

HOUSE FINANCE COMMITTEE
January 27, 2017
1:32 p.m.

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CALL TO ORDER

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

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative David Guttenberg

ALSO PRESENT

Heidi Drygas, Commissioner, Department of Labor and Workforce Development; Paloma Harbour, Director, Division of Administrative Services, Department of Labor and Workforce Development; Greg Cashen, Deputy Commissioner, Department of Labor and Workforce Development; Larry Hartig, Commissioner, Department of Environmental Conservation; Sheldon Fisher, Commissioner, Department of Administration; Cheryl Lowenstein, Director, Division of Administrative Services, Department of Administration.

SUMMARY

HB 57 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 57 was HEARD and HELD in committee for further consideration.

HB 59 APPROP: MENTAL HEALTH BUDGET

HB 59 was HEARD and HELD in committee for further consideration.

FY 18 BUDGET OVERVIEWS:

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
DEPARTMENT OF ENVIRONMENTAL CONSERVATION
DEPARTMENT OF ADMINISTRATION

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Co-Chair Seaton discussed the agenda for the day.

^FY 18 BUDGET OVERVIEW: DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

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Vice-Chair Gara apologized for tardiness.

HEIDI DRYGAS, COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT (DLWD), introduced a PowerPoint presentation titled "FY2018 Department Overview, House Finance Committee" dated January 27, 2017 (copy on file). She addressed the department's mission to provide safe and legal working conditions and advance opportunities for employment (slide 2). The department accomplished its mission through key program priorities aimed at protecting Alaska's workers through statutory and regulatory consultation and enforcement; developing an Alaskan workforce for Alaska's jobs; and income replacement for injured, unemployed, or disabled Alaskan workers. The slide included website links to the department's mission and key performance indicators, its proposed FY 18 budget, and performance measures for its divisions.

Commissioner Drygas turned to slide 3 and addressed a 10-year lookback slide from the Legislative Finance Division (LFD), General Fund (GF) only (beginning in FY 08). She clarified that GF included unrestricted general funds (UGF) and designated general funds (DGF). The department's DGF included the State Training and Employment Program (STEP), the Technical and Vocational Education Program (TVEP), and revenue generated by fees for service such as Alaska

Vocational Technical Center (AVTEC) tuition and fees. The department's increase of \$5.5 million since FY 08 was entirely due to increases in DGF.

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Commissioner Drygas turned to slide 4 and addressed a 10-year lookback for all funds. The LFD chart showed the changes in the department's budget since FY 08 by expenditure category. Total personal services expenses increased by \$7 million over the timeframe; the increase was due to wage and benefit adjustments, which include increasing healthcare benefit costs. She noted the department had 212 fewer employees (fewer position control numbers (PCNs)) in FY 18 than in FY 08. She directed attention to the significant reduction to grants and benefits of \$12.8 million, largely due to the elimination of multiple UGF-funded workforce development grant programs.

Commissioner Drygas moved to slide 5 and addressed an LFD chart related to appropriations within the department by division. The consolidation of two of the department's divisions - Business Partnerships and Employment Security - into the Employment and Training Services Division in FY 17, made the chart difficult to follow. She detailed that AVTEC's GF increase noted at the top right corner of the chart was comprised of \$1.6 million in DGF and only \$300,000 in UGF, which represented a UGF increase of less than 1 percent per year. The department was implementing the second of its two-year tuition and fee increase at AVTEC in 2018, to reduce the center's reliance on UGF. Cathy Lacompte was the new AVTEC director beginning in November 2016; the department would work closely with Ms. Lacompte to develop a strategic plan for AVTEC that would continue to increase self-sustainability and reduce reliance on UGF, while continuing to meet critical state workforce development needs.

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Commissioner Drygas addressed slide 6, which included all funds. The division's consolidation of two divisions into one division made the chart difficult to follow. As LFD had noted on the chart, since FY 08 the department's budget had increased by less than 1 percent. The chart on slide 7 showed the department's budget by fund group. She reported

that the department's UGF had decreased by \$2.3 million or 10 percent from FY 08 levels. The department's DGF (the only fund group to see an increase over the timeframe) included STEP, TVEP, and fees for service such as AVTEC tuition and fees.

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Commissioner Drygas moved to slide 8 and explained that the next several slides reflected the department's budget by division, broken down by component or program. The department's rating of importance to the mission was based on guidance received from the co-chairs. She detailed that "critical" meant a program that was directly meeting the department's mission; "important" meant a program providing indirect support that would need to be reassigned if the program did not exist; and "status quo" meant a program that had historically been funded because of a statutory requirement, but had no real impact on the department's mission or potentially hampered the department's functioning. The department had not been given specific guidance for the rating of effectiveness; therefore, it had used ratings of high, moderate, and low.

Commissioner Drygas continued that using very strict criteria for determining what was constitutionally required, the Office of Management and Budget (OMB) had informed the department that the Commissioner's Office was the only thing in the department that was partially constitutionally required. The Commissioner's Office and the Administrative Services Division had worked tirelessly over the past few years to identify significant budget reductions and operational efficiencies. The list included considerable lease consolidation efforts, resulting in over \$1 million saved in UGF from FY 15 to FY 18.

Commissioner Drygas turned to slide 9, which reflected programs within the Workers' Compensation Division. While the department rated the effectiveness of the division as high, it recognized there was room for improvement. Therefore, the department had worked with the governor's office on HB 79, which had been introduced that week. The department had rated the importance of the Second Injury Fund as "status quo" and the effectiveness of the fund as moderate. While the program worked, many other states had eliminated their second injury funds - the goal of the fund was to facilitate the reemployment of injured or disabled

workers - because the Americans with Disabilities Act (ADA) largely fulfilled the purpose, prohibiting discrimination based on disability. The sunset of the Second Injury Fund was included in HB 79. One of the department's highest legislative priorities was the repeal of the Workers' Compensation Appeals Commission, which would save \$440,000 in DGF annually; legislation had also been introduced in the current session (HB 69).

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Commissioner Drygas turned to slide 10 and relayed that the programs within the Labor Standards and Safety Division were critical to the department's mission of protecting Alaska's workers and were highly effective. According to statute, the Alaska Safety Advisory Council was responsible for organizing the annual governor's safety conference in Anchorage. She characterized the conference as terrific and noted it was held in April. Members of the council took the responsibility seriously and did a great job with the conference every year. The council brought in more in sponsorship money than necessary to cover the costs of the conference. The department had ranked the council's effectiveness as moderate because it felt the group could be more effective if privatized. The council was interested in privatization and was currently looking to adopt bylaws, which was the first step.

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Commissioner Drygas addressed the programs within the Employment and Training Services Division on slide 11. The programs were critical to the department's mission of advancing employment opportunities for Alaskans and its core service of income replacement for temporarily unemployed workers. The division was relatively new and was by far the largest division (it represented the consolidation of two divisions). Through the consolidation effort, the department had eliminated 10 positions or PCNs, reduced its UGF by over \$300,000, and had reduced administrative costs, which had put an additional \$1 million in STEP funds on the street as grants to train Alaskans.

