

# ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

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## MEMORANDUM

**DATE:** February 4, 2016

**TO:** Senator Pete Kelly, Senate Finance Co-Chair  
Senator Anna MacKinnon, Senate Finance Co-Chair  
Representative Mark Neuman, House Finance Co-Chair  
Representative Steve Thompson, House Finance Co-Chair

**FROM:** David Teal  
Director of Legislative Finance Division

**SUBJECT:** Agency responses to FY16 Legislative Intent Language

This memorandum restates FY16 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 noncompliance 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 EDUCATION & EARLY DEVELOPMENT**

**Alaska Library and Museums/Online with Libraries (OWL)  
Operating Budget (CCS HB 72)**

*It is the intent of the legislature that libraries utilizing Online with Libraries (OWL) establish a fee structure that covers the cost of OWL in FY2017.*

The Department of Education & Early Development, specifically the Alaska State Library (ASL), conducted two investigations in order to respond to the legislative intent language expressed in CCS HB 72.

First, ASL surveyed each of the forty-four small rural public libraries in Alaska that participate in the OWL program. The survey contained three questions, all geared around the legislative intent language; the questions and results are noted below.

**Survey Question 1:** If OWL is not funded starting July 2016, would your library be able to come up the OWL portion of the monthly bill for an entire year?

- 26 libraries (59%) said there is no way they could pay the State-funded OWL internet costs in addition to the portion of the internet costs they are already paying.
- 11 libraries (25%) replied that yes, they could cover the State-funded OWL internet costs since their OWL subsidies were so minimal.
- 6 libraries (14%) said they could probably cover these costs, but that doing so would mean significant cuts to other library services.
- 1 library (2%) with a significant OWL subsidy did not respond.

**Survey Question 2:** If OWL is not funded starting in July 2016, what would happen to your library's internet connection and how would this impact your patrons and your community?

A strong majority of the libraries answered that the loss of OWL funding would severely impact the library's ability to provide public internet access. Comments included: "The library is the only place in town with reliable internet," and "We would be forced to go back to much slower internet, meaning we would lose our ability to use OWL videoconferencing. We would also be forced to pay overage charges to our internet provider. OWL broadband has no overage charges."

**Survey Question 3:** Federal law rules that libraries cannot charge for internet access if E-rate funds subsidize the library's internet services. Given this restriction, would your library be able to develop a fee structure or some other way to generate enough revenue to cover the library's OWL monthly subsidy? If yes, please explain how you would do this. If no, please state this as well.

Libraries responded that since they cannot charge fees for internet due to Federal law, they would find it extremely difficult, if not impossible to develop a fee structure to replace the OWL subsidy. A few one-time fundraising ideas were mentioned, but none that could provide a steady source of revenue to cover monthly internet bills. One library commented that charging fees for other library services such as children's story time goes completely against the philosophy of free public libraries.

In addition, the ASL tried to determine if the use of Universal Service Fund fees that are collected by the Regulatory Commission of Alaska (RCA) could be used to fund the existing OWL subsidy for internet in Alaska's public libraries. When the ASL asked RSA if it were possible to levy a telephone surcharge that would generate enough funds to cover the current OWL program, it was the RCA attorney's opinion that Alaska Statute 42.05.840, Universal service fund, would have to be changed to allow use of universal service fee funds for the OWL program.

As a result of the above two investigation, no fee structure has been established that will cover the cost of OWL in FY2017.

## **DEPARTMENT OF FISH AND GAME**

### **Department of Fish and Game**

Operating Budgets (CCS HB 72 and CCS HB 2001)

*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 in 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, and instrumental to this is the objective that sufficient numbers of adult salmon spawn annually in the effort 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 allow estimates of marine survival and exploitation and 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 mortality in those environments as reasons for 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 survivals as a more likely cause. Though juvenile enumeration and tagging efforts can help further confirm this, they are very expensive 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 if 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 a combination of the two behaviors exist as seen elsewhere. If fish remain in the tributaries overwinter, this allows for capture programs in the spring; however, if fish migrate to the larger mainstem reaches to overwinter, this requires either capture 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 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, but 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, fall juvenile populations, at least to some extent, overwinter in the mainstem reaches as a larger mixed population and 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 2000s 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 FY 2016 and anticipated over the next several years, the department has not undertaken these new projects.

*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. Additionally, we have staff attend advisory committee meetings so they can 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. Important analyses, data and insights come to light throughout the proposal review process, up to and including the board meeting itself. In any case, the department makes information available at least 2 weeks prior to the meeting.

## DEPARTMENT OF HEALTH AND SOCIAL SERVICES

### Alaska Pioneer Homes

Operating Budgets (CCS HB 72 and CCS HB 2001) and Mental Health Budget (CCS HB 73)

*It is the intent of the legislature that reductions to the Juneau Pioneer Home be taken from the contractual line rather than from the personal services line to ensure that staffing levels for direct care are sufficient*

The Division of Alaska Pioneer Homes is aware of the Legislative Intent language added to the FY2016 budget. The division is exploring options to leverage cost savings across all expenditure lines. Unfortunately, the largest cost driver for any home within the Alaska Pioneer Homes system is personal services and thus it cannot be excluded from current cost savings discussions.

**Legislative Fiscal Analyst Comment:** About \$51.5 million (82%) of the Alaska Pioneer Homes budget is in the personal services line and about \$7.4 million (12%) is in the services line.

## OFFICE OF THE GOVERNOR

### Sec. 8. PERSONAL SERVICES TRANSFERS.

Operating Budget (CCS HB 72)

*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, 2016, 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, 2016, and submit a report to the house and senate finance committees on October 1, 2016, 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, 2016.*

OMB will prepare and submit personal services transfer reports to the Legislature.

**Legislative Fiscal Analyst Comment:** Personal Services Transfer reports are not available for FY15 (January-June) or FY16 (July-December). Per the Office of Management and Budget, they are developing and reviewing ALDER reports to provide information on transfers of authorization between the expenditure lines and it is unknown when information will be available.

