University of Alaska
Board of Regents

July 22, 2019
Anchorage, Alaska

Overview

1. Action Item: Financial Exigency

2. Discussion: Options for University Structure

Financial Exigency

Why we need a declaration of financial exigency

- Our state budget for the current fiscal year was cut by $136 million (41%). We generate other revenues (tuition, grants, contracts) and can't do so without the base budget provided by the state.
- We do not have enough money in base or reserves to fund our current operations through the year.
- Our standard processes for reviewing and reducing operations take a long time.
- Even if additional funds are added back into our budget during the special session, we do not know:
    - the amount that will be added back in by the legislature,
    - whether that amount will be vetoed and, if so, whether that veto will be overridden,
    - whether those funds will be to our base or one-time, and
    - when these questions will be resolved.
- We have already taken cost reduction measures, but they are not of a scale to cover the gap expected even under the most hopeful special session outcome.
- Moody's downgraded our bond rating, citing the "severity and magnitude" of the budget cut, the override failure, and our inability to make timely operational cost reductions without a declaration of financial exigency.
- A declaration of exigency does not cede Board authority over administrative structure or academic programs, but is a critical step in the process for Board action.

$136 million UGF is a big cut, and that's not all

Taken alone, a $136 million UGF cut will result in:

- At least 1,300 additional layoffs of faculty and staff; loss of the work those people do.
- Closure of entire campuses, colleges, schools, and programs.

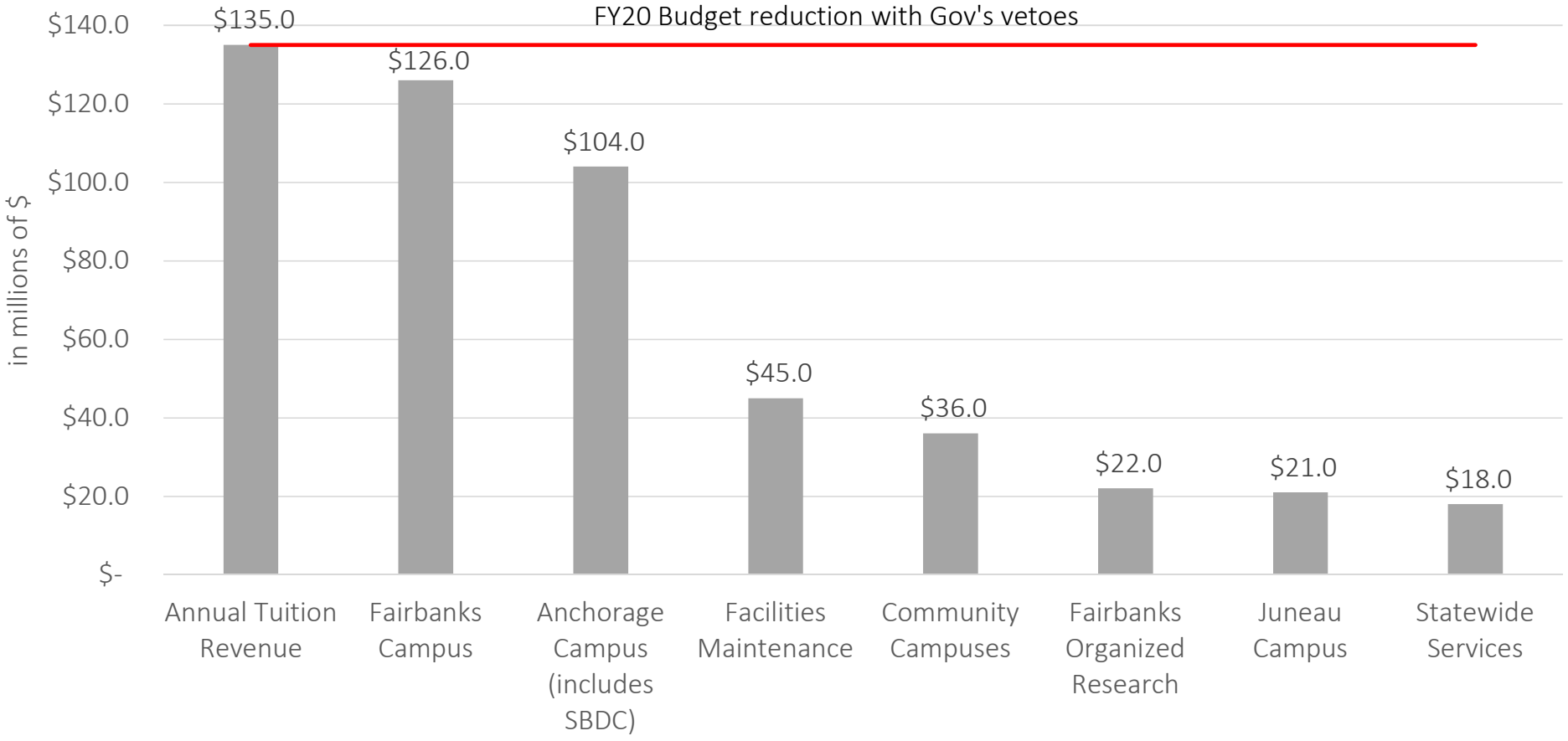
And that's not all.

