

HOUSE FINANCE COMMITTEE  
February 6, 2014  
1:34 p.m.

1:34:54 PM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 1:34 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 David Guttenberg  
Representative Lindsey Holmes  
Representative Cathy Munoz  
Representative Steve Thompson  
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Karen Rehfeld, Director, Office of Management and Budget, Office of the Governor; Mary Siroky, Director, Division of Administrative Services, Department of Transportation and Public Facilities; Michael Geraghty, Attorney General, Department of Law; Dave Blaisdell, Director, Administrative Services Division, Department of Law.

SUMMARY

HB 266      APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 266 was HEARD and HELD in committee for further consideration.

HB 267      APPROP: MENTAL HEALTH BUDGET

HB 267 was HEARD and HELD in committee for further consideration.

HB 299 SUPPLEMENTAL/CAPITAL/OTHER APPROPRIATIONS

HB 299 was HEARD and HELD in committee for further consideration.

FY 14 SUPPLEMENTAL BUDGET OVERVIEW: OFFICE OF MANAGEMENT AND BUDGET

FY 15 BUDGET OVERVIEW: DEPARTMENT OF LAW

#hb299

HOUSE BILL NO. 299

"An Act making supplemental appropriations, capital appropriations, and other appropriations; amending appropriations; repealing appropriations; making appropriations to capitalize funds; and providing for an effective date."

[1:35:28 PM](#)

^FY 14 SUPPLEMENTAL BUDGET OVERVIEW: OFFICE OF MANAGEMENT AND BUDGET

[1:35:37 PM](#)

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, presented an overview of the supplemental bill. She spoke to 2 supporting documents: the FY15 supplemental spreadsheet and the FY15 supplemental summary (copy on file). She shared that the supplemental bill totaled \$53,370,100; less than \$1 million was specific to agency operations \$8 million was specifically related to fire suppression activities and disaster relief funding, \$2 million was for settlements and judgments, and \$2.4 million was for emergency repairs that had not been eligible for disaster funding.

[1:37:28 PM](#)

Ms. Rehfeld spoke to Page 1, line 2 of the spreadsheet:

**Department of Administration  
Office of Public Advocacy**

**Caseload Capacity and Appellant Backlog**

Funding to accommodate case load increases and address the appellant backlog. The impact of this supplemental is being considered for a FY2015 budget amendment.

**General Fund**

**\$193.0**

Ms. Rhefeld continued to Line 3:

**Department of Administration**

**Public Defender Agency**

**Caseload Capacity and Appellant Backlog**

Funding to address case load increases and the appellant backlog. The impact of this supplemental is being considered for a FY2015 budget amendment.

**General Fund**

**\$650.0**

[1:38:48 PM](#)

Ms. Rehfeld spoke to Line 4:

**Department of Military and Veterans Affairs**

**Alaska Military Youth Academy**

**Replace Unavailable Receipt Authority for**

**Alaska State Employees Association One- Time Payment**

The Alaska Military Youth Academy (AMYA) does not receive nor is able to request federal or interagency receipts from the U.S. Department of Defense Challenge grant or through the Alaska Department of Education and Early Development formula funding. The one-time \$755 lump sum payment was made to General Government Unit employees in the second pay period of August 2013. This is a one-time request.

**General Fund**

**48.0**

**Interagency**

**Receipts**

**(24.9)**

**Federal Receipts**

**(23.1)**

[1:39:21 PM](#)

Ms. Rehfeld continued to Slide 5:

**Department of Natural Resources**

**Fire Suppression Activity  
FY2014 Fire Activity**

This request provides general funds for expenditures incurred under the Declaration of Disaster Emergency process for the fall 2013 fire season. Additional authorization for this purpose is requested each year due to the unpredictable cost of each fire season.

**General Fund  
\$22,769.4**

[1:40:14 PM](#)

Ms. Rehfeld spoke to lines 6, 7, and 8:

**Department of Revenue  
Treasury Division**

**Investment Management of Public School Trust Fund**

Investment management fees are charged as a percent of the market value of invested assets under management. Market fluctuations affect the value of the assets and therefore the amount of the management fees. This amount covers the costs for the remainder of FY2014. This is a one-time request.

