



30th Alaska State Legislature
House Finance Budget Subcommittee
Department of Law
FY18 Operating Budget

**DEPARTMENT OF LAW
FY2018 HOUSE FINANCE BUDGET SUBCOMMITTEE
NARRATIVE REPORT
February 24, 2017**

SUBCOMMITTEE MEETINGS:

The House Finance Budget Subcommittee for the Department of Law held seven meetings with the Department, during the review of the FY2018 budget request. Three of the meetings focused on public testimony, discussion of amendments, and closing out the subcommittee.

RECOMMENDATIONS:

The Chair of the House Finance Budget Subcommittee for the Department of Law submits a recommended operating budget for FY2018 to the House Finance Committee as follows:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$49,140.4
Designated General Funds (DGF)	\$2,867.0
Other Funds	\$31,607.0
Federal Funds	\$1,489.4
Total	\$85,103.8

The Unrestricted General Fund (UGF) difference from the FY2015 Management Plan to the FY2018 House Subcommittee budget recommendation is a reduction of \$10,134.9, a 17.1% decrease.

From the FY2017 Management Plan, the Subcommittee recommendation reflects a total increase in Unrestricted General Funds of \$264.1, a 0.5% percent increase.

Positions:

Permanent Full-time	504
Permanent Part-time	0
Temporary	0
Total	504

Budget Amendments:

The following budget amendments are submitted by the Subcommittee Chair to the House Finance Committee for consideration:

- 1) Eliminate a technical error in the original Governor's operating budget bill in the Civil Division, Department of Natural Resources, <\$1465.2> 1004 UGF. The carryforward transaction into FY17 for Outside Counsel and North Pole Remedial Action was submitted by OMB as a Section 1 transaction in error. Legislative Finance added the transaction to match the Governor's bill, but **RECOMMENDS: DO NOT ACCEPT**. Legislative Finance already added a Language Section transaction to correctly reflect the carryforward. This amendment passed with no objection.
- 2) Add \$225.0 1004 UGF and 1 PFT Attorney II to Civil Division, Environmental Law. This position will help the Department pursue recoveries in existing cases that could potentially generate significant revenue for the state. This amendment passed 5-3.

Statutory Change Proposals:

The following statutory change recommendation is also submitted to the House Finance Committee for consideration:

For Consideration by House Judiciary Committee:

- 1) **Work over interim to do a comprehensive reform of Child Protection statutes.** Particular areas of focus include, but are not limited to the following:
 - looking to streamline existing statute
 - looking into combining the adjudication and disposition hearings in Child In Need of Aid (CINA) proceedings
 - allowing a no-contest plea for parents, and
 - creating settlement judges who focus solely on CINA cases

OTHER INFORMATION:

The Subcommittee discussed a variety of issues during the meetings. Those not put forward in this report for consideration by the House Finance Committee include, but are not limited to:

- 1) There was strong support for increasing the number of prosecutors in response to Department testimony that they have had to increase the number of crimes that they are declining to prosecute. Amendments were put forth that would have increased the Department's budget by about \$480.3 in order to hire two prosecutors in Anchorage

and one in Bethel. The Subcommittee agreed it would be desirable to find money to pay for these prosecutors in another department. It was agreed that this recommendation would be forwarded to the full Finance Committee where it is more appropriate to look at multiple departments simultaneously.

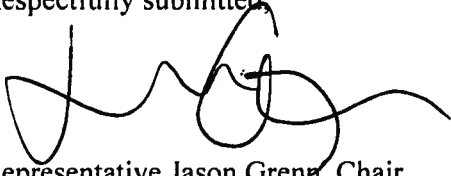
- 2) The Subcommittee examined a list of potential recoveries the Department could make for the state, that the Department was currently not pursuing due to limited resources. While there was support in the Subcommittee for adding funding for a position to the Environmental Law section, some members of the Subcommittee expressed dismay that the Department was not hiring counsel on a contingent basis to pursue these recoveries if they themselves did not have the resources. While this was not put forward as a formal proposal for legislation, this could be something that the Subcommittee looks at in more detail next year.
- 3) Amendments were put forth and withdrawn that highlighted the fact that the Department had requested significantly more in their travel budget than they had used in the past two years. The Department testified that they both need flexibility to move money between allocations and line items, and that they had expended almost all of their appropriation in the last two years. The Department testified that reducing the travel line item down to the actual spend in recent years would ultimately mean reduced funds for items such as prosecutors. The Subcommittee expressed a desire that the Department do a better job of identifying where funds are being spent in future years, for the purposes of transparency.
- 4) Two amendments were put forth that were ruled out of order prior to public testimony. These amendments would have removed a total of \$2,500.0 from the services line in Civil Division Natural Resources section and Civil Division Regulatory Affairs section. Concerns were raised by the sponsor of these amendments that these amendments were not heard in subcommittee. They are being included in this document should the full Finance Committee wish to examine these items more closely.

