

# ALASKA STATE LEGISLATURE

## LEGISLATIVE BUDGET AND AUDIT COMMITTEE

### Division of Legislative Finance

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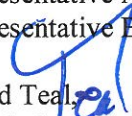
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### MEMORANDUM

**DATE:** January 20, 2014

**TO:** Senator Pete Kelly, Senate Finance Co-Chair  
Senator Kevin Meyer, Senate Finance Co-Chair  
Representative Alan Austerman, House Finance Co-Chair  
Representative Bill Stoltze, House Finance Co-Chair

**FROM:** David Teal,   
Legislative Fiscal Analyst

**SUBJECT:** Agency responses to FY14 Legislative Intent Language

This memorandum restates FY14 legislative intent (*italics*) for each agency and provides agency responses (*indented*) to our request for status reports. Responses are broken into three groups. The first group contains responses from agencies indicating non-compliance and stating their reasons for noncompliance. The second group contains responses from agencies indicating a partial compliance with intent. The third group contains responses indicating that an agency has complied with legislative intent.

### **Agencies Not in Compliance (with Reasons for Noncompliance)**

#### **DEPARTMENT OF HEALTH AND SOCIAL SERVICES**

##### **Operating Budget (CCS HB65)**

#### **Department Intent**

*It is the intent of the legislature that the Department of Health and Social Services grantees not spend more than 15 percent of the grant award for administrative costs.*

Administrative costs may include either indirect costs and/or direct costs. Grantees may have a federally negotiated indirect cost rate agreement that is applicable to state grants as authorized in the Department of Health and Social Services grant regulation 7 AAC 78.160. If the grantee does not have a federal indirect cost rate agreement, their administrative direct and/or indirect costs are evaluated through the proposal review process for appropriateness.

**LFD Comment:** According to the department, administrative costs are not limited to 15% of grant awards because:

- The federal government examines non-profits' budgets over a period of eighteen months to determine if the indirect rate requested is representative of the cost of running that particular entity. Using the federal indirect rate is advantageous to the department because it reduces duplicative work (by state employees) and is beneficial to subgrantees because they don't have to endure double scrutiny (once by the federal government and once by the state).
- DHSS grant applications require identification of "indirect costs" but not "administrative costs." DHSS is unable to determine whether a grantee is spending more than 15 percent of the grant award for administrative costs. The report they will be submitting will include only indirect costs data.

## DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

### Operating Budget (CCS HB65)

#### Corporations, Business and Professional Licensing

*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 CBPL's intent to set license fees in accordance with statute.

The Department intends to comply with this Legislative intent by submitting the requested annual report.

**Legislative Fiscal Analyst Comment:** The report due November 1 is not in final form as of this date. A preliminary report showed that several boards have fees that are either too high or too low for cost recovery. The department did not recommend fee changes for several of the boards with fees that do not comply with statute.

Given the persistence of problems with fee alignment, the legislature may wish to examine the statutes and the fee-setting practice of the department.

**Agencies in Partial Compliance (with Reasons for Partial Compliance)****DEPARTMENT OF HEALTH AND SOCIAL SERVICES****Operating Budget (CCS HB65)****Department Intent**

*It is the intent of the legislature that the Department of Health and Social Services submit a report to the Finance Committees by January 21, 2014, that identifies by grant program, the percent of administrative costs charged if over fifteen percent and the statutory or regulatory authority for that rate.*

The Department of Health and Social Services is in the process of developing this report to be submitted by January 21, 2014.

**Legislative Fiscal Analyst Comment:** Because the department's grant applications require the breakout of "indirect" costs (not "administrative" costs), the department will be submitting a report based on indirect costs (see discussion on page 1 and 2).

**Public Assistance**

## Energy Assistance Program

*It is the intent of the legislature that the Department of Health and Social Services develop and implement regulatory changes by September 1, 2013, to match the cost of the energy assistance program to the appropriation provided.*

The Department of Health and Social Services will carefully manage benefit payments to ensure that expenditures do not exceed the amount of the appropriation while providing heating assistance payments to all eligible households.

