

HOUSE FINANCE COMMITTEE
March 14, 2019
9:04 a.m.

9:04:50 AM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 9:04 a.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Tammie Wilson, Co-Chair
Representative Jennifer Johnston, Vice-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Andy Josephson
Representative Gary Knopp
Representative Bart LeBon
Representative Kelly Merrick
Representative Colleen Sullivan-Leonard
Representative Cathy Tilton

MEMBERS ABSENT

None

ALSO PRESENT

Mike Barnhill, Policy Director, Office of Management and Budget; Representative Tiffany Zulkosky.

PRESENT VIA TELECONFERENCE

None

SUMMARY

FY 20 DEPARTMENT BUDGET OVERVIEW: UNIVERSITY OF ALASKA

Co-Chair Foster reviewed the agenda for the meeting. He invited the testifiers to the table.

^FY 20 DEPARTMENT BUDGET OVERVIEW: UNIVERSITY OF ALASKA

9:05:54 AM

MIKE BARNHILL, POLICY DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, introduced himself and announced that as policy director of the Office of Management and Budget (OMB) he confined his role to policy regarding budget development and did not provide policy directives to the University of Alaska (UA). He began with the University of Alaska portion of the OMB PowerPoint presentation: "FY2020 Governor's Amended Budget." He appreciated President James Johnsen, [President, University of Alaska] and his professionalism throughout the discussion.

Mr. Barnhill started with slide 8 titled "FY2020 Budget: University of Alaska" that contained bar charts illustrating the revenue sources for the university. The bar charts showed the combined Unrestricted General Fund (UGF) and Designated General Fund (DGF). The other chart provided a breakdown of the budget and UGF and DGF funding sources. He reported that in the FY 19 management plan the legislature appropriated a total of \$888.547.8 million, the majority was comprised of UGF and DGF. He offered that the FY 20 budget increased slightly to \$901.4 million with the budgeted positions remaining at 3,993 for both years.

9:08:16 AM

Mr. Barnhill continued to slide 9: "FY2020 Budget: University of Alaska: Funding Comparison." The bar chart illustrated a decrease of \$134 million UGF coupled with an increase of \$154 million in DGF. The purpose of the increase was simply to allow the university to seek other fund sources and to help offset the decrease of \$134 million. The administration did not offer the university policy directives or expectations. He relayed President Johnsen's statement that the cut was the equivalent to doubling tuition.

Co-Chair Wilson asked what the administration's expectation of how the cut could be offset was. She thought that doubling tuition would be "devastating" for students. She wondered what alternative funding OMB had identified that the university had not taken advantage of. Mr. Barnhill responded that all universities had a "variety of funding sources available to them." He discerned that it would be difficult for the university to make up for the lack of funding with other revenue sources in "short order." The

cut could be addressed in a variety of ways; i.e., increasing tuition, additional revenue from other sources, and implementing reductions. Co-Chair Wilson asked what other resources were available other than a tuition increase. She thought that the administration was aware of other funding the university could tap into. Mr. Barnhill was not aware of any specific additional funding. He elaborated that universities typically employed a variety of funding sources that included alumni contributions, leveraging federal funding, private sector fundraising, and tuition. He added that UA could also employ consolidation and cost reductions.

[9:11:21 AM](#)

Co-Chair Wilson maintained that additional cuts could be made. She relayed that President Johnsen had brought up the notion of leveraging funds. She asked whether the proposed cut would make it more difficult to leverage other funds. Mr. Barnhill was not familiar with the types of federal funding UA leveraged. He offered that universities matched funds differently than Medicaid that typically had a 50 percent match. He reported that UA leveraged federal funding on a 6 to 1 ratio and the University of Michigan's research program matched on a 29 to 1 ratio. He acknowledged that leveraging other federal funds would not happen quickly. Co-Chair Wilson wished that Mr. Barnhill could identify the other funds accessible to the university.

