Alaskans At The Crossroads

FY 2017 SOLUTIONS

From 22 Citizens Groups

Which Side Will You Be On?

United For Liberty

Printing cost $10 – Tax deductible contributions appreciated to www.alaskapolicyforum.org

United for Liberty Member organizations

Alaska Independence Party
Alaska Libertarian Party
Alaska Republican Party
Alaska Republican Assembly
Alaska Veterans Party
Young Americans for Liberty
2nd Amendment Task Force
Anchorage Tea Party
Taxpayers Municipal League
Oathkeepers
Alaska Policy Forum
Statewide Teleconference
Restoring Liberty
Alaska Vet Pac.
Assembly Watch
Accountability Alliance
Citizens Initiatives
Convention of States
Americans For Prosperity
Tax Our Kids
Indiginuity
Alaskans against Common Core

"Which way are you going...Which side will you be on?"

Jim Croce

This report is available at:
www.uflalaska.com/docs/FY2017.Solutions.pdf

www.alaskapolicyforum.org/pubs/FY2017.Solutions.pdf

Acknowledgement:

- United for Liberty is a broad based state wide organization which came together 3 years ago to develop and establish trusting relationships across a broad spectrum of political and civic organizations to address the important issues of our communities and state.

We present this budget packet to the legislature as a tool to assist in the current difficult financial conditions of our State.

This packet was assembled with 15 different volunteer committees of citizens and legislators totaling approximately 50 who have given their time unselfishly simply for the love that we all share in the future development of this great state.

Special Recognition must be given to **Ric Davidge,** and **Steve StClair** as they served as Team leaders and Chairs with oversight on five different departments. Without their substantial dedication this project would not have been possible.

Recognizing David Boyle, Stephen Merrill, Ray Kreig, Lee Ann Kreig, Ilona Farr and Michael Chambers for unwavering support in assembling various portions.

Special thanks are also given to Alaska Policy Forum for stepping forward to assist in bringing out this report and providing research and financial graphics.

If you desire more information regarding United for Liberty, you can access our website at: www.uflalaska.com

With deep respect for the work all legislators have during this difficult time, it is our sincere hope that your diligent work serves the people of Alaska and not pander to special interest groups. We are all in this together.

Respectfully,

Michael Chambers

Co-Founder, UFL

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Preface - Alaska State Government Size and Budget

Brief:
2/15/2016 by United for Liberty

Let us state from the outset, United for Liberty is presenting these recommendations on various parts of the Alaska State budget in hope that our input helps legislators during the current difficult decision making. While we have had substantial experienced volunteers assisting in this effort, please understand this is an all-volunteer effort.

Many of us are aware that Alaska is in a very difficult financial position. The actual proposed budget for FY 2017 is over $12.3 billion! The State of Alaska spends over $16,000 per capita which is approximately FOUR times the national average. We are all aware living in Alaska is more costly, but certainly nowhere close to 4 times as costly!

<u>These recommendations do not balance the budget.</u> They are designed to downsize government to a manageable level of $3.8 billion **UGF** within three years given an average of $40.00/bbl of oil.

FY 2017 - $4.5B
FY 2018 - $4.2B
FY 2019 - $3.8B

At $3.8B the budget can be sustained with a combination of incoming state revenues ($1.8B) and a yearly draw from the Permanent Fund earnings reserve ($2.0B) without incorporating revenue assaults on the private sector and the citizens.

The reason why this is not a balanced budget is that it is predicated on $40/bbl oil which we feel is more reasonable, truthful and realistic than other programs presented. Certainly, the State needs to cease developing budgets on temporary inflated income which is a main factor in getting us where we are today. If oil prices continue to come in under $40/bbl then the Alaska Legislature will have to visit other forms of revenue generation. It is our position at United for Liberty that until State Government is trimmed to lower levels, **we should *<u>not</u>* be addressing the issues of**

capping the Permanent Fund Dividend, incorporating Income taxes, or other forms of taxation. The citizens of Alaska are clear in their requests to trim government first. We look forward to communicating effectively with the legislature through this process to promote a budget which is appropriate and aligned to our income.

THANK YOU OUTSTANDING PUBLIC SERVANTS

United for Liberty wishes to sincerely thank all of the State Employees and Legislators who give the people of Alaska much more of their time and commitment than simply filling out a timecard.

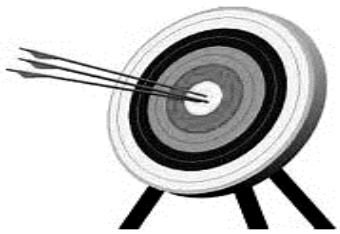
Many of us in United for Liberty are current and former public employees and we know it takes dedication to go beyond the average and strive for excellence and true public service, even when conditions are challenging, both for you and the citizens of Alaska. We know many of you labor on without just recognition.

Words fall short expressing the heartfelt appreciation United for Liberty has for you. Our mission is to develop trusting relationships across all spectrums involved to put forth efforts to help make Alaska, the land we love and call home, better.

With best regards,

United for Liberty Membership

Target Areas to $1.5 billion dollar cuts



*** PCNs and FTEs:**
$250 million. This is the amount appropriated for personnel positions in all departments that are in fact vacant. If a department overspends or doesn't fill the positions, towards the end of the fiscal year there is a rush to spend the money many times on wasteful and unneeded or lavish purchases. In this fiscal environment the legislature needs to cut at least 90% of these vacant positions and reclaim the money. Furthermore, any vacant legacy PCNs need to be permanently eliminated and a rule promulgated that any others not filled in two years, are removed. This is similar to procedures in the DOD.

*** Medicaid Options:**
$220 million. For services which are not required. Alaska has the most generous Medicaid program in the entire nation.

*** Power Cost Equalization Program:**
$300 million. This is a one-time reduction from the PCE endowment but during these times we need to reduce the government footprint.

*** Public School Allocations and Realignment:**
$200 million restructure and realignment. A bill needs to be sponsored to allow cyber education from alternate sources than simply educators residing in Alaska. Costs can be substantially lowered in rural areas of the state.

Public education in Alaska is too top heavy in the administrative ranks.

Currently, the administrative costs of the Anchorage School District are approaching 44%. This is an outrageous misuse of educational dollars. The legislature needs to allocate a specific percentage to “direct” classroom instruction. Pelican School district has 11 students and a superintendent. This is unacceptable. There are four school districts on Prince of Wales Island when there should be one.

*** University Financial Responsibility:**
$17 million (5% decrease) We encourage the University to develop land grant resources. A perfect example is Alaska Pacific University which has developed their land grants and tuition is going down at their institution.

*** Criminal Justice System:**
$20 million reduction Between the Courts, Corrections, and Public Safety Alaska is spending $550 million annually. While we understand that public safety encompasses much more than criminal justice we are certainly allocating a substantial portion to the system for offenders of the law. (see recommended reductions in Public Safety section)

*** Administration:**
Inspection and decrease in top management positions. The percentage of public administration should reflect private administration for a model of efficiency

*** DCCED:**
$80 million reduction - Close Alaska Gasline Development Corporation. This is wasted money on a project which likely will not happen for decades. We have already squandered an astounding $500,000,000, mostly in corporate welfare to Trans Canada Pipelines with nothing of value to show for it. Alaska Housing Finance Corp. needs to increase their dividend to the general fund.

*** Legislative staff:**
Put financial limits on total costs per legislator

*** Marine Highway Subsidy:**
The total marine highway cost approaches costs to maintain all other transportation facilities for the entire state!

*** Minimum Wage Reference in Labor Agreements:**
All references to state and federal minimum wage rates must be removed from any labor contracts before they are ratified. Changes to these have costly ratchet effects and wages alternatively need to be independently determined based on the specific job market.

*** 120 Boards and Commissions and 3,200 non-profits are receiving some form of state assistance or funds:**
These need to be evaluated for elimination or reduction in funding.

*** State Employee Travel & Conferences:**
No travel unless it is an emergency; reduce in-town conference attendance by 50%.

*** Reject Labor Union Agreements:**
They only save 1%. It's not enough. Must not be any merit pay raises. State employees need to pay 50% of their healthcare insurance costs so they are connected to the cost of care and do not overuse.

*** No Medicaid Expansion:**
There are already 165,000 Alaskans on the Medicaid rolls.

*** Eliminate Two Departments:**
Commerce, Community & Economic Development and Labor & Workforce Development

*** End Local Revenue Sharing & Bond Reimbursement:**
Start phasing it out now

*** Common Core:**
It is expensive as well as intrusive. Repeal it…Save money.

*** Reform Prevailing Wage (Little Davis Bacon) Act:**
It's ridiculous and abusive to the people of Alaska that have to pay for this. It bloats the cost of construction for all schools and public buildings, roads, by 10 - 30%. *This is obvious Low Hanging Fruit….*

*** With These Cuts it is Unacceptable for Departments to Play the "Close the Washington Monument" Game to Scare Alaskans:**
The Washington Monument syndrome describes government agencies that cut the most visible services when faced with budget cuts instead of eliminating waste, financial abuse and useless activities. Recently we see:

- State Troopers announce closure of the Girdwood post even though the Anchorage to Portage Seward Highway is the most dangerous road in the state.
- DOTPF fails to sand the Glenn Highway between Anchorage and Matsu even though it's the beginning of the budget cycle and they undoubtedly have plenty of resources to do it.
- DOTPF announces closure of the Chitina maintenance station thus stampeding McCarthy road residents to write letters pleading for money to keep it open. *We don't notice DOTPF privatizing and reducing other inefficiencies to avoid this!*
- DNR closes the Haines Forestry office even though it's the major state landholding all of the Southeast. A headquarters' manager is heard to say at a staff meeting, "these are the things we need to do to get the public ready to pay taxes".

*** Avoid Cuts by Increasing Income from State Lands:**
Requires investing money for land management and defense of assets and property rights. The CACFA Commission and DNR's ANILCA Program should be restored. Income producing land management and permitting must not be cut.

A State Budget Process – that includes all Alaskans

We recommend for the Operating Budget:

1. The State Legislature must identify Constitutional mandates which the state must fund.
    a. Funding is based on program/project not agency so that is how it should be organized
    b. That 'required' list should then be published and provided to all media for broad statewide distribution

2. The legislature needs to decide at what level of funding it believes appropriate for these 'required programs' given need and availability of funds within this list of 'required' programs.

Now that we have established what is constitutionally required and what is appropriate as to the level of funding –

We recommend this be enacted with a separate budget bill by simple majority early in the session.

3. Then list all other programs, those not required by the Constitution, by level of funding from the previous year, by agency.

4. Separately list all revenue sources including those mysterious bags of money left over in various agencies/programs – which we believe should be put back into the general fund at the end of each fiscal year.

5. Then the question is what 'discretionary' programmatic spending do the people of Alaska support? <u>And how do they want to pay for it?</u>

6. Finally, a strategy that focuses on programmatic **results**.
    a. The House/Senate Leadership should send the Governor and all cabinet officers a joint statement that says: In the 2017 legislative session we will be making our budget decisions first based on the results of our spending within both the Constitutional Budget and the Discretionary Budget.
    b. When a program director or cabinet officer presents the Administration's budget request, we will ask for a clear statement as to the

purpose/function of each program and the objectives of that program over the past year – and to what result.

c. If we are not satisfied with the response to these questions we will set that program's budget aside until the answers are forthcoming and acceptable.

d. Results based on, effort, spending, number of employees, etc. are not acceptable. They must be measured on actual 'outcomes' (valid performance measures) of our investments in these programs/projects.

So, what do we have if we adopt this process?

Alaskans will be able to see what is constitutionally required and at what level of funding the legislature believes appropriate per program per fiscal year. Let's call this the **Constitutional Budget**.

And Alaskans can see what is truly discretionary, not required by the Constitution, and then offer their opinions as to what they think important and at what level. We can call this the **Discretionary Budget**.

In the **Capital Budget** the State should rank all requests based on:

1. What they believe is 'essential' for the state. Let's call this the **Essential State Capital Budget**
2. And then they should list all other project requests and ask for a public ranking of such requests in the **Discretionary State Capital Budget**

Again, we differentiate between what is 'essential' and what may be locally important. Remember, locals can always support capital projects alone without state support.

And **for the first time** we will actually see, by program, the real return on our state's investments with actual results. To date, this is NOT happening and it is a fatal flaw in our public funding systems. This will not be easy as most state programs do not measure or track actual results. Rather it is the often emotional purpose of the program that is sold, not results.

Given the decades history of most state programs, reporting results MUST be required by the legislature and any competent administration BEFORE they request more funding.

Some questions that need to be asked and answered during this budget cycle regarding our priorities.

What is the purpose and function of our state government? Are these honestly reflected in the new operating budget passed last year as we face Billions in debt? Or are we back to the same old pandering to special interests at the expense of our constitutional responsibilities?

There were those who, even in the majority caucus, voted against a $5.4B operating budget because it was bloated and financially upside down. They voted against it because it continues to fund what are clearly 'discretionary' programs that drain our reserves in the face of prolonged income losses.

The state budget is not reflective of limited government. It has been bloated by two Republican governors, who said they supported limited government. These 'other voices' are an extraordinary testament to a commitment of deep rational conservative values that actually does in Juneau what candidates promised voters during their elections. We need more such leaders in Juneau.

Is our purpose as a State to entertain the folks? Or is it rather an essential obligation of our State to protect the interest and rights of all Alaskans and give them True Value for their money spent by government?

Historic Alaska State Spending and the Governor's Proposed FY2017 Budget

Figure 1 is a budget comparison from FY 2006, the last year of relatively stable budgets before the explosion of spending in following years, to the governors proposed FY 2016 budget.

Figure 1

Budget Comparisons FY 2006 - FY 2016 (Unrestricted GF only) in $thousands

Departments	FY 2006	FY2006 w/22.3% inflation to FY2016	FY 2016	FY 2016 real increase above inflation	
Administration	$49,260	$60,244	$78,410	30%	>>>
Commerce	$8,091	$9,896	$27,707	180%	>>>>>>>>>>>>>>>>>
Corrections	$155,705	$190,427	$281,178	48%	>>>>>
Education & Early Development	$830,516	$1,015,721	$1,302,322	28%	>>>
Environmental Conservation	$12,935	$15,819	$20,469	29%	>>>
Fish & Game	$28,572	$34,943	$66,443	90%	>>>>>>>>>
Governor	$19,075	$23,329	$23,539	1%	
Health & Human Services	$530,551	$648,864	$1,171,114	80%	>>>>>>>>
Labor	$13,851	$16,939	$26,250	55%	>>>>>>
Law	$31,481	$38,501	$53,973	40%	>>>>
Military & Veterans Affairs	$9,176	$11,222	$17,601	57%	>>>>>>
Natural Resources	$53,605	$65,558	$71,464	9%	>
Public Safety	$84,989	$103,941	$163,274	57%	>>>>>>
Revenue	$12,099	$14,797	$29,515	99%	>>>>>>>>>>
Transportation & PF	$98,905	$120,961	$247,964	105%	>>>>>>>>>>
University	$228,333	$279,252	$355,787	27%	>>>
Court System	$58,817	$71,933	$110,403	53%	>>>>>
Legislature	$41,344	$50,564	$73,398	45%	>>>>>
Population**	675,302		737,625		
Consumer Price Index*	193.2 (2005)		236.265 (2015)		
			22.3%		

*US All Urban Consumers from http://laborstats.alaska.gov/cpi/cpi.htm

** NOTE: As population goes up, the real cost to serve per capita should go down because of increased efficiencies.

The second column shows the FY 2006 budget increased at rate of inflation 22.3%. The final column then shows what the governor's proposal is compared to the inflation-adjusted 2006 budget. The governor's office is the only one that has not exceeded inflation. The size of the box is an indication of the relative importance of each Department's budget.

Figure 2

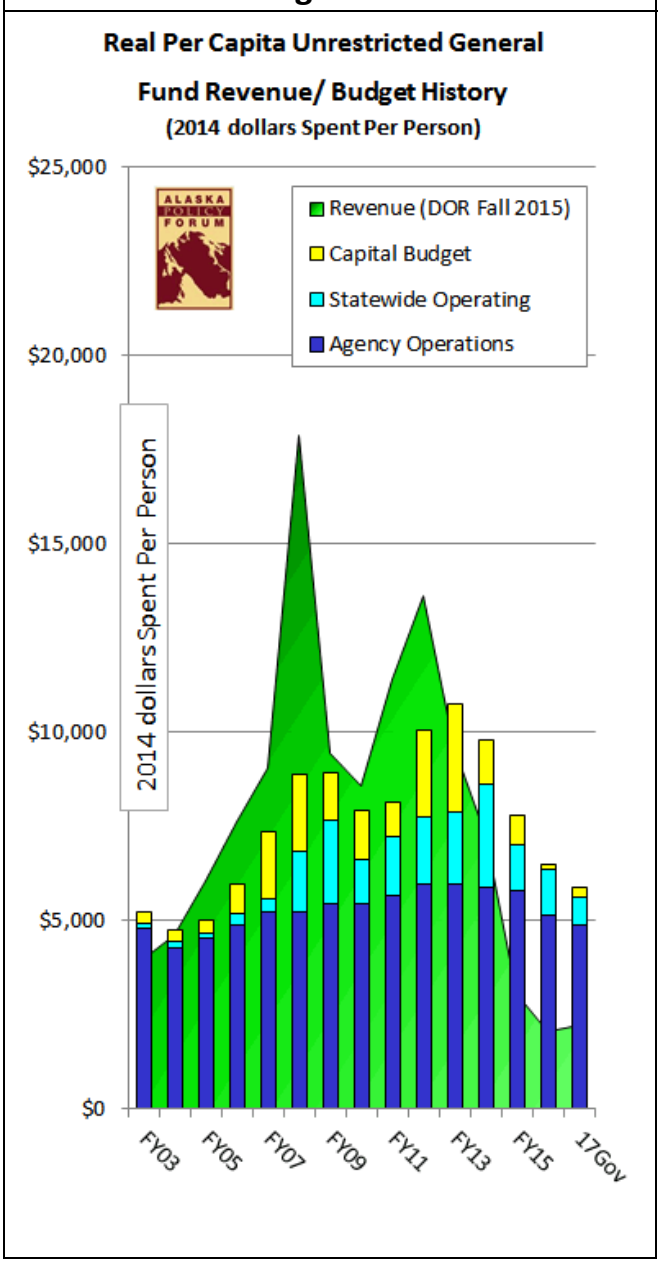


Figure 2 shows the growth in the state Unrestricted General Fund (UGF) budget in graphic form.

However the big spenders do not like these first two budget graphics so we are seeing presentations like Figure 3 from Legislative Finance that go all the way back to FY 75 in an attempt to reduce the significance and impression of budget growth since FY 06 by including just the right amount of historical information to convey the impression that budgets have returned to some historic norm.

Well they have not. If Legislative Finance is going to reach back to FY 75 with historic data it needs to just go back to the beginning of statehood and be credible. Otherwise, this needs to be recognized as just another use of the graph axis chopping technique used by those with other agendas to mislead.

Figure 4 shows the real per capita UGF budget history since FY 61. Quite the different picture!

So what does the complete picture in figure 4 show? From 1961 to just before the $900 million Prudhoe Bay lease sale in 1969, the per capita UGF budget in Alaska averaged $1,600 per person, updated to 2014 dollars. Then after the lease sale largess, it jumped up towards the Legislative Finance axis chop intended to be the beginning of history, $5,000 per capita.

Gov. Walker's FY17 UGF budget at $4,854 per capita has returned to near the $4,881 of FY06 but that is THREE TIMES the pre-oil UGF per capital budget before 1969.

In this fiscal environment if we're going to be considering "historic levels" of budgeting then begin with what government services were provided before North Slope oil and building on those step-by-step while rigidly adhering to what we can really afford and what Alaskans are truly willing to pay for out of reduced Permanent Fund Dividends and increased taxation. Willing to pay because they think they're really getting value for the services paid for by their reduced family income.

Comparing back to the 1960s, are you kidding?

We can hear it now… "That was before 1% For Art, you couldn't drive from Fairbanks to McKinley Park, no PFD! (Before the Delta barley project, the fish plant etc, etc.)" *So how bad was Alaska back in those days of light handed government and very small state budgets?* Was blood running in the streets…crime out of control…folks starving, dying like flies? How bad was it, REALLY?

