

HOUSE FINANCE COMMITTEE  
February 2, 2015  
1:32 p.m.

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CALL TO ORDER

Co-Chair Neuman called the House Finance Committee meeting to order at 1:32 p.m.

MEMBERS PRESENT

Representative Mark Neuman, Co-Chair  
Representative Steve Thompson, Co-Chair  
Representative Dan Saddler, Vice-Chair  
Representative Bryce Edgmon  
Representative Les Gara  
Representative Lynn Gattis  
Representative David Guttenberg  
Representative Scott Kawasaki  
Representative Cathy Munoz  
Representative Tammie Wilson

MEMBERS ABSENT

Representative Lance Pruitt

ALSO PRESENT

Larry Hartig, Commissioner, Department of Environmental Conservation; Doug Wooliver, Deputy Administrative Director, Alaska Court System, Judiciary.

SUMMARY

HB 72        APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 72 was HEARD and HELD in committee for further consideration.

HB 73        APPROP: MENTAL HEALTH BUDGET

HB 73 was HEARD and HELD in committee for further consideration.

FY 16 BUDGET OVERVIEW: DEPARTMENT OF ENVIRONMENTAL CONSERVATION

FY 16 BUDGET OVERVIEW: ALASKA COURT SYSTEM

#hb72

#hb73

HOUSE BILL NO. 72

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

HOUSE BILL NO. 73

"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."

^FY 16 BUDGET OVERVIEW: DEPARTMENT OF ENVIRONMENTAL CONSERVATION

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LARRY HARTIG, COMMISSIONER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, highlighted the PowerPoint presentation "FY 16 Department Overview: Department of Environmental Conservation."

Commissioner Hartig began with slide 2: "DEC's Mission."

Protect human health and the environment.

Commissioner Hartig reviewed slide 3: "Outcomes."

- Clean water, healthy air, and good management of hazardous materials and waste
- Safe drinking water and sanitary waste disposal
- Food safe to eat
- Low risk of spills and efficient, effective response when spills occur
- Wise resource development for a growing state

Commissioner Hartig turned to slide 4: "Means."

- Science-based standards
- Permits and authorizations incorporating these standards
- Monitoring, outreach, compliance assistance, and enforcement
- Emergency response and oversight of spill clean-up
- Meaningful and effective public processes for developing standards and permits
- Technical assistance, grants, and loans to communities for drinking water and wastewater infrastructure

Commissioner Hartig discussed Slide 5: "What Alaskans Get for Their Money."

According to calculations by Legislative Finance, DEC's FY2016 general fund budget is equal to \$144 per year per resident worker - that's just 39¢ a day for:

- clean air to breathe
- clean water to drink
- safe food to eat
- clean land and waters
- responsible resource development

If you look at the numbers by total population, that number drops to roughly 18¢ a day per Alaskan

Commissioner Hartig commented that the Department of Environmental Conservation's (DEC) mission benefitted the general population of the state as well as, future generations of Alaskans, tribes, and communities. The department benefitted businesses by ensuring safe economic development through its permits, authorizations, and oversight.

Commissioner Hartig continued with slide 6: "Existing Budget Conditions."

- Federal Sequestration and declining federal funds
  - Ex: Drinking Water program lost \$267.2 federal revenue in FY2014, more than 3% of all funds
- Budget cuts in recent years
- Declining balance in the Prevention Account

- Not all fees reflect the actual cost of the work
  - Ex: Fees for permitted Direct Market Fishing Vessels < 65 feet are set in statute and cover approximately 12% of the cost to conduct vessel inspections
- DEC has implemented cost saving measures in FY2015:
  - Retaining vacancies
  - Avoiding non-essential travel
  - Additional review of pending contractual solicitations
- Department-wide vacancy rate is currently about 12%, but varies across the five divisions

Commissioner Hartig discussed budget cuts and how DEC had been cutting the budget over the years. He remarked that the Village Safe Water Program lost 60 percent of its federal funding and currently the department was \$2.1 million short funded out of a \$15 million budget for the Spill Prevention and Response (SPAR) program due to less than expected interest earnings income on the response account.

Commissioner Hartig emphasized that the department's vacancy rate was one indication of the agency's stress because of budget constraints. He detailed that a typical vacancy rate was 10 percent and that the vacancy rate in the SPAR division was 15 percent and 13 percent in the Division of Water.

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Commissioner Hartig advanced to slide 7: "Budget Reduction Criteria."

- Services that are mandated by statute
- Services that are necessary to implement DEC's mission and core responsibilities
- Services that can't be performed by local government, federal government, or others
- Services that will be difficult to restore
- Services that are a foundation for economic growth and prosperity
- Services that enjoy strong public support
- Services that leverage other resources

Commissioner Hartig emphasized that regardless of budget cuts he wanted permitting programs to improve and progress.

Co-Chair Neuman explained that he instructed the House Finance Subcommittees to review statutes that burdened a department but did not provide a benefit. In order to achieve more effective cuts, he requested that the departments recommend outdated statutes for elimination that increase costs and burden staff. Commissioner Hartig concurred and noted that the department was in the process of identifying cuts whose impacts could be mitigated.

Commissioner Hartig turned to slide 8: "Division of Administration."

