

ARIZONA STATE SENATE

46TH LEGISLATURE
FIRST REGULAR SESSION

MINUTES OF COMMITTEE ON EDUCATION

DATE: January 20, 2003

TIME: 1:30 p.m.

ROOM: SHR 109

CHAIRMAN: Senator Hellon

VICE CHAIRMAN: Senator Mead

ANALYST: Kimberly Yee

INTERN: Tyler Manic

ASSISTANT

ANALYST: Dallas Gold

COMMITTEE

SECRETARY: Carol Dager

ATTENDANCE

BILLS

Committee Members

Senator Aguirre

Pr

X

Senator Anderson

X

Senator Jackson

X

Senator Miranda

X

Senator Mitchell

X

Senator Verschoor

X

Senator Waring

X

Senator Mead, Vice Chairman

X

Senator Hellon, Chairman

X

Ab Ex Bill Number

Disposition

GOVERNOR'S APPOINTMENTS

Name

Position

Recommendation

PRESENTATIONS

Jack Jewett, President, Arizona Board of Regents (ABOR)
Dr. Michael M. Crow, President, Arizona State University (ASU)
Dr. John W. Haeger, President, Northern Arizona University (NAU)
Dr. Peter W. Likins, President, University of Arizona (UA)

Chairman Hellon called the meeting to order at 1:35 p.m., and attendance was taken.

INTRODUCTION OF STAFF

Kimberly Yee, Education Committee Research Analyst
Dallas Gold, Education Committee Assistant Research Analyst
Tyler Manic, Education Committee Intern
Carol Dager, Committee Secretary
Victor Riches, Majority Staff
Jeff Brunjes, Majority Staff Intern
Nikki Amberg, Democratic Staff
Angelicia Gonzalez, Democratic Staff
Miria Biller, Democrat Staff Intern
Billy Tuttle substituted for Katie Oakley, Senate Page
David Scruggs, Senate Page

ADOPTION OF COMMITTEE RULES

Senator Mead moved that the Education Committee rules be adopted. The motion passed with a voice vote. (Attachment A)

APPOINTMENT OF COMMITTEE OF REFERENCE

Senator Hellon announced that the following members were appointed to the Senate Education Committee of Reference: Senator Slade Mead, Chairman; Senator Jim Waring; Senator Mark Anderson; Senator Harry Mitchell; Senator Richard Miranda.

Senator Hellon moved that the Education Committee appoint the above-mentioned Senators as members of the Senate Education Committee of Reference. The motion passed with a voice vote. (Attachment B)

PRESENTATIONS

Dr. Linda Blessing, Executive Director, ABOR introduced **Jack Jewett, President, ABOR**, and provided a handout (Attachment C) entitled Changing Directions – A Reform Initiative of the Arizona University System. She mentioned that ABOR is the governing board for the three Arizona universities. There are 12 board members; ten members appointed by the Governor and confirmed by the Senate and two ex officio members (the Governor and Superintendent of Public Instruction). Two of the board members are student Regents with one having a vote.

Mr. Jewett pointed out that over the years, the universities have been asked to provide education to an increasing enrollment while faced with declining resources and struggling with tuition challenges. He indicated that although tuition is low, the universities are also unaffordable.

Mr. Jewett explained that Changing Directions is needed to strengthen fiscal resources and allow the universities to better manage their enrollments and revenue streams to best meet their needs. He noted that guiding principles have been adopted for the project which include: 1) quality; 2) diversity; 3) specialization; 4) affordability; 5) accessibility; 6) student success; and 7) financial viability.

Mr. Jewett stated that ABOR anticipates a substantial increase in undergraduate student tuition. At the same time, ABOR is looking at setting aside an even more substantial portion of the tuition for financial aid for students designated as the most needy. He suggested that the universities will become much more entrepreneurial in order to meet their goals. He added that legislative support is essential to maintain support for academic programs, enrollment growth and research investments, as well as to lay a foundation for financial aid to make higher education more affordable. He stressed that one of their goals is to provide Arizonans an education as nearly free as possible.

Mr. Jewett mentioned two critical issues the universities are facing. One issue is that they have fallen further behind in maintaining compensation programs for faculty and staff that is compatible and competitive with peer institutions. He indicated that in order to bring compensation to a standard that would make them competitive in the market, it would take approximately \$150 million. The second issue is the repair of buildings at all the universities which will cost approximately \$200 million.

