

HOUSE FINANCE COMMITTEE
February 12, 2020
1:32 p.m.

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CALL TO ORDER

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

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Jennifer Johnston, Co-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
Representative Adam Wool

MEMBERS ABSENT

None

ALSO PRESENT

Major General Torrence Saxe, Commissioner, Department of Military and Veterans Affairs; Stephanie Richard, Administrative Services Director, Department of Military and Veterans Affairs, Office of Management and Budget, Office of the Governor; Cathy Muñoz, Deputy Commissioner, Department of Labor and Workforce Development; Hannah Lager, Administrative Services Director, Department of Labor and Workforce Development, Office of Management and Budget, Office of the Governor; Bill Endicott, Operations Manager, Management Services, Department of Labor and Workforce Development; Raquel Solomon-Gross, Administrative Services Director, Department of Natural Resources, Office of Management and Budget, Office of the Governor; Brent Goodrum, Deputy Commissioner, Department of Natural Resources.

PRESENT VIA TELECONFERENCE

Corri Feige, Commissioner, Department of Natural Resources;
Sara Longan, Deputy Commissioner, Department of Natural
Resources.

SUMMARY

HB 205 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 205 was HEARD and HELD in committee for
further consideration.

HB 206 APPROP: MENTAL HEALTH BUDGET

HB 206 was HEARD and HELD in committee for
further consideration.

FY 21 BUDGET OVERVIEWS:

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS
DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
DEPARTMENT OF NATURAL RESOURCES

Co-Chair Foster reviewed the agenda for the meeting.

#hb205

#hb206

HOUSE BILL NO. 205

"An Act making appropriations for the operating and
loan program expenses of state government and for
certain programs; capitalizing funds; 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. 206

"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."

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^FY 21 BUDGET OVERVIEW: DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

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MAJOR GENERAL TORRENCE SAXE, COMMISSIONER, DEPARTMENT OF MILITARY AND VETERANS AFFAIRS, introduced himself.

STEPHANIE RICHARD, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF MILITARY AND VETERANS AFFAIRS, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, introduced a PowerPoint presentation titled "FY2021 Operating Budget Overview: Presentation to the House Finance Committee," dated February 12, 2020 (copy on file). She reviewed the operating budget comparison between the FY 19 management plan and FY 21 governor's request (slide 2). She highlighted the increase in unrestricted general funds (UGF) and designated general funds (DGF) due to the transfer of the Alaska Land Mobile Radio System (ALMR) and State of Alaska Telecommunications Systems (SATS) components to the Department of Military and Veterans Affairs (DMVA).

Ms. Richard shared that she intended to highlight some significant budget changes in future slides. Changes included the transfer of the ALMR and SATS components, the reduction of matching funds due to business process realignment and efficiencies in the Division of Homeland Security and Emergency Management, the reduction of authority due to a divestiture process in armories, and the reduction of authority due to janitorial contract savings.

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Ms. Richard addressed the FY 21 fund source breakdown by fund category on slide 3. She pointed out an increase in the General Fund due to the ALMR and SATS transfer. The budget included a reduction in "other" funds reflecting a technical cleanup where the department's interagency receipt authority had been aligned with anticipated revenue.

Commissioner Saxe turned to slide 4 and reviewed the department's mission to protect and defend Alaska. The department had military forces in the state and was deploying on a regular basis. The department provided homeland security and defense, emergency preparedness,

veterans affairs, administrative services, and the youth academy providing training and education on a regular basis. The department had about 4,000 military and 200 state workers. He noted that Air Force service members accounted for slightly more of the 4,000 individuals and the remaining individuals were in the Army.

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Commissioner Saxe addressed the ALMR transfer from the Department of Administration (DOA) to DMVA (slide 5). He stated there was a military nexus with three portions including Anchorage, the [U.S.] Department of Defense (DOD), and the State of Alaska. He remarked that the military would use the ALMR system in the event of an emergency; however, it was not the only user. He elaborated that the system would be used by the Department of Public Safety (DPS) and any part of the state requiring emergency communication. He explained that ALMR was the radio and SATS was the telephone line.

Ms. Richard elaborated that the transfer of ALMR included the transfer of \$2.3 million in general funds, \$60,000 in general fund program receipts (a collection of fees for the service), and federal receipt authority of \$1.9 million. She relayed that the function aligned with DMVA's mission to provide homeland security and defense and emergency response.

Co-Chair Johnston noted that the ALMR system had originally been under DOA. It was her understanding the system needed to be upgraded and that DOD was waiting to see what the state would do. She asked if DMVA was the appropriate department to house ALMR.

Commissioner Saxe answered that DMVA was an adequate location for the ALMR system. He believed the nexus with the military made DMVA a particularly strong department. He shared that he had regular communication with General Bussiere, commander of the Alaska Command. They had discussed that because of the military nexus and homeland security within the department, DMVA was a good location for the system. For example, DMVA was one of the agencies that needed the communication during the earthquake [of 2018 in Anchorage].

Co-Chair Johnston assumed DMVA would work with DPS and the Municipality of Anchorage in terms of coordination.

Commissioner Saxe answered he had spoken extensively with DPS about ALMR. He reported that DPS had done significant background work, which it had provided. He intended to work hand in hand with DPS going forward.

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Commissioner Saxe remarked that SATS was the telephone line that would need to be upgraded.

Ms. Richard relayed that with the transfer of SATS, the satellite infrastructure, there was a transfer of \$4.7 million in general funds, \$90,000 in program receipts, and 24 permanent full-time positions.

Commissioner Saxe added that DMVA had reached out to the 24 people and was taking them under its wing.

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Commissioner Saxe moved to slide 7 and discussed the reduction in authority for the Alaska State Defense Force stipend. He explained that the Alaska State Defense Force was comprised of members of the state militia who were always in state status. The individuals would deploy only within Alaska barring an extreme situation. For example, some of the members had deployed to Puerto Rico several years back during its crisis. The department was looking to focus on efficiencies. He relayed that DMVA wanted to store equipment at Alcantra. He noted there was \$30,000 available in the commissioner's fund, which was the norm for the State Defense Force. The department was resetting back to the norm and looking for efficiencies.

