

HOUSE FINANCE COMMITTEE  
March 26, 2019  
1:33 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:33 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Tammie Wilson, Co-Chair  
Representative Jennifer Johnston, Vice-Chair  
Representative Dan Ortiz, Vice-Chair  
Representative Ben Carpenter  
Representative Andy Josephson  
Representative Gary Knopp  
Representative Bart LeBon  
Representative Kelly Merrick  
Representative Colleen Sullivan-Leonard  
Representative Cathy Tilton

MEMBERS ABSENT

None

ALSO PRESENT

Michaella Anderson, Staff, Representative Bart LeBon; Michael Partlow, Fiscal Analyst, Legislative Finance Division; Joe Byrnes, Staff, Representative Bart LeBon; Morgan Foss, Fiscal Analyst, Legislative Finance Division; TJ (Thomas) Presley, staff, Representative Andy Josephson; Tom Atkinson, Staff, Representative Andy Josephson; David Teal, Director, Legislative Finance Division; Doug Wooliver, Deputy Administrative Director, Alaska Court System; Robert Ervine, staff, Vice-Chair Jennifer Johnston; Erin Shine, staff, Vice-Chair Jennifer Johnston; Kelly Cunningham, Analyst, Legislative Finance Division.

SUMMARY

HB 39        APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 39 was HEARD and HELD in committee for further consideration.

HB 40        APPROP: MENTAL HEALTH BUDGET

HB 40 was HEARD and HELD in committee for further consideration.

FY 20 BUDGET SUBCOMMITTEE REPORTS:

DEPARTMENT OF REVENUE  
DEPARTMENT OF MILITARY AND VETERANS AFFAIRS  
DEPARTMENT OF PUBLIC SAFETY  
UNIVERSITY  
DEPARTMENT OF LAW  
JUDICIARY  
DEPARTMENT OF ADMINISTRATION  
DEPARTMENT OF HEALTH AND SOCIAL SERVICES

#hb39

#hb40

HOUSE BILL NO. 39

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending 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."

HOUSE BILL NO. 40

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

^FY 20 BUDGET SUBCOMMITTEE REPORTS

Co-Chair Foster provided information about the meeting process. He intended to spend approximately 10 minutes on each department.

^DEPARTMENT OF REVENUE

[1:35:05 PM](#)

MICHAELLA ANDERSON, STAFF, REPRESENTATIVE BART LEBON, provided a subcommittee report for the Department of Revenue (DOR) FY 20 budget with a prepared narrative (copy on file):

The House Finance Budget Subcommittee for the Department of Revenue submits a recommended operating budget for FY 2020 to the House Finance Committee as follows:

Fund Source: (dollars are in thousands)	
Unrestricted General Funds (UGF)	\$24,993.5
Designated General Funds (DGF)	\$2,597.3
Other Funds	\$290,662.4
Federal Funds	<u>\$79,816.9</u>
Total	\$398,070.1

Ms. Anderson reported that the proposal fell just under both the FY 20 adjusted base and the governor's proposed budget. She delineated that the subcommittee accepted all but two of the Governor's FY 2020 request with the following changes:

Deny the Governor's request for 50% Travel Reduction for Mental Health Trust Operations and Long Term Care Ombudsman

Deny the Governor's requests and recommend they be introduced as fiscal notes to their corresponding legislation for:

Delete gaming positions (HB 73)  
Replace Power Cost Equalization Funds with General Funds (legislation not yet introduced)

Additional highlight to the Governor's FY2020 requested budget and amendments are as follows:

Remove 4 vacant positions throughout the Department  
Reduce travel by 50% (\$48.6) thousand in General Funds

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Co-Chair Wilson asked whether the funding for the four vacant positions were removed along with the positions. Ms.

Anderson answered in the affirmative. She detailed that one PCN (position control number) was eliminated from the Tax Division in the amount of \$78.6 thousand in general funds (GF) and three positions were deleted from the Permanent Fund Division in the amount of \$69.3 thousand and two part-time seasonal positions for \$47 thousand totaling \$195.1 thousand.

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^DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

[1:38:08 PM](#)

Ms. Anderson provided a subcommittee report for the Department of Military and Veterans Affairs (DMVA) FY 20 budget with a prepared narrative (copy on file):

The House Finance Budget Subcommittee for the Department of Military and Veteran Affairs submits a recommended operating budget for FY 2020 to the House Finance Committee as follows:

Fund Source: (dollars are in thousands)	
Unrestricted General Funds (UGF)	\$16,329.8
Designated General Funds (DGF)	\$28.4
Other Funds	\$11,138.7
Federal Funds	<u>\$31,294.3</u>
Total	\$58,836.2

Ms. Anderson reported that the proposal was one half million [\$540.1 (3.2%)] dollars below the FY20 Adjusted Base. The Subcommittees recommended budget was \$7,859.8 million [(32.5%)] below the FY 15 Management Plan.

The Subcommittee recommends accepting all of the Governor's FY 2020 request with the following changes:

Deny the Governor's request for 50% Travel Reduction for Alaska Aerospace Corporation and Facilities Maintenance

Deny the Governor's request to delete \$300.0 of UGF for the Local Emergency Planning Committee

The Subcommittee accepted several the Governor's requests, including the following:

Remove a position in the Commissioner's Office and a position in Homeland Security and Emergency Management.

Reduced travel by 50% (\$103.3) thousand in General Funds.

Reduce funding for the Alaska State Defense Force (\$210.9) thousand in General Funds.

Increase of \$50.0 thousand in General Funds for Funeral Honor Support for Alaska's Veterans.

