

SENATE FINANCE COMMITTEE
February 16, 2017
9:35 a.m.

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CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 9:35 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Anna MacKinnon, Co-Chair
Senator Click Bishop, Vice-Chair
Senator Mike Dunleavy
Senator Peter Micciche
Senator Donny Olson
Senator Natasha von Imhof

MEMBERS ABSENT

None

ALSO PRESENT

James Johnsen, President, University of Alaska; Senator Berta Gardner; Senator Gary Stevens.

SUMMARY

FY 18 BUDGET OVERVIEW:

UNIVERSITY OF ALASKA

Co-Chair Hoffman stated that the committee would be going through a different process in handling the operating budget and not doing business as usual. He shared that the Senate had come up with a plan to try to address the \$3 billion budget shortfall, and had found an additional \$300 million in cuts to the operating budget. He referred to the governor's proposed plans to raise revenue including a motor fuel tax and revision of the Permanent Fund Dividend (PFD) plan. He thought that if all three of the governor's revenue measures were to be implemented, there would still be a \$674 million deficit the following year.

Co-Chair Hoffman continued, stating that even if the Senate accomplished its proposed \$300 million in reductions, the state would still be operating at a deficit of well over \$500 million. He thought the legislature had made substantial reductions over the course of the preceding years, and mentioned the departments that represented large components of the budget: the University of Alaska (UA), the Department of Transportation and Public Facilities, and the Department of Health and Social Services. He communicated that he planned on having overviews of the state's four major cost drivers to enable members to understand how each component was providing services to the people of Alaska. In prior years, the committee had not focused on specific departments, but rather heard overviews of each agency.

Co-Chair Hoffman informed that the subcommittee chairs would continue to operate and would come forward with recommendations. Because the Senate had taken a new approach, there would be additional hearings, starting with today's meetings. He expressed that the intent of the presentation was to have as detailed as possible understanding of the services that UA provided to the people of Alaska.

^FY 18 BUDGET OVERVIEW: UNIVERSITY OF ALASKA

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JAMES JOHNSEN, PRESIDENT, UNIVERSITY OF ALASKA, expressed appreciation for Co-Chair Hoffman's remarks, and echoed the sentiment that it was not possible to move forward doing business as usual. He commented that UA was not moving forward in a business-as-usual manner. He hoped that the committee would recognize that in addition to being one of the four major cost drivers in the state, UA was also one of the major drivers of the economy and future. He acknowledged the Senate's plan and fiscal focus, and its attention to making sure that government was operating in the most cost-effective manner. He stated that he would address the values that UA provided the state, including a commitment to cost effectiveness.

President Johnsen discussed the presentation "University of Alaska - FY18 Budget Overview" (copy on file).

President Johnsen turned to slide 2, "Constitution & Statutes":

AK Const. Art. 7, § 2 State University
University of Alaska is hereby established as the state university and constituted a body corporate. It shall have title to all real and personal property now or hereafter set aside for or conveyed to it. Its property shall be administered and disposed of according to law.

AK Const. Art. 7, § 3 Board of Regents
The University of Alaska shall be governed by a board of regents. The regents shall be appointed by the governor, subject to confirmation by a majority of the members of the legislature in joint session. The board shall, in accordance with law, formulate policy and appoint the president of the university. He shall be the executive officer of the board.

Alaska Statutes Title 14 Chapter 40
AS 14.40.10 - AS 14.40.817 govern the University of Alaska

President Johnsen noted that the University would be celebrating its 100-year anniversary of the territorial legislature establishing the foundation of the college. He reminded that UA had its roots and origin in the constitution itself.

President Johnsen discussed slide 3, "University Mission":

"The University of Alaska inspires learning, and advances and disseminates knowledge through teaching, research, and public service, emphasizing the North and its diverse peoples."

Regents' Policy 01.01.01

President Johnsen stated that the University mission statement was similar to that of other land-grant universities, but it was also unique.

Co-Chair Hoffman acknowledged Senator Berta Gardner and Senator Gary Stevens.

President Johnsen viewed slide 4, "University Mission":

Education

Academic and vocational instruction

Research

Scientific and academic research, advancing knowledge basic and applied

Service

Sharing knowledge to address Alaska's community needs

President Johnsen mentioned the UA Cooperative Extension, and the fact that almost every UA faculty member had a service responsibility that was beneficial to communities.

