

HOUSE FINANCE COMMITTEE
February 1, 2012
1:34 p.m.

1:34:11 PM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 1:34 p.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Co-Chair
Representative Anna Fairclough, Vice-Chair
Representative Mia Costello
Representative Mike Doogan
Representative Bryce Edgmon
Representative Les Gara
Representative David Guttenberg
Representative Reggie Joule
Representative Mark Neuman
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

James Cantor, Deputy Attorney General, Resources Section, Civil Division, Department of Law; Patrick Gamble, President, University of Alaska; Michelle Rizk, Associate Vice President, Budget, University of Alaska; Chris Christensen, Associate Vice President State Relations, University of Alaska; Richard Svobodny, Acting Attorney General, Department of Law; Doug Wooliver, Deputy Administrative Director, Alaska Court System; Rhonda McLeod, Fiscal Manager, Alaska Court System.

PRESENT VIA TELECONFERENCE

Kit Duke, Chief Facility Officer, University of Alaska.

SUMMARY

OPERATING BUDGET OVERVIEWS:

Department of Law
Alaska Court System
University of Alaska

^BUDGET OVERVIEW: DEPARTMENT OF LAW

1:35:04 PM

RICHARD SVOBODNY, DEPUTY ATTORNEY GENERAL, CRIMINAL DIVISION, DEPARTMENT OF LAW provided members with a PowerPoint presentation: Department of Law, FY 13 Budget Overview (copy on file). He reviewed the department's mission: The Alaska Department of Law prosecutes crime and provides legal services to state government for the protection and benefit of Alaska's citizens.

Mr. Svobodny noted that the department had four core services:

- Protecting the safety and financial well-being of Alaskans;
- Fostering conditions for responsible development of our natural resources;
- Protecting the fiscal integrity of the state; and
- Promoting good governance.

1:37:56 PM

Mr. Svobodny observed that the Department of Law was one of the smallest of the state's departments with 573 employees, of which 295 are attorneys (Civil -166, Criminal - 127).

Mr. Svobodny observed that the department's FY 12 operating budget request was \$99 million; of which \$2 million was for out-side counsel on oil and gas issues. He emphasized the importance of oil and gas issues due to the returns they bring. The department's legal actions brought a return to the state of \$144 million in FY 12. He emphasized the unquantifiable impact of the department's activities. There was no way to determine the fiscal savings from child protection.

[1:39:50 PM](#)

Mr. Svobodny observed that the department protected citizens through prosecution of: criminal cases, felonies (7,591), misdemeanors (22,271); child in need of aid (1,061); and other cases (6,169). He emphasized the importance of child in need of aid attorneys. There are 26 child protection attorneys in the state. The child protection section had won the last 17 case before the Supreme Court.

[1:41:48 PM](#)

Mr. Svobodny observed other means in which the department protected citizens. He spoke to the governor's initiative to end domestic violence and sexual assault within ten years. He pointed out that only one cold case did not deal with sexual assault or domestic violence. The department had been involved in an attempt to bring new services to victims of domestic violence and sexual assault.

[1:43:09 PM](#)

Representative Costello asked if there were a rise in gang violence. Mr. Svobodny observed that Alaskan gangs were primarily located in Anchorage and were less homogenous or organized than in other states. A special group within the Anchorage Police Department and a special lawyer in the Anchorage District Attorney's Office were tasked with addressing gang issues.

[1:45:11 PM](#)

Mr. Svobodny, in response to a question by Representative Gara, explained that increased school attendance was the best method of prevention. Children that go through school were less likely to be offenders. He detailed the department's efforts in other areas of the state. The district attorneys in Bethel and Nome established a program for dealing with truancy with the local school districts. Kotzebue and Barrow received additional prosecutors that were encouraged to pay attention to truancy issues. The department attempted to develop ways to reward parents for keeping their children in school.

[1:47:55 PM](#)

Representative Joule referred to efforts to increase Village Public Safety Officers (VPSO) and asked if there was correctional space for the 7,591 prosecuted felonies.

Mr. Svobodny clarified that not all the felonies cited were charged or convicted. He referred the questions on space to the Department of Corrections. He stressed that the per capita crime rate had declined, as had the national trend. Violent crimes in the state were higher than the national average.