**Agencies in Partial Compliance (with Reasons for Partial Compliance)****DEPARTMENT OF ADMINISTRATION**

**Centralized Administrative Services/** Office of the Commissioner  
Operating Budgets (CCS HB 72 and CCS HB 2001)

*It is the intent of the legislature that, in FY2016, the Department of Administration implements the plan to consolidate statewide information technology services including IT procurement, IT support, IT contractual services and IT services currently performed by executive branch state employees. The stated goal of the plan is to improve services while reducing executive branch information technology spending. The legislature established a savings goal of approximately 30%--estimated to be \$67,000,000--over three fiscal years. It is the intent of the legislature that the Department of Administration submit a report to the House and Senate Finance Committees annually by January 15th, for the next three years, identifying in detail the path and tasks to achieve the total savings.*

*At the discretion of the Commissioner of Administration and to accomplish the mission (intent) of the Statewide 5 year Information Technology plan, a new cost-neutral appropriation will be created within the Department of Administration for the purpose of consolidating information technology procurement, information technology support and information technology contractual services that are currently being performed by executive branch agencies. The Director of the Office of Management and Budget shall authorize the transfer of funding associated with these services.*

The Department of Administration is in the formative stages of implementing of a multi-year plan to consolidate statewide technology services including IT procurement, IT support, IT contractual services and IT services currently performed by executive branch state employees. To date the following milestones have been achieved and projects are underway:

**Cross-Agency IT consolidation Initiated:** The initial phase of consolidation was launched in a collaborative effort with agency IT Managers that identified four cross-agency IT initiatives that were deemed most likely to deliver short and long term savings to the State. Those projects include:

**Rural Bandwidth Initiative:** A 3-phase project to deploy connectivity and LAN management services to 90 locations in Northern and Western Alaska. The project utilizes public broadband to replace local and long-haul services to reduce costs. As of December 1, approximately 36 of 50 Phase 1 sites had been completed, with phase 1 on target to be completed by March 2016.

**Mainframe /MFSI project:** Conducting a service improvement analysis and recommend the go-forward plan for what is likely a sun-setting enterprise service. A recommended go forward strategy is scheduled to be identified and presented by January 2016.

**Office 365:** Migration of existing local exchange platforms to cloud/hybrid solution to reduce the costs associated with email volume and storage. To date a central tenant has been designed and a migration plan for the Enterprise Vault (archive) email is being developed.

**Data Centers/Storage:** Inventory existing storage and data center capabilities and

identify agency requirements for future design to reduce overall data center and storage costs. This projects goal is to develop an agency baseline cost structure and business requirements for data centers and storage in order to more efficiently deploy resources going forward. Inventories are targeted for completion in December 2015.

IT Procurement Review: The Commissioner of Administration has piloted a process of reviewing executive branch IT purchases over \$25,000. Since November 1, purchases within the Department of Administration and Department of Transportation and Public Facilities have been under review with a target of rolling out an executive branch-wide process in January 2016.

Additionally, efforts are underway to review IT contractual spends by agencies that are currently decentralized to bring them under a statewide approach to purchasing in order to leverage state-wide volumes and improved terms and conditions. For example, an approach to purchasing Oracle software and services has been spearheaded to identify agency pockets of spend and bring about a consolidated approach to Oracle purchases.

Organizational update: The Commissioner is currently executing a recruitment strategy for a Chief Information Officer for the State. Planning has continued as to how to develop a centralized organization whose mission would be the delivery of IT commodity services in a centralized fashion.

**Legislative Fiscal Analyst Comment:** The Department of Administration is in the beginning stages of defining a plan to consolidate statewide information technology services. Since this is a 3-year work-in-progress, different projects are underway and the Department will restructure and review points along the continuum. The Commissioner is formulating a strategy to recruit a Chief Information Officer for the State, whose goal it will be to develop a final plan and delivery to meet this legislative intent. The Department is working to submit a preliminary report to the House and Senate Finance Committees this January.

## **DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT**

### **Corporations, Business and Professional Licensing**

Operating Budget (CCS HB 72)

*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 intent of the legislature that the Department of Commerce, Community and Economic Development develop a standardized methodology for fee setting to ensure that fees collected by each licensing program approximately equal the cost of regulating that profession as required by AS 08.01.065. The methodology should include a plan for the collection of deficit carryforward balances for each professional licensing program.*

*If, during the development of a standardized methodology, the department determines that current statutes offer insufficient guidance, the department shall propose statutory changes by January 31, 2016.*

*The department shall provide the standardized methodology or a letter to the Chairs of the Finance Committees with the department's plan to revise statutes by November 1, 2015.*

It is the Division of Corporations, Business, and Professional Licensing's intent to set license fees in accordance with statute. The Department complied with this Legislative intent and submitted the requested annual report; the standardized methodology for fee setting to ensure that fees collected by each licensing program approximately equal the cost of regulating that profession, including a projection for the collection of deficit carryforward balances as applicable; and proposals for statutory changes for fee setting on October 30, 2015.

**Legislative Fiscal Analyst Comment:** The October 2015 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 is being made by the Department to reverse biennium deficits and recover negative carryforward balances. At the end of FY15, 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.

## **DEPARTMENT OF EDUCATION & EARLY DEVELOPMENT**

### **Alaska Student Loan Corporation/Loan Servicing Operating Budget (CCS HB 72)**

*It is the intent of the legislature that the Alaska Student Loan Corporation reduce operating expenditures by the Alaska Commission on Postsecondary Education with the goal of generating a dividend to the state in FY 17.*

The Department of Education & Early Development is mindful of the legislative intent language expressed in CCS HB 72 relative to the payment of a dividend to the state by the Alaska Student Loan Corporation (ASLC) in FY17. While the operating expenses of the Commission were, in fact, reduced for FY17, notwithstanding that, the Corporation's action is ultimately subject to AS 14.42.295 Payment to state. Pursuant to applicable state law, ASLC's net income for FY15 (the base year income upon which a payment to the state would be considered) did not meet the minimum threshold of \$2,000,000 under which a payment may be authorized. Therefore, no payment for FY17 will be made.



