

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Finance

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MEMORANDUM

DATE: January 11, 2013

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

SUBJ: Agency responses to FY13 Legislative Intent Language

This memorandum restates FY13 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)

UNIVERSITY OF ALASKA

Operating Budget (CCS HB 284)

It is the intent of the legislature that the University of Alaska submits a FY14 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 FY14 budget request reflects the legislature's intent. The budget request for the University of Alaska exercises tight spending discipline while limiting growth,

and yet preserving and when necessary, investing in essential infrastructure. UA's comprehensive plan for materially improving higher education in Alaska began in FY13, with the Strategic Direction Initiative (SDI). SDI will lead UA on the path that focuses on holding incremental expense increases down, reducing the tuition burden on students and families, leveraging only highly selected programs that represent inter-campus cooperation and internal reallocation of programmatic baseline dollars and placing primary emphasis on student attainment and graduation.

The University continues to look for cost savings and efficiencies as well as cost containment measures. Some examples include MAU program reviews, energy consumption reductions and increased sustainability efforts, increased partnership opportunities with K-12 and public and private industries, licensing reductions through renegotiation of contracts, implementation of new electronic processes, and expanded use of video conferencing in lieu of travel. The University is also trying to reduce the tuition burden on students and families and held the line on tuition rate increases to 2% for undergraduate resident tuition in FY14.

UA is also considering revenue enhancement opportunities. UA is working to create economic value from UA Intellectual property through the UAA and UAF Offices of Intellectual Property and Commercialization which may generate revenue over the long term.

The University of Alaska continues to believe the ratio funding approach may also have 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 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 University of Alaska will continue to work with legislative finance to get a better understanding of the implications and unintended consequences of the ratio funding approach and 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: Discussion of these ratios could prove helpful for long-term planning on the part of the University and the legislature. The University's requested increases included in the Governor's proposed budget from FY13 to FY14 include \$10,560.1 UGF and \$8,080.8 DGF (primarily University Receipts including tuition). The UGF increase is \$2,479.3 more than the request for University Receipts, indicating a failure to comply with legislative intent. Discussions with the University indicate that this situation reflects the University's attempt to reduce the tuition burden on students and families. The University held tuition rate increases to 2% for undergraduate residents in FY14.

Agencies in Partial Compliance (with Reasons for Partial Compliance)

DEPARTMENT OF ADMINISTRATION

Operating Budget (CCS HB 284)

Enterprise Technology Services/Alaska Land Mobile Radio

It is the intent of the legislature that the department seek full recovery of the portion of FY2013 Alaska Land Mobile Radio system costs attributable to use of the system by federal government agencies, and that a long-term cost-share plan be developed and implemented prior to the department's FY2014 budget request to the legislature.

The department has developed a cost-share methodology that fairly allocates costs amongst the users of the Alaska Land Mobile Radio (ALMR) system. The department is working toward entering into agreements with the various users with respect to that allocation methodology for FY2014. Because of the overarching public interest in having all first responders in the areas served by ALMR on the system, the department further recommends that general funds be appropriated to the Department of Commerce Community and Economic Development to make payments on behalf of municipal and non-government users pursuant to the cost-allocation agreement.

Legislative Fiscal Analyst Comment: Although the Department has technically complied with the intent language, LFD has placed the Department's response in the Partial Compliance section to highlight some issues.

FY13 legislative intent language instructed the Department of Administration to develop a plan to fairly allocate costs of providing ALMR services. Some of those costs fall upon local governments, and DOA is concerned that some local governments may opt out of the ALMR system in order to avoid paying their allocated costs. DOA argues that the overarching public interest in having first responders participate in the ALMR system justifies state payments on behalf of local governments.

To the extent that the legislature's intent was full cost recovery from all ALMR system participants, this appropriation is counter to legislative intent. However, because the intent language specified full cost recovery only from the federal government, the proposed appropriation is consistent with the stated intent.

Appropriating money to DCCED for transfer to DOA effectively short-cuts the normal grant process (in which money would flow from the general fund to DCCED to municipalities to DOA). From another perspective, the proposed transfer complicates the cost recovery methodology by involving DCCED in the process.

Legislative Fiscal Analyst Recommendation: *The FY14 budget includes a \$500.0 UGF appropriation to for payments on behalf of municipal and non-government users pursuant to the cost allocation agreement. If the legislature chooses to make payments on behalf of local governments, it may be better to appropriate the money directly to DOA. The current language has the appearance of a municipal grant program, but there does not appear to be any advantage to running the money through DCCED.*

DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT**Operating Budget (CCS HB 284)****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 submit a six year report annually to the legislature that includes 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 during the first session of the 28th Legislature.

Legislative Fiscal Analyst Comment: Conversations between Legislative Finance and the Department indicate that the Department will comply with the "letter of the intent language." The annual report will contain the required information, but it may not be in a format that facilitates analysis. The point of inserting the intent language in the bill was to document (and draw attention to) imbalances between revenue and expenditures for each board, so that the legislature and those regulated by each board could easily understand what revenue and/or expenditure changes were required to comply with statutes.

