



UAF students gather in front of Rasmuson Library on a bright sunny day.  
UAF photo by LJ Evans

# STANDARD SEVEN

Finance



## 7.A. Financial Planning

The single most important aspect of the recent financial history of the University of Alaska Fairbanks is the inflation-adjusted declining funding from state government between 1985 and 1999 [A7.9]. The effects of this decline were exacerbated in the last half of that period when the Board of Regents directed an increased amount of the available funds to facilities maintenance that had been deferred in earlier years to make up for budget shortfalls. This funding environment revealed weaknesses in the institution's planning processes. Academic and budget plans existed during the 1990s (see Standard 1), but rather than taking a long-term proactive approach, UAF could only react to a continually worsening budget crisis. Planning and budgeting processes were used as ways to communicate the university's needs to the UA statewide administration, to the Board of Regents, and to the Alaska Legislature. Plans called for annual increases even though the Legislature provided either level funding or decreases for operations every year until FY00. The university addressed these decreases through annual cuts and by two systematic program reviews outside of the regular budgeting and planning processes.

During the past two years, however, budget planning has been revised and integrated with program planning. Increases in state funding have brought planning and budgeting back into line with reality, reflecting money that the university actually has available to spend rather than a funding level it only wished to attain.

### Evidence-Based Description

Financial planning and budgeting at UAF are governed by the institution's place in the University of Alaska system and the relationship of that system to the State of Alaska. Authority to receive and expend all types of funds is subject to appropriation or approval by the 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 system-wide president, who authorizes specific allocations to the individual campuses within the three major administrative units (MAUs). Within each MAU, the president authorizes allocations by category (e.g. instruction) as defined by the National Center for Higher Education Management Systems (NCHEMS). Details are available in the "Yellow Book" [G9]. Within each NCHEMS category UAF has substantial flexibility to internally allocate funds. Beginning in 1993, revenues generated in excess of expenditures have been allowed to be carried forward between fiscal years (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. The Legislature must authorize the expenditure of any funds generated above the amount it appropriates. Funds generated from state or federal agencies are directed to specific projects, services, or sponsored research.

Recent increases in the operating budget have been received in the context of program initiatives [G25] coordinated by the system-wide administration. Funds approved through this process are allocated by the president for specific programs, and are subject to extensive reporting requirements. The initiative process has been coupled with a planning/programming/budgeting

system environment introduced by the statewide administration in an effort to connect state funding increases with academic planning (7.A.1, 7.A.2).

The process for obtaining capital funds requires setting five-year priorities by category. 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 Board of Regents normally approves the budget assumptions in February of each year (7.A.2).

### **Budget Development**

The university's financial planning timeframe is three to four years, depending on the department and college process. Planning at the college, school, and department levels begins twenty-two to twenty-eight months before the development of the UAF budget request in which departmental plans will be included. This planning is based on the anticipated needs of the departments, schools, and colleges in light of their own strategic plans and goals, as modified by the overall UAF strategic plan and goals. Advance budget preparation for UAF as a whole normally begins sixteen to twenty-four months prior to the beginning of the fiscal year for which the request is made. The UAF request is folded into the system-wide request, which is submitted to the Alaska Legislature.

In FY00, FY01, and FY02 the University of Alaska president shifted the institutional strategy by focusing the incremental 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 composed of program experts. These councils develop programmatic plans that support the initiatives. These plans are then evaluated by the Systemwide Academic Council (the provosts from the three MAUs) and the Systemwide 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 entire budget process within UAF is conducted in light of several key documents: the statewide administration's guidelines for budget development (including definition of initiative areas and criteria for partitioning increments) [E7.7], the mission statement, "Strategic Plan: UAF 2005" [A1.4], and the Academic Development Plan [A1.6]. In addition, enrollment forecasts, economic projections, and facilities planning serve as guidelines in preparing the operating and capital requests. The Chancellor's Cabinet—using the same basis and input from administrators, faculty, and students—determines reallocations of budget. The Chancellor's Cabinet makes the final determination of UAF priorities.