## DEPARTMENT OF FISH AND GAME

### Department of Fish & Game

Operating Budgets (CCS HB 72 and CCS HB 2001)

*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 (BOF) 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 14 stocks of concern; 6 yield concerns (3 Chinook, 1 sockeye and 2 chum) and 8 management concerns (7 Chinook and 1 sockeye). The department has made a recommendation to the BOF to discontinue Norton Sound Sub-district 1 chum salmon as a stock of (yield) concern. The board will consider this recommendation at its January 2016 AYK meeting. Each of the remaining 13 stocks of concern is listed below.

- 1) Susitna (Yentna) River Sockeye – Yield Concern
- 2) Yukon River Chinook – Yield Concern
- 3) Norton Sound Sub-district 2&3 Chum – Yield Concern
- 4) Norton Sound Sub-district 5&6 Chinook – Yield Concern
- 5) Willow Creek Chinook – Yield Concern
- 6) Swanson Lagoon Sockeye – Management Concern
- 7) Chuitna River Chinook – Management Concern
- 8) Theodore River Chinook – Management Concern
- 9) Lewis River Chinook – Management Concern
- 10) Alexander Creek Chinook – Management Concern
- 11) Goose Creek Chinook – Management Concern
- 12) Sheep Creek Chinook – Management Concern
- 13) Karluk River Chinook – Management Concern

When the Alaska 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 towards stock recovery and removal from the concern list. Since 2001, 11 stocks have been removed from the list after 3-6 years. The department intends to follow established action plans as an effective means to address salmon stocks of concern.

**Legislative Finance Analyst Comment:** While the Department has identified and tracks the stocks of concern, this response does not specify whether or not the Department is focusing research and management dollars on the fishery systems which have a stock of concern.

## DEPARTMENT OF HEALTH AND SOCIAL SERVICES

### **Behavioral Health/Alcohol Safety Action Program (ASAP)**

Operating Budgets (CCS HB 72 and CCS HB 2001) and Mental Health Budget (CCS HB 73)

*It is the intent of the legislature that the department draft regulations to maximize the collection of the cost of the 24/7 program from the participants.*

The Division of Behavioral Health (DBH) is carefully reviewing current practice, as well as 24/7 program and participant needs, as it begins the process of developing regulations to support the 24/7 Sobriety Monitoring Program. That process is now at an early stage, and DBH is considering how it will maximize collection of costs, based on participants' ability to pay. DBH also recognizes it is important that regulations adopted in this area support participants' successful integration into their communities, while also ensuring program sustainability.

### **Public Health**

Operating Budgets (CCS HB 72 and CCS HB 2001) and Mental Health Budget (CCS HB 73)

*It is the intent of the legislature that the Division of Public Health evaluate and implement strategies to maximize collections for billable services where possible.*

Expanding billing capacity within the Division of Public Health provides opportunity for clinical billing. An in-depth cost/benefit analysis must be done before any decisions are made regarding fee-for-service. If billing were to be expanded, market pricing factors and the negative impact on public health should be evaluated. The Division of Public Health is currently evaluating strategies to determine the feasibility of implementing a clinical billing system and maximizing collections.

## DEPARTMENT OF NATURAL RESOURCES

### **Fire Suppression, Land & Water Resources/Fire Suppression Preparedness**

Operating Budgets (CCS HB 72 and CCS HB 2001)

*It is the intent of the legislature that the Department of Natural Resources enter into public/private partnerships with all appropriate state and federal agencies and organizations to fund the continued operation of the Wildland Fire Academy in McGrath.*

Since 2010 when the Legislature provided funding, the Division of Forestry (DOF) has provided advanced firefighter training to Alaskans, with the target audience being Emergency Firefighters (EFF) from rural Alaska Type 2 fire crews and villages. The academy has alternated between Basic/Advanced Wildland Fire Academy and Crew Boss Academy and in locations such as Tok, McGrath, Fairbanks, and Delta.

With the loss of general funds, the division is looking to other partners to keep the program going and continue to capitalize on the success. Partnerships with agencies such as the U.S. Forest Service, Alaska Department of Labor, U.S. Fish and Wildlife Service, the University of Alaska, and Bureau of Indian Affairs are currently being explored. In addition, the private sector, such as Doyon ltd., Association of Village Council Presidents, Tanana Chiefs Conference Inc., and local village councils are all being explored.

Overall Academy Goals and Objectives:

- Increase emergency response preparedness.
- Increase the number of Alaskans Build for career, educational, and economic advancement.
- Provide additional training for Alaskan's in order to fill vacancies/needs within the Alaska firefighting community.
- Improves the quality and frequency of use for Alaska Type 2 EFF crews.
- Centralize training opportunities.
- Increase statewide employment in economically depressed areas.
- Increase recruitment diversity for all fire management organizations.
- Accelerate deployment on wildland fire and all-risk incidents.
- Reduce the number of fire fighting resources needed from outside of Alaska.
- Increase the number of crews available from rural Alaska.
- Provide crews for hazard fuels mitigation, fire suppression, and Community Wildland Fire Protection Plan (CWPP) projects.

## Agencies in Compliance

### DEPARTMENT OF ADMINISTRATION

#### Department of Administration

Operating Budgets (CCS HB 72 and CCS HB 2001) and Mental Health (CCS HB 73)

*It is the intent of the legislature that the Department of Administration document the cost drivers of the services being provided to other departments and establish a method linking cost drivers to rates charged other departments for Department of Administration services. The Department shall submit such method with supporting data by December 1, 2015 for use by the legislature in its deliberations for FY17 and beyond.*

The Department of Administration is responsible to deliver rates to all state agencies. In each case, costs are driven by annual inflation and CPI adjustments. Each division is responsible for their rates therefore the departments response is first by division and each rate that division is responsible for and those cost drivers are broken out separately in the response below.

#### ENTERPRISE TECHNOLOGY SERVICES

Enterprise Technology Services (ETS) is primarily funded by an internal service fund (ISF) that is funded by receipts for service from state agencies.

Services are divided first into two components: Computer Services and Telecommunication Services, each of these components include cost centers that are specific to the type of service provided and are either billed through an enterprise productivity rate or through actual usage.

