

# **State of Alaska FY2008 Governor's Operating Budget**

**University of Alaska**

## University of Alaska

### Mission

The mission of the University of Alaska is to respond to the educational needs of all Alaskans and to enhance Alaska's economy by fostering and promoting

- (1) a high quality postsecondary educational system;
- (2) appropriate vocational education development and training;
- (3) advancement and extension of knowledge, learning, and culture; and
- (4) the application of new knowledge and emerging technologies to meet the needs of the state.

The University of Alaska inspires learning, and advances and disseminates knowledge through teaching, research, and public service, emphasizing the North and its diverse peoples.

*(Board of Regents' Policy 10.01.01)*

### Core Services

The core services of the University of Alaska System are:

- Provide a high quality postsecondary educational system;
- Supply appropriate vocational education development and training;
- Foster the advancement and extension of knowledge, learning, and culture; and
- Serve as the states' primary research facility with focus on the application of new knowledge and emerging technologies to meet the needs of the state

End Results	Strategies to Achieve Results
<p><b>A: More graduates who are qualified to take a high demand job in Alaska.</b></p> <p><u>Target #1:</u> A target of 2,420 graduates in high demand job area (HDJA) degree and certificate programs in FY08.  <u>Measure #1:</u> The number of graduates in Alaska HDJA degree and certificate programs.</p>	<p><b>A1: More graduates ready to be employed in specific Alaska high demand job areas.</b></p> <p><u>Target #1:</u> A target of 730 graduates in Health related fields in FY08.  <u>Measure #1:</u> The number of degrees awarded in Health related fields.</p> <p><u>Target #2:</u> A target of 255 graduates in engineering related fields in FY08.  <u>Measure #2:</u> The number of degrees awarded in engineering related fields.</p>
End Results	Strategies to Achieve Results
<p><b>B: Generate a significant amount of revenue from sources other than the State of Alaska, such as federal revenue, tuition and fees and university receipts.</b></p> <p><u>Target #1:</u> A target of \$402 million in university and federal receipts in FY08.  <u>Measure #1:</u> The amount of revenue the University of Alaska receives from external sources such as federal, tuition and fees, and university receipts.</p>	<p><b>B1: Greater revenue generation from tuition and fees.</b></p> <p><u>Target #1:</u> Increase revenue the University of Alaska receives from student tuition and fees to \$102.8 million in FY08.  <u>Measure #1:</u> The amount of revenue the University of Alaska receives from student tuition and fees.</p>

End Results	Strategies to Achieve Results
<p><b>C: Increased level of competitive research activity.</b></p> <p><u>Target #1:</u> A target of \$149 million in grant funded expenditures in FY08.</p> <p><u>Measure #1:</u> The amount of grant funded research expenditures.</p>	<p><b>C1: Increased research activity in areas of importance to the State of Alaska.</b></p> <p><u>Target #1:</u> Increase number of new research grants awarded in areas of importance to the State of Alaska: health/biomedical, climate change, resource development, fisheries and ocean science, logistics, geosciences, and atmospheric sciences to 362 in FY08.</p> <p><u>Measure #1:</u> Number of new research grants awarded in areas of importance to the State of Alaska: health/biomedical, climate change, resource development, fisheries and ocean science, logistics, geosciences, and atmospheric sciences.</p>
End Results	Strategies to Achieve Results
<p><b>D: Increased retention of students in university degree programs.</b></p> <p><u>Target #1:</u> A target of a 67.5% retention rate for first-time full-time students in undergraduate and certificate programs in FY08.</p> <p><u>Measure #1:</u> Retention rate for first-time full-time students in undergraduate degree and certificate programs.</p>	<p><b>D1: Higher retention rate for specific groups of first-time, full-time freshmen.</b></p> <p><u>Target #1:</u> Increase the retention rate for first-time, full-time baccalaureate students to 74 percent by FY08.</p> <p><u>Measure #1:</u> The retention rate for first-time, full-time baccalaureate students.</p>
End Results	Strategies to Achieve Results
<p><b>E: Greater level of student credit hour (SCH) enrollment.</b></p> <p><u>Target #1:</u> A target of a 570,000 Student Credit Hours (SCH) attempted in FY08.</p> <p><u>Measure #1:</u> The number of SCH attempted.</p>	<p><b>E1: Greater enrollment of students in targeted groups.</b></p> <p><u>Target #1:</u> Increase the number of students enrolled in a high demand job area degree program to 13,291 by FY08.</p> <p><u>Measure #1:</u> The number of students enrolled in a high demand job area degree program.</p>

### Major Activities to Advance Strategies

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| <ul style="list-style-type: none"> <li>• Expand and create new partnerships to advance workforce development programs</li> <li>• Maximize leverage of state appropriations to seek competitive federal research grants</li> <li>• Expand development efforts targeting alumni, corporate partners, faculty and staff</li> <li>• Increase student success and preparation through outreach, advising, counseling and placement</li> </ul> | <ul style="list-style-type: none"> <li>• Focus course, certificate and degree offerings on student and state workforce demand priorities</li> <li>• Maintain highest standard of accountability, transparency, and efficiency of operations</li> <li>• Secure necessary support for major renewal and replacement of facilities to protect existing assets</li> </ul> |
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**FY2008 Resources Allocated to Achieve Results**

**FY2008 Department Budget: \$841,174,000**

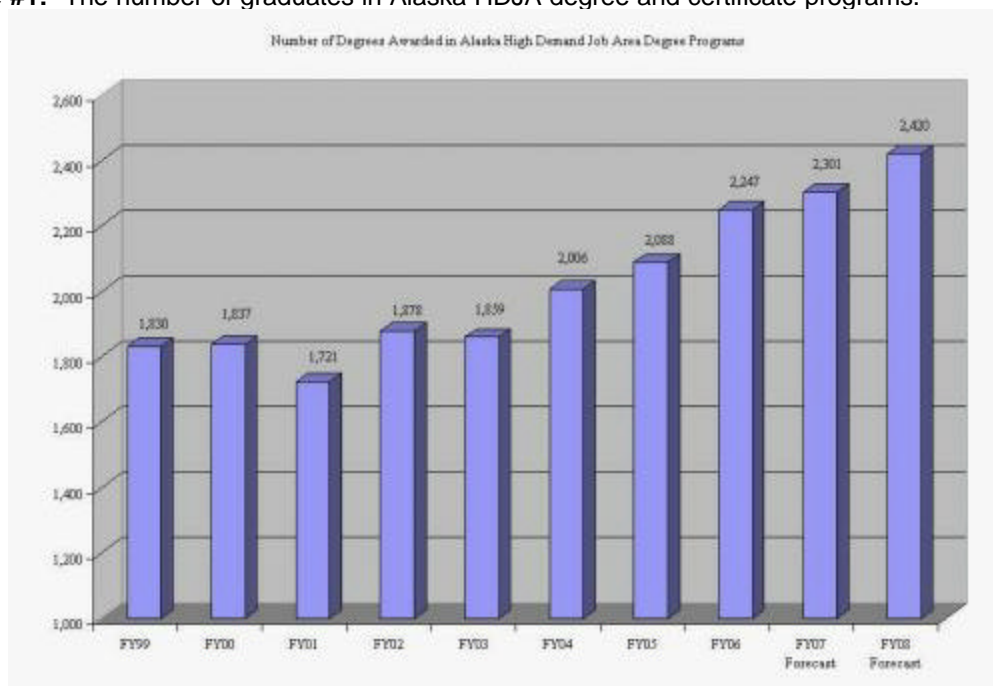
**Personnel:**

Full time	3,967
Part time	181
<b>Total</b>	<b>4,148</b>

**Performance Measure Detail**

**A: Result - More graduates who are qualified to take a high demand job in Alaska.**

**Target #1:** A target of 2,420 graduates in high demand job area (HDJA) degree and certificate programs in FY08.  
**Measure #1:** The number of graduates in Alaska HDJA degree and certificate programs.



**Analysis of results and challenges:** UA met its target of a 7 percent increase from FY05 to FY06 on this performance measure and anticipates meeting its FY07 target of a 6 percent increase. The target for FY08 although shown as a forecast is based on full funding as requested in the Board of Regents' approved FY08 operating requests. The Governor's FY08 budget includes funding for non-discretionary operating cost increases only. Although, UA will focus on maximizing results, the approved BOR FY08 performance targets will likely not be reached.

Though overall enrollment has remained fairly flat over the last three years, many more students are choosing to enroll in HDJA programs. This is an area UA has chosen to focus resources on in order to best align degree programs with state priorities. HDJA programs tend to be more expensive than other programs (e.g. lab needs for health programs, limited class sizes), however students tend to complete these programs at a higher rate than other degree programs and are now working in Alaska.

Educating students in HDJA programs is a responsibility that all UA campuses contribute to. For example, nearly 35 percent of students graduating from Anchorage campus with a HDJA degree or certificate used credits earned at other campuses to help meet their degree requirements. Overall, about 55 percent of students who receive a HDJA degree or certificate attend more than one campus during their career.

HDJA programs include: nursing, allied health, behavioral health, engineering, welding, computer networking, construction management and technology, information technology, business, accounting, logistics, and many others aligned with the Department of Labor and Workforce Development workforce projections.

#### Funding Impact

The FY08 Governor's budget preserves the existing level of programs and services at UA, however, the changes listed are dependent on the Boards of Regents' approved FY08 operating requests.

- Internal Reallocation - Every year since FY00, UA's Board of Regents has directed reallocation and new funding to HDJA programs. In only three years since FY00, have legislative state appropriation increases covered fixed costs and provided for some program growth, thus for the other five years, the Board forced internal reallocation to key HDJA program areas. Over this period, UA added a net total of 88 degree programs (101 new programs and 13 program deletions). Additionally, university generated revenue from tuition increases and industry partnerships have contributed to these programs.
- FY07 Program Increments - UA received a FY07 program increment of \$4.2 million for Preparing Alaskans for Jobs and Continuing Programs in State Needs.
  - Preparing Alaskans for Jobs supported: expansion of engineering programs, the Alaska Native Science and Engineering (ANSEP) program, programs in construction and mining technology; and vocational education. With addition funding increases in FY08 and FY09 for full program implementation, expected impacts include an estimated 80 percent increase in the number of new UA-trained engineers by FY12. The new ANSEP building, which was significantly funded through university generated sources opened in October 2006 and will allow this small but very effective program to double in size further supporting the growth in engineering.
  - The FY07 increment for Continuing Programs in State Needs provided ongoing support to: teacher and early childhood education programs; distance delivery of high demand job area programs; nursing, behavioral health and allied health programs. These FY07 increments and UA FY08 requests directly support UA meeting its FY08 target of a 7 percent increase in the number of graduates in high demand job degree programs and sustaining continued growth in FY09 and beyond.
  - Part of the state appropriated funding used to support UA high demand programs is the Technical Vocational Education Program (TVEP) funding. This funding is specific to workforce development programs and when provided to UA offset general fund program requests starting in FY01. The funding source has been particularly valuable for program start-up funding, bridge funding and meeting equipment and lab needs in programs necessary to meet industry in a timely manner. Since 2001 key areas supported include nursing and allied health, construction and mining training, process technology, information and network technology, and early childhood education. UA has consistently used TVEP funding to start and maintain programs to meet immediate needs, then, after evaluation, if employer and student demand is projected to maintain for several years, then general funds are requested and the program is transitioned to the long term funding source.
  - Proposed FY08 Funding - To further increase performance on this measure, UA's FY08 program request Preparing Alaskans for Jobs will provide the necessary resources. Specific FY08 program requests will add new graduates over the next four to six years. UA expects to add a significant number of new engineering graduates, as well as increase average annual degree production levels by more than 100 degrees from Alaska specific programs, including: Geography (20); Fisheries (20); Nursing (40), WWAMI expansion (10); Master in Public Health (10); and Construction Management (10). In addition, ongoing investment in student success efforts are expected to result in an additional 60 high demand job degrees awarded per year.
  - To simply maintain existing performance levels, the vast majority of UA's FY08 operating request is required, including: Salary, Retirement and Other Benefits; Utilities, Bandwidth, and Facility and Fixed Costs.
  - In UA's FY08 capital request, two items are necessary to maintain current performance levels and avoid backtracking on recent performance gains, specifically: Maintaining Existing Facilities and Equipment R&R Annual Requirement; and Reducing Deferred Maintenance and Major R&R Backlog Phase 1 of 6.

