

HOUSE FINANCE COMMITTEE
March 5, 2018
1:34 p.m.

[1:34:29 PM](#)

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 (via teleconference)
Representative Lance Pruitt
Representative Steve Thompson
Representative Cathy Tilton
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Pat Pitney, Director, Office of Management and Budget, Office of the Governor; Quinlan Steiner, Director, Public Defender Agency, Department of Administration; Catherine Reardon, Director, Division of Administrative Services, Department of Commerce, Community and Economic Development; Heidi Teshner, Director, Division of Administrative Services, Department of Education and Early Development; Paul Prassing, Director of Student Learning, Department of Education and Early Development.

PRESENT VIA TELECONFERENCE

April Wilkerson, Director, Division of Administrative Services, Department of Corrections; Scott Kelley, Director, Commercial Fisheries Division, Department of Fish

and Game; Carol Petraborg, Director, Administrative Services, Department of Fish and Game.

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.

Co-Chair Seaton reviewed the agenda for the meeting. He reported that in the prior week the committee adopted the new committee substitutes for the budget bills that incorporated the first round of amendments. He provided further detail.

#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."

[1:34:29 PM](#)

^AMENDMENTS

[1:36:31 PM](#)

Representative Wilson MOVED to ADOPT Amendment H DOA 3
(copy on file):

Office of Information Technology
Alaska Land Mobile Radio
H DOA 3 - 3009: Structure/Infrastructure Land
Offered by Representative Wilson

FY17 Actuals were \$949.9 and the FY19 Governor's request is \$3947.3. A decrement of \$1,000.0 will result in a FY 19 budget request of \$2947.3 for structure, infrastructure and land repairs, maintenance, rental, and leases.

Representative Grenn OBJECTED.

Representative Wilson read the amendment description [see above].

Representative Grenn spoke to his objection. He explained that the Alaska Land Mobile Radio (ALMR) provided day-to-day and emergency radio services for Alaska's first responders. He detailed that the State of Alaska, the [U.S.] Department of Defense, other federal agencies, and local municipalities used the service to help ensure the public safety communications system in Alaska was reliable and available 24 hours per day. He agreed that the FY 17 actuals read by Representative Wilson were accurate; however, the governor's budget included an additional line item of \$2.6 million for repairs, maintenance, leases, and rentals. He spoke to the importance of providing flexibility to the departments pertaining to the two account codes. The proposed amendment would reduce the agency budget far below its FY 17 actual spend. The reduction would bring the agency's budget below its historical spending. He believed the amendment would have unintended consequences on the agency.

Co-Chair Seaton highlighted that the amendment structure looked at actuals two years back. The committee had received a document based on the questions of the procedure. He invited the Office of Management and Budget (OMB) director, Pat Pitney, to the table to address the amendment structure.

PAT PITNEY, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, conveyed that the OMB document

["FY2019 Amendments Based on FY2017 Actuals" dated March 5, 2018 (copy on file)] covered many actuals aligned with amendments under consideration by the committee. She explained that through the Executive Budget Actcut, the legislature provided appropriations and allocations. The control of the legislature was at the appropriation level and to a lesser extent at the allocation level; there were provisions to move across allocations within an appropriation. She pointed to an example in the document that used H DOA 3, which looked at the lowest accounting class (3009) covering items that were also included in accounting class 3010. The accounting class was very detailed and provided management with the ability to track expenditures at a very low level to ensure good management information.

Ms. Pitney continued that between the accounting classes and allocations there was also object type, which included personal services, travel, contractual, and other. Above the object type, the location in the organization. She provided an example using ALMR that included two spending components. The ALMR allocation was shown above that information. She explained that the legislature control was at that allocation. She elaborated that the allocation included different fund sources. There may be a lower cost level in an allocation because federal funds had not been received. She continued that if the spending was below the budget, the agency could not spend if it did not have the revenue.

Ms. Pitney elucidated the allocation in the particular ALMR component was less than \$1,000 general funds lapsed at the end of the year. From a budgeting perspective, less than one tenth of 1 percent of the budget was lapsed. She believed it executed the appropriation level for its purpose without overspending. Typically, there was a 1 to 2 percent flexibility because an agency never wanted to overspend in an allocation or appropriation - it would mean coming back for ratification. The ALMR allocation level had been less than \$1,000 - the funds had been budgeted under code 3009 and spent under code 3010 for the exact same function. She stressed that it was necessary to look at actuals at the legislative control level - the allocation or the appropriation.

Representative Wilson found it interesting that the legislature only had control over a certain portion. She

believed constituents felt that legislators should know where the money was being spent. She asked for verification that numerous entities besides the state were using the ALMR service.

Ms. Pitney responded that the system was used by local police forces and the [U.S.] Department of Defense, which provided federal funding.

Representative Wilson remarked that local fire departments [in Fairbanks] used the service. She believed it was time for everyone using the service to begin pitching in for the cost. She asked if the state had considered reducing funding and asking other users to contribute to the service.

Ms. Pitney responded that the administration had looked at the idea. She detailed it was a policy call that was unrelated to the amendment. The administration believed it was in the state's best interest to have interoperability of its emergency communications. She explained that when the fire and police departments had entered into the process it had been with an expectation of what it would cost them to run the system. She furthered that the administration had not elected to make that change at a time when public safety issues were facing the state.

[1:46:24 PM](#)

Representative Wilson argued that the chair had made the rules in terms of not being able to apply percentages for line items. She spoke to transparency and remarked there were different areas because the money was going to different spots. She elaborated that the committee was now hearing the funding was going somewhere in the area versus to the line item it was supposed to go towards. She stressed that the legislature was responsible for knowing where the money was going. She stated it would be different if the amendment went all the way down to the \$949,000. She observed there was a \$3 million difference. She thought the numbers should be combined on one line for clarity or the administration needed to be clearer about where the money was needed.

Ms. Pitney explained that the line item being discussed was object class 3009. She explained that the budgeted line item pertained to structure, infrastructure and land

repairs, maintenance, rental, and leases. The expenditure had been made in object class code 3010, which was described as machinery, furniture, office equipment purchase, repairs, maintenance, rental, and leases. The repairs, maintenance, rental, and leases were the same in both object classes. She continued that as the state came online with the new accounting system and object classes were refined, they were accounting for the same thing. She underscored that the administration was accounting for the expenditures, but from a budgeting perspective, most of it would be at the object type level covering all of the 3000s. She argued the importance of the accounting precision that was different than a budgeting precision. She reported that if the administration had to budget at an object class code, the cost of accounting and budgeting would be significant. She emphasized that "you're operating at an accounting level, you're budgeting at a management level." There was a true difference between how the two worked.

[1:49:14 PM](#)

Vice-Chair Gara disagreed with the earlier suggestion to transfer costs to municipalities. He did not believe that qualified as cutting the budget. He explained the idea behind ALMR was to ensure local and state authorities could communicate during an emergency in order to save lives. He spoke to the importance of understanding what the impact would be prior to suggesting costs should be taken on by communities. He disagreed with transferring the onus to the municipalities which would be seen in property taxes.

Co-Chair Seaton advised members to keep their discussions limited to the amendment.

Representative Wilson believed the topic was part of the conversation. She felt that at some point the state had taken on costs that were not necessarily state costs. She discussed the state was supposed to provide basic services, which had never really been defined. She added that the state had also started programs. She questioned whether the state could afford to continue funding certain programs. She was not saying municipalities needed to pay the full cost for ALMR, but she wondered whether the same groups were all still part of the program. She remarked that some people had changed to other methods because they found that ALMR was too expensive. She did not believe the program did

exactly what it was supposed to do when they first looked at it because it had become much more expensive than people had thought. Additionally, federal money had been used and much of the funding had been backfilled with state funding. She was concerned about the cost. She reasoned if the state was looking at other people's money, it needed to know what the money was being spent on (and not similar things).

Representative Grenn MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson
OPPOSED: Grenn, Guttenberg, Kawasaki, Ortiz, Gara, Seaton, Foster

The MOTION to adopt H DOA 3 FAILED (4/7).

[1:52:41 PM](#)

Representative Wilson MOVED to ADOPT Amendment H DOA 4 (copy on file):

Office of Information Technology
State of Alaska Telecommunications System
H DOA 4 - 3003: Information Technology
Offered by Representative Wilson

FY17 Actuals were \$10.1 and the FY19 Governor's request is \$105.7. A decrement of \$50.0 will result in a FY 19 budget request of \$55.7 for software licensing and maintenance, training and consulting.

Representative Grenn OBJECTED.

Representative Wilson read the amendment description [see above].

Representative Grenn spoke to his objection. He relayed the State of Alaska Telecommunications System provided reliable telephone network, data center, and data processing to all executive branch departments. He had similar concerns to the prior amendment. He stated that the FY 17 undesignated general funds (UGF) for the system was \$4,696,000, while the FY 19 governor's request was a decrease of more than \$200,000. He reported the fund sources had been reduced over 13 percent since FY 17. Another \$50,000 decrement

would bring the budget below FY 17 actuals. He believed the organization was absorbing cuts already and an additional cut would have consequences he did not support.

Representative Wilson did not believe a \$50,000 reduction would be significant for the office. She stated the office should know what the costs were in the areas of software licensing and maintenance, and training and consulting. would make a difference. She stated that the office had not spent the money in FY 17 in this area. She remarked "if you want to keep mixing the money together that's up to you."

Representative Grenn MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson

OPPOSED: Guttenberg, Kawasaki, Ortiz, Gara, Grenn, Foster, Seaton

The MOTION to adopt H DOA 4 FAILED (4/7).

[1:55:36 PM](#)

Vice-Chair Gara MOVED to ADOPT Amendment H DOA 5 (copy on file):

Legal and Advocacy Services

Office of Public Advocacy

H DOA 5 - Improve services provided to abused and neglected children by adding 4 Guardian ad Litems to OPA.

Offered by Representative Gara

The Office of Public Advocacy (OPA) Child Advocacy Unit represents the best interests of abused and neglected children who are involved in the juvenile courts, including Child in Need of Aid (CINA), domestic violence, juvenile delinquency, private custody, adoption, emancipation, and other cases. Most of their cases involve children in the foster care system and their interest in quickly finding a loving, permanent home for them, which will often be their original family.

Guardian Ad Litems (GALs) are an independent voice for these children, neither representing the state nor

parents. Unfortunately, their current caseloads of 100-110 children (sometimes more) are unmanageably high. A reasonable caseload is approximately 80 children per GAL. These heavy loads prevent GALs from getting to know the children they are charged with representing, and adequately assessing and speaking on behalf of their best interests. In many respects, the voices of GALs are the most critical in the child protection system.

The number of Guardian Ad Litem appointments has skyrocketed in recent years, growing from 1,076 in FY 12 to 1,949 in FY 17. Almost all of these are for CINA cases. A smaller number are for custody and domestic violence cases. GALs are court-appointed and statutorily required through AS 44.21.410. With high caseloads, GALs are not able to visit children regularly and risk not being able to know youth well enough to succeed at effectively promoting their best interests.

While OPA is using contractors to meet some of the need, it has been difficult to find and retain contract GALs and ensure high quality work. Staff GALs generally provide higher quality service because they have direct supervision and support and greater knowledge of relevant laws and policies.

Hiring one additional GAL each in Anchorage, Fairbanks, Palmer, and Juneau will meet help this need and bring caseloads down to acceptable levels.

