



UNIVERSITY
of ALASKA

Many Traditions One Alaska

**Outcomes-Based Budgeting
(Goals, Background and Future Direction)**

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I. Introduction

The university currently utilizes an outcomes-based philosophy with respect to programmatic needs. The initiative process started by President Hamilton requires that responsibility centers (research, academic, and administrative units) are able to demonstrate accountability with respect to initiative funding. Additionally, the university focuses on outcomes associated with legislatively approved performance measures.

There is an opportunity within UA, guided by practice in higher education throughout the nation, that this outcomes-based philosophy should mature to the next level by demonstrating how each MAU, campus, school, college, institute, and division contributes to the achievement of UA's mission:

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

Key outcomes will serve as an explicit link between UA's mission and responsibility center objectives, MAU objectives, and UA System objectives stated in the current draft Board of Regents' *UA Strategic Plan 2009* (<http://www.alaska.edu/bor/2009Plan/2009.html>).

In a process that started in January 2003, President Hamilton in collaboration with Chancellors Lind, Pugh, and Gorsuch, determined that the university needed to transition its current budget practices to an outcomes-based process. The transition plan to an outcomes-based budgeting approach was introduced in conjunction with the FY05 operating budget request guidelines at the June 2003 Board of Regents' meeting (<http://info.alaska.edu/swbudget/05budgetreq/opguides.pdf>).

This approach will help ensure that UA's limited resources are directed to those priority programs that align *UA Strategic Plan 2009* goals and Major Administrative Unit's (MAU) strategic and academic plans. The regents, president, and chancellors believe that in the current fiscal environment, this process is the most appropriate to ensure continued growth in academic excellence and responsiveness to the needs of the state.

II. Overview of an Outcomes-Based Budgeting System for the University of Alaska

An outcomes-based budget system is built on measurement of those key outcomes that are determined to be of most importance to the university. The MAU results then serve as an additional basis for the Board's resource allocation decisions. UA goals and objectives are outlined in the Board of Regents' draft *UA Strategic Plan 2009*. Measuring and understanding progress toward those objectives will provide university leadership a guide to focus resources on effectively meeting the university's mission. Measuring movement provides a common framework for describing progress to internal and external audiences and provides a basis for incentives.

At full implementation of this process, UA will have no more than 20 system level outcomes with corresponding metrics and annual targets. The UA system level outcomes will provide a good overview of the health of the university. These outcomes will be developed with broad input through the leadership of systemwide councils, with review by governance groups and then provided to the chancellors for final recommendation and approval by the president.

It is important to note that this set of outcomes will be revised and changed consistent with the operating environment. It is likely that as the university succeeds in areas or sets new strategic directions some outcomes will become outdated and more appropriate ones added. Each outcome will include:

1. A direct link to at least one goal in *UA Strategic Plan 2009*.
2. A narrative description of the desired outcome.
3. A system-level metric to measure progress toward the desired outcome.
4. An annual established target for the UA System with appropriate targets set for each MAU.
5. Incentives or consequences for achieving or failing to achieve annual targets.
6. Additional information to include data definitions, constraints, comparative data etc.

In addition to the dynamic nature of this process, it is important to recognize that the development and execution of this process of outcomes, metrics, and targets is an internal one, and not tied to state appropriations through formula funding or other formal funding mechanisms.

The draft individual outcome detail form, *Student Credit Hours and Headcount*, ([Appendix A](#)) illustrates the information included for each outcome. This outcome links to Student Success, the first goal in the *UA Strategic Plan 2009*, clearly showing alignment with the strategic plan. Increased enrollment, which corresponds to the metric increased credit hours, is an objective within the student success goal of *UA Strategic Plan 2009*. As shown on the detail form, a draft target increase in student credit hours has been set for the UA system (5% for FY04, 3% for FY05). Corresponding with the development of the UA system target an appropriate target for each MAU will be agreed upon thus enabling the system to reach its target. Correspondingly, each MAU may choose to set targets for community campuses, and schools and colleges enabling the MAU to reach its target. This form also provides information such as the formal data definition, trends, and appropriate benchmark information.

