

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Finance

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MEMORANDUM

DATE: January 21, 2017

TO: Senator Lyman Hoffman, Senate Finance Co-Chair
Senator Anna MacKinnon, Senate Finance Co-Chair
Representative Paul Seaton, House Finance Co-Chair
Representative Neal Foster, House Finance Co-Chair

FROM: David Teal
Director of Legislative Finance Division

SUBJECT: Agency responses to FY17 Legislative Intent Language

This memorandum restates FY17 legislative intent (*italics*) for each agency and provides agency responses (indented) to our request for status reports. Due to the quantity of intent language this year, two documents are provided.

1. A summary table with all legislative intent and a concise statement on the status of the intent.
2. A detailed report with legislative intent, agency responses and Legislative Finance Division comments.

For complete responses, see the intent item number and page number in the first two columns of the summary table.

DEPARTMENT OF ADMINISTRATION

General Services/Central Mail

Operating Budget (CCS HB 256)

1. It is the intent of the legislature that the Department of Administration review the Juneau Central Mail program using Shared Services processes to find and implement efficiencies, evaluate the cost effectiveness of centralization and explore implementing mail service efficiencies in other areas of the State.

The Department of Administration, Division of General Services has been using the Shared Services processes to review and find efficiencies in the central mail processes. The rate methodology has been reviewed and streamlined, this will result in a true up of costs and less staff time to develop and bill rates quarterly. Mail stops have been reduced to one, one position was eliminated in the FY2016 budget. As the division works to find additional efficiencies it is possible that one additional position may be repurposed.

Outreach is ongoing for cost comparisons such as courier service, gathering data on postage meter usage across all agencies in all locations through Neopost, surveying departments to gather data on current mail processes and needs, and working toward standardizing letter, envelope and remittance stock to achieve efficiencies.

Enterprise Technology Services/ Alaska Land Mobile Radio

Operating Budget (CCS HB 256)

2. It is the intent of the legislature that the Department of Administration and its partners find an alternate, more efficient and reliable system to Alaska Land Mobile Radio (ALMR) in order to provide emergency communications for communities. The Department shall develop and deliver a plan to the legislature by December 31, 2016. When researching and developing a plan, the Department should consider commercial off-the-shelf systems, as well as all other technologies available in an effort to keep costs controlled. If the Department develops a plan that can effectively replace the ALMR system, the replacement and funding associated with the new system should be included in the Governor's amended budget.

The Department of Administration is developing a plan to deliver a report to the legislature by December 31, 2016.

In order to meet this, the department has worked in conjunction with the Department of Defense to issue a Request for Information (RFI) seeking any major vendor that can provide all equipment, project management and systems engineering services in support of a possible alternative system to Alaska Land Mobile Radio (ALMR). The RFI can be found on the state's Online Public Notice website at Request for Information for ALMR System and Services. Notification of the RFI was distributed to several vendors that previously expressed interest/capabilities in maintenance of the system. The results of the RFI will be used to understand the market conditions specific to ALMR. The department will work in conjunction with the Department of Public Safety for next steps.

Previous efforts have conducted to analyze and address concerns regarding the cost to maintain the ALMR System and the value provided to public safety first responders in the State of Alaska and are listed below:

- 2005 Total Cost of Ownership (prepared by Market Strategy Group, LLC)
- 2008 Total Cost of Ownership (prepared by 5 Star Team)
- 2008 System Design & Implementation Document (SDID) for Alaska Land Mobile Radio, Anchorage, AK with Appendix A, Separation Analysis (prepared by Motorola)
- 2009 Alaska Land Mobile Radio System Economic Analysis Report and separate 2009 Executive Study (prepared by Tecolote Research, Inc.)
- 2011 ALMR Feasibility Study - State of Alaska (prepared by World Wide Technology, Inc.)
- 2014 State of Alaska Telecommunications System (SATS) Analysis (prepared by Peak Signals Telecommunications in collaboration with World Wide Technology, Inc. Inc.)

Some of these studies also addressed what it would cost to build an alternate/replacement system, or to simply split the System apart. Each study reached the same conclusion. There is no viable alternative, which provides the same level of service, security, interoperability and safety for public safety responders and to the citizens of Alaska at a comparable or lesser cost.

Motor Vehicles

Operating Budget (CCS HB 256)

3. It is the intent of the legislature that the Department of Administration, Division of Motor Vehicles, seek out efficiencies to streamline processes and outsource where practical to reduce costs or increase revenue through improved efficiencies within the division to increase the amount of dollars deposited into the General Fund and to reduce wait times.

With no monetary investment and by using streamlining and efficiencies, the Division of Motor Vehicles (DMV) has worked to reduce the average wait time from a high of 44 minutes to a low of 13 minutes.

In addition to reducing wait times, the DMV is undergoing a complete review of all processes using the LEAN method to identify areas that can be streamlined for more efficiency.

The DMV is working more closely with private contractors to expand the scope of services the contractors can provide. They are working more collaboratively and the DMV is exploring options with the contractors to provide more services outside of the urban areas of the state. Additionally, the DMV has been working with a city office to establish an office using city staff. However, the DMV has been unsuccessful in completing a contract because the city is worried about losing money. The DMV will

continue to work to a successful outcome.

The Department of Administration, Division of Motor Vehicles (DMV) added numerous on-line processes to increase efficiencies, streamline processes and decrease customer wait times. They include the ability to:

- Renew driver licenses and identification cards
- Register to vote
- Register to receive vehicle registration renewals via email
- Request a temporary license
- Report the sale of a vehicle or boat
- Request on-line driver records
- Request automatic mailing of permanent disability parking permits

The Anchorage Benson DMV recently launched “Appointment Online” where a customer can schedule an appointment and receive a text with an appointment for service. The “Appointment Online” service will be expanded after a test session in Anchorage, and more services will be moved online in the future.

In August 2016, DMV began printing temporary driver licenses on regular copy paper and in black and white which will save approximately \$60,000 per year in printing and supply costs. The division also redesigned and combined a number of forms resulting in lower printing costs and eliminated one of the boat registration tabs using the same tab for both power and non-powered boats. These efforts will result in an annual savings of approximately \$10,000.

DMV has begun accepting new applications from businesses and financial institutions in the State of Alaska to make title and registration services more accessible and convenient for customers across the state.

Additionally, DMV has established memorandum of agreements with companies that purchase Alaska driver and vehicle information. This information is used by insurance companies and other approved vendors for business purposes, such as to provide insurance quotes. Now that DMV offers “real time” records it has increased the number of vendors who purchase this information thereby increasing the revenue deposited into the general fund.

DEPARTMENT OF COMMERCE, COMMUNITY & ECONOMIC DEVELOPMENT

Corporations, Business and Professional Licensing

Operating Budget (CCS HB 256)

4. It is the intent of the legislature that the Department of Commerce, Community and Economic Development set license fees approximately equal to the cost of regulation per AS 08.01.065(c). Further, it is the intent of the legislature that the Department of Commerce, Community and Economic Development annually submit, by November 1st, a six year report to the legislature in a template developed by Legislative Finance Division. The report is to include at least the following information for each licensing board: revenues from license fees; revenues from other sources; expenditures by line item, including separate reporting for investigative costs, administrative costs, departmental and other cost allocation plans; number of licensees; carryforward balance; and potential license fee changes based on statistical analysis.

It is the Department of Commerce, Community and Economic Development's intent to set license fees in accordance with statute. The Department will comply with this legislative intent and submit the requested annual report, in a format developed by Legislative Finance, by November 1, 2016.

Legislative Fiscal Analyst Comment: The November 2016 Professional Licensing Report to the legislature shows that several boards continue to have fees that are not set on a cost recovery basis. However, progress continues to be made by the department to reverse biennium deficits and recover negative carryforward balances. At the end of FY16, 20 out of 40 (50%) professional licensing programs had a deficit; compared to the end of FY13, where 29 out of 37 (78%) had a deficit. The department is utilizing the standardized methodology for setting fees as each licensing program comes up for renewal.

Tourism Marketing & Development

Operating Budget (CCS HB 256)

5. It is the intent of the Legislature that the Tourism Marketing Board develop a plan to phase out reliance on unrestricted general funds for marketing, moving towards a self-sustaining program funded by industry to be implemented in the FY18 budget and present the plan to the House and Senate Finance Committees by November 1, 2016.

Tourism leaders from the Alaska Travel Industry Association (ATIA) and Alaska Tourism Marketing Board are working to develop a plan to phase out reliance on unrestricted general funds for tourism marketing, moving towards a self-sustaining program. Currently, feedback is being gathered from the industry to help inform a concept related to a tourism improvement district and broad-based assessment. A document describing a concept related to an industry self-assessment model will be completed by November 1, 2016.

Legislative Fiscal Analyst Comment: Two letters were delivered to co-chairs of the House and Senate Finance Committees regarding a sustainable funding plan for Alaska destination marketing. The Alaska Travel Industry Association (ATIA) outlined a plan using a Tourism Improvement District (TID) Model that provides a self-assessment framework with a mix of current and new revenue.

Two sources of revenue have been identified by ATIA for funding marketing activities:

- \$8 million from a new assessment of one percent on the value of accommodations, tour activities and attractions purchased from the tourism industry; and
- All Vehicle Rental Tax (VRT) Receipts, including \$8.8 million currently appropriated to the Departments of Commerce, Community & Economic Development, Natural Resources, and Transportation and Public Facilities.

In FY18, \$10.5 million of VRT Receipts is available for appropriation. The FY18 Governor's capital request includes a Named Recipient Grant to the Alaska Travel Association for Tourism Marketing and Development. This capital request, along with operating appropriations, spends the entire \$10.5 million. If VRT Receipts are diverted from present uses, other funding (presumably UGF) will need to replace VRT Receipts in those agencies in order to maintain the same level of services.

Alcohol and Marijuana Control Office

Operating Budget (CCS HB 256)

6. It is the intent of the legislature that the Department of Commerce, Community and Economic Development, Alcohol and Marijuana Control Office, set marijuana application and licensing fees to cover the cost of regulation and recover unrestricted general fund appropriations made in prior fiscal years while the program was being established.

The Marijuana Control Board initially set license fees for commercial marijuana establishments with three goals in mind. The first goal expressed by the board was to charge adequate fees for the work of application and license issuance as well as enforcement tasks the marijuana industry, given that regulation of the new industry is more complex than liquor license regulation. The second goal of the board was to set the fees at such a level that the costs of regulating the industry could be offset by fee receipts as early as possible. Finally, the board considered other states' fees for similar licenses in setting the fee structure because Alaska was one of only four states that issue such licenses at the time.

After the board set the fees, the legislature communicated its intent that unrestricted general funds that were used to begin regulatory efforts be repaid when the regulation of commercial marijuana is fully receipt supported. The staff has communicated the legislative intent to the Marijuana Control Board.

Legislative Fiscal Analyst Comment: FY15 through FY17 appropriations to the Alcohol and Marijuana Control Office (AMCO) totaled \$3,830.8 UGF for implementation of the Marijuana Control Office. During FY16 and FY17 (through October 31, 2016), the department collected a total of \$817.9 in application and license fees.

In FY17, AMCO has authority to expend \$100.0 of the revenue collected for operating expenditures. In addition, AS 17.38.200(c) requires half of the application fee received by AMCO be refunded to the local government for examination of marijuana establishment application. Approximately \$45.0 has been returned to local governments.

It is unknown when AMCO will collect enough revenue to recover unrestricted general funds due to the uncertainty of future revenue collections.

Alaska Energy Authority

Operating Budget (CCS HB 256)

7. It is the intent of the legislature that the Department of Commerce, Community and Economic Development, Alaska Energy Authority and Alaska Industrial Development Export Authority develop a plan to phase out unrestricted general funds for the Alaska Energy Authority by fiscal year 2019, explore further consolidation with the Alaska Industrial Development Export Authority, and deliver a report to the legislature not later than January 1, 2017.

Per legislative request, the Alaska Energy Authority (AEA) is planning to be in a position to phase out use of unrestricted general funds by fiscal year 2019, and do so in a manner that will allow AEA to continue to provide critical, statutorily mandated energy solutions around the State. AEA and the Alaska Industrial Development and Export Authority are exploring additional consolidation of the two organizations, and intend to deliver a report to the legislature by January 1, 2017.

Legislative Fiscal Analyst Comment: A response was submitted to the Co-chairs of Finance on December 28, 2016. The FY18 Governor's request includes \$874.5 UGF for the Alaska Energy Authority.

Alaska Industrial Development and Export Authority

Operating Budget (CCS HB 256)

8. It is the intent of the legislature that the Department of Commerce, Community and Economic Development, Alaska Energy Authority and Alaska Industrial Development Export Authority develop a plan to phase out unrestricted general funds for the Alaska Energy Authority by fiscal year 2019, explore further consolidation with the Alaska Industrial Development Export Authority, and deliver a report to the legislature not later than January 1, 2017.