Representative Carpenter asked if the transfer of ALMR and SATS changed the federal mission in any way. He wondered if the department would seek additional bodies or mission sets from the federal government in regard to the capabilities being required from the state level.

Commissioner Saxe answered the transfer should not change anything. The three entities were DOD, Anchorage, and the State of Alaska.

Commissioner Saxe moved to slide 8 and shared that one administrative position would be deleted. He reported that the individual holding the position had been notified. He added that the National Guard could take on the administrative duties such as picking up mail.

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Commissioner Saxe turned to slide 9 showing the reduction of \$400,000 in authority for business process realignment and efficiencies. He explained that the action would reduce UGF and replace it with federal funding. He elaborated that there was no operational limitation. They had spent significant time researching grant by grant and capability by capability. The only true scope change was related to travel for administrative purposes. For example, someone could travel to Juneau for the current meeting; however, under the proposed reduction, they would have to call in via teleconference. He explained that there would be no change to the afterhours call center and state emergency operations center, Amber Alert, river watch, and fleet management for department vehicles. He relayed that a substantial amount of good data had gone into the decision to move from state to federal funding.

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Commissioner Saxe moved to slide 10 and shared positive news that DMVA previously had 83 armories in Alaska that it was working to reduce to 18. He explained that the process of giving back an armory to a given entity varied, but typically the process involved an environmental study by the Army Corps of Engineers and the armory was given back based on the landowner. The department was aware that communities wanted the armories back quickly and it was working towards the goal. The slide showed completed transfers, armories ready for divestment, and the 18 the department would retain. He noted that by in large the 18 DMVA would retain were located in the larger [population] areas.

Co-Chair Foster asked if the process to go through the Army Corps of Engineers was typically 12 months or less/more.

Commissioner Saxe answered that the process was typically longer. The department spoke in terms of years because it was largely outside of its control. He had tasked staff to

focus on the armories coming up and to push it forward with the Army Corps of Engineers. He remarked that many times the squeaky wheel got the grease. He had been contacted at almost every event he had attended by someone in the community looking for the armory to come back. He provided the best estimate he could, and staff were contacting people to provide an accurate estimate.

Co-Chair Foster asked if the process had to go through DOA and the Division of Public Facilities under the Department of Transportation and Public Facilities.

Commissioner Saxe answered that the process primarily was limited to the Army Corps of Engineers; however, it operated on a case-by-case basis. He explained that there were different paths depending on whether the land was federal, state, or Native owned.

Representative Wool had not been aware there were so many armories around the state and in villages. He wondered about their primary function. He used St. Mary's as an example. He asked if the department was storing arms.

Commissioner Saxe answered that it varied. He explained that in the past, the state had guardsmen - Army guard in particular - at the armories. He elaborated that about 15 to 20 years back most of the guardsmen had been brought back to Anchorage and Fairbanks. He relayed that many of the armories were vacant and DMVA wanted to give the ones shown [in the "Divest" category] back as soon as possible. He remarked that it was the number one issue for some villages - they wanted access to the armory in their village as the buildings were a good place to gather and were typically good structures. The reduction of \$50,000 shown on the slide reflected future gains that would result from giving armories back.

Representative Wool stated his understanding that armories had historically been used for guardsmen and the function had changed. He surmised that the buildings were vacant and currently unavailable to communities. He asked for verification that DMVA was essentially giving the buildings to the communities to use the space as needed.

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Commissioner Saxe agreed. He clarified that it varied based on who owned the land. He wanted to establish hubs at some of the larger armories and put guardsmen back in "this" area of Alaska. They were not contracting completely; the department was trying to reverse the trend a bit and get people to sign up and join accordingly. He noted that 83 armories were too many, based on current force structure.

Co-Chair Foster added that there were a couple of the armory facilities in his district. He explained that the buildings were very small and usually completely abandoned and were without electricity, heat, or water. He elaborated that the community was more than happy to take the facilities to use for youth programs or a place for elders to meet. He thought it was a win-win situation.

Vice-Chair Ortiz asked if the movement to divest from various armories throughout rural Alaska would have an impact on individuals' ability to serve in the guard. For example, he wondered if divesting from the armory in Akiak would impact an Akiak resident's ability to serve in the guard.

Commissioner Saxe replied that DMVA was trying to make it as easy as possible for people to join. For example, they planned to start up the "milk run" again to go to bigger hubs within the state. He explained that the department was not consolidating to Anchorage; it was consolidating to rural hubs (e.g. Nome, Bethel, Galena). He explained that if a person were in a nearby village, the goal would be for that person to have the ability to drill in a hub community. Anecdotally, there were hundreds of people in Western Alaska who were interested in joining. He stated it was an excitement they had not seen in years.

Vice-Chair Ortiz asked for the reason in increased excitement.

Commissioner Saxe believed it was getting out there and making sure people understood the guard was "part of you as Alaskans and we invite you to become part of us." The department had sent additional recruiters to that area of Alaska and it was hosting events that he and other staff attended to invite residents to join. He noted that it was a practice that had not taken place in a while.

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Commissioner Saxe addressed the reduction in authority for janitorial contract savings on slide 11. He clarified that the department was not looking to eliminate the contract in its entirety. The goal was to have the guard step up and do more of the cleaning itself.

Ms. Richard added that the proposal to reduce authority for janitorial contracts would result in General Fund savings of \$123,000 and federal receipt authority of \$378,000. She explained that the effort was similar to work the State of Alaska had done several years back. The idea was to focus on cleaning common areas instead of the entire areas and reducing the frequency of visits. The department targeted a 50 percent reduction from its prior year expenditure. She explained that the numbers on slide 11 were the department's targeted figures. She explained that if the proposal went forward, the DMVA procurement team would cancel the current contracts and put the contracts back out to bid. The department did not know which facilities the savings would come from; it would depend on the bid response.

