

SENATE FINANCE COMMITTEE
February 20, 2024
9:48 a.m.

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CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 9:48 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

Chad Hutchison, State Director of Government Relations, University of Alaska.

PRESENT VIA TELECONFERENCE

Pat Pitney, President, University of Alaska.

SUMMARY

^UNIVERSITY OF ALASKA - FY 25 BUDGET REQUEST
SUBCOMMITTEE OF THE WHOLE

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Co-Chair Hoffman relayed that it was the first hearing on the University of Alaska's FY 25 budget. He related that the UA president was online.

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CHAD HUTCHISON, STATE DIRECTOR OF GOVERNMENT RELATIONS, UNIVERSITY OF ALASKA, introduced himself.

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PAT PITNEY, PRESIDENT, UNIVERSITY OF ALASKA (via teleconference), discussed a presentation entitled "University of Alaska - Empower Alaska - 33rd Legislative Session, Financial Overview, UA Senate Finance Subcommittee - February 20, 2024" (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 indicating locations of University of Alaska (UA) campuses. She reminded the committee that UA had three unique universities including a research university in Fairbanks (UAF), a comprehensive urban university in Anchorage (UAA), and a regional experiential-based learning university at the University of Alaska Southeast (UAS) with its main campus in Juneau. She noted that each of UA's universities had community campuses that reached from Ketchikan to Kotzebue.

President Pitney spoke to slide 3, "Overview":

- Board's Roadmap to Empower Alaska
- Enrollment and Program Highlights
- FY25 Budget Request
- Fiscal Summary
- FY25 Operating Budget
- Legislative Priorities
- Appendix
 - FY24 Supplemental
 - Economic Development Project Updates
 - FY25 Capital Budget

President Pitney noted that the board was relatively new, with six incoming members in the previous two years. She expressed appreciation for the board's engagement.

President Pitney referenced slide 4, "Roadmap to Empower Alaska":

The Board of Regents' "Roadmap to Empower Alaska" is a new robust plan for UA to advance Alaska's economy through education, workforce development, research, and strong partnerships across the state.

Three pillars represent the long-term vision for UA. They are framed by guiding principles and achieved through the implementation of priority strategies to meet Board-established system goals and through well-defined university/system office missions, roles, and goals.

- Financially Responsible and Future-Focused - efficient and responsive with diversified funding focused on growing enrollment and research to meet Alaska's workforce and economic needs
- State and Arctic Leadership - innovative and essential to education, research, workforce, and economic development; lead the nation in advancing the US role in the changing Arctic
- Quality Education and Reputation - reputation for providing high-value, high-quality education, research, and service; known as innovative and responsive 'jewels' in the state

President Pitney commented on the importance of the state's presence in the Arctic as the area became a central focus globally. She commented on UA's growing reputation and cited that in the current year the first-time freshman class enrollment was up 16 percent.

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President Pitney turned to slide 5, "Roadmap to Empower Alaska":

Board of Regents priority strategies:

- Increasing Recruitment, Graduation, and Retention
- Sustaining Facilities Maintenance and Modernization Plan
- Achieving Cost-Efficient Operations
- UAF reaching R1 research status in 2027
- Empower Alaska Branding
- Building Arctic Leaders

President Pitney noted that the priorities listed on the slide were reflected in UA's budget request. She explained that the first priority was about financial stability. She noted that UAF reaching R1 research status was featured prominently in the budget. The status would move UAF into the highest classification of research universities nationally. The classification allowed for more

competitiveness and brought tremendous talent to the state, which would impact the state as a whole. She mentioned projects from Kodiak to Anchorage to Juneau to the North Slope and west coast of the state. She emphasized that the research expansion was about the state as a whole and bringing talent to the state as well as long-term research growth.

President Pitney continued her comments and avowed that UA would work to strengthen the branding and UA's reputation. She expressed excitement about the focus of the strategic priorities as well as the commitment of the board.

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President Pitney considered slide 6, "Enrollment Highlights":

Spring 2024 Enrollment

- Headcount up 4 percent and student credit hours up about 6 percent over Spring 2023, continuing sustained growth.
- Significant enrollment increases at UAA and UAF Community and Technical Colleges and the UAS School of Career Education.

