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The following is a response to Dr. Abel Bult-Ito's White Paper dated 31 March 2022.

Dr. Bult-Ito provides an analysis of University of Alaska (UA) expenses from FY11 to FY21 by using figures from the audited financial statements. He makes comparisons of the relative change between expense categories, e.g., instruction vs. institutional support. Conclusions are then drawn that student support and instruction have decreased more than institutional support.

In this paper, UA management provides an explanation of factors that are influencing the figures cited in Dr. Bult-Ito's paper.

Institutional support expenses support the academic, research, and public service missions of the university. Institutional support often receives the short-hand label of "administration", and is incorrectly characterized as the cost of highly-paid executives. In reality, institutional support is a catch-all category for costs to support the university that don't fit in the other expense categories, such as instruction, or research. Approximately one-third of institutional support costs are non-labor costs, such as the cost of insurance, bandwidth, enterprise-wide IT systems, claims costs, marketing, and more recently the costs of responding to a pandemic.

Institutional support costs per the audited financial statements increased from FY11 to FY21 by 15.2%, or $13.1m as noted by Dr. Bult-Ito. Non-labor institutional costs are largely fixed in nature, and tend to increase over time with inflationary pressures and contractual provisions, e.g., the insurance market. On the other hand, management has been able to decrease institutional support labor costs through efficiencies, shared services, executive furloughs and a 24% decrease in the number of executive positions. As compared to FY11, these are the main factors that led to the increase in institutional support:

- $9.1m for pandemic costs (labor, COVID-health claims and leave, services, supplies)
- $4.8m increase in costs for insurance, claims, and legal
- $3.6m increase in IT systems, software, bandwidth
- $1.9m increase in marketing and outreach – to increase enrollment
- ($4.6m) decrease in labor costs for positions on unrestricted funding

Unfortunately, the declines in instruction and student aid are primarily related to a 36% drop in student headcount (34,480 to 22,093) from FY11 to FY21. Student aid only decreased 13.6% over the same time period ($27.3m to $23.6m), thus one could say that student aid actually increased on a per student basis. Instruction costs decreased 26.8% over the same period ($210.7m to $154.1m), which is less of a decline than student headcount.

Management will continue to pursue measures to operate more cost effectively in line with the Board's administrative costs goals and measures.