



# 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:

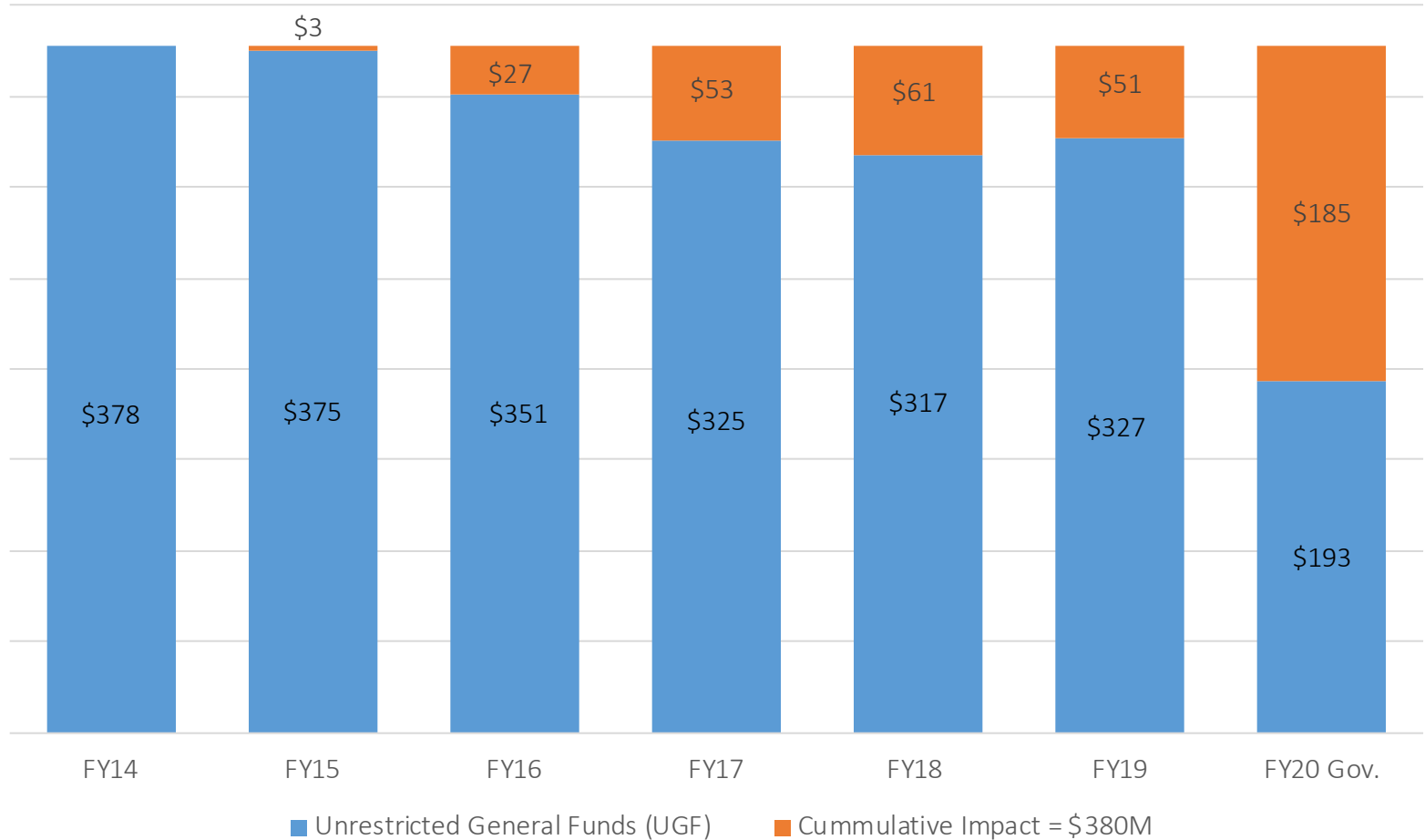
- Bring down health care costs
- Stimulate economic development
- Prepare Alaskans for Alaska's jobs
- Contribute to Alaska's job growth
- Build a culture of education
- Prepare Alaska's teachers and other high demand occupations
- Understand and mitigate its impacts of climate change on our communities
- 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

