

SENATE FINANCE COMMITTEE  
February 19, 2019  
9:02 a.m.

9:02:18 AM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Natasha von Imhof, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Click Bishop  
Senator Lyman Hoffman  
Senator Peter Micciche  
Senator Donny Olson  
Senator Mike Shower  
Senator Bill Wielechowski  
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Donna Arduin, Director, Office of Management and Budget;  
Mike Barnhill, Policy Director, Office of Management and Budget;  
Amanda Holland, Management Director, Office of Management and Budget;  
Jim Johnson, President, University of Alaska;  
Senator Shelley Hughes; Senator Cathy Giessel;  
Senator Mia Costello; Senator Gary Stevens; Senator Chris Birch;  
Senator Scott Kawasaki.

SUMMARY

SB 20        APPROP: OPERATING BUDGET/LOANS/FUNDS

SB 20 was HEARD and HELD in committee for further consideration.

#sb20

SENATE BILL NO. 20

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

[9:04:18 AM](#)

Co-Chair Stedman clarified that Bree's Law funding was reduced by \$144,000 in the FY 20 Adjusted Base.

^DEPARTMENTAL REVIEW: STATEWIDE

[9:06:28 AM](#)

DONNA ARDUIN, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, (OMB) introduced herself.

MIKE BARNHILL, POLICY DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, introduced himself.

Mr. Barnhill looked at slide 3 of the presentation, "State of Alaska; Office of Management and Budget; FY 2020 Governor's Amended Budget; Presentation to the Senate Finance Committee; February 19, 2019; Director Donna Arduin" (copy on file), "FY2020 Budget: Legislative Proposals":

Revenue

- Repeal Local Petroleum Property Tax (+\$398 million)
- Repeal Sharing of Fisheries Business/Resource Landing Taxes (+\$28.4 million)
- 50% of Alcohol Tax as a Shared Tax (-\$20 million)

Debt Reimbursement

- Repeal School Debt Reimbursement (-\$100 million)
- Repeal Project Debt Reimbursement (-\$4.5 million)

O&G Tax Credit Paydown

- Replace UGF with surplus AIDEA funds
- FY19 \$84 million (Align w/Statutory Calculation)
- FY20 \$170 million (Statutory Calculation)

[9:10:56 AM](#)

Mr. Barnhill shared that during the development of the bill, there were different interpretations of the statutory formula. He stated that one interpretation was that the percentage was applied to the gross amount of levied production tax. He stated that another interpretation was that the percentage was applied to the net amount, which produced a much smaller number. He remarked that the appropriations in the Revenue Sources Book both relied on the gross value interpretation. He stated that the source of the fund was not available general funds to make the appropriation. He stated that the appropriation, subject to legislative appropriation was to use surplus funds within Alaska Industrial Development and Export Authority (AIDEA). He shared that the Department of Revenue (DOR) did a liquidity analysis of AIDEA funds, and determined that there was sufficient excess funds that were not presently designated for any particular purpose. He stressed that those funds could be taken, and appropriate for the specified purpose. The state obligation would continue to be paid down. He remarked that, if the funds were appropriated by the legislature, it would leave a balance of approximately \$500 million. He remarked that, in the event that the Supreme Court ruled in the state's favor, there would be a smaller balance to which issue debt and a smaller amount of future debt service.

Senator Wielechowski did not understand why there was not an inclusion of the \$84 million from FY 19 in the supplemental budget. He remarked that the interpretation regarding the calculation of the tax was an interpretation that included over \$1 billion in deductible tax credits. He stressed that the state was being placed in a position where they could be paying out more in tax credits than were received in production taxes. He felt that it was a bizarre interpretation of the statute. He did not feel that it was ever the intent of the legislature. He remarked that the oil and gas tax credits were subject to appropriation. The provision was subject to appropriation by the legislature and the tax director may issue certificates. He stressed that they were discretionary tax credits. He noted that there was now an increase from Governor Walker's budget, from \$27 million to \$254 million in oil and gas tax credits.