Commissioner Drygas discussed the workforce development component of the Employment and Training Services Division on slide 12. She relayed the component had a few different

ongoing annual programs (shown on slide 12). The programs were highly effective and critical to the department's mission. In accordance with FY 17 legislative intent, the department had reduced the GF authority supporting the Alaska Construction Academies (ACA) by another \$600,000 UGF in FY 18. The remaining Construction Academy training funding totaled \$1.26 million UGF; if the legislative intent language continued, the program would be eliminated by FY 21. The department was very concerned about eliminating funding for the ACA and believed it was short sighted, given the state's aging construction workforce (particularly as the state worked to advance a gas line project). Failure to train Alaskans did not mean the jobs would go away; it meant the jobs would go to outsiders.

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Commissioner Drygas spoke about the Vocational Rehabilitation Division on slide 13. The division was focused on delivering services to disabled Alaskans. She detailed that the federally and statutorily required programs were highly effective and critical to the department's mission of advancing employment for all Alaskans and its core service of providing income replacement for disabled Alaskans. She highlighted the bottom row pertaining to special projects and explained that it applied to special federal grants that enhance the services provided through the Client Services program. Services included supported employment (allocated to youth with the most significant disabilities) and assistive technology, which helped disabled Alaskans test and identify technology that can assist them in their daily lives as well as in seeking employment.

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Commissioner Drygas discussed the AVTEC program located in Seward (slide 14). The program was critical to the department's mission of advancing employment opportunities for Alaskans. The program was highly effective, with an average graduation rate of 88 percent over the past five years. She elaborated that over the past five years, an average of 89 percent of AVTEC graduates had been employed in their area of training within one year. The department's budget included a number of changes to AVTEC's budget. The department was switching \$184,000 in UGF to program receipts to reflect a 7.5 percent increase in tuition and

fees to support overall programs in FY 18. She added that it was the second year of a two-year tuition and fee increase. The department was also switching \$192,000 in UGF to program receipts related to revamping the culinary arts program. She detailed that one full-time instructor position would be fully supported with receipts generated by the program. Plumbing and heating and construction program offerings were being reduced from twice per year to once per year, to better align with demand and realize an instructor workload savings of over \$50,000. The department would be working closely with the program's new director to develop a strategic plan for AVTEC to reduce its reliance on UGF.

Vice-Chair Gara asked about the percentage cut to the department since she had become commissioner. Commissioner Drygas replied it was roughly 37 percent.

Vice-Chair Gara referred to the Workers' Compensation Commission. He acknowledged that a cost savings was important, but he asked if an analysis had been done on saving \$400,000 by eliminating the Workers' Compensation Appeals Commission. He remarked on the large number of cases and noted that the cases automatically went to the court system. He asked if an analysis had been done that the proposal would not require the state to hire another superior court judge with a staff member and office. He remarked that those items would cost \$400,000.

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Commissioner Drygas corrected that the number of appealed cases was low and had been decreasing. She would provide the information to the committee. She explained that the cases would be absorbed and instead of going through the appeals commission they would go to superior court. She believed the Court System had filed a zero fiscal note the previous year because of the low number of cases. She reiterated that the Court System believed the cases could be absorbed.

Co-Chair Seaton asked the department to have the data for the subcommittee. Commissioner Drygas agreed.

Representative Kawasaki pointed to slide 8 related to leasing. He asked for detail.

PALOMA HARBOUR, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, answered that the leasing component accounted for how the department paid for its lease costs with state funds. They offset a portion of all the department's leases across the state. The department had made considerable efforts and had cut funding to leasing by over \$1 million in the last three years.

Representative Kawasaki asked if the cuts to leasing had been related to saving space or not renting buildings.

Ms. Harbour answered that in FY 18 the department was reducing its total leased space by over 10,600 square feet for a savings of approximately \$272,000. She noted it reflected the latest reduction, which would occur in Anchorage; other reductions had been made in Juneau and Kenai. The department was looking at each of its leases as they came up to determine if the space was needed or could be consolidated.

Representative Kawasaki did not recall seeing leasing as a separate allocation in the other budgets.

Co-Chair Seaton recalled that another department had reported on leasing the previous day.

Representative Kawasaki noted they were looking at scraping nickels and dimes together related to the budget. He recognized that DLWD was not constitutionally required, but there were myriad federal requirements associated with some of the work the department had taken on. He asked if there had been consideration either moving things in or out of the department. For example, moving AVTEC or adult education to the Department of Education and Early Development (DEED). He asked for comment on why it may or may not be a good idea.

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Commissioner Drygas responded related to AVTEC and the Adult Basic Education programs had been moved from DEED in the past because they felt DLWD could do a better job administering the two. The department had looked considerably at its essential core mission and at its programs relating to the mission. Going through the process had been very beneficial in determining what it could do

without. Over the last couple of years, the department had given up leases, and it had identified the Workers' Compensation Appeals Commission as something it no longer needed. She continued that the commission had been hampering the ability to effectively deal with workers' compensation appeals. The Independent Living Program had also been transferred to the Department of Health and Social Services (DHSS). She remarked that the silver lining of the state's budget difficulties was the impetus to look at what departments did well, what they could do better, what they could do without, and what other departments may be able to administer better.

Representative Wilson commended the department for the clarity of its presentation and work. She pointed to slide 4 and asked what had resulted in the increase in the "services" line.

Commissioner Drygas answered that "it's all of them." She did not have the specifics on hand and would follow up.

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Representative Ortiz spoke to the reduction of 212 PCNs since FY 15. He asked if the reduction was hampering the department's ability to accomplish its mission.

Commissioner Drygas replied in the affirmative; it was seen daily in every division. She elaborated that DLWD had taken the governor's memorandum seriously about being careful about what vacancies to fill and making sure it could distribute the work effectively with existing employees. The department was significantly short on administrative staff. It was hard to convey the critical nature of administrative staff in the process of ensuring the public was served. She believed the public was beginning to witness the consequences of significant staff cuts. The department was doing the best it could with what it had; it was working to be methodical on how the cuts were made. She opined it would be rash to make the decisions arbitrarily.

Representative Ortiz asked for some specific examples about where the public was seeing less services from DLWD.

GREG CASHEN, DEPUTY COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, answered that in the last two fiscal years the department had reduced its job center footprint

by three centers (Kotzebue, Barrow, and Seward). He detailed that the [Seward] job center had been located at AVTEC, which was a state-owned facility; therefore, the facility still had a resource room and access point for job seekers. Reducing the department's footprint had an impact on the public. He added that DLWD would have to consider its lease costs and job centers going forward if further reductions were made, which would impact service delivery to the public.

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Representative Ortiz asked in which areas AVTEC provided the biggest contribution (e.g. ship building or other).

