

## Cuts and Closures to Date (December 15, 2016)

- Department of Commerce Community and Economic Development (DCCED) general fund dollars have been cut by 60 percent from FY15 to FY17.
- Minimal capital energy projects to support affordable power in Alaska's small communities. Repairing and maintaining rural Alaska's energy infrastructure is critical to avoiding loss of power, fuel leaks, and contamination. Declining funding for alternative energy, energy efficiency, and renewable energy projects increases reliance on fossil fuels, which leads to energy cost instability for rural communities already facing high energy costs.
- DCCED manages 'named entity' legislative grants, which are the primary mechanism for funding projects like roofs for municipal facilities, textbooks for schools, technology parity for rural and urban schools, infrastructure, erosion management, and domestic violence shelter construction. The value of these grants is down 60 percent from three years ago - \$2.4 billion to \$925 million.
- Distributions from the Community Revenue Program, which changes to the Community Assistance Program on January 1, 2017, are down from \$60 million in FY2015, \$57 million in FY2016, to \$38 million in FY2017.
- Funding for tourism marketing has decreased. Reduced marketing of Alaska as a destination will impact the number of visitors to Alaska in the future. At its peak, \$18.7 million was appropriated for tourism marketing.
- Seafood marketing is funded by increasing amounts of fish taxes collected from the seafood industry.
- DCCED is focusing on developing a Comprehensive Economic Development Strategy, partnering with public, private, and tribal entities around the state to create an economic roadmap that will guide future investment, and strengthen Alaska's private economy.
- Department of Environmental Conservation (DEC) makes up less than 0.5 percent of the state's total operating UGF. Annual UGF dollars have been cut by 29.4% since FY14 with a loss of 57 positions.
- DEC is consolidating lease space, combining programs, streamlining processes, centralizing administrative services, closing field offices, and instituting other efficiency measures.
- The Food Safety Program has closed field offices and efforts are being made to coordinate with trips paid for by the U.S. Food and Drug Administration to inspect seafood processors selling to national and international markets in rural communities.

- DEC inspectors only visit restaurants and other food establishments in rural communities as time permits.
- Last year, DEC inspected only 37% of the state's 4,797 permanent retail food facilities – well below the federal benchmark.
- DEC's state grant program for municipal water and sewer projects in communities with more than 1,000 residents has been scaled back from \$33 million four years ago to \$4.7 million in the current fiscal year – a reduction of over 85%.
- No new funds for grants are anticipated over the next few fiscal years, and DEC is now trying to address the continuing needs of larger communities through revolving loan programs funded through federal sources.
- DEC Drinking Water Program eliminated regulation of public systems servicing less than 25 people and cut back on technical support provided to smaller communities.
- Since FY 15, the Department of Health and Social Services (DHSS) UGF has been cut by \$169.3 million (13.5 percent)
- Alaska Affordable Heating Program clients whose income falls between 151 and 225 percent of the poverty level will no longer receive assistance, impacting approximately 2,100 households statewide.
- Senior Benefits Program benefits for the highest income level went from \$125 to \$76/ month.
- The Division of Juvenile Justice closed Ketchikan Regional Youth Facility in September. Youth who were living at the facility were moved to Juneau and 15 state employees working at the facility received lay-off notices.
- Units at McLaughlin Youth Center in Anchorage were combined to improve efficiency.
- Bed counts at the Fairbanks Youth Facility detention unit were reduced from 20 to 12 this year.
- Alaskans are waiting longer to be admitted to the Pioneer Home because of staff reductions. At any given time, approximately 30 beds are unavailable for new residents.
- The Alaska Pioneer Homes saw an 8.5 percent rate increase to cover costs.

