

HOUSE FINANCE COMMITTEE
January 29, 2015
1:33 p.m.

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CALL TO ORDER

Co-Chair Neuman called the House Finance Committee meeting to order at 1:33 p.m.

MEMBERS PRESENT

Representative Mark Neuman, Co-Chair
Representative Steve Thompson, Co-Chair
Representative Dan Saddler, Vice-Chair
Representative Bryce Edgmon
Representative Les Gara
Representative Lynn Gattis
Representative David Guttenberg
Representative Scott Kawasaki
Representative Cathy Munoz
Representative Tammie Wilson

MEMBERS ABSENT

Representative Lance Pruitt

ALSO PRESENT

Patrick Gamble, President, University of Alaska; Sam Cotten, Commissioner, Department of Fish and Game; Kevin Brooks, Deputy Commissioner, Department of Fish and Game; Charles Swanton, Deputy Commissioner, Department of Fish and Game; Bruce Dale, Director, Division of Wildlife Conservation, Department of Fish and Game.

SUMMARY

FY 16 BUDGET OVERVIEW: UNIVERSITY OF ALASKA

FY 16 BUDGET OVERVIEW: DEPT. OF FISH & GAME

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^FY 16 BUDGET OVERVIEW: UNIVERSITY OF ALASKA

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Co-Chair Neuman reviewed the agenda for the day.

PATRICK GAMBLE, PRESIDENT, UNIVERSITY OF ALASKA, introduced his staff member, Michelle Rizk, Associate Vice President who was the primary person responsible for creating the University of Alaska's budget.

President Gamble introduced the PowerPoint presentation "FY 16 Budget Overview: University of Alaska" (copy on file). He explained that he typically began every presentation with the university's mission which he drew attention to on slide 2: "The UA Mission." In times when things got complicated he reviewed the mission statement as a reminder and an evaluation measure.

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President Gamble advanced to slide 3: "Serving All Alaskans." He emphasized the large size of the university system which included three universities, 12 community campuses in rural Alaska, and several outreach centers. He mentioned some of the remote sites such as Yukon Flats and Tok. He gave credit to technology which made it possible for the university to conduct business providing classes and education to areas across the state and through the Interior.

President Gamble discussed the organizational chart on slide 4: "Top Level Organizational Chart." He discussed the turbulence of the budget and the turbulent times the university faced. He pointed to the names of newly nominated members to the Board of Regents looking for confirmation from the legislature depicted in red. He anticipated losing the student regent upon graduation in the following May. The student vacancy would be filled with the appointment of another student. Also, there would be 5 voting regents turning over concurrently. He briefly discussed his own retirement and the search committee being formed to find his replacement. Additionally, a search to fill the Vice President of Academic Affairs and Research position was ongoing. He elaborated that the position was the equivalent of the provost at the system-wide level and was the University of Alaska (UA) President's contact person and advisor in matters of academics and research.

There were over 70 applicants from all over the world interested in the position. The board had narrowed the search to 5 candidates. It was a very important position. He also mentioned that John Pugh, the Chancellor of the University of Alaska Southeast (UAS) campus, would be leaving as well as the provost for the University Of Alaska Anchorage (UAA). He continued to explain that the top leadership of the university, the university-wide decision makers, included the UA President, Vice President for Academic Affairs and Research, and the three campus chancellors. There was a level of leadership independent from the prerogatives of each of the three chancellors and the three universities.

President Gamble reported that it was his fourteenth consecutive year of briefing the legislature on either the railroad or the university system. Typically, he came before the committee to arm wrestle for chunks of funding. However, at present, the circumstances were different. Instead, his focus was on figuring out how the university was going to handle the budget crisis. He did not have all of the governor's numbers yet and made note of the legislature's numbers. He suggested that the university and the state would have to resolve differences in determining how to handle reductions rather than growth. A discussion had not occurred but the university was ready to have one.

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President Gamble scrolled to slide 5: "Shaping Alaska's Future." He stated that the theme, "Shaping Alaska's Future," was the cornerstone for what the university was trying to do to the entire university system. It was board policy to turn the theme of shaping Alaska's future into policy. He supposed that just because the trail got rough did not mean it was the wrong trail. The theme would remain the guide for the direction of the university.

President Gamble looked at slide 6: "Shaping Alaska's Future." He mentioned that there were keys in shaping Alaska's future shown on the slide. He emphasized the importance of maintaining quality in the classroom and in the research lab. He believed that quality could be maintained without additional people or funding to maintain it. He did not think there was a statistical relationship. He wanted to make sure the university came out in one piece. There were students that were graduating and going

into workforce programs during the period of time in which the university was faced with budget difficulties. He opined that UA could not let its students down because it would lead to letting employers and the rest of the state down. The University of Alaska felt strongly about making its compact whole during the challenging period. The state needed people who were willing to knuckle down and ride out the storm. The people internally in the system would be very important.

President Gamble continued that partnerships with others would provide avenues for the university system to move forward. He would provide additional information later in his presentation.

President Gamble advanced to slide 7: "FY16 Budget." In dealing with a tighter budget the university had to make reductions without compromising its core. The core was based around offerings including workforce development, academic degrees, and research. He felt that if the university maintained its core successfully then when it had to reevaluate increments again the core would allow for a smooth recovery. The plan was designed around the core.

President Gamble thought there was an opportunity under duress for the university to strengthen the core by redoubling its efforts. The university would be data-driven making decisions accordingly. Prioritization would be important in meeting Alaska's business requirements, and it would be essential to building partnerships.

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President Gamble looked at slide 8: "Core Services and the FY16 Budget." Research was critical to the core. The university received \$140 million to \$150 million in research funding each year, comprised mostly of federal dollars. The university had world class researchers. If the university were to destroy a research project of world class notoriety it would never regain its research dollars. There was significant competition around the country for research funding. There was a multiplying force with the money as well as a discretionary piece for administrative purposes that came into university coffers as additional revenue. He emphasized research being essential to the core.

President Gamble turned to slide 9: "Maintaining Results":

Graduation rate nearly 12 percent higher than FY10

Degrees and certificates awarded in FY14 at an all-time high - up 31 percent from FY10

Engineering degrees up 25 percent from FY10

Degrees in high-demand job areas up 22 percent

Teacher education degrees up 27 percent since FY10

Received more than \$650 million in competitive research grants since FY10 - \$118 M in FY14 alone

President Gamble pointed out the importance of advising students. The function of advisors was key to student success. The university set up metrics in order to measure progress. The legislature had funded the university such that all freshmen and sophomores throughout the system had advisors for their first two years if attendance at the university. Advising was conducted differently at each of its three main campuses but results showed students were responding well to their advisors.

President Gamble wanted to rebuild around things that were working for the university. He did not want to see things cut from the budget without realizing their connection to success. No one wanted to give up quality and success. He pointed out that the slide depicted the university's first and best results list. The items on the list were either being seen for the first time or their related statistics were at their best levels. He relayed that a number of statistics had been made available to committee members and their staff. He opined that if the university system was going to structure around its core, it should structure around the things that worked. It was at least a starting point.

President Gamble discussed slide 10: "Achieving New Results":

UA percentage of total degrees that are STEM, 6th in the U.S for public institutions.

UAA 2015 list of the best online programs for master's degrees in education.

UAA ranked by US News and World Report in the top 5% out of 1421 institutions in the Western Region.

UAA Experimental Economics ranked 10th in the nation.

UAS 2015 list Best Online Teaching Degrees.

UAF Homeland Security and Emergency Management (HSEM) program, ranked as 2nd in the US for affordability of program and 5th in the US for quality of program.

UAF research publications and citations on Arctic research top not only the nation, but are also #1 in the world!

President Gamble briefly touched on the fact that the university was receiving national attention for some of its programs. The slide highlighted a number of programs that would likely be essential to the core.

