

HOUSE FINANCE COMMITTEE
January 28, 2010
9:08 a.m.

9:08:03 AM

CALL TO ORDER

Co-Chair Hawker called the House Finance Committee meeting to order at 9:08 a.m.

MEMBERS PRESENT

Representative Mike Hawker, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Allan Austerman
Representative Mike Doogan
Representative Anna Fairclough
Representative Neal Foster
Representative Les Gara
Representative Reggie Joule
Representative Mike Kelly
Representative Woodie Salmon

MEMBERS ABSENT

Representative Bill Thomas Jr., Vice-Chair

ALSO PRESENT

Mary K. Hughes, Regent, University of Alaska; Mark Hamilton, President, University of Alaska.

PRESENT VIA TELECONFERENCE

None

SUMMARY

HB 300 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 300 was HEARD and HELD.

HB 302 APPROP: MENTAL HEALTH BUDGET

HB 302 was HEARD and HELD.

#hb300

#hb302

HOUSE BILL NO. 300

"An Act making appropriations for the operating and loan program expenses of state government, for certain

programs, and to capitalize funds; making supplemental appropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska; and providing for an effective date."

HOUSE BILL NO. 302

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

9:08:11 AM

Co-Chair Hawker explained that the University budget is managed by a subcommittee. He stated that today's House Finance Committee (HFC) meeting recognizes the priority with which the committee holds the University within the state. He noted that the meeting is held in the format of a full finance committee meeting meaning that the content is recorded and the meeting is broadcasted. Following today's meeting, the subcommittee will be scheduled and called by Representative Fairclough directly to pursue the University's budget. One change this year includes incorporating the University's Board of Regents (BOR) as the policy body behind the University.

9:11:31 AM

Acting Chair Fairclough commended the members of HFC for encouraging the process within this committee. She explained that today's meeting includes a high level overview and the subcommittee will address greater details later.

MARY K. HUGHES, REGENT, UNIVERSITY OF ALASKA, expressed thanks for the leadership of the committee as it allowed for a necessary process. The role of the BOR is constitutionally mandated. The board members are gubernatorial appointments and confirmed by the legislature. She insisted on collaboration between the legislature and the BOR.

9:16:02 AM

Ms. Hughes noted that the BOR functions as a policy board. The board meets a minimum of nine times each year, often for budget related issues. The budget process is initiated one year prior to submission to the governor.

Ms. Hughes shared that she was born on Kodiak Island and graduated from West Anchorage High and the University of Alaska. She noted that she was appointed by Governor Knowles. Her name was presented to the legislature by Governor Murkowski and then again by Governor Palin. She opined that the gubernatorial process is very humbling and

makes a person feel honored. She stated that the BOR members are thankful for the trust given to them. She mentioned Fairbanks and her appreciation of the campus.

[9:24:02 AM](#)

Ms. Hughes discussed the University system. The University is comprised of three units with sixteen total campuses. The chancellors are similar to municipal mayors because they control their individual campus. The campuses are community outlets. The directors are outstanding leaders who report to the chancellors. In budget processes, the chancellor decides how to prioritize.

[9:28:59 AM](#)

Co-Chair Hawker reviewed the statements regarding structural organization and policy within the University. He mentioned three separately accredited units known as the Major Administrative Units (MAU) that comprise the University of Alaska. He summarized that past conversations bring questions about the autonomy of the units. He opined that the autonomy is tempered as one moves up the hierarchical command and control structure. The level of autonomy is often described as open warfare against the campuses. He asked to what degree the autonomy of the campuses is exercised and healthy. He explained that he receives multiple calls regarding divisive opinions among the administrative units. This issue was the foundational point behind the meeting today.

[9:31:49 AM](#)

Ms. Hughes responded that the University has separate accredited MAUs and the way in which a chancellor portrays himself or herself depends on personality and experience. The University wants the chancellors and their respective groups off campuses to represent their group in a strong decisive fashion. The regents attempt to help the legislature prioritize appropriate action. Because the needs of the campuses differ, there will be those who disagree with the priorities expressed by the regents. She opined that sometimes disagreement is good and the regent's job is to prioritize and bring requests to the legislature. She gave a pertinent example including the request for only one capital project this year to simplify the process. She explained that the individual chancellors do not collectively agree with the request.

