



University of Alaska

FY19 Operating Budget

&

Deferred Maintenance Overview

Senate Finance Committee
February 13, 2018



UNIVERSITY
of ALASKA
Many Traditions One Alaska

University Mission

- **Education**

*Delivering academic instruction,
career and technical training*



- **Research**

*Advancing innovation and discovery
through academic and scientific
research*



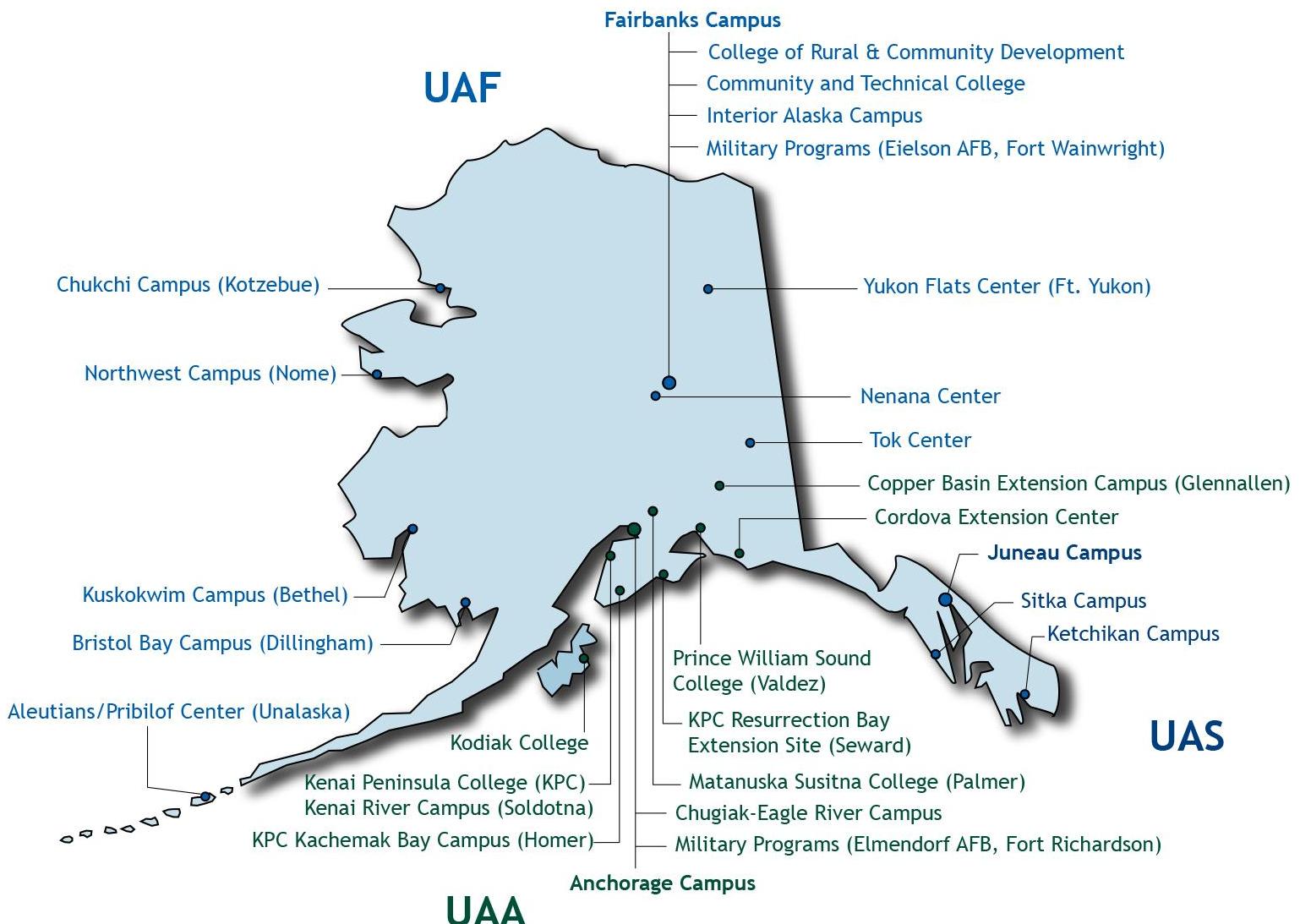
- **Service**

*Sharing knowledge to address
Alaska's community needs*



Serving All Alaskans

Three Universities - One Integrated System



Legal Authority

Alaska Constitution Article 7, § 2 State University

University of Alaska is hereby established as the state university and constituted a body corporate. It shall have title to all real and personal property now or hereafter set aside for or conveyed to it. Its property shall be administered and disposed of according to law.

Alaska Constitution Article 7, § 3 Board of Regents

The University of Alaska shall be governed by a board of regents. The regents shall be appointed by the governor, subject to confirmation by a majority of the members of the legislature in joint session. The board shall, in accordance with law, formulate policy and appoint the president of the university. He shall be the executive officer of the board.

