Overview

1. Action Item: Financial Exigency

2. Discussion: Options for University Structure
Financial Exigency
Why we need a declaration of financial exigency

• Our state budget for the current fiscal year was cut by $136 million (41%). We generate other revenues (tuition, grants, contracts) and can’t do so without the base budget provided by the state.
• We do not have enough money in base or reserves to fund our current operations through the year.
• Our standard processes for reviewing and reducing operations take a long time.
• Even if additional funds are added back into our budget during the special session, we do not know:
  • the amount that will be added back in by the legislature,
  • whether that amount will be vetoed and, if so, whether that veto will be overridden,
  • whether those funds will be to our base or one-time, and
  • when these questions will be resolved.
• We have already taken cost reduction measures, but they are not of a scale to cover the gap expected even under the most hopeful special session outcome.
• Moody’s downgraded our bond rating, citing the “severity and magnitude” of the budget cut, the override failure, and our inability to make timely operational cost reductions without a declaration of financial exigency.
• A declaration of exigency does not cede Board authority over administrative structure or academic programs, but is a critical step in the process for Board action.
$136 million UGF is a big cut, and that’s not all

Taken alone, a $136 million UGF cut will result in:
• At least 1,300 additional layoffs of faculty and staff; loss of the work those people do.
• Closure of entire campuses, colleges, schools, and programs.

And that’s not all.

UA’s ability to generate non UGF funds is impaired by cuts to UGF. We estimate this impact to be ~$65 million.
• We will have fewer faculty teaching fewer courses and sections, as well as continued declining enrollment, resulting in less tuition revenue.
• We will have fewer faculty competing for research grants and contracts, resulting in less revenue from those sources.

And if we begin to realize our major cost reductions in January—because we want to assure our students full access to their current programs this fall semester while we finalize, get Board approval for, and implement our cost reduction plan—the reduction of $200 million from the state, tuition, grants and contracts must largely be taken over six months, effectively doubling impact on programs and services.
Magnitude of UGF Budget Reductions

- Annual Tuition Revenue: $135.0
- Fairbanks Campus: $126.0
- Anchorage Campus (includes SBDC): $104.0
- Facilities Maintenance: $45.0
- Community Campuses: $36.0
- Fairbanks Organized Research: $22.0
- Juneau Campus: $21.0
- Statewide Services: $18.0

FY20 Budget reduction with Gov's vetoes
By delaying cost reduction, UA runs out of UGF

Each month of delay in reducing expenditures adds an estimated $11 million that needs to be cut in the remaining months of the fiscal year.

Average monthly reductions needed over remaining months if decision made in that month (in millions of $):

<table>
<thead>
<tr>
<th>Month</th>
<th>July</th>
<th>Aug</th>
<th>Sept</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$11</td>
<td>$12</td>
<td>$14</td>
<td>$15</td>
<td>$17</td>
<td>$19</td>
<td>$23</td>
<td>$27</td>
<td>$34</td>
<td>$45</td>
<td>$68</td>
<td>$135</td>
</tr>
</tbody>
</table>

UGF Funds exhausted
A way to think about the impact of timing

If we need to save $1,200 in operating expenses over a fiscal year and you assume that a position costs $10/month, you can save $1,200 by:

• laying off 10 people on **July 1**
  
  (10 people * $10/month * 12 months = $1,200)

OR

• if you delay the layoffs until **January 1**, you will need to lay off 20 people to achieve the same reduction
  
  (20 people * $10/month * 6 months = $1,200)
Delay compounds the problem

Using our current numbers:

• At $327 million UGF (FY19 budget), the average monthly UGF spend rate was $27 million.

• At $192 million UGF (Governor's budget: $327M less $135M reduction), the average monthly spend can't exceed $16 million.

• So, this requires that we reduce programs & services by $11 million per month ($27 - $16) starting July 1.

• Each month we delay reducing, the required reduction per month increases because there are fewer months remaining in the year in which we can capture savings. For example, after 6 months, the required reduction doubles to $23 million month starting January 1 - with twice as many programs and employees impacted. ($135 million/6 = $23 million/month).

• Looked at another way, our state appropriation is only $192M. Spending UGF at $27 million per month for 6 months=$162 million. That leaves just $30 million UGF on December 31.

