

HOUSE FINANCE COMMITTEE  
February 9, 2015  
1:31 p.m.

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CALL TO ORDER

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

Mark Luiken, Commissioner, Department of Transportation and Public Facilities; Mary Siroky, Director, Division of Administrative Services, Department of Transportation and Public Facilities; Ron Taylor, Commissioner, Department of Corrections; Remond Henderson, Deputy Commissioner, Department of Corrections.

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 OVERVIEWS:

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES  
DEPARTMENT OF CORRECTIONS

#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."

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^FY 16 BUDGET OVERVIEW: DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

[1:33:06 PM](#)

MARK LUIKEN, COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, (DOT/PF) discussed the PowerPoint presentation, "Alaska Department of Transportation and Public Facilities, FY 16 Governor's Endorsed Budget Overview" (copy on file).

Co-Chair Neuman asked that the presentation highlight the major projects.

Commissioner Luiken looked at slide 2, "Mission and Core Services":

"Keep Alaska Moving through service and infrastructure."

Core Services:

Design, engineer, and manage construction of transportation infrastructure and facilities

Maintenance and operations of the state transportation systems

Measurement standards/commercial vehicle enforcement

Commissioner Luiken explained slide 3, "Priorities":

Live within our means

Take care of what we have

Operate and maintain safe and reliable roads, airports, ferries and facilities

Ensure Alaska has the transportation infrastructure necessary to grow the economy

Develop and implement efficiencies in both the operating and capital budgets

Commissioner Luiken looked at slide 4, "Statutory Requirements":

- AS 44.42 Department of Transportation and Public Facilities
- AS 44.68.010 Use of State-owned Vehicles
- AS 44.68.210 Highway Equipment Working Capital Fund
- AS 35 Public Buildings, Works, and Improvements
- AS 19 Highways and Ferries
- AS 19.10 State Highway System
- AS 19.10.300 Commercial Motor Vehicle Requirements
- AS 19.25 Utilities, Advertising, Encroachment and Memorials
- AS 19.65 Alaska Marine Highway System
- AS 19.65.050 Alaska Marine Highway System Fund and Budget
- AS 19.75 Knik Arm Bridge and Toll Authority
- AS 2 Aeronautics

Commissioner Luiken highlighted slide 5, "DOT/PF Assets":

- 3,180 full time positions
- 5,619 center line miles of roads/highways
- 79 Maintenance Stations
- 249 State Airports
- 2 International Airports
- 720 Facilities (4 million + sq. ft.)
- 11 Ferries

- 35 Ferry Terminals
- 22 Harbors
- 810 State Owned Bridges
- 7 Weigh Stations

Co-Chair Neuman queried the cost per mile of the maintenance the assets. He also wondered the total miles that the ferry system and airport operate. Commissioner Luiken agreed to provide that information.

Commissioner Luiken looked at slide 6, "Organization." He stated that there would be a slide that showed that DOT/PF was a matrixed organization with multiple statewide functions. The department covered measurements and standards; program development of the long range strategic plans; administration; state equipment fleet; statewide engineering; facilities; statewide aviation; and the marine highway system. He stated that the department served three regions: northern, central, and south coastal.

Commissioner Luiken highlighted slide 7, "DOT/PF Structure Overview":

Commissioner's Office - Marc Luiken, Commissioner

- 20 full-time budgeted positions
- .6 percent of DOTandPF's FY2016 Endorsed Operating Budget Request
- \$3,522.6 (all sources)
- Department leadership, contracting appeals, transportation and management security
- Challenges - Reducing department costs while meeting Alaskan's needs for safe reliable transportation, Moving Ahead for Progress 21st Century (MAP-21), federal oversight

Administrative Services Division -Mary Siroky, Director

- 95 full-time budgeted positions
- 2.7 percent of DOTandPF's FY2016 Endorsed Operating Budget Request
- \$16,894.2 (all sources)
- Finance, budget, human resources, procurement, internal review, equal employment and civil rights, building management
- Challenges - implementation of the new accounting system; and increased federal financial reporting requirements

Commissioner Luiken looked at slide 8, "DOT/PF Structure Overview":

Program Development - Jeff Ottesen, Director

- 34 full-time budgeted positions
- .7 percent of DOTandPF's FY2016 Endorsed Operating Budget Request
- \$4,630.0 (all sources)
- Statewide Transportation Improvement Program (STIP), federal-aid highway agreements, long range plan transportation plan, capital budget, Strategic Highway Safety Plan, Alaska Highway Safety Office, community transit program
- Challenges - increased federal oversight and requirements (Transportation Asset Management, Performance Measures), shifting of federal funds serving local roads and lesser highways to major highways (National Highway System)

Information Systems and Services Division - Bill Anker, Director

- 70 full-time budgeted positions
- 1.6 percent of DOT and PF's FY2016 Endorsed Operating Budget Request
- \$9,899.8 (all sources)
- System oversight, network support, security, application development and management, client support services, server and database administration, enterprise geospatial data system maintenance and reporting
- Challenges-implementation and maintenance of secure and reliable systems that maximize performance; consolidating disparate systems to minimize cost

Commissioner Luiken highlighted slide 9, "DOT/PF Structure Overview":

