



University of Alaska

Legislative Update

House Finance Committee

January 28, 2020

Agenda

- Introduction
- Institutional Overview
- Organizational & Budget Update
- Key Data
- 2020 Legislative Priorities
- Conclusion

Introduction

State funding cuts from FY 2014 to FY 2019—and the threat of a 41% cut in FY 2020—have challenged the university's ability to serve its constitutional mission for the people of Alaska.

Led by the Board of Regents, the University is facing the challenge, committed to its mission, to lower operating expenses, and to investing in programs and initiatives that serve our students and contribute to Alaska's future by:

- Developing and diversifying our economy
- Preparing Alaskans for jobs in Alaska
- Conducting research to solve real problems and create new opportunities
- Increasing educational success through enrollment and completion

Institutional Overview

Three-Part Mission

- **Education**

*Delivering academic instruction,
career and technical training*



- **Research**

*Advancing innovation and discovery
through academic and scientific
research*



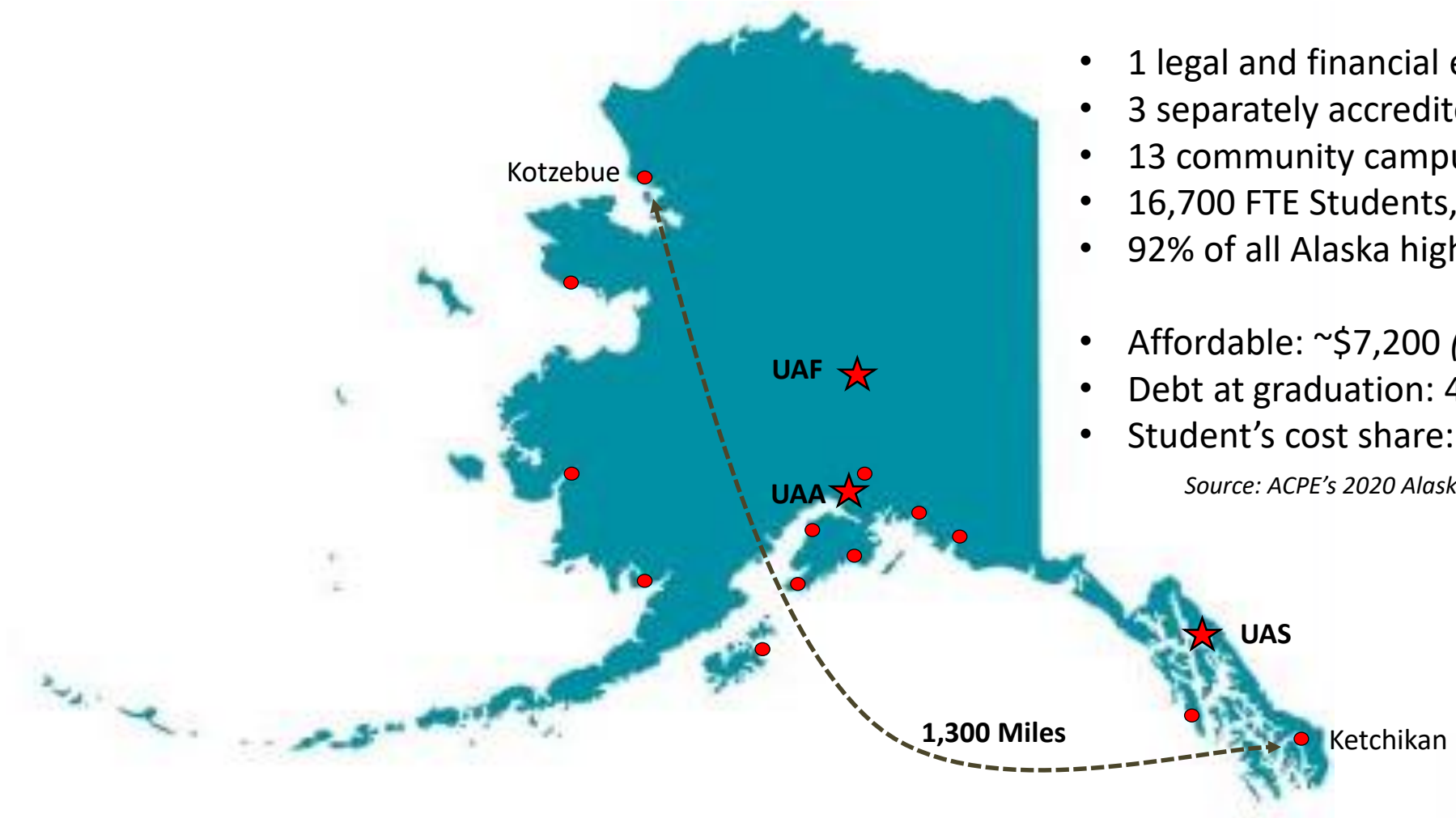
- **Service**

*Sharing knowledge to address
Alaska's community needs*



Serving All Alaskans

Three Universities - One System



- 1 legal and financial entity
- 3 separately accredited universities
- 13 community campuses
- 16,700 FTE Students, ~24,900 total
- 92% of all Alaska higher education
- Affordable: ~\$7,200 (*3rd most in US*)
- Debt at graduation: 46% (*2nd lowest*)
- Student's cost share: 28% (*5th lowest*)

Source: ACPE's 2020 Alaska Education Almanac

Strategic Goals

- Contribute to Alaska's Economic Development
 - Increase STEM graduates & invention disclosures
- Provide Alaska with a Skilled Workforce
 - Increase UA's share of teacher hires & double health professionals
- Grow our World Class Research
 - Stay #1 in Arctic Research & increase research expenditures
- Increase Degree Attainment
 - Increase enrollment & completions
- Operate More Cost Effectively
 - Decrease cost per completion & increase completion rate

