

HOUSE FINANCE COMMITTEE
February 4, 2015
1:35 p.m.

1:35:17 PM

CALL TO ORDER

Co-Chair Neuman called the House Finance Committee meeting to order at 1:35 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 Lance Pruitt
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Heidi Drygas, Commissioner, Department of Labor and Workforce Development; Paloma Harbour, Director, Division Of Administrative Services, Department Of Labor And Workforce Development; Greg Cashen, Deputy Commissioner, Department of Labor and Workforce Development; Craig Richards, Attorney General, Department of Law; John Skidmore, Director, Criminal Division, Department of Law.

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 LABOR AND WORKFORCE DEVELOPMENT

FY 16 BUDGET OVERVIEW: DEPARTMENT OF LAW

#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."

[1:38:45 PM](#)

^FY 16 BUDGET OVERVIEW: DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

[1:38:48 PM](#)

HEIDI DRYGAS, COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, introduced her staff and provided a synopsis of her professional background including her experience as general counsel to the Alaska District Council of Laborers for ten years. In her position she handled negotiations, contract administration, grievance adjudication, arbitration, hearings before the Alaska Labor Relations Agency, and the National Labor Relations Board.

Commissioner Drygas began the PowerPoint presentation "FY16 Budget Overview: Department of Labor and Workforce development (copy on file). She turned to slide 1: "Department Overview."

MISSION:

- Provide safe and legal working conditions and advance opportunities for employment.

KEY PROGRAM PRIORITIES:

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

Commissioner Drygas advanced to slide 2: "Offices by Location." She reported that the department provided services to Alaskans across the state. She relayed that the red dots on the map indicated the Alaska Job Center network through which the department provided staff assisted employment and training services. The blue dots indicated the locations of the vocational rehabilitation offices where employment and training services were provided to disabled Alaskans. The Alaska Vocational Technical Center (AVTEC) located in Seward was indicated by a purple dot. She continued that the other programs in green on the map included unemployment insurance, labor standards and safety, worker's compensation, and other programs.

Commissioner Drygas reviewed slide 3: "Department Organizational Chart." She relayed that the chart was organized by key priority programs. Two of the divisions had sections that had cross priority program lines; the Employment Security Division and the Vocational Rehabilitation Division. She reported that there were some lines of distinction that were slightly unclear. She stated that the Worker's Compensation Division had some cross over in the "Protect Workers" priority because of the efforts made to ensure employers had worker's compensation insurance for their employees. Historically, the department had placed them in the "Income Replacement" area because they primarily insured benefit payments to Alaska's injured workers.

Commissioner Drygas turned to slide 5: "Protect Workers." She reported that the state saw a significant reduction in the workplace lost time illnesses and injury rate per 100 employees from 1.13 in FY13 to a record low of 0.61 in FY14. The decrease was a direct result of the Divisions of

Labor Standards and Safety developing a 10-hour Occupational Safety and Health Administration (OSHA) course used to improve safety in the target industry of seafood processing. She was happy to report that the majority of the decrease happened in the seafood industry.

Commissioner Drygas advanced to slide 6: "Workforce Development." She reported that the Vocational Rehabilitation Program performance had remained strong. In FY 2014 the program had employed 607 upon exit from their individualized plan, which reflected an increase from 598 in FY 2013. The average wage exiting the program was \$14.31 increased from \$13.84 in FY 2013.

Vice-Chair Saddler asked whether the chart on slide 5 depicted continued hires or new hires. Commissioner Drygas answered that the figure represented the newly employed.

[1:42:10 PM](#)

Commissioner Drygas pointed to slide 7: "Income Replacement." She declared that the Department of Labor and Workforce Development (DLWD) improved the timeliness of Fisherman's Fund claims from an average of 60 days in FY 2013 to an average of 47 days in FY 2014 due to newly implemented follow-up protocol and existing public and private partnerships reviewed in the following two slides.

Commissioner Drygas highlighted slide 8: "State Partnerships."

Work Readiness Assessments

- Alaska Military Youth Academy
- Department of Corrections
- Department of Education and Early Development
-

Economic and Demographic Data, and Training and Education Program Outcomes

- Department of Health and Social Services
- Department of Commerce, Community and Economic Development
- Department of Education and Early Development
- University of Alaska
- Commission on Postsecondary Education

Apprenticeship, Training and Employment Services

- Department of Corrections
- Division of Juvenile Justice

Commissioner Drygas reviewed slide 8: "Private/ non-Profit Partnerships."

