

HOUSE FINANCE COMMITTEE
February 20, 2024
1:33 p.m.

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CALL TO ORDER

Co-Chair Johnson called the House Finance Committee meeting to order at 1:33 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair
Representative Neal Foster, Co-Chair
Representative DeLena Johnson, Co-Chair
Representative Julie Coulombe
Representative Mike Cronk
Representative Alyse Galvin
Representative Sara Hannan
Representative Andy Josephson
Representative Dan Ortiz
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Chad Hutchison, Director, Public Relations, University of Alaska; Emma Pokon, Commissioner-Designee, Department of Environmental Conservation; Megan Kohler, Administrative Services Director, Department of Environmental Conservation.

PRESENT VIA TELECONFERENCE

Pat Pitney, President, University of Alaska.

SUMMARY

HB 268 APPROP: OPERATING BUDGET; CAP; SUPP; AM

HB 268 was HEARD and HELD in committee for further consideration.

HB 270 APPROP: MENTAL HEALTH BUDGET

HB 270 was HEARD and HELD in committee for further consideration.

OVERVIEW: UNIVERSITY OF ALASKA

OVERVIEW: DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Co-Chair Johnson reviewed the meeting agenda.

#hb268

#hb270

HOUSE BILL NO. 268

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

HOUSE BILL NO. 270

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

^OVERVIEW: UNIVERSITY OF ALASKA

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CHAD HUTCHISON, DIRECTOR, PUBLIC RELATIONS, UNIVERSITY OF ALASKA, introduced himself and turned the presentation over to University of Alaska President Pat Pitney.

PAT PITNEY, PRESIDENT, UNIVERSITY OF ALASKA (via teleconference), introduced a PowerPoint presentation titled "University of Alaska: Empower Alaska," dated February 20, 2024 (copy on file). She began with a map of

Alaska on slide 2 showing the University of Alaska (UA) locations. The university system was comprised of the University of Alaska Fairbanks (UAF), the University of Alaska Anchorage (UAA), and the University of Alaska Southeast (UAS). She described UAF as a research university, UAA as the urban comprehensive university, and UAS as the Southeast regional university with its primary campus located in Juneau. She detailed that each of the universities had community campuses, which stretched from Ketchikan to Kotzebue and were vital to the accessibility of the university system and to becoming a community partner for local workforce development needs. She noted that UA was very proud of its community campuses and the work the campuses did in serving their communities.

Ms. Pitney briefly provided an overview of the presentation on slide 3. She turned to slide 4 titled "Roadmap to Empower Alaska." She relayed that six of the UA Board of Regents' 11 members were new within the past two years. She detailed that the board was working on a plan to set the UA system up for the future. She was excited about the three pillars the board had discussed, beginning with "financially responsible and future focused." She stated that the stability enabled UA to create momentum through enrollment, partnerships, and federal funding. The second pillar was "state and Arctic leadership." She underscored it was necessary to take the Arctic leadership role for Alaska to be represented in global Arctic policy and conversations and research. She stressed the importance of UA's state leadership and stated that UA was the workforce engine of the state. The university system had over 200 short programs such as certified nurse assisting, nurse practitioners, welding, and aviation maintenance, in addition to its four-year degrees covering education, business, engineering, biology, and psychology. The university's leadership role in developing the workforce for Alaska was a primary focus. She briefly highlighted the third pillar "Quality Education and Reputation" on slide 4.

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Ms. Pitney turned to slide 5 titled "Roadmap to Empower Alaska" and highlighted strategic near-term priorities of the Board of Regents. She began with the first priority of increasing recruitment, graduation, and retention. She stated that more students graduating faster and retained at a higher rate reflected stability. She reported that the

current spring was the third semester in a row of year-over-year increases after nine years of decreases. She emphasized there was a 16 percent increase in the first time freshman class the prior fall. She noted that another large incoming freshman class would really bring the university's numbers up.

Ms. Pitney moved to the second priority on slide 5: Sustaining Facilities Maintenance and Modernization Plan. The board had tasked UA with coming up with a different solution for deferred maintenance. She elaborated that deferred maintenance had been its top capital budget priority for more than 20 years. She noted that she had been the statewide budget director for the university in 1998 and deferred maintenance had been the top priority annually. The plan was to provide consistent and stable funding annually to enable UA to address priority deferred maintenance projects that had been reviewed and vetted at the legislative level. She explained that a plan would mean deferred maintenance would no longer have to be the highest priority in the capital budget and it would give room in the capital budget for things like a simulation lab that was important for the workforce, rather than a roof or sewer system.

