

SENATE FINANCE COMMITTEE  
March 29, 2023  
9:01 a.m.

[9:01:46 AM](#)

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 9:01 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Donny Olson, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Click Bishop  
Senator Jesse Kiehl  
Senator Kelly Merrick  
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Tim Grussendorf, Staff, Senator Lyman Hoffman.

PRESENT VIA TELECONFERENCE

Pat Pitney, President, University of Alaska; Anita Halterman, Appointee, Alaska Mental Health Trust Authority (AMHTA).

SUMMARY

SB 107 PERMANENT FUND DIVIDEND; POMV SPLIT

SB 107 was HEARD and HELD in committee for further consideration.

CONFIRMATION OF GOVERNOR'S APPOINTEE: ANITA HALTERMAN,  
ALASKA MENTAL HEALTH TRUST AUTHORITY

UNIVERSITY OF ALASKA - FY 24 OPERATING and CAPITAL

SUBCOMMITTEE OF THE WHOLE

[9:02:02 AM](#)

^UNIVERSITY OF ALASKA - FY 24 OPERATING and CAPITAL  
SUBCOMMITTEE OF THE WHOLE

[9:02:23 AM](#)

PAT PITNEY, PRESIDENT, UNIVERSITY OF ALASKA (via teleconference), discussed a presentation entitled "University of Alaska - Empower Alaska," (copy on file).

President Pitney looked at slide 2, "University of Alaska - Alaska's System of Higher Education," which showed a map of the state with the three universities and community campuses in the state. She noted that the system offered a breadth of programs from workforce credentialing to doctoral degrees.

[9:04:27 AM](#)

President Pitney spoke to slide 3, " Overview":

- Context
- FY24 Budget Summary
- FY24 Operating & Capital Budgets
- Appendix
  - oLegislative Priorities
  - oFY23 Initiatives Update
  - oFY23 Supplemental
  - oFiscal Context

[9:04:50 AM](#)

President Pitney referenced slide 4, "Budget Context," which showed pictorial representations of the challenges faced by the system: Job Openings Near All-time High, Population Declines, Inflation, Oil Prices, Transition from federal COVID to Infrastructure Funding, Nationwide Drop in High School Graduates, Value of Going to College, and College Enrollment. She stressed that UA was uniquely positioned and was the largest workforce provider in the state. She mentioned the challenges of inflation, down trending oil prices, and transitioning from federal COVID funding to infrastructure funding. She was pleased that current college enrollment was trending up.

[9:06:47 AM](#)

President Pitney turned to slide 5, "Enrollment Highlights,":

Spring 2023 Enrollment:

- Headcount up 3 percent over Spring 2022. First year-to-year increase in 10 years.
- Significant enrollment increases at most Community Campuses, the UAA and UAF Community and Technical Colleges and the UAS School of Career Education
- More students in classes and return to face-to-face instruction, but there are more online options for students across the UA system than pre-COVID

Dual enrollment:

- In FY22, more than 2,300 high school students were enrolled in a University course an increase of 10% over FY21.

UA Scholars:

- As of February 1, 48 percent of eligible UA Scholars secured their award by applying to UAA, UAF or UAS an increase of 11% percent over 2022.

Teacher Preparation

- Re-established BA in Early Childhood Education at UAA
- Pilot program to provide financial support for students in teaching internships

Healthcare

- Expansion of the Nursing program
- Pilot program to provide financial support for students in clinical programs

Alaska in the national context

- Fall 2022 enrollments were down 1.9 percent nationwide, and Fall enrollment across UA was similar
- The average debt of University of Alaska graduates and the percentage of graduates with debt is below the national average.

President Pitney noted that the current year was the first year in the previous nine years that UA was not facing a significant budget reduction. She emphasized the need for stability. She shared that UA had the goal of raising the number of dual enrollment students to 3,600. She explained

that dual enrolment meant that high school kids were taking college classes for both high school and college credit.

[9:09:36 AM](#)

President Pitney considered slide 6, " UA Priority Focus Areas," which listed UA priority focus areas.

[9:09:49 AM](#)

President Pitney displayed slide 7, " Empower Alaska Campaign."