Commissioner Saxe addressed the authority to align with anticipated expenditures on slide 12. He detailed that the Air Guard had the ability to increase efficiencies, which the department was aiming to do. He noted the funds to be eliminated (shown on slide 12) were excess and would have no operational impact.

Representative Sullivan-Leonard considered the responsibilities and duties of the department. She asked for an update on the Alaska Military Youth Academy (AMYA). She asked how it was working and how it was translating into success for program participants. She asked if there were aspects that needed improvement.

Commissioner Saxe relayed that his wife had sponsored two of the cadets over the past couple of years. He had witnessed the lifechanging impact the program had on participants. He shared that he had been a fan of the youth academy prior to taking his current position. He elaborated that the state of the academy was healthy. He highlighted that one thing that they had changed was sending guardsmen in much larger numbers to help out with mentoring and physical training. He expounded that youth participants were getting help on levels that they had not received in

the past. He had regular meetings with academy staff, and he observed that morale appeared high. He had asked the academy to have authority and responsibility at the same level. He explained that if someone had responsibility for something, they should also have authority for that same thing - from the director level down to the trainers who met with cadets. He had a good communication relationship with academy staff and visited on a regular basis. He believed morale was high.

Representative Sullivan-Leonard shared that she was also a big fan of the program. She asked if there had been an increase or decrease in the number of AMYA participants.

Commissioner Saxe answered that the enrollment numbers were pretty steady at around 135 to 150. He stated that the number was healthy. He had asked AMYA staff what the right number is, and the existing enrollment was approximately the target they were looking for. He explained the number should not be so high that staff could not address students on an individual basis. He reported that the department had made healthcare much more robust within the program. He found it inspirational to see that program staff were completely vested in caring for the students.

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Co-Chair Foster looked at the operating budget comparison on slide 2. He asked whether the FY 21 budget reflected an increase or decrease if the ALMR transfer was backed out.

Ms. Richard answered there would be a decrease in the budget if it did not include the transfer of ALMR and SATS.

Co-Chair Foster asked for the amount.

Ms. Richard answered that the reduction included \$400,000 UGF in the Division of Homeland Security and Emergency Management, approximately \$123,000 related to janitorial services, \$10,000 in the Office of the Commissioner for the Alaska State Defense Force stipend, and approximately \$3,000 for the administrative assistant position that was primarily funded with federal funds.

Co-Chair Foster stated his understanding that the budget was down UGF when ALMR was backed out. He thanked Commissioner Saxe for traveling to Nome and talking about

getting some people out into the hubs. He remarked that the effort would not require state money; it looked like federal funds would be coming in that would allow the department to increase its presence.

Vice-Chair Ortiz looked at slides 5 and 6 related to the ALMR and SATS transfer into DMVA. He asked about the impetus of the transfer.

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Commissioner Saxe answered the department had the connection to the military and close association with its active duty counterparts including the Alaska Command led by Commander General Busseire and homeland security. He elaborated that in the event of a largescale disaster, if necessary, they would establish a dual status commander to be in charge of state and federal forces. He explained that in an ultimate emergency it would fall on DMVA. For that reason, it made sense to have ALMR and SATS in the department.

Representative LeBon asked for an update on the 168th air refueling wing at the Eielson Air Force Base. He asked how the mission was going and what the future looked like.

Commissioner Saxe replied that he was a former wing commander at Eielson. He detailed that KC-135 airplanes continued to shine. He elaborated that the newest airplane was a 1963 model. He shared an analogy of what it would be like to drive a 1963 car. The department was working with active duty. He relayed that if Pacific Air Forces decided to put the new KC-46 at Eielson, DMVA was very open to an association on its current airplanes and the KC-46. He unit was hovering around the high 80s, the best it had been for a long time, and the retention rate was about 97 percent. Clear Air Force Station was also underneath the wing.

Commissioner Saxe reported that the United States Space Force would be coming to Alaska. He detailed that Alaska was one of eight states with a space mission at Clear. The mission would likely be going to the Space National Guard, which would be connected directly into Fort Greely - a spotter/sniper relationship. He informed the committee that for a relatively small wing, it was healthy and moving forward. He reported that because there were so many things

happening within the Interior on the military side, it was an exciting time to be part of the wing.

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Representative LeBon asked if the arrival of the F-35s helped with the air refueling mission. He mentioned the possibility of getting the KC-46. He asked if there was a connection between the two.

Commissioner Saxe believed there was a connection, but it was the Pacific Air Force's call. He relayed that there was currently a need for refueling. He expressed excitement that Alaska would have more "5th-gen" fighters than any other location worldwide. It was necessary to ask the question and be able to address how to refuel to do aircraft coming in.

Representative Carpenter asked if the new Space Force impacted the Army National Guard current mission at Fort Greely.

Commissioner Saxe answered that about six months back the plan had been to transfer to the Space Force, but that was no longer the case. However, there had been an unanticipated change announced earlier in the day, that entailed the transfer of about 100 Army guardsmen to the Space Force. He relayed that there would be more information to follow. He reported that he was watching the situation carefully.

Representative Wool asked if the Space Force was its own separate branch.

Commissioner Saxe replied that the Space Force was its own separate branch, but it was still evolving. He referenced the analogy of the Air Force evolving out of the Army. He elaborated that it would be a small force, but he believed it would expand in numbers as it expanded in mission.

Co-Chair Foster thanked the department for its presentation.

^FY 21 BUDGET OVERVIEW: DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

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CATHY MUNOZ, DEPUTY COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT (DLWD), thanked the committee for the opportunity to present. She relayed Commissioner Tamika Ledbetter was currently in Washington D.C. attending meetings of the National Association of Workforce Agencies. She shared that the commissioner had recently been appointed national chair of the Workforce Development Committee, which had been a great opportunity for the department to interact with other states on workforce development best practices.

Ms. Munoz introduced other staff from the department present at the meeting. The department intended to give an overview of its divisions and programs and a summary of the FY 21 budget proposals from the adjusted base. She provided a PowerPoint presentation titled "Alaska Department of Labor and Workforce Development Department Overview: House Finance Committee," dated February 12, 2020 (copy on file). She reviewed the department's mission to provide safe and legal working conditions and to advance opportunities for employment (slide 2). The department's mission was carried out through its core services, which included protecting Alaskan workers through the Alaska Occupational Safety and Health organization, workforce development, and income replacement.

