

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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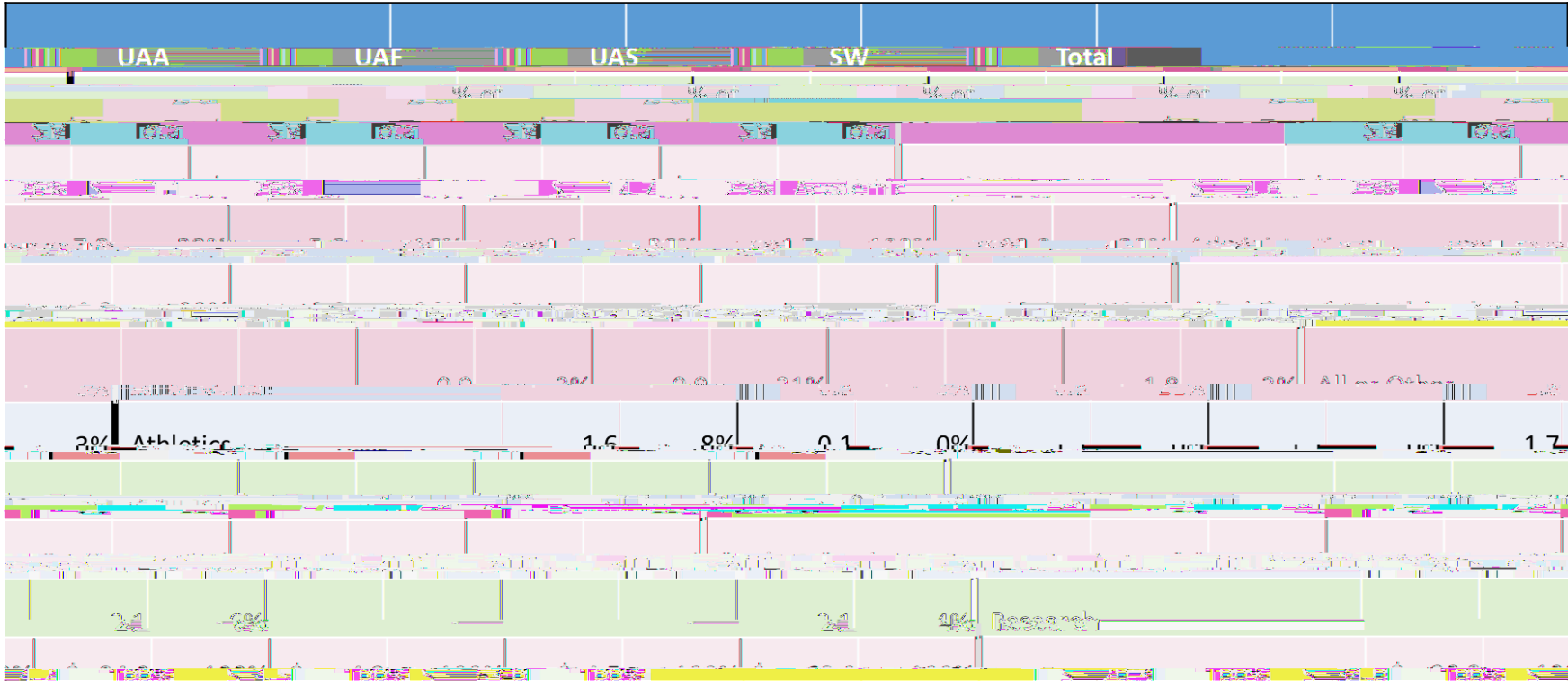


