



UNIVERSITY
of ALASKA

Many Traditions One Alaska

Board of Regents FY2018 Budget Contingency Planning

Special Meeting
April 13, 2017

Overview

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Context

The University of Alaska (UA) relies on the State of Alaska for annual operating revenues. Currently, \$325 million of UA's total budget of \$900 million comes from the State. State funding has been cut by \$52 million (14%) since FY14.

The dramatic reduction in state revenues continues to result in budget cuts for many state agencies. UA's FY18 operating budget is one of a few major items that will be on the table as the conference committee of House and Senate members settles on a state operating budget for FY18. On one side, the House budget stands at \$325 million unrestricted general funds, in line with the governor's budget proposal and equal to what the university received in fiscal year 2017. On the other side, the Senate's proposal is approximately \$303 million, which is a reduction of \$22 million, or 6.7 percent.

At the same time, UA continues to play a critical role in research and discovery of new knowledge, workforce development, community service, and economic development for Alaska. UA is the top ranked university in the world in Arctic research and leads the state in higher education, including its graduation of an increasing number of Alaskans for high demand jobs such as engineers, biologists, managers, process technicians, and teachers.

Strategic Pathways, UA's planning and decision making framework, sets out an evidence-based, inclusive process for evaluating and selecting academic, administrative, and other programs and services for investment or retrenchment. Investment will be directed to programs at each UA campus that reflect the campus' unique strengths in meeting high priority state needs. The Strategic Pathways process, as currently envisioned, assumes a state budget appropriation of \$341 million in FY2018.

Given UA's wide geographic distribution, long layoff notice requirements for faculty, the obligation to teach out currently enrolled students, and interdependencies of many university functions and programs, it is difficult for UA to reduce expenditures quickly. Further, reductions have been focused on areas where changes can be made more quickly, such as administrative services.