President Johnsen spoke to slide 5, "100 Years of Service":

Established in 1917 as the Alaska Agricultural College and School of Mines, today:

- One campus in 1922 - 15 statewide campuses today
- One graduate in 1923 - 4,800 graduates in 2016
- Alaska's #1 higher education institution - in education, research, and workforce preparation
- America's #1 higher education institution - affordability
- World's #1 research university on the Arctic

President Johnsen noted that Alaska led the nation in the percentage of Alaskans with some college and no degree. He asserted that UA was the most affordable university in the United States if its tuition was divided into household income.

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President Johnsen reviewed slide 6, "Serving All Alaskans," which showed a state map and a list of all the campuses of UA. He noted that the university served the state, and remarked on the size of the state. He noted that there were three university campuses and twelve community campuses across the state, in addition to outreach centers and distance delivery.

President Johnsen displayed slide 7, "Alaska Sized Benefits":

A major economic engine in Alaska generating direct and indirect benefits:

- 15,740 jobs result from University activities
- \$1.1 billion in annual economic/employment impacts statewide
- \$43.7 million in economic impacts to rural Alaska alone
- \$1 of investment generates \$3 in economic activity
- \$1 of state research investment generates \$4.1 in research dollars

President Johnson relayed that UA had contracted the McDowell Group to study the economic impact of the university on the state. He noted that there were some prominent UA research programs that generated over \$6 to \$7 in return for each dollar of state investment.

President Johnsen showed slide 8, "Research Diversity & Service":

The university is home to more than 60 research centers addressing critical issues important to Alaskans, our lifestyle and our economy

Geophysical Institute
Institute of Social and Economic Research
Institute of Arctic Biology
Arctic Domain Awareness Center
Alaska Center for Energy and Power
Institute for Circumpolar Health Studies
Alaska Volcano Observatory
Ocean Acidification Research Center
Center for Behavioral Health Research and Services
Alaska Coastal Rainforest Center
Center for Alaska Native Health Research

President Johnsen spoke to the variety of research work done by the university. He highlighted the Geophysical Institute; and the Institute of Social and Economic Research (ISER), which did relevant public policy research that was of value to the state. The Arctic Domain Awareness Center was doing work for the United States (U.S.) Department of Homeland Security; and had the U.S. Coast Guard as its primary client. He discussed the close ties

that the university had with the military in Alaska. He spoke to the breadth of issues addressed by the research centers listed on the slide. He added that the Center for Alaska Native Health Research had the top quality rating of the National Institutes of Health, and that it was an American Recovery and Reinvestment Act (ARRA) program.

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President Johnsen turned to slide 9, "Challenges":

- Geography - location, size, regionalism
- Students - low high school graduation rate, low college going rate, low college completion rate, half require developmental education
- Economy - high in natural resources - low in "new economy", historically high wage to education ratio, industry workforce gaps
- Structure - 4 administrative structures, 3 institutional accreditations, geographic spread
- Budget - heavy reliance on resource-dependent state funding, 3rd year of budget reductions
- Revenue - private giving, comparatively low tuitions, land grant deficit

President Johnsen considered that UA was a microcosm of the state, and he was thereby addressing the state's fiscal challenges within the university. He relayed that prior to the committee meeting he had a meeting with the commissioner of Department of Education and Early Development (DEED) to work on alignment with K-12 education and the university. He discussed the commitment of the department to provide college and work-ready graduates for the economy and the university system, while the commitment of UA was to be aligned and to produce more top-quality teachers for the state.

President Johnsen informed that UA had relatively low private contribution rates. He discussed the historical legacy of the land grant, which the university was trying to address. He thought part of the UA's heavy reliance on the state was due to a land grant deficit. He explained that UA did not get the close the 500,000 acres that was due under various federal acts; but had received 110,000 acres.

Co-Chair Hoffman asked President Johnsen to provide a brief snapshot of what had happened with tuition in the previous 5 years.

President Johnsen relayed that tuition had increased at a rate of about 5 percent each year. Currently, UA tuition was 84 percent of the Western Interstate Commission for Higher Education (WICHE) states' average. He informed that the WICHE states received 90 percent of Alaskan students.

Co-Chair Hoffman asked when the last time tuition was raised.

President Johnsen relayed that the tuition had been raised in the current year. He discussed a proposed 9 percent tuition increase, at which time the students (and the University of Alaska Anchorage (UAA) debate team) had made a counter-proposal of a 5 percent increase.

