

HOUSE FINANCE COMMITTEE
February 27, 2024
1:37 p.m.

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CALL TO ORDER

Co-Chair Johnson called the House Finance Committee meeting to order at 1:37 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

Leslie Isaacs, Legislative Liaison, Department of Administration; Craig Christenson, Deputy Commissioner, Department of Military and Veteran Affairs; Bob Ernisse, Administrative Services Director, Department of Military and Veteran Affairs.

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 268 was HEARD and HELD in committee for further consideration.

OVERVIEW: DEPARTMENT OF ADMINISTRATION FY25 BUDGET

OVERVIEW: DEPARTMENT OF MILITARY AND VETERAN'S AFFAIRS FY25 BUDGET

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: DEPARTMENT OF ADMINISTRATION FY25 BUDGET

[1:38:48 PM](#)

LESLIE ISAACS, LEGISLATIVE LIAISON, DEPARTMENT OF ADMINISTRATION, introduced himself and the PowerPoint presentation "State of Alaska Department of Administration FY2025 Governor Amend Budget Overview" dated February 27, 2024 (copy on file). He relayed that the presentation included the budget items that were introduced in the prior week.

Mr. Isaacs continued to slide 2 and explained that the Department of Administration (DOA) provided services in two categories: services to state agencies and services to the public. All of the divisions and agencies within DOA fell

into one of the two service categories. The only exception was the Division of Retirement and Benefits (DRB), which fell into both categories. The division provided services to current state employees, which was considered a service to state agencies, and also provided services to former state employees, which was considered a service to the public.

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Representative Ortiz asked how DOA provided public communication services to the public.

Mr. Isaacs responded that public communication services was a dormant section of DOA called the Program Acceleration Office. The office was intended to share information with the public about DOA's current projects and explain how the projects impacted the public. The office was active during the COVID-19 pandemic but DOA was still determining how to utilize the office post-pandemic. The office was not presently in operation but DOA's goal was to stand up the office once again.

Representative Ortiz understood that the office was created in response to the pandemic. He asked if the agency existed prior to the pandemic.

Mr. Isaacs responded that it was stood up during the pandemic to address pandemic-related issues and the department wanted to stand up the office again. The organization and exact functions of the office were still being determined.

Mr. Isaacs added that public communication services included satellite infrastructure, which was the "backbone" for the radio communication system (RCS). There was one appropriation within public communication services that was used for RCS.

Representative Ortiz asked for more information about RCS. He asked if it referred to public radio, emergency broadcasting radios, or something else.

Mr. Issacs responded that the radio aspect referred to emergency broadcasting, primarily in the villages. There used to be three components to RCS, including public radio,

but presently it only referred to emergency broadcasting radio.

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Mr. Isaacs continued to slide 3 and detailed the way in which leadership was organized within DOA. He noted that the legislative liaison position was listed as vacant on the slide, but it had been since filled as he now occupied the position.

Representative Hannan asked who had replaced Mr. Issacs in his previous role as the Administrative Services Director.

Mr. Issacs responded that his replacement's name was Eric DeMoulin. He explained that Mr. DeMoulin would be making presentations to the committee from now on.

Representative Hannan understood that Mr. DeMoulin had previously worked for the Department of Revenue (DOR) and asked who had replaced Mr. DeMoulin.

Mr. Issacs responded that he understood that the Administrative Services Director position within DOR was currently vacant.

Mr. Issacs continued to slide 4 and gave an overview of the DOA budget from FY 20 through the FY 25 governor's amended budget. He noted that the budgets for FY 24 and FY 25 were almost identical.

Mr. Issacs continued to slide 5 and detailed the funding sources for the FY 25 governor's amended operating budget. The slide broke down the budget into unrestricted general funds (UGF), designated general funds (DGF), and federal funds. The red numbers on the slide showed duplicated funds that also appeared in other departments' budgets. The chart in the lower right corner of the slide also showed which fund sources were duplicated.

Mr. Issacs advanced to slide 6, which was a visual comparison between the FY 24 management plan and the FY 25 governor's amended budget by fund category. The slide also included a visual comparison of the number of positions and employees of DOA by location and number of vacancies. As of January 15, 2024, there was a 15 percent vacancy rate within DOA.