Co-Chair Stoltze observed that the subcommittee would look deeper into the issue.

[1:51:58 PM](#)

Vice-chair Fairclough stressed the need to work with school nurses in an attempt to reduce violence in schools. Mr. Svobodny agreed.

[1:53:42 PM](#)

Mr. Svobodny noted that the Consumer Protection Unit handled unfair business practices and had resolved consumer complaints. The state was in litigation with 41 different pharmaceutical companies for manipulation of the wholesale process; some of the companies had settled; and the state would go to trial with eight of the companies that did not settle.

Mr. Svobodny reviewed the environmental section that dealt with the 2006 Prudhoe Bay pipeline shutdown due to corrosion in the pipe. The state was going to arbitration on the resulting damages.

[1:55:34 PM](#)

Mr. Svobodny observed that more than half of the budget was spent to promote responsible development. He referred to Point Thomson litigation where lessees declined to produce unit reservoirs for more than two decades. In 2005, the state moved to terminate the Point Thomson unit and cancel the oil and gas leases. The department was working on a settlement. Deadline for oral argument before the Alaska Supreme Court was scheduled for February 8.

Mr. Svobodny spoke to federal cases regarding the outer continental shelf. He referred to the Shell Exploration Plan for summer 2012 drilling in the Beaufort Sea case. The federal agency, Bureau of Ocean Energy Management approved the plan and Native and environmental groups appealed. He added that a similar case involved Shell and ConocoPhillips Exploration plans for the Chukchi Sea (Lease Sale 193). The matter was being litigated, but an injunction was lifted that allowed continuation of the project.

[1:57:48 PM](#)

Mr. Svobodny reviewed the state case on the Beaufort Sea area wide lease sale. The state was sued by Resisting Environmental Destruction on Indigenous Lands (REDOIL), which sued the Department of Natural Resources over approval of the lease sale. The state petitioned the Alaska Supreme Court, which agreed to review the case.

[1:58:39 PM](#)

Mr. Svobodny observed that the Nunamta Aulukestai v. state of Alaska case had a potential to make any state development difficult. He emphasized that the case had broader impact than just the Pebble Limited Partnership and development of the mine. The case claimed that the Department of Natural Resources would be in violation of the state of Alaska Constitution if current regulations regarding permitting were followed. The Court affirmed the state's right to establish a permitting process in Nunamta. The case was appealed.

[2:00:05 PM](#)

Mr. Svobodny reviewed the State v. Nondalton Tribal Council case. The state of Alaska was sued over the area land use plan for Bristol Bay, which they ruled had to be enacted by regulation. The Alaska Supreme Court upheld the Department of Natural Resources' process, as a plan to set forth the best use of the land. A loss would have had statewide impacts.

Mr. Svobodny observed that wetlands accounted for 43 percent of Alaska. The department was involved with the federal Environmental Protection Agency. The U.S. Army Corps of Engineers wanted to expand the amount of wetlands under jurisdiction of the Clean Water Act in Alaska.

Federal interpretation would increase federal oversight. Alaska challenged the process and criteria.

[2:02:09 PM](#)

Mr. Svobodny reviewed Tongass National Forest issues. The forest was originally exempted from the Roadless Rule. The U.S. District Court ruled in May 2011 that the Tongass was not exempt from the Roadless Rule. Alaska appealed the decision to the 9th Circuit Court of Appeals. Alaska also filed a separate action in federal court that the Roadless Rule was invalid

Mr. Svobodny noted that the state intervened in the court case challenging the Logjam timber sale. The sale was upheld and jobs were saved for Southeast residents

[2:03:53 PM](#)

Mr. Svobodny observed that the state of Alaska and John Sturgeon challenged the National Park Service's legal interpretation on navigable waters. The National Park Service (NPS) claimed it could enforce federal regulations on navigable waters within Alaska. Alaska claimed that the Alaska National Interest Lands Conservation Act (ANILCA) prohibited the NPS from regulating where rivers were state-owned navigable waterways.

Co-Chair Stoltze observed that the bi-partisan, bicameral Alaska Legislature Outdoor Heritage Caucus had circulated a letter in support.