Representative Wilson OBJECTED for discussion.

Vice-Chair Gara reported the amendment represented work he had wanted to do his entire career. He detailed that the guardian ad litem section at the Office of Public Advocacy was chronically underfunded. He explained that the individuals represented a child's best interest, either in foster care cases, domestic violence cases, and custody cases sometimes when court appointed. The individuals were charged to show up in court to say what was in the child's best interest. The individuals were supposed to know the children they represent. Currently, caseloads were at about 110 or more per guardian, while the recommended maximum was about 80. He explained that four additional guardian positions could accomplish caseloads closer to 80. He

explained it would make a huge difference not having guardians show up in court to represent a child without looking at their file beforehand. The combined number of cases for guardians ad litem and public guardians had doubled since 2012 (from 1,076 to 1,949), while the number of the workers had increased by around two positions. He felt it was a modest amendment to try to bring some balance to children's right to have their interests represented in court.

Representative Wilson spoke to her objection. She thought it was what happened when the legislature started doing things in silos. She stated that unless the legislature wanted to look at why the state was taking so many children out of homes, she wondered if they were going to get to the root of many of the increases that were tearing families apart. She did not agree with only increasing one portion without understanding the increase in other areas.

Vice-Chair Gara believed the number of youth in custody at the Office of Children's Services had somewhat stabilized. He relayed the number was not where he would like it to be, but without people working in the system it was not possible to get youth out of the system. He stressed that the youths lingered, languished, and got hurt. He explained that the amendment would put one guardian in each of four different offices. Extra office space was not needed - the amendment was as efficient as possible for roughly \$450,000 (it included no additional office staff).

Representative Wilson MAINTAINED her OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Kawasaki, Ortiz, Gara, Grenn, Guttenberg, Seaton, Foster

OPPOSED: Pruitt, Thompson, Tilton, Wilson

The MOTION PASSED (7/4). There being NO further OBJECTION, Amendment H DOA 5 was ADOPTED.

[1:59:58 PM](#)

Representative Grenn MOVED to ADOPT Amendment H DOA 6 (copy on file):

Legal and Advocacy Services

Office of Public Advocacy
H DOA 6 - Increase Public Defender Agency Funding to
Meet Projected FY19 Caseload
Offered by Representative Grenn

The Public Defender Agency FY2018 caseload is projected to exceed both American Bar Association and Alaska Division of Legislative Audit guidelines for maximum ethically permissible caseloads. Second quarter data for FY2018 shows substantial increases in major case appointments across the State, with increases projected into FY2019.

Per Alaska Division of Legislative Audit standards, the recommended maximum ethical caseload for the Public Defender Agency is 60 hours per week, or a weighted average of 59 cases per attorney. The Agency is currently projecting a weighted average of 92 cases per attorney, 56% above the recommended maximum.

These caseloads are unsustainable, cannot be absorbed, and may force attorneys to refuse case appointments on ethical grounds. Insufficient resources will cause additional delay across the justice system, expose the state to liability for failing to meet its constitutional obligations, and increase the likelihood that courts will take independent action. The State may then be required to contract private attorneys at a significantly higher, hourly rate. Delays on the side of Public Defenders will also have an impact on victims of crime who have a constitutional right to the timely resolution of their case.

This amendment adds four Attorney III positions and one Law Office Assistant I position. The attorney positions are expected to be located in Bethel, Ketchikan, Fairbanks, and Anchorage, with the additional support staff position located in Anchorage.

Given the Public Defender Agency has consistently received annual supplemental funding to meet constitutional obligations, it is likely this funding will be requested through the FY2019 Supplemental Budget, if not funded through the Operating Budget process.

Representative Wilson OBJECTED.

Representative Grenn read from the amendment description [see above]. He read from prepared remarks:

The Public Defender Agency provides constitutionally mandated legal representation to defendants appointed by the court as well as parents in Child in Need of Aid (CINA) cases.

Representative Grenn detailed that during the subcommittee process he had learned the agency had no control over cases as they were assigned. The agency was experiencing caseloads that exceed state and national best practice standards. One example used the American Bar Association guideline for maximum ethical caseloads of about 150 cases per attorney per year. He reported that in FY 18 the Public Defender Agency was projected to have 160 cases per attorney per year. In FY 19 the number was expected to continually increase. A 1998 study by the legislature's Division of Legislative Budget and Audit found that a Public Defender Agency attorney working 60 hours per week should have a maximum of 59 cases per attorney, whereas attorneys at the agency had an average of 92 cases (56 percent over the recommended maximum). The agency could not absorb or predict the increasing caseloads, which made it difficult to retain positions. He believed adding the positions would significantly help victims and those in need of defense.

Co-Chair Seaton relayed that a member from the agency was available to answer questions.

Representative Pruitt remarked there were two amendments he would offer, which he would not discuss at present. He contended that the problem was a management issue rather than a money issue. He looked at FY 14 as a baseline and included the Department of Law (DOL) Criminal Division (which includes Child Protective Services), which had decreased by 6.5 percent compared to the Office of Public Advocacy and the Public Defender Agency [both under the Department of Administration], which had increased by 2.3 percent. He underscored there was a 48 percent increase in the Office of Public Advocacy and the Public Defender Agency, whereas the increase in DOL was 40.7 percent. He had heard that the system would be thrown out of balance.

He stated if that were true he thought the prosecutors should be increased at the same rate. He stated the committee continued to hear a 1998 audit being utilized. He did not know whether there was anything new, but he believed it was an old standard to use.

Representative Pruitt opposed the amendment. He highlighted there were many more high-level attorney IV to VI positions in the Public Defender Agency than in the DOL Child Protective Services Division. He reiterated his belief the issue was not about money, but about management. He stated that the situation should be dealt with by adjusting how services were delivered. He understood the state did not have the money at present. He spoke to the need to examine the structure of an agency and in this case, to determine whether it needed all of its high-level attorney positions if other departments had fewer. He did not believe the amendment addressed the management issue. He stated the department had received an increase since 2014. He reiterated his testimony about decreases at DOL. He did not believe it was an apples-to-apples situation; therefore, he did not believe the money increase would solve the issue.

[2:06:07 PM](#)

Vice-Chair Gara argued that if the amendment did not pass it would be a hit to victims. He underscored it was a public safety amendment. In order to have a well-functioning criminal justice system, it was necessary to have enough prosecutors and police on the street. It was also necessary to have the ability to process the cases. He stated that cases would languish without the amendment, meaning victims would wait longer for justice. He considered whether they wanted better public safety in Alaska. With a decrease in prosecutors in recent years, the state had been declining cases. As prosecutor positions were added back, there was a need for people to defend individuals being prosecuted (the requirement was constitutional). He did not want victims to wait longer for justice, he wanted the cases to be processed accurately, he wanted the guilty to go to jail, and the innocent to be rightly represented.

Representative Wilson asked how often Alaska's courtrooms were empty. She reasoned that if courts were full and could not take any more cases, adding attorneys would not help. She wondered how many cases per year were plea-bargained

and did not require going to court. She believed the courts were always full. She wondered where the cases would be added if there was no more room in the court houses.

Representative Grenn responded that getting up to capacity with attorney positions was not only about going to court, but involved plea bargaining and other work. He asked to hear from the agency for a better description of the process.

Representative Wilson thought it was really about numbers, not the process. She reiterated her understanding that courtrooms were full every day. She wondered how more cases would be heard if there was no courtroom space.

[2:09:27 PM](#)

QUINLAN STEINER, DIRECTOR, PUBLIC DEFENDER AGENCY, DEPARTMENT OF ADMINISTRATION, stated his understanding of the question.

Representative Wilson clarified her question. She wondered how the cases would go more quickly if the courtrooms were already at capacity.

Mr. Steiner replied that he could not speak to whether or not the court system was at capacity. He reported the cases were coming in the door and the agency had to respond to them. When the agency was appointed to a case there was a certain amount of work it had to do, much of the work was done outside of court including the review of police reports, investigation of cases, and discussion with clients. He elaborated it was the process by which cases either resolve as a plea - which led to court for a hearing and sentencing - or trial, but much of the work was done outside of the court system's work. Regardless of the court system's capacity for an additional hearing, the Public Defender Agency still had to accomplish the work. He reasoned that adding attorneys, meaning the agency could process its cases more efficiently, could impact the trial rate in a positive way that may be more efficient than running things out. He explained that a lack of defense lawyers caused delays, litigation went up, and it put upward pressure on court time.

Representative Wilson asked what percentage of criminal cases the agency received were plead out and did not go to court.

Mr. Steiner responded that at some point the cases all went to court, but the pleading out rate was probably around 95 percent or higher.

Representative Thompson asked what percentage of cases going to court got referred to a public defender.

Mr. Steiner replied that the preceding year 79 percent of felonies had been assigned to public council and he believed 57 percent of misdemeanors had been assigned to public council. Historical values hovered around 80 percent for felonies and slightly over 50 percent for misdemeanors.

Vice-Chair Gara surmised that when cases were plead out, it did not occur on day one. He elaborated that often all of the work was done until the eve of trial when parties understood the strengths and weaknesses of each side of the case. He asked for verification that cases were often plead out the week or day before trials.

Mr. Steiner agreed that many cases plead out at the last minute. The more complex a case was, the more work required up front - including reading police reports, conducting investigation, and working with a client. The less complex cases may resolve a bit sooner. All of the work had to be done before an attorney could recommend a plea agreement and work with the client had to be done so the client understood the case and trusted that the lawyer had done everything that could be done to make the recommendation. He noted it was a time-consuming process that took place outside of court.

[2:13:45 PM](#)

Co-Chair Seaton mentioned that a statement was made about too many Attorney V and VI positions. He noted the amendment included attorney III positions. He asked Mr. Steiner if it was the lowest level attorneys the agency hired. He wondered why attorney III positions would be appropriate.

Mr. Steiner explained the reason attorney IIIs were appropriate was there had been recent policy decisions by

the Municipality of Anchorage to assume misdemeanor prosecutions. He elaborated that the misdemeanor caseload relative to the felony caseload had decreased. The agency was primarily engaged with felony criminal practice across the state. The need for entry-level attorneys had diminished and the agency was dealing with more complex felonies than in the past. Based upon resource decisions, the cases tended to be the more complicated, violent felonies; therefore, the agency was seeking attorney III positions to address lower level Class B and C felonies.

[2:14:56 PM](#)

Co-Chair Seaton asked if the courts were in session on Friday afternoons at present. Mr. Steiner responded that currently the court system was closed on Friday afternoons.

Co-Chair Seaton surmised that the time was not taken up with actual cases in court [on Friday afternoons]. Mr. Steiner answered in the affirmative. The agency used the time in the office to work on files and speak with clients.

Representative Grenn asked about the consequences for the state if caseloads were not reduced.

Mr. Steiner answered that if caseloads reached 160 [per attorney], the agency would be forced ethically to refuse cases. There was a principle of ethics that required a lawyer not to accept a case if they could not competently handle the case. Not having enough time would be the reason and the agency would attempt to refuse cases. He elaborated that if the court granted, the state would be required to pay private lawyers at a much higher rate. If the court system did not grant the request and ordered the Public Defender Agency to engage the cases, the resulting problems would be significant litigation on motions to withdraw and motions to dismiss as well as substantial delay. The litigation, the increased delay, and the likelihood of increased errors would result in potentially retrying the cases. He would anticipate a higher processing cost per case, in addition to delays and impacts of failing to resolve cases in a timely manner.

