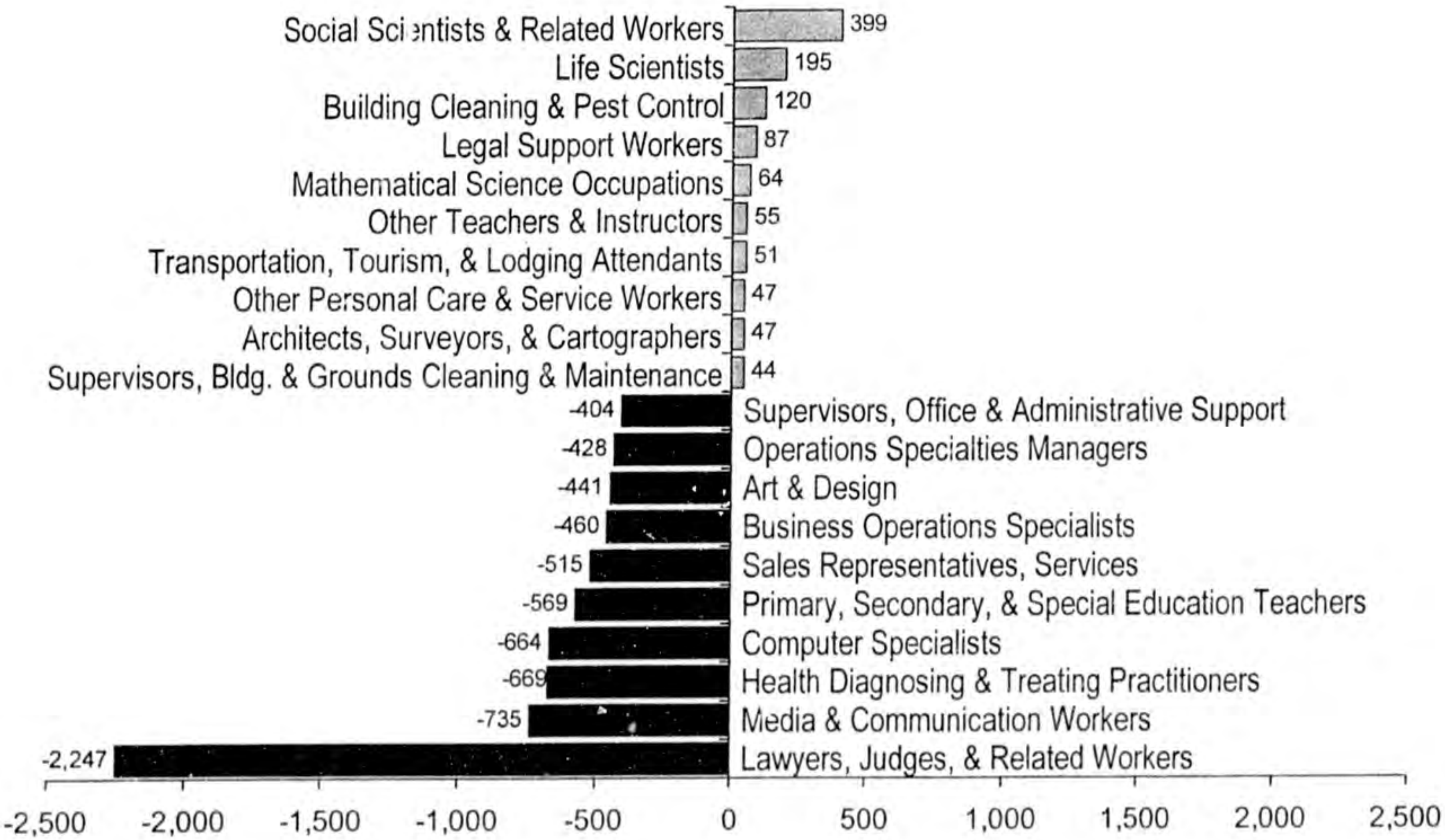
ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

3067 SCOMM 141: SENATE SPEC.COMM.ON UNIVERSITY OVERSIGHT 2005-2006

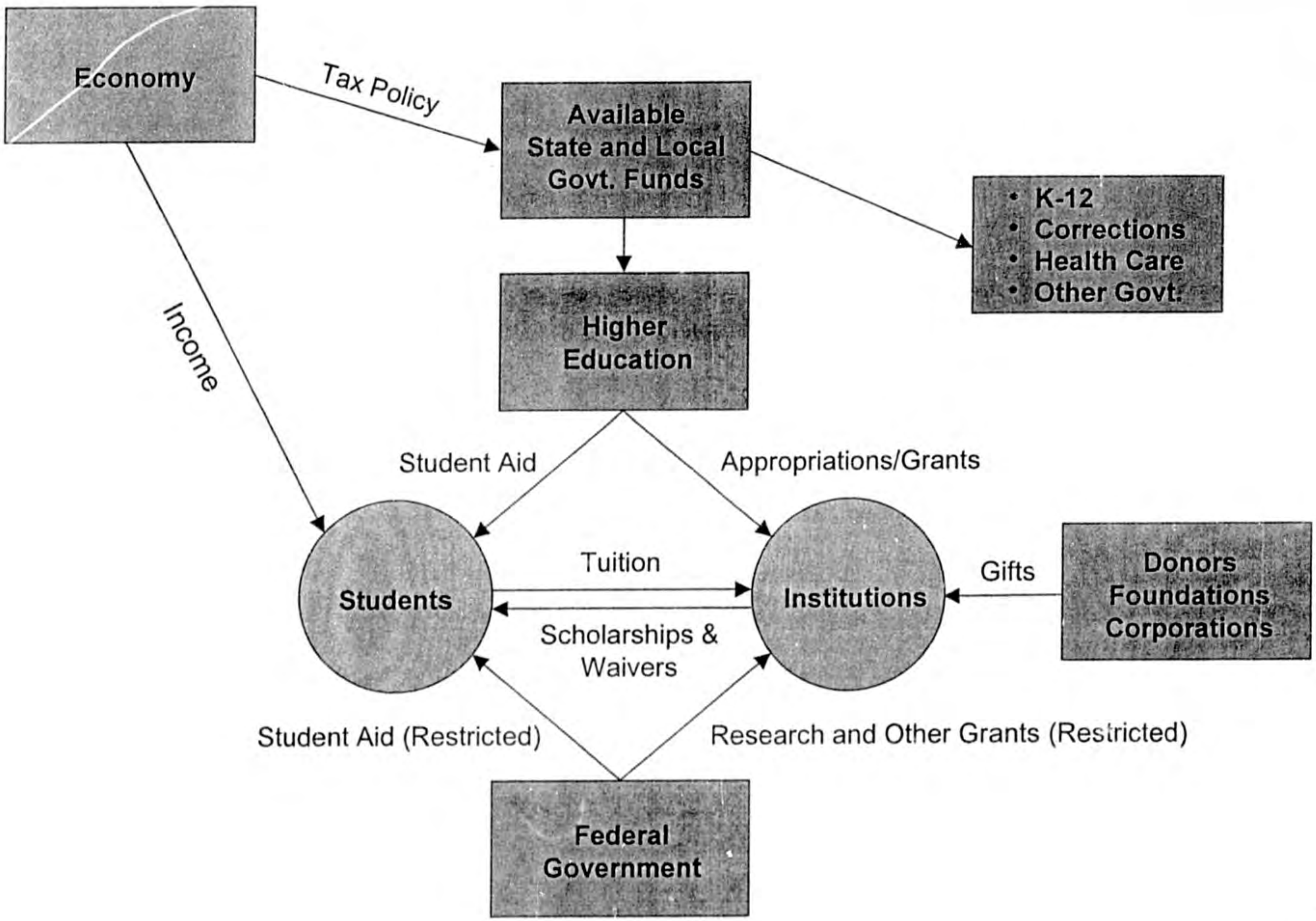
Alaska Occupations with High Net Imports and Exports, 1995-2000—Residents Age 30-64 with College Degrees



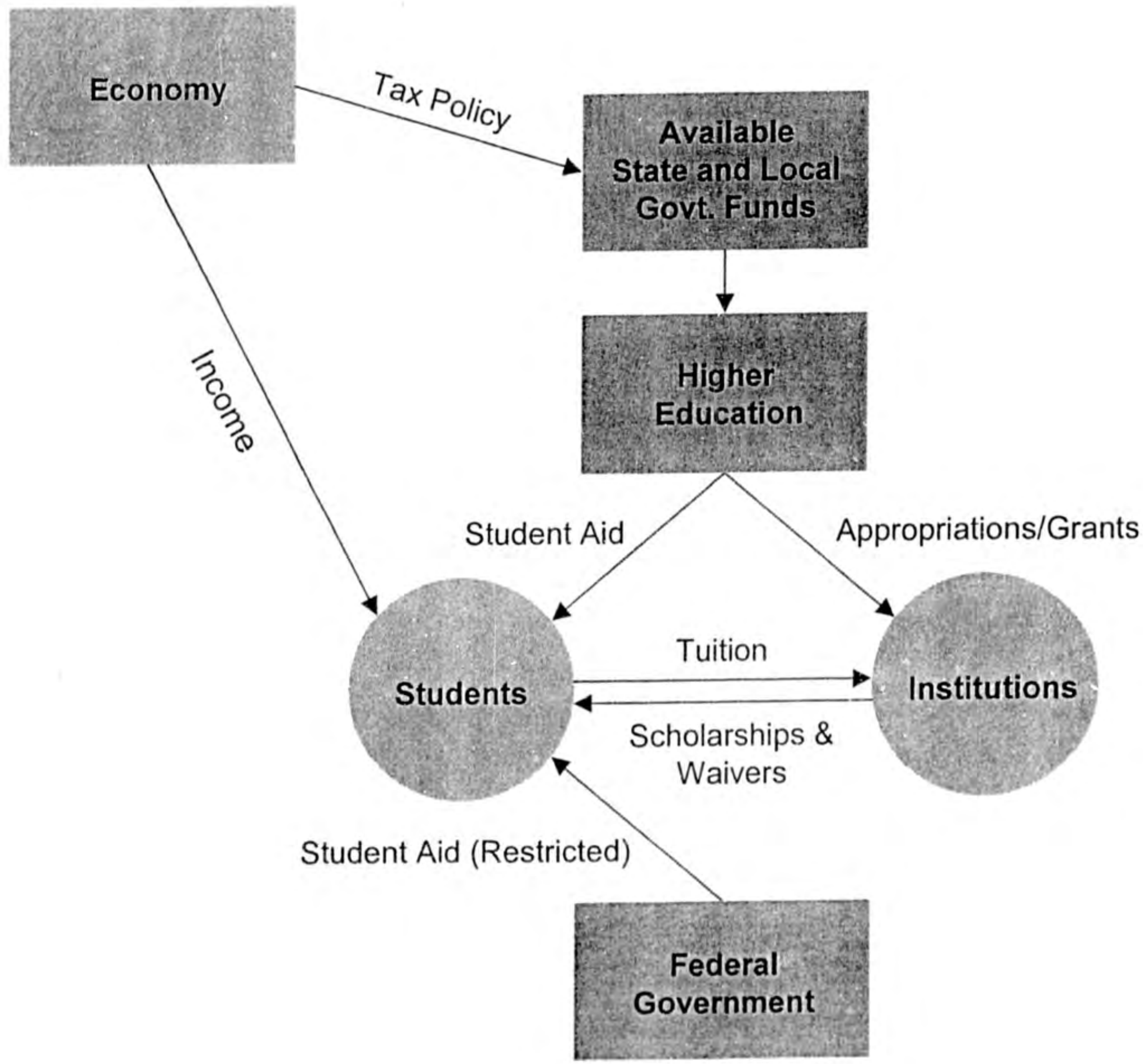
Source: U.S. Census Bureau, 2000 Census; 5% Public Use Microdata Sample (PUMS) Files

Linking Funding to State Priorities

The Flow of Funds



The Flow of Funds



Basic Questions at State Level

- How Much to Allocate
- To Which Recipients—Students or Institutions
- Using Which Mechanisms

Alignment of Policies

Regarding:

- Appropriations to Institutions
- Tuition and Fees
- State Student Financial Aid
- Institutional Student Financial Aid
- Use of Funds from Other Funders

Alignment Is Difficult

Because Decisions About Different Components Are Made:

- By Different Decisionmakers
- On Different Schedules
- With Different Objectives

...or Inattention to Objectives

Criteria for Effective Policy

- Reinforce State Priorities
- Maintain Necessary Institutional Capacity
- Contributions Required Are Affordable—State and Students
- Viewed as Being Fair
- Transparent
- Contain Incentives for Institutional Responsiveness and Entrepreneurship

Criteria from Perspective of Different Stakeholders

State

- Maintains Institutional Capacity
- Promotes Achievement of Priority Outcomes
- Affordable

Students

- Affordability
- Value

Institutions

- Adequacy
- Equity
- Stability

The Two Purposes of State Funding Policy

- Build Core Capacity—General Purpose Funding
- Promote Capacity Utilization Around State Priorities—Special Purpose Funding

Finance Policy—The Options

	Institution Focused	Student Focused
Core Capacity	■ Base-Plus ■ Formulas ■ Investment Funds	Tuition and Aid Policy Focused on Revenue Generation
Capacity Utilization/ Public Agenda	Performance Funding	Tuition and Aid Policy Focused on Attainment of Specified Outcomes ■ Need-Based ■ Merit-Based

Funding to Institutions—Core Capacity

- Base-Plus
- Formulas
- Investment Funds

Funding to Students—Core Capacity—Revenue Generation

- Base Institutional Tuition
- Mandatory Fees
- Out-of-State Tuition
- Differential Tuition
- Scholarships and Fellowships

