

HOUSE FINANCE COMMITTEE
April 5, 2011
8:41 a.m.

8:41:41 AM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 8:41 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Bryan Butcher, Commissioner, Department of Revenue; Mike Barton, Juneau; Wendy Redman, Executive Vice President, Statewide Programs, University of Alaska.

PRESENT VIA TELECONFERENCE

Mike Powers, Fairbanks; Jyotsna "Jo" Heckman, Fairbanks.

SUMMARY

^Confirmations:

Department of Revenue
Bryan Butcher - Commissioner

Alaska Mental Health Trust Authority Board of Trustees
Mike Barton, Juneau
Russell Webb, Anchorage

University of Alaska Board of Regents
Jyotsna "Jo" Heckman, Fairbanks
Michael K. Powers, Fairbanks

[8:42:35 AM](#)

BRYAN BUTCHER, COMMISSIONER, DEPARTMENT OF REVENUE, explained to the committee that his grandfather arrived in Alaska in the 1940s after completing law school. His grandfather had been appointed by former Governor Walter Hickel as a judge. Mr. Butcher was married and had two children that attended school at the same school his father did. He attended college at the University of Oregon and moved back to Alaska to take advantage of the school loan forgiveness program. He discussed that he had worked for various senators in the Alaska State Legislature and emphasized that he had much experience with the finance committees. He worked as legislative liaison for the Alaska Housing Finance Corporation (AHFC) under Dan Fauske. He relayed that he had been very happy to dig into the finance aspects at AHFC.

[8:49:02 AM](#)

Representative Wilson asked about the top priorities of the Department of Revenue (DOR).

Commissioner Butcher replied that formerly DOR had been referred to as the department of "no." He wished to change the reputation to that of the "department that solves problems." He stated that the housing and gasline issues were very important to him. He credited Pat Galvin and Brian Andrews for changing DOR culture.

Commissioner Butcher continued that another priority involved the focus on the department as a whole. He valued his connection with each individual employee as modeled by Dan Fauske.

Representative Gara expressed that dedication and intelligence were important qualities for a commissioner. He appreciated the governor's choice in appointing a commissioner who believed in his agenda. He stated that he

supported the commissioner despite recent disagreements about HB 110. He credited Marcia Davis for her organization and preparation when presenting arguments.

Representative Doogan wondered about the turnover in the upper echelons of the department.

Commissioner Butcher informed the committee about an available master auditor and several commercial analyst positions. The primary focus included filling the tax director position.

Representative Doogan wondered whether the positions would be filled by the next legislative session.

[8:57:33 AM](#)

Commissioner Butcher responded that a year was a reasonable time and that he hoped to have the positions filled during the summer of 2011. He praised the DOR staff.

Vice-chair Fairclough recalled that the Alaska Children's Trust encountered difficulties acquiring financial statements for smaller subaccounts. She relayed that boards in the past had experienced difficulty obtaining accounting information in a timely manner. She asked how many types of funds were managed by DOR. She understood the challenges of a small fund.

Commissioner Butcher responded that many funds were managed in the GeFonsi pool. He offered to research the question for Vice-chair Fairclough.

Vice-chair Fairclough wondered about Commissioner Butcher's highest priority regarding the staffing and work environment for DOR.

Commissioner Butcher replied that his goals were related to improvement of the department on a division by division basis. He planned to "get the work done and get the right answer." He furthered that the number of complaints in Child Support Services and the Permanent Fund Dividend Division were down from five years before.

[9:01:44 AM](#)

Vice-chair Fairclough commented on the vacant positions within DOR. She suggested that the commissioner inform the committee of the potential need for salary adjustments to enable the department to hire the right people.

Commissioner Butcher replied in the affirmative. He agreed that communication with the legislature would further the process of hiring for the very important vacant positions.

Representative Guttenberg discussed the audit division. He understood that locating the right people for the positions was important; however, he asked whether systemic issues might lend clues to filling positions of master auditor or director.

Commissioner Butcher replied that the primary issue in the audit division was lack of auditors. He expressed pride in the skill of the master auditors regarding analysis of regulations and decisions. He agreed that the tax director held a very important, yet vacant position. He stated that the interview process was ongoing. The department continued to seek the right person for the position.