Figure 3

Leg Finance "Axis Chop" to delete pre-oil small government history

Pre-NS Oil Spending only $2,500/ person

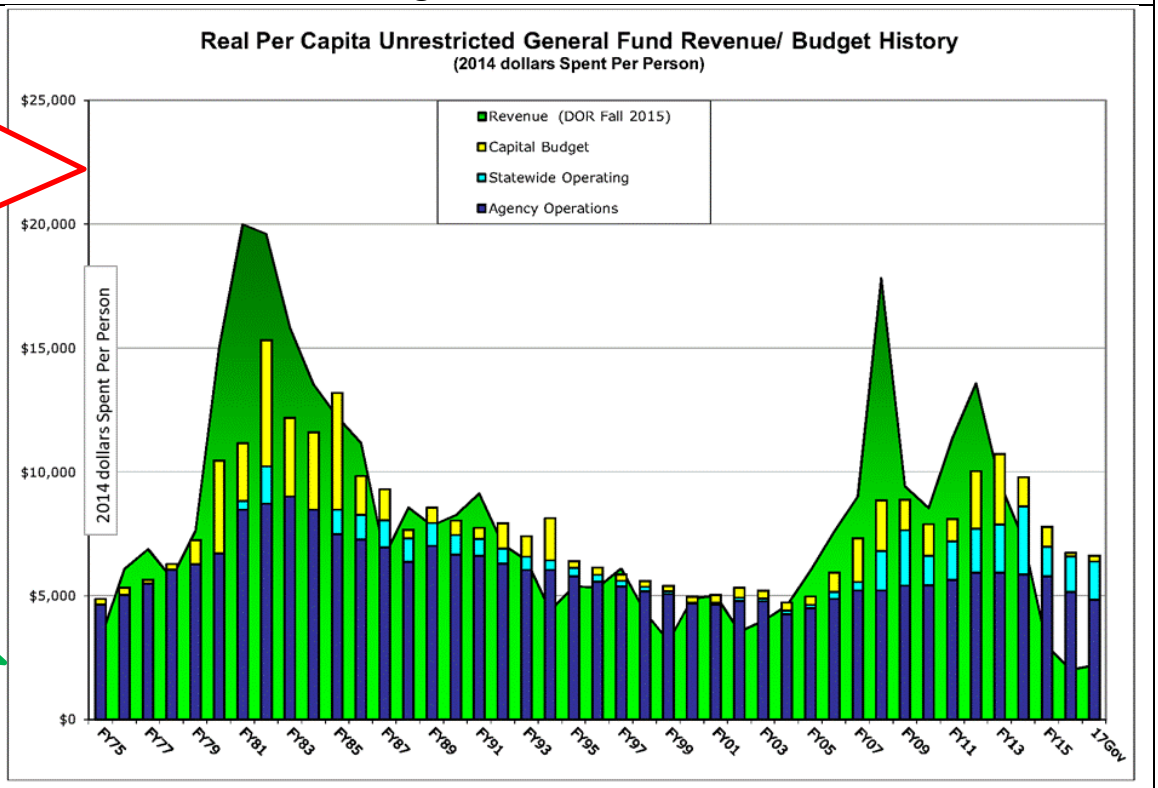
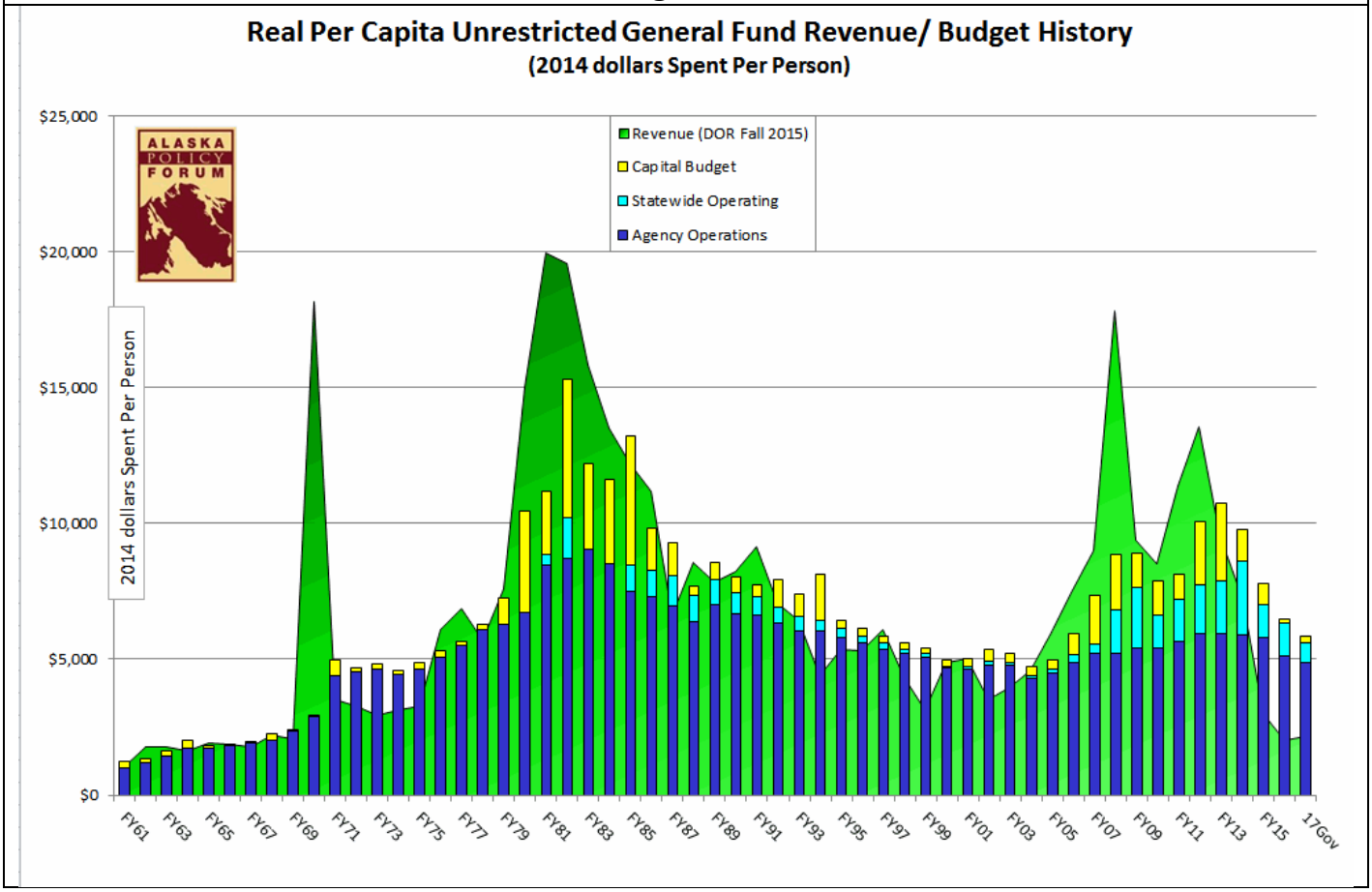
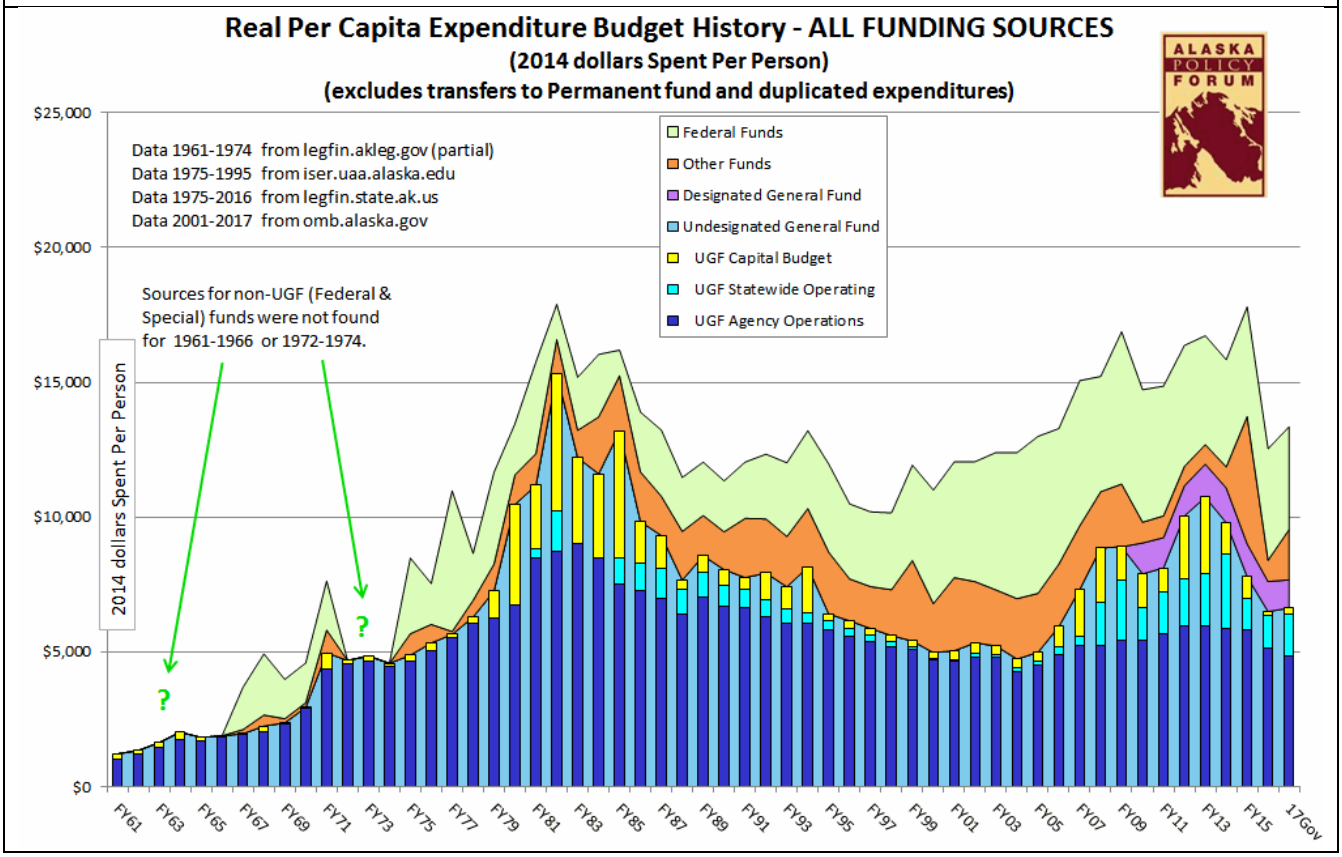


Figure 4



Finally, all these budget graphics and discussion of the Unrestricted General Fund Agency Ops budget are just diverting attention from the truly gigantic complete Alaska state budget that includes all the other rarely discussed (and thus effectively hidden) components: DGF (Designated General Fund), Statewide Operations (retirement costs, debt service, tax credits), Federal Funds). Here it is in Figure 5:

Figure 5



The governor's FY17 proposed $4 billion Agency Operations UGF spending rockets up to over $13 billion when all spending (including federal match is included). In per capita 2014 dollars that is $5,400/person for Agency UGF only and $17,600/person for all spending, including federal!

Everyone needs to stop giving all the attention to the UGF budget. We are absolutely confident that Alaskan families losing their household income to Permanent Fund Dividend reductions and new and higher taxes aren't going to care whether those dollars are going to the UGF budget or the DGF budget or to statewide operations to pay for debt service or state employee pension trust deficiencies. To them all those dollars are the same.

It appears to us that the legislature's support staff too often does not act in an independent and nonpartisan manner. The axis chops in their budget graphics and other "loaded" documents messaging government spending in the best possible light do not serve the people of this state. This stuff is incredibly influential with busy legislators, the media and the public, none of whom have the time to drill down and get through to the actual facts and truth. We will have more to say about the legislature's support and advisory staff later in the Legislature section.

Budget Philosophy

'Spend what you should - not what you can' We must give Alaskans real value for any money spent in the public sector, and we must protect the private sector for this is the bulk of our economy. This directly relates to the PFD as well.

I. The Constitutional Budget

All programs specifically required by the constitution - **Passed early in session by a simple majority.**

II. The Discretionary Budget

Spending required by statute

Identify/cite law requiring spending. Justify why that law should continue or how it could be adjusted either within a formula, change in its authorization, or suspended.

Spending NOT required by statute

The Capital Budget

Identify all authorized FTE and funded employees

Filled

Not filled **(eliminate 90% funding for positions not filled)**

Zero Based Program Budgeting (ZBPB)

Program Reduction Strategies/Performance Assessments

At 5% less, what does the program look like?

At 10% less, what does the program look like?

At 15% less, what does the program look like?

Operational Threshold ($/FTE)

What is the necessary minimum funding/FTE to provide the services/products required? If less, the program is suspended.

Position Authorizations/reductions

Any FTE not filed in 6 months is eliminated

Travel (not a formula based on FTE)

Position specific 'need'

Training (not a formula based on FTE)

FTE/position specific 'need'

Organizational/Programmatic Trend Analysis (annual/decade)

Management Information System

Program Performance Results

The budget document must show what results were achieved, per dollar, in the past FY

Programmatic Revenue Development

Does this program lend itself to the assessment of fees, royalties, other incomes?

Organize by program/function http://alaska.gov/akdir1.html

1. Law/Public Safety

AG/Dept of Law
Dept of Public Safety
Corrections
Court System

2. Education

Board of Education
K-12, Preschool/Early Childhood Development
University of Alaska System
Community Colleges
Research Institute(s)

3. Natural Resource Management/Protection

Dept of Natural Resources

Dept of Environmental Conservation
Dept of Fish and Game
Alaska Oil & Gas Commission

4. Administration

Office of the Governor
Office of the Lt. Governor
Division of Elections
Dept of Administration
OMB
Note: each Dept also has its own internal Admin Functions

5. Commerce/Labor/Economic Development

Dept of Labor & Work Force Development
Regulatory Commission of Alaska

6. Revenue

Alaska Permanent Fund

7. Public Works/Transportation

Dept of Transportation and Public Facilities
The Alaska Railroad
The Alaska Marine Highway System

8. Health/Social Services

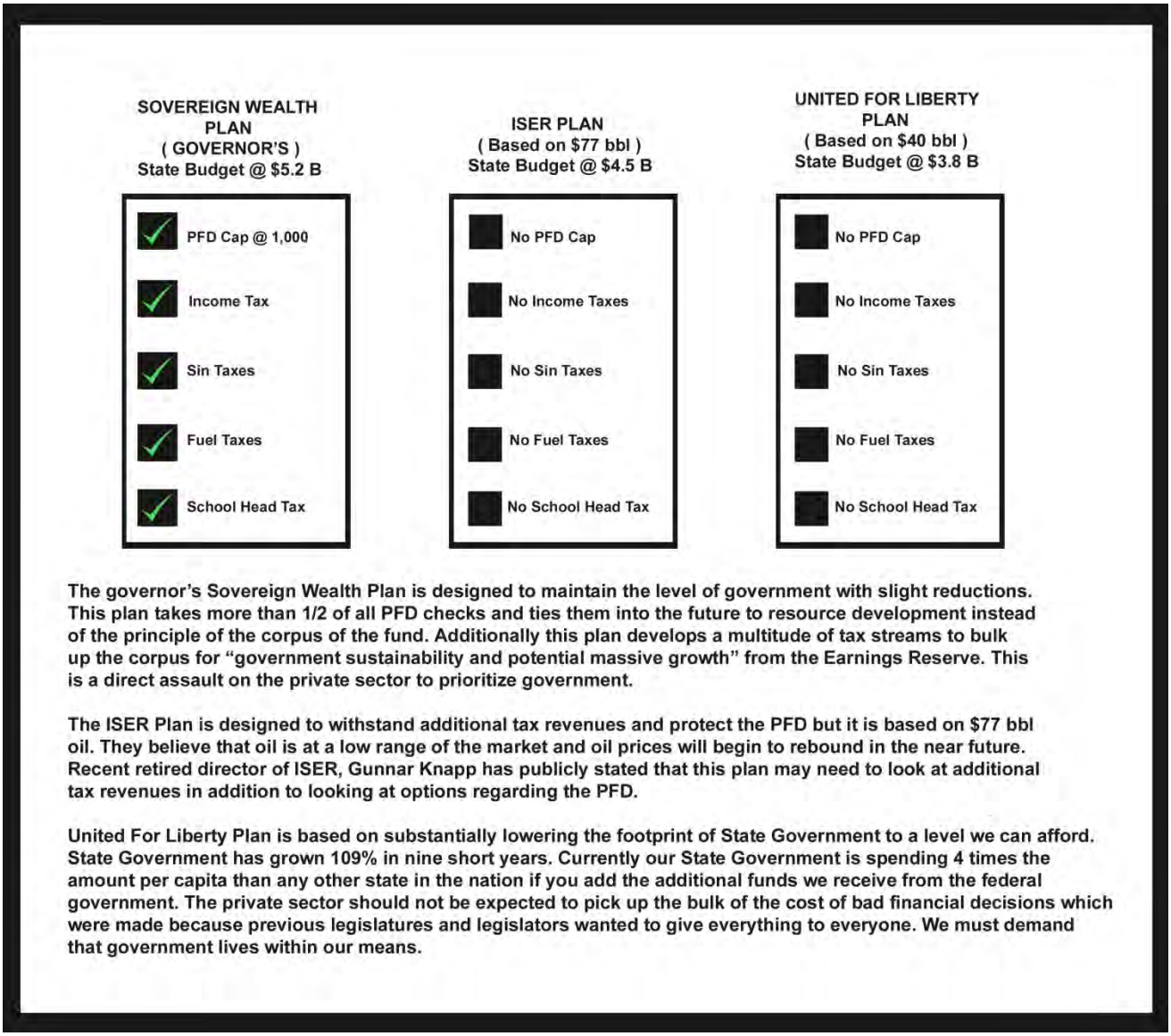
9. Legislation

Legislature
In session
Out of session
Legislative Research
Legislative Finance
Legislative Affairs

10. Military and Veteran Affairs

Alaska National Guard
Veterans Services
State Guard

Three Plans:



3 Plan Narrative

The Governor's Sovereign Wealth Plan:
The governor's plan begins with the basic premise that the current government budget of $5.3B meets the needs of the Alaskan citizens. That this budget should be sustained through moderate reductions, finding some efficiencies and new revenues generated from the private sector.

One of the governor's talking points is that if the state were to lay off all state employees, we could not balance the budget. This is fundamentally true if you fail to

take into account that you cannot run most state programs without employees. A more accurate statement is if you laid off government employees, you would also be eliminating programs which are 2/3rds of the budget.

Another of the governor's talking points is that cutting government spending too deeply may trigger a recession. Clearly if you take deficit money out of one pocket to pay the bill in another pocket you have only shifted the money to different recipients and have not addressed the issue of a recession. His plan takes directly from the private sector to protect the public sector and nothing more. In fact, a recent study by Dr. Goldsmith of ISER indicates taking from the private sector may impact the economy more so than redistributing that money to maintain the public sector. **These are seriously important factors to consider going forward.**

ISER Plan:

The most important ingredient of the ISER plan is that it addresses the deficit by, first addressing the size and scope of government and then focusing on any additional revenue to "make up the difference." The recent revised budget target is $4.3B. Both Dr. Goldsmith and other consultants indicated in recent legislative testimony though, based on their plan, the government will have to incorporate additional revenue sources in order to obtain a "sustainable" budget. This plan is based on the concept that oil commodities are in a "low cycle" and that in the near future oil commodities will find a medium balance around $80bbl. This is precisely why this plan hedges on possible tax increases as the current price is far below $80bbl.

Additionally, it should be noted that other consultants plans going forward are "sustained" on the realization of a gas line in the not too distant future. Dr. Goldsmith differed in that he placed the gas line in his column of "bogus solutions."

United for Liberty Plan:

The main focus of United for Liberty is that State government since 2006 has grown 109% which is not the level of government we can afford. Currently our per-capita spending is twice the size of most other state governments in the nation. It would be in Alaska's better interest to pass, and publish 3 budgets:

1. Constitutionally required (with clear definitions) statutory budget.

2. Zero based budgeting for any other unrestricted funds based on priorities.

3. Deficit spending budget to identify the rational "why" we should deficit spend and address "why" Alaskans should be encouraged to identify other tax venues.

United for Liberty's target budget is $3.8B by FY19. This is based on the premise that $40bbl oil is a more conservative planning price for oil revenue.

Although it is difficult to evaluate oil prices in a volatile market, oil prices may be at the lower end of a down cycle, and with an increase in oil revenues, we can hit our target without any other introduction of revenue enhancement, which if enacted, would be difficult to roll back.

If oil prices do rebound, the first priority of state government must be to replenish the $17B in the Constitutional Budget Reserve which is required by our State Constitution but has no timeframe. If there would be any increase in State revenues due to an increase in oil commodities, we would prefer that additional revenues be allocated to promote common sense capital construction projects which would build our existing infrastructure and allow for desperately needed economic diversification and resource development. Capital construction projects put money directly back into the private sector.

We are not convinced the current gas line proposal is designed for any legitimate return and should be carefully evaluated based on its market value and ability to compete on the world market.

UFL

DEPARTMENT BUDGET RECOMMENDATIONS

Departments of Administration & Revenue

For the most part these two agencies provide administrative functions. They manage numbers, negotiate contracts, and occasionally try to stimulate a positive work environment. Frankly, for the most part these are functions, other than the positive hype, that can be achieved by management information systems (MIS) with appropriate discretion for a few top managers.

But over time we see management creep, as those in the public sector who have been with a program or agency for well over a decade 'expect' to move up. When there are no positions/FTEs open for upward movement, we often see an effort to justify and create positions.

An analysis into the growth of top and mid-level management is essential in any review of the cost of these two agencies.

Recommendations:

1. An independent review of the growth of top and middle management must be done immediately with the Commissioner in consultation with OMB to determine at what rate this FTE sector in the department has grown. The suspicion is that this top and mid-management component of the department has grown faster than service levels as a percentage of growth over the past decade. This needs to be confirmed and understood. This can be accomplished within this session.

2. If the growth of top and middle management is irresponsibly oversized (certainly should not exceed 15% of total program or service costs), then it needs to be reduced this session to 15%. With the availability to so much technology today, the old ideas or standards of management are no longer appropriate. An example would be personal secretaries or special assistants. Since every FTE has and uses a computer, these 'supportive' positions are no longer necessary.

