Spring Management Meeting

March 24, 2016

SIGNIFICANT ADMINISTRATIVE EFFORTS AT UAF

FY15-FY16 BUDGET PLANNING ACTIONS

It seems appropriate to begin this report with a brief discussion on Budget given our current fiscal climate.

Understanding this fiscal climate, UAF must effectively manage its resources and demonstrate excellent stewardship of State and Federal resources (external) as well as internally generated funds. Examples of this prudent fiscal management include, but are not limited to:

- Streamlining existing business processes in an effort to hold down costs
- Position and vacancy management strategies including leadership furloughs
- Special review of academic and non-academic programs and services with a focus on low enrollment or low graduate areas, discontinuing and restructuring some programs
- Variable reductions by Vice Chancellor level with emphasis on administration, preserving academic and research areas where possible
- Finding ways to generate additional revenue from non-general fund resources
- Implementing sustainability efforts for resource and energy conservation
- Pursuing new models for resource management such as an auxiliary business corporation and public-private partnerships (P3) to address housing, dining, and other shared student facility and service functions
- Strategically reinvesting internal resources to high priority programs that align with UAF's strategic plan, accreditation core themes, and UA Shaping Alaska's Future initiatives

FY15 Budget Options Group & Planning and Budget Committee (PBC) Process

In December 2013, Governor Parnell announced his 2015 budget proposal for the State of Alaska, including a $14.9 million reduction for UA from the FY14 budget level, which was later increased to $15.9 million via the legislative process. UAF's proportional reduction as a result of this action was approximately $8 million; however, the operating budget reductions in combination with increasing fixed costs left an operating funding gap of $14 million for FY15.

As a result of the anticipated budget shortfall, Chancellor Rogers appointed a Budget Options Group to identify and assess both budget reduction and revenue enhancement options. The group analyzed a range of budget ideas submitted from a variety of sources and forwarded the list to the UAF Planning & Budget Committee (PBC) for consideration. Chancellor's Cabinet, with broad input from UAF leadership and the Fairbanks community, produced a list of budget actions for implementation in FY15 and FY16+.

The full PBC report is posted online: http://www.uaf.edu/files/finserv/omb/PBC-Report---Cabinet-Decisions---June2014---WEB-VERSION.pdf

FY15 Operational Budget Reductions & Funded Initiatives

UA received a total reduction of $15.9 million in unallocated general fund and $1.06M for UA administrative travel. UAF received a reduction proportional to its share of the total UA unallocated general fund budget in FY15, including:

- Unallocated UAF General Fund (GF) reduction: $7,500.0
- UAF administrative travel reduction: $517.2
- UAF paid utility increases not covered by the fuel trigger: approximately $1,000.0

UA received some fixed cost increases to address 50 percent of compensation obligations, and facilities maintenance and repair (M&R). M&R in FY15 is one-time only funding.

UAF was funded via the State of Alaska in the following program and research areas in FY15:

- Mandatory Comprehensive Student Advising (CRCD) – one-time only funding: $197.0
- Hydrocarbon Optimization (ACEP) – one-time only funding: $500.0

UAF was funded in the following capital facility areas in FY15 (GF/Receipt Authority (RA)):

- Engineering Building: $5,000.0/$5,000.0
- Combined Heat & Power (CHP) Plant: $162,000.0/$70,000.0 (incl. financing package)
- Public/Private Partnership (P3) Housing Development (RA only): $1,500.0

Reductions by VC Level FY14-FY16

Recognizing that not all options would produce substantial savings immediately in FY15, and further cuts would be applied in FY16, UAF implemented a combination of variable reductions (applicable at the Vice Chancellor level) in addition to vertical/targeted reductions. This allowed UAF leadership to achieve the necessary targets in FY15 while working on longer-term items that may take more time to produce savings.

It is important to note that reductions are not solely across-the-board (ATB) in an effort to preserve core mission and program areas at UAF. Over the past three years, administrative and service areas have shouldered a higher degree of reductions where possible.

Reorganizations and other staffing adjustments

Given the budget challenges of the past several years, what are ikely to be leaner times for the foreseeable future, and our desire to continually examine our organization and processes, UAF has had to review its operations to make structural and process adjustments with an eye for efficiency and effectiveness. Summarized below are some actions taken in FY15 and FY16 as a result of these efforts.

Student Life

The Vice Chancellor for University & Student Advancement (USA) completed a restructure within the Student Life areas. The change reconstituted the Associate Vice Chancellor/Dean of Students role with a focus on judicial services. Other areas formerly reporting to the Dean of Students were restructured under the Associate Vice Chancellor for University and Student Advancement and the Executive Officer. Student life functions are now aggregated under one Associate Vice Chancellor. Wood Center Student Union functions are now consolidated under one Executive Officer adding a more coordinated and entrepreneurial approach to management over these areas.

eLearning

Effective FY16, the eLearning department was moved from the Chancellor's Office operations to the Provost to promote greater collaboration with academic units for online and distance delivery education.

Geographic Information Network of Alaska (GINA)

The Scenarios Network for Alaska Planning (SNAP) joined IARC.

Arctic Region Supercomputing Center (ARSC)

The Arctic Region Supercomputing Center (ARSC) joined the GI; in FY16, the GI announced the formation of the Research Computing Systems (RCS) group to provide advanced computing, storage, data sharing solutions, and research IT support to UA research communities, collaborators, and supporters.

College of Rural and Community Development (CRCD)

Effective FY16, the Bristol Bay Campus within the College of Rural and Community Development (CRCD) in Dillingham will oversee higher education for the Aleutian/Pribilof Islands region, taking programs over from the Interior-Aleutians Campus. To reflect this restructure and geographic change, the Interior-Aleutians Campus is now called “Interior Alaska Campus” (IAC).

- IAC within CRCD closed the Galena Learning Center effective FY16.

UAF Executive Officer and Vice Chancellor for Administrative Services

In December 2014, UAF Vice Chancellor for Administrative Services Pat Pitney was asked by Governor Walker to serve as the State of Alaska Director of Management and Budget. On her departure, Chancellor Rogers, given our financial challenges, decided to combine the UAF Executive Officer and Vice Chancellor for Administrative Services positions. Kari Burrell was appointed as the Vice Chancellor of Administrative Services and Executive Officer in January 2015. This allowed UAF to reduce one senior executive position.