[9:04:53 AM](#)

Representative Costello wondered about Mr. Butcher's views on the departments' missions and measures. She believed that accountability to the public was very important. She asked about the commissioner's view of missions and measures in his department.

Commissioner Butcher replied that he had been involved in missions and measures since his time as a legislative finance aide. He agreed with Representative Costello's view regarding the importance of missions and measures. He discussed a measure that had been developed when he had worked at AHFC. He believed that the measure must accurately express the department's desires and goals.

Representative Costello wondered what Mr. Butcher hoped to accomplish during his tenure as commissioner.

Commissioner Butcher hoped to leave the department in great condition. He wished to leave the department with competent employees to enable the best.

[9:08:10 AM](#)

Vice-chair Fairclough thanked Mr. Butcher for his work and that of Lennie Dees, and Bruce Tangeman. She appreciated the DOR team.

Co-Chair Thomas wondered why the department refrained from purchasing new computers.

Commissioner Butcher responded that he was unsure. He recalled that the legislature removed a request for new computers from OMB one year. He agreed that the problem deserved resolution.

Co-Chair Thomas commented on the loss of millions of dollars during the auditing process. He blamed the computers and hoped that the problem would be addressed soon.

Representative Edgmon supported AHFC energy programs. He commented on the past focus on urban issues by other commissioners. He hoped that opportunities to travel to rural areas were never overlooked. He credited Sean Parnell for travelling extensively around Alaska to gain the greater perspective. He hoped that Commissioner Butcher would choose to travel often as well.

Commissioner Butcher promised the committee that he would focus on the entire state.

Representative Doogan hoped that Mr. Butcher felt welcome in Spenard anytime. He discussed the poor results reported for DOR in its last audit. He wondered what could be done to improve the process and ensure that the department was not so far behind. He wondered whether there was a plan in place increase alignment.

Commissioner Butcher replied that filling the vacant positions within the department was his greatest concern. He expressed even greater concern about improving the process at DOR.

[9:15:55 AM](#)

Representative Doogan asked if the commissioner had a target for the improvement.

Commissioner Butcher replied that the summer of 2011 was the department's target. He offered to meet with the representative on their progress at a later time.

Representative Joule discussed the generation of oil revenue for the state. He encouraged a conversation regarding diversification of the economy and expansion of sources of revenue aside from oil. He believed that the conversation would prove difficult, but that the state would be in a much better position having had it.

Commissioner Butcher agreed.

Vice-chair Fairclough discussed the DOR Revenue Source Book. She asked if the commissioner had ideas to improve the accuracy of the forecast. She recalled discussions during hearings for HB 110 where a 20 percent differential was noted. She credited the book for helping legislators make decisions about deficit and surplus spending.

Commissioner Butcher replied that the forecast was often overly optimistic. He wished to make the process of revenue forecasting an objective one.

Vice-chair Fairclough wondered how many volumes the DOR statute enveloped.

Commissioner Butcher did not know.

Vice-chair Fairclough wondered about the return of investment. She queried whether the regulations established for the state were coordinated or in conflict with other areas of state statutes. She thought that the information would be valuable for Alaskans. She suggested regulation review to determine whether DOR was carrying out the will of the legislative body.

Commissioner Butcher promised to look into the matter.

Vice-chair Fairclough stated conflict with the chosen amount of \$10 for non-profit proceeds from gambling. She pointed out that non-profits were struggling while the department had chosen through regulation to cap the amount of proceeds.

Commissioner Butcher offered to look into it.

9:24:10 AM

Co-Chair Stoltze wondered whether there were objections to moving Mr. Butcher's name forward as the commissioner. There being NO OBJECTION, it was so ordered.

Co-Chair Stoltze appreciated the role of Mr. Butcher's wife and children in his public service.

9:25:17 AM

MIKE BARTON, JUNEAU, reported that he lived in Alaska for 33 years. He mentioned that he and his wife and family members had been blessed to live in the state. He looked forward to serving on the Alaska Mental Health Trust if confirmed.

Vice-chair Fairclough wondered about Commissioner Barton's passion related to mental health.

Commissioner Barton responded that Alaska had been so good to him that he wanted to give back to the state. He referred to experience with beneficiaries of the trust. He stated that he wished to remain professionally active.