Per legislative request, the Alaska Energy Authority (AEA) is planning to be in a position to phase out use of unrestricted general funds by fiscal year 2019, and do so

in a manner that will allow AEA to continue to provide critical, statutorily mandated energy solutions around the state. AEA and the Alaska Industrial Development and Export Authority are exploring additional consolidation of the two organizations, and intend to deliver a report to the legislature by January 1, 2017.

Legislative Fiscal Analyst Comment: A response was submitted to the Co-chairs of Finance on December 28, 2016. The FY18 Governor's request includes \$874.5 UGF for the Alaska Energy Authority.

Alaska Seafood Marketing Institute

Operating Budget (CCS HB 256)

9. It is the intent of the legislature that the Alaska Seafood Marketing Institute develop a plan to phase out reliance on unrestricted general funds for seafood marketing by fiscal year 2019 and continue marketing on industry contributions. Further it is the intent of the legislature the plan includes consideration of increasing revenue from industry contributions to maximum allowed by law and deliver a report to the legislature not later than January 1, 2017.

10. It is the intent of the legislature that all Alaska Seafood Marketing Institute positions are located in Alaska by FY19.

The board of the Alaska Seafood Marketing Institute (ASMI) is aware of the legislative intent language regarding reliance on unrestricted general funds and the location of ASMI positions, and discussed both topics at the fall board meeting in October 2016. ASMI intends to submit by January 1, 2017, a plan to phase out reliance on unrestricted general funds for seafood marketing.

Legislative Fiscal Analyst Comment: A response was submitted to the Co-chairs of Finance on December 30, 2016. The FY18 Governor's request includes \$1 million UGF and shows positions outside of Alaska.

DEPARTMENT OF CORRECTIONS

Population Management

Operating Budget (CCS HB 256)

11. *It is the intent of the legislature that the department work with the Department of Health and Social Services to enroll all Medicaid eligible offenders prior to release.*

The Department of Corrections (DOC) is continuing to coordinate with Health and Social Services (H&SS) for inmate eligibility.

- DOC has added the Medicaid application packet to the facility pre-release classes and is assisting inmates with completing the packets prior to release;
- DOC is providing Medicaid application packets to the CRCs and Probation Offices for offenders to complete;
- DOC is coordinating with Re-Entry Coalitions to identify volunteers that will be trained to assist releasing offenders with the application process;
- H&SS is providing training to “Medicaid Assisters” in efforts to train volunteers and DOC employees in completing the Medicaid applications.

12. *It is the intent of the legislature that the department prioritize the classification of prisoners and utilize Community Residential Centers when appropriate.*

The DOC continues to review and identify appropriate prisoners for placement in the Community Residential Centers for prerelease transition. The department is currently in the process of revising the furlough policy for placement of prisoners in Community Residential Centers and is negotiating contracts to meet the expanded treatment and programming services in accordance with requirements identified in SB91.

13. *It is the intent of the legislature that the department report recidivism reduction results to the Finance Committee Co-Chairs on a quarterly basis.*

The DOC is tracking and will report on recidivism reduction results for each quarter beginning October 15, 2016.

Legislative Fiscal Analyst Comment: The first quarterly report was submitted by the department beginning October 15, 2016.

Population Management/ Community Residential Centers

Operating Budget (CCS HB 256)

14. *It is the intent of the legislature that the department realize actual savings in institutional operations as a result of transitioning risk assessed offenders to Community Residential Centers and provide a report on these cost savings to the legislature by January 31, 2017.*

The DOC continues to review the offender population daily to identify appropriate prisoners for placement in the Community Residential Centers and will identify and report on institutional cost savings by January 31, 2017.

DEPARTMENT OF EDUCATION & EARLY DEVELOPMENT**Mt. Edgecumbe Boarding School/Mt. Edgecumbe Boarding School**

Operating Budget (CCS HB 256)

15. *It is the intent of the legislature that the department identify a source of funding other than general funds for the operating cost of the Mount Edgecumbe High School Aquatics Facility.*

The Department of Education & Early Development (DEED) is exploring options for identifying sources of funding other than general funds for the operating costs of the Mount Edgecumbe High School (MEHS) Aquatics Facility. DEED/MEHS has had preliminary discussions with various potential users and stakeholders of the aquatics facility, including the Sitka School District, City and Borough of Sitka, U.S. Coast Guard, the Southeast Alaska Regional Health Consortium (SEARHC), and the Alaska State Troopers. In addition, DEED/MEHS is working with the Department of Transportation & Public Facilities (DOTPF) and the aquatic facility contractors to identify a potential fee schedule that can be assessed for use of the aquatics facility. While there have been no commitments from stakeholders to provide any funding at this point in time, conversations are expected to continue in the coming months. Furthermore, the operations and maintenance costs that have been identified still exceed any revenues DEED/MEHS could expect to receive from stakeholders or through the fee schedule, so it is anticipated that DEED/MEHS will still need to receive a direct appropriation of general funds in order to operating the aquatics facility.

Legislative Fiscal Analyst Comment: The department has worked with stakeholders to find non-general fund sources of funding for the aquatics facility, which will reduce but not eliminate the general fund request for its operation. In the FY18 Governor's budget, the department is requesting an increment of \$100.0 UGF for operation of the facility.

Alaska Postsecondary Education Commission/Program Administration & Operations

Operating Budget (CCS HB 256)

16. *It is the intent of the Legislature that the Alaska Commission on Postsecondary Education review all services offered in relation to its mission and core services, and report back to the Legislature no later than January 21, 2017 with recommendations on statute changes that would reduce the number of services offered by the Commission.*

It is the intent of the legislature that the Alaska Commission on Postsecondary Education will develop a plan to privately service the Alaska Student Loan Corporation's remaining loan portfolio and deliver a report to the Finance committees no later than January 17, 2017.

The Alaska Commission on Postsecondary Education has taken steps to address the

legislative intent language in CCS HB 256. A report with recommendations on statute changes as well as a report on developing a plan to privately services the Alaska Student Loan Corporation's remaining loan portfolio are both on-going and will be forth coming to the Legislature.

Department of Education and Early Development

Capital Budget (HCS CSSB 138)

17. It is the intent of the legislature that the Department of Education and Early Development add to their criteria when reviewing project applications for school major maintenance grants (AS 14.11.007) that all eligible energy efficiency improvements be excluded from the grant process and the grantee be redirected to work with the Alaska Housing Finance Corporation on receiving a loan through the Alaska Energy Efficiency Revolving Loan Fund (AS 18.56.855).

The Department of Education & Early Development (DEED) is aware of the legislative intent language expressed in HCS CSSB 138. The Alaska Energy Efficiency Revolving Loan Fund Program (AEERLP) will not accommodate DEED's major maintenance grant capital improvement projects (CIP). This is due to the CIPs being predominately mixed scope projects, or small projects. Mixed scope projects combine work for multiple needs such as code upgrades, rehabilitation, and energy upgrades. These mixed scope projects would generally not meet the required annual energy cost savings to pay back an AHFC loan because energy efficiencies are commingled and not a majority of the work under the CIP. CIPs are submitted as mixed scope because aging systems need repair along with other needs and the work is not discrete. If an attempt were made to carve a mixed scope project into multiple small projects, prices could be negatively impacted by loss of economy of scale, duplicate effort, and loss of a competitive bid climate due to smaller projects.

While the AEERLP encompasses all public buildings, not just schools, the AEERLP requires applicants to purchase energy audits, contract with energy service companies (ESCO's), and meet other underwriter requirements in addition to the qualifying savings to meet loan payments. For those that meet the strict loan criteria, the cost of capital through AHFC compared to the marketplace may be an impediment. In addition, municipalities and school districts have individual conditions around borrowing money including voter approval and other requirements that would need to be vetted at a local level.

DEED's CIP program uses a consistent and transparent ranking process as outlined in statute. Specifically, AS 14.11.013(c)(3) gives DEED authority to remove a project from the CIP list.

AS 14.11.013(c)(3) states: (c) the department may

(3) reject project requests and omit them from the six-year schedule due to

(A) incomplete information or documentation provided by the district;

(B) a determination by the department that existing facilities can adequately serve the

program requirements, or that alternative projects are in the best interests of the state;
(C) a determination that the project is not in the best interest of the state.

While none of the reasons provided in (A) through (C) above directly address removal based on energy efficiencies, and directing school districts to the AEERLP, during the review process DEED could direct school districts to the AEERLP if the CIP were found to have a majority of elements that appeared to meet the AHFC loan criteria. While DEED could incorporate this into our process, it is likely this would only address a small percentage of projects due to the mixed scope within the majority of the submitted CIPs.

Legislative Fiscal Analyst Comment: The department reviewed the possible benefits of AEERLP, but found that it would meet very few needs. To make this a viable option for school districts, the loan program may need to be modified, rather than DEED's process.

DEPARTMENT OF ENVIRONMENTAL CONSERVATION**Department of Environmental Conservation**

Operating Budget (CCS HB 256)

18. It is the intent of the legislature that the Department of Environmental Conservation improve efficiencies in permitting and consider the economic impacts of increasing permit fees before imposing increased fees on users.

The Department continues to strive to identify and implement efficiencies across all of the permitting programs. The Division of Air Quality recently completed a LEAN process evaluation, a method to identify ways to better serve customers using fewer resources, and has revised some of their permitting procedures as a result. Water Quality is scheduled to go through a similar evaluation in the coming months.

All of the Department's regulation changes are subject to economic analysis per AS 44.62.190(d). This analysis is taken into consideration when fee regulations are updated, for example, the Department recently implemented fee increases for Water Quality permits that will be phased in over three years so as to have a less dramatic economic impact to permittees. All proposed fee regulation amendments are subject to public review and comment.

DEPARTMENT OF FISH & GAME

Department of Fish & Game

Operating Budget (CCS HB 256)

19. It is the intent of the legislature that programs delivering educational materials to the public, or that make educational presentations to the public, and are funded by the Fish and Game fund or Pittman-Robertson fund revenues, shall include a presentation on the history and workings of the North American Model for Wildlife Conservation. The presentation shall make clear that anglers and hunters pay for conservation, and were the founders of the modern conservation movement.

The Alaska Department of Fish and Game (ADF&G) recognizes the historical contributions of anglers and hunters to the modern wildlife conservation model, in particular through publications and presentations created by the Division of Wildlife Conservation and the Division of Sport Fisheries.

The Division of Wildlife Conservation has taken the following steps to address the intent language as stated in the FY2017 budget.

- The following statement is included in all applicable new and/or revised publications: “This publication was paid for with license fees and Pittman-Robertson taxes, which are paid by hunters and trappers, founders of the modern wildlife conservation movement.”
- The Hunter Education Certification program materials and staff describe the history of the North American Model and how wildlife conservation and management is paid for by hunters, trappers, and participants of shooting sports in the Wildlife Conservation & Management module, as part of the hunter education curriculum.
- The Wildlife 101 Series produces a flyer, “Getting the Biggest Bang for your Buck” which is being updated to include the change in 2017 license prices, and will also be amended to include information related to the history and workings of the North American Model and how hunters and trappers support conservation in Alaska.
- Draft language will soon be finalized for use in public presentations and events, including evening lectures, school programs, and skills clinics.
- A postcard is being developed for distribution at public presentations to explain how these events are made possible by funding from hunters, trappers, and participants in shooting sports who support the North American Model of Wildlife Conservation.

The Division of Sport Fisheries shares in the culture of informing the public about the North American Model for Wildlife Conservation, which is primarily funded through the support of sport fishing license revenues and related taxes. The division has developed a communication strategy to inform the public of the uses and conservation benefits of sport fishing license fees leveraged against funds generated by the Federal Aid in Sport Fish Restoration Act (Dingel-Johnson). The communication strategy

includes updating two curricula that are available to the public and educators via the ADF&G website; Salmon in the Classroom and A Cure for the Cold: Let’s Go Ice Fishing.

Commercial Fisheries/ Statewide Fisheries

Operating Budget (CCS HB 256)

20. *It is the intent of the legislature that the Division of Commercial Fisheries look to reduce stock management last when allocating unallocated UGF spending reductions.*

The department was not subject to unallocated reductions in FY2017.