Funding Institutions—Capacity Utilization

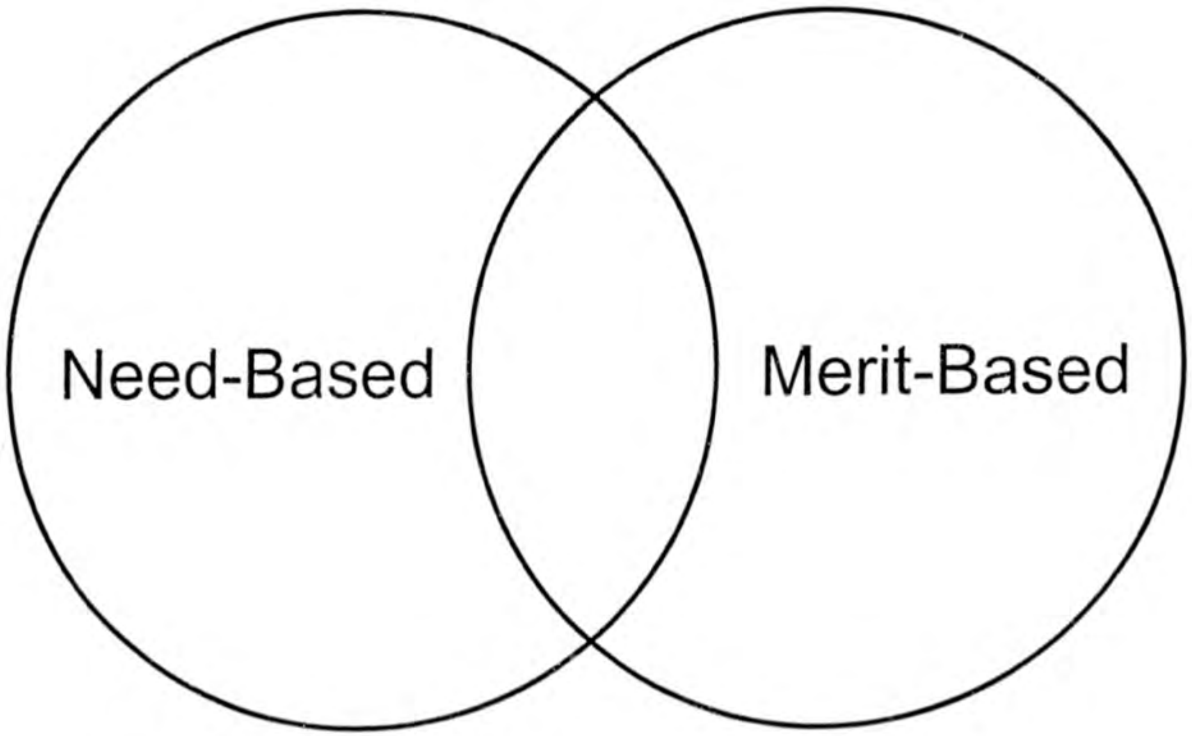
- Performance Funding

Funding Students—Capacity Utilization

- Need-Based Aid

- Merit-Based Aid

Relationships Between "Need-Based" and "Merit-Based" Aid



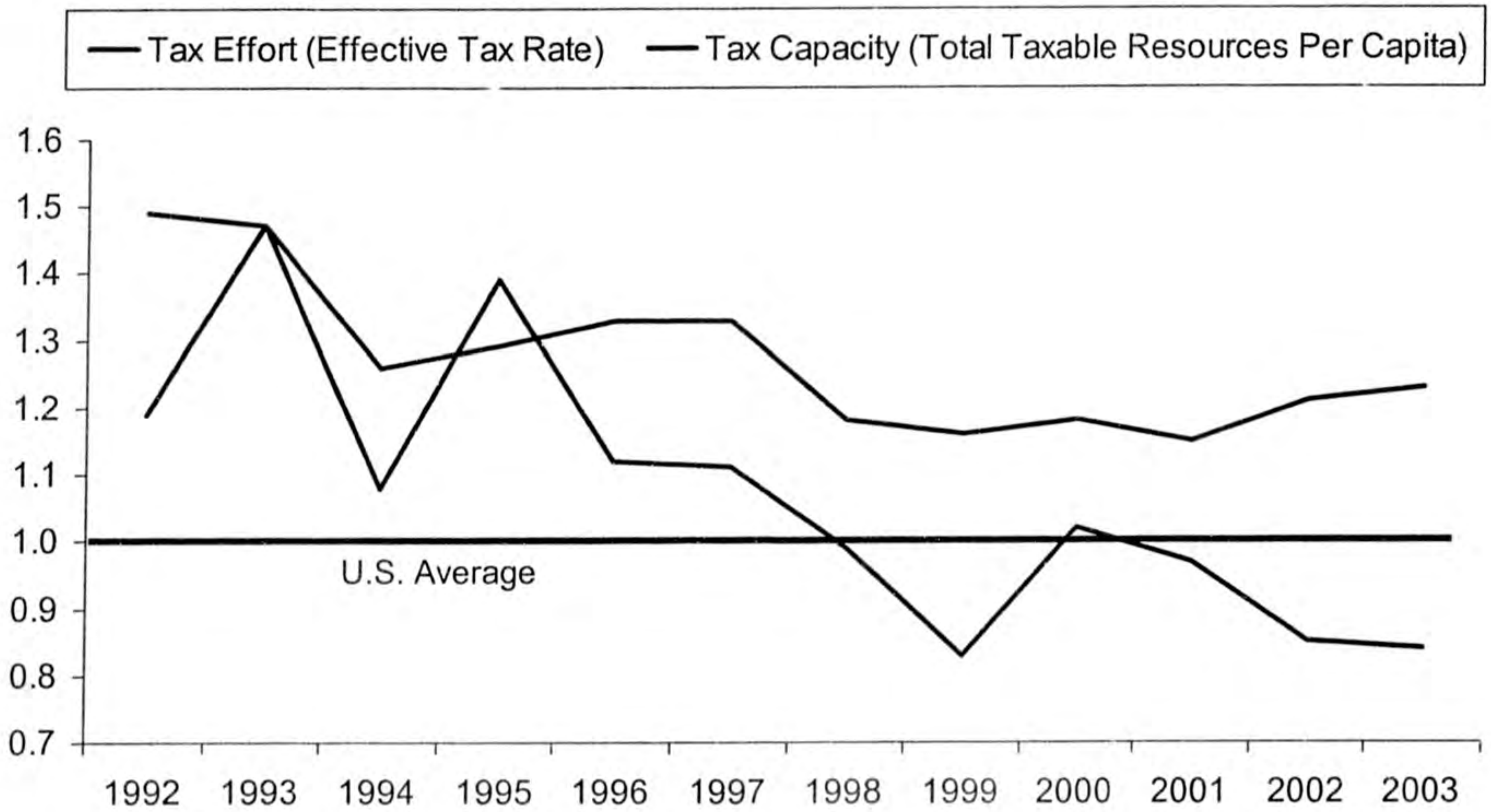
Conclusions

Cost-Effective Policy Requires:

- Clear Understanding of Priorities
- Creation/Maintenance of Necessary Capacity
- Alignment of Policies Concerning:
  - Institutional Support
  - Tuition and Fees
  - State Student Financial Aid
  - Institutional Student Financial Aid

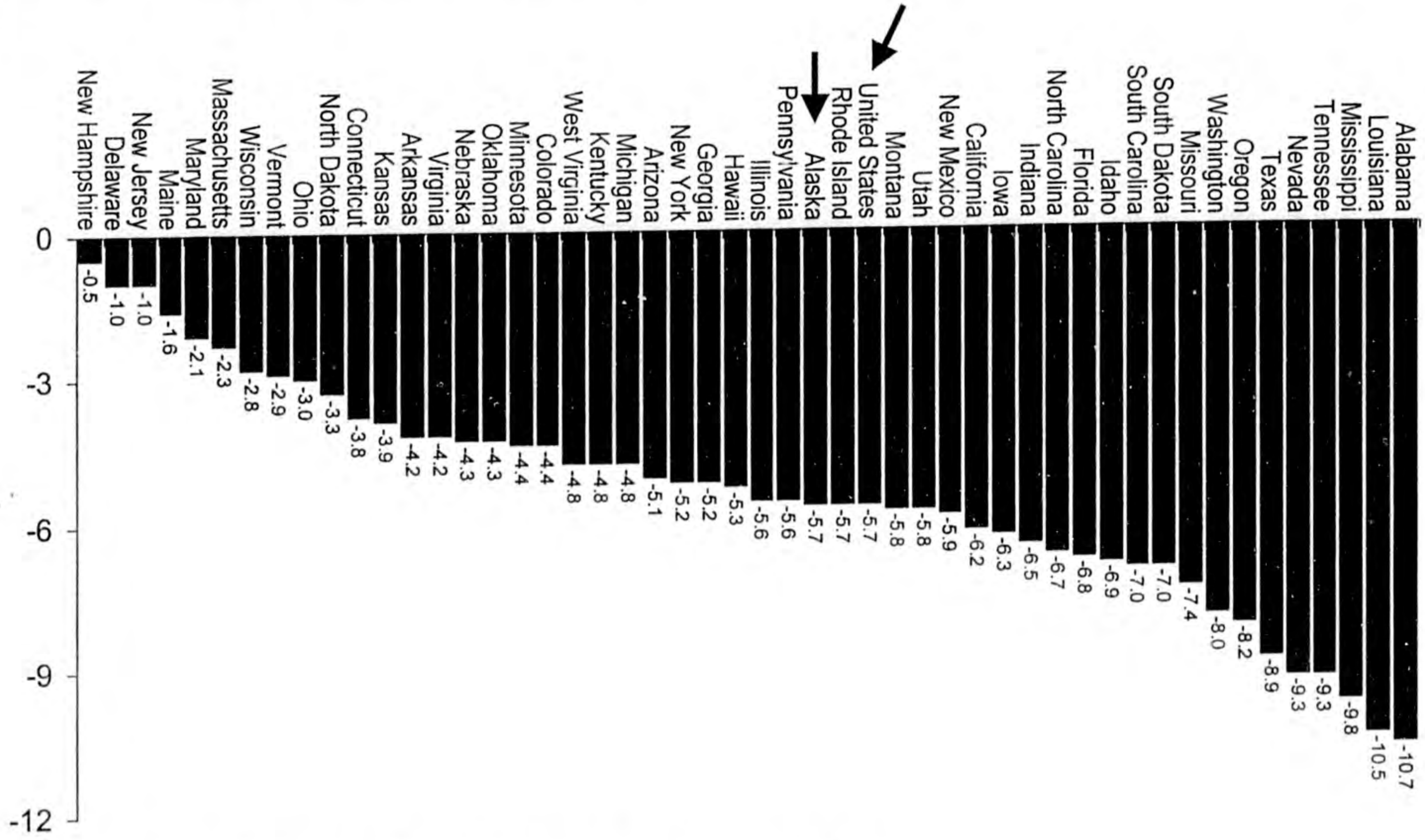
The Financial Environment for Higher Education

State Tax Capacity and Effort—Alaska Indexed to U.S. Average



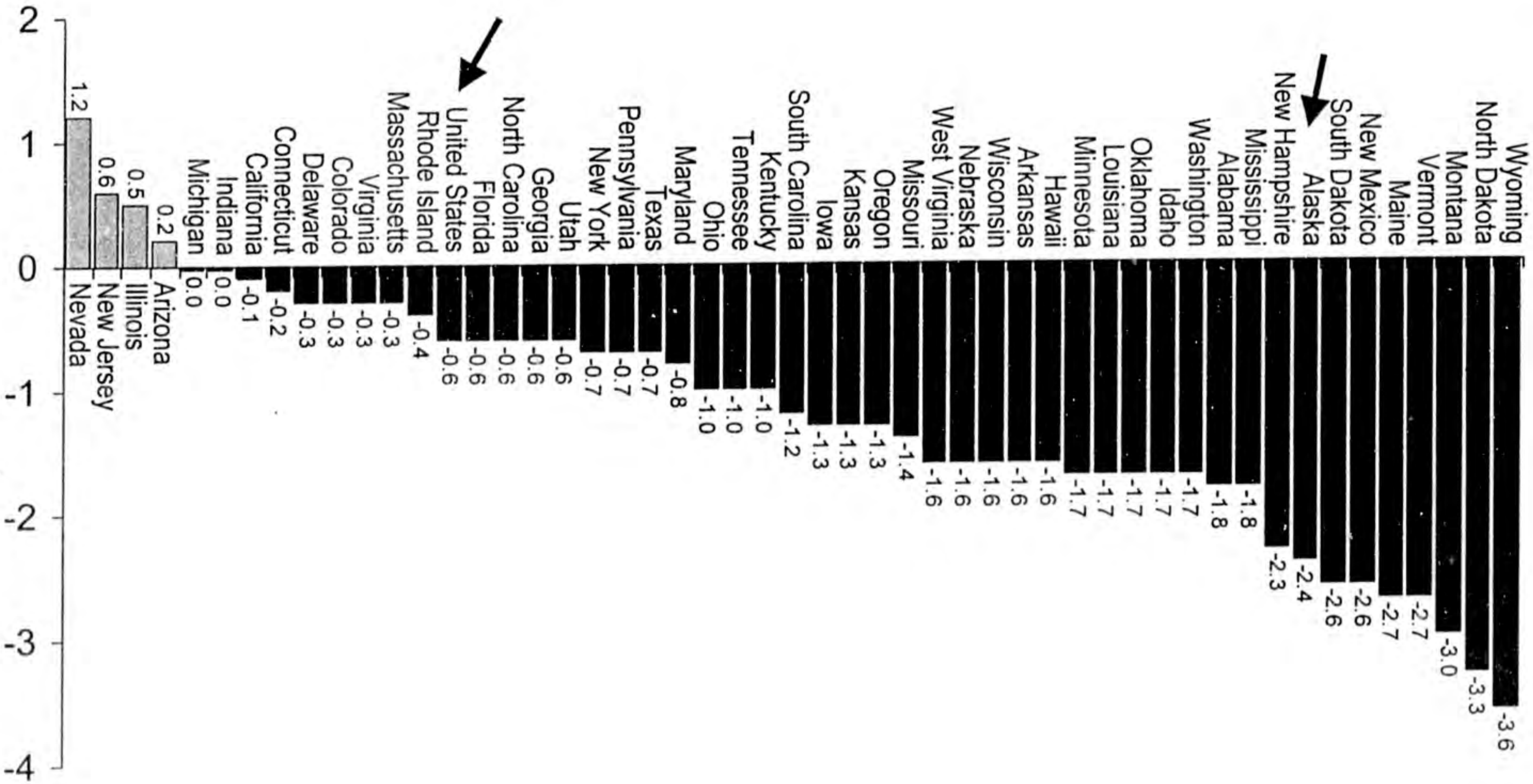
Source: State Higher Education Executive Officers (SHEEO)