Office of Grants and Contacts Administration and Office of Sponsored Programs

Faculty, students and research staff are critically important players in the University’s research and non-research enterprise. To assist these individuals and the challenges they face in developing and submitting proposals and managing external research grants and contracts, UAF committed to a major reorganization effort. The reorganization integrated the functions within the Office of Sponsored Programs (OSP), under the Vice Chancellor for Research, into the Office of Grants and Contracts Administration (OGCA) under the Vice Chancellor of Administrative Services. The reorganization was launched in January 2014 and is now fully implemented. In FY16, the Office of Grants and Contracts Administration was moved under Financial Services and now reports to the Associate Vice Chancellor for Financial Services.

Office of Management and Budget

Given the institutional scope of the functions housed under the Office of Management and Budget (UAF wide budget development, process improvement, program reviews, etc.) it was deemed that this office was most effective if viewed as an institutional resource and with an appropriate level of autonomy. Based on such, the Office was moved as a direct report to the Executive Officer and Vice Chancellor for Administrative Services effective July 1, 2015.

UAF Leasing Office

Deliberate actions were taken to reduce off campus leasing at UAF as part of our efforts to address the budget challenges. This prompted us to revisit the structure of our leasing office. On retirement of the Director of that office, the function was moved under the AVC for Financial Services and reorganized so functions which were appropriate under Facilities, the Office of Finance and Accounting, and Procurement and Contract Services were appropriately redistributed.

UAF Printing Services

UAF elected to close Printing Services and outsource the functions effective FY15. This again was an action, while difficult, necessary given the overall fiscal challenges. Closing Printing Services results in annual savings of roughly $500K between operating subsidies and reduction annual off campus lease costs by relocating eLearning into space previously occupied by Printing Services.

School of Natural Resources and Agricultural Sciences (SNRAS) and Cooperative Extension Service (CES)

In February 2014, the Board of Regents officially approved the merger of the SNRAS and CES to form the School of Natural Resources and Extension (SNRE). In recent years, SNRAS had financial difficulties driven primarily by declining enrollment in its academic programs and loss of federal funding from earmarks. SNRE strategically integrates activities in the interests of carrying out UAF's land grant mission, supported by formula funding received from the US Department of Agriculture and matched by the University. Full implementation of the combined unit was completed toward the end of FY15.

Career Services

As part of the efforts to streamline and restructure operations, and to prepare for an environment of limited resources, Chancellor Rogers challenged each vice chancellor to identify vertical adjustments to reduce operations. In response to this expectation, the division of University and Student Advancement (USA) eliminated the Office of Career Services and distributed the related services among other entities within USA. This reorganization results in ongoing savings of approximately $250K a year.

PROCESS IMPROVEMENT EFFORTS & KEY RESULTS

Business Process Improvement & Results

UAF made efforts in FY12 to institutionalize campus-wide process improvement (PI) efforts by creating the Office of Management and Budget (OMB), which is the home of UAF PI. Fifteen staff members have gone through extensive training to become qualified process improvement facilitators (the PIT Crew) who guide each project team. Since 2012, the PIT Crew has facilitated six major campus-wide initiatives and 15 shorter efficiency projects.

This framework has been extremely successful at UAF thus far, but could be more effective with increased support and response from the UA System Offices and functional process owners/managers. UAF alone can make changes where it has influence over the process, but often cannot make necessary changes to the technology tools or enterprise systems. Greater partnership and improved governance in this area are expected in FY16 and an IT Governance Review is in process to explore optimal models for project and change management.

Project details and recommendations from the process improvement teams can be found online: https://www.uaf.edu/finserv/omb/process-improvement/results/. To date, the UAF process improvement teams have implemented over $474,000 worth of annual savings and cost avoidances.

Travel Practices and Regulation Review

As part of our efforts to improve travel at UAF and to ensure that we are appropriately balancing fiscal responsibility with the need to expeditiously reimburse our travelers, we have conducted a review of the UA Travel Regulations with the following objectives:

1. Determine appropriate UAF audit standards based on regulations (i.e. what is considered an error, what documentation is required by regulation, etc.) and reflecting a balanced approach to institutional risk
2. Determine which sections of regulation need to be changed to reflect a more appropriate level of acceptable risk (e.g. raising receipt threshold to $75 to match State of Alaska travel regulations)

As recommended by the travel process improvement team, beginning in April 2016 UAF central travel will move to a post-reimbursement audit function rather than a pre-reimbursement review, using the audit standards specified by this review. This change will allow travelers to be reimbursed more quickly and will reduce the strain on central and unit resources. The shift to an audit function will also allow UAF central travel to conduct regular trainings for travel coordinators and departmental admins, improving compliance without adding processing time.

Shared Service Models

In FY14-15, UAF began encouraging unit-led shared services to allow each business unit/department to focus its limited resources on activities that support the UAF mission. Shared service models offer consolidated business operations that are used by multiple parts of the same organization. Shared service models also support process improvements through use of best practices, highly trained staff specialized in service delivery and backups for critical functions.

- The Office of Proposal Development (OPD) is a shared service center built from voluntary collaborations in several research institutes. This partnership allows for improved expertise with sponsors/funding agency requirements, staff cross training, workload balancing, professional proposal preparation and budget development, and a higher level of customer service. Improvement in this area is expected to help increase the volume of outgoing high-quality research proposals, which in turn, will assist with revenue generation and funded awards. The office supports the following schools and institutes: GI, SFOS, CNSM, SNRE (new in FY15) and IARC (beginning in FY16).
- In FY15-16, UAF is expanding unit-driven shared services with a travel processing hub housed in SNRE and serving SNRE, GI, and SFOS.

Financial Watch/Probation

Beginning in FY12, UAF instituted a program whereby central Financial Services, led by the AVC for Financial Services, plays an active role in early identification of units within UAF that are experiencing financial challenges or otherwise pose a level of institutional risk (i.e. a federal program under scrutiny, internally or externally) that warrants a greater level of oversight and monitoring. Working with the Chancellor and respective area Vice Chancellors, the Vice Chancellor for Administrative Services and the AVC for Financial Services group these entities into two buckets: Units on Financial Watch and Units on Financial Probation. Once this list is finalized (usually in July of each fiscal year), respective Deans/Directors are notified and meetings are held between the unit leadership and AVC for Financial Services to review the issues and monitor such throughout the financial year.

For FY15, UAF placed three academic units, two research units and one support/service unit on the financial watch list. As part of the monitoring effort the monthly institutional management report includes a more detailed analysis of the finances of the units based on discussions between the AVC for Financial Services and Unit Dean/Director and fiscal personnel. This analysis is provided to the Vice Chancellor for Administrative Services and shared with respective area Vice Chancellor and the Chancellor, as appropriate. This program allows UAF to proactively manage and address issues throughout the year and assists in ensuring overall institutional financial stability and accountability. No units were placed on financial probation in FY15 or FY16.