Apprenticeship, Training and Employment Services

- Alaska Employers
- Tribal and Community Vocational Rehabilitation Programs
- Construction Education Foundation
- Alaska Works Partnership
- Regional Training Centers and Private Training Providers

Private Sector Membership on Boards and Councils

- Workers' Compensation Boards
- Alaska Safety Advisory Council
- Alaska Workforce Investment Board
- Alaska Labor Relations Agency Board
- Fishermen's Fund Council

Commissioner Drygas added that an example of a partnership that was not reflected on the slide was the Seafood Industry Safety program.

Commissioner Drygas turned to slide 9: "FY2016 Endorsed Budget: \$179,412.8: Budget by Priority Program" She indicated that 53 percent of the department's budget was comprised of federal funds at \$94.4 million. She detailed that the department's unrestricted general funds (UGF) amounted to \$29.2 million and was a decrease of \$4.2 million from FY 2015 or 12.8 percent reduction. In order to meet the reduction DLWD would redesign administrative infrastructure to maintain maximum services delivery and identify efficiencies, however impacts to services would be felt.

Commissioner Drygas scrolled to slide 10: "Governor's Endorsed Budget Overview: Operating Budget."

Operating Budget

One-time and Temporary Increment Reversals

- -\$1.4 million UGF for the Alaska Youth First/Compass Alaska program
- -\$150.0 DGF for the Rural Apprenticeship Outreach program
- -\$226.8 UGF and -\$100.0 DGF for the Alaska Vocational Technical Center (AVTEC) Registered Nurse program

Designated General Fund Increases

- Additional program receipt authority for the Alaska Safety Advisory Council (\$35.0) and AVTEC (\$110.0)
- \$429.0 in additional Technical and Vocational Education Program (TVEP) funding to regional training centers specified in Alaska Statute 23.15.835

Known Federal and Other Funding Reductions

- -\$3.0 million less in federal and other funding that supports the state's job center network

Co-Chair Neuman clarified that the endorsed budget reflected an 8 percent reduction. Commissioner Drygas interjected that a 4.8 percent reduction was added to the 8 percent reduction for a total reduction of 12.8 percent.

Commissioner Drygas elaborated that in FY 2016 DLWD would lose \$1.7 million in federal funding for the Alaska Jobs Center Network. The Network consisted of field stations staffed in 20 centers throughout the state. The department was examining alternative solutions to avoid job center closures. She exemplified a saving measure in the Seward Job Center where the staffer was retiring and the Alaska Vocational Technical Center (AVTEC) would take over job center operation. She furthered that DLWD would utilize vacancies and attrition to keep job centers open.

[1:47:26 PM](#)

Representative Gara referenced the \$1.4 million UGF reduction for the Alaska Youth First program last year that was restated as a one-time expenditure. He stated that the money was used for job counseling services. He asked if there was a way to retain the most effective services as opposed to cutting the entire program. Commissioner Drygas

felt that the program was "critically important." She suggested that if the committee wanted to look to other sources of funding she would welcome keeping the program but did not think the program would survive the difficult budget cuts. Representative Gara reminded the committee that the funding was a recurring item and was reduced to a one-time appropriation last year.

Commissioner Drygas moved on to slide 11: "Technical And Vocational Education Program."

Entity

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>
	<u>Distribution</u>	<u>Distribution</u>	<u>Distribution</u>
• University of Alaska	\$ 4,842.0	\$ 5,226.9	\$ 5,630.0
• University of Alaska Southeast	\$ 538.0	-	-
• Galena Interior Learning Academy	\$ 430.4	\$ 464.6	\$ 500.4
• Alaska Technical Center	\$ 968.4	\$ 1,045.4	\$ 1,126.0
• Alaska Vocational Technical Center (AVTEC)	\$ 1,829.2	\$ 1,974.5	\$ 2,126.9
• Northwestern Alaska Career and Technical Center (NACTEC)	\$ 322.8	\$ 348.5	\$ 375.3
• Southwest Alaska Vocational and Education Center (SAVEC)	\$ 322.8	\$ 348.5	\$ 375.3
• Yuut Elitnaurviat, Inc. People's Learning Center	\$ 968.4	\$ 1,045.4	\$ 1,126.0
• Partners for Progress in Delta, Inc.	\$ 322.8	\$ 348.5	\$ 375.3
• Amundsen Educational Center	\$ 215.2	\$ 232.3	\$ 250.2
• Ilisagvik College	-	\$ 580.8	\$ 625.5
• TOTAL	\$ 10,760.0	\$ 11,615.4	\$ 12,510.9

Commissioner Drygas mentioned that the slide depicted the funding for the Alaska Technical and Vocational Education Program (TVEP) by location.