Alaska Statutes Title 14 Chapter 40 (14.40.10 – 14.40.817)



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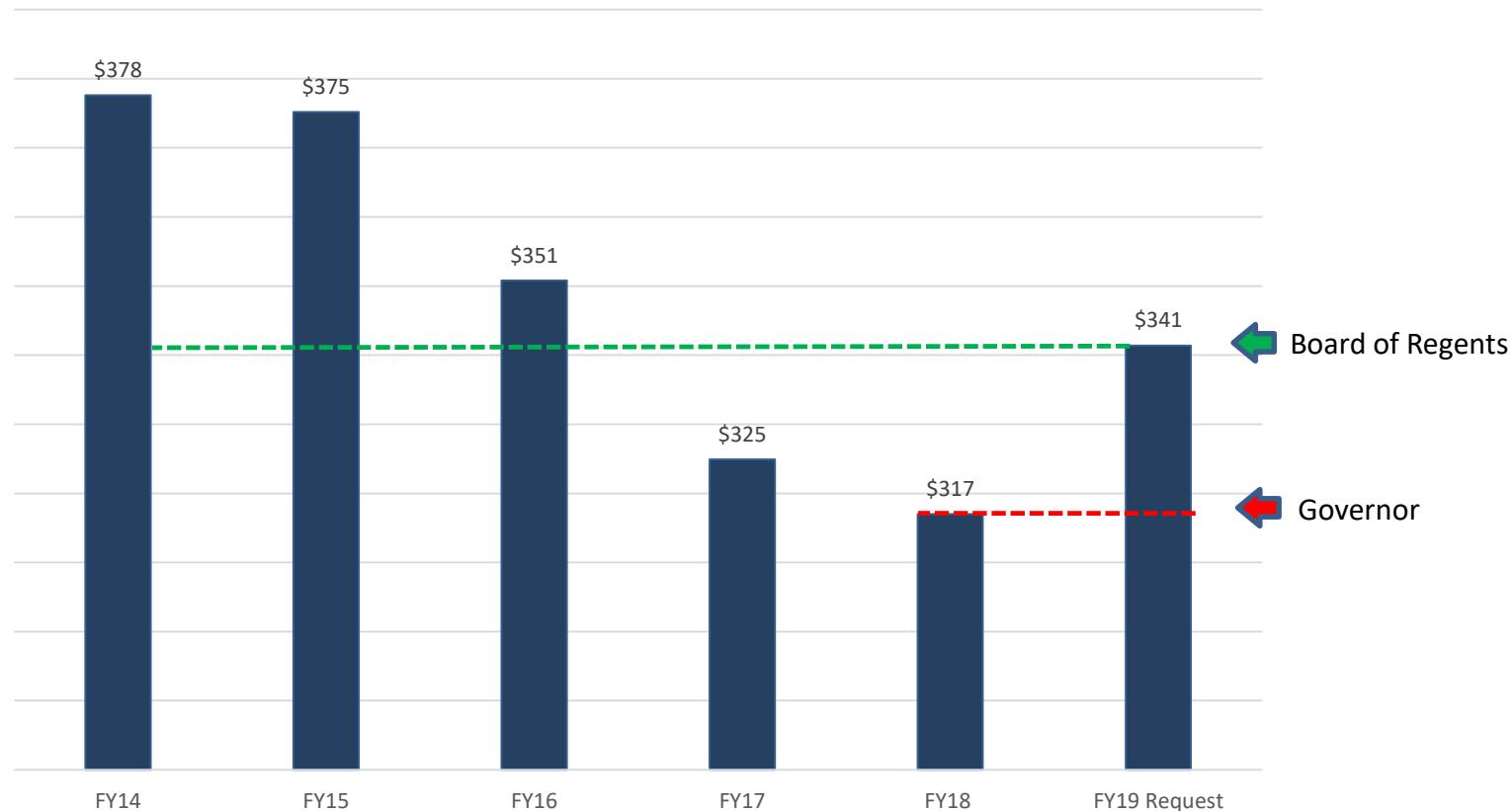
Program Areas