Active Management of Outstanding Audit Issues

UAF continues to actively manage audits (internal and external) and is working proactively to address, resolve and close outstanding audit findings and recommendations. Under a new structure established in FY12 by Chancellor Rogers, the AVC for Financial Services serves as UAF's liaison on all audit matters and works with Chief Audit Executive Nikki Pittman, members of Statewide management, and UAF units and departments to coordinate UAF's responses to internal and external audit issues.

It is again noted that there has been a significant increase in the number of internal audits, both regularly scheduled and special audits. Having an established structure to actively respond to these reviews allows UAF to respond to related requests in a timely manner and minimize disruption on regular work expectations. As a result of a concerted effort to address and close out audit findings, UAF is pleased to note a significant reduction in the number of outstanding audit findings.

It also important to note that, as an institution, we need to periodically examine how we strategically use Internal Audit and determine how we strike a reasonable balance between control/compliance and risk given current resources levels. As we all grapple with limited staffing levels, reducing the demands audit place on an already taxed work force warrants examination.

FY15-FY16 Strategic Reinvestment

The challenging Federal and State fiscal climates make management of UAF's internal resources all the more important. UAF regularly reallocates internal resources to support priority areas. It is critical UAF maintains a focus on strategic planning and investment, even in tight budget times.

In FY15, one-time strategic investments included: match funds for research equipment, Arctic initiatives, library e-journals, interdisciplinary graduate programs and the CTC aviation program hangar. Base funded investments included: eLearning/Math & TA support, SFOS bridge funding for ocean acidification faculty, the SOM online BBA/MBA and Masters of Emergency Management degree program, the Ph.D. Psychology program, and RV Sikuliaq.

In FY16, these strategic investments include: the R/V Sikuliaq, a Title IX Compliance Officer and related support, the Veterinary Medicine program and Arctic Initiatives.

1. FY16 UNRESERVED FUND BALANCE ANALYSIS

UAF projects an unrestricted (F1) unreserved fund balance (UFB) of $6.35M and $19.38M for service center and leasing funds (F7, FE, FL) as of January 2016. Fund balance on event funds (FM) is expected at $0.15M. The projected F1 UFB falls within UAF's target range of $6M to $8M and represents 1.5% of our total projected unrestricted and restricted revenues ($424.87M), not including recharge, leasing, and enterprise funds or UA Intra-Agency Transfers.

UAF Unrestricted (F1) Unreserved Fund Balance

CABINET	FY14 Actual	FY15 Actual	**FY16 Jan Projection**
Chancellor	69.9	91.8	**<81.0>**
Office of Information Technology	59.8	53.8	**66.5**
Provost	1,041.4	1,565.2	**2,378.1**
VC for Rural, Community, and Native Education	1,037.7	548.2	**410.0**
VC for Research	1,771.6	1,165.3	**1,506.7**
VC for University and Student Advancement	84.4	251.2	**<123.0>**
VC for Administrative Services	699.6	653.2	**688.0**
Central Support (Scholarships, Debt Service, Utilities, etc.)	1,759.6	2,221.5	**1,500.0**
Total	**6,523.7**	**6,550.2**	**6,345.4**

UAF's UFB guidelines governing unreserved fund balances at the unit level take into account the need for flexibility and prudent fiscal management. UFB investments connect to the strategic themes of Educate, Research, Prepare, Connect, and Engage. There are no plans to draw accurately projected UFB from units to the centrally managed accounts, as it is important to encourage the best use of funds for the programs.

As noted earlier, the F1 UFB projection for FY16 is $6.35M. While this is lower than historical levels, it is similar to the past two years and is a consequence of the current fiscal climate. A primary factor influencing UFB projections outside of the centrally managed accounts is the uncertainty surrounding FY17 budget actions. Many units are delaying hiring and purchase actions now while anticipating the use of residual funds to soften the immediate impact of coming reductions. Otherwise, the projection could be much lower.

Units will evaluate the potential impacts that the current federal, student, and state fiscal environments will have on their FY17 budgets to determine prudent UFB this year and how to use it to provide bridge funding for affected programs. While this relief is only temporary in nature, it may allow programs sufficient time to adjust to the new fiscal reality.

Due to the large administrative reductions implemented in FY16, combined with challenges related to budgets with a high personnel cost basis and increasing compliance demands, the UAF Chancellor and VCUSA divisions expect to end the year in deficit status. UAF is working to correct these trajectories prior to year-end in order to have a healthy fiscal status as we develop the FY17 budget. The university will resolve any one-time deficits in these areas using central reserves.

2. CURRENT FISCAL YEAR PRACTICES FOR REVENUE DISTRIBUTION WITHIN THE CAMPUS

UAF distributes ICR revenue on a 60/40 basis with 60% of the revenue dedicated to reinvestment in areas considered as direct to sponsored program activity. This includes the generating units (50%), Office of Sponsored Programs and the Vice Chancellor for Research office (1.5%), Debt Service (7.5%), and the Undergraduate Research and Scholarly Activity (URSA) program (1%). The remaining 40% covers central facilities and administration costs including deferred maintenance, central support offices, statewide administration, debt service, and the library.

This model recognizes the need for reinvesting a portion of ICR toward new facilities and major renovations, particularly the need for supporting debt service obligations for new research facilities. In FY14, UAF applied the 60/40 funding model to all current sponsored program activity. UAF Financial Services is currently reviewing the model to determine what impacts adding adjustments to voluntary rate reduction penalties will have on future revenue streams. Any change of this nature will not change the overall model except as it affects home unit distribution percentages. The goal of any such change is to limit the frequency of such reductions to those cases that are most prudent for the unit (and the university) to consider while limiting the impact that any such reduction has on the university's ability to pay its fixed costs.

UAF also distributes tuition on a 60/40 basis, wherein the generating school or college receives 60% and central accounts retain 40% to fund various administrative activities and costs that have broad institutional benefits, such as tuition support for graduate teaching assistantships. UAF intends to continue the current methodology for distribution of tuition revenue.

In addition, UAF further altered the eLearning tuition distribution model. In FY14, we instituted a 60/40 model with 60% of the tuition posting to the academic unit responsible for the course and eLearning retaining 40% to support its services (an exception to this overall model is a 75/25 distribution for Community Campus offerings). In FY16, we adjusted the "40%," or eLearning, portion of the model such that 35% of the total tuition revenue routes to central, 5% routes to eLearning, and, in place of the tuition revenue that eLearning no longer received, they now receive an equitable general fund "base swap," effective as of FY15 year-end. For community campus offerings, 22% now routes central with the remaining 3% retained at eLearning.