**Legislative Fiscal Analyst Comment:** To ensure that sufficient funding is available, the Division of Public Assistance (DPA) reduced initial payments to all eligible households by 10 percent. If funding is sufficient, DPA will provide additional funding to eligible households.

The expectation of those that added the intent language was that the scoring formula would be revised. The department pro-rated benefits—rather than changing regulations—to contain costs..

**ALASKA COURT SYSTEM****Operating Budget (CCS HB65)****Judicial Council**

*It is the intent of the legislature that the legislative committees may assist the Alaska Judicial Council in public outreach throughout the communities of Alaska through facilitation of public meetings and outreach to augment the Alaska Judicial Council's work on all activities including selection and retention*

*of Judicial officials. This support may include office space, video and telecommunications, and any other accommodation deemed reasonable by committee chairs. The chairs may expend funds in assisting non-advocacy public outreach.*

You have requested a response to legislative intent in Operating Budget (CCS HB 65) pertaining to the Alaska Judicial Council. That intent language provides that legislative committees may assist the Alaska Judicial Council in its public outreach throughout Alaska, including outreach to augment the Council's work on selection and retention of judges throughout the state. The intent language further suggests that use of legislative offices, video and telecommunications, and other legislative information mechanisms may be used. Finally, the intent language indicates that committee chairs may expend funds in assisting the Council in its non-advocacy public outreach.

The legislature had always provided the Council with funds to advertise its judicial performance evaluations and retention recommendations. The Alaska Judicial Council makes available more information about the performance of judges than any other state provides about the performance of its judges. The intent is to enable Alaskans to make informed decisions when they vote on the retention of judges. It is imperative that voters be aware of the availability of this information. The election in 2014 will be the first in which the Council has no advertising budget. The lack of an advertising budget will mean that voters will be less likely to be aware of the information they need to make important decisions about the retention of judges.

Although the Judicial Council appreciates the offer of assistance from the legislative committees to conduct its outreach, without an advertising budget, the Council will be unable to conduct the outreach necessary to receive public input on judicial vacancies and retention and receive information about those vacancies and the retention recommendations. Without an advertising budget, the Judicial Council will be impaired in its ability to publish information that Alaskans need to have input into the selection and evaluation of Alaska's judges and to make informed decisions on whether to retain judges for another term.

For example, the Council holds public hearings to obtain public comment about judicial applicants. The hearings are in the location of the vacancy. The hearings are held in courtrooms, and thus legislative office space is unnecessary. Until the past session, the legislature had provided funding to the Council to advertise these hearings to maximize public participation. Because we no longer have that funding, we have been unable to run paid advertising in local papers or on the radio. Although in advertising the recent Bethel district court vacancy, we posted notices on the state's on-line system, issued a press release, posted notice in the courthouses, and provided notice on our website, virtually no members of the public attended the public hearing to provide feedback to the Council on the Bethel community's views on the applicants for the Bethel judicial vacancy. Absent funds to run paid advertising, we expect the turnout at our public hearings to continue to be disappointing and certainly much less vigorous than when we were able to advertise.

Similarly, the Council holds a statewide public hearing in the spring prior to a retention election when voters must decide whether judges should be retained in office. The legislature, recognizing the importance of public input, has typically allowed the Council to use legislative information offices statewide to conduct this public hearing, and the Council appreciates this accommodation. In the spring of 2014, the Council will hold its first statewide public hearing on the performance of judges since our advertising funding was discontinued. In prior years, the legislature provided funding to enable the Council to run paid advertising statewide to encourage public comment. Without the ability to advertise the public hearings in local papers throughout the state, the Council anticipates a low turnout and little public comment on the judges standing for retention. Without the ability to advertise, the Council's ability to disseminate its retention recommendations will be impaired. And without the ability to advertise, if there is a recommendation against a judge whose performance is sub-standard or otherwise problematic, the Council will not have an effective means to provide the public with this information.

