

HOUSE FINANCE COMMITTEE  
February 9, 2016  
1:31 p.m.

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CALL TO ORDER

Co-Chair Neuman called the House Finance Committee meeting to order at 1:31 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 Lance Pruitt  
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Dan White, Vice-President, Academic Affairs and Research, University of Alaska; Michelle Rizk, Associate Vice President, Statewide Planning and Budget, University of Alaska; Kevin Brooks, Deputy Commissioner, Department of Fish and Game; Representative Louise Stutes, Representative Andy Josephson, Representative Liz Vasquez.

SUMMARY

HB 256      APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 256 was SCHEDULED but not HEARD.

HB 257      APPROP: MENTAL HEALTH BUDGET

HB 257 was SCHEDULED but not HEARD.

HB 255 BUDGET: CAPITAL

HB 255 was SCHEDULED but not HEARD.

#hb256

#hb257

#hb255

HOUSE BILL NO. 256

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs, capitalizing funds, making reappropriations, making supplemental appropriations, and making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

HOUSE BILL NO. 257

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

HOUSE BILL NO. 255

"An Act making appropriations, including capital appropriations, reappropriations, and other appropriations; making appropriations to capitalize funds; and providing for an effective date."

FY 17 BUDGET OVERVIEW: UNIVERSITY OF ALASKA

Co-Chair Neuman reviewed the agenda for the day. The current meeting would be the last of the department overviews.

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^FY 17 BUDGET OVERVIEW: UNIVERSITY OF ALASKA

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DAN WHITE, VICE-PRESIDENT, ACADEMIC AFFAIRS AND RESEARCH, UNIVERSITY OF ALASKA, introduced himself.

MICHELLE RIZK, ASSOCIATE VICE PRESIDENT, STATEWIDE PLANNING AND BUDGET, UNIVERSITY OF ALASKA, indicated that President Johnson had some medical conditions to deal with and was trying to limit his travel.

Mr. White introduced the PowerPoint Presentation: "FY 17 Budget overview: University of Alaska." He began with slide 2: "Our Mission":

"The University of Alaska inspires learning, and advances and disseminates knowledge through teaching, research, and public service, emphasizing the North and its diverse peoples."

Regents' Policy 01.01.01

Representative Gattis wanted to look at the mission statement. It appeared to her that each of the three universities within the system had different missions. The University of Alaska Fairbanks (UAF) was focused on research while the University of Alaska Anchorage (UAA) and the University of Alaska Southeast (UAS) had different focuses. In the past she had wondered why credits did not transfer and why many things had not merged. She noted that in looking at the mission statements for the three main campuses, it appeared there were three different universities.

Mr. White explained the key positions for the university in slide 3: "UA Organization Chart." He explained that Dr. Jim Johnson was the president of the University of Alaska system. He reported to the Board of Regents which consisted of 11 members appointed by the governor. Board members governed the University.

Mr. White explained that he and Ms. Rizk were members of the president's core leadership team. He was the Vice President for Academic Affairs and Research, and Ms. Rizk was the Vice President of University Relations. Other team members included the vice president of finance, the general counsel, the chief information technology officer, and the human resources (HR) officer. He explained that the HR officer position and the vice president of finance post were currently filled with interim employees. There was a

chancellor for each of the three main campuses. The chancellors for the UA system included: Mr. Tom Case at UAA, Mr. Michael Powers at UAF, and Mr. Richard Caulfield at UAS.

Mr. White informed the committee the fiscal crisis in 1986 influenced the model of the University in slide 4: "Serving All Alaskans." He explained that prior to the reorganization in the 80s there were 11 community campuses. The reorganization resulted in the current university system comprised of three main campuses: Fairbanks, Anchorage, and Juneau. Prior to that time the campuses were separate universities. He relayed that the University was consolidating many of their universities similar to the University of Georgia's system. He noted that Alaska had gone through a consolidation in 1986 which included the 3 universities and 11 community campuses. He added that the campus in Prince William Sound was not included in the reorganization. The campus no longer held its own accreditation; as of the previous July they were part of UAA and their accreditation.

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Mr. White looked at the options presented in slide 5: "One University or Three? Yes." He pointed out that there were advantages to all of the models including the hybrid model currently in place. Some of the advantages of a single university model included: A common look and feel and an ability to make decisions that provided central uniformity across the system. One of the disadvantages of a single system was a loss of local control and a loss of ability to be able to work with constituents. He added that another disadvantage was that decision making was no longer at the local level.

Representative Wilson asked for the accreditation costs of each of the 3 universities. Mr. White stated that although he could not currently provide a number he informed the committee that a significant amount of the costs associated with accreditation had to do with developing performance measures and reporting performance outcomes. He relayed that even with a single university having its own accreditation work would be required at each site delivering curriculum. In essence, it would potentially reduce one visit of the accreditors. However, the work that went into accreditation was the same whether it was one

accreditation or three because the performance monitoring was done either way. He could work up some numbers.

Representative Wilson wanted more information about the loss of local control over course offerings. She spoke of a constituent calling about not being able to transfer credits from one campus to another. Mr. White responded that he had some information in a slide later in the presentation. He noted that a common catalog could be used in a single system. He suggested that South Dakota used a common catalog.

Co-Chair Neuman asked if all credits could be transferred from one university to another. Mr. White explained that any credits could be transferred that had an equivalent across the system.

Co-Chair Neuman asked if Mr. White's response was no. Mr. White attempted to explain that any credit that had an equivalent across the system could likely be transferred. If a class did not have an equivalent, then it could not be transferred.

Co-Chair Neuman asked if they would be recognized equally by all three Universities.

Representative Gattis spoke to her experience as the previous chairman of the House Education Committee. The question regarding the transfer of credits had been raised several times. Students paid formidable tuition costs and it seemed to her that bureaucracy within the system perpetuated itself. She suggested that, with the financial crunch the state was in, things would be more transparent. She thought it had been possible for the University to hide money because the state did not drill down far enough. She felt that injustice had fallen on students. She hoped that with a laser focus on the budget something could be done. She supposed people in Alaska did not understand that from place-to-place the University differed. She thought that the system was failing Alaska's children.

Co-Chair Neuman instructed Mr. White to get the answer cleared up about how the transfer of credits worked within Alaska's university system.

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Representative Guttenberg noted that Mr. White's response to the question of transferable credits was that they had to be comparable. He provided a hypothetical scenario in which a community college offered a Basic English course dissimilar to a basic undergraduate course at UAF or UAS with a different curriculum designed for a different program.

Mr. White responded that English was an example of credits that would transfer easily. He provided an example of English (111), a class that was the same throughout the system. He suggested the confusion rested with equivalency. For example, there might be a math class for a business degree which would be a different math class than a calculus math class for engineering. The transferring of credits became an issue when a student attempted to satisfy an engineering math class requirement with a business math class they had already taken. The curriculum for each class was fundamentally different from each other and would not transfer. English classes were easily transferred across the system.

Co-Chair Neuman wanted to make sure to get through the budget presentation.

Representative Guttenberg just wanted to have the question answered.

Co-Chair Neuman indicated that the committee would follow-up on the question.

Mr. White advanced to slide 6: "Building on the Best of Both":

- Benefitting from the individuality of each university and campus, meeting unique needs and maintaining strong ties to local communities
- Improving access and ease for students while reducing costs through enhanced coordination, consistency and collaboration
- Promoting unique areas of excellence to build a university that is greater than the sum of its parts

Mr. White explained that the University enjoyed the benefits of being 3 universities under 1 system - a result

of the 1986 reorganization. Each university was unique which allowed for the development of relationships with constituents and provided an avenue for meeting the needs distinctive to local communities. He mentioned that the Ketchikan campus developed a robust welding program which produced a needed workforce in the community.

