

University of Alaska

Board of Regents Audit Committee

May 13, 2020

Overview

1. The Board is at a critical decision point in its commitment to a strong UA
2. Revenues from all sources are declining
3. Substantial cost reduction efforts are in progress, more needed
4. COVID creates new costs and magnifies falling revenues
5. The Board's challenge/opportunity is to consider transformational change needed to avoid decline and potential exigency in FY22, and to position the university to lead for the state's future

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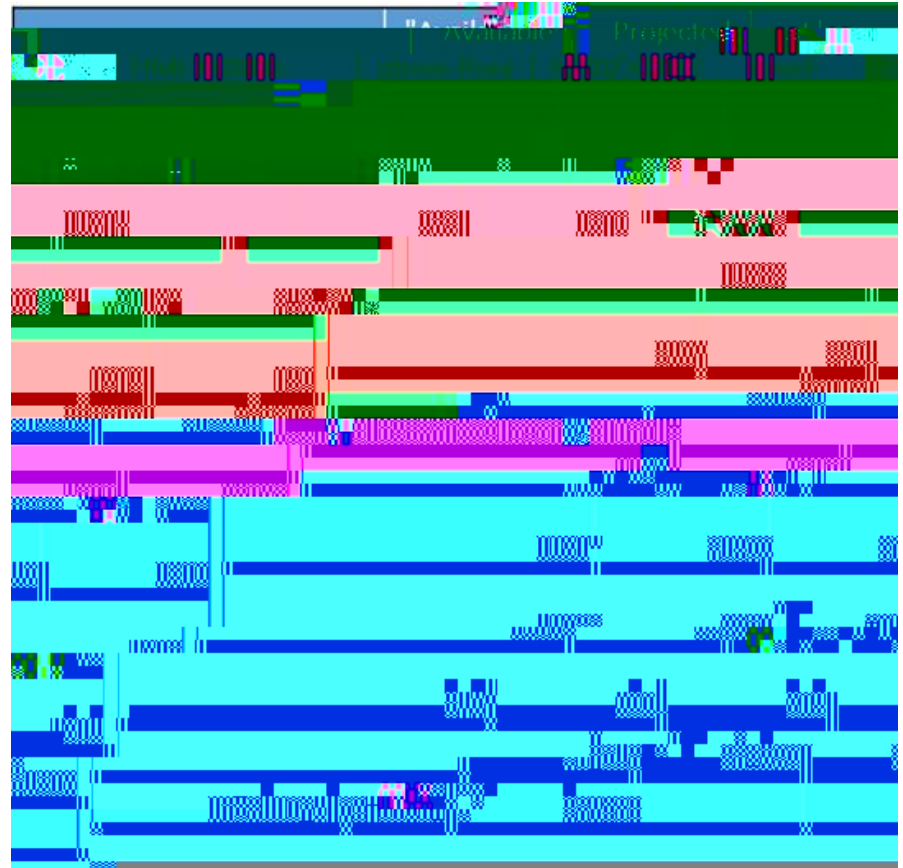
MAUs cost savings projected for FY21 and FY22*



* Includes both “specified” and “unspecified” reductions for FY21 and FY22. Additional detail in Appendix.