The table below illustrates the timing and process for development of the FY03 budget.

<b>Month/Year</b>	<b>Groups involved</b>
October 2000	The provost solicits increment proposals from across UAF.
November 2000	Faculty, staff, departments/divisions, colleges/schools, institutes, campuses and administrators submit proposals.
January 2001	All proposals are posted online for constituency review [W7.7].
February 2001	UAF ad hoc evaluation committees prioritize proposals up to a budget cap. Committees correspond to system-wide initiative areas and are composed of faculty and administrators (and, where appropriate, staff).
March 2001	UA system-wide committees prioritize all proposals up to a budget cap. Some UAF committee members serve on the statewide committees.
June 2001	The Systemwide Academic Council & Systemwide Business Council review the prioritization and revise as necessary.
July 2001	The chancellor reviews the prioritization and makes comments and suggestions for revisions based on input from the Provost's Council, Chancellor's Cabinet and representatives of the Faculty Senate.
August 2001	Based on the chancellor's comments, the Systemwide Academic Council submits a revised proposal for UAF to UA Statewide.
August 2001	The UA president receives the UAF proposal from the Systemwide Academic Council and works with it and the chancellor to prepare a system-wide FY03 budget proposal for the Board of Regents.
September 2001	The Board of Regents reviews the budget proposal.
November 2001	The Board of Regents adopts a final budget. The budget is prepared in the format required by the State of Alaska and is published online as the Red Book [G10].
November 2001	The budget request is forwarded to the Legislature.
July 1, 2002	As approved by Legislature and governor, funds are accessible. The approved budget is published online as the Yellow Book [G9].

The budget as presented to the Legislature contains considerable detail including prior-year actual and current-year approved financial information, justification for the increments, and measures of prior and current accomplishments and future goals. During the legislative session, various House and Senate committees, which frequently recommend revisions and adjustments, review the university's budget. The governor has line-item veto authority, which has been infrequently applied to university appropriations. Note that both the proposed budget [G10] and the final approved budget [G9] are available to the public in both printed form and online (7.A.3).

The community, its elected legislators, the Chamber of Commerce, and college and school advisory councils are briefed on the budget request so that they, together with the Board of Regents and the university administration, may provide information to the governor and Legislature.

Capital appropriations are generally project-specific or scope-specific. Capital funds are requested for deferred maintenance or code compliance, renewal and replacement, instructional equipment and telecommunications, construction of new facilities or 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.

Outside of the state budget process, the university may participate in debt financing of capital assets in accordance with Board of Regents Policy [G2 P5.04]. All capital debt financing requires extensive review and approval 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 that the institution is capable of meeting ongoing debt service. 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 without placing stress on resources needed for educational purposes (7.A.4).

## **7.B. Adequacy of Financial Resources**

### **Evidence-Based Description**

UAF derives its revenue from a variety of state, federal, and private sources, as illustrated in the Appendix [A7.1]. Allocation of these sources to NCHEMS categories for expenditure is carried out by the UA president in consultation with the chancellor of each MAU. Within UAF, use of these sources of funds is based on the internal planning and budget process. Target revenue goals for non-state funding, especially competitive research funds, are based on the academic planning process within the relevant research institutes (7.B.1).

In accordance with Board of Regents policy, UA has incrementally raised tuition costs almost every fiscal year since 1988. UAF has relied on tuition revenue to partially offset declines in state appropriations. Non-tuition course fees, which do not require either Board of Regents approval or public discussion, increased significantly over the past decade. 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 Board of Regents by student governance). In FY98, the board approved this change, which was intended to pass a portion of the costs of technology upgrades directly to students [G4 Minutes 1997]. As a result, the Fairbanks campus has significantly improved access to computers via new labs and trained lab assistants. Students themselves have significant influence in appropriation of the technology fee [E8.16].

### **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 [G2 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 [A7.7] (7.B.2).

