

HOUSE FINANCE COMMITTEE
January 23, 2017
1:30 p.m.

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CALL TO ORDER

Co-Chair Seaton called the House Finance Committee meeting to order at 1:30 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Paul Seaton, Co-Chair
Representative Les Gara, Vice-Chair
Representative Jason Grenn
Representative David Guttenberg
Representative Scott Kawasaki
Representative Dan Ortiz
Representative Lance Pruitt
Representative Steve Thompson
Representative Cathy Tilton
Representative Tammie Wilson

MEMBERS ABSENT

ALSO PRESENT

Mark Luiken, Commissioner, Department of Transportation and Public Facilities; Amanda Holland, Administrative Services Director, Department of Transportation and Public Facilities; Randall Hoffbeck, Commissioner, Department of Revenue; Dan DeBartolo, Director, Division of Administrative Services, Department of Revenue; Doug Wooliver, Deputy Administrative Director, Alaska Court System; Jerry Burnett, Deputy Commissioner, Department of Revenue;

PRESENT VIA TELECONFERENCE

SUMMARY

Department of Transportation and Public Facilities:
Department Overview

Department of Revenue FY 18 Budget Overview

Judiciary: Alaska Court System Overview

Co-Chair Seaton relayed the agenda for the day.

^Department of Transportation and Public Facilities:
Department Overview

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MARK LUIKEN, COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, introduced the PowerPoint presentation: "Department of Transportation and Public Facilities: Department Overview" (copy on file).

Commissioner Luiken turned to slide 2: "Transportation & Public Facilities: Keep Alaska Moving through service and infrastructure." He indicated that per Alaska Statute 44.42 the department was responsible for planning, research, design, construction, operation, maintenance, and protection of all state transportation systems and public facilities. The department achieved this through the department's core services in its strategic approach known as results-based alignment. He read from the slide:

The Department of Transportation & Public Facilities is responsible for providing these core services:

- Preserve Alaska's Transportation Infrastructure
- Operate Alaska's Transportation Infrastructure
- Modernize Alaska's Transportation Infrastructure
- Provide Transportation Services

Commissioner Luiken reported that results-based alignment was a service delivery framework from which the department measured the contribution of the services the department delivered in support of its mission. He noted links to source documents included on the slide.

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AMANDA HOLLAND, ADMINISTRATIVE SERVICES DIRECTOR,
DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES,

reviewed slide 3: "Department of Transportation & Public Facilities Share of Total Agency Operations." She reported that the slide provided a 10-year look back of the department's unrestricted general fund (UGF) and designated general fund (DGF) funding. For the FY 18 governor's proposed budget, the UGF total equaled \$145.7 million. The designated general fund total equaled \$126.9 million. The numbers were close to the department's FY 09 levels.

Ms. Holland reviewed slide 4: "Department of Transportation & Public Facilities Line Items." She reported that the slide showed all funds by line item. The department's commodities, services, travel, and personal services were trending below FY 12 levels. She noted that travel was below the FY 08 level.

Co-Chair Seaton announced that Representative Pruitt had joined the meeting.

Representative Guttenberg referred to the personal services line on slide 4. He referred to the numbers for the FY 17 management plan and for the FY 18 governor's plan. He wondered about whether design and engineering were contained in the numbers. Ms. Holland indicated that the chart reflected a 10-year look back.

Representative Guttenberg remarked that FY 18 governor's plan was included. Ms. Holland reported that the chart reflected the department's total personal services cost for FY 18 including any reductions of positions that were in the budget including design and construction positions.

Representative Guttenberg was under the impression that the numbers did not include estimated savings or changes in the budget. He looked forward to further discussion on the proposal to move design and engineering into a private function within DOT's budget.

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Co-Chair Seaton explained to students in the room about decorum in a discussion, which served the useful purpose of managing the meeting.

Ms. Holland explained slide 5: "Appropriations within the Department of Transportation & Public Facilities: GF Only." She pointed out that the graph looked at general funds

only, which included UGF and DGF sources. There were 2 result delivery units including the Highways, Aviation, and Facilities unit and the Alaska Marine Highway System (AMHS). These delivery units made up 94 percent of the department's general fund operating budget. It meant that 94 percent of the department's general fund operating budget was dedicated to direct service for Alaskans. She highlighted that the FY 18 budget for AMHS was near the FY 08 level. The budget for the Highways, Aviation, and Facilities unit was below the FY 08 level.

Ms. Holland turned to slide 6: "Appropriations within the Department of Transportation & Public Facilities: All Funds." She relayed that when looking at all funds for the FY 18 governor's proposed budget, the Highways, Aviation, and Facilities unit had the largest share of the operating budget, while the budget for AMHS was a close second. Most of the operating budget was dedicated to 3 core services including preserving Alaska's infrastructure, operating Alaska's infrastructure, and providing transportation services.

Ms. Holland advanced to slide 7: "Department of Transportation & Public Facilities Total Funding Comparison by Fund Group: All Funds." She informed the committee that the chart showed total funding by fund group. Capital improvement program (CIP) receipts comprised over 50 percent of the other state funds category. They funded the design, engineering, and oversight of the capital program.

Ms. Holland continued to slide 8: "Administration and Support RDU." The slide broke down the department by the results delivery unit. It included the funding breakdown by fund category in the second column and the number of positions in the third column. The 3 furthest right columns showed constitutional, federal, and statutory requirements. The rating of importance column, in the middle of the slide, reflected the department's rating of each program as either critical, important, beneficial, or status quo. She pointed to the administration and support results delivery unit, which included several types of services such as measurement standards, commercial vehicle enforcement, statewide aviation, program development, and statewide planning.

Co-Chair Seaton asked which line she was referring to. Ms. Holland drew attention to the farthest left column labeled,

"Component." Each of the lines provided statewide functions performed by the department.

Co-Chair Seaton asked for further clarification. Commissioner Luiken pointed to the statewide administrative services line. Ms. Holland further clarified that she was showing the different components that made up the entire results delivery unit; Administration and Support.

Representative Kawasaki pointed to the rating of importance to the mission on slide 9. He focused on three components that were listed critical to the mission: Statewide Design and Engineering Services, Regional Design and Engineering Services Components, and Regional Construction and CIP Support Services. He noted that the three components were taking the hardest hit in the budget. He asked her to comment. Ms. Holland asked Representative Kawasaki if he was asking about the Administration and Support Results Delivery Unit or the Design, Engineering and Construction Results Delivery Unit.

Representative Kawasaki referred to slide 9 which addressed Statewide Design and Engineering Services, Regional Design and Engineering Services Components, and Regional Construction and CIP Support Services. He thought the three components were being targeted for the largest reductions. Ms. Holland would address his question on the following slide.

