University of Alaska
Performance Results, FY07

November 6, 2007

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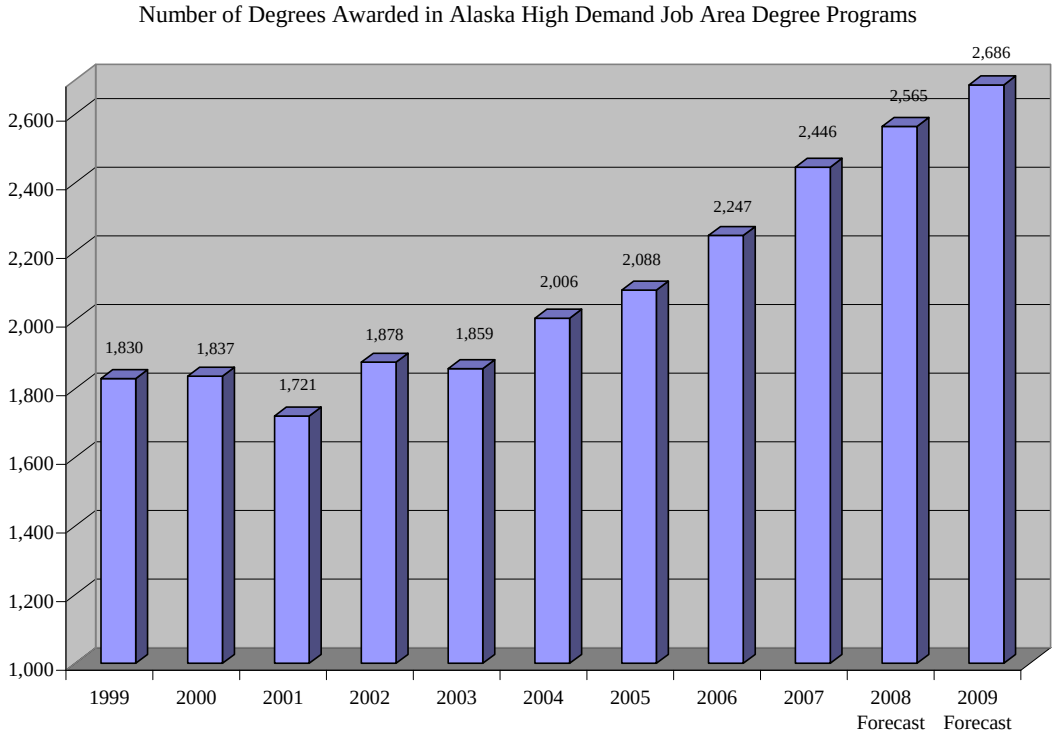
High Demand Job Area Degrees, Certificates and Occupational Endorsements

Target: A target of 2,686 graduates in high demand job area (HDJA) degree and certificate programs in FY09.
Measure: The number of Alaska HDJA degrees and certificates awarded.



Analysis of results and challenges: UA awarded 9 percent (about 200) more HDJA degrees and certificates in FY07 than in FY06, exceeding a target increase of 2 percent over this time. Overall performance increases of 11 percent in FY08 and 5 percent in FY09 are expected.

Though overall enrollment has remained fairly flat over the last four years, many more students are choosing to enroll in HDJA programs. This is an area UA has chosen to focus resources on in order to best align degree programs with state priorities. HDJA programs tend to be more expensive than other programs (e.g. lab needs for health programs, limited class sizes), however students tend to complete these programs at a higher rate than other degree programs and are now working in Alaska.

Educating students in HDJA programs is a responsibility that all UA campuses contribute to. For example, more than 35 percent of students graduating from Anchorage campus with a HDJA degree or certificate used credits earned at other campuses to help meet their degree requirements. Overall, about 55 percent of students who receive a HDJA degree or certificate attend more than one campus during their career.

HDJA programs include: nursing, allied health, behavioral health, engineering, welding, computer networking, construction management and technology, information technology,

business, accounting, logistics, and many others aligned with the Department of Labor and Workforce Development workforce projections.

Funding Impact:

Internal Reallocations since FY99: In only three of the last nine years, (FY01, FY02 and FY07) have legislative appropriations of state funding covered the level necessary to fund salary, benefit and fixed cost increases and allow for state funded program growth. However, the University recognized the need for priority program growth and through maximizing external revenue, internal efficiencies, and reallocations the Board of Regents has distributed funding towards priority programs every year. UA added more than 100 new degree, certificate and occupational endorsement programs over this time.