UA's ability to generate non UGF funds is impaired by cuts to UGF. We estimate this impact to be ~$65 million.

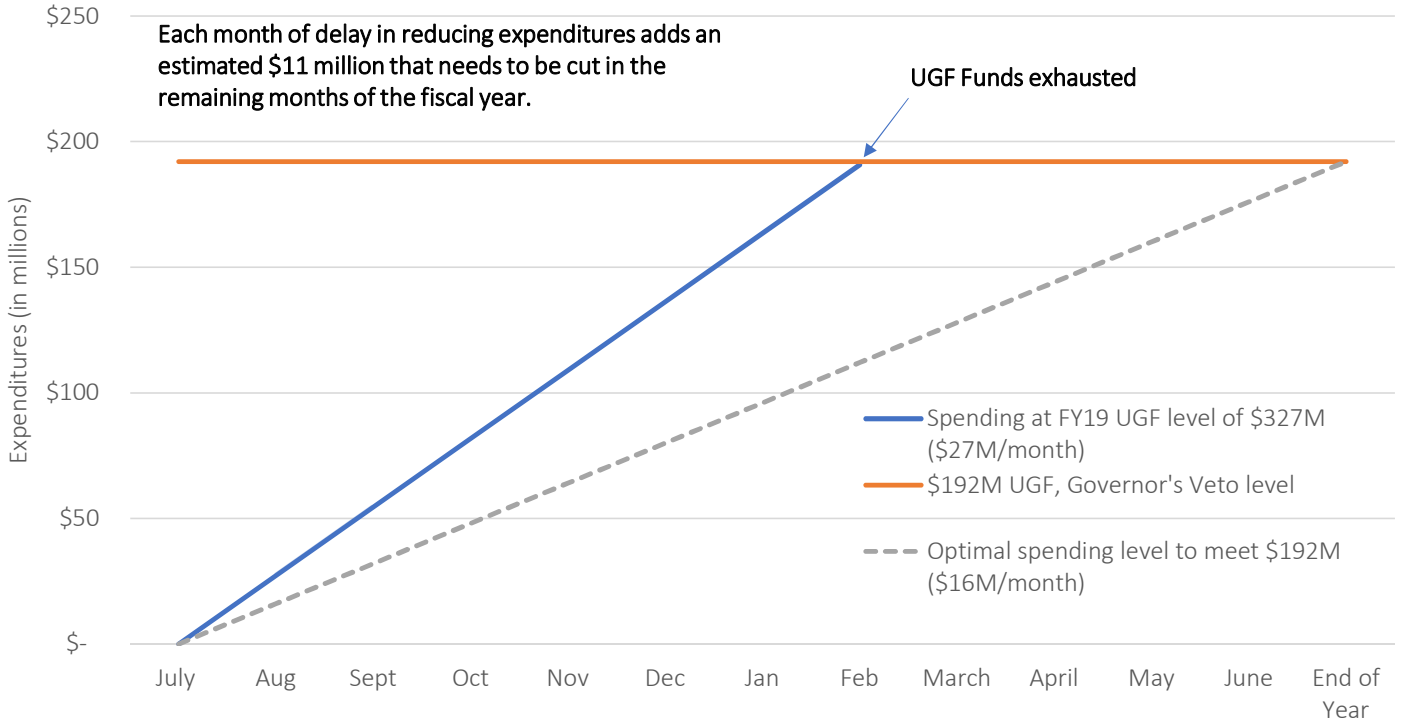
- We will have fewer faculty teaching fewer courses and sections, as well as continued declining enrollment, resulting in less tuition revenue.
- We will have fewer faculty competing for research grants and contracts, resulting in less revenue from those sources.

