

Board of Regents Office
Phone: (907) 450-8010
Fax: (907) 450-8012
EMAIL: ua-bor@alaska.edu
www.alaska.edu/bor/



202 Butrovich Building
Yukon Drive
P.O. Box 755300
Fairbanks, AK 9975-5300

December 3, 2019

The Honorable Michael Dunleavy
Office of the Governor
P.O. Box 110001
Juneau, AK 99811-0001

RE: Compact Agreement Report FY20 (via email)

Dear Governor Dunleavy:

Please find enclosed the University of Alaska's FY20 Compact Agreement report regarding UA's progress toward its strategic goal and the terms of the agreement.

Sincerely,

A handwritten signature in black ink, which appears to read "Sheri Buretta", is written over a horizontal line.

Sheri Buretta, Chair
University of Alaska Board of Regents

**University of Alaska Board of Regents
Report to the Governor and the Legislature
Regarding
Budget and Related Matters**

Pursuant to the Agreement between the Governor and the Board of Regents dated August 13, 2019, the University will report to the Office of the Governor and the Alaska Legislature no later than December 4 of each of the three years of the Agreement regarding progress the University is making toward its strategic goals and on the following additional terms of the Agreement.

I. STRATEGIC GOALS

In 2017, the Board of Regents established five strategic goals:

- Contribute to Alaska’s economic development.
- Provide Alaska’s skilled workforce.
- Grow our world class research.
- Increase degree attainment.
- Operate more cost effectively.

These goals have helped UA focus effort and investment into initiatives that serve the higher education needs of Alaska. However, in light of several long-term headwinds—such as enrollment declines since 2011 and nearly continuous state funding reductions since FY2014—UA’s ability to invest in the strategic initiatives that drive to these goals has been severely constrained. As a result, the president and the Board of Regents plan to review the goals and revise the specific measures in light of our current and expected fiscal condition.

Contribute to Alaska’s economic development.

- Increase STEM Graduates*
- Increase Invention Disclosures*

Alaska’s economy depends upon resource extraction and development industries; the future well-being of the state economy requires both continued support for responsible resource development and economic diversification and innovation. The University (UA), through its three universities and 13 community campuses, is uniquely suited to drive change in the economy and to educate graduates who will lead a new era of economic development. To meet the challenge of transforming Alaska’s economy, UA must increase the number of graduates in STEM fields (science, technology, engineering, and mathematics) for careers in the state. To accomplish this goal requires overcoming historically low educational attainment rates, addressing disparities in rural education opportunities and shifting the culture of education in the state. UA must also monetize its research through commercialization of inventions, patents and discoveries that benefit Alaska’s economy.

Provide Alaska’s skilled workforce.

- Increase UA Share of Teacher Hires*
- Double Health Profession Graduates*

Historically Alaskans have benefited from high-paying jobs that do not require high levels of educational attainment. However, the economy and workforce landscape of Alaska is changing rapidly and UA must prepare for a new wave of employment opportunities that will require more than a high school diploma. According to national research, by 2025, 65 percent of jobs will require some form of post-secondary education. If K-12, vocational programs and UA education can prepare Alaskans for these jobs, Alaskans will fill them. Otherwise, Alaska will continue to face a shortage of skilled employees and will have to import labor from outside the state.

In order to increase the number of students enrolling in post-secondary training, UA is working to change the culture of education in the state and increase enrollment throughout the university system, especially in critical areas such as teacher education and health programs.

Grow our world class research.

Stay #1 in Arctic Research

Increase Research Expenditures

Research contributes to every aspect of Alaskan life – it drives innovation and discovery, spurs outside investment, generates a significant percentage of UA’s annual revenue and is critical for future economic growth. UA leads the world in Arctic research, which provides the foundation of its international reputation. UA is a leader in climate research, atmospheric and biological science, geophysics, cold climate engineering, behavioral health, indigenous cultures and languages, and natural resource management. UA advances basic and applied knowledge by engaging on complex social, scientific and economic issues, and works to solve real-world challenges that will benefit our people, communities, environment and economy. Alaska is a living laboratory of glaciers, permafrost, oceans, subarctic climate and ancient cultures. UA is uniquely situated to study these rapidly changing ecosystems and to help our people, industry, environment and economy adapt. UA is part of a national network of public research universities that account for 66 percent of all university research and development expenditures and which conduct much of the nation’s core STEM research.

Increase degree attainment.