Representative Wilson asked about the board's strengths and weaknesses.

Commissioner Barton responded that he was new to the board and felt it presumptuous to comment on weaknesses. He stated that the board and staff for the trust worked extremely hard. He hoped to contribute by enhancing the revenues received from the trust assets.

9:29:15 AM

Representative Wilson recalled that the Board tended to start programs and then turn them over to the state. She wondered if some programs should continue with funding from the Mental Health Trust.

Commissioner Barton understood the issue.

Co-Chair Thomas spoke to his experience working with Commissioner Barton. He voiced concerns about Tongass old-growth land exchange issues and queried the board's position.

Commissioner Barton explained that the issue was under discussion and evaluation.

Co-Chair Stoltze appreciated Commissioner Barton's service.

MIKE POWERS, FAIRBANKS (via teleconference), reported that he was a candidate for the university Board of Regents. He moved to Alaska in 1982 with the Vista program. He earned a master's degree in business with an emphasis in health administration from the University of Wisconsin at Madison. He had returned to Alaska after school and lived in Fairbanks for 25 years. He worked at Fairbanks Memorial Hospital for 25 years as CEO for the last 16. He served as chairman for two terms for the Alaska Hospital Association.

Co-Chair Stoltze asked about his interest in the Board of Regents.

[9:35:00 AM](#)

Mr. Powers explained that he originated from a family of teachers. Upon returning to Fairbanks, he was impressed with the University's impact on the community and the responsiveness to the needs for nursing outreach programs. He believed that the University members were well integrated within the community. He added that he had the time required to commit to the Board.

Representative Joule wondered whether Mr. Powers would have the ability to focus on the state as a whole and not just on Fairbanks.

Mr. Powers replied in the affirmative. He witnessed a statewide focus from all of the regents. He worked with the Alaska Hospital Association on statewide issues, which he believed demonstrated a strong interest. He expressed a worldview that encompassed the entire state. He responded that the Fairbanks campus retained a strong relationship with the Tanana Chiefs Conference, which also demonstrated a broad view.

Representative Joule wondered about Mr. Powers' view related to rural outlying campuses.

Mr. Powers believed that rural campuses were vital. He believed the rural challenge related to resources. He

opined that the campuses felt overlooked and that it was important for Board members to engage with the campuses. He believed that the rural programs defined the uniqueness of our state.

[9:41:41 AM](#)

Vice-chair Fairclough explained that she had been the sub-committee chair for the university for the past several years. She wondered whether he had read the Fisher report. She asked for a job description of a member of the Board of Regents.

Mr. Powers had read the report. He provided that the job involved advocating for and holding the President accountable for advancing the quality of the University.

Vice-chair Fairclough wondered whether he believed he should be directing the president of the university to accomplish a goal.

Mr. Powers replied that he would approve plans proposed by the president. The president had the expertise to develop and recommend, with the approval coming from the Board of Regents.

Vice-chair Fairclough estimated that the Board of Regents should be setting a strategic plan for the University system. She stated that the Chief Operating Officer would then implement the plan. She asked if the state had one university or three.

Mr. Powers replied that the state had one university with three main campuses containing three slightly different missions. He elaborated on the university system and the unique needs of the separate campuses.

Vice-chair Fairclough shared that she was informed by three chancellors that the universities were threefold. She discussed the difficulty in promoting the growth of the university without an alignment between the three campuses. She stated that the university budget was approaching \$1 billion. She feared a challenge that the board was not prepared to meet. She wondered how he might handle an environment where less money was available to the university.

Mr. Powers replied that universities across the nation were struggling with the same issue. He proposed clarification of the university's missions. He expressed the need to avoid duplication.

[9:48:41 AM](#)

Representative Costello expressed concern that every member of the Board of Regents would have graduated from the Fairbanks campus. She asked how he would work to overcome the perception that the board would represent a system with statewide campuses.

Mr. Powers replied that he was not a graduate of UAF. He understood the concern that affiliations with Fairbanks may drive a certain philosophy. He recalled a past conversation regarding the shortage of health care practitioners in the state. The solution was to create training opportunities outside of Anchorage. He shared the opinion that services must be offered outside of Anchorage and Fairbanks.

Representative Wilson wondered when Mr. Powers had arrived in Alaska.