Vice-Chair Ortiz understood that Mr. Barnhill could not direct UA policy. He wondered whether it was fair to say that the administration no longer valued continued state support of the UA System.

Mr. Barnhill replied in the negative. He communicated that the administration's position regarding the university recognized its importance in the state. The state demonstrated its support in the current budget by appropriating \$190 million. He stated that "publicly funded universities not only survived but thrive with less funding." The administration believed that UA could grow and achieve a high quality of education on the proposed level of funding.

[9:14:52 AM](#)

Representative Josephson noted that he had listened to the university hearings held in the other body on February 19, 2019. He referenced a question directed to the president about the effects of a 40 percent UGF reduction. He interpreted President Johnsen's answer to mean that the amount of DGF was insufficient to sustain the federal grants and other sources of revenue. He believed in the President's credibility and related that the administration did not offer any evidence to support their proposal. He wondered why he should doubt the president's conclusions that the loss in UGF meant the "collapse" of other funding. Mr. Barnhill replied that the answer lied in the "path" that the state chose going forward. He admitted that the cut would be "disruptive to the university." He conveyed that the question was how "to implement the cut in the least destructive way." He believed there was a way forward for UA because "other universities travelled this path." Representative Josephson wanted to hear about where there was a 41 percent cut to another university and its success story.

[9:17:22 AM](#)

Mr. Barnhill advanced to the chart on slide 10: "FY2020 Budget: University of Alaska Snapshot (\$ Thousands)"

- Reduce the State Contribution for University of Alaska System-wide Campuses (-\$154,339.1 UGF)
- Increase State Contribution for University of Alaska Community Campuses (+\$20,410.6 UGF)

Mr. Barnhill explained that previously UA had multiple appropriation lines and several years prior requested a single line appropriation. The proposal by the governor was to divide the university appropriation into two components: the university component and the community campus component. The slide showed that the result was a net reduction of \$134 million.

Mr. Barnhill continued to slide 11: "FY2020 Budget: University of Alaska Snapshot."

- Budget Development
- Compare revenues and expenditures of the University of Alaska
- With other publicly funded universities

- With other land grant universities
- Amongst the various UA campuses

Vice-Chair Ortiz referenced slide 10. He asked Mr. Barnhill to define a community campus. He wondered whether University of Alaska Southeast Ketchikan campus was an example. Mr. Barnhill responded in the affirmative. He identified 13 community campuses that were listed on slides 13, 14, and 15. Vice-Chair Ortiz asked whether specific communication had occurred with the university to request the shift in funding. Mr. Barnhill responded in the negative. The reduction was proposed by OMB born out of the budget analysis. He relayed that President Johnsen's testimony contained several comments supporting the idea of providing additional resources to the community campuses. Vice-Chair Ortiz thought it was safe to say that lacking communication between UA and the administration, the administration was directing the shift in UA policy. Mr. Barnhill responded in the affirmative with the caveat that the action was a proposal and he had the "burden of proof." He believed in the "merit" of the proposal.

[9:22:40 AM](#)

Mr. Barnhill moved to slide 12 titled "FY2020 Budget: Compare University of Alaska to other publicly funded universities." He indicated that the university's campus college system was UA's most cost-effective system, even though the community campuses did not bear its full costs. He relayed a concern stated by President Johnsen that Alaska had the lowest percentage (67 percent) of high school students that undertook higher education. He offered that the community campus was a solution; hence, the reason for increasing the budget for the community campuses. Decreased tuition would act as a further incentive for students to pursue higher education. President Johnsen mentioned that the community campuses had a high percentage of students attending part-time. He indicated that the standard measure of university success was a six-year graduation rate. The university had a "relatively low" six-year graduation rate; 39 percent for the University of Alaska Fairbanks (UAF), 24 percent for University of Alaska Anchorage (UAA), and 19 percent for the University of Alaska Southeast (UAS). Over time, the 8, 9, and 10-year graduation rates increased. He suggested that students were better served by the community campus model. He reported that a high percentage of high school graduates were less

prepared and needed remedial instruction. The community campus offered a cost-effective way to deliver remedial education rather than a high cost 4-year campus structure. He suggested initially channeling the students in need of remedial instruction into the community campus for a year or two. President Johnsen spoke about the opportunity for career and technical training within the community college system. He hoped that he effectively communicated that the two-component system was appealing and worth consideration.