Commissioner Drygas looked at slide 12: "Governor's Endorsed Budget Overview: Operating Budget Continued."

Operating Budget continued

\$300.0 Unallocated Unrestricted General Fund Reduction

- Delete three positions from the Commissioner's Office and the Administrative Services Division to attain the Governor's goal of redesigning administrative infrastructure to maintain maximum program and services delivery

8% Unrestricted General Fund (\$2.5 million) Reduction

- Reduce administrative and support positions, and streamline services to minimize direct service impacts (-\$1,052.2)
- Reduce funding available to offset lease expenses (-\$311.4)
- Closure of the Alaska Vocational Technical Center's Anchorage Campus , which houses AVTEC's Allied Health programs (-\$478.9)

Commissioner Drygas identified the three positions slated for elimination in the Commissioner's Office and the Administrative Services Division: administrative assistant, accounting clerk, and micro network technician.

[1:51:03 PM](#)

Commissioner Drygas looked at slide 13: "Governor's Endorsed Budget Overview: Operating Budget Continued and Capital Budget."

Operating Budget continued

8% Unrestricted General Fund (\$2.5 million) Reduction continued

- Reduced Adult Basic Education instructional hours (-\$172.5)

- Eliminate a Wage and Hour Investigator (- \$153.9)
- Less funding for pass-through grants in support of Alaska Construction Academies and Rural Training Centers (-\$367.6)

Capital Budget

Re-appropriation

- \$530.0 unexpended balance of the AVTEC Third Avenue Dormitory project to provide for the replacement and upgrading of AVTEC's information technology (IT) equipment and infrastructure.

Commissioner Drygas advanced to slide 14: "Share Of Total Agency Operations." She reported that the next few slides were historical budget charts provided by the Division of Legislative Finance (LFD) which portrayed changes in the DLWD budget since 2007. She emphasized that slide 14 showed the overall state agency operations and the general fund (GF) budget as a percentage of the total agency budgets. The department's general funds had increased at an average annual growth rate of 3.7 percent. However, the rest of the state had grown at a faster rate therefore, DLWD represented a smaller share of the overall statewide budget and represented six straight years of decline.

Vice-Chair Saddler asked whether the slide included UGF funds. Commissioner Drygas responded in the affirmative.

Representative Gara cited slide 13 and requested an explanation for the reduction in the adult basic education instructional hours totaling \$172.5 million and asked whether there was an alternative for serving the students.

PALOMA HARBOUR, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, answered that the total budget had \$2 million remaining for the Adult Basic Education program and was currently \$1 million over the required federal match. She felt that the impacts would be fairly minimal.

Co-Chair Neuman stated that slide 14 compared DLWD to other state agency budgets. Commissioner Drygas voiced that she was required to provide the graph.

1:55:47 PM

Vice-Chair Saddler asked for clarification about the Adult Basic Education program. Commissioner Drygas responded that the program assisted adults in obtaining their General Education Diploma (GED). Vice-Chair Saddler asked if there were other educational resources available. Commissioner Drygas was not familiar with other resources available. Vice-Chair Saddler opined that other educational resources would include the public school system. Commissioner Drygas replied that adult education was comprised of Alaskans who dropped out of high school and wanted to "make a go of it."

Representative Guttenberg asked about the reason that the GED program was under the Department of Labor. He wondered whether it was considered a part of workforce development. Commissioner Drygas replied in the affirmative and added that the basic reason was that it served adults seeking their GED. Representative Guttenberg cited the example of someone aged 19 or 20 and asked where she would go for GED assistance. Commissioner Drygas answered that Adult Basic Education served students 16 years old or older.

Commissioner Drygas explained the chart on slide 15: "General Funds By Appropriation." She detailed that the graph depicted the departments GF budget changes by appropriation. She furthered that GF included special training funds such as the State Training and Employment Program (STEP), and the Technical and Vocational Education Program (TVEP), and program receipts from fee-for-service type activities (i.e., student tuition and fees or mechanical inspection fees).

Co-Chair Neuman asked about the blue line with the stars that indicated significant growth in 2008 and 2009 and wondered why. Commissioner Drygas replied that the TVEP program increased significantly by statute.

1:59:40 PM

Commissioner Drygas examined slide 16: "Unrestricted General Funds By Appropriation." She noted the decline in growth in almost all DLWD programs and components in FY 2015 and FY 2016. She commented that the steeper decline in Business Partnerships was due to the cut to the Youth First program. The increase in the Labor Standards and Safety Division was accredited to the projected shortfall in the

Workers Safety Compensation Administration Account (WSCAA) that resulted in a fund source change to UGF.

