

SENATE FINANCE COMMITTEE

April 15, 2025

9:01 a.m.

9:01:23 AM

CALL TO ORDER

Senator Kiehl 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 Mike Cronk
Senator James Kaufman
Senator Jesse Kiehl
Senator Kelly Merrick

MEMBERS ABSENT

None

ALSO PRESENT

Cathy Schlingheyde, Staff, Senator Jesse Kiehl; Senator Cathy Giessel, Sponsor; Senator Jesse Bjorkman, Sponsor; Liz Harpold, Staff, Senator Donny Olson; Kris Curtis, Director, Legislative Audit; Jared Kosin, President and Chief Executive Officer, Alaska Hospital and Healthcare Association.

PRESENT VIA TELECONFERENCE

Rebecca Logan, Chief Executive Officer, The Alliance, Anchorage; Adam Hasse-Zamudio, Self, Washington DC; Mary May, Self, Soldotna; Thomas Bacherk, Self, Fairbanks; Scott Crass, Self, Fairbanks; Sarah Furman, Self, Fairbanks; Cathy Walling, Self, Fairbanks; Jesse Carlstrom, Self, Anchorage; Theresa Obermeyer, Self, Anchorage; Gary Strannigan, Premera Blue Cross and Blue Shield of Alaska, Everett, Washington.

SUMMARY

SB 92 CORP. INCOME TAX; OIL & GAS ENTITIES

SB 92 was HEARD and HELD in committee for further consideration.

SB 133 INSURANCE; PRIOR AUTHORIZATIONS

SB 133 was HEARD and HELD in committee for further consideration.

SB 137 EXTEND BOARDS: MIDWIVES, NURSING, PAROLE

SB 137 was HEARD and HELD in committee for further consideration.

UNIVERSITY OF ALASKA FINANCE BUDGET SUBCOMMITTEE OF THE WHOLE CLOSE-OUT

Senator Kiehl discussed the agenda.

^UNIVERSITY OF ALASKA FINANCE BUDGET SUBCOMMITTEE OF THE WHOLE CLOSE-OUT

[9:02:52 AM](#)

Co-Chair Hoffman MOVED to ADOPT the FY 26 Senate Finance Budget Subcommittee budget action report for the University of Alaska and give the Legislative Finance Division the authority to make technical and conforming changes.

Senator Kiehl OBJECTED for discussion.

[9:03:49 AM](#)

CATHY SCHLINGHEYDE, STAFF, SENATOR JESSE KIEHL, reviewed the Narrative Closeout Report for the University of Alaska (UA) Subcommittee (copy on file). She listed the fund groups and position recommendations as follows:

Fund Group: (dollars are in thousands) Senate Sub
Unrestricted General Funds (UGF) 347,566.9
Designated General Funds 312,888.3
Other Funds 219,148.0
Federal Funds 214,786.2
TOTAL FUNDS 1,094,389.4

Positions:

Permanent Full-time 3,860
Permanent Part Time 343
Temporary 0
TOTAL POSITIONS 4,203

Ms. Schlingheyde relayed that the subcommittee took a close look at the budget, and an even-handed approach to the requests from all three universities. The Senate Finance Subcommittee approved all structural changes related to the establishment of new Facilities Operations and Maintenance allocations, moving the technical vocational education program to the language section of the budget, and renaming the Fairbanks campus to match its indigenous name. The subcommittee accepted all university-generated funds.

Ms. Schlingheyde continued that the subcommittee accepted the adjusted base, including contractual pay and benefit increases, but did not accept discretionary pay and benefit increases. The subcommittee found greater efficiency was possible in the Board of Regents and reduced travel, catering, and the second support staff position. The university had found three positions that would not be refilled as a result of board action, and the subcommittee recommended deleting the positions. The subcommittee recommended the full Finance Committee reappropriate the remaining unspent funds to pursue R1 status from the FY 25 budget as the University is not on track to achieve R1 status in this cycle

Senator Kiehl noted that there were UA staff online for answering questions.

[9:05:24 AM](#)

Senator Kiehl WITHDREW his objection. There being NO OBJECTION, it was so ordered.

Senator Kiehl thanked the committee.