Providing education and training for students to pursue careers in the state's high demand fields is one of UA's

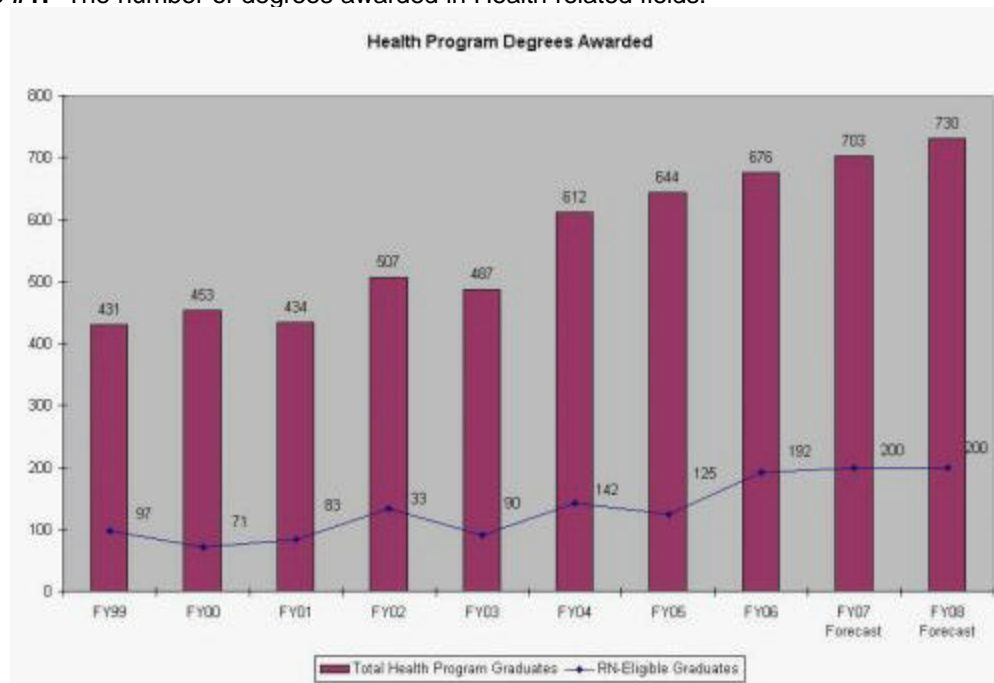
primary roles. Of the 706 occupations included in the 2000-2010 Occupational Forecast from the State of Alaska Department of Labor (<http://www.labor.state.ak.us/research/trends/apr03ind.pdf>), 51 occupations were identified as high demand (i.e., classified as best bet occupations in Alaska, growing in the number of jobs available and having higher than average wages). Although dominated by the health-related occupations, the list of high demand job areas includes occupations as diverse as Computer System Analyst and Educators. New projections have recently been published for the period of 2004 – 2014 and will be incorporated into next year's performance report.

For more in depth information and analysis on this performance measure, see the comprehensive analyses conducted by UAA, UAF, UAS and the Office of Statewide Planning and Budget Development at: <http://www.alaska.edu/swbudget/pm/details.xml>

## A1: Strategy - More graduates ready to be employed in specific Alaska high demand job areas.

**Target #1:** A target of 730 graduates in Health related fields in FY08.

**Measure #1:** The number of degrees awarded in Health related fields.



**Analysis of results and challenges:** The target for FY08 although shown as a forecast is based on full funding as requested in the Board of Regents' approved FY08 operating requests. The Governor's FY08 budget includes funding for non-discretionary operating increases only. Although UA will focus on maximizing results, the approved BOR performance target for FY08 will likely not be reached. The high demand job area with the most dramatic increase in number of degrees awarded since FY99 is health. A total of 676 health related degrees were awarded in FY06, up 245 from FY99, a 57 percent increase. A significant increase in the number of degrees awarded was experienced across the board at each MAU, due to enrollment growth in existing health programs since FY99 as well as the availability of new program offerings. Specific degree programs with significant growth in enrollment and degree production over the last seven years include associate of applied science (AAS) programs in Medical Assisting, Nursing and Radiologic Technology as well as bachelor's degree programs in Psychology and Nursing. There is a lag between enrollment growth and an increase in the number of degrees awarded, as students require from two to four years to complete a degree program.

One area of demonstrated success in the health program area is the doubling of Registered Nurse (RN) eligible graduates. The University/Industry Alaskan Nursing Education Task Force's 2002 report found that only half the annual 220 openings for registered nurses (RNs) in Alaska could be filled with new, in-state graduate RNs. In response to this finding, the University of Alaska committed to double its production of RN-eligible degree

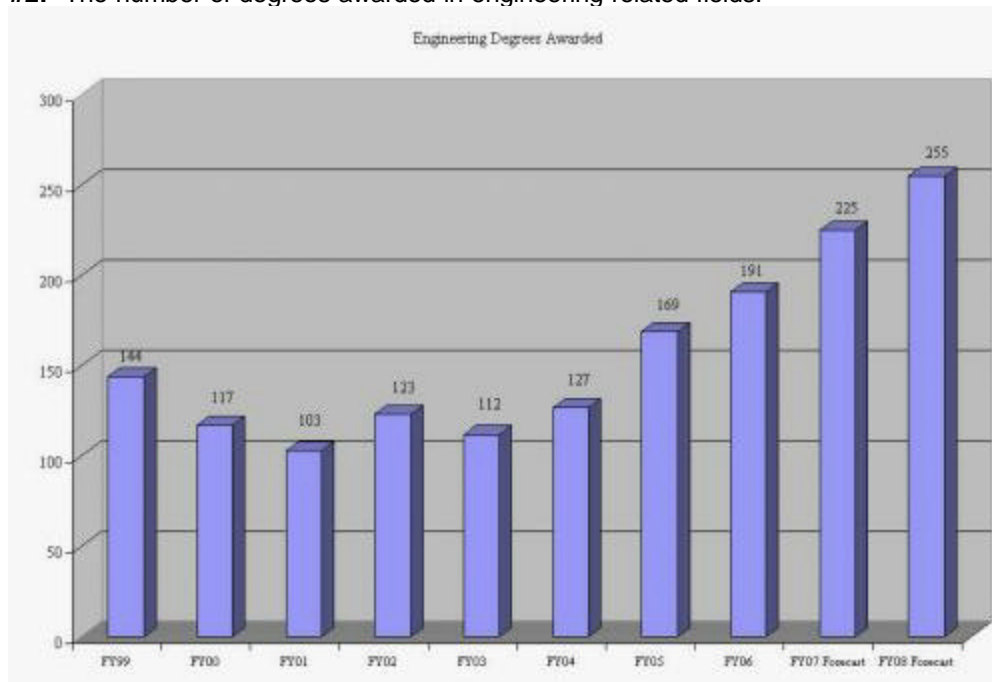
recipients by 2006, equivalent to about 90 more associate and bachelor's degrees per year. The University of Alaska has met its goal. In 2006, the UAA School of Nursing awarded an additional 109 RN associate and bachelor's degrees beyond 2001 award levels and expects to maintain at least the current level of graduates into the future. The graph above shows the number of degrees awarded over the last six years. Some variability in the number of graduates occurred during the years as a result of ramping up capacity at various sites to achieve overall growth.

#### Funding Impact

- Internal Reallocation - Every year since FY00, UA's Board of Regents has directed reallocation and new funding to high demand job related programs. In only three years since FY00, have legislative state appropriation increases covered fixed costs and provided for some program growth, thus for the other five years, the Board forced internal reallocation to key high job demand areas. This demonstrates focus and alignment to state priorities. Additionally, the tuition increases, partnerships with industry, and invention of the Technical Vocational Education Program (TVEP) fund have contributed to these important programs.
- FY07 Program Increments - UA received an FY07 program increment of \$764.0 thousand Continuing Programs in State Needs: Nursing, Behavioral and Allied Health Programs. A portion of this increment provided ongoing support to distance delivery of high demand job Health programs, including: nursing, behavioral health and allied health programs. This FY07 increment was in direct support of UA meeting its FY08 target of a 4 percent increase in the number of graduates in high demand Health degree programs and sustaining continued growth in FY09 and beyond.
- Part of the state appropriated funding used to support UA high demand programs is the TVEP funding. This funding is specific to workforce development programs and was provided to UA to offset general fund program request starting in FY01. The funding source has been particularly valuable in a program start-up funding, bridge funding and meeting equipment and lab needs for programs necessary to meet industry in a timely manner. Key nursing, allied health and behavioral health program needs have been supported with this funding source since 2001. UA has consistently used TVEP funding to start and maintain programs to meet immediate needs, then, after evaluation, if employer and student demand is projected to maintain for several years, then general funds are requested and the program is transitioned to the long term funding source.
- Proposed FY08 Funding - To further increase performance on this measure, UA's FY08 program request Preparing Alaskans for Jobs will provide the necessary resources. Specific FY08 program requests will add new graduates over the next four to six years. UA expects to increase average annual degree production levels from Alaska specific health programs by 60 degrees, including: Nursing (40), WWAMI expansion (10); and Master in Public Health (10).
- To simply maintain existing performance levels, the vast majority of UA's FY08 operating request is required, including: Salary, Retirement and Other Benefits; and Utilities, and Bandwidth, Facility and Fixed Costs.
- The Nursing and Allied Health building in UA's FY08 capital request will support future success on this performance measure by providing building space adjacent to two of the largest hospital complexes in Alaska. This building will accommodate growth in nursing, allied health, WWAMI and possibly behavioral health programs.
- Two additional capital items are necessary to maintain current performance levels and avoid backtracking on recent performance gains, specifically: Maintaining Existing Facilities and Equipment R&R Annual Requirement; and Reducing Deferred Maintenance and Major R&R Backlog Phase 1 of 6.

**Target #2:** A target of 255 graduates in engineering related fields in FY08.

**Measure #2:** The number of degrees awarded in engineering related fields.



**Analysis of results and challenges:** The area of engineering continues to grow at the University of Alaska, with the total number of graduates in the field of engineering up 50 percent in the last two years. The target for FY08 although shown as a forecast is based on full funding as requested in the Board of Regents' approved FY08 operating requests. The Governor's FY08 budget includes funding for non-discretionary operating costs only. Although UA will focus on maximizing results, the FY08 target of 13 percent increase in the number of engineering graduates and to graduate more than 300 engineers per year by FY12 will be a challenge.