ATTACHED LEGISLATIVE FINANCE REPORTS:

The House Finance Budget Subcommittee for the Department of Law adopts the attached reports:

- Allocation Summary Report (All Funds) – Between FY2018 Governor and House Subcommittee (HSub)
- Transaction Detail Report – House Structure (HSub Amends)

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'J. Grenn', written over a horizontal line.

Representative Jason Grenn, Chair
House Finance Budget Subcommittee for the Department of Law

**2017 Legislature - Operating Budget
Transaction Detail - House Structure
HSub Amends Column**

Numbers and Language

Agency: Department of Law

	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Civil Division												
Environmental Law												
H LAW 1 - Add one PFT Attorney II and related personal services to Environmental Law	Inc	225.0	225.0	0.0	0.0	0.0	0.0	0.0	0.0	1	0	0
Offered by Representative Grenn												
There are numerous cases outstanding that could provide significant revenue to the state that the Environmental Law section does not have the resources to pursue. Adding an additional attorney could help the Department achieve significant recoveries for the state.												
1004 Gen Fund (UGF)		225.0										
* Allocation Total *		225.0	225.0	0.0	0.0	0.0	0.0	0.0	0.0	1	0	0
Natural Resources												
H LAW 2 - Correction to a technical error in the original Governor's operating budget bill.	Dec	-1,465.2	0.0	0.0	-1,465.2	0.0	0.0	0.0	0.0	0	0	0
Offered by Representative Grenn												
The Office of Management and Budget submitted a \$1.5m carryforward transaction in section 1 in error--it should have been a language transaction. Legislative Finance Division must match the Governor's bill, so also included the erroneous section 1 transaction with a recommendation to reject the transaction. This amendment removes the erroneous transaction. The committee needs to take no action on the language transactions.												
1004 Gen Fund (UGF)		-1,465.2										
* Allocation Total *		-1,465.2	0.0	0.0	-1,465.2	0.0	0.0	0.0	0.0	0	0	0
** Appropriation Total **		-1,240.2	225.0	0.0	-1,465.2	0.0	0.0	0.0	0.0	1	0	0
*** Agency Total ***		-1,240.2	225.0	0.0	-1,465.2	0.0	0.0	0.0	0.0	1	0	0
**** All Agencies Total ****		-1,240.2	225.0	0.0	-1,465.2	0.0	0.0	0.0	0.0	1	0	0

Column Definitions

HSub Amends (House Subcom Amendments) - House Finance Subcommittee Amendment Proposals submitted to the House Finance Committee.

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Department of Law House Finance Subcommittee

Examples of Recoveries Law Has Not Pursued Because of Lack of Resources

February 17, 2017

Anti-Trust Work

1. Teva Pharmaceuticals/Mylan Labs lawsuit. This multistate case was filed by 20 states against two generic drug manufacturers on December 15, 2016 alleging they conspired to fix the price of an antibiotic (doxycycline) and a diabetes drug (glyburide). We were generally aware of this investigation, but did not have the resources to participate. We are looking into joining the lawsuit now, but the time to join may have already passed.
2. We have been monitoring several securities antitrust matters involving alleged agreements to set certain market interest rates. We have joined one case (details are still confidential), but have not had the resources to seriously explore others. These cases affect investments, and are potentially worth millions.
3. Another case involved price fixing of LCD's brought by 8 states. We did not participate in that case. That case settled for \$1.1 billion, with \$692 million going to compensate consumers in 24 states. New York received \$8 million in penalties from that case.