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President Gamble read from slide 11: "How to Strengthen the Core":

Address the higher education paradigm shift:

- keep building value and accountability
- a balance of tuition and fees
- compete, stay relevant, embrace institutional excellence, service

Establish partnerships:

- the State of Alaska, federal government, commercial businesses
- K-12 schools; other universities
- private industry

Build a reputation for excellence that will continue to attract students, excellent faculty, research dollars, and that give us a place at the table.

President Gamble mentioned strengthening the core and wondered about how to do so. He mentioned that the university worked closely with the state's school board. He spoke about integrating what was taught in K-12 to enhance the ability of a student to enter college. The goal was for students to enter into college without having to go through a mediation and for them to be successful, particularly in the first two years of college. The university wanted to integrate the transition from high school to college. He also mentioned encouraging more students to strive in conjunction with the Alaska Performance Scholarship Fund program. He hoped to see students meet the rigor in high school by starting as early as possible in extending themselves. Beginning earlier in high school would help to remove the burden of college by reducing costs and the amount of time for students to graduate. He believed the university could build a reputation for excellence under fire. He opined that people were attracted to seeing the success of a university in sustaining, maintaining, and improving itself even when encountering a budget crisis. He suggested that if the university disassembled itself resulting in lost faculty and student recruits, it would take a decade to recover, similar to what the state experience from the timeframe of about 1986 to 1998.

President Gamble elaborated on slide 12; "Niches" - The Focal Points":

Research for Alaska's needs

- FSMI - Alaska's largest workforce
- Arctic Policy
- Aerospace
- Health Sciences
- Geo Sciences
- Land Grant Exploitation

President Gamble pointed out that the list outlined areas in which the university excelled and needed to focus. He purported that research projects being contracted to entities outside of Alaska could be performed by the university. He relayed that the university would be proposing the introduction of legislation giving it preference for research projects in Alaska. He believed the legislation would require a language change.

President Gamble also mentioned introducing legislation having to do with land grant exploitation. He talked about having shopped the idea around for the previous two years without having any push-back from the legislature. He informed the committee that he had taken it to the former governor who directed him to have the state's attorneys review it. He had drafted language and conducted a considerable amount of legal research to see if it was a viable idea, which he found it was. He informed the committee of an article that would be published on February 1, 2015 which encapsulated the notion that the university would not be receiving its land grant. He added that the land the university would have received had already been divided. He remarked that UAF remained a land grant university. The university needed to figure out a way to get the equivalent of its federally intended and state intended dowry. Historically, the first piece of legislation that the original body of legislators took up following statehood was the university's land grant. There was solid support behind the legislation at the time, and he gathered there would be solid support at present. The proposal included the idea that a fractional portion of any new resource development contracts or any renewed contracts would go into an account on an annual basis controlled by the legislature. It would be used for UA capital projects. The university approached the legislature every year for renovation and repair dollars, deferred maintenance dollars, and for money for capital equipment, which was funded about a tenth of a percent over the previous ten years. The fund would allow UA to take a portion of the money from the account, in the form of an annual appropriation by the legislature, to pay for some of the capital items he mentioned. He relayed that similar legislation had not failed because it was not controlled by the legislature. He reiterated that it was an idea in response to the governor and the legislature encouraging him to think outside of the box in terms of new revenues. He mentioned the university looking at Texas' three models used to do the same thing successfully.

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President Gamble advanced to slide 13: "The Model: Eliminate Cost + Generate Revenue":

- Prioritize and reallocate resources
- Space utilization: reduce leased space, consolidate

- Long-term facility management plan... Sightlines, university building fund, Land Grant Equivalency initiative
- Control energy expense
- System-level collaborations
- Commercialization
- Investment opportunities...unmanned aerial systems, alternative energy, arctic research, climate research, fisheries, oceans, space physics
- Enroll and retain more students

President Gamble continued to review the model encompassing the idea of how to compress around and maintain the health and strength of the core. The elements of the model included internal prioritization and resource allocation. A couple of years previously the legislature had given the university the authority to move from 7 appropriations to a single appropriation. He suggested that it would not be possible to use the model with 7 appropriations. He relayed that the university was in the process of looking at consolidating space and erasing turf lines to improve efficiencies. Consolidation had always made sense but the university had never been under fire as it was presently.

He continued that the university had been working a sightlines model for the previous 3 years to develop a long-term facility management plan. The university had over 400 buildings equating to 7 million square feet of floor space. The university was examining and categorizing the floor space it in terms of mission support and support requirements. If a space did not have value to meet the university's mission it would be dispensed. It was the first time the university had been able to evaluate its property. It also identified highly valuable property mission-essential to some of the main offerings the university would continue to provide for several years in the future. It was important not to allow the mission-essential properties to fall into deferred maintenance and believed that the account he had mentioned would help. He asserted that things started to become dilapidated when maintenance was deferred for 10 to 15 years. Through the use of the account he suggested, the university would never let maintenance go for long.

President Gamble relayed that in FY 16 energy would be the sole responsibility of the university. Controlling energy

expenses would be hugely important. Also, he mentioned commercialization. He indicated that Dr. Dan White was in the audience and had been key at the University of Alaska Fairbanks in taking intellectual property and converting it into economics. He reported that it was very effective in enhancing the recruitment of professors and researchers.

President Gamble continued by addressing investment opportunities. He pointed to the list on the slide. He did not support the idea that investments were not available. The university would be charged with the challenge of having to make key in a time of adversity in order to come out successful. One of the toughest problems was deciding what to keep rather than what to cut. He commented that investments might be necessary. He thought it might be a significant challenge to find, agree upon, and follow through with investments.

President Gamble emphasized the importance of retaining students. He relayed that losing a student in their first semester, who would otherwise be graduating in 5 years, would equate to a university loss of 9 semesters of tuition. Once students were in the door the university needed to keep them to ensure future tuition revenue. Student retention was a focal area for the university. He suggested it might require internal investment in the future and that advising had helped in retaining students.

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President Gamble advanced to slide 14: "Challenges":

Readiness for college and/or workforce

- The "core"
- Communicating a positive message of quality and excellence while rightsizing staff and faculty, programs and departments, to meet a state budget reduction plan
- Addressing aging infrastructure
- Meeting the needs of public and private partners
- Preserving the ability to invest for future returns in the "cut ... cut ... cut ..." environment

President Gamble reviewed some of the challenges the university faced with the model. He first pointed to the

need for a definition of readiness for college in the State of Alaska. He asserted that the grade for readiness for college had to be the university's call rather than the high school. He was in agreement with the commissioner and the Board of Education on the issue. Readiness meant that a freshman student could walk into their first Math, English, or apprenticeship class and be prepared. He felt there was more work to accomplish in the area of readiness for college.

President Gamble explained that the definition of "core" continued to evolve. Once the core was fully identified it would be easier to discuss what programs should stay and which ones should go. He furthered that communications would play a large role in maintaining the core. He opined that it was people that really made the university's programs. If a person was discussing programs, whether in research or academics, they were also talking about people. If a person was considering reductions they were also considering reducing people in the workforce. In terms of beating a 1-year budget, such as FY 16, fast money would be needed and did not come in the form of program reductions or a reduction in employees. There were laws and accreditation issues that would come into play if a 2 year program was shut down. It might help with a budget 2 years in the future but not with the current budget. Immediate savings would only occur if a person walked out the door immediately and they stopped being paid. He conveyed that personnel equated to 60 percent of the university's operating budget. People would be at the heart of the definition of the core.

President Gamble spoke of the commitments the university made to public and private partners and how they would have to be reassessed. There might be times that the university would have to say "no" to long-term partners. He furthered that the university could not be everything to everybody anymore. He also touched on the difficulty in considering investments when only looking at a 1-year budget.

