

HOUSE FINANCE COMMITTEE
January 31, 2013
1:30 p.m.

1:30:26 PM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 1:30 p.m.

MEMBERS PRESENT

Representative Alan Austerman, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Mark Neuman, Vice-Chair
Representative Mia Costello
Representative Bryce Edgmon
Representative Les Gara
Representative Lindsey Holmes
Representative Scott Kawasaki, Alternate
Representative Cathy Munoz
Representative Steve Thompson
Representative Tammie Wilson

MEMBERS ABSENT

Representative David Guttenberg

ALSO PRESENT

Representative Mike Chenault; Sharon Kelly, Staff,
Representative Chenault; Diane Blumer, Commissioner,
Department of Labor and Workforce Development; Paloma
Harbour, Acting Division Director, Division of
Administrative Services, Department of Labor and Workforce
Development; Greg Cashen, Assistant Commissioner,
Department of Labor and Workforce Development; Michael
Geraghty, Attorney General, Department of Law.

SUMMARY

HB 30 STATE AGENCY PERFORMANCE AUDITS

HB 30 was HEARD and HELD in committee for further
consideration.

HB 65 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 65 was HEARD and HELD in committee for further consideration.

HB 66 APPROP: MENTAL HEALTH BUDGET

HB 66 was HEARD and HELD in committee for further consideration.

DEPARTMENT OVERVIEWS:

DEPARTMENT OF LABOR and WORKFORCE DEVELOPMENT
DEPARTMENT OF LAW

#hb30

HOUSE BILL NO. 30

"An Act relating to performance reviews, audits, and termination of executive and legislative branch agencies, the University of Alaska, and the Alaska Court System; and providing for an effective date."

[1:31:39 PM](#)

REPRESENTATIVE MIKE CHENAULT, introduced HB 30. He declared that HB 30 was an investment in Alaska's future. He stated that the performance audits had been in statute since 1977, but the statute did not allow the program to continue. He stated that a bill was introduced in 2009 that would have reinstated the program. That bill passed the House, but did not get taken up in the Senate. If that bill had passed, the first department on the list of audits was the Department of Corrections (DOC). He felt that performance audits were necessary, in order to accurately review and approve a budget. He felt that HB 30 would provide effective changes to the budgeting process. He stressed that the job of legislators was to ensure that funding was accurate for the right service or project. He added that it was not the legislature's job to micro manage the departments. He declared that HB 30 would cause a review of current department administrations; and compare those to the best practices from other states and experts in order to effectively and efficiently meet constitutional mandates. He remarked that revenue projections had changed significantly; oil production had dropped; and the state was at the mercy of oil price changes. The State loses an

equivalent to \$1 billion, when the price of oil drops by \$10 a barrel. He stressed that HB 30 would start the process that would significantly enhance the ability to handle the responsibility of the finances of Alaska.

Co-Chair Stoltze pointed out that HB 30 would be referred to a subcommittee, before it would be considered for passage from the House Finance Committee (HFIN).

[1:36:48 PM](#)

SHARON KELLY, STAFF, REPRESENTATIVE CHENAULT, explained HB 30. She referred to the Sponsor Statement (copy on file).

In 1977 the Alaska State Legislature found there was a need for an effective and regular system of scrutinizing the programs and activities of all State agencies, boards and commissions. The legislature further found that the establishment of a system for periodic review by the public, the executive and legislative branches of certain state agencies, boards and commissions would help the governor and the legislature determine the need for the continued existence of each. Under AS 44.66, this review has continued since 1977 for boards and commissions. The dates to review programs and agencies of the state ended in 1983 and were never reenacted.

Low oil revenues contained budget growth from the early Eighties to 2004. State revenues grew dramatically when the price of oil rose in 2004, and the budget grew accordingly. The current legislative budget process mainly looks at increments and without a regular system of scrutiny, annual budgets continue to grow. Other states have incorporated performance reviews that have resulted in significant budgetary savings.