Increase Enrollment

Increase Completions

The University’s students are its most valuable constituency. Not only is it UA’s responsibility to provide for student success, but UA must encourage students to graduate in a timely manner. Increasing degree attainment means inspiring more college-going, working to educate more skilled graduates, and providing degree programs that lead to future success. The educational success of students attending the University of Alaska is among its highest priorities. The University is committed to preparing Alaskans to become educated members of the state’s workforce and to meet the state’s workforce needs. UA’s graduates will continue to find opportunity in many sectors of the Alaska economy – in fields such as research, teaching, engineering, and nursing, as well as for those who choose a career in the trades or innovation.

Operate more cost effectively.

Decrease Cost per Completion

Increase Completion Rate

As the University of Alaska examines how best to position itself to meet the future needs of Alaska and its students, we have taken steps to reduce administrative and operating costs, freeing up funds for investment in high priority programs and services. The University continues to work to mitigate state funding decreases by increasing alternative revenue sources, including enrollment growth strategies, philanthropic giving, the land grant initiative and cost containment. Recent examples include:

Human Resources Organizational Redesign

The new, integrated, HR organizational structure went into effect September 2019. Human Resources will be led by directors focused on a functional area across the entire system. This will lead to more efficient and effective processes. UA expects to reduce HR cost by \$500,000 in FY2020, with potential for additional savings as the redesign moves into its next phase. One of the new functional areas is organizational development. The organizational development specialist will provide advanced leadership in organizational development, assessment, reporting, and training to support the University’s organizational health, development opportunities,

and employee engagement. HR staff will develop expertise in one area to provide exceptional and consistent customer service.

Restructure UA Procurement

Effective September 2019, Procurement and Contract Services (PCS) was integrated across the university system and reports to Statewide. The integration, resulting from collaboration between the system office and campus administrative leadership, follows the Board of Regents direction to consolidate and standardize administrative areas. The new structure will provide recurring annual savings of \$300,000 for the university. The new University of Alaska Department of Procurement and Contract Services (PCS) will be under the direction of the Chief Procurement Officer (CPO) and will manage all procurements across the system larger than \$25,000 as well as all other procurements that cannot be made using a procurement card or performed by distributed procurement staff. With the new single department structure, procurement officers will be assigned work in commodity/service groups for all locations across the system. This will allow procurement officers to become subject matter experts regarding the commodities and services they are buying, making them better able to identify economies of scale and potential cost saving opportunities for the university.

Information Technology Improvements

The University's Information Technology Council (ITC)—composed of representatives from the three universities and faculty, staff, and student governance organizations—with assistance from IT experts at Gartner, and utilizing best-practice higher education capability models, frameworks, and benchmarks from Gartner, EDUCAUSE, and other industry associations, is identifying opportunities to improve seamless student experience; reduce costs; and drive out unplanned redundancies, non-differentiated

Administrative overhead reductions.

Administrative overhead is best reflected in the staff's labor costs reported in the "Institutional Support" expenditure category. From FY2014 to FY2019, such costs decreased each year, and in the aggregate \$12.1 million, or 15.8%.

Strengthening the role of community campuses.

UA continues to look at ways to strengthen the role of the community campuses. Beginning in fall 2018, the University of Alaska started offering a 25 percent tuition discount on selected career and technical education (CTE) courses. UA is also exploring ways to increase degree program access and course availability to our community campuses from other universities and campuses across the system.

Growth in monetization of University assets.

At the October 31, 2019 Board of Regents Facilities and Land Management Committee meeting, UA administration reported on capital asset monetization opportunities. The identified properties present opportunities for the selling, leasing or public-private-partnerships (P3) of facilities & land to provide a source of capital, reduce maintenance costs and potentially reduce ownership (report attachment 2). UA will be working with a consultant to evaluate the various forms of monetization and the pros and cons of the various options so that UA can narrow its focus and pursue options that are in UA's best interest and that have long-term sustainable benefits.

Campus safety and regulatory compliance.

Technology investments to lower costs and increase access

Consistent with this agreement between the Governor and the Board of Regents, the University's ability to make progress on the Board's goals and objectives will require investment in more agile, student-centric, and cost-effective IT systems and supporting organizations. The University of Alaska is under increasing pressure to compete for students, do more with less, and ensure stakeholders that outcomes are worthy of their investments. In addition, 21st-century students demand self-service models and technologies to navigate their university experience with ease. Furthermore, data strategies and analytical capabilities can create new perspectives and insights on improving student and institutional outcomes. In FY2020, a \$100,000 investment in cloud readiness will identify and investigate opportunities afforded by modern cloud-based approaches. The resulting assessment will serve as a roadmap for engaging students across the lifecycle, and for holistically monitoring and improving UA's key performance indicators.