DEPARTMENT OF PUBLIC SAFETY**Operating Budget (CCS HB 284)****Alaska State Troopers**

It is the intent of the legislature that Alaska State Troopers resources be deployed to those communities that actively participate in the Rural Trooper Housing Program.

The department is fully supportive of rural trooper housing as affordable, decent, state-provided housing is essential for recruitment and retention of state troopers in rural Alaska. Experience shows that if housing is unavailable, troopers are less willing to transfer to rural posts. There are 78 housing units located in rural Alaska locations where housing is traditionally scarce. There are 16 state owned units and 62 leased units in 20 communities. Rural trooper housing is not really a department program and currently no community governments provide housing for troopers, so communities don't actively participate in trooper housing. The department looks at all rural housing options in those areas that troopers are located.

Legislative Fiscal Analyst Comment: The Department is complying with the spirit of the intent. Because there is no formal Rural Trooper Housing Program for communities to participate in, the

Department takes responsibility for securing housing in rural areas under their Rural Trooper Housing allocation.

***Legislative Finance Recommendation:** The legislature may wish to consider removing or revising this intent language to provide clearer direction. For FY14, the Department has requested funding to establish a new Trooper post in Hooper Bay. This request includes two new troopers to serve villages in the Yukon-Kuskokwim Delta region and alleviate some pressure from the Bethel post.*

Agencies in Compliance

COMMERCE, COMMUNITY & ECONOMIC DEVELOPMENT

Capital Budget: HCS CSSB 160(FIN) am H, Page 171, line 19

Corporations, Business and Professional Licensing

It is the intent of the legislature that the Department of Commerce, Community, and Economic Development proportionally distribute \$3,439,800 general funds between the professional licensing boards and commissions based on the number of licenses issued for fiscal years 2007 through 2010. It is also the intent of the legislature that after the general funds are distributed, the professional licensing board's and commission's carryforward balances are made whole as of June 30, 2012 and will serve as a starting balance going forward into the future. Further, it is the intent of the legislature that the department completes an annual reconciliation of the individual professional board's and commission's carryforward balance to reports from the State's accounting system.

The Department reconciled professional licensing revenue and expense reports to the State's accounting system back to 2001. This reconciliation proportionally distributed the \$3,439,800 and provided a correct starting balance going forward into the future going forward for 39 professional licensing boards and commissions as of June 30, 2012. The department has implemented procedures to ensure an annual reconciliation of the board reports to the state accounting system.

Operating Budget (CCS HB 284)

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

(j) It is the intent of the legislature

(1) that the Alaska Seafood Marketing Institute limit expenditure of the appropriation in (i)(1) of this section to 80 percent of the program receipts collected for the fiscal year ending June 30, 2012;

(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, 2012.

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 CORRECTIONS

Operating Budget (CCS HB 284)

Although the legislature acknowledges that contract negotiations and management decisions are functions of the executive branch, it is the intent of the legislature that the Department of Corrections should consider the potential costs, including costs of litigation or arbitration, officer and inmate safety, and employee recruitment and retention, when evaluating any changes to the historical policy of using shift staffing.

Costs of litigation or arbitration

The department has not experienced added costs associated with litigation or arbitration on the blended staffing model. These are considered normal business operations and are budgeted accordingly.

Officer and Inmate Safety

Officer and inmate safety were taken into consideration prior to implementing the blended staffing model. There is no evidence the blended shift staffing model is resulting in increased assaults. For example, the recent assaults at the Anchorage Correctional Complex and at Spring Creek Correctional Center did not occur between 10:00pm and 6:00am when posts are reduced. Of the assaults that have occurred since the implementation of the blended shift staffing model, only two have occurred during the hours from 10:00pm to 6:00am, and, of those two, one of them occurred at Lemon Creek Correctional Center where the number of posts has not been reduced. Comparing the number of assaults during the six months prior to implementation of the blended staffing schedule to the six months since: 13 assaults occurred prior to implementation compared to 11 since May, 2012.

Employee Recruitments and Retention

The department typically experiences a 2% vacancy rate for Correctional Officers based on 12 in-state institutions. In May, 2012, the department began the initial phase of opening Goose Creek Correctional Center and added 57 new Correctional Officer positions. This has increased our current vacancy to approximately 4%. Hiring for all facilities is going very well with one notable exception being the Spring Creek Correctional Center in Seward. The department was

aware of the logistics of that location and would result in a longer period to fill all vacancies. We have taken steps to mitigate any secure confined supervision issues related to vacancies. The department has remained stable in the area of retention.

DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

Operating Budget (CCS HB 284)

Education Support Services/Executive Administration

It is the intent of the legislature that the Board of Education include the following in their annual report under AS 14.07.168: Board recommendations to improve Alaska student performance and an additional report card element that highlights the 4th and 8th grade NAEP scores and Alaska's student performance relative to other States and jurisdictions. Further, the legislature requests the above be reported to them by January 31, 2013.