• Even if we are ready on January 1 to operate at the $192 million level, or $16 million/month, we run out of funds in February.
Financial exigency is a tool we need to implement a plan for UA’s future

Financial exigency is not the plan, but a tool we need in place prior to Board of Regents approval of a plan for major structural and program changes. We will discuss options for a plan in this meeting and in our meeting on July 30, in preparation for the major structural and academic program decisions scheduled for Board consideration and approval on September 12-13—after internal and external stakeholder. It also allows for near term reductions and consolidations in selected administrative areas.

Exigency not only provides the tools to implement reductions more timely, thus reducing the high cost of delay, it:

• enables expedited transition to a more sustainable operating model for the years to come,
• provides confidence to elected officials that we are on a strong footing for the future, and likewise
• provides confidence to students considering where to invest their time and resources for higher education, faculty and staff considering where to pursue their careers, research agencies and philanthropic donors deciding where to invest their resources, employers recruiting their workforce, and financial institutions deciding whether to finance our debt.
Options for University Structure
Principles – Strategic Pathways +

• Access – maximize e-Learning, support high demand programs, affordability
• Focus – eliminate redundancy, focus on unique strengths/opportunities
• Consistency – in business practices, policies, processes, and student support systems
• Sustainability – the remaining structure, administration, units, and programs should be constructed to not only survive this crisis but to achieve UA’s future role in Alaska, which will require significant cost reductions:
  • High quality vocational, technical, professional, academic and research programs
  • Seamless and student-centered student experience
  • Increased cost effectiveness
  • Enhanced collaboration and coordination across the university
  • Clear lines of authority/accountability
  • Strong, scalable position for future growth
Options

1. Fewer Universities and Campuses
2. Current UA, Lead Campus
3. New UA
1. Fewer Universities and Campuses

Eliminate one or more universities or community campuses.
1. Fewer Universities and Campuses

*Eliminate one or more university and campuses*

**Benefits**
- Limits impact of cut to eliminated units.
- Protects units not eliminated.
- Maintains mission and scope of units not eliminated.
- Less disruptive to faculty and students at universities not eliminated.
- Structure and accreditation not impacted at remaining universities and campuses.

**Risks**
- Leaves open the question which university to cut, encouraging inter-university and regional conflict.
- Could be either UAF, or UAA and UAS, and additional campuses.
- Denies access to higher education to a large number of Alaskans.
- High negative economic impact on communities.
- Indiscriminately eliminates strong as well as weak programs.
- System Administration unclear in a reduced system.
2. Current UA, Lead Campus

*Distribute UGF reduction proportionately to each university and SW; each unit to reduce into its unique “core”.**
2. Current UA, Lead Campus

* Distribute UGF reduction proportionately to each university and SW; each unit to reduce into its unique “core”.

**Benefits**
- Spreads impact of cut proportionately; does not pick and choose among units.
- Maintains some access to higher education to a large number of Alaskans.
- Retains current organizational structure.
- Each university retains its core.
- May result in reduction of duplicative programs.

**Risks**
- Risks financial viability and accreditation of each university.
- Does not address inter-university conflict, as some may argue proportional distribution not “fair”.
- Lack of agreement around each university’s “core” mission.
- May reduce student choice to academic programs and services at each university.
- Despite recent progress in coordination, substantial barriers remain.
- Not strategic, since priorities would be set at each university.
3. New UA

An opportunity to rethink how we organize UA so that it is:

• Designed to “fit” our enrollment and budget.

• A more integrated, single accreditation model for delivering higher education across the state that preserves our core mission at lower cost. Builds on constitutional and legal foundation of single university.

• Delivers education through single “college” for each major field serving the state with a common curriculum, calendar, course blocks, bill, transcript, application, and other processes. Delivery would be both face to face on our university and community campuses and, where feasible, on-line.

• Organized research would be conducted through research institutes with system-wide scope. Service units would be organized in a similar manner.

• Examples of multi-campus systems with a single institutional accreditation include the University of Washington, Pennsylvania State University system, and Kent State University system.
3. New UA

University of Alaska

- Research
- Academic Programs
- Governance
- Student Support
- Service and Outreach
- Administration
3. New UA

**Benefits**

- Preserves our strategic core--what’s best about all of UA--and provides it through available resources (programs, faculty, staff, funding) to Alaskans through facilities (campuses, on-line technology) across Alaska.
- Eliminates duplicative units and programs.
- Elevates focus and mission of UA on meeting the state’s needs and local interests more cost effectively.
- Opportunity for common curriculum, calendar, admissions, financial aid, transcript, bill, fee schedule, and other processes.
- Reduces administrative overhead and layers of bureaucracy.
- Increases access to all UA programs for Alaskans across the state, taking advantage of a centralized eLearning hub.
- Increases opportunities for university-wide faculty collaboration in research and education.
- Consistent with Legislative intent:
  
