

ALASKA STATE LEGISLATURE
SENATE SPECIAL COMMITTEE ON UNIVERSITY OVERSIGHT

March 20, 2006

5:08 p.m.

MEMBERS PRESENT

Senator Gary Stevens, Chair
Senator Ralph Seekins, Vice Chair
Senator Con Bunde
Senator Thomas Wagoner
Senator Kim Elton

MEMBERS ABSENT

Senator Ben Stevens
Senator Lyman Hoffman

COMMITTEE CALENDAR

Presentations by:
National Center for Public Policy and Higher Education
National Center on Higher Education Management Systems

PREVIOUS COMMITTEE ACTION

See minutes from 2/7/06 and 2/28/06 SUOV meetings

WITNESS REGISTER

Julie Bell, Education Program Director
National Conference of State Legislatures (NCSL)
7700 East First Place
Denver, CO 80230

POSITION STATEMENT: Introduced Mr. Jones

Dennis Jones, President
National Center for Higher Education Management Systems
3035 Center Green Drive, Suite 150
Boulder, CO 80301-2251

POSITION STATEMENT: Delivered PowerPoint presentation

Wendy Redman, Vice President
University Relations
University of Alaska
P.O. Box 755000
Fairbanks, AK 99775

POSITION STATEMENT: Responded to questions

President Mark Hamilton
University of Alaska
P.O. Box 755000
Fairbanks, AK 99775

POSITION STATEMENT: Provided UA perspective

Pat Pitney, Associate Vice President
Planning & Budget Development
University of Alaska
P.O. Box 755000
Fairbanks, AK 99775

POSITION STATEMENT: UA representative

Diane Barrans, Executive Director
Alaska Commission on Postsecondary Education
P.O. Box 110505
Juneau, AK 99811-0505

POSITION STATEMENT: Discussion participant

ACTION NARRATIVE

CHAIR GARY STEVENS called the Senate Special Committee On University Oversight meeting to order at [5:08:47 PM](#). Present were Senator Con Bunde Senator Gary Wilken and Chair Gary Stevens. Senators Ralph Seekins, Thomas Wagoner and Kim Elton arrived during the course of the meeting.

Financing in Sync: Aligning Fiscal Policy with State Objectives

CHAIR GARY STEVENS recognized Julie Bell and Dennis Jones.

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JULIE BELL, Education Program Director, National Conference of State Legislatures (NCSL), commented on the increased interest in higher education issues and then introduced Dennis Jones.

CHAIR GARY STEVENS encouraged members to read the literature in the packets.

DENNIS JONES, President, National Center for Higher Education Management Systems (NCHEMS), explained that the company is a private non-profit organization that does policy work in higher education at the institution and state levels. He said he would

give perspective on higher education as it relates to the future of a state.

MR. JONES began the PowerPoint presentation with a review of the management cycle in a public institution. He used Venn diagrams to illustrate the separation of state and institution agendas with respect to planning, resource allocation and assessment activities.

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Slide 3: State Policy Objectives

- High rates of high school completion of students who have taken an academically rigorous curriculum. Mr. Jones said that this is increasingly recognized as an issue for higher education and K-12.
- High levels of college participation of both recent high school graduates and adult learners. In Alaska there's a decline in the number of adults who are taking college courses compared to previous years.
- High rates of college degree completion.
- High levels of degree production in the stem fields of science, technology, engineering, and mathematics are becoming increasingly important.
- The relationship of the university to the economic future of the state.

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Slide 4: Educational Attainment and Rank Among States - Alaska, 2000

MR. JONES stated that 90.5 percent of Alaska citizens in the 25-64 age bracket have received a high school diploma. However, in the 18-24 age bracket just 76.9 percent received a high school diploma, which leads to the interesting observation that this is the first generation where kids are less well educated than their parents. In general though, Alaska is close to the middle relative to the other 49 states in terms of education attainment of the adult population.

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Slide 5: Differences in College Attainment (Associate and Higher) Between Young and Older Adults - Percent of Adults with College Degrees

The slide illustrates that there is a much higher level of postsecondary education attainment in the 45-60 age group than in the 25-34 age group. That is an issue and it's important to figure out how to educate the population and create jobs to keep that educated populace in the state.

