

**MINUTES
JOINT
SENATE FINANCE COMMITTEE
HOUSE FINANCE COMMITTEE
February 3, 2005
9:05 a.m.**

CALL TO ORDER

Co-Chair Green convened the meeting at approximately [9:05:06 AM](#).

PRESENT

Senate Finance Committee:

Senator Lyda Green, Co-Chair
Senator Gary Wilken, Co-Chair
Senator Con Bunde, Vice Chair
Senator Fred Dyson
Senator Lyman Hoffman

House Finance Committee:

Representative Kevin Meyer, Co-Chair
Representative Mike Chenault, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Mike Kelly
Representative Richard Foster
Representative Bruce Weyhrauch
Representative Mike Hawker
Representative Jim Holm

Also Attending: SENATOR GARY STEVENS; SENATOR RALPH SEEKINS;
SENATOR CHARLIE HUGGINS; REPRESENTATIVE DAVID GUTTENBERG;

Attending via Teleconference: There were no teleconference participants.

SUMMARY INFORMATION

[Note: The first portion of this meeting, in which Co-Chair Green called the meeting to order and introduced President Hamilton, was not recorded.]

Presentation on the University of Alaska

MARK HAMILTON, President, University of Alaska, gave the following testimony.

There is a story about an admiral who got up every morning and he went to his safe. He went to his safe and he took out a single card and he read it and put it back into the safe and went about the business of running the ship. People couldn't wait for him to get transferred because they just couldn't wait to see what was in that safe. He did get transferred and they took out the card and what it said was "Port is left. Starboard is right." Now the story refers to something.

In this super bowl season you probably prefer something that Vince Lombardi said. He said, "If you can block and tackle you can play with anybody." Now we think that's your university. Lots and lots of exciting things, but nothing that isn't basic in terms of serving the needs of Alaska.

Our success has come and will continue to come from getting everyone in the game. But it all starts here. The State is in the game.

This is the seventh consecutive year that the governor has put into his budget, the full Board of Regent's request. This governor brought his entire cabinet up to Fairbanks to see how the research efforts there might aid and abet the State, and he's going to bring them back in late spring.

The legislature has funded us every year. Now it's maintenance level funding, but you've stuck with us. You gave me money when oil was nine dollars a barrel and you started it here. It all starts here.

The federal government is in the game. Between '01 and '04, federal grants went up 36 percent to now well over \$100 million. And this is not an accident. My faculty averages across the system - and obviously not all of them are in the research business - but a simple math of all the monies in divided by faculty, on the average they raise \$100,000 in federal grants. The national average is half of that. In Fairbanks where research is obviously more intensive, they average more than \$200,000 per professor.

Our students are in the game. We have half of our high school graduates now going to college. That's up from 44 percent. And half of those are coming to the University. That's up from 40 percent.

Our retention of baccalaureate-seeking freshmen is up to 72 percent moving into their sophomore year. That's higher than

the national average for open admission universities. Retention of Alaska Scholars is in excess of 80 percent. Students are choosing the University of Alaska.

We are up 35 percent in the high-demand job programs that you directed us to highlight.

Alaska Natives first-time freshmen enrollment is up 53 percent over the last five years.

And graduates are choosing Alaska. Eighty-six percent of the Alaska Scholars we have graduated to date, according to the Department of Labor and Workforce Development, are at work in Alaska. And I've got 1,550 more in that pipeline coming to change this state. Our best are staying home and that's the way it should be. There's nothing too good for the State of Alaska.

Their attendance has meant a significant increase in tuition revenue. Forty-eight million in the year 2000; \$77 million today.

And Alaskans, the citizens, are in the game. Between '01 and '04, private giving to the University is up 115 percent and corporate giving [is] up 35 percent. Excluded from these figures are special projects like the museum, the KUAC promotions. This is just general giving. What that has meant to us is the UA Foundation, which had about \$20 million in 1989. [It] went to \$40 million by '96; [it] went to \$80 million by the turn of the millennium and today is \$130 million, allowing them to distribute nearly \$10 million to the University.

Besides their money, Alaskan citizens serve on our advisory boards and build programs with scholarships, [and] provide internships. Alaskans are in the game.

And the University is in the game. We have to be. The five-percent we've averaged in increased State funding is maintenance level. We have to generate more.

In addition to tuition and the Foundation funding, the significant funds from Conoco Phillips and BP compact agreements have allowed us to establish President's professors in key areas: fish and ocean sciences, bio informatics, remote data processing, global climate change, global logistics, education technology, Alaska Native language and culture. And coming very soon: President's professor in mining and

engineering.

