

Board of Regents' Office
Phone: (907) 450-8010
Fax: (907) 450-8012
EMAIL: ua-bor@alaska.edu
www.alaska.edu/bor/



202 Butrovich Building
2025 Yukon Drive
P.O. Box 755300
Fairbanks, AK 99775-5300

December 3, 2019

The Honorable Michael Dunleavy
Office of the Governor
P.O. Box 110001
Juneau, AK 99811-0001

RE: Compact Agreement Report FY20 (via email)

Dear Governor Dunleavy:

Please find enclosed the University of Alaska's FY20 Compact Agreement report regarding UA's progress toward its strategic goals and the terms of the agreement.

Sincerely,

A handwritten signature in cursive script that reads "Sheri Buretta".

Sheri Buretta, Chair
University of Alaska Board of Regents

**University of Alaska Board of Regents
Report to the Governor and the Legislature
Regarding
Budget and Related Matters**

Pursuant to the Agreement between the Governor and the Board of Regents dated August 13, 2019, the University will report to the Office of the Governor and the Alaska Legislature no later than December 4 of each of the three years of the Agreement regarding progress the University is making toward its strategic goals and on the following additional terms of the Agreement.

I. STRATEGIC GOALS

In 2017, the Board of Regents established five strategic goals:

- Contribute to Alaska’s economic development.
- Provide Alaska’s skilled workforce.
- Grow our world class research.
- Increase degree attainment.
- Operate more cost effectively.

These goals have helped UA focus effort and investment into initiatives that serve the higher education needs of Alaska. However, in light of several long-term headwinds—such as enrollment declines since 2011 and nearly continuous state funding reductions since FY2014—UA’s ability to invest in the strategic initiatives that drive to these goals has been severely constrained. As a result, the president and the Board of Regents plan to review the goals and revise the specific measures in light of our current and expected fiscal condition.

Contribute to Alaska’s economic development.

- *Increase STEM Graduates*
- *Increase Invention Disclosures*

Alaska’s economy depends upon resource extraction and development industries; the future well-being of the state economy requires both continued support for responsible resource development and economic diversification and innovation. The University (UA), through its three universities and 13 community campuses, is uniquely suited to drive change in the economy and to educate graduates who will lead a new era of economic development. To meet the challenge of transforming Alaska’s economy, UA must increase the number of graduates in STEM fields (science, technology, engineering, and mathematics) for careers in the state. To accomplish this goal requires overcoming historically low educational attainment rates, addressing disparities in rural education opportunities and shifting the culture of education in the state. UA must also monetize its research through commercialization of inventions, patents and discoveries that benefit Alaska’s economy.

Provide Alaska’s skilled workforce.

- *Increase UA Share of Teacher Hires*
- *Double Health Profession Graduates*

Historically Alaskans have benefited from high-paying jobs that do not require high levels of educational attainment. However, the economy and workforce landscape of Alaska is changing rapidly and UA must prepare for a new wave of employment opportunities that will require more than a high school diploma. According to national research, by 2025, 65 percent of jobs will require some form of post-secondary education. If K-12, vocational programs and UA education can prepare Alaskans for these jobs, Alaskans will fill them. Otherwise, Alaska will continue to face a shortage of skilled employees and will have to import labor from outside the state.

In order to increase the number of students enrolling in post-secondary training, UA is working to change the culture of education in the state and increase enrollment throughout the university system, especially in critical areas such as teacher education and health programs.

Grow our world class research.

- *Stay #1 in Arctic Research*
- *Increase Research Expenditures*

Research contributes to every aspect of Alaskan life – it drives innovation and discovery, spurs outside investment, generates a significant percentage of UA’s annual revenue and is critical for future economic growth. UA leads the world in Arctic research, which provides the foundation of its international reputation. UA is a leader in climate research, atmospheric and biological science, geophysics, cold climate engineering, behavioral health, indigenous cultures and languages, and natural resource management. UA advances basic and applied knowledge by engaging on complex social, scientific and economic issues, and works to solve real-world challenges that will benefit our people, communities, environment and economy. Alaska is a living laboratory of glaciers, permafrost, oceans, subarctic climate and ancient cultures. UA is uniquely situated to study these rapidly changing ecosystems and to help our people, industry, environment and economy adapt. UA is part of a national network of public research universities that account for 66 percent of all university research and development expenditures and which conduct much of the nation’s core STEM research.