Commissioner: Larry Hartig  
Deputy: Lynn Kent  
Director: Tom Cherian

Components:

- Commissioner's Office
- Administrative Services
  - Information Services
  - Financial Services
  - Budget Services
  - Procurement & Building Management
  - Environmental Crimes Unit
- State Support Services
  - Leases and Contracts

Challenges & Opportunities:

- Decreasing Budgets
- Unfunded Administrative Cost Increases
- Succession Planning and Workforce Development

Commissioner Hartig moved to slide 9: "Division of Environmental Health."

Director: Elaine Busse Floyd

Components:

- Director's Office
- Food Safety & Sanitation
- Laboratory Services
- Drinking Water
- Solid Waste Management

Also:

Building Maintenance & Operations - Environmental  
Health Lab

Challenges & Opportunities:

- Declining Federal Funding for the Drinking Water Program
- Complex Federal Requirements
- High Risk Food Safety Inspections
- Unique Laboratory Technology & Equipment Needs

Commissioner Hartig reported that Federal Sequestration had long-term impacts on the division's budget.

Commissioner Hartig turned to slide 10: "Division of Air Quality"

Director: Alice Edwards

Components:

- Director's Office
- Air Quality
  - Permitting and Compliance
  - Community Air Quality
  - Air Monitoring

Challenges & Opportunities:

- Continue to meet industry needs for air permits
- Fairbanks Air Quality/ Woodsmoke
- Changing Federal Rules and Standards

Commissioner Hartig relayed that the Division of Air Quality was the only division that was adding a position due to increasing demands from the AKLNG pipeline project.

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Co-Chair Neuman thought that projects like the AKLNG project were required to pay for its own permitting costs. He asked for clarification. Commissioner Hartig responded that certain federal air quality permit costs were required to be paid by the permittee. However state permits were issued for smaller projects when requirements "fell under the criteria" of federal permits and were called, "minor source permits." Minor source permits were not mandated for cost recovery. In addition, other duties performed by the division such as monitoring, establishing air quality

standards or plans required undesignated general funds (UGF).

Representative Wilson asked whether the Fairbanks North Star Borough would need DEC approval to charge fines for air quality violations if the local ordinance was adopted. Commissioner Hartig responded that under state statute the borough had the ability, as an "approved local air authority" to implement their own air program. He added that if the borough went beyond the state plan to contain emissions, DEC could adopt the additional measures into the state plan; subsequently under federal law the state would also assume the oversight to enforce implementation of such measures. Representative Wilson asked if DEC chose not to adopt any additional measures the borough might implement, would that produce savings for the state. Commissioner Hartig responded in the negative and explained that DEC was relying on existing resources for Fairbanks air quality enforcement.

Representative Gara asked whether DEC was charging for costs associated with issuing state permits and if not, was DEC considering cost recovery for state permits. Commissioner Hartig responded that if a project fell below certain thresholds for a federal permit, the state still required a minor source permit. He indicated that a fee structure was set in statute regarding what costs were recoverable. The fees for recoverable costs were currently being increased for air quality permits, but he could not change via regulation statutory provisions relating to what was considered an expense.

Representative Gara asked for additional information regarding whether the state was losing money because of the provisions in statute. Commissioner Hartig agreed to provide the information.

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Commissioner Hartig moved onto slide 11: "Division of Spill Prevention and Response."

Director: Kristin Ryan

Components:

- Spill Prevention & Response
- Prevention, Preparedness, and Response

- Contaminated Sites
- Response Fund Administration

Challenges & Opportunities:

- Prevention Account Sustainability
- Managing Risk Associated with New Natural Resource Development Activity and Marine Transportation

Commissioner Hartig pointed to slide 12: "Division of Water."

Director: Michelle Hale

Components:

- Water Quality
  - Wastewater Discharge Permitting
  - Cruise Ship
  - Water Quality Standards, Assessment, and Restoration
  - Compliance
- Facility Construction
- Village Safe Water Program
- Municipal Grants & Loan Program

Challenges & Opportunities:

- Continuing to Develop Depth in APDES
- Improvements to Federal 404 Dredge & Fill Permitting and Mitigation
- Declining Federal Funding in the Village Safe Water Program

Commissioner Hartig related that water quality fell into two categories: water quality standards and facilities. He noted that the Alaska Pollution Discharge Elimination System program was delegated to the state from the federal Environmental Protection Agency (EPA) which regulated waste water discharges and was developing well. The division caught up with the inherited backlog of permits and was issuing an increasing number of permits and authorizations in a timely manner.

Co-Chair Thompson read reports about sewage lagoons in small communities that were degrading and the absence of federal funds to mitigate the problem. He asked whether DEC had an inventory of the failing sewage lagoons and the costs to address the issue. Commissioner Hartig responded

that the department was examining the issue and would provide the information. He remarked that with the decline in the Village Safe Water funds the department was prioritizing water and wastewater systems versus landfills.

Commissioner Hartig discussed slide 13: "FY2016 Endorsed Budget Request."

