

*Legislative Fiscal Analyst's Overview of the Governor's FY2015 Request*

<b>University of Alaska</b>				
All Dollars in Thousands				
	(GF Only)	Change	% Change	See Note:
<b>FY14 Conference Committee (GF Only)</b>	<b>\$676,773.4</b>			
FY14 Fiscal Notes	-			
CarryForward	-			
Misc Adjustments	(1.2)			
Agency Transfers	-			
Vetoed	-			
<b>FY14 Management Plan (GF only)</b>	<b>\$676,772.2</b>	<b>(\$1.2)</b>	<b>0.0%</b>	
One-time Items Removed	(117.8)			5
Agency Transfers	-			
Temporary Increments (IncTs)	-			
FY15 Health Insurance & Working Reserve Reductions	-			
FY15 Contractual Salary Increases	5,940.2			9
<b>FY15 Adjusted Base Budget (GF only)</b>	<b>\$682,594.6</b>	<b>\$5,822.4</b>	<b>0.9%</b>	
Lang/Lang OTs/MiscAdj/Carryforward/MultiYears/Contingent	(0.8)			
FY15 Governor's GF Increments/Decrements/Fund Changes	(7,373.5)			
<b>FY15 Governor's Agency Request (GF only)</b>	<b>\$675,220.3</b>	<b>(\$7,374.3)</b>	<b>-1.1%</b>	
<b>FY15 Governor's Increments, Decrements, Fund Changes and Language</b>	<b>FY15 Adjusted Base Budget (GF Only)</b>	<b>FY15 Governor's Request (GF only)</b>	<b>Change from FY15 Adj Base to FY15 Governor's Request</b>	<b>See Note:</b>
<b>Allocation</b>			<b>(\$7,374.3)</b>	
Budget Reductions/Additions - Systemwide	(6,561.9)	(21,408.9)	(14,847.0)	3,7
Statewide Services	30,464.6	30,509.6	45.0	4
Anchorage Campus	224,384.1	228,040.7	3,656.6	1,4
Kenai Peninsula College	15,755.1	15,775.1	20.0	4
Kodiak College	4,478.0	4,488.1	10.1	4
Matanuska-Susitna College	10,645.0	11,266.0	621.0	1,4
Prince William Sound Community College	6,678.7	6,703.2	24.5	4
Bristol Bay Campus	2,550.0	2,556.4	6.4	4
Chukchi Campus	1,545.5	1,546.8	1.3	4
Fairbanks Campus	212,700.2	215,167.5	2,467.3	1,4
Interior-Aleutians Campus	3,778.4	3,780.2	1.8	4
Kuskokwim Campus	5,534.8	5,543.3	8.5	4
Northwest Campus	2,330.5	2,332.7	2.2	4
Juneau Campus	38,726.5	39,317.9	591.4	1,4,5
Ketchikan Campus	4,695.0	4,706.0	11.0	4
Sitka Campus	7,114.7	7,120.3	5.6	4
<b>Non-General Fund Agency Summary</b>	<b>FY15 Adjusted Base Budget</b>	<b>FY15 Governor's Request</b>	<b>Change from FY15 Adj Base to FY15 Governor's Request</b>	<b>See Note:</b>
Other State Funds (all allocations)	86,017.8	86,717.8	700.0	2,6
Federal Funds (all allocations)	150,852.7	150,852.7	-	
<b>Total Non-General Funds (all allocations)</b>	<b>\$236,870.5</b>	<b>\$237,570.5</b>	<b>\$700.0</b>	
<b>Position Changes (From FY14 Authorized to Gov)</b>	<b>4,949</b>	<b>4,949</b>	<b>0</b>	
PFT	4,727	4,727	-	
PPT	222	222	-	
Temp	-	-	-	
<b>Governor's Capital Request</b>	<b>State Funds (GF + Other)</b>	<b>Federal Funds</b>	<b>Total</b>	<b>See Note:</b>
Planning and Research	-	-	-	
Maintenance and Repairs	37,500.0	-	37,500.0	
Remodel, Reconstruction and Upgrades	20,000.0	-	20,000.0	
New Construction and Land Acquisition	20,000.0	-	20,000.0	
Equipment and Materials	-	-	-	
Information Systems and Technology	-	-	-	
Other	-	-	-	
<b>TOTAL CAPITAL</b>	<b>\$77,500.0</b>	<b>\$0.0</b>	<b>\$77,500.0</b>	

## **University of Alaska**

The major goals of the University are to inspire learning and to advance and disseminate knowledge through teaching, research, and public service (emphasizing the North and its diverse peoples). Core services (in priority order) are as follows:

- Student instruction;
- Research: Advancing knowledge, basic and applied; and
- Service: Sharing knowledge to address community needs.