Statewide Design and Engineering Services - Roger Healy, Chief Engineer

- 78 full and part-time budgeted positions
- 2.2 percent of DOT/PF's FY2016 Endorsed Operating Budget Request
- \$13,818.7 budget request (all sources)
- Major division responsibilities are: bridge design, design and construction standards, asset management, materials and quality assurance, National Environmental Policy Act (NEPA) review and approval

- Challenges - implementing changes required by MAP-21, assuming federal responsibility for NEPA decisions, transitioning department to an asset/performance management agency, recruiting and retaining technical staff, continuous improvements through streamlining processes

Public Facilities - David Kemp, Chief

- 31 full-time budgeted positions
- .7 percent of DOTandPF's FY2016 Endorsed Operating Budget Request
- \$4,642.9 budget request (all sources)
- Project management for new construction and deferred maintenance for DOTandPF and other departments; Alaska Energy Savings Performance Program
- Challenges - range in complexity of the work; recruitment and retention

Commissioner Luiken looked at slide 10, "DOT/PF Structure Overview":

Measurement Standards and Commercial Vehicle Enforcement - Dan Smith, Director

- 61 full-time budgeted positions
- 1.1 percent of DOTandPF's FY2016 Endorsed Operating Budget Request
- \$6,611.0 budget request (all sources)
- Commercial vehicle inspections, oversize permitting, weigh stations, weights and measuring device certification, metrology lab
- Challenges - attracting and retaining commercial vehicle inspectors, generating permit changes after hours, increasing federal regulations

Statewide Equipment Fleet - Diana Rotkis, Fleet Manager

- 164 full and part-time budgeted positions
- 5.4 percent of DOTandPF's FY2016 Endorsed Operating Budget Request
- \$34,040.6 budget request (all sources)
- Management of Highway Working Capital Equipment Fund (HWCF), credit card fuel process, fleet maintenance, parts and repairs, fleet procurement, fleet sales
- Challenges - increased cost of equipment and diagnostics; and training and attracting a skilled maintenance workforce in rural Alaska

Commissioner Luiken addressed slide 11, "DOT/PF Structure Overview":

Statewide Aviation - John Binder, Deputy Commissioner

- 24 full-time budgeted positions
- .5 percent of DOTandPF's FY2016 Endorsed Operating Budget Request
- \$3,214.0 budget request (all sources)
- Aviation leasing, planning, capital program management, carrier compliance
- Challenges - increasing federal regulations, lack of geospatial information data, land-use compliance, airport obstructions, wildlife management

AK International Airport System (AIAS)-John Binder, Exec. Dir. /Deputy Commissioner

- 478 full and part-time budgeted positions
- 13.3 percent of DOTandPF's FY2016 Endorsed Operating Budget Request
- \$83,402.8 budget request (all sources)
- Composed of Ted Steven's and Fairbanks International Airports
- Operate the system office, maintain the runways, float ponds, fields and equipment, manage the airside leases, manage the airport terminals and concessions, airport police and fire department.
- Challenges - International cargo mode shifts; competitor airports, carrier fleet mix changes, global economy

Commissioner Luiken looked at slide 12, "DOT/PF Structure Overview":

Alaska Marine Highway System - John Falvey, General Manager

- 928 full-time and part-time budgeted positions
- 25.6 percent of DOTandPF's FY2016 Endorsed Operating Budget Request
- \$160,673.4 budget request (all sources)
- Provides management, reservation and marketing for the system, oversees the operation of the fleet and construction and repair of 11 vessels and 35 Terminals. Operates 3,500 route miles serving 35 ports of call
- Challenges - maintaining aging vessels requiring increased repair and refurbishment; adhering to yearly published schedules

Central Region - Robert Campbell, Regional Director

- 600 full and part-time budgeted positions
- 17.6 percent of DOTandPF's FY2016 Endorsed Operating Budget Request
- \$110,877.6 budget request (all sources)
- Planning; design and engineering; construction; facilities, highways, aviation maintenance and operation; traffic signal maintenance; Whittier Tunnel; Knik Arm Crossing
- Challenges - disasters, urban congestion, the public's expectations particularly for winter maintenance, recruitment and retention of equipment operators in rural areas

Commissioner Luiken highlighted slide 12, "DOT/PF Structure Overview":

Northern Region - Robert Campbell, Acting Regional Director

- 708 full and part-time budgeted positions
- 19.9 percent of DOTandPF's FY2016 Endorsed Operating Budget Request
- \$124,737.1 budget request (all sources)
- Planning; design and engineering; construction; facilities, highways and aviation maintenance and operation; traffic signal maintenance
- Challenges - disasters, meeting the public's expectations particularly for winter maintenance, recruitment and retention of equipment operators in rural areas

Southcoast Region - Vacant Regional, Director

- 276 full and part-time budgeted positions
- 8.2 percent of DOTandPF's FY2016 Endorsed Operating Budget Request
- \$51,292.3 budget request (all sources)
- Planning; design and engineering; construction; facilities, highways and aviation maintenance and operation; traffic signal maintenance
- Challenges - disasters, meeting the public's expectations particularly for winter maintenance, recruitment and retention of equipment operators in rural areas

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Commissioner Luiken discussed slide 14, "Fabric of DOT/PF." He shared that he wanted to ensure that the department was a unified force across the state.

Co-Chair Neuman asked for an explanation of the chart. Commissioner Luiken replied that the horizontal lines were the agencies that worked across the entire state. Their input impacted every region and department personnel. The vertical lines represented the various divisions, so they were either function or geographically focused.