Vice-Chair Gara commented that the legislature needed to prioritize what it was spending money on in the budget. There were several new roads the department was considering. He mentioned the Ambler Road. He asked where on the chart could he find the money spent on assessing, designing, planning, going through the environmental impact statement process. Commissioner Luiken responded that the Ambler Road was not a DOT project. The department listed personal services for planning and programming could be found under the Statewide Transportation Improvement Program. Any funding that would be put towards design, engineering, or construction would be placed in that component [Program Development and Statewide Planning].

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Vice-Chair Gara reported that the spending in that section [Program Development and Statewide Planning] was \$7.8

million of other funding and \$268 thousand in UGF. He asked about the other funding. He did not believe it was all federal funding. Ms. Holland replied that the other state funds included several funding sources, over 50 percent of which was capital improvement program receipts. She elaborated that it was authority to spend capital improvement monies in the operating budget. The capital improvement program monies came through the federal government in the capital budget.

Vice-Chair Gara asked the commissioner for a list of new roads that are in the planning stages and the amounts being spent on each. Commissioner Luiken was happy to provide the information. He relayed that he had given the planning and programming folks in his department 4 priorities for the department's capital program: to preserve the state's system, to preserve the state's bridges, to base any new roads or passing lanes on safety data, to follow a time cap (if the department had started work on a federal project and was running up against a time limit it would decide whether to go forward with or cancel the project).

Representative Guttenberg referred to slide 8 under the columns labeled "Constitutional Requirement" and "Federally Required." He highlighted that on slide 9 and slide 10 the only component that was constitutionally required was the Commissioner's Office. Whereas, the Equal Employment and Civil Rights Component was federally required. He wondered if there were state constitutional requirements that dealt with the issue of equal opportunity rights. He mentioned the Elizabeth Peratrovich Gallery in the building. He thought it should be looked at again. Ms. Holland indicated the department could look at it.

Representative Tilton asked about the methodology used in terms of importance ratings. Ms. Holland explained that for the rating of importance the department's primary guidance was provided in the memorandum from Co-Chair Seaton and Co-Chair Foster. The department went by the definition provided for what constituted critical, important, beneficial, and status quo. Regarding the rating of effectiveness, individuals within the department assisted with both ratings. The department executive team and some subject matter experts in specific areas.

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Representative Pruitt referred to slide 7, which highlighted the switch from UGF to DGF. He asked about the amount associated with and the reasoning behind the change. Ms. Holland wanted to clarify that he was asking about why there was a significant change in UGF and DGF.

Representative Pruitt thought it was obvious that UGF had been supplemented for DGF. More importantly he wanted to understand the thought process behind the change. Ms. Holland responded that it tied back to the department's results-based alignment and the way the department was working. It showed that the services being provided by the department were directly connected to statutory requirements and to its mission. She clarified that with the swap to a DGF amount (the proposed Alaska Transportation Maintenance Fund), the department would be allowed to take monies that drivers and motorists paid, for example, in motor fuel tax and apply it directly to the preservation and operation of the roads they were using to drive their vehicles on. The department believed that by having it as a DGF, the department could show Alaska exactly what service the department was providing and how it benefited the tax payer. It would better show what services were being provided, such as a pothole getting patched.

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Representative Pruitt appreciated her answer. He believed a fee for service was needed. He agreed that if there was a situation where the public was receiving a benefit in some capacity or in a particular industry, such as timber, the fee should cover the cost of providing the service. He thought the challenge was how the legislature would deal with the thought process of the public. Moving the funds looked like there was a reduction of UGF, appearing that a change was made different than what was actually made. He wanted to make sure that legislators clearly articulated what had been done with the budget. The public paid attention to unrestricted general funds (UGF). He just wanted to ensure transparency to the public.

Co-Chair Seaton added that was the reason he had asked for the charts to reflect all funds identified rather than only UGF. It would have been hiding the ball rather than showing the location of the ball.

Representative Pruitt did not believe anyone was trying to hide anything. He asked about the 76 positions that were being cut and moving towards privatization. Commissioner Luiken indicated it would be better to wait until the department saw the settlement between the state and the General Government Unit (GGU).

Representative Pruitt inquired about privatization. He relayed that currently the agency contracted 55 percent of the work. He asked if there had been PCNs in the past representing the 55 percent that was currently privatized. He suggested that if 55 percent was accurate, then the associated PCN's could be removed from the budget. Commissioner Luiken responded that in keeping with the department's core value of excellence it was driven to continually improve. The department was seeking to optimize the delivery of its capital program. A key to the optimization was to review the department's workforce size and capabilities. The department was unsure that 55 percent was the optimal number. He thought the feasibility study that department would be conducting would help it to make a determination.

Co-Chair Seaton indicated that the committee would be returning to that question.

Representative Thompson referred to the DGF on slide 7 showed a huge increase. He asked if the number included the governor's proposed increase in gas tax. Ms. Holland responded affirmatively.

Representative Thompson questioned whether the committee would have to readjust the formula if the bill did not pass. Ms. Holland replied that the department would have to readjust its ask for the FY 18 budget.

Representative Thompson asked about privatizing engineering and design. He thought most of the engineers were 90 percent funded with federal money. Commissioner Luiken thought the discussion needed to focus on what the department was doing. The department was looking to optimize the delivery of DOT's program. He added that privatization was not the best term to use. However, the department's real focus and effort was to optimize the delivery of its program.

Representative Thompson asked about the possibility of the engineering being privatized to firms that were working for companies in Alaska but were designing and engineering roads in other places such as Seattle or Portland. He wondered if the 90 percent contribution from the federal government would go to Seattle or Portland rather than remaining in-state. Commissioner Luiken reiterated that the department could not make a determination presently because it did not have the necessary data. He thought the feasibility study the department would be conducting would help in making the determinations.

Representative Thompson was looking forward to further discussion.

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Co-Chair Foster asked if 90 percent was the correct percentage of federal dollars the state received to pay for the positions. Commissioner Luiken responded that he thought the number was close.

Representative Guttenberg noted that the commissioner continued to use the word optimization. He asked when the study would be completed in reference to the budget schedule. He had been under the impression that design work had already been contracted out. Commissioner Luiken indicated the department was crafting a request for proposal (RFP) for the study to be done. He expected to have the RFP out by the end of the month. The department would issue an award by about the end of February with a start date in March. The study could take up to 6 months. He noted that there had not been any outsourcing or privatization with the current budget. The feasibility study, currently, did not need to be completed before the end of the budget cycle.

Representative Guttenberg was looking at earlier budgets and had asked the question between FY 17 management plan and FY 18 governor's plan about the proposal. He did not know if discussions would ensue about what the study would mean and what criteria the study would contain.