### **Telecommunications Services**

Telecommunications Enterprise Services: Comprises Network and Video services. This is an enterprise productivity rate; charges to agencies are based on the number of positions served.

Voice-over IP Telephone Service: This is charged based on the number of telephone and facsimile lines the agency has.

Virtual Private Network: This is charged based on the number of individual users approved by each agency to use the service.

### **Computer Services**

Computer Enterprise Services: Comprises Email, Directory, Online Reports, Alaska Budget System, My Alaska, Sequel Server and Mobile Computing. This is an enterprise productivity rate; charges to agencies are based on the number of positions served.

MICS Services: Services such as ADABAS, Batch, CICS, DB2, TSM, Disk Storage, Tape Storage, Laser Print, Cut Sheet, MICR printer, etc. are charged based on actual usage of services by the agency.

Facilities: Use of computer room space is charged based on actual usage.

Servers Hosting: charge is based on actual usage.

### **Cost Drivers**

Direct Costs: The single largest cost driver for all service types (82%) is the actual direct cost of providing the specific service. This includes personal services, contractual, and other direct costs.

Indirect Costs: Consist of costs that benefit all services. Comprises space lease/rental, ETS management, and services provided to ETS by other agencies within the Department of Administration and are allocated to all cost centers on the basis of personal services costs and FTEs required to provide each respective service. It also comprises Security and Help Center costs. These consist of personal services, contract, and other costs of providing Security and Help Center services. These costs are allocated to each cost center within each component proportionately on the basis of direct personal services costs and FTEs required to provide each respective service.

### **PERSONNEL AND LABOR RELATIONS**

The Division of Personnel provides personnel and payroll services to all State agencies within the Executive Branch with the exception of the Office of the Governor. The primary cost driver is personnel cost, which account for 85% of the total costs that are recovered through rates. The majority of the other costs are contractual and account for 12%. Charges are based on the number of statewide authorized positions.

**OFFICE OF ADMINISTRATIVE HEARINGS**

The Office of Administrative Hearings bills for adjudication services provided by Administrative Law Judges (ALJ). The primary cost driver for rates is personnel services cost, 96.9% of the total costs that were recovered through rates. Travel is not recovered through rates and was not a driver. Charges are based on ALJ billable hours.

**DIVISION OF FINANCE**

The Division of Finance is responsible for the statewide administrative systems. Each system has a specific methodology to accumulate and allocate costs proportionally to agencies based upon metric(s) that represent an agencies usage of each administrative system.

**Alaska Data Enterprise Reporting (ALDER) enterprise data warehouse:** Data warehouse is the primary reporting platform for financial, payroll, and procurement information. Cost is allocated based on the number of user accounts assigned to each agency. Cost drivers include data warehouse infrastructure; personnel services, hardware, and software maintenance.

**Integrated Resource Information System (IRIS) financial, procurement, and payroll:** An Enterprise Resource Planning (ERP) solution known as IRIS has replaced the legacy financial system and provides a procurement platform with commodity codes that categorize types of purchases and their cost. The new Human Resource Management (HRM) will soon be part of IRIS to replace the current statewide payroll system AKPAY. Charges are based on the number of documents by agency. Cost drivers include IRIS infrastructure; application support, hardware, and software maintenance.

**E-Travel Management:** A managed travel program provides the means to negotiate travel related contracts at a reduced rate (airfare, lodging, vehicle rental) for state purchased travel. Recovery of costs to administer the program are received through a fee structure for various types of travel planning activities, with a significantly reduced fee for performing travel reservations online through a booking tool and not using agent assistance. Charges are based on the number of itineraries by agency. Cost drivers include travel contract fee structure and expenses for 2 state staff.

**DIVISION OF GENERAL SERVICES**

With the understanding that DGS is comprised of multiple components that provide services to other departments, the cost drivers for those components are demonstrated below.

**Central Mail Services:** Provides mailing services for all types of mail for all Juneau agencies. This includes all incoming and outgoing mail as well as scheduled and unscheduled high volume mail-outs including payroll, unemployment checks, retiree checks and the PFD. Charges are based on postage meter, percentage of warrant invoice, time studies, vehicle costs, and payment and maintenance costs of mail equipment.

**Cost Drivers:**

Personal services are the second highest cost driver at 23%.

Travel is not a factor as it rarely, if ever occurs.

Contractual cost is the largest cost driver at 75% of the cost. This includes postage, SEF related charges, equipment leases and other services provided by private sector vendors.

Commodities are 1.5% of the total cost for this service and relate to mail equipment supplies, warrant stock, envelopes, uniforms and other supplies required for mailings.

**Facilities:** Provides the funding for the Department of Administration's managed facilities that are included in the Public Building Fund (PBF). The PBF portfolio contains eleven buildings at this time. Charges are based on Pro Rata share of the occupied square footage.

**Cost Drivers:**

Personal services are 9% of the cost.

Travel costs are related to travel to buildings housed in the PBF for site inspections, staff meetings and project reviews and are insignificant at than 1/2%.

Contractual cost is the largest cost driver at 87% of the cost and includes chargebacks, utilities, heating oil, safety services, state vehicle equipment fleet and related charges, service contracts such as window cleaning, janitorial, maintenance and repairs, and other required services.

Commodities are 3.5% of the total costs and are related to various goods ranging from plumbing and electrical supplies to HVAC filters and building signage.

**Facilities Administration:** Provides the services required for the long term management and operations for the eleven buildings in the Public Building Fund program as well as five buildings in the Non Public Building Fund program. Charges are based on Pro Rata share of the occupied square footage.

**Cost Drivers:**

Personal services is the largest cost driver at 90% of the total cost.

Travel is a fairly insignificant cost driver at 1% of the total cost and are related to site inspections and project reviews with customers. This includes trips to remote locations such as Nome where the renovation of the Nome State Office Building were in its final stages.

Contractual costs are 8% of the rate and include items such as chargebacks, maintenance and repairs, software licensing, and office equipment and repairs.

Commodities is a fairly insignificant cost driver at 1% of the total cost. These costs are for office supplies, IT equipment and other related supplies.