FY07 Program Increments

UA received a FY07 program increment of $4.2 million for Preparing Alaskans for Jobs and Continuing Programs in State Needs. This supported: expansion of engineering programs; the Alaska Native Science and Engineering (ANSEP) program; programs in construction and mining technology; vocational education; teacher and early childhood education programs; distance delivery of high demand job area programs; nursing, behavioral health and allied health programs.

UA also receives annual Technical Vocational Education Program (TVEP) funding, which is temporary funding specific to workforce development programs. The funding source has been particularly valuable for program start-up funding, bridge funding and meeting equipment and lab needs in programs necessary to meet industry in a timely manner. Since 2001 key areas supported include nursing and allied health, construction and mining training, process technology, information and network technology, and early childhood education. UA has consistently used TVEP funding to start and maintain programs to meet immediate needs, then, after evaluation, if employer and student demand is projected to maintain for several years, general funds are requested and the program is transitioned to the long term funding source.

FY08 Program Increments

The funding UA received from state appropriations was $1.6 million less than UA's compensation and fixed costs increases and did not provide funding for key programs. However, given the critical and urgent nature of proceeding with programmatic needs, $2.5 million general fund was reallocated to the highest priory programs in FY08, including health, engineering, construction, mining, and geography. Below are the FY09 operating and capital increment requests related to performance on this measure.

FY09 Program Increment Requests

- Preparing Alaskans for Jobs
    - Health - This request is representative of significant health program needs across the system and includes an array of high-demand fields with proven

success: allied health, behavioral health, nursing, primary care and public health, as well as multi-disciplinary efforts at the full range of academic levels from certificate through graduate. Most of the programs are centered in Anchorage and are designed to serve students across the state (multi-MAU). Examples of requests include: Increasing the AAS Nursing Program in Anchorage; WWAMI Expansion Support Costs; Community Health Aid teaching and community support; Dental Hygiene Expansion at UAA CTC; and Health Sciences faculty at UAS.

- Engineering and Construction Management – This request provides support for expansion of existing engineering and construction program capacity to meet overwhelming industry demand for Alaska-trained workers in these fields and high student demand for additional slots in UA programs. Major program elements include resources needed to continue the program expansion necessary to double the number of undergraduate engineers graduating annually. Requests include support for additional engineering faculty at UAA including expansion of the BSE, civil engineering, transportation and geomatics; faculty and staff support for UAA Construction Management; mining industry training needs for construction/operations staff, heavy-duty equipment mechanics, millwrights, and roustabouts at UAS; pre-Engineering 1+3 program at UAS as a feeder to existing UAA and UAF programs; support faculty, staff and graduate assistants for UAF engineering programs.

- Fisheries – This request addresses the need to prepare Alaskans for high demand jobs by educating and training students who can support the sustainability of Alaska's vast and healthy marine and freshwater resources and fill jobs needed to maintain Alaska's economically vital fishing and seafood industries. The fishing industry is the largest employer in Alaska and it is undergoing many changes, including the rationalization of various fisheries, federal imposition of subsistence priority, and allocation of harvest to community development. Our academic programs must evolve to meet these changes. The primary purpose of this request is to develop a new Bachelor of Arts (B.A.) degree in fisheries characterized by experiential learning, interdisciplinary classes, broad geographic availability to reach both rural and urban students in Alaska, and partnerships with government regulators, fishing and seafood industry representatives and other related groups. The Rasmuson Foundation is providing a $1:$1 match to build this program.

- Student Success/Student Demand – This request area is focused on strategies for improving student success and addressing student demand.

FY09 Fixed Costs Request

To simply maintain existing performance levels, the majority of UA's FY09 operating request is required, including: Compensation Increases; and Non-Discretionary Fixed Cost Increases.

FY09 Capital Requests

In UA's FY09 capital request, several items are necessary to maintain current performance levels and avoid backtracking on recent performance gains, specifically: UA Annual Facility and Equipment Renewal, Renovation and Code Compliance; UAF BioSciences Facility Phase 1 of 2; UAA Health Sciences Building; UA Annual Requirement for Major Renewal & Replacement; and the UA Small Business Development Center (historically funded via the capital budget).