Co-Chair Foster mentioned that he had had a meeting with the commissioner earlier in the day. He conveyed that of the 76 positions, not all of them were filled and some of them might be part time. He had asked the commissioner for

information on the breakdown, which he would provide to the committee.

Commissioner Luiken continued with slide 8. He reported that the department had left the number of Alaskans served column blank because it was difficult to measure quantitatively. The state's transportation infrastructure directly and indirectly impacted every and indirectly impacted every Alaskan every day. The system was working all the time providing connectivity and access to drivers, pilots, and passengers and delivering goods such as food and medicine or services such as emergency response. The department indicated "effective" on its rating of effectiveness as it was currently meeting its mission. Results-based alignment was implemented in the prior year. While the department was beginning to see some trends in performance data, it was still maturing.

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Ms. Holland advanced to slide 9: "Design, Engineering and Construction RDU State Equipment Fleet RDU." The unit was responsible for the design, engineering, and oversight of the capital program, which included roads, bridges, and runways (generally referred to as horizontal construction) and facilities (vertical construction). The Design, Engineering, and Construction Results Delivery Unit was tied to the state's infrastructure, which was developed to address the unique needs of Alaskans on the move. She reported that only 2 percent of Alaska's land area was accessible by road. She added that 82 percent of Alaska communities were not connected to the road system. She indicated that the regional components were combined into one line for design and one line for construction.

Ms. Holland continued to report on slide 9. She relayed that the State Equipment Fleet Results Delivery Unit procured, maintained, and disposed of vehicles, equipment, and attachments that were owned and operated by the executive branch agencies, Legislative Affairs, and the Alaska Court System. It was a shared service responsible for 7,129 pieces of state equipment and vehicles.

Commissioner Luiken advanced to slide 10: "Highways, Aviation & Facilities RDU, International Airports RDU, Marine Highway System RDU." He relayed that an example of the department's effectiveness using results-based

alignment and its core services was snow and ice removal by the regional highways and aviation components. He elaborated that for 2017, departmentwide, it experienced 231 winter weather events, which meant a snow, ice, or wind event and met its time response goal 96.6 percent of the time. Another example of effectiveness was provided by the Alaska Marine Highway System. The on-time departure rate for 2016 was 92 percent, a slight increase from 91 percent for 2015.

Commissioner Luiken continued that DOT was an economic driver for Alaska. According to a 2016 economic impact study, every dollar invested in AMHS returned \$2.30 of economic benefit to the state. According to reports from 2011, the Ted Stevens Anchorage International Airport's economic impact was 1 in 10 jobs in Anchorage. The economic impact of the Fairbanks International impact was 1 in 20 jobs in Fairbanks. He was happy to provide additional information on how DOT was using results-based alignment to align its budgets to core services and to increase its accountability through performance data.

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Co-Chair Seaton returned to slide 9. He drew attention to the first [Statewide Public Facilities] and third [Harbor Program Development] components that received a rating of importance to the mission of beneficial. He asked how the department would characterize the Harbor Program Development component. He wondered about the nature of the component. Ms. Holland responded that the program that looked at harbors and ports that were scattered throughout the state. It helped with maintaining or developing ports and harbors. It was a federal pass through program.

Co-Chair Seaton asked about the Statewide Public Facilities component. He had noticed it was graded as beneficial. Ms. Holland answered that the component was comprised of a group of design and construction engineers who oversaw the construction of facilities for various agencies. They did not always work on transportation and public facilities. They often assisted with things such as a fish hatchery or the scientific crime lab in Anchorage.

Co-Chair Seaton wondered if the rating had to do with directly affecting the department's core mission. It could

be an RSA through another agency. He asked if he was accurate. Ms. Holland responded in the affirmative.

Representative Kawasaki asked about the Harbor Development Program being a federal pass through. The amount was about \$300 thousand UGF and was not required federally. He asked if there was someone else that could do the job. Ms. Holland would have to get back to the representative, as she was not intimately familiar with the program.

Co-Chair Seaton added that the subcommittees would be taking up issues in greater detail. Recommendations would be presented to the full House Finance Committee. The subcommittees would be looking at fees, discounts, or anything else being done in the subcommittee process. He noted indirect expenditures and noted that there 2 reports. It was important to make sure the state was collecting all that was possible for services it was providing.

Representative Kawasaki returned to the topic of privatization and asked why the feasibility study was not done prior to adding it to the FY 18 budget. Ms. Holland responded that in collective bargaining agreements feasibility studies were required if the department anticipated layoffs of permanent or probationary employees. The department did not anticipate any layoffs for the proposed budget of FY 18. Therefore, a feasibility study was not required by collective bargaining ahead of time.

Representative Kawasaki relayed the importance of legislators needing to have the information. He wanted to make sure it actually saved money. He asked, out of the 55 percent of the design work, if it included when the department contracted with the municipality to take over the design work like it was done in the city of Fairbanks. Commissioner Luiken would respond later.

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Representative Tilton mentioned the programs under DOT that were paused. She asked if they were accounted for and where she could find the information. Commissioner Luiken was unclear what Representative Tilton was asking. He was aware of which projects she was talking about. Representative Tilton suggested the commissioner talk to her later.

Representative Grenn asked about the cost or fee percentage which he noted ranged from zero to 100 percent. He wondered if they swung wildly from year to year and whether it was trackable over the previous 5 to 10 fiscal years. Ms. Holland would get back to him.

Co-Chair Seaton encouraged members to attend the subcommittee meetings.

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[^Department of Revenue FY 18 Budget Overview](#)

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Co-Chair Seaton welcomed the commissioner from Department of Revenue (DOR).

RANDALL HOFFBECK, COMMISSIONER, DEPARTMENT OF REVENUE, introduced the Power Point presentation: "Department of Revenue FY 18 Budget Overview" (copy on file). He would be making a few remarks and would be turning to Mr. DeBartolo to walk through the presentation.

Commissioner Hoffbeck turned to slide 2: "Alaska Department of Revenue: The Department of Revenue Mission and Core Programs":

Mission: to collect, distribute, and invest funds for public purposes.

Core Programs

- Treasury Division - Invest
- Tax Division - Collect
- Permanent Fund Dividend Division - Distribute
- Child Support Services Division - Collect and Distribute

Commissioner Hoffbeck relayed that the slide showed the department's mission statement and the various functions of the department. He emphasized that the department was laser focused on its specific mission in all the functions within the department. The core programs included the Treasury

Division, the state's investment arm. Investment management and cash management reside within the division. Another core program was the Tax Division, the state's collection component for taxes. The Permanent Fund Division handled the distribution of the Alaska Permanent Fund. The child Support Services Division was another core program that was in charge of collection and distribution of funds for the purposes of the federal mandate on child support enforcement.