This legislation will renew the effective and regular system of scrutiny of our departments by authorizing performance reviews. The legislation has been crafted to model some of the aspects of the Texas Sunset Commission reviews, but utilizes minimal staff and outsourced independent contract work to complete the process under the auspices of the Legislative Audit Division.

The information provided by these reviews will include authority, accountability, effectiveness, efficiency and necessity of departments and their programs. The report, along with draft legislation to fix issues, will provide the House and Senate Finance Committees with in-depth information needed to fund state budgets appropriately.

Alaskans will be the ultimate beneficiary of these reviews. This process will ensure that our governmental agencies are working for Alaskans in an efficient manner.

[1:38:23 PM](#)

Ms. Kelly explained the difference HB 30, and the bill that was introduced to the legislature two years prior: HB 166. She stated that two changes were proposed by the legislative auditor, and one was a technical date change. The first change in Section 1 stated that the savings calculations that resulted from implemented audit recommendations would be completed by the Legislative Finance Division (LFD). The second change was in Section 6, page 6, line 30, which changed the word, "will" to "may" of items that would appear in the final report. That change would give LFD the flexibility to adopt the report elements for each department, as determined necessary and/or appropriate. She restated that the last change was to move the dates two dates forward. The order of department reviews was agreed upon in the subcommittee work of HFIN two years prior.

Vice-Chair Neuman wondered Legislative Budget and Audit (LB&A) had the authority to review the audits for budget analysis. Ms. Kelly replied that HB 30 provided the opportunity for LB&A to review the department increments, so the subcommittees can analyze the information.

Vice-Chair Neuman assumed that LB&A already had the authority to effectuate performance audits within the departments. Ms. Kelly replied that LB&A had the authority to have an audit request presented to them. In 1977, a periodic review was set in statute. The statute did not continue, because the statute did not carry forward. Unless the performance audits were written in statute, some departments' audits may be overlooked.

Vice-Chair Neuman felt that performance audits were necessary, but he expressed concern regarding the authority power of LB&A.

Co-Chair Stoltze declared that he would not have signed on as a cosigner of the bill, if it were a constitutional amendment to amend the legislature's appropriation powers. He felt that HB 30 would enable another agency to carry out the audits.

[1:43:23 PM](#)

Representative Chenault agreed, and reiterated Co-Chair Stoltze's comments.

Representative Edgmon looked at page 4 of HB 30, and wondered if there was any consideration towards advancing the auditing schedule. Ms. Kelly responded that it was possible to advance the auditing schedule. She shared that the departments with the largest budgets were the Department of Health and Social Services (DHSS), the University of Alaska (UA), the Department of Education and Early Development (DEED), and the Department of Transportation and Public Facilities (DOT). She stated that the first on the list was Department of Natural Resources (DNR), because it had a medium sized budget. The reason for this decision was to ensure some experience, before auditing the larger departments.

Representative Munoz noted that the fiscal note indicated three full time staff by FY 15; and \$1 million in contractual fees. She wondered why there was an additional \$1 million in contractual fees. Ms. Kelly replied that LB&A prepared the fiscal note, with the intent to have some performance auditors on staff. She furthered that the bill gave the ability to use experts in the field to get the experience of the best practices.

[1:48:58 PM](#)

Co-Chair Austerman looked at page 6 of the bill, and queried the changes from the previous year's similar bill. Ms. Kelly replied that page 6, line 36 stated that "in the report, the review team may"; in the prior bill that phrase said that "in the report, the review team will." She explained that the change was made at the request of LB&A,

so the final report could only highlight the large and important legislative items.

Co-Chair Austerman mirrored Representative Edgmon's concerns related to the auditing schedule.

Representative Costello wondered what the funds for out of state travel would specifically be used toward. Ms. Kelly replied that the legislative auditor added the out of state travel funding to the fiscal note in case there was a need to examine another state's system.

Representative Gara expressed support of HB 30. He surmised that the bill would not affect the governor's budget. Ms. Kelly agreed.