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Vice-Chair Bishop referred to the second bullet on slide 9, and requested to meet later with President Johnson and the Commissioner of Education.

Senator Olson referred to President Johnsen's comment about a low amount of private sector contributions. He wondered about the reason for the low contribution rate. He thought there were sizable corporations in the state that could contribute.

President Johnsen acknowledged he was making a generalization, but did not believe there had been a strong culture of philanthropy in Alaska after having heavily relied on state funding for many years. He offered to bring additional data to the committee, with a breakdown of sources of revenue to the UA Foundation (the private fundraising arm of UA). He discussed the different funding sources at the university, and made note of a significant decline in the rate of corporate giving from 2015 forward. He cited relatively low alumni giving rates, and noted there was new leadership in the foundation that had emphasized private giving and alumni outreach. He commented that many leading institutions ran multi-year campaigns.

Senator Olson disagreed with President Johnsen's comment about Alaska not being a philanthropic state. He referred

to the Pick.Click.Give program, under which state residents could donate money to a variety of organizations. He asked President Johnsen to contextualize his comment.

President Johnsen noted that he personally participated in the Pick.Click.Give program, and thought that the Rasmussen Foundation had stepped up to lead the program after recognizing the need to build a philanthropic culture in the state.

[9:56:00 AM](#)

President Johnsen discussed slide 10, "State Budget Reductions":

The university's budget has been reduced \$53 M (14 percent) over the past three years.

The overall institutional impacts are greater than just the reduction of programs and personnel.

The slide also showed a bar graph entitled 'UA State General Funds FY 15 - FY 18.' He made note of the cascading reductions, and noted that the governor's proposed budget included a continuation of funding at the \$325 million level.

Senator Micciche thought it would have been helpful to see the state support for the university system for FY 14, which he assumed was the peak of state support.

President Johnsen stated that the FY 14 amount was \$377 million.

Senator Micciche asked if FY 14 was the peak of funding for UA.

President Johnsen affirmed that FY 14 was the peak General Fund (GF) contribution by the state.

Co-Chair MacKinnon asked if the funding reflected on the slide was all operating funds, or if it included deferred maintenance funds that the state also provided.

President Johnson specified that the graph showed operating money for FY 15 and FY 16, and did not recall that deferred maintenance had come out in those years. In FY 17 the

regents had reallocated some operating funds for deferred maintenance, because the capital budget request for deferred maintenance was not provided. He recalled that there had been approximately \$10.5 million reallocated.

Co-Chair Hoffman believed that the legislature also appropriated a substantial amount in capital to the infrastructure of the university.

President Johnsen stated that the legislature had very large capital budgets over the years that had provided tremendous facilities for UA. Additionally, there were years with generous contributions to deferred maintenance. He commented on the university's continued large deferred maintenance backlog, which ran from \$800 million to \$1 billion. He would discuss steps to address the backlog in a later slide. He reminded that new facilities brought new operating expenses, which were often not provided.

Co-Chair Hoffman clarified that he had been referring to the power plant. He asked if the president recalled the total amount of funding that was committed to the university for the important piece of infrastructure.

President Johnsen agreed that the power plant was a very important piece of infrastructure. He estimated that \$245 million in capital investment had been committed by the state, and the university also utilized some bonds.

Co-Chair Hoffman stated that although that although there had been some reductions, the university was viewed as very important asset of the state, ergo the substantial investment in the power source.

[10:00:21 AM](#)

President Johnsen viewed slide 11, "Budget Reduction Impacts":

- Jobs impacted
 - Cumulative FY15-FY17 headcount reduction: over 900
 - More than 250 reduced assignments or increased workload
- Academic program reductions
 - Since January 2016, 50 academic programs eliminated or suspended

- o Fewer sections and larger class sizes
- o Increases in faculty instructional workloads
- Administrative function consolidation and service reductions
- Closed Galena, McGrath, & Shishmaref Learning Centers
- Reduction of faculty travel and professional development funding
- Reduced research faculty start-up/seed availability
- Telecommunications contract cost reduction
- Reduced owned & leased space; defeased & refinanced debt

President Johnsen relayed that work was ongoing to complete the engineering building on the University of Alaska Fairbanks (UAF) campus, which would be done in one year and would provide state-of-the-art space for faculty and students to work. He discussed the ongoing collaboration between the two Schools of Engineering at UAA and UAF.

