

Proposed FY14
Operating & Capital Budgets
and
10-Year Capital Improvement Plan

Board of Regents November 7, 2012



FY14 Operating Budget

- Spending authorization = \$963 M
 - 4.2% increase (2.9% must pays, .8% high demand programs, .5% budget adjustments)
- State funds = \$383 M
 - 5.5% increase
- University Receipt Authority = \$580 M
 - 3.4% increase, includes:
 - Federal Receipts
 - Tuition and Fees
 - University Receipts
 - Auxiliary Receipts
 - Indirect Cost Recovery
 - Other

FY14 Operating Budget

- Compensation
 - Includes negotiated increases for faculty contracts (UAFT, UNAC and UNAD)
 - Includes UA Staff increase
 - Local 6070 under negotiation
- Additional Operating Cost Drivers
 - Utility cost increases
 - Facilities operation, maintenance, & repair cost escalation
 - New facility/additions operating and maintenance estimated costs
 - Other minor fixed cost increases
- High Demand Program Requests

FY14 Budget Request

- Integrates the Strategic Direction Initiative Themes
 - Student Achievement and Attainment
 - Productive Partnerships with Alaska's Schools
 - Productive Partnerships with Alaska's Public Entities and Private Industries
 - Research and Development to Sustain Alaska's Communities and Economic Growth
 - Accountability to the People of Alaska

Student Achievement and Attainment

- Student-Focused and Service-Based
- Enhanced Services for Students
 - STEM capacity increase
 - e-Learning-becoming integral across UA
 - On-line technology advances for student services
- Mandatory Comprehensive Advising
 - FY13 investment results detected?
 - FY14 request with more emphasis on community campuses
- Retention, Completion, Graduation
- Community Engagement

Productive Partnerships with Alaska's Schools

- Supports UA's Commitment to Working with the K-12 System
 - According to a new report from the American Association of State Colleges and Universities, "Education is like a pyramid: Each level rests on what came before. Any weakness in a child's educational development jeopardizes all that follows, and gains made at an early age continue to benefit the child in future years."
 - Cultural standards –must eventually balance with merit standards for graduation
 - MOOCs –potential for dramatic intervention
 - Testing norms: cut scores, admissions, scholarships
- Work on “The 3 Critical Years”
 - Strengthen the most effective bridging opportunities from high school to the University
 - Dual Credit expansion
 - Tech Prep Program
 - Summer Academies
- Teacher Education
 - Alaska Teacher Placement
 - Alaska Teacher Education Consortium
 - UAA Center for Alaska Education Policy Research (CAEPR)

Productive Partnerships with Alaska's Entities and Private Industries

- Leverage the State's Commitment with Public and Private Partnerships
- Meet Industry Needs for High Demand Jobs
 - Health/Biomedical
 - Workforce Development -- higher entry standards in general
 - Fisheries, Seafood and Maritime Initiative (FSMI)
 - Consolidated Alaska Mining Initiative (CAMI)
 - UA Committee formed
 - Fostering Knowledge of Alaska Issues, Culture and History through UA Press

Research and Development to Sustain Alaska's Communities and Economic Growth

- Create Economic Value from UA Intellectual Property
 - UAA/UAF Offices on Intellectual Property and Commercialization
- Strengthen Research Where UA has a Competitive Advantage
 - High Performance Computing
 - Specific Research Critically Important to Alaska
 - Fisheries, Seafood, Oceans, Arctic Alternative Energy, Mining, Health care, Arctic Engineering
 - UA's Collaborative Research Efforts
 - Alaska EPSCoR

FY14 Intent Language

It is the intent of the legislature that the University of Alaska submits a FY14 budget in which requests for unrestricted general fund increments do not exceed the amount of additional University Receipts requested for that year. It is the intent of the legislature that future budget requests of the University of Alaska for unrestricted general funds move toward a long-term 125 percent of actual University Receipts for the most recently closed fiscal year.