Co-Chair Neuman surmised that everyone worked together. Commissioner Luiken agreed.

Vice-Chair Saddler stated that the chart showed that every function of DOT/PF applied across the state. Commissioner Luiken agreed.

Commissioner Luiken highlighted slide 15, "What did we Accomplish in 2014?"

Operated and maintained safe and reliable roads, airports, ferries and facilities

Operational efficiencies

- Use recapped tires Bethel pilot foreman
- Closed gift shops Everyday lean innovations

Organizational efficiencies

- Information Systems and Services Division
- Regional boundary change = Southcoast Region

Co-Chair Neuman wondered how Alaska compared on the national level to deaths and accidents on the roads. Commissioner Luiken replied that there was a recent downturn in Alaska's fatal crashes and major accidents. He agreed to provide further information.

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MARY SIROKY, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, furthered that there was a fatality measurement as a performance measure. She shared that the number of fatalities in the state was low compared to the other states, but she did not have the per capita comparison. She agreed to provide that information.

Co-Chair Neuman remarked that some roads were designated as "highway safety zones", because of the number of accidents and traffic in that location. He felt that those zones should be on the top of the list for improvements and

expansion. Ms. Siroky agreed, and furthered that those locations also had increased traffic fines.

Commissioner Luiken shared that there were some statistics at the end of the presentation that highlighted some of those concerns.

Representative Gara shared that at one time there were signs that encouraged drivers to move out of the way if they were delaying five or more vehicles. He felt that there should be more signs like that from Talkeetna to Sterling. He remarked that there were some accidents during the summer, because the cars were attempting to pass up to eight cars at once. He wanted further examination of the usefulness of those signs. Commissioner Luiken agreed, and explained that it was a dual effort between DOT/PF and the Department of Public Safety (DPS)

Representative Guttenberg remarked that DOT/PF received federal safety money, and the department could determine where the money should be spent, without public input. He shared that the nearest intersection to his house was about 1.5 miles from his home. He shared that DOT/PF redid the intersection, and made it worse than the original. He shared that the intersection saw the worst accident in thirty years. He shared that many of the accidents at that intersection did not get reported, because the individuals personally deal with the accidents. He queried the failsafe efforts. He wondered how an individual could reach DOT/PF with suggestions. Commissioner Luiken replied that safety enhancements are incorporated based on data. Further, other safety features would be engineered into the facility or road. He agreed to look into the specific intersection, and provide more information.

Representative Guttenberg remarked that his community did not want the installed rumble chips.

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Co-Chair Neuman asked that questions for specific intersections and roads to the end of the presentation.

Co-Chair Thompson shared that the northern region of Fairbanks used a new form of liquid to melt the ice on the road. He stated that the liquid froze, and the borough noticed some corrosion because of the chemical. He wondered why the change occurred. Commissioner Luiken agreed to provide that information.

Commissioner Luiken displayed slide 16, "DOT/PF New Regional Boundaries; Northern, Central, Southcoast." He stated that the department had recently adjusted the regional

boundaries, because there was growth in the central and northern regions. The boundary adjustments were meant to balance the workload of the department.

Representative Edgmon shared that the reorganizational plan was not well-received in southwest Alaska, because it required a longer distance.

Co-Chair Neuman queried the reason and expectations of the boundary changes. Commissioner Luiken replied that he expected more work for southeast Alaska, because the population was shrinking in that part of the state. He would be held accountable, if there was a difficulty in providing services as a result of the change.

Co-Chair Neuman saw an advantage to the change being the incorporated ferry system.

Representative Guttenberg felt that there were naturally places that could line up to the borough boundaries, like on the Parks Highway. He wondered why the new boundaries did not line up with communities. Commissioner Luiken agreed to provide that information

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Commissioner Luiken highlighted slide 17, "Where are We Headed?"

Organizing to meet budget challenges

Consolidations and efficiencies  
Minimize service level impact  
Institute sustainable changes

Continue to enhance legislative and public communications

Exploring revenue generating opportunities

Co-Chair Neuman queried the revenue generating opportunities. Commissioner Luiken responded that the department already had a 4.5 percent increase for the marine highway system.

Commissioner Luiken addressed slide 18, "FY2016 Proposed Fee Increases":

AMHS Fare Increase

- 4.5 percent = \$1.8M

Deadhorse Landing Fees

- \$285.0 in FY2016
- \$570.0 in FY2017

Whittier Tunnel Fare increase 10 percent

Co-Chair Neuman remarked that Deadhorse landing fees would be considered part of the operating costs, and would be 35 percent of their tax deductions. He wondered if that deduction was considered in the presentation. Commissioner Luiken responded that the department had not figured it into the calculations. He stated that, by federal mandate, any money that was generated at an airport must be reinvested in that facility.

Representative Gara remarked that the Deadhorse road was built to help facilitate the oil and gas companies. He wondered if the state paid for all of the maintenance and upgrades to that road. He also queried the user fee, and the difference between the user fee and the cost to maintain and upgrade that road. Commissioner Luiken did not understand the question.

Representative Gara clarified that he would like to know about the haul road. Commissioner Luiken replied that road was part of the National Highway System, so it qualified for federal funding like many other roads in the state.

Representative Gara declared that federal funding did not cover the entire cost of the road. He wondered what portion was state funding, and if there was any state compensation through user fees. Ms. Siroky replied that there were no user fees on the entire road. She explained that the only road in the state with user fees was the Klondike Highway to Whitehorse on ore hauling on that road.

