

SENATE FINANCE COMMITTEE  
October 15, 2009  
9:06 a.m.

9:06:51 AM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:06 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Johnny Ellis  
Senator Dennis Egan  
Senator Donny Olson  
Senator Joe Thomas

MEMBERS ABSENT

Senator Charlie Huggins, Vice-Chair

ALSO PRESENT

Senator Joe Paksvan; Representative Anna Fairclough; Representative Mike Kelly; Wendy Redman, Vice President, University Relations, University of Alaska; Cynthia Henry, Chair, Board of Regents, University of Alaska; Fran Ulmer, Chancellor, University of Alaska, Anchorage; John Pugh, Chancellor, University of Alaska, Southeast; Brian Rogers, Chancellor, University of Alaska, Fairbanks; Fuller Cowell, Regent, University of Alaska, Anchorage; Steve Smith, Chief Information Technology Officer, University of Alaska; Denise Wartes, Coordinator, Rural Alaska Honors Institute (RAHI), University of Alaska, Fairbanks; Bernice Joseph, Vice President, Rural Communities and Native Education, University of Alaska, Fairbanks; Fred Villa, Associate Vice President, Workforce Programs, University of Alaska; Karen Purdue, Associate Vice President, Health Programs, University of Alaska; Melissa Hill, Director, K12 Outreach, University of Alaska

PRESENT VIA TELECONFERENCE

None

SUMMARY

**^UNIVERSITY OF ALASKA BUDGET OVERVIEW**

[9:06:54 AM](#)

Co-Chair Stedman commented on last year's state aid for the unfunded liability of community and university retirement systems. He pointed out that when the state provided such aid, it was in a better financial position than many communities which were in danger of collapse. There is still a lot of work to do on that issue.

[9:10:22 AM](#)

WENDY REDMAN, VICE PRESIDENT, UNIVERSITY RELATIONS, UNIVERSITY OF ALASKA, added that the university would have also gone under if the state had not bailed out the Teacher Retirement System (TRS), Public Employee Retirement System (PERS), and health care.

Co-Chair Stedman stated that there needs to be discussion about the unsustainability of the operating budget. Preliminary conversations with the administration are needed to work out a resolution. He wanted the regents to be aware of the issue for when they work on their budget.

[9:12:35 AM](#)

CYNTHIA HENRY, CHAIR, BOARD OF REGENTS, UNIVERSITY OF ALASKA, introduced the topic of the community college mission - vocational education, transfer of credits and cooperation.

Ms. Redman noted she could be fairly neutral and open-minded in spite of previously being the vice chancellor for the former community college division before it was merged into the university system. She related that community colleges provide open access education at the lower division levels, one and two year non-credit certificates. Community colleges are controlled locally and respond to specific programming within their regions. In the Lower 48, they are supported by taxes; in Alaska only a few communities use taxes to support community colleges. As a result of the restructure in 1987, the separately accredited community campuses were merged into one of three university centers. She referred to a map to show where they became aligned. New units with a broader mission were formed.

Ms. Redman reported that the restructuring was a difficult process in Anchorage because the community college was twice the size of the university and both were located on the same property. The Board of Regents made an effort to maintain the community college mission. She thought it had been successful.

[9:17:15 AM](#)

Ms. Redman discussed the pros and cons of the merger. From a student's perspective the merger has been positive. The curriculum is the same at all MAU's. There are hardly any transfer problems. The merged faculty has meant consistency in the curriculum.

[9:19:31 AM](#)

Ms. Redman pointed out that each of the community campuses is able to deliver a more comprehensive program. There were cost savings by eliminating the large administration. Tuition is still an issue.

Ms. Redman explained that there is a much greater focus on student support. She spoke of the community college philosophy being adopted by the University of Alaska. She encouraged legislators to refer student and parent concerns back to the university. She emphasized that the university deals with students rather than parents to problem solve.

[9:23:32 AM](#)

Ms. Redman remarked that the community colleges have a formal partnership with all of the regional technical schools in the state. They also have a relationship with labor unions and apprentice programs. There has been an attempt to eliminate competition between the community colleges and the tech centers. President Hamilton believes in partnerships and the need for the university to focus first on credit-bearing courses.