Authority for transfer between funds and inter-fund borrowing resides at the system-wide finance office level, within guidelines imposed by the Board of Regents and the State of Alaska (7.B.4).

### **Resources**

UAF has a record of financial solvency over the last five years, with revenues exceeding expenses each year [G10]. During the last two years, there has been a significant positive carry-forward as revenues have grown faster than expenses, and UAF has shown a surplus rather than an accumulated deficit (7.B.3). This financial history, especially in light of variations in state funding, demonstrates the adequacy of institutional planning and control of expenditures and financial reserves (7.B.7).

Limited financial resources at times during the past ten years severely challenged UAF's ability to support all of its offerings. Open faculty and staff positions went unfilled and reliance on part-time and term-funded faculty increased. In addition, reductions were made in expenditures for travel, supplies, student help, and equipment. As a result of institution-wide efforts in program review and assessment, UAF's academic offerings were trimmed to match the level of support available. Since the mid-1990s, program expansion has been guided both by the strategic planning process and by a rigorous linking of new programs to identified sources of funding (7.B.5). The change in the distribution of funding sources is illustrated in the Appendix [A7.8].

UAF's greatest operating cost (55 percent in FY00) is employee compensation. During most of the last ten years, compensation increases were either funded internally or foregone because the Legislature approved minimal funding to cover them. (Results in terms of faculty salaries are discussed in Standard 4 and staff in Standard 6.) However, a major turning point occurred in FY00 when the Legislature increased state general fund appropriations to cover all employee salary cost increases. It was the first fully funded compensation increase of the decade.

Other major categories of operating cost increases are in facilities maintenance and repair and in utilities. In FY94, the Board of Regents adopted high standards for formula funding to help alleviate a growing backlog of building maintenance and repair. Now, as a result, annual funding requirements for facilities include routine maintenance.

UAF has seen minimal relief for operating cost increases associated with library books and periodicals. The rapidly escalating cost of these materials has continued to outpace general inflation and the Higher Education Price Index (see Standard 5). The under-funding of recurring operating costs and compensation increases forced the university to apply most of its efforts to meeting base obligations rather than investing in new programs and materials.

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 by the entire system in a "Program Assessment" process

in 1994. UAF responded in part with an unsuccessful restructuring of its schools and colleges (discussed in Standard 6), and in part by significant reduction in non-teaching staff. Concurrent with this initiative was participation in the state Retirement Incentive Program. Aggressive efforts have been made throughout UAF to reduce administrative costs 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.

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 use 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.B.5).

UAF reserves are maintained centrally and at the school and college level. The university is not limited in the amount of reserves it can hold from one year to the next, except for not being allowed to carry forward state-appropriated general funds. UAF has determined internally, with UA Statewide concurrence, that at this time a maximum reserve of about \$7 million should be adequate to meet fluctuations in operating revenue and expenses including debt service which is budgeted from the general fund appropriation [E7.8] (7.B.7).

### **Financial Aid**

Financial aid is available to UAF students from a variety of federal, state, private, and institutional sources. A representative picture of the extent of financial assistance is provided in the Appendix [A7.13] (7.B.6). The information in the Appendix is a composite of several studies. It contains awards made by the financial aid office, employment of undergraduate and graduate students, and tuition and fee waivers including those as a fringe benefit for employees and their dependents. Additional detail on financial aid is on exhibit [E7.1]. Unfunded financial aid is 37.7 percent of the total reported to IPEDS [A7.4] (this does not include Work Study). It is expected to remain at that level in the near future (7.B.6). While revenue from tuition and fees has dropped by 2.7 percent in the last three years [A7.1], scholarship award funding has grown by 5.5 percent. This includes donations through the UAF Development Office/UA Foundation. Expenditures on student salaries have increased by 28 percent, funds for departmental waivers by 36 percent, and funds for the employee tuition waiver fringe benefit by 28 percent.