An increase of \$300.0 thousand SDPR authority to support Emergency Management Assistance Compact requests.

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Co-Chair Wilson asked about the acronym used. Ms. Anderson explained that SDPR was Statutorily Designated Program Receipts. Co-Chair Wilson asked if the funding existed or reflected an increase.

MICHAEL PARTLOW, FISCAL ANALYST, LEGISLATIVE FINANCE DIVISION, explained that the Emergency Management Compact was an agreement between states for reimbursement for sending United States National Guard support during emergencies. The department had to request additional spending authority in the prior year due to the number of disasters. The department was anticipating an increased need for assistance in other states.

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^DEPARTMENT OF PUBLIC SAFETY

[1:41:02 PM](#)

JOE BYRNES, STAFF, REPRESENTATIVE BART LEBON, discussed the budget closeout for the Department of Public Safety (DPS) with a prepared narrative (copy on file):

The House Finance Budget Subcommittee for the Department Public Safety submits a recommended operating budget for FY2020 to the House Finance Committee as follows:

Fund Source: (dollars are in thousands)  
Unrestricted General Funds (UGF) \$160,939.8

Designated General Funds (DGF)	\$8,446.1
Other Funds	\$11,727.6
Federal Funds	<u>\$25,636.1</u>
Total	\$206,749.6

The House Finance Subcommittee on the Department Public Safety Budget held five meetings with the agency. The Subcommittee reviewed and acted on the Governor's FY2020 budget request with the following highlights:

Reduced spending by \$396.7 (-0.2%) in Unrestricted General Funds from the FY20 Adjusted Base, which is a reduction of \$768.6 (-0.5%) in Unrestricted General Funds from the FY19 Management Plan.

The Subcommittee recommends accepting all of the Governor's FY2020 request with the following changes:

- Deny the Governor's reduction in Village Public Safety Officer (VPSO) Program  
Appropriation by \$3,000.0
- Remove Department Level Intent "At the discretion of the Office of Management and Budget, funding may be transferred between all appropriations in the Department."
- Modifying conditional language to allow for the carry-forward of Fire and Life Safety unexpected and unobligated balance after the end of the Fiscal Year 2019
- Transferring \$250.0 in UGF from the Alaska State Trooper Detachments to the Alaska Wing Civil Air Patrol allowing the state to leverage additional resources to support search and rescue efforts in the form of volunteer hours and adding intent language to strengthen the liaison between the state and the Civil Air Patrol
- Adding intent language for the Department of Public Safety work to address the high rate of sex crimes in rural Alaska by making it a priority to hire two sex crimes investigators (one in Bethel and one in Kotzebue) along with any requisite support staff using existing Department resources.
- Adding intent language for the Department of Public Safety to disburse funding meant for

the VPSO Program to VPSO grant recipients and for grant recipients to utilize the funding for recruitment and retention of VPSOs and for the Department to support VPSO contractor's efforts to provide public safety services to the maximum geographic area surround their duty station.

- Reducing funding for the Alaska State Trooper Detachments by \$506.365 to align funding with historic expenditure levels

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Vice-Chair Ortiz asked about the last bullet on the document that addressed reducing funding for trooper detachments. He wondered if the reduction was a result of unfilled positions. Mr. Byrnes stated that the troopers had approximately 40 unfilled position and in FY 18 the department lapsed \$2 million from personal services funds and spent the funding on capital outlays. The original proposal reduced the funding from the Village Public Safety Officer (VPSO) program. The subcommittee made an amendment to the decrement and had taken it from the trooper detachments instead. Vice-Chair Ortiz asked whether the Department of Public Safety (DPS) had enough funding remaining to fill needed positions to ensure public safety. Mr. Byrnes relayed that the subcommittee felt that the budget maintained adequate funds to cover troopers expected costs.

Co-Chair Wilson inquired about the intent language relating to the high rate of sex crimes in the state and proposed additional investigators. She asked whether there were open PCNs that might be changed to accomplish hiring two additional investigators, or if the positions were new. She thought intent language did not normally include requests for new positions.

MORGAN FOSS, FISCAL ANALYST, LEGISLATIVE FINANCE DIVISION, explained that currently DPS investigators were also hired as state troopers and the department could use a vacant PCN as an investigator. The position was typically hired at slightly higher pay due to experience. Co-Chair Wilson asked for an explanation as to why Bethel and Kotzebue were singled out over others. Mr. Byrnes stated that the amendment sponsor's intention was to post investigators in rural Alaska to investigate the high rate of sex crimes in

the areas. Co-Chair Wilson wondered whether there were statistics available that demonstrated increased need over other communities.

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Representative LeBon stated that during the subcommittee discussion on the topic, the location was thoroughly discussed. The conclusion was that any central location that served other rural communities would suffice.

Representative Josephson followed up on Vice-Chair Ortiz's question. He asked whether funds were lapsed from the previous fiscal year. Mr. Byrnes stated that the funding did not actually lapse. The money had been reallocated from the personal services line and had been moved to capital outlays. Representative Josephson asked about the amount of funding. Mr. Byrnes estimated the amount was approximately \$1.7 million. Representative Josephson recollected that there had been a noticeable reduction in DPS PCNs and asked if he was correct. Mr. Byrnes recalled that the FY 19 management plan had 805 positions and both the governor's budget and subcommittee proposal had 807 positions.

Ms. Foss addressed Representative Josephson's inquiry. She ascertained that he recalled the difference between the governor's original budget request and the amended budget request.