Ms. Redman emphasized that the community college mission has been positive.

[9:26:18 AM](#)

FRAN ULMER, CHANCELLOR, UNIVERSITY OF ALASKA, ANCHORAGE, agreed that the university's relationship with the community campuses is very strong. She listed the communities that fund, and are partners with, their community campuses: Kenai, Valdez, and MatSu. She commented that an important way the university meets the needs of the state is through partnerships with community colleges. The Community and Technical College at the University of Alaska, Anchorage, (UAA) is one of the largest colleges and is integrated within UAA. Students can find their place in life as a result of the openness throughout the system. She spoke highly of various programs such as Aviation Technology.

[9:29:13 AM](#)

Senator Egan asked how municipal and private sector contributions are leveraged when developing programs and funding criteria. Chancellor Ulmer replied that it is

different in different circumstances. She gave MatSu's EMT program as an example of a single-funded program. In Kenai and Valdez the money translates to more capacity to serve a wide variety of needs. Private sector contributions provided an opportunity to expand nursing programs.

Senator Egan inquired if community needs from those that contribute are a higher priority. Chancellor Ulmer said it makes some things possible that otherwise would not be possible. She deferred to Ms. Redman to further explain.

[9:32:23 AM](#)

Ms. Redman commented that the programs requested and funded by communities have received a higher priority because they already were considered important by the regents. If an industry or employer was willing to pay for a program that was not a high priority or needed, it probably would not be considered a priority for funding purposes. She explained how education is highly subsidized by the state. Requests are weighed against high demand jobs. So far, there has been a perfect match between industries willing to pay and priorities of the state.

[9:34:03 AM](#)

FULLER COWELL, REGENT, UNIVERSITY OF ALASKA, ANCHORAGE, noted that even during these tough economic times, the city of Valdez increased contributions to its community college.

JOHN PUGH, CHANCELLOR, UNIVERSITY OF ALASKA, SOUTHEAST, gave several examples of the university's responding to needs in Southeast Alaska. When the Alaska Marine Highway System moved to Ketchikan, UAS developed a marine operations training program on the Ketchikan campus. Another example was when Coeur Alaska opened up the Kensington Mine, a mine training center was opened in Juneau. The university tries to recognize workforce needs and develop programs.

[9:37:16 AM](#)

BRIAN ROGERS, CHANCELLOR, UNIVERSITY OF ALASKA, FAIRBANKS, spoke of partnerships with community campuses throughout UAF. He gave several examples from Nome. He noted that selected baccalaureate programs have extended the community college mission in order to meet acute community needs. He spoke of a challenge in reaching non-degree seeking students.

[9:39:52 AM](#)

Co-Chair Stedman questioned the cost of old community college courses and wondered what the solution might be.

Ms. Henry agreed that tuition increase was a concern. She explained the two-tier tuition increase; 5 percent for lower division classes and 10 percent for upper division classes. She noted the benefit to community campuses.

[9:41:26 AM](#)

Mr. Cowell pointed out the flip side of lower division classes being too expensive. Upper division classes, when compared to other colleges, are actually lower. For that reason, the Board of Regents proposed the two tier system for tuition increases.

Ms. Redman related that there have been proposals from the community colleges for seeking legislative support for an additional subsidy. Ms. Redman reported that university enrollment continues to hold steady or increase, except for the students taking only one or two classes.

[9:42:49 AM](#)

Chancellor Pugh reported that the Ketchikan campus began to try to undo the merger and the whole transition was a difficult process. Currently, the unification is working and the community is benefitting. The key is to identify and meet community needs and offer other classes as well.

Chancellor Pugh described the separate budgets allocated to Sitka's and Ketchikan's schools, which gave them local control.

[9:45:43 AM](#)

Senator Ellis commented on the down side of tuition increases. He inquired what the Board of Regents' philosophy on tuition increases was. He questioned what the legislature could do to help prevent the next tuition increase. He pointed out that Alaska does not have needs-based financial aid. He said that Governor Parnell is interested in a merit-based scholarship program. He noted that he and Representative Guttenberg have proposed a needs-based approach.