Commissioner Drygas reviewed slide 17: "Change In Positions." She explained that the chart portrayed the decrease in positions since 2007.

Co-Chair Neuman asked about the average cost per employee in FY 2007 versus FY 2016. Commissioner Drygas responded that she would provide the information.

Commissioner Drygas scrolled to slide 18: "Vision For The Department."

- Streamline programs and revamp the workforce development system to ensure maximum effectiveness and efficiency within a sustainable budget
- Increase Alaska resident hire in priority industries and occupations to ensure Alaskans are getting Alaska's jobs
- Ensure economic stability for injured, unemployed and disabled Alaskans

Commissioner Drygas commented on how committed the people within the department were. She was struck by DLWD employee's longevity, concern for people's wellbeing, and good nature. She specifically mentioned the dedication of the employees working in the Division of Rehabilitation and commended them for finding disabled people meaningful work. She revealed that she was reviewing a proposal that would administer Workforce Development Grants through the Employment Security Division instead of a separate Business Partnerships Division, which could result in a savings of approximately \$850 thousand. In addition, she noted that Alaska had the highest ratios of resident to non-resident workers in the country which impacted the resident rate of unemployment.

Vice-Chair Saddler asked the commissioner to define priority industries in Alaska. Commissioner Drygas deferred to Deputy Commissioner Cashen.

[2:05:55 PM](#)

GREG CASHEN, DEPUTY COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, answered that he had just finished discussions with the Workforce Investment Board on the topic. He identified that the priority industries in the state were oil and gas, mining, construction, transportation, seafood processing, healthcare, and information technology. He reported that DLWD would be implementing the new federal Workforce Innovation Opportunity Act.

Vice-Chair Saddler referred to the Commissioners statement that Alaska had the highest rate of non-resident unemployment and wondered whether that was the case in priority or non-priority industries. Deputy Commissioner Cashen replied that non-resident employment was focused on construction, oil and gas, mining, and the seafood industry. He offered to provide the departments recent non-resident hire report.

Co-Chair Thompson thought that the tourism industry had a lot of non-resident hire and supported tourism industry jobs going to Alaskans. Deputy Commissioner Cashen responded that he inadvertently missed listing the tourism industry as having a high rate of non-resident hire.

Co-Chair Neuman stated that recently he had met with the Commissioner to discuss the future of Alaska. He was concerned about the lost jobs in communities due to budget reductions. He stated the importance that DLWD would play in assisting Alaskans in finding new employment. He commented that outreach to private industry was essential. He believed that the state's role in training Alaskans for industry jobs would need to transfer to the private sector. He asked the commissioner to address the committee about the role of the department in the future with further budget reductions and the partnerships with private industry.

Commissioner Drygas responded that the Governor directed commissioners to "dig into budgets" to find reductions. She believed the department had identified new reductions by "thinking outside the box" and that DLWD had to "do less with less." She was very passionate about partnering with private industry and increasing workforce development opportunities in the state. She shared that one of the things the Governor had emphasized in his speeches was cooperation among the Department of Education and Early

Development (DEED), the University of Alaska, and DLWD to streamline and make workforce development and career and technical education more effective and work on identifying duplications and where the stated needed to improve its training. She shared that she had productive meetings with Commissioner Michael Hanley, Commissioner, Department of Education and Early Development, and President Patrick Gamble, President, University of Alaska, to discuss ways to advance the goals and measure results. She discussed her energy and enthusiasm for her job as commissioner.

[2:15:07 PM](#)

Vice-Chair Saddler referred to slide 11 and asked for information on which TVEP training centers were most effective at producing jobs and at what cost per student. Commissioner Drygas answered that a TVEP report was being published next month.

[2:16:08 PM](#)

AT EASE

[2:25:32 PM](#)

RECONVEYED

^FY 16 BUDGET OVERVIEW: DEPARTMENT OF LAW

CRAIG RICHARDS, ATTORNEY GENERAL, DEPARTMENT OF LAW, introduced the PowerPoint presentation "FY16 Budget Overview: Department of Law (copy on file).

Attorney General Richards began with slide 2: "Mission."

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

2:27:00 PM

Attorney General Richards moved to slide 3: "Organization Chart." He thought it would be helpful to include the organizational chart for the Department of Law (DOL) which included the Criminal Division, Civil Division, and Administrative Services.