#### Funding Impact

The FY08 Governor's budget preserves the existing level of programs and services at UA, however, significant changes listed for FY08 are dependent on new program requests in the Board of Regents' approved operating budget request.

- **Internal Reallocation** - Every year since FY00, UA's Board of Regents has directed reallocation and new funding to high demand job related programs. In only three years since FY00, have legislative state appropriation increases covered fixed costs and provided for some program growth, thus for the other five years, the Board forced internal reallocation to key high job demand areas. This demonstrates focus and alignment to state priorities. Additionally, the tuition increases, partnerships with industry, and invention of the TVEP fund have contributed to these important programs.
- **FY07 Program Increments** - UA received an FY07 program increment of \$975.0 thousand for Preparing Alaskans for Jobs: Engineering. This increment supported expansion of engineering programs and the Alaska Native Science and Engineering (ANSEP) program. Expected impacts include an estimated 80 percent increase in the number of new UA-trained engineers by FY12. The new ANSEP building, opened in October 2006, will allow the program to double in size further supporting the growth in engineering. This FY07 increment directly supports UA meeting its FY08 target of a 13 percent increase in the number of graduates in high demand job degree programs and sustaining continued growth in FY09 and beyond.
- **Proposed FY08 Funding** - To further increase performance on this measure, UA's FY08 program request Preparing Alaskans for Jobs will provide the necessary resources. Specific FY08 program requests will add a significant number of new engineering graduates over the next four to six years.

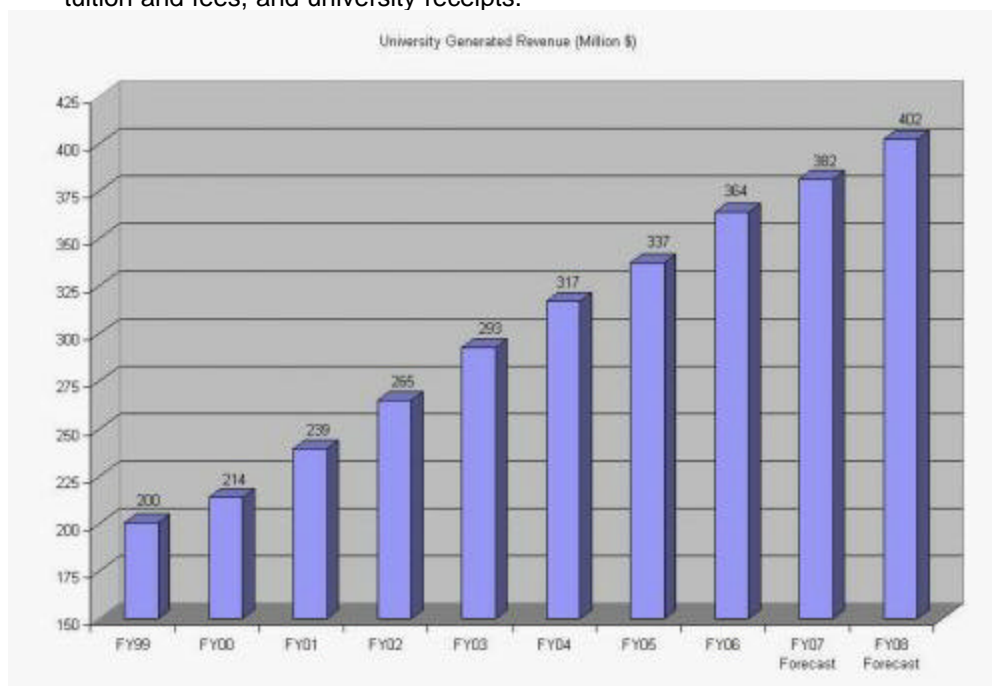


- To simply maintain existing performance levels, the vast majority of UA's FY08 operating request is required, including: Salary, Retirement and Other Benefits; and Utilities, and Bandwidth, Facility and Fixed Costs.
- In UA's FY08 capital request, two items are necessary to maintain current performance levels and avoid backtracking on recent performance gains, specifically: Maintaining Existing Facilities and Equipment R&R Annual Requirement; and Reducing Deferred Maintenance and Major R&R Backlog Phase 1 of 6.

## B: Result - Generate a significant amount of revenue from sources other than the State of Alaska, such as federal revenue, tuition and fees and university receipts.

**Target #1:** A target of \$402 million in university and federal receipts in FY08.

**Measure #1:** The amount of revenue the University of Alaska receives from external sources such as federal, tuition and fees, and university receipts.



**Analysis of results and challenges:** UA exceeded its FY06 target and realized an increase of 8 percent (\$27 million) on this performance measure. The average increase in university generated funds from FY02 to FY05 has been 8 percent per year. UA expects to meet its FY07 and FY08 targets, equivalent to a 6.5 and 5.5 percent annual increase, respectively. Continued growth in university generated revenue is expected due to increases in tuition revenue and development efforts; however, growth will be moderated by a smaller FY08 tuition rate increase than in recent years as well as slowing federal research investment.

The proposed staff benefit rate increase may have a significant negative impact on this performance measure and is of particular concern relative to UA's competitive research capacity. The faculty retirement rate increasing from 26 to 54 percent will likely create a significant challenge for UA's faculty to remain competitive with peers.

### Funding Impact

The FY08 Governor's budget preserves the existing level of programs and services at UA, however, significant changes listed for FY08 are dependent on new program requests in the Board of Regents' approved operating budget requests.

- Performance on this measure has been improved via tuition increases, administrative efficiency and internal reallocation. Proposed program increases requested for FY08 will impact this measure via enrollment

growth and an increase in tuition revenue. UA will continue to maintain its Development fundraising emphasis as well.

- Proposed FY08 Funding: UA's FY08 program request for University Research Investment will provide some of the necessary resources to positively impact this measure. It is anticipated that full funding of this phased request will result in an additional \$120 million of research revenue over a five year period.
- Funding of UA's FY08 capital request for the BioSciences (BioS) facility will create a center for excellence in biological discovery and learning, greatly improving UA's capacity to generate research funding. If funded in FY08, the BioS facility is anticipated to be fully functional in FY12. Exact estimates of research activity increases are uncertain, however, the two smaller lab facilities, West Ridge Research Building (WRRB) and Biological Research and Diagnostic Building (BiRD) have supported a 95 percent increase in grant-funded biological and biomedical research activity at the UAF Institute of Arctic Biology.
- To simply maintain existing performance levels, the vast majority of UA's FY08 operating request is required, including: Salary, Retirement and Other Benefits; Utilities, Bandwidth, and Facility and Fixed Costs. . Maintaining salary and benefit increases in light of the extraordinary retirement and health increase has been key to maintaining performance on this measure. Students, Federal agencies, UA partners and donors know that the state supports the university. Without that support, partners and students will not be supportive.
- In UA's FY08 capital request, two items are necessary to maintain current performance levels and avoid backtracking on recent performance gains, specifically: Maintaining Existing Facilities and Equipment R&R Annual Requirement; and Reducing Deferred Maintenance and Major R&R Backlog Phase 1 of 6.

The University, through its urban and rural campuses, is the State of Alaska's primary source of higher education and workforce development and, as such, remains a high priority for the State. The university, through its entrepreneurial practices, has the ability to leverage the State's investment to generate additional revenue through student tuition, research grants, and other service opportunities. The continued success and expansion of this leverage ability is crucial to university growth. However, student, business partner and federal agency confidence in UA is inextricably linked to the State's continued investment in UA. The University of Alaska is constantly looking for new opportunities to ensure maximum leveraging of state appropriations.

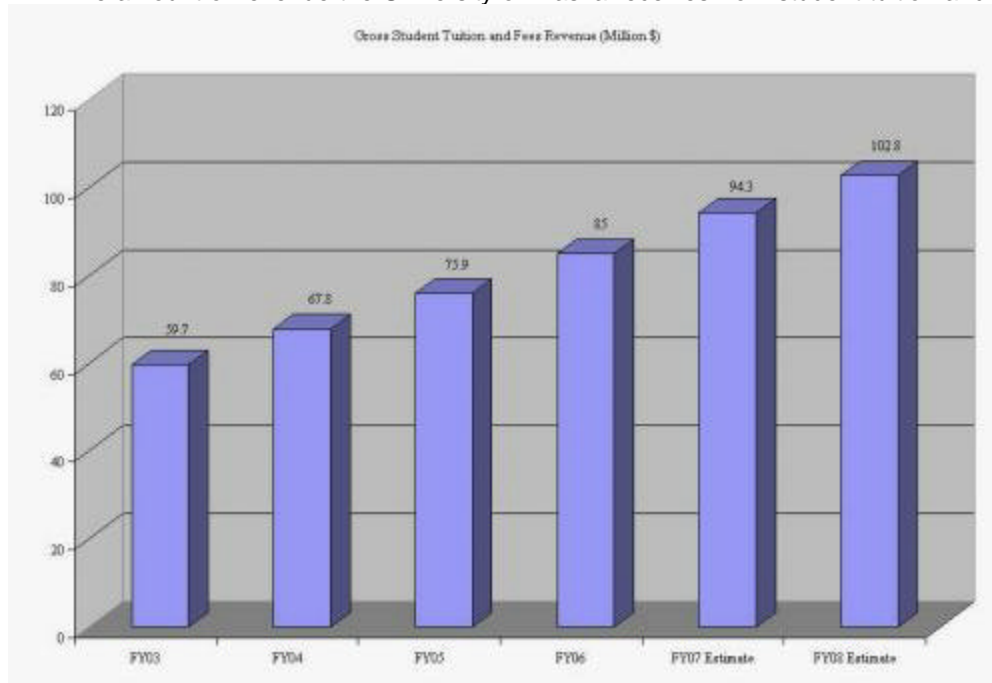
University-generated revenue includes the following revenue categories: University Receipts (Interest Income, Auxiliary Receipts, Gross Tuition/Fees, Indirect Cost Recovery, and University Receipts), Federal Receipts, CIP Receipts, and State Inter-Agency Receipts. University generated revenue does not include UA Intra-Agency Receipts, which are duplicated.

For more in depth information and analysis on this performance measure, see the comprehensive analyses conducted by UAA, UAF, UAS and the Office of Statewide Planning and Budget Development at: <http://www.alaska.edu/swbudget/pm/details.xml>

## B1: Strategy - Greater revenue generation from tuition and fees.

**Target #1:** Increase revenue the University of Alaska receives from student tuition and fees to \$102.8 million in FY08.