Ms. Munoz highlighted that the department's proposed FY 21 budget totaled \$150.5 million. She detailed that 62 percent of the total was dedicated to workforce development. The agency received a great deal of federal pass-through funding that was shared with training providers around the state. The funds were also provided to job centers and money went out to individual Alaskans who were able to access the services for training.

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Ms. Munoz highlighted four components of the DLWD organization on slide 3. The first component, titled "Protect Workers," included the Alaska Labor Relations Agency, the Workers' Compensation Division, and the Labor Standards and Safety Division. The second component, titled "Workforce Development," included the Alaska Workforce Investment Board, Division of Employment Training and Services, Vocational Rehabilitation, and the Alaska Vocational Technical Center (AVTEC) in Seward. She

elaborated that the Alaska Workforce Investment Board was the only board of its kind in Alaska (many states had multiple workforce development boards) that coordinated and worked with training providers. The board had representatives from K-12 public education, the University of Alaska, public and private training programs, industry, and the State of Alaska. She reported that AVTEC had recently been named in the top 10 percent for colleges, universities, and training programs around the country, for return on investment. The department was very proud of the designation. She expounded that the designation had been awarded by Georgetown University's Center on Education and the Workforce. She elaborated that AVTEC had been ranked 41 out of 4,500 schools and universities nationwide.

Ms. Munoz addressed the third category, "Income Replacement," that included Unemployment Insurance, and Disability Determinations (slide 3). The fourth category, titled "Leadership and Support," included the Commissioner's Office, Management Services, Data Processing, Labor Market Information, and Leasing. She detailed that Labor Market Information was the research and analysis division, the publisher of the Trends magazine, and the producer of up to date job data. She encouraged the committee to look at the department's website to find a wealth of economic data.

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Ms. Munoz moved to slide 4 and discussed department priorities. The department's top priority was promoting a culture of excellence in customer service. The department prided itself on being very responsive to the public - the open for business philosophy permeated throughout the department's work. The department had 732 employees, of which, 662 were full-time, 48 were part-time (mostly seasonal unemployment insurance employees), and 22 were temporary. She explained that most of the temporary positions were student interns; the commissioner had placed a priority on bringing in high school and college interns, which had been very successful.

Ms. Munoz highlighted that the department was proud of promoting a culture of business friendly service. She detailed that in 2019, DLWD had increased its efforts in the Alaska Occupational Safety and Hazard Division through a more cooperative strategy with the regulative community.

Additionally, the department had completed 392 Occupational Safety and Health Administration (OSHA) enforcement inspections of worksites to ensure safe working conditions. The efforts resulted in the lowest workplace lost-time injury since 2012. The department also placed a high priority on preparing Alaskans for jobs in their communities. One of the commissioner's priorities was ensuring that Alaskans knew about the many opportunities and services throughout DLWD, including training, job preparation, counseling, adaptive technology for the employment of the disabled, and more. The department focused on the efficient and effective delivery of services. She elaborated that DLWD was working to build collaboration between the divisions. Work was currently underway to merge the Workers' Compensation Division with the Labor, Standards, and Safety Division.

Ms. Munoz expounded that DLWD was also working with other departments to collaborate and coordinate ways to better serve Alaskans. For example, the department was collaborating with the Department of Health and Social Services on the At Risk Youth Initiative to provide employment, housing, and training opportunities for youth transitioning out of foster care and high school. The department was also incredibly proud of the Youth Homelessness Demonstration Project. The project was a successful cooperative effort with the Alaska Housing Finance Corporation (AHFC) to receive a perpetual grant of \$1.65 million to combat youth homelessness in Alaska. Additionally, the department was working with other states where it could. She cited the commissioner's work with the National Association of State Workforce Agencies and recent appointment to the Employment and Training Committee as examples.

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Ms. Munoz reported that the department was excited to work with the legislature to promote opportunities for Alaskans to get trained and connected to the opportunities in the economy. She relayed that DLWD looked forward to continuing to develop a locally grown workforce.

HANNAH LAGER, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, reviewed a chart showing a three-year lookback of the department's budget on

slide 5. She remarked that the three bars looked similar because a significant portion of the DLWD budget was federal funding. Federal funds accounting for the largest portion of the budget at 50 percent as shown in yellow. Designated general funds (DGF) shown in orange, accounted for 25 percent, other funds shown in gray accounted for 12 percent, and unrestricted general funds (UGF) accounted for about 13 percent. She reported that in 2019 there had been a small uptick in UGF funding in the amount of \$250,000 in the Labor Market Information component for one-time 2020 census outreach. The department's request for FY 21 was \$18.6 million, which was a drop of \$2.1 million or 10 percent from FY 19.

Ms. Lager provided a breakdown of the \$2.1 million decrease. She detailed that \$1.4 million was a net zero fund change between UGF and DGF related to the correction of the categorization of certified payroll fees. She explained that the change was an accounting cleanup. She elaborated that \$250,000 was the difference in the one-time census item in FY 19.

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Ms. Lager turned to slide 6 showing the FY 21 fund source breakdown by fund category. She pointed to the table at the top of the slide and noted that the department had no formula programs. She added that TVEP funding was kind of like a formula program, but it was not technically categorized as such. The total operating budget of \$150 million was reflected on the nonformula line. She highlighted duplicate funding shown on the third line of the table. She detailed that the money reflected one section of the state paying another section of the state for services provided. Duplicate funding accounted for approximately 10 percent of the budget, including interagency receipts and capital improvement project (CIP) receipts (money spent from previously appropriated capital projects). For example, the administration of the department was paid for by other sections of the department; therefore, the money was counted twice. She noted that without the duplicate funding line, the budget was approximately \$135 million.

Ms. Lager pointed to the bottom of slide 6 showing a variety of funding sources. Many of the fund sources were

in the DGF category and were funds specified for specific payments or programs.

