

Section 4. Budget Planning, Resource Reinvestment & Reallocation

A. Six-year trend and one-year changes of unreserved fund balance (UFB) by allocation and fund, by VC level unit.

UAF's unreserved fund balance (UFB) principles exist as a set of guidelines for unit financial managers and encourage accuracy in reporting projections. The target range for year-end balances on unrestricted sources is 2.0-4.0 percent. The UA System Office provided specific guidance to aim for the top of the target range for FY22, which is reflected by the continued high level (historically) of UFB as part of the trend. The FY22 UFB of \$13.9 million represents approximately 3.4 percent of all restricted and unrestricted funding sources (\$406 million; does not include Intra-Agency Transfers).

Table 4.1 represents the total UAF unreserved fund balance (UFB) managed at the campus (allocation) level from FY17-FY22, regardless of the source. Only unrestricted UFB (F1) is available for use by unit management. Table 4.2 lists F1 UFB by vice chancellor (VC) level.

Table 4.1 FY17-FY22 UFB by Fund Type & Allocation

UFB by Fund Type	FY17	FY18	FY19	FY20	FY21	FY22
Total Unrestricted (F1)	8,085,122	7,431,858	8,953,266	10,167,222	15,714,137	13,957,928
Recharge Svc Centers (F7)	17,367,210	15,565,143	7,785,057	7,904,285	3,801,565	(11,489,795)
Leasing (FL) & Enterprise (FE)	3,920,400	2,796,045	(637,407)	(1,054,968)	2,170,540	4,532,643
Grand Total	29,372,731	25,793,047	16,100,916	17,016,539	21,686,242	7,000,776
F1 UFB by Allocation	FY17	FY18	FY19	FY20	FY21	FY22
Troth Yeddha' Campus	6,350,224	6,388,595	7,998,187	8,153,237	12,369,111	11,406,016
Bristol Bay Campus	413,708	11,951	87,739	248,990	317,386	85,469
Chukchi Campus	189,949	71,769	20,549	42,769	113,032	51,691
Community and Technical College	213,774	54,173	226,106	161,476	812,663	364,918
Interior Campus	512,367	285,618	275,259	171,152	102,035	126,782
Kuskokwim Campus	336,915	19,485	52,436	248,659	17,291	163,084
Northwest Campus	151,107	49,196	54,386	250,218	75,509	13,644
College of Rural and Community Development	(82,922)	551,071	238,604	890,722	1,907,111	1,746,325
Grand Total	8,085,122	7,431,858	8,953,266	10,167,222	15,714,137	13,957,928

Table 4.2 FY22 Fund 1 UFB by VC Level Unit

Cabinet	FY22	Percent of Total
Chancellor	33,620	0%
Provost	3,817,537	27%
Vice Chancellor for Administrative Services	1,115,442	8%
Vice Chancellor for Rural, Community & Native Education	2,551,913	18%
Vice Chancellor for Research	3,453,760	25%
Vice Chancellor for Student Affairs	1,238,791	9%
Central Managed Projects	1,746,865	13%
Grand Total	13,957,928	100%

Provost had the largest UFB at 27 percent of the F1 total, followed by the Research and Rural, Native, and Community Education areas at 25 and 18 percent of the F1 total, respectively. Central Managed Projects decreased from 26 percent in FY21 to 13 percent in FY22. This area includes

central student aid and waivers, debt service payments, utilities costs, other large institutional expenditure categories and COVID funds to be distributed to areas across campus.

