University of Alaska
FY20 Budget Discussion

House Finance Subcommittee

University of Alaska

March 12, 2019

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Agenda

- Board of Regents Update

  - Goals & Measures

  - Budget Contingency Planning

- University Organization

  - Administrative Structure

  - Roles and Responsibilities

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Regents' Strategic Objectives

- Drive Economic Development

- Provide Skilled Alaskan Workforce

- Grow UA's World Class Research

- Increase Degree Attainment

- Operate More Cost Effectively

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Goals & Measures
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

Note: Information is reviewed annually as part of the President's performance compensation (quantitative performance goals)

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Organizational Challenges

- Mission Mix
- Varied Programs Across the State
- Teach-Out Obligation
- Long Tenured Faculty Notice Periods
- Retention & Recruitment
  - *Students not attracted to uncertainty*
- High Cost
- Complexity
- Lack of Critical Mass

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Persistent Budget Challenges

Revenues:

- UA relies on state funds for 37% of its annual budget
- State funding has been cut last 4 of 5 years - $195 mill cumulative
- Negatively impacts recruitment, enrollment, and tuition revenues
- Tuition rates steadily increasing
- Negatively impacts federal grants, research and philanthropic revenues

Expenses:

- Infrastructure costs relatively fixed – facility maintenance growing
- Strategic Pathways process driving continuous improvement
- Personnel, academic programs and services have been reduced
- Innovation and efficiency in program development and delivery
- Administrative structure and process reforms
- Addressing faculty-student ratios and workloads – enrollment decline

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FY20 Budget Spiral

Governor's single-year $134 mill (41%) cut can't be "managed" through a rational, systematic process

- Immediate restructuring must be implemented

- Require elimination of ~500 faculty and ~1,000 staff July 1, 2019

- Not possible without declaring Financial Exigency to reduce tenured faculty notice periods

- Reassessment of all aspects of our education, research, and service mission

- Elimination of programs, facilities and services unavoidable

- Multi-year Teach-Outs required for enrolled students to prevent litigation and protect accreditation

- Faculty and staff reductions would impede Teach-Out obligations

- Institutional accreditation could be jeopardized by Teach-Out failure and exigency declaration

- Inability to attract and retain students, facility and staff – compounds the problem

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Contingency Planning Strategy

Board of Regents Met Feb 28-Mar 1 to discuss budget contingencies

- Position each university to best serve students and state
- Refine each university mission to focus on unique core strengths
- Identify programs core to their refined mission, unique in the system
- Support those core programs to ensure statewide access
- Prioritize all other programs based on mission, enrollment, cost, quality, demand, availability of alternatives, and like factors
- Reduce and eliminate complexity
- Consolidate and standardize administration

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Mission/Programs by Location

Mission Focus	Audiences to be served: • Geographic: local, regional, statewide • Level of academic preparation: open, competitive • Students: age and status (FT/PT) • Employers: region, industry	Programs and services to be provided: • Level: community college, master's, doctoral • Academic fields	Special or unique features: • Research or service emphasis • Land-grant status • Special capacity, e.g., distance education

Program Analysis	Identify Programs & Program Costs • Core • Semi Core • Periphery • Outside

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Multi-Year Mission/Structural Options

	1. Consolidate additional administrative functions	2. Transfer selected CC's to local gov't and/or convert to "nodes"	3. Maintain 3 accredited universities; cut entire programs;	4. Maintain 3 universities; cut entire programs; UAS to lead community campuses	5. One university, single accreditation
Pros	• Increased standardization • Lower cost of automation • Increase convenience for system users • Could be used with other options	• Reduced operating cost • Maintain access to programs and services • Could be used with other options	• **Potential cost reductions*** • Maintain access to remaining programs and services • Could be used with other options	• **Significant cost reductions*** • Each unit to focus on a single, statewide mission • Supports variable funding, admission, tuition models • Provides variety of options for students	• **Significant cost reductions*** • Reduce differences across universities (course hours, curriculum, etc) • Streamline administration and reduce cost
Cons	• **Incremental savings** • Reduced local autonomy	• **Incremental savings** • Less local programming • Negative economic impact in rural communities, which will have diminished capacity to absorb functions.	• **Insufficient time to implement** • Reduced local options • Negative local impacts • Risk to UAS critical mass	• **Insufficient time to implement** • Reduced access to remaining programs – relocation required. • Mixed mission of UAS	• **Insufficient time to implement** • Reduced access to remaining programs – relocation required. • Homogeneity, less focused excellence • Less student choice