[9:05:56 AM](#)

AT EASE

[9:07:44 AM](#)

RECONVENED

Senator Kiehl handed the gavel to Co-Chair Hoffman.

#sb92

SENATE BILL NO. 92

"An Act establishing an income tax on certain entities producing or transporting oil or gas in the state; and providing for an effective date."

9:08:11 AM

SENATOR CATHY GIESSEL, SPONSOR, reintroduced the legislation. She expressed that the bill was a simple update to the state's corporate tax structure and would place the same responsibility on the many types of corporations that were profiting from the state's oil and gas resources. She stressed that the bill effectuated the state constitution in ensuring that the state received maximum benefit for the people in the state.

9:09:07 AM

Co-Chair Hoffman OPENED public testimony.

9:09:40 AM

REBECCA LOGAN, CHIEF EXECUTIVE OFFICER, THE ALLIANCE, ANCHORAGE (via teleconference), testified against SB 92. The Alliance opposed the bill, which she thought clearly targeted one company and one industry and ignored future investment. She asserted that Hilcorp had invested in Cook Inlet, which had led to increased oil and gas production and delayed shortages. Hilcorp had invested in the North Slope, resulting in greater production than would otherwise have happened. She thought the tax policy in 2012 had led to more production and more royalties.

9:11:35 AM

ADAM HASSE-ZAMUDIO, SELF, WASHINGTON DC (via teleconference), spoke in support of the legislation. He supported closing the tax loophole that benefited out-of-state corporations. He did not think the tax loophole incentivized companies to support the state's economy. He referenced the constitution.

9:12:50 AM

MARY MAY, SELF, SOLDOTNA (via teleconference), testified in support of SB 92. She thought 77 percent of Alaskans were in support of the bill's proposal. She referenced the state constitution. She thought Hilcorp paid taxes in every state except Alaska. She emphasized that there was no evidence that giving a tax break to S corporations would bring more revenue to the state. She noted that the bill targeted companies with taxable income over \$5 million and would not affect small businesses. She thought it was far past time that the state benefited from the extraction of resources. She mentioned attrition because of crumbling infrastructure and under funded schools.

[9:16:05 AM](#)

THOMAS BACHERK, SELF, FAIRBANKS (via teleconference), spoke in support of the bill. He thought it was far overdue for such a change. He thought there was no reason S corporations should be given an advantage over C corporations. He approved of the additional funds to state coffers to fund education and state services. He pointed out that the company could deduct any state tax from its federal tax liability.

[9:17:51 AM](#)

SCOTT CRASS, SELF, FAIRBANKS (via teleconference), testified in support of the legislation. He thought the bill was common-sense reform that would bring over \$100 million into the state's revenue. He thought Alaska was the only state that did not collect income tax from C corporations. He did not think the bill was punitive, but thought it leveled the playing field. He thought the bill was a long-overdue alignment with other states. He referenced the state constitution. He thought the reform would allow the state to recapture tax dollars sent to the federal government. He thought the bill encapsulated years of recommendations from fiscal working groups.

[9:20:12 AM](#)

SARAH FURMAN, SELF, FAIRBANKS (via teleconference), spoke in support of the bill. She was concerned about the outlook for the state budget and the projected deficit. She referenced school closures in Fairbanks. She supported increases in education spending and energy investment and thought the bill would bring in much-needed revenue. She

thought it was unfair that some corporations paid state income tax while others did not. She thought every other state required S corporations to pay tax. She cited recent polling that indicated 70 percent of Alaskans supported the bill.

[9:22:37 AM](#)

CATHY WALLING, SELF, FAIRBANKS (via teleconference), testified in support of the legislation. She thanked the other testifiers and echoed their comments. She thought the bill was a long-awaited effort to close a loophole. She supported more revenue generation and leveling the playing field. She thought the state and country were in a very different position than it was in 2012.

[9:25:06 AM](#)

JESSE CARLSTROM, SELF, ANCHORAGE (via teleconference), spoke against the bill. He had lived in Alaska for over 30 years and worked in the shipping industry. He thought the bill was bad policy that targeted one company and one industry. He thought the bill ignored what Hilcorp had done for the state. He discussed Hilcorp's payment of royalties and its investments. He discussed job creation. He was concerned about the message the bill sent to those wanting to invest in the state.

