alaska. Alaska is probably one of the last states to adopt this type of limited entry.

Senator Eliason voiced objection to having this problem dropped on the legislature late in the session when the problem has actually been developing for a number of months. Mrs. Fishell advised that her problem has existed for some time, but the problem of outside competition for owner-operators has developed more recently. Senator Eliason stressed need to hear from the ATC concerning its position on the amendment. He further stated his preference for legislation dealing specifically with the problem rather than tacking such a large amendment onto CSHB 586 (Finance).

Senator Parr again appeared before committee advising that he had previously attempted to place the matter before the Transportation Committee. The Transportation chairman refused to consider or act upon it. While advising of his wish that more time was available, he stressed the need for expeditious handling of the amendment. The problem has been continually worsening. It is at crisis stage now. By next January, it will be at avalanche stage.

Co-chairman Bennett advised that the committee would recess the meeting for attendance at the Senate floor session, and continue discussion of CSHB 586 (Finance) in the afternoon.

RECESS 9:50 a.m.

RECONVENE 1:50 p.m.

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

PRESENT

All committee members were present. Also attending were persons listed on the sign-in sheet attached to these minutes. Those testifying during the afternoon were Shirley Willford; Fuzzy Sprinkle; Tim Gunderson; Bill Zybach, on behalf of Senator Parr; Ben Rule, owner-operator; Lieutenant Mike Kolivosky, Alaska State Troopers, Bureau Vehicle Enforcement; Jeanie Kline, representing the Associated General Contractors; Fiscal Analyst Elmer Lindstrom; Jon Scribner, Assistant Deputy Commissioner, DOT; Lee Sharp, Attorney for the City and Borough of Juneau; Ginny Chitwood, representing the Alaska Municipal League; Bill McKeever, representing utility contractors in Alaska; and Richard M. Pittenger, Manager, Alaska Chapter, AGC.

HB 586

Co-chairman Bennett advised that discussion of CSHB 586 (Finance) would resume at this time.

Shirley Wiliford, President of Women for Alaska Owner-Operators, first appeared before committee, advising of past problems relating to ATC regulation and changes to regulations. Adoption of proposed amendments to regulations over owner-operator objection left owner-operators at the mercy of carriers. Owner-operators are not asking for more regulations. They want only one regulation--one which states that competition from other states can come to Alaska, but they must have the same equipment required of an Alaska owner-operator. Alaskan equipment is illegal outside the state. The wheel base is different than that used elsewhere. Because of Alaskan equipment demands, local owner-operators must put $10,000 to $20,000 more into a truck than an outside owner-operator. Local owner-operators with substantial investments in equipment now find themselves in a situation where they cannot even negotiate their own leases. The carrier simply says, "Here it is, take it or leave."

Fuzzy Sprinkle, President of Fuzzy's Trucking, next appeared before committee, advising that he represents another phase of the trucking industry in that he leases trucks. He attested to the truth of prior testimony concerning outside competition, stating that he could lease any number of outside trucks from $15 to $20 an hour cheaper than local trucks. Outside equipment, however, is not "set up for this country." Responding to an inquiry from Senator Eliason, Mr. Sprinkle voiced support for the proposed amendment.

Senator Sturgulewski advised of a need to hear from the ATC. Senator Sackett stated that the ATC had been contacted in relation to the fiscal note attached to the legislation.

Tim Gunderson again appeared before committee advising that in prior testimony he had lumped all carriers together and perhaps "painted them pretty bad." He stated that he wanted committee members to understand that a substantial number of Alaskan carriers want to treat their owner-operators right. It is the competitive nature of the business and the unscrupulous competitor which create problems. A good carrier is put "in the position of having to do to his owner-operators what others do to theirs."

Mr. Gunderson outlined problems with past administrative regulations concerning lease payments for drivers and trucks relating to time. Prior to the pipeline, rates were set by mileage--a fixed rate.

Responding to a question from Senator Eliason concerning ATC control over commerce, Tim Gunderson stated that ATC has no control over ICC freight. Approximately 90% of Alaskan freight is not under direct control of the ATC. However, most carriers carry ATC and ICC authority and haul both types of freight. This requires them to use truckers who can haul both kinds. Therefore, a regulation involving ATC freight would also affect ICC freight. It would not prevent an outside trucker from hauling to Prudhoe Bay and then returning home. It would, however, prevent that trucker from remaining in Alaska and working for a company hauling both types of freight since the carrier would have a difficult time separating ATC and ICC loads.

Responding to further inquiry from Senator Eliason, Tim Gunderson advised that the ATC has no control over Canadians doing business in Alaska. This issue would require action in Washington, D.C. The ATC has authority over approximately 25% of the freight moved in Alaska.

Bill Zybach appeared on behalf of Senator Parr, noting that the proposed amendment was brought to the attention of ATC's Executive Director, Larry Michou. Mr. Michou advised that the ATC has authority to set rates, but currently does not do so. Instead, it approves rates as they are submitted by carriers. Mr. Michou stated that approximately 60% of Alaska's freight is ICC; 40% is freight which would fall under ATC. He advised that carriers currently appear caught in the middle of deregulation. One of the primary problem areas is foreign owner-operators, specifically Canadians, coming into Alaska with no reciprocal arrangements for Alaskans to operate in Canada. Mr. Zybach further advised of Mr. Michou's statement that "Owner-operators are the closest thing to indentured servants" under prevailing circumstances. Because of these conditions, the ATC is not opposed to regulating owner-operators.

