

UNIVERSITY OF ALASKA
FY20 BUDGET GUIDANCE
Last update: 8/13/18

FY20 BUDGET PRIORITIES

1) Budget Planning Principles

- Put student success first
- Maintain quality & access to academic programs
- Leverage collaboration across the system
- Focus on our goals & measures
- Experiment with innovative solutions
- Build partnerships
- Put one-time funding to work
- Maximize outcomes and return on investment
- Diversify our revenues

2) Align Strategic Investment funding requests with system-wide goals and measures (Appendix A & B)

- Student Success (enrollment & degree completion)
- Skilled Workforce (educators & health care providers)
- Research
- Economic Development (inventions & STEM graduates)

3) Continued investment in Strategic Investment Areas (year 3 of 3 year investments)

- Research
- Process Improvement/Automation

4) Additional Strategic Investment areas identified by the universities

5) Facility maintenance catch up funding and additional funding to get back on track to meeting the Board of Regents goal of increasing base funding to \$60 million. (Appendix C)

6) Update 10-year capital improvement plan to reflect priorities

7) Faculty and staff market compensation review for possible adjustment in FY20

8) Any university specific operating or other fixed cost increases

FY20 BUDGET TIMELINE

Below are key dates in the FY20 budget development process

July

- 7/20: Statewide Strategy, Planning and Budget Office FY20 Budget Planning meeting with Governor's Office of Management and Budget (OMB)
- 7/26: Executive Council Planning Meeting with Dennis Jones (NCHEMS) to discuss Budget, Goals and Measures, and Roles and Responsibilities
- 7/31: FY20 Budget Guidance from Governor's Office of Management and Budget (OMB) (Appendix D)

August

- 8/10: Budget materials due for Summit Team meeting
 - FY20 Operating budget request worksheet (Appendix A)
 - FY20 Operating and other fixed cost estimates
 - FY19 Strategic Investment update/impacts worksheet (Appendix B)
 - Capital budget requests (non-DM/R&R)
- 8/13: Executive Council budget meeting preparation
- 8/15: State Performance Details due via OMB website (final published in Sept.)
- 8/16: University FY20 Budget Presentations
- 8/16: Summit Team update on FY20 goals, measures, strategies, and initiatives
- 8/20: Executive Council budget discussion follow-up
- 8/21: Primary Election
- 8/27: Executive Council draft budget and BOR presentation review and comment

September

- 9/4: Executive Council review September BOR budget and presentation
- 9/5: President's Heads Up Meeting with Governor's Office of Management and Budget (OMB)
- 9/6: Post budget document and presentation for BOR meeting
- 9/13-14: Board of Regents (BOR) meeting, first review of FY20 Operating and Capital Budgets; and approval of performance framework
- 9/13: Meet with Alaska Commission on Postsecondary Education to discuss and align FY20 strategies
- 9/24: Submit DM/R&R capital budget requests and backlog projects list for OMB (Appendix C)

October

- Finalize FY20 Operating and Capital Budgets, and 10-year Capital Improvement Plan (CIP)

November

- 11/6: General Election
- 11/8-11/9: BOR FY20 Operating and Capital Budget Request and 10-year CIP Approval
- Submit BOR FY20 Budgets to the Governor's Office of Management and Budget (OMB)
- 11/15: Leadership Workshop