Operating Request: \$85,864.7

- Unrestricted GF: \$20,454.6
- Designated GF: \$27,392.4
- Other State Funds: \$14,388.9
- Federal Receipts: \$23,628.8
- Positions: 537

Capital Request: \$64,014.9

- Unrestricted GF: \$18,738.6
- Other State Funds: \$3,026.3
- Federal Receipts: \$42,250.0

Lowest capital request since FY2006

DEC has the second smallest UGF budget of all State agencies, behind DMVA.

Commissioner Hartig pointed to the pie chart on slide 14: "FY2016 Operating Budget By Fund Source." He communicated that each colored section represented DEC's funding sources and that federal receipts were a major source of funds.

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Commissioner Hartig highlighted slide 15: "FY2016 Budget Changes." He relayed that the chart indicated that the department was decreasing the budget by 9.5 percent in FY 2016 along with eliminating 24 positions.

Commissioner Hartig presented slide 16: "FY2016 Significant Budget Changes."

- Administration
- CO -Efficiencies due to Reorganization of Administrative Functions: -\$114.1; -1 PCN(-\$43.1 UGF/ -\$71.0 I/A)
- AS -Efficiencies due to Reorganization of Administrative Functions: -\$25.0 UGF

- AS -Replace Federal Receipts with Existing Clean Water Administrative Fees: \$0.0(\$84.0 Other / -\$84.0 Fed)
- AS -Rebalance Funding of Core Service Lease Costs: \$0.0(\$400.0 CAPF/\$110.0 CPVEC/-\$510.0 FED)

Commissioner Hartig pointed to slide 17: "FY2016 Significant Budget Changes."

- Environmental Health
- FSS -Reduce Inspections of Retail Food, Public Accommodations, & Non-Food Facilities-\$869.3 UGF; -8 PCNs
- EHL-Delete two Microbiologists Positions-\$170.0 UGF; -2 PCNs
- EHL -Maintain Fish Tissue Monitoring Program\$0.0 (\$250.0 OR/-\$250.0 UGF)
- DW -Reduced Capacity in Drinking Water Program-\$507.3 UGF; -4 PCNs
- SWM -Efficiencies due to Implementation of New Regulations-\$85.6 UGF; -1 PCN

Commissioner Hartig noted the large reduction in the food safety program and thought that the function could be taken over by local governments.

Commissioner Hartig advanced to slide 18: "FY 2016 Significant Budget Changes."

- Air Quality
- AQ -Expand Air Permitting Program to Meet Industry Needs\$123.0 DGF; 1 PCN
- Spill Prevention & Response
- SPAR -Reorganization and Consolidation of SPAR Programs-\$520.0; -4 PCNs

Commissioner Hartig turned to slide 19: "FY2016 Significant Budget Changes."

- Water
- WQ -Efficiencies due to Reorganization of Administrative Functions-\$95.0 UGF; -1 PCN
- WQ-Offset Ocean Ranger Fees for Fish Tissue Monitoring Program-\$250.0 OR

- WQ -Delete Environmental Program Manager-\$103.4 UGF; -1 PCN
- FC -Replace Federal Receipts with Existing Clean Water Administrative Fees\$0.0(\$700.0 Other/- \$700.0 Fed)
- FC -Maintain Operator Certification Program\$0.0(\$101.1 DGF/- \$101.1 Fed)

Commissioner Hartig discussed slide 20: "Department Challenges."

- Prevention Account Sustainability
- Village Safe Water
  - Federal Funding Decline
  - Alaska Challenge Project
- Fairbanks Air Quality/ Woodsmoke

Commissioner Hartig explained slide 21: "How the Response Fund Works."

*"It is the intent of the Legislature and declared to be the public policy of the State that funds for the abatement of a release of oil or a hazardous substance will always be available."* (A.S. 46.08.030)

- Response Account
  - Funded by 1¢ surcharge on each barrel of oil
  - Surcharge suspended when fund exceeds \$50 Million
  - Pays for emergency response activities
  - Department recovers costs from identified responsible parties

- Prevention Account
  - Funded by a 4¢ surcharge on each barrel of oil
  - Pays for operational costs and readiness activities within the Spill Prevention & Response Division

Commissioner Hartig scrolled to slide 22: "Oil and Hazardous Substance Release Prevention and Response Fund" which was a graphic depicting how the fund worked.

Commissioner Hartig discussed Slide 23: "Status of the Prevention Account." He explained that the light blue bar on the graph represented the accounts general fund dollars; if funding was maintained at current levels into the future

the account would have to be offset by up to \$7.5 million per year with other funds in light of declining oil revenues. He concluded that if other funding sources were not identified SPAR would lose 46 percent of its budget or approximately 70 positions in the future.

Co-Chair Neuman asked for further discussion regarding the .04 cents surcharge and whether the department had any recommendations on restructuring the fund to be sustainable into the future without additional general fund expenditures. Commissioner Hartig directed attention to the following slide in response to the question.

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Commissioner Hartig turned to slide 24: "Considerations in Addressing the Shortfall."