We are currently evaluating units that have distribution models outside of the one noted above to determine if we should apply such uniformly to all programs. Consistent application of this model presents the added advantage of streamlining administrative processes associated with faculty and student support activities within and between the various program delivery methods.

3. CURRENT VERSUS INITIAL REVENUE PROJECTIONS

The following chart shows the dollar variance and percent variance between our original revenue projections in July 2015 (shared via the "FY17 MAU Revenue by Source" spreadsheet) and January 2016 Management Report. The U of A Receipts projection is net of prior year UFB ($28.46M for FY15), and Student Tuition, Fees, and Services revenue includes the projected GASB tuition allowance offset (-$6.02M).

FY16 January revenue projections are 8.4% more than our original estimates. The General Fund – State Appropriation variance of $2.3M is due to including one-time utility trigger funding which will not be realized due to the continuing depressed price of oil. State Inter-Agency Receipts are much higher than originally anticipated due to additional FY16 project agreements with state agencies, possibly as a result of legislative intent language last session encouraging the partnership of agencies with the university. Current year-to-date revenues as of January are 1.0% ($3.5M) higher than last year's revenues at this time. While General Fund (<$8M>) dropped substantially, most other major receipt sources, including tuition and fees, ICR, auxiliary revenue, and Federal Receipts grew in FY16. UA Intra-Agency Transfers projections did not fully account for anticipated activity within the Sikuliaq recharge center ($8-11M). Realized Indirect Cost Recovery is up 10.9% from January 2015, but we expect the overall increase on the year to be closer to 5% as the rate of ICR realization began its increase during the spring of 2015. The driving force behind increased student tuition and fee revenue is in the area of fees, such as the student facility fee (~$0.6M). Tuition revenue also increased despite small drops in enrollment due to the 5% increase in the tuition rate that took effect Fall of 2015.

SBS BUDGET TITLE	FY16 Original	FY16 Jan Projection	$ VAR	% VAR
Federal Receipts	84,000.0	103,052.8	19,052.80	22.7%
General Fund – Match Appropriation	4,739.3	4,635.1	-104.20	-2.2%
General Fund – State Appropriation	170,136.4	167,863.6	-2,272.80	-1.3%
Inter-Agency Receipts	3,300.0	4,768.2	1,468.20	44.5%
Interest Income	15.0	0.5	-14.50	-
Dorm, Food, & Auxiliary Services	15,600.0	16,137.7	537.70	3.4%
Student Tuition, Fees, & Services (net)	43,600.0	50,237.9	6,637.90	15.2%
Indirect Cost Recovery	22,500.0	23,545.6	1,045.60	4.6%
U of A Receipts (net of UFB)	37,000.0	42,991.7	5,991.70	16.2%
CIP Receipts	6,500.0	4,200.5	-2,299.50	-
General Fund - Mental Health Trust	50.0	50.0	0.00	0.0%
Technical-Vocational Education Program	1,009.4	1,282.9	273.50	27.1%
UA Intra-Agency Transfers	29,000.0	33,955.0	4,955.00	17.1%
Total	**417,450.10**	**452,721.50**	**35,271.40**	**8.4%**

4. PROJECTED REVENUE RELATIVE TO RECEIPT AUTHORITY

The following chart shows projected revenue compared to budget authority for each revenue source. As above, the U of A Receipts projection is net of prior year unreserved fund balance ($28.46M) and Student Tuition, Fees, and Services revenue includes the projected GASB tuition allowance offset (-$6.02M).

SBS BUDGET TITLE	FY16 Budget	FY16 Jan Projection	Projected Revenue (Over) Under Budget
Federal Receipts	104,323.8	103,052.8	1,271.0
General Fund – Match Appropriation	4,739.3	4,635.1	104.2
General Fund – State Appropriation	168,001.6	167,863.6	138.0
Inter-Agency Receipts	4,799.6	4,768.2	31.4
Interest Income	0	0.5	(0.5)
Dorm, Food, & Auxiliary Services	17,435.3	16,137.7	1,297.6
Student Tuition, Fees, & Services	50,358.7	50,237.9	120.8
Indirect Cost Recovery	28,360.2	23,545.6	4,814.6

U of A Receipts	54,314.4	42,991.7	11,322.7
CIP Receipts	7,349.4	4,200.5	3,148.9
General Fund - Mental Health Trust	50.0	50.0	-
Technical-Vocational Education Program	1,085.4	1,282.9	(197.5)
UA Intra-Agency Transfers	33,768.5	33,955.0	(186.5)
Total	**474,586.2**	**452,721.55**	**21,864.7**

UAF currently expects all revenue sources to fall within their authorized receipt levels. TVEP adjustments, which occurred in February, have already adjusted both budget and revenue to final expected levels for this year. Intra-Agency Transfer authority, which we currently project will come in nearly approximately equal to UAF's total budget authority, may require additional authority. At this time, UAF will monitor the need for additional authority in this category and will remain in contact with Statewide Budget. Actual State Inter-Agency Receipts may use up all available authority due to current activity tracking higher than in past years; UAF transferred $1M in authority to Anchorage as part of the FY16 management plan in order to address that institution's demonstrated need (FY15 actuals) for the authority. While federal receipt authority appears tight (1.2% margin), unit-level receipt projections are typically optimistic this time of the year, and we do not expect our units to use the level of authority they currently anticipate. Federal receipts will be higher than prior years primarily resulting from Sikuliaq recharge activity.

UAF's expected unused budget authority of $21.8M is the combined result of lower federal receipts (as it impacts associated indirect cost recovery) over the last several fiscal years, reduced CIP receipt levels as a result of less on-campus construction activity, and UA Receipt generation a similar level to FY15. While UAF expects the current level of need for receipt authority to remain similar in FY17, of particular note is the continued need for additional intra-agency transfer authority. UAF expects Sikuliaq recharge activity to be fully ramped up to approximately $12M annually in FY17 (with the majority of funding coming from federal sources), and we would like to adjust our utilities recharge to operate in the same fashion as the rest of UA recharge centers. Currently, uncaptured (as IAT activity) revenues are approximately $16M per year. Additional authority of $20M should sufficiently address the needs of all intra-agency activity.

5. SIGNIFICANT UNPLANNED OR CONTINGENT EXPENDITURES

Management of central accounts continuously reviews the need for contingency funding. To this end, UAF takes consideration of these events as a top priority for year-end planning. We consider two primary areas of risk under this area: Long-term debt obligations and the ability to act on opportunities (we discuss debt service in the following section [6]).