FY14 Capital Budget

Five Categories of Capital Funding:

- Deferred Maintenance (DM): The deferred maintenance backlog increases the risk of mission failure or unprogrammed use of execution year O&M funds to react to real time facility component failure.
- Renewal & Repurposing (R&R): The annual investment amount necessary each and every year to repurpose facilities rather than construct new, or renew a facility component before it degrades into the much higher risk and much more expensive to operate category of DM.
- Operating & Maintenance (O&M): The annual program cost of routine building operating and maintenance activity. O&M initial and annual costs are figured into “all-in” capital project cost estimates. This type of funding is associated with proposed legislation in FY14 to create the University Building Fund.
- New Starts/Continuation: Creation of an entirely new facility or facility complex that may include extensive utility preparation and/or parking and traffic flow accommodations. This may include project continuation phases requiring subsequent funding appropriation.
- Planning & Design (P&D): Most capital projects require a percentage of the total project cost to complete P&D. Unless the project is a true design build, the P&D will precede a major project by a year or more. Projects cannot move forward without P&D being accomplished and approved by appropriate executive levels up through the BoR.

FY14 Capital Budget

- **Deferred Maintenance and Renewal and Repurposing**
 - \$37.5M – Part of the Governor’s Commitment to Alaska’s Facilities Renewal
 - \$75.0M – Additional Funding Required to Reduce the DM backlog
 - UAF Cogen Power Plant
 - UAS Hendrickson Remodel and Renovation
 - \$50.0M – Annual Renewal and Repurposing: Annual Sustainment Initiative to be requested through legislation
- **New Starts/Continuation**
 - \$108.9M – UA Engineering Buildings Completion 2nd half of Construction Funding (1st half received in FY13)
 - \$1.3M NGF – UAF Cold Climate Housing Research Center (CCHRC) Sustainable Village Phase 2
- **Planning and Design**
 - Not included in FY14 due to budget considerations
- **Research for Alaska - UAF**
 - \$3.1M GF and \$6.2M NGF – Chinook Salmon Production and Decline
 - \$5.5M GF and \$3.0M NGF – Partnership to Develop Statewide Energy Solutions
 - \$1.5M GF and \$2.0M NGF – Improving Arctic Oil Spill Response through a Dedicated Oil Spill Science and Technology Center
 - \$1.9M GF – UAF Enhance Base Maps for Alaska Resources
- **Other Capital Requests**
 - \$0.5M SW Replace Wide Area Network Components
- **Total Request**
 - \$233.9M GF
 - \$50.0M (New Legislation request for the University Building Fund)
 - \$22.5M NGF

10-Year Capital Improvement Plan

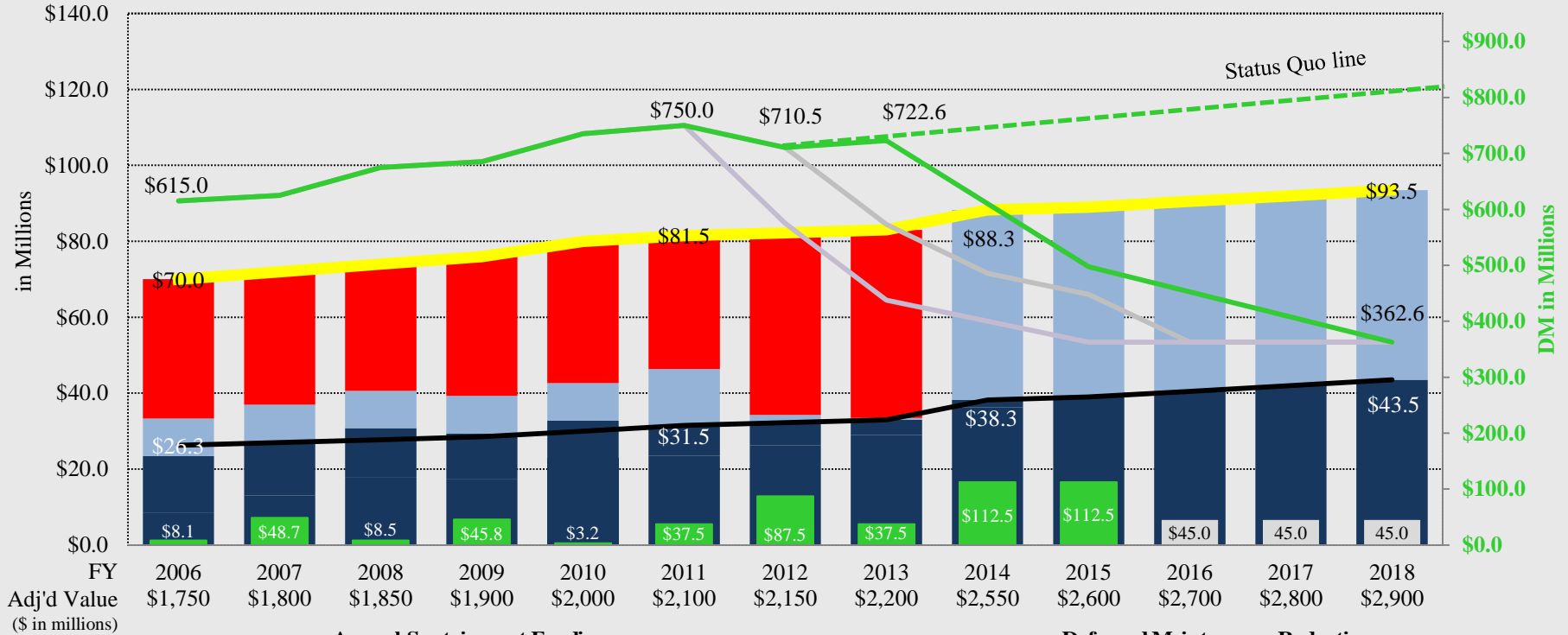
- Short-Term (FY15-FY16)
 - FY15, last year for Governor’s Deferred Maintenance funding
 - Continue Deferred Maintenance reduction funding
 - Planning and New Starts requests for Academic, Research, Student Life, and Infrastructure needs
 - UAA Health Sciences Phase II/Parking Structure
 - Kodiak Community Campus Vo-Tech Facility
 - UAF Energy Tech Facility
 - UAF P3 Campus Housing Project
 - UAF Cogen Power Plant
 - UAS Student Housing Phase II
 - Research for Alaska projects
 - Community Campus Bandwidth upgrades