[9:47:35 AM](#)

Ms. Henry related that the board spends a lot of time discussing this issue. The only needs-based tuition aid comes through the Post Secondary Commission in the form of the Alaska Advantage Program and is for a stipend up to \$1000 per year. The board has not met to discuss the governor's recent scholarship proposal, but has great interest in it. Tuition increases require legislative input. When tuition increases are less than 10 percent,

there is less concern by students. It is an on-going discussion.

[9:49:48 AM](#)

Mr. Cowell spoke of a current need for \$7 million for those who need financial assistance to pay for tuition. He said he was happy to calculate what the tuition increase funds.

Senator Ellis commented that at some point students will not be able to bear the increase. Mr. Cowell spoke of support by students for tuition increases for expanded programs. He suggested that the legislature match the increase asked of the students.

[9:52:19 AM](#)

Senator Thomas asked how the tuition relates to the budget. He wanted to know the percentage of tuition increases over the last ten years and the average debt load.

Ms. Redman listed tuition increases of 10 percent in 2007, 7 percent in 2008, 5 percent in 2009, 5 percent in 2010, and a split of 4 percent and 7 percent proposed for 2011. The most recent proposal is for a split increase of 5 percent and 10 percent in 2012. Ms. Redman indicated that the increases were in line with what was happening in colleges throughout the country. She agreed that the increases probably could not be sustained into the future.

Senator Thomas asked about debt load. Clay Field, Associate Vice President, Students, University of Alaska, reported that for a baccalaureate degree the average debt load is \$22,000 and for an associate degree it is \$16,000.

[9:55:12 AM](#)

Chancellor Rogers reported that the most recent information showed a 10-year tuition increase of 71 percent compared to the western states' average of 101 percent. He commented on several needs-based financial aid studies that show a strong return on investment to a state that makes needs-based financial aid available, in terms of avoided cost in the health care system and in the criminal justice system.

[9:56:18 AM](#) AT EASE

[10:10:11 AM](#) RECONVENED

Co-Chair Stedman referred to an earlier statement by Senator Ellis regarding unsustainable tuition growth. He advised that the committee address this in the future. He questioned how the university sees the state's role in the solution.

Ms. Henry stated that the goal is to reduce dependence on general fund support. The board benefits from these financial conversations.

Mr. Cowell reminded that the state used to fund at 60 percent of the university's budget. It has since dropped to 40 percent and then risen to 45 percent.

Co-Chair Stedman referred to handout 5 which depicts the funding pattern decline.

[10:13:37 AM](#)

Ms. Henry turned to the topic of workforce development - programs and funding.

FRED VILLA, ASSOCIATE VICE PRESIDENT, WORKFORCE PROGRAMS, UNIVERSITY OF ALASKA, provided an overview of the direction that workforce development is headed. He defined "alignment" as effective use of resources to get students trained and ready for work. He related that the university has three roles in workforce development. One is outreach to students that leads to career planning; another is providing career and technical education and academic programs; the third area is to provide professional development to the existing workforce.

Mr. Villa spoke of economic challenges such as tourism and natural resource extraction. He discussed the implementation of plans, including a five-year career and technical education plan. The five-year plan gives the university the opportunity to apply for funds through the Department of Education. Another plan in place is the Alaska Gasline Inducement Act (AGIA) training plan. The Alaska Education Plan addresses building world class schools.

[10:20:20 AM](#)

Mr. Villa continued that the plans are designed to align the university with other agencies and departments. He cited an example of the benefits of technical training for energy jobs. The university does not need to do everything if other avenues exist for students. He encouraged alternative sources of education.

Mr. Villa described the university's involvement and cooperation with regional training centers and community campuses.

[10:24:09 AM](#)

Mr. Villa related that the university's priorities in workforce development are vetted through a committee with representatives from each campus. He mentioned career clusters and career pathways, as well as courses associated with the individual pathways. He provided an example from UAA. He described how the university works with the tech prep consortium. The stimulus grant also contributes to leveraging partnerships.

[10:28:09 AM](#)

Ms. Redmond noted that of the training taking place in the state, the university is doing about 90 percent of the workforce training.

Co-Chair Stedman moved on to health programs.