[2:16:54 PM](#)

Representative Wilson MAINTAINED her OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Ortiz, Gara, Grenn, Guttenberg, Kawasaki, Foster, Seaton

OPPOSED: Pruitt, Thompson, Tilton, Wilson

The MOTION PASSED (7/4). There being NO further OBJECTION, Amendment H DOA 6 was ADOPTED.

[2:17:50 PM](#)

Representative Pruitt MOVED to ADOPT Amendment H DOA 7 and H DOA 8(copies on file):

Legal and Advocacy Services
Office of Public Advocacy
H DOA 7 - Delete 10 Attorney V positions in Public Defender Agency.
Offered by Representative Pruitt

The Public Defender Agency's current caseloads exceed the American Bar Association (ABA) guidelines for maximum ethically permissible caseloads. Continued increases in civil case appointments combined with staff reductions resulted in caseloads that remain above guideline maximums even though criminal case appointments declined in FY2017. The Agency projects that caseloads will remain above guideline limits in FY2018 and FY2019.

These amendments will reduce the funding for Attorney V's in the Public Defender Agency by \$2,104.0. An average UGF cost of 10 Attorney V's was approximately \$210.0 per position. An average UGF cost of 10 Attorney II's was approximately \$138.0 per position. Removing 10 Attorney V's will allow hiring of 15 Attorney II's for the same cost.

Legal and Advocacy Services
Office of Public Advocacy
H DOA 8 - Add 15 Attorney II positions in Public Defender Agency.
Offered by Representative Pruitt

The Public Defender Agency's current caseloads exceed the American Bar Association (ABA) guidelines for

maximum ethically permissible caseloads. Continued increases in civil case appointments combined with staff reductions resulted in caseloads that remain above guideline maximums even though criminal case appointments declined in FY2017. The Agency projects that caseloads will remain above guideline limits in FY2018 and FY2019.

These amendments will reduce the funding for Attorney V's in the Public Defender Agency by \$2,104.0. An average UGF cost of 10 Attorney V's was approximately \$210.0 per position. An average UGF cost of 10 Attorney II's was approximately \$138.0 per position. Removing 10 Attorney V's will allow hiring of 15 Attorney II's for the same cost.

Representative Grenn OBJECTED.

Representative Pruitt reviewed the amendments. He surmised that if there was a challenge in terms of [legal] representation or about turning people away, perhaps the legislature should look internally into the agency [Public Defender Agency] to determine whether there was a way to manage the cases differently. The amendments allowed for the addition of 5 attorney II positions if the agency reduced its attorney V positions by 10. The amendment would bring the total number of attorney II positions to 15 for the same cost the department was currently paying. He stated there were 100 attorneys in the department [Department of Administration]. He believed the amendment addressed multiple concerns. He detailed that the state did not have additional cash flow and the committee had heard from Mr. Steiner that the agency needed additional people to manage its caseloads. He believed the prudent way to handle the situation was to encourage the proper management of the department based on the scenario currently facing the state. He stated the department had received an increase since 2014, while decreases had occurred in other state departments. He disagreed that it was not the prosecutors and the troopers forcing the conversation. He thought the management of the department needed to be analyzed.

[2:20:15 PM](#)

Vice-Chair Gara asked if the amendment sponsor had conducted any assessment on whether attorney IIs were experienced enough to handle high-level felonies.

Representative Pruitt replied in the negative. He remarked there were 100 attorneys in the department and he assumed there was opportunity to shuffle attorneys around. He acknowledged that some may not have the experience, but some may be willing to start the conversation. He recalled being on a jury where the defense attorney had been right out of law school and they had successfully defended the client. He stated that just because a person may not have the experience did not mean they could not do the job.

Representative Grenn spoke to his objection. He appreciated Representative Pruitt for proposing the hire of additional attorneys. However, he did not believe replacing attorney Vs who were subject matter experts and could handle Class A felonies (there had been an increase in felonies across the state) was prudent. He stated the need for experienced attorneys who could handle the cases was vital. He did not support replacing the more experienced attorneys with individuals directly out of law school to handle complex cases.

Representative Wilson clarified that she did not want to send the message that the committee was telling new attorneys they were not good. She acknowledged there were many great attorneys working for the state - some with more experience than others.

Co-Chair Seaton asked Mr. Steiner to explain the difference between an attorney V and attorney II. He asked if one supervised other attorneys.

Mr. Steiner explained that an attorney V was either a supervising attorney at the highest level who could handle Class A and unclassified felonies (homicides and first-degree sex assault cases) independently or in a supervisory/training role. Attorney Vs were also statewide subject matter experts on practice or litigation areas within different case types. For example, there were experts who handle any litigation surrounding "guilty but mentally ill" or "not guilty by reason of insanity and competency." When attorneys were experienced in those issues it meant they could be assigned to oversee litigation in that area, which was much more effective and

efficient than reinventing the wheel each time. Attorney IIs were fresh out of law school or a clerkship. The impact of the amendment would be fairly dramatic - the agency would lose the supervisory class and expertise, which would essentially render the agency incompetent to handle the cases. As a manager, he was required to ensure that lawyers were supervised, and that the agency was handling it competently. He explained that because the agency was statewide and handled such a high level of cases, the positions were necessary to ensure the attorney IIIs and IVs were litigating in the required manner.

[2:24:49 PM](#)

Representative Thompson asked how many attorney Vs worked for the state.

Mr. Steiner asked if Representative Thompson was speaking to the entire state system or the Office of Public Advocacy.

Representative Thompson replied he was interested in the Office of Public Advocacy. Mr. Steiner believed there were 10 attorney Vs. He detailed the agency had multiple trial unit supervisors in Anchorage as well as subject matter experts in the appellate division. There were supervising attorneys in Fairbanks, Kenai, Palmer, and Juneau. The office was subdivided on a regional basis. For example, Fairbanks supervised the Barrow office and Nome supervised the Kotzebue office. The larger offices were supervised independently underneath the deputy director in Palmer and Kenai. He added that Southeast operated as a region. The office was able to supervise and oversee litigation on a regional basis.

[2:25:59 PM](#)

Co-Chair Seaton stated that the office had 10 attorney V positions. He asked for verification that the amendment would delete all of the office's 10 supervisory positions.

Mr. Steiner replied in the affirmative. The office would be left with no acting supervisors regionally or in the Anchorage office. He expected the individuals would resign and the office would no longer have the expertise and capacity to oversee and litigate the high-level cases. He stated it would very likely lead to a conflict situation

where the office would have to get out of the cases because it would be incompetent to handle that many. There would be only a few lawyers left in the system that would be capable of handling the cases.

Representative Pruitt appreciated the concern. However, the amendment pertained to part of the continued discussion the legislature had over the past couple of years - how to manage the current situation if the state did not have money. He stated that the legislature had not forced things, but he surmised perhaps it should be more active. He understood there may be challenges, but he stated the agency had not been required to analyze its ability to manage what it had because it had seen a budget increase in the past few years. He remarked that the agency they were arguing against [DOL] had seen a budget decrease. He thought the amendment was a reasonable request. He stated it would do what the agency had requested by giving it more attorneys. He reasoned that giving more attorneys meant something had to give. He believed people were telling the legislature consistently there was not enough money to continue to add to the budget. He thought it was necessary to reanalyze how the service was delivered.

Representative Grenn MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton

OPPOSED: Wilson, Gara, Grenn, Guttenberg, Kawasaki, Ortiz, Seaton, Foster

The MOTION to adopt Amendments H DOA 7 and H DOA 8 FAILED (3/8).

[2:29:23 PM](#)

Representative Wilson MOVED to ADOPT Amendment H CED 3 (copy on file):

Community and Regional Affairs
Community and Regional Affairs
H CED 3 - 3000 Education Services
Offered by Representative Wilson

FY17 Actuals were \$130.4 and the FY19 Governor's request is \$230.0. A decrement of \$50.0 will result in

a FY 19 budget request of \$180.0 in Training, Educational Conferences, agency memberships, tuition, books and fees for work-related courses.

Representative Guttenberg OBJECTED.

Representative Wilson read the amendment description [see above].

Representative Guttenberg spoke to his objection. He explained that the actuals GF were not available and had not been spent. He detailed the capital improvement project funds had been underspent. He explained that cutting the GF would prevent the department from doing many things across the department. The GF was used in numerous places.

Representative Wilson stressed the purpose of the budget was to know where the money was spent. She stated if the legislature was not going to figure that out, the departments should just provide an amount of money they want. She was not willing to let departments spend the money wherever they want to. She did not believe it was what legislators were supposed to do. She stressed that legislators were responsible to their constituents. She elaborated that the \$180,000 was meant for training, educational conferences, agency memberships, tuition, books and fees for work related courses. She believed the department should come tell the legislature if it needed the money for other things. She underscored there was no choice but to look into the details of how money was spent. She reasoned that before her constituents were faced with being taxed for something they would want to know where the money was going. She thought the legislature was communicating that it would not look at what the agencies were saying they were spending the funds on because in reality the agencies would spend the funds wherever they want. She believed it was unacceptable.

Representative Guttenberg MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Thompson, Tilton, Wilson, Pruitt

OPPOSED: Gara, Grenn, Guttenberg, Kawasaki, Ortiz, Foster, Seaton

The MOTION to adopt Amendment H CED 3 FAILED (4/7).

[2:33:34 PM](#)

Representative Wilson MOVED to ADOPT Amendment H CED 4 and H CED 5 (copies on file):

H CED 4
Community and Regional Affairs
Community and Regional Affairs
H CED 4 - 3011: Other Services
Offered by Representative Wilson

FY17 Actuals were \$59.4 and the FY19 Governor's request is \$477.6. A reduction of \$200.0 will result in a FY 19 budget request of \$277.6 to pay for other services, including printer/copy machine services, printing services and State Travel Office fees. This reduction will allow for a FY 19 budget which is \$218.2 over FY 17 actual expenditures.

H CED 5
Economic Development
Economic Development
H CED 5 - 3011 Other services
Offered by Representative Wilson

FY17 Actuals were \$87.3 and FY19 Governor's request is \$298.3. A decrement of \$100.0 will result in a FY 19 budget request of \$198.3 in other services, including printer/copy machine services, contracting services, marketing collateral materials, and State Travel Office fees. This reduction will still allow for a FY 19 budget that is more than twice the amount actually expended in FY 17.

Representative Guttenberg OBJECTED.

Representative Wilson read the amendment descriptions [see above].

Representative Guttenberg spoke to his objection. He explained that in FY 17 there were two federal grants that had not been available in other years, meaning the department had been able to not use UGF. The department had cut its economic development positions from 16 to 7, which had resulted on a larger emphasis of contracting out. The efforts included strategic economic development, expansion

of programs into communities, identifying local business climates, the Made in Alaska program, growth maximizing in maritime, startups, innovation, and other. The department had been cut significantly by a 70 percent UGF reduction.

Representative Wilson stressed that the department was receiving more funding than it had received in FY 17 and FY 18. She explained the amendment did not mean the department would receive the same budget year after year, but the legislature would look at what was actually spent. She believed that the department should ask the legislature if it needed the money somewhere else. She concluded it was still a gain, not a cut.