[9:35:16 AM](#)

Co-Chair Hawker appreciated the passionate response. He expected diversity within the university system. He referenced Part 3 of a Legislative Budget and Audit (LB&A)

report stating that the University lacks a coordinated and cohesive approach, is not student centric, lack of incentives exist for MAUs to collaborate, requires improvement in efficiency and effectiveness. He noted that campuses are institution centric versus student centric. The audit group identifies best management practices and states that the autonomy lacks the collective vision and the leadership to take those strong diverse opinions and management units and effectively manage them for the best investment result.

[9:38:52 AM](#)

Ms. Hughes responded that distance education provides one example, but with 16 campuses, some disagreement to the approach warranted is often seen. She agreed that a coordinated effort in distance learning has been discussed. Distance learning is a large item in its popularity. She mentioned Karen Purdue as the central health program developer, leading to the joke that the University needs a "Karen Purdue" for the distance program. She noted that the University does understand the audit and the President's administration agrees with the audit. She stated that legislative audits always help.

[9:41:30 AM](#)

Co-Chair Hawker noted that the discussion about the distance education program is simply illustrative of the greater issue of the balkanization of the University. He asked if this balkanization delivers the highest quality results for the investment made.

Acting Chair Fairclough suggested that the topic be tabled for a future meeting.

Co-Chair Stoltze observed the perceived nostalgia regarding the centralized campus directing affairs for the rest of the state.

[9:46:35 AM](#)

Co-Chair Stoltze mentioned that he had one nephew attending the University of Anchorage who only has one class on campus due to severe classroom shortages.

Representative Gara expressed some frustration about the turf war within the University. He opined that the campus in Fairbanks is a flagship campus. He appreciated the legislative liaison, because in the past information was gleaned only from the regent's meetings. He asked about the needs based financial aid program. He asked if this was a regent's proposal including an actual plan.

[9:48:57 AM](#)

Ms. Hughes explained that the regents passed a resolution in support of needs-based plan. She noted that the regents are proponents of the needs-based plan. One resolution was passed supporting the governor's plan.

Representative Gara asked if there was a plan or simply a needs-based concept.

[9:50:10 AM](#)

MARK HAMILTON, PRESIDENT, UNIVERSITY OF ALASKA, responded that the University would not administer the plan although they do support it.

Representative Gara remembered one study performed by the University known as the Lumina study about the cost and implementation of a needs-based plan. Mr. Hamilton responded that the study was greater than six years old. He explained that the study was not a plan, but instead an exploration of need.

Acting Chair Fairclough noted time constraints for today's meeting.

Ms. Hughes stated that the University's operating budget reflects the regent's desires to continue assisting education for Alaskans in all job related areas. She expressed that especially teacher education must be a priority. She noted the governor's budget and the plan for \$37.5 million for the next five years, which pleases the BOR. A large portion of the funds will go to the University of Alaska Anchorage (UAA) to rehabilitate the science building, which professors and staff vacated. She noted the "blue book" or the "University of Alaska Governor's Proposed FY2011" (Copy on File).

[9:54:50 AM](#)

Ms. Hughes explained that the BOR decided to agree on one capital request, which led to some disagreement amongst campuses. She remembered the December meeting of the BOR where five members of the community testified with respect to the UAA sports center. She noted that the planning funds for the UAA arena have been available for approximately 18 months. The BOR asked the university planners to concentrate on design and engineering studies. A site has been selected and a subcommittee appointed to finish the engineering design for the UAA sports center.

[9:58:52 AM](#)

Ms. Hughes noted that the financing is aided by private corporations and this financial plan will be part of the committee's work product. She noted that Wells Fargo presented another issue. She explained that the BOR learned from the Integrated Science Building that the renovation project is not yet finished. The regents believe that having community support is very helpful. She stated that she wanted to provide the committee with accurate numbers and a good plan.

Acting Chair Fairclough stated that a discussion on maintenance for University buildings will occur during the subcommittee process.

[10:02:24 AM](#)

Co-Chair Stoltze noted that members are hesitant to get involved as it might hamper the ability to advocate. He understood that the members believed that involvement in a task force might prevent the ability to act. He stated that the members considerably declined the invitation to participate in the task force. Ms. Hughes countered that the members did not decline the invitation. Co-Chair Stoltze argued that the mayor and other prominent individuals declined the invitation.

Acting Chair Fairclough noted that she would prefer to look deeper into the issue at a future time. She noted that the subcommittee would invest time exploring these important issues.