21. *It is the intent of the legislature that the department first focus research and management dollars on fishery systems which have stocks of concern, in order to satisfy its constitutional responsibility of managing for sustained yield.*

There are three levels of concern identified by the Board of Fisheries in 5 AAC 39.222(f), the lowest level being a yield concern, followed by a management concern, with the most severe being a conservation concern. Among approximately 300 established salmon stock escapement goals statewide, there are currently 13 stocks of concern; 5 yield concerns (3 Chinook, 1 sockeye and 1 chum), and 8 management concerns (7 Chinook and 1 sockeye). The department has submitted a recommendation to the Board of Fisheries to add McNeil River chum salmon as a stock of (management) concern. The Board of Fisheries will consider this recommendation at its December 2016 Lower Cook Inlet meeting. Each of the current 13 stocks of concern is listed below:

Yield Concern

- | | |
|--------------------------------------|---------|
| 1. Norton Sound Sub-district 2 and 3 | Chum |
| 2. Norton Sound Sub-district 5 and 6 | Chinook |
| 3. Yukon River | Chinook |
| 4. Susitna (Yentna) River | Sockeye |
| 5. Willow Creek | Chinook |

Management Concern

- | | |
|--------------------|---------|
| 1. Swanson Lagoon | Sockeye |
| 2. Karluk River | Chinook |
| 3. Alexander Creek | Chinook |
| 4. Goose Creek | Chinook |
| 5. Sheep Creek | Chinook |

- | | |
|-------------------|---------|
| 6. Chuitna River | Chinook |
| 7. Theodore River | Chinook |
| 8. Lewis River | Chinook |

When the Board of Fisheries establishes a stock of concern, an action plan is developed in consultation with the department. The plan is designed to establish positive steps toward stock recovery and removal from the concern list. Since 2011, 12 stocks have been removed from the list. The department intends to follow established action plans as an effective means to address salmon stocks of concern.

Legislative Fiscal Analyst Comment: While compliance with intent was not immediately obvious from the department's initial response to the above intent language, in a follow up email, LFD determined that regulatory processes (5 AAC 39.222(d)(5)) regarding stocks of concern appear to address the intent. When the Board of Fisheries designates a stock of concern, an action plan is developed. According to the department, the "board does not have the specific authority to direct funding to stock assessments for stocks of concern, *but the ongoing collaborative process between the Department of Fish and Game, the Board of Fish, Advisory Committees, and the public serves to establish a priority for that funding through increased public scrutiny and dialogue surrounding the funding process.*"

22. *It is the intent of the legislature that the department not make any reductions in personnel or financial appropriations to any program or project directly linked to Stocks of Concern throughout the State.*

Two Upper Cook Inlet stocks of concern related projects were deleted prior to the 2016 field season.

- Judd Lake Weir (Commercial Fisheries) \$53.0
- Yentna River Fish Wheel (Commercial Fisheries) \$39.7

These two projects were deleted in the FY 2017 budget due to general fund budget cuts. This action was included in briefing material provided the legislature during the 2016 session. The department will be able to assess Susitna River sockeye salmon using two remaining weir projects on Chelatna and Larson lakes. Aside from the projects listed above, the department has maintained efforts to address existing stocks of concern.

23. *It is the intent of the legislature that the department annually report the revenues subject to AS 16.05.130 by project to the legislature on or before January 1, 2017.*

The department is in the process of compiling this report and will submit it to the Legislature by January 1, 2017.

Legislative Fiscal Analyst Comment: A response was submitted to the legislature timely.

24. *It is the intent of the legislature that the department establish a baseline for Chinook smolt outmigration in the Chulitna, Lewis, Theodore, and Alexander rivers, and Willow, Goose, and Sheep creeks, and further that they establish a baseline for Sockeye smolt outmigration in the Yentna River, Northern District of Upper Cook Inlet.*

Alaska's constitution and statutes require that the state manage salmon under the sustained yield principle, which is predicated on the objective that sufficient numbers of adult salmon spawn annually in order to maintain the long-term health of the stocks. Secondary to this is the ability to estimate harvest and subsequent adult production, followed by the ability to estimate the juvenile abundance resulting from various levels of spawning abundance. In total, these assessments provide estimates of marine survival and exploitation, as well as the development of production models designed to maximize sustained yield over time.

It is appropriate to consider widespread enumeration and tagging programs for juvenile salmon because it represents a general means to distinguish between freshwater versus marine survival, and therefore better elucidate causes of mortality in those environments as stock declines. However, while freshwater mortality may be very important in some cases (Alexander Creek for instance), most evidence for recent widespread declines in Alaska Chinook abundance points to declining marine survival as a more likely cause. Though juvenile enumeration and tagging efforts can help further confirm this, they are costly to conduct over multiple generations. Our typical focus on adult enumeration has a direct link to management actions that can be taken based upon in-season abundance estimates. Accurate escapement and harvest monitoring data remain our primary data sources for meeting the sustainable fisheries mandate.

Juvenile Chinook and sockeye salmon baselines most often rely on indexing or enumerating populations of fish, and these baselines are often established through projects that capture fish either in their overwinter habitats as fall juveniles and/or as smolt in the spring. It is not known whether sub-populations of fry remain in their natal tributaries or if they migrate to the mainstem to overwinter, but based on past juvenile Chinook salmon capture efforts in the Susitna River, it is likely that a combination of the two behaviors exist, as seen elsewhere. If fish remain in the tributaries to overwinter, this allows for capture programs in the spring. However, if fish migrate to the larger mainstem reaches to overwinter, this requires capture either as fall juveniles prior to outmigration, or treatment of the sub-population as a larger, mixed drainage-wide population.

Juvenile abundance programs are most accurately enumerated through fish-tight juvenile weirs or through mark-recapture studies. Fish-tight juvenile weirs are difficult to install and maintain, and are costly and prone to failure due to high water events and other unforeseen difficulties. As a result, previous juvenile abundance programs for Susitna River Chinook salmon resorted to mark-recapture studies that required marking juveniles and later recapturing the returning adults to identify the proportion of the population marked, and subsequent abundance estimation. After a few years of exploratory capture efforts, a successful juvenile Chinook salmon capture and marking project was established on Willow Creek. However, it was difficult to sample returning adults at a weir on the creek due to high water, and the juvenile abundance

estimates were relatively imprecise.

Typical of larger watersheds like the Susitna River, many fall juvenile populations overwinter in the mainstem reaches as a larger mixed population. This is one reason why most juvenile abundance programs are germane to the entire watershed's juvenile production. Costs of weirs, marking programs, and adult sampling programs on smaller sub-populations like those in the Susitna River typically cost in excess of \$100,000 annually. The adult Chinook salmon weir on Willow Creek in the 2000's alone averaged slightly over \$100,000 annually, and larger drainage-wide estimates often cost hundreds of thousands of dollars annually to implement. Regardless, these are long-term endeavors in which data is gathered over several generations of fish, and results are not known until several years later.

For the 8 stocks identified in this intent language, costs could easily exceed \$1 million per year for many years. Given the level of budget cuts in FY2017 and anticipated reductions over the next several years, the department has not undertaken these new projects.

25. It is the intent of the legislature that all department comments, technical reports, and science data on Board proposals submitted to either the Board of Fish or the Board of Game be filed with the respective Board and be available for public examination at least 60 days prior to the start of the Board's meeting.

The department strives to make board-related material available to interested parties at the earliest possible date. Department staff attend advisory committee meetings to share information with the public, even if it hasn't been released in its final form. In some cases, it is not physically possible for this material to be available 60 days prior to a meeting. This can occur when fisheries run into the fall of a given year and a board meeting is scheduled in the fall or early winter, and the department still makes information available at least two weeks prior to the meeting. Important analyses, data and insights come to light throughout the proposal review process, up to and including at the board meeting itself.

In FY2016, the department consistently met this obligation with few exceptions, and will continue to work towards the goal of providing the public with a 60-day advance notice of department comments with the understanding that timely notice is needed for the public and Advisory Committees to make informed decisions and recommendations regarding the management of fish and wildlife population in Alaska.

Commercial Fisheries/ Commercial Fisheries Entry Commission

Operating Budget (CCS HB 256)

26. It is the intent of the legislature that retaining the Commercial Fisheries Entry Commission Allocation under the Commercial Fisheries Appropriation does not diminish or affect the Commission's statutorily designated budgetary or operational autonomy or authority; nor does it grant the Commissioner of Fish and Game or his designee any budgetary or operational control over the Commercial Fisheries Entry Commission.

The department has continued to operate with this understanding.

Wildlife Conservation

Operating Budget (CCS HB 256)

27. It is intent of the legislature that Alaska Department of Fish & Game work collaboratively with the Department of Natural Resources, local governments, and outdoor, sporting, tribal governments/organizations and trail non-profit organizations to identify qualifying matching projects to ensure that no Pittman-Robertson monies are returned to the federal government unspent.

Over the past year, the department has worked closely with the Department of Natural Resources, local governments, and non-governmental partners to identify and provide non-state matching funds to leverage approximately \$11 million in federal funds. By working with these entities, the department has identified projects to benefit the hunting community, while ensuring that no Pittman-Robertson monies were returned to the federal government.

The availability of large amounts of Pittman-Robertson funds is expected to continue into FY2018 with a projected increase of 16% over FY2017. As a result, the potential for returning monies to the federal government continues to be of concern. The department will continue to work with partner entities to identify qualifying projects to maximize the use of these funds in an effort to ensure that none are returned to the federal government. In addition, the increase in license and tag fee revenues will provide additional matching funds to help avoid the reversion of funds. Identification of suitable projects and the availability of staff to responsibly obligate large amounts of funds to multiple projects pose significant challenges to avoiding the reversion of those funds.

28. It is the intent of the legislature that the department shall engage in cooperative, collaborative and consulting efforts with non-departmental entities to increase orphaned moose calf survival rates through expedited rescue, rehabilitation, and reintroduction efforts. These efforts will be performed under department oversight by identified wildlife rehabilitators. It is also the intent that no department state funds be used to compensate non-departmental entities engaged to assist with moose calf survival efforts.

The department has been working cooperatively with a private, non-profit organization known as “Moose Mamas” for over two years now to provide opportunities for the rescue, rehabilitation, and release of orphan calves that would otherwise have a very low rate of survival. Last year, the department took steps to expedite the identification and rescue of orphaned calves through increased communication with Moose Mamas, and by reducing the lapsed time between an initial report and the deployment of rescue efforts.

The funding for Moose Mamas to rehabilitate and release orphan calves has come

entirely from the private sector, and has included the use of numerous volunteers as well as direct support from local businesses and individuals service providers. Department of Fish and Game expenditures are limited to staff time for permitting, inspection, communications, and limited veterinary services. No compensation is provided to non-profit organizations involved in these efforts.

Statewide Support Services/ Commissioner's Office

Operating Budget (CCS HB 256)

29. It is the intent of the legislature that the department evaluate the use of unmanned aircraft for aerial survey work and report findings in regard to safety and cost-savings in comparison with the use of manned aircraft to the Finance Committee-Co-Chairs by the next legislative session.

Feasibility of Unmanned Aircraft Systems for Aerial Surveys

Unmanned aircraft systems (UAS) come in a variety of shapes and sizes, and vary substantially in terms of air speed, range, payload, and noise emissions. Not surprisingly, the costs are highly variable as well, ranging from as little as a few hundred dollars to upwards of \$17 million. The relatively inexpensive systems have a short range (<3 km) and flight duration (<30 minutes), and are often limited to use in ideal weather conditions (e.g., light winds). In contrast, the more expensive systems have much greater capabilities, including a longer range (up to 6,000 km) and the ability to maintain flight for up to 24 hours.

The department currently uses fixed-wing aircraft and helicopters for a wide variety of research and monitoring purposes, including aerial surveys for fish and wildlife, fishery monitoring, radio telemetry, and habitat mapping. Potential advantages of UAS are lower costs, improved safety, reduced risk of disturbing people or animals due to noise, and a photo or video record of survey observations. An aerial photo or video image can be revisited or enhanced, resulting in improved data quality in most cases. In addition to aerial surveys, UAS could conceivably be used at smaller scales to supplement other research efforts. Some of the challenges to transitioning from aerial survey work to UAS systems are listed below.

Regulatory Constraints: The foremost limitation of UAS is that Federal Aviation Administration (FAA) regulations restrict operation to the visual line-of-sight (VLOS) from the pilot. Even when a Certificate of Waiver or Authorization for a governmental entity is granted, a visual observer or an accompanying “chase plane” is typically required to maintain VLOS with an observer and serve as its “eyes” when operating outside of airspace that is restricted from other users. Given that maintaining VLOS is impractical for aerial surveys, UAS is not a viable alternative to aerial surveys at this point in time. However, as UAS technology improves, automatic hazard detection and avoidance capabilities may become sufficiently sophisticated and reliable to allow for expanded waivers from the FAA. If and when this occurs, the department will reevaluate the suitability and cost effectiveness of UAS for aerial surveys.

Cost Effectiveness: If the regulatory issues are resolved, the department would need to evaluate the cost effectiveness of UAS on a case-by-case basis. This would include an evaluation of the costs associated with purchasing (or leasing) one or more UAS,

pilot training, and service/maintenance for the aircraft. Commercial vendors could be contracted to provide these services, especially VLOS, but the department would still need to evaluate the cost effectiveness on a case-by-case basis. Sharing UAS among regions or divisions would be desirable but not always feasible, as many research and monitoring projects across the state occur at the same time.