3. Specific management costs that can be eliminated or reduced:
    a. Number of vehicles purchased in the next fiscal year. If these are absolutely not essential to safety, these purchases should be delayed. The state has a depreciation schedule, and this too needs to be reviewed

and likely extended. This must include the two new cars purchased annually for the Commissioner (Juneau/Anchorage)

b. Development and use of an integrated Management Information System (MIS) that allows managers, including the Commissioner, to review any program cost or efficiency at any time is an essential tool generally not being applied in the public sector. This needs to be fixed ASAP to further reduce the cost of top and mid-management.

4. In some departments there are back logs, and here there may be a concern about data entry. This MUST be addressed immediately as such delays and uncertainties greatly slow and frustrate administrative performance. Any data entry back logs should be transparent to the legislature during their review of these two agencies' appropriate requests and some estimate on the cost to programs/functions needs to be considered.

5. It is essential that these agencies report 'RESULTS' in providing their required administrative services to the state. How services are measured is also a concern. Cost per report provided may be an appropriate marker. It requires close examination, but both Revenue and Administration should be able to show service results at a lower cost per.

   The idea is not only to quantify 'results' but at what cost per unit – and NOT based on an average, but actual cost per unit/report/function. Yes, averages do have some general management value, but specific cost/time per function is critical. This is how a private company would have to report to its Board of Directors.

One of the things that is true about Revenue and Administration, which may not be true of other departments, is that they can and should be managed consistent with private management strategies. Time, unit costs, etc. are the 'return on investment' we need to evaluate here.

Department of Commerce, Community and Economic Development

A major factor in the growth of DCCED's budget is because it is become a dumping ground for legislative earmarks to favored political recipients. Commerce has minimal or no markup to administer these pass through grants and the monies are spent consequently with little or no oversight and likely much waste.

DCCED is one of the departments that should be eliminated. Critical are the banking, securities, corporations, insurance and other regulatory functions which should be moved to the Department of Administration as is the norm other states.

Other functions like lending programs that compete with local banks should be shut down, especially in this economy.

$80 million/year can be saved immediately by shutting down the Alaska Gasline Development Corporation. Alaska has wasted over a half billion dollars chasing gas pipeline dreams that industry insiders know won't happen for decades. All of this should've been left to the private sector investors and Prudhoe Bay major owner companies to fund as they have for the 30 years prior to the states starting to spend money on gas pipeline studies with its subsidy to TransCanada Pipelines.

Although the Alaska Railroad does not currently cost the general fund subsidy money, its financial position is deteriorating with the elimination of coal shipments and fuel transport from the North Pole refinery. Where it not for real estate leasing income, the railroad would be a deficit drain on the general fund. There are extensive real estate assets carried on their books at $1 billion. Privatizing the railroad and/or selling its real estate may need to be looked at soon to raise money.

Move the Alcohol & Marijuana Control Office to the Department of Public Safety.

Tourism is one private sector area that we're going to have to rely on even more to expand in a post-oil Alaskan future. DCCED has four or five people handling the management of pass-through tourism marketing money. A halftime position should

be adequate to handle the state's tasks; the rest should be done in the private tourism sector.

Alaska Housing Finance Corporation – AHFC is an independent corporation with hundreds of millions of dollars of assets. It has paid a dividend to the general fund recently but obviously it still has plenty of money to waste from the following example. The legislature should demand that AHFC cough up more money to the general fund.

Last year AHFC conducted a "competitive grant" solicitation and decided that from the proposals received, the highest priority was to give RuralCAP $3 million to construct private "wet" housing units for rental to downtown Anchorage street inebriates at a capital cost of $250,000 per 660 sq foot residential unit with kitchen and dining area to house only one inebriate each. Annual operating cost will be in addition to that outrageous capital cost. And on top of that will be the damage to the private sector due to the destruction of property values and businesses in struggling East Addition.

Department of Corrections

The Department of Corrections (DOC) has the fourth largest portion of the Unrestricted General Fund (UGF) projected in the governor's FY17 budget. The governor has proposed a FY17 budget of $270,333,100 for the UGF portion of DOC's budget. He has also proposed cutting 2 smaller programs: Physical Health Care for inmates ($5,406,500) and Agency Unallocated Reduction ($2,450,100). Physical Health Care for inmates should be cut even further and the unallocated reductions were not specific.

The number of inmates, from 2006-2016, increased by 11%. During the same period the number of DOC employees increased, disproportionally, by 36%. DOC's budget also increased by 50%. The target UGF budget for DOC is $249,733,880 for FY17. Below are recommendations on how DOC can attain this.

Recommendations:

1. Initiate a hiring and pay freeze, which DOC was exempted from by the governor.

2. Reduce the UGF budget for Administrative Services by $2,000,000

3. Reduce the UGF budget for Information Technology (MIS) by $500,000

4. Reduce the UGF budget for Research and Records by $100,000

5. Reduce the UGF budget for the Correctional Academy by $500,000. Fund only academies that actually occur and eliminate any advanced training. Focus on basics and that training which is statutorily required to perform duties within DOC.

6. Reduce the UGF budget for Capital Improvement Projects by $102,700. Fund only those projects which are deemed critically necessary for safety and security. Forecast out in future those projects which are not deemed critical.

7. Reduce the UGF budget for Prison Systems Expansion by $295,000. DOC is currently filled at 92%. Forward fund any expansion projects.

8. Reduce the UGF budget for Inmate Transportation by $1,000,000. Video Teleconferencing (VTC) should be used at every opportunity to reduce the number of inmates requiring transportation. Additionally with lower fuel costs a reduction in this budget item are attainable.

9. Reduce the UGF budget for Physical Health Care by $9,839,400. Inmates should be required to use their own health insurance, whether it be private or native insurance. If an inmate does not have health insurance they should be enrolled in regular Medicaid or in Medicaid via Medicaid expansion.

Summary:

The current DOC budget is unsustainable so we must ensure that only those items, which are constitutionally required, are funded, while providing a safe and secure environment for DOC employees and the inmates they protect.

Court System

Unlike other departments of the State of Alaska, operating courts is a fundamental role of government.

Like the Department of Law, the writ of the courts covers every area the Legislature chooses to legislate in.

The Judicial Department budget has grown out of control as has the rest of state government. Since 2006, the department budget has grown by 53% during a time of low inflation.

Recommendations:

1. The budget of the department needs to be reduced next year by 25% and the year after by another 20%. This will bring the numbers more in line with 2006 spending levels. One spur for these reductions could be finally evaluating Alaska's war on drugs. This personnel reduction goal though may not be easily achievable given the people and work spaces involved. (Below)

2. Ideally, the department cost reduction should include the consolidation of office space within the department and with other state agencies. Fewer workers on a permanent basis need less work space. This may be of minimal impact though given that the courthouse is not going to get smaller. It may not be ideal either to house parts of other agencies in the courthouse.

3. One caveat on judicial personnel cuts is the fact a judicial appointment is a constitutional office that has an established term and a method for retention in office. Further, a general reduction in Alaska judges' salaries can be viewed as a violation of the Separation of Powers under the Alaska Constitution.

4. With plenty of opportunity for deadwood "workers" in such an office environment, the Judicial Department is a good place to experiment with voluntary staff reductions, those driven bottom-up by those who wish to produce more in the office in exchange for a share in the personnel savings. Such a system brings private-sector type competition to the state workplace for the first time. It correctly exposes the staff deadwood with the proof quickly forthcoming. It makes everyone finally strive to be productive in the workplace.

5. One large economy with this department that is apparent to people familiar with court dockets in Anchorage is the scheduling of trials and motion hearings. Up to half of the time the Anchorage judges spend “on the bench” is comparing dates and times with lawyers for future hearings. Take such scheduling out of the courtroom and into the clerk’s office and law offices via phone and the worldwide web. Let members of the public going to court also have a chance to log into the court communication system online when it comes to scheduling issues and hearings.

Summary:

Unlike departments of government that distribute benefits or pay for construction projects, the Judicial Department budget is nearly 100% personnel costs when salaries and benefits are combined with the cost of office space. In a way, this makes the department a prime candidate for large budget savings, especially in Anchorage, Fairbanks and Juneau.

Department of Education & Early Development

The Department of Education & Early Development (DEED) has the largest portion of the Undesignated General Fund projected in the governor’s FY17 budget. The governor has proposed a FY17 budget of $1.318 billion for the UGF portion for the DEED budget and he has also proposed cutting 3 small programs: parents as teachers ($500K), pre-K ($2M) and Best Beginnings ($320K). These are programs which were just initiated in the past few years.

In addition to the UGF funds, DEED has programmed $122 million for the school bond debt reimbursement program. Note that state reimbursement of school bonds has been suspended by legislation for the next 5 years for new bonds. The local school districts will be responsible for, and the local taxpayers will be directly connected to, the cost of any local school construction/maintenance. Local voters need to hold school boards accountable for past excess construction costs. There is no free lunch. The legislature should consider reducing debt reimbursement on current outstanding debt by 10% the next fiscal year. It is not required to appropriate full funding.

Currently in the DEED FY17 budget there are 323 full time employees. Ten of these employees work in the student nutrition section. If the function of this work center is just processing federal fund grants to the local school districts, with computerization

of these type functions, it should be possible to cut employee numbers in half—5 employees.

According to the Commissioner, K12 funding has increased by $330 million since 2007—a 28% increase. This is contrary to what some special interests say "flat funding of the BSA" for the past few years. That is misleading to say the least. To put that into perspective, todays K12 education would cost every Alaska worker $4,048 annually. And that only includes the state's portion of the cost. The per student funding by the State of Alaska is more than $13,600. That is totally unsustainable.

Two of the four Core Services of the DEED consist of funding schools and processing these payments to the appropriate school districts. It would seem that the number of personnel in these divisions is excessive for these two functions which are really duplicative statements of the core services.

> "Public school Funding – (1) Ensure funding is appropriately distributed to recipients based on legislative appropriations and by Statute; and (2) Fiscal Accountability, Compliance and Oversight – Ensure the department effectively and efficiently manages state, federal and other funds."

Recommendations:

1. Reduce the number of positions in the following divisions: Nutrition from 10 to 5; Division of Administrative Services from 18 to 13 through consolidation of HR and IT into a statewide function (it is difficult to understand why a Department has its own HR function); Alaska State Council on the Arts from 6 to 0—this is a "nice to have" and is not affordable in these difficult fiscal times; ACPE reduce from 99 to a much lower number—it is difficult to understand why there are 99 full time budgeted positions in this division because the workload per its mission statement should not require this many personnel.

2. Eliminate the 1% For Art program because the state cannot possibly afford it at this time. Special interests will scream but most mainstream Alaskans will back this elimination. The nonprofit community can pick up this cause. This would eliminate 6 funded positions at $730K.

3. Eliminate the Alaska State Mentor Program. This has shown no positive effects while spending $3 to $5 million per year since 2005 when it was established.

4. Suspend or drastically reduce the Alaska Performance Scholarship program which costs about $8 million annually.

5. Eliminate the Quality Schools Initiative which was established in 1998. A cost savings of $16/AADM

6. Eliminate the teacher academies which are funded by the state at a cost of $1.5 million. Is there any measured value?

7. Consolidate some school districts to reduce overhead management and increase efficiency. For example, The Pelican SD has 11 students and a superintendent. Astonishingly there are 4 school districts on Prince of Wales Island when one district would suffice.

8. Reword the Alaska statute requiring 70% of funding to go to "instruction" to "direct classroom instruction". Then the state can ensure that these funds go to the classroom and not to instructional overhead.

The Foundation Formula needs to be changed and changed this year. It is the most impactful action that the legislature and the governor can do. This has to be done, and this year. Here are our suggestions to modify the Foundation Formula:

1. Eliminate the Hold Harmless provision which guarantees funding of a school at the previous year's level even though it loses student membership.

2. Eliminate the funding of schools based on the size (number of students) of specific schools. Currently, some larger school districts game the system and build schools to maximize the funding from the state.

Summary:

Alaska is in the top tier in spending more per student than any other state with the lowest measured achievements. We have the **WORST** record in the nation.

Alaskans are not getting **VALUE** for their dollars spent. We cannot simply throw more money at this challenge thinking that this will solve the problem.

The above recommendations are fiscally responsible. The current K12 funding is unsustainable so we must ensure that the "nice to have items" are removed from the budget and the items necessary to provide the best K12 education to our students is maximized and funneled to the classroom. There will be many special interests chanting that we have not funded education enough already. But these voices are voices without strength of data backing them up.

Department of Environmental Conservation

DEC is a regulatory agency and in effect an extension of the federal EPA. In fact, most of DEC's programs MUST be in compliance with federal EPA mandates/minimums. This is a significant challenge and a problem in Alaska as very often the EPA mandates/minimums just doesn't fit in arctic and subarctic Alaska. That is why we often say that we no longer need an EPA as we now have more than 50 mini-EPAs across America. Yes, one in every state and often one in municipalities as well.

Congressman Don Young has repeatedly noted that Alaska's DEC is even worse than the federal EPA.

We agree, as AKDEC often, in fact most often, sets minimums far in excess of what EPA requires. This costs industry, jobs, and economic activity across Alaska, which is not in the interest of our economy.

DEC relies heavily on federal grants, which must be consistent with the federal mandates unless EPA has agreed to a permit or programmatic permission that has been specifically written by Alaska for Alaska and 'accepted' by the EPA – but EPA always withholds the right to impose itself at any time. Note: our Pebble Mine experience.

DEC is also a significant income vehicle for the state through various user fees and fines in addition to the federal grants it receives.

DEC is likely the greatest permitting/permission obstacle in our state government not only causing significant project permission cost, but also 'uncertainty' and project delays which are sometimes even more costly in financing projects. This is a critical point and a cost variable that harms or rather scares potential investors in our economy. Certainty of process is not hard to achieve, it just requires competent clear laws and regulations and very good management.

There are always complaints from resource development groups and other project groups that DEC is an obstacle to Alaska's economic development especially in responsible resource exploration and development and essential infrastructure. These concerns need to be a top priority of the Commissioner and all of his/her Directors.

Finally, it is critical to understand that budget reductions in departments that are statutorily required to issue permits or permissions for economic development to occur, must not be underfunded. Underfunding would hurt economic development and frustrate the range of income streams Alaska is dependent on. This doesn't mean however that process efficiencies should not be explored.

Recommendations:

1. A review of the growth of top and middle management must be done immediately by the Commissioner in consultation with OMB to determine at what rate this agency sector in the department has grown. The suspicion is that the top and mid-management component cost/FTEs of the department have grown faster than service levels. This needs to be confirmed and understood. This can be accomplished within this session.

2. If the growth of top and middle management is irresponsibly oversized, then it needs to be reduced this session. Care must be taken to ensure that permitting and project reviews are not harmed by these reductions, but with the availability of so much technology today, the old ideas or standards of management are no longer appropriate. If the DEC doesn't have a Management Information System (MIS) that enables the Commissioner to view at any time the progress of any project under review by the DEC – then it must invest in one and reduce the cost of top and mid-

management quickly. The application of an appropriate MIS will greatly increase management efficiency and cost/time ratio's.

3. Specific management costs that can be eliminated or reduced:

a. Number of vehicles purchased in the next fiscal year. If these are absolutely not essential to safety, these purchases should be delayed. The state has a depreciation schedule, and this too needs to be reviewed and likely extended. This must include the two new cars purchased annually for the Commissioner (Juneau/Anchorage)

b. An example programmatically is SWPPP. An honest and informed review of the DEC SWPPP program will find enormous waste and cost really not necessary to meet the objectives of point source reduction, especially in a subarctic and arctic environment where much is frozen. State DOTPF projects waste millions in SWPPP planning, design, equipment/materials and application that are not necessary. A special team that is 'outside' of DEC but recognized as SWPPP competent should be used to evaluate specific BMP applications and determine if other far less expensive BMPs can be used. This would save our state millions in project compliance costs. Stop posting these useless SWPPP signs everywhere.

4.In some departments there are back logs of permitting requests. What is the 'opportunity cost/loss' with such delays. This MUST be addressed immediately as such delays and uncertainties greatly slow and frustrate economic development and thus our state's economy. Any permitting back logs should be transparent to the legislature during their review of DNR's appropriate requests.

5.It is essential that DEC report the 'RESULTS' of the investment the state has made in each DEC regulatory program area. Not only are the income streams that are enabled by responsible permitting and project review essential to our state in cost and time, so are the other measurable 'results' of our public investments. Not only are the numbers of units (projects permitted/project and economic value) achieved important but so is the cost in time. These measurables are critical in understanding a program's efficiency - and in DEC's case possibly economic harm to our state.

This would include as examples:
Number of program specific permits issued at what cost/time per permit
Number of projects reviewed, at what cost/time per project
Number of projects not permitted, at what cost
And so forth . . .

The idea is not only to quantify 'results' but at what cost and time per unit – and NOT based on an average, but actual cost/time per unit/permit/etc. This is how a private company would have to report to its Board of Directors.

Summary:

Likely the greatest challenge to DEC is how to meet the EPA minimums and still enable economic development in Alaska. The eco-systems in Alaska are not the same as Chicago, Detroit, or even Seattle. Yes, projects must be built consistent with minimums and "in the public interest", but time, unit costs, etc. are the 'return on investment' we need to evaluate. If we are concerned with increasing economic activity and lowering cost, then AKDEC needs to stop pushing minimums up well beyond the EPA mandates. Public interest is a process, not a result and needs to be managed that way.

Department of Fish and Game

The Alaska Department of Fish and Game's (ADFG) Unrestricted General Fund (UGF) budget has increased by 90% between FY06 and FY16. For FY17 the governor has reduced the ADFG budget to $57,640,500 or 11.5% from FY16. Between FY06 and FY14 ADFG issues 100,000 or 14.8% less Hunting and Fishing licenses.

The ADFG budget has grown by 90% over the past 10 years when the population in the state of Alaska has only increased by 11%. This massive difference between increased spending, population growth and reduction in licenses issued must be fixed. The UGF budget goal for ADFG in FY17 is $40,000,000. below are our recommendations on how to attain this goal.

ADFG's focus should be on management and building populations and habitat for sustainability. If the work being done falls outside those priorities they should not be funded unless there is extra income.

ADFG could also lead in encouraging private / public partnerships to create synergies with the public instead of assuming that the government has all the solutions.

Recommendations

1. Initiate a hiring and pay freeze

2. Reduce the UGF budget for Statewide Fisheries Management by $840,400

    8% increase from FY16

3. Reduce the UGF budget for Sports Fisheries Hatcheries by $55,800

4. Reduce the UGF budget for Conservation Special Projects

    No special projects during times of fiscal instability

5. Reduce the UGF budget for Habitat by $3,652,000

    These funds were reduced from RDU 151 and added to RDU 148 (shell game)

6. Reduce the UGF budget for State Subsistence Research by $648,900

    Minimize research focus on sustainment

7. Giving seniors a fishing and hunting license at a reduced cost is appropriate but allowing them to have one essentially free for life is not.

Summary:

It is possible to create savings by moving most research done by ADFG to the university and have research coordinators from the management divisions coordinate with the universities.

One unpopular option might be to fold ADFG (as well as DEC) into DNR to consolidate and find savings.

Habitat division could be closed and move the habitat staff into the fish, subsistence and wildlife divisions for permitting purposes.

Another huge cost savings would be for the Department of Law & DPS to reduce or stop pursuit of hunting and fishing violations unless they take place on populations in actual distress or if the violation is wanton waste. For example, the State goes after a guide who allowed a client to shoot a bull moose whose antlers were 1/2 inch too small but otherwise had no negative impact on the population. The State spends thousands of dollars and most of the time prevents the guide from conducting

business thereby removing money from the economy. The State record shows that they lose the majority of these cases.

The current ADFG budget is unsustainable so we must ensure that only those items, which are constitutionally required, are funded. ADFG is going to have to do more with less.

Governor

Of all the budgets in all the departments, the Governor's office budget has been the most conservative over the last 9 years going up only 1%. Although we understand that the Governor's budget is as complex as the legislatures, this is an example of responsible fiscal management and leadership.

Department of Health & Human Services

Other than education spending (about $1.3 billion), the largest annual general fund expenditures by the State of Alaska are for Health and Social Service (HSS) programs (about $1.1 billion) and the largest of those is Medicaid. The following is an analysis of the Governor's FY17 budget submission. Any of the "cuts" are merely moving of funding from one area to another or shifting the costs from the State government to the Federal government. It is like taking money out of a taxpayer's left pocket (federal) instead of his right (state) pocket. In either case, the funding stream is unsustainable.

Of the departmental budgets for FY17, DHSS is planned to have the largest unrestricted general fund reduction ($46.7million or 4%) in Gov. Walker's proposed budget.

ALASKA GIVES MEDICAID RECIPIENTS MORE LAVISH AND EXPENSIVE HEALTHCARE THAN CAN BE AFFORDED BY ALASKA'S OWN WORKING FAMILIES THAT ARE PAYING THE BILLS. ***WHY SHOULD THIS CONTINUE*****?**

When it comes to Medicaid services, Alaska offers an essentially free, Gold-Plated Cadillac plan! No private insurance has all these benefits and no other state offers them, not even blue-liberal states like California, NY and Illinois!

There is no means testing for Medicaid in Alaska now. You only have to have a low income for the month you apply and you are in.

Medicaid enrollees have more optional health care services than Alaskans with private health insurance who still have to pay out-of-pocket costs of more than $11,500 annually! Even Medicare seniors who have paid into the Medicare program for every working day of their lives get fewer health care services than those on Medicaid and these Medicare seniors also must pay a minimum monthly premium of $120. Most of these Medicaid enrollees pay nothing for these services. Is this fair? It gets worse…

Even non-service connected veterans have fewer health care services compared to Alaskan Medicaid enrollees. These veterans don't have free dental care or vision services. Is this fair to those who have served their country while single, able-bodied individuals on Medicaid get many more health care services?

