End of Session Status

Ninety-five days after it began, the Second Session of the 28th Alaska State Legislature adjourned on April 25th. This was five days later than planned. In a year with a $2.3 billion budget deficit caused by declining oil production and lower oil prices, UA’s operating budget was reduced but it received a larger than expected capital budget.

We now await the governor’s action on legislation and on the FY15 operating and capital budgets. Once a bill has passed the legislature and is sent to the governor, he must sign it or veto it within 15 days if the legislature is in session (not counting Sundays) or within 20 days if the legislature is not in session (not counting Sundays). In the case of a budget bill, the governor may veto any individual appropriation contained in the bill; he is not limited to vetoing the bill in its entirety.

Typically, the legislature does not actually send the budget bills to the governor for signature or veto immediately after passage. Instead, the bills are held for a period of time, sometimes for more than a month. This delay allows the Office of Management and Budget and other agencies extra time to review and recommend items for signature or veto.

UA had some significant disappointments in a difficult year, but we also had some major successes, thanks in large part to the advocacy efforts of UA supporters throughout the state. UA advocates came out in large numbers at all public hearings on the operating and capital budgets, as well as on certain other bills like SB 176 (guns on campus). If you testified or sent messages in favor of the university, thank you!

The following is a summary of legislative actions this year. Details of the FY15 Operating Budget and the FY15 Capital Budget can be found by clicking on the links.

FY15 Operating Budget

Gov. Parnell took the first step to implement a reduction in state spending when he announced his FY15 budgets on December 12. His operating and capital budgets proposed that the state spend 18.4 percent less in general fund dollars than current year spending. For the UA operating budget, the governor proposed a $14.9 million reduction from the current year’s funding level, but he also proposed adding $5.3 million to partially cover new expenses, such as the employee pay raises and operating costs for new buildings that are due to open this year.
UA’s net cut in the governor’s proposed operating budget was $9.6 million below the FY14 level. (www.alaska.edu/files/state/FY15-Budget-Data-Summary-Final.pdf)

The House and the Senate decided that the governor’s proposal, as stringent as it was, didn’t cut enough from agency operations. So, they cut even more. After the House and the Senate passed their respective versions of the operating budget, a conference committee made up of three member of each body met to reach a compromise on the differences between the two versions. Conference Committee members this session included:

Sen. Pete Kelly (Senate Finance Committee Co-Chair)
Sen. Kevin Meyer (Senate Finance Committee Co-Chair)
Sen. Lyman Hoffman (Senate Finance Committee Member/Minority Caucus)
Rep. Alan Austerman (House Finance Committee Co-Chair)
Rep. Bill Stoltze (House Finance Committee Co-Chair)
Rep. Les Gara (House Finance Committee Member/Minority Caucus)

Once the conference committee reached an agreement, the House and the Senate voted to adopt the compromise budget on the 90th day of the session.

This compromise is the version that will be sent to the governor. The FY15 state budget for all-agency operations that was approved by the House and Senate is about $50 million less than the FY14 budget. You may recall that the FY14 all-agency operating budget was also about $50 million less than the FY13 budget. This downward trend will continue next year and into the foreseeable future. The operating budget is contained in two bills, CCS HB 266 and CCS HB 267, which can be found here:
http://www.legis.state.ak.us/basis/get_bill.asp?bill=HB%20266&session=28
http://www.legis.state.ak.us/basis/get_bill.asp?bill=HB%20267&session=28

Unfortunately, UA’s operating budget was decreased from its FY14 budget. The legislature approved a UA operating budget for FY15 that has a 2 percent reduction from the FY14 budget in unrestricted general funds. The budget included an unallocated reduction of $15.9 million, a 12.5 percent travel expenditure reduction, and about $8.34 million in increased funding for fixed cost increases like new building operating costs and salary and benefit increases. The budget includes the following reductions, increases for fixed costs, and increases for high demand program initiatives:
Reductions that were made:

Unallocated General Funding Reduction - $15.9 million
Reduction to UA Travel Expenditure - $1.06 million (most state agencies were also given a 12.5% reduction to their travel funding)

Fixed cost increases that were funded:

Compensation increases - $5.11 million state general funds (UGF), $5.11 million Receipt Authority (DGF)

