

HOUSE FINANCE COMMITTEE  
January 30, 2018  
1:34 p.m.

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CALL TO ORDER

Co-Chair Seaton called the House Finance Committee meeting to order at 1:34 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 Mark Neuman - Alternate

MEMBERS ABSENT

Representative Tammie Wilson

ALSO PRESENT

Dean Williams, Commissioner, Department of Corrections; April Wilkerson, Director, Division of Administrative Services, Department of Corrections; Walt Monegan, Commissioner, Department of Public Safety; Kelly Howell, Director, Division of Administrative Services, Department of Public Safety; Mark Wiggin, Deputy Commissioner, Department of Natural Resources; Fabienne Peter-Contesse, Support Services Director, Department of Natural Resources.

PRESENT VIA TELECONFERENCE

John "Chris" Maisch, Director, Division of Forestry, Department of Natural Resources; Ethan Tyler, Division Director, State Parks and Outdoor Recreation, Department of Natural Resources.

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 CORRECTIONS

DEPARTMENT OF PUBLIC SAFETY

DEPARTMENT OF NATURAL RESOURCES

#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."

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Co-Chair Seaton reviewed the agenda for the day.

^OVERVIEW: DEPARTMENT OF CORRECTIONS

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DEAN WILLIAMS, COMMISSIONER, DEPARTMENT OF CORRECTIONS, introduced himself and introduced the PowerPoint presentation: "Department of Corrections FY2019 Department Overview." He preferred that questions from members be held to the end of his presentation.

Commissioner Williams began with slide 2: "Mission and Sources." He wanted to acknowledge and identify that the Department of Corrections (DOC) in the governor's proposed budget showed an increase of \$22 million. He relayed that he had been in his position for 2 years and had looked at the department's history and budget. The Department of Corrections had been on a glide path of reductions over several fiscal years with anticipation that the department would arrive at a certain place in the prison population that would allow it to take advantage of certain savings. He reminded members that starting in FY 15, the department lost \$1 million out of its operating budget; in FY 16, the department lost \$8.5 million; in FY 17, the department lost \$10.8 million; and in FY 18 the department lost \$11.8 million. The total reductions were about \$32 million. There were certain expectations of the department. He had made the difficult decision to close a facility about 9 months into his tenure to get particular savings. Even with the closure, he still found the department approximately \$22 million short in the operating budget. He requested that the governor and the Office of Management and Budget (OMB) team had full funding in the budget to get a clear picture of what it would cost to run the department.

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Commissioner Williams indicated Ms. Wilkerson would review the following several slides.

APRIL WILKERSON, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF CORRECTIONS, discussed slide 3: "Department of Corrections' Share of Total Agency Operations (GF Only)." The slide was a representation of the overall general funds (GF) for the department over the previous 10 years. In 2019, the department was requesting \$297 million be added to the general funds for the agency, an increase over FY 18. The general funds made up just over 6.3 percent of the overall governor's budget request. It was an increase of \$79 million from ten years prior. In FY 09 the department had a budget request of \$217 million.

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Ms. Wilkerson moved to slide 4: "Department of Corrections Line Items (All Funds)." She relayed that the slide was a representation of how the funds were allocated. The majority of the department's funds were dedicated to personal services at just over \$210 million. The next highest line was the department's services line, which included the department's utilities, contractual services, and halfway houses which made up \$98 million of the department's budget. The commodities equaled \$19.8 million and included food, housing, clothing, bedding, and all of the operational costs for commodity purchases. The department also had a small travel line of \$1.8 million. The majority of that amount was associated with prisoner transports between Alaska's institutions and to and from medical appointments. The department also had a small appropriation of just over \$600,000 dedicated to returning inmates to their point of arrest upon release. The department was asking for \$1 million in the governor's budget for capital outlay to address any annual maintenance and repair. Of the institutions that were operating, the department was responsible for the facility upkeep of its institutions.

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Ms. Wilkerson advanced to slide 5: "Appropriations within the Department of Corrections (GF Only)." She indicated that the department's budget was allocated through six result delivery units (RDU)s. Population Management was the largest RDU within the budget. It included three divisions: The Division of Institutions, the Division of Probation and Parole, and the Division of Pretrial Services, as well as the Board of Parole. The overall allocation made up 80 percent of DOC's overall general fund budget. Health and Rehabilitative Services (HARS) made up the additional 15.6 percent of the budget. Administrative and Support made up 3 percent of the budget, and Offender programs in recidivism reduction budgets made up just over 1 percent of the budget.

Ms. Wilkerson continued that the Population Management budget had an increase. In FY 19 the department was asking for 10.4 million which would be allocated throughout the 12 operating institutions to bring them up to full funding. Their budget was reduced in FY 17 and FY 18 in anticipation

of further closures or constrictions of the beds, which were not being achieved presently. Therefore, the department was asking for full funding. The department was also asking for \$10.3 million be added to HARS. The request was associated with increased medical costs of prisoner inmate care.

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Ms. Wilkerson moved to slide 6: "Appropriations within the Department of Corrections (All Funds)." The slide was a representation of the overall funds - all funds within the department broken out by various allocations. The federal funds increased by \$4.6 million. They were primarily dedicated to receipts the department collected for the housing of federal inmates within its various facilities.

Co-Chair Seaton recognized that the committee had been joined by Representative Mark Neuman.

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Ms. Wilkerson continued to slide 7: "Department of Corrections Total Funding Comparison by Fund Group (All Funds)." She reported that the slide showed the distribution of the department's overall budget by fund source. The department collected federal receipts used for the housing of federal inmates detained within Alaska's various institutions. Unrestricted general funds made up 85 percent of the department's overall budget at \$289 million. The department also had other funds allocated within the department in the amount of \$25.7 million that included items such as the facilities Capital Improvement Project (CIP) authorization, the mental health trust authority, and interagency receipts. The department had a small amount of \$8.5 million of designated general funds. The department collected funds from inmates assigned to electronic monitoring as well as the collection of funds from other municipalities for the housing of inmates held on local municipal charges. The department also had a collection from the cost of incarceration that was collected through the Department of Law and the courts.

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Commissioner Williams scrolled to slide 8: "Division of Institutions." He mentioned that the slide broke out the

different offices within the Divisions of Institutions. The subsequent slides did the same for each of the other divisions. He thought that in the previous year, when the department made its presentation to the legislature, he had been too broad in saying that the department served all Alaskans. He had been asked by the committee to be more specific. He had taken the request to heart but may have overdone it. He mentioned one example in the institutions line that indicated the department was serving 4,800 Alaskans. The number reflected the average capacity for incarceration. The number went up and down throughout the year. Some of the things he was not mentioning was that the department had about 30,000 bookings per year, and the number of Alaskans' served was conservative. The bookings of people coming into the state's facilities involved a significant amount of work, and they did not stay very long. In each of the areas in which he talked about Alaskans served, he was trying to get it right with legislators on how members wanted to describe the information. He was certain that in terms of Alaskans served, he was missing many Alaskans that were served due to budget cuts. He wanted guidance on how the legislature wanted to see the information presented.

Ms. Wilkerson continued to review slide 8, a representation of the Division of Institutions. The budget had decreased overall, and the department was asking that a portion of it be restored. Alaska was one of six unified states throughout the country. The division handled prisons, the unsentenced population, and the sentenced population upon conviction. The division operated twelve institutions throughout the state that was handled by the classification and furlough office for appropriate placement of housing of those offenders. The division was also responsible for the inmate transportation that was delegated to the department by the Department of Public Safety (DPS). That delegation allowed the department to move inmates between institutions for population purposes as well as to and from medical appointments. The point of arrest component rested within the division. It returned offenders to their point of arrest. The division had a \$1.5 million budget dedicated to education and vocational educational opportunities in efforts to assist individuals upon reentry into communities to obtain employment. The division had \$16.8 million dedicated for the department's community residential centers (CRC). She reported that \$7 million was allocated

to the Regional and Community Jail Program. The department had contracts with 15 local entities throughout the state.

