

UAA FY17 Budget Fact Sheet #1



March 24, 2016

UA and UAA OPERATING BUDGET SNAPSHOT as of March 25, 2016:

UA received \$350 million in general funds from the state of Alaska in FY16 on a total operating budget of \$916 million. The Board of Regents requested \$377 million for FY17, an increase of \$27 million for fixed costs like salaries and benefits, utilities and maintenance and targeted investments in key areas such as library journal subscriptions.

The **House** has passed a UA operating budget of \$300 million, or a 14.6 percent reduction in state support. For UAA, this means a \$24.2 million budget gap.

The **Senate** has passed a UA operating budget of \$324.9 million, or a 7.4 percent reduction in state support. For UAA, this means a \$15.2 million gap.

The governor's proposal of \$335 million, a 4.5 percent decline in state support, did not fund all fixed costs or federal mandates in Title IX and disability support. All budgets since the governor's have included half the compensation increases for union employees, but not for non-union employees. UAA has committed to funding compensation for union and unrepresented employees, even if no funding is forthcoming from the state to pay those increases.

A conference committee to resolve the differing budgets (three members from the House and three members from the Senate) is yet to be named. On March 17, legislators said they would delay conference committee appointments to focus on revenue-generating proposals. In addition, the Senate budget includes \$100 million in unallocated cuts. If adopted, the governor must allocate those cuts to state agencies, potentially including the university, in the weeks or months after the session ends.

NUMBERS IN FLUX: To recap, 90 percent of UAA's budget comes from state general funds and tuition. Research investment, philanthropy and business enterprises like

[UAA FY17 Budget website](#)

[UA Budget website](#)

[Capitol Report](#)

parking services and the bookstore also contribute. The FY17 UA budget will be in play until at least the end of this legislative session, and perhaps even a few weeks longer.

Leadership at UAA is preparing budget scenarios that can accommodate reductions from \$15-\$25 million.

HOW WE HANDLED FY16 CUTS: UAA is now in its third year of budget trimming. The first two years brought \$19.5 million in reduced support. UAA chose to protect its academic core: Administration took two-thirds of the reduction, and academics shouldered one-third.

A UAA Institutional Effectiveness report shows that staffing levels at UAA have been flat or declining for five years (FY12-FY16). Personnel reductions for FY16 include 17 layoffs, 92 retirements or vacancies and 94 reduced assignments, for a total reduction of 113 FTEs. UAA's total workforce in FY16 is 3,396.

EFFECT ON TUITION: The UA Board of Regents voted in November 2015 to increase tuition for FY17 by 5 percent. The UA Regents will likely address other tuition increases when they meet in Anchorage on April 7-8, 2016.

Additional factors compressing tuition support to UAA's budget are Alaska's low college-going rate, along with an ongoing demographic dip in Alaska 18 year olds, which hits bottom in 2016/17 before beginning a slow climb.

NEW BUILDINGS AT UAA: Two budgets keep the university going. The operating budget pays for the day-to-day work at UAA. Capital budgets construct new buildings. UAA's newest buildings were a decade in the planning and building process and are not a part of its operating budget. UAA's current capital budget is focused on maintenance.

STRATEGIES FOR THE FUTURE: So what does survival look like? There is no silver bullet. There is belt-tightening, which will affect every campus. And there is urgency for nimble restructuring with the paramount goal of good outcomes for students and continuing service to the state.

Belt-tightening: UAA has been trimming since FY14. We will continue to look at reduced contracts, furloughs, layoffs and non-retention as well as program and facility closures. Because of the legislative timetable and the urgency of the state budget crisis, we are unable to announce decisions yet. We expect clarity within a few weeks and will offer personnel and program information as quickly as we can.

Nimble restructuring: UA President Jim Johnsen has launched [Strategic Pathways](#), a thinking-outside-the-box exercise to maintain and improve quality education for students and deliver excellent service to the state, while living within a sustainable budget. Johnsen had envisioned a several-year strategic process; state budget realities may expedite some decisions. Johnsen will visit UAA students, governance and staff/faculty groups in April to hear ideas and responses.

UAA has already embarked on LEAN, a ground-level thinking and problem-solving process with the core goal of maximizing customer service while minimizing waste.

The Chancellor's Cabinet endorsed LEAN in early February. UAA community members continue to volunteer for monthly LEAN training for a "white belt" certification.

At UAA, LEAN means three things:

- Improve the customer experience
- Add unique value
- Reduce waste

A one-year goal is to realize \$500,000 in value by February 2017 through cost and time savings, and revenue generation. Another goal is to have LEAN influence within every major department to help teams reduced by budget cuts redesign their work on the LEAN model.