Notable aspects in the assistance offered to students in the last decade include the following:

- The total aid processed through the Financial Aid Office has grown from \$12 million in 1987 to over \$20 million. Currently about 67 percent of first-time freshmen and 62 percent of all full-time students receive funding through that office [Financial Aid notebook].
- The federal Work Study Program provides approximately \$350,000 to hire about 125 students yearly [Financial Aid notebook].
- The federal Supplemental Educational Opportunity Grant program provides approximately \$250,000 for educational opportunity grants to more than 300 students [Financial Aid notebook].

- The UAF Development Office has aggressively sought privately funded scholarships, and the number of these scholarships has almost doubled since 1992 as a result. The office is converting these scholarships to endowed accounts [Development Office notebook].
- The stipend for graduate teaching assistantships increased 10 percent in FY01. The Graduate Office has been able to increase the number of fellowships offered and has begun to offer tuition in the summer for a limited number of students working on proposals to fund their graduate research [G19].
- The Alaska Commission on Postsecondary Education working with UAF's Financial Aid Office and others has created the AlaskAdvantage program, which will provide easier student access to grants and loans [W7.1].
- The UA president initiated the Alaska Scholars Program [W7.2] in FY00 to encourage Alaska high school graduates to attend UA. This program provides \$1,375 per semester for eight semesters to the top 10 percent of students of every Alaska high school.

### **Auxiliary Services**

Board of Regents Policy [G2 P05.15] has required all auxiliary services to be self-supporting since 1995. UAF endeavors to comply with the policy. However, full self-support has yet to be achieved [E7.2] (7.B.8).

## **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, and at the fall meeting it approves 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 board are typically prepared by the vice president for finance or the university controller with input from the MAU 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 board's Finance, Facilities, and Land Management Committee. 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 [G2 P05.02.01], the UA vice president for finance is responsible for ensuring that the university maintains an accounting system that conforms with generally accepted accounting principles and governmental reporting practices, that it maintains adequate management control, and that university resources are used appropriately. As the recipient of substantial amounts of federal money, UAF also is responsible for maintaining compliance with the federal cost accounting standards contained in Office of Management and Budget Circular A-21 (7.C.5).

The chancellor has designated the vice chancellor for administrative services as the chief financial officer (7.C.2). (See the organizational chart in the Introduction.) Board of Regents Policy [G2 P05.01.01] assigns to the designated chief financial officer the responsibility of conducting the annual operation of the administrative unit strictly within the bounds of its budget as approved in accordance with procedures established by the vice president for finance.

Using the accrual method of accounting, all financial activities are segregated using fund code classifications (unrestricted, designated, auxiliary enterprise, capital and agency groups), and National Center for Higher Education Management Systems program code classifications in support of Integrated Postsecondary Education Data System, and National Association of College and University Business Officers requirements. The university has standardized fund and program classifications throughout the system. The MAUs have limited flexibility within the establishment of the organization code classification at the campus level. UAF uses detailed individual organization codes for each instructional discipline and executive area (7.C.3, 7.C.5).

The UA vice president for finance, chancellor, and designated chief financial officer at each MAU are responsible for ensuring that deficit spending does not occur within the respective administrative units. Deficit spending or other violation of Board of Regents policy by persons with budget control is just cause for termination or other disciplinary action determined to be 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, Banner Finance, developed by SCT Corporation. The university underwent an extensive system-wide effort to implement the Banner Finance 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 Banner Finance system. Purchases are then made by Procurement and Contract Services [W7.3] in accordance with the State Procurement Code. Procurement has simplified the small purchase category for commodities or non-personal services under \$2,500. Routine acquisitions may be made using corporate procurement cards, limited purchase orders, and call numbers. Each MAU business manager has delegated procurement authority for purchases up to \$50,000. All major UAF construction procurements or requests for alternative procurements are handled by Procurement and Contract Services.

All departmental procurement transactions are post-audited by either the procurement staff or the staff of the Accounts Payable Office [W7.4]. 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 the statewide Internal Audit Department.