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Ms. Wilkerson detailed slide 9: "Division of Health and Rehabilitation." The overall budget for the Division of Health and Rehabilitation was \$58.559 million and included the ask of \$10.3 million that was identified as a shortfall. It would also be reflected in the supplemental bill for FY 18. The division encompassed the physical health care component required under statute to provide essential care to individuals placed under the department's custody. It also included the behavioral health component as well as the department's substance abuse treatment programs, sex offender treatment, sex offender management programs, and domestic violence programs.

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Commissioner Williams scrolled to slide 10: "Division of Probation and Parole." He made a caveat comment about the department's probation counts. The issue had been a source of significant discussion the previous year. The department had 3075 as the number of Alaskans served, which was the department's capacity. It was an important issue to bring up in terms of budgeting for the department. The department's average count was about 5100 people on probation in the prior year. Currently, the department had about 3900 people on probation. The reason for the reduction had to do, in part, with earned compliance credits and changes in reform to the department regarding technical violations. He explained that putting someone back in jail had to be related to something larger than missing an appointment or some other technical violation, which brought the count down. He explained that with some of the changes under SB 54 [Legislation passed in 2017 - Short Title: Crimes; Sentencing; Probation; Parc] the department was set at a cap of 3075. As the commissioner, he thought the division had a reasonable chance of getting to that number. At the same time, the department was being very strategic about who it had on probation and for how long. It was a part of the department's operations that he continued to watch very closely to make sure it had the right people on probation for the right period of time. He wanted to continue to work the issue to make sure the right

supervision was in place for the offender population upon release.

Ms. Wilkerson reported on slide 10. She relayed that the Division of Probation and Parole encompassed about \$21.2 million of the overall budget. It was broken up into statewide probation and parole which covered 13 regional locations and provided supervision to individuals under probation and parole who were released into Alaska's communities. Electronic monitoring was also a part of the division and was currently operating in six locations with expansion to two additional locations, Sitka and Barrow. The department was also actively expanding the electronic monitoring program to other areas.

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Commissioner Williams reported that the Division of Pretrial Services was a new division that went into full operation in January [2018] and had been in operation for four weeks. He looked forward to subsequent conversations to talk about the division and its efforts. He thought the division would be a critical piece of the department. He anticipated more discussion on the division in the subcommittee process. He wanted to make sure the department had clarity about what it was doing in the pretrial enforcement division and for what reasons. He indicated that in the prior 10 years, the department's largest growth in prison population had been in the pretrial area, like most other states in the nation. The people in prison pretrial cost the state a significant amount of money. Some of the individuals in jail pretrial needed to be there due to their charge and potential risk. The department had about half of the needed employees hired for the division.

Commissioner Williams continued that he had put some of the money back into enhancing local community jails to do some of the work, rather than the state being solely responsible. In the following week he would update the subcommittee on the topic. Most communities were supportive of the change and others were waiting to see results. He thought support for the division and keeping it on trajectory was important for a host of reasons. He thought the division was the greatest promise in improving public safety, especially for the pretrial people who had never had any monitoring previously. The department was using a risk tool as another option for a judge to use to decide

who should stay in or out of prison. In every other state where pretrial services were offered, it had improved public safety when done appropriately. He was pleased with the direction of the division.

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Co-Chair Seaton indicated that Representative Guttenberg had joined the meeting.

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Ms. Wilkerson moved to slide 11: "Division of Pretrial Services." She reported that the new Division of Pretrial Services had an allocation of \$10.2 million. One of the things the division had achieved to-date was negotiating with 11 of 15 community regional jails to provide pretrial level services on behalf of the pretrial unit.

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Ms. Wilkerson scrolled to slide 12: "Board of Parole." The Board of Parole was housed within DOC and had a budget of \$1.7 million. The board was responsible for determining the suitability of individuals for potential release onto parole from custody. The board oversaw the mandatory parole, the discretionary Parole, and the special medical parole. They also oversaw the geriatric parole and were working with the governor's office on the new clemency elements being implemented.

Commissioner Williams believed the parole hearings would at least double. The parole board had a full schedule of hearings and was doing a great job of managing the workload. He reemphasized that there would likely be a dramatic increase in parole hearings.

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Ms. Wilkerson advanced to slide 13: "Division of Administrative Services." She explained that the Division of Administrative Services oversaw the administrative functions for the department. The allocation to the division was \$9.7 million and included all items such as recruitment, human resources, procurement, budgeting, and financials. It also encompassed the offender management system and certified the breath and alcohol ignition

interlock devise program. The division was responsible for employee background checks and APSE [Association of People Supporting EmploymentFirst] certification. The division oversaw all offender records including those that were active and inactive. The division was also responsible for maintenance for all institutions within the department. The division was actively coordinating with the Department of Administration (DOA) on shared services elements.

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Ms. Wilkerson reviewed slide 14: "Office of the Commissioner." She reported that the allocation for the Office of the Commissioner was \$3.76 million consisting of funding for the correctional academy. She elaborated that the academy provided Alaska Police Standard Counsel Training required for all probation officers and correctional officers. The professional conduct unit and the recidivism reduction component were housed within the Office of the Commissioner.

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Ms. Wilkerson turned to slide 15: "Department of Corrections Five-Year Health Care Trends." The slide showed the department's 5-year health care trends. The allocation for health care including inmate health care was 23.3 percent. The department's employer contribution was just over \$30 million, and workers compensation was just over \$3.8 million. The inmate health care portion of the allocation was almost \$40 million. The employee allocation was 11 percent of the 23 percent. The rest was made up of inmate health care contributions. The department made every effort to reduce health care costs such as posting information on the department website and sharing information with employees. Each of the institutions were putting forward employee wellness programs within the facilities. The department coordinated with the unions to have on-site wellness resources including training, webinars, and group activities. For inmate efforts, the department was moving higher cost cases out of state. The department had been successful in placing two high cost dialysis inmates in a lower cost facility outside of Alaska. The department reviewed its high cost medical cases as soon as they came to the attention of the department for a community placement to see if it could get them out of custody and under Medicaid. The department was making other

efforts such as providing information to inmates, focusing on heart-healthy diets, and coordinating efforts to issue Vitamin D throughout the institutions.

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Ms. Wilkerson explained slide 16: "What is Vacancy Factor?" She explained that a vacancy factor meant intentionally underfunding positions in anticipation of turnover of positions by long-term employees and hiring newer employees into those positions.

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Ms. Wilkerson continued to slide 17: "Department of Corrections FY2019 Personnel Vacancy Factor." She reported that of the department's 1895 budgeted positions, if they were to be filled 100 percent all year long, the cost would be \$217 million. The department had an average statewide vacancy of 4.47 percent which equated to just over \$9.7 million that was unfunded. The department had the parole board and a lump-sum premium pay added back in, \$2.8 million, for an overall personal service authorization of \$210.4 million. She indicated that she had reached the end of the department's presentation.

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Commissioner Williams reiterated that the department was looking for full funding for FY 19. He had looked at a supplemental. The department had a supplemental for about \$10 million the prior year. In the current year's budget, the department would have a supplemental request, despite every effort his team had made to avoid one. The department would have a difficult time making its budget in the present year. As the Commissioner, he had advocated that in running the systems there should be a full accounting and a full transparency of what it would cost the state. He did not like supplementals. He thought it was important to have a fair accounting of what it would cost to run the department. If the state wanted to do something different as a policy call, a substantial major change to the state's correctional system, everyone should be upfront about that. He thought the budget presentation was a fair assessment of what it would cost to run the correctional system as it stood for the following year.

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Representative Grenn asked about the Division of Institutions on slide 8. He pointed to line 7 regarding the education and vocational programs. It listed a high number of offenders served in the program. He asked if the commissioner had details of what the budget looked like in the past 3 years including reductions. Ms. Wilkerson responded that the budget Representative Grenn spoke of had remained flat funded for the last 3 years and had not had a decrement. She relayed that the number of offenders that it served could include an offender that had received multiple certifications.

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Representative Grenn asked if the number of offenders served had increased. Ms. Wilkerson responded, "Yes it has."