Shirley Willford questioned why Alaska trucks are required to have additional equipment to haul on Alaskan highways while Canadian trucks are exempt from such regulations. Co-chairman Bennett responded that the legislature does not write regulations nor atone for them. It may, however, change the statutes upon which regulations are based.

Ben Rule, Owner-operator, next appeared before committee advising that one company alone, between October and the First of April, ran 143 nonresident trucks across the Yukon River. These outside truckers work for less than local truckers. In a three month period, November, December, and January, this same company hauled 960 loads north. Mr. Rule advised that he is a 23-year Alaskan. Since January he has hauled 5 loads. Another trucker--a 32-year--Alaskan has hauled 2 loads. He concluded his remarks advising that owner-operators must have help, or these long-time Alaskans will be forced to either change occupations, leave the state, or file bankruptcy.

Senator Sackett moved for adoption of a SCS for CSHB 586 (Finance) incorporating existing language, plus the proposed amendment. Upon a show of hands, the motion passed. Referring to the fiscal notes, Senator Sackett noted that the $1541.4 note of April 8, 1982, represents the amount transferred from the Dept. of Public Safety to the Department of Commerce. In the proposed operating budget, funding for Public Safety includes this amount. The $1541.4 should be deleted from that budget. The second note of $645.4 from the ATC appears to be far in excess of what is needed and represents an attempt to increase the Commission's budget. Senator Sackett moved that the Fiscal Note be reduced to $350.0. Senator Eliason objected, raising questions concerning whether the ATC could perform the necessary work without full funding. Senator Sackett responded that during the first year of operation, an agency really doesn't know what its costs will be. The ATC also has a history of submitting large fiscal notes because the legislature has always "held down their budget pretty tight." A system for regulation of common carriers is already in place, ATC does not need 13 additional positions to handle regulations for owner-operators. He concluded his remarks advising that while his proposed figure of $350.0 may not be the correct figure, it comes closer to reality than the one submitted by ATC. If it can be proved by the time the legislation reaches the Senate floor that $350.0 is insufficient, the amount could be increased.

Senator Sturgulewski requested that the meeting be briefly recessed.

RECESS - 2:15 p.m.

RECONVENE - 2:20 p.m.

Upon reconvening, Senator Sackett directed committee attention to an additional fiscal note from the Dept. of Commerce in the amount of $25.0. Senator Elison removed his prior objection to adoption of the preceding fiscal notes. Co-chairman Bennett restated the motion for adoption of the three fiscal notes. Upon a show of hands, the fiscal notes were adopted.

Co-chairman Dankworth moved that the committee rescind its action in adopting the proposed amendments as SCS for CSHB 586 (Finance). He advised that he would prefer that CSHB 586 (Finance) remain as passed by the House. He suggested that the proposed amendments be attached to a Senate bill rather than one passed by the House. Upon a show of hands, former committee action incorporating Senator Parr's proposed amendment in a SCS for CSHB 586 (Finance) was rescinded.

Senator Sackett moved that the last portion of the proposed amendment, relating to pilot car services, be included as an amendment to CSHB 586 (Finance). Upon a show of hands the amendment was adopted. Senator Sackett further moved that two fiscal notes (one for $1.5 million and the other $25.1) accompany the bill.

Co-chairman Bennett asked if additional persons in attendance wished to testify concerning CSHB 586 (Finance).

Lieutenant Mike Kolivosky of the Alaska State Troopers appeared before committee, advising that he is the former commander of the Bureau of Vehicle Enforcement, the agency responsible for commercial vehicle inspection and weighing procedures. The Department opposes the bill and has testified against it before various committees. Lt. Kolivosky specifically requested retention of the troopers involved in the program should the bill pass and the program be shifted to the Dept. of Commerce. Public Safety will need approximately $907,000 to carry these troopers through FY 83.

Responding to a question from Senator Stimson concerning the purpose of the transfer and why Public Safety opposes the shift, Lt. Kolivosky explained that in October 1976, the troopers were given responsibility for scale houses and commercial vehicle enforcement transferred from the Division of Weights and Measures. The fifteen transferred positions were upgraded to trooper to service 10 fixed scales throughout the state. The troopers subsequently entered a federal program which trained 23 civilian employees as commercial vehicle inspectors, placed these inspectors in the fixed scale houses, and freed troopers for highway patrol. The troopers believe they are doing a good job with the program. Statistics compiled over the past two years indicate a high degree of overweight, unsafe vehicles. Other factions feel this function would be better handled through the Division of Weights and Measures from which it was transferred five year ago.

Co-chairman Dankworth advised that while he supports the Dept. of Public Safety on most issues, he is alarmed when troopers are used to run jails, police airports, and weigh commercial vehicles. He stated he would prefer to see the troopers relieved of this function, although he would support retention of the troopers currently in the program.

