

SENATE FINANCE COMMITTEE  
February 16, 2011  
9:02 a.m.

[9:02:55 AM](#)

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Patrick Gamble, President, University of Alaska; Michelle Rizk, Associate Vice President, Budget, University of Alaska; Wendy Redman, Vice President, Statewide Programs, University of Alaska

PRESENT VIA TELECONFERENCE

Kit Duke, Associate Vice President, Facilities, University of Alaska

SUMMARY

^Presentation: University of Alaska FY 12 Budget  
(Subcommittee of the whole)

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Co-Chair Hoffman announced that Pat Gamble would present the University's FY 12 budget.

PATRICK GAMBLE, PRESIDENT, UNIVERSITY OF ALASKA, introduced the testifiers. Mr. Gamble presented the PowerPoint Presentation: "University of Alaska: FY 12 Budget Presentation" (copy on file). He stated that he would be happy to answer any questions related to the capital budget.

Mr. Gamble discussed slide 2: "State Policy Guide." He stated that fiscal restraint, strategic program investment, student success, and service to the state were the four main factors when creating a budget.

Mr. Gamble presented slide 3: "Performance Measures: FY 09-FY 10." He explained that the University of Alaska (UA) was still growing. He stated that physical growth and expansion was not a priority. He understood that there was a possibility of the budget flattening. He said that the governor would like a budget that reflected general maintenance, rather than expansion. He stated that the displayed chart was an example of growth since the two years prior.

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Mr. Gamble displayed slide 4, and stated that the UA Fall Enrollment at an all-time high: 34,000 students.

Mr. Gamble showed slide 5: "FY 12 Operating Budget." He stated that there was a recent raise in tuition. He stressed that UA had one of the lowest tuitions for a four-year degree in the United States. He felt that the tuition should remain relatively low.

Co-Chair Hoffman wondered why the numbers were different from the budget book. MICHELLE RIZK, ASSOCIATE VICE PRESIDENT, BUDGET, UNIVERSITY OF ALASKA replied that the difference was that the presentation reflected the UA Board of Regents budget, and the budget book represented the governor's request.

Co-Chair Hoffman stressed that the presentation should be a reflection of what the governor requested, not what the Board of Regents requested. Mr. Gamble noted it.

Mr. Gamble presented slide 6: "FY 11 Legislative Intent." He mentioned that there was guidance from the legislature that UA intended to comply with.

Ms. Rizk stated that the second bullet displayed in slide 6 was intent language that was added by the Senate, and was in response to the multiple appropriation structure to help UA provide some level of flexibility. She stated that the intent language was helpful, and the General Fund amount equaled \$10 million to distribute to each campus. She furthered that \$1 million remained, and the campuses were determining the priorities to allocate the \$1 million.

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Mr. Gamble discussed slide 7: "University Revenue." He stated that the graph gave a comparison between FY 10, FY 11, and FY 12 budget authorizations.

Co-Chair Hoffman queried the tuition increases. Ms. Rizk replied that the University Board of Regents approved the budget with a 7 percent increase at the undergraduate level and a 3 percent increase at the graduate level.

Mr. Gamble displayed slide 8: "FY 12 Notables." He stated that there was the average compensation increase from FY 08-FY 11 was approximately 4 percent. He furthered that he expected an increase of about 2 percent in FY 12.

Co-Chair Hoffman wondered if the compensation increases were supplemental requests. Mr. Gamble replied that negotiations were not complete, so when they completed they would be inserted into the budget.

Mr. Gamble continued to discuss FY 12 notables on slide 8. He stated that the fixed costs had decreased by \$3.4 million or 60 percent. He shared that the program requests were down at \$8.6 million or 78 percent.

Mr. Gamble presented slide 9: "UA's FY 12 general fund budget request is the smallest in 5 years."

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Mr. Gamble discussed slide 10: "Operating Budget Request (increment) vs. State appropriation FY 09-FY 12 (in thousands)." He pointed out the far right bar of the graph, and noted that the fixed cost of program dollars were significantly down.

Co-Chair Hoffman noted substantial increases to the University's budget, and felt that the governor's recommendations were unsustainable. Ms. Rizk noted that the chart compared the governor's requests to the governor's appropriations.

Co-Chair Stedman requested an explanation of the fluctuating fixed-cost changes, and include comments including the report on the University's systems and overhead. Mr. Gamble replied that most of the fixed costs were travel costs, reduction in services, reduction in utilities, and reduction in contracts. Ms. Rizk furthered that the new Health Sciences Facility was scheduled to come online in FY 11, and the organization of costs: programmatic and operating.

Co-Chair Stedman remarked that travel did not seem like a fixed cost. Mr. Gamble replied that he was focusing on discretionary costs.

Co-Chair Stedman would like to hear more about the Fisher Report. Mr. Gamble stated that there were some helpful items in that report, but some findings did not fit for Alaska.