Federal Medicaid does not require the State of Alaska to add on all these services. That is why the Feds classify them as "Optional Services". **In FY14 the cost to the Alaska General Fund budget for these Optional Services for Medicaid adults was an astounding $222,503,688.** And this does not include the costs of other optional Medicaid waiver services for adults. The largess of Optional Services that Alaska is paying for is totally unsustainable and will rob funds from constitutionally mandated services such as K12 education. Alaska provides far more options than any other state in the nation.

Furthermore, what societal messages are being given? Why would one want to work when better, lavish health care is virtually free if you don't work? Alaska's Medicaid program is a disincentive to work. Better to just be a hunter, fishermen or seasonal worker on Medicaid! Is that fair and is it the right thing to do? **No**.

It's proposed to tax families even more and many will not be able to afford healthcare at all so they can continue to dole out these lavish services for many who choose not to work.

Even if Governor Walker's Medicaid Expansion under Obamacare were to be sustained by the courts, the State of Alaska is under no obligation to continue these Optional Services. They can all be ended right now, this year in the FY 2017 budget.

However, various spending cuts and fund transfers are offset by several major spending increases. The general fund reductions mostly consist of:

*** $217,000 reduction** from Administration Support from holding positions vacant to meet the reduction to increase the current vacancy factor (that is already above the recommended maximum).

*** $735,000 reduction** from Pioneer Homes.

*** $400,000 transfer** from Health Care Services by shifting Catastrophic and Chronic funding to Federal funds sources.

*** $630,000 reduction** from Public Health Epidemiology.

*** There is a shown reduction of $1 million** from the Work Services line item but these funds are just transferred to Field Services ($500,000) and Tribal Grants ($500,000).

*** There is a shown reduction of $4 million** from Administrative Support and Information Technology Services **but $3.8 million of this is not a real reduction** but rather a change of fund source from general fund to general fund interagency fees that have been spread throughout the DHSS budget components.

*** There is a shown reduction of $4.1 million** for Facilities Maintenance and Pioneer Home Maintenance from Department Support Services but it is from **other funds** and **not** from general funds.

*** $5.8 million transfer** from state funded behavioral grants to Medicaid behavioral health grants funded at the 90% federal level.

*** $9.1 million** from **elimination** of State of Alaska **portion** of energy assistance programs (the federally supported LIHAP Low Income Heating Assistance Program would continue – administered through the state).

*** $4.6 million unallocated reduction** spread department wide (same amount as budget was increased for 2.5% cost of living salary adjustments in FY16)

*** $31.6 million mostly** consisting of **transfer from state funds to federal funds** (a general estimate) from **Medicaid Reform** consisting of:

1. Unspecified cost-saving measures and efficiencies [estimate $1.75 million].

2. Prescription drug use reform – managed care of frequent users.

3. Health care management for super utilizers [estimate $1.175 million].

4. 100% federal payment for medical travel for Alaska Natives.

5. Reform initiatives **– change in source** of funds for home and community waivers. [estimate $13.26 million + $14.666 million]

The budget indicates four subunits where this $31.6 million in cost shifting will occur but the component where the amounts of these Medicaid savings/reductions comes from is not identified. OMB reports it is not able to precisely predict how these savings will be spread among these reforms. Likewise, it is also not able to predict **when** these savings will be available.

Medicaid Reform Initiatives

As noted above, the largest spending reductions in DHSS proposed in the Governor's FY17 budget are from "Medicaid reform initiatives." Although not identified as such in the budget, these "Medicaid reform initiatives" have been previously projected to produce savings of $24 million. These reform initiatives create savings **not by reducing the overall costs of the programs but by shifting some of their costs from state to federal funds**.

The proposed Medicaid reform initiatives reflected in the Governor's FY17 budget include:

1. $300,000 in savings from a **shift** to Medicaid 90% federal/10% state funded catastrophic aide grants from the current 100% state funding.

2. Shifting the current Medicaid home and community based services waiver program from a limited entry mostly state funded program to 1915(i) and 1915(k) Medicaid options which have **a higher ratio of federal funding**.

The HCBS waiver program saves the State lots of money but not all Medicaid eligible Alaskans needing these services are covered by the design of the current state 1915(c) plan. The Affordable Care Act created new waiver plan options for states including the new 1915(i) and (k) plans. These new options provide new ways the

state can administer the home and community based waiver services, which the state Medicaid program already provides. In order to use the (i) and (k) options the state will need to apply for the change through the federal Center of Medicaid Services.

Option (k) also relates to the home and community based waiver system. For certain waiver services which the state is already providing, the (k) option will increase the federal reimbursement from 50% to 56%. The Health and Social Service department has **estimated $24 million in savings for implementing these two options.**

However, the 1915 (i) is a State Plan Option that does not allow for a waitlist for services and the 1915 (k**)** is a Community First Choice plan which also does not allow for a waitlist. So, if Alaska gets CMS approval for these 2 new plan options, then all on the current waitlists will have to be enrolled in the plans. **This could negate any cost savings and actually increase costs to the State**. DHSS and OMB need to provide an estimate of the increased costs by enrolling the entire waitlists for these 2 new plans.

And adopting these new waiver plans will take time. The federal government requires involvement of stakeholders in the design and implementation of 1915(i) State Plan HCBS Benefits, and 1915(k) Community First Choice Options.

A state contractor projects the following ten steps to implement these new waiver options:

1-Stakeholder Input Process
•Development and Implementation Council
•Provider and Community Forums
–In person in Anchorage, Barrow, Bethel, Fairbanks, Mat-Su Valley, Juneau, Kenai, Ketchikan, Nome
–Statewide webinar
2- Review of Federal and State Regulations
3- Review of Current Operations
4- Identify Eligibility, Resource Allocation Criteria and Target Populations
5- Evaluate Functional Assessment Tools
6- Determine Service Package
7- Establish Quality Assurance and Improvement Plan
8- Develop a Provider Manual/Conditions of Participation
9- Conduct a Cost Impact Analysis
10-Develop the Implementation Plan

<u>This schedule places the start of the new waivers and their resulting savings as 7/1/17 the beginning of the FY2018 fiscal year</u>.

<u>So why does the Governor's FY17 proposed budget include millions of dollars in reductions from shifting to the new 1915(i) and (k) waiver plans if they will not be in place until July 2017?</u>

The proposed reductions in the Governor's FY2017 DHSS Budget are offset by about **$9.5 million** in increased general fund spending. The result is a budget showing a $46.7 million reduction. The major increases are:

Information Technology is reduced by $3.8 million in Departmental Support Services but this is **not a real reduction but rather a fund source transfer** from general fund to interagency receipts.

Administrative Support Services has a transfer of $975 from general fund to interagency receipts. This is **not a real reduction but rather a fund source transfer.**

Work Services in Public Assistance is **reduced by $1 million**. While this is a real reduction the funds were "transferred" to **Field Services and Tribal Assistance Program grants as described above which show increases.** The budget offers the following explanation of this transfer:

> These grant expenditures are used by the division to satisfy a **Maintenance of Effort** mandate for the receipt of the Temporary Assistance for Needy Families block grant. Permanent Fund Hold Harmless funds are insufficient to fully fund the Tribal Assistance Grants and excess general fund authority exists in the Work Services component. This transfer will allow for the division to fully fund the grant program at levels consistent with prior years. This transfer will also be used to fund position costs in the Field Services component

Note that **<u>Permanent Fund Hold Harmless funds</u>** are funds that would otherwise be distributed to all permanent fund dividend recipients but are deducted to pay for additional funds to "hold harmless" Alaskans who become ineligible for public assistance payments due to their receipt of a permanent fund dividend.

This alone would save $80 million per year!

Just as important, "maintenance of effort requirements" are **mandates** regarding receipt of federal funds prohibiting states from reducing expenditures without a **total loss** of federal funds for a particular federal program. This prevents states from pro rata reductions in federal programs – states are faced with all or nothing funding decisions for most partially federally funded programs.

Recommendations

1. Do away with the hold harmless Permanent Fund provision.
2. **Eliminate all of the 27 optional services under Medicaid**
3. The Administration should show realistic timelines for the implementation of 1915(i) and 1915(k) plans—implementation date of FY18, thus not saving the projected $24 million in FY17.
4. Estimate how many eligible people on the 1915(i) and 1915(k) waitlists will also be required to be enrolled in these new plans and what the cost to the State will be.

Summary:

Without the shifting from state to federal funding, the significant reductions in actual spending proposed are the elimination of the state funded energy assistance program ($9.1 million), Work Services reduction ($1 million), and the Pioneer Homes reduction ($735,000) for a **total** of about $11 million. The general fund increases total about $9.5 million; so the actual reduction in total spending on DHSS services **related to these general fund reductions** and transfers not counting transfers to federal funds is about $1 million or less than one-half percent. The Medicaid fund shifting from the State to the Federal government will reduce the State general fund costs. However, if considerably more people enroll in Medicaid expansion than projected**,** then additional expenses could accrue to the State. With the Alaska economy facing a recession, then even more people who are unemployed could qualify for Medicaid expansion, further increasing the program costs. Finally, if the federal government reduces its share of funding from less than 90% in 2020 due to the federal deficit, then the state could be left holding the Medicaid expansion bag.

Department of Labor & Workforce Development

This department is traditionally headed up by a commissioner from a labor union background. It is inappropriate for such a special-interest political appointment to be supervising regulatory and research services in the department which should not have their operations tainted. Included would be Workmen's Compensation, the Labor Relations Agency, Labor Standards and Safety, Unemployment Insurance, all more independent if they were moved to the Department of Administration. AVTEC, Employment and Training Services and Vocational Rehabilitation could all go to the Dept of Education **leaving the Department of Labor as another candidate for elimination**.

Reform of Alaska's Prevailing Wage (Little Davis-Bacon) Act is *Low Hanging Fruit* – If we are going to have a "prevailing wage act" at all, we need a real one, not a fake, artificially-elevated, construction wage mandate that increases costs for anything the State of Alaska, its independent corporations and third-party nonprofits funded by the state construct. For example, the latest Alaska Department of Labor mandated rate of pay for Class I Laborers in south-central Alaska is $29.79/hr plus an additional $25.03 in fringe benefits for total that a contractor must pay of $54.82/hr for brush cutters, camp maintenance laborers, demolition laborers, ditch diggers, flagman, general laborers, window cleaners, watchmen etc. After a contractor's markup for insurance, risk, profit the billing rate for this labor to the state is likely to be in the $75 an hour range. That is ridiculous and abusive to the people of Alaska that have to pay for this. It bloats the cost of construction for schools and public buildings, roads, Alaska Housing Finance Corp. projects and industrial development projects by 10 - 30%.

If prevailing wages are to be retained at all, the annual wage survey must be moved to an independent third-party and not be conducted by a department headed up by a commissioner who is given a political appointment from the labor union community. The Alaska Department of Labor warps these surveys at great cost to Alaska's citizens by using only wages paid on the highest cost union only jobs. This has to stop. $Hundreds of millions will be saved. Move this function to the Dept. of Administration.

Department of Law

State of Alaska lawyers and staff prosecute criminal cases, defend civil suits and advise the many departments of state government on almost every subject imaginable. The Department of Law budget has grown out of control as has the rest of state government.

Since 2006, the department budget has grown by 40% during a time of low inflation.

In a time of economic downturn, the Civil Division should be substantially reduced and reliance placed on the private bar which has more specialized expertise to perform the work needed by state agencies while at the same time being cheaper than the alternative of maintaining a staff of assistant AG's with their attendant benefit packages. This will result in major cost savings and an improvement of service.

Recommendations:

1. The budget of the department needs to reduced next year by 25% and the year after by another 20%. This will bring the numbers in line with 2006 spending levels. One spur for these reductions could be evaluating the failed Alaska war on drugs It may be more cost effective to promote substance abuse programs which may have the result to lower incarceration as 67% of recidivism comes from inmates with substance abuse.

2. Part of this department cost reduction should include the consolidation of office space within the department and with other state agencies. Fewer workers on a permanent basis need less work space.

3. With plenty of opportunity for deadwood “workers” in such an office environment, and because of lawyers being what who they are, the Law Department is a good place to experiment with voluntary staff reductions, those driven bottom-up by those who wish to produce more in the office in exchange for a share in the personnel savings. Such a system brings private-sector type competition to the state workplace for the first time. It correctly exposes the staff deadwood with the proof quickly forthcoming. It makes everyone finally strive to be productive in the workplace.

4. Each time the Legislature abolishes spending in any area of government, further savings can be made due to the resulting reduction of workload in the Department of Law, since their mandate shrinks as well.

5. Personnel reductions should not be based on seniority or a worker's level of vested state benefits, but instead wholly on merit.

Summary:

Unlike departments of government that distribute benefits or pay for constructions projects, the Department of Law budget is nearly 100% personnel costs when salaries and benefits are combined with the cost of office space. In a way, this makes the department a prime candidate for large budget savings, especially in Juneau and Anchorage.

Legislature

The legislature needs to appreciate the budget concerns of the state and if this means to lead by example, then it may mean that all representatives as a whole may need to legislate for less money as well. Perception is everything.

Some legislators appear to be abusing the travel budget while many are not.

When funds are "appropriated" by the legislature to specific departments it means they cannot be transferred across department lines thus are "ring-fenced". Inside a department, the legislature only "allocates" funds thus leaving commissioners with the power to transfer funds across divisions and expenditure types, personnel versus supply costs for instance. Abuse of the long-standing practice of using vacant PCNs to stash substantial slush funds of money underscores the need, especially in this fiscal environment, for the legislature to exercise tighter control over spending by using ring fencing by appropriation as a tool deeper into the details of departmental budgets.

The legislature this session needs to promptly take remedial action to salvage as much as possible from the overspending on the Legislative Information Office. If that means exercising its prerogatives not to find continuation of the project and moving to the Atwood building then that's what should be done. Some say that if monies are

not appropriated to continue with the LIO deal then the state's bond rating will suffer. In these fiscal times the state should be seriously considering why we should be borrowing money anyway.

It appears to us that the legislature's support staff too often does not act in an independent and nonpartisan manner. The presentation of “loaded” documents and data series appearing to be selected to support maintenance of a big spending government was the example discussed earlier in our report. There, Legislative Finance reached way back before FY06 and chopped a graph axis off at FY75 in an apparent attempt to show that spending levels now are not historically high. If one is to go back that far that it would be more credible and fair to just go back to statehood, FY60. But as was shown, that would rather inconveniently reveal that our spending levels now are way, way high historically. The other example we noticed that should not have happened was Legislative Finance director David Teal’s inappropriate attempt to present Gov. Walker's sovereign wealth fund bill reducing permanent fund dividends, imposing an income tax and other levies on the people. That leaves a strong impression that the legislature is paying David Teal and his staff to oppose, or at least undermine, the legislative majority.

Regarding Legislative Affairs, Legal and Finance, the reality is, there is no such thing as “non-partisan” staff support for a “partisan legislature”. Alaskans will get better decisions out of the legislature if there is both Republican and Democratic staff, as is the norm, in other legislatures around the country.

While staffing is an integral portion of the effective nature of legislators, some legislators have staff which cost Alaskans close to $400,000.00 annually. **What is our return on this investment?**

Department of Military and Veterans Affairs

This year, the DMVA operating budget request is $17.766M (after mandatory retirement system contributions are factored out). By comparison, this budget for all programs in 2007, 11 years ago, was $17.447M. (This is not obvious because AMYA was funded by a Department of Education appropriation that was transferred between agencies to DMVA to run the program.) In other words, this budget has grown by $319k over the last 11 years. This equates to a total growth rate of 1.8% over 11 years, or a .17% annual growth rate.

The State of Alaska has the most veterans per capita with around 75,000 and growing at an estimated five percent per year, as well as over 120,000 veteran dependents. Despite nearly a third of the population comprising vets or their family members, DMVA has the smallest budget of any departments, comprising 0.6% of the state budget.

While DMVA has maintained basically a flat budget for 11 years and actually shrunk if adjusted for inflation, it has put in place a grant program for 17 VSOs on top of four state employees that provide statewide service to our vets. Their results just last year include:

- Assisted 57,989 Alaskans with state and federal VA benefits requests. This is an increase of over 10,000 from SFY 2014 and reflects a workload of 7.5 clients per day for each member of Veterans Affairs staff and VSOs
- Assisted Alaska veterans in receiving over $222 million in federally funded medical care
- Assisted Alaska's veterans in receiving disability compensation payments totaling $244 million in direct federal funds
- Assisted 4,605 students (veterans and eligible family members) to receive $74 million in federally funded Education/vocational rehabilitation benefits
- Assisted 5,208 veterans in obtaining home loan certificates resulting in over $1.4 billion in guaranteed loans.

While accomplishing these tasks, this office received the Department of Veterans Affairs Abraham Lincoln Pillars of Excellence Award for its role in facilitating agreements between VA and Alaska Native tribal clinics as an innovative solution to provide healthcare for rural vets. Additionally, the Office has continued to facilitate

growth in the tribal veteran's representative program which is nationally unique, and now has **over 200 volunteers** across Alaska assisting vets and families in obtaining benefits, particularly healthcare.

The AMYA program is consistently ranked in the Top 5 nationwide by NGB. A Rand Group study has determined that for every $1 the state invests in this program, it provides $2.70 in cost avoidance by the graduates being more likely to be employed members of society and not in jail.

In collaborating with FEMA for the reconstruction of Galena after 2013 floods, the Division of Homeland Security and Emergency Management set a new standard for establishing a synergistic relationship to maximize getting communities rebuilt, with federal and other non-state funds.

From providing a vector change for a teenager otherwise headed to jail to getting a vet the assistance earned through service and sacrifice, who may have to live in the unmitigated effects of PTS, DMVA provides credible hope to Alaskans to overcome these wounds of war. DMVA prepares Alaskan patriots in military service who excel in combat. When a community has lost everything, DMVA offers the assurance and path forward to recovery and return to normalcy

Summary:

Based on the size and scope of this department and its service to Alaska, United for Liberty makes no recommendations to lower this budget

Department of Natural Resources

DNR can be recognized as a significantly sized department that has not increased in cost much beyond inflation. DNR is essentially a regulatory agency that also has state land, such as state parks and forests, and water management responsibilities. It is also a significant income producer for Alaskans because DNR is the manager of Alaska's state owned lands. Revenue comes from royalties and fees, but also a host of other incomes connected to oil/gas exploration and mining, development, production, product conveyance. The legislature needs to support and in fact invest

in these income streams to efficiently expand them as quickly as possible. DNR can be recognized as a significant sized department that has not invested in cost much beyond inflation.

However, with these tasks, come 'management' and 'regulatory' responsibilities that can at times hinder, delay, frustrate, and sometimes kill resource development projects. There are growing complaints from resource development groups that DNR is becoming as big an obstacle as the federal EPA in hindering responsible resource exploration and development. This concern needs to be a top priority of the Commissioner and all of his/her Directors.

Finally, it is critical to understand that budget reductions in departments that are statutorily required to issue permits or permissions for economic development to occur, must not be underfunded. The same goes for DNR's responsibilities for the defense of Alaska's land assets against federal government overreach. It is of great concern that DNR is failing to properly support CACFA and its own ANILCA defense unit (more discussion on this subject at the end of this report). This state of affairs is hurting economic development and frustrating the income streams that DNR is responsible for enhancing.

Recommendations:

1. A review of the growth of top and middle management must be done immediately by the Commission in consultation with OMB to determine at what rate this sector in the department has grown. **The suspicion is that this top and mid-management component of the department has grown faster than service levels.** This needs to be confirmed and understood. This can be accomplished within this session. Every position added since FY2006 needs to be scrutinized and justified.

2. If the growth of top and middle management is irresponsibly oversized (certainly should not exceed 15% of total program costs), then it needs to be reduced this session to 15%. Care must be taken to ensure that permitting and project reviews are not harmed by these reductions, but with the availability to so much technology today, the old ideas or standards of management are no longer appropriate.

3. Specific management costs that can be eliminated or reduced:
    a. Number of vehicles purchased in the next fiscal year. If these are absolutely not essential to safety, these purchases should be delayed. The state has a depreciation schedule, and this too needs to be reviewed and likely extended. This must include the two new cars purchased annually for the Commissioner (Juneau/Anchorage)
    b. Development and use of an integrated Management Information System (MIS) that allows managers, including the Commissioner, to review any project/program at any time is an essential tool generally not being applied in the public sector. This needs to be fixed ASAP to further reduce the cost of top and mid-management.

4. In some departments there are back logs of permitting requests. This MUST be addressed immediately as such delays and uncertainties greatly slow and frustrate economic development and thus state incomes. Any permitting back logs should be transparent to the legislature during their review of DNR's appropriate requests and some estimate on the cost to projects for these delays should be presented – by project. Alaska DNR is one of the slowest granters of permits of all oil /gas agencies in the entire nation. As important as oil and gas production income is to this state, something is seriously wrong at DNR for us to have this reputation spread through the industry.