Finally, the intent language suggests that committee chairs, at their discretion, may assist the Council with advertising in order to effectuate its outreach and achieve its goal of informing the public. Although the Council appreciates this possible assistance if a committee chair elects to help the Council in this regard, the discretionary and unpredictable nature of the proposed assistance and funding will not allow the Council to plan its placement of notices advertising such public hearings as the public hearing this spring on the judges up for retention.

**Legislative Fiscal Analyst Comment:** The extent to which the Judicial Council requests legislative support for public outreach will be determined in the Spring of 2014 when the Council conducts its next statewide public hearing on the performance of judges.

**Agencies in Compliance**

**DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT  
Operating Budget (CCS HB65)**

**Alaska Seafood Marketing Institute**

**Sec. 13. DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT.**

*(i) It is the intent of the legislature*

*(1) that the Alaska Seafood Marketing Institute limit expenditure of the appropriation in (h)(1) of this section to 80 percent of the program receipts collected for the fiscal year ending June 30, 2013;*

*(2) to limit the amount appropriated from the general fund to the Alaska Seafood Marketing Institute for the purpose of matching industry contributions for seafood marketing activities to not more than \$9,000,000 in a fiscal year, regardless of the amount of industry contributions; and*

*(3) that the Alaska Seafood Marketing Institute evaluate and consider in-state advertising firms to provide advertising services before using an out-of-state advertising firm.*

ASMI, intends to expend only 80 percent of the program receipts collected for the fiscal year ending June 30, 2014.

ASMI, with its annual collection of seafood assessments (GFPR) from the ex vessel value of the annual seafood harvest, anticipates to fully match the appropriated GF or exceed it.

ASMI through its RFP process does consider in-state firms when it adds additional advertising projects and tries to procure as many products and services as possible from in-state providers.

**DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT  
Capital Budget, HCS CSSB18(FIN) amH, Page 12, line 20**

**Grants to Municipalities (AS 37.05.315)**

Anchorage - U-Med District Northern Access (HD 11-27)	20,000,000	20,000,000
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*It is the intent of the legislature that the Municipality of Anchorage and the Department of Transportation and Public Facilities work with the public, including both the community and U-Med organizations, and consider their input and desires on the design, construction, and mitigation elements of the project.*

The Department of Transportation and Public Facilities (DOT&PF) and the Municipality of Anchorage (MOA) have been working together and with the public to move this project forward. DOT&PF and the MOA are now conducting more in-depth studies on the four options previously identified in a 2011 Reconnaissance Study.

The DOT&PF and the MOA, as co-lead agencies for the project, entered into a multi-agency Memorandum of Understanding (MOU) with key stakeholders. The MOU documents that the traffic issues need to be addressed, and that the institutions will help guide the study process. Signatories to this MOA include:

- University of Alaska-Anchorage
- Providence Health & Services Alaska
- Alaska Pacific University
- Southcentral Foundation
- Alaska Native Tribal Health Consortium

Information on the project can be found at:

<http://www.dowlhkm.com/projects/northernaccess/index.html>.

The Public Involvement Plan was one of the first documents prepared for the project, and was published in July 2013. This Plan lays out the process that the lead agencies have committed to follow to ensure compliance with legislative intent, and all state and local statutes, ordinances and policies.

Since August 2013, the project team has held one large Open House meeting (with over 200 attendees), and one meeting each with the Community Councils for Russian Jack, Campbell Park, Airport Heights, and University Area. They have also met with the Federation of Community Councils and held one Agency Scoping meeting. The project team is also scheduled to meet with the Rogers Park Community Council in mid-October.

The project team is taking project information for the public at each of the institutions that are agreement signators. These “road shows” are scheduled to begin mid-October.

The project team will continue to meet with the Community Councils, and the community as a whole, throughout the project’s development.

