



University of Alaska FY20 Budget Overview

June 28, 2019


Contents

- Budget Update
- BOR Action
- Immediate Actions
- Unrestricted General Funds History
- UA Expenditures by NCHEMS FY18
- FY2020 Budget Principals
- Support Services Cost Reduction
- Academic Programs / Unit Cost Reduction
- Exceptional Expedited Program Reviews
- Academic Programs / Units
- Increase and diversify revenue
- Financial Exigency
- UA Workforce reductions FY15 – FY18
- Goals 2017 - 2025
- Reduced funding compounds reductions in enrollment
- Total economic impact of UA System
- BOR 2040 Priorities

Budget Update

- Status
 - FY 2019 operating budget = \$327 million
 - Governor's proposed FY 2020 operating budget = \$193 million
 - FY 2020 operating budget approved by the Legislature = \$322 million
 - FY 2020 capital budget approved by the Legislature = \$5 million (def maint)
 - Governor's approved operating budget = \$ 192 million (\$135 million reduction)
 - Governor's approved capital budget = \$ TBD million
- Advocacy
 - Pre veto
 - Post veto, prior to legislative session
 - Legislative Special Session: July 8 –
 - Potential budget override: by July 12
- Contingency
 1. What if the Legislature overrides the Governor's budget?
 2. What if the Legislature does not override the Governor's veto?



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- Today, 3 days before the start of the fiscal year, we learned the Governor vetoed \$130 million (41% of unrestricted general funds).
 - This veto will have a devastating impact on current students, communities and the state if not overridden by the Legislature.

BOR Action

MOTION

“Consistent with Regents' Policy 05.01.040, the Board of Regents acknowledges the FY20 Operating Budget Appropriation as signed by the governor on June 28, authorizes the president to make interim expenditures and reductions consistent with the ongoing budget situation, directs the president to develop the revised FY20 Operating Budget Distribution Plan for approval by the board the week of July 15, 2019, and directs the president to prepare a plan for a declaration of financial exigency for consideration by the board the week of July 15, 2019. This motion is effective June 28, 2019.”

RATIONALE AND RECOMMENDATION

As of mid-day June 27, 2019, Governor Dunleavy has not acted on the Operating Budget. Since June 28, 2019, is the last business day before the start of the new fiscal year, the above motion would provide interim expenditure authority either in the event that the governor has taken no action by the time of the meeting, or the governor has vetoed a substantial amount of the university's appropriation.

The Board of Regents requested a \$917.9 million (\$358.5 million in state and \$559.4 million in non-state funding) operating budget for the University of Alaska in FY20. On Monday, June 10, 2019, the Legislature passed the FY20 Operating Budget bills (HB39 & HB40). The Legislature's final FY20 funding level for UA was \$322 million unrestricted general funds in two appropriations. That funding level constituted a \$5 million (1.5 percent) reduction over the current year.

Governor Dunleavy vetoed \$130 million, reducing the unrestricted general funds to \$192 million, a 41 percent reduction over the current year. That veto is subject to override by a $\frac{3}{4}$ vote of the Legislature taken no later than the fifth day of the next regular or special session. Given the size of the reduction and the severity of the impact on students and public services, the administration recommends that the acceptance of the appropriation and approval of a distribution plan be deferred until the outcome of veto override process is known.



Immediate Actions

- Even more aggressive cost management
- Immediate limits on hiring and travel;
- Reducing administration to the point of impacting compliance;
- Immediate notice of furloughs to all staff
- Potential significant (over 1,300 faculty & staff) layoffs;
- Reducing contractual services;
- Considering increasing student tuition and fees.
- **However, these interim measures will not come close to closing this gap.**



