

HOUSE FINANCE COMMITTEE  
February 18, 2020  
9:05 a.m.

9:05:12 AM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 9:05 a.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 Adam Wool

MEMBERS ABSENT

Representative Cathy Tilton

ALSO PRESENT

Kerry Crocker, Staff, Representative Gary Knopp; Alexei Painter, Analyst, Legislative Finance Division; Hannah Lager, Administrative Services Director, Department of Labor and Workforce Development, Office of Management and Budget, Office of the Governor; Ryan Johnston, Staff, Representative Neal Foster; Kris Curtis, Legislative Auditor, Alaska Division of Legislative Audit; Ashley Carrick, Staff, Representative Adam Wool; Kelly Cunningham, Analyst, Legislative Finance Division; Stephanie Andrew, Staff, Representative Adam Wool; Catherine Reardon, Staff, Representative Andy Josephson.

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 FINANCE SUBCOMMITTEE CLOSEOUTS:

DEPARTMENT OF NATURAL RESOURCES  
DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT  
LEGISLATURE  
DEPARTMENT OF CORRECTIONS  
DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC  
DEVELOPMENT  
DEPARTMENT OF LAW  
JUDICIARY

Co-Chair Foster reviewed the meeting agenda.

#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."

[9:05:51 AM](#)

^DEPARTMENT OF NATURAL RESOURCES

[9:05:58 AM](#)

KERRY CROCKER, STAFF, REPRESENTATIVE GARY KNOPP, addressed subcommittee recommendations for the for the Department of Natural Resources (DNR) (copy on file):

The House Finance Budget Subcommittee for the Department of Natural Resources submits recommended operating budgets for FY 2021 to the House Finance Committee.

The numbers-only budget with amendment recommendations totals:

Fund Source: (In thousands of dollars)  
Unrestricted General Funds (UGF) 65,595.0  
Designated General Funds (DGF) 35,707.2  
Other Funds 36,265.1  
Federal Funds 15,964.6  
TOTAL 153,531.9

The House Finance Budget Subcommittee for the Department of Natural Resources held four meetings with the Department analyzing the Governor's Budget. The Subcommittee accepted 13 of the 16 Budget Action Items proposed.

Positions:

Permanent Full-time 620  
Permanent Part-time 247  
Temporary 52  
TOTAL 919

The following three items were not accepted:

- Transfer from North Latitude Plant Material Center for business process efficiencies.
- Transfer Agriculture development allocation from Agriculture appropriation to Fire, Land and Water.
- Transfer to Agriculture development for business process efficiencies.

The conversation in Committee revolved around the impact these proposals could have on the Agriculture Industry, which ultimately resulted in these items not being adopted by this Subcommittee.

The following amendments were submitted to the Department of Natural Resources House Finance Subcommittee for consideration:

1) 5,000,000 UGF 1004 (Inc OTI) - Add Funding to create new transaction for "Fire Risk Reduction" and Intent. Which will create a new transaction to fund Fire Risk Reduction, create of fire risk reduction projects including - but not limited to - fire breaks, and maintenance of existing risk reduction projects.

2) \$210,000 DGF 1021 - Agriculture Revolving Loan Fund, adds one permanent full time position (Natural Resource Specialist III, Range 18).

Both amendments were adopted.

ATTACHED REPORTS:

- Wordage Report
- Operating Budget Transaction Compare between 21Gov and House Sub
- Operating Budget Transaction Compare between 21Adj Base and House Sub
- Multi-year Agency Totals

[9:09:34 AM](#)

Representative LeBon referenced the natural resource specialist III position. He asked if the department had provided detail on the reason for adding the position including what its function would be and what had been missing prior to adding the position.

Mr. Crocker deferred to the Legislative Finance Division (LFD).

ALEXEI PAINTER, ANALYST, LEGISLATIVE FINANCE DIVISION, replied that the past year the governor had vetoed the funding for two positions in the allocation that serviced and provided new loans. The position would replace one of the two positions from the previous year.

Representative Knopp added that there had been two people servicing existing loans. He detailed there was about \$8 million in the fund that was not being utilized because there was no one there to originate and process the loans. The position would take on the work.

Representative Sullivan-Leonard asked what fire suppression funding had been included in the supplemental budget. She asked what the discussion had been related to the additional \$5 million in the current budget.