Mr. White turned to slide 7: "Strategic Pathways: Guide to restructuring the UA system":

- The university needs to become more adept at meeting state needs.
- Regents fully support a hybrid system where the three universities remain distinct, but are better coordinated, have less duplication and play on the unique strengths of the individual universities.
- Areas where there is obvious regional or local responsibility will not be affected, nor will general education courses, support disciplines, developmental or workforce programs.
- The impact on students will be minimized. Streamlining systems and operations will ultimately benefit them and allow more flexibility and opportunities across the system.

Mr. White indicated that President Johnson had a vision of how to organize the University: a framework that would build upon its strengths, reduce duplication, and allow the universities to meet local needs. He furthered that part of the strategic pathways discussion was the common catalog which meant that all of the courses would be the same across the system.

Co-Chair Neuman asked Mr. White not to read the slide verbatim. He wanted Mr. White to summarize the presentation.

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Representative Wilson asked where she could find remediation in the strategic pathways. Mr. White answered that developmental education would continue to be offered at each of the 3 universities.

Representative Wilson had heard that it might be possible, as an example, to take a computer lab rather than an entire class to fulfill part of a math curriculum. She wondered if it was being considered. Mr. White responded that the University was looking at several different models. The model Representative Wilson was referring to was called the Math Emporium which was being piloted at UAA. He provided examples of scenarios in which developmental education was needed: 1. Students who had not taken a course such as Algebra, and returning students who had taken courses but several years prior. The Math Emporium model was designed to offer brush up curriculum for students needing a refresher and to offer developmental education for students needing courses to qualify for college.

Representative Gara mentioned economizing and the compromises that had to be made. He wondered if the smaller road system campuses caused extra administrative costs. He noted that the University had a number of smaller road system campuses in addition to the 2 larger campuses.

Mr. White responded that the idea of the 1986 reorganization was to combine the smaller road system campuses with UAF and UAA in order to minimize administrative costs. Costs associated with the facilities and the faculty were still incurred. He remarked that having road system campuses and other remote rural campuses was designed to provide access. It provided opportunity to those students that were place bound. He commented that the University was rapidly developing e-learning. Currently, students with access to a computer and the internet had the ability to take courses anywhere in the system.

Co-Chair Neuman directed members to stay on the topic of the budget.

Representative Gara asked if the additional campuses on the road system were worth the cost. Mr. White responded that any facility outside of the main campuses costed money. However, they added value and all had students. He was unsure if students would travel to the main campuses. The median student traveled 50 miles. Many students chose to attend college close to home.

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Mr. White scrolled to slide 8: "UA Met FY 16 Budget Reductions." He talked about the reductions to administrative costs. All senior administrators were furloughed. The University reduced contracts and left many vacancies unfilled. He reported that in FY 15 there were 500 fewer people across the system than there were in FY 14. About 5 percent to 10 percent of the workforce was reduced. He noted that academic and occupational certificate programs were eliminated. He reported that there were roughly 478 programs targeted for elimination, 50 of which had already been removed. There were cuts in research support including the reduction of animal handling facilities.

Representative Gara clarified that the University had lost 500 employees from FY 14 to FY 15. He wondered about FY 16. Mr. White responded that the numbers were as of October FY 15.

Ms. Rizk clarified that October 2015 was part of FY 16. The timeline was from October 2014 to October 2015.

Co-Chair Neuman wanted to know why the Regent's budget cycle WAS not in sync with the State of Alaska's budget cycle. Ms. Rizk was unclear what Co-Chair Neuman meant about the University not being in cycle.

Co-Chair Neuman asked at what point the Board of Regents suggested its funding.

Ms. Rizk stated that in June they would accept the appropriation for FY 17 that it received from the legislature. In November they approved the budget that was submitted to the governor's office for FY 17.

Representative Wilson asked for clarification about the University's budget cycle. She wondered if it ran from July 1st through June 30th. Ms. Rizk responded in the affirmative.

Representative Wilson asked when the University's funding commenced and ended. She wondered if it was from January 1st through December 31st. Mr. White explained that the University had the same fiscal year as the State of Alaska. He believed the confusion was created based on a single data point. At the end of the fiscal year, June 30th, the University evaluated numbers through October, a data freeze

timeline, at which time personnel numbers were counted relating to the year.

Co-Chair Neuman asked when the Board of Regents approved the University's budget. Ms. Risk responded, "November."

Co-Chair Neuman asked if it was before the legislature released its budget for the department. Ms. Risk responded, "Yes."

Co-Chair Neuman asked, "So they are not in sync?" Ms. Rizk responded that she was speaking of the budget request for the governor. The Regents approved the budget in November of each year. The University then released it to the governor so that he, in turn, could do his budget and release it on December 15th of each year. She thought where it might not have been clear was that in October all of the University's faculty was hired providing the best number sample. A count of faculty taken in July might not provide accurate data because many faculty were off contract in the summer. The intent was to make a comparison at the same time each year. The University tracked personnel in October but it could be done from any point in time.

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Representative Wilson asked about when the Regents looked at the numbers from the legislature. Ms. Risk asked whether she was talking about what year Representative Wilson was referring to.

Representative Wilson responded that once the legislature approved the budget she wondered when the University made its decisions about reductions. Ms. Rizk relayed that there was a Board of Regents meeting in June of each year which was when the Board accepted the legislature's appropriation and approved the distribution of funds.

Mr. White continued with slide 9: "Revenue Enhancement Efforts":

- Tuition increase
- Tuition surcharge
- Increased fees
- Fundraising
- Commercialization of intellectual property

- Public-Private Partnerships

Mr. White mentioned that many universities across the country had different tuition surcharges for different types of degrees such as engineering degrees. He also noted that UAF's School of Management had a tuition surcharge resulting in increased revenues. The University increased fees including the facility fee. There were also fundraising efforts for the University centennial. The University had spent the previous 5 years ramping up its intellectual property office to provide opportunity to get technologies out of the University and into the hands of people who knew how to make money generating economic diversity and additional revenue. He reported the University was looking at opportunities of public and private partnerships such as the wood center at the University.

Co-Chair Neuman asked how much money was brought in from fundraising efforts. Ms. Risk responded that \$16 million was raised in FY 15 and \$8 million through December.

Co-Chair Neuman asked how it compared to prior years. Ms. Risk could provide the information to the committee after the meeting.

Co-Chair Neuman asked if the amount was about \$16 million per year. Ms. Rizk thought that for the last 2 years it had been about \$16 million.

Co-Chair Neuman clarified that his question came down to whether the University had increased its efforts in fundraising for the previous 5 years. Ms. Rizk responded affirmatively and added that it was one of the president's performance metrics - to increase engagement of alumni.

Co-Chair Neuman asked for the information to be provided. Ms. Rizk answered, "Sure."

Representative Guttenberg asked where fundraising dollars went. Mr. White responded that many of the donations to the University were for scholarships. A number of donations were given to specific research. For example, companies gave money to research foundations promoting research in a specific area and did not displace GF numbers.

Ms. Risk indicated that when she provided the history of giving she could also provide a list of categories. The majority of donations went to academic programs and student support.

Representative Kawasaki referred to the prior slide regarding revenue enhancement efforts. He asked how the surcharge worked. Mr. White explained that the surcharge was a mechanism to add courses for specific degrees or programs. For instance, if a student was pursuing an MBA degree, English courses would be the same costs but upper level management courses would have an added cost. He relayed that at the University of Illinois every engineering course costed 40 percent more than standard tuition. The engineering programs at UAF and UAA were looking at an increase for related courses.

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Mr. White advance to slide 10: "Challenges":

- Reduced federal funding for research; continued high energy costs; state population loss; and rise of on-line, high quality alternatives to UA.
- To continue with reductions in and beyond FY2017 will challenge UA to recast the entire portfolio of education and workforce development programs without compromising the high standard of education and workforce training that is currently afforded UA students.
- Must explore longer-term strategic cuts and revenue opportunities that will help UA preserve and strengthen its capacity.

Mr. White explained that the strategic pathways framework proposed by President Johnson was designed to restructure the University such that it would continue to meet the needs of the students while doing so in an efficient manner.