Human Resources [W7.5] transactions and payroll generation are centrally performed at each campus. The payroll function is managed by the manager of Human Resources in accordance

with Board of 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 UAF Human Resources.

Overall authority and controls over revenues and expenditures are broadly defined within Board of Regents Policy [G2 Part V] and further supplemented by University Regulation [G3] and UAF's Administrative Services Manual [E7.3].

Cash management responsibilities are contained within Board of Regents Policy [G2 P05.02.04] and in procedures contained within the Statewide Accounting Manual [W7.6] and Banner Finance system manuals [E7.9]. Statewide finance develops banking specifications to meet the needs of the university system. A banking services Request For Proposals and subsequent contract is issued every five years to meet the system's requirements (7.C.4).

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

The Board of Regents restricts investment of university funds to the statewide administration. 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 [E7.10] is restricted to the foundation administration. UAF 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 [G2 P05.03.01] 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. The internal audit team makes recommendations to the board and to executive management on matters concerning operational activities and the safeguarding of assets. The units being audited receive drafts of the audit report for open comment and discussion prior to formal audit submissions to the chancellor. Final internal audit reports are issued from the UA vice president for finance to the UAF chancellor. UAF prepares a written response that is ultimately shared with the president and the Board of Regents (7.C.9, 7.C.12).

By longstanding practice, the Board of Regents conducts 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 Audit Committee of the Board of Regents selects 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 board's Audit Committee. The university's current independent auditor is KPMG Peat Marwick. The auditing firm issues an overall audit opinion as well as special audit opinions

required by the FSAA. The Alaska Commission on Postsecondary 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 state Office of Management and Budget as well as the Legislative Budget and Audit committee. In addition, the 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 and 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 [E7.4]. The UA system vice president for finance drafts a response to the Finance, Facilities, and Land Management Committee of the Board of Regents explaining how the university plans to respond to any concerns. If there are items specific to UAF in the report, the UA vice president for finance directs UAF's vice chancellor for administration to prepare an action plan. The goal of the process is to ensure that no concern is repeated; in recent years none has been. The Board of Regents Finance, Facilities, and Land Management 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 UAF-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 Alaska Department of Administration, and the federal Bureau of the Census. UAF retains a copy in the Administrative Services Office for review by the general public (7.C.13). Copies are also distributed online [W7.6].

### **Appraisal**

The university's responses to the declines in state funding during the period 1985-1999 were generally made outside its 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 exercises such as "Program Assessment." After officially spending the year deciding how much additional funding to request, deans and directors were generally told in March the extent of budget reductions for the next year, and they were then left to find targets of opportunity. Currently high levels of reserves carried forward by UAF are in part a legacy of the practice of planning for budget shortfalls by maintaining hidden reserves. This practice makes management of the university's reserves difficult.

Over the past two years, the system president and the 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 insofar as is possible given annual legislative appropriations. These improvements have included better integration of capital and program planning (discussed in Standard 8), the development of formal academic program planning (discussed in Standard 1), and the linking of academic plans with funding initiatives from the Legislature. All this is occurring in the context of a more formal planning,

programming and 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 UA system administration and the UAF administration. For example, the exact division of responsibility between the UA system vice president for finance and the UAF vice chancellor for administrative services is ambiguous. The formal planning and reporting structure has focused attention on similar issues within UAF.

Most financial aid is disbursed from the Financial Aid Office on the Fairbanks campus. However, various departments and community campuses grant tuition waiver scholarships and assistantships, and the UA statewide administration also grants scholarships and funds graduate assistantships. Because financial aid is handled by a variety of locations and offices, it has been difficult to provide routine information on the totality of assistance available or to establish the level of financial need for UAF students. UAF has made efforts to centralize applications and awards of financial aid and scholarships in the Financial Aid Office. As part of its effort to attract and retain more students, UAF has been offering an increasing number of institutionally funded scholarships.