FY18 Budget	Employees	Alaskans Served	Costs Recovered	Mission Importance	Effectiveness
Education: academic instruction; career & technical training; student services; academic support; scholarships; athletics; and library.					
UGF: \$252 M DGF: \$255 M Other: \$61 M <u>Fed: \$61 M</u> Total: \$629 M	Full-time: 3,050 Part-time: 145	Delivered 543,228 credit hours (FY2017); Served 29,171 students (fall 2016); and Conveyed 4,594 degrees, certificates and endorsements (FY2017)	In FY2017, tuition and fees covered ~ 16% of total expenditures.	Increasing educational attainment, and high-demand skills; meeting Alaska's workforce demands, improving economic competitiveness	FY17: 2,936 degrees awarded in high demand occupations; 100+ programs fully available on-line; E-Learning increased 43% since FY13
Research: scientific and academic research; majority funded by federal and other external sources.					
UGF: \$36 M DGF: \$50 M Other: \$17 M <u>Fed: \$74 M</u> Total: \$177 M	Full-time: 731 Part-time: 32	Invention disclosures average 54 per year over 5-years; leads to commercialization of technologies for entrepreneurs and Alaskans	In FY2017, every invested state research dollar generated \$4-\$6 dollars from other sources.	Driving investment, innovation and discovery; solving real-world problems; supporting policy and decision making	Average number of invention disclosures has increased 82.4% from FY2013.
Service: activities, resources and unique capabilities made available to address Alaskan issues and community needs.					
UGF: \$29 M DGF: \$26 M Other: \$9 M <u>Fed: \$9 M</u> Total: \$73 M	Full-time: 278 Part-time: 14	Over 11,000 youth engaged in 4-H programs; Over 178,000 outreach publications distributed; Provided technical assistance to 928 businesses	Course fees Donations Partnerships Publication sales	Interpreting and extending Alaska relevant knowledge in an understandable and usable form.	Alaskan participation in UA outreach programs remains high, demonstrating the programs are meeting State needs.
Total University FY18 Operating Budget					
UGF: \$317 M DGF: \$331 M Other: \$87 M <u>Fed: \$144 M</u> Total: \$879 M					

State Operating Budget Trend

(UGF in millions of \$)

Unrestricted General Funds History



Workforce Reductions FY15-FY18

Headcount Fall 2014 (FY15) ⁽¹⁾

	SW	UAA	UAF	UAS	Total
Regular	239	1,795	2,127	349	4,510
Leadership ⁽²⁾	34	75	71	12	192
Faculty	0	629	649	114	1,392
Staff	205	1,091	1,407	223	2,926
Temporary	52	1,714	1,846	308	3,920
Adjunct Faculty	6	666	358	118	1,148
Staff	20	316	426	56	818
Student	26	732	1,062	134	1,954
Total Headcount	291	3,509	3,973	657	8,430

Headcount Fall 2017 (FY18) ⁽¹⁾

	SW	UAA	UAF	UAS	Total
Regular	163	1,605	1,818	303	3,889
Leadership ⁽²⁾	28	66	57	11	162
Faculty	0	569	544	106	1,219
Staff	135	970	1,217	186	2,508
Temporary	24	1,563	1,581	190	3,358
Adjunct Faculty	0	585	338	62	985
Staff	6	262	347	38	653
Student	18	716	896	90	1,720
Total Headcount	187	3,168	3,399	493	7,247

Change in Headcount (FY15-FY18)

	SW	UAA	UAF	UAS	Total
Regular	-76	-190	-309	-46	-621
Temporary	-28	-151	-265	-118	-562
Total Headcount	-104	-341	-574	-164	-1,183
% Change	-36%	-10%	-14%	-25%	-14%

1. Employees with active assignments as of Oct 1st 2014 and 2017.

2. Includes Academic Leaders (12 month regular faculty excls FR).

Headcount

- 1,183 fewer employees than three years ago.
- Largest reductions have occurred at Statewide Administration and in administrative and academic leadership positions on campus.
- Statewide headcount has been reduced by 36% compared to a 14% reduction for the entire UA system.

Funding

- UGF funding of the System Office (Statewide) has been reduced by \$11 million, or 37% compared to a 14% reduction for the entire UA system.



Program Reductions FY15-FY18

Over 50 academic programs suspended or eliminated

Academic/Job Training Programs Impacted:

Discontinued

- GC Clinical Social Work Practice (*UAA*)
- PhD Clinical-Community Psychology (*UAF*)
- BA & BBA Economics (*UAF*)
- AAS Apprenticeship Technology (*UAS*)
- Certificate Automotive Technology (*UAS*)
- Associate of Business (*UAS*)

Suspended

- MS Applied Environmental Science & Tech (*UAA*)
- MS Engineering Management (*UAA*)
- MS Science Management (*UAA*)
- AAS Computer Info and Office Systems (*UAA*)
- BA Philosophy (*UAF*)
- MS Resource Economics (*UAF*)
- BA & BS Sociology (*UAF*)

Strategic Pathways Implementations:

- Three schools of management consolidating to two.
- Leveraging purchasing to reduce cost. University procurement offices organized under a single procurement officer's leadership.
- Streamlining and automating administrative processes and systems.



Strategic Pathways

How do we optimize our statewide system to achieve our goals for higher education in Alaska?