And if we begin to realize our major cost reductions in January—because we want to assure our students full access to their current programs this fall semester while we finalize, get Board approval for, and implement our cost reduction plan—the reduction of $200 million from the state, tuition, grants and contracts must largely be taken over six months, effectively doubling impact on programs and services.

Magnitude of UGF Budget Reductions



By delaying cost reduction, UA runs out of UGF



Average monthly reductions needed over remaining months if decision made in that month (in millions of $):												
July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June
$ 11	$ 12	$ 14	$ 15	$ 17	$ 19	$ 23	$ 27	$ 34	$ 45	$ 68	$ 135

A way to think about the impact of timing

If we need to save $1,200 in operating expenses over a fiscal year and you assume that a position costs $10/month, you can save $1,200 by:

- laying off 10 people on July 1
  (10 people * $10/month * 12 months = $1,200)

OR

- if you delay the layoffs until January 1, you will need to lay off 20 people to achieve the same reduction
  (20 people * $10/month * 6 months = $1,200)

Delay compounds the problem

Using our current numbers:

- At $327 million UGF (FY19 budget), the average monthly UGF spend rate was $27 million.
- At $192 million UGF (Governor's budget: $327M less $135M reduction), the average monthly spend can't exceed $16 million.
- So, this requires that we reduce programs & services by $11 million per month ($27 - $16) starting July 1.
- Each month we delay reducing, the required reduction per month increases because there are fewer months remaining in the year in which we can capture savings. For example, after 6 months, the required reduction doubles to $23 million month starting January 1 - with twice as many programs and employees impacted. ($135 million/6 = $23 million/month).
- Looked at another way, our state appropriation is only $192M. Spending UGF at $27 million per month for 6 months=$162 million. That leaves just $30 million UGF on December 31.
- Even if we are ready on January 1 to operate at the $192 million level, or $16 million/month, we run out of funds in February.

Financial exigency is a tool we need to implement a plan for UA's future

Financial exigency is not the plan, but a tool we need in place prior to Board of Regents approval of a plan for major structural and program changes. We will discuss options for a plan in this meeting and in our meeting on July 30, in preparation for the major structural and academic program decisions scheduled for Board consideration and approval on September 12-13—after internal and external stakeholder. It also allows for near term reductions and consolidations in selected administrative areas.

Exigency not only provides the tools to implement reductions more timely, thus reducing the high cost of delay, it:

- enables expedited transition to a more sustainable operating model for the years to come,
- provides confidence to elected officials that we are on a strong footing for the future, and likewise
- provides confidence to students considering where to invest their time and resources for higher education, faculty and staff considering where to pursue their careers, research agencies and philanthropic donors deciding where to invest their resources, employers recruiting their workforce, and financial institutions deciding whether to finance our debt.