Ms. Pitney addressed the third priority on slide 5: Achieving Cost-Efficient Operations. She viewed it as a priority to do things right with modern, streamlined business processes. The fourth priority was for UAF to achieve R1 research status [in 2027]. She explained it was about taking a step for Alaska and would bring increased economic development, talent, and long-term stability. She elaborated that it would put UAF in the top 4 percent of universities nationally and would attract additional research funding across the state. She highlighted that UAF had ship operations in Seward and research facilities in Kodiak and Juneau. She explained that most of the operations existed partially in Anchorage or passed through Anchorage on the way to the North Slope Toolik Field Station, Fairbanks, or electricity projects on the Railbelt.

Ms. Pitney discussed the fifth priority on slide 5: Empower Alaska Branding. She referenced UA's docuseries that aired occasionally, which was focused on building reputation and on the breadth and depth of its operations. She briefly

highlighted the sixth and last priority on slide 5: Building Arctic Leaders.

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Ms. Pitney turned to slide 6 titled "Enrollment Highlights." The University experienced a 4 percent increase in headcount, an increase in student credit hours, and significant growth in its community and technical college programs. She highlighted that UA worked with the construction management industry and with all of the [federal] infrastructure money coming in, the industry needed more people skills in managing construction projects. The UA curriculum was retooled and available statewide in Anchorage and Fairbanks. She noted the enrollment had nearly doubled and enabled people who were already working to take a construction management course to gain skills necessary to take on management projects.

Ms. Pitney addressed the second bullet point on slide 6: Dual Enrollment. She explained that there were 3,600 high school students dually enrolled in college courses, which reflected a 20 percent increase. She relayed that dually enrolled students were more likely to remain in Alaska for school, they could graduate more quickly, and could save money on the cost of college because they completed one to two years of college courses prior to graduating from high school. The option also provided high school students with a path to being more challenged.

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AT EASE

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Co-Chair Johnson reviewed members present. She noted that the committee would try to speed up the presentation.

Mr. Hutchison stated his understanding that the goal was to hear highlights on the operating budget and answer questions. He moved forward to slide 11 to show the FY 25 budget request summary.

Ms. Pitney addressed the FY 25 UA budget request on slide 11. The university's state funding request was \$29.2 million with \$23 million of the total going to compensation

and fixed costs. She noted there were a series of smaller requests shown on slide 21 to support academic programs and services ranging from mental health and public safety to faculty and project management. She highlighted UA's deferred maintenance and modernization request [of \$35 million annually], which was included in a piece of legislation. She expressed appreciation to Representative Stapp's leadership on the legislation that would provide consistent funding for deferred maintenance. Slide 11 included a request for strengthening the UA athletics program. She remarked that past budget reductions hit the athletics program fairly hard, and the goal was to restore some stability for the UAA and UAF programs.

Ms. Pitney addressed revenue assumptions on the bottom half of slide 11. She reported that the UA system anticipated a \$5 million increase in unrestricted revenue and a total of \$7 million across its fund sources to meet compensation and fixed costs.

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Ms. Pitney turned to slide 13 titled "UA FY25 Operating Budget." She pointed to the Board of Regents' request of \$15 million [in state funds] and \$2 million in UA funds for compensation. The slide showed a request of \$9 million [in state funds] and \$5 million in UA funds for property insurance. Currently the governor's budget included \$6 million for compensation and \$5 million for fixed costs and directed the university to use non-state funds to fund the remainder. She stated the university would not have sufficient non-state funds to fund the remainder; the university had factored all of the non-state funds in the \$2 million and \$7 million in the regents' budget. The governor's proposed budget left the university short by more than \$10 million for compensation and fixed costs. She expounded that the compensation included a modest 2.5 percent salary increase and an additional contribution to healthcare. The university had been able to hold its healthcare costs steady for about six years, but it now needed to be increased largely due to post-COVID-19 pandemic use.