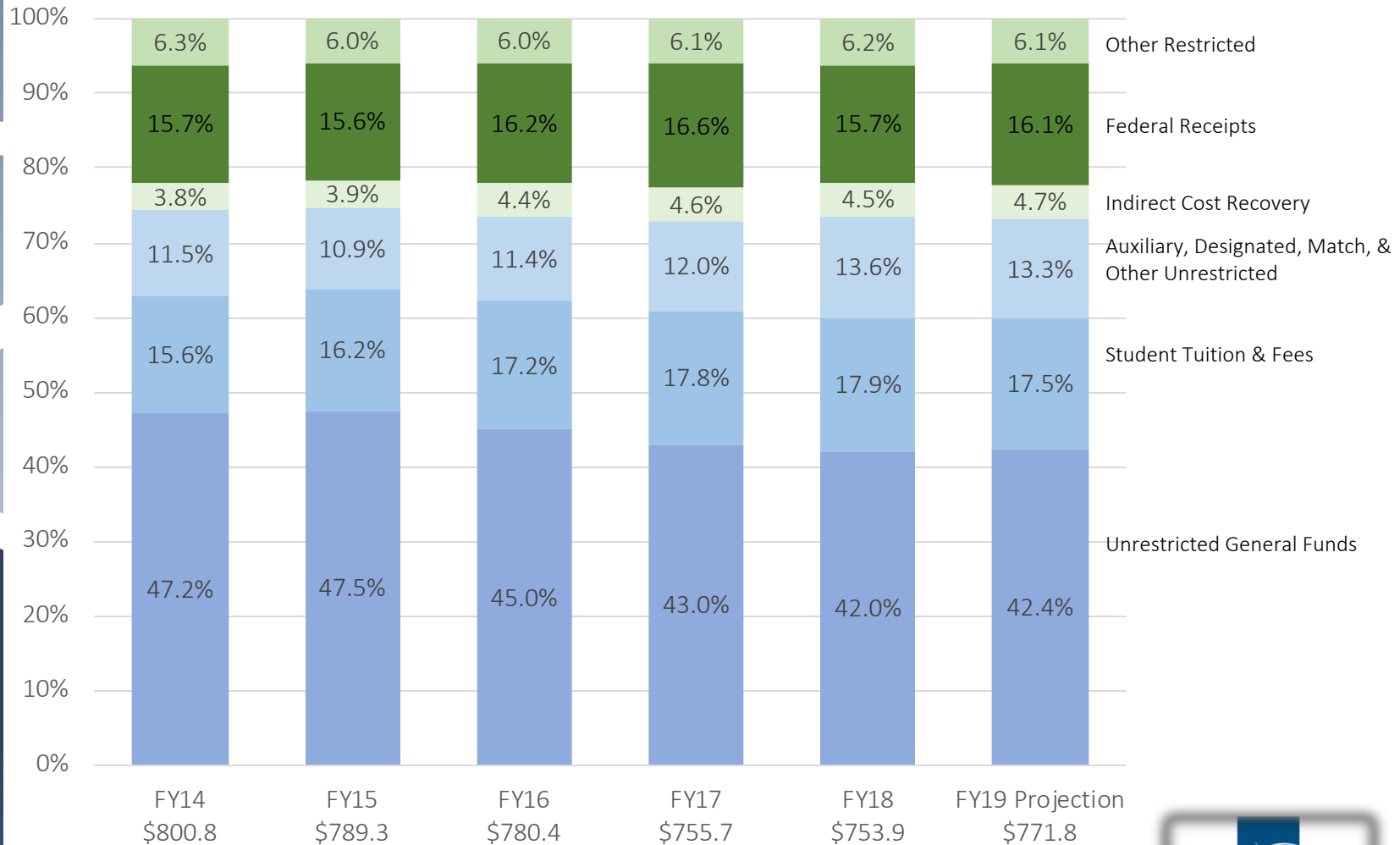
(in millions of \$)



