

Standard Seven

Finance

**Prepared for the
Northwest Association of Schools and Colleges**

February 25, 2001

DRAFT

Standard Seven – Finance

Historical Perspective

The single most important aspect of the recent financial history of the University of Alaska Fairbanks is the inflation-adjusted declining funding from the state government between 1985 and 1999. Moreover, for the last half of this period, the Board of Regents directed a increased amount of what funding was available to repairing the problems caused by deferred maintenance which was used to meet the budget shortfalls of earlier years. This funding environment revealed serious weaknesses in the institution's planning processes. Specifically, there was poor integration between capital and operational planning, and almost no integration between academic and budget planning.

During most of the last ten years, the UAF and UA budgeting and planning processes did not reflect the continued loss of State funding. The UAF budgeting and planning process, as described in the next section, was used as a vehicle to communicate the university's needs to the UA statewide administration, the Board of Regents and to the Legislature; it thus called for annual increases. The Legislature provided either level funding or decreases for operations every year until FY00. These decreases were addressed through annual ad-hoc cuts, and by two systematic program reviews outside of the regular budgeting and planning processes.

During the last two years, the planning process has been revised and integrated with program planning. Increases in State funding have also brought it back into line with reality. On the other hand, the improved planning process has highlighted the ill-defined division of responsibilities between the systemwide administration and the administrations of the major academic units such as UAF.

Standard 7.A: Financial Planning

Evidence based description

Financial planning and budgeting at the University of Alaska Fairbanks are governed by its place in the University of Alaska system and the relationship of that system to the State of Alaska. All authority to receive and expend all types of funds is subject to appropriation by the State of Alaska Legislature and veto by the Governor. The legislature annually appropriates operating expenditure and revenue authority in a lump sum at the system level. The Board of Regents allocates overall expenditure and revenue authority to the systemwide President, who authorizes detailed and specific allocations to the three Major Administrative Units (MAUs), including the University of Alaska Fairbanks. From time to time, the state government attempts to exercise lower-level control through its use of intent language in appropriations bills. Below the allocation level UAF has substantial flexibility to internally allocate funds. Generated revenues in excess of expenditures are allowed to be carried forward between fiscal years beginning in 1993. (7.A.1)

The university system's autonomy in generating revenue from tuition, auxiliary services, and outside grants and contracts is restricted by the expenditure authority granted in the operating budget by the

Legislature. Any funds generated from state or federal agencies are directed to specific projects, services, or sponsored research.

Recent increases in operating budget have been received in the context of program initiatives coordinated by the systemwide administration. Funds approved through this process are allocated by the President for specific programs, and subject to extensive reporting requirements. The initiative process has been coupled with a PPBS (Planning Programming Budgeting System) environment introduced by the systemwide administration in an effort to tie state funding increases with academic planning. (7.A.2)

The process for obtaining capital funds usually requires a five-year categorical prioritization. Both operating and capital budget requests are built on planning assumptions linked to the UA strategic initiatives drafted by statewide administration, with input from each MAU, and approved by the Board of Regents. These assumptions contain a combination of program emphasis and cost constraints. The regents normally approve the budget assumptions in April of each year. (7.A.2)

Budget Development

In FY00, FY01 and FY02 the University of Alaska's institutional budget approach changed. After a decade of fiscal deprivation, the university's new president shifted institutional strategies and focused the entire budget request on a limited set of high priority initiatives. Requests for incremental funding supporting these initiatives are sought from academic units down to the individual faculty level. Within each initiative area, the requests are evaluated by MAU-wide committees, whose recommendations are sent to statewide Program Budget Advisory Councils comprised of program experts. These councils develop programmatic plans that support the initiatives. These plans are then evaluated by the Statewide Academic Council (the provosts from the three MAUs) and the Statewide Business Council (the vice chancellors for administration from the three MAUs plus the system vice president for finance) They are then reviewed by the chancellors from the three MAUs and the President, who makes the final decisions. (7.A.2)

The university prepares annual requests in accordance with state regulations for budget appropriations by the Alaska legislature. The complete budget development process involves a time period encompassing up to approximately 28 months. Advance budget preparation normally begins 16 months prior to the beginning of the fiscal year in question. This, in turn, is based on planning that begins at least 22 to 28 months before at the college, school, and department level, or the equivalent for non-academic units.

