

**Official Minutes
Board of Regents
Special Meeting of the Full Board
July 15, 2019
Fairbanks, Alaska**

1. Individuals Present and Opening Items

Regents Present:

John Davies, Chair
Sheri Buretta, Vice Chair
Dale Anderson, Secretary
Lisa Parker, Treasurer
John Bania
Cachet Garrett
Darroll R. Hargraves
Mary K. Hughes
Gloria O'Neill
Karen Perdue
Andy Teuber

James R. Johnsen, Chief Executive Officer and President, University of Alaska

Others Present:

Rick Caulfield, Chancellor, University of Alaska Southeast
Cathy Sandeen, Chancellor, University of Alaska Anchorage
Daniel M. White, Chancellor, University of Alaska Fairbanks
Michael Hostina, General Counsel
Myron Dosch, Chief Financial Officer
Paul Layer, Vice President for Academics, Students and Research
Michelle Rizk, Vice President for University Relations and Chief Strategy, Planning and Budget Officer
Roberta Graham, Associate Vice President of Public Affairs
Mark Kondrak, Chief Information Technology Officer
Keli Hite McGee, Chief Human Resources Officer
Brandi Berg, Executive Officer, Board of Regents
Maria Williams, Faculty Alliance Chair

A. Call to Order

Chair Davies called the meeting to order at 1:00 p.m. on Monday, July 15, 2019.

B. Adoption of Agenda

PASSED AS AMENDED (amendment noted *)

"The Board of Regents adopts the agenda as amended. This motion is effective July 15, 2019."

Motion by Karen Perdue, second by Lisa M Parker.

Final Resolution: Motion Carries

Voting in favor: Dale G Anderson, John Bania, Sheri Buretta, John Davies, Cachet Garrett, Darroll R Hargraves, Mary K Hughes, Gloria R O'Neill, Lisa M Parker, Karen Perdue, Andy Teuber

***1.1. Opening Comments (added)**

Senator Bishop provided an apology to the board for being in the situation of considering financial exigency; stated the university met the call of former governors to increase Alaska hire and he will continue to fight for the university's budget.

Faculty Alliance Chair Williams thanked the board for its dedication to the university during this challenging time; implored the board to delay the declaration of financial exigency (FE); stated the faculty feel its voices have been muted during the discussions of restructure; spoke in opposition to filing FE and encouraged the board and administration to fully engage faculty in the restructuring of UA.

Representative Josephson echoed the comments of Senator Bishop; stated the current state situation is not a fiscal crisis but instead a political crisis; said the House Finance Committee is working to restore the vetoed state funding and stated UA has a vast cohort of supporters in the Legislature.

Regent Davies stated the board and the university appreciate the support from individuals across the state and in the Legislature; apologized that the financial exigency consideration is before the board; noted the current financial situation is unprecedented and difficult for Alaskans including UA's students, faculty and staff; stated the outpouring of messages to the board have been read and are appreciated; reminded the board to have a respectful dialogue and focus on UA's goal for a strong and great university going forward; noted the board will do its best to maintain classes for students and will do its best to involve faculty and staff in discussions and thanked President Johnsen and administrative staff for its work during this trying time.

2. Budget Discussion and Approval Item

A. Budget Discussion

President Johnsen stated that in August 1986, the Board of Regents met to discuss financial exigency (FE); however, at that time it was a 20 percent reduction to the budget, not the magnitude of 41 percent UA faces in FY20; said 33 years ago the board unanimously approved FE, committed to adapt the structure of UA to meet the challenge and encountered the same pro and con arguments being expressed by many individuals today; mentioned there is empathy and support for UA across the state; stated declaring FE provides a method to mitigate the cut and be ready with a plan in the event the Legislature is unsuccessful at restoring sufficient funds in UA's FY20 budget; noted time is not on UA's side and every day that reductions are not made only compounds the cuts that will be necessary later in the fiscal year; said as UA continues to wait on the legislature and the governor to finish its work, uncertainty and doubt persists for students, faculty, staff, donors, and federal agencies regarding the future of UA and the uncertainty is huge; identified what is known is that, there will be a substantial budget cut, mistakes will be made, the Legislature supports UA, the governor demonstrated willingness to make deep cuts and the ability to withstand the override, UA will need to make changes and there will be opposition to the board's decisions and stated UA will make it through this difficult time by preserving its mission, focusing on what is of timeless value, creating a capacity to innovate and adapt for success in a new environment.