Increase degree attainment.

- *Increase Enrollment*
- *Increase Completions*

The University’s students are its most valuable constituency. Not only is it UA’s responsibility to provide for student success, but UA must encourage students to graduate in a timely manner. Increasing degree attainment means inspiring more college-going, working to educate more skilled graduates, and providing degree programs that lead to future success. The educational success of students attending the University of Alaska is among its highest priorities. The University is committed to preparing Alaskans to become educated members of the state’s workforce and to meet the state’s workforce needs. UA’s graduates will continue to find opportunity in many sectors of the Alaska economy – in fields such as research, teaching, engineering, and nursing, as well as for those who choose a career in the trades or innovation.

Operate more cost effectively.

- *Decrease Cost per Completion*
- *Increase Completion Rate*

As the University of Alaska examines how best to position itself to meet the future needs of Alaska and its students, we have taken steps to reduce administrative and operating costs, freeing up funds for investment in high priority programs and services. The University continues to work to mitigate state funding decreases by increasing alternative revenue sources, including enrollment growth strategies, philanthropic giving, the land grant initiative and cost containment. Recent examples include:

Human Resources Organizational Redesign

The new, integrated, HR organizational structure went into effect September 2019. Human Resources will be led by directors focused on a functional area across the entire system. This will lead to more efficient and effective processes. UA expects to reduce HR cost by \$500,000 in FY2020, with potential for additional savings as the redesign moves into its next phase. One of the new functional areas is organizational development. The organizational development specialist will provide advanced leadership in organizational development, assessment, reporting, and training to support the University’s organizational health, development opportunities,

and employee engagement. HR staff will develop expertise in one area to provide exceptional and consistent customer service.

Restructure UA Procurement

Effective September 2019, Procurement and Contract Services (PCS) was integrated across the university system and reports to Statewide. The integration, resulting from collaboration between the system office and campus administrative leadership, follows the Board of Regents direction to consolidate and standardize administrative areas. The new structure will provide recurring annual savings of \$300,000 for the university. The new University of Alaska Department of Procurement and Contract Services (PCS) will be under the direction of the Chief Procurement Officer (CPO) and will manage all procurements across the system larger than \$25,000 as well as all other procurements that cannot be made using a procurement card or performed by distributed procurement staff. With the new single department structure, procurement officers will be assigned work in commodity/service groups for all locations across the system. This will allow procurement officers to become subject matter experts regarding the commodities and services they are buying, making them better able to identify economies of scale and potential cost saving opportunities for the university.

Information Technology Improvements

The University’s Information Technology Council (ITC)—composed of representatives from the three universities and faculty, staff, and student governance organizations—with assistance from IT experts at Gartner, and utilizing best-practice higher education capability models, frameworks, and benchmarks from Gartner, EDUCAUSE, and other industry associations, is identifying opportunities to improve seamless student experience; reduce costs; and drive out unplanned redundancies, non-differentiating preferences and inconsistencies, as well as unnecessary/unsustainable customizations. Incorporating best practices, the group is working to develop approaches in FY2020 for realizing efficiencies, while at the same time addressing capability gaps and improving capacity to pursue modern strategic initiatives in FY2021 and beyond.

II. AGREEMENT

The Agreement includes commitments made by the Board of Regents and the Governor. The Governor’s commitments may be found in Attachment 1. The Board of Regents appreciates the Governor’s commitments and is pleased to provide the following progress report on its commitments.

Operating cost reductions.

For the period FY2014 to FY2019, total UA Operating Expenses decreased each year, and in the aggregate \$35.4 million, or 4.1%.

All Operating Expenses (\$ in millions)						\$ Change	% Change
FY14	FY15	FY16	FY17	FY18	FY19	FY14 to FY19	FY14 to FY19
\$ 853.3	\$ 843.9	\$ 834.3	\$ 833.8	\$ 820.3	\$ 817.9	\$ (35.4)	-4.1%

Administrative overhead reductions.