Projected State and Local Budget Surplus (Gap) as a Percent of Revenues, 2013



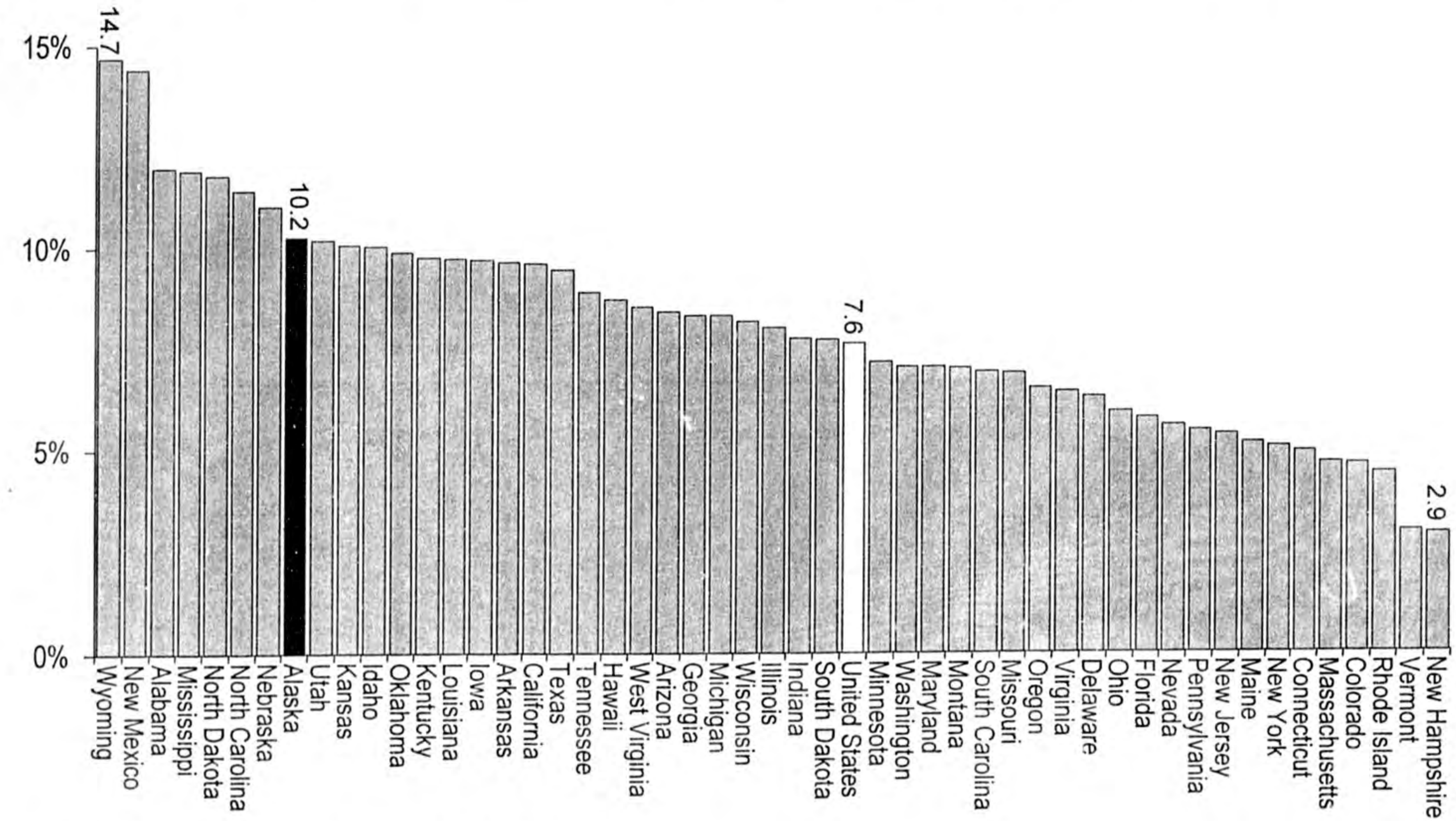
Source: NCHEMS; Don Boyd (Rockefeller Institute of Government), 2005

Projected Ratio of Spending for Higher Education to Spending for All Other Programs, 2013



Source: NCHEMS; Don Boyd (Rockefeller Institute of Government), 2005

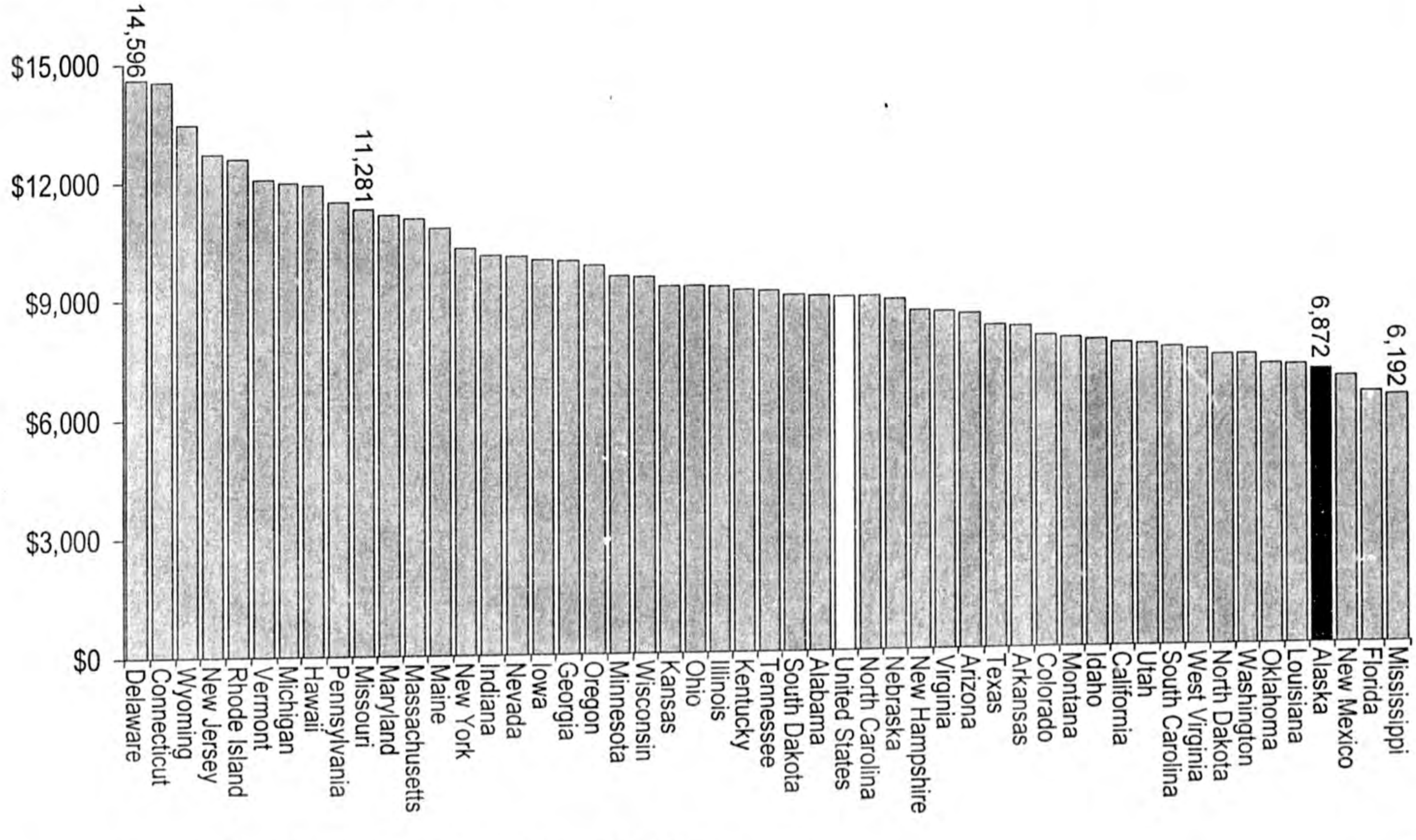
State Higher Education Priority—Higher Education Appropriations as a Percent of Tax Revenues, 2002-03



*Includes Appropriations to Independent Institutions

Source: State Higher Education Executive Officers (SHEEO)

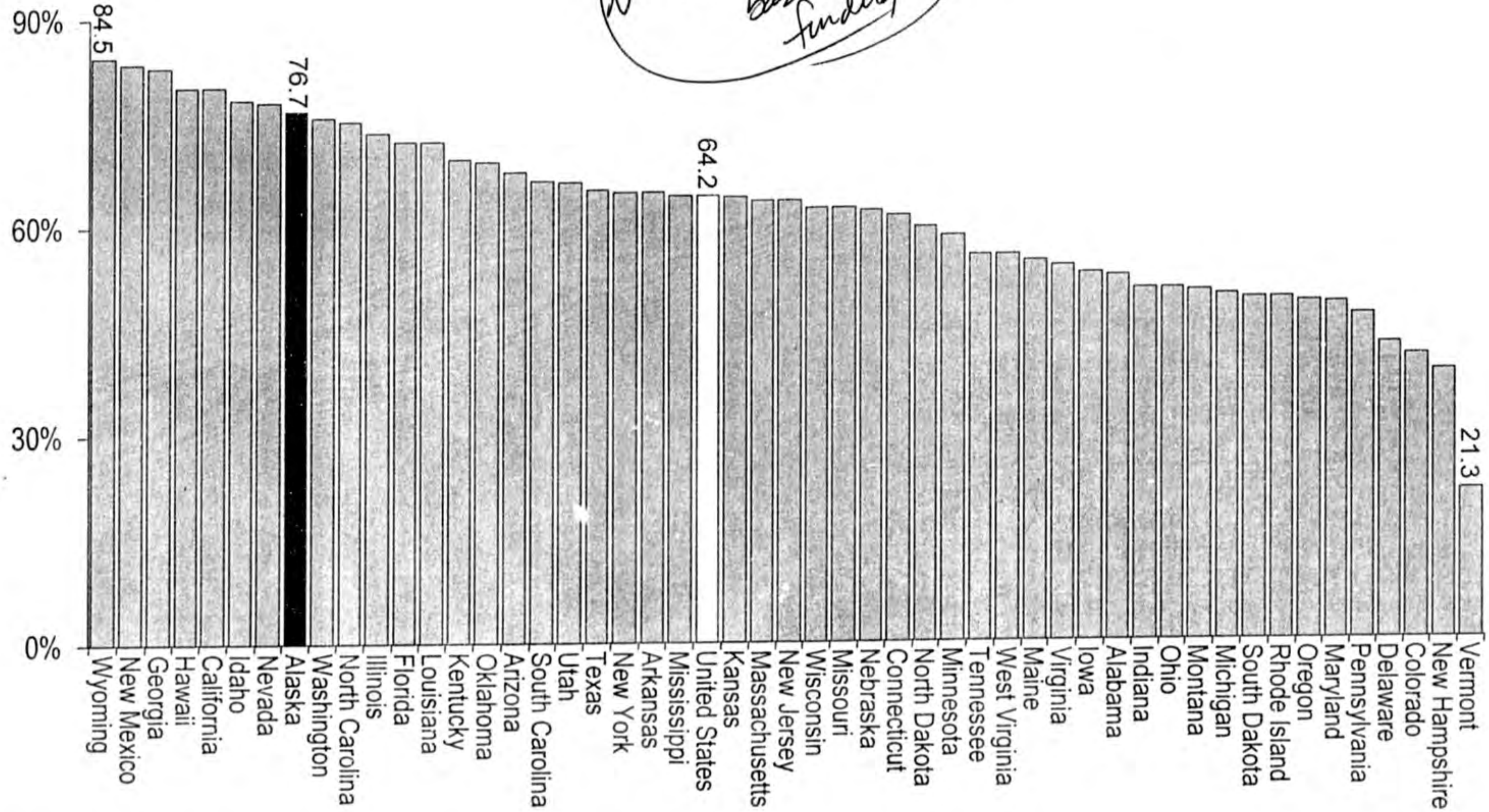
Total Educational Revenues (State and Local and Tuition) Per FTE Student, 2003-04



Source: State Higher Education Executive Officers (SHEEO)

Share of Institutional Funding for Higher Education Provided Through State Appropriations (Public Institutions), 2003-04

No need-based funding



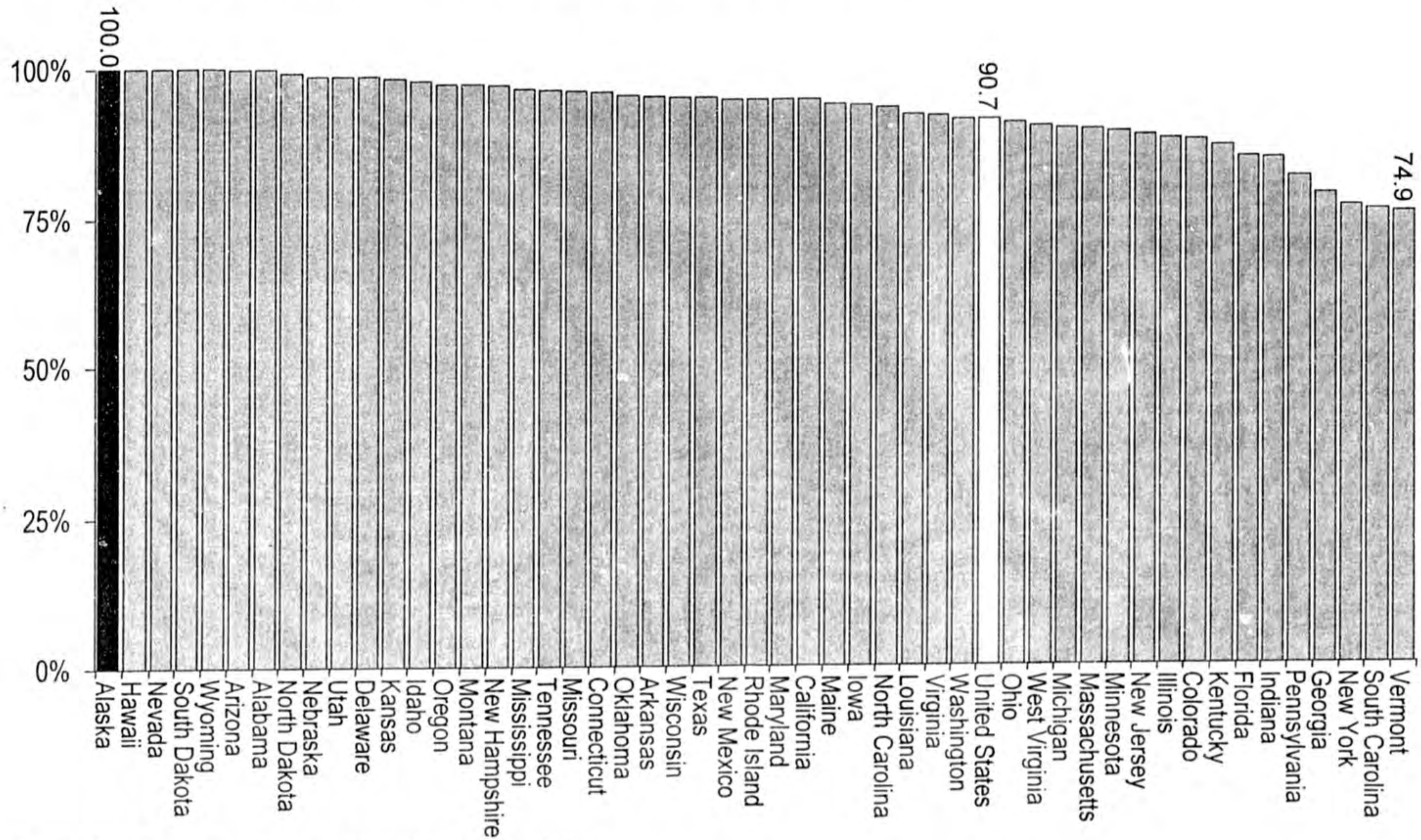
Source: State Higher Education Executive Officers (SHEEO)

MEASURING UP
2004
THE STATE REPORT CARD ON HIGHER EDUCATION

AFFORDABILITY	ALASKA		Top States A Decade Ago
	A Decade Ago	2004	
Family Ability to Pay (50%)			
Percent of income (average of all income groups) needed to pay for college expenses minus financial aid:			
at community colleges	17%	20%	15%
at public 4-year colleges/universities	17%	21%	16%
at private 4-year colleges/universities	34%	41%	32%
Strategies for Affordability (40%)			
State investment in need-based financial aid as compared to the federal investment	5%	0%	89%
At lowest-priced colleges, the share of income that the poorest families need to pay for tuition	10%	12%	7%
Reliance on Loans (10%)			
Average loan amount that undergraduate students borrow each year	$3,101	$3,277	$2,619

Note: In the affordability category, the lower the figures the better the performance for all indicators except for "State investment in need-based financial aid."