KAREN PURDUE, ASSOCIATE VICE PRESIDENT, HEALTH PROGRAMS, UNIVERSITY OF ALASKA, spoke of anticipated increases in the demand for health care. She appreciated the legislature's efforts to appropriate \$4.9 million in general funds for health care programs in the last five years. During that time the university has produced 4,634 health care graduates. The university has ramped up efforts to graduate students in health-related fields. Program funds are tracked on a quarterly basis. The faculty has a tremendous sense of responsibility to produce effective programs.

Ms. Purdue highlighted new programs: physician assistant, and nursing.

[10:31:51 AM](#)

Ms. Purdue shared statistics about the nursing program and provided regional data.

Senator Olson asked if the RN program is for two or four years.

Ms. Purdue responded that the associate program is for two years, but there is also a four-year program. She mentioned various other programs: dental hygiene, radiology, paramedic, social work, public health, and dietitian. There are several partnerships with universities outside of Alaska due to the expense of some programs such as occupational therapy, and speech, language, and audiology. Many programs are expensive and it is better to not duplicate them, therefore, distance delivery is key.

[10:35:05 AM](#)

Ms. Purdue noted the components of distance programs and partnerships. The health industry has provided \$3.5 million in hospital donations for the nursing program and \$4.7

million total over time. Ms. Purdue spoke of the difficulty of depending on limited-time donations.

Ms. Purdue pointed out that the university has a partnership with the Mental Health Trust. She listed difficulties with the program. She noted a need for post-graduate programs. She stressed the need for financial aid, the need for more men in programs, and the need to focus on rural sites.

Senator Olson asked what percentage of students who begin the program graduate. Ms. Purdue responded that completion rates are good because of the competitive nature of the programs.

[10:38:25 AM](#)

Chancellor Ulmer added that even though UAA is the home port for the health programs, the mission is statewide. She stated that the Rural Alaska Native Program (RAN) just graduated its 100th Alaska Native nurse. She described the program as being targeted for success. The RAN program is one of many innovative approaches to helping students succeed in health care education at the university.

Chancellor Ulmer spoke of the successful expansion of the nursing program, which succeeded in doubling the number of nursing graduates. There are several limitations to further expansion, such as money and physical realities. Expanding the capacity is part of the mission as it benefits the economy of the state. She appreciated legislative funding.

[10:42:14 AM](#)

Co-Chair Hoffman appreciated the nursing program and the goals that were met, such as training locals to lessen attrition rates. Local people holding nursing positions allow for better health care. He mentioned family members in the nursing program. Such programs provide income to the region, as well as a higher level of service.

Chancellor Pugh commented on the success of the health care education partnership throughout the state. Communities have benefitted greatly. He cited an example regarding the radiation technology program. He appreciated the collaboration between Ms. Purdue and the campuses.

Ms. Purdue reminded the legislature of the needs of the program and how thoroughly the requests have been examined.

[10:46:14 AM](#)

Co-Chair Stedman turned to energy programs.

Chancellor Rogers discussed the past challenge of the university's energy research and development work where the focus was on federal priorities due to federal monies being the primary funding source. Two years ago the president and board requested that the focus change to community and state priorities. The Alaska Center for Energy and Power (ACEP) was then developed as a gateway to accomplishing that goal. Three areas were the focus: potential energy sources for the future, community energy solutions, and power for the future. He appreciated the one-time funding for ACEP and for the Cooperative Extension Service.

Chancellor Rogers reported that the biggest constraint remains lab and office space. He expected a great deal of federal stimulus money, as well as private opportunities for direct funding to help alleviate that problem. Also, state assistance will be needed.

[10:51:32 AM](#)

Co-Chair Hoffman asked for ideas on how to address high costs for energy needs in Western Alaska. Mr. Rogers thought pieces of solutions had been identified and that they varied by community. He thought heat energy was the biggest problem and the proposal for propane distribution might be a piece of the solution. He did not claim to have the perfect solution.

Co-Chair Hoffman asked if consideration of nuclear energy is on the table. Mr. Rogers replied that the university does not have that expertise.

