

# FACT SHEET

University of Alaska Fairbanks

## UAF FY11 Budget Challenges

### OVERVIEW

The University of Alaska received a 3.9 percent increase from the Alaska State Legislature in general fund dollars for the FY11 budget. Of the UA total, UAF will receive a \$5 million increase, or 3.3 percent. Of that, \$1.5 million provides additional funding for specific priority program requests including the Marine Advisory Program, Alaska Center for Energy and Power, Cooperative Extension, and one-time funding for math bridge and the Alaska Summer Research Academy engineering programs. This leaves 2.3 percent for compensation and other fixed cost increases.

General fund dollars account for less than 40 percent of UAF total revenue, and non-general fund revenue must increase at a rate to cover a proportional share of the cost increases. With the exception of tuition revenue, due to consistent rate increases, non-general funds are not rising at the same rate as costs. This creates a tight budget scenario, especially compounded over multiple years.

Personnel costs are going up in the range of 3 – 4.5 percent for salaries and 10 – 15 percent for benefits. Costs are increasing for other expenses, including library materials, fuel, leases, commodities, travel, and contractual costs. The Board of Regents' annual request to the legislature assumes that a significant portion of these personnel and other fixed cost increases will be funded through university-generated revenue such as grants and contracts, tuition and indirect cost recovery.

Research grants and contracts and indirect cost recovery accounts for half of UAF's university-generated revenue. These sources have leveled off since FY05 and, although some research areas are increasing, UAF overall is expecting research to remain flat due to an increasingly competitive research environment and existing facility constraints.

### WHAT'S NEXT?

To meet the gap this year, the UAF Fairbanks campus plans to redistribute \$5.5 million internally to meet existing obligations. UAF's College of Rural and Community Development faces a similar situation and must pull back funds to address obligations.

- \$2.6 million required for structural deficits, strategic facility upgrades
- \$1.6 million required for campuswide unfunded obligations such as KUAC, athletics travel, U-PASS bus funding, institutional scholarships, and adequate reserves
- \$1.5 million needed for Performance-Based Budgeting; \$1.3 Fairbanks campus and \$0.2 million CRCD
- \$0.6 million CRCD obligations

The redistribution, or pullback, is needed in part due to a slowdown of non-general fund revenue sources, but also as a result of unintended consequences of distributing a majority of tuition dollars directly to the schools and colleges starting in FY10. The tuition distribution is important because it provides incentives for enrollment growth, but limits the ability to address campuswide unfunded obligations from central sources.

In addition to UAF's internal reallocation, statewide, though legislative action, set aside a systemwide pool of 3 percent from each campus budget. All but 10 percent has been reallocated back to UAF's base budget. UAF is requesting the remaining amount of \$450K for strategic initiatives, including development, the unfunded portion of the Marine Advisory Program, student success, and fixed costs.

Although the \$5.5 million pullback represents 2.2 percent of unrestricted revenue for the Fairbanks campus, fixed items such as utilities, debt-service payments, institutional scholarships, insurance, and the board-mandated maintenance investment are excluded, thus the FY11 base pullback for operating units range from 2.5 – 6.5 percent. The pullback is higher for administrative functions than for those providing student services and academic and research programs.

Vice Chancellor/Provost Area	Pullback Amount	% of Unr. Revenue
<b>Chancellor's Office</b>	\$125.0	6.4%
<b>VC Administrative Service*</b>	\$1,000.0	4.6%
<b>Office of Information Technology</b>	\$150.0	4.0%
<b>VC Advancement</b>	\$350.0	3.3%
<b>Provost</b>	\$2,700.0	3.2%
<b>Cooperative Extension Service</b>	\$150.0	3.3%
<b>VC Research</b>	\$800.0	3.0%
<b>VC Student</b>	\$225.0	2.4%
<b>Total – Fairbanks campus</b>	\$5,500.0	
<b>VC Rural, Community and Native Ed.</b>	\$700.0	

(Amounts shown in \$1,000's)  
 \*Excludes M&R-mandated funding

By realigning revenue in FY11 to address major structural deficits and to restore minimum central reserves, UAF in FY12 and FY13 may be able to limit pullbacks to the PBB reallocation pool and limited strategic positioning.

## PLANNING AHEAD

UAF expects to conduct an in-depth review of administrative and support functions for efficiencies this summer. This will be followed by a close look at academic programs UAF will need to make strategic, even tough, choices.

Part of the long-term strategy is to proactively share budget information with academic, research and administrative departments so the university can continue to serve the university's core mission while strategically positioning UAF for the future.



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