Options for University Structure

Principles – Strategic Pathways +

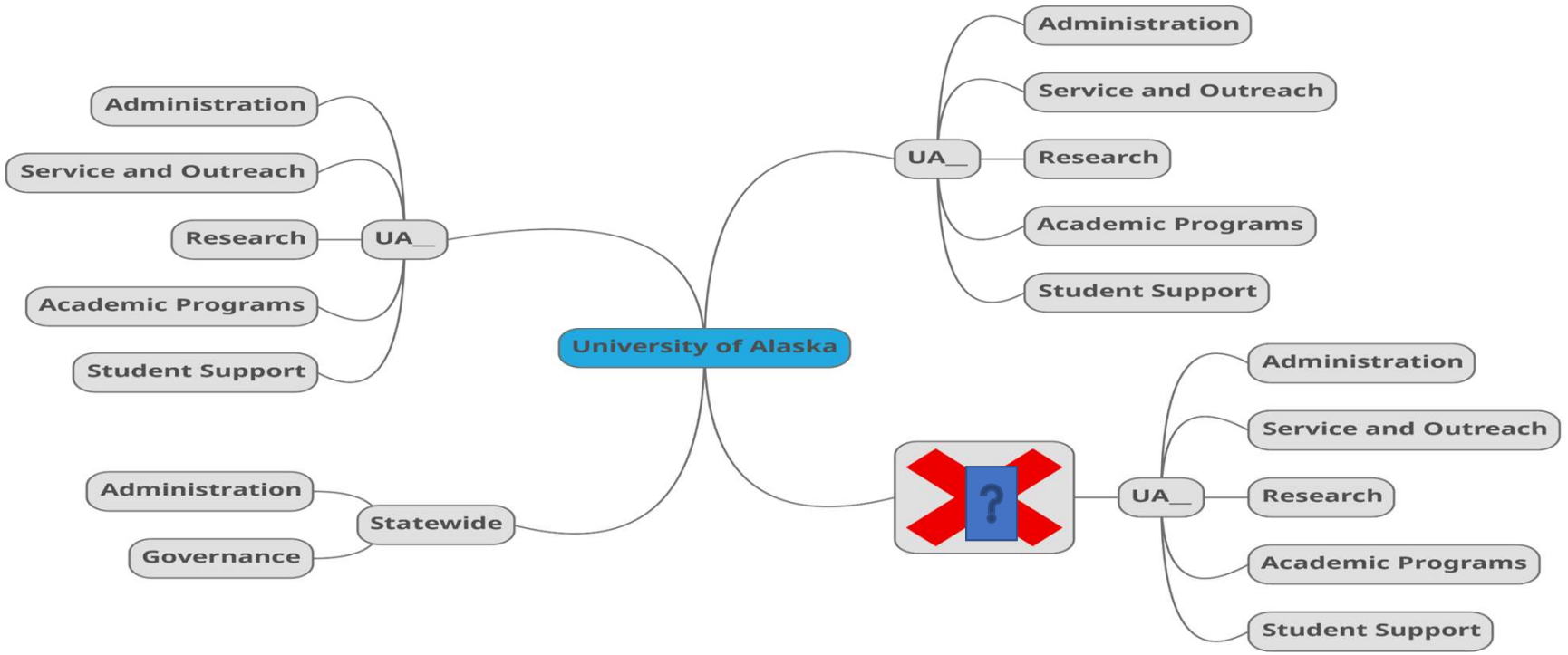
- Access – maximize e-Learning, support high demand programs, affordability
- Focus – eliminate redundancy, focus on unique strengths/opportunities
- Consistency – in business practices, policies, processes, and student support systems
- Sustainability – the remaining structure, administration, units, and programs should be constructed to not only survive this crisis but to achieve UA's future role in Alaska, which will require significant cost reductions:
  - High quality vocational, technical, professional, academic and research programs
  - Seamless and student-centered student experience
  - Increased cost effectiveness
  - Enhanced collaboration and coordination across the university
  - Clear lines of authority/accountability
  - Strong, scalable position for future growth

Options

1. Fewer Universities and Campuses
2. Current UA, Lead Campus
3. New UA

1. Fewer Universities and Campuses

Eliminate one or more universities or community campuses.



1. Fewer Universities and Campuses

Eliminate one or more university and campuses

Benefits

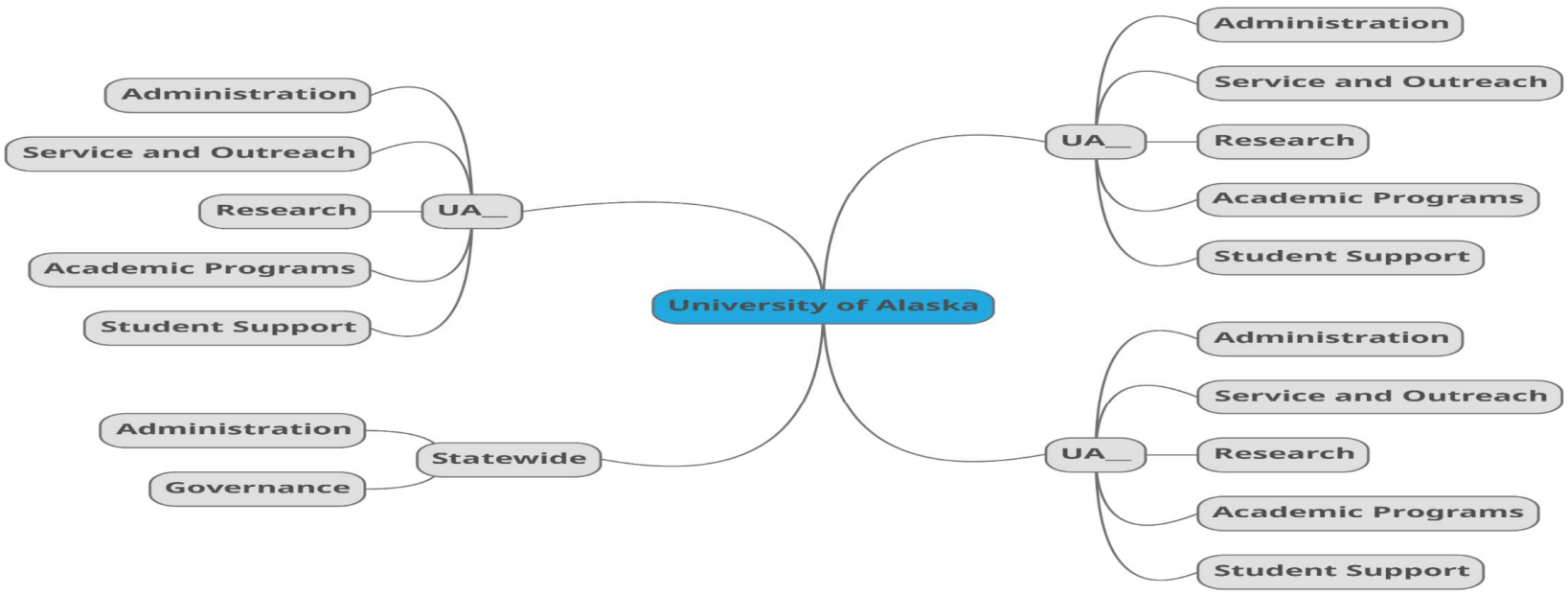
- Limits impact of cut to eliminated units.
- Protects units not eliminated.
- Maintains mission and scope of units not eliminated.
- Less disruptive to faculty and students at universities not eliminated.
- Structure and accreditation not impacted at remaining universities and campuses.