Representative Gara looked at page 5, lines 7 through 14 of the bill. He wondered what programs would be examined, if there was not a possible 10 percent cut under the bill's standards. Ms. Kelly replied that it was a guideline, in order to provide a possible list that would cut the department by 10 percent, and then the legislature would determine where the cuts could be made.

[1:53:48 PM](#)

Representative Gara wondered what would happen if the agency could not find 10 percent worth of cuts. Ms. Kelly pointed out that all information submitted to the legislature would state that the financial plans would be prioritized. She remarked that the manager prioritizes the program, but could argue that the items that were low on the list were still constitutionally mandated.

Representative Gara wondered if a provision could be added that would require the department to explain why it could not find 10 percent of the programs unnecessary. Representative Chenault replied that the criteria was merely a guideline, so the department would be urged to prioritize there programs.

[1:58:00 PM](#)

Representative Gara reiterated his desire for a provision that allows the department the ability to explain their reasoning for not making specific cuts to programs. Ms. Kelly responded that the intent of the bill was to ask

departments to objectively examine their budgets, and identify 10 percent. She understood that there were larger items that could not be cut, but there was nothing that mandated a requirement of the legislature to decrease those programs.

Co-Chair Stoltze stressed that there should always be a benchmark for the departments' budgets.

Representative Kawasaki wondered where and how the performance metrics would evolve. Ms. Kelly replied that the metrics would evolve in the process of the legislative auditor looking at the way that other states' metrics evolve. She pointed out that there were various metrics that states utilize, and the legislative auditor would determine if those metrics applied to Alaska.

Representative Kawasaki wondered what would happen if the governor's metric was in conflict with the legislature. Representative Chenault responded that it was the privy of the legislature to construct a bill, and furthered that he would like to work with DOA to come to an agreement based on continuity.

[2:03:38 PM](#)

Co-Chair Stoltze remarked that the governor could not "veto money into the budget." He pointed out that the legislature's primary role was appropriation, and it should be a collaborative effort.

Vice-Chair Neuman looked at page 4, line 5 of the bill, and suggested the words "have to" instead of the words "may" and "shall." He looked at the fiscal note, and wondered if the department would be restricted to the personnel that were already in place, while the performance audit was conducted. Ms. Kelly responded that OMB agreed that there may be added work, but they agreed to move forward with a zero fiscal note. She remarked that the fiscal note may evolve.

Co-Chair Stoltze suggested language about direction related to managing the performance audits.

Representative Chenault thanked the committee, and looked forward to developing a proper way to conduct the performance audits.

Co-Chair Stedman appointed Representative Costello to be the subcommittee Chair for the Performance Audits subcommittee; with members: Representative Austerman, Representative Wilson, and Representative Gara.

HB 30 was HEARD and HELD in committee for further consideration.

[2:08:35 PM](#)

AT EASE

[2:09:21 PM](#)

RECONVENED

Co-Chair Stoltze handed the gavel to Co-Chair Austerman.

#hb65

#hb66

HOUSE BILL NO. 65

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs, capitalizing funds, amending appropriations, and making reappropriations; and providing for an effective date."

HOUSE BILL NO. 66

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

[2:09:57 PM](#)

^DEPARTMENT OVERVIEW: DEPARTMENT OF LABOR and WORKFORCE DEVELOPMENT

[2:10:31 PM](#)

DIANE BLUMER, COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, introduced herself.

Commissioner Blumer discussed the PowerPoint presentation, "Alaska Department of Labor and Workforce Development; House Finance; Department Overview; Commissioner Dianne Blumer; January 31, 2013" (copy on file).

Commissioner Blumer looked at slide 2, "Department of Labor and Workforce Development."

Mission: Provide safe and legal working conditions and advance opportunities for employment.

Core Services:

- Protect Alaska's workers through statutory and regulatory assistance and enforcement.
- Income replacement for injured, unemployed, and permanently disabled workers.
- Workforce development to support Alaska hire and economic development.