Mr. Isaacs moved to slide 7, which gave an overview of the FY 25 budget's results delivery units (RDU). The graphs on the slide compared the FY 24 management plan RDU to the FY 25 RDU. The majority of UGF funding was allocated to the Legal and Advocacy Services (LAS) section of DOA. The department received some federal funding, but it was a small amount.

Mr. Isaacs moved to slide 8 which detailed the significant changes in the FY 25 operating budget for DOA. The second column showed the governor's amended items that were introduced in the previous week, and all other components on the slide were the governor's proposed items.

Mr. Isaacs advanced to slide 9. He explained that the remainder of the presentation would be broken down by RDU. He relayed that slide 9 detailed the FY 25 changes within the Centralized Administrative Services (CAS) section of DOA and included a list of the services provided by CAS.

Co-Chair Johnson asked about the digitization of the payroll services item listed under the significant FY 25 budget changes for CAS. She had heard that some state employees were not getting paid in a timely manner. She asked if digitization would help alleviate the issue.

Mr. Isaacs responded in the affirmative and indicated that the project would help streamline the payroll process.

Co-Chair Johnson commented that it was important to ensure that employees were satisfied with their jobs and timely paychecks were an important part of job satisfaction.

Mr. Isaacs agreed.

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Mr. Isaacs continued to slide 10 and reviewed the fund comparison by category for CAS. The most significant fund category was the "other" fund, half of which was allocated to DRB.

Mr. Issacs advanced to slide 11 and the Shared Services of Alaska (SSA) section. The services provided by SSA were listed on the left side of the slide and the significant FY 25 budget changes were listed on the right side. The

biggest change was a decrement of \$4.5 million to eliminate interagency authority that was no longer necessary. He relayed that the decrement was an example of a duplicated fund source that could not be utilized. The budget aligned SSA's budget with the proposed charge-back rates.

Ms. Issacs advanced quickly through slide 12, which showed the fund category comparison for SSA. He continued to slide 13 which detailed the Office of Information Technology (OIT). The services provided by OIT were listed on the right side of the slide and the significant FY 25 budget changes were listed on the left side. He highlighted that OIT was not responsible for every element of information technology across the state because some departments managed elements of information technology in-house.

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Representative Galvin referred to slide 10 and recalled that Mr. Issacs stated that half of the other funds for CAS were allocated to DRB. She asked how the rest of the other funds were allocated.

Mr. Isaacs responded that the remaining half of the other category was charge-back rate authority for the purpose of billing out the services provided by the divisions, such as the Division of Finance (DOF) and the Division of Personnel and Labor Relations (DPLR).

Representative Coulombe referred to slide 13 and thought it would be useful for Mr. Issacs to offer an update on the transition of existing servers to the cloud. She shared that she had spoken with him about the project in a subcommittee.

Mr. Issacs explained that there was a budget request for \$575,000 to transition the existing servers to the cloud. The purpose was to operationalize the cloud migration in FY 25. He noted that OIT received a large allocation for a rapid shift to the cloud and there was enough money to cover the FY 24 operating costs and part of the projected FY 25 operating costs. The increment would allow OIT to bill out for the additional operating costs.

Representative Coulombe asked for confirmation that the mainframes were still being maintained.

Mr. Issacs responded in the affirmative.

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Mr. Isaacs continued on slide 14, which showed the fund category comparison for OIT. The graph showed that other funds were the predominant fund source for the services provided by OIT and that the funds were within the Information Services Fund (ISF). He highlighted that the budget included \$989,000 in UGF for a multi-year operating allocation to address security in FY 24 and there was no funding allocated for the project in FY 25.