[2:04:47 PM](#)

Representative Wilson asked if the department had sufficient funds to pursue additional litigation on other issues such as Mosquito Fork. Mr. Svobodny noted that there was \$450 thousand for outside counsel that was predominately for resource issues.

Representative Wilson noted that without state intervention miners in her district could have more federal permitting requirements that could put them out of business.

[2:06:08 PM](#)

Mr. Svobodny spoke to state challenges with unwarranted listings of species as "endangered" or "threatened" and critical habitat designations. The department had been involved with many different species. He expressed concern with a lack of good science and overreaching by the federal government.

Co-Chair Stoltze indicated to the attorney general's office that they would have sufficient resources for a seat at the table to argue on behalf of the state with the federal government, non-governmental organization or environmental groups.

[2:07:39 PM](#)

Representative Guttenberg asked if there were impact on the state's ability to defend itself since the Alaska Coastal Management plan lapsed.

JAMES CANTOR, DEPUTY ATTORNEY GENERAL, RESOURCES SECTION, CIVIL DIVISION, DEPARTMENT OF LAW, explained that the state argued in the Endangered Species Act that the state had the resources and statutes in place to protect species. The loss of the coastal zone management program changed the optics, but he believed the protections were still in place.

[2:09:32 PM](#)

Mr. Svobodny stressed that the department worked to protect the financial integrity of the state in the 1980's Carlson case. The Carlson case was a class action lawsuit against the Alaska Commercial Fisheries Entry Commission regarding nonresident commercial fishermen. The legislature had imposed an additional cost on non-resident permits. Eventually, the Alaska Supreme Court ruled that the state could have additional fees if they were consistent with the additional costs to the state for regulating out-of-state persons. The plaintiffs successfully argued that they were charged substantially more than it cost the state and won a judgment of a little more than \$12 million. The Alaska Supreme Court heard the case five times. The issue before the court was the 11.5 percent punitive interest imposed against the state, which grew to \$62 million along with attorney fees; the department argued that these should be reduced. The legislature put the money in escrow and the Alaska Supreme Court judged that the 11.5 percent interest

rate was excessive. The savings to the state from the judgment was about \$50 million.

[2:12:38 PM](#)

Co-Chair Stoltze provided members with a spreadsheet of major litigation, prepared by the House Finance Subcommittee on the Department of Law (copy on file).

Representative Gara asked if the Exxon litigation was reopened. Mr. Cantor explained that the state submitted a plan for restoration; it was unknown whether or not it would be reopened.

Mr. Svobodny observed that oil, gas and mining litigation had brought \$1.95 billion to the state over ten years.

[2:15:17 PM](#)

Mr. Svobodny looked at pipeline property tax litigation. The 2006 Trans Alaska Pipeline (TAP) litigation was on appeal to the Alaska Supreme Court. The 2007-2009 superior court decision regarding the valuation of the pipeline on property taxes was favorable to the communities that received the tax. Producers were expected to appeal. The net benefit to the state was difficult to estimate because as local property taxes were increased the tariff received decreases. Another tariff issue was under ongoing litigation: the strategic de-configuration of the pipeline.

[2:17:31 PM](#)

Representative Guttenberg referred to slide 26, state challenges in TAPS tariffs of hundreds of millions of dollars in imprudently incurred capital project expenditures.

Mr. Svobodny expanded that strategic de-configuration pertained to the owners plan to automate.

[2:19:07 PM](#)

Mr. Cantor explained that the plan went awry in its management by "hundreds and hundreds" of percent in excess cost above predicted. The state maintains that the project was imprudently entered into and managed. The case just ended, but there were weeks of presentation before the

Federal Energy Regulatory Commission and Regulatory Commission of Alaska pertaining to the technology. Mr. Svobodny related that managers had a "basically grandiose" plan to run the pipeline with only a few persons. The plans went over cost by a huge amount. He asserted that good business practices were not followed.

Representative Edgmon referred to the Judge Gleason's decision. He summarized that the decision ruled that the life of the pipeline could extend out to 2068 with 7 billion barrels of recoverable oil. He asked where the state came down on the decision.