President Pitney highlighted slide 8, " FY24 Budget Summary Status Quo (maintain stability),"

- FY24 Status Quo Operating Budget

- o Maintain Stability -\$24.5 million (8.5% increase)
  - o \$6.5 million -FY23 supplemental compensation (also need in the FY24 base budget)
  - o \$13.2 million (\$15.8 million total) FY24 compensation increase
  - o \$4.8 million unavoidable fixed cost increases
    - o Cyber Security
    - o Insurance Premiums
    - o Emergency Response & Disability/Health Services
    - o Student library digital access
    - o Shared Services -HR & Procurement

- FY24 Capital Budget

- o#1 Facilities Modernization -\$2 million space renovation for WWAMI expansion
- o#1 Deferred Maintenance/Renewal & Repurposing - \$17.5 million UAA facility systems

President Pitney said that the \$13.2 million compensation increase covered the 2.75 percent negotiated agreement for faculty and a 2.5 percent request for staff as well as an increase in the pension wage base from \$42,000 to \$52,000 per year. She said that the increased pension wage base equated to a \$700 per year, per person, increase in pension contribution. She relayed that the UA paid 6.8 percent for a wage base up to \$42,000 and an increase up to \$52,000, which was still one-third of that state employees enjoyed. She said that the negotiated increases were "very modest".

She said that all the compensation requests could be found in the governor's amended budget. She discussed the \$2 million capital request in the governor's budget for the expansion of the Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) Program. She noted it would raise the cohort from 20 to 30 students.

[9:15:24 AM](#)

Senator Wilson asked about insurance premiums and wondered whether there had been a cost analysis for switching UA employees to the state insurance program.

President Pitney clarified that the insurance premiums and unavoidable fixed cost was associated with UA's property insurance. She recounted that when she took her position in 2020, one of her first actions was to investigate whether it made sense for UA to go into AlaskaCare. She cited that the 5 percent increase in the FY 24 budget was the first increase in 6 years. She said that research had shown that it would cost the UA system more to switch to AlaskaCare than to stay with their current insurance plan.

[9:17:40 AM](#)

President Pitney looked at slide 9, "FY24 Budget Summary Moving Forward (advance key priorities)":

- FY24 Operating Budget -\$7.2 million
  - o\$2.0 million unavoidable fixed costs (facilities maintenance, commodities and contractual services)
  - o\$5.2 million programs to build capacity for Alaska's workforce
- FY24 Capital Budget
  - o\$54.8 million DM/R&R
  - o\$19.2 million Facility Modernization
    - o UAA College of Health and Library Learning Commons
    - o UAF Student Engagement Center
    - o UAS Lab Consolidation
- Economic Development: Research/Workforce Training Programs (continuation)
  - o UA Drone Program Year 2 -\$20 million (\$10 million in Governor's Proposed Budget)
- Revenue Assumptions

- o \$900 million total budget authority, \$523 million (58%) is from unrestricted sources
  - \$320 million in state general funds and \$203 million unrestricted earned revenue
- o FY24 UA expects a net \$3 million increase in unrestricted earned revenue
  - Assumes additional state support for programs
  - \$1 million in tuition and fee revenue as enrollment stabilizes
  - \$2 million in other unrestricted earned revenue, such as interest income, university receipts, and indirect cost recovery (from competitive externally funded research projects)

President Pitney cited the main goal of keeping the financial stability that was shown on slide 8.

[9:22:15 AM](#)

President Pitney showed slide 10, "FY24 Operating Request."

President Pitney advanced to slide 11 and addressed a table showing the UA FY 24 operating budget. She noted that the first subset of information after the FY 23 management plan was the UA Board of Regents budget request. The second subset of information was the governor's amended request. She noted that the status quo subtotal of \$24 million, a total increase of \$28 million, and the additional items moving forward added another \$7 million in general funds.

[9:23:43 AM](#)

President Pitney looked at slide 12, "UA Operating Budget State Reports," which showed a table depicting a table of expenditure and revenue trends through FY24. She said she would follow up on questions offline.