Ms. Lager moved to slide 7 and reviewed changes from the adjusted base. Item 1 showed a reduction of funds for the commissioner's office. She explained that in previous years the funds had been used for legal expenses for a specific litigation that was no longer underway. Item 2 reflected the elimination of a position in the Anchorage procurement office as a result of streamlining. She detailed that the department was eliminating reception in the specific office. Item 3 showed the reduction of general funds in the Data Processing Section, which would increase reliance on federal funds - making people pay for their own projects through federal awards or other funding sources. Item 4 showed a small increment for research and analysis to benefit the Alaska Mental Health Trust Authority (AMHTA) and its beneficiaries.

Ms. Lager continued to review items on slide 7. Item 5 reflected the elimination of the online training clearinghouse from the Labor Market Information Section. She explained that the tool had likely been very useful to the public 10 years back, but now most of the information could be found via an online search. She added that the tool was not statutorily required. Item 6 pertained to the consolidation of two administrative positions into one in the Juneau Labor Market Information Office in order to increase efficiencies.

Ms. Lager moved to item 7 on slide 7. She explained that the previous year, HB 79 had passed, which phased out the Second Injury Fund for the department. The department had put forward a fiscal note that would have gradually reduced its authority from the fund over a period of years until it was reduced to a zero balance. The department had taken another look and recognized that most of the payments coming out of the fund were lifetime payments for total disability; therefore, DLWD would need to continue its authority to make the payments until the fund was out of money. Item 7 reflected half of the transaction and the other half was -\$400,000, which resided before adjusted base (it was not included on the slide but was included in the budget book). She explained that the two sums netted out to zero. The slide reflected what the department would have done if the fiscal note had been adopted.

Ms. Lager concluded with item 8 on slide 7. The item reflected a correction to the categorization of certified payroll fees. She elaborated that for years the department had collected the fees and put them into the General Fund, and it had spent from the General Fund. She elaborated that they had reviewed the statute and the fees met the definition of program receipts under the program receipts statute; therefore, they were switching the categorization in order to reflect the budget more accurately.

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Ms. Lager moved to slide 8 and continued to review changes from the adjusted base. Item 9 reflected the adjustment of administrative and investigative positions in its Fairbanks office for wage and hour administration. She elaborated that an office assistant position in the office had been vacant for more than a year; therefore, the department planned to delete the position and to use other staff in the area to help support the administrative needs of the section. Additionally, an investigator position was also being reclassified to a wage and hour technician, which would result in some changes in legal fees in the office.

Ms. Lager addressed item 10 on slide 8. The component only had \$3,000 UGF remaining. Anecdotally, it likely cost the department more than \$3,000 to administer the structures and to track and budget for them annually; therefore, the amount would be cleared out. Item 11 pertained to the unemployment insurance component and would delete two positions and associated federal authority. She expounded that the positions had been vacant for close to two years and the department wanted to ensure it was accurately reflecting its needs in the budget. Item 12 fell under the vocational rehabilitation component. The department had closed its Kodiak office on December 31, 2019; the item would delete the two positions and budget authority.

Ms. Lager moved to items 13 and 14 on slide 8 related to AVTEC. She explained that AVTEC was focused on making sure that student fees charged support themselves for student consumables such as gas supplies for welding shops. Additionally, AVTEC was putting forward a regulatory package that would include a 4 percent tuition increase. The department was working to ensure that AVTEC would continue to be affordable and competitive, but also making sure students covered a bit more of their costs. Item 14

also pertained to AVTEC. She detailed that AVTEC was focused on leveraging contractual training opportunities to help support some of its program operations.

Ms. Lager reviewed item 15 on slide 8. She explained that the increment pertained to AVTEC continuing to evaluate its programs. She expounded that as one of its instructors was retiring, AVTEC had realized that with a slight calendar shift it could have one instructor teach two programs.

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Co-Chair Johnston asked for the current formula for the STEP [State Employment and Training Program].

Ms. Munoz replied that STEP funding was financed through the portion of the employment security tax. She elaborated that 0.5 percent of wages was taken from employees' pay. She detailed that STEP was 0.10 percent of the 0.5 percent or approximately \$8 million per year.

Co-Chair Johnston asked when the STEP percentage had last been adjusted.

Ms. Lager replied that the department would follow up with the information.

Co-Chair Johnston noted she had heard some interest in making an adjustment to the percentage.

Ms. Lager highlighted the department's proposed FY 21 capital budget on slide 9. The proposal was limited to an increment for the Vocational Rehabilitation Business Enterprise Program facility development and equipment replacement. She briefly referenced slide 10 showing information on significant budget changes in FY 20. Slide 11 showed TVEP funding history from FY 17 to FY 21. She pointed out that FY 21 was the same as FY 20 for the time being. The department knew that reauthorization of the program was needed, and that legislation was currently in progress to do so. She informed the committee that the program was currently scheduled to sunset on June 30, 2020.

Representative Knopp noted there was a line item in the subcommittee budget that was not currently before the committee. He asked for an explanation of the function of the business partnership program.

Ms. Munoz replied that the business partnership was through the Division of Vocational Rehabilitation. She elaborated that the function was to ensure priority for disabled vendors in the bidding of contracts for food service in state facilities.

[2:20:48 PM](#)

Representative Knopp noted that in FY 16 the employment security and business partnership program had been combined and moved into the Division of Employment and Training Services. He thought the move likely made sense. He noted that the department was moving \$10 million to the commissioner and administrative services from employment and training services. He was concerned about getting away from the intent of the program.

Ms. Munoz deferred the question to a colleague.