December

- 12/14: Governor's FY20 Budget Released

Appendix B
University of Alaska
FY2019 UA Strategic Investments

University	Goal	Measure	Strategy	Initiative	\$ Distributed	\$ Allocated	Funding Source	Anticipated Impact on Measure
UAA	Goal #1: Contribute to Alaska's Economic Development	a. Increase STEM graduates	Partnerships with K-12	Alaska Native Science and Engineering Program (ANSEP)	500.0			
UAA	Goal #1: Contribute to Alaska's Economic Development	b. Increase number of invention disclosures	Building Competitive Capacity	INNOVATE Program Expansion	230.0			
UAF	Goal #1: Contribute to Alaska's Economic Development	b. Increase number of invention disclosures	Building Competitive Capacity	Intellectual Property & Commercialization Infrastructure & Support	120.0			
UAF	Goal #2: Provide Alaska's Skilled Workforce	a. Increase percentage of educators hired	Marketing & Recruiting	Faculty Focused on Preparing Teachers for Rural Schools	100.0			
UAS	Goal #2: Provide Alaska's Skilled Workforce	a. Increase percentage of educators hired		Alaska College of Education (AKCOE)	1,150.0			
UAF	Goal #2: Provide Alaska's Skilled Workforce	a. Increase percentage of educators hired	Partnerships with K-12	Expand Rural Alaska Honors Institute (RAHI) Education Track; Collaborate with Educators Rising	100.0			
UAA	Goal #2: Provide Alaska's Skilled Workforce	b. Double number of health program completions	Building Capacity	Masters Public Policy	150.0			
UAA	Goal #2: Provide Alaska's Skilled Workforce	b. Double number of health program completions	Building Capacity	Next Generation Nursing	150.0			
UAA	Goal #2: Provide Alaska's Skilled Workforce	b. Double number of health program completions	Partnerships with K-12	Health Care Careers Middle College (HCCMC)	250.0			
UAA	Goal #3: Grow Our World Class Research	a. Lead the world in Arctic related research	Building Competitive Capacity	Arctic Domain Awareness Center (ADAC)	210.0			
UAF	Goal #3: Grow Our World Class Research	a. Lead the world in Arctic related research	Building Competitive Capacity	One Health Circumpolar Initiative	100.0			
UAF	Goal #3: Grow Our World Class Research	a. Lead the world in Arctic related research	Building Competitive Capacity	Center for Arctic Policy Studies	150.0			
UAF	Goal #3: Grow Our World Class Research	b. Increase research expenditures		Research Investment	1,290.0			
UAS	Goal #3: Grow Our World Class Research	b. Increase research expenditures	Building Competitive Capacity	Invest in Alaska Coastal Rainforest Center (ACRC) and Statewide Collaborative Research Initiatives (e.g. EPSCOR, INBRE)	100.0			
UAA	Goal #3: Grow Our World Class Research	b. Increase research expenditures	Partnerships with Industry	Health Care Policy Research	300.0			
UAA	Goal #4: Increase Degree Attainment	a. Increase enrollment	Marketing & Recruiting	Make Career and Technical Education (CTE) Programs More Affordable	483.0			
UAF	Goal #4: Increase Degree Attainment	a. Increase enrollment	Marketing & Recruiting	Make Career and Technical Education (CTE) Programs More Affordable	716.0			
UAS	Goal #4: Increase Degree Attainment	a. Increase enrollment	Marketing & Recruiting	Make Career and Technical Education (CTE) Programs More Affordable	256.0			
UAA	Goal #4: Increase Degree Attainment	a. Increase enrollment	Marketing & Recruiting	Marketing, Recruitment, and Retention	547.5			
UAF	Goal #4: Increase Degree Attainment	a. Increase enrollment	Marketing & Recruiting	Marketing, Recruitment, and Retention	1,100.0			
UAA	Goal #4: Increase Degree Attainment	b. Increase completions	Marketing & Recruiting	Marketing, Recruitment, and Retention	730.0			
UAF	Goal #4: Increase Degree Attainment	b. Increase completions	Marketing & Recruiting	Marketing, Recruitment, and Retention	267.5			
				Total	9,000.0			