(Change tape, SFC-82 #22, Side 1 (000))

Discussion continued concerning the proposed transfer of funds and personnel between Public Safety and the Dept. of Commerce. Responding to a question from Senator Sturgulewski concerning the effect of the transfer upon federal funds, Lt. Kolivosky advised that Alaska was one of four states selected for the model program. He added that he could not estimate the effect of the transfer on the integrity of the program.

Co-chairman Dankworth requested that Jeannie Kline testify on the legislation. Mrs. Kline, representing the AGC, stated that the fiscal note represents a direct transfer of money used to man the weight stations (the civilian component) within the Dept. of Public Safety to the Dept. of Commerce. It does not involve new funding. The AGC believes this civilian component more properly belongs under a regulatory agency (Dept. of Commerce) rather than one dealing with crime and punishment.

Co-chairman Dankworth moved for passage of CSHB 586 (Finance) with two fiscal notes ($1541.4 and $25.1) and the House letter of intent. Senators Stimson and Sturgulewski objected. Questions arose concerning transferred funding and funding required to retain the 15 troopers in the Dept. of Public Safety once the program is shifted. Fiscal Analyst Elmer Lindstrom appeared before committee advising that civilians transferred to the Dept. of Commerce would man the weigh stations. If the highways are to be patrolled, the committee should retain the 15 troopers in the Dept. of Public Safety. The Dept. of Public Safety currently has a budget of approximately $2.2 million for this program. Funding includes 15 troopers plus the civilian employees. The fiscal note for $1541.4 transfers those operating weigh stations to the Dept. of Commerce. If the committee decides to retain the state troopers, it must include approximately $900,000 in the budget for Public Safety. Senator Eliason asked how the question of federal funding would be addressed. Mr. Lindstrom responded that the fiscal note includes federal funds for 9 months of FY 83. The program is picked up by general funds for the remainder of the year.

Senator Sackett restated Co-chairman Dankworth's motion to pass CSHB 586 (Finance) from committee with the pilot car amendment, two fiscal notes and the House letter of intent. Upon a show of hands the motion passed. CSHB 586 (Finance) thus passed from Senate Finance--Senators Ferguson, Dankworth, Sackett, and Stimson signing no recommendation; Senators Sturgulewski and Eliason signing do pass; and Senator Bennett signing as Chairman.

SB 135

Co-chairman Dankworth moved that SB 135 (ACT RELATING TO THE OPERATION AND USE OF THE HIGHWAY BETWEEN THE YUKON RIVER AND THE

ARCTIC OCEAN, AND THE USE OF THE LAND ADJACENT TO THAT HIGHWAY) be brought on for the purpose of deleting all language in the bill, replacing it with language contained in the amendment originally offered by Senator Parr for CSHB 586 (Finance), and that the new language be incorporated in a CS for SB 135 (Finance) (AN ACT RELATING TO MOTOR VEHICLES AND CARRIERS).

Responding to questions from Senator Eliason concerning ATC certification under CS for SB 135 (Finance), Tim Gunderson stated that permits would be issued on the basis of need and necessity and would thus limit the number issued. Cost and transfer provisions for permits would be determined by the ATC. Local owner-operators do not want permits to become saleable items.

Senator Sturgulewski supported Co-chairman Dankworth's motion to include the amendment in a Senate bill, advising that such action will ensure that the bill receives hearings in the House. She further stated that while owner-operator problems merit attention by the legislature, the issue warrants adequate public hearing.

Senator Eliason removed his objection to passage of the bill.

Senator Sackett restated Senator Dankworth's motion to adopt CS for SB 135 (Finance) (AN ACT RELATING TO MOTOR VEHICLES AND CARRIERS). Co-chairman Dankworth moved for adoption of a fiscal note for $350.0. No objection to either motion having been raised, the CS for SB 135 (Finance) and the new fiscal note were adopted.

Co-chairman Dankworth moved that CS for SB 135 (Finance) pass from committee with individual recommendations. No objection having been raised, the bill passed from committee--Senators Sturgulewski, Eliason, Ferguson, and Dankworth signing no recommendation; Senators Sackett and Stimson signing do pass; and Senator Bennett signing as Chairman.

HB 146

Senator Stimson moved that CS for SS for HB 146 (Finance) (ACT RELATING TO PAYMENT PROCEDURES ON CERTAIN PUBLIC CONTRACTS) be brought on for discussion, advising that interested parties were present to testify concerning the bill.

Senator Stimson directed committee attention to a proposed SCS for CS for SS for HB 146 (Finance) (AN ACT RELATING TO PAYMENT PROCEDURES ON CERTAIN PUBLIC CONTRACTS) and moved that the proposed SCS be adopted. No objection having been raised, the SCS was adopted. The Senator advised that the SCS addresses two major points: it forces the State to make timely payments to contractors, and it requires that the State pay interest on retained portions of public works contracts. The bill should assist contractors working on State contracts by lowering the amount of money dedicated to a project and reimbursing the contractor for lost interest on retained funds.

