

HOUSE FINANCE COMMITTEE
January 21, 2013
1:31 p.m.

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CALL TO ORDER

Co-Chair Austerman called the House Finance Committee meeting to order at 1:31 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

Bryan Butcher, Commissioner, Department Of Revenue; Daniel R. Fauske, Chief Executive Officer and Executive Director, Alaska Housing Finance Corporation (AHFC), Department of Revenue; Doug Wooliver, Deputy Administrative Director, Alaska Court System; Rhonda McLeod, Chief Financial Officer, Alaska Court System; Jerry Burnett, Legislative Liaison and Director, Division of Administrative Services, Department of Revenue

SUMMARY

FY14 GOVERNOR'S BUDGET OVERVIEW: DEPARTMENT OF REVENUE,
ALASKA COURT SYSTEM

^FY14 GOVERNOR'S BUDGET OVERVIEW: DEPARTMENT OF REVENUE

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BRYAN BUTCHER, COMMISSIONER, DEPARTMENT OF REVENUE, (DOR) introduced himself. He discussed the PowerPoint Presentation, "Alaska Department of Revenue, Budget Overview, House Finance Committee: Monday, January 21, 2013" (copy on file).

Commissioner Butcher shared slide 2, "Alaska Department of Revenue. The mission of the Department of Revenue is to collect, distribute and invest funds for public purposes." He stressed that there had been recent discussions with the governor regarding greater fiscal restraint. He relayed that there were discussions about the price of oil and how it affects the State's revenue. He stressed that there would be a more constrained budget than in previous years. He pointed out that because of the progressivity aspect of the tax structure, the amount of revenue drops at a disproportionately large percentage compared to the percentage decrease of oil price or production. A drop down to \$90 a barrel of oil would have an impact of billions of dollars in State revenue. He shared the major programs of DOR:

Tax Division: Enforces the tax laws of the state; collects and accounts for tax revenues

Treasury Division: Manages and invests state funds

Permanent Fund Dividend Division: Administers the PFD program and distributes the annual dividend payment to eligible Alaskans

Child Support Services Division: Collects and distributes child support to custodial parents

Commissioner Butcher shared slide 3, "Results in FY 2012."

Permanent Fund Dividend Division: Of the 144,056 eligibility cases opened in 2011, 88 percent were reviewed by September 15 and either closed, resolved, or awaiting information from the applicant.

Representative Gara wondered if there was criminal action that would take place related to unpaid child support. Commissioner Butcher replied that it would be a criminal offence if child support was not paid. He furthered that

there was currently an examination of a possible "better way" to collect child support.

Representative Gara recommended "deferred prosecution" for individuals who were calcified child support offenders. A deferred prosecution would not always result in a prosecution, but merely prompt the back child support to be paid. Commissioner Butcher agreed to examine that proposition, and agreed to participate in discussions regarding deferred prosecution.

Commissioner Butcher shared that Child Support Services collected \$118.6 million, a 4 percent increase over last year. Of this, \$105.8 million was disbursed to custodial parents and children.

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Co-Chair Stoltze wondered what happened to the other \$12.8 million.

JERRY BURNETT, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE, replied that the "other" money went to the federal government and the State of Alaska to repay welfare cases. That other money was formerly referred to as Child Support Receipts, which was used for the State match. Currently, it was not separately identified in the budget.

Commissioner Butcher continued with slide 3:

The federally required self-assessment review showed that CSSD exceeded all federal requirements for the child support program.

CSSD increased its teenage outreach program by visiting 44 schools throughout the state.

Co-Chair Stoltze made a joke by asking if DOR was attending Personal Accountability classes or Health classes. Mr. Burnett replied that he was not sure, but agreed to provide further information.

Co-Chair Stoltze expressed concern regarding government programs and the ramifications for individuals participating in those programs.

Commissioner Butcher completed discussing slide 3:

Tax Division: 96 percent of known taxpayers filed tax returns and made their payments timely.

Representative Gara wondered how many "C corporations" paid taxes in the state. Commissioner Butcher agreed to provide that information.

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Commissioner Butcher looked at slide 4, "Results."

