

State of Alaska FY2010 Governor's Operating Budget

University of Alaska

University of Alaska

Mission

University of Alaska System

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

Core Services

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

End Result	Strategies to Achieve End Result
<p>A: More graduates who are qualified to take a high demand job in Alaska.</p> <p><u>Target #1:</u> A target of 2,796 degrees and certificates awarded in high demand job area (HDJA) programs in FY10.</p> <p><u>Status #1:</u> The University of Alaska awarded over 500 more degrees in high demand job area (HDJA) programs in FY08 than FY04 (a 26% increase) for a total of 2,525 HDJA awards, and nearly met the FY08 target 2,565 awards.</p>	<p>A1: More graduates ready to be employed in specific Alaska high demand job areas.</p> <p><u>Target #1:</u> A target of 830 degrees awarded in Health related fields in FY10.</p> <p><u>Status #1:</u> The University of Alaska awarded 137 more degrees in health related fields in FY08 than FY04 (a 22% increase) for a total of 749 health related awards.</p> <p><u>Target #2:</u> A target of 120 baccalaureate Engineering degrees awarded in FY10.</p> <p><u>Status #2:</u> The University of Alaska awarded 25 more baccalaureate Engineering degrees in FY08 than FY04 (a 43% increase) for a total of 83 degrees; however, this was below the FY08 target of 95 awards.</p>
End Result	Strategies to Achieve End Result
<p>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.</p> <p><u>Target #1:</u> A target of \$407 million in university and federal receipts in FY10.</p> <p><u>Status #1:</u> FY08 University of Alaska revenue generated from non-state funds remained steady at the FY07 level of \$379 million; this performance was below the established target of a 2.1% increase.</p>	<p>B1: Greater revenue generation from tuition and fees.</p> <p><u>Target #1:</u> A target for revenue from student tuition and fees of \$110 million in FY10.</p> <p><u>Status #1:</u> FY08 University of Alaska revenue generated from student tuition and fees reached nearly \$100 million, which represented a 9.2% increase from the FY07 level and surpassed the FY08 target by \$1.1 million.</p> <p><u>Target #2:</u> A target for Charitable Gifts benefiting UA of \$23.2 million in FY10.</p> <p><u>Status #2:</u> The \$31.1 million in charitable gifts benefiting UA made in FY08 was an increase of 34% from the</p>

End Result	Strategies to Achieve End Result
<p>C: Increased level of competitive research activity.</p> <p><u>Target #1:</u> A target of \$116.8 million in grant funded expenditures in FY10.</p> <p><u>Status #1:</u> University research expenditures totaled \$119 million in FY08 an increase of \$3 million (3%) from FY04, this performance was below the FY08 target, which was set in anticipation of state investment in the BIOS facility.</p>	<p>FY07 level.</p> <p>C1: Increased research activity in areas of importance to the State of Alaska.</p> <p><u>Target #1:</u> A target for the 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 of 300 in FY10.</p> <p><u>Status #1:</u> The 307 new research grants in areas of importance to the State of Alaska awarded in FY08 was 6.6% more than the number awarded in FY04, but significantly below the peak attained in FY05.</p> <p><u>Target #2:</u> A target for restricted research expenditures at the Institute of Arctic Biology, the primary institute conducting Life Sciences research, of \$19.5 million in FY10.</p> <p><u>Status #2:</u> The \$18.5 million in restricted research expenditures at the Institute of Arctic Biology (IAB) in FY08 was up 28.5% from the FY04 level and up 8.8% from FY07.</p>
End Result	Strategies to Achieve End Result
<p>D: Increased retention of students in university degree programs.</p> <p><u>Target #1:</u> A target 67% retention rate for first-time full-time students in undergraduate and certificate programs in FY10.</p> <p><u>Status #1:</u> The University of Alaska undergraduate retention rate reached an all time high at 67.2% in FY09 increasing by 2.6 percentage points from the FY08 performance level and exceeding the FY09 target of 66%.</p>	<p>D1: Higher retention rate for specific groups of first-time, full-time freshmen.</p> <p><u>Target #1:</u> A target retention rate for first-time, full-time baccalaureate students of 73.5 percent in FY10.</p> <p><u>Status #1:</u> The retention rate for first-time, full-time baccalaureate students reached a record level of 73.5% in FY09.</p>
End Result	Strategies to Achieve End Result
<p>E: Greater level of student credit hour (SCH) enrollment.</p> <p><u>Target #1:</u> A target of a 567,000 Student Credit Hours (SCH) attempted in FY10.</p> <p><u>Status #1:</u> FY08 student credit hours (SCH) delivered by the University of Alaska equaled the all time high enrollment achieved in FY04 and FY07 of 559,000 SCH; however, this performance was below the FY08 target of 562,000 SCH.</p>	<p>E1: Greater enrollment of students in targeted groups.</p> <p><u>Target #1:</u> A target for the number of students enrolled in a high demand job area degree program to 13,300 by FY10.</p> <p><u>Status #1:</u> The 12,714 students enrolled in a high demand job area program, in FY08, represented a 13% increase from the FY04 level.</p> <p><u>Target #2:</u> A target for recent Alaska high school graduates attending UA of 2,200 in FY10.</p> <p><u>Status #2:</u> The 2,200 recent Alaska high school graduates attending UA in FY08 essentially maintained the record level set in FY07 and represented an</p>

increase of 33.4% from FY04.

Major Activities to Advance Strategies

- Expand and create new partnerships to advance workforce development programs
- Maximize leverage of state appropriations to seek competitive federal research grants
- Expand development efforts targeting alumni, corporate partners, faculty and staff
- Increase student success and preparation through outreach, advising, counseling and placement
- Focus course, certificate and degree offerings on student and state workforce demand priorities
- Maintain highest standard of accountability, transparency, and efficiency of operations
- Secure necessary support for major renewal and replacement of facilities to protect existing assets

FY2010 Resources Allocated to Achieve Results

FY2010 Department Budget: \$822,063,800

Personnel:

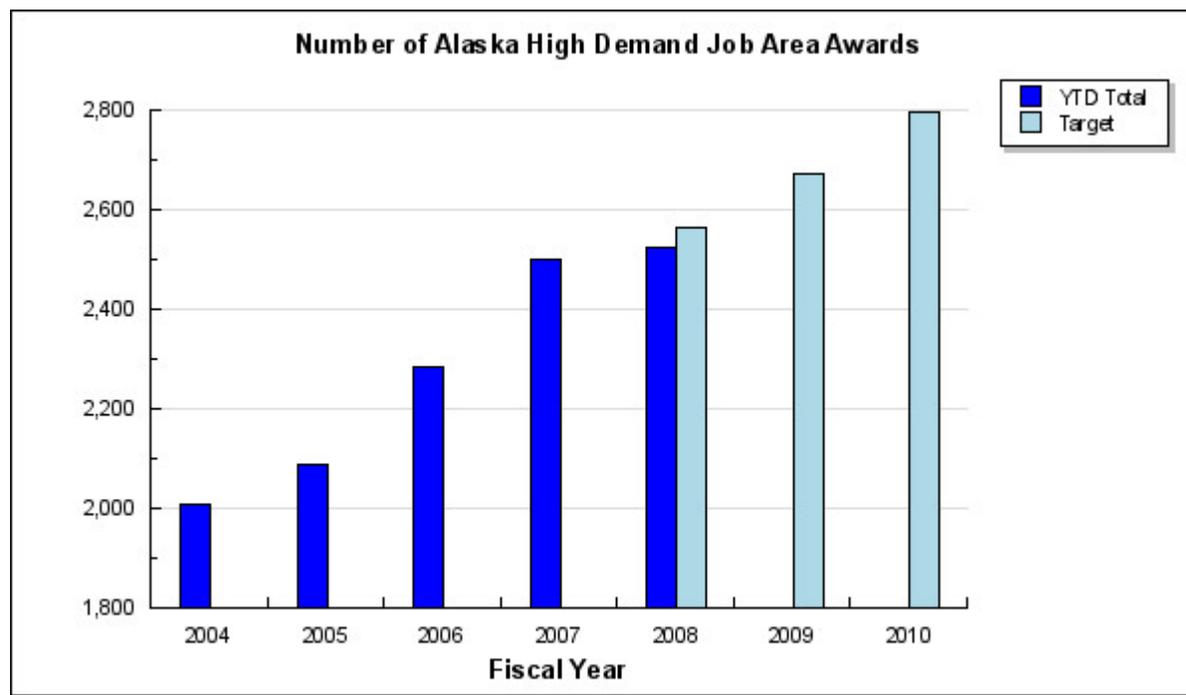
Full time	4,697
Part time	222
Total	4,919

Performance

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

Target #1: A target of 2,796 degrees and certificates awarded in high demand job area (HDJA) programs in FY10.

Status #1: The University of Alaska awarded over 500 more degrees in high demand job area (HDJA) programs in FY08 than FY04 (a 26% increase) for a total of 2,525 HDJA awards, and nearly met the FY08 target 2,565 awards.



Analysis of results and challenges: UA generated 24 (1%) more high demand job area (HDJA) awards in FY08 than in FY07, for a total of 2,525. UA expects HDJA performance increases of 6 percent in FY09 and up to 5 percent in FY10, as newly established HDJA programs begin producing graduates. The target for FY10 is based on investments that have already been made in HDJA program areas. Maintenance of, and increases beyond, this level will require continued consistent state investment in these program areas.

It is important to note that in August 2008 the HDJA program listing was updated based on the new 2004-2014 Alaska Occupational Forecast from the State of Alaska Department of Labor. The programs added include 29 occupational endorsements and 30 other programs created since FY03. Past performance has been normalized for these programs, which increased performance by 1 award in FY04, 2 awards in FY05, 36 awards in FY06, and 55 awards in FY07.

Though overall enrollment has remained stable over the last four years, proportionally more students choose to enroll in HDJA programs over programs in other areas of study. The BOR has chosen to focus resources on HDJA programs in order to best align degree programs offered at UA with state priorities. HDJA students tend to complete these programs at a higher rate than students in other programs. However, there are higher costs associated with most HDJA programs due to: a need for competitive wages to recruit faculty; smaller class sizes because of strict accreditation limits and lab constraints; and needs for costly equipment.

Educating students in HDJA programs is a responsibility that all UA campuses contribute to. 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.

MAU Performance Highlights:

UAA generated 1,535 HDJA awards falling 1 percent below its FY07 performance level and below the FY08 target of 1,575 HDJA awards. Strategies for future growth in HDJA awards at UAA will focus on increasing awards in the specific high demand job areas of health, engineering and construction.

UAF generated 731 HDJA awards in FY08, which was a 1 percent decrease from its FY07 performance level and below the FY08 target of 745 awards. UAF anticipates 4 percent growth per year in FY09 and FY10 when newly established HDJA programs are expected to produce their first graduates.

UAS generated 259 HDJA awards in FY08 growing by over 26 percent from its FY07 performance level, and exceeding its FY08 target by 5.7 percent. Future HDJA award growth strategies at UAS include: developing more HDJA programs; increasing access to HDJA program courses through alternative offering formats; continued program initiatives that increase recruitment and retention and targeted enrollment in HDJA programs.

Funding Impact:

There is a delay between investments made in a program and degree production. This delay is due to a lag between enrollment growth and degree production, because it takes one to four years to complete most programs.

Without continued consistent state operating and capital investment to support new and expanded HDJA programs, degree production in these areas will plateau as capacity for existing programs is reached. In fact without investment in K-12 partnerships to help mitigate projected high school graduation declines enrollments in HDJA programs could also decline leading to a reduction in HDJA awards in the future.

HDJA program investments attract students to expanded program offerings and increase retention improving HDJA award performance. Program investments that would most directly impact retention and graduation rates are in the areas of student success, student demand and college preparation. Another key to attracting and retaining students is UA's status as a research university. To continue to attract and retain these students it is important for UA to maintain relevant research in areas aligned with high demand fields. Capital investments to meet increasing capacity and equipment demands provide students with quality learning experiences and improve recruitment and retention to graduation.

Past State-Funded Program Increments

UA received program increments in FY07 totaling \$4.2 million in general funds for Preparing Alaskans for Jobs and for Continuing Programs in State Needs. Also dedicated in support of these increments was \$3.7 million in student tuition and fees and other revenue sources. The Preparing Alaskans for Jobs program increment supported expansion of engineering programs such as the Alaska Native Science and Engineering Program (ANSEP), programs in construction and mining technology, and vocational education. The Continuing Programs in State Needs increment supported teacher and early childhood education programs, distance delivery of high demand job area programs, nursing, behavioral health, and allied health programs. Also funded in FY07 was the Integrated Science building (ISB), which upon completion will have an impact on enrollment, accommodating some growth for the Anchorage campus.

In FY09, the state invested \$5.5 million of general funds in the Preparing Alaskans for Jobs. Also dedicated in support of this program increment was \$2.6 million in student tuition and fees and other non-state revenue sources. The Preparing Alaskans for Jobs program increment supported the high demand program areas of health, engineering, and fisheries. In FY09, the state also funded the \$46 million UAA Health Sciences building, which will provide space for students pursuing degrees in nursing and health sciences fields, as well as program faculty and staff. The unfunded FY09 request increment in the area of student success (\$1.6 million) would have supported planned growth in HDJA awards by improving retention and degree completion.

UA also receives annual Technical Vocational Education Program (TVEP) funding, which is temporary funding specific to workforce development programs. This funding source has been particularly valuable for program start-up funding, bridge funding and helping to meet some of the equipment and lab needs necessary to meet industry standards. 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, general funds are requested and the program is transitioned to this long term funding source.

Internal Reallocations

In only four years since FY00, (FY01, FY02, FY07 and FY09) have legislative appropriations of state funding covered the level necessary to fund salary, benefit and fixed cost increases and allow for state funded program growth. However, the Board of Regents' (BOR) recognized the need for priority program growth and through maximizing external revenue, internal efficiencies, and reallocations they distributed funding towards priority programs every year.

In FY08, the funding UA received from state appropriations was \$1.6 million less than UA's compensation and fixed costs increases and did not provide funding for key programs. However, given the critical and urgent nature of proceeding with programmatic needs, \$2.5 million general fund was reallocated to the highest priority programs, including health, engineering, construction, mining, and geography.

Proposed FY10 Operating and Capital Budgets

Note that due to the delay between funding and degree production, HDJA degrees awarded will not start showing the impact of any FY10 program funding until FY12. However, an early impact could be seen in other metrics such as student credit hours generated by students in high demand job area programs.

The Governor's proposed FY10 general fund operating budget includes \$3.6 million for key program investments; and \$9.4 million for compensation increases and lease expenses, a level that is \$6.3 million below the fixed cost increases (not including utilities) required to maintain current performance levels. The Governor's proposed FY10 general fund capital budget includes \$1.1 million in funding for gasoline related program equipment and \$10 million of the \$50 million Maintaining Existing Facilities Renewal and Renovation (R&R) Annual Requirement. Funding at the \$50 million level is the minimum necessary to maintain current performance levels.

Looking to the Future

Future growth in HDJA awards will be reliant on: consistent state investment toward HDJA programs; a continued commitment to capital renewal and renovation; and capital investments in equipment and facilities to support HDJA program enrollment growth. To remain competitive and retain students it is important to keep UA buildings and equipment competitive. Capital projects that would meet increasing capacity and equipment demands include: UAF Life Sciences Innovation and Learning Facility; University Equipment Refresh; and Planning for UA Engineering.

Left unmitigated projected declines in the level of high school graduates could cause declines in future enrollments in HDJA programs and as such a decline in future HDJA awards. Investments to improve K-12 partnerships and outreach would increase the preparation of incoming students; and the successful completion of educational goals. Investments in this area would also support improvement in the "college going rate" of Alaska high school graduates. Alaska has one of the lowest college going rates in the nation for recent high school graduates. Such improvements support future growth in HDJA program awards.

Another key to attracting and retaining students is UA's status as a research university. Operating investments in research help UA remain competitive in generating Federal Receipts and other non-state research revenue. Even with operating budget investments, the University of Alaska is struggling with space constraints. Future growth in research is not possible without additional space. Beyond the UAF Life Sciences and Innovation Facility, key research related projects include: the UAF Energy Technology Building; the Alaska Region Research Vessel; Energy Projects; and Climate Projects.