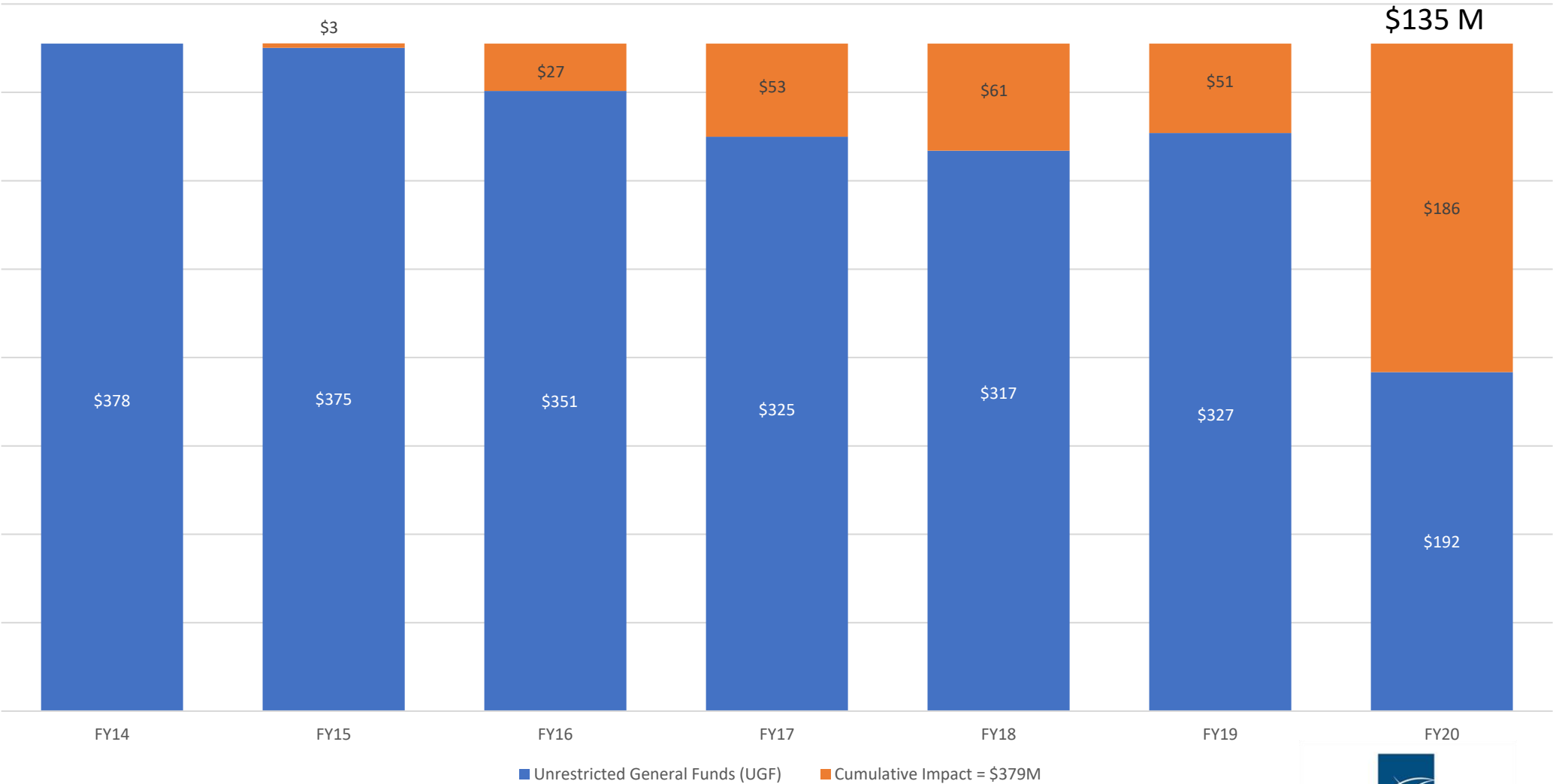
Near Term

- If the governor's veto is not overridden, we expect the Board of Regents will declare exigency the week of July 15th – prompt action now will avoid the need for even steeper cuts later in the year;
- Exigency permits rapid discontinuation of units and programs starting this Summer & Fall; that will disrupt the education of current students and community services;
- We cannot continue programs & services without people; but given this cut we have no choice but to eliminate numerous people (over 1300 staff and faculty).



