

HOUSE FINANCE COMMITTEE
January 25, 2018
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 David Guttenberg
Representative Scott Kawasaki
Representative Dan Ortiz
Representative Lance Pruitt
Representative Steve Thompson
Representative Cathy Tilton
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Michael Johnson, Commissioner, Department of Education and Early Development; Sana Efird, Deputy Commissioner, Department of Education and Early Development; Heidi Teshner, Division of Administrative Services, Department of Education and Early Development; Larry Hartig, Commissioner, Department of Environmental Conservation; Thomas Cherian, Director, Division of Administrative Services, Department of Environmental Conservation; Doug Wooliver, Deputy Administrative Director, Alaska Court System; Rhonda McLeod, Chief Financial Officer, Court System, Judiciary.

SUMMARY

HB 285 APPROP: MENTAL HEALTH BUDGET

HB 285 was HEARD and HELD in committee for further consideration.

HB 286 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 286 was HEARD and HELD in committee for further consideration.

FY 19 BUDGET OVERVIEWS:

DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT
DEPARTMENT OF ENVIRONMENTAL CONSERVATION
ALASKA COURT SYSTEM

#hb285

#hb286

HOUSE BILL NO. 285

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

HOUSE BILL NO. 286

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

Co-Chair Seaton reviewed the agenda for the day.

^OVERVIEW: DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

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MICHAEL JOHNSON, COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, introduced himself and several other staff present from the Department of Education and Early Development (DEED). He introduced the PowerPoint presentation: "Alaska Department of Education and Early Development: Department Overview: House Finance Committee." He read from slide 2: "Department of Education and Early Development":

- Alaska Constitution Article 7, Sec. 1
The legislature shall by general law establish and maintain a system of public schools open to all children of the State and may provide for other public educational institutions. Schools and institutions so established shall be free from sectarian control. No money shall be paid from public funds for the direct benefit of any religious or other private educational institution.
- State Education Policy: AS 14.03.015
It is the policy of this state that the purpose of education is to help ensure that all students will succeed in their education and work, shape worthwhile and satisfying lives for themselves, exemplify the best values of society, and be effective in improving the character and quality of the world about them.
- Mission: An excellent education for every student every day.

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HEIDI TESHNER, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, reviewed the chart on slide 3: "Education and Early Development Budget Compared to All Agencies Budgets (Non-Formula Only) (GF Only)." She reported that the total non-formula department budget was \$46.113 million in Undesignated and Designated General Funds (UGF) (DGF) of which \$32 million was UGF and \$14 million was DGF. The budget had been reduced by \$25.3 million or 44.2 percent since FY 15. She noted that the overall budget had increased in FY 15 from the passage of HB 278 - Education [Chapter 15 SLA 14 - 05/13/2014]. She moved to the chart on slide 4: "DEED Formula and Non-Formula Funding (Non-Retirement) (GF Only)." She noted that the chart on the previous slide was reflected in blue on the current slide. She indicated that the formula programs comprised approximately 96 percent of the total budget and the non-formula was roughly 4 percent of the overall budget.

Co-Chair Seaton recognized that Representative Birch joined the meeting in the audience.

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Ms. Teshner continued to slide 5: "DEED Non-Formula Line Item Comparisons (All Funds)." She pointed out that the chart denoted line items and fund sources. She highlighted that the increase in FY 10 was attributed to the American Recovery and Reinvestment Act (ARRA) funding and the increase in FY 12 was due to the Broadband Technology Opportunity Program (BTOP).

Representative Wilson asked about the increase in the commodities number from \$1.512 million in FY 18 to \$1.643 million in FY 19. Ms. Teshner was uncertain and responded that she would follow up with the committee.

Ms. Teshner continued to slide 6: "Department of Education and Early Development Non-Formula Budget Comparisons (by Appropriations) (All Funds)." She reported that the Education Support and Administrative Services comprised largest share of the non-formula budget represented as a blue line on the graph. She explained that in FY 19 two appropriations were combined; the Teaching and Learning Support and Education Support Services were combined into the Education Support and Administrative Services. The peaks on the blue line were due to federal funding for the Education Jobs Fund and other programs.