Structure

- One legal, constitutional, and financial entity; three separately accredited universities with a governing Board and system office
 - *Current structure is the result of consolidation of 11 separately accredited community colleges in 1987*
 - *That 2-year effort met strong resistance, spawned legislation, litigation, arbitration and a voter initiative...and it increased integration and reduced cost*
- System office supports Regents, provides cost effective system wide services, and focuses universities on Alaska's statewide priorities
- Non-duplicated system functions include IT, audit, labor relations, financial/tax reporting, government relations, debt, treasury, payroll, risk management, general counsel, procurement, and health/benefits administration
- University Foundation, Land Management Office, and Alaska Education Trust are largely self-funded



Statewide Footprint

• Number of facilities	417
• Total gross square footage	8.1 million
• Average age of facilities	34 years
• Value (adjusted for inflation)	\$4.2 billion
• Annual maintenance budget (\$25M on-going operating funds + \$5M one-time capital funds)	\$30 million
• Annual maintenance long-term target (on-going operating funds)	\$60 million
• Deferred maintenance/renewal & repurposing backlog	\$1.2 billion
• DM/R&R backlog pay-down request (one-time capital funds)	\$50 million
• DM/R&R backlog per sq ft	\$152/sf

- *University is largest landlord in State Government*
- *Are there assets that can be closed, sold or eliminated? YES!*

Organizational & Budget Update

Significant Activity

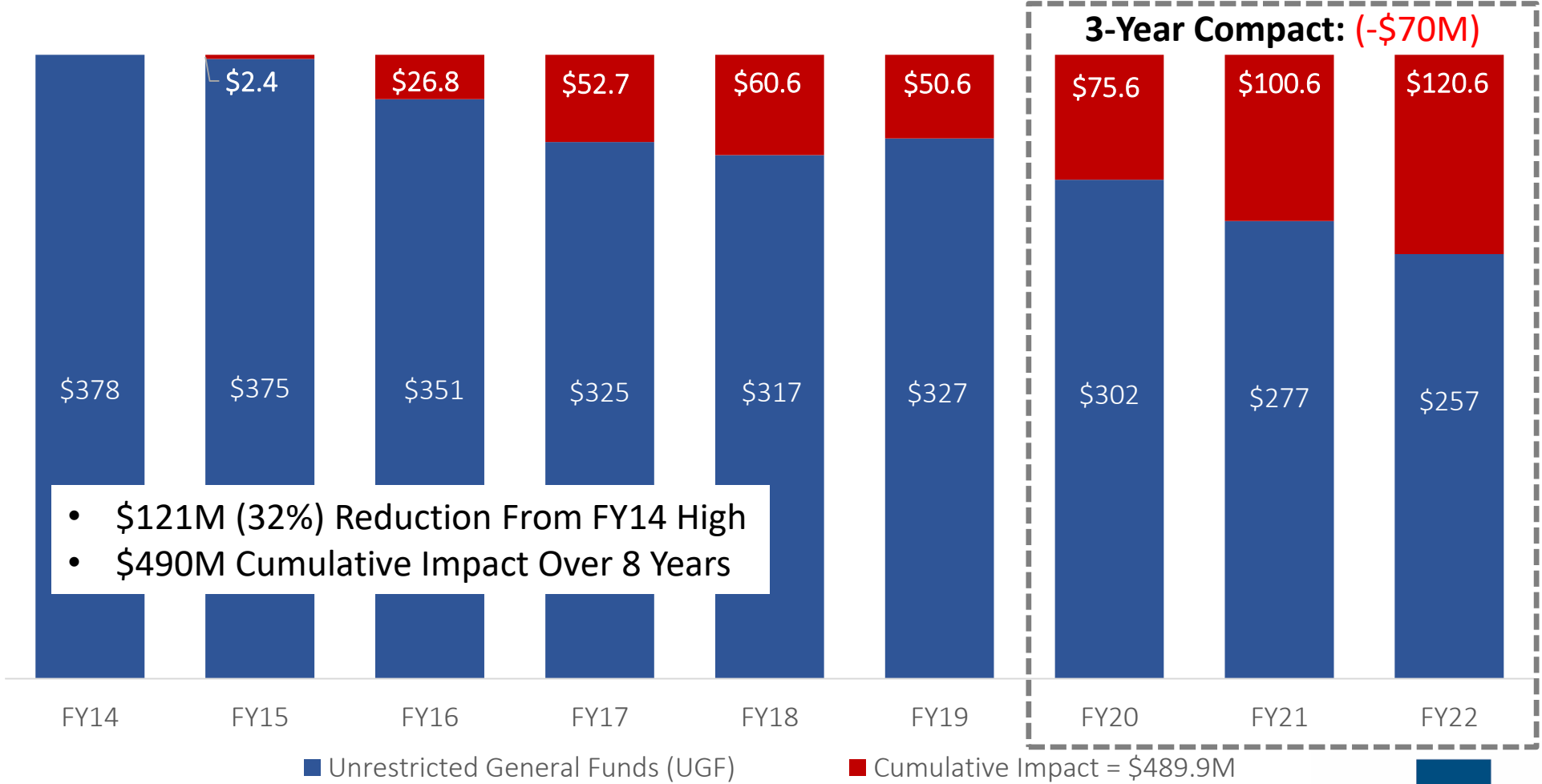
- FY20 Legislature includes budget intent language for Board to consider single accreditation
- Aug 13 Board of Regents signs 3-year Compact Agreement with Governor
- Aug 20 Board terminates Exigency Declaration
- Sep 26 NWCCU expresses concern over governance and accreditation
- Oct 7 Board ceases consideration of single accreditation and statewide expedited academic program reviews
- Oct 18 Universities begin campus level expedited academic program reviews
- Oct 30 Board responds to NWCCU concerns
- Nov 1 NWCCU confirms UA on “right path” on governance and accreditation
- Nov 22 Board responds to FY20 legislative intent regarding single accreditation
- Dec 3 Board transmits report to Governor and Legislature per Compact Agreement
- Dec 9 Board initiates policy audit clarifying roles & responsibilities
- Jan 17 Board approves 2020 work plan, 5% tuition increase for 2020, including \$1.5M of increased financial aid
- Feb 20 Board review of strategic goals and status of policy review