5. It is essential that DNR report 'RESULTS' of the investment the state has made in each program area. Not only are the income streams that are developed and maintained essential to our state, so are the other measurable 'results' of our public investments. Not only are the numbers of units achieved important but so is the cost in time. Both of these measurables are critical in understanding a program's efficiency.
   This would include as examples:
    a. Number of exploration permits issued at what cost/time per permit
    b. Number of water rights issued, at what cost/time per water right
    c. Number of water use permits issued, at what cost/time per permit
    d. Number of forest harvest permits issued, at what cost/time per permit
    e. Number of mining permits issued, at what cost/time per permit
    f. Number of tideland leases issued, at what cost/time per lease
    g. And so forth . . .

The idea is not only to quantify 'results' but at what cost per unit – and NOT based on an average, but actual cost per unit/permit/lease/etc. yes, averages do have some general management value, but specific cost/time per project is critical. This is how a private company would have to report to its Board of Directors.

6. DNR needs to move more large parcels of land into the private sector at a faster pace and to stop acting as a sub-divider. Alaska's private sector can perform this task itself.

Summary:

One of the things that is true about DNR which may not be true of other departments is that it can and should be managed consistent with private management strategies. Yes, "in the public interest" is a factor, but time, unit costs, etc. are the 'return on investment' we need to evaluate. Public interest is a process, not a result.

Department of Transportation and Public Facilities

The Department of Transportation (DOT) has the third largest portion of the Unrestricted General Fund (UGF) projected in the governor's FY17 budget. The governor has proposed a FY17, UGF, budget of $231,307,900. He has proposed reducing funding in numerous areas, many of which have historically never been funded. Many of the reductions the governor is recommending seem to be counter intuitive. In the aggregate the governors FY17 UGF budget proposal for DOT is only a 5.2% reduction from FY16.

DOTPF needs to downsize its project management staff even more because Alaska's fiscal condition for the near future, at least, will not allow significant capital project activity. The legislature should firmly reject pleas to maintain capability in case oil prices rise. In the unlikely event that happens in any near-term, DOTPF needs to turn to our private sector to perform that function. Undoubtedly they will need the work and be in a position to do it cost-effectively for the state.

The Alaska Marine Highway has always been a substantial drain on the state budget. While everybody loves the concept and riding the ferry it's extremely expensive to operate much of the year for the small numbers of people utilizing it. At this time we absolutely have to accept the reality that it's nice to have but we cannot continue

even the governors somewhat reduced version of the ferry service. Everybody in the state is massively subsidizing the ferry system that serves only a small part of Alaska's population. The vast majority of passengers in coastal regions travel between the ferry ports by airplane. Only a few thousand people regularly use the ferry exclusively.

Service schedules need to be substantially pared back to reduce much more the subsidy given to the system which has three fast ferries in dead storage. They have proven too expensive to operate. These should be sold. The need for coastal communities to move vehicles and freight between ferry stops needs to be filled by private barge companies stepping in and providing that service. It's highly likely they can do it substantially more economically than the ferry system which is had a lot of trouble operating efficiently.

Many observers knowledgeable about liquor sales were flabbergasted when the bars on the state ferry system could not be operated profitably and were shut down. Pretty incredible when it's considered that they had a boatload of captive customers!

DOTPF can substantially reduce its budget by advocating for Prevailing Wage (Little Davis Bacon) Act reform (discussed under the Dept of Labor) which wastes more money in this department than any other. More contracting out and privatization will also save many $tens of millions.

Many state transportation agencies are increasingly using AASHTO Design-Build-Maintain bidding. Instead of designing a project and issuing plans, either in-house or through private engineering firm contracting, and then letting out bids supervising construction by the state and then using state maintenance, the AASHTO approach outsources everything including the design and even the first 10 years of structure maintenance in one lump sum bid. The contractor has control of all stages of the project and can apply maximum private sector efficiencies to save the state money and maintenance headaches. DOTPF has many innovative tools like this and they're trying some of them but they need to be implemented much more widely and on an accelerated schedule. This will allow substantial reductions in full-time state employee positions and costs.

All appearances are that last fall DOTPF shamefully pulled the old “close the Washington Monument” trick by not sanding the icy Glenn Highway between

Anchorage and the Mat Valley. Vague comments out of the agency were made that there were budget worries. The public was inconvenienced perhaps to prompt them to complain to legislators to keep money flowing and prepare to pay taxes. The agency also announced that the Chitina Maintenance Station on the McCarthy road would be closed thus also frightening residents of that area to similarly write legislators.

Recently Washington DC and surrounding Virginia suburbs were buried in a very unusual 25 inch snowstorm. Virginia DOT maintains the majority of both state highways and many county roads. An inquiry as to how rural Virginia was faring under this rare snowstorm revealed that there were few problems because Virginia DOT contracts with local farmers to snowplow adjacent roads! We're not hearing that Alaska DOTPF is undertaking such innovations.

DOTPF is also responsible for state building maintenance and new construction. There is recent evidence that the agency is responsible for substantial over sizing of new construction beyond what is needed or requested by user agencies. The Alaska State Crime Lab is one example where the building was made four times larger than requested with the addition of lavish materials and inappropriate accessories on a ridiculous 15 acre wetland site. An investigation revealed that the mushrooming of this facility, which remains a partial empty shell to this day, was pushed along by a DOTPF Statewide Public Facilities project manager, the architect and private construction companies resulting in wastage of state funds approaching $100 million. Earlier, the Alaska State Public Health Lab was oversized by DOTPF but fortunately, not quite to the extent suffered by the crime lab. Likely there are reductions in staff and budget in Statewide Public Facilities that would be appropriate and overdue.

The UGF budget for FY17 is 200% greater than the FY06 UGF budget for DOT. Even when figuring 20-30% for inflation and population growth the DOT UGF budget has grown out of control and significantly above sustainable levels. The target budget for DOT in FY17 is $204,871,346, which is 11.5% lower than the governor's proposed reductions. Below are recommendations on how the DOT can attain the FY17 UGF budget goal.

Recommendations:

1. Initiate a hiring and pay freeze within DOT
2. Reduce the UGF budget for Equal Opportunity and Civil Rights by $250,700
3. Reduce the UGF budget for Statewide Administrative Services by $508,130
4. Reduce the UGF budget for Information Systems and Services by $614,800
5. Reduce the UGF budget for Human Resources by $931,000 (no positions impacted)
6. Reduce the UGF budget for South Coast Region Support Services by $228,100 (71% increase from FY16)
7. Reduce the UGF budget for Statewide Aviation by $301,600 (100% increase from FY16)
8. Reduce the UGF budget for Program Development by $127,000 (32% increase from FY16)
9. Reduce the UGF budget for Harbor Development Programs by $384,200
   Focus needs to be on sustainment versus development
10. Reduce the UGF budget for South Coast Region Highway and Aviation by $3,500,000 (Return to FY15 funding levels)
11. Reduce the UGF budget for Marine Vessel Operations by $24,258,300 (Return to FY10 levels of funding and service)
12. Reduce the UGF budget for Marine Vessel Fuel by $2,712,500 (Lower Fuel costs)

University of Alaska, Statewide System

The university budget is built on a number of 'incomes' which include 'enrollment' projections, but enrollment is not a good indicator or student enrollment nor of cost. Often at the beginning of each semester/quarter in about two weeks after classes begin, often half of the students who signed up for a class drop out. Sometimes this results in less than 10 students in a class and the administration may cancel the class totally. But wait, the class has been funded hasn't it. So the Professor still gets paid for teaching the class, but the class is canceled? This raises some interesting questions, that frankly we have not heard asked nor answered all the way back when this author was the Student Body President in UofA, Fbks and a member of the UofA Board of Regents (1973-). The chairman of the budget conference committee in the '70s (later to be elected Governor) ask this same general question about the use of enrollment numbers as the bases for income/cost projections. He didn't get an answer, and from what we know this issue has yet to be resolved. If we assume, for

example that 10% of classes lose 50% of their enrollment, and if we assume that this will result in some classes being canceled – How is this REALITY reflected in the 'enrollment projection base' used for funding against cost?

For decades many of us have suggested that each of the main campuses of the UofA System specialize in an area of 'Alaskan' interest. It is now 2016 and we finally see this happening. We have suggested that this be coupled with the on-campus or near campus research entities/institutes that are a part of the UofA System. For example, the Fairbanks campus could focus on mining and oil and gas site assessments, exploration and development; also on arctic construction at the under grad and graduate levels. The Anchorage campus could be the campus that focuses on public and private management degrees, and education – yes at the under grad and grad levels. The Juneau/SE campus could focus on fisheries and forest management, etc. What this does is allow a consolidation of teaching and student talent on one campus with similar interests that thus enable study groups, seminars, faculty that teach at every level as well as do research, and have some legitimate proximity to the areas interests. Years ago, the Board of Regents, made an effort to move the statewide administration in this direction. They said NO. Glad we are now making progress. Their argument then was that each campus should provide the same level of classes in the general areas of interest that make up the future job pool. Sounds good, but that still doesn't negate the idea of specialty consolidation on a campus. We believe this 'policy' decision could be helpful in lowering redundancy and small classes in many areas of interest.

In the budget the UofA doesn't report 'course completion' or class completion data. For example, how many students completed their course requirements toward their declared major this semester? NOW this is a data point that can and should be measured and be factored into the UofA system budget and class areas of interest. Why not? It gives the state an indication of 'actual results' success which is far more predictive of cost and Return on Investment.

In the UofA Nursing program, Alaska has a policy that it will not accept licensing for nurses from states like Texas. Why is this important? All Army nurses, including combat/emergency room nurses, are certified in Texas because that is where the Army school is. So you can have an Army nurse who has enormous experience in the emergency 'room' and in wards with a vast range of injuries, serving America for

years, separate or even retire in Alaska and have to go back to school to get licenses in Alaska. This is a HUGE obstacle to entry for veteran nurses and causes many to go elsewhere. Why? We should review this problem and find a way to credit 'experience' as well as another state's certification. Did you know that essentially every nurse that graduates from the UofA has a job before they graduate? Same is essentially try for Certified Medical Assistants. So why is the waiting time so long for someone who wants to enroll? Is this an effort by someone to 'limit' the number of AK certified nurses and CMAs in our markets???

We have spent some time looking at the history of the UofA Land Grants and how they have been used – or should we say not used. This is an old saw, but one the legislature MUST take up this session. Yes the university is kind of a separate branch of state government, but as long as the state legislature is asked every year to fund at some percentage its operating budget, its time the budget committees got into this issue. In our opinion, after reviewing the history of the university's failure to fully develop and exploit this land gift for the purpose of underwriting the operation of the university, we need to push a little harder. The university administration as well as the Board of Regents really didn't know what they were doing or not doing to grow the value of this extraordinary gift – which goes back well before statehood. The idea of a land grant university was that the lands and their resources be managed to provide a significant income stream to the operating cost of the university. When we asked for some of the information we needed to evaluate this, we were told no. We then asked for a copy of their annual report. We got some parts of it. This is a complicated subject with a long history of no information. We would like to see the legislature ask for a detailed and complete report of all land granted to the UofA, how it was used, and how it has or has not contributed to the income of the UofA system. We think that if the legislature placed a 'performance requirement' on the land management office through the UofA system President – say it now contributes X%, so in a year it needs to contribute X+5% or 10% etc. The idea is to put pressure on the UofA Admin to get the land grant office to perform and contribute more each year in the total % of cost of the UofA. (see separate paper on the Land Grant management issue)

The argument that you can't fire a tenured faculty member is – to coin a phrase BS. The problem is not the unions here, although we are adamantly opposed to public sector unions. The problem here and in every corner of the public sector, is

that we do not have trained competent managers in the key positions necessary to be effective 'administrators' which includes hiring and firing. We would rather challenge the UofA to start employing 'proven' managers then just moving a faculty member up the ranks. Just because you are a great economic professor does not mean you can be an effective manager. They are different skills and you must have 'learned' these skills before you take these key positions of management/administration. Also, with all due respect, just because you were a general officer in the Army or Air Force doesn't mean you have the knowledge and skills to be an effective university administrator. There is one exception, Tom Case the Chancellor of the Anchorage campus. Why is he an exception? Because he invested in an appropriate education before taking this position. For most, moving from a command and control organization and suddenly running a collegial organization is not easy and often not very successful.

Lastly, how does the university measure success? Is it by the number of degrees given every year? Or maybe it should be the number of academic credits completed against enrollment. Many now attend the university with no interest at all in obtaining a degree. They just want the knowledge. We need to measure that as success. Then, and this can be done through the university alumni association, we should track the success of the graduates at least over a ten, twenty, and thirty-year framework. What is we said that 80% or the graduates of the university's management school, entered a management position within x months of graduation and achieved a senior management position with a salary in the range of $XYZ by retirement? Talk about motivation for enrollment.

These are just a few of the questions/issues that continue to trouble us with the UofA System and its budget process. We are not suggesting that we will get answers to these questions, but we think they need to be asked. Legislators have told us they need 'insightful' questions. We hope our introduction here has stimulated you.

Now, let's think about the Capital budget. NO! that's our answer. They can't even afford to manage the buildings that already have.

Land Grants and their intent:

Why is the University of Alaska, a land grant institution, still asking Juneau for money? Didn't they get a lot of land that was supposed to help underwrite their fiscal needs? The University of Alaska was established as a 'Land Grant' state university. The

purpose of this approach was to ensure it had sufficient land resources to fund its programs and services or at least have them make a significant contribution to the cost of the university.

The first lands provided the UofA System were in March 1915 and then again in January of 1929. Since then 'other lands' have been acquired by the UofA for "the exclusive use and benefit of the UofA and are therefore not state public domain lands."

How much land does the UofA system own in trust? About 209,610 acres with almost 26,000 acres of subsurface rights, and about 62,000 acres of timber rights. They hold 40 mining claims and other interests. That's a very nice entitlement placed 'in trust' with the UofA System.

How is that land classified for use? The University is supposed to have lists of lands and classifications according to the UofA since July 10, 2015.

What is the record of the UofA System in the development of its lands for the purpose of underwriting its costs?

What is the total 'income' of the UofA System from all sources, including tuition, grants, lands, etc? What percentage of this total income does the Land Trust provide?

During this state budget struggle, we've been curious about why the UofA System continues to need huge amounts of money from the state to build and operate. Curious because as a land grant university, **that was not the intent**.

Who makes the decisions in the economic use of the UofA's lands and resources? The Board of Regents, which since the UofA's founding has consistently been made up of the 'social elites' of Alaska and not Alaskans who know something about resource development. But that is the fiber of a separate discussion.

Given the state's fiscal challenges, we think it is time to push the UofA System into meeting their specific and clearly intended responsibilities as a land grant university.

Because the development of natural resources takes a long time, this can't happen on next month. So let's give them some time, after all they've been responsible for this task since 1915. The suggestion is simple:

Recommendations:

FY 17: No less than 10% of the UofA budget shall come from the income it derives from its lands and resources. In FY14 the UofA took in $155.8M from its lands, but its budget was $355,787M. In FY10 its income was $130.4M so it has grown steadily at least this decade.

FY 18: No less than 20% of the UofA budget shall come from the income it derives from its lands and resources.

And so it should go. Every fiscal year the UofA System must be more reliant on its own income streams to include its lands and resources. Yes, there may be bumps and restarts, but that should be the goal. To systematically reduce the dependency of the UofA System on state funds to the point that at a suggested time/space its Trust(s) and other incomes provide its operational funds.

Is this a unique idea? No, there are many land trust universities across America. Look at the Harvard Trust as an example. Now they also get significant endowments from former students, but their trust provides significant income towards the operation and maintenance of the school. There are many other examples.

Summary:

It is our request that the legislature, as it considers the UofA System budget request in the this session, gives them a push – politely of course – after all the board represents the social elites of our state, so we have to be sensitive about this. Perhaps the Governor will consider this next time he/she makes an appointment to the Board of Regents.

Department of Public Safety

IMPROVING PUBLIC SAFETY – 2016 to 2018

An outline for cost-effective solutions to slow the budget growth of the Department of Public Safety and Reduce Crime Across Alaska.

THE ISSUES

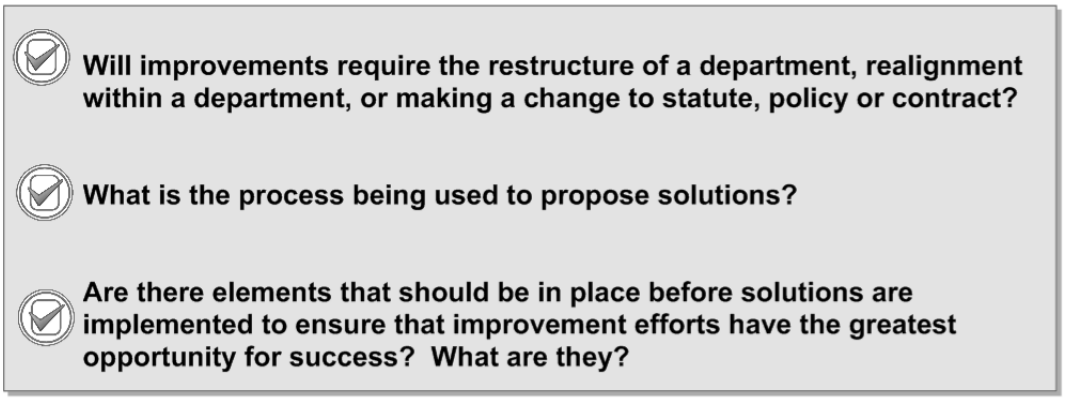
Two main areas of concern are addressed in this review of the overall performance of DPS. First, Alaska is experiencing persistently high crime rates, incarceration rates, recidivism, suicide and sexual assaults primarily across the more rural parts of the state and among the Alaska Native population; Second, the current fiscal situation is causing a constriction of all state government operational budgets.

PURPOSE

To improve the safety and welfare of Alaskans and regain control of the high cost of operating law enforcement services in the Last Frontier.

We must correctly understand what the cost drivers are that cause Alaska's high public safety operating costs and not be afraid to talk about them and bring these issues to the table. What can be done by the Executive and Legislative branches that can improve public safety delivery and result in lower instances of crime?

Note - This Department of Public Safety narrative is of the caliber we believe all evaluations of all departments should be. It will be essential going forward for the legislature to have detailed, similar, in-depth recommendations. This is mandatory and the legislature is requested to undertake such evaluations prepared by truly independent analysts and not leave it up to volunteers to do them.



THE TYPE OF ACTION PROPOSED BY UNITED FOR LIBERTY

UFL has examined cost reductions within DPS that can most effectively be done by considering three fundamental concepts:

1. *Restructure:* Improve effectiveness of services, lower operating costs, prioritize competing program missions, and increase capacity.
2. *Realign:* DPS, DOT, and DNR must streamline management and operations.
3. *Redefine:* Review contracts, programs and services for relevancy, statutory requirements, and effectiveness.

RESTRUCTURE

This section examines departmental changes that require upper level direction and oversight. Restructuring a department like DPS will require many adjustments to be made to its various internal entities. Restructuring may impact policy, roles and responsibilities, common practices, routines, delivery of services, job duties.

REALIGN

Realignments are adjustments within a department. Realignment may be as simple as merging bureaus or eliminating a bureau all together. In some cases it may require modification of management processes or staffing assignments. This document is an analysis of the Department of Public Safety performance between 2006 and 2015. It also accounts for all programs and services housed under DPS to include employee positions, departmental interrelationships, and programs that have a direct or indirect nexus to DPS services and their impact on performance.

REDEFINE POLICIES, STATUTORY REQUIREMENTS, & CONTRACTURAL OBLIGATIONS

This area will carefully examine the cost drivers within existing contracts and review standard operating procedures that many drive up costs and increase inefficiencies.

WHAT ARE THE INITIAL CONDITIONS OF DPS AS OF FEBRUARY 2016

Enforcement of Alaska's criminal statutes are primarily provided by the Alaska State Troopers (DPS) and various elements of the Department of Transportation (DOT), Department of Natural Resources (DNR) and more indirectly the Alaska Department of Fish and Game (ADFG) and the Department of Corrections (DOC).

A report published by the Institute of Social and Economic Research (ISER) in 2009 (Issue R.S. No. 71), showed that Alaska's population was among the fastest growing in the United States. State spending for public safety related services had nearly doubled between 1981 and 2007 (26 years) while the overall crime rate had dropped by only 30%. From 1981 to 2007, the number of prison inmates was up 500% and inflation-adjusted state operations spending for justice and public safety was up 192%.

Crime data provided by the Federal Bureau of Investigation, the Office of Management and Budget and the Department of Public Safety reveal that the State of Alaska has struggled to effectively drive down crime and make Alaska a safer place to live. DPS has been ineffective at controlling the overall cost of operations, seeing its own budget increase significantly since 2006. If crime statistics are used as a metric in determining public safety performance, it indicates that more money has not resulted in making Alaska safer as spending has significantly increased.

IMPLEMENTING THE CORRECT PROBLEM IDENTIFICATION PROCESS AND ROOT CAUSE ANALYSIS

To implement solutions, it is paramount that problems are correctly identified, accurately defined, and thoroughly examined. The process that is utilized is critically important to the long-term validity and success of this analysis.

How are the correct solutions applied to fix a problem if the cause is unknown?

Proposing solutions can often be costly if assumptions and opinions are being used to make decisions. Sometimes more than one solution may be possible or even necessary if more than one root cause is identified.