We have partnerships with K-12 schools, Denali Commission, tech centers, trade unions, State virology lab, Fairbanks [North Star] Borough has initiated a tax incentive program that looks very, very promising. In Bethel, in Nome and Fairbanks, we're working with communities and schools in the development of comprehensive job training centers. I remind people that collaboration doesn't mean talking together, that's convocation. Collaboration means laboring together.

We've born a program with DEED [Department of Education and Early Development] called Teacher Mentoring that addresses the needs of new teachers, especially in rural areas. This year 350 new teachers have been assigned a mentor, chosen by the districts. Their continued education being taken care of by the University and that program promises enormous success.

In the military you are enjoined to discover the center of gravity. It's that on offense; it's that portion of an enemy's formation, the destruction of which will lead to the collapse of the whole. And on defense, it says, "If you have something upon which everything depends, you better defend it." Now for Senators Dyson and Bunde, I'll give a bit more of a literary reference. If you were Achilles, and you knew that that's your heel, you'd buy some armored Nikes.

Well we have such a heel. [Indiscernible] is at least higher education. I love the University, but they're inefficient. It's been the cry across this country for decades. Before I ever saw this group, Senator Wilken gave me a counseling session. What he said was, "If you can be accountable, then things will change." And we have been accountable. We are out front in so many ways.

The Board of Regents has directed that we spend \$25 million in maintenance every year. Now that's not enough to address the nearly \$60 million worth of depreciation that has assessed against our facilities, but it's way out in front of any organization except for Alaska Housing and Finance [Corporation] for being accountable.

We capped our University pension plan at \$3,200. The State currently has a high cap of about \$6,000. Now it's a different workforce, it's a different circumstance. This only for comparison, but we're saving \$3,000 per employee in our pension fund.

We've developed a health care program called UA Choice, where individuals get to choose a health care program at lesser costs that will meet their specific needs because they're grownups and they can make their own call.

We established an optional retirement program outside of PERS [Public Employees Retirement System] and TRS [Teachers Retirement System] [that] doesn't require you to seek tenure (or vestiture). This works for us because we have a kind of transient workforce. What that means - and you have to wrestle with these PERS and TRS bills across the board, you're very familiar with it - what it means is we have provided by that program \$87 million of state avoidance of an unfunded liability. In other words, we paid about a third of our PERS and TRS [indiscernible] that is the rest of the state.

Now you might note that in the governor's budget we're only funded for half of the PERS and TRS bill for this year. And frankly, I think in light of our initiatives and efforts to date, you can be sure I'll be seeking the other half. It doesn't seem to me that that's quite fair.

You did program reviews, probably referred to by some pejorative term by the campuses because twice a year, for about a day and a half, I sit down and simply go over the books. This is part one of the first of this year's two sessions just for UAA [indicating a filled binder approximately three inches thick.]

We began a program called ACAS, Accountability and Sustainability. This is a program to find ways to save money. I think my first instinct on this was "let's form a bunch of committees, I'll give them some wonderful guidance, we'll go out [and] we'll find the silver bullets. The only thing I did right was the committees were very inclusive. We had lots and lots of faculty and lots and lots of staff to look over our accounts. What happened as you might already presume was we found no silver bullets. What we found was there were more than 100 golden BBs: \$70,000 by stopping the sending out of a [indiscernible] that told you we automatically put your paycheck in the bank - \$70,000; \$100,000 by consolidating the need for off-set printing; \$250,00 by not subsidizing dial-in to the Internet, which we designed as a student-friendly program and found the students weren't using it; \$60,000 by using the Easy Biz airline system, \$60,000 worth of avoidance of tickets. We outsourced teleconferencing from a 20-cents per hour rate to four cents. We've reduced accounts receivable by 23 percent. And there's a hundred more.

The staff, as it turns out, can do anything. They're not just great workers, they care. Forty-nine percent of my statewide staff contributed to the University last year. The national average is 17 percent. But believe me they're more than three times as good. Our front line is also our foundation.

In 1862 before we were even a territory, the Morrill Land Grant Act, signed by President Lincoln, put forth a radical vision. This would make higher education available to all. Well, we are an open admission university. He said, "Provide both liberal and practical education and training." Now Morrill probably did not have in mind community colleges, but he clearly referred to what we know and support as workforce training.

The Morrill Act dealt primarily with rural Alaska, primarily with agriculture. Sixty percent of America was agriculture in 1862. Today it's about two percent. And universities have wandered off into different focuses. But we have embraced a broader agenda addressing economic, social and environmental issues in our rural areas. In Ketchikan, the marine technology program; in Kenai, working with local communities, mining community to make preparations for the job training needs and the expansion that the industry will demand. We've already had one internal meeting and have organized a comprehensive mining summit in March. There are similar programs of cooperation and collaboration in every community campus in our system.