The Department of Education and Early Development has incorporated the most recent National Assessment of Educational Progress (NAEP) data from 4th and 8th grade into the proposed annual report under AS 14.07.168. The proposed report is before the State Board of Education & Early Development for their review at the December meeting. Those data will remain in that report, and will be included when presented to the 2013 legislature.

Legislative Fiscal Analyst Comment: Although not stated in the original response, the Department clarified (in a follow-up email) that the report will also include Board recommendations to improve Alaska student performance.

Teaching and Learning Support/Early Learning Coordination

It is the intent of the legislature that \$250,000 GF will be provided in addition to the Governor's existing FY13 request for Early Learning Coordination, including Parents as Teachers.

The Alaska Department of Education & Early Development has awarded three-year Parents As Teachers grants to Kids' Corps Inc. in Anchorage; RurAL CAP in Anchorage; the Association for the Education of Young Children, Southeast Alaska, in Juneau; and Sprout Family Services in Homer.

Parents As Teachers programs provide the information, support and encouragement parents need in order to help their children develop optimally during the crucial early years of life. The Parents As Teachers model has four components: 1) one-on-one personal or home visits; 2) group connections or meetings; 3) health and developmental screenings for children; and 4) a resource network for families.

Specifically, Parents As Teachers offers parents research-based information on how children grow and develop; types of activities and toys that will foster learning and nurture development; methods of positive discipline; techniques for problem solving; realistic expectations for children's behavior; and attitudes that will raise children's self-esteem.

The state appropriated funding to expand the Parents As Teachers program. The following grant awards are for each year of a three-year term.

Kids' Corps will receive \$143,244 a year to serve 40 families in Anchorage. RurAL CAP will receive \$107,792 a year to serve 24 families in Anchorage. The Association for the Education of Young Children, Southeast Alaska will receive \$150,000 a year to serve 60 families in Juneau. Sprout Family Services will receive \$100,000 a year to serve 55 families in Homer and nine regional communities.

Teaching and Learning Support/Pre-Kindergarten Grants

It is the intent of the legislature that funding in the Pre-Kindergarten allocation be made available to grantees through a competitive bid process every two years beginning in FY2013. In addition, the Department of Education and Early Development is to work with grantees to ensure that all students participating in the Pre-Kindergarten programs be tested at the start and end of their participation to provide a means to measure the program's effectiveness.

The Alaska Department of Education & Early Development has awarded three-year Parents As Teachers grants to Kids' Corps Inc. in Anchorage; RurAL CAP in Anchorage; the Association for the Education of Young Children, Southeast Alaska, in Juneau; and Sprout Family Services in Homer.

| District | Costs | Children Served |
|-----------------------|-----------------------|------------------|
| 1. Lower Kuskokwim SD | \$321,386.89 | 33 |
| 2. Anchorage SD | \$159,299.80 | 32 |
| 3. Mat Su SD | \$497,000.00 | 80 |
| 4. Nome SD | \$268,447.00 | 60 |
| 5. Juneau SD | \$380,133.00 | 64 |
| 6. Yukon Koyukuk SD | \$259,011.28 | 21 |
| 7. North Slope SD | \$158,407.00 | 20 - 25 |
| 8. Dillingham SD | \$260,000.00 | 23 |
| TOTAL | \$2,303,684.80 | 333 – 338 |

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of Young Children, Southeast Alaska will receive \$150,000 a year to serve 60 families in Juneau. Sprout Family Services will receive \$100,000 a year to serve 55 families in Homer and nine regional communities.

Legislative Fiscal Analyst Comment: Although not clearly stated in the original response above, the Department clarified in a follow-up conversation that all Pre-K grant awards are made available through a two-year competitive process and that all students participating in the Pre-Kindergarten programs are tested at the start and end of their participation to provide a means to measure the program's effectiveness.

DEPARTMENT OF FISH AND GAME

Operating Budget (CCS HB 284)

Commercial Fisheries/Southeast Region Fisheries Management

It is the intent of the legislature that the department, to the extent possible, include lingcod surveys when performing the demersal shelf rockfish surveys.

The first Demersal shelf rockfish (DSR) survey using the Central Region remote operated vehicle (ROV) was completed this past summer and that work was paid for from the new DSR GF increment (\$260.0). The department not only enumerated DSR during that survey but also counted lingcod and halibut. In addition to actual fish counts by species the department is also now able to get actual fish measurements (that could help inform on biomass estimates in the future) for DSR and lingcod because of the new stereo camera array on the ROV. While development of a full scale ling cod stock assessment is not available at this time, data is being collected that can provide fishery independent data for ling cod.

* Sec. 23. 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, 2013. 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.

Total transfers to the trustee bank for FY 2013 are anticipated to be \$7,388,000.00. The FY2013 aggregated debt service for Sport Fish Revenue Bonds is \$5,092,306.26. The difference is available for early redemption of the bonds.