Commissioner Hoffbeck advanced to slide 3: "Alaska Department of Revenue: Authorities, Corporations, and Boards":

Authorities, Corporations, and Boards

- Alaska Housing Finance Corporation (AHFC) - Invest and Distribute
- Alaska Permanent Fund Corporation (APFC) - Invest
- Alaska Retirement Management Board (ARMB) - Invest
- Alaska Mental Health Trust Authority (AMHTA) - Distribute
- Alaska Municipal Bond Bank Authority (AMBBA) - Distribute

Commissioner Hoffbeck explained that the authorities, corporations, and boards resided within the purview of DOR, but generally functioned autonomous from the departments.

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DAN DEBARTOLO, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE, scrolled to slide 4: "Department of Revenue Share of Total Agency Operations: GF Only." He pointed to the note by the Legislative Finance Division regarding a change over time, which seemed to be an important function to discuss. The general fund budget grew by \$5.1 million between FY 08 and the FY 18 governor's request with an average annual growth of 2 percent, which equated to \$83 per resident worker. He commented that the \$83 was a portion of the state's actual total GF budget, not the actual increase of \$5.1 million. He indicated that when looking at the graph and talking about trends, it was important to know why the budget increased at the beginning of the time span. He provided some context. First, in FY 09 one of the notable increases was the implementation of HB 2001 [Legislation that passed in 2015] which allowed for approximately \$1.26 million to be added to the budget for

audit masters including an additional support staff and money to implement changes. Also, during that time, the bargaining unit compensation including health insurance, saw a significant increase in that year.

Mr. DeBartolo continued that during the time period of FY 10 and FY 11 there was a significant jump on the chart. He pointed out that the department added two positions during that time including petroleum commercial analyst positions for gasoline and production tax. He mentioned that many of the other changes were fund source changes. He reported that within the Division of Child Support Services, American Recovery and Reinvestment Act (ARRA) funds were going away. The department had to replace approximately \$826 million while the stimulus was lapsing. He also mentioned that for quite some time Child Support Services was receiving designated general funds (UGF). At the time the funds were switched to a GF match in the amount of \$5.9 million. The department also had to change the Constitutional Budget Reserve (CBR) management fees to GF in the same year in the amount of another \$2.1 million. While it looked like there was a significant increase in the agency GF budget in that time frame from FY 10 to FY 11, most of it was a fund source change rather than a pure growth in operations

Representative Guttenberg was looking for more than a number. He asked if there was an example of or a value that the additional audit masters brought into the state. He was aware they had 6 years to complete an audit. He did not know if the state had not completed one on time. He suggested the results of the audit brought the state closer to being up to date in order to reduce the lag. He asked about the financial benefits resulting from the additional audit masters.

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Commissioner Hoffbeck answered that it was very difficult to find a quantitative number involved with the audit masters. The state had switched from a gross tax with the Petroleum Production Tax (PPT) to the Alaska's Clear and Equitable Share (ACES) and then to SB 21 [Oil tax legislation referred to as the More Alaska Production Act (MAPA) passed in 2015] resulting in more complexity for auditing purposes. The department felt it needed to bring in people with higher level auditing experience and, to the

extent possible, people with oil company experience. The audit masters, rather than being auditors on the ground, functioned in a training, review, and support position to make sure the department was capturing all the value due to the state. He thought it would be difficult to assign an actual dollar value.

Co-Chair Seaton asked if the commissioner felt that the audit masters had paid for themselves with their expertise. He asked if they had recoveries for the state that superseded their personnel expense. Commissioner Hoffbeck responded affirmatively.

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Vice-Chair Gara commented that the department was behind on audits and there was a statute of limitations. He asked if the department was keeping up with the statutory timeline requirements for auditing oil company tax returns. He also inquired whether the the state had incurred any losses due to not having enough staff to perform thorough audits. Commissioner Hoffbeck responded that the department was comfortably on schedule with oil and gas tax audits and staffed sufficiently to complete them. The department was currently in a 2-year audit cycle where it was auditing 2 years at a time. In other words, the department was catching up 1 year every year. He hoped the department would be at a 3-year lag in audits within 2 years. He reported that a 3-year lag was the minimum the department could achieve because of the time it took to compile necessary data and to get all essential questions answered for completing an audit. He suggested that it would take 2 more years to get caught up.

Commissioner Hoffbeck thought the stress of completing audits could be seen more in other tax types rather than in oil and gas tax audits. The department wanted to audit other tax types more fully but did not have the needed auditors.

Vice-Chair Gara asked if the commissioner thought the state was missing out on revenue that exceeded what it would cost to properly perform the audits. Commissioner Hoffbeck replied that the department believed there was additional revenue to be gained. He did not want to comment about which departments were not being audited fully. He preferred everyone to believe the department was watching

them. He was happy to answer the representative's question offline.

Representative Pruitt asked if the state was completed with the more complex audits related to the Alaska's Clear and Equitable Share (ACES) structure. He wondered if the stress on auditors would decline. Commissioner Hoffbeck reported that the department was currently fully into the ACES audits which had allowed the department to combine audits. The department had been through the first net tax audit cycle. The auditors were more cognizant of the issues and the tax payers were more aware of the questions they would ask. The department was currently auditing tax returns where regulations were in place before the taxes were due, which has helped everyone to be in compliance. As the department moved through the audits, it would see greater compliance and less adjustments and be able to audit more quickly.

Representative Ortiz asked if the audits had an impact on overall revenue. Commissioner Hoffbeck indicated that revenues had varied from year-to-year. The department anticipated about \$200 million per year in audit adjustments. He noted litigating certain audits and reducing them over time. He thought that the adjustments would likely go to about \$100 million per year once people became more aware of the state's expectations.

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Representative Thompson asked how the state compensated investment officers. Commissioner Hoffbeck responded that the investment officers were exempt state employees receiving a fair salary, although less than the private sector.

Representative Thompson asked whether the state would see better results if the state could offer wages that were more competitive. Commissioner Hoffbeck responded that the department's investment officers did well in achieving returns. The department used 2 different models. The treasury with the Alaska Retirement Management Board (ARMB) investors typically brought in young people with significant capacity, trained them, and got them certified to do investment work for the state. By doing so, the staff was more stable. The Alaska Permanent Fund Corporation's

(APFC) model was to recruit investment officers with experience but resulted in a higher turnover.

Representative Thompson asked about the loss of .043 percent on the ARMB's investment fund. Commissioner Hoffbeck stated that most funds took a loss in the previous year with the exception of the Permanent Fund (PF). The Permanent Fund's return was driven by the sale of shares within Juneau Therapeutics, a venture capital investment that did well. They went public and made a substantial return. Otherwise, the APFC would have had similar investment losses as the ARMB investments. Typically, the ARMB and APFC investment returns paralleled. He noted that in 33 years the ARMB had outperformed APFC 22 of the 33 years by small margins. They essentially had the same return history.