Unrestricted General Funds History

(in millions of \$)



UA Expenditures by NCHEMS FY18

(unrestricted funds in thousands of \$)

	SW	UAA	UAF	UAS	Total
Academic Support		16,517.0	22,023.7	2,976.3	41,517.0
Instruction		100,806.8	64,973.9	16,014.4	181,795.1
Intercollegiate Athletics		8,355.8	4,279.2		12,635.0
Library Services		6,994.5	6,250.6	1,075.0	14,320.1
Scholarships	-304.3	-2,248.6	-1,179.8	-738.7	-4,471.5
Student Services		17,188.2	13,145.7	3,998.1	34,332.0
Institutional Support	48,769.1	30,951.8	42,490.2	7,361.9	129,573.0
Physical Plant	4,167.1	33,458.4	72,877.7	10,051.7	120,554.9
Public Service	5.7	4,962.1	11,643.0	105.8	16,716.6
Research		4,325.9	52,012.8	0.5	56,339.2
Auxiliary Services		2.1	3.7		5.8
Other	0.8				0.8
Total	52,638.5	221,313.9	288,520.7	40,844.9	603,318.0

UA Expenditures by NCHEMS FY18

(all funds in thousands of \$)

	SW	UAA	UAF	UAS	Total
Academic Support		17,388.8	23,499.3	3,558.0	44,446.0
Instruction	-3.2	107,994.0	72,830.3	17,368.6	198,189.6
Intercollegiate Athletics		8,374.4	4,297.9		12,672.3
Library Services		7,112.6	6,872.3	1,099.8	15,084.6
Scholarships	-115.9	16,143.3	8,770.5	1,319.4	26,117.3
Student Services		18,403.4	14,096.5	4,053.3	36,553.1
Institutional Support	48,799.6	30,981.9	42,902.4	7,363.1	130,047.0
Physical Plant	4,176.1	33,605.9	73,014.9	10,072.3	120,869.2
Public Service	5.7	16,140.9	28,433.8	266.8	44,847.1
Research		17,440.5	132,096.2	1,183.7	150,720.4
Auxiliary Services		22,819.4	15,393.6	2,577.4	40,790.5
Other	0.8				0.8
Total	52,863.2	296,405.0	422,207.5	48,862.3	820,338.0

Financial Exigency

- Financial Exigency is a declaration by the Board that allows the administration to reduce faculty and staff with less process and less notice.
- Exigency may be declared when our expenses exceed our revenues in a given year. By expediting reductions in this way, we are able to implement cuts sooner.
- An exigency declaration is contractual in nature, does not eliminate our obligations to students (e.g., “teach out”) or other contracting parties, or otherwise assist with the ramifications of rapid terminations, such as reduced services and interrupted academic programs.
- As we consider our options going forward, these and other questions will need to be considered:
 - At what level of budget reduction do we need Financial Exigency?
 - What are the implications, legal, financial, and reputational, of a declaration of exigency?
 - How do we weigh other indirect effects, such as enrollment, accreditation, faculty and staff morale and retention, our goals, our bond rating, philanthropy, our structure, and our very mission?
- We have begun thinking about these and other questions and in the event it becomes necessary to consider a declaration, we will prepare the Board for the legal, financial, and other aspects in support of consideration of the question.



FY 2020 Budget Principles

- Put student success first
- Maintain quality & access to academic programs
- Leverage collaboration across system
- Focus on our goals & measures
- Put one-time funding to work
- Maximize return on investment
- Diversify our revenues
- Position each university to be its best for its students and the state
- Refine, focus each university mission on its unique core
- Each university will identify (few) programs that are core to that mission, unique in the system; support those core programs for access statewide
- Prioritize other programs based on mission, enrollment, cost, quality, demand, availability of alternatives, and like factors
- Reduce/eliminate complexity
- Consolidate/standardize administration



Support Services Cost Reduction

In Process

- Reduction of facilities footprint
- Grants and contracts process standardization
- Travel: reduce and implement new system
- IT standardization
- Human Resources redesign
- Process improvement
- Position vacancies
- Eliminate unnecessary contracts

In Addition

- Potential systemwide administration consolidation / reduction (e.g., IT, Admin Services)
- Senior administrator reductions
- Staff layoffs and potential furlough
- Increase position vacancy periods
- Reduce facility maintenance
- Reduce out-of-state employees
- Elevation of hiring authority

Academic Programs / Unit Cost Reduction

- Increase FT Student: FT Faculty ratio by ~2 students/year
- Reduce adjunct and term faculty positions
- Increase instructional component of faculty workload
- Strengthen critical mass/quality through assignment of lead campus responsibility
- Transform, redesign large enrollment classes
- Rationalize on-line course and program offerings
- At community campuses:
 - Continue delivery of workforce development courses, programs to meet local demand
 - Import GERs, provide local support
 - Expand access to courses and programs from all UA universities
- Conduct exceptional program reviews in preparation for possible reduction or discontinuation of academic programs



Exceptional Expedited Program/Unit Reviews

Definition

Regents' Policy 10.06.010.A

"Exceptional [program] reviews may be conducted as needed, to respond to issues including but not limited to specific academic or budgetary concerns. An expedited review process tailored to the particular circumstances shall be used for exceptional reviews."