Mr. Powers relocated to Alaska in 1982.

Representative Wilson wondered why he attended graduate school outside of Alaska.

Mr. Powers replied that he had liked the social relevance of health administration, but the University of Alaska did not offer the necessary program in health administration. He did find the program in his home state of Wisconsin.

Representative Wilson discussed that she had been the chair of K-12 education committee. She asked whether the university system required higher standards for students.

Mr. Powers responded that while his children had the advantage of engaged and involved parents, not all children are as fortunate. He opined that standards must be increased and greater preparation for students in the K-12 years must occur. He believed that the faculty must become highly engaged. He noted the importance of university advisors who often help to keep students focused on a four year time line.

Representative Wilson wondered about community colleges and Mr. Powers' opinion.

Mr. Powers replied that the Tanana Valley campus provided opportunities for student to acquire necessary skills.

Vice-chair Fairclough asked Mr. Powers' thoughts regarding an Alaskan medical or law school.

Mr. Powers responded that Alaska was faced with a shortage of physicians. He stated that he was not in favor of an Alaskan medical school, but preferred the idea of purchasing services. He spoke about a new medical school in Washington that would provide one source of physicians.

[9:58:47 AM](#)

Co-Chair Stoltze wondered whether the medical school was more of a political grandstanding idea.

Mr. Powers replied that the idea called attention to the issue.

Vice-chair Fairclough was relieved that the medical school was not a high priority, as the cost was extensive. She wondered whether Mr. Powers communicated in favor of a law school.

Mr. Powers believed that collaboration with other universities would produce the best opportunities.

Vice-chair Fairclough asked Mr. Powers about his position on the scholars program versus the governor's scholarship program. She asked if he would protect the scholar's program if both programs were available.

Mr. Powers opined that the scholars program was well received. He knew that inconsistencies and unfairness existed in the delivery of the program, but maintained that it provided a great boon to students and helped bring students back to Alaska. He was in favor of a scholars program but did not know enough about the governor's proposal to speak to it.

Vice-chair Fairclough believed that the governor's program intended to provide a more vigorous curriculum to high school students along with a required grade point average.

She supposed that if the governor's proposed scholarship program was approved, some might consider it a duplicate effort. She wondered if Mr. Powers might consider using the \$2 million in a different way.

[10:05:14 AM](#)

Co-Chair Stoltze wondered about the inconsistencies connected to the scholars program mentioned by Mr. Powers.

Mr. Powers stated that he required more information about the governor's proposed scholarship program. He stated that the scholars program served both highly competitive Anchorage schools along with less competitive rural schools. He believed that the student graduating from the more competitive schools might be more successful in the university setting, providing an inconsistency. He thought the issue must be further explored and the scholarship program strengthened.

Co-Chair Stedman asked if some rural students should not attend the University of Alaska.

Representative Guttenberg interjected that Mr. Powers' statement was misconstrued.

Mr. Powers countered the statement made by Co-Chair Stoltze clarifying that college preparation courses are more easily found in the urban schools, leading again to inconsistencies.

Vice-chair Fairclough thanked Mr. Powers for his involvement in the public process. She understood the challenges accompanied by presenting testimony via teleconference. She discussed the responsibilities under the Board of Regents under the Alaska constitution. She cited Page 25, Article 7 of the constitution. She expressed concerns regarding Mr. Powers' view of his leadership role in contrast with the constitution. She pointed out that the constitution states that "the university shall be governed by a Board of Regents." She believed that the board had the responsibility of formulating policies and that the president carried out the policies by hiring an executive officer to act on behalf of the board. She asked again what Mr. Powers believed his leadership role to be. She wanted to be sure that if confirmed, Mr. Powers understood that he was in a leadership position that was accountable for

setting a strategy forward based on all pertinent information.

Mr. Powers believed that his role was to hire and to evaluate and to possibly replace the president if necessary. He planned to work with the president to advance the mission of the university.

Vice-chair Fairclough wondered whether that was his definition of governing.

Mr. Powers stated that was his definition of moving a large organization. He promised to approve, debate, advance, and advocate particular missions and programs. He did not have the expertise to develop a program in nuclear engineering but he would approve and advance it.

Representative Gara asked about the regional balance for the Board of Regents.