## **DEPARTMENT OF CORRECTIONS**

### **Capital Budget, HCS CSSB18(FIN) amH, Page 12, line 20**

#### **Population Management**

*It is the intent of the legislature that the Department of Corrections define its future facility needs and a timeline for completion of a replacement facility in the community of Bethel, and report their findings to the legislature before February 1, 2014.*

The Department of Corrections is reviewing and appraising each institution to identify expansion, rehabilitation, or replacement needs to meet and maintain population management. The department will provide its findings to the legislature before February 1, 2014.

**DEPARTMENT OF CORRECTIONS****Operating Budget (CCS HB65)****Population Management**

## Yukon-Kuskokwim Correctional Center

*It is the intent of the legislature that the Department of Corrections work with the Department of Health and Social Services and interested local parties to explore options that would address the critical need for upgrades to the water supply system at the Yukon Kuskokwim Correctional Center.*

The Department of Corrections is working with the Department of Health and Social Services in pursuing water supply system upgrades to the Yukon Kuskokwim Correctional Center. The goal is to 1) replace aging existing water filtration equipment; 2) improve water treatment process; 3) increase water treatment capacity; 4) drilling of a secondary well for water source redundancy.

The project is currently in the design phase. The department will seek additional construction funding to complete the water supply system upgrade project once estimates are determined.

**DEPARTMENT OF ENVIRONMENTAL CONSERVATION****Operating Budget (CCS HB65)****Spill Prevention and Response**

*It is the intent of the legislature that the Department of Environmental Conservation provide recommendations to the legislature on or before the start of the second session of the Twenty-eighth Alaska State Legislature, January 21, 2014, that identify ways to finance and manage the oil and hazardous substance release prevention and response fund as a viable, long-term funding source for the state's core spill prevention and response initiatives. The plan should include an analysis of prior expenditures from the fund for the remediation of state-owned contaminated sites, a proposal to expeditiously remediate state-owned contaminated sites, and a report on the Department's effort to achieve program efficiencies to restrain a draw on the oil and hazardous substance release prevention and response fund.*

The Department has continued to work with the Office of Management and Budget to explore options to address the declining balance of the fund. As requested, the Department will provide recommendations to the Legislature by January 21, 2014 for sustaining the Prevention Account of the Response Fund.

**Water**

*It is the intent of the legislature that the Department of Environmental Conservation make information regarding cruise ship mixing zones, including geographical areas, available to the public on the agency's web site.*

During the 2013 legislative session, the Legislature passed House Bill 80, which changed state statute to allow the Department to approve mixing zones in future cruise ship wastewater discharge permits.



Shortly after the session, the Division of Water posted a frequently asked questions (FAQ) page on its website containing general information about mixing zones and information about House Bill 80 ([http://dec.alaska.gov/water/cruise\\_ships/faq.htm](http://dec.alaska.gov/water/cruise_ships/faq.htm)). A web page showing area maps of cruise ship routes where discharges occur ([http://dec.alaska.gov/water/cruise\\_ships/maps.htm](http://dec.alaska.gov/water/cruise_ships/maps.htm)) was posted online before the 2013 session. In addition, the Cruise Ship Program has had a web presence for many years ([http://dec.alaska.gov/water/cruise\\_ships/index.htm](http://dec.alaska.gov/water/cruise_ships/index.htm)); this website is routinely updated including updates of lists of ships authorized to discharge in Alaska.

Since passage of House Bill 80, the Division of Water has worked on drafting the next general permit which includes mixing zones as authorized by the legislation. During this permit process, the Department has developed and posted additional informative web pages describing the process for authorizing mixing zones. DEC will continue to update these pages as the permit development process generates more information.

When this general permit is publicly noticed, the permit and associated information sheet will include greater detail about the cruise ship mixing zones, including the areas where mixing zones will be authorized. The permit and fact sheet will be available on the Department's website, and the Department will also develop additional web pages with user-friendly mixing zone information.

After permit issuance, the website will continue to be updated as the Division of Water collects information required by the permit. The Department intends to routinely and continuously update the website, providing more useful web pages as resources and technology allow.