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President Gamble turned to slide 15: "FY16 Operating Budget Challenges." He reported that the university had a 2-part problem. First, in FY 16 the university would have to pay a bill for salaries and healthcare. There would also be invoices for contracts requiring that the money be

incorporated into the FY 16 budget. He relayed that it would take a minimum of 3 years before there would be any easing in terms of increased costs and funding reductions. The timeframe could be longer or shorter. He mentioned hearing the governor speculate that there would be relief within a period of 5 years. Among the legislature there had been talk of 3 years. The legislature and the governor had both talked about a 25 percent reduction to the university' budget. He was concerned with the steepness of the angle of reductions. He understood that if the angle in which reductions were applied was flat, the state would have to dip into reserves. He surmised that if the angle was steep, the university would experience a significant amount of damage.

President Gamble continued to explain that in examining a 3-year period two problems arose. First was meeting the FY 16 budget and second was trying to determine the baseline and what it would look like after being reduced year-after-year. The baseline would make up the total budget for the university system. He wondered what programs would be cut and what programs would be left in place. He also brought up the topic of building the FY 17 budget after July 1st and encountering the same issues in designing the budget for FY 16.

President Gamble referred to the chart on slide 15 pointing to the \$12.1 general fund (GF) reduction. He noted that the university had reviewed numbers provided by the Office of Management and Budget (OMB). In order to arrive at a 25 percent reduction he assumed that what was left after removing the \$12 million he could cut in half applying the first half to the FY 17 budget and the second to the FY 18 budget. He stressed that the GF reduction would continue over the following 3 years and the baseline would also shrink over the same time period. He wondered what the university would look like at the end of 3 years. It became increasingly difficult to run the numbers out 5 years.

He highlighted two numbers; the GF baseline end in the amount of \$288.5 million and the UA System bogey in the amount of \$42.9 million under FY 16. The bogey was the amount which the university would have to come up with either in the form of internal reallocations to offset the figure or cash. The money was not part of the baseline amount and would have to be covered in some way such as cutting an expense. He outlined that the university would

have to pay its bills with revenue, reduce expenditures, and shrink the baseline. The difference between the current briefing and any other briefing was that the university had always asked for increments and argued about the size of the increment. At present, the university was looking at shrinking the baseline for the following 3 years, a negative increment. He wondered about what would be cut in order to keep something else. He mentioned having a 2-day strategic session with the university board in the previous week. He approached the chancellors and provided them with guidance, the model, and the university's priorities and had them apply their portion of reductions to each college's budget. The overall reduction was about \$42.9 million. He wondered what the university would do specifically.

President Gamble reasoned that when trying to answer the question about what to do the answers were at a level that no one at the university had dealt with before. The university had taken a \$17 million hit in FY 15. In looking at the budget for FY 16 the targeted amount of reductions was far greater than in the prior year. Actual budget proposals with specific recommendations would be provided at the February 2015 board meeting.

President Gamble reported that the board reviewed the materials he had supplied including equivalency charts. The charts identified different options that added up to the reductions for each college. He provided a hypothetical scenario in which the university reductions were paid for in personnel cuts. A range was used to provide an educated guess as to how many people would have to be laid off in order to cover the deficit amount. Running such numbers helped to demonstrate the magnitude of the problem. The chancellors also applied cuts to programs to cover the bogey figure. He opined that many of the things offered up to cover the \$42 million deficit were going to be included in the recommended cuts. The board gave clearance to the university administration to move forward with planned cuts. He thought the legislature should be aware of the gravity of the reductions and be provided with an opportunity to have input. The university would have to go through the reduction process again in FY 17. In terms of fast money and slow money the university had to get to the reduction number quickly. If programs were reduced the university would have to spend upwards of 2 to 3 years teaching out all of the students within the college. There

was a great level of complexity that accompanied the budget process.

President Gamble asked that legislators provide him with the latitude necessary to work the core. He would be able to produce a number which could be provided to the legislature. He relayed that the board needed all of the options on the table. He asked legislators to tell him what they wanted. He thought legislators could help identify considered "political hot potatoes". He suggested thoroughly debating them prior to making any decisions. He commented that the structure of the university was on the table. After 3 or 4 years of budget reductions the university could be very different. As the base became smaller and smaller the structure would be more likely to change.

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President Gamble noted the slides provided by the Legislative Finance Division (LFD) and indicated he would not be providing a briefing on them. The university formulated charts to help with determining what drove spending and operations. He believed that the LFD charts examined past results. He concluded his presentation by offering to answer any questions from committee members.

Co-Chair Neuman commented that he and President Gamble spoke to each other frequently. He indicated they had discussed the budget and the future direction of the state. President Gamble had recently pointed out that much of what had been discussed by finance members was already being put into place. Co-Chair Neuman suggested that there would be reductions to the budget and that no one had expected the state to lose 60 percent of its revenues in the previous 6 months. He alluded to the possibility of a total restructuring of government whether it applied to the university system or every other state agency. He talked about coming back to the legislature in the following year with a plan for the future. He suggested that further analysis would be completed by the time the legislature met in the following year. He thought there would be a better forecast of expected revenue streams. He hoped that the \$45 per barrel price was an anomaly. He speculated that the state was leaning towards being more conservative in price estimates. He maintained that President Gamble was also being conservative in creating a budget for the university

system. He complimented President Gamble for his perspective.

Co-Chair Neuman mentioned that President Gamble had discussed his biggest concern being the loss of faculty due to reductions. He asked him to discuss how a reduction in faculty affected the university's future plans.

President Gamble responded that there was a common theme which was that the heartbeat of the university revolved around the tenured faculty. The tenured faculty were inclined to be individuals who had earned their positions through reputation, writing, research, and teaching skills. In effect, the core group of faculty made up the reputation of a good public state university. Over the years tenured faculty had been reduced because of their costs. Adjuncts had proven to be more like a throttle on an airplane. A university was able to hire adjuncts quickly when there was a need up or layoff adjuncts expediently. Adjuncts were typically good instructors, some were retired and some chose a certain lifestyle. Adjuncts were typically the first line of faculty to be fired. It was very difficult to recover from the loss of faculty and to continue to recruit into the universities. There had to be an attraction at the university in order to hire good faculty. The attraction would be the quality of the core of the professorship and research that the university had already. He supposed that if the attraction was disassembled or fractured the state university would lose student appeal as well. He mentioned the disintegration of an institution's reputation, and losing access to federal research dollars. Research was highly competitive. Alaska's university system was significantly above the proportion of federal dollars in research that came to the university then it should have been based on its size. It received the funding because of its reputation and because of what it did. He wanted to see the university maintain its status. Otherwise, the recovery was based on upholding its reputation. He concluded that it would be one of the areas he would investigate.

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Co-Chair Neuman commented that it went back to what the legislators could do to try to freeze what it could and not hold on to what it had. He did not want to see the university lose everything at the core. President Gamble reported that the university had lost its core twice in the

past; once in 1986 and in 1997 or 1998. He stated that there were a couple of open positions in chemistry that the university had not been able to fill. He commented that people were not willing to come to Alaska. It took about 10 years for the university to recuperate.

Vice-Chair Saddler asked for an estimation of the university's land grant value and how long it would take to recover. President Gamble responded that he would provide the information. He alluded that the land grant was fractured and spread out in a number of places which lowered the value. The university's ability to exploit the value would take money, an option the university did not have currently.

Representative Wilson wanted to remind people that it was one appropriation rather than 7. She stated that once a dollar amount was known, the legislature would be leaning on the regents to help identify where to spend the money. She hoped the committee would respect their recommendations.

Co-Chair Neuman cautioned that there needed to be a certain amount of hands-on involvement by the legislature in determining non-allocated reductions.

Representative Gattis stated that she had constituents in college that had expressed concerns about programs being cut. Already people were hearing about reductions and worried about their effects. The feedback she was receiving came in the form of requests not to cut programs with hands-on participation such as lab courses. She asked that their feedback be kept in mind. President Gamble responded that students were very smart and provided good feedback. He commented that the "e-world" [internet] was well developed at present and offered numerous options and possibilities. Student input would be central to the path the university took.