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Slide 6: Percent of Population Age 18-24 with No High School Diploma

About 23.1 percent of Alaskans in the 18-24 age group haven't finished high school and that's slightly below the national average.

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Slide 7: Alaska Civilians Age 25-64 in the Workforce by Education Attainment, 2000

MR. JONES observed that if an Alaskan in the 25-64 age bracket hasn't finished high school, the chances are 4 in 10 that the individual isn't in the workforce at all. More than likely that means that the individual is taking from the state rather than contributing. That use of state resources takes the form of social services, corrections, welfare and the like. Clearly, the more education you have, the more likely it is that you're in the workforce.

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Slide 8: Student Pipeline, 2002-Alaska

This graph shows that of 100 9th graders about 60 graduate from high school in four years, 28 go on to college, and about 11 graduate from college in the expected period of time. This measure places Alaska close to the bottom compared to the other states. The state ranking the highest in this measure has about 28 graduating, which isn't all that high on the international scale. The U.S. ranks 8th or 9th among developed countries and is projected to be 17th by the end of the decade.

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Slide 9: High School Graduation Rates--Public High School Graduates as a Percent of 9th Graders Four Years Earlier, 2002

In Alaska 66.4 percent of the starting 9th graders graduate four years later, which is below the 67.2 percent national average. Responding to a question from Senator Bunde, he said the data came from 2002 and he understands that Alaska has been showing improvement each year.

Slide 10: College-Going Rates--First-Time Freshmen Directly Out of High School as a Percent of Recent High School Graduates, 2002

In Alaska 47.4 percent of recent high school graduates go on to college anywhere in the U.S. directly from high school.

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Slide 11: First-Time Freshmen Net Imports by Institution Type for Alaska, Fall 2002

The graph indicates Alaska is a net student exporter in every educational sector. For example, more students go to the Lower 48 to attend public research universities than come to Alaska for that purpose.

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Slide 12: Associate Degrees Awarded per 100 High School Graduates Three Years Earlier, 2003

Alaska falls well down the production pipeline at 12.9 students per 100 compared to the national average of 22.4 students per 100.

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Slide 13: Bachelor's Degrees Awarded per 100 High School Graduates Six Years Earlier, 2003.

The slide indicates that Alaska graduates 21.6 students per 100 within six years. The national average is 51.8 per 100.

Slide 14: States' Ability to Produce Graduates vs. Ability to Keep and Attract Graduates.

The graph indicates that Alaska is a relatively low producer of "higher education capital." The state imports young people with college degrees to make up for its lack of production.

Slide 15: Net Migration by Degree Level and Age Group - Alaska

The data indicates that many of Alaska's imports are students who left the state to get a college education and then returned with a degree.

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SENATOR WILKEN asked if the data on slide 13 means that 100 percent of the high school graduates in Rhode Island have earned a bachelor's degree six years later.

MR. JONES said no. It's the number of degrees awarded divided by the number of high school graduates six years earlier. Rhode Island is a heavy student importer. That state produces a large number of baccalaureate degrees, but not necessarily to its residents. He reminded members that this is a measure of how much educational capital the state produces relative to its population. In the states of Rhode Island and Massachusetts, education is nearly an industry.

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Slides 16-17: Alaska Occupations with High Net Imports and Exports, 1995-2000 - Residents Age 22-29 and 30-64 with College Degrees

The slides indicate that Alaska imports teachers and engineers in the 22-29 age bracket and it exports legal personnel in the 30-64 age bracket.

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Slides 18-22: Linking Funding to State Priorities

MR. JONES explained that when NCHEMS works with a state, it looks at about 150 different measures to develop the public agenda to effect desired change 10 years down the road. That might mean getting more kids out of high school or more graduates out of the university system or getting more educated

people employed in high-value jobs in the state. The next step is to decide how to invest in higher education to support the pursuit of that agenda.