**Public School Trust Fund  
\$19.0**

**Department of Revenue  
Treasury Division**

**Investment Management of Retiree Health  
Insurance Fund/Long Term Care Management**

Investment management fees are charged as a percent of the market value of invested assets under management. Market fluctuations affect the value of the assets and therefore the amount of the management fees. This amount covers the costs for the remainder of FY2014. This is a one-time request.

**Retiree Health Insurance Fund/Long Term Care  
\$7.0**

**Department of Revenue  
Treasury Division**

**Investment Management of Power Cost Equalization  
Endowment Fund**

Investment management fees are charged as a percent of the market value of invested assets under management. Market fluctuations affect the value of the assets and therefore the amount of the management fees. This

amount covers the costs for the remainder of FY2014.  
This is a one-time request.

**Endowment Fund**  
**\$16.0**

Ms. Rehfeld spoke to capital supplemental items. She began with Page 2, line 11:

**Department of Commerce, Community, and Economic  
Development**

**Capital**

**Inter-Island Ferry Authority**

This funding is designed to assist the Inter-Island Ferry Authority in providing daily service between Ketchikan and the Prince of Whales Island given current revenue and expenditures. These funds are not intended to be provided annually but considered as needed to continue this vital service.

**General Fund**  
**\$500.0**

[1:41:51 PM](#)

Ms. Rehfeld continued to Line 12:

**Department of Transportation and Public Facilities**  
**Capital**

**Northern Region Emergency Flooding Disaster May 2013**

Repair damaged areas, due to flooding and ice jams, which resulted in substantial damage to public infrastructure. These projects are not eligible for reimbursement from the Federal Highway Administration or the Federal Emergency Management Agency.

**General Fund**  
**\$2,408.1**

Ms. Rehfeld discussed the language section beginning on Line 16:

**Department of Environmental Conservation**  
**Capital**

Reappropriate balances from several smaller municipalities' water and sewer projects that have been completed under budget, stalled, or canceled. The unexpended and unobligated balances, estimated to be a total of \$3,358,421, of the following appropriations, are reappropriated to the Department of Environmental

Conservation for Village Safe Water and Wastewater Infrastructure Projects and Technical Assistance, First Time Service Projects.

**Federal Receipts**

**2,517.7**

**General Fund Match**

**200.0**

**Alaska Housing Finance Corporation Receipts**

**640.7**

Ms. Rehfeld spoke to Line 17:

**Department of Environmental Conservation**

**Capital**

Scope Change: Sec1 Ch17 SLA2012 P114 L5 Haines - Barnett and Tower Road Water Tank Replacement and Infrastructure Improvements

This will allow roof replacement at the Tower Road tank using excess funds appropriated for the Barnett tank replacement which is anticipated to be completed under budget.

**General Fund**

Ms. Rehfeld continued to Line 18:

**Department of Health and Social Services**

**Capital**

Reappn: Sec13 Ch29 SLA2008 P149 L14

Reappropriation for Eligibility Information System Replacement

This will further the development of the replacement of the eligibility system for the State's welfare programs. The unexpended and unobligated balance, estimated to be \$81,232, of the appropriation made in sec. 13, ch. 29, SLA 2008, page 149, lines 14 - 17 (Department of Health and Social Services, Evaluate Eligibility Information System Alternatives, Phase 2 - \$864,300), is reappropriated to the Department of Health and Social Services for eligibility information system replacement.

**Federal Receipts**

**66.4**

**General Fund**

**14.8**

[1:44:06 PM](#)

Ms. Rehfeld continued to Lines 19 and 20:

**Department of Law  
Deputy Attorney General's Office  
Judgments and Settlements**

Actual judgment and settlement costs received as of February 3, 2014.

**General Fund  
\$1,570.2**

**Department of Law  
Deputy Attorney General's Office  
Judgments and Settlements**

Actual judgment and settlement costs incurred in the fiscal year ending June 30, 2014 but not yet included in the previous subsection.

**General Fund**

[1:44:55 PM](#)

Ms. Rehfeld directed committee attention to Page 4, lines 21 through 24:

**Department of Military and Veterans Affairs  
Capital**

Reappn: Sec1 Ch16 SLA2013 P70 L9

Reappropriation for Alcantra Facilities Projects

This Army Guard Facilities Projects allocation will provide needed capital improvement projects at the Alcantra Armory. The original project will be completed using U.S. Army active duty resources that do not flow through the state budget.