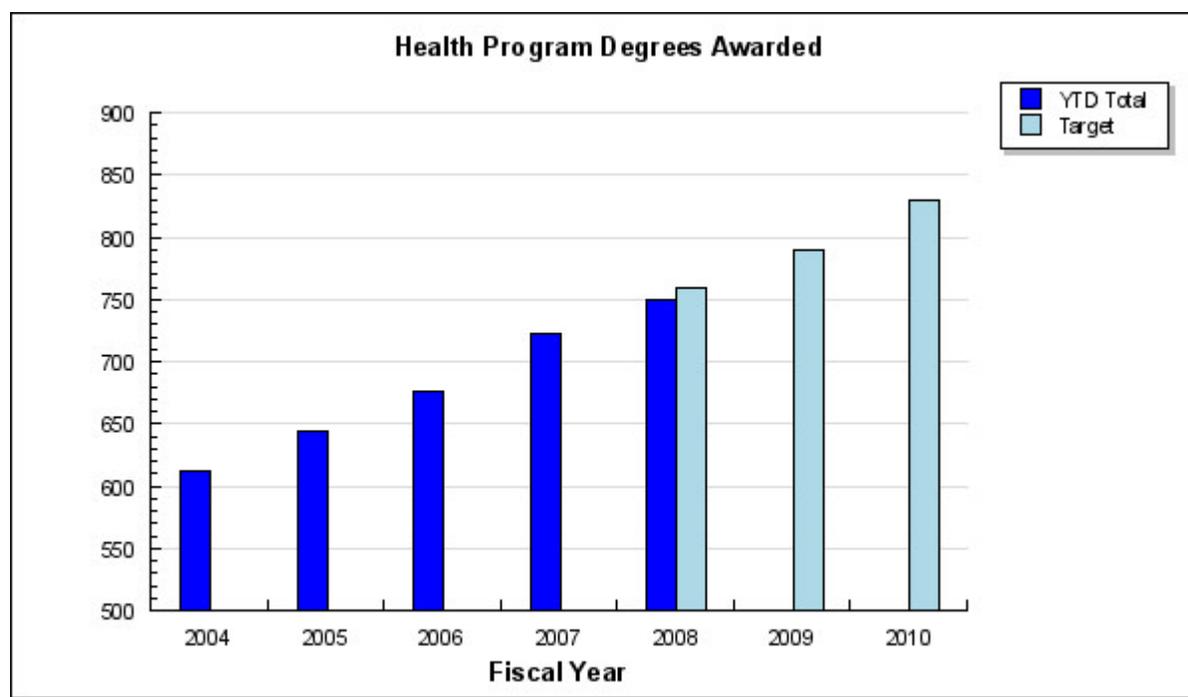
Providing education and training for students to pursue careers in the state's high demand fields is one of UA's primary roles. Of the 314 occupational categories included in the 2004-2014 Occupational Forecast from the State of Alaska Department of Labor

(<http://www.labor.state.ak.us/research/trends/apr03ind.pdf>), 54 occupational categories 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). High demand job areas include occupations as diverse as Welders, Computer System Analysts, and Educators.

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

Target #1: A target of 830 degrees awarded in Health related fields in FY10.

Status #1: The University of Alaska awarded 137 more degrees in health related fields in FY08 than FY04 (a 22% increase) for a total of 749 health related awards.



Analysis of results and challenges: The high demand job area (HDJA) with the most dramatic increase in number of degrees awarded since FY99 is health. This increase is due to enrollment growth in existing health programs, as well as the availability of new program offerings. The FY08 performance level represented a 3.6 percent increase from FY07, approaching the university's FY08 target of a 5 percent increase. Increases in the range of 5 percent per year for FY09 and FY10 are still anticipated as new programs are expected to start generating graduates.

It is important to note that in August 2008 the HDJA program listing was updated based on the new 2004-2014 Alaska Occupational Forecast from the State of Alaska Department of Labor and Workforce Development. Past performance has been normalized to include performance for these programs, increasing past performance in the number of health degrees awarded by 6 awards in FY07.

Allied health programs contributed the most to the growth from FY07 to FY08 with an increase of 29 awards. The Limited Radiography occupational endorsement significantly contributed to this growth by producing its first 11 completers in FY08. Outside of Allied health the largest growth was in baccalaureate Psychology, which increased by 19 awards from FY07 to FY08. UAA was the MAU that most significantly contributed to the growth in health degrees awarded from FY07 to FY08, with an increase of 29 awards. Educating students in health related programs is a responsibility to which all UA campuses contribute. Overall, about 55 percent of students who receive a HDJA degree or certificate attend more than one campus during their career. Specific programs with significant growth in enrollment and degree production over the last nine years include Associate of Applied Science (AAS) programs in Emergency Services, Nursing and Radiologic Technology as well as baccalaureate degree programs in Nursing and Psychology.

One area of demonstrated success in the health programs 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 met its goal. In FY06, the UAA School of Nursing awarded an additional 109 RN associate and bachelor's degrees beyond 2001 award levels and committed to maintaining at least the current level of graduates into the future, which it did in FY07 and FY08.

For the past five years, UA has been expanding its health program offerings with great success. Enrollments are up 83 percent, with nearly 3400 students enrolled in health programs across the system. Even with UA's progress, health occupations comprise 9 of the state's 10 fastest growing occupations and employers report difficulty attracting qualified workers. The 2007 Alaska Health Workforce Vacancy Study (<http://nursing.uaa.alaska.edu/acrh/>) confirmed an average vacancy rate of 10 percent in all health occupations, with rates more dramatic in rural areas. This is partially due to the fact that industry growth is outpacing the growth of university programs; the health services industry is the fastest growing area of Alaska's economy.

Funding Impact

Without continued consistent state investment in new and expanded health related programs degree production in these areas will plateau as capacity for existing programs is reached. In fact without investment in K-12 outreach projected high school graduation trends could cause reduced enrollments in health related programs and consequently a reduction in health related awards in the future.

Health related program investments help attract students to expanded program offerings and increase retention thus improving health related award performance. Program investments that would most directly impact retention and graduation rates are in the areas of student success, student demand and college preparation. Another key to attracting and retaining students is UA's status as a research university. To continue to attract and retain these students it is important for UA to maintain relevant research. Capital investments to meet increasing capacity and equipment demands provide students with quality learning experiences and improve recruitment and retention to graduation. It is also important to remember that programs can only grow so far before facility investments are necessary to support future growth.

There is a delay between investments made in a program and degree production. This delay is due to a lag between enrollment growth and degree production, because it takes one to four years to complete most programs.

FY07 and FY09 Program Increments – Due to the delay in the impact of funding on degrees awarded, the FY07 program increments will just start showing an impact in FY09. UA received an FY07 program increment of \$764.0 thousand for 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 health programs. The FY07 increment was in direct support of UA meeting its FY09 target increase of 5.5 percent from FY08 in the number of degrees awarded in high demand health programs.

Again due to the delay in impact, health program funding received in FY09 will not have significant effect until FY11. Still some impacts of FY09 funding will be seen as early as FY10, the FY09 health request for expanding the nursing program will add 16 additional slots at the Anchorage campus, bringing total nursing degree production up to 216 per year by FY10. Even though there was no state funding of health programs in FY08, due to past state funding and internal reallocations made, there is still anticipated a 5 percent growth in FY10.

Internal Reallocation – It is important to note that UA's investment in health related instruction programs grew by \$13.9 million from FY99 to FY07, only \$3.4 million of which came from legislative state appropriation increases for program growth. Every year since FY99, UA's Board of Regents has directed reallocation and new funding to high demand job related programs. In only four years, have legislative state appropriation increases covered fixed costs and provided for some program growth, thus for the other years, the Board conducted internal reallocation to key high demand job areas. This demonstrates focus and alignment to state priorities. In FY08, given the critical and urgent nature of proceeding with high demand programmatic needs, \$2.5 million in general funds was reallocated from all campuses. In FY08, \$1.0 million in temporary funds were invested in key workforce programs. There were also investments made in health related programs through performance-based budgeting reallocations.

Additionally, tuition increases, partnerships with industry, Federal grants, and the Technical Vocational Education Program (TVEP) fund have contributed to these important programs. TVEP funding is specific to workforce development programs and was provided to UA to offset general fund program requests starting in FY01. This funding source has been particularly valuable as program start-up funding, bridge funding and in helping to meet some of the equipment and lab needs for programs. 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, general funds are requested and the program is transitioned to this long term funding source. For example, the UAF Dental Hygiene program startup was funded with TVEP funds in FY08, with ongoing base GF requested as part of UA's FY09 request.

Proposed FY10 Operating and Capital Budgets – Note that due to the delay between funding and degree production, health degrees awarded will not show the full impact of FY10 funding until FY12 or FY13. However, an early impact will be seen in other metrics such as student credit hours generated by students in high demand job area programs.

The Governor's proposed FY10 general fund operating budget includes \$3.6 million for key program investments; and \$9.4 million for compensation increases and lease expenses, a level that is \$6.3 million below the fixed cost increases (not including utilities) required to maintain current performance levels. The Governor's proposed FY10 general fund capital budget includes \$1.1 million in funding for gasline related program equipment and \$10 million of the \$50 million Maintaining Existing Facilities Renewal and Renovation (R&R) Annual Requirement. Funding at the \$50 million level is the minimum necessary to maintain current performance levels.

Looking to the Future

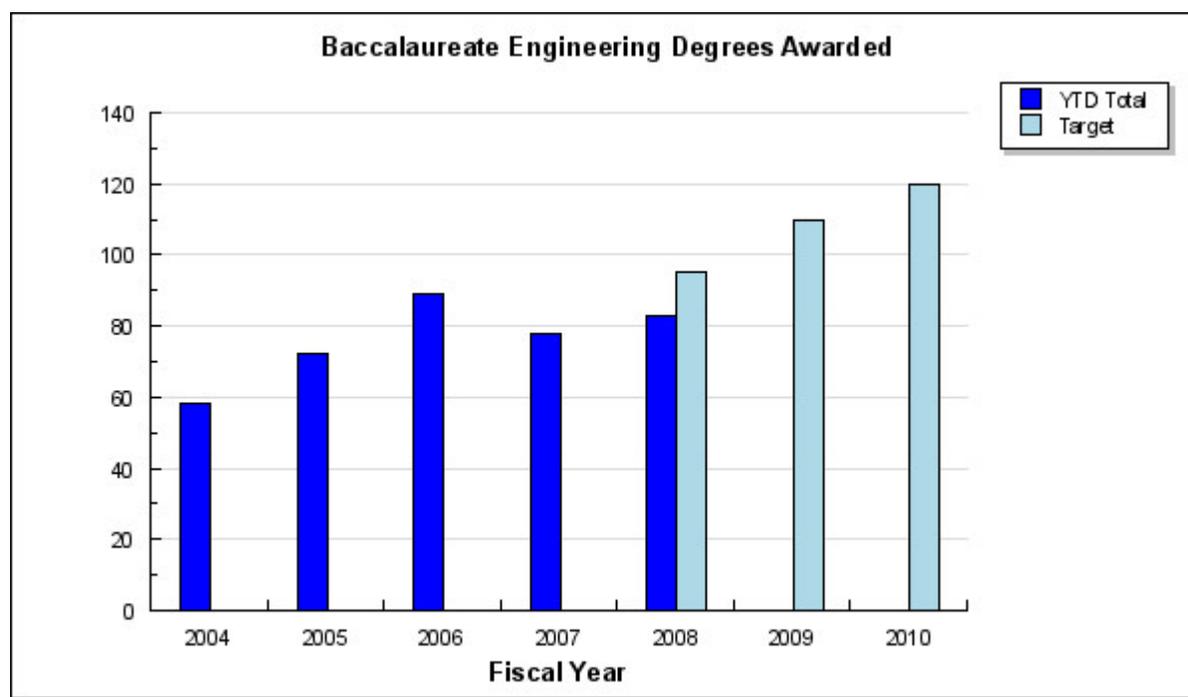
Investments in health programs would directly impact performance in the number of health degrees awarded. Examples of specific health programs ready for investment include Pharmacy careers, funding for the Radiologic Technology program that has already shown significant growth, Dental programs expansion and many other important health program investments. Without investment in K-12 outreach projected high school graduation trends could cause reduced enrollments in health related programs and consequently a reduction in health related awards in the future. K-12 outreach would help increase the preparation of incoming students; and the successful completion of educational goals. It would also support improvement in the college going rate of Alaska high school graduates. Alaska has one of the lowest "college going" rates in the nation for recent high school graduates. Improvement in these areas would support future growth in health related program awards.

To remain competitive and retain students it is important to keep UA buildings and equipment competitive. Projects that would meet increasing capacity and equipment demands include: the UAF Life Sciences Innovation and Learning Facility; University Equipment Refresh; and Planning for UA Engineering.

Capital projects that would help UA maintain relevant research include: the UAF Life Sciences Innovation and Learning Facility (\$82.2 million GF, \$20.6 million NGF), the BIOS alternate approach; the UAF Energy Technology Building (\$15.3 million GF, \$15.3 million NGF); the Alaska Region Research Vessel (\$100 million in Federal Receipt authority), pending NSF authorization of this new amount; Energy Projects (\$21 million GF); and Climate Projects (\$21.5 million GF).

Target #2: A target of 120 baccalaureate Engineering degrees awarded in FY10.

Status #2: The University of Alaska awarded 25 more baccalaureate Engineering degrees in FY08 than FY04 (a 43% increase) for a total of 83 degrees; however, this was below the FY08 target of 95 awards.



Analysis of results and challenges: In FY08, through the programs offered at UAA and UAF, 83 students earned a baccalaureate degree in engineering. This FY08 performance level was an increase of 6.4 percent from FY07; however, this performance was below the FY08 target of 95 awards. Meeting the FY09 target of nearly a 33 percent increase from FY08 performance level will be a significant challenge.

UA's long term goal to help ease engineering workforce needs is to reach a sustainable, annual level of 200 baccalaureate degrees in Engineering. This goal will only be achievable with additional, consistent state support to augment FY07 and FY09 funding. The number of freshmen in UA's baccalaureate engineering programs reached 282 this fall, with 156 at UAA and 126 at UAF. This enrollment level was more than double the enrollment of 129 in FY04 and represented a 32 percent increase from the enrollment of 214 last year.

One consideration in UA's effort to increase the number baccalaureate Engineering graduates is under-preparation for college. Of the Alaskan high school graduates attending UA as freshmen in fall 2007 just over 37 percent had to take developmental math and/or English. Overall more than half of UA students require preparatory coursework. Increased K-12 partnerships would help improve college preparedness of incoming students.

Funding Impact

Without continued consistent state operating and capital investment in support of baccalaureate Engineering programs the number of degrees awarded will plateau as capacity for existing programs is reached. In fact without investment in K-12 outreach projected high school graduation trends could cause reduced enrollments in baccalaureate engineering programs and consequently a reduction in degrees awarded in the future.

Engineering program investments attract students to expanded program offerings and increase retention improving degree award performance. Program investments that would most directly impact retention and graduation rates are in the areas of student success, student demand and college preparation. Another key to attracting and retaining students is UA's status as a research university. To continue to attract and retain these students it is important for UA to maintain relevant research. Capital investments to meet increasing capacity and equipment demands provide students with quality learning experiences and improve recruitment and retention to graduation. It is also important to

remember that programs can only grow so far before facility investments are necessary to support future growth.

There is a delay between investments made in a program and degree production. This delay is due to a lag between enrollment growth and degree production, because it takes one to four years to complete most programs.

FY07 and FY09 Program Increments – Due to the delay in the impact of funding on degrees awarded the FY07 program increments will just start showing an impact on graduates in FY11. 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. The new UAA ANSEP building, which opened in October 2006, more than doubled the capacity for the ANSEP program further supporting growth in engineering. UA received an FY09 program increment of just under \$3.0 million for Preparing Alaskans for Jobs: Engineering and Construction Management. This increment included \$1.8 million in direct support of baccalaureate engineering program expansion at UAA and UAF. These increments, with state program and facility investments, support doubling the number of new engineering baccalaureate graduates, in the future.

Internal Reallocation – Every year since FY00, UA's Board of Regents (BOR) has directed reallocation and new funding to high demand job related programs. In only four years since FY00, have legislative state appropriation increases covered fixed costs and provided for some program growth, thus for the other six years, the BOR chose to internal reallocation to key high demand job areas. This demonstrates focus and alignment to state priorities. In FY08, given the critical and urgent nature of proceeding with high demand programmatic needs, \$2.5 million in general funds was reallocated from all campuses. In FY08, the BOR requested \$930,000 in general funds toward engineering that went unfunded by the state. There was, however, temporary funds and internal reallocations invested by the BOR to cover a portion of this need. The impact of reallocations will be noticed most acutely in FY09 and beyond as UA's ability to generate external funding is limited and existing reserves are being exhausted.

Proposed FY10 Operating and Capital Budgets – Note that due to the delay between funding and degree production, baccalaureate in engineering degrees awarded will not show the full impact of FY10 funding until FY14 or FY15. However, an early impact will be seen in other metrics such as student credit hours generated by students in high demand job area programs.

The Governor's proposed FY10 general fund operating budget includes \$3.6 million for key program investments; and \$9.4 million for compensation increases and lease expenses, a level that is \$6.3 million below the fixed cost increases (not including utilities) required to maintain current performance levels. The Governor's proposed FY10 general fund capital budget includes \$1.1 million in funding for gasoline related program equipment and \$10 million of the \$50 million Maintaining Existing Facilities Renewal and Renovation (R&R) Annual Requirement. Funding at the \$50 million level is the minimum necessary to maintain current performance levels.

Looking to the Future

Investments in Engineering programs would directly impact performance in the number of baccalaureate Engineering degrees awarded. Planning money for Engineering facilities is necessary to keep pace with UA's goal to double the number of baccalaureate Engineering degrees awarded annually. Space is at a premium now, the number of freshmen in UA's baccalaureate Engineering programs reached 282 this fall, more than double the enrollment of 129 in FY04 and a 32 percent increase from the enrollment of 214 last year. The Engineering facility planning money would help UA determine how best to address space requirements.