Mr. Issacs moved to slide 15 and detailed the Risk Management (RM) section of DOA. The services provided by RM were listed on the left side of the slide and the significant FY 25 budget changes were listed on the right side. There was a \$2 million decrement due to the fiscal impact of HB 102 [passed in 2022]. He explained that HB 102 created a reduction in the State Insurance Catastrophe Reserve Account (SICRA). The catastrophe fund balance was \$18 million in FY 22 and \$50 million in FY 23 due to the impact of HB 102. As of February 15, 2024, there was \$52 million in the catastrophe fund. He noted that the statutory limit for the fund was \$50 million unencumbered, but there were a number of claims with encumbrances that would not be included in the total unencumbered balance. He was proud that the fund was fully operational and fully funded.

Mr. Issacs continued to slide 16, which was the fund category comparison for RM. He noted that 100 percent of RM's budget was within the other funds category, which was used to bill out services to the other agencies.

Co-Chair Johnson noted that a few years prior, there had been an attempt to charge back to departments for a variety of services in order to ensure that the state received federal funding whenever possible. She asked if the project had been completed or if DOA was continuing to look for potential chargebacks in the budget.

Mr. Isaacs responded that the effort was called the Chargeback Program and it was used to bill other agencies for the essential services provided by DOA. The program sought federal reimbursements for services provided by various departments, which made it unnecessary for all

programs to be 100 percent funded with UGF. The program allowed the state to maximize federal funding.

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Co-Chair Johnson asked if the department was continuing to look for potential areas in the budget where federal funding could be utilized to cover expenses.

Mr. Isaacs responded that it was the responsibility of the other departments to find areas in which federal funding could be utilized. If a department found such an opportunity, it was the responsibility of the department to seek reimbursement and pay DOA through the chargeback process.

Mr. Isaacs continued on slide 17 which detailed LAS. The left side of the slide included an abbreviated list of the services provided and the right side included the significant FY 25 budget changes. He explained that LAS had many responsibilities and the remainder of their duties did not fit on the slide.

Representative Josephson noted that there had been significant media attention on the problems within the Office of Public Advocacy (OPA), which fell under LAS. At one point, OPA had ceased taking additional guardianship cases. He asked if there was a funding problem within OPA that could be solved with a larger appropriation.

Mr. Isaacs responded that there was not one simple solution for the problems within OPA, which were layered and complicated. A joint DOA subcommittee meeting between the House and the Senate was scheduled for later in the day to discuss OPA. Some of the main problems within the office were high staff turnover and a substantial case backlog. The budget changes included four non-permanent positions as a "band-aid solution" while a long term solution was established. He explained that OPA was included in the presentation because the administration issued the supplemental to include the four additional positions at the same time the governor's proposed budget was released.

Representative Josephson asked if he was right that the Court Appointed Special Advocates (CASA) program moved from DOA to the Alaska Court System.

Mr. Isaacs replied that was hesitant to say that CASA had moved because although he knew that the move was included in the proposal, he needed to follow up with the DOA director to learn if the move had been completed.

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Co-Chair Johnson suggested that increasing the funding would not necessarily fix the problem. She asked Mr. Issacs to provide an overview of the discussion at the upcoming joint DOA subcommittee. For example, prioritizing caseloads or hiring private attorneys could potentially be helpful. She wanted to know what other potential solutions came out of the subcommittee meeting.

Mr. Issacs responded that he would provide the information.

Mr. Issacs continued on slide 18, which showed the fund category comparison for LAS. He noted that LAS was primarily funded with UGF.

Mr. Issacs advanced to slide 19 and the Division of Motor Vehicles (DMV). The services provided were listed on the left side of the slide and the right side noted that there were no significant changes in the FY 25 governor's amended budget for DMV. The vacancy rate had decreased significantly to 8.4 percent.

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Mr. Issacs continued to slide 20 and relayed that the primary fund source for DMV was DGF. He concluded the presentation.

Representative Josephson noticed that there was no slide on DPLR. He was aware of at least one bargaining unit that was hoping that contract negotiations would speed along at a faster rate. He understood that if a new contract was not adopted and approved by the time the legislature adjourned in a couple of months, the bargaining unit would need to wait until 2025 to revisit the negotiations. He hoped that the legislature would include all important contractual items in the budget prior to adjournment. He asked for reassurance that contracts were moving along.