B. FY22 approved budget requests, outlook and management actions in progress.

Appendix 4.B.1 - FY20-22 UA and State of Alaska Three-Year Budget “Compact”, August 13, 2019

Appendix 4.B.2 - FY22 Budget Guidance, UA memo, July 23, 2020

Appendix 4.B.3 - FY22 Early Planning Assumptions & Budget Guidance, Chancellor White memo, August 19, 2020

Appendix 4.B.4 - FY22 Budget Adjustment to VCs, Chancellor White memo, July 27, 2021

Appendix 4.B.5 - FY22 Federal Receipt Authority, VC Queen memo, September 13, 2021

Weekly budget memos and updates are found on the Chancellor’s website at <https://uaf.edu/chancellor/initiatives-and-policies/advocacy/communications.php>

FY22 is the final year of the three-year agreement (“compact”) between the Governor and the UA Board of Regents. This agreement is located at Appendix 4.B.1. In recognition of the negative financial impacts UA sustained as a result of the COVID-19 pandemic, the Legislature passed and the Governor signed an FY22 operating budget for UA with a \$4.3 million GF reduction, instead of the original \$20 million as noted in the agreement. It is important to note that this is not “new money” but rather less than a reduction than anticipated. From FY20-FY22, UAF has absorbed nearly \$27 million in budget reductions through the Governor’s compact. This is compounded by millions of dollars in COVID-19 costs and lost revenue, only a portion of which has been recovered through relief aid. FY20-FY22 UA and UAF impacts are included in Table 4.3 below. This table does not include COVID impacts.

UAF’s estimated GF reduction proportion is roughly half (50 percent) of UA’s total cut, however, unfunded fixed cost increases and internal reallocations directed to strategic initiatives increase the total budget reduction target across all universities.

Table 4.3 UA and UAF FY20-FY22 Reductions (\$ millions)

	Governor’s Compact - 3 Year Reduction						Total UA FY20-22 Reduction Impact	Total UAF FY20-22 Reduction Impact	Comments
	FY20		FY21		FY22*				
	UA	UAF Share	UA	UAF Share	UA	UAF Share			
	UA GF \$302.0M		UA GF \$277.0M		UA GF \$272.7M				
	UAF GF \$148.9M		UAF GF \$136.4M		UAF GF** \$136.9M				
Expense Factors	UA	UAF Share	UA	UAF Share	UA	UAF Share			
State UGF Reduction	25.0	12.5	25.0	12.3	4.3	2.1	54.3	26.9	Base budget cut
<i>Investments</i>									
Strategic Initiatives	5.0	2.5	0.0	0.0	0.0	0.0	5.0	2.5	Reallocation within university
Compensation (Equity & Market)	3.4	1.7	0.0	0.0	0.0	0.0	3.4	1.7	Reallocation within units
Compensation (General Market 1%)	0.0	0.0	3.9	1.9	0.0	0.0	3.9	1.9	Reallocation within units
Title IX/Safety	0.7	0.3	0.0	0.0	0.0	0.0	0.7	0.3	Reallocation within university
Total Reduction Impact	34.1	17.0	28.9	14.2	4.3	2.1	67.3	33.3	

*FY22 UA GF was finalized with a reduction of \$4.3M from FY21 levels, instead of the original plan of a \$20M reduction from FY21 levels.

**FY22 UAF GF includes transfers from the UA System to pay for shared UA services (e.g. Procurement and Human Resources)

As a result of the lesser FY22 cut, the Chancellor revised initial budget adjustments to meet immediate and strategic needs. These adjustments include directing \$3 million to FY20 partial year reduction obligations; \$2 million directed to areas of critical need, and remaining relief allocated to vice chancellors to minimize, where possible, impacts to their units.

FY22 Legislative Budget Outcomes

- Dual appropriation: The dual appropriation structure continues in FY22.
- Compensation: No compensation increases. Leadership furloughs continue in FY22. University officers are required to furlough for ten days and senior administrators and non-represented academic leaders are required to furlough for eight days.
- Capital budget: Initially, the FY22 capital budget was vetoed by the Governor, however, UA was later appropriated \$5.0 million for deferred maintenance (DM) purposes. UAF's DM increment is \$3.1 million.
- Other: TVEP was reauthorized for three years.

FY22 UAF Strategic Investments: Base and One-Time

Appendix 4.B.6 - FY22 Strategic Investment Allocation, Chancellor White Memos, November 5, 2021

In November 2021, the Chancellor committed funding for FY22 investments via a mix of one-time funds and reallocation of base general funds from the adjusted budget compact. Investments include \$2.25 million in base funds for critical needs and \$2.96 million in one-time funds to address enrollment needs and other shortfall and critical compliance. These investments support initiatives in alignment with UAF's strategic goals and Strategic Enrollment Planning (SEP) recommendations. These investments do not include American Rescue Plan Act (ARPA, or HEERF III) distributions related to COVID-19 recovery; these are detailed in separate memos, discussed in Section D.