Mr. DeBartolo advanced to slide 5: "Department of Revenue Line Items: All Funds." He indicated that the slide showed all funds for DOR line items on a scale with \$50 million increments. The most noticeable change in the graph was the area in red that increased from FY 10 through FY 17 on a steady ramp. Red represented the services line item. He elaborated that the changes dealt with management fees within ARMB and APFC. During the period of growth from FY 11 to FY 16 the ARMB fees went from approximately \$34 million to \$62 million for a total increase of \$28 million. At the Alaska Permanent Fund Corporation, the management fees went from \$76 million to \$151 million in that same time period, an increase of \$75 million. He continued that the increase of approximately \$100 million seen on the graph was mostly comprised of management fees. He noted that in the beginning of the time period there was some growth in personal services depicted in blue. He detailed that in FY 08 and FY 09 the department added positions within the Tax Division. Between FY 08 and FY 10 16 positions were added and contractually obligated salary and health adjustments were made. Both factors contributed to the increases within the personal Services line item.

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Representative Ortiz wanted to confirm that the management fee was a set percentage value. If so, as the fund increased, so would the management fee. He asked if he was correct. Commissioner Hoffbeck replied in the affirmative.

Representative Pruitt asked if more management could be brought in-house. He wondered what the legislature could do to help the department move in that direction. Commissioner Hoffbeck replied that, as a rule of thumb, it was about three to five times the cost to have external management compared to in-house management. The department was working to bring as much management in-house as possible. He detailed that the legislature had funded additional managers for the treasury for the Alaska Retirement Management Board (ARMB) and APFC investments over the previous two years. The positions were either filled or being filled. The department expected to bring more investment managing in-house. Some investments would never be managed in-house such as private equity investments where a certain level of expertise was necessary.

Representative Pruitt asked if there were plans to increase in-house management in the coming year. Commissioner Hoffbeck recommended directing his question regarding whether more personnel funding was in the budget. He was aware the department was in the process of hiring those positions that had been approved in the past. Mr. DeBartolo answered that the department did not put funding for additional personnel in the budget in the current year.

Representative Pruitt surmised the legislature probably needed to ensure there was an offsetting. He asked about correlating value to in-house managers in order to assist legislators in understanding the amount of savings resulting from bringing investment management in-house. Commissioner Hoffbeck replied that he would provide the information to the committee.

Co-Chair Seaton stated that Representative Wilson had joined the meeting.

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Mr. DeBartolo turned to slide 6: "Appropriations within the Department of Revenue: GF Only." The Tax Division was the only core program within DOR that was 100 percent GF funded. He noted that when they had increases it affected graphs like the one on the slide. He drew attention to the blue line. He noted that the call out on the left-hand side outlined some increases from FY 08 to FY 14 including the audit masters, 2 commercial analyst positions, and CBR management fees. On 2 occasions the state incurred

additional management fees. He also reported that in FY 14 one additional audit master was hired for oil and gas. He continued that in FY 14 the department inherited the film office, which was later repealed, and the positions became obsolete.

Mr. DeBartolo continued that while growth was seen through the middle of the chart, he outlined some things the agency did to reduce growth. The tax Division saw that the tax revenue management system was starting to become effective. The department started seeing automation gains associated with the system and began to look at what positions could be reduced. He reported that between FY 15 and FY 16 where a steeper drop could be seen on the chart, the department eliminated 11 tax positions including Information Technology positions that supported the system, a petroleum policy analyst, a commercial analyst, and some other positions. The total reduction in positions equated to a total of \$1.2 million. The department also eliminated 3 film office positions equating to \$346 thousand. On the treasury side the department eliminated an additional \$600 thousand in CBR management fees.

Mr. DeBartolo continued that on the child support services line it showed a decline on the graph between FY 15 and FY 18. The reduction was a result of Child Support Services eliminating 27 positions equal to \$1.55 million in GF matching funds. The division also closed its Juneau and Wasilla satellite offices.

Representative Ortiz asked if the changes meant the state would be less effective in enforcing child support laws.

JERRY BURNETT, DEPUTY COMMISSIONER, DEPARTMENT OF REVENUE, responded that the department had made a strong push towards not being less effective. He believed the effectiveness reports would show that the department was able to do the work with its current number of staff.

Mr. DeBartolo turned to slide 7: "Appropriations within the Department of Revenue: All Funds." He indicated that the Legislative Finance Division slide was another representation of the all funds slide from page 5 but was broken out by appropriation. He noted that with APFC the largest increases could be seen in the custody and management fees compared to everything else on the chart. It was commensurate with the growth of the assets in-house.

Mr. DeBartolo detailed slide 8: "Department of Revenue Total Funding Comparison by Fund Group: All funds." He wanted to get back to talking about what was unusual or out of the ordinary on the chart. He pointed to the call out that showed that UGF between FY 08 and FY 18 for DOR increased by \$10.6 million. Much of the increase occurred between FY 10 to FY 11. He urged members to look at the purple on the graph. He reported that during that time period there was a bunch of one-time items that occurred in the one year. Specifically, the state created Alaska Gasline Development Corporation (AGDC) after HB 369 costing \$15.64 million. In the following year AGDC moved out of DOR. He highlighted the sharp increase and then the decrease. Other things that happened in the same year included the sale of Geo bonds for library education and educational research facilities totaling \$4.7 million. It was a one-time item that typically did not appear in the department's budget. These items and other things he mentioned that went to the department's base earlier in his presentation from FY 1- to FY 11 comprised the sharp increase in UGF from \$17 million to \$51 million and then back down as the department steadily decreased its UGF expenses.

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Vice-Chair Gara pointed to UGF in FY 10. Mr. DeBartolo had explained that the funds went from about \$18 million to \$51 million mostly because of AGDC. Once AGDC was moved out of the department, the budget was \$30 million. He asked if the excess amount was related to the gasline. He noted there had been an increase to the base consistent through several years.

Mr. DeBartolo had mentioned the increases to the base on slide 4. The increases to the base included a DGF to UGF transfer of \$5.9 for child support; the American Recovery and Reinvestment Act (ARRA) fund of \$826 thousand; the petroleum commercial analyst positions of \$400 thousand, and the CBR of \$2.1 million. These items increased the base as well as the one-time items in that year that he had mentioned earlier. The department had a lot going on from FY 10 to FY 11. He suggested that the department went from \$17 million to \$31 million, removing the anomalous year. Much went to the department's base in that year to the tune of \$9 million, then the trend leveled out in the remainder of the graph.

Vice-Chair Gara asked about the \$2 million for the CBR. Commissioner Hoffbeck answered that the decision was made to pay the management fees with UGF money for the CBR instead of creating a debt to the reserve that would then take an appropriation to pay it back. Vice-Chair Gara responded, "That's fine. Thanks."

