

Recommendations
by the
Committee on Governance and Funding Reform
of
The Faculty Senate of the University of Alaska Anchorage
to The Board of Regents, University of Alaska

Approved by the Committee, July 11, 2019

"The right to petition allows citizens to express their ideas, hopes, and concerns to their government..." *Borough of Duryea v. Guarnieri*, 564 U.S. 379 (2011)

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We are a committee appointed by the Faculty Senate at UAA to study how the UA system may be reformed and improved. We write to the Board to offer our recommendations, assuming \$135 million dollars is cut from state aid appropriated for UA, for the 2019-2020 academic year.

We believe that UA's primary aim should be to provide an excellent comprehensive university education to as many of our current, incoming, and future students as possible. This serves as the basis for our recommendations regarding declarations of financial exigency, the allocation of state funding, and the prioritization given to different funding categories.

1. We recommend against a declaration of financial exigency on July 15th for the entire UA system.

First, a system-wide declaration undermines the aim to provide a quality education to as many students as possible. It poses a threat to the accreditation of all parts of the university system. It will drive away faculty and staff even before their positions are cut. Incoming and returning students, if they are able, will pursue more stable situations out of state.

Second, such a declaration is not necessary. Per P04.09.010 of the Regents' Policy & University Regulation, the regents may declare financial exigency for specific major administrative units and even for units within a major administrative unit. This tool should be used to limit the extent of the state of financial exigency within UA as much as possible.

2. We strongly discourage the proposed attempt to consolidate the university system into one accredited university, its parts scattered across Alaska. This has never been attempted by any similarly situated university system, and for good reason. The nature of universities forbids its success. Universities are integrated wholes. Their parts are interdependent and function best when they are together. Each of our three universities are comprehensive universities, albeit with different emphases, unique characters and their own markets.

It might be possible to project savings on paper from consolidation, but we doubt that the projected savings will be realized. We rather believe that the attempt will do more damage to higher education in Alaska. The experiment will become another cause of student and faculty exodus.

We are aware that the public, the board and our administration often tend to assume that our state needs only one academic program of each type, and that more than one instance of that program is redundant. This premise is the reason why the idea of consolidation is appealing. The conclusion that logically follows this premise is that by eliminating these redundancies, statewide administration can eliminate costs. But multiple instances of the same kind of academic program are not redundant if there is sufficient demand at each institution offering that program. In other words, if the respective markets in Anchorage and Fairbanks can each support a separate Costco store, each should have one. The faulty rationale behind consolidation is that everyone will drive up to the Costco in Fairbanks if we close the one in Anchorage, or vice versa.

In evaluating the viability of consolidation, we encourage the board to give weight to the efficiencies of programs, that is, verifiable costs versus demand (or in other words, student enrollments). The experiment with the elimination of the School of Education at UAA and its consolidation under the College of Education at Fairbanks provides some recent data that can be used to evaluate the effect of consolidation on demand. We hope that the regents will examine new student enrollment numbers for UAA students pursuing education degrees via UAF in order to evaluate whether a program housed in UAF with UAF faculty at UAA is really a viable model that can be applied to additional academic programs. We urge you to obtain information about the decisions of students with education majors who were previously located at UAA. This may provide some clue about what is likely to happen in the short term if program consolidation is attempted.

With respect to the effect of consolidation on costs, we encourage the board to consider the total, projectable costs of housing programs at one location versus another. Doing so requires consideration of the relative cost of institutional support, physical plant, student services, and academic support at the different MAUs. The comparative costs of physically housing programs at different universities vary and might not show up on a college or department's balance sheet. In FY18, the cost in unrestricted funds for physical plant expenditures at UAF was \$72.9 million — over twice that of UAA (\$33.5 million).¹ The physical plant expenditures per FTE student are roughly \$3,100 per student across UAA and \$13,900 across UAF.²

We also urge you to consider how consolidation of programs in the sciences, humanities, and arts pose a very different challenge than consolidation of professional programs in education, nursing, engineering, and business. The biology, anthropology, psychology, math, history, English, philosophy, fine art, and other liberal arts degree programs constitute the heart of each institution. Students pursuing professional degrees must take numerous general education courses and co-requisites from these programs in order to prepare them for their own field of study and in order for them to acquire the soft skills necessary to adapt to a rapidly changing job market. These programs are where students engage most deeply in self-reflection and advanced critical thinking, asking questions about what matters, what we can know, and what is fundamental to our existence. If deprived of the presence of even half of these departments through consolidation, it would transform UAA and UAF into technical or professional schools rather than comprehensive universities.