Of conspicuous absence in this discussion are the activities each MAU will undertake to reach its annual targets. This is by design. It is appropriate for the president to ultimately set outcomes and performance targets for the university. However, it is equally important for the leadership of each MAU and responsibility center to determine the course of action to achieve these targets. What may be appropriate for one MAU may not be the best course of action for another. Annually there are two MAU operating reviews. During these reviews, the MAUs will report on those activities and processes developed to achieve their targets.

Implementation of the outcomes-based budgeting system at the University of Alaska will follow these key principles:

- Fewer is better
- Metrics should be linked to key management drivers
- Metrics should start at the top and flow down to all levels of the organization
- Multiple indices can be used or combined into a single index to give a better overall assessment of performance
- Measures need to have targets established that are based on sound research

Crucial to a successful transition to an outcomes-based system is the assignment of incentives in recognition of achievement with respect to annual MAU targets. The implementation of incentives is a key aspect of outcomes-based budgeting. Additionally, with a system of incentives will be the potential for corresponding consequences for lack of noticeable progress to achieving targets. However, the main focus will be assignment of incentives.

III. Next Steps in the Process

Throughout the latter half of FY03, the president, chancellors, provosts, executive staff and budget staff developed an initial set of outcomes that were presented to the Board of Regents for concept review at their June 2003 meeting. The intent was to use some outcomes for an initial trial during FY04. Appendix B provides detail on the development of the examples being considered. Below is a summary of the progress necessary over the next three years to fully implement an outcomes-based system.

July 2003 to July 2004	Develop internal communication plan for the process Test an initial (trial) set of up to 10 outcomes using FY04 activity Develop a defined set of outcomes (up to 10) with metrics and targets to be utilized in FY05 budget planning, development and distribution Expand the initial outcomes to a full set of up to 20 outcomes Develop a system of incentives
July 2004 to July 2005	Implement and monitor the defined set of outcomes during FY05 Test of the full set of outcomes using FY05 activity Develop FY06 annual targets for the full set of outcomes
July 2005 to July 2006	Implement and monitor the full set of outcomes during FY06 Assign incentives based on the FY05 outcome targets Develop FY07 annual targets for a full set of outcomes

July 2003 to July 2004 (FY04)

An overarching goal of assuring good internal communication surrounds this process. For the successful transition to outcomes-based budgeting, every faculty and staff member across the system will have the opportunity to understand this process, provide input and realize their personal involvement in the continued success at UA. Therefore, opportunity will be provided through multiple channels for interested faculty and staff to have input and be involved in this transition. In August, at the beginning of the academic year, each chancellor will formally ask their faculty and staff governance groups to review outcomes and measures. President Hamilton will request input from the faculty, staff, and student UA alliance groups. In addition, all interested faculty and staff are encouraged to reference the web site dedicated to this process to access all pertinent information. (<http://www.alaska.edu/swbudget/process/budgetprocess.html>) There is also the ability via this site to provide input on existing draft outcomes and to submit suggestions for additional ones. Concurrent with faculty and staff discussions, the university will continue the transition process.

Another goal for FY04 is to implement a defined set of outcomes and corresponding metrics and targets that will be utilized in FY05 budget planning, development and distribution. In the concept examples presented to the Board of Regents there were nine individual outcome detail forms. These outcomes or substitute outcomes (after being reviewed and revised and including the comments, suggestions and alternatives from faculty and staff governance groups) will be tested through FY04, and then will serve as a starting point for outcomes to be integrated into the development and distribution of the FY05 budget. In the spring semester, work will continue to expand to a full set of approximately 20 UA system-level outcomes.

Each outcome, including those to be used during FY04 for practice and additional outcomes developed, will follow a clear implementation process. Appendix C details the outcome development process flow.