[2:21:39 PM](#)

Mr. Cantor explained that the board that sets the assessment of the property tax for the pipeline came up with a slightly lower assessment. The taxing communities felt that the assessment should be substantially higher and the tax payers felt it should be substantially lower. The state's position was in the middle, which was similar to Judge's Gleason. The state would defend Judge Gleason's opinion.

[2:24:01 PM](#)

Mr. Svobodny noted that the state had resolved two longstanding cases involving fiscal integrity of the state and the wellbeing of state students. The state was sued in Moore v. State for \$1.3 billion. Plaintiffs challenged the constitutional adequacy of rural school funding. The case was resolved after going to trial twice with an \$18 million dollar settlement that would fund grants to the lowest performing 40 schools in No Child Left Behind standards exiting exams. In the long run, the decision by Judge Gleason ruled that there was a plan that was appropriate for rural schools, and that the legislature was appropriating sufficient funds to pass constitutional muster. The decision did find that the state was doing an inadequate job of performing oversight for poor performing schools.

[2:26:07 PM](#)

Representative Joule questioned if the ruling sufficiently addressed preschool services. Mr. Svobodny understood the ruling to allow children to go to kindergarten a year early

with state support of educational services. Representative Joule reiterated his concerns. Mr. Svobodny promised to research the matter and provide more information.

Mr. Svobodny discussed the Kasayulie v. State case, which dealt with school construction in rural areas. The settlement provided for five rural schools over a four year period.

[2:28:20 PM](#)

Representative Gara expressed appreciation for the department. He referred to federal litigation information that was held back in the case against Senator Stevens. He asked if the department had sent a directive to its attorneys that holding back information would not be tolerated. Mr. Svobodny emphasized that attorneys receive an hour to an hour and a half of ethic's training on the issue. Attorneys are directed to turn over any pertinent information. He emphasized problems with the volume and processing time of information available.

[2:31:44 PM](#)

Representative Doogan observed that the department had a \$9 million increase in their FY 13 budget: \$3 million addition to the base; and \$6 million for oil and gas matters. He asked if oil and gas funding would be ongoing and questioned if the \$3 million should be added to the base. Mr. Svobodny offered to provide additional information.

[2:33:32 PM](#)

AT EASED

[2:41:19 PM](#)

RECONVENED

^BUDGET OVERVIEW: ALASKA COURT SYSTEM

[2:41:50 PM](#)

Co-Chair Stoltze observed that Judge Carpeneti was unable to attend, but identified three major issues: deferred maintenance, adjusted geographical pay, and the addition of six court clerks that would complete the "no-dark" court room project.

[2:43:22 PM](#)

DOUG WOOLIVER, DEPUTY ADMINISTRATIVE DIRECTOR, ALASKA COURT SYSTEM provided members with a PowerPoint presentation (copy on file). Mr. Wooliver reviewed the Court System's mission statement: The mission of the Alaska Court System is to provide an accessible and impartial forum for the just resolution of all cases that come before it, and to decide such cases in accordance with the law, expeditiously and with integrity.

Mr. Wooliver noted that a distinguishing characteristic of the Alaska Court System was that it was almost entirely state funded and unified. There were no county or municipal courts. He maintained that a unified judiciary led to greater efficiencies: procedurally and fiscally. He observed that a single correctional system allowed entities such as the Criminal Justice Working Group that work on resolution of statewide issues. Only eight other states had unified court systems.

[2:45:34 PM](#)

Mr. Wooliver observed that the Alaska Court System was more like the Department of Corrections than other state entities. Both have to respond to demand. Judges sign a pay affidavit every pay period that nothing on their desk was left unresolved for more than six months. Co-Chair Stoltze interjected that the practice was voluntary and was probably not constitutionally enforceable.

[2:47:13 PM](#)

Mr. Wooliver reviewed factors impacting workloads: increase in population; increase in police or VPSO in communities; varied trial rates between communities; and changes in demographics that affect wills and probates.

[2:49:13 PM](#)

Mr. Wooliver compared caseloads in FY 10 and FY 11. Felony cases had not changed significantly. However, domestic violence restraining orders were up. Two-Thirds of all cases originated in South-central Alaska: Anchorage/Palmer/Kenai. He noted the difficulties in finding solutions for problems in South-central that would also work in rural areas.