Commissioner Drygas answered that she wanted more people to know about AVTEC. She remarked that Representative Wilson and the DLWD budget subcommittee had discussed AVTEC at length in past years and about the terrific work it did training Alaskans. Alaskans from the Interior, Southcentral, North Slope, and rural areas attended the program. The center had numerous program offerings for vocational education. One of its premiere programs was in maritime training. Other programs included culinary arts, applied technology (heating, ventilation, air conditioning), refrigeration, healthcare, and other. She spoke to the concept of doing more with less and relayed the goal was to educate more Alaskans about the opportunities at AVTEC. The program was an affordable way (there had been necessary tuition increases) for individuals to seek a career path or train themselves in a new career path. She underscored that AVTEC was a terrific educational opportunity for individuals seeking good, middle class jobs.

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Co-Chair Seaton asked how much the Alaska Performance Scholarship (APS) was used at AVTEC.

Commissioner Drygas could not speak to the specific dollar amount, but it was underutilized. The department had asked AVTEC to include the APS badge on the website to ensure potential students were aware they could use APS funds for the program. She would follow up with a dollar amount for the committee.

Co-Chair Seaton asked the department to address the issue during its subcommittee meetings. He thought it may be a way to result in increased participation and funding. He asked the department to look at the proportion of high school graduates compared to older individuals taking classes. He noted that individuals coming to AVTEC from the workforce would not have an opportunity to access [the APS]. He detailed that high school students would have been required to graduate and to have taken rigorous courses with a C+ average. He did not want to compare that group with older individuals being retrained who lacked the same opportunity.

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Co-Chair Foster relayed he served on the Alaska Workforce Investment Board when Mr. Cashen had served as the executive director. He had been given numerous opportunities to visit AVTEC and learn what the program offered. He noted the experiences had all been great. He asked about requirements for the program. He asked if the classes required to obtain the APS were different if an individual planned to use the scholarship to attend college versus AVTEC. He would love to see more rural Alaskans going to AVTEC. He wondered how he could get rural Alaskans to take advantage of the opportunity.

Ms. Harbour answered there were different Alaska Performance Scholarships for advanced education and vocational/technical programs; the scholarship criteria were different for the different scholarships.

Co-Chair Foster stated that part of the problem in rural Alaska was an inability to access the required classes to qualify for the APS. For example, if a person going to college, they may be required to take a trigonometry class; however, perhaps the requirement was different for individuals planning to attend AVTEC. He furthered that if the classes were not offered in rural Alaska, there were broadband issues [preventing online class options]. He asked how to eliminate barriers to enable more rural Alaskans go to AVTEC and take advantage of the scholarship program.

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Representative Tilton thanked the department for its work on looking for efficiencies. She spoke to the 212 position reductions. She asked if the positions had been vacant or reflected lost jobs.

Commissioner Drygas replied there had been a combination. Most of the 212 PCNs had been through attrition or retirement. There had been a few layoffs.

Vice-Chair Gara referenced Representative Ortiz's earlier question about whether the loss of employees was impacting the department. He stated some individuals were starting to get uncomfortable with the level of cuts the legislature was adopting. He recalled a grant cut that had not been reflected in the loss of employees. He referred to a program that existed two years back that had helped fund school counselors who helped steer youths towards jobs. The program had been eliminated and he wondered if its impact on job opportunity had not been substantial. Alternatively, he wondered if they regretted cutting the program.

Ms. Harbour responded there had never been an argument about the effectiveness of the former Alaska Youth First Program. She reasoned that the state budget [deficit] situation was a reality and the department had to look at what was essential to its mission. She explained that there were some philosophical belief differences about whether DLWD should be doing adult training, AVTEC, and adult basic education (things that had been transferred from DEED to DLWD). She stated the program had been highly effective in things like healthcare academies and other important ways to get high schoolers interested in available opportunities.

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Commissioner Drygas added that she believed the department had to expose young Alaskans to different opportunities in career and technical education. If youths were not given an opportunity to explore and interest - whether in construction, healthcare, plumbing, pipefitting or other - they did not understand or were not aware of the opportunities. She underscored that the jobs were not only fulfilling careers, but good middle-class jobs. She remarked that it was a problem because more skilled workers were needed. She believed the department could not do its job leading the way for workforce development in Alaska if

it did not reach individuals early on in their lives, including talking to parents and counselors about careers in career and technical education.

Commissioner Drygas spoke about difficulties related to budget cuts and referred to Representative Ortiz's question about the 212 jobs eliminated from the department over the past ten years. She believed Alaskans who dealt with the department felt the impact. For example, the department received numerous complaints about how it did not respond quickly enough. She underscored that the department was strapped for funds; the Wage and Hour Administration had substantial UGF funds and the department was not able to fill positions as it had in the past. The situation put the public at risk. She continued that DLWD enforced wage and hour laws. She detailed that Occupational Safety and Health kept Alaska's workers safe and conducted investigations when situations happened at the workplace. She stressed that cutting government services hampered any department's ability to offer the services. The department was feeling the cuts in Workers' Compensation where it had not filled as many positions as there had been previously. Additionally, the commissioner's office was half the size it had been when she began the position, which had been very difficult given the monumental tasks trying to do as much as possible with much less. She talked about trying to manage the workload and determine how best to utilize staff and the available program funds. She concluded that it had been difficult.

Representative Wilson remarked that one of the difficulties was competition within the state between the University, DLWD, DEED, and the private sector, when it came to training Alaskans. She stated that how they pulled it all together is "where we really have the savings and where we could do the best for those who train." She elaborated that several budgets were involved, which made things difficult. She underscored it was necessary to stop competing within the state, to do what was best for everyone, and to do its strong programs.

Co-Chair Seaton remarked it was very difficult when a single department impacted so many other departments. He mentioned high schools and where the lines were drawn. He stated that the crossover points were hard for the subcommittees to address. He pointed to slide 9 related to the Workers' Compensation Appeals Board and the Second

Injury Fund. He asked where the DGF came from and where the funds would go if the programs were eliminated.

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Ms. Harbour answered that the appeals commission was funded by the Workers' Safety Compensation and Administration Account, which brought in funds from workers' compensation premiums; if the state saved money on the workers' compensation programs, it impacted premiums. The Second Injury Fund was also paid through insurance; it was a self-supported program, but it would save employers money if they did not have to fund the program.

Co-Chair Seaton asked for verification that the elimination of the programs would not mean the funding could be diverted to another critical area within the department.

Commissioner Drygas replied in the negative and explained that the department referred to the money as WSCAA [Workers' Safety Compensation and Administration Account] funds. The account also funded the Workers' Compensation Division and the Occupational, Safety and Health Section.

Co-Chair Seaton thanked the department for its presentation and looked forward to additional information during its subcommittee meetings.

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^FY 18 BUDGET OVERVIEW: DEPARTMENT OF ENVIRONMENTAL CONSERVATION

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Co-Chair Seaton asked members to hold their questions until the end of the presentation.