Mr. Issacs responded that DPLR resided within CAS. He was hesitant to speak beyond his knowledge, but he was certain

that a resolution to the bargaining unit contract negotiations was desired. He would pass along Representative Josephson's comments and concerns to CAS leadership and he would provide any responses from CAS to Representative Josephson.

Representative Josephson thought that the information would be interesting and educational and would help offer context on the overall budget.

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RECONVENED

^OVERVIEW: DEPARTMENT OF MILITARY AND VETERAN'S AFFAIRS
FY25 BUDGET

[2:21:23 PM](#)

CRAIG CHRISTENSON, DEPUTY COMMISSIONER, DEPARTMENT OF MILITARY AND VETERAN AFFAIRS, introduced the PowerPoint presentation "FY2025 Operating Budget Overview" dated February 27, 2024 (copy on file). He advanced quickly through slide 2 of the presentation, which included the mission of the Department of Military and Veterans' Affairs (DMVA). He continued to slide 3 and offered an overview of the way in which leadership was organized within DMVA. The department was led by Commissioner Torrence Saxe who was also the Adjutant General. Underneath the commissioner were two organizations that operated independently: the Alaska Aerospace Corporation (AAC) and the Alaska Wing Civil Air Patrol (AWCAP). As the deputy commissioner, Mr. Christenson reported directly to Commissioner Saxe, and all of the divisions within DMVA reported directly to Mr. Christenson.

Mr. Christenson relayed that the Alaska Naval Militia (ANM) was slightly different than the Alaska State Defense Force (ASDF) in that ANM included reservist members of the Navy and Marines and a small number of retirees. Comparatively, ASDF was not associated with the military and was comprised entirely of volunteers. He shared that ANM had about 50 members and ASDF had approximately 230 members. The Air National Guard and Army National Guard totaled approximately 4,000 members. There were two divisions that

reported directly to the Army and Air National Guards that contained state employees who supported the two entities.

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Representative Hannan asked whether the DMVA commissioner was always the adjutant general.

Mr. Christenson responded in the affirmative.

Co-Chair Johnson asked if her understanding was correct that there was a vacancy within AAC.

Mr. Christenson replied that the CEO position had been filled earlier in the week. The new CEO was Colonel John Oberst, who had previously retired. There were some other vacancies within AAC as well.

Co-Chair Johnson asked who was responsible for hiring for AAC.

Mr. Christenson responded that the hiring of the CEO was the responsibility of the board of directors and the CEO was responsible for hiring other employees.

Representative Stapp understood that the Army was presently facing many challenges. He asked if there had been any conversation about augmenting ASDF to assist in the new model of Arctic security.

Mr. Christenson replied that ASDF had about 150 members in 2018 and had about 230 members in 2024. The department was hoping to expand ASDF to about 275 members by 2025. He noted that ASDF had about 13 detachments in 2018 and it currently had about 23 detachments and aimed to increase the number by four within the next year. He shared that the goal was to expand ASDF into more rural communities with five or more members dedicated to each rural community. The members would be individuals who lived in the communities and understood the people and the culture of the community. The system had worked well in the past because when a larger military presence was needed in rural communities in a situation such as a natural disaster, there were already knowledgeable members on the ground who could help streamline the process.

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Representative Galvin understood that ASDF currently had 23 detachments and 230 members. She thought the group numbers seemed small for a state as large as Alaska. She asked for more information on how the small groups functioned.

Mr. Christenson responded that the goal was to eventually increase the force to 500 members. He explained that the department was looking to expand ASDF in small increments because it seemed to be a more realistic goal. A team of five members was adequate in many of the smaller rural villages due to the size of the community. He relayed that ASDF had successfully provided the necessary assistance in response to wildfires, floods, and other natural disasters.

Representative Galvin asked if there was some integration already happening between ASDF and the Army and Air National Guards and whether there was a desire to expand the integration.

Mr. Christenson replied in the affirmative. By statute, ASDF was required to augment the Army and Air National Guards. He noted that ASDF primarily augmented the Army and it was fully integrated into its role.