President Johnsen specified that the precise number of position reductions at UA was 923. He continued that UA had reduced assignments and had made part-time jobs from some full-time positions. He noted that some faculty might get a reduced service, creative activity, or research assignment. He discussed the inverse trend of economic upswing in the Lower 48, and noted that other universities were seeing more support to be competitive in faculty research rivalry. He discussed the increasing prominence of the Arctic as a subject of study, and noted that the area was becoming competitive. He discussed the over \$1 million per-year reduction in wide-area network costs; and noted that UA was selling facilities and reducing expenses through other space changes.

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Senator Micciche asked if there was an active revenue arm that pursued opportunities for UA to provide research for the private sector. He did not feel strongly about competing with the private sector, but wondered about research that was not available through private sector firms.

Mr. Johnsen communicated that by far, UA was the leading research entity in the state. He furthered that UA partnered with and provided the majority of the workforce for many private research organizations in the state. He stated that UA worked with industry, and he had met with individuals in the oil and gas sector as well as other sectors, who were interested in doing more work in the state. He discussed the cycle at UA by which alumni ended up in positions in industry and then returned to the university to work on a project.

Senator Micciche followed up to inquire about Mr. Johnsen's assertion that UA was the number one research institute for Arctic research issues. He asked about global outreach for potential revenue-enhancing research to offset state funding reductions.

President Johnsen could not identify specific organizations that UA had pursued, but asserted that the university was recognized by all other universities and organizations operating in the North as the leader in Arctic research. He agreed that global outreach was the right direction to pursue. He thought it was important to recognize that it was crucial to conduct research that was relevant to the North, and to Alaska in particular. He thought the mix of research at UA had global implications, and wanted to make sure the research was highly relevant to what was happening in the state. He used the example of the Alaska Center for Energy and Power, which did world-class research on micro-grids. He stated that Alaska led the world in research on micro-grids, and other countries were interested.

President Johnson continued discussing Arctic research. He thought it was important to recognize that UA faculty and researchers were not allowed (under their research contracts) to apply for additional research opportunities under the contracts; which was why the GF component of the research body was so important.

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Vice-Chair Bishop relayed that had worked closely with the university for the past 10 years, specifically with the Mining and Engineering Department. He referred to cross-border collaboration with the Yukon Territory. He discussed sharing mine training knowledge, as well as working with

countries such as Mongolia. He mentioned the notion of exporting knowledge to bring in revenue.

Senator Micciche referenced the 14 percent reduction in GF funding to UA since FY 14, and queried if UA was putting more effort towards opportunities to bring in research revenue.

President Johnsen pointed to the regent's reallocation for deferred maintenance, and stated that funds had also been reallocated for research. He had identified four high-level goals for the institution: work-force development, research, economic development and diversification, and building a culture of education in the state. He re-stated that research was a top priority of the institution, and UA was reallocating funds towards it.

Senator Micciche stated that Alaska was largely dependent upon revenue from one commodity, and thought there should be as much emphasis as possible on exporting knowledge of the Arctic as a revenue base and as a move towards diversification.

[10:10:33 AM](#)

President Johnsen spoke to slide 12, "10-Year Glide Path Framework":

The University's 10-year framework uses benchmarked goals to incorporate gradual, sustainable reductions in state general fund appropriations while increasing university revenues through enrollment and diversified revenue

President Johnsen spoke to the graph on slide 12, entitled 'Moderating State General Fund Support.' He noted that UA had thought deeply about the budget and was beginning to look forward. He shared that the glide path on the graph represented an approach to thinking about the UA budget. He explained that in 2025 it was projected that it would be necessary for 65 percent of Alaska's workforce to have some postsecondary education (25 percent baccalaureate; 40 percent career and technical certificate, license or degree).

President Johnsen expressed that UA had contemplated how to moderate state's GF support and still meet the essential

workforce goals for the state. He pondered what was a reasonable GF request from the state. He stated that the graph identified 1.3 times the national average per-student GF appropriation, which equated to \$312 million. He stated that the goal would be to gradually bring down the GF request over the period of time on the graph, acknowledging the state's fiscal condition. He thought that UA could serve the state's needs more effectively over time through a gradual reduction in dependence in state funding.