The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 16, SLA 2013, page 69, lines 23 - 24 (Army Guard Facilities Projects - \$5,589,000), and allocated on page 70, lines 9 - 10 (Fort Greely - Covered Shelter Buildings - \$350,000), estimated to be \$350,000, is reappropriated to the Department of Military and Veterans' Affairs, Army Guard Facilities Projects, and allocated for Alcantra Facilities Projects.

**General Fund**

**Department of Military and Veterans Affairs  
Capital**

Reappn: Sec7 Ch17 SLA2012 P166 L28

Reappropriation for Eielson Covered Storage

A reappropriation of the original appropriation will provide needed protection of assets for the 168th Wing at Eielson Air Force Base. The original purpose of the appropriation is no longer necessary because The STARBASE program has been discontinued.

The unexpended and unobligated balance of the appropriation made in sec. 7, ch. 17, SLA 2012, page 166, lines 28 - 30 (Move and Renovate STARBASE Building - \$195,000), estimated to be \$195,000, is reappropriated to the Department of Military and Veterans' Affairs for covered storage for the 168th Wing at Eielson Air Force Base.

**General Fund**

**Department of Military and Veterans Affairs  
Office of the Commissioner**

Arbitration Settlement - ASEA v. SOA, DMVA, AMYA

The sum of \$111,328 is appropriated from the general fund to the Department of Military of Veterans' Affairs, Office of the Commissioner, for the purpose of paying judgments and settlements for the fiscal year ending June 30, 2014.

**General Fund**

**\$111.3**

Ms. Rehfeld spoke to Page 5, line 24:

**Department of Natural Resources**

**Fire Suppression Activity**

**FY2014 Projected Spring Costs for Wildland Fire Protection**

Additional authorization for this purpose is requested each year due to the unpredictable cost of each fire season. It is difficult to predict the amount necessary for spring 2014 fire suppression activity. The estimate of \$5.0 million will be adjusted based on costs incurred through June 30, 2014.

**General Fund**

**\$5,000.0**

[1:46:26 PM](#)

Ms. Rehfeld continued to Line 25:

**Department of Transportation and Public Facilities  
Central Design and Engineering Services**

**Settlement and Legal Fees Related to Old Quinhagak Airport Litigation**

In November 2013 (FY2014), a legal settlement of \$100.0 was negotiated. Associated legal fees amount to \$64.6 for a total cost of \$164.6 related to the Old Quinhagak Airport litigation. The sum of \$164,617 is appropriated from the general fund to the Department of Transportation and Public Facilities, office of the commissioner, for the purpose of paying costs associated with Old Quinhagak Airport litigation for the fiscal year ending June 30, 2014.

**General Fund**  
**\$164.6**

Ms. Rehfeld related the request on Line 26:

**Office of the Governor**  
**Fuel Branch-wide Unallocated**

Amend: Sec22(e)(2) Ch14 SLA2013 P75 L29  
Amend Fuel Allocation Percentage

This will increase the University of Alaska's fuel trigger cap of 10% of the total appropriated plus or minus three percent to 15% of the total plus or minus three percent to cover an anticipated \$1.6 million shortfall for fuel and utility costs. The governor shall allocate amounts appropriated in (a) and (b) of this section as follows:

(2) to the University of Alaska, 15 [10] percent of the total plus or minus three percent.

[1:48:24 PM](#)

Ms. Rehfeld stated that Lines 27 and 28 related to debt service:

**Debt Service**  
**General Obligation**

Amend Sec25(h) Ch14 SLA2013 P81 L31 through P82 L22  
Fund Source Change for Series 2010AB  
Federal reimbursement for eligible state bonds has been reduced by 8.7% in FY2014. General obligation bonds series 2010A and 2010B federal reimbursements were reduced by a total of \$414,540.

**General Fund 414.6**  
**Federal ARRA**

**Debt Service**

**General Obligation**

Amend Sec25(h) Ch14 SLA2013 P81 L31through P82 L22  
Series 2013 Federal Reimbursement Eligibility  
General obligation bond series 2013A is eligible for  
federal reimbursement, but this funding source was not  
included in the FY2014 operating budget.