[10:04:38 AM](#)

Mr. Hamilton considered it an insult to the members of the BOR that he has worked with for twelve years, to suggest that they are "interior centric." He agreed that internecine warfare existed within the University and he stated that it was because the BOR is successful in engaging their own regional representatives and overturning the express priorities of the BOR. The university requires help from the legislature. The various regents have every right to talk with their legislators about their needs. The BOR clearly lays out a priority, which has been overturned by regional activities. The result is that 80 percent of new construction has occurred in Anchorage. He commended the committee on getting the BOR involved for the purpose of education. He stressed that the University is an institution of goodness. Many wonderful programs come before the President and the BOR and some must be declined.

Mr. Hamilton stated that the current status of the University is one of fiscal crisis. Student head count is up 4.3 percent, which is the largest increase seen in many years. Alaska native student enrollment is up 17 percent.

First time freshmen are up 15 percent and the university has 463 new Alaskan scholars, the largest new group seen in the history of the University. He mentioned that John Pugh has provided a tremendous source of information. He commended the wonderful programs that allow sufficient involvement and retention of students.

[10:08:26 AM](#)

Mr. Hamilton continued that funding of the University of Alaska by the legislature coincided with his arrival to the state. Since then, the number of high school graduates in the state attending the University of Alaska has risen from 40 to 63 percent. Private donations have increased by 75 percent. Federal funding has increased by \$70 million. For the last 12 years, the University of Alaska has been marginally favored by the legislature. He provided the statistic that 47 percent of University of Alaska students graduated during his time as President and that is due to funding from the legislature. He remembered that the initial request was made when oil was \$9 per barrel and yet the legislature chose to invest. He opined that the legislature made the right call.

[10:11:39 AM](#)

Mr. Hamilton projected a 4 percent gain in the next ten years. He opined that the gain might indeed be greater. He provided a statistic from 1960 that only 40 percent of children were born in the state. Today the statistic is 70 percent providing a more stable population. The University is well situated for continuing research, especially with the governor's budget for the life sciences building.

[10:14:16 AM](#)

Representative Foster noted that he received his second degree from the University of Alaska. He commended the efforts of the University on retention efforts.

Mr. Hamilton elaborated about specific programs that add to graduation potential. Simply attending the Regional Alaskan Honors Institute (RAHI) more than doubles the probability that the individual will graduate. He noted that the University has 4300 Alaska native students attending. He admitted that the retention rate remains lower than desired, but has continued to advance for more than a decade.

Mr. Hamilton addressed distance education. He explained that the courses respond to need and are decentralized. The question exists about formalizing this form of education at a cost. The BOR realized the priority prior to the LB&A audit. In ten years the University has four times as many student credit hours delivered by distance education,

equaling a 400 percent increase in ten years. He considered it an honor to work with academe. He stated that he has attended approximately 100 commencement exercises. He highly recommended the committee members attend a commencement exercise.

[10:19:21 AM](#)

Mr. Hamilton stated that the University serves Alaska native students. Twenty percent of the student body is comprised of Alaska natives.

Ms. Hughes asked if Ms Rizk should provide the budget overview. Acting Chair Fairclough stated that the overview will be postponed.

Representative Kelly expressed profound thanks to Mr. Hamilton. He believed that Mr. Hamilton was the most untraditional candidate to be placed in his role. He commended Mr. Hamilton for his work with the University's nursing program.

Acting Chair Fairclough echoed the comments of Representative Kelly.

[10:24:30 AM](#)

Acting Chair Fairclough noted that the "Governor's Proposed Fiscal Year 2011 Operating and Capital Budget Request" (Copy on File) or the "blue book" is the governor's proposal. She expressed thanks to the University for providing the budget in a form that is traditionally addressed by the legislature. The "red book" is found online at the University system, which is the regent's overall submission to the governor. She noted that a short description of the "red book" was provided in the committee packet which includes a high level comparison allowing committee members to have conversations about the issue.

[10:26:53 AM](#)

Representative Kelly commended Co-Chair Hawker for his work in compiling this "blue book" and the gathering of issues and pertinent information.

Acting Chair Fairclough echoed the comments of Representative Kelly. She thanks the President for his service to the country the state. She noted that the university's loss will be mourned.

[10:29:29 AM](#)

Co-Chair Hawker stated that the subcommittee process will continue in a forum chaired by Representative Fairclough next Tuesday.

#

ADJOURNMENT

The meeting was adjourned at 10:30 AM