Transitional Costs & Comparability Studies: In situations where researchers are enumerating fish or wildlife to provide indices of abundance, it is crucial to standardize survey conditions to the extent possible. Should a project transition from traditional aircraft to UAS, the observation or detection rates would surely differ as the UAS may fly at a different airspeed (or altitude), it may be quieter (perhaps less likely to disturb animals), and the camera's resolution and field of view may make it easier or more challenging to detect the species of interest. Therefore, it would be imperative to conduct overlapping surveys with UAS and traditional aircraft over several years to obtain an understanding of how the results compare across the spectrum of environmental conditions. These comparability studies would increase the cost of transitioning from traditional aircraft to UAS, but in some cases, operational costs might be lower after a successful transition. The overall cost effectiveness of using UAS for aerial surveys would need to be carefully evaluated on a case-by-case basis.

<p>Legislative Fiscal Analyst Comment: The department plans to submit a formal report to the legislature regarding the evaluation of the use of unmanned aircraft for aerial surveys at the end of the calendar year (2016).</p>

30. It is the intent of the legislature that the department evaluate transitioning to mail-in, electronic, or telephonic harvest reports for subsistence areas in order to reduce costly door-to-door interviews for state subsistence research statewide, inclusive of rural and urban areas, and report its findings to the Finance Committee Co-Chairs the next legislative session.

According to the 2010 census, there are approximately 217,000 households in the nonsubsistence areas of the state. Adding mail-in, electronic, or telephonic harvest reporting from these 217,000 households would cost in the millions of dollars, duplicate already funded harvest reporting programs, and would require additional staffing and workload to implement, as well as to ensure that double-counting did not occur.

Harvests from all hunts can be reported electronically and harvest data are available to the public (see "File Hunt Reports" on the ADF&G website). Some hunts have telephonic harvest reporting as well. Most salmon and shellfish fishery harvest numbers are also reported electronically online (see "Online Salmon and Shellfish Permits and Harvest Reporting" on the ADF&G website). The department conducts a mail-in survey to estimate sport fishing harvests and subsistence halibut harvests, and publishes that information on the ADF&G website as well.

Over 217,000 mail-in surveys would need to be written, designed, printed, and mailed. Since mail-in response rates are often low, multiple reminder letters would also need

to be written, designed, printed, and mailed. Assuming three reminder letters, which is standard for mail-in fish harvest surveys, over 650,000 reminder letters would require postage and mailing.

A telephone survey, even if limited to collecting harvest numbers (excluding customary and traditional use pattern information), would necessitate an expanded level of staffing to compile lists of telephone numbers (landline and mobile) for the 217,000 households, and to call and conduct the surveys. The calling list would require careful review to ensure exclusive applicability to Alaska residents (the only people who are legally eligible to participate in subsistence hunts and fisheries). The calling list may also be subject to state or federal “do not call” laws, and thus be incomplete. Furthermore, because many households have more than one household member, and each household member could have their own mobile phone, the calling list would require careful review to ensure that survey efforts did not double-count the household’s harvest by obtaining multiple separate reports of the same harvest data. As previously mentioned, electronic harvest reporting already exists.

Any additional mail-in, electronic, or telephonic harvest reporting efforts would require increased information technology staff, computers, and servers to handle the large influx of data, and to ensure compatibility with existing IT infrastructure. Additional clerical staff would be required to mail and process harvest surveys, or conduct the telephone calls. Data analysis staff would be required to develop the data input screens, build the databases, ensure compatibility with existing harvest databases, and to ensure that double-counting was not occurring, as would likely happen with one member of the household reporting through a mail-in survey or electronically and another responding to a telephone survey.

31. *It is the intent of the legislature that the department evaluate consolidation and reorganization of research and surveying staff between Commercial Fisheries, Sport Fisheries, and Wildlife Conservation in order to avoid duplicative efforts and find cost savings, and report its findings to the Finance Committee Co-Chairs for the next legislative session.*

The department conducts door-to-door interviews of subsistence users to obtain harvest information that is specific to community, household and the various populations being utilized. These surveys are not conducted on an annual basis but rather are rotational across the state and regions. The detail and complexity of these surveys and the information sought cannot be replicated nor replaced with mail-out, phone or online surveys without incurring substantial additional costs to current survey expenditures and substantial diminishment of the data quality and quantity.

Harvest information collected from other users and the operational plans that exist for these programs were reviewed and evaluated specific to the intent language. Mail-out surveys have long been employed for recreational angler harvest estimates capturing resident, non-resident, and foreign anglers; recently online reporting for personal use harvest, big game harvests, and other similar activities have taken place. In all instances the key identifier is an annual hunting or fishing license which may or may not be referenced by household. The department does not employ phone survey data

collection techniques for any of our current programs so have little direct experience in this regard. Subsistence users can be collocated within a household or not, have no unique identifier such as a license number and in many instances multiple phones within a household are common. For these reasons it is unfeasible both practically and fiscally to entertain changing the subsistence survey data collection methods at this time. An additional element that can only be met with direct contact is the personal connection between staff and the subsistence user that often times becomes invaluable to subsistence division staff.

Statewide Support Services/ State Subsistence Research

Operating Budget (CCS HB 256)

32. It is the intent of the legislature that the department gather information from individual Game Management Unit 13 Tier I moose and caribou permit holders who reside in non-subsistence areas to determine the efforts by these permit holders to observe the customary and traditional use patterns established by the Board of Game for community hunts in GMU 13.

The department is currently gathering information from Tier I permit holders who reside in urban areas on their efforts to observe the Tier I customary and traditional use pattern of Game Management Unit 13 moose and caribou.

OFFICE OF THE GOVERNOR

Office of the Governor

Operating Budget (CCS HB 256)

33. *It is the intent of the legislature that the duties performed by the deleted Information Officers are absorbed within the Office of the Governor.*

The information officer duties of state departments cannot be efficiently or effectively absorbed within the Office of the Governor.

Legislative Fiscal Analyst Comment: A total of five Public Information Officer positions and UGF funding associated with those positions was deleted in the following agencies:

Department of Corrections – 1 PFT position and \$164.5 UGF

Department of Education & Early Development – 1 PFT position and \$138.4 UGF

Department of Environmental Conservation – 1 PFT position and \$6.5 UGF

Health and Social Services – 1 PFT position and \$52.0 UGF

Department of Natural Resources – 1 PFT position

Several agencies (DEED, DEC, and DNR) have maintained the positions in FY17 without the UGF funding.

Office of Management and Budget/ Office of Management and Budget

Operating Budget (CCS HB 256)

34. *It is the intent of the legislature that the office of management and budget work with executive branch agencies to reduce hollow receipt authority when preparing the Fiscal Year 2018 budget.*

Departments are informed of the Legislature's intent and instructed to comply.

Sec. 5. LEGISLATIVE INTENT.

Operating Budget (CCS HB 256)

35. *(a) It is the intent of the legislature that the amounts appropriated by this Act are the full amounts that will be appropriated for those purposes for the fiscal year ending June 30, 2017.*

Departments are informed of the Legislature's intent and instructed to comply.

36. *(b) It is the intent of the legislature that all state agencies and instrumentalities that intend to contract for basic or applied research, including consultation, undertaking a study, performing a*

needs assessment, or providing an analysis, pursue discussions and negotiations with the University of Alaska's Vice President for Academic Affairs and Research to determine whether the University of Alaska can provide that service to the agency and, if so, obtain that service from the University of Alaska unless contrary to the best interests of the state or contrary to another provision of law.

Departments are informed of the Legislature's intent and instructed to comply.

37. (c) *It is the intent of the legislature that the executive branch continue to enforce the governor's January 5, 2016, restriction on nonessential travel throughout the fiscal year ending June 30, 2017.*

It is the executive branch's intent to continue to enforce the travel restriction.

38. (d) *It is the intent of the legislature that the commissioner of each department in the executive branch prepare a report to the legislature, to be delivered to the senate secretary and chief clerk of the house of representatives not later than January 17, 2017, identifying services that can be privatized, including procurement, client services, human resource management, and auditing of certain files.*

Each department has reviewed its functions that are already privatized, those functions currently being studied for privatization, and identified what functions may be able to be privatized in the future. Departments can discuss as part of the subcommittee process if requested.

39. (e) *It is the intent of the legislature that the governor develop a plan using best practices to find efficient measures to co-locate the Alaska Aerospace Corporation, Alaska Energy Authority, Alaska Housing Finance Corporation, and Alaska Industrial Development and Export Authority in an effort to reduce administrative costs and duplication of services within those agencies. The plan should be delivered to the cochairs of the house and senate finance committees not later than October 31, 2016.*

The Department of Administration is coordinating the development of a plan that defines efficient measures to collocate the Alaska Energy Authority, the Alaska Industrial Development and Export Authority, and the Alaska Housing Finance Corporation. This work effort is still in progress as of October 31, 2016. The plan should be available prior to the 30th legislative session.

This review did not include Alaska Aerospace Corporation (AAC) which is exploring different options and business models.

40. (f) *It is the intent of the legislature that the Department of Revenue transfer management and investment responsibility of the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) to the Alaska Permanent Fund Corporation under AS 37.10.430(a).*

The management and investment responsibility of the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) will be executed according to AS 37.10.430(a).

Legislative Fiscal Analyst Comment: Management and investment responsibility was maintained by the Department of Revenue.

41. (g) *It is the intent of the legislature that state agencies in the executive branch*

(1) employ the regulatory efficiency guidelines established under Administrative Order No. 266 that seek to

(A) minimize the cost, time, and burden to the affected public of complying with state regulations and encouraging state agencies to work with all stakeholders to meet the objectives of Alaska Statutes;

(B) reduce administrative cost and burden;

(C) ensure that state regulations are consistent with Alaska Statutes and limited to carrying out the statutory purpose;

(D) further the state's interest in preserving the state's rights in adopting regulations to implement federal programs and to receive federal funds;

(2) report to the cochairs of the house and senate finance committees, as reported to the governor and the office of management and budget under the regulatory efficiency guidelines,

(A) the results of the review of existing regulations and recommendations for regulatory actions;

(B) any necessary statutory changes to implement the recommendations; and

(C) the estimated costs and potential savings if the recommendations are implemented.

Departments have been complying with Administrative Order 266 since it was issued in 2013. Changes to regulations resulting in efficiencies and/or reduced cost or burden to the public or state have been or will be implemented and cost savings resulting from those changes will be reflected in the budget. Any necessary statutory changes resulting from the review will be submitted by the Governor. In the course of business, all commissioners are seeking efficiencies and implementing them when found.

42. (h) *It is the intent of the legislature that the appropriations made in secs. 31 and 32 of this Act remain in the base of the operating budget and not be made one-time increments for the fiscal year ending June 30, 2017.*

This intent will be considered in the operating budget proposal submitted by the Governor.

Legislative Fiscal Analyst Comment: Sections 31 and 32 of the operating budget made the following appropriations:

Section 31 (FY16 & FY17)

- (a) Department of Administration/ Public Broadcasting Commission - \$2.3 UGF
- (c) Department of Administration/ Public Broadcasting T.V. - \$633.3 UGF
- (e) Department of Public Safety/ Batterer Intervention & Victim Services - \$340.0 UGF

Section 32 (FY17)

- (a) Department of Administration/ Public Broadcasting Commission - \$200.0 UGF
- (c) Department of Education & Early Development –
 - (1) Best Beginnings - \$320.0 UGF
 - (2) Parents as Teachers - \$500.0 UGF
- (e) Department of Education & Early Development/ Implementation of ch. 2, SSSLA 2015 - \$200.0 UGF
- (f) Department of Education & Early Development/ Pre-Kindergarten Grants - \$2 million UGF
- (g) Department of Health & Social Services/ Pioneer Homes - \$532.5 UGF
- (h) Department of Health & Social Services/ Family Reunification and Retention Grants - \$1,725.0 UGF
- (i) Department of Health & Social Services/ Senior Benefits - \$5,137.9 UGF
- (j) Department of Health & Social Services/ General Relief/Temporary Assisted Living - \$182.5 UGF
- (k) Department of Health & Social Services/ Community Developmental Disabilities Grants operating expenses - \$320.0 UGF
- (j) Department of Public Safety/ Alaska State Trooper Detachments operating expenses - \$480.0 UGF

Sec. 7. LEGISLATIVE INTENT REGARDING PERSONAL SERVICES TRANSFERS.

Operating Budget (CCS HB 256)

43. *It is the intent of the legislature that agencies restrict transfers to and from the personal services line. It is the intent of the legislature that the office of management and budget submit a report to the house and senate finance committees on January 15, 2017, that describes and justifies all transfers to and from the personal services line by executive branch agencies during the first half of the fiscal year ending June 30, 2017, and submit a report to the house and senate finance committees on October 1, 2017, that describes and justifies all transfers to and from the personal services line by executive branch agencies for the entire fiscal year ending June 30, 2017.*

The office of management and budget (OMB) will prepare a report that shows transfers to and from the personal services line which is available on the OMB website.

<https://www.omb.alaska.gov/html/information/personal-services-transfer-reports.html>

Sec. 11. LEGISLATIVE INTENT.