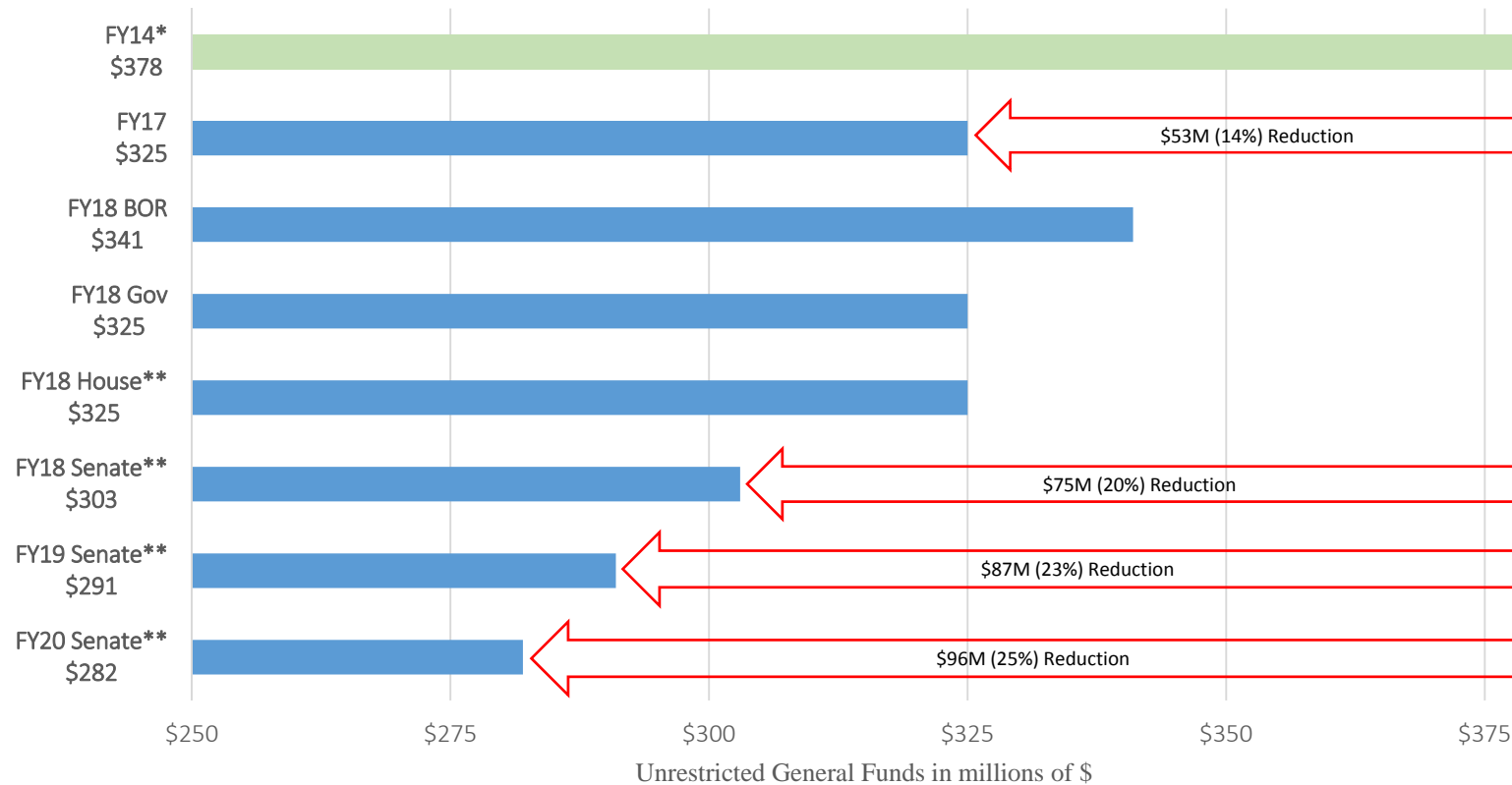
Why UA is a Smart Investment

- UA is building a diverse, robust and competitive Alaskan economy – at a time when we need it most
- UA generates over 15,000 jobs and \$1.0 billion in economic impact statewide
- Every dollar of state investment is generating \$3 dollars in economic activity
- World’s leading research university on the Arctic – bringing money, innovation and prestige to Alaska
- Home to more than 60 research and policy centers – addressing issues of critical importance to Alaska, our lifestyle, our economy and our environment
- UAF just named one of the top 20 small universities in the world in TH Education’s 2016-17 Rankings – along with CalTech
- UA is Alaska’s premier education and workforce development institution
- UA graduates an average of 4,800 highly skilled Alaskans each year
- National research studies show that 65% of Alaskan jobs will require some form of post-secondary education by 2025

Recent Cost Reductions Systemwide

- Jobs impacted
 - Cumulative FY15-FY17 headcount reduction: over 900
 - More than 250 reduced assignments or increased workloads
- Academic program reductions
 - Since January 2016, 50 academic programs eliminated or suspended
 - Fewer sections and larger class sizes
 - Increases in faculty instructional workloads
- Administrative function consolidation and service reductions
- Closed Galena, McGrath, & Shishmaref Learning Centers
- Reduction of faculty travel and professional development funding
- Reduced research faculty start-up/seed availability
- Fewer research faculty available to prepare and submit grant proposals
- Telecommunications contract cost reduction
- Reduced owned & leased space; defeased & refinanced debt

Budget Gap Scenarios



Note: This chart represents unrestricted general fund reductions only. Fixed cost increases and inflation are estimated to further erode UA's purchasing power by an additional \$6 to \$10 million annually. The inflationary increase in higher education cost was calculated using the Higher Education Price Index (HEPI).

