Utility Funding Process

Background
Circa 2005/2006, fuel/utility prices began to rise dramatically across the state. The state legislature did not want to commit on-going (base) funding for utility cost increases with the thought that the spikes in costs were only temporary in nature. To this end, in FY07, the legislature included one-time funding for utility cost increases. The one-time funding was based on the fiscal year-to-date average price of Alaska North Slope crude oil. The funding was distributed to specific state agencies; UA’s portion was 8% (+/- 3%) prior to FY13 when it was raised to 10% (+/- 3%). UA has received the full 11% or 13% since the “fuel trigger mechanism” funding method began. The fuel-trigger is still in place. A portion of the trigger funding was transferred to base in FY07 ($2,355.6), FY11 ($1,650.0) and FY12 ($1,485.0).

Expenditures
The university worked with the state (OMB) to define specific account codes related to utilities. The account codes included in the actual expenditures are: 3881-Sewer; 3882-Electrical; 3883-Water; 3884-Heat; 3885-Fuel; 3887 UAF Utility Services; 3898 Utilities (not subject to F&A); 3899 Utilities other; 4111 Vehicle/Aviation/Boat Fuel

Prior to FY11, account codes 4325-Utility Supplies and 4441-Other Supplies and Commodities (UAF natural gas expenditures) for fund 173012 and orgs 50273 & 50283, were included for UAF. In FY11 UAF converted to a billing method vs. feed stock method to more accurately reflect the total cost to deliver utilities to its customers. This method is more in line with the way other MAUs pay their utility charges from out-side providers. UAF’s data was normalized back to FY03 to account for the change.

Revenue
It was assumed that the university was fully funded for utilities in FY05. FY05 actual expenditures were used as the base year for revenue (from all sources) available to pay utility costs. The university received additional base general funds for utility cost increases in FY07, FY11, and FY12. Since FY09, UA has been allocating non-general funds toward utility cost increases as well.

Budget Request
The increment request for utility cost increases are calculated based on the difference between the MAU’s projections for the current and upcoming fiscal years. Both the percentage and dollar amount changes are checked for reasonableness against prior increases. Since FY09, UA has been splitting the utility increase with the state approximately 50/50. The amount of non-general funds a campus is expected to generate is matched against known increases, such as; compensation, utility, M&R, etc. If funding provided for utilities proves to be insufficient, a request for supplemental funding is considered.

Funding Distribution
The distribution of both one-time and base funding for utility cost increases, seeks to equally distribute the funding across all campuses. A target funding level is calculated based on total revenues assigned to utility costs (FY05 base to current) divided by total expenditures (most recently closed FY). The revenue (from all sources) each campus has to cover utility expenditures is divided by their actual expenditures for the prior year. The distribution gets each campus as close to the target as possible. i.e. if the target is 97% then each campus who’s funding falls short of 97% will receive funding.