10-Year Capital Improvement Plan

- Mid-Term (FY17-FY18)
 - Continue Deferred Maintenance reduction funding
 - Planning/Design & New Starts/Continuation
 - Construction funding for UAA Health Sciences Phase II/Parking Structure
 - Remaining construction funding for Kodiak Vo-Tech Facility
 - Additional planning and New Start requests for Academic, Research, Student Life, and Infrastructure needs will be developed to support academic and strategic goals based on MAA
- Long-Term (FY19-FY23)
 - Reach sustainment level funding goal for UA facilities and a Facility Condition Index (FCI) of about 12%
 - Focus on modernization and renewal of classrooms
 - Additional planning and New Starts requests for Academic, Research, Student Life, and Infrastructure needs will be developed to support academic and strategic goals to be explained in detail through the MAA process

FY14 Sustainment Funding Plan for UA Facilities (Chart #1)

Meeting FY18 Target + Actuals



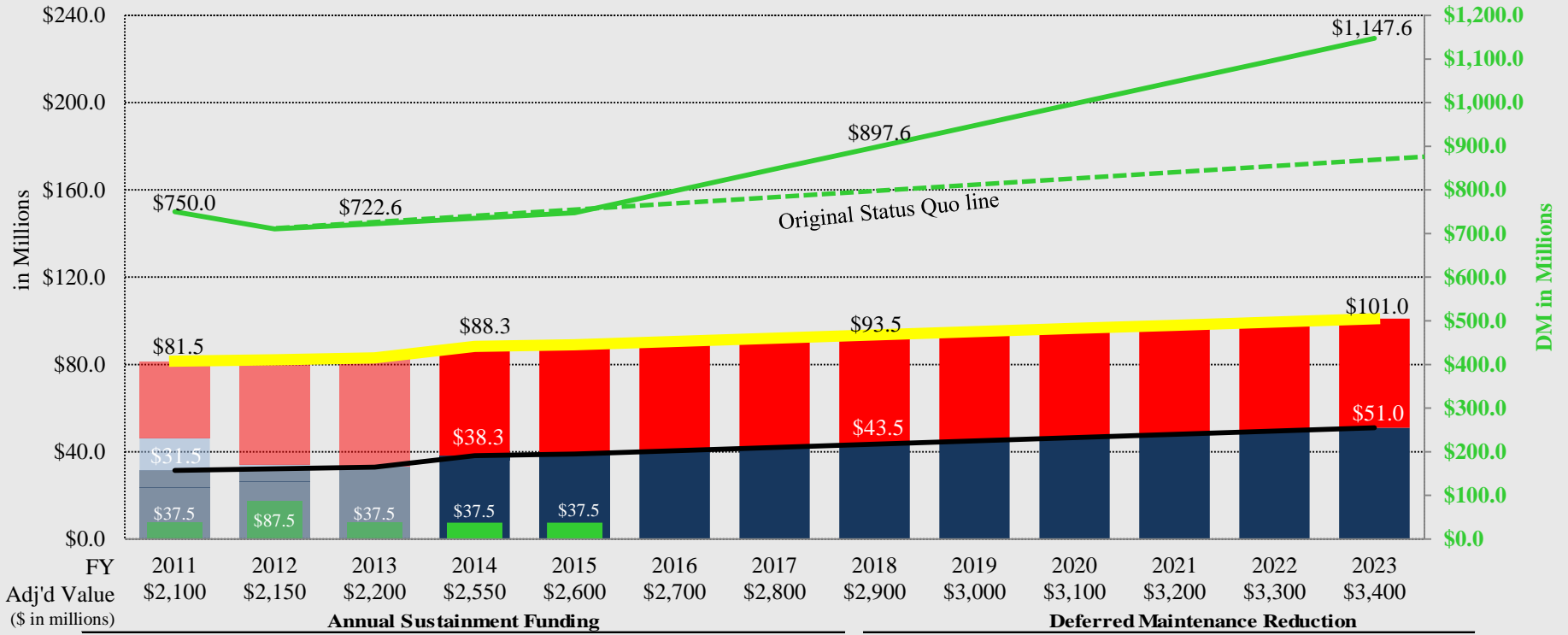
Annual Sustainment Funding

- M&R Annual Expenditures (Operating Budget)
- M&R Annual Maintenance (Target is 1.5% of Adjusted Value)
- R&R Annual Capital Expenditures (Target is \$50.0M a year)
- M&R/R&R Annual Investment Target
- Annual Investment Target Shortfall (adds to DM backlog)

Deferred Maintenance Reduction

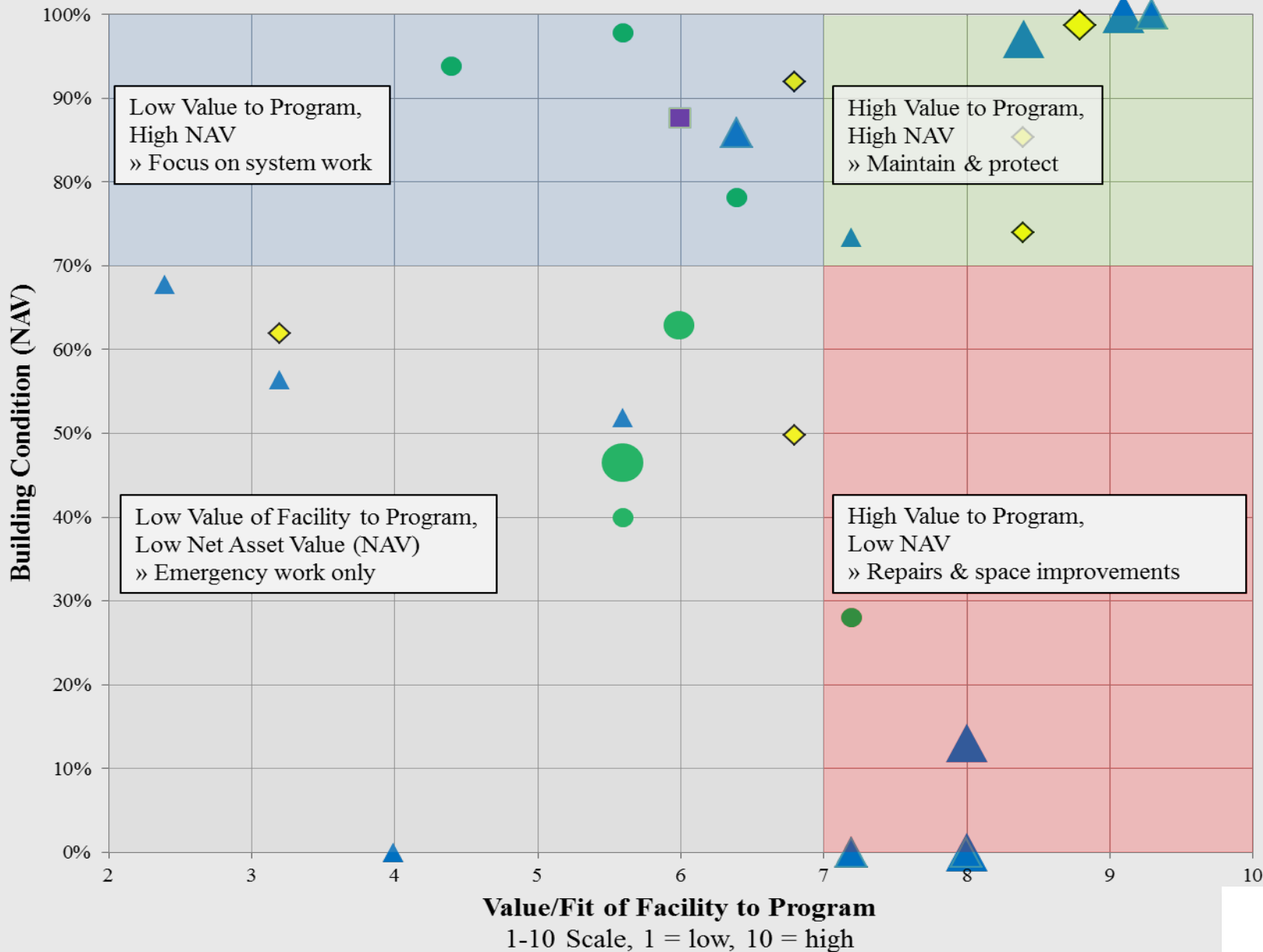
- Deferred Maintenance Reduction Expenditures (\$37.5M for 5yrs + \$200.0M)
- Additional DM funds necessary to reach sustainment level by FY18
- Deferred Maintenance Backlog with adequate M&R/R&R funding (Reduce to approximately \$360M by FY18)
- Deferred Maintenance Backlog as presented in FY12/FY13
- Deferred Maintenance Backlog without adequate R&R funding (Increases to over \$800M by FY18)