He turned to the chart showing how money flows to higher education from state resources and said it's important to know how much money is directly appropriated to institutions, how much goes to student financial aid and what the tuition picture looks like. In most public institutions money for education comes from just two sources - the state and the student. Most of the other money going to the institution has strings attached and that money doesn't pay for classes.

Legislators decide how much money goes to higher education and whether it flows directly to the institution through appropriations or directly to the student through student aid. Once those decisions are made, the allocation mechanism is addressed. Mr. Jones advised that meaningful fiscal policies for higher education are difficult to fashion and rarely come together because a variety of people who have different objectives are working on different schedules. In many cases there is no communication between those who set tuition rates, those who set student financial aid allocations and the state that sets appropriation levels.

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Slide 24: Criteria for effective policy:

- Reinforce state priorities. Ask whether the allocation is consistent with the priorities that were put forth.
- Maintain necessary institutional capacity.
- Contributions required are affordable. It must be affordable to both the state and the student.
- Viewed as being fair. Ask whether some institutions are being treated differently or better than others.
- Transparent
- Contain incentives for institutional responsiveness and entrepreneurship

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Slide 25: Criteria from Perspective of Different Stakeholders

State Perspective

- Maintains institutional capacity

- Promotes achievement of priority outcomes
- Affordable

Student Perspective

- Affordability
- Value

Institution Perspective

- Adequacy. Is the funding sufficient to sustain the mission?
- Equity. This asks whether institutions are treated the same relative to the different missions.
- Stability. Is the funding stable or does it fluctuate widely?

SENATOR BUNDE questioned whether any state sufficiently funds higher education.

MR. JONES responded Wyoming might be the only one.

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Slide 26: The Two Purposes of State Funding Policy

- Building the core capacity of the institution.
- Promote capacity utilization around state priorities - special purpose funding

Slide 27: Finance Policy - The Options

MR. JONES said there are a number of pieces to the finance policy. First there's core capacity that's either institution focused or student focused. Next there's capacity utilization that focuses on the institution and the student. Until recently almost all higher education was focused on building capacity. Now there's the additional interest that asks whether that capacity can be focused on the real needs of the state.

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Slides 28-30: Funding to Institutions - Core Capacity

MR. JONES advised that there's a lot that goes into deciding how to set tuition rates and how to fund institutions based on certain accomplishments.

Responding to Senator Bunde's request to expand on that statement he explained that there are two or three predominant foci. For example Oklahoma has a "Brain Gain Initiative" that seeks to increase the number of baccalaureate degrees coming from the state institutions. To that end the state pays institutions for increasing the number of degrees from year to year. Ohio encourages its community colleges to work with local industry to do corporate training. In both instances the funds go to the institutions with no strings attached. Typically the money is used to make the institution more competitive in that particular area. Yet another method is the payment of capitation grants.

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Slide 31-32: Funding to Students - Capacity Utilization and Relationships Between "Need-Based" and "Merit-Based" Aid

MR. JONES said that different states come to different conclusions with regard to need-based or merit-based aid, but it's not uncommon for a state to borrow a good idea from another state. Unfortunately that usually leads to bad policy because different states have different priorities.

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CHAIR GARY STEVENS reflected on his university experience and observed that the country has moved from a need-based tradition to one that's more merit-based and that funding simply isn't available for the need-based student any longer.

MR. JONES responded he defines college funding in generational terms. First it took one parent's paycheck to pay for college expenses and in the next generation both parents worked to pay college costs. Now both parents are working to support their elderly parents and the kids are putting themselves through school with personal earnings or loans. That's important because the more a student works, the less likely it is that he or she will get out of college at all let alone in a meaningful number of years. Although he didn't know particular UA numbers, in general it's not uncommon for 50 to 60 percent of a student body to be working 35 or more hours a week while carrying a reasonably heavy academic load.

How financial aid is packaged is an important consideration because if a student is working full time while going to school

then, almost by definition, school is getting short shrift, he said.