[9:14:59 AM](#)

Co-Chair Stedman remarked that there would be a future hearing about AIDEA, and its policy and discussions about whether that money would be used for tax credits. He felt that Senator Wielechowski's concerns would be better applicable in the tax credit structure discussed as the sole item. He understood that there was an interplay in all the expenditures.

Ms. Arduin stressed that requesting what to say to Senator Wielechowski's constituents was not a budget question.

Co-Chair Stedman understood that, but he wondered whether there was any comment that may address Senator Wielechowski's question.

Mr. Barnhill replied that all of the matters were subject to legislative appropriation, and his department carried the burden of proof. He addressed the interplay, and felt that an argument could be made that oil and gas cashflow tax credits were the sole obligation of the state of Alaska, so they were not identical to general obligation bond debt.

Co-Chair von Imhof looked at the source of funds. She noted that AIDEA paid a dividend to the state, and it was sometimes difficult to pay that dividend. She felt that it was interesting to assume that there were surplus funds in AIDEA to pay the \$225 million, and queried the reason for the surplus funds in AIDEA. She queried the purpose of AIDEA, especially whether the PCE funds were proposed to move into the general fund.

Co-Chair Stedman felt that there was a deviation from the budget, but rather a policy discussion.

Mr. Barnhill replied that he did not know why AIDEA had surplus funds. He stressed that there were obligations on the balance sheet that should be cleared in an appropriate manner.

Senator Olson felt that he question was already answered.

Senator Hoffman agreed that the state must "balance its checkbook and live within its means." He wondered how the administration justified spending \$225 million in additional revenue and not spending it on education.

[9:21:21 AM](#)

Mr. Barnhill replied that there were difficult decisions. He regarded the issue in the category of state debt. He remarked that there was a discussion about the debt reimbursement section of the budget, which was approximately \$215 million. That debt would be reduced by \$100 million for school debt reimbursement. He stated that the remaining \$100 million was in general obligation bond debt, and there was not a proposal to reduce that debt, because of the impact to state's reputation and credit rating. He stressed that it was important for the state's credit story and reputation that the debts were managed appropriately.

Senator Hoffman wanted to point out that there are different approaches between the administration and legislature.

Co-Chair Stedman stressed that the issue would be taken up in more detail at a later date.

Senator Micciche encouraged Alaskans to read the Revenue Source Book, chapter 8, which addressed the difference between deductions and credits.

[9:24:25 AM](#)

Mr. Barnhill highlighted slide 4, "FY2020 Budget: Legislative Proposals":

Program Reform

- Exempt position reform
- Pay increment reform
- Bi-weekly payroll
- Begin to eliminate quasi-dedicated funds
  - Power Cost Equalization Endowment Fund (\$1.1 billion)
  - Community Assistance Fund (\$60 million)
  - Higher Education Investment Fund (\$344 million)

Mr. Barnhill continued with slide 4:

Unleashing Entrepreneurialism

- Eliminate most revolving loan funds

Examples:

- Agriculture Revolving Loan Fund (\$5 million)
- Mariculture Revolving Loan Fund (\$4 million)
- Alaska Microloan Revolving Loan Fund (\$2.4 million)
- Development Initiative Revolving Loan Fund (\$3.5 million)

Co-Chair von Imhof looked at the \$1.1 billion in the PCE endowment, and wondered where that money go.

Mr. Barnhill replied that, in each case, the funds would lapse to the general fund. He remarked that, in connection with each of there, there was no suggestion to change the funding for the program. He stressed that it was consistent with the original constitutional intent.

Co-Chair von Imhof felt that it had taken years to save \$1.1 billion. She wondered whether it was proposed that the money be put in the general fund to be spent until its gone.

Mr. Barnhill replied that he was not suggesting that the money be fretted away. He stressed that the governor was calling on the legislature to be frugal and be a very strict steward of its funds.

[9:30:58 AM](#)

Co-Chair Stedman surmised that that the funds would not be swept into the CBR.

Mr. Barnhill agreed.