  “It is the intent of the legislature that the Board of Regents consider a plan to transition the University of Alaska from three separately accredited academic institutions into a single accredited institution with multiple community campuses, and that the Board of Regents provide an update to the legislature on the development of such a plan by December 1, 2019. “

**Risks**

- Requires substantive change in institutional accreditation and U.S. Department of Education approval, requiring time and significant effort.
  - Recent discussions with NWCCU indicate a viable path forward.
- Possible dilution of mission, lack of mission differentiation at each of the three current universities.
- Requires elevation of primary identification from local campus to the state.
- Centralized leadership and administration must be intentional to connect with local communities.
3. New UA — simplifying the academic structure*

<table>
<thead>
<tr>
<th>Current</th>
<th>New UA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. UAA School of Engineering</td>
<td>1. Alaska College of Business</td>
</tr>
<tr>
<td>2. UAA College of Business and Public Policy</td>
<td>2. Alaska College of Engineering</td>
</tr>
<tr>
<td>3. UAA College of Health</td>
<td>3. Alaska College of Science</td>
</tr>
<tr>
<td>4. UAA College of Arts and Science</td>
<td>4. Alaska College of Arts and Letters</td>
</tr>
<tr>
<td>5. UAA Community and Technical College</td>
<td>5. Alaska College of Health</td>
</tr>
<tr>
<td>6. UAA School of Education</td>
<td>6. Alaska College of Education</td>
</tr>
<tr>
<td>7. UAF College of Fisheries and Ocean Science</td>
<td>7. Alaska College of Fisheries and Ocean Science</td>
</tr>
<tr>
<td>8. UAF School of Management</td>
<td>8. Alaska College of Career and Technical Education</td>
</tr>
<tr>
<td>9. UAF College of Natural Science and Mathematics</td>
<td>9. Alaska eCollege</td>
</tr>
<tr>
<td>10. UAF College of Liberal Arts</td>
<td></td>
</tr>
<tr>
<td>11. UAF College of Rural and Community Development</td>
<td></td>
</tr>
<tr>
<td>12. UAF College of Engineering and Mines</td>
<td></td>
</tr>
<tr>
<td>13. UAF School of Education</td>
<td></td>
</tr>
<tr>
<td>14. UAS School of Arts and Science</td>
<td></td>
</tr>
<tr>
<td>15. UAS Alaska College of Education</td>
<td></td>
</tr>
<tr>
<td>16. UAS School of Career Education</td>
<td></td>
</tr>
</tbody>
</table>

Specific role of research institutes, outreach units, and community campuses TBD.
Discussion
## Draft Transition Timeline

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Summer</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BOR Meetings</td>
<td>7/22 &amp; 7/30</td>
<td>1/17 &amp; 2/13-14</td>
</tr>
<tr>
<td><strong>Fall</strong></td>
<td>9/12-13 &amp; 11/7-8</td>
<td>6/4-5</td>
</tr>
<tr>
<td><strong>Winter</strong></td>
<td>1/17 &amp; 2/13-14</td>
<td>9/10-11 &amp; 11/5-6</td>
</tr>
<tr>
<td><strong>Summer</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fall</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>BOR Meetings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budget</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Contingency planning</td>
<td></td>
<td>Advocacy</td>
</tr>
<tr>
<td>• Financial exigency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Approve distribution</td>
<td></td>
<td>• Approve</td>
</tr>
<tr>
<td>FY2020</td>
<td></td>
<td>distribution</td>
</tr>
<tr>
<td>• Discuss structure</td>
<td></td>
<td>for FY2021</td>
</tr>
<tr>
<td>options and approve</td>
<td></td>
<td>• Advocacy</td>
</tr>
<tr>
<td>plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Advocacy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Advocacy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Academic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Develop structure</td>
<td></td>
<td>Transition</td>
</tr>
<tr>
<td>• Consult with NWCCU</td>
<td></td>
<td>New structure</td>
</tr>
<tr>
<td>• Discontinue programs</td>
<td></td>
<td>in place</td>
</tr>
<tr>
<td>• Appoint leaders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Develop programs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Select faculty &amp; staff</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Develop teach out</td>
<td></td>
<td></td>
</tr>
<tr>
<td>plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Consult with NWCCU</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Begin transition</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• File “substantive</td>
<td></td>
<td></td>
</tr>
<tr>
<td>change” w/NWCCU</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Academic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Consolidate reporting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Monetize physical</td>
<td></td>
<td></td>
</tr>
<tr>
<td>assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Consolidate reporting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Implement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>consolidation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Consolidation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>complete</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Limit hiring</td>
<td>10/1-31: Layoff notices</td>
<td></td>
</tr>
<tr>
<td>• Furlough notice</td>
<td>(eff: 12/31)</td>
<td></td>
</tr>
</tbody>
</table>
Next Steps - with BOR direction

- 7/22 (Emergency Board Meeting)
  - Board considers declaration of financial exigency.
  - Board discusses organizational options.