Capital Budget (HCS CSSB 138)

44. *It is the intent of the legislature that no general fund money be expended to construct roundabouts at the interchange ramp termini for the Steese Highway at Chena Hot Springs Road for project number 0650026, Highway Safety Improvement Program, Steese Highway/Chena Hot Springs Road ramp termini roundabouts project. Nothing in this section is intended to jeopardize any funding for other Highway Safety Improvement Program projects or projects identified in the 2016 - 2019 Alaska Statewide Transportation Improvement Program.*

The Steese Highway/Chena Hot Springs Road Ramp Termini Roundabout (federal project # 0650026) is currently in the design phase. This project is eligible and programmed under the Highway Safety Improvement Program (HSIP) as the roundabout is a recognized highway safety improvement project. The Department of Transportation and Public Facilities (DOT&PF) anticipates funding the construction of this project with 100% federal funding under 23 USC 120(c)(1) – Certain Safety Projects.

Sec. 1. LEGISLATIVE INTENT.

AKLNG Project - Supplemental (CSSB 3001)

45. *(a) It is the intent of the legislature that the appropriations made in secs. 2 - 4 of this Act be accounted for separately from the unrestricted general fund.*

(b) It is the intent of the legislature that the appropriation made in sec. 5(a) of this Act be paid in an expedited manner, resulting in a successful state acquisition of the interest in the Alaska liquefied natural gas project currently held by TransCanada Alaska Midstream Limited Partnership by December 1, 2015.

The appropriations made in secs. 2 – 4 of the Act were accounted for separately from the unrestricted general fund and were paid in an expedited manner resulting in a successful state acquisition of the interest in the Alaska liquefied natural gas project currently held by TransCanada Alaska Midstream Limited Partnership December 1, 2015.

DEPARTMENT OF HEALTH & SOCIAL SERVICES

Alaska Pioneer Homes

Operating Budget (CCS HB 256) and Mental Health (CCS HB 257)

46. *It is the intent of the legislature that the Division of Pioneer Homes work to achieve savings through the privatization of food and janitorial services in all the Pioneer Homes as has been accomplished in the Juneau Pioneer Home.*

The Department of Health and Social Services is coordinating an effort to study opportunities to achieve savings in the Alaska Pioneer Homes system. Privatization of food and janitorial services are being considered amongst other initiatives.

Juvenile Justice / Nome Youth Facility

Operating Budget (CCS HB 256)

47. *It is the intent of the legislature that the Division of Juvenile Justice collaborate with the community of Nome and with tribal and public health organizations to transition the Nome Youth Facility from state to local ownership; and to deliver to the Legislature by January 17, 2017, a plan for utilizing the facility to better meet regional needs for youth correctional, health and rehabilitative services.*

The Department of Health and Social Services, Division of Juvenile Justice, included the Nome Youth Facility request into the scope of work required in the Division of Juvenile Justice facility feasibility study authorized by the 2016 Medicaid reform bill, section 57 of SB74 (CHAPTER 25 SLA 16).

Carter Goble Associates (CGA) was selected and is currently conducting a study of the Division's four stand-alone juvenile detention facilities, including the Nome Youth Facility. According to the Carter Goble Associates response to the state's request for proposals (RFP #160000078):

“The study will culminate in a recommended option for the state that will produce the best value in terms of cost efficiency and program effectiveness, while addressing the unique characteristics and service needs of the communities served by these facilities. If the study recommends privatization, a further assessment of feasibility will be conducted to determine the availability of potential vendors and optimal approaches to contract management.”

To date Carter Goble Associates has visited the Nome Youth Facility and met with Division of Juvenile Justice and Nome Youth Facility leadership. Carter Goble Associates is scheduled to meet with community members and local entities to identify potential partnership or privatization opportunities. Absent privatization opportunities, the report will include cost saving and quality improvement measures that could be implemented.

The draft of the Carter Goble Associates report is due by December 1st, 2016, for presentation to the Legislature by January 15, 2017.

Juvenile Justice / Ketchikan Regional Youth Facility

Operating Budget (CCS HB 256)

48. It is the intent of the legislature that the Department of Health and Social Services expedite planning and implementation of its proposal to convert or transition the Ketchikan Youth Facility to an adolescent substance abuse and Behavioral Health Treatment Center. In addition, the Department should report its progress to the legislature by January 30, 2017.

The Ketchikan Regional Youth Facility's low utilization rates, state budget reductions, and a growing need for an in-state facility to serve juveniles with complex needs led to the Department of Health and Social Services proposal to repurpose the Ketchikan facility from a secure detention facility to an unlocked residential treatment facility in late 2014. The proposal would have allowed residential treatment services provided at a facility to be eligible for Medicaid funding.

Throughout 2015 and into 2016, the Department of Health and Social Services developed the repurposing proposal for the Ketchikan facility, including detailed discussions with the Centers for Medicare and Medicaid Services (CMS) to evaluate whether the proposal fits within the scope of the state's Medicaid plan. Unfortunately, the results of this investigation indicate that the proposed repurposing cannot be accomplished in a cost-effective or timely manner. The Department of Health and Social Services made the difficult decision to close the Ketchikan Regional Youth Facility, effective September 15, 2016.

Public Assistance/ Alaska Temporary Assistance Program

Operating Budget (CCS HB 256)

49. It is the intent of the legislature that the Division of Public Assistance use state funding appropriated for the AHFC Homeless Assistance Program and the PCE Program funding toward its Maintenance of Effort requirement for the Alaska Temporary Assistance Program.

The Division of Public Assistance is following the Legislative Intent by investigating the ability to claim any applicable expenditures associated with the AHFC Homeless Assistance Program and the PCE Program to count towards the maintenance of effort for the Alaska Temporary Assistance Program. The Division of Public Assistance will be able to report on the ability to claim these charges during session. The Division has a current contract with Public Consulting Group for reviewing these options.

Public Health/ Nursing

Operating Budget (CCS HB 256) and Mental Health (CCS HB 257)

50. It is the intent of the legislature that, where possible, Public Health Nursing charge for services provided.

Overview

The Legislature's intent language was prompted by recommendations in the 2015 Alaska Department of Health & Social Services Organizational and Administrative Performance Review, or "HB 30 report". The recommendations suggest a perception that billing third-party payers would significantly increase revenue. As a result, in the FY2017 budget, Public Health Nursing's allocation was reduced \$500.0 UGF and replaced with \$1,000.0 DGF and Public Health Laboratories' allocation was reduced \$600.0 UGF and replaced with \$600.0 DGF to allow these sections to collect and expend program receipts. In response, the Division of Public Health is investigating ways to maintain long-term financial stability by maximizing revenue generation for all public health services, when appropriate and without undermining the division's public health mission, whether that is through increased billing capacity, user fees, or other means.

State law (AS 37.10.050) prevents an agency from charging a fee unless 1) the fee is specifically authorized in statute and 2) the fee is set through regulations. Fees for public health nursing services, laboratories and other clinical services are authorized in AS 44.29.022. Fees are limited to the actual cost of providing the service and may be waived if it is not in the public interest or is not economically feasible to collect. Regulations (7 AAC 80) establish the rates and direct that fees will be collected at the time of service although a third-party billing system is allowed. Services may not be denied because of an individual's inability to pay. A sliding fee schedule reduces the amount for those unable to pay. Fees are waived in the public interest when the department initiates the contact with the individual for the purposes of communicable disease control.

Opportunities exist for charging not only for clinical public health services provided directly to clients but also administrative functions (enforcement activities, certifications, and data extracts) and professional services (data analysis, expert testimony, consultations, training, and technical assistance). **The Division of Public Health would need additional statutory authority to establish and collect reasonable fees for these other essential public health services that identify, assess, prevent, and improve conditions of public health importance.**

If third party billing were to be implemented, an external vendor would be necessary since the division does not have the infrastructure to bill and collect. At present, neither Public Health Nursing nor Laboratories has the ability to generate an electronic claims file or a billing module that can be used in conjunction with their patient management systems, both necessary for third party billing. As such, an internal billing operation would not be an option for these programs without investing in additional technology.

Public Health Nursing

Public Health Nursing services include tuberculosis screening for school children; treatment and follow-up of persons with tuberculosis; child health exams; pregnancy testing; prenatal education and counseling; sexually transmitted disease prevention, control and treatment; response and investigation of disease outbreaks that may be caused by food, water, or other environmental hazards; public health emergency preparedness and response activities; development of community partnerships to address local public health problems such as injury, obesity, and family violence; and immunizations, among many others.

The HB 30 report suggested expanding billing capacity for Public Health Nursing. Recommendation 8.1.C.1 (p.134) suggests that by expanding billing capacity for public health centers the opportunity exists to significantly increase revenue.

Direct clinical services are only 25% of all services provided through Public Health Nursing. Other areas such as outreach, community health and referrals, and communicable disease management are not billable and therefore, could not be assessed fees. When a billable service is provided at a Public Health Center, charges are assessed on a sliding fee schedule and cash is collected at the time of service (“first party billing”). Approximately 83% of what is charged is collected.

Nursing currently does not conduct third party billing with health plans. For this to occur, Nursing must first become “credentialed” with each health plan, establish a contract with each health plan, and determine the appropriate billing solution such that Nursing can conduct code management, billing, collections, and denial management. Additional costs would be required to include expansion of billing capabilities and electronic health records, resources to conduct collections and denial management, and on-going training for clerical and in-take staff.

Nursing fully collects Medicaid receipts where applicable. Public Health Nursing bills Medicaid for all public health clinic services for Medicaid eligible patients, not just direct client care. Claims are based on actual expenditures related to allowable Medicaid activities for the proportion of clinic clients that are enrolled in Medicaid.

Currently, Public Health Nursing is working to increase collections through a variety of means:

- staff training on skilled medical professional services coding for maximum reimbursement;
- a review and update of the sliding fee discount process to increase first-party collections at time of service;
- development of a standardized desktop tool to use when discounting fees for consistent application of the sliding fee schedule; and
- tracking the full value of direct services provided to clients whether or not the service is billable (ex. communicable disease investigations, breast and cervical health checks reimbursed by federal funds).

Public Health/ Public Health Laboratories

Operating Budget (CCS HB 256)

51. *It is the intent of the legislature that, where possible, Public Health Laboratories charge for services provided.*

Overview

The Legislature's intent language was prompted by recommendations in the 2015 Alaska Department of Health & Social Services Organizational and Administrative Performance Review, or "HB 30 report". The recommendations suggest a perception that billing third-party payers would significantly increase revenue. As a result, in the FY2017 budget, Public Health Nursing's allocation was reduced \$500.0 UGF and replaced with \$1,000.0 DGF and Public Health Laboratories' allocation was reduced \$600.0 UGF and replaced with \$600.0 DGF to allow these sections to collect and expend program receipts. In response, the Division of Public Health is investigating ways to maintain long-term financial stability by maximizing revenue generation for all public health services, when appropriate and without undermining the division's public health mission, whether that is through increased billing capacity, user fees, or other means.

State law (AS 37.10.050) prevents an agency from charging a fee unless 1) the fee is specifically authorized in statute and 2) the fee is set through regulations. Fees for public health nursing services, laboratories and other clinical services are authorized in AS 44.29.022. Fees are limited to the actual cost of providing the service and may be waived if it is not in the public interest or is not economically feasible to collect. Regulations (7 AAC 80) establish the rates and direct that fees will be collected at the time of service although a third-party billing system is allowed. Services may not be denied because of an individual's inability to pay. A sliding fee schedule reduces the amount for those unable to pay. Fees are waived in the public interest when the department initiates the contact with the individual for the purposes of communicable disease control.

Opportunities exist for charging not only for clinical public health services provided directly to clients but also administrative functions (enforcement activities, certifications, and data extracts) and professional services (data analysis, expert testimony, consultations, training, and technical assistance). **The Division of Public Health would need additional statutory authority to establish and collect reasonable fees for these other essential public health services that identify, assess, prevent, and improve conditions of public health importance.**

If third party billing were to be implemented, an external vendor is necessary in that the division does not have the infrastructure to bill and collect. At present, neither Public Health Nursing nor Laboratories has the ability to generate an electronic claims file or a billing module that can be used in conjunction with their patient management systems, both necessary for third party billing. As such, an internal billing operation would not be an option for these programs without investing in additional technology.

Public Health Laboratories

The Alaska State Public Health Laboratories provide testing and analysis for a variety of public health concerns ranging from communicable diseases to toxic exposures. The Public Health Laboratories also conduct inspections to evaluate the safety of radiation-producing equipment and analyze sources of biological and other hazards.

When a service is provided by the Public Health Laboratory, charges are assessed to providers directly, where applicable, and not through third party billing with health plans. Several Alaska healthcare providers already contract directly with the Public Health Laboratories for testing that otherwise is not available through private sector laboratories. Public Health Laboratories fully collect Medicaid receipts where applicable. Public Health Laboratories bill Medicaid for all public health laboratory services for Medicaid eligible patients. Testing for communicable disease control is not billable and therefore, could not be assessed fees.