**General Fund**

**(430.1)**

**Federal ARRA**

**430.1**

[1:49:07 PM](#)

Ms. Rehfeld spoke to Lines 29 and 30:

**Debt Service**

**International Airport Revenue Bonds**

Repeal and reenact Sec25(i) Ch14 SLA2013  
P83 L4

Debt Service Fund Source Changes

This changes fund sources relating to FY2014  
International Airport debt service in order to  
increase the amount of Passenger Facility Charges  
(PFC) currently approved, and to change the federal  
subsidy funding code from federal receipts (1002) to  
federal stimulus:

ARRA 2009 (1212).

As with previous supplemental requests in years' past,  
this request utilizes amounts deemed by AIAS as  
surplus and available in order to help minimize the  
amount of revenue needed to be collected from airport  
customers while meeting debt service coverage ratios  
required under the bond resolution rate covenant.

**International Airports Revenue Fund**

**(1,962.6)**

**Passenger Facility Charges**

**2,000.0**

**Federal Receipts**

**(429.8)**

**Federal ARRA**

**392.4**

**Debt Service**

**International Airport Revenue Bonds**

Amend Sec25(m) Ch14 SLA 2013 P83 L3  
Early Redemption Fund Source Change

In review of 2014 activity for its Optional Bond Redemption plan which was initiated in 2010, the Alaska International Airports System (AIAS) determined the use of International Airports Revenue Fund as the funding source for the full amount of FY2014 redemptions provided more optimal benefit in context of updated capital improvement program needs and debt management than does the partial funding from the AIAS Construction Fund.

**International Airports Revenue Fund**

**23,000.0**

**International Airports Construction Fund**

**(23,000.0)**

[1:49:35 PM](#)

Ms. Rehfeld continued to Line 31:

**Fund Capitalization**

**Disaster Relief Fund**

**Recovery Efforts from the 2013 Spring Flood Disaster**

The sum of \$19,961,480 is appropriated from the general fund to the disaster relief fund (AS 26.23.300(a)).

**General Fund**

**\$19,961.5**

[1:50:07 PM](#)

Ms. Rehfeld turned to Page 7, line 32:

**Fund Capitalization**

**Disaster Relief Fund**

**Potential Disaster Relief Efforts**

This language provides authorization for actual disaster relief costs incurred in the fiscal year ending June 30, 2014 but not included in sec14(a) of the Governor's supplemental bill. The amount necessary, after application of the amount appropriated in (a) of this section, to pay for disaster activities is appropriated from the general fund to the disaster relief fund (AS 26.23.300(a)), subject to AS 26.23.020 and 26.23.025, for the fiscal year ending June 30, 2014.

**General Fund**

Ms. Rehfeld stated that Line 33 began the list of ratifications, which were listed at the end of the summary Lines 41 through 52. She said that the ratifications were for terminated appropriations, for prior year over expenditures, where federal funds were unrealizable or a cost was disallowed; the allowance of the ratification would allow for the zero balancing of the appropriations. She shared that the description of the ratification would indicate the fiscal year the appropriation came from.

[1:51:59 PM](#)

Ms. Rehfeld backtracked to Lines 34 through 36:

**Lapse of Appropriations**

The appropriations made by secs. 6, 7, 9(a) and 9(b) of this Act are for capital projects and lapse under AS 37.25.020.

**Lapse of Appropriations**

The appropriations made by sec. 14 of this Act are for the capitalization of a fund and do not lapse.

**Effective Date**

This Act takes effect April 20, 2014.

[1:52:45 PM](#)

Representative Wilson asked about a major fire in Fairbanks in 2014 that was caused by another entity. She wondered whether the state was recouping the costs of the fire from the responsible party. Ms. Rehfeld replied in the affirmative. She added that the majority of the fire had been on federal land and the costs were being recouped from the federal government.

[1:53:19 PM](#)

Representative Wilson asked about the private land. Ms. Rehfeld reiterated that funds were being recouped from the federal government.

[1:53:32 PM](#)

Co-Chair Stoltze spoke to fire concerns in his area. He asked whether discussions had occurred with the Department of Natural Resources (DNR) concerning possible fire issues.