### **BUDGET SUMMARY**

The FY15 University of Alaska (UA) general fund operating budget submitted by the Governor is \$7,374.3 below the FY15 Adjusted Base [(\$12,658.8) Unrestricted General Funds (UGF)/ \$5,284.5 Designated General Funds (DGF)]. Significant issues are highlighted in the notes below and correspond to the numbers in the last column on the preceding spreadsheet.

### **NEW PROGRAMS/PROGRAM EXPANSION**

1. **New Facilities— Estimated Operating Costs & Leases: \$5.9 million Total [\$2,150.0 UGF/ \$3,789.9 University Receipts (DGF)].** Additional operating and maintenance costs associated with the following facilities are included in the Governor's request:
  - **\$3,399.9 Total [\$1,610.0 UGF/ \$1,789.9 University Receipts (DGF)]: UAA AK Airlines Center (Sports Arena) Operating Costs.** This funding is needed for operating costs of this 196,000 gross square foot facility, which is scheduled to be operational in July 2014. In FY11, this project was funded as part of a state general obligation bond package;
  - **\$615.0 Total [\$540.0 UGF/ \$75.0 University Receipts (DGF)]: UAA Mat-Su Valley Center for Arts and Learning Operating Costs.** Startup, operating and maintenance costs connected with this 30,000 gross square foot facility are needed, including the recruitment and hiring of personnel to manage and operate the theatre/auditorium. The Center is scheduled to be operational in July 2014. In FY11, this project was also funded as part of the state general obligation bond package. Startup of operating and maintenance costs connected with this facility are needed, plus the recruitment and hiring of personnel to manage and operate the theatre/auditorium;
  - **\$425.0 University Receipts (DGF): UAS Freshmen Residence Hall Operating Costs – Juneau Campus.** This request will provide money to cover ongoing costs associated with the Fall 2014 opening of the new 35,000 gross square foot Juneau campus facility; and
  - **\$1,500.0 University Receipts (DGF): UAF Public Private Partnership Housing Development.** As part of the “Student Life: Transforming the UAF Experience” project, the University of Alaska Fairbanks proposes to provide new student housing units through a public private partnership (P3) arrangement. With construction beginning as early as August 2014, a 90-bed dormitory will be the beginning phase in this plan to increase the quality and quantity of available housing within the campus core. This increment will provide UAF the use of housing receipts to make lease payments.

- 2. New Mental Health Trust Authority Recommendations – Anchorage Campus: \$145.0 Mental Health Trust Authority Authorized Receipts (MHTAAR) (Other).** The Governor's FY15 request includes ten Anchorage Campus projects supported by the MH Trust Authority, seven of which are ongoing (shown in the budget as maintenance requests) plus three first-year increments. Trustees approve operating and capital budgets and provide annual recommendations to the Governor and the legislature. The FY15 first-year Mental Health increment requests are as follows:
- **Workforce Development Grant – Administrative Costs (FY15-FY17): \$35.0 MHTAAR.** These funds will be used through the Anchorage Office of Health Program Development to fund administrative costs such as implementing the Alaska Health Workforce Coalition contract and the Results Based Accountability project;
  - **Workforce Development Grant – Special Projects (FY15-FY17): \$35.0 MHTAAR.** These funds will be used through the Anchorage Office of Health Program Development to ensure that the work of the Alaska Health Workforce Coalition (AHCWC) continues; and
  - **Workforce Development Grant – Vacancy Study (IncOTD): \$75.0 MHTAAR.** The Trust Workforce Development Focus Area, in partnership with the University of Alaska, the Alaska Area Health Education Center, and the Department of Labor and Workforce Development, is investing in a health workforce vacancy study to determine the extent of openings within health-related occupations.