Mr. Painter answered that the supplemental included \$110 million for fire suppression activity. The subcommittee's recommendations added funding to fire suppression preparedness for upfront costs and purchases. He relayed that the increment was paid for by a reduction of \$5 million to fire suppression activity.

Representative Sullivan-Leonard asked Mr. Painter to repeat his last statement.

Mr. Painter explained that the amendment adopted by the subcommittee decreased fire suppression activity by \$5 million and increased fire suppression preparedness by \$5 million.

[9:12:07 AM](#)

Representative Wool referenced the addition of a permanent position for the Agriculture Revolving Loan Fund. He asked if the funding would come out of the fund and would continue to draw the fund down. He considered the \$218,000 for a salary range 18 and asked if the amount included money above and beyond the cost of hiring the one position. He thought the amount seemed out of balance for a range 18 position.

Mr. Painter responded that the interest rates on the loans would pay for the position. He explained that previously the loan program was roughly self-sustaining. He believed the program had lost money due to the McKinley Meat and Sausage Plant that had net losses; however, the loans themselves had more than made up the loan administering costs. The cost [\$218,000] included the position and services costs to pay the Administrative Services Division for performing the technical work of servicing the loans. Currently the division was doing the work without funding directly from the loan program.

Vice-Chair Ortiz thought there had been a transfer of positions for the purposes of increasing personnel to permit mariculture projects within the DNR budget in the current budget cycle.

Mr. Painter agreed that a governor's item had funded two positions that had already been transferred but not yet filled to assist with the permitting of mariculture projects.

Vice-Chair Ortiz asked for verification the positions were transferred in the past year and not filled.

Mr. Painter replied that the positions had been transferred in the past few months. He believed the positions were currently out for recruitment, but he noted that his timeline may be a bit off.

^DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

[9:14:34 AM](#)

KERRY CROCKER, STAFF, REPRESENTATIVE GARY KNOPP, read from a prepared budget narrative pertaining to the subcommittee's budget recommendations for the Department of Labor and Workforce Development (DLWD) (copy on file):

The House Finance Budget Subcommittee for the Department of Labor and Workforce Development submits the following recommended operating budget for FY2021 to the House Finance Committee:

Fund Source (Dollars are in thousands):

Unrestricted General Funds (UGF)	\$18,730.4
Designated General Funds (DGF)	\$38,143.5
Other Funds	\$17,390.7
Federal Funds	\$76.395.7
Total	\$150,660.3

Positions:

Permanent Full-time	633
Permanent Part-time	48
Temporary	22
TOTAL	733

The House Finance Budget Subcommittee for the Department of Labor and Workforce Development held four meetings with the Department analyzing the Governor's Budget. The Subcommittee accepted 14 of the 15 Budget Action Items proposed.

BUDGET ACTION:

Accept the Department of Labor and Workforce Development budget proposal, which includes these highlights:

- Replace (\$1,400.0) UGF with \$1,400.0 GF/PR to correct Categorization of certified payroll filing fees
- Alaska Vocational Technical Center deletes positions no longer needed after restructure (\$226.7) UGF
- Close Kodiak field office and eliminate two positions (\$84.3) UGF
- Alaska Vocational Technical Center additional authority for contract Training in response to industry \$234.1 DGF
- Budget action to reduce Labor Standards and Safety Wage and Hour Administration (124.4) GF was not Accepted

OTHER SUBCOMMITTEE ACTION:

The House Finance Budget Subcommittee for the Department of Labor and Workforce Development recommends that the committee include the following language:

It is the intent of the Legislature that the Department maintain fiscal year 2019 levels to sustain or expand investigative capacity in the Wage and Hour Administration Fairbanks Office.

ATTACHED REPORTS:

Wordage Report

Operating Budget Transaction Compare between 21Gov and House Sub

Operating Budget Transaction Compare between 21Adj Base and House Sub

Multi-year Agency Totals

[9:17:58 AM](#)

Vice-Chair Ortiz referenced the subcommittee's acceptance of the governor's proposal to close the Kodiak field office and eliminate two positions. He asked for verification that the savings were only \$84,300. He wondered if they had

heard from the department on the impact of the closure of the Kodiak field office.

Mr. Crocker confirmed that the number was \$84,000. He relayed that the department had told the subcommittee that the positions were not filled. He reported that the general consensus had been that the reduction would have little to no impact.

Vice-Chair Ortiz asked if a DLWD staff presence remained at the Kodiak office.