Mr. Jewett concluded with the expected outcomes from Changing Directions: 1) stronger and more stable funding; 2) affordable education for more students; 3) diverse options for university education; 4) quality programs responsive to needs; 5) academic success for more students; 6) more entrepreneurial activity and culture; and 7) substantial returns on state investment.

Senator Aquirre said that she understands Changing Directions has been designed because of the current economic situation and wondered if the economy improves is there a "Plan B" to give relief to the students who may be caught in the middle and not qualify for the financial aid programs. Mr. Jewett replied that as they identified the entire range of financial ability of the students, the reality was that every student is subsidized by the State because the cost of providing education is much greater than what anyone is paying. Senator Aquirre clarified that there is only a "Plan A."

Senator Verschoor pointed out that he has not been a supporter of tuition increases because when tuition goes up, accessibility is eliminated for some groups of students. He wondered about the students who have already budgeted for tuition before learning about the substantial increases. Mr. Jewett responded that ABOR and the universities have struggled with this issue for a number of years, when the increases were relatively low (2%, 3%, or 4%). The process of reviewing the increase in tuition included input from students and ways to soften the burden. Given the fiscal pressures, it is important to develop tuition and financial aid packages without any undue hardships for anyone.

Blake Anderson, Director of State Relations, ASU introduced **Dr. Michael M. Crow, President, ASU**, commenting that Dr. Crow is new to the university and was the Executive Vice Provost at Columbia University.

Dr. Crow noted that Changing Directions will provide the universities an opportunity to move from good universities to great universities that have a capacity to compete unequivocally with all other university systems. Five things are needed to accomplish this task: 1) three unique universities working together; 2) enhanced cooperation between the universities; 3) enhanced entrepreneurial spirit; 4) flexibility to adapt; and 5) embrace growth while enhancing quality.

Dr. Crow mentioned that each university needs to take more responsibility for their own success. The role of the Legislature should be considered as an investor rather than the determiner of the university's fate. Among other things, this would mean expanding the universities' research enterprise dramatically. Of the 20 largest cities in North America, Phoenix is the only one with no medical school and ranked as having the smallest research enterprise. Most metropolitan areas the size of Phoenix have academic science investments ranging between \$400 million to \$600 million a year largely funded by the federal government, industry, and foundations. Phoenix is at \$130 million to \$150 million a year in such investments. Arizona universities need to compete with the market for ideas and students.

Dr. Crow noted that the universities need tuition flexibility to secure sufficient resources and financial aid to leave no one behind. However, at the graduate student level, the universities need to work at market levels; to have a product of such high quality that merits a price that students can pay for. The universities are working on an automatic simultaneous admission to any of the three universities and working on admission standards specific to each school.

Changing Directions offers to ASU probably its fourth most important moment in history. The first three were: 1) founding of the school in 1885; 2) emergence from a small teachers' college to a state college; and 3) emergence of ASU as a university in the late 1950s.

Kurt Davis noted that he and Sam Polito represent NAU at the Legislature. He then introduced **Dr. John W. Haeger, President, NAU**, explaining that Dr. Haeger has been a scholar, teacher, and an administrator. He indicated that Dr. Haeger taught economic history and development, served as a Chair and Dean at the University of Central Michigan, and served as Provost at Talisen University.

Dr. Haeger stressed that what is going on in Arizona is also going on across the country. There are three pressures falling on public higher institutions and their state legislatures. The first issue is state funding. All universities are struggling to find a new equilibrium between state funding, tuition dollars, and other revenue streams. Changing Directions is about how the universities augment the revenues currently received. The second issue is the impact of technology on the universities, which changes how they operate and teach students. He emphasized that in the 21st century economy, education is what guarantees potential success. A higher level of education usually means a higher income.

Dr. Haeger pointed out that Arizona has a declining high school graduation rate, a low rate of students who advance from high school to college, and a 50% rate of college students graduating. He noted that NAU is distinctly different than ASU and UA, explaining that a single set of rules cannot govern the three different institutions. He indicated that undergraduate and teacher education are important to NAU, providing an overview of the various teacher education programs available at the various NAU sites throughout Arizona. NAU grants many more masters degrees than doctoral degrees. He added that NAU has a very active research agenda, which is a revenue stream for the university, bringing in federal dollars.

Dr. Haeger mentioned NAU's missions: 1) national leader in undergraduate residential education; 2) focused research, graduate programs, and economic development activities; and 3) entrepreneurial distributed learning network providing educational programs throughout the State and western region.