Representative Grenn thought the information would be helpful for the committee.

Co-Chair Seaton clarified the number of years Representative Grenn was requesting.

Representative Grenn responded, "Since 2015." He brought up pretrial services. There were several positions that were not filled. He asked the commissioner to comment on why the department was having trouble with recruiting.

Commissioner Williams responded that there were several reasons for the positions being open. First, the start date for the division was January 1 at which time the division would start the process of doing assessments provided to the courts. It was clear that certain people would go on supervision. The division was going to grow. There was no point having 60 employees at the inception of a system. He argued that it was better that as the division grew it could slowly bring in people as they were trained. He continued that standing up 60 people at the capacity of the academy was impossible. The wise and frugal way was to slowly grow the number of employees as the division workload increased over time. The real division workload would be about a year out. Having said that, there was some recruitment and retention issues. Presently, the division was having people apply and get into the pretrial

enforcement division. The division was being wise about how it was advancing the workforce with the workload.

Representative Grenn asked if the vacant positions were not holding him back from standing up as much as he wanted to. Commissioner Williams responded that his director would feel a little better if the division had a few more staff. He thought the division was in the ballpark of where it wanted to be.

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Representative Thompson referred to slide 11. He asked if the department broke out the transportation costs for people in pretrial having to go to court. He asked if it was broken out from other transportation costs for prisoners. Commissioner Williams replied in the negative. He relayed that the transports were on another slide. It was really considered an institutional cost. The cost of moving people between cities was still borne by the institution. The division was not showing any transportation costs of offenders in the slide because if someone was in violation the community jail or the department's pretrial officers would arrest them and bring them back in. He thought there were places in the budget that rested on the institutional side.

Ms. Wilkerson asked Representative Thompson to clarify his question. Representative Thompson indicated a large portion of the correction population was awaiting pretrial. They had to get to trial. He wondered if the transportation cost was paid for by the department. He was talking about people in jail having to get to pretrial. He asked if the transportation costs were paid for by the division. Ms. Wilkerson relayed that court service officers were housed within the Department of Public Safety. She thought it would be better to hear from the department.

Commissioner Williams added that the department did prisoner transport. It was not in the Division of Pretrial Services, but it was in the Division of Institutions budget. There was a substantial cost to moving prisoners. Part of the costs were borne by DOC and DPS.

Representative Thompson asked how much of inmate health care was offset by monies from their Permanent Fund Dividend (PFD). Ms. Wilkerson responded that the department

received \$11.9 million in the FY 19 budget that was specifically associated with the Permanent Fund criminal fund. They were funds allocated to the department from those inmates that were ineligible due to being incarcerated who would have been eligible had they not been incarcerated for that year.

Representative Thompson thought that originally a portion of an inmate's Permanent Fund Dividend was supposed to go to victim restitution. He asked if the information was being broken out as required by statute. He asked her to explain. Ms. Wilkerson replied that the Department of Revenue (DOR), Division of the Permanent Fund identified the amount that was eligible for allocation and provided the information to OMB. The Office of Management and Budget would fund the victim's restitution (about \$1.4 million) and allocate the remaining funds to the department's budget.

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Representative Neuman asked about the victim's compensation fund. He pointed to the note on slide 5 in the box regarding \$8.6 million of UGF replacing PFD criminal funds. He thought a prisoner's PFD check was garnished by the department and was supposed to go into the victim's compensation fund. He understood those monies were used for operating costs. He also asked why the state had to replace UGF with PFD criminal funds. Ms. Wilkerson responded that the amount was reallocated by the governor's office and then placed into the governor's budget. As the amount of PFD criminal funds were adjusted up or down there was a like fund change that was then put into DOC's budget to maintain a flat amount available for inmate health care.

Representative Neuman mentioned that with SB 91 the legislature intended to see a reinvestment for the funds that were supposed to be the savings resulting from SB 91. He asked Ms. Wilkerson to show the committee where in the budget those savings were spent. Commissioner Williams responded that he was unsure how to answer Representative Neuman's question. He thought that there was an anticipation that through some of the reform efforts the state would receive more savings. To capture a savings, the state would have to have substantially less inmates so that a facility could be closed. He had not seen the projected savings, although he had closed one prison. The savings

from that closing did not make up for the assumptions that were made of closing an additional facility.

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Representative Guttenberg wondered about the amount of savings the state was not accruing because of an inefficient state system. He asked about electronic monitoring. He brought up the issue of internet costs and phone costs. He asked about statewide probation and parole and about the number of people in a community with a probation officer. He spoke to the idea of someone being able to go home with direct monitoring with the use of broadband. He wondered about the cost of the inefficiencies of the system. He mentioned the cost of transporting inmates to court hearings that lasted only a few minutes versus participating telephonically. He wanted to highlight the cost to the state of having an inefficient broadband system.

Commissioner Williams was keenly aware that the department needed to have the video court systems greatly enhanced. The attorney general, DPS, and DOC were working on the issue. It would require capital investment. If he could avoid moving inmates to attend court hearings, it would result in a cost savings and increased safety. It was safer for those doing the transfers, his staff and the Alaska State Troopers staff. It was an area he continued to work on. Some progress had been made. Currently, there was video conferencing in Nome and Kotzebue. A willful effort was necessary to address the issue.

Representative Guttenberg pointed out that Nome and Kotzebue were on fiber.

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Representative Pruitt relayed that 30 percent to 40 percent of inmates were Alaska Natives. Representative Kopp had brought up the notion of the state partnering with some of the native health organizations to provide health care to some of the state's inmates. The native health organizations might have the opportunity to have some of their costs offset by federal funds. It would provide the organizations the opportunity to interact with some of the inmates assisting some of their own members. He wondered if the department had considered the idea.

Commissioner Williams responded in the negative. He did not think there was much opportunity. He had asked the same question. He relayed that the federal guidelines and statutes under Indian Health Services and Veterans Administration were very prescriptive: If a person was inside a prison, they were not covered. He was hoping to put a fix into place in the following week. The answer was to have more flexibility for the department to place people in locations that did not represent a risk in halfway houses or community reentry center environments. The idea was to have a broad array of places people could go to finish out the rest of their sentence safely and strategically. He reported that the department had very few problems with people at the end of their sentences. He argued that the more flexibility he had in the department to put people out into halfway house locations, the more likely they would become eligible for Medicaid. He hoped to provide more diversity as to where people finished their sentence. He had asked the director to relook at the issue again and to pore over the topic looking for wiggle room. He admitted he did not think there was much wiggle room to find. He thought there might be flexibility in other areas. He noted having 2 patients in the cue to testify. Both dialysis patients represented a \$20,000 to \$30,000 savings per month for DOC. There were certain people that were high cost patients. He had been pressing about looking at other options. He was happy to look at the issue again with the legislature.

Co-Chair Seaton indicated that the meeting was a high-level look at the department. The subcommittee would get into more of the details with DOC.

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^OVERVIEW: DEPARTMENT OF PUBLIC SAFETY

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Co-Chair Seaton noted the presentation would need to end by 3:00 p.m. He asked members to hold any policy questions until the end of the presentation.

WALT MONEGAN, COMMISSIONER, DEPARTMENT OF PUBLIC SAFETY, introduced himself and his staff. He provided a PowerPoint presentation: "Department of Public Safety Department Overview" dated January 30, 2018 (copy on file). He began on slide 1: "Our Mission":

"The mission of the Department of Public Safety is to ensure public safety and enforce fish and wildlife laws."

Commissioner Monegan turned the presentation over to Ms. Howell.

KELLY HOWELL, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF PUBLIC SAFETY, began on slide 2: "Department of Public Safety: Share of Total Agency Operations (GF Only)." She indicated that the following 5 slides contained graphs prepared by the Legislative Finance Division. The current slide showed a 10-year lookback of the department's general fund budget, which included unrestricted general funds (UGF) and designated general funds (DGF). She shared that from FY 09 to FY 19 governor's request the department's budget grew by \$49 million, an average annual growth rate of 3.4 percent. From FY 09 through FY 14, DPS experienced increases in its general fund budget with decreases beginning in FY 15. She reported that the total general fund reduction from FY 14 to FY 19 governor's request was \$7.4 million. Speaking specifically to the department's FY 19 governor's request, it was slightly above FY 13 levels by approximately \$1 million. The general fund category comprised 86 percent of the department's overall budget. Of the general fund budget, 95 percent of it was unrestricted general funds at \$163 million.

