

University of Alaska

FY15 Budget Legislative Intent Language DRAFT RESPONSE

Rep. Feige

“It is the intent of the legislature that the University of Alaska shall collect data on recent and future graduates so that a performance matrix may be established for each degree program offered by the University. Information should include the number of students who graduate, when they are employed in a related field of study and at what salary, what their debt load was upon graduation, and other demographic information.”

Response:

UA Institutional Research and Planning has created a matrix to display all the requested data. Each university is reviewing the data currently available and developing a process to update the data on an annual basis. The next updated report will be available around mid-January 2015.

Rep. Reinbold

“It is the intent of the legislature that the University of Alaska carefully review every program and reevaluate and implement benchmarks with measurable outcomes, delete any unnecessary programs, implement streamlining and efficiency measures, conduct a systemwide audit, implement and conduct rigorous employee evaluations using best practices, strongly consider fiscal impacts during employee labor contract negotiations to help lower costs, attain and implement cost-savings in travel policy, maximize energy and heating efficiencies in buildings, and sell, lease, or repurpose buildings for maximum utilization.”

Response:

1) Program review-carefully review every program and reevaluate and implement benchmarks with measurable outcomes, delete any unnecessary programs

Response: Program review is part of Board of Regents’ policy and every program is reviewed on periodic basis. In addition, in 2013 each campus began a special review in light of state budget guidance, using measurable outcomes, efficiency and core mission benchmarks with which to judge necessity and, if appropriate, deletion.

2) Implement streamlining and efficiency measures

Response: Underway. Information is collected from each university every September as part of the annual budget process. Streamlining and efficiency measures are listed by university. In addition, the process involved in conducting Shaping Alaska’s Future (P01.02.060) is predominantly aimed at streamlining and efficiency as well, and progress will show up in the associated metrics.

3) Conduct a systemwide audit

Response: Per Board of Regents' policy (P05.03.026), UA’s chief audit executive presents the annual system-wide audit plan to the Board of Regents’ Audit Committee for review and approval. The University also contracts with an independent firm to conduct an annual audit of the financial statements and a Federal Single audit. In addition, House Bill 30 included a

requirement for the Division of Legislative Audit to conduct performance reviews of the University beginning in 2018.

4) Implement and conduct rigorous employee evaluations using best practices

Response: Per Board of Regents' policy (P04.07.030) the performance of each employee is evaluated annually. Each of the three universities and UA Statewide have a performance evaluation process in place.

5) Strongly consider fiscal impacts during employee labor contract negotiations to help lower costs

Response: UA labor and wage rates are historically below state wage rates. Today they are even well below UA rates for FY11 and earlier. We continue to work labor contracts carefully with regard to wages.

6) Attain and implement cost-savings in travel policy

Response: The University of Alaska has focused on limiting travel costs over the last three years by investing in video conferencing and associated equipment to offset travel expenses. Cost avoidance for travel expenses across the entire UA System for FY14 alone was estimated at \$858K. UA travel costs are made challenging given athletic and research needs. When the legislature reduced UA's travel budget by \$1.1M to pay operation and maintenance bills, that decision removed UA's ability to find additional significant travel savings in FY15 that were not already considered. UA will certainly continue to examine travel costs.

7) Maximize energy and heating efficiencies in buildings

Response: Beginning in 2011, all three UA universities selected an energy service company through a competitive RFP process to perform energy audits on our campuses across the state. For example, Siemens Corporation was the successful bidder on the UAF projects and completed the Investment Grade Energy Audits. UA routinely evaluates the latest methods for reducing building operating costs during upgrades, and uses energy efficiency in selecting new construction designs.

8) Sell, lease, or repurpose buildings for maximum utilization

Response:

UAA

UAA sold its interest in the Diplomacy building and will save significant lease costs in FY16 when more UAA offices are consolidated into the UA office building at 1901 Bragaw Street. UAA has also focused on better leveraging of existing space. A prime example of this is the Wendy Williamson Auditorium. UAA recently rehabed the interior with improved lighting and seating. The upgrades included IT infrastructure upgrades and acoustical improvements, making the auditorium more conducive for academic use. Today, several large classes of 150-200 students are being conducted in this venue, allowing UAA to consolidate courses that had been taught in multiple, smaller sections.

UAF

UAF will demolish the outdated large animal quarters as a part of the upgrade project which remodels the Irving building to accommodate the Vet Med 2+2 program in fall 2015.

Proceeds from the intended sale of Geist Road acreage is planned to benefit the early childhood education program.

UAS

UAS sold the Bill Ray Center and consolidated programs into existing campus space. It is considering sale of the Auke Bay administration building as a means to further consolidate and upgrade space on the core campus.

UA will continue to take aggressive advantage of real estate development opportunities.