Early in the spring semester, the chancellor evaluates pertinent planning information from the UA statewide budget office. The statewide planning directives are integrated with the MAU academic initiatives, enrollment forecasts, and economic projections, which serve as guidelines in preparing the operating and capital budget requests. The chancellor works extensively with the cabinet (provost, executive dean for extended campuses, vice chancellor for administrative services, dean of students, director of university relations, and assistant to the chancellor) in developing UAF's operating and capital requests. The provost and vice chancellor for administrative services coordinates the budget preparation process on behalf of UAF. The chancellor's cabinet makes the final determination of campus priorities.

The cabinet members receive input from their respective senior staff members, administrators, faculty, and students to develop requests based on the needs of their respective units. All management staff may participate in the budget planning process. Student representatives and campus governance groups are also invited to provide input on the budgeting processes.

In the first phase of budget development, the UA statewide administration, working in conjunction with the MAUs, presents a draft operating and capital budget request to the Board or Regents for their consideration, typically at the August meeting. This is a system-wide request, incorporating major system initiatives into a single uniform document. (7.A.3)

The administration presents a second draft budget request to the Board of Regents for their consideration in November, incorporating public comment and the regents' comments and concerns expressed in the August meeting. The request, as approved in November, represents the regents' operating and capital budget proposal for the next fiscal year, and is presented to the State. This budget is published on the web as the "red book" <http://www.alaska.edu/swbudget>.

When capital appropriations are made, they are generally project-specific or scope-specific. Capital funds are requested by the MAU for deferred maintenance/code compliance, renewal and replacement, instructional equipment and telecommunications, construction of new facilities/major renovations, and planning. When a capital appropriation is made, the expenditure of funds is restricted to the scope of service specified in the-appropriation.

The next phase is largely a technical process in which the current operating budget base is combined with the increments and decrements and entered into the states' Automated Budget System-Operating and submitted to the state Office of Management and Budget (OMB). This phase in the process contains considerable detail, which defines the request by specific revenue and expenditure categories. It also contains prior-year actual and current-year approved financial information, justification for the increments requested, measures of prior, current and future accomplishments and other information describing the relationship between the request, UAF's mission, and major university issues. The capital request details are also completed in this phase and are entered into the states' Automated Budget System-Capital and submitted to OMB. Both the consolidated UA operating and capital budget requests are submitted to the OMB in late November.

At UAF senior and mid-level administrators are very active in governmental and community relations. The community supports the budget request process with their legislative representatives. Both individual and group contacts are developed with the Fairbanks legislative caucus and other key state legislators. The Chancellor's Advisory Council, the Chamber of Commerce, and many other school/college advisory councils are briefed on the budget request documents so that they may provide continued support in the Alaskan community.

Submission of the Budget Request to the Alaska Legislature

The UA budget request is reviewed and revised by the OMB and is incorporated into the Governor's budget request submitted to the state legislature in December of the preceding fiscal year. During the time the legislature is in session (January - April), the university's budget is reviewed by various

House and Senate committees, which frequently recommend revisions and adjustments. After consideration by the two houses, the final version is completed by the Legislative Conference Committee, and the appropriation bill is forwarded to the governor for signature. The governor has line-item veto authority; this has been infrequently applied to university appropriations. The governor usually signs the university budget appropriation in June.

After the governor signs the appropriation, it is then reviewed and passed by the Board of Regents. By the end of June, the appropriation has been distributed to the lowest level of the university's financial structure, and on July 1 it is accessible for expenditure. This budget is published on the web as the "yellow book" <http://www.alaska.edu/swbudget>. (7.A.3)

Outside of the state budget process, the university may participate in debt financing of capital assets in accordance with Regents' Policy 5.04. All capital debt financing requires extensive reviews and approvals by the UAF chancellor, UA vice president for finance, and the Board of Regents. The Vice Chancellor for Administrative Services maintains an in-depth periodic review of the fiscal operations of the auxiliaries to ensure financial capability to meet ongoing debt service. (7.A.4) (7.B.2)

Standard 7.B: Adequacy of Financial Resources

Evidence based description

Much of the University of Alaska's operating budget still comes from state general fund appropriations. That support declined in inflation-adjusted terms throughout the nineties. Modest increases were received in FY00 and FY01. Throughout the nineties, government grants and contracts from federal agencies have been on the rise. Local and private gifts, grants, and contracts have increased since FY96. (Table 7.1) (7.B.1).