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Ms. Howell slide 3: "Department of Public Safety: Total Comparison by Fund Group (All Funds)." The slide reflected a 10-year lookback of the department's annual operating budget totals by fund source. The department's total FY 19 budget request was \$199.3 million a 2.7 percent increase over FY 18. She would be reviewing the department's increment requests as she went through the components in upcoming slides. She reported that UGF comprised 82 percent of the department's overall budget with federal funds being 8 percent. Other funds, which included funds such as

interagency receipts, was 6 percent of the budget and DGF was 4 percent. Speaking specifically to the department's FY 19 budget request, the department made reductions of nearly \$3.8 million in hollow authorization or uncollectable receipt authority to more accurately align the budget with the department's anticipated revenues.

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Ms. Howell moved to slide 4: "Department of Public Safety: Line Item Comparison (All Funds)." The slide provided a 10-year lookback at the department's annual operating budget by line item by all fund sources. Like most other departments, personal services comprised the largest percentage of the department's budget at 57 percent. She relayed that the department's FY 19 budget request included 804 permanent full-time positions, a net decrease of 4 positions from FY 18 and a net decrease of 81 permanent full-time positions since FY 15. The budgeted positions the department had in FY 19 were at the same levels as FY 2006.

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Ms. Howell advanced to slide 5: "Department of Public Safety: Appropriations (All Funds)." The slide provided a 10-year lookback of the department's budget by appropriation including all fund sources. The department had 6 appropriations, or results delivery units (RDU), that made up the budget. She reported that when looking at all fund sources for the FY 19 governor's proposed budget, at \$131.4 million the Alaska State Troopers appropriation was the largest share at 66 percent of the department's overall budget. She noted that the Alaska State Troopers appropriation included both the Alaska State Trooper and the Alaska Wildlife Trooper divisions.

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Ms. Howell scrolled to slide 6: "Department of Public Safety: Appropriations (GF Only)." The slide showed a 10-year lookback of the department's general fund budget by appropriation. The slide was similar to the previous slide, just limited to general funds. Also, like the previous slide, the Alaska State Trooper's appropriation was the largest at 72 percent of the department's general fund budget. She indicated the following 5 slides would provide a breakdown of the department by allocation.

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Ms. Howell detailed slide 7: "Department of Public Safety by Allocation." The first allocation on the slide was fire and life safety. The Department of Public Safety was statutorily required to foster, promote, regulate, and develop ways and means of protecting life and property against fire and explosion. Most of the allocation went through the state fire marshal's office. Their statutory mission was to prevent the loss of life and property from fire. They had statewide jurisdiction for fire code enforcement and plan review authority except in communities that had received deferrals. She reported that the allocation included an increment in the FY 19 budget of \$75,000 in UGF and \$125,000 in DGF, a \$200,000 increment request to conduct fire safety inspections and for rural firefighter training. The Alaska Fire Standards Council established professional standards for fire service personnel and curriculum requirements for the certification of training programs in support of legislative findings under Alaska Statute (AS) 18.70.320.

Ms. Howell continued that the department's special projects allocation was comprised of primarily federal funds for special projects such as public safety services within the Chugach and Tongass National Forests through US Forest Service contracts, overtime costs associated with participation in federal task forces through the US Drug Enforcement Administration, and the department's domestic violence and sexual training for law enforcement through the US Department of Justice Office of Violence Against Women. She addressed the Alaska Bureau of Highway Patrol allocation. The troopers within the allocation helped maintain the safety of Alaska's highways through targeted enforcement, speeding violations, distracted and impaired drivers, and other driver behaviors that contributed to serious injury and fatal crashes.

Ms. Howell reported that positions budgeted in the Judicial Services Bureau allocation were primarily court services officers. They conducted most of the state prisoner transports throughout Alaska. They provided security for Alaska's courts and court facilities. They protected the judiciary and provided timely service of legal process. There were no positions budgeted in the prisoner transportation allocation. The allocation funded the

transportation of prisoners needing pre-arraignment or post-arraignment escorts as well as the transport of convicted prisoners between in-state facilities. There was a small amount of funding in interagency receipts to transport individuals with mental health issues from their communities to either the Alaska Psychiatric Institute or to a community with a hospital providing local designated treatment and evaluation services. Those funds came through the Department of Health and Social Services (DHSS).

2:33:13 PM

Ms. Howell reviewed the allocations listed on slide 8: "Department of Public Safety by Allocation - Continued." She reported that the search and rescue allocation supported search and rescue operations for the recovery of lost or missing persons. It was used to reimburse public and private organizations for the resources spent during search and rescue operations. There were no employees budgeted under the allocation. The resources were also coordinated with the rescue coordination components of the Alaska National Guard and the US Coast Guard. Under rural trooper housing, the department operated state housing in support of its statutory responsibilities. The department charged rent consistent with the applicable collective bargaining agreement or with competitive market conditions if it was not addressed within the collective bargaining agreement. Rent paid by the troopers staying in state housing was deducted from their payroll and deposited into this allocation. The department currently had 63 housing units located in Rural Alaska where housing was traditionally scarce. It helped to have troopers based in the rural communities. She continued that 14 of those properties were state owned and 49 were leased throughout 20 communities.

Ms. Howell continued that the department's statewide drug and alcohol unit have troopers that investigate trafficking of both controlled substances and illegal alcohol throughout the state. She reported that with respect to the Alaska State Trooper (AST) detachments allocation, it was the department's largest in terms of budget and personnel. It covered all the trooper posts across the department's 5 geographic detachments. Most troopers were budgeted within the allocation. Services included patrol, enforcement, and search and rescue areas across the state. The allocation included an incremental request in the FY 19 budget of \$2

million in UGF to expand the troopers' ability to conduct more proactive policing and enhance the level of service provided, primarily in rural Alaska. She mentioned that the increments the department was asking for in the FY 19 budget were primarily associated with the governor's public safety action plan.

Ms. Howell advanced to the Alaska Bureau of Investigation allocation. The unit focused on major crime investigations including homicides and sexual assaults and in providing investigative assistance to other law enforcement agencies across the state. The allocation included an increment request of \$570,000 in UGF to add 2 non-permanent trooper investigator positions that would be embedded in the Department of Law and would provide vital follow-up investigative activities for domestic violence, sexual assault, and sexual abuse of minor cases. The Alaska Wildlife Troopers allocation was where the bulk of the state's Alaska Wildlife Troopers were budgeted. They performed statewide patrol of commercial big game services, commercial fisheries, sport fish and sport fish guiding, and game and trapping. They also provided enforcement and education regarding boating safety, and in safeguarding habitat through reduction of watershed damage and non-compliance with environmental permits.

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Ms. Howell advanced to slide 9: "Department of Public Safety by Allocation - Continued." She explained that the Alaska Wildlife Troopers Aircraft Section maintained the fleet of department aircraft and provided aircraft services for prisoner transports, search and rescue missions, emergency response, and basic law enforcement patrols. The allocation included an increment request in the FY 19 governor's budget of \$570,000 to add 2 permanent full-time aircraft pilot positions to provide a broader level of service to rural Alaska. The 2 additional positions would enable the department to staff both of its complex fixed wing aircraft which was the King Air 350 and its primary search and rescue helicopters, the A-Stars, nearly 7 days per week.