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Slide 33: Conclusions

Cost-Effective Policy Requires:

- Clear Understanding of Priorities. Understand what the state most needs from the higher education system. In states where it's made a real difference the public leadership, the university leadership and the private sector leadership have all come to the same conclusion with regard to priorities.
- Creation/Maintenance of Necessary Capacity. The asset structure of the universities must be maintained.
- Alignment of Policies Concerning How the Money Flows:
 - Institutional Support
 - Tuition and Fees
 - State Student Financial Aid
 - Institutional Student Financial Aid

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Slides 35: State Tax Capacity and Effort - Alaska Indexed to U.S. Average

MR. JONES reviewed the graph and said that Alaska has had a tax capacity that's higher than the national average yet the tax effort has been on a steady decline.

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Slide 36: Projected State and Local Budget Surplus (Gap) as a Percent of Revenues, 2013

He pointed out that three years ago when NCHEMS asked Don Boyd from the Rockefeller Institute of Government to evaluate all 50 states to answer whether or not the current state tax structure could sustain the current services budget he said the answer was no in 44 states. This year the answer is no in all 50 states.

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Slide 37: Projected Ratio of Spending for Higher Education to Spending for all Other Programs, 2013

MR. JONES said that the information on this graph is intended to illustrate that the demand for state government programs such as K-12, corrections, welfare and Medicaid are increasing faster than higher education.

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Slides 38 and 39: State Higher Education Priority - Higher Education Appropriations as a Percent of Tax Revenues, 2002-03; and Total Educational Revenues (State and Local and Tuition) Per FTE Student, 2003-04

As a percent of tax revenues Alaska has historically put more money into higher education than most states, but it falls below most states in terms of funding per student. Considering cost of living differentials, he said, this is an issue.

Slide 40: Share of Institutional Funding for Higher Education Provided Through State Appropriations (Public Institutions), 2003-04

The graph illustrates that in Alaska the state pays three fourths of the funding for higher education and the student pays the other quarter.

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Slide 41: Measuring Up 2004 Affordability

MR. JONES said that for undergraduate studies Alaskans borrow at a slightly higher rate than a decade ago.

Slide 42: State and Local Support for Higher Education - Proportions Allocated Directly to Institutions, 2003-04

MR. JONES noted that until year before last Alaska didn't even have a need-based student financial aid program. There's one now, but it's very small in comparison to the other states.

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Slide 43: Net College Costs as a Percent of Income - Alaska 4-Year Public

The graph shows that with more money the price of higher education becomes more stable. He reminded members that this is net so it's the cost of going to college minus grant aid. In almost every state the top three quintiles of the population aren't paying a greater percentage for higher education.

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Slide 44: A Picture of State Higher Education Funding

The states that have relatively low appropriations per student are relying on tuition to an increasing extent.

CHAIR GARY STEVENS remarked need-based versus merit-based financial aid is a very important issue.

SENATOR CON BUNDE reflected on his years as a professor and commented that the students who were working and paying their own way through school demanded the most accountability.

MR. JONES responded working between 15 and 18 hours a week while attending school actually improves graduation rates. Those students seem to appreciate the educational experience more and they learn better as well. The result is different when they work more than 30 hours a week, but students do have to work more these days to pay the cost of education. Costs have gone up dramatically and minimum wage hasn't kept pace.

SENATOR BUNDE commented on the potential for reducing scholarship requirements and the relationship to need-based financial aid.

MR. JONES responded picking the right curriculum is more important than getting a good grade. He suggested that members review the 21st Century Scholars Program in Indiana that is aimed at lower-income students. Starting in 7th grade, students are encouraged to take the right high school math and science courses. Substantial evidence indicates that it's better to take Calculus in high school and get a C than to take an easy math course and get an A. Increasingly that's the gateway for being eligible for scholarships.

SENATOR RALPH SEEKINS asked about comparative data for loan programs in other states.

MR. JONES advised that most loans programs are federal and the numbers are beginning to lose any meaning because high-income

parents are borrowing money for education at a low rate and investing it at a higher rate. Once the student finishes school the parents pay off the loan.

SENATOR SEEKINS said the good Alaska student loan program doesn't differentiate between high or low family income so it narrows some of the disparity in terms of how much of a family's disposable income it takes to pay for higher education.