Administrative overhead is best reflected in the staff’s labor costs reported in the “Institutional Support” expenditure category. From FY2014 to FY2019, such costs decreased each year, and in the aggregate \$12.1 million, or 15.8%.

Institutional Support - Salaries & Benefits Costs (\$ in millions)						\$ Change	% Change
FY14	FY15	FY16	FY17	FY18	FY19	FY14 to FY19	FY14 to FY19
\$ 76.8	\$ 73.4	\$ 69.5	\$ 67.3	\$ 65.8	\$ 64.7	\$ (12.1)	-15.8%

Strengthening the role of community campuses.

UA continues to look at ways to strengthen the role of the community campuses. Beginning in fall 2018, the University of Alaska started offering a 25 percent tuition discount on selected career and technical education (CTE) courses. UA is also exploring ways to increase degree program access and course availability to our community campuses from other universities and campuses across the system.

Growth in monetization of University assets.

At the October 31, 2019 Board of Regents Facilities and Land Management Committee meeting, UA administration reported on capital asset monetization opportunities. The identified properties present opportunities for the selling, leasing or public-private-partnerships (P3) of facilities & land to provide a source of capital, reduce maintenance costs and potentially reduce ownership (report attachment 2). UA will be working with a consultant to evaluate the various forms of monetization and the pros and cons of the various options so that UA can narrow its focus and pursue options that are in UA’s best interest and that have long-term sustainable benefits.

Enrollment and degree/certificate completion rates.

UA seeks to increase enrollment and completions to meet the higher education interests of our students and state, but in a climate of structure uncertainty and budget reductions, simply maintaining enrollment and completion rates may be challenging. UA enrollments, as measured by student credit student credit hours, has declined from 269,337 in fall 2014 to 227,277 in fall 2018, a 15.6 percent reduction. A similar decline (15.5 percent) in student headcount was observed over the same period of time. The number of degrees, certificates, and endorsements awarded to UA students dropped by about 5 percent (240 fewer awards) in the last year.

Previous enrollment declines were attributed to demographic changes and annual budget reductions; however, it has been determined that the unanticipated decline in enrollment from fall 2018 to fall 2019 is from the negative impacts of the uncertainty about the FY2020 budget that threatened the future of the University of Alaska campuses.

Despite challenges, UA is committed to seeing enrollment and completion rates improve over the next few years. To this end, investments have been made in marketing and recruitment; partnerships with K-12, including very successful options for dual enrollment; expansion of on-line programs; and innovative program delivery. The universities have made retention a priority by implementing software to strengthen consistency and communication in advising (UAA Seawolf Tracks and UAF Nanook Navigator).

Campus safety and regulatory compliance.

The University is committed to a safe campus environment where our students, staff, faculty, and visitors can learn, work and live. The University has implemented effective and consistent sex discrimination and sexual misconduct policies and procedures; implemented mandatory training for students and employees; coordinated with local law enforcement; complied with Department of Education Office for Civil Rights specified responsibilities of Title IX staff; promulgated a uniform and compliant notice of nondiscrimination; developed and provided consistent and informative materials about Title IX, including resources for students participating in off-campus programs such as research in remote areas of Alaska; established student Title IX committees at each university; audited Title IX reports; and conducted annual assessments. These actions occurred under a rigorous timeline as part of a Voluntary Resolution Agreement (VRA) the University entered into with the Office for Civil Rights in 2017. As the VRA nears completion, the University is assessing and exploring further opportunities to improve the quality, efficiency, and consistency of Title IX services and processes at the University.

In communities across Alaska rates of sexual violence and harassment are too high, and our campuses are part of those communities. Title IX training is just one small step in understanding the importance of prevention and providing the campus community with tools to create a safer environment, such as bystander interventions and knowledge of where and how to report instances of sexual violence or assault. In July 2019 the University internally developed and implemented “UA Safe,” an Alaskan-based, online sexual misconduct prevention student training.

On the national level, the University is participating in the *Action Collaborative on Preventing Sexual Harassment in Higher Education*, working with leading universities to establish and apply a shared research agenda of this work. Membership in this initiative enriches the University’s work in Alaska with knowledge and experience from experts across the top universities in the U.S., as well as experts from the *National Academies of Sciences, Engineering and Medicine*.