* final authorized operating budget which includes supplemental funding

**estimates based on legislative session

Workforce Reductions

Headcount Fall 2014 (FY15) ⁽¹⁾

	SW	UAA	UAF	UAS	Total
Regular	239	1,802	2,137	350	4,528
Officers/Sr. Administrators	33	26	51	11	121
Academic Leaders ⁽²⁾	0	38	10	2	50
Faculty		642	660	114	1,416
Staff	206	1,096	1,416	223	2,941
Temporary	52	1,707	1,836	307	3,902
Officers/Sr. Administrators			3		3
Adjunct Faculty	6	669	323	119	1,117
Staff	18	308	449	51	826
Student	28	730	1,061	137	1,956
Total Headcount	291	3,509	3,973	657	8,430

Headcount Fall 2016 (FY17) ⁽¹⁾

	SW	UAA	UAF	UAS	Total
Regular	173	1,706	1,956	322	4,157
Officers/Sr. Administrators	26	25	42	11	104
Academic Leaders ⁽²⁾	0	31	8	1	40
Faculty		599	589	109	1,297
Staff	147	1,051	1,317	201	2,716
Temporary	25	1,532	1,597	192	3,346
Officers/Sr. Administrators		3	2		5
Adjunct Faculty		592	312	69	973
Staff	8	229	333	27	597
Student	17	708	950	96	1,771
Total Headcount	198	3,238	3,553	514	7,503

1. Employees with active assignments as of Oct 1st 2014 and Oct 1st 2016.

2. Estimated using FY16 furlough population

Key Observations

- Leadership (academic & administrative) has been reduced at a rate higher than any other group.
- UA has reduced regular faculty at a rate lower than any other group.
- UA has 927 fewer employees than two years ago.
- UA has relied heavily on reductions through position elimination, attrition, ending term contracts, and retirement rather than layoffs, where possible. Vacated positions in many cases are left unable to fill.

50 Academic/Job Training Programs Discontinued or Suspended Including:

Discontinued

- GC Clinical Social Work Practice (UAA)
- GC Coastal, Ocean, and Port Engineering (UAA)
- BA Russian Studies (UAF)
- AAS Apprenticeship Technology (UAS)
- Certificate Automotive Technology (UAS)

Suspended

- MS Applied Environmental Science & Technology (UAA)
- BA Philosophy (UAF)
- BBA Economics (UAF)
- AAS Dental Hygiene (UAF)
- MS Resource Economics (UAF)
- PhD Clinical Community Psychology (UAF)