[9:27:02 AM](#)

Representative Merrick referred to President Johnsen's testimony that the cost savings from closing the community campuses was \$38 million. She asked if the net loss to community campuses was \$18 million after the \$20 million increase. Mr. Barnhill interpreted President Johnsen's answer to imply that closing all the community campuses would result in a savings of only \$38 million.

Mr. Barnhill jumped to slide 17 titled "FY2020 Budget: Compare University of Alaska amongst the various UA campuses." He highlighted the spreadsheet authored by UA that illustrated the relative costs between the university and community campuses. The spreadsheet was divided into three parts: UAA, UAF, and UAS main campuses and the community campuses associated with them. He pointed to the bottom of the spreadsheet that contained the totals of the main campus and the community campuses. The total for the community campuses was approximately \$37 million, which illustrated President Johnsen's point. He asserted that community campuses were a solution that had a cost-effective structure and provided low cost, high quality education to a higher percentage of younger Alaskans. Representative Merrick asked whether the total budget for community campuses was \$58 million. Mr. Barnhill responded in the affirmative.

[9:30:10 AM](#)

Representative Sullivan-Leonard asked to return to slide 11. She pointed to the land grant universities and asked for further clarification. She shared a discussion with President Johnsen regarding the issues UA had in selling land. Mr. Barnhill provided a brief history of the land grant universities. He related that the universities were established by congress in the 1860's to enable higher

education to be self-supporting. The university was established when Alaska became a territory and approximately 100 million acres were targeted for UA. The Alaskan constitution prohibited dedicated funds and when UA attempted land selection the governor at the time barred the university due to the dedicated fund prohibition. The issue existed since statehood and the most recent case before the Alaska Supreme Court regarding the issue in 2009 upheld the dedicated fund prohibition. He understood that UA was working with the federal delegation to deliver the land grant through a change in federal law. The issue of land grants had been with the state since statehood. The percentage of revenue that other land grant state universities derived from investments was relatively small in the amount of 1 percent to 3 percent. The revenue mix of any university tuition included tuition, state, federal, and private sources.

[9:34:14 AM](#)

Representative Josephson referred to slide 12 and slide 17. He referenced Mr. Barnhill's remark that the community campuses did not bear the full cost of their expenses without further elaboration yet concluded that they were the most cost-effective campuses in the system. He asked how Mr. Barnhill's claim was supported. Mr. Barnhill elaborated that varying levels of subsidization occurred within the university system and pointed to slide 17. He reiterated that the community campuses had the lowest cost per student. The administrative costs were located on the bottom right of the spreadsheet showing roughly \$53 million in costs through statewide expenditures that included administration. He continued that the \$53 million was not allocated among the various campuses but was roughly \$1000 per student. He commented that if he appeared dismissive it was because "the allocation of the administrative costs did not impact materially the cost drivers illustrated in the spreadsheet." Representative Josephson reported that the president had commented in subcommittee that the community campus tuition was "overcharged relative to the typical norm" and the regents were exploring a tuition reduction of 25 percent. He wondered if the administration wanted students to move to rural Alaska to attend a community campus rather than a recent high school graduate from Anchorage attending UAA. Mr. Barnhill responded that one of the difficulties of the spreadsheet was that it combined all colleges associated with its main campus. He noted that

the UAA main campus line included the UAA Community and Technical College that had 1,147 students. He voiced that the Anchorage student was not required to move to attend a community campus.