Ms. Howell relayed that the Alaska Wildlife Troopers Marine Enforcement Section maintained the fleet of department vessels for search and rescue missions, emergency response, and basic law enforcement patrols. Funds from the

allocation for the Village Public Safety Officers (VPSO) program were granted to 10 organizations to hire VPSOs and to administer the program within their region. The Alaska Police Standards Council allocation was 100 percent supported with general fund program receipts through the Alaska police training fund. The fund was comprised of surcharges on fines that were associated with criminal offenses and violations. She noted that the administration introduced House Bill (HB) 294, which proposed to increase by 100 percent, the surcharge amounts imposed for a defendant who pled guilty to, forfeited bail, or was convicted of a felony offense, misdemeanor offense, or a violation. Should money from the Alaska police training fund continue to be appropriated to the Alaska Police Standards Council, it would result in an increase in the ability to provide training to law enforcement across the state.

Ms. Howell conveyed that the Council on Domestic Violence and Sexual Assault provided for planning and coordination of services to victims of domestic violence or sexual assault, to their families, and to perpetrators of domestic violence and sexual assault. They also provided crisis intervention and prevention programs. The allocation included an increment request for increased federal receipt authority in the amount of \$4 million based on a growth in the federal grant received by the council from the victims of crime act.

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Ms. Howell scrolled to slide 10: "Department of Public Safety by Allocation - Continued." She relayed that the Commissioner's Office allocation funded the commissioner's office staff and included the department's office of professional standards. The allocation included a one-time funding request of \$150,00 in UGF to conduct a feasibility study for purposes of determining whether creating state managed centralized dispatch centers would benefit the state more than the existing structure. The public safety training academy, located in Sitka, provided initial and continuing law enforcement training to troopers, state fire marshals, court service officers, park rangers, airport police, municipal law enforcement agencies, and VPSOs.

Ms. Howell continued to the Administrative Services allocation provided centralized administrative support for

the other divisions within the department in the areas of finance, general administration, budget, grants administration procurement, and supply management. Funding in the allocation for the Alaska Wing Civil Air Patrol was appropriated by the legislature to DPS and was passed directly through to the Alaska Wing Civil Air Patrol as the state's contribution in support of the Civil Air Patrol's mission. The Civil Air Patrol currently used the funds to pay operating costs for the Lake Hood aircraft maintenance facility and maintained 12 existing hangars. The department worked with the Civil Air Patrol on search and rescue missions and the department accessed use of some of the hangars maintained by the Civil Air Patrol. A mutually beneficial relationship existed. She reported that the information system allocation contained the department's information technology section which provided programming and support for the state's critical criminal justice information systems.

[2:41:59 PM](#)

Ms. Howell continued to slide 11: "Department of Public Safety by Allocation - Continued." She explained that the criminal justice information systems (CJIS) program was a new allocation. The previous allocation of information systems and CJIS were one allocation in the prior budget cycle - the statewide information technology services allocation. The component was split into 2 allocations: the information technology allocation and the CJIS programs allocation. The purpose of the split was to better differentiate the services that each allocation provided, and also was a result of the administration's consolidation of information technology through the Office of Information Technology Services.

Ms. Howell explained that the CJIS program allocation provided and maintained centralized information pertaining to state criminal history records, finger prints, and sex offenders. The program conducted process server and security guard licensing, administered the concealed handgun permit program, and was responsible for collecting, tabulating, reporting, and publishing the uniform crime report data provided by state and local law enforcement agencies. The program submitted information to the Federal Bureau of Investigation (FBI) for inclusion in national crime statistic reports. The allocation included an increment request in the FY 19 budget of \$595,000 to add 6

new permanent full-time positions to establish a records and classification unit in preparation for the FBI's transition to a new reporting system for crime statistics.

Ms. Howell detailed that the CJIS program would be moving from summary based or uniform crime reporting (UCR) to incident based or the National Incident Based Reporting System (NIBRS) format. The new format required more detail and intricacies in reporting. The unit would review law enforcement case reports for completeness, accuracy, and consistency under the new NIBRS format which would ultimately allow for more timely and robust crime statistics reporting and hopefully provide better data for policy making. Additionally, the allocation included a request for \$1 million in increased federal receipt authority based on a new federal grant that the component received for NIBRS compliance. The funding received from the US DOJ was to prepare the department's information systems for the new reporting format that was being implemented by the FBI. She elaborated that the federal funding side was to do the programing and the department was asking for the operating budget increment to staff the unit that would be performing the work.

Ms. Howell reported that the department's laboratory services allocation performed forensic services across the state for law enforcement agencies. Staff at the department's laboratory provided expert court testimony on the results of tested evidence. They trained law enforcement officers in proper evidence collection and on evidence preservation techniques and administered the statewide breath alcohol program. The facilities maintenance represented annual expenditures for scheduled and preventative maintenance to keep the department's facilities operational and in a continued state of readiness. The state facilities rent allocation represented the public building fund rent that was paid to the Department of Administration for the Juneau public safety building.

[2:46:02 PM](#)

Ms. Howell turned to slide 12: "DPS Health Care Cost Trends." The slide represented the trend in health care costs for the department from FY 14 to the proposed FY 19 budget. It had remained relatively stable across the 5 years with FY 19 reflecting 18.2 percent of the

department's budget being dedicated to health care costs. The department took the health and wellness of its employees very seriously, particularly its troopers, court service officers, and deputy fire marshals who were out doing work that was both physically and mentally demanding. Some of the efforts the department had taken to ensure the health and wellness of its employees as well as to reduce health care costs included establishing a voluntary wellness program. It had been in effect for a year since January 2017. The program incentivized employees to take part in general health activities such as annual physical exams, health screenings (including blood test for vitamin D levels, thyroid, and metabolic panels), stress management activities, and oral and eye health examinations. The department incentivized its employees by providing administrative leave to participate in those activities. In addition, the department shared information as received through the union health trusts and DOA sharing the information with employees as it was available. She concluded the presentation and was happy to answer questions from the committee.

[2:47:53 PM](#)

Co-Chair Seaton asked Ms. Howell to return to slide 7. He asked about the Alaska Bureau of Highway Patrol rate of effectiveness being ineffective. He asked her to discuss the rating. Commissioner Monegan responded that the original set up of the Alaska Bureau of Highway Patrol was staffed with about 21 troopers. Since the past few budget cycles, the department had reduced the number from 21 down to 3 troopers on the road and other individuals that supported some of the grants through the allocation. The department reduced the number by reallocating the troopers from a specialized to a generalized patrol. However, he thought the change was ineffective.

Co-Chair Seaton asked if the department was considering a change in allocations. Commissioner Monegan replied that it was important to keep the positions in tact because of the federal grants the department received and shared with other local entities such as the Anchorage police or the Palmer-Wasilla police, especially on the designated safety corridors. He wanted to build staff back up at some point.

[2:49:57 PM](#)

Representative Ortiz mentioned unfilled positions of troopers. He asked for an update on the numbers. Commissioner Monegan responded that there would be a hearing in the upcoming subcommittee meeting that would address his question in depth. The department had put together a more robust plan to address vacancies.

Representative Ortiz shared that a constituent that worked in the public safety field had brought a concern to the representative about troopers being hired away. Commissioner Monegan agreed that his constituent was correct that employees had been hired away including troopers and VPSOs because of better pay or benefits. He would present some of the incentives that the department was considering. He indicated that retaining 5 of the current staff was equal to saving \$1 million for the department. He thought it was crucial to resolve the issue for the state, as it was a matter of public safety. Recruitment and retention was a national problem for a variety of reasons. The department was trying to resolve the problem in the best way possible given the restraints the department currently faced.

[2:53:09 PM](#)

Representative Guttenberg asked about the difference between the trooper detachments that were considered constitutionally required, and the VPSOs that were not. Even though both officers had different or similar functions they were still required under public safety for the State of Alaska. He asked the commissioner to address the differences between the 2 types of officers.

Commissioner Monegan responded that the VPSO program started about 40 years prior. The program was started to supplement the Alaska State Troopers because there were several communities that did not have any form of law enforcement. Most police departments, the state's included, had to combat two things: crime and fear of crime, which could be just as devastating to a community. Having individuals out in the communities who could function in addressing low level crime or disorder was better than having no law enforcement at all. The largest support for the VPSOs came from Alaska's villages.