Representative Edgmon mentioned that there were folks from the Unalaska School District in the audience. He opined from a rural perspective the satellite campuses were critical to what was happening in a number of places in his district. He wanted to hear discussion about the challenges

of keeping the satellite campuses intact. Mr. White responded that the president had expressed his interest in keeping the satellite campuses intact and finding ways of delivering courses in a more efficient manner than the University did currently. Generally speaking, the technology for distance education had improved significantly. More of the courses offered in the rural communities were being offered by distance delivery. He added that distance delivery would not solve all of the challenges but would certainly allow the University to gain some efficiencies.

Representative Gattis asked about broadband technology. She asked if the University had broadband and if it was shared with the local schools and clinics. One of her goals was to figure out how to consolidate all of the pipelines going into communities. She asked if the University received an e-rate with its broadband. Mr. White responded that he would have to get the numbers from the information technology folks on how the University's rates were structured.

Representative Gattis asked for Mr. White to get back to her directly. She was looking at how the state could share or consolidate in the funding with different communities.

Co-Chair Neuman asked that the information be provided to his office for distribution.

Representative Gara asked about broadband and adequate service in communities. He used Naknek as an example. He was aware that the highest level of GCI internet was limited. He wondered if the University was providing Broadband in communities without a campus. Mr. White answered that the University delivered distance education which was not all online. The University continued to have opportunities for students that did not have broadband in their communities. There were other alternatives such as courses taught by videos with telephone follow-ups, for example.

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Mr. White discussed slide 11: "Investments for our Future":

- Discovery: Alaska/Arctic research
- Access and equity: Low-income, first generation, rural

- Workforce: Voc-tech, teachers, health care, arts and science
- Economic development: Commercialization of research
- Culture of education: Connect with K-12

Mr. White relayed that he had just attended an innovation summit in Juneau. The gist of the event was that the University was critical in diversifying the economy. The University saw key investments in research and discovery for the Alaska Arctic. The University's job was looking at how to commercialize the research and to diversify Alaska's economy. He continued to read the contents of the slide. He informed the committee that President Johnson had indicated that the University's greatest competitor was students not going to college at all.

Co-Chair Neuman asked if the University was starting a new maritime program. Mr. White replied that it was something the University was looking at.

Co-Chair Neuman wondered why the University would compete with Alaska Vocational Technical Center (AVTEC). Mr. White explained that there were differences between what was being offered in Ketchikan and Seward at AVTEC.

Co-Chair Neuman offered that there would be an assumption to try to consolidate in order to maximize efforts in vocational education. He thought consulting with AVTEC was a better approach than starting a new program within the University. Mr. White indicated there were differences and he would provide the chairman with additional information.

Co-Chair Neuman requested that Representative Wilson look further into the issue at the subcommittee level.

Representative Wilson responded affirmatively. She asked Mr. White if the University had been in contact with AVTEC first to see about enhancing their program. She wondered if the University had notified AVTEC. Mr. White would have to check with the Ketchikan campus to find out about any coordination. The University had a list of all of the AVTEC programs to look at the similarities and differences.

Representative Wilson stated that the commissioner was not notified at all.

Co-Chair Neuman mentioned the redundancy of certain programs. He thought consolidating efforts was necessary and a better product would result. Mr. White agreed it was something to look at.

Co-Chair Neuman added, "I think they certainly are."

Ms. Rizk commented that with the time that was available and the 30 minute presentation limit she would flip through the slides and would address questions from the committee.

Co-Chair Neuman instructed Ms. Rizk to highlight the most important points as well as any changes. Ms. Risk agreed.

Ms. Risk advanced to slide 12: "FY 17 Adjusted Base Operating." She pointed out that the governor's budget included a reduction of \$15.5 million equal to 4.5 percent. She also highlighted the current position count.

Ms. Risk scrolled to slide 13: "FY 17 Operating Budget by Fund Source." She noted that the University's source of funding came from the federal funds, other funds including UA interagency receipts and state interagency receipts, designated general funds (DGF) (student tuitions and fees were included), and unrestricted general funds (UGF) equal to \$335 million in the FY 17 budget.

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Ms. Risk discussed slide 14: "Base Reductions FY 15 - FY 17." She reported that the slide showed a history over time. The general fund reduction in FY 16 was \$19.8 million, and in FY 17 it was \$15.8 million. She pointed out that with UA's fixed costs of \$31.6 million the total budget reduction the University planned for was around \$57 million.

Co-Chair Neuman thought there was a \$25 million reduction in the University's budget. Ms. Rizk responded by pointing to the slide where it showed the reduction but noted that when it was netted with the increment for contractual salary increases of \$9.8 million the net cut was \$15.8 million which matched with Legislative Finance Division's number.

Co-Chair Neuman remarked, "Something does not feel right there."

Ms. Risk turned to slide 15: "University of Alaska Share of Total Agency Operations (GF Only)." She explained that the Legislative Finance Division's graphs followed. She wondered if Co-Chair Neuman wanted her to review them.

Co-Chair Neuman asked Ms. Rizk to note anything of significance.

Ms. Risk advanced to slide 17: "University of Alaska Appropriations (GF Only)." She remarked that over time the percent of GF for the University as the Total Agency budget had declined from 15 percent to 13 percent.

Ms. Risk advanced to slide 16: "University of Alaska Salary Adjustment Increases and Personal Services Costs (All Funds)." She noted that the slide reflected salary adjustments.

Representative Gattis referred to slide 15. She pointed to the box on the left-hand side. She wondered about the figure of \$2018 per resident worker referring to the University's total FY 17 budget. Ms. Risk replied that she was correct.

Representative Gattis clarified that it was approximately \$2 thousand for every worker. She thought it would be cheaper to get rid of many of the costs and offer a free education to all Alaskan kids. She was talking about eliminating costs having to do with the Alaska Commission on Postsecondary Education (ACPE) and the state's program for administering loans. She thought it was a significant amount of money per person. She wondered about the "give back" to the state. Ms. Risk relayed for every dollar invested over \$4 or \$5 was leveraged in return. The University had a set of performance metrics to review with the subcommittee. As the state looked to the future over 60 percent of Alaska would require some form of post-secondary education from its workforce. Currently, the state was at 30 percent. The University provided an educated workforce.

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Representative Munoz referred to page 12. She wondered how to reduce \$15 million while retaining the same number of employees from FY 16 to FY 17. Ms. Rizk needed clarification about the number of employees.

Representative Munoz responded that she was referring to 4,518. Ms. Risk responded that 4,518 was the current University position count. As was mentioned earlier the University had reduced its regular positions by over 200 in the previous year. If taking into consideration both regular positions as well as temporary positions the number was close to 500. At present, the University had not decided on position reductions for FY 17.

Ms. Risk scrolled past slide 18: "University of Alaska Appropriations (All Funds)."

Ms. Risk turned to slide 19: "FY 17 Capital Request." She conveyed that the final slide related to the capital budget. She reported that the Board of Regents' number one priority was the remaining funding for the UAF engineering facility. The second priority was deferred maintenance. She reported that the governor's budget included \$10 million for deferred maintenance. The Board had requested that the University continue to look for innovative ways to fund deferred maintenance recognizing the financial situation the state was in. A few years previously the University bonded for deferred maintenance to help offset some of the funding requirements. The University was also looking for private giving opportunities and prioritizing space more efficiently. She reported that the University was also looking at partnering with communities, school districts, and technical facilities as well as looking at out-sourcing opportunities including in the rural areas. The university was focusing on finding a different way to do business regarding its facilities. She relayed that looking to the future the University was evaluating what role e-learning would play in delivery and the corresponding facility needs. The University's facilities and land-management committee was a topic of discussion at every board meeting. She mentioned looking at what type of user fees should be assessed when different groups used UA facilities.

Co-Chair Neuman asked about a way to measure performance of each of the programs offered at the University. Ms. Risk responded that there was a report card on the University's key metrics.