Dual enrollment

- In FY23, almost 3,600 high school students were enrolled in a University course an increase of 20% over FY21.

Retention

- Freshman-to-sophomore retention is at a five year high.
- APS students seeking a 4-year degrees have an 85% retention rate.

Teacher Preparation

- BA in Early Childhood Education at UAA continues to grow enrollment (80 majors in Spring 2024).
- Pilot program awarded 63 scholarships to provide financial support for students in teaching internships in FY23.

Healthcare

- Expansion of the Nursing program ongoing.

- Pilot program for Clinical Health Placement provided awards to 278 students in FY23 and we are expecting to make approximately 400 awards in FY24.

Alaska in the national context

- Fall 2023 first-time freshman enrollments were down 3.6% nationwide, while UA first-time freshman enrollment increased 16% from the prior year.
- The average debt of University of Alaska graduates and the percentage of graduates with debt is below the national and WICHE averages and average wages post graduation are higher.

President Pitney discussed dual enrollment, which allowed for the state and the students to have more accessible and more affordable time to graduation. She mentioned high school students acquiring a two-year degree. She mentioned an appropriation two years previously that allowed for UA to support students engaged in student teaching. She summarized that UA was more affordable and offered students higher earnings with less debt than other universities.

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Senator Bishop asked President Pitney to address teacher preparation and wondered about outreach to indigenous teachers in rural Alaska. He asked how many Indigenous students in rural Alaska were part of the 63 scholarships that were awarded.

President Pitney offered to get back to the committee with more information about the 63 scholarships for students in teaching internships in FY 23. She mentioned the upcoming Educators Rising Conference in Juneau, wherein UA was working with K-12 schools across the state to work with students interested in education. She mentioned the Preparing Indigenous Teachers and Administrators for Alaska's Schools (PITAAS) Program, and culturally relevant instruction.

Senator Bishop noted that he reached out annually to the 10 rural school districts in his district. He noted that he had two video conferences with two school districts. He mentioned juniors and seniors in high school that were interested in becoming teachers, and asked Ms. Pitney to follow up with the relevant information.

President Pitney agreed to follow up with the information.

Senator Wilson mentioned dual enrollment and asked about the percentage of students that stayed with UA after graduation.

President Pitney cited that the most previous metric was about 50 percent, which was higher than the retention of non-dual enrolled students. She noted that UA was looking to increase the proportion of students that stayed with UA.

President Pitney displayed slide 7, "UAA Program Highlights":

UAA receives \$46M from the Department of Homeland Security

This 10 year award positions UAA to lead a consortium of U.S. academic institutions and partners for the newly established Arctic Domain Awareness Center (ADAC)-ARCTIC Center of Excellence (COE) for Homeland Security in the Arctic.

UAA's School of Social Work \$1.2 million Department of Education grant

The three-and-a-half year program developed by UAA's School of Social Work aims to graduate a cohort of 31 fellows who will increase school-based mental health service providers in high-needs schools with Anchorage School District (ASD) partner and community partners, Providence Alaska and the Volunteers of America Alaska (VOA), which currently operate programs addressing social work needs in K-12 education.

New Cooperation Between the University of Alaska Anchorage and Nord University

At the Arctic Circle Assembly in Reykjavik, Nord University and the University of Alaska Anchorage signed an agreement to strengthen the cooperation between the two Arctic educational institutions. The agreement recognizes the mutual benefits to be gained through cooperative programs promoting scholarly activities and international understanding.

LG Electronics, UAA Establish Consortium for Advanced Heat Pump Research

Addressing the growing worldwide interest in cold-climate heat pump technologies, the Consortium will

leverage the complementary expertise of technologists at LG Electronics, a global heat pump leader, and the College of Engineering at UAA and its highly regarded HVAC Lab.

President Pitney highlighted slide 8, "UAF Program Highlights":

ACEP and Partners Receive \$6 Million to Help Secure Electric Grids

The project aims to advance the nation's "smart grid"—a planned nationwide network that uses information technology to deliver electricity efficiently and securely. The five-year project is named "STORM: Data-Driven Approaches for Secure Electric Grids in Communities Disproportionately Impacted by Climate Change."