Jon_Scribner, Assistant Deputy Commissioner, Design and Construction, Dept. of Transportation, next appeared before committee, advising that the Department does not favor the bill. In itself it has little affect on Department operations. However, accumulation of this type of legislation substantially affects Department ability to design and build projects economically and efficiently. The bill will increase record-keeping for the State and its contractors, and ambiguities in the bill might create disputes between administering agencies and contractors.

The Department is aware of the concerns of contractors who support the legislation. If the legislation is to pass in spite of Department objection, Mr. Scribner noted a perference for the proposed SCS as the version which best accommodates Department concerns. Additionally, he noted the need for minor changes:

Page_1, Line_14

After "materials" add "furnished" and after "services" add "performed."

Senator Ferguson expressed need to contact political subdivisions and advise them of changes in retainage provisions. Senator Stimson advised that his staff had contacted the Mat-Su, Anchorage, Kenai, Juneau, and Sitka boroughs and had attempted to address their concerns in the proposed SCS.

Lee_Sharp, Attorney for the City and Borough of Juneau, next appeared before committee. He told committee members that subsection (c), requiring payment of interest on retainage, defeats the purpose of retainage. Retainage ensures that the owner has something to hold over the contractor at the end of a contract to make sure that he has performed to satisfaction. If interest is paid on the retainage, there is no incentive for a contractor to finish the contract in a timely manner. He advised that a serious policy question is involved in whether or not the State should pay interest on retainage. Municipalities, however, would prefer to be removed from the requirement.

Responding to a question from Senator Sturgulewski regarding retainage, Mr. Sharp said that most contracts requiring progress payment have a retainage of approximately 10%. A method of getting around the interest-bearing retainage would be to contract for payment at the conclusion of the work. This will cause cash flow problems for contractors. Alternatively, municipalities will seek other methods of withholding funding significant enough to ensure contract performance. The withholding, however, will not be termed "retainage," thus enabling municipalities to remain outside interest requirement language. Under progress payment contracts, owners generally advance funds for materials onsite. Refusal to do so and restriction of payments to services performed, represents another possible method of deferring payment which would lay outside retainage language.

He suggested that the proposed legislation might create more problems than it solves, and specifically requested that municipalities be deleted from the interest requirement.

Ginny Chitwood, representing the Alaska Municipal League next appeared before committee, concurring in statements made by Mr. Sharp. Additionally, she stated that of 152 municipalities in Alaska, 128 have less than 2,000 people. Administrative staff in smaller communities would be unnecessarily burdened by the requirement. She urged that political subdivisions be deleted from subsection (c). Senator Ferguson suggested that rather than deleting all political subdivisions, a population requirement be added to the bill. He suggested that communities of 2,500 of less be excluded from the interest-paying requirement.

Bill McKeever, of TAM Construction, Anchorage, appeared before committee, advising that he represents utility contractors in Alaska. He voiced support for the proposed SCS, stating that moneys earned by contractors but retained should bear interest. Retainage and late progress payments create cash flow problems. In times of high interest, contractors need help in dealing with these problems.

Addressing issues raised by Mr. Sharp, Mr. McKeever advised that the payment of interest would not defeat the purpose of retainage, since the interest paid under the bill (10.5%) does not come close to the 20% a contractor must pay when he borrows money to adjust his cash flow. Additionally, owners can currently enforce performance in other ways. The contract itself obligates the contractor to perform. Contracts generally carry time requirements backed by liquidated damages provisions, and public works projects require a payment and performance bond.

Mr. McKeever further noted that some municipalities (the Municipality of Anchorage was specifically mentioned) hold retainage up to 90 days after the contract is entirely complete in order to guard against third party complaints. Working capital is thus withheld from the contractor for a substantial period of time. This money should bear interest.

Mr. McKeever said that he did not anticipate great additional administrative cost as a result of the proposed bill because procedures for contract payment are already in place. Most small communities retain a professional engineer to handle administration of the contract including progress payments. This bill would require only minor modification of this process.

In concluding remarks, Mr. McKeever noted that Alaskan contractors strongly support the proposed bill.

Senator Ferguson moved to amend the bill, restricting interest payment application to communities of 2,500 or more in population. Senator Sackett requested that amendments be held until the next meeting, advising that the bill was before committee for the purpose of testimony only.

Richard M. Pittenger, Manager of the Alaska Chapter of the AGC, next appeared before committee. He stated that passage of the proposed SCS, might result in a reduction of project costs rather than continued acceleration. He also noted that the Corps of Engineers and Dept. of Defense are dropping retainage on their contracts. The rationale behind elimination of retainage is belief that performance and payment bonds adequately protect the owner. Few projects in the State of Alaska do not require such bonds. Municipalities and other political subdivisions require them and are thus adequately protected against a non-performing contractor. He requested that municipalities and political subdivisions remain in the bill, and that smaller communities not be exempt from the interest requirements because of size.

Senator Ferguson again moved to amend SCS for SS for HB 146 (Finance) at Page 1, Line 28:

> After the period add a new sentence" "Subsection (c) of this section does not apply to political subsdivsions with a population of 3,000 or less."