Insert Table 7.1 UAF FY96-00 Revenue by Source

Insert Graph 7.1 UAF Revenue proportions

Insert Graph 7.2 State appropriations actual vs inflation-adjusted

In accordance with BOR policy, UAF has incrementally raised tuition costs almost each fiscal year since 1988. UAF's reliance on its tuition revenue is critical to maintaining programs that have suffered declines in state appropriations. Over that time period, non-tuition course fees (which do not require approval from the Regents, or public discussion) increased significantly; last year, in response to requests from student governance, the Chancellor eliminated all course fees under \$40.

A significant change in the fee structure has been the introduction of the technology fee (proposed to the regents by student governance). In FY98, the BOR approved this change, which was intended to pass a portion of the costs of technology upgrades directly to students. As a result, the Fairbanks campus has significantly improved access to computers via new labs and trained lab assistants.

Bonds and Debt Service

In addition to the requirements and processes listed above for capital and operating request approval, bonds require specific approval by the Board of Regents and the State of Alaska. In some cases, a

public vote is also required. All bond expenditures are subject to additional reporting to the Board of Regents (P05.12.05) to assure that all bond funds expended are directly attributable to the project for which funds were approved. The statewide system administers all UA bonded debts. Sinking fund payments are made by the statewide system from UAF funds. Reports of all transactions affecting UAF debt are provided by the statewide system. Each year a financial review is conducted, in part to confirm adequate long range planning to accommodate any changes in the mix of revenue sources necessary to meet bond obligations. (7.A.4)

Expenditures

UAF's greatest operating cost (55% in FY00) is its annual employee compensation. During most of the last ten years, the legislature approved minimal funding to cover compensation increases, which were either funded internally or foregone. Results in terms of faculty salaries are discussed in Chapter 4. In FY00 state general fund appropriations increased to cover all employee salary cost increases. The increased appropriation was a major turning point for the university, as it was the first fully funded compensation increase of the decade. However, no other operating cost increases were funded in this fiscal year.

Another major category of operating cost increase is in the facilities maintenance and repair areas. In FY94, the BOR adopted high standards for formula funding to help alleviate a growing backlog of building maintenance and repair. Annual funding requirements for the upkeep of the facilities include routine maintenance and repair (M and R) and regular renewal and replacement (R and R). M and R is defined as the day-to-day scheduled preventative maintenance work required to keep buildings operational. R and R is the scheduled replacement of worn-out or out-of-date building components and systems, retrofitting, and replacement of campus infrastructure.

UAF has seen minimal relief for other operating cost increases like utilities, library books and periodicals. The underfunding of recurring operating costs and compensation increases forced the university to apply most of its efforts to meeting base obligations rather than new program development. The rapidly escalating cost of library materials and periodicals has continued to outpace general inflation and the HEPI index. This is discussed more extensively in Chapter 5.

To help meet statewide budget shortfalls over the last ten years, the UA system focused on reduction of administrative expenses. This was done in a systematic fashion for UAF in a "program review" process in 1992, and in the face of potential financial exigency by the entire system in a "program assessment" process in 1994. The University of Alaska Fairbanks responded in part with an unsuccessful restructuring of its schools and colleges, and in part by significant reduction in non-teaching staff. Concurrent with this initiative was participation in the State of Alaska retirement incentive program. Aggressive efforts have been made throughout the University of Alaska Fairbanks to reduce administrative costs and support while preserving academic course offerings and student services. The UAF internal reallocation process has prioritized requests for program maintenance or meeting academic and student needs.

UAF reserves are maintained centrally, and at the school/college level. A fixed level of tuition is assured to the units so that the course offerings are buffered from tuition fluctuation. Units are able to revise budgets to utilize unanticipated revenue generated within the period earned. Each Dean has

authority and flexibility to maintain and allocate internal resources as needed within the unit. In some units, the practice is carried down to the department level as well. (7.A.3, 7.B.5). The appropriate level of total MAU reserves (currently 7.5%) is currently an issue under discussion between UAF and the systemwide administration. (7.B.7)

Auxiliary Services

UA Board of Regents Policy (P05.15) has required all auxiliary services to be self- supporting since 1995. UAF endeavors to comply with the policy. The transition period is ongoing. See exhibit 4. (7.B.8)