BILL ENDICOTT, OPERATIONS MANAGER, MANAGEMENT SERVICES, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, replied that the Business Enterprise Program was administered under Director Duane Mayes in the Division of Vocational Rehabilitation. He referenced a merger that had occurred in FY 16. He detailed that there had been a separate Division of Business Partnerships. The division had been consolidated into the Employment Security Division and it had been renamed the Division of Employment and Training Services. Part of the consolidation related to finding efficiencies. He believed the merging of the divisions had saved \$600,000 through the consolidation of some of the leadership positions and other. He stated that about 23 positions had been moved into a division with closer to 400 positions. The change had also enabled streamlining and efficiencies. The business partnership's primary purpose was to confer with the Alaska Workforce Investment Board and provide for priority programs for federal dollars received. He elaborated that business partnership would receive the federal funding and employment security, now Division of Employment and Training Services, would use the funds to do the training.

[2:23:26 PM](#)

Representative Knopp remarked that employment and training services was being moved into the commissioner and

administrative services budget at about \$10 million. He asked if the department was downsizing the business partnership programs or no longer used them. He wondered if the department was getting away from the original intent of the program.

Mr. Endicott responded that it was his understanding that the leadership's approach was to provide for streamlined services. He elaborated that the Alaska Workforce Investment Board fell under the commissioner's office. The board provided for identification of priority training services. Part of the workforce development component in employment and training services was called the grants unit and was specifically moved under the board to streamline decision making with the grant delivery process. The structure was designed to reduce the overall coordination and collaboration of activities within the same department.

[2:25:07 PM](#)

Vice-Chair Ortiz commended and thanked Ms. Munoz for help she had provided a couple of his constituents over the summer.

Co-Chair Foster noted that Ms. Munoz had previously served on the House Finance Committee.

Co-Chair Foster thanked the department for its presentation.

^FY 21 BUDGET OVERVIEW: DEPARTMENT OF NATURAL RESOURCES

[2:26:15 PM](#)

CORRI FEIGE, COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES (via teleconference), provided opening comments. She thanked the committee for its time. She introduced a PowerPoint presentation titled "FY2021 Operating Budget Overview, Department of Natural Resources: Presentation to House Finance," dated February 12, 2020 (copy on file). She reviewed the Department of Natural Resources' (DNR) mission to develop, conserve, and maximize the use of Alaska's natural resources, consistent with the public interest. She stated that with its mission in mind, DNR had worked hard to develop an operating budget focusing on its statutorily mandated programs. The department was working to remove the roadblocks to the fulfillment of the state's land

entitlement, growing the state's economy and revenue streams, and providing high quality level of service to Alaskans.

Commissioner Feige reported that over the past year, DNR had strategically deployed resources within the department to better manage areas of growing economic development like aquatic farming. The department had placed a heavy emphasis on doing more with what it had. She stated that DNR was placing a sharp focus on recruitment and retention to save the state money. She explained that turnover cost the state money. The department wanted to improve the quality of its workforce as well as its outputs.

RAQUEL SOLOMON-GROSS, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF NATURAL RESOURCES, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, noted that her colleagues would review their own divisions. She highlighted that DNR had prepared a program guide for the past four years. She detailed that the document provided a deeper dive into each of the department's programs and their budgets. The document would be provided to the committee.

Ms. Solomon-Gross began on with the FY 21 operating budget comparison on slide 2. She read from prepared remarks:

Our department's mission: develop, conserve, and maximize the use of Alaska's natural resources consistent with the public interest. The Department of Natural Resources generates a large portion of the state's revenue from multiple funding sources, including oil and gas royalties, material sales, mining leases, seismic data sales, park fees, and recording fees, just to name a few.

On a ten-year average, the department brings in \$28 for every general fund dollar we are appropriated. This is a direct indication of activity happening across the state. I want to point out that all dollars in this presentation will be represented in thousands.

The chart in front of you compares the department's FY 19 and FY 20 management plan budgets to the FY 21 governor budget by each of the four funding categories, with the corresponding dollar amounts shown at the bottom. Those categories are unrestricted general funds, designated general funds, other, and

federal. Comparing the FY 19 management plan and the FY 21 governor budget there is an overall increase of less than 1 percent.

[2:31:21 PM](#)

Ms. Solomon-Gross turned to slide 3 and reviewed the department's FY 21 fund source breakdown by fund category with prepared remarks:

Our total FY 21 general fund budget of just over \$101 million, which includes both unrestricted and designated general funds, is 62 percent of our total budget. This number is important because every reduction we have equates to people and our capacity to do work. DNR's operating budget is funded with 20 different fund sources.

In the DGF or designated general fund category, general fund program receipts make up the largest portion of this category. Some examples are park fees, material sales, mining leases, recording fees, and seismic data sales. With a few exceptions, all designated general fund revenue collected above what we are appropriated and spend, goes back into the general fund. The exceptions to that would be divisions that have carryforward language in the budget bill. For example, with that additional language in the bill, the Division of Parks is able to carryforward what's been collected in previous years above what they are appropriated to spend in order to fill that general fund program receipt bucket in future years to get them through those slower generating revenue years. An example of when this is needed is in a high fire season certain park areas may need to be closed to the public; therefore, bringing in less revenue.

We also have the State Land Disposal Income Fund, which is revenue from state land sales. We have vehicle rental tax, which is a 10 percent fee on passenger vehicle rentals used for tourism, marketing, and development. We also have timber receipts, which is the sale of timber on state lands.

Moving down to the "other" category. A large portion of this category is statutory designated program

receipts (SDPR). This revenue comes from memorandum of agreements we have with nongovernmental agencies. For example, our Office of Project Management and Permitting is largely funded with SDPR and has agreements to coordinate permitting activities across the state.

[2:33:39 PM](#)

Ms. Solomon-Gross advanced to slide 4 and discussed the FY 21 operating budget by core services with prepared remarks:

Here we have, listed in priority order, DNR's four core services for each of the four fund categories. Those four areas are: fostering responsible commercial development, mitigate threat to the public from natural hazards, provide access to state lands for public and private use, and ensure sufficient data acquisition and assessment.

Ms. Solomon-Gross highlighted that under the mitigate natural hazard threat category, of the \$50.2 million, \$46.8 million was dedicated to fire. The second column from the right showed the percentage of general funds allocated to each core service, including unrestricted and designated general funds.

