

University of Alaska
Board of Regents

FY21-22 Budget Update

February 20-21, 2020
Fairbanks, Alaska

Overview

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BOR Goals & Measures

BOR Goals & Measures 2017-2025*

	2017 Baseline	2018 Observed	2019 Observed	2020 Target	Change 2019-2020	2025 Goal
1. Contribute to Alaska's economic development						
Increase STEM graduates	1,628	1,691	1,505	1,875	+370 (25%)	2,460
Increase # invention disclosures	17	34	41	25	-16 (-39%)	34
2. Provide Alaska's skilled workforce						
Increase % of educators hired	30%	33%	29%	43%	+14% (47%)	90%
Double number of health program completions	874	939	831	1,086	+255 (31%)	1,760
3. Grow our world class research						
Lead the world in Arctic related research	1	1	1	1		1
Increase research expenditures	\$159.4m	\$150.7m	\$158.0m	\$168.3m	+\$10.3m (7%)	\$235m
4. Increase degree attainment						
Fiscal Year Student Full Time Equivalent (FTE)	18,492	17,555	16,721	19,825	+3,104 (19%)	28,526
Increase completions	4,594	4,554	4,314	5,442	+1,128 (26%)	10,400
5. Operate more cost effectively						
Decrease total cost of education (indirect and direct) per completer	\$107.3	\$108.4	\$110.6	\$93.9	-\$16.7 (-15%)	\$59.0
Increase annual completions per Full Time Equivalent (FTE)	23/100	23/100	24/100	26/100	+1.6 (6%)	35/100
*These goals and measures require revision to reflect recent state funding and enrollment reductions.						

Budget Plans

Budget Plan for FY2021 - update

	TOTAL	UAA	UAF	UAS	SW
Expense Factors					
• State UGF Reduction	25.0	9.1	12.3	1.9	1.7
• Investments					
• Strategic Initiatives*	5.0	1.8	2.5	0.4	0.3
• Compensation (Specific Market year 2 of 3)	3.2	1.3	1.6	0.1	0.2
• Compensation (General Market)	<u>3.9</u>	<u>1.4</u>	<u>1.9</u>	<u>0.3</u>	<u>0.3</u>
Total	37.1	13.6	18.3	2.7	2.5
Total	32.1	11.8	15.8	2.3	2.2

* The intent is to not require additional cuts/reallocations for strategic initiatives in the FY21 operating budget. This change will be reflected in the FY21 operating budget distribution the Board of Regents will be asked to approve in June.

Budget Plan for FY2022 - tentative

	TOTAL	UAA	UAF	UAS	SW
Expense Factors					
• State UGF Reduction*	20.0	7.2	9.9	1.7	1.2
• Investments					
• Compensation (Specific Market year 3 of 3)	3.2	1.3	1.6	0.1	0.2
• Compensation (General Market)	<u>TBD</u>	<u>TBD</u>	<u>TBD</u>	<u>TBD</u>	<u>TBD</u>
Total	23.2	8.5	11.5	1.8	1.4
* Tentative UGF reduction distribution based on FY21 % of total UGF.					

Legislative Priorities

FY21 Operating & Capital Budgets

- Operating Budget
 - Year 2 compact funding \$277M
 - Single appropriation structure*
- Capital Budget**
 - \$50M Deferred Maintenance (backlog exceeds \$1.2B)
 - \$2.5M Alaska Earthquake Center (USArray)

* There is strong legislative support for continuation of double appropriation structure.

** Legislative consideration is being given to a capital budget allocation for either one or both: deferred maintenance and debt

2020 Legislative Priorities

- Technical Vocational Education Program (TVEP)
 - Program expires this year (June 2020)
 - Funded through payroll deductions ~\$12.4M in FY20
 - Funds support high-demand career and technical training
 - UA receives 45% of program dollars ~\$5.6M in FY20
- Dual Enrollment
 - Expansion of High School/College enrollment programs with UA
- Alaska Higher Education Investment Fund
 - Alaska Performance Scholarship (APS) Program: ~\$12M
 - Alaska Education Grant (AEG): ~\$6M
 - WWAMI Medical School Program: ~\$3M

Debt Profile and Context

- Annual Debt Service = \$28 million (UGF component is \$22.5 million)
- Principal Outstanding = \$297 million
- Debt service is 5% of UA's unrestricted revenues, and has increased as revenue (UGF & Tuition) decline
- Fixed costs (e.g., debt payments) reduce management's capacity to make strategic reductions as revenues decline
- Examples of debt-financed projects: UAF Power Plant, UAA Student Housing, UAS Student Housing, UAF Engineering Building, UAA and UAF Deferred Maintenance