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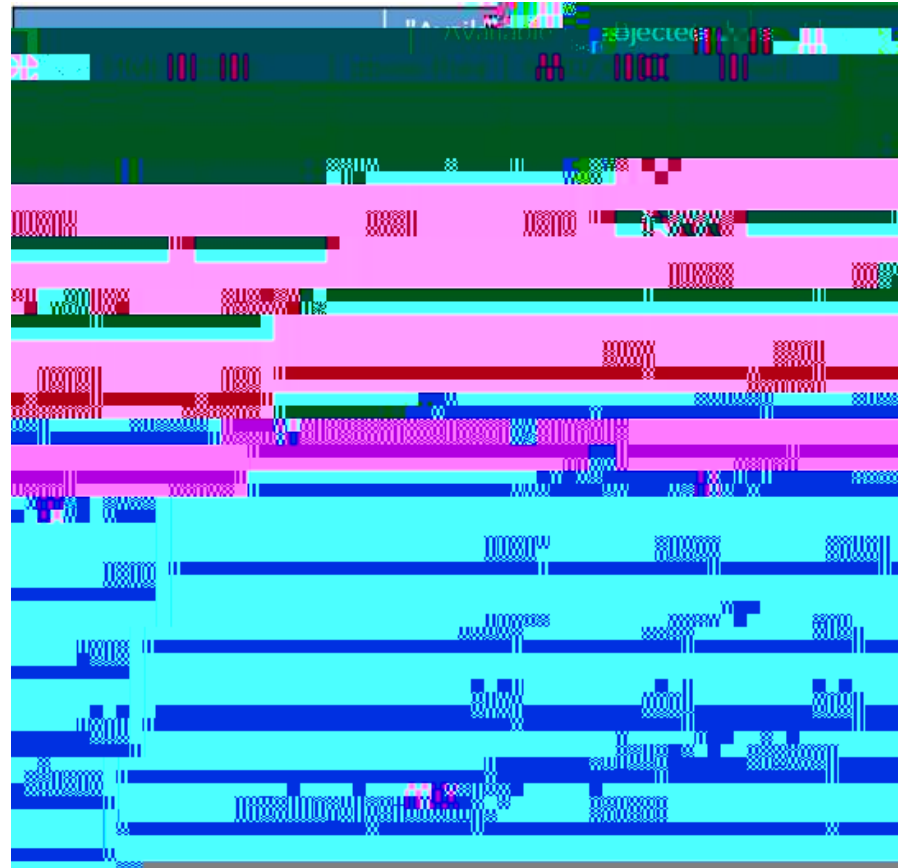
# MAUs cost savings projected for FY21 and FY22\*



\* 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
How can we fill the gap?		
Specified base reductions FY22 (UAS)	1.7	
Gap after specified reductions		
Gap to fill	\$40.8	Remainin

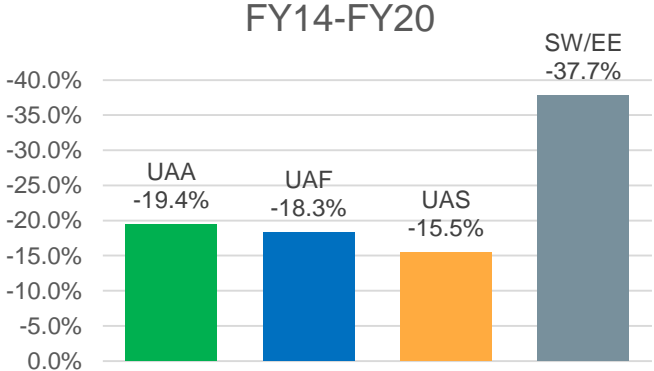
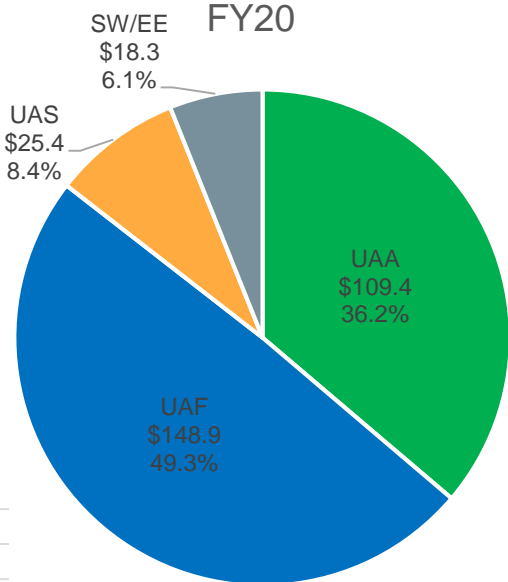
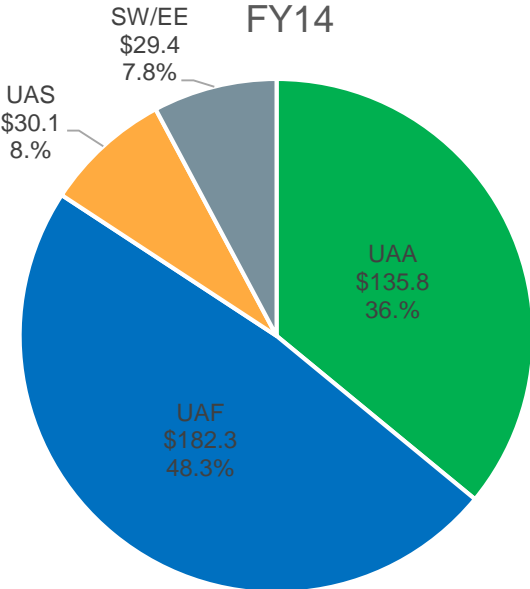