OFFICE OF THE GOVERNOR**Operating Budget (CCS HB 284)****Executive Operations/Domestic Violence and Sexual Assault**

It is the intent of the legislature that that the Office of the Governor delivers a report on the results of the domestic violence and sexual assault initiative through December 31, 2012, along with effectiveness and efficiency performance measures that are developed with a numerator and denominator format, to the legislature by February 18, 2013.

The Office of the Governor intends to deliver a report on the results of the domestic violence and sexual assault initiative through December 31, 2012, along with effectiveness and efficiency performance measures that are developed with a numerator and denominator format, to the Legislature by February 18, 2013.

Office of Management and Budget

It is the intent of the legislature that the Office of Management and Budget develop a plan to address the declining balance of the oil and hazardous substance release prevention and response fund. The plan should include an analysis of prior expenditures from the fund for the remediation of state owned contaminated sites and a proposal to expeditiously remediate state owned contaminated sites.

The Office of Management and Budget worked with the Department of Environmental Conservation (DEC) to explore options to address the declining balance of the oil and hazardous substance release prevention and response fund (Fund). With declining oil production, funding available for deposit into the fund will continue to decrease. The options to address the declining balance of the Fund are clear: increase production, and utilize general funds to address the shortfall in the interim.

As you are aware, in 2012, the State of Alaska won a multi-million dollar arbitration award against BP Exploration (Alaska) Inc., for royalty income damages and compensation for environmental violations and harm caused by the 2006 spills and accompanying shut-down of the pipeline. The State received \$245.7 million for the 2006 spills and pipeline shutdowns that was deposited to the following funds in accordance with Article IX, sections 15 and 17a of the Alaska Constitution:

\$63.6 million to the Alaska Permanent Fund as royalty oil proceeds; \$180.9 million into the Constitutional Budget Reserve Fund; and \$1.2 million in to the public school trust fund. An additional \$10 million for settlement of the environmental assessment and penalties claims was deposited into the prevention mitigation account of the Oil and Hazardous Substance Release Prevention and Response Fund (AS 46.08.020(b)).

The \$10 million deposit into the prevention mitigation account from the BP settlement will be available for FY2014. In FY2015 and beyond, additional general funds, estimated to be \$6 million, will be needed on an annual basis for spill prevention and response until such time as there are increases in oil production that will offset the general fund requirements. The \$6 million estimated to be needed annually, beginning in FY2015, is based on projections of expected revenues such as cost recovery, interest, fines, and penalties, which can be subject to

significant fluctuations.

Since 1999, the fund has also provided \$17.09 million for remediation of state-owned contaminated sites. The DEC estimates a backlog of state-owned contaminated sites of over \$50 million. Expeditious remediation of these sites will require significant general fund investment over the next several years. With the current decline in production and state revenue, the administration's budget will include a modest general fund request for state-owned/state-lead contaminated site assessment and clean-up in FY2014.

The DEC will provide the Legislature with the updated analysis of the balance and expenditures from the oil and hazardous substance release prevention and response fund during the upcoming legislative session.

The administration looks forward to working with the Legislature on the level of general fund appropriations to address spill prevention and response and remediation of state-owned/state-lead contaminated sites.

** 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, 2013.*

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, 2013, 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, 2013, and submit a report to the legislature on October 1, 2013, 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, 2013.*

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

** Sec. 20. 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, 2013.*

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 HEALTH AND SOCIAL SERVICES**Operating Budget (CCS HB 284)****Children's Services/Children's Services Management**

It is the intent of the legislature that \$200,000 GF be used for the Education and Training Voucher program within the Independent Living Program.

Funding will be used to expand and strengthen the State's postsecondary educational assistance program to youth aging out of foster care. All eligible youth will receive access to expanded ETV funds for assistance to college and vocational training programs. The Child Welfare Academy (CWA) will administer the FY 2013 Chafee Education and Training Voucher (ETV) Program for foster youth and former foster youth in the State of Alaska Independent Living Program. The Child Welfare Academy will build upon the current ETV program to address service delivery system gaps by providing outreach to regions, facilitate the development of the Independent Living Program toolkit, provide instructions through the CWA on service delivery to youth and coordinate the Annual Independent Living Program Educational Conference to be held October, 2012.

Public Health/Women, Children and Family Health

It is the intent of the legislature that the Department of Health and Social Services' FY14 budget submission limit expenditures from the Tobacco Use Education and Cessation Fund to current year anticipated revenue plus up to fifteen percent of the fund balance carried into FY14.

The Tobacco Use Education and Cessation Fund is the primary source of funding for the state's tobacco prevention and control program. The fund has enabled the department to reduce tobacco use in Alaska by supporting a comprehensive program of prevention, cessation intervention, anti-tobacco counter-marketing, enforcement, and litigation. Since the tobacco program began in 1996, youth tobacco use has been reduced by 50% since 1995 and adult tobacco use by more than 20% since 1996. Despite the successes of the last decade, Alaska is still in the top 20% in the nation in terms of smoking prevalence.