3-Year Budget Compact

- Agreement between Board and Governor Dunleavy – August 13
- \$70M (22%) reduction over 3-Yrs versus single-year cut of \$134M (41%)
 - FY20 \$302M (Down \$25M or 7.6% from FY19)
 - FY21 \$277M (Down \$25M or 8.3% from FY20)
 - FY22 \$257M (Down \$20M or 7.2% from FY21)
- Best negotiated option for the University of Alaska
- Reduces cumulative 2020-2022 cut from \$405M to \$145M
- Requires a tremendous internal effort to meet reduced funding levels
- Secured Governor's support for single appropriation and other important priorities: *AEG and APS scholarships, WWAMI medical school funding, dual-enrollment and land grant initiative*
- UA agreed to cost savings and revenue enhancement initiatives

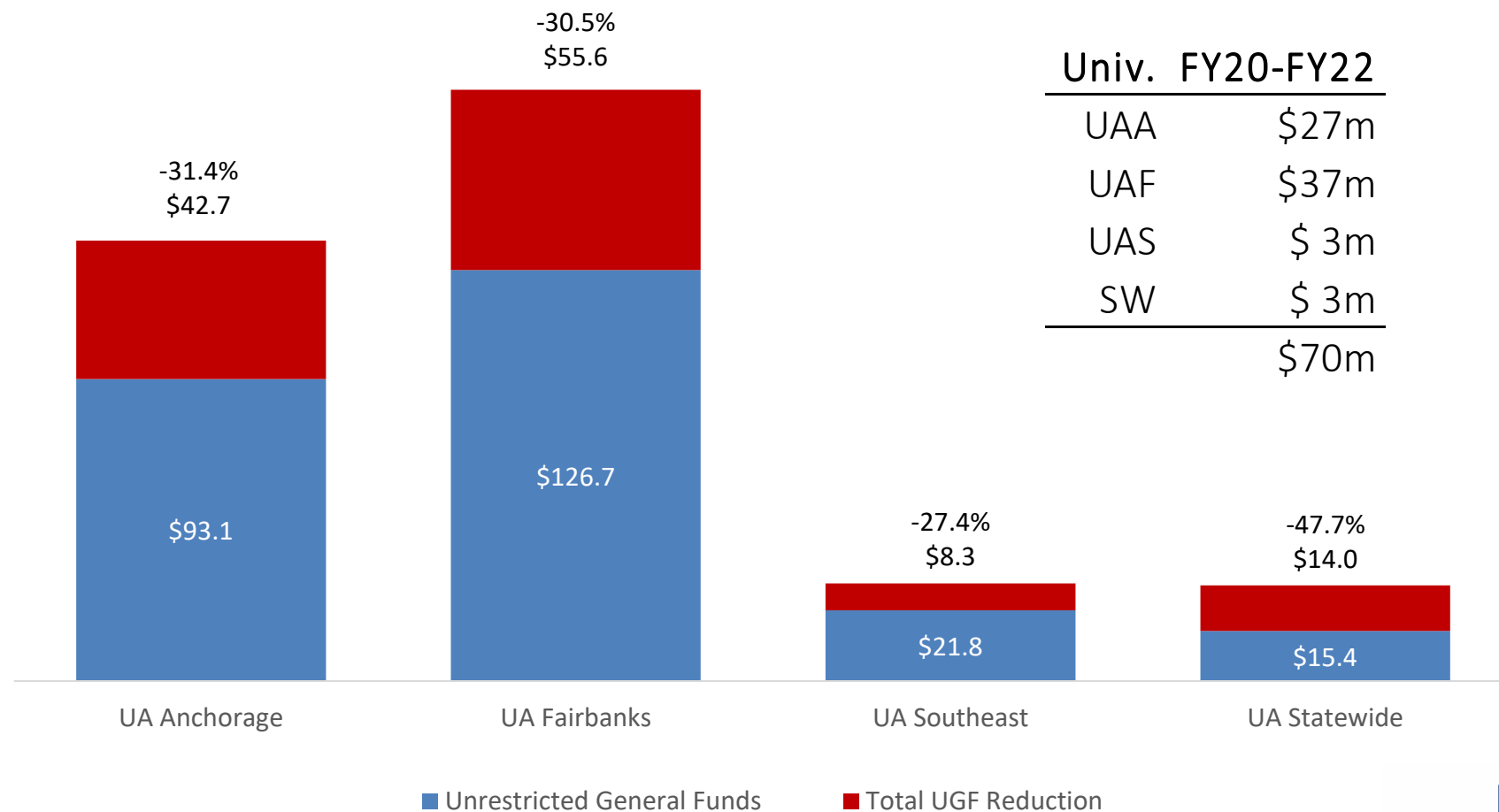
Funding History and Projection

(UGF Millions)



Funding History & Projection by MAU

(FY14-FY22 UGF Millions*)