President Johnsen noted that the slide did not reflect tuition, and noted that UA had a goal of moving from the current level of 84 percent of WICHE states' average up to equate to the WICHE states' average. He added that UA had goals in philanthropy and research. He stated that enrollment was a key factor in making the vision work. He discussed the importance of working with the commissioner of DEED, for the purpose of achieving the goals of increasing high school graduation rates and college attendance rates. Additionally, he considered that outreach to the 115,000 Alaskans with some college and no degree would be essential in achieving the workforce goal and making the financial model work.

Senator von Imhof referenced diversified revenue and asked if UA had done an analysis of how it could benefit if the U-Med road [a proposed extension of Elmore Road through Anchorage's University-Medical District] was completed. She wondered how much land UA owned around the proposed corridor, and if it could be leveraged to create income opportunities for the university.

President Johnsen was certain the UA owned substantial land in the area, and strongly supported increased access to the U-Med area from the north. He noted that there was a superhighway that bisected the campus through UAA Drive, which was extremely unsafe. He mentioned that other stakeholders in the area were strongly supportive of improving access to the area. He thought there was tremendous commercial opportunity for growth in the area, and mentioned the idea of research parks and business incubators. He discussed work being done at Auke Bay with commercial benefits.

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Co-Chair Hoffman wanted to address the 10-year glide path depicted on slide 12. He asked about the designation of the University of Alaska Southeast (UAS) campus and how it fit into the glide path framework.

President Johnsen referenced the UA Board of Regents recent decision to assign UAS the administrative leadership for teacher education programs. He stated that the decision was tied to the workforce goal. He noted that currently the state imported 70 percent of its teachers, which resulted in a high turnover rate as compared to teachers prepared within the state. He stated that there was a strong interest in increased accountability in the teacher education programs, to drive the numbers up. He discussed a degree program at UAS in which a student with a baccalaureate degree could come to campus for six weeks in the summer, be teaching and taking courses during the year, and receive a Master of Arts in Teaching degree at the end of the first year.

President Johnsen continued, relaying that UA had worked with DEED and school districts across the state to have provisional certification so that the students could be paid while teaching. He thought that UAS would make the designation a top priority, while the other two main campuses had competing priorities.

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Co-Chair Hoffman asked President Johnsen about the ten-year glide path represented on the slide, and mentioned the Senate's 5/4/3 plan. He referred to the governor's assertion the previous year that the budget was critical, and the current budget was in a crisis situation. He thought the Senate was of the same mindset. He referred to structural changes to mental health and corrections programs the previous year (through SB 74 and SB 91); and to the revenue sharing program.

Co-Chair Hoffman discussed changes to the Community Assistance Program, in which municipalities had been asked to take a reduction of 50 cents on the dollar. He relayed that he discussed education and other topics with his constituents, and discussed the deficit. He suggested that if agencies were in crisis mode, its budget be reduced by ten percent. He thought the problem with the major four cost drivers in the state was that given the immense size

of the budgets, even a five percent cut would translate to a sizable amount. He knew the governor had worked with the Board of Regents and other departments to come up with his proposed budget. He thought it was important to acknowledge the deficit and attempt to adjust spending.

[10:22:37 AM](#)

Co-Chair Hoffman relayed that he made a special order presentation on the Senate floor, and lauded the budget reduction efforts of the Chief Justice of the Supreme Court of Alaska. He wondered if the UA finance subcommittee would work with President Johnsen's office to look at prioritizing the 5 percent reduction target that the Senate had adopted. He reiterated that the Senate was taking the lead in tightening the state's budget. He emphasized the need for the legislature to work with all agencies. He asked Mr. Johnsen to address how he would endeavor to reduce expenses.

President Johnsen recognized the need to reduce expenses in the state. He noted that the University had taken a 14 percent budget reduction over the previous few years. He continued that UA was engaged in a contingency budget planning process, as it had been the previous year. He thought the current challenge was to identify what UA could stop doing in response to the budget cuts. He referred to the Strategic Pathways process, through which UA had identified areas to streamline. He appreciated the position of Co-Chair.

Co-Chair Hoffman stated that the legislature's challenge was to assure the people of Alaska that services would continue. He emphasized the need to look at the long-term fiscal health of the state. He commented on the drastic reduction in state savings. He feared there would be substantial reductions if a solution was not found. He did not think an additional 5 percent reduction seemed substantial in light of the potential consequences.