OUR 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." (Regents' Policy 01.01.01)		
OBJECTIVE		Maximize value to Alaska through excellent, accessible, and cost effective higher education funded by diverse and growing revenue sources		
CORE PRINCIPLES		Focus, Access, Diversity, Excellence, Consistency, Fiscal Sustainability		
STRATEGY		Prepare, Restructure, Implement, Refine		
WHO WE ARE		UA ANCHORAGE Comprehensive metropolitan university in Alaska's economic hub, with primary focus on workforce development through its several regional community campuses	UA FAIRBANKS Research university renowned for leadership in Arctic and the North, with additional focus on workforce development and community and rural education	UA SOUTHEAST Comprehensive regional university focused on interdisciplinary & marine-oriented programs, teacher education, e-Learning, and workforce development
CAMPUS LEAD FOR THE STATE*	<i>Research</i>	Social and economic sciences, health policy	Arctic science and policy, physical, biological, and social sciences, engineering and applied energy	Interdisciplinary / environmental
	<i>Teaching</i>	<ul style="list-style-type: none"> Health professions Business and public policy Economics Logistics Project Management 	<ul style="list-style-type: none"> Physical, natural, and related sciences Arctic / Northern Studies Rural development / tribal management Doctoral education Mine training Fisheries and ocean sciences 	<ul style="list-style-type: none"> Marine-oriented programs (including joint programs with UAF) Teacher education (administration) Interdisciplinary degrees/ degree completion Emphasis on regional workforce priorities, e.g., mine training.
	<i>Outreach</i>	<ul style="list-style-type: none"> Aligned with Research and Teaching Focus 		
COURSES / PROGRAMS AVAILABLE ACROSS THE UNIVERSITY SYSTEM		<ul style="list-style-type: none"> Common General Education Requirements Liberal Arts and Humanities Social Sciences & Natural Sciences Nursing Engineering Distance Education / E-Learning Career and Technical Education 		

Rev: November 2017

* Research, teaching, and outreach at campuses other than the "lead" campus that are of high quality, cost effective, and core to mission, will continue to be provided.



Building a Culture of Education

<p>Alaska is a land of great wealth</p> <ul style="list-style-type: none">• natural resources• environment• global location• diverse, rich cultures• adventurous people• growing Alaska Native corporations and tribal organizations• opportunity to create a sustainable future for generations to come	<p>Our state faces very serious challenges</p> <ul style="list-style-type: none">• vast geography and a small population• low educational attainment• health disparities• critical workforce gaps• narrow economic base• high costs in such areas as health care, facilities, energy, and telecommunications• fiscal uncertainty at state level and recent, severe budget cuts to UA (cumulative \$145M, FY14-FY18)
<p>There is no single organization in Alaska better poised to solve Alaska's problems and pursue its opportunities than the University of Alaska</p> <ul style="list-style-type: none">• mission• assets• record of success• public support• partnerships• plan• commitment	<p>UA is a prime investment in the capabilities and the ideas to propel Alaska forward</p> <ul style="list-style-type: none">• top quality courses and programs in high demand fields, including extensive offerings in the social sciences, humanities, and the arts• high powered research into issues relevant to Alaska and the world• inspiring and transformational role in our students' lives• critical role of public and community service





Strategic Objectives

- Drive Economic Development
- Provide a Skilled Alaskan Workforce
- Grow UA's World Class Research
- Increase Degree Attainment
- Operate More Cost Effectively

Goals & Measures 2018-2025

	2017 (baseline)	2018	2019	2020	2021	2022	2023	2024	2025
1. Contribute to Alaska's economic development									
Increase STEM graduates	1,636	1,720	1,810	1,905	2,005	2,110	2,221	2,337	2,460
Increase # invention disclosures	17	19	21	23	25	27	29	31	34
2. Provide Alaska's skilled workforce									
Increase % of educators hired	30%	35%	40%	45%	50%	60%	70%	80%	90%
Double number of health program completions	874	912	1,002	1,100	1,209	1,328	1,459	1,602	1,760
3. Grow our world class research									
Lead the world in Arctic related research	1	1	1	1	1	1	1	1	1
Increase research expenditures	\$159m	\$167m	\$175m	\$184m	\$193m	\$203m	\$213m	\$224m	\$235m
4. Increase degree attainment									
Increase enrollment	29,171	*29,171	31,000	33,000	35,000	37,500	40,000	42,500	45,000
Increase completions	4,594	4,800	5,200	5,800	6,600	7,500	8,400	9,400	10,400
5. Operate more effectively									
Decrease total cost of education (indirect and direct) per completer	\$107.3	\$102.5	\$94.7	\$87.5	\$80.9	\$74.8	\$69.1	\$63.8	\$59.0
Increase annual completions per Full Time Equivalent (FTE)	23/100	24/100	25/100	27/100	28/100	30/100	31/100	33/100	35/100

*FY18 enrollment is 27,823



FY19 Operating Budget

(UGF Millions \$)

FY2018 Base Operating Budget	\$317
• Compensation	\$0.0
• Fixed Cost Increases	\$9.7
• Facilities Maintenance	\$3.7
• Utility Costs	\$3.1
• UAF Engineering Building Operating Costs	\$2.1
• Academic & Research Subscription Increases	\$0.9
• Strategic Investments by Objective	\$14.7
• Contribute to Alaska's Economic Development	\$1.6
• Provide a Skilled Alaskan Workforce	\$2.1
• Grow Our World Class Research	\$3.7
• Increase Educational & Degree Attainment	\$7.3
• Operate More Cost Effectively	\$0.0
FY2019 Board of Regents Budget Request	\$341