The current plans leave a \$41M - \$66M gap in FY22

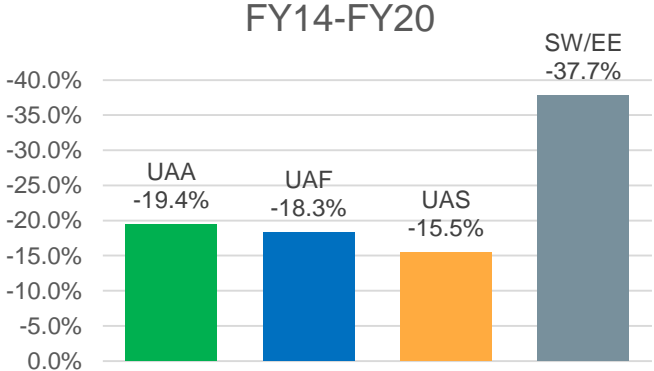
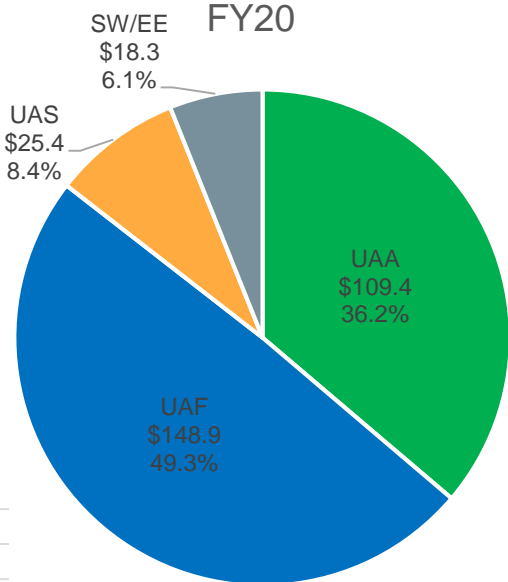
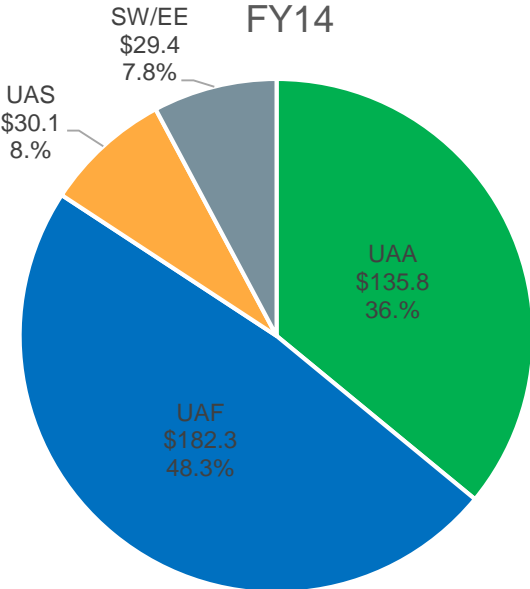
BASE FUNDS	FY21 and FY22 (\$M)	
What is the Gap we need to fill?		
Unrestricted General Fund Reductions		45.0
1% general market compensation adjustment		3.9
Specific market compensation adjustment	6.5	
Specific market compensation adjustment	4.0	
Service refinance/restructure (caused by COVID)	(3.4)	Proposed debt s
Operating budget impact	7.4	Auxiliary deficits
	\$63.7	
		32.8 COVID – Project
Gap we need to fill (FY21 and FY22)	\$66.5	Total
Specified base reductions FY22 (UAS)	1.7	
Gap after specified reductions		
Gap to fill	\$40.8	Remainder



FY20 COVID expenses/receipt detail on Slide 20.

Cost cutting requires cuts to programs and people

UGF reductions have been taken by all MAUs



30% of SW/EE revenues (UGF+other) are pass through funds for wide area network, IT system, and insurance/claims payments.

Our costs are high overall, but higher in certain areas

NCHEMS compared UA costs as a system, UA's universities, and UA Statewide to peer benchmarks (Cost Analysis, March 11, 2020).

UA's costs are higher overall, due in part, to higher cost of living in Alaska, broader reach of UA service area, and higher research productivity than peers.

On a per student basis:

- higher in full-time faculty, part-time faculty, full-time management, and full-time administration support

- lower in full-time academic support, full-time finance, and full-time IT administration (all MAUs together) is 170% of peers, but SW's share is lower than peer systems after pass-through removed

Based on our enrollment, we need to right-size

NCHEMS used adjusted IPEDS* data to compare UA FTE student ratios as a system and UA's universities to peers on FT staff, FTE instructional faculty, and FT management (2020 review of 2017-2018 IPEDS data).