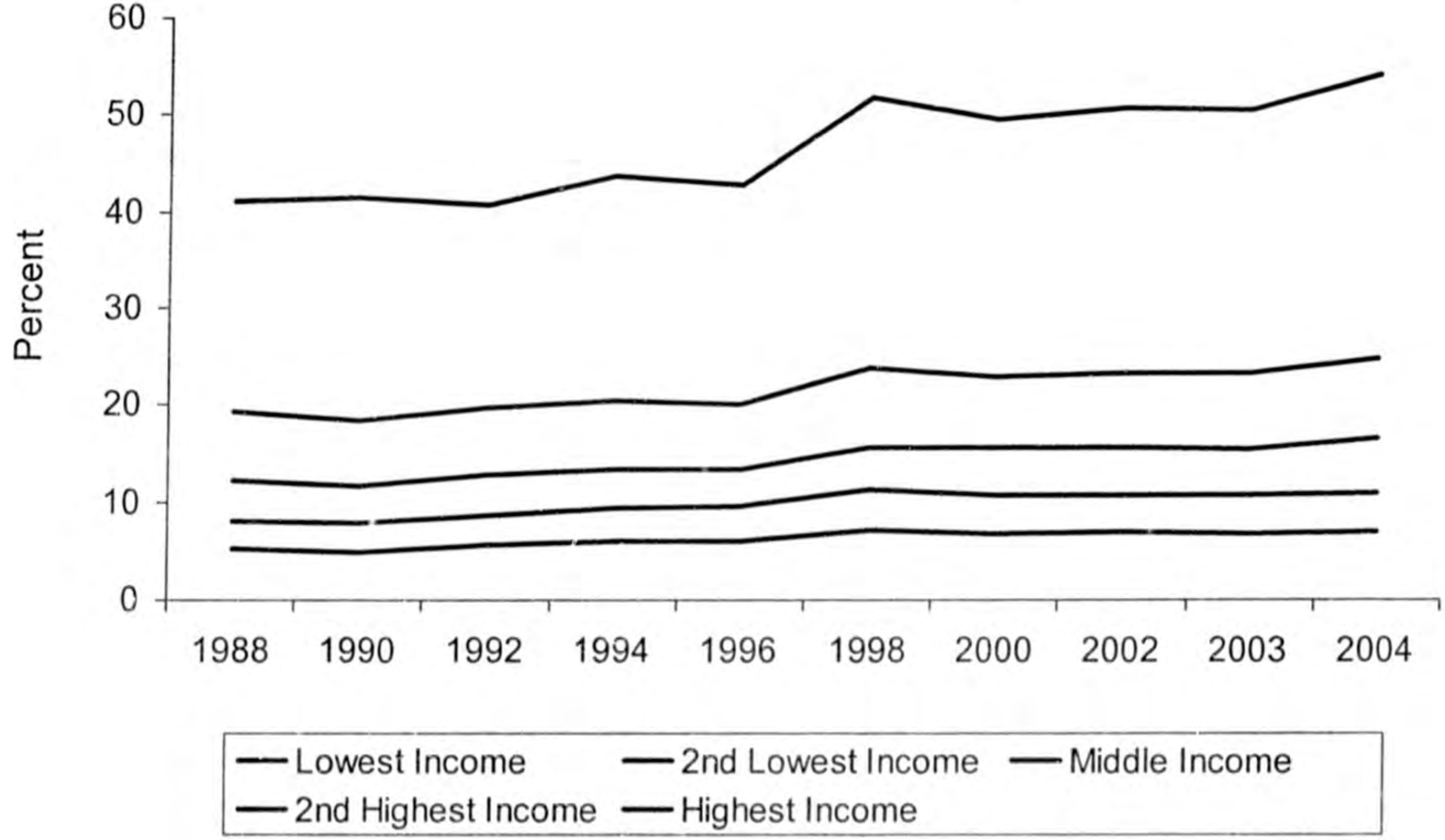
State and Local Support for Higher Education—Proportions Allocated Directly to Institutions, 2003-04



*Includes Appropriations to Independent Institutions

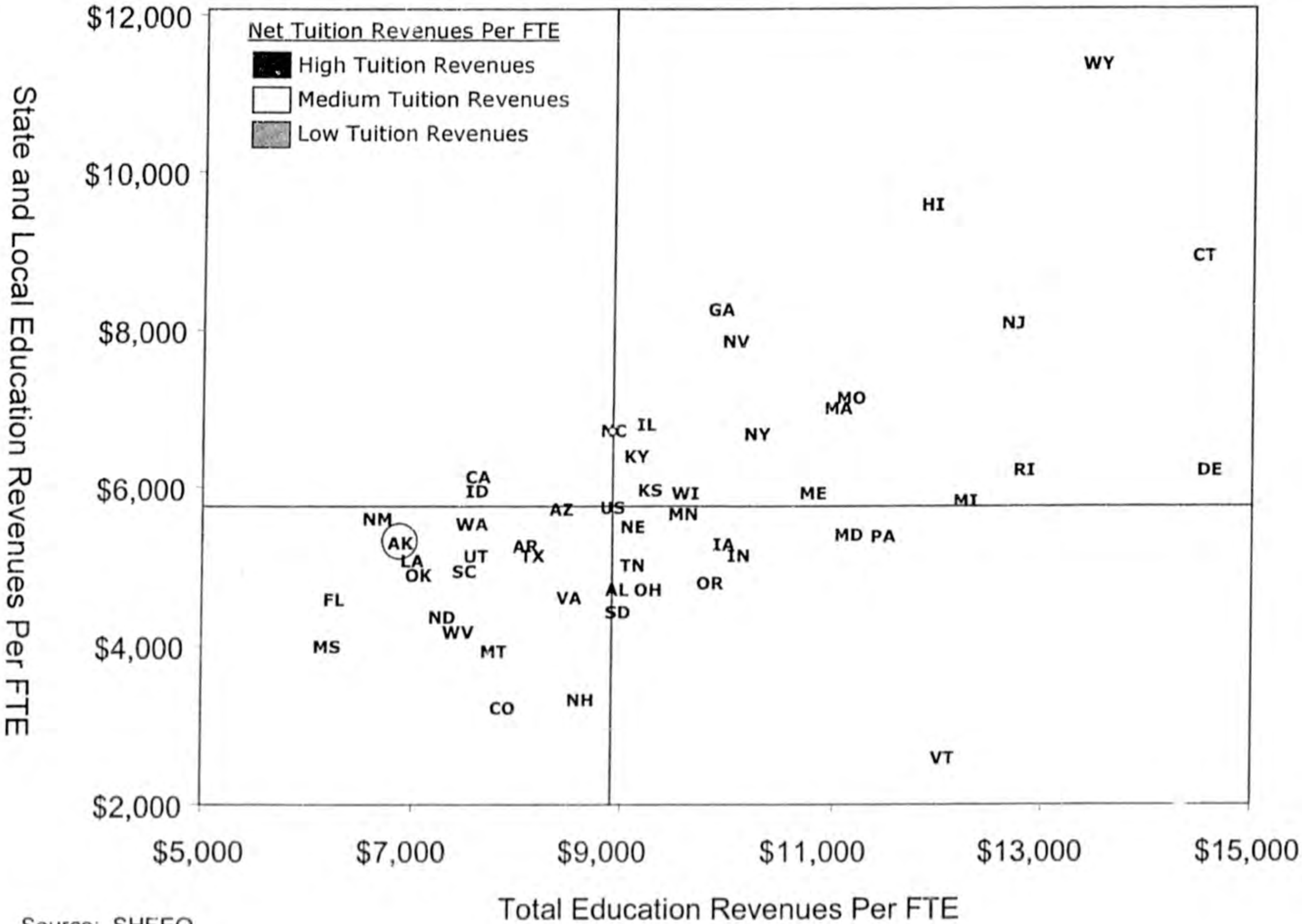
Source: State Higher Education Executive Officers (SHEEO), NCHEMS Student Financial Aid Survey

Net College Costs as a Percent of Income—Alaska 4-Year Public



Source: National Center for Public Policy and Higher Education

A Picture of State Higher Education Funding



Source: SHEEO

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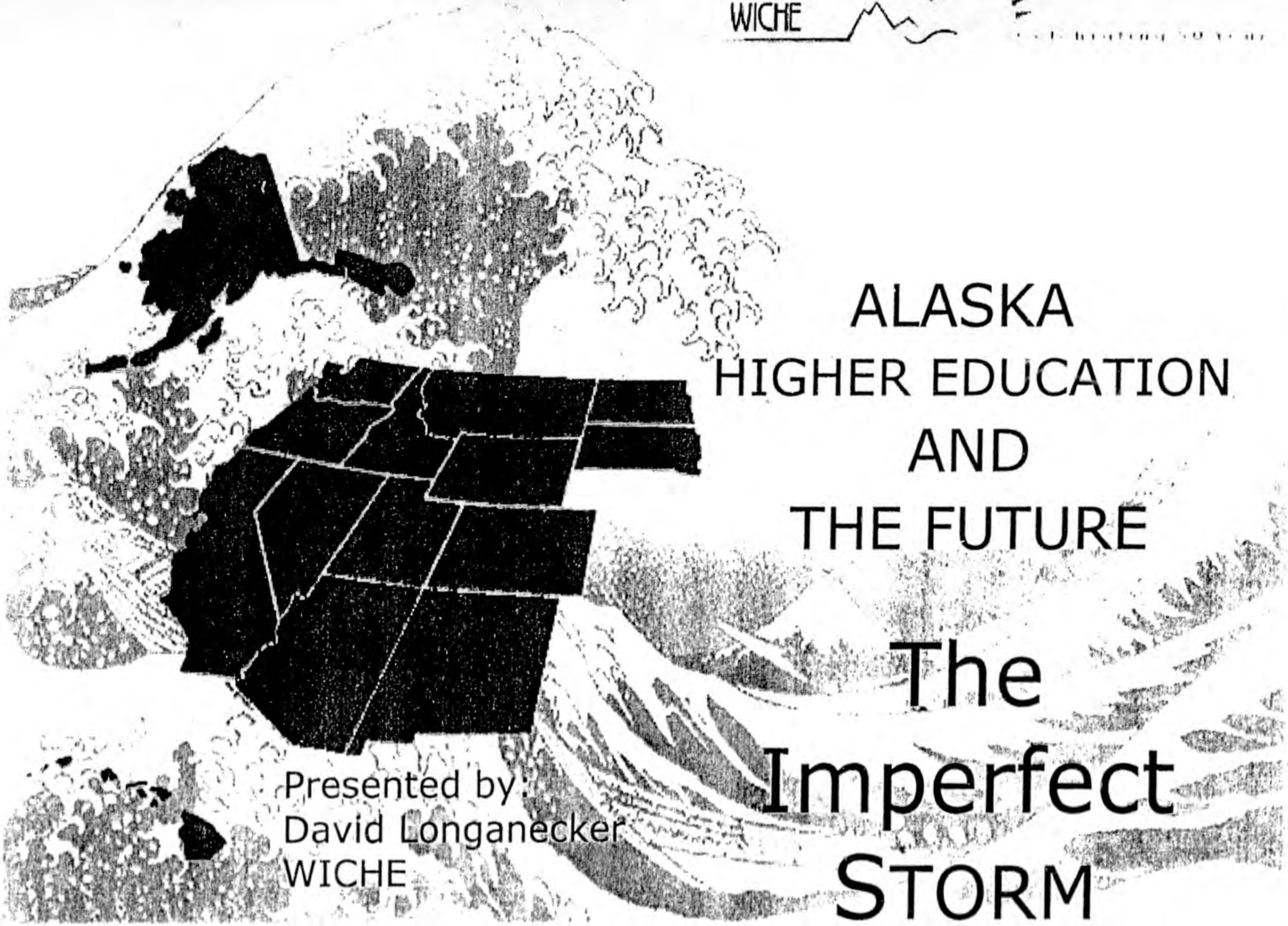
WICHE