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Vice-Chair Saddler referred to the chart on slide 12. He asked to what degree the niches or focal points coordinated with private industry. He wondered if they served private uses or if they were more academic or research oriented.

President Gamble responded that Lockheed Martin, a very large aerospace corporation interested in entering Alaska, wanted the University of Alaska to be a major player in the mathematical research, workforce development, and maintenance of a project to upgrade a long-range radar for the government. The university was dealing with the corporation in a number of areas and the company was in a request for proposal (RFP) process. He thought it was a classic illustration of how Alaska's physical location provided unique opportunities. He furthered that there was a business component involving manufacturing which could potentially be done in Alaska. Lockheed Martin maintained the radar for the F22 and would maintain the radar for the F35. All polar launches would occur in Kodiak, Alaska. The university had an intent to sign a contract designating the university as the agent for all future launches for polar orbits. The university would have a free seat on every one of the rockets. The students would build the satellites and the university would do the research and provide workforce development. He opined that it would constitute a solid partnership that had the potential to last for the following 50 years.

President Gamble indicated there were a number of other areas that had potential for growth. He wondered how the university would be willing to contribute in order to attract Lockheed Martin to invest in Alaska when negotiations ensued. He also wondered about how much the state would benefit. He opined that the university would have to step up to be a partner if it wanted partnerships. It was a poor time to attract people to Alaska. Identifying investments was included on the chart. He had a number of examples such as in the area of unmanned aircrafts where investment dollars were not available in the capital budget. It appeared that the drone program would come to a halt. There was no money for Alaska Aerospace and it was possible that the launch site would be sold. He suggested that the state needed to have a debate where all sides came together before making any decisions.

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Co-Chair Neuman wanted an update on Alaska's new arctic research vessel, R/V Sikuliaq. President Gamble stated that the vessel would be delivered to Seward in February 2015. It was a state-of-the-art vessel which had sailed through several waters performing research. He reported that any

bugs were worked out. It was currently in Alaskan waters and ready for its next mission.

Co-Chair Neuman asked if the University was largely involved. President Gamble responded affirmatively. The university had reserved space on every cruise. It would be afloat approximately 200 days per year for several years into the future.

Representative Kawasaki commented that most agencies were looking at user fee increases. He mentioned that the Department of Natural Resources, Division of Parks and Outdoor Recreation was looking at tripling or quadrupling fees that had not been changed for a least 10 years. He supposed that the university had a way to increase revenues by increasing room and board fees and tuition. He was not suggesting increasing fees but wanted President Gamble to respond.

President Gamble replied that the governor strongly urged the use of fees to generate revenue. He had encouraged agencies to review their fees. Although the university had received the governor's message, fees were not normally a topic that took up much time in a discussion. He explained that the board policy outlined that money collected from fees had to go directly towards their intended use. He could not take fees and use them as UGF. In a discussion in the previous week, the university decided that it would look at its fees to determine possible revisions. At the time the university submitted its budget there was no recommendation to increase tuition, however, circumstances had changed. He understood that the red or camouflage book that the university had was no longer relevant. In the book the board, in its wisdom at the time, decided it did not need to raise tuition. The topic was revisited and the result was that there would be a raise in tuition. He concluded that the university would ultimately raise its fees and tuition.

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Representative Guttenberg asked about the university's role in the upcoming opportunities in the Arctic. He was concerned about lost opportunities. As the University refocused he wanted to make sure a path was still available for the University to play a key role in research. He emphasized that all of the payers including China, Russia,

Singapore, and Kuwait were playing a part in developing the arctic. He mentioned that the Northwest Passage had been a dream for people for hundreds of years. He reemphasized that he did not want the university to miss opportunities. He also wanted the state to be ready for when the economy rebounded. He did not want lost infrastructure impeding the university from doing its job. He spoke proudly of the West Ridge Research Center at UAF and perceived that the Secretary of the United States Navy had been impressed with the university's job well done. He was concerned with the state's role with infrastructure needs and potential lost possibilities. He furthered that if the state did not build a port in the Arctic prior to someone else, it would lose commerce and an incredible opportunity. He understood the fiscal constraints of the state but hoped the existing road map would remain in place.

Co-Chair Neuman was unclear whether Representative Guttenberg had a question.

Representative Guttenberg stated that he was making an observation.

President Gamble commented that UA was America's arctic university.

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^FY 16 BUDGET OVERVIEW: DEPT. OF FISH & GAME

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Co-Chair Neuman introduced the committee's next presenter.

SAM COTTEN, COMMISSIONER, DEPARTMENT OF FISH AND GAME, introduced himself and his staff. He indicated his staff would be available for questions. He relayed that he was new to his position and understood the responsibility to the people of Alaska. He conveyed that in his position he would try to be as responsive and as open as possible about how the Department of Fish and Game made its decisions. He was very pleased and impressed with the professional caliber of the staff currently at the department and

acknowledged their dedication. He turned the presentation over to Mr. Brooks.

Co-Chair Neuman asked Mr. Brooks to focus on highlights of the presentation due to time constraints.

KEVIN BROOKS, DEPUTY COMMISSIONER, DEPARTMENT OF FISH AND GAME, introduced the PowerPoint presentation: "FY 16 Budget Overview: Department of Fish and Game (copy on file)." He indicated there were about 30 slides in the presentation and he could certainly get through them with enough time for questions at the end.

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Mr. Brooks turned to slide 2. He noted that the Department of Fish and Game's (DFG) mission statement was derived from the Alaska Constitution and Title 16.05.020 in the Alaska Statutes. The mission statement encompassed a portion of both documents.

Mr. Brooks pointed to slide 3: "ADF&G Core Services." He mentioned that management included measuring commercial harvests, issuing habitat permits, angler days, user harvests and success, and participating in federal issues that affecting the state. The second core service was stock assessment and research accomplished by meeting escapement goals, meeting or exceeding threshold harvests or catch levels, performing wildlife and subsistence surveys, and doing research. Another important component of DFG was customer service and public involvement. The department conducted hunting and angling skills programs, provided opportunities for Alaskans to learn about wildlife and wildlife management, interacted through the sales of hunting and fishing licenses, participated in the boards and advisory committees, and generally provided information to the public at the department's public service counters across the state.

Mr. Brooks discussed slide 4: "Alaska Department of Fish and Game Organizational Chart." He reported that there were six divisions within the department and the commissioner's office. The divisions included the Division of Commercial Fisheries, Division of Sport Fish, Division of Wildlife Conservation, Division of Habitat, Division of Subsistence, and the Division of Administrative Services. He remarked that the first three were the largest of the divisions

within the department. He noted that the department also had a board support section and two independent agencies, the Commercial Fisheries Limited Entry Commission (CFEC) and the Exxon Valdez Oil Spill Trustee Council.

Mr. Brooks pointed out the staff in the audience. He stated that Charlie Swanton was formerly the department's Sport Fish Director was now the Deputy Commissioner handling much of the state's Pacific Salmon related issues. Mr. Tony DeGange was the new Director of Habitat. The new Special Assistant, Mr. David Rodgers, would be helping with issues having to do with endangered species. Mr. Bruce Dale, the acting director for the Division of Wildlife Conservation, and Mr. Tom Brookover, the acting Director for the Division of Sport Fish, both previously served as deputy directors.

Mr. Brooks turned to slide 5: "Alaska Department of Fish and Game Regional and Area Offices." He relayed that a mainstay of the management programs was having offices near Alaskans. The map showed 30 permanent offices around the state. There were numerous other offices that were seasonal in nature such as field camps.

He explained that he would run through each of the divisions in the next several slides to provide a broad overview of the relative size of the department.