Co-Chair Stedman asked whether it would be counted as potential payback owed to the CBR.

Mr. Barnhill replied that it would count.

Senator Hoffman remarked that the PCE program had been in existence for over thirty years. He felt that the people of the state would rather see it voted on by the legislature, and remain in the fund. He remarked that there were villages that paid close to seven dollars for diesel to generate electricity. He stressed that there was a twenty times higher cost to generate electricity to a community that probably had the lowest income in the state. He

understood that the administration would prioritize that issue. He stressed that PCE was set up as a quasi-dedicated fund. He looked forward to continued conversation on the program. He helped build the funds over the years, and the program was well on its way before he was in the legislature.

Co-Chair Stedman remarked that there was a question about the speed at which the money had been put in the account in the years of surplus.

[9:34:38 AM](#)

Senator Olson remarked that he had seen Mr. Barnhill in the community. He felt that PCE was a successful program, and wondered why the money would be spent for other things than it was originally intended.

Mr. Barnhill replied that he appreciated the kindness that Senator Olson had shown him over the years. He stated that the proposal was not intended to be punitive, and was not an attack on the program. The funding for the program remained in place. He stressed that the characteristics of the PCE program that were identified by Senator Hoffman were good characteristics, and were meritorious. He stressed that there was an attempt to increase the legislature's flexibility to deal with all the stakeholders. He recalled that the minutes of the constitutional convention showed a discussion about having a level playing field. He stated that the wisdom was that, in the current times when there was not enough money to meet the needs, there must be an examination of the merits and the needs of the state.

Senator Micciche felt that the discussion was important, because of the state's financial lurch. He remarked that the PCE Rural Electric Capitalization fund (RuralCAP) would go on in its current state. He queried the source of the 5 percent POMV if the fund did not exist.

Mr. Barnhill replied that there were some mechanical changes in the statute in order to keep the formula. He stated that the appropriation would not come a fund pursuant to the formula, rather the appropriation would come from the general fund pursuant to a formula subject to appropriation.

Senator Bishop looked forward to further discussions, because he did not want future lawmakers to forget the history and foundation of the program.

Senator Shower wondered whether the administration felt that it was not constitutional to set aside funding for special classes of people.

Mr. Barnhill replied he would defer to the Department of Law. He furthered that the state had historically established funds, and nothing in the statute created a dedicated fund.

Senator Shower queried the view on how it was beneficial to consolidate the funds, rather than keep them in separate funds.

[9:40:00 AM](#)

Co-Chair Stedman requested a brief synopsis of the state's savings position. He queried the balance of the CBR.

Mr. Barnhill replied that the starting balance of the CBR was \$2.4 billion. The balance in the Permanent Fund Earning's Reserve was between \$14 billion and \$16 billion. The total balance of the Permanent Fund was approximately \$60 billion.

Co-Chair Stedman stated that there was roughly \$2 billion the CBR and it required a three-quarter vote from the entire legislature to access. He Stated that there was approximately \$200 million in the Statutory Budget Reserve (SBR), and required a simple majority of the legislature to access. The PCE had about \$1.1 billion. There was the ability to access the Permanent Fund, and it would be accessed by about 5.1 percent. He felt that the legislature was being "cornered" to make its payroll. He remarked that the Permanent Fund would not be liquidated. He felt that the \$1.1 billion in PCE was a significant portion of the available liquidity, after \$14 million in savings reductions.

Mr. Barnhill stressed that it was only liquid when it's used as general fund. The budget and flexibility was created with the smaller general funds.

Co-Chair Stedman remarked that the committee will decide on its recommendation on any potential restructuring.

Senator Bishop commented that he appreciated the administration's diligence in recognizing the hardships in receiving funding for commercial fishing. He appreciated that those grants did not have proposed reductions.