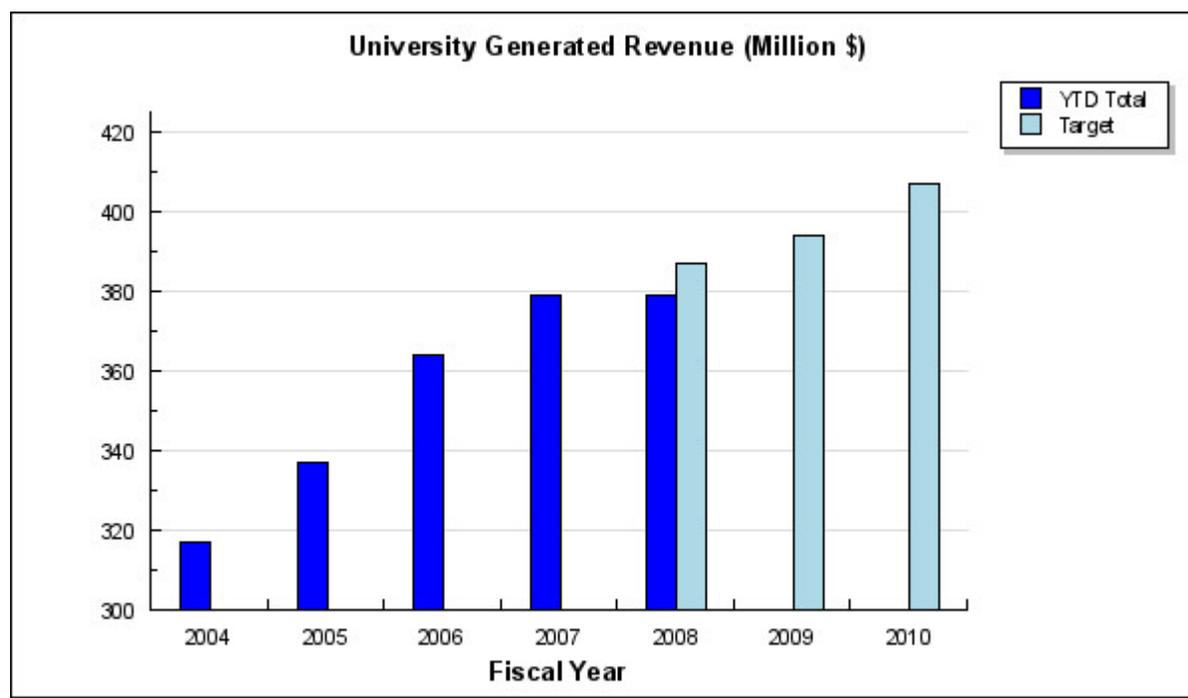
Without investment in K-12 outreach, the projected high school graduation trends could cause reduced enrollments in Engineering programs and consequently a reduction in baccalaureate in Engineering degrees in the future. K-12 outreach would help increase the preparation of incoming students; and the successful completion of educational goals. It would also support improvement in the college going rate of Alaska high school graduates. Alaska has one of the lowest "college going" rates in the nation for recent high school graduates. Improvement in these areas would support future growth in baccalaureate Engineering awards.

To remain competitive and retain students it is important to keep UA buildings and equipment competitive. Projects that would meet increasing capacity and equipment demands include: the UAF Life Sciences Innovation and Learning Facility; University Equipment Refresh; and Planning for UA Engineering. Projects that would help UA maintain relevant research include: the UAF Life Sciences Innovation and Learning Facility; the UAF Energy Technology Building; the Alaska Region Research Vessel; Energy Projects; and Climate Projects.

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 \$407 million in university and federal receipts in FY10.

Status #1: FY08 University of Alaska revenue generated from non-state funds remained steady at the FY07 level of \$379 million; this performance was below the established target of a 2.1% increase.



Analysis of results and challenges: The FY09 and FY10 forecasted targets each equivalent to an annual 3.7 percent increase, are below the minimum growth needed in order to meet current anticipated fixed cost increases. The target for FY10 is based on full funding of the Governor's proposed FY10 capital and operating requests, which are not sufficient to cover the university's fixed cost increases.

Growth in university generated revenue is expected to be moderate due to modest increases in tuition revenue and growing development efforts mitigated by the current financial market crisis, a more competitive federal funding environment, as well as challenges with other major external, temporary funding sources, such as the Denali Commission.

MAU Performance Highlights:

UAA generated \$127 million in university generated revenue in FY08, which was a \$5 million increase from the FY07 performance level but \$1 million below the FY08 target. Primary strategies for future growth, at UAA, include: increased enrollment, which generates more student tuition and fees; and more strategic and targeted development efforts, resulting in pronounced increases in philanthropic giving.

In FY08, UAF generated \$211 million in university generated revenue, which was a \$1 million increase from the FY07 performance level but \$7 million below the FY08 target. UAF is anticipating modest growth in FY09 mainly attributable to student tuition and fees revenue increases and increases in philanthropic giving. UAF's FY10 UGR target is based on full-funding of the FY10 operating and capital budgets. Funding for the requests will help improve student tuition and fees and research revenue at UAF.

UAS generated \$20 million in university generated revenue in FY08, which represented a \$1.0 million increase from the FY07 performance level and \$1.0 million more than the FY08 target. UAS's performance level is due to

exceptional research expenditures performance. Future performance growth will come primarily from student enrollment growth, and may be mitigated in the short-term by a return to sustainable research levels.

Funding Impact:

University generated revenue comes from a variety of sources the largest being Federal Receipts, Student Tuition and Fees and other University Receipts, respectively. Therefore, investments that impact UA's ability to generate revenue from each of these sources significantly impact this measure.

Operating increments that improve recruitment and retention improve student tuition and fee generation. Operating investments in research help UA become more competitive in generating Federal Receipts and also improve recruitment and retention by helping UA maintain its status as a research university.

Capital funding to meet increasing capacity and equipment demands provides students with quality learning experiences and improves recruitment and retention to graduation. Capital funding of research facilities, impacts university generated revenue three-fold, through its impact on: generating non-state research revenue; generating indirect cost recovery on that research; and attracting and retaining students by maintaining its status as a research university. As a result of not receiving capital funding for research facilities, UA's Indirect Cost Recovery (ICR) rate has declined in FY04 and again in FY08. Funding for facilities in FY10 would be able to impact the ICR rate when next revisited in FY11

Past State-Funded Program Increments

UA received program increments in FY07 totaling \$4.2 million in general funds for Preparing Alaskans for Jobs and for Continuing Programs in State Needs. Also dedicated in support of these increments was \$3.7 million in student tuition and fees and other revenue sources. The Preparing Alaskans for Jobs program increment supported expansion of engineering programs such as the Alaska Native Science and Engineering Program (ANSEP), programs in construction and mining technology, and vocational education. The Continuing Programs in State Needs increment supported teacher and early childhood education programs, distance delivery of high demand job area programs, nursing, behavioral health, and allied health programs.

In FY07, UA received a legislative appropriation in state funding of \$1 million toward the requested \$4 million 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).

In FY09, the state invested \$5.5 million of general funds in the Preparing Alaskans for Jobs. Associated with this program increment was another \$2.6 million in student tuition and fees and other non-state revenue sources. The Preparing Alaskans for Jobs program increment supported the high demand program areas: health; engineering; and fisheries. The total state funding for this increment was \$300,000 short of the original BOR request for this increment. This funding will positively impact SCH production, by improving recruitment.

In FY09, the state also funded the \$46 million UAA Health Sciences building, which will provide space for students pursuing degrees in nursing and health sciences fields, as well as program faculty and staff. The unfunded FY09 request increment in the area of student success (\$1.6 million) would have supported planned growth on SCH production by improving retention.

UA received program increments in FY07 totaling \$4.2 million in general funds for Preparing Alaskans for Jobs and Continuing Programs in State Needs. Also dedicated in support of these increments was \$3.7 million in student tuition and fees and other revenue sources. The Preparing Alaskans for Jobs program increment supported: expansion of engineering programs such as the Alaska Native Science and Engineering Program (ANSEP) and programs in construction and mining technology; and vocational education. The Continuing Programs in State Needs increment supported: teacher and early childhood education programs; distance delivery of high demand job area programs; and nursing, behavioral health and allied health programs.

UA also receives annual Technical Vocational Education Program (TVEP) funding, which is temporary funding specific to workforce development programs. This funding source has been particularly valuable for program start-up funding, bridge funding and in helping to meet some of the equipment and lab needs necessary to meet industry standards. 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, general funds are requested and the program is transitioned to this long term funding source.

Internal Reallocations

In only four years since FY00, (FY01, FY02, FY07 and FY09) have legislative appropriations of state funding covered the level necessary to fund salary, benefit and fixed cost increases and allow for state funded program growth. The funding UA received from state appropriations in FY08 was \$1.6 million less than UA's compensation and fixed costs increases and did not provide funding for key programs. However, given the critical and urgent nature of proceeding with programmatic needs, \$2.5 million in base general funds was reallocated to the highest priority programs in FY08, such as health, engineering, construction, mining, and geography.

In FY07, temporary funding from sources such as BP/ConocoPhillips was used toward research activities related to the International Polar Year (IPY). One such IPY related research investment made was hiring 13 post-doctoral researchers in key Alaska related research areas; and the Scenarios Network for Alaska Planning (SNAP) to develop global warming scenarios. This IPY research investment has produced a significant amount of research funding, but gains in this area have been more than offset by losses in other areas.

Proposed FY10 Operating and Capital Budgets

The Governor's proposed FY10 general fund operating budget includes \$3.6 million for key program investments; and \$9.4 million for compensation increases and lease expenses, a level that is \$6.3 million below the fixed cost increases (not including utilities) required to maintain current performance levels. The Governor's proposed FY10 general fund capital budget includes \$1.1 million in funding for gasoline related program equipment and \$10 million of the \$50 million Maintaining Existing Facilities Renewal and Renovation (R&R) Annual Requirement. Funding at the \$50 million level is the minimum necessary to maintain current performance levels.

Looking to the Future:

Left unmitigated the predicted declines in high school graduation rates could cause declines in overall SCH production, which would mean student tuition and fee increases below the necessary five percent per year to keep pace with fixed cost increases. K-12 outreach would help increase the preparation of incoming students; and the successful completion of educational goals. It would also support improvement in the "college going rate" of Alaska high school graduates. Alaska has one of the lowest college going rates in the nation for recent high school graduates. Improvements in these areas would increase SCH production and thus increase student tuition and fee revenue.

Another key to achieving increased student tuition and fee revenue due to increased enrollment is the quality of the programs being offered. High demand job area program increments in the areas of Engineering, Health, and workforce programs help attract and retain students in new and expanded program offerings. Capital projects to meet increasing capacity demands and provide students with quality learning experiences that will help grow SCH through expanded course offerings, and improved recruitment and retention are: the UAF Life Sciences Innovation and Learning Facility; University Equipment Refresh; and Planning for UA Engineering.

Operating investments in research help UA remain competitive in generating Federal Receipts and other non-state research revenue. Even with operating budget investments, the University of Alaska is struggling with space constraints. Future growth in research is not possible without additional space. Beyond the UAF Life Sciences and Innovation Facility, key research related projects include: the UAF Energy Technology Building; the Alaska Region Research Vessel; Energy Projects; and Climate Projects. Also preparation is necessary to support the Alaska Region Research Vessel coming online, including docking facilities.

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

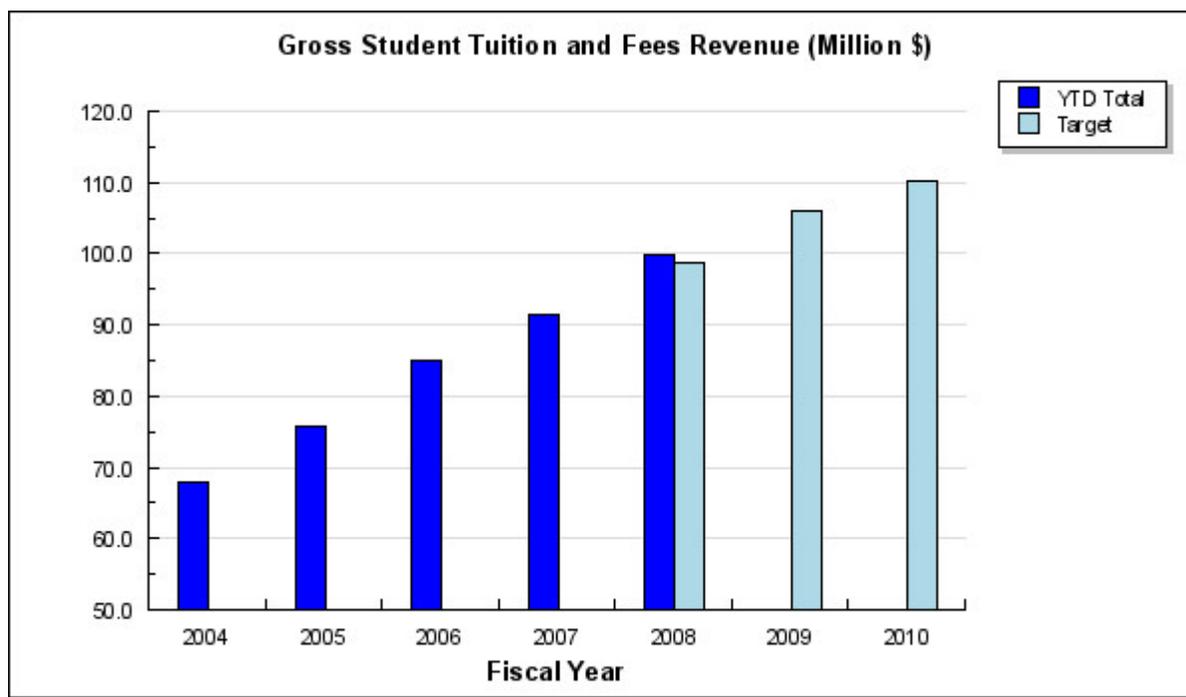
linked to the state's continued investment in UA. The University of Alaska is constantly looking for new opportunities to ensure maximum leveraging of state appropriations.

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.

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

Target #1: A target for revenue from student tuition and fees of \$110 million in FY10.

Status #1: FY08 University of Alaska revenue generated from student tuition and fees reached nearly \$100 million, which represented a 9.2% increase from the FY07 level and surpassed the FY08 target by \$1.1 million.



Analysis of results and challenges: In FY08, UA generated nearly \$100 million in gross student tuition and fees revenue. UA has a target increase in student tuition and fees revenue growth of 6 percent in FY09 and another 5 percent in FY10. Student tuition and fees revenue is driven by the tuition rate and student credit hours (SCH) generated. Preliminary numbers for FY09 show SCH production increasing slightly from FY08, due to enrollment increases. The target for FY10 is based solely on the tuition rate increase of 5 percent as student credit hour enrollment is expected to remain steady at the FY09 level given the current level of funding in the Governor's budget.

UA implemented annual 10 percent tuition rate increases FY04 to FY07. For FY08, the tuition rate increase was 7 percent. For FY09, FY10 and FY11 an average 5 percent annual tuition rate increase has been approved, with differential rate increases for lower division and upper division courses. Recent tuition rate increases have brought UA even with tuition costs in western states. In FY99, student tuition and fees generated \$48.7 million.

Funding Impact

All investments that impact student enrollment impact gross student tuition and fee revenue generation. Growth in student tuition and fee revenue is very important as it is the second largest contributor to university generated revenue, and without it UA will be unable to keep up with the non-general fund portion of fixed cost increases. Operating investments that improve recruitment and retention improve student tuition and fee generation. Operating and capital investments in research also improve recruitment and retention by helping UA maintain its status as a

research university. Capital funding to meet increasing capacity and equipment demands provides students with quality learning experiences and improves recruitment and retention to graduation.

FY07 and FY09 Funding – UA received program increments in FY07 totaling \$4.2 million in general funds for Preparing Alaskans for Jobs and for Continuing Programs in State Needs. Also dedicated in support of these increments was \$3.7 million in student tuition and fees and other revenue sources. The Preparing Alaskans for Jobs program increment supported expansion of engineering programs such as the Alaska Native Science and Engineering Program (ANSEP), programs in construction and mining technology, and vocational education. The Continuing Programs in State Needs increment supported teacher and early childhood education programs, distance delivery of high demand job area programs, nursing, behavioral health, and allied health programs. Also funded in FY07 was the Integrated Science building (ISB), which upon completion will have an impact on enrollment, accommodating some growth for the Anchorage campus.

In FY09, the state invested \$5.5 million of general funds in the Preparing Alaskans for Jobs. Also dedicated in support of this program increment was \$2.6 million in student tuition and fees and other non-state revenue sources. The Preparing Alaskans for Jobs program increment supported the high demand program areas of health, engineering, and fisheries. In FY09, the state also funded the \$46 million UAA Health Sciences building, which will provide space for students pursuing degrees in nursing and health sciences fields, as well as program faculty and staff. The unfunded FY09 request increment in the area of student success (\$1.6 million) would have supported planned growth in HDJA awards by improving retention and degree completion.

UA also receives annual Technical Vocational Education Program (TVEP) funding, which is temporary funding specific to workforce development programs. This funding source has been particularly valuable for program start-up funding, bridge funding and helping to meet some of the equipment and lab needs necessary to meet industry standards. 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, general funds are requested and the program is transitioned to this long term funding source.

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 four years since FY00, have legislative state appropriation increases covered fixed costs and provided for some program growth, thus for the other six years, the Board conducted internal reallocation to key high demand job areas. This demonstrates focus and alignment to state priorities. In FY08, given the critical and urgent nature of proceeding with high demand programmatic needs, \$2.5 million in general funds was reallocated from all campuses. In FY08, \$1.0 million in temporary funds were invested in key workforce programs.