Standard 7.C: Financial Management

Evidence based description

The university president reports to the Board of Regents on the finances of the university at least twice annually, usually at the October and June meetings. At the June meeting, the Board also approves the distribution of the legislative appropriation. At the Fall meeting, they approve the next year's request to the legislature. The reports present an overall analysis of the university's financial health and also lead to discussion about the upcoming budget planning initiatives. Financial reports presented to the regents are typically prepared by the Vice President for Finance or the University Controller with input from the campus financial officers. The statewide office has the ability to gather any necessary financial data from the university's integrated financial accounting system, Banner Finance. Special reports are made to the Finance, Facilities, and Land Management subcommittee of the Board of Regents. These reports may be detailed reviews of specific financial topics of interest, or routine reports such as capital project status updates, program review of presidential initiatives, or designated fee usage reports. (7.C.1)

According to Board of Regents' Policy 05.02.01, the Vice President for Finance at the University of Alaska system is responsible for ensuring the maintenance of an accounting system that conforms with generally accepted accounting principles and governmental reporting practices and ensures that the university maintains adequate management control; and that university resources are utilized appropriately. As the recipient of substantial amounts of Federal money, UAF also has the responsibility for maintaining compliance with the OMB Circular A-21 (Cost Accounting Standards). (7.C.5).

The Chancellor is responsible for designating a chief financial officer for the MAU. Regents' Policy 05.01.01 assigns to the designated chief financial officer the responsibility and accountability for conducting the annual operation of the administrative unit strictly within the fiscal bounds of its budget as approved and amended in accordance with procedures established by the Vice President for Finance. At UAF, this officer is the Vice Chancellor for Administrative Services. (7.C.2)

Using the accrual method of accounting, financial activities are segregated using the fund code classifications (unrestricted, designated, auxiliary enterprise, capital and agency groups), and NCHEMS program code classifications in support of Integrated Postsecondary Education Data System (IPEDS), and National Association of College and University Business Officers (NACUBO)

requirements. The university has standardized fund and program classifications throughout the system. The campuses have limited flexibility within the establishment of the organization code classification at the campus level. The Fairbanks campus uses detailed individual organization codes for each instructional discipline and executive area. (7.C.3), (7.C.5). Authority for transfer between funds and interfund borrowing resides at the systemwide finance office level, within guidelines imposed by the Board of Regents and the State (7.B.4).

The Vice President for Finance, chancellors, and the designated chief financial officers at each MAU are responsible for ensuring that deficit spending does not occur within the respective administrative units. Deficit spending or other violation of Regents' Policy by persons with budget control constitutes just cause for termination or such other disciplinary action as is determined appropriate by the university president.

In July 1995, the University of Alaska system converted from its 15-year old accounting software package to an interactive statewide financial accounting system. The system, Banner Finance (BFIN), is a product developed by SCT Corporation. The university underwent an extensive systemwide effort to implement the BFIN module, including a review and reevaluation of its existing business practices.

UAF business functions are principally decentralized within the business offices of each major school or college, executive area, or community campus. All departments have the ability to enter requisitions onto the BFIN system. Purchases are then made by the Procurement and Contract Services Department in accordance with the State Procurement Code. Procurement has simplified the small purchase category for, commodities or non-personal services under \$2500. Routine acquisitions may be made using corporate procurement cards, limited purchase orders, and call numbers. Each campus business manager has delegated procurement authority for purchases up to \$50,000. All major construction procurements or requests for alternative procurements are handled by the UAF Procurement and Contract Services Department.

All departmental procurement transactions are postaudited by either the Procurement staff or the Accounts Payable staff. Accounts payable payments, cash disbursements for petty cash reconciliations, replenishments, or employee reimbursements are handled by a centralized staff in the Office of Budget and Finance. These processes have checks and balances in accordance with processes developed by the Vice President for Finance and Statewide Internal Audit.

Human Resource Services transactions and payroll generation are centrally performed at each campus. The payroll function is managed by the Human Resource Services Manager in accordance with Regents' policy and procedures developed by the Statewide Executive Director for Human Resources. All recruitment, employee classification, and salary increases are reviewed and approved by the campus human resource services department.

Overall authority and controls over revenues and expenditures are broadly defined within Part V of the Regents' policy and further supplemented by university regulations and UAF's Administrative Services Manual.