[9:43:33 AM](#)

AMANDA HOLLAND, MANAGEMENT DIRECTOR, OFFICE OF MANGEMENT AND BUDGET, looked at slide 5, "FY 2020 Budget: Administrative Orders":

Business process realignment

- Alaska Oil and Gas Conservation Commission to Department of Commerce, Community and Economic Development

Program reform

- Procurement Consolidation
- HR Consolidation Eliminate duplication
- Statewide Investigator Unit

[9:45:59 AM](#)

Senator Bishop requested assurance that it would not take six months for a department commissioner to make a hire.

Ms. Holland replied that the Human Resource centralization and decentralization had occurred several times over the decades. The intent of the administrative order was to create a task force that would include human resource experts in the agencies to ensure that the implementation of the consolidation would result in realizing the efficiencies. She furthered that metrics would be in place for agencies could ensure the appropriate level of service to be efficient.

Senator Bishop wanted to ensure that nothing would jeopardize its primacy.

Senator Hoffman wondered whether the administration had examined consolidation of the purchasing of health care. He remarked that the area had great potential for savings.

Ms. Arduin replied in the affirmative, but hoped to discuss the issue further.

Senator Micciche looked at the Alaska Oil and Gas Conservation Commission (AOGCC) realignment order. He wondered whether it was related to function or mission, and asked for a definition of "administrative purposes only."

Ms. Holland replied that the AOGCC would be moved to be in more in line with the Department of Commerce, Community and Economic Development (DCCED), as opposed to the Department of Administration (DOA).

Senator Micciche wondered how it saved money for the state.

Ms. Holland replied that the focus was to make DOA a more efficient agency by pulling misaligned outside of the department so it could focus its resources on its core mission.

Senator Wielechowski stated that the mission of AOGCC was to essentially protect against waste from its natural resources. He felt that there would be a better alignment with the Department of Natural Resources (DNR). He wondered why it was not moved into DNR.

Ms. Holland agreed to provide that information.

[9:50:23 AM](#)

Ms. Holland addressed slide 6, "FY 2020: Governor's Directives":

Unleashing Entrepreneurialism

- Alaska Marine Highway System

Maximizing Return on Assets

- Property Disposal
- Rural Airport System

Program reform

- Laboratory Consolidation
- Travel - Hire Policy

Co-Chair Stedman felt that the return on assets would fall to the Department of Transportation and Public Facilities

(DOT/PF). He stated that he wanted the committee to hold their questions on those issues to DOT/PF.

Senator Olson felt that DOT/PF addressing budget questions was shortsighted, because the points could be addressed with OMB.

Co-Chair Stedman stated that DOT/PF would be presenting at a later date along side OMB.

Co-Chair von Imhof "chuckled" at the header of "Unleashing Entrepreneurialism" with shutting down state funding on so many areas and hoping that the private sector would pick up the slack. She stressed that the reason the state played in the transportation space, because it was not altogether profitable. She stressed that the state was doing a service to the community. She stated that perhaps that header was more related to decreasing regulations and streamlining permits. She wondered whether the state was looking at truly unleashing entrepreneurialism by providing AIDEA funds, or public/private partnerships using some of the state's PCE to attract outside investment to help with projects.

[9:55:35 AM](#)

Ms. Arduin replied that attracting outside capital was one of the administration's goals. She felt that, for too long, there was a reliance on state capital for state investment.

Co-Chair Stedman stressed that DOT/PF would address the issues further. He wanted to get to the University presentation.

Mr. Barnhill discussed slide 17, "FY 2020 Budget: University of Alaska." The slide showed a comparison between FY 19 Management Plan and the current governor's proposal. He stated that the columns were equal, but there was a reason behind that. He pointed to the dark blue section of the two bars at the bar, which was the unrestricted general fund section of the columns. It showed that in FY 19 there was an appropriation of \$327 million. He stated that, in the governor's budget, it was a proposal for an unrestricted general fund appropriation of \$193 million, or a \$134 million reduction in the budget. He stated that the shaded sections above the dark blue were designated general fund, other, and federal funds. It

showed a corresponding increase in designated general funds from FY 19 to FY 20, but there was hollow authority.

Co-Chair Stedman queried the definition of "hollow authority."