Co-Chair Stedman thanked Fairbanks for last night's reception. He thanked the Fairbanks Chamber of Commerce, the Visitor's Bureau, Senator Thomas, and Senator Paskvan, and their staff.

[10:54:38 AM](#) AT EASE

[11:07:35 AM](#) RECONVENED

Co-Chair Stedman listed the topics to be discussed.

Ms. Henry introduced the next speaker.

MELISSA HILL, DIRECTOR, K12 OUTREACH, UNIVERSITY OF ALASKA, discussed item e: Teacher Preparation, Continuing Education and Placement. She addressed alignment of education priorities with the state. She used early childhood education as an example of a well-supported priority. She noted that UAA has spent significant funding and resources into developing career pathways; UAF has used resources in allocating and impacting rural Alaska.

Ms. Hill explained the legislature's mandated invitation to present progress in teacher preparation. "Alaska's Universities for Alaska's Schools", SB 241, was presented to the Joint Committee on Education last session and an updated version will be presented again next session. She reported that the "numbers are up".

Chancellor Pugh related that he chaired a teacher education planning group with the three deans from the Schools of Education, staff from teacher placement, and from distance education. They looked at ways to make an impact in the teacher workforce. Each year about half of all teachers are imported from areas outside the state, which is getting more difficult. He stressed that teachers trained in Alaska are more likely to stay. The focus is to expand the teacher education program. As a result, distance education has been expanded so that all classes are now distance delivered. Students throughout the state can take education programs. Rural districts are part of the outreach for the teacher program.

Chancellor Pugh reported on some of the challenges in the teacher education program. One challenge is attracting the numbers needed. Outreach is an important component of meeting the goal.

[11:14:20 AM](#)

Mr. Pugh informed that committee that progress has been made and the numbers are higher in the teacher preparation program. More progress must be made to lessen the need to import teachers from out of state.

Co-Chair Hoffman asked if Chancellor Pugh agreed with audit report recommendations regarding distance education. Chancellor Pugh replied that the university does agree with the audit report and is working on improvements. He stressed that improving technology in rural Alaska is necessary in order to improve the delivery of teacher education programs.

[11:16:10 AM](#)

Co-Chair Hoffman requested that each chancellor address distance delivery incentives that are being considered.

Chancellor Pugh replied that the first priority is to make sure the program and the faculty are tailored for distance delivery. That is the first expectation and the training of faculty follows.

Chancellor Rogers stated that the incentive at rural campus sites is that the tuition generated by distance courses stays at the rural site. A new incentive at the UAF campus is to try to increase the number of courses offered as

distance courses. There is also a new internal distribution model that rewards each school for enrollment growth in distance education courses. That solution addresses one of the points raised in the audit - availability. A second point was to make it easier for the students taking courses from multiple campuses, which will take further work by the statewide system.

Chancellor Ulmer agreed with the previous comments. She discussed the tuition revenue increases due to distance programs. The distance delivery training for faculty provided in the Center for Faculty Development has been very successful.

[11:20:08 AM](#)

Ms. Hill added that numbers for students enrolled in teacher training programs are up by 16 percent at UAA, 22 percent at UAF, and 27 percent at UAS, over a four-year time period. She touched on efforts to recruit Alaska Native students. She mentioned partnerships with school districts and college campuses across the state.

[11:22:40 AM](#)

Co-Chair Stedman turned to distance education and information technology.

Ms. Henry introduced the next speaker.

STEVE SMITH, CHIEF INFORMATION TECHNOLOGY OFFICER, UNIVERSITY OF ALASKA, spoke of the progress made in distant education. He reported that the university is in agreement with the finding of the recent audit and is making progress on the four recommendations. Information technology is the enabler for distance education. A regular report is made to the board.

[11:25:15 AM](#)

Mr. Smith elaborated on the transformation from an institutional orientation to a student orientation resulting in an increase in distance education. One in three students is taking distance education. The majority of courses are taught by distance now. Performance measures are still "institutional" and are changing to incentive models.

[11:27:15 AM](#)

Mr. Smith felt an area of constraint is unequal technology access throughout the state. West and north of Fairbanks, every community is served by satellite. The university is working to solve that problem and provide access to those communities. He spoke of a research study - Cable on the

Tundra - with GCI, which is designed to lay fiber optic cable across the tundra.