Risks

- Leaves open the question which university to cut, encouraging inter-university and regional conflict.
- Could be either UAF, or UAA and UAS, and additional campuses.
- Denies access to higher education to a large number of Alaskans.
- High negative economic impact on communities.
- Indiscriminately eliminates strong as well as weak programs.
- System Administration unclear in a reduced system.

2. Current UA, Lead Campus

Distribute UGF reduction proportionately to each university and SW; each unit to reduce into its unique "core".



2. Current UA, Lead Campus

Distribute UGF reduction proportionately to each university and SW; each unit to reduce into its unique "core".

Benefits

- Spreads impact of cut proportionately; does not pick and choose among units.
- Maintains some access to higher education to a large number of Alaskans.
- Retains current organizational structure.
- Each university retains its core.
- May result in reduction of duplicative programs.

Risks

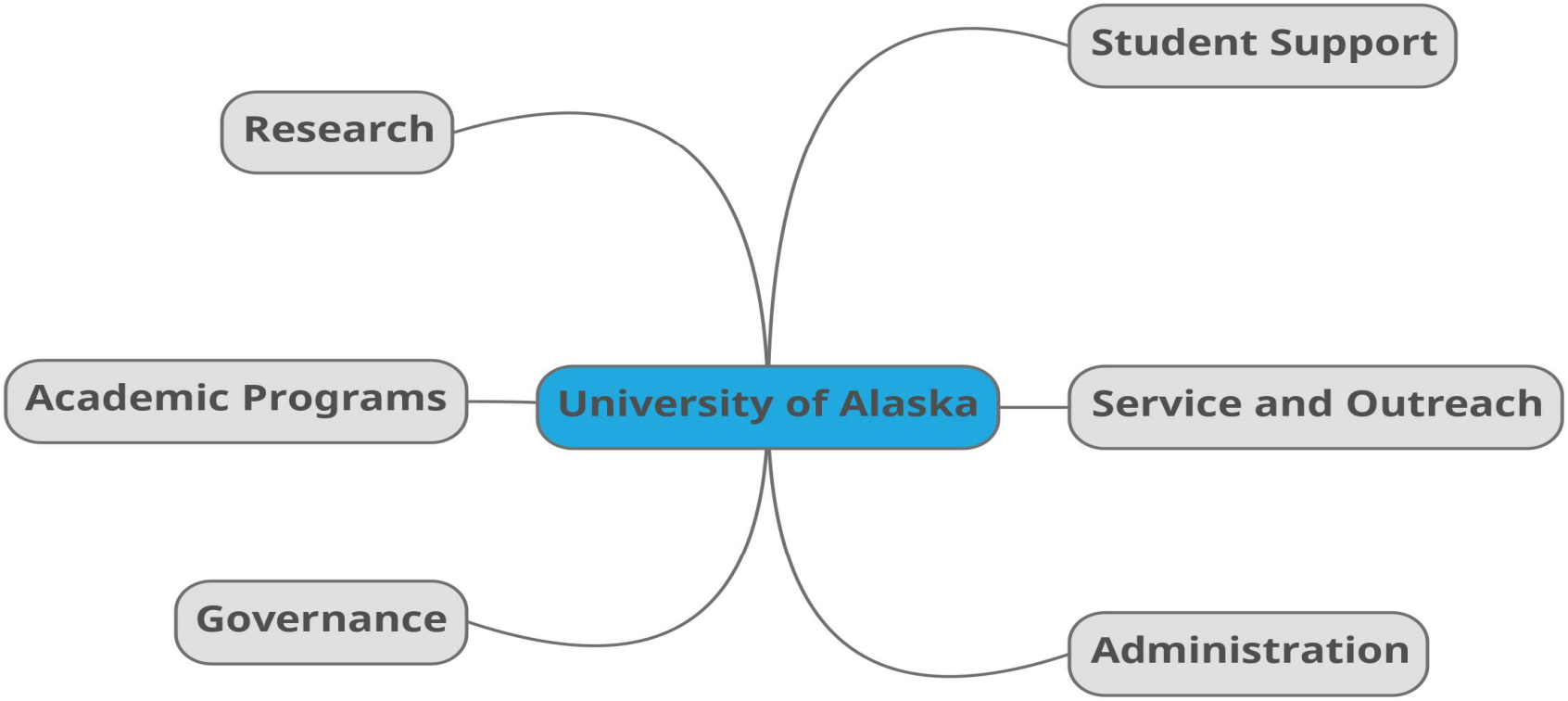
- Risks financial viability and accreditation of each university.
- Does not address inter-university conflict, as some may argue proportional distribution not "fair".
- Lack of agreement around each university's "core" mission.
- May reduce student choice to academic programs and services at each university.
- Despite recent progress in coordination, substantial barriers remain.
- Not strategic, since priorities would be set at each university.