Proposed FY10 Operating and Capital Budgets – The Governor's proposed FY10 general fund operating budget includes \$3.6 million for key program investments; and \$9.4 million for compensation increases and lease expenses, a level that is \$6.3 million below the fixed cost increases (not including utilities) required to maintain current performance levels. The Governor's proposed FY10 general fund capital budget includes \$1.1 million in funding for gasoline related program equipment and \$10 million of the \$50 million Maintaining Existing Facilities Renewal and Renovation (R&R) Annual Requirement. Funding at the \$50 million level is the minimum necessary to maintain current performance levels.

Looking to the Future

Left unmitigated the predicted declines in high school graduation rates could cause declines in overall SCH production, which would mean student tuition and fee increases below the necessary five percent per year to keep pace with fixed cost increases. K-12 outreach would help increase the preparation of incoming students; and the successful completion of educational goals. It would also support improvement in the college going rate of Alaska high school graduates. Alaska has one of the lowest "college going" rates in the nation for recent high school graduates. Improvements in these areas would increase SCH production and thus increase student tuition and fee revenue.

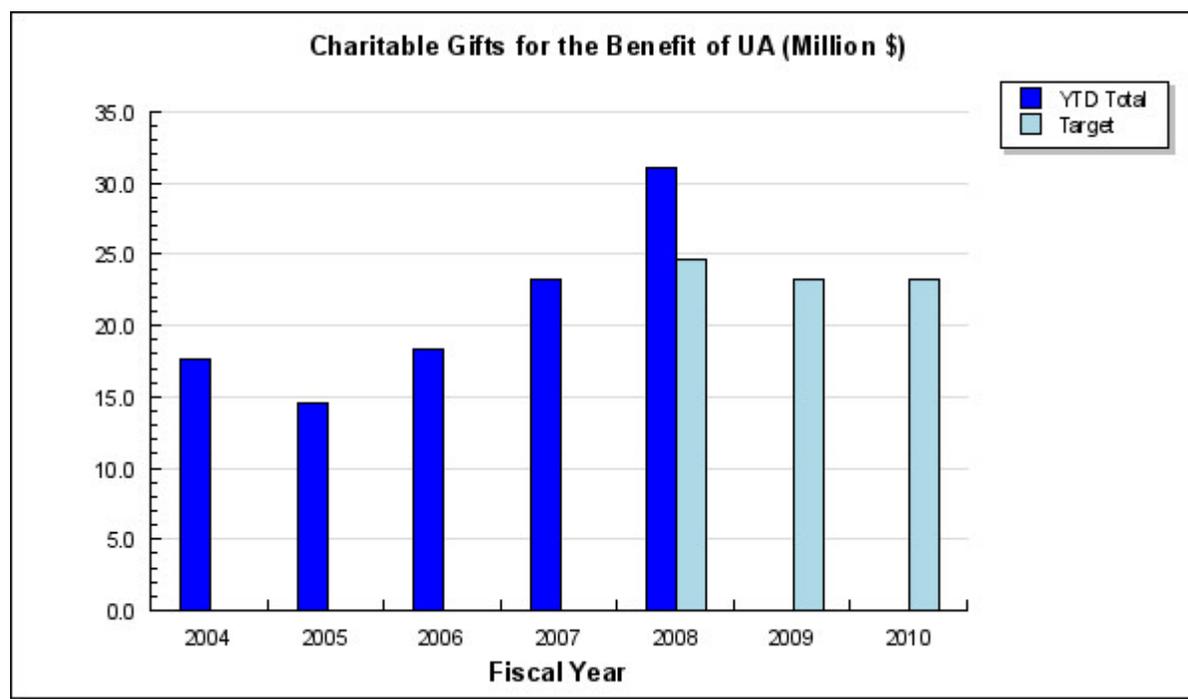
Another key to achieving increased recruitment and retention is the quality of the programs being offered. High demand job area program increments in the areas of Engineering, Health, and workforce programs help attract and

retain students in new and expanded program offerings. Capital projects to meet increasing capacity demands and provide students with quality learning experiences that will help grow SCH through expanded course offerings, and improved recruitment and retention are: the UAF Life Sciences Innovation and Learning Facility; University Equipment Refresh; and Planning for UA Engineering.

UA's status as a research university helps attract and retain high caliber students. Operating investments in research help UA become more competitive in generating Federal Receipts and other non-state research revenue. Even with operating budget investments, the University of Alaska is struggling with space constraints. Future growth in research is not possible without additional space. Beyond the UAF Life Sciences and Innovation Facility, key research related projects include: the UAF Energy Technology Building; the Alaska Region Research Vessel; Energy Projects; and Climate Projects.

Target #2: A target for Charitable Gifts benefiting UA of \$23.2 million in FY10.

Status #2: The \$31.1 million in charitable gifts benefiting UA made in FY08 was an increase of 34% from the FY07 level.



Analysis of results and challenges: When overall charitable giving increases, distributions to the university tend to increase. From FY04 to FY08 charitable gifts increased almost 76 percent. Over that same period of time distributions to the university grew almost 64 percent. UA's aggressive FY10 target is to maintain the level of charitable giving attained in FY07. The full impact of the current financial market crisis on charitable gifts is still unknown. The University of Alaska is analyzing the impact now and will have better data by the end of the calendar year.

Fundraising priorities are established from MAU strategic plans which are approved by the Board of Regents and are aligned with the University of Alaska's overall strategic plan. Restructuring the UA Foundation and implementing a gift fee structure has allowed the UA Foundation to support much of UA's increased fundraising efforts. The results have been very positive with significant increases in both the number of donors and the overall donation amounts. Fundraising costs are moderate at 15 cents per dollar raised.

Funding Impact

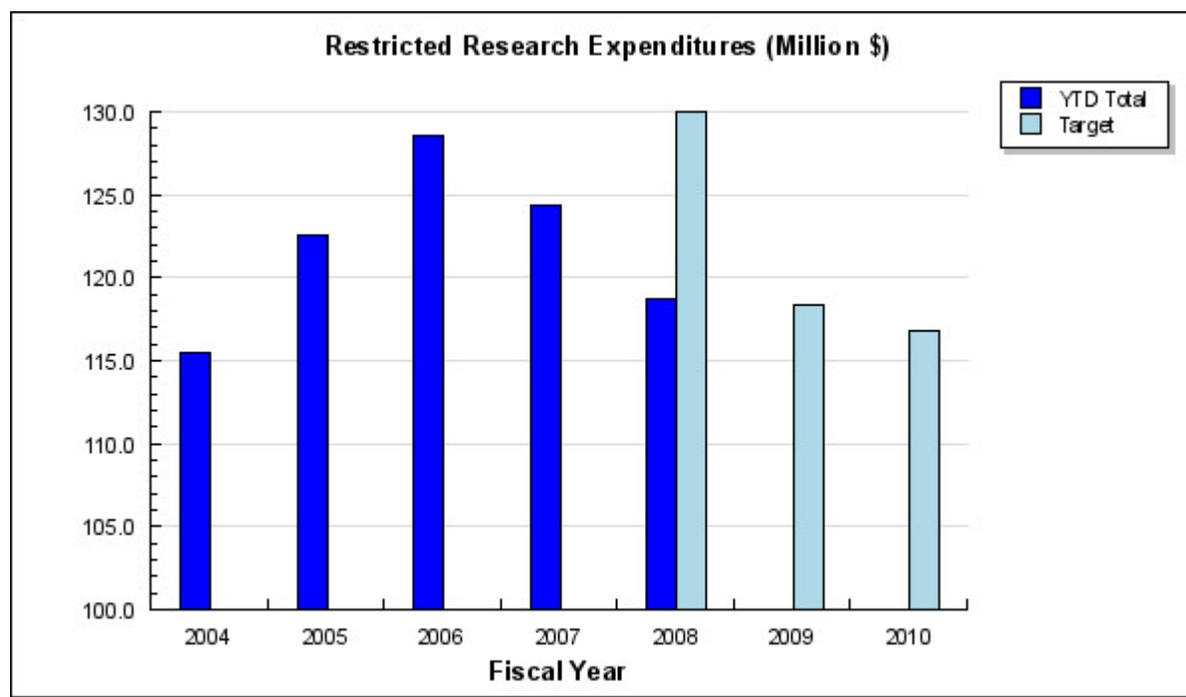
Private support can provide the margin of excellence for which state funding may not be available. University of Alaska statewide employees contributed at a rate of 67 percent in FY08 during the UA Statewide Staff Campaign. This well exceeds the national faculty and staff giving range of 14 percent to 17 percent. In FY08, UA received a

record amount in charitable gifts and this was primarily due to the record number of donors contributing such gifts. The university will continue to work on Alumni relations and other development improvements that have proven incredibly successful thus far.

C: Result - Increased level of competitive research activity.

Target #1: A target of \$116.8 million in grant funded expenditures in FY10.

Status #1: University research expenditures totaled \$119 million in FY08 an increase of \$3 million (3%) from FY04, this performance was below the FY08 target, which was set in anticipation of state investment in the BIOS facility.



Analysis of results and challenges: In FY08, restricted research expenditures decreased by 4.6 percent (-\$5.7 million) from the FY07 performance level. The FY08 target for restricted research expenditures was equivalent to a 4.7 percent increase from FY07. A number of factors, most notably facility constraints, contributed to a drop in performance during FY08 and, left unmitigated, will diminish expected future growth on this performance measure. The target for FY10 is based on full funding of the Governor's proposed FY10 operating and capital requests.

Past growth in research that UAF experienced came on the heels of major investments in research space made by UAF and funded by revenue bonds. That research space is filled to capacity and the older facilities are in need of upgrades to remain competitive. Future growth in research and indirect cost recovery is not possible without additional space. Expected gains in climate change and energy related research revenue will be offset from declines in other areas that will have space and general funding reallocated from them.

These factors, coupled with the more competitive federal funding environment for research, make state investment a requirement for further progress on this performance measure. Research at the University of Alaska is responsible for 2,400 jobs in Alaska, a \$92 million payroll, and \$125 million in purchased goods each year.

MAU Performance Highlights:

UAA generated \$8.8 million in research expenditures in FY08, which was a \$1.5 million decrease from the FY07 performance level and \$3.4 million below the FY08 target. It is expected that UAA will maintain its FY08 performance level through FY10.

In FY08, UAF generated \$107.8 million in research expenditures, which was a \$5.1 million decrease from the FY07

performance level and \$9.2 million below the FY08 target. UAF is planning to hold steady at the FY08 level in FY09 and then grow by just over 4 percent in FY10, based on state investment in FY10 research related program increments in the Board of Regents' approved FY10 operating request. In FY08, UAF represented 91 percent of total UA restricted research expenditures. Two strategies at UAF to improve restricted research expenditures are to increase the numbers of PhD-seeking students, and to the number and productivity of faculty conducting research in biomedical fields.

UAS generated \$2.1 million in research expenditures in FY08, which represented a \$900,000 increase from the FY07 performance level and \$1.1 million more than the FY08 target. This performance level is rather extraordinary given the core mission of UAS. Future performance levels are anticipated to moderate to a stable level of \$1.0 million.

Funding Impact:

Operating investments in research help UA become more competitive in generating Federal Receipts and other non-state research revenue. Even with operating budget investments, the University of Alaska is struggling with space constraints. Future growth in research is not possible without additional space.

Past State-Funded Program Increments

In FY07, UA received a legislative appropriation in state funding of \$1 million toward the requested \$4 million 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).

In FY07, additional, temporary funding from sources such as BP/ConocoPhillips was used toward research activities related to the International Polar Year (IPY). One such IPY related research investment made was hiring 13 post-doctoral researchers in key Alaska related research areas; and the Scenarios Network for Alaska Planning (SNAP) to develop global warming scenarios. This IPY research investment has produced a significant amount of research funding, but gains in this area have been more than offset by losses in other areas.

Internal Reallocations

Since FY00, FY07 was the only year UA received state funding for research; even then the funding received was a fraction of the amount requested. All research investments beyond this came through internal reallocation or non-state revenue sources. The impact of reallocations will be noticed most acutely in FY09 and beyond as UA's ability to generate external funding is limited and existing reserves are being exhausted. Due to funding shortfalls in FY08 no additional resources were directed to this area.

Proposed FY10 Operating and Capital Budgets

The Governor's proposed FY10 operating budget includes \$3.6 million in general funds for key program investments; and \$9.4 million in general funds for compensation increases and lease expenses, a level that is \$6.3 million below the fixed cost increases (not including utilities) required to maintain current performance levels. The Governor's proposed FY10 capital budget includes \$1.1 million in funding for gasoline related program equipment and \$10 million of the \$50 million Maintaining Existing Facilities Renewal and Renovation (R&R) Annual Requirement. Funding at the \$50 million level is the minimum necessary to maintain current performance levels.

Looking to the Future:

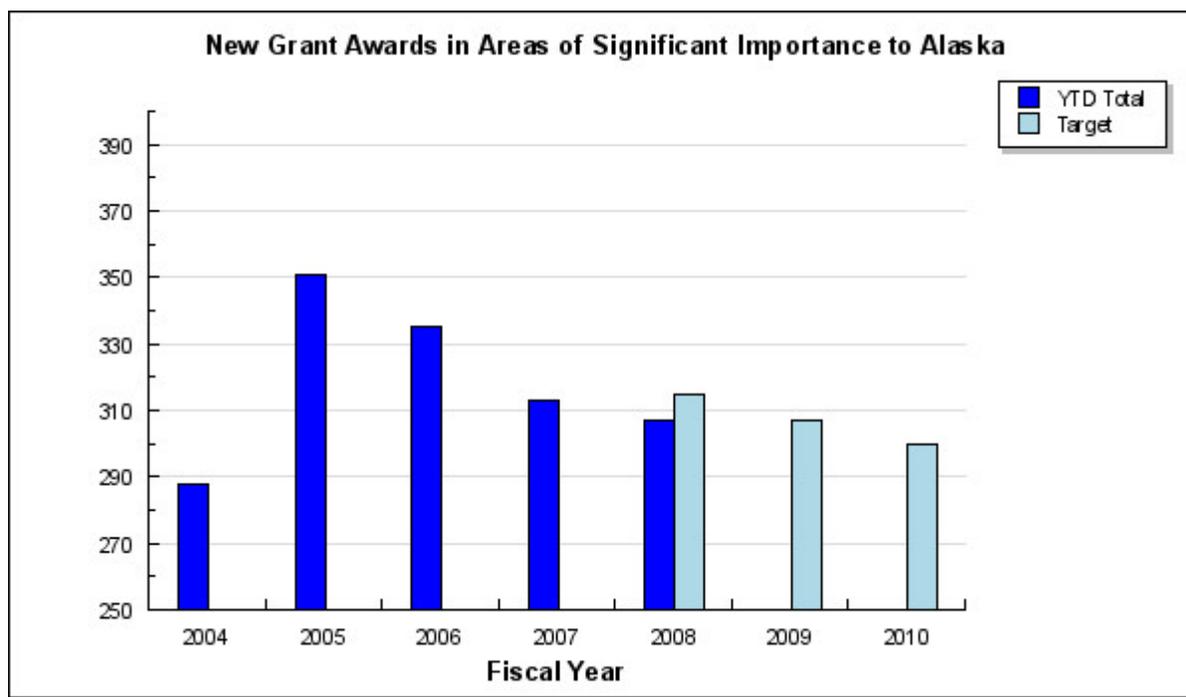
Operating investments in research help UA remain competitive in generating Federal Receipts and other non-state research revenue. Even with operating budget investments, the University of Alaska is struggling with space constraints. Future growth in research is not possible without additional space. Beyond the UAF Life Sciences and Innovation Facility, key research related projects include: the UAF Energy Technology Building; the Alaska Region Research Vessel; Energy Projects; and Climate Projects. Also preparation is necessary to support the Alaska Region Research Vessel coming online, including docking facilities.

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 depends 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.

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

Target #1: A target for the 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 of 300 in FY10.

Status #1: The 307 new research grants in areas of importance to the State of Alaska awarded in FY08 was 6.6% more than the number awarded in FY04, but significantly below the peak attained in FY05.



Analysis of results and challenges: The number of new research grant awards in areas of significant importance to Alaska in FY08 was below FY07 performance level and the UA FY08 target of 315 new awards. The target for FY10, although shown as a forecast, is based on the current level of funding provided in the Governor's proposed FY10 budget.

Funding Impact

Operating investments in research help UA become more competitive in generating Federal Receipts and other non-state research revenue. However, with the university's current research space constraints growth in areas where operating investments might be made would be offset by declines elsewhere. Future growth in research is not possible without additional space.

Federal Funding Environment – Although the vast majority of UA's research funding is competitively awarded, reductions in earmarks nationwide eliminated or greatly reduced funding for several key research programs (e.g. Alaska Volcano Observatory). Funding agencies experienced, at best, modest increases in their budgets.

Prior State Funding and Internal Reallocation – Since FY00, FY07 was the only year UA received state funding for research; even then the funding received was only a quarter of the amount requested. In FY07, UA received a legislative appropriation in state funding of \$1 million toward the requested \$4 million 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). All research investments, beyond this \$1 million, came through internal reallocation or non-state revenue sources. The impact of reallocations will be noticed most acutely in FY09 and beyond as UA's ability to generate external funding is limited and existing reserves are being exhausted.