A final step in FY04 is to formalize a system of incentives associated with outcomes-based budgeting to be in place for FY05. Since the assignment of incentives will be based on achievements occurring during the fiscal year, actual distribution of incentives will occur during the FY06 budget distribution; however, it is necessary to have a full system in place prior to the start of FY05.

July 2004 to July 2005 (FY05)

In FY05, the primary goal is to refine all outcomes and metrics for full implementation in FY06. Communication remains a priority. Faculty and staff are encouraged and will be afforded opportunities to provide comments and suggestions. To complete implementation with the entire set of outcomes integrated throughout the university system, each MAU will develop and communicate the community campus and main campus unit level planned activities that assure the MAU will reach its established targets. As in FY04, these activities, as well as discussion of each MAU's ability to reach targets, will be discussed at the annual financial and management reviews.

July 2005 to July 2006 (FY06)

During the development of the FY06 budget, all outcomes will be eligible for incentives and consequences. Additionally, the final FY06 budget will take into consideration those outcomes in FY05 that were eligible for incentive and consequences and any applicable distributions.

IV. Conclusion

The university is well versed to fully implement an outcomes-based budget system through President Hamilton's commitment to demonstrating and ensuring accountability for all stakeholders. A fully functioning outcomes-based budgeting system will allow the university to fulfill the goals set forth in the *UA Strategic Plan 2009*. In full implementation, this system will be dynamic, adjusting to those key programmatic areas that best reflect the overall success of the university.

DRAFT Individual Outcome Detail Form
University of Alaska
System and MAU level Outcomes
 FY05 Proposed Operating Budget Request Guidelines
 Outcome Title: Student Credit Hours and Headcount
Current as of 6/19/2003

Board of Regent Strategic Plan 2009

Goal: Student Success/Educational Quality
Objectives: Increase the number of student credit hours/emphasize the community college mission
Area: Enrollment Management/Academic Quality

Narrative/Description: The University, as the provider of community college and university higher education mission for the state, serves both traditional and non-traditional aged students. Enrollment increases contribute to tuition, which in turn helps fund programs, salary, fixed cost increases, and base investments necessary to reach the enrollment target.

Metric: Increase enrollment

Established Outcome Targets: Number of credit hours taken

Student Credit Hours Targets Increase the number of student credit hours taken at each MAU by 5%, 3%, and 3% over the next three years respectively

	FY02 Academic Year 2001-02 Closing	FY03 Academic Year 2002-03 Closing	FY04 Academic Year 2003-04	FY05 Academic Year 2004-05	FY06 Academic Year 2005-06
University of Alaska	453,274	487,937	512,334	527,704	543,535
-UAA	270,091	287,710			
-UAF	138,836	150,653			
-UAS	44,347	49,575			

Incentives/Sanctions – Proposed Implementation: Appropriate incentives and sanctions will be developed for success or failure for achieving established outcome targets.

Additional Constraints: Efforts to increase the number of credit hours enrolled should positively impact headcounts of full time, part time, non-credit, and vocational education students.

Definitions and Applicable Standards: Student Credit Hours (SCH) are calculated by totaling the course credit hours for students enrolled in credit courses at all UA campuses. For this outcome audited student credit hours (SCH) are not counted and an academic year is defined as the fall and spring semesters only. The following parameters were used: course level must be in the range of 50 – 699 and qualified as Academic, Pre College, or Professional. In addition, the registration status must be valid. The number of SCH in which a student is enrolled and paid for are found in the field sfrstcr_credit_hr in the table SFRSTCR. For students enrolled in variable credit hour courses, the amount that the student actually enrolled is also in the field

sfrster_credit_hr. Audited hours can be determined by a query of the grade mode field, sfrster_gmod_code, for the value 'A'. SCH are summarized by adding the values in the sfrster_credit_hr field. For the purpose of this outcome audited hours are excluded. SCH = SUM (decode (sfrster_grad_code, 'A', O, 1)*sfrster_credit_hr).