### **Projections**

Increases in state funding for the university system in FY00 and FY01 in response to the UA president's statewide academic initiatives will enable UAF to replace faculty and staff lost in the last half of the 1990s and address its most pressing development needs.

The University of Alaska is a publicly funded institution, and therefore its fortunes are dependent on a constantly changing political climate. Thus, accurate projection of future levels of state funding is not possible. It is the practice of the Board of Regents to increase tuition to meet rising costs, and that practice is expected to remain in place. Furthermore, it is expected that recent increases in external funding for research will continue.

The new planning process should continue to strengthen the connection between academic program planning and financial planning. In addition, 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 statewide administration.

With the implementation of the Enrollment Management Office, UAF's ability to coordinate, track, and plan financial aid will be improved.

## 7.D. Fundraising and Development

Alaska's physical size, its small population, and its isolation from the rest of the United States create a unique environment requiring extraordinary measures to raise private funds. Before 1990, the university's main development activities were undertaken by the statewide University of Alaska Foundation for the benefit of the UA system. However, in that year 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 1994 UAF created the Development Office and hired a director [W7.8]. After the initial campaign, forming partnerships with current and prospective donors was emphasized, and outreach to supporters in the lower 48 states expanded.

### **Evidence-Based Description**

The development program reflects UAF's mission and goals and is coordinated with academic planning and institutional needs. 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 and colleges, or departments in the identification, cultivation, and solicitation of donors.

All UAF fundraising activities are governed by Board of Regents Policy [G2 P05.14] and conducted in accordance with the guidelines and procedures of the UAF Development Policy [E7.5], and the UA Statewide Accounting Manual [E7.6]. 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. It was established in 1974 to solicit, accept, manage, invest, and disburse gifts made to benefit the University of Alaska system and its programs and students [A7.5]. After UAF 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 system is defined in the foundation's Articles of Incorporation and Bylaws [E7.10] and by Board of Regents Policy [G2 P05.14] (7.D.2, 7.D3). The foundation is governed by a 23-member Board of Trustees, which includes 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) [E7.4].

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 the university and the foundation are by check. Each foundation agreement creates a separate account within the foundation so that donors may stipulate their wishes and the foundation is able to report on each agreement.

### **Appraisal**

In FY00 UAF raised more private funds than it had in any previous year. Major fundraising efforts included \$4 million for scholarships and \$3 million for research programs. A major capital campaign for an addition to the UA Museum has exceeded its private funding goal of \$15 million toward the \$31 million needed for the addition.

In the summer of 2000 the Development Office moved organizationally from the Office of University Relations into the Office of the Chancellor to provide ready access to the chancellor. Communication channels remain intact with Office of University Relations and have been established with Fairbanks-based schools, colleges, and campuses. Better communication with distant community campuses would improve the Development Office's understanding of community campus needs and ability to seek donors. Because the Development Office is relatively new and has staffing limitations, service to UAF's various schools and colleges, campuses, and other units is currently uneven.

The Development Office has been successful in increasing the number of scholarships, in part by creating a matching program from unrestricted monies from private gifts. The goal in 1992 of increasing scholarships by 45 percent in eight years was exceeded with the establishment of 231 scholarship accounts by 2000.

### **Projections**

The Development Office has identified the following areas for particular attention:

- Equipment and scholarships for the Tanana Valley Campus.
- Athletic scholarships and endowments.
- Contributions for the renovation of the Brooks Building.
- Stronger communication with and service to academic departments/divisions.
- More matching scholarship programs from unrestricted funds.
- Cultivation of alumni, faculty, and staff as donors.
- Improved Internet access for donors.
- Expansion of planned giving programs.