3. New UA

An opportunity to rethink how we organize UA so that it is:

- Designed to “fit” our enrollment and budget.
- A more integrated, single accreditation model for delivering higher education across the state that preserves our core mission at lower cost. Builds on constitutional and legal foundation of single university.
- Delivers education through single “college” for each major field serving the state with a common curriculum, calendar, course blocks, bill, transcript, application, and other processes. Delivery would be both face to face on our university and community campuses and, where feasible, on-line.
- Organized research would be conducted through research institutes with system-wide scope. Service units would be organized in a similar manner.
- Examples of multi-campus systems with a single institutional accreditation include the University of Washington, Pennsylvania State University system, and Kent State University system.

3. New UA


Student Support
Research
Academic Programs
University of Alaska
Service and Outreach
Governance
Administration

3. New UA

Benefits

- Preserves our strategic core--what's best about all of UA--and provides it through available resources (programs, faculty, staff, funding) to Alaskans through facilities (campuses, on-line technology) across Alaska.
- Eliminates duplicative units and programs.
- Elevates focus and mission of UA on meeting the state's needs and local interests more cost effectively.
- Opportunity for common curriculum, calendar, admissions, financial aid, transcript, bill, fee schedule, and other processes.
- Reduces administrative overhead and layers of bureaucracy.
- Increases access to all UA programs for Alaskans across the state, taking advantage of a centralized eLearning hub.
- Increases opportunities for university-wide faculty collaboration in research and education.
- Consistent with Legislative intent:

  "It is the intent of the legislature that the Board of Regents consider a plan to transition the University of Alaska from three separately accredited academic institutions into a single accredited institution with multiple community campuses, and that the Board of Regents provide an update to the legislature on the development of such a plan by December 1, 2019. "

Risks

- Requires substantive change in institutional accreditation and U.S. Department of Education approval, requiring time and significant effort.
  - Recent discussions with NWCCU indicate a viable path forward.
- Possible dilution of mission, lack of mission differentiation at each of the three current universities.
- Requires elevation of primary identification from local campus to the state.
- Centralized leadership and administration must be intentional to connect with local communities.