Senator Stimson objected to the motion, advising that while he appreciates the intent of the exception, he is not certain it is necessary. Communities entering contracts are capable of satisfying the interest requirement on retainage.

Senator Ferguson asked that the bill be held in committee while smaller communities are contacted and asked for input. Co-chairman Bennett announced that the bill would be held for Monday's agenda.

SB 252

Senator Ferguson moved that SB 252 (ACT RELATING TO GRANTS FOR WATER SUPPLY, SEWERAGE AND SOLID WASTE FACILITIES) be brought on for discussion, directing committee attention to a proposed CS for SB 252 (FINANCE) (SAME TITLE). The proposed substitute raises the municipal grant percentage from 50 to 70. The original version raised the percentage to 75. The substitute includes a provision for replacement of obsolete facilities (a request from Senator Ray).

Senator Ferguson moved for adoption of the proposed CS for SB 252 (Finance).

Senator Eliason objected, raising questions concerning waiver provisions. Senator Eliason attested to difficulties involved in obtaining waivers for secondary treatment plants. Application for waiver is a costly process. Does the proposed substitute provide for reimbursement of these costs? Ginny Chitwood appeared before committee representing the Alaska Municipal League. She said that the League supports the proposed substitute and directed members attention to Page 2, Subsection (e) which covers reimbursement for costs of obtaining waivers for secondary treatment plants from the federal government. Senator Eliason withdrew his objection to the previous motion.

Senator Ferguson directed committee attention to a new zero fiscal note and read aloud the analysis. He next moved for adoption of the fiscal note dated 3/3/82. Upon a show of hands the note was adopted.

<u>Senator Ferguson moved that CS for SB 252 (Finance) pass from committee with individual recommendations. No objection having been raised, the bill passed from committee--all members present signing do pass.</u>

<u>SB 804</u>

Co-chairman Bennett moved that SB 804 (ACT AMKING A CONTINUING APPROPRIATION OF REPAYMENTS OF THE PRINCIPAL AND INTEREST ON LOANS MADE BY THE ALASKA AGRICULTURAL ACTION COUNCIL FOR LAND CLEARING TO THE LAND CLEARING ACCOUNT IN THE AGRICULTURAL REVOLVING LOAN FUND (AS 03.10.040)) be brought on for discussion. Senator Ferguson made brief reference to provisions under Delta II. Senator Sackett asked that the bill be held for later discussion.

<u>ADJOURNMENT</u>

There being no further matters to come before committee at this time, the meeting was adjourned at approximately 3:30 p.m.

SFC-82 #21, Side 1 (334-end)
SFC-82 #21, Side 2 (000-end)
SFC-82 #22, Side 1 (000-end)
SFC-82 #22, Side 2 (000-200)

4/27/82

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

NAME	TITLE	AGENCY
Izzy Sprinkle	Pres	Izzy's Trucking
Ben Ryle	OWNER-OPERATOR	
Lyle W Harris	Owner-Operator	
Jim Henderson	president	Alaska Truck Owner/Operator Cooperative Assoc. (ATOOCA)
Shirley A. Wilford	president	
Mrs Marion Tesbill	President of Professional Piloting Ser.	Women for Alaska O.O.
	Vice Pres. —	Women for Alaska O/Op.
Ginny Chitwood	Executive Director	Ak. Municipal League
Lee Sharp	attorney	City & Borough of Juneau
Lois Cook	Admin Director	Commerce & Ec. Dev.
Sherman Mattlin	U.C.A. lobbyist	U.C.A.
BILL McKEEVER	PRES.	TAM CONSTRUCTION INC
Donald May	President	May contracting inc.
Sharon Barton	Special Assist. to Comm.	DNR
TJ Thrasher	Alaska Trucking Assoc	
JON SCRIBNER	Asst Deputy Commissioner	ADOT/PF
RICHARD M PITTENGER	MANAGER	ALASKA CHAPTER, AGC
Jeanie Kline	office mgr- Juneau	AK Chapter A.G.C.
Mike Kolivosky	Lieutenant Bureau Vehicle Enforcement	AK State Troopers

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SENATE FINANCE COMMITTEE
April 28, 1982
9:10 a.m.

(Tape SFC 82, # 23, Side 1, 000-602)

CALL TO ORDER

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

PRESENT

All members of the committee were present. Also in attendance were Judy Johnston, Administrative Assistant to Co-chairman Bennett; Sharon Barton, Special Assistant to Commissioner of DNR; Senator Rodey; Ron Lehr, Director of Budget and Management; and Joe Donohue, Deputy Commissioner of Department of Revenue.

SR 25

Co-chairman Bennett stated the first order of business was consideration of SR 25 (ESTABLISHING A SENATE SPECIAL COMMITTEE ON ALASKA FISHERIES).

Senator Sackett moved and asked unanimous consent that SR 25 be moved from committee with individual recommendations. There being no objection, it was so ordered, and the committee report was signed as follows: Senators Stimson, Sturgulewski and Dankworth signed "no recommendation" while Senators Sackett, Eliason, Ferguson and Bennett signed "do pass".

It was confirmed that the fiscal note dated 4/21/82 for $60.2 would accompany the bill from the Senate Finance Committee.