*A major cut requires exigency with potential teach-out impacts, litigation, accreditation issues – students significantly impacted

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Tentative Process Timeline

Milestones	Actions
Feb 28-Mar 1 Board Meeting	• Previewed budget contingency plan
April 8 Board Meeting	• Receives formal public update • Provides conditional approval of <u>revised structure and missions</u>
May 9 Board Meeting	• Receives formal public update • Provides conditional approval of <u>revised program locations and resources</u>
June 6-7 Board Meeting	• Provides approval of FY 2020 budget and plan, which includes <u>missions, programs, and resources</u> (and accompanying BOR policies)
July 1 Start New Fiscal Year	• Begin system wide implementation

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Administrative Organization and Responsibilities

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System vs University Authority

Board of Regents	Statewide Administration	Universities
Set university-wide higher education goals and ensure they are met	*Lead systemwide planning and implementation of programs and services to meet the state's higher education goals*	*Achieve state's goals through direct programs and services to students, research agencies, and communities*
• govern the university • set systemwide goals • set policy, approve programs, and authorize degrees • protect UA's assets • select and evaluate the president • approve the budget • advocate for the university	• support the Board of Regents • set regulations in support of Regents' Policy • oversee and provide statewide level academic planning, administrative services and other functions as the single corporate body of the university	• select and evaluate faculty & staff • plan, propose, oversee, and deliver academic, research, and service programs • provide local administrative services • provide student support programs and services including financial aid, housing, food service, advising, recreation, community engagement, and career guidance • raise private funds in support of the university's mission

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University of Alaska Organization

- UA is single legal entity, three separately accredited universities with a coordinating System Office

- System Office supports Regents, focuses on Alaska's statewide needs, and provides cost effective administration

- <u>Non-duplicated</u> system functions include IT, audit, labor relations, financial/tax reporting, government relations, debt, treasury, payroll, risk management, general counsel, and health/benefits administration