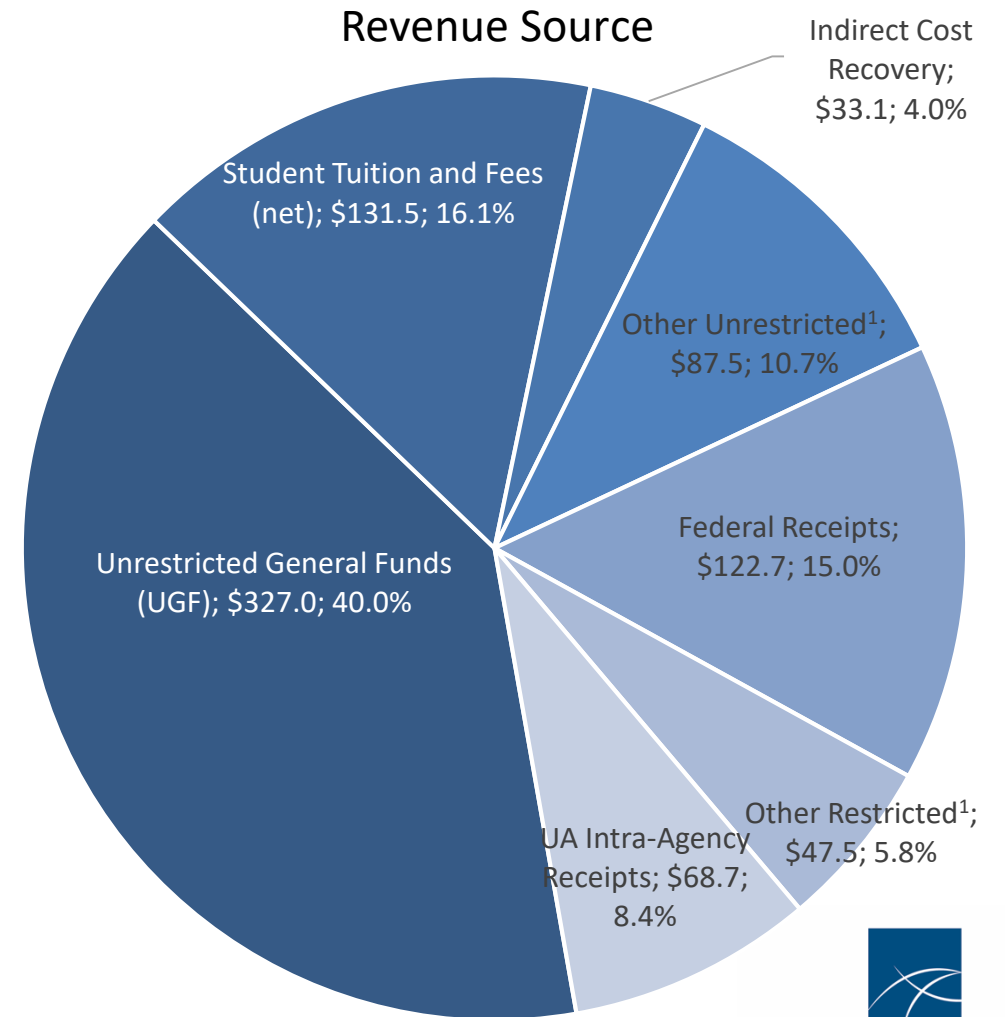
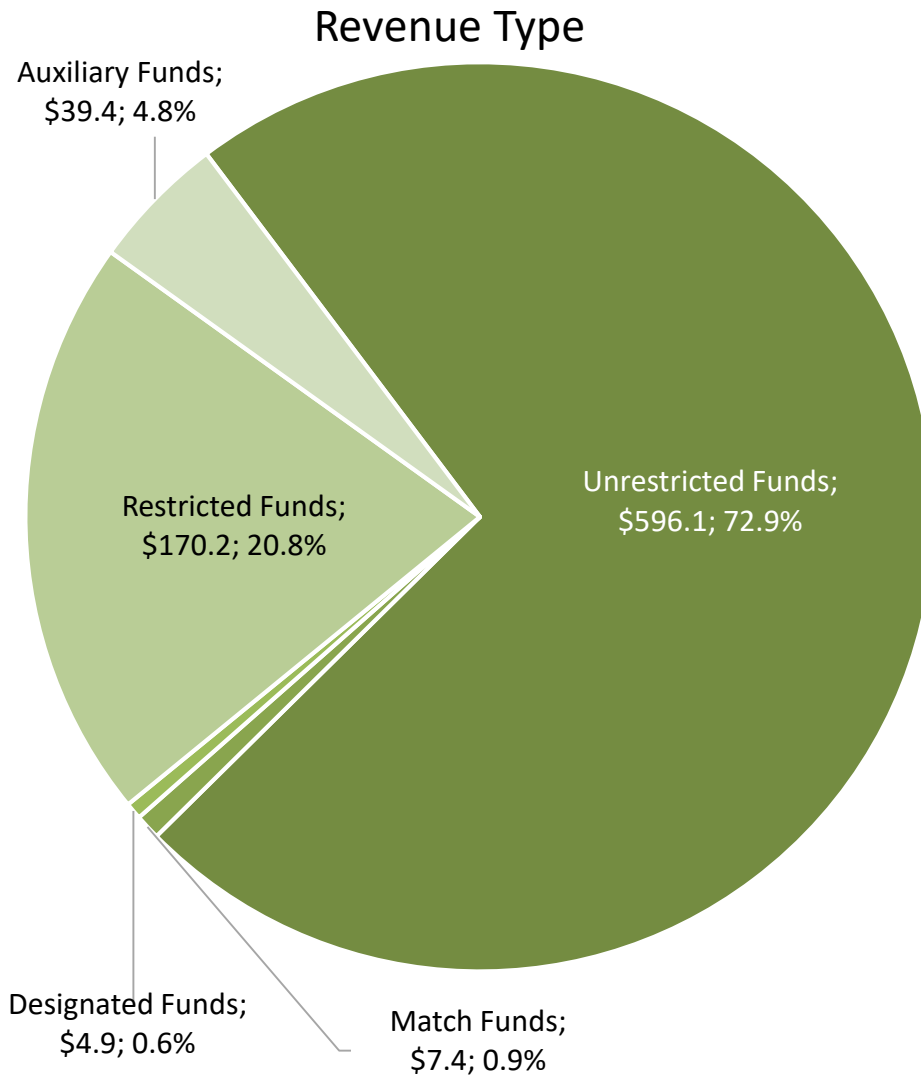
MAU: Major Administrative Unit