[9:24:29 AM](#)

President Pitney showed slide 13, "FY24 Compensation," which detailed the compensation request. Co-Chair Hoffman asked about the vacancy rate at UA the previous year.

President Pitney recalled that UA had been in a budget reduction mode for 8 years, The attrition was one of the significant keys for UA to meet its budget reduction requirements. She continued that prior to this year's budget stability, vacancy rates had not been monitored. She cited issues with hiring like other organizations in the state. She did not have an exact number.

President Pitney relayed that the remainder of the presentation was details about the summaries she just provided.

[9:26:39 AM](#)

Senator Bishop mentioned Maritime Program Coordinator in Ketchikan, which was working with AMHS to fill gaps in the fleet. He wanted to discuss the Construction Manager Program in Fairbanks, which he knew was an important program for contractors in the Fairbanks area. He asked for a status update on the two programs.

[9:27:42 AM](#)

Co-Chair Stedman inquired about the lack of capital budget for deferred maintenance. He asked about what might be added to the budget to prevent erosion of UA's assets.

President Pitney turned to slide 21, "Capital Budget DM/R&R Funding History - Unrestricted General Funds & Backlog," and mentioned that for the previous 20 years a target had been set of \$50 million in an annual deferred maintenance request. She recounted that the \$72 million total in the FY24 budget includes last year's the remainder of \$50 million, plus this year's \$50 million. She noted that if UA had \$50 million per year in a planned fashion, deferred maintenance could be kept under control and reduced.

Co-Chair Stedman wanted to hear more about WWAMI and the 10-student increase.

President Pitney went to slide 15, "WWAMI Program," and mentioned the applications for incoming class for FY 24, which had already been accepted. She said that the \$1.6 million request through APCE would cover the difference between instate graduate tuition and the out-of-state tuition. She said that the 24 students in the program had already been approved and that the funding was critical.

[9:31:57 AM](#)

Co-Chair Hoffman thought there was great support in the legislature for the WWAMI Program. He asked for President Pitney to provide a ten-year history of where student in the program went on to practice. He thought there was some concern that there was no linkage or requirement that WWAMI graduates go on to practice in Alaska. He lamented that the state needed medical professionals. He asked President Pitney for recommendations on how to get student who graduate from medical school under the program to then practice in Alaska.

President Pitney thought that 70 to 80 percent of the students returned to work in the state.

Co-Chair Hoffman understood that was over the last 10 years.

President Pitney answered affirmatively. She thought that there was a built-in insurance policy for the state, as a student too advantage of the program who chose not to return to Alaska to practice, had to pay back the tuition difference.

Co-Chair Hoffman asked if President Pitney could provide more detailed information.

President Pitney agreed to provide further information.

[9:33:59 AM](#)

Co-Chair Olson referenced the jump from 20 to 30 students in the WWAMI Program and asked about the progression from 20 to 30 students.

President Pitney shared that UA planned to go directly to 30 students, and the clinicals were being considered with 30 students in mind and starting in FY25.

Co-Chair Olson asked about the make-up of the admissions committee.

President Pitney replied that she would need to get back to the committee with the information.

Co-Chair Olson wondered how many Alaskans were on the admissions committee.

Co-Chair Hoffman relayed that his office had received interest in the Family Practice Residency Program. He said that there was interest in having those programs closer to home. He pondered how to come up with competitive grants to bring the program to different parts of the state.

[9:36:40 AM](#)

Senator Wilson wondered about the teacher practicum teaching program. He understood that the program would allow students to attend a teaching program tuition free for two years, receive a \$2000 stipend, and have student loans forgiven if they taught in a rural area of the state for 3 years. He wondered whether the program was cost effective. He spoke about a \$7 million for the mariculture program. He wondered whether the programs were financially responsible.

President Pitney stated that the plan of building a \$100 million mariculture industry for the state had been in discussion for a long time. She noted that there was information further in the presentation about the progress of the funding.

[9:39:15 AM](#)

Senator Wilson relayed that he could get in touch offline with additional questions.

[9:39:24 AM](#)

President Pitney thanked the committee for focusing on UA, which she considered the best investment for the state workforce. She cited that 80 percent of graduates made their lives in the state.