In addition, through periodic and special Internal Audit reviews and Hotline reporting the University actively seeks out issues implicating campus safety and regulatory compliance.

Research income increases.

Between FY2018 and FY2019, research expenditures, funded by external entities, increased 5 percent to \$158M. To continue to build on the success of UA faculty in obtaining external research funding from organizations such as the National Science Foundation (NSF) for individual grants, UA is emphasizing statewide collaborative research efforts to expand our research capacity. Examples include the recently renewed multi-institution, 5 year \$20M NSF-funded EPSCoR (Established Program to Stimulate Competitive Research) grant with investigators from UAF, UAA and UAS, the National Institutes of Health 5 year, \$19.6M systemwide Idea Network for Biomedical Research Excellence (INBRE) and the multi-year, \$16M Biomedical Learning and Student Training (BLaST) grant with UAF and UAS faculty and student involvement. NIH recently awarded UAF and UAA faculty investigators a 5-year \$12M grant to establish the Center of Transformative Research in Metabolism, and UAF’s Alaska Satellite Facility recently received a \$48.6M contract from NASA to continue to operate their synthetic aperture radar data center. To further increase research income, UA is targeting research opportunities from the Department of Homeland Security, Department of Defense, and the Department of Energy.

Other non-state income increases, e.g., tuition and philanthropic gifts.

Tuition:

As per UA Board of Regents Policy P05.10.010, the university recognizing that state general fund support is not sufficient to pay the full cost of education and that students have a responsibility to contribute to the cost of their higher education, tuition and student fees will be established to the extent practicable in accordance with the following objectives: (1) to provide for essential support to the university's instructional programs; (2) to make higher education accessible to Alaskans who have the interest, dedication, and ability to learn; and (3) to maintain tuition and student fees at levels which are competitive with similarly situated programs of other western states. Tuition revenues will be used primarily to maintain and expand the educational opportunities provided to students, to preserve and improve the quality of existing programs and support services, to respond to enrollment trends, and to implement new programs.

UA tuition has historically been less than that of peer 4-year institutions in the Western United States, and that tuition has covered about 25 percent of the cost of education, again, below the Western States average of 30-35 percent. Recent increases in tuition, including a 5 percent increase in academic year 2020 (AY2020), have increased student support of education programs to 28 percent. For AY2021, the Board of Regents is considering an additional system-wide 5 percent increase, which will still keep tuition below the regional average. For AY2022, each university is considering differential tuition to be competitive with their peer institutions. These potential increases, while significant for our students, will not fully offset the budget decrements, however they are intended to support activities that will maintain each university's unique competitive identity.

Philanthropic gifts:

UA's First Systemwide Fundraising Campaign began in FY2017. Since then, approximately \$98 million has been raised in outright gifts and pledges, planned gifts and private grants. This includes contributions from more than 6,000 first-time donors, about 45 percent of the total number of unique donors to date. Efforts are underway to enhance collaboration among the development staffs across the system. Starting in mid-FY2019 Donors have consistently reported concern about the status of the University. This has led to reluctance to contribute. Direct fundraisers, UA Foundation employees and university relations personnel are working with UA leadership, faculty and staff to raise confidence in the University, with the goal of enhancing revenue from private grants.

Development of UA lands

At the October 31, 2019 Board of Regents Facilities and Land Management Committee meeting, UA administration provided an update on the Land Grant Initiative (Attachment 3). The initial focus has been assessment of UA's existing portfolio of land and identification of a specific pool from which the 360,000 acres still due to UA could be selected. The state must work with the federal government to resolve the University's land grant deficit. UA continues to proactively engage the Dunleavy Administration, the Department of Natural Resources, the Department of Interior, and the Alaska Delegation to develop an appropriate mechanism to transfer land once it has been identified. The mechanism will very likely involve new federal legislation.

In September 2019, the Governor wrote to the Alaska Congressional Delegation committing the state time and resources necessary to pursue a solution. He noted that "the placement of productive lands into active management would generate recurring revenues to support the University; which is exactly what Congress intended in the creation of land grant universities."