On January 15th, the State sold \$162 million of General Obligation bonds.

The State received more than \$600 million in orders and achieved a true interest cost of 1.42 percent.

The bonds were the first to be issued by the State under its new AAA/Aaa/AAA rating.

Co-Chair Austerman wondered if the General Obligation (GO) bonds were from FY 10. Commissioner Butcher replied that the GO bonds were the last half of the voter-approved bonds in the 2010 general election. He stated that bonds would be sold at the beginning of March 2013, for the first half of the transportation projects that were approved in the 2012 election.

Co-Chair Austerman wondered if there were other bonds from 2010, 2011, or 2012 that were not yet available for transportation projects. Mr. Burnett replied that the GO bonds that were outstanding were from 2012.

Commissioner Butcher continued to discuss slide 4.

Fitch -

The state has used recent windfalls from high oil prices to repay past (CBR) draws and remains committed to maintaining sizable reserves, a key rating factor given forecasted declines in oil production over time.

Moody's -

A conservative approach to forecasting oil revenues with respect to assumptions for both price

and production has long been a key element of Alaska's credit profile.

Expectations that the state will continue to provide conservative forecasts support the Aaa rating.

The outlook for Alaska is stable, based on expectations the state will continue to make conservative oil revenue forecasts and plan for the eventual depletion of its oil resources, and that its large budgetary reserves will allow it to withstand short-term production disruptions.

Standard and Poors (S&P) -

Considering the importance of oil-related revenues to the state's budget, its forecasts of both oil prices and production are crucial to its fiscal condition.

The state's Department of Revenue (DOR) has a good track record forecasting year-ahead prices and production levels.

A bigger issue for the state is measuring the long term rate of oil production decline.

The state has built up substantial reserves to provide essential services in the event of a future revenue downturn, while hedging against declines in North Slope oil production and fluctuations in oil prices.

Vice-Chair Neuman shared that he had a discussion regarding bond ratings with the director of the Legislative Finance Division (LFD) about the capacity of the State if it was in a deficit. He observed that the State was currently in deficit spending in the operating budget. He wondered how the lending agencies would evaluate the State's bond ratings. Commissioner Butcher replied that the evaluation was based on many pieces of a complex puzzle. He commented that the State's recent history of surplus spending reflected positively in its evaluation. Deficit spending would be negative, but he did not feel that it would result in a direct downgrade. The lending agencies examine the activity with the economy of the state and its ample reserves.

Vice-Chair Neuman recommended further information regarding deficit spending. He remarked that Alaska needed to remain competitive in the oil market. He felt that there would be more oil available in the United States. Alaska needed to maintain or drop the price of crude oil, because of supply and demand in the market.

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Commissioner Butcher discussed slide 5, "Tax Revenue Management System (TRMS)."

\$34.7 million was appropriated in 2011.

A 3rd party project manager was brought on board in the summer of 2011 to assist with the RFP and contractor selection.

An RFP was issued in the fall of 2012.

Fast Enterprises' GenTax product was selected in December of 2012.

DOR will be implementing a Commercial Off-the-Shelf (COTS) system.

The phased implementation of the DOR Tax Division's 22 tax systems will begin in March of 2013.

There is a 3 year timeline for full implementation.

Co-Chair Austerman wondered if the tax filers would file electronically. Commissioner Butcher replied in the affirmative. He furthered that there would be the opportunity for detailed information on the taxpayer, accessible by DOR.

Commissioner Butcher looked at slide 6, "Authorities and Corporations."

Alaska Housing Finance Corporation: To provide Alaskans access to safe, quality and affordable housing.

Alaska Permanent Fund Corporation: To maximize the value of the Permanent Fund within return objectives.

Alaska Mental Health Trust Authority: To administer the Alaska Mental Health Trust as a perpetual trust and to ensure a comprehensive and integrated mental health program to improve the lives of beneficiaries.

Alaska Municipal Bond Bank Authority: To provide municipalities with financing options for capital projects.

Commissioner Butcher shared slide 7, "7-Year Look Back at Department Activities."