	Staff % over (under) peers	Faculty % over (under) peers	Management % over (under) peers
UAA	(46)	15	(3)
UAF	(41)	34	49
UAS	14	39	50
UA system	(20)	24	40

Provost Emeritus Susan Henrichs, using IPEDS data but a different method (excluding part-time faculty and comparing UA to low population density states), reported in April 2020:

UA 14% high on instructional faculty

UA 6% high on management; comparable on staff

* Integrated Postsecondary Education Data System (IPEDS) includes data from all U.S. universities. The data are imperfect, but IPEDS is the single most authoritative source of higher education data in the U.S.

Planning for FY21-22 with prudent guidelines

Base UGF budget at \$257M by end of FY22

Include COVID cost and revenue impacts

Personnel

Furloughs may be used only if applied to all employee groups (with exception of already implemented furlough of officers, senior administrators, and non-rep faculty)

Planned compensation increases may be postponed only if applied to all employee groups, subject to Board approval

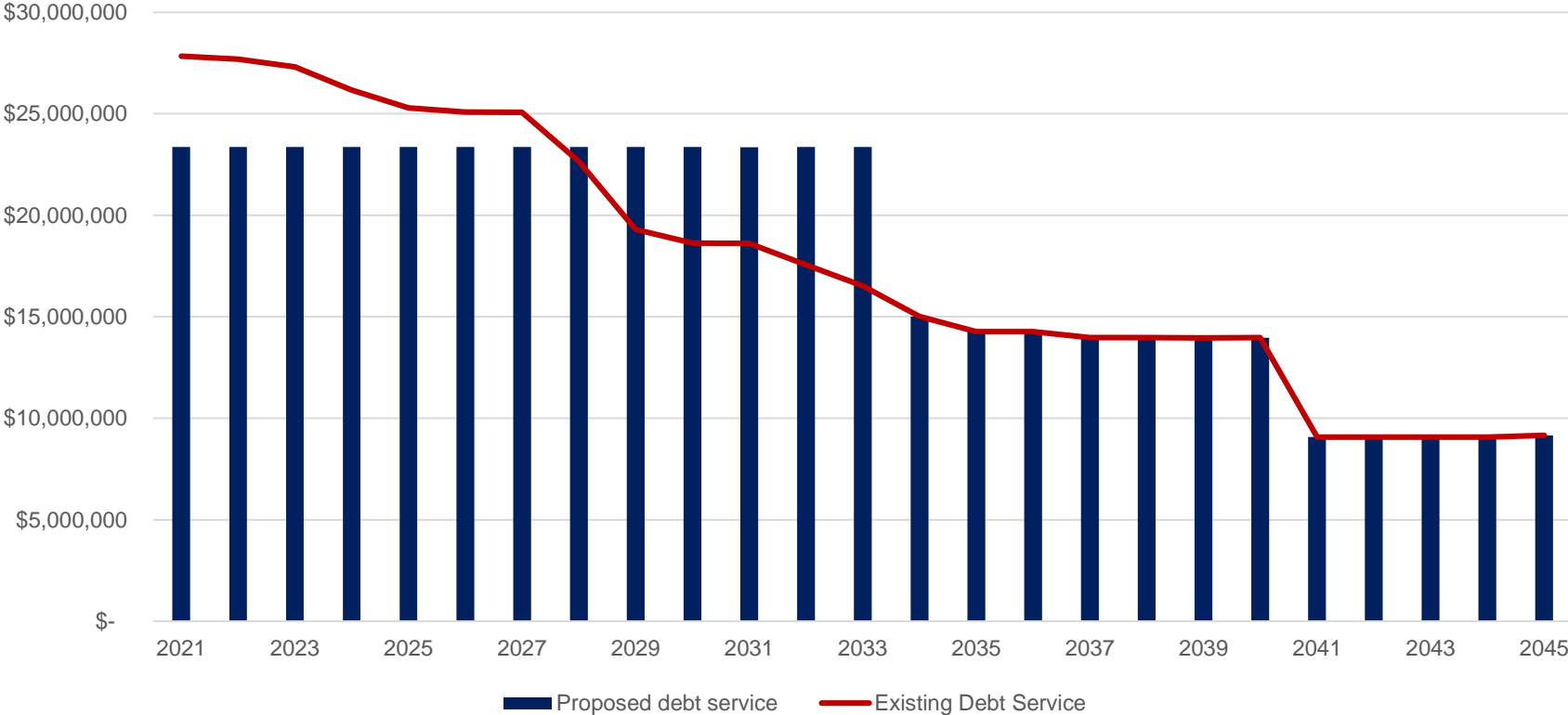
Conditions on use of one-time funds

UFB may be used to “bridge” if UFB $\geq 2\%$ of expenses at end of FY20 and $\geq 4\%$ at end of FY22

Debt reserve may be used to “bridge” to new base, but may be no less than one-half the maximum annual debt service payment at end of FY22