General Counsel Hostina stated financial exigency (FE) does not solve a financial crisis and is not a decision regarding the future structure of UA; said FE is a tool that allows employee contract modification, permitting contract reductions and terminations on shortened notice and provides a rapid downsizing of programs, services, and personnel; mentioned as noted in the FE resolution the board is required to determine that a bona fide FE exists and specify units affected, cost reductions required and whether services, programs or positions will be reduced or eliminated; said FE is not a step to be taken casually; however, after a failed Legislative veto override of the \$136M in-year reduction, it is counsel's legal opinion that exigency is not only justified, it is necessary to achieve significant reductions in FY20; stated a declaration of FE is revocable; however, the headline of such is not and reviewed the exigency analysis slides provided in the presentation and the impact of delaying a decision.

The board discussed the financial exigency (FE) analysis; reviewed the impact of the \$136M cut; asked about guidance from the Northwest Commission on Colleges and Universities regarding UA's circumstances; stated concern about declaring FE too hastily, and the reputational impact of doing so; suggested waiting on the Legislature's special session to conclude prior to the decision to declare FE and motioned to postpone FE.

B. Approval of the Declaration of Financial Exigency

POSTPONED

"The Board of Regents finds and declares that:

WHEREAS, Art. 7, § 2 of the Alaska Constitution establishes the University of Alaska as the state university and a single constitutional corporation; and

WHEREAS, the University of Alaska System is one legal entity, governed by the Board of Regents pursuant to Art. 7, § 3 of the Alaska Constitution and AS 14.40.120; and

WHEREAS, during the consideration of the executive branch article of the Alaska Constitution, the framers expressed concerns regarding the appropriate place for the University of Alaska within the constitutional design for the new government, with these concerns often expressed in terms of the need to insulate education from politics, ultimately resulting in constitutional status separate from the executive branch. (Alaska Constitutional Convention Proceedings at 2043, 2246.); and

WHEREAS, the Board of Regents recognizes and affirms its fiduciary duty to the university and its

responsibility to the citizens of this state, its communities, and students to act promptly, in their best interests and without regard to political, geographic, or other personal considerations, to make the difficult decisions required to reduce disruption to students, and to ensure that vocational, technical, and academic standards are maintained and essential services are provided; and

WHEREAS, pursuant to AS 14.40.170 the Board of Regents, among other things, has the care, control and management of all real and personal property as well as the money of the university, is authorized to adopt reasonable rules, orders, and plans with reasonable penalties for the good government of the university, may determine and regulate the course of instruction in the university, and receive and expend university receipts; and

WHEREAS, from FY14 through FY19 the state reduced its funding for UA from \$378 million to \$327 million, for a base reduction of \$51 million and a cumulative impact of \$193 million; and

WHEREAS, the Board of Regents and the administration have reduced university administration and academic programs, consolidated positions, deferred facility maintenance and other essential expenditures, consolidated and reduced leased space and underutilized buildings, and eliminated 1,200 staff and faculty through attrition, layoffs, administrative consolidation and leaving vacancies unfilled as they arise; and

WHEREAS, the Board of Regents and UA administration have led by implementing strategic processes to clarify each university's mission, eliminating numerous administrative units, moving programs out of statewide administration to the universities, improving and standardizing processes, redesigning and consolidating human resource services across the system; enhancing collaboration among academic programs and student services, implementing common calendars, common general education requirements, common mathematics courses, common procurement processes, common travel system, and common Title IX training, as well as focusing on strategic initiatives essential to the State of Alaska; and

WHEREAS, the FY20 appropriation and gubernatorial veto process has resulted in a further reduction in state support in excess of \$136 million, approximately 41 percent, over FY19 levels, for a reduction in base state funding since FY14 of \$187 million, approximately 49 percent; and

WHEREAS, the university has obligations to students already enrolled in ongoing programs pursuant to institutional accreditation standards, and existing contractual obligations to employees, educational partners, and contractors, that cannot be reduced or eliminated immediately, as well as ongoing fixed costs including special purpose facilities and debt; and

WHEREAS, the downstream effects of this reduction in state support, as well as potential reductions in state scholarship and financial aid support for students, will include reduced enrollment and tuition revenue, reduced research and contracting capacity and associated revenue, as well as reduced philanthropic giving, the shortfall in projected expenses over projected revenue is expected to be in excess of \$200 million, excluding transition and teach out costs that will be necessary to limit impacts on students; and

WHEREAS, closing UAF, or UAA and UAS combined, would not eliminate this shortfall; and

WHEREAS, each day of delay in implementing additional cost reductions, including administrative and academic consolidations, and the required termination of more than 1,300 – approximately 18 percent – of remaining faculty, staff and the programs they offer, will result in expenditures in excess of current funding, requiring still additional reductions; and