ACUASI Completes First Drone Flight from Nenana to Fairbanks International Airport

The Alaska Center for Unmanned Aircraft Systems Integration achieved the milestone when its Sea Hunter aircraft touched down at the Fairbanks airport's general aviation area at about 11:15 a.m. on Sept. 8, 2023, after making the 45-mile flight from Nenana. The flight was the first in Alaska of a drone departing one airport and arriving at a controlled airport.

FAA grants wide authority to UAF unmanned aircraft center

FAA's decision came just over two years after the state requested the waiver. Gov. Mike Dunleavy, U.S. Sens. Lisa Murkowski and Dan Sullivan, and the Alaska Department of Transportation and Public Facilities voiced their support for the waiver so that the industry could conduct research and development testing with minimal paperwork.

Alaska's Railbelt can shift to renewables, but that would require big capital investment

A report by UAF's Alaska Center for Energy and Power, found that by 2050 non-fossil energy can supply anywhere from 70% to 96% of the power needed to produce electricity along the Railbelt. The region comprises communities from Fairbanks in the Interior to Seward on the Kenai Peninsula, the corridor along the Alaska Railroad line that hold the vast majority of the state's population.

USDA Grant Strengthens Future of Agriculture Systems, Workforce

A five-year \$18 million grant awarded to UAF's Institute of Agriculture, Natural Resources and Extension (IANRE) will help prepare the next generation to take active roles in the country's agricultural sector. The grant will allow increased participation in important conversations surrounding changing climate and food systems.

President Pitney thought the highlights on the slide demonstrated a level of momentum that stability had brought to the institution. She considered that when there was a stable financial setting, UA leaders could work across industry with legislators and industry to advance solutions for the state.

President Pitney looked at slide 9, "UAS Program Highlights":

Coeur Alaska donates \$300,000 to the Environmental Science Endowment at UAS

In 1991 Coeur established an endowed scholarship at the University of Alaska Southeast now known as the Coeur Alaska -Kensington Gold Mine Environmental Science Award. Coeur Alaska has continued to donate additional funds to the endowment over the years and this fall they generously donated \$300,000 to the fund in support of UAS Environmental Science students.

UAS Ketchikan Acquires Dedicated Vehicle for the

Maritime Training Center

The UAS Ketchikan Maritime Training Center (MTC) is one of six members of the Alaska Maritime Education Consortium, working to address the maritime workforce needs across the state of Alaska. UAS Ketchikan has been training mariners for over thirty years. The UAS Maritime Training Center provides maritime programs that meet regional needs throughout Southeast Alaska. MTC recently acquired a new vehicle, funded partially by a grant from the Rasmuson Foundation.

Education in Sustainable Ocean Farming Taking Off in Sitka, Alaska

The UAS Sitka Campus, located on Baranof Island, has established a one-of-a-kind training program in sustainable ocean farming, where hands-on learning is

at the forefront of the curriculum. The excitement surrounding mariculture opportunities has been growing given the state's abundant natural resources, clean waters, maritime experience, and existing seafood infrastructure. This program is designed to mirror and grow alongside this burgeoning industry and provide students with experience in its established salmon enhancement program.

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President Pitney showed slide 10, "FY25 Budget Request," and noted that she would provide a summary of UA's budget request.

President Pitney advanced to slide 11, "FY25 Budget Request Summary":

- FY25 Operating Budget
 - State funding request \$29.2M
 - Compensation and other operating costs \$23.2M
 - Programs to support State and Arctic Leadership \$6M
 - Deferred Maintenance and Modernization Strategy \$35M annually

 - Strengthen the competitiveness of UA's athletics programs \$5M

- Revenue Assumptions
 - FY25 UA expects a net \$5M increase in unrestricted earned revenue
 - \$3M in tuition and fee revenue as enrollment increases
 - \$2M in other unrestricted earned revenue, such as interest income, university receipts, and indirect cost recovery (generated from restricted funds)
 - Including eligible restricted funds, a total of \$7M projected earned revenue increases have been applied to compensation and operating cost increases

President Pitney noted that if the \$35 million in proposed funding for the deferred maintenance was consistent, it would ensure that deferred maintenance would not grow. She

continued that when UA's debt impact rolled off, it would add \$10 million to make a \$45 million annual commitment over the next ten years. She emphasized the importance of moving on from continual deferred maintenance requests.