Ms. Pitney directed attention to funding for the Technical Vocational Education Program (TVEP) program at the bottom of slide 13. She explained that the TVEP program needed a sunset date extension and if legislation extending the

program did not pass it would mean \$6 million from university vocational education programs across the state. She remarked that excluding union workforce development, the university conducted 90 percent of the vocational education. She emphasized it was a key component of being able to keep the university's program modern and enabled it to start high-demand programs. She stated that the university followed the accountability criteria set forth in the legislation to a T. She relayed that the TVEP sunset extension was important to the university.

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Ms. Pitney turned to slide 14 showing different UA revenue streams. She focused on FY 24 and listed funding sources including general funds, unrestricted funds, and designated/restricted funds. She noted that only the general funds and unrestricted funds were available for compensation and fixed costs in general. She explained that designated and restricted funds included competitive federal grants or situations where an industry partner asked the university to work on a particular project or problem. She explained that the university only had access to the \$300 million and \$216 million [shown for FY 24] and the remainder was directed funding for specific uses. She used Medicaid as an example and explained that the state could not use Medicaid funding from the federal government to run the Department of Commerce, Community and Economic Development. Likewise, the university could not use a [federal] Department of Defense grant for the geophysical institute to pay salaries for its facilities group. She explained that even though total revenue [for FY 24] was \$815 million and the total budget was \$900 million, there was only about \$500 million in revenue to cover the base foundation.

Ms. Pitney discussed sources of earned revenue [for FY 23] on slide 15. There was \$206 million in unrestricted funding comprised of tuition (\$79 million), student fees, and indirect cost recovery (funding on federal grants to pay for things like management and facilities). University receipts included the natural resources fund distribution of about \$7.5 million and interest income that reflected interest earned on working capital. She elaborated that interest income was fortunately high and the university anticipated it would go up to about \$3 million in a steady interest rate environment.

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Representative Ortiz looked at slide 6 in relation to teacher preparation and healthcare and associated pilot programs. He asked if the FY 25 budget request would enable UA to expand the programs in an efficient and more robust way. He was hearing a lot about workforce gaps in the two areas.

Ms. Pitney agreed there was a workforce gap in the two areas highlighted by Representative Ortiz. She relayed that the year before last, the legislature appropriated \$3.5 million for the expansion of health programs and the university was actively working to implement the expansion. The increment included additional pay for nursing faculty the university was having trouble retaining, in addition to funding for new nursing faculty and faculty in allied health areas that made up a large part of the healthcare workforce. The expansion should be fully implemented by the following year. At that point, if the university was getting close to capacity in terms of student demand, it would be ready for another request. All three of the UA schools were working together on expanding teacher preparation. She referenced an Educators Rising conference that would take place in Juneau in the coming week or two. The effort began with high school students with an interest in becoming teachers. Additionally, there were mentorship programs and a scholarship program for the student teaching year provided the year before last. She reported that the university had capacity in its current education programs and it was having difficulty getting enough interested students. She referenced work at the high school level to get students interested in taking dual credits focused on education that would direct them towards a teaching degree.

Ms. Pitney directed attention to slide 21 showing workforce needs in psychology and school counselors in Anchorage and a healthcare management master's degree in Fairbanks. The slide showed small funding requests for base general funds to help run the aforementioned programs.

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Co-Chair Johnson noted the committee had reached the end of the time allotted for the presentation.

Ms. Pitney thanked the committee and was available to answer questions offline.

Co-Chair Johnson thanked Ms. Pitney for the presentation.

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AT EASE

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RECONVENED

^OVERVIEW: DEPARTMENT OF ENVIRONMENTAL CONSERVATION

2:02:23 PM

Co-Chair Johnson noted that committee members were due on the House floor at 2:30 p.m.

EMMA POKON, COMMISSIONER-DESIGNEE, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, introduced herself and provided a PowerPoint presentation titled "House Finance Committee: Environmental Conservation Overview," dated February 20, 2024 (copy on file). She briefly highlighted the Department of Environmental Conservation's (DEC) mission on slide 2:

Conserving, improving, and protecting Alaska's natural resources and environment to enhance the health, safety, and economic and social well-being of Alaskans.