SB 864

Co-chairman Bennett stated the next order of business was consideration of SB 864 (AN ACT CONTINUING THE EXISTENCE OF THE ALASKA CODE REVISION COMMISSION AND AMENDING THE STATUTES RELATING TO ITS RESPONSIBILITIES), and requested that Senator Rodey come forward to give testimony on the bill.

Senator Sackett moved and asked unanimous consent that Committee Substitute for SB 864 (Judiciary) (SAME TITLE) be moved from committee with individual recommendations.

Senator Stimson stated that there was a possible amendment. Senator Rodey added that it was a transitional clause that would be purely a technical amendment since two members were being added and their appointments needed to coincide with the other appointments to the commission. Senator Stimson stated the amendment would be "alternative 2" in the memorandum from Nickerson Regan to David Rogers dated 4/22/82.

Senator Stimson moved and asked unanimous consent that Committee Substitute for SB 864 (Judiciary) be amended by adding "alternative 2". There being no objection, it was so ordered.

Senator Stimson moved and asked unanimous consent that Committee Substitute for SB 864 (Finance) (SAME TITLE) be derived from CS SB 864 (Jud) with the amendment, and that it be moved from committee with individual recommendations. There being no objection, it was so ordered, and all members present signed the committee report "do pass".

SB 885

Co-chairman Bennett stated the committee would next consider SB 885 (AN ACT RELATING TO THE DEDICATION OF REVENUES TO THE ALASKA PERMANENT FUND; AND PROVIDING FOR AN EFFECTIVE DATE).

Co-chairman Dankworth pointed to Committee Substitute for SB 885 (Finance) (AN ACT RELATING TO THE DEDICATION OF REVENUES TO THE ALASKA PERMANENT FUND AND TO THE 1981 APPROPRIATION FROM THE GENERAL FUND TO THE ALASKA PERMANENT FUND; AND PROVIDING FOR AN EFFECTIVE DATE) in the file. He stated that last year $1.8 billion was appropriated to the Permanent Fund (in HB 1), and as a result of declining revenues the figure was later reduced to $1.4 billion. Another $400 million was transferred effective July 1, 1983. There was some question as to whether the revenues would allow them to do what they wished to do this year, while continuing to put the $1 billion in the fund. This bill proposed, instead of putting the money in one large lump sum, to raise the 25% that goes into the Permanent Fund for royalties, etc., to 35% until such time as it reaches $1 billion.

Referring to the Governor's letter to President of the Senate Kerttula dated April 8, 1982. Senator Sackett asked if the proposed amendment mentioned in the second paragraph was in the revised budget. Co-chairman Dankworth stated $800 million of the original $1.8 billion has already gone into the Permanent Fund, so there was $1 billion remaining. Something would have to be done with the $400 million appropriated for FY 83. Senator Sackett asked Ron Lehr, Director of Budget and Management, the same question. Mr. Lehr stated the revised version was in the present Senate budget, that would lower the $1.4 billion figure to $800 million.

Co-chairman Dankworth moved and asked unanimous consent that Committee Substitute for SB 885 (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 with the exception of Senator Ferguson who signed "no recommendation".

HB 101

Co-chairman Bennett stated the next order of business was consideration of Committee Substitute for HB 101 (2d Finance) (AN

ACT RELATING TO THE MOTOR FUEL TAX (AS 43.40); AND PROVIDING FOR AN EFFECTIVE DATE).

Senator Ferguson stated that he had inserted Senate Committee Substitute for HB 101 (Finance) in the file, but he wished to withdraw that version so that Co-chairman Dankworth could present for consideration another Senate Committee Substitute provided by the administration. Co-chairman Dankworth presented Senate Committee Substitute for HB 101 (Finance) (AN ACT MAKING AMENDMENTS RELATED TO STATE TAXATION; AND PROVIDING FOR AN EFFECTIVE DATE). He stated there were some problems with the original HB 101 as it included a surtax levied on aviation fuel; this latest version would not include it as it would be handled in a separate bill. He said it was his understanding that those people effected by the bill (dealers and Department of Revenue) had reached an agreement. He pointed to the written amendment on the draft proposal of SCS CS HB 101 (Finance), and then requested that Joe Donohue, Deputy Commissioner of the Department of Revenue, come forward to testify on the legislation.

Mr. Donohue stated this version embodied the compromise language prepared by the motor fuel dealers and the Department of Revenue. They all agreed it was a reasonable solution to the dispute which has arisen. The section that was a source of contention was Section 14 in the propo.ed SCS. The subject of that section was under what circumstances would the assessments pending before the Department of Revenue be abated. It was agreed that they would be abated when the dealer had a reasonable belief that the fuel was not to be used as motor fuel as that term was defined in AS 43.40.100 (2), or if the dealer relied in good faith upon the purchaser's representation that the fuel would not be used as motor fuel. That was the critical language, and he said he thought he could speak in behalf of Representative Metcalfe and the other motor fuel dealers. He said the rest of the bill would accomplish what they felt was a curative amendment to the motor fuel statutes, clearly imposing a tax liability on the user in the case in which the user has obtained the fuel under representations that it would be used for non-motor fuel purposes and then uses it for taxable purposes.