## **FUNDING REDUCTIONS AND MAINTENANCE OF SERVICES**

- 3. Budget Reductions/ Additions – Systemwide – Unspecified Reductions in Expenditure Level: (\$14.9 million) UGF.** In accordance with the Governor's desire to cut state spending, the University of Alaska's FY15 budget submission reflects an unspecified 4% Unrestricted General Fund *reduction*. If this level is maintained, the Board of Regents will allocate cuts and align budgets with projected available revenue to manage all University resources. UA's authorized position count was not reduced, but vacancies may ensue depending on the ability to reduce personal services.
- 4. University of Alaska Utility Cost Increases: \$1,415.0 University Receipts (DGF).** This request covers the projected FY15 utility and fuel cost increases, estimated at a 7.6% increase over FY14. The unrestricted general fund portion of the increase is expected to be offset through a utility fuel trigger mechanism [Section 20(e)(2)] in the Governor's bill, and, if necessary, a request for supplemental funding.
- 5. Continue Funding for the Director of the UAS Center for Mine Training/ Assistant Professor of Mining: \$117.8 Total [\$90.0 UGF/ \$27.8 University Receipts (DGF)].** The Director of the Center for Mine Training was created after receiving a \$300.0 donation from Hecla Greens Creek (HGC) in June 2011. This position is responsible for teaching courses to support the Hecla Greens Creek Mine Training Career Pathway. The Director works in cooperation with University of Alaska Mining and Petroleum Training Service (MAPTS) to provide free Mine Safety and Health Administration (MSHA) training and entry-level miner training that leads to jobs in local mines. This position was added by the legislature as a one-time increment in FY14. The Governor has requested base funding for this program in the FY15 budget.

6. **Ongoing Mental Health Trust Authority Recommendations – Anchorage Campus: \$1.72 million Mental Health Trust Authority Authorized Receipts (MHTAAR) (Other).** The Governor's FY15 request includes seven ongoing increments supported by the MH Trust Authority. The list of Trustee-approved operating items to maintain current mental health services is as follows:
- **Workforce Development Grant – Trust Training Cooperatives & Alaska Rural Behavioral Health Training Academy – IncT (FY14-FY17): \$955.0 MHTAAR;**
  - **Substance Abuse – Center for Alcohol Policy Partnership – IncT (FY14-FY15): \$30.0 MHTAAR;**
  - **Workforce Development Grant – Workforce Development Coordinator – IncT (FY14-FY17): \$180.0 MHTAAR (a shared workforce development position wholly funded by the Trust to act as the single point of contact for the University and the Trust on all health workforce projects and activities);**
  - **Beneficiary Projects Grant – Partners in Policymaking: \$200.0 MHTAAR;**
  - **Workforce Development Grant – Specialized Skills and Services Training on Serving Cognitively Impaired Offenders: \$65.0 MHTAAR;**
  - **Workforce Development Grant – Interpersonal Violence Prevention for Beneficiaries: \$80.0 MHTAAR; and**
  - **Workforce Development Grant – Technical Assistance & Implementation of Disability Abuse Response Teams (D.A.R.T.) in Targeted Communities: \$210.0 MHTAAR.**
7. **Technical Vocational Education Program (TVEP) Receipts Funding: \$51.8 TVEP Receipts (DGF).** According to Chapter 47, SLA 2008 (HB 2), 50% of TVEP funding is allocated to the University. For FY15, the University expects to receive a total of \$5,431.8 (of the estimated \$10.9 million of total TVEP receipts)—an increase of \$51.8 over FY14. University funding is statutorily allocated to UA Systemwide Programs – 45% – and to the University of Alaska Southeast – 5%. TVEP funding has been instrumental in the University's ability to meet Alaska's workforce training and educational needs and continues to be the key source of funds for that purpose.
- Legislative Fiscal Analyst Comment:** The Governor's FY15 budget maintains a single appropriation structure, and this entire increase is reflected in the Budget Reductions/Additions – Systemwide allocation. Individual University campuses submit requests for TVEP funds to the University's Associate Vice President for Workforce Development. A review process occurs to determine which projects/campuses will receive TVEP funding in each fiscal year.

## **OTHER ISSUES**

8. **Legislative Intent – Establishing a Ratio for General Fund Support for the University of Alaska.** The FY14 operating budget conference committee continued to discuss methodologies for stabilizing/reducing the state's UGF share of the University's operating budget. In the budget adopted by the conference committee, the following language was added: "It is the intent of the legislature that the University of Alaska submits a FY15 budget in which requests for unrestricted general fund increments do not exceed the amount of additional University Receipts requested for that year. It is the intent of the legislature that future budget requests of the University of Alaska for unrestricted general funds move toward a long-term goal of 125 percent of actual University Receipts for the most recently closed fiscal year."