Commissioner Blumer discussed slide 3, "Department of Labor and Workforce Development, Organization Chart." She stated that the commissioner oversaw the deputy commissioner and the assistant commissioner. The deputy commissioner oversaw the Administrative Services Division; the Alaska Vocational Technical Center; the Business Partnerships Division; the Employment and Training Services; Unemployment Insurance; Adult Basic Education; and the Workers' Compensation Division. She explained that the assistant commissioner oversaw the Alaska Workforce Investment Board; the Labor Standards and Safety Division; the Vocational Rehabilitation Division; the Alaska Labor Relations Agency; and the Disability Determination, which was also known as the Vocational Rehabilitation Division.

[2:15:46 PM](#)

Commissioner Blumer looked at slide 4, "Services by Location." She stated that there were Job Centers in Barrow, Kotzebue, Nome, Bethel, Dillingham, Kodiak, Homer, Kenai, Anchorage, Wasilla, Eagle River, Seward, Valdez, Glennallen, Tok, Fairbanks, Juneau, Sitka, and Ketchikan. She stated that Vocational Rehabilitation Centers were located in Fairbanks, Wasilla, Eagle River, Anchorage, Kenai, Kodiak, Juneau, Sitka, and Ketchikan. She shared that the Alaska Vocational and Technical Education Center (AVTEC) was located in Seward.

Commissioner Blumer discussed slide 5, "State and Private Partnerships."

State Partners

Veteran Services

- Department of Military and Veterans Affairs

Economic and Demographic Data Production

- Department of Health and Social Services
- Department of Commerce, Community and Economic Development
- Department of Education and Early Development

Prisoner Reentry

- Department of Corrections

Training and Education Program Outcomes

- Department of Education and Early Development
- University of Alaska
- Commission on Postsecondary Education

[2:19:43 PM](#)

Commissioner Blumer highlighted slide 6, "State and Private Partnerships."

Private Partners:

Training and Education

- Construction Education Foundation
- Alaska Works Partnership
- School Districts
- Association of General Contractors
- Home Building Associations
- Regional Training Centers
- Employers

Private Sector Membership on Boards and Commissions

- Alaska Labor Relations Agency Board
- Alaska Safety Advisory Council
- Alaska Workers' Compensation Board
- Alaska Workforce Investment Board
- Fishermen's Fund Advisory and Appeals Council
- Occupational Safety and Health Review Board
- State Vocational Rehabilitation Committee
- Statewide Independent Living Council
- Workers' Compensation Appeals Commission
- Workers' Compensation Medical Services Review Committee

Commissioner Blumer looked at slide 7, "Department of Labor and Workforce Development Challenges." She stated that maintaining services to Alaskans while managing flat or declining federal revenue and increasing operating expenses were challenges for DLWFD because of flat or declining federal revenue; and increasing operating expenses.

PALOMA HARBOUR, ACTING DIVISION DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, discussed slide 8, "Protect Workers." She stated that the Labor and Standards Safety Vision (Grey Mitchel, Director) oversaw wage and hour administration; mechanical inspection; and occupational safety and health. She also stated that the department had the Alaska Labor Relations Agency, with Mark Torgerson serving as the administrator.

Ms. Harbour looked at slide 9, "Protect Workers."

Performance:

The five-year moving average rate of workplace fatalities per 100,000 employees declined from 1.61 (FY 07-FY 11) to 1.48 (FY 08-FY 12).

Ms. Harbour discussed slide 10, "Income Replacement."

Workers' Compensation Division; Michael Monagle, Director

Workers' Compensation
Workers' Compensation Appeals Commission
Workers' Compensation Benefits Guaranty Fund
Second Injury Fund
Fishermen's Fund

Employment Security Division; Paul Dick, Director

Unemployment Insurance

Vocational Rehabilitation Division; Cheryl Walsh, Director

Disability Determination

[2:24:35 PM](#)

Ms. Harbour highlighted slide 11, "Income Replacement."

Performance:

-In FY2012, the number of employers brought into compliance with the Workers' Compensation Act was 387. This was an increase from the prior year total of 319.