Referring to Section 6, Senator Sturgulewski asked what would be the impact of repealing AS 44.62.330 (a). Mr. Donohue responded this was part of the technical amendments the Department of Revenue requested. Currently, the Department of Revenue's hearing procedures are regulated by Title 43, Chapter 5, and not by the Administrative Procedure Act. The only tax type regulated by the Administrative Procedure Act was the cigarette tax; this would delete that and put the hearing process under the general tax hearing procedures regulating all other tax types.

Senator Eliason asked how Section 14 would effect those who have paid the tax. Mr. Donohue responded that factor was not addressed directly - it was their feeling the section would be interpreted and implemented so that there would be equality in treatment between taxpayers similarly situated.

Senator Sturgulewski asked Mr. Donohue if he thought there would be any major changes in other areas of taxation that the Department of Revenue needed to accomplish. Mr. Donohue responded they were trying to coordinate their audit program with the need for regulations, and ultimately with the need to propose curative legislation as it becomes evident through the audit process as well as through the process of promulgating regulations.

Senator Sackett asked if the proposed SCS would cover anything other than motor fuel tax. Mr. Donohue responded that Sections 1 and 7 of the bill had to do with fish processing tax, while Sections 2, 3 and 5 had to do with increasing interest rates on delinquent taxes of all types. Section 8 was an amendment to 43.20 (the corporate tax), included as a result of the tax committee of the Alaska Society of CPA's and had to do with a one time waiver of the delayed incorporation provision for the new investment tax credit concepts enacted at the federal level last summer. The remainder of the bill had to do with changes to the motor fuel tax.

Senator Sturgulewski asked if there should be a new fiscal note on the bill. Mr. Donohue responded that there were some impacts, but no gains or losses; he said he would provide the committee with a new fiscal note.

Senator Ferguson moved to delete all language in Committee Substitute for HB 101 (2d Finance), and replace it with the proposed Senate Finance Committee Substitute now being discussed. Senator Sackett objected, saying he would like the bill to be held in committee so that he could check into some aspects of the legislation. Co-chairman Bennett stated the bill would be held in committee, and would be brought up again during the 1:30 p.m. meeting.

SB 804

Co-chairman Bennett stated the next order of business was consideration of SB 804 (AN ACT MAKING A CONTINUING APPROPRIATION OF REPAYMENTS OF THE PRINCIPAL AND INTEREST ON LOANS MADE BY THE ALASKA AGRICULTURAL ACTION COUNCIL FOR LAND CLEARING TO THE LAND CLEARING ACCOUNT IN THE AGRICULTURAL REVOLVING LOAN FUND (AS 03.10.040); AND PROVIDING FOR AN EFFECTIVE DATE).

Sharon Barton, Special Assistant to the Commissioner of Department of Natural Resources came forward to testify on the legislation. She stated that currently clearing loans administered by the Agricultural Action Council are repaid to the General Fund. This bill would cause repayments from Delta I, Delta II and Point McKenzie clearing loans to be made into the Agricultural Revolving Loan Fund administered by the Department of Natural Resources Land Clearing Account. It would provide funds for clearing of lands for small agricultural developments not currently available. Clearing loans are now available to large agricultural projects. While it would result in a negative effect on the General Fund, it should reduce the need for additional appropriations to the Revolving Loan Fund in the years to come. There was a $-0- fiscal note accompanying the bill for the administrative costs.

Discussion ensued on subjects such as a ruling from the Supreme Court on the issue of trust and dedicated funds, where funds presently go (to the General Fund), and what the impact to the state would be since the money would not be going into the General Fund with this bill.

Co-chairman Dankworth asked Senator Sturgulewski if she had talked with Assistant Attorney General Ken Vassar about the constitutionality of the legislation. Senator Sturgulewski stated there were two issues: inadequate fiscal notes and no resolution on the trust.

Co-chairman Bennett stated the bill would be held in committee until the 1:30 p.m. meeting, and asked Senator Sturgulewski to obtain an Attorney General's opinion on the Supreme Court ruling.

RECESS

The meeting recessed at 9:40 a.m.

(T SFC 82, # 23, Side 1, 000-602)

SENATE FINANCE COMMITTEE
April 28, 1982
1:45 p.m.

(Tape SFC 82, # 23, Side 1, 705-end)
(Tape SFC 82, # 23, Side 2, 000-185)
FIRST PORTION OF MEETING NOT RECORDED

CALL TO ORDER

Co-chairman Bennett called the meeting to order at 1:45 p.m.

PRESENT

All members of the committee were present. Also in attendance were Judy Johnston, Administrative Assistant to Co-chairman Bennett; Larry Vavra, Representing Union Oil Company of California; Tom Donohue, Deputy Commissioner of Department of Revenue; and Ken Vassar, Assistant Attorney General.

BILL ASSIGNMENTS

Co-chairman Bennett assigned HB 194 to Senator Ferguson, and SB 795 to Senator Eliason.