Debt refinancing may be used

It will help to refinance and restructure debt now

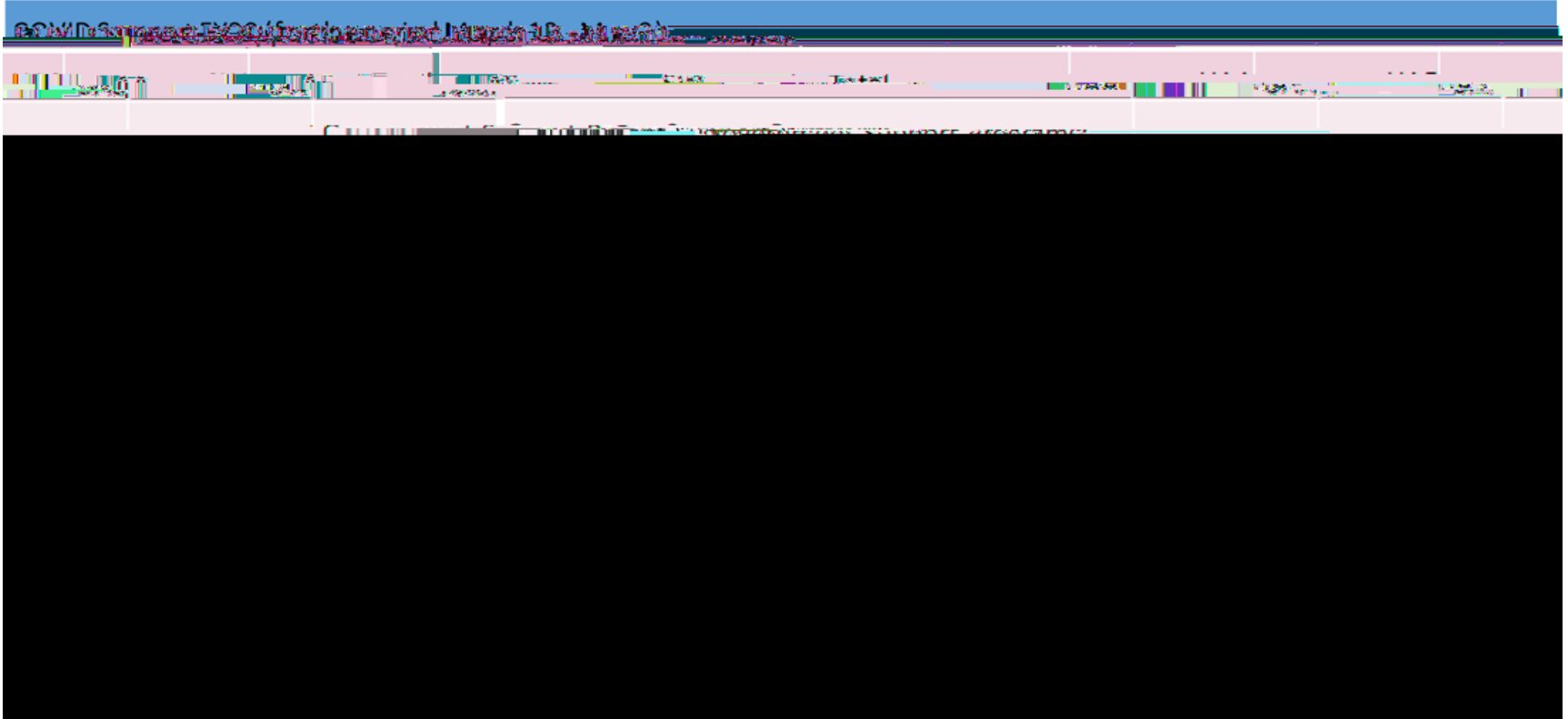


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COVID magnifies the problem

COVID relief funds help, but they are not enough



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The Board's Challenge/Opportunity

Status Quo

Continued incremental, pro-rata distribution of cuts

Ongoing incremental academic and administrative integration

Transformation

Additional academic and administrative integration

Revision of budget allocation model, so not pro-rata

Structural change, e.g., mergers, closures, changes of mission

Appendix

Our action must be guided by principles

Clear recognition of our serious fiscal challenges

Timely decision making for strategic direction

Primacy of the needs of our state for accessible, affordable, quality education, workforce training, research and service programs over our own institutional interests

Strong commitment to preserving what is core to our mission combined with a commitment to adapt and change