C. FY23 approved budget requests, outlook and management actions in progress.

Appendix 4.C.1 - FY23 Budget Planning Update, Chancellor White memo, August 11, 2021

Appendix 4.C.2 - FY23 Legislative Budget Update, Chancellor White memo, May 4, 2022

Appendix 4.C.3 - FY23 Legislative Budget & Next Steps, Chancellor White memo, May 23, 2022

Appendix 4.C.4 - FY23 Budget Outcomes, Chancellor White memo, June 29, 2022

UA and UAF developed the FY23 operating budget plan with a focus on progress toward budget stability by utilizing the following initial guidelines:

- Priorities that fit with the Board of Regents' (BOR) goals and measures, including focus on a reduced fixed-cost base, promoting student enrollment, and benefit to the Alaska economy
- Providing stability to the UA budget, including key investments for economic return
- A compensation strategy necessary to attract and retain quality employees
- Modernizing the student technology experience
- Increased earned revenue and partnership opportunities
- Capital funding for deferred maintenance and renewal projects
- The state funding environment

FY23 Legislative Budget Outcomes

A brighter budget picture is emerging. On June 28, 2022, Governor Dunleavy released the State of Alaska FY23 budget, marking the completion of the state appropriations process and the first operating and capital budget increases since prior to FY20. UAF's FY23 financial position improved with funding for base, one-time and capital funding areas.

Base Operating Budget

- \$3.7 million for some fixed costs and fund-one staff compensation increases, effective beginning July 2022. Funding for faculty compensation increases continue to be pursued through ongoing confidential negotiations.

- \$2.0 million for Alternative Energy research funds through the Alaska Center for Energy and Power (ACEP).
- \$500 thousand for Teacher Education funding for practicums and degree completion.

Economic Development, one-time funding

One-time funding in the Governor’s budget was directed to UAF for economic development areas that have a connection to the state economy with high potential for growth. These are areas in which UA and UAF have strong expertise and that the state has identified as priorities:

- \$5.8 million - Critical Minerals and Rare Earth Elements Research and Development
- \$10.0 million - Unmanned Aerial Vehicle Systems (Drone Program)
- \$5.0 million - Mariculture Research and Development
- \$5.0 million - Heavy Oil and Gas Recovery Research and Development

Overall, UAF received a \$32 million operating budget increase (or 23.4 percent) over the FY22 state allocation through a mix of one-time and on-going base funding. This is exciting news as this additional funding will afford new opportunities for UAF as it continues to strengthen and grow research, academic programs, and student recruitment and retention.

Capital Budget

Fortunately, UAF’s most significant deferred maintenance (DM) request for Moore and Bartlett plumbing and revitalization is included at \$23 million.

The capital budget also includes \$2.5 million for emerging energy opportunities through ACEP, \$500,000 for Rare Earth Demonstration Facility, \$250,000 for Rare Earth Mineral Security and a portion of \$2 million for Fisheries, Seafood and Maritime Works to be determined through a UA-wide process.

In addition, all universities will also participate in an upgrade of student information technology systems (\$20 million) affecting how we deliver education and communicate with students throughout Alaska and beyond. This project will improve the student experience and is critical to meeting changing student and technology needs.

Single appropriation

The State of Alaska Legislature moved the UA system back to a single appropriation, which allows UA to more efficiently manage operations between the universities and the UA System Office. This is beneficial in many ways and will allow UA and UAF to be nimble and proactive when using resources, or to support shared expenses where economies of scale exist.