Attorney General Richards pointed to slide 4: "Protecting Alaskans: Prosecutions and Convictions in CY13." He conveyed that the prosecutorial arm for the state was housed in the Criminal Division within DOL. The data on the chart showed the number of felony and misdemeanor cases that were accepted in and subsequently resolved in the last calendar year. He reported that the statistics did not include the dismissals that amounted to 16 percent of the total prosecuted cases; half resulted in plea agreements.

Co-Chair Neuman stated his concern with child sexual assault. He recounted a recent event in Wasilla that resulted in a plea agreement with lesser charges. He wondered how a plea agreement could happen in child sexual assault cases. Attorney General Richards replied that he was not familiar with the circumstances of the case. He stated that major plea decisions were made with the prosecutor and the district attorney. He offered to provide information regarding the particular case. Co-Chair Neuman responded that his concern was not just that particular case. He wondered how someone could commit "a tremendous amount of crime" and could obtain a plea agreement with lesser charges. Attorney General Richards offered to provide statistics for the department regarding plea agreements with multiple charges reduced to one charge.

Attorney General Richards looked at slide 5: "Protecting Alaskans: Recent Statistics." He explained that the slide showed the number of violent felony crimes reported in Alaska. He commented that reported crimes related to the amount of work for the Criminal Division of the department. He relayed that reported crimes remained relatively flat.

Co-Chair Neuman cited that 2,672 felonies were reported [2013] and wondered how many of the crimes were prosecuted.

JOHN SKIDMORE, DIRECTOR, CRIMINAL DIVISION, DEPARTMENT OF LAW, indicated he would provide the information.

Representative Guttenberg asked how Alaska compared to other states in relation to violent crimes. Attorney General Richards was not aware of accurate statistics available.

[2:33:06 PM](#)

Attorney General Richards highlighted slide 6: "Protecting Alaskans."

Securing safe living conditions for Alaska's children:

- The Alaska Supreme Court resolved 29 appeals in FY14 relating to child protection cases, affirming the position taken by OCS in 28 of those appeals -a 96% success rate.

Safeguarding Alaska's consumers:

- The Commercial and Fair Business section participated in settlement of 6 major local and multi-state consumer protection cases, resulting in almost \$6 million to the state. The Regulatory Affairs and Public Advocacy section yielded approximately \$4.4 million in quantifiable consumer benefits in FY14.

Prosecuting criminals and shielding Alaska's vulnerable adults:

- Extraditions, probation revocations, pursuing PFD and Medicaid fraud cases, and a continued focus on domestic violence and sexual assault.

Attorney General Richards moved to slide 7: "Fostering Economic Development."

Ensuring Alaska's Resources are accessible:

- Continued efforts to preserve and enhance access throughout the state, including the U.S. Secretary of the Interior's denial of a land exchange to build a road to Cold Bay.

Defending the Alaska's right to manage its resources:

- Obtained a favorable decision vacating the NMFS decision, based on projections 100 years into the

future, to list the Beringia population of bearded seal as threatened.

Representing the state's interests in resource development:

- Worked with multiple state agencies to provide comments on the EPA's proposed rule to enforce a reduction of CO2 emissions from existing power plants.

Attorney General Richards reported that the state wanted to defend its right to manage its resources and maintain accessibility to its resources. He mentioned that a whole series of cases were related to maintaining the states interest in resource development and ability to manage its resources.

Co-Chair Neuman commented that protecting the state's sovereignty was a huge issue for the state. He informed the committee that he had requested information regarding what law suits were filed on behalf of the state that were attempting to protect the state's rights and list which law suits were feasible and might proceed with litigation.

Representative Wilson asked how DOL decided which Environmental Protection Agency (EPA) laws were worth challenging. She exemplified the air quality issues in Fairbanks. Attorney General Richards stated that he had not yet made a decision regarding state's rights. He reasoned that he would first determine whether the state disagreed with a federal law and whether or not the state "had a unique voice" in the issue. He added that there were also practical considerations that weighed in on the decision of whether to sue or not. He would provide any information on a "formal structure on EPA rule charges" if they existed within the department.

[2:38:03 PM](#)

Representative Edgmon asked about Alaska Tribes. He stated that he did not see any mention of tribes in the presentation. He asked whether the department was going to pursue working with the tribes in relation to tribal courts and the criminal justice system and improving relationships with tribes. Attorney General Richards responded in the affirmative. He voiced that he wanted to find the balanced approach and work with the tribes on offering alternative

criminal justice remedies especially for non-violent felonies at the local level. He thought that the biggest challenge was resources and spreading them out over 230 tribes of varying demographics. He thought that the best approach would consider needs on a case-by-case basis to see what made sense. Representative Edgmon stated that "Alaska tribes had been the most litigated than anywhere in the country" and increasing efficacy at the local level could bring cost savings to the state. Attorney General Richards added that federal funds could become available if the department could "get some of the tribes up and running."

