

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 FY23 UFB of \$13.8 million represents approximately 3.3 percent of all restricted and unrestricted funding sources (\$422 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 FY18-FY23, 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 FY18-FY23 UFB by Fund Type & Allocation

UFB by Fund Type	FY18	FY19	FY20	FY21	FY22	FY23
Total Unrestricted (F1)	7,431,858	8,953,266	10,167,222	15,714,137	13,957,928	13,801,421
Recharge Svc Centers (F7)	15,565,143	7,785,057	7,904,285	3,801,565	(11,489,795)	(15,275,574)
Leasing (FL) & Enterprise (FE)	2,796,045	(637,407)	(1,054,968)	2,170,540	4,532,643	4,725,633
Grand Total	25,793,047	16,100,916	17,016,539	21,686,242	7,000,776	3,251,480
F1 UFB by Allocation	FY18	FY19	FY20	FY21	FY22	FY23
Troth Yeddha' Campus	6,388,595	7,998,187	8,153,237	12,369,111	11,406,016	11,116,802
Bristol Bay Campus	11,951	87,739	248,990	317,386	85,469	205,069
Chukchi Campus	71,769	20,549	42,769	113,032	51,691	72,491
Community and Technical College	54,173	226,106	161,476	812,663	364,918	90,148
Interior Campus	285,618	275,259	171,152	102,035	126,782	189,314
Kuskokwim Campus	19,485	52,436	248,659	17,291	163,084	736,269
Northwest Campus	49,196	54,386	250,218	75,509	13,644	112,168
College of Rural and Community Development	551,071	238,604	890,722	1,907,111	1,746,325	1,279,160
Grand Total	7,431,858	8,953,266	10,167,222	15,714,137	13,957,928	13,801,421

Table 4.2 FY23 Fund 1 UFB by VC Level Unit

Cabinet	FY23	Percent of Total
Chancellor	(1,124,183)	-8%
Provost	3,714,330	27%
Vice Chancellor for Administrative Services	2,607,037	19%
Vice Chancellor for Rural, Community & Native Education	2,684,619	19%
Vice Chancellor for Research	4,547,686	33%
Vice Chancellor for Student Affairs & Enrollment Management	191,277	1%
Central Managed	1,180,655	9%
Grand Total	13,801,421	100%

Research had the largest UFB at 33 percent of the F1 total, followed by the Provost at 27 percent of the F1 total. The deficit in Chancellor is primarily due to a funding shortage for Athletics. Central decreased from 13 percent in FY22 to 9 percent in FY23. This area includes student waivers, debt payments, utilities, risk (insurance) expense, and other large institutional categories. Increasing costs in these areas are leading to a smaller fund balance in Central.

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

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

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

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

Appendix 4.B.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:

- Prioritize objectives that align with the Board of Regents' (BOR) goals and measures, emphasizing a reduced fixed-cost base, enhanced student enrollment, and contributions to the Alaska economy
- Ensuring stability for the UA budget through strategic investments aimed at economic return
- Implementing a compensation strategy necessary to attract and retain quality employees
- Modernizing the student technology experience
- Exploring opportunities for increased earned revenue and partnership
- Allocating capital funding for deferred maintenance and renewal projects
- Considering 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 the following funding increments:

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 UA 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.B.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.

FY23 Federal Appropriations

Appendix 4.B.6 - UAF FY23 Federal Appropriations Outcomes

Unlike the state of Alaska and University of Alaska (UA) fiscal year, the federal fiscal year runs from October through September. In collaboration with each of the universities, the UA system submits federal appropriations requests to Alaska's Members of Congress in an effort to secure federal funds through Congressional appropriations bills directly to support its education, research and public service mission. Requests are aligned with specific bills for eligibility. This process is not related to competing for federal funding through federal agency solicitations.

There are three types of appropriation requests:

1. Earmark: federal funding directed specifically to a UA entity for a specific project;
2. Plus up: federal funding add to an agency's budget with the understanding between the UA faculty and staff member and the program manager that the funding will be awarded to UA; and
3. Programmatic: requesting a total funding level for a specific federal program.

In FY23, UAF submitted 31 earmark and plus up requests totaling \$158.2 million. Of this, UAF secured 14 earmark and plus up requests totaling \$70.5 million. For a complete list of projects, refer to Appendix 4.B.6.

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

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

Appendix 4.C.2 - FY24 Budget Update and Outcomes, Chancellor White memo, June 28, 2023

Appendix 4.C.3 - FY24-26 Foundation Award Troth Yeddha', President Pitney memo, August 1, 2023

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 in budget development.

FY24 Legislative Budget Outcomes

In June 2023, Governor Dunleavy released the State of Alaska FY24 budget. UAF’s FY24 financial position improved with requested base funding for compensation as outlined below.

Base Operating Budget

The UA System received \$19.6 million in compensation increases for faculty and staff and includes:

- \$6.4 million for supplemental FY23 and retroactive pay increases (1 percent).
- \$13.2 million compensation increase for faculty and staff in FY24 (2.75 percent).

Of the combined total (\$19.6 million), \$9.4 million will come to UAF.

As part of the budget setting process, the governor reduced what the legislature passed for UA by using line item vetoes. Included in the governor’s UA vetoes were fixed costs, high priority program requests, and some deferred maintenance capital projects. Addressing these priorities remains a top concern.

Capital budget

UAF initially did not receive any capital funding for deferred maintenance. However, UAF was awarded \$2.3 million in supplemental funding for deferred maintenance after the legislative session concluded.