Systemwide Facilities Maintenance & Repair - $1.08 million UGF and $1.08 million DGF (one-time only; this funding will not be in the budget after next year)

UAA Alaska Airlines Center operations - $1.61 million UGF and $1.78 million DGF

UAA Mat-Su Valley Center for Arts & Learning - $540,000 GF and $75,000 DGF

UAS Freshman Residence Hall - $425,000 DGF

UAF P3 Housing Development - $1.5 million DGF

Total fixed cost increases that were funded - $8.34 million UGF, $11.39 million DGF

High demand program requests that were funded:

Student Achievement and Attainment -
UAF and UAS Mandatory Comprehensive Student Advising - $400,000 UGF (one-time only; this funding will not be in the budget after next year)

Productive Partnerships with Alaska's Public and Private Industries -
UAS Director of UAS Center for Mine Training - $90,000 UGF and $27,800 DGF

Legislative priority programs for UA -
UAF Hydrocarbon Optimization - $500,000 UGF (one-time only; this funding will not be in the budget after next year)

Total high demand program requests that were funded - $990,000 UGF, $27,800 DGF

You can find a chart with a side-by-side comparison of the Board of Regents’ request and the legislature’s final operating budget at this link:
Unfortunately, many worthy initiatives the Board of Regents requested were not funded this year. Because the state is in a deficit situation, the legislature was not receptive to the idea of adding substantial new program funding. Instead, the focus was on funding most of UA’s existing functions and fixed-cost increases, and preparing for a future with less revenue. It is anticipated that expenses will exceed available revenues for some time to come, and we have been warned that we can expect even tighter operating budgets from this point forward.

FY15 Capital Budget

The capital budget (HCS CSSB 119 FIN AM H) that passed the legislature can be found here: http://www.legis.state.ak.us/basis/get_bill.asp?bill=SB%2020119&session=28

Like last year’s reduced capital budget, it is noticeably smaller than capital budgets from the recent past, and it will probably get smaller after the governor has reviewed it and exercised his veto authority.

UA had great success in the capital budget process this year. While we certainly did not get everything we asked for and some of the omissions are disappointing, we did get more than we expected in this budget environment. The UA projects that are in the legislature’s FY15 capital budget include the following:

UAA Engineering Building Project - $45.6 million UGF
This amount completes the project, including finishing the new building, renovating the existing building, and building a parking garage.

UAF Engineering Building - $5 million UGF, $5 million DGF
This amount only funds construction through April, 2015. UAF needed another $28.3 million to finish construction of the new building.

UAA Institute for Circumpolar Health Studies Proposed Pilot Test and Formative Evaluation of Methods to Prevent FASD - $400,000 UGF

UAS Juneau Campus Mining Workforce Development - $120,000 UGF

UAA Kachemak Bay Campus Pioneer Avenue Building Addition - $50,000 UGF

UAA Main Campus Deferred Maintenance - $12 million UGF

UAA Community Campus Deferred Maintenance - $2.5 million UGF
UAS Main Campus Deferred Maintenance - $4.27 million UGF

UAS Community Campus Deferred Maintenance - $500,000 UGF

UAF Heat and Power Plant Major Upgrade - $162 million UGF, $70 million DGF

Sen. Pete Kelly and Sen. Kevin Meyer put together a complex financing package that will fully fund the necessary upgrades to the UAF Combined Heat and Power Plant, which has reached the end of its 50-year designed lifespan. This was estimated to be a $245 million project, and Sens. Kelly and Meyer did an incredible job crafting the package and convincing their colleagues to accept it in this budget environment.

The capital budget and a companion bill, SB 218, contain the following for the UAF Heat and Power Plant project: an appropriation of $74.5 million GF; authorization for UA to borrow $87.5 million from the Municipal Bond Bank, with the loan being repaid by the state, not by the university; and authorization for UA to sell $70 million in revenue bonds, to be repaid by UA.

Depending on interest rates, repayment of the Municipal Bond Bank loan will cost up to $7 million per year, and the legislature’s agreement to pay for that is very generous. While UA will be responsible for the revenue bond repayment, a majority of the costs will be covered by the $4.5 million estimated annual energy savings expected for the new plant. The legislature also instructed UA to impose a utility surcharge or tuition increase generating no more than $2 million in annual revenue, to supplement the energy savings and help repay the revenue bonds. No decisions have been made as to how this will be done, and UA’s student governance groups will be consulted before the Board of Regents makes the ultimate decision. Our participatory process will allow time for input.