MR. JONES responded the reality is that poor kids use a larger portion of their annual income to pay for school than rich kids and the question is whether it's good public policy to narrow that discrepancy or not.

CHAIR GARY STEVENS commented there are fewer minority students going to college now and that's probably a function of the rise in costs.

SENATOR THOMAS WAGONER asked how many Alaska Scholars have graduated from the UA system and how many have stayed in Alaska after graduation.

MARK HAMILTON, President of the University of Alaska, responded 97 percent of the students who received that scholarship have remained in Alaska and about 80 percent are employed in the state. Furthermore, about 40 percent graduate within six years. He added that a surprising number of Alaska Scholars attend the UA system, but have elected to give up the scholarship to go to work while attending school. One-third of the students who initially received the scholarship are still enrolled, but they've exceeded the financial limits of the scholarship. Some are graduate students while others are simply taking longer to complete a degree. There's no question, he said, that it's a remarkable program in terms of keeping students in Alaska.

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SENATOR THOMAS WAGONER asked how many Alaska Scholars leave the state to pursue a degree that's not offered here.

PRESIDENT HAMILTON responded it couldn't be many if 97 percent are still in the state.

SENATOR THOMAS WAGONER continued to say he'd like that information to find out what kinds of programs students might be looking for when they transfer to other states.

PRESIDENT HAMILTON responded professions such as law and medicine come to mind.

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WENDY REDMAN, Vice President of University Relations for the University of Alaska, stated that the program has been in existence for just six years and the typical UA student will take longer than six years to graduate. That includes Alaska Scholars.

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SENATOR KIM ELTON remarked he was intrigued to hear that curriculum is more important than grade point in predicting success. If that's the case he asked whether the Alaska Scholars Program shouldn't be predicated on the exit exam rather than GPA.

MR. JONES responded he wouldn't place all the emphasis on an exit exam because in most states the exit exam has no connection to success in the workplace or being prepared for college. He related that community colleges in Hawaii test high school graduates for course placement and 89 percent who did well in high school place into remedial math. That indicates a communication failure between high schools and colleges.

He advised members that the American College Testing Program has recently concluded that the skill level for being prepared for work is the same as the skill level for being prepared for college so high schools can no longer offer different programs for student who are college bound or are going to enter the vocations.

SENATOR ELTON asked about other measures such as SAT scores if it's what a student has learned and how it's applied that's more important than grade point.

MR. JONES replied the important point is application of knowledge. He described PISA, the international student assessment for math, and said on that test the student who is the best in the U.S. ranks 25th in the world, which points to a stark difference in expectations.

SENATOR WAGONER commented the U.S. system continues to incorporate new systems for teaching math and that might be the reason it is lagging behind other countries.

MR. JONES suggested that other countries narrow the scope and teach in greater depth and also organize the curricula so there is no repetition from year to year.

SENATOR BUNDE remarked other countries serve a narrower base of students.

MR. JONES said not necessarily. On the whole the U.S. is the best-educated country but in the 25-34 age bracket a number of developed countries are graduating a higher proportion of students with baccalaureate degrees than in the U.S. Norway is the leading country in the world and the U.S. is about 87 percent of Norway. For associate degrees and higher then Canada is the best in the world and the U.S. is 77 percent of Canada. That, he said, is a measure of how many students graduated from college with a degree. He reiterated that for baccalaureate degrees the U.S. ranks eighth and by the end of the decade it will be 17th.

SENATOR BUNDE mentioned the old state-subsidized low-interest student loan program that created a backlog of bad loans for the state. He asked if UA now advises students to take federal loans and state loans as a last alternative.

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DIANE BARRANS, Executive Director, Alaska Commission on Postsecondary Education, said that's correct. As a federal lender they are able to discount federal loans below the supplemental loan rate so that's the aid package that's offered. That goes along with the small need-based grant program that was new last fall.

Arguably, investing in higher education is the best investment that you can make in yourself, but as was mentioned earlier, the people in the lowest income quintiles are very debt averse and aren't as likely to understand that economic argument. When there isn't an adult model in the household who is emphasizing the importance of a college education, the student is more likely to opt out of postsecondary education early and take a less rigorous academic course of study in middle and high school.