**Legislative Fiscal Analyst Comment:** Discussion of these ratios is proving helpful for long-term planning on the part of the University and the legislature. The Governor's proposed budget from FY14 to FY15 includes a *reduction of \$7.4 million in general funds* [(\$12,658.8) UGF and \$5,284.5 DGF (primarily University Receipts including tuition)], which complies with legislative intent.

9. **Contractual Salary and Health Increases.** The budget includes a total of \$5,940.2 in previously negotiated salary and benefit increases. These salary adjustments are funded by an even split of UGF and University Receipts (DGF). As of the Governor's December budget submission, the FY15 increases include the University of Alaska Federation of Teachers (UAFT), University of Alaska Fire Fighters Union (FFU), and Non-Unionized UA staff. Still under negotiation are contracts for Local 6070 (Alaska Higher Education Crafts & Trade Employees), United Academics Faculty (UNAC), and University of Alaska Adjuncts (UNAD).

**Legislative Fiscal Analyst Comment:** The contract for Local 6070 (Alaska Higher Education Crafts & Trade Employees) expired on December 31, 2012; and the UNAC and UNAD contracts expired on December 31, 2013. No requests for funding new agreements will be included in the budget until collective bargaining agreements have been negotiated, ratified and approved by the UA Board of Regents.

## **BOARD OF REGENTS' REQUEST**

The Governor's budget is less than the Board of Regents' request by \$23.4 million (\$21.4 million of which is UGF). In past years, narratives discussed differences between the Regents' request and the Governor's request. In response to legislative direction that the Governor's request will serve as the starting point of budget deliberations, the Regents' request is not discussed here.

## **ORGANIZATIONAL CHANGES**

The Governor's FY15 budget maintains the FY14 single appropriation budget structure. For years the University operated with a single appropriation (which maximizes flexibility). The legislature created seven appropriations in FY09 in order to allow more legislative oversight and control, and the multiple appropriations were supported through FY13. In FY14, the legislature agreed to a single appropriation to allow for continuous budget adjustments and the management of University budget resources.

## **CAPITAL REQUEST**

There are four project requests totaling \$77.5 million in the University's FY15 capital budget:

- **UAA Engineering Building: \$10.0 million Total [\$5.0 million UGF/ \$5.0 million University Receipts (DGF)].** UAA engineering is experiencing dramatic growth in its enrollments with a near doubling of the entire program in the past five years. Current enrollment is over 1,000 students. The existing engineering building was built in the early 1980s and is undersized for UAA's program to meet industry demand. This project includes the construction of a new Engineering and Industry laboratory/classroom building (approximately 81,500 gross square feet); the renovation and repurposing of the existing three-story School of Engineering building; and a new multi-story parking facility with approximately 500 spaces required by the Municipality of Anchorage to accommodate the parking demand, as well as replace the existing parking displaced by the new building. The total project cost is \$123.2 million, of which \$77.6 million has been received to date.
- **UAF Engineering Building: \$10.0 million Total [\$5.0 million UGF/ \$5.0 million University Receipts (DGF)].** As part of the University of Alaska Statewide Engineering Expansion

Initiative, the University of Alaska Fairbanks (UAF) has seen a 100% increase in student enrollment and graduation of baccalaureate trained engineers, and has started construction on the UAF Engineering Facility at the Fairbanks campus. This new facility will allow for better integration of UAF's engineering research and graduate programs, and addresses critical classroom needs as well. The total project cost is \$108.6 million, of which \$65.3 million UGF has been received to date.

- **University Receipt Authority for Capital Projects: \$20.0 million University Receipts (DGF).** This capital request is an estimate of the University Receipt authority needed for expenditure on FY15-FY16 projects at the main and community campuses. This authority provides the University the flexibility needed to respond to opportunities that arise during the year.
- **Deferred Maintenance, Renewal and Repurposing: \$37.5 million UGF.** The University owns and maintains over 400 buildings, totaling 6.7 million square feet, with an adjusted value of almost \$3 billion. The current deferred maintenance, renewal and repurposing backlog exceeds \$1.2 billion. This is the fifth year of the Governor's \$100 million per year commitment to address the state's deferred maintenance backlog. This portion has been assigned to UA in the past based on the square footage of the state's facilities, excluding roads.