Morrill says, "Over time develop a research agenda." And we have developed an agenda that's closely tied to our geographical location and deals with Alaskan issues: everything from micro miniaturization to horticultural products. Infrastructure: working with DOT on roads and embankments; working with BLM and DNR on tundra ponds and pumping for ice roads; health and bioscience, hibernation, biotechnology, infectious diseases, [and] behavioral health. We have the State seismologist. We have the State climatologist. We have the earthquake information center [and the] Alaska volcano observatory and tsunami protection, and so forth. Research in snow and ice, permafrost, coastal erosion, Alaska ocean observing system.

Understanding leads to management. Morrill continued, "Institutions should extend themselves beyond the labs and classrooms and be engaged in outreach and partnerships with the citizens in the states they serve." I have already listed a small portion of our outreach and partnerships, but it goes

on: cooperative extension program, working with Yuut Center in Bethel, marine advisory program, Kotz. Tech. Center, small business development center, Hutchison Career Center, business enterprise institute. All and all they constitute 80 offices in more than 50 cities and villages in the state.

I believe the University of Alaska is closer to the original intent of the Morrill Act than any land grant college in this country.

Now we had challenges. None of them [indiscernible.] Health care costs rising at a minimum of 15 percent. Facilities cost, predicted tightness in federal dollars. We are [indiscernible] enrollment of part-time students. Our student body is changing to more and more and more and more of kind of classic first-time freshmen: people coming in for full-time experiences. It's small, but we're seeing a drop off in the number of individuals who are taking one course or two. And we're looking into that. There's a number of factors; you can think of many of them I'm sure. It deals with economy, it deals with affordability, we even think higher gas prices [have] stopped some of our commuting students [from traveling] to our rural campuses. But we're looking into that. It's a challenge and if [indiscernible] open admission, multi-purpose, you better be able to take care of the part-time student.

What we're asking for [is] another maintenance level budget. But I want you to consider more. I want you to consider an investment in research. Research is an industry all by itself. Research eventually will create other industries. As a state, we invest about one-percent of our gross State product. The national average is about 2.7 percent. For Alaska to reach national levels, we'd have to increase our investment by almost \$500 million. That's ridiculous.

But I have a plan for you. I want you to fund phase one of a five-year plan. Not \$500 million, not \$100 million. I want you to look at investing \$20 million over the next five years. With two and a half this year, I believe we can maintain our average, currently seven to one, at about six to one over that period of time. If we can do our share of collaboration the University can expect a [indiscernible] investment to \$140 million over five years. And that cuts our gap against the nation by almost a third.

I have other requests I want you to consider. Funding a portion of the Alaska Scholars Program. Its success has outstripped the primary source of funds, which is our natural

resource fund. Remember that 86 percent of our graduates today are currently at work in this state. There are 1,550 more coming. Stop the brain drain. That's what you told me to do and it's happening.

We are doing everything I believe is possible at the University to reallocate funds, form partnerships, to get external grants, but it's time to move to a new level. And like everything else it begins here. The leadership is central you represent all of Alaska. The University is not just waiting for your funding. We are waiting for your charge. We are prepared for you to take us all forward.

For this great State and its future, I believe there are no silver bullets. I don't think the gas pipeline is a silver bullet, I don't think ANWR is a silver bullet. It's going to be engaged Alaskans and it's the thousands of golden BBs that'll save the day.

At the University, we are a part of you. We admire you and we will serve you. But it all starts here.

[9:27:52 AM](#)

Senator Bunde acknowledged that he and President Hamilton have not always been in agreement. They have however, agreed that the University of Alaska is an important State function. Therefore, Senator Bunde's questions should be taken only as seeking information. He appreciated President Hamilton's "energy and work you have brought to your job."

Senator Bunde spoke to President's Hamilton's comments regarding the land grant status of the University, noting that some legislators support a more traditional land grant management method for the University. He asked that status of the efforts to accomplish this.

President Hamilton reported on efforts to transfer lands to the University made by former US Senator Frank Murkowski. President Hamilton emphasized that the land grant awarded to the University of Alaska is smaller in size than the land grant given to the state of Rhode Island. He would continue efforts to achieve a land transfer to the University.

President Hamilton commented on two aspects of the land grant philosophy, one being that "those who give you land are your friends. However, the other aspect is that once the land has been awarded, there is an expectation that no additional funding should

be necessary. The previous land grant awarded to the University of Alaska Last has been managed well and in 20 years would net \$5 million annually. This is not insubstantial and would fund the Alaska Scholars program, but would not fully fund the University.