FY20 COVID expenses/receipt detail on Slide 20.

# 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

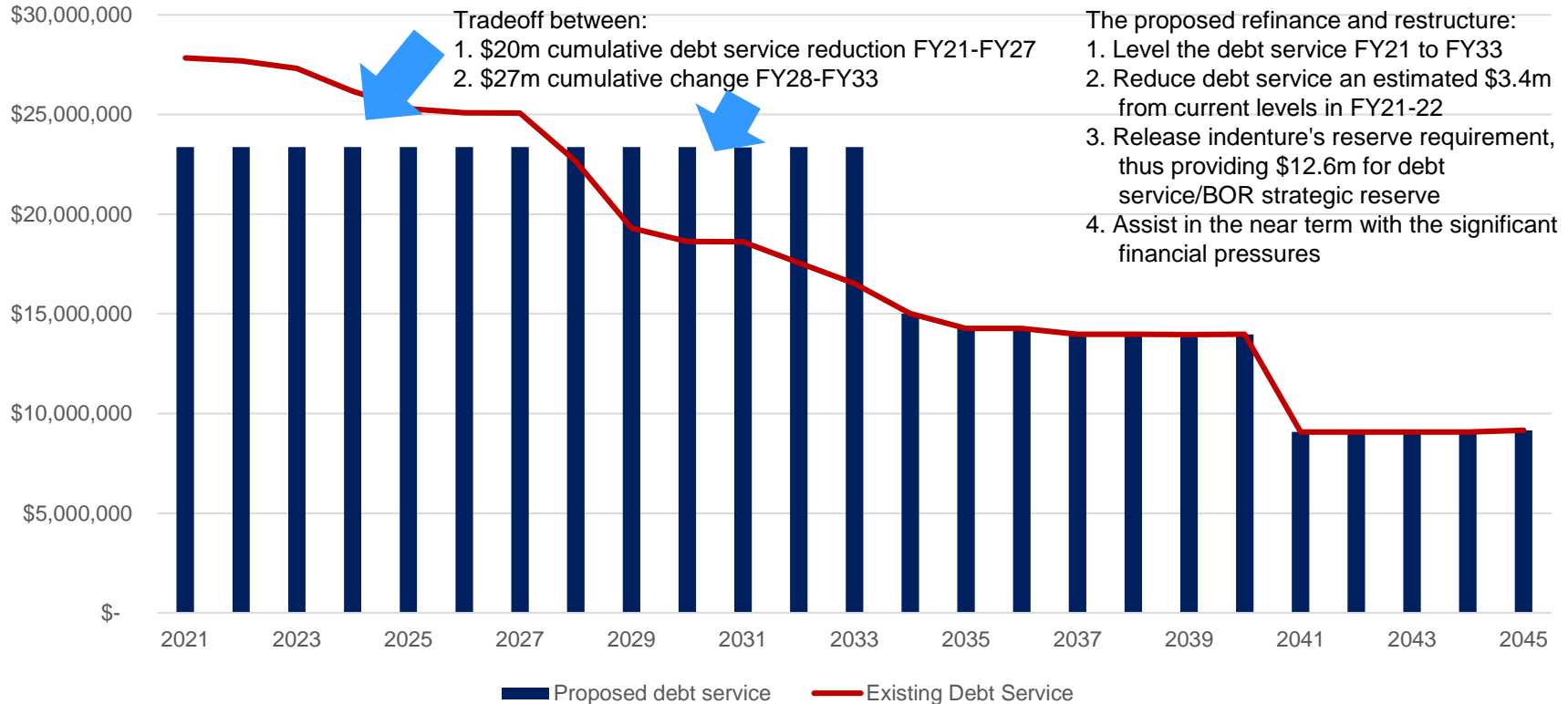
## Conditions on use of one-time funds

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

COVID Support FY20 (for the period March 13 - May 3)



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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