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Mr. Gamble displayed slide 11: "Example of Pro-Active Cost Savings." He stated that the bullets were representative of some of the areas where savings could be found. He noted that \$43,000 was not much, and he stated that the boiler meltdown increased the cost at \$27,000 a day.

Co-Chair Stedman queried the overall cost of energy. Mr. Gamble agreed to provide that information, and stated that the plants had the capacity to add up spending in real time.

Co-Chair Stedman clarified that he would like a comparison of cost related to each energy source.

Co-Chair Hoffman stated that the coal plant was in disrepair.

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Mr. Gamble presented slide 12: "Capital Budget." He remarked about a consultant who looked at the University's health care cost growth. He remarked that health care costs were unsustainable costs.

Mr. Gamble continued to discuss slide 12, and stated that he hoped to simplify the deferred maintenance costs. He stated that he hoped to propose a way to find a sustainable point in the capital budget.

Senator Thomas referred back to slide 11, and wondered if the \$43,000 savings was attributed to the Community Technical Center. Mr. Gamble confirmed that it did refer to the Community Technical Center.

Senator Thomas requested a comprehensive look at full use of the power plant.

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Senator Ellis looked at slide 12, and wondered how it related to the need for engineering programs at the Anchorage and Fairbanks campuses. Mr. Gamble recognized the need for engineering programs. He stated that he had a conversation with the engineering advisory board, and planned to address the board the following day. He stated that there were some counter-cyclical demands that would accrue, even with a flattening of the budget. He expressed that Exxon had expressed the need for more engineers.

Co-Chair Hoffman queried when the discussion with Exxon occurred. Mr. Gamble replied that the industry would say that they have a hard time hiring post-graduate engineer program graduates.

Co-Chair Hoffman wondered if Exxon was requesting engineer, because Exxon was looking for new engineers in the field. Mr. Gamble replied that Exxon had made requests for engineers, because they were looking for new engineers.

Co-Chair Hoffman stated that the Senate Finance Committee had added \$1 million that was not requested by the University and the Administration.

Co-Chair Hoffman looked at page 29 of the blue book report, and remarked that there was a demand for degrees. He specifically pointed out the nursing program, and felt that

there was an overabundance of applicants. WENDY REDMAN, VICE PRESIDENT, STATEWIDE PROGRAMS, UNIVERSITY OF ALASKA remarked high priority programs specifically regarding the native nursing program.

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Senator Egan stated that there was a similar issue with nurses in Southeast Alaska.

Senator Egan queried new housing for freshman students, and wondered if there were any construction plans to fill that need. He specifically queried efforts related to Banfield Hall. He felt that the Deferred Maintenance request for the Southeast Campus was too low. Mr. Gamble replied that he saw that the housing was at capacity. He explained that there was an opportunity for a public-private partnership. KIT DUKE, ASSOCIATE VICE PRESIDENT, FACILITIES, UNIVERSITY OF ALASKA furthered that there was evidence of successful use of public-private housing in a difficult economic climate.

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Senator Egan requested further information regarding the public-private housing partnership.

Senator Thomas stated that the Department of Labor (DOL) was doing some training of nurses, and stated that he hoped that University and DOL would work together to create and urgent supply in the rural areas. He stated that in the year prior there was support for a capital budget of \$35 million in deferred maintenance for the University. He wondered if the local contractors would be given the work. Mr. Gamble replied that he was working to ensure local contractors were given the work.

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Co-Chair Hoffman wondered how the decisions were made to campus priorities. Mr. Gamble replied that over the ten years prior, most of the money had gone to new constructions and renovations. He stated that many decisions were based on risk.

Co-Chair Hoffman wondered how the \$37 million would be divided. Mr. Gamble replied that each project would be covered, so there would be no need to pick and choose.

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Co-Chair Stedman remarked that there should be discussion regarding using bonds for maintenance. He queried the back of the blue book, and pointed out that there was a 4.5 percent rate of change. He specifically pointed out page 55, and looked at Ketchikan and Sitka. He noted that the lowest numbers were Ketchikan and Sitka. He pointed out that revenue is in decline, but enrollment is growing. Ms. Rizk agreed to provide further information.

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Co-Chair Stedman understood that the Ketchikan and Sitka campuses were small, so they were not considered high priority.

Co-Chair Hoffman furthered that areas with higher native populations get federal funds, but they should not be exempt from state funding. Mr. Gamble expressed gratitude for his experiences meeting the faculties and staff throughout the state. He felt that the community campuses were very helpful in solving some financial issues that the University faced.

Co-Chair Hoffman remarked that the native communities would respond positively to federal input, but there would be additional needs from the state of Alaska.