[9:40:24 AM](#)

Mr. Barnhill returned to slide 12 which provided a comparison. He acknowledged that comparing Alaska institutions to other states was not a fair comparison. However, he believed that the comparisons provided "context." The graphs were created by the State Higher Education Officer's Association and was posted on its website. The two charts compared all government appropriations for publicly funded colleges nationwide. The chart on the right portrayed Alaska. He noted that the blue bars reflected government appropriations, the green bar reflected tuition and the red line depicted enrollment. The numbers reflected inflation adjusted for 2017 dollars. The national average state appropriation was \$7,642 per student. Alaska's figure was more than twice the national average at \$16,391.

Representative Josephson wondered how the comparison was helpful. He referenced a document written by Susan Hendrix, a former UA provost [not distributed] that pointed out that the comparison was flawed, although mathematically accurate. He emphasized that the state lacked a community college system and lacked local contributions to the college system. He relayed that the president reported that an estimated \$50 million was the equivalent amount of what Alaska would receive with such a system. The report indicated that money and fees raised from residential halls and other similar elements were lacking in Alaska. In addition, he mentioned the cost of living differential and geographic spread. Mr. Barnhill relayed that comparisons were "never" perfect and merely provided context. He informed the committee that he was given Ms. Hendrix's report. He took the per student state support number of \$7,642 and supplied a multiplier of 40 percent. He noted that Ms. Hendrix recommended a 30 percent multiplier. He maintained that the state appropriated twice as much as other states.

[9:45:44 AM](#)

Mr. Barnhill discussed slide 13 titled "FY2020 Budget: Compare University of Alaska to other land grant universities: Five universities with highest percentage of revenues from state":

State University of Puerto Rico-Mayaguez	70.8%
University of the District of Columbia	48.7%
Fond du Lac Tribal and Community College	44.0%
Kentucky State University	43.4%
University of Alaska Fairbanks	43.0%

Source: National Center for Education Statistics, IPEDS database

Mr. Barnhill cited the source's website that provided data and welcomed anyone to make comparisons. He highlighted that the data only included the University of Alaska Fairbanks and did not included UAA or UAS. He was unclear for the reason of the exclusion. He cited a UA statistic that state support totaled 36 percent in FY 19. He thought that the percentage was "relatively high."

[9:48:32 AM](#)

Mr. Barnhill reviewed slide 14: "FY2020 Budget: Compare University of Alaska with other land grant universities: Possible to thrive with lower state support":

Oregon State University	18.0%
University of California-Berkeley	17.7%
Clemson University	17.6%
Purdue University-Main Campus	15.9%
University of Rhode Island	15.6%
University of Wisconsin-Madison	14.5%
University of Arizona	13.8%
University of California-Davis	12.0%
University of Kentucky	11.9%
Leech Lake Tribal College	10.2%
University of Missouri-Columbia	10.1%
Michigan State University	9.8%
University of New Hampshire-Main Campus	9.7%
Colorado State University-Fort Collins	9.4%
Ohio State University-Main Campus	7.8%
University of Illinois at Urbana-Champaign	7.4%
University of Vermont	6.2%

Mr. Barnhill noted that the slide listed land grant universities on the lower end of state support. He urged

the committee to recognize the possibility that land-grant universities could exist with lower state support. He felt that UA had its "own unique features" that would enable it to survive with decreased state revenue.

[9:49:52 AM](#)