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^UNIVERSITY

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TJ (THOMAS) PRESLEY, STAFF, REPRESENTATIVE ANDY JOSEPHSON, noted that the subcommittee held six public meetings. He reviewed the subcommittee's proposed budget for the University with a prepared narrative (copy on file):

The House Finance Budget Subcommittee for the University of Alaska recommends that the House Finance Committee accept the FY20 adjusted base as amended by the subcommittee.

The numbers-only budget with amendment totals:  
Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$337,033.5
Designated General Funds (DGF)	\$331,824.1
Other Funds	\$82,599.5
Federal Funds	<u>\$140,225.9</u>
Total	\$891,683.0

Unrestricted General Funds decreased by \$33,566.2 million, a 9.1% difference from the FYI 5 Management Plan to the FY20 House Subcommittee budget recommendation.

From the FY20 Adjusted Base, the House Subcommittee recommendations reflects a total increase in Unrestricted General Funds of \$10,000.0, a 3.1% increase.

The subcommittee accepted the following:  
 Governor's decrements to Federal, CIP, and, I/A receipts. Mental Health Trust recommendations and funding Vo-Tech Ed receipt authority for the University.

The subcommittee denied the following:  
 The Governor's \$154 million UGF decrement  
 The Governor's \$154 DGF increment Funding and structure changes to the community campuses[divide University of Alaska and University of Alaska community campuses into separate appropriations

Increase subsidy of \$24 million for community campuses  
 Fund switch between University of Alaska Anchorage and Juneau campuses for the newly created allocation for the Anchorage Community and Technical College and Southeast School of Career Education]

Additionally, the subcommittee adopted the following budget amendments:

- 1) Increment to the University of Alaska - \$10,000.0 UGF
- 2) Deny the Governor's proposed structure change creating a separate appropriation for University of Alaska Community Campuses

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Co-Chair Wilson referred to the \$33,566.2 decrease from the 2015 management plan. She asked if the UGF at the time was

approximately \$304 million. Mr. Presley deferred the answer to Mr. Partlow.

Mr. Partlow responded that the total UGF in the FY 15 management plan was \$365.166.6 million.

Vice-Chair Johnston asked how the subcommittee came up with a \$10 million increase and if the increase was intentional. Mr. Presley stated that the University forwarded the Board of Regents' full request in the amount of roughly \$33 million. He recalled that the \$10 million was offered by the subcommittee. The university indicated that the funding would be used for Title 9 regulatory compliance, increased facilities maintenance cost, and campus safety enhancements.

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^Judiciary

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TOM ATKINSON, STAFF, REPRESENTATIVE ANDY JOSEPHSON, reviewed the subcommittee's proposed budget for the Judiciary with a prepared narrative (copy on file):

The House Finance Budget Subcommittee for the Alaska Court System held five meetings (open to the public) with the Court System during our review of their FY20 budget request.

The House Finance Budget Subcommittee recommends that the House Finance Committee accept the FY20 adjusted base budget as amended by the subcommittee. The numbers-only budget with amendment totals:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$106,152.0
Designated General funds (DGF)	\$518.0
Other Funds	\$2,206.1
Federal Funds	<u>\$975.6</u>
Total	\$109,851.7

Unrestricted General Funds decreased by \$5,657.5, a 5.2% difference from the FY15 Management Plan to the FY20 House Subcommittee budget recommendation.

From the FY20 Adjusted Base, the House Subcommittee recommendation reflects a total increase in Unrestricted General Funds of \$707.1, a 0.7 percent increase.

The subcommittee accepted all the Court System increment requests the governor submitted, except for four increments, totaling \$3,098.0 that would have reopened the courts on Friday afternoons.

Additionally, the subcommittee adopted the following budget amendments:

- 1) Add Deputy Therapeutic Courts Coordinator & 2 Probation Officers – add \$313.3 UGF
- 2) A technical amendment to remove OMB wordage

Mr. Atkinson relayed that the requested increments included anticipated higher lease costs in some rural communities, the Juneau Mental Health Court, and for training mental health court staff.

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Vice-Chair Johnston referenced not accepting the increment to open the courts on Friday afternoon. She asked if the subcommittee had addressed the backlog and whether early closure made sense. Mr. Atkinson relayed that there had been much discussion and questioning. The subcommittee concluded that the early closure was not affecting the pace of court cases moving through the system.

Representative Sullivan-Leonard had conversations with individuals from the courts that had referenced a backlog and wondered why the matter had not been perceived the same in subcommittee. Mr. Atkinson was not convinced that reinstating the additional hours was currently necessary.

Representative Josephson commented that the subcommittee had "very robust debate on the issue." A motion was heard and was defeated by a 4 to 4 vote. He relayed that the court system had prioritized the issue of pay equity for staff versus reinstatement of Friday afternoon hours. He understood the pay equity would be addressed in the overall budget versus the Judiciary budget.

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Co-Chair Wilson wondered if there had been discussions with the public defenders or Office of Children's Services (OCS) and other entities that used the Court System and how it affected them. Mr. Atkinson stated that the subcommittee had not considered remarks from other agencies. Co-Chair Wilson wondered whether any hearings were heard on Friday afternoon. Mr. Atkinson understood that there were no hearings on Friday afternoons, and judges had used the time to catch up on work. The court had still accepted domestic violence restraining orders and other emergency matters on Friday afternoon. Co-Chair Wilson hoped that when the subject was revisited that other agencies that utilized the court were brought into the discussion.

