

HOUSE FINANCE COMMITTEE  
January 27, 2003  
1:28 P.M.

TAPE HFC 03 - 1, Side A  
TAPE HFC 03 - 1, Side B

CALL TO ORDER

Co-Chair Harris called the House Finance Committee meeting to order at 1:28 P.M.

MEMBERS PRESENT

Representative John Harris, Co-Chair  
Representative Bill Williams, Co-Chair  
Representative Kevin Meyer, Vice-Chair  
Representative Eric Croft  
Representative Richard Foster  
Representative Mike Hawker  
Representative Reggie Joule  
Representative Carl Moses  
Representative Gary Stevens  
Representative Bill Stoltze

MEMBERS ABSENT

Representative Jim Whitaker

ALSO PRESENT

Senator Ralph Seekins; Representative Ralph Samuels; Representative David Guttenberg; Cheryl Frasca, Director, Division of Management & Budget, Office of the Governor; Greg O'Claray, Commissioner, Department of Labor; Edward Fisher, Deputy Commissioner, Department of Labor; Jo Ellen Hanrahan, Acting Director, Division of Administrative Services, Department of Labor; Gregg Renkes, Attorney General, Department of Law; Kathryn Daughhetee, Director, Administrative Services Division, Department of Law; Barbara Ritchie, Deputy Attorney General, Department of Law; Louanne Christian, House Finance Committee Staff.

PRESENT VIA TELECONFERENCE

none

GENERAL SUBJECT(S):

**Agency Overviews:**  
Office of Management & Budget  
Department of Law  
Department of Labor

The following overview was taken in log note format. Tapes and handouts will be on file with the House Finance Committee through the 23rd Legislative Session, contact 465-2156. After the 23rd Legislative Session they will be available through the Legislative Library at 465-3808.

LOG	SPEAKER	DISCUSSION
		<b>TAPE HFC 03 - 1, SIDE A</b>
000	Co-Chair Williams	Convened the House Finance Committee meeting at 1:40 p.m.
041	Co-Chair Williams	Introduced the members of the Committee.
157	Co-Chair Williams	Introduced his legislative staff: Pete Ecklund, who will be handling the Capital budget and Randy Ruaro who will be doing all the work with the Finance Committee legislation.
306	LOUANNE CHRISTIAN, HOUSE FINANCE COMMITTEE STAFF	Explained how the Committee runs most efficiently with regard to the bills, scheduling and office procedures.
560	Co-Chair Williams	Encouraged that the Minority and Majority members of the Committee work as a team.
649	Co-Chair Williams	Distributed a handout regarding the Finance Committee intent with the manner in which the Committee would run during the legislative session.
715	Co-Chair Harris	Explained that this meeting would begin a series of department overviews. He noted that it was the Majority's intent to put a budget together for each department. He reiterated that today's meeting would be the first step in that process, taking testimony from three agencies, Office of Management and Budget, Department of Law, and the Department of Labor.
820	Co-Chair Harris	Introduced his staff, Matt Gill and Tom Wright. Co-Chair Harris then introduced David Teal, Director, Legislative Finance Division and his staff.
		<b>OFFICE OF MANAGEMENT &amp; BUDGET</b>
950	CHERYL FRASCA, DIRECTOR, DIVISION OF MANAGEMENT & BUDGET, OFFICE OF THE GOVERNOR	Spoke to the FY04 proposed process of Governor Murkowski. She noted that the Administration is looking at spending limits and how to be able to continue services at less costs. That is taking time as is the fact that some departments do not yet have their new commissioners. She stated that the Administration is working diligently.
1041	Ms. Frasca	Noted that the Administration does appreciate the difficult choices that the Committee must make. She listed some of those approaches. Ms. Frasca noted that