Vice-Chair Johnston loved looking at data. She wondered what points Mr. Barnhill was attempting to suggest. She referred to slide 14 and commented that the list did not include community college systems or differentials related to locations. She noted that she was familiar with the University of Vermont system. She noted that Vermont had a smaller population than Alaska, was primarily rural, and had a small economy. The state had a community system, a state system, and a university system. The in-state tuition at Vermont state colleges was roughly \$11,000 and its universities' in-state tuition was \$17,000 versus out-of-state at \$40,000. She reiterated that Vermont had a very small economy or no economic base. However, the university was able to market its schools to neighboring state's large metro areas. She did not think that UA could market to other states at the same level. She highlighted that California had a robust university, state, and community college system that feed into each other. She illuminated that in Oregon, students from other states could enroll in the community college system to qualify for in-state tuition at the universities. She believed that each state had its own "story" and that OMB had "pushed the borders of your stories." She deduced that OMB's point was the state had a community college system and university system. However, Alaska was lacking the element that other states had; a community college system that fed into a state college system that fed into a university system. Mr. Barnhill replied that first, he was setting the context for public funding for UA. He thought the stories spoke to possibilities for ways state universities leverage things unique to them in order to diversify their funding sources. There were examples and lessons learned from all the universities listed on the slide that could be tapped into to develop a path forward for Alaska. He was trying to provide a context on slide 14 for the revenue and expense numbers on slide 17. Vice-Chair Johnston inquired about the inclusion of Kentucky State University on slide 13 and University of Kentucky on slide 14 and asked if he was trying to make a specific point. Mr. Barnhill responded in the negative. He added that Kentucky University happened to

be on the slide. He offered to provide the entire spreadsheets from all the slides.

[9:56:48 AM](#)

Co-Chair Foster recognized Representative Zulkosky was in the audience.

Co-Chair Wilson inquired whether he examined statistics comparing the land granted to each land grant university. Mr. Barnhill replied in the negative. He assumed that the revenue information included revenue from land investments for the land grant universities. He reiterated that the land investments typically accounted for a small amount of revenue. Co-Chair Wilson asked about the additional \$20 million appropriated to additional community campuses. She wondered how he thought the funding would be allocated. Mr. Barnhill emphasized that OMB wanted to illuminate the tremendous opportunities in the community campus system. How UA implemented the funding was the university's discretion. He emphasized the opportunities and cost-effective structure in the community campus system.

[10:00:57 AM](#)

Co-Chair Wilson declared that she was not "picking a fight." She thought a behavior change was ultimately being discussed. However, the state had some responsibility for the size of the university's budget by granting large appropriations to the university in the past. She was trying to figure out what was really being suggested with the dual appropriation. Mr. Barnhill did not perceive anything she was saying a picking a fight. He described the appropriation as a "nudge."

Representative Josephson wanted to hear more about current unmet needs as related to the community campuses. Mr. Barnhill replied that roughly only 30 percent of Alaska's high school students go on to higher education. He associated the percentage of students who do not seek higher education as the unmet need. He thought that a large subset of the students would attend a community campus program if it was "tailored to their needs." He reported that one of the largest challenges the UAF faced was a "shocking reduction in enrollment"; a loss of 20 percent since 2012.

[10:05:05 AM](#)

Representative Josephson referred to slide 13. He suggested that if UGF was considered as a percentage of UA's total \$881 million state support was under 37 percent. The University of Alaska would probably be found on the top third of the list but not in the top 5 schools. Mr. Barnhill was unsure and would provide the entire chart. He referred to university budget data that provided the same percentage as slide 13; 43 percent. He relayed percentages since 2014 that varied from 42 to 47 percent. His point was that the number was accurate and on the high end. Representative Josephson remarked that he was looking at OMB's FY 19 management plan data and calculated state support at 37 percent. Mr. Barnhill responded that it made a difference on how things were counted.

[10:08:09 AM](#)

Vice-Chair Ortiz spoke about land grant universities. He understood that UA had only received 25 percent of its allotted land and was still owed 360 thousand acres. He wondered if the administration had investigated the issue. Mr. Barnhill responded that the data base showed that in terms of overall revenue investment income for land grant universities was relatively low. Vice-Chair Ortiz asked whether the land grant status of the universities listed was compared to UA. He guessed that the comparison was not made. Mr. Barnhill answered that he included the total revenue data from all the land grant universities.

Co-Chair Wilson interjected that the bottom line was that UA could not make money on land it was not granted, and the issue was not reflected in the data.

[10:10:28 AM](#)

Representative Sullivan-Leonard favored the \$20 million in community campuses. She believed that it would benefit the state in the areas of nursing assistants, health care aides, dental assistants, etc.

Co-Chair Wilson recognized the arrival of Representative LeBon.