## **DEPARTMENT OF FISH AND GAME**

### **Operating Budget (CCS HB65)**

#### **Commercial Fisheries**

*It is the intent of the legislature that the Department of Fish & Game shall provide reports to the Finance Committees that includes a detailed accounting of funds spent in the Cook Inlet area on escapement monitoring, Genetics baseline data, mixed stock sampling, smolt out migration, migratory studies, and habitat improvements for Chinook, Coho, and sockeye salmon. The report shall also include detailed information and data that the funding produced. Additionally, the department shall indicate problems, potential solutions, and existing funding for all projects in the region associated with managing the salmon population.*

*1) Report prior to January 1, 2014:*

- a. Conclusions reached in Phase I regarding use of existing samples to determine the sufficiency of genetic diversity;*
- b. Findings reached in Phase II regarding baseline data from coho sampling at spawning locations;*
- c. Results of laboratory analysis in Phase III of samples for estimating stock composition.*
- d. Results of the Mixed Stock Sampling in the two Offshore Test Fishery (OTF) projects, drift gillnets and set gillnet commercial fisheries as well as from the weirs located throughout the district.*
- e. Results of retrospective genetic stock identification (GSI) analysis of archived sockeye scales which are focused on reconstructing historical Susitna sockeye production.*

*2) Report prior to January 1, 2015:*

- a. Findings reached in the second year of Phase II of baseline data from coho sampling from spawning locations;*

*b. Results of laboratory analysis in second year of Phase III of samples regarding estimation of stock composition.*

*c. Results of the Mixed Stock Sampling in the two OTF projects, drift gillnets and set gillnet commercial fisheries as well as from the weirs located throughout the district.*

3) Report prior to January 1, 2016:

*a. The laboratory analysis in the third year, together with a summary of all three years, of Phase III of the project for estimating stock composition.*

*b. Results of the Mixed Stock Sampling in the two OTF projects, drift gillnets and set gillnet commercial fisheries as well as from the weirs located throughout the district.*

The Department of Fish and Game is working to compile the requested information. We discussed reporting on Cook Inlet activities with the budget subcommittee and the limitations inherent with reporting on the first year, since funding became available July 1, 2013 in the midst of the summer fishing season. A report will be delivered by the January 1, 2014 date with reports in subsequent years providing more robust information.

**Legislative Fiscal Analyst Comment:** The department delivered the report on January 6, 2014.

## Sec. 25. DEBT AND OTHER OBLIGATIONS.

*(l) The sum of \$7,500,000 is appropriated from the Alaska fish and game revenue bond redemption fund (AS 37.15.770) to the state bond committee for payment of debt service, accrued interest, and trustee fees on outstanding sport fish hatchery revenue bonds for the fiscal year ending June 30, 2014. **It is the intent of the legislature that up to \$2,400,000 of the amount appropriated may be used for early redemption of the bonds.***

Any revenue collected from the surcharge on fishing licenses that exceeds the payment of debt service, accrued interest, and trustee fees on outstanding bonds will be used for early redemption of the bonds.

## OFFICE OF THE GOVERNOR

### Operating Budget (CCS HB65)

## Executive Operations

### Domestic Violence and Sexual Assault

*It is the intent of the legislature that the Office of the Governor delivers a report on the results of the domestic violence and sexual assault initiative through December 31, 2013, along with effectiveness and efficiency performance measures that are developed with a numerator and denominator format, to the legislature by February 18, 2014.*

The Office of the Governor intends to deliver a report on the results of the domestic violence and sexual assault initiative through December 31, 2013, along with effectiveness and efficiency performance measures that are developed with a numerator and denominator format, to the Legislature by February 18, 2014.

**Office of Management and Budget****Sec. 5. LEGISLATIVE INTENT.**

*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, 2014.*

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

**Sec. 7. PERSONAL SERVICES TRANSFERS.**

*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 legislature on January 15, 2014, 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, 2014, and submit a report to the legislature on October 1, 2014, 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, 2014.*

OMB will prepare and submit personal services transfer reports to the Legislature in accordance with the statement of legislative intent.

