



Pat Pitney, Vice Chancellor  
(907) 474-7907  
(907) 474-5850 fax  
[pat.pitney@alaska.edu](mailto:pat.pitney@alaska.edu)  
[www.uaf.edu/adminsvc/](http://www.uaf.edu/adminsvc/)

Administrative Services

University of Alaska Fairbanks, P.O. Box 757900, Fairbanks, Alaska 99775-7900

MEMORANDUM

TO: Brian Rogers, Chancellor

FROM: Pat Pitney, Vice Chancellor Administrative Services

DATE: August 17, 2009

SUBJECT: FY10 budget status

UAF is entering FY10 in a very tight fiscal position centrally. This is due to conscious decisions to empower schools and colleges to manage the majority of revenue at the unit level and because of significant budget hits to central reserves. Decisions were made to maximize the level of control schools, colleges, and institutes have to deliver service to their units. The tuition model (coupled with the existing ICR distribution model), the new carry forward principles, and full distribution of available FY10 general fund allocations to operating units, are evidence of those decisions. At the same time we chose to fund major unbudgeted items centrally rather than passing cost on to departmental budget, thus drawing reserves down to near zero. A few significant ones are listed below.

- Legislature's denial of the utility and athletics travel supplementals - \$1.3M and \$0.3M respectively
- UAF's portion of investment losses - \$2.1M
- Use of general fund to units to cover 100% of FY09 salary increases when ICR and tuition were required to cover 40%
- Additional SW charge backs due to the investment loss - \$0.6M

I believe providing maximum management control at schools, colleges, and institutes is appropriate and we will work to maintain and enhance that approach, however, under the conservative revenue assumptions in the attached FY10 budget summary, UAF is approximately \$2M below continuation requirements. Central reserves are at less than 1% when 2% is required.

To address this shortfall, and to position us to meet existing commitments, I am recommending the creation of a non-base funding pool by collecting the equivalent of 1% of actual FY09 unrestricted receipts from all UAF units. These funds will be managed within the multiple appropriation budget constraints.

Recently instituted cost saving measures for unrestricted funded positions will provide unit managers the tools required to minimize the impact of this action.

- Extended Christmas soft closure - \$700K potential savings
- Managing for extended vacancies - \$980K potential savings (60 additional vacant days per position recruitment)

These cost saving programs coupled with tuition and ICR revenue generating capacity will minimize the operational impact on major academic and research units. Units without revenue generating capacity will be dependent on utilizing the cost saving measures only. Additionally all cabinet members have been requested to;

- Promote energy efficiency
- Examine use of university vehicles
- Scrutinize travel
- Critically examine space utilization.

Alternatives, including a base reduction and a pull back of actual revenue in excess of projected, were considered. These approaches were dismissed due to the temporary nature of the shortfall and because they were considered a violation of base principles calling for preserving as much flexibility at the unit level as possible.

I believe this action maintains UAF's strategic momentum, by minimizing the impact to core instructional and research units and serves as an effective short-term bridging strategy to meet existing priority commitments. It positions UAF sufficiently at this time; however, we will need to revisit our overall fiscal status in the November/December time frame. Current budget distribution status and impact of the 1% by unit are attached for reference. At that time we will have more information on the status of FY10 legislative utilities funding, know tuition and ICR revenue levels, and therefore be in a position to make decisions concerning additional cost saving measures should it be necessary.

With your approval a 1% pull will be applied to each unit's budget by August 24, 2009.