WENDY REDMAN, EXECUTIVE VICE PRESIDENT, STATEWIDE PROGRAMS, UNIVERSITY OF ALASKA, replied that there were five regents from Anchorage, two from Juneau, and one from Kodiak. The newest additions would include two regents from Fairbanks.

Representative Costello expressed a similar concern regarding regional balance. She had asked Legislative Research to provide history. She relayed that Ms. Redman had testified that people appointed from a certain region would have an allegiance to the particular area. She queried the balance because, upon approval of the applicants before the committee, the regents with degrees from a University of Alaska campus will have received it from the Fairbanks campus.

[10:13:52 AM](#)

Representative Doogan wondered when degrees were first offered from the University of Anchorage. He recalled that the University of Anchorage was a community college initially.

Ms. Redman replied that the first degree offered through the University of Anchorage was in the 1980s.

Vice-chair Fairclough wondered whether universities should be accredited in a variety of ways.

Mr. Powers responded that he must be further informed about the programs and their required accreditation to respond accurately.

Vice-chair Fairclough understood but asked him to look into the accreditation on the behalf of Alaska. She stressed that each campus ought to offer core classes despite the arguments about duplication. She expressed concerned about Mr. Powers' view regarding his leadership role. She understood his prior testimony to indicate that he would defer to the president's good judgment. She asked about Mr. Powers' accountability to the students that attend the University of Alaska.

Mr. Powers countered that the president was accountable to the Board of Regents. He believed that a strategic plan was typically developed through the administration through the faculty and student body and then advanced to the Board who retains the ultimate authority. He envisioned himself as an advocate for the students.

[10:18:53 AM](#)

Representative Gara relayed rumors that some or all of the doctorate programs should be housed at the Fairbanks campus. He wondered how Mr. Powers felt about the issue.

Mr. Powers believed that doctorate programs were appropriate for other campuses. He believed that the University of Fairbanks should focus on their traditional strengths of science and engineering. He credited the Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) School as the perfect example of a hybrid program.

Representative Guttenberg commented that that the University of Alaska was one school with many campuses. He credited Mr. Powers for his exceptional administration of the hospital in Fairbanks.

[10:21:37 AM](#)

JYOTSNA "JO" HECKMAN, FAIRBANKS (via teleconference), informed the committee that she arrived in Fairbanks from New Delhi India in 1975. She stated that she received her bachelor's degree from the University of Fairbanks in 1979 and her master's degree in 1985. She stated that she worked

in the banking industry since 1979. She informed the committee that she held the position of president and CEO of Denali State Bank for the last eight years. She mentioned her husband and two sons.

Vice-chair Fairclough asked Ms. Heckman to identify her role as a member of the Board of Regents.

Ms. Heckman responded that her role included establishing policy, monitoring funds, and hiring, supporting, and evaluating the president of the university. She stated that she would review the strategic vision proposed by the president. She pointed out that she was the type of leader who was comfortable with the evaluation of strategic planning. She expressed comfort in monitoring positions and providing oversight.

Vice-chair Fairclough asked if Ms. Heckman read the Fisher Report and the MacTaggart Report.

Ms. Heckman replied yes.

Vice-chair Fairclough asked if Ms. Heckman believed that the state had one or three universities.

Ms. Heckman responded one, the University of Alaska including three different campuses plus rural campuses.

Vice-chair Fairclough noted that she would vote yes on the confirmation of Ms. Heckman. She hoped that the candidate would direct the president to work with the chancellors with their understanding of one university versus three.

[10:27:00 AM](#)

Representative Gara commented on the issue of retaining qualified teachers in the rural schools. He asked about the potential for training rural teachers from rural areas encouraging teachers to remain in the community.

Ms. Heckman replied that she lacked background information about the topic. She guessed that the issue was comparable to retaining law enforcement officials in rural areas in other professions. She believed teachers had an important role to play in the development of young people. She explained her experience with hiring for entry level positions and the alarming lack of adequate education she

witnessed among applicants. She advocated for reevaluation of K-12 practices to improve on the dire situation in Alaska.

Representative Guttenberg referred to Ms. Heckman's resume and acknowledged the work of her father.

[10:31:42 AM](#)

#

ADJOURNMENT

The meeting was adjourned at 10:32 AM.

[10:32:19 AM](#)