- Do not increase the risk from spills
- Recognize declining production and the impacts of this to the sustainability of the Response Fund
- Collaborate with existing and potential payees into the Response Fund to identify the correct amount and allocation
- Look to other sources to identify fair and reasonable alternatives to help sustain the fund
- Continue to look for efficiencies in SPAR, partnerships, new technologies, better assessment of risks, and improvement to cost recovery

Commissioner Hartig conveyed that the department was engaged in discussions with the oil and gas industry. He related that the larger issue was why the oil and gas industry should pay for the entire fund when other sources of spills and industries were involved. Some of the discussions that were taking place was how much responsibility was fair to the oil and gas industry and alternative revenue sources. The department was also examining consolidations and efficiencies within the division.

Representative Gara asked about the possibility of an inflation adjustment on the .05 cents per barrel surcharge and what that would amount to. Commissioner Hartig replied that the SPAR budget had not kept up with inflation in relation to the Anchorage Consumer Price Index (CPI) and that the surcharge had not increased since its introduction

in 1989. In addition, the division had taken on added duties over the years with a flat surcharge.

Commissioner Hartig advanced to slide 25: "Village Safe Water."

- Over 4,500 homes in rural Alaska lack running water and sewage systems
- Lack of sanitation poses serious health threat
  - Health studies show a direct correlation between clean water in sufficient quantities and significant reductions in diseases and infections that can sometimes be fatal
  - Children in Southwest Alaska suffer some of the highest rates in the world of a serious pneumococcal bacterial infection which can affect the brain, blood or lungs
  - This bacterial infection is linked to inadequate sanitation infrastructure

Commissioner Hartig discussed the budget challenge of carrying out the program to communities of 1,000 residents or less with a decline in federal funds of over 60 percent within the prior ten years for needs that are constant.

Commissioner Hartig identified slide 26: "Rural Alaska Water & Sewer."

Funding for rural Alaska sanitation projects has declined by over \$61 Million, or 64% between 2004 and 2014

- Reduced funding means making choices:
    - First time water and sewer service where feasible
    - Upgrades or replacement of existing systems to address significant health threats
    - Stretching limited funds
    - Prioritize for greatest need and biggest impact
- Extend life with targeted improvements, limited scope

Commissioner Hartig pointed to the bar graphs on the slide that depicted the decline in funding over the last 10 years.

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Commissioner Hartig moved on to slide 27: "Alaska Water & Sewer Challenge."

- Innovative international research and development effort
- Goal is to significantly reduce the capital and operating costs of in-home running water and sewer in rural Alaska homes
- Recently launched Phase 2
- Focus is on "Decentralized" approaches
  - Household based systems
  - Water re-use technologies
- To date \$4 million in State and Federal funds have been secured, but there may be a future request to support completion

Commissioner Hartig discussed that the department assembled a team of professionals and experts in water and sewer systems who subsequently issued a RFP (Request for Proposal) to industry to develop innovative methods for sewer and water in rural areas that were less expensive to operate. He detailed that the department would choose the best ideas and fund the resulting refined pilot projects and eventually build some projects for testing. Essentially the department was "leveraging" a company's research and development efforts to produce a product for a ready market in Alaska and other Arctic nations. The department was currently working with the state department to make the challenge a United States project as part of the Arctic Council and planning an international conference that showcased the best ideas that sprang from the challenge.

Vice-Chair Saddler asked whether there were any "economies of scale to be achieved by having larger village water and sewage systems" or conversely were very small systems "tremendously expensive." Commissioner Hartig responded that larger centralized systems were complicated and expensive. The challenge team was exploring decentralized systems for individual homes or smaller subsets of homes that would be easier and cheaper to run in smaller communities. He added that the goal was to adapt existing technologies in new ways and he thought that the effort would be successful.

Co-Chair Neuman asked whether DEC was looking to the University of Alaska first, for innovative ideas before seeking proposals from outside of the state. Commissioner

Hartig responded that the university was on one of the teams, but added that DEC did not choose the university exclusively because the department wanted to cast a wide net and also include companies and manufacturers in order to bring their expertise and money to the table.

Vice-Chair Saddler asked whether the smaller systems were less safe. Commissioner Hartig responded that the RFP set strict requirements and that the entire goal of the program was to meet clean water standards.

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Commissioner Hartig directed attention to slide 28: "Fairbanks Fine Particulate Matter (PM2.5)."

- Fairbanks/North Pole area exceeds the 24-hour PM2.5 ambient air quality standard
- Initial air quality plan submitted to EPA on December 31, 2015
- Plan and control options have been controversial in community

- Home heating sources (wood and coal) are important contributors
- Continued change outs of wood heaters and expansion of natural gas important to attaining the standard
- Implementing initial plan and working with community as they explore additional options to improve air quality

Commissioner Hartig elaborated that the Fairbanks area was designated a "non-attainment" area by the EPA (Environmental Protection Agency) due to the fact that more residents were turning to wood stoves as energy costs rise, causing the air quality to fail federal standards. If the state could not bring the area back into attainment, federal sanctions could be applied making it more difficult to spend other federal dollars in Fairbanks and the withholding highway funds. He listed three main strategies for compliance that included a better supply of dry wood, more efficient stoves and boilers, and ultimately conversion to liquefied natural gas.

Representative Wilson stated that other countries were able to contain emissions innovatively and wondered why DEC was

not looking at other countries solid fuel burning devices for answers. Commissioner Hartig answered that the devices had to be certified as "compliant" by the EPA after import to the U S. He delineated that the state was trying to press the EPA to set standards and create a methodology to test compliance for certification, which was a complicated and expensive process.