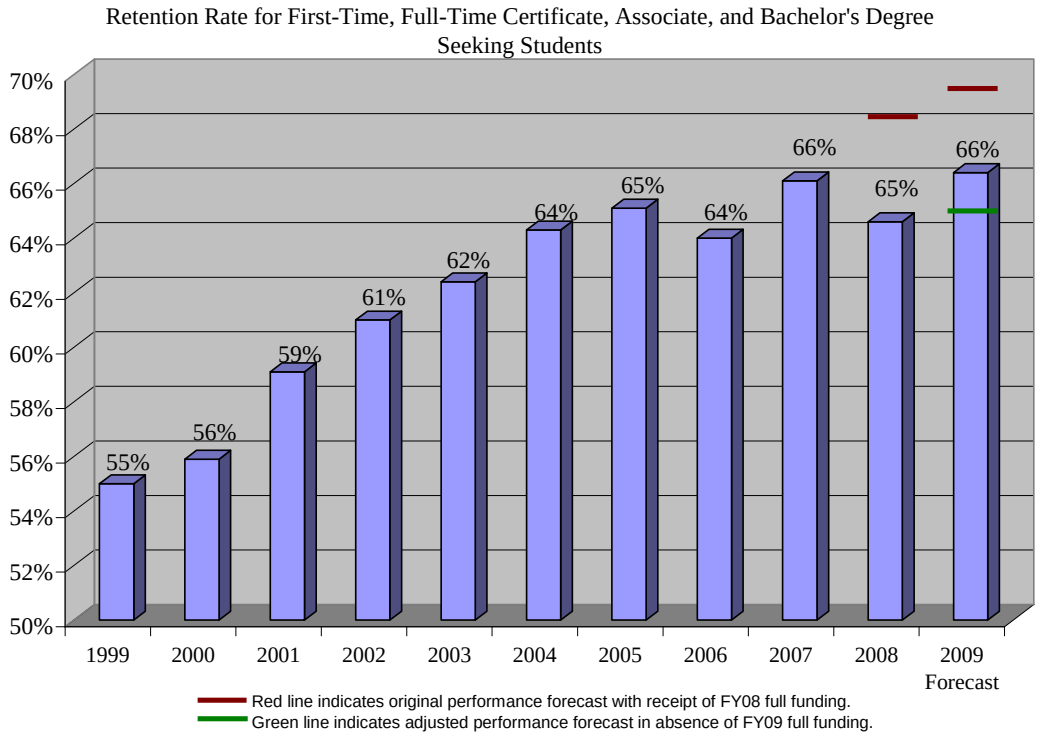
- UAF Biosciences Facility Phase 1 of 2 (BIOS) – This facility will provide critical research lab space and instructional classrooms for life sciences such as bio-medical research and pre-medicine/veterinary, wildlife biology, physiology, ecosystem and global change science, evolutionary biology, and population genetics. Alaska and the BIOS building in particular are located in a unique setting that enhances the abilities of medical research. The climate, animals, and indigenous peoples provide key elements of a worldwide effort to discover cures for many terrible diseases. FY09 funding will complete design, construction and build-out one of three floors. FY10 funding will build-out the other two floors.
- UAA Health Sciences Building - The FY09 portion of this request builds on planning funding provided in FY08, and will provide $40M for construction of the building and $6M for infrastructure development of the site. For the past three years, the University has been in discussion with health institutions neighboring the Anchorage campus about partnering for joint-use healthcare training facilities. This facility is envisioned as an 80,000 gsf building to be located on the land parcel UAA received in the 2005 land trade with Providence Hospital.

Providing education and training for students to pursue careers in the state's high demand fields is one of UA's primary roles. Of the 706 occupations included in the 2000-2010 Occupational Forecast from the State of Alaska Department of Labor (http://www.labor.state.ak.us/research/trends/apr03ind.pdf), 51 occupations were identified as high demand (i.e., classified as best bet occupations in Alaska, growing in the number of jobs available and having higher than average wages). Although dominated by the health-related occupations, the list of high demand job areas includes occupations as diverse as Computer System Analyst and Educators. New projections have recently been published for the period of 2004 – 2014 and incorporation of these into the HDJA measure is scheduled for completion by FY09.