Vice-Chair Saddler referenced the legal challenges against the Department of the Interior regarding its refusal to allow 3-D seismic testing in Arctic National Wildlife Refuge (ANWR) and whether the state was going to pursue legal action. In addition, he asked whether the department would continue to challenge the refusal to redraw the western border of the 10-02 area of ANWR. He hoped that the department would "vigorously push back against" that type of issues and would resist in concert with other western states as well. Attorney General Richards agreed with working collectively with other western states. He detailed that as a member of the National Association of Attorney Generals he was involved in a subgroup of western states that worked collaboratively on federal land issues.

[2:42:33 PM](#)

Representative Pruitt requested that when the information on the law suits related to state's rights against the federal government was available the information would be provided to the committee as a presentation by the attorney general. Attorney General Richards agreed and warned that he would have to proceed with caution when providing information on litigation strategy in a public setting and would need to find a balance in presenting the information. Representative Pruitt understood and did not want to jeopardize the state's position.

Representative Munoz wanted Attorney General Richards to comment on the Ketchikan educational lawsuit. Attorney General Richards reported that currently the Superior Court found that the local contribution portion of school funding was in violation of the dedicated funds provision of the Alaska Constitution but did not violate other provisions of

the constitution regarding educational funding provisions. He elaborated that Ketchikan moved to reconsider the decisions it lost but reconsideration was not granted. The final judgement was entered and the state requested a stay. However, the judge would not accept expedited consideration. Presently, the department petitioned the state Supreme Court for an expedited stay of the decision and regardless of a granted stay the state will appeal the judgement.

Attorney General Richards examined slide 8: "Protecting Fiscal Integrity." He explained that the chart depicted the amount of money DOL brought into the state through various collections actions and litigation. He revealed that DOL's budget was approximately \$100 million annually and that the department brought in \$400 million in FY 2013. He deuced that the department was a revenue driver.

Co-Chair Neuman asked what happened in FY 2014 [\$23,428,000]. Attorney General Richards stated that the larger sums had to do with oil and gas cases that happened to be settled in a particular fiscal year. He surmised that there was not a large settlement in FY 2014.

[2:47:34 PM](#)

Attorney General Richards advanced to slide 9: "Protecting Fiscal Integrity."

Providing legal support in the development of a gasline:

- Continued to furnish legal guidance to develop a gas line to transport Alaska North Slope gas to markets in and outside of Alaska. The development of this resource is vital to strengthening Alaska's economic future.

Collecting on monies owed to the state:

- Represented the Department of Revenue (DOR) in tax disputes.
-

Securing an equitable share to Alaska for its resources:

- Monitoring and participating, where appropriate, in state and federal regulatory oversight of tariffs on common carrier pipelines in the state. This vigilance can earn the state millions of

dollars in royalties and production taxes each year.

Attorney General Richards discussed additional core functions of the Department of Law in slide 10: "Promoting Good Governance."

Defending the state's elections process:

- Advised the Office of the Lieutenant Governor regarding certification of four ballot measures and a referendum.

Upholding the public interest in programmatic investments:

- On behalf of DHSS, brought an administrative claim against Xerox State Healthcare, for the company's failure to provide a functional Medicaid Management Information System. Proceedings will commence in 2015.

Providing consistent legal opinions:

- The department plays an integral role in the success of many state programs and operations that are under the purview of our sister agencies.

Attorney General Richards highlighted that DOL provided baseline legal services, defended and sued for the state.

Co-Chair Neuman asked for clarification regarding the role of the attorney general on behalf of the governor. Attorney General Richards responded that he acted as legal advisor to the governor and lieutenant governor.

Representative Wilson asked who the legislature would turn to if they disagreed with a decision by the attorney general. Attorney General Richards explained that Legislative Legal Services acted on behalf of the legislature and could provide legal advice independent of DOL or any other state entity.

Representative Wilson asked for information regarding the attorney general's decision on a case involving the Alaska Industrial Development and Export Authority (AIDEA) and a private entity. Attorney General Richards indicated that he had not made any decisions regarding AIDEA. Attorney General Richards conveyed that he could provide information

regarding the role of the attorney general and the decisions in the rate cases related to Hill Corp. He reported that the previous attorney general decided to proceed with a Regulatory Affairs and Public Advocacy (RAPA) section lawsuit with the Regulatory Commission of Alaska (Regulatory Commission of Alaska). He delineated that a determination had been made that Fairbanks natural gas should be rate regulated. A concern about the possibility of a "spin off" of the Pt. McKenzie facility in order to avoid any rate regulation at the facility or all the way along the value chain prompted additional legal action to avoid the scenario that the only rate regulation would occur at the distribution point. He continued that RAPA challenged whether the facility should be rate regulated and whether the facility could be sold should be delayed until the rate regulation decision was made.