Representative Wilson remarked that the devices existed, particularly in Canada. She wondered why the department was not approaching the problem similarly to the approach to rural sewer and water issues. Commissioner Hartig responded that DEC did establish its own performance standards for the non-attainment areas.

Co-Chair Thompson commented about the millions of dollars spent on the stove exchange programs as well as weatherization. He wondered whether there was any assessment to determine the programs' effectiveness. Commissioner Hartig responded that the weatherization programs had not had an impact on reducing wood smoke emissions and neither had the stove exchange program.

Co-Chair Neuman noted that there were wood stoves with catalytic convertors that reduced emissions and were covered under the weatherization program. Commissioner Hartig indicated that changing out wood stoves was not the weatherization programs' mission and typically was not covered under the program.

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Commissioner Hartig advanced to slide 29: "Status of FY2015 Budget Increments."

- Federal Authority for Contaminated Sites \$959.5 Fed
  - Allows the Contaminated Sites component to collect federal grants to perform cleanup and oversight of cleanup activities on federally owned contaminated sites
  - Federal budget issues, including sequestration, resulted in the Department of Defense and other federal agencies not scaling up their clean-up activities as anticipated
  - Additional federal grant funding is uncertain in FY2016

-The Division expects to collect and expend \$534.5 of this federal authority in FY2015

-Alaska Gasline Development Corporation (HB4) \$106.0  
ISPF-I/A

-Allows for additional contractors to work with the Division of Air Quality on construction and permit applications related to the small-diameter in-state gas pipeline

-The Prevention of Significant Deterioration permit as well as one of the Minor Source Specific permits are anticipated to be submitted during FY2015

-The Division expects to expend \$91.6 of this increment in FY2015

Commissioner Hartig moved to slide 30: "Status of FY2015 Budget Increments."

Regulations: Notice, Review, Comment (HB140) \$250.9  
UGF+1 PCN

-The Economist III was hired 12/1/2014 in Anchorage

-The Division expects to fully expend this increment in FY2015

404 Wetlands Program (SB27)-\$1,434.7 UGF -5 PCNs

-The State has been completing tasks that were in progress in FY2014 on a time available basis

-Two of those staff were transferred to vacant PCNs in the wastewater discharge program

-A third PCN has been retained to work independently on an Alaskan wetlands program plan (funded by an EPA grant) and to work with the Army Corps of Engineers on streamlining the permitting process, with a comparable vacant PCN deleted to offset this retention

-RSAs with DNR and Law specific to 404 Wetlands primacy have been eliminated in FY2015

Commissioner Hartig explained slide 31: "Current Challenges to Departmental Performance."

Increasing development activity and strained personnel resources threatens permitting timeliness.

Burden of new EPA rules threatens drinking water safety by limiting resources for technical assistance.

Commissioner Hartig noted that the lower bar graph on slide 31 depicted the decrease in assistance and enforcement actions by DEC due to budget reductions. He remarked that the department would limit the time spent on assistance with federal compliance with drinking water systems in rural communities and added that they would have to turn to the private sector for help.

Commissioner Hartig looked at slide 32: "Long-term Challenges to Departmental Performance."

Village homes served by safe water:

- More challenging communities
- Declining Funding
- Increasing Costs
- Innovation & Sustainability

Proposed budget cuts will impact the number of routine inspections of retail food facilities which may increase the risk of foodborne illness outbreaks.

Commissioner Hartig reiterated the challenges to the Village Safe Water program as depicted on the bar graph.

Commissioner Hartig scrolled through slide 34: "Department of Environmental Conservation's Share of Total Agency Operations (GF Only) (\$ Thousands)."

Co-Chair Thompson asked about charges in regards to the food safety inspections. Commissioner Hartig responded that a fee was charged but he was uncertain whether it covered the department's costs. He remarked that in other parts of the country local governments performed retail food safety inspections unlike Alaska where only Anchorage performed inspections. He delineated that in remote areas such as Nome or Bethel, in order to curb costs, DEC performed food inspections in conjunction with inspections of commercial food processing operations acting in proxy for the federal Food and Drug Administration (FDA). Therefore, the costs were covered by a mix of federal and state funds and it was difficult to determine whether the fees covered the costs.

Co-Chair Thompson wondered whether the department could increase the costs to cover food inspection similar to other types of safety inspections. Commissioner Hartig replied that he would examine whether the fee structure for

inspections were constrained by statute and provide the information.

Representative Guttenberg asked how the food safety inspection program worked in remote areas and wondered whether contractors were utilized. Commissioner Hartig was not aware of utilizing contractors for inspections. He explained that the department issued food worker cards through online training. The retail food inspections were performed when possible in conjunction with travel to the area for another purpose.

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Representative Guttenberg further inquired about what happened with a facility waiting for an inspection. Commissioner Hartig indicated that a business could operate without an inspection and that when inspected DEC would not close an establishment unless an immediate threat to human health was discovered.