For more in depth information and analysis on this performance measure, see the comprehensive analyses conducted by UAA, UAF, UAS and the Office of Statewide Planning and Budget Development at: http://www.alaska.edu/swbudget/pm/details.xml

Undergraduate Retention

Target: A target 66% retention rate for first-time full-time students in undergraduate and certificate programs in FY09.
Measure: Retention rate for first-time full-time students in undergraduate degree and certificate programs.



Analysis of results and challenges: In FY07 the undergraduate retention rate at UA reached an all time high at 66 percent retention. This represents a 10 percentage point (18 percent) increase since FY99. Recent information indicates that, in FY08, undergraduate retention fell to 64.6 percent, 1.5 percentage points below the FY07 performance level and 3.4 percentage points below the FY08 target. However, undergraduate retention rates vary from year to year. UA undergraduate retention rates dropped to 64.1 percent in FY06, from 65.4 percent in FY05, only to climb to an all time high in FY07. Therefore, UA is optimistic about its undergraduate retention target for FY09 and will be monitoring progress closely.

Funding Impact: (see previous measure for full details)

Internal Reallocations since FY99: In only three of the last nine years, (FY01, FY02 and FY07) have legislative appropriations of state funding covered the level necessary to fund salary, benefit and fixed cost increases and allow for state funded program growth.

FY07 Program Increments

UA received a FY07 program increment of $4.2 million for Preparing Alaskans for Jobs and Continuing Programs in State Needs. UA also receives annual Technical Vocational Education Program (TVEP) funding.

FY08 Program Increments

Internal efforts have been focused on undergraduate retention, however due to funding shortfalls and reallocations in FY08, no additional resources were directed to this area. Below are the FY09 operating and capital increment requests related to performance on this measure.

FY09 Program Increment Requests

- Preparing Alaskans for Jobs: Health; Engineering and Construction Management; Fisheries.
- Student Success/Student Demand

FY09 Fixed Costs Request

- Compensation Increases
- Non-Discretionary Fixed Cost Increases.

FY09 Capital Requests

- UAF Biosciences Facility Phase 1 of 2 (BIOS)
- UAA Health Sciences Building
- UA Annual Requirement for Major Renewal & Replacement

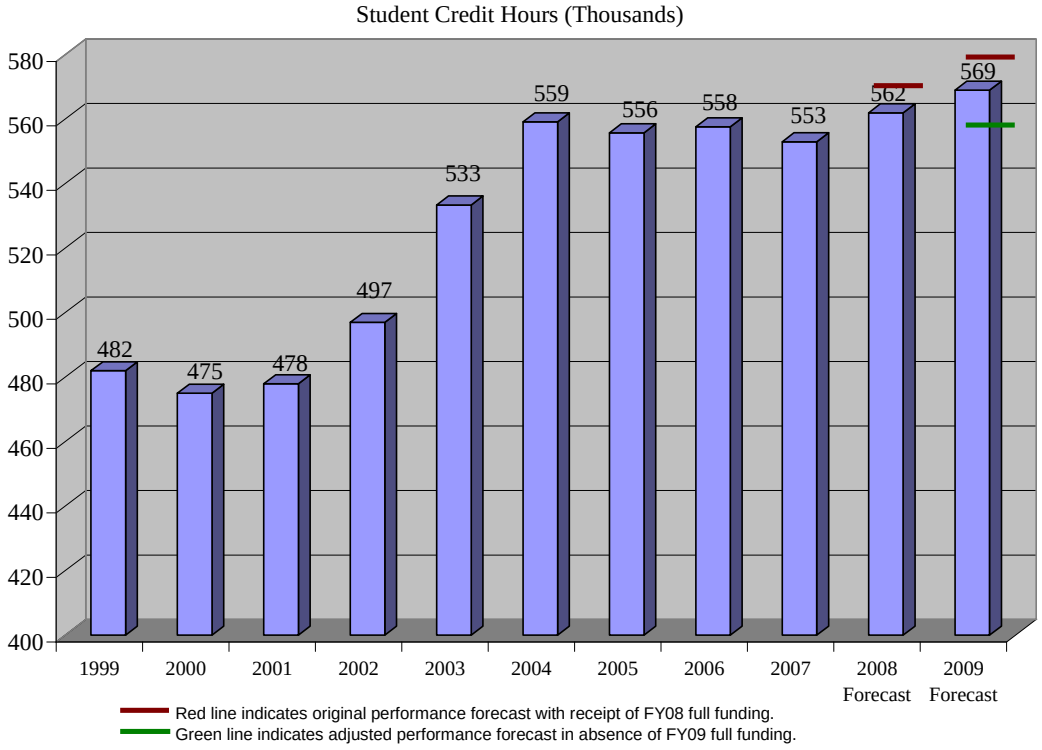
Across the nation and here in Alaska the issue of college and career readiness has become a focal point for higher education. There are two societal forces building this momentum. First, high school exit exams measure only 9th and 10th grade level basic competency, not the skills and knowledge needed to succeed for a career or college. Second, the job landscape has changed such that individuals must be able to succeed at some form of post-secondary education in order to succeed and advance economically. UA will continue to work collaboratively with K-12, employers and others to address these issues in the short- and long-term. Specifically, UA is encouraged by K-12 and DoL implementation plans for WorkKeys. In the long term, this may be a tool to bridge expectations and preparation for college success.