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LARRY HARTIG, COMMISSIONER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION (DEC), provided a PowerPoint presentation titled "Department of Environmental Conservation, House

Finance Committee" dated January 27, 2017 (copy on file). He reviewed the mission of the department, which was to protect human health and the environment (slide 3). The department focused on bringing clean drinking water, healthy air, safe food, and no harmful contamination of the environment. The department achieved its goals by setting standards and incorporating the standards in permits and plans, compliance assistance and enforcement, and funding water and sewer infrastructure throughout the state. The department's total UGF in the governor's proposed FY 18 budget was slightly over \$15 million (about one-third of 1 percent of total state UGF). The department's total GF (UGF and DGF combined) equated to approximately \$0.37 per day for an Alaskan worker or about \$0.17 per day per Alaska resident.

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Commissioner Hartig addressed an LFD graph on slide 3 and reported that the department's peak GF spending occurred in FY 14 and had subsequently been declining. He noted that the spending was not adjusted for inflation, which would make the numbers more dramatic. The decrease was a result of some efficiencies and consolidations, trimming back some programs, and making some fund switches. The department had experienced a 36 percent decline in UGF from FY 14 to the proposed FY 18 budget. He noted that some of the decrease had been offset by increased fees or other fund switches. He detailed that the bar on the right representing FY 18 was comprised of \$15 million UGF and \$30 million DGF. He elaborated that about half of the DGF was from the Spill Prevention and Response (SPAR) Fund (funded by a surcharge on crude oil production and refined products); the remaining half was made up of other fees.

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Commissioner Hartig turned to an LFD bar chart on slide 4 representing all funds. He pointed out that most of DEC's budget was for personal services and contract services. Increases in the budget and areas that may not have declined as much as one may expect due to cuts, was partially due to labor contracts and health costs. He explained that things had not grown, but health costs continued to rise.

Commissioner Hartig turned to slide 5 titled "Appropriations within the Department of Environmental Conservation - All Funds." He pointed to two converging lines on the lower right and explained that the administrative services line had increased a bit over the past year, but it reflected cost savings. He detailed that the department had been trying to consolidate administrative services functions within DEC. For example, some Division of Water administrative staff had shifted over to the Division of Administrative Services (directed by Tom Cherian) in an effort to realize efficiencies through the consolidation of administrative services. The department had also been consolidating administrative services at a state level among departments in Shared Services under the Department of Administration.

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Commissioner Hartig advanced to an LFD chart on slide 6 pertaining to GF only. The top line reflected SPAR, which had remained level over the past couple of years. He noted that although the division had taken some cuts, it had remained relatively steady. He elaborated that SPAR was funded by the response prevention account (and a small amount of federal funding) and used no UGF. The division showed a slight increase due entirely to health costs and salary adjustments resulting from labor contracts.

Commissioner Hartig moved to an LFD graph on slide 7, which broke down the department's budget by fund source. The department's total proposed FY 18 operating budget was slightly under \$82 million. Approximately 29 percent or \$24 million was federal receipts, about 19 percent was DGF from the prevention account funded by a surcharge on crude oil, and UGF accounted for about 19 percent or \$15 million or so. He elaborated that other state funds accounted for about 16 percent or \$13 million, which included administrative money from loan fund programs, interagency receipts, and other miscellaneous things.

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Commissioner Hartig turned to slide 8, which began showing the department's various allocations and components as included in the budget book. He relayed the UGF resided in different areas of the department (excluding the SPAR Division). Undesignated General Funds accounted for 11

percent of the Division of Air Quality's budget, 17.8 percent of the Administrative Services budget, 41.83 percent of the Division of Environmental Health, and 29.23 percent of the Division of Water. He stated that because of the difference in where the UGF resided, it was where the department had looked for more efficiencies and cuts. Slide 8 pertained to the Division of Administration, which included the Commissioner's Office. Overall, the division's funding sources were split equally between UGF, DGF, federal, and other. He detailed that slightly under half of the Commissioner's Office was UGF - the remainder was federal funding. Other components of Administrative Services had more DGF - portions of DEC's permit programs relied on information technology (IT) and other services and paid their way by putting some funds to Administrative Services.

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Commissioner Hartig addressed the Division of Environmental Health on slide 9. He noted it was one of the divisions that relied on more UGF and had taken some larger cuts more recently. The first item related to building maintenance and operations for the environmental health lab in Anchorage. The allocation was statutorily required and was useful for numerous purposes including in emergencies such as food borne illness outbreaks or disease in animal populations. The lab necessary to quickly track the items. The lab was also essential for the seafood industry to conduct testing of different seafood products (e.g. shellfish) before they could be sold. The lab also tested agricultural products sold out-of-state and to federally funded institutions like schools.

Commissioner Hartig turned to slide 10 and continued to speak about the Division of Environmental Health. He addressed food safety and sanitation, which was one of the department's core components. The division was largely supported by fees. The first item under the component was shellfish, which represented one of two areas that was heavily subsidized by UGF (the fees did not cover the costs of the program). He detailed that it was a small industry and the cost of providing the lab and other services to the industry was high due to the type of testing. The division was currently doing a seafood and shellfish fee study to determine if the industry could pay any more - he believed it would be a subcommittee discussion.

Representative Kawasaki noted there was a shellfish allocation on slide 10 in addition to a shellfish and food safety testing allocation on slide 12. He asked if there was a difference between the two allocations and why they appeared separately.

Commissioner Hartig answered that the shellfish allocation on slide 10 referred to program staff and the allocation on slide 12 was for laboratory services associated with the testing. The testing was for paralytic shellfish poisoning (PSP) to determine whether there were paralytic toxins in a product that was being sold. The toxins were potentially fatal; therefore, the shellfish had to be checked prior to being sold into commerce. The two increments cost about \$700,000 total - the fees of about \$52,000 represented about 7 percent of the total cost.

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Commissioner Hartig highlighted manufactured food/seafood processors on slide 10. The allocation required a small amount of UGF, primarily for the federal match.

Co-Chair Seaton asked about the source of the DGF funding for the manufactured food/seafood processors. Commissioner Hartig replied the fund source was fees.

Vice-Chair Gara reasoned that the budget problems should not be fixed by sloughing state responsibilities off on municipalities where inappropriate. He spoke to food safety related to restaurants and bars. He noted the department had conceded it was not able to meet federal standards in terms of the restaurant inspections it conducted. He asked if the department had ever considered transferring the function over to larger communities. He remarked that restaurant inspections were done by communities in other states. He wondered if communities would receive the federal matching funds if the responsibility was transferred.

Commissioner Hartig pointed to retail food inspections on slide 11. The department inspected restaurants and other facilities that processed and served food to the public. He agreed that in most other states the task was handled at the county level, whereas in Alaska, the only municipality responsible for food inspections was Anchorage. Generally,

in outlying areas the department went out for Federal Drug Administration (FDA) inspections (e.g. seafood processing); therefore, the trips were not a high cost to the state. He confirmed that the department did not inspect at the FDA recommended rate. He characterized the inspection times as opportunistic. The department tried to target the most at-risk facilities when it did inspections. He shared that DEC had considered what it could transfer back to communities.