University Regulation 10.06.010.C.2

"Exceptional reviews shall be conducted in accordance with an expedited process developed by the chancellor and approved by the president on an ad hoc basis to meet the needs of the campus."

Criteria for selecting programs / units for review

- Recently reviewed (within last five years)
- Duplicative (at more than one university)
- Availability of on-line alternative within UA
- Low enrollment
- Low market demand
- Low external funding
 - Philanthropy
 - Research
 - Community
- Lack of faculty critical mass
- Capacity to generate savings
- High cost (direct or indirect)
- Relation to mission



Academic Programs / Units

- UA already has taken a base budget reduction of \$51 million, reduced many programs, and reduced more than 1,200 faculty and staff.
- An additional substantial state funding reduction will result in more major program and service cuts, with negative impact on students and the state.
- For example purposes only, here are the UGF allocations to “units” across UA:

UAA	\$x1,000	UAF	\$x1,000	UAS	\$x1,000
College of Business & Public Policy	4,943	Bristol Bay Campus	1,232	Alaska College of Education	882
College of Arts & Sciences	6,496	Chukchi Campus	805	Ketchikan Campus	2,167
College of Engineering	3,513	College of Engineering & Mines	7,648	School of Arts & Sciences	4,111
College of Health	12,659	College of Fisheries & Ocean Sciences	5,688	School of Career Education	607
Community & Technical College	3,815	College of Liberal Arts	7,644	Sitka Campus	2,606
Consortium Library	5,527	College of Nat Sciences & Mathematics	9,800		
Kenai Peninsula College	6,462	Community and Technical College	4,735		
Kodiak College	2,365	eCampus	1,674		
Matanuska Susitna College	4,714	Geophysical Institute	5,717		
Prince William Sound College	2,761	Institute of Arctic Biology	2,519		
		Interior Alaska Campus	1,383		
		Intl Arctic Research Center	1,417		
		KUAC	792		
		Kuskokwim Campus	2,568		
		Northwest Campus	1,233		
		Rural College	3,857		
		School of Management	3,316		
		School of Nat Res & Extension	6,647		
		UA Museum of the North	1,046		

Note: Each university allocates a different mix of UGF and other funds to its units, so UGF comparison among universities is not applicable.

Increase and diversify revenue

Done	In Process	Future Work
<ul style="list-style-type: none"> • Garnished PFDs (UA) • Increased rental and daily use fees for the Wells Fargo Sports Center (UAA) • Adopted dual enrollment policy (UA) • Increased tuition (UA) • Advocacy (UA) • Public awareness campaign (UA) • Additional investment income (UA) • Collaborate with Sealaska Heritage Institute to expand funding for PITAAS (Preparing Indigenous Teachers and Administrators for Alaska's Schools) (UAS) • Leverage Education Tax Credit in support of Mine Training and Environmental Science programs (UAS) 	<ul style="list-style-type: none"> • Systemwide philanthropic funding campaign (UA) • Rebranding the University of Alaska College Savings Plan and the ACT Portfolio (UA) • Exploring options for increasing research revenue (UAF) • Continuing commercialization efforts (UAF) • Expanding dual enrollment programs (UA) • Consideration of future tuition adjustments (UA) • Advocacy (UA) • UA 2040 (UA) • Utilizing Chancellor's home and AK Airlines vouchers for donor/alumni cultivation and stewardship events (UAA) • Building out opportunities for alumni to participate in new student recruitment events (UAA, UAS) • Providing resources on creating college-going culture to high school counselors (UAA) • Growing external financial support for athletic activities (UAF) • Partner with Sealaska Heritage and Institute of American Indian Arts (Sante Fe) to expand Northwest Coast Arts curriculum and articulation (UAS) • Engage with regional Native scholarship providers to encourage targeting of funds to high-demand degree programs (UAS) 	<ul style="list-style-type: none"> • Pursue new philanthropic funding ideas (UAF) • Support and implement philanthropy campaign (UA) • Support potential dual enrollment legislation (UA) • Enhance communication, collaboration and prioritization in order to focus activities (UAA, UAS) • Explore collaborations with booster clubs to increase external funding (UAF) • Explore collaboration with ANCSA corporation education foundations (UA)

