

State Budget

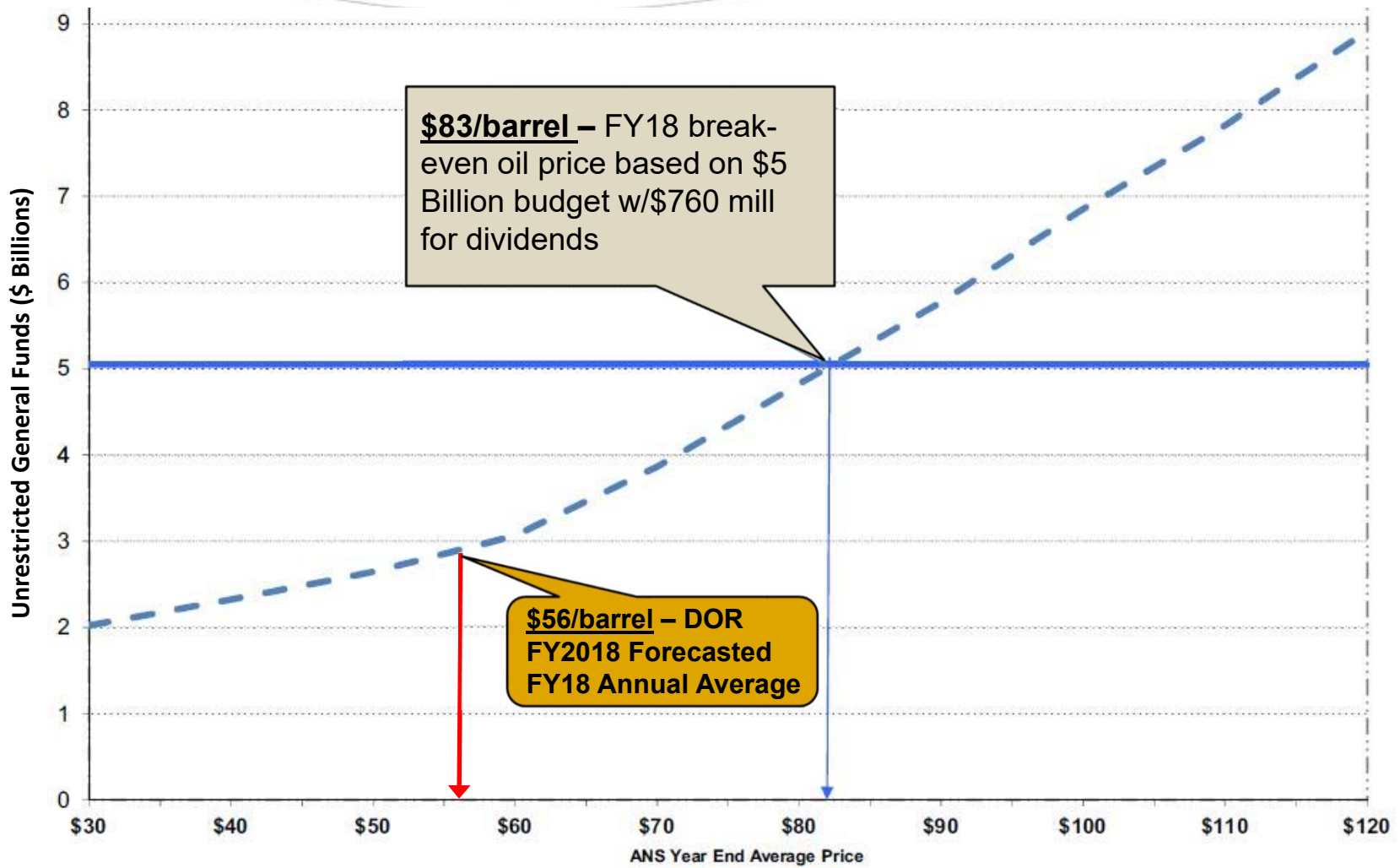
Overview & Challenges

Leadership Workshop
January 18, 2018

Miles Baker
Assoc VP, Government Relations

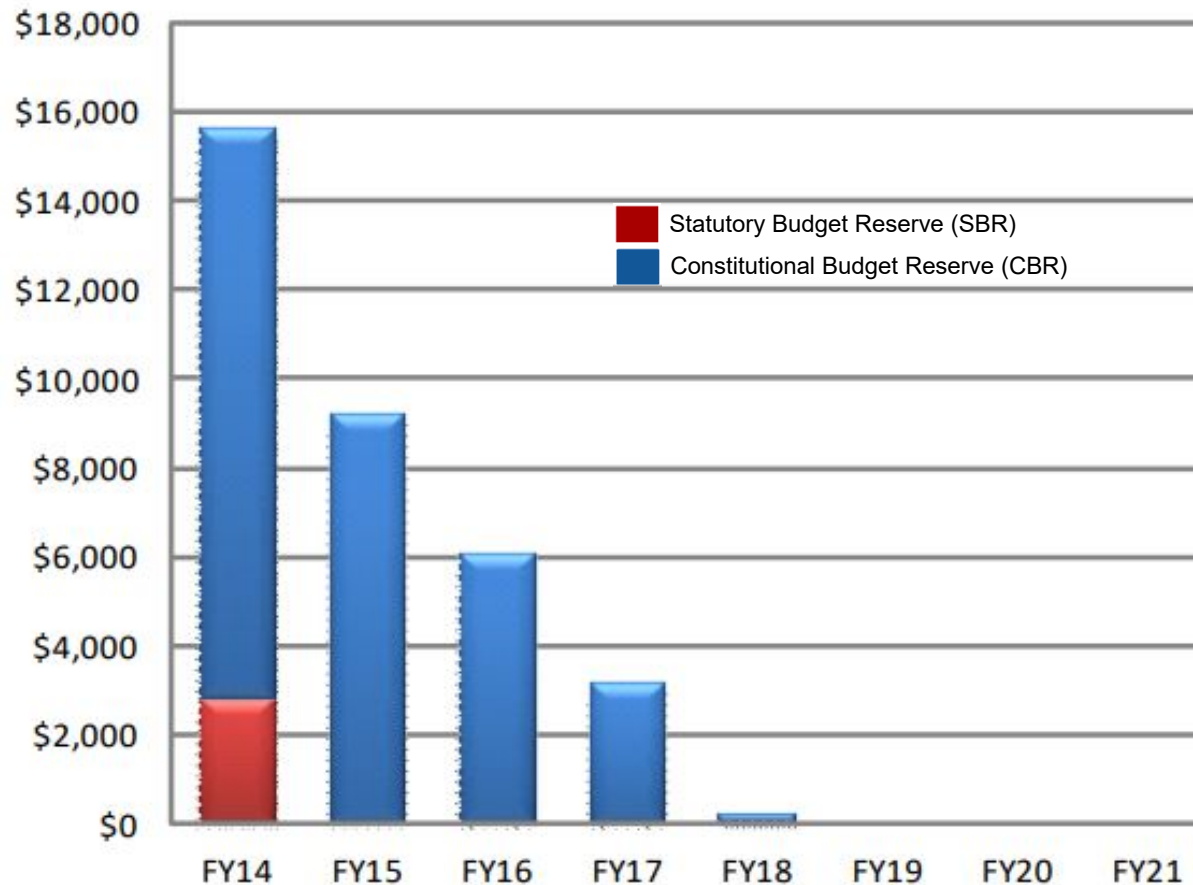


Alaska's Fiscal Situation



Source: Legislative Finance Division

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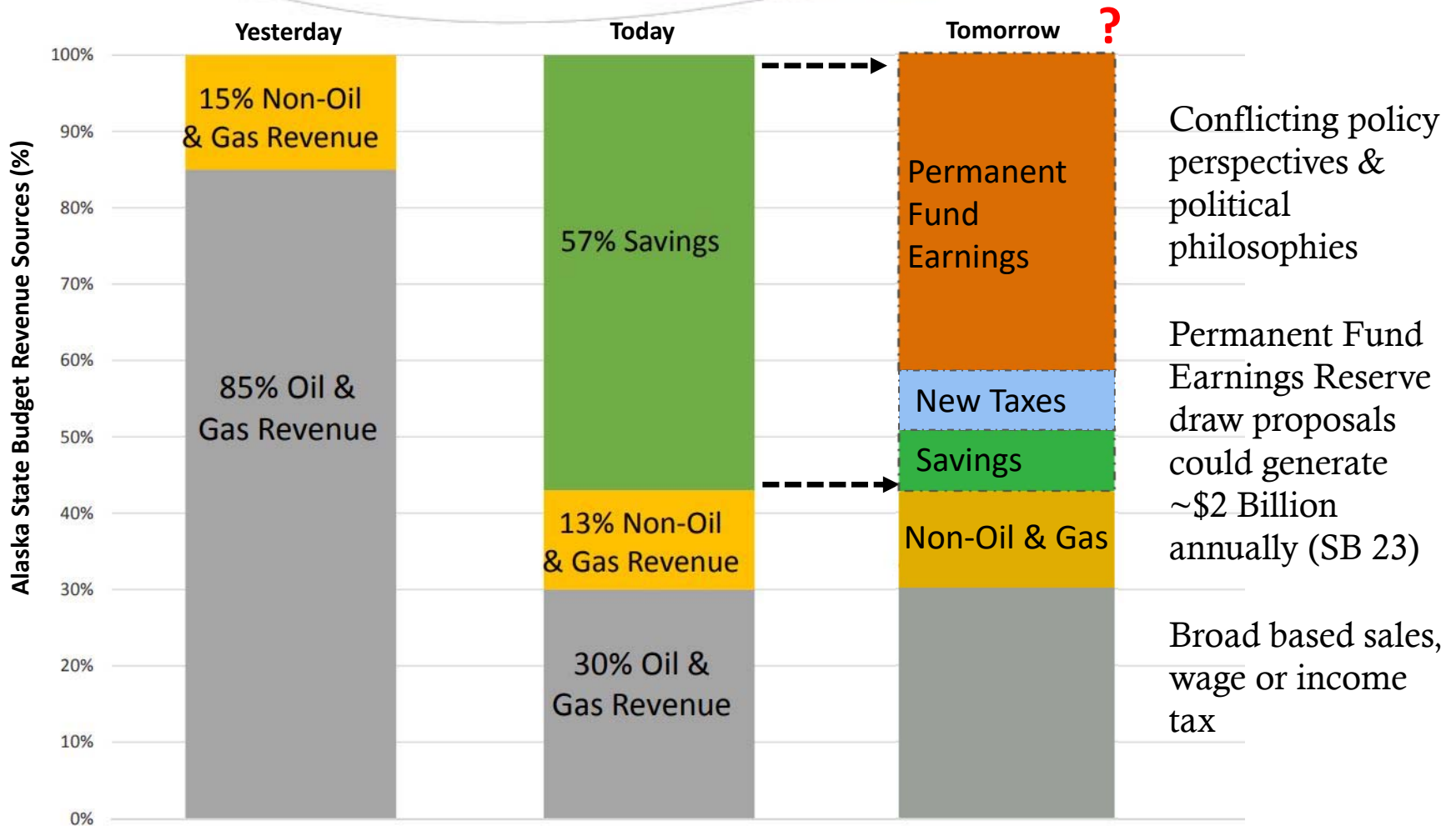
In the last 4 years we've spent \$14 Billion from savings

Just maintaining FY18 state service levels requires a \$300 Million increase

Legislators enter this session facing another *\$2.5 Billion deficit....*

...and just *\$2.4 Billion* left in non-Permanent Fund savings

Alaska's Fiscal Situation



Source: Alaska OMB

University Budget

State UGF Budget	FY19	
Education (K-12)	\$ 1,294	
Health & Social	\$ 1,165	
University	\$ 317	UA is 7% of State Budget
Corrections	\$ 289	
DOTPF	\$ 178	
Public Safety	\$ 163	
Agency Ops	\$ 510	All 12 other State Agencies
Retirement Payments	\$ 271	
Debt Service	\$ 202	
Capital Budget	\$ 150	
Other	\$ 42	
Total UGF	\$ 4,581	
Revenue Projection	\$ 2,086	
Deficit	\$ (2,495)	
Savings		
CBR Balance	\$ 2,188	
SBR Balance	\$ 172	
Remaining Deficit	\$ (134.9)	

✧ Legislators want to support important public priorities

✧ In times of surplus, one could navigate around budget proposals, work on “plus-ups” and “increments”