Mr. DeBartolo explained the changes on slide 9: "Department of Revenue [by Program]." He noted a reduction within the Treasury Division of \$374.2 thousand in gf. The reduction included moving one administrative position to Shared Services of Alaska, which equaled a \$25 thousand GF cut. The department also had a reduction of \$348.5 thousand in gf via a fund source change - an allocation of assets changes under the ARM Board Management. Under the allocation of unclaimed property, there were no changes, however, he mentioned that in FY 16 the Unclaimed Property Division moved \$12 million to GF from its trust account. Since the inception of the program in 1986, \$116 million had been placed into the GF coffers of the state.

Representative Ortiz asked the meaning of unclaimed property. Mr. Burnett responded that examples of unclaimed property would be unused gift cards or money left in a bank account of someone who moved away or died without a will. That money would be turned over to the State of Alaska. The person or their heir could claim it later. However, every year the department calculated the percentage of money not claimed and moved it into the general fund. If a person made a claim later, they could still be paid, as there was sufficient money in the trust.

Mr. DeBartolo continued to the allocation for the Alaska Retirement Management Board. Under Treasury, the department reduced \$348.5 thousand in GF and increased in ARM Board funds. Under ARM Board custody and management fees, there would be a reduction for \$12.1 million due to external fees starting to decline as more investments moved in-house. Also, some fees were taken directly from the managed funds. He reported no changes for the Alaska Municipal Bond Bank Authority for the year.

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Mr. DeBartolo advanced to slide 10: "Department of Revenue [by Program - continued]." He reported that the Permanent

Fund Dividend Division was taking a DGF reduction of \$177.9 thousand. The division was eliminating 2 positions; an information systems coordinator and an imaging technician. He reported that the \$80 thousand of the \$177 was for reducing costs associated with printing applications. The division was moving towards electronic applications. He added that one position was being transferred to the Administrative Services Divisions for the state's shared services initiative.

Mr. DeBartolo continued that the Child Support Services Division was eliminating \$218 thousand in GF matching funds. The division also eliminated 2 positions for efficiency gains associated with the new shared services initiative. It was also eliminated the remainder of the \$25 fee, a subsidy to custodial parents. In the department's last budget cycle, there was a decrement of \$100 thousand and in the current budget cycle it was taking an additional \$100 thousand. He elaborated that the federal government mandated that states charge \$25 on any payments to custodial parents above \$500. For years, the State of Alaska subsidized that fee. In the current situation the department decided to phase that subsidy out. It was currently being paid by custodial parents. He reported that the department was transferring 2 positions to the Administrative Services Division for the shared services initiative and transferring 3 positions to the Office of Information Technology.

Mr. DeBartolo offered that under the tax Division there was a reduction of \$307 thousand UGF, which included eliminating 2 positions; a revenue appeals officer and an excise tax technician. The division also transferred a vacant seasonal position to the Treasury Division and was transferring 1 position to the Administrative Services Division for the shared services initiative.

Mr. DeBartolo reported that there were no funding changes in the Commissioner's Office, but the office was eliminating an Alaska Liquified Natural Gas (AKLNG) position and transferring in an administrative assistant in Anchorage from the Criminal Investigations Unit. Under the Administrative Services Division the department was increasing interagency authority to \$445 thousand because of the positions being transfer into Administrative Services. The funding was being left in the agencies. The department would charge the agencies through the cost of

allocation plan for the services it would provide under shared services.

Mr. DeBartolo continued to slide 11: "Department of Revenue Corporations." He reported no funding changes to the Alaska Housing Finance Corporation (AHFC) Operations or the Alaska Corporation for Affordable Housing for the year. However, AHFC had capital project requests in the amount of \$42.55 million similar to requests in previous years. The information was available online. The Alaska Permanent Fund Corporation had no operational funding changes. However, like with the ARM Board, the APFC Management Fee section was taking a \$9.4 million reduction under other funds. He relayed that the corporation was also doing more assets managed in-house. Market performance had been less than the projected mid-case return scenario. it would bring the budget in line with anticipated costs.

Co-Chair Seaton spoke to indirect expenditures within DOR. He pointed out that one of them was a 100 percent tax credit allowed for the second \$200 thousand of educational tax credits. The revenue subcommittee would be looking closely at the issue. It would also allow the redirection of so much of the state's tax money to other entities. He thought the issue was important to look at. He encouraged members to attend the finance subcommittee meetings where details would be much further investigated.

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AT EASE

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RECONVENED

[^Judiciary: Alaska Court System Overview](#)

[2:59:45 PM](#)

DOUG WOOLIVER, DEPUTY ADMINISTRATIVE DIRECTOR, ALASKA COURT SYSTEM, introduced the PowerPoint Presentation: "Alaska Court System Overview" (copy on file).

Mr. Wooliver turned to slide 2: "Mission Statement":

Mission Statement

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

Mr. Wooliver relayed that the mission was really to resolve court cases. The mission included the system's guiding principles. In lean budget times, two of the goals were always at risk. The first was accessibility of the courts and the second was how quickly cases could be resolved. The Alaska Court System closed at noon on Fridays, which somewhat limited the public's access to the court system. Also, courts were either closing or having greatly reduced hours in some of the small rural magistrate locations which also affected accessibility. As Judiciary reduced more and more of its staffing levels it became more and more difficult to do things in a timely manner. Judiciary's challenge was to manage budget cuts in a way that impacted its goals in the least way possible. However, there would be impacts.

Mr. Wooliver turned to the 10-year look back on slide 3: "Judiciary's Share of Total Agency Operations: GF Only." He pointed out that from FY 08 through FY 15 Judiciary had general increases in its budget. The overall share of the general fund budget had not changed much. It was just above 2 percent. The budget had gone up 16 hundredths of 1 percent. In general, it was a flat level for the agency's total share. He indicated he would talk about the reductions which showed up in FY 16, 17, and 18 later in his presentation. There were three primary drivers that had led to increases in the budget over the years. One was that Judiciary had asked for legislative approval for additional judges and staff in court locations where the workloads warranted the increases. Another main driver had been the general salary increases that the legislature approved for non-covered employees including employees in the Judicial branch. One other area that was reflected in the court system's increase, but not an actual increase in money, was the therapeutic courts. He reported that all the funding associated with those efforts were moved into the court system in FY 10 and FY 11. Representative Mike Hawker thought it would be much easier to oversee and manage the therapeutic courts projects if all the money was in one location. Throughout the years, with therapeutic courts, a bill would pass with several fiscal notes from various

departments. Rather than having the funds spread out throughout the executive branch's budget and a little in the court system, the legislature took all the funds and placed them in Judiciary's budget. Judiciary then issued Reimbursable Service Agreements (RSA) to various agencies. It was an increase in Judiciary's budget but not an increase to overall state spending.