- University Foundation and Land Management Office are largely self-funded

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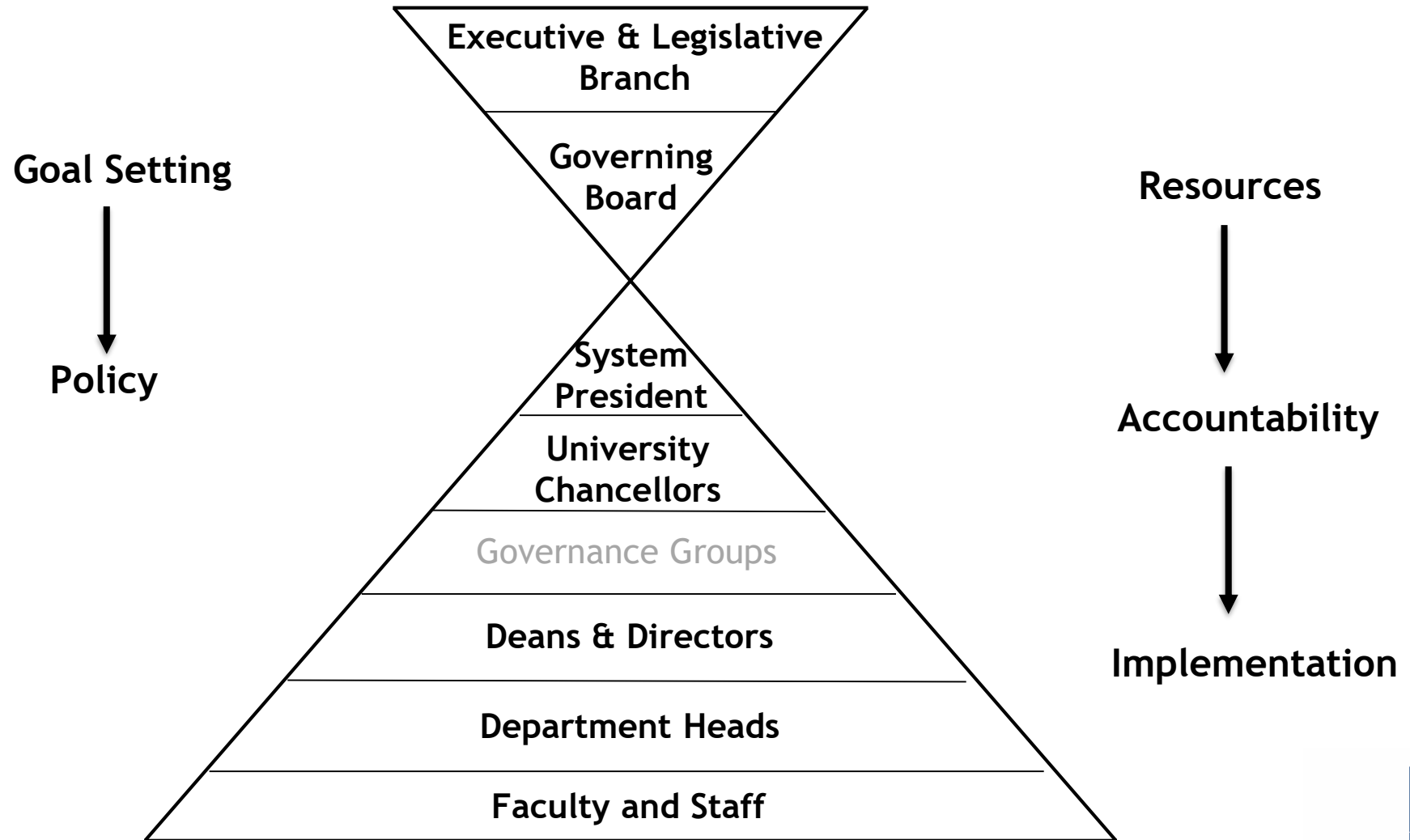of ALASKA
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System Office

Legal & Functional

- University is single legal entity w/single governing body; impractical to have non-duplicated functions performed separately at campuses

- Centralized business functions/services leverage scale and save the state money by not duplicating elsewhere

- System budget covers the cost of many services that benefit entire institution: insurance, network and communications, enterprise software, etc.