Technology investments to lower costs and increase access

Consistent with this agreement between the Governor and the Board of Regents, the University's ability to make progress on the Board's goals and objectives will require investment in more agile, student-centric, and cost-effective IT systems and supporting organizations. The University of Alaska is under increasing pressure to compete for students, do more with less, and ensure stakeholders that outcomes are worthy of their investments. In addition, 21st-century students demand self-service models and technologies to navigate their university experience with ease. Furthermore, data strategies and analytical capabilities can create new perspectives and insights on improving student and institutional outcomes. In FY2020, a \$100,000 investment in cloud readiness will identify and investigate opportunities afforded by modern cloud-based approaches. The resulting assessment will serve as a roadmap for engaging students across the lifecycle, and for holistically monitoring and improving UA's key performance indicators.

In addition, findings of an enterprise capability assessment conducted by ITC in October 2019 highlight several significant opportunities to improve and operate more efficiently. Utilizing benchmarks from Gartner, EDUCAUSE, and other industry associations, we have identified "right-sized" targeted savings of \$3M to be achieved over the next three years.

Structural consolidation and consideration of single accreditation.

The Board of Regents took numerous steps to consider a plan to transition the University of Alaska from three separately accredited institutions into a single accredited institution in response to the following legislative intent language enacted in the FY2020 Operating Budget (CCS SSHB 39):

It is the intent of the legislature that the Board of Regents consider a plan to transition the University of Alaska from three separately accredited academic institutions into a single accredited institution with multiple community campuses, and that the Board of Regents provide an update to the legislature on the development of such a plan by December 1, 2019.

Consideration included the following steps taken by the Board of Regents:

- Appointed a special taskforce of distinguished Alaska leaders to consider options for the university's organizational structure. The taskforce met and issued a subsequent report to the BOR. <https://alaska.edu/bor/taskforce/>
- Directed UA President Johnsen to prepare a plan for the Board's consideration to transition to a single institutional accreditation. This process included weekly meetings with staff of the Northwest Commission on Colleges and Universities (NWCCU) to examine standards, processes, timelines, and potential risks of transition.
- Formed an ad hoc BOR subcommittee on restructuring. The subcommittee met in the fall to hear a progress report on administrative consolidation, academic program reduction, and planning for a single accreditation.
- Held workshops across the system that convened more than 200 administrators and faculty to explore options and barriers to improving university effectiveness.
- More than 3,900 faculty, staff, students, alumni, and community stakeholders responded on an online survey expressing their issues and concerns. The survey found high unanimity on the importance of the university and its fiscal sustainability and a high degree of disagreement between those who favored increased "uniqueness" and those who favored increased "integration". Survey presentation link: [Stakeholder Survey Presentation](#) (BOR)

- Established a systemwide working group to continue engagement with the NWCCU and the U.S. Department of Education to discuss accreditation including issues and timelines associated with merging or integrating our separate universities.
- Created numerous other opportunities for public input from faculty, staff, students and the public stakeholders on UA structure.

On October 7, 2019, after considering a single accreditation through the steps described above, and in light of concerns raised by our institutional accreditor, NWCCU (see 9-26-19 [Letter](#)), the BOR decided to cease consideration of a single accreditation until such time as the University of Alaska Fairbanks (UAF) secures its NWCCU accreditation renewal in 2021.

However, the Board is still aggressively pursuing other means to reduce costs and increase efficiency, including consolidation of administrative functions across the system, clarification of roles and responsibilities between the BOR and the universities, and expedited academic program reviews at each of our universities in preparation for BOR decisions regarding program reduction, consolidation, and elimination. These program reviews are expected to be completed in time for Board consideration and action this spring. If the BOR chooses to actively consider single accreditation in the future, it will direct the president by formal action to do so and will include in that direction the requirement of an independent cost benefit analysis.

In addition to cost effectiveness, the university is focusing on diversifying and increasing revenue through a variety of initiatives including growing enrollment, remedying our land grant deficit, investing in competitive research, monetizing physical assets, and increasing outreach to our alumni and other philanthropic supporters. The legislature's and the governor's continued support is critical to making these efforts a success.