Vice-Chair Gara asked how much funding and in what year was therapeutic courts transferred. He wondered about the amount proposed for therapeutic court sin FY 18. Mr. Wooliver replied that the funds from the other agencies were transferred in FY 11. The total cost for therapeutic courts for FY 18 was approximately \$4.7 million.

Vice-Chair Gara asked about the amount in FY 11 that was transferred. Mr. Wooliver thought it was about \$3.5 million. At the peak the amount for therapeutic courts was slightly more than \$5 million. Now the number was down to \$4.7 million.

Representative Ortiz asked what percentage of Alaska's population had access to therapeutic courts services. Mr. Wooliver responded that there were lots of opportunities in the urban centers, but the state also had therapeutic courts in Ketchikan, Juneau, and Bethel. There were also therapeutic courts in Kenai, Palmer, and Anchorage.

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Mr. Wooliver pointed to the chart showing a 10-year look-back broken down by line item on slide 4: "Judiciary Line Item Comparison: All Funds." He highlighted that the largest part of Judiciary's budget was personal services which made up about three-quarters of the branch's entire budget. He noted that the only other category that changed much was the second largest category, contractual services. It reflected the fact that therapeutic courts were moved into Judiciary's budget.

Mr. Wooliver advanced to slide 5: "Judiciary Appropriations: GF Only." He reported that the same 10-year look back could be seen except it separated out therapeutic courts. They could be seen at the bottom of the chart. The chart also included the Alaska Judicial Council and the Commission on Judicial Conduct. Both were part of the judicial branch of government but were separate from the

court system itself. The chart reflected general funds only.

Mr. Wooliver touched on slide 6: "Judiciary Appropriations: All Funds" He reported that the slide looked almost identical to the previous slide because 97 percent of the court system's budget was general funds. The slide reflected all funds but looked like the previous one.

Mr. Wooliver scrolled to slide 7: "Judiciary Total Funding Comparison by Fund Group: All Funds." He highlighted that green represented general fund dollars. There were small amounts of money in other areas including \$1.25 million in federal program receipt authority, an amount Judiciary had not received but had the authority to receive. There was \$1.8 million in other state funds, mostly inter-agency transfers for the Family Law Self-Help Center and the Alaska Mental Health Trust Authority. The court also received money from the Public Defender agency for transcripts and appeal cases. He reported that the court system had \$518 thousand in designated general funds (DGF) from alcohol tax proceeds that went towards therapeutic court participant treatment. The other \$105 million was the 97 percent of general funds.

Mr. Wooliver slide 8: "UGF Budget Cuts FY16 - FY18":

- FY16 - \$3,430.4 (3.1%)*
- FY17 - \$3,805.0 (3.5%)
- FY18 Proposed - \$3,671.8 (3.5%) **

* The FY16 cut was offset by a 2.5% salary increase resulting in a net reduction of \$1,427.6.

** The FY18 proposed cut may be offset by increased healthcare costs resulting in a net reduction of \$1,821.4.

Mr. Wooliver relayed that currently Judiciary was in budget cutting mode. He reported that if the legislature approved the proposed reduction of \$3.67 the Court system would have reduced its costs over the last 3 years by approximately \$11 million.

Mr. Wooliver turned to slide 9: "Examples of Cost-Savings Measures":

Examples of Cost-Savings Measures

- E-Distribution Project
- Mini-RIP
- Deleted 29 PFT, 14 PPT, and 2 Temporary Positions for a total of 45 Deleted Positions
- Holding Positions Vacant
- Continuing with Friday Afternoon Closures
- Purchase Computers Using Grant Funds
- Expanded Use of Videoconferencing

Representative Wilson asked if there had been any analysis been done to look at the affects of closing at noon on Friday. Mr. Wooliver responded that Judiciary had reviewed the effects of closing at noon on Fridays. It did not affect things to the extent that was anticipated for a couple of reasons. First, the court closed at 4:30 pm. Employees worked from 4:30 pm to 5:00 pm to help them keep up with the work load and to avoid falling behind. It was a half hour at the end of each day when they did not have to deal with new cases coming in and people at the counter. There was freed up work time at the end of the day. The office of Children's Services reported that by having half a day every week where there were no court appearances allowed them to do other work. Attorneys had also provided positive feedback about the closure of the courts at noon on Friday. The closure did not keep people in jail longer. They remained on the same schedule because judges were always available for emergency proceedings, bails, and those types of things. In other words, certain proceedings continue even though the general court doors were closed at noon on Friday.

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Representative Wilson mentioned a circumstance where scheduling in the courts was problematic because of the availability of judges. She asked if there were enough judges. She wondered if it had to do with reduced hours on Fridays. Mr. Wooliver indicated that courts were very busy, and frequently cases had to be scheduled weeks or months in advance. The type of case influenced scheduling. Certain types of cases moved faster than general civil cases without statutory timelines. He elaborated that every time the legislature or federal government placed a timeline on a case type, cases not benefitting from a timeline were pushed back.

Representative Thompson pointed to the final bullet point on slide 9 regarding the expanded use of video conferencing. He asked if the state was behind because of broadband not expanding enough. He wondered about potential savings.

Mr. Wooliver replied that the court system had good broadband. In previous years, the legislature had provided funding for broadband which helped tremendously. He reported that Southeast Alaska, in particular, used video conferencing for court hearings regularly. Broadband was used throughout the state. For example, a judge could sit in Ketchikan and preside over a case in Juneau or vice versa. One of the largest savings associated with video conferencing was for prisoner transport. Not long ago the Department of Public Safety would charter an aircraft and fly from Anvil Mountain Correctional Center in Nome with a prisoner for a short hearing in Kotzebue. Currently, there was a video link between Kotzebue Courthouse and Anvil Mountain Correctional Center because of bandwidth improvements. In FY 18 the court system would be saving approximately \$900 thousand in bandwidth costs because of moving to a different system. It would be a system that the state, rather than GCI managing it. He reiterated that video conferencing was fabulous. He relayed that video conferencing was also used for sign language interpreters and spoken language interpreters. Such services could be contracted outside the state and provided via video conferencing for a fraction of the cost.

Representative Guttenberg mentioned availability versus the cost of broadband. He noted the difficulty of having good broadband. He mentioned the Quintillion fiber optics project. He wondered if there was anything the judicial system had where the costs were subsidized, covered, or given a priority of use. He asked if there were any funds or programs set aside that directly affected the court system and its ability to function. He believed Alaska was unique. He suggested that no one else had a prisoner transportation cost. He asked if there were any programs that would benefit the courts directly. Mr. Wooliver was not aware of any, but he would look into it.