## Standard 7 Documents List

### Appendices

- A1.4 UAF Strategic Plan 2005 (<http://www.uaf.edu/univrel/plan/draft/>)
- A1.6 UAF Academic Development Plan  
[http://www.uaf.edu/provost/academic\\_plan/index.html](http://www.uaf.edu/provost/academic_plan/index.html)
- A7.1 Table #1, Current Funds Revenues
- A7.2 Table #2, Current Funds Expenditures and Transfers
- A7.3 Table #3, Summary Report of Revenues and Expenditures
- A7.4 Table #4, Sources of Financial Aid
- A7.5 Table #9, Operating Gifts and Endowments
- A7.6 Table #10, Capital investments
- A7.7 UAF Debt Service Schedule: 1998-2005
- A7.8 Funding Sources as a Percentage of Actual Revenues FY87-FY01
- A7.9 General Fund Appropriation in Real and Nominal Dollars FY86-FY01
- A7.10 Actual General Funds Compared to Total Funds FY86-FY01
- A7.11 Endowment and Life Income Fund Report
- A7.12 List and Description Financial and Management Reports
- A7.13 Financial Aid Assistance at UAF, 1998-2000

### Exhibits

- G2 Board of Regents Policy (<http://www.alaska.edu/bor/>)
  - G3 University Regulations (<http://www.alaska.edu/bor/>)
  - G4 Board of Regents' Home Page (<http://www.alaska.edu/bor/>)
  - G5 UAF Fact Book (<http://www.uaf.edu/pair/factbook.html>)
  - G6 UA in Review (<http://www.alaska.edu/oir/Review/index.html>)
  - G7 UAF Home Page (<http://www.uaf.edu>)
  - G9 Yellow Book (<http://www.alaska.edu/swbudget/yellowindex.htm>)
  - G10 Red Book (<http://www.alaska.edu/swbudget/redindex.htm>)
  - G14 Collective Bargaining Agreement: United Academics – AAUP/AFT (UNAC)  
(<http://www.alaska.edu/labor/current/united/table2001.html>)
  - G15 Collective Bargaining Agreement: Alaska Community Colleges' Federation of Teachers (ACCFT) (<http://www.alaska.edu/labor/current/accft/Contract/table.html>)
  - G19 Graduate School Home Page (<http://www.uaf.edu/gradsch/>)
  - G24 1990 UAF Accreditation Self-Study Report
  - G25 Initiative Planning & Budgeting Process (<http://www.alaska.edu/swacad/planninGhtml>)
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- E7.1 Financial Aid Summaries
  - E7.2 Current Operating Budgets for Auxiliary Organizations including reports and audits
  - E7.3 Administrative Services Manual
  - E7.4 Latest Audit Reports (collection, see page 9)
  - E7.5 UAF Development Policy
  - E7.6 UA Statewide Accounting Manual
  - E7.7 UA Statewide Administrative Guidelines for Budget Development including definitions of initiative areas and criteria for partitioning increments
  - E7.8 Vice-Chancellor of Administrative Services January 2001 presentation on reserves

- E7.9 Banner Finance Manuals
- E7.10 UA Foundation Articles of Incorporation and Bylaws
- E7.11 Campaign for UAF: The 1992 75<sup>th</sup> Anniversary Fund-Raising Campaign
- E8.16 Technology Advisory Board Description

**Additional Web Sites**

- W7.1 AlaskAdvantage <http://www.state.ak.us/acpe/akadv.html>
- W7.2 Alaska Scholars Program <http://www.alaska.edu/scholars/>
- W7.3 Procurement and Contract Services [http://www.uaf.edu/purch/proc\\_cont\\_serv.html](http://www.uaf.edu/purch/proc_cont_serv.html)
- W7.4 Financial Services <http://www.uaf.edu/finsvcs/index.html>
- W7.5 Human Resources <http://www.uaf.edu/uafhr/>
- W7.6 UA Budget Allocation Report  
<http://www.alaska.edu/swbudget/Manual/Allocation.html>
- W7.7 FY03 Planning Initiative Proposals <http://www.uaf.edu/provost/fy03/chart.html>
- W7.8 Development Office <http://www.uaf.edu/giving/index.html>

**Notebooks of Interest**

- Financial Aid notebook
- Development Office notebook