In FY07, additional, temporary funding from sources such as BP/ConocoPhillips was used toward research activities related to the International Polar Year (IPY). One such IPY related research investment made was hiring 13 post-doctoral researchers in key Alaska related research areas; and the Scenarios Network for Alaska Planning (SNAP) to develop global warming scenarios. This IPY research investment has produced a significant amount of research funding, but gains in this area have been more than offset by losses in other areas.

Proposed FY10 Operating and Capital Budgets – The Governor's proposed FY10 general fund operating budget includes \$3.6 million for key program investments; and \$9.4 million for compensation increases and lease expenses, a level that is \$6.3 million below the fixed cost increases (not including utilities) required to maintain current performance levels. The Governor's proposed FY10 general fund capital budget includes \$1.1 million in funding for gasoline related program equipment and \$10 million of the \$50 million Maintaining Existing Facilities Renewal and Renovation (R&R) Annual Requirement. Funding at the \$50 million level is the minimum necessary to maintain current performance levels.

Looking to the Future

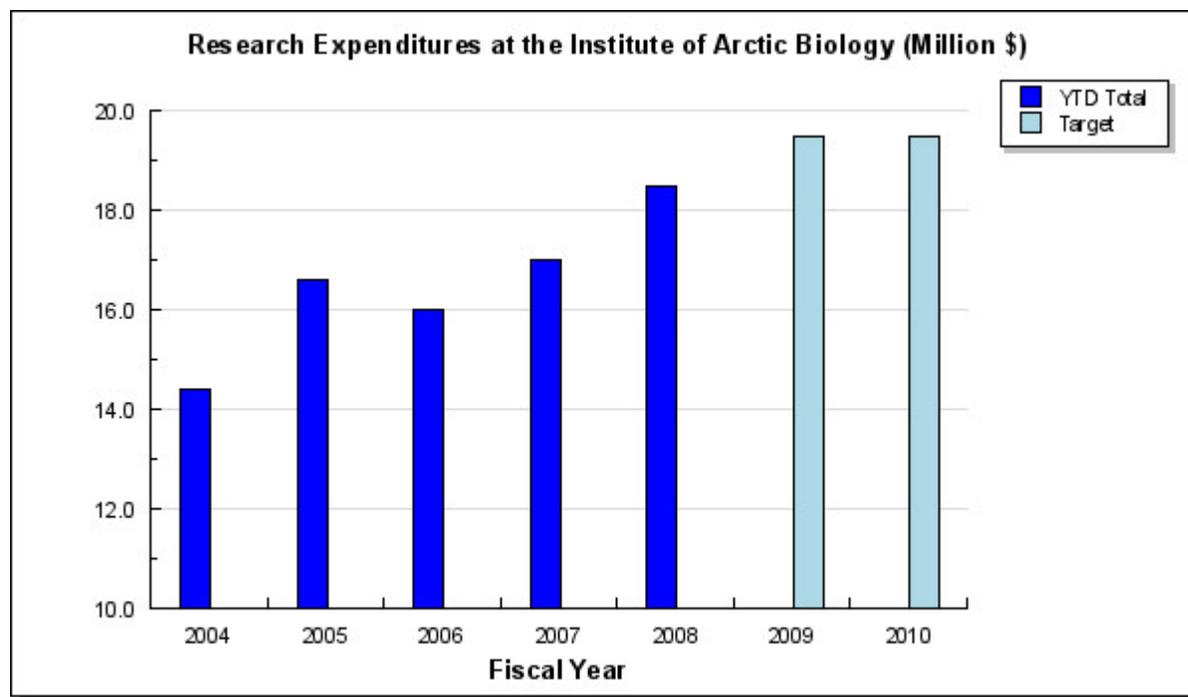
Operating investments in research help UA remain competitive in generating Federal Receipts and other non-state research revenue. Even with operating budget investments, the University of Alaska is struggling with space constraints. Future growth in research is not possible without additional space. Beyond the UAF Life Sciences and Innovation Facility, key research related projects include: the UAF Energy Technology Building; the Alaska Region Research Vessel; Energy Projects; and Climate Projects. Also preparation is necessary to support the Alaska Region Research Vessel coming online, including docking facilities.

Research at the University of Alaska is a critical component in the delivery of programs and services that are of value for Alaska, now and in the future. The total economic effect of university research can be measured by the number of jobs supported, total payroll produced, and business sales generated within the state by research dollars. Research at the University of Alaska is responsible for 2,400 jobs in Alaska, a \$92 million payroll, and \$125 million in purchased goods. UA success in achieving its goals and objectives is dependent 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 state, UA and campus research priorities.

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, universities average only 15 percent of the R&D (NSF, National Patterns of R&D Resources: Data Update 2006). In Alaska, however, 54 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). Compared to the rest of the nation, Alaska conducts very little R&D, investing only 0.8 percent of its gross state product in research compared with 2.4 percent for other states (<http://www.nsf.gov/statistics/nsf07331/pdf/tab10.pdf>). Alaska must invest strongly in R&D for future economic development and UA is the engine to fuel state R&D.

Target #2: A target for restricted research expenditures at the Institute of Arctic Biology, the primary institute conducting Life Sciences research, of \$19.5 million in FY10.

Status #2: The \$18.5 million in restricted research expenditures at the Institute of Arctic Biology (IAB) in FY08 was up 28.5% from the FY04 level and up 8.8% from FY07.



Analysis of results and challenges: Even in a challenging funding environment the Institute of Arctic Biology (IAB) increased research expenditures. Since 2001, IAB has shown more growth in research expenditures than any other major UAF organized research unit. This represents the fruition of major investments in new faculty made possible by, and required as a condition of, major infrastructure-building grants including Special Neuroscience Research Program (SNRP), Center for Alaska Native Health Research (CANHR), Experimental Program to Stimulate Competitive Research (EPSCoR), and Idea Network of Biomedical Research Excellence (INBRE).

IAB sees potential research opportunities in the increasing international recognition of climate change and its impacts on biological systems. IAB will continue to mentor and support junior faculty in developing competitively funded research programs, preferably from a range of sources so that no unit becomes overly dependent on a single agency. In IAB, many of the junior faculty members have received considerable initial research support from the infrastructure-building grants, and this should provide them with an advantage in securing competitive funding.

IAB has an especially acute need for additional space, as discussed below these needs could be addressed through the Board of Regents' approved FY10 capital request for UAF Life Sciences and Innovation. Ph.D. enrollment at UAF has increased by over 130 to 336, since 2002. The increases have happened in a variety of programs, especially life sciences, engineering, the new clinical-community psychology program, and the interdisciplinary program. Enrollment increases are largely due to the expanded research opportunities and research assistantships available, due to the dramatically increasing research revenues of IAB and Institute of Northern Engineering (INE).

Funding Impact

Operating investments in research help UA become more competitive in generating Federal Receipts and other non-state research revenue. However, with the university's current research space constraints growth in areas where operating investments might be made would be offset by declines elsewhere. Future growth in research is not possible without additional space. Projected growth in FY09 is due to investments that have already been made. To grow research expenditures at IAB into the future, state operating and capital investment is necessary.

Federal Funding Environment – Although the vast majority of UA’s research funding is competitively awarded, reductions in earmarks nationwide eliminated or greatly reduced funding for several key research programs (e.g. Alaska Volcano Observatory). Funding agencies experienced, at best, modest increases in their budgets.

Prior State Funding and Internal Reallocation – Since FY00, FY07 was the only year UA received state funding for research; even then the funding received was only a quarter of the amount requested. In FY07, UA received a legislative appropriation in state funding of \$1 million toward the requested \$4 million 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). All research investments, beyond this \$1 million, came through internal reallocation or non-state revenue sources. The impact of reallocations will be noticed most acutely in FY09 and beyond as UA’s ability to generate external funding is limited and existing reserves are being exhausted.

In FY07, additional, temporary funding from sources such as BP/ConocoPhillips was used toward research activities related to the International Polar Year (IPY). One such IPY related research investment made was hiring 13 post-doctoral researchers in key Alaska related research areas; and the Scenarios Network for Alaska Planning (SNAP) to develop global warming scenarios. This IPY research investment has produced a significant amount of research funding, but gains in this area have been more than offset by losses in other areas.

Proposed FY10 Operating and Capital Budgets – The Governor’s proposed FY10 general fund operating budget includes \$3.6 million for key program investments; and \$9.4 million for compensation increases and lease expenses, a level that is \$6.3 million below the fixed cost increases (not including utilities) required to maintain current performance levels. The Governor’s proposed FY10 general fund capital budget includes \$1.1 million in funding for gasline related program equipment and \$10 million of the \$50 million Maintaining Existing Facilities Renewal and Renovation (R&R) Annual Requirement. Funding at the \$50 million level is the minimum necessary to maintain current performance levels.

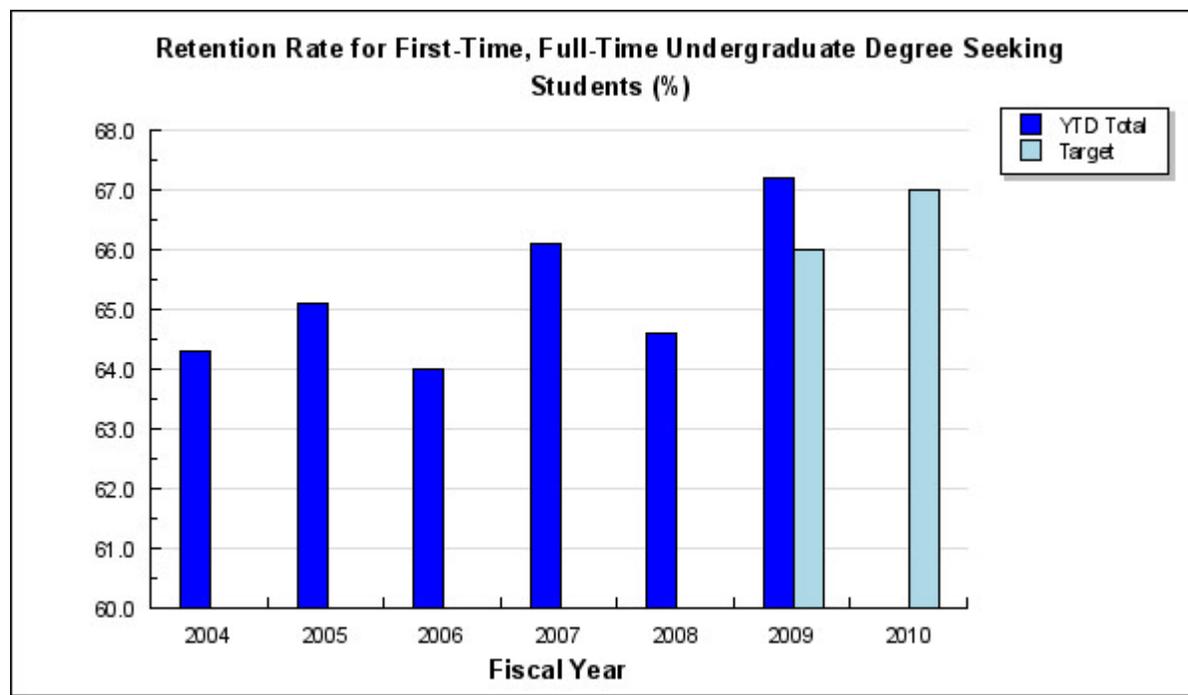
Looking to the Future

To grow research expenditures at IAB into the future, state operating investments in biomedical research is necessary. Even with operating budget investments, the University of Alaska is struggling with space constraints. Future growth in research is not possible without additional space. Projects that will help attract more competitive research by meeting increasing space and equipment needs of growing units, such as IAB, include: the UAF Life Sciences Innovation and Learning Facility; and University Equipment Refresh. In order to continue to attract competitive research and faculty that help build that competitive research UAF is in need of additional research space.

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

Target #1: A target 67% retention rate for first-time full-time students in undergraduate and certificate programs in FY10.

Status #1: The University of Alaska undergraduate retention rate reached an all time high at 67.2% in FY09 increasing by 2.6 percentage points from the FY08 performance level and exceeding the FY09 target of 66%.



Analysis of results and challenges: FY09 performance supports the fact that undergraduate retention rates fluctuate from year to year, but overall retention rates are trending upwards. The target for FY10 is based on investments that have already been made to improve retention and full funding of the Governor's proposed FY10 operating and capital requests. Future year growth will require continued consistent state investment in student success efforts and high demand job program areas.

MAU Performance Highlights:

UAA retained an all time high of 68.7 percent of its first-time full-time undergraduates in FY09. This performance was 2 percentage points above the FY08 retention rate and 2.7 percentage points above the FY09 target. UAA anticipates being able to maintain a 68 percent retention rate.

In FY09, UAF also retained an all time high of 66.5 percent of its first-time full-time undergraduates. This performance level represents a 2.6 percentage point increase from the FY08 performance level, and 0.5 percentage points above the FY09 target. UAF anticipates continued improvement in undergraduate retention rates through a student support services program that will provide personalized and comprehensive academic support such as tutorial services, small study groups, academic advising, mentoring and personal support, technology resources, and cultural and social engagement. Another UAF strategy to improve performance on undergraduate retention rates is increased supplemental instruction for courses with low student success rates.

UAS retained 53.7 percent of its first-time full-time undergraduates in FY09. This performance level represents a 1.9 percentage point increase from the FY08 performance level, and 0.7 percentage points above the FY09 target. A key strategy at UAS to improve performance on undergraduate retention rates is the guide program with students (GPS), which partners incoming students with a staff or faculty mentor.

Funding Impact:

Investments that most directly impact undergraduate retention rates are in the areas of student success, student demand and college preparation. Another key to attracting and retaining students is the quality of the programs being offered. Also UA's status as a research university helps attract and retain high caliber students. To continue to attract and retain these students it is important for UA to maintain relevant research. Capital requests to meet increasing capacity and equipment demands provide students with quality learning experiences and help retention to graduation.

Past State-Funded Program Increments

In FY07, UA received an increment for Continuing Programs in State Needs totaling \$2.2 million in general funds and \$1.4 million in student tuition and fees and other non-state revenue sources. Within this increment was a portion for meeting student demand (\$295,000 GF; and \$280,000 NGF). Also within this increment was funding for high demand programs and distance education support for high demand programs.

In FY09, the state invested \$5.5 million of general funds for the Preparing Alaskans for Jobs increment. Also dedicated in support of this program increment was \$2.6 million in student tuition and fees and other non-state revenue sources. The Preparing Alaskans for Jobs program increment supported the high demand program areas of health, engineering, and fisheries. It is important to note that there were some program specific student success initiatives funded within the engineering and health increments.

In FY09, the state also funded the \$46 million UAA Health Sciences building, which will provide space for students pursuing degrees in nursing and health sciences fields, as well as program faculty and staff. This added space should improve the student experience in these areas and positively impact performance on undergraduate retention rates. The unfunded FY09 request increment in the area of student success (\$1.6 million) would have directly supported planned growth on undergraduate retention.

UA also receives annual Technical Vocational Education Program (TVEP) funding, which is temporary funding specific to workforce development programs. This funding source has been particularly valuable for program start-up funding, bridge funding and in helping to meet some of the equipment and lab needs necessary to meet industry standards. 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, general funds are requested and the program is transitioned to this long term funding source.

Internal Reallocations

In only four years since FY00, (FY01, FY02, FY07 and FY09) have legislative appropriations of state funding covered the level necessary to fund salary, benefit and fixed cost increases and allow for state funded program growth. Internal efforts have been focused on undergraduate retention, however due to funding shortfalls and reallocations in FY08, no additional resources were directed to this area.

Proposed FY10 Operating and Capital Budgets

The Governor's proposed FY10 general fund operating budget includes \$3.6 million for key program investments; and \$9.4 million for compensation increases and lease expenses, a level that is \$6.3 million below the fixed cost increases (not including utilities) required to maintain current performance levels. The Governor's proposed FY10 general fund capital budget includes \$1.1 million in funding for gasline related program equipment and \$10 million of the \$50 million Maintaining Existing Facilities Renewal and Renovation (R&R) Annual Requirement. Funding at the \$50 million level is the minimum necessary to maintain current performance levels.

Looking to the Future:

Operating increments in student achievement will help students succeed with increased investment in proven strategies such as learning communities and freshman seminars. Also K-12 outreach investments would help increase the preparation of incoming students; and the successful completion of educational goals. Future growth on this performance measure will be reliant on increased partnerships with K-12 to better prepare high school students

for college. Across the nation and here in Alaska the issue of college and career readiness has become a focal point for higher education. 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.

Another key to achieving increased recruitment and retention is the quality of the programs being offered. High demand job area program increments in the areas of Engineering, Health, and workforce programs help attract and retain students in new and expanded program offerings. Capital projects to meet increasing capacity demands and provide students with quality learning experiences that will help grow SCH through expanded course offerings, and improved recruitment and retention are: the UAF Life Sciences Innovation and Learning Facility; University Equipment Refresh; and Planning for UA Engineering.

UA's status as a research university helps attract and retain high caliber students. Operating investments in research help UA become more competitive in generating Federal Receipts and other non-state research revenue. Even with operating budget investments, the University of Alaska is struggling with space constraints. Future growth in research is not possible without additional space. Beyond the UAF Life Sciences and Innovation Facility, key research related projects include: the UAF Energy Technology Building; the Alaska Region Research Vessel; Energy Projects; and Climate Projects.