Revenues collected by the Tax Division increased 268 percent:

FY05	\$1,951,247,500
FY12	\$7,173,800,000

Funds under management by the Treasury Division increased 128 percent:

12/31/2004	\$20,448,418,000
12/31/2012	\$46,598,422,000

Number of Permanent Fund Dividends paid to Alaskans increased 7 percent:

FY05	599,243
FY13	641,697 (total estimated for 2012 dividend)

Number of child support cases increased 4 percent while the amount of child support distributed to custodial parents increased 21 percent:

FFY05	45,259 cases	\$98.6 million disbursed
FFY12	47,044 cases	\$118.6 million disbursed

Commissioner Butcher looked at slide 8, "Growth in State Funds 2005-2012 CBRF and GeFonsi." He explained that the red line displayed the totals in the Constitutional Budget Reserves (CBR) from 2004 to 2011. He noted that the CBR had grown considerably over the three years prior. The blue line represented the General Fund and other non-segregated investments (GeFonsi), which was at nearly the same level as the CBR. The shaded blue area represented the combination of the two funds, which was currently slightly above \$20 billion.

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Representative Gara observed that the graph showed a current savings of under \$20 billion, but the graph was outdated. There was actually slightly more than \$20 billion in savings. Commissioner Butcher responded in the affirmative. He shared that there was approximately \$25 billion currently in the savings accounts.

Representative Gara shared that he had assumed that there was currently \$17 billion in the savings accounts. Mr. Burnett clarified that the graph also included the investments.

Co-Chair Austerman requested a list of the different investments. Mr. Burnett stated that there were over 100 funds in GeFonsi that were invested.

Commissioner Butcher shared that there would be a separate presentation about the different investments.

Representative Gara surmised that there was approximately \$17 billion as actual savings in different accounts. Commissioner Butcher responded in the affirmative.

Commissioner Butcher discussed slide 9, "Department of Revenue Share Total Agency Operations." He noted that the share was currently less than 1 percent, with the exception of FY 11, because of the Alaska Gasline Development Corporation (AGDC) startup put into the operating budget.

Commissioner Butcher shared slide 10, "Department of Revenue, Percent of the Total Department's Budget by Fund Group." He explained that the graph displayed a breakdown and a bar chart of the percent of the total department's budget by fund group. He looked at the magenta-colored area of the graph, which represented other state funds from independent agencies within DOR. He pointed out the purple area, which displayed the federal receipts. The yellow and light blue areas represented the general funds.

Co-Chair Austerman requested a more detailed outline of the individual fund sources in the magenta-colored zone of the chart. Commissioner Butcher agreed to provide that information.

Commissioner Butcher looked at slide 11, "Department of Revenue FY 2014 Governor's Budget by Fund Source." He explained that the Permanent Fund and corporate receipts

occupied 36 percent; federal funds occupied 23 percent; ARMB pension funds occupied 13 percent; AHFC corporate receipts occupied 11 percent; general funds (UGF) occupied 9 percent; designated general funds (DGF) occupied 3 percent; and other funds were 5 percent.

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Co-Chair Austerman wondered if the red bar on page 10 could related to the pie chart on page 11. Mr. Burnett replied in the affirmative, and furthered that the red bar on page 10 included everything displayed on page 11, except for the general and federal funds.

In a response to a question from Co-Chair Austerman, Commissioner Butcher stated that the red bar, on page 10, was meant to represent a big picture scenario. He acknowledged that perhaps that was a mistake.

Commissioner Butcher discussed slide 12, "Department of Revenue FY 2014 Governor's Budget by Program." He explained that the graph displayed a breakdown of different divisions and agencies: The Alaska Permanent Fund Corporation, \$126.312 million; Alaska Housing Finance Corporation, \$97.037 million; Alaska Retirement Management, \$52.136 million; Child Support Services Division, \$28.363 million; Tax Division, \$16.768 million; Treasury Division, \$10.323 million; Permanent Fund Dividend Division, \$8.378 million; Administration and Support, \$5.298 million; Alaska Mental Health Trust Authority, \$4.203 million; and Alaska Municipal Bond Bank Authority, \$838.8 thousand.