- The Public Health Nursing program budget was decreased by 20 percent in UGF. Public health centers in Cordova, Ft. Yukon, Galena, Haines, Seward, and Wrangell were closed, and 31 positions were eliminated.
- Bureau of Vital Statistics office closed in Fairbanks, eliminating two full time positions.
- The Alaska Public Health Laboratories UGF budget was reduced by 20 percent (\$827,000). Five positions were eliminated, which will delay lab test result reporting and eliminate tests such as those for measles, mumps, and rubella. Epidemiological investigation testing and test supported by federal funds will continue, but the turn-around time for lab results will be longer.
- The Department of Labor and Workforce Development (DLWD) UGF Budget has been reduced by \$11 million in past two years (33 percent).
  - o Merged two divisions, eliminated staff positions, cut back travel, and consolidated lease spaces.
- DLWD cut funding to key training partners by \$3.5 million – Alaska Construction Academy, Alaska Technical Center in Kotzebue, Northwestern Alaska Career and Technical Center in Nome, Southwest Alaska Vocational and Education Center in King Salmon, and the Alaska Vocational Technical Center in Seward.
- Job centers in Barrow, Kotzebue, and Seward closed.
- Occupational Safety and Health and Wage and Hour programs have been cut by \$1.1 million, making it more difficult to ensure Alaskans are working in safe, legal working environments.
- AVTEC Anchorage campus closed and Allied Health Program eliminated.
- Department of Law has lost over 76 positions in past four years, and had its budget cut by over 26 percent.
- Cuts directly to Department of Law hit three main areas:
  - o Protection of Alaskans, including children, vulnerable adults, victims of crimes, and consumers;
  - o Defending State's rights by ensuring collection of money owed to the State (such as oil production taxes) and challenging the federal government when it overreaches; and
  - o Protecting the State from liability through upfront advice and good governance.
- Last year (before SB 91), the number of criminal cases Law had to decline to prosecute rose 6 percent because of budget cuts.

- Because of budget cuts and staff losses, Department of Law is forced to prioritize the crimes it prosecutes and focus on the most serious offenses, regardless of the direction given by SB 91.
- Department of Law's Consumer Protection Unit has gone from four attorneys and an investigator to two attorneys. This has led to a 30% reduction in efforts on consumer protection, including antitrust actions and review and investigation into consumer complaints.
- Law's Child Protection attorneys have had a 55% increase in their caseload--each attorney is covering an average of 89 cases; the recommended caseload in this area is 60 per attorney. This means longer stays in foster care and children being in limbo before a permanent solution is attained.
- Law's ability to pursue enforcement actions for DEC cost recovery for oil spills and contaminated sites has gone down; this means negative impacts to property owners and property values in the area of the spill or contamination.
- The Department of Military and Veterans Affairs (DMVA) cut its operating budget from \$26.4 million in 2013 to \$15.6 million in 2017 – a 40 percent reduction.
- DMVA cut its state-funded workforce from 339 positions in 2013 to 270 positions in 2017 – a 20 percent reduction.
- DMVA achieved cuts by enacting the following measures:
  - o Restructured shift schedules, reducing Alaska Military Youth Academy overtime by 40 percent;
  - o Turned off utilities at vacant armories across the state;
  - o Enabled employees traveling to stay in armories instead of hotels;
  - o Revised Alaska Aerospace Corporation's business model so it is self-sustaining without state funding;
  - o Replaced statewide disaster preparedness conferences with regional events to reduce travel costs and increase participation by minimally-manned local governments;
  - o Imposed mandatory furloughs to reduce salary of top executives (Commissioner, Deputy Commissioner and division directors);
  - o Reduced travel to rural communities to assist with emergency preparedness or recruiting for AMYA;
  - o Eliminated DMVA's award-winning *Warriors* magazine, despite substantial private sector support;
  - o Reduced AMYA cadet stipends; simultaneously, used federal grant money to stand up a pre-apprenticeship training program;
  - o Maintained the number of veterans service officers despite annual growth of the veteran population with commensurate need for services; increased number of

Alaskans assisted with veterans matters in the same time frame by over 3,000 to 61,635 last year; and