[9:26:47 AM](#)

THERESA OBERMEYER, SELF, ANCHORAGE (via teleconference), testified in support of the legislation. She associated herself with the comments made earlier in support of the bill. She lived in the state for 47 years. She thought the state was at a turning point. She thought the tax regime should have been changed in 2020. She mentioned former Governor Frank Murkowski and his support of the bill.

Co-Chair Hoffman CLOSED public testimony.

SB 92 was HEARD and HELD in committee for further consideration.

#sb137

SENATE BILL NO. 137

"An Act extending the termination date of the Board of Certified Direct-Entry Midwives; extending the termination date of the Board of Nursing; extending the termination date of the Board of Parole; and providing for an effective date."

[9:29:11 AM](#)

SENATOR JESSE BJORKMAN, SPONSOR, introduced the legislation. He relayed that the bill would extend the board sunset date for three boards from the current statutory sunset dates of June 30 of the current year. The state's 2024 audits of the Board of Certified Direct-Entry Midwives and the Board of Nursing recommended a termination date of 6 years until 3031, while the audit of the Board of Parole recommended extending the termination date by 4 years. The bill followed the state audit's recommendations. He read a list of testifiers to speak to the bill.

Senator Kiehl MOVED to ADOPT the committee substitute for SB 137, Work Draft 34-LS0732\N (Gunther, 4/11/25).

Co-Chair Hoffman OBJECTED for discussion.

[9:31:33 AM](#)

LIZ HARPOLD, STAFF, SENATOR DONNY OLSON, explained the committee substitute. She detailed that the CS included the Board of Veterinary Examiners. The audit recommended a five-year extension for the board, which would now sunset in 2031.

Co-Chair Hoffman removed his objection. There being NO OBJECTION, it was so ordered.

[9:32:29 AM](#)

KRIS CURTIS, DIRECTOR, LEGISLATIVE AUDIT, discussed the audit. The CS extended the sunset date of four boards. She read from the audit for the Board of Veterinary Examiners (copy on file):

The audit concluded that the board served the public's interest by conducting meetings in an effective manner; actively amending regulations to address statutory changes, protect the public, and improve the licensing process; and effectively licensing

veterinary professionals. The audit also concluded that board related cases were not consistently investigated in a timely manner, two board positions had expired terms, and as of January 31, 2024, one board position had been vacant for 31 months. Additionally, the audit found that the final version of regulation changes published in 2023 was not reviewed or approved by the board.

Ms. Curtis discussed three recommendations beginning on page 11:

Recommendation 1 DCBPL's director should create procedures to ensure the final draft of regulations are provided to occupational boards for review and approval before regulations are filed and made effective.

Recommendation 2 The Boards and Commissions director should work with the board to identify potential applicants to fill board seats in a timely manner.

Recommendation 3 DCCED's commissioner should work with policymakers to improve the recruitment and retention of investigators.

Ms. Curtis explained that it was found that the final version of the veterinarian-client patient relationship regulations had omitted language that the board had intended to be enacted. The discrepancy was due to changes made by the Department of Law that were intended to be inconsequential.

Ms. Curtis relayed that auditors reviewed nine board-related cases open for over 180 days during the audit period and found four with the following periods of unjustified inactivity that ranged from 111 days to 695. Management's response to the audit began on page 23. The commissioner, the board chair, and the director of the Division of Corporations, Business, and Professional Licensing (DCBPL) and concurred with the conclusions.

Ms. Curtis addressed the audit of the Board of Parole (copy on file). She recommended only a four-year extension of the board, which reflected the need for a more timely legislative oversight in light of the report conclusions.

She addressed the conclusions beginning on page 8 of the audit:

Board staff positions authorized by criminal justice reform continued to be funded despite the subsequent repeal.