UAF Chancellor Brian Rogers, UAF Vice Chancellor Pat Pitney, and consultant Bob Shefchik spent a tremendous amount of time working with Sens. Kelly and Meyer to develop this financing package, and to convince other legislators of its critical need. Their time and effort were well spent.

You can find a chart with a side-by-side comparison of the Board of Regents’ request and the legislature’s final capital budget at this link:

What Needs to Happen Now

The budget work is not yet over. We have two tasks left:

First, we need to thank UA’s legislative friends who are responsible for the positive things in our operating and capital budgets. A letter, an email, or even a phone call is a good way to let
Legislators know that their support is noted and appreciated. You can find contact information for legislators here: http://www.legis.state.ak.us/basis/commbr_info.asp?session=28.

Rep. Cathy Munoz was the chair of UA’s operating budget subcommittee in the House, and she fought hard to limit the reductions to UA’s budget that were part of the House leadership’s overall budget reduction strategy. Sen. Anna Fairclough was the chair of UA’s operating budget subcommittee in the Senate, and she added the funding for the Mandatory Comprehensive Student Advising and for Systemwide Facilities Maintenance and Repair. The conference committee members, listed above, decided to compromise the House and Senate budgets at a level closer to the higher Senate number than the lower House number, and for that they all deserve our thanks.

Senate Finance Committee Co-Chair Kevin Meyer was responsible for the capital budget, and he made the decision to add full funding for the UAF Heat and Power Plant and for the UAA Engineering Building to the budget. Sen. Pete Kelly is the other Senate Finance Committee Co-Chair, and he was the driving force behind adding the UAF Heat and Power Plant. These two projects, particularly the UAF Heat and Power Plant, used a lot of the state’s available capital funds and represent dollars that other entities wanted for their own priorities. State agencies, municipalities, school districts, non-profits, businesses, and private citizens all compete for limited capital dollars, and saying yes to UA meant saying no to other advocates and their worthy projects. There are undoubtedly many people around the state who are disappointed with Sen. Meyer’s decisions, and Sen. Kelly expended a tremendous amount of his political capital to benefit UAF, which is not in his Senate district. The thanks we owe these two legislators cannot be overstated.

Rep. Bill Stoltze, the Co-Chair of the House Finance Committee responsible for the capital budget, made the decision to keep UA’s projects in the budget when he received it from the Senate. Rep. Steve Thompson, a member of the House Finance Committee, was the point person for funding the UAF Heat and Power Plant in the House’s version of the capital budget, and he fought to keep it fully funded in the House budget.

Second, none of the legislature’s hard work and support will matter if Governor Parnell vetoes individual operating items or capital projects. You can email Governor Parnell using this form: http://gov.alaska.gov/parnell/contact/email-the-governor.html. You can find his mailing address and office phone numbers here: http://gov.alaska.gov/parnell/contact/office-locations.html.

Legislation

Many pieces of legislation that affect the University of Alaska were introduced during the session. Any bill or resolution that did not pass prior to adjournment is now dead, and will have
to be reintroduced by a member of the new legislature next session. If reintroduced, those bills and resolutions will have to start through the committee process from beginning. Bills that passed the legislature will now be sent to the governor to be signed into law or vetoed. Resolutions are not subject to veto.

These are the noteworthy bills and resolutions that were considered during the 2014 session:

**HB 75 - CONTRIBUTIONS FROM PFD: UNIVERSITY/AUDITS** by Rep. Paul Seaton
http://www.legis.state.ak.us/basis/get_bill.asp?bill=HB%20%2075&session=28
Status: passed the legislature
Among other things, this bill requires each campus of the university to pay a yearly administrative fee of $250 to the Department of Revenue in order to be included in the PFD’s Pick.Click.Give program. This is the same fee that non-profit entities must pay to be included in the program. The bill also authorizes the deduction of a 7% fee from all gifts made through Pick.Click.Give to cover marketing costs of the program. The state collects the fee, but the intent is that it will go to the Alaska Community Foundation which houses the communication efforts in support of the program.