Future growth in HDJA awards will be reliant on: continued state investment toward HDJA programs; a continued commitment to capital renewal and renovation; and capital investments in equipment and facilities to support HDJA program enrollment growth. To remain competitive and retain students it is important to keep UA buildings and equipment competitive. Capital projects that would meet increasing capacity and equipment demands include: UAF Life Sciences Innovation and Learning Facility; University Equipment Refresh; and Planning for UA Engineering.

Left unmitigated projected declines in the level of high school graduates could cause declines in future enrollments in HDJA programs and as such a decline in future HDJA awards. Investments to improve K-12 partnerships and outreach would increase the preparation of incoming students; and the successful completion of educational goals. Investments in this area would also support improvement in the "college going rate" of Alaska high school graduates. Alaska has one of the lowest college going rates in the nation for recent high school graduates. Such improvements support future growth in HDJA program awards.

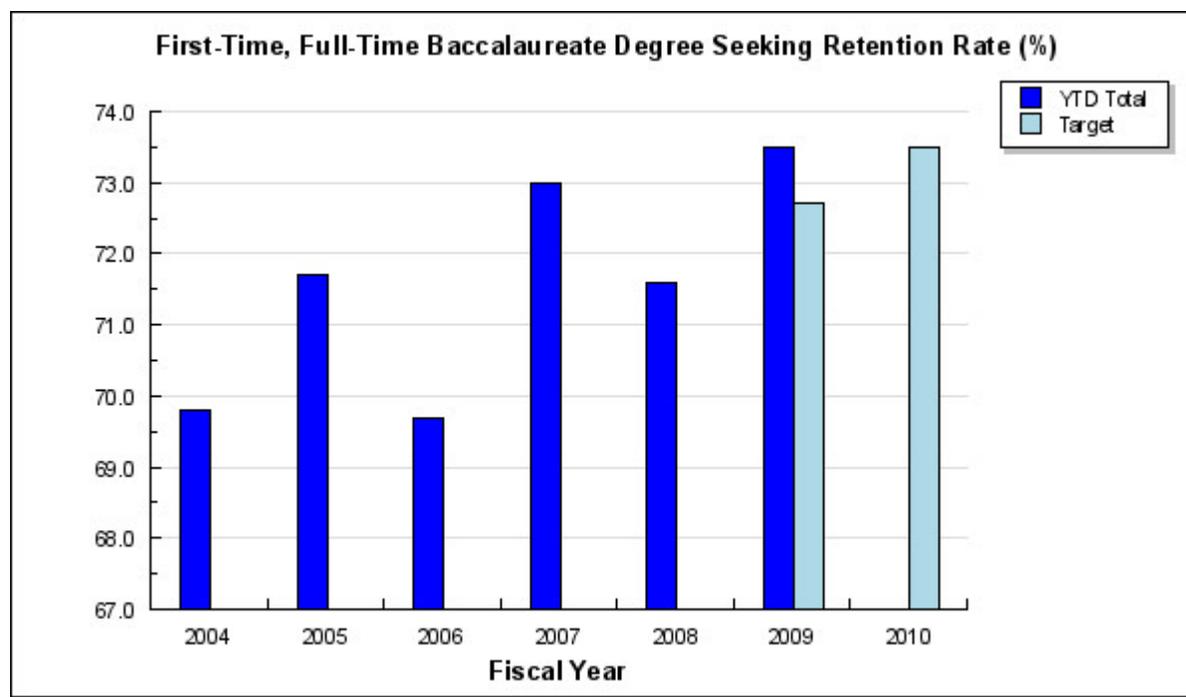
Another key to attracting and retaining students is UA's status as a research university. Operating investments in research help UA remain competitive in generating Federal Receipts and other non-state research revenue. Even with operating budget investments, the University of Alaska is struggling with space constraints. Future growth in research is not possible without additional space. Beyond the UAF Life Sciences and Innovation Facility, key research related projects include: the UAF Energy Technology Building; the Alaska Region Research Vessel; Energy Projects; and Climate Projects.

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

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

Target #1: A target retention rate for first-time, full-time baccalaureate students of 73.5 percent in FY10.

Status #1: The retention rate for first-time, full-time baccalaureate students reached a record level of 73.5% in FY09.



Analysis of results and challenges: UA first-time full-time baccalaureate degree seeking student retention in FY09 achieved an all-time high of 73.5 percent up 1.9 percentage points from the FY08 performance level. Retention rates for Bachelor's degree seeking students have risen 10 percentage points (15.9%) since FY00. This performance remains above the national average of institutions with similar, less selective, admissions standards.

Retention rates fluctuate from year to year, but overall retention rates are trending upwards. Therefore, UA is optimistic about achieving its first-time full-time baccalaureate degree seeking retention target for FY10, recognizing there will be year-to-year variance. UA has improved significantly so far and is making efforts to continue to do so. The FY10 target is based on investments that have already been made to improve retention rates. Growth beyond this level requires support of improved K-12 outreach.

Funding Impact

Investments that would most directly impact retention rates are in the areas of student success, student demand and college preparation. Another key to attracting and retaining students is the quality of the programs being offered. Also UA's status as a research university helps attract and retain high caliber students. To continue to attract and retain these students it is important for UA to maintain relevant research. Capital investments to meet increasing capacity and equipment demands provide students with quality learning experiences and help retention to graduation.

Prior State Funding – In FY07, UA received an increment for Continuing Programs in State Needs totaling \$2.2 million in general funds and \$1.4 million in student tuition and fees and other non-state revenue sources. Within this increment was a portion for meeting student demand (\$295,000 GF; and \$280,000 NGF). Also within this increment was funding for high demand programs and distance education support for high demand programs.

In FY09, the state invested \$5.5 million of general funds for the Preparing Alaskans for Jobs increment. Also dedicated in support of this program increment was \$2.6 million in student tuition and fees and other non-state revenue sources. The Preparing Alaskans for Jobs program increment supported the high demand program areas of

health, engineering, and fisheries. It is important to note that there were some program specific student success initiatives funded within the engineering and health increments.

In FY09, the state also funded the \$46 million UAA Health Sciences building, which will provide space for students pursuing degrees in nursing and health sciences fields, as well as program faculty and staff. This added space should improve the student experience in these areas and positively impact performance on undergraduate retention rates. The unfunded FY09 request increment in the area of student success (\$1.6 million) would have directly supported planned growth on undergraduate retention.

UA also receives annual Technical Vocational Education Program (TVEP) funding, which is temporary funding specific to workforce development programs. This funding source has been particularly valuable for program start-up funding, bridge funding and in helping to meet some of the equipment and lab needs necessary to meet industry standards. 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, general funds are requested and the program is transitioned to this long term funding source.

Internal Reallocations – In only four years since FY00, (FY01, FY02, FY07 and FY09) have legislative appropriations of state funding covered the level necessary to fund salary, benefit and fixed cost increases and allow for state funded program growth. Internal efforts have been focused on undergraduate retention, however due to funding shortfalls and reallocations in FY08, no additional resources were directed to this area.

Proposed FY10 Operating and Capital Budgets – The Governor's proposed FY10 general fund operating budget includes \$3.6 million for key program investments; and \$9.4 million for compensation increases and lease expenses, a level that is \$6.3 million below the fixed cost increases (not including utilities) required to maintain current performance levels. The Governor's proposed FY10 general fund capital budget includes \$1.1 million in funding for gasline related program equipment and \$10 million of the \$50 million Maintaining Existing Facilities Renewal and Renovation (R&R) Annual Requirement. Funding at the \$50 million level is the minimum necessary to maintain current performance levels.

Looking to the Future

Operating increments in student achievement will help students succeed with increased investment in proven strategies such as learning communities and freshman seminars. Also K-12 outreach investments would help increase the preparation of incoming students; and the successful completion of educational goals. Future growth on this performance measure will be reliant on increased partnerships with K-12 to better prepare high school students for college. Across the nation and here in Alaska the issue of college and career readiness has become a focal point for higher education. 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.

Another key to achieving increased recruitment and retention is the quality of the programs being offered. High demand job area program increments in the areas of Engineering, Health, and workforce programs help attract and retain students in new and expanded program offerings. Capital projects to meet increasing capacity demands and provide students with quality learning experiences that will help grow SCH through expanded course offerings, and improved recruitment and retention are: the UAF Life Sciences Innovation and Learning Facility; University Equipment Refresh; and Planning for UA Engineering.

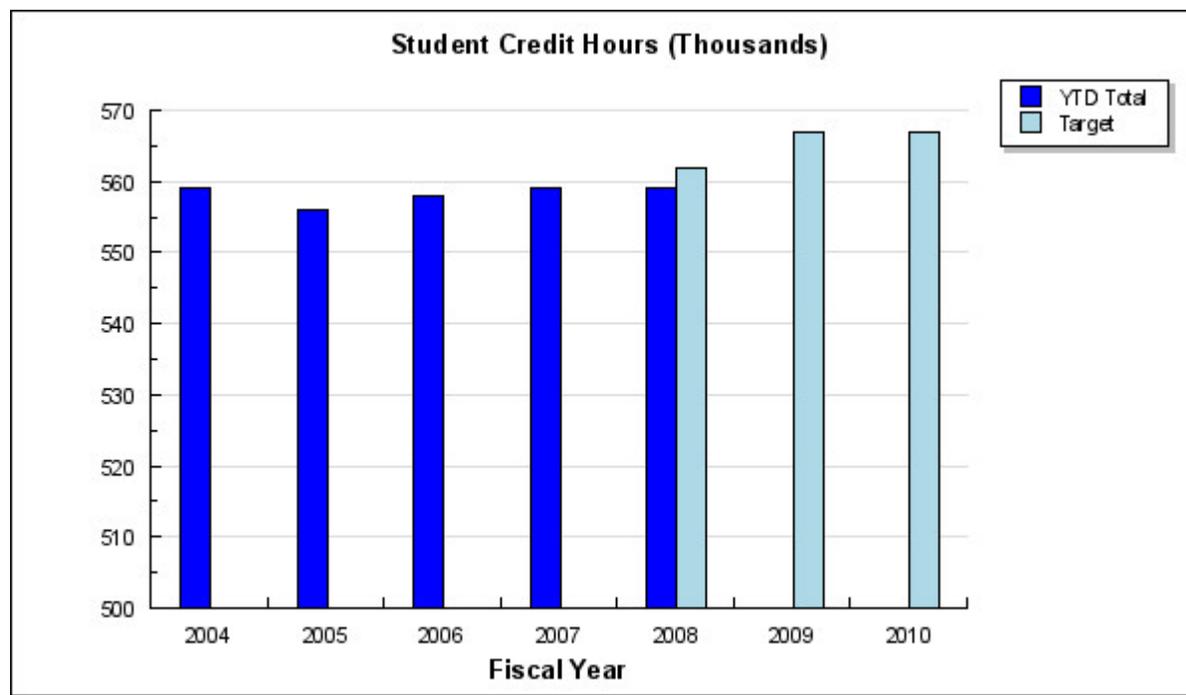
UA's status as a research university helps attract and retain high caliber students. Operating investments in research help UA become more competitive in generating Federal Receipts and other non-state research revenue. Even with operating budget investments, the University of Alaska is struggling with space constraints. Future growth in research is not possible without additional space. Beyond the UAF Life Sciences and Innovation Facility, key research related projects include: the UAF Energy Technology Building; the Alaska Region Research Vessel; Energy Projects; and Climate Projects.

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 567,000 Student Credit Hours (SCH) attempted in FY10.

Status #1: FY08 student credit hours (SCH) delivered by the University of Alaska equaled the all time high enrollment achieved in FY04 and FY07 of 559,000 SCH; however, this performance was below the FY08 target of 562,000 SCH.



Analysis of results and challenges: FY08 performance is due in part to better employment opportunities being available to potential students in some areas of the state. Early FY09 estimates based on preliminary fall 2008 data are sufficient for UA to be optimistic about achieving its FY10 target. The target for FY10, however, is based on full funding of the Governor's proposed FY10 operating and capital requests. For growth investments in student success, K-12 partnerships and high demand program areas would be necessary to mitigate the projected declines in high school graduation rates.

It is important to note that while overall enrollment is relatively flat, enrollment in high demand job area programs continues to be strong, with a preliminary 4 percent increase from fall 2007 to fall 2008. Students are enrolling in programs most aligned to the workforce needs of the state. The targets for FY09 and FY10 represented in the above chart are based on median MAU targets.

Recent Alaska high school graduates attending UA significantly impacts this measure and is the reason that K-12 outreach is the BOR highest priority operating increment. The number of Alaska public high school graduates is expected to peak in 2008, and then a decline by 14 percent from 2008 to 2014 (1,045 students). This prediction was made in the Western Interstate Commission for Higher Education (WICHE) publication, Knocking at the College Door 1988-2018.

If the rate of college bound students remains at 48%, UA will need to garner nearly 70% of those students in 2014 to retain the current level of Alaska high school graduates attending UA. Increased college preparation, student success efforts and partnerships with K-12, will be required to offset these declines. Also Alaska has one of the lowest college going rates in the nation for recent high school graduates, which could be partially addressed through this increment by increasing the number of young adults who successfully transition from high school to college.

MAU Performance Highlights:

UAA delivered 340,000 SCH in FY08, which was 1,000 SCH more than the FY07 performance level but 1,000 SCH less than the FY08 target. To achieve its FY10 SCH target UAA would have to average a 1 percent increase in FY09 and FY10. Preliminary fall 2008 data is sufficient to be optimistic about achieving this growth.

In FY08, UAF delivered 172,000 SCH, which was a 1,000 SCH increase from the FY07 performance level and equal to the FY08 target. UAF anticipates 1.5 percent growth per year in FY09 and FY10. Some strategies to help attain this performance are: refocusing of the admissions office to more of a recruitment office; increasing communication with high school counselors; and recruiting trips to selected community colleges in the Pacific Northwest.

UAS delivered 47,000 SCH in FY08, which was 2,000 SCH below the FY07 performance level and the FY08 target. UAS's performance level is mostly attributed to the school of arts and sciences which accounts for over half of UAS's SCH production. Key strategies at UAS to improve performance on SCH production include: expansion of faculty student mentoring for declared degree students; better scheduling of general education requirements; and creating articulation agreements with community campuses.

Funding Impact:

Program increments improve SCH by attracting students to expanded program offerings and increasing retention. Increased retention improves SCH because new students are in addition to retained students rather than in place of non-retained students. Program requests that most directly impact retention are in the areas of student success, student demand and college preparation. Another key to attracting and retaining students is UA's status as a research university helps. To continue to attract and retain these students it is important for UA to maintain relevant research. Capital requests to meet increasing capacity and equipment demands provide students with quality learning experiences and improve recruitment and retention to graduation.

Past State-Funded Program Increments

UA received program increments in FY07 totaling \$4.2 million in general funds for Preparing Alaskans for Jobs and for Continuing Programs in State Needs. Also dedicated in support of these increments was \$3.7 million in student tuition and fees and other revenue sources. The Preparing Alaskans for Jobs program increment supported expansion of engineering programs such as the Alaska Native Science and Engineering Program (ANSEP), programs in construction and mining technology, and vocational education. The Continuing Programs in State Needs increment supported teacher and early childhood education programs, distance delivery of high demand job area programs, nursing, behavioral health, and allied health programs.

In FY09, the state invested \$5.5 million of general funds in the Preparing Alaskans for Jobs. Associated with this program increment was another \$2.6 million in student tuition and fees and other non-state revenue sources. The Preparing Alaskans for Jobs program increment supported the high demand program areas: health; engineering; and fisheries. The total state funding for this increment was \$300,000 short of the original BOR request for this increment. This funding will positively impact SCH production, by improving recruitment.

In FY09, the state also funded the \$46 million UAA Health Sciences building, which will provide space for students pursuing degrees in nursing and health sciences fields, as well as program faculty and staff. The unfunded FY09 request increment in the area of student success (\$1.6 million) would have supported planned growth on SCH production by improving retention.

UA also receives annual Technical Vocational Education Program (TVEP) funding, which is temporary funding specific to workforce development programs. This funding source has been particularly valuable for program start-up funding, bridge funding and in helping to meet some of the equipment and lab needs necessary to meet industry standards. 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, general funds are requested and the program is transitioned to this long term funding source.

Internal Reallocations

In only four years since FY00, (FY01, FY02, FY07 and FY09) have legislative appropriations of state funding

covered the level necessary to fund salary, benefit and fixed cost increases and allow for state funded program growth. Internal efforts have been focused on student enrollment, however due to funding shortfalls and reallocations in FY08 no additional resources were directed to this area.

Proposed FY10 Operating and Capital Budgets

The Governor's proposed FY10 general fund operating budget includes \$3.6 million for key program investments; and \$9.4 million for compensation increases and lease expenses, a level that is \$6.3 million below the fixed cost increases (not including utilities) required to maintain current performance levels. The Governor's proposed FY10 general fund capital budget includes \$1.1 million in funding for gasoline related program equipment and \$10 million of the \$50 million Maintaining Existing Facilities Renewal and Renovation (R&R) Annual Requirement. Funding at the \$50 million level is the minimum necessary to maintain current performance levels.