UA Workforce Reductions FY15-FY18

Headcount Fall 2014 (FY15) ⁽¹⁾

	SW ⁽²⁾	UAA ⁽⁴⁾	UAF	UAS	Total
Regular	239	1,795	2,127	349	4,510
Leadership ⁽³⁾	34	75	71	12	192
Faculty	0	629	649	114	1,392
Staff	205	1,091	1,407	223	2,926
Temporary	52	1,714	1,846	308	3,920
Adjunct Faculty	6	666	358	118	1,148
Staff	20	316	426	56	818
Student	26	732	1,062	134	1,954
Total Headcount	291	3,509	3,973	657	8,430

Headcount Fall 2018 (FY19) ⁽¹⁾

	SW ⁽²⁾	UAA ⁽⁴⁾	UAF	UAS	Total
Regular	171	1,619	1,790	307	3,887
Leadership ⁽³⁾	29	67	62	12	170
Faculty	0	555	523	109	1,187
Staff	142	997	1,205	186	2,530
Temporary	26	1,497	1,530	207	3,260
Adjunct Faculty	0	565	322	63	950
Staff	10	259	370	34	673
Student	16	673	838	110	1,637
Total Headcount	197	3,116	3,320	514	7,147

Headcount Change Fall 2014-2018 (FY15-FY19) ⁽¹⁾

	SW ⁽²⁾	UAA ⁽⁴⁾	UAF	UAS	Change	
					#	%
Regular	-68	-176	-337	-42	-623	-13.8%
Temporary	-26	-217	-316	-101	-660	-16.8%
Total Headcount Reduction	-94	-393	-653	-143	-1,283	-15.2%
% Change	-32.3%	-11.2%	-16.4%	-21.8%	-15.2%	

1. Employees with active assignments as of Oct 1st of each year.

2. Includes: 33 regular and 3 temporary positions transferred from SW to UAF for the K-12, OIT, and MAPTS program; and 30 regular and 4 temporary positions in UA's Enterprise Entities RDU.

3. Includes Academic Leaders (12 month regular faculty eels FR).

4. Includes 145 positions transferred from UAF to UAA in FY15.

Key Observations

- UA has 1,283 fewer employees than four years ago.
- The largest percentage reductions have occurred at Statewide and temporary positions on campus.
- Reductions have been achieved primarily through attrition, retirement, ending term contracts, and eliminating or leaving positions vacant.
- UA has reduced 752 State authorized positions (PCNs), three times more than any other state agency.