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Ms. Teshner advanced to slide 7: "Department of Education and Early Development Non-Formula Budget Comparisons (by Appropriations) (GF Only)." She reiterated that the Education Support and Administrative Services was the largest appropriation in the non-formula budget represented as a pink line on the graph. The increases from FY 09 through FY 13 included funding for the Alaska Native Science and Engineering program, Best Beginnings, Parents as Teachers, and other grant funding. The reductions from FY 15 through FY 17 were due to the repeal of the high school graduation qualifying exam and reductions in personal services. The department lost 81 positions since FY 15.

Representative Pruitt wanted to better understand the State Facilities Rent appropriation. He wondered about the decrease of \$2 million in all funds for the appropriation. Ms. Teshner responded that the department had reduced its lease space which contributed to the decrease and in FY 19 and several other allocations within the appropriation were

moved into different appropriations. She offered that state facilities maintenance for the Mt. Edgecumbe Boarding School was moved into the Mt. Edgecumbe Boarding School appropriation. In addition, the Andrew P. Kashevaroff (APK) Building that housed the Alaska State Museum and Archives was moved to the Alaska Library and Museum appropriation.

Co-Chair Seaton acknowledged Representative Guttenberg had joined the meeting.

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Representative Ortiz referenced Ms. Teshner's statement that since FY 15 the department's budget decreased 44 percent. Representative Ortiz asked how many positions had been reduced. Ms. Teshner answered that 81 positions were eliminated in the non-formula portion of the budget. Representative Ortiz asked if the reductions impacted the department's ability to fulfill its mission.

SANA EFIRD, DEPUTY COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, replied that DEED was experiencing a shift in the balance of federally supported positions versus the positions funded through GF. She expounded that currently, the department had roughly 25 positions that were fully funded by GF. The department was struggling with the ability to provide support services that were not federally mandated. She provided the example of the elimination of the content specialist position. She noted that cuts were experienced across the board.

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Representative Ortiz inquired whether the cuts had a direct impact on the quality or delivery of education in the classroom. Commissioner Johnson responded that the reduction's impacts were felt the hardest in rural classrooms. The department was less able to support small districts and small schools with "compliance issues" related to "federal work." The work was shifted to the school itself. He suggested that DEED could help with compliance by supplying staff development and data reporting for each school, which were services the department had provided but were eliminated. He commended DEED's staff for providing exemplary service in the face of budget cuts.

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Representative Pruitt asked about rents for Mt. Edgecumbe Boarding School. He inquired whether rent or facilities increases for the school contributed to the increase in its budget. Ms. Teshner replied that the FY 19 increase for Mt. Edgecumbe was for additional federal receipt authority totaling \$250 thousand to avoid the use of Reimbursable Services Agreements (RSA) with DEED to expend grant funds. The other increase was in the amount of \$250 thousand for interagency receipt authority. The remaining increase encompassed the appropriation switch that added the funding that was previously part of the State Facilities Rent appropriation. Representative Pruitt requested additional clarity regarding how much funding would be appropriated from the trust fund for Mt. Edgecumbe. Ms. Teshner answered that \$4.6 million would be appropriated from the Public School Trust Fund for Mt. Edgecumbe and was not an increase.

Representative Guttenberg referenced the Broadband Access Grant data listed on the graph. He asked whether the slide showed the contribution after the E-Rate had been paid. Ms. Teshner answered that the grants were designed to increase schools' download speed to 10 megabits per second. She explained that the funding was included in HB 278 and it paid for a portion of the school's internet charges.

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Representative Guttenberg asked whether the grant was a capital or operating expense and was merely paying for higher downloading capacity. Ms. Teshner replied in the negative and added that the grant paid for increased internet speeds. Representative Guttenberg asked whether matching funds were required. Ms. Teshner answered that school districts were still eligible for E-Rates and the increment was the "offset" cost. Representative Guttenberg asked whether the districts were rural, urban, or statewide. He requested further information regarding a breakdown of E-Rates by federal, state, and local contributions. Ms. Teshner replied that the program was statewide. She offered to provide a list of districts and the E-Rate charges.