Ms. Rhefeld said yes. She furthered that DNR could speak to their concerns and their game plan to mitigate risk and train local crews.

[1:55:12 PM](#)

Co-Chair Austerman understood that the item on Line 11 had been in the FY14 and FY15 budget requests. Ms. Rhefeld responded in the affirmative; it had not been the intent to make the request an annual operating expense to the state, but it had been recognized that the ferry provided a vital service to Prince of Whales Island. She said that if the authority could not provide the service, the Alaska Marine Highway System (AMHS) would bear the burden, which would be costly and complicated. She shared that the authority had made significant modifications to its operations to be able to operate without state assistance.

[1:56:48 PM](#)

Co-Chair Austerman noted that the request had been turned down the prior year. He recalled from conversations the previous year that the authority had been providing 7-day per week service to Prince of Whales Island from Ketchikan. He thought that costs could be lowered by reducing service. He expressed disappointment with seeing the request in the budget again, particularly since Kodiak received service twice per week and was happy with the service. He wanted to see something from the authority that showed they were controlling costs. Ms. Rhefeld explained that part of the challenge was stability issues with the AMHS providing statewide service with an aging fleet. She asserted that the authority was trying to generate enough revenue with the one run to keep sailing. She explained that the administrations concern was the degree that the state, through AMHS, would need to reinstate any service that the authority was unable to provide.

[2:00:23 PM](#)

Representative Gara spoke to a controversial runway at the Anchorage airport. He wondered if the state were to ask the city to pause the project would the state be paid a dividend or would the airport money stay inside the airport. Ms. Rhefeld deferred the question to the Department of Transportation and Public Facilities (DOT&PF). She understood that the master plan for the

runway had been a required document that updated their annual plan, whether or not they intended to move forward with the plan was uncertain.

[2:02:30 PM](#)

Representative Gara guessed that the airport was spending millions of dollars on community meetings and design discussions. He hoped the governor would look at whether this was a wise use of money. He queried whether the fund could be put back into the general fund. Ms. Rehfeld stated that the funds were a component of the general fund but were separate. She deferred the question to the department.

[2:03:35 PM](#)

Vice-Chair Neuman spoke to Line 12. He question why the request was being made again. He referred to a previous conversation with Commissioner Kemp, which had led him to understand that DOT&PF had the funds for projects already within its budget. Ms. Rehfeld deferred the question to the commissioner of DOT&PF.

[2:05:47 PM](#)

MARY SIROKY, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, indicated that Commissioner Kemp had been speaking to his operating budget needs, while this request was a capital budget request for the funding for the actual repairs. She asserted that the commissioner worked to clear avalanches and patch pot holes without asking for additional operating budget supplementals.

[2:06:47 PM](#)

Representative Gara reiterated his question about the redistribution of funds for the airport expansion. Ms. Siroky replied that the Federal Aviation Administration required that revenue generated from the airport had to be spent at the airport.

Representative Gara inquired if the state supported the airport with any general funds. Ms. Siroky replied no.

Representative Gara inquired whether there was ever a review by the department to see assess whether funds were

being spent appropriately. Ms. Siroky responded that one of the highest priorities of the commissioner was to assure that projects were examined and were shelf ready so that funding was spent where there was the greatest need.

[2:09:56 PM](#)

Co-Chair Austerman understood that the legislature had given DOT&PF the authority to transfer unused fund from one project to another without coming before the legislature for approval.

[2:10:17 PM](#)

Representative Gara said that he had heard concerns that projects were being completed, even though they did not need to be completed, just to assure that the department spend the available general fund money. He expressed concern that the department was spending money "just because it was there", rather than because it needed to be spent. Ms. Siroky contended that the department spent its money as wisely as possible.

[2:11:14 PM](#)

Representative Holmes commented that the department had done a good job reaching out to the community concerning the potential airport expansion project.

[2:12:35 PM](#)

Representative Costello asked about how other states addressed the need for fire suppression. She wondered if there was an alternative way the state could accommodate the fire suppression portion of the budget. Me. Rehfeld responded that all western states were wrestling with the issue. She said that there were other approaches that could be considered.