Representative Gara queried the annual cost to the state for the haul road. Commissioner Luiken agreed to provide that information.

Representative Kawasaki wondered if the marine highway fare increase was 4.5 percent for the entire system. Commissioner Luiken replied that it was mostly a 4.5 percent, but excluded the top 20 percent of the system fares. The increase brought the other fares closer to the higher rate. He furthered that he would address the ideas about the tariff study.

Representative Kawasaki asked how a bar on the marine highway could lose money. Ms. Siroky replied that bartenders were paid a greater salary than a standard bartender. The beverage prices had never been increased to cover that cost.

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Co-Chair Neuman queried the anticipated savings by eliminating the bars on the ferry. Ms. Siroky replied that there would be a \$700,000 savings.

Representative Munoz noted that there would be a 39 week service decrease to the ferry system, and well as a fare increase. She queried the impact of the loss service. Commissioner Luiken replied that there will be that much less service to the various ports of call across the system. He stated that the 39 weeks was out of the total system.

Representative Munoz surmised that the fares were increased and the service was reduced. Commissioner Luiken replied in the affirmative.

Co-Chair Thompson noted that beer and wine would still be available in the ferry cafeterias. He expressed caution, because the cafeteria workers would be required to receive food and alcohol handlers permits, which may increase costs in the cafeterias.

Commissioner Luiken highlighted slide 19, "Challenges":

Balancing budget against public needs, changing conditions and expectations

Moving Ahead for Progress 21st Century Act (MAP-21)

Growing population in South Central

Co-Chair Neuman wondered if "South Central" referred to the Mat-Su. Commissioner Luiken replied that "South Central" referred to Anchorage and Mat-Su.

Commissioner Luiken continued to discuss slide 19:

Federal Oversight

- Environmental
- Processes
- Financial
- Reporting requirements

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Co-Chair Thompson wondered if there would be an increase to the department. Ms. Siroky replied that the department had an increment request for receipts for slightly over \$1.2 million. She explained that there were four positions in the management plan from the Office of Management and Budget (OMB) that would also fund two new attorneys in the

Department of Law. She stressed that there would be an increase to the budget, but the GF would not see any impact.

Commissioner Luiken furthered that the amount of time saved would allow the department to address projects at an earlier date, which would provide cost savings.

Representative Munoz queried the status of the environmental work on the Juneau Access Project. Commissioner Luiken agreed to provide that information by the end of the current week.

Representative Munoz wondered if there was a cost analysis, if the environmental work on Juneau Access were to discontinue. Commissioner Luiken replied that there would be a possible repayment to the federal government of \$27 million.

Representative Munoz wondered how much of the ferry reduction service was targeted at the Lynn Canal. Ms. Siroky replied that the reductions were spread across the entire state. She agreed to provide further information.

Ms. Siroky addressed slide 20, "Operating Budget by Core Services; FY2015 Management Plan to FY2016 Adjusted Base Comparison." She stated that the salary and health increases were reflected in the slide. She noted a small reduction for a one-time increment.

Co-Chair Neuman wondered if the slide referred to the current budget request. Ms. Siroky responded in the affirmative.

Representative Wilson noted that there would not be a reduction in DOT/PF, but rather an increase of \$4 million. Ms. Siroky replied that the slide was a comparison of the management plan to the adjusted base.

Ms. Siroky discussed slide 21, "Operating Budget by Core Services FY2016 Adjusted Base to FY2016 Governor's Endorsed Budget Request Comparison." She pointed out the increased GF budget requests. The slide displayed the collected funds for highway safety corridors.

Ms. Siroky highlighted slide 22, "FY2016 Governor Endorsed Operating Budget Changes." She noted some positions that would be eliminated, as well as some vehicles that would be incorporated into a vehicle pool.

Ms. Siroky discussed slide 23, "Reductions":

Administration and Support RDU

- Positions (3 PFT, 2 PPT), travel, supplies, services, use vehicle pools

#### Highways and Aviation - maintenance and operations

- 3 PFT positions Bethel airport- reduce operations to 5am to 10pm
- Winter maintenance - reduce 2 PFT positions, overtime, commodities
- Will use service levels to set maintenance priorities
- Use federal preservation funding when allowable to do routine maintenance

#### Design and Construction RDU

- Positions (1 PFT, 1 PPT, 4 NP) travel, training, services

#### Alaska Marine Highway System

- Eliminate 39 weeks of service
- Bars

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Representative Gara looked at slide 21, and noted the less than 1 percent change between the FY 16 adjusted base and the new endorsed budget. He wondered why this was an insignificant reduction. Ms. Siroky replied that there was an \$11 million GF reduction, and the increases that offset the \$11 million was due to the International Airports that brought important programs that would save money in the long-term.

Ms. Siroky continued to discuss slide 23. She pointed out that the maintenance and operations funding for the highways and aviation had not seen an increase for three fiscal years. There was an increase of approximately 290 lane miles, but the costs did not increase.

Vice-Chair Saddler queried the meaning of "weeks of service." Ms. Siroky replied that it was the total weeks of service. There were originally 440 weeks of service.

Vice-Chair Saddler remarked that there were only 52 weeks in a year, so he wanted further explanation. Ms. Siroky replied that it was the total number of weeks that boats were operating.