Representative Munoz wondered whether communities with planning and zoning authorities worked with DEC to complete a state requirement for inspection. Commissioner Hartig answered that certain facilities such as seafood processing plants or dairies had to meet certain state and federal requirements and the state performed the inspections. He was not sure how much DEC worked with the local planning and zoning authorities.

Representative Gara recalled that food inspection fees were restructured approximately 6 years ago that shifted more of the fee on the certified food worker and reduced the fee on businesses. He asked for clarification and requested the amount of the food inspection shortfall. Commissioner Hartig indicated that DEC instituted a nominal fee for a food safety card and training. He interjected that DEC could only perform one-third of the federally recommended amount of annual inspections so the department decided to focus on inspecting facilities that were associated with the highest risk to the public such as day care centers. He noted that, unlike restaurants the real risk to the public was when a product went out to the public and the origin was unknown.

Representative Guttenberg asked if there were any states that inspected less restaurants than Alaska. Commissioner

Hartig noted that Alaska was in an unusual situation with very large remote areas.

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^FY 16 BUDGET OVERVIEW: ALASKA COURT SYSTEM

DOUG WOOLIVER, DEPUTY ADMINISTRATIVE DIRECTOR, ALASKA COURT SYSTEM, JUDICIARY, introduced the PowerPoint presentation "FY 16 Budget Overview: Alaska Court System."

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Mr. Wooliver explained the name change from the Court System to Judiciary. The Judicial Branch of government in Alaska was comprised of three entities: The Court System, the Judicial Council, and the Commission on Judicial Conduct. The Court System was the largest entity of the three. He noted that the overview would focus on the Court System.

Mr. Wooliver began with slide 2: "Mission Statement."

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 turned to slide 3: "Four Levels of Courts."

- Supreme Court - 5 Justices
- Court of Appeals - 3 Judges
- Superior Courts - 42 Judges
- District Courts - 23 Judges & 52 Magistrate Judges

Mr. Wooliver explained the difference between the two levels of trial courts: Superior Courts and District Courts. The Superior Court was known as the court of general jurisdiction and heard cases regarding divorce, felony crime, child need of aid, delinquency, property disputes, etc. The District Court was known as the court of limited jurisdiction and heard misdemeanors, small claims,

claims under \$100 thousand, etc. The District Court was a high volume court. He furthered that the state had magistrate judges involved in District Court and often served part-time in small communities and were not typically attorneys.

Mr. Wooliver advanced to slide 4: "Court System Non-Judicial Employees."

723 Permanent Staff (GF-Funded)

- In-Court Clerks
- Customer Service Clerks
- Judicial Assistants
- Law Clerks
- Administrative Staff (HR, Fiscal, Computer Services, Facilities)

Mr. Wooliver advanced to slide 5: "Distinguishing Characteristics of the Alaska Court System."

- State Funded
- Unified Judiciary- No County or Municipal Courts
- Administrative Director Position Established in the Constitution

Mr. Wooliver pointed out that a major advantage to a unified Judiciary was that policy questions were dealt with by himself or Nancy Meade, General Counsel, Alaska Court System, which was streamlined compared to other states with local jurisdictions.

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Mr. Wooliver continued with slide 6: "Factors Impacting Workloads."

- Population
- Police
- Economy
- Other

Mr. Wooliver indicated that when the state population or unemployment rates increased caseloads increased.

Mr. Wooliver discussed slide 7: "Trial Court Caseloads - FY14."

132,032 New Cases Filed in FY14

-59% of All Cases Originated in the Anchorage/Palmer/Kenai Courts

Superior Court - 22,523 Cases Felony Cases - 29%

-Probate Cases - 25%

-Domestic Relations - 23%

District Court - 109,509 Cases

Mr. Wooliver observed that even though the bulk of cases occurred in Southcentral Alaska the Court Systems policies had to apply to all regions of the state.

Mr. Wooliver advanced to the pie chart on slide 8: "FY14 Trial Court Case Filings." He noted that 44 percent of the volume of Court System filings were for minor offenses, but took up a very small percentage of workload.

Mr. Wooliver pointed to the pie chart on slide 9: "FY14 Superior Court Case Filings." He conveyed that the chart depicted Superior Court filings by case category which was mostly criminal followed by probate and domestic relation cases. He added that probate cases regarding guardianship of elder Alaskans was steadily growing. Some cases dealing with domestic relations, such as child custody cases can last for years, but only had one filing.

Mr. Wooliver moved on to slide 10: "FY14 District Court Case Filings." He offered that the district court filings dealt with mostly minor offenses but also misdemeanors, small claims, domestic violence, and civil law.

Vice-Chair Saddler asked what the timeframe was for the case filing data included in the slides. Mr. Wooliver responded that they were filings for one year.

Representative Wilson asked whether minor offenses were mostly traffic offenses that were not heard in court. Mr. Wooliver replied in the affirmative.

Representative Wilson requested the number of cases that actually were heard in district court. She referred to the 109,509 number of District Court cases and thought that was high. Mr. Wooliver replied that he would provide the answer. He explained the electronic filing system for traffic violations and stated that a court employee never dealt with those cases.

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Representative Munoz cited the increasing involvement of tribal courts and wondered whether that affected the court's workload. Mr. Wooliver replied in the negative. However, he anticipated that more cases would be diverted to tribal courts in the future.