**Lease Administration:** Provides for the solicitation, evaluation, award and administration of over 400 leases across the state. Space types under lease include, offices, parking garages and lots, storage areas, laboratories, warehouses, clinics, and others types of space. Charges are based on the number of active lease terms and lease costs.

**Cost Drivers:**

Personal services is one of the larger cost driver at 83% of the cost.

Travel is a fairly insignificant cost driver at 1.5% and is related to state leased buildings for site inspections, procurement planning site visits, lease negotiations, and space efficiency reviews.

Contractual costs are 15% of the total cost and generally include chargebacks, software licensing, architectural services, postage, and other services.

Commodities is a fairly insignificant cost driver at less than 1% and included office supplies, IT equipment, furniture and other related supplies.

**Leases:** Leases are billed to departments based on actual lease costs, or a pro rata share of lease costs based on actual assigned square footage. Lease costs of space solely occupied by a single department are billed directly to the benefiting department. Lease costs of space occupied by multiple departments are billed to benefiting departments based on actual square footage of assigned space.

**DIVISION OF RISK MANAGEMENT**

Risk Management administers the self-insurance program for each State agency, covering all sudden and accidental property and casualty claims. The current premium allocation system distributes claim costs to various agencies based on the loss exposure and past loss experience.

**Cost Drivers:**

Claims losses: One of the largest cost drivers to the division is claims losses, which is approximately 68% of the division's total costs. Of those claim losses, Workers Compensation claims make up about 87%. Risk Management has made some positive changes in to help reduce workers comp claims, such as a Light Duty Return to Work program; a reduction via new vendor for Medical Bill Review; and Pharmacy Bill Management.

Excess insurance: The next cost driver is the cost of excess insurance for the program which makes up 15%. The division continues to work with brokers to find advantageous insurance programs that still allow us to insure state assets to avoid a large loss financial burden on the state. Both Aviation and Marine have seen increased coverage with reduced costs over the past few years.

Department of Law legal services: Make up approximately 8% of the division's total budget. These are legal services to defend tort and workers comp suits brought against the state. The division continues to work with the Department of Law to find ways to be more efficient and effective in providing the necessary defense at the lowest possible cost.

Workers compensation adjusting services, Third Party Administrators (TPA): Made up about 4.8% of the division's costs in FY2015, however in January 2015, the division entered in to a new TPA contract that will reduce those costs by 54%. This new contract is a long term contract and is projected to save \$900,000/yr over prior year costs.

Overhead: The remaining 4.2% is overhead such as actuarial reports, software hosting, lease space and payroll. Risk Management continues to make use of the Catastrophic Reserve Account (Catfund) which maintains a \$5,000,000 unencumbered balance each year for large claims.

**Legislative Fiscal Analyst Comment:** The Department of Administration has provided a breakout of division methodologies for charges to other departments for services provided. Billed rates are determined in a variety of ways, but rate sheets are compiled by division by service. An outline of these services is contained in the department's Intent response; but the actual Excel spreadsheets are huge and unwieldy and were not included.

### **Alaska Public Offices Commission**

Operating Budgets (CCS HB 72 and CCS HB 2001)

*It is the intent of the legislature that the Department of Administration retain the FY15 fee structure for candidates filing for public office during the fiscal years ending June 30, 2016 and June 30, 2017.*

The Alaska Public Offices Commission does not charge a fee for candidates filing for public office at this time. Until a statutory change is passed the agency will not charge a fee for candidates filing for public offices. (The Division of Elections does charge a fee for candidates filing for public office, but that division falls under the Office of the Lt. Governor).

## **DEPARTMENT OF CORRECTIONS**

### **Population Management**

Operating Budget (CCS HB 72)

*It is the intent of the legislature that the Department of Corrections work with the Departments of Public Safety, Administration, Law and the Alaska Court System to identify solutions to reduce prisoner transport costs as Community and Regional Jails contracts are re-worked.*

The Department of Corrections is working with the Department of Public Safety, Administration, Law, and Alaska Court System to identify and implement solutions to reducing prisoner transportation costs. The 15 Community and Regional Jails have signed contract agreements in place, however, are still under review for necessary amendments.

## **DEPARTMENT OF ENVIRONMENTAL CONSERVATION**

### **Spill Prevention and Response/Spill Prevention and Response**

Operating Budgets (CCS HB 72 and CCS HB 2001)

*It is the intent of the legislature that the Department of Environmental Conservation will develop a plan to reduce the costs for the state and private entities related to oil spill response drills and exercises, and will report findings to the Finance Committees by January 19, 2016.*

Drills and exercises are an important part of the regulatory paradigm and allow the Department to verify a company's ability to adequately respond to a spill. They are



also expensive for the company and the State, and occur on a frequent basis. The Department is in the process of considering improvements to this process that will make drills and exercises more efficient while still achieving that important verification step.

Improvements to the drill process are dependent upon changes to community preparedness planning, or “government planning.” The Department is working to develop an annual drill schedule for a region that incorporates the industry in that area, as well as the communities. Government plans need to be deeply imbedded in industry plans. This will reduce duplicative contingency planning work for industry, and improve response preparedness without reducing environmental protection. Therefore, shifting how government planning is done is a necessary first step so drill and exercise schedules can reside in regional government plans, and can be updated on an annual basis.

The Department is working closely with the U.S. Coast Guard and EPA (our federal partners in government preparedness planning) to make these adjustments. A formal proposal that describes all the steps the Department will be taking to reduce the costs of drills and exercises will be provided by January 19, 2016.

**Legislative Fiscal Analyst Comment:** A formal response was provided on January, 27, 2016.

**Spill Prevention and Response/Spill Prevention and Response**  
Operating Budgets (CCS HB 72 and CCS HB 2001)

*It is the intent of the legislature that the Department of Environmental Conservation will develop a plan to increase cost recovery efforts for spill prevention and response, and will report findings to the Finance Committees by January 19, 2016.*

Action is ongoing to increase cost recovery in the Division of Spill Prevention and Response. The Department has taken steps to increase recovery wherever possible. New regulations have been drafted describing how cost recovery will occur, and the public comment period on these regulations closes November 15, 2015. Statutory language requesting these regulations has existed for ten years, but never been implemented until now. Several improvements to the billing process have been implemented as well, including: automated billing, a regular monthly billing cycle, development of procedures for determining if a responsible party can pay without undue hardship, and updates to the staff time tracking system.