Debt Profile and Context

- Credit rating downgrades in Fall 2019, due to large UGF cuts and negative enrollment trends
 - Moody's rating: Baa1 with Negative Outlook
 - Standard & Poor's rating: A+ with Stable Outlook
- Lower credit ratings make new debt more expensive and refinancing less viable
- Continued financial headwinds: UGF & Tuition
- All of the above limit UA's capacity to use debt strategically
- Debt relief, in the form of principal payoff or debt service reimbursement, is a prudent financial move
- Debt relief would strengthen UA's financial position, and increase its capacity to respond to current and future revenue pressures

Recent Developments

Recent Developments

- House Finance Overview (1/28)
- House Finance Subcommittee
 - 1/28 Overview
 - 2/4 Budget & Debt
 - 2/6 Facilities & Deferred Maintenance
 - 2/11 Teacher Education and other Academic Issues
 - 2/13 Workforce Programs
 - 2/18 Closeout
- Senate/House Joint Education Committee (1/29)
- Senate Finance/Subcommittee Overview (2/5)
- Senate Education Teacher Education and other Academic Issues (2/11)

What's Next

What's Next

- Continue work on capital budget appropriation to fund deferred maintenance and/or debt
- Continued planning for cost reduction through expedited exceptional academic reviews, administrative consolidations, and asset monetization
- Support policy priorities:
 - TVEP reauthorization
 - Continuation funding for APS, AEG, and WWAMI
 - Dual enrollment expansion
 - Coordination with ACPE regarding APS and AEG student notification
 - Consideration of teacher education incentives

Appendix

Debt by Major Administrative Unit

Debt Financed Project Description	FY20 Debt Service	Principle Outstanding as of 6/30/20	Remaining Debt Service: FY21 to Final Maturity	Maturity Date(s)
University of Alaska Fairbanks (UAF)				
Combined Heat & Power Plant - Bond Bank Loan	\$ 5,589,588	\$ 82,890,000	\$ 139,701,694	10/1/2044
Combined Heat & Power Plant - UA Revenue Bond	4,900,000	61,920,000	97,943,000	10/1/2039
Engineering Building	2,121,800	30,950,000	52,993,075	10/1/2044
Dining Hall - Wood Center Addition	1,384,375	23,315,518	45,467,532	10/1/2044
Murie Building (the Life Sciences Building)	1,515,200	15,130,000	19,698,550	10/1/2032
Deferred Maintenance - Various Facilities	1,966,450	11,750,000	13,761,025	10/1/2026
Deferred Maintenance - Various Facilities	946,000	6,405,000	7,571,100	10/1/2027
West Ridge Research Ctr & Other Science Facilities	1,459,550	9,220,000	10,820,338	10/1/2030
Biological Research & Development (BiRD) Facility	287,788	3,570,000	4,639,044	10/1/2035
Coal Water Project - Old UAF Power Plant	775,350	2,875,000	3,106,106	10/1/2023
Central Campus Chiller Facility - Old UAF Power Plant	213,500	2,215,000	2,687,550	10/1/2028
Lena Point Building (Juneau)	251,875	1,955,000	2,302,700	10/1/2027
Arctic Research Center (IARC)	524,925	1,465,000	1,576,625	10/1/2023
Aurora Drive Receiving Warehouse	126,250	575,000	640,125	10/1/2024
Elvey Building Cooling System	66,780	63,000	64,260	10/1/2020
Lena Point Building (Juneau)	44,520	42,000	42,840	10/1/2020
Equipment Installment Contracts	55,561	8,127	8,173	7/15/2019 & 2020
Total UAF	\$ 22,229,511	\$ 254,348,645	4 403,023,736	