Budget Structural Changes

- K-12 Outreach and Mining and Petroleum Training Service (MAPTS) moved from Statewide to campuses; student facing functions belong at the campus level
- **University of Alaska Foundation** – secures and stewards philanthropic support – to separate allocation
 - \$3.9 Mill 25 PFT/1 PPT
- **Education Trust** – manages Alaska College Savings Program – to separate allocation
 - \$1.5 Mill 7 PFT

FY19 Fixed Cost Increases

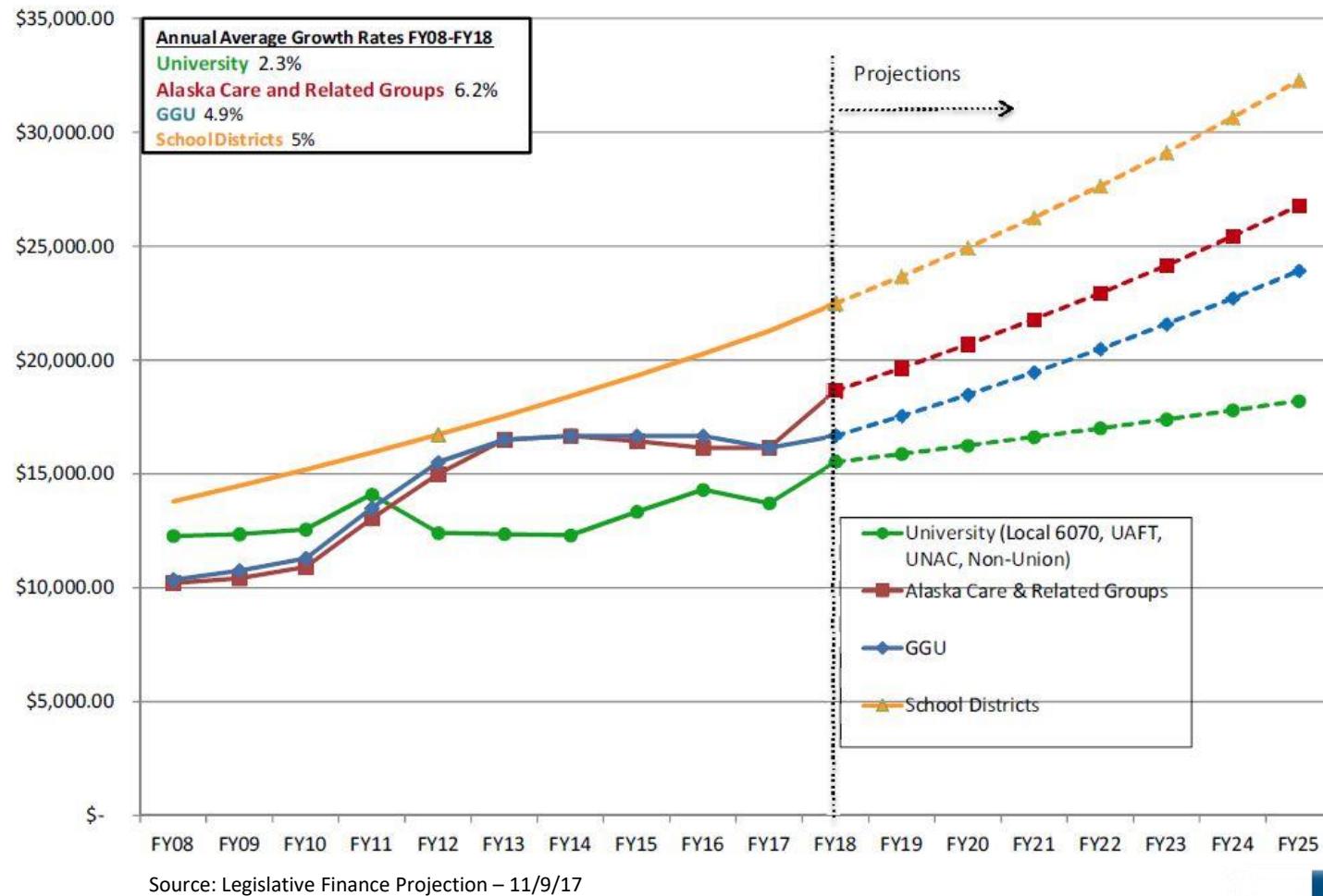
- \$3.7 Mill – Facilities Maintenance
 - Annual upkeep necessary to slow accumulation of deferred maintenance backlog; reduce risk of localized mission failure
- \$3.1 Mill – Utility Costs
 - Electricity, natural gas rate increases; coal transport and ash disposal
- \$2.1 Mill – UAF Engineering Building
 - Incremental operational costs necessary to bring the new engineering building online
- \$0.9 Mill – Electronic Library Resources
 - Licensing renewals, subscriptions for online scientific, academic, and other education and research data