**Measure #1:** The amount of revenue the University of Alaska receives from student tuition and fees.



**Analysis of results and challenges:** The performance targets in this section are based on new program requests in the Board of Regents' approved FY08 operating requests which are not included in the FY08 Governor's budget. The majority of near-term growth in student tuition and fees revenue is anticipated to be a result of tuition increases with enrollment growth also contributing to a lesser extent. UA anticipates student tuition and fees revenue growth of 11 percent in FY07 and 9 percent in FY08. Student tuition and fees revenue is driven by the tuition rate and student credit hours generated. UA implemented 10 percent tuition rate increases in FY04, FY05, FY06, and FY07. For FY08, a 7 percent tuition increase has been approved. Recent tuition increases bring UA closer to peer institution tuition costs. In FY99, student tuition and fees generated \$48 million of the total \$200 million in university generated revenue. In FY06, student tuition and fees accounted for \$85 million of the total \$364 million of university generated revenue. Relative to instruction and student related costs, student tuition and fees covered 29% of FY99 costs and 31% of FY06 costs.

### Funding Impact

The 08 Governor's budget preserves the existing level of programs and services at UA, however, significant changes listed for FY08 are dependent on new program requests in the Board of Regents' approved operating budget request.

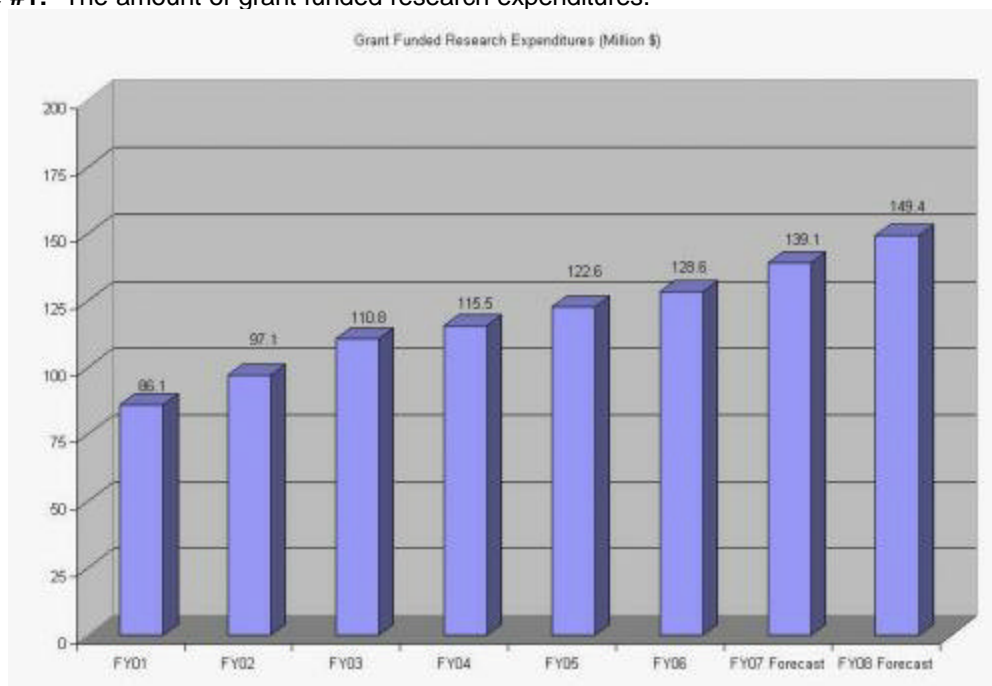
- The requested FY08 program increases will impact this measure via enrollment growth and an increase in tuition revenue.
- To simply maintain existing performance levels, the vast majority of UA's FY08 operating request is required, including: Salary, Retirement and Other Benefits; and Utilities, and Bandwidth, Facility and Fixed Costs. Maintaining salary and benefit increases in light of the extraordinary retirement and health increase have been key to maintaining performance on this measure.
- Without that support, partners and students will not be supportive.
- In UA's FY08 capital request, two items are necessary to maintain current performance levels and avoid backtracking on recent performance gains, specifically: Maintaining Existing Facilities and Equipment R&R

Annual Requirement; and Reducing Deferred Maintenance and Major R&R Backlog Phase 1 of 6.

### C: Result - Increased level of competitive research activity.

**Target #1:** A target of \$149 million in grant funded expenditures in FY08.

**Measure #1:** The amount of grant funded research expenditures.



**Analysis of results and challenges:** From FY01 to FY05, grant funded research expenditures increased by an average of 12 percent annually across the system; however, the rate of increase slowed to 5 percent in FY06, about two-thirds the target growth level. FY06 performance was primarily impacted by space constraints and, to a lesser extent, UA's choice to shift from infrastructure grants to more competitive funding sources. The target for FY08 although shown as a forecast is based on full funding as requested in the Board of Regents' approved FY08 operating requests. The Governor's FY08 budget includes funding for non-discretionary operating cost increases only. Performance in FY07 is expected to improve significantly with 8 percent annual growth. UA will focus on maximizing results for FY08, but due to funding established BOR approved target will likely not be reached.

The proposed staff benefit rate increase may have a significant negative impact on this performance measure.

#### Funding Impact

The FY08 Governor's budget preserves the existing level of programs and services at UA; however, significant changes listed for FY08 are dependent on new program requests in the Board of Regents' approved operating budget requests.

- FY07 Funding - UA received a program increment of \$1 million in FY07 toward the phased Competitive University Research Investment increment. This provided direct support for: UA's joint psychology PhD and bio-medical research development; and Geographic Information Network of Alaska (GINA). This investment will contribute to a 4 percent increase in the number and dollar amount of new awards in areas of significance to Alaska in FY08.
- Additional private FY07 funding has been dedicated to hiring 13 post-doctoral researchers in key Alaska related research areas. This investment is anticipated to have far-reaching, long-term, positive impact on UA's research competitiveness.
- Proposed FY08 Funding - Funding UA's FY08 program request for University Research Investment,

Phase 2 of 5, will provide more of the necessary resources to help grow performance on this measure. Full funding of this increment request will help to significantly grow the number and dollar amount of new awards in areas of significance to Alaska over the next five years, especially in engineering, transportation, energy, and climate impact areas. The impact of specific portions of this request are detailed below:

. The FY08 Biomedical and Health Research increment request will buttress the University's vastly expanded instructional programs in medical and allied health professions and behavioral health (e.g., doubling nursing output, expanding WWAMI, new joint UAF/UAA PhD in Psychology) by further building faculty expertise, and capitalizes on state and University infrastructure investments (e.g., UAA Integrated Science Building, UAF's WRRB, BiRD, and BIOS, and the State Health and Virology Laboratories), and over \$45M of National Institutes of Health capacity building and competitive research grants. This has been one of the most rapidly growing areas of investment by and in the University over the last several years and it is tightly targeted at recognized Alaskan health disparities and emerging health threats such as the avian influenza virus identified in the State report "Health Research in Alaska." In addition to strengthening faculty expertise in areas ranging from nutrition and toxicology to obesity, substance abuse, and neuroscience, the University plans to substantially enhance its research into health policy issues including costs and accessibility.

. The FY08 increment request for Engineering, Transportation, and Energy will be used as matching funds for leveraging opportunities offered by the Department of Energy's Arctic Energy Office, the recently legislated University of Alaska Transportation Center (UATC) and Arctic Engineering Research Center. Funding of this request is anticipated to generate millions of dollars in additional research grant awards in areas of significant importance.

. The FY08 increment request for Climate Impact and Alaska's Natural Resources will be leveraged to take advantage of global, national, and state attention that will be focused on change in the Arctic and circumpolar northern regions during the upcoming International Polar Year (IPY, 2007-2008). Funding of this increment is expected to generate significant growth in research grant awards over the long term.

- Funding of UA's FY08 capital request for the BioSciences (BioS) facility will create a center for excellence in biological discovery and learning, greatly improving UA's capacity to generate research funding. If funded in FY08, the BioS facility is anticipated to be fully functional in FY12 and will result in UA becoming eligible to apply for a larger range of available grants.

- To simply maintain existing performance levels, the vast majority of UA's FY08 operating request is required, including: Salary, Retirement and Other Benefits; Utilities, Bandwidth, and Facility and Fixed Costs.

- In UA's FY08 capital request, two items are necessary to maintain current performance levels and avoid backtracking on recent performance gains, specifically: Maintaining Existing Facilities and Equipment R&R Annual Requirement; and Reducing Deferred Maintenance and Major R&R Backlog Phase 1 of 6.

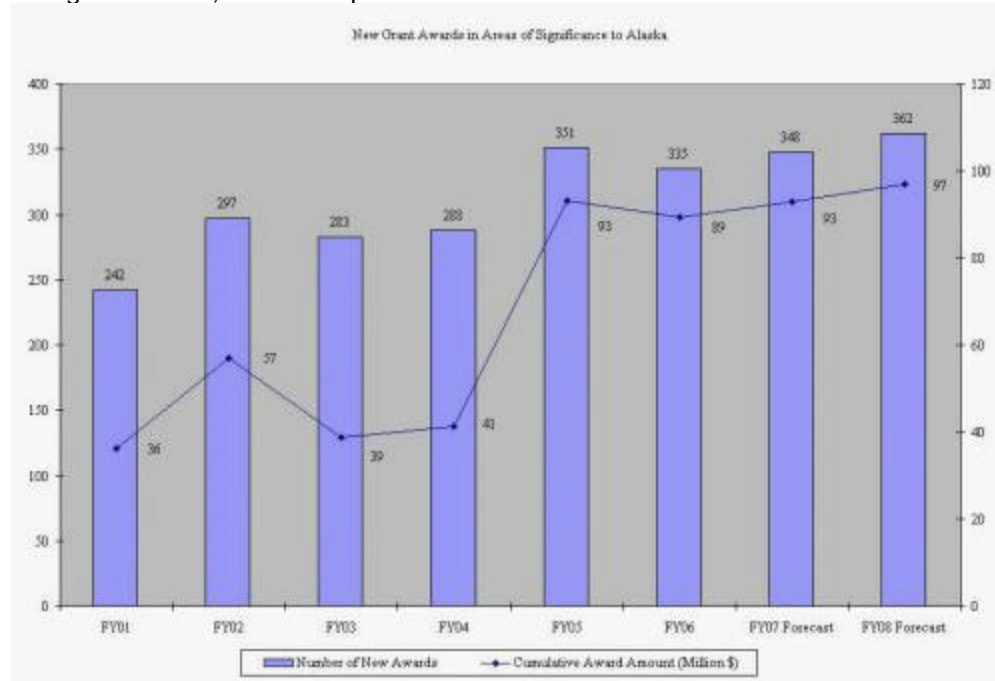
Research at the University of Alaska is a critical component in the delivery of programs and services that are of value now and to the future of Alaska. UA success in achieving its goals and objectives is depended upon consistent external and internal research funding. In addressing these funding realities, UA aggressively seeks new opportunities with federal, state and private agencies to ensure continuing capability of research programs in areas aligning UA, MAU, and campus research priorities.

For more in depth information and analysis on this performance measure, see the comprehensive analyses conducted by UAA, UAF, UAS and the Office of Statewide Planning and Budget Development at: <http://www.alaska.edu/swbudget/pm/details.xml>

## C1: Strategy - Increased research activity in areas of importance to the State of Alaska.

**Target #1:** Increase number of new research grants awarded in areas of importance to the State of Alaska: health/biomedical, climate change, resource development, fisheries and ocean science, logistics, geosciences, and atmospheric sciences to 362 in FY08.

**Measure #1:** Number of new research grants awarded in areas of importance to the State of Alaska: health/biomedical, climate change, resource development, fisheries and ocean science, logistics, geosciences, and atmospheric sciences.