President Pitney discussed athletics and previous budget reductions. She highlighted the concept of putting athletics on a stable footing, and the advantage of having competitive athletics as part of UA's identity.

President Pitney discussed revenue assumptions. She mentioned the 4 percent increase in enrollment, which was anticipated to continue the next fiscal year. She cited that UA had applied all the unrestricted revenue to compensation and fixed cost needs and had requested state funding for the rest. She noted that the governor's budget only partially funded the salary and fixed costs with the General Fund and increased UA's non-General Fund. She emphasized that UA did not have a source of increasing non-General Funds that could pay for salaries and fixed costs. She cited that one of the most important things was for UA's operating budget to reflect compensation and fixed cost requests.

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President Pitney looked at slide 12, "FY25 Budget Request Summary":

- FY25 Capital Budget
 - Deferred Maintenance and Modernization Strategy Operating or \$60M
 - UAF Achieve Research 1 Status (top 4% nationally) \$20M
 - UAA Health Workforce Diversity Expansion Project Phase 2 & Library Learning Commons \$6M (\$8M total)
 - UAS Mariculture Program Expansion \$7M (\$10M total)
 - Capital project receipt authority for externally leveraged funds \$119.6M
 - UAA Alaska Leaders Archive \$20M fed
 - UAF University Park Early Childhood Development Center \$5.6M fed
 - UAF Troth Yeddha' Indigenous Studies Center \$53M fed/other
 - UAF Arctic Emergency Services Workforce Center of Excellence (fire/police/

EMS/dispatch) \$38.5M other (grant not successful)

- UAS Egan Library/Cyril George Indigenous Knowledge Center \$2.5M fed
- Economic Development \$12.2M
 - UAF Drone Program \$10M
 - UAF Alaska Railbelt Carbon Capture & Sequestration Project \$2.2M (\$11.1M total)

President Pitney commented that UA's capital budget request somewhat overlapped with its operating budget. She noted that deferred maintenance had been UA's priority since 1998 when she was budget director. She reiterated the need for consistency in the funding. She explained that the \$20 million for R1 research status was one-time funding and would be spent over three years to primarily build graduate and PhD enrollment. She continued that UA had all the research revenue needed but needed to double PhD graduates in the following three years. She explained that with the investment, research revenue would grow and UAF would be able to sustain the number of graduates.

President Pitney spoke to the health workforce expansion and the mariculture program expansion, which involved a classroom in Sitka.

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President Pitney continued to address slide 12, and spoke to the receipt authority for capital projects, for primarily federal funding. She noted that the grant for UAF Arctic Emergency Services was not successful, and the authority was not needed in the current year. In total, UA was asking for receipt authority to cover projects. She spoke to economic development projects for drones and match for Railbelt carbon capture.

Senator Bishop asked about the \$11 million for the Railbelt carbon capture and whether it had been a Department of Energy award.

President Pitney answered "yes."

President Pitney showed slide 13, "UA FY25 Operating Budget," which showed a table depicting the UA Board of Regent's budget compared to the governor's proposed budget. She pointed out the circled areas on the graph that

highlighted the compensation requests from the two proposed budgets. The governor had reduced the state funds for compensation to \$6 million from the requested \$15 million and suggested UA cover it with non-state funds. She emphasized that UA could not generate the proposed level of non-state funds in the coming year. She emphasized the importance of having financial stability for compensation and fixed costs, which allowed for everything else to happen.

President Pitney mentioned other changes including programs to support state and Arctic leadership, where the board requested \$6 million in state funds while leveraging \$6 million in other funds. None of the requests were accepted. She referenced slide 20, "Programs to Support State and Arctic Leadership," which showed a table of about 20 different programs related to the request.

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President Pitney continued to address slide 13 and discussed the reduction of tuition assistance for the Alaska National Guard. She surmised that the intention of the reduction was a true-up for the use of the funds, which she thought were being transferred to the Alaska National Guard for use for other education opportunities. The funding had been maintained for the program and held harmless through previous reductions. She highlighted the \$200,000 for the Alaska Center for Energy and Power Initiatives to continue the energy work group meetings that had been taking place.