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Mr. Christenson continued on slide 3 and relayed that Veterans Affairs (VA) connected over 70,000 veterans in the state with benefits that were earned during military service. The Alaska Military Youth Academy (AMYA) provided education to children aged 15 through 18 who were at risk of not graduating from high school. In 2024, the academy had returned to its pre-pandemic graduation rates and was back on track. He added that the Administrative Services Division (ASD) supplied support to the other divisions and Homeland Security and Emergency Management (HSEM) assisted during disasters.

Mr. Christenson indicated that DMVA was requesting a few new positions within the department, and the cost was often considerable. He noted that the general fund request for the positions was not as high as it appeared because there was ample opportunity for federal funding. He shared that Commissioner Saxe was proud of the department's reduced vacancy rate and the efforts the department had made to improve the rate. He reported that the vacancy rate was

presently at 5.3 percent throughout the department. He offered reassurance that there were processes in place to ensure that the divisions would not increase the vacancy rates. He had found that putting the onus on the directors to maintain the vacancy rates and encouraging proactive recruitment had been a successful strategy. He noted that AAC was not included in the vacancy rates because DMVA was not responsible for hiring within AAC.

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BOB ERNISSE, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF MILITARY AND VETERAN AFFAIRS, continued the presentation on slide 4. He relayed that the intent of the slide was to show a high-level budget comparison between the FY 24 actuals and the FY 25 governor's request. Overall, the UGF request in the budget had remained consistent over the years apart from a couple of exceptions. One of the exceptions was the UGF increase in FY 23 due to the Alaska Public Safety Communication Services transferring from DMVA to the Department of Public Safety (DPS). The other exception was an increase in the FY 25 budget request, which he would review in subsequent slides.

Mr. Ernisse advanced to slide 5, which showed the budget request for AMYA. In 2023, the department was able to utilize additional federal funding for the academy and was able to take a decrement in UGF; however, there was a 75 percent to 25 percent split required in order to be awarded the federal dollars. The first budget request was for UGF in order to meet the 25 percent split requirement. The second request was for \$631,000 for the purpose of operational costs associated with increased class sizes and inflation. When the department took the decrement in 2023, the legislature put a one-time increment back in the budget to fund the increased operational costs. The request was for the one-time increment to become a permanent part of the budget. The second request was for two AMYA coordinators as the case manager to pupil ratio was not up to standard.

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Mr. Christenson added that the coordinators were similar to guidance counselors at high schools. He explained that the addition of the two positions would ensure that AMYA was adhering to the National Guard's ratio standards.

Representative Hannan asked how many staff were currently employed by AMYA and how many students were currently attending the academy.

Mr. Ernisse would follow up with the information.

Mr. Christenson shared that AMYA graduated 126 students in its most recent class and roughly two classes per year graduated. There were approximately 70 staff members. He would provide the exact numbers to the committee.

Mr. Ernisse responded that there were 71 employees.

Representative Hannan asked if a graduate was an individual who had graduated from the academy or an individual who had graduated from high school.

Mr. Christenson responded that he was referring to individuals who had finished the course of instruction at the academy and not necessarily the individuals who had graduated from high school. He explained that some students completed their GED through AMYA while others returned to their public high school after a period of time at AMYA. Of the 198 students who had attended the academy in the last year, 30 students had earned a diploma and 123 had earned a GED. The class sizes over the last year were smaller than normal due to the pandemic but the numbers had since recovered.

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Mr. Ernisse continued on slide 6 and detailed the changes within HSEM. He explained that the FY 25 operating budget request included the addition of three new employees. The work was currently being done by contractors and the state was paying the contractors at a 174 percent higher rate than it would be paying state employees. All of the funding for the positions would be from disaster relief dollars and other money received from the Federal Emergency Management Agency (FEMA).

Representative Stapp asked if benefits and retirement were included when comparing the cost of contractors and state employees.

Mr. Ernisse responded that the comparison included retirement and benefits.

Representative Galvin understood that the plan was that the employees would address natural emergencies and that contractors were currently hired to do the work. She asked if the same level of training would be provided to state employees that was provided to contractors.

Mr. Ernisse responded in the affirmative.