# Operating Budget Revenue by Source

## FY14-FY19 Projection

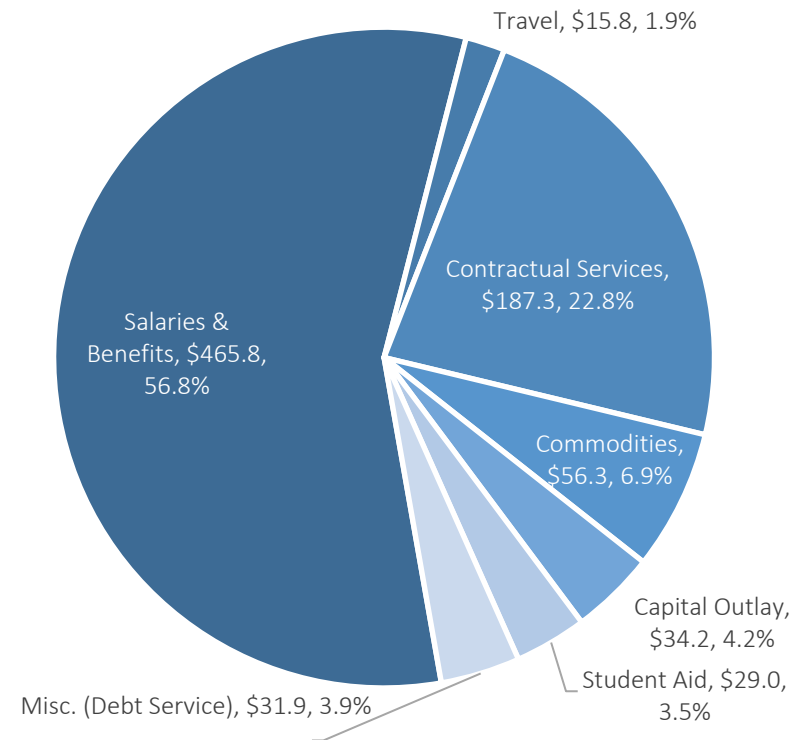
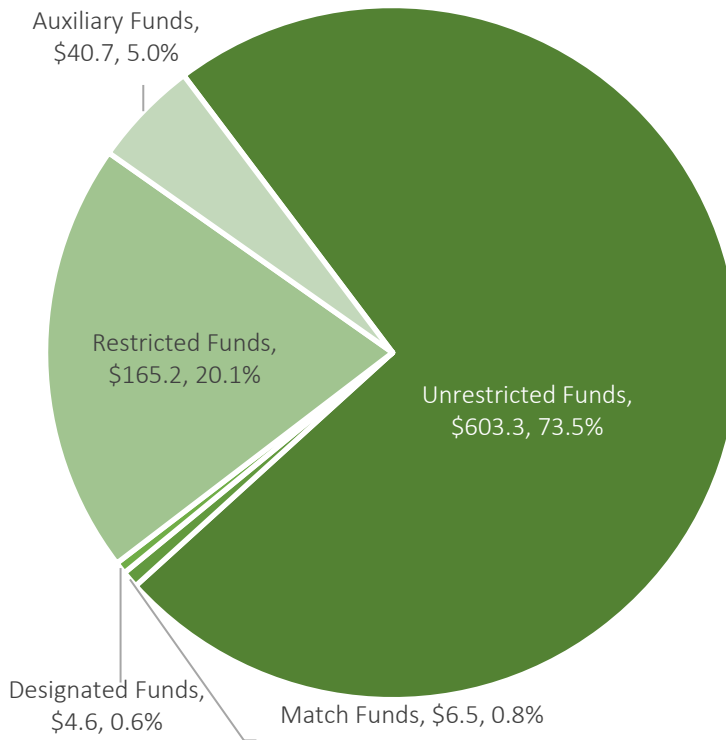
(in millions of \$)