- Services not preformed at system-level would have to be replicated; fractured system and higher overall costs
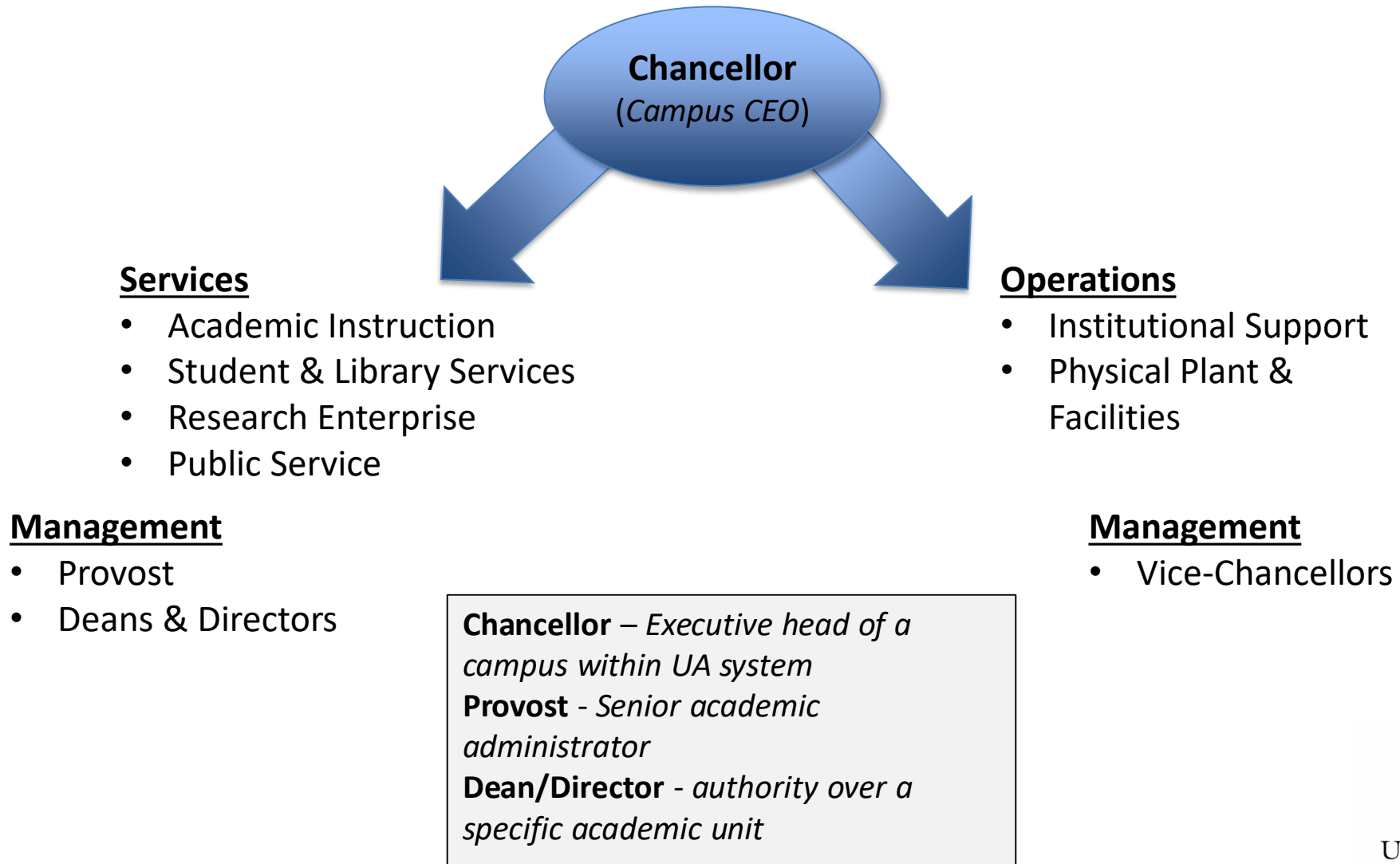
Coordination & Compliance

- Central point-of-contact for many external entities

- Key coordinating role in meeting Alaska's needs; eliminating unproductive competition and duplication

- Ensuring compliance with state/federal laws; Title IX oversight

- Setting consistent policies, regulations and internal controls

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Hierarchical Reality

Goal Setting

Policy

Executive & Legislative Branch

Governing Board

System President

University Chancellors

Governance Groups

Deans & Directors

Department Heads

Faculty and Staff

Resources

Accountability

Implementation

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Higher Education Organization

Chancellor
(*Campus CEO*)

Services
- Academic Instruction
- Student & Library Services
- Research Enterprise
- Public Service

Management
- Provost
- Deans & Directors

Operations
- Institutional Support
- Physical Plant & Facilities

Management
- Vice-Chancellors

Chancellor – *Executive head of a campus within UA system*
Provost - *Senior academic administrator*
Dean/Director - *authority over a specific academic unit*

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Thank You

Dr. James R. Johnsen
President
University of Alaska

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