Mr. Crocker answered that he did not believe there was any staff at the location. The office would be closed.

Representative Wool referenced the subcommittee's rejection of a \$124,000 decrement proposed by the governor related to Labor Standards and Safety Wage and Hour Administration. He highlighted the subcommittee's recommendation to adopt intent language to sustain or expand investigative capacity in the Wage and Hour Administration Fairbanks Office. He asked if the governor's proposed reduction of \$124,000 was for a Fairbanks position.

Mr. Crocker replied in the affirmative. It was the intent of the subcommittee to add an investigator position in Fairbanks.

Representative Wool asked if DLWD wanted to eliminate the position.

Mr. Crocker answered that the department wanted to eliminate an office assistant position. The subcommittee recommended maintaining the current personnel levels in Fairbanks.

[9:20:26 AM](#)

Representative Knopp requested to hear from the department's administrative services director related to the Kodiak office. He confirmed that an administrative position had been slated for elimination. He reported that a subcommittee member had expressed concern about all of the work going on in Fairbanks and the need for oversight in the wage and hour labor division. The governor's request was to eliminate the position for \$124,000. The subcommittee had rejected the proposal and had opted to

have a position filled in the Fairbanks office for oversight of all of the work taking place in the region. He referenced the Kodiak field office and recalled DLWD had reported there was no purpose for the office; it had no business. He asked the department to elaborate on the topic.

HANNAH LAGER, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, relayed there had been two positions in the Kodiak office for vocational rehabilitation - one position had been filled. The office had been closed at the end of December and any clients in Kodiak would receive service remotely from the Anchorage office. She noted there was still a job service presence in Kodiak that employed DLWD staff.

^LEGISLATURE

[9:22:04 AM](#)

RYAN JOHNSTON, STAFF, REPRESENTATIVE NEAL FOSTER, reviewed the subcommittee recommendations for the legislature's budget. The subcommittee recommended the acceptance of the governor's proposed budget with two amendments. The amendments included the addition of \$100,000 UGF to the Legislative Budget and Audit personal services line to assist with statewide audits and intent language passed by Legislative Council directing the legislature not to appropriate funds to compensate the Office of Management and Budget for accounting services. He listed the totals for the legislature:

Fund Source: (dollars are in thousands)	
Unrestricted General Funds (UGF)	\$64,677.4
Designated General Funds (DGF)	\$327.7
Other Funds	\$1,087.6
Federal Funds	\$00.0
Total	\$66,672.1

The Unrestricted General Fund difference from FY21 Adjusted Base to the House Subcommittee budget recommendation is an increase of \$100.0 thousand of Unrestricted General Funds, which is 0.02% above the FY21 Adjusted Base.

Representative Sullivan-Leonard asked for detail on the intent language that the legislature would not provide funding for the Office of Management and Budget (OMB).

Mr. Johnston answered that recently OMB had started directing departments to pay for the accounting services provided by OMB and budget analysis while creating budgets. He explained that the procedure was new, and he believed Legislative Council had voted unanimously to not partake in the practice.

[9:24:32 AM](#)

Representative LeBon looked at the addition of \$100,000 UGF for the Legislative Budget and Audit personal services offsetting the vacancy factor. He asked if the subcommittee lowered the vacancy factor to fund the money.

Mr. Johnston deferred the question to the Division of Legislative Audit.

KRIS CURTIS, LEGISLATIVE AUDITOR, ALASKA DIVISION OF LEGISLATIVE AUDIT, answered that the \$100,000 was to help reduce the division's vacancy factor. She detailed that with the additional funds the division would have a vacancy factor of 8.8 percent. The funds would help provide additional resources to deal with the workload and issue opinions on a timely basis. She elaborated that the increment had been included in the governor's budget, but it had been removed by OMB. She explained that the removal of funding was similar to OMB's action taken on the Court System budget. She found the action extremely troubling and stated that it could be considered retaliatory in regard to a qualified opinion. The governor's office had removed \$100,000 from its budget.

Representative LeBon referenced the phrase "offset the vacancy factor." He asked whether the phrase meant that the proposed vacancy factor was too high or too low.

Ms. Curtis replied that the language should say reduce the vacancy factor.

Representative Wool asked if the division under discussion was Ms. Curtis' division.

Ms. Curtis replied in the affirmative and clarified it was the Division of Legislative Audit.