Commissioner-Designee Pokon turned to an organizational chart on slide 3. She expressed gratitude to the leadership team, including Christina Carpenter, the former environmental health director, who had stepped into the role as acting deputy commissioner. She gave an overview of the work provided by DEC on slide 4. She highlighted the protection of air and water quality including permitting, monitoring, and inspection work. The Environmental Health Division included programs such as food safety and drinking water, and solid waste and pesticides. Additionally, the division included the state veterinarian responsible for overseeing animal care and importation standards, the environmental health lab responsible for conducting analytical testing for a variety of programs, and

inspection and compliance components for regulatory programs. The Division of Spill Prevention and Response (SPAR) ensured preparedness for spills. The division ensured that facilities handling a certain threshold of materials had spill plans in advance and when a spill happened SPAR was involved in the response. The division housed a contaminated sites group that took over the management of a site once the initial spill response was complete. Additionally, there was an RFA [Response Fund Administration] group that oversaw the SPAR fund.

Commissioner-Designee Pokon addressed DEC's vacancy rate on slide 5. As of December 15, DEC's vacancy rate was 13.5 percent; however, when the numbers were viewed over the course of the year it looked a bit more favorable to fill positions quickly. The department placed an emphasis on ensuring it had the capacity and manpower to do its job.

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Commissioner-Designee Pokon addressed DEC's FY 25 operating budget on slide 6. She relayed that the department was looking at another relatively stable year. There were some shifts in federal funding coming to and through the agency. She turned the presentation over to Megan Kohler to review the budget highlights.

MEGAN KOHLER, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, reviewed the department's FY 25 operating budget request on slide 6. She noted that the presentation separated infrastructure funding from DEC's base budget. The majority of the change from FY 24 to FY 25 was attributed to salary adjustments. There was some cleanup shown as an undesignated general fund (UGF) reduction, cleanup from operating to capital, and a reduction in an office refresh one-time item. She highlighted there was an additional federal increment in its Air Quality Division.

Ms. Kohler addressed the FY 25 operating budget for the Division of Administration. The division included the Office of the Commissioner, administrative support, and state support services (primarily lease costs and Department of Administration (DOA) chargebacks). The majority of the changes were salary increments. She highlighted a one-time increment for the Juneau air lab relocation. She explained that DEC's building located on

Willoughby Avenue was under new ownership and was undergoing an extensive renovation. She elaborated that the air lab had been out of service since the past summer. She furthered that it was a long-term issue with the building on maintaining environmental controls associated with sample quality and delicate scales located in the building; therefore, DEC was looking to relocate the lab to a more stable, purpose built environment. The item had been changed in the governor's amended budget to be able to get the lab up and running more quickly. The other change was a reduction in federal funding as a result of backing out a one-time increment for the office refresh.

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Ms. Kohler turned to slide 8 and reviewed the department's buildings, maintenance, and operations portion of the FY 25 operating budget. She explained that DEC owned one building, which housed its environmental health lab in Anchorage. She offered a tour of the building to any of the committee members. Historically, the funding had been UGF; however, beginning in FY 22 there were increases in utilities costs. The department began using a small portion of its federal indirect carryforward. She explained that the carryforward was no longer available; therefore, the budget included UGF to cover the cost.

Ms. Kohler moved to the budget for the Division of Environmental Health on slide 9. She noted there were no significant changes proposed for FY 25. The increases for the division reflected salary adjustments. There were two items for the Division of Air Quality on slide 10. Under the governor's amended budget there was an increment of about \$1 billion [in federal funds] for community emission inventories, a climate pollution reduction grant that allowed the state and the Alaska Municipal League to prepare a planning document required for communities to access additional federal dollars. The second item was largely technical and aligned receipt authority. She detailed that two receipt accounts were reduced and the GFPR [general fund program receipts] was increased based on funds the division would need due to a fee increase implemented in the fall of 2023.

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Ms. Kohler turned to slide 11 and noted there were no significant changes in the FY 25 SPAR budget. She concluded the presentation with two items for the Division of Water on slide 12. The first item was the transfer of federal funding from the operating budget to capital budget. She noted the item was more appropriate for the capital budget because the funds were grant based. The second change was in UGF associated with an Infrastructure Investment and Jobs Act (IIJA) related one-time increment in FY 24.

