FY22 Financial Review - Executive Summary

December 2022

FY22 Budget Overview

UAF's total revenues rely more on state general fund appropriations than on any other source. However, over years of reductions, the percentage of state general fund as part of UAF's total budget has gradually declined. In FY17, state general funds made up 37 percent of total UAF revenue; in FY22, it made up roughly 28 percent.

UAF's other significant revenue sources in FY22 were federal receipts for sponsored research (not including COVID relief) at 27 percent, UA receipts and partnerships (10 percent), tuition and fees (9 percent), and indirect cost recovery from sponsored and research activities (7 percent). COVID-19 revenue recovery from federal, state and local sources makes up roughly 2 percent of UAF's total FY22 revenue.

Federal receipts has experienced strong year-over-year growth for several years and demonstrates UAF's commitment to strengthening and growing its research mission. From FY21 to FY22, federal receipts increased by 22 percent, or nearly $25 million (this does not include federal COVID relief funding). Activity at the Geophysical Institute and International Arctic Research Center are primary drivers of growth from FY21 to FY22.

Indirect cost recovery (ICR) increased by 10 percent from FY21 levels due to the effects of higher F&A rates as well as UAF's continued focus on its research enterprise. Federal restricted revenue and ICR revenue generally align; as federal activity has trended upward, ICR trends upward as well.

Tuition revenue remains relatively flat despite tuition rate increases. UAF continues to navigate enrollment declines, a declining state population, and COVID-19 impacts. UAF has established a differentiated tuition model for FY23+ and is focusing heavily on leveraging internal funds to generate revenues and increase enrollment in the coming years. Investments that demonstrate promising return on investment (ROI) are high priority and UAF has been actively managing a Strategic Enrollment Planning process that is showing positive results. UAF is committed to improving the student experience as part of its strategic goals.

In FY22, salary and benefits made up 44 percent of total expenses, followed by contractual services (31 percent) and commodities (10 percent). Roughly one-third of total labor expenditures (33 percent) are funded through external sponsored research (e.g. grants and contracts).

FY22 Budget Outcomes

FY22 is the final year of a three-year agreement ("compact") with Governor Dunleavy and the UA BOR for FY20-FY22 that decreased UA's state funding by more than $54 million. Of this, UAF took roughly half of the reductions (or nearly $27 million). 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.

Unfunded fixed cost increases and internal reallocations directed to priority initiatives increase the total budget reduction impact. UAF is also managing a large fixed cost obligation made up of utility costs and debt service, and therefore must make steeper reductions in other categories to ensure these fixed costs are covered annually.

UAF is addressing budget targets utilizing a mix of one-time sources and base reductions by exploring revenue generation activities, reduction of facilities footprint, sale of power, differentiated tuition rate increases, and monetization of assets.

Other FY22 budget highlights include:

- The dual appropriation structure continues in FY22.
- No compensation increases in FY22. 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.
- 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.
- TVEP was reauthorized for three years.

FY22-FY23 Strategic Investments

UAF regularly reallocates internal resources to support priority areas, even during tight budget times.

In FY22 and FY23, UAF committed both general fund base and one-time funding to support initiatives in alignment with UAF's strategic goals and Strategic Enrollment Planning (SEP) recommendations. Major investment themes include a focus on items that will generate new revenues through increased enrollment and student success, as well as other shortfall and critical compliance. These investments do not include American Rescue Plan Act (ARPA, or HEERF III) distributions related to COVID-19 recovery.

FY23-FY24 State General Funds

Looking ahead to FY23 and FY24, UA has requested modest operating budget increases and seeks to establish financial stability after years of reductions. A brighter budget picture is emerging and UAF is optimistic about the future as the value of the university is emphasized at the state level.

Report Content, Appendices & Financial Schedules

This annual production is a look at financial trends (FY17-FY22) and provides themes for FY23-FY24 planning. It provides a campus-wide overview of FY22 financial activities including revenue and expenditure trends, current and future conditions that may impact the campus operations, auxiliary and recharge center activities and plans, a facilities snapshot focused on construction, leasing and debt, a discussion on resource allocation and investment, as well as a summary of employee trends, organizational changes and process improvement efforts.

UAF OMB compiled the report with input and assistance from various departments and units, including the Office of Finance & Accounting (OFA), Planning, Analysis & Institutional Research (PAIR), Facilities Services, Dining Services & Contract Operations, Residence Life, and University Relations.

Figures listed are management report oriented and will differ from those presented formally in the UA financial statement due to reporting definitions and adjustments. Financial figures included in the Appendix may have slight differences from prior year report versions due to accounting adjustments or structural changes over time. Any changes of significance have been discussed.