**Analysis of results and challenges:** The number of new research grant awards in areas of significant importance to Alaska (ASIA) has increased 40 percent since FY01 and the cumulative, multi-year award amount has more than doubled over the same period. The target for FY08 although shown as a forecast is based on full funding as requested in the Board of Regents' approved FY08 operating requests. The Governor's FY08 budget includes funding for non-discretionary operating cost increases only. Growth of at least 4 percent in the number and amount of new research grants in areas of significant importance to Alaska is anticipated in FY07. UA will focus on maximizing results for FY08, but due to funding levels will likely not be reached.

The proposed staff benefit rate increase may have a significant negative impact on this performance measure.

### Funding Impact

The FY08 Governor's budget preserved the existing level of programs and services at UA; however, significant changes listed for FY08 are dependent on new program requests in the Board of Regents' approved operating budget requests.

- FY07 Funding - UA received a program increment of \$1 million in FY07 toward the phased Competitive University Research Investment increment. This provided direct support for: UA's joint psychology PhD and bio-medical research development; and Geographic Information Network of Alaska (GINA). This investment will contribute to a 4 percent increase in the number and dollar amount of new awards in areas of significance to Alaska in FY08.
- Additional private FY07 funding has been dedicated to hiring 13 post-doctoral researchers in key Alaska related research areas. This investment is anticipated to have far-reaching, long-term, positive impact on UA's research competitiveness.
- Proposed FY08 Funding - Funding UA's FY08 program request for University Research Investment,

Phase 2 of 5, will provide more of the necessary resources to help grow performance on this measure. Full funding of this increment request will help to significantly grow the number and dollar amount of new awards in areas of significance to Alaska over the next five years, especially in engineering, transportation, energy, and climate impact areas. The impact of specific portions of this request are detailed below:

- The FY08 Biomedical and Health Research increment request will buttress the University's vastly expanded instructional programs in medical and allied health professions and behavioral health (e.g., doubling nursing output, expanding WWAMI, new joint UAF/UAA PhD in Psychology) by further building faculty expertise, and capitalizes on state and University infrastructure investments (e.g., UAA Integrated Science Building, UAF's WRRB, BiRD, and BIOS, and the State Health and Virology Laboratories), and over \$45M of National Institutes of Health capacity building and competitive research grants. This has been one of the most rapidly growing areas of investment by and in the University over the last several years and it is tightly targeted at recognized Alaskan health disparities and emerging health threats such as the avian influenza virus identified in the State report "Health Research in Alaska." In addition to strengthening faculty expertise in areas ranging from nutrition and toxicology to obesity, substance abuse, and neuroscience, the University plans to substantially enhance its research into health policy issues including costs and accessibility.
- The FY08 increment request for Engineering, Transportation, and Energy will be used as matching funds for leveraging opportunities offered by the Department of Energy's Arctic Energy Office, the recently legislated University of Alaska Transportation Center (UATC) and Arctic Engineering Research Center. Funding of this request is anticipated to generate millions of dollars in additional research grant awards in areas of significant importance.
- The FY08 increment request for Climate Impact and Alaska's Natural Resources will be leveraged to take advantage of global, national, and state attention that will be focused on change in the Arctic and circumpolar northern regions during the upcoming International Polar Year (IPY, 2007-2008). Funding of this increment is expected to generate significant growth in research grant awards over the long term.
  - Funding of UA's FY08 capital request for the BioSciences (BioS) facility will create a center for excellence in biological discovery and learning, greatly improving UA's capacity to generate research funding. If funded in FY08, the BioS facility is anticipated to be fully functional in FY12 and will result in UA becoming eligible to apply for a larger range of available grants.
  - To simply maintain existing performance levels, the vast majority of UA's FY08 operating request is required, including: Salary, Retirement and Other Benefits; and Utilities, and Bandwidth, Facility and Fixed Costs.
  - In UA's FY08 capital request, two items are necessary to maintain current performance levels and avoid backtracking on recent performance gains, specifically: Maintaining Existing Facilities and Equipment R&R Annual Requirement; and Reducing Deferred Maintenance and Major R&R Backlog Phase 1 of 6.

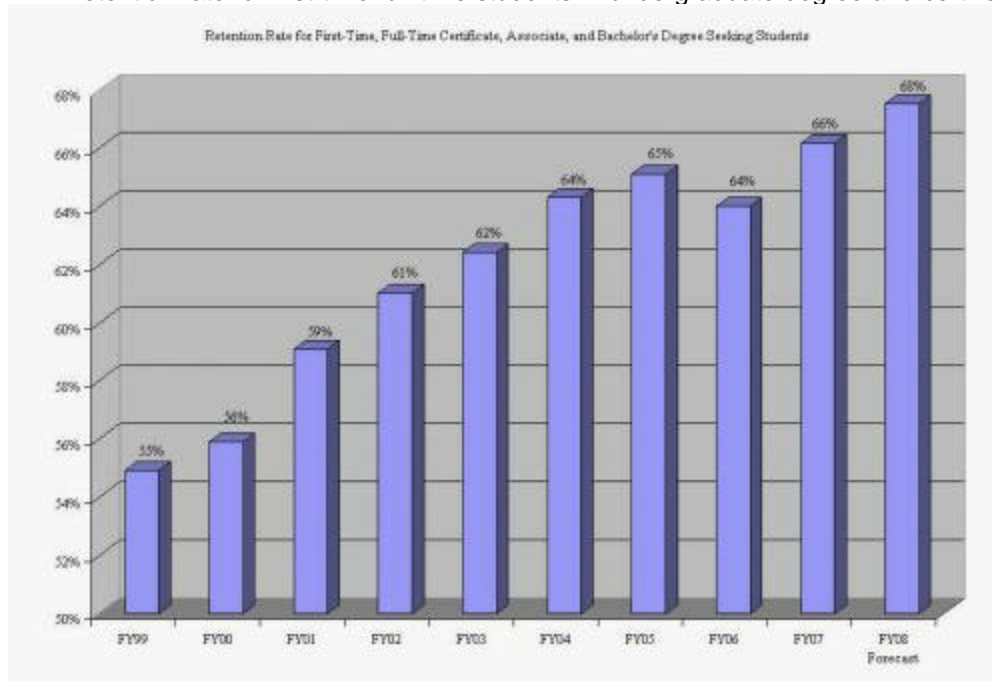
Currently, externally funded research activity fuels over 2,300 jobs in Alaska. At UA, research activity leverages approximately \$7 externally for every dollar from the state. The University of Alaska conducts research in several areas important to the state and carries out the bulk of Research and Development (R&D) activity in Alaska. Nationally, industry conducts 68 percent of the R&D, while universities average only 14 percent of the R&D (NSF, National Patterns of Research and Development Resources: 2004). In Alaska, however, 44 percent of the state's R&D effort is carried out by UA. This may be explained by the lack of a mature manufacturing industry base in Alaska and the tendency for industry R&D efforts to be largely conducted out-of-state (oil and tourism, for example). Comparatively, Alaska conducts very little R&D, investing only 1.0 percent of its gross state product in research compared with 2.5 percent for other states (<http://www.nsf.gov/statistics/nsf06327/pdf/tables.pdf>). Alaska must invest strongly in R&D for future economic development and UA is the engine to fuel state R&D.

Research at the University of Alaska is a critical component in the delivery of programs and services that are of value now and to the future of Alaska. UA success in achieving its goals and objectives is depended upon consistent external and internal research funding. In addressing these funding realities, UA aggressively seeks new opportunities with federal, state and private agencies to ensure continuing capability of research programs in areas aligning UA, MAU, and campus research priorities.

**D: Result - Increased retention of students in university degree programs.**

**Target #1:** A target of a 67.5% retention rate for first-time full-time students in undergraduate and certificate programs in FY08.

**Measure #1:** Retention rate for first-time full-time students in undergraduate degree and certificate programs.



**Analysis of results and challenges:** Undergraduate retention rates have grown more than 10 percentage points (20%) since FY99, reaching an all time high of 66 percent retention in FY07. UA has improved significantly on this measure and will continue to do so in order to meet a target retention rate of 71 percent by FY12, to be maintained thereafter.

#### Funding Impact

The FY08 Governor's budget preserves the existing level of programs and services at UA; however, significant changes listed for FY08 are dependent on new program requests in the Board of Regents' approved operating budget requests which are not included.

- Proposed FY08 Funding: UA's FY08 program request for College Readiness Programs will have a significant, positive impact on student retention and success, resulting in a sustained 2 percentage point increase in retention by FY10.
- To simply maintain existing performance levels, the vast majority of UA's FY08 operating request is required, including: Salary, Retirement and Other Benefits; Utilities, Bandwidth, and Facility and Fixed Costs.
- In UA's FY08 capital request, two items are necessary to maintain current performance levels and avoid backtracking on recent performance gains, specifically: Maintaining Existing Facilities and Equipment R&R Annual Requirement; and Reducing Deferred Maintenance and Major R&R Backlog Phase 1 of 6.

Across the nation and here in Alaska the issue of college and career readiness has become a focal point for higher education. There are two societal forces building this momentum. First, high school exit exams measure only 9th and 10th grade level basic competency, not the skills and knowledge needed to succeed for a career or college. Second, the job landscape has changed such that individuals must be able to succeed at some form of post-secondary education in order to succeed and advance economically. UA will continue to work collaboratively with K-12, employers and others to address these issues in the short- and long-term.

Retention rate is defined as the percentage of students in a given term that return to the institution the following



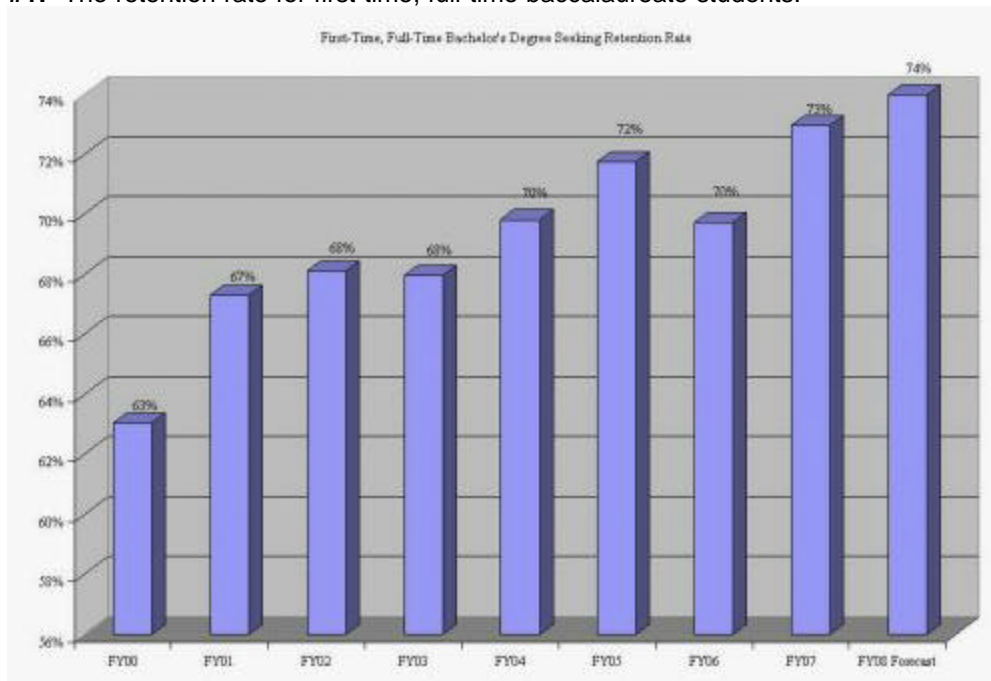
fall.