[10:27:50 AM](#)

President Johnsen stated that he was pleased to continue working with Senator von Imhof on the issue.

Co-Chair MacKinnon requested the Legislative Finance Division to produce a graph that would depict the

reductions. She had seen graphs of spending, and stated that different agencies had taken different amounts of cuts. She discussed the small percentage of the state budget comprised of the Legislative and Judiciary branches. She wanted the graph to include all the branches of government, to reflect the cuts that had been made from FY 15 to present. She remarked that while UA had been cut, there were other agencies that had been cut to a much greater degree. She supported Co-Chair Hoffman in asserting that 5 percent was a small cut. She acknowledged that some funds accessed federal funds.

10:31:02 AM

Senator Micciche thought slide 12 was very important. He thought that 200 percent of the national mean on a per-student FTE basis was an extreme outlying condition. He requested the data set that produced the graph on the slide. He wanted to understand the funding makeup of the Western states.

President Johnsen stated that UA was happy to provide the requested information. He specified that the university had some data from the Great Recession, when some states were ratcheting down contributions and increasing tuition to address fiscal challenges. He discussed various revenue tools; such as online education, stronger partnerships with K-12 education, dual enrollment programs, and stronger community colleges.

President Johnsen reviewed slide 13, "FY18 Governor's Budget Highlights":

- Level funding over last year: \$325 M UGF
- Reduction in Receipt Authority: \$17 M - University \$10 M, Fed \$7 M
- Tuition rate increase (~5%): ~\$5 M in revenue
- Reduction in PCNs: 225 positions

President Johnsen detailed that a 1 percent tuition increase was equivalent to \$1 million. He furthered that the reduction in PCNs was mostly clean-up.

President Johnsen displayed slide 14, "Program Areas," which showed a table. He pointed out that 71 percent of the UA budget went to student instruction, 21 percent to research, and 8 percent to service. He thought the ratio

gave an idea of the priorities of the UA mission. He indicated that the number of employees followed the same ratio; with 75 percent of full time employees focused on student instruction, 17 percent on research, and 7 percent on service. He noted that 16 percent of total expenditures came from tuition and fees charged to students. He reiterated that research generated more than \$4 in revenue for every \$1 invested.

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Vice-Chair Bishop asked how much of the total on slide 14 was comprised of administration.

President Johnsen relayed that UA tracked the information, and agreed to provide the number at a later time.

Co-Chair MacKinnon asked if students were informed that the state paid for over 50 percent of instructional costs every year.

President Johnsen was confident that student leadership was aware of the fact, and ventured to say the student body as a whole was not aware.

Co-Chair MacKinnon wondered if perhaps there should be an informational line on student tuition documents that reflected the state contribution. She discussed past student opposition to hydrocarbon development, an industry which had generated all of the income that was being invested in their education. Additionally, she recalled that students had not been supportive of income taxes, nor a state sales tax. She thought there was a lack of understanding of how the state was funding the university.

President Johnson indicated he understood Co-Chair MacKinnon's point.

President Johnsen showed slide 15, "Education Imperative - 65% by 2025":

By 2025, 65% of Alaska jobs are expected to require some postsecondary education; current attainment is 37%.

UA's long-term goal is to support Alaska's evolving workforce needs by producing more graduates and developing a stronger culture of education.

President Johnson qualified that UA would not account for all of the 65 percent of Alaska jobs listed on the slide, as there were other postsecondary and career/technical institutions across the state. He continued that UA was devoting itself to meeting the goal for the state's economy. He discussed the benefits of a higher level of education.

Co-Chair Hoffman asked if President Johnson had considered growth areas in the state; including healthcare services, which was particularly important in the area of the state he represented.

President Johnsen answered in the affirmative. He referred to projections that indicated increased demand for the healthcare workforce.

Co-Chair Hoffman asked if UA was trying to get more of its budget towards helping pay for the education of students to aid them in achieving degrees. He mentioned higher tuition costs at institutions such as the University of Washington and others in the Lower 48.

President Johnson thought there should be more capacity in helping students afford degrees, and stated that funding it by the budget request was one of the regent's top priorities. He relayed that UA was looking to put more funds toward needs-based financial aid. He informed that UA was reviewing its health programs through the Strategic Pathways process, which he would elaborate on later in the presentation. He continued that the process examined what steps needed to be taken to increase production of people in the health industry across the state. He mentioned that Roald Helgeson, CEO of the Alaska Native Tribal Health Consortium, was part of the Strategic Pathways group. He detailed his recent attendance at a graduation in Bethel the previous spring, at which the majority of graduates were receiving certificates as community health aids.