Looking to the Future:

Future growth in SCH production will be reliant on increased partnerships with K-12 to better prepare high school students for college. Left unmitigated the predicted declines in high school graduation rates could cause declines in future SCH production. K-12 outreach investments would help increase the preparation of incoming students; and the successful completion of educational goals. It would also support improvement in the "college going rate" of Alaska high school graduates. Alaska has one of the lowest college going rates in the nation for recent high school graduates. Improvements in these areas would increase overall student enrollment.

Across the nation and here in Alaska the issue of college and career readiness has become a focal point for higher education. 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.

Another key to achieving increased recruitment and retention is the quality of the programs being offered. HDJA program increments in the areas of Engineering, Health, and workforce programs help attract and retain students in new and expanded program offerings. Capital projects to meet increasing capacity demands and provide students with quality learning experiences that will help grow student enrollment in HDJA programs through expanded course offerings, and improved recruitment and retention are: the UAF Life Sciences Innovation and Learning Facility; University Equipment Refresh; and Planning for UA Engineering.

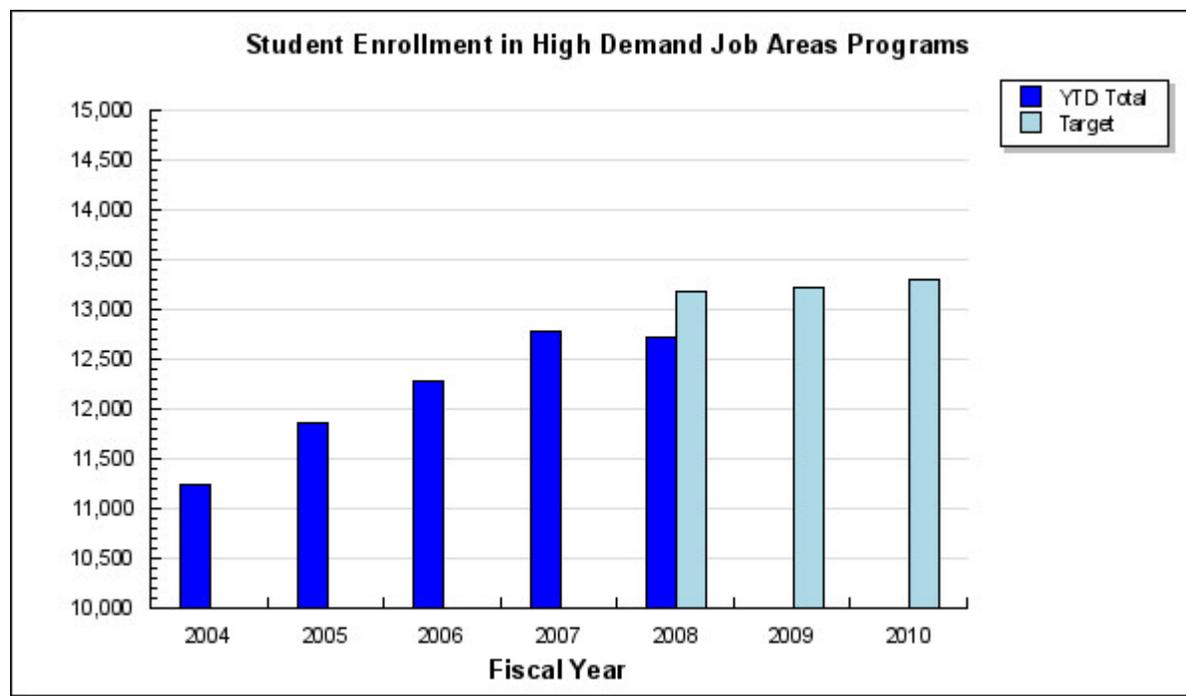
UA's status as a research university helps attract and retain high caliber students. Operating investments in research help UA become more competitive in generating Federal Receipts and other non-state research revenue. Even with operating budget investments, the University of Alaska is struggling with space constraints. Future growth in research is not possible without additional space. Beyond the UAF Life Sciences and Innovation Facility, key research related projects include: the UAF Energy Technology Building; the Alaska Region Research Vessel; Energy Projects; and Climate Projects

The University, as the primary 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 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.

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

Target #1: A target for the number of students enrolled in a high demand job area degree program to 13,300 by FY10.

Status #1: The 12,714 students enrolled in a high demand job area program, in FY08, represented a 13% increase from the FY04 level.



Analysis of results and challenges: Student enrollment in high demand job area (HDJA) programs, in FY08, remained nearly level with the FY07 performance level. This performance level was below the FY08 target of a 4 percent increase from FY07. Even so UA is optimistic of achieving its FY10 target due to FY07 and FY09 state investments in meeting student demand that will help with the problem of reaching capacity in core courses required for these high demand programs. Student enrollment in HDJA programs gives an indicator of overall student credit hour (SCH) generation. The number of student credit hours generated by students enrolled in these programs makes up a growing proportion of the university's total student credit hour generation.

High demand job area programs are more desirable to students due to better chances of employment after graduation. Enrollment in HDJA programs is growing faster than enrollment in other programs. From FY04 to FY08, fall semester enrollments in high demand job programs increased just over 13 percent, while overall UA system student enrollment stayed level. The target for FY10, although shown as a forecast, is based on full funding of the Governor's proposed FY10 operating and capital budgets.

Funding Impact

The projected FY10 target is based on investments that have already been made. Without continued consistent state investment in new and expanded HDJA programs, enrollment in these areas will plateau as capacity for existing programs is reached. In fact left unmitigated, projected high school graduation trends could cause reduced enrollments in HDJA programs in the future.

HDJA enrollment is effected by both recruitment and retention activities. HDJA program investments attract students to expanded program offerings and increase retention. Program investments that would most directly impact retention are in the areas of student success, student demand and college preparation. Another key to attracting and retaining students is UA's status as a research university. To continue to attract and retain these students it is important for UA to maintain relevant research. Capital investments to meet increasing capacity and equipment

demands provide students with quality learning experiences and improve recruitment and retention to graduation.

FY07 and FY09 Funding – UA received program increments in FY07 totaling \$4.2 million in general funds for Preparing Alaskans for Jobs and for Continuing Programs in State Needs. Also dedicated in support of these increments was \$3.7 million in student tuition and fees and other revenue sources. The Preparing Alaskans for Jobs program increment supported expansion of engineering programs such as the Alaska Native Science and Engineering Program (ANSEP), programs in construction and mining technology, and vocational education. The Continuing Programs in State Needs increment supported teacher and early childhood education programs, distance delivery of high demand job area programs, nursing, behavioral health, and allied health programs. Also funded in FY07 was the Integrated Science building (ISB), which upon completion will have an impact on enrollment, accommodating some growth for the Anchorage campus.

In FY09, the state invested \$5.5 million of general funds in the Preparing Alaskans for Jobs. Also dedicated in support of this program increment was \$2.6 million in student tuition and fees and other non-state revenue sources. The Preparing Alaskans for Jobs program increment supported the high demand program areas of health, engineering, and fisheries. In FY09, the state also funded the \$46 million UAA Health Sciences building, which will provide space for students pursuing degrees in nursing and health sciences fields, as well as program faculty and staff. The unfunded FY09 request increment in the area of student success (\$1.6 million) would have supported planned growth in HDJA awards by improving retention and degree completion.

UA also receives annual Technical Vocational Education Program (TVEP) funding, which is temporary funding specific to workforce development programs. This funding source has been particularly valuable for program start-up funding, bridge funding and helping to meet some of the equipment and lab needs necessary to meet industry standards. 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, general funds are requested and the program is transitioned to this long term funding source.

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 four years since FY00, have legislative state appropriation increases covered fixed costs and provided for some program growth, thus for the other six years, the Board conducted internal reallocation to key high demand job areas. This demonstrates focus and alignment to state priorities. In FY08, given the critical and urgent nature of proceeding with high demand programmatic needs, \$2.5 million in general funds was reallocated from all campuses. In FY08, \$1.0 million in temporary funds were invested in key workforce programs.

Proposed FY10 Operating and Capital Budgets – The Governor's proposed FY10 general fund operating budget includes \$3.6 million for key program investments; and \$9.4 million for compensation increases and lease expenses, a level that is \$6.3 million below the fixed cost increases (not including utilities) required to maintain current performance levels. The Governor's proposed FY10 general fund capital budget includes \$1.1 million in funding for gasoline related program equipment and \$10 million of the \$50 million Maintaining Existing Facilities Renewal and Renovation (R&R) Annual Requirement. Funding at the \$50 million level is the minimum necessary to maintain current performance levels.

Looking to the Future

Left unmitigated the predicted declines in high school graduation rates could cause declines in overall student enrollment, as well as student enrollment in HDJA programs. K-12 outreach would help increase the preparation of incoming students; and the successful completion of educational goals. It would also support improvement in the college going rate of Alaska high school graduates. Alaska has one of the lowest "college going" rates in the nation for recent high school graduates. Improvements in these areas would increase overall student enrollment and most likely enrollment in HDJA programs.

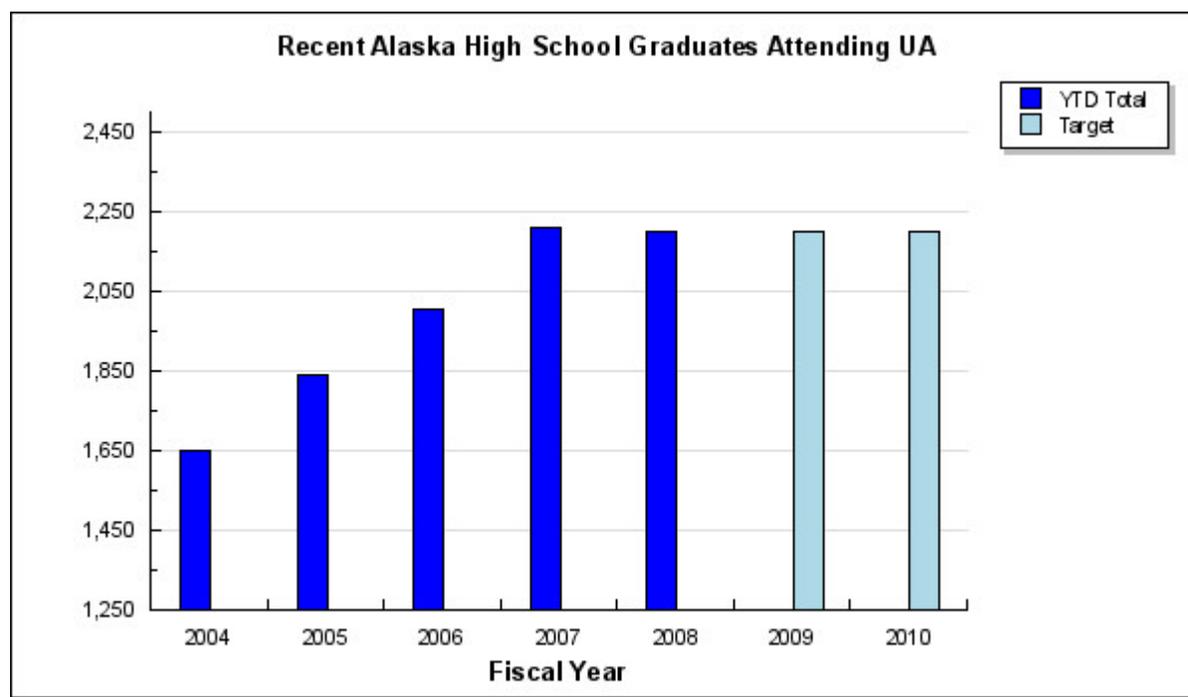
Another key to achieving increased recruitment and retention is the quality of the programs being offered. HDJA program increments in the areas of Engineering, Health, and workforce programs help attract and retain students in new and expanded program offerings. Capital projects to meet increasing capacity demands and provide students with quality learning experiences that will help grow student enrollment in HDJA programs through expanded course

offerings, and improved recruitment and retention are: the UAF Life Sciences Innovation and Learning Facility; University Equipment Refresh; and Planning for UA Engineering.

UA's status as a research university helps attract and retain high caliber students. Operating investments in research help UA become more competitive in generating Federal Receipts and other non-state research revenue. Even with operating budget investments, the University of Alaska is struggling with space constraints. Future growth in research is not possible without additional space. Beyond the UAF Life Sciences and Innovation Facility, key research related projects include: the UAF Energy Technology Building; the Alaska Region Research Vessel; Energy Projects; and Climate Projects.

Target #2: A target for recent Alaska high school graduates attending UA of 2,200 in FY10.

Status #2: The 2,200 recent Alaska high school graduates attending UA in FY08 essentially maintained the record level set in FY07 and represented an increase of 33.4% from FY04.



Analysis of results and challenges: UA continues to attract a growing number of Alaska high school graduates and in Fall 2007 (FY08) enrolled 2,200 recent graduates annually compared to just over 1,150 in Fall 1996 (FY97), and about 1,650 in Fall 2003 (FY04). Recent high school graduates are defined as high school students graduating in the last 12 months. In Fall 2007, one in three recent Alaska high school graduates attended UA, compared to one in five in Fall 1996. Of recent Alaska high school graduates choosing to attend college in Fall 2007, over 60 percent chose UA, compared to 45 percent in Fall 1996. The national average of "college-bound" high school graduates attending college in-state is 81 percent.

The number of Alaska public high school graduates is expected to peak in 2008, and then decline by 14 percent from 2008 to 2014 (1,045 students). This prediction was made in the Western Interstate Commission for Higher Education (WICHE) publication, Knocking at the College Door 1988-2018. Increased college preparation, student success efforts and partnerships with K-12, will be required to offset these declines. If the rate of college-bound Alaska high school graduates remains at 48 percent, UA will need to garner nearly 70 percent of those students in 2014 to retain the current level of Alaska high school graduates attending UA.

Future growth in the number of recent high school graduates attending UA will be reliant on increased partnerships with K-12 to increase the number of college-bound graduates and better prepare those graduates for college. Across the nation and here in Alaska the issue of college and career readiness has become a focal point for higher education. 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.

Funding Impact

High demand job area (HDJA) program investments attract students to expanded program offerings and increase retention. Partnerships with K-12 help UA attract and retain more Alaskan graduates and help increase the preparation of incoming students and the successful completion of educational goals. Another key to attracting and retaining students is UA's status as a research university helps. To continue to attract and retain these students it is important for UA to maintain relevant research. Capital investments to meet increasing capacity and equipment demands provide students with quality learning experiences and improve recruitment and retention to graduation.

FY07 and FY09 Funding – UA received program increments in FY07 totaling \$4.2 million in general funds for Preparing Alaskans for Jobs and for Continuing Programs in State Needs. Also dedicated in support of these increments was \$3.7 million in student tuition and fees and other revenue sources. The Preparing Alaskans for Jobs program increment supported expansion of engineering programs such as the Alaska Native Science and Engineering Program (ANSEP), programs in construction and mining technology, and vocational education. The Continuing Programs in State Needs increment supported teacher and early childhood education programs, distance delivery of high demand job area programs, nursing, behavioral health, and allied health programs. Also funded in FY07 was the Integrated Science building (ISB), which upon completion will have an impact on enrollment, accommodating some growth for the Anchorage campus.

In FY09, the state invested \$5.5 million of general funds in the Preparing Alaskans for Jobs. Also dedicated in support of this program increment was \$2.6 million in student tuition and fees and other non-state revenue sources. The Preparing Alaskans for Jobs program increment supported the high demand program areas of health, engineering, and fisheries. In FY09, the state also funded the \$46 million UAA Health Sciences building, which will provide space for students pursuing degrees in nursing and health sciences fields, as well as program faculty and staff. The unfunded FY09 request increment in the area of student success (\$1.6 million) would have supported planned growth in HDJA awards by improving retention and degree completion.

UA also receives annual Technical Vocational Education Program (TVEP) funding, which is temporary funding specific to workforce development programs. This funding source has been particularly valuable for program start-up funding, bridge funding and helping to meet some of the equipment and lab needs necessary to meet industry standards. 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, general funds are requested and the program is transitioned to this long term funding source.

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 four years since FY00, have legislative state appropriation increases covered fixed costs and provided for some program growth, thus for the other six years, the Board conducted internal reallocation to key high demand job areas. This demonstrates focus and alignment to state priorities. In FY08, given the critical and urgent nature of proceeding with high demand programmatic needs, \$2.5 million in general funds was reallocated from all campuses. In FY08, \$1.0 million in temporary funds were invested in key workforce programs.

Proposed FY10 Operating and Capital Budgets – The Governor's proposed FY10 general fund operating budget includes \$3.6 million for key program investments; and \$9.4 million for compensation increases and lease expenses, a level that is \$6.3 million below the fixed cost increases (not including utilities) required to maintain current performance levels. The Governor's proposed FY10 general fund capital budget includes \$1.1 million in funding for gasoline related program equipment and \$10 million of the \$50 million Maintaining Existing Facilities Renewal and Renovation (R&R) Annual Requirement. Funding at the \$50 million level is the minimum necessary to maintain current performance levels.

Looking to the Future

Left unmitigated the predicted declines in high school graduation rates could cause declines in the number of Alaska high school graduates attending UA. K-12 outreach would help increase the preparation of incoming students; and

the successful completion of educational goals. It would also support improvement in the college going rate of Alaska high school graduates. Alaska has one of the lowest "college going" rates in the nation for recent high school graduates. Improvements in these areas would increase overall student enrollment and most likely enrollment in HDJA programs.