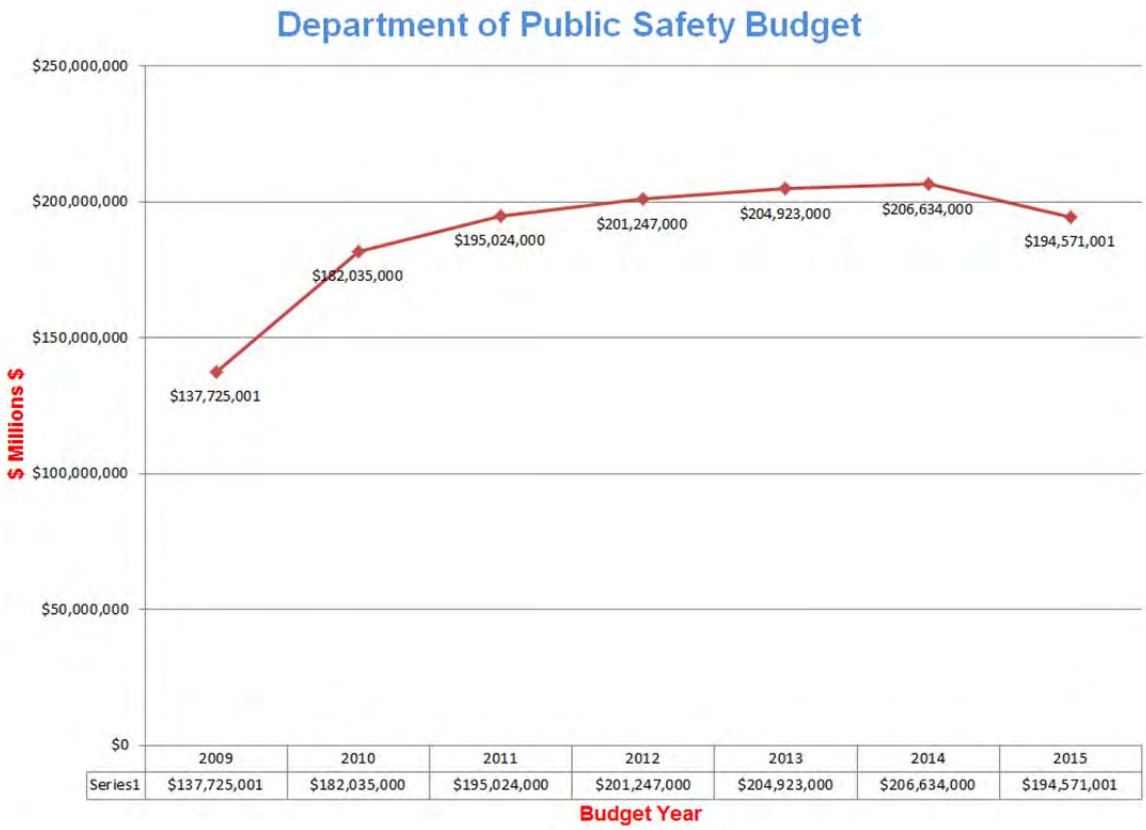
HOW DO WE IDENTIFY ROOT CAUSES?

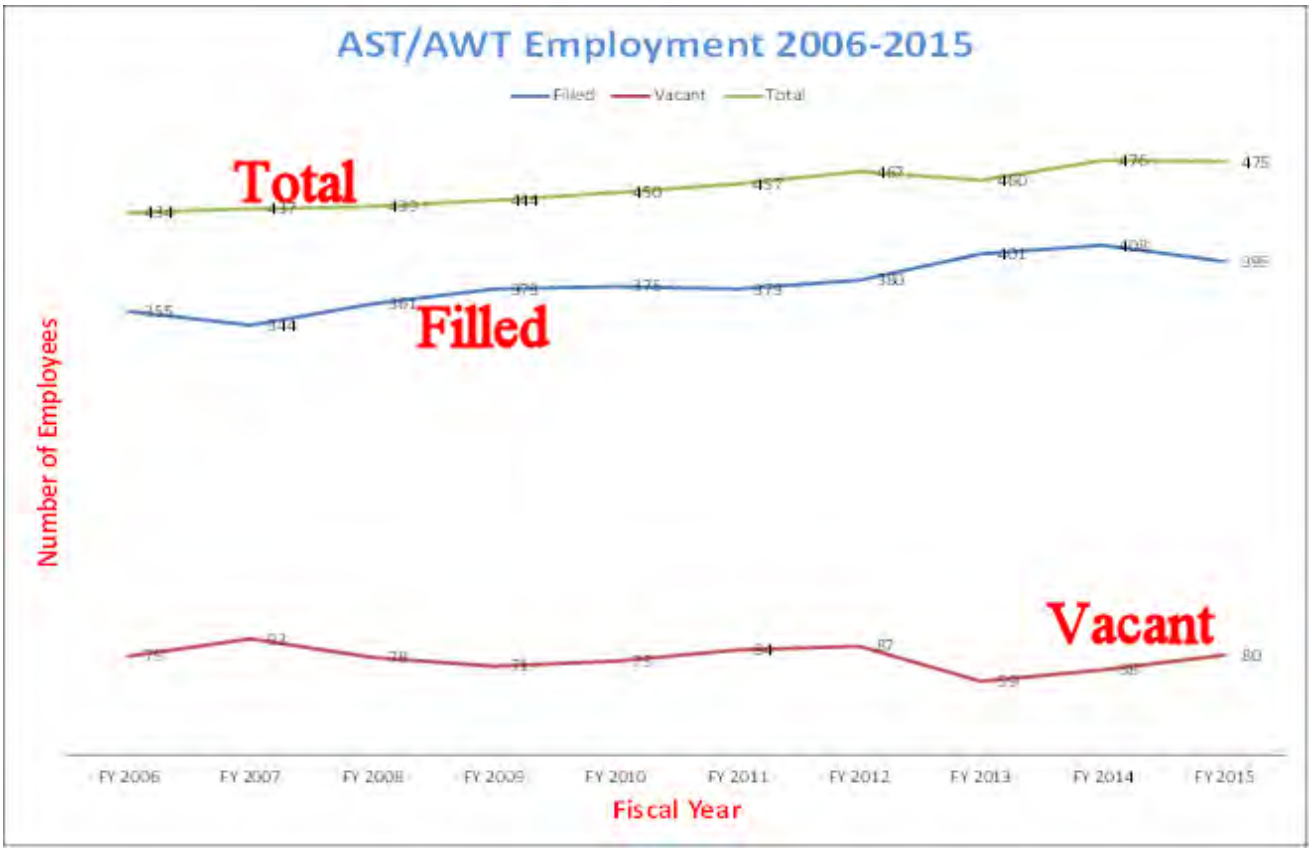
An assessment of ISER research data from 2009 and FBI statistics from 2006 to present shows that Alaska's reported violent crime rates have been on a continuous, upward trend since 1990. Law Enforcement strategies in Alaska have attempted to combat crime through reactive methods that are overly complicated. These ineffective strategies have been unable to implement current technology, to the advantage of law enforcement officers in the field, that can prove to statistically show that these technologies are linked to increases in efficiency, cost savings or crime reductions. In short there is a lot of waste and lost time and resources because of this reaction focused model. Law enforcement leadership has not done an effective job of identifying possible root causes nor has it proposed relevant solutions that have any measurable impact on the root causes.

A contributing factor causing the ineffectiveness of our statewide law enforcement is maintaining continuity due to the frequent changing of leadership within DPS and its associated Divisions. DPS has experienced 27 leadership changes since 2006 in its top four leadership ranks from Deputy Director to Commissioner. This has resulted in a diminished understanding of the mission of DPS. This contributes to mission and vision drift, resulting in retention issues, morale problems, lower performance of all of its employees, high operating costs, and a very visible inability to drive down crime.

Since Governor Frank Murkowski first took office in 2002, the Department of Public Safety Commissioner and Deputy Commissioner along with the top two command level positions within just the Alaska State Troopers and the Alaska Wildlife Troopers, has undergone 27 major personnel changes. This must be addressed. Compare the lack of continuity to that of the Anchorage Police Department over the same timeframe, which only had 7 changes to its top leadership posts over that same timeframe. Part of this issue with continuity is also imbedded in the excessively high number of upper level managers within the Alaska State Troopers and Alaska Wildlife Troopers which as compared to the Anchorage Police Department. The model used

by DPS necessitates 3 managers for every 1 manager needed within the Anchorage Police Department for a law enforcement force of the same equivalent size. The model being used within DPS must be scrutinized and it is recommended that a new model be adopted.

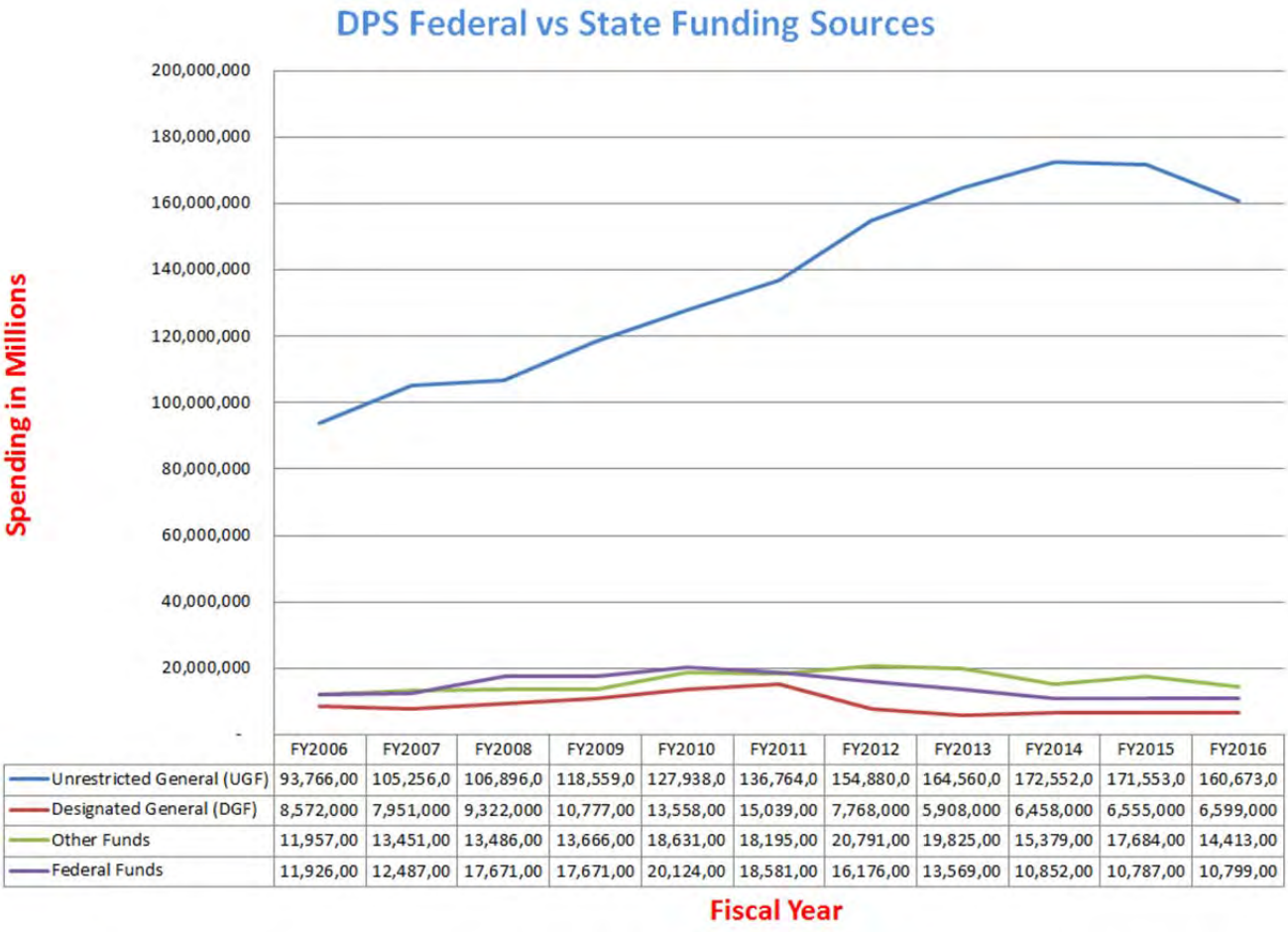




Department of Public Safety
Management Plan - Operating Budget

Department Level

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Objects of Expenditure:											
Personal Services	72,490.1	79,912.1	82,405.4	90,268.2	98,972.5	104,371.3	110,641.9	113,487.3	116,430.6	118,700.0	111,114.3
Travel	5,430.6	5,497.1	5,601.1	6,375.8	7,623.4	7,812.0	7,923.3	8,539.5	8,935.2	8,127.6	7,572.0
Services	28,745.6	32,531.5	35,359.6	36,883.3	43,868.9	44,914.0	44,924.8	43,854.1	41,658.2	40,145.9	39,065.0
Commodities	4,230.5	4,566.2	4,797.8	4,686.1	5,569.5	6,297.0	6,692.7	6,715.1	7,020.8	6,933.1	6,747.2
Capital Outlay	1,148.0	1,208.9	1,362.4	1,146.4	1,412.6	1,490.5	2,179.8	2,273.1	2,004.3	1,852.7	1,837.0
Grants, Benefits	14,177.6	15,431.2	17,850.5	18,902.0	22,806.3	24,696.1	27,753.2	28,994.2	29,194.6	30,822.1	26,151.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Department Totals	**126,222.4**	**139,147.0**	**147,376.8**	**158,261.8**	**180,253.2**	**189,580.9**	**200,115.7**	**203,863.3**	**205,243.7**	**206,581.4**	**192,486.5**
Funding Sources:											
Unrestricted General (UGF)	93,766.5	105,256.2	106,896.2	118,559.9	127,938.6	136,764.8	154,880.1	164,560.0	172,552.7	171,553.2	160,673.7
Designated General (DGF)	8,572.0	7,951.3	9,322.8	10,777.8	13,558.5	15,039.2	7,768.0	5,908.6	6,458.9	6,555.7	6,599.9
Other Funds	11,957.6	13,451.6	13,486.5	13,666.5	18,631.4	18,195.3	20,791.5	19,825.5	15,379.7	17,684.8	14,413.3
Federal Funds	11,926.3	12,487.9	17,671.3	15,257.6	20,124.7	19,581.6	16,676.1	13,569.2	10,852.4	10,787.7	10,799.6
Positions:											
Permanent Full Time	805	822	833	844	863	872	881	869	885	885	847
Permanent Part Time	19	17	17	16	16	16	16	18	18	18	18
Non Permanent	10	12	12	15	14	13	13	17	21	23	14



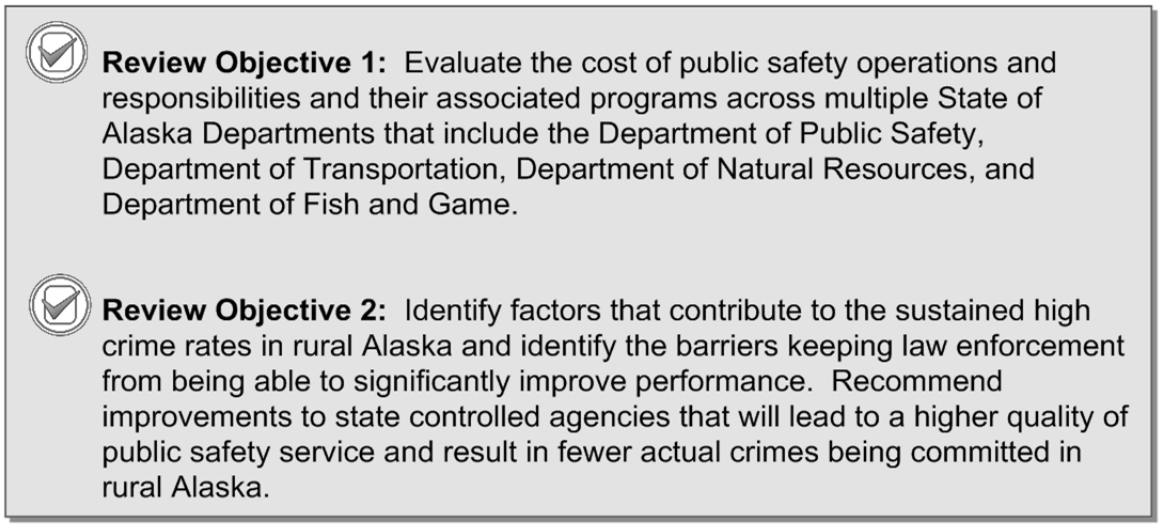
	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Unrestricted General (UGF)	93,766,00	105,256,0	106,896,0	118,559,0	127,938,0	136,764,0	154,880,0	164,560,0	172,552,0	171,553,0	160,673,0
Designated General (DGF)	8,572,000	7,951,000	9,322,000	10,777,00	13,558,00	15,039,00	7,768,000	5,908,000	6,458,000	6,555,000	6,599,000
Other Funds	11,957,00	13,451,00	13,486,00	13,666,00	18,631,00	18,195,00	20,791,00	19,825,00	15,379,00	17,684,00	14,413,00
Federal Funds	11,926,00	12,487,00	17,671,00	17,671,00	20,124,00	18,581,00	16,176,00	13,569,00	10,852,00	10,787,00	10,799,00

UNITED FOR LIBERTY'S SUMMARY OF FINDINGS & RECOMMENDATIONS

- **The State of Alaska cannot afford to continue on with past public safety practices that have produced such high rates of crime in rural Alaska and driven costs of operating up 54% since 2006.**
- **The State of Alaska is able to immediately drive down the cost of public safety operations without cutting services or reducing the quality of service by immediately restructuring the Department of Public Safety and realigning several internal entities and programs.**
- **Continuing to operate DPS in the same way means that the State of Alaska will have to cut services drastically or increase spending by 6% per year just to maintain our current level of services.**

The proper identification of problems, not symptoms, is the first step in accurately measuring the true performance of public safety in Alaska.

A thorough examination of the problem is necessary in order to determine what its root causes are. It is critical that root causes are correctly identified if the correct targeted solutions are to be applied. In this section two objectives were identified as priorities.



• Any analysis needs to highlight the overly complex dynamic that has evolved and currently exists between the Alaska State Troopers and the rest of DPS.

• Before any problem can be correctly identified and stated it leadership must acknowledge that the DPS mission is being overshadowed by the mission of a single division, the Alaska State Troopers, and it is incorrectly defining the rest of DPS. DPS should lead and guide all of its Divisions, Bureaus and Programs. No subordinate should be driving and defining the Department. This is called mission drift.

• We must study how an overreaching Division is resulting in the underperformance of an entire Department at the expense of other programs, Bureaus, and Divisions?

• An examination of the current hub and spoke model of public safety delivery must be assessed for performance effectiveness vs other potential models. UFL has identified that a heavy reliance on a centralized control and oversight model is inefficient and ineffective. Entities such as the Bureau of Judicial Services (JS), the Village Public Safety Program (VPSO), and the State Park Rangers (DNR) are most ineffective under this model. Look to creating a more effective model of delivering public safety services across Alaska at the most local level.

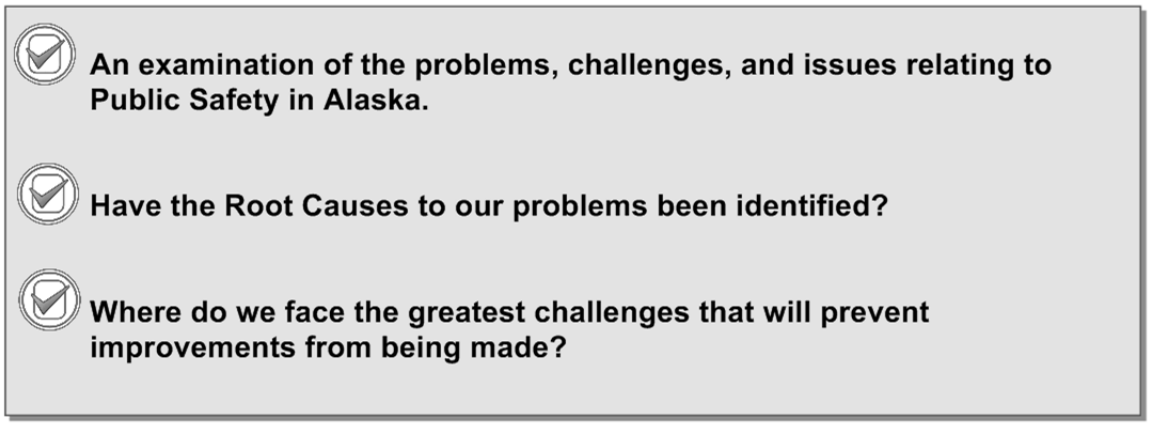
• Understand what the root functions of DPS and its Divisions, Bureaus, Councils and other service programs are?

• How DPS is achieving the results that it has?

• How can we make Alaskans safer? What can be done by DPS to decrease crime?

• What reliable measurements will be used to measure the success of our efforts?

• Is it possible to drive down the cost of public safety operations and decrease crime while reducing the number of overall personnel?



1. The DPS budget has increased 54% between 2006 and 2015. This is an overall increase from $126 million to $206 million.
2. Alaska has sustained high rates of sexual assault, violent crime, and suicide.