Mr. Barnhill replied that hollow authority was authority that was given by the budget to collect and expend funds from other sources. In the University's case that would be tuition, donations, and other fund sources they have the authority to collect and expend.

[10:01:40 AM](#)

Mr. Barnhill continued that the green shaded section of "other" remained the same. He wanted to focus the discussion on the reduction of \$134 million in UGF. He wanted to take the committee through the process to arrive at the number. He stated that it was largely a comparative process. They compared the University of Alaska to institutions of higher education across the country. They relied on two sources of data, with hundreds of data points. He remarked that it was available online. He stated that the two data sources were the State Higher Education Executive Officers Association, which compared state funding across all the states. The second data source was the National Center of Education Statistics, which had a database called "The IPEDS Database." He explained that they learned that that the state of Alaska contributed a substantially higher percentage of funds to the University of Alaska than most states. The average contribution of state funding to state-funded universities was just over \$7000 per student. The state of Alaska contributed more than double that, between \$16,000 and \$17,000 per student. There was also a comparison of percentage of state support across land grant universities.

[10:07:38 AM](#)

Ms. Arduin furthered that the size of the reduction proposed by the governor had been mischaracterized as "over 40 percent", when it was really about 17 percent of university funding.

Senator Hoffman recalled mentioning the DGF amount, and queried the guidelines. He wondered whether there was an examination of the tuition for the University of Alaska

system. He asked for further explanation. He felt that the proposal would be balanced on the backs of the university students.

Mr. Barnhill shared that the average tuition at state-funded universities was \$6000 in 2010; \$7000 in 2016; and \$7300 in 2019. The University of Alaska's average was \$5100 in 2010; \$6000 in 2013; and \$6500 in 2017. The University of Alaska had a number of recent tuition increases, at about 5 percent each time. He did not believe that they could increase much more than 5 percent. He did not suggest that the budget should not be balanced on the backs of the students. He remarked that tuition increase was not part of the proposal.

[10:10:32 AM](#)

Senator Hoffman believed that the DGF increase was primarily dependent on tuition and fees. He wondered why tuition and fees would increase over 50 percent.

Co-Chair Stedman stressed that there would be more detail in the budget subcommittee process.

Senator Micciche wondered whether the administration was planning to engage in resources to determine why the state was exorbitantly higher, and whether there could be a managed glidepath to lower spending.

Ms. Arduin did not understand the question.

Co-Chair Stedman asked for a question restatement.

Senator Micciche restated his question.

Ms. Arduin replied that there would be engagement with experts in the field, and noted that that occurred already.

Senator Micciche wondered whether the processes were taking place in the large areas of spending

Ms. Arduin replied that there was a proposed premium to other states, but believed that the university could deliver a cost effective higher education.

[10:15:07 AM](#)

Senator Wilson wondered whether the administration had asked the university to prioritize their programs and services.

Mr. Barnhill replied that the administration did not ask the university to provide a prioritization.

Senator Wilson felt that the exercise should be asked of the university.

Senator Wielechowski felt that it was not fair to compare UA to the other states. He requested information on how much higher the operating costs Alaska had compared to other states. He surmised that it was probably 30 percent. He also requested the amount of local contributions provided in those other states versus Alaska. He understood that the average for other states was approximately 19 percent of the state appropriation. He remarked that Alaska received virtually no local support. He also requested the number of campuses per square mile. He remarked that UA operated 20 times fewer university and square mile than other states.

Senator Shower wondered whether there was an examination of what would occur if some of the expensive satellite campuses were either closed or consolidated.

Mr. Barnhill replied that he was not making the suggestion to close or consolidate satellite campuses. He explained that the data showed that the community campuses were quite cost effective, and were not the cost driver. He stated that UAF was the largest cost driver. He remarked that the UAF community was the lowest cost structure. He accepted that there was a 30 percent cost premium, and it was built into the proposal at a 40 percent premium over the national average.

Senator Shower was only asking what would happen if the smaller campuses were closed.