Representative Wool remarked that it was not to be confused the Legislative Budget and Audit (LB&A) Committee.

Ms. Curtis replied that the Division of Legislative Audit reports to the LB&A Committee. She noted that the LB&A Committee had its own separate budget to preserve its independence.

Representative Wool asked if the 0.2 percent increase to the legislature's budget was from the \$100,000.

Mr. Johnston answered affirmatively.

^DEPARTMENT OF CORRECTIONS

[9:27:20 AM](#)

ASHLEY CARRICK, STAFF, REPRESENTATIVE ADAM WOOL, addressed subcommittee recommendations for the Department of Corrections (DOC) with a prepared narrative (copy on file):

Fund Source: (dollars are in thousands)	
Unrestricted General Funds (UGF)	\$327,155.7
Designated General Funds (DGF)	\$13,915.7
Other Funds	\$25,944.8
Federal Funds	\$13,244.7
Total	\$380,260.9

The Unrestricted General Fund difference from FY20 Adjusted Base to the House Subcommittee budget recommendation is a reduction of (\$27,446.5) million of Unrestricted General Funds, which is 9.2% below FY20 Adjusted Base.

Permanent Full-time	2,021
Permanent Part-time	0
Temporary	0
Total	2,021

Ms. Carrick reported that the subcommittee held five meetings and considered 36 governor's budget action items and 6 subcommittee amendments. She reviewed action highlights:

- Restore funding to reopen the Palmer Correctional Center, \$16,669.1 UGF
- Added intent language for the Department to open the Palmer Correctional Center by January 1, 2021.
- Creation and consolidation of the Recruitment and Retention Program and allocation, adding \$163.2 UGF and three new positions, and consolidating \$286.8 UGF from existing allocations.
- Denied request to add authority for positions and copy machines for photocopying incoming inmate mail; (\$415.7 UGF).
- Added authority for additional drug dog to combat contraband and federal Equitable Sharing Program receipt authority, \$253.2 UGF; \$150.0 Fed.
- Denied Governor's proposal to send prisoners to private prisons out of state; (\$17,800.0 UGF).
- Added positions and authority to establish new re-entry unit under Health and Rehabilitation Services; \$746.1 UGF and 3 new positions.

The House Finance Budget Subcommittee for the Department of Corrections recommends that the committee take the following actions:

- The subcommittee appropriated funding to reopen the Palmer Correctional Center with the expectation that the full House Finance committee will move these funds into a language appropriation to ensure that the funds are used for the specific purpose of reopening the facility in FY 21. If the full House Finance Committee fails to move the funds to a language appropriation, the subcommittee requests that the Palmer Correctional Center allocation be moved out of population management and established as its own appropriation to prevent the transfer of funds outside of the allocation.
- The subcommittee denied second-year funding for House Bill 49 under the Institution Director's Office and Physical Health Care with the expectation that revised costs are forthcoming in the Governor's amended budget.

[9:30:59 AM](#)

Representative Josephson asked how it was possible with the passage of HB 49 [crime reform legislation passed in 2019] the budget had been reduced from FY 20.

Ms. Carrick answered that the numbers received by the governor's office had been projections from the passage of HB 49 and needed to be updated. The Legislative Finance Division had recommended accepting accurate numbers in the full House Finance Committee instead of accepting the projections.

Representative Josephson looked at the action item to restore funding to reopen the Palmer Correctional Center. He asked if a different word may work better. He remarked that he was not asking to change the language but pointed out that it was a continued request to restore funding.

Ms. Carrick agreed.

Co-Chair Johnston remarked there were two changes read by Ms. Carrick where the zeros may have been misplaced.

Ms. Carrick agreed. She reread the first two items on page 2 of the narrative. The first was the creation and consolidation of a recruitment and retention program allocation for \$163,200 and three new positions and the consolidation of \$286,800 UGF from existing allocations. The second was the denial of a request to add authority for positions and copy machines for incoming inmate mail, resulting in a decrement of \$415,700 UGF.

Representative Sullivan-Leonard asked about Ms. Carrick's testimony regarding recalculating the governor's proposed budget. She asked how the subcommittee knew the budget was incorrect. She asked for clarification on what had been changed or updated. She thought the statement that the subcommittee had revised the governor's budget because it was inaccurate was bold.