Ms. Siroky looked at slide 24, "FY2016 Governor's Endorsed Budget" and slide 25, "FY2016 Governor's Endorsed Operating

Budget Funding Sources." She stated that there were 14 fund sources.

Ms. Siroky addressed slide 26, "FY2016 General Fund Governor's Endorsed Operating Budget by Allocations." The slide compared the funding between the major operating allocations with the marine highway system.

Ms. Siroky looked at slide 27, "Appropriations within the Department of Transportation and Public Facilities" and slide 28, "Appropriations within the Department of Transportation and Public Facilities." The slides represented what would occur with GF over time.

Co-Chair Neuman asked for a definition of "RDU." Ms. Siroky responded that "RDU" meant results delivery unit.

Ms. Siroky addressed slide 29, "Department of Transportation and Public Facilities Share of Total Agency Operations":

The department's GF budget grew by \$65.2 million between FY07 and the FY16 Governor's 1/22 GF Request - an average annual growth rate of 2.4 percent.

The department's total FY16 Governor's 1/22 GF budget request equals \$1,018 per resident worker

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Ms. Siroky highlighted slide 30, "FY2016 Governor's Endorsed Capital Budget." She noted that the current request was smaller than the few years prior. She remarked that there was a GF match and money for municipal grants. There was \$137 million in federal and other fund sources, and approximately \$891 million for surface transportation. She also stated that there was \$8 million for deferred maintenance.

Ms. Siroky discussed slide 31, "Measures and Results." She stated that the department would provide better performance measures the following year. The graphs address traffic fatalities, and she noted that FY 13 showed a positive result. She shared that FY 14 was not a good year for traffic fatalities. She remarked that in 2004, there was 106 fatalities, so the department had shown a positive outcome over time. She added that the number of alcohol related fatalities had also reduced. She looked at the graph for the National Highway System miles, which referred to the roads that met the National Highway System miles statistics. She stated that the department would never reach 100 percent for meeting the national standards.

Ms. Siroky addressed slide 32, "DOT/PF Information Sources", which displayed how to gain more information on DOT/PF.

Representative Wilson wondered how much GF would be required to finish the two new weigh stations. She added that she did not have a problem if the stations were never completed. She remarked that there was no recommendation for employees to operate those weigh stations. She remarked that both Fox and Esther had weigh stations that were not fully operational. Ms. Siroky agreed to provide further information.

Representative Kawasaki wondered why the agency had 3180 full-time employees, and there were only recommended personnel cuts. Ms. Siroky replied that DOT/PF still had large capital projects that would be moving through design and construction. She stressed that it took the department two to ten years to bring capital projects through the system.

Representative Kawasaki remarked that there were 290 additional line miles, but the budget remained relatively flat. He felt that there would be additional maintenance and operations later. He queried the wisdom of adding roads that could potentially remain unfunded.

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Representative Gara remarked that the vulnerable individuals like children and seniors should receive the least budget reductions. He wondered what a 2 percent budget cut would look like, without cutting safety. Commissioner Luiken agreed to provide that information.

Co-Chair Neuman stressed that adding the lane miles makes the roads safer. Commissioner Luiken agreed with that summation. He furthered that DOT/PF was attempting the most effective efficiency.

Representative Wilson wondered if there was a cost analysis for each proposed road expansion. Ms. Siroky replied that there were some project descriptions.

Co-Chair Neuman felt that capital projects would allow for job opportunities.

Vice-Chair Saddler queried the break out of the costs to the department per vehicle mile traveled versus the marine highway. Ms. Siroky agreed to provide that information.

Co-Chair Neuman stated that Co-Chair Thompson was in charge of the DOT/PF budget.

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^FY 16 BUDGET OVERVIEW: DEPARTMENT OF CORRECTIONS

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RON TAYLOR, COMMISSIONER, DEPARTMENT OF CORRECTIONS, introduced himself.

REMOND HENDERSON, DEPUTY COMMISSIONER, DEPARTMENT OF CORRECTIONS, introduced himself.

Commissioner Taylor displayed the PowerPoint presentation, "Department of Corrections Overview" (copy on file).

Commissioner Taylor highlighted slide 1, "Mission":

The Alaska Department of Corrections enhances the safety of our communities. We provide secure confinement, reformatory programs, and a process of supervised community reintegration.

Commissioner Taylor highlighted slide 2, "Organizational Structure," which outlined the full organizational structure of the department.

Commissioner Taylor addressed slide 3, "Corrections Comparison FY2015 Management Plan to FY2016 Adjusted Base." He shared that the Department of Corrections (DOC) was currently waiting to fill the vacant Population Management deputy commissioner, and the institutional director positions.

Mr. Henderson displayed slide 4, "Corrections Comparison FY2016 Adjusted Base to FY2016 Governor's Request." The slide outlined the changes from the 2015 management plan to the 2016 adjusted base. That change referred to the 2016 salary adjustments, the health insurance, and working rate reductions which totaled approximately \$2.1 million.