Representative Guttenberg MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Tilton, Wilson, Grenn, Pruitt, Thompson
OPPOSED: Gara, Guttenberg, Kawasaki, Ortiz, Seaton, Foster

The MOTION to adopt Amendments H CED 4 and H CED 5 FAILED.
(5/6).

[2:37:30 PM](#)

Co-Chair Seaton MOVED to ADOPT Amendment H CED 6

Alcohol and Marijuana Control Office
Alcohol and Marijuana Control Office
H CED 6 - Add Legislative Intent regarding Marijuana
Regulation
Offered by Representative Seaton

Wordage: It is the intent of the legislature that the July 1, 2019, appropriation of the unexpended and unobligated program receipts from the licensing and application fees related to the regulation of marijuana of the Department of Commerce, Community, and Economic Development, Alcohol and Marijuana Control Office, be limited to the cost of marijuana regulation for the fiscal year ending June 30, 2020, and that the remaining unexpended and unobligated balance of program receipts from the licensing and application fees related to the regulation of marijuana on June 30, 2019, lapse into the general fund. It is the intent of the legislature that

licensing and application fees related to the regulation of the marijuana industry be maintained at a level that allows for the sum of \$4,646,100 to lapse into the general fund, at which time licensing and application fees may be adjusted to cover anticipated annual operating costs for marijuana regulation. It is the intent of the legislature that the Alcohol and Marijuana Control Office report to the co-chairs of the Finance Committees and the Legislative Finance Division by January 1, 2020, the amount of program receipts from the licensing and application fees related to the regulation of marijuana that lapsed into the general fund.

Explanation: 30-GH25640.14

This amendment adds legislative intent language directing the Alcohol and Marijuana Control Office as follows:

--In the FY20 budget, limit the amount of unexpended and unobligated program receipts from licensing and application fees related to the regulation of marijuana that are carried forward from FY19 into FY20, equal to the cost of marijuana regulation.

--All excess program receipts at the end of FY19, lapse to the general fund.

--Maintain the level of licensing and application fees at a level that allows for \$4,646,100 to lapse to the general fund, and once that occurs licensing and application fees may be adjusted to cover the anticipated annual operating costs for marijuana regulation.

--\$4,646,100 equals the total unrestricted general funds used to implement the regulation of marijuana - Actual expenditures in FY15 and FY16 totaled \$1,812,500 -Actual expenditures in FY17 totaled \$1,248,300 -Appropriation in FY18 totaled \$1,052,500 - Appropriation in FY19 totaled \$532,800

--Provide a report by January 1, 2020 to the co-chairs of the Finance Committee and Legislative Finance Division on the amount of program receipts lapsed to the general fund.

Representative Wilson OBJECTED for discussion.

Co-Chair Seaton reviewed the amendment description [see above].

Representative Wilson WITHDREW her OBJECTION.

Representative Pruitt OBJECTED for discussion. He reported that he had been the chair of the subcommittee when the conversation had begun and the intent in the amendment was exactly what the subcommittee had envisioned. He appreciated the amendment. He WITHDREW his OBJECTION.

There being NO further OBJECTION, Amendment H CED 6 was ADOPTED.

[2:40:55 PM](#)

Representative Wilson MOVED to ADOPT Amendment H CED 7 (copy on file):

Alaska Energy Authority
Alaska Energy Authority Rural Energy Assistance
H CED 7 - 2000 In-State Employee Travel
Offered by Representative Wilson

FY17 Actuals were \$33.0 and the FY19 Governor's request is \$125.0. A decrement of \$50.0 will result in a FY 19 budget request of \$75.0. With this reduction, the FY 19 budget request is more than twice the amount actually expended in FY17 for in-state transportation costs for travel relating to administration, conventions and meetings, boards and commissions.

Representative Guttenberg OBJECTED.

Representative Wilson read the amendment description [see above].

Representative Guttenberg spoke to his objection. He explained that UGF from the Alaska Energy Authority (AEA) had been fully expended. He detailed that UGF was critical to many rural programs. Since FY 17, the value of the capital projects had decreased and the statutory receipts were not collected to equal the appropriate authority. He thought changing the amendment to capital receipts would be appropriate. He did not support a reduction to UGF.

Vice-Chair Gara stated that one of the things AEA did for rural power systems, especially now that the state not installing many new systems, was helping to bring power systems back online when a problem occurred. He asked if the cut would affect that function.

Representative Wilson replied in the negative. The amendment pertained to instate travel, mostly utilized for to administration, conventions and meetings, boards and commissions. The amendment did not have anything to do with emergency responses. She stated that it would still give the agency twice as much funding as it had received in FY 17.

Representative Ortiz asked if anyone in the room could explain the impact of the amendment on the department.

[2:43:41 PM](#)

CATHERINE REARDON, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, replied that the UGF received by AEA had been completely spent in each of the last three fiscal years; it had not necessarily been spent on travel, but on the essential activities of AEA. The amendment matched budgets at sub-accounting levels, but looking at the component or RDU level showed that UGF had been needed and fully used for things like community assistance for utility worker training and other. Cutting UGF would directly impact AEA activities. The funding not used in AEA was capital improvement project (CIP) receipts and some other funding sources. When actuals were lower than budgeted, it was in funding sources like CIP receipts that was not in UGF. The underspending may have been in CIP receipts. Taking the difference out of UGF would definitely impact the program. She was glad to see the organization was not spending as much on travel - it was spending the money on other needs to meet community electrical and utility requirements.

[2:46:10 PM](#)

Representative Ortiz asked if AEA had seen significant reductions in GF support since 2015.

Ms. Reardon responded that AEA was one of the Department of Commerce, Community and Economic Development's (DCCED) agencies that had seen the most cut because it had UGF. The

agency had two RDUs at one point with significant UGF in them. She believed the agency had lost over \$2 million UGF since FY 15. She could follow up with further detail if desired.

[2:47:24 PM](#)

Representative Ortiz referenced the \$2 million reduction and asked what the percentage reduction had been compared to FY 15. Ms. Reardon responded she needed 15 minutes to get an answer to the question.

Vice-Chair Gara spoke to UGF appropriations for the department and AEA. He explained that since the FY 15 management plan, AEA had been receiving \$4.6 million UGF. Currently, AEA was receiving \$874,000, which represented an 81 percent reduction. He stressed AEA was the state's only energy agency, which was responsible for keeping power systems running in rural Alaska, consulted with power systems around the state and on energy efficiency and cost reduction. He added that DCCED had been cut by 75 percent since FY 15.

Representative Wilson wondered why \$125,000 had been budgeted for the area [of instate travel] if it was needed in other areas within the agency. She wondered why the funds had not been put in the other areas where needed.

Ms. Reardon responded that the department did not really budget at the level of the dozens and dozens of codes. The department primarily watched the main line items that were seen by legislators including personal services, travel, contractual, commodities, and grants. The department did not build its budgets from the ground up every year - it spent its time trying to manage by looking at bigger movements because the system allowed moving money between sub-line items. She explained that the department did not necessarily spend time deciding how much it would spend on books and postage, but on how much it had to provide for the services to the public in general. She believed it was true across departments. She added it was not a new thing.

Representative Wilson countered that the money under consideration was in travel. She remarked that Ms. Reardon was saying that the money was not needed in travel but that it had been needed in another area. She stated that the committee was not allowed to "do a 2 percent or a 1

percent," so the only choice members had was to look to see where the money was spent and where it had been in the past. She reiterated that the money had been allocated for travel, but it sounded like the agency needed the money elsewhere. She thought Ms. Reardon was saying that the department did not look at its actuals down to "this level." She surmised the department only looked at a bigger picture and did not determine where it could save the money on a smaller level.

Ms. Reardon stressed that the department did look at how it could save money throughout the year, which was the reason there was unspent funding. She clarified that it was not UGF that Representative Wilson was looking at. She explained the issue was not that the agency needed more UGF in another category and moved it, it was that the funding the department did not use was CIP receipts or other funding sources. She underscored that the department could not move the money anywhere else; it had merely not been spent because the department did not have the capital projects that used the money. In other words, the legislature may have told DCCED it could spend \$100,000 on travel; it had only spent \$25,000 because it was all the money the department had from that funding source. She furthered that if the legislature told the department it could spend \$100,000 and it spent \$50,000, it was not that \$50,000 UGF could be taken, it was that \$50,000 of the unspent CIP receipts could be taken without impacting the department's activities compared to FY 17. She clarified that the funding source mattered; if the funding source had been uncollectible, the department could not spend it.

[2:52:51 PM](#)

Representative Wilson thought Ms. Reardon was saying that even though the department did not need the money where it was, it may need it elsewhere; therefore, it wanted to keep it where it was.

Ms. Reardon replied in the negative. She explained that it had not been UGF money in the first place; it was hollow authority (money the department did not have) in CIP receipts.

Representative Wilson commented the department must have substantial hollow authority.

Representative Guttenberg MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Wilson, Pruitt, Thompson, Tilton

OPPOSED: Gara, Grenn, Guttenberg, Kawasaki, Ortiz, Foster,
Seaton

The MOTION to adopt Amendment H CED 7 FAILED (4/7).

2:54:23 PM

AT EASE

3:03:04 PM

RECONVENED

Representative Wilson MOVED to ADOPT Amendment H CED 8
(copy on file):

Alaska Energy Authority
Alaska Energy Authority Rural Energy Assistance
H CED 8 - 3011: Other Services
Offered by Representative Wilson

FY17 Actuals were \$252.2 and the FY 19 Governor's
budget request is \$582.0. A decrement of \$100.0 will
result in a FY 19 budget request of \$482.0 for other
professional services which is \$229.8 more than FY 17
actual expenditures.

Representative Guttenberg OBJECTED.

Representative Wilson read the amendment description [see
above]. She added that when she looked up the UGF and what
had been spent she had made sure whatever had been in
personnel services had been taken out first.

Representative Guttenberg confirmed that the money had been
spent. He stated it was the same dialogue as with the
previous amendment about where the appropriate funding
sources were - whether it was UGF or capital improvement or
how they used it.

Representative Wilson stated the department was responsible
for knowing where it spent the money.

Representative Guttenberg MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson, Ortiz
OPPOSED: Grenn, Guttenberg, Kawasaki, Gara, Seaton, Foster

The MOTION to adopt Amendment H CED 8 FAILED (5/6).

[3:06:02 PM](#)

Representative Guttenberg MOVED to ADOPT Amendment H CED 9
(copy on file):

Regulatory Commission of Alaska
Regulatory Commission of Alaska
H CED 9 - Broadband Mapping
Offered by Representative Guttenberg

Wordage: It is the intent of the legislature that the Regulatory Commission of Alaska produce a map of broadband coverage in the state, using the best available GIS data and technology. The Regulatory Commission of Alaska shall deliver a report summarizing mapping efforts and results to the Speaker of the House, the President of the Senate, the Co-Chairs of the House Finance Committee, the Co-Chairs of the Senate Finance Committee, and the Legislative Finance Division, by January 1, 2019.

Explanation: On December 1st, 2017, the RCA released its legislative report on Alaska's current and future broadband coverage in response to intent language in the FY18 operating budget. This amendment directs the RCA to follow up on those efforts and continue developing maps that help determine the extent of broadband coverage in Alaska.