Retention rate is defined as the percentage of first-time students in a given term that return to the institution the following fall.

For more in depth information and analysis on this performance measure, see the comprehensive analyses conducted by UAA, UAF, UAS and the Office of Statewide Planning and Budget Development at: http://www.alaska.edu/swbudget/pm/details.xml

Student Credit Hours

Target: A target of a 569,000 Student Credit Hours (SCH) attempted in FY09.
Measure: The number of SCH attempted.



Analysis of results and challenges: UA's SCH generation has grown 15 percent from FY99 to FY07, equivalent to an average increase of more than 8,875 SCH per year. In FY07, UA's target increase for student credit hour production was 1 percent (5,500 SCH) over the FY06 level; however final student credit hour production for FY07 fell almost 1 percent (-5,000 SCH) below the FY06 level. This is due in part to better employment opportunities being available to potential students in some areas of the state.

It is important to note that while overall enrollment is relatively flat, enrollment in high demand job area programs continues to be strong, increasing by 1.6 percent (4,680 SCH) in FY07 and 31.1 percent (67,001 SCH) over the last five years. Students are enrolling in programs most aligned to the workforce needs of the state. Overall, early FY08 estimates indicate that UA's student credit hour production will decrease slightly from FY07 levels. The targets for FY08 and FY09 represented in the above chart are based on proposed median MAU targets.

Funding Impact: (see previous measures for full details)

Internal Reallocations since FY99: In only three of the last nine years, (FY01, FY02 and FY07) have legislative appropriations of state funding covered the level necessary to fund salary, benefit and fixed cost increases and allow for state funded program growth.

FY07 Program Increments

UA received a FY07 program increment of $4.2 million for Preparing Alaskans for Jobs and Continuing Programs in State Needs. UA also receives annual Technical Vocational Education Program (TVEP) funding.

FY08 Program Increments

Internal efforts have been focused on student enrollment, however due to funding shortfalls and reallocations in FY08, no additional resources were directed to this area. Below are the FY09 operating and capital increment requests related to performance on this measure.

FY09 Program Increment Requests

- Preparing Alaskans for Jobs: Health; Engineering and Construction Management; Fisheries.
- Student Success/Student Demand

FY09 Fixed Costs Requests

- Compensation Increases
- Non-Discretionary Fixed Cost Increases.