**HB 93 – CHARTER SCHOOLS** by Rep. Lynn Gattis
http://www.akleg.gov/basis/get_bill.asp?bill=HB%20%2093&session=28
Status: died in the House Finance Committee/incorporated into HB 278
In its original form, this bill would have made UA an authorizer of charter schools. Universities are authorizers in several other states. Supporters believed that the current authorizers, local school boards, were not approving charter schools as often as they should. As amended and then rolled into HB 278, UA would not be an authorizer; instead, applicants to operate a charter school would have enhanced rights to appeal a denial by a local school board to the Department of Education.

**HB 150 – TECHNICAL/ VOCATIONAL EDUCATION PROGRAM** by Rep. Mark Neuman
http://www.legis.state.ak.us/basis/get_bill.asp?session=28&bill=HB150
Status: died in the House Finance Committee/incorporated into HB 278
This bill proposed extending the Technical Vocational Education Program (TVEP) program passed its scheduled sunset date of June 30, 2014. It was rolled into HB 278. That bill extends TVEP to June 30, 2017 and changes the funding mechanism. Funds for TVEP are provided by the employee unemployment insurance tax. HB 278 eliminates the separate allocation of funds currently given to UAS, and places UAS in the UA System funding pool. This will result in a reduction of $204,000 per year (about 3.8 percent) of the TVEP funds available to UA programs.

**HB 154 – NATURAL AND CULTURAL HISTORY REPOSITORIES** by Rep. Steve Thompson
http://www.legis.state.ak.us/basis/get_bill.asp?bill=HB%20154&session=28
Status: passed the legislature
This bill gives the Department of Education the authority to designate museums other than the State Museum in Juneau as natural and cultural history repositories. The intention is that UAF’s Museum of the North will apply for this designation.

http://www.legis.state.ak.us/basis/get_bill.asp?session=28&bill=HB255
Status: passed the legislature
This bill authorizes UA to establish an unmanned aircraft systems operator training program. It also places restrictions on the use of unmanned aircraft systems by law enforcement agencies.

HB 278 – EDUCATION by Governor Parnell
http://www.akleg.gov/basis/get_bill.asp?bill=HB%20278&session=28
Status: passed the legislature
This is one of the bills that caused the session to be lengthened. It makes a substantial number of fiscal and policy changes to state law, and the House and Senate versions were so different that a conference committee was appointed to draft a compromise. Most of the bill’s provisions primarily impact K-12, but one deals directly with UA. Specifically, the bill extends the Technical Vocational Education Program (TVEP) to June 30, 2017 and changes the funding mechanism. Funds for TVEP are provided by the employee unemployment insurance tax. The bill eliminates the separate allocation of funds currently given to UAS, and places UAS in the UA System funding pool. This will result in a reduction of $204,900 per year (about 3.8 percent) of the TVEP funds available to UA programs.

HB 306 – EVALUATE INDIRECT EXPENDITURES; TAX CREDITS by Rep. Steve Thompson
http://www.akleg.gov/basis/get_bill.asp?bill=HB%20306&session=28
Status: passed the legislature
This bill requires the evaluation of the state’s extensive list of non-petroleum tax credits, and also sunsets those tax credits. The assumption is that if the evaluation of a particular tax credit demonstrates that it actually has value to the state that exceeds the taxes that are given up, the tax credit will be reenacted by the legislature. The bill provides that the education tax credit, which benefits UA, will be reviewed in 2015 and will sunset in 2018 unless the legislature reenacts it. This bill passed after the scheduled adjournment day, when the session continued for an additional five days.

HB 335 – REGULATION OF FIREARMS/KNIVES BY THE UNIVERSITY by Rep. Gabrielle LeDoux
http://www.akleg.gov/basis/get_bill.asp?bill=HB%20335&session=28
Status: died in the House Judiciary Committee
This bill would prohibit the Board of Regents from regulating the possession of firearms or knives on campus, other than in those buildings where visitors are screened at the entrance. It did not have a hearing. SB 176, the Senate version of this bill, is discussed below.
HCR 15 - TASK FORCE ON UNMANNED AIRCRAFT by Rep. Shelley Hughes
Status: passed the legislature
HCR 15 extends the Task Force on Unmanned Aircraft Systems that was created by the legislature last year. The Task Force is made up of legislators, government officials, and industry members. It will study unmanned aircraft systems and their impact on Alaska. The Task Force is authorized to request administrative and technical assistance from UAF, and it operates until June 30, 2017.

