

DATE: January 16, 2015
TO: All UAS Employees
FROM: Chancellor John Pugh
RE: FY16 Budget

Alaska's media has been filled with stories about the declining oil revenues for the State of Alaska and the implications this may have for our state budget. Over the past six months, the price of a barrel of North Slope oil has plummeted from over \$100 to below \$50. Unfortunately, the State of Alaska's budget has depended almost exclusively on these revenues to fund the state's operating and capital budgets.

In December, Governor Parnell submitted a FY16 "work in progress" budget for the University of Alaska which contained a 1.7% reduction in state general funds. Over the holiday, Governor Walker's Office of Management and Budget directed all state agencies to prepare information regarding the impacts of a possible 5% or 8% additional general fund reduction from the "work in progress" budget. In addition to these reductions, the university is required to absorb significant additional fixed costs primarily related to our increase in salaries and benefits. On Monday, UAS Chief Budget Officer Margaret Rea briefed the Chancellor's Cabinet on the impact to the UAS budget. At the 5% level, this results in a need to find \$2.7 million in new revenues or reduced expenditures and at the 8% level the need increases to \$3.6 million.

We are all hopeful that legislators will recognize that higher education is a significant contributor to Alaska's future economic development and that their budget decisions will recognize the value of this investment. However, it is prudent for the university system as a whole and UAS in particular to prepare for significant reductions in the next fiscal year. With this in mind, the Chancellor's Cabinet is implementing four strategies in FY15 that will save money and give us some flexibility going into FY16. This will enable us to better engage the whole UAS community in our longer-term budget decisions.

The four strategies are:

- 1) Notify all one-year term employees in Spring 2015 of the possibility that their position may not continue in FY16, dependent upon funding availability and institutional priorities
- 2) Require all UAS units to reserve 5% of their FY15 non-personnel budget to maximize options for the FY16 budget.
- 3) Implement an immediate hiring freeze on any new vacancies, to be reviewed in 90 days.
- 4) Implement an immediate Chancellor's review of all recruitments that are currently in progress with an eye toward salary savings and maintaining budgetary flexibility

Our UAS mission—focusing on student learning and success—and our core themes remain paramount in setting priorities in uncertain times. I know there are concerns about how we can continue to provide the programs and services that are critical here at UAS if we begin to make these reductions. We will use the UAS Strategic Planning and Budget Advisory Committee (SPBAC), given its broad representation, to continue these discussions about strategic priorities and budget challenges. However, I would hope that each of you will realize the seriousness of the situation and work constructively with your campus, school, and department to come up with suggestions of how best to meet these challenges. We welcome your ideas about how to meet our mission even as we look for ways to address budget challenges.

I want to thank all of you for your commitment and service to UAS. You have made UAS the quality university it has become. Together, we can meet the challenges that we will face in the next few years.

John Pugh, Chancellor

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