University of Alaska

Budget Overview

February 13, 2019
Alaska’s Challenges

- Health care costs: #1 in the US, #2 concern of Alaskans
- Economic development: #42 in New Economy Index in US
- Jobs: #1 in unemployment in US
- Job growth: #50 in US
- Culture of education: #50 in post-secondary participation in US
- Teachers: 67% hired each year from “outside” Alaska
- Climate: Threatened communities & infrastructure
- Crime: #1 concern of Alaskans
- Energy costs: #6 in US, #3 concern of Alaskans
- Demographics: Population decline 6 years running
UA’s Commitment

Through our education, research and public service missions, UA is committed to:

- Bring down health care costs
- Stimulate economic development
- Prepare Alaskans for Alaska’s jobs
- Contribute to Alaska’s job growth
- Build a culture of education
- Prepare Alaska’s teachers and other high demand occupations
- Understand and mitigate its impacts of climate change on our communities
- Bring down the crime rate
- Reduce energy costs
- Rebuild confidence in Alaska’s future
Devastating Budget Reduction

• $134 million cut is the single largest year-over-year budget reduction in the university’s 100 year history

• Governor’s FY20 proposal is 41% reduction over FY19:
  • From $327 million to $193 million UGF

• Devastating to higher-education in Alaska, impacting university programs and services throughout the state, severe repercussions throughout the entire Alaska economy

• Will require a fundamental reassessment of the extent to which we can perform our education, research, and service mission

• Elimination of programs, facilities and services throughout the state, will be unavoidable
Unrestricted General Funds History
(in millions of $)

FY14: $378
FY15: $375
FY16: $351
FY17: $325
FY18: $317
FY19: $327
FY20 Gov.: $193

Cumulative Impact = $380M
Operating Budget Revenue by Source
FY14-FY19 Projection
(in millions of $)

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19 Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted General Funds</td>
<td>47.2%</td>
<td>47.5%</td>
<td>45.0%</td>
<td>43.0%</td>
<td>42.0%</td>
<td>42.4%</td>
</tr>
<tr>
<td>Student Tuition &amp; Fees</td>
<td>15.6%</td>
<td>16.2%</td>
<td>17.2%</td>
<td>17.8%</td>
<td>17.9%</td>
<td>17.5%</td>
</tr>
<tr>
<td>Indirect Cost Recovery</td>
<td>3.8%</td>
<td>3.9%</td>
<td>4.4%</td>
<td>4.6%</td>
<td>4.5%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Federal Receipts</td>
<td>15.7%</td>
<td>15.6%</td>
<td>16.2%</td>
<td>16.6%</td>
<td>15.7%</td>
<td>16.1%</td>
</tr>
<tr>
<td>Auxiliary, Designated, Match, &amp; Other Unrestricted</td>
<td>11.5%</td>
<td>10.9%</td>
<td>11.4%</td>
<td>12.0%</td>
<td>13.6%</td>
<td>13.3%</td>
</tr>
<tr>
<td>Other Restricted</td>
<td>6.3%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>6.1%</td>
<td>6.2%</td>
<td>6.1%</td>
</tr>
</tbody>
</table>

* excludes UA-intra-agency receipts
FY18 Operating Budget
Revenues and Expenditures
(in millions of $)
$134 million reduction magnitude

To put the number in perspective, by rough order of magnitude, here are some current operating costs:

- close UA Fairbanks................................................................. $164 million UGF
- close UA Anchorage............................................................... $120 million UGF
- close UA Southeast............................................................... $ 25 million UGF
- close all of our community campuses................................. $ 38 million UGF
- stop maintaining our facilities.............................................. $ 45 million
- eliminate Statewide administration...................................... $ 18 million UGF
- double our tuition................................................................. $140 million
Employee reductions

• Recent budget cuts have forced us to reduce our employee headcount by nearly 1,300 faculty and staff
• This additional reduction will require additional layoffs of faculty and staff (could be upwards of 1,300), directly impacting our ability to perform our mission and to serve our students
# Employee headcount reductions

<table>
<thead>
<tr>
<th>Employee Headcount Change Fall 2014-2018 (FY15-FY19) (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SW</strong> (2)</td>
</tr>
<tr>
<td>Regular</td>
</tr>
<tr>
<td>Officers/Sr. Administrators (3)</td>
</tr>
<tr>
<td>Faculty</td>
</tr>
<tr>
<td>Staff</td>
</tr>
<tr>
<td>Temporary</td>
</tr>
<tr>
<td>Adjunct Faculty</td>
</tr>
<tr>
<td>Staff</td>
</tr>
<tr>
<td>Students</td>
</tr>
<tr>
<td><strong>Total Headcount Reduction</strong></td>
</tr>
</tbody>
</table>

1. Employees with active assignments as of Oct 1st of each year.
2. Includes: 33 regular and 3 temporary positions transferred from SW to UAF for the K-12, OIT, and MAPTS program; and 30 regular and 4 temporary positions in UA’s Enterprise Entities RDU.
3. Includes Academic Leaders (12 month regular faculty ecls FR).
4. Includes 145 positions transferred from UAF to UAA in FY15.
Employment and payroll

• UA is one of the largest employers in Alaska.
• Directly supported an average of 7,548 jobs in 2015.
  • $346 million in annual wages.
  • Total labor income, including benefits, was ~$455 million.
• When jobs indirectly and directly linked to the University are considered:
  • UA supported 15,740 jobs in 2015
  • Totaling $630 million in annual wages
• State-wide employment
  • Majority of wages paid in Anchorage, Fairbanks, and Juneau
    • $301.9 million
  • $43.7 million in payroll spent in other communities

<table>
<thead>
<tr>
<th>Impact</th>
<th>Direct</th>
<th>Indirect &amp; Induced</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment Impact (jobs)</td>
<td>8,340</td>
<td>7,400</td>
<td>15,740</td>
</tr>
<tr>
<td>Payroll Impact ($ million)</td>
<td>$346</td>
<td>$284</td>
<td>$630</td>
</tr>
</tbody>
</table>

From McDowell Group report, 2016
Impacts to Alaska’s economy

• University of Alaska creates substantial economic activity throughout the state.