Healthcare Management

- **University shares plan costs with employees**
 - UA covers 82% of “net plan costs”, employees cover 18%
 - FY17 UA had favorable experience on large claims (over \$100k) which are typically plan cost drivers
- **Healthy Roads – 3rd party Wellness Program Provider**
 - Outcomes and incentives based program
 - Biometric screenings; early detection; life-style challenges; nutrition and diet programs

Healthcare Management

Annual Health Insurance Employer Contribution Rates per Employee



Source: Legislative Finance Projection – 11/9/17



Healthcare Management

UA Historical Employer Healthcare Costs (All Funds)

Fiscal Year	2014	2015	2016	2017	2018 projection
UA net Healthcare Cost	\$ 58,844,516	\$ 61,792,507	\$ 63,461,498	\$ 56,681,512	\$ 62,113,300
Employer Health Contribution %	82%	82%	82%	82%	82%
Employer Health Contribution \$	\$ 48,252,503	\$ 50,669,856	\$ 52,038,429	\$ 46,478,840	\$ 50,932,906
UA Budget	\$ 914,222,000	\$ 924,863,000	\$ 915,593,000	\$ 899,796,000	\$ 879,118,000
Healthcare % of UA's Budget	5.3%	5.5%	5.7%	5.2%	5.8%
Avg number of covered employees	3,921	3,798	3,637	3,388	3,333
Avg. annual healthcare cost per employee	\$ 12,306	\$ 13,341	\$ 14,308	\$ 13,719	\$ 15,282
Avg. monthly healthcare cost per employee	\$ 1,026	\$ 1,112	\$ 1,192	\$ 1,143	\$ 1,274

January 2018 - University of Alaska Office of Strategy, Planning and Budget



Travel Management

- Travel costs reduced by 28% (\$6.3 mill) FY14-FY17
- New travel management system being implemented – live in early FY19
- **Concur**, a leading travel technology provider – selected through RFP process
- Major overhaul – streamlined regulations, process efficiencies, new booking tool, automated expense reporting, better user and administrator experience
- Working closely with State to implement similar programs, leverage negotiated discounts, and to implement Leg Audit travel recommendations
- Using Corporate Travel Management (CTM) booking tool, the same as the State of Alaska



Labor Contracts

Organization	Description	Contract Term	Number of Employees
Adjunct Faculty – APEA/AFT	Employed to teach one or more courses of up to 15 credit hours; less than 50% of a full-time appointment; no more than 19 hours per week of instructional activity.	Mar 01, 2017 – Feb 28, 2020	951
Fairbanks Firefighters Union Local 1324, IAFF, AFL-CIO	Full-time uniformed personnel employed at the UAF Fire Department	Oct 01, 2017 – Sep 30, 2020	10
Local 6070 – Alaska Higher Education Crafts and Trades Employees - APEA/AFT	Employees in maintenance, trades, crafts and custodial; excludes casual, student, supervisory and confidential personnel.	Jan 01, 2017 – Dec 31, 2018	221
United Academic – AAUP/AFT	Regular non-adjunct faculty and other academically related personnel and department heads, chairs.	Jan 01, 2017 – Dec 31, 2019	858
University of Alaska Federation of Teachers -UAFT	Faculty, Librarians and Counselors of a community college established by the Board of Regents.	Jan 01, 2015 – Dec 31, 2018	302
Non-Represented	Officers, Senior Administrators, non-represented faculty, regular and temporary staff, and student employees.	N/A	5,412

Other Legislative Priorities

- **Extend Education Tax Credit**

- Expires December 2018
- UA receives ~40% of contributions
- Represents ~ \$4-\$5 Mill in annual revenue to UA
- Simple concept – complicated statute