Representative Gara wondered if the requests for the Permanent Fund and the Arm Board were for the costs of staffing to run the contracts. Mr. Burnett responded that approximately \$114 million of the \$126 million in the Permanent Fund appropriation was for external management fees. The Arm Board had over \$40 million for external management fees. He declared that the largest portion of the DOR budget was external management fees.

Representative Gara wondered if DOR had ever examined possible savings in managing the funds. Commissioner Butcher replied that DOR continually examined the possibility of savings. He furthered that the Permanent Fund Corporation could more information about their

internal savings. The Arm Board's passive and active management would be addressed at a meeting at a later date.

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Commissioner Butcher shared slide 13, "Key FY 14 Budget Changes."

Film Office Executive Director: \$148,000 GF, New responsibility in Department of Revenue
Oil and Gas Audit: \$372,000 GF, Two new positions
Long Term Care Ombudsman: \$107,000 GF/MH, New assistant ombudsman for increasing case load
AHFC New Mortgage Marketing Plan: \$680,000 AHFC Receipts, New Marketing effort to increase AHFC market share

Representative Thompson surmised that three positions had been added to the Department of Commerce, Community and Economic Development DCCED, including the Film Office Executive Director. Mr. Burnett replied in the affirmative. He stated that because of the structure of the bill, there would be a commission established to determine the film credit distribution.

Representative Thompson wondered if DOR had not tracked past film taxes. Mr. Burnett replied that DOR had audited the tax credit after DCCED had completed the preliminary work. The additional work would be the marketing work.

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Representative Munoz remarked that the Department of Administration had added a retiree advocate for long term care issues, so she wondered what the Long-term Ombudsman position would be concerning. Mr. Burnett replied that the position was required under federal statute to reside in the senior assisted living centers.

Vice-Chair Neuman noted that there would be an increase of over \$1 million by adding the new positions displayed in slide 13. He wondered if there was a way to determine efficiencies in dollar form. Commissioner Butcher replied that he did not know the exact figure related to the value of additional auditors, but that he could provide further information.

Vice-Chair Neuman stressed that the state employment would be subject to step increases and retirement benefits. Although there were front-end costs, long-term costs would be considerably higher. Commissioner Butcher understood Vice-Chair Neuman's concerns. He furthered that in recent years, there had been almost no requests for new positions. He stressed that the Film Office Director position was a result of changing of department responsibilities.

Representative Gara wondered why a position was needed for someone to just read film scripts. He wondered why that task could not be performed by someone at a lower level, like an intern. Commissioner Butcher replied that four commissioners had been tasked to examine and make approvals on appropriate project to be eligible for state credits. The position of the Film Office Executive Director would be to run that commission.

Representative Costello wondered how AHFC coordinated their marketing efforts.

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DANIEL R. FAUSKE, CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR, ALASKA HOUSING FINANCE CORPORATION (AHFC), DEPARTMENT OF REVENUE, explained that one of the goals of AHFC was to focus on a first-time homeowner benefit. He stated that money was needed to market the new program, because there was intense competition on interest rates in the market.

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Representative Thompson wondered if the requested money would be in competition with private in-state banks. Mr. Fauske replied in the negative. He stated that the mortgages would be sold, and managed by a private firm.

Mr. Burnett presented slide 14, "FY 14 Capital." (in thousands)

PFD Division System Software Conversion: 1,500.0 PFD Fund

PFD Division Computer Replacement: \$130.0 PFD Fund

Child Support Computer Replacement: \$143.9 Fed/74.1 GF

Permanent Fund Corp NetApp Filer: \$55.0 PF earnings

Alaska Housing Finance Corp Multiple Projects:
\$88,200.0 GF, \$850.0 Other, \$13,800.0 Fed

\$31.5 million: Weatherization
\$20 million: Home Energy Rebate
\$8 million: Homeless Assistance Program
\$7 million: Supplemental Housing Development
Program
\$6 million: Teacher, Health, Public Safety and
VPSO Housing Loans
\$4.5 million: Senior Citizen Housing Development

Representative Thompson wondered if the backup would be in millions of dollars. Mr. Burnett replied that it would be in thousand dollars. He stressed that most child support programs were federally matched 66 percent federal, and 34 percent state, whether capital or operating funds.