Mr. Brooks reviewed slide 6: "Commissioner's Office":

Commissioner Sam Cotten
Deputy Commissioner Kevin Brooks
Deputy Commissioner Charlie Swanton

- 10 permanent full-time positions
- \$1,926.2 FY2016 Operating Request
- \$910.4 UGF Request
- 1% of ADF&G's Operating Budget
- Provide support and policy direction to departmental programs

Mr. Brooks explained that the commissioner's office provided support and policy direction to all of the department's programs. The commissioner acted as an ex officio of the Board of Fisheries and the Board of Game. The position also sat on the North Pacific Management Fisheries Council (NMFS).

Mr. Brooks discussed slide 7: "Division of Commercial Fisheries":

Director Jeff Regnart

- 308 permanent full-time positions
- 433 permanent part-time/seasonal positions
- \$71,341.7 FY2016 Operating Request
- \$44,239.8 UGF Request
- 33% of ADF&G's Operating Budget
- Protect, maintain, and improve the fish, shellfish, and aquatic plant resources of the state, consistent with the sustained yield principle, for the maximum benefit of the economy and the people of Alaska

Mr. Brooks reported that the Division of Commercial Fisheries was the department's largest. The division was in charge of managing all commercial, personal use, and subsistence fisheries in state waters. The division also managed shell fish and ground fish species under delegation from the federal government. It also planned and permitted the salmon hatcheries and mariculture operations and provided support to the state's efforts towards the Pacific Salmon treaty and Alaska Yukon treaty efforts. The division represented about a third of the department's overall budget. More importantly, the Commercial Fisheries Division consumed about 60 percent of the department's GF dollars.

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Mr. Brooks presented Slide 8: "Ex-vessel Value of Commercial Harvests and Mari culture Production in Alaska." He stated that one of the ways the department monitored the Commercial Fisheries Division was by watching the ex-vessel values as seen on the slide. For the last several years the ex-vessel value had been in excess of \$2 billion annually. It was an indicator of fishermen's participation and their success in making a living from the resources.

Mr. Brooks advanced to slide 9: "Escapement Goal Achieved." He specified that the chart was an indicator of the division's performance. Measuring escapement goals was a key point of the division's management program. The state had 296 escapement goals around the state on various salmon stocks. The division targeted meeting 80 percent of the

goals. He explained that the state had never met 100 percent of its goals most likely due to weak stocks and sometimes because of weather preventing aerial surveys from happening or a flood or high water event occurring which prevent the state from enumerating fish. He remarked that 80 percent was an aggressive target which had been in place over the previous several years. It was a target the division strived to achieve.

Mr. Brooks advanced to slide 10: "Division of Sport Fish":

Acting Director Tom Brookover

- 200 permanent full-time positions
- 176 permanent part-time/seasonal positions
- \$48,522.0 FY2016 Operating Request
- \$6,307.5 UGF Request
- 23% of ADF&G's Operating Budget
- Protect and improve the state's recreational fisheries resources

Mr. Brooks informed the committee that the division accounted for about a quarter of the departments overall budget. Its budget was just under \$50 million. Only \$6.3 billion came out of the undesignated general fund (UGF). The division was primarily funded through federal receipts as well as DFG revenues from the sale of licenses. He reviewed that the Sport Fish Division was responsible for the management of Alaska sport fisheries as well as many personal use fisheries and some subsistence fisheries not managed by the Commercial Fisheries Division. The division also ran the state's two hatcheries, the William Jack Hernandez Sport Fish Hatchery in Anchorage and the Ruth Burnett Sport Fish Hatchery in Fairbanks. The Sport Fish Division maintained boater and angler access for sport fishing and recreational opportunities and was the department lead on invasive species.

Mr. Brooks continued with slide 11: "Sales of Fishing Licenses." He cited that one of the indicators the division paid attention to was the license sales. They were a reflection of angler participation. If the state was selling licenses, folks wanted to get to fish. He elaborated that with the challenges the state had with Chinook stocks over the previous few years the sale of King Salmon stamps had decreased due to folks having low

expectations in catching Chinook. Fishers refocused their efforts on Coho or other species. The division had its high water mark in 2008 where the state sold just under 500 thousand licenses. He reported an uptick in sales over the prior two years.

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Mr. Brooks revealed slide 12: "Division of Wildlife Conservation":

Acting Director Bruce Dale

- 217 permanent full-time positions
- 53 permanent part-time/seasonal positions
- \$49,203.1 FY2016 Operating Request
- \$6,529.3 UGF Request
- 23% of ADF&G's Operating Budget
- Conserve and enhance Alaska's wildlife and habitats and provide for a wide range of public uses and benefits

Mr. Brooks stated that the division was charged with collecting scientifically sound information and managing wildlife populations in Alaska. The division maintained habitat on state lands capable of sustaining robust and well distributed wildlife populations. One of the division's key roles was increasing lower declining ungulate populations through its intensive management programs. The division also ran through shooting ranges in Anchorage, Fairbanks, and Juneau.

Representative Gattis asked about the current administration's position on intensive management in terms of perpetuating and enriching it.

Acting Commissioner Cotton responded that the department did not intend to make any significant changes. There were funds available through previous capital appropriations that allowed the division to maintain its functions. The department was attempting to be cost-conscious but the commissioner did not foresee any major changes in direction.

Representative Gattis spoke of some areas within her district that people were unable to reach in order to carry

out predator control. She wondered if there would be any change. Acting Commissioner Cotton suggested that he could provide her with additional information but reiterated that there would not be any major changes in direction.

Mr. Brooks turned to slide 13: "Sales of Hunting and Trapping Licenses." He reported that similar to sport fishing license sales the sales of hunting and trapping licenses was a reflection of hunter participation in the harvest of the state's wildlife resources. There had been a slight uptake in the license sales over the previous two years. He surmised that it was a result of people's expectations of going out to harvest an animal and to put food in their freezers.

Mr. Brooks relayed that he would turn to the three smaller divisions within the Department of Fish and Game.

Mr. Brooks advanced to slide 14: "Division of Subsistence":

Director Hazel Nelson

- 29 permanent full-time positions
- 23 permanent part-time/seasonal positions
- \$7,728.2 FY2015 Operating Request
- \$3,106.4 UGF Request
- 4% ADF&G's Operating Budget
- Scientifically quantify, evaluate and report information about customary and traditional uses of Alaska's fish and wildlife resources

Mr. Brooks reported that the budget for the Division of Subsistence consisted of about \$7.7 million total and \$3.1 million in UGF. The division's budget equaled approximately 4 percent of the department's budget. The Division of Subsistence was tasked with compiling and analyzing subsistence harvest information. Its employees conducted research to gather information on the role of hunting and fishing by Alaskans for customary and traditional uses. The information was used to inform the public and assist the Board of Fish and Board of Game in making determinations on amounts necessary for subsistence.

Mr. Brooks advanced to slide 15: "Management Plans Incorporating Subsistence Information." He reported that one of the ways the division was measured was to review the

management plans for both fish and game. The division monitored the number of plans that subsistence contributed to developing. In the previous two years there had been a refocused effort in contributing to management plans. In 2014 the division had contributed to over 50 management plans with the subsistence harvest information used by the boards.

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Mr. Brooks moved to slide 16: "Division of Habitat":

Director Tony DeGange

- 47 permanent full-time positions
- 3 permanent part-time/seasonal positions
- \$6,841.9 FY2016 Operating Request
- \$4,236.9 UGF Request
- 3% of ADF&G's Operating Budget
- Protect Alaska's valuable fish and wildlife resources and their habitats as Alaska's population and economy continue to expand

Mr. Brooks acknowledged the new director of the division, Mr. Tony DeGange. He indicated that the Division of Halibut was another of the smaller divisions in the department. The amount of total operating funds for the division equaled \$6.8 million, \$4.2 million in UGF. The division's role was to review applications and issue permits for activities in fish-bearing water bodies and legislatively designated special areas. It was also responsible for monitoring and authorizing development projects and conducting compliance actions. Primarily, he was speaking of successfully permitting development operations that would provide jobs for Alaskans but also would not harm critical fish and wildlife habitat that was necessary for Alaskans to enjoy.