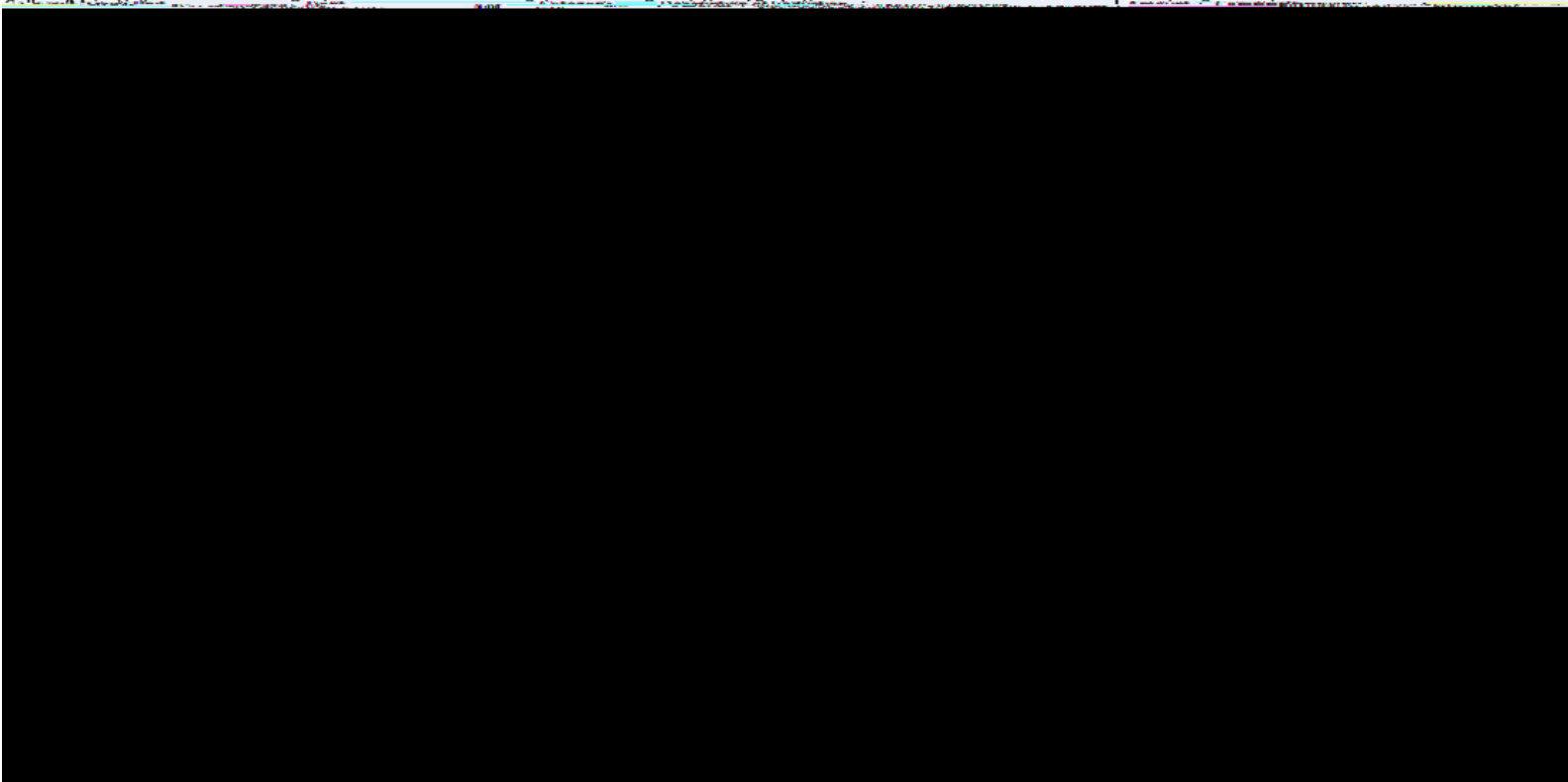
Our action must live up to our values

# MAU cost reduction details

	1,400,000	1,900,000	300,000	300,000	2,900,000	1% general market compensation adjustment
Investment	1,300,000	1,600,000	170,000	200,000	3,270,000	Specific market compensation adjustment
Unmet base gap from prior year(s)	4,324,000				3,500,000	824,000
Auxiliary deficits (caused by COVID)	7,400,000		2,500,000		4,900,000	
Adjusted target	14,100,000				21,200,000	
Specified base reductions	(3,907,192)				(10,240,692)	(13,093,890)
Unmet base gap at end of year	3,859,318	7,206,200	(100,000)	671,000	11,636,518	
	UAA	UAF	UAS	SW	Total	FY22
Unrestricted General Fund Reduction	20,000,000	7,200,000	9,900,000	1,700,000	1,200,000	
Gap	1,700,000	2,071,000	24,926,518		12,359,318	18,700,000
Specified base reductions (FY22)	(1,700,000)				(1,700,000)	
<b>Total Combined FY21 and FY22</b>						
	UAA	UAF	UAS	SW		