[2:14:08 PM](#)

Representative Wilson spoke to the ratifications for the Department of Labor. She wondered whether only a part of the request should be honored, leaving the department to take responsibility for the rest of the mistake.

[2:15:00 PM](#)

Ms. Rehfeld stated that the ratification items had already occurred in the fiscal year reflected in the back up for each item. She said that there were no additional general funds being approved for the items.

[2:16:02 PM](#)

Representative Wilson asked if the money had been paid, was it paid by the department or the general fund. Ms. Rehfeld stated that they were over-expenditures that were unknown at the time; they were accounting transactions that had already occurred and needed to be zeroed out in order to balance the old accounts.

[2:17:09 PM](#)

Co-Chair Stoltze related a story that illustrated the point of ratifications.

Representative Wilson asserted that she was looking for accountability.

HB 299 was HEARD and HELD in committee for further consideration.

[2:18:35 PM](#)

AT EASE

[2:26:09 PM](#)

RECONVENED

#hb266

#hb267

HOUSE BILL NO. 266

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs, capitalizing funds, and making reappropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund."

HOUSE BILL NO. 267

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

[2:26:16 PM](#)

^FY15 BUDGET OVERVIEW: DEPARTMENT OF LAW

[2:26:21 PM](#)

MICHAEL GERAGHTY, ATTORNEY GENERAL, DEPARTMENT OF LAW, began the PowerPoint presentation, "Department of Law FY15 Budget Overview." He spoke to Slide 2:

**Mission:**

The Alaska Department of Law prosecutes crime and provides legal services to state government for the protection and benefit of Alaska's citizens.

**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 of Alaska
- Promoting good governance

Mr. Geraghty turned to Slide 3, which contained a departmental organizational chart outlaying the three divisions: Criminal, Administrative Services, and Civil.

Mr. Geraghty spoke to Slide 4, which listed the FY15 operating budget requests by division. The department would be taking a 5percent reduction in general funding from FY14.

Mr. Geraghty continued to Slide 5, which contained a bar graph showing the percentage of the total department's budget by fund group. The percentage of general funds (UGF&DGF) in the Department of Law's budget was 64 percent in FY06 and is 68 percent in the FY15 governor's request.

[2:28:55 PM](#)

Mr. Geraghty spoke to Slide 6, "Key Statistics." The slide listed planned personnel reductions, the bulk of which would be the loss of 6 attorneys and 1 law office

assistant. The attorneys were divided between the criminal and civil division and three of the positions were currently vacant. He thought that remaining attorneys could work across divisions.

[2:31:41 PM](#)

Mr. Geraghty turned to Slide 7, which showed the department's share of total agency operations. The department's general fund budget grew by \$19.1 million between the FY06 and FY15 governor's requests, an average annual growth rate of 4.1 percent. The department's total FY15 governor's request general fund budget equaled \$191 per resident worker. In FY08, the department's percentage of all agency overall operations was 1.1 percent, and had been as high as 1.5 percent in FY12. In FY15, projections were at 1.2 percent. The main reason the department's budget had fluctuated was because of the need to use Outside Counsel for cases such as BP Corrosion, TAPS and the Fast Ferries. Personal services had increased \$25.5 million between FY06 and FY14.

[2:33:00 PM](#)

Representative Gara inquired what the blue line across the bars represented. Mr. Geraghty responded that he was unsure.

[2:33:42 PM](#)

DAVE BLAISDELL, DIRECTOR, ADMINISTRATIVE SERVICES DIVISION, DEPARTMENT OF LAW, interjected that the red lines represented the total agency budget of \$63 million. He added that the blue line represented the percentage of agency budget to total state agencies budgets.

[2:34:33 PM](#)

Mr. Geraghty continued to Slide 8, which showed the continued budget growth compared to the 10-year plan for all funds. He shared that spikes for the department were the result of large cases such and BP Corrosion, TAPS, and Point Thomson. The flatter growth curve in out years did not project any of those cases. Mr. Geraghty said that Slide 9 reflected the same comparison using only general funds.

Mr. Geraghty addressed Slide 10, which was a pie chart detailing personal services as 75 percent of the department's budget.