Goals 2017-2025

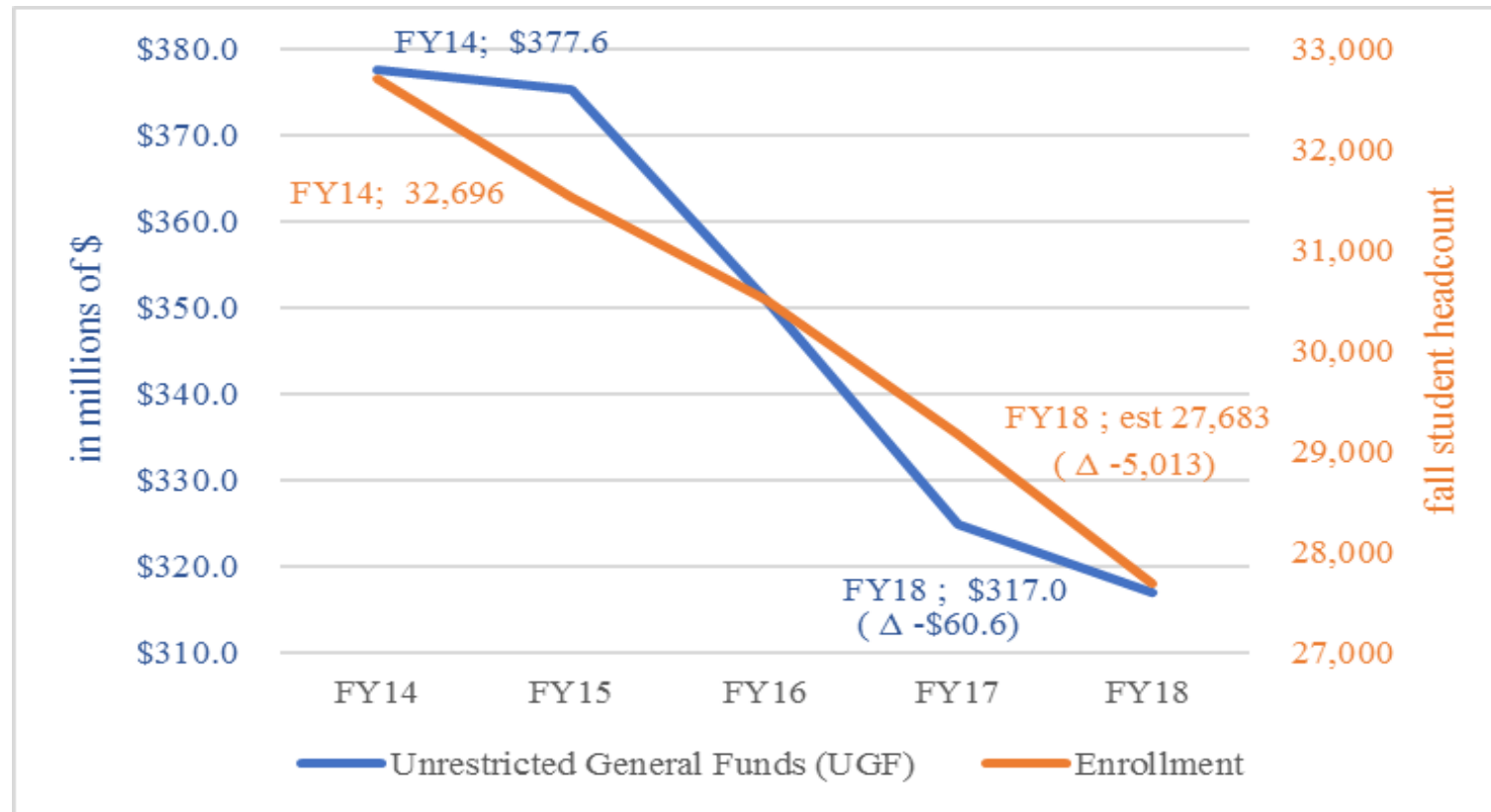
	2017 Baseline	2018 Observed	2019 Target	2020 Target	Change 2019-2020	2025 Goal
1. Contribute to Alaska's economic development						
Increase STEM graduates	1,628	1,691	1,776	1,875	+99 (6%)	2,460
Increase # invention disclosures	17	34	23	25	+2 (9%)	34
2. Provide Alaska's skilled workforce						
Increase % of educators hired	30%	33%	37%	43%	+6% (16%)	90%
Double number of health program completions	874	939	986	1,086	+100 (10%)	1,760
3. Grow our world class research						
Lead the world in Arctic related research	1	1	1	1		1
Increase research expenditures	\$159.4m	\$150.7m	\$157.4m	\$168.3m	+\$10.9m (7%)	\$235m
4. Increase degree attainment						
Fiscal Year Student Full Time Equivalent (FTE)	18,492	17,555	18,433	19,825	+1,392 (8%)	28,526
Increase completions	4,594	4,554	4,781	5,442	+661 (14%)	10,400
5. Operate more cost effectively						
Decrease total cost of education (indirect and direct) per completer	\$107.3	\$108.4	\$103.0	\$93.9	-\$9.1 (-9%)	\$59.0
Increase annual completions per Full Time Equivalent (FTE)	23/100	23/100	24/100	26/100	+1.6 (6%)	35/100