Consultation with key internal and external stakeholders

Expeditious implementation

Fidelity to our values

Our action must live up to our values

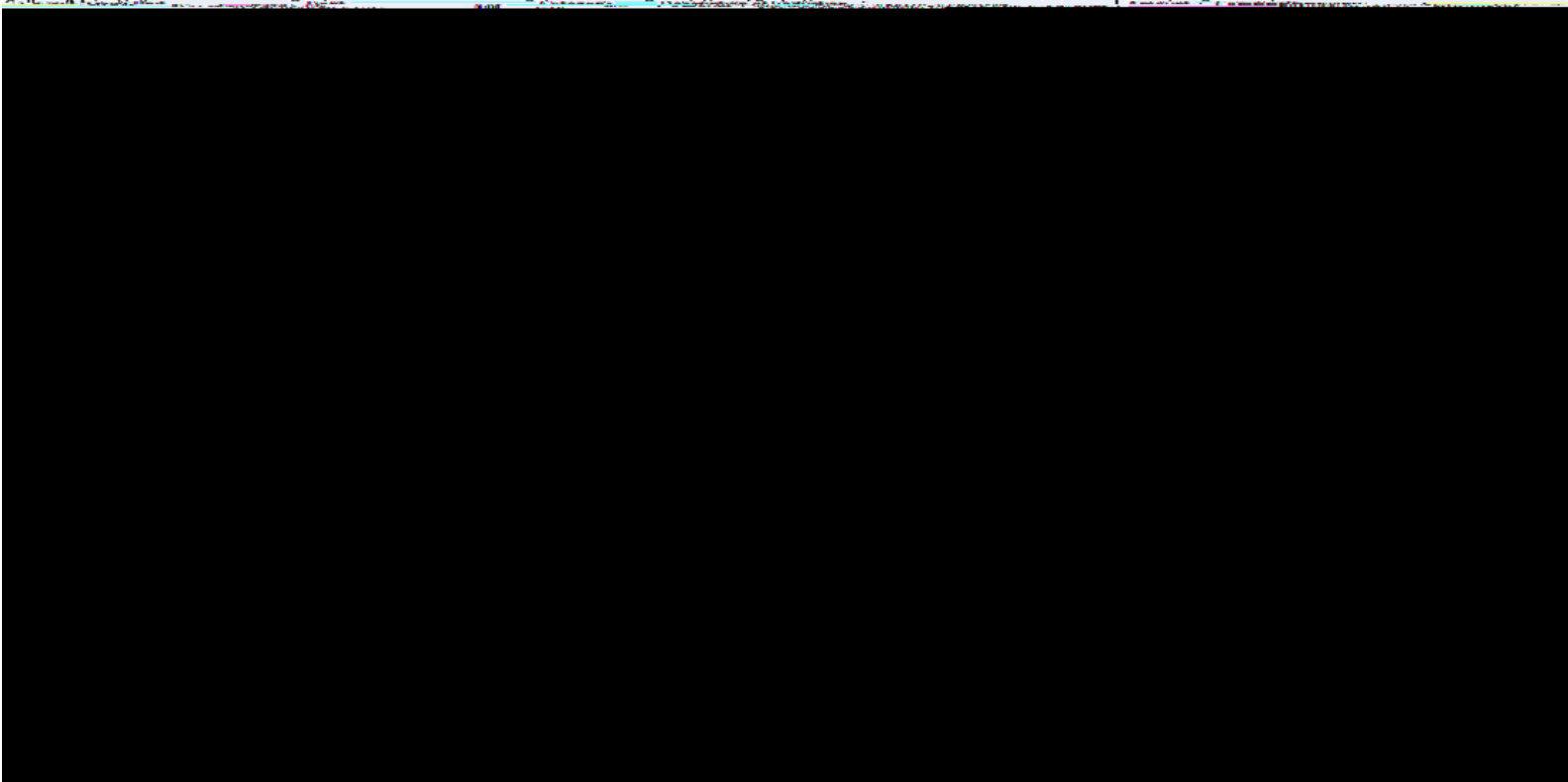
MAU cost reduction details

1,400,000	1,900,000	300,000	300,000	3,900,000	1% general market compensation adjustment
1,300,000	1,600,000	170,000	200,000	3,270,000	Specific market compensation adjustment
4,324,000	Unmet base gap from prior year(s)			3,500,000	824,000
(4,850,000)	Market-based compensation reductions			(100,000)	(4,950,000)
7,400,000	Auxiliary deficits (caused by COVID)			2,500,000	4,900,000
3,974,000	40,544,000	Adjusted target		14,100,000	31,300,000
(3,200,000)	(39,007,192)	Specified base reduction		(10,340,692)	(12,093,892)
7,206,200	(100,000)	671,000	11,636,518	Unmet base gap at end of year 3,859,318	
UAF	UAS	SW	Total	FY22	UAA
7,200,000	9,900,000	1,700,000	1,200,000	20,000,000	Unrestricted General Fund Reduction
31,903,540	12,850,340	18,706,680	17,889,600	3,651,600	

UAA Reductions FY21

College/Major Unit	Dept	Category	Description of Reduction	Amount	Notes
		Academic	Instructional and non-instructional and general costs.	\$899,000	Needs to be done due to academic implementation timing.
College of Business and Public	Academic Affairs	Academic	Instructional and general costs with small instr...	633,000	Base UGF reductions. One time C...
College of Engineering	Academic Affairs	Academic	Non Instructional and general costs with...	367,000	Base UGF reductions. Implementation timing.
College of Health	Academic	Academic	Instructional.	450	Base UGF reductions.
Community and Technical College	Academic Affairs	Academic	General costs and non-instructional.	405,000	Base UGF reductions. C...
Fund to AAC and	Facilities	Facilities	Reduction of Facilities reserve (supplies, materials, tools, and parts).	840,000	Base UGF reduction

UAA Reductions FY21 cont.