		the Office had requested that the Departments determine if they could live with a budget that was 90% - 95% of their current budget. There continues to be discussions regarding that possibility with each of the departments.
1152	Ms. Frasca	Spoke to the Administrative Order 202, which was delivered by Governor Murkowski when he took office. That order prescribed a review of all of the departments. Each department has been requested to prepare, in summary format, what is their mission, how do they deliver service and what is their performance. She added that some of the departments have good measures. The Governor is currently committed to working with the Committee so that information and process can be communicated to the constituents. The managers want to improve performance. The Administration is attempting to come up with measures that: <ul style="list-style-type: none"> <li>• insure what the Department does contributes to achieving its mission; and</li> <li>• communicates the value for the dollar being spent.</li> </ul>
1325	Ms. Frasca	Explained that the second part of that Administrative order also asks that the Departments identify changes in delivery processes. That information is due by the end of January, 2003. Additionally, there have been a number of reworks issued through the Executive order process.
1356	Ms. Frasca	Continued, there are a few financial audits, which need to be completed. Those are with the Department of Correction and Department of Labor & Workforce Development.
1424	Ms. Frasca	Advised that the goal for the Governor's budget to be distributed is middle February.
1510	Ms. Frasca	Spoke to the Supplemental Budget requests and the Fast Track requests. That deadline is the 30 <sup>th</sup> day of the legislative session. Those will be provided by that time.
1535	Ms. Frasca	Capital budget - She noted that the Administration had requested that the departments 'revisit' the list of the

		last Administration. The new commissioners should determine if there should be new priorities.
1555	Ms. Frasca	Addressed the Labor contracts - all 12 are up for renegotiation this year. March 21, 2003 is the deadline and it is a tight time frame.
1627	Ms. Frasca	Concluded that the Administration is looking forward to working with the House Finance Committee.
1646	Co-Chair Harris	Asked that the Legislature be provided with some projection of what 90% funding would look like. He asked when that could be expected.
1712	Ms. Frasca	Replied that information would be the contained in the Administration's budget proposal. She was not aware of any additional material.
1736	Co-Chair Williams	Asked how the departments would be addressing concerns for those departments that do not have a commissioner.
1800	Ms. Frasca	Stated that the administration is working with the acting commissioners.
1810	Representative Croft	Asked about the 90%-95% possible scenario and their impacts.
1891	Ms. Frasca	Explained that this was a place in which discussion would begin. She noted that some programs would be funded at 110%. With the projected reduction in place, then discussion would begin.
1914	Representative Croft	Acknowledged the difficulties associated with the transition for the new Administration. He asked if the '1/2 back' 10% would be returned to.
1950	Vice-Chair Meyer	Inquired what the total supplemental requests amounted to.
2011	Ms. Frasca	Explained that they are still being reviewed. The projected number is approximately \$100 million dollars.
2035	Ms. Frasca	In response to Vice Chair Meyer, Ms. Frasca spoke to "flat spending" and how that related to the formula driven programs and the labor contracts.
2102	Representative Stevens	Questioned if the Administration was comfortable with addressing and incorporating the missions & measures that the House Finance Committee had previously worked out.
2138	Ms. Frasca	Replied that they were and that they wanted to address it cooperatively. It was not always that way. There needs to be agreement regarding what the mission

		is.
2145	REPRESENTATIVE RALPH SAMUELS	Asked about the timeline for the articles in the "hopper".
2203	Ms. Frasca	Replied they would be addressed the end of January, 2003.
		<b>DEPARTMENT OF LAW</b>
2339	GREGG RENKES, ATTORNEY GENERAL, DEPARTMENT OF LAW	Noted that most of his time getting oriented had been spent consulting and advising with the Governor. Mr. Renkes introduced his staff, Barbara Ritchie, Deputy Attorney General, Civil Division, Kathryn Daughhetee, Director, Administrative Services Division, Pat Gullufsen, Deputy Attorney General, Criminal Division.
2509	Attorney General Renkes	Provided an overview of the work performed by the Department. He noted that there are cases currently pending within the Department that need attention. He reported that the Department is zealously representing the State of Alaska.
2627	Attorney General Renkes	Addressed the audits. Attorney General Renkes referenced the Conference of Western Attorney Generals, which provided an audit for the State. He noted that he had reviewed those reports to better understand the challenges of the Department. That has been a useful process. Attorney General Renkes stated that they are looking for ways to make the Department more accountable. On March 7th, a management review team will be in Alaska to help make that determination. Those reports will be made available to the Legislature.
2814	Attorney General Renkes	The Governor is looking for ways to make improvements. Information will be submitted to Office of Management & Budget with a list of the anticipated changes.
2904	Attorney General Renkes	Department of Law is challenged in supporting each agency within the Executive Branch, Legislative Branch and the Judicial Branch. Responsibilities of the Attorney General and the Department of Law are prosecution & protection for the State of Alaska. Because of the broad base responsibilities involved, any change within any department will be dramatic. The Department must review all legislation. In times of change, the Department of Law is the engine. The