UAF recognizes the need to be able to embrace opportunities actively as they arise through the employment of one-time funding. To this end, we established an equipment renewal and replacement fund (fund type 93) in FY15 and provided seed funding of $1M at that time. UAF will continue to seed the fund while using it to respond to equipment needs in the research, educational, and administrative realms as directed.

6. DEBT STRATEGIES AND PLANS

UAF approaches long-term debt service as a tool to maximize strategic capital investments in new and aging infrastructure in order to create and maintain a safe, efficient, and appealing campus. In pursuit of this goal, debt service obligations at UAF more than doubled since last year (from $9.8M to $20.2M in FY19). This increase includes payments on bond issues T and U, and, while this increase represents a current maximum that will ramp up over the next three years ($15.2M in FY16 and $17.9M for the following two years), it demonstrates that UAF has fully committed to the central heating and power plant (CHPP) project.

UAF fully repaid the internal UA working capital arrangement on the CTC Hangar to support the Aviation Technology program and the eLearning space renovation. In addition, we made significant strides to repay the agreement for the UAF engineering facility, and UAF's School of Fisheries and Ocean Sciences (SFOS) continues to pay on the Orca Building in Seward to support Sikuliaq operations.

This critical and rapid investment in UAF infrastructure creates some risk, however, due to the long-term repayment commitments. Flat and falling revenue sources over the past several years, such as State general fund, tuition, and indirect cost recovery, create added stress on all units of the institution due to the need to re-align institutional funding as well as reducing the pool of available resources to absorb state funding reductions. UAF aggressively monitors its finances by recognizing these fixed cost commitments as a critical part of our institutional operations, and we fully fund this commitment every year. When the opportunity to commit additional one-time funding to our long-term debt occurs, we strategically fund them in order to reduce the need for additional resource commitments in future years.

We are comfortable that the resources dedicated for this purpose allow us reasonable flexibility in spite of the financial challenges we currently face and those that lie ahead.

7. FY16 POSITION UPDATE AND ANALYSIS

UAF's total authorized position count reached a high of 2,639 in FY13. Since this time, we released 255 positions to other UA administrative units (145) or returned them to the State of Alaska (110). Despite this reduction in position authorizations, UAF's vacant and reserved position counts have held relatively steady over time.

Based on the bi-annual statewide vacancy reports, UAF's total vacant positions, Fall 2014, were 164. At the same time, the reserved position count was 249. UAF's total position count at that time was 2,469. The Spring 2016 vacancy report noted UAF as having 175 vacant positions with another 249 reserved positions. UAF's total position count at this time is 2,384. This stability in reserved position counts despite a decreasing number of authorized positions indicates that the difference (91 positions) is the result of a smaller workforce (in authorized positions).

UAF manages its positions with the goal of maintaining an authorized position reserve of 6-8% of its total authorized positions. This reserve allows the institution to be responsive to changing programmatic needs while also ensuring that all benefitted positions with an intended duration of over two years receives an authorized position number. Based on the current number of authorized positions (2,384), our reserve target is 145-190 positions. With this in mind, and expecting that FY17 budget reductions will have an inevitable impact on the authorized workforce at UAF, we expect to return another 100 position authorizations to the State as part of the FY17 budget process.

8. FY17 INITIAL BUDGET ANALYSIS

The State of Alaska Office of Management and Budget (OMB) provided budget development guidance emphasizing preparation of continued reduction scenarios. Initial State FY17 reduction targets were based on a roughly 4.5 percent of the UA general fund budget and projections for unfunded fixed cost increases (compensation, utilities, M&R, etc.). As a result of this guidance, UAF initial projections for the impending budget gap are $26 million in FY17, higher than past years, due to the uncertainty of funding availability for UA fixed costs including compensation and benefit increases. Planning scenarios will be adjusted accordingly as discussions progress.

The planning process for FY17 is as follows:

- The Provost/Vice Chancellors will develop proposed budgets for FY17 in consultation with unit leaders
- These budgets will be submitted to the Planning & Budget Committee (PBC) in March 2016
- The PBC will assess proposals and their effects on UAF as a whole, and make recommendations to the Chancellor's Cabinet in April 2016
- The Chancellor and leadership teams will work from April-June to make decisions for implementation in FY17

UAF may take a more varied approach to the types of cuts made, opting for both strategic vertical cuts and across-the-board reductions. UAF is currently working to develop plans to allow sufficient time to act prior to the beginning of the new fiscal year in July.

It is evident at this point that the FY17 budget gap will likely be much higher. UAF has updated its projections accordingly and following the steps noted above is working to identify further reductions pending final outcome of UA’s budget. It is noted that given the significant budget challenge in FY17, unreserved fund balance will be critical to help bridge the institution until actions taken to base reductions translate into tangible savings.

STUDENT TUITION & FEES

Tuition revenue is directly related to changes in enrollment (student credit hours) and the tuition rate approved by the UA Board of Regents (BOR). Tuition (net allowances and discounts) totaled $34,020.6 in FY15, a 2 percent increase from FY14. Since FY10, tuition and fee revenue has gone up 22.5 percent. Comparatively, state general fund support went up 20 percent and Federal funds down 9 percent over that same period of time.

Annual tuition rate increases had been between 5 percent and 10 percent for the last decade, until FY14. The BOR adopted a $6/$12/$12 per credit increase for undergraduates, graduates, and non-residents respectively in FY15, and an $8/$11/$20/$22 increase for lower division, upper division, graduate, and non-residents respectively in FY16. In light of more severe reductions in state general fund support, the BOR approved a tuition rate increase of 5 percent across-the-board for all divisions for FY17. It is important to note that the 5 percent increase is less than the UA requested amount of 9 percent. Tuition strategy moving forward will continue to be examined.

UAF TUITION REVENUE SCENARIOS FOR FY16-FY17 – Updated November 2015

Total tuition and fee revenue for FY15 was $42.4 million, an increase of 4.2 percent ($1.7 million) from FY14. While enrollment decreased by 5.1 percent from Fall 2013 to Fall 2014 (PAIR Fall Opening Report, 2014), increases in tuition and fee rates lessened the revenue impact.

Tuition rates increased by $6 per credit for undergraduate and $12 per credit for graduate tuition in FY15. Fees also increased significantly, with the UA network charge moving from 2 to 3 percent, the increase in the UAF athletics fee, and the introduction of the new UA facilities fee (beginning at $2 per credit). The next facilities fee increase is slated to go into effect in Spring 2016, moving the per credit fee from $4 to $6 and generating an additional $0.3 million in revenue (estimate based on flat enrollment).