Fees for inspection of certain radiologic devices (x-rays) are collected from the facilities. The radiological health unit which inspects radiologic devices currently does not have the statutory authority to update their fees to fully cover program costs.

The HB 30 report recommends reestablishing a fee system that reflects the true cost of testing using an external vendor. Recommendations 8.1.B.1 to 8.1.B.4 (page 134) suggests that by expanding billing capacity for public health laboratories the opportunity exists to significantly increase revenue. As noted in the Performance Review, services to other state agencies such as these should be maintained and fees assessed only if non-general fund dollars can be used. Services to other state agencies should be maintained and fees assessed only if non-general fund dollars can be used. Two of the most frequent users of Public Health Laboratories are the Department of Corrections and Public Health Nursing. Use of Public Health Laboratories generates substantial savings for these agencies over laboratory services from the private sector.

Currently, the Public Health Laboratories are actively pursuing a 3rd party vendor capable of interfacing with the Laboratory Information Management System, issuing invoices, aggregating payments and other financial services. Additionally, with extremely limited resources, Public Health Laboratories are updating and modifying test procedures and coding to take full advantage of the new ICD-10-CM coding standards and reimbursement rules. Finally, the Public Health Laboratories are negotiating with Information Technology Services to overcome data transmission limitations to outside entities.

The Public Health Laboratories are reviewing regulations to update the clinical laboratory fee schedule. Current regulations limit the amount the Public Health Laboratories charge for clinical laboratory services to 50% of the Medicare rate.

Medicaid Services/ Senior and Disabilities Medicaid Services

Operating Budget (CCS HB 256)

52. *It is the intent of the Legislature that the Department make necessary changes to regulations in order to reduce costs and minimize fraud, waste, and abuse associated with the Personal Care Assistant Program.*

The Division of Senior and Disabilities Services is in the process of amending the Personal Care Services regulations to reduce program costs and to minimize fraud, waste, and abuse. Public comment on the proposed amendments closed September 22; staff will consider all comments and make changes to the package before forwarding on to the Commissioner, Department of Law, and Lieutenant Governor for consideration and approval, with an anticipated effective date of January 1, 2017.

DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT**Employment and Training Services / Workforce Development**

Operating Budget (CCS HB 256)

53. *It is the intent of the legislature that the Construction Academy implement a plan to annually supplant \$600,000 of general funds with private or federal fund sources until, after a four-year period, the Construction Academy Training program uses no general funds.*

The Construction Academy general funds support was cut by \$700,000 in FY2017. This reduction resulted in the elimination of grants to school districts for youth construction academy programs. Each school district is working to find alternative funding to continue supporting these worthwhile programs.

The Construction Education Foundation (CEF), established by the Alaska chapter of the Associated General Contractors (AGC Alaska) primarily for the purpose of promoting and administering the Alaska Construction Academy (ACA), reluctantly decided in its September board meeting that it was in the best interest of the program for them to withdraw from the administration, coordination, and oversight of the ACA grant in order to allow diminishing resources to be focused exclusively on delivery of training in the seven remaining ACA adult training programs. This transition will occur in FY2018.

DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS**Alaska Aerospace Corporation**

Operating Budget (CCS HB 256)

54. *It is the intent of the legislature that the State of Alaska explore alternatives for the future of the Alaska Aerospace Corporation (AAC). Further, it is the intent of the Legislature that the State shall retain ownership of the corporation's capital assets, including real property and equipment. The State's investments and interests in the value of the existing contracts, intellectual property, and proprietary business information property shall be protected if the organizational structure of AAC is changed.*

The State of Alaska continues to explore alternatives for the future of the Alaska Aerospace Corporation (AAC), which has already undergone considerable transition. In the last two years, AAC has transitioned from requiring millions of dollars of annual general fund appropriations for operating costs to being self-sustaining without requiring additional general fund appropriations. This transition reflects a combination of effective restructuring to reduce operating costs as well as recognizing and seizing some business opportunities. Currently, AAC is executing specific job orders under an \$80M indefinite delivery indefinite quantity contract with a federal agency. For the last year, AAC has retained outside expertise to explore different options for restructuring and possible business models. During the spring of 2016, discussion of alternatives for the future of AAC was muted so as not to create doubt in the minds of potential customers about long-term contracting with AAC during some particularly sensitive periods of negotiations. The State of Alaska remains committed to charting a future for AAC that is in the best interest of Alaska, allowing both AAC to develop a growing aerospace industry for Alaska while protecting Alaska's interests in its investments and property in AAC. A multi-department team of the Department of Military and Veterans' Affairs and the Department of Commerce, Community and Economic Development has stood up to work with AAC to determine what change in structure may be appropriate to recommend.

DEPARTMENT OF NATURAL RESOURCES

Department of Natural Resources

Operating Budget (CCS HB 256) and Mental Health (CCS HB 257)

55. It is the intent of the legislature that the Department of Natural Resources not purchase vehicles unless they are essential to work safety.

DNR continues to evaluate our vehicle fleet in concert with DOTPF's State Equipment Fleet to ensure only the necessary vehicles are retained, and replacement vehicles are purchased only when essential to work and public safety.

Fire Suppression, Land & Water Resources / Mining, Land & Water

Operating Budget (CCS HB 256)

56. It is the intent of the legislature that the Department of Natural Resources improve efficiencies in permitting and consider the economic impacts of increasing permit fees before imposing them on users.

DNR continues to make improvements in permitting processes, and evaluates the economic impacts of fee increases before implementation.

57. It is the intent of the legislature that the Division of Mining, Land and Water will accelerate its review and acquisition of its remaining statehood land entitlement to ensure that the state is in a position to receive lands with the highest economic and revenue-generating potential.

This intent language accompanied a Legislative one-time increment (\$78.5 and a PCN) that was vetoed by the Governor. While this increment would have increased our capacity for a short time to work on our statehood land entitlement, this work is still a priority within the division, and we will continue to review and acquire land for our remaining statehood land entitlement and will make sure we receive those lands with the highest economic and revenue generating potential. Currently the division's capacity is not the bottleneck holding up our land entitlement. The bottleneck is the Federal government, which has encumbered much of the available land with obsolete public land orders which prevent us from obtaining these lands. Until these land orders are lifted, we cannot fully complete our land entitlement.

Legislative Fiscal Analyst Comment: The resolution of the federal land orders requires changes on the federal level, which is beyond the department's control. The department could accelerate land claims without the lifting of the orders, but this would result in Alaska claiming less-valuable land than the preferred parcels.

Agriculture/ North Latitude Plant Material Center

Operating Budget (CCS HB 256)

58. *It is the intent of the legislature that the Division of Agriculture's Plant Material Center evaluate its programs to determine which of its functions can be performed by other entities, such as the private sector or non-profits. Programs should also be evaluated to determine if there are additional cost-recovery methods that can be implemented, such as additional fees or fee increases.*

The Division of Agriculture is creating a committee to evaluate Plant Materials Center (PMC) programs for privatization, and additional cost recovery methods, and will include representation from industry, state and federal partners, university staff and other non-traditional user groups.

The division evaluated its fees for services against a national average of similar services and deemed it necessary to increase fees by 20 percent at the beginning of FY2017. The committee will evaluate fee schedules for further increases.

Agriculture/ Agriculture Revolving Loan Program Administration

Operating Budget (CCS HB 256)

59. *It is the intent of the legislature to allow for a one-time increment funding of Mt. McKinley Meat & Sausage (MMM&S) with the purpose of allowing appropriate time for negotiations between a private entity and the Board of Agriculture for the lease or sale of MMM&S.*

The Board of Agriculture and Conservation (BAC) issued an initial request for proposal for Lease with Option to Purchase in May 2016 with the stipulation that the facility remain a USDA inspected slaughter facility. The BAC declined the only proposal received and is in the process of reissuing an RFP that will not require the property remain a USDA inspected slaughter facility or have specific lease terms. The BAC will consider the lease proposal with the best terms. If a buyer is not found, the plant is anticipated to close no later than July 1st, 2017. This property is an asset of the Agricultural Revolving Loan Fund, any proceeds from the sale of the property will become available to finance new loans.

Legislative Fiscal Analyst Comment: The department sold the McKinley Meat and Sausage plant to a private buyer in December of 2016.

Parks & Outdoor Recreation / Parks Management & Access

Operating Budget (CCS HB 256)

60. *It is the intent of the legislature that the Department of Natural Resources work with the Alaska Department of Fish & Game to identify qualifying projects and non-federal matching funds for Pittman-Robertson monies. If not all Pittman-Robertson funds are expended through DNR partnerships, it is further the intent of the legislature that DF&G partner with municipalities and nonprofit outdoors, sporting, and trail organizations to identify qualifying projects and nonprofit sector marching funds to expend remaining Pittman-Robertson monies. It is intent of the legislature*

that Alaska Department of Natural Resources assist the Department of Fish & Game in working collaboratively with partner agencies, governments, and organizations to ensure that no Pittman-Robertson monies are returned to the federal government unspent.

The Division of Parks and Outdoor Recreation (DPOR) continues to coordinate with the Department of Fish and Game (DFG) to identify Pittman-Robertson (PR) qualified projects. In addition to the first round of DPOR projects awarded in FFY2015 (DPOR secured \$2,400.0 in PR funds), DPOR submitted a second round of projects (~\$1,000.0 for two State Parks projects) helping DFG allocate all of its FFY2016 PR apportionment.

61. *It is the intent of the legislature that the Division of Parks and Outdoor Recreation reduce its dependence on unrestricted general funds by increasing park fees, increasing the number of park facilities where fees are charged and by pursuing the statutory change needed to sell park merchandise for profit, all of which would result in an increase of general fund program receipts available for appropriation.*

The Division of Parks and Outdoor Recreation will increase fees and permit costs on January 1, 2017, as well as increase the number of areas where Alaska Statutes will allow the division to charge a parking fee. Beginning September 20, 2016, 90 days after the Governor signed Senate Bill 101 allowing the division to sell park themed merchandise for a profit, the division began selling merchandise. These revenue generating efforts should result in an increase of general fund program receipts available for appropriation.

Legislative Fiscal Analyst Comment: The FY18 Governor's budget includes a fund source change of \$500.0 UGF to GF/Program receipts, reflecting the increased fee revenue.

DEPARTMENT OF PUBLIC SAFETY

Village Public Safety Officer Program

Operating Budget (CCS HB 256)

62. It is the intent of the legislature that the VPSO program grantees be permitted to charge their federally approved indirect cost to their VPSO program grant, provided the statewide average does not exceed 30%. The legislature directs the department to continue working with grantees on reducing the overall indirect cost percentage and to provide a report on their progress by February 1, 2017.

The Department of Public Safety (DPS) will use several strategies to ensure that the above legislative intent is met.

DPS will allow VPSO program grantees to charge their federally approved indirect cost rate to their VPSO program grant and will verify that the total amount budgeted in the indirect cost line for all grant awards does not exceed 30 percent of the total amount appropriated for VPSO program grants. Grant awards will be adjusted if the statewide average exceeds 30 percent.

DPS will work with the VPSO program grantees individually to identify their use of federal “on-site” and “off-site” rates for indirect costs that they charge to the VPSO grant. Several of the VPSO grantees utilize a lower “off-site” rate for the VPSO program because their VPSO program meets the definition for this lower percentage rate. DPS intends to address this topic with all grantees and to work with them through site visits and the audit process to provide them with technical assistance and education on how this adjustment to their federal indirect cost rate negotiation can have a positive impact on their individual programs as well as the VPSO program overall while still enabling them to continue to charge and collect their full indirect cost rates.

Finally, DPS will continue to work with the VPSO program grantees through regularly scheduled meetings to examine additional options available to decrease the overall indirect percentage rate, such as the use of indirect cost sharing pools and other alternatives.

Legislative Fiscal Analyst Comment: The intent applies to the average rate. Although the intent is technically met, the language allows indirect cost rates significantly above the average, in some cases as high as 45%.

DEPARTMENT OF REVENUE

Taxation and Treasury/ Treasury Division

Operating Budget (CCS HB 256)

63. *It is the intent of the Legislature that the Department of Revenue, in consultation with the Alaska Permanent Fund Corporation, evaluate and report to the Finance Committees by October 15, 2016 whether management responsibility over assets currently managed by the Alaska Retirement Management Board under AS 37.10.210, or state funds currently managed by the Commissioner of Revenue under AS 37.10.070, including the constitutional budget reserve fund under AS 37.10.430(a), should be transferred to the Alaska Permanent Fund Corporation.*

The named partners in HB256 (Department of Revenue and Alaska Permanent Fund Corporation) have met and a report will be submitted by the due date of October, 15, 2016.

Legislative Fiscal Analyst Comment: The report was submitted to the Legislature on October 14, 2016. KPMG was contracted to assist in the evaluation. In summary, while there are potential savings associated with consolidating the management of the state's financial assets, it was determined that the benefits of maintaining separate management outweigh the cost savings associated with consolidation. Detailed discussion is included in the report.