* FY22 \$20M UGF reduction distributed based on FY21 % of total UGF.



Operating Revenue by Type & Source

FY19 Actuals (\$818M)

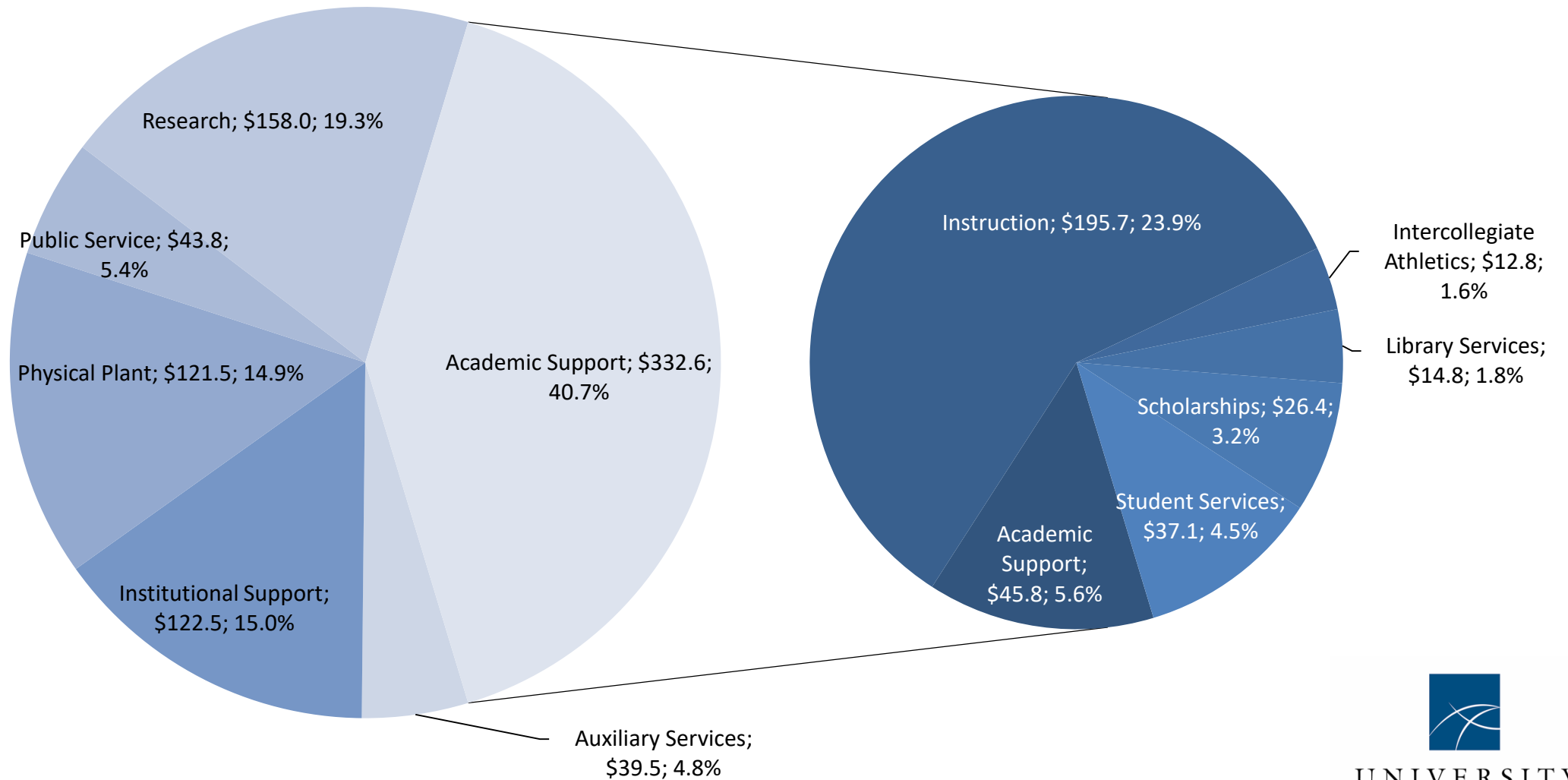


1. Other Restricted and Other Unrestricted Funds includes the following fund sources: State Inter-Agency Receipts, Interest Income, Auxiliary Receipts, University Receipts, Capital Improvement Project (CIP) Receipts, Mental Health Trust Authority Authorized Receipts (MHTAAR), Technical Vocational Education Program (TVEP), and License Plate.