[10:11:45 AM](#)

Mr. Barnhill scrolled to slide 15 titled "FY2020 Budget: Compare University of Alaska with other land grant universities: University of Alaska Fairbanks (UAF) is relatively expensive per full time equivalent (FTE)." The slide listed 14 universities' total expenses, number of full-time equivalent students, and cost per FTE. He noted that data was based on total expenses times the number of students. He highlighted that the expenses for the University of Alaska Fairbanks research group was combined in the number but typically, UA did not include it their data because it was different from the three core services: education, research, and public service. He concurred with the university's practice of excluding the research expenses. He reported that if you pulled the research number out of data the FTE cost was approximately \$59 thousand and corresponded to UA's data. He believed that it was still on the "higher end."

[10:13:07 AM](#)

Mr. Barnhill continued to slide 16 titled "FY2020 Budget: Compare University of Alaska with other land grant universities: 96 land grant universities; per student costs:"

- 25 are \$50k and higher per student
- 61 are between \$25k and \$50k
- 10 are less than \$25k

Mr. Barnhill noted that the slide reflected the median per-student cost. He turned to slide 17 titled "FY2020 Budget: Compare University of Alaska amongst the various UA campuses." He noted that the spreadsheet was supplied by the university and solely reflected the cost to provide the core service of education. The statistic did not include revenue and expenses related to research (\$37 million UGF), public service (\$30 million UGF), and auxiliary services. He furthered that each of the main campuses and the community campuses were listed. He listed the column designations. He relayed that the community campuses were combined in the main university numbers. The university had other spreadsheets that pulled the community campuses out displaying them separately [not distributed]. Mr. Barnhill drew attention to the numbers highlighted in yellow. He commented that the prior slides had created context. He suggested that slide 16 "seemed to suggest" that median costs at lower 48 land grant universities ranged between

\$24 thousand to \$50 thousand. He noted that UAA's FTE was \$24,007 [highlighted number]. He contended that over the previous hour, the committee had discussed the "apples to oranges" comparisons with the lower 48 schools and how Alaska was a more expensive state. However, UAA's cost structure was competitive with the lower 48. He considered the cost structure a success. The FTE number for the University of Alaska Fairbanks was much higher [\$59,341 highlighted number] than UAA and other land grant universities. He elucidated that the high number was attributed not to higher costs but fewer students, which was reflective of declining enrollment. He suggested UAF had a "scale problem" that informed the administration's budget reduction and call for consolidation. The administration thought there was an opportunity to correct the scale. He believed that the numbers showed that the community campus system was providing education in a cost-effective way in most locations and could be achieved in any location. Consolidation was important not only for cost efficiency, it was also important for quality purposes. He thought the same program offered at multiple campuses "blurred the focus on quality" and multiplied its facilities cost. He viewed it as an opportunity to scale through consolidation into cost structures that currently exist.

[10:20:42 AM](#)

Co-Chair Wilson remarked that the statewide programs were included in the UAF numbers that made them appear higher.

Representative Sullivan-Leonard asked if the Mat-Su campus received federal funding. Mr. Barnhill did not know the answer.

Co-Chair Wilson commented that the frustration from the committee was not knowing where the numbers came from and choosing comparisons that helped illustrate a particular point of view. Mr. Barnhill related that he was attempting to make his thinking and analysis as transparent as possible.

Mr. Barnhill explained slide 18 titled "FY2020 Budget: Compare University of Alaska amongst the various UA campuses (continued)." He pointed to the last column on the right that contained his calculation regarding GF per student (GF/FTE) for each of the main campuses. He relayed

the numbers for the university main campuses was \$10,883 for UAA, \$31,894 for UAF, and \$21,137 for UAS. He reported that the community campus total was \$8,434 and the university campus total was \$17,374. He understood that the administrative costs were separate and included at the bottom of the spreadsheet [\$1,031 GF/FTE]. Including the administrative costs would increase the other totals by the same amount. He emphasized that the community campus number was half of the university number without local contributions. He maintained that community campuses were a cost-effective structure that could be used to meet the unmet needs of younger Alaskans.