Ms. Pitney pointed out the circle on the bottom of the table, which showed Technical Vocational Education Program (TVEP) funding. She contended that if the TVEP program was not re-authorized, it signified \$6 million of technical vocational educational programming funding to UA. She used the example of practical nurse-assistant funding, the process technology program, construction technology, aviation maintenance, and vocational education start-ups. She noted that community campuses and vocational education programs at UA's main campuses provided 90 percent of the vocational technical education not associated with union apprenticeships. She descried the funding as critical.

Co-Chair Stedman asked for more detail on the proposed \$11 million for compensation. He asked if the funding included

any hollow receipt authority. He asked about the fund source.

President Pitney relayed that the amount did not have a revenue source and was "hollow," which signified that UA would have to reduce programs and adjust in order to find the \$9 million materialize. She thought the reduction would largely result in less people because UA did not have the revenue stream. It was expected that UA could earn \$7 million in tuition enrollment and indirect cost recovery that were allowable to use for general costs. The funding was applied in the board's budget request. She emphasized that getting to \$21 million was not possible.

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President Pitney referenced slide 14, "State appropriations (UGF) are the base on which all programs operate - programs generate all other revenue," which showed a table depicting funding sources. She discussed state funds, which were the primary base for UA funding, and unrestricted funds, which were able to be used to apply to fixed costs. She emphasized that the designated/restricted funds included sources such as federal grants and auxiliaries could not cover the same costs. She explained that the restricted funds signified work that was being done on behalf of others, and the general and unrestricted funds had the ability to move.

President Pitney highlighted that the bottom of the slide showed interagency transactions, which she characterized as "double accounting." The receipts were sometimes excess receipt authority, and UA's operating budget was in the \$815 million range for FY 24.

President Pitney turned to slide 15, "Sources of Earned Revenue," which showed unrestricted fund sources and designated and restricted fund sources. She highlighted student tuition and student fees. She noted that the fees were directed towards equipment, special classroom space, or sometimes a fee if there was a great deal of travel associated with a course. She addressed indirect cost recovery, which federal grants paid towards facilities and utilities associated with the grants. She noted that of the \$40 million of the university receipts was from UA's Natural Resources Fund contribution, while the remaining

funds were from event tickets, unrestricted gifts, or partnership opportunities.

President Pitney noted that the interest income listed was earned on working capital. She noted that the interest was normally about \$3 million. She identified federal funds and university receipts from a company that paid for a grant or contract. She summarized that UA was focused on more diversification and growth of unrestricted revenue sources for the revenue base. She mentioned the need for stability and enrollment growth.

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President Pitney considered slide 16, "UA FY25 Systemwide Operating Cost Increases":

\$14.7M Compensation (\$17.5M total)

- 2.5% wage increase
- Health benefit increases

\$2.6M Increased cost of property insurance premiums

\$1.4M Increased investment in IT and cyber security efforts (\$1.7M total)

\$2.2M Facilities maintenance increase to preserve capital assets (\$4M total)

\$2.4M Increased cost of utilities and contractual fixed costs (\$4.4M total)

President Pitney noted that UA had been able to hold health benefit costs stable for several years, and the increase was shoring up the "post-Covid bounce" on health costs. She commented that the property insurance premiums had been going up astronomically with a \$2.6 million increase, and that UA had been looking into self-insurance. She thought the change would take tremendous time, and UA would still need the funding to build the self-insurance pool. She mentioned the possibility of riding the state self-insurance pool until UA had its own.

Co-Chair Hoffman reminded that the committee had approximately 30 minutes left in the meeting.

Senator Bishop asked about what underwriters were indicating as a reason for an increase in premiums. He recalled that UA had its own fire and police departments.

President Pitney cited that the changes were on the property side, and mentioned recent large claims for storms and earthquakes. She noted that insurance companies had left the state. She offered to provide more information if needed and noted that the change was significant and K-12 education was facing similar issues.

President Pitney continued to address slide 16 and mentioned other fixed costs such as investments in IT and cyber-security. She mentioned the importance of protecting data and upgrading information and workflow systems for efficiency. She emphasized that it was critical to continue to add to facilities maintenance and preventative maintenance in the operating budget, as well as rising utilities and contractual fixed costs.