[2:50:40 PM](#)

Mr. Wooliver observed that there were 800 primarily clerical, permanent employees in 42 communities throughout the state. There were five Supreme Court justices; 42 superior court judges in 13 communities; 23 district court judges in 9 communities; and 43 magistrates in 27 communities. Many of the magistrate courts were just part-time and in many cases the magistrate was the only judicial officer in town. He observed that several of the courts were very small, and procedures and rules needed to be designed to work in small communities as well as large.

[2:51:51 PM](#)

Mr. Wooliver broke down the Alaska Court System's FY 12 budget:

- Personal Services Costs - 76.8%
- Services - 18.4%
- Travel Costs - 1.4% (87 percent covered jury travel)
- Supplies/Commodities - 3.1%
- Capital Outlay - .3%

[2:52:55 PM](#)

Mr. Wooliver spoke to positions funded in FY 12. Two new superior court judges and support staff were added as a result of the passage of SB 58. The judicial positions were staffed by retired judges. The Alaska Judicial Council sent 13 names to the governor to fill the two new and one vacant superior court judge positions.

Co-Chair Stoltze asked if there was a vacancy on the Supreme Court. Mr. Wooliver acknowledged that there was a vacancy and explained that the position was advertised. He suspected there would be a lot of applicants. The Alaska Judicial Council would decide how many names to forward to the governor.

[2:54:37 PM](#)

Mr. Wooliver referred to the No Dark Courtrooms Initiative. The last four years of the court's request for the initiative were funded. The initiative added clerks over

several years. The final installment of six clerks was requested for FY 13.

Mr. Wooliver spoke to items funded in the Alaska Court System's FY 12 request. Funding was included for improved handling of cases involving children's matters. He observed that there a retired judge handled settlement conferences and volunteer attorneys handled 161 cases (80 percent of which settled). He emphasized that these types of projects delayed the need for new judges, which were the most expensive way to solve case management problems. Co-Chair Stoltze interjected that these issues permeated other departments.

[2:56:39 PM](#)

Mr. Wooliver spoke to the Alaska Court System's FY 13 funding request. The Alaska Court System requested \$2,544,500 in general funds (GF) above the FY 12 adjusted base. The greater part was due to the final year of the No Dark Courtrooms Initiative (\$488,400). Another major factor was the geographic differential (\$436,200) to pay non-judicial employees the same differentials paid to union employees. The first phase was appropriated in FY 12; the request would fund the second phase.

Mr. Wooliver noted that the Alaska Court System requested \$503,200 for maintenance items:

- Increased costs for utilities and operating leases
- Security screening cost increases
- Emmonak Courthouse Expansion (\$74,500)
- Five New Positions - \$545,900
 - Magistrate Trainer
 - Security Analyst
 - Contracts and Leasing Manager
 - Records Technician
 - Wellness Court Probation Officer (continuation funding)

[2:58:17 PM](#)

Representative Doogan asked if the Emmonak Courthouse would be an expansion or new construction. Mr. Wooliver clarified that they would most likely build a new courthouse.

Mr. Wooliver referred to the final two items in their FY 13 request:

- Computer Replacement Funding - \$175,000 to increase base funding to \$600,000 goal; and
- Transfer of Therapeutic Courts Treatment Funding - \$200,000 (Convert MHTAAR Funding to GF/MH).

[3:00:02 PM](#)

Mr. Wooliver looked back at funding changes from FY 05 to FY 13. The greatest increase had been in personal services due to: salary adjustments, new judges (eight superior court and three district court), and staff added for the No Dark Courtrooms Initiative.

Mr. Wooliver noted that there was also significant increase in services for:

- leased facility expenses,
- utility and maintenance costs,
- software support costs, and
- Therapeutic Courts in 2010 and 2011 that were moved into the Alaska Court System.

Mr. Wooliver reiterated that the biggest change to the Alaska Court System's budget were salary adjustments and increments.