Cash management responsibilities are contained within Regents' Policy 05.02.04 and in procedures contained within the Statewide Accounting Manual and Banner Finance system manuals. Statewide finance develops banking specifications to meet the needs of the university system. A banking services RFP and subsequent contract is issued every 5 years to meet the system's requirements. **(7.C.4)**

The banking account structure within the university provides for centralized accounts for the accumulation of deposits and disbursements, as established by statewide finance. Each campus has its own individual account, which makes its deposits at the local bank branch and is responsible for a monthly reconciliation. All reconciliation reports are submitted to the systemwide finance office.

Investment of university funds is restricted by the Board of Regents to the statewide administration unit. Campuses are precluded from all investment processes other than applying for program or capital outlay funding from investment funds that have already been developed. Investment of funds within the independent University of Alaska Foundation is restricted to the foundation administration. The campuses may use proceeds within the guidelines of the source of the funds (i.e. the donor, endowment, or trust earnings). **(7.C.4)**

Board of Regents' policy 05.03.01 defines the general responsibilities of the university's internal audit team. The internal audit team is charged with providing an independent appraisal and examining and evaluating institutional activities to ensure that they meet the needs of the Board of Regents and executive management. Internal audits may include financial, performance, operational and compliance audits. Additionally, the internal audit department assists the regents and management by providing analysis, information and recommendations for promoting controls for the recording and reporting of operational activities and the safeguarding of assets. The internal audit staff is proficient on the BFIN system and is often able to perform audits of data, processes, and overall practices. Internal audit prepares draft reports to the units being audited for open commentary and discussion prior to formal audit submissions to the chancellor. Final internal audit reports are issued from the Vice President for Finance to the chancellor. The MAU prepares a written response that is ultimately shared with the president and the regents. **(7.C.9), (7.C.12)**

It is the regents' longstanding practice to conduct an annual independent audit of the university system. This audit meets the governing requirements of the Federal Single Audit Act (FSAA) and encompasses the federal financial aid program requirements of the FSAA. The Regents Audit Committee is responsible for the selection of an independent audit firm. The internal audit team handles the technical requirements for the development of audit specifications and solicitation requirements and forwards recommendations on the selection of an external audit firm to the Regents Audit Committee. The university's current independent auditor is KPMG Peat Marwick. The audit is principally conducted at the statewide offices, located in Fairbanks, with occasional fieldwork at the campuses. The auditing firm issues an overall audit opinion, as well as special audit opinions required by the FSAA. The Alaska Commission on Post-Secondary Education (ACPE) performs periodic compliance audits of the Alaska Student Loan Program, and the university is required to meet the NCAA external audit requirements. The university is current in its audits by KPMG Peat Marwick for the NCAA and the ACPE. **(7.C.10)**. In addition, the University of Alaska System is subject to topical audit by the Governor's office of management and budget as well as the State of Alaska Legislative Budget and Audit committee. In addition, U.S. Office of Naval Research Defense

Contract Audit Agency audits the accuracy of the facilities and administrative cost proposals on a pre and post basis as well as accepts or rejects the Cost accounting standards disclosure statement mandated by OMB circular A-21. **(7.C.11)**

The external auditors issue a single management letter for the University of Alaska system. The systemwide Vice President for Finance drafts a response to the finance committee of the Board of Regents explaining how the university plans to respond to any concerns. If there are MAU-specific items in the report, the Vice President for Finance directs the chief financial officer for the MAU to prepare an action plan. The goal of the process is to ensure that no concern is repeated; in recent years none have been. The Regents Finance Committee issues a report to the Board as a whole. **(7.C.12)**

Financial statements are issued within the main audit report for the university in total, with campus-level financial statements included as supplemental schedules. The audits are issued to the Board of Regents, with copies to statewide administration, and the Office of Budget and Finance at UAF. Copies of the financial statement are routinely sent to the Office of the Governor, the State Department of Administration, and the Federal Bureau of Census. The UAF campus retains a copy for review by the general public in the Administrative Services Office. **(7.C.13)** Copies are also distributed on the web at <http://www.alaska.edu/swbudget/Manual/Allocation.html>.

Analysis and Appraisal of Strengths and Weaknesses (Standards 7.A-C)

State government funding for the University of Alaska Fairbanks continuously declined on an inflation-adjusted (and often nominal) basis from 1985 until 1999. The university responded by deferring maintenance, administrative restructuring, reducing staff, faculty, support staff, and administrative personnel; and by increasing alternative sources of revenue. Tuition rates and fees were increased while enrollment gradually fell. Beginning in the mid-1990's, the Board of Regents directed a increased amount of what funding was available to repairing the problems caused by deferred maintenance which was used to meet the budget shortfalls of earlier years.