In addition, findings of an enterprise capability assessment conducted by ITC in October 2019 highlight several significant opportunities to improve and operate more efficiently. Utilizing benchmarks from Gartner, EDUCAUSE, and other industry associations, we have identified "right-sized" targeted savings of \$3M to be achieved over the next three years.

Structural consolidation and consideration of single accreditation.

The Board of Regents took numerous steps to consider a plan to transition the University of Alaska from three separately accredited institutions into a single accredited institution in response to the following legislative intent language enacted in the FY2020 Operating Budget (CCS SSHB 39):

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.

Consideration included the following steps taken by the Board of Regents:

- Appointed a special taskforce of distinguished Alaska leaders to consider options for the university's organizational structure. The taskforce met and issued a subsequent report to the BOR. <https://alaska.edu/bor/taskforce/>
- Directed UA President Johnsen to prepare a plan for the Board's consideration to transition to a single institutional accreditation. This process included weekly meetings with staff of the Northwest Commission on Colleges and Universities (NWCCU) to examine standards, processes, timelines, and potential risks of transition.
- Formed an ad hoc BOR subcommittee on restructuring. The subcommittee met in the fall to hear a progress report on administrative consolidation, academic program reduction, and planning for a single accreditation.
- Held workshops across the system that convened more than 200 administrators and faculty to explore options and barriers to improving university effectiveness.
- More than 3,900 faculty, staff, students, alumni, and community stakeholders responded on an online survey expressing their issues and concerns. The survey found high unanimity on the importance of the university and its fiscal sustainability and a high degree of disagreement between those who favored increased "uniqueness" and those who favored increased "integration". Survey presentation link: [Stakeholder Survey Presentation](#) (BOR)

- Established a systemwide working group to continue engagement with the NWCCU and the U.S. Department of Education to discuss accreditation including issues and timelines associated with merging or integrating our separate universities.
- Created numerous other opportunities for public input from faculty, staff, students and the public stakeholders on UA structure.

On October 7, 2019, after considering a single accreditation through the steps described above, and in light of concerns raised by our institutional accreditor, NWCCU (see 9-26-19 [Letter](#)), the BOR decided to cease consideration of a single accreditation until such time as the University of Alaska Fairbanks (UAF) secures its NWCCU accreditation renewal in 2021.

However, the Board is still aggressively pursuing other means to reduce costs and increase efficiency, including consolidation of administrative functions across the system, clarification of roles and responsibilities between the BOR and the universities, and expedited academic program reviews at each of our universities in preparation for BOR decisions regarding program reduction, consolidation, and elimination. These program reviews are expected to be completed in time for Board consideration and action this spring. If the BOR chooses to actively consider single accreditation in the future, it will direct the president by formal action to do so and will include in that direction the requirement of an independent cost benefit analysis.

In addition to cost effectiveness, the university is focusing on diversifying and increasing revenue through a variety of initiatives including growing enrollment, remedying our land grant deficit, investing in competitive research, monetizing physical assets, and increasing outreach to our alumni and other philanthropic supporters. The legislature's and the governor's continued support is critical to making these efforts a success.

Budget and Related Matters Agreement

**Governor of the State of Alaska
and
University of Alaska Board of Regents**

The Governor and the University of Alaska's Board of Regents share an interest in the University's contributions to Alaska's prosperity and in supporting the University's goals for the state's economic development, workforce development, research, educational attainment, and

**Budget and Related Matters Agreement
Governor of the State of Alaska
and
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- i. Development of UA lands.
- j. Technology investments to lower costs and increase access.
- k. Structural consolidation and consideration of single accreditation.

4. In recognition of the agreements and commitments above, the Governor commits to the following.

The Governor will:

- a. Support budgeted amounts agreed upon.
- b. Support expanded dual-enrollment of college-ready high school students.
- c. Support FAFSA completion of high school students.

S. [Signature]
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October 31, 2019

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Property Description	Potential Action	Debt on Property?	Estimated Equity/Value	

Property Description*	Potential Action	Debt on Property?	Estimated Equity/Value or Annual Lease	Comments/Status
1815 Bragaw	Lease	yes		An Inflation Proofing Fund (IPF) investment property that currently rents space to Statewide administrative staff. Relocate UA staff to University Center or campus and rent to third parties.
1835 Bragaw	Lease	yes		Currently leased to third parties with proceeds going to IPF. Now at 7% vacancy with ability to sustain for 10+ years (State tenant interest)
1901 Bragaw	Lease	yes		Currently occupied by UAA departments. Need to find space on campus, so that this facility could be leased to third parties or sold.

* Potential disposals identified for discussion/planning purposes only