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Operating Budget (CCS HB 256)

64. *(b) The amount necessary, not to exceed \$650,000, is appropriated from the dividend fund (AS 43.23.045(a)) to the Department of Revenue, permanent fund dividend division, to perform third-party eligibility analytics for the fiscal year ending June 30, 2017. It is the intent of the legislature that the appropriation for third-party eligibility analytics under this subsection result in sufficient savings to the state to surpass the amount expended and that the fee amount not exceed 20 percent of anticipated savings. The permanent fund dividend division shall contract with a third-party provider to acquire the eligibility analytics services.*

The Permanent Fund Dividend Division awarded a contract with a third-party provider and began work on August 23, 2016. Prior to entering into the contract, several factors were taken into consideration; time constraints, acquiring a creditable vendor, and exploring opportunities to reduce costs associated with other vendor contracts.

All applications identified prior to the October 6, 2016 dividend payment, as a result of the analytics, were pulled into an "undetermined" or "on hold" status. Although the audit is ongoing many determinations have been resolved and placing into an appropriate status. The remaining applications will to be worked until final determinations are made. The timeline for completing these final determinations is prior to the end of the calendar year, however due to appeal rights the end results will

be roughly 30 days from the date of the last denial letter.

Legislative Fiscal Analyst Comment: The 3rd party eligibility analytics contract was established with Lexus Nexus in an amount of \$650,000. At this time it is unclear whether sufficient savings will result to pay for the contract or that the savings will be in an amount that the contract fee is no more than 20% of said savings. The contract is in place for fiscal years FY17-19.

DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES

Administration and Support

Operating Budget (CCS HB 256)

65. *It is the intent of the Legislature that the Department of Transportation and Public Facilities contract with private entities, municipalities or organized boroughs when the State will save money and resources for general road maintenance including snow removal, street sweeping, temporary pot-hole repair, minor signage and road marker maintenance, and other minor road maintenance as needed. The agency will report to the legislature by January 30, 2017 on their cost findings and interest in participating from a minimum of six municipalities or organized boroughs regarding privatizing services of general road maintenance.*

The department has 17 agreements in place with nine cities, boroughs and private contractors for the maintenance of roads. The department is currently in the process of negotiating four similar agreements. The agency will report to the legislature by January 30, 2017 on its cost findings and interest in participating from a minimum of six municipalities or organized boroughs.

Highways, Aviation and Facilities

Operating Budget (CCS HB 256)

66. *It is the intent of the legislature that the Department of Transportation and Public Facilities contract with private entities, municipalities or organized boroughs when the State will save money and resources for traffic signal management. The agency will report to the legislature by January 30, 2017 on their cost findings and interest in participating from a minimum of six municipalities or organized boroughs regarding privatizing services of traffic signal management and lane striping.*

The department has five agreements in place for the maintenance of traffic control systems and lane striping. The department is currently in the process of negotiating three similar agreements. The agency will report to the legislature by January 30, 2017 on its cost findings and interest in participating from a minimum of six municipalities or organized boroughs.

67. *It is the intent of the legislature that the Department of Transportation & Public Facilities work to implement cost savings and efficiencies in the operation of the rural airport system such that the UGF need for FY2018 is reduced by 5%.*

This reduction has been taken into account during FY2018 Highways and Aviation budget development.

Highways, Aviation and Facilities/ Northern Region Highways and Aviation

Operating Budget (CCS HB 256)

68. *It is the intent of the legislature that the Department of Transportation and Public Facilities Northern Region re-open and staff the Northway, Chitina and Central maintenance stations.*

Funding for the Chitina and Central maintenance stations was vetoed. Northway station remains open.

Marine Highway System

Operating Budget (CCS HB 256)

69. *It is the intent of the legislature that the state bring maritime union employees in line with other state employees with respect to the payment of a geographic differential rather than a the separate and unique Cost of Living Differential (COLD) system that incentives AMHS employees to live in Alaska.*

Cost of Living Differential (COLD) is established in statute, AS 23.40.210. Conversion from COLD to Geographical Differential will take a legislative change proposal to revoke or amend that statute. The Department of Administration is aware of this requirement and has the lead regarding the legislation. Additionally, based on this intent language, the issue of COLD versus Geographic Differential will be discussed during upcoming contract negotiations with all three maritime unions to seek their input regarding how such a change should be implemented.

<p>Legislative Fiscal Analyst Comment: The agency is non compliant with this intent language since no change has been made with regard to COLD. However, changing from COLD to a geographic differential will require a statutory change.</p>

Marine Highway System/ Marine Vessel Operations

Operating Budget (CCS HB 256)

70. *The appropriation to the Marine Highway System includes \$2,000,000 from the balance of the Alaska Marine Highway System Fund as a one-time appropriation for the operations of the system under the published schedule for the fiscal year ending June 30, 2017. It is the intent of the Legislature that the ferry schedule for the fiscal year ending June 30, 2018 be developed with that understanding.*

The one-time appropriation has been taken into account during FY2018 Alaska Marine Highway budget development.

Department of Transportation and Public Facilities

Capital Budget (HCS CSSB 138)

71. It is the intent of the legislature that the Department of Transportation and Public Facilities provide to the Senate and House Finance Committee Co-Chair's offices by August 12, 2016 (one month prior to the federal deadline for repurposing requests of September 12, 2016) a list of federal earmark capital projects expected to be requested for "repurposing" from the Federal Highway Administration (FHWA), and a list of projects identified for the repurposed funding. While it is understood some earmarks will have little option for project replacement given the FHWA repurposing parameters, where there are multiple options for project replacement, please identify those options and explain why the projects were selected by the agency.

The department provided the list of the federal earmarks expected to be requested for repurposing under Section 125 of the 2016 Appropriations Act to the Senate and House Finance Committee Co-Chair's offices on August 5, 2016. This list identified eligible candidate projects where the available earmark funds could be committed. There were several follow-ups with Legislators and staff members and questions were answered prior to the department submitting the repurposing requests to the Federal Highway Administration (FHWA). The Statewide Transportation Improvement Program (STIP) Amendment #2 will account for all of the repurposed earmark funds, identifying the projects and years of expected repurposed earmark obligations.

Airport Improvement Program

Capital Budget (HCS CSSB 138)

72. It is the intent of the legislature that the Department of Transportation and Public Facilities submit a quarterly report of Federal Aviation Administration grant awards that were accepted by the Department during FY2017 to the House and Senate Finance Committees no later than 30 days after the end of each quarter. The legislature will consider the value and effectiveness of the reporting in regard to the potential of a single appropriation without allocations for future Airport Improvement Programs.

The department will provide a transaction report of Federal Aviation Administration (FAA) grant funds committed to the State's Aviation Improvement Program that were accepted by the department each quarter. The report will identify specific grant information including project number, location, description of work, and the amount of federal funds. The report will link the relevant Aviation Improvement Program (AIP) to the individual project funding obligation.

Surface Transportation Program

Capital Budget (HCS CSSB 138)

73. It is the intent of the legislature that the Department of Transportation and Public Facilities submit a quarterly report of Federal Highway Administration funding obligations that occur during FY2017 to the House and Senate Finance Committees no later than 30 days after the end of each

quarter. The legislature will consider the value and effectiveness of the reporting in regard to the potential of a single appropriation without allocations for future Surface Transportation Programs.

The department will provide a transaction report of Federal Highway Administration (FHWA) funds obligated to Federal-aid projects administered by the department each quarter. The report will identify project details including project number, location, description, and phase of work obligated such as preconstruction, right-of-way, or construction. The report will link the relevant Statewide Transportation Improvement Program (STIP) to the individual project funding obligation.

UNIVERSITY OF ALASKA

University of Alaska

Operating Budget (CCS HB 256) and Mental Health (CCS HB 257)

74. It is the intent of the legislature that the Board of Regents of the University of Alaska return to the legislature with a specific plan for consolidation that includes specified timelines for anticipated results by the end of the 2016 calendar year; the plan would include, but would not be limited to, the university restructuring to one administrative unit with one accreditation.

The Strategic Pathways process described above is considering consolidation as well as increased collaboration and other options for more cost effective performance. Examples of decisions already made or currently under consideration by the Board of Regents are:

- Consolidation of research administration functions from all three universities at UAF;
- Consolidation of procurement functions from all three universities at UAF;
- Consolidation of information technology (IT) functions from departments and colleges at each of the universities, with governance of all IT consolidated at Statewide;
- Collaboration between the two schools of engineering, to include common course numbers, and descriptions, and shared course delivery;
- Collaboration between the UAA and UAF management and business programs, to include common course numbers and descriptions, and shared course delivery, and consolidation of the UAS management programs into the School of Arts and Sciences, resulting in elimination of the School of Management and its dean at UAS;
- Consolidation of three schools of education at each university to a single school serving all of UA and the state;
- A proposed waiver of National Collegiate Athletics Association (NCAA) rules in order to reduce the cost of our intercollegiate athletics programs, so as to maintain a reduced number of sports teams during this time of fiscal pressure.

The Strategic Pathways review process is now in its second phase, examining eight (8) administrative and academic areas for increased cost effectiveness and performance. Reports from the following areas will be made to administration in December of 2016:

- Administrative: Human Resources, University Relations, Student Affairs, and Institutional Research;
- Academic: e-Learning, Fisheries, Community Campuses, and Health

Phase 3 begins in January, 2017 with review of the following areas and reports due to

administration in March:

- Administrative: Finance, Risk Management, Land Management, and Facilities;
- Academic: Social Sciences, Arts and Humanities, Physical Sciences, and Mine Training

In a separate but related process, during April of this year, the University of Alaska formally requested consultation with the Northwest Commission on Colleges and Universities (NWCCU) regarding a single university accreditation model and commissioned a review of accreditation by Dr. Dana Thomas. Working closely with NWCCU and the three universities, Dr. Thomas published his report in July. The report is available on UA's Academic Affairs and Research website (<https://www.alaska.edu/research/>) At the September meeting, the UA Board of Regents reviewed and discussed the report and decided to postpone, for the time being, any further move toward single accreditation until after the gains from Strategic Pathways can be assessed.

Legislative Fiscal Analyst Comment: Reports are being prepared as part of the University's Strategic Pathways review process, examining eight administrative and academic areas for possible consolidation. These reports will be made available by the end of the 2016 calendar year. Another phase begins in January 2017, however, and those reports and follow-up are scheduled for completion in March 2017.

75. It is the intent of the legislature that the University of Alaska prioritize and streamline its Personal Services within the Statewide Services Allocation.

In March 2015, the Statewide Transformation Team (SWTT) was established to review the UA system office (Statewide) programs and services and make recommendations to ensure system level work is tied to its essential purpose, efficient in use of resources, and effective in delivering results. In April 2016, President Johnsen announced 113 recommendations including reductions in functions or positions (returned fifteen position authorizations to the State between FY16-FY17 Management Plan), changes in the location of work being done, and changes in how Statewide collaborates with campuses. Strategic Pathways efforts are further refining the roles and responsibilities for the system offices, and several non-core system functions have been transferred to the universities (including twenty-one transferred positions). Further restructuring of administrative services is planned.

Legislative Fiscal Analyst Comment: In April 2016, the University provided 113 recommendations including reductions in functions or positions as a result of the Statewide Transformation Team established to review the UA Statewide Services office (allocation). The University indicates that efforts will continue in this regard.

76. It is the intent of the legislature that the University of Alaska conduct a comprehensive and transparent cost-to-revenue analysis, which does not include student fees or appropriations from the State of Alaska's General Funds as revenue, for all of its intercollegiate athletics programs; furthermore, the university is to report back to the legislature with its findings by the fifteenth day of

the 2017 Legislative Session.

UA's intercollegiate athletics programs were reviewed in SP Phase 1. The group's charge was to review options for reducing cost, including eliminating the programs, seeking a waiver of the National Collegiate Athletics Association (NCAA) "ten team minimum" rule, and approval of a UAF/UAA consortium program. Included in the review was a close examination of annual program costs, approximately \$13 million in general funds and student tuition and fees and \$3 million in external funds. At its September meeting, the Board of Regents voted to charge the UA President to bring down the costs by (1) seeking a waiver of the "ten team minimum" rule from the NCAA and reducing the number of teams in both athletic programs, and (2) seeking a consortium with ten teams in a single program shared across the two universities. The request to the NCAA has been submitted and we expect a response later in 2016. In both cases, the Regents supported stepping up private fundraising for athletics based on the many commitments of support made at recent public meetings in Anchorage and Fairbanks.

Legislative Fiscal Analyst Comment: Intercollegiate athletics programs reports are being prepared as part of the University's Strategic Pathways review process. These findings are to be presented by the 15th day of the 2017 Legislative Session. Included in the review is an examination of annual program costs and all funding sources. The Board of Regents has further increased private fundraising efforts for athletics.