Ms. Teshner turned to slide 8: "K-12 Aid to School Districts (Formula, All Funds)." She highlighted that the

blue bars represented formula funding and the red portion depicted pupil transportation. The green portion of the bars reflected funding outside of the formula. She moved to slide 9: "K-12 Aid to School Districts RDU: K-12 Support RDU" She explained the structure of the table that reflected the budget detail contained in the Results Delivery Units (RDU). She noted that the tables were included through slide 15. The table columns listed the Allocation and Program, Funding, Number of Alaskans Served, Cost Through Fees, and Rating of Importance to Mission. The department had given itself grades A, B, or C. She provided detail on the meaning of each grade. The grade of "A" meant the "job was getting done," "B" grade indicated room for improvement, and "C" designated failure with limited room for improvement. The remaining 3 categories indicated whether programs were required either constitutionally, federally, or via state statute.

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Ms. Teshner highlighted items on the slides. She shared that the base foundation formula was fully funded in the amount of \$5.930 thousand and pupil transportation was fully funded based on the statutory formula.

Representative Wilson observed that the department had given itself an "A" in the Foundation Program. She asked how the department determined whether the job was getting done. She noted the failing grades in her district. Commissioner Johnson answered that the department's accountability system was the federal "Every Student Succeeds Act" (ESSA) plan and was designed to determine the effectiveness in schools. He referenced his prior statement regarding local data and looking at how each school performed. Representative Wilson asked what happened if the department had a conversation with a school and the scores did not change. Commissioner Johnson answered that ESSA targeted the appropriate levels of support. The plan identified mechanisms and things the department could do to support the districts in improving their student achievement. Representative Wilson wanted to know what happened in a deficient situation. She provided an example of a third grader not being able to read. She wondered whether DEED had a plan to utilize state resources to make improvements other than talking with the school district. Commissioner Johnson replied that he wished, particularly for children who could not read, that there was a checklist

of five things that he could do to fix it. He voiced that schools reflected our society. He explained that the legislature spent money on things like the opioid epidemic, crime, health issues, etc. Societal impacts were brought to school with the children. He wished concrete measures existed, so the children's needs could be met. However, most of the authority in the local school districts rested with the school boards, leaving the department without much authority. However, the department endeavored to impact needed change through its local relationships.

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Vice-Chair Gara asked the commissioner to return to slide 8. He recalled that in the prior year some legislative member's suggested education reductions amounting to \$70 million that included pre-K. He asked whether it was "realistic to expect academic achievement" in the "atmosphere" of budget cuts. Commissioner Johnson believed that academic achievement was more difficult with limited resources. He noted the complexities in the system he mentioned to Representative Wilson and felt that the amount of resources impacted the department's ability to address the complexities.

Ms. Teshner turned to slide 10 and 11: "Education Support and Administrative Services RDU." She highlighted that in the governor's budget there was a one-time funding increment for \$100 thousand UGF in Student and School Achievement for updating science standards that were not in compliance with ESSA. Another increment was \$1.2 million for Early Learning Coordination to continue the Pre-K programs.

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Ms. Teshner advanced to slide 12: "Alaska State Council on the Arts RDU: Commissions and Boards RDU: Mt. Edgecumbe Boarding School RDU." She noted that 7 facilities maintenance employees were being transferred to the Department of Transportation and Public Facilities (DOT) Division of Facilities Services. She turned to slide 13: "State Facilities Rent RDU: Alaska State Libraries, Archives and Museums RDU." She reported a \$135.9 DGF appropriation from the Higher Education Fund to Library Operations for the Broadband Access Grants that brought the balance into alignment with the demand for the grant. In

addition, she noted a \$105.6 UGF reduction in Museum Operations by the elimination of funding for the Museum Grant and Aid program. She continued to slide 14: "Alaska State Libraries, Archives and Museums RDU (con't)." She pointed to the separate allocation for the Andrew P. Kashevaroff Facilities Maintenance.