✧ But, money simply isn't there; reserves depleted

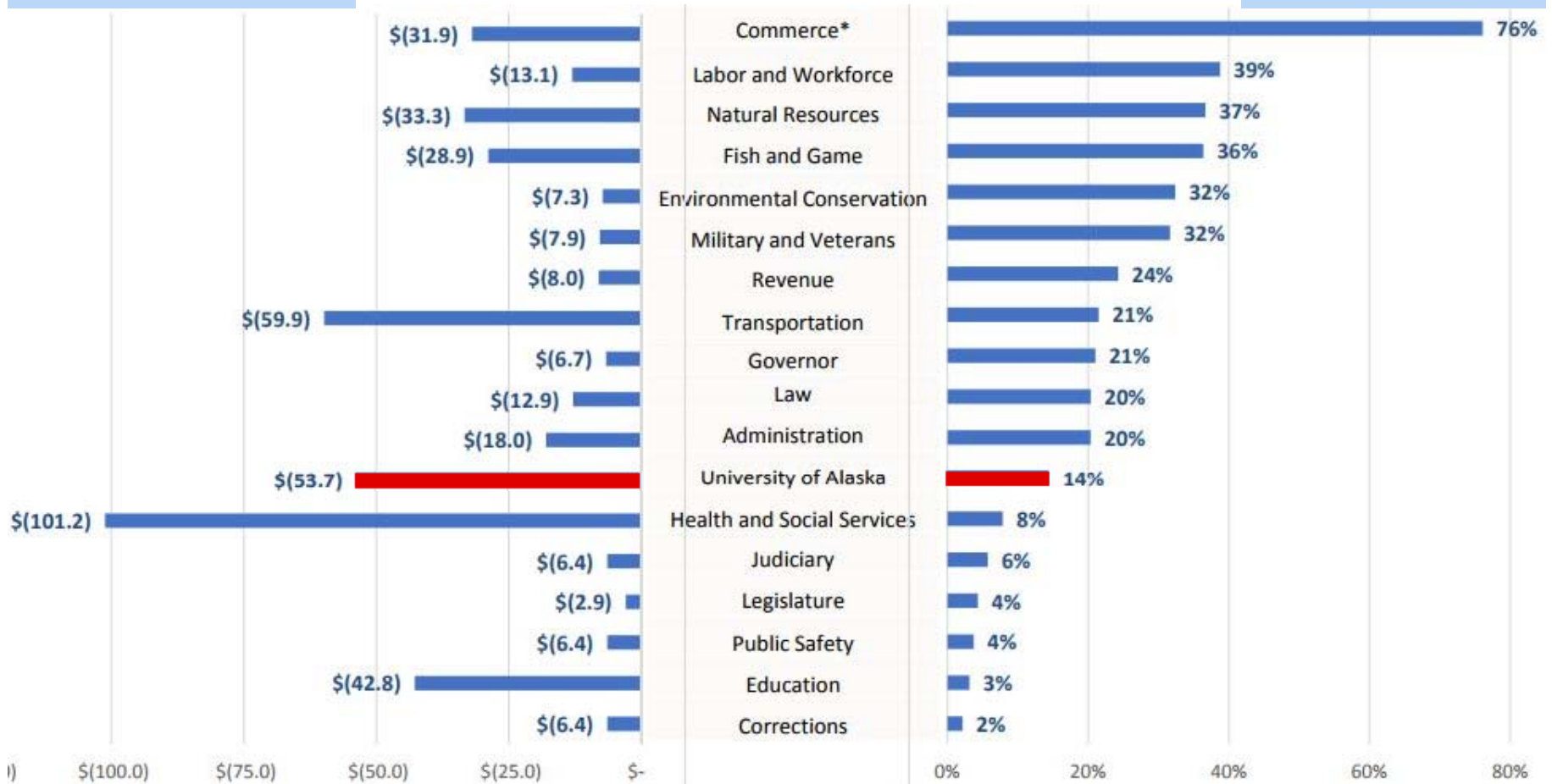
✧ Solutions – *Permanent Fund Earnings, taxing or taking from someone else*

University Budget

FY15 MgtPlan to FY19 Gov Proposed

Dollar Reduction (\$ Mill)