# UAA Reductions FY21 cont.



# UAA Reductions FY22

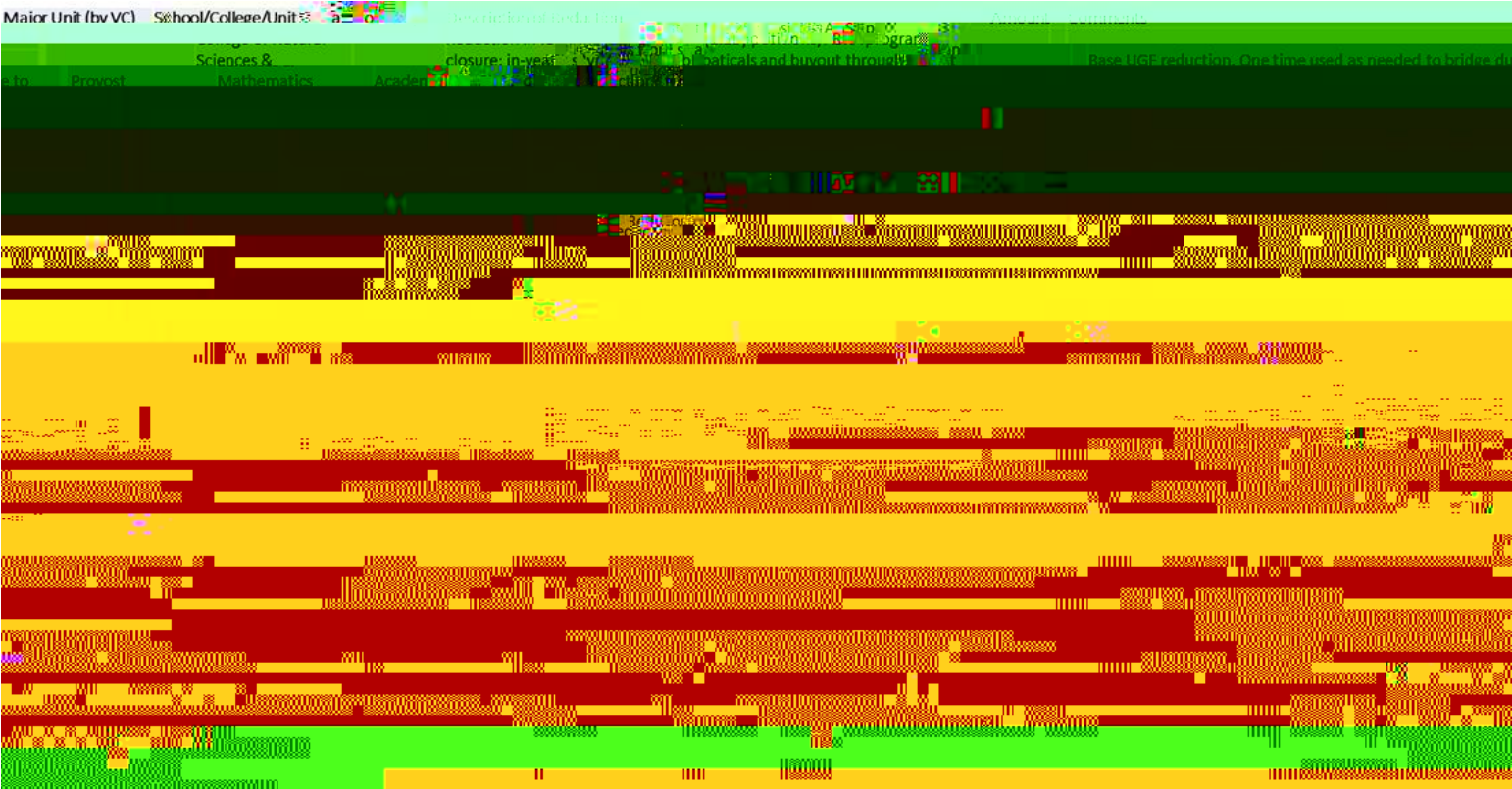
College	Major	Unit	Dept.	Category	Description of Reduction	Amount	Source
UAA	Education	College	Education	Various	College	4,000,000	Academic
UAA	Education	College	Education	Various	College & Academic Staff	2,500,000	Administrative and Academic
UAA	Education	College	Education	Various	College	1,500,000	Academic
UAA	Education	College	Education	Various	College	1,000,000	Academic
UAA	Education	College	Education	Various	College	500,000	Academic
UAA	Education	College	Education	Various	College	500,000	Academic