Reduced funding compounds reductions in enrollment

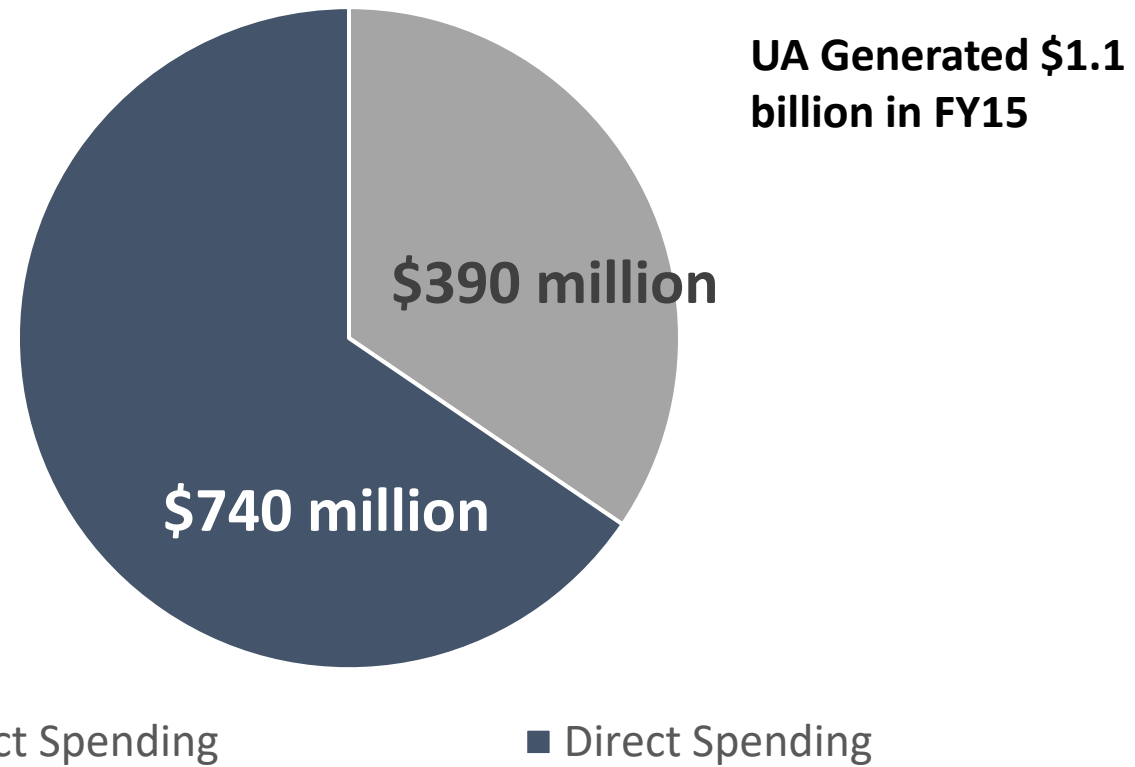
- Over all enrollment at UA has declined since FY14.
- National trends correlate funding reductions with reduced enrollment and graduation rates.
- Increases in tuition further limits access to affordable higher education and workforce training, impacting enrollment and reducing our available trained workforce.
- Looking forward 65% of Alaska's workforce is projected (by 2025) to require some post-secondary education. Depending on the source, Alaska is now somewhere between 37% or 50%.



Recent Budget and Enrollment Trends (FY14-FY18)



Total economic impact of UA system



From McDowell Group report, 2016

BOR 2040 Priorities – *Strategies for FY20 Budget*

We will grow UA in its service and leadership for Alaska by:

Taking care of the basics

- Campus safety and respect
- Competitive and fair compensation
- Facility maintenance
- Efficiency / Productivity

Leveraging partnerships

- K-12 (dual enrollment, teachers, leaders)
- Industry / Employers (ANCSA corporations, tribes, health care, energy, resource development, maritime, military)
- Local, state, and federal agencies
- International universities and NGOs

Leading innovation and creativity

- Commercialization of UA research
- Creating new technologies, solutions to problems
- Integrating traditional and new knowledge

Growing our own

- Construction and vocational
- Teachers and health care professionals
- Engineers
- Researchers
- Student recruitment, retention, and completion

Building on our competitive advantages

- Energy
- Climate change
- Indigenous studies
- On-line courses / programs in areas of excellence (e.g., Arctic studies, project management/logistics, Indigenous studies, Homeland Security, OneHealth)

Taking the long view

- Foster long term strategic planning
- Focus on quality
- Invest in leadership