Rep. Hughes

“It is the intent of the legislature that the University of Alaska maintain the University of Alaska Anchorage Office of Research and Graduate Studies and the University of Alaska Fairbanks Office of Intellectual Property and Commercialization and continue to explore additional funding opportunities.”

Response:

UAA

The UAA Office of Research and Graduate Studies is integral to addressing this issue in UA’s Policy, Shaping Alaska’s Future, (Theme #4, Issue E): “Limited state investment in UA research capacity makes it difficult to remain competitive for research grants, contracts and faculty.” As a result, additional resources were provided through reallocation to the department in FY15 to address expenses related to greater pursuit of successful commercialization efforts.

UAF

The UAF Office of Intellectual Property and Commercialization (OIPC) continues to grow UAF’s commercialization enterprise since its inception in 2011. Following are some recent highlights from OIPC.

- The NIC Board of Directors formed a for-profit subsidiary, Nanook Tech Ventures (NTV), in April 2013.
- OIPC patent filings have increased annually from 3 filings in FY10 to 7 filings annually by the end of FY14.
- In FY14, UAF was awarded two patents.
- In FY14, NIC licensed 40 technologies. Three of the four technology licensees are companies that are based in Alaska and Alaskan owned.
- NTV formed two start-up companies commercializing UAF intellectual property. Both companies are owned and operated by UAF researchers.
- OIPC is currently making payment of the first \$10,000 in licensing royalties generated from technology commercialized by a start-up company.

Senator Fairclough

“It is the intent of the legislature that the University of Alaska submits a Fiscal Year 2016 budget in which requests for unrestricted general fund increments do not exceed the amount of additional University Receipts requested for that year. It is the intent of the legislature that future budget requests of the University of Alaska for unrestricted general funds move toward a long-term goal of 125 percent of actual University Receipts for the most recently closed fiscal year.”

Response:

The University of Alaska believes the purpose of the intent language was to 1) stabilize general fund growth; 2) incent generation of non-general fund revenue; and 3) create programmatic budget constraints that will drive future negotiated salaries as well other potential financial decisions under consideration.

Unrestricted general funds (UGF) definition: As the name indicates, there are no statutory designations or restrictions on funding included in this group. Funding in this group can be (and is) appropriated for any purpose and includes general fund match, general fund, and general fund/mental health.

University receipts definition: Includes interest income, auxiliary receipts, student tuition/fees, indirect cost recovery, and university receipts.

The FY16 request for unrestricted general fund increments (\$14.63M) is very close to the amount of university receipts budgeted (\$14.57M) that covers annual unavoidable (or “must pay”) fixed costs increases. However, with the Board of Regents’ intention to reduce the tuition burden on students and families by voting not to increase tuition in FY16, and with enrollment (student credit hours) being down largely because of the expected decline in Alaska’s high school graduates and part-time students, we project that there will be no additional robust revenue source such as ICR to offset costs. Lacking other significant sources for additional university receipts, the university will have to cover its share of costs mostly through internal reallocation and a diverse array of reductions.

If the state again mandates major real cuts to the unrestricted general fund portion of the budget as it did in FY15, this has the effect of moving the ratio down toward the long-term goal of 125 percent, but does not accomplish that aim via the spirit and intent to have the State share with the University in covering unavoidable annual fixed cost increases. This objective 1.25 ratio methodology needs to be re-evaluated for applicability in the case of an un-programmed GF reduction or an extended down budget cycle, given that UA can be placed in a situation where it has very little control of either the numerator, or the denominator, or both.

UA is also considering revenue enhancement opportunities. As mentioned, UA is working to create economic value from intellectual property through the UAA and UAF Offices of Intellectual Property and Commercialization. Recruiting efforts (tuition) could be increased considerably, but that takes investment dollars. Retention of students is a significant source of tuition dollars and programs such as advising and dual enrollment play a key role in retaining

well prepared students. However, these programs are at significant risk in the current fiscal environment where another series of real operating budget reductions are possible. In that case, UA fixed costs that represent a major share of the reduced baseline budget and will need to be examined for reductions such as pay, benefits, jobs, and facilities across Alaska.

Senator Meyer

“It is the intent of the legislature that the University of Alaska implement a utility surcharge or increase tuition in an amount not to exceed annual revenue of \$2,000,000. This funding and the fuel savings resulting from construction of the new plant shall be used to offset University revenue bond debt service for the University of Alaska Fairbanks Heat and Power Plant.”

Response:

The Governor’s 5 year deferred maintenance initiative concluded in FY15. Recognizing that significant loss of capital revenue, and following legislative direction put forward in the FY15 budget, the University of Alaska will implement a \$2 per credit UA Facilities Fee starting in Spring 2015. In Fall 2015 this fee will increase to \$4 per credit, and in Spring 2016 the fee will increase to \$6 per credit. This funding apportionment will go to partially offset the university revenue bond debt service for UAF as well as be used for capital reinvestment at the other universities.