77. It is the intent of the legislature that the University of Alaska better utilize community buildings, school district buildings, and other facilities in close proximity to its existing "brick and mortar" campuses and satellite facilities that have low utilization rates of face-to-face classes only if the restructuring results in a decreased total cost; furthermore, the university is to report back to the legislature with its general plan to increase its use of "co-location" by the fifteenth day of the 2017 Legislative Session.

UA is actively looking for ways to better utilize owned facilities and leased space. Community Campuses are under review in Strategic Pathways phase 2. The committee will be evaluating the resources available in the community to meet the educational needs of the students and the State and provide options for the most cost effective way to meet these needs in communities across the state. In addition, we are in active discussions with the Department of Labor and Workforce Development to address this opportunity.

Legislative Fiscal Analyst Comment: As noted, the University is involved in an evaluative process to produce a report to the legislature by the 15th day of the 2017 Legislative Session.

78. It is the intent of the legislature that the President of the University of Alaska make it one of his very highest priorities to improve student retention and graduation rates.

UA has several efforts underway to address the issue of student retention and graduation rates, including: UA Enrollment Summit, President's Performance Goals, and Strategic Pathways. Enrollment is not only a fiscal issue - because of the obvious tie to tuition, but it is also a critical mission issue for the university: if UA can't attract, retain and graduate students, it can't fulfill its mission of preparing an educated and trained workforce to meet the needs in Alaska.

Strategy highlights discussed at the UA Enrollment Summit meetings held in early September, include:

- A new CRM (customer relationship management) system implemented over this past year at all three universities. The CRM will allow for greater relationship building with students over the recruitment cycle, enhancing UA's ability to communicate and track students from inquiry through enrollment;
- The University Hub (UAA) – improves the effectiveness and efficiency of the first-year students' experience by providing guidance prior to entering the university and helping them navigate through the first-year and beyond;
- Come Home to Alaska (CHAK) program that encourages Alaskans to come back home by waiving the non-resident surcharge;
- Finish College Alaska (FCA) - a statewide effort targeting the large segment of Alaskans who have completed some college, but not completed a degree;
- Alaska Leadership Initiative (AL-I) – a leadership program targeting full-time first and second year students;
- Continue the effort to incorporate e-Learning into more academic programs;
- Micro-targeting (UAF) - expanding the use of predictive analytics to better refine the student markets to target, and how (and what) to communicate with those students.

UA's graduation rate has improved gradually over the past decade, due to the legislative investments in advising and campus initiatives, including better course placement, increased admission standards for some programs, and enhanced tutoring, among other efforts. Strategies to continue improving student retention and graduation rates incorporated into the President's Performance Goals include:

- Increase the number of degrees and credentials earned by Alaska Native students;
- Increase the college level course success rates of incoming baccalaureate students taking developmental courses.

Student Affairs is part of Strategic Pathways Phase 2. The team is charged to develop and review options for organizational restructuring including but not limited to further decentralization, consolidation at one campus, or consolidation at Statewide of functions that support significant enrollment growth and student attainment through outsourcing, automation, intercampus collaboration, process standardization, and other means to be determined by the team.

Additional work in this area includes a public awareness campaign funded with private dollars provided by the University of Alaska Foundation and stepped up collaboration with the Alaska Department of Education and Early Development to encourage college going and to strengthen college readiness.

Legislative Fiscal Analyst Comment: In September 2016, a UA Enrollment Summit was held to specifically address the issue of student retention and graduation rates. The President's Performance Goals include a strong emphasis of support to attract, retain and graduate students to fulfill the University's mission of preparing an educated and trained workforce to meet the needs of Alaska. Center-stage efforts will continue to meet this intent.

79. It is the intent of the legislature that the University of Alaska increase contributions from alumni and private industry by a combined twenty percent, as well as seek out productive public-private partnerships in an effort to increase self-supporting revenue and achieve a balanced, sustainable budget.

Among the President's Performance Goals approved by the UA Board of Regents are:

- Increasing alumni giving (increased by 3 percent in FY16);
- Increasing industry investment in research, workforce development and extension service (increased by 1 percent in FY16).

With an eye toward these goals, the UA Foundation is helping the university prepare for a major fundraising campaign. The UA Foundation Board of Trustees and the UA Board of Regents have allocated funds to University Development departments and toward enhancement of private giving. As a result, the UA Foundation has been able to initiate:

- A robust training program in philanthropy for academic and administrative leadership, staff, and volunteers to empower and extend the fundraising team;
- A statewide public relations campaign to be rolled out in the coming months;
- Efforts to identify and articulate the university system's overarching vision and priorities including outreach to community and business groups through the University FOR Alaska: Forums on how UA can bring its great capabilities to realize Alaska's great possibilities;
- Efforts to centralize leadership and implement new technologies to enhance efficiency and improve the donor experience.

Other important partnership efforts underway at UA include the following:

- UA is working with private businesses to get the sunset date of Alaska's Education Tax Credit program extended (currently set to expire December 31, 2018). Alaska's Education Tax Credit program was first established in 1987 by the Legislature to encourage private businesses to make charitable contributions to support schools in Alaska. The program provides opportunities for private business to give cash donations to fund educational

facilities and programs for Alaska's next generation. In return, the businesses receive credits to offset specific taxes. The Education Tax Credit program is a win-win for the children and businesses in Alaska.

- The Alaska Public Higher Education Roundtable is a forum in which a diverse group of Alaskan leaders periodically advise the University of Alaska of the state's high priority needs that should be met through research, education, and outreach at the University; and to regularly measure and report on the University's progress toward meeting those state needs. Members of the Roundtable come from the executive and legislative branches of state government, private businesses, community organizations, the Board of Regents, and University administration. The Roundtable plays no governing or coordination role. Rather it is meant to function in a purely advisory capacity to the University and to other members of the Roundtable. The Roundtable will meet twice each year, once in the fall (November/December) and once in the spring (May/June).

Legislative Fiscal Analyst Comment: As progress is plotted toward meeting this intent, the UA Board of Regents supports the President's Performance Goals to increase alumni giving (which increased by 3 percent in FY16); and to encourage industry investment and commitment to research, workforce development and extension services (increased by 1 percent in FY16). A combined twenty percent may take time to achieve but no specific timeline was required in this legislative intent.

80. *It is the intent of the legislature that the University of Alaska increase its incoming enrollment for the Alaska Performance Scholarship and UA Scholars Program recipients by five percent.*

Enrollment is mission critical and important to UA's financial health. Programs such as the Alaska Performance Scholarship (APS) and UA Scholars Program play a key role in UA's ability to attract, retain, and graduate Alaskans, which is central to the university's mission. The APS provides up to \$4,755 annually for four years to Alaska high school graduates meeting specific requirements for academic content and achievement who pursue a qualifying postsecondary degree or certificate in the State of Alaska, while the UA Scholar Award is awarded to the top ten percent of all graduating seniors from Alaska high schools.

Increasing the number of incoming APS recipients was approved by the UA Board of Regents as one of the President's Performance Goals for fiscal years 2016 and 2017. The UA Enrollment Summit and Strategic Pathways efforts aim to help achieve this goal.

In order to increase the number of APS recipients, UA's enrollment planning report proposed UA consider picking up where the State of Alaska left off last June by providing funding for each high school junior to take either the SAT or ACT. Making the test free across Alaska contributed to the number of test takers increasing by approximately 1,400 between 2014 and 2015. Additionally, students who sat for the SAT or ACT could use scores from these free administrations to qualify for one of three levels of the APS and increase enrollment at UA from students who earned those

scholarships in part based on their test scores.

Although not specifically targeted to APS or UA Scholar students, Strategic Pathways aims to accomplish the following as it relates to student recruitment, retention and graduation rates:

- Streamlining and increasing consistency in business practices, policies, processes, and systems that support expedited student progress;
- Increasing Alaskans' participation in higher education by maximizing use of innovations in e-Learning, supporting high demand programs, and ensuring affordability;
- Offering a broad array of academic degree and certificate programs across the university system.

Legislative Fiscal Analyst Comment: The Board of Regents approved as one of the President's FY16-FY17 Performance Goals to increase the number of incoming APS recipients. Changes were proposed that UA provide funding for students to test free for either the SAT or ACT, hopefully contributing an increase of approximately 1,400 test takers statewide. In turn, this may provide an increase in admissions by students who could use scores from the free tests to qualify for one of three levels of the APS or to provide scholarships for students in part based on these test scores. (The legislature's intent proposed a five percent increase but no timeframe was provided for measurement.)

81. *It is the intent of the legislature that the University of Alaska further develop and improve upon its utilization of its land grants in order to generate additional revenue; furthermore, the university will create a comprehensive plan to expand its land grants as they relate to generating revenue and present it to the legislature no later than the fifteenth day of the 2017 Legislative Session.*

Even though many of the University of Alaska's (UA) parcels are remote, inaccessible, relatively small in size, scattered throughout the state and challenging to market for sale, lease or development, the university, through its Facilities and Land Management Office (FLMO), continues to pursue aggressive strategies to improve the consistency and sustainability of revenue streams received from management of its remaining inventory, about 135,000 acres of land. It is worth noting that the university has not received its full land grant entitlement (approximately 350,000 acres are still owed to the university). These additional lands are anticipated to improve the total value of the University's land grant inventory and UA is working on developing a combined federal/state plan to address our land grant deficit.

UA has adopted some new approaches for land management and has achieved a number of successes using the new strategies. An updated analysis of the university's parcels was developed, including identification of surrounding property owners (both private and government), extent of natural resources (to the degree they were known), as well as a new look at highest and best use potential for marketability. The university also took a modified approach to risk/reward analysis intended to quickly assess the availability of infrastructure services critical to achieving high market

values for its lands.

In 2016 the FLMO is preparing an update for the 2002 management plan that will be presented to the UA Board of Regents for adoption in early 2017. Emphasis will be placed on evaluating the effectiveness of previously adopted strategies and identification of additional strategies to increase revenues to support university programs. The focus is on developing sustainable, reliable revenue streams with the intent of achieving increased revenues net to the land grant trust fund year-after-year.

Legislative Fiscal Analyst Comment: As noted in the above comments, the University is involved in an evaluative process through its Facilities and Land Management Office (FLMO) to pursue aggressive strategies to improve the revenue streams received from management of its viable land inventory. A report is being prepared for presentation to the UA Board of Regents for adoption in early 2017. The legislative intent requests a comprehensive plan be presented to the legislature no later than the 15th day of the 2017 Legislative Session.

82. *It is the intent of the legislature that the University of Alaska focus FY17 UGF budget reductions on (1) non-core mission programs and services; and (2) reduced personal services for all employees across the board or through furloughs.*

Statewide Transformation and Strategic Pathways are being used to guide UA's FY17 budget reductions in order to strengthen programs and services using fewer state resources. UA is reviewing major academic programs and administrative services for how to create a more sustainable university with more diverse revenue sources and a leaner university in which resources are reallocated:

1. From programs and services that are:
 - not core to each university's strengths in meeting state needs
 - challenged by low enrollment, high cost, or insufficient faculty resources
 - redundant with programs at UA's other universities
2. To programs and services that are:
 - based on each university's distinctive strengths
 - enhanced through technology, collaboration, and consolidation
 - focused on wide access to cost effective, high quality programs

Legislative Fiscal Analyst Comment: It is anticipated that enactment of the University's FY17 Management Plan will emphasize cuts in non-core mission programs and services as stated by the University. However, reductions across the board in personal services for employees or universal furloughs would not necessarily be possible due to union agreements.

ALASKA COURT SYSTEM

Sec. 16. ALASKA COURT SYSTEM.

Capital Budget (HCS CSSB138)

83. *(a) The sum of \$300,000 is appropriated from the general fund to the Alaska Court System for 5th floor renovation at the Rabinowitz Courthouse.*

(b) It is the intent of the legislature that the Alaska Court System use funds appropriated to the Alaska Court System for deferred maintenance to cover the remaining renovation costs after the appropriation made in (a) of this section.

On October 25, 2016 the court system issued an invitation to bid on a remodel of the Rabinowitz Courthouse in Fairbanks to accommodate new Fairbanks-based Justice Susan Carney. The work is scheduled to be completed no later than March 1, 2017. In an effort keep the project within the budgeted amount, the bid documents provide for a base bid and two options of additive alternates. Although the exact cost of the project will not be known until the bids are submitted, we anticipate that the project will cost in excess of the \$300,000 appropriation. Consistent with the legislative intent, the court will use deferred maintenance funds to cover the remaining costs.

ALASKA LEGISLATURE**Alaska Legislature**

Operating Budget (CCS HB 256)

84. *It is the intent of the legislature that all full-time non-partisan and partisan legislative employees take five days of furlough during the fiscal year ending June 30, 2017.*

Funding equivalent to five days of furlough for full-time non-partisan and partisan employees was reduced from the Legislature's FY17 budget. No data is reported at this time; the year is only half complete.