FY09 Capital Requests

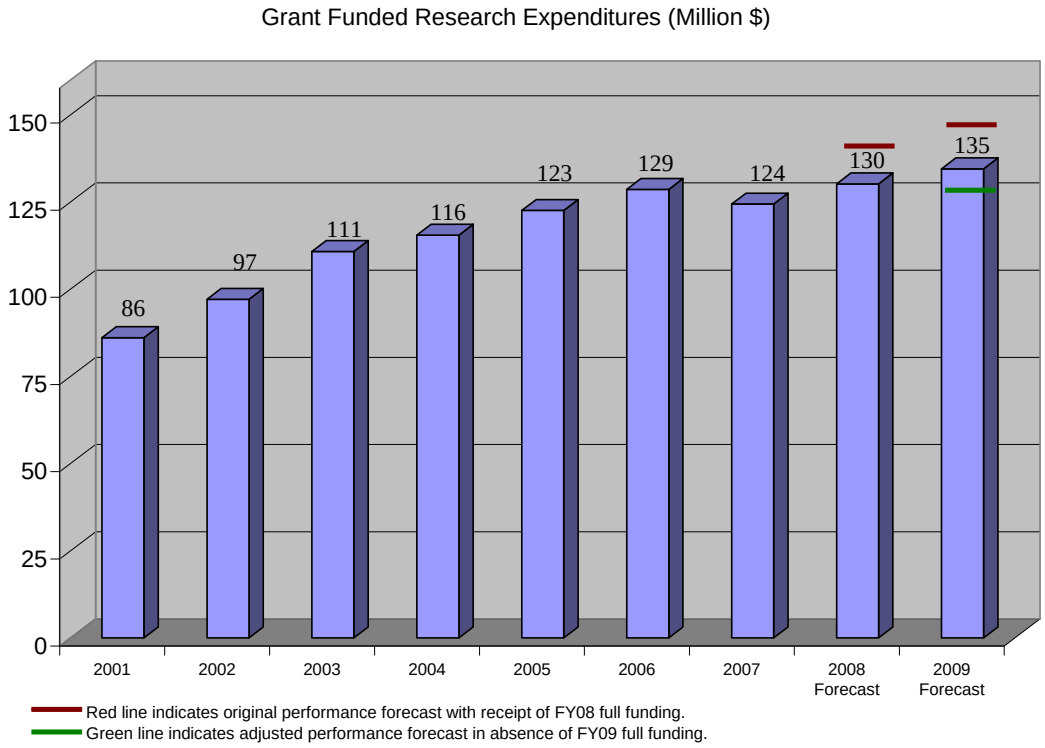
- UAF Biosciences Facility Phase 1 of 2 (BIOS)
- UAA Health Sciences Building
- UA Annual Requirement for Major Renewal & Replacement

The University, as the provider of community college and university higher education mission for the state, serves both traditional and non-traditional aged students. Student credit hour increases are just one indicator that the University of Alaska is providing critical workforce training and educational opportunities that meet the needs of the citizens of Alaska. An increase in credit hours obviously contributes to the university's overall revenue base, which in turn helps fund programs, salary, fixed cost increases, and base investments necessary to reach the enrollment target. Efforts to increase the number of credit hours enrolled positively influences headcounts of full time, part time, non-credit, and vocational education students.

For more in depth information and analysis on this performance measure, see the comprehensive analyses conducted by UAA, UAF, UAS and the Office of Statewide Planning and Budget Development at: http://www.alaska.edu/swbudget/pm/details.xml

Restricted Research Expenditures

Target: A target of $135 million in grant funded expenditures in FY09.
Measure: The amount of grant funded research expenditures.



Analysis of results and challenges: Restricted research expenditures decreased by 3.3 percent (-$4.2 million) compared to FY06, the first decrease in recent history. The FY07 target for this measure was equivalent to an 8.2 percent increase. From FY01 to FY07, grant funded research expenditures increased by an average of 7 percent annually across the system.

Future growth in restricted research expenditures is dependent on State support of research-related capital and operating requests. A number of factors contributed to a drop in performance during FY07 and left unmitigated, will diminish expected future growth on this performance measure.

For example, as a result of not receiving capital funding for research facilities, UA's Indirect Cost Recovery (ICR) rate has declined; UA will collect less for sponsored program administration. This is estimated to have a negative impact of about $1.5 million on this performance measure in FY08. The strong growth in research that UAF has experienced in recent years came on the heels of major investments in research space. That space is now filled to capacity and the older facilities are in need of upgrades to remain competitive. Future growth in research and indirect cost recovery is not possible without additional space. Expected gains in climate change and energy related research

revenue will be offset from declines in other areas that will have space and general funding reallocated from them.

These factors, coupled with the difficult federal funding environment for research, make state investment a requirement for further progress on this performance measure.

Funding Impact (see previous measures for full details)

Internal Reallocations since FY99: In only three of the last nine years, (FY01, FY02 and FY07) have legislative appropriations of state funding covered the level necessary to fund salary, benefit and fixed cost increases and allow for state funded program growth.