Commissioner Hartig elaborated when the department made cuts it considered what risk was created for the public, whether a community could take the responsibility on, or whether the public could address an issue. He stated that it was challenging to evaluate the specific issue because food borne illnesses were largely unreported and it was difficult to determine how many food-borne illnesses were prevented by an inspection because the inspection never happened. All that could be done was to look at other areas of the country that did not do inspections, which was difficult because inspections were done in most other areas, or the issue could be tracked over time. He believed the responsibility would be difficult to push back to communities because if it was not a high priority for the state it was less likely to be a high priority for communities. He was concerned that the state would have to respond when something became a crisis. He reiterated that when DEC considered making cuts in any area it looked at what could and could not be pushed back to municipalities and how the risk could be mitigated.

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Vice-Chair Gara observed that most of the funding for the increment was DGF. He asked about the fund source and remarked that perhaps there was not a significant budget impact.

Commissioner Hartig asked if Vice-Chair Gara was speaking about retail food.

Vice-Chair Gara replied in the affirmative. He stated there was \$1.5 million DGF and a low amount of UGF.

Commissioner Hartig believed the DGF was all fees.

Vice-Chair Gara surmised it was largely fee supported. Commissioner Hartig replied in the affirmative. The

department was looking at outreach and education. He reiterated his earlier statement that when making cuts, DEC considered the risk the cuts would create and how it could be mitigated.

Representative Pruitt asked if the department had the authority to change fee structures on its own through regulation or the commissioner's authority (without legislation).

Commissioner Hartig answered there were two statutes authorizing the department to create and levy fees; both had restrictions. Some were restrictions on DEC's direct cost and the percentage it could recover and sometimes there were prohibitions on collecting any or a percentage of the indirect costs DEC could collect. The department had gone back and evaluated the statutes in the past and it believed in some areas fees could be increased without economically impacting the related business. In the past couple of years DEC had worked with the House and Senate Finance Committees on draft legislation to address the issue. He offered to share the draft legislation with the committee. He relayed that the department was talking with the subcommittee about the issue. He mentioned that several years back a bill (HB 140) sponsored by Representative Lora Reinbold had passed, requiring agencies to take a hard look at the economics of any new regulations - DEC did so as part of its fee evaluation and he believed it was getting much better at the process.

Co-Chair Seaton relayed his expectation that the department would take up indirect expenditures with the subcommittee. The subcommittee would come forward with recommendations.

Commissioner Hartig agreed.

[2:35:01 PM](#)

Commissioner Hartig addressed slide 11 pertaining to public facilities including pools, spas, and tattoos and body art facilities. Funding included a significant amount of "other" funds, which included RSA [Reimbursable Services Agreement] funding from the Department of Commerce, Community and Economic Development (DCCED). He detailed that DCCED collected licensing fees for tattoo and body art, which was passed on to DEC to conduct inspections. He remarked that because it involved needles and contact with

blood, it constituted a high-risk from a human health standpoint.

Commissioner Hartig turned to slide 13 and addressed the dairy program. He detailed that program fees did not cover the service. Costs were approximately \$405,700 with \$405,300 UGF. There were only two dairy farms; however, significant oversight was required. He detailed that milk was good for human health, but a lot of other things grew in it, which meant it needed to be carefully watched. The department's overall UGF was approximately \$15 million, approximately \$5 million was required for federal matching funds, about \$4 million went to basic services (providing a minimum level of service without the ability to charge a fee), and about \$6 million went toward services the department charged a fee for, but the businesses receiving the service were not able to pay the entire fee. He elaborated that the \$6 million went towards subsidizing industries served by the department. He added that the department did not expect all the businesses would be able to cover the costs.

[2:37:16 PM](#)

Commissioner Hartig addressed the bottom of slide 13 related to fish tissue testing. The allocation included approximately \$307,000 DGF. He considered all the fish tissue testing to be more than beneficial - the cost was covered by ocean ranger fees as a result of an action by the House Finance Committee the previous year (there was no longer any UGF). He moved to slide 14 and spoke to the drinking water component, which included public drinking water systems serving 25 or more people. Over the past couple of years with cuts to the Division of Environmental Health, the department had eliminated oversight of drinking water systems serving less than 25 people. He remarked that it was a risk that had been passed on to the people running those systems and the public they served. About \$900,000 UGF was matched with federal funds. Of the \$4.3 million in federal funds about \$3.5 million was the public water systems management grant. The division received a fair amount of money from the federal government including about \$10 million per year to subsidize the drinking water program.

Co-Chair Seaton asked if the 5 percent recovered by costs was because most of the systems were municipal or public instead of private.

Commissioner Hartig answered that there were many small systems and communities served by the division. Rather than charging small communities a fee, the department would prefer for them to use their money on their systems or landfill. The department had determined the area needed to be subsidized based on the size of the community and what they could bear. He highlighted the pesticides allocation at the bottom of slide 14 that contained no UGF. He detailed that the program was funded with registration fees paid for selling or distributing pesticides in the state (the pesticide had to be approved for use by EPA).

[2:39:47 PM](#)

Commissioner Hartig addressed the Division of Air Quality on slide 15. He pointed out the low amount of UGF funding and remarked that it was a tight-budget division. There were numerous division functions that were closely integrated. He detailed that about \$1.4 million of the \$1.7 million UGF was for match and maintenance of effort; it was the minimum amount required by the federal government to receive matching funds. He explained it left only \$300,000 to answer neighborhood complaints, hold workshops on controversial permits, and to deal with non-permittee appeals when the department could not recover appeals costs.

Commissioner Hartig addressed the Division of Spill Prevention and Response, which used no UGF funding. Most of the DGF was from the prevention account, which was funded by a surcharge on crude oil and a small amount on refined product. He continued that 5 percent of the division's budget came from the Cruise Ship Passenger Vessel Fund due to work SPAR did on contingency plans for the vessels. There was some federal funding that helped support the department's work related to a number of federal contaminated sites.

Commissioner Hartig addressed the Division of Water on slide 17 and pointed to the third row down pertaining to the Alaska Pollutant Discharge Elimination System. The department had been asked whether there were federally delegated air or water programs that DEC could give back to

save money. He pointed out that the system was largely fee supported, meaning it would not save DEC money to give the program back. The system received a small amount of federal funds and \$636,000 UGF. He explained that if primacy was given back to the federal government, a state program would still be necessary due to state statutes requiring state issued wastewater discharge permits. Additionally, if EPA took the program back, the state would still have to certify the EPA's permits consistent with state law under Section 401 of the Clean Water Act; it was the only way to authorize mixing zones. He continued that just about any of the public's wastewater treatment systems had mixing zones that EPA could not authorize. He did not believe the program could be operated at a lower cost.