FY14 Sustainment Funding Plan for UA Facilities (Chart #2) No Additional DM and R&R Funding + Actuals



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|---|--|
| <ul style="list-style-type: none"> M&R Annual Expenditures (Operating Budget) M&R Annual Maintenance (Target is 1.5% of Adjusted Value) R&R Annual Capital Expenditures (Target is \$50.0M a year) M&R/R&R Annual Investment Target Annual Investment Target Shortfall (adds to DM backlog) | <ul style="list-style-type: none"> Deferred Maintenance Reduction Expenditures (\$37.5M for 5yrs + \$50M in FY12) Deferred Maintenance Backlog with only Gov's DM funding and no additional R&R funding (Increases to over \$1.1B by FY23) Deferred Maintenance Backlog with only historical average DM and R&R funding (Increases to over \$850M by FY23) |
|---|--|

UA Investment Strategy Chart



UAA Facilities

	< 50K GSF
	50K - 100K GSF
	> 100K GSF

UAF Facilities

	< 50K GSF
	50K - 100K GSF
	> 100K GSF

UAS Facilities

	< 50K GSF
	50K - 100K GSF
	> 100K GSF

SW Facilities

	< 50K GSF
	50K - 100K GSF
	> 100K GSF

Annual R&R Funding and the University Building Fund (UBF)



Why does UA want to create the UBF?

The main purpose of the UBF is to create realistic programmatic sustainment funding levels for University facilities.

Other purposes include:

- Preserve our investment in facility and infrastructure assets
- Establish a transparent mechanism for programming initial M&O operating funds for new facilities without needing separate, after-the-fact additional appropriations
- Build a reliable funding source for capital reinvestment
- Create a reliable funding source for annual maintenance and operations for existing buildings and infrastructure
- Incentivize improved space management and utilization practices

How will the UBF be implemented?

- Phased coverage of facilities; begin with coverage of buildings 15 years old and newer, including facilities re-aged by completion of deferred maintenance (DM) or R&R.
- More buildings will be added as new facilities are funded and DM backlog becomes manageable.
- Seek phased annual operations and maintenance funding for new facilities beginning with the first year of funding. This becomes base funding by time building completions occur.