[9:33:46 AM](#)

KELLY CUNNINGHAM, ANALYST, LEGISLATIVE FINANCE DIVISION, replied that the department had been communicating with Representative Wool's office and LFD because amendments were coming the following day. She explained that it would give the legislature a clearer picture if the committee waited for the amendments. The department had acknowledged

it needed to modify the institution director's office and healthcare numbers due to changes from HB 49 and the new fiscal year. She explained that the statement was not accusatory. She believed the department had stated it would be submitting related amendments.

Representative Sullivan-Leonard looked at \$404,739,000 proposed by the governor. She asked for verification that the number would be amended by forthcoming amendments.

Ms. Cunningham clarified that she had been speaking to the \$24 million difference from the governor's budget. She detailed that the difference was primarily comprised of the institutional director's office item plus healthcare. She explained that it was not really a \$24 million reduction, the number accounted for increments that had not been accepted as of yet because the committee was waiting for amendments.

^DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

[9:35:34 AM](#)

STEPHANIE ANDREW, STAFF, REPRESENTATIVE ADAM WOOL, addressed subcommittee recommendations for the Department of Commerce, Community and Economic Development (DCCED) with a prepared narrative (copy on file):

The House Finance Budget Subcommittee for the Department of Commerce, Community and Economic Development submits the following recommended operating budget for FY2021 to the House Finance Subcommittee:

Fund Source: (dollars are in thousands)	
Unrestricted General Funds (UGF)	\$8,462.9
Designated General Funds (DGF)	\$54,572.1
Other Funds	\$48,476.6
Federal Funds	\$21,023.5
Total	\$132,535.1

The Unrestricted General Fund difference from FY21 Adjusted Base to the House Subcommittee budget recommendation is a reduction of \$103.2 thousand, which is 1.2% below FY21 Adjusted Base.

Ms. Andrew reported that the use of UGF was down 72.5 percent since FY 15 management plan. She detailed that the subcommittee had adopted 17 of the 18 budget action items proposed by the governor. The subcommittee had rejected a decrement of \$546,600 UGF from the Economic Development Division. The subcommittee adopted two amendments. The first amendment pertained to intent language relating to Alaska Industrial Development and Export Authority (AIDEA) and utilizing a competitive bid process. The second amendment was a decrement of \$110,300 in AIDEA receipt authority.

^DEPARTMENT OF LAW

[9:37:34 AM](#)

CATHERINE REARDON, STAFF, REPRESENTATIVE ANDY JOSEPHSON, addressed subcommittee recommendations for the Department of Law (DOL) with a prepared narrative (copy on file):

The House Finance Budget Subcommittee for the Department of Law submits the following recommended operating budget for FY21 to the House Finance Committee:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$51,720.6
Designated General Funds (DGF)	\$2,691.0
Other Funds	\$32,504.0
Federal Funds	\$2.026.2
Total	\$88,941.8

Positions:

Permanent Full-time	528
Permanent Part-time	0
Temporary	0
Total	528

The budget recommended by the Subcommittee is \$755 thousand lower in UGF funding than the Governor's Requested Budget for FY21. It is \$847.7 higher in UGF funding than the FY21 Adjusted Base. This increase from Adjusted Base is due to a fund source change from Power Costs Equalization Endowment Funds to UGF for costs associated with anti-crime legislation that passed last session.

BUDGET ACTION:

The House Finance Budget Subcommittee accepted the Governor's proposed changes to the FY21 Adjusted Base which include:

- \$1,602.7 fund source change from PCE Endow (DGF) to UGF to maintain ongoing Criminal Division activities related to enactment of House Bill 49.
- \$300.0 Statutory Designated Program Receipts (Other) increment and 2 positions added to utilize funding from the North Slope Borough to increase staffing in the Utqiagvik District Attorney's Office
- \$500.0 Federal Receipts (Fed) increment and 3 positions added to utilize grant money from the U.S. Department of Justice for staff to focus on felony crimes in rural Alaska.
- -\$224.8 AOGCC Receipts (DGF) decrement because these funds are no longer needed.

Ms. Reardon reported that the subcommittee had spent a great deal of time focusing in detail on two areas that were subjects of intent language in the FY 20 budget. The topics were recruitment and retention difficulties, particularly in the Criminal Division. Discussion also included the Civil Division and the issue of outside counsel and associated costs. The recruitment and retention discussion included reviewing a report from the department that had been submitted in response to the FY 20 intent language showing that high levels of turnover and vacancy problems continued. The issue was especially critical in the Criminal Division and rural areas of the state. The problem related to paralegals, support staff, and attorneys. She noted the department had been clear that no action by the legislature through the budget was required or desired at present. She elaborated that it had raised the issue of whether there was excess personal services funding in the department, which was a concern because the funding could be spent elsewhere as personal services could be moved to other line items.