[10:22:05 AM](#)

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[10:24:49 AM](#)

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[1:03:22 PM](#)

JIM JOHNSON, PRESIDENT, UNIVERSITY OF ALASKA, discussed the presentation, "University of Alaska FY 20 Budget Impacts." He quoted a French Army marshal in 1914, "My center is giving way. My right is retreating. Situation excellent. I am attacking."

Mr. Johnson looked at slide 2, "University UGF Funding History." The history went back to 1915, when the US Congress created the Alaska Agricultural College and School of Mines. He noted 1935 when the Territorial Legislature said there shall be a University of Alaska. He noted the Constitutional Convention in the mid-1950s when the University of Alaska was included in the Constitution. He suggested that there be a core purpose and a core mission for Alaska. He stated that that mission was in place for over 100 years. He remarked that the cumulative impact number the year prior equaled \$195 million, which was what would have been received from the state in UGF. He explained that, with the governor's proposed budget reducing the UGF to \$193 million. He noted that the cumulative impact on UA would be \$380 million.

[1:05:37 PM](#)

Mr. Johnson highlighted slide 3, "University of Alaska Budget." He stated that the governor's proposal was for a 41 percent cut of the UGF. He stated that the other portions of funds were not state dollars.

Senator Wilson queried the percentage that would be gained in DGF.

Mr. Johnson replied that he believed it was a negative number. He stated that the ability to offer classes would drive enrollment and tuition revenue. The ability to hire research faculty would drive the ability to receive the research grants and contracts.

Senator Wilson surmised that Mr. Johnson had zero confidence in the University's ability to increase its DGF funds.

Mr. Johnson replied in the negative. He believed that history will show that when budgets were cut, enrollment follows because of fewer faculty, fewer courses, and fewer programs.

Co-Chair von Imhof wondered whether the highest funding point in history the best reference to continue to maintain. She wondered whether the university should be at the 2014 funding levels. She wondered whether the university should accommodate funding levels over the course of several decades, which normalized over time.

Mr. Johnson stated that the regents' budget request, which had been subsumed by the governor's budget, was a modest increase of up to \$351 million, which did not return to \$378 million.

[1:10:07 PM](#)

Senator Wielechowski recalled that the legislature shall by general law establish a system of public schools. He furthered that the courts had consistently interpreted that to mean adequate funding and oversight. He noted the similar language with the state university. He wondered whether there could be constitutional violations because of lack of funding.

Mr. Johnson replied that he had not yet considered that issue.

Senator Bishop wondered what the proposal would say to potential grantees.

Mr. Johnson felt that it did not provide a vote of confidence.

Senator Wielechowski noted an argument about the higher spending argument than other states. He wondered whether that was a good argument.

Mr. Johnson felt that it was more of a "pears to apples" comparison.

Senator Bishop noted that there were not extremely rich people on the university's alumni association.

Senator Hoffman remarked that for every dollar spent on research gets six dollars in return. He wondered whether a reduction of a dollar could anticipate a reduction of six dollars in DGF.

Mr. Johnson could not predict that outcome, but felt that a reduction in research funding would result in a reduction in research revenue.

[1:15:47 PM](#)

Mr. Johnson displayed slide 4, "University of Budget":

- UGF \$134 million cut is real
- DGF \$154 million increase is not
- In the face of declining enrollments, and year-over-year increases to tuition...
- Our ability to capture \$154 million in new tuition and fees is not realistic

Senator Shower wondered whether there was a level at a compromise.

Mr. Johnson replied that he was not here to negotiate, rather he was here to advocate the Regents' budget.

Senator Olson wanted to know why there was not willingness to negotiate.

Mr. Johnson remarked that there could be a discussion of the details in the budget, and remarked that the university had survived through budget cuts. He stressed that critical mass was important for quality.