These changes have reduced human errors, result in timelier billing, and provide better customer service. These efforts have improved cost recovery efforts and all improvements will be captured in the Division’s annual report, which will be available in January.

**DEPARTMENT OF FISH AND GAME****Department of Fish & Game**

Operating Budgets (CCS HB 72 and CCS HB 2001)

*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 temporary increments were deleted after notification to the Legislature during FY 2016 budget deliberations last session. This preceded the inclusion of this intent language in the appropriation bill.

- Yentna River Fishwheel Recapture Project (Sport Fish) \$90.0
- Mixed Stock Sampling in Upper Cook Inlet (Commercial Fisheries) \$273.0

Aside from these two distinct projects, the department has maintained its efforts on these stocks of concern.

**Legislative Finance Analyst Comment:** The two temporary increments were submitted as reductions in the FY16 Governor's Endorsed Budget Proposal. The legislature accepted the reductions.

*It is the intent of the legislature that the department annually report to the legislature, for Stocks of Concern, the 20 year average return or the longest historical return data available if the 20 year data is not available. Said report to be transmitted to the legislature on or before January 1, 2016.*

The department is in the process of compiling this report and will submit it to the Legislature by January 1, 2016.

*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, 2016.*

The department has historically complied with this intent language by preparing and submitting to the Legislature an "Annual Account Analysis of the Fish and Game Fund". Future reports will be amended to include project detail.

**Legislative Finance Analyst Comment:** The Department of Fish & Game confirmed that the Fish & Game Fund Analysis released on January 1, 2016 included this information.

**Commercial Fisheries/Commercial Fisheries Entry Commission  
Operating Budget (CCS HB 72)**

*It is the intent of the legislature that moving the Commercial Fisheries Entry Commission allocation under the Commercial Fisheries Appropriation does not diminish or affect their statutorily designated budgetary or judicial autonomy or authority; nor does this move grant the Commissioner of Fish & Game or designee any budgetary or operational control over the Commercial Fisheries Entry Commission.*

The department has continued to operate with this understanding.

**DEPARTMENT OF HEALTH AND SOCIAL SERVICES****Health Care Services**

Operating Budgets (CCS HB 72 and CCS HB 2001) and Mental Health (CCS HB 73)

*It is the intent of the legislature that the Division of Health Care Services pursue federal authority to deny Medicaid travel when services can be provided in local communities.*

The State of Alaska Medicaid program currently denies travel when medical services are available locally in accordance with 7 AAC 120.405(b) The department may approve transportation and accommodations outside the recipient's community of residence to obtain medically necessary services for the recipient if (1) those services are not available in the recipient's community; (2) the total cost for Medicaid services with transportation and accommodation costs included is less than the cost of the services at a facility within the recipient's community of residence; or (3) the recipient is an American Indian or Alaska Native who has requested services from a tribal health program outside the recipient's community of residence.

The Department is actively engaged in efforts to reduce transportation costs. On August 3, 2015, in response to a request from the Department, Secretary Burwell, United States Department of Health and Human Service, issued a federal policy change via letter to Governor Walker updating federal policy on the availability of 100 percent Federal Medicaid Assistance Percentage (FMAP) for the costs of travel for Alaska Natives and American Indians. The state is actively engaged with Centers for Medicare and Medicaid Services to request policy clarification and gain insight on how this will be implemented. Additionally, Tribal Health programs through Health Care Services has partnered with Tribal Health to increase capacity for tribal health services so that beneficiaries can remain in their community to receive treatment. Furthermore, on May 1, 2015, the Department issued policy guidance encouraging providers to coordinate multiple routine and non-emergent medical appointments for individuals into single trips, and to coordinate appointments of multiple family members into single trips. The memorandum also reiterated covered and non-covered transportation services, medical necessity documentation requirements, and conditions of coverage for medical escort.

## DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

### **Business Partnerships/Construction Academy Training** Operating Budgets (CCS HB 72 and CCS HB 2001)

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

In accordance with legislative intent, the Department of Labor and Workforce Development has submitted an FY2017 Governor's budget that reduces the general fund authority supporting the Alaska Construction Academies (ACA) by \$600,000. The department is currently working with ACA to identify federal and/or private funding to help backfill these reductions.

## DEPARTMENT OF NATURAL RESOURCES

### **Administration & Support Services/Office of Project Management & Permitting** Operating Budgets (CCS HB 72 and CCS HB 2001)

*It is the intent of the legislature that the Office of Project Management and Permitting in the Department of Natural Resources work with the United States Army Corps of Engineers to establish a statewide wetlands mitigation bank and in-lieu fee program. The department should take into consideration the unique nature of the state's ubiquitous wetlands, as well as past findings of federal government agencies, so a flexible, effective wetlands compensatory mitigation regulatory process can be used throughout the state.*

DNR OPMP continues to advance efforts to establish a statewide DNR sponsored In-Lieu Fee program (ILFP). OPMP is drafting the ILFP prospectus to submit to the US Army Corps of Engineers (USACE) by first quarter, 2016. The prospectus will serve as the guidance document that allows DNR and other state agencies to administer and manage state lands as a mitigation option to offset impacts as required by the Clean Water Act, Section 404. In essence, the prospectus serves as the state's application to run an ILFP, upon approval by the USACE.

DNR OPMP also continues to maintain robust outreach efforts among the mitigation community including state and federal agencies, mitigation bank sponsors, native corporations, municipalities, and other interested parties. DNR's outreach goals are intended to help inform the best opportunity to develop practical solutions when creating a state managed ILFP.