ALASKA HIGHER EDUCATION AND THE FUTURE

The Imperfect STORM

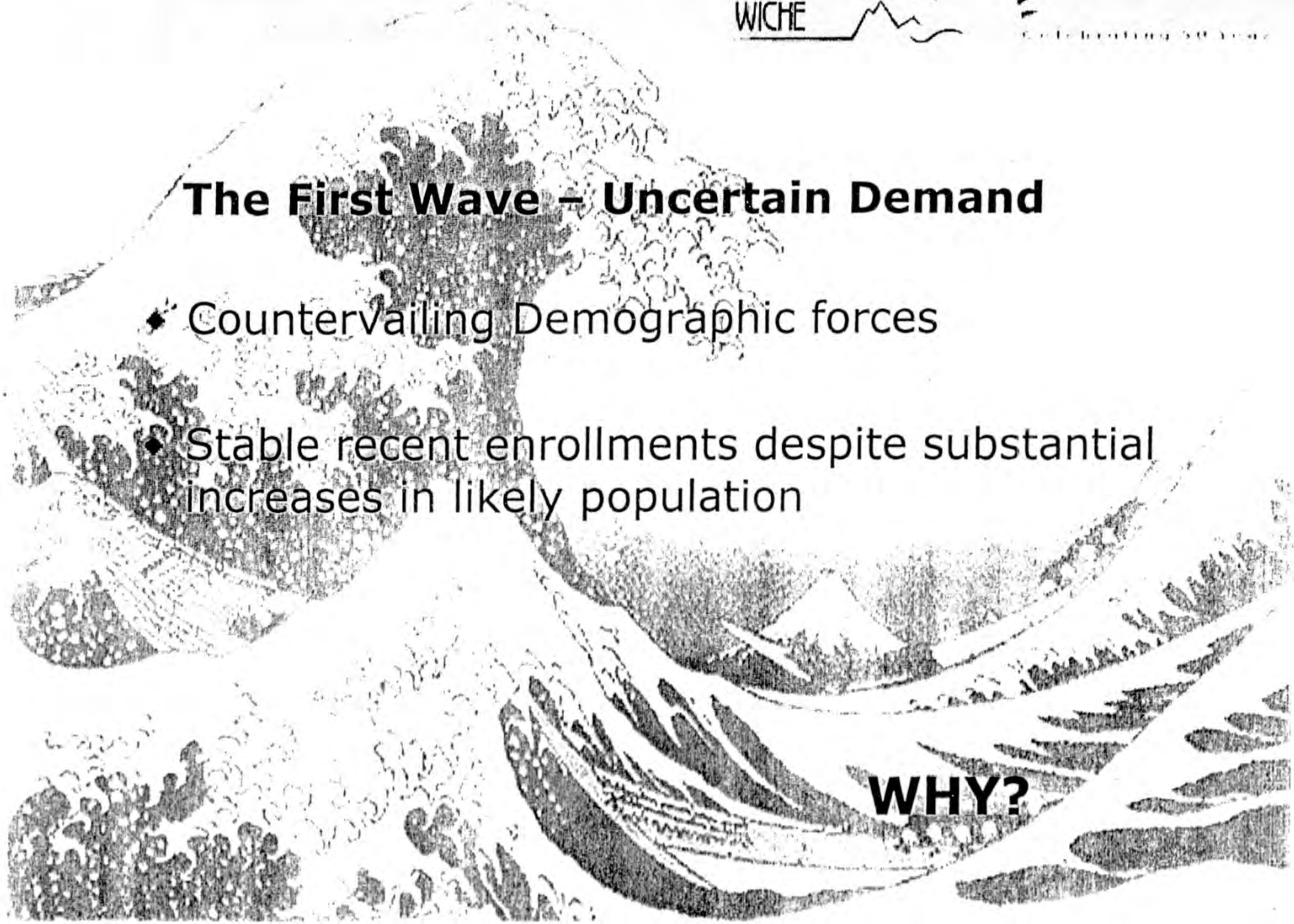
Presented by:
David Longanecker
WICHE

WICHE

Alaska's Unique Story:
The Imperfect Storm

The Confluence of Three Waves (Not Huge But Significant)

- **Uncertain Demand for Higher Education**
- **The Change in Who You Are Serving**
- **Constrained Finances (or not)**



The First Wave – Uncertain Demand

- Countervailing Demographic forces
- Stable recent enrollments despite substantial increases in likely population

WHY?

WICHE

What's pushing the wave?

1. Simple Demographics

- Projected 10% increase in college age population (2005-2015).
- Projected 10% decrease in high school grads (2006-2016).
- Contrasted with a 25 percent increase in high-school grads (1996-2006).
- Even greater increase in initial college participation (33% increase in freshman between 1996 and 2002, and more since.)
- But slight decline (5%) in total enrollment from 1993 to 2003.

WICHE

2. Policy Goal –
Greater post-secondary participation

- But high school completion going down *(Measuring Up 2004: B- on Preparation – down from a B+)*
  - Alaska – 77%* (down from 81% in 1990)
  - U.S. – 75%*

*18-24 year olds with high-school degrees from U.S. census.

2. Policy Goal – Greater post-secondary participation

- Increasing share going on to college *(Measuring Up: C on Participation; up from a D+ in 2002)*

  Alaska – 47% (up from 40% in 1992)
  WICHE West – 50%
  U.S. – 59%

WICHE

3. Policy Goal –
Lousy success in completing college *(Measuring Up: F on Completion)*

- Associate degree production (per 100 H.S. grads)

  Alaska – 13
  WICHE West – 23
  U.S. – 19

- Baccalaureate degree production (per 100 H.S. grads)

  Idaho – 21
  WICHE West – 44
  U.S. – 48

WICHE

So What?

- World leaders in higher education attainment:
  - Canada, Finland, Ireland, Japan, Korea.

- Second Tier:
  - U.S., Australia, Belgium, France, Norway, Spain, Sweden, U.K.

Source: OECD Statistics, Annex 3 – Table 2.5

The Second Wave – Those we serve will be harder to serve

An increasing share of higher ed's population is coming from communities that higher education traditionally has not served well.

- Communities of Color will supply 44% of Alaska's high school grads by 2015-2016 (up from 38% today)
- Both White, non-Hispanic and American Indian/Alaska Native high-school graduates will decline (21% and 8%, respectively)

WICHE

Historic success, or lack thereof, of low-income students in higher education

- In the U.S.: Participation dropped from 27.5 to 23.1% (1999-2001).

WICHE

The Third Wave – Limited Resources (or not)

- Alaska provided 9.8% of state appropriations for higher education in FY 2005.
- The good news: That 9.8% is much more than 6.9% provided by Alaska in 1995
- The rest of the story: The 9.8% is still less than the 12% WICHE average or 10.8% National average.

The Net Effect on Students

- The Good News:
  - On average, affordable price
    - Reasonable tuition
    - Low price compared to income
      - Family Income Needed for College (NCHEMS)
        - 4 Years: Ak 21%, U.S. 29%
        - 2 Years: Ak 20%, U.S. 22%
- The Bad News: Financial Aid
  - Excellent Loan Program for middle-income
  - Awfully Modest Need-based financial aid

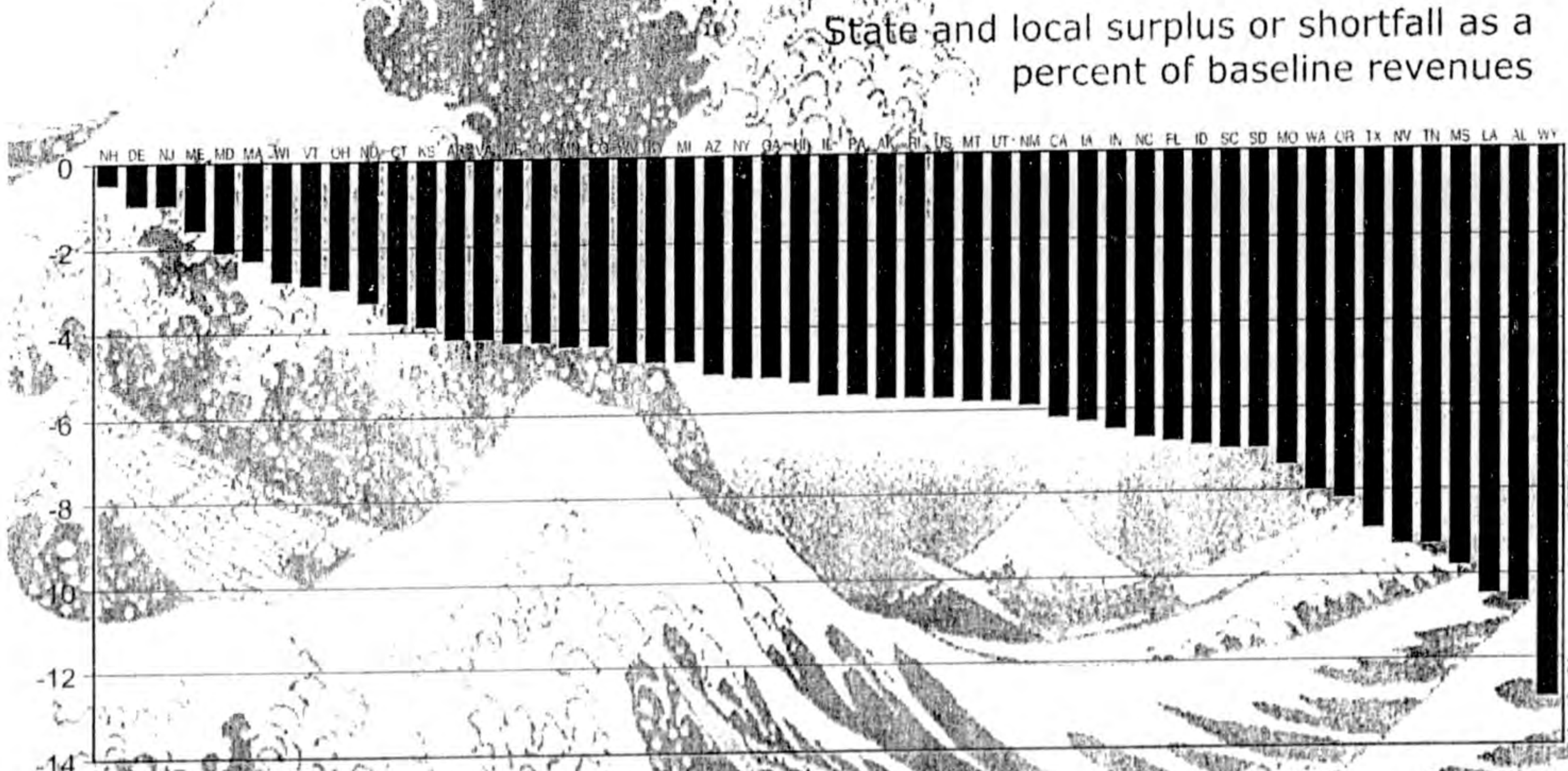
The Net Effect on Institutional Resources

- Above national average in total resources by institution type
- Function of the Alaska Cost Dilemma – It simply costs more to do business in Alaska:
  - Lack of Economies of Scale
  - About average tuition levels (a bit more for two-year students; average for four-year students)
  - More state support, on average.
  - A larger share of overall budget to research (again, function of Economies of Scale)

State Support for Financial Aid

- State Need-based Grant Aid Per FTE Student (2003-2004)
  - Alaska: $ 0
  - WICHE: 324
  - US: 417
  - Washington: 505
- The News
  - 2005-2006: $625,000 through ACPE
  - 2006-2007: Gov's initiative to transfer $20 million will provide another $1 million annually

The Future: Projected Structural Deficits for Everyone



Source: National Center for Higher Education Management Systems (NCHEMS)

WICHE

The Makings of *The Imperfect Storm*

Uncertain demand – 10% increase to 10% decline?

10% decline in high school grads

10% increase in college age population

Limited resources (or not) -- potential 5% structural deficit -- But Gas & Oil may save the day

Weathering This Imperfect Storm

- Maintaining the Status Quo
  - Lose Ground on Economic Development
  - Lose Ground on Quality of Life
- Tackle the Gnarly Task—Policies In Synch
  - Economically competitive
  - High Quality of Life
  - Socially equitable
  - But not without sacrifice
  - No silver bullets – you get what you pay for

SCOMM

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UNIVERSITY of ALASKA

Many Traditions One Alaska

Fiscal Year 2007 Operating & Capital Budget Request

Executive Summary

Prepared by Statewide Planning & Budget Development
(907) 450-8191

Actual Expenditures and Revenues FY96, FY99-FY05 and Budgets FY05-FY07 by Fund Source (000's)

	FY96	FY99	FY00	FY04	FY05	% Change FY99-FY05 Actuals	FY05 Budget	FY06 Budget	FY07 Budget Request
Expenditures									
Personal Services	216,718.3	222,284.8	234,693.4	327,151.8	347,063.2	47.2%	358,641.0	388,310.2	436,382.2
Other	153,882.1	176,899.2	182,493.0	239,713.3	250,560.8	35.5%	307,279.4	325,992.1	353,641.2
Total Expenditures	**370,600.4**	**399,184.0**	**417,186.4**	**566,865.1**	**597,624.0**	**42.0%**	**665,920.4**	**714,302.3**	**790,023.4**
Revenues									
State Appropriations									
GF	165,699.4	163,354.8	169,366.0	209,736.9	225,287.9	28.4%	225,287.9	242,388.1	283,980.6
GF Match	2,779.8	2,777.3	2,777.3	2,777.3	2,777.3	0.0%	2,777.3	2,777.3	4,777.3
GF MHTRUST	200.8	200.8	200.8	200.8	200.8	0.0%	200.8	200.8	200.8
ACPE Funds									
Workforce Development Funds				2,868.9	2,868.9	N/A	2,868.9	2,822.6	2,822.6
Science/Technology Funds	2,900.0	2,630.0	2,630.0			-100.0%			
State Appropriations Subtotal	**171,580.0**	**168,962.9**	**174,974.1**	**215,583.9**	**231,134.9**	**27.6%**	**231,134.9**	**248,188.8**	**291,781.3**
Receipt Authority									
Student Tuition/Fees*	48,965.1	48,685.0	48,577.3	61,494.6	69,484.1	*See Note	75,897.9	85,764.6	96,056.4
Indirect Cost Recovery	13,401.7	14,646.7	16,096.7	29,724.0	31,217.0	102.9%	33,832.0	37,385.8	40,675.8
Other University Receipts	58,815.1	85,703.4	87,242.9	89,669.0	95,928.9	4.6%	124,560.1	128,171.6	134,422.7
University Receipts Subtotal	121,181.9	149,035.1	151,916.9	180,887.6	196,630.0	21.4%	234,290.0	251,322.0	271,154.9
Federal Receipts	46,795.0	49,522.9	56,339.0	113,054.4	115,955.3	128.3%	124,362.0	137,797.8	149,924.0
State Inter Agency Receipts				9,357.6	10,405.9		18,800.0	18,800.0	18,800.0
MHTAAR				50.0	50.0		50.0	680.0	780.0
CIP Receipts	2,621.4	1,633.3	1,689.9	2,236.4	2,328.1	36.9%	4,762.2	4,762.2	4,762.2
UA Intra Agency Receipts	28,422.1	29,388.4	30,659.4	45,693.1	40,232.1	55.5%	51,824.0	52,674.0	52,821.0
Receipt Authority Subtotal	**199,020.4**	**229,579.7**	**240,605.2**	**351,279.1**	**365,601.4**	**53.0%**	**434,088.2**	**466,036.0**	**498,242.1**
Revenues Subtotal	**370,600.4**	**398,542.6**	**415,579.3**	**566,863.0**	**596,736.3**	**42.2%**	**665,223.1**	**714,224.8**	**790,023.4**
Other Appropriations**		641.4	1,607.1	2.1	887.7		697.3	77.5	
Total Revenues	**370,600.4**	**399,184.0**	**417,186.4**	**566,865.1**	**597,624.0**	**42.0%**	**665,920.4**	**714,302.3**	**790,023.4**

*Commencing in FY03, in accordance with GASB 34, the university is required to report student tuition and fee revenue net of allowances and discounts, with corresponding offsets in scholarships and auxiliary services. Without the adjustment for this accounting change, FY03 student tuition and fees at UA would be $59,749.1, FY04 student tuition and fees at UA would be $67,754.9, an increment of 39.2% above FY99. For more information see www.alaska.edu/swbudget/publication/tuitionallowance.pdf

** Includes: FY99 $594.9 for Y2K assesment and remediation, and $46.5 reappropriation for library books; FY00 $1,607.1 is Y2K spending of the $2,870.0 FY00 Y2K Budget; FY04 $2.1 in License Plate Revenue; FY05 $2.2 License Plate Revenue, a $65.0 reappropriation to UAA, $631.3 TVEP, and $189.2 in additional Workforce Development funds; and FY06 $2.5 License Plate Revenue, and an FFA State Director for $75.0.