The technical criteria for the query are:

```
substr (ssbsect_crse_num, 2, 3) >= '050'
/* course level condition */
and substr (ssbsect_crse_num, 2, 3) <= '699'
/* course level condition */
and (scbcrse_aprv_code = 'A' or scbcrse_aprv_code = 'E' or scbcrse_aprv_code = 'P' or
scbcrse_aprv_code is null)
/* course qualification */
and sfrster_rsts_code = stvrsts_code
/* valid registration status */ and stvrsts_incl_sect_enrl = 'Y'
/* valid registration status */
```

Benchmark Information: (Some of the following comparative information may be pertinent to this outcome measure.) Benchmark information will consist of trend, peer, and activity analysis for each established outcome target. Trend analysis will be presented for UA and the MAUs from 1998 to the present. Peer analysis will include data from sources such as IPEDs to compare MAUs to their peer groups. Activity analysis includes current MAU processes that are affecting established outcome targets.

Comments from other councils:

- Research Excellence (RAC):
- Quality Educational Programs (SAC):
- Faculty and Staff Strength (HRC & CBAC):
- Responsiveness to State Needs (PC):
- Technology and Facility Development (BC & ITC):
- Diverse Sources of Revenue (BC):

Secondary measures of influence:

- Campus headcount by full time, part time, and non-credit students
- Headcount of vocational education

Campus Full Time Students Headcount Targets

Increase the number of full-time students at each MAU by 5%, 3%, and 3% over the next three years respectively. The figures shown here are for full-time students at the UA system reporting level.

	Fall 2001	Current (fall 2002 closing)	Fall 2003	Fall 2004	Fall 2005
University of Alaska		11,422	11,993	12,353	12,723
-UAA		6,530	6,857	7,062	7,274
-UAF		4,093	4,298	4,427	4,559
-UAS		1,001	1,051	1,083	1,115

Campus Part Time Students Headcount Targets

Increase the number of part-time students at each MAU by 4%, 2%, and 2% over the next three years respectively. The figures shown here are for part-time students at the UA system reporting level.

	Fall 2001	Current (fall 2002 closing)	Fall 2003	Fall 2004	Fall 2005
University of Alaska		22,094	22,978	23,437	23,906
-UAA		13,591	14,135	14,417	14,706
-UAF		5,297	5,509	5,619	5,731
-UAS		3,746	3,896	3,974	4,053

Non-Credit Students Targets

Increase the number of students enrolled in non-credit courses at each MAU by 5%, 3%, and 3% over the next three years respectively.

	Fall 2001	Current (fall 2002 closing)	Fall 2003	Fall 2004	Fall 2005
University of Alaska		2,251	2,364	2,434	2,507
-UAA		1,196	1,256	1,293	1,332
-UAF		452	475	489	504
-UAS		604	634	653	673

Vocational Education Students Targets

Increase the number of students taking vocational education courses at each MAU by 5%, 3%, and 3% over the next three years respectively.

	Fall 2001	Current (fall 2002 closing)	Fall 2003	Fall 2004	Fall 2005
University of Alaska		10,827	11,368	11,709	12,061
-UAA		6,919	7,265	7,483	7,707
-UAF		2,686	2,820	2,905	2,992
-UAS		1,271	1,335	1,375	1,416

Appendix B

Review of Process (January through June 2003 Board of Regents' Meeting)

January 2003

To jumpstart this process and allow for greater awareness of best practices, UA contracted with David Maddox to assist in the identification of issues to be addressed in any changes to our budget process. To determine relevant issues, Mr. Maddox interviewed each chancellor, provost, and vice chancellor for administrative services, as well as statewide executives.

February and March 2003

David Maddox's final report provided a list of budget issues, tools, and processes for consideration by the University of Alaska. The issues addressed were compressed into the following six common themes.

1. Align resources with state priorities and demand for programs.
2. Sustain existing momentum and initiatives while ensuring consistent funding for the creation of relevant high need programs and ideas.
3. Assure that adequate resources are invested into fundamentals such as maintenance and operations, staff benefits and competitive salaries.
4. Maximize the alignment of statewide and MAU priorities through clarification of roles, responsibilities, goals, and measurable outcomes.
5. Develop common standards, metrics, and reporting requirements for budget reallocation decisions that provide clear demonstration of resource maximization.
6. Develop and implement incentives that align with performance and state need.