Representative Thompson surmised that the PFD computer replacements request was estimated at \$130,000. Mr. Burnett responded that there were 81 employees in the PFD Division, and 227 in the Child Support Division.

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Representative Edgmon queried some commentary on the AHFC rebate programs, specifically the Weatherization program. He stressed that the rebate programs saved individuals great amounts of money. He specifically wondered if money was appropriated to the programs, could that money be utilized. Mr. Fauske replied that there would be a presentation on the statistical data regarding the savings that have resulted from the program. He estimated that approximately 4,000 jobs had been created as a result of the rebate program, and that the ideal situation for budget requests would be applied to multiple years. He stressed that marketing would help the program, because people may not be aware that the programs still exist. He announced that the request was for one year of marketing.

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Representative Edgmon was grateful for the explanation of the rebate programs and their benefits.

Representative Gara requested information regarding what programs were available for individual communities. He felt that legislators could include that information in their newsletters to supplement marketing. Mr. Fauske agreed to provide that information.

Mr. Burnett looked at slides 15 and 16, "Department of Revenue Ten Year Expenditure Projection."

The mission of the Department of Revenue is to collect, distribute and invest funds for public purposes. The department achieves its mission through the efforts of four core agencies, two corporate agencies, and four boards and authorities.

The following document provides an estimate of the department's budget changes over the next ten years. Projecting budgets ten years into the future for the various programs and funding sources of the Department of Revenue is a challenge. Changes to the department's programs are not anticipated but are sometimes affected by legislative action. As a result, the assumptions and numbers that make up the plan will continue to change as new information becomes available.

Baseline Scenario Assumptions for DOR:

The department's operations costs were increased by using a 2.5 percent annual inflation factor. The inflation calculation does not include personal services or investment management fees.

External custody and investment management fees were calculated using anticipated rates applied to estimated future market values.

Baseline Scenario Assumptions for AHFC:

Alaska Housing Finance Corporation's (AHFC) operations costs were increased by using a 2.5 percent annual inflation factor. The inflation calculation does not include personal services or investment management fees.

The Capital budget assumes that the Corporation's earnings will resume to pre-recession levels.

The Weatherization program assumes the State will contribute \$100 million annually to maintain the current program.

Baseline Scenario Assumptions for APFC:

The Alaska Permanent Fund (APF) value was grown using median capital market expectations.

External investment manager fees were calculated using the projected value of the assets under management multiplied by the projected cost of 24 bps.

Alaska Permanent Fund Corporation's (APFC) operations costs were grown by 2.5 percent (inflation). APFC operations costs (personal services, travel, contractual services, commodities, and equipment) are correlated to the growth of the Fund's investment holdings.

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Mr. Burnett shared slide 17, "10 Year Projection Graphs." He explained that the capital projection shows a spike, and that is because Alaska Gasline Development Corporation (AGDC) received its capitalization. The department growth was fairly low based on DOR's projections and methodology. The majority of the department's budget was comprised of external investment management fees.

Mr. Burnett discussed slide 18, "10 Year Projection Graphs." He remarked that the graph was drafted by LFD, and showed a slightly higher slope than the previous graphs. That slope assumed increases based on immediately prior rates of growth, with a 6.1 percent annual growth.

Co-Chair Austerman wondered if DOR was now anticipating a 1 or 2 percent growth rate. Mr. Burnett replied in the affirmative, and furthered that DOR did not include the personal services costs. The personal services costs were included in a state-wide scenario, so the DOR projection graphs would not show future contract costs for personal services.

Vice-Chair Neuman wondered what divisions within DOR would be most affected by the lower projections.

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Co-Chair Austerman wondered if the charts would look different if there was only a three or five year projection. Mr. Burnett replied that the charts would not look much different than what was displayed. He reiterated that the chart did not include personal services increases, and stressed that personal services fees were a significant cost to DOR.

