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RE: Conference Committee approves critical investments for University of Alaska system in the FY23 budget

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Dear university colleagues,

As the Legislature enters its final official day of session, the outlook is positive for the University of Alaska system. The operating and capital budgets moved from conference committee to the House and Senate for approval before midnight tonight.

Yesterday, the conference committee completed its work on the FY23 budget. UA's operating budget, as passed by the committee, includes an Unrestricted General Fund [UGF] appropriation for the university system which includes a 6.7% base increase over our current operating budget (a total of \$291 million base operating budget) plus one-time investments in areas critical to Alaska's economic recovery. This provides much needed financial stability after eight years of budget cuts - a reduction of more than \$100 million in state funding since FY14 - compounded by enrollment challenges and the financial impacts of the COVID pandemic.

Financial stability is essential for the universities to focus on key state needs including research that supports Alaska's economic development, workforce and career training, and to address student demand for accessible, affordable, high-quality education.

The operating budget brings a sense of fiscal stability for the University of Alaska system:

- \$9.9 million for compensation and fixed cost increases (includes a 2% salary increase for non-bargaining staff, firefighters, and local 6070)
- \$3.5 million for health program faculty to meet workforce demand
- \$2 million for alternative energy
- \$1 million for health clinicals
- \$1 million for teacher education
- \$635,900 for continued Alaska Library Network and Imagination Library support
- \$200,000 for Alaska Area Health Education Centers
- \$100,000 increase to mental health trust funding
- \$72,300 for technical vocational education program funds (+\$881,800 FY22 supplemental)
- And increased authorization to receive federal funding for research

One-time funding for research and development critical for Alaska's economic recovery:

- \$10 million for drone programs to secure beyond line of sight and industry development
- \$7.8 million for important critical mineral and rare earth research and development
- \$5 million for heavy oil recovery research and development
- \$250,000 for health program equipment
- \$7 million to support mariculture research, industry support and workforce development

This investment provides financial stability for UA programs, one-time funding for critical workforce development and economic development programs, and underscores the Legislature's belief that the university system is critical to the state and contributes to the state's economy in many important ways.

In addition, the capital budget includes:

- \$50 million for deferred maintenance
- \$20 million for student IT system modernization
- \$2.5 million for alternative energy research
- \$2 million for fisheries, seafood, and maritime programs
- \$500,000 for rare earth elements demonstration facility
- \$250,000 for rare earth mineral security
- And increased authorization to receive federal funding for the Seward Sikuliaq facility

The conference committee also concurred with the House version of the budget which maintains a single-appropriation structure preferred by the university.

I am optimistic that the University of Alaska system will see its first operating budget increase in several years, and an increased capital budget for deferred maintenance and modernizing our student-facing IT system. Addressing our deferred maintenance backlog, estimated at \$1.4 billion in FY21, is a top priority. However, we have received less than \$3.3 million per year on average for deferred maintenance over the past seven years, although our annual needs are \$50 million. I'm pleased the Legislature saw the wisdom in those critical items.

On Monday, May 16, in a last ditch effort to secure faculty raises, the University of Alaska Board of Regents took unprecedented action to authorize me to implement the university's 'best and final offer' with United Academics [UNAC], the full-time faculty union, and submit a budget request to the legislature. The action follows deadlocked negotiations and an unsuccessful effort to reach an agreement in federal mediation, resulting in an impasse. Unfortunately, although the conference committee received the university's requests for funding, with support from the administration, those adjustments were not taken up by the conference committee at the 11th hour. Therefore, there are no monetary terms for UNAC included in the FY23 budget. More than likely, the next opportunity to address monetary terms is in January 2023 when the Legislature comes back into session, as special sessions are unusual in election years.

We thank lawmakers for their support of our university system and their recognition of our efforts to stabilize our budget, and investment in priority workforce programs and research activities critical to the state's economic recovery.

We appreciate the strong working relationship with the Governor on advancing priorities including critical minerals, alternative energy, mariculture and drones.

Together, the University of Alaska system and the state, can help lead Alaska to a stronger economic future.

Thank you,
Pat Pitney
President, University of Alaska