Greg Fahey, Lobbyist, UA, noted that along with **Charlene Ledet, Special Assistant, State Relations, UA**; and **Judy Bernas, Government Relations, UA Health Sciences Center**, they represent UA at the Legislature. He introduced **Dr. Peter W. Likins, President, UA**, who was educated at Massachusetts Institute of Technology (MIT) and Stanford, taught engineering at the University of California, Los Angeles (UCLA), served as Provost at Columbia, and was President of Lehigh University in Pennsylvania.

Dr. Likins stressed that the universities spent the last 30 years experiencing a gradual withdrawal of State support and substitution of other revenue sources. In many states, the withdrawal of State funds has been compensated by growth of tuition dollars. However, that is not the case for Arizona, which has created an extraordinary financial vulnerability. When the recent crisis occurred, the universities were unable to absorb it without doing permanent damage. Last year, the ABOR announced their Changing Directions initiatives and asked each of the university presidents to develop new ideas, recognizing that the current direction the universities were moving was inevitably going to cause a fundamental deterioration of Arizona's higher education system. Arizona universities have had a more dramatic decline in funding received from the State than any other state, decreasing from 45% in 1986 to 34% in 2002. State funds are primarily used to compensate faculty who compete nationally to generate research money. The loss of faculty represents the loss of federal research dollars. The universities must adapt to the changing economic ways and focus on eliminating programs. They are in the process of identifying schools and departments that can be eliminated, which is necessary in order to sustain the quality operations built over decades.

Dr. Likins next discussed tuition, indicating that in most states when the economy is down, tuition increases to compensate for it. However, Arizona universities have lost over \$100 million during the last two years in budget cuts from the State. Arizona universities have the lowest tuition rate in the country, yet they are still not affordable. Tuition may be low in Arizona, but the cost of room, board, books, etc. is high. There is no way to have tuition cheap enough for families with limited means to afford the education. The only strategy to maintain affordability that really works is financial aid. Arizona has not responded to that challenge.

Dr. Likins emphasized that there are no short-term solutions; it has taken decades to get to this financial crisis. He added that there is no reason for a "Plan B" because this is an ongoing restructuring. He mentioned that it is critical to understand that diversity of the students, faculty, and staff are essential elements of excellence. The universities need to diversify their funding sources and become more self-reliant. It is also necessary to persuade the Legislature that the role of the universities is critical to the success of building a prosperous society.

Senator Verschoor suggested that as it becomes less affordable for students to attend universities, it would appear that the number of full-time students has dropped but perhaps they have increased. Dr. Likins replied that each university would probably have a different answer although all the universities have become less affordable. They are currently working on ways to make education more affordable. He pointed out that it is critical to understand that the strategy of increasing tuition and financial aid is designed to make the universities more affordable.

Dr. Haeger responded that even though the cost of education is increasing, there is a large demand for higher education because people realize the importance of a professional degree to enhance their future. However, at the same time the funding streams are not clear. Dr. Haeger emphasized that there needs to be a change in philosophy and that this may be the most important investment the Legislature can make because it affects the State's future. The State, university, and student have to invest in this process.

Dr. Crow explained that the demand at ASU has increased by 4,000 students last year. At this time, ASU contributes 40% of the total financial aid package, 20% from private donors, and 40% from the federal government. Arizona is one of a few states where the state is not a partner in the financial aid provided to students.

Senator Waring indicated that he appreciates UA's efforts to reduce their programs.

Senator Jackson asked if the Changing Directions concept could be applied to community colleges. Mr. Jewett replied that much of Changing Directions affects the community colleges, as they too are struggling with access and affordability. Most of the changes the universities implement will affect the community colleges, and in some aspects the K-12 curriculum.

Senator Verschoor noted that many private schools offer accelerated degree programs and asked if that may be a way to obtain additional dollars for the universities. Dr. Haeger explained that NAU has tried to do that in a variety of ways. It is up to the students to move through the programs at their own speed. There are two baccalaureate programs intended to accelerate the process, teachers and registered nurses. Those are specific markets and the students must be focused on their priorities. At NAU, it would not be a consistent business practice to accelerate the programs. He pointed out that they are reviewing moving the outreach role of the university to each of the colleges.

Dr. Crow explained that ASU is in the process of moving two of their schools to responsibility-centered budgeting. It is a new method of conceptualizing the way schools will work. The Business and Engineering schools will be the prototype for the university. In each of those schools the deans will have aspirations that they hope to achieve for their schools. ASU will invest in those schools and the schools will pay back to the university, allowing ASU to invest in other schools. Each school will need to devise the means of educational opportunities through distance education, accelerated learning, and night, special, and executive classes to generate a high level of positive fund balances to allow the university to invest in other things. The deans will be driven to operate their schools with those types of programs as a mechanism by which they can drive their core programs to greater levels of success.