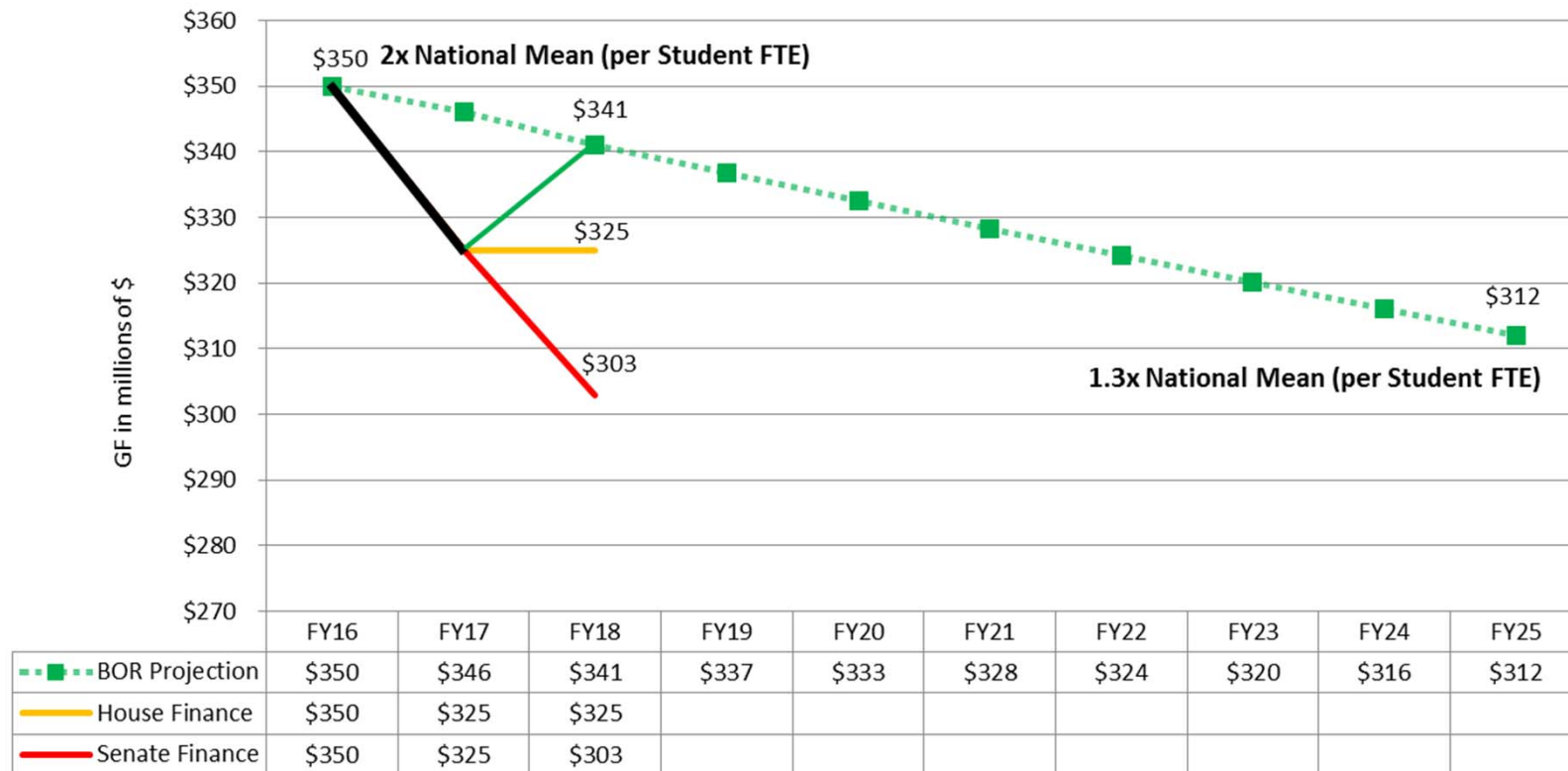
Recent Cost Reductions at Statewide

	FY14	FY15	FY16	FY17 (1)(2)	FY14 - FY17 Change	
					#	%
Positions						
Programs and Services	158	161	145	129	(29)	-18%
Office Information Technology	84	82	76	63	(21)	-25%
Education and Outreach	38	32	13	1	(37)	-97%
Total Positions	<u>280</u>	<u>275</u>	<u>234</u>	<u>193</u>	<u>(87)</u>	<u>-31%</u>
State General Funds						
Programs and Services	\$ 16,387.4	\$ 15,958.6	\$ 12,683.8	\$ 10,706.1	\$ (5,681.4)	-35%
Office Information Technology	11,538.1	11,121.4	9,620.9	7,668.8	(3,869.4)	-34%
Education and Outreach	1,500.3	1,288.9	1,153.7		(1,500.3)	-100%
Total State General Funds	<u>\$ 29,425.8</u>	<u>\$ 28,368.9</u>	<u>\$ 23,458.4</u>	<u>\$ 18,374.8</u>	<u>\$ (11,051.0)</u>	<u>-38%</u>
% of UA Total	<u>7.8%</u>	<u>7.6%</u>	<u>6.7%</u>	<u>5.7%</u>		
Other Revenues						
Total Other Revenues	<u>\$ 35,875.8</u>	<u>\$ 36,641.1</u>	<u>\$ 31,628.6</u>	<u>\$ 28,325.2</u>	<u>\$ (7,550.6)</u>	<u>-21%</u>
Expenditures						
Total Expenditures	<u>\$ 64,179.9</u>	<u>\$ 63,256.2</u>	<u>\$ 53,040.7</u>	<u>\$ 47,600.0</u>	<u>\$ (16,579.9)</u>	<u>-26%</u>
% of UA Total	<u>7.5%</u>	<u>7.5%</u>	<u>6.4%</u>	<u>5.9%</u>		

(1) FY17 positions are as of March 2017. Dollar (\$) balances are projected annual amounts.

(2) FY17 positions are after 33 regular positions and 3 temporary positions were transferred to UAF for MAPTS, K-12 and OIT.