FY15 UAF Tuition and Fee Revenue

Account Description	**FY15 Revenue**
Fees	**8,738,867**
Tuition	
Grad/Credit Hr Tuition	6,654,175
Lower Division Tuition	20,309,455
Non Resident Surcharge	4,780,272
Tuition Allowance - Contra Revenue/Pell*	(5,828,185)
Tuition Discounts - Contra Revenue	(594,520)
Undergrad Consolidated Tuition	1,050
Undergrad/Credit Hr Tuition	17,561
Upper Division Tuition	8,332,261
Tuition Total	**33,672,070**
Grand Total, Tuition and Fees	**42,410,936**

*Contra tuition activity is primarily Pell Grant related (Tuition Allowance), Tuition Discounts are listed separately (e.g. take 12 credits but pay for 10).

Enrollment is significant in these scenarios.

UAF Revenue Impact of 5 Percent ATB Tuition Increase in FY17

5% tuition increase in FY17				
Scenario #1 Trend: enrollment down by -3.0 percent annually				
	FY14	FY15	FY16	FY17
Net Tuition Revenue	$34,682,877	$33,672,070		
Fee Revenue	$6,958,971	$8,738,867		
Projected Tuition Revenue			$34,229,679	$34,862,929
Projected Fee Revenue			$8,900,536	$9,065,196
Total Revenue	**$41,641,847**	**$42,410,937**	**$43,130,216**	**$43,928,125**
Difference from FY16-17				***$797,909***

Notes:

Fiscal year projections are based on the academic year (Fall-Spring-Summer) that begins during that fiscal year and assume a 5 percent increase to fees. Other than Pell Grants and tuition deals, this report does not consider scholarships, assistantships, or other tuition waivers.

Non Resident Surcharge (NRS)

UAF is seeking to consolidate the Non Resident Surcharge (NRS) fees into a single structure to increase efficiency in student billing and communication for fee payment. The majority of students who pay the NRS are undergraduates, who currently pay the higher rate; moving to a single NRS rate will likely have a small impact on revenue (up to a possible $25,000 increase) but will greatly simplify the process for students and administrators, improve reporting, and add transparency to student accounts. The table below illustrates the proposed model, under the 5 percent ATB increase. Any changes to student fees must be approved and published in the student course catalog.

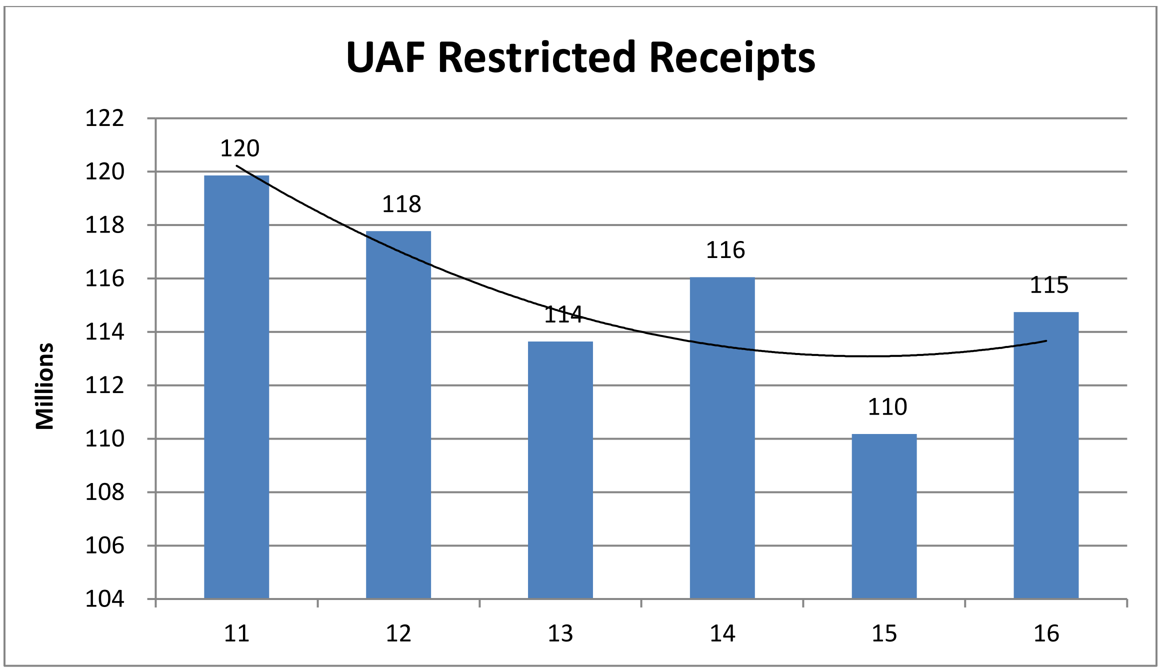
Proposed AY16 Changes to NRS
TBD – may be handled as an administrative change after BOR rate approval

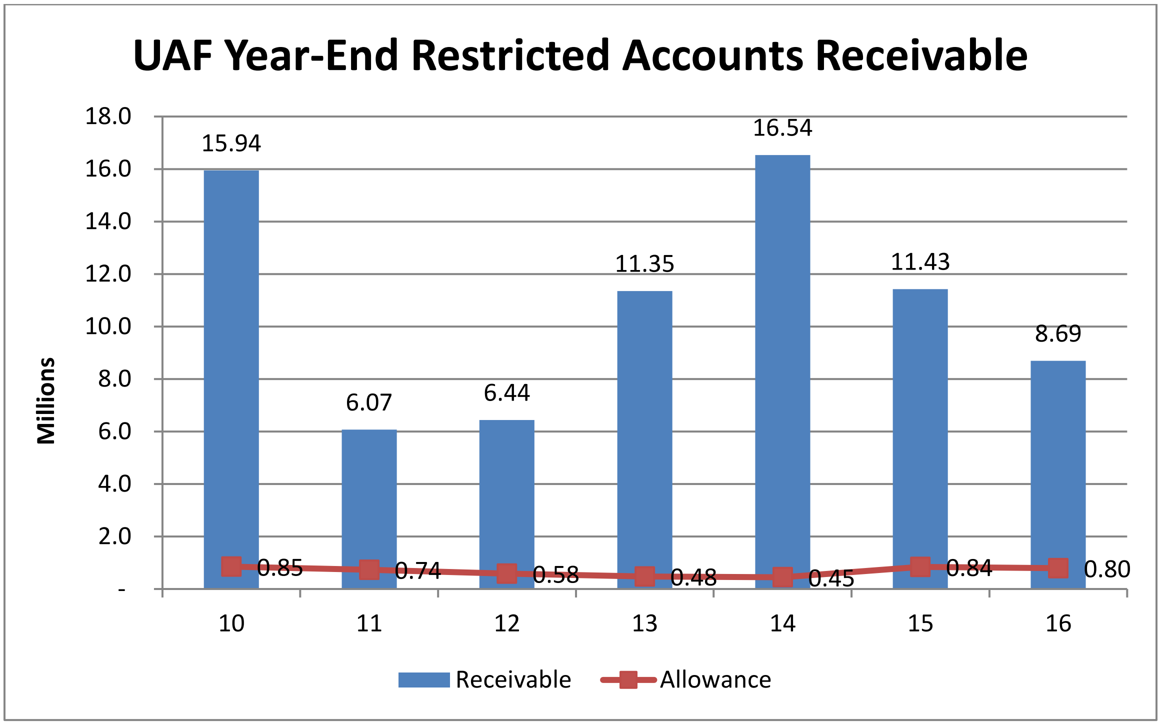
	AY2015 (fall 2015 and spring 2016)	*AY2016 (Fall 2016 and Spring 2017)*			
	NRS rates increase $20 to $22	***Proposed Rate***	***Increase %***	***Increase per credit ($)***	***Impact to full time student (per semester, $)***
Non Resident Surcharge (single rate, applied to undergrads)	466	***489***	***5%***	***23***	***350***
Non Resident Surcharge (single rate, applied to grads)	441		***11%***	***48***	***435***