		Department wants to work closely with the Legislature and Legislative Counsel. Attorney General Renkes emphasized that the Department will defend the State's rights.
3222	Attorney General Renkes	<p>Priorities for the Department of Law:</p> <ul style="list-style-type: none"> <li>• Move resource funds around within the Department of Public Safety - the prosecution effort needs better support &amp; funding;</li> <li>• Receive the most from the oil and gas resources;</li> <li>• Defend and establish the State's sovereignty. He spoke to all the navigable waters within the State;</li> <li>• Improve the State's tribal relations, which will affect the entire State.</li> </ul>
3746	Attorney General Renkes	<p>Referenced the handout. [Copy on File]. He outlined the organizational chart contained within the handout.</p> <ul style="list-style-type: none"> <li>• Criminal Division's mission is to assure safe and healthy communities by prosecuting and convicting criminal offenders in urban and rural Alaska. 2/3 of the current travel budget is being used to bring victims to court.</li> <li>• Provide legal services for Department of Public Safety and Department of Corrections.</li> <li>• Retention of prosecutors is a major concern for the Department. In Anchorage, sexual assault and abuse issues have doubled in the last year. The resources are not being given to deal with those concerns. Attorney General Renkes emphasized that is important, and should be taken into account. The Department has not had the resources to be able to address these concerns adequately.</li> </ul>
4101	Attorney General Renkes	Addressed the Civil Division's mission, which is to protect the human, financial and natural resources of the State of Alaska. There are four locations: Anchorage, Fairbanks, Juneau & Bethel that have civil lawyers. Currently, there are 130 lawyers within the Civil

		Division. Attorney General Renkes reiterated that the Department of Law represents the Governor, the Judicial & the Legislative branch of the government.
4245	Attorney General Renkes	Pointed out that the oil and gas and Statehood defense were separate BRU's. He noted that they would be discussed later in the report. He admitted that there are limitations when taking lawyers and directing them to where the need exists. Attorney General Renkes appealed for more flexibility within the Department of Law. There are currently six BRU's with that Department. He recommended that there be three BRU's: The civil, criminal & administrative. He claimed that it was difficult to address the current situation, which is compounded by the Reimbursable Service Agreements (RSA) process. Current lawyers are paid through a reimbursement process. As a result of the current process, the Department of Law needs to come back to the Legislature for supplemental funding. He indicated that is not always appropriate but the Department is "handicapped by the RSA process".
4539	Co-Chair Harris	Commented that the Committee would appreciate information on how the Department will restructure in order to do things more efficiently and yet keep the costs down. Requests for expansion should be first addressed within the Department before coming to the Legislature.
		<b>TAPE HFC 03 - 1, Side B</b>
4647	Attorney General Renkes	Offered to look at ways to generate revenues through the oil and gas settlements. He anticipated that the Department would be able to generate better revenues for the State. Attorney General Renkes stated that those revenues could be generated through consumer protection, collections, the criminal areas, and oil and gas settlements.
4531	Attorney General Renkes	Requested that his colleagues answer current questions of the Committee.
4500	Representative Foster	Mentioned the State sovereignty issues. He asked how Attorney General Renkes envisioned the role of minorities in that land.
4444	Attorney General	Replied that the role of Native Alaskans