Co-Chair Wilson asked about the addition of two probation officers and asked whether the subcommittee had consideration data on probation officers' caseloads. Mr. Atkinson stated that there had been no statistics to consider. Judiciary testified that the Therapeutic Courts were hugely successful and doubled in number and more staff was necessary to continue the increase and success. Co-Chair Wilson asked if the probation officers and the Deputy Therapeutic Courts Coordinator were necessary for the Therapeutic Courts. Mr. Atkinson stated that the probation officers would be in a different department funded through an RSA (Reimbursable Services Agreement) from the Court System. He added that typically Therapeutic Court outcomes resulted in less imprisonment and more probation.

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Co-Chair Wilson asked where the Therapeutic Court coordinator position would be located. Mr. Atkinson believed that the position would be placed in the third judicial district in Anchorage where there were multiple Therapeutic Courts. Co-Chair Wilson asked about the two probation officers, and their association with the budget request. Mr. Atkinson stated that the probation officers were connected to the therapeutic court but were not Judiciary employees. Co-Chair Wilson asked who the probation officers worked for. Mr. Atkinson replied that they were employees of the Department of Health and Social Services (DHSS).

Co-Chair Wilson wondered why the request was in the Judiciary budget.

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Representative Josephson recalled that former Representative Mike Hawker had wanted to put all the Therapeutic Court PCNs within the court system for budget simplification.

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, recounted that Representative Josephson's recollection was correct. He thought it was important to remember that the Therapeutic Court was not an additional duty of the judge and offenders were treated differently. Therapeutic Court tended to rely on probation and parole versus incarceration. However, Therapeutic Court did not increase a judge's workload.

Co-Chair Wilson was trying to discern the caseload for the probation officers. Mr. Atkinson stated that no statistics were requested or provided. Subcommittee members did not ask the question.

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Representative Josephson thought that a significant focus was placed on the question of the court being open Friday afternoons and questions regarding pay equity. He indicated that some deference had been shown Judiciary regarding budget requests as a co-equal branch of government. Judiciary had been good "stewards" of the state's budget and the request was honored without question.

Co-Chair Wilson appreciated Representative Josephson's remarks. She believed in order to hold other agencies accountable, it was important to consider statistics.

Representative Merrick asked if there had been consideration given to closing at different times during the week. Mr. Atkinson answered in the negative.

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DOUG WOOLIVER, DEPUTY ADMINISTRATIVE DIRECTOR, ALASKA COURT SYSTEM, affirmed that the probation officers were staff of DHSS and were included in the Judiciary budget for Therapeutic Courts. Judiciary used RSAs to transfer the funds to various entities; public defenders for legal services, DHSS for probation officers; funding for their

services was included in Judiciary's budget. He verified that the deputy coordinator was in Anchorage and the funding was through Therapeutic Courts budget.

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Vice-Chair Ortiz relayed that there had been discussion in subcommittee not to pursue opening courts on Friday afternoons. He understood that the request had originated in the governor's budget. Mr. Wooliver replied that initially it was not requested in the original Judiciary budget released in December 2018. He noted that the Court System had wanted to reopen on Friday afternoons but did not include it in the original budget request because the afternoon closure had not been proven to cause a major bottleneck in court operations. He referenced statements by the governor that he wanted to restore the court's Friday afternoon hours. He reasoned that if the governor was willing to pay the cost, Judiciary was interested and desired to restore Friday hours. Subsequently, courts met with the Office of Management and Budget (OMB), and was assured that the governor would support the budget request. Judiciary amended its budget request to include Friday afternoon hours. The subcommittee had debated many of the same issues the court had considered.

Mr. Wooliver continued to address the question of afternoon court closure. He reported that the court lost 26 days of accumulated court hearing time over the course of one year. He expressed some concern that the lack of hearing time might eventually cascade into a larger and larger problem. He recognized the fiscal implication of the request and the challenging fiscal environment of the state. He concluded that if the governor and legislature approved the request the court system would comply.

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Vice-Chair Ortiz asked Mr. Wooliver to remind the committee of the savings gained by not opening courts Friday afternoons. Mr. Wooliver explained that court employees worked one half hour longer each Monday through Thursday and the early Friday closure accounted for a reduction of 1.5 hours each week totaling 36 hours per week, which saved \$2 million per year. He furthered that in the same fiscal year Friday hours were reduced, staff was also reduced by 15 positions for a savings total of \$3.5 million per year.

He communicated that \$3.5 million per year reflected the total cost to reopen on Friday afternoons. Vice-Chair Ortiz summarized that considering the pros and cons, there was a fiscal savings of \$3.5 million along with some other benefits. He mentioned that judges had more time to do paperwork. He asked whether he was correct. Mr. Wooliver answered in the affirmative.

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Representative Sullivan-Leonard asked Mr. Wooliver to discuss pay equity as mentioned by Representative Josephson. Mr. Wooliver discussed collective bargaining agreements. He reminded the committee that the legislature approved collective bargaining agreements salary adjustments. Historically, when the legislature approved COLAs (Cost of Living Adjustments) the legislature and governor had provided a similar increase for non-covered employees. The increase was not offered to Judiciary in the prior year and the courts requested a pay adjustment for Judiciary employees. He acknowledged that the increase was not part of the subcommittee process.