For more in depth information and analysis on this performance measure, see the comprehensive analyses conducted by UAA, UAF, UAS and the Office of Statewide Planning and Budget Development at: <http://www.alaska.edu/swbudget/pm/details.xml>

### D1: Strategy - Higher retention rate for specific groups of first-time, full-time freshmen.

**Target #1:** Increase the retention rate for first-time, full-time baccalaureate students to 74 percent by FY08.

**Measure #1:** The retention rate for first-time, full-time baccalaureate students.



**Analysis of results and challenges:** UA met its FY07 target of retaining 73 percent of first-time full-time baccalaureate degree seeking students returning from fall 2005 to fall 2006 and expects to continue improvement in this area. The target for FY08 is based on full funding as requested in the Board of Regents' approved FY08 operating requests. The Governor's FY08 budget includes funding for non-discretionary operating cost increases only. Growth of one percentage point in the bachelor's retention rate is anticipated for FY08. Retention rates for Bachelor's degree seeking students have risen 10 percentage points (16%) since FY00, reaching an all time high of 73 percent retention in FY07. UA has improved significantly on this measure and hopes to continue to do so. UA will focus on maximizing results, but due to funding levels the performance targets will likely not be reached.

#### Funding Impact

The FY08 Governor's budget preserves the existing level of programs and services at UA; however, changes listed for FY08 are dependent on new program requests in the Board of Regents' approved operating budget requests.

- Proposed FY08 Funding: UA's FY08 program request for College Readiness Programs will have a significant, positive impact on student retention and success, resulting in a sustained 2 percentage point increase in retention by FY10.
- To simply maintain existing performance levels, the vast majority of UA's FY08 operating request is required, including: Salary, Retirement and Other Benefits; and Utilities, and Bandwidth, Facility and Fixed Costs.
- In UA's FY08 capital request, two items are necessary to maintain current performance levels and avoid

backtracking on recent performance gains, specifically: Maintaining Existing Facilities and Equipment R&R Annual Requirement; and Reducing Deferred Maintenance and Major R&R Backlog Phase 1 of 6.

Across the nation and here in Alaska the issue of college and career readiness has become a focal point for higher education. There are two societal forces building this momentum. First, high school exit exams measure only 9th and 10th grade level basic competency, not the skills and knowledge needed to succeed for a career or college. Second, the job landscape has changed such that individuals must be able to succeed at some form of post-secondary education in order to succeed and advance economically. UA will continue to work collaboratively with K-12, employers and others to address these issues in the short- and long-term.

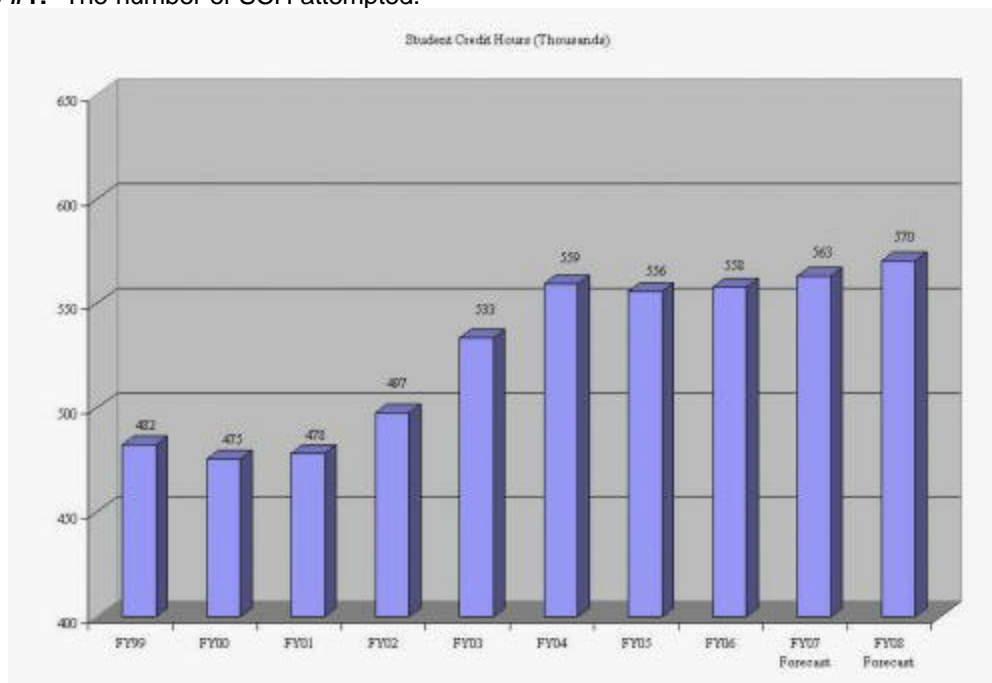
A National Center for Education Statistics report (August 2001) found that the strongest predictor of retention and degree attainment was the academic preparation from high school. UA's student success strategy and investment will be heavily targeted to this factor. Nationally, in general, the retention rate to the second year has been decreasing. The university participates in the Consortium for Student Retention Data Exchange (CSRDE), a national survey which tracks the retention of first-time full-time baccalaureate degree-seeking freshmen from fall to fall. In the most recent CSRDE survey (May 2006) 118 institutions described as less selective (indicating open admissions and high part-time enrollment) had an average retention rate for the 1998 - 2004 cohorts from the first year to second of 69.3%. Other studies have shown lower retention rates, but for a less well-defined group of students. For example, in the August 2001 Opportunity, the average persistence rate to the second year for freshmen who began in fall 1999 was 60.6% for 152 four-year institutions with an open admissions policy.

Retention rate is defined as the percentage of students in a given term that return to the institution the following fall.

## E: Result - Greater level of student credit hour (SCH) enrollment.

**Target #1:** A target of a 570,000 Student Credit Hours (SCH) attempted in FY08.

**Measure #1:** The number of SCH attempted.



**Analysis of results and challenges:** UA's SCH generation has grown 15 percent from FY99 to FY06, equivalent to an average increase of more than 10,000 SCH per year. In FY06, UA's target increase for student credit hour production was 3 percent (15,700 SCH) over the FY05 level, however final student credit hour production for FY06 landed at 0.3 percent (1,800 SCH) above the FY05 level. This is due in part to better employment opportunities being available to potential students in some areas of the state. It is important to note that while overall enrollment has been stable recently, enrollment in high demand job area programs is improving

significantly. FY07 estimates indicate that UA's student credit hour production will increase 1 percent (5,000 SCH) over FY06 levels. The target for FY08 although shown as a forecast is based on full funding as requested in the Board of Regents' approved FY08 operating requests. The Governor's FY08 budget includes funding for non-discretionary operating cost increases only. UA will focus on obtaining growth of about 2 percent which may not be reached due to funding levels included in the FY08 Governor's budget.

#### Funding Impact

- FY07 Funding – The programs funded in FY07 will have a positive impact on enrollment. Program startup and recruitment activities are major FY07 efforts with a noticeable enrollment increase of 0.5 percent SCH expected in FY08. The Integrated Science building will have a significant impact on enrollment once completed, accommodating estimated growth for Anchorage campus of 4 percent.

The FY 08 Governor's budget preserves the existing level of programs and services at UA, however, changes listed for FY08 are dependent on program requests in the Board of Regents' approved operating budget requests.

- Proposed FY08 Funding - To further increase performance on this measure, UA's FY08 program requests for Preparing Alaskans for Jobs and College Readiness Programs will provide the necessary resources. It is anticipated that funding of Preparing Alaskans for Jobs will provide a 1 percent SCH increase with the College Readiness Programs request is anticipated to provide 0.5 percent SCH increase in FY08 , growing up to 1 percent SCH increases in future fiscal years as more students are retained.
- FY08 new facility requests for student life facilities, including dorms and recreation, will facilitate student credit hour growth as well.
- To simply maintain existing performance levels, the vast majority of UA's FY08 operating request is required, including: Salary, Retirement and Other Benefits; Utilities, Bandwidth, and Facility and Fixed Costs.
- In UA's FY08 capital request, two items are necessary to maintain current performance levels and avoid backtracking on recent performance gains, specifically: Maintaining Existing Facilities and Equipment R&R Annual Requirement; and Reducing Deferred Maintenance and Major R&R Backlog Phase 1 of 6.

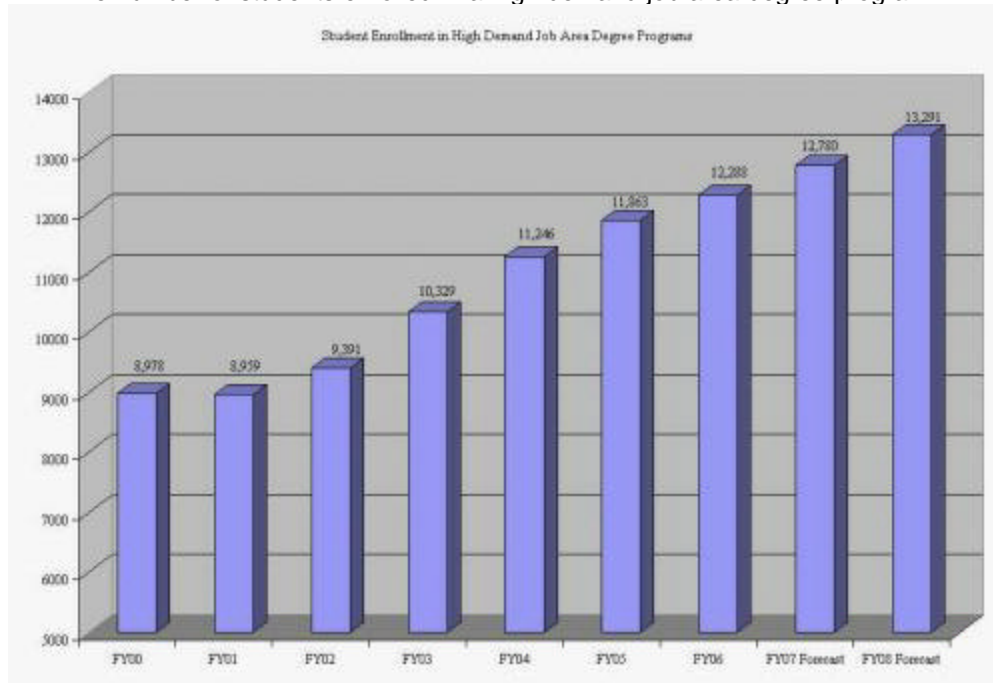
The University, as the provider of community college and university higher education mission for the state, serves both traditional and non-traditional aged students. Student credit hour increases are just one indicator that the University of Alaska is providing critical workforce training and educational opportunities that meet the needs of the citizens of Alaska. An increase in credit hours obviously contributes to the university's overall revenue base, which in turn helps fund programs, salary, fixed cost increases, and base investments necessary to reach the enrollment target. Efforts to increase the number of credit hours enrolled positively influences headcounts of full time, part time, non-credit, and vocational education students.