In spite of these efforts to preserve academic course offerings and student services, there were periods when financial resources have not been adequate for support of all of UAF's offerings over the last decade. This has led to program cancellations, to "ghost" programs that exist in the catalog with no one to teach them (see discussion in Chapter 9) and in a few cases to programs that were continued only through the efforts of unpaid volunteers. **(7.B.5)**

The university's responses to the declines in state funding were generally made outside of the formal budgeting and planning process. During most of this period, the official university planning process anticipated annual budget increases; planning for the decreases was done either informally by individual deans and directors, or as part of periodic exercises in "Program Assessment." After officially spending the year deciding how much additional funding to request, deans and directors were generally told in March by how much their budgets for the next year would be reduced, and left to find targets of opportunity. Currently high levels of reserves carried forward are in part a legacy of the practice of planning for budget shortfalls announced at the end of the academic year by maintaining hidden reserves for such shortfalls.

Over the past two years, the new system president and the new chancellor, in association with senior administrators, have reviewed and revised the planning and budgeting process so that it is better connected with strategic planning, and reflects fiscal reality in-so-far as is possible given annual legislative appropriations. These improvements have included better integration of capital and program planning (discussed in Chapter 8), the development of formal academic program planning (discussed in Chapter 1), and the linking of academic plans with funding initiatives from the legislature, in the context of a more formal Planning Programming Budgeting System with clearly defined requirements for reporting and assessment.

The downside of this more formal planning and reporting structure is that it has highlighted the often ill defined relationship between the systemwide administration and the administrations of the major academic units such as UAF. It has also focused attention on similar issues within UAF. For example, the exact division of responsibility between the systemwide Vice President for Finance and the MAU Vice Chancellors for Administrative Services is ambiguous, and appears to vary depending on who holds the position. Whether the Vice President for Finance assigns the Vice Chancellor a level of authority commensurate with the position's responsibility and accountability is a matter of some dispute. Similarly, the extent to which the financial affairs of the UAF research institutes are subject to the authority of the Vice Chancellor for Administrative Services is ambiguous.

Projection (Standards 7.A-C)

The decade-long decline in state support was reversed with a modest increase in FY00. A further increase was appropriated for 2001 in response to the UA president's statewide academic initiatives. This will enable UAF to replace core faculty and staff lost in the last half of the nineties and address the most pressing development needs of the institution.

Accurate projection of future levels of state funding is not possible. It is expected, however, that recent increases in external funding for research will continue. It is Board of Regents policy to increase tuition to meet rising costs; such increases are automatic unless the Board specifically decides to forego them.

The new planning process should continue to improve the connection between academic program planning and financial planning which has been conspicuous by its absence in the past. In addition, more formal planning processes are expected to allow UAF to better control its carry-forward, although the appropriate level of reserves is an issue of controversy between UAF and the systemwide administration.

It is likely that the lack of clarity in authority and responsibilities between UAF and the Systemwide administration, and within UAF between the Vice Chancellor for Administrative Services and the research institutes will continue. The exact way in which the system functions will continue to be in large part driven by the individuals who hold the positions in question. These, along with the issues between the Fairbanks campus and the community campuses are reflections of a historic (often deliberate) lack of clarity in organizational design which arose from creation of an organizational structure based on compromises between political factions among the institution's stakeholders.

Standard 7.D: Fundraising and Development

Historical Perspective

Alaska has a unique environment for raising private funds. Physical location and isolation require using more funds than usual to raise monies. The base available is very small and the area in which funds are to be raised is vast. Additionally, Fairbanks is not the main economic hub of the state. The main development activities before 1990 were undertaken by the UA system for the benefit of the system through the University of Alaska Foundation. Since 1990 UAF has gone from virtually no private and corporate fund raising to the most sophisticated development office in the university system.

In 1990 UAF hired a campaign manager to initiate the first multimillion-dollar private fundraising campaign in the system. The goal of \$10 million was surpassed at campaign completion in June 1994, with more than \$13 million raised. In July 1994 UAF created the Office of Development and hired a director. After the initial campaign, forming partnerships with current and prospective donors was emphasized, and outreach to supporters in the Lower 48 expanded. These efforts helped to maintain donations at a consistent level through 1998.