HB 101

Co-chairman Bennett stated the next order of business was further consideration of Committee Substitute for HB 101 (2d Finance) (AN ACT RELATING TO THE MOTOR FUEL TAX (AS 43.40); AND PROVIDING FOR AN EFFECTIVE DATE).

Co-chairman Dankworth stated that during the morning meeting Senator Ferguson had made a motion to adopt SCS HB 101 (Finance) for consideration, and Senator Sackett had requested that the bill be held until this time. He added that there may be some people wishing to testify on the legislation. Co-chairman Bennett requested that anyone wishing to testify come forward at this time.

Mr. Larry Vavra, representing the Union Oil Company of California, stepped forward. He distributed possible amendments to the legislation, saying that the Department of Revenue did not support them. He said that under the provision for refunds for non-highway use they felt that they should be able to take advantage of these refunds. He said the amendments would bring consistency to motor fuel tax with other states. He added that he would be willing to work with the Department of Revenue in revising the motor fuel tax code which he thought was outdated.

Discussion and questioning ensued on subjects such as off-shore taxing and how far off-shore would be in the state's jurisdiction.

TAPE RECORDING STARTS HERE

Senator Dankworth stated he was not aware the tax had to be paid if it was not going to be used for motor fuel. Mr. Vavra responded that depending on where the operation was in the state, there was inconsistency as to how the tax attaches. Unfortunately, diesel fuel could be heating oil, marine use, etc., and there was a variation in taxing. Off the road use fuel was taxed a lesser amount. And they just felt that whatever amount might be attached through the supplier, depending on where he buys the fuel, on fuel he would deliver to the off-shore operation, would be entitled to a refund. Co-chairman Dankworth requested that Tom Donohue, Deputy Commissioner of the Department of Revenue, come forward again.

Senator Stimson asked what the Department of Revenue's reaction was to the above proposed amendment. (Co-chairman Dankworth commented on the fact that the amendment was not brought to the committee until this time.) Mr. Donohue stated that the department's basic complaint was that they were not certain what the fiscal impact would be, how much fuel would be covered under this provision, and what sort of revenue losses there would be. He said they would prefer to address this issue during the regulation process scheduled for this coming summer. At that time, if statutory amendments were required, they would provide a compromise which could be worked out over the course of the year. He said the Department had no objection to the policy decision which would allow fuel to be used in OCS activities that are not otherwise taxable. The use of the word "export" in the amendment might or might not be consistent with what the drafters intended. He said it might also cause some confusion with regard to existing exemptions (tanks headed for foreign countries). He said the Department of Revenue would like to have more time to analyze the ramifications of the amendments before giving a final assessment of the fiscal impact as well as recommendations as to how to better accomplish what might otherwise be a legitimate policy goal. Co-chairman Dankworth agreed, saying the committee should understand this issue better. Mr. Vavra stated he would be willing to withdraw the amendments so that the bill could go on to the Rules Committee, and propose them at a later time. Senator Stimson objected to just the Rules Committee considering those amendments that might have fiscal impact.

Co-chairman Dankworth moved and asked unanimous consent that the bill be held in committee and be taken up Friday, April 30. There being no objection, it was so ordered, and the bill was returned to the file.

SB 804

Co-chairman Bennett stated the next order of business was consideration of SB 804 (AN ACT MAKING A CONTINUING APPROPRIATION OF REPAYMENTS OF THE PRINCIPAL AND INTEREST ON LOANS MADE BY THE ALASKA AGRICULTURAL ACTION COUNCIL FOR LAND CLEARING TO THE LAND CLEARING ACCOUNT IN THE AGRICULTURAL REVOLVING LOAN FUND (AS

03.10.040); AND PROVIDING FOR AN EFFECTIVE DATE), and requested someone from the Attorney General's office to come forward to answer questions on the legislation.

Mr. Ken Vassar, Assistant Attorney General, came forward. He stated he would provide the committee with a written opinion the following day. He stated the problem with SB 804 was a problem under the dedicated fund prohibition, Article 9, Section 7 of the State Constitution. The bill would take money which the state would be receiving as a return on loans in the form of principal and interest repayments, and would appropriate that money to a revolving loan fund for use for a particular purpose. The difficulty was in the continuing appropriation nature of the appropriation. It would take money to be received in future years and would set that money aside to be used for a particular purpose, and to that extent, creates questions under the dedicated fund prohibition. In essence it was very similar to a substantive law which said that the proceeds of certain programs would be used for particular purposes, which would clearly be a dedicated fund type law. He said he thought the question would be appeased to a great extent if the money were directed back to the General Fund first, and then be taken from the General Fund and put into the revolving loan fund it related to. There would still be questions as to the dedicated fund nature of the Act, but that would bring it closer within the permissive range since the money would be available for other appropriations as future legislatures saw fit to use it in the interests of the state.

Comparisons were made with agriculture funding, whether or not the same questions had come up in regard to SB 25. Senator Sackett moved that the bill be returned to the file until Tuesday, May 4. There being no objection, it was so ordered, and the bill was returned to the file.

ADJOURNMENT

The meeting adjourned at 2:10 p.m.

(Tape SFC 82, # 23, Side 1, 705-end)
(Tape SFC 82, # 23, Side 2, 000-185)