[1:21:40 PM](#)

Mr. Johnson addressed slide 5, "FY20 Governor Dunleavy's Budget":

- \$134 mill UGF Reduction - 41% (FY19 \$327 to FY20 \$193.0)
- Structure: Single appropriation to two appropriations
  - UA System wide - reduced \$154.3 million (-54%)

- o UA Community Campuses - increased \$20.4 million (+49%)
- Additional \$154.3 million university receipt authority without an identified revenue source
  - o BOR reduced three sources of "hollow" budget authority in their FY20 budget
- Community Campus UGF appropriation \$61.7 million
  - o \$11,000 times 5,611 student full-time equivalent (FY18)
- Legislation proposed (SB59) to repeal debt service reimbursement. Equals loss of \$1.2 million annually for (principle balance of \$9.3 million):
  - o University Center in Anchorage (\$877.4k annually)
  - o Joint Use Readiness Center in Juneau (\$338.2k annually)
- WWAMI program support eliminated from DEED budget.
  - o WWAMI program is offered at UAA in partnership with Univ of Washington School of Medicine

Co-Chair Stedman asked for more information about Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI).

Mr. Johnson replied that the WWAMI program was critically important, and the funds were funneled through the Department of Education and Early Development (DEED), and were eventually funneled through tuition.

[1:24:12 PM](#)

Co-Chair von Imhof agreed that WWAMI was a significant benefit to Alaska. She hoped that she would hear through the subcommittee process how many students were applying, returning to Alaska, and potential to meet halfway to perhaps require WWAMI participants to serve in a smaller community. She commended the University with its strategic initiative recently. She noted that sometimes the credits could not move between UA, UAF, and UAS. She felt that there should be more collaboration and cooperation between campuses, rather than silos.

Mr. Johnson replied that all credits transferred between the universities. He stressed that they may not transfer for a particular degree. He understood the issue with the recent accreditation loss, but noted that all of those students were provided the alternative without moving to

complete the graduation through UAF. He felt that it was an example of campuses working together.

Co-Chair Stedman wondered why there should not be a single appropriation.

Mr. Johnson replied it limited the Regents' ability to manage the entire university system.

[1:30:13 PM](#)

Co-Chair Stedman wondered whether the comparisons should be considered erroneous as related to the main cost drivers in the university system.

Mr. Johnson stressed that there should be a real differentiation between the rural community campuses and the larger ones in the big city.

Senator Wielechowski felt that it was important to note that the university had been cut \$195 million five years. He felt that there should be continued investment in the university. He requested the economic and job impact of the proposed cuts. He also asked about the impacts of the young Alaskans staying in Alaska.

Mr. Johnson replied that 80 percent of the graduates stayed in Alaska. He remarked that the largest challenge in Alaska education was about the people who did not attend any post-secondary education in Alaska.

[1:34:06 PM](#)

Senator Wilson recalled the number of programs, and wondered whether the university had prioritized its programs.

Mr. Johnson remarked that there were various factors, and had recently reduced over 50 programs. He stressed that there was currently contingency plans in place.

Mr. Johnson looked at slide 6, "Magnitude \$134 Mill Reduction." He remarked that there were many ideas that related to closing campuses.

Mr. Johnson highlighted slide 7, "UA Tuition History." He noted that the higher tuition increases in 2018 and 2019

for Prince William Sound College and Kodiak. He remarked that those two community campuses were lower than all the other community campuses, so the Board of Regents chose to set them at the same rate. He noted that, starting in 2019, there was a discount for tuition for high workforce demand occupational endorsements such as welding, across the system.

Co-Chair Stedman queried the tuition comparisons with Idaho, Montana, and Oregon.

Mr. Johnson replied that the tuition was high compared to those states.

Co-Chair Stedman wanted to have a further conversation in the subcommittee.

Mr. Johnson replied that he looked forward to that conversation.

[1:40:32 PM](#)

Mr. Johnson addressed slide 8, "Employee Headcount Reductions." He stated that it was tied to the \$195 million cumulative reduction.

Mr. Johnson discussed slide 9, "State Divestment Compounds Enrollment Challenges."

[1:51:09 PM](#)

Co-Chair Stedman discussed the following day's schedule. SB 20 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[1:51:31 PM](#)

The meeting was adjourned at 1:51 p.m.