Appendix C

University of Alaska FY2020 Budget							Facilities Maintenance Budget									
Location	Facility Inventory 2017					Calculated Index ⁽²⁾		% of FY2019			Requests		Distribution			
	# of Bldgs	Average Age (years)	Gross Area (sq. feet)	Adjusted Value (thousands)	DM/R&R Backlog	Index	Dist. %	Budget Goal	Adjusted Value	Base Budget	Operating	Capital	Operating Base Increment	One-Time Funding	Budget Minimum	Budget Shortfall (Min.-Goal)
Anchorage Campus	<i>Anc.</i>	67	26.5	3,185,810	1,245,595.7	280,970.9	23.7	26.2%	15,700.0	1.3%	12,000.0	900.0	13,100.0		12,000.0	(3,700.0)
UAA Community Campuses		30	20.9	452,094	238,562.0	22,054.0	5.6	6.1%	3,700.0	1.6%	2,600.0	300.0	3,100.0		2,600.0	(1,100.0)
<i>Kenai Peninsula College</i>	<i>Soldotna</i>	8	27.8	160,626	85,094.3	4,775.6										
<i>Kachemak Bay</i>	<i>Homer</i>	3	18.0	26,041	12,664.3	445.9										
<i>Kodiak College</i>	<i>Kodiak</i>	5	40.8	45,049	24,212.8	3,849.4										
<i>Matanuska-Susitna College</i>	<i>Palmer</i>	8	24.9	153,051	82,304.3	4,732.9										
<i>Prince Wm. Sound College</i>	<i>Valdez</i>	6	8.5	67,327	34,286.2	8,250.1										
UAA Total		97	25.8	3,637,904	1,484,157.6	303,024.9	29.3	32.3%	19,400.0	1.3%	14,600.0	1,200.0	16,200.0		14,600.0	(4,800.0)
Fairbanks Campus	<i>Fbks.</i>	245	34.3	3,400,571	1,955,255.0	705,403.3	50.9	56.2%	33,700.0	1.7%	21,600.0	3,000.0	28,000.0		21,600.0	(12,100.0)
Community & Technical College	<i>Fbks.</i>	4	39.5	226,304	41,350.9	8,860.0	0.5	0.6%	400.0	1.0%	400.0		300.0		400.0	-
UAF Community Campuses (CRCD)		30	30.6	155,190	126,797.0	31,340.1	4.0	4.4%	2,600.0	2.1%	1,100.0	400.0	2,200.0		1,100.0	(1,500.0)
<i>Bristol Bay Campus</i>	<i>Dillingham</i>	3	16.0	20,217	14,137.9	891.6										
<i>Chukchi Campus</i>	<i>Kotzebue</i>	1	41.0	10,362	9,331.7	2,854.1										
<i>Interior Alaska Campus</i>	<i>Various</i>	5	29.2	29,111	22,048.9	1,610.0										
<i>Kuskokwim Campus</i>	<i>Bethel</i>	7	33.3	51,774	47,131.8	19,515.7										
<i>Northwest Campus</i>	<i>Nome</i>	13	33.5	20,818	19,232.6	5,998.6										
<i>Rural College</i>	<i>Fbks.</i>	1	14.0	22,908	14,914.0	470.0										
UAF Total		279	36.7	3,782,065	2,123,402.9	745,603.4	55.4	61.1%	36,700.0	1.7%	23,100.0	3,400.0	30,500.0		23,100.0	(13,600.0)
Southeast Campus	<i>Juneau</i>	32	25.7	449,877	223,033.2	6,413.8										
UAS Community Campuses		5	14.4	115,908	52,632.1	2,215.0										
<i>Ketchikan Campus</i>	<i>Ketchikan</i>	4	16.8	47,850	28,941.8	1,390.0										
<i>Sitka Campus</i>	<i>Sitka</i>	1	5.0	68,058	23,690.3	825.0										
UAS Total		37	24.2	565,785	275,665.3	8,628.8	5.3	5.9%	3,500.0	1.3%	2,600.0	200.0	3,000.0		2,600.0	(900.0)
Statewide ⁽¹⁾	<i>Various</i>	11	37.6	245,863	98,312.9	3,999.5	0.6	0.6%	400.0	0.4%	300.0		300.0		300.0	(100.0)
SW Total		11	37.6	245,863	98,312.9	3,999.5	0.6	0.6%	400.0	0.4%	300.0		300.0		300.0	(100.0)
UA Total		424	33.1	8,231,617	3,981,538.8	1,061,256.6	90.6	100.0%	60,000.0	1.5%	40,600.0	4,800.0	50,000.0		40,600.0	(19,400.0)

1. Statewide facility values include Land Management properties; distribution % reduced at SW to allow a larger portion of the funding to be distributed to campuses.

