

August 19, 2020

TO: Provost Prakash and Vice Chancellors Champagne, Peter, Queen and La Belle-Hamer
FROM: Daniel M. White, Chancellor 
RE: FY22 Early Planning Assumptions & Budget Guidance

In FY22, UAF will be in the third and final year of the compact the Board of Regents signed with Governor Dunleavy. This agreement requires UAF to reduce our general fund (GF) budget by a total of \$34.7M between FY20-FY22. State GF reduction targets have been: \$12.5M, \$12.3M, and \$9.9M for FY20, FY21 and FY22, respectively. These cuts have been complicated or compounded by other factors impacting the UAF budget, such as the time needed to realize savings from cuts, increases in fixed costs, UA reallocation items, compensation increases, and the costs of the COVID-19 pandemic.

Even though the UA budget was not received from the state until mid-way through FY20, UAF was able to accomplish \$9.3M in base reductions. This left a remaining balance of \$6.7M moving into FY21 and FY22 yet to be addressed.

In FY21, UAF units have prepared budgets that fully address the in-year state reduction of \$12.3M. In addition, we have been able to commit debt refinancing savings of about \$2.9M and \$1.5M in central facilities maintenance reductions to the budget gap, reducing the \$6.7M FY20 balance to about \$2.3M for planning in FY22. Our FY22 reduction target, barring other changes, is therefore \$9.9M in state GF reductions added to the \$2.3M prior year gap, or \$12.2M for FY22.

Based on planning we have done together as a core team, I am providing an initial planning target for reductions in FY22 at 10% of unit GF budgets. In this context, "unit" is your VC level. How you pass along the 10% reduction to your unit leaders is at your discretion. This initial target will yield approximately \$9.2M. It is important to realize that this year, I am providing a lower number with the expectation of covering the "remaining base gap" with potential new revenues, such as a power sales agreement that we are working on with the new power plant. We will communicate regularly on opportunities for vertical cuts or targeted reductions that will lessen the overall percent reduction. Please communicate with your leaders that this initial planning target could increase or decrease as we learn more about pending opportunities, enrollment, and COVID-19 impacts. We will communicate changes as soon as they are known.

Three significant factors that could allow us to lower the overall budget reduction are enrollment, reduction in footprint, and growing revenues, particularly with many of our non-credit programs. Thus far, UAF has implemented an effective recruitment and retention strategy to keep our students here and bring new students to UAF, even in the midst of the global pandemic. Growing enrollment and reducing our footprint are everyone's role. And where there are poorly used facilities or land, let's consolidate. Let's focus more of our efforts (\$) on keeping people, faculty, staff and students and less of our efforts on keeping "stuff".

As part of planning for the 10% GF reduction target, please be prepared to submit detailed plans to Vice Chancellor Queen in advance of the November 2020 Board of Regents meeting. I will provide more information on this report in the coming weeks as I receive direction from Interim President Pitney.

DMW: jdp