Ms. Reardon expounded that the subcommittee had adopted intent language for FY 21 directing that personal services funding should be spent on personal services and if it was not needed, the funding should lapse rather than be used in other areas.

The Subcommittee also made the following reductions to the Civil Division:

- \$400.0 (UGF) decrement from the Labor and State Affairs allocation for reduced expenses for outside counsel.
- \$375.0 (UGF) decrement and deletion of three positions from the Special Litigation allocation reflecting high vacancy in the Civil Division and the need to reduce state spending.

Ms. Reardon highlighted outside counsel as another major issue of focus. The FY 20 budget included intent language directing the department to minimize the use of outside counsel. The subcommittee had looked closely at contracts that had been entered into for outside counsel in the current fiscal year - specifically 11 contracts and \$300,000 spent by the labor and state affairs allocation in the past six months and a new contract for \$600,000 entered into by the same division. The subcommittee had reviewed the terms of the contracts and had asked about prioritization and negotiation of rates and had decided to reduce the labor and state affairs allocation by \$400 in the services line.

Ms. Reardon shared that testimony from DOL indicated that despite a reduction in funding it was likely funds would be transferred to continue to fund some of the high dollar contracts. As a result, the subcommittee decided to create a separate appropriation to segregate money available to be used for contracts for outside counsel related to the Janus [v AFSCME U.S. Supreme Court] decision. The subcommittee funded the new appropriation with \$20,000 and renamed the existing Civil Division appropriation to make it clear that funding was not to be used from that appropriation for the \$600,000 contract.

[9:44:29 AM](#)

Representative Wool considered the outside contract funding. He remarked that the subcommittee suggested that the monies were separated and isolated and could not be used for the Janus decision. He surmised that the action limited the department's outside contracting money. He asked if the action pertained to the one particular case only.

Ms. Reardon replied that the separate appropriation was only for the specific Janus case. She clarified that the limit was on the expenditure for outside counsel. The department retained its ability to use its own attorneys to pursue whatever cases it wanted.

Representative Wool asked if the department was limited to the same pool of money if another case arose where the department needed outside counsel. Alternatively, he wondered if DOL could find money elsewhere for another high profile case such as Citizens United.

Ms. Reardon answered that the separate appropriation only related to a limitation on contracting for interpretation of the Janus [U.S.] Supreme Court decision. Any other outside counsel could continue to be contracted and spent from the Civil Division appropriation.

Representative Sullivan-Leonard stated her understanding that the subcommittee action reduced staff within the Civil Division and reduced the division's ability to seek assistance from outside counsel as needed. She asked how that would work. She did not believe it made sense to reduce staff if the department could not seek to use outside counsel to assist on particular issues coming before the state. She asked for the rationale.

Ms. Reardon answered that the Civil Division underspent its personal services budget by over \$3 million in FY 19. She noted that the money had not all been UGF. The reduction to the special litigation allocation and the reduction of positions related to the impression that possibly there were more funds for other uses in the department than were necessary, not as an attempt to reduce the department's ability to engage in civil activities or trigger layoffs. The decision to limit the contract expenditure on Janus followed the \$100,000 expenditure for work that already occurred the past fall. She expounded that the subcommittee had determined that in tight economic times, another \$20,000 was sufficient.

[9:48:45 AM](#)

Representative Josephson emphasized that the subcommittee had found that a typical prudent vacancy rate was in the 4 percent range. He highlighted that DOL's vacancy rate was 12 percent. The subcommittee had asked the chief of staff

in two separate hearings whether the number seemed accurate and the individual did not suggest that it was inaccurate. The department had the revenue and the subcommittee had tracked the spending carefully in two sections. Funds had been used in part to fund a very expensive contract. He detailed that DOL had obtained a reduced rate from \$950 per hour to \$600 per hour from a Washington law firm. Given the continuing large vacancy rate, the subcommittee did not believe there would be any termination of attorneys within DOL. As an attorney, he was predisposed to appreciate their work and he clarified that he was not trying to pink slip anyone.