Mark R. Hamilton, President
Phone: (907) 450-8000
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EMAIL: sypres@alaska.edu

UNIVERSITY *of* ALASKA
Many Traditions One Alaska

202 Butrovich Building
910 Yukon Drive
P.O. Box 755000
Fairbanks, AK 99775-5000

January 9, 2006

Dear Alaska Legislator:

On behalf of the Board of Regents, I am pleased to submit the University of Alaska's budget request for Fiscal Year 2007. As you know, nothing breeds success like success and what is happening at the university exemplifies that truism.

With help from the legislature and executive branch, almost every indicator of health for an institution of higher education has been magnified at UA. ***Enrollment, private giving, partnerships, tuition, graduation, and research have all increased in the last few years.*** These indicators have risen mostly in response to a decision by the legislature that no one expected them to make. ***In the year crude oil prices dipped to as low as $8.57 per barrel, the legislature made the courageous decision to invest in higher education rather than cut it.*** In turn, UA responded by investing in high demand programs, certificates, and degrees designed to put Alaskans to work. The results have been tremendous.

When UA chose to invest in programs important to Alaskans, Alaskans chose to invest in UA. For the first time in history, a majority of Alaskan high school students are choosing UA for their education instead of institutions outside. This is a major development. ***Statistics show these students remain in the state after their training, thereby forming the foundation of a skilled workforce from which the state's businesses will recruit – UA may be the most reliable Alaska hire program yet.***

A recent survey conducted by the McDowell Group illustrates that it is not just the legislators that recognize the importance of the university – their constituents recognize it as well. ***In this statewide survey, Alaskans ranked the university higher than public safety, transportation, and public health as a funding priority of state government. The survey shows UA second only to K-12 as both a general priority and a funding priority of state government.***

Though there is reason to celebrate, there is also reason for caution. ***Insurance premiums, fuel and utilities costs, health care, and retirement are eating away at the hard won successes of the last five years.*** If not funded, these unavoidable fixed costs will thwart our ability to deliver the training Alaska needs now and the economy will demand in the future.

For your convenience, the budget separates unavoidable fixed cost increases from those needed to invest in the future workforce demands. We have clearly laid out the costs needed to create more workers in high demand fields, such as engineers, nurses, teachers, welders, etc. We feel it is important to begin the conversation on the workforce needs for the coming gas driven economy, so we incorporated it into our budget.

As always, UA is accountable and transparent, and should you need information on any part of our budget, please contact us at your convenience.

Sincerely,

Mark R. Hamilton

Website References

University of Alaska
http://www.alaska.edu/
Systemwide homepage.

University of Alaska, Statewide Planning & Budget Development
http://www.alaska.edu/bir
Links to information about the University of Alaska budget and institutional research topics.

University of Alaska, Performance-Based Budgeting
http://www.alaska.edu/swbudget/pm/details.xml
Information and documents regarding transitioning to Performance-Based Budgeting.

University of Alaska, Academic Affairs
http://www.alaska.edu/swacad
Links to initiative information and forms.

University of Alaska, UA in Review
http://www.alaska.edu/oir/uar/index.html
University of Alaska factbooks by year. Includes information about budgets, students, academics, faculty and staff, and institutional data.

University of Alaska, Statewide University Relations
http://www.alaska.edu/state/budget.html
Links to legislation and budget information with the potential to impact the University of Alaska.

University of Alaska, Board of Regents
http://www.alaska.edu/bor
Links to information about the Board of Regents' activities and policies.

Alaska Legislature, Legislative Finance Division
http://www.legfin.state.ak.us/
Information and links to state budget data.

State of Alaska, Office of Management and Budget
http://www.gov.state.ak.us/omb/akomb.htm
Links to OMB state budget information.

Table of Contents

University of Alaska
FY07 Operating Budget Request Summary
($000's)

FY06 Operating Budget	State Approp.	Receipt Authority	Total
General Fund/General Fund Match	245,165.4		245,165.4
Technical Vocational Education Program Account	2,822.6		2,822.6
Mental Health Trust	200.8		200.8
Receipt Authority		466,036.0	466,036.0
FY06 Operating Budget	**248,188.8**	**466,036.0**	**714,224.8**
FY07 Operating Request Items			
Adjusted Base Requirements			
Salary, Retirement and Other Benefits	22,585.9	10,971.1	33,557.0
Utilities, Bandwidth, Facility, and Fixed Costs	7,405.9	7,734.9	15,140.8
Subtotal - Adjusted Base Requirements	**29,991.8**	**18,706.0**	**48,697.8**
Priority Program Enhancement and Growth			
Continuing Programs in State Needs	2,951.8	1,500.0	4,451.8
Teacher and Early Childhood Education - Juneau, Anch, and Mat-Su	*465.0*	*50.0*	*515.0*
Distance Education for High Demand Programs	*570.0*		*570.0*
Nursing, Behavioral, and Allied Health Programs	*864.8*	*710.0*	*1,574.8*
Business and Public Policy - Anch and Juneau	*757.0*	*460.0*	*1,217.0*
Meeting Student Demand - PWSCC; Anch; ACE	*295.0*	*280.0*	*575.0*
Preparing Alaskans for the New Jobs	3,049.0	2,600.0	5,649.0
Engineering - BSE; ANSEP; Research; Training; and Expansion	*975.0*	*1,130.0*	*2,105.0*
Construction/Mining Technology	*1,349.0*	*1,280.0*	*2,629.0*
Vocational Education - Juneau; Mat-Su; Anch; and SW	*375.0*	*40.0*	*415.0*
Geography Program Expansion - Fbks	*350.0*	*150.0*	*500.0*
Competitive University Research Investment (Ph 1 of 5)	4,000.0	8,000.0	12,000.0
Health - Joint Psychology PhD and Bio-Med Research	*836.0*	*650.0*	*1,486.0*
GINA, and Graduate Program Sustainability - Fbks	*400.0*	*750.0*	*1,150.0*
Infrastructure - Compliance, proposal support, applied tech	*764.0*		*764.0*
Matching Funds - Fisheries; EPSCoR; Ak Transportation.	*2,000.0*	*6,600.0*	*8,600.0*
Administrative Priorities	600.0	400.0	1,000.0
Document Imaging - Chief Records Officer - SW	*200.0*		*200.0*
Alumni Relations - Juneau	*50.0*		*50.0*
IT Content and Project Management - Anchorage	*100.0*		*100.0*
Development and Advancement Hirings - Fairbanks	*250.0*	*400.0*	*650.0*
Subtotal - Program Enhancement and Growth	**10,600.8**	**12,500.0**	**23,100.8**
Facilities Renewal and Replacement (ph 1 of 10)	**3,000.0**	**1,000.0**	**4,000.0**
Total FY07 Increment Request	**43,592.6**	**32,206.0**	**75,798.6**
Total FY07 Operating Budget Request	**291,781.4**	**498,242.0**	**790,023.4**
% Change FY06 Budget to FY07 Request	17.6%	6.9%	10.6%

University of Alaska
FY07 Operating Budget Request Adjusted Base Detail
($000's)

Salary, Retirement, and Other Benefits by Employee Group	State Approp.	Receipt Authority	Total
AK. Comm. Colleges' Federation of Teachers (ACCFT)			
Salary Increase (Contract required 2.6% step and 2% grid increases)	429.0	408.4	837.4
TRS/ORP Retirement Costs	517.3	492.2	1,009.5
Health/Other (Contract requirement of $910 per employee per mo)	395.5	376.7	772.2
AK. Higher Ed. Crafts and Trades Employees (AHECTE)			
Salary Increase (Contract regulated 3% step and 1.6% grid increases)	421.5	50.7	472.2
PERS Retirement Costs	457.8	54.9	512.7
Health/Other (Contract requirement of $910 per employee per mo)	384.8	46.1	430.9
United Academics Faculty (UNAC)			
Salary Increase (Contract regulated across the board increase of 2.7% and 2% market adjustments)	1,367.5	1,504.2	2,871.7
TRS/ORP Retirement Costs	1,601.7	1,761.7	3,363.4
Health/Other (Contract requirement of $910 per employee per mo)	1,281.1	1,409.5	2,690.6
UA Staff, Students Employees, and Graduate Assistants			
Salary Increase (BOR policy of 2.6% step and 2% grid increases)	4,880.8	1,404.3	6,285.1
PERS/TRS/ORP Retirement Costs	5,305.2	1,526.7	6,831.9
Health/Other (BOR policy of $910 UA monthly defined contribution)	5,262.5	1,513.8	6,776.3
UA Adjuncts			
Salary Increase (Contract regulated 4.7% increase)	281.2	421.9	703.1
Salary, Retirement, and Other Benefits Subtotal	**22,585.9**	**10,971.1**	**33,557.0**
Utilities, Bandwidth, Facility, Fixed Costs Breakout			
Commodities, Equipment, Travel, Contractual Related Fixed Costs	1,029.9	2,811.9	3,841.8
Utility Increases (FY06 unanticipated)	1,920.7	1,390.8	3,311.5
Utility Increases (FY07 projected)	1,279.4	948.9	2,228.3
Risk Management/Insurance Fees	200.0	400.0	600.0
Network Bandwidth	850.0	850.0	1,700.0
M&R Increment (maintaining 1.5% of building value)	971.6	350.0	1,321.6
New Facility Operating Costs including M&R	1,154.3	983.3	2,137.6
Museum (new addition only)	288.3	609.4	897.7
BiRD	550.0	299.0	849.0
Ft. Yukon	41.5		41.5
Nome	24.2		24.2
Aviation Facility	125.0	75.0	200.0
ANSEP	91.0		91.0
KPC - Ward	34.5		34.5
Utilities, Bandwidth, Facility, Fixed Costs Subtotal	**7,405.9**	**7,734.9**	**15,140.8**
Total Adjusted Base Requirements	**29,991.8**	**18,706.0**	**48,697.8**

Salary, Retirement, and Other Benefits by Category		State Approp.	Receipt Authority	Total
Employee Type Summary				
AK. Comm. Colleges' Federation of Teachers (ACCFT)		1,341.8	1,277.3	2,619.1
AK. Higher Ed. Crafts and Trades Employees (AHECTE)		1,264.1	151.7	1,415.8
United Academics Faculty (UNAC)		4,250.3	4,675.4	8,925.7
UA Staff, Students Employees, and Graduate Assistants		15,448.5	4,444.8	19,893.3
UA Adjuncts		281.2	421.9	703.1
	Total	22,585.9	10,971.1	33,557.0
Salary and Benefits Summary				
Salary Increase		7,380.0	3,789.5	11,169.5
Retirement:		7,882.0	3,835.5	11,717.5
PERS		5,036.8	1,372.6	6,409.4
TRS		1,290.1	1,229.8	2,519.9
ORP		1,555.1	1,233.1	2,788.2
Health		6,690.9	3,056.9	9,747.8
Other: Medicare, Workers' Compensation, Unemployment etc		633.0	289.2	922.2
	Total	22,585.9	10,971.1	33,557.0

University of Alaska
FY07 Operating Budget Request
Introduction

The Board of Regents' operating budget request for UA includes the necessary resources to cover adjusted base increases (i.e., contractual and fixed cost increases) plus state funding directed for priority program enhancements and growth. The program enhancements and growth priorities in UA's FY07 budget include:

- Continuing programs to address state needs: This program category includes the existing successful programs in health occupations, teacher education, distance education and business/public policy programs.
- Preparing Alaskans for the new jobs: Investment in this program category is necessary to build capacity in programs that are required for gas line and mining projects which include engineering, construction/project management, mining training and vocational education and will produce the workforce for the legacy jobs.
- Building Alaska's competitive research investment: This request is the first of five phases of funding to double Alaska's investment in research, thus investing in a vibrant alternative industry in the state. The first phase is focused on bio-medical, behavioral health, and Arctic related research, as well as matching funds for specific opportunities in fisheries, the International Polar Year (IPY), and transportation.
- Addressing facilities renewal and renovation requirements and modest administrative priorities are also included in the UA operating budget request.

To address these critical program growth areas, UA must first meet the unusual level of fixed cost increases for retirement, health care and utilities. The proposed UA FY07 Operating Budget Request totals $790 million, a $75.8 million increase, resulting in a 10.6 percent increase from UA's FY06 operating budget.

FY07 Operating Budget Request Summary

	State Approp.	Receipt Authority	Total
FY06 Operating Budget	**248,188.8**	**466,036.0**	**714,224.8**
Adjusted Base Requirements	29,991.8	18,706.0	48,697.8
Program Enhancement/Growth Priorities	10,600.8	12,500.0	23,100.8
Facilities Renewal and Replacement (ph 1 of 10)	3,000.0	1,000.0	4,000.0
Total FY07 Increment Request	43,592.6	32,206.0	75,798.6
% Change	*17.6%*	*6.9%*	*10.6%*
Total FY07 Operating Budget Request	**291,781.4**	**498,242.0**	**790,023.4**

With current programs and services, UA projects an $18.7 million increase in university generated revenue from student tuition and fees, federal and university receipts, and has fully applied that increased revenue to fixed cost increases. With state funding investments in new programs, UA will be able to generate additional revenue to support those specific programs.