April 2003

To assure that everyone involved with the development of this process continued with a consistent understanding of these points and expected outcomes, President Hamilton hosted a workshop on April 8, 2003 in Fairbanks facilitated by David Maddox. Participants included individuals representing their MAU on the various systemwide councils, chancellors, provosts, vice chancellors, and budget personnel. The key focus of this meeting was, through brainstorming and breakout sessions, to create initial lists of priority outcomes and corresponding metrics and targets aligned with the goals stated in the draft *UA Strategic Plan 2009*.

The president and chancellors reviewed the outcomes and actions discussed at the April 8th meeting and then formalized a process to bring the development of an outcomes-based budgeting approach to all stakeholders. They recognized it would take more than a year to elevate UA's budget and planning process to a level where utilizing measurable outcomes is a common practice integrated at all levels of the organization. However, they were also clear in stating that this transition to an outcomes-based budgeting approach is a necessary and appropriate management direction for UA. Therefore, it was decided to develop one or two outcomes for each goal addressed in the *UA Strategic Plan 2009* for initial trial in FY04. These outcomes and metrics would serve as an introduction to the transition to an outcomes-based budget, but would not have an impact on the distribution plan for FY04. The initial set of outcomes would center on those that could be implemented at a system level fairly quickly due to existing information, reporting and current practices in place. The first set would provide guidance in developing a more comprehensive set to be implemented along with the FY05 budget request.

May 2003

For the initial set of outcomes, the president assigned each of the goals in the *UA Strategic Plan 2009* to an appropriate systemwide council. The councils were tasked with developing at least one outcome that could be implemented in FY04. The seven strategic goal areas and the systemwide councils that facilitated and developed outcome and target recommendations follow:

- | | |
|---------------------------|---|
| ▪ Student Success | Student Services Council (SSC) |
| ▪ Educational Quality | Statewide Academic Council (SAC) |
| ▪ Research | Research Advisory Council (RAC) |
| ▪ Faculty and Staff | Human Resources Council (HRC) and Collective Bargaining Advisory Council (CBAC) |
| ▪ Facilities and IT | Business Council (BC) and Information Technology Council (ITC) |
| ▪ State Needs | President's Cabinet (PC) |
| ▪ Revenue Diversification | Business Council (BC) |

The Statewide Academic Council was also asked to keep faculty governance groups informed of the ongoing development of this process. Additionally a technical team of budget, finance and institutional research personnel from each MAU was asked to develop formal data definitions for each of the outcomes developed through the systemwide councils.

Throughout May, each council reviewed and discussed a variety of potential outcomes, both those appropriate for introduction in FY04 and those that should be considered in development of the full set of outcomes for the FY05/FY06 horizon. On May 22, each council presented its list of potential outcomes that could be implemented in FY04 as well as providing notice of other outcomes being considered for future rollout to an all councils video conference facilitated by President Hamilton. Since FY04 is serving as an initial implementation period, the selection of outcomes was based on availability of data and standards. These outcomes may not represent those of most importance, but are the best for initial implementation.

June 2003

After the May 22 meeting, the president and chancellors selected examples of measurable outcomes that were presented to the Board of Regents along with the FY05 operating budget request guideline at the June 2003 meeting. Those examples presented to the Board will provide the outcomes chosen to serve as a trial basis for FY04. Those examples not selected for presentation may be utilized in developing additional outcomes for FY05 implementation.

Currently, the technical team is drafting data definitions for the example outcomes presented. Appropriate departments across the system are producing initial baseline data that will be revised to maintain consistency with the data definitions as they evolve. The data definitions and baseline information will be circulated back to the systemwide council for review.

Appendix C. UA Outcomes/Performance Based Budgeting Process Flow Diagram