<p><b>Legislative Fiscal Analyst Comment:</b> The legislature added an increment for \$200.0 UGF in the FY16 budget to pay for this effort.</p>
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**Fire Suppression, Land & Water Resources/Geological & Geophysical Surveys**  
Operating Budgets (CCS HB 72 and CCS HB 2001)

*It is the intent of the legislature that the Department of Natural Resources develop a Reimbursable Services Agreement (RSA) with all state agencies availing themselves of the services provided by the Division of Geological Survey.*

The Division of Geological and Geophysical Surveys' (DGGS) scientists collect, analyze, and publish public geologic information that stimulates natural resource development and protects Alaskans from geologic hazards. As a non-regulatory agency, DGGS supports informed, science-based and economically prudent land-use decisions. Reimbursable service agreements (RSA) between agencies are a vehicle for exchanging resources, knowledge, and services to achieve a common goal. Through years of successful collaboration, DGGS has established a strong reputation for providing world-class scientific expertise to other state agencies and academic institutions in need. Currently, the division has 13 ongoing and successful RSA agreements with agencies and institutions requesting our services and three RSAs in which DGGS is the requestor. DGGS will continue to simply notify the agency or institution at the time of the request that an RSA is appropriate for those services requiring significant staff time or resources.

## **DEPARTMENT OF PUBLIC SAFETY**

**Alaska State Troopers/Prisoner Transportation**  
Operating Budget (CCS HB 72)

*It is the intent of the legislature that the Department of Public Safety work with the Departments of Corrections, Administration, Law and the Alaska Court System to identify solutions to reduce prisoner transport costs.*

DPS is a member of the Criminal Justice Working Group (CJWG) which was established in 1993 to provide a vehicle for coordinated justice system planning and recommendations.<sup>1</sup> Members of the CJWG include representatives from the Departments of Corrections, Administration, Law, the Alaska Court System, and other agencies concerned with Alaska's criminal justice system.

In April 2015, a subgroup of the CJWG was formed to focus specifically on the issue of reducing prisoner transport costs. The subgroup was tasked with identifying necessary process, court rule, and Alaska statute changes to utilize available communication technologies to reduce prisoner transportation costs as they relate to court appearances and staff time, and travel costs associated with public defender and advocate communication with incarcerated clients.

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<sup>1</sup> The CJWG was established by Governor Walter Hickel under Administrative Order No. 138 (<http://www.gov.state.ak.us/admin-orders/138.html>).

The subgroup has met several times in the last six months. The initial meeting concentrated on defining each agency's role and involvement in the process. Subsequent meetings were spent identifying potential strategies to reduce overall costs. These include exploring configurable video link connections between most major court locations and most major prison locations, educating judges about the issue, seeking technical advice from involved agencies to increase videoconference capabilities between attorneys and prisoner clients, and consideration of court rule changes for hearings that require a defendant's in-person appearance.

With regard to educating judges, a session on prisoner transportation issues was held on October 22, 2015, during the annual Judicial Education Conference in Girdwood. Panelists included representatives from the Departments of Public Safety, Corrections, Administration (Office of Public Advocacy and Public Defender Agency), and the Alaska Court System. Alaska Supreme Court Justice Joel Bolger moderated the discussion. The intent was to inform judges of the issues surrounding the transport of prisoners and to obtain their support and assistance in furthering efforts to use alternatives to in-person proceedings (such as video conferencing) where appropriate.

The CJWG subgroup will continue to collaborate to refine their final recommendations on process improvements, court rule changes, and statute changes that together will serve to reduce the high cost associated with the transportation of prisoners.

## **DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES**

### **State Equipment Fleet/State Equipment Fleet Operating Budget (CCS HB 72)**

*It is the intent of the legislature that the State Equipment Fleet implement a fleet standardization program with applicable policies and procedures to be applied to all agencies based on the minimum needed to safely operate and maintain fleet vehicles and meet their intended mission, and that all departments evaluate their fleet for optimum usage as part of their FY17 budget preparations. The Department of Transportation and Public Facilities will produce a report on fleet right sizing for each of the next three fiscal years to be delivered annually to the House and Senate finance committees on January 15.*

The State Equipment Fleet (SEF) has provided reports to all departments and requested each review their fleets for optimization of use, provide light duty standardization and marking and FY2017 replacement priorities prior to December 1. A new Policy & Procedure was put in place May 18<sup>th</sup> on equipment replacement, extending usage criteria and implementing a new replacement and review process. SEF will report by January 15<sup>th</sup> 2016 the results of agencies responses.

**Marine Highway System/Marine Vessel Operations**  
Operating Budgets (CCS HB 72 and CCS HB 2001)

*It is the intent of the legislature that the Alaska Marine Highway System continue existing service levels during the peak summer months and any reduction in service levels occur during non-peak months.*

*It is the intent of the legislature that the Department of Transportation and Public Facilities explore options for providing adequate ferry service operations to communities at the lowest expense to the state and report to the legislature not later than February 1, 2016.*

One consolidated response to both pieces of intent language:

The Department was able to provide almost all the summer service that was published in the 2015 summer schedule through the infusion of one-time funding to minimize the impacts on the published summer schedule. The AMHS schedule traditionally has bare minimum service scheduled in the winter months when traffic demand is low.

Reducing service levels during these already lean non-peak winter months to meet budget restrictions would mean cutting off communities from ferry service for significant periods of time and it would have the largest impact on Alaskan residents who are the predominant users of the system during the winter. Summer on the other hand offers multiple vessels running, some on duplicate routes, which offers the best opportunity to make budget reduction service level cuts without completely isolating communities from ferry service. AMHS is currently hosting community engagement meetings in six communities to discuss operating challenges, what constitutes adequate service and possible solutions. AMHS will present the results of these meetings to the legislature.

## **OFFICE OF THE GOVERNOR**

### **Sec. 5. LEGISLATIVE INTENT.**

Operating Budget (CCS HB 72)

*(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, 2016.*

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

*(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.

**Legislative Fiscal Analyst Comment:** The University has only been contacted once by the Department of Administration regarding performing actuarial work. This contact did not result in the work being performed by the University since they do not have faculty who routinely do actuarial work.