3. We recommend prioritizing instruction in balancing the UA operating budget.

In FY18, only 30% of unrestricted funds was spent in the NCHEMS category of Instruction. We suggest that expenditures of the other 70% of unrestricted funds should be carefully considered

¹ The expenditures in unrestricted funds at UAF are 4.2M more than all of the UGF allocations for all the academic units at UAA and UAS plus the total actual expenditures of all of UAF's community campuses and the Fairbanks-based Interior Alaska Campus of the CRCDC. We include the actual total FY18 expenditures of the rural campuses at UAF anticipating the reply that the high cost of physical plant has to do primarily with providing accessibility to rural communities.

² Per slide 31 from President Johnsen's presentation to the BOR on June 28, 2019.

for cuts first before making any cuts to Instruction.³ This may make it possible to avoid declaring financial exigency for many academic units.

If the university's aim is to provide the benefits of an excellent comprehensive university education to as many of our current, incoming, and future students as possible, when attempting to balance the university's budget, we recommend that the regents look to instruction last as a matter of principle. Cutting courses and academic programs with sufficient enrollment should be avoided if at all possible.

Comprehensive universities must include research, which is critical to a flourishing community of inquiry. We do not defend instruction as a priority to the exclusion of research. External funds can support research activity and ought to be cost neutral. Also, the NCHEMS category that captures instructional costs includes the costs of tripartite instructional faculty, for whom research and service are part of the normal workload.

4. Apportion funds based on full-time-equivalent (FTE) student enrollment. By this formula, UAA, UAS, and the community campuses would receive funding at levels comparable to last year, despite the reductions in overall funding.⁴ As a result, 70-80 percent of University of Alaska students would continue their education in this upcoming year as usual. By preserving the quality of instruction offered to the great majority of students, we can sharply limit reputational damage and prevent decline in future enrollments.

Admittedly, UAF would bear the brunt of the cuts. Probably, it will be necessary to declare a state of financial exigency at UAF or for some units that are a part of UAF. Further below, we offer some thoughts on how to alleviate the impact of these cuts.

We feel it necessary to point out that historically unequal funding per student within the UA system is the cause of UAF's financial vulnerability. During FY18 there were 8,622 full-time equivalent (FTE) students at UAA (this excludes students at UAA's community campuses). During the same year there were 3,616 FTE students at UAF (excluding the community campuses).⁵ That year UAA received around \$99.5 million in state funding. UAF received about \$126 million (not including an estimated \$21.3 million from the BOR authorized budget for the UAF Organized Research Allocation).⁶ The state funded UAF at a rate of \$34,845 per student. By contrast UAA received \$11,540 per FTE student. These disparate allocations have encouraged inefficiency in the one institution and efficiency in the other.

³ See slide 31 from President Johnsen's June 28, 2019, presentation to the UA Board of Regents.

⁴ Governor Dunleavy has proposed funding the University of Alaska in two separate units: (1) UAS and community campuses and (2) UAF and UAA main campuses. We propose breaking the University of Alaska into three separate units and funding each of those units based on the percentage of the 17,556 FTE students that are taught at each unit. Those percentages are as follows: (1) UAS and community campuses (5,318 students or 30.3%), (2) UAA (8,622 or 49.1%), and (3) UAF (3,616 or 20.6%). With Governor Dunleavy's proposed allocation of \$191.8M to the University of Alaska, this would result in the following funding levels: (1) UAS and community campuses (\$58.1M), (2) UAA (\$94.2M), and (3) UAF (\$39.5M). Estimates are based on reported FTE data for 2018 (<https://www.alaska.edu/files/ir/reporting/1-UA-Enrollment-2018-11-01.pdf>)

⁵ Estimates are based on reported FTE data for 2018: <https://www.alaska.edu/files/ir/reporting/1-UA-Enrollment-2018-11-01.pdf>.