Co-Chair Neuman asked if the University worked with the Department of Labor and Workforce Development (DOL) to provide needed skill sets at the right time to people in

industry. He directed Ms. Rizk to get the performance measures to Representative Wilson. He also asked about the University's approach to downsizing. He emphasized Alaska's huge deficit and the fact that University system funding had declined at a dramatic pace. The legislature had other considerations such as public safety and Medicaid. He requested that the University provide a picture of a consolidated downsized system. Mr. White responded that the strategic pathway was a framework that President Johnson presented to the Board of Regents at a retreat in January. It was approved by the Board at that time and distributed in a more detailed way to the University community on Monday of the present week.

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Representative Wilson asked about statistics regarding the students. There was nothing included about the performance of students in the University's presentation. She had heard that student population was shrinking but no detail had been provided. She wanted information about graduation rates and degree information. She commented that the slides were missing such data. She suggested that the following University presentation should contain such numbers. Her office had produced some numbers which she would share with committee members.

Co-Chair Neuman asked Representative Wilson if the subcommittee was getting the performance measure numbers needed for it to evaluate the programs effectively.

Representative Wilson responded that her office had done most of the research using the University's website. The measures in place showed Alaska's graduation rates to be some of the lowest in the country and was where the state spent the most money. She added that Alaska's University used to be an affordable university but that was changing. She relayed that it had become more affordable to send Alaskan kids out of state through the Western Interstate Commission for Higher Education (WICHE) program versus staying in the state. She thought it should be of great concern to the University of Alaska.

Co-Chair Neuman asked Representative Wilson if the University had adequate performance measures.

Representative Wilson responded, "No, and we are working on that."

Representative Kawasaki had a copy of UA's Institutional Research, Planning, and Analysis key indicators guide. He suggested committee members should be able to look at the guide. He reported that the numbers of degrees, certificates, and endorsements awarded had risen 30 percent in 5 years from 3,700 to 4,700. He thought it was a good indicator of the kind of performance he wanted to see from the University. The high demand job area growth had grown 8 percent in 5 years from 2,731 to 3,146. He reported that the 150 percent bachelor graduation rate had increased 16 percent over the same time period. He thought the statistics were consistent, looked good, and should be something the University could be proud of. He referred to slide 18. He noted that the slide showed a large increase in the total amount - in all funds - appropriated to the University of Alaska's single appropriation. He then referred back to slide 15 to the total UGF spend of the legislature it looked flat. He asked about the difference between slide 15 and slide 18. Ms. Risk referred to slide 13 which showed UGF and DGF and the sources of designated general funds (DGF). The slide also showed other funds and federal funds; the two other categories that made up the other funding sources to reach the total funds.

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Representative Kawasaki concluded that even though the state had not put in more money over the previous 5 years, it looked as if private contributions, tuition increases, tuition surcharges, and federal monies had increased. He wondered if one source was larger than another. Mr. White responded that the University could provide a breakdown for the representative. At each Regents meeting he provided a report on accountability to the state regarding students and research and he could easily provide those presentations to the committee.

Co-Chair Neuman asked that the information be provided to his office.

Vice-Chair Saddler mentioned he had frequently heard concerns and criticisms about the lack of transferability of credits. He wondered whether having 3 different accreditations for the 3 different main campuses was the

best way to organize the UA system. He asked if it was the University's intention to move towards single accreditation. Mr. White replied that the accrediting body, the Northwest Commission on Colleges and Universities, did not have the authority to accredit systems. There were no university systems in country that were accredited. The UA system could become one university and be accredited, or the UA system could remain a system with separate accreditations for UAA, UAF, and UAS. The existing structure could not have just one accreditation. He relayed that the president felt the system currently in place was the best for the State of Alaska. However, the framework would be changing the way the universities operated within the system. He mentioned the consideration of a common catalog, where courses were delivered. He surmised that the issue of transferring credits did not have to do with accreditation, but more to do with equivalencies.

Vice-Chair Saddler wondered if it was possible to have 3 universities with identical accreditations in order to facilitate the transference of credits. He was looking for a simple answer. Mr. White responded that the accreditations were basically the same already.

Co-Chair Neuman asked for a copy of the president's reorganization plan. Mr. White indicated that he had brought some with him.

Co-Chair Neuman asked if it contained budget estimates. Mr. White answered in the negative. It was a 1 page framework.

Co-Chair Neuman asked for some budget estimates for the reorganization plan. He expected and was waiting for a budget plan accompanying a reorganization plan. Mr. White responded, "Okay. Thank you."

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Representative Gara commented that he had a difficult time blaming the University for Student Achievement when it had offered ideas on increasing student achievement and the legislature had not funded them. He recalled that over the prior 2 years the University came forward with proposals to increase student achievement and graduation rates through student advisors and student support staff. He wondered if the University had been denied funding or was only partially funded. Ms. Risk relayed that student advising

had been a focus of the University and some funding had been provided by the legislature prior to the previous two years.

Representative Gara asked if there was a potential for increased student achievement through increased student advising. He asked if student advising was being adequately funded. Ms. Risk stated that it had been shown that advising had resulted in positive outcomes. As the University went through the budget reductions it was looking to vertical versus horizontal cuts in order to protect areas that were known for helping students complete their degree programs. Advising was very helpful to a student's academic achievement.

Representative Gara encouraged advocating those things that increased outcomes. He asked about the Kodiak Fisheries Tech Center [Kodiak Seafood and Marine Science Center]. He had heard that the money had been diverted to the marine program in Fairbanks. He asked her to comment or respond in writing and include the reasons for the change. He would like to be able to provide an explanation to those who have asked about it. Mr. White was aware that funding was used to hire a faculty member. The faculty member had since left the University and the position remained open. He did not have the answer as to where the money went but he would find out and provide the information to the committee.

Representative Gara understood that many of the positions at the Kodiak fisheries tech center had not been filled. He wondered if a dedicated appropriation had been transferred over to the marine center in Fairbanks. He speculated that there could be good reason for such a diversion but he wanted to have the answer to his question. Mr. White would get the answer for Representative Gara.

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Representative Munoz asked for more information about the reformation of the university system and what it would mean for each of the campuses. Mr. White relayed that within the framework the University could not do everything at all of the campuses. Efficiencies were looked at and lead campuses were identified. He cited examples such as UAF being the lead campus in science and engineering. The University of Alaska Anchorage was the lead in economics and social sciences. He relayed that UAS was the lead in

interdisciplinary degrees and the arts. He also defined "lead campus." The University of Alaska Anchorage ran the statewide nursing program, a sole provider model. Nursing students in Fairbanks were UAA students. Everything was centralized by UAA for nursing which increases program efficiency. The University needed to look at budget numbers and how broadly certain individual programs would be offered and at what level. The expectation would be increased efficiencies because of reducing the replication of programs across the system.

Representative Munoz asked when the University would be implementing the changes. Mr. White explained that the president would be meeting with the Board of Regents in the following week to discuss potential changes. The due diligence would take place between the present day and June 30th, the end of the fiscal year, to look at which changes made the most sense. There would be certain things all of the campuses would need to offer. The University would be looking at where to economize. The University would be receiving input from students and faculty prior to the end of the fiscal year and would be implemented over the following year.

Representative Munoz asked for an update on the power plant at UAF. She wondered if the University would see a saving with the new plant. Ms. Risk offered to send a written update and added that there were anticipated energy savings from the power plant which would be redirected to offset the bond payment that UAF was paying as part of the package.

Co-Chair Neuman asked if the project was completed and funded. Ms. Risk responded that the project was on target with the funding that was available and looked like it would be completed on schedule.

Representative Munoz appreciated that the University was getting closer to the one-to-one between UGF and DGF. She knew it had been a long time goal. She thanked the testifiers for their presentation.

Co-Chair Neuman commented, "We started that 6 years ago."

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Representative Guttenberg explained that in the University's history it used to be the University of Alaska "At Anchorage" and "At Fairbanks." He thought the University had gone through several reorganizations for the purpose of being more efficient or because of budget crunches. Each time there was a restructuring programs were fractured. He thought reorganization was expensive. He wondered what results the University expected from another reorganization. He did not believe it was an efficient move although it was necessary. He wondered how it would be a better university for Alaskans. He understood the difficulty of having smaller campuses off of the road system. At the end of the day he thought the restructuring was another exercise that would have to be done in another 10 years. He wondered if he expected a better outcome and whether the University expected a larger appropriation.