Co-Chair Hoffman handed the gavel to Co-Chair Olson.

[9:41:23 AM](#)

AT EASE

[9:45:35 AM](#)

RECONVENED

^CONFIRMATION OF GOVERNOR'S APPOINTEE: ANITA HALTERMAN,  
ALASKA MENTAL HEALTH TRUST AUTHORITY

[9:45:39 AM](#)

Co-Chair Olson relayed that the committee would consider Anita Halterman as an appointee to the Alaska Mental Health Trust Authority Board.

[9:45:59 AM](#)

ANITA HALTERMAN, APPOINTEE, ALASKA MENTAL HEALTH TRUST AUTHORITY (AMHTA) (via teleconference), discussed her background. She had initially sought a position on the board at the request of her employer. This would be her first full term as an appointee. She spoke of her application process for the role. She detailed her various positions on the board. He said that she eventually became chair of the board and has learned a great deal during her time with the board. She mentioned that she had spent some time working in the legislature.

[9:49:04 AM](#)

Ms. Halterman discussed her personal history and exposure to mental illness and living in the foster system. She had lived in Eagle River for over 28 years. She had spent the previous seven years working in the Department of Health and Social Services. She cited her time as a Medicaid analyst where she drafted fiscal notes. She shared her personal connection to mental health and addiction issues. She stressed her desire to provide services and support to trust beneficiaries. She cited that her exposure to budgets and program funding had increased her effectiveness as a board member.

Ms. Halterman noted that she had prioritized her work on the board over other employment. She looked forward to continuing to serve trust beneficiaries. She thanked the committee for its consideration and hoped to continue to work to improve the lives of trust beneficiaries.

[9:53:08 AM](#)

Co-Chair Olson queried Ms. Halterman's postsecondary education.

Ms. Halterman relayed that she had received an associate degree from the University of Alaska Anchorage; her Bachelor's Degree from Wayland Baptist University; and her master's degree from Wayland Baptist University.

Co-Chair Olson asked about her area of study at university.

Ms. Halterman stated that she had received business degrees with an emphasis in healthcare administration.

[9:54:16 AM](#)

Senator Merrick thanked Ms. Halterman for sharing her personal story, and thought Eagle River was lucky to have Ms. Halterman in the community.

Co-Chair Olson agreed.

[9:54:48 AM](#)

Co-Chair Stedman MOVED to forward the nomination of Anita Halterman as a member of the Alaska Mental Health Trust Authority Board to a joint session of the legislature. The action did not reflect an intent by any member of the Senate Finance Committee to vote for or against the confirmation during any other sessions.

[9:55:18 AM](#)

AT EASE

[9:57:36 AM](#)

RECONVENED

#sb107

SENATE BILL NO. 107

"An Act relating to the Alaska permanent fund; relating to income of the Alaska permanent fund; relating to the amount available for appropriation and appropriations from the earnings reserve account; relating to the permanent fund dividend; and providing for an effective date."

[9:57:41 AM](#)

Co-Chair Olson relayed that the committee would consider a Committee Substitute (cs).

Co-Chair Hoffman MOVED to ADOPT proposed committee substitute for SB 107, Work Draft 33-LS0349\Y (Nauman, 3/27/23).

Co-Chair Stedman OBJECTED for discussion.

[9:58:36 AM](#)

TIM GRUSSENDORF, STAFF, SENATOR LYMAN HOFFMAN, announced that the initial legislation contained a solid foundation for the committee to build upon, maintaining the belief that the 75/25 POMV split was a split that would pencil out and hold up over time with the current assumptions. He explained that the new CS offered a 50/50 POMV split if certain revenue conditions were met. He noted that the first change in the bill was found on Page 2, new Section 3, which allowed for the 50/50 split. The second change was located on Page 4, new Section 9(a), which offered a conditional effect; If \$900 million in new revenue was achieved, Section 3 would take effect. He furthered that new Section 9(b) set the date for Section 9(a) trigger of December 1, 2026. He said that Section 10 clarified that the new revenue had to be in the bank and not an estimation. Section 11 set the effective date for FY25. He said that the bill did not set the dividend for FY24. He stated that 75/25 would be in effect for FY 25 and FY 26 and a 50/50 could be possible in FY 27 if the conditions were met. He relayed that there was an update revenue forecast to draw assumptions from. He noted the issue of increased funding for the base student allocation (BSA) and the future effects of inflation on the POMV draw.