For more in depth information and analysis on this performance measure, see the comprehensive analyses conducted by UAA, UAF, UAS and the Office of Statewide Planning and Budget Development at: <http://www.alaska.edu/swbudget/pm/details.xml>

## E1: Strategy - Greater enrollment of students in targeted groups.

**Target #1:** Increase the number of students enrolled in a high demand job area degree program to 13,291 by FY08.

**Measure #1:** The number of students enrolled in a high demand job area degree program.



**Analysis of results and challenges:** Student enrollment in high demand degree programs gives an indicator of overall SCH generation. The number student credit hours generated by students enrolled in these programs makes up a growing proportion of the university's total student credit hour generation. This fiscal year, more than half of UA's SCH are expected to be generated by students enrolled in high demand degree programs.

High demand degree programs are more desirable to students due to better chances of employment after graduation. Enrollment in high demand degree job area degree programs is growing faster than enrollment in other degree programs. From FY03 to FY06, fall semester enrollment in high demand job programs increased by nearly 20 percent while overall UA system student headcount stayed level during this period.

### Funding Impact

- FY07 Funding – The programs funded in FY07 will have a positive impact on enrollment. Startup and recruitment are major FY07 efforts with a noticeable enrollment increase of 4 percent expected in FY08. The Integrated Science building will have a significant impact on enrollment once completed, accommodating estimated growth for Anchorage campus of an additional 4 percent.

FY08 Governor's budget preserves the existing level of programs and services at UA; however, changes listed for FY08 are dependent on program requests in the Board of Regents' approved operating budget requests.

- Proposed FY08 Funding - To further increase performance on this measure, UA's FY08 program requests for Preparing Alaskans for Jobs and College Readiness Programs will provide the necessary resources. It is anticipated that funding of Preparing Alaskans for Jobs will provide an immediate 2 percent high demand job area enrollment increase from FY08 to FY09. Funding of the College Readiness Programs request is anticipated to provide an immediate 1 percent high demand job area enrollment increase from FY08 to FY09.
- FY08 new facility requests for student life facilities, including dorms and recreation, will facilitate enrollment growth as well.
- To simply maintain existing performance levels, the vast majority of UA's FY08 operating request is required, including: Salary, Retirement and Other Benefits; and Utilities, and Bandwidth, Facility and Fixed

Costs.

- In UA's FY08 capital request, two items are necessary to maintain current performance levels and avoid backtracking on recent performance gains, specifically: Maintaining Existing Facilities and Equipment R&R Annual Requirement; and Reducing Deferred Maintenance and Major R&R Backlog Phase 1 of 6.

## Key Department Challenges

In striving toward its goals and objectives as described in "The University of Alaska Strategic Plan 2009," UA will contribute substantially to Alaska's effort to build a strong and stable economy. UA's focus and challenges continue to be:

### Providing Leadership and Fostering Partnerships

The university is taking a leadership role within the state to define and address the human resource, research and technology requirements to enable Alaska to take full advantage of economic opportunity. UA is strengthening relationships with industry partners including health care providers, construction and mining operators, engineering firms, and IT consortia. UA's leadership, in combination with the support of these partners, enables timely and responsive curriculum offerings. The result is Alaskan workers trained to meet industry needs. UA leadership in research and development, from policy and economics to engineering and natural resources, has and will continue to be a key to major economic advancements.

Partnerships with state entities include setting state research priorities in concert with various agencies through the State Committee on Research (SCoR), addressing state level need based financial aid with Alaska Commission on Post Secondary Education (ACPE), identifying and meeting workforce development priorities with Alaska Workforce Investment Board and the Alaska Department of Labor, partnering with the Alaska Mental Health Trust and the Department of Health and Social Services to meet the healthcare worker shortage, and the Department of Education on teacher preparation through mentoring programs. These partnerships and state level alignment provide focused attention to state policy priorities as well as integrated approaches to achieving desired state results.

### Preparing Alaska for a Successful Future

The university is providing relevant and timely academic programs to meet Alaska's workforce needs, developing competitive university research as an industry, and maintaining the highest level of public accountability and transparency. These efforts are essential to addressing the training and research necessary for developing a gas pipeline and being ready to capitalize on the opening of ANWR. These endeavors on behalf of all Alaskans require developing and refining responsive instructional and research programs, recruiting students, retaining faculty and staff through competitive compensation and a positive working environment, and building the necessary information technology and facilities infrastructure. State support for UA in addressing the significant fixed cost challenges including utilities, health cost, and retirement increases to maintain existing programs, plus modest growth in programs will provide UA the ability to support Alaska's future success.

### Preparing Alaskans for Jobs

Over the next 1000 days, the university will embark on a program to anticipate the high demand jobs of the future and continue to work with Alaskan industries to create the degree and certification programs those jobs will require. The result will be a trained Alaskan workforce ready to respond to the needs of a prosperous state.

In the last eight years, the University of Alaska has consistently identified high demand occupations and responded with the help of the legislature and industry partners. The results have been outstanding. Students have been drawn to those programs and upon graduation recruited by Alaskan businesses to work in their chosen field. Nursing alone has produced more than 100 additional graduates each year with remarkable savings to employers and a reduction in out-of-state workers.

The Board of Regents program requests advance high demand programs in health, fisheries and ocean sciences, engineering and construction, as well as disciplines with expanding student demand including geography, journalism, business and core disciplines. The university is and will continue to prioritize investments in programs that meet the jobs in high demand areas. Though overall enrollment has remained fairly flat over the last three years, many more students are choosing to enroll in programs meeting the training requirements in Alaska high demand occupations. This is an area UA has focused resources in order to best align degree program availability with state priorities. High demand job programs tend to be more expensive than other programs (e.g. lab needs for health programs, limited class sizes), however students tend to complete these programs at a higher rate than other degree programs and are now working in

Alaska.

Educating students to meet state workforce needs is a responsibility to which all UA campuses contribute. Each community campus serves as a feeder to programs across the UA system. For example, nearly 35 percent of students graduating from Anchorage campus in a high demand program used course credits earned at other campuses to help meet their degree requirements. Overall, about 55 percent of students who receive a high demand program degree or certificate attended more than one campus during their career. This integrated approach provides enhanced access to high job demand programs to students, while maintaining affordable delivery costs and access to higher education throughout the state.

### **Expanding University Research**

The state's investment and policy direction can create the environment to promote industry research and development endeavors. The areas of State investment for the University include Biomedical and Health Research, Engineering, Transportation and Energy, and Climate Impact and Alaska's Natural Resources including the upcoming International Polar Year. To attract the best and brightest researchers is paramount to UA's and Alaska's success in research. Recognizing this, the University President has focused significant university generated revenue on hiring post-doctoral research fellows, the brightest young scientist from around the world. These post-doctoral fellows will become the future of science in Alaska and throughout the world.

Research opportunities are stimulated not just by faculty and student expertise associated with quality educational programs, but by continued leveraging opportunities like the Department of Energy's Arctic Energy Office, and the recently legislated University of Alaska Transportation Center (UATC), and Arctic Engineering Research Center. There exists an unparalleled opportunity to take advantage of the unique breadth and depth of University expertise in relevant disciplines to springboard capacity to significantly higher levels. In doing so, UA helps assure the state enhances its understanding and forecasting of forces that affect renewable natural resources, marine and terrestrial, and simultaneously promotes the potential for continued growth of extractive industries (e.g., mining, oil and gas) in the face of growing regulatory pressures.

Additionally, the research industry in Alaska provides new and exciting professional employment opportunities for young Alaskans stretching from skilled technicians, biologists, computer technicians, chemists and engineers to Ph.D. researchers will be available in a state where retail and trade occupations have dominated growth. Research nationally is a \$264 billion industry. Universities account for \$36 billion of the research nationally, and university Research & Development (R&D) is a growth industry. Alaska can capitalize on research based on its geographic advantage in the following areas: bio-medical and infectious diseases, global climate change, transportation, energy and cold climate engineering. Of note, knowledge in all these research areas will benefit the state. This benefit is above and beyond the economic value of university research, since UA leverages \$6 from external sources for every one dollar of state funding dedicated to research.

UA has increased external research activity by 50 percent since 2001, infusing an additional \$40 million of external funding into Alaska.

### **Enhancing Student Success and Preparation**

Student Success is one of the University's most important goals. UA measures performance on enrollment, retention, and most importantly new graduates from programs addressing high demand job occupations in the state. Unfortunately, nearly two-thirds of students enter UA under-prepared for the rigors of college coursework. The first step to improve the success of under-prepared students is to properly assess their skills and place them in appropriate courses. Advising, innovative course design, delivery and scheduling, and working closely with K-12 teachers, students and parents in communicating the expectations of college level work are all efforts being evaluated and strengthened. Although simple to say, implementing these expectations will take a concerted effort and involve most UA faculty and staff as well as people in business, government and education throughout the state.

### **Demonstrating Accountability**

The University continues to demonstrate a high standard of accountability. UA has fully implemented performance based budgeting (PBB), a process that integrates the previous legislative missions and measures process. Annual campus operating and financial reviews are conducted by the President covering all aspects of campus operations, budgets, enrollment and performance results. Administration is improving effectiveness through several accountability and sustainability process improvement projects (ACAS). Additionally, the legislature monitors UA through the adhoc Senate Oversight committee formed last year and legislative audits through cost analyses and other studies. The University welcomes and encourages high expectations and scrutiny from the public groups such as Commonwealth North, Alaska Workforce Investment Board, Municipalities, and Chamber of Commerce organizations.

Additionally, UA regularly conducts peer reviews to monitor efficiency relative to similar institutions such as staffing levels, instructional cost per student, and increases in non-general fund revenue including development efforts. These peer comparisons help UA establish standards and build efficiencies throughout the system.

Another area of responsible stewardship is facilities maintenance. Within current campus operating budgets, UA has sustained a facilities maintenance funding level of 1.5 percent of building value, over \$20 million annually. From 2000-2006, as its first capital budget priority, UA has submitted capital funding requests averaging \$50 million for annual major R&R requirements (approximately 2.5% of asset value); however, an average of only \$7 million was funded, through FY06, with the first adequate annual state capital funding for R&R projects, \$48.3 million, received in 2007.

Protecting and fully utilizing the state's existing facility assets through appropriate annual renewal and replacement is critical to future success for UA and all state entities. UA has nearly 400 facilities with 6 million gross square feet worth over \$1.5 billion. Of these facilities more than half are over 30 years-old and the inventory of major R&R and deferred renewal projects is in excess of \$450 million. Per national standard, in addition to the \$20-\$25 million annual operating maintenance, \$40-\$50 million is necessary funding for major capital annual renewal and replacement.

Due to inconsistent and inadequate funding for major renewal, UA's deferred maintenance inventory (the cumulative backlog of major facilities renewal) is above a reasonable threshold. Department of Transportation and K-12 have similar deferred maintenance issues. There is a solution for the state that would both protect existing state assets by paying down excess deferred maintenance while providing the opportunity for Alaskan contractors to gear up for the imminent construction boom. The state should invest now in a six year major renewal and deferred maintenance pay-down program. The pay-down schedule could start modest and grow to a level sufficient to cover deferred maintenance needs. The level would be sufficient to expand Alaska contractor capacity to meet the construction boom of the gasline. In that period the state facilities will be renewed to appropriate standards, and contractors will have built staff and capacity to a level that the Alaskan companies become competitive for the major construction projects of the gas line.

