

# Goal #5

## Operate more cost effectively



UNIVERSITY  
of ALASKA  
*Many Traditions One Alaska*

### BACKGROUND CONTEXT

As the University of Alaska examines how best to position itself to meet the future needs of Alaska and its students, steps have been taken to reduce administrative and operating costs to free up funds for investment in high priority programs and services. A series of initiatives including Statewide Transformation and Strategic Pathways have, and will continue to shape and restructure the university. The university has seen a 16 percent cut in state unrestricted general funds (UGF) appropriations since FY14 – an impact of \$61 million – while experiencing annual fixed cost increases. In addition, the number of students enrolled at UA peaked in FY12 and has been in decline ever since. The reductions have led to 1,183 fewer employees and 50 fewer program offerings. The university continues to work to mitigate state funding decreases by increasing alternative revenue sources through enrollment growth strategies, philanthropic giving, land grant initiative and containing costs.

### BENEFITS TO ALASKA

#### A more efficient and streamlined university

- UA is reviewing all of its major academic programs and administrative services for how to create a more sustainable university with more diverse revenue sources, and building on the unique strengths of each university. UA seeks quality, access, and cost effectiveness while we grow in service to our state at this critical time in our history.
- Budget reductions have led to a streamlining of university programs and a downsizing of its workforce.
- The largest reductions have occurred at Statewide and within administrative and academic leadership positions on campus.
- Guiding principles of program prioritization include the ability to leverage partnerships with key stakeholders and diversified funding resources; a focus on our goals to meet state needs and a commitment to continuous commitment; increased productivity through faculty and staff development, lean process improvements, and increased competitive capacity; and clear accountability, measurement toward goals, and use of shared governance.

#### Reinvestment into critical programs

- UA has implemented cost savings initiatives and inter-university collaboration, and used the cost savings to invest in new initiatives that strengthen performance at lower cost.
- UA is reinvesting in programs geared to encourage and prepare rural Alaskan students for a science, math, or engineering education; aggressively promoting teacher education programs to recruit more Alaska-educated teachers; increasing K-12 bridging programs; expanding research capacity; and, providing critical student support services.

#### Greater return on investment

- UA seeks to increase degrees, certificates and endorsements earned while holding down costs, to reduce the total cost of education.
- The goal is to increase the average, annual number of degrees earned by enrolled students to 35 degrees per 100 student full time equivalents, by 2025.

## **Accountability**

- The Board of Regents set ambitious goals and tied strategies and resource requirements to them.
- The university must measure and report out on progress toward goals which were intentionally set to exceed projections and drive growth.
- The university must modify goals as progress is made or as resources are constrained.

## **CHALLENGES**

- Four years of budget reductions and enrollment declines have been balanced by reducing costs (especially jobs), so when discussing cost containment now, one must recognize that there is a lot less to cut.
- Governor Walker's proposed FY19 operating budget includes a \$317 million state appropriation for the University of Alaska. To maintain our current level of service, the university would require an FY19 operating budget appropriation of \$326.8 million.
- The governor proposed separate legislation that includes \$70 million (UGF) for UA's facilities maintenance needs. However, those funds would come from a payroll tax, which is a separate piece of legislation that must be enacted to generate the funds.
- Automation and modernization are important aspects of providing higher education, but most require significant initial investment before long-term cost savings can be realized.

## **SOLUTIONS**

### **Goal driven budget process**

- The Board of Regents' FY19 operating budget request is \$341 million state unrestricted general funds (UGF).
- The regents' budget request is built to support strategic investments in recruitment and retention, high-demand skills training, economic development, research capacity, Arctic leadership, scholarships and business innovation.

### **Compensation freeze**

- Although challenging, the university has committed to not increasing employee base salaries in FY18, which is a significant cost containment measure.

### **UA Land Grant Initiative**

- The university continues to request the state administration, the legislature, and the federal government to address its land deficit issue and provide the lands that are due to UA. Gaining lands promised and intended in a permanent land endowment will help generate income and over time moderate UA's reliance on state general funds.

### **Cost-containment initiatives**

- Cost containment and reduction measures are underway. Examples include, travel, procurement, grants & contracts administration, automation projects and lean process initiatives, and the freeze on wages.
- The university will continue to pursue cost containment and reduction efforts to provide high quality educational opportunities for Alaska most cost effectively.