Attachments:

1. Agreement between Governor and UA Board of Regents
2. Monetizing Capital Assets
3. Land Grant Initiative

Budget and Related Matters Agreement
Governor of the State of Alaska
and
University of Alaska Board of Regents

The Governor and the University of Alaska's Board of Regents share an interest in the University's contributions to Alaska's prosperity and in supporting the University's goals for the state's economic development, workforce development, research, educational attainment, and cost effectiveness.

In support of that shared interest, the Governor and the Board of Regents agree to the following terms:

1. In the State budgeting process, the Governor will propose, support, and permit the following:

A. Operating Budget

FY 2020	\$302 million	(-25 million from FY 2019)
FY 2021	\$277 million	(-25 million from FY 2020)
FY 2022	\$257 million	(-20 million from FY 2021)

B. Capital Budget

FY 2020	\$5 million
FY 2021	Facility deferred maintenance TBD
FY 2022	Facility deferred maintenance TBD

2. With Respect to Land Grants to the University

Both parties will continue their efforts to remedy the University's land grant deficit.

3. In Recognition of the agreements and commitments above, the University of Alaska commits to the following:

The University will report to the Office of the Governor and the Alaska Legislature no later than December 4th of each of the three years of this agreement regarding progress the University has made toward its strategic goals and on the following priorities:

- a. Operating cost reductions.
- b. Administrative overhead reductions.
- c. Strengthening the role of community campuses.
- d. Growth in monetization of University assets.
- e. Enrollment and degree/certificate completion rates.
- f. Campus safety and regulatory compliance.
- g. Research income increases.
- h. Other non-state income increases, e.g., tuition and philanthropic gifts.

Budget and Related Matters Agreement
Governor of the State of Alaska
and
University of Alaska Board of Regents

- i. Development of UA lands.
 - j. Technology investments to lower costs and increase access.
 - k. Structural consolidation and consideration of single accreditation.
4. In recognition of the agreements and commitments above, the Governor commits to the following.

The Governor will:

- a. Support budgeted amounts agreed upon.
- b. Support expanded dual-enrollment of college-ready high school students.
- c. Support FAFSA completion of high school students.
- d. Continue support for the Alaska Performance Scholarship and Alaska Education Grant programs.
- e. Explore more appropriate structure for WWAMI appropriation.
- f. Be open to discussions surrounding inter-appropriation transfers (FY20) and pursue single-appropriation structure consistent with the Board of Regents' constitutional authority (FY21).
- g. Continue \$1.2 million each year of the agreement for facility debt reimbursement.
- h. Support land grant transfers.
- i. Support increased collaboration between state agencies and the University.
- j. Consider other budget items that support University transformation.

This Agreement expires by its own terms, effective three years from the date of signing, and may be extended by mutual agreement in writing.

For the Office of the Governor:

For the University of Alaska,
Board of Regents:



Michael J. Dunleavy Date
Governor



John M. Davies Date
Chair

University of Alaska
Facilities and Land Management
Committee
Monetizing Capital Assets

October 31, 2019

Monetizing Capital Assets

- In consultation with Vice Chancellors at each university, properties listed herein present opportunities for the selling, leasing or public-private-partnerships (P3) of facilities & land to provide a source of capital, reduce maintenance costs and potentially reduce ownership risk.
- Properties listed are those that are generally being held for operational, educational or investment purposes, and fall outside the routine Land Grant Trust land disposition process.
- Book equity of these properties is approx. \$200m, or about 4% all UA facilities' value.
- Leasing back essential assets may impact debt ratio.
- Some assets have existing tax-exempt debt, limiting return and options.
- Inter-governmental transfers of facilities should be considered to reduce the cost of ownership.
- Disposals will be brought to the Board in accordance with Board Policy.