**Sec. 22. OFFICE OF THE GOVERNOR.**

*(d) It is the intent of the legislature that a payment under (a) or (b) of this section be used to offset the effects of higher fuel and utility costs for the fiscal year ending June 30, 2014.*

The Office of the Governor, Office of Management and Budget, prepares the allocation and distribution of the funds made available to state agencies in this section for fuel and utility costs in accordance with the appropriation language.

**DEPARTMENT OF NATURAL RESOURCES****Operating Budget (CCS HB65)****Parks & Outdoor Recreation****Parks Management & Access**

*It is the intent of the legislature that the Department of Natural Resources negotiate with the Office of the Governor to establish the House of Wickersham State Historic Site as lodging for the Lieutenant Governor while in the capital; that the house remain accessible to the public for tours and special events as scheduled by the Office of the Lieutenant Governor; and that the site be managed within the existing budgets of the Office of the Lieutenant Governor and the Division of Parks & Outdoor Recreation.*

The Department has had several discussions with the Office of the Governor on this topic since the bill was passed. In order to move forward on the intent of the language the following needs to be

addressed:

1. Currently, the second floor where the Lieutenant Governor would reside is occupied during the summer by a docent who provides tours of the first floor and explains the importance of Judge Wickersham to visitors in exchange for lodging. Other accommodations would need to be provided for the docent and at this time the Department of Natural Resources does not have the funds in the budget to house the docent in another location.
2. Currently, a caretaker of the property lives on the third floor of the building. The caretaker is responsible for security, routine building maintenance, mowing the grass and keeping the yard looking nice in the summer, and snow removal in the winter in exchange for a place to stay. If the house became the residence of the Lieutenant Governor, there would need to be renovation of the structure to allow the caretaker to access the third floor without entering the residence. At this time, the Department of Natural Resources does not have the funds in the budget for the renovation.
3. There are costs associated with the facility serving as a residence, including but not limited to, utilities and janitorial services. At this time, the Department of Natural Resources does not have the funds in the budget for the associated costs, which would be beyond the current \$10,000 budgeted for the House of Wickersham operations.

## **DEPARTMENT OF PUBLIC SAFETY**

### **Operating Budget (CCS HB65)**

#### **Alaska State Troopers**

*It is the intent of the legislature that money appropriated to the Alaska State Troopers under this appropriation may not be spent to assist federal employees in enforcing the Marine Mammal Protection Act of 1972 (16 U.S.C. 1361-1421h) as it relates to sea otters in Southeast Alaska.*

The Alaska State Troopers are not assisting federal employees in enforcing the Marine Mammal Protection Act of 1972 as it relates to sea otters in Southeast Alaska.

*It is the intent of the legislature that the Department of Public Safety, Alaska State Troopers, allocate funding for training and investigation of sex trafficking during the fiscal year ending June 30, 2014.*

The Alaska State Troopers (AST) has focused on providing specialized training for law enforcement officers and prosecutors in the understanding, recognition, and investigation of human / sex trafficking crimes. This training is included in regional sexual assault investigation training held throughout Alaska and is provided to all new recruits at the Department of Public Safety Academy. The human/sex trafficking training is conducted in partnership with the FBI, Dept. of Law, DPS Crime Lab and Alaska Institute of Justice. As of 10/29/2013, 235 Alaska law enforcement officers and prosecutors have successfully completed this meaningful training.

As part of its core mission, AST is committed to aggressively investigate all allegations of sexual abuse and human/sex trafficking crimes. By the end of FY14, AST will incorporate a specialized unit to focus on this issue using existing positions.

**Village Public Safety Officer Program**

*It is the intent of the legislature that the Department work with VPSO grantees to determine how their unmet needs can be met and funded with VPSO program funds.*

The VPSO program made significant changes in the way funds are allocated out to the VPSO grantees by allowing them to move up to 20% of the total award amount between expenditure line items. These changes offer the VPSO grantee much more flexibility in the management of their funds and meeting the needs of their program. This allows grantees to cover unanticipated needs such as travel, vehicle expenses, and office expenses.