2. The index (distribution) is based on the individual building age times the adjusted value by campus divided by a million.




THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

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To: Commissioners, Executive Directors, and Administrative Services Directors

Cc: Scott Kendall, Darwin Peterson, John Hozey, Claire Richardson, Amanda Moser, Heather Parker

From: Pat Pitney, Director 
Office of Management and Budget

Date: July 31, 2018

Subject: FY2020 Budget Development and 10-Year Fiscal Plan Instructions

This memorandum provides guidance for the FY2020 budget development and 10-year fiscal plan process and includes:

- (1) Overarching expectations
- (2) 10-year fiscal plan development
- (3) FY2020 budget development guidance
- (4) FY2020 budget development – ABS submissions and other required detail
- (5) Department/OMB Heads Up Meeting (HUM) guidance and deliverables

Unless otherwise noted, all information is due four days in advance of the department budget heads up meetings with OMB to be scheduled for September and early October.

1) **Overarching expectations**

- **Provide for a Safer, Smarter, Stronger Alaska**

- Describe budget changes that reflect the Governor's themes:
 - Safer Alaska: Building resilient communities
 - Smarter Alaska: Innovative and modernized education delivery and efficient government
 - Stronger Alaska: Fueling economic development
- Preference will be given to budget increments for Governor's stated priorities:
 - Economic recovery
 - Expanding oil development opportunities
 - Public Safety Action Plan
 - Health care reform
 - Efficient government
 - Climate change
 - Alaska Education Challenge

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- **Fiscal constraint and reallocation within current resources:** agency general fund operating budgets are 13% lower than in FY2015. Budget constraint is the new normal, and new or expanded initiatives will be considered first when they are funded through reallocating existing resources, next through revenue generation, and lastly through a budget increment advanced without a revenue source.
 - Describe the department's prioritization of programs within the available current resources.
 - If a new initiative has potential to improve service delivery, outline how it can be done within existing resources. Provide the return on investment of a new initiative if an increment is needed instead of reallocation.
 - Identify programs that no longer adequately serve the state. If a program cannot be effectively executed with existing resources, reallocate the funding to better meet the department's mission. Recommend statute changes if necessary.
 - Document the operational and service delivery changes and efficiency measures employed to adjust to changes in funding since FY2015.

- **Continue implementation of efficiency measures:** document progress to date, expected progress in FY2020 and long-term plans toward departmental and cross-departmental organizational efficiencies and changes, including shared services, consolidations of IT, and facilities maintenance.

2) 10-year fiscal plan development

OMB will use the Department of Revenue's 10-year revenue projections from the upcoming Fall 2018 forecast along with any revenue proposals released on December 14th. Even with a structured draw from the earnings reserve and potential new revenue proposals, departments should assume constrained revenue when evaluating future program needs. To the fullest extent possible, budget increments should be resourced through reallocations and/or new user fees.

For the 10-year plan, provide the top three or four issues that will impact your department's budget three to seven years beyond FY2020. Also provide your assessment of how non-general fund revenues are expected to change over the course of the next five years and why.

3) FY2020 budget development guidance

Operating Budget:

Below are the types of operating budget changes that departments should submit for the FY2020 operating budget development process. The past several years of budget reductions have left some key programs short-funded or funded using temporary funding sources. Departments should be prepared to present and discuss strategies to mitigate known budget shortfalls.