Vice-Chair Neuman wondered if the personal services cost increase would be applied to all divisions. Commissioner Butcher replied that the increase would only include one-third of the divisions, and specifically mentioned that the Treasury and Tax Divisions were primarily General Funds.

Commissioner Butcher discussed slide 20, "Wrap-Up."

The Tax Division is actively engaged in improving its information system to insure efficient tax administration and timely access to information necessary for assisting with tax policy decisions contemplated by the legislature.

The Department of Revenue is the state's largest investment manager. We pride ourselves in prudent investment practices for a variety of programs and needs while achieving and maintaining the highest credit rating and thus the lowest cost of borrowing.

Customer service sections in the PFD and Child Support Services Divisions have continuously improved their business practices in order to provide increased service levels without increasing staff.

Our corporations receive national recognition for their exemplary program management and fiscal solvency.

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

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^FY14 GOVERNOR'S BUDGET OVERVIEW: ALASKA COURT SYSTEM

DOUG WOOLIVER, DEPUTY ADMINISTRATIVE DIRECTOR, ALASKA COURT SYSTEM, discussed the PowerPoint Presentation, "Alaska Court System" (copy on file). He shared the mission statement of the Alaska Court System:

The mission of the Alaska Court System is to provide an accessible and impartial forum for the just resolution of all cases that come before it, and to decide such cases in accordance with the law, expeditiously and with integrity.

Mr. Wooliver looked at slide 2, "Distinguishing Characteristics of the Alaska Court System."

State Funded - No County or Municipal Courts

Unified Judiciary

Administrative Director Position Established in the Constitution

Co-Chair Stoltze asked why the Alaska Court System (COURT) did not frequently present to the committee. Mr. Wooliver responded that judges were hired to resolve cases, and were not hired in administrative capacities. The Court System did not "weigh in" on legislative issues, because it would undermine the objectivity of the court.

Co-Chair Stoltze wondered why COURT did not testify during budget hearings. Mr. Wooliver replied that judges were hired to resolve cases, so the administrative staff of the COURT drafts the budget for the Supreme Court's approval.

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Representative Thompson wondered what the required retirement age for judges in Alaska. Mr. Wooliver replied that the required retirement age for judges in Alaska was 70-years-old.

Representative Thompson stated that some states had risen the retirement age to 75-years-old. He wondered if changing the retirement age would be an advantage to the State, because some retirement judges were returning to work on contract. Mr. Wooliver did not know the COURT's view on

that issue. He stated that some individual judges came back on contract for assignments, but it was on a case by case basis, and was relatively inexpensive for the State.

Co-Chair Stoltze remarked that the downside of not reaching 70-years-old was "pretty harsh."

Representative Gara shared that he worked for a judge that had wondered about the constitutionality of a required retirement age.

Mr. Wooliver discussed slide 3, "Distinguishing Characteristics of Alaska Court System vs. Other State Entities."

No Discretionary Functions

Reactive in Nature

Must Accept Work Initiated by Others

Mr. Wooliver shared slide 4, "Factors Impacting Workloads."

Population

Police

Economy

Statutory Changes

Other

Co-Chair Stoltze remarked that the criminal justice bills that passed the legislature had very robust COURT fiscal notes and were always fully funded. Mr. Wooliver agreed.

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Mr. Wooliver discussed slide 5, "Caseloads - FY11 vs. FY12."

150,956 New Cases Filed in FY12

Nearly Two-Thirds of All Cases Originated in the Anchorage/Palmer/Kenai Courts

No significant change in Superior Court Caseload;
District Court Caseloads are down 9 percent

Probate Cases up 4 percent

Domestic Violence Cases up 10 percent

Mr. Wooliver looked at slide 6, "Court System Employees."

About 800 Permanent (GF-Funded)
Primarily Clerical Employees
Five Supreme Court Justices
Three Court of Appeal Judges
42 Superior Court Judges
23 District Court Judges
44 Magistrates

Mr. Wooliver discussed slide 7, "FY13 State of Alaska Funding - All Sources."