Mr. Henderson discussed slide 5, "FY2016 Summary of Changes (continued)." The page showed the FY 16 adjusted base to the governor's request. He remarked that the overall reduction was \$17.895 million to the FY 16 adjusted base,

which was a 5.3 percent reduction. He explained the reductions (\$thousands):

Salary and Health Insurance adjustments: \$2,146.7

Salary adjustments: \$2,571.5

Health insurance and working reserve: (\$424.8)

MH Trust, Reverse One Time Items: (\$475.8)

Mental Health Trust Recommendations: \$506.9

Mental Health Staff Training: \$25.0

Assess, Plan, Identify, and Coordinate re-entry project: \$260.0

Rural Re-entry and fetal alcohol syndrome education pilot program: \$120.0

Research Analyst: \$101.9

Mr. Henderson highlighted slide 6, "FY2016 Summary of Changes (continued) (\$thousands)":

Reduce Current Level of Services: (\$17,236.6)

Fund change of PFD Criminal Funds from General Funds: (\$9,534.5) UGF

Fund Change of PFD Criminal Funds from General Funds: 9,534.5 DGF

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Co-Chair Neuman asked for further explanation of the fund changes in the permanent fund division. Mr. Henderson replied that there was a letter from Department of Revenue (DOR) that identified the available funds in the permanent fund criminal funds. He explained that DOC did not have authority to receive the amount of funds available. There was \$9.5 million available in the fund, so DOC took a reduction on GF.

Co-Chair Neuman wondered why DOC did not have previous authority. Mr. Henderson replied that DOC had previous

authority, but did not have authority to receive all of the funds.

Representative Gara wondered if the funds were used to fund other items, or if the money remained in the permanent fund. Mr. Henderson replied that he believed that the funds did not go toward anything else in the meantime.

Co-Chair Neuman wondered where the criminal funds would be used. Mr. Henderson replied that the funds would be used to fund the operations of the institutions.

Co-Chair Neuman queried the previous use of the funds. Mr. Henderson replied that they were used for the same purpose, but there were more funds available.

Mr. Henderson continued to discuss slide 6:

Unallocated Reduction: (\$3,925.0) UGF

Reduction of GF in anticipation of Medicaid Expansion:  
(\$4,108.2) UGF

Eliminate Regional and Community Jail contracts:  
(\$9,203.4) UGF

Phase out of minimum housing at PCC/transition to supervised release: (\$1,514.8) UGF

Phase out of minimum housing at PCC/transition to supervised release \$1,514.8 UGF

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Co-Chair Neuman asked how DOC had a zero vacancy factor. Mr. Henderson replied that there was a budgeted zero vacancy factor in institutions.

Commissioner Taylor furthered that the zero vacancy factor also covered some of the overtime hours that were utilized in DOC.

Representative Gara appreciated the work to rehabilitate individuals, but felt that the zero vacancy factor did not reflect a significant cut in state spending. Commissioner Taylor replied that it would impact the amount of dollars available for overtime.

Co-Chair Neuman felt that Representative Edgmon should examine that issue in subcommittee.

Mr. Henderson explained that there would be a \$3 million GF reduction in the DOC budget. He continued to discuss slide 6.

Co-Chair Neuman wanted more information about the impact of anticipated Medicaid expansion. Mr. Henderson agreed to provide that information.

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Representative Wilson wondered how money was saved by reducing 20 unoccupied beds. Mr. Henderson replied that the money was paid for the beds under a contractual agreement.

Representative Wilson asked if the beds were in a jail or a halfway house. Mr. Henderson replied that the beds were in the jails. He furthered that it was a part of the \$3.9 million unallocated reductions.

Representative Wilson wondered how DOC would pay for something that no person would occupy. Mr. Henderson responded that the funding would be used for the community regional centers. He stated that there was a contract for a fixed number of beds within the contract.

Commissioner Taylor stated that the reduction was for the Northstar Center in Fairbanks.

Representative Wilson understood that they were referring to the halfway house. Commissioner Taylor agreed.

Representative Wilson stated that she understood why the beds were not utilized. Commissioner Taylor explained that the \$3.9 million reduction was drafted before other reductions were considered. The beds were removed as part of what was proposed prior to December 13.

Co-Chair Thompson felt that the center may increase the cost of beds. Commissioner Taylor replied that the 20 percent adjustment was based on a reflection of the actual cost of the beds.

Co-Chair Neuman remarked that the slide was confusing, and felt that he did not understand how the final reduction was determined. Commissioner Taylor agreed to provide further information.

Commissioner Taylor addressed slide 7, "Fiscal Year 2016 Operating Budget Request by Core Service." The slide showed secure confinement, reformative programs, and supervised release programs.

Commissioner Taylor looked at slide 8, "Fiscal Year 2016 Operating Budget Request by Fund Source." The slide showed the total amount by fund source. He remarked that there were very little federal funds requested.

Commissioner Taylor addressed slide 9, "Fiscal Year 2016 Operating Budget Request by Line Item." The slide looked specifically at the budget request line items. He remarked that the majority of the expenditures would go to personal services.

Commissioner Taylor highlighted slide 10, "Fiscal Year 2016 Operating Position Allocations." He stated that there were 1871 total positions, and the majority of the positions were correctional officers, followed by probation officers, and the administrative staff for the central office; institutions; probations and parole; and the parole board.

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Commissioner Taylor looked at slide 11, "Correctional Facilities and Regional and Community Jails Locations." the slide was a depiction of the locations of the correctional facilities and regional jails in the state.

Commissioner Taylor addressed slide 12, "Cost of Care." He remarked that the majority of the costs were inside the institutions. He noted that health care was the greatest cost driver, followed by statewide direct costs.

Co-Chair Neuman remarked that the average cost per inmate was approximately \$158,000 per year. He wondered the exact cost per day. Commissioner Taylor replied with slide 12. He looked at the total cost for FY 13, which was \$153.67 per inmate per day.