⁶ "University of Alaska FY2019 Operating Budget Summary," page 13: <https://www.uaa.alaska.edu/about/administration/office-of-the-chancellor/FY19%20Operating%20Budget.pdf>.

While the Dunleavy vetoes held harmless the community campuses and UAS on the grounds of their cost effectiveness, it is also critical to note the efficiencies within the largest college in the University of Alaska system: the College of Arts and Sciences (CAS) at UAA. In fact, the efficiencies and cost effectiveness of CAS far outpace any other unit in the entire system, including the community campuses. CAS generates more student credit hours than all of the University of Alaska Fairbanks. With nearly 30 percent of the entire student body of the University of Alaska enrolled in UAA's College of Arts and Sciences, the college nonetheless received under \$4 million in General Funds in the last academic year (excluding the School of Education and its losses, which were attached to CAS after the school's recent loss of accreditation). CAS has been cut over 65 percent in GF since 2014.

As the legislature, the governor, and the Board of Regents consider what the University of Alaska will look like in the future, we believe that CAS is a compelling model. CAS, the largest single college in the system, received under 2 percent of the entire General Fund allocation in FY18 (\$4 million of \$327 million). CAS has survived on this limited support because its faculty regularly carry full teaching loads and maintain strong course enrollments. Yet, many of its faculty are also tripartite and have accumulated distinguished research records.

Nonetheless, data on cuts to both institutions in the past four years reveal a tendency to level cuts at UAA instead of UAF. Despite the dollar for dollar impact on a greater number of students and UAA's comparatively smaller share in state funding, from FY2015-19, UAA sustained a 9.5% reduction in state funding, equal to a \$10.8 million cut, while UAF (i.e., Fairbanks, not the community campuses) sustained only a 3.3% cut (\$5 million).⁷

5. Take initial steps to eliminate UA Statewide (\$54 million) and spin off each MAU as an independent university. In May of this year, the UAA Faculty Senate adopted a report by the undersigned committee that recommended decentralization of the university system.⁸ We are convinced that decentralization will enable UAA, UAF, and UAS to flourish in the 21st century.

Our research persuades us that over the short-term, the savings realized by each university's acquisition of independent authority will offset the loss of support provided by statewide administration, to each university. In other words, we believe that the elimination of statewide administration will represent savings and will not shift costs *pari passu* to the universities.

Some will object that it would be impossible for UAF, UAA, and UAS to function as independent universities with such a significant cut to institutional support. However, even with an additional \$82M in cuts, including an additional 20% cut to institutional support, UAF, UAA, and UAS would still be spending \$60,773,700 on that budget category, which is 8.86% of all

⁷ *Ibid.*

⁸“Report of the Committee on Governance and Funding Reform” unanimously adopted by the UAA Faculty Senate May 3, 2019: <https://facultysenatereform.files.wordpress.com/2019/05/report-of-the-committee-on-governance-and-funding-reform-april-25-2019.pdf>

FY18 expenditures (restricted and unrestricted, minus the proposed cuts). This level of spending on institutional support is above average for spending at public 4-year institutions.⁹

Over the longer term, we believe that the devolution of authority and responsibility will have a positive effect on the financial behavior of the universities, such that they will become more efficient and produce better education and research.

We do not believe that one statewide board of regents, no matter how well-intentioned or how individually skilled, can possibly serve as an effective governing board should, to three universities and many community campuses. Each university should have its own board of trustees, intimately familiar with its charge, closely connected to the university's community and constituents, and advocating for partnerships and raising funds.