Ms. Curtis explained that an additional four parole hearing officers and one additional criminal justice technician were authorized during FY 17 as part of a criminal justice reform bill (SB 91) for a recurring annual cost of \$591,000. The positions helped the board effectively cope with the increase in workload. Most criminal justice reform bills were repealed by HB 49 in 2019, and as a result discretionary parole hearings decreased. She cited Exhibit 3 on page 9 of the audit, which showed that discretionary parole hearings returned to the level that existed before SB 91. Exhibit 4 showed that the number of parole revocation hearings after HB 49 was lower than the level before passage of SB 91. Despite the decrease in workload, HB 49 did not reduce the staff positions and the audit questioned whether the additional positions were necessary.

Ms. Curtis moved to page 10 of the audit, which cited that the board had generally conducted parole hearings in compliance with state law, however the audit noted that parole was approved at a much lower rate after criminal justice reform bills were repealed. She highlighted Exhibit 5 on page 11, and relayed that the board could not provide an explanation for the decrease. She listed three recommendations beginning on page 14:

Recommendation 1

The board chair should work with DOC's commissioner to ensure all hearings are conducted in a confidential manner.

Recommendation 2

The board chair and DOC's commissioner should ensure regulations are updated in a timely manner.

Recommendation 3

DOC's commissioner should ensure fiscal notes for pending legislation properly reflect decreases, as appropriate.

Ms. Curtis highlighted that the audit found that preliminary revocation hearings held at the Hiland Mountain Correctional Center were periodically conducted in a general population area during the audit period. She continued that the parole regulations had not been updated since 2015 despite significant statutory changes.

Ms. Curtis relayed that management's response to the audit began on page 25. The Department of Corrections commissioner and board chair concurred with the recommendation. Corrective action had taken place related to conducting parole hearings in a confidential manner and updated regulations. The board chair did not agree with the report's conclusions regarding the decreasing rate that parole had been approved. He had stated that Exhibit 5 created inaccurate comparisons and suggested the individual parole hearings could not be compared as each was unique.

Co-Chair Stedman was glad to hear the audit found there was a decrease in paroles granted. He realized the state was struggling with the cost of prisons. He thought the public was better off than previously.

[9:39:09 AM](#)

Ms. Curtis addressed the audit for the Board of Nursing (copy on file). She detailed that overall, the audit found the Board of Nursing served the public's interest by effectively conducting its meetings, actively amending nursing regulations, and effectively licensing nursing professionals. The audit also concluded that board-related cases were not consistently investigated in a timely manner, and one board position had been vacant for an extended period. The audit recommended a six-year extension for the board.

Ms. Curtis directed attention to Exhibit 3 on page 8, which showed that as of February 2024, the board had over 27,000 active licenses, which was a 37 percent increase compared to 2018 audit. The increase was largely made up of registered nurses traveling to Alaska in response to the COVID-19 pandemic. The board's schedule of revenues was on page 10. As of 2024, the board had a surplus of approximately \$3.4 million. Despite the large surplus, the board was not anticipating decreasing fees; because it believed the high number of licenses would decrease as people did not renew in the future.

Ms. Curtis cited that the audit included one recommendation for improvement on page 14:

Recommendation 1

Department of Commerce, Community and Economic Development's (DCCED) commissioner should work with policy makers to improve the recruitment and retention of investigators.

Ms. Curtis detailed that the audit had reviewed 35 board-related cases and found approximately 25 percent had unjustified periods of inactivity. Some of the cases had multiple periods of inactivity, which were listed on page 14. The delays were caused by turnover, vacancies, and the time taken to train new investigators. Management's response to the audit started on page 23, the commissioner and the board chair concurred with the conclusions and the recommendations.

Ms. Curtis addressed the audit for the Board of Certified Direct-Entry Midwives. The audit found that the board served the public's interest by effectively conducting its meetings in accordance with state law, and by actively amending regulations to enhance public safety and improve the certification process. The audit also concluded that the board generally certified midwives in compliance with state law, but documentation improvements were needed. Furthermore, the audit found the board did not audit compliance with certification renewal requirements in a timely manner. The audit recommended a six-year renewal.

Ms. Curtis directed attention to page 5 of the audit, which discussed a change in how midwives were certified (certified was another term for licensure). In January 2023, the board adopted regulation changes that required certified direct-entry midwives to hold a credential from the North American Registry of Midwives (NARM). As a result, some board functions duplicated the functions of the national organization. Prior to the change, midwives already had one of the highest costs of licensure of any occupation, and as a result the cost increased.