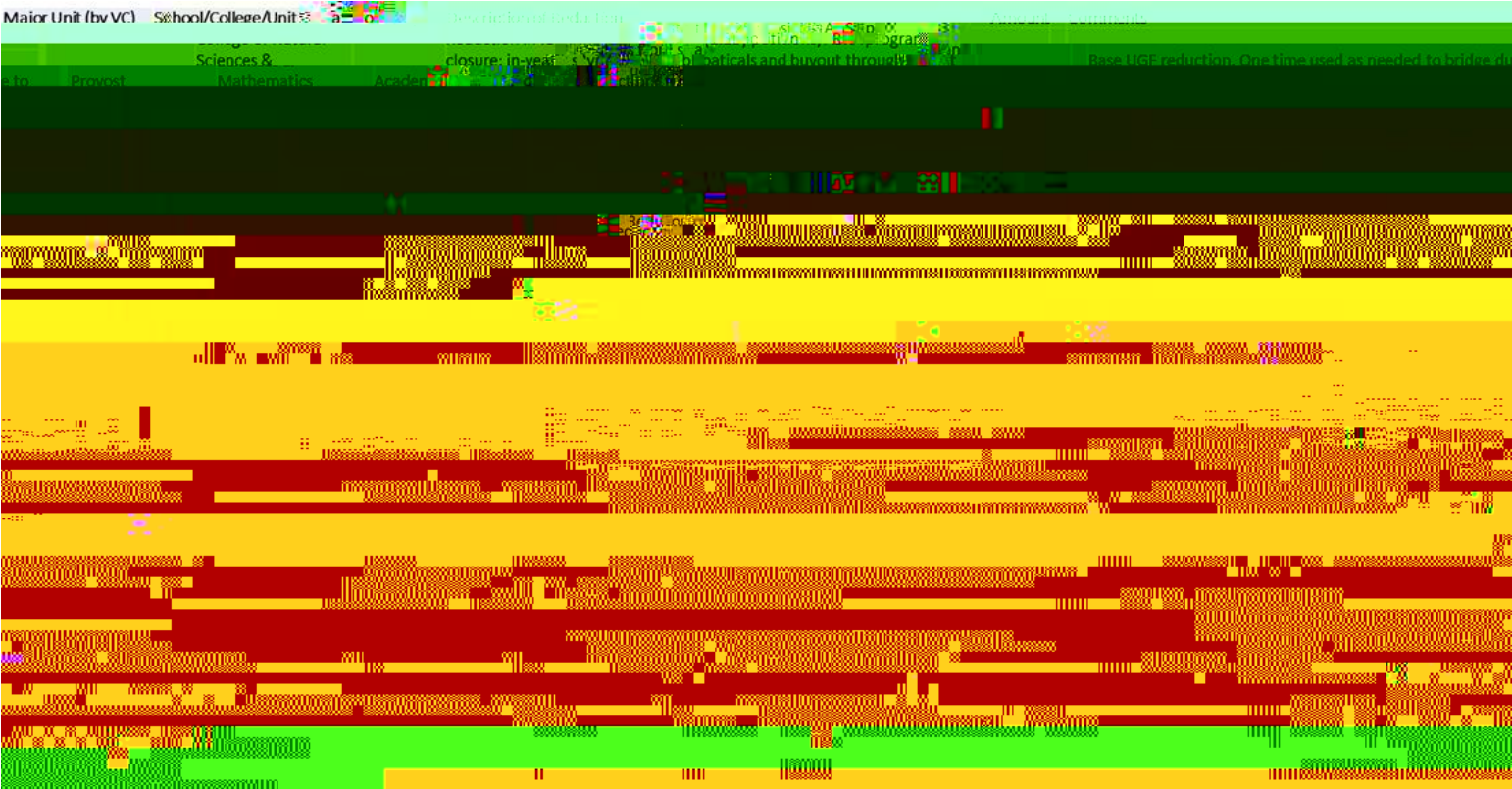
UAA Reductions FY22

College	Major	Unit	Dept.	Category	Description of Reduction	Amount	Source
Portland Community College	Business Administration	1000	1000	Administrative	Administrative	4,000,000	Administrative
Portland Community College	Business Administration	1000	1000	Administrative	Administrative	2,500,000	Administrative
Portland Community College	Business Administration	1000	1000	Administrative	Administrative	1,500,000	Administrative
Portland Community College	Business Administration	1000	1000	Administrative	Administrative	1,000,000	Administrative
Portland Community College	Business Administration	1000	1000	Administrative	Administrative	500,000	Administrative
Portland Community College	Business Administration	1000	1000	Administrative	Administrative	500,000	Administrative
Portland Community College	Business Administration	1000	1000	Administrative	Administrative	500,000	Administrative
Portland Community College	Business Administration	1000	1000	Administrative	Administrative	500,000	Administrative
Portland Community College	Business Administration	1000	1000	Administrative	Administrative	500,000	Administrative
Portland Community College	Business Administration	1000	1000	Administrative	Administrative	500,000	Administrative

UAF Reductions FY21 cont.