[3:02:43 PM](#)

Mr. Wooliver reviewed the Alaska Court System's ten-year plan, which anticipated the ability to handle any workload or statutory changes. There were a number of variables, but growth was anticipated, especially in South-central Alaska. New superior court judges might be needed for Juneau, Bethel, and Palmer Courts, in the near term. In the long term, new judges may be needed due to population changes in South-central Alaska.

Mr. Wooliver referred to the Electronic Document Management (E-Filing) Project, which would have an impact on all justice agencies. The system would allow electronic filings. There would be significant changes with less data input and error. The project represents a multiyear

request. Tickets would be issued electronically, which would save in handling. Access would be enhanced.

[3:06:32 PM](#)

Representative Doogan referred to the comment that new superior court judges might be needed for Juneau, Bethel, and Palmer Courts in the near term. He observed that the population was shrinking in Juneau and questioned why a new judge would be needed if the crime rate were tied to population. Mr. Wooliver explained that Juneau was already a busy court. He acknowledged that the long range view anticipated a general decline.

Representative Costello asked for more information on the process for filling court judge positions and why names were forward to the governor by the Judicial Council. Mr. Wooliver explained that the provisions were placed into the state of Alaska's Constitution and followed the Missouri plan. The intent was to take politics out of the process. The council accepts names, screens and interviews candidates, travels to communities where the vacancy was occurring to interview members of the community, take public testimony; make a decision and forward the candidates that they feel would be best to the governor.

Representative Costello noted the president of the United States did not have similar constraints. She observed the strong powers given to the governor in other areas. She observed that a previous governor had turned away names submitted by the Alaska Judicial Council. Mr. Wooliver clarified that the governor attempted to turn away the names, but in the end had to choose from among the names provided. He reiterated that the constitutional framers wanted to keep a check on a strong governor with an independent judiciary.

[3:10:58 PM](#)

Representative Costello asked if there would be a transition into e-filing. Mr. Wooliver suggested that there would be a long and painful transition period.

Co-Chair Stoltze expressed frustration on the process of having appointments by the Judicial Council. He pointed out that public members of the council are submitted by the

governor and confirmed by the legislature, but the Bar Association just gives a list of names.

[3:13:17 PM](#)

AT EASE

[3:13:27 PM](#)

RECONVENED

Co-Chair Stoltze handed the gavel over to Vice-chair Fairclough.

^BUDGET OVERVIEW: UNIVERSITY OF ALASKA

[3:24:07 PM](#)

PATRICK GAMBLE, PRESIDENT, UNIVERSITY OF ALASKA provided members with a PowerPoint presentation: FY 13 Budget Overview, House Finance Committee, February 1, 2012 (copy on file). He observed that his job was to lay out markers and then guide university personnel. He spoke to the previous year's budget, which was flat with little money for capital projects. He observed the time spent settling into the job and ascertaining needs and legislative directive. Now that he had time to reflect he concluded that the university had a huge job ahead. He stressed a complete change in direction was needed, "a rotation on its axis": the change in the direction of a moving entity rather than a strategic plan. He emphasized that the university needed to be output oriented. The idea of a return on the investment and the obligation toward the state and students was central to the mission.

President Gamble reviewed the university's mission: The University of Alaska (UA) inspires learning, and advances and disseminates knowledge through teaching, research, and public service, emphasizing the North and its diverse peoples. He pointed out the adaptation to Alaska for Alaska's needs had to be an underlying current.

President Gamble observed that branches of the university were in 22 locations.

[3:29:54 PM](#)

President Gamble emphasized that there were nearly 35,000 students with 15 nationalities. In FY 11, there were three

urban campuses and dozen communities, with over 500 degrees programs for almost 4,000 graduates.

President Gamble emphasized that the University of Alaska was there for Alaskans and pointed to its relative isolation, except for the "e" world. The University of Alaska was Alaska-centric.

[3:31:48 PM](#)

President Gamble noted that the university was growing except in the graduation rate. Improving the 27.8 percent six-year graduation rate was one of the main tenets of the Strategic Direction Initiative (a change in direction).