Co-Chair Neuman remarked that only 2.9 percent of the department's budget was used for drug and alcohol programs. He stressed that over 80 percent of the inmates had drug and alcohol programs. He wondered why there was such a small amount of money toward recidivism efforts. Commissioner Taylor replied there was treatment inside the institution. He understood that the costs of corrections was greater than the cost to rehabilitate. He felt that there was a shift in the current budget toward reducing recidivism.

Co-Chair Neuman stressed that the cost to rehabilitate would be much less than the cost of corrections. He felt that DOC had showed positive efforts to rehabilitate individuals. Commissioner Taylor stressed that, although the individuals were receiving treatment, they were still utilizing the bed space. There would still be institutional costs with rehabilitation.

Co-Chair Neuman remarked that the 62 percent recidivism rate must be reduced.

Representative Wilson wondered why the out-of-state cost increased from \$66 to \$103, while it looked like the instate institution costs saw a decrease. Commissioner Taylor replied that the increase for out-of-state incarceration was for the first quarter of the current fiscal year. The rate was negotiated at a higher rate for those three months.

Representative Wilson wondered if the rate was still \$103. Commissioner Taylor responded in the negative.

Representative Wilson surmised that the \$103 would decrease, but the inmates would also return to Alaska, so the cost to those inmates would possibly increase. Commissioner Taylor responded that facility costs were fixed costs. Therefore, if more people filled the beds, the average daily cost per inmate would decrease.

Representative Wilson asserted that the \$142 per day institutional cost may decrease slightly, but it may not get as low as \$103 per day. Commissioner Taylor replied in the affirmative. The costs would still remain around \$142 per day.

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Commissioner Taylor highlighted slide 14, "Core Service Secure Confinement":

12 In-State Correctional Facilities with maximum bed capacity of 5,224 beds

The average daily inmate population held within these facilities for FY2014 was 5,038

15 contracts with local Regional and Community Jails - 157 beds

The average daily inmate population held within these local jails for FY2014 was 80

Commissioner Taylor looked at slide 15, "Secure Confinement Performance Measure Results." He stated that the performance measures were conducted on each of the core services. He stated that there were three escapes over the past seven years. He noted that, since 2012, there were no convictions for escape.

Mr. Henderson highlighted slide 16, "Secure Confinement Performance Review Findings":

From a system-wide standpoint, the DOC is moderately effective in meeting its objective of providing effective secure confinement.

Secure confinement operations are provided in an efficient manner.

The relatively high costs incurred are largely a function of the unique characteristics of the correctional system and the cost of providing services in Alaska.

Efficiencies have been maximized in institutional staffing to the point that additional reductions could jeopardize achievement of the program's mission.

Commissioner Taylor discussed slide 17, "Core Service Supervised Release":

13 Regional Adult Probation Offices

The average daily probationer/parolee population during FY2014 was 6,171

8 Community Residential Centers - 711 beds, plus (108 per diem beds)

The average daily population for these beds during FY2014 was 761

Electronic Monitoring operated in 6 communities with capacity to support up to 386 offenders, increasing to 475 in FY2015

The average daily population for electronic monitoring during FY2014 was 386

Commissioner Taylor addressed slide 18, "Supervised Release Performance Measure Results." The slide showed that the recidivism rate was currently 63.19 percent. He announced that DOC wanted to continue to lower the recidivism rate.

Commissioner Taylor highlighted slide 19, "Supervised Release Performance Measure Results." He stated that the number of probationers and parolees were continuing to successfully satisfy their court-ordered conditions of release, to ensure their continued success in the community.

Mr. Henderson looked at slide 20, "Supervised Release Performance Review Findings":

From a system-wide standpoint the DOC is moderately effective in providing supervised release.

The supervised release program operates with a high level of efficiency.

Commissioner Taylor highlighted slide 21, "Core Service Reformative Programs."

Substance Abuse Treatment Programs

Sex Offender Management Programs

Vocational Education Programs

Educational Programs

Domestic Violence Programs

Faith-based Re-entry Programs

Mental Health Services

Commissioner Taylor addressed slide 22, "Reformative Program Performance Measure Results Substance Abuse Treatment Programs." The slide depicted in the increased number of people participating in a substance abuse treatment program.

Commissioner Taylor highlighted slide 23, "Reformative Program Performance Measure Results." The page looked at the performance measure results for the sex offender management programs. He shared that DOC continued to provide polygraph and programming to a number of persons on parole for sex offenses.

Commissioner Taylor addressed slide 24, "Reformative Program Performance Measure Results Educational Programs." He noted the decrease in 2012 to 2014, as there were new standards for general education development (GED) testing. He stated that there was work to move from a paper-based to electronic testing system.

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Mr. Henderson looked at slide 25, "Reformative Programs Performance Review Findings":

DOC's approach to developing reformative programming is aggressive, its scope is comprehensive, and its delivery is effective.

The delivery of reformative programs is highly efficient.

Mr. Henderson stated that the final three slides were prepared by the Legislative Finance Division (LFD). He stated that the slides reflected an increase in the agency share of total state operations, and an increase in DOC funding. He stated that the increase was a result of the new Goose Creek institution.