[10:09:23 AM](#)

Ms. Redman stated that there was a competitive quality in defining what the individual campus needs are, and to be sure that they are given their fair share. She continued that Southeast Alaska's nursing programs funding occurs in the University of Alaska Anchorage budget, because the programs are delivered from the Anchorage campus. Co-Chair Stedman felt more clarity would inform a better decision.

Co-Chair Hoffman thought that all campuses should be treated equally. Mr. Gamble replied that campuses were always in need in one area or another. Co-Chair Hoffman

argued that campuses receiving Title 3 federal funding should not be penalized for doing so.

Co-Chair Stedman pointed out the rates of change from 2005-2010. He asked for clarification on the 2005 numbers. Mr. Gamble replied that it would take time for the answer to be delivered to the committee.

Mr. Gamble discussed slide 13: "Concerns." He stated that the main concern was student success, specifically student retention and completion.

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Senator McGuire wondered if there had been exit interviews with freshmen who were leaving the UA campuses. She remarked that many students were using UA as a stepping stone to other universities. Mr. Gamble remarked that the acquired data regarding student retention was inaccurate. He stated that when a student enters the school system, they were given a student number; but when they enter the university system, they were given a new number. He stressed the importance of tying the K-12 student data with the University data. He pointed out that the data does not include non-standard students.

Senator McGuire stressed the importance of an exit interview for students, and wondered if rural students feel welcome in the urban campuses.

Co-Chair Hoffman referred to page 27, specifically the chart related to high demand jobs. He wondered what the percentages for graduation related to high demand jobs; and he also queried the success of the rural campuses. Mr. Gamble agreed to provide that information.

Co-Chair Hoffman stressed the importance of the rural campuses inclusion in the discussion. Mr. Gamble stressed that the e-courses and distance learning would complicate how to report attendance, especially because of the lack of bandwidth in rural areas.

[10:27:35 AM](#)

Co-Chair Stedman remarked that Ketchikan, Wrangell, Sitka, and Juneau were all connected through the fiber optics. He wondered if there were bottle neck issues, slowing the

bandwidth. Mr. Gamble agreed to provide more information regarding slowing of bandwidth.

[10:28:41 AM](#)

Mr. Gamble displayed slide 14: "Opportunities." He stated that there were still many students who were eager to be a part of the UA program. He stressed understanding student needs and desires. He remarked that preservation of student success, Alaska native support, teacher education, secondary school cooperation, community campuses, health/biomedical focus, e-learning, research, commercialization, and UA system strategic plan. He stressed that UA was not at a place to continually raise tuition, and he hoped that would not be a future issue. He stressed that they would rather focus on cutting programs.

Co-Chair Hoffman wondered if research dollars would be cut. Mr. Gamble replied that research money mostly came from the federal government. He stressed that he would like to put more money into research. He stressed focusing on high demand job programs.

Mr. Gamble presented slide 15: "Commitment to a Maintenance Budget." He stressed the maintenance budget focused on maintenance of momentum, quality programs for students, and service to the state.

[10:33:07 AM](#)

Co-Chair Hoffman wondered why ANSAP funding was only a one-time increment. Ms. Rizk understood the ANSAP funding was intended to be ongoing funding, but agreed to provide more information.

Co-Chair Hoffman wanted more information on where the stimulus money was spent, and wondered where the health-science building construction was implemented in the budget. Mr. Gamble stated that the opening of the science building was on schedule.

Senator McGuire queried page 53 in the blue book, and pointed out FY 09, and wondered what the comparison was for administration related to education. Mr. Gamble replied that he had not looked closely at that comparison.

Senator McGuire pointed out page 26 of the Fisher Report, and wondered what the university system was doing to respond to those findings. Mr. Gamble stated that it was difficult to measure efficiency in technology.

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Senator McGuire queried the licensing and patenting of intellectual property development and technology. Mr. Gamble replied that ten years prior, the university was not in the business of commercialization. He stressed that he was currently interested in commercialization, and felt it was a system wide responsibility.

Co-Chair Stedman queried some deferred maintenance specifically pages 61 and 58. He would like a head count comparison to building square footage. He wondered if there was efficiency in the building, and wondered if there could be consolidations. Ms. Redman replied that they look at head count comparison related to classroom usage. She surmised that Co-Chair Stedman had requested a comparison related to classroom space versus non-classroom space usage.

Co-Chair Stedman clarified that he would also like an evaluation of the total space usage, because he wanted to know if the older buildings should be used. He was looking to see if there was efficiency in all building use. Mr. Gamble replied that buildings were hardly ever torn down, even if they were very old and dilapidated.

Co-Chair Hoffman stressed the importance of nuclear power research at the University.

10:53:13 AM

Senator Thomas queried deferred maintenance and the high percentage of contractors, and requested a debt load evaluation of graduates. Mr. Gamble agreed to provide that information.

Mr. Gamble thanked the committee for their support, and agreed to deliver requested information.

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ADJOURNMENT

The meeting was adjourned at 10:55 AM.