\* 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

Employee Headcount Change Fall 2014-2018 (FY15-FY19) <sup>(1)</sup>

	SW <sup>(2)</sup>	UAA <sup>(4)</sup>	UAF	UAS	Total	% of Total
Regular	-68	-176	-337	-42	-623	-14%
Officers/Sr. Administrators <sup>(3)</sup>	-5	-8	-9	0	-22	-11%
Faculty	0	-74	-126	-5	-205	-15%
Staff	-63	-94	-202	-37	-396	-14%
Temporary	-26	-217	-316	-101	-660	-17%
Adjunct Faculty	-6	-101	-36	-55	-198	-17%
Staff	-10	-57	-56	-22	-145	-18%
Students	-10	-59	-224	-24	-317	-16%
<b>Total Headcount Reduction</b>	<b>-94</b>	<b>-393</b>	<b>-653</b>	<b>-143</b>	<b>-1,283</b>	<b>-15%</b>

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

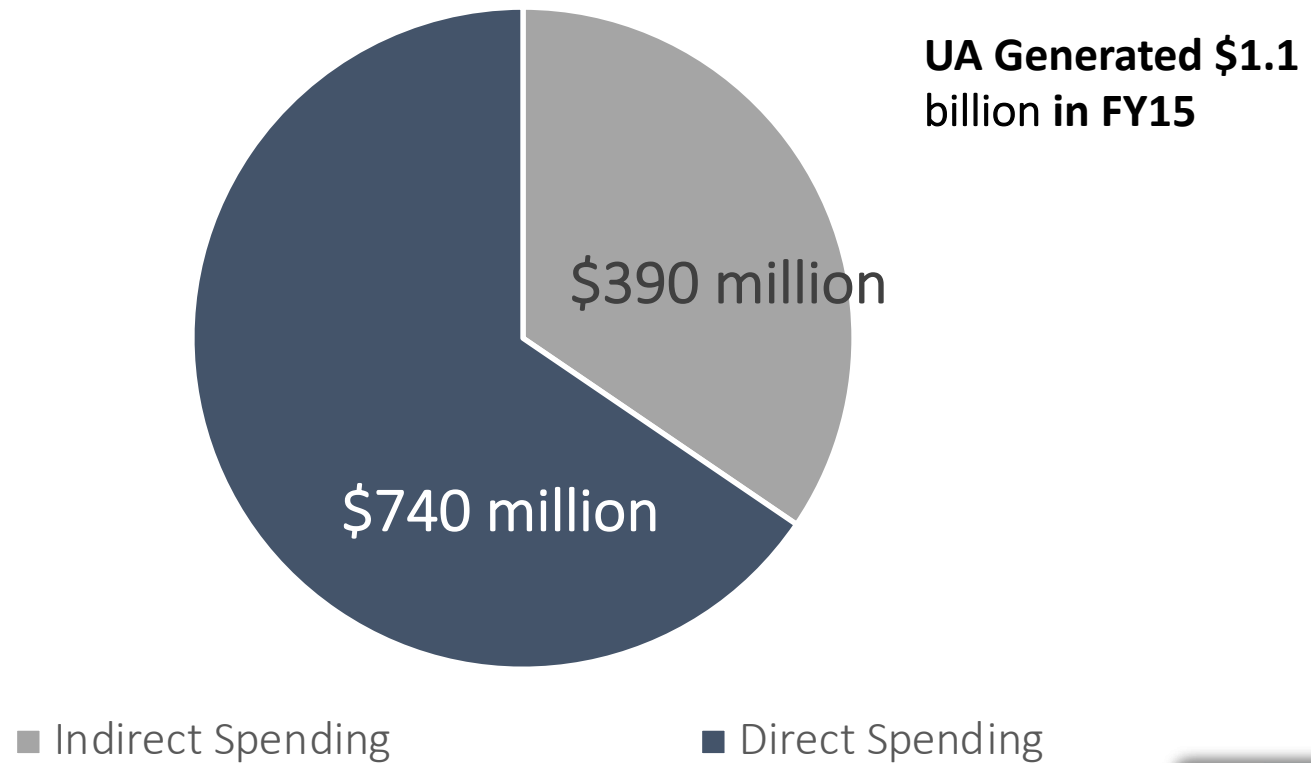
- UA is one of the largest employers in Alaska.
- Directly supported an average of 7,548 jobs in 2015.
  - \$346 million in annual wages.
  - Total labor income, including benefits, was ~\$455 million.
- When jobs indirectly and directly linked to the University are considered:
  - UA supported 15,740 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