A common objection to this plan is that the population of Alaska is too small to need or support three independent public universities. History alone refutes this objection. At one time, all public universities were small and maintained their own boards. Many public universities and colleges comparable to the size of our universities have their own boards today. Across America, public university systems have devolved governance and administration in many ways, in every state. Alaska stands virtually alone in maintaining one board and many institutions of higher education.¹⁰

The fact that we have not decentralized is, we believe, the primary cause of our system's inefficiency and over-dependence on state aid today. To wean the universities off that over-dependence, we must decentralize.

An examination of Wyoming, Vermont, North Dakota, and South Dakota also proves the fallacy that state populations must be large to maintain multiple, independent institutions of higher education. The average population of these four states is less than the population of Alaska. Nevertheless, these states have on average 4.5 public universities and four-year colleges and on average 4.25 public Masters and PhD granting institutions (as well as on average four community and technical colleges). But their collective rate of state funding per student is lower than the per state funding per student in Alaska. The fact that these states on average have nine non-state funded institutions does not prevent them from having a robust number of full-fledged public universities or having an average total headcount at their public institutions that exceeds UA's by over 10,000 students.¹¹ The market exists for three comprehensive universities in Alaska. We are persuaded that a path towards greater independence is much more likely to

⁹ See Table 334.10 in the Digest of Education Statistics by the National Center of Education Statistics: https://nces.ed.gov/programs/digest/d17/tables/dt17_334.10.asp.

¹⁰ The case of the highly centralized University of California system does not refute this point. In the 1960s-1970s, the Board of Regents of California did devolve governing authority, vesting some categories of decisions in campus administration alone. Also, California devolved the authority to raise and govern endowments to the respective campuses. The University of Alaska system has not even followed this example. We remain more centralized than they are.

¹¹ All statistics regarding the universities at Wyoming, Vermont, North Dakota, and South Dakota were from the National Center for Education Statistics webpage. Retrieved July 5, 2019. <<https://nces.ed.gov/collegenavigator/>>

strengthen enrollment at UAA, UAF, and UAS and help weather this financial crisis, rather than a plan of consolidation.

Applying the Recommendations to the Budget Crisis

Before modeling the budget in keeping with our recommended priority, we would like to address UAF’s situation, in sympathy with them. We acknowledge that our recommendations pose a challenge to UAF.

We realize that if the governor’s cuts occur and remaining UGF funding is apportioned relative to FTE student population, this would strike a potentially devastating blow for UAF and for the Fairbanks community. In the interest of serving as many Alaskan students as possible and in the interest of maintaining stable public universities in Alaska, we find that what we propose may be the only feasible option. Nevertheless, UAF might be able to protect degree programs for students and avert UAF-wide declaration of financial exigency.

To model the new UA budget, we begin with the slide from President Johnsen’s presentation to the BOR on June 28, 2019. This slide presents the unrestricted funds spent at UA during FY18.

UA Expenditures by NCHEMS FY18

(unrestricted funds in thousands of \$)

	SW	UAA	UAF	UAS	Total
Academic Support		16,517.0	22,023.7	2,976.3	41,517.0
Instruction		100,806.8	64,973.9	16,014.4	181,795.1
Intercollegiate Athletics		8,355.8	4,279.2		12,635.0
Library Services		6,994.5	6,250.6	1,075.0	14,320.1
Scholarships	-304.3	-2,248.6	-1,179.8	-738.7	-4,471.5
Student Services		17,188.2	13,145.7	3,998.1	34,332.0
Institutional Support	48,769.1	30,951.8	42,490.2	7,361.9	129,573.0
Physical Plant	4,167.1	33,458.4	72,877.7	10,051.7	120,554.9
Public Service	5.7	4,962.1	11,643.0	105.8	16,716.6
Research		4,325.9	52,012.8	0.5	56,339.2
Auxiliary Services		2.1	3.7		5.8
Other	0.8				0.8
Total	52,638.5	221,313.9	288,520.7	40,844.9	603,318.0

We applied our recommended budgetary priority to UA’s FY18 expenditures, attempting to avoid cuts to instruction, and identified these cuts approximating \$135 million:

(x1,000)

1. Eliminate Intercollegiate Athletics at UAF and UAA: **\$12,635**¹²
2. Eliminate Statewide: **\$52,638**

¹² Some of us are ardent fans of the university athletics teams and know many student athletes personally. The reason we propose cutting intercollegiate athletics is because only a relative few students are substantially benefited by an amount that could be used to fund multiple academic units. We would hope that the athletics programs could be restarted after the universities’ revenue forecast improves.