Mr. White hoped that as the universities had grown there had been misalignments. The strategic pathways was meant to look at all of the programs, consider a common catalog concept, get the programs aligned, and to save money. President Johnson had stated numerous times that he was not interested in continuing to cut every single program on a pro rata basis. It would reduce all of the University programs to mediocrity. He suggested that what was needed was to allow the campuses to emphasize in areas of strength and deemphasize in other areas. The only way to build excellence at individual universities was to reduce somewhere else within the construct of the system. The hope was to build excellence at each of the universities while at the same time living with the budget.

Representative Guttenberg spoke about the issue of climate change and the changing Arctic. The University of Alaska Fairbanks had been at the center of the changes being one of the foremost Arctic universities in the world. He wondered if the University would be hampered in advancing the effort. Mr. White relayed that the expectation was that the University would grow areas of excellence. Arctic Research was an area of excellence at UAF. It would continue to be an area of strength. President Johnson has stated that he saw it as a halo program of UA overall.

Co-Chair Neuman remarked that the University obviously faced some challenges. He hoped a better project would emerge.

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^FY 17 BUDGET OVERVIEW: DEPARTMENT OF FISH AND GAME

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KEVIN BROOKS, DEPUTY COMMISSIONER, DEPARTMENT OF FISH AND GAME, introduced the PowerPoint Presentation: "FY 17 Budget Overview: Department of Fish and Game." He relayed that Commissioner Cotton was weathered in in Seattle on his way home from a meeting and was sorry to miss the meeting.

Co-Chair Neuman noted that questions would be held until the end of the presentation.

Mr. Brooks addressed slide 2: "The Constitution of the State of Alaska, The Alaska Statutes, Mission Statement":

- The Constitution of the State of Alaska  
Article 8 - Natural Resources  
4. Sustained Yield

Fish, forests, wildlife, grasslands, and all other replenishable resources belonging to the State shall be utilized, developed, and maintained on the sustained yield principle, subject to preferences among beneficial uses.

- The Alaska Statutes  
Title 16. FISH AND GAME

Sec. 16.05.020. Functions of commissioner.

(2) manage, protect, maintain, improve, and extend the fish, game and aquatic plant resources of the state in the interest of the economy and general well-being of the state.

- Mission Statement

To protect, maintain, and improve the fish, game, and aquatic plant resources of the state, and manage their uses and development in the best interest of the

economy and the well-being of the people of the state, consistent with the sustained yield principle.

Mr. Brooks explained that the mission statement was derived via Article 8, Section 4 of the State of Alaska's constitution. The sustained yield was the primary focus when it came to the management of state resources. He pointed to Title 16, Section 15.05.020 of the Alaska statutes which directed the department to manage, protect, maintain, improve and enhance the fish, game, and aquatic plant resources of the state in the interest of the economy and general well-being of the state. By combining the two things the Department of Fish and Game (DFG) came up with its mission statement.

Mr. Brooks moved to slide 3: "ADF&G Core Services." He relayed that there were three core services to accomplish the department's mission. The department managed the resources to provide a harvestable surplus for sport, sustainable use, or commercial interests. It also met its mission through stock assessment and research. Counting fish, counting populations of animals on the landscape, and similar activities were conducted by the department to ensure a sustainable yield. Customer service and public involvement were key to making improvements through the board process and the advisory committees - there were 83 statewide. Interactions with the public through licensing and permitting were key to the department's mission.

Co-Chair Neuman recognized Representative Louise Stutes and former Representative Bill Thomas in the audience.

Mr. Brooks moved to slide 4: "Alaska Department of Fish and Game Department Leadership." He noted that the structure was represented on the slide. The department leadership consisted of the commissioner, two deputy commissioners including Mr. Brooks and Mr. Charles Swanton responsible for the Pacific salmon treaty. The department also had a special assistant and 6 division directors. He noted that 5 of 6 directors were new to their positions in the previous year. There were two executive directors; one for the Board of Fish and one for the Board of Game. There were also two related entities within the department for budgeting purposes only; the Exxon-Valdez Oil Spill Trustee Council and the Limited Entry Commission. These entities did not report to the commissioner.

Mr. Brooks turned to a color coded map on slide 5: "Alaska Department of Fish and Game Department Regional and Area Offices." He reported that core to the department's services was a statewide presence. The department was in over 40 locations around the state. The chart clearly showed the distribution of DFG offices around the state. The department added to its presence with 100's of field camps during the summer camps, most of which were in remote locations.

Mr. Brooks briefly addressed each of the department's divisions beginning on slide 6: "Division of Commercial Fisheries":

- 296 permanent full-time positions
- 426 permanent part-time/seasonal positions
- \$65,109.8 FY2017 Operating Request
- \$35,707.9 UGF Request
- 32% 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 noted that the Division of Commercial Fisheries was one of the department's largest divisions. The division more than doubled its workforce in the summer months. The division made up 62 percent of the department's UGF.

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Mr. Brooks addressed slide 7: "Ex-vessel Value of Commercial Harvests and Mari culture Production in Alaska." There were a couple of things the division measured, one of which was the ex-vessel value of harvests in Alaska. In the previous several years the division had exceeded \$2 billion in ex-vessel value. The division contributed to the success of the seafood industry through the scientific management of the various fisheries resources. Ex vessel value was a reflection of volume and prices but was also an indicator of participation and contribution in the economy. It was something the division monitored closely.

Co-Chair Neuman asked Mr. Brooks how many salmon had been harvested and whether harvest rates were declining or increasing. He referred to the price of fish. Mr. Brooks noted that the information was broken out by species. The state's salmon harvests had been very large the prior 2 years. The previous year had been one of the largest harvests on record. The commercial fisheries were driven by pink and chum salmon - species with the largest numbers of fish harvested. Sockeye salmon was third on the list.

Co-Chair Neuman indicated that questions would be heard at the end of the presentation.

Representative Gattis asked for a definition of ex vessel. Mr. Brooks replied that ex vessel values were calculated using a combination of aggregated price point per species derived from the commercial operators' annual report, referred to the core report. The numbers were derived from fish tickets provided by fishermen.

Mr. Brooks slide 8: "Escapement Goals Achieved." He shared that the department had 295 escapement goals statewide. The goals were set by the Board of Fish to reach a minimum escapement to provide for a sustained yield. It was usually described in a range. He reported that of the stocks with goals 256 were adequately assessed in the past year and 225 met or exceeded their escapement goal. There were years the department could not get out to innumerate the counts. He mentioned the challenges of doing aerial surveys and potential other events such as a flood that might knock out a weir. There were things from year-to-year that prevented the division from doing counts at a rate of 100 percent.

Co-Chair Neuman asked for a statewide map on regional escapement goal achievements. Mr. Brooks replied in the affirmative.

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Mr. Brooks addressed slide 9: "Division of Sport Fish":

- 186 permanent full-time positions
- 163 permanent part-time/seasonal positions
- \$47,776.0 FY2017 Operating Request
- \$4,061.5 UGF Request
- 23% of ADF&G's Operating Budget

- Protect and improve the state's recreational fisheries resources

Mr. Brooks reported that the Sport Fish division was the second largest management division within the department. He noted that the staff nearly doubled in the summer months. He mentioned that less than 10 percent of the division's total funding came from GF. The division's primary funding source came from federal Dingell-Johnson funds matched by DFG licensing revenue that was deposited in the Fish and Game Fund.

Co-Chair Neuman asked Mr. Brooks to explain the Fish and Game Fund. Mr. Brooks answered that the fund was license revenue derived from the sale of hunting and fishing licenses.