Co-Chair Neuman refocused members' attention to the budget overview.

Attorney General Richards scrolled to slide 11: "Status of FY15 Increments." He explained that typically the legislature appropriated large oil and gas funds as increments rather than GF dollars. The slide showed the increments for FY 2015 that totaled \$3.8 million for litigation and \$1.5 million for gasline efforts.

[2:53:57 PM](#)

Attorney General Richards explained slide 12: "Facing Tough Times."

- We plan to continue to meet our core functions
- The department is committed to delivering the same level of excellent service
- We can't define the details for all operations in a reduction environment at this time
- Maintain current flexibility in our budget allows movement to respond to the state's priorities

Attorney General Richards indicated that the governor directed the agencies to find 5 percent to 8 percent reductions and that the department identified an 8 percent reduction.

Attorney General Richards looked at slide 13: "Current Budget is not all GF."

Operating reductions by sister agencies may impact Law:

- 34% of the Department's budget is funded from sources other than undesignated general fund. Substantially all of those funds are from other agencies.
- As other departments draw down or eliminate programs, the amount of legal support required may be reduced. However, past experience indicates that program elimination or downsizing generally has a short-term uptick in level of legal work that is necessary.
- Legal efforts required by other agencies are not predictably parallel to reductions -an area of concern is that sister agencies may "cut corners" when seeking Law's expertise, potentially leading to greater legal trouble in the future.

[2:58:47 PM](#)

Attorney General Richards explained slide 14: "Current Actions."

- Working with the Alaska Court System (48-hour notice on arraignments) to eliminate Fairbanks and Anchorage overtime
- Reviewing current cases to determine if there are any that shouldn't be pursued
- Establishing a protocol to fill positions as they become vacant
- Reviewing existing structure at Law -does it make sense to look at a re-organization
- Restructure of Anchorage criminal cases (potentially eliminate the pre-indictment hearing process)

Attorney General Richards revealed that the Anchorage pre-indictment hearing process was costly and the department was considering sending cases directly to the Grand Jury as a cost saving measure.

Vice-Chair Saddler asked whether there was any restructuring within DOL due to passage of the Marijuana referendum and whether the department would realize

additional expenses or net savings due to the referendum. Attorney General Richards deduced that the general consensus was that there would be a net increase in costs due to driving under the influence (DUI) scenarios but he had not seen any data.

Attorney General Richards discussed slide 15: "FY16 Budget - Key Personnel Statistics." He pointed out that DOL had 300 employees in the Civil Division, 232 in the Criminal Division, and 23 in Administrative Services. He summarized that the reductions in personnel would be even between both divisions and even among attorney and support staff.

Representative Munoz asked where the reduced positions were located. Attorney General Richards did not know where the positions would be specifically located at this time.

Vice-Chair Saddler wondered whether the department could experience more cost savings by employing more support staff and less attorneys. Attorney General Richards reported that he had asked the same question. He was a proponent of shifting more work to paralegals if possible to realize cost savings.

Co-Chair Neuman suggested that DOL take a harder look at making more personnel reductions which was currently under 2 percent. Attorney General Richards indicated that DOL was examining more reductions in the event more were necessary.

[3:04:54 PM](#)

Attorney General Richards turned to slide 16: "FY 16 Governor's Budget (in thousands)." He mentioned that the slide depicted the relative expense between the Civil Division at \$52 million versus the Criminal Division at \$32 million. He noted that the Civil Division received a large share of funds from other revenue sources besides GF.

Attorney General Richards moved to slide 17: "FY 15 Management Plan to FY 16 Governor's Request Line Item Detail - All Funds."

Representative Munoz asked about the travel line which had increased from FY 2015 to FY 2016. Attorney General Richards stated that he was uncertain about the increase. He believed that downsizing was not only a function of reducing travel but also reducing personnel and core

services. Therefore, he did not focus on specific priorities in finding reductions. He thought that reductions in travel could inhibit the department's ability to prosecute criminal cases.

Co-Chair Neuman pointed out the travel figure was mistakenly depicted as a decrement on the slide and was actually an increase.