- 3. Cut Institutional Support (not counting Statewide) by 20%: **\$16,160**
 - 4. Cut Academic Support by 20%: **\$8,303**
 - 5. Cut Student Services by 10%: **\$3,433**
 - 6. Cut Public Service¹³ by 30%: **\$5,015**
 - 7. Cut Research¹⁴ by 20%: **\$11,267**
 - 8. Cut Physical Plant by 21%: **\$25,316**
- Total: **\$134,770**

Next, if funds are allocated according to student population, UAF could absorb all the proposed cuts, apart from cuts to Statewide and UAA Athletics, and would still be able to afford expenditures at rates higher than UAA in every category – in some cases, considerably higher.

(\$ x 1,000)	UAF FY18 expenditures of unrestricted funds	Proposed cut	Proposed UAF FY20 Budget for unrestricted funds	Proposed UAF FY20 budget category amount compared to UAA FY18 spending per FTE student for same category ¹⁵
Academic Support	22,023	8,303	13,719.6	172%
Instruction	64,973.9	0	64,973.9	134%
Intercollegiate Athletics	4,279	4,279	0.00	
Library Services	6,250.6	0	6,250.6	185%
Scholarships	-1179.8		-1,179.8	
Student Services	1,3145.7	3,433	9,712.5	117%
Institutional Support	4,2490.2	16,161	26,329.4	176%
Physical Plant	7,2877.7	25,317	47,561.2	295%

¹³ This refers to expenses for services provided by the university to the public and does not refer to the service portion of a faculty member’s workload.

¹⁴ This category refers only to research activities that are funded internally by each MAU and does not include expenditures for the research component of instructional faculties’ workloads. Research by instructional faculty who carry a normal teaching load is categorized under Instruction. And research paid by external funds count as a restricted Research expenditure

¹⁵ We calculated how much UAF would spend in each NCHEMS category if it spent the same amount per student as UAA spends per student in that category. This was determined by dividing the NCHEMS category amount of expenditure at UAA by the 2018 FTE student population at UAA (10,872). This rate is then multiplied times the number of FTE students in FY18 at UAF (5247). We chose to use these numbers as opposed to the FTE students for Anchorage and Fairbanks (i.e., without including the community campuses) because the budget breakdown we had available to us is by NCHEMS category for each MAU. Nevertheless, our assumption is that the proposed cuts would be absorbed by UAF Fairbanks in keeping with the separate legislative appropriation for UAS and the community campuses. Estimates in student population are based on reported FTE data for 2018:

<https://www.alaska.edu/files/ir/reporting/1-UA-Enrollment-2018-11-01.pdf>

Public Service	11,643	5,015	6,628.0	277%
Research	52,012.8	11,268	40,745.0	1952%
Auxiliary Service	3.7	0	3.7	365%
Total:	288,520	73,776	214,744.10	201%

The comparison with UAA rates of spending suggests that these changes to UAF’s budget may not be crippling and may not require an institution-wide declaration of financial exigency.

Since declarations of financial exigency can be made for units within an MAU, it might be possible to restrict a declaration to a few academic units within UAF.

We have not proposed an actionable budget for UAF and do not mean to suggest that UAF has the same funding priorities as UAA. The purpose of this exercise is to demonstrate a path forward. Despite massive cuts, instruction might remain largely uninterrupted next year and going forward at all three MAUs. If carried out, each university would receive an allotment of UGF according to an equitable formula determined by the Board of Regents. Each university’s newly appointed trustees with the guidance of their respective chancellor would determine for themselves where they would cut expenditures in order to make up for the shortfall in UGF.