FY23 UAF Strategic Investments: Base and One-Time

Appendix 4.C.5 - FY23 Strategic Investment Allocation, Chancellor White memo, September 28, 2022

In September 2022, the Chancellor committed funding for FY23 investments via a mix of one-time funds and base general funds. Investments include \$894 thousand in base funds for critical needs and \$2.5 million in one-time funds to address enrollment needs and other shortfall and critical compliance. These investments support initiatives in alignment with UAF’s strategic goals and

Strategic Enrollment Planning (SEP) recommendations. These investments do not include American Rescue Plan Act (ARPA, or HEERF III) distributions related to COVID-19 recovery; these are detailed in separate memos, discussed in Section D.

D. FY24 approved budget requests, outlook and management actions in progress.

Appendix 4.D.1 - FY24 Budget Planning Update, Chancellor White memo, August 17, 2022

UA and UAF developed the FY24 operating budget plan with a focus on the following themes: building faculty capacity, prioritizing student needs/enrollment, nimbleness to meet workforce and research economic development needs, and critical core functions. Additionally, the budget was crafted around these priority focus areas:

- Increase enrollment through retention in degree programs for Alaska’s workforce
- Develop workforce and focused economic development initiatives
- Promote Arctic policy, research, and leadership
- Strengthen teacher education through the Alaska College of Education Consortium
- Advance the Alaska Native Success Initiative
- Build finance industry partnerships to expand business workforce
- Increase fisheries and ocean sciences presence in Southeast Alaska
- Revise business models for efficiency and modernization

Stability, revenue enhancement and partnership opportunities, and capital funding for deferred maintenance are other factors included budget development.

FY24 BOR Approved Operating Budget Request

The FY24 approved UA budget request is \$319.9 million, an increase of 8.4 percent from the FY22 level of \$295.1 million. This represents a stable base level of state funding that includes modest increases for compensation, other operating fixed cost increases and programmatic needs to build capacity for Alaska’s workforce.

FY24 BOR Approved Capital Budget Request

The BOR approved capital budget request includes \$72.3 million for UA deferred maintenance (UAF portion is approximately \$38.5 million, if funded). The UA System FY24 capital budget request also includes \$21.2 million for facilities modernization, which includes two UAF facilities: Lola Tilly Repurpose for Student Engagement and University Park Early Childhood Development Center. Refer to Section 5 for capital budget details.

It is important to note that 2022 is an election year and Governor Dunleavy has been elected to a second term. The Governor will release the FY24 budget in December 2022 and the legislative session will run from January through April 2023, although in recent years, the session has ended later than April.

FY23-FY24 Planning Actions

As the university transitions to a brighter budget picture and ideally a period of stability, UAF will continue to examine high level priorities and opportunities. UAF will continue to serve its students and use strategic planning goals and recently updated NWCCU accreditation standards and themes to guide actions. UAF is also contributing to UA System Office Goals and Measures that are informed by UAF’s Strategic Goals.

COVID-19 Actions and Impacts

Appendix 4.E.1 - UAF ARPA HEERF III Distribution, VCAS Queen memo, November 30, 2021

Appendix 4.E.2 - FY23 UAF COVID-19 Match Fund Expiration, VCAS Queen memo, June 30, 2022

Appendix 4.E.3 - FY23 UAF Tuition Distribution ARPA, VCAS Queen memo, September 1, 2022

The COVID-19 pandemic began during the last quarter of FY20 and has continued into FY22. UAF has received relief from federal, state and local sources and this funding was used to provide emergency financial aid to students; reimburse students for tuition, housing, room and board, or other fee refunds; replace lost revenue due to reduced enrollment; and replace lost revenue from non-tuition sources. While COVID funding has helped, it is not enough to offset COVID-related expenditures and lost revenues.

UAF tracks expenditures and revenue losses related to COVID-19 through a central match account. Reporting mechanisms are in place and appropriate justification and backup is required for COVID-related expenditures. Additional discussion about COVID-related revenues and expenditures is located in Section 1.

Beginning in FY23, the COVID central match account will be discontinued and units will return to managing expenditures through unit budgets, returning to normal business operations. At the time of this writing, it is possible that UA/UAF will receive a small, final amount of COVID-19 revenue relief from federal or other sources in FY23.