[2:42:29 PM](#)

Vice-Chair Gara referred to the two state statutes taking primacy from the federal government. He recalled that one of them involved roughly \$2 million costs the state absorbed by taking over primacy. He asked how it would not save the state money to return primacy.

Commissioner Hartig answered that the details could be discussed with the division director during subcommittee meetings. He did not believe returning primacy to the federal government would save the state money because a state program would still be required. He continued that because much of the program was covered by fees and federal funds, it would not save the state significant UGF funding. He noted that slide 18 showed additional UGF funding for compliance. He surmised that if the state gave primacy back to the federal government, the state could opt to cut back on compliance to save money. The department was cutting back compliance to a degree because it was doing less travel. He pointed out that the proposed FY 18 budget showed a UGF cut for travel, meaning there would be fewer inspections. He stated it was a balance and believed it would take more than merely giving primacy back to the federal government to cut UGF.

[2:44:17 PM](#)

Commissioner Hartig returned to slide 17 and detailed that the engineering support and plan review component received \$1.4 million UGF. He specified the work for onsite systems included leach fields and other. The department was trying

to find ways to reduce UGF without impacting the private sector or the sales of homes needing system certification. He elaborated that DEC had established a stakeholder group that would try to identify ways to scale back work done by DEC, by sending work to the private sector or discontinuing things that would not create risk or problems for the sale of properties. The group was actively working on the issue, but it would be one or two years before savings could be realized.

Commissioner Hartig moved to slide 18 and spoke about surface water standards and assessment. The allocation included \$660,000 UGF that was almost entirely matched by federal funds. The cruise ship allocation was entirely all DGF supported by the Cruise Ship Passenger Vessel and Ocean Ranger Funds (\$4 per berth).

Commissioner Hartig moved to slide 19 and continued to address the Division of Water. The division had a facility construction component, which included the Village Safe Water Municipal Grant Loan Program and the Revolving Loan Fund Programs. He detailed that the Village Safe Water Municipal Grant Loan Program was funded with 75 percent federal and 25 percent state money. He detailed that the Revolving Loan Fund Program was larger than most people realized and housed approximately \$700 million, which included outstanding loans and cash. The state received grant funds annually from the federal government that the state used to loan for water and sewer projects around Alaska. The loans went to all-sized communities and he noted that Anchorage had relied heavily on the program over the years.

Commissioner Hartig continued that over the past couple of years, the department had taken a portion of the loan receipts it received to cover the administrative costs of the program, meaning UGF funding had been eliminated and the funding source had become "other." The Village Safe Water Municipal Grant Loan Program and drinking water were funded by the loan programs. He stated that the village safe water program was doing well - there was no money in the governor's proposed capital budget for the program, which meant more communities would be reliant on the revolving loan fund program. The department was paying attention to ensure communities did not fall through the cracks in their ability to receive funds for water and sewer.

Commissioner Hartig addressed operations assistance at the bottom of slide 19. The allocation funded remote maintenance workers that helped communities when their water and sewer systems began failing (typically in villages). The allocation was primarily funded with federal money and had a smaller portion of UGF funds required for federal match. He elaborated that the allocation also included the operator certification program, which brought in some fees.

[2:48:05 PM](#)

Representative Ortiz asked if Commissioner Hartig had testified that it may be a long-term goal to require more from the farmers to cover the costs of the shellfish testing conducted by DEC.

Commissioner Hartig replied that the department was currently doing the economic analysis and it would talk with the industry, which was small. The industry contained various components including gooey ducks, farmers, and people collecting in naturally growing areas. The department would look at the issue as closely as needed to avoid hurting the industry.

Representative Ortiz remarked it was a complaint he had heard from his constituents. He asked for verification that the testing center was in Anchorage.

Commissioner Hartig replied in the affirmative.

Representative Ortiz stated that there was considerable turnaround time for individuals harvesting gooey ducks or other products in Southeast prior to receiving testing results. He asked if the department had considered looking at the cost of the testing facility and whether a lab could be in closer proximity to the industry.

Commissioner Hartig answered there was a lab in Southeast funded with federal grant money that was trying to establish a local lab. The department supported the idea. He elaborated that DEC was providing the service for the public and it would be great if someone else, private industry in particular, could provide the service. He stated that PSP was fairly prevalent throughout Alaska; it was particularly challenging in some parts of Southeast

near Haines, in Kodiak, and out in the Aleutian Chain. The poison was seen in butter clams, Dungeness crab, and in gooey ducks. The poison was unpredictable; it could be present one day and gone the next. He stressed the necessity of testing the area when harvesting; it was not possible to assume that because it was absent the previous year that it would be absent in the current year. He underscored the negative impact on Alaska's seafood reputation that would occur if contaminated seafood was shipped out and a person became sick and died. He relayed that the testing was expensive - it required sending a sample to the Anchorage lab, it was then ground up and injected into mice to see the effects. He continued that before farmers could harvest they waited to receive the results, which made the timeframe tight. The work was substantial, and DEC collaborated with FDA and industry to look at alternatives, but they were not there yet; the alternative had to work, due to the danger of the situation.

[2:51:48 PM](#)

Co-Chair Foster asked if Commissioner Hartig had mentioned the shifting of paying for the service with cruise ship funds.

Commissioner Hartig replied in the negative; however, the department was looking at trying to offset some of the UGF with Cruise Ship Passenger Vessel Funds, which was DGF.

Representative Thompson asked about how much it cost to do PSP testing and what portion was covered by the state.

Commissioner Hartig believed the testing was about \$140 per sample. The lab and oversight cost was about 7 percent overall. The \$140 testing cost was covered by the industry.

Co-Chair Seaton thought the state was the largest user of white mice in the world.

Commissioner Hartig answered that the department used a substantial number of mice.

Co-Chair Seaton hoped new chemical testing would be available soon that would enable the state to get out of the current method.

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^FY 18 BUDGET OVERVIEW: DEPARTMENT OF ADMINISTRATION

2:55:49 PM

SHELDON FISHER, COMMISSIONER, DEPARTMENT OF ADMINISTRATION (DOA), provided a PowerPoint presentation titled "Department of Administration Overview" dated January 27, 2017 (copy on file). Relayed his intent to prioritize slides. He moved to an organizational chart on slide 3. The department's primary mission was to provide efficient support services to other state agencies. The boxes highlighted in green showed services DOA provided to other state agencies, the blue boxes showed services provided directly to Alaskans, and the gray boxes reflected boards and commissions that the department helped facilitate administration. The department was responsible for the information technology (IT) function; finance; leasing, procurement, travel administration, and accounts payable were performed by General Services and Shared Services, which were merging into one division; the Division of Retirement and Benefits provided benefits for active employees and the retirement plan and program for retirees; and the Division of Risk Management, which included insurance, property management, and workers' compensation.