Executive Branch (excludes debt service and special appropriations) - 86.4 percent

University of Alaska - 11.3 percent

Alaska Court System - 1.4 percent

Legislature - .9 percent

Mr. Wooliver looked at slide 8, "Breakdown of FY13 Funding (GF)."

Personal Services Costs - 77.1 percent

Travel Costs - 1.3 percent

Services - 18.4 percent

Supplies/Commodities - 2.9 percent

Capital Outlay - .3 percent

Mr. Wooliver looked at slide 9, "Increments Funded in FY13."

No Dark Courtrooms - Six Clerical Positions
Geographic Differential for Non-Judicial Employees
Maintenance Costs for Leases, Utilities, Security
Screening and Software

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

Representative Costello wondered if the wondered if the geographic differential for non-judicial employees referred to a percentage of their salary, or if it was a lump sum. Mr. Wooliver replied that it would be a percentage of their salary based on the established rate for the community.

Mr. Wooliver discussed slides 10 through 12, "FY14 Funding Requested."

Bethel Americans with Disabilities Act Accommodation -
\$456,800

Representative Gara wondered if there was a consideration to disallow the cost-differential factoring (high three rule) into the retirement payments. Mr. Wooliver deferred to Ms. McLeod.

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RHONDA MCLEOD, CHIEF FINANCIAL OFFICER, ALASKA COURT SYSTEM, replied that the tier 1 employees in PERS and TRS were most impacted by the high three average rate. She stressed that there were very few tier 1 employees.

Representative Gara wondered if tier 2 employees had a high 3 rule. Ms. McLeod understood that tier 2 employees had a high 5 rule. Mr. Wooliver agreed to provide more information.

Representative Gara shared that there was no ordinary small claims court in Alaska. He wondered if the COURT had considered establishing a small claims court, performed by lower cost magistrates to avoid the high costs in district courts. Mr. Wooliver replied that individuals had a right to a jury trial in district court, but no right to a jury trial in small claims court.

Mr. Wooliver continued to discuss the FY14 funding requests.

Bethel Americans with Disabilities Act Accommodation -
\$456,800

Co-Chair Stoltze wondered if prospective jurors were asked about ocular impairment. Mr. Wooliver under the Americans with Disabilities Act (ADA) and COURT rules, jurors were

not required to hear. So, when that question is asked, it is only in order to provide accommodation.

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Mr. Wooliver continued to discuss the FY14 funding requests.

Wide Area Network Bandwidth Expansion - \$691,700

GF/MH Mental Health Trust Authority Recommended
Projects - \$1,165,000
Replace Federal Pass-Through Funding

Representative Costello wondered if there could be a budget tracking code. She specifically wondered what requests were in place, which were drafted as a response to the loss of federal funds. She stressed that she would like to examine this issue, because she wanted to determine the value of each program in the COURT system.

Co-Chair Stoltze felt that Representative Costello's concerns were valid.

Mr. Wooliver continued to discuss the FY14 funding requests.

\$691,300 is requested for:
Utilities and Operating Leases
New Leases - Craig and Sand Point
Contractual Services Increases

Six New Positions - \$651,100
Magistrate Performance Analyst
Programmer/Analyst
Security Analyst
Contracts and Leasing Manager
Senior Accounting Clerk
Records Technician

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Representative Gara wondered why a magistrate performance analyst was needed to analyze the performance of magistrates that were analyzed by judges. Mr. Wooliver replied that there was a "training judge" that was assigned

to each magistrate. The magistrate hired positions on their own.

Representative Gara surmised that the magistrates worked for the judge, so the judges were able to best analyze the magistrate's work. He wondered why the judges were not analyzing those magistrates. Mr. Wooliver replied that some analysis was performed in-house. He stressed that the magistrates could use more training than what was currently offered.

Mr. Wooliver continued to discuss the FY14 funding requests.

Projects Targeted at Alcohol Abuse - \$90,000
Operators without Licenses (OWL) Program
Fairbanks 24/7 Sobriety Pilot Program

Co-Chair Stoltze shared a story about a person who had their license suspended until 2095, and wondered if that was an atypical case of a suspension. Mr. Wooliver replied that there were many people who had their license suspended such that they could never get their license returned.