There being NO OBJECTION, Amendment H CED 9 was ADOPTED.

[3:06:25 PM](#)

Representative Wilson MOVED to ADOPT Amendment H DOC 6
(copy on file):

Population Management
Institution Director's Office
H DOC 6 - 3001 Financial Services

Offered by Representative Wilson

FY17 Actuals were \$19.2 and the FY 19 Governor's budget request is \$226.7 for management and consulting services. A decrement of \$100.0 will result in a FY 19 budget request of \$126.7 which is \$107.5 over FY 17 actual expenditures.

Representative Kawasaki OBJECTED.

Representative Wilson read the amendment description [see above].

Representative Kawasaki asked what the decrement would do to the management and consulting services that were requested.

Representative Wilson replied the amendment would control how much the department could spend on the items.

Representative Kawasaki spoke to his objection. He reported that the total agency under the Institution Director's Office was \$1.75 million including \$137,000 in federal receipts. Just over \$20,000 had come in under federal receipts in the last fiscal year. Without more explanation on how the reduction would harm or help the budget, he thought the amendment could harm the federal receipt funding source. He referenced a sheet from OMB that stated an analysis of expenditures at the object class level was insufficient to determine if there was authority available for reductions. Without further explanation of what the amendment would do he advised members to vote no. He MAINTAINED his OBJECTION.

[3:08:18 PM](#)

Representative Wilson believed the better question was why the department had only spent \$19,200 in FY 17 and now it needed \$226,700. She could not find a reason for such a large increase.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson

OPPOSED: Guttenberg, Kawasaki, Ortiz, Gara, Grenn, Foster, Seaton

The MOTION to adopt Amendment H DOC 6 FAILED (4/7).

[3:09:34 PM](#)

Representative Tilton MOVED to ADOPT Amendment H DOC 7 (copy on file):

Offender Habilitation
Vocational Education Programs
H DOC 7 - Decrement
Offered by Representative Tilton

Reduce to 2017 final numbers accounting for CPI.

Representative Kawasaki OBJECTED.

Representative Tilton explained the amendment. She detailed the prison system population was decreasing. Although she was supportive of training, the increment was an increase of almost \$200,000. She did not understand why the budget for training was increasing for incarcerated individuals when the population was declining.

Representative Kawasaki asked if the reduction was based on the final budget or actuals.

Representative Tilton replied that the amendment was based on 2017 finals and increased for inflation.

[3:10:31 PM](#)

Representative Wilson was in support of the amendment. She believed it would incentivize the department for using treatment centers outside of the institutions. There had been significant subcommittee discussion about Medicaid expansion. Whether a person liked Medicaid expansion was irrelevant. She stated that if the incarcerated individuals were in halfway housing or on electronic monitoring they would be picked up by the federal government and the state may have better, more efficient programs. She had not heard anything in subcommittee demonstrating how successful the system was, but she had heard the recidivism rate was still over 65 percent. She believed the high rate indicated many of the current programs were not working.

Co-Chair Seaton asked to hear from the Department of Corrections (DOC) about the impact of the reduction.

APRIL WILKERSON, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF CORRECTIONS (via teleconference), replied that it would mean reduced funding for inmate vocational education training services currently provided within the institutions. The budget had been stagnant over the last several years at \$606,000. She reported that in the FY 17 actuals the department had spent \$521,500.

Representative Ortiz remarked on the amendment sponsor's point that the overall prison population had been declining. He asked if the proposed amendment would result in less available educational opportunities for inmates based on the decline in the inmate population.

Ms. Wilkerson replied that DOC would need to take a look at what level and what was currently provided to determine whether it would be a reduction in the service or the types of vocational education provided versus a reduction in the number of individuals that could attend the training services.

Representative Wilson asked if the department offered vocational training anywhere but in institutions. She wondered why the department did not offer training in other places.

Ms. Wilkerson replied in the negative; the vocational certification was completed within DOC facilities. She reported that DOC was currently working on a work-release type of program, such as the cannery in Kenai.

Representative Wilson asked who provided the services (i.e. contractors or other) and how many had signed up and successfully completed the training.

Ms. Wilkerson replied that she did not have the numbers on hand. She detailed that the vocational education training was provided through contracts and partnership agreements. She offered to follow up with the program numbers.

Representative Wilson asked if the training could be provided via another method such as in a halfway house or through an ankle monitoring system where the individual received training from the University or the Alaska Vocational Technical Center (AVTEC).

Ms. Wilkerson believed the commissioner was working on implementing those types of options.

[3:15:37 PM](#)

Representative Kawasaki opposed the amendment. He stated that the actual budget numbers for FY 17 were \$521,500. He pointed out that the number would be closer to \$538,000 when adjusted for inflation. The amendment would decrease the amount by \$107,300, bringing the allocation total to \$498,700, which was short of the FY 17 actual by about \$23,000 or \$38,000 when adjusted for inflation. He believed it was unwise to cut offender rehabilitation. He remarked there had been good programs that had been very successful. He reported that a former co-chair of the House Finance Committee had spoken highly of the work being done in Mat-Su as well as in the Seward woodworking shop. He believed the state could lose those types of programs if the amendment was adopted.

Representative Wilson corrected that DOC had not been able to provide detail on which programs were or were not working. She stated the information would have been very helpful when considering the amendment.

Co-Chair Seaton remarked that it was up to the person offering the amendment to know the impact, otherwise the committee would have to assume the impacts.

Representative Wilson replied that she and her colleagues had asked and had received little to no response out of agencies. She stated that to get something on time [from agencies] was almost impossible.

Representative Pruitt tried to recall whether (prior to 2017) agencies had participated in the same capacity. He stated if the discussion was that members should not be asking questions of the departments, he did not have a problem with that, but he believed it should be consistent. He thought perhaps the members around the table should be the ones to argue for or against items instead of bringing agencies in to defend their budget.

Representative Tilton agreed with the comments by Representative Pruitt. She believed that if amendment sponsors were expected to provide the information that perhaps departments should not be asked to respond to any

questions. She spoke to the amendment and shared there had been a decrease in [prison] population. The numbers were based on final FY 17 information increased for inflation. She stated there were no success metrics and there were other opportunities.

[3:19:40 PM](#)

Representative Kawasaki MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson

OPPOSED: Kawasaki, Ortiz, Gara, Grenn, Guttenberg, Seaton, Foster

The MOTION to adopt Amendment H DOC 7 FAILED (4/7).

Co-Chair Seaton MOVED to ADOPT Amendment L H DOE 3 (copy on file):

K-12 Aid to School Districts

Foundation Program

L H DOE 3 - School consolidation hold harmless for FY19 and FY20

Offered by Representative Seaton

See 30-GH25640.29

The current Foundation statutes provide for a hold harmless provision in AS 14.17.410(b)(1)(E) which provides a step-down process if a district's total school size adjusted average daily membership (ADM) decreases by 5% or more from one year to the next. This provision provides a three-year step down of funds for schools that rapidly lose students.

However, other school districts that have seen less dramatic enrollment declines could still save money by consolidating schools. The current School Size Factor in statute would cause districts that did this to lose state aid, offsetting the savings.

This amendment would grant an amount equal to the funding reduction to the school district in FY19, so the school district is held harmless immediately after the school consolidation. This provision is limited to consolidation of schools within a single community,

ensuring that this does not cause districts to close the sole school in a community. The language also includes intent language that the legislature will include similar language in the budget next year, giving districts additional time to prepare.

There is no change to the budget. Any grant given by this language would be offset by a reduction to the K-12 foundation formula.

Representative Pruitt OBJECTED for discussion.

Co-Chair Seaton read the amendment description [see above].

Vice-Chair Gara stated the amendment would benefit his school district with consolidation. However, he wondered if the funds would come out of the foundation formula from money available from other schools.

Co-Chair Seaton replied in the negative. He detailed the amendment involved a UGF grant that offset the reduction that would be seen through the foundation formula so that the school district that consolidates would be held harmless in the year of consolidation.

Vice-Chair Gara remarked that the amendment showed zero cost, but he surmised there would probably be some cost in grants, which was not yet known.

Co-Chair Seaton replied in the negative. He explained there was an offset cost. Prior to consolidation, the schools would have been getting a school size factor in two schools. When two schools consolidated into one with a larger cost size, there would be a loss of revenue to the district because the consolidated school was larger and it had less money coming from the cost size. Some money was saved in administration (i.e. there was no need for two principals). The amendment specified that if a school consolidated for efficiency, the state would give the school a grant (in the year of consolidation) to make up the difference. The amendment encouraged consolidation and efficiency, whereas, the current system incentivized districts to leave two schools in place where populations had been reduced.

[3:24:34 PM](#)

Vice-Chair Gara supported the amendment. He noted it was a quirk in the education foundation formula. He elaborated that the amendment helped his district; however, it would never help the Lake and Peninsula School District where there was one school per community. He understood the amendment could only address the one issue, but he hoped the legislature would "do right" by all of the state's schools by the end of session.

Representative Ortiz testified in support of the amendment. He reported that the Department of Education and Early Development (DEED) budget subcommittee had discussed the issue. He elaborated that representatives from the Anchorage area had communicated that the current education formula acted as a disincentive for consolidation. He believed the amendment at least partially addressed the issue.

Representative Pruitt clarified that Anchorage was the district grappling with how to manage its funds. He reported the district's population had decreased in the past few years and was continuing to decrease by small amounts. The district had underutilized schools and they had not been able to truly look at the best way to manage their funds in terms of pulling a school offline temporarily or long-term because the funding formula penalized districts for that action. He believed the amendment provided a temporary stopgap solution. He thought the discussion forced the legislature to analyze how the formula funding potentially discouraged or encouraged efficient utilization of funds. He recognized it was a future conversation. He believed the amendment was an appropriate way to handle the issue on a temporary basis. He WITHDREW his OBJECTION.

There being NO further OBJECTION, H DOE 3 was ADOPTED.

[3:28:01 PM](#)

Representative Wilson MOVED to ADOPT Amendments H DOE 4, H DOE 5, H DOE 6, H DOE 7 (copy on file):

Education Support and Admin Services
Student and School Achievement
H DOE 4 - 3001 Financial Services
Offered by Representative Wilson

FY17 Actuals were \$545.2 and the FY19 Governor's request is \$1,115.0. This decrement of \$200.0 will result in a FY 19 budget request of \$915.5 which is \$369.8 over FY 17 actual expenditures.

Education Support and Admin Services
Student and School Achievement
H DOE 5 - 3011 Other Services
Offered by Representative Wilson

FY17 Actuals were \$5,374.5 and the FY19 Governor's request is \$6,449.4. A decrement of \$250.0 in professional activities will result in a FY 19 budget request of \$6199.4 which is \$824.9 over FY 17 actual expenditures.

Education Support and Admin Services
Student and School Achievement
H DOE 6 - 4000 Business
Offered by Representative Wilson

FY17 Actuals were \$149.4 and the FY19 Governor's request is \$217.8. A decrement of \$50.0 will result in a FY 19 budget request of \$167.8 which is \$18.4 over FY 17 actual expenditures.

Mt. Edgecumbe Boarding School
H DOE 7 - 3011 Other Services
Offered by Representative Wilson

FY16 Actuals were \$299.9, FY 17 Actuals were \$101.3 and the FY 19 Governor's request is \$450.8 A decrement of \$100.0 will result in a FY 19 budget request of \$350.8 which is \$249.5 over FY 17 actual expenditures and \$50.9 over FY 16 actual expenditures.