[10:40:57 AM](#)

President Johnsen turned to slide 16, "Percent of 25-64 Year Olds with College Degrees - Associate and Higher,

2013," which showed a bar graph. He described the graph as an array of the percentage (by state) of 25 to 64-year-olds with an associate's degree or higher. He pointed out Alaska's position at 37 percent. He relayed that there were no states (as of 2013) at Alaska's goal of 65 percent. Based on his meetings with other state system presidents across the country, increasing degree attainment was the top priority for all. He was confident that if committee members attended an National Conference of State Legislatures (NCSL) meeting, that the issue would also be a top priority.

Senator Micciche asked about the definition of "some postsecondary education" and wondered if it was equivalent to an associate's degree.

President Johnsen answered in the negative. He furthered that there would be many valuable certificates and licenses that would be counted in the 65 percent goal.

Senator Micciche was confused by the fact that the graph on slide 16 measured the percentage of individuals with college degrees of the associate level or higher. He wondered what the percentage would be if certificates were included.

President Johnsen did not have a figure available but was confident that the percentage for Alaska would be greater than the 37 percent represented on the slide. He clarified that the percentage would include education such as an electrician's license, which UA would not have provided. He cited collaboration with DEED and the Department of Labor and Workforce Development.

President Johnsen discussed slide 17, "Education and Income," which showed a scatter graph. He thought the slide showed two views of Alaska, and showed that it was a low-education, high-wage state. He drew attention to the lower right quadrant on the graph, where Alaska was shown near the State of Wyoming; which was another natural resource state where citizens had high personal income and relatively low college attainment.

President Johnsen viewed slide 18, "Education and Income," which showed a graph similar to the previous slide, but with the axes flipped. He pointed out that Alaska was not on the correlation line, in terms of higher income than

would be expected given the state's education attainment level. He noted that a regression analysis was not merely a visual tool; but according to statisticians, was also a law that dictated over time one would regress to the mean. He was concerned that if the state did not increase its education attainment, then it could safely be predicted that Alaska would move towards the mean, where incomes were considerably lower than they were today. He thought it was a challenge to increase Alaska's level of education attainment in the current fiscal climate.

Vice-Chair Bishop commented that the state would have to advance to expand its economy to increase opportunities for Alaskan's. He mentioned the state's reliance on one industry, while other states had diversified economies.

President Johnsen agreed with Vice-Chair Bishop.

[10:45:52 AM](#)

President Johnsen spoke to slide 19, "Alaska's Brain Drain," and noted that the graphic emphasized the point that UA needed to do a better job in partnership with K-12 education and other partners to drive up high school graduation and college-going rates. He also thought it was important to reach out to employers, to create a funnel of education and employment for the state.

Senator Dunleavy referred to slide 19, and asked if President Johnson was satisfied with recruitment efforts of in-state students.

President Johnson answered in the negative, and noted that there was a privately-funded campaign (including radio and television) to advertise the university. He stated that there was increased funding for recruiting in the FY 18 budget, including traditional high-school students as well as Alaskans that had some college and no degree. He pointed out that UA would not meet its goal by relying only on high school graduates, but rather must reach out to other Alaskans with high-quality convenient programs. He emphasized that it was not possible to expect people to quit jobs or move to complete college work.

Senator Dunleavy asked how it was determined that a student would need a developmental course. He asked if UA used the Accuplacer assessment.

President Johnsen answered in the affirmative.

Senator Dunleavy wondered how many of those who needed developmental coursework were non-resident students. He asked about the total cost per year dedicated to developmental education in the university system. He asked how many students taking developmental coursework were UA scholars. He asked how many students taking developmental coursework were receiving the Governor's Performance Scholarship.

President Johnsen agreed to provide the information.

[10:49:45 AM](#)

Senator von Imhof spoke to slide 19, and found the numbers alarming. She referred to a study by Northern Economics, which had tried to provide causation for some of the numbers displayed on the slide. She thought DEED would give a presentation later in the day, and she would inquire about whether anyone from the department had seen the study.