Environmental (Here is a list of larger expenditure contaminated sites where cost recovery is outstanding and we do not have attorney resources to pursue. Not all of these expenditures are barred by a statute of limitation because the expenditures involve hazardous substance CERCLA sites. These are approximate costs.)

1. Federal Bureau of Land Management Contaminated Sites Statewide: \$56,000
2. Ross Adams Mine. \$108,000
3. Salt Chuck Mine. \$64,000
4. Alaska Real Estate Site. \$500,237
5. Kotzebue BIA School. \$189,352
6. Tok Tesoro UST site. \$60,798
7. Coastal Drilling Mud Pits. \$481,694
8. Gaffney Road Area Wide Contamination. \$2,700,000
9. MC Commercial Cleaners. \$1,495,750
10. Vicki Lane Buried Drum Site. \$52,296
11. Six Mile Benzene Plume. \$1,000,000

2017 Legislature - Operating Budget Allocation Summary - House Structure

Numbers and Language

Agency: Department of Law

Allocation	[1] 18Gov	[2] HSub Rec	[2] - [1] 18Gov to HSub Rec	
Criminal Division				
First Judicial District	2,112.7	2,112.7	0.0	
Second Judicial District	1,270.9	1,270.9	0.0	
Third Judicial: Anchorage	7,302.1	7,302.1	0.0	
Third JD: Outside Anchorage	5,392.2	5,392.2	0.0	
Fourth Judicial District	5,926.9	5,926.9	0.0	
Criminal Justice Litigation	2,795.3	2,795.3	0.0	
Criminal Appeals/Special Lit	6,913.9	6,913.9	0.0	
Appropriation Total	31,714.0	31,714.0	0.0	
Civil Division				
Dep. Attny General's Office	288.7	288.7	0.0	
Child Protection	7,220.7	7,220.7	0.0	
Collections and Support	0.0	0.0	0.0	
Commercial and Fair Business	6,068.1	6,068.1	0.0	
Environmental Law	1,788.2	2,013.2	225.0	12.6 %
Human Services	2,903.3	2,903.3	0.0	
Labor and State Affairs	5,326.6	5,326.6	0.0	
Legislation/Regulations	1,109.1	1,109.1	0.0	
Natural Resources	10,407.3	8,942.1	-1,465.2	-14.1 %
Opinions, Appeals and Ethics	2,223.0	2,223.0	0.0	
Reg Affairs Public Advocacy	2,942.1	2,942.1	0.0	
Special Litigation	1,309.0	1,309.0	0.0	
Information & Project Support	1,842.1	1,842.1	0.0	
Torts & Workers' Compensation	4,203.7	4,203.7	0.0	
Transportation Section	2,661.1	2,661.1	0.0	
Appropriation Total	50,293.0	49,052.8	-1,240.2	-2.5 %

2017 Legislature - Operating Budget Allocation Summary - House Structure

Numbers and Language

Agency: Department of Law

Allocation	[1] 18Gov	[2] HSub Rec	[2] - [1] 18Gov to HSub Rec	
Administration and Support				
Office of the Attorney General	620.8	620.8	0.0	
Administrative Services	2,830.0	2,830.0	0.0	
Law State Facilities Rent	886.2	886.2	0.0	
Appropriation Total	4,337.0	4,337.0	0.0	
 Agency Total	 86,344.0	 85,103.8	 -1,240.2	 -1.4 %
 Funding Summary				
Unrestricted General (UGF)	50,380.6	49,140.4	-1,240.2	-2.5 %
Designated General (DGF)	2,867.0	2,867.0	0.0	
Other State Funds (Other)	31,607.0	31,607.0	0.0	
Federal Receipts (Fed)	1,489.4	1,489.4	0.0	

Column Definitions

18Gov (FY18 Governor Request) - Includes FY18 Adjusted Base plus the Governor's operating budget bill requests for increases (increments), decreases (decrements), fund source changes, and language transactions submitted by the Governor on December 15, 2016.

HSub Rec (Subcommittee Recommendations) - House Finance Subcommittee Recommendations to the House Finance Committee.