3. Challenges to public safety delivery in rural Alaska includes geography, weather, distance, urban/rural divide, cultural, tribal / state / federal relationship, and language barriers.
4. There are too few measurable metrics to evaluate the performance of public safety services and a lack of accountability or consequences for poor performance.
5. There is a lack of a clear mission being projected and lead by DPS.
6. The Division of the Alaska State Troopers heavily influences and even dominates many other aspects of DPS. It is UFL's position that his overreach hurts overall DPS performance.
7. The DPS lacks a clear strategic plan for the next 5 to 10 years. Complicating this issue is the fact that the current strategic plan is set to expire in 10 months.
8. There are excessive numbers of personnel doing tasks that may be more effectively and efficiently be performed by other employees at a much lower cost.
9. Division overreach has caused some mission drift and confusion resulting in duplication of efforts, higher operating costs, and internal power and control struggles.
10. Competing public safety efforts are not coordinated between departments causing departmental mission deviation, unnecessary duplication of efforts, higher operating costs, and less effective service performance.
11. Surprisingly there is a lack of understanding of rural policing needs and how to resolve them.
12. A lack of authority has been given to VPSOs. The current VPSO program structure undermines their own credibility in the eyes of the public and even some state entities.
13. The protection of traditions is being preserved at the expense of public safety performance and UFL contends may lead to higher operating costs.
14. HA red flag warning is the high rate of Alaska Native recidivism & incarceration.
15. There is an excessive cost attached to travel, overtime, and per diem expenses for traveling throughout rural Alaska investigating crimes, transporting prisoners, and attending court hearings. These services can be reduced or eliminated saving millions.
16. A lack of understanding of how Alaska Native Tribes can collaborate with the State of Alaska to more effectively work together.

17. Staffing and personnel shortages are impacting the way law enforcement investigates crimes in rural Alaska.
18. Divisions within DPS are cutting or limiting core missions in an attempt to save money.
19. Alaska has some of America's most dangerous highways such as the Seward and Sterling Highway Safety Corridors.
20. Rural Alaska lacks a highly trained, reliable and permanent, full-time, APSC certified, police presence.
21. There are an excessive number of funded, but vacant PCNs within DPS. The Historical average of funded/unfilled vacancies just within the Divisions of Alaska State Troopers and Alaska Wildlife Troopers is 77 positions since 2006.
22. There has been no significant improvement in fish and wildlife populations or reductions in violations of fish and wildlife laws. There is an absence of metrics to measure AWT performance.
23. Current cost saving proposals coming from DPS identify limited command level position cuts, compared to the elimination of services, programs, or field positions. Other proposals only move personnel around or eliminate some assignments, but actual savings are minimal compared to the negative impact to the public. Troopers are moved from one assignment to another in the same geographic region essentially keeping the same number of troopers serving a growing population.
24. Alaska's population has increased 25% since 1990 while the number of State Law Enforcement has decreased by 23% during that same timeframe. Reflecting back on the 1990 Census, Alaska's population was approximately 550,000. By 2013, the State's population had grown to approximately 720,000 according to Alaska Census data. During this same timeframe the number of Blue Shirt Alaska State Troopers has decreased by approximately 19%, although there has been the addition of 115 VPSO positions, and approximately 96 Alaska Wildlife Troopers. The question remains whether the addition of the VPSOs and AWTs have resulted in making rural Alaska safer? How do we know?
25. Judicial Services Officer staffing has remained flat since 2009, while the JS budget has decreased by 30%. During this time prisoner transport costs have increased, AST has increased its role in prisoner transports, and AST staffing has increased. This increased role by AST in the area of prisoner transports and JS

support has increased the cost of DPS operations in this area by as much as 25%.

26. VPSO spending has increased by over 250% since 2009, yet the most common metrics for crime analysis do not show a significant decrease.
27. The number of funded VPSO positions decreased from 121 in 2014 to 78 in 2015 according to data provided by the VPSO Statewide Coordinator for the AST. This decrease in personnel occurred while state spending per VPSO rose 6%.
28. The Alaska of Bureau of Investigation spending has increased almost doubled since 2009.
29. Between the 2006 to 2016, fiscal cycles, OMB budget data reveals an increase of 170% in state unrestricted general fund spending. During this same period of time designated general funds, federal funds, and other funds were virtually unchanged or decreased slightly.
30. Between 2009 and 2015, the most significant increases within the DPS budget occurred in the AST Detachments, Division of Alaska Wildlife Troopers, Village Public Safety Officer Contracts, and CDVSA program.
31. Administrative indirect rates that Alaska Native non-profit organizations are permitted to use begin at 15%. Some of the indirect rates are as high as 45% for the Aleutian Priblof Island Association and 42% for the Copper River Native Association. The percentage of the entire legislative VPSO appropriation used on indirect costs is 28.36%.
32. It was rationalized that the Talkeetna and Girdwood Trooper posts be eliminated due to what was described as an $80,000 ($160,000 total) expense to maintain an office in each community (Quoted in the Anchorage Daily News 2015). The elimination just two funded but vacant PCNs would have resolved this funding shortfall and retaining adequate public safety services for two of south central Alaska's busiest communities.
33. In July 2015, it was justified that the two Anchorage Cold Case Investigators were being eliminated due to budget cuts. These retired law enforcement officers that were on contract were laid of and their units disbanded. By January 2016, recently retired (July-October) upper command personnel from the Alaska State Troopers were rehired under contract to support the already top heavy Trooper command. This demonstrates miscued priorities and the self-preservation of upper level management.

A SUMMARY OF FINDINGS AND RECOMMENDATIONS

Review Objective 1: Evaluate the cost of public safety operations and responsibilities and their associated programs across multiple State of Alaska Departments that include the Department of Public Safety, Department of Transportation, Department of Natural Resources, and Department of Fish and Game.

FINDING: The DPS budget has increased 54% from approximately $126,000,000 to $194,000,000 between 2006 and 2015.

RECOMMENDATION: Conduct a comprehensive audit of all areas of department spending increases between 2006 and 2015 and evaluate the correlation between increased personnel with increases in spending to include overtime, capital projects, and end of fiscal year spending.

RECOMMENDATION: Create a departmental incentive program that rewards based on saving money, reducing operating costs, and implementing innovative ideas that create efficiencies.

RECOMMENDATION: Examine management needs within DPS and begin a systematic reduction of high cost management positions through attrition.

RECOMMENDATION: Restructure the Department of Public Safety and create a localized rural police force that by design can operate at a much lower cost than the current Alaska State Trooper model that is focused on centralized oversight.

RECOMMENDATION: Restructure the Department of Natural Resources and create a Division or Bureau of Fish and Wildlife Conservation Rangers. The new Conservation Ranger will replace the existing Park Ranger and assume a greater fish and wildlife enforcement role. The Conservation Ranger will operate at a much lower cost than the current Alaska Wildlife Trooper and will assume many of the lower level, basic, game warden functions currently conducted by AWTs.

FINDING: The FY2016 budget for the Village Public Safety Officer Program is $14,311,000 for 73 VPSOs. The Indirect rate average in FY2016 for the Tribal non-profits administering the program is 28%. The overall program cost per VPSO is approximately $196,000 each. Overall indirect cost to administer the VPSO program in FY2016 is approximately $4,000,000.

RECOMMENDATION: Consider a reduction back to the fixed 15% indirect rate that once existed in order to drive this portion of VPSO program costs down.

RECOMMENDATION: Consider changing the rule permitting the Tribal non-profits to use indirect funds for other non VPSO purposes within their budget.

RECOMMENDATION: Change the administration and management of the VPSO program as it is currently known and move this function directly within DPS to reduce overhead, number of required personnel, duplication of personnel, services, and funding.

FINDING: VPSO spending has almost tripled since 2006, yet the metrics for crime analysis do not show a significant improvement in public safety. The FY2006 VPSO budget was $5,813,000 and the FY2016 budget was $14,331,000. The number of funded VPSO positions decreased from 121 in 2014 to 78 in 2015, according to data provided by the VPSO Statewide Coordinator for AST. This decrease in personnel occurred while state spending per VPSO rose 6% per position.

RECOMMENDATION: Conduct a comprehensive audit of all areas of the VPSO program from 2006 to 2015.

RECOMMENDATION: Examine how many troopers it takes to oversee the VPSO program and identify how many communities have full-time troopers, full-time VPSOs, and full-time VPOs.

RECOMMENDATION: Complete a community assessment and inventory of public safety needs for every rural Alaskan community to determine minimum and optimum number of law enforcement personnel needed in order to determine what each communities accurate police staffing needs are.

FINDING: There are an excessive number of vacant PCNs within DPS for FY2016. AST and AWT combined total 80. The historical average of vacant PCNs within DPS since 2006, is 77.

RECOMMENDATION: Over a two year period return 60 of the vacant PCNs to the Department of Administration. The remaining 20 vacant PCN's should be set aside for future academy recruits and other program development within DPS.

FINDING: Transporting prisoners throughout Alaska is unnecessarily costing the Department of Public Safety and Department of Corrections millions of dollars each year.

RECOMMENDATION: Invest in secure video capable technology that would enable remote attendance for some court related functions associated with inmates. Rural travel is expensive and when transporting prisoners the additional costs of the law enforcement officer's time and their associated costs must be considered. Reductions in this area will save money and time.

RECOMMENDATION: Remove the Alaska State Troopers from being the primary authority for prisoner transporting and supervision. These two functions are not a part of the AST mission, but are a part of the Judicial Services and Department of Corrections missions. Utilizing the lower cost JS officers will save 25% and relieve troopers to focus on core mission responsibilities.

RECOMMENDATION: Remove the Bureau of Judicial Services from within AST and create a Division of Judicial Services within DPS. JS has experienced flat staffing and budget cannibalization by AST. In order to reduce AST mission creep into JS responsibilities at a much higher cost JS should manage itself and assume a greater load of the prisoner transport responsibilities statewide. As high cost troopers do more of the transporting, emphasis must be put on recruiting troopers not JS officers. Refocus troopers on public safety while utilizing the JS force to manage itself and perform the duties that are set out in its own mission.

RECOMMENDATION: The premium cost of having Troopers perform duties outside of their constitutional and statutory requirements is a financial burden to the State of Alaska. In many cases it is also a performance barrier. All current AST roles

should be evaluated on whether they are required duties or assumed and optional ones. All assumed or optional roles AST has taken on should be investigated further and the correct source entity identified. From here an evaluation should be made to determine the cost savings and performance increases that will result if returned back to where they should be.

FINDING: The centralized model of public safety delivery to rural Alaska is causing excessive costs in regard to employee moves, rural employee housing, travel, overtime, per diem, recall pay, standby pay, COLAs, and transporting prisoners.

RECOMMENDATION: Shift the public safety focus to a localized police presence that already lives and works in the community. Not having to pay for state housing, reducing standby needs, the elimination of travel and per diem, and minimal adjustments for COLA will all contribute to a much lower cost of operating public safety services.

FINDING: The most significant increases of the DPS budget occurred within the AST detachments, AWT overall, VPSO contracts, and the CDVSA program.

RECOMMENDATION: Audit the spending of each of the DPS detachment from 2000 to present.

RECOMMENDATION: Reduce AWT personnel numbers from 96 to 60 over 36 months. Shift lower level responsibilities to the lower cost Conservation Rangers. Refocus AWT to assume a more limited core mission. Reexamine the specific need of all air and marine assets based on actual use, not rationalized use.

RECOMMENDATION: Shift the VPSO program into the new rural police division within DPS. (see details in the narrative section of this binder)

RECOMMENDATION: Change the CDVSA from a Council within the AST infrastructure and for a Division of Victim Services within DPS.

Review Objective 2: Identify factors that are contributing to the sustained high crime rates in rural Alaska and the barriers keeping law enforcement from being able to

significantly improve performance. Recommend improvements to state controlled agencies that will lead to a higher quality of public safety service and result in fewer actual crimes being committed in rural Alaska.

FINDING: The most recent FY2015 performance indicators published by the Office of Management and Budget (OMB) appear to be reaching or are close to reaching their established targets, yet Alaska has been unable to move the needle and is still leading the nation in several major crime categories.

RECOMMENDATION: Create a new set of targets and performance indicators that focus on actual crime decreases, prevention, and real improvements in safety not just meeting achievable goals of accomplishment.

RECOMMENDATION: The accuracy of DPS performance should be based on the totality of information from all sources to include FBI, DPS internal data, ISER, Citizen Boards, regional input, and legislative reports.

FINDING: The DPS's mission is simple and not very visible in overall operations of the department. It lacks overarching guidance to the department. The mission of the Division of Alaska State Troopers is strong and appears to define and guide DPS and many of its entities. This inversion of mission roles is causing mission creep leading to a single division like AST to unnecessarily influence, dominate, overreach, and distract in negative ways other divisions, bureaus, councils, programs and entities which is resulting in underperforming services and a higher costs of operations.

RECOMMENDATION: Develop a clear short-term vision for public safety from the Governor for what he would like to achieve during the remainder of his term as well as a long-term vision beyond his time in office.

RECOMMENDATION: Build the Governor's public safety leadership team by identifying and assembling who the role players will be. (This team may be comprised entirely of existing personnel, it may include some new personnel, or it may be made up entirely of new personnel).

RECOMMENDATION: Hold a DPS/Public Safety retreat by December 2015 to bring all team members onto the same page and focused on the Governor's vision for

improving public safety in Alaska. This team will work together to shape public safety statewide.

RECOMMENDATION: Define a clear Mission and Vision for DPS. Limit the influence that a single division wields on the overall DPS mission and correct the flow of organizational leadership and management. The DPS mission must be overarching and may lead to redefining some current missions, roles and responsibilities for various Divisions and programs. This is a task that should be assigned to the public safety leadership team.

RECOMMENDATION: Create a statewide public safety citizens advisory board to guide mission and vision accountability.

FINDING: There is an excessive number of AST and AWT personnel doing tasks that can be performed more effectively and more efficiently and at a lower cost by Park Rangers, VPSOs, and Judicial Service Officers. The excessive cost include higher salaries and benefit packages, travel, per diem, overtime, recall, and standby.

RECOMMENDATION: Identify the constitutional and statutory roles and responsibilities of the Alaska State Troopers. All assumed roles AST has taken on should be examined further and the correct source entity identified. Evaluate cost savings and performance increases that will result if returned back to where they should be.

RECOMMENDATION: Create a Division of Judicial Services to stop mission creep of AST and to refocus troopers on public safety while utilizing the JS force to manage itself and perform the duties that are set out in its own mission.

RECOMMENDATION: Create a Division of Fish & Wildlife Conservation Rangers to assume the more basic functions of fish and wildlife management and refocus wildlife troopers on core functions such as major wildlife investigations, commercial fisheries enforcement, and guide compliance.

FINDING: A strained State/Tribal relationship is a contributing factor to the underperformance of rural public safety services. Limited cooperative collaborations exist between the State and Tribes in regard to public safety. There is a lack of

authority given to VPSOs and the current VPSO program structure undermines their own credibility.

RECOMMENDATION: Create a Division of Alaska Rural Police that provides a full-time, APSC Certified local police presence. Eliminate the current oversite system that is excessively inefficient and full of unnecessary duplication.

RECOMMENDATION: Consider recognizing Tribes or their Tribal non-profit consortia as tribal governments through an MOA. APSC does not certify VPSOs as police officers because regional tribal non-profits are not considered governments, an APSC requirement for certification.

RECOMMENDATION: Create a separate statewide non-profit organization specifically setup for the ARPO/VPSO program that can enter into an MOA with the State to be certified by APSC. This may also require legislative approval.

FINDING: OMB Performance Indicators show that many DPS targets are being met or are close to being met, yet FBI data still shows that Alaska remains the leader is several violent crime categories.

RECOMMENDATION: Correct the metrics that DPS uses to assess its own performance to accurately show how their targeted solutions are increasing or decreasing actual instances of crime in a community or sector.

RECOMMENDATION: Redefine the roles and responsibilities of the Alaska State Troopers. With a new role and the creation of localized a rural police force, the actual ranks of AST will overtime be reduced based on a diminished need for basic patrol services. In ASTs new capacity it will focus on major crimes investigation, statewide training, search and rescue, drug and alcohol interdiction and highway safety.

RECOMMENDATION: Redefine the roles and responsibilities of the Alaska Wildlife Troopers. With a new role and the creation of the DNR Fish & Wildlife Conservation Officer, the actual ranks of AWT will overtime be reduced based on a diminished

need for basic patrol services. In AWTs new capacity it will focus on major wildlife investigations, commercial fisheries enforcement, guide compliance, search and rescue, and provide air and marine support to AST, DNR and ADFG.

FINDING: The DPS lacks a long-range strategic plan for the next 3, 5, or 10 years that clearly outlines the vision for the department and the state in regard to what it is trying to achieve. The AST has a strategic plan, but it will expire in 2017, and there is no clear way forward from there.

RECOMMENDATION: DPS Leadership team meets in 2015 to develop a new DPS Statewide strategic plan.

RECOMMENDATION: The DPS Leadership team should develop a list of factors of success that are put in place before any improvement efforts begin.

FINDING: The Department of Corrections currently calls upon the Alaska State Troopers or Alaska Bureau of Investigation (Both DPS) to investigate major incidents including deaths that occur within correctional institutions. This process is sometimes slow, time consuming for the limited number of Troopers, creates expensive overtime or travel situations, and results in some information gathering challenges.

RECOMMENDATION: Create a Corrections Bureau of Investigation within DOC to handle all major incident investigations including deaths. These investigators would attend the DPS training academy and be fully sworn APSC police officers.

RECOMMENDATION: Create an investigative unit made up of members from the Alaska Bureau of Investigation, Department of Corrections, Governors Staff and Citizens Advisory group to handle the various aspect of major case investigations within the Department of Corrections.

RECOMMENDATION: Create an investigative unit independent of DOC or DPS to investigate major events, assaults, death of inmates or individuals in police custody, and reports of officer malfeasance.

FINDING: Since 2006, the Department of Public Safety has lacked continuity which has resulted in 27 changes in the top 4 leadership positions. This imbalance is also noticeable in the number of upper level managers it requires to handle day to day

operations. Within the Division of Alaska State Troopers the ratio of upper level managers is 43 compared to a force of 307 troopers. Compare this to the Anchorage Police Department which currently has 14 upper level managers for a force of 350 officers.

RECOMMENDATION: Through attrition reduce the number of upper level managers within the Division of Alaska State Troopers and Wildlife Troopers by 20% over 3 years.

RECOMMENDATION: Eliminate the two special assistant to the commissioner positions and any assignments that act as a liaison to the legislature. Replace these positions with an additional Deputy Commissioner of Public Safety position.

RECOMMENDATION: Consolidate the Alaska State Trooper and Alaska Wildlife Trooper chain of commands. This merger may result in the reduction of one Director, one Deputy Director and numerous Lieutenant and Captain positions.

RECOMMENDATION: Change the overall regional detachment models currently in place to manage AST and AWT resources and personnel. AST currently has 5 regional detachments that manage 43 trooper posts. AWT currently has 2 regional detachments that manage 35 wildlife trooper posts.

Move to a model that divides Alaska into a 3 region model that consists of Region 1 - Northern, Western, and Aleutians/Kodiak, Region 2 – Interior & Southcentral, Region 3 – Southeast.

… Or…

Move to a model that divides Alaska into 4 management regions that consist of Region 1 – Northern & Western, Region 2 – Southwest and Southeast, Region 3 – Interior, and Region 4 – Southcentral.

ANCHORAGE POLICE DEPARTMENT & THE ALASKA STATE TROOPERS: A Comparison

An clear apples-to-apples comparison is difficult between the Anchorage Police Department (APD) and the Alaska State Troopers (AST) due to differences in training standards, sources of funding, geographic responsibility, jurisdiction, and statutory requirements. Some characteristics of each organization can be examined alongside each other as we seek ways to improve the delivery of our services and reduce costs of operations.

Simple comparisons reveal that APD and AST have similar staffing levels although AST has additional statewide service demands like search and rescue, wildlife enforcement, and highway patrol. The AST also have the added challenge of geography, weather limitations and specialized equipment needs for transportation. Current DPS proposals aim to cut or reduce parts of AST's six core missions. Proposed changes are highly visible, inflict a lot of discomfort on the public, and yield minimal improvements. They appear to be low impact, high cost ideas intended to inflict maximum discomfort.

What is apparent is that there is a preservation of command level management positions while implementing significant reductions in core mission areas of DPS. It is also revealed that services are being limited. There are very few noticeable process improvements or systemic innovations that one might expect would provoke significant updates to the Department's Operating Procedures Manual, the Detachment Level Standard Operating Procedures manuals, or informal common practice/best practice advisements to personnel and staff in the field.

The Anchorage Police Department has 14 personnel holding the rank of Lieutenant, Captain, Deputy Chief or Chief (Top 4 command level positions). The Alaska State Troopers and Alaska Wildlife Troopers have 43 personnel holding the rank of Lieutenant, Captain, Major (Deputy Director), Colonel (Director), Deputy Commissioner, and Commissioner. The DPS model utilizes 3X the number of upper level managers than APD to service a similar number of citizens and Department personnel. The ratio is approximately 3:1, 3 DPS Managers for every 1 APD Manager.

Reflecting back on the 1990 Census, Alaska's population was approximately 550,000. By 2014, the State's population had grown to approximately 720,000 according to

Alaska Census data. During this same timeframe the number of AST has decreased by approximately 19%. There has been the addition of 115 VPSO positions, and approximately 96 Alaska Wildlife Troopers although the question remains whether the addition of the VPSOs and AWTs have resulted in making rural Alaska safer? How do we know? By what means are we measuring their effectiveness?

WHAT ARE OUR DESIRED PUBLIC SAFETY OUTCOMES

What do we want to accomplish and how do these goals and objectives matchup with the overarching statewide vision.

Generate a clear set of objectives and milestones. Institute mechanisms that will allow for measuring of performance in order to determine their effectiveness. Reporting success and failures are important to the overall improvement process.