Another key to achieving increased recruitment and retention is the quality of the programs being offered. HDJA program increments in the areas of Engineering, Health, and workforce programs help attract and retain students in new and expanded program offerings. Capital projects to meet increasing capacity demands and provide students with quality learning experiences that would help grow student enrollment in HDJA programs through expanded course offerings, and improved recruitment and retention are: the UAF Life Sciences Innovation and Learning Facility; University Equipment Refresh; and Planning for UA Engineering.

UA's status as a research university helps attract and retain high caliber students. Operating investments in research help UA become more competitive in generating Federal Receipts and other non-state research revenue. Even with operating budget investments, the University of Alaska is struggling with space constraints. Future growth in research is not possible without additional space. Beyond the UAF Life Sciences and Innovation Facility, key research related projects include: the UAF Energy Technology Building; the Alaska Region Research Vessel; Energy Projects; and Climate Projects.

Key Department Challenges

Enhancing Student Success and Preparation through K-12 Outreach

Student Success is one of the University's most important goals. UA measures performance on enrollment, retention, and new graduates from programs addressing high demand job occupations in the state. More than half of the students entering UA are under-prepared for the rigors of college coursework. High school graduation rates are declining and in order for UA to provide the State with the same number of qualified graduates, including graduates in high demand job areas, UA must ensure that those who do enter UA succeed and go on to earn a degree or certification in a timely manner. State investment in this area provides UA with strengthened partnerships with K-12 schools, which include summer bridging programs, Tech Prep, career awareness, outreach, testing and placement and teacher preparation.

Providing Leadership and Fostering Partnerships

UA is continuing to strengthen relationships with industry partners including health care providers, construction and mining operators, and engineering firms. 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 been, and will continue to be, a key to major economic advancements. Partnerships with state entities include setting state climate research priorities in concert with various agencies through the State Committee on Research (SCoR) and the Alaska Climate Change Sub-Cabinet. Additional state partnerships focus on identifying and meeting workforce development priorities with Alaska Workforce Investment Board (AWIB) and the Alaska Department of Labor (AKDOL), including participation in the AGIA Training Plan and partnering with the Alaska Mental Health Trust and the Department of Health and Social Services to reduce the healthcare worker shortage. UA is also involved with 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. Continued State support for UA in addressing fixed cost 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

The University of Alaska will continue to work with Alaskan industries to create the degree and certification programs those jobs will require. Growth has been focused on high demand occupations and more than 100 new program offerings have been added since FY00. About 5,000 students complete vocational training at UA each year, ranging from a course to a degree, and enter the workforce. Upon graduation, these students have been recruited by Alaskan businesses.

The Board of Regents' program requests advance high demand programs in health, engineering and other workforce programs. The university is and will continue to prioritize investments in high demand job area programs. 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 due to the need for competitive wages to recruit faculty; smaller class sizes because of strict accreditation limits and lab constraints, and needs for costly equipment, however students tend to complete these programs at a higher rate than other degree programs and most 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 students throughout the state with enhanced access to high demand job programs.

Expanding University Research

State investment in research will provide the necessary resources to help grow UA's research enterprise, which supports nearly 2,400 jobs in Alaska, 1,100 of which are private sector. 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 in a state where retail and trade occupations have dominated growth. UA Research is supported primarily by competitive external non-state funding. 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. Additionally, the state's policy direction will create the environment to promote research endeavors important to Alaska industry. Areas for investment include: 1) Energy 2) Climate 3) Biomedical and Health Research, and 4) Enhancing Competitive Research. Knowledge in all these research areas will benefit the state. For every one dollar of state funding dedicated to research UA leverages six dollars from external sources.

UA is aggressively working toward energy solutions for the state and its diverse communities. UA, through the Alaska Center for Energy and Power (ACEP) based at the University of Alaska Fairbanks is dedicated to applied energy research and testing focused on lowering the cost of energy throughout Alaska and developing economic opportunities for the State, its residents, and its industries. Additionally, the Institute of Social and Economic Research (ISER) based at the University of Alaska Anchorage is focused on the broad economic and policy impacts of energy in Alaska.

The University is requesting funding in FY10 for operating the Alaska Center for Energy and Power, energy outreach and key faculty resources, as well as, specific projects designed to address energy solutions for Alaska. Examples of specific projects include: a partnership with Alaska Energy Authority for implementing Hydrokinetic; Diesel Efficiency and Wind-Diesel test centers; rural power alternatives; sustainable infrastructure in collaboration with the Cold Climate Housing Research Center (CCHRC); transportation fuels; and expanding coal utility through carbon sequestration options and coal gasification techniques. In addition, UA is requesting a new building to house energy research. It will be partially funded by UAF with some state support required.

Research in climate change impacts is critical to the state's future. State investment will support multiple research entities at UAA, UAF, and UAS to carry out research that is called for in the Alaska State Legislature's Climate Impact

Assessment Commission. Funding for specific climate projects such as digital mapping of Alaska and impact on commercial fisheries is also being requested. A climate change consortium is being formed across the UA system to enable UA's researchers to be more responsive to Alaska's needs for research into preparing for and adapting to a changing climate. UA has considerable expertise and visibility in its research on climate change.

Biomedical, behavioral, and health research spans several institutes, centers, colleges, schools, and departments across the University of Alaska. In addition to serving state needs, active research programs are vital for the education and training of undergraduate, graduate, preprofessional and professional students. Growth of biomedical and behavioral research at UA is essential for improving the health and welfare of Alaskans. Moreover, it creates opportunities to diversify Alaska's economy through support of sponsored research and it builds intellectual infrastructure necessary to develop biotechnology in the state. State investment is necessary to enhance UA's National Institute of Health competitiveness.

UA continues to look for opportunities to enhance competitive research. State funding enables UA to match and leverage research support, thereby increasing research output and opportunities for meaningful research experiences among students.

The likelihood of future research growth is severely constrained by facilities. Funding for UA's capital request for the UAF Life Sciences Innovation and Learning, will provide the urgently needed research and classroom space and have a significant impact on both undergraduate and graduate students. Funding for the planning request for the UAF Energy Technology Facility, the UAF Alaska Region Research Vessel, and the Energy and Climate Projects will also improve UA's ability to attract Federal receipts and improve the indirect cost recovery rate which will be set again in FY11.

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, financial and performance reviews are conducted by the President and cover all aspects of campus operations, budgets, enrollment and performance results. The University welcomes and encourages high expectations and scrutiny from public groups such as Commonwealth North, Alaska Workforce Investment Board, Municipalities, and Chamber of Commerce organizations. The university continues to look for ways to contain costs, to operate more efficiently, and to make the best use of limited resources. Most recently, UA President Mark Hamilton started an on-line suggestion box and invited staff, faculty and students from across the 16-campus UA system to offer their best suggestions on streamlining services or conducting the university's business more efficiently. Members of the public also are welcome to provide suggestions that would lead to greater efficiencies and cost savings at the UA System Administration (Statewide) or at one of UA's campuses.

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. UA's annual maintenance and repair is calculated at a minimum 1.5 percent of current facilities value, approximately \$25 million in FY08. In FY08 UA campuses invested over \$31 million for facilities maintenance. Per national standard, in addition to the \$25-\$30 million annual operating maintenance investment, a minimum annual investment of \$50 million is necessary for major capital renewal and renovation to avoid adding to the deferred maintenance backlog. From 2000-2009, as its first capital budget priority, UA has submitted capital funding requests averaging \$75 million for annual major R&R requirements, however, an average of only \$16 million was funded.

Due to inconsistent and inadequate funding for major renewal, UA's major R&R inventory (the cumulative backlog of facilities renewal sometimes referred to as deferred maintenance) is above a reasonable threshold. UA has nearly 400 facilities with 6.7 million gross square feet worth over \$1.7 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 \$800 million. The Department of Transportation and K-12 have similar deferred maintenance issues. 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.

There is a solution for the state that would both protect existing state assets by paying down excess deferred maintenance and provide the opportunity for Alaskan contractors to gear up for the imminent construction boom. The state should invest in a 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 gas line. 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 FY2010

UA's performance-based budgeting approach utilized since FY04 has set the stage for articulating specific measurable performance expectations. UA is currently using five primary performance metrics and monitors a number of key performance indicators. 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' FY10 budget request provides for maintaining the responsive programs already established and provides for priority program growth.

After the adjusted base requirements, program enhancement and growth requests will focus on the following areas:

- Investment in K-12 outreach will support partnerships with the Department of Education and school districts, as well as, summer camps, career awareness, outreach, special education teacher training, early testing, and assessment and placement.
- Investment in Energy, Engineering, and Climate to address solutions to the state's most pressing energy and climate issues, including outreach through the Alaska Cooperative Extension Service.
- Investment in Health Programs to support biomedical capacity and UA's next step in building strong health occupation training programs.
- Investment in Workforce and Campus Programs to enable UA to respond to emerging industry sectors and provide additional workforce training. Funding will also support necessary campus programs, and programs aimed to increase student achievement.

Major Department Accomplishments in 2008

In FY08, the state appropriation increase of \$10 million was \$1.6 million below UA's compensation and fixed cost increases; therefore, funding to address the Board's priority program requests was only available through significant internal reallocations. The Board of Regents' reallocated \$2.5 million for priority program growth, with an additional \$1.0 million of priority programs funded through temporary funding sources.

Core funding was allocated toward nursing, statewide delivery of allied health programs, UAA's engineering program expansion, mining and petroleum training, and the statewide geography program. Programs being funded through temporary funding sources included the construction management start-up, the WWAMI expansion, and the dental hygiene program in Fairbanks. In only four of the last 20 years have state appropriation funding increases covered the salary and fixed cost obligations and allowed for state-funded program growth.

Student Success Measures

In FY08, the number of degrees awarded in High Demand Job Areas (HDJA) continued to grow with a 1 percent increase over FY07. Increasing the number of UA graduates prepared for the high demand jobs in Alaska is a key measure and in the last five years, UA has increased the annual number of graduates by over 35 percent. Annually, UA graduates more than 2,500 students ready for high demand Alaska jobs, this is more than 70 percent of UA's total graduates. UA produces 660 more qualified workers each year compared to 5 years ago and the number is growing. A few examples of program growth include:

- Doubled the number of nurses - graduating nearly 220 qualified nurses annually in 12 locations throughout the state.
- Tripled the number of qualified allied health workers, much of the curriculum accessible via distance delivery.
- Met the Process Technology workforce need with 85 graduates annually.

- Started more than 100 new degree, certificate and occupational endorsement programs since FY00, 85 of which directly respond to Alaska's high demand jobs.

Though overall enrollment has remained stable over the last four years, proportionally more students choose to enroll in HDJA programs over programs in other areas of study. This is an area UA has chosen to focus resources on in order to best align degree programs with state priorities. HDJA students tend to complete these programs at a higher rate than other degree programs and are now working in Alaska.

FY08's retention rate dipped slightly to 65 percent, but is up to another all time high of 67 percent in FY09. Undergraduate retention rates fluctuate from year to year. UA undergraduate retention rates dropped to 64.1 percent in FY06, from 65.4 percent in FY05, only to climb to an all time high of 66 percent in FY07. Therefore, UA is optimistic about achieving continued improvement in undergraduate retention.

The UA Scholars program has been significant to meeting high demand job needs of the state. Altogether more than 4,250 top Alaska high school graduates have enrolled at UA as of fall 2008 and 1,231 degrees and certificates have been earned. 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 demonstrated positive direct and indirect impacts on the significant improvement on Alaska high school graduates staying in-state for higher education. Prior to the start of the program, 43 percent of Alaska high school graduates went to college, and 45 percent of those attended UA. Today 48 percent of Alaska high school graduates go to college and of those more than 63 percent attend UA.

University Generated Revenue

University generated revenue is a key measure essential to UA program offerings. University generated revenue in FY08 remained at the FY07 performance level. Growth in university generated revenue is expected to be moderate due to modest increases in tuition revenue and growing development efforts mitigated by a more competitive federal funding environment, as well as challenges with other major external, temporary funding sources, such as the Denali Commission.

External Research Funding

In FY08, UA's external grant funded research declined by 4.6 percent. This measure was directly impacted by a number of factors, most notably facility constraints and if left unmitigated, will diminish expected future growth on this performance measure.

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

	FY2008 Actuals				FY2009 Management Plan				FY2010 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
Formula Expenditures None.												
Non-Formula Expenditures												
University of Alaska Systemwide Budget Reductions/Additions	1,413.4	0.0	0.0	1,413.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statewide Programs & Services	23,847.3	675.9	33,001.7	57,524.9	24,980.7	3,374.9	39,419.1	67,774.7	26,795.7	3,228.8	35,824.6	65,849.1
Univ of Alaska Anchorage	105,371.8	21,575.5	108,118.5	235,065.8	112,882.7	27,926.3	134,402.4	275,211.4	116,990.9	23,261.7	133,206.8	273,459.4
Small Business Dev Center	0.0	0.0	0.0	0.0	0.0	0.0	550.0	550.0	0.0	0.0	0.0	0.0
Univ of Alaska Fairbanks	140,541.0	89,297.2	148,855.9	378,694.1	126,485.4	104,914.7	158,598.5	389,998.6	150,940.1	99,726.6	177,411.9	428,078.6
Univ of Alaska Comm Campuses	0.0	0.0	0.0	0.0	22,289.9	13,636.2	18,669.5	54,595.6	0.0	0.0	0.0	0.0
Univ of Alaska Southeast	24,634.1	4,086.7	15,062.6	43,783.4	26,034.8	6,224.8	22,564.8	54,824.4	26,748.2	5,341.4	22,585.1	54,674.7
Totals	295,807.6	115,635.3	305,038.7	716,481.6	312,675.5	156,076.9	374,204.3	842,956.7	321,476.9	131,558.5	369,028.4	822,063.8

Funding Source Summary

All dollars in thousands

Funding Sources	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
1002 Federal Receipts	115,635.3	156,076.9	131,558.5
1003 General Fund Match	4,777.3	4,777.3	4,777.3
1004 General Fund Receipts	290,829.5	307,602.4	316,398.8
1007 Inter-Agency Receipts	11,926.7	18,670.0	14,170.0
1037 General Fund / Mental Health	200.8	295.8	300.8
1048 University Restricted Receipts	236,956.2	290,635.6	289,368.3
1061 Capital Improvement Project Receipts	5,286.0	4,881.6	7,300.0
1092 Mental Health Trust Authority Authorized Receipts	1,085.0	1,622.5	1,945.5
1151 Technical Vocational Education Program Account	3,134.3	4,723.6	4,723.6
1174 UA Intra-Agency Transfers	46,650.5	53,121.0	51,521.0
1175 Business License and Corporation Filing Fees and Taxes		550.0	
Totals	716,481.6	842,956.7	822,063.8

Position Summary

Funding Sources	FY2009 Management Plan	FY2010 Governor
Permanent Full Time	4,694	4,697
Permanent Part Time	222	222
Non Permanent	0	0
Totals	4,916	4,919

FY2010 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Maintaining Existing Facilities Renewal and Renovation Annual Requirement	10,000,000	0	0	10,000,000
UAF Life Sciences Innovation and Learning Facility	0	0	20,625,000	20,625,000
UAF Energy Technology Building	0	0	15,300,000	15,300,000
UAF Fire Station and Student Firefighter Training Center	0	0	500,000	500,000
UAF Alaska Region Research Vessel Additional Receipt Authority	0	100,000,000	0	100,000,000
Federal Receipt Authority	0	15,000,000	0	15,000,000
Graduate Medical Education/Family Practice Residency Program	2,200,000	0	0	2,200,000
University of Alaska Gasline Workforce Development	0	0	1,072,000	1,072,000
Department Total	12,200,000	115,000,000	37,497,000	164,697,000

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 FY2009 Management Plan to FY2010 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2009 Management Plan	312,675.5	156,076.9	374,204.3	842,956.7
Adjustments which will continue current level of service:				
-Budget Reductions/Additions	-2.0	0.0	0.0	-2.0
-Statewide Programs & Services	1,465.0	0.0	294.5	1,759.5
-Univ of Alaska Anchorage	2,334.9	0.0	-330.4	2,004.5
-Univ of Alaska Fairbanks	581.7	-180.0	3,484.8	3,886.5
-Univ of Alaska Southeast	425.9	0.0	235.1	661.0
Proposed budget decreases:				
-Statewide Programs & Services	0.0	-146.1	-4,802.7	-4,948.8
-Univ of Alaska Anchorage	0.0	-4,664.6	-5,754.6	-10,419.2
-Univ of Alaska Fairbanks	0.0	-19,544.3	-11,507.0	-31,051.3
-Univ of Alaska Southeast	0.0	-883.4	-697.3	-1,580.7
Proposed budget increases:				
-Budget Reductions/Additions	2.0	0.0	0.0	2.0
-Statewide Programs & Services	350.0	0.0	913.7	1,263.7
-Univ of Alaska Anchorage	1,773.3	0.0	4,339.4	6,112.7
-Univ of Alaska Fairbanks	1,583.1	900.0	8,166.1	10,649.2
-Univ of Alaska Southeast	287.5	0.0	482.5	770.0
FY2010 Governor	321,476.9	131,558.5	369,028.4	822,063.8