President Pitney displayed slide 17, "Operating Costs," and noted that the slide provided more detail. She highlighted the bullets on the bottom of the slide in reference to Senator Bishop's question about the rising cost of property insurance:

- economic inflation
- social inflation (e.g., legal system abuse)
- supply chain constraints
- increasing catastrophic weather

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President Pitney looked at slide 19, "Deferred Maintenance and Modernization Strategy":

In lieu of one-time capital funding, UA is pursuing a legislative strategy (HB236 - Rep. Stapp) for consistent annual state funding to the "University of Alaska Major Maintenance and Modernization Fund."

A modest revenue stream of \$35 million annually would bring UA greater financial stability, with historical appropriations and funding levels signifying broad support by the State of Alaska. In the past three years, the University has received an average of \$15M in deferred maintenance funding, so the legislation would require an additional \$20M over current spending levels.

HB236 establishes a UA Major Maintenance and Modernization Fund and spending would be limited to projects on UA's approved projects list.

To optimize the impact of the funding, project financing scenarios would consider cash and debt payments based on market conditions and the projects to be funded.

UA accountability measures Include:

- Legislative appropriation power is respected, including giving proper notice
- Spending will be limited to the project list
- Various funding approaches will be used to achieve desired outcomes
- Predictable funding stream will allow UA to commit to no new DM funding request for a 6-year period
- There will be a focus on operating efficiency to reduce ongoing costs

President Pitney noted that there had been consistency in supporting deferred maintenance in the period between FY 10 and FY 15, and during that time UA had received \$35 million. She cited that it was the only period in which UA's deferred maintenance had not grown. She mentioned the governor's veto of funding and the board's request for a plan. She reiterated that with the \$35 million in funding it would be possible to have smaller projects. She noted that if UA bonded for a larger project, it would have to come to the legislature for another layer of approval. She mentioned a project list, which UA would work from and on which there would be legislative controls.

President Pitney was happy to work with the legislature in modifying the plan for potentially different legislative control. She emphasized the need for stability to make consistent progress using a planned approach.

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Senator Kiehl referenced slide 16 and had a question about IT and cyber security. He asked about \$2 million spent on cyber-security and if the funds were the new total or incremental spending.

President Pitney relayed that the amount was incremental, and UA's IT spending was collectively in the range of \$50 million. Specific to cyber security in the previous three

years, UA had to raise the level with no specific funding. The funds had been reallocated due to the risk to all institutions. She noted there had been no cybersecurity breaches due to working constantly to mitigate the risk.

Senator Kiehl thought the executive branch had appropriately asked for some added investments in cybersecurity. He wanted to compare UA's requests to get an appropriate sense of scale. Senator Kiehl referenced compensation addressed on slide 17 and thought there was a new bargaining unit. He asked about the graduate research workers and asked if the legislature would be seeing the contract and monetary terms.

President Pitney hoped that the group would come to agreement before the end of the legislative session. She had clarified with both teams that a contract had to be approved by the executive branch and the legislature before moving forward. She had received word from the union that it was not in a rush and did not want the matter to wait until the following year.

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President Pitney addressed slide 20, "Programs to Support State and Arctic Leadership," and noted that mental health and campus safety were the first areas of additional need. The second area consistent with the roadmap was recruitment and retention support. She explained that UA had been working to have its environment reflect that of the state and communities' environments by improving the number of indigenous students, faculty, and staff. The final category was focused on specific programs. She listed programs at UAA including psychology, school counselors, and engineering project management, which were working with partners and shoring up funding.

President Pitney discussed programs at UAF including energy resource engineering, wildlife biology, marine policy, and healthcare management, which were areas that would have growing enrollment and a modest amount of base general fund with support requested. She made note of work in food security. She discussed UAS mariculture and maritime training, with one-time funding and a transition to a long-term base funding approach. She discussed hazard prediction for the glacial flood outburst in Juneau and leveraging funds across the state.

President Pitney advanced to slide 21, "Legislative Priorities."