Evidence-based Description

The development program reflects UAF's mission and goals and is coordinated with academic planning and institutional needs (7D). The mission of the Development Office is to establish, cultivate, and maintain relationships between the university and its various internal and external constituents to help foster community involvement as well as financial support. Fundraising activities conducted on or for UAF campuses directly support campus programs and projects. Fundraising activities are typically collaborative efforts, with the Development Office assisting community campuses, schools/colleges, or departments in the identification, cultivation, and solicitation of donors.

All UAF fundraising activities are governed by Regents' Policy 05.14 and conducted in accordance with the guidelines and procedures of the UAF Development Policy, and the Statewide Accounting Manual [Optional Exhibit 1]. Activities comply with governmental requirements and are conducted in a professional and ethical manner (7.D.1). The Development Office adheres to the Code of ethical Principles and Standards of Professional Practice of the National Society of Fund Raising Executives.

The University of Alaska Foundation is a legally separate and distinct non-profit 501(c)(3) corporation established in 1974 to solicit, accept, manage, invest, act as trustee and disburse gifts made to benefit the University of Alaska System and its programs and students. After the UAF Development Office was authorized by the Board of Regents to solicit and accept donations in 1990, the UA Foundation acted primarily as a banker and investor of the monies so raised. *The role of the Foundation and the relationship between it and the University of Alaska is defined in the Foundation's Articles of Incorporation and Bylaws and by Regents' Policy 05.14 (7.D.2&3) [Optional Exhibit 1].* The Foundation is governed by a twenty-three member Board of Trustees,

including the UAF chancellor and other UA officials. The accounts within the Foundation are overseen by the UA Vice President for Finance, who serves as its treasurer. The financial books are audited biannually by an independent certified public accounting firm selected by the Foundation's Board of Trustees. *The statements appear in the Foundation's annual report (7.D.2) [Required Exhibit.4].*

The diversity of donations held by the University and UA Foundation ranges from cash, developed and undeveloped real estate, stocks, bonds, and a large variety of tangible personal property including gold, collections of ivory, fine art, musical instruments, and copyrights. All funds received from donors are subject to specific agreements and are deposited individually into the University of Alaska Foundation. All payments between UA and the Foundation are by check. Each Foundation agreement creates a separate account within the Foundation so that donors may stipulate in accordance to their wishes and the Foundation is able to report on each Foundation agreement.

Analysis and Appraisal of Strengths and Weaknesses

In FY00 UAF raised more private funds in one year than ever before. Major fundraising efforts, including \$4 million for scholarships and \$3 million for research programs. A major capital campaign for an addition to the UA Museum is underway with a private funding goal of \$15 million toward the \$31 million needed for the addition. Confidence is high that by the end of 2001 these funds will be attained.

In the summer of 2000 the Development Office moved organizationally from University Relations into the Chancellor's Office to provide more ready access to the chancellor. Communication channels remain intact with University Relations and have been established with the UAF schools, colleges, and campuses located in Fairbanks. Better communication with distant community campuses would improve the Office's understanding of community campus needs and ability to seek donors. The current effort to assist the Rural College in the establishment of a centralized access to programs in the Brooks Building should build connections with these campuses. Because of the relative youth of the office and staffing limitations, service to UAF's various school/colleges, campuses, and other units is currently uneven.

The office has been very successful in increasing the number of scholarships, in part by creating a matching program from unrestricted monies. The goal in 1992 of increasing scholarships by 45 per cent in eight years was exceeded with the establishment of 231 scholarship accounts by 2000.

Projection

In the near future and the long term fundraising at UAF will be concentrating on:

- specific projects for the Tanana Valley Campus (equipment and scholarships), the UA Museum (facility expansion), Athletics (scholarships and endowment), and the Rural College (Brooks Building renovation);
- establishing stronger communication with and service to UAF units;
- creating more matching scholarship programs from unrestricted funds;
- cultivation of alumni, faculty, and staff as donors;
- expanding planned giving programs; and

- expanding the use of the internet for access to donors, and for donors to the university

The loss in office staffing and budget in the lean fiscal years is beginning to be reversed with the dedication of an administrative assistant and a database specialist solely to development. Once this database is in place, the development office will be able to further expand its fundraising efforts.