President Gamble observed that the budget he presented the Board of Regents went through unchanged and reflected the principle needs that the university could take on in the near future, which included advising and research for Alaskan issues. Only the \$215 thousand for the honors programs at the University of Alaska, Anchorage (UAA) and University of Alaska, Fairbanks (UAF) of the Board of Regent's request initially survived in the governor's proposed budget. The University of Alaska successfully argued in support of including the \$547 thousand receipt authority for the Sikuliaq research vessel's first year operating funds. He stressed the importance of the issue.

[3:34:31 PM](#)

President Gamble mentioned that the academic portion had a 0.01 percent increment increase. The university was in the process of figuring out how it could reorient or return to argue for programs that were not funded by the governor. The Board of Regent's request was reduced by \$6.1 million for programs.

President Gamble reviewed cost saving initiatives that were instituted by the university. The University of Alaska:

- Internalized increased costs in its employee health plan at 7 million;
- Consolidated and reduced cost in executive staff (the president's office was reduced from 9 to 4);
- Completed a dependent audit to assess how many people in the health program were ineligible, which resulted in an estimated savings of \$470,000;

- Reduced energy consumption; and
- Reduced travel through added video conferencing that saved \$500 thousand.

[3:37:24 PM](#)

President Gamble observed that \$3 million of the \$6 million requested for programs was for education and training in high demand jobs. He linked high demand jobs with a salary matrix and observed that those with masters show anomalies in terms of high salaries.

President Gamble looked at economic development and intellectual property. He noted the number of initiatives and patents being sought through the UAF Office of Intellectual Property and Commercialize. He added that UAA had just started an office. The university had requested seed money, which was denied.

[3:40:26 PM](#)

President Gamble reviewed the capital budget. Deferred maintenance was the number one priority of the university and board. A hundred million dollar bond proposal request was reduced to \$50 million in FY 12. He emphasized the need for more. He explained that renewal and repurposing (R&R) referred to the step before deferred maintenance and stressed its importance and possible savings. The FY 12 request for R&R was \$50 million, which was the number needed to maintain buildings from year to year; the university received \$2 million. He stressed that unfunded R&R turns into deferred maintenance costs. The governor's request contains \$37.5 million, which would not work for both: R&R and deferred maintenance. The university requested \$202.2 million, which was not included in the governor's request.

President Gamble observed that the university's annual operating budget was \$30 - \$32 million.

[3:43:38 PM](#)

President Gamble reviewed slide 14, FY Sustainment Funding Plan for University of Alaska (UA) facilities and continued to speak to sustainment needs. He observed that short funding of R&R and deferred maintenance in FY 12 shifted the date by which sustainment could be met. The line is

currently at 2018; had they received their full funding request in FY 12, the date would be 2016. He observed that the university was approaching \$800 million in deferred maintenance needs.

President Gamble summarized that no money was requested for planning or new buildings. The request only included funding for R&R and deferred maintenance, which were not included in the governor's proposed budget. The university only received federal capital receipt authority that would allow movement of funds internally. He indicated that the lack of funding for R&R and deferred maintenance backlog would extend the costs into the future.

[3:46:26 PM](#)

President Gamble emphasized that FY 12 federal and state funding was put to use immediately and that there were a lot of projects underway.

President Gamble stressed the need for a programmatic solution to acquiring annual funds for real property maintenance, R&R and deferred maintenance reduction before there was mission failure. "Mission failure is when students can't go into a class and sit down and learn or get on line and learn because something is broken down."

[3:48:22 PM](#)

President Gamble spoke to research for Alaska. The university's research request was "healthy" and focused on Alaska specific answers to Alaska's specific questions or complimentary programs that the federal government was seeking in regards to concerns about the oceans or Arctic, where Alaska was in the middle of the controversy.

[3:49:38 PM](#)

President Gamble stressed that the University of Alaska's research had been recognized by outside groups as cutting edge. The federal government was interested in UA research. The state request emphasized complimentary dollars for federal funding or to compliment federal research.

[3:51:04 PM](#)

President Gamble pointed out that indirect cost recovery sat on top of a grant that the university received. Flexibility was needed to support grants where funding for items outside the grant was needed and for overhead, which is high.