UAA	Education	College	Education	Various	College	500,000	Academic
UAA	Education	College	Education	Various	College	500,000	Academic
UAA	Education	College	Education	Various	College	500,000	Academic
UAA	Education	College	Education	Various	College	500,000	Academic







# UAF Reductions FY21 cont.





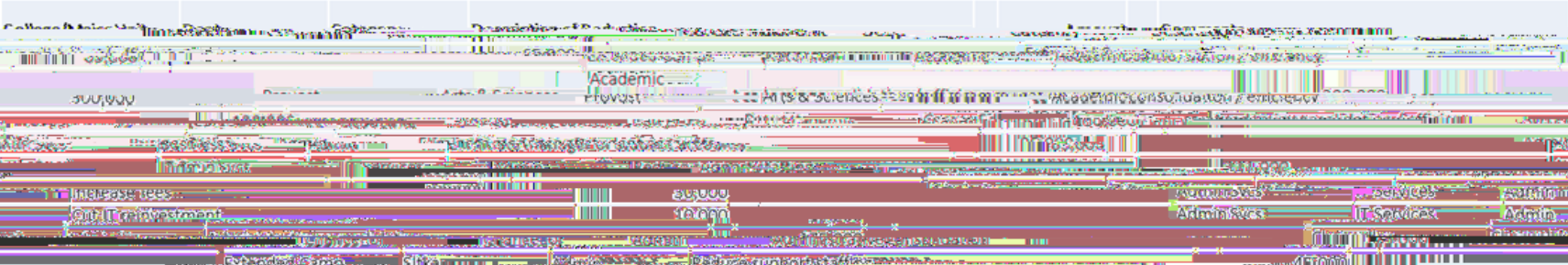
# UAF Reductions FY22

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	694,900	
			Adjusted base reductions	14,049,600	

# UAS Reductions FY21



# 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		