Co-Chair Neuman wanted to make sure the public understood where the money came from. Mr. Brooks explained that the Division of Sport Fish worked closely with the Division of Commercial Fisheries. They had similar mission but focused on different publics. The Division of Sport Fish was responsible for managing Alaska's sport fisheries as well as many personal use fisheries and some subsistence fisheries. The division also operated the 2 state-owned fish hatcheries; The William Jack Hernandez Sport Fish Hatchery in Anchorage and the Ruth Burnett Sport Fish Hatchery in Fairbanks.

Mr. Brooks turned to slide 10: "Sales of Fishing Licenses." He noted that one of the metrics the department used for tracking sport fishing was the license sales. He highlighted non-resident sales were significantly higher than resident sales as shown on the graph. Non-residents were paying a larger portion of the revenue that went into the Fish and Game Fund. Resident and non-resident sales had been flat for a few years but over the prior 3 years there had been a slow but steady uptick in sales. He thought the numbers reflected opportunity and an improved economy in the Lower-48. He also thought the numbers correlated with visitor numbers in the tourism industry.

Mr. Brooks highlighted slide 11: "Division of Wildlife Conservation":

- 216 permanent full-time positions
- 54 permanent part-time/seasonal positions

- \$47,784.7 FY2017 Operating Request
- \$4,259.2 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 reported that the department's third largest management division was the Division of Wildlife Conservation. He highlighted that the division received less than 10 percent of its funding from UGF. The source of funds for the division were Pittman-Robertson funds - federal funds derived from excess tax on guns and ammunition and Fish and Game licensing revenue derived from the sale of hunting licenses.

Mr. Brooks turned to slide 12: "Sales of Hunting and Trapping Licenses." The division tracked the sale of hunting and trapping licenses. There were more resident hunters, about 100 thousand, compared to just under 20 thousand non-resident hunters. He furthered that because of the state's pricing schedule, non-resident hunters paid more in total revenue. There had been a slow steady growth in the previous 3 years. Prior to that sales had remained flat.

Mr. Brooks addressed slide 13: "Division of Subsistence":

- 26 permanent full-time positions
- 23 permanent part-time/seasonal positions
- \$7,213.2 FY2017 Operating Request
- \$2,591.4 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 elaborated that the department used the division's information in a number of venues, the biggest was providing the amounts necessary for subsistence to the Board of Fish and Game for their allocation deliberations.

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Mr. Brooks moved to slide 14: "Management Plans Incorporating Subsistence Information." He relayed that the

department was currently incorporating subsistence information into 50 of the department's management plans. He noted the increasing trend of using the subsistence information in management plans.

Mr. Brooks addressed slide 15: "Division of Habitat":

- 43 permanent full-time positions
- 2 permanent part-time/seasonal positions
- \$6,172.1 FY2017 Operating Request
- \$3,567.1 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 explained that the primary function of the division was to issue permits under Alaska Statute Title 16.

Mr. Brooks discussed the chart on slide 16: "Number of Permits Issued." He highlighted that the number of permits issued had been reduced by about 1000 in the prior year. He had requested that the division look into the reasons for the drop. He reported that the decline was attributed to the state issuing longer term permits and a general slowdown in the economy.

Mr. Brooks turned to the last division listed on slide 17: "Division of Administrative Services":

- 68 permanent full-time positions
- 11 permanent part-time/seasonal positions
- \$12,015.9 FY2017 Operating Request
- \$2,484.3 UGF Request
- 6% of ADF&G's Operating Budget
- Provides administrative support for the department; coordinates development of the annual operating and capital budget; and manages the fish and game licensing program

Mr. Brooks explained that the 11 permanent part-time, seasonal positions primarily did data entry for the licensing program.

Mr. Brooks turned to slide 18: "Boards Support Section":

- 6 permanent full-time positions
- 5 permanent part-time/seasonal positions
- \$1,836.3 FY2017 Operating Request
- \$1,685.5 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 noted that the Board Support Section was a very small but important piece of the department's overall structure. The section supported the Boards of Fish and Game to meet in the joint boards. He reported having about 40 regulatory days of board meetings over the previous year considering nearly 500 proposals.

Mr. Brooks advanced to slide 19: "Commissioner's Office":

- 8 permanent full-time positions
- \$1,628.8 FY2017 Operating Request
- \$753.6 UGF Request
- 1% of ADF&G's Operating Budget
- Provide support and policy direction to departmental programs

Mr. Brooks turned to slide 20: "Independent Agencies":

#### Commercial Fisheries Entry Commission

- 26 permanent full-time positions
- 2 permanent part-time/seasonal positions
- \$4,310.2 FY2017 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 FY2017 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 informed the committee that the independent agencies did not report to the commissioner and did not have any UGF in their budgets. He concluded the overview of the structure of the department and indicated he would be providing highlights from the budget in the next slides.

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Mr. Brooks advanced to slide 21: "FY2016 Budget Cut Highlights":

- \$14.7 million UGF reduction from FY2015 Management Plan, 29 positions
  - \$7.3 million cut in Governor's Budget
  - \$7.4 million cut through legislative process
- Revenue Offsets
  - \$3,500.0 in Commercial Fisheries Entry Commission (CFEC) Receipts
  - \$500.0 Commercial Crew Receipts (DGF)
  - \$1,200.0 in federal Pittman-Robertson funds in Division of Wildlife Conservation
- Cuts to Division Programs - \$9.1 million

Mr. Brooks reported that the department's budget starting point was about \$80 million. The department found about \$5 million in revenue offsets. The department shifted about \$3.5 million of limited entry receipts into the Division of Commercial Fisheries and had an even cut of UGF. He furthered that with the revenue offsets the net cuts to division programs equaled about \$9.1 million. The lion's share of \$5.6 million consisted of projects in the department's Division of Commercial Fisheries. All of the other divisions within the department cut their budgets as well.

Mr. Brooks explained that as the department approached its reductions it first looked at administrative efficiencies. There was an effort within the department of consolidating and centralizing administrative functions. The department reduced staff from 20 to 12 positions with savings throughout the smaller divisions. In the following summer the department would initiate a similar effort with its 3 large management divisions.

Mr. Brooks discussed slide 22: "Highlights in Operating Budget for FY2017":

- \$7.5 million UGF reduction from FY2016 Management Plan, 36 positions
- Revenue Offsets
  - \$1,300.0 in Test Fish and Commercial Crew Receipts (DGF) in Division of Commercial Fisheries
  - \$1,500.0 in Fish and Game Funds and Statutory Designated Receipts in Sport Fisheries
  - \$641.8 in federal Pittman-Robertson funds in Division of Wildlife Conservation
- Cuts to Divisions - \$4.0 million
- Restructure and Rename Budget Components for Habitat and Statewide Support Services
  - Transfer Habitat to Statewide Support Services
  - Rename Administration and Support to Statewide Support Services

Mr. Brooks reported that in the budget before the committee the department had cut an additional \$7.5 million proposed in the governor's request which included 36 positions. The Department of Fish and Game's strategy was to identify some revenue offsets where possible. The offsets were identified in the Division of Commercial Fisheries for a total of \$1.3 million - \$800 thousand in test fish receipts and \$500 thousand in crew member license revenue. The department cut \$1.5 million in UGF and replaced them with \$1 million in Fish and Game funds and \$500 thousand in statutory program receipts. He relayed that in the Division of Wildlife Conservation the department replace \$641.8 thousand of UGF with federal funds. After the offsets the department had another \$4 million in programmatic cuts to the divisions.

The department had undertaken a review of all administrative functions to try to limit the impact on its programs in the field. The department had also done some restructuring within the appropriation structure moving the Division of Habitat into the Statewide Support Services. It was reflective of administrative efficiencies and common staffing to forward that function.