Co-Chair MacKinnon asked if President Johnson could discuss how online degree-seeking might be affecting the university. She wondered how effective the instructors were at engaging students. She considered hypothetically that had slide 19 reflected a business, it would be under consideration for a cut if there was only a 5 percent success rate. She acknowledged that there were individuals attending college for other reason than graduation. She wanted to know how to measure what happened in the classroom.

President Johnson thought Co-Chair MacKinnon's question was important and complex. He noted that the slide only addressed baccalaureate degrees, while there were also many trades programs that that would make the outcome increase. Additionally, many students retained jobs (particularly in trades) after not completing a degree program. He spoke to the quality of UA programs and courses, and informed that faculty were peer-reviewed regularly.

President Johnson continued to speak to Co-Chair MacKinnon's question. He informed that all UA classes were reviewed by students, and programs were institutionally

accredited. Accreditation included a rigorous review programs by an external organization to ensure that student learning outcomes were met. He continued that many UA programs had specialized accreditations in specific fields such as education, engineering, business, and nursing; whereby quality control was the top criterion. He had learned from K-12 education literature that 30 percent of the variance in school performance was due to in-school variables; and 70 percent of the variance was due to external factors. He thought if the statistics applied to UA, there would be a great deal of work to do outside of the university to prepare Alaska's students for success.

[10:54:22 AM](#)

Co-Chair MacKinnon thought maybe the budget subcommittee for UA could ascertain what was being done towards increased recruitment and retention of students pursuing advanced degrees.

Vice-Chair Bishop thought there was much information in the slide that needed to be discussed in greater detail. He stated he would address the matter with the subcommittee chair.

Senator Micciche thought it was fair to say that UA was not responsible for the 70 percent of high-school students that did not attend college. He considered the proportion of students that ended up attending UA, and graduated within 6 years; which signified a 50 percent success rate. He noted that many Alaskan students attended college longer than many states in the Lower 48. He thought the graphic on the slide was confusing. He thought UA could be more successful by capturing the 16 percent of high school graduates who left the state for college.

Mr. Johnsen thanked Senator Micciche for his comment on the slide, and suggested that UA did have a responsibility to the 70 percent that did not attend college. He referenced studies that showed the single most important in-school factor for K-12 student success was the quality of the teacher. He mentioned UA's work towards strengthening its College of Education, and helping to build the K-12 system.

Co-Chair Hoffman thought there had been robust dialogue with the members, and the members fully understood the importance of the university and what it provided. He

thanked UA for its persistence in generating dollars with funds they were given. He shared that he was a graduate of UAF. He asked if Mr. Johnsen had closing remarks to make regarding the university and its importance.

[10:58:46 AM](#)

President Johnsen congratulated Co-Chair Hoffman on the Alumni Achievement Award for Business and Professional Excellence that he had received from UAF the previous year. He summarized that there was more information in the presentation regarding the consolidations that the regents had decided upon, as well as more about plan that would enable UA to have a legally defensible land grant. He noted that later in the day he would be speaking about the state of UA to the State Chamber of Commerce. He would be discussing three points: the strength of the university, the challenges that were facing UA, and a statement of confidence and optimism about addressing the challenges.

President Johnsen acknowledged that the state's current fiscal challenges could also be present in the future, and emphasized the importance of commitment and values of the state. He was enthusiastic about continued work with the university budget subcommittee to address any issues.

Co-Chair Hoffman reminded that the committee was hearing from the four major cost-driver entities in the state to gain deeper understanding, and asked if any members had additional comments.

[11:01:08 AM](#)

Co-Chair MacKinnon asserted that she had confidence in President Johnsen and the Board of Regents of UA. She expressed appreciation for the fact that he had acknowledged the state's financial position. She expressed appreciation for all his hard work and outreach to individual legislators. She referred to information in the newspaper that was unflattering to the university. She thought President Johnsen had done an admirable job considering the challenges that the state was facing, and the huge 14 percent cut the university had to accommodate.

Vice-Chair Bishop concurred with the comments of Co-Chair MacKinnon. He discussed the importance of morale and its

connection to optimum performance at UA. He expressed confidence in the employees of the university system.

Senator Micciche agreed with the comments of Vice-Chair Bishop. He commented that he was also a proud graduate of the UA system.

Senator Olson praised President Johnsen's presentation.

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ADJOURNMENT

[11:05:17 AM](#)

The meeting was adjourned at 11:05 a.m.