Representative LeBon asked if the committee was going down a slippery slope by managing the department's decision making process by choking off funding for an issue - through appropriation - that the subcommittee may not agree with. He wondered if the opposite was a possibility where the subcommittee may encourage funding for outside counsel on an issue it agreed with and expect the department to take that type of action. He highlighted the issue was a two-way street and wondered whether the issue had come up in discussion at the subcommittee level.

Ms. Reardon responded that the subcommittee had discussed the issues in detail and with some complexity.

Representative Josephson believed Representative LeBon made a good point that the legislature was not supposed to micromanage the administration's ability to do largely what it wished to do, albeit, the legislature was the appropriating body. The subcommittee had concluded that in tight fiscal times, "this sort of contract" was not fiscally responsible, especially given that no other state in the union had made the legal arguments being made in Alaska. He noted that the administration was free to use its own assistant attorneys general to litigate the issue to whatever extent desired.

[9:52:09 AM](#)

Representative Merrick referenced the reduced rate of \$600 per hour. She asked how the rate compared to the hourly cost of in-house counsel.

Ms. Reardon believed DOL charged \$169 per hour to departments for services.

Representative Carpenter believed he had just heard there was a conflict of opinion between members of the legislature and the executive on how to apply the Janus decision and the legislature was decrementing funds to further its opinion. He stated that if the legislature disagreed with how the executive was dealing with the situation, there were other means to deal with the issue in the legal arena. He opined that reducing funding to make it more difficult for the department to do its job was not appropriate. He highlighted that the committee had just heard from another department where the governor's office was supposedly doing the same thing to the legislature and "we got indignant about it." He saw it as hypocrisy.

Vice-Chair Ortiz surmised that in the name of fiscal responsibility, it seemed reasonable for the subcommittee to act to restrain spending on contracting out for \$900 per hour. He believed committee members were all onboard with being fiscally responsible.

Co-Chair Foster noted it was not the end of the issue and there may be some amendments. He expected the committee to take up amendments the following week.

^JUDICIARY

9:54:57 AM

CATHERINE REARDON, STAFF, REPRESENTATIVE ADAM WOOL, addressed subcommittee recommendations for Judiciary with a prepared narrative (copy on file):

The House Finance Budget Subcommittee recommends that the budget requested by the Alaska Court System FY21 be approved in full:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$110,706.5
Designated General Funds (DGF)	\$518.0
Other Funds	\$2,206.1
Federal Funds	\$975.6
Total	\$114,406.2

Positions:

Permanent Full-time	733
Permanent Part-time	37
Temporary	5
Total	775

The Subcommittee recommends that the budget requested by the Alaska Court System be approved by House Finance Committee. The Court System request is \$2,902.1 thousand above the FY21 Adjusted Base in UGF funding and \$334.7 thousand UGF above the budget submitted by the Governor.

Ms. Reardon highlighted that over \$1 million of the UGF increase was due to a fund source change from Power Cost Equalization Endowment funds to UGF for costs associated with anti-crime legislation that passed the previous session.

Ms. Reardon detailed that the Judicial Branch had three separate appropriations. The primary appropriation was the Court System. Appropriations for therapeutic courts, the Commission on Judicial Conduct, and the Judicial Council were much smaller.

Ms. Reardon reported that the Court System had requested nine changes from its adjusted base budget, which could be grouped into increments to address the backlog in criminal appeals, increments to maintain and strengthen the therapeutic court system, and increments for overhead and operational costs such as facility maintenance and leases, payments to the executive branch for risk management and archiving, and the services provided by the Office of Management and Budget. She noted the last item was similar to the topic discussed in the Legislative Branch discussion.

Ms. Reardon relayed that the subcommittee had found the Judicial Branch's request to be reasonable and recommended its adoption.

Representative Knopp asked for the amendment deadline.

Co-Chair Foster replied it would most likely be the coming Saturday. He would follow up with a set deadline.

Representative Wool asked when the committee would hear the subcommittee report for the University budget.

Co-Chair Foster relayed that the University subcommittee had its closeout scheduled for 5:00 p.m. that afternoon. The committee would hear the subcommittee report at a meeting the following morning.

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

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Co-Chair Foster reviewed the schedule for the afternoon meeting.

#  
ADJOURNMENT

[9:59:15 AM](#)

The meeting was adjourned at 9:59 a.m.