Mr. Brooks advanced to slide 23: "FY2017 Operating Budget by RDU Department of Fish and Game." He explained that there were 4 appropriations within the department. He pointed to the upper left of the slide from FY 16 management plan to the department's FY 17 request moving to the right. He highlighted the 4 appropriations, Commercial Fisheries, Sport Fish, Wildlife Conservation, and Statewide Support Services. The relative share of UGF, DGF, other funds, fish and game funds, and federal funds provided the total. He pointed to the right of that the same information was provided in the FY 17 governor's request budget. He noted that on the far right in red the changes were listed by appropriation. There was some netting that went on because it was "All Funds". The changes were summarized in the lower right corner. There was a GF reduction of \$2.7 million. There were unallocated cuts equal to \$1.3 million. There were also fund source changes equaling about \$3.4 million. At the bottom of the page the UGF reflected a total of \$7.5 million with the offsets of the revenue sources discussed earlier in the meeting.

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Mr. Brooks discussed the pie chart on slide 24: "FY2017 Budget by Division (\$203,981.3)." He noted the total overall budget was just under \$204 million. The department's GF equaled \$57.6 million. He relayed that the Division of Commercial Fisheries had a budget of \$65.1 million and the Division of Sport Fish and the Division of Wildlife Conservation were just under \$48 million. He commented that 80 percent of the department's funding was tied up in the three large management divisions. The smaller divisions made up the final piece of the pie.

Mr. Brooks scrolled to slide 25: "FY2017 Budget By Fund Source (\$203,981.3)." He explained that the department had 3 large sources it relied on. General funds represented 28 percent of the department's funding. Designated general funds equaled about 7 percent and consisted of limited

entry, test fishery, and crew member license receipts. The department also received federal funds which accounted for about one-third of the budget. Fish and Game funds equaled about \$25 million and represented 12 percent of the budget. The remaining balance of funding was made up of a series of much smaller sources.

Mr. Brooks reviewed slide 26: "FY2017 Budgeted Positions." He reported that the department had 879 full-time positions and 739 seasonal positions. The department nearly doubled its workforce in the months of summer. Approximately 80 percent of the seasonal positions were within the 3 largest management divisions.

Mr. Brooks moved on to slide 28: "Department of Fish and Game's Budget Compared to All Agencies' Budget (GF Only)." He explained that the Legislative Finance Division slide reflected GF only with a 10 year lookback. He pointed out that growth was fairly steady for about ten years. For the prior 3 years there had been a significant decline. He noted that there was a decrease of about \$14 million in FY 16 and about \$7.5 million in FY 17.

Mr. Brooks scrolled to slide 29: "FY2017 Governor Budget - Budget Growth Analysis: Department of Fish and Game Budgeted Positions." He reported that the department had reduced its positions by 100 over the prior 3 years. There had been talk in the committee about whether they were filled or vacant positions. He relayed that the department had succeeded in making reductions by attrition in FY 15 and FY 16. The department did not lay anyone off but rather brought on fewer seasonal people reassigning them different projects. He highlighted that in the FY 17 budget the department had notified over 30 employees since the first of the year that their positions were slated for elimination by June 30th. The department was spending the following 5 months trying to place them in different positions. Some people were choosing to retire. It was an important step, as the department had to work with human resources to establish seniority pools. He explained that each of the labor unions had seniority clauses within their contracts. There were bumping rights and other factors to be considered. The department's goal was to avoid anyone being laid off. He reiterated that the department had been proactive in notifying employees of pending position deletions.

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Mr. Brooks continued to slide 30: "Appropriations within the Department of Fish and Game (GF Only)." The line graph showed the department's general funds by appropriations. The Division of Commercial Fisheries took the largest portion of total GF. He noted that the lower 2 lines represented the Division of Sport Fish and the Division of Wildlife Conservation. They equaled around \$4 million in the FY 17 budget at the far right of the graph. The department's Statewide Support Services (comprised of 3 divisions, boards, and other sections) was represented by the middle line. He highlighted that the lines trended up for about 10 years followed by a steep decline over the last few years of budgeting cycles.

Mr. Brooks advanced to slide 31: "Appropriations within the Department of Fish and Game (All Funds)." He pointed out that the chart showed all funds. The Division of Commercial Fisheries was the largest division. The Division of Sport Fish and the Division of Wildlife Conservation were the second largest divisions when factoring in all of the federal funds and fish and game funds equal to about \$50 million. The bottom line represented the compilation of all of the other divisions.

Mr. Brooks turned to slide 32: "FY2017 Capital Projects Request":

Projects and Initiatives

- Fairbanks Regional Office Electrical, Telephone System, and Repairs: \$350.0 GF

Recurring Capital Projects

- Sport Fish Recreational Boating and Angler Access: \$2,250.0 Federal, \$750.0 GF
- Facilities, Vessels and Aircraft Maintenance, Repair and Upgrades: \$1,000.0 GF

Mr. Brooks was aware that he was presenting an operating budget overview but mentioned that the department had 3 capital projects. Two of the three projects were for deferred maintenance. The third request was for boater access and had been an annual request seen by committee members in the past. It was a \$3 million request that was three quarters federal funds and one quarter of GF - a state match. He also pointed out that there were two bills

that were before the legislature. The first was HB 137 that would raise fees on fishing and hunting licenses on the sport side. It was a bill that would potentially generate additional revenue that could be used for the Division of Sport Fish and the Division of Wildlife Conservation where there was a remaining \$4 million of UGF. He also mentioned HB 251 which was a fisheries tax bill that assessed an additional one percent of tax on the commercial fishing industry. The fiscal note on the bill reflected an additional \$18 million in revenues which would go into the UGF. He made himself available for questions from committee members.

Co-Chair Neuman referred to slide 21. He expressed his concern about the revenue offset of \$1.2 million in federal Pittman-Robertson. He asked if the department had returned any available federal funds. Mr. Brooks replied that the department had not returned any of the funding to-date. He relayed that coupled with its operating budget the legislature had given the department a capital project request in the previous year for \$11 million of additional Pittman-Robertson funds. At a national level the program had seen a steady growth. He reported that 2 years prior the department's allocation went from \$21 million to \$31 million in a single year. He elaborated that the Pittman-Robertson program was tied to excise tax on guns and ammunition. The department's challenge was to match the funding. The department's challenge was to match the funding. The department was also keeping an eye on a sustained revenue level which was anticipated to plateau. It might be at a higher level than in the past but not at the same rate of growth as the exceptional single year of growth.

Co-Chair Neuman asked about any unused Pittman-Robertson funds. Mr. Brooks reported that the state had 2 years to use the funds, to obligate them with the federal government. It was not the same as having an encumbrance or order, but rather having an approved project with them. The department had been doing its best to find partners to help the state match the federal funding. Currently, the department estimated that at the end of September 2016 it could be in a position to revert back \$2 million to the federal government.

Co-Chair Neuman wanted additional information about how Pittman-Robertson funds were used. He thought they were

primarily used for access. Mr. Brooks responded that access was one of the uses. The funds had to benefit recreational hunting.

Co-Chair Neuman asked Mr. Brooks to explain how \$1.2 million of federal Pittman-Robertson funds to offset revenue. Mr. Brooks answered that it was one of the primary finding sources for all of the department's management program activities such as aerial surveys of caribou and other undertakings having to do with hunted species in Alaska. The department was using Fish and Game Funds to match federal dollars. He furthered that the department was experiencing increasing difficulty matching federal funds.

Co-Chair Neuman wanted an additional explanation of why the department was using Federal Pittman-Robertson funds to offset revenue in the department's budget. He did not understand how it worked. Mr. Brooks was happy to review the subject later.

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Representative Gara mentioned a historically struggling King Salmon run on the Kenai. Both the early and late runs had been some of the best. However, in current years the runs were terrible. After a year of a good late run, the department opened it up to bait fishermen substantially increasing the take of a nearly endangered fishery. He asked why and wondered about the department's management direction for the fishery in the upcoming year. It was unknown whether the state would have sustainable runs of the fishery in the future. He relayed that many people on the Kenai Peninsula were angered by the department's management decision. Mr. Brooks would provide a more detailed answer at a later time. He was aware that there were good numbers from the late run. He indicated that the Division of Sport Fish was trying to balance raising the return beyond the low end of the escapement range and providing opportunities late in the season. He surmised that any action taken by the division would likely be controversial. He was happy to provide a more thorough response.