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Representative Coulombe looked at slide 10 and asked what GFPR stood for.

Ms. Kohler replied that GFPR stood for general fund program receipts.

Representative Hannan asked about the Juneau air quality lab that had been out of service since the prior summer. She asked if the lab had been able to do its work through the previous summer at a different location.

Ms. Kohler answered that the lab had been able to do its work by utilizing contract labs outside of Juneau; however, it was not sustainable in the long term.

Representative Hannan asked if DEC was taking the samples but not processing them locally.

Ms. Kohler replied affirmatively.

Representative Hannan asked if DEC was looking for a new lab location. She asked about the timeline and cost.

Ms. Kohler replied that the department hoped that a multiyear increment would mean DEC could utilize the funds for FY 24 to get the lab up and running as soon as possible.

Commissioner-Designee Pokon added that DEC wanted to get the lab up and running as quickly as possible, but there was not a fixed location at the current time. She stated it was a work in progress the department was focused on getting resolved.

Representative Hannan asked whether there would be air quality monitoring of cruise ships in Juneau in the upcoming season.

Commissioner-Designee Pokon answered affirmatively. The monitoring would be conducted, and sampling would be done but it was a matter of getting the samples processed and getting the measurements. The department had been finding workarounds, but it was not sustainable in the long term.

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Representative Galvin looked at slide 5 and found the low vacancy rate remarkable. She recalled hearing from the prior commissioner the previous year that the vacancy rate was quite managed because when vacancies were not filled, the commissioner had removed the positions. She asked if there were fewer overall full-time positions in DEC or if the department had managed to keep a low vacancy rate.

Commissioner-Designee Pokon answered there were more positions currently than in prior years. The department had focused on getting recruitment materials out and prioritizing the workload of getting a new person in the role in recognition of the fact that while it was an additional task for a supervisor, the work the position was supposed to be taking care of began piling up and the department wanted to make sure it was staying on top of the issue. She relayed that she had not removed any positions because they were vacant for an extended period of time, but she believed it was necessary to be thoughtful about whether the department was carrying workload for an extended period of time without filling the position. She relayed that the department scrutinized the vacancy to determine whether it was a recruitment challenge or something else. She believed a position being vacant for an extended period was a red flag and a reason for a careful look, but it did not immediately necessitate getting rid of the position.

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Representative Josephson asked when the last classification study had been done for DEC. He asked if there was one pending.

Commissioner-Designee Pokon replied that she did not know.

Representative Josephson looked at the SPAR budget on slide 11 and asked what the "other" funding represented.

Commissioner-Designee Pokon believed it may be an element of the commercial passenger vessel (CPV) funds that came to SPAR. She deferred to Ms. Kohler for additional details.

Ms. Kohler confirmed that the statement made by Commissioner-Designee Pokon was correct. She added that interagency receipts were also included.

Representative Josephson believed the former ocean ranger program was housed in DEC. He asked what the law said related to the requirement for there to be a ranger on a large vessel.

Commissioner-Designee Pokon believed that the statute currently read that there was an expectation for there to be an ocean ranger on large commercial passenger vessels located in marine waters of the state. There was currently a bill that would shift to credentialed DEC inspectors boarding ships twice a year to do compliance and regulatory checks. She believed it was an effective regulatory oversight mechanism that had been implemented the past several years. She stated that the credentialed inspectors were longer term DEC employees with the capacity to view compliance over time. Additionally, the inspectors could engage with the vessels and responsible parties to ensure compliance directly as opposed to being observers only. She stated that the statute currently called for ocean rangers who were marine engineers to be present on large vessels.

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Representative Josephson was used to shoreside regulation in recent years; however, he thought it sounded like the state was not technically in compliance with the law.

Commissioner-Designee Pokon replied that she believed DEC was providing effective oversight of large cruise vessels and more deliberate oversight of smaller vessels. She reiterated her earlier remark that DEC had credentialed inspectors on the vessels at least twice a year and it was actively overseeing compliance of environmental requirements.

Commissioner-Designee Pokon thanked the committee for its time.

HB 268 was HEARD and HELD in committee for further consideration.

HB 270 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the schedule for the following day.

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ADJOURNMENT

[2:20:57 PM](#)

The meeting was adjourned at 2:20 p.m.