1. Rural Alaska must have a reliable, permanent, full-time, local, APSC certified, police presence.
2. Alaska must cease the dependence on a transient, part-time Alaska State Trooper policing presence visiting rural communities through a hub and spoke centralized command model.
3. Reduce reliance on an undertrained & underutilized VPSO force that lacks authority and the ability to manage itself.
4. Increase the number of APSC certified law enforcement officers in rural communities in the field.
5. Reduce DPS operational costs by 15% or $28,000,000 over three years by:
    a. realigning programs,
    b. consolidating divisions,
    c. redefining trooper roles and responsibilities,
    d. eliminating duplication and redundancies in services offered,
    e. establish standard operational consistency statewide,
    f. modify management policies to streamline unnecessary time consuming steps, eliminate anything that is not absolutely necessary.
6. Refocused priorities of DPS from money and personnel to streamlining operations, reduce the practice of being involved in so many areas of PS delivery, and making Alaska a safer place to live.

7. Use short-term and long-term metrics by which the actual performance of DPS can be measured. Stop the reliance on only FBI and DPS data that only tracks crime rates or targets that do not track actual performance or effectiveness. The benefit will be the ability to follow how each dollar spent or tactic implemented actually results fewer crimes at a lower cost that we are currently getting.
8. Have a diverse, statewide, citizen's advisory board for rural public safety. The board would assist local and state agencies with identifying problems and their root causes. The advisory board would assist with data collection, identifying regional issues, generate solution oriented proposals and evaluate DPS performance. This information would be submitted to the DPS Commissioner and Governor for review.
9. A realistic, long-range vision for Alaska with 5 and 10 year milestones by January 2016, the Alaska Department of Public Safety.
10. Reduced instances of violent crime, sexual assaults, crimes against children and suicide in rural Alaska.
11. A State/Tribal work plan with the Department of Corrections, and other community based organizations to reduce recidivism by Alaska Natives.
12. Maximize the value of public safety services provided to Alaskans and be able to justify in simple, honest and relevant ways what the citizens are actually for their money.
13. Metrics to show effectiveness of solutions.

SOLUTIONS & IDEAS

CONSIDER THE CREATION OF AN ALASKA RURAL POLICE OFFICER: Create a full-time, APSC certified, localized, rural Alaska police force under the Department of Public Safety. This new police force will require the creation of a new Division of Rural Alaska Police. The current VPSO program as we understand them must be incorporated into this new model and the new division will retain many existing personnel as well as their established local relationships. A bureau model is not desirable due to the problematic nature of what has been identified as unnecessary mission and budget influence from the Division of AST.

The savings created from shifting VPSO funding from a block grant program contracted to the regional non-profits to a division within DPS could result in

administrative efficiencies of approximately 28% or $3.5M. The savings achieved from the reduced operating cost due to the conversion of 25 trooper PCNs to 25 ARPO PCNs is approximately 25% or $500,000.

The current AST/VPSO force is 455 personnel. **Being proposed is an AST vacant PCN force reduction** over two years from 372 to 322 PCN's. In addition, it is being proposed than an additional reduction of 25 AST over three years starting in 2017 from 322 to 297 personnel. The current VPSO program would realize a reduction from its current 73 personnel to 60 and the ARPO Division would create 60 personnel. This is a net reduction of 38 positions statewide for a force total of 417. (**Total potential savings $3M**)

CREATE A DIVISION OF FISH AND WILDLIFE CONSERVATION RANGERS: Create a true Alaska Game Warden within the Department of Natural Resources. The new Alaska Fish & Wildlife Conservation Ranger (Conservation Ranger) would replace the existing State Park Rangers as we have come to know them. On the surface it is a departmental restructure change that may require establishing a new division structure positioned under DNR Field Operations. It is important that this new Division have a clear enforcement mission, combined with the existing education and recreational missions currently in place and followed the State Park Rangers.

Redefining the AWT Mission and Vision so that it is consistent with the long-term strategic vision for statewide DPS will be a major undertaking and will encounter resistance from within the AWT ranks. The goal will be to reduce the size of AWT from approximately 96 troopers to 60 within 36 months. This change would see the Rangers increase their ranks from 28 to 53 (increase by 25) personnel and the AWT's see their numbers reduce from 96 to 60 (decrease by 36). The 11 remaining PCN's would be returned to DOA for an overall force reduction and a savings of approximately $950,000. Additional savings achieved from the reduced operating cost of 25 Rangers versus 25 troopers is approximately $550,000. This is an overall force reduction from 124 personnel to 113 personnel on a statewide level. (**Total potential savings $1.5M**)

CREATE A DIVISION OF JUDICIAL SERVICES: Create a Division of Judicial Services and transition away from the current Bureau of Judicial Services which is currently situated within the Division of AST. The focus of prisoner transports remains within

the JS mission. Prisoner transports are not a part of the AST mission, but are an assumed role of the troopers. This may have occurred because JS is situated within the same division. Considerations must be made for any current statutory limitations that may exist for JS officers that have been covered by troopers. Keeping troopers focused on their primary responsibility of public safety and reducing their distraction of assumed secondary duties, outside of AST primary mission, is paramount in any effort that attempts to improve crime rates across Alaska and reduce the overall cost of operations.

AST must cease the practice of assuming a prisoner transport role and become a support mechanism for JS, not a primary facilitator or manager of it. As long as JS remains within the Division of AST it will continue to experience flat staffing, higher transport costs, continued AST role assumption, budget cannibalization for the greater good of AST, and management decisions being made for the sake of AST not JS. Remove AST from primary responsibility for prisoner transports and keep it a responsibility of JS and Corrections unless support is requested by JS or Corrections. Pushing AST back into its lane of law enforcement clarifies roles and reduces unnecessary overlap and the high cost duplication of efforts.

REDUCE THE NUMBER OF ALASKA STATE TROOPER COMMAND POSITIONS

Reduce 20% from 43 to 35 in a span of 36 months through natural attrition such as retirement. (**Potential savings $1M)**

ACKNOWLEDGEMENT OF 80 TROOPER PCNs

Return 50 of the vacant trooper PCNs to the Department of Administration for a potential savings of $4.25M. There may be other vacant PCNs within DPS that are not assigned to troopers. As a specific need for personnel is identified by AST/AWT, it should be requested through the Commissioner for considered funding. It is wasteful and sloppy for a general allocation of PCNs to be held by these Divisions to use where and when they see fit. We must begin thinking in terms of specific capacity needs, not general capacity needs. (**Potential savings of $6.8M.)**

TEMPORARY PROMOTION FREEZE

Cease the promotion within the ranks of the Alaska State Troopers and Alaska Wildlife Troopers into command positions until personnel reductions are achieved and a clear strategy, vision and strategic plan are established. Utilize lateral transfers in lieu of promotions.

INTEGRATE AST & AWT MARINE AND AIR UNITS

The Troopers will be better served with one Director (Colonel) and two Deputy Directors (Majors). Preservation of the existing AWT Marine and Air components is important. The management of these strategic resources should come from one place, not two competing Divisions attempting to share them. The more collaborative combination of these two Divisions would result in a much needed reduction of command level positions that may include 1 Director, 1 Deputy Director, 2 Captains, and 4 Lieutenants… for a total of 8 positions. (**Total potential savings $1M**).

STOP MISSION CREEP BY THE ALASKA STATE TROOPERS

Consider the importance of keeping AST focused on its mission, roles and responsibilities in order to protect the integrity of other DPS operations. Emphasize keeping AST and its command leadership in their lane of operations.

INTEGRATE THE STATE FIRE MARSHAL WITH ALASKA BUREAU OF INVESTIGATION

Align the State Fire Marshal Investigators more closely with Alaska Bureau of Investigation through an MOU to collaborate on training and resources for improved investigative effectiveness, improved work capacity as well as reduced operating costs. The role of fire safety inspections would be moved from the Bureau of Deputy Fire Marshal Investigators to the Bureau of Planning, Review and Inspections.

Move the Bureau of Training and Education from the Division of Fire and Life Safety to the Alaska Fire Standards Council. Also relocate “permitting” for things such as fireworks and sprinkler systems to the Alaska Fire Standards Council. These fee based services are services already performed by the council and their fee based nature would offset the cost of operating the council ensuring that it is more capable of being a self-sustaining entity. (**Potential savings of $500,000**)

UNIFY AND STANDARDIZE ANCHORAGE & FAIRBANKS FIRE/POLICE DEPARTMENTS

Explore a move for both Fairbanks and Anchorage Airport Fire and Police from DOT to DPS. Public safety is an actual function of DPS not DOT. A long-term public safety mission should have consistency directed from DPS. A consistent and focused statewide public safety model that functions from DPS is better positioned to have a meaningful impact when it is working toward a common goal. Is the Airport public safety model, delivered from DOT, consistent with DOT's own mission, DPSs mission or as effective as it can be? There are 60 PCN's assigned for the Anchorage Airport Fire and Police and 15 are vacant. Management stated the optimal number of police/fire personnel is 65. DOT leadership also noted that the Anchorage and Fairbanks Airport management models are most like the Nashville, TN Airport. The question still remains whether or not dual certified Police/Fire employees are the most suitable and effective for Alaska. An additional consideration should be made to split the Police and Fire and move the Airport Police under DPS and keep the Fire Fighters under DOT as they are currently situated.

EXTEND DEPARTMENT OF TRANSPORTATION VEHICLE LIFE CYCLE

Work with DPS/DOT to maximize vehicle usability by extending vehicle replacement on all cars by deferring it for 12-24 months. This is a cash flow problem so stop replacing vehicles based on a formula. Replace them based on an actual vehicle usability assessment.

MODIFY WORK WEEK FOR MORE STATE EMPLOYEES

Consider a 4-10 versus a 5-8 work week schedule for non-critical assignments such as administrative assistants, investigators and command staff personnel. A 4-10 schedule can save a day of commuting to work in a state vehicle and reduce overall vehicle operating and maintenance costs. It can also reduce overtime as employees are available for more hours which extends the day-to-day operating hours.

Consider bulk purchasing fuel for fleet vehicles and work with municipalities like Anchorage or borough governments like the Mat-Su where possible to bulk purchase fuel is already being done.

EXAMINE LAST 60 DAYS OF FY EXPENDITURES

Prohibit DPS and each of its Divisions and programs from spending any money during the last 60 days of each fiscal without having the expenditure approved by the

Governor's Office. Address the "spend it-or-lose it" practice and identify ALL waste that has occurred in the past in order to limit and reduce these recurring practices.

REEVALUATE THE PRACTIVE OF TAKE HOME VEHICLES EVEN FOR TROOPERS

Cease the practice of allowing state employees in non-critical assignments to drive vehicles home when they live more than 50 miles round trip daily. The cost of allowing employees to put 2,000 miles per month on a vehicle along with the associated fuel and maintenance costs of $250 per month per vehicle is costing the state tens of thousands of dollars per month. This practice includes AST.

RESTRUCTURE VPSO PROGRAM

Maintain the relationship with the regional Alaska Native non-profit entities that have historically housed the VPSO program. It will be a decision of the non-profit whether or not they choose to retain the coordinator positions. The SOA will provide a block grant to each non-profit that is proportional to the number of current RPOs/VPSOs in their region. Funding is provided for recruitment, professional development and general training needs of their regions RPOs and VPSOs. Maintaining this relationship between DPS and the regional Tribal consortia is of critical importance to the success and effectiveness of law enforcement efforts throughout rural Alaska. Examine what indirect funds may be spent on.

VIDEO CONFERENCING

Utilize video conferencing technology for court and jail hearings in rural areas of Alaska (**Potential savings $1M**).

Concluding #1 ... Alaska and Federal Overreach

Alaska is under relentless federal attack against civil liberties, destruction of the private economy and obstruction of property rights. Obviously, Alaska must maintain and strengthen state efforts to resist both politically, in the legal arena and by close cooperation with similarly affected other states.

High profile events underscore the issues: King Cove Road, EPA interference with mining on state land at Pebble, and National Park Service violations of the ANILCA rights of the state, native corporations and private citizens. John Sturgeon's Supreme Court case against the NPS is just the most recent, notorious battle.

Alaska's operating state agency frontline against Federal overreach has been the Departments of Law (Attorney General) and Natural Resources as well as the independent Citizens Advisory Commission on Federal Areas (CACFA).

However, dysfunctionality in state government is crippling resistance to unconstitutional federal misbehavior. In the last several years, both DNR's ANILCA Program and CACFA have been gutted. While a virtual jihad (holy war) of hundreds of federal management plans and new regulations increasingly rains down on our state, critical staff and funds to push back have been cut. These two offices only cost about $250,000 a year each yet they are absolutely critical and are dirt cheap to a state that owns 100 million acres of lands important for income production.

Landowners must spend money to defend their assets against seizure in order to make money from their lands. Starving the ANILCA Program and CACFA can only be regarded as appalling, unilateral disarmament in the face of federal aggression.

Earlier we reported that AHFC was funding "wet" housing units for downtown Anchorage street inebriates at $250,000 each. **So… state government has decided it's more important to waste money building two inebriate beds instead of properly supporting DNR's ANILCA Program and CACFA??? *Say it ain't so Joe, BUT IT'S TRUE!***

It's time for our Governor, the Attorney General, DNR Commissioner and the Legislature to ensure that the defense of Alaska's land assets and citizens' rights gets the attention and high priority it deserves.

Concluding #2 ... A Global Observation by David Cuddy

Our state and our nation have been moving in the wrong direction for two generations. We are the first generation to pass our state and our nation to our children in worse shape than we received it. Why is that?

For two hundred years we embraced freedom, liberty, limited government, personal responsibility, and capitalism as our form of government. We thrived. We beat out all other nations. Then, in 1965 we embraced Lyndon Johnson's “Great Society Program.” We dramatically increased regulation, brought in new spending programs, grew the national debt...without thought to how this would affect the national debt, and how it would fundamentally change the nature of who is an American. The result was, we ran to fund any symptom that appeared, and we redefined welfare to “entitlements.”

Three examples in Alaska:

1) Recently the paper described a serious situation where middle class parents are using heroin, and abandoning their children. This is terrible. But the Legislature's response was only to increase funding for foster parent programs. This may be needed, but more important is to find out WHY this is happening, and figure out how to stop the CAUSE of this problem, rather than to just throw more money at the symptom.

2) There is a small village south of Bethel that wants better utilities. We can understand that “want,” but every city must be self sufficient. What does that village produce? Why won't its market sustain lot/house sales prices that allow the private sector to put in these utilities? What will this initial cost, plus the 100% funding of that economy by state and federal government cost over the next decade...per capita?

3) There was a report of the state paying a $1 million settlement regarding sexual abuse by a teacher in a remote village. Why was this the responsibility of the state to pay? Why do some cities/villages tax themselves to pay for part of local services, and others get 100% funding by the state?

Many agree that state spending is wasteful, and full of fat, but argue that we cannot cut too fast, for fear of generating a recession. This is valid. We set aside money in the permanent fund to help us through times like this. Pulling money out of the private

economy through a state sales tax, or state income tax does not help us avoid a recession... it just transfers private money to the government to spend unwisely, and won't take us to avoiding a recession.

This paper makes specific suggestions to “cut the fat,” but this won't be the long term answer. It will help to move us in the right direction. There are too many special interests that will cry out and complain for this plan to be successful. The only answer, the ONLY answer, is to start our budget process at zero (zero based budgeting) and build a new budget based on a philosophy that will take us successfully into the coming decades. Our first step must be to adopt a vision for the kind of Alaska (and Alaskans) we want in the coming years, and then build our budget to achieve that vision. If we want to be a state of dependency and kick out our most productive and successful, then we should increase our spending programs, and increase sales and income taxes. IF we want to be a state that will attract the best and the brightest, and help us retain our children to live here, then we need a budget that will provide that attraction. Adam Smith said, “people move in their own best interests as if an invisible hand was guiding them.”

Our state has artificially stimulated the economy for all Alaskans, rich and poor, to artificially push our population much higher than the base economy justifies. We are now trying to change the dynamics of economics to keep this artificial population by keeping spending high. This is not sustainable. As our population decreases...the way we manage the budget will dictate the profile of the remaining Alaskans.

We are presently on a glide path that will take us to mediocrity. It is not “politically correct” to question many of our present spending programs. Einstein said (roughly), “idiocy is doing the same thing over and over again expecting different results.” Our present budget debate is how to do the budget the same way that we always did it. This CANNOT succeed. The Legislature must take a retreat, and have a discussion about what this state should look like a decade from now, and then start from zero on the budget to figure out how to achieve that vision. We need a budget with a glide path to get us there. There is no other way.

United for Liberty stands ready to help achieve this vision.

Final Summation of these proposals

As we all know the big cost drivers regarding the budget are Education, Health and Human Services, Debt Reimbursement, Tax Credits and the overall cost of delivering State services.

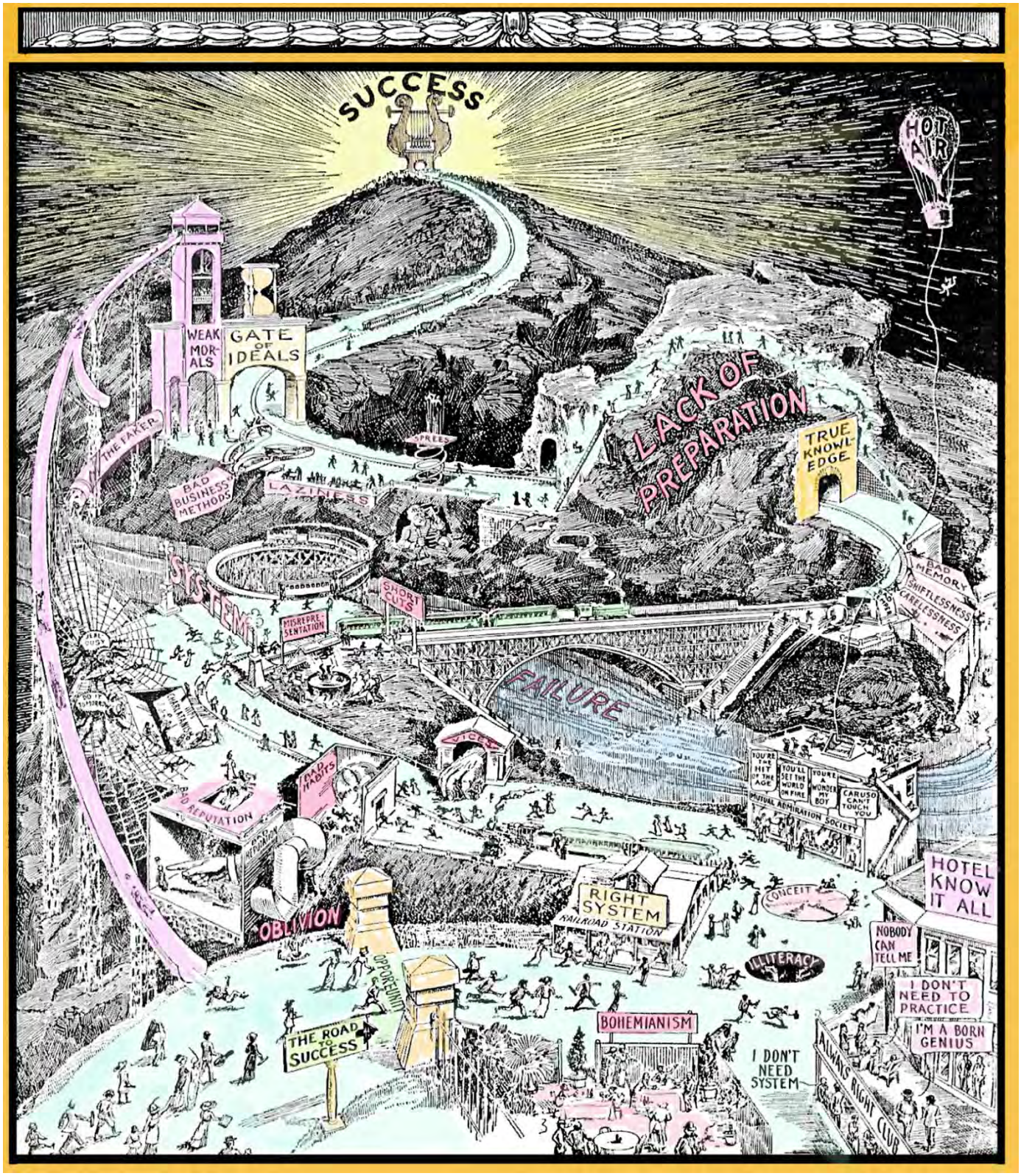
As legislators, you are charged with leadership to make the difficult decisions going forward. There must be no sacred cows in this discussion. We must be able to have frank discussion on the entire budget.

There are many voices clamoring to "right the ship" by restructuring the Permanent Fund program and introducing other tax streams. It is impossible to prioritize government spending over the private sector and consider that we are better off. It is the nature of all government to save their own, but this cannot be primarily placed on the backs of all Alaskans purely for the flourishing of government forever.

At United for Liberty we believe the majority of Alaskans want the footprint of government to be substantially reduced to live within our means prior to entertaining any other forms of revenue generation. It is essential that we don't introduce revenue streams based on a temporary financial crisis, for once these revenue streams are in place they will be next to impossible to extinguish. Any additional tax streams will have a negative impact on the productive wage earners in Alaska.

We are approaching the condition of having more people dependent on the entitlement programs of Alaska than we have productive people who develop the economy.

Tread carefully as we go forward. We wish you well in your deliberations.



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Which Way Are You Going?