3. New UA – simplifying the academic structure*

Current	New UA
1. UAA School of Engineering 2. UAA College of Business and Public Policy 3. UAA College of Health 4. UAA College of Arts and Science 5. UAA Community and Technical College 6. UAA School of Education 7. UAF College of Fisheries and Ocean Science 8. UAF School of Management 9. UAF College of Natural Science and Mathematics 10. UAF College of Liberal Arts 11. UAF College of Rural and Community Development 12. UAF College of Engineering and Mines 13. UAF School of Education 14. UAS School of Arts and Science 15. UAS Alaska College of Education 16. UAS School of Career Education	1. Alaska College of Business 2. Alaska College of Engineering 3. Alaska College of Science 4. Alaska College of Arts and Letters 5. Alaska College of Health 6. Alaska College of Education 7. Alaska College of Fisheries and Ocean Science 8. Alaska College of Career and Technical Education 9. Alaska eCollege

Specific role of research institutes, outreach units, and community campuses TBD.

Discussion

Draft Transition Timeline

	2019		2020		
	Summer	**Fall**	**Winter**	**Summer**	**Fall**
BOR Meetings	7/22 & 7/30	9/12-13 & 11/7-8	1/17 & 2/13-14	6/4-5	9/10-11 & 11/5-6
Budget	• Contingency planning • Financial exigency • Approve distribution for FY2020 • Discuss structure options and approve plan • Advocacy	• Develop and approve FY2021 request • Advocacy	Advocacy	• Approve distribution for FY2021 • Advocacy	• Develop and approve FY2021 request • Advocacy
Academic	• Develop structure • Consult with NWCCU	• Discontinue programs • Appoint leaders • Develop programs • Select faculty & staff • Develop teach out plan • Consult with NWCCU	• Begin transition • File “substantive change” w/NWCCU	Transition	New structure in place
Administration	• Consolidate reporting • Monetize physical assets	Implement consolidation	Consolidation complete		
Personnel	• Limit hiring • Furlough notice	10/1-31: Layoff notices (eff: 12/31)			

Next Steps - with BOR direction

- 7/22 (Emergency Board Meeting)
  - Board considers declaration of financial exigency.
  - Board discusses organizational options.
- 7/30 (Special Board Meeting)
  - Administration proposes FY 2020 budget distribution for BOR approval (if ready from the state).
  - Administration proposes UA structure for BOR approval.
- 8/1-9/12
  - Student, faculty, staff, and public input.
  - Administration makes reductions in areas within administration authority.
- 9/12-13 (Regular BOR Meeting)
  - Administration proposes program level UA structure, including program reductions and discontinuations.
  - Preliminary review of FY 2021 budget request.
- 11/7-8 (Regular BOR Meeting)
  - Approval of FY 2021 budget request.
- 12/31
  - Effective date of personnel decisions stemming from September Board meeting.