1. **Programmatic Changes** – Describe how you will allocate resources within the department to accomplish existing program priorities. Show transactions at the component level to

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redistribute resources and clearly explain the effect on service delivery. These changes should not result in a request for a budget increment.

2. **Priority Requirements** – Describe high priority increments needed and how they address the Governor’s cabinet priorities. New initiatives will be scrutinized and must tangibly address key priorities and demonstrate a return on investment, or appropriate measurable outcome.
3. **Known Shortfalls** – Describe known areas of FY2019 one-time funding that need to be replaced, known formula increases, and other known FY2019 shortfalls that need to be corrected in FY2020.

Capital Budget:

OMB anticipates the FY2020 capital budget will be limited to federal match requirements, needs that address the Governor’s cabinet priorities, and deferred maintenance requirements. Focus departmental capital requests on projects that advance the Governor’s cabinet priorities; to reduce operating costs; demonstrate return on investment; renew existing assets; and/or leverage non-state resources.

Additionally, given the limited ability to make new investments, commissioners are asked to evaluate the oldest departmental capital projects relative to current and future department needs. OMB expects old projects that are lagging will be closed out with re-appropriation to higher priorities.

The Office of the Governor received \$20 million in FY2019 for statewide deferred maintenance needs. This appropriation will be used to fund the highest priority maintenance projects with a focus on projects that can be implemented immediately. It is envisioned that deferred maintenance funding will continue to be requested as a block for the executive branch like the appropriations in FY2018 and FY2019. Provide a list of highest priority deferred maintenance projects with the capital budget submissions and provide a status of existing deferred maintenance projects.

Beyond these items, OMB will consider specific projects aimed at improving operational efficiencies resulting in a return on investment equal to the cost of the project within the first five years of implementation. Clearly demonstrate how delivery of programs and services can be improved to provide the best value to Alaskans while also lowering the cost of program delivery.

It is critical that departments continue to actively manage their capital projects and understand the internal capacity required to properly manage this portfolio. The FY2019 capital appropriation status report data shows 2,555 open capital appropriations. Of those, 83 percent (2,124) will be at least five years old by the end of FY2019. Attached is an Excel spreadsheet containing two preliminary capital reports. The projects listed on these reports should be scrutinized and considered for closeout and/or reallocation in the FY2020 budget process.

- 1) 248 FY2015 and older projects with no expenditure financial activity since the FY2018 Capital Appropriation Status Report (CASR) published on 01/30/2018; and
- 2) 572 FY2010 and older projects.

The Office of Information Technology (OIT) will review all information technology-related capital budget proposals. The review will entail engaging with departments to understand the requirements, design and planning, and whether opportunities exist within the current or future footprint to reduce funding needs through coordination of multiple IT project implementations.

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4) **FY2020 budget development – ABS submissions and other required detail**

The FY2020 initial scenario will include all the change records required of the three operating budget sections above (programmatic changes, priority requirements and known shortfalls). Departments must submit the list below to OMB four days in advance of the department meeting in September unless noted. For all scenarios, FY2019 Authorized is the current level of service budget baseline.