Representative Guttenberg commented that he did not understand why both did not fall under a constitutional requirement.

Commissioner Monegan responded that 40 years ago they were not primarily law enforcement but rather a generalized public safety individual. They were trained in first aid, helped with search and rescue efforts, addressed low-level crime, and assisted with fire prevention. Over time VPSOs became more of a law enforcement entity. The department has escalated and improved their training, and VPSOs were now attending the trooper academy. He thought the situation was evolving. Time would tell what the state and communities could do together. He believed there was a place for VPSOs in many communities but thought an ongoing dialog with tribes would continue. He hoped that the parties could come up with a solution that satisfied everyone.

[2:57:10 PM](#)

Representative Grenn referred to slide 10. He had two questions regarding the Civil Air Patrol. He wondered about the pass-through grant and what it represented as a percentage of the Civil Air Patrol's budget. Ms. Howell responded that she would get back to him. The department did not know the total budget for the Civil Air Patrol or the sources of its funding. It was a 501(c)(3) non-profit organization and an axillary arm of the US Air Force.

Representative Grenn asked about the public safety training academy. He asked for the number of people served in a year. He asked if the other funding source was from municipalities or fees. Ms. Howell responded that it was the receipt authority for the training academy to receive fees from local law enforcement or self-paying individuals. The academy ran two Alaska Law Enforcement Training Academies per year and provided recertification training and ongoing training throughout the year. In terms of numbers, the training facility could provide the information.

[2:59:08 PM](#)

Vice-Chair Gara asked about the department's plan to get officers to communities. He wondered how many communities did not have a public safety officer. Commissioner Monegan replied that the department had a VPSO coordinator meeting.

He noted that Andrew Merrill had been the VPSO coordinator for the previous two years, and his plan was to embed a VPSO within the department's recruiting team trying to fill the vacancies. He estimated that currently 44 communities were being served by VPSOs. The department was working with the grantees, the employers of VPSOs, regarding recruitment and retention. There was discussion about a schedule of 2 weeks on / 2 weeks off schedule for posts the department was having a difficult time filling. It was an evolving situation. He suspected it would be years before there was a VPSO in every community.

Co-Chair Seaton asked if it was true that the money for VPSOs could not be used for recruiting. He asked about mechanisms the department might use to improve flexibility for recruitment purposes. Commissioner Monegan relayed that the department was relaxing unused funds for recruitment.

[3:02:48 PM](#)

Representative Thompson referred to slide 8. He noticed there was of shortage of 60 positions filled: 43 in the AST detachments unit; 12 in the Alaska Wildlife Troopers unit; 3 in the Alaska Bureau of Investigation unit; and 3 in the statewide drug and alcohol enforcement unit. He assumed that most of the positions had vehicles assigned to them. He wondered if there was a fleet of vehicles in storage waiting for someone to be hired. Commissioner Monegan would have to check. He understood that vehicles were ordered when they needed replacement.

[3:03:48 PM](#)

Representative Thompson relayed that a few years ago the legislature had removed funding for the helicopter pilot position in Fairbanks. He asked if the helicopter was back online or in storage. Commissioner Monegan responded that the aircraft was back online and was functioning out of Fairbanks. He noted it was being used in the present day.

Co-Chair Seaton informed the committee that it needed to move on to the next presentation.

Representative Guttenberg asked about restrictions on VPSO grant funds. As he understood, the grants could only be used to pay salaries. He asked the commissioner to get back to him. Commissioner Monegan responded that the department

was available to the grantees. The department received several requests that were often approved. He would get a complete answer for the committee.

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RECONVENED

^OVERVIEW: DEPARTMENT OF NATURAL RESOURCES

[3:07:05 PM](#)

MARK WIGGIN, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, introduced himself.

FABIENNE PETER-CONTESSE, SUPPORT SERVICES DIRECTOR, DEPARTMENT OF NATURAL RESOURCES, introduced herself.

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

Ms. Peter-Contesse introduced the PowerPoint presentation: "State of Alaska Department of Natural Resources FY2019 Budget Overview." She noted that the Department of Natural Resources (DNR) Program Guide was in member's packets and provided much greater detail about each of the programs within DNR. The presentation would be a high-level overview of the department's budget. The financial information in the program guide was from FY 18 management plan. She began with slide 2: "Department of Natural Resources: Mission, Core Services, and Division Measures." The department had been focused on its 4 core services. The department had been focused since the FY 15 budget forward on pairing down or trimmed any program that was not specific to its core services. The department's overall budget for FY 19 was \$152 million down approximately 15 percent since FY 15. The department's UGF budget \$58.7 million UGF, 39 percent of the department's budget and down 33 percent from the FY 15 budget. The designated general fund budget was \$33 million, about 22 percent of the department's budget. The department had increased its program receipt budget by about 24 percent over the previous 3 years. She would be talking about the department's focus on generating revenue and using those receipts for operations. She noted that the other category which included statutory designated program

receipts, interagency receipts, and capital improvement projects equaled about 23 percent of DNR's budget down about 15 percent since FY 15 to about \$25 million. Positions were down 207 positions since FY 15. The department currently had 900 position control numbers (PCN)s. The department had taken a 19 percent cut in positions since the high number in FY 15.

[3:11:07 PM](#)

Ms. Peter-Contesse turned to slide 3: "Department of Natural Resources Share of Total Agency Operations (GF Only)." She reported that the Legislative Finance Division (LFD) graph showed general funds only, designated general funds and unrestricted general funds. She pointed out the high in FY 15, much of which was the Alaska Liquified Natural Gas (AKLNG) project (\$10 million). The drop in FY 16, because the project, was recategorized as in-state pipeline funds, an "other" category. The department had steadily decreased its general funds. She noted the bump in FY 18, which was an increase of reappropriated capital funds for the A-Star project. It was a multi-year operating project. The large bump did not show up in the governor's adjusted project yet. It would show up in the management plan in the following year.

Ms. Peter-Contesse continued that there were two things that were not included in the department's budget that had been included on the slide previously, adjustments made by LFD including boating receipts and contingency language for fire crew. Boating receipts had previously been categorized as "other" but was recategorized in the FY 19 governor's adjusted budget as "designated general funds" in the amount of \$300,000. Additionally, the department had had contingency language in the budget for the past 3-5 years for fire crew. If the department did not receive federal funds for fire crew there was contingency language that would allow the department to use general funds for fire crew. The department had never used the money to-date, but because the federal funding for fire was volatile, the department liked to keep it in the budget. The legislative Finance Division wanted to see transparent budgeting and because the potential for DNR to ask for the money was there, it was included in the budget. There was a small increase in the budget of \$1.125 million because of the contingency language. The department's general fund budget decreased about \$6.8 million since FY 09. The department

decreased its UGF about 21 percent since FY 15. However, DGF increased due to the department trying to increase its reliance on program receipts and decrease its reliance on UGF.

Ms. Peter-Contesse relayed that some of the areas in which the department collected receipts included park passes, parking, public use passes, mineral sales on the North Slope, mining leases, and other categories. The department had new fees in place for the sale of seismic data. The department was looking for ways to increase revenue and to find new revenue rather than relying on the revenue the state was already generating. Since the fees had been put in place, the department had collected about \$130,000 for seismic data sales and potentially another \$160,000 to \$170,000 was in the works. She was conveying only initial available information. She thought there would be a significant amount available in FY 19. She reported that the department was looking for new fee regulations in FY 19. The department would be looking to use some of the increased revenues from those fees. Overall, the department had about \$1.4 million in fund source changes in FY 19. She clarified that the fund source changes were not from existing revenue but new revenue the department projected from the new fee packages.

[3:16:06 PM](#)

Ms. Peter-Contesse continued to slide 4: "Department of Natural Resources Line Items (All Funds)." She reported that the slide showed all funds by line item. The bulk of DNR's expenditures were in personal services. Even though the department reduced its PCN count from 1095 in FY 09 down to 900 in FY 19, the department's costs had still gone up. The average cost of a PCN in FY 09 was \$75,000. In FY 19 the estimated cost was \$98,000. Most of the cost was out of the state's control. Much of it had to do with bargaining unit agreements for cost of living increases and health care cost increases. There were other bargained personal services costs. Since FY 15, the department had reduced about 19 percent of its staffing.