*It is the intent of the legislature that if the Department anticipates savings from vacancies and turnover of authorized Village Public Safety Officer (VPSO) positions, that they use those savings to support the VPSO program in other ways such as equipment, housing, holding cells, office space, training, or other needs which will help to strengthen the program.*

The VPSO program made changes to the application process, asking the grantees to include basic program needs as well as requests for equipment and special projects. All 121 VPSO positions and grant funds were allocated out to the VPSO grantees for personal services, travel and basic needs. Initially the application requests for special projects and equipment were not funded, however these are pre-approved if funds become available. As a VPSO grantee realizes savings due to vacancies, they are able to allocate the savings to those pre-approved projects.

**DEPARTMENT OF REVENUE**  
**Operating Budget (CCS HB65)**

**Sec. 31. SHARED TAXES AND FEES.**

(c) *It is the intent of the legislature that the payments to local governments set out in (a) and (b) of this section may be assigned by a local government to another state agency.*

Department of Revenue has received no requests for assignments of shared taxes.

**DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES**  
**Operating Budget (CCS HB65)**

**Administration and Support**

## Commissioner's Office

*It is the intent of the legislature that the Department of Transportation and Public Facilities seek efficiencies and cost reductions in FY2014. Those savings will be considered for carry forward in the FY2015 operating budget.*

As the Department of Transportation and Public Facilities implements the FY14 operating budget we will look for efficiencies in every aspect of how we do business.

### **Highways, Aviation and Facilities**

*It is the intent of the legislature that the department evaluate the impacts of instituting landing fees at state owned and operated primary FAA certificated airports and provide a report to the 28th Legislature by January 15, 2014.*

The Department will deliver an evaluation of impacts of instituting landing fees at certificated airports.

*It is the intent of the legislature that the department eliminate all maintenance on municipal owned, but department maintained roads by FY2016.*

After further analysis it was determined that the Department was not maintaining municipal owned roads.

### **Alaska Marine Highway System Fund**

#### **Sec. 28. FUND TRANSFERS. (l)**

*The interest earned during the fiscal year ending June 30, 2014, by the Alaska marine highway system fund (AS 19.65.060(a)), estimated to be \$795,800, is appropriated to the Alaska marine highway system fund (AS 19.65.060(a)). It is the intent of the legislature that the interest earned on the balance of the Alaska marine highway system fund (AS 19.65.060(a)) be accounted for separately from the program receipts from vessel operations.*

The department accounts for the interest earned on the balance of the Alaska Marine Highway System Fund separately from the program receipts received from vessel operations.

## **UNIVERSITY OF ALASKA Operating Budget (CCS HB65)**

### **University of Alaska**

*It is the intent of the legislature that the University of Alaska submits a Fiscal Year 2015 budget in which requests for unrestricted general fund increments do not exceed the amount of additional University Receipts requested for that year. It is the intent of the legislature that future budget requests of the University of Alaska for unrestricted general funds move toward a long-term goal of 125 percent of actual University Receipts for the most recently closed fiscal year.*

The University of Alaska believes the purpose of the intent language was to 1) stabilize the general

fund level; 2) incent generation of non-general fund revenue; and 3) inform Regents of the true budget constraints that will exist in the future as they negotiate salaries and enter into other financial commitments.

The University of Alaska's FY15 budget request reflects the legislature's intent. The University continues in its 3rd year focus of holding incremental expense increases down, reducing the tuition burden on students and families, leveraging only highly selected programs that represent inter-campus cooperation, internally reallocating programmatic baseline dollars, and placing primary incremental requests, only when absolutely necessary, on student progress and attainment.

The University continues its systemwide look for cost savings and efficiencies as well as cost containment measures. Some examples include wide scale program reviews and program prioritization, space utilization and reallocating, department reorganizations, expansion of energy efficient technology, increased sustainability efforts, increased partnership opportunities with K-12 and public entities and private industries, licensing reductions through renegotiation of contracts, implementation of new electronic processes, and expanded use of video conferencing in lieu of travel. These efforts have successfully provided offsets in the millions of dollars to the increases in pay, benefits, and healthcare.