- Reduced preventative maintenance at Alaska National Guard facilities.
- With a state budget of just over \$16 million, DMVA brought in nearly \$618M million in federal funds this year, a return on investment of about 39:1.
- Department of Revenue (DOR) has cut 75 positions, about 8% of our workforce, since FY15. During that same time period, the department's UGF spend has been reduced \$8.4 million or about 24.9%.
- In order to maintain capacity, DOR has taken advantage of technology and consolidation wherever possible.
- The Child Support Services Division has moved to electronic banking in multiple areas including a new payment portal— allowing credit card payments by non-custodial parents, eliminating paper warrants to custodial parents – reducing paper checks from 15,000 to 1,200/month, and is in the process of re-platforming its case management system.
- The Permanent Fund Dividend Division has increased the use of personalized online customer service options to allow for a more efficient allocation of staff working eligibility cases. Additionally, the division is working with vendors to develop third party fraud prevention systems.
- Personnel in the Tax Division have been reduced by 19 positions between FY15 and FY17 (15 percent). This has occurred while the state has added the new tax on marijuana, implemented multiple procedural changes, and helped develop and support the administration's fiscal plan before the legislature.
- The Tax Division is reducing the number contract services, including the annual task of forecasting North Slope oil production. This is now being done by the Department of Natural Resources rather than an outside petroleum engineer, saving about \$100,000 per year.
- From FY15 to FY16, the Tax Division reduced spending on travel by 50% and external services by 39%.
- The last two years has also seen the completion of the rollout of the Tax Revenue Management System, known as Gentax. This is an integrated taxpayer data portal, communication, document handling, and auditing system that has enabled the retirement of over a dozen stand-alone proprietary tax programs covering the 24 different taxes administered by the division. While resulting in certain efficiencies in processing, it also has enabled tax staff to identify additional potential discrepancies and audit targets. Gentax's data management capabilities, combined with new legislation that will require most taxpayers to file online, will further increase efficiencies in future years.
- Child Support Services Division (CSSD) lost 27 positions in FY 17.

- In FY 17, CSSD collected and disbursed about \$110 million for custodial parents. A single caseworker collects an average of \$1.2 million each year. The position reductions mean remaining caseworkers must each collect another \$400,000 to maintain current levels.
- Potential impacts to CSSD include:
  - o Increased caseloads, lower collections, slower response times, and fewer enforcement actions
  - o Closure of the Fairbanks field office
  - o Closure of the Customer Service Center
  - o Educational outreach program limited to locations within driving distance
  - o Elimination of outreach in rural communities
  - o Elimination of all prisoner outreach
- CSSD has proactively instituted efficiencies to reduce the impact of budget cuts on staff. These include:
  - o A new payment portal– allowing credit card payments by non-custodial parents and self-employed
  - o Access to financial information by outside entities– reducing verification requests from 100 daily to less than 2/day
  - o Case management system enhancements and clean-up – eliminating work-arounds and accounting errors that required staff to monitor and fix.
  - o Completion of historical records imaging project– eliminating off-site storage
  - o Stratifying caseloads to reduce number of cases assigned
  - o Eliminating paper warrants to custodial parents – reducing paper checks from 15,000 to 1,200/month
  - o Leasing equipment instead of purchasing
  - o Regulation changes eliminating unnecessary handling of certain case actions.
- Utilizing technology at the Permanent Fund Dividend Division to gain efficiencies, including personalized customer service options online. As the Division’s secure online portal becomes more accessible it will become the main access point for Alaskans to gain information and update their application details.
- In response to budget cuts, the PFD Division has reduced phone technicians, increasing hold times and directing more questions to the Division website.
- In an effort to reduce overall costs, the State Treasury Division has begun managing more of its investments in-house. This transition will improve net investment returns as it will cost less to hire internal investment staff than pay external management firms.
- Department of Transportation and Public Facilities (DOTPF) UGF budget reduced from \$278 million in FY 15 to \$218 million in FY 17 (22 percent).
- DOTPF’s ability to deliver needed transportation services including snow and ice removal, pot hole and guardrail repair, rural airport operations, and regular scheduled ferries has been diminished.