[10:02:25 AM](#)

Mr. Grussendorf spoke to a document entitled "Review of Committee Modeling Assumptions," (copy on file). He turned to page 3, which showed the model Senate Finance baseline budget with 25 percent POMV to the permanent fund dividend (PFD).

Mr. Grussendorf advanced to slide 4, which showed a model with the assumption of the \$900 million being achieved for FY27, with no other new revenue coming in between FY24 and FY26. He noted that in FY27 the Constitutional Budget Reserve (CBR) draw was reined in, but earlier on the CBR would grow at a modest rate. He shared that there would be some surplus in the first three years.

[10:03:55 AM](#)

Mr. Grussendorf showed slide 5, which portrayed a slow new revenue build up to the \$900 million mark by FY27.

[10:05:11 AM](#)

Senator Merrick asked if the CS essentially raised revenue to pay a larger PFD.

Mr. Grussendorf replied in the negative.

[10:05:43 AM](#)

AT EASE

[10:06:01 AM](#)

RECONVENED

Co-Chair Stedman WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered.

Co-Chair Hoffman commented that the intent was for the committee to review the legislation and take public comment. He thought the bill would set in place the 75/25 split for the foreseeable future and if adopted the conversation would continue about how the state could get to a 50/50 split. He believed that oil tax structure legislation currently in play could bring in revenue as well as some legislation related to carbon capture. He added that there was legislation in the building that would raise between \$50 and \$80 million through an internet fee. He thought all the bills could bring in additional revenue.

[10:09:51 AM](#)

Senator Wilson had questions about the bills at play meant to increase revenue and whether the new fields or wells would count as new revenue and if the modification of the slider in statute would be considered new revenue.

Co-Chair Hoffman thought the bill proposed a change in law that allowed for an increase in revenue, which he would consider new revenue.

Senator Wilson reiterated his question about whether new fields being brought online would be considered new revenue to the state.

Co-Chair Hoffman thought the matter needed to be researched.

[10:11:07 AM](#)

Co-Chair Stedman thought the committee needed to discuss the CBR balance and the current minimum balance. He noted that the CBR was at \$2 billion and that the Legislative Finance Division (LFD) recommended a balance of \$3.5 billion. He considered some fiscal projections and thought it looked as though putting the 50/50 in place, and meeting the minimum threshold of \$900 million, by FY30 the POMV draw could limit the growth of the CBR. He believed that the minimum balance of \$3.5 billion should be strongly considered. He did not think that the state was in a strong financial position with only \$2 billion in the CBR. He believed that the \$900 million figure looked "a little light" and could be reconsidered. He considered the long duration of the projected timeline and stressed the need for further discussion.

[10:14:12 AM](#)

Co-Chair Olson asked whether Co-Chair Hoffman wanted to comment on Co-Chair Stedman's remarks. He asked specifically about the recently approved Willow Project, which was projected to generate revenue for the state in the next decade.

Co-Chair Hoffman referenced Senator Wilson's question about what should be considered new revenue. To Co-Chair Stedman's point, he thought the CBR balance was important, but not as important as coming up with a solution surrounding the PFD. He thought there would be a lot of debate about what the dividend should be in the current fiscal year. He cited that the other body had already proposed a 50/50 split in the operating budget. He thought the 50/50 split would cripple the state financially within 3 years and jeopardize other programs. He feared that not having the necessary revenue to meet whatever number split was decided upon would lead future legislatures to ignore the law, as was the current practice with the current statute governing the 5 percent POMV draw. He considered that it had not been the intention of the legislature to ignore the statute but that that was what had happened. He strongly believed that the PFD should be addressed within the fiscal year and noted that all spending discussions

within the legislature eventually came down to the question of what the payout of the dividend should be. He argued for a long-term solution to the issue of the dividend split and an end to the reoccurring arguments on the matter.