[10:24:49 AM](#)

Mr. Barnhill turned to slide 19 titled "FY2020 Budget: Compare University of Alaska amongst the various UA campuses(continued)." He pointed to the second column he had added on the right side of the spreadsheet titled "GF Savings". The numbers reflected a hypothetical scenario that assumed the two other main campuses had a cost structure like UAA that demonstrated a savings of over \$91 million.

Representative Josephson suggested that one of the things that had not been evaluated was the extra costs associated with UAF. When he toured the campus, he was impressed with the sophistication of the programs that were not mirrored at UAA. He recognized the effective cost structure at UAA. He elaborated that in general, it was cheaper to do business in Anchorage. He thought that "there was more going on than meets the eye" with regards to OMB's analysis. He wondered why UAF was more expensive. He perceived that the same economic model could not be applied to both UAA and UAF. Mr. Barnhill believed that the issue was scale. The reason costs were high at UAF was because the scale was down. He suggested that the scale at the community campus level was high because it included the campuses where the "scale was centrally located," which drove that aggregate average cost down. The decline in enrollment at UAF contributed to the high cost. The issue was not cost but scaling.

[10:29:19 AM](#)

Co-Chair Wilson acknowledged that Representative Carpenter joined the committee.

10:29:28 AM

Mr. Barnhill moved to slide 20 titled "FY2020 Budget: University of Alaska Budget Development":

- University does an excellent job of managing costs at UAA and in the Community Campus system
- UAA expenses/student: approx. \$25k. Very competitive nationally.
- Community campus expenses/student: approx. \$18k
- UGF contribution: \$11k or less (~40% higher than the national average)

Mr. Barnhill highlighted slide 21 titled "FY2020 Budget: University of Alaska Budget Development [Con't]":

- Tuition is equalized between campuses
- University campus tuition is lower than national average
- Community campus tuition is higher than national average

- The University may be deterring access to low cost community campuses while subsidizing higher cost campuses, particularly UAF.
- Attendance at UAF is declining
- Overall UA attendance has declined 19% since FY2012

Mr. Barnhill reviewed slide 22 titled "FY2020 Budget: University of Alaska Core Services":

- Education
- Focus on cost-effective delivery of high quality Education
- University is succeeding with costs at UAA and Community Campuses
- Too many similar programs in multiple locations may be impairing quality
- Research

- University is doing a good job of leveraging external fund sources, in particular federal dollars; 6:1 is a good start
- Opportunities exist. Example: Michigan State University has approx. 29:1 ratio of external to state fund sources for its research program
- Public Service

- Focus on becoming self-supporting
- \$30mm in UGF to distribute 190,000 publications and provide service to small business seems like high cost

[10:32:32 AM](#)

Mr. Barnhill explained slide 23: "FY2020 Budget: University of Alaska Budget Calculations:"

- Average state contribution to higher education:
\$7,642/student
- Multiplier: 44%
- $\$7,642 * 1.44 = \$11,000$
- Current UAA GF/FTE: approx. \$11,000
- Community Campus Component
- 5,611 students * \$11,000 = \$61.721million
- University Component
- 11,944 students * \$11,000 = \$131.384million
- Total UGF appropriation
- $17,555 * \$11,000 = \$193.105mm$

Mr. Barnhill explained that OMB calculated that \$11,000 FTE was an achievable university wide target.

Representative Sullivan-Leonard asked about the total UGF appropriation. She wondered if the administration considered the PFD contribution as a resource for students to help support their statistics. Mr. Barnhill answered in the negative. He explained that the PFD was factored into each student's personal resources that contributed towards tuition.