Impact	Direct	Indirect & Induced	Total
Employment Impact (jobs)	8,340	7,400	15,740
Payroll Impact (\$ million)	\$346	\$284	\$630

# 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.

# Total economic impact of UA system

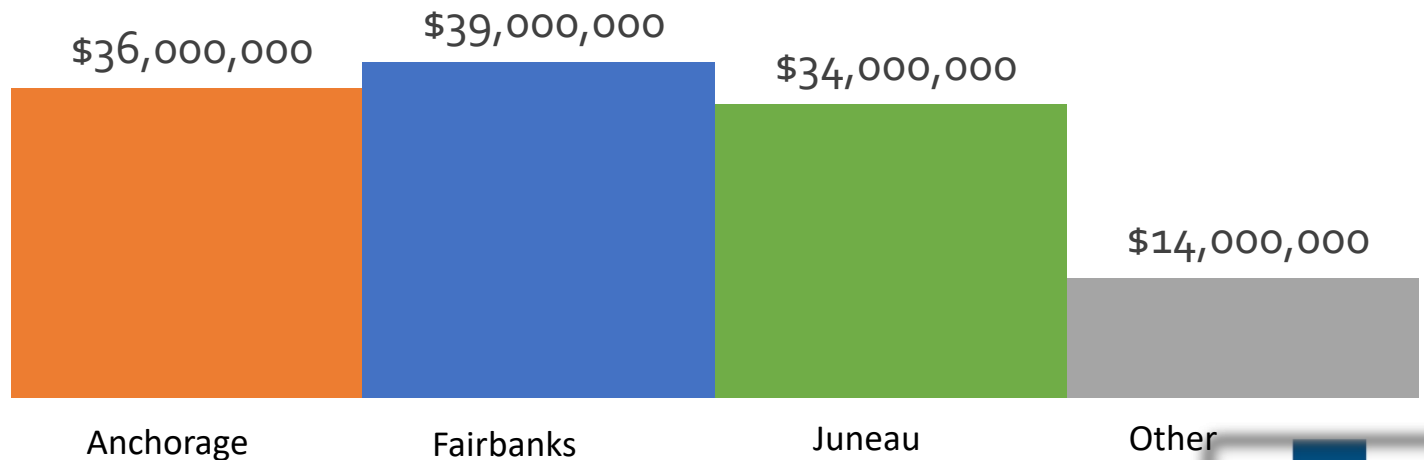


From McDowell Group report, 2016

# Spending on Goods and Services

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

## Spending by Location, FY15

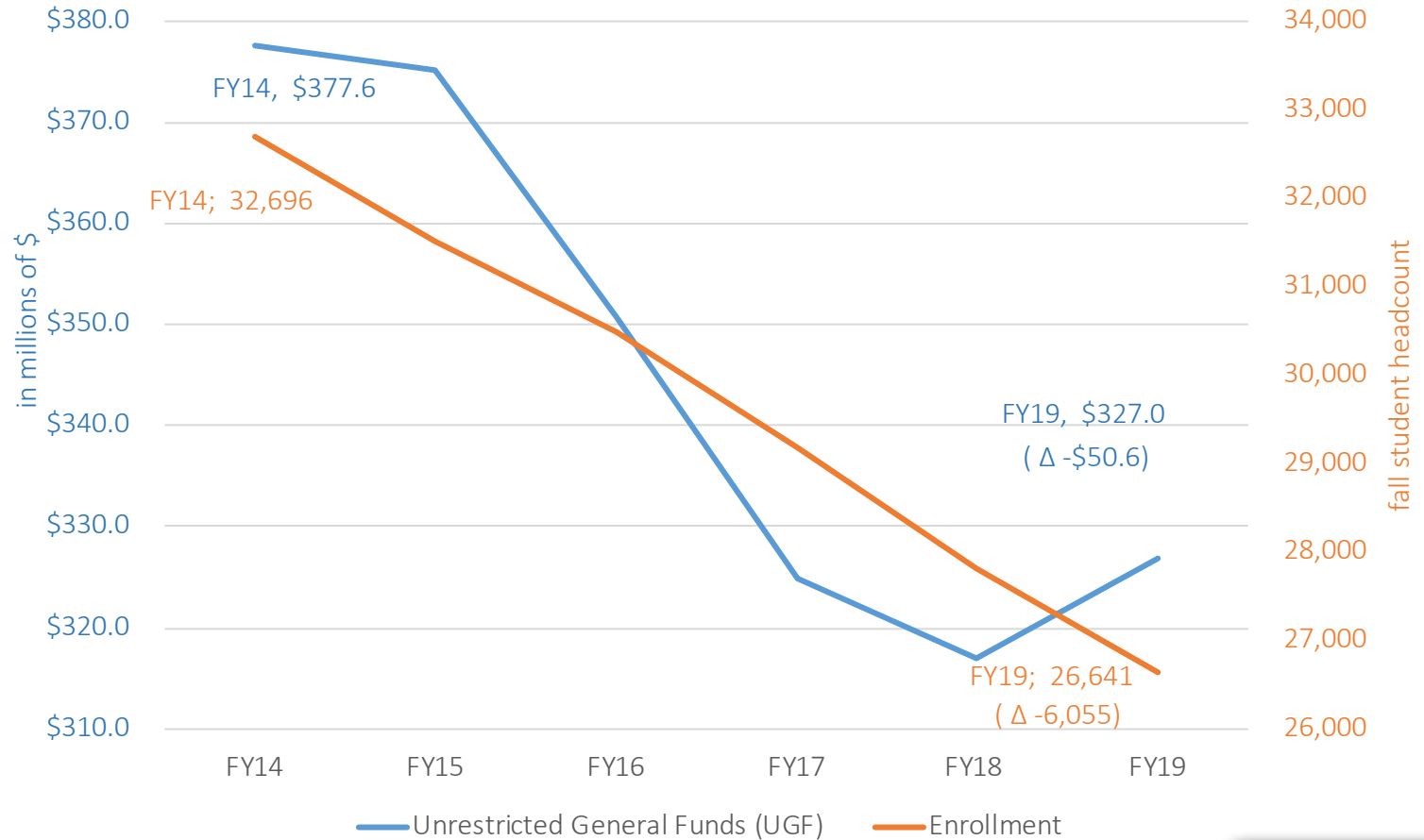


From McDowell Group report, 2016

# 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)





# Tuition Rate History

Year (Fall-Spring Semesters)	Increases	Tuition Rate per credit hour
2010-2011	4% 100-200 Levels; 7% for all others	\$127-\$170
2011-2012	5% 100-200 Levels; 10% for all others	\$133-\$187
2012-2013	7% 100-400 Levels; 3% for Graduate	\$142-\$200
2013-2014	2% all Levels except, 4% for Undergraduate non-resident	\$145-\$204
2014-2015	\$6 per credit Undergraduate; \$12 per credit Graduate & non-resident	\$152-\$210
2015-2016	5% for all	\$160-\$221
2016-2017	5% for all	\$168-\$232
2017-2018	10% for PWSC and Kodiak; 5% for all others	\$185-\$244
2018-2019	10% for PWSC and Kodiak; 5% for all others	\$204-\$256
2019-2020	9.5% for PWSC and Kodiak; 5% for all others	\$223-\$269

# Reduce our footprint

## Facilities & Infrastructure (fall 2017)

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

- 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