The long term sustainability of the fund is essential to reach the goal that all Alaskans live healthy and tobacco-free lives. The department recognizes that annual expenditures now exceed annual deposits to the fund which places the future of the fund in jeopardy. The department is taking the following steps to remedy the situation:

- 1) Funding has been held level with no increments requested. The Department of Health and Social Services' projected FY14 budget of \$11.1 million limits expenditures from the Tobacco Use Education and Cessation Fund to FY12 authorized levels. This equates to current year anticipated revenue of \$9.2 million plus 15% percent of the \$12.8 million projected fund balance carried into FY14, which is consistent with the legislative intent.
- 2) The department is developing long term financial projections of the fund's revenue sources. The department is also engaged with our tobacco control and prevention partners and stakeholders to provide strategic recommendations for viable policy alternatives to sustain the fund in order to support tobacco prevention and control

efforts into the future. The projections and recommendations will be released in January 2013.

- 3) Additionally, the department is in the process of evaluating the entire array of services provided to ensure that the program is operating in the most efficient, effective and economical manner possible. The department will evaluate the consequences of cost containment initiatives and pursue them where possible.

DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT

Operating Budget (CCS HB 284)

Alaska Vocational Technical Center

It is the intent of the legislature that the Department of Labor and Workforce Development report back to the legislature on efforts to utilize AVTEC's grant writer funded in FY12 to secure grant funding to support AVTEC's mission.

AVTEC's Grant Administrator serves as both its grants writer and program coordinator for successful proposals. This position submitted a total of 10 proposals in FY2012 and FY2013 year to date; six were successfully funded and have generated \$928,222 in revenue. Of these awards, \$588,485 was used to offset operational expenses for AVTEC and the remaining \$339,737 was used to build capacity, enhance existing programs or provide scholarship opportunities to eligible students. AVTEC is maintaining a detailed spreadsheet of all proposals submitted by this position and will provide this to the legislature during session.

DEPARTMENT OF NATURAL RESOURCES

Operating Budget (CCS HB 284)

Administration & Support Services/Commissioner's Office

It is the intent of the legislature that the department report back on the efficacy of marketing efforts and present a multi-year plan for marketing statewide resource development efforts.

The Department of Natural Resources intends to present a report on the marketing efforts and planning funded by the one-time-item of \$50,000 at the upcoming legislative session, as well as a multi-year plan. DNR anticipates making the report available to the House and Senate Finance subcommittees and others as requested.

Administration & Support Services/Office of Project Management & Permitting

It is the intent of the legislature that the Administration report back with 1) a plan to stabilize the Land Disposal Income Fund and 2) a report detailing the effects of utilizing the fund solely to enhance state land disposal efforts.

The Department of Natural Resources intends to present a report outlining a plan to stabilize the Land Disposal Income Fund and to detail the impacts of utilizing the fund solely to enhance

state land disposal efforts at the upcoming legislative session. DNR anticipates making the report available to the House and Senate Finance subcommittees and others requested.

Land & Water Resources/Mining, Land & Water

It is the intent of the legislature that all funding allocated to Mining, Land & Water for the Guide Concession Area Program be utilized for planning and program development purposes only. No funding shall be used for Guide Concession Area Program implementation until such time as the legislature directly authorizes such a program through statutory approval.

The Department of Natural Resources is utilizing the funding appropriated for the Guide Concession Area Program for planning and program development only; no funding has been expended to implement a program.

DEPARTMENT OF PUBLIC SAFETY

Operating Budget (CCS HB 284)

It is the intent of the legislature to honor the service of our resident Peace Officers, current and retired, by requesting that the Department of Public Safety, when able and with the approval of family members, provide a state trooper in full dress to attend funeral services of the deceased officer.

The department supports this intent language and has been following these guidelines when requested by the family and resources allow. It is not always possible to attend a funeral service for a deceased officer due to manpower shortages. The language provides the department with some flexibility for these situations by stating "when able" in the intent.

DEPARTMENT OF REVENUE

Operating Budget (CCS HB 284)

Alaska Mental Health Trust Authority/Mental Health Trust Operations

It is the intent of the legislature that the Mental Health Trust Authority (the Trust) provide the legislature with specific information regarding the planned duration of any new program it proposes to create with Mental Health Trust Authority Authorized Receipts (MHTAAR), General Fund / Mental Health (GF/MH), or any mix of proposed funding. The Trust shall also inform the legislature of the projected outcomes of each newly created program as well as the measures that the Trust will use to evaluate those outcomes. Further, the Trust shall inform the legislature as to how long it plans to support newly created programs with MHTAAR and whether or not there may need to be ongoing or new GF/MH funding to sustain it.

The Mental Health Trust will include the requested information to the legislature in future budget submissions.

*** Sec. 29. 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.

Payments of shared taxes and fees to local governments may be assigned by a local government to another state agency.