[2:35:53 PM](#)

Mr. Geraghty directed committee attention to Slide 11, which listed the adjustments to the FY14 management plan that would be needed to arrive at the base. He said that one-time items had been removed and statewide items had been re-added.

[2:36:40 PM](#)

Mr. Geraghty spoke to Slide 12, which showed the increments that had been added back in and the deletion of the 7 aforementioned positions. Reduced expenditure levels were 1.5 percent of the total budget. He said that the department would work to curb the use of outside council and to improve vacancy rate management. He noted that there were two attorney positions that were partially funded by the Department of Corrections.

[2:40:05 PM](#)

Mr. Geraghty turned to Slide 13. The slide contained a pie chart that broke down the priority programs as a percentage of the budget FY15 management plan.

Mr. Geraghty directed committee attention to Slide 14, which listed the numbers for the FY15 priority programs totaling \$93,458.4.

Mr. Geraghty addressed Slide 15, which listed the return on investment for the Civil Division budgets in FY12 and FY13.

[2:42:27 PM](#)

Mr. Geraghty continued to the individual topics pictured on Slides 16 through 24. He said that between 2010 and 2012, the state had 6 convictions for Medicaid fraud. Since 2012, the state had had 72 cases charged, 44 convictions, restitution judgments in excess of \$225,000, 21 cases were pending with restitution expected between \$1 million and \$3 million. He said that Medicaid providers had been suspended and payments had been suspended for claims that were under suspicion. Mr. Geraghty shared that in summer of 2013 he

had instituted a change in the department's plea negotiation policy, mostly for serious crimes, which eliminated the ability of the persecutor and the defense attorney to agree on a sentence resulting in the case having to be resolved by a judge. He believed that the policy change had been successful.

[2:46:31 PM](#)

Mr. Geraghty spoke to the backlog of appeals. He said that in the court of criminal appeals had a significant backlog of appeals that had built up over the past few years. He shared that currently, between the time between when a notice of appeal was filed and the briefing was completed was approximately 500 days. He said that many of the appeals were sentence appeals and could be handled by civil attorneys.

[2:49:56 PM](#)

Mr. Geraghty moved on to the issue of the Voting Rights Act. He said that the state had challenged the coverage formula provision, which had required the state to pre-clear all election changes before they could be implemented. The case was dismissed with the Department of Justice agreeing that the requirements were null. The effort should reduce the re-appointment fights in the future, which should result in saving to the state. He continued to the Katie John case. He stated that an amicus brief had been filed by 14 states in support of Alaska's Certiorari Petition, which he believed spoke to the merits of the case and the issue of encroachment of federal authority on state's rights.

[2:51:16 PM](#)

Mr. Geraghty spoke to the Endangered Species Act. He related that the major species implicated were the polar bear and the bearded seal. He relayed that the state had won the critical habitat case before the district court. The critical habitat established by the National Marine Fisheries Service (NMFS) covered 187,000 square miles of the state; the rule was currently on appeal to the 9th circuit. He spoke to the challenge of the bearded seal designation, which was based by NMFS on a 100 year model. He hoped for a decision in the current year. He said that

the stellar sea lion was still designated that litigation would most likely resume on the issue.

[2:53:05 PM](#)

Mr. Geraghty opined that Alaska's right to access and manage land was an ongoing issue. He spoke to the case of John Sturgeon who was prohibited from using a hovercraft inside the Yukon-Charley Rivers National Preserve. He said that the state was appealing the case with Mr. Sturgeon, and that other cases were pending. He stated that the Roadless Rule continues to be litigated as well as the Lease Sale 193 among others.

[2:55:18 PM](#)

Mr. Geraghty discussed consumer protection. He shared that he was working on the issue of on-board port shopping programs that were nefarious and unethical. He said that a consent decree had been negotiated with the three on-board promotion companies that served the cruise lines working in Alaska.

[2:59:33 PM](#)

Mr. Geraghty spoke to Slide 24, which listed challenges faced by the department:

- Increases in the number of criminal cases brought to trial
- Increased facility costs
- Gasline funding
- Elections issues in 2014
- Effective use of outside counsel

Mr. Geraghty said that in 2011 the department tried 130 cases in Anchorage, 2012 148 cases were tried, and in 2013 176 cases were tried. He stated the all of the state offices in Western Alaska faced challenges, but that Bethel was the priority. He relayed that the Fairbanks office had been moved, which had added expense. He listed other facility challenges.