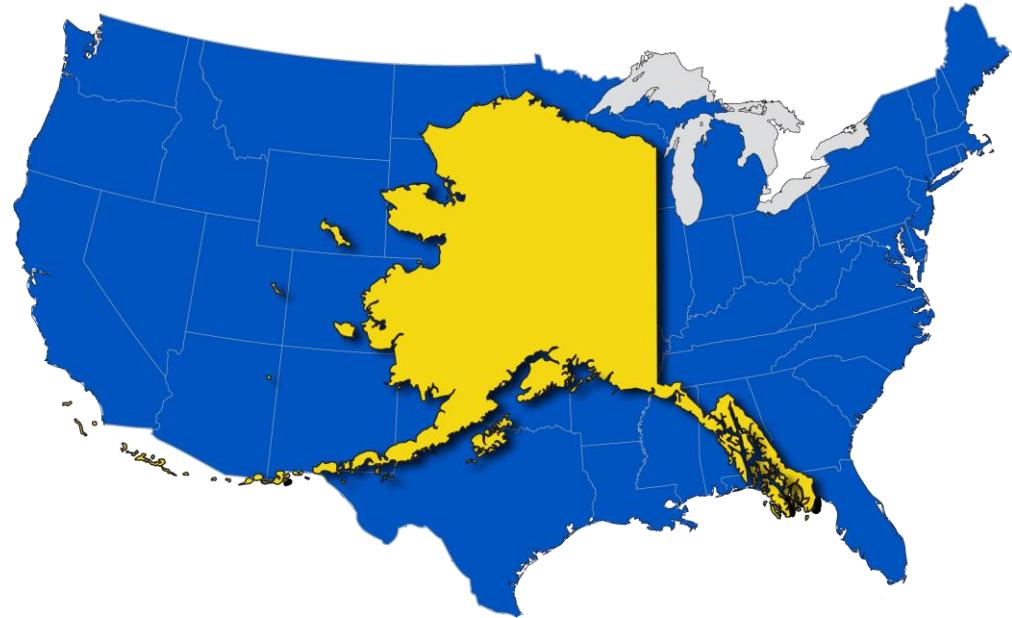
- **Protecting Higher Education Fund**

- ~ \$18 Million Annual Draw
 - ✓ Alaska Performance Scholarship (~\$12M)
 - ✓ Alaska Education Grant (~\$6M)
- Non-designated appropriations depleting fund



Land Grant Deficit

*Only
Delaware
received a
smaller
public land
grant than
Alaska*



- UA received approx. 110,000 acres
- UA land deficit is approx. 360,000 acres
- Working with Congressional Delegation and DNR on federal legislative solution