Percent Reduction



Source: Alaska OMB

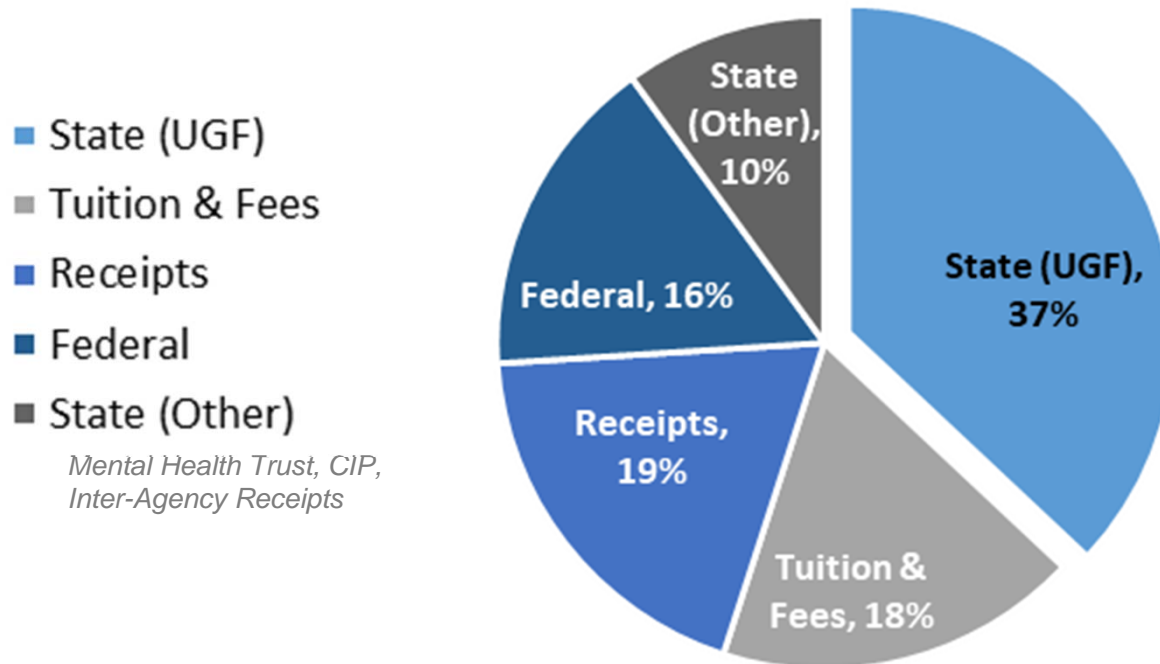
University Budget

- UA's budget cut from \$378M in FY14 to \$317M in FY18
 - \$61 mill (16%) reduction or cumulative loss of \$145 million
 - 1,183 fewer people working here then 3 years ago
- Collectively, state operating agencies have been reduced by 43% over the same time period - \$780M to \$446M
- State employment is at its lowest level in 16 years, since 2002; population has grown 15% over that time
- Additional cuts very hard to find; Larger GF budgets a target

University Budget

UA Budget by Major Funding Source

FY18 Management Plan



Legislature doesn't appropriate to UA by academic programs, campuses, services, etc.

Pro:

Single appropriation – one check
Spending priorities set by Regents

Con:

Advocating for specific priorities difficult
Inability to quantify immediate impacts of proposed reductions

2018 Legislative Priorities

✧ FY19 Operating/Capital Budget

- ✧ Operating: \$341M Regents vs \$317M Governor
- ✧ Capital: \$ 50 Regents vs \$ 0 Governor
- ✧ Capital: Gov Economic Recovery Plan Possible \$70M

✧ Protecting the Higher Education Fund

- ✧ ~\$18M draw annually:
 - ✧ Alaska Performance Scholarship (~\$12M)
 - ✧ Alaska Education Grant (~\$6M)
- ✧ Non-designated spending could deplete fund by FY22

✧ Extending the Education Tax Credit

- ✧ Expires December 2018
- ✧ Represents \$5-\$7 Million in revenue for UA
- ✧ Simple concept - complicated statute

Challenge

- ✧ Alaska's revenue and budget crisis has both financial and political dimensions – we are impacted by both
- ✧ Structural deficit makes it difficult to address investment priorities like higher-education and work force development
- ✧ State's overall revenue pie, impacts the size of our slice
- ✧ Budgeting situation will not improve until a long-term revenue solution is achieved

Challenge

- ✧ Public opinion and political constituents drive the agenda
- ✧ Public doesn't clearly distinguish between types of government spending
- ✧ Legislators may support UA; their constituencies may not
- ✧ Budget increases may not be considered politically wise
- ✧ This dynamic demands an increased focus on public outreach and external advocacy

Challenge

- ✧ Strong and coordinated legislative engagement is always required; but a straight line approach alone isn't going to be successful
- ✧ Legislative support comes with the consent of the broader public – the collective consciousness of Alaskans
- ✧ Broaden our definition of advocacy; connect with people who exercise influence – shape public opinions
- ✧ Mobilize and build support for our mission, programs and initiatives
- ✧ Communicate UA's impact on the State and Alaska's support for the university