Ms. Curtis discussed audit recommendations starting on page 12:

Recommendation 1:

The Office of the Governor, Boards and Commissions director should work with the board to identify potential applicants to fill board seats in a timely manner.

Recommendation 2.

DCBPL's director should improve training to ensure certifications are supported by adequate documentation, and board members should adequately review applications prior to approval.

Recommendation 3:

DCCED's commissioner should work with policymakers to improve the recruitment and retention of DCBPL licensing staff.

Ms. Curtis noted that the physician board seat had been vacant the entire audit period, and that it had been many years since the seat had been filled. It was also found that staff were not auditing compliance with the renewal requirements due to changes in management and staff shortages. Management's response to the audit began on page 23. In general, the commissioner and the Office of the Governor Boards and Commissions director concur with the conclusions and recommendations. The board chair was less agreeable, and her response began on page 27. She pointed out that the recommendations were mostly addressed to the Office of the Governor or DCBPL, and as such she requested a full eight-year extension.

[9:43:45 AM](#)

Co-Chair Hoffman OPENED public testimony.

Co-Chair Hoffman CLOSED public testimony.

[9:44:17 AM](#)

Senator Kiehl addressed FN 1 from the Department of Commerce, Community and Economic Development OMB 2360, which covered both the nursing and midwifery boards. The note addressed ongoing \$38,600 in receipt supported services, which was included in the governor's FY 26 budget request and projected the same cost in the future.

Senator Kiehl spoke to FN 2 from the Department of Corrections, OMB Component 695. The note showed \$1,938,800

in Unrestricted General Funds that was included in the governor's FY 26 budget request. The amount was expected to continue unchanged until the new sunset date following FY 30.

SB 137 was HEARD and HELD in committee for further consideration.

#sb133

SENATE BILL NO. 133

"An Act relating to prior authorization requests for medical care covered by a health care insurer; relating to a prior authorization application programming interface; relating to step therapy; and providing for an effective date."

[9:45:45 AM](#)

SENATOR JESSE BJORKMAN, SPONSOR, introduced the bill. The bill dealt with prior authorization and focused on the process before someone received medical care. He discussed long wait times prior to insurance approval for vital health care. He relayed that medical providers, hospitals, and insurance companies had met over the course of the previous interim and summer to streamline the prior authorization system. The bill established a timeframe for approvals, specific communication requirements, and deadlines. If insurance did not approve healthcare nor receive a response, it would default to care being provided. The bill encouraged the use of electronic data transmission through the insurer's website or portal, and the bill provided the director of insurance with the authority to monitor compliance and provide enforcement. He relayed that the director was available for questions.

[9:48:14 AM](#)

JARED KOSIN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, ALASKA HOSPITAL AND HEALTHCARE ASSOCIATION, commented in support of the bill. He strongly supported the bill, which sought the reform of the prior authorization process. He thought the current process was useful but flawed, in that it could lead to long delays. He recognized that the bill was a collaborative effort to improve the process for patients. The bill would speed up the process from 5 working days to 72 hours and would provide long-term approvals for chronic

conditions. He thought the bill was comprehensive and had many stakeholders in support.

[9:49:54 AM](#)

GARY STRANNIGAN, PREMERA BLUE CROSS AND BLUE SHIELD OF ALASKA, EVERETT, WASHINGTON (via teleconference), relayed that Premera was a non-profit health plan that had been serving Alaskans since before statehood. He relayed that Premera felt that efforts to promote the affordability of its products was key to continuing to provide care. He discussed affordability restricting access to healthcare. He thought it was well-publicized that some carriers had been aggressive and using prior authorization for 20 percent of all claims, while Premera used it for 2 percent. He thought the bill would help providers modernize and streamline the process. He thought the bill would help incentivize the adoption of an electronic process. He thought the bill represented a set of reasonable compromises by all parties.

Co-Chair Hoffman OPENED public testimony.

Co-Chair Hoffman CLOSED public testimony.

Senator Kiehl reviewed FN 1, a zero fiscal note from the Department of Commerce, Community and Economic Development.

SB 133 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

[9:53:02 AM](#)

The meeting was adjourned at 9:53 a.m.