The Department of Revenue has received no requests for assignments of shared taxes from any state agency in FY 13.

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES**Operating Budget (CCS HB 284)***** Sec. 26. FUND TRANSFERS.**

(p) The interest earned during the fiscal year ending June 30, 2013, by the Alaska marine highway system fund (AS 19.65.060(a)), estimated to be \$510,000, 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 interest is already separate within AKSAS. The Alaska Marine Highway System Fund is a sub-fund of the general fund. The Department of Revenue posts revenues to all of the sub-funds for the prior year sometime in late July early August. There is a separate account code used for interest and investment incomes.

UNIVERSITY OF ALASKA**University of Alaska Anchorage/Anchorage Campus**

It is the intent of the legislature that \$250,000 of this appropriation be used to evaluate Alaska's education system and make recommendations aimed at increasing student achievement. The evaluation should not focus on funding, except that it may recommend redirection of how a district is investing existing funding. The evaluation parameters should include instructional programs, including comprehensive curriculum, instructional materials, and effectiveness of professional development and instructional practices; evaluation of vocational and college preparedness tracks for education; district efficiency, including efficiency of district administration; instructional leadership, including instructional accountability; teacher retention and tenure; effectiveness and efficiency of remote-delivery of education; efficiency and effectiveness of state professional development; barriers to success that are within school district control, in particular with regard to fourth- and eighth-grade reading and mathematics scores on national examinations. It should also examine the length of the school year, length of school day, and instructional time per day. The evaluation will also provide a comparison of Alaska's districts' practices to national practices on each of these parameters, including a comparison of Alaskan standards and expectations to those of other states.

2012-2013 Work Plan for Legislative Appropriation

The following is UAA's Center for Alaska Education Policy Research (CAEPR) work plan for the funding received from the Alaska Legislature for FY 2013. We intend to start with the work laid out below, and then assess where we are and what we have learned in order to move forward with issues that are more difficult to address. For example, we want to complete the "State of the State" report described below before we start tackling the issue of barriers to success. We also want to flip that topic around to look instead at what is working in districts, and to identify promising practices that other districts and schools might adopt. We want to look at the question of achievement on national tests from a slightly different perspective, not only looking at how students do on the National Assessment of Educational Progress (NAEP) tests in fourth and eighth grade, but also asking how best to assess how our students are doing from a more complete perspective.

This work plan does not include CAEPR projects funded through contracts and grants from other state, federal and private sources.

- 1) Produce a "State of the State in Education" report in time for the 2013 legislative session.

Timeline: Research in progress, report expected in February or March 2013

This report will address the current state of education in Alaska and place Alaska within the national context. We will look at a number of issues including:

- a) Student achievement and education outcomes on standardized measures (e.g., standardized test scores, graduation and dropout rates) at the state level, for subgroups and for different regions. We also will compare this data with national averages.
 - b) Policies and requirements at the state and district level around graduation requirements, including what is required for the Alaska Performance Scholarship, passing the High School Graduation Qualifying Exam, etc.
 - c) Policies and practices around the school calendar, exploring the length of the school day, year, and when students are in school and related issues such as student learning loss in the summer
 - d) Policies and regulations around professional development at the state and district level
- 2) Conduct a statewide survey of teachers

Timeline: Survey under development, to be launched in March 2013

This survey will be the first comprehensive look at the factors influencing teachers' decisions to stay in their schools/districts or to leave. We will develop the instrument with input from key individuals and organizations including faculty in the schools and colleges of education in Alaska (UA and APU), NEA- Alaska, the Alaska Teacher Placement advisory board, mentors in the Alaska Statewide Mentoring Project, and so on.

Teachers will be asked about issues such as:

- a) Their perceptions of leadership in their school
- b) Their relationships with parents and community
- c) Salary, benefits and financial incentives to stay in their school
- d) Mentoring and professional development

In fall 2013, CAEPR will match data on teacher employment to see which teachers who participated in the survey continued to teach in Alaska and in their same school, and which did not, and analyze the relationship between teacher survey responses and work outcomes.

- 3) Prepare a comprehensive educator supply & demand report.

Timeline: Research in progress. Report to be produced in spring 2013

This will be a comprehensive update of data on teacher and administrator supply, demand and turnover, including:

- a) A comprehensive literature review on factors influencing teacher retention and turnover
 - b) Data on the number of teachers and administrators prepared by institutions in-state versus coming in from outside Alaska
 - c) Teacher and administrator turnover rates by district
 - d) A look specifically at the numbers and career pathways of Alaska Native teachers and administrators
- 4) Prepare a University of Alaska K-12 education preparation report (a biennial report to the Alaska Legislature).

Timeline: The report is currently in working draft form.