FY07 Program Increments

UA received a GF program increment of $1 million in FY07 toward the requested $6 million Competitive University Research Investment increment. This provided direct support for: UA's joint psychology PhD and bio-medical research development; and Geographic Information Network of Alaska (GINA).

Additional, temporary funding from sources such as BP/ConocoPhillips was used toward research activities related to the International Polar Year (IPY) that are anticipated to have far-reaching, long-term, positive impact on UA research competitiveness, including: hiring 13 post-doctoral researchers in key Alaska related research areas; and the Scenarios Network for Alaska Planning (SNAP) to develop global warming scenarios.

FY08 Program Increments

Internal efforts have been focused on research, however due to funding shortfalls and reallocations in FY08, only modest temporary resources were directed to address critical short term needs in biomedical and engineering research. Below are the FY09 operating and capital increment requests related to performance on this measure.

FY09 Program Increment Requests

- University Research Investment – This request will provide more of the necessary resources to grow UA's research enterprise, which supports about 2,400 jobs in Alaska. Full annual funding of this increment request will significantly grow the number and dollar amount of new awards in areas of significance to Alaska, including transportation, climate change, energy, and biomedical areas. Request specifics include funds to leverage International Polar Year (IPY) activity; secure matching requirements for large grants; launch an Integrative Center for Energy Research in Alaska (ICERA) focused on rural energy needs including alternative energy options; biomedical faculty leadership in support of $6 million annual grant funding from NIH; support for the Arctic Region Supercomputing Center (ARSC); competitive graduate assistant salaries; added socioeconomic and policy research capacity at UAA; and research seed startup at UAS.

FY09 Fixed Costs Requests

- Compensation Increases
- Non-Discretionary Fixed Cost Increases.

FY09 Capital Requests

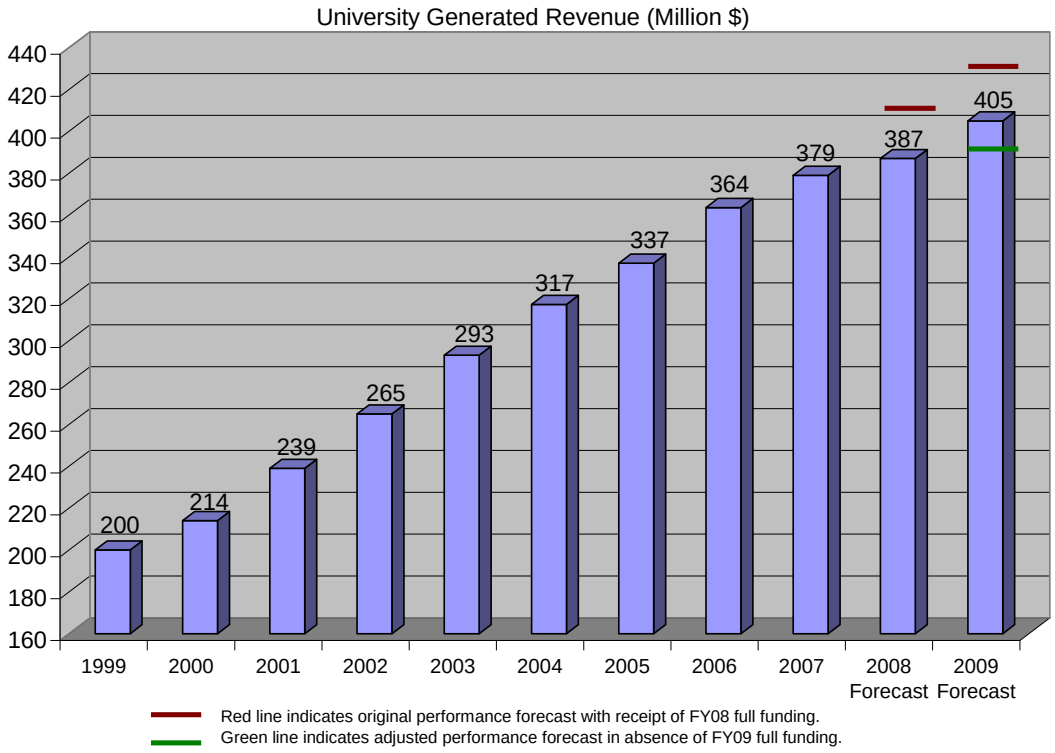
- UAF Biosciences Facility Phase 1 of 2 (BIOS)
- UAA Health Sciences Building
- UA Annual Requirement for Major Renewal & Replacement

Research at the University of Alaska is a critical component in the delivery of programs and services that are of value now and to the future of Alaska. UA success in achieving its goals and objectives is depended upon consistent external and internal research funding. In addressing these funding realities, UA aggressively seeks new opportunities with federal, state and private agencies to ensure continuing capability of research programs in areas aligning UA, MAU, and campus research priorities.