10 Year Glide Path to Moderate General Fund Support



Strategic Pathways

How do we organize the University of Alaska to better serve our state's higher education needs with fewer resources?

Criteria:

Cost savings, quality, access, community impact, fiscal sustainability

Update:

Phase 1: *IT, Procurement, Research Administration, Education, Management, Engineering, Athletics*

Status: Decisions made. In various stages of planning and early implementation.

Benefits: **Collaboration, consolidation, cost reduction, performance**

Phase 2: *Institutional Research, Human Resources, Student Services, University Relations, Fisheries, eLearning, Community Campuses, Health programs*

Status: Initial thoughts shared with BOR after extensive consultation with faculty, staff, and students. In review now, with decisions soon as to implementation, further analysis, and BOR approval

Benefits: **Collaboration, consolidation, process simplification/automation, cost reduction, increased access**

Phase 3: *Facilities, Risk Management, Finance, Land Management, Mine Training, Arts & Humanities, Social & Natural Sciences*

Status: Options presented 4/11/2017. Next steps include consultation, cost/benefit analysis, and presentation to BOR

Benefits: **Collaboration, consolidation, process simplification/automation, cost reduction, increased access**

Near Term Budget Implications:

Savings at SW and university levels are reflected in actual and projected cost reductions in IT and management

Need for investment in process improvement and automation in many areas, including eLearning

Budget Contingency Planning Process

Goals

- As in FY2017, keep BOR updated throughout planning process, prepared to present to BOR budget with impacts by June 2017
- Work with campuses to develop budget scenarios and impacts
- Advocacy and responsiveness to legislative inquiries
- Prepare for reallocation into strategic investment priorities:
 - Governor's/House budget \$325M general fund, Strategic Investment Target approx. 2% or \$6M
 - 5% Reduction \$309M general fund, Strategic Investment Target approx. 1% or \$3M
 - Senate budget 6.8% Reduction \$303M general fund, no Strategic Investment Target

Criteria (Strategic Pathways and Budget Decisions)

- Cost effectiveness
- Quality
- Affordability/Access
- Community impact
- Sustainability

Budget Contingency Planning Process

Principles

- Continue to reduce administrative leadership positions (Deans/Directors, Associate VPs, Associate VCs, VPs, etc.)
- Minimize impacts to development, fundraising
- Minimize impacts to facility maintenance
- Increase investment in halo programs
- Identify additional areas to preserve
- Protect life/safety priorities (Title IX)
- Optimize faculty workloads
- Increase student to faculty ratios where capacity exists
- Minimize impacts to/promote increases in enrollment, retention and attainment
- Identify Strategic Pathways related administrative savings
- Use unreserved fund balances strategically

Revenue Diversification

UA is pursuing a number of strategies to increase and diversify revenues in order to gradually moderate our reliance on general funds:

- Increase enrollment and retention
- Focus on degree completion and e-Learning
- Increase tuition – to meet WICHE average by 2025
- Grow research capacity and investments
- Increase public-private partnerships
- Monetize physical and intellectual property assets
- Increase philanthropic and corporate giving
- Extend Alaska Education Tax Credit
- Improve working capital and endowment returns
- Use debt strategically
- Address land grant deficit

UA Seeks to Meet Alaska's Needs

1. A Culture of Education and Broad Accessibility

The University of Alaska serves the people of Alaska by providing quality, accessible education and a path to prosperity.

2. Research Relevant to Alaska and the Arctic

UA leads the world in Arctic research and climate change adaptation. Research activities support education, planning, development, policy and industry in Alaska and Arctic nations.

3. Workforce Preparation

UA provides both pure workforce development programs and liberal education to prepare graduates for successful careers and lives. UA programs align with K-12 to promote dual enrollment and Tech-Prep opportunities.

4. Knowledge Economy

UA is using research and discovery to generate innovative technology, and increase expertise and skills that are needed to create new businesses and to diversify and grow Alaska's economy.