This report is prepared for the legislature in accordance with AS 14.40.190(b), which requires the University of Alaska Board of Regents to deliver a report titled “Alaska's University for Alaska's Schools” no later than the 30th legislative day of each regular session of the legislature that “describes the efforts of the university to attract, train, and retain qualified public school teachers. The report must include an outline of the university's current and future plans to close the gap between known teacher employment vacancies in the state and the number of state residents who complete teacher training.” In the upcoming report, we will:

- a) Present data on the number of certificated educators prepared in University of Alaska programs, as well as retention and turnover rates for UA-prepared teachers and administrators and compare these to turnover rates for educators prepared outside of the UA system;

- b) Profile UA efforts to recruit and graduate more certificated educators; and
 - c) Address challenges around placing and retaining UA graduates.
- 5) Conduct a study of recent graduates of UA programs

Timeline: Research underway, will be completed by end of December 2012.

CAEPR is working with Donna Gail Shaw, Professor Emerita, UAA College of Education, to survey 2011 and 2012 teacher preparation graduates from all of the UA campuses on their perceptions of how well they were prepared for teaching. We then will talk with graduates who are not in the classroom to find out why they are not teaching. This will allow us to explore the prevalence of the reasons that have been hypothesized (such as a lack of jobs in their community, inability to relocate, decided decision to pursue a different career path) and to identify other factors affecting graduate employment. Most of this research will be supported by other sources, but some of the work on the University of Alaska K-12 Education Preparation Report will support this study as well.

- 6) Identify faculty across the colleges and schools of education in Alaska to conduct studies on specific questions raised by the legislature including:

Timeline: AY 2013-2014

- a) How are curriculum decisions made at the state and district level; are there comprehensive curriculum plans; and to what extent does student achievement data feed into these decisions?
- b) What is the state of distance delivered education in Alaska? What evidence is there of quality, effectiveness and efficiency?

Other work CAEPR is doing alone or in collaboration with other organizations will address some of the issues listed in the priorities. For example, CAEPR is now part of the Alaska State Policy Research Alliance (ASPRA), along with the Alaska Department of Education and Early Development (EED), superintendents and Senate Education Committee leadership. ASPRA is a federally funded initiative of REL Northwest (the regional education lab) to increase the capacity of CAEPR and EED to conduct education policy research in Alaska as well as the capacity of policymakers to access and use it in their decision-making. The first project of ASPRA is a trajectory study looking at how students move from secondary into post-secondary education, training or work opportunities. This will help us begin evaluating vocational/college preparation tracks, and we plan to build on this work further down the road.

UNIVERSITY OF ALASKA**Capital Budget [HCS CSSB 160(FIN) am H] Page 151, line 17]****Research and Development of Unmanned Aerial Systems**

It is the intent of the Legislature that the University of Alaska collaborate with the Federal Aviation Administration in establishing a research and development program and possible test facility for Unmanned Aerial Systems in Alaska. Unmanned Aerial Systems are already being utilized in Alaska in many ways and as the Arctic race progresses, they will become even more vital as a resource to the State and the Country.

Unmanned Aircraft Systems (UAS) Capital Budget Funding Objectives & Next Steps

November 2012 - Narrative provided by Geophysical Institute Director R. McCoy & Poker Flat Manager G. Walker

Alaska has become an aviation-centric state with six times more pilots per capita than the rest of the nation. For the past two decades the Department of Defense has driven the extremely rapid expansion and deployment of unmanned aircraft systems (UAS) for military applications. The race to transition these systems for civil commercial and scientific applications provides an enormous opportunity for Alaska to develop and exploit the benefits of this new technology; and Alaska is the best place in the country to work out the issues of separating and integrating the emerging UAS airspace from the existing National Airspace System (NAS).

Anticipating the importance of these unmanned systems for Alaska, the Geophysical Institute of the University of Alaska Fairbanks (UAF-GI) began aggressively experimenting with these technologies several years ago and is rapidly becoming a world leader in UASs. UAF is currently working with eight distinct types unmanned aerial systems and has personnel trained on two additional types for partnering opportunities. Fifteen UAS units are fully operational and in use. An additional 169 airframes (shells) are in hand but are lacking avionics (electrical systems); UAF is working on the avionics. Most of the UAS development work has been carried out at the UAF-GI's Poker Flat Research Range (PFRR), the nation's largest land-based rocket range and the only one in the country owned by a university. The UAF-GI has flown a variety of in-situ and remote sensing instruments on several types and sizes of unmanned aircraft at multiple locations in Alaska (and around the globe) for applications including: resource mapping; monitoring marine mammals; fighting forest fires; mapping glaciers and sea ice; and many more. The use of UAS eliminates the need for pilots in the cockpit and UAS are especially well suited to applications that are dirty, dull or dangerous.

The 2012 Federal Aviation Administration Modernization and Reform Act addresses the issue of creating a UAS airspace and integrating it into the NAS and provides for the establishment of six separate UAS Test Ranges around the country aimed at safe implementation of these new technologies for commercial and scientific applications.