• University attracts and redistributes revenue across the Alaska economy.

• Total: generated $1.1 billion in economic activity in FY2015.
  • $740 million in direct, in-state expenditures by the University, University students, and University visitors;
  • $390 million in indirect and induced spending.

From McDowell Group report, 2016
Total economic impact of UA system

- Indirect Spending: $390 million
- Direct Spending: $740 million

UA Generated $1.1 billion in FY15

From McDowell Group report, 2016
Spending on Goods and Services

- $122.6 million purchased from Alaska vendors in FY15
- 2,000 businesses and organizations

Spending by Location, FY15

- Anchorage: $36,000,000
- Fairbanks: $39,000,000
- Juneau: $34,000,000
- Other: $14,000,000

From McDowell Group report, 2016
Reduced funding compounds reductions in enrollment

• Over all enrollment at UA has declined since FY14
• National trends correlate funding reductions with reduced enrollment and graduation rates
• Increases in tuition further limit access to affordable higher education and workforce training, impacting enrollment and reducing our available trained workforce
• Looking forward, 65% of Alaska’s workforce is projected (by 2025) to require some post-secondary education. Depending on the source, Alaska is now somewhere between 37% or 50%
Recent Budget and Enrollment Trends (FY14-FY18)

- **FY14:** $377.6 million; 32,696 student headcount
- **FY19:** $327.0 million; 26,641 student headcount

- **Unrestricted General Funds (UGF):**
  - FY14: $377.6 million
  - FY19: $327.0 million (Δ -$50.6)

- **Enrollment:**
  - FY14: 32,696
  - FY19: 26,641 (Δ -6,055)
<table>
<thead>
<tr>
<th>Year (Fall-Spring Semesters)</th>
<th>Increases</th>
<th>Tuition Rate per credit hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-2011</td>
<td>4% 100-200 Levels; 7% for all others</td>
<td>$127-$170</td>
</tr>
<tr>
<td>2011-2012</td>
<td>5% 100-200 Levels; 10% for all others</td>
<td>$133-$187</td>
</tr>
<tr>
<td>2012-2013</td>
<td>7% 100-400 Levels; 3% for Graduate</td>
<td>$142-$200</td>
</tr>
<tr>
<td>2013-2014</td>
<td>2% all Levels except, 4% for Undergraduate non-resident</td>
<td>$145-$204</td>
</tr>
<tr>
<td>2014-2015</td>
<td>$6 per credit Undergraduate; $12 per credit Graduate &amp; non-resident</td>
<td>$152-$210</td>
</tr>
<tr>
<td>2015-2016</td>
<td>5% for all</td>
<td>$160-$221</td>
</tr>
<tr>
<td>2016-2017</td>
<td>5% for all</td>
<td>$168-$232</td>
</tr>
<tr>
<td>2017-2018</td>
<td>10% for PWSC and Kodiak; 5% for all others</td>
<td>$185-$244</td>
</tr>
<tr>
<td>2018-2019</td>
<td>10% for PWSC and Kodiak; 5% for all others</td>
<td>$204-$256</td>
</tr>
<tr>
<td>2019-2020</td>
<td>9.5% for PWSC and Kodiak; 5% for all others</td>
<td>$223-$269</td>
</tr>
</tbody>
</table>
Reduce our footprint

Facilities & Infrastructure (fall 2017)

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of facilities</td>
<td>424</td>
</tr>
<tr>
<td>Total gross square footage</td>
<td>8.2 million</td>
</tr>
<tr>
<td>Average age of facilities</td>
<td>33 years</td>
</tr>
<tr>
<td>Value (adjusted for inflation)</td>
<td>$4 billion</td>
</tr>
<tr>
<td>Annual maintenance budget ($40M on-going operating funds + $5M one-time capital funds)</td>
<td>$45 million</td>
</tr>
<tr>
<td>Annual maintenance long-term target (on-going operating funds)</td>
<td>$60 million</td>
</tr>
<tr>
<td>Deferred maintenance/renewal &amp; repurposing backlog</td>
<td>$1.1 billion</td>
</tr>
<tr>
<td>DM/R&amp;R backlog pay-down request (one-time capital funds)</td>
<td>$50 million</td>
</tr>
<tr>
<td>DM/R&amp;R backlog per sq ft</td>
<td>$129/sf</td>
</tr>
</tbody>
</table>

- We will be forced to consider closing and selling facilities, reducing operating expenses and utilizing the one-time revenue from sales
The University will Lead

• It has been proven in state after state, it takes a great university to build a great state
• As Alaska’s sole public higher education system, UA has a special responsibility; we must meet the state’s needs for higher education

• How does UA lead, how does UA meet the state’s needs when:
  • Budgets are being cut and, as result
    • Reputation negatively impacted
    • Enrollment and philanthropy decline
    • Revenues decline
    • Services decline
    • Cycle continues
  • Assets—human, financial, programmatic, and physical—are difficult to reallocate
  • Alaska’s challenges constrain UA’s options

• Despite the challenges, UA has chosen to lead
• And that is exactly what UA is doing