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Co-Chair Wilson referenced the Therapeutic Courts' two new probation officers as proposed by the budget subcommittee. She restated her prior question regarding why they were requested. Mr. Wooliver relayed that probation officers handled approximately 25 clients each. He explained that the Therapeutic Courts' probation officers had different duties than Department of Corrections (DOC) officers. The courts probation officers helped find housing, jobs, and helped facilitate drug testing and other conditions placed on the offender by the court. Judiciary wanted to add another officer in Fairbanks. He delineated that Therapeutic Court was popular in Fairbanks and Judiciary wanted to expand it to include a veterans' component, either as a new court or supplement a veterans' component of the therapeutic court. The proposal would necessitate another probation officer in Fairbanks. The other community to gain a probation officer was Palmer. The position was originally funded by a federal grant that expired soon and was unable to extend the position. Co-Chair Wilson asked if there were vacancies for probation officers. Mr. Wooliver answered in the negative. The type of probation officer jobs was typically filled. Co-Chair Wilson asked if the

Veterans Court had started, and if the budget could support the addition. Mr. Wooliver stated that there was interest in Fairbanks, but the program was not yet started. He expected that additional funding was not necessary. He noted that the number of participants in therapeutic court varied. Co-Chair Wilson recalled that the officer in Fairbanks was necessary because of the expansion of the therapeutic court in Fairbanks. Mr. Wooliver offered that the court was unable to expand unless a probation officer was hired. Co-Chair Wilson asked how many cases were assigned per officer. Mr. Wooliver reiterated that 25 cases were assigned per officer.

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Vice-Chair Johnston followed up on Co-Chair Wilson's remarks. She asked if the probation officers under DHSS were covered under the same union as DOC officers. Mr. Wooliver was uncertain. Vice-Chair Johnston asked if there was anticipation of receiving federal funds for the therapeutic court expansion in Fairbanks. Mr. Wooliver answered in the negative. Vice-Chair Johnston asked about lapsing federal funds in Palmer. She asked if the funds were lapsing due to not meeting a benchmark. Mr. Wooliver stated that "ironically, the reason was due to meeting a benchmark." He clarified that the federal budget provided seed money for certain programs and the funds could be extended if implementing the program was problematic. He indicated that the funds were for the Family Infant Toddler (FIT) Court, which was very successful.

^DEPARTMENT OF LAW

[2:23:51 PM](#)

Mr. Atkinson reviewed the subcommittee's proposed budget for the Department of Law (LAW) with a prepared narrative (copy on file).

The House Finance Budget Subcommittee held five meetings (open to the public) with the Department of Law during our review of their FY20 budget request.

RECOMMENDATIONS:

The House Finance Budget Subcommittee recommends that the House Finance Committee accept the FY20 adjusted base budget as amended by the subcommittee.

The numbers-only budget with amendment totals:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$52,174.7
Designated General Funds (DGF)	\$2,877.7
Other Funds	\$31,242.6
Federal Funds	<u>\$1,494.0</u>
Total	\$87,789.0

Unrestricted General Funds decreased by \$7,100.6, a 12.0 percent difference from the FY15 Management Plan to the FY20 House Subcommittee budget recommendation.

From the FY20 Adjusted Base, the House Subcommittee recommendation reflects a total increase in Unrestricted General Funds of \$1,754.2, a 3.5 percent increase.

The subcommittee accepted all increment and decrement requests the governor submitted, including an increment submitted March 14, 2019 for an Information Technology salary adjustment billed to the Department of Law. The subcommittee also accepted the Department's fund source change-from UGF to Interagency Receipts-to maintain the Department's capacity to accommodate a change in their rate structure.

Additionally, the subcommittee adopted the following budget amendments to:

1) Delete OMB wordage that would allow funding to be transferred between all appropriations in the Department.

2) Add, in the Criminal Division, five attorneys and ten support staff in the following locations:

An Attorney IV and Office Assistant II in Juneau, and an Office Assistant II in Ketchikan in the First Judicial District.

An Office Assistant II in Nome, in the Second Judicial District.

Two Attorneys IV, a Law Office Assistant I in Anchorage, in the Third Judicial District: Anchorage.

A V/W Paralegal in Palmer, and a V/W Paralegal I in Kenai in the Third Judicial District: Outside Anchorage.

A V/W Paralegal I in Bethel and an Attorney IV and Law Office Assistant I in Fairbanks in the Fourth Judicial District.

An Attorney IV, a V/W Paralegal I, and an Office Assistant II in Anchorage for Criminal Appeals/Special Litigation.

3) Add language signifying the legislature's intent that the Department conduct and document an assessment of the benefits of locating a prosecutor and support staff in Utqiagvik, in the Second Judicial District

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Co-Chair Wilson asked about supporting documentation for the addition of the five attorneys and additional support staff. Mr. Atkinson referred to the narrative. Co-Chair Wilson clarified that she was asking about statistics to justify why more staff was being added. Mr. Atkinson relayed that the staff was deployed where the caseload was the largest. The amendment grew out of the public safety action plan that called for adding 5 new prosecutors each year for three years. Co-Chair Wilson asked if the subcommittee was following an action plan from a previous administration and wondered what data justified the plan. She thought that there should be statistics to show the specific needs for the demand. She wondered about documentation from LAW that supported the plan's request. Mr. Atkinson stated that documentation was not requested of the department. He furthered that questions were asked and subsequently answered by LAW. The department acknowledged that it could do more work if additional resources were appropriated.

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Co-Chair Wilson requested that Mr. Atkinson request additional information from LAW describing past appropriations and caseloads. She wanted to know how many attorneys were currently in the areas where the new positions would be deployed and gain a better understanding of the need. She perceived that there might be savings by hearing more cases and decreasing the high number of defendants waiting in jail for trial. She announced that she could not make a judgement without more information.