Unit (by VC)	School/College/Unit	Category	Description of Reduction	Amount	Comments
VC Rural					
e to	VCR Offices	Admin	One health effort to restricted funding, reduce travel in OGCA	308,500	One time used as needed to bridge du
ridge due to	College of U	Admin	Reduction of credibility (ES) and (ES) and (ES) and (ES) and (ES) and (ES)	750,000	Base UGF reduction. One time used as needed
to bridge due to	College of Liberal	Academic	(4); savings from junior and delayed hire, reduction in faculty (3.25), adjuncts and term faculty (5), and stan	489,900	Implementation timing
				700,000	

UAF Reductions FY21 cont.



UAF Reductions FY21 cont.

UAF Summary		FY21 UGF State Reduction	12,300,000	
		FY21 compensation increase (market)	1,600,000	TBD
			15,800,000	100% of
			3,455,500	Additional
			19,255,500	Total FY
<p>base reduction target in FY21 al reduction planning in FY21 to reduce prior year balance 21 reduction efforts, in excess of FY21 targets:</p>				
NOTES:				
<p>aining balance may vary based on transition plans/timelines and is factored into Prior year (FY20) gap \$6.7M being addressed in FY21 & FY22 plans. FY21 actions are in excess of FY21 UGF reduction targets. Rem FY22 plans.</p>				
<p>By FY21 end of year, certain positions linked to more complex transition plans will result in savings that are not captured in the above. Savings reduction plan included in both the UGF Plan and FY21 Savings Plan. Details are provided in the UGF Plan.</p>				
above.				
Adjustments by Statewide Finance on May 7, 2020				
Total from above				
Less: time required to implement / result in savings of one-time transition				
at new base)				
Reductions in positions / AI & learning spaces support transitioned to				
UAF base reduction plan: a new parameter in the UGF Plan				
addressed through cross MAU collaboration (3,317,700)				
Adjusted base reductions				

UAF Reductions FY22

Major Unit (by VC)	School/College/Unit	Category	Description of Reduction	Amount	Comments
886,000	Participating in shared services opportunities	Chancellor	TBD	Admin	Estimated base reduction - subject to change
	Academic/				
	Research		Estimated base reduction - subject to change	1,139,500	VC Research
	Other		Estimated base reduction - subject to change	593,300	Considering ability to increase industry/external support for outreach or service functions
			Additional actions to address prior year base shortfall. One-time funds.		
			100% of base reduction target in FY22	11,500,000	
			Additional reduction in FY22 to eliminate prior year balances	3,244,500	
			Total FY22 reduction efforts in excess of FY22 targets	14,744,500	
			NOIS:		
			Research reductions are included in both the VC Research		
			Adjustments by Statewide Finance on May 7, 2020		
			Total from above	14,744,500	
			Less reductions to Information Technology:		
			Estimated base reduction - subject to change	684,900	
			Adjusted base reductions	14,059,600	

UAS Reductions FY21



UAS Reductions FY21 cont.

College/Major Unit	Report	Category	Description of Reduction	Amount	Comments
Extended Camp	Sitka	Facilities	Facilities		

UAS Reductions FY22



SW Reductions FY21

College/Major Unit	Dept.	Category	Description of Reduction	Amount	Comments
Statewide	Foundation	Admin	Reduce annual support payment to UA Foundation	200,000	
Statewide	IT	Admin	Eliminate six vacant Information Technology positions	613,000	
Statewide	IT	Admin	Hardware efficiencies, and software contract reductions		

SW Reductions FY22

College/Major Unit/Dent	Category	Description of Reduction	Amount	Comments
		Note: Additional base expenditure reductions have been forecasted		
		Due to the positive impact on viability in flow of		
		actions, on		