The University of Alaska operating budget request shown on the tab of this section provides a detailed account of the adjusted base increase components including the contract and policy mandated wage increases, the state retirement system employer rate increases, UA's negotiated health care contribution, utilities and new facilities operating increases.

Revenue Assumptions

The FY07 state appropriation request of $291.8 million represents a 17.6 percent increase (a $43.6 million increment) from FY06. The FY07 total budget request of $790.0 million is 10.6 percent above the FY06 authorized budget. With full state support, the university anticipates a $32.2 million increment in non-state revenue. Of the anticipated $32.2 million increase, $18.7 million is associated with existing programs and services, assuming funding for all adjusted base components. The remainder of the $32.2 million is dependent on increments directed toward program growth.

University of Alaska
Budget Authority and Actual Revenue by Source FY05-FY07 (000's)

	Budgeted Values			Actual Values			
	FY06 Auth	FY07 BOR Request	% Change FY06 to FY07	FY05 Actuals	Estimated FY06 Actuals	Estimated FY07 Actuals	% Change FY06 to FY07
State Appropriations							
General Fund	242,388.1	283,980.6		225,287.9	242,388.1	283,980.6	
General Fund Match	2,777.3	4,777.3		2,777.3	2,777.3	4,777.3	
General Fund MH Trust	200.8	200.8		200.8	200.8	200.8	
Workforce Development Funds	2,822.6	2,822.6		2,868.9	2,822.6	2,822.6	
State Appropriations Subtotal	**248,188.8**	**291,781.3**	**17.6%**	**231,134.9**	**248,188.8**	**291,781.3**	**17.6%**
Receipt Authority							
Interest Income	4,667.8	4,667.8	0.0%	2,263.7	2,512.4	2,587.8	3.0%
Auxiliary Receipts	47,082.9	48,966.2	4.0%	37,629.0	39,100.0	40,273.0	3.0%
Student Tuition/Fees(net)				69,484.1	77,021.0	85,493.3	11.0%
Student Tuition/Fees(gross)	85,764.6	96,056.4	12.0%	*73,885.3*	*83,474.0*	*92,656.1*	*11.0%*
Indirect Cost Recovery (ICR)	37,385.8	40,675.8	8.8%	31,217.0	33,714.4	36,822.9	9.2%
University Receipts	76,420.9	80,788.7	5.7%	56,036.2	58,838.0	66,060.5	12.3%
University Receipts Subtotal	251,322.0	271,154.9	7.9%	196,630.0	211,185.8	231,237.5	9.5%
Federal Receipts	137,797.8	149,924.0	8.8%	115,955.3	125,231.7	136,781.1	9.2%
State Inter Agency Receipts	18,800.0	18,800.0	0.0%	10,405.9	10,500.0	10,815.0	3.0%
MHTAAR	680.0	780.0		50.0	680.0	780.0	14.7%
CIP Receipts	4,762.2	4,762.2	0.0%	2,328.1	3,000.0	3,090.0	3.0%
UA Intra Agency Receipts	52,674.0	52,821.0	0.3%	40,232.1	42,243.7	42,343.7	0.2%
Receipt Authority Subtotal	**466,036.0**	**498,242.1**	**6.9%**	**365,601.4**	**392,841.2**	**425,047.3**	**8.2%**
Total	**714,224.8**	**790,023.4**	**10.6%**	**596,736.3**	**641,030.0**	**716,828.6**	**11.8%**

FY07 Operating Budget Request Increment Descriptions

Adjusted Base Requirements

Salary, Retirement and Other Benefits (GF: $22,585.9, NGF: $10,971.1, Total: $33.557.0)
This request covers three components: contract and policy mandated salary increases, retirement benefit increases, and health and other staff benefit cost increases. These components are described briefly below. Additionally, the operating budget adjusted base detail on page 10 provides a detailed breakdown of each component by employee group.

- Contract and Policy Mandated Salary Increases
  The requested amount covers the negotiated contract agreements for ACCFT faculty (4.6%), AHECTE (4.6%), UNAC faculty (4.7%), UNAD (4.7%) and the policy mandated salary increase (P04.05.040) for UA employees not represented by a union. This current estimate represents an approximate 4.3 percent increment across employee groups using preliminary base salary figures.

- Retirement Benefit increases
  PERS, TRS and ORP continue to be a driving force in UA's increased incremental need for FY07. The following represents the new FY07 employer contribution rates for the above three retirement programs: PERS 21%; TRS 26%; ORP 21%. Note: The new ORP Defined Contribution program has a contribution rate of 12 percent and the new state defined contribution programs provide first year savings of $1.5 million. The table below details recent and expected rate increases

  Retirement Systems Employer Contribution Rates

	FY04	FY05	FY06	FY07	FY08
Public Employees Retirement System (PERS)	5.58%	10.58%	15.58%	20.58%	25.58%
Teachers Employees Retirement System (TRS)	12.00%	16.00%	21.00%	26.00%	31.00%
UA Optional Retirement Program (ORP)	11.00%	13.00%	16.33%	21.00%	26.00%
New UA Optional Retirement Program (Eff. July 2005)			12.05%	12.05%	12.05%
New State Defined Contribution Per SB141 (Eff. July 2006)				10.05%	10.05%

- Health and Other Staff Benefit Cost Increases
  This line item conveys the estimated incremental increase of $9.7 million for health care costs and $940,000 for other staff benefits including workers' compensation and unemployment insurance in FY07. Health care costs were impacted by union negotiated contracts and under-recovery dollars associated with these contracts. UA employer health care contribution per employee per month is estimated at $720 for FY06 and $910 in FY07. For comparison purposes, last year (FY05) the state's employer contribution was $830 per employee per month.

Utilities, Bandwidth, Facility, and Fixed Costs (GF: $7,405.9, NGF: $7,734.9, Total: $15,140.8)
This request covers the six non-personnel related fixed cost increases described below. These fixed increases, driven extensively by utilities prices, network bandwidth requirements for every day operations, and new facility operating costs, are unavoidable. The operating budget adjusted base detail on page10 provides a detailed breakdown of the cost for each of the categories below.

- Operating Fixed Costs
  This covers general increases of non-personal service related expenditures at 1.5 percent as well as extraordinary cost increases for library materials and journal subscriptions ranging between 12 percent and 15 percent annually. In reality these cost increases, without incorporating efficiencies would grow at the higher education price index estimate of 3-3.5 percent. This budget line item assumes 1.5-2.0 percent cost avoidance through efficiencies, such as ACAS and a real cost increase of 1.5 percent.

- Utility Increases (FY06 unanticipated/FY07 projected)
  Unanticipated increases in utility costs have significantly impacted the University and its ability to adjust to the staggering increases in the cost of natural resources that heat, cool and provide power to campuses throughout the UA system. These requests cover the 22 percent FY06 unanticipated cost increase and the budgeted 15 percent FY07 utility and fuel oil cost increases. Page 51 through page 63 in the reference section provides campus detail.

- Risk Management/Insurance Fees
  Risk management fees have increased over the past few years. UA has managed its fee increases by adjusting coverage; however, increases are needed to maintain the appropriate insurance coverage. This amount would support required insurance and risk assessment increases.

- Network Bandwidth
  An increasing amount of network bandwidth is required to maintain instructional delivery, video conference advances, and research strength. Every month, UA usage increases with the added technology demands.

- Maintenance and Repair (M&R) Increment
  UA's annual maintenance and repair is calculated at 1.5 percent of current building value. Each MAU is asked to annually increase its M&R contribution in order to keep pace with its ever increasing building value. This request covers the M&R requirement.

- New Facility Operating and M&R Cost
  This request covers the M&R requirement and anticipated costs for new facilities operations which include the following: UAA (Aviation Facility, KPC Ward Building); UAF (Museum, BiRD, Ft. Yukon, Northwest Campus).

Priority Program Enhancement and Growth

Continuing Programs Meeting State Needs (GF: $2,951.8, NGF: $1,500.0, Total: $4,451.8)
Funding in this category is focused on existing successful programs in health occupations, teacher education, distance education and business/public policy programs. These critical high need programs have been started on temporary funding and have demonstrated sustainable student and employer demand. These programs now require base funding. Below are brief descriptions of the priority programs, and the Individual Program Detail in the reference section provides a detailed description of each program listed below.

- Teacher and Early Childhood Education Programs
  Providing teachers for Alaska is a key goal for UA. This request provides funding for the programs demonstrating success in placing teachers in Alaska schools and meeting the early childhood education training needs. Consistent with UA performance measures, these program investments will increase the number of graduates qualified for high demand career jobs. Below is the list of specific education program requests.
  - Secondary Teacher Education, Special Education, Early Childhood Education, Alaska SEED (System for Early Childhood Development) registry project and Rural Education Practicum at Juneau
  - Early Childhood Development at Mat-Su
  - Early Childhood Development at Anchorage

- Distance Education for High Demand Programs
  Distance education is critical for Alaska to assure access to higher education. This request funds instructional designers, technical assistants and overall coordination efforts for the delivery of programs meeting high demand jobs in the state. Funding is also requested for a critical network administrator position for PWSCC. These programs will improve results on three of UA's performance measures: increasing student enrollment, student retention, and graduates for high demand careers. Below are the specific distance education requests.
  - Network Administrator at PWSCC
  - Distance Delivery Capacity for High Demand Programs Systemwide

- Nursing, Behavioral and Allied Health Programs
  This request provides funding for nursing delivery support, behavioral programs and allied health careers training. Much of the funding requested is to provide base funding for programs started on temporary funding sources that have demonstrated student demand and long term employment need. This request is essential to maintain and enhance UA's number of graduates qualified for high demand career jobs. These programs will improve results on all of UA's performance measures. Below is the list of specific health instruction program requests.
  - Radiology and Dental Assisting at Tanana Valley Campus
  - Nursing and Allied Health Program Support at Juneau Campus
  - Nursing and Allied Health Program Support at Rural Campuses
  - Training for Rural Based Counselors
  - Distance-Delivered Bachelors in Social Work at UAF
  - Behavioral Health Program Partnership Continuation
  - Nursing and Allied Health Program Support at Sitka Campus
  - Health Program Leadership across the University system

- Business and Public Policy Programs
  This request provides funding to enhance business instruction, economics and public policy research and small business support in Anchorage and a small funding increase to address finance instruction in Juneau. These programs will improve results on two of UA's performance measures: increasing graduates for high demand careers and increasing external research funding.
    - Small Business Development Center Procurement and Technical Assistance and Performance Excellence Programs at Anchorage Campus
    - Public Policy Institute of Social and Economic Research Support at Anchorage Campus
    - Business Faculty and Experimental Economics Lab at Anchorage Campus
    - Finance Faculty Adjuncts at Juneau Campus

- Core Requirements and Meeting Student Demand
  This request provides funding for basic core faculty and extension positions. The departments for which faculty positions are being requested have demonstrated student demand and provide the necessary prerequisite course work for many of the programs training students for high demand job areas. Below are the specific areas of investment.
    - Math and Biology Faculty at PWSCC
    - College of Arts and Sciences general education faculty at Anchorage Campus
    - Cooperative Extension Juneau Agent

Preparing Alaskans for New Jobs (GF: $3,049.0, NGF: $2,600.0, Total: $5,649.0)
Funding in this category builds capacity in programs that are required for gas line and mining projects and include engineering, construction/project management, mining training, vocational education and geography. Although building for the immediate construction and mining opportunities, the job demand for the students completing these programs will be sustained well beyond the near term anticipated construction; therefore, ongoing investment in building capacity in these programs is necessary and urgent. See the Individual Program Detail in the reference section for a complete listing.

- Engineering
  This request includes funding for the growing engineering programs in Anchorage including support for the Alaska Native Science Engineering Program and Engineering, expansion of engineering programs statewide to meet the projected employment needs and minimal core funding for the successful research initiatives at UAF. These programs will improve results on three of UA's performance measures: student enrollment, increasing graduates for high demand careers, and increasing external research funding.
    - Baccalaureate Engineering Program, Alaska Native Science Engineering Program and Engineering Professional Training at Anchorage Campus
    - Expansion of Engineering Instruction Programs at Fairbanks and Anchorage Campus
    - Engineering Research at Fairbanks Campus

- Construction and Mining Technology
  This request addresses the training needs for construction technicians and managers, mining operations, and marine technology. The Alaska Department of Labor and Workforce Development projects a steady increase in the demand for trained construction managers, especially with the pending gasline construction. Typical job titles for such positions include project managers, assistant project managers, project coordinators, project administrators, project field assistants, cost estimators, quantity surveyors, and project schedulers. Additionally, several

new mines have started or will soon start operations. The funding for the MAPTS mining training expansion lead by the Kenai Campus is a critical investment. Many of these programs have been jump started on temporary funding sources and have demonstrated success in meeting the needs of employers around the state. Investment in the programs listed below will provide sustainable training opportunities in key trades critical to gas line and mining development.

- Construction Technology and Construction Management Program in Anchorage
- Construction Technology and Training in Rural Alaska
- Construction Technology and Kensington Mine Support at Juneau
- Marine Technology at Ketchikan
- MAPTS Expansion, Mining Training and Process Technology at Kenai Peninsula College
- Process Technology and Construction Management at Tanana Valley Campus

- Vocational Education

  This request provides for priority programs necessary to meet vocational education needs. This includes the marine diesel program, which provides the training to work in a marine engine room position. It provides funding to reinstate the systemwide leadership role responsible for coordination of vocational and workforce programs. Pressure for increased collaboration with schools, regional vocational training centers, and proprietary training facilities is becoming more necessary as well as more advantageous, and staffing is required to facilitate the discussion and planning of priority programs and to seek external funding opportunities. Additionally, investment is required for key staff at Mat-Su Campus for career services advising and in Anchorage for the successful tech prep program that is a strong feeder from high school to post-secondary vocational education. Some of these programs have started and are currently being supported on temporary WFD funding and require sustainable base funding.
  - Diesel Program at Juneau Campus
  - Career Service Center at Mat-Su Campus
  - Tech Prep Coordinator at Anchorage Campus
  - Workforce Development Leadership at Statewide

- Geography

  This request is to begin a modern redesigned geography program. Geography is a discipline critical in Alaska. The land and resources dependent industries and operations include native corporations, state, university, and mental health trust land management operations, military, mining and oil companies. All of these fields need employees versed in geography. As Alaska enhances its efforts in natural resource development and addresses critical issues such as the impact of climate change on economic development, infrastructure, community planning, and related policy development, geography becomes the critical linking component. UAF is developing the University of Alaska Integrated Geography program. The program's goal is to leverage all campuses' geography faculty expertise to deliver courses and degrees throughout the state via on-campus and distance delivery.
  - System-wide Integrated Geography Program at Fairbanks Campus

<u>Competitive University Research Investment (Ph 1 of 5)</u> (GF: $4,000.0, NGF: $8,000.0, Total: $12,000.0)
This request is the first of several phases necessary for Alaska to capitalize on the many benefits of research as an industry. Currently, externally funded research activity fuels over 2,300 jobs in Alaska. At UA, research activity leverages $7 externally for every dollar from the state. This first phase of

funding is focused on bio-medical, behavioral health and Arctic related research programs. Also included is matching funds for specific opportunities in fisheries, transportation, and International Polar Year opportunities and support for critical compliance, proposal and applied research operations. See the Individual Program Detail in the reference section for a complete listing.