Senator Bunde asserted that if "more traditional university people" would support a land grant system, the acquisition of additional land could occur. Other funding sources include capital projects and the earnings reserve account of the Permanent Fund.

Senator Bunde directed attention to a chart the witness posted in the Committee room [copy not provided] relating to retention rates. Senator Bunde asked the retention rate of high school graduates. He understood it is higher than the national average.

President Hamilton informed that 50 percent of Alaskan high school graduates are attending college and 50 percent of those students are attending the University of Alaska.

Senator Bunde asked if approximately one-half of those students graduate from the University of Alaska after four to five years.

President Hamilton answered no, that 72 percent of University of Alaska students "make it" to their sophomore year. In "embracing" the community college mission, it must be understood that most community college students are not seeking a degree, but rather pursue a certificate or associate degree. It is difficult to determine which students would have intended to utilize the University as a community college. This is inherent in an open admission system.

Senator Bunde shared concerns about funding. Other schools have instituted higher tuition charges for "professional students," those who do not graduate in five years. Tuition only pays a portion of the cost of education, with the State funding approximately 60 to 70 percent.

President Hamilton agreed that the State contributes at least 60 percent to the cost of higher education.

Senator Bunde asked if the witness has considered implementing a similar tuition structure for long-term students.

President Hamilton responded that he would speak with Senator Bunde on the topic at a later time.

[9:34:53 AM](#)

Co-Chair Wilken pointed out that five of the legislators present have "had the benefit of hearing about the old University." He thanked President Hamilton and the employees of the University of Alaska for constructive interaction with the legislature.

Co-Chair Wilken asked for additional information on the teacher-mentoring program to address problems in securing and retaining K-12 teachers.

President Hamilton relayed that teachers who leave the profession reported that they did not have "a comfort in the classroom, support by my bosses [or] support by my community". Three hundred fifty new teachers have had the benefit of a mentor through this program to provide support and on-the-job vocational skills. If teachers were able to become comfortable more quickly and remain in the profession, he predicted student achievement would increase. This would also save money from "people floating back and forth" Of those 350 teachers, none quit their jobs at the Christmas school break, compared to the 15 to 25 teachers who quit during this period in previous years. Two hundred of those teachers are employed in rural communities. This program in cooperation with the Department of Education and Early Development would change "that turnover thing" which costs money and "hurts" students.

Co-Chair Wilken recalled stories from ten to twelve years ago about the challenges for students to register or check their records. He asked the witness to speak to on-line class management and registration.

President Hamilton expressed that implementation of such an electronic system has been a "remarkable thing to watch". Students themselves critiqued the system and the majority of students now apply online. Financial aid applications are also available online and more applied online last year than applied in any form two years prior. This addresses the concern that University of Alaska students do not apply for financial aid and grants to the extent that students in the Lower 48 do. It is a matter of exposure. Students can now accomplish every function they used to stand in line to do.

[9:40:20 AM](#)

Representative Stoltze recalled that the chamber of commerce in the election district he represents expressed interest in participating in the selection of the chancellor for the University of Alaska, Anchorage campus. He thanked President Hamilton for facilitating this.

Representative Stoltze stated that during the special election in September 1999 to determine whether to appropriate a portion of the earnings of the Permanent Fund for government services, an employee of the University provided information to the media in support of the proposal. Concerns were raised about the propriety and pragmatism of a research agency being involved in a political campaign. He asked if this activity would be restricted in the future.

President Hamilton was unaware of the situation. He stated that the University of Alaska is prohibited from getting involved in political campaigns. However, research information prepared by the University is available for use by others as part of public domain. The University does not endorse candidates or appear in advertisements in support of candidates.

Representative Stoltze's recollections of the situation were different.

Representative Stoltze referenced a speech made by an employee of another educational institute and asked how the matter would be addressed if the speaker were an employee of the University of Alaska. How could Alaskans "up in arms" over such statements express complaints and affect changes.

President Hamilton replied, "Individuals are not aware of the unintended association of who they are with the place they work." The University of Alaska encourages its employees to make the distinction between their personal opinions and any positions taken by the institution. He remarked that through his service in the military he defended the US Constitution. If an employee under his direction expresses an opinion in public that embarrassed him, he would defend the right of the individual.

[9:44:20 AM](#)

Senator Dyson applauded the presentation. He was surprised at the results of exit interviews of teachers who left the profession showing the primary frustrations as an "inability to control the classroom" and that they "dreamed about being a teacher so they could make a difference in individual student's lives." The various factors that prevented these former teachers from accomplishing these objectives were the reason they resigned. President Hamilton did not mention this in his comments and Senator Dyson asked the witness to address this.