Representative Gara did not expect Mr. Brooks to have an immediate answer. He emphasized that it had been the first decent return in years. He claimed that the department seized the opportunity to open up bait fishing right away.

He conveyed that the fishermen in South Central did not want that to happen. He wondered if the same action would be taken before the run was stabilized. He did not believe that one decent run in several years did not justify the division taking such an action. Mr. Brooks relayed that the department would get back to the committee with a response.

Co-Chair Thompson referred to the Division of Habitat. He wondered about the invasive species, Loche, in the Northern and Central regions of Alaska. He wondered if the state was getting financially involved in fighting the epidemic of invasive species. Mr. Brooks responded that the Division of Habitat and the Division of Sport Fish were working on the issue. The Department collaborated with the Department of Natural Resources. He could provide specific information on related projects.

Co-Chair Thompson was just curious and indicated he did not require an additional response. He asked about how the CFEC determined permit prices. He asked if boat size and tonnage were factors in permit pricing. Mr. Brooks responded that there was a range of fees set in statute from \$30 to \$3000. There was also a formula the commission employed to set the rates. Size and other factors were considered. The range was established by the legislature and the fees were set by regulation.

Co-Chair Thompson asked if the cap was \$3000. Mr. Brooks responded affirmatively.

Co-Chair Thompson understood that there were about 260 permits very few of which were Alaskan owned. Most permit holders were from Seattle, took hundreds of tons of fish out of Alaska, and brought their catch back to Seattle. He added that the majority of their fishing crews were from out of state. He thought that the cap was something that needed to be addressed because of "out-of-staters" taking Alaskan jobs and Alaskan fish. He considered it a problem that he hoped would be addressed during the session.

[3:25:50 PM](#)

Co-Chair Neuman remarked that the conversation had been started. Mr. Brooks responded that the Limited Entry Commission had done some analysis on the fee structure and the cap. He would provide the information to the committee.

Co-Chair Neuman remarked that the larger vessels would be the focus. He would distribute the information to members of the committee and would address the issue at the subcommittee level.

Vice-Chair Saddler referred to slide 20. He asked about the Exxon Valdez Spill Trustee Council. He wondered why the state was spending \$2.5 million on a spill disaster that happened 27 years ago. He asked about the responsibilities of the council, how long it would last, and when the state could divest itself from it. Mr. Brooks remarked that DFG was chosen to house the council. The council was made up of 3 federal and 3 state representatives. There was a couple of staff as well. The council was responsible for a science panel that continued to meet and some ongoing monitoring. He believed the \$2.5 million was a "not-to-exceed" amount. He did not believe that the council had come close to the budgeted amount in recent years. He did not have an answer about an end date but noted it was a minimal ongoing effort that existed.

Vice-Chair Saddler thought the council might find an administrative home within the university system or the marine science facilities in Juneau or Valdez. He thought it was a holdover from a previous crisis and was unnecessary.

Co-Chair Neuman asked about CFEC's budget for research. Mr. Brooks reported that CFEC generated about \$7.8 million in funds. There was about \$4.2 million in the CFEC budget. The Division of Commercial Fisheries had about \$3.5 million in its budget. Out of the \$4.2 million budget there was a section with 3 positions: an economist, a fisheries analyst (responsible for doing economic research and different types of analysis), and an empty position.

Co-Chair Neuman asked about the yearly budget. Mr. Brooks would have to look at the positions. He guessed that with salary and benefits it could be about \$300 thousand.

Co-Chair Neuman thought the cost of their research was in the millions. Mr. Brooks responded, "No."

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Representative Edgmon referenced HB 112 [Legislation introduced in 2015 - Short Title: Repeal CFEC; Transfer

Functions to ADFG], Representative Stutes' bill that would essentially reorganize and downsize CFEC. He reported receiving conflicting stories from fishermen along the coast. It was a very important issue for fishermen in Bristol Bay who recommended the department move slowly and judiciously around the downsizing of the commission. He invited Mr. Brooks to comment. He also wondered, in light of the review and audit that took place, if the department had plans to transition CFEC into DFG while the legislation was making its way through the process.

Mr. Brooks had personally testified on HB 112. He thought there were efficiencies that would result from the bill. He remarked that the legislative audit pointed to some of the changes in the workload over time. He added that the types of things the commission did currently compared to 20 years prior were significantly different. It did not diminish the commission's excellent work and advocacy for the industry over the years. He believed there were administrative functions within the commission that DFG also performed such as computer support and accounting functions that the department could do for CFEC. He reported that there had been discussions about the licensing function. The department licensed individuals, crew members, and sport hunters and fishermen. The Commercial Fisheries Entry Commission licensed skippers and vessels. In the end, it amounted to doing a transaction with the public charging a fee, and collecting money. He estimated that some of the business functions of CFEC could be done regardless of what division or department they were under. He did not believe the commission's adjudication role would be compromised. The commission was responsible for making decisions and conducting hearings on transfers and different issues. He asserted that the challenge was finding the balance between the administrative functions that could be done outside of CFEC and the adjudication functions and legal types of issues needing care and attention within CFEC that he thought could be done with a smaller footprint. The Commercial Fisheries Entry Commission had statutory authorities that they did not report to the Department or the Commissioner of Fish and Game.

Representative Munoz commented that the audit had recommended maintaining the autonomy of the commission. She asked if DFG had assigned any DFG staff to CFEC duties in the current or previous year. Mr. Brooks replied in the negative. He stated that the department's Information

Technology (IT) staff collaborated and interacted with CFEC but there had not been an assignment of duties.

Representative Munoz asked if he was aware of the intent language included in the FY 16 budget recognizing CFEC's autonomy. Mr. Brooks was absolutely aware of the intent language. The department was operated accordingly.

[3:34:29 PM](#)

Representative Munoz referred to Attorney General Tom Katter's opinion regarding the autonomy and the continuation of that autonomy. She asked if he was familiar with Attorney General Katter's opinion. Mr. Brooks had not seen the opinion but would like review it.

Representative Munoz would make sure to provide Mr. Brooks with a copy. She wondered about the Dingle-Johnson funds. She asked if he could provide an estimate of the projected federal and state funds anticipated to be received by the department. Mr. Brooks responded that the Dingle-Johnson funds were associated with the Division of Sport Fish. The department had some history of projects. He added that the Pittman-Robertson funds matched with license revenue would affected by HB 137 [Legislation passed in 2016 - Short Title: Hunt/Fish/Trap:Fees;Licenses;Exemptions]. The department used license revenues to match both federal allocations. He would provide the information to the committee.

Representative Wilson referred to slide 18. She asked about a sheep working group, how it was being funded, and how much had been spent to date. Mr. Brooks replied that there was an allocation set aside for the sheep working group. He referred to an \$11 million capital project from the previous year. There was a portion of that money set aside for sheep management. He thought the funding for the work group was included. He would follow-up with the cost information.

Representative Wilson understood that there was a moderator for the working group. She asked for the name of the person and where they were from. Mr. Brooks could not recall the name or location but would be happy to provide the representative with the information. He thought the moderator was from Canada.

Representative Wilson clarified that the person was from Canada. Mr. Brooks was unsure. He would provide the information before the end of the current day.

Representative Wilson confirmed that the person was from Canada and that she already had their name. She wondered why the department was not using advisory councils from within. She was more concerned as to why the state was using someone from Canada to help the state manage its resources. She thought the subcommittee chair for DFG would clear up the issue.

Co-Chair Neuman spoke to Representative Wilson's point. He thought that there had been intent in the previous year's budget directing all departments to use the university system first for any research.

Representative Wilson remarked that they were not from Canada.

Co-Chair Neuman would check on the issue. Mr. Brooks relayed he would have an opportunity to discuss it with the division soon.

Co-Chair Neuman thanked committee members for their attendance. He reviewed the agenda for the following day.

#

ADJOURNMENT

[3:38:42 PM](#)

The meeting was adjourned at 3:38 p.m.