Representative Josephson interjected that the subcommittee's decision was not random. He clarified that the subcommittee reviewed the subcommittee work from the Senate. The Senate had received a document that indicated that of the roughly 215 staff and attorneys, 90 were new employees. He asserted that the reason for the high turnover was a ridiculously high workload. He offered that some were lured away by bonuses from the United States Department of Justice. In addition, cases were being turned away. The previous administration had concluded that a staff increase was necessary. He did not intend to suggest that the request was fungible. He noted the other active crime bills could increase the Department of Corrections' budget by \$40 million and did not want the appropriation to replace any need for other additional attorneys. He had been aligned with the House Judiciary Committee chair in thinking that additional attorneys were "direly needed" and the subcommittee agreed with the position.

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Co-Chair Wilson thought that if the numbers were not based on statistics it was difficult to decide. She cautioned against circumventing other legislation in the request before the bills reached committee. She wondered whether the increased staff was necessary to cover the current case level. She felt that some statistics from the department were necessary. She thanked the subcommittee for its thorough vetting process and hard work. Representative Josephson cited LAW testimony that the positions were currently needed.

Vice-Chair Johnston followed up on Co-Chair Wilson's comments. She asked for tracking the proposed cost savings that the additional positions could provide within the department by reducing turnover and its effect on other departments.

^DEPARTMENT OF ADMINISTRATION

2:35:24 PM

ROBERT ERVINE, STAFF, VICE-CHAIR JENNIFER JOHNSTON, reviewed the subcommittee's proposed budget for the Department of Administration (DOA) with a prepared narrative (copy on file):

The House Finance Budget Subcommittee for the Department of Administration submits the following recommendations for the FY 2020 operating budget:

Fund Source (dollars in thousands)	
Designated General Funds (DGF)	\$33,117.1
Other Funds	\$269,521.9
Federal Funds	<u>\$4,105.3</u>
Total Budget	\$378,317.7

The UGF difference from the FY20 Adjusted Base is \$6.5 thousand.

Budget Action:

The Governor's FY 20 budget proposed a total of 36 changes from the FY 20 adjusted base budget. After deliberating and voting on each item, the subcommittee adopted 29 of the changes.

The subcommittee was unable to adopt the following recommendations due to concerns with disruptions to critical state services:

- \$122,400 travel reduction to the Alaska Oil and Gas Conservation Commission
- \$91,900 travel reduction to the Office Public Advocacy
- \$180,100 travel reduction to the Public Defenders.

The affected agencies expressed concerns that travel reductions posed a risk to their ability to perform their statutorily- and constitutionally- required functions.

Additionally, the subcommittee was unable to accept the recommended reductions to Public Broadcasting due to concerns with disrupting communities' ability to receive emergency signals and access to essential

information. The subcommittee spent time discussing the importance of the emergency infrastructure and attempting to discern the critical infrastructure from the less critical.

Subcommittee Amendments:

The subcommittee removed language inserted by the department to allow unlimited transfers across appropriations. This language was removed so that the Legislature can maintain its power of appropriation.

The subcommittee added an amendment with intent language requiring the department to create a report outlining past and present savings from consolidation of shared services and information technology. The report will allow future legislature's the ability to make results-based decisions.

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Mr. Ervine added that the total of the rejected cuts proposed by the governor was just under \$4 million.

Co-Chair Wilson referenced page 1 of the narrative report that noted the UGF difference from the FY20 Adjusted Base is \$6.5 thousand. She asked whether the amount was an increase or a decrease. Mr. Ervine replied that the amount reflected an increase.

^DEPARTMENT OF HEALTH AND SOCIAL SERVICES

[2:38:24 PM](#)

ERIN SHINE, STAFF, VICE-CHAIR JENNIFER JOHNSTON, reviewed the subcommittee's proposed budget for the Department of Health and Social Services (DHSS) with a prepared narrative (copy on file):

The House Finance Budget Subcommittee for the Department of Health and Social Services recommends an operating budget for FY20 to the House Finance Committee as follows:

Fund Source: (dollars are in thousands)	
Unrestricted General Funds (UGF)	\$1,112,811.0
Designated General Funds (DGF)	\$86,071.8
Other Funds	\$148,445.

Federal Funds	<u>\$1,908,413.9</u>
Total	\$3,255,741.7

The UGF difference from FY20 Adjusted Base to the FY20 House Subcommittee Recommended budget is a reduction of \$20,346.7, a decrease of 1.8 percent.

Ms. Shine explained that the budget narrative broke the budget recommendations into four categories.

[2:42:16 PM](#)

Ms. Shine continued to address the budget narrative on page 3:

SUBCOMMITTEE BUDGET RECOMMENDATIONS:

The Governor's Amended FY20 budget proposed changes to the FY20 Adjusted Base. After deliberating and voting on each item, the subcommittee's recommendations are outlined below.

Governor's Amended FY20 Budget Items Approved as Requested

The subcommittee recommends the following items be adopted:

Alaska Pioneer Homes

- Increase UGF for the Nurse Class Study salary increases;

Behavioral Health

- Increase Restorative Justice Funds for Mental Health and Substance Abuse Services Grants;
- Increase Federal Receipt authority for Behavioral Health Opioid Grants;
- Increase Marijuana Education and Treatment Funding for Behavioral Health Administration based on legislation passed in 2018 (SB104, formerly SB128);
- Increase Mental Health Trust Authority Authorized Receipts (MHTAAR) for Behavioral Health Reform Consultation;
- Reduce General Fund/Mental Health funding to align Involuntary Commitment Transfers to the Medicaid rates in the Designated Evaluation and Treatment allocation;
- Increase MHTAAR funding to support the Alaska Mental Health Board and Advisory Board on Alcohol and Drug Abuse;

Children's Services

- Fund source changes to appropriately align GF/Match associated with the division's Cost Allocation Plan, Foster Care Special Need, and Adoption and Subsidy expenditures;