President Hamilton surmised the teachers likely ascribed the failure to make an impact with the lack of support they received.

The former teachers may have found their time was spent performing other functions rather than focusing on "making a difference."

Senator Dyson recommended this should be reviewed further and an investigation made to determine whether other functions were preventing teachers from interacting with students. This could include faculty meetings.

President Hamilton remarked that after mentors work with student teachers for two years, feedback should be collected to identify areas of concern. He pointed out that other professionals, such as doctors, are mentored in some manner during the first years of practice. For doctors this occurs in the form of a residency assignment. He hoped that some mentor teachers would become instructors or advisors and implement experiences they learned being teachers and mentor teachers. If this occurred, issues causing other teachers to leave the profession, could be resolved.

Senator Dyson asked what the standards or goals should be with regard to achieving diversity of faculty.

President Hamilton commented this is a matter of national debate. It was apparent that the majority of faculty nationwide are "very aligned with a single segment of the politics of the country." The profession is able to deal with this because of a "reminder" that "the classroom has to be open to all opinions" and that political correctness, party affiliation or religion beliefs should not be used as a "bully pulpit". The profession is founded on this premise and if forgotten, would benefit from the publicity given to the matter and would subsequently "adjust itself." University professionals believe that universities should be a place where all opinions could be expressed.

Senator Dyson directed his comments to the importance that the backgrounds of teachers in the University of Alaska are similar to that of students. He spoke to the comfort of students in having teachers who have also lived and worked in rural areas, etc. The University of Alaska must attempt to attract as many students and faculty from small communities as possible. If it is determined that political correctness toward diverse groups is inadequate, should the faculty present different philosophical positions.

President Hamilton replied it would be ideal. He told of the risk of faculties as well as business professions "choosing associates and choosing successors who are a lot like you". However, due to the principal of the education profession, there is a greater likelihood of more diversity in the university setting than in private business.

[9:51:51 AM](#)

Representative Weyhrauch asked how items on the Board of Regents' priority list change their level of importance from one meeting to the next. He was unsure how the prioritization process operated. He also questioned the ratio of administrative and faculty positions. He asked the reason for the significant number of staff positions, including provost, vice-provost, chancellors, vice-chancellors, directors, associate directors, etc.

President Hamilton addressed the second issue, pointing out that the University of Alaska implements degrees ranging from high school equivalency diplomas to post-doctorate degrees and operates on 14 campuses. Therefore, a different ratio of instructors and administrators is necessary. This ratio is hampered by the need to have instructors in many locations in the State. However, the University of Alaska compares favorably to the national average.

President Hamilton furthered that University of Alaska staffing to student ratio is similar to that of the national average, which signifies it is understaffed. By embracing the "entire spectrum", the University of Alaska has more part time students than other peer institutions. This creates a "huge deficiency challenge". He compared the administrative efforts required for one full-time student versus four students enrolled in three classes. Registration, counseling and other university administration functions are required for each of the students, regardless of their class load. Many University of Alaska students work full-time and therefore the University must maintain offerings in several locations to be available in the areas of the students' employment.

Representative Weyhrauch asked about prioritization.

President Hamilton explained that the Board of Regents "puts forth a series of principals upon which to rate all capital projects" that include such factors as external funding and the number of students served. Once a list is compiled, the Board reviews and in some instances determines that the priorities "didn't quite develop what they had hoped to do for other, frankly, opportunistic reasons." He exemplified a project eligible to receive federal funding as a project that could become a higher priority.

[9:57:16 AM](#)

Senator Bunde understood the difficulties in administering an open admissions policy; however, "to your great credit, I think you've embraced that and I that the University of Alaska never changes

that" despite the increased costs. He told of recent graduates with \$40,000 of debt working lower paying jobs. He asked if the University is continuing its efforts to "work back toward the community college program." He also expressed concern regarding the "high level of remediation" the University has been required to provide for Alaskan high school graduates.

President Hamilton stressed that adult basic education is fundamental for people to obtain jobs. If Alaska could provide proficient adult education, more Alaskans would fill the jobs that would be created with the opening of the Alaska National Wildlife Refuge (ANWR) for oil development and the construction of a natural gas pipeline. The problem is larger than that experienced at the University.

President Hamilton spoke of the missions and measures that are facilitating the University to tailor programs to train Alaskans for "high demand jobs". This has provided incentive for some to seek vocational training.

Co-Chair Green announced that President Hamilton and University of Alaska staff could answer any additional questions after the meeting concluded.

ADJOURNMENT

Co-Chair Green adjourned the meeting at 10:01 AM