Capital Assets Monetization – Recently completed

Property Description	Action	Proceeds	Comments
OEM Building - Fairbanks	Sold	\$625K	Proceeds used for improvements to UAF facilities and ADA access
7 th & A Building - Anchorage	Sold	\$1m	Proceeds used for deferred maintenance
Nome Parcels	Sold	\$54K	Proceeds used for Rural College activities and operations

Capital Assets to Monetize – In Progress

Property Description	Potential Action	Debt on Property?	Estimated Equity/Value or Annual Lease	Comments/Status
UAF Administrative Services Building	Sell	no	>\$1m	Currently in public notice period that ends Nov. 11.
UAF Combined Heat & Power Plant	P3	yes	\$80m	Currently developing RFP for consultant to evaluate different monetization options, such as: sell, concession arrangement, or sell excess product. Power plant is in commissioning/testing stages and nearing final completion.
Westwood Way - Fairbanks	Sell	no	<\$1m	Currently identifying on-campus space for occupants. Sell. Proceeds revert to Inflation-Proofing Fund.
UAA University Center Building	Lease	yes	\$1.65m/year	Finalized lease for part of the facility. Potential for additional space to be leased has interested parties.
UAA Parking Operation	P3	yes	\$22m	Currently developing RFP for consultant to evaluate different monetization options. Currently engaged in discussion with Anchorage-based investor.

Capital Assets to Monetize – In Progress

Property Description	Potential Action	Debt on Property?	Estimated Equity/Value or Annual Lease	Comments/Status
Geist Road Bunnell Park Parcels	Sell/Lease	No	\$3m	Vacant parcels that are regularly held for sale or lease. These parcels are investment property held by the Inflation-Proofing Fund.
Farmers Loop/College Road (multiple lots)	Sell/lease	No	\$77k/year	Income producing from cell tower lease & drive-thru coffee stand
Yukon Flats Center (Fort Yukon)	Lease	No	<\$1m	Public notice in progress
Sustainable village (Fairbanks)	Lease	No	<\$1m	Public notice in progress/drafting permits
Select Seward Facilities and vacant land (Seward)	Sell	No	<\$10m	Reduce footprint and modernize lab space in Seward commensurate with Sikuliaq ship operations and program needs.
Mat-Su Farm	Sell/Lease/resource extraction	No	<\$1m	Sell/lease small parcel cut off by Trunk Rd. realignment, explore P3 partnerships with co-located medical facilities. Generate revenues through managed resource (gravel) extraction with reclamation.

Capital Assets to Monetize – Mid to long term

Property Description	Potential Action	Debt on Property?	Estimated Equity/Value or Annual Lease	Comments/Status
University Lake Building & Annex	Sell or P3	no	\$5m; \$440k/year	These properties are investment property of the Inflation-Proofing Fund (IPF), and are currently occupied by university departments that pay rent to the IPF. The properties are in an excellent location that have the potential for a mixed-use facility with industry.
Alaska Airlines Center	Lease/Sell	Yes (state issued GO Bonds)	\$50m	The property currently receives income from rentals, events, sponsorships and naming rights. Management of the facility is outsourced to a third-party. Ideas for further monetization opportunities and income streams are needed.
Natural Science Research Lab - Juneau	Lease/Sell	no	\$2m	Occupied by UA staff and leased to State of Alaska
Jones House - Juneau	Lease	no	\$20k/year	Occupied by Facilities Planning and Construction offices
Waterfront property downtown Juneau	Lease/Sell	no	\$50k/year	Current lease ending soon
UAA Drive Housing Units A, B, C & D	Sell/Lease	Yes - AHFC		UAA Housing (4 units). Provides consistent net revenue stream for UAA Housing auxiliary
Lake Otis & 36th Parcel (vacant lot)	Sell/Lease/P3	no	\$5m	Current use is large equipment & container storage. The property is an excellent location. Looking for an idea and the highest and best use.
Kodiak Seafood & Marine Science Center	Evaluating	No	<\$10m	Exploring valuation and options for meeting program needs with smaller footprint.

Capital Assets to Monetize – Mid to long term

Property Description*	Potential Action	Debt on Property?	Estimated Equity/Value or Annual Lease	Comments/Status
1815 Bragaw	Lease	yes	Aggregate equity of all Bragaw Buildings is about \$16m. Lease income on 1815 and 1835 is approx. \$2.2m/year.	An Inflation-Proofing Fund (IPF) investment property that currently rents space to Statewide administrative staff. Relocate UA staff to University Center or campus and rent to third parties.
1835 Bragaw	Lease	yes		Currently leased to third parties with proceeds going to IPF. Now at 7% vacancy with ability to sustain for 10+ years (State tenant interest)
1901 Bragaw	Lease	yes		Currently occupied by UAA departments. Need to find space on-campus, so that this facility could be leased to third parties or sold.
Bragaw vacant lot	Sell/Lease	no	\$1m	Originally purchased as investment property pursuant to Elmore extension.