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Ms. Teshner scrolled to slide 15: "Alaska Postsecondary Education Commission RDU: Alaska Performance Scholarship Awards RDU: Alaska Student Loan Corporation RDU." She reported an increment of \$81.6 thousand for the WWAMI Medical Education allocation for contractual obligations appropriated from the Higher Education Fund.

Representative Pruitt expressed concern about how funding the other budget items' increases would affect the longevity of the Higher Education fund. He asked about the stability of the fund. Ms. Teshner could not speak to the stability of the fund since it was not managed by the department. She deferred to the Legislative Finance Division (LFD).

Ms. Teshner turned to the last slide, slide 16: "Health Care Costs." She reported that DEED's departmental health care costs had decreased to 1.5 percent of its total budget.

Co-Chair Seaton assumed that the health care costs applied only to the department and not schools in the state. Ms. Teshner responded in the affirmative.

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^OVERVIEW: DEPARTMENT OF ENVIRONMENTAL CONSERVATION

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LARRY HARTIG, COMMISSIONER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, introduced himself. He introduced the PowerPoint presentation: "Department of Environmental

Conservation: House Finance Committee." He turned to slide 2: "DEC's Mission."

Protect Human Health and the Environment

It is the policy of the state to conserve, improve, and protect its natural resources and environment and control water, land, and air pollution, in order to enhance the health, safety, and welfare of the people of the state and their overall economic and social well-being.

It is the policy of the state to improve and coordinate the environmental plans, functions, powers, and programs of the state, in cooperation with the federal government, regions, local governments, other public and private organizations, and concerned individuals, and to develop and manage the basic resources of water, land, and air to the end that the state may fulfill its responsibility as trustee of the environment for the present and future generations.

The Department shall:

- Coordinate and Develop policies, programs, and planning related to the environment
- Adopt and enforce regulations for the prevention and abatement of all potential sources of environmental pollution
- Promote and develop programs for the protection and control of the environment
- Prevent and control public health nuisances
- Set standards of cleanliness and sanitation for establishments in which a lack of sanitation may create a condition that causes disease
- Regulate food offered to the public or sold, including inspection of food products, food handling sanitation standards, labeling, and training
- Regulate the control and eradication of pests
- Enforce hazard analysis critical control point programs for seafood processing

Set standards of sanitation for dairies offering or selling milk to the public

Set standards and conditions of aquatic farms and related hatcheries

Issue orders or permits relating to animals or animal products in order to prevent the spread of pests or contagious or infectious disease, or to promote the safe or sanitary conditions for the animals or animal products

Designate points of entry of the admission of animals or animal products into the state

AS 46.03.010, AS 44.46.020, AS 17.20.005, AS 03.05.011

Commissioner Hartig explained DEC's mission as having three interconnected circles that were inextricably linked; human health, animal health, and environmental health. The concept was considered the "One Health Concept" that guided federal and state agencies in policy development.

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Commissioner Hartig mentioned that further information links could be found on slide 3: "Sources." He moved to the chart on slide 4: "Department of Environmental Conservation Share of Total Agency Operations (GF Only)" that included UGF and DGF. He observed the peak in FY 14 due to the 404 permitting project which was eliminated the following year with continued budget declines. He elucidated that in FY19 governor's request the average annual growth rate for the period was 0.85 percent and UGF was 0.38 percent of the state's budget. He pointed to the box on the left that explained that UGF declined by \$2.2 million (13 percent), but DGF increased by \$5.2 million (27 percent). He detailed that the DGF increase included permitting fees and the Response Fund. He expected the amounts to level off because the department was reaching its statutory limits for fees and fees for indirect costs.

Commissioner Hartig continued to slide 5: "Department of Environmental Conservation Line Items (All Funds)." He reported that most of the department spending was associated with personal services. He mentioned that all

areas of the department's budget had declined since FY 14. However, he anticipated an increase in travel for the purpose of inspections and training.