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Co-Chair Neuman wondered what changes that could be expected in DOC. He had been exploring recidivism reductions programs. Up to 40 percent of the inmates that were in the DOC program were at the pre-sentence phase. He felt that there may be an opportunity for voluntary treatment for pre-sentence inmates. Commissioner Taylor replied that there was an attempt to redesign the system. He stressed that DOC must improve its dependence on electronic monitoring.

Co-Chair Neuman wondered if electronic monitoring would be used at residential centers. Commissioner Taylor responded in the affirmative.

Vice-Chair Saddler looked at slide 22, and wondered if DOC worked to encourage 12-Step programs to operate in all facilities. Commissioner Taylor replied in the affirmative. The department wanted to examine an array of programs for the institutions.

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Vice-Chair Saddler queried the definition of RSAT and LSSAT, and a general idea of a community-based substance abuse treatment program. Commissioner Taylor replied that the LSSAT program was the "Life Skills Substance Abuse Treatment" program. It was 3-month outpatient program inside the facility. The RSAT program was a "Residential Substance Abuse Treatment" program, which was a minimum of 6 months in the institution. The community-based programs were programs that were provided for after care and programming in a number of communities to support the persons getting released into probation and parole.

Vice-Chair Saddler wondered where the 12-Step programs fell into those other programs. Commissioner Taylor replied that the 12-Step programs were voluntary programs, but were not a cost for substance abuse treatment programs. He agreed to provide more information.

Representative Munoz wondered why the Medicaid expansion would only cover \$4 million of the health care costs. She wondered if there was a way to increase the coverage. Mr. Henderson replied that the replied the DOC Health Care Director could provide a detailed response. He explained that DOC had pulled the invoices of the individuals within

the institutions that were hospitalized for more than 24 hours, which totaled approximately \$8 million. He shared that the \$4.1 million was a benchmark for reimbursement.

Representative Munoz surmised that there would be no Medicaid reimbursement for the services provided within the institution. Mr. Henderson replied in the affirmative and stated that the reimbursement would be considered "direct billing."

Representative Munoz shared that she had worked to create a video conferencing opportunities for individuals to communicate with families. She shared that it was a successful program. She remarked that there was a recent change in policy to limit the videoconferencing between clients and attorneys. She queried the reason for the change in policy. She encouraged the reinstatement of the program. Commissioner Taylor agreed to examine that policy. He shared that the change may be related to the number of increased hearings and requests for telephonic or video-conferenced hearings.

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Representative Guttenberg queried the flexibility within the budget to prioritize new programs. Commissioner Taylor replied that there was some ability to prioritize, but he stressed that there was a focus on ensuring that the programming was directly related to the risks and needs of those in custody.

Representative Guttenberg remarked that there should not be a large rise in inmates. He wondered if the funds would be shifted to programs that had direct impact from prison population increases. Commissioner Taylor replied that the funds could not be shifted to capture the dramatic increases in inmate population. The funding would be dedicated to specific services.

Representative Guttenberg asked if the individuals were monitored in the programs. Commissioner Taylor replied that there was an attempt to develop one recidivism reduction plans.

Representative Guttenberg asked how those individuals had follow up for housing and employment post-incarceration. Commissioner Taylor replied that the probation officer

would follow up on the individuals that were on probation and parole. He furthered that there was current work to create reentry centers and community support for those not on probation or parole.

Representative Guttenberg wondered if the department tracked the difference between the recidivism rates of those who were on parole and those who were not on parole. Commissioner Taylor replied that there was not a separation of probation and parole.

Representative Wilson remarked that queried the definition of "GF PR authority." Mr. Henderson replied that it was the GF authority for receipts. There were fees for the electronic monitoring devices.

Representative Wilson wondered if the ankle monitors were fully utilized. Commissioner Taylor responded that the department was working to fully utilize the ankle monitor capacity. He explained that the request reflected the department's authority and ability to collect.

Representative Gara wondered if Alaska was the only state that did not allow food stamps for felons. He asked if there was work to allow felons to receive food stamps. Commissioner Taylor replied that the Criminal Justice Commission was examining that issue. He did not know if there was any relation between food stamps allowance and recidivism rates.

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Representative Gara wondered if the commission was 100 percent federally funded. Commissioner Taylor replied that he did not know.

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Vice-Chair Saddler noted that there was a challenge in reducing recidivism rates, and wondered if it was because of not identifying the right tools or knowing the right tools with an inability for implementation. Commissioner Taylor felt that it was a combination of the two notions. There were two separate committees that were working toward that balance.

Representative Gattis looked at slide 17. She wondered what would happen if there was a possibility to increase beyond 475. She felt that there should be an increase in opportunities in order to decrease the cost of incarceration. Commissioner Taylor replied that it was possible to increase the number, but there must be staffing and resources to support the increase.

Representative Gattis wondered if private companies conducting the monitoring. Commissioner Taylor replied in the negative. He stated that DOC was the monitoring entity.

Representative Pruitt shared that he knew a correctional officer that felt there were some inefficiencies between DOC and the Department of Public Safety (DPS) when transporting prisoners. He wondered if there was a way to bridge the gap between the two departments. Commissioner Taylor agreed to examine that issue further.

Representative Pruitt wondered if there were specific restrictions that the legislature placed that prevented people from integrating back into society. He remarked that there were some statutes placed to protect the public that may have caused some burdens on those individuals that were released back into society. He wondered if there needed to make changes to some limiting statutes. Commissioner Taylor stated that there was a list of collateral consequences online, and he would be happy to provide that information.

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 3:30 p.m.