[2:34:32 PM](#)

Ms. Solomon-Gross moved to a comparison of the FY 20 management plan and the governor's FY 21 proposed budget on slide 5. She read from prepared remarks:

The biggest change you'll notice here is the net decrease in unrestricted general funds of \$4,226,000. The FY 21 amount is reduced by the balance of a multiyear operating appropriation DNR received in FY 17 for Arctic Strategic Transportation and Resources (ASTAR). This operating appropriation terminates at the end of FY 20.

Also included in the FY 21 governor budget are increment requests for each division to offset the increased cost related to union salary increases and health insurance costs. The total increment for the department is \$415,000. Those increments are allocated by fund source based on how positions are currently

funded. For example, if a position is 100 percent federally funded, the department is allocated only federal funds for those increased costs associated with that position.

As we go through each division, we'll speak to the other changes included in the FY 21 governor budget.

[2:35:50 PM](#)

Ms. Solomon-Gross reviewed a comparison of positions on slide 5:

Over to the right of the slide we have the comparison of positions between FY 20 management plan and the FY 21 governor budget. Since FY 16, DNR has reduced our workforce by 104 permanent full-time positions. Between FY 20 and FY 21 there is a net increase of three positions. You'll notice that there is a negative 14 non-perm positions and a positive 14 permanent part-time positions. This is due to a couple of requests in the FY 21 governor budget to replace non-perm positions with permanent seasonal positions in order to support a more sustainable workforce.

Ms. Solomon-Gross moved to slide 6 showing additional detail on positions broken out by division. She noted that more of the information would be addressed in the division specific slides.

[2:36:48 PM](#)

Ms. Solomon-Gross moved to the Support Services Division budget on slide 7 and read from prepared remarks:

The first division slide we have is the Division of Support Services. Our mission: provide client focused efficient and cost-effective financial, budget, procurement, human resource, information technology, and recording services to the Department of Natural Resources and the public. The Information Resource Management Section used to include IT staff for the department before IT was centralized statewide and those positions were transferred to the Department of Administration to the Office of Information Technology. This section is now made up of our Geographic Information Systems (GIS) Unit.

The division is what would normally be referred to as the Division of Administrative Services in other state agencies, but DNR is also responsible for the statewide Recorder's Office, which no other agency has, which is why in years past the name was changed to Support Services.

Much of the change you see here between FY 20 and FY 21 is for those salary and health insurance increase costs that I referred to earlier. For this division specifically, it was about \$20,000 in total. That net decrease in the other fund category is in part due to a transfer or a repurposing of excess interagency receipt authority that was transferred to the Public Information Center (PIC). The PIC is in part funded by other DNR divisions, so as their need for additional staff is increased, this transfer will provide them the mechanism to collect and spend those from other DNR divisions.

[2:38:26 PM](#)

Commissioner Feige provided an overview of the commissioner's office budget on slide 8. The biggest change was the closeout of the ASTAR project. She explained that within the commissioner's office there were three central areas of focus. She described the first as one of the more important areas of focus, which included ensuring due process to Alaskans and the assurance that DNR was carrying out its statutorily mandated programs. The focus on due process included ensuring the department was processing administrative appeals associated with the leases, permits, or other transactions taken on by the department. She explained that beginning in January of 2019, DNR inherited a backlog of 155 administrative appeals and in the past year it had adjudicated 52 of the 155. At present, there was a log of about 115 active appeals. She noted the work took a significant amount of staff time.

Commissioner Feige continued to address the commissioner's office budget on slide 8. The office also focused on actively promoting Alaska's resources and resource development to domestic and international investors. She explained that the focus carried the message that Alaska was open for business. Additionally, it shared with industries interested in resource development exactly what

Alaska's resource development was, Alaska's unique characteristics, and to dispel myths about working and operating in Alaska. She noted that the work took a significant amount of staff time.

Commissioner Feige reported that DNR continued to focus a substantial amount of the commissioner's office staff and time on working federal land planning and management issues that impact Alaska at the ground level. The office worked closely with its Washington D.C. delegation. Currently they were working to align revisions to the state's Geothermal Development Program with new proposed federal legislation being advanced by Senator Lisa Murkowski. The office placed a great deal of emphasis on issues of navigability and taking title to state submerged lands and lifting long-lived PLOs in order for the state to have access to lands and resources due through the statehood entitlement.

[2:41:41 PM](#)

SARA LONGAN, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES (via teleconference), provided an overview of the Office of Project Management and Permitting (OPMP) on slide 9. She read from prepared remarks:

The mission of the office is to coordinate multiagency regulatory reviews and authorizations, while collaboratively engaging federal agencies on land use planning and policy initiatives. The biggest change from prior fiscal year is less than a 10 percent increase in UGF funding. This consists of a request to add \$595,000 to compensate or to provide support for a federal plan review and coordination. As mentioned, this office dedicates important time and effort, closely working with the federal government, advancing and protecting state's interests during federal land planning and initiative reviews. You'll see that the number of positions from prior year remains unchanged.

[2:42:50 PM](#)

Ms. Longan turned to slide 10 and gave an overview of the Division of Geological and Geophysical Surveys budget with prepared remarks:

The mission of this division is to determine the potential of Alaska land for the production of metals,

minerals, fuels, and geothermal resources. Helping to locate and supply groundwater and construction material and the potential geologic hazards to buildings, roads, bridges, and other installations.

There is a very minor change in the budget from prior years, but there are differences in the number of positions. For example, there is a proposal to replace six non-permanent positions to permanent seasonal, in support of critical projects. This is to help achieve sustainability and retention of our workforce. Changing a part-time position to a seasonal full-time position to meet increased workload and adding two natural resource technicians for the multispectral scanning project. This project is critical to help leverage the geological materials center energy and mineral core and rock collection. Scanning of this collection will electronically archive the materials and will preserve the value before those materials degrade.

[2:44:12 PM](#)

Ms. Longan moved to slide 11 and reviewed the Division of Oil and Gas budget with prepared remarks:

The Division of Oil and Gas's mission is to manage lands for oil and gas and geothermal exploration and development in a fair and transparent manner to maximize prudent use of resources for the greatest benefit of all Alaskans. In addition, facilitating the safe and environmentally conscious operations and maintenance of common carrier pipelines.