Mr. Wooliver remembered that 71 percent of traffic offenses do not result in court proceedings.

Representative Wilson asked if the data reflected 71 percent of the 58,458 minor offenses.

Rhonda McLeod, Chief Financial Officer, Alaska Court System, responded in the affirmative.

Mr. Wooliver continued with slide 11: "Criminal Jury Trials FY12-FY14."

- Superior Court Felony Trials for FY14 are up 21% from FY12 Trial Totals and up 15% from FY13 Trial Totals

- District Court Misdemeanor Trials for FY14 are up 13% from FY12 Trial Totals and up 28% from FY13 Trial Totals

Mr. Wooliver surmised that as the trial courts cases increased so did the workload for the Court System, prosecutors, public defenders as well as the Court of Appeals caseload, which in turn impacted the appellate attorneys in the Department of Law and Public Defenders Office workload.

Representative Edgmon referenced slide 7. He asked why Fairbanks was not included in the number of new cases filed. Mr. Wooliver responded that the bulk of the cases were filed in Southcentral Alaska. Representative Edgmon asked how closure of the Palmer correctional facility would affect the Court Systems' efforts in Palmer. Mr. Wooliver responded that the closure would affect the Department of Public Safety (DPS) much more than the Court System.

Representative Edgmon commented that potential cuts in both the Department of Corrections (DOC) and DPS often just shifted costs from one agency or the other.

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Co-Chair Neuman asked what the caseload percentages between Anchorage and the Matanuska-Susitna Borough was. Mr. Wooliver confirmed that Anchorage had 50 percent of all cases statewide. He added that Anchorage had far more judges and far more cases as well as the highest caseload per judge.

Representative Gara referred to slide 11 and commented that in the last 2 to 3 years the district attorneys were requiring that all sentencing cases must go to trial instead of allowing sentencing agreements, which increased the number of trials. He wondered whether some of the increase in felony trials resulted from the policy. Mr. Wooliver responded that he thought so but qualified that the felony trial rate had been increasing before the change in the plea policy and was not sure of the extent of the impact on the courts.

Mr. Wooliver pointed to the graph on slide 12: "Criminal Case Dispositions by Jury Trial Fiscal Years 2009 to 2014," and commented that the slide depicted the increase in trials.

Mr. Wooliver scrolled to slide 13: "FY15 State of Alaska Funding - All Sources." He remarked that the pie chart depicted that Judiciary funding was 1.4 percent of all agency spending.

Mr. Wooliver identified slide 14: "Alaska Court System FY15 Operating Budget Appropriation All Fund Types." He mentioned that the pie chart represented the breakdown of spending by appropriation. He reported that the largest portion of costs belonged to Trial Courts [79 percent].

Mr. Wooliver advanced to slide 15: "Breakdown of FY15 Funding (GF)."

- Personal Services Costs - 75.6%
- Travel Costs - 1.3%
- Services - 20.0%
- Supplies/Commodities - 2.8%
- Capital Outlay - .3%

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Co-Chair Neuman asked at what age a judge could retire and what amount of compensation did a judge receive. Mr. Wooliver responded that a judge vested in 5 years and could retire after 15 years upon a retirement age of 60. The maximum retirement rate was 75 percent of a sitting judge's salary including health benefits. Co-Chair Neuman thought that the rate encouraged judges to retire and wondered whether the Court System was reconsidering the retirement rate for judges. Mr. Wooliver replied that the Court System supported the retirement system for judges that was on par with other judicial retirement systems across the country. He furthered that most judges already had an established legal career in the private sector and took a significant salary decrease to become a judge, therefore the generous retirement package acted as an incentive. He emphasized that the Court System required experienced candidates.

In response to a question by Representative Munoz, Mr. Wooliver stated that a judge would have to pay into the system for 15 years to receive the maximum retirement benefit, could vest after 5 years, and could begin drawing retirement benefits at 60 years of age. Representative Munoz asked whether other state service factored into a judicial retirement and what would happen if a judge retired before the 5 year vestment period. Mr. Wooliver was uncertain and would provide the answer.

Co-Chair Neuman asked whether the Court Systems retirement unfunded liability was included in the personal services costs. Mr. Wooliver responded in the affirmative. He added that the governor vetoed the unfunded liability payment the legislature previously appropriated.

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Vice-Chair Saddler asked what role geographical differences played in retirement benefits. Mr. Wooliver indicated that geographical differences was not a factor in judicial retirement.

Mr. Wooliver moved on to slide 16: "Increments Funded in FY15."

- Bandwidth to Improve Network Transmission Speeds
- Facility Maintenance Costs
- Security Screening
- Court Visitors and Interpreters

Mr. Wooliver discussed the additional funds for bandwidth. He identified cost savings by use of video arraignments.

Co-Chair Neuman asked whether the increased bandwidth capacity could be used for other state needs. Mr. Wooliver replied that the increased bandwidth helped DOC and DPS through video arraignments.

Vice-Chair Saddler asked if there had ever been a challenge to the adequacy of video arraignments. Mr. Wooliver did not know of any challenges and that video arraignments took place every day. Vice-Chair Saddler asked whether "anything was lost" by means of video arraignments. Mr. Wooliver indicated that there might be situations that would be better in person but a lot of routine proceedings take place before the court where the use of video was beneficial.