[10:18:53 AM](#)

Co-Chair Stedman referenced the concern about the minimum CBR balance. He argued that a fiscal package that included the 50/50 split would gain nothing for the state and would leave the state on precarious fiscal footing. He stressed that it was only a matter of time before oil prices dropped and the state was unable to meet its financial obligations.

[10:19:48 AM](#)

AT EASE

[10:20:16 AM](#)

RECONVENED

Senator Bishop wanted to discuss the capital budget.

[10:20:50 AM](#)

Senator Bishop referenced a document entitled "Capital Budget Estimate," (copy on file). He spoke of the shock he felt when he first began work in the Palin Administration and was told of a \$1.2 billion deferred maintenance schedule. He referenced United States Senator Lisa Murkowski's most recent state-of-the-state as well as a speech by the late Senator Stevens that warned that the days of earmarked funds on the federal level were numbered. He mentioned the IIJA but noted that those funds had a limited lifetime.

Senator Bishop considered figures on the capital budget estimate document.

[10:24:08 AM](#)

Senator Bishop read from the prepared document:

**Capital Budget estimate**

200\$ State Match for federal funds

Most likely will increase as more IIJA grants are put forth.

125\$ Department-wide Capital Rebuild/replace dilapidated buildings/equipment.

Based on GOV current budget of \$303m minus the match, rounded up

75\$ Department-wide Initiatives, New Builds, New Equipment

For NEW GOV initiatives, i.e. Statehood defense, DPS initiatives, F&G research.

155\$ 2% Deferred Maintenance

2-4% rule to avoid accruing new Deferred Maintenance, the 2% figure would halt the backlog from growing, but not address the \$2.2B Backlog (4% would be \$310m)

50\$ AEA Bulk Fuel Deferred Maintenance backlog of \$800m per AEA in 2021 Annual Report

100\$ University DM

Priority list typically is \$50-75m. Current Backlog is over \$1.5B.

Following the 2-4% rule would be \$98-196m - per year.

50\$ School Major Maintenance

Current FY24 list is \$413.5m. List is recurring yearly.

50\$ School Construction

Current FY24 list is \$195.6m. List is recurring yearly.

20\$ Legislative Adds

Estimated based on \$1m per Senate District. Potentially a low estimate, for example last year the State put match forward for Port of Nome, Army Corps projects.

825\$ million - total

\*Gov proposed Cap budget of \$303m does not include:

University DM

School Major Maintenance

School Construction

Harbor Matching Grants

State supported match for Muni's who received federal BUILD grants, or the like

Co-Chair Bishop thought the Capital Budget items should be part of the conversation.

[10:26:25 AM](#)

Co-Chair Stedman asked whether the request for discussion was about increasing the \$400 million for the Capital Budget in the LFD modeling in the presentation.

Senator Bishop responded that his intention was to highlight that the \$400 million was not going to cover many of the estimated Capital Budget projects.

[10:27:27 AM](#)

Senator Kiehl appreciated Senator Bishop's additional information regarding capital needs. He thought additional modelling including a BSA increase would be helpful. He thought it was reasonable to model with additional education spending in the Operating Budget. He agreed with Co-Chair Hoffman that SB 107 stabilized both state revenue and state spending.

[10:29:36 AM](#)

Co-Chair Hoffman noted that there was \$400 million included in the modelling and wondered whether that number was adequate. He suggested that the committee needed to discuss various ways of looking at the problem.

[10:30:53 AM](#)

Co-Chair Hoffman commented that the legislation did not limit the committee from exploring other revenue measures. He commended Senator Bishop for coming up with an alternate revenue measuring with the Education Raffle and the Fuel Tax Measure. He stressed that not all new revenue measures had to be in the form of taxes. He felt that it was important that the other body have adequate time to consider the legislation before the end of the legislative session.

[10:33:07 AM](#)

SB 107 was HEARD and HELD in committee for further consideration.

Co-Chair Olson discussed housekeeping.

#

ADJOURNMENT

10:33:39 AM

The meeting was adjourned at 10:33 a.m.