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Representative Ortiz asked Mr. Wooliver to briefly explain the mini retirement incentive program and how much money it saved the court system.

Mr. Wooliver responded that in the prior summer the administrative director came up with the idea of offering a retirement incentive program to some of Judiciary's employees. She offered it to employees that had been with the court for at least 10 years and who had been eligible to retire for at least 3 years. The incentive to retire was 3 months of severance pay. He reported that there were 28 people eligible for the program, of which 16 participated. It would save the court system over \$600 thousand in the coming year. The positions that became vacant because of someone retiring would be held vacant, replaced with a part time employee, or replace with a full-time employee at a much lower salary. Many of the people that retired were way out in the step range and could be replaced with employees at a step A or step B. Such a program was favored by Judiciary because not only did the employee feel positive with the deal, but it saved the court system a significant amount of money. The program had been very successful

Mr. Wooliver continued reviewing slide 9. He relayed that because three-quarters of Judiciary's budget was personal services, most of the savings came from that area as well. The department realized the savings by holding many positions vacant, deleting positions, and closing on Friday afternoons resulting in a pay cut for employees. There were several other things the court system did to save money at least in the short term.

Mr. Wooliver reviewed slide 10: "FY18 Operating Budget Cuts":

FY18 Operating Budget Cuts

- 3.5% Budget Cut from FY17 Adjusted Base Budget (Adjusted for Healthcare Costs) - \$3,671.8
- \$1,400.0 Personal Services
- \$900.0 Bandwidth Costs
- \$800.0 Commodities, Computers, and Postage
- \$300.0 Bethel Accommodation
- \$150.0 Therapeutic Court Contracts and Services
- \$121.8 Leases and Leasehold Costs

Mr. Wooliver explained that there were 2 types of budget cuts. The first were emergency reductions such as not replacing computers or not conducting judicial training. Some were temporary such that if the state received a windfall it would return to offering additional training and replacing computers on a regular cycle. There were other types of savings that were more permanent which were the type Judiciary tried to find. For example, when e-filing came on line, the first phase of which would be the following several months, Judiciary would need fewer staff. Therefore, many of the staffing positions currently being held vacant will not have to be refilled. They were long-term savings that made sense. He also mentioned the reduced cost in bandwidth as an example. It resulted in a saving he anticipated going forward forever. The Alaska Court System now distributed much of its materials through emails rather than through the mail which saved hundreds of thousands of dollars in printing costs, postage costs, and paper costs.

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Representative Thompson mentioned the recent decision in the memorandum of understanding with the Anvik Tribe taking over cases and having tribal courts. He asked if it would potentially save the state a significant amount of money. Mr. Wooliver responded that he did not think a significant amount of money would be saved in the near future. There were a relatively small number of case. He was aware that for many years the court has liked the idea of local communities being able to resolve some of the small issues that arose in the communities. He mentioned that the court system entered into its first joint state court, tribal court, therapeutic court in Kenai with the Kenaitze tribe. It was a voluntary program and was not just for members of the tribe. It was a therapeutic court program with both a tribal court judge and a state court judge sitting on the bench together. It was the type of effort the court system was seeing and encouraging.

Mr. Wooliver detailed slide 11: "Judiciary: Appropriations/ Allocation." He explained that the slide showed where Judiciary's money came from and where it went. The funding allocations were almost all general funds. The various sections included appellate courts, trial courts, etc. He reported that the Alaska Court System brought in about \$7 million from the various categories listed on the slide. He

highlighted the designation for constitutional versus statutory requirements.

Mr. Wooliver explained slide 12: "Alaskans Served in 2016":

Alaskans Served in 2016

- 120,573 new cases filed (trial and appellate)
- 7,000 contacts through the Family Law Self Help Center
- 23,645 jurors reported for service
- 7,762 law library patrons
- 670,723 citizens passed through security screening
- 4,765,056 visits to the court's website
- 871,172 CourtView searches
- 19,145 online payments made
- 595 therapeutic court participants
- Thousands of on-line court forms accessed or downloaded

Mr. Wooliver reported that the system served people in several different ways. He read the numbers. He highlighted the number of people who accessed the court system for case files searching for cases and people who accessed the court for forms and booklets. He suggested that everyone used CourtView for a host of reasons. In the past, people either did not look up anything or they went to court to find the files. CourtView was a huge savings for the court and a convenience for citizens to look up records. More importantly, there were thousands of online forms accessible to the public. In the prior year, about 30 thousand people viewed the landlord tenant booklet and about 20 thousand viewed the booklet on small claims. About 50 thousand people looked at court forms, which meant that about 50 thousand booklets did not have to be printed resulting in significant savings. He also drew attention that 19 thousand online payments were made, most of which were related to traffic tickets. It meant that 19 thousand people did not come into court with a check in hand to give to a clerk for processing. It saved the court and the person time and effort.

Representative Wilson mentioned that there were 595 therapeutic court participants. She wondered how many actually graduated. Mr. Wooliver indicated he would provide her the number for FY 16.

Representative Wilson noted the cost of \$8000 per person. She also asked about the last time court fees had been adjusted. Mr. Wooliver responded in the prior year in early FY 16. Prior to that it had been about 12 years since court filing fees had been raised.

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Mr. Wooliver turned to the final slide 13: "Effectiveness Ratings and Measures":

Effectiveness Ratings and Measures

- Case Clearance Rates
- Alternative Dispute Resolution Programs
- Customer Surveys
- Jurors and Vendors Paid Timely
- Electronic Efficiencies

Mr. Wooliver noted that every year many cases came into the court and the state needed to send out or resolve the same number of cases, although they were not all the same cases. Cases could be filed in November and resolved a year later. However, overall the court system had a 100 percent case clearance rate. It meant that over the years as many cases were resolved as came into the court to avoid getting behind. In terms of effectiveness, he pointed to the alternative dispute resolution program bullet point. Specifically, he spoke of the program called the Early Resolution Project. It was a program that mediated settlements for family law cases including divorces and child custody cases. The program had been in place for about 6.5 years. In that time, about 1400 cases had been resolved affecting a little over 3000 people. Rather than going through the regular route of several court hearings spread out over months to resolve a divorce case, participants came in for one day, met with volunteer attorneys from the local bar association, had their dispute mediated, met a judge, and the judge approved the settlement. About 80 percent of participants walked out the door with their case settled in one day saving an enormous amount of time and money. He reemphasized the effectiveness of the program. The program was run by the family law self-help center. He was available for questions.

Co-Chair Seaton reminded members that further details would be provided during finance subcommittee meetings. He reviewed the agenda for the following day.

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ADJOURNMENT

3:29:22 PM

The meeting was adjourned at 3:29 p.m.