## Significant Changes in Results to be Delivered in FY2008

UA's performance-based budgeting approach utilized over the last four years has set the stage for articulating specific measurable performance expectations. UA is currently using five primary performance measures. These metrics provide an indication of UA's overall success and the state's commitment to higher education. This performance based-budgeting process ensures that UA's limited resources are directed to those priority programs that align *UA Strategic Plan 2009* goals and campus strategic and academic plans.

Within the context of the strategic goals, the Board of Regents' FY08 budget request provides for maintaining the responsive programs already established.

Under a maintenance level only budget, the FY08 results will not meet full expectations; however, the more serious impact will be two to three years delayed as long-term results (i.e taking advantage of the next one-thousand days to prepare Alaska's workforce) will fall short of what the state requires to assure success. A relevant example is the FY08 engineering program request to support the goal to nearly double the number of engineers graduating within six years.

Expected research performance, although significant, is tempered due to the federal research funding environment. Another negative impact for future research activity at UA is the proposed TRS and PERS employer rate increases announced by the Alaska Retirement Management Board for FY08. The excessive employer rate increase seriously threatens UA's competitive research success. UA has proposed an alternative approach to the TRS and PERS rate increases for consideration by the Executive Branch and the Legislature.

## Major Department Accomplishments in 2006

Accomplishments and key results must be viewed in context of the operating environment. FY05 and FY06 state appropriation levels met maintenance level requirements, but did not provide any new program funding and in FY04 state appropriations fell well below maintenance level funding requiring modest reductions to accommodate the shortfall. All program advances in the three year period FY04-FY06 were through redirection of existing resources and through university generated revenue increases. Additionally, FY05 and FY06 represent the first two years of extraordinary retirement increases which consumed more than half of the state appropriation increases for UA.

### **Student Success Measures**

Within the operating conditions described above, UA has demonstrated significant accomplishments. In FY06, the University of Alaska measured a slight increase in student credit hour enrollment. UA undergraduate retention rate, although dipped slightly in FY06, all indications predict an improvement in FY07 and retention rates have increased 20 percent since FY99. The number of degrees awarded in high job demand areas continued to increase in FY06 with a 7 percent increase over FY05. Additionally, in FY06 UA awarded a record number of degrees and certificates across all disciplines, 3,223 awards to 3,111 students.

Increasing the number of UA graduates prepared for the high demand jobs in Alaska is a key measure. UA has focused its program offerings to be responsive to employers needs and although overall enrollment has been relatively flat, enrollment in these targeted high demand programs has grown 11 percent in the last three years. Annually, UA graduates 2,250 students ready for Alaska jobs. Annually, that is 400 more qualified workers compared to 5 years ago and the number is growing. Half of that increase is in health related fields including 100 more trained registered nurses annually and 100 other allied and behavioral health professionals. UA met its goal of doubling the number of nursing graduates over the last five years. It is estimated that an Alaska trained nurse saves each employer \$50,000 a year for five years. The additional nurses from one graduating class save employers \$25 million over five years. Imagine the cumulative impact, in the three years FY04 to FY06 UA has trained a total of 460 registered nurses.

The UA Scholars program has been significant to meeting high demand job needs of the state. Altogether 3,300 top Alaska high school graduates have enrolled at UA and 700 have earned degrees and certificates. Of added value, UA Scholars stay and work in Alaska at a higher rate relative to UA graduates as a whole. The UA Scholars program has very positive direct and indirect impacts on the significant change on Alaska high school graduates staying in-state for high education. Prior to the start of the program 44 percent of Alaska high school graduates went to college and 40 percent attended UA, today over 50 percent go to college and more than 50 percent attend UA.

The quality of UA programs is drawing significant public notice. Recent surveys show nine out of ten parents of school age children say they would encourage their children to attend UA, a significant increase (12%) from 1999. Of Alaska high school graduates nine of ten rated the quality at UA as either good or very good. Twice as many urban high school graduates rate UA as very good, 33% compared to 17% in 1999. Four of five Alaska residents (82%) believe UA is very important to the state, up from 69% in 1999. Most Alaska residents believe UA delivers a quality education on par with schools Outside; one-quarter of Alaska residents believe UA is better or much better compared to other states.

### **University Generated Revenue**

University generated revenue is a key measure essential to UA program offerings. The University of Alaska realized an increase of 9 percent university generated revenue in FY06. Continued growth is expected through increases in research, tuition revenue and development efforts. Tuition revenue increased 42 percent as a result of modest enrollment growth and the 10 percent annual rate increases from FY04-FY06. UA tuition rates, although increasing, are below national average for four-year public universities and have increased at a slower pace than in most other states. In addition to tuition, private giving has increased through significant fund raising efforts throughout the system and with the UA Foundation. Of particular note, is UAA's success in its first-ever capital campaign raising nearly \$13 million for a variety of projects including the Alaska Native Science and Engineering facility (ANSEP), faculty support and student scholarships.

UA strives to increase its ability to support a growing share of programs with university generated revenue. In FY90 state appropriations comprised 60 percent of UA's budget, that number has been reduced to just over 40 percent. The extraordinary retirement and health cost increases, however, have made UA more dependent on state funding in the near term.

### **External Research Funding**

In FY06, UA increased external grant funded research by just under 5 percent, totaling \$128.6 million. This result has moderated from the annual 12 percent increases demonstrated since FY01 which equates to 50 percent increase in external revenue. Although UA conducts the research based on the sponsor's questions, many projects funded externally also support state research priorities. Modern science facilities are fundamental to research competitiveness, exact estimates of how facilities impact research activity are uncertain, however, the two smaller lab facilities, West Ridge Research Building (WRRB) and Biological Research and Diagnostic Building (BiRD) that were built using significant university generated revenue, have supported a 95 percent increase in grant-funded biological and biomedical research activity at the UAF Institute of Arctic Biology.



Please refer to individual RDU and allocation level narratives for examples of activities at UA campuses that have enabled UA accomplishments:

### **Prioritization of Agency Programs**

*(Statutory Reference AS 37.07.050(a)(13))*

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## Department Budget Summary by RDU

All dollars shown in thousands

	FY2006 Actuals				FY2007 Management Plan				FY2008 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<b>Formula Expenditures</b>												
None.												
<b>Non-Formula Expenditures</b>												
University of Alaska Systemwide	1,485.4	0.0	0.0	1,485.4	2.0	3,267.9	4,418.9	7,688.8	1.0	3,267.9	4,418.9	7,687.8
Statewide Programs & Services	19,136.7	1,689.2	25,466.0	46,291.9	23,205.1	3,137.3	35,380.6	61,723.0	25,739.3	3,348.6	36,289.6	65,377.5
Univ of Alaska Anchorage	88,761.7	21,755.3	96,954.2	207,471.2	100,101.3	26,672.0	123,520.8	250,294.1	119,665.2	27,044.7	128,463.4	275,173.3
Univ of Alaska Fairbanks	118,454.8	92,244.0	130,775.4	341,474.2	133,848.6	110,418.4	160,675.9	404,942.9	159,445.7	112,895.9	165,916.0	438,257.6
Univ of Alaska Southeast	21,368.6	4,105.6	15,856.1	41,330.3	23,819.0	6,028.4	20,936.9	50,784.3	26,968.6	6,103.8	21,605.4	54,677.8
<b>Totals</b>	<b>249,207.2</b>	<b>119,794.1</b>	<b>269,051.7</b>	<b>638,053.0</b>	<b>280,976.0</b>	<b>149,524.0</b>	<b>344,933.1</b>	<b>775,433.1</b>	<b>331,819.8</b>	<b>152,660.9</b>	<b>356,693.3</b>	<b>841,174.0</b>

### Funding Source Summary

*All dollars in thousands*

Funding Sources	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
1002 Federal Receipts	119,794.1	149,524.0	152,660.9
1003 General Fund Match	2,777.3	4,777.3	4,777.3
1004 General Fund Receipts	246,229.1	275,997.9	326,841.7
1007 Inter-Agency Receipts	12,069.8	18,800.0	18,650.0
1037 General Fund / Mental Health	200.8	200.8	200.8
1048 University Restricted Receipts	207,813.3	264,942.9	276,221.4
1061 Capital Improvement Project Receipts	2,898.4	4,762.2	4,881.6
1092 Mental Health Trust Authority Authorized Receipts	558.0	825.0	1,085.0
1151 Technical Vocational Education Program Account	2,822.6	2,882.0	3,134.3
1174 UA Intra-Agency Transfers	42,889.6	52,721.0	52,721.0
<b>Totals</b>	<b>638,053.0</b>	<b>775,433.1</b>	<b>841,174.0</b>

### Position Summary

Funding Sources	FY2007 Management Plan	FY2008 Governor
Permanent Full Time	3,967	3,967
Permanent Part Time	181	181
Non Permanent	0	0
<b>Totals</b>	<b>4,148</b>	<b>4,148</b>

FY2008 Capital Budget Request				
Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Systemwide Project Receipt Authority	0	15,000,000	0	15,000,000
UAF Patty Sports Complex Weight Training Facility Planning	0	0	150,000	150,000
UAA East Campus Parking Structure and Loop Road	0	0	9,000,000	9,000,000
<b>Department Total</b>	<b>0</b>	<b>15,000,000</b>	<b>9,150,000</b>	<b>24,150,000</b>

*This is an appropriation level summary only. For allocations and the full project details see the capital budget.*

### Summary of Department Budget Changes by RDU

From FY2007 Management Plan to FY2008 Governor

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2007 Management Plan</b>	<b>280,976.0</b>	<b>149,524.0</b>	<b>344,933.1</b>	<b>775,433.1</b>
<b>Adjustments which will continue current level of service:</b>				
-Statewide Programs & Services	-44.8	0.0	0.0	-44.8
-Univ of Alaska Anchorage	-486.7	0.0	0.0	-486.7
-Univ of Alaska Fairbanks	-514.3	0.0	0.0	-514.3
-Univ of Alaska Southeast	-124.2	0.0	0.0	-124.2
<b>Proposed budget decreases:</b>				
-University of Alaska Systemwide	-2.0	0.0	0.0	-2.0
-Statewide Programs & Services	0.0	0.0	-100.0	-100.0
-Univ of Alaska Anchorage	0.0	0.0	-299.2	-299.2
-Univ of Alaska Fairbanks	0.0	0.0	-575.8	-575.8
<b>Proposed budget increases:</b>				
-University of Alaska Systemwide	1.0	0.0	0.0	1.0
-Statewide Programs & Services	2,579.0	211.3	1,009.0	3,799.3
-Univ of Alaska Anchorage	20,050.6	372.7	5,241.8	25,665.1
-Univ of Alaska Fairbanks	26,111.4	2,477.5	5,815.9	34,404.8
-Univ of Alaska Southeast	3,273.8	75.4	668.5	4,017.7
<b>FY2008 Governor</b>	<b>331,819.8</b>	<b>152,660.9</b>	<b>356,693.3</b>	<b>841,174.0</b>