[3:03:57 PM](#)

Co-Chair Stoltze expressed appreciation for the department's work on victim's rights. Mr. Geraghty replied work would continue on the issue.

[3:06:26 PM](#)

Co-Chair Stoltze inquired what the relevance was of telling the committee what percentage his department's budget was of the total agency budgets. Mr. Geraghty thought that it was useful to track what percentage of a state budget an agency spent.

Co-Chair Stoltze did not appreciate the departmental comparisons.

[3:08:32 PM](#)

Co-Chair Austerman commented that past chairmen had found the information helpful. Co-Chair Stoltze agreed that the charts could be useful.

Co-Chair Stoltze queried the return on investment for successful cases and agency advice. Mr. Geraghty said that it was hard to quantify.

[3:11:07 PM](#)

Co-Chair Stoltze said that he was speaking to federal litigation. Mr. Geraghty reiterated that it was hard to quantify.

[3:12:25 PM](#)

Representative Costello asked for Mr. Geraghty's opinion on the amount of time and energy the state spent dealing with issues related to federal overreach. Mr. Geraghty replied that the department spent a lot of time dealing with the issues. He shared that much time had been spent on the Pebble Mine issue. He spoke again to the Sturgeon Case. He thought that it would be hard to measure the time spent, but that it was an ongoing battle.

[3:14:54 PM](#)

Representative Costello requested a short overview of the status of the RS2477 issue. Mr. Geraghty responded that the district court judge granted a summary judgment to the native allotment holders that were involved in some of the trails in the Chicken area. He stated that the judge believed that it was an issue that should be decided by the 9th circuit.

[3:16:44 PM](#)

Co-Chair Stoltze thought that the issue would be better addressed by the Citizens Advisory Committee on Federal Areas. Mr. Geraghty said that the Chicken claims were the main cases the state was dealing with, but that there were more, smaller cases that the department was handling.

[3:18:03 PM](#)

Vice-Chair Neuman probed the issue of Medicaid fraud. He understood that the department recovered \$1 million to \$3 million per year. Mr. Geraghty replied that there were 21 cases pending where the restitution available would be \$1 million to \$3 million.

Vice-Chair Neuman asked where the recovered funds would be used. Mr. Geraghty said that the funds would be returned to the Department of Health and Social Services (DHSS).

Vice-Chair Neuman understood that the department saved \$15 million per year by discovering Medicaid fraud. Mr. Geraghty replied that when there was credible evidence of fraud DHSS would suspend payment. He said that in those cases the projected money saved was \$15 million.

[3:21:03 PM](#)

Representative Gara commented that the number of non-violent offenders in prison had grown significantly. He asked whether the department could work with the Department of Corrections and the governor in order to compose a list of criminal sentences and misdemeanors that had been changed to felonies, but were non-violent crimes, that could be examined in order to reduce the prison population. Mr. Geraghty thought that the problem was multi-dimensional. He said that studies had shown that one-third of defendants would not reoffend, another third would reoffend no matter how much help they received, and the

final third rested in the middle. He said he would be happy to study the issue.

[3:25:13 PM](#)

Representative Gara thought that there had been a substantial increase in the non-violent offenders. He requested that a hard look be taken in order to find solutions. Mr. Geraghty assured the committee that the issue would be examined.

Representative Gara discussed the department's plea policy. He requested assurance that the policy was fair and equitable. Mr. Geraghty that there were exceptions to the policy for individual case reviews.

Representative Gara asked what would happen if a person did not commit the crime. Mr. Geraghty said that if the person did not commit the crime then they would not go to trial. He countered that if the person did commit the crime, there should be no fear of taking it to trial.

[3:29:49 PM](#)

Representative Munoz expressed appreciation for the work done by the department.

[3:30:50 PM](#)

HB 266 was HEARD and HELD in committee for further consideration.

HB 267 was HEARD and HELD in committee for further consideration.

Co-Chair Austerman discussed housekeeping.

#  
ADJOURNMENT

[3:31:18 PM](#)

The meeting was adjourned at 3:31 p.m.