	Renkes	is very important in the State of Alaska. It is important that the Department protect the rights of all Alaskan citizens. That does not mean that the State should be combative with the tribal organizations and rural Alaskans. These people need to be empowered. The State has drifted toward the search of federal authority from a result of frustration.
4326	Attorney General Renkes	He noted that he wants to include Native Americans in the State's decisions. The State has a cooperative vision, but must work to protect sovereignty.
4217	Representative Croft	Asked for examples of cases that the State would pursue regarding statehood defense.
4158	Attorney General Renkes	Observed that he would be in Washington D.C. to argue the Glacier Bay submerged lands case. Additionally, it is also important to pursue the navigable rivers case. The Roadless Rule, a pending case, is another one of interest. Reserve water right precedent needs more fact-findings before the State can pursue it.
3923	Attorney General Renkes	In response to a question by Representative Stoltze, Attorney General Renke's spoke to victims' rights, noting that he needed more information regarding that concern. He stated that he wanted to learn more about what that office does.
3739	PATRICK GULLUFSEN, DEPUTY ATTORNEY GENERAL, CRIMINAL DIVISION, DEPARTMENT OF LAW	Added that there are 21 paralegals that do nothing but assist victims. Mr. Gullufsen stressed the importance of the issue.
3627	Co-Chair Williams	Questioned if the Administration had conceded to granting tribal sovereignty.
3515	Attorney General Renkes	Noted that some tribal entities have held the position that they can engage in gaming activities that are in opposition to management practices. The government is forced to prosecute. The Administration's job is to bring clarity to the law.
3321	Co-Chair Williams	Stressed that tribal entities would like to be "talked to" not "talked at".
3251	Attorney General Renkes	In response to a question by Representative Stevens, Attorney General Renkes talked about parental consent cases. He noted that there would be an appeal to that case. He believed that one lawyer would be able to represent the State on that appeal.

		<b>DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT</b>
3048	GREG O'CLARAY, COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT	Introduced his staff, Ed Fisher, Deputy Commissioner, and Jo Ellen Hanrahan, Acting Director, Division of Administrative Services.
2842	Commissioner O'Claray	Observed that the Department is tasked to set up a monitoring system by the federal government. Department of Labor & Workforce Development is responsible to foster and promote the welfare of the wage earners of the State, improve their working conditions and advance their opportunities for profitable employment.
2728	Representative Foster	Noted the difficulty of finding good paying jobs in rural areas. He noted that it has improved under the Department's supervision and through the Denali Commission.
2546	Commissioner O'Claray	Spoke regarding the Denali Commission and the Department of Labor & Workforce Development joint program. He noted that training programs had been restructured to improve working conditions and provide better opportunities. He mentioned HB 40, previous legislation and the Workforce Investment Act of 1998 consolidated several functions from one department to another. Now the Department has the responsibility of improving the working conditions and the opportunities.
2308	Vice-Chair Meyer	Asked about the creation of a new Division called the Division of Business Partnership.
2251	Commissioner O'Claray	Observed that the Department is attempting to be more efficient and friendly. The Division of Business Partnership was created with the purpose to bring all the workforce initiative programs and training under one umbrella with three relative boards considered for consolidation of greater efficiency.
2000	Vice-Chair Meyer	Questioned how the new Division would be funded. He asked if the Department would assist in several statewide situations including closing of the K-Mart stores and the downsizing of Burger King. He voiced his concern with the service industry has applied for exemption to the minimum wage and the Department took too long to get them that exemption.
1919	Commissioner	Advised that the Division would not be

	O'Claray	looking at the service industry jobs. It would be working with the producers for the higher tech jobs and the construction trades. Those grant funds would be used to train people for good jobs and good pay. The new Division is not "new" money. It will be funded out of existing funds.
1848	Commissioner O'Claray	Spoke to the new minimum wage statutes. He observed that the Department would be responsive to requests.
1745	Representative Croft	Observed that the Department's general fund appropriation is approximately \$10 million dollars. He questioned the impact of a million dollar reduction to that Department in light of Ms. Frasca's previous comments.
1636	Commissioner O'Claray	Stated that he was unable to identify any areas of potential reduction but noted that they had been looking at the worker's rehabilitation line item. He stressed that the core functions would be preserved and that the Department would attempt to look for efficiencies.
1501	Representative Foster	Questioned how Department of Labor and Workforce Development would work with other departments such as Department of Natural Resources to encourage development.
1417	Commissioner O'Claray	Stated that he would not be creating an additional liaison position. The Department should be used as an "engine" to drive the economy forward.
	Co-Chair Harris	Questioned asked if Commissioner O'Claray had a position on the increased unemployment benefits.
1357	Commissioner O'Claray	Observed that there would be legislation to deal with that concern as Alaska is #50 out of 50 states in the amount of their weekly benefit. He pointed out that the increase to benefits legislation had not been adopted in the past couple years. He added that every dollar spent in the Alaskan economy, reflects further increases for the economy. Alaska is loosing skilled trades-people because of the cost of living. That must be addressed.
1204	Co-Chair Harris	Reviewed Committee procedures. [See attached handout].
	<b>ADJOURNMENT</b>	The meeting was adjourned at 2:56 P.M.