[10:35:21 AM](#)

Mr. Barnhill moved to slide 24: "FY2020 Budget: University of Alaska Summary: Over-reliance on state funding is a concern." He elucidated that the university's over-reliance on state funding had been a concern. The university had been downgraded twice since 2015 by Moody's for over-reliance on state funding. He pointed out that the state constitution lacked language requiring funding UA, so funding was not constitutionally driven. The university was identified as a core function, but the constitution did not mandate funding.

Representative Josephson stressed that constitutional mandates to provide funding was not the proper purview of constitutions.

Co-Chair Wilson wanted to avoid a constitutional debate.

[10:37:35 AM](#)

Mr. Barnhill continued to slide 25: "FY2020 Budget: University of Alaska Summary: State universities are rising to the challenge:"

- Other state universities are scenario planning for elimination of all state funding. Example: University of Pittsburgh

Mr. Barnhill reported that the slide provided examples of other universities that had funding difficulties. He provided an example from the University of Pittsburgh. He did not know about other universities experiencing the same level of proposed reduction in a single year. He had tried to do some research regarding the cut in state support in Pennsylvania. He pointed to the bar chart on the slide that showed the gradual decrease in state funding for the University of Pittsburgh from 1985 at 24.3 percent to 15 percent in 2015. He noted that the school's chancellor engaged in proactive thinking to find a solution. He invited UA to be forward thinking. He pointed to Moody's bond downgrade for UA. He thought there was a legitimate concern regarding policy.

[10:40:13 AM](#)

Representative Josephson indicated that the three universities that were provided as examples in the slides; University of California - Berkeley, University of Oregon, and Clemson were all "crying" for additional state funding. In addition, he believed that there was a correlation between the state's bond downgrade by Moody's and the university's downgrade. Mr. Barnhill stated that "there just isn't funds" and that all "stakeholders" were seeking revenues. He indicated that the state's bond downgrade was due to overreliance on oil revenue and the university's downgrade was due to overreliance on state funding. Representative Josephson stated that the entire state budget relied on oil funding.

Co-Chair Wilson interjected that she appreciated slide 22 and slide 26. She thought what the governor was emphasizing the need to for UA to be more competitive.

[10:43:14 AM](#)

Mr. Barnhill advanced to the last slide in the presentation, slide 26: "FY2020 Budget: University of Alaska Summary: Path forward for University."

- Path forward for University
- State funding for higher education has declined Nationally

- In response universities have:
- sharpened their focus on their core educational product
- aggressively competed for tuition dollars
- sought fundraising dollars from the entire spectrum of funding sources
- Private, corporate, alumni, federal
- Focus on strengths
- community campus/UAA cost structure
- enhance leverage for research dollars

Mr. Barnhill concluded that UA had "strengths" by operating mostly in a cost-effective structure and stated that "they had the model that just needed to be implemented." He believed that the budget cut was difficult but thought the UA could operate a world-class university with less funding.

Representative Carpenter asked if the university had the right talent in the right place "from an entrepreneurial focus" to adjust its course. Mr. Barnhill responded affirmatively.

[10:46:32 AM](#)

Representative LeBon commented on the declining enrollment at UAF. He deduced that the challenge was to increase enrollment. He referred to slide 25 that illustrated the reduction in state support over a period of 30 years. He characterized it as a "soft landing" versus the "crash and burn" approach proposed by the administration. He asked how enrollment played out at the University of Pittsburgh during the 30-year period. Mr. Barnhill would provide more

information regarding the University of Pittsburgh. He reiterated that cut was drastic but believed that a path forward existed for UA.

[10:48:16 AM](#)

Representative LeBon stated that his point was that Pennsylvania began a program of reducing state support with a plan to retain and attract students and growing enrollment. He suspected UA's approach was done in such a way as to maintain enrollment. He expressed concern with "chasing off students." He believed a cut of the proposed magnitude would lead to a decline in enrollment.

Co-Chair Wilson suggested that the subcommittee examine why UAF enrollment declined.

Co-Chair Wilson reviewed the agenda for the afternoon.

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ADJOURNMENT

[10:49:45 AM](#)

The meeting was adjourned at 10:49 a.m.