Operating Expenditures by Category

FY19 Actuals (\$818M)



Accreditation

- UA universities receive their institutional accreditation from the Northwest Commission on Colleges and Universities (NWCCU)
- Board took a number of steps in consideration of legislative intent to move to a single institutional accreditation
- Board directed UA president to develop plan for evaluating options
- Convened group of state leaders for advice
- Held workshops across the system and provided opportunities for input from faculty, staff, students and the public
- Conducted extensive public opinion survey ~ 3,900 participants
 - *Even split between those favoring “uniqueness” and those favoring “integration”*
- Established working group to engage NWCCU and U.S. Dept. of Education on issues and timelines
- On Oct 7, after full consideration, Board ceased consideration of a single accreditation until UAF secures its NWCCU accreditation renewal in 2021
- All three universities (including community campuses) are fully accredited

Academic Program Reviews

- Board directed UA president to have universities conduct academic program reviews
- University reviews are underway
- In March 2020, chancellors will provide recommendations to the president regarding reduction, consolidation or discontinuation of any programs
- Board must approve any program changes and is expected to consider recommendations in June 2020
- Teach out obligations and faculty notice periods may mean financial savings are not achieved until FY22

Budget Impacts

- Student support and administrative services have borne large share of \$76M reduction over last 6 years
 - HR and procurement restructuring and integration
 - Head count reductions due to attrition and terminations
 - KUAC Radio/TV Base Funding Reduction
 - Fairbanks Administrative Services Building Sale
 - Chugach Eagle River Building Lease Non-Renewal
 - Kenai Peninsula College Residential Housing Paused
- \$45M additional reduction over FY21-22 will necessitate significant impacts to academic programs
- Universities aggressively working to achieve FY20 cuts while conducting academic and administrative program reviews

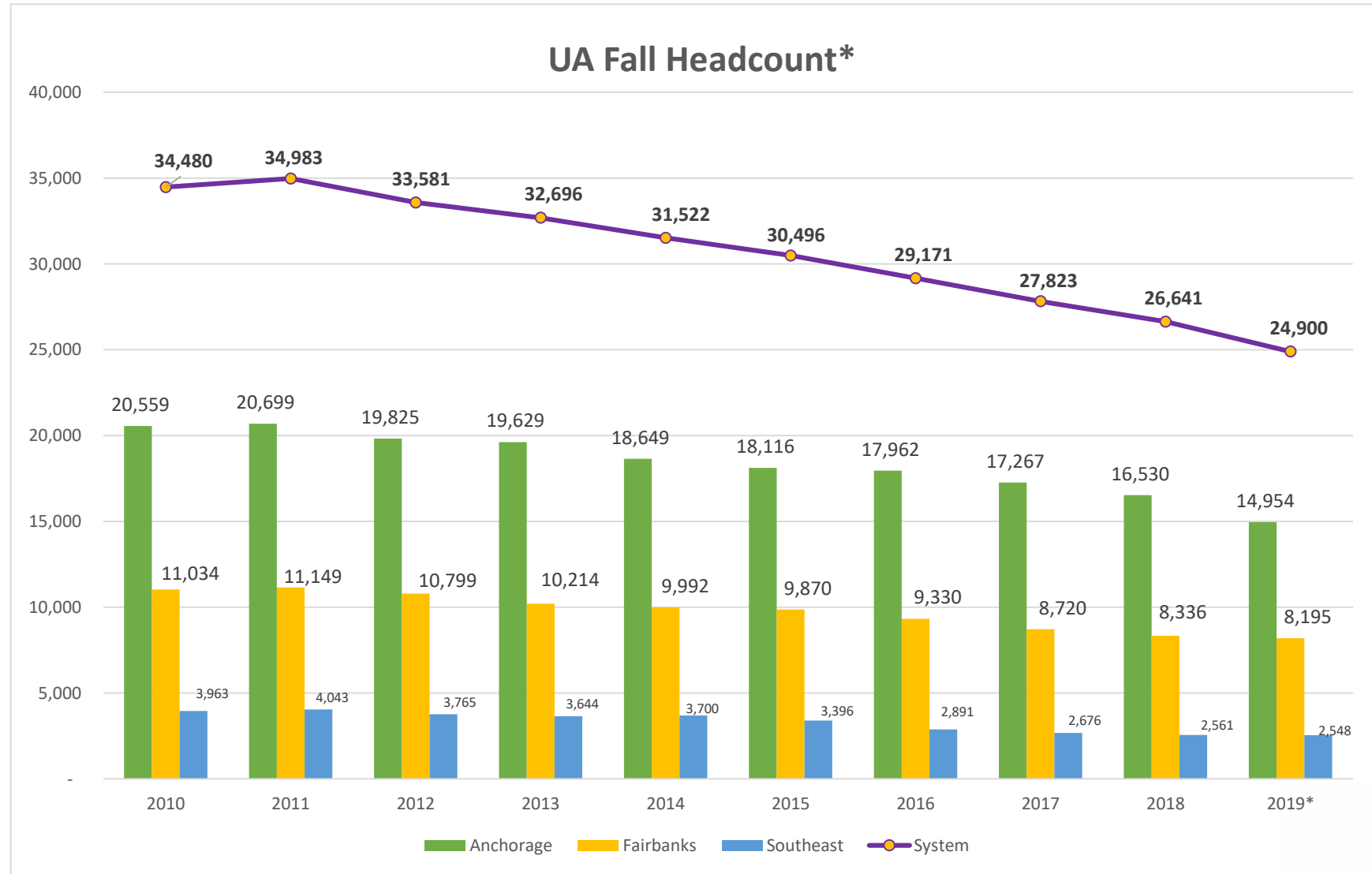


Pushing Continuous Improvement

- Diversifying Revenue Sources
- Eliminating Low Demand and Duplicative Programs
- Realigning and Simplifying Business Processes
- Consolidating and Standardizing Administration
- Reforming Program and Service Delivery
- Maximizing Return on Assets
- Reassessing Tuition and Fees
- Reducing Facilities Footprint