SB 74 – UNIVERSITY OF ALASKA BUILDING FUND by Sen. Pete Kelly
http://www.legis.state.ak.us/basis/get_bill.asp?bill=SB%20%2074&session=28
Status: passed the legislature
This bill was introduced by Sen. Pete Kelly at the request of UA. It proposes the creation of a University Building Fund (UBF), modeled after the Alaska Public Building Fund (APBF), which has been operated successfully by the Department of Administration since 2000. The APBF has accomplished its objective of making agencies cost-conscious about the space they occupy, and has functioned as a mechanism to preserve facility assets and extend their useful life.

SB 93 – TECHNICAL/VOCATIONAL EDUCATION PROGRAM by Sen. Donny Olson
http://www.legis.state.ak.us/basis/get_bill.asp?bill=SB%20%2093&session=28
Status: died in the Senate Finance Committee/incorporated into HB 278
This bill proposed extending the Technical Vocational Education Program (TVEP) program passed its scheduled sunset date of June 30, 2014. It was rolled into HB 278. That bill extends TVEP to June 30, 2017 and changes the funding mechanism. Funds for TVEP are provided by the employee unemployment insurance tax. HB 278 eliminates the separate allocation of funds currently given to UAS, and places UAS in the UA System funding pool. This will result in a reduction of $204,000 per year (about 3.8 percent) of the TVEP funds available to UA programs.

SB 176 - REGULATION OF FIREARMS/KNIVES BY THE UNIVERSITY by Sen. John Coghill
http://www.legis.state.ak.us/basis/get_bill.asp?bill=SB%20176&session=28
Status: died in the Senate Finance Committee
In its original form, this bill would have prohibited the Board of Regents from regulating the possession of firearms or knives on campus, other than in those buildings where visitors are screened at the entrance. The Senate Judiciary Committee held a number of hearings and amended the bill to prohibit the Board of Regents from regulating the possession of firearms by holders of concealed carry permits. The Board only would be able to regulate the possession of firearms by persons without a permit. While the bill was reported out of the Senate Judiciary Committee with “do pass” recommendations by Chairman John Coghill and Sens. Lesil McGuire, Fred Dyson, and Bill Wielechowski, it did not get a hearing in its next committee of referral, the Senate Finance Committee. The press reported that Sen. Coghill requested the Finance Committee to not hear his bill, because it still had unresolved issues.
SB 218 – MUNICIPAL BOND BANK; UAF HEAT AND POWER PLANT by the Senate Finance Committee

http://www.legis.state.ak.us/basis/get_bill.asp?bill=SB%20218&session=28

Status: passed the legislature

This bill was part of the financing package for the UAF Combined Heat and Power Plant Major Upgrade. It authorizes UA to borrow $87.5 million from the Municipal Bond Bank, and it also authorizes UA to issue $70 million in revenue bonds. The legislature adopted a fiscal note for the bill which will appropriate $7 million each year to pay off the loan from the Municipal Bond Bank, so that UA does not have to pay off the loan from its own resources.

SJR 23 – CONSTITUTIONAL AMENDMENT: STUDENT LOAN DEBT by Sen. Anna Fairclough

http://www.legis.state.ak.us/basis/get_bill.asp?bill=SJR%2023&session=28

Status: died on the House calendar on the final day when not taken up

This resolution would have put a constitutional amendment on the ballot. If the voters approved the amendment, it would have allowed the Alaska Student Loan Corporation to issue general obligation bonds, which would have resulted in lower interest rates for student loans.

A Final Note

Many thanks to all who actively participated in advocating for the University of Alaska. Whether you provided public testimony on budget initiatives or bills, wrote letters, sent emails, or met with legislators and staff, the collective actions of all encouraged legislators take actions that benefited the university.

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For more information, contact Associate Vice President Chris Christensen at cschristenseniii@alaska.edu or visit www.alaska.edu/state/