For more in depth information and analysis on this performance measure, see the comprehensive analyses conducted by UAA, UAF, UAS and the Office of Statewide Planning and Budget Development at: http://www.alaska.edu/swbudget/pm/details.xml

University Generated Revenue

Target: A target of $405 million in university and federal receipts in FY09.
Measure: The amount of revenue the University of Alaska receives from external sources such as federal, tuition and fees, and university receipts.



Analysis of results and challenges: University generated revenue increased 4 percent ($15 million) from FY06 to FY07, falling short of the target increase of 5 percent. The average increase in university generated funds from FY02 to FY07 has been 8.6 percent per year. UA's FY08 and FY09 forecasted targets, equivalent to annual 3.4 percent increases, are less than the minimum growth needed in order to meet current anticipated fixed costs.

Growth in university generated revenue is expected to be moderate due to modest increases in tuition revenue and growing development efforts mitigated by a declining federal funding environment, as well as the phase-out of several major external, temporary funding sources such as the Denali Commission Funding.

Funding Impact (see previous measures for full details)

Internal Reallocations since FY99: In only three of the last nine years, (FY01, FY02 and FY07) have legislative appropriations of state funding covered the level necessary to fund salary, benefit and fixed cost increases and allow for state funded program growth.

FY07 Program Increments

- Preparing Alaskans for Jobs
- Continuing Programs in State Needs.
- Competitive University Research Investment
- Temporary funding from sources such as BP/ConocoPhillips for IPY-related activities.

FY08 Program Increments

The funding UA received from state appropriations was $1.6 million less than UA's compensation and fixed costs increases and did not provide funding for key programs. However, given the critical and urgent nature of proceeding with programmatic needs, $2.5 million general fund was reallocated to the highest priory programs in FY08, such as health, engineering, construction, mining, and geography. Below are the FY09 operating and capital increment requests related to performance on this measure.

FY09 Program Increment Requests

- Preparing Alaskans for Jobs: Health; Engineering and Construction Management; Fisheries.
- University Research Investment
- Student Success/Student Demand
- Cooperative Extension, Public Service and Outreach – This request provides funding for Cooperative Extension Service (CES) and Agricultural and Forestry Experiment Station (AFES)/SNRAS, UATV/AlaskaOne, Alaska Teacher Placement (ATP) and for statewide outreach and marketing. CES and KUAC have historically been funded on block grants that have not kept pace with rising employment costs over time.

FY09 Fixed Costs Requests

- Compensation Increases
- Non-Discretionary Fixed Cost Increases

FY09 Capital Requests

- UAF Biosciences Facility Phase 1 of 2 (BIOS)
- UAA Health Sciences Building
- UA Annual Requirement for Major Renewal & Replacement

- UA Small Business Development Center (historically funded via the capital budget).

The University, through its urban and rural campuses, is the State of Alaska's primary source of higher education and workforce development and, as such, remains a high priority for the State. The university, through its entrepreneurial practices, has the ability to leverage the State's investment to generate additional revenue through student tuition, research grants, and other service opportunities. The continued success and expansion of this leverage ability is crucial to university growth. However, student, business partner and federal agency confidence in UA is inextricably linked to the State's continued investment in UA. The University of Alaska is constantly looking for new opportunities to ensure maximum leveraging of state appropriations.

University-generated revenue includes the following revenue categories: University Receipts (Interest Income, Auxiliary Receipts, Gross Tuition/Fees, Indirect Cost Recovery, and University Receipts), Federal Receipts, CIP Receipts, and State Inter-Agency Receipts. University generated revenue does not include UA Intra-Agency Receipts, which are duplicated.

For more in depth information and analysis on this performance measure, see the comprehensive analyses conducted by UAA, UAF, UAS and the Office of Statewide Planning and Budget Development at: http://www.alaska.edu/swbudget/pm/details.xml