[3:52:27 PM](#)

President Gamble referred to Alaskan challenges that were not as desperate as other states. The UA was flattening out. The slope of the curve had been lowered from the growth phase of 12 and 14 percent annually. The university was below the state average in growth. He stressed that the university's facilities were aging out, but closure was not an option. He asked the question: If we are Alaska's university, what does Alaska want. Enrollment was still growing, but graduation rates were not high enough. There was an expansive degree program. He questioned demand and pointed out that the university cannot be everything for everyone, which was a sensitive cultural issue. Health care costs were unsustainable.

[3:55:19 PM](#)

President Gamble maintained that there was a limited solution set to challenges. He emphasized the limit for tuition increases. Funding would have to come from sources outside of tuition: program reductions, class size changes, facility closures, new revenue sources. He pointed out that grants could be written to support academic programs not just for research. The university had received a \$15 million federal matching grant for teacher mentoring; the UA match was \$1.5 million. He stressed the importance of teacher mentoring. The grant went to the four biggest school districts in Alaska. He reiterated the need to increase graduation rates. Workload increases were seen. He observed the need to balance research and classroom time.

[3:58:39 PM](#)

President Gamble maintained the need for a Strategic Direction Initiative (SDI) that was output and student oriented, and eliminated hurdles. Communities, students, staff and faculty were canvassed.

[4:00:16 PM](#)

Co-Chair Thomas referred to the research vessel that was targeted for Seward. He pointed out that the National Oceanographic and Atmospheric Agency (NOAA) facility was built in Juneau and asked why the two could not be combined to maximize research potential. He did not understand why the university would have its scientist at two ends of Alaska.

[4:02:09 PM](#)

President Gamble observed that the "heart of the target" was the three critical years: senior year of high school and first two years of college. He acknowledged student concerns regarding credit transfer. Graduation rates were seen as a business initiative that needed to improve. Increased graduation rates would lower the cost per graduate and their debt. He stressed the lack of advisers to provide comprehensive advice. The university proposed a major program to improve advising that was not included in the governor's base.

[4:04:54 PM](#)

President Gamble reviewed slide 26, Stay on Track. Stay on Track would urge students to focus on graduation. There was no capacity to advise students based on financials. Many degree programs took more than 120 credit hours. The university was reviewing degrees to bring them to 120 hours.

Representative Gara leaned toward the Board of Regents' request. He asked if engineering work could be done without a new building. He indicated that instructional money would be more successful without the need for building commitments.

President Gamble acknowledged a growth in the demand for engineering classes that was inhibited by facilities that were not keeping up with the quality necessary to graduate engineers. The technology of engineering laboratories was outdated. While laboratories could be refurnished, the floor space was inadequate. He observed that the cost for a new engineering building at \$200 million. However, deferred maintenance was seen as the bigger issue. Expansion of the engineering program remains the number one academic issue priority.

4:10:15 PM

Representative Doogan asked why UA deferred maintenance was such a problem. President Gamble explained that new buildings during the growth phase were accompanied by operation and maintenance funding. He could not answer why there was a deferred maintenance problem, but pointed out that the problem is systemic in the country. He stressed that the university was not that bad off and could get ahead before drastic measures were necessary. He discussed the power plant in Fairbanks, which presented an expensive dilemma. He observed that deferred maintenance costs were lower at UAA than UAF because the buildings were newer.

Representative Doogan asked for a written explanation on "how all of these chickens are coming to roost at roughly the same time" and why deferred maintenance was not upheld.

4:14:42 PM

Vice-chair Fairclough observed that a large deferred maintenance request that had not been funded in the prior year.

Representative Guttenberg pointed to slide 26 and wondered why students were taking part-time credits. President Gamble answered that students were encouraged to take part-time courses in order for them to determine their interest before committing to a full-time schedule. The university had emphasized the benefit of taking 15 credits hours.

4:18:09 PM

Representative Guttenberg pointed to the national dialogue related to the value of a college education. He wondered whether there was a lack of student understanding due to insufficient counselors. President Gamble suggested that technology would improve data delivery, which would free counselors to intervene on problems and allow students to make educated decisions.

Representative Costello thanked President Gamble for including the honors program in the university's base budget. She maintained that all students deserve the same level of opportunity.

#

ADJOURNMENT

4:23:33 PM

The meeting was adjourned at 4:23 PM.