Co-Chair Seaton asked about Commissioner Hartig's comment regarding statutory limits. Commissioner Hartig responded that the statutory barrier had to do with permitting fees. He explained that two statutes capped the amount of direct expenses that could be recovered through permit fees and prohibited recouping indirect expenses via permitting fees.

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Commissioner Hartig advanced to slide 6: "Appropriations within the Department of Environmental Conservation (All Funds)." The slide denoted the divisions within the department and graphed their appropriations. He noted that Air Quality Division was largely fee supported and had little UGF. He highlighted the green bar representing the Division of Environmental Health (EH) and pointed to the drop having to do with the reduction in inspections. He noted that two divisions in DEC utilized most of its UGF; Environmental Health, specifically, the Drinking Water and Food Safety Divisions and the Division of Water. Both had experienced reductions. He offered that the exemptions for municipalities and utilities attached to the Spill Prevention and Response Fund (SPAR) increase to 9.5 cents on refined products presented a challenge; the exemption reduced the projected amount of income by approximately \$1 million.

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Representative Pruitt asked whether Commissioner Hartig viewed the actual balance falling below the predictions as a future concern. Commissioner Hartig replied in the affirmative. He noted that shortfalls were anticipated in FY 2025 but that depended on crude oil production and how much refined product would be used. Representative Pruitt asked whether the increased oil production had stemmed the challenge in the short-term. Commissioner Hartig's responded that his "short answer was, not significantly." He elaborated that the department had been able to live from the fund's savings since the period of high oil production.

Representative Ortiz asked a question regarding transboundary mining. He wondered to what level DEC had been asked to respond to the issues that might arise from the activity. He asked whether DEC received any additional appropriation regarding transboundary mining issues. Commissioner Hartig responded that Governor Walker and the Premier of British Columbia, Canada entered into a Memorandum of Understanding (MOU) calling for cooperation in addressing transboundary mining concerns. He elaborated that under the MOU a Statement of Cooperation (SOC) was created. One measure DEC undertook was through reporting on water quality in parts of the state using existing federal funding from the Environmental Protection Agency (EPA). He moved the four year study to South East Alaska in response to transboundary mining. The department was currently drawing on existing funding to support the SOC efforts and was looking for other sources. Representative Ortiz asked whether the water study had resulted in new water testing activities in Southeast. Commissioner Hartig responded in the affirmative. In addition, requests had been submitted to Senator Murkowski from Southeast tribes for additional resources.

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Commissioner Hartig turned to slide 7: "Appropriations within the Department of Environmental Conservation (General Funds)." He reported that DEC's total FY 19 operating budget was roughly \$80 million with UGF at 18.9 percent, 38.6 percent DGF, federal funds comprised approximately 28.8 percent and other funds were 21.7 percent. The department used a significant amount of UGF to leverage other funding sources. He remarked on the divisions' GF spending trend. He spoke to concerns regarding the severe cut to Drinking Water and Food Safety and Sanitation. He worried that the public's health could be compromised. He provided the example of budget reductions in Flint, Michigan resulting in systemic lead poisoning. He appreciated the co-chair of the finance subcommittees meeting to discuss the risks caused by budget cuts. He noted that the budget cuts to administrative services were due to consolidations and efficiencies.

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Representative Wilson spoke to the issues regarding air quality in the North Star Borough. She asked if the

commissioner had been working with the EPA to loosen the grant restrictions on certified heating stoves. Commissioner Hartig explained that Representative Wilson was talking about targeted air shed grants that purchased more efficient heating stoves or conversions to natural gas to enable heating sources associated with less sources of smoke. The restrictions occurred at the federal level over the objections of the state. He was optimistic DEC would receive an additional grant by EPA that eliminated the restrictions. Representative Wilson noted that residents were receiving fines for using their stoves. She related more concerns regarding the issue. Commissioner Hartig indicated the department was attempting to address the issues.

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Commissioner Hartig alerted the committee that the remaining slides contained the RDU tables. He pointed to slide 8: "Division of Administration." He commented that the division had been very supportive regarding reduction measures taken in other divisions. He pointed to the Commissioner's Office.