- DOTPF equipment operators have been reduced by 10 percent statewide. Older equipment has been parked and the replacement of all equipment has been delayed.
- Fewer needed commodities like salt and sand for roads have been purchased by DOTPF.
- Due to reductions in resources available, hub airports like Deadhorse, Bethel, Dillingham, Unalaska, Petersburg, and Wrangell will have fewer hours of cleared runway surface, runway lighting and condition reporting.
- In FY 15, Alaska Marine Highway System provided 334 weeks of service, a 17 percent reduction since FY2013. In FY 17, AHMS will provide 340 weeks of service.
- \$3.2 million cut from the Community Jails contract at Department of Corrections (DOC)
- \$1.5 million cut from the Community Residential Center contract at DOC
- \$7.5 million cut to inmate health care, thanks to Medicaid expansion general fund reductions
- \$3.59 million cut at Department of Corrections due to SB 91 reductions
- \$2.4 million cut to Goose Creek Correctional Center due to court video hearings and reduced transportation costs
- \$2.1 million cut to DOC through department-wide salary reductions and furloughs
- Palmer Correctional Center is closed and repurposed, resulting in a \$5.6 million cut at DOC
- Department of Education and Early Development (DEED) non-formula UGF budget has been reduced by \$21.6 million (38 percent) since FY15.
  - o Since 2015, DEED has eliminated 52 full-time and 14 non-permanent positions
  - o DEED consolidated lease space and cut back travel
- In addition to UGF and unallocated reductions, DEED has had the following reductions/ program eliminations:
  - o Increases to the Foundation Program (HB278, FY15) for additional state aid to school districts were repealed for FY16 and FY17 (\$52 million)
  - o The School Debt Reimbursement program was partially vetoed in FY17 (\$30.5 million);
  - o Approximately \$6.35 million cut from Pupil Transportation
  - o The Statewide Mentor Program was eliminated (\$1.5 million). This program provided mentors to beginning teachers and principals to increase retention and student achievement
  - o Statewide Literacy and K-12 Literacy programs have been eliminated (\$470,000)

- The STEM program expansion project was reduced (\$3 million)
  - DEED funding for the Alaska Native Science and Engineering Program (ANSEP) was eliminated (\$960,000)
  - Funding for Online with Libraries Program (OWL) was reduced (\$100,000)
  - School Broadband Access Grants have been reduced (\$5 million to \$2.7 million)
- Reorganization within the Division of Forestry, resulting in 35 positions being cut in 2015.
  - 16 seasonal wildland firefighters in Southwest Alaska and support positions in McGrath
- Key DNR forester position responsible for managing activities in the Haines State Forest
- Department of Natural Resources (DNR) closed six Recorder's Office locations in rural communities
- DNR has designated more state park lands for "passive management", meaning funds are no longer available to operate restrooms and clean up trash. Additionally, some state park facilities are being maintained by other agencies or private contractors. This includes state parks in Sitka and Valdez.
- DNR plans to revise its fee structures to ensure essential services are being provided to Alaskans. The department has also received authority to sell merchandise to offset funding cuts for state parks. However, raising fees and selling merchandise will not raise sufficient funds to avoid additional cuts in DNR.
- Department of Fish and Game's (DF&G) UGF budget has been reduced \$29 million (37 percent) and 182 positions were eliminated since FY 15.
  - The Commercial Fisheries Division reduced fisheries management and research projects, program support, and lab projects.
  - The Wildlife Conservation division reduced management, research and habitat management projects.
  - Travel was significantly reduced department-wide.
  - Administrative functions for small divisions were merged, resulting in over \$500,000 savings.
- Department of Public Safety eliminated 68 permanent and 14 temporary positions since FY16
- Village Public Safety Officer (VPSO) program was reduced by \$2.1 million since FY 16. Reductions included:
  - Eliminated five VPSO trooper support positions
  - Reduced travel
  - Eliminating retention incentives
  - Suspending annual regional training

- Eliminating field training program
  - Reducing equipment purchases
- DPS discontinued the Drug Abuse Resistance Education (DARE) program (\$155,000)
- DPS moved P/V Stimson's base of operations from Dutch Harbor to Kodiak (\$500,000)
- Closed Alaska State Trooper posts in Talkeetna and Yakutat
- DPS eliminated Fairbanks-based helicopter services
- Funding for the Council on Domestic Violence and Sexual Assault has been reduced by \$1.19 million since FY 16. Reductions included:
  - Research and evaluation activities (\$290,000)
  - Public education and awareness efforts (\$157,000)
  - Funds to victim services grants and prevention activities (\$87,000)
  - Funds to emerging programs (\$210,000)
  - Funds to Kids Club Moms Empowerment program (\$84,000)
  - Consulting costs (\$103,000)
  - Travel and supplies (\$65,000)
  - Community-based batterer intervention programs (\$200,000)
- Overtime, patrol sea days, and patrol flights reduced for Alaska Wildlife Troopers (\$185,000)
- DPS eliminated leases for one office space and three trooper housing leases (\$92,000)
- DPS reduced overtime and premium pay (\$982,600)
- Alaska State Troopers removed 17 vehicles from its fleet (\$150,000)