Representative Ortiz OBJECTED.

Representative Wilson read the amendment descriptions [see above].

[3:30:26 PM](#)

Representative Ortiz emphasized that the student and school achievement budget was 96 percent federally funded and only 3.2 percent GF funded. He detailed that \$151 million of the total \$158 million student and school achievement budget

was federally funded (\$5.1 million was GF funding). The budget section had very little GF authorization and levered GF funding to the hilt. He elaborated that GF funding was needed to meet state obligations. He asked to hear from DEED about the impact of the amendment.

[3:31:48 PM](#)

HEIDI TESHNER, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, confirmed that 95 to 96 percent of the student and school achievement budget was federally funded. The proposed reduction in UGF funding within the component would impact a number of the department's state mandates and its matching requirements. She deferred to a colleague for additional detail.

PAUL PRASSING, DIRECTOR OF STUDENT LEARNING, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, pointed out that the amendment would be a reduction of about \$500,000, which would be another 10 percent reduction to the division's budget. He elaborated that the division had lost over 20 staff and there had been a reduction of over 50 percent in the past couple of years. The proposed UGF reduction would significantly impact the component. He spoke to actuals compared to the current spend and reported that much of it related to an assessment contract shown in the [budget code] 3001 line. He referenced \$546,000 and explained there had been two issues. There was an assessment contract the division had negotiated with a vendor to complete. Additionally, a new vendor had come on board. He expounded that the billing in the fiscal year had not actually occurred in FY 17 - it primarily impacted FY 18. He explained the division also had a new five-year assessment contract (with DRC), which the request matched. He referenced the 3011 [code] line and communicated that the large staff reductions had resulted in an increase in contracts. He referenced the 4000 [code] and detailed the division had increased its use of technology including videoconferencing and sound system upgrades in conference rooms to allow for web conferencing. He summarized that a reduction of \$500,000 would probably impact staff.

Vice-Chair Gara opposed the amendment. He stated that the amendment would ask the department to budget in a way that no business would budget. He shared that he was part owner of a restaurant and provided a hypothetical scenario. He

detailed if the restaurant wanted to offer a new dish with new ingredients and suddenly it had to replace all of its dishware, the restaurant would not bring that on. He stated the restaurant knew how much it could budget in a year, but it did not know whether it would be spent on dishes, glasses, services, raises, or other. He reported that Education Support and Administrative Services had suffered a 25 percent GF decrease (from \$29.8 million to \$22.3 million). He stressed that the student achievement component had been cut by over 50 percent. Additionally, executive administration had been cut. He stated the appropriation had been heavily cut over the past few years and he did not believe it was in the state's best interest to cut it further.

Representative Ortiz asked for more information about the impact of H DOE 7 related to the Mt. Edgecumbe Boarding School.

[3:36:31 PM](#)

Ms. Teshner answered that Amendment H DOE 7 proposed a reduction of \$100,000 to the Public School Trust Funds for the Mt. Edgecumbe Boarding School. She explained that the reduction to the contractual line item would impact contractual obligations of the department including dormitory services, food management, and other management related services. She pointed out that reducing \$100,000 in Public School Trust Fund funding would put the cost to the foundation program; it did not represent a real reduction to the overall budget because DEED had a projection from the Department of Revenue for a set amount that went to the foundation program or Mt. Edgecumbe.

Representative Wilson asked if "we" went into contractual services and increased the services substantially.

Ms. Teshner answered that contractual services increased with inflation every five years when negotiations occurred. The department had recently done a request for proposal (RFP) for its dormitory services contract for FY 19; there was an increase anticipated that was not reflected in the budget. She explained it would impact how much the department would pay and the department would have to reduce services elsewhere in Mt. Edgecumbe in order to pay for the expected increases.

Representative Wilson did not know why DEED was negotiating any kind of increases at present because the state did not have the money. She did not think it made sense there were contracts costing \$299,000 in FY 16, dropping to \$101,000 in FY 17, and increasing to \$450,000 and higher. She wondered why the department was increasing contractual services during a budget deficit.

[3:38:49 PM](#)

Ms. Teshner answered that the department had tried to negotiate with the contractor to bring the cost down, but the contractor had personal services and other fixed cost expenses as well that it could not reduce. The response to the RFP had been very limited given Mt. Edgecumbe's location in Sitka; there were limited companies that could provide the service.

Representative Wilson asked why there had been several contracts costing \$300,000 in FY 16, only \$101,000 in FY 17, and an anticipated increase of over \$300,000 in FY 19.

Ms. Teshner did not have the specifics on hand. She offered to follow up with the information.

Representative Wilson clarified that no portion of the proposed reduction was GF match. The reduction would be \$4.8 million in UGF. She stated the reduction would not impact personnel because she had made sure that all GF currently allocated to personnel had remained in the budget.

Representative Ortiz MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson

OPPOSED: Ortiz, Gara, Grenn, Guttenberg, Kawasaki, Foster, Seaton

The MOTION to adopt Amendments H DOE 4, H DOE 5, H DOE 6, and H DOE 7 FAILED (4/7).

[3:41:20 PM](#)

Representative Pruitt MOVED to ADOPT Amendment H DEC 1 (copy on file):

Administration
State Support Services
H DEC 1 - Decrease in services.
Offered by Representative Pruitt

Decrease in services. Remaining amount is 17.5% increase from the FY17actual to the FY19GovAdj.

Co-Chair Foster OBJECTED.

Representative Pruitt explained the amendment. He detailed that the proposed budget reflected a 28.5 percent increase over the actual from FY 17. He believed the increase was far above what was necessary. The amendment would reduce the increase to 17.5 percent for state support services.

Co-Chair Foster spoke to his objection. He stated that the decrement would be an unallocated reduction to the department. He detailed with prepared remarks:

As part of the FY 19 budget request, the department transferred a total of \$984,000 in multiple fund sources from the administrative services allocation to the state support services allocation related to the cost associated with the Office of Information Technology. So, this does not reflect an increase across the division or the department, nor does this reflect any change in services. In FY 18 the department transferred eight IT positions to the Department of Administration and the funding for these positions shifted to the contractual line of the department as reimbursable services agreement with the Department of Administration to pay for the IT services that were received. Transferring these contractual costs to the state support services is in line with how the department pays for other similar contractual services. A reduction from savings from the implementation of the Office of Information Technology was included in the budget as a statewide item and was anticipated that this would be spread proportionally to all agencies.

If the department were to receive an additional decrement of \$278,000 GF in state support services, the Department of Administration is going to have to cover less of the department-wide overhead contractual

costs that include a portion of lease payments, charge backs to DOA, telecommunications, IT, and human resource support. These costs would instead need to be borne by other divisions, which is funding that they would otherwise spend on programmatic work and could result in a reduction of services. Essentially, this would be an unallocated reduction to the department. For that reason, I would oppose the amendment.

[3:44:28 PM](#)

Representative Pruitt provided wrap up on the amendment. He believed Co-Chair Foster had stated that in FY 18 there had been a reduction in personnel and now the personnel were being added back in. From the FY 17 actual to the FY 18 management plan, there was a reduction of around \$200,000 to the particular line item. He stated the proposed budget reflected an increase of \$912,000 from the FY 18 management plan as opposed to the \$726,000 increased from the FY 17 actuals. He continued that if the argument to be made was that there were additional employees, the legislature had adjusted in FY 18 for the reduction in FY 17. He believed the reduction was within reason. He reasoned that instead of it being a 38.5 percent increase from FY 18 to FY 19, it would still be an increase, albeit not as drastic. He believed the amendment was reasonable.

Co-Chair Foster MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson

OPPOSED: Gara, Grenn, Guttenberg, Kawasaki, Ortiz, Seaton, Foster

The MOTION to adopt H DEC 1 FAILED (4/7).

[3:47:01 PM](#)

Representative Pruitt MOVED to ADOPT Amendment H DEC 2 (copy on file):

Environmental Health

Laboratory Services

H DEC 2 - Eliminate funding for Dairy Program.

Offered by Representative Pruitt

The state pays 100% of this program with no fees generated to offset cost. There is currently only one business benefiting from this service.

Co-Chair Foster OBJECTED.

Representative Pruitt explained that the amendment would eliminate funding for the Dairy Program. He detailed there was only one dairy in the state that utilized the program. He elaborated that the dairy paid zero of the cost and the state paid 100 percent. He reasoned if there was a need for a business to have state government cover some of the cost, it was appropriate for the business to participate in some capacity. There were two employees that were not paid for by the dairy. He believed it was reasonable to request fees or to tell the dairy it was responsible for providing the service.

Vice-Chair Gara asked where the program was located and what no longer be provided if the program was eliminated.

Representative Pruitt believed it was located in the [Mat-Su] Valley.

Vice-Chair Gara clarified his second question.

Representative Pruitt replied that two individuals tested the [dairy] product to ensure its quality. He explained the testing was required in order for the product to be sold in to the military, prisons, or schools.

[3:49:47 PM](#)

Representative Ortiz asked for additional detail about the dairy. He wondered if the dairy was safety testing for food provided to schools.

Representative Pruitt replied that the dairy did no testing. The Department of Environmental Conservation (DEC) conducted the testing. He believed the testing should be done by the farm.

Representative Ortiz asked what the dairy provided to the state.

Representative Pruitt replied milk.

Co-Chair Seaton asked if the product was required to be tested and certified by the state prior to being sold commercially.

Representative Pruitt replied in the affirmative.

Co-Chair Foster confirmed there was currently one dairy, but a second dairy was working to reopen. He provided prepared remarks:

The Department of Environmental Conservation manages the Alaska Dairy Regulatory Program in accordance with the FDA's Grade A pasteurized milk ordinance. They do that to ensure that milk and milk products are sold and that commerce are manufactured and sold and delivered in a safe and wholesome condition. The pasteurized milk ordinance requires a licensed veterinarian to oversee a regulatory program for the inspection of animal health and care conditions at a state's dairy farms, verification of sanitary condition of the facility and equipment at milk processing plants, and issuance of permits to dairy farms, processing plants, and [indecipherable].

While the FDA provides approval of state dairy programs, individual states that desire to have a commercial dairy industry are expected to maintain regulatory dairy programs in accordance with the pasteurized milk ordinance. There is no federal dairy program in place to support states where there is not one. Without an FDA approved state program, commercial dairy operations would be unable to sell dairy products - milk, cheese, yogurt, butter - to institutions that receive federal funds to subsidize meal programs for military, schools, and prisons. If this program were to go away, Alaska would be the only state not actively operating a dairy program.

Not all of the costs would go away as a result of eliminating the dairy program as most of the staff working directly with the dairy is conducting the testing. They also perform work that supports other programs in the laboratory services components that need to be maintained, including the office of the state veterinary duties and regulatory testing for other programs. Three to four positions would need to be eliminated to meet this reduction and work would be

shifted among the remaining staff. There would be a reduced capacity for the environmental health laboratory to turn around regulatory testing and a reduced ability to respond in the event of a food borne illness outbreak.

Co-Chair Foster elaborated there were numerous interconnected things involved and it was not as simple as one may think. He opposed the amendment.