Co-Chair Seaton asked about the department's intention regarding vacancy factors and wondered whether the department was reallocating funds to other fund sources. Commissioner Hartig answered that DEC's overall vacancy factor was 4 percent and DEC had given up any excess spending authority. He exemplified that in the Division of Environmental Health 121 positions were filled out of 124 and he intended to fill the 3 open positions. He pointed out that the department's budget reflected its expenses and needs. Co-Chair Seaton clarified that he was asking about the authority for other types of funding other than UGF that he was not receiving and needed to backfill with UGF.

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THOMAS CHERIAN, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, replied that DEC had identified any excess authority in every program that added up to \$2 million in FY 19.

Representative Ortiz asked whether the 2.5 positions in Shellfish were associated with testing the levels of PCP. Commissioner Hartig commented that the allocation was under

EH and was for working with shellfish growers. He commented that Representative Ortiz was referring to the Shellfish and Food Safety Testing allocation listed on slide 12 in connection with the EH lab. He noted the \$25 thousand DGF in fees from non-commercial non-regulated shellfish. Representative Ortiz asked whether the testing was only performed in Anchorage. Commissioner Hartig answered that the testing could only be accomplished through the EH lab in Anchorage. He indicated that FDA approval was necessary to sell the shellfish out of state or internationally and the method the lab in Sitka tried did not gain FDA approval.

Commissioner Hartig moved to slide 9: "Division of Environmental Health." He noted that the allocations were related to the laboratory.

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Commissioner Hartig reviewed slide 10: "Division of Environmental Health (Con't)." He pointed to the Manufactured Food/Seafood Processors allocation of \$930 thousand in federal dollars. He explained that DEC had a contract with the FDA to perform food inspections for food sold outside of Alaska. Heavy standards had to be met and DEC's performance had decreased with the budget reductions.

Co-Chair Seaton asked if there was a reason the Public Facilities allocation had zero recovery of funds. Commissioner Hartig replied that the facilities were small, and he doubted that fee recovery would be cost effective. He noted that the Retail Food program was 87 percent supported by fees. He expounded that overall, the department had \$15 million in UGF and approximately \$7 million was used for programs that could not be fee supported. The department could collect up to approximately \$2 million if the statute limitations on fees were removed but had to be balanced by the amount the industries could afford.

Representative Wilson did not understand why he could not charge the businesses that fell under the zero percent recovery and could not be assessed fees while small businesses in the Retail Food program were. Commissioner Hartig would follow up with more information. He reported that Mr. Cherian performed an audit of recoverable fees and a DEC economist reviewed the fee impact on the regulated

industry. The department took a systematic approach to fee assessment.

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Commissioner Hartig explained slide 11: "Division of Environmental Health (Con't)." He pointed to the "heavily" federally funded Drinking Water program that regulated public water systems statewide and only recovered 4 percent of GF through fees. He moved to the Solid Waste program that only recovered 22 percent of its GF. He noted that the Pesticide program was largely fee supported. He turned to slide 12: "Division of Environmental Health (Con't)" that was associated with the Laboratory Services Component. He reported that the state purposely did not compete with private industry. The lab work was mandated or performed research or activities a private lab would or could not do. He emphasized that the state lab performed crucial services. He continued to slide 13: "Division of Environmental Health (Con't)." He pointed to the Dairy Programs that served the two Alaskan dairies with a UGF spend of \$413 thousand. He highlighted the Fish Tissue Testing allocation that was supported through the Ocean Ranger Program at 100 percent.

Commissioner Hartig continued with slide 14: "Division of Air Quality." He reported that the entire division fell under one component that was largely fee supported. He advanced to slide 15: "Division of Spill Prevention & Response." He reported that the division was primarily supported by DGF. He pointed to slide 16: "Division of Water." He indicated that the division received \$1.2 million in reductions shifted from UGF to DGF. He delineated that when the state assumed primacy of the Waste Water Discharge Permitting Program in 2009 it was designed to be increasingly supported through fees and was in the third year of fee increases.