Ms. Peter-Contesse conveyed that the other bulk of DNR's expenditures was in the contractual line. Department of Natural Resources spent a significant amount on firefighting, air tanker contracts, helicopter contracts, flying field surveys for data collection in the Division of

Geological and geo physical services. The department also paid for core services costs such as leases, office of information technology, risk management, and human resources. She reemphasized that the bulk was in personal and contractual services. The department's traveling expenditures had gone steadily down since FY 15. In the previous day she had looked in the actuals for FY 15, FY 16, and FY 17, and between those 3 years, the department was down by 40 percent in its actual travel expenditures excluding fire activity. Much of the fire activity expenditures for travel was outside of the department's control and much of it was federally reimbursed.

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Ms. Peter-Contesse advanced to slide 5: "Appropriations within the Department of Natural Resources (GF Only)." She indicated the chart showed general funds by results delivery unit (RDU). She relayed that the green line represented the Division of Mining Land and Water, the Division of Forestry, fire activity, fire preparedness, forest management, and the Division of Geological and Geophysical Surveys. She pointed to the uptick beginning in FY 12, which reflected an increase in funding to cover the permitting backlog, and some increases through FY 15. The green line began to trend down later in FY 15. She highlighted the last green triangle reflecting an uptick which was the \$1.125 million fire crew contingency increase. The bump in the blue line referred to the A-Star program equaling \$7.3 million in reappropriated funds from a capital project. The previous bump in FY 15 was the AKLNG project. The remaining lines on the chart were steadily going down. There was a slight bump in the Division of Oil and Gas in FY 19, and there was a small increment in FY 19 to cover projects that she would discuss later that were previously covered in the capital budget.

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Ms. Peter-Contesse moved to slide 6: "Appropriations within the Department of Natural Resources (All Funds)." The slide showed all funds by delivery unit. Fire language was represented by the top green line inclining. The department privatized the Mount McKinley Meat and Sausage Plants in FY 18 which reflected a decrease. The department eliminated about \$2.4 million in empty authority to decrease its budget for FY 19. The department scrubbed its budget to

ensure the right amount of allocation was in each of its divisions.

[3:21:37 PM](#)

Ms. Peter-Contesse advanced to slide 7: "Department of Natural Resources: Division of Agriculture." She wanted to give the committee an idea how the department had approached the presentation. Every program was outlined with funding source categories, budgeted and filled positions, and other. Each of the programs was outlined in the department's program guide. She spoke about positions and relayed that the data in the presentation was as of December 15, 2017. At the time there had been 81 vacant positions. Presently, there were only 5 being held open to meet the department's vacancy factor. Many of the 81 positions had been filled, others were out for recruitment, and some had been reclassified through the Division of Personnel. The department had considered whether positions needed to be filled and then they went to the commissioner's office for approval.

[3:24:04 PM](#)

Co-Chair Seaton asked for clarification that the five positions were being held open to meet the department's vacancy factor. Ms. Peter-Contesse responded in the affirmative.

Representative Neuman thought he just heard the department was justifying adding additional PCNs to clarify the cost of personnel. Ms. Peter-Contesse did not understand Representative Neuman's question. Representative Neuman thought he had heard that the department was adding PCNs to cover additional costs.

Co-Chair Seaton interjected that the question was about not having enough funding to fill the positions. He asked Ms. Peter-Contesse to provide additional information in the finance subcommittee about the vacancy factor and about having to leave positions open. Ms. Peter-Contesse replied affirmatively.

[3:26:02 PM](#)

Ms. Peter-Contesse continued to review the Division of Agriculture allocations. The division had 9 programs, 33

PCNs, and it had seen a 25 percent reduction in UGF since FY 15. The division had eliminated 12 positions, 27 percent of its positions. The division had no increments or significant decrements in FY 19. However, there was a new program in place in the FY 19 budget, the State Agricultural Veterinarian, which was funded by monies being moved from different areas within the Division of Agriculture. The program did not require a funding increment and the department was not requesting new positions. The department had a very specific overview planned for the Division of Agriculture in the finance subcommittee on February 14, 2018.

[3:27:09 PM](#)

Co-Chair Seaton let members know that the subcommittee schedules could be found online, and the meetings would be recorded on legislative television.

Ms. Peter-Contesse continued to slide 8: "Department of Natural Resources: Division of Mining, Land, and Water." She reported that the division was the largest within the department with 18 programs and 206 positions. There were 23 vacant positions as of December 15, 2017. Currently, those positions were filled, in recruitment, part of budget cuts in FY 19 and would remain vacant for the rest of the year, or they were in the Division of Personnel for classification. The division had seen a significant UGF reduction since FY 15, 66 percent. It was also the division that had generated a significant amount of revenue for the State of Alaska. Over the past several years, the department had done large fund source changes. The division's DGF had increased 72 percent. In FY 19, the division was anticipating an additional \$1 million in fund source change which would come from new revenue rather than revenue that was currently over collected and lapsing to the general fund. It was a net positive for the general fund assuming the division collected the revenue in FY 19. The Division of Mining, Land, and Water was reducing UGF In FY 19 by \$532,000 and 3 PCNs.

[3:29:43 PM](#)

Ms. Peter-Contesse skipped slide 9: "Department of Natural Resources: Division of Mining, Land, and Water (Continued)."

Ms. Peter-Contesse scrolled to slide 10: "Department of Natural Resources: Division of Forestry." She reported that the Division of Forestry had 3 components and 9 programs. The division had 2 fire-fighting components, fire preparedness and fire activity. The third component was forest management. The division had experienced significant reductions until the previous year. She indicated that 36 percent of UGF was cut specifically in forest management. There was a 31 percent reduction in PCNs. In FY 19, the department was not proposing any reductions in the governor's budget for the Division of Forestry. There were 21 vacancies as of December 15, 2017. The vacancies were seasonal fire positions that would be filled, were being recruited, or were filled since December. She noted that the table did not include \$1.25 million in fire contingency language.

[3:31:08 PM](#)

Ms. Peter-Contesse spoke to slide 11: "Department of Natural Resources: Office of Project Management and Permitting." The division had 5 programs and experienced a 9 percent UGF reduction since FY 15 and 5 positions had been eliminated. She reported that in FY 19, there was a \$47,000 UGF cut planned for the division.

Ms. Peter-Contesse reviewed slide 12: "Department of Natural Resources: Division of Parks and Outdoor Recreation." The division had 2 components and 6 programs. The division had experienced reductions of 52 percent since FY 15 and a 17 percent increase in DGF for program receipts. The Division of Parks and Recreation was another division that had been increasingly relying on the revenue it generated and looking for ways to increase revenue. The division had eliminated 25 positions since FY 15. The major change in the budget for FY 15 was a \$500,000 fund source change from new revenue that the department anticipated collecting once the new fee regulations were in place prior to FY 19. She mentioned that the boating safety fund source change from other to DGF was not included in the dollar amounts. She did not have the information at the time she created the tables.

[3:32:52 PM](#)

Ms. Peter-Contesse advanced to slide 13: "Department of Natural Resources: Support Services Division." She relayed

that the division handled the back-end functions of the department along with the recorder's office. There were 3 programs within the division. There had been a 5 percent UGF reduction since FY 15 and a 24 percent reduction in DGF in the recorder's office during that same period. She elaborated that the program had experienced significant cuts yet had not negatively impacted the division's ability to generate additional funds. Overall, the division had reduced positions by approximately 62 since FY 15. She reported that 27 positions were deleted from the 3 programs. Some positions had been transferred to Shared Services of Alaska, and 25 positions had been transferred to the Office of Information Technology. However, the division still had the budget to pay for the positions in the programs. She continued to discuss the allocations within the division. She reported a \$50,000 UGF cut and a cut of 1 position.