Key Data

Key Data: Enrollment



* As of Jan 10, 2020



Key Data: Tuition

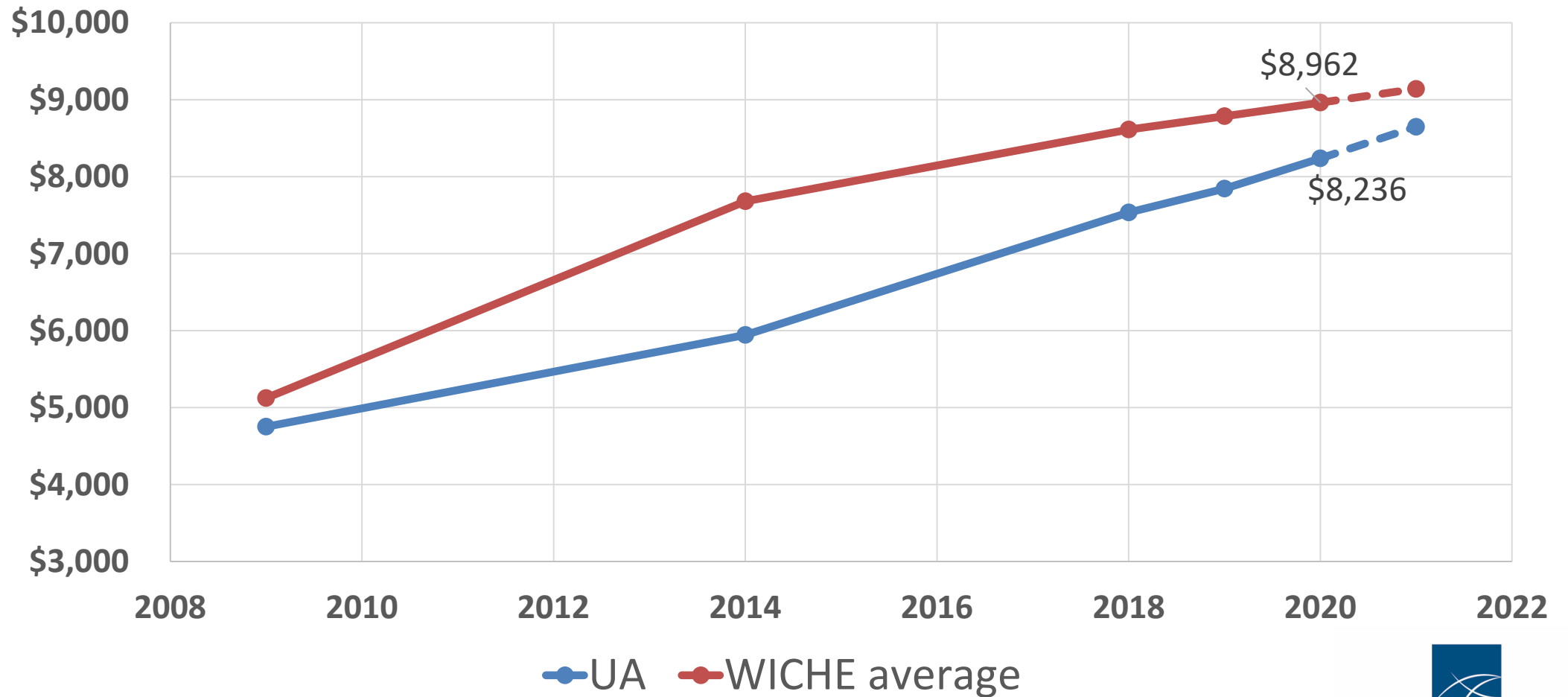
Annualized Full-Time Student Tuition Rates

	AY17	AY18	AY19	AY20	AY21	% Change AY17-21
Resident						
Undergraduate	6,360	6,690	7,020	7,380	7,740	21.7%
Graduate	10,656	11,184	11,736	12,312	12,312	15.5%
Non-Resident						
Undergraduate	21,030	22,080	23,190	24,360	24,720	17.5%
Graduate	21,768	23,496	24,672	25,896	25,896	19.0%