There is a negative percent change in the overall budget from prior fiscal years of less than one percent. This was accomplished in part by consolidating the state pipeline section into the Atwood Building at a savings of \$218,000. Through this division's gain in operational efficiencies, they were able to transfer two natural resource specialist positions to the Division of Mining, Land and Water for aquatic farm application and processing.

There was also the opportunity to delete one position that is a non-permanent position that was vacant for longer than 12 months. For all personnel costs for

personnel members, the total change here is a reduction of three positions.

Representative Josephson asked about the aquatic farm application processing positions formerly under the management plan natural resource specialist. He wondered if the farmers would have to absorb the costs of the positions. Alternatively, he wondered if the state was using UGF for the expenses.

Ms. Longan answered that the farmers would not have a cost impact. The department gained efficiencies in the Division of Oil and Gas and transferred the resources to the Division of Mining, Land and Water in order to transfer the two natural resource specialist positions.

[2:46:24 PM](#)

Vice-Chair Ortiz referenced mariculture farms [application processing]. He asked if the change was a result of an increase or expected increase of applications. He supported the change.

Ms. Longan answered there had been an increase in the number of applications. In order for the Division of Mining, Land and Water to support the increase there was a need to accept a transfer of the two positions from the Division of Oil and Gas to the Division of Mining, Land and Water.

[2:47:17 PM](#)

Ms. Longan addressed the Mental Health Trust Land Office on slide 12 with prepared remarks:

The mission of this office is to protect and enhance the value of Alaska Mental Health Trust lands including minerals, coal, oil and gas, timber, and real estate, while maximizing revenues from those lands over time for mental health services.

As a reminder, the trust land office budget is zero-based, meaning it is backed out every year and starts from scratch. It is approved by the Alaska Mental Health Trust Authority Board. In FY 19 this office generated \$10.6 million in revenues from rents, land sales, and royalties.

There is really not much to report here other than a cost savings of \$78,900 achieved by gaining internal efficiencies. The number of proposed positions in the current proposed plan remains the same from prior years.

[2:48:24 PM](#)

BRENT GOODRUM, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, reviewed the Division of Agriculture's mission to promote and encourage development of the agricultural industry in Alaska (slide 13). He relayed there had been considerable discussion about the division's budget the previous year. The proposed budget changes for FY 21 were primarily due to union salary and health insurance cost increases.

Mr. Goodrum reviewed the Division of Forestry's mission to serve Alaskans through sustainable forest management and wildland fire protection (slide 14). He highlighted that the 2019 fire season had been historic at 742 fires on 2.6 million acres that burned throughout the state. He thanked the firefighters for their work in combatting the fires. He detailed that the Forest Inventory and Analysis Program would benefit from the conversion of eight positions from temporary hires to permanent seasonal staff. The cost would be covered entirely with federal funds. Additionally, an increase in DGF for timber sale preparation would help deliver more wood to the forest product sector, to communities, and to the public.

[2:49:55 PM](#)

Mr. Goodrum addressed the Division of Mining, Land and Water on slide 15. The division's mission was to provide for the appropriate use and management of Alaska's state owned land and water aiming towards maximum use consistent with the public interest. He detailed that the governor's budget provided additional staffing for two growing sections within the division. One additional staff had been identified to increase the capability of the Land Sales Section in Fairbanks. The governor's budget supported the growing mariculture industry by requesting funding for the two previously identified positions from the Division of Oil and Gas to help process the number of increased applications. He elaborated that as of the current week the

division was working on 34 applications and was still receiving applications through April 30. The appropriation would be greatly appreciated and helpful to the program. Additionally, the governor's budget added language for the potential carryforward of general fund program receipts.

Mr. Goodrum advanced to slide 16 and discussed the Division of Parks and Outdoor Recreation. The division's mission was to provide outdoor recreation opportunities and conserves and interprets natural, cultural, and historic resources for the use, enjoyment, and welfare of the people. He shared that it was the 50th anniversary of the Alaska State Parks. He relayed that there would be a number of activities throughout the state celebrating the milestone. The budget included an increase in interagency authority to support transparent budgeting of reimbursable service agreements in the division and its Office of History and Archeology. He expounded that in 2019, the Office of History and Archeology reviewed over 930 projects statewide and had signed five major agreements. He noted that the division was seeking to eliminate eight non-permanent positions.

[2:52:14 PM](#)

Representative Josephson asked Commissioner Feige about her feelings on ASTAR's work in terms of what had been accomplished and whether it was worthwhile.

Commissioner Feige believed the ASTAR project had been very successful. She reported that ongoing work would be done in the next two to three years, but the increments would be transferred to a capital project. She detailed that ASTAR had been focused on ensuring there were corridors for fiberoptics for communication and for developing and enhancing community security and connectedness. The program had also been focused on transportation corridors and availability of gravel, materials, and water for supporting the work.

Commissioner Feige noted that the North Slope Borough and communities in the borough, specifically in the Natural Petroleum Reserve-Alaska (NPRA) had constructed an all winter snow road in the past two winters. She elaborated that the road allowed for travel between Barrow and Nuiqsut and possibly Atqasuk to get out to the Dalton Highway and Fairbanks. She shared that she and Ms. Longan had met with

North Slope Borough leadership in May in Utquigvik and had discussed the impact of the snow road. The borough had a full transportation plan defined and would like to see ASTAR develop into a program to help define strategic road corridors. The hope was to eventually have an all-season gravel road to connect the communities and help drive their cost of living down and increase community security and connectedness. She believed the ASTAR program had been and would continue to be incredibly important, especially for North Slope communities.

Commissioner Feige thanked the committee for its flexibility on the presentation format.

HB 205 was HEARD and HELD in committee for further consideration.

HB 206 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the schedule for the following day.

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ADJOURNMENT

[2:55:52 PM](#)

The meeting was adjourned at 2:55 p.m.