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Ms. Peter-Contesse turned to slide 14: "Department of Natural Resources: Other Components." She reported that a group of other components included the commissioner's office, the public information center, the Exxon Valdez Oil Spill Settlement (EVOSS) trustee council office, the mental health trust land office, the facilities maintenance component, and the interdepartmental charge backs component. She indicated that the major reduction in the components was a \$125,000 cut in the facilities maintenance component as a result of consolidating 1 floor of the Atwood Building in Anchorage. The department was pleased with the savings outcome.

[3:35:44 PM](#)

Ms. Peter-Contesse scrolled to slide 15: "Department of Natural Resources: Division of Oil and Gas." The division had 10 programs. The division had experienced a 17 percent UGF reduction and a cut of 28 positions or 22 percent cut in PCNs. The department was not proposing any reductions in the Division of Oil and Gas for FY 19. The department had 2 increment requests. The first was a one-time request for \$250,000 for reservoir studies contractual services. The second increment was for \$250,000 to the base budget for reservoir studies software licensing. The two items had been paid for out of the capital budget for many years. She indicated they were more appropriate in the operating

budget. Most of the capital budget was swept in FY 18. There was enough in the capital budget for the current year to cover the costs, but they would need to go in the operating budget to continue the reservoir work.

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Representative Pruitt asked Ms. Peter-Contesse to restate the increments. Ms. Peter-Contesse relayed that there were two pieces regarding reservoir studies on the North Slope. The first increment of \$250,000 was for contractual services to do reservoir studies, a one-time item for FY 19. The department had highly technical software that it maintained for its staff in the oil and gas division to assist with reservoir studies. The software licensing was \$250,000 per year and was a base budget increment.

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Ms. Peter-Contesse advanced to slide 16: "Department of Natural Resources: Division of Geological and Geophysical Surveys." The division had 7 programs. The division had experienced significant reductions, 36 percent since FY 15. The division had eliminated 11 positions. The only change the department was proposing for the division was a \$200,000 fund source change from new revenue from seismic data sales.

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Ms. Peter-Contesse turned to slide 17: "Department of Natural Resources: Five-Year Health Care Trends." She highlighted the top right-hand corner where it stated the employer health contribution UGF was down \$2.4 million since FY 14. The main reason for the change was that the fund sources had changed significantly. Previously, the department was 48 percent funded by UGF, but now was only 38 percent funded by UGF. She indicated that the department had control of one particular area, worker's compensation. The department had reduced its worker's compensation charges by approximately \$500,000 over the previous 5 years. She reported that DPS, DOC, DOT, and DNR had the highest worker's compensation rates, as these departments had high risk jobs. The department prided itself on having a healthy fire crew. They did a significant amount of training, physical fitness, and safety training. She pointed out that the department had held steady in terms of

the total percentage of the budget between FY 14 and FY 19. She had looked at the total percent of the personal services budget, and again the DNR percentage was 16 percent. The average cost per position was equal to \$16,000 to \$17,000 per year per employee. She reviewed other efforts provided by the agency to encourage healthy lifestyles.

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Co-Chair Seaton asked if she could provide the committee with the numbers she read off. Ms. Peter-Contesse responded affirmatively.

Representative Thompson mentioned that in 2012 DNR had a backlog of over 800 permit applications. The legislature felt that the issuance of permits resulted in people going to work, therefore, \$3.8 million was added to the budget to help with processing of those permits. The backlog was addressed, but when the department gave the legislature an update there were about 200 new applications that needed processing. He asked about the status of permit applications presently.

Ms. Peter-Contesse responded that the current number was 938. She believed that the backlog at the time was about 2,000. She was uncertain about the total number in 2012. As of December 2017, the number was 938. The year before that the number was about the same at 950. While the department had decreased the backlog significantly, it had sustained additional cuts to the budget but was holding steady. Although the number of permit applications to process was decreasing, it was not decreasing significantly. She could get the director to follow-up.

Representative Thompson confirmed he would like the information. He also wanted to know the length of time it took applicants to receive a permit.

Representative Guttenberg was concerned with the state's responsibility regarding the permitting process. He was aware that in the process applicants were asked for addition items and information. Mr. Wiggin responded that there was a permitting process in the Oil and Gas division. The department had encouraged industry clients to visit DNR's office if they had any problems or questions. The department was cognizant of the fact that some people might

not understand all the pathways to get the correct permits needed for oil and gas or for land. He offered to discuss it further in the finance subcommittee.

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Representative Pruitt had questions about funding for the geological center as a result of legislation a couple of years prior. He asked about money shifting from UGF to industry partner participation. He was hoping for an estimated percentage. He also asked about potential changes in the Division of Parks and Outdoor Recreation. He asked about the division's direction regarding changes and the percentage shift in fees.

[3:47:01 PM](#)

Ms. Peter-Contesse replied that the Division of Geological and Geophysical Surveys had about \$329,000 in program receipt authority in FY 18 which would increase to \$529,000 with a funds source change in FY 19. The department hoped the seismic data revenue would fill the bucket. She encouraged Mark Wiggin to comment on the topic.

Mr. Wiggin responded that the department had approximate relative seismic fees. It had issued a total of 8 data sets with many more in the docket that would be coming out that were shot between the 2006 and 2016 period. He reported there were 12 additional sets that would be released in 2018. He anticipated an accumulation of receipts through the seismic program.

[3:48:22 PM](#)

Representative Ortiz drew attention to the Division of Forestry on slide 10. He asked about the location of state foresters and whether there had been an overall reduction in state forester positions. If so, he wondered if it had had an impact in terms of the ability of timber companies to develop the timber resource. Ms. Peter-Contesse deferred to the director of the Division of Forestry.

JOHN "CHRIS" MAISCH, DIRECTOR, DIVISION OF FORESTRY, DEPARTMENT OF NATURAL RESOURCES (via teleconference), answered that the division had positions scattered throughout the state in area offices. For example, in Southeast Alaska, there were foresters in Ketchikan,

Juneau, and Haines. The division had taken a 35 percent reduction in funding and staff in the forestry management portion of the division. Southeast Alaska was hit especially hard. The division had about half the staff in Southeast Alaska than what it had had since FY 16. He confirmed that the program had been slowed by the lack of capacity. However, the division was doing its best to meet the needs of the industry.

Representative Ortiz for an explanation of the Tongass challenge cost share agreement and good neighbor authority programs. Mr. Maisch replied that they were two federal programs in which the division was assisting the US Forest Service with management activities in the Tongass National Forest, on federal lands. The inventory program helped to look at young growth and accurately inventory the type of timber available to do timber projects. The division was doing a significant amount of work under the good neighbor authority to do so. The division had its first large sale in the current year on federal land. The state had done all the work. The division was reimbursed for all the related costs and hired back some of the laid off foresters to help with the related work.

Representative Ortiz asked where the timber sale took place. Mr. Maisch replied that it was on Kosciusko Island, just North of Prince of Whales. It generated about \$2.6 million in sales and about 3 million feet of timber. It was a very important sale for the industry in the upcoming year.

Representative Pruitt asked for an answer to his second question. Ms. Peter-Contesse deferred to Ethan Tyler. The question had to do with information about the change in fund sources to the Division of Geological and Geophysical Surveys and the expected percentage of change.

Representative Pruitt clarified that he wondered how the shift would take place in terms of the total percentage coming from fees. He wanted someone to speak to what the fee changes would be such as commercial fee changes or changes for private individuals.

ETHAN TYLER, DIVISION DIRECTOR, STATE PARKS AND OUTDOOR RECREATION, DEPARTMENT OF NATURAL RESOURCES (via teleconference), responded that the division was looking at several different ways to increase revenues coming into the

state park system. Currently, the division's revenues covered about 51 percent of its operational costs. The goal of the division was to raise the percentage rate to about 60 percent. He suggested that the division was looking at initiating some pricing consistencies within the public use cabin system, increased usage in the parks through promotions, special use permit fees, and increasing some of the areas where fees could be charged.

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

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ADJOURNMENT

3:53:50 PM

The meeting was adjourned at 3:53 p.m.