-In calendar year 2011, Alaska processed 92.5 percent of initial unemployment insurance payments within 21 days.

Ms. Harbour highlighted slide 12, "Workforce Development."

Vocational Rehabilitation Division; Cheryl Walsh,
Director

- Client Services
- Independent Living
- Special Projects

Employment Security Division; Paul Dick, Director

- Employment and Training Services
- Adult Basic Education

Business Partnerships Division; Corine Geldhof,
Director

Alaska Workforce Investment Board; Jeff Selvey,
Executive Director

Alaska Vocational Technical Center; Fred Esposito,
Director

Ms. Harbour looked at slide 13, "Workforce Development."

Performance

-In FY 12, 637 of the individuals exiting the vocational rehabilitation program were employed upon exit. This represents a record level and exceeds the prior year performance of 569 individuals by 12 percent.

-In FY 12, 85 percent of Alaska Vocational Technical Center (AVTEC) long-term (longer than six weeks) program students graduated. This exceeded the target graduation rate of 80 percent and the accrediting benchmark of 60 percent.

Ms. Harbour highlighted slide 14, "Total Funding Comparison by Fund Group."

Between FY 05 and FY 14:

- UGF increased by \$21.6 million (156.5 percent)
- DGF increased by \$11.8 million (54.2 percent)
- Other funds increased by \$4.3 million (19 percent)
- Federal Funds remained relatively flat, increasing by \$0.1 million (0.1 percent)

Ms. Harbour highlighted slide 15, "Share of Total Agency Operations."

- The department's general fund budget grew by \$33.4 million between FY05 and the FY14 Governor's Request - an average annual growth rate of 7.6 percent.
- Growth since FY09 has been \$5.5 million (1.7 percent growth rate).
- The department continues to represent a small portion of the overall statewide budget.

Ms. Harbour looked at slide 16, "Line Item Distribution."

The majority of funding in FY 14 is in the following line items:

- Personal Services: 46 percent
- Grants: 31 percent

About 55 percent (\$34 million) of the grants funding is in the Business Partnerships appropriation (with the majority housed in two allocations):

- \$25.6 million in Business Services
- \$3.2 million in the Construction Academy

[2:29:22 PM](#)

Ms. Harbour spoke to slide 17, "Budgeted Positions."

-Between FY 05 and FY 14 the total number of budgeted positions decreased by 32.

-Reduction in permanent full-time and part-time positions since FY 05 is due to flat or declining base operating federal funds and the expiration of one-time federal grant funds.

Ms. Harbour highlighted slide 18, "FY 2014 Budget Request: 194,404.9; (\$35,363.0 UGF; \$33,696.4 DGF; \$26,566.7 Other; \$98,778.8 Federal)." She stated that the pie chart displayed the budget by priority program: Income Replacement, 27 percent at \$53,248.1 million; the Protect Workers, 7 percent at \$13,681.3 million; and Workforce Development, 66 percent at \$127,475.5 million. She stated that there were 869 full-time positions, 77 part-time positions, and 14 temporary positions.

Ms. Harbour discussed slide 19, "Governor's Budget Overview."

FY2013 Operating Supplemental:

Department-wide lease cost increases

-\$942.9 UGF for increasing ongoing lease expenses with a department-wide impact

FY2014 Operating Budget

Department-wide lease cost increases

-\$984.5 UGF for increasing ongoing lease expenses with a department-wide impact

Department-wide core service cost increases

-\$65.0 UGF for increasing ongoing core services provided by the Department of Administration with a department-wide impact

Division of Vocational Rehabilitation

-\$100.0 UGF to strengthen the Independent Living network in Alaska

Alaska Vocational Technical Center (AVTEC)

-\$200.0 UGF continuation of one-time FY2013 appropriation for increasing operating expenses at AVTEC

Ms. Harbour looked at slide 20, "Governor's Budget Overview."