- Health Research
  This request addresses bio-medical and behavioral health research programs. Cost increases associated with health and behavioral heath issues for every employer and the state through its various programs are staggering. Expanding research into the root causes and solutions is a necessary and urgently needed investment. Biomedical research activities have grown dramatically at UAF in the last four years. Two major National Institutes of Health (NIH) grants totaling over $45 million (for a multi-year period) have been received. Research emphases are tailored to meet state needs, including research into the genetics of obesity and the nutritional value of subsistence foods, and tracking and understanding the mechanics of infectious diseases, particularly the avian influenza virus. The new UAA/UAF joint PhD psychology programs approved by the Board of Regents in 2005 is an effort to meet the clinical behavioral health needs in urban and rural Alaska and provides the core for behavioral health research.
    - Bio-medical Health Research at Fairbanks Campus
    - Joint PhD Psychology at Fairbanks and Anchorage

- Arctic Research
  This request provides base funding for two very successful programs at UAF that are key to the state's research agenda including climate change, resource development, and community development. Critical to global change research, GINA is the University of Alaska's mechanism for organizing and sharing its diverse data and technological capabilities among the Alaska, Arctic, and world communities. GINA supports state service, and emergency management, and resource assessment initiatives as well as a large number of basic and applied research projects. GINA operates at all three of UA's main residential campuses and works with agencies, NGO, and private sector organization to serve geospatial data needs for Alaska. This funding request also covers UAF's graduate program of sustainability and resilience of ecosystems, communities, and cultures, and is focused on Alaskan issues. The program has received external grant support, and continued support is expected.
    - Geographic Information Network of Alaska (GINA) & Graduate Program at Fairbanks Campus

- Research Infrastructure
  To fully take advantage of additional state investment, effective research operation support is required in the areas of grant and contract administration, facilitating transfer of UA technology and applied research to industry for economic development opportunities, and research compliance. An interface with corporate partners, development corporations and accelerators is critical for technology transfer and requires staff. Additionally, bio-medical research has significant compliance obligations including hazardous material handling requiring support to assist researchers on various projects. After initial base general fund investment in these core support areas, growth in this support area would be through non-general fund sources.
    - Applied Research, Tech Transfer and Patent Support and Research Compliance Support
    - Proposal/Grant/Contract Support at Anchorage Campus

- Research Matching Funds
  Research grant matching funds are critical for the University to forward important research projects. Match is seen as a key competitive component from the standpoint of external research sponsors. It demonstrates that the state is in the game and is willing to invest, thus the sponsor will invest. Below are a few of the key research projects underway that require matching funds. The amount requested in matching funds is sufficient to support only two or three of these projects. To maximize the leverage capacity of these important match funds, other possible match funding source alternatives are being actively investigated including private partnerships, donations, and internal reallocation. Each of these programs have in-depth proposals fully describing the programs.
    - Fisheries Research
    - EPSCoR Phase 3
    - Alaska Transportation Center
    - Alaska Public Health Policy
    - National Ecological Observation Network
    - International Polar Year
    - Alaska Energy Research

<u>Administrative Priorities</u> (GF: $600.0, NGF: $400.0, Total: $1,000.0)
There are four administrative request priorities selected. These investments will reduce long term costs or have the potential for generating university revenue in the years to come. The priorities include funding development operations, alumni relations, document imaging and IT support. All other administrative priorities must be pursued through gained administrative efficiency and reallocation. See the Individual Program Detail in the reference section for a complete listing.
- Document Imaging
- Alumni Relations
- IT Content and Project Management
- Development Advancement

Facilities Renewal and Replacement (Ph 1 of 10) (GF: $3,000.0, NGF: $1,000.0, Total: $4,000.0)
It is extremely important that facility renewal and replacement be addressed given UA's amount of deferred maintenance (over $400M) that has accumulated over the last seven years. Between FY00 and FY06, UA requested an average of $50 million annually for capital R&R requests, but has been funded inconsistently at an average of $7 million with high years at $15 million and years with no funding.

Consistent planned capital funding is the preferred mechanism for meeting UA's facilities R&R needs. The overall goal of this request is to garner ongoing funding for UA facility R&R requirements. To reduce UA's deferred maintenance to an acceptable level, UA will continue requesting safety, code and R&R funding via the capital budget. An ongoing capital or specific funding solution could replace this amount; however, until a solution is found, this request is another method to meet the facilities renewal needs. At this level of incremental request it will take 10 years to accumulate a $40 million annual R&R fund which represents the national standard 2.5%-3.0% of the existing value of UA's facilities.

University of Alaska
FY07 Capital Budget Request Summary
($000's)

	State Approp.	Receipt Authority	Total
Board of Regents' Highest Priority is			
Maintaining Existing Facilities and Equipment			
Addressing Critical Building Deficiencies	8,655.0		8,655.0
Code and Compliance Main Campuses	13,050.0		13,050.0
Code and Compliance Community Campuses	2,295.0		2,295.0
Required Renewal and Renovation for Program Delivery	21,250.0	2,000.0	23,250.0
Priority Facility Systems Renewal and Renovation	28,035.0	1,300.0	29,335.0
Community Campus Renewal	14,235.0		14,235.0
Small Business Development Center	550.0		550.0
Academic Equipment	6,568.6		6,568.6
Critical Needs Administrative IT Equipment	3,748.7		3,748.7
Maintaining Existing Facilities and Equipment	**98,387.3**	**3,300.0**	**101,687.3**
Additional Board of Regents' Capital Requests			
New Facilities			
Integrated Science Facility - Phase III (P.A. 30M S)	55,000.0	2,000.0	57,000.0
Biological Sciences Facility (BioS) - Phase II including WR Heating and Cooling Plant	64,500.0		64,500.0
Gitkov Building Acquisition and Renovation	1,975.0	1,180.0	3,155.0
UAF Portion of State Virology Building	2,500.0	1,500.0	4,000.0
Alaska Cultural Center & PWSCC Training Center Addition	2,000.0		2,000.0
Homer Building Acquisition and Renovation	2,000.0		2,000.0
Other Funding Requirements			
Additional Construction Priorities	11,500.0	18,000.0	29,500.0
Planning & Design Phase for New Facilities	6,158.0	4,000.0	10,158.0
High Priority Administrative IT Equipment	6,404.6		6,404.6
University Funded Capital Needs		51,000.0	51,000.0
Additional Board of Regents' Capital Requests	152,037.6	77,680.0	229,717.6
Total	**250,424.9**	**80,980.0**	**331,404.9**

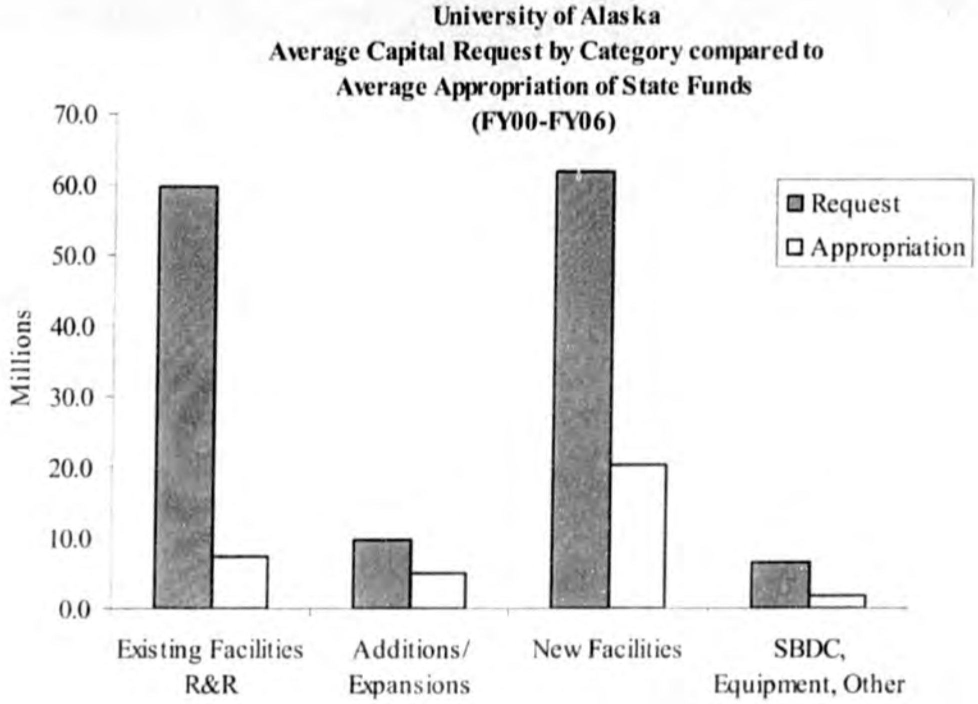
University of Alaska
FY07 Capital Budget Request
Introduction

As University of Alaska's first and foremost priority, the Board of Regents' FY07 capital budget request includes Maintaining Existing Facilities and Equipment. After funding is secured for this first priority, funding is also being sought for a limited number of new facilities. The state funding request for maintaining existing facilities and equipment totals $98 million. State funding requests for additional facilities totals $152 million of which $120 million is for the two science facilities that have been in UA's budget request for the last several years: UAA Integrated Science Facility and the UAF Biological Sciences Facility.

Below is a summary of the request for UA priority maintenance and renewal of existing facilities and equipment. The magnitude of the FY07 capital budget request for existing facilities represents the backlog of unfunded renewal and renovation capital requests from prior years. UA has requested an average of $50 million annually from capital funds for renewal and major maintenance of existing facilities but has received an average of only $7 million. Over the last seven years, UA's backlog of renewal projects (i.e. deferred maintenance) has increased from $200 million to over $400 million on total facilities worth $1.4 billion. Maintenance of existing facilities as priority one is essential to reverse this trend.

	State Approp.	Receipt Authority	Total
Board of Regents' Highest Priority is			
Maintaining Existing Facilities and Equipment			
Addressing Critical Building Deficiencies	8,655.0		8,655.0
Code and Compliance Main Campuses	13,050.0		13,050.0
Code and Compliance Community Campuses	2,295.0		2,295.0
Required Renewal and Renovation for Program Delivery	21,250.0	2,000.0	23,250.0
Priority Facility Systems Renewal and Renovation	28,035.0	1,300.0	29,335.0
Community Campus Renewal	14,235.0		14,235.0
Small Business Development Center	550.0		550.0
Academic Equipment	6,568.6		6,568.6
Critical Needs Administrative IT Equipment	3,748.7		3,748.7
Maintaining Existing Facilities and Equipment	**98,387.3**	**3,300.0**	**101,687.3**

UA's FY07 priority capital request demonstrates a steadfast commitment to maintaining existing facilities through safety, code, ADA and existing facilities R&R requests. Given the inconsistency of funding for these critical priorities, a smaller ongoing request is included in UA's operating budget request. The $4 million in operating funding being requested represents phase one of ten increments necessary to build an annual operating fund for facilities R&R of $40 million, which represents the national standard 2.5%-3.0% of the existing value of UA's facilities. Developing a long term, sustainable, comprehensive facilities renewal and renovation solution is critical for UA and the state as a whole. The graph below provides a look at UA's appropriation success for major maintenance funding for existing facilities over the last seven years compared to other capital request categories.



The new facilities and planning requests are heavily weighted toward the two primary science facilities that have been included in the last five capital budget requests: the final phase of funding for the UAA Integrated Science Facility ($55 million) and the UAF Biological Sciences Facility, including the West Ridge heating and cooling plant at UAF ($64.5 million).

FY07 Capital Requests Project Narratives

Maintaining Existing Facilities and Equipment

Addressing Critical Building Deficiencies (GF: $8,655.0)
Upgrades are urgently needed to address critical systemwide building deficiencies, such as fire alarm and sprinkler systems, asbestos abatement, water supply and quality issues, modernization of the elevator system, and exterior lighting system. The 14 highest priority projects are:

- UAA Main Apartment Complex (MAC) Fire Sprinkler Install & Fire System Upgrade (GF: $1,800.0)
  The complex was constructed in 1985 and the existing fire alarm system is original, requires continuous maintenance, and needs to be upgraded.

- UAF Elevator Safety and Modernization Upgrades (GF: $350.0)
  UAF Facilities Services manages the operation and maintenance for a fleet of more than 50 elevators and lifts with an average age of over 25 years. With the help of an FY01 audit, 28 elevators were identified as needing modernization upgrades. This request represents the first phase of a multi-year modernization plan and will address ADA, Code and Safety, and deferred maintenance improvements to three elevators.

- UAS Fire Alarm System Replacements (GF: $520.0)
  Funding will cover replacement of six fire alarm panels and associated detectors that serve eight campus buildings and the original student housing apartment complex that are now between 20 and 35 years old.

- UAA Student Center Fire Egress (GF: $500.0)
  The Student Union Building (formerly known as the Campus Center) was constructed in 1977. With the increased use by students, faculty, and staff, the need for emergency egress requires an additional exit.

- UAA Asbestos Abatement (GF: $265.0)
  UAA has identified seven campus buildings that require asbestos abatement of pipe insulation in the restroom fixture piping and the mechanical room valves and connections. This project also includes an asbestos survey for Kenai Peninsula College.

- UAF LARS Wash House (GF: $520.0)
  The project consists of demolishing the existing 150 square foot well and wash house structure at the Large Animal Research Station. The structure will be replaced with a 700 square foot wood framed wash house and bathroom facility for the farm workers. The wash house is the central facility for water needs for all workers at the station. It will house shower, bathrooms, washer/dryer and sink facilities for the research station workers as well as locker storage for their gear.

- UAF Campus Wide Residential Sprinklers - Phase 2 (GF: $850.0)
  Funding is required to complete installation in the remaining unsprinklered student living quarters. This covers Stuart Hall, Cutler Student Apartment Complex and Hess Village.