WHEREAS, these cumulative reductions in revenue will have substantial negative impacts on students, communities and the State of Alaska, and the university's ability to serve them; and

WHEREAS, the Board of Regents adopted Regents' Policy 04.09.010 - .070 dealing with Financial Exigency, which provides in part that financial exigency exists when the board determines that a shortfall in projected revenues for general operations, as compared with projected expenditures over the same period, will have a material adverse effect on the operation of the university generally, or on a major administrative unit or an academic or other unit of a major administrative unit;

NOW THEREFORE, the Board of Regents issues the following Declaration of Financial Exigency:

1) A bona fide financial exigency exists for the reasons set out in the foregoing recitals, which are hereby incorporated in this declaration. The above-referenced shortfall in projected revenues for general

operations, as compared with projected expenditures over the same period, will have a material adverse effect on the operation of the university generally, requiring closure of entire units as well as numerous academic programs;

2) This declaration affects all administrative units of the university. The University of Alaska operates as one integrated legal and financial entity, using a shared services model. No administrative unit operates independently or has the capacity to do so, and no administrative unit is legally free of the liabilities and obligations of the others. The system office, and each university, provide governance and a variety of services required by each university and the community campuses, including audit, accounting, finance, budget, payroll and benefits, legal, human resources, labor relations, Title IX, academic oversight, student services, facilities, admissions, enrollment, financial aid, government and university relations, compliance, emergency services and occupational health and safety, risk and land management, institutional research, and certain information technology services including broadband;

3) Cost reductions of approximately \$200 million will be required to address the exigency;

4) Services, programs, and positions will be reduced or eliminated to produce necessary cost reductions. The university has reduced costs over the last five years through a variety of means referenced above, and including administrative and space consolidation, streamlining, attrition, and leaving positions unfilled. For FY20 university administration has implemented travel, hiring, and procurement freezes, and issued notice of employee furloughs. None of those efforts will result in savings that will obviate the need for reduction and elimination of filled positions and this declaration.

This declaration is effective July 15, 2019 and extends throughout FY20."

Motion by Andy Teuber, second by Lisa M Parker.

Final Resolution: Motion Carries

Voting in favor: Dale G Anderson, John Bania, Sheri Buretta, John Davies, Cachet Garrett, Darroll R Hargraves, Gloria R O'Neill, Lisa M Parker, Karen Perdue, Andy Teuber

Voting in opposition: Mary K Hughes

The board continued its discussion noting its understanding that the campuses are already making cost-saving reductions; requested a data-driven, analytical plan to assist in making the decision; discussed its constitutional authority and the need to honor its fiduciary duties; noted preference for continued advocacy and contact with legislators and the governor, a request to the governor for a three-year glide path to manage the reduction and to remain patient to allow the Legislature to complete its work and stated concern that each day that passes is a reduction of \$2M in current operating expenses.

President Johnsen presented the three structural options which include fewer universities and campuses, the current UA with a lead campus and the new UA, reviewed the magnitude of the unrestricted general fund budget reductions needed at each campus including statewide to meet the \$136M and sought guidance on the options in order to bring back a structural plan for approval on July 30, 2019.

*** 2.1. Approval to Hold a Special Meeting of the Board to Brief the Board on the Structure of the University under Financial Exigency** (added)

PASSED

"The Board of Regents directs the president to hold a special meeting of the board on July 22, 2019, to brief the board on his proposal and what the structure of the university will look like under financial exigency. This motion is effective July 15, 2019."

Motion by Andy Teuber, second by Sheri Buretta.

Final Resolution: Motion Carries

Voting in favor: Dale G Anderson, John Bania, Sheri Buretta, Cachet Garrett, Mary K Hughes, Gloria R O'Neill, Lisa M Parker, Karen Perdue, Andy Teuber

Voting in opposition: John Davies, Darroll R Hargraves

The board requested UA administration including chancellors, provosts and governance representatives use the Strategy Pathways framework regarding changes to UA structure; noted the importance of looking at public-private partnerships, bundling facilities and selling assets to assist in maintaining UA; stated the delivery of education is rapidly changing, it is necessary to focus funding on academics and the high priority programs that are core to UA's mission and to look at new and different models for delivering education to students; stated difficulty responding to the structural challenge because it is such a large process, noting anticipated changes will likely be significant in the current budget climate; encouraged UA administration to seek input from the public including students and faculty;

expressed support for the president to explore the three structural options; and thanked Senators Bishop and Kawasaki and Representative Josephson for attending the meeting and supporting the university.

3. Adjourn

A. Adjourn

Chair Davies adjourned the meeting at 3:15 p.m. on Monday, July 15, 2019.