Co-Chair Neuman asked members to hold their questions until the end of the presentation.

Mr. Brooks discussed slide 17: "Number of Permits Issued." He stated that one of the things the division did in monitoring activity was to review the number of permits issued. He pointed out that in the prior three years there had been over 4 thousand permits issued. More importantly, the division had only had to take 14 non-compliance actions

in the previous year. In the instance of non-compliance, the division worked with a developer or an individual on whatever items needed to be brought into compliance to protect fish and wildlife habitat.

Mr. Brooks advance to slide 18: "Division of Administrative Services":

Director Sunny Haight

- 73 permanent full-time positions
- 11 permanent part-time/seasonal positions
- \$12,701.0 FY2016 Operating Request
- \$3,169.4 UGF Request
- 6% of ADF&G's Operating Budget
- Provides routine administrative services for the department and coordinates development of the annual operating and capital budget

Mr. Brooks relayed that the Division of Administrative services provided the primary functions in the areas of accounting, budget, human resources, and information technologies as well as general support. One of the things unique to the department was the administration of its fish and game licensing program. The department sold nearly 800 thousand pieces of stock annually and generated \$25 million of revenue for the fish and game fund to help fund the department's programs and support fish and wildlife. The division comprised about 6 percent of the overall budget of the department and just under \$3.2 million in UGF.

He moved to slide 19: "Board Support Section":

Board of Fish Executive Director Glenn Haight
Board of Game Executive Director Kristy Tibbles

- 6 permanent full-time positions
- 5 permanent part-time/seasonal positions
- \$1,983.5 FY2015 Operating Request
- \$1,512.7 UGF Request
- 1% of ADF&G's Operating Budget
- Ensures that the public process for the state's fish and wildlife regulatory system operates efficiently and effectively

Mr. Brooks affirmed that the Boards Support Section was small but critical and totaled \$1.5 million in UGF and 1 percent of Department of Fish and Game's total budget. The section played a critical role in helping the Board of Fish and the Board of Game to meet as well as the 84 advisory committees around the state. He reported that in 2014 the Board of Fish met for 36 meeting days and considered 377 proposals. The Board of Game had 20 meeting days and considered 180 proposals. He added that the joint board met for 5 meeting days and considered 41 proposals.

He discussed slide 20: "Independent Agencies":

Commercial Fisheries Entry Commission

- 28 permanent full-time positions
- 3 permanent part-time/seasonal positions
- \$4,593.6 FY2016 Operating Request
- \$0 UGF Request
- 2% of ADF&G's Operating Budget
- Controls entry into Alaska's commercial fisheries to promote conservation of Alaska's fishery resources and economic health of commercial fishing

Exxon Valdez Oil Spill Trustee Council

- 4 permanent full-time positions
- \$2,503.5 FY2016 Operating Request
- \$0 UGF Request
- 1% of ADF&G's Operating Budget
- Works toward restoring the environment injured by the Exxon Valdez oil spill to a healthy and productive ecosystem, while taking into account the importance and quality of life and the need for viable opportunities to establish and sustain a reasonable standard of living

Mr. Brooks reported that CFEC had zero UGF. The commission generated its revenue from the sale of vessel licenses and permits in the amount of \$4.6 million which equated to 2 percent of DFG's total budget. He continued that the Exxon Valdez Oil Spill Trustee Council was a small monitoring unit currently. The council has a staff of four, an operating budget of \$2.5 million, and zero UGF. Neither

entities reported to the commissioner. Instead they were housed within DFG for budgeting and reporting.

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Mr. Brooks discussed slide 21: "FY2016 Budget By Division and Funding Source (\$214,975.5)." He explained that the department's FY 16 endorsed budget was just under \$215 million. The two pie charts were broken down by division and by fund source. The three large divisions, Commercial Fisheries, Sport Fish, and Fish and Wildlife, comprised about 80 percent of DFG's budget. The other divisions were the smaller pieces in the pie. He directed members' attention to the pie chart by fund source. The GF made up about 40 percent of the total budget. Federal funds equaled about 31 percent and Fish and Game funds were 11 percent, and the remaining 18 percent consisted of a variety of other smaller funding sources.

Mr. Brooks reported on slide 22: "FY2016 Budgeted Positions." He relayed that the department's workforce consisted of 922 full-time positions and 1683 positions total. During the seasonal months the department nearly doubled its workforce. A majority of the seasonal positions were in the three larger divisions within the department.

Mr. Brooks advanced to slide 23: "FY2016 Operating Budget by RDU Department of Fish and Game: FY2015 Management Plan to FY2016 Adjusted Base Comparison." He explained that the slide showed the FY 15 management plan compared to the FY 16 adjusted base by RDU's [Results Delivery Unit]. The differences in the budget were cost of living adjustments from labor contracts. He noted a health insurance rate reduction determined by Department of Administration and distributed to all agencies. He pointed out the reversal of three temporary increments added by the legislature previously. They were scheduled to end after FY 15 and totaled \$810 thousand. They were depicted on the slide under the reversal of multiple one-time appropriations.

Mr. Brooks discussed slide 24: "FY2016 Operating Budget by RDU Department of Fish and Game: FY2016 Adjusted Base to Governor Endorsed Budget Comparison." He relayed that the slide showed the FY 16 adjusted base and the FY 16 governor endorsed budget. He reviewed the main changes. The department proposed a \$7.3 million UGF reduction. The decrement encompassed a multitude of division decreases.

There were also some fund source changes that he would discuss in detail in the subcommittee process. He indicated he had a more comprehensive slide he would review before the end of his presentation.

Mr. Brooks slide 25: "Department of Fish & Game's Share of Total Agency Operations (GF Only)(\$ Thousands)." He noted that the following three slides were generated by the Legislative Finance Division and provided a 10-year lookback. Department of Fish and Game had grown over the previous decade. He reported seeing a decrease in growth in the prior two years. However, throughout the 10 years the department's share of the overall agencies' budget remained steady at a range of 1.6 percent to 1.7 percent. It equaled 1.67 percent in the FY 16 request.

Mr. Brooks talked about slide 26: "Appropriations within the Department of Fish & Game (GF Only) (\$ Thousands)." He conveyed that the slide broke out the 10-year lookback by division. He pointed out that the Commercial Fisheries Division, represented by the blue line at the top of the graph, dominated the GF discussion. He noted the cluster of all other DFG divisions near the bottom of the graph. He also drew attention to the downturn in GF budgets in the most recent 2 years.

Mr. Brooks explained slide 27: "Appropriations within the Department of Fish & Game (All Funds) (\$ Thousands)." He remarked that the graph depicted "All Funds". The chart reflected the federal funds and the Fish and Game funds as well as the GF in the budget. Both of the budgets for the Sport Fish Division and the Wildlife Conservation Division were about \$50 million dollars each, and the Commercial Fisheries Division budget was in the \$70 million range. The remaining divisions were relatively small in comparison.

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Mr. Brooks advanced to slide 28: "Major Accomplishments in 2014":

- Commercial Salmon Harvest
- Intensive Management
- Endangered Species
- Wood Bison Restoration

Mr. Brooks reported that the department had a strong year in 2014. He affirmed the strong commercial salmon fishery harvest totaling 156.7 million fish with a preliminary value of \$ \$576 million. The largest component came from Bristol Bay. There was also a strong chum salmon harvest from Kotzebue. He furthered it was the second largest harvest on record with 677 thousand chums harvested. He referred back to the question regarding intensive management. He specified that the department was currently implementing intensive management programs aimed at increasing caribou and moose numbers in portions of game management units 9, 12, 13, 15, 16, 17, 19, 20, 24, and 25. The department was active around the state. The department was pursuing intensive management programs in areas within the game management units, rather than throughout entire units that need it and that were approved by the board. He also mentioned a reintroduction of wood bison in the following 2 months. The department has practiced due diligence in terms of the endangered species act. The wood bison population was considered an experimental population. The animals would be released on the landscape in the following March. The department had the associated funding for their reintroduction.