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Commissioner Hartig continued to slide 17: "Division of Water (Con't)." He related that the water program had two parts: permitting and standards and facilities. Facilities included the Village Safe Water Municipal Grant and Loan Program. He noted that fees were increased under the Engineering Support & Plan Review allocation.

Commissioner Hartig examined the last slide, slide 18: "Division of Water (Con't)." He noted that under the Village Safe Water (VSW) program 75 percent was federally funded for planning, design, and construction grants for water and sewer for communities of 1000 or less. The state matched 25 percent via the capital budget that allowed for some capital dollars for operating costs. He mentioned the final program, Technical Assistance and Financing that included the Remote Maintenance Worker program.

Co-Chair Seaton thanked the presenter.

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^OVERVIEW: ALASKA COURT SYSTEM

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DOUG WOOLIVER, DEPUTY ADMINISTRATIVE DIRECTOR, ALASKA COURT SYSTEM, introduced himself. He introduced the PowerPoint presentation: "House Finance Committee: Alaska Court System Overview."

Mr. Wooliver began with reading the mission statement on slide 2: "Mission Statement":

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

Mr. Wooliver maintained that budget reductions impacted the Court System's ability to provide accessibility and perform expeditiously. He moved to slide 3: "Judiciary's Share of Total Agency Operations (GF Only)." He noted that the budget use to increase and currently it was decreasing. He spoke to the prior cost drivers of statewide pay raises and placing all the costs associated with the Therapeutic Costs into the Court System budget.

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Mr. Wooliver continued to slide 4: "Judiciary: Line Items (All Funds)." He reported that Personal Services was the largest slice of the Court System's budget. He related that the Contractual Service Line was the only other area of the budget that changed due to the inclusion of the Therapeutic Courts budget. Recently, the contractual services shrank by \$900 thousand through reduced internet service costs. He pointed to slide 5: "Judiciary Appropriations (GF Only)." He mentioned the inclusion of the two small stable budgets for the Judicial Council and the Commission on Judicial Conduct. He specified that the following chart was All Funds. He turned to slide 6: "Judiciary Appropriations (All Funds)." He noted the similarity with the previous chart since the Court System was operated via GF at 97 percent.

Representative Wilson asked how the Therapeutic Courts were funded. Mr. Wooliver replied that the Therapeutic Courts was funded using UGF. Representative Wilson wondered why only UGF was spent. Mr. Wooliver explained that most of the offenders were indigent. The court never charged for services associated with plea agreements. Representative Wilson suggested establishing fees based on a sliding scale.

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Mr. Wooliver reviewed slide 7: "UGF Budget Cuts FY16 - FY18":

- FY16 - \$3,430.4 (3.1%)*
- FY17 - \$3,805.0 (3.5%)
- FY18 - \$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 cut was offset by increased healthcare costs resulting in a net reduction of \$1,821.4.

Mr. Wooliver advanced to slide 8: "Examples of Cost-Savings Measures":

- E-Distribution Project
- In FY18, Deleted 29 PFT, 14 PPT, and 2 Temporary Positions for a total of 45 Deleted Positions
- Salary Schedules Capped at "R" Step
- Holding 32 Positions Vacant

- Continuing with Friday Afternoon Closures
- Expanded Use of Videoconferencing

Mr. Wooliver indicated that most of the Court Systems reductions were taken from personal services and in other areas like travel and using email versus postal services.

Representative Guttenberg asked Mr. Wooliver to speak to the savings having to do with bandwidth. Mr. Wooliver deferred the answer to the Chief Financial Officer of the Court System.

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RHONDA MCLEOD, CHIEF FINANCIAL OFFICER, COURT SYSTEM, JUDICIARY, answered that the Court System previously purchased internet directly from broadband providers. The system's Information Technology (IT) staff implemented using a Meraki Device that routed and prioritized its traffic, so the bandwidth could be channeled to first, video services, then data, and finally, regular email services.