1. **Department program summary:** use the department presentation format used for House Finance and update the values for FY2019 Management Plan. This replaces the priority matrix requested in prior years.
 - FY2019 program funding in UGF, DGF, Other, and Federal Funds (in thousands).
 - The number of budgeted positions and filled positions by type in the program.
 - The completion rate for annual evaluations.
 - The number of Alaskans served annually through the program.
 - Percentage of costs recuperated through fees.
 - Department assessment of the importance of this program – critical, important, beneficial or status quo.
 - The assessment of importance should be an internal ranking based on how each program interacts with the department’s core missions or goals, with critical programs directly accomplishing constitutional or statutory mission statements, and status quo programs being those that do not have a real effect on core services but have historically been funded
 - Provide a sentence identifying the most and least important activity in each component, and provide the department’s assessment of program effectiveness.
 - If the program (or service) is constitutionally or federally required;
 - If the program is required by state statute (include citation); and
 - If multiple programs within a single allocation provide a similar service to different regions of the state they may be included in the same row, but each distinct program type must be noted.
2. **FY2020 budget change records and capital project descriptions:** submitted in ABS to OMB four days prior to the department meeting. Provide only one ABS scenario and use the subcategory field to identify the change record relative to the three sections above.
3. **Department Program Summary:** provide information based on the requirements for department overview presentations from the 2018 House Finance Committee and discussed in this memorandum on page two.
4. **Maintenance of PCNs:** in ABS, by November 1, 2018, prior to finalizing the budget submission, all vacant positions not slated for hiring in the short-term will be removed.
5. **10-year plan:** provide the top three or four issues that will impact your department’s budget three to seven years beyond FY2020. Also provide your assessment of how non-general fund revenues are expected to change over the course of the next five years and why.

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As in previous years, OMB will work directly with key department contacts for projections on certain statewide items (do not include them on your fiscal plan scenarios). These items include projections of debt payments, all fund capitalizations, future bargaining unit terms, direct appropriations to retirement systems, community assistance, and oil and gas tax credits.

After the September meetings, more guidance may be provided to improve information on the FY2020 budget and 10-year plan.

5) Department/OMB September heads-up meeting (HUM) guidance

Do not travel for these meetings. If you reside in Juneau, please join us in the OMB conference room, otherwise phone and/or videoconference is adequate. It is possible follow-up meetings will be required with a limited audience and will be arranged on a case-by-case basis. Meetings on select topics of particular budget or policy interest will also be scheduled separately. For example, separate meetings may be scheduled for the Alaska Marine Highway System, Medicaid, the Public Safety Action Plan, education and training, etc. and may involve several departments.

Commissioners are asked to present the FY2020 proposed budget actions described in the three operating sections listed on page three of this memorandum. OMB's preference is that these meetings will include the budget change proposals for the departments' independent agencies – if the Commissioner is not including other entities (APFC, AIDEA, AHFC, etc.) in the departmental meeting, please communicate that in advance to your OMB analyst.

For planning purposes, please cover each of the following topics (~ 10-15 minutes each):

- a) How has the department changed organizationally since FY2015 (include cross-department efficiencies, revenue, spending reductions, or consolidation)? What are the issues or high-risk areas or projects in FY2019 and anticipated in FY2020? What statutes, policy or regulation changes should be considered to alleviate some of the budget pressure?
- b) Discuss the specific significant operating changes and capital project proposals that were included in the ABS submission.
- c) Using the department program summary in the House Finance format, highlight the most important items to accomplish in FY2020. Address what activities are most vital to continue and what could be changed to better serve the departments mission. Focus on impacts to the public over impacts to the department, while highlighting both. Clearly demonstrate which programs and services directly address Governor's cabinet priorities.
- d) Discuss any critical high-risk deferred maintenance needs, available capital balances, and fund and account balance issues. It will be in each agency's best interest to have an updated detailed inventory of deferred maintenance needs and a clear indication of the urgency of each project.
- e) Discuss any potential supplementals and measures being taken to avoid them.

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- f) Additional information, opportunities, or final thoughts regarding the department budget proposal.

You will be contacted by OMB Executive Assistant, Elanor Watts, to schedule your department budget meeting. If you have questions regarding the FY2020 budget development instructions, please contact your OMB budget analyst.

Please keep in mind the following key dates and deliverables for FY2020 budget development:

Department HUMs	September 1-30, 2018
Department Governor's Scenario Due in Final Form	October 31, 2018
Department Legislative Intent Response Due to OMB	October 31, 2018
Final Department Narrative and Org Charts Due	November 17, 2018
Governor's FY2020 Budget Released	December 14, 2018

Enclosures:

1. FY2018 Capital Appropriation Status Report

cc: OMB ABS Contacts