FY2014 Capital Budget

Heavy Equipment/Diesel/Pipe Welding Relocation
Phase 1 of 3
-\$6,000.0 this phase, \$15,000.0 all three phases,
replaces a training facility with safety issues

Deferred Maintenance
-\$968.4 UGF for reducing the backlog of
maintenance needs on the Alaska Vocational
Technical Center's (AVTEC) aging infrastructure

Mobile Mine Machine Simulator
-\$1,800.0 UGF grant to the University of Alaska's
Mining and Petroleum Training Services program to
train across Alaska

Maritime Simulator Ice Navigation Upgrade Phase 1
of 3
-\$375.0 UGF this phase, \$1,050.0 all three
phases, hardware upgrades are required to support
this software

Ms. Harbour discussed slide 21, "Ten Year Plan."

The department's general fund budget grew by \$33.4 million between FY05 and the FY14 Governor's Request - an average annual growth rate of 7.6 percent.

Growth since FY09 has been \$5.5 million (1.7 percent growth rate).

The department's ten year plan equates to an average annual growth rate of 0.6 percent.

[2:34:56 PM](#)

Ms. Harbour spoke to slide 22, "Ten Year Plan." She stated that the graph displayed a representation of all funds, instead of only GF.

Co-Chair Austerman looked at slide 11, and noted that there were approximately 300 employers who were not in compliance. He wondered if the state was required to annual fund the employer compliance cases. Ms. Harbour replied that there was a fraud division that investigated complaints related to policy cancellations or workers that stated that they are not covered. She stated that there was approximately 400 per year, and announced that the year prior had a slightly lower number of cases. She stressed the importance of funding continual fraud investigation.

Vice-Chair Neuman looked at the Legislative Analysis book related to federal withholdings and vocational education, and wondered why those not included in the legislative review book. He asked whether all 10 programs in statute were receiving equal funding.

GREG CASHEN, ASSISTANT COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, answered the programs had varying percentages, and agreed to provide more detailed information.

Vice-Chair Neuman would appreciate it. He pointed to AVTEC and the cost of delivery thought the program had increased from \$2.50 million to \$3.00 million. Ms. Harbour stated that she would follow up on the question.

[2:39:19 PM](#)

Vice-Chair Neuman referred to discussions about the UA provided funding; he surmised that some of the costs were averaging \$30,000 to \$35,000. He requested information regarding the possibility of UA providing that funding. Ms. Harbour would follow up with the detail.

Representative Costello asked about opportunities to reduce duplicated efforts. She hoped the department's auditor could look at DEED. She discussed vocational education and wanted the departments to work more closely together on some issues. She believed the departments were both expending efforts in similar areas related to benefits for young Alaskans. Commissioner Blumer answered that there was a technical education plan that she would provide to the committee. The internal auditor had been hired primarily to look at three divisions within the department to identify any overlaps internally.

Representative Kawasaki agreed that there seemed to be a lot of duplication in services. He asked about the department's budget that was relying heavily on federal funds. He pointed to sequestration and wondered whether it was part of the department's plan. Commissioner Blumer replied that sequestration was not included in the graph.

Representative Gara looked at slide 19. He wondered if the increase in lease expenses referred to new space or existing space. Commissioner Blumer replied that the increase was for existing leases.

Representative Gara surmised that DEED did not own any of the buildings, because the buildings were all privately owned. Commissioner Blumer agreed.

Representative Gara remarked that there were discussions about the possibility of departments partnering together to occupy state-owned building. He wondered if there could be further discussion between the departments, to determine the possibility of long-term cost savings that may be achieved by owning a building, rather than leasing a building. Commissioner Blumer agreed to have discussions with other departments, specifically with Commissioner Hultberg of DOA.

[2:46:36 PM](#)

AT EASE

[2:48:34 PM](#)

RECONVENED

^DEPARTMENT OVERVIEW: DEPARTMENT OF LAW

[2:49:55 PM](#)

MICHAEL GERAGHTY, ATTORNEY GENERAL, DEPARTMENT OF LAW, presented the PowerPoint, "Department of Law; FY 14 Budget Overview." He began with slide 2, "Core Services."