Appendix

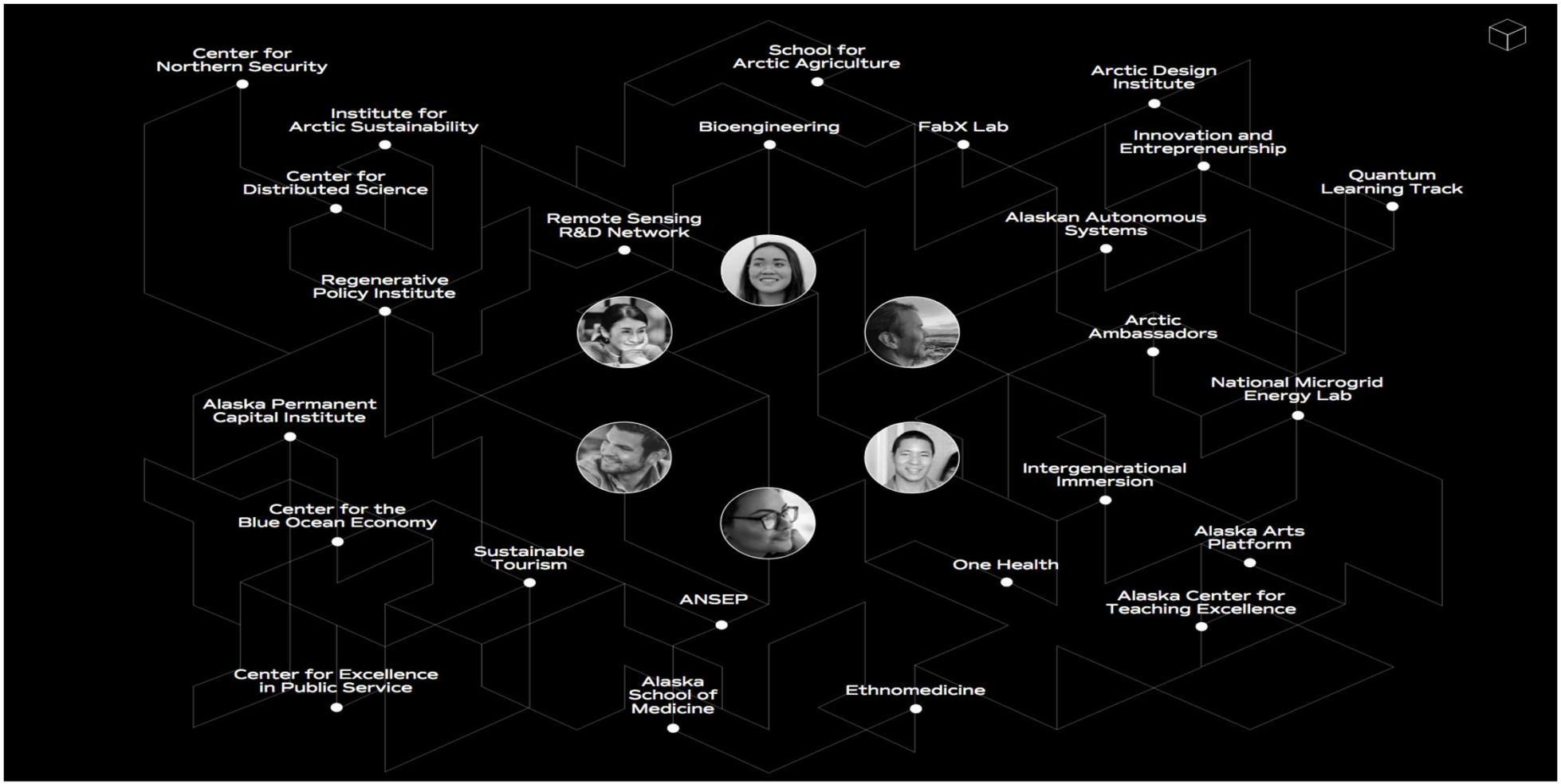
Purpose

To address the motion the Board of Regents passed on July 15, 2019:

“The Board of Regents directs the president to hold a special meeting of the board on July 22, 2019, to brief the board on his proposal and what the structure of the university will look like under financial exigency. This motion is effective July 15, 2019.”

Strategic Pathways

OUR MISSION		**"The University of Alaska inspires learning, and advances and disseminates knowledge through teaching, research, and public service, emphasizing the North and its diverse peoples." (Regents' Policy 01.01.01)**		
OBJECTIVE		Maximize value to Alaska through excellent, accessible, and cost effective higher education funded by diverse and growing revenue sources		
CORE PRINCIPLES		Focus, Access, Diversity, Excellence, Consistency, Fiscal Sustainability		
STRATEGY		Prepare, Restructure, Implement, Refine		
WHO WE ARE		**UA ANCHORAGE** Comprehensive metropolitan university in Alaska's economic hub, with primary focus on workforce development through its several regional community campuses	**UA FAIRBANKS** Research university renowned for leadership in Arctic and the North, with additional focus on workforce development and community and rural education	**UA SOUTHEAST** Comprehensive regional university focused on interdisciplinary & marine-oriented programs, teacher education, e-Learning, and workforce development
CAMPUS LEAD FOR THE STATE*	***Research***	Social and economic sciences, health policy	Arctic science and policy, physical, biological, and social sciences, engineering and applied energy	Interdisciplinary / environmental
	Teaching	• Health professions • Business and public policy • Economics • Logistics • Project Management	• Physical, natural, and related sciences • Arctic / Northern Studies • Rural development / tribal management • Doctoral education • Mine training • Fisheries and ocean sciences	• Marine–oriented programs (including joint programs with UAF) • Teacher education (administration) • Interdisciplinary degrees/ degree completion • Emphasis on regional workforce priorities, e.g., mine training.
	Outreach	• Aligned with Research and Teaching Focus		
COURSES / PROGRAMS AVAILABLE ACROSS THE UNIVERSITY SYSTEM		• Common General Education Requirements • Liberal Arts and Humanities • Social Sciences & Natural Sciences • Nursing • Engineering • Distance Education / E-Learning • Career and Technical Education	• Alaska Native Studies • Teacher Education • Management • Mine training • Wide choice of non-major courses • Dual credit with K-12 • Developmental Education	

** Research, teaching, and outreach at campuses other than the "lead" campus that are of high quality, cost effective, and core to mission, will continue to be provided.*

UA 2040 is a vision for UA's long term future