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Commissioner Fisher moved to slide 4 and addressed the department's share of total agency operations, GF only. He pointed out that GF accounted for slightly over 2 percent of the department's budget; the funds had peaked in FY 15 at \$111 million and were down to about \$99.5 million (a decline of almost \$12 million). Slide 5 showed a combination of UGF and DGF for each of the department's divisions (ranked by amount). The Office of Public Advocacy (OPA) and the Public Defender Agency (PD) were at the top end of the list. The two agencies had remained relatively flat between FY 15 and FY 18 at about \$50 million. He noted that the department had attempted to protect the two divisions and believed in the importance of their work. The UGF portion of the agencies' budget was down by about \$2

million between FY 15 and FY 18. He continued that the DGF portion was up by about \$2 million. He added that in FY 18, the two agencies had about \$46.5 million in UGF. He remarked that the \$2.4 million DGF may or may not happen. He elaborated that the agencies were able to collect fees in certain circumstances from individuals, but sometimes the collection of those fees was difficult. The reduction of the Permanent Fund impacted the situation; if individuals did not pay their fees the state could garnish their Permanent Fund, but as the fund declined, the state struggled to recover the money. He relayed that although it did not appear there had been a cut, there had been some reductions to the two agencies.

Commissioner Fisher highlighted the Division of Motor Vehicles (DMV) as the second item on the list (slide 5). The DMV was funded entirely with DGF associated with fees collected by the division. The Alaska Oil and Gas Conservation Commission (AOGCC) was third on the list and was funded entirely by industry receipts. The State of Alaska Telecommunications System (SATS) and the Alaska Land Mobile Radio System (ALMR) were fourth on the list and were responsible for providing emergency telecommunication services to first responders in the state. The two programs were funded primarily by UGF - the state was able to collect a small amount from various network users and the federal government.

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Commissioner Fisher continued to address the list on slide 5. He pointed out that the department administered public television [shown as seventh on the list]. He asked a colleague to speak to the upcoming slides.

CHERYL LOWENSTEIN, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF ADMINISTRATION, addressed slide 6, which included the department's budget by all funding sources. She discussed that DOA provided services to state agencies, the bulk of the department's expenditures appeared in the contractual line for products and services. Most of the remaining budget went to personal services for people helping to provide the services. She moved to slide 7 including GF appropriations only. She pointed to legal and advocacy services at the top of the appropriation list and relayed that the component carried the lion's share of UGF. The second item was DMV, which carried the bulk of

receipts received by the department. Centralized Administrative Services was the third in line and included a number of large divisions such as Finance, Personnel and Labor Relations, and Retirement and Benefits. The AOGCC was the next in line and was based on receipts.

Ms. Lowenstein turned to slide 8 and addressed the department's appropriations all funds. Centralized Administrative Services was at the top of the budget list because it carried the bulk of services provided by the department (e.g. personnel, finance, and others mentioned previously). Shared Services was a new initiative operated by the department - the bulk of the funding source was interagency receipts. She detailed that the department charged agencies for services it provided. Legal and advocacy were third in line and accounted for the department's GF. The Office of Information Technology appeared fourth on the list and was another of the department's initiatives - it was also a chargeback and paid with interagency funds.

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Ms. Lowenstein moved to slide 9 and addressed DOA funding comparison by fund group. The department received a small amount of federal funds, which were hardly visible on the bar chart. Federal funds were generally for specific purposes - DMV received a small amount and ALMR received a small amount to receive funds from the [U.S.] Department of Defense for the maintenance of the ALMR system. Interagency receipts made up the "other" state funds. She detailed the interagency receipts may be something like the Internal Services or Public Building Fund; it was the mechanism DOA used to charge and receive from other agencies. The bulk of the department's DGF was DMV and AOGCC, whereas UGF was primarily OPA and PD.

Commissioner Fisher advanced to slide 10 pertaining to the Division of Finance. The division was responsible for managing the IRIS [Integrated Resource Information System] accounting system, ALDER [Alaska Data Enterprise Reporting], and for producing the Comprehensive Annual Financial Report (CAFR) and various audit compliance reports as required. He noted the division worked with LFD to complete the audit. The division's budget was approximately \$10.8 million, split roughly 50/50 between GF and other funding. He noted that "other" generally referred

to interagency receipts received from other agencies. He pointed to a column showing the percent of costs associated with fees and relayed that fees collected by DOA were typically from other agencies (with the exception of DMV and AOGCC). The division housed 45 employees who were split roughly one-third/two-thirds between accounting and administrative functions respectively.

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Commissioner Fisher turned to slide 11 and addressed the Division of Personnel and Labor Relations. He addressed the Division of Personnel first and shared that it had a \$12 million budget, the majority of which was paid through interagency receipts (there was only a modest amount of UGF received). There were about 120 employees, most of whom were in the Payroll Services section and were responsible for getting the weekly payroll out. He remarked that the state's payroll was relatively complicated and included a number of exceptions. Earlier in the week, DOA had launched a new HR [Human Resources] module to IRIS and the hope was to get better information into the system in order to have less manual processing of payroll, which would hopefully reduce cost and personnel. The division was also responsible for performing classifications and conducting training.

Commissioner Fisher moved to slide 12 and continued to address the Division of Personnel. The Employee Planning and Information Center (EPIC) provided record keeping and reporting. The division also housed the Americans with Disability Act (ADA) and Statewide Recruitment. The labor relations portion of the division had a budget of about \$1.3 million (all UGF) and seven staff who were responsible for maintaining the state's relationship with bargaining units and for bargaining agreements as they arose.

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Commissioner Fisher spoke to the Division of Retirement and Benefits (DRB) on slide 13. He relayed that the division's budget was almost \$18 million with 115 employees responsible for handling the benefits for active employees and retirees. He pointed to the bottom of the slide and relayed that the department used Aetna to administer the healthcare plan. He moved to slide 14 and addressed the Division of Risk Management. The division was responsible

for the administration of the department's insurance programs for its third-party property insurance (shown in the second row). The bulk of the division at almost \$32 million was workers' compensation and other claims management functions. The division had a budget of about \$40.8 million, with five staff.

Commissioner Fisher advanced to slide 15, which continued the Division of Risk Management. The allocation included 0.5 positions with the responsibility of reviewing contracts to ensure the departments had proper insurance. Part of workers' compensation involved a Return to Work program. The program acknowledged that perhaps individuals could not return to their previous job, but there was light-duty work that could add value to the state, while enabling the individuals to be productive.

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Commissioner Fisher addressed Shared Services on slide 16. The department was working to centralize functions performed by all agencies and to redesign the process to improve efficiency.

Co-Chair Seaton relayed the component could be addressed during subcommittee meetings.