Protecting the Safety and Financial Well Being of Alaskans

Fostering Conditions for Responsible Development of Our Natural Resources

Protecting the Fiscal Integrity of the State

Promoting Good Governance

Attorney General Geraghty highlighted slide 3, "Core Services." He stated that the core services for the Department of Law (DOL) were separated into four budget sections: 61 percent toward protecting Alaskans; 21 percent toward state and fiscal protection; 9 percent toward governance; and 9 percent toward economic opportunity and resource development.

Attorney General Geraghty shared that the United Cook Inlet Drifters Association and Fisherman's Fund sued the North Pacific Council, because the North Pacific Council had approved an amendment that seeded control of federal waters to the state for exclusive state-management of the salmon fisheries. He remarked that those locations were federal waters, but the amendment would allow for the state to continue exclusive regulation of salmon fishing in that area. He stated that the State of Alaska were going to join in the effort to defend the State of Alaska's regulatory rights.

[2:59:11 PM](#)

Attorney General Geraghty discussed slide 4, "Department of Law organizational Chart." The divisions included the Criminal Division these thirteen offices in the state; the Administrative Services Division: Management and Financial Forecast; and the Civil Division.

Attorney General Geraghty looked at slide 5, "Key Statistics."

Civil Division: 167 attorneys, 141 support staff, 38 total.

Criminal Division: 131 attorneys, 118 support staff, 249 total.

Administrative Services Division: 1 attorney, 21 support staff, 22 total.

Total: 299 attorneys, 280 support staff, 579 complete DOL staff.

Attorney General Geraghty displayed slide 6, "Prosecutors in Statewide Offices." He stated that there were 2 prosecutors in Barrow; 2 in Kotzebue; 2 in Nome; 14 in Fairbanks; 11 in Palmer; 7 in Bethel; 35 in Anchorage; 9 in Kenai; 2 in Dillingham; 2 in Kodiak; 4 in Juneau; 1 in Sitka; and 3 in Ketchikan.

Attorney General Geraghty looked at slide 7, "Assistant AG's Statewide Offices." He explained that there were assistant attorney general (AG) offices in Nome, Fairbanks, Palmer, Bethel, Anchorage, Kenai, and Juneau.

Attorney General Geraghty highlighted slide 8, "Department of Law's Share of Total Agency Operations." He stated that Department of Law's general fund budget grew by \$32.9 million between FY 05 and the FY 14 governor's request, which was an average annual growth rate of 8 percent. He furthered that Department of Law's total FY 14 general fund request equaled \$200 per resident worker.

[3:03:07 PM](#)

Attorney General Geraghty displayed slide 8, "Department of Law, Percent of the Total Department's Budget Fund Group." He stated that the graph displayed DOL's fund sources. He remarked that DOL received federal grants. There were some communities in the state that elected to fund prosecutor positions.

Attorney General Geraghty spoke to slide 9, "Department of Law, Continued Budget Growth Compared to 10-year Plan." He stated that the graph showed DOL's plan, but he could not speak to the details of the graph, because it was prepared by LFD.

Attorney General Geraghty discussed slide 13, "Return on Budget, FY 12." He reiterated that one of the core missions of DOL was to protect the fiscal integrity of the state. He shared that companies or individuals owed the state money, DOL would pursue those claims. He stressed that on many occasions, the return to the state was based on that equal recovery of money. He stated that the graph displayed the financial return, broken down by the divisions within the department. He remarked that the State of Alaska won a case against the Supreme Court in FY 12, and as a consequence the Court release funds that had been deposited into an account to fight the case. He stated that DOL had convinced

the judges that their calculation of pre-judgment interest was incorrect. He remarked that the graph displayed the total and cost of returns from the last two years. He stressed that the money was not wasted, and was often used toward recovering funds that were owed to the state. He added that in FY 13, DOL had already recovered \$255 million from the British Petroleum (BP) case.