Deferred Maintenance

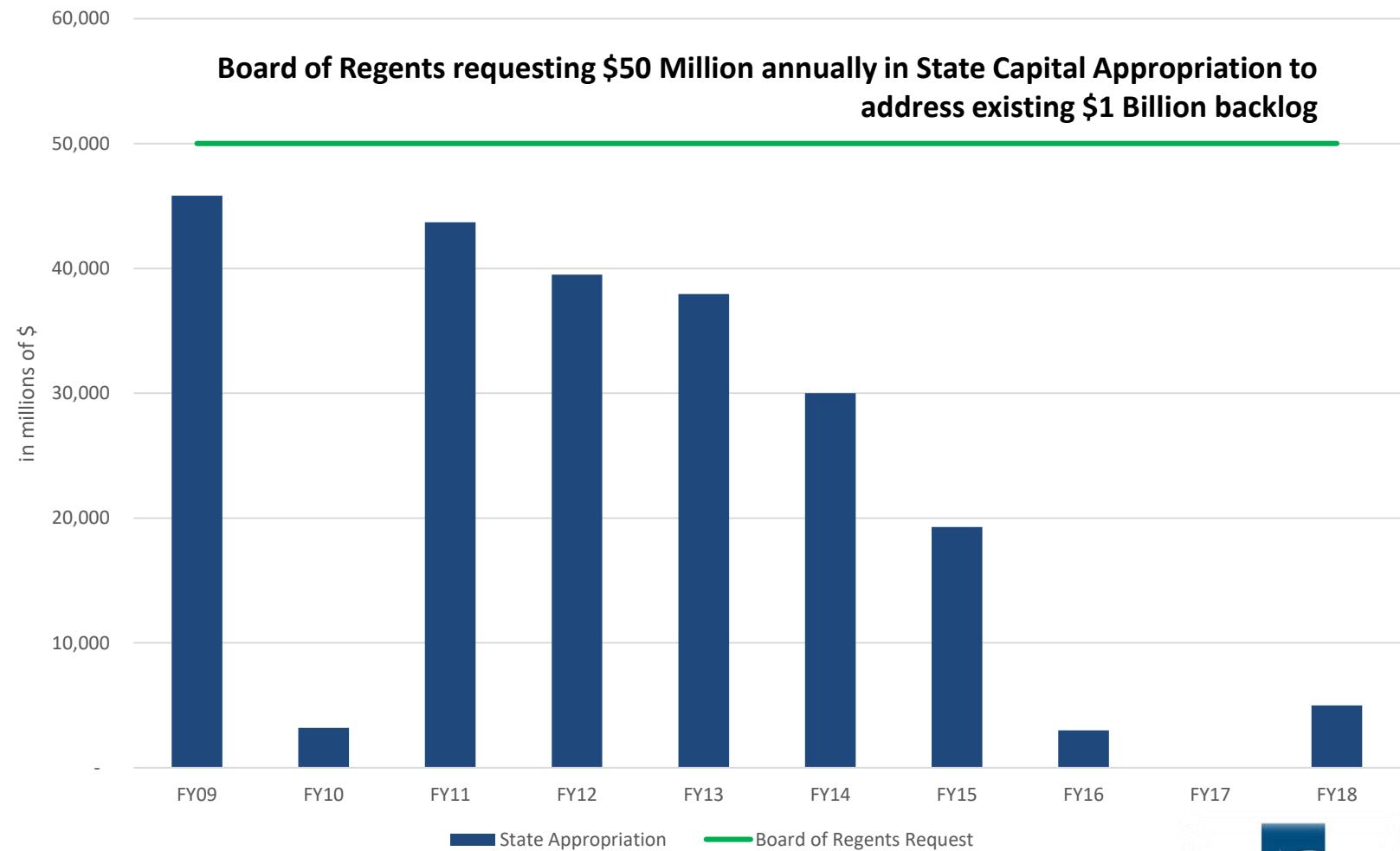


UA Facilities Profile

Number of facilities	426
Total gross square footage	8.1 million
Average age of facilities	33 year
Value (adjusted for inflation)	\$3.8 billion
Annual Maintenance Effort (all funds)	\$35-\$45 million
Annual Maintenance Target (all funds)	\$60 million
Deferred maintenance/renewal & repurposing backlog	\$1 billion
Deferred maintenance/renewal & repurposing backlog per sq ft	\$131/sf

- **University currently spends \$35-\$45 million annually to maintain its facilities**
- **The Board of Regents has set a long-term target of \$60 million for annual maintenance, the amount necessary to keep the deferred maintenance backlog from growing.**

State GF Received for DM



Facilities Funding

Operating Budget funds:

- Operations (utilities, custodial, insurance, etc.)
- Preventive maintenance
- Reactive maintenance (Repair)
- Small scale renewals, and repurposing

Capital Budget funds:

- Major capital investment
- Deferred maintenance and large scale renewals and repurposing



Facilities Stewardship

- **Maintenance** – preventive maintenance and repair to keep a facility in its current condition
- **Renewal** - scheduled replacement or restoration of components that have exceeded their service life
- **Repair** - restoration of facility components to operational conditions
- **Repurposing** – renovating space to meet current needs
- **Deferred** – facilities stewardship activities not performed when scheduled, thus delayed to a future period

Prioritization

Facilities Councils Focused on:

- Operating Cost Reductions
- Preventive Maintenance
- Reducing Deferred Maintenance, Renewal & Repurposing Backlog
- Reducing Off-Campus Leases
 - Net lease space reduced by 23% (166,700 gsf)
- Space Utilization Efficiencies
 - Owned facilities reduced by 148,000 gsf

Prioritization

- Facilities stewardship is prioritized by the following criteria:
 - Safety, regulatory and code requirements
 - Programmatic mission requirements
 - Energy and other operating cost savings opportunities
 - System or component reliability and remaining operational life
 - Appearance
- UA continues to explore ways to reduce facilities footprint and long-term operating costs



UAF Heat & Power Plant

- Replaces 54-year old Atkinson coal plant
- Project on track; testing likely in March
- Planned operational in November
- Cost \$248 Mill:
 - \$90.5 Mill state funding
 - \$87.5 Mill Municipal Bond Bank loan to UA
 - \$70.0 Mill UA revenue bonds
- \$7 Mill DM still remain on remaining facility and \$14 Mill in DM on heat/power distribution system



APPENDIX



Strategic Investment by Objective

	State	Non-State ⁽¹⁾	Total
1. Contribute to Alaska's economic development	\$1,620.0	\$1,650.0	\$3,270.0
A. Increase STEM graduates	\$1,000.0	\$1,650.0	\$2,650.0
B. Increase the number of invention disclosures	\$620.0		\$620.0
2. Provide Alaska's skilled workforce	\$2,130.0	\$1,650.0	\$3,780.0
A. Increase % of educators hired	\$1,230.0		\$1,230.0
B. Double number of health program completers	\$900.0	\$1,650.0	\$2,550.0
3. Grow our world class research	\$3,700.0	\$9,850.0	\$13,550.0
A. Continue leading the world in Arctic research	\$1,320.0	\$2,760.0	\$4,080.0
B. Increase research expenditures	\$2,380.0	\$7,090.0	\$9,470.0
4. Increase degree attainment	\$7,255.0	\$2,390.0	\$9,645.0
A. Increasing enrollment	\$5,610.0	\$2,090.0	\$7,700.0
B. Increasing completions	\$1,645.0	\$300.0	\$1,645.0
5. Operate more cost effectively	\$0.0	\$0.0	\$0.0
TOTAL	\$14,705.0	\$15,540.0	\$30,245.0

1. May include State pass-through funding (e.g. from state agencies through inter agency receipts).



Information Resources

University of Alaska Statewide Offices

<https://www.alaska.edu/about-ua/statewide-offices/>

Board of Regents Policy & Procedures

<https://www.alaska.edu/bor/policy-regulations/>

Strategic Pathways

<https://www.alaska.edu/pathways/>

President's Leadership Resources

<https://www.alaska.edu/pres/leadership/>

FY19 Operating & Capital Budget Request

<http://www.alaska.edu/files/swbudget/redbook/FY19-Redbook-Final-Web.pdf>

Institutional Research

<http://www.alaska.edu/swbir/ir/>

Change Your Life, Your Future, Your State

<https://www.alaska.edu/starthere/>