[3:55:10 PM](#)

Representative Wilson stated that it would help if the state was not so over regulated. She mentioned a fish processing plant in Fairbanks that went through the same type of testing - the plant could not sell commercially without the same type of testing. She emphasized that the fish processing plant paid for all of the testing. She questioned why one was subsidized and the other was not. She stated that testing was required if the plants wanted to stay in business. She continued that unfortunately the state was over regulated, which was the reason there was only one plant. She elaborated that the owner of the processing plant would be thrilled if he could get all of his testing done for free. She explained that the testing was required by DEC and the FDA. She did not believe the dairy program needed to go away, but she believed the pertinent question was whether the state should pay for it. She added that the fish plant was also responsible for paying laboratory fees. She believed the required DEC and FDA testing were duplicative.

Co-Chair Foster responded that the discussion about charging fees was valid, but he believed the change would have to be made statutorily. He did not recommend cutting back the service at present. He opposed the amendment.

[3:57:15 PM](#)

Representative Pruitt provided wrap up on the amendment. He stated that the conversation had highlighted that the numbers provided by DEC may not be correct. He stated that if the \$400,000 may impact other programs, perhaps DEC was not being clear about what it spent the money on. He believed the legislature should have the conversation about the dairy paying for the testing. He questioned whether the dairy should be required to pay \$400,000 if the money

covered more than the specific program. He wondered what other areas the department was trying to shift money into from the funds allocated to the dairy plant. He was disturbed to find out the \$400,000 was going to things outside the dairy program. He stressed it was about truth in budgeting. He stressed that if the dairy was ever required to participate in paying for the testing, it should not have to pay anything beyond the testing. He firmly believed the dairy plant should be asked to contribute. He reiterated his belief there was an error in the department's reporting. He thought the public should be concerned if the funding did not go to what DEC had specified.

Co-Chair Foster MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Thompson, Tilton, Wilson, Grenn, Pruitt
OPPOSED: Gara, Guttenberg, Kawasaki, Foster, Seaton

Representative Ortiz was absent from the vote.

The MOTION to adopt H DEC 2 FAILED (5/5).

[4:00:43 PM](#)

Representative Wilson MOVED to ADOPT Amendment H DEC 3 (copy on file):

Air Quality
H DEC 3 - 3011: Other Services
Offered by Representative Wilson

FY 2017 Actuals were \$345.7 and the FY 19 Governor's budget request is \$430.0. A decrement of \$50.0 will result in a FY 19 budget request of \$380.0 to be used for printing and professional services not listed in other categories. This is an increase of \$34.3 over FY 17 actual expenditures.

Co-Chair Foster OBJECTED.

Representative Wilson read the amendment description [see above].

Co-Chair Foster opposed the amendment. He read from a prepared statement:

In FY 17 the division had only lapsed a little over \$2,000 in funds and they expect that in FY 18 and FY 19 it will be about the same. So, there's not much left over there. The increased other services in the expenditure detail does not reflect an increase in UGF spending; it's related to other collectable fund sources. Of the \$1.7 million that is in the component, \$1.426 million is required maintenance of effort for federal awards. This leaves about \$278,000 left over when maintenance of effort funds are subtracted. The division is already operating on a thin margin. The department has indicated that a reduction of \$50,000 would turn development of a regional haze state implementation plan over to the EPA.

Co-Chair Foster did not support turning over state primacy to the federal government on this and most other issues.

[4:03:31 PM](#)

Representative Wilson provided wrap up on the amendment. She surmised that perhaps the maintenance of effort should be match instead of just GF. She stressed that the state was already shutting wood stoves down in Fairbanks due to air quality. She reasoned that the EPA could not do anything more to North Pole than the state had already done. She reasoned turning the issue over to the federal government may not be a bad idea. She remarked that sometimes primacy was desired so the state could be nicer to its residents, but she believed the state had forgotten that. She explained the amendment was GF and did not take away "any of the other people who are doing what they're supposed to be doing." She believed the department did not know what the money went to because the component was for services not listed in other categories. She stressed the legislature was responsible for letting people know where the money was spent. She had learned during the meeting that the numbers and categories did not matter. She thought the legislature should consider the possibility that state primacy ended up being more restrictive than the EPA.

Co-Chair Foster MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Tilton, Wilson, Grenn, Pruitt, Thompson
OPPOSED: Gara, Guttenberg, Kawasaki, Ortiz, Seaton, Foster

The MOTION to adopt H DEC 3 FAILED (5/6).

[4:05:29 PM](#)

Representative Pruitt MOVED to ADOPT Amendment H DEC 4
(copy on file):

Water
Water Quality Infrastructure Support & Financing
H DEC 4 - Reduces funding to the Ocean Ranger program.
Offered by Representative Pruitt

The merger of divisions and responsibilities in DEC
has increased the administrative burden on the
department.

Eliminating the funding for the Ocean Ranger program
will allow the Department to focus administrative
efforts on other measures such as safe and sustainable
sanitation and water facilities in Rural Alaska.

Co-Chair Foster OBJECTED.

Representative Pruitt explained the amendment would reduce
funding to the ocean ranger program. He clarified that the
amendment would not eliminate the \$4.00 [per passenger]
charge that brought in about \$3.9 million in the past year.
He believed the program was duplicative. He remarked that
the amendment should allow for more whales to be built or
other things that may be of interest to communities. He
elaborated that the amendment did not eliminate any
positions as they were contracted out. He furthered that
the contracted positions were not necessarily held by
Alaskans. He did not believe it made any sense to have a
duplicative program. Additionally, the amendment would
allow for a conversation in the future to consider whether
the tax should remain.

Co-Chair Foster opposed the amendment. He noted that the
ocean ranger program was mostly paid with fees. He read
from a prepared statement:

The ocean ranger program was established by a ballot initiative. The measure not only requires the department to place ocean rangers on board all large cruise ships to act as independent observers to ensure compliance with federal and state environmental health, sanitation, and safety requirements, but it also sets up the tax. Even if the budget authority for the program is eliminated, the ocean ranger fee is in statute and it will continue to be collected. The fee is classified as an "other" fund source and it can't be used for a non-designated purpose. Also, the department would still be required by statute to run the program. If it's the intent of the amendment to eliminate the ocean ranger program, as was acknowledged, it would have to be done by statute.

Representative Ortiz asked about the amendment sponsor's statement that the ocean ranger program was duplicative. He asked for further detail.

[4:08:40 PM](#)

Vice-Chair Gara spoke against the amendment. He objected to the constant chipping away of a voter initiative. He detailed that the voters passed a cruise ship head tax that far exceeded in revenue the ocean ranger cost, which was also approved by voters. He elaborated that the ocean ranger program had already been scaled back and the cruise ship tax had already been reduced. He had opposed all of the measures that would have whittled away the voter initiative.

Representative Pruitt provided wrap up. He explained that DEC already had existing registration and sampling programs. Additionally, the department worked with the Coast Guard to regularly sample wastewater on cruise ships and ferries. He elaborated that visible air emissions from cruise ships were monitored. He believed the program was another burden on the department. He thought it could be argued that the department was doing an excellent job monitoring potential violations. He thought the program was duplicative. He agreed it was worth a conversation on whether or not the tax should remain. He reasoned that the funds could go out to various communities towards the other aspects the head tax was allowed to be utilized for if the program was eliminated.

Co-Chair Foster MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Wilson, Grenn, Pruitt, Thompson, Tilton

OPPOSED: Gara, Guttenberg, Ortiz, Foster, Seaton, Kawasaki

The MOTION to adopt H DEC 4 FAILED (5/6).

[4:11:38 PM](#)

AT EASE

[4:23:38 PM](#)

RECONVENED

Representative Wilson MOVED to ADOPT Amendment H DFG 5
(copy on file):

Commercial Fisheries
Southeast Region Fisheries Management
H DFG 5 - 3011: Other Services
Offered by Representative Wilson

FY16 Actuals \$524.9 and FY19 Governor \$826.0. A decrease of \$100.0 leaves \$726.0 in environmental conservation, economic development fees and other services not yet determined.

Representative Ortiz OBJECTED.

Representative Wilson read the amendment description [see above]. She understood that the division had spent all of its money, but she did not believe it necessarily meant it needed all of the money.

Representative Ortiz shared that he had participated in the fishing industry as a commercial trawler with his dad years back. He had always heard it said that the Department of Fish and Game (DFG) did the best job in the world managing the state's fisheries. He stressed that it required financial investment to maintain that status. Since FY 15 the department's UGF had been cut by over 35 percent. He referenced testimony in subcommittee about how the department's ability to manage the state's fisheries to its constitutional mandate to provide maximum sustainable yield, had been reduced due to funding reductions. He underscored it was a gamble the state could not afford. He

had the same argument about upcoming amendments. He stressed that having the best industry in the world took investment. The state's seafood industry was the number one producer in the country; it was also a major worldwide seafood producer. He expounded the industry was renewable if it was managed well. He deferred to the department for specific detail.

[4:27:21 PM](#)

SCOTT KELLEY, DIRECTOR, COMMERCIAL FISHERIES DIVISION, DEPARTMENT OF FISH AND GAME (via teleconference), relayed that the amendment would require significant cuts to the Southeast Alaska fisheries component. He detailed it would mean cutting red king crab and tanner crab surveys and cuts to dive fisheries. He elaborated that some of the cuts would mean the state would no longer have the specific fisheries.

Representative Wilson asked what percentage commercial fishermen paid to the fisheries management by DFG in Southeast.

Mr. Kelley answered it depended on the fishery. Most of the funds came from commercial crew licenses and limited entry permittees, which were significant for the Southeast crab fisheries. Additionally, there was revenue from landing and raw fish taxes. He did not have the exact number on hand, but he offered to follow up with the information as soon as possible.

Representative Wilson asked how much the crab study was and who the cost shifted to. She asked if the cost would shift to crab fishermen.

Mr. Kelley answered that the crab fishery included the king crab survey (costing about \$85,000) and the tanner crab survey (costing about \$50,000), which were currently funded with GF receipts. The surveys would not be conducted if DGF did not have the GF.

[4:30:12 PM](#)

Representative Wilson asked if the costs could be charged to individuals benefitting from them.

Mr. Kelley answered it had never been done in the past, but he was not saying it could not be done. In the past, when cuts had been made, the administration and the legislature had provided for test fishing opportunity. In the case of the crab surveys, population abundance for the crab species was at a level that would be highly problematic to do a fund swap to test fish. Additionally, it would come at a significant cost to revenues and harvest.

Representative Ortiz provided additional detail about the workings of test fisheries. He used the example of a test fishery that would promote seine fishing in a particular area. He detailed a test fishery was done for revenue to make up for the lack of GF to support the particular data collection. Consequently, fishermen stood by to allow the test fishery and experienced lost opportunity. In order to get the industry to pay for some of the test fishery surveys, meant lost opportunity and cost to the fishermen. Additionally, it meant less economic activity in the overall economy, area, and less landing taxes.

Representative Ortiz MAINTAINED his OBJECTION.

Representative Wilson provided wrap up. She reminded the committee that the department did not know which services the money paid for because DFG had yet to determine the services. She believed if the reduction shut down the studies, the department would want to make sure the legislature knew that. She reminded members the budget included an increase to the component to \$726,000. She did not know why the legislature should allocate the money if the department did not know what the money would be used for. She referred to the prior conversation about dairies and fish processors. She detailed the state required many industries to pay to get up and running and continuing. She surmised an industry's fair share seemed to vary between industries.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson

OPPOSED: Grenn, Guttenberg, Kawasaki, Ortiz, Gara, Seaton, Foster

The MOTION to adopt H DFG 5 FAILED (4/7).