Co-Chair Stedman asked if the university has noted improvement in Southeast Alaska with fiber optics. Mr. Smith reported on significant improvements provided by digital microwave. All current telecommunications contracts expire in March and will be re-bid as fiber optic access.

[11:30:45 AM](#)

Co-Chair Stedman turned to other university programs of interest.

Ms. Henry thanked the Senate Finance Committee for their work with the university. She thanked Senator Thomas for organizing the meeting in Fairbanks. She also thanked Senator Ellis for his support for the university. She thanked Senator Eagan, Senator Olson, Ms. Redman, and the Chancellors.

Co-Chair Stedman thanked Representatives Kelly and Fairclough.

[11:36:11 AM](#)

Ms. Henry turned attention to engineering.

[11:36:29 AM](#)

Chancellor Rogers spoke of the engineering programs offered by UAA and UAF. The biggest growth has been in petroleum engineering. The university has done a better job of retaining students, recruitment, and retention. Recruitment is aimed at the junior high and high school level through programs such as the Alaska Summer Research Academy, Lathrop Engineering Academy, Robotics Competition, and Engineering Week. On campus there are competitions in electrical snow machines, bridges, and rocket launching. These competitions are trying to address the statewide shortage of engineers.

[11:38:36 AM](#)

Chancellor Ulmer provided two numbers: the number of engineering majors at UAA in 2000 was 223; in 2009 it was 651. She spoke of a goal to expand the program and increase numbers. The biggest problem is lack of engineering classrooms and lab space. The industry is requesting more engineers. She pointed out that UAA started a new BA in science and engineering, which became accredited this year. This is a huge year for accreditation at UAA. She listed programs which have been re-accredited.

[11:41:18 AM](#)

Chancellor Ulmer emphasized that UAA is one of only four pilot institutions in a new system for accrediting Northwest schools, colleges, and universities. She highlighted the advantages of such a system.

She thanked the Senate Finance Committee for their work.

Ms. Henry turned to rural student services.

[11:42:42 AM](#)

Chancellor Rogers talked about rural student services. He introduced the speakers on the topic. He noted a handout on the Rural Alaska Honors Institute.

[11:43:20 AM](#)

DENISE WARTES, COORDINATOR, RURAL ALASKA HONORS INSTITUTE (RAHI), UNIVERSITY OF ALASKA, FAIRBANKS, referred to a handout and brochure provided for the committee. She described the makeup of the brochure. She reviewed the history of the RAHI program. She highlighted four paragraphs providing statistics from the program. Students who took RAHI were more likely to receive a bachelor's degree. She informed the committee about Project Smart in New Hampshire and the Barrow Arctic Science Consortium, both of which students attended. She reported on six students who videotaped their stories, which will be shown to the Alaska Federation of Natives, to the legislature, and to the Alaska House in New York.

[11:47:07 AM](#)

Ms. Wartese spoke of funding sources for RAHI, including the legislature. She is looking to expand the program. BERNICE JOSEPH, VICE PRESIDENT, RURAL COMMUNITIES AND NATIVE EDUCATION, UNIVERSITY OF ALASKA, FAIRBANKS, detailed highlights of Tanana Valley Campus, Kuskokwim Campus, Tok Campus, Chukchi Campus, and Bristol Bay Campus. Economic impact studies are taking place at each campus. Nome shows a \$6 million impact with federal and state dollars in employment. There is also a great deal of outreach taking place. The Northwest Campus had forty students in the new dorm at Unakleet for introductory classes in math and science. That was also the focus on the Interior Aleutians Campus.

[11:51:47 AM](#)

Co-Chair Hoffman asked for a breakdown of federal funding vs. state funding. Ms. Joseph reported on a 60/40 breakdown of federal and state funding. Co-Chair Hoffman asked how

that compares to the three main campuses. Ms. Joseph did not know. Co-Chair Hoffman had great concern with the dependence on federal dollars.

Co-Chair Stedman noted Senator Paskvan and thanked the regents.

#  
ADJOURNMENT

The meeting was adjourned at 11:53 AM.