9. GRANTS AND CONTRACTS ACCOUNTS RECEIVABLE (A/R) ANALYSIS

Historically, total revenue from restricted sponsored projects is greater during the first and second quarters than during the third and fourth quarters. The size of the first two quarters is attributed primarily to increased expenditures during the summer research field season and an increase in funding tied to the start of the federal fiscal year on October 1st.

The average outstanding accounts receivable balances at financial year end ranged between a high of 13% against total restricted receipts to a low of 5% in FY11. The A/R balance spiked significantly from FY12 to FY13/14 reaching an overall high of 14.3% at the end of FY14 . Further investigation into the issue revealed a significant drop in monitoring of billed and unbilled expenditures against grants. This was primarily attributable to a significant change in senior level management in the office starting with the retirement of long time Director and subsequent resignation of the Associate Director and other technical staff level changes. A substantive effort was late FY15 to bring down both the billed and unbilled balances led by Director Rosie Madnick.





This has since been managed down and we project to end FY16 with a ratio of outstanding receivables to revenue of about 7.5%. An overall reduction of federal funding and ARRA stimulus funding since FY12 led to a steady decline in restricted fund revenues with us reaching a low point in FY15 with total revenues dropping to $110M. This trend began to reverse in FY16 primarily as a result of grant funding generated through the launching of the R/V Sikuliaq. UAF overall remains competitive in spite of an overall decline in available competitive federal grant dollars.

10. STUDENT RECEIVABLES AND RELATED ALLOWANCE FOR DOUBTFUL ACCOUNTS

Described below is an overview of the collections process utilized by the UAF Bursar's Office to collect all outstanding student receivables:

1) Collection process
2) Permanent Fund Dividend (PFD) garnishment (if PFD eligible)
3) Transfer to collection agency (PFD garnishment is still possible)

Over the past several years, the UAF Bursar's Office has been actively focused on recovering funds from past due accounts. Many procedural changes have been implemented to increase collection efforts and prevent debt incurred. We continue to send students "past due" notices each semester until we refer them to a collection agency and/or garnish their PFD.
We continue to see an increase in outstanding receivables this year. Some reasons for the increase include:

- A steady increase in the number of students withdrawing or dropping from courses after receiving refunds (these results in their grants/loans being sent back to the lender, which in return creates a receivable from the student).
- A steady increase in students being dropped for non-payment and then reinstating in classes and not paying.

As of June there was $310,638 in third party receivables. Included in third party receivables are VA accounts, which account for $194,083 of the amount (ex. Active Duty Military $44, 319 and Chapter 31- disabled Vets $103,890). Each fiscal year, approximately 1,500 students are certified for VA funding and it can take 180 days or more before payment is sent or received.

Collection Process

The business day after the fee payment deadline a late fee is applied to all delinquent accounts (account balance of $300 or more and not enrolled in a payment plan). Students are allowed to continue to enroll in payment plans for a higher enrollment fee through the Drop for Non- Payment deadline. Accounts Receivable holds are then placed on student accounts. We continue to allow students to enroll in payment plans for an additional 2-3 weeks.

TouchNet payment plans have given students the option to sign up in-person or at UAOnline. Plans are available for up to 5 installments and have made school more affordable for students that do not have enough aid. They have the ability to assign another email address to their account and receive multiple email messages during the semester. Students receive emails at time of enrollment, fourteen days prior to an upcoming payment due date and two days after they miss their payments. If a student is delinquent on their plan a hold is placed on their account that prevents registration, viewing grades, receiving transcripts and graduation. More than 1,000 students enrolled each semester in payment plans for the fall 2014 and spring 2015 semesters. The default rate for payment plans is averaging around 1% (Fall 2015 – there were 15 delinquent plans out of a total of 1175).

Approximately one week after the fee payment deadline date, students who live on-campus and/or have meal plans and are delinquent, not in a payment plan or delinquent in their payment plan, receive a letter advising them of their delinquent status and of future consequences. Residence Life staff hand deliver this notice to each delinquent student's dorm room. If the student fails to pay his/her account in full or enroll in a payment plan within one week of letter delivery, a second letter is delivered and, if applicable, the meal plan is suspended. It is important to note that delinquent students who do not live on-campus do not receive this letter. Suspension of meal plans and notices placed under the door of student dorm rooms has been a successful method of collecting delinquent balances. Approximately 99% of these students either pay their bill in full or make payment arrangements immediately.

An electronic bill is generated on the 15th of each month for students with an outstanding balance or who had activity during the month. It is sent to their email address on file in Banner. UAF works closely with other departments including Rural Student Services, Housing, Dining, International Programs, and Financial Aid to help identify students that cannot pay and they assist in the collection process.

Transfer to Collection Agency

Periodic statements are sent to students with outstanding balances. If the balance remaining is at least 180 days delinquent they are moved to the collection process. Once an account is moved to the collection process, a 30-day collection letter is sent to the student advising them to pay in full or make acceptable payment arrangements to UAF to avoid having their account referred. If no response is received within 30 days, the student's account is forwarded for collections. (A student's PFD can still be garnished while their account is at the collection agency).