## **Sec. 21. OFFICE OF THE GOVERNOR.**

### **Operating Budget (CCS HB 72)**

*(a) If the 2016 fiscal year-to-date average price of Alaska North Slope crude oil exceeds \$70 a barrel on August 1, 2015, the amount of money corresponding to the 2016 fiscal year-to-date average price, rounded to the nearest dollar, as set out in the table in (c) of this section, estimated to be \$0, is appropriated from the general fund to the Office of the Governor for distribution to state agencies to offset increased fuel and utility costs for the fiscal year ending June 30, 2016.*

*(b) If the 2016 fiscal year-to-date average price of Alaska North Slope crude oil exceeds \$70 a barrel on December 1, 2015, the amount of money corresponding to the 2016 fiscal year-to-date average price, rounded to the nearest dollar, as set out in the table in (c) of this section, estimated to be \$0, is appropriated from the general fund to the Office of the Governor for distribution to state agencies to offset increased fuel and utility costs for the fiscal year ending June 30, 2016.*

*(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, 2016.*

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.

**Legislative Finance Analyst Comment:** With the price of Alaska North Slope crude oil estimates continuing to be well below \$60/bbl, the fuel trigger has not been activated and it is anticipated that funding will not be distributed for the remainder FY16.

## **EXECUTIVE BRANCH-WIDE UNALLOCATED APPROPRIATIONS**

### **Executive Branch-wide Unallocated**

#### **Operating Budget (CCS HB 2001)**

*It is the intent of the legislature that the unallocated reduction be implemented in a manner that results in a minimum number of state employee layoffs and that is geared toward finding internal agency and department efficiencies. It is the intent of the legislature that no supplemental funding be requested during the next regular session to fill the unallocated reduction.*

Departments are informed of the Legislature's intent and instructed to implement the reductions in a manner that results in a minimum number of state employee layoffs with the focus on finding internal efficiencies. Some departments are currently using furloughs to realize savings and reducing positions through attrition when possible.



**Sec. 4.**

## Operating Budget (CCS HB 2001)

*The following appropriation items are for operating expenditures from the general fund or other funds as set out in section 5 of this Act to the agencies to pay for salary increases for covered and non-covered employees for the fiscal year beginning July 1, 2015 and ending June 30, 2016, unless otherwise indicated.*

*It is the intent of the legislature that the following appropriations be one-time increments to the operating budget.*

Reductions for the one-time increments will be included in the FY2017 Governor proposed operating budget.

*It is the intent of the legislature that there be no cost-of-living pay raises beginning with collective bargaining agreements negotiated in 2015.*

The Department of Administration has been informed of the Legislature's intent and has been instructed to comply subject to the Public Employment Relations Act.

*It is the intent of the legislature that language in each of the negotiated collective bargaining agreements allow for the agreements to be re-opened if the oil price of Alaska North Slope West Coast reaches \$95.00 and if that price is maintained or increases over that amount for a period of 60 consecutive days; this language shall be reviewed at the end of the three-year negotiated agreements.*

The Department of Administration has been informed of the Legislature's intent. The Department of Administration is negotiating contracts covering nearly 80% of the state employees. These negotiations are subject to the Public Employment Relations Act.

*It is the intent of the legislature that language in each of the negotiated collective bargaining agreements allow for the agreements to be re-opened if the oil price of Alaska North Slope West Coast falls below \$45.00 and remains below that amount for a period of 60 consecutive days; this language shall be reviewed at the end of the three-year negotiated agreements.*

The Department of Administration has been informed of the Legislature's intent. The Department of Administration is negotiating contracts covering nearly 80% of the state employees. These negotiations are subject to the Public Employment Relations Act.

**Sec. 6. LEGISLATIVE INTENT RELATING TO REDUCING ALASKA RECIDIVISM.**

## Operating Budget (CCS HB 72)

*(a) It is the intent of the legislature that the Department of Corrections, Department of Health and Social Services, Department of Labor and Workforce Development, Alaska Mental Health Trust Authority, Alaska Housing Finance Corporation, Alaska Criminal Justice Commission, and Alaska Court System continue to work collaboratively to implement a recidivism reduction plan using*

*evidence-based practices for the purposes of slowing the state's three percent rate of prison population growth and reducing the state's 63 percent recidivism rate.*

*(b) The state agencies identified in (a) of this section shall consult with Alaska Native tribes, Alaska regional nonprofit organizations, and tribal nonprofit organizations, or their designees, at all stages of the development and implementation of the plan, with the purpose of reducing the overrepresentation of Alaska Native people in the Alaska prison system and to prevent recidivism of Alaska Native people.*

*(c) The state agencies identified in (a) of this section shall work together with the Alaska Native organizations to*

*(1) analyze the state's criminal justice data to identify the factors driving the state's rate of prison population growth;*

*(2) identify evidence-based or promising practices that will address each of those factors; and*

*(3) outline a plan for the implementation of each proposed practice that*

*(A) identifies the proposed service or treatment program;*

*(B) identifies the number of inmates or returning citizens to be served; and*

*(C) includes, beginning in fiscal year 2017, a five-year, phased-in outline of the proposed programs and services, and the cost for each fiscal year.*

*(d) The implementation plan must include effectiveness and efficiency measures addressing, but not limited to*

*(1) recidivism rates and the cost for each client served under current practices and programs;*

*(2) recidivism rates and the cost for each client served under proposed practices and programs;*

*(3) quality assurances;*

*(4) fidelity to the model assurances; and*

*(5) projected savings to the State of Alaska.*

*(e) The draft implementation plan under this section shall be delivered to the office of management and budget by September 30, 2015, so the plan can be considered for inclusion in the Governor's fiscal year 2017 budget and legislative proposals. The final implementation plan shall be delivered to the legislature by January 22, 2016.*

The Department of Corrections, Department of Health & Social Services, Department of Labor and Workforce Development, Alaska Mental Health Trust Authority, Alaska Housing Finance Corporation, Alaska Criminal Justice Commission and the Alaska Court System participated in the development of the Recidivism Reduction Plan.

**Legislative Fiscal Analyst Comment:** The final 2016 Recidivism Implementation Plan was submitted to the legislature in December 2015 for consideration during development of the FY17 budget and other legislative proposals. Due to the extensive length of the plan, Legislative Finance Division did not attach the report to this memorandum. It is available on the Alaska Mental Health Trust Authority website and can be found under Recidivism Reduction Plan Report Materials at <http://mhtrust.org/impact/library/>.