MR. JONES suggested that the Indiana support system is particularly good and has made a difference in that state.

SENATOR BUNDE asked about the average debt for college graduates and whether it's broken down by income level.

MS. BARRANS responded she didn't have that information.

CHAIR GARY STEVENS expressed dismay that this generation is likely to be less well educated than the previous generation.

MR. JONES responded if you were to look at a graph showing the number of baccalaureate degrees in proportion to the population, the line would be flat for a 30-year period. Although some states have made progress, many in the West have regressed.

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MS. REDMAN reported that the number of jobs that require a baccalaureate degree hasn't changed much in the last twenty years but what has changed is the number of jobs that require postsecondary education. As Mr. Jones said, about 60 percent of the people that don't have a high school diploma aren't in the workforce at all, but 89 percent of the people who have received some postsecondary education or training are in the workforce. People that have a high school education or less won't be able to function in the world of work any longer, she said.

CHAIR GARY STEVENS said it'd be interesting to know how Alaska compares to the rest of the U.S. in terms of number of degrees and jobs available.

MS. REDMAN responded the Department of Labor statistics look very similar to the national numbers.

MR. JONES mentioned that the states that have done the best in terms of getting students through the education pipeline have a need-based student financial aid program and a low priced public education component such as a community college system. Alaska, he said, does not have a low-cost portal and that may be a factor in the decrease in the number of adult students in the UA system.

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MARK HAMILTON, President of the University of Alaska, responded the following data points are related: Alaska lost 30,000 citizens between the ages of 18 and 25 during the economic downturn in the 1990s and the adult student population at UA has

declined since 2001. There's a waste in the demographic; people fled the state so they aren't in Alaska to be adult learners.

PAT PITNEY, Associate Vice President of Planning and Budget for the University of Alaska, added that although the decline is real, UA is still predominantly serving the part-time working adult learner population.

SENATOR SEEKINS commented that his business employs about 115 people and none of the positions requires a baccalaureate degree, but many of the employees have benefited from some sort of postsecondary education.

MR. JONES reiterated the point that the more education a person has, the more likely it is that he or she will be in the workforce. Furthermore, more education typically brings a larger salary.

SENATOR BUNDE noted that the oil industry has indicated that it needs a large number of technicians compared to the number of engineers it employs.

MR. JONES stated that the higher the level of education the more likely it is that the person will move out of state or out of country. Associate degree winners aren't as likely to cross state lines so if a state has the need and isn't educating in-state then it probably isn't getting those positions filled.

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SENATOR BUNDE asked whether the current UA loan program is merit-based.

MS. BARRANS said no, but the student must maintain a certain grade point average to be academically eligible.

SENATOR BUNDE asked for information on the new grant program.

MS. BARRANS explained that the fundamental criterion is a demonstrated need, but larger grants are available for study programs in the education, nursing, and protective public services fields as well as for students who scored in the top 20 percent on the SAT or ACT tests.

SENATOR BUNDE asked the average grant amount.

MS. BARRANS responded the basic need-based grant is \$1,000 per year and \$2,000 per year is available for those students in one of the priority programs. Grants are capped at \$8,000 per individual.

CHAIR GARY STEVENS asked who made the decision to grant priority status to teachers, nurses and public service studies.

MS. BARRANS replied she would provide that information, but she thought the commission received direction regarding the types of programs that are given priority.

CHAIR GARY STEVENS stated agreement with the concept, but that the Legislature might want to participate in the discussion about which fields of study might be most beneficial to the state.

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MR. JONES concluded his comments with a word of caution. Although many conversations about the relationship between higher education and the state revolve around the question of how to accomplish the goal, the state would be well advised to first engage in conversations related to what it needs. That's a big turn around and difficult for educators and legislators to do, but the state and the institutions will be better off if the means conversation isn't allowed to get ahead of the ends conversation.

There being no further business to come before the committee, Chair Gary Stevens adjourned the meeting at [6:39:30 PM](#).