[4:34:48 PM](#)

Representative Wilson MOVED to ADOPT Amendment H DFG 6 (copy on file):

Commercial Fisheries
Central Region Fisheries Management
H DFG 6 - 3010: Equipment/Machinery
Offered by Representative Wilson

FY17 Actuals \$114.1 and FY19 Governor \$355.7. A decrease of \$100.0 leaves \$255.7 for equipment rental and maintenance services and equipment operator charges.

Representative Ortiz OBJECTED.

Representative Wilson read the amendment description [see above]. She added the amendment's proposed decrease of \$100,000 would leave \$255,700 for the component, which was over twice what had been spent in FY 17.

Representative Ortiz relayed that that he would not repeat some of his arguments against the previous amendment, yet some were applicable to H DFG 6. He referenced the idea that industry should help pay for some of the assessments and explained that industry did help pay in many ways. Not only did industry pay a landing tax, there were also annual license fees. The fish processors paid for specific assessments to be conducted. He underscored that industry did step forward and played a significant role in the payment for services it received.

Representative Kawasaki noticed there were several amendments related to equipment and machinery that used the FY 17 actuals. He wondered if the amendment sponsor had averages for the years mentioned. He reasoned there may be a year where there was a big need for maintenance services or equipment rental and the following year the cost was down because the work had recently been done. He believed the averages were more important than the actuals.

Co-Chair Seaton opposed the amendment. He relayed that the subcommittee had done significant work with DFG and he reported that the sub-allocation lines would vary from year to year. The subcommittee had added money to the DFG budget because the legislature had cut the department so far that there had been foregone harvest, lost revenue, and lost tax

receipts from the fisheries. Overall there were a number of amendments looking at items that fluctuated from year to year. He believed the amendments would take away the department's ability to move money within an allocation. He continued that the message of the amendments was that if a component went down or up from the prior year, the legislature would take the money off the table. The problem with the approach was that it did not look at the whole picture. Whereas, the subcommittee had determined there were foregone harvests and that fishery receipts and tax had been lost.

[4:39:25 PM](#)

Representative Wilson provided wrap up. She clarified that she had never stated that commercial fisheries did not play a significant role or pay license and landing fees. However, she believed the legislature expected many of the areas to be cost neutral (e.g. boards and commissions, doctors, real estate, and other) to keep the state whole, yet there were other areas that did not have the same expectation. She stated she would agree with the co-chair if she was taking the numbers back to FY 17 actuals, but she observed the gains were substantial - \$400,000 to \$500,000 and up to several million dollars. She thought the department should get closer to the correct expenditure line if the goal was transparency. She thought small fluctuations were acceptable, but the changes in the component under consideration were not small.

Representative Wilson stated that many times departments communicated they did not know what the money would be spent on, which she found unacceptable. She had not been able to get the answers from the department about the percentage of the costs paid by the fishing industry. She believed that as state revenue continued to decline, the public would expect the legislature to ensure the industry was paying for its own services. She thought that in the cases of large increases in budget items that perhaps the department was spending the funds elsewhere. She thought it was necessary to put a squeeze on the agencies to get closer to identifying what the money was spent on. She relayed that she had not looked at an average, but she had looked at several years to determine whether numbers were consistent. She found the budget numbers to be consistent. She pointed to the \$355,700 and explained it had been the number the two previous years. She thought it appeared the

department copied the budget from the year before and did not pay attention to where the money was being spent. She had seen that the budget numbers had been consistently the same up to the current year. In the current budget process she had seen many components going back to actuals, whereas "other services" components appeared to be places where departments put funds they did not know where else to put.

Representative Ortiz MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson

OPPOSED: Guttenberg, Kawasaki, Ortiz, Gara, Grenn, Foster, Seaton

The MOTION to adopt H DFG 6 FAILED (4/7).

[4:42:32 PM](#)

Representative Wilson MOVED to ADOPT Amendment H DFG 7 (copy on file):

Commercial Fisheries
Central Region Fisheries Management
H DFG 7 - 3011: Other Services
Offered by Representative Wilson

FY17 Actuals \$277.5 and FY19 Governor \$1,041.3. A decrease of \$200.0 leaves \$841.3 for printing, copy, transportation and consulting services, other services not yet determined.

Representative Ortiz OBJECTED.

Representative Wilson reviewed the amendment description [see above]. She stressed it was over three times the amount of money (she had left in the component) from FY 17.

Representative Ortiz opposed the amendment. He underscored DFG had been cut back by over 35 percent in UGF. He spoke to the implication the amendments made that somehow the department was not finding efficiencies. He remarked there would have to have been a substantial amount of waste when the department's budget was 35 percent higher otherwise, the department had obviously had to find efficiencies. He did not believe the legislature should delve down to

scrutinize the one area and claim efficiencies were not occurring. He was very uncomfortable with the amendment. He explained that it took financial investment to be able to ensure the state had the best managed fisheries worldwide. He thought the amendment was a step in the wrong direction.

Representative Pruitt wondered why the department would ask for almost \$700,000 more than had been used in FY 17. He stated that the amendment would not reduce personnel and pertained to printing, copy, transportation and consulting services, and other services not yet determined. The sponsor was highlighting that the department had requested an increase of \$700,000 UGF. He referenced Representative Ortiz's testimony that the department's UGF budget had been reduced. He believed if that were the case, the department's proposal should have shown a reduction in the component and an increase in another component if the money was used elsewhere. He stated the amendment did not propose to cut the entire amount - it would reduce the component by \$200,000 and leave \$841,000 remaining. He reasoned the remaining money would be almost \$500,000 more than had been used in FY 17. He stressed the department had only used \$277,000 [in FY 17]. He had not heard a reason to justify why the amendment should not be passed.

Representative Ortiz asked to hear from the department about the particular item.

[4:47:12 PM](#)

Mr. Kelley answered that any of the proposed cuts would come at the expense of stock assessment projects put into the field to assess fish populations including salmon, crab, or groundfish. He had heard some of the committee's questions about the industry supporting itself or contributing to the state's economy. He offered to provide the detail if the committee desired.

Co-Chair Seaton clarified that the committee was addressing H DFG 7 pertaining to fisheries management.

Mr. Kelley communicated that a decrease of any amount to the Central Region component would mean less stock assessment, which in general meant less fishing opportunity.

[4:48:55 PM](#)

Representative Ortiz had no further questions.

Representative Wilson provided wrap up. She reminded members that hunting and fishing license fees had been increased via legislation. She explained the funds came in under DGF. Additionally, the state began receiving an increase in [federal] Pittman Robertson funds when state license fees had been increased. She explained that UGF had been replaced with DGF. She reasoned it may look like a cut to the department; however, the funds had been replaced with other types of funds. She elaborated that the department could not specify what its other not yet determined services were that fell under the component. She stated the department's testimony had pertained to surveys, but the amendment was about printing, copying, and transportation. She emphasized that over three times the amount of money had been left in the component. She thought the committee should have received a better explanation from the department if the funds were truly needed.

Representative Ortiz MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson

OPPOSED: Kawasaki, Ortiz, Gara, Grenn, Guttenberg, Seaton, Foster

The MOTION to adopt Amendment H DFG 7 FAILED (4/7).

[4:51:11 PM](#)

Representative Wilson MOVED to ADOPT Amendment H DFG 8 (copy on file):

Commercial Fisheries
AYK Region Fisheries Management
H DFG 8 - 3011: Other Services
Offered by Representative Wilson

FY17 Actuals \$417.7 and FY19 Governor \$801.9. A decrease of \$200.0 leaves \$601.9 for printing, copy, transportation and consulting services.

Representative Ortiz OBJECTED.

Representative Wilson read the amendment description [see above].

Co-Chair Seaton asked if Representative Wilson was using total funds.

Representative Wilson replied she had used actuals for the area and had considered whether the fund source was GF or GF match and what was being utilized (after removing personnel numbers).

Co-Chair Seaton asked for verification that it was total funds.

Representative Wilson replied in the affirmative.

Co-Chair Seaton clarified that the amendment included federal funds; therefore, if there was a shortage of federal funds, it would mean cutting UGF because there were not enough federal funds in FY 17 to fund the expenditure so the expenditure was lower. He elaborated it would mean taking UGF away because there had not been sufficient federal funds received in FY 17 to make the actuals where it would have been.

Representative Ortiz referred to the amendment sponsor's remarks that Pittman Robertson funding had increased due to license fee increases and therefore DFG really had not seen a budget reduction. He underscored that the department could not use Pittman Robertson generated funds for commercial fishing activities - there were some narrow windows where it was potentially allowable. He explained that Pittman Robertson did not make up for UGF funding cuts to commercial fishing.

[4:53:59 PM](#)

Co-Chair Seaton relayed that Pittman Robertson funds could only be used for hunter access, trails, and wildlife viewing. He clarified the funds could not be used for commercial fishing.

Representative Wilson clarified that Representative Ortiz kept talking about Department of Fish and Game in general. Therefore, her response had been about GF used in the department. Some of the department cuts had been replaced by Pittman Robertson funds. She explained that much of the

discussion about recent amendments had pertained to the department as a whole. She elaborated that Representative Ortiz had provided numbers pertaining to the entire department versus the specific component the amendments pertained to.

Co-Chair Seaton asked to hear from the department about the impact of the amendment.

CAROL PETRABORG, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF FISH AND GAME (via teleconference), replied that in FY 18 the AYK Region component had lapse just over \$17,000 GF. There had been an increase in soft funding in statutory designated program receipts to the Division of Commercial Fisheries to replace prior GF reductions. She explained that the funds did not always come through. It had been anticipated the department would be spending more money if the industry funds transpired. She expounded that something that was not reflected in the components for commercial fisheries was that in FY 18 the department allocated out a facilities rent component that had previously resided in Administrative Services to the division in order for expenditures to be reflected in the correct division. Therefore, over \$1 million for commercial fisheries was not reflected in the FY 17 actuals; it had been done in the FY 18 budget.

Co-Chair Seaton asked for clarification that the reallocation of the rent receipts had increased the division's budget and it would carry through to FY 19. He surmised it was a reallocation of funds that had been previously reported on another line in the budget.

Ms. Petraborg replied in the affirmative. The funds had previously been recorded within the Administrative Services Division.

[4:58:15 PM](#)

Representative Wilson provided wrap up. She did not know how the \$1 million fit into the amendment - she was not clear on whether the division had gained or lost the money. She did not believe the numbers came out right either way. She opined the department should have a better explanation of the funding need if the large increase was important. She reasoned if the division needed \$1 million, the component was only \$800,000, which did not make sense. She

questioned whether the department knew where it was spending the money.

Representative Ortiz MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson

OPPOSED: Ortiz, Gara, Grenn, Guttenberg, Kawasaki, Foster, Seaton

The MOTION to adopt H DFG 8 FAILED (4/7).

[4:59:44 PM](#)

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

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

Co-Chair Seaton reviewed the agenda for the following day. The committee would continue budget amendments during its next meeting.

#

ADJOURNMENT

[5:00:12 PM](#)

The meeting was adjourned at 5:00 p.m.