BOR Investment Priorities

- Student Success – *Retention & Recruitment*
- Workforce Development
- Facilities Maintenance
- Research
- Economic Development and Diversification
- K-12 Partnership

FY17 Strategic Investments

Investment Area	FY17
Facilities	\$13.0
Facilities Maintenance	10.0
Engineering Building	3.0
Student Success	\$1.0
Recruitment and Retention	0.5
Degree Completion	0.5
Research	\$1.0
Grow Competitive Capacity	0.5
Institute of Social and Economic Research (ISER)	0.25
Alaska Center for Energy and Power (ACEP)	0.25
K-12 Partnership	\$1.5
Alaska Native Science & Engineering Program (ANSEP)	0.75
K-12 Outreach: Mentoring	0.75
Compliance	\$0.5
Title IX Staff & Programs	0.5
Development	\$0.5
Capital Campaign/Fundraising	0.5
Total Strategic Investments	\$17.5

FY18 Senate \$22M Cut May Result in:

- Continued enrollment declines, high uncertainty
- Reduced ability to meet State of Alaska workforce needs
- Mid-year tuition rate increase
- Suspension and discontinuation of certificate and degree programs (with teach-out), reduced course offerings
- Reduced research support, reduced program funding, loss of critical support facilities e.g. animal care facilities, reduced competitiveness for external funding
- Reduction of programs and services at community campuses
- Reduced funding for facility maintenance funding requirement
- Programs, services, and support reductions
- Fewer faculty and staff services to assist students

Budget Contingency Planning: UAA

(Up to \$8.1 million UGF plus \$1.7 million unfunded fixed costs and \$1 million campus priorities)*

- **Academic units**
 - Reduce service levels, reduce the number of sections offered, and improve use of management data
 - Review all open positions; fill faculty, staff and administrative positions of critical need
 - Workload adjustments, more focus on classroom instruction and tuition enhancement
 - Administrative savings – process optimization (service hub models)
 - Continue to actively manage program reductions and discontinuations; identify other undersubscribed offerings
- **Administrative Services units**
 - Reduced services (HR, IT, Financial Services, Facilities & Campus Services)
 - Evaluate position assignment reductions and/or elimination
 - Targeted fundraising and sponsorships
 - Increase charges for services and facility use

Budget Contingency Planning: UAA

(Up to \$8.1 million UGF plus \$1.7 million unfunded fixed costs and \$1 million campus priorities)*

- **Student Affairs**
 - Reduce programs designed to help with student persistence (Mapworks), Academic Success Alert Program (ASAP)
 - Restructure of One-Stop Enrollment Services will substantially reduce service levels for prospective and enrolled students
 - Reduce admissions leadership positions, through efficiencies and delaying admission decisions response time
 - Employee impacts include mandatory assignment reductions equal to 6 days for many staff
- **Community Campuses**
 - Reduce faculty and staff positions
 - Evaluate programs for elimination
- **Revenue Generation**
 - Tuition revenue generated from tuition rate increases, offset by an estimated 3% decrease in student credit hours
 - New K-12 partnerships with Anchorage School District and Mat Su School District (MatSu Middle College; ASD/UAA Middle College; ANSEP Acceleration Academy)
 - College of Business and Public Policy tuition surcharge

Budget Contingency Planning: UAF

(Up to \$10.8 million UGF plus \$2.7 million unfunded fixed costs and \$3.2 million campus priorities)

- **Academic impacts**
 - Suspension and discontinuation of additional programs
 - Unfilled vacancies, layoffs and non-renewal of term positions
 - Reduced service hours: Library, Museum
 - Reduction in student advising and other academic support services
 - Fewer course sections offered - reduced teaching assistants (TAs) & adjunct funding
 - Increased course fees
- **Community Campuses and Indigenous Programs**
 - Eliminate positions and consolidate functions
 - Close Unalakleet Learning Center
 - Reduce student services, outreach & advising support
 - Reduce faculty at Chukchi, Kuskokwim, Rural College & CTC
 - Reduce course offerings
 - Suspend additional programs
 - Reduced staff contracts
 - Reduced maintenance budget