Senator Anderson inquired about service learning, pointing out that studies he has reviewed have indicated that many students are interested in volunteerism and the benefits gained not only for the student but for the community. He questioned if the universities will be offering those types of programs. Dr. Crow replied that in the design imperatives he set down in November for ASU, one of them was social embeddedness, which is service-based learning. The students need to find problems in the world that allow a faculty member and student to learn from those problems by working together.

Dr. Likins noted that higher education has not stressed service learning, where the students give back to their communities. He explained that they are building into their basic liberal arts and science

curriculum a program where the first 30 to 36 hours of undergraduate work will include actual experiences that give student credits, as well as a sense of responsibility to the community.

Dr. Haeger indicated that he was pleased that the Committee members recognize that service learning is a growing trend and this generation of young people are committed to community service and volunteerism. However, there are some concerns about servicing learning. Such programs can either encourage and facilitate students to engage in volunteer work without academic credit or courses can be structured for credit. The latter is not volunteerism rather just a restructuring of the curriculum.

Senator Mead suggested that NAU would like to serve two roles, undergraduate and graduate research roles, and wondered what their focus is. Dr. Haeger explained that each of the universities is involved in those areas. At NAU, undergraduate liberal arts and sciences residential education drives everything else they do. If excellence is not there, the other pieces of their mission does not work. NAU has a fairly unique aspect because they are in a rural area and have developed the technology to offer programs throughout the State.

Dr. Haeger noted that the universities do not pool research monies; however, they do partner with each other. If a faculty member in one institution can be strengthened for competition of funds by collaborating with a faculty member from another institution, they are encouraged to make that happen. It will happen more often, especially as they establish a stronger role in health sciences. NAU is receiving \$50 million to \$60 million in government grants and contracts.

Dr. Crow commented that ASU will cooperate more than in the past. It is important to put into perspective the nature of the competition by which the research resources are acquired. It is small groups of faculty members competing in Washington, DC, in a few corporation headquarters, and foundations in a very competitive process. The universities that have the best researchers win all of the resources. ASU is not yet operating at the level that it needs to in that arena.

In response to Senator Mead's question, Dr. Haeger replied that in any university in America, admission policies are need blind because they make the admission decisions without looking at capacity to pay.

Senator Mead noted that currently many of the students cannot pay. Dr. Haeger responded that if the universities do not provide financial aid, many students may not have the opportunity to enroll in any university. The students may attend a community college and then transfer. It is extremely easy to transfer from a community college to a university in Arizona.

Dr. Crow added that ABOR has shown a tremendous amount of guidance and leadership in proposing tuition increases. He pointed out that the universities will be increasing what is called "tuition set aside." In the past, 8% of the tuition raised was set aside for financial aid. Currently, 14% will be set aside.

Senator Waring asked what the community college tuition is compared to State university tuition. Dr. Crow replied it is approximately \$1,000 less. Dr. Likins noted that many community college students pay by the unit and take courses as they can. A full-time community college is probably the exception rather than the rule. Most community college students live at home and do not have the added expense of room and board.

Dr. Likins pointed out that the only way the State helps with capital facilities is to pay debt service on the university's borrowing. There is no capital transfer of funds.

Dr. Haeger indicated that as state funding either stabilizes or goes down, tuition will increase. The ability to moderate tuition growth is dependent on the university's ability to develop other revenue streams. There is a fundamental revolutionary change going on in how higher education is supported.

Senator Mead wondered if every major program will be offered at one of the universities. Dr. Likins replied that some programs may not be available. Dr. Crow added that each university has to find its operating niche where it can achieve its greatest level of excellence.

Senator Anderson asked other than appropriating dollars, if there is anything that the Legislature can do to support the efforts of this project. Mr. Jewett replied that the Legislature could allow voters to vote on technology transfer and change the Constitution to allow equity positions among universities in research.

Senator Aguirre urged the university presidents to consider the middle income group of people when reviewing the tuition and financial aid requirements.

There being no further business, the meeting was adjourned at 3:33 p.m.

Respectfully submitted,

Carol Dager
Committee Secretary

(Tapes and attachments on file in the Secretary of the Senate's Office/Resource Center, Room 115.)