Mr. Brooks pointed out slide 29: "Issues and Challenges":

- - Chinook Salmon Fisheries
 - Endangered Species and the State's Right to Manage
 - Fish and Game Fund Pressure
 - Federal Funding

Mr. Brooks spoke about the low abundance of Chinook which had been well documented. It had prompted the closure and restrictions necessary for conservation that resulted in a burden on Alaskans reliant on the Chinook stocks for food and income. The department had initiated a Chinook salmon research initiative and received some questions about its status. Over the prior 2 years the legislature appropriated \$7.5 million in 2013 and 2014 sessions for the department to pursue the initiative, a \$30 million initiative. He conveyed to the department's managers that they should only count on the money that the department had. The department recognized the fiscal climate. There was enough funding to complete some good work and to fill some of the knowledge gaps identified at the onset of the initiative. The department identified 12 indicator stocks for the initiative that stretched from Southeast to the Yukon. The

department was likely going to reduce the number of indicator stocks and focus more on the adult work rather than juvenile work using about half of the funding. He relayed that juvenile work was very costly. He mentioned that he had some of the project managers working on a proposal to get the best information at the best value with the money that had been appropriated. The information would be reported back to the legislature at some point. He also reported doing the final edits of the second issue of the Department's Chinook News which provided a current update on the work that had been done regarding the 12 indicator stocks. The first issue came out in 2014 in newspaper form. He remarked that the commissioner had been working on the issue of Chinook salmon fisheries with the North Pacific Fisheries Management Council (NPFMC).

Acting Commissioner Cotton responded that NPFMC had jurisdiction over the Bering Sea among other federal waters in Alaska. Recently the department had advanced a proposal in which he expected to take final action in the following April to reduce the limits on Chinook salmon bycatch in the Bering Sea. It was significant because of the low abundance situation on Alaska's Western rivers. It would be a large reduction in the overall limit. It had been a hard-fought battle but Alaska was currently in a position to accomplish the reduction. A huge percent of the Bering Seas stocks were Alaska fish. Some Chinook salmon seen in other parts of Alaska were not necessarily Alaska fish. He felt like there had been some success and hoped to finalize it in April.

Co-Chair Neuman asked if there were enough votes. Acting Commissioner Cotton thought so. He added that there were 11 votes on the council, 6 were Alaskan.

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Mr. Brooks continued to address slide 29. He pointed out that the department relied heavily on federal funding; it was 30 percent of the department's overall budget. In many areas the funding was flat or declining. However, there was one area he wanted to highlight. The Pittman-Robertson Wildlife Restoration funds underwrote the Division of Wildlife Conservation. He explained that the fund was derived from excise taxes on guns and ammunition at the national level. It was dedicated and allocated out to the 50 states based on size and population. Alaska received a 5

percent allocation of funds. The fund has been growing dramatically for several years and was reflective of guns and ammunition sales in the nation. The Division of Wildlife Conservation was challenged due to the fact that the funds required a 3-to-1 match, \$3 federal dollars to \$1 state dollar. The department typically used its Fish and Game funds and monies from GF to match the federal dollars. The Fish and Game funding has been flat but has been on the rise for the previous 2 years. There had been an increase of about \$900 thousand in 2014 over 2013. He continued to explain that it was out of \$25 million total. He commented that it had been nice to see the increase. Much of the revenue was derived from non-resident sales. Many people visited Alaska to hunt and fish. As the national economy was improving, Alaska was seeing more visitors and additional non-resident sales. He reiterated that it remained a challenge to match federal funding and to put sound projects in the field that would provide useful information for managers.

Co-Chair Neuman commented that the legislature would be working diligently to make sure the state had match funds. Mr. Brooks clarified that it was one program where federal funds were not diminishing, atypical of the current trend.

Mr. Brooks pointed to slide 30: "Highlights in Operating Budget for FY2016." He reported that the department was requesting \$7.3 million less in UGF for FY 16. The department was proposing some revenue offsets including \$3 million in receipts from the Commercial Fishing Limited Entry Commission that would replace UGF in the budget for the Division of Commercial Fisheries. The receipts were derived from the sale of vessel licenses and permits and were tied to the industry. The department thought it was the prudent thing to do. The agency generated between \$7.5 million to \$8 million in revenue and had a budget of about \$4 million. The excess revenue would be useful in offsetting cuts to the Commercial Fisheries Division that would otherwise result in reductions to programs important to commercial fishermen. The department was proposing another offset which was to replace \$1.2 million in UGF in the Division of Wildlife Conservation with federal funds from the Pittman-Robertson fund.

Co-Chair Neuman interjected that Co-Chair Thompson would be leaving the meeting early and had a question.

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Co-chair Thompson asked that the department provide recommendations for generating revenue. H asserted that fishing license fees had not been increased for several years. He thought that there were many reduced fees that had been in place since the 70's. He wanted to revisit fee structures to generate additional monies due to the current fiscal situation. Acting Commissioner Cotton responded that Co-Chair Thompson was correct that a hunting license cost \$25 which was a bargain in comparison to many other states. The department did not charge for game tags but many states did. He was encouraged by many outdoor groups promoting the idea of increased fees. It was an opportunity to face the budget situations with a "pay-as-you-go" approach. His staff had put together some spreadsheets showing different options and different revenue results from those options which he would be happy to share with the committee.

Co-Chair Neuman remarked that perhaps Co-Chair Thompson was encouraging the department to take the lead.

Mr. Brooks returned to slide 30. He indicated that the next part of reaching the \$7.3 million UGF reduction was direct cuts to divisions. The Commercial Fisheries Division made up to 60 percent of the department's GF. He reported that reductions were spread to all of the divisions within the department. He discussed that when DFG added projects it also added precision to its management. He provided the example of running a Chinook weir and extending it to include counting Coho. The department would add weeks to a season trying to enumerate better and ultimately getting better data resulting in more precise management and greater opportunity for fishermen or anglers. As the department scaled back it might be replacing a weir with aerial surveys, a method that was less precise and not as detailed. The public is effected by not having as much opportunity. The department tried to manage for optimum opportunity, however, it had to protect the stocks creating tension in the budget. As the department looked at reductions, provided specifically in the form of change records, it would identify specific projects such as sonar and weir projects that the department would be proposing to reduce or eliminate.

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Mr. Brooks mentioned that there had been 6 additional temporary increments that had been added over the years. They were scheduled to expire after 2016, 2017, and 2018. The department would be proposing to end them at the end of 2015 and not continue them which would total \$1.2 million. He would be discussing the large pieces of the \$7.3 UGF reduction in more detail in the subcommittee process.

Mr. Brooks advance to slide 31: "FY2016 Capital Projects Request":

Projects and Initiatives

- Wildlife Management, Research and Hunting Access: \$11,250.0 Federal, \$500.0 GFM

Recurring Capital Projects

- Sport Fish Recreational Boating Access: \$2,250.0 Federal, \$750.0 GF
- Shooting Range Deferred Maintenance: \$375.0 Federal, \$125.0 F and GF

Mr. Brooks commented that although he had been presenting the department's operating overview, the department had three small capital projects reflected on the last slide of his presentation. The first was a cluster of wildlife management, research, and hunting access projects totaling \$11.2 million in federal dollars using the spike in the Pittman-Robertson fund so it did not revert back to the federal government. If the money went back to the federal government it would be spent somewhere else or reallocated to another state. Department of Fish and Game had a \$500 thousand match in GF. In straight proportion it would take \$3.7 million to match \$11.2. He relayed that the department was under-matched and would be looking diligently for partners on many of the projects. The department was trying to get the authority on the books in order to pursue the effort.