Mr. Ernisse continued to slide 7 and explained that there was a request for a program manager position within the Office of the Commissioner. There was an additional request for \$261,000 to expand the operations of ASDF, ANM, and AWCAP in order to improve emergency responses.

Mr. Christenson added that the department was asking for a program manager because there was a group of volunteers that was receiving administrative support from ASD. The department would like to see a state employee with the authority to approve purchases perform the administrative work currently done by ASD. The process would be more seamless if one employee with a high-level of authority was performing the work rather than a group of administrative support personnel. The second ask for \$261,000 was primarily to purchase high-frequency radios to allow for increased communication streams during disasters in rural communities. The funding would also pay for technological support, survival equipment, uniforms, lodging, utilities, training and certifications, recruitment and community engagement travel, fleet vehicles, and other equipment and supplies.

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Representative Hannan noted that some of the items were described as equipment and others were described as support. She asked if the funding would become part of the base budget because it was not a capital item.

Mr. Christenson responded that the funding would be added to the base. He explained that the department was expanding, and the need was expanding with it.

Mr. Ernisse continued on slide 8, which included a request for a Systems Programmer II position within the Office of

the Commissioner. The employee would focus on cybersecurity to reduce the risk of data breaches and increase emergency preparedness. The employee would be able to help a community respond as quickly as possible to a disaster.

Representative Hannan asked how cybersecurity currently operated. She understood that cybersecurity was provided by DOA for all other departments.

Mr. Ernisse replied that the position would be within DMVA and would be eligible to receive federal funding. If the position remained within DOA, it would continue to be ineligible to receive federal funding. Within DMVA, the position would be able to collaborate directly with HSEM. He thought it made more sense to be in HSEM because DOA was more focused on working with state workers and operations as a whole. The position being within DMVA would make it easier for the employee to work with communities during cybersecurity disasters.

Mr. Ernisse continued on slide 9 and indicated that the next request was for an Accounting Technician II within the Office of the Commissioner. He noted that the position would be eligible for federal funding if it was within DMVA. The position would help support increased travel needs for the Army due to maintenance requirements for aging armories around the state. There had also been an increase in travel needs for the purpose of recruiting and training related to organized militia, and the position would help support the increased workload. The addition would allow for more timely processing of travel related costs.

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Mr. Ernisse continued on slide 10 and relayed that there was an additional request for a Procurement Specialist III within the Office of the Commissioner. The work that would be done by the specialist was previously done by an Army guard employee; however, the work done by the specialist would be contractual work for other divisions and could jeopardize DMVA's ability to receive federal funding. He stressed that the position was required to address increasing procurement needs associated with construction projects without threatening the department's federal funding.

Co-Chair Johnson appreciated the effort to fund positions with federal monies when possible.

Representative Galvin asked if there was a coordination effort between the various military entities. She wondered if the National Guard had indicated that it would like help.

Mr. Christenson asked for clarification whether Representative Galvin was referring specifically to the Procurement Specialist III or to the larger picture.

Representative Galvin responded that she was talking about the big picture.

Mr. Christenson replied that in the past, the federal government and the state were pitted against each other and the various entities within DMVA were very separate. Presently, the commissioner had worked hard to eliminate disconnectedness and every military entity was now considered part of DMVA. There were separate funding streams, but the entities within DMVA were now interacting in a more unified manner.

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Mr. Ernisse continued on slide 11 and the request for \$100,000 in general funds to address the rising costs of IT infrastructure. Unlike the rest of the state, DMVA's data center and servers were housed locally within the Joint Base Elmendorf-Richardson (JBER). The data center contract renewal was set to occur in 2025 and the department had identified that there were rising costs associated with the data center. The second request on the slide was for \$200,000 in general funds for tuition assistance for members of the National Guard and ANM. The tuition assistance would be applicable for the University of Alaska and other educational opportunities within the state.

Mr. Ernisse concluded the presentation on slide 12.

Co-Chair Johnson reviewed the agenda for the following day's meeting.

ADJOURNMENT

2:57:21 PM

The meeting was adjourned at 2:57 p.m.