Also included in UAF’s capital budget is \$2.5 million in non-general funds/receipt authority for the University Park Early Childhood Development Center. This receipt authority means that UAF can receive funds from an external source, should such a partnership be developed.

Research and Workforce Training

The UAF Alaska Center for Unmanned Aerial Systems received \$10 million of additional investment to support its ongoing work in researching, developing, testing, and eventually implementing commercial drone operations. This funding will help ensure ACUASI becomes the premier drone research center in the United States and helps to fuel the state economy.

UAF also received \$500,000 in support of Alaska Food Security and Independence agricultural research to address increasing food security demands through the Institute for Agriculture, Natural Resources and Extension.

Single appropriation

The UA System continues to utilize a single appropriation model.

Troth Yeddha' Initiative

Appendix 4.C.3 - Foundation Award to Support Troth Yeddha' Initiative, President Pitney memo, August 1, 2023

UA President Pitney will provide foundation funds to support staffing for UAF's Troth Yeddha' Indigenous Studies Center initiative. It includes \$100 thousand each year for FY24, FY25 and FY26.

FY24 UAF Strategic Investments: Base and One-Time

Appendix 4.C.4 - FY24 Strategic Investment Allocation, Chancellor White memo, September 27, 2023

In September 2023, the Chancellor committed funding for FY24 investments via a mix of one-time funds and base general funds. Investments include \$2.3 million in base funds for critical needs and \$3.2 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.

D. FY25 approved budget requests, outlook and management actions in progress.

Appendix 4.D.1 - FY25 Budget Update, Chancellor White memo, November 20, 2023

UA and UAF developed the FY25 operating budget plan with a focus on the following key principles: empowering Alaska, increasing enrollment through retention in degree programs for Alaska's workforce, maintaining responsible financial stewardship, and developing a deferred maintenance and renewal funding strategy. Additionally, the budget was crafted to include:

- Program investment support for UAF R1 research and indigenous leadership.
- Requests must demonstrate return on investments and impact on goals and measures.
- Economic development/state partnerships funding extensions.

FY25 BOR Approved Operating Budget Request

The FY25 approved UA budget request is \$337.7 million, an increase of 9.5 percent (or \$29.2 million). This represents a continued effort to seek financial stability and includes modest increases for: compensation increase of 2.5 percent (\$14.7 million); fixed cost increases such as utilities, property insurance premiums, and cyber security (\$8.5 million); and high priority needs to support state and Arctic leadership (\$6.0 million). These figures represent the total UA System request.

Although there is not a UAF Athletics request in this budget, UAF also put forward an initiative to enhance UAF's competitiveness and excellence in athletics via support for D1 Nanook Hockey and scholarships focused on gender equity. This item under consideration is part of a larger strategy to identify a possible state matching program for funding raised through athletics at UAF and UAA that will likely evolve as the legislative session gets underway.

FY25 BOR Approved Capital Budget Request

In lieu of one-time capital funding, UA is pursuing a legislative strategy for consistent annual state funding to the "University of Alaska Major Maintenance and Modernization Fund." The proposed legislation would allocate \$35 million annually to an approved list of deferred maintenance projects. The university has been working with the Governor's office and legislative leadership on the details.

The BOR approved capital budget request also includes \$20.0 million for UAF's goal to achieve R1 research status and \$10 million for Year 3 of the UAF Drone Program. Refer to Section 5 for UAF's capital budget details.

These budget developments are pivotal in UAF’s continued efforts to provide an excellent education and serve the community. UAF is committed to responsible financial management and strategic investments to ensure a thriving future for the university.

The Governor will release the FY25 budget in December 2023 and the legislative session begins in January 2024. The components of UA’s budget request could change during the course of the legislative session; final budget outcomes will be known in June 2024.

FY24-FY25 Planning Actions

As the university seeks continued financial certainty, UAF will continue to examine high level priorities and opportunities. UAF will serve its students and use strategic planning goals and NWCCU accreditation standards and themes to guide actions. UAF is actively working to achieve R1 research status by 2027. UAF also works closely with the UA System Office to pursue promising federal appropriations opportunities in a more transparent and inclusive process.

UAF also contributes to UA System Office Goals and Measures that are informed by UAF’s Strategic Goals. It is important to note that at the November 2023 BOR meeting, the Regents discussed the “Roadmap to Empower Alaska.” The Roadmap is a strategic plan for the university system to advance Alaska’s economy through education, workforce development, research, and strong partnerships across the state. It revises the previous university goals and measures, and will be slated for formal adoption by the Board in February 2024 (FY24).

Planning & Budget Committee (PBC)

The UAF Planning and Budget Committee (PBC) is a standing committee consisting of faculty, staff, executive leadership and governance delegates. Co-chaired by the provost and vice chancellor for administrative services, this body plays a key role in collecting initiatives for potential investment. Proposals must align with and support student success, UAF Strategic Goals, UA Goals and Measures and NWCCU accreditation standards. PBC serves as the primary budget advisory body on UAF’s annual budget proposals.

PBC convened in spring 2023 to review funding requests for consideration of inclusion in the FY25 budget cycle. This process, along with proposals submitted through the Strategic Enrollment Planning (SEP) process, allowed UAF stakeholders to advocate for needed resources for programs or units, or to bolster existing initiatives or to propose new ideas in need of resources. Members of the UAF Core Cabinet also contributed to the request to align unit needs with overarching priorities and potential areas of growth, or to package similar concepts for greater impact.

Planning ahead, in preparation for the FY26 state of Alaska budget planning cycle, UAF leadership will solicit funding proposals from UAF faculty and staff. PBC will convene in spring 2024 to review all submitted proposals.