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Representative Gattis asked whether it was possible for police officers to employ video for mandatory court appearances. Mr. Wooliver replied that the suggestion was a good one and worth looking into. Representative Gattis remarked that improved bandwidth offered potential cost saving measures for the more populated and urban areas of the state and not only benefitted rural areas.

Representative Gara discussed the court calendar process where many attorneys and their clients must appear in court and waste many hours waiting for deliberation regarding the status of their cases. He opined that the practice was antiquated and wasted a lot of time for prosecutors and public defenders. He wondered whether there was a way the court clerk could call the attorney near the time their case would be heard in an effort to utilize the attorney's productive work time. Mr. Wooliver relayed that he would look into managing the court calendar in ways that would work better for the attorneys.

Co-Chair Neuman commented that the House Finance Judiciary Subcommittee would look into the issue.

Mr. Wooliver discussed slide 17: "Funding Changes FY06 to FY15 Personal Services."

-Salary Adjustments

- New Judges - Eight Superior Court and Three District Court
- No Dark Courtrooms Initiative

Mr. Wooliver reported that 8 new Superior Court judges and 3 new District Court judges had been added over the last 10 years. The "No Dark Courtrooms Initiative" added 33 additional clerical staff.

Mr. Wooliver discussed slide 18: "Funding Changes FY06 to FY15 Services."

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

Mr. Wooliver commented that a new appropriation for Therapeutic Courts was created and placed within the Court System but presented as an increase in the Court Systems budget. The appropriation consolidated all of the prior multiple appropriations which reached into other departments and was not a true spending increase for the Therapeutic Courts.

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Representative Guttenberg stated that he strongly supported the Therapeutic Courts. He noted his appreciation for the opportunity to "shadow" Judge Raymond Funk, Judge Pro Tem, Trial Courts Fairbanks, Judiciary, while presiding over the Therapeutic Court proceedings. Mr. Wooliver replied that there was a judicial ride-a-long program for legislators upon invitation to shadow a judge for a day which was very beneficial.

Mr. Wooliver advanced to slide 19: " Appropriations within the Judiciary (All Funds) (\$ Thousands)." He reported that the graph portrayed the appropriations for the entire Judicial Branch that was comprised mostly of Court System appropriations.

Mr. Wooliver reported on slide 20: "Judiciary's Share of Total Agency Operations (GF Only) (\$ Thousands)." He elaborated that the chart portrayed the Judiciary's Budget which was 2.21 percent of all agency spending.

Mr. Wooliver turned to slide 21: "Appropriations within the Judiciary (GF Only) (\$ Thousands)." He explained that Judiciary was almost exclusively funded with GF.

Mr. Wooliver turned to slide 22: "FY16 and Beyond."

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

Mr. Wooliver stated that E-Filing was the future of the Court System and would offer future cost savings by reducing clerical staff and creating efficiencies.

Mr. Wooliver reported on slide 23: "FY16 and Beyond.. (Cont.)."

-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

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Mr. Wooliver revealed slide 24: "FY16 and Beyond.. (Cont.)."

- Improvement of Justice Facilities in Juneau, Kotzebue, Bethel, and Nome and Additional Space in Palmer
- Video Arraignment and Bandwidth Expansion

Mr. Wooliver discussed the court's capital requests that were part of long range plans.

Mr. Wooliver moved to on slide 25: "FY16 Operating Budget."

- Annual Budget Development Process Commences in August
- FY16 Budget Approved by Supreme Court in October 2014
- Prior to the Severe Decline in Oil Prices
- FY16 Operating Budget Increment Requests Withdrawn and Base Budget Reduced

Representative Wilson thought that judges should be able to work longer than 70 years of age; as mandated by the state's constitution.

Representative Gara declared that cases cost the state significant amounts of money. He wondered whether the Court System considered increasing court filing fees on a sliding scale basis. Mr. Wooliver indicated that the Court System was considering adjusting its fee structure.

Vice-Chair Saddler wanted to know how the courts measured success in the Court System and particularly wondered whether the Therapeutic Courts was effective. Mr. Wooliver relayed that the measure for Therapeutic Courts was the recidivism rate. He delineated that recidivism rates were significantly lower for graduates of Therapeutic Courts. Other measures of savings due to the Therapeutic Courts that were difficult to quantify were less victims of crime or less DUI accidents or deaths.

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Vice-Chair Saddler requested the information regarding the recidivism rates related to the Therapeutic Courts. He asked whether there were there objective measures for Court System effectiveness besides the Therapeutic Courts. Mr. Wooliver voiced that he could provide the committee with the data from a recent Judicial Council study on recidivism related to the Therapeutic Courts. He added that the Court System had a six month rule statute that required judges to sign an affidavit every two weeks stating that they do not have work more than 6 months old or their pay is withheld. Vice-Chair Saddler requested more information on the relative effectiveness of the courts broken down by different regions of the state. Mr. Wooliver responded that he would provide the information broken down by district.

HB 72 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

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The meeting was adjourned at 3:19 p.m.