Attorney General Geraghty looked at slide 14, "FY 14 Operating Budget Request (millions)." He shared that there was a difference between the way the LFD and DOL analyzed the budget requests. He concluded his presentation.

[3:08:43 PM](#)

Co-Chair Austerman referred to slide 8, and he remarked that the graph was really about comparing DOL's GF spending in 2005 versus GF spending in 2014. He observed that it had almost doubled. He pointed out that the legislature was currently focused on that trend of almost doubling spending within ten years. He wondered what DOL's budget projections would be for the next ten years. Attorney General Geraghty stated that barring something unforeseen circumstance, he did not see growth in terms of people, because the population was currently fairly stable. He felt that DOL was well-staffed, and DOL only projected a modest ten-year growth plan. He pointed out that most crimes were committed by individuals between the ages of 18 to 35. He remarked that there was not an anticipation of population growth for individuals between the ages of 18 to 35, so the crime rate was not growing. He felt that DOL's budget projection was accurate; and possibly even more accurate than the projection provided by LFD for DOL.

Co-Chair Austerman wondered if there were additional growth projections, outside of federalism, that would impact DOL's budget. Attorney General Geraghty replied that it was difficult to predict litigation, but furthered that most federalism cases were less than 10 percent of DOL's budget. He stressed that almost all of the federalism cases were conducted within DOL, except that an outside law firm was assisted to handle the Endangered Species Act case.

[3:13:16 PM](#)

Representative Munoz queried the status of RS 2477 claims, and the state's involvement in defending the historic

right-of-ways. Attorney General Geraghty replied that DOL was currently preparing to file a series of claims under RS 2477 to perfect a quiet title related to the state's right-of-ways, focusing primarily on Chicken, Alaska. He stated that there had been long-term activities in Chicken, and the trails were well-used and well-marked. He explained that DOL was planning to file on the RS 2477 claims to quiet-title against the federal government. He stated that there were some private landowners that may be involved, but may file a disclaimer of interest. He stated that there were approximately 700 RS 2477 trails in the state. The case was difficult to prove, because there was a requirement to prove historic proof with testimony leverage. He shared that DNR had a section working to collect old pioneers and miners that could testify to the trails' historic uses. He relayed that DOL defended claims for people with existing well-known trails who claimed to have superior interest. He explained that RS 2477 was created under the mining law in 1864, but was abolished by the United States Congress in 1974. He shared that if state government could prove that there was an existing trail or road that were developed by pioneers, the state could perfect a right-of-way against the federal government and others who may claim against the right-of-way. He announced that Utah had asserted approximately 10,000 RS 2477 claims.

Vice-Chair Neuman wondered if there was a way for the state to recoup the costs when the state was sued on a development project. Attorney General Geraghty responded that DOL would recoup attorney fees, but the costs related to the postponing of projects could not be recovered.

[3:17:48 PM](#)

Vice-Chair Neuman requested a list of lawsuits pertaining to protecting state's rights, specifically related to gun and ammunition rights. Attorney General Geraghty agreed to provide that information. He was not aware of any current firearms cases, but there were some natural resource cases. He furthered that Alaska was one of the states that challenged the Affordable Care Act, and one of the key features was the penalty that was imposed on individuals who refused to buy insurance. He stated that the federal government's defense was based on the use of the Commerce Clause, because medical care was an intrastate effort. The US Supreme Court rejected that argument.

Vice-Chair Neuman stated that the authority of navigable waters was also a current issue. Attorney General Geraghty stated that that issue would be included in the list that he had previously agreed to provide.

Representative Wilson wondered if there was a deadline for when the navigability in Chicken would be restored for the miners. Attorney General Geraghty shared that there was a lawsuit regarding the 30-mile stretch in the Mosquito Fork that DOL contended was navigable. He stated that the federal government argued that the area was not navigable, so that issue was still open. He agreed to provide further information regarding the specifics of the case.

HB 65 was HEARD and HELD in committee for further consideration.

HB 66 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[3:23:18 PM](#)

The meeting was adjourned at 3:23 p.m.