- Increase Federal and UGF authority to fully fund the positions for foster care legislation passed in 2018 (HB151);

Departmental Support Services

- Increase UGF for Office of Information Technology salary adjustments billed to the department;

Public Assistance

- Reduce GF/Match funding to the Public Assistance Field Services through achievable administrative efficiencies;

Public Health

- Increase Marijuana Education and Treatment Funding based on legislation passed in 2018 (SB104) to support the Marijuana Education and Treatment Program;

- Increase federal authority and inter-agency receipts for Opioid Grants;

- Reduce GF/Match and increase general fund program receipt authority for Public Health Fees as a result from legislation passed in 2018 (HB215);

- Increase Federal authority for Epidemiology to prevent illness, injury and premature death;

- Move the Vaccine Assessment Program from section one of the operating bill (numbers) to the language section;

Senior and Disabilities Services

- Increase MHTAAR funding for an Alaska Commission on Aging Planner, a Governor's Council on Disabilities and Special Education (GCDSE) Program Coordinator and a GCDSE Research Analyst;

Medicaid Services

- Increase MHTAAR funding to support the Administrative Services Organization and actuarial analysis;

- Increase Federal authority and decrease general fund match per fourth year (SB74) Medicaid reform initiatives; and

Alaska Psychiatric Institute

- Transfer the Alaska Psychiatric Institute to its own appropriation; and

Department-Wide

- Decrease Executive Branch travel by 50% as proposed by the Governor.

Governor's Amended FY20 Budget Items Approved with Modifications

The subcommittee recommends the following items be adopted with modifications:

Alaska Pioneer Homes

- Create the Alaska Pioneer Homes Payment Assistance as a new allocation within the Pioneer Homes appropriation;
- Appropriate \$15 million UGF (requested by the Governor) to the Payment Assistance allocation and increase that UGF amount by \$10 million. These actions result in \$25 million UGF appropriated to the Payment Assistance allocation, which will be combined with the \$908.2 UGF also added for the Nurse salary increases;
- Accept fund source changes involving federal receipts, UGF, general fund program receipts, and inter-agency receipts to implement rate increases.

Governor's Amended FY20 Budget Items Not Adopted

The Subcommittee recommends the following items not be adopted due to concerns with disruptions to critical state services:

Division of Juvenile Justice

- Eliminate the Youth Detention and Treatment at the Nome Youth Facility;

Public Assistance

- Reduce the Maintenance of Effort requirements by reducing Adult Public Assistance payments to the 1983 standard and payment amounts;
- Reduce General Relief Assistance payments for Burial Assistance;
- Eliminate the Maintenance of Efforts for Tribal Temporary Assistance for Needy Families;
- Eliminate funding for Permanent Fund Dividend Hold Harmless;
- Eliminate funding for Senior Benefits Payment Program;

Public Health

- Reduce UGF in Public Health Nursing;

Division Support Services (single appropriations)

- Eliminating Human Services Community Matching Grants;
- Eliminating Community Initiative Matching Grants;

Medicaid Services

- Implement Medicaid Services cost containment measures and reform initiatives;
- Eliminate Medicaid Adult Preventative Dental;

- Consolidate Behavioral Health Medicaid Services, Health Care Medicaid Services, and Senior and Disabilities Medicaid Services into one appropriation.

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#### Additions and Deletions

In addition to the Governor's Amended Budget FY20 items, the subcommittee considered and recommends adopting the following items:

- Remove language inserted by OMB to allow unlimited transfers across appropriations;
- Insert department level intent to allow the Commissioner of the Department of Health and Social Services to transfer up to \$30,000.0 between all appropriations, with the exception that no transfers be made from Medicaid Services Appropriations;
- Replacing \$1,500.0 of unsustainable Alcohol and Other Drug Treatment and Prevention Funds with Recidivism Reduction Funds for Behavioral Health Treatment and Recovery Grants;
- (technical amendment to correct omission in the OMB 2/13/19 budget release) restore \$65.0 Marijuana Education and Treatment funding for Behavioral Health Administration
- Insert intent language for the Department of Health and Social Services to abide by all provisions of collective bargaining agreements and adhere to the laws of the State Procurement Code in contracting of services for the Alaska Psychiatric Institute.

Due to timing of the Medicaid (Phase One) presentation, there was insufficient time to review and propose achievable Medicaid reductions. In an effort to assist the full Finance Committee, the Co-Chairs of the standing Health and Social Services Committee drafted a memo outlining potential UGF savings that the full Finance Committee could consider.

[2:45:05 PM](#)

Co-Chair Wilson addressed the \$30 million transfer between all appropriations. She stated that Legislative Legal Services had determined that the transfer was illegal and was the purview of the legislature's appropriation authority.

Vice-Chair Johnston interjected that in acknowledgement of the "massive changes the department was going through," she suggested including the language. She was open to amendments.

Co-Chair Wilson understood the reasoning but contended that if it was illegal the committee should not accept the recommendation.

Co-Chair Wilson referenced page 2 and asked how much funding was in the Restorative Justice Fund.

KELLY CUNNINGHAM, ANALYST, LEGISLATIVE FINANCE DIVISION, informed Co-Chair Wilson that the FY 19 carry forward balance for the Recidivism Reduction Fund was approximately \$833 thousand. The fund change projected a carry forward amount of \$1.6 million in FY 20. She characterized the fund as "healthy."

Co-Chair Wilson asked where the funds were utilized. Ms. Cunningham replied that they were used in DOC and possibly other departments.