- 7/30 (Special Board Meeting)
  - Administration proposes FY 2020 budget distribution for BOR approval (if ready from the state).
  - Administration proposes UA structure for BOR approval.

- 8/1-9/12
  - Student, faculty, staff, and public input.
  - Administration makes reductions in areas within administration authority.

- 9/12-13 (Regular BOR Meeting)
  - Administration proposes program level UA structure, including program reductions and discontinuations.
  - Preliminary review of FY 2021 budget request.

- 11/7-8 (Regular BOR Meeting)
  - Approval of FY 2021 budget request.

- 12/31
  - Effective date of personnel decisions stemming from September Board meeting.
Appendix
Purpose

To address the motion the Board of Regents passed on July 15, 2019:

“The Board of Regents directs the president to hold a special meeting of the board on July 22, 2019, to brief the board on his proposal and what the structure of the university will look like under financial exigency. This motion is effective July 15, 2019.”
## Strategic Pathways

<table>
<thead>
<tr>
<th>OUR MISSION</th>
<th>“The University of Alaska inspires learning, and advances and disseminates knowledge through teaching, research, and public service, emphasizing the North and its diverse peoples.” (Regents’ Policy 01.01.01)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OBJECTIVE</td>
<td>Maximize value to Alaska through excellent, accessible, and cost effective higher education funded by diverse and growing revenue sources</td>
</tr>
<tr>
<td>CORE PRINCIPLES</td>
<td>Focus, Access, Diversity, Excellence, Consistency, Fiscal Sustainability</td>
</tr>
<tr>
<td>STRATEGY</td>
<td>Prepare, Restructure, Implement, Refine</td>
</tr>
</tbody>
</table>

### WHO WE ARE

<table>
<thead>
<tr>
<th>Campus</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>UA ANCHORAGE</td>
<td>Comprehensive metropolitan university in Alaska’s economic hub, with primary focus on workforce development through its several regional community campuses</td>
</tr>
<tr>
<td>UA FAIRBANKS</td>
<td>Research university renowned for leadership in Arctic and the North, with additional focus on workforce development and community and rural education</td>
</tr>
<tr>
<td>UA SOUTHEAST</td>
<td>Comprehensive regional university focused on interdisciplinary &amp; marine-oriented programs, teacher education, e-Learning, and workforce development</td>
</tr>
</tbody>
</table>

### CAMPUS LEAD FOR THE STATE*

<table>
<thead>
<tr>
<th>Research</th>
<th>Social and economic sciences, health policy</th>
</tr>
</thead>
</table>
| Teaching | • Health professions  
| | • Business and public policy  
| | • Economics  
| | • Logistics  
| | • Project Management  
| Outreach | • Physical, natural, and related sciences  
| | • Arctic / Northern Studies  
| | • Rural development / tribal management  
| | • Doctoral education  
| | • Mine training  
| | • Fisheries and ocean sciences  
| | • Marine-oriented programs (including joint programs with UAF)  
| | • Teacher education (administration)  
| | • Interdisciplinary degrees/ degree completion  
| | • Emphasis on regional workforce priorities, e.g., mine training. |

### COURSES / PROGRAMS AVAILABLE ACROSS THE UNIVERSITY SYSTEM

<table>
<thead>
<tr>
<th>COURSE/PROGRAMS</th>
<th>Description</th>
</tr>
</thead>
</table>
| Common General Education Requirements | • Alaska Native Studies  
| Liberal Arts and Humanities | • Teacher Education  
| Social Sciences & Natural Sciences | • Management  
| Nursing | • Mine training  
| Engineering | • Wide choice of non-major courses  
| Distance Education / E-Learning | • Dual credit with K-12  
| Career and Technical Education | • Developmental Education |

* Research, teaching, and outreach at campuses other than the “lead” campus that are of high quality, cost effective, and core to mission, will continue to be provided.
UA 2040 is a vision for UA’s long term future