Commissioner Fisher moved to slide 17 and discussed the Office of Information Technology. The department had an IT initiative underway that was similar to the Shared Services approach. The two initiatives had not been combined because of the specialized nature of IT. He reported that DOA had hired a new CIO who had begun work the previous day. The total ETS [Enterprise Technology Services] budget was about \$47.5 million. He pointed to the allocation for the new chief information officer with two staff. He detailed that IT staff from other departments would be transferred into the organization beginning in FY 18. The remainder of the allocations pertained to current operations. The first was a database function (the mainframe and associated databases and the Oracle and Sequel databases, in addition to a number of applications). The allocation included about 18 employees with a budget of about \$4.2 million.

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Commissioner Fisher continued to address IT on slide 18. He detailed that Data Center and Hosting Services hosted services related to its servers and virtual servers offered to other departments. The allocation included 29 people and a budget of about \$15 million. Network Services had a budget of \$12 million with 12 employees responsible for the state's wide area network (connectivity between all the state offices), which included major and satellite offices around the state. He moved to the Security allocation with a budget of \$3.3 million and 9 employees. The administrative allocation was approximately \$3 million with 18 employees and included procurement, fiscal, and leadership functions. He addressed SATS and ALMR on slide 19 with a total cost of about \$6.7 million UGF, \$1.9 million in federal funds, and a modest amount from other users. The SATS portion was about \$4.4 million and ALMR accounted for about \$3.2 million.

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Commissioner Fisher addressed the department's Administrative Services Division briefly on slide 20. The division employed 13 individuals with a budget of about \$2.6 million. He turned to the DMV on slide 21. The division included about \$16.5 million DGF (fees collected from state residents) with 149 full-time and 5 part-time employees.

Co-Chair Seaton pointed to \$151,200 in other funds and a note on the slide reading that other funds were uncollectible. He asked for detail.

Ms. Lowenstein answered that it pertained to interagency receipts. The division thought it had the need for the funds at one time with an agreement with DMVA [Department of Military and Veterans Affairs], but the agreement had not come to fruition and the funds were unrealizable (there was nothing to bill an agency for).

Commissioner Fisher turned to the Office of Public Advocacy on slide 22. The office function was approximately 30 percent criminal work and 70 percent civil work. The criminal work was associated with providing representation in cases where the public defender was conflicted out. Civil work was primarily associated with public guardians - providing a guardian for wards of the state, adults unable to care for themselves, guardian ad litem, and the Court

Appointed Special Advocate (CASA) program for foster children. The Court Visitor allocation involved providing work for the court around the effectiveness of the guardian program. The Civil Custody program was comparable to the guardian ad litem program, but it applied when parents were getting a divorce and the situation became particularly challenging for children. He addressed the Child in Need of Aid (CINA) allocation where representation was provided to parents when there was a question about whether the children should perhaps be taken out of the home. He noted that the department's work to provide criminal services was court mandated (the same applied to guardianship cases). The department provided some elder fraud support for elders who had been defrauded of some of their assets - the department represented individuals in a civil action to try to recover assets.

[3:19:47 PM](#)

Representative Wilson asked for clarification related to representation for CINA cases. She thought Commissioner Fisher had mentioned representation for criminal cases as well.

Commissioner Fisher corrected that he had meant that CINA cases were similar to the criminal defense cases; the department was representing a parent as ordered by the court. He had not meant to imply that the [CINA] cases were criminal in any nature.

Representative Wilson asked if the work was done by conflict attorneys. She mentioned public defenders and guardian ad litem and was trying to determine where "this fits with the parents."

Commissioner Fisher answered they were civil cases. He stated it was not only a conflict. The cases involved an action involving the family; if the family could not afford an attorney the department would provide one.

Representative Wilson spoke about semantics related to the terminology. She stated that the public defender represented one of the parents - she referred to the other attorney as a conflict attorney. She asked for verification that "these are the other attorneys that aren't the public defenders for the other parent in these cases."

Commissioner Fisher replied "right."

Co-Chair Seaton asked for clarification on the term CINA. Commissioner Fisher replied it stood for Child in Need of Aid.

Commissioner Fisher addressed the Public Defender Agency on slide 24. The agency had a budget of nearly \$26 million with approximately 170 employees. The budget was broken down by criminal trials, civil trials (predominately CINA cases), and appeals.

[3:22:15 PM](#)

Commissioner Fisher relayed that the last slides of the presentation pertained to boards and commissions. He suggested skipping the slides and taking questions on the overall presentation.

Co-Chair Seaton asked about slide 25 under the Office of Administrative Hearings. He pointed to the WCAC Recruitment allocation that had been listed as "status quo." He asked if the designation meant the allocation had not addressed its mission.

Commissioner Fisher answered that the Office of Administrative Hearings was tasked by statute to recruit members of the workers' compensation board and commission. He surmised the designation indicated that either the question was not relevant or that it served all Alaskans.

Co-Chair Seaton noted that the allocation only required a one-tenth of one employee. He asked for verification it was not interfering with the department's work.

Commissioner Fisher believed the statement was fair, although the Office of Administrative Hearings would say that "these kind of little things" are a nuisance factor. The allocation was listed as one-tenth of an employee, but it was primarily the director who spent time on the issue.

Representative Wilson remarked that sometimes state functions were in silos. She referred to CINA cases that involved DOA, the Court System, and the Department of Health and Social Services (DHSS). She stated the administration was spending almost \$15 million UGF on the cases per year.

Commissioner Fisher asked for verification that Representative Wilson was adding the \$5.4 million for OPA and the \$4.8 million for the PD.

Representative Wilson answered that she was also including the guardian ad litem allocation of \$4.6 million.

Commissioner Fisher clarified the guardian ad litem were not necessarily CINA and were associated primarily with foster children.

Representative Wilson remarked that every CINA case had a guardian ad litem. She detailed that once a child was taken by the Office of Children's Services (OCS), the child was appointed a guardian ad litem until they were adopted. She observed that "those all are within that department."

Commissioner Fisher agreed. He specified that it may not be only in the duration of the CINA case. There was an ongoing relationship if the child was taken out of their home.

[3:25:50 PM](#)

Representative Wilson disagreed. She stated that OCS had legal custody of a child until they were adopted. She stated that the guardian ad litem remained with a child until adoption.

Commissioner Fisher agreed and clarified that he had been trying to say the same thing. He elaborated that the representation of a parent may last a shorter timeframe, whereas, the guardianship emerged from the preceding and had a longer life.

Representative Wilson stated it was not possible to only look at the \$15 million increment. There would be another budget amount in DHSS and the Court System.

Co-Chair Seaton agreed that families in disruption were expensive to the state.

Representative Wilson added she wanted to get them back together.

Co-Chair Seaton agreed and wanted to take care of the children. Separately, he noted that healthcare was the

biggest cost driver in almost every department. He expected DOA to talk with the subcommittee about how it planned to reduce the cost of healthcare whether through prevention or other means. He stressed the importance of initiatives to reduce the poor health of Alaskans.

Commissioner Fisher agreed.

Co-Chair Seaton discussed the schedule for the following week.

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ADJOURNMENT

3:28:33 PM

The meeting was adjourned at 3:28 p.m.