Co-Chair Wilson asked what the amount of GF match for Foster Care Special Needs under the Office of Children's Services (OCS) was. Ms. Shine responded that the item was a fund source change that changed from a UGF match of \$2.5 million to GF \$2.5 million. She deferred to Ms. Cunningham for details.

Ms. Cunningham explained that LFD had asked the department to identify all matching funds in its budget. She indicated that in the prior year, DHSS identified \$130 million but OCS had not reported its matching funds in time. The change reflected OCS's fund source changes that aligned the GF match and the UGF appropriately.

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Co-Chair Wilson inquired whether the funds were exclusively match funding or could DHSS expend the funds federal if funds were not forthcoming. She divulged that she knew the funds were spent regardless of federal funding. She appreciated that the matching funds were designated. She thought it was good to know what federal funding could be lost with a reduction, but she believed it created a perception that the funds could only be used as matching

funds. She wondered if there was a way for the legislature to ensure funds were used only for matching federal dollars and not to replace federal funds. Ms. Cunningham was unable to answer the question regarding more expenditure control.

Ms. Shine pointed out that the fund source changes included a few different fund source changes and not only changing GF match money.

[2:51:09 PM](#)

Co-Chair Wilson appreciated Ms. Shine's explanation. She reiterated her point about transparency of matching GF.

Co-Chair Wilson referenced page 4, and read the bullet point:

Replacing \$1,500.0 of unsustainable Alcohol and Other Drug Treatment and Prevention Funds with Recidivism Reduction Funds for Behavioral Health Treatment and Recovery Grants;

She asked how much money was in the Recidivism Reduction Fund and wondered why the funds needed replacing. Ms. Cunningham shared that the carry-forward balance from the Alcohol Fund had been declining for some years. Current appropriations from the fund were approximately \$22 million, the revenue was roughly \$20 million, the carry forward balance was \$18 million in FY 18 and had steadily decreased. The appropriation attempted to avoid a decrement in the future. The alcohol fund was declining, and the recidivism fund was increasing; hence the reason for the net zero fund change.

Co-Chair Wilson asked her to identify what funding went into the Alcohol Fund. Ms. Cunningham recalled that 50 percent of alcohol taxes went into the fund but needed to verify that there were no other sources for the fund. Co-Chair Wilson pondered why the funds were declining.

[2:54:03 PM](#)

Vice-Chair Ortiz looked at page 3 of the narrative, and considered the Alaska Pioneer Homes. He asked for a summary of the impact on current Pioneer Home residents and future residents. Ms. Shine stated that the items that were adopted would restructure the funding mechanism within the

department and created a new appropriation to Payment Assistance, which allowed the division to increase fees. She emphasized that the transaction did not raise the fees; the fees were increased in regulation and the department could invite public comment on the increase. The addition of \$10 million ensured sufficient funding to cover current and potential residents.

Representative Josephson considered a memo to the members of the House Finance Committee from the co-chairs of the House Health and Social Services Committee (copy on file) [Regarding Medicaid Services appropriation reductions]. He inquired whether the subcommittee reviewed each item to determine the beneficiary population would not be impacted by the cuts.

Vice-Chair Johnston interjected that the subcommittee lacked the time to examine the cut's impacts. She continued that the DHSS committee Co-Chairs analyzed the policy and spoke with committee members regarding their conclusions and believed they reached an informal consensus regarding the reductions. The issue would be heard in committee.

Co-Chair Foster handed the gavel to Co-Chair Wilson.

[2:57:06 PM](#)

Representative Josephson asked whether the full committee would hear the justifications for the reductions. Ms. Shine reminded Representative Josephson that there would be a presentation regarding the issue the following day. She noted that the memo was based on information available to the standing committee Co-Chair's at the time. She clarified that some concerns might be raised. She emphasized that the letter was not exhaustive, rather it reflected a best guess based on the policy Co-Chair's level of information and time constraints.

Co-Chair Wilson affirmed that the committee would consider the Medicaid issue with DHSS and hear an analysis of the reductions by David Teal, Director, Legislative Finance Division the following day.

Vice-Chair Ortiz cited the budget narrative that indicated the DHSS recommended budget was a decrease of 1.8 percent. He asked whether the decrease meant a loss of any federal matching funds. Ms. Shine was unsure and offered to provide

the information later. Vice-Chair Ortiz asked how the UGF figures compared to FY 15 levels. Ms. Shine replied that the UGF budget had been reduced by \$138.568.2 million, which reflected an 11 percent decrease.

[3:00:17 PM](#)

Representative Sullivan-Leonard was curious about the Alaska Psychiatric Institute's (API) budget in comparison to Wellpath. She wondered what the savings would be realized with the transition to a partially private organization. Ms. Shine shared that the subcommittee lacked the time for a robust conversation on the issue. She offered that the only actions by the subcommittee concerning API was intent language and creating a separate division for API that was currently under the Division of Behavioral Health. She continued that the funding or budget for API was not something the subcommittee addressed.

Representative Sullivan-Leonard asked whether the committee would hold a discussion regarding the issue. Ms. Shine presumed that it would be beneficial if DHSS wanted to address the committee.

Vice-Chair Johnston interjected that the department was working on the matter and would need time.

Representative Josephson referenced Ms. Shine's remark about the subcommittee not considering API's funding. He supposed that some discussion took place. Ms. Shine answered in the negative.

[3:02:41 PM](#)

Co-Chair Foster discussed the next meeting's agenda.

HB 39 was HEARD and HELD in committee for further consideration.

HB 40 was HEARD and HELD in committee for further consideration.

#  
ADJOURNMENT

[3:06:41 PM](#)

The meeting was adjourned at 3:06 p.m.