Mr. Brooks continued that the department had 2 recurring capital projects including boater access in the amount of \$3 million using the majority of federal funds, and shooting range deferred maintenance for \$500 thousand none of which were GF. He concluded DFG's presentation and was happy to answer questions from committee members.

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Co-Chair Neuman congratulated former Sport Fish Division Director, Mr. Charlie Swanton, on his appointment to Deputy Commissioner within DFG. He mentioned hearing about the effects of some federal regulations that would allow subsistence fishing on the Kenai River. He asked Mr. Swanton about the potential effects on the fishery.

CHARLES SWANTON, DEPUTY COMMISSIONER, DEPARTMENT OF FISH AND GAME, responded that the effects of allowing subsistence would play out over the following several months. He was unsure of the future outcome but thought that department staff had weighed in with the federal subsistence board about concerns they had. He remarked that in some people's minds the information was solidly heard. He could not predict the outcome, however.

Co-Chair Neuman clarified that he meant the outcome of the fishery. He asked if it was damaging to the fishery.

Mr. Swanton remarked that the specifics of the particular proposal that was passed had a series of answers to some of the questions. His understanding was that the users would submit an operation plan to the federal manager, who had not been determined at present. For the sake of discussion it would likely be the refuge manager, as in other areas of the state. The refuge manager and staff would review the operational plan which would stipulate such things as species, gear, location, time, and limits in terms of how much of each species could be harvested. The things he mentioned had not been determined.

Commissioner Cotton added that DFG had been working on the issue. Representative Gara had been very interested in the issue as well as others. He thought the deputy commissioner had outlined the procedure well. He was definitely concerned about the effect on King Salmon and other sport fish including Rainbow Trout and Dolly Varden Trout, The nets were indiscriminately nets. Many of the decisions that would be made would have a specific determination on the effects. He expressed his surprise about the issue and relayed that there were 4 federal agencies that voted on the issue. Typically they had opposed the issue and in the case of the most recent vote the National Park Service votes yes catching most people off guard. He was very interested in pursuing the issue further.

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Representative Munoz asked about the environmental compliance functions within the Habitat Division and asked about the staff time designated to those efforts. She offered that he did not have to respond but could provide her with the information at a later time. She also wanted to know if the function had grown over the previous 3 to 5 years. If so, she wondered if it was a function that traditionally had been handled by the private sector. If it was the case, she asked why the state had not encouraged more private activity in the area of environmental compliance of development projects.

Commissioner Cotton asked for clarity about her questions.

Representative Munoz responded that within the Habitat Division the function had grown over time. It was also an area that had been traditionally handled by the private sector. She asked about quantifying staff time. Also, she wondered if it was something that could be handled properly in the private sector.

Mr. Brooks suggested that a significant portion of the Habitat budget was soft money or program receipts. The department worked with Kensington Mine or Greens Creek Mine in Southeast Alaska. His staff collaborated with the mines it was an area but they were paying for the remedial work or some of the environmental assessment work that the department was leveraging dollars from industry to the extent possible. It was a significant share of the habitat budget aside from the GF they received. He would provide the information Representative Munoz was looking for.

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Co-Chair Neuman asked Mr. Brooks to include the impact of privatizing some of the types of work such as seismographic work into the study on the effects of the state doing things in-house or privatizing some of the work. Mr. Brooks said that he would do so.

Representative Gara mentioned that the legislature had worked on trying to find the answer to the declining runs of King Salmon. It was great news to hear bycatch would become limited. The current study that had received much

support from the legislature affected people in almost all of the legislative districts. It affected rivers from the north to the south. People were unable to fish for King Salmon on the Kenai or the Yukon or the Kuskokwim in the current year. He understood the fiscal pressure, however he expressed concerns about affecting the King Salmon study. He asked what information would no longer be available if the study ceased. He also suggested funding the study on a tapered down basis. For example, 25 percent less of the funding could be spent on the study in the current year, and imposing additional reductions of 25 percent for the 2 subsequent years which would extend the study over a longer period but would cost less to the GF annually.

Acting Commissioner Cotton replied that the King Salmon study was a very high priority for DFG and for many people in Alaska. He referred to Mr. Brooks previous comments about doing meaningful work with reduced funding. Mr. Brooks spoke about the 12 indicator systems of which fewer systems might have to be used. He asked Mr. Swanton to comment.

Representative Gara clarified that what he meant by tapering down was completing the study but doing it over a longer period of time with a declining amount of money being spent annually.

Acting Commissioner Cotton asked Representative Gara for clarity about whether the department would receive the full funding for a \$30 million project.

Representative Gara responded affirmatively and added that it would be over a longer period of time and tapering down amounts annually.

Acting Commissioner Cotton expressed his concerns about the certainty of receiving the full funding. He felt it was an obvious concern.

Mr. Swanton added that the department had already started looking at scaling the study down in terms of fewer indicator stocks and in some cases completely eliminating the juvenile work. Although the juvenile work was important, it added an element that the state did not necessarily have on a statewide basis. The department had taken a look at the issue in the context of how it could still collect some of the information. In essence, the

juvenile work provided a picture of ocean survival, a picture the state did not have. In other words, there was a data gap from the time the smolts left fresh water until the time they returned as adults. It was the department's belief that the first year of ocean survival was a bottleneck. Going forward the department wanted to use the funding to focus on enumerating and getting the best escapement information for adult salmon in certain problem areas like the Yukon and Kuskokwim. Juvenile work would be set aside due to the fact that it had to be done for a lengthy period of time. It took about 5 years prior to getting the first data point of the juvenile work back waiting for the juveniles to return as adults before collecting the data. He agreed that tapering down was a long-term approach.

[3:36:07 PM](#)

Vice-Chair Saddler asked Commissioner Cotton about tribal management of waterfowl in cooperation with federal agencies in Alaska. He also mentioned that there had been some push for more regarding state lands and resources. He asked if there was any current management of fish and game resources in state lands or waters. He wanted his input on seeing anymore in the state.

Commissioner Cotton deferred to Mr. Dale.

BRUCE DALE, DIRECTOR, DIVISION OF WILDLIFE CONSERVATION, DEPARTMENT OF FISH AND GAME, asked Vice-Chair Saddler to repeat his question.

Vice-Chair Saddler was aware of some cooperative management of waterfowl with federal agencies and he had seen some desire by native communities to have an increasing role in wildlife management. He asked if there was currently any native or tribal management of state wildlife and fish resources and his thought about expanding those.

Mr. Dale responded that there was no other cooperative management in place that he was aware of. He relayed that there were questions about the ability under the law for the authority that had been given to the Board of Game to delegate authority to another entity. He believed it was clear that the board was not able to in a general sense. In terms of delegating authority from management, he did not believe it had occurred. Waterfowl was managed under the

Migratory Bird Treaty Act making it possible and the distinction. In the spirit of cooperative management the state had at least a few if not several cooperative managements such as the Western Arctic Caribou Heard cooperative management groups where they did not have the authority to back the regulations but worked closely together to advise the board of their recommendations. The International Porcupine Caribou Heard board was another example.

Vice-Chair Saddler asked if the department would welcome or seek out the opportunity to expand the cooperative agreements in the future.

Acting Commissioner Cotton replied that he would like to cooperate. He was aware that there would be some private land holders that might be interested. However, the state could not surrender management authority but could cooperate.

Co-Chair Neuman commented that he wished the state had a marine mammal management act rather than having a Marine Mammal Protection Act to be able to manage some of the wildlife.

Acting Commissioner Cotton indicated he would follow up with Representative Munoz question independently.

Co-Chair Neuman thanked the presenters and announced that there would not be a finance meeting on the following day.

#

ADJOURNMENT

[3:40:43 PM](#)

The meeting was adjourned at 3:40 p.m.