Purpose

Recognizing the important future benefits of UASs for Alaska, in 2012, the State of Alaska appropriated \$5M in the Capital Budget for the UAF-GI for "Research and Development of Unmanned Aerial Systems" and to help position to the UAF-GI to compete for one of the new UAS Test Ranges with the following intent:

It is the intent of the Legislature that the University of Alaska collaborate with the Federal Aviation Administration in establishing a research and development program and possible test facility for Unmanned Aerial Systems in Alaska. Unmanned Aerial Systems are already being utilized in Alaska in many ways and as the Arctic race progresses; they will become even more vital as a resource to the State and the Country."

The capital budget supports:

1. Establishing, marketing, operating, and maintaining a Test Range (50% of budget)

Purpose: Process development, conduct safety studies, develop and maintain agreements, including specifically meeting the FAA mandate for airspace integration.

2. Technology Development (30% of budget)

Purpose: Develop and test airspace integration hardware and hardware designed for exploiting opportunities in the Arctic.

3. Education (20% of budget)

Purpose: Develop outreach, vocational, and professional training by providing opportunities for graduate studies, undergraduate opportunities, and K12 education outreach.

Discussion

The white paper prepared by the University in March 2012 that was shared with the State Legislature during their budget discussions highlighted opportunities offered by the 2012 FAA Reauthorization Act and described how the University could lead at state and national levels. Given the current intense interest in unmanned aircraft applications and the expanding focus on the Arctic, a great opportunity exists to continue Alaska's tradition as an aviation pioneer following the model of the CAPSTONE project for unmanned aircraft. By leading the State of Alaska, including a test range proposal effort and subsequent range setup, the University can advance the cause of integrating unmanned systems into the national airspace while simultaneously enabling state agencies, industries, entrepreneurs, technology developers, and scientists to learn to use these systems to better accomplish their disparate goals. To that end, partnerships have been established with multiple state and federal agencies, state economic development corporations, and both small and large businesses such as Alaska Aerospace Corporation and oil companies. The University is also actively seeking further relationships to expand this connectivity. UAF will lead a FAA test range development effort within Alaska and manage the range after award.

On the educational side, the unmanned aircraft program will: 1) help develop training programs and educational disciplines that involve unmanned aircraft; 2) support hands-on engineering to develop new capabilities; and 3) directly fund students and faculty engaged in unmanned system research projects. The nature of applied science and engineering within the program ensures the projects will reach into science, technology, engineering, vocational programs, and even technical high school.

Program Update as of November 2012

The University of Alaska Unmanned Aircraft team is currently deployed on two different funded operations, one in Idaho and one in Florida. The Idaho operations are for the Idaho Power Company and the team is mapping salmon nests in the Snake and Clearwater River below the Hells Canyon dam. The Florida operations, at Eglin AFB, are in support of a wildfire science study involving the USAF, NASA and U.S. Forestry Service. The Florida mission features two manned and four

unmanned aircraft, including the UAF ScanEagle and Aeryon Scout systems, flying at the same time in restricted airspace.

There are some opportunities currently in discussion with Eielson AFB and there is growth of a UAS industry in Fairbanks. Atkinson Aeronautics (a Virginia based company) plans to locate staff in Fairbanks to grow commercial applications and Concurrent Technology Corporation (a Pennsylvania based company) plans to recruit staff in Fairbanks in order to co-locate with Poker Flat. Agreements between industry leaders and the FAA are expected, specifically with the oil industry. The University of Alaska is poised to support the efforts for on and off-shore work with oil companies/oil exploration as a result of expansion in these areas.

The UA Board of Regents action at the September meeting to establish the UA Research Foundation has encouraged the team to investigate how a for-profit company that conducts UAS flight services based in Alaska, with operations worldwide, could exist as a subsidiary of the Foundation. The idea is that the flight operators would go where the need exists, but the data processing would be on the UAF campus. There is an established market identified and UAF can attract these types of aerial mapping projects in a competitive market. The team is developing the business model now for these services and will be looking for private investors in this partnership, with assistance of the UAF Office of Intellectual Property and Commercialization (OIPC).

The accomplishments and growing stature of the UAF-GI UAS program have made apparent the need for a more formal structure in order to support the next levels of program expansion and accomplishment. An Alaska Center for Unmanned Aircraft Systems Research, Test and Evaluation (A-CARTE), organized within the Geophysical Institute at UAF, will provide the needed structure, visibility, focus, and support for the program's much greater leadership role in the University, in the State of Alaska, and beyond, both nationally and internationally. A-CARTE will become a natural hub of educational work and outreach, linking research to course development, curriculum and research to outreach, drawing Alaska's youth into science and engineering while advancing understanding in a host of other scientific endeavors. The Center will become a draw for technology firms both to provide needed talent and as an incubator for entrepreneurial spinoffs. Workforce development coupled with significant expansion of technical job opportunities in Alaska, ranging from skilled, certified maintainers and operators to top notch researchers and engineers, will likely start in Fairbanks and expand quickly to the rest of the state. The proposal to establish a Center, will be presented to the UA Board of Regents for approval in December 2012.