Educational affordability for students continues to be a top priority which goes entirely against the ratio guidance. Last year the tuition increase (2%) was the smallest at UA in over a decade and was very well received by students, parents, donors, and legislators alike. This year, the tuition increase ranges only 2% to 4%. This low rate of tuition increase will maintain Alaska among the lowest in the 15 western states.

UA has created revenue enhancement opportunities through the UAA and UAF Offices of Intellectual Property and Commercialization, which may generate solid revenue over the long term. UA has also expanded its business partnerships with other entities to offer technical courses resulting in profitable tuition and fee revenue. Admission fees are being re-evaluated and increased such as the out-of-state admission fee at the UA Museum of the North.

The University of Alaska continues to collect evidence confirming that the ratio model did not anticipate the current downward pressure on budgets at the same time the upward pressure on salaries and benefits continued. As a result, we are seeing some unintended consequences. There is a disincentive to outsource services, even if the service could be provided at a reduced cost because it would result in a reduction in university receipts. Also, the University would need to reconsider its offerings of the more expensive high demand programs like engineering, nursing and business because these programs generate less tuition revenue due to the need to have smaller classes to meet strict accreditation limits and lab constraints. These programs also cost more to deliver because of costly equipment and the need for higher faculty wages. The current ratio funding approach also doesn't credit the millions of highly competitive federal grant dollars the University competes for with several thousand colleges and universities across the U.S., which in turn are leveraged at a 5.6/1 ratio across the Alaska economy. These outside revenue dollars are the result of carefully contrived and managed outcomes and would not materialize in the Alaskan economy without significant effort from UA talent to bring them in to the state.

The University of Alaska will continue to work with legislative finance to examine funding models used by other states to see what has worked and hasn't worked to develop the best model.

**Legislative Fiscal Analyst Comment:** The University is still involved in contract negotiations for three employee groups (Local 6070, United Academics Faculty (UNAC), and UA Adjuncts (UNAD)). It is anticipated that the request for funding for those contracts will appear later in the legislative session. The UA Federation of Teachers (UAFT), Fairbanks Firefighters Union (FFU), and increases for non-covered UA Staff are included in the Governor's FY15 request with a funding split of 50/50. Overall, the University's FY15 budget reflects a *reduction* in UGF (2.7%) and a small

increase of 2.7% in University Receipts (DGF). As long as this trend is continued in any budget amendments, the University of Alaska will meet the legislature's intent.

*It is the intent of the legislature that the University of Alaska submits a Fiscal Year 2015 budget that includes a debt service allocation or an effective alternative to achieve that goal.*

The University of Alaska believes the goal of the debt service intent language is to provide the Legislature a reporting framework that breaks out debt service. The following alternative offers an effective method to achieve this goal.

UA debt service is paid from the operating funds of the allocation which incurred the debt obligation. Historically only actual (not budgeted) debt service amounts have been recorded in expenditure line 78000 (Miscellaneous). In UA's FY2014 Management Plan, UA totaled up the budgeted amount for debt service, by allocation, in expenditure line 78000. By using expenditure line 78000 exclusively for debt service activity, total debt service expenditures can be clearly identified.

However, redirecting debt service (actual expenditures and budgets) to a separate allocation would present a dichotomy in that debt service would be reported in a separate allocation while other expenses, e.g. contractual services, would be associated with and reported in the respective entity allocation, e.g. Anchorage campus. In addition, it would create additional administrative complexity to establish a unique reporting framework that is in contrast to how transactions are actually recorded.

**Legislative Fiscal Analyst Comment:** The University has moved all debt service into the Miscellaneous expenditure line item in the FY15 budget submission and that line item is to remain unique to debt service expenditures and budgets. As long as that separation is maintained, Legislative Finance believes that legislative intent has been met without the added administrative burden of the creation and tracking of a separate allocation.