AY21 Rate Reflects 5% increase approved by BOR Jan 17, 2020

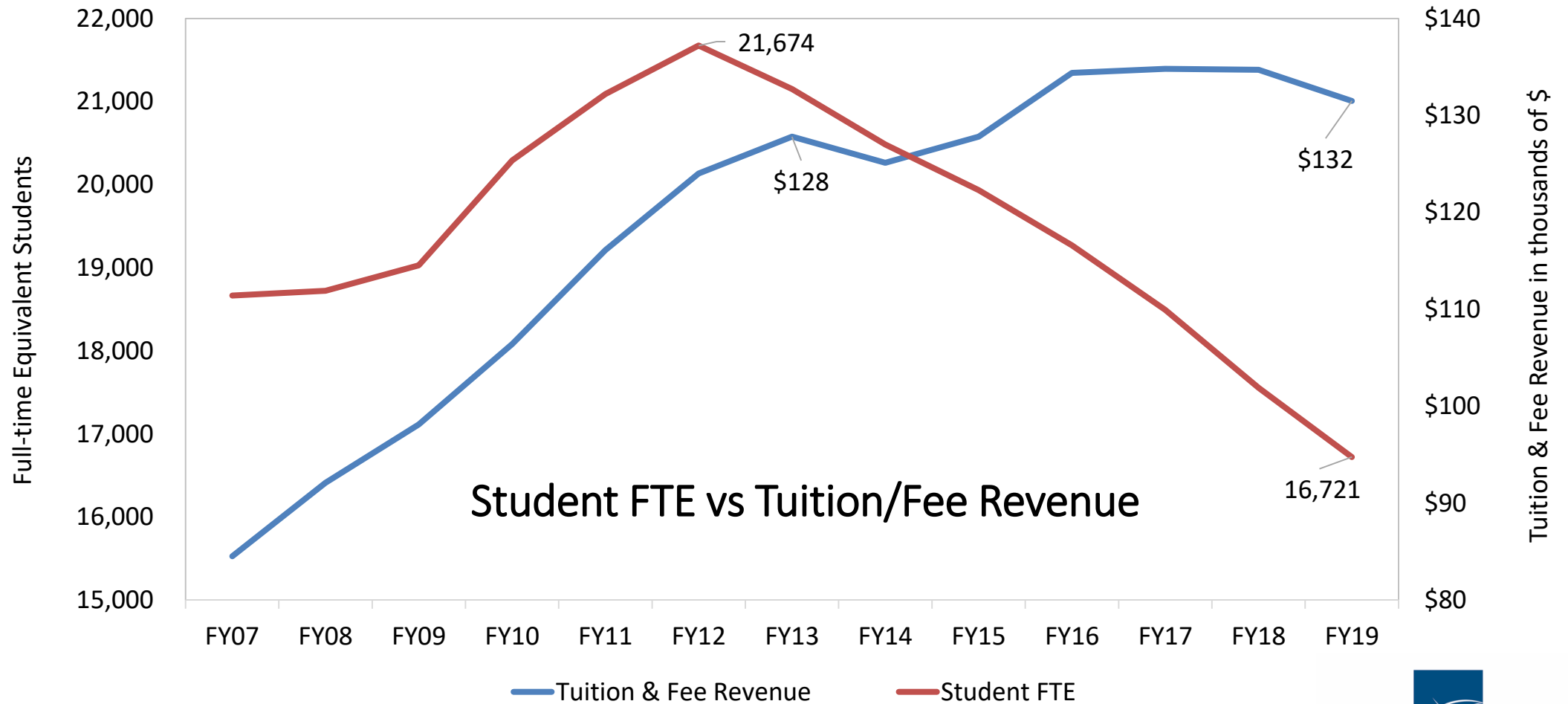
Key Data: Tuition

Undergraduate Tuition and Fees



WICHE: Western Interstate Commission for Higher Education includes 16 western states

Key Data: Tuition



Key Data: Workforce

- UA has 1,727 fewer employees than five years ago
- Since FY14 total workforce has been reduced 21%
- MAPTS and K-12 Outreach moved from statewide to campus
- Regular employees (leadership, faculty and staff) are down 18% and temporary employees (adjunct, student and temp staff) down 24%
- Reductions have been achieved through a combination of attrition, retirement, ending term contracts, and eliminating or leaving positions vacant



Key Data: Turnover

University of Alaska Average Annual Turnover Rate FY 2015-2020 (YTD) by Employee Type

Administration	15.0%
Staff	15.6%
Faculty	11%
All Employee Types	14.1%

- Overall Average Turnover Rate at UA from FY15 to FY20 was 14.1%
- According to the Bureau of Labor Statistics (2019) annual turnover rate across all industries in the US ranges between 15% and 19%
- FY20 to date, we have exceeded FY19 in turnover of administrators and are nearing the FY19 totals for staff and faculty

Key Data: Voluntary Turnover

University of Alaska Average Annual Voluntary Turnover Rate FY 2015-2019 by Reason

Retirement	3.3%
Pursuing Other Employment	2.3%
Other (Medical Necessity, etc.)	5.5%
Total	11.1%

University of Alaska Average Annual Voluntary Turnover Rate FY 2015-2019 by Employee Type

Administration	13.5%
Staff	12.7%
Faculty	7.8%

- Voluntary turnover includes retirements, departures for other opportunities, and other categories such as medical necessity
- The overall average voluntary turnover rate for all employees in the University of Alaska System from FY15 to FY19 was 11.1%
- Comparable Peer Institutions: 7% Weber State Univ and 9% West Florida Univ

2020 Legislative Priorities

2020 Legislative Priorities

- **Operating Budget**
 - Year 2 compact funding - \$277M
 - Single appropriation structure
- **Capital Budget**
 - \$50M Deferred Maintenance (backlog exceeds \$1.2B)
 - \$2.5M Alaska Earthquake Center (USArray)
- **Debt Service Relief**
 - Significant fixed operating cost - \$28M annually
 - Principal outstanding - \$297M

2020 Legislative Priorities

- **Technical Vocational Education Program (TVEP)**
 - Program expires this year (June 2020)
 - Funded through payroll deductions ~\$12.4M in FY20
 - Funds high-demand career and technical training
 - UA receives 45% of program dollars ~\$5.6M in FY20
- **Dual Enrollment**
 - Expansion of High School/College enrollment
- **Alaska Higher Education Investment Fund**
 - Alaska Performance Scholarship Program: ~\$12M
 - Alaska Education Grant: ~\$6M
 - WWAMI Medical School Program ~\$3M

Conclusion

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The University of Alaska appreciates your support as we move forward, committed to serving our mission, to lower operating expenses, and to invest in the programs and initiatives that provide opportunities for our students and contribute to Alaska's future by:

- Developing and diversifying our economy
- Preparing Alaskans for jobs in Alaska
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Thank You

Dr. James R. Johnsen
President
University of Alaska