Representative Ortiz asked whether the shortened Friday hours created a growing backlog of cases or if the impact was minimal. Mr. Wooliver responded that there had not been a significant change, and that benefits from the closures were reported within the Court System and in other agencies that had time to do with time management. He believed it was more efficient than full position layoffs. He noted the system's "clearance rate" that was a measure of the Court System's effectiveness. Currently, the clearance rate showed that work was still done on time.

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Representative Ortiz just discovered the Friday closure was a 1.5 hour reduction. He was under the impression that the closure resulted in 4 hours less pay for employees. Mr. Wooliver responded in the affirmative and added that the pay decrease was 4 percent.

Representative Kawasaki asked if customers had complained about the closure on Friday at noon. Mr. Wooliver responded in the affirmative but indicated that emergency services were available.

Co-Chair Seaton asked about the 32 positions that were being held over as vacant and wondered whether they were attributed to a vacancy factor. Ms. McLeod responded that the court system was holding them open as a significant reduction in personal services. She added that the division maintained a vacancy factor as well. Co-Chair Seaton inquired whether the vacancies were being held in the event it was necessary to fill any of them.

Mr. Wooliver interjected that the court system received a huge benefit with the expanded use of videoconferencing that produced massive cost savings and efficiencies in the Court System and other agencies. He provided the example of substantial savings using videoconferencing between correctional facilities and court houses.

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Mr. Wooliver advanced to slide 9: "FY19 Operating Budget Increases":

- \$ 510.0 Jury Expenses
 - FY18 2nd quarter trial rates for Bethel and Dillingham are up 50% from FY16 2nd quarter
 - and up 36% from FY17 2nd quarter trial rates
- \$ 96.3 Veterans' Court
 - Funding is for a dedicated Veterans' Court
 - coordinator

Mr. Wooliver explained that the amounts reflected the amount necessary for court system operations. He relayed that when the trial rate decreased savings were realized but when trial rates increased costs increased, mostly in jury travel and fees. The court system simply could not absorb the increased costs. The increment was based on the trial increases over the prior several months that kept increasing. He reported that the Veterans' Court main purpose reacquainted veterans with services available through the Veterans Administration. He noted that everyone associated with the Veterans' Court was a veteran. The court was becoming more popular and was at full capacity creating a critical need for a Veterans' Court coordinator.

[3:16:46 PM](#)

Mr. Wooliver described slide 10: "Judiciary." The slide showed all the funding sources for Judiciary. He pointed to

the filing fees which had been recently increased by and estimated \$600 thousand and had a prior increase as well. Alaska was in the average range of court filing fees and waivers were available.

Representative Pruitt asked what amount was generated by the initial fee increase. Mr. Wooliver answered that \$800 thousand in additional funds were collected.

Representative Kawasaki asked how much of the fines and fees were collected. Mr. Wooliver indicated that the filing fees were fully collected. He suggested that a much smaller collection rate was associated with other mandatory fees.

[3:21:39 PM](#)

Mr. Wooliver scrolled to slide 11: "Alaskans Served in 2017":

- 121,636 new cases filed (trial and appellate)
- 7,000 contacts through the Family Law Self Help Center
- 24,112 jurors reported for service
- 8,856 law library patrons
- 672,829 citizens passed through security screening
- 5,056,210 visits to the court's website
- 1,145,167 CourtView searches
- 19,109 online payments made
- 525 therapeutic court participants
- Thousands of on-line court forms accessed or downloaded

Mr. Wooliver remarked on some of the positive results listed in the data contained on slide 11. He advanced to the remaining slide, slide 12: "Effectiveness Ratings and Measures":

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

Mr. Wooliver reiterated the court system's high clearance rate of 98 to 99 percent. He commented on the alternative dispute resolution programs that mostly dealt with family

law. He reported on the success of the Family Law Help Center and the Early Resolution Program. He explained how they worked and the high success rates. He noted the reduction in time between filing a case and a resolution, which previously took 172 days and was currently about 50 days. The program offers a 1 day resolution, was not adversarial, and had no legal fees.

Co-Chair Seaton reviewed the agenda for the following day.

#

ADJOURNMENT

3:31:32 PM

The meeting was adjourned at 3:31 p.m.