* Potential disposals identified for discussion/planning purposes only

MEMORANDUM



To: Michelle Rizk
Date: October 22, 2019
From: Ed Fogels
Subject: University Land Grant Project Update

We are progressing toward our ultimate goal of identifying approximately 360,000 acres of federal land that would ultimately be transferred to the University of Alaska. These lands would come from the State's remaining Statehood land entitlement, which is currently approximately 5 million acres. The end result would be that 360,000 acres of the remaining 5 million acres would be transferred from the federal government directly to the Board of Regents, subject to a (federally imposed) trust obligation that the lands and any proceeds be used for the exclusive support of the University, instead of to the Alaska Department of Natural Resources (DNR).

Jade North's primary role is to identify the 360,000 acre pool of land that the University wishes to acquire, and that is the focus of this progress report. Once these lands have been identified, we will need agreement from the Dunleavy Administration, and we will also need to clarify the legal mechanism by which the federal Department of the Interior (DOI) will convey these lands to the Board of Regents, rather than to DNR (the University's legal counsel is currently working on this).

Jade North is looking at two pools of land from which to select the 360,000 acres. The first pool (Pool A) is approximately 10 million acres of federal land where the State has valid selections in place. Assuming agreement from the Dunleavy administration and the DOI, any lands in this pool could be transferred to the University relatively quickly (perhaps a matter of months). The second pool (Pool B) is also approximately 10 million acres that the state has selected, but a federal encumbrance (usually a Public Land Order) has withdrawn those lands, and they cannot be conveyed to the state until that encumbrance has been lifted. Some of these encumbrances have been recently lifted by the Trump administration, and hopefully more will be lifted soon.

At some point in the process, we will need to decide how much of what we ask for will be in Pool A, and how much in Pool B. Pool B lands are riskier because there is no guarantee that DOI will lift the encumbrances. However, some encumbrances are more likely to be lifted than others, so we will have to balance that risk with the revenue-generation potential of the Pool B lands. The State has been holding off on finalizing its land entitlement because it already knows that some of the more valuable federal lands are in Pool B, and has been waiting for the encumbrances to be lifted.

I should note that although we are focusing our efforts right now on these Pool A and B lands, there may well be other lands that could be considered in this process, perhaps through land exchanges or legislation. However, these lands will be far more complex to acquire, and I believe that the majority of UAs entitlement will eventually come from the Pool A or B lands.

CURRENT STATUS

- We have obtained the database from DNR that identifies all state lands in both Pool A and Pool B, along with the State priority ranking for the lands, and agency rankings for specific resources (such as minerals, oil and gas, agriculture).
- We have created a new database that combines the DNR database with the 644,362 acres that were initially identified by UA's Land Management Office staff.
- We are currently working with UA Land Management Office staff to research the previously identified 644,362 acres, which we have divided into 71 parcel groups.
- Our tasks include developing accurate maps of each of the 71 parcel groups in the UA report. These maps will show which lands are in Pool A, and which are in Pool B. The maps will also provide detail on which encumbrances are in place on specific lands in Pool B.
- This research is being done using the DNR database, DNR land records, and US Bureau of Land Management land records. UA Staff recently completed training on BLM and DNR land records research, and this will facilitate progress.
- Researching all 71 parcel groups is a large task, and will require significant UA LMO staff time. Our goal is to complete a draft list of recommended lands by the end of this calendar-year.
- We are also looking at other lands in addition to those previously identified by UAs LMO staff.
- Once this list has been completed and agreed to by UA leadership, then we can bring it to the Dunleavy Administration (DNR and the Governor) for their agreement, and then to DOI. The success of this effort will depend on a unified agreement between UA and the State of Alaska before we submit the list to DOI. Pool A lands could be transferred relatively quickly, and Pool B lands would have to wait until the encumbrances have been lifted.