Representative Wilson requested information regarding on the Operators Without License program. Mr. Wooliver agreed to provide that information.

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Representative Thompson queried the results of 24/7 Sobriety pilot program. Mr. Wooliver replied that the program did not work well in Anchorage. He furthered that the program focused on people who were most likely to lose custody of their children, because of their substance abuse problems. The program did not focus on Driving Under the Influence (DUI) offenders.

Mr. Wooliver continued to discuss the FY14 funding requests.

Computer Replacement Funding - \$175,000
Increase base funding to \$600,000

Software Support - \$114,900

Interpreter and Translation Services - \$25,000

Mr. Wooliver discussed slides 13 and 14, "Funding Changes FY05 to FY14."

Personal Services:

Salary Adjustments

New Judges - Eight Superior Court and Three District Court

No Dark Courtrooms Initiative

Services:

Leased Facility Expenses including Public Building Fund Participation
Utility and Maintenance Costs
Software Support Costs
Therapeutic Courts

Mr. Wooliver looked at slide 15, "Alaska Court System's Share of Total Agency Operations." He stated that the graph displayed the percentage of the cost of State government, with the COURT averaging from 2 percent to .2 percent of the total general fund spending.

Mr. Wooliver discussed slide 16, "Alaska Court System, Percent of the Total Agency's Budget by Fund Group." He explained that COURT was almost completely funded by the general fund. He added that there were some Mental Health Trust Authority receipts and other State funds.

Co-Chair Stoltze wondered if the COURT benefited from forfeiture and seizures. Mr. Wooliver replied that the COURT did not benefit from forfeiture and seizures.

Mr. Wooliver displayed slide 17, "Funding Changes FY05 to FY14." The allocation of increased general fund was 44 percent for salary adjustments; 31 percent for increments; 10 percent for therapeutic courts; 10 percent for maintenance; and 5 percent for no dark courtrooms.

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Mr. Wooliver looked at slides 18 through 21, "FY15 and Beyond."

Respond to Work Initiated by Others

Makes Planning for the Next Ten Years Very Difficult

Electronic Document Management (E-Filing) Project
Impact to All Justice Agencies
Improve Public Access to Data and Case Information Facilitate Data Exchanges Between Justice Agencies Improve Case Processing Efficiencies

Co-Chair Stoltze felt that the statement on slide 18 was an inverse statement.

Mr. Wooliver continued to discuss "FY15 and Beyond."

In the Near Term, New Superior Court Judges may be Needed for Juneau, Bethel, and Palmer Courts

In the Long Term, New Judges may be Needed Due to Population Changes in Southcentral Alaska

Vice-Chair Neuman wondered if electronic filing was available for paying a traffic ticket on site. Mr. Wooliver replied that the electronic filing for paying a traffic ticket was something that COURT hoped would be available in the future.

Mr. Wooliver continued to discuss "FY15 and Beyond."

Improvement of Justice Facilities in Kotzebue, Bethel, and Nome and Additional Space in Palmer

Videoconferencing and Bandwidth Expansion
Reduce costs associated with transporting defendants to court proceedings

Mr. Wooliver discussed slide 22, "Alaska Court System, Continued Budget Growth Compare to 10-year Plan." If the last several years' growth was applied to the future, the green line hike would occur. The black dotted line represented the current plan.

[3:27:52 PM](#)

Mr. Wooliver looked at slide 23, "Alaska Court System, Continued Budget Growth Compared to 10-Year Plan." This

slide was similar to slide 22, but with all funding sources considered.

Co-Chair Austerman discussed housekeeping.

Co-Chair Stoltze also discussed housekeeping.

Representative Gara commented that it was often cheaper for the State to utilize in-house employees, rather than hiring outside managers.

Vice-Chair Neuman pointed out that DOR had not offered a plan to implement spending controls. He felt that information was necessary from the departments.

Representative Costello felt that there were also some ways to control the costs, which included hiring outside managers. She stressed that State employees versus contracted employees issues were based on circumstance.

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ADJOURNMENT

3:32:32 PM

The meeting was adjourned at 3:32 p.m.