Representative Wilson asked about the potential use of video for the department as a cost saving measure. Attorney General Richards responded that DOL was exploring having more flexibility using video under the constitutional constraint of the criminal defendant's right to confrontation which presented a challenge. Representative Wilson thought that it could possibly be used in pretrial instances. Attorney General Richards agreed with her statement.

Co-Chair Neuman mentioned legislation from a prior year that looked at the costs to the state from organizations that sue the state. He thought that the legislation was meant to reduce costs for DOL. He was not familiar with the details of the bill but wondered whether it had an effect on the department's budget. He believed that the legislation was important.

[3:09:36 PM](#)

JOHN SKIDMORE, DIRECTOR, CRIMINAL DIVISION, DEPARTMENT OF LAW, reported that he had a recollection of the issue but did not remember specifics and was unaware of any effects so far.

Co-Chair Neuman requested information regarding the bill and its effects on the department and asked that regarding any legislation meant to reduce costs he would like information about the agencies implementation and results. Attorney General Richards agreed to provide the information.

Attorney General Richards continued with slide 17. He summarized that the department's budget was "largely people driven" from Personnel Services.

Attorney General Richards discussed slide 18: "FY16 Reductions (in thousands)" and noted that it highlighted

the department's strategy to achieve the targeted reductions of \$6.2 million. He spoke to the largest reductions that were: reduced use of outside council and staff reductions. He detailed that the use of outside council was cyclical and mostly related to oil and gas cases. He pointed to the \$916 thousand reduction in personnel achieved through realignment of attorneys in rural offices. He reported that the roughly \$2.5 million in staff reductions would be achieved through attrition due to the 10 percent turnover rate within the department.

Vice-Chair Saddler asked for clarification regarding the reduced use of outside council and wondered whether the appropriation would be increased by any new oil and gas cases in the future. Attorney General Richards delineated that there were 3 reductions related to outside council: \$800 thousand for oil, gas, and mining; \$800 thousand for the gasline; and \$300 thousand for the Endangered Species Act. He elaborated that regarding the Endangered Species Act the reduction was due to development of "very sophisticated in-house expertise." He added that gasline demand for DOL assistance was less than anticipated and oil and gas litigation was low due to the cyclical nature of oil and gas cases. Vice-Chair Saddler asked whether the reductions were "structural" in nature. Attorney General Richards answered that the oil, gas, and mining reduction in outside council was not structural.

[3:15:20 PM](#)

Attorney General Richards advanced to slide 19: "Department of Law Salary Adjustment Increases and Personnel Services Costs (All Funds) (\$ Thousands)." He indicated that the chart depicted a \$24.1 million increase in the personal services budget, which \$18.9 million was "driven by contractual and statutory increases in wages or burdens," and was essentially due to inflation. He mentioned the \$5.2 million growth directly related to staff increases. He surmised that most of the department's growth was due to inflation and that staff reductions would generate the largest budget reductions.

Attorney General Richards revealed slide 20: "Department of Law Share of Total Agency Operations (GF Only) (\$ Thousands)." He remarked that the department's approximately \$100 million budget represented 1.1 percent

to 1.5 percent of total agency operations and was relatively flat.

Attorney General Richards turned to slide 21: "Appropriations within the Department of Law (GF Only) (\$ Thousands)." He highlighted that a large part of the growth in the department's budget over the last 10 years was driven by inflation, particularly in the Criminal Division.

Attorney General Richards skipped slide 22: "Appropriations within the Department of Law (All Funds) (\$ Thousands)."

Attorney General Richards turned to the remaining slide 23: "Appropriations within the Department of Law (UGF Only)(\$ Thousands)." He relayed that the last slide showed the amount of UGF for DOL and noted that a small amount of designated funds for consumer protection, RAPA, and Department of Environmental Conservation (DEC) clean-up were appropriated to the department.

[3:18:59 PM](#)

Vice-Chair Saddler cited the following language from slide 9, "...securing an equitable share to Alaska for its resources." He asked whether DOL interpreted the Alaska Constitution regarding resources in the manner that resources should be developed for the maximum benefit of the people of Alaska and what the attorney general's definition of maximum value was. Attorney General Richards stated that he was unaware of any definition within the department and thought that the interpretation was "very issue specific." Vice-Chair Saddler asked whether "the maximum value was not necessarily the maximum tax rate." Attorney General Richards replied that the maximum tax rate was "certainly" not the maximum benefit.

Co-Chair Neuman discussed the following day's agenda.

#

ADJOURNMENT

[3:20:17 PM](#)

The meeting was adjourned at 3:20 p.m.