Budget Contingency Planning: UAF

April 13, 2017

(Up to \$10.8 million UGF plus \$2.7 million unfunded fixed costs and \$3.2 million campus priorities)

- **Research impacts**
 - Reduced research facility & equipment spending/match
 - No ability to match new large-dollar solicitations
 - EPSCoR match necessary, increasing impacts to other programs
 - Unfilled tenure track positions in key biomedical areas – limiting national competitiveness & impacts teaching
 - Animal Resources Center (ARC) at minimum for animal care compliance – monitoring risk
 - Maintaining lab & field work safety could increase cuts to other areas
 - Continued loss of faculty positions resulting in less research capacity and competitiveness
- **Administrative services impacts**
 - Eliminate positions, increasing compliance risk, reducing functional capacity
 - Increased fees
 - Reduce facilities maintenance budget

Budget Contingency Planning: UAF

April 13, 2017

(Up to \$10.8 million UGF plus \$2.7 million unfunded fixed costs and \$3.2 million campus priorities)*

- **Student service & outreach impacts**
 - Decreased ability to recruit & process applications in timely fashion
 - Close Stevens residence hall
 - Increase fees
 - Reduce athletics scholarships
 - Replace athletic funding
 - Reduce staff contracts
 - Reduce financial aid advising
 - Reduce community engagement & marketing
 - Hold vacant Donor Relations position unfilled
 - Reduce staff contract in alumni membership coordination
 - Reduce KUAC memberships, tech refresh, HD FM & programming; focus on increasing non-GF funding

Budget Contingency Planning: UAF

April 13, 2017

(Up to \$10.8 million UGF plus \$2.7 million unfunded fixed costs and \$3.2 million campus priorities)*

- Revenue Generation
 - Working on maintaining
 - Enrollment
 - External grants and contracts for research, education and outreach
 - Philanthropic giving
 - Requesting a mid-year tuition increase
 - Increasing student fees to cover more of actual costs

Budget Contingency Planning: UAS

(Up to \$1.7 million plus
\$145 thousand for campus priorities)*

April 13, 2017

- **UAS Budget Reduction Strategies**
 - Academic program discontinuation
 - Eliminate 8 to 10 jobs
 - Lease, sale or disposal of campus buildings
 - Building efficiency, reduced utility costs
 - Expand private and grant funding
 - Reduce travel & professional development
 - Reduce campus services
- **Revenue Generation**
 - Significant mid-year tuition increase or other measures may be required

Budget Contingency Planning: UAS

(Up to \$1.7 million plus
\$145 thousand for campus priorities)*

April 13, 2017

- UAS Strategic Investment Priorities
 - Recruitment, Retention & Completion
 - Finish College Alaska
 - Stay on Track
 - Come Home Alaska
 - Community College Transfers (WA)
 - Campus safety & Title IX
 - Long term facilities funding
 - Academic Excellence
 - Alaska College of Education planning
 - Marine Biology / Fisheries / Env. Science
 - Northwest Coast Arts
 - Mine Training
 - Interdisciplinary Baccalaureate
 - Marine Transportation

Budget Contingency Planning: Statewide

(Up to \$1.3 million plus \$1 million systemwide priorities)*

April 13, 2017

- **SW Budget Reduction Strategies**
 - Seek cost reductions in contractual services
 - Use attrition to reduce headcount
 - Position and contract reductions in Information Technology (IT) via Strategic Pathways I
 - Continue examination of administrative organizational structure
 - Continue benefit cost containment
 - Explore voluntary separation incentive options
 - Use unreserved fund balance (UFB) and other one-time fund sources for contingencies, investment in revenue generation, course redesign, and process standardization and automation
- **Revenue Generation**
 - Additional interest income due to higher interest rates

Key dates

- April 13 - Board of Regents meeting
- April 16* - End of Legislative session
- May Commencements
- June 1-2 - Board of Regents meeting
 - FY18 budget approval
 - Strategic Pathways discussion/decisions
 - System Organization discussion
- July 1 - FY18 fiscal year start

* Pending possible special session