All first placement accounts are sent to Williams and Fudge Collection Agency. They specialize in higher education collections and are licensed to collect in all 50 states and internationally. When a student pays or the account is returned to UAF, they no longer report to the credit bureau. They accept receivables regardless of age with a minimum balance of $20. There are 193 accounts totaling $199,220 at Williams and Fudge. Approximately $500,000 in accounts was returned the middle of June as they are returned after one year if uncollected.

Accounts returned from Williams and Fudge are then placed with Conserve Collection Agency (second placement) for an additional year. They report to the credit bureau for seven years against an account and only accept receivables that are less than five years old with a minimum balance of $25. We have seen some movement on accounts, which previously would have been written off with no additional collection effort. There are 91 accounts totaling $169,000 at Conserve.

PFD Garnishment

The garnishment process begins in April of each year for those with delinquent balances greater than $50 in the previous year and eligible to receive the PFD. The first PFD garnishment letter "Notice of Default" is mailed out in early May and the second letter "Intent to Claim" is sent (via certified mail) in mid-June. In 2015, UAF received 52% of the amount requested compared to 49% for 2014, 32 % for 2013 and 37% for 2012. PFD's can be garnished for up to six years from date of default.

Write Offs

After collection efforts have been exhausted and are beyond the statute of limitations for collections and PFD garnishment they are written off. A hold is placed on the student's account that prevents them from future registration, transcripts and graduation. The Associate Vice Chancellor for Financial Services approves all balances in excess of $200 proposed for write-off before such action is taken. This is done at least semi-annually, prior to fiscal year end, except in the event of bankruptcies or deaths**.** The total amount written off for FY 15 was $89,623 compared to $36,660 for FY 14. We anticipate this amount to increase for FY 16 as accounts are returned from collections and are out of the statute of limitations. We are currently writing off $233,751 for FY 16 that has been returned from collections. This debt is from 5+ years before we had a contract with a collection agency. We expect write-offs to stabilize in the coming years.

Allowance for Doubtful Accounts

It is evident that there has been a steady increase in the total outstanding accounts receivable balances over the past several years despite a concerted collection effort by the Bursar's Office. While some of the increase is attributable to the annual increase in tuition and enrollment, the percentage increase is attributable to aid reversals. Drop for non-payment has helped minimally with past due accounts as students are allowed to get reinstated without having payment arrangements in place. Each individual campus makes the decision on which students are dropped for non-payment.

Conclusion

Multiple attempts are made at the campus level to collect on outstanding receivables prior to the referral to a collection agency or PFD garnishment. The UAF Bursar's Office contacts the student multiple times during the semester in an attempt to collect on the balance. Between the suspensions of meal plans, notification under dorm room doors, and the monthly emails a student is notified multiple times prior to beginning the PFD garnishment process or referral to collections. With the elimination of mailed semester statements due to budget cuts we have seen a noticeable decrease in payments being received. All mailings and contacts are recorded in Banner for future reference.

A/R Fiscal Year-end comparison
**This analysis is calculated with figures as reported at the end of each fiscal year.*

Fiscal Year	Gross Tuition/Fees	Accounts Receivable	Allowance (0291) Balance	Net Accounts Receivable	% to Gross Tuition/Fees	Write off Amounts
2015	$48,239,121	3,552,362	460,408	3,091,954	6.41%	$89,623
2014	$45,786,034	3,830,208	481,466	3,348,742	7.31%	$36,660
2013	$46,523,806	3,727,069	313,371	3,413,698	7.34%	$113.738
2012	$40,672,468	4.079,930	332,081	3,747,849	9.21%	$4,799
2011	$43,950,800	3,951,381	231,289	3,720,092	8.46%	$102,497

11. M&R TARGET

UAF does not expect to meet its Maintenance and Repair target for FY16. This is mostly as a consequence of the declining FS O&M State Appropriation (9210) as shown below. It is further noted that this the first year that UAF will not be able not meet its M&R target. Please see table below for the break of the M&R among the requested categories.

Projected Maintenance and Repair (M&R)	Routine Maintenance	Preventative Maintenance	Reinvestment	FY16 Total Project Expenditures
Fairbanks Campus Research/Academic/Admin	14,034,026	563,811	1,001,021	15,598,858
Fairbanks Campus Residence Life	1,640,265	106,003	29,009	1,775,277
Total Fairbanks Campus (Note 1)				17,374,135
FY16 M&R Target Fairbanks Campus				18,658,000
Over(under) Target				(1,283,865)
UAF CRCD Total	1,033,121	161,960	148,089	1,343,170
FY16 M&R Target CRCD				1,384,000
Over(under) Target				(40,830)
Total UAF FY16 Projected Maintenance and Repair				18,717,305
Total UAF FY16 Target				20,042,000
Total UAF FY16 Over/(Under) Target				(1,324,695)

Note-1. Maintenance expenditures that are recorded in the Facilities Services (FS) work order system are coded by to the above categories.

Those maintenance expenditures that are managed by other departments or that are performed by contractors may not be recorded in the

FS work order system and therefore will not be coded by category. Much of those costs have been categorized in this report to the greatest extent possible.

12. TRAVEL EXPENSES

UAF's unrestricted travel expenditures decreased dramatically in FY15 from prior year averages due to a combination of decreased funding and travel targets issued by the UAF Chancellor that aimed to reduce overall unrestricted travel expenditures by at least twelve percent from the prior year. The result of these effects was a reduction of 25% in unrestricted travel expenditures from FY14. We expect FY16 travel expenditures to be very similar to last year.

Restricted travel expenditures are largely a function of the nature of the sponsored activities in play in any given fiscal year. While UAF units project to show a 55% increase in travel from FY15, January-to-January differences only show an increase of five percent, so it is highly unlikely that restricted travel will come in this high.

We expected that travel activity would remain relatively stable in FY16 as much of the travel is necessary for instruction, research coordination, and events the institution hosts (revenue source is direct event registration fees rather than general funds or pooled UA Receipts).

UAF Travel Expenses

Fund Group	FY14 Actual	FY15 Actual	**% Δ**	**FY16 Jan Projection**	**% Δ**
Auxiliary	32.4	26.3	-18.8	**49.2**	87.1
Designated	1.2	1.5	25.0	**0.9**	-40.0
Restricted	6,536.3	6,315.4	-3.4	**9,780.8**	54.9
Unrestricted	5,811.0	4,346.4	-25.2	**4,124.6**	-5.1
Total	**12,380.8**	**10,689.6**	**-13.7**	**13,955.5**	**30.6**