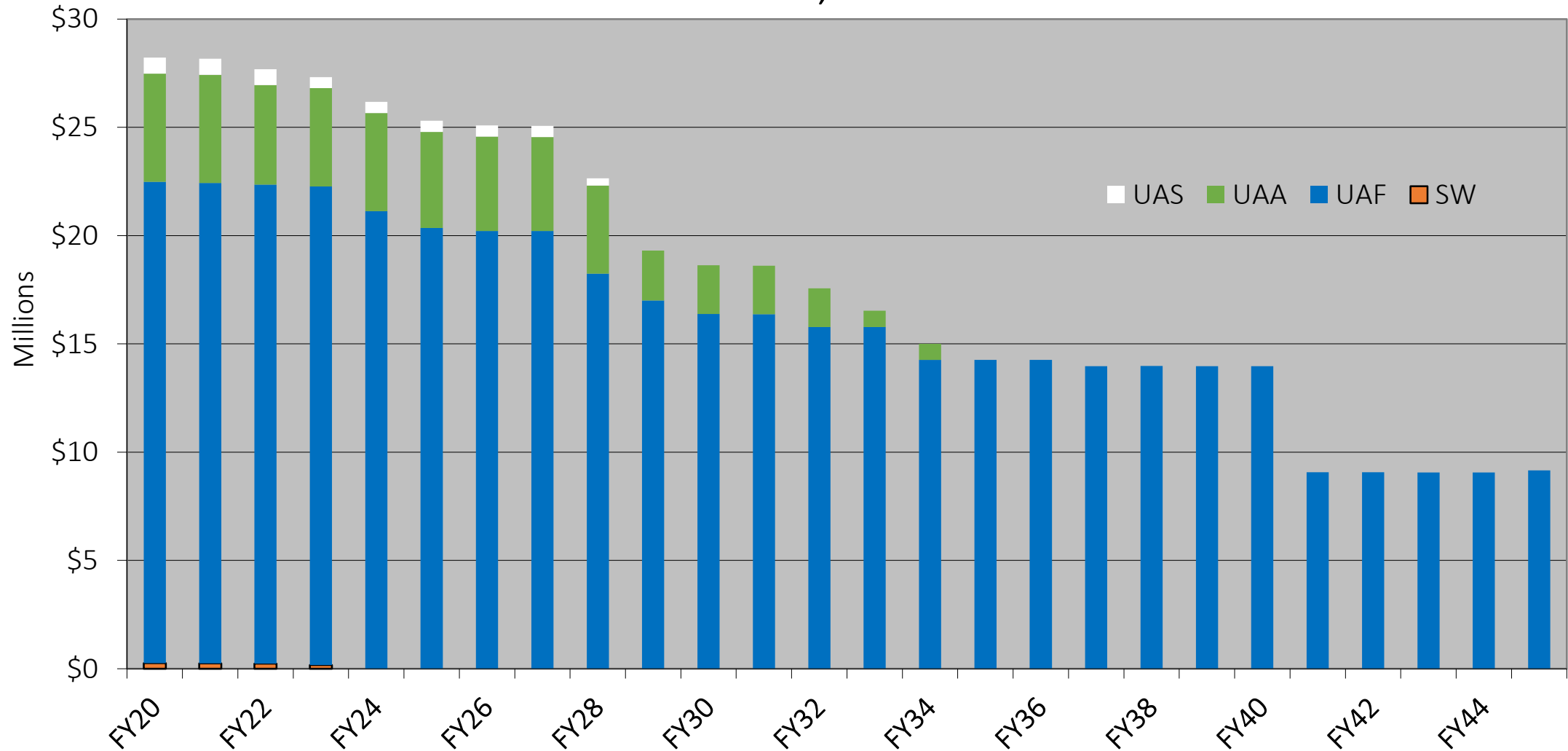
Debt by Major Administrative Unit

Debt Financed Project Description	FY20 Debt Service	Principle Outstanding as of 6/30/20	Remaining Debt Service: FY21 to Final Maturity	Maturity Date(s)
University of Alaska Anchorage (UAA)				
Student Housing & Townhouses	\$ 1,500,000	\$ 14,376,651	\$ 17,539,978	2/1/2032
Integrated Sciences Building Parking Garage & Loop Rd	772,825	8,185,000	10,690,225	10/1/2033
Community & Technical Center (aka University Center)*	877,425	6,060,000	7,029,975	10/1/2027
Deferred Maintenance - Various Facilities	858,650	5,790,000	6,845,025	10/1/2027
Deferred Maintenance - Various Facilities	342,650	1,815,000	2,111,975	10/1/2021 & 2026
Student Housing	190,600	790,000	867,650	10/1/2024
Land Acquisition & Improvements	51,474	395,000	463,465	10/1/2028
Software Maintenance Installment Contract	328,426	312,846	328,426	8/30/2020
Kenai Peninsula Kachemak Bay Campus Addition	74,400	75,000	76,500	10/1/2020
Total UAA	4,996,450	37,799,497	45,953,219	
University of Alaska Southeast (UAS)				
Readiness Center*	\$ 341,600	\$ 2,345,000	\$ 2,720,600	10/1/2027
Food Service Facility	175,400	1,045,000	1,223,900	10/1/2026
John R. Pugh Residence Hall	128,725	240,000	252,250	10/1/2022
Auke Lake Entry & Improvement	94,100	185,000	192,500	10/1/2021
Total UAS	739,825	3,815,000	4,389,250	
Statewide				
University Lake Building (Anchorage)	\$ 167,025	\$ 385,000	\$ 408,500	10/1/2022
Deferred Maintenance - Butrovich Building	86,100	240,000	254,800	10/1/2022
Total Statewide	253,125	625,000	663,300	
Total University of Alaska	\$ 28,218,911	\$ 296,588,143	\$ 454,029,505	

* The annual debt service on these facilities is reimbursed via a separate appropriation.

Total Annual Debt Service

June 30, 2019



Total UA Debt Outstanding

June 30, 2019