President Pitney looked at slide 22, "Other Legislative Priorities":

- Extend education tax credit - (SB120, HB144, HB89)
Alaska's Education Tax Credit program allows tax-paying entities to make charitable contributions to support education in Alaska. Education Tax Credits encourage partnerships between education entities and industry to directly meet workforce needs. Tax credits have a sunset date of Jan 1, 2025. A multi-year extension is encouraged.
- Student financial support (SB56 and HB148)
Tool to help with future workforce and keeping them in Alaska. Legislation improves the notice requirements and adjusts for inflation with the Alaska Performance Scholarship (APS).
- TVEP extension (HB55)
Technical Vocational Education Program (TVEP) is up for reauthorization in FY25. The current sunset is set for June 30, 2024. A multi-year extension is encouraged.

President Pitney commented that a slightly revised approach and moving the sunset date of the education tax credits was critical for funding. She emphasized the importance of the Alaska Performance Scholarship (APS) in UA's recruitment and retention. She cited that 80 percent of UA graduates were living and working in the state after graduation. For students that attended school outside the state, only 25 percent returned. She emphasized that keeping students in the state was a key piece of the state's workforce, and the APS was one of the best tools. She stressed the importance of early notification for the APS (as proposed in the bill) as an important recruitment tool.

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Co-Chair Stedman asked about TVEP and noted that the auditor had suggested moving away from the current structure and changing to a competitive grant program for fairness. He asked President Pitney to comment.

President Pitney explained that the distribution of the TVEP funding included 45 percent to the University, some of which was passed through to the pipeline training center. The number of students that UA had in its vocational programs well exceeded the allocation. She continued that there were criteria for program accountability that UA put forward in the grant process, and there was regional distribution and annual reporting to the legislature.

President Pitney described that the current competitive DOL grant required a great deal of administrative process and noted that UA was eligible for only one grant. She relayed that it would be problematic for UA to only be able to have one application. She noted that UA was responsible for 90 percent of the vocational-technical training in the state. She described a three year "runway" for programs with the funding, which was used for program start-up before transitioning to an ongoing program with different funding. She feared it was difficult to design the alternative right in the time remaining in session.

Senator Bishop noted that his office had a request regarding the education tax credit, which he thought was in front of the board for review.

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President Pitney spoke to slide 24, "FY24 Supplemental":

Economic Development Projects

- Although the projects are making good progress, several are projecting a balance at the end of FY24, thus require an appropriation extension so that the projects may fulfill the objectives of the funding
- Term year extension from FY24 to FY26

Federal Receipt Authority - \$20 million increase may be needed in FY24

- Normal activity up 5%
- UAA \$46 million grant for Homeland Security in the Arctic
- UAF University Affiliated Research Center operating funding cap increase from \$125 to \$200 million

UAA Kenai Peninsula College Roof Repair

- Significant structural issue with Goodrich building roof
- Engineering report recommends either upgrading or replacing existing roof trusses
- Pending insurance company coverage determination

President Pitney explained that two years previously, UA had received one-time funding spread across two years for economic development projects. The projects had included mining, mariculture, energy, and drones. She described shoring up receipt authority for FY 24 and FY 25. She noted that the Goodrich building at the Kenai Peninsula College would not be used before it was repaired.

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President Pitney noted that slide 25 through slide 29 provided updates on UA's economic development projects. She wanted to thank the legislature for supporting the projects and give a status update. She expressed excitement about the heavy oil recovery project.

President Pitney noted that slide 34, "Regular Employee Headcount by Funding Source & Annual Change," showed a bar graph related to UA employment. She highlighted that UA had more people coming on to work directly funded by UA's restricted funds.

Co-Chair Hoffman asked if President Pitney had any closing comments.

President Pitney commented that UA had tremendous momentum. She emphasized that the workforce needs in the state were great, and that UA was part of the solution. She stressed that UA's fiscal stability was critical to continue its momentum.

Co-Chair Hoffman thanked President Pitney. He noted that a few years previously, the legislature had put an emphasis upon nurses and healthcare providers, and UA had responded. He requested that President Pitney take a second look at prioritizing the need for teachers in the state. He thought there were academic issues with teacher recruitment and retention. He thought UA could help with trying to get more teachers and work more on recruiting students to enter the teaching field.

Co-Chair Hoffman discussed the agenda for the following day.

#

ADJOURNMENT

[10:57:19 AM](#)

The meeting was adjourned at 10:57 a.m.