

**Official Minutes
Board of Regents
Emergency Meeting of the Full Board
July 22, 2019
Anchorage, 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
Robertta 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 9:00 a.m. on Monday, July 22, 2019.

B. Adoption of Agenda

PASSED AS AMENDED (amendment noted by *)

"The Board of Regents adopts the agenda as amended. This motion is effective July 22, 2019."

Motion by Gloria R O'Neill, second by Mary K Hughes.

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. Executive Session** (added)

PASSED

"The Board of Regents goes into executive session to receive legal advice and discuss matters the immediate knowledge of which clearly would have an adverse effect on the finances of the university related to the board's fiduciary duties. This motion is effective July 22, 2019."

The Board of Regents went into executive session at 9:05 a.m. and concluded an executive session at 9:45 a.m. Alaska Time in accordance with AS 44.62.310 to receive legal advice and discuss matters the immediate knowledge of

which clearly would have an adverse effect on the finances of the university related to the board's fiduciary duties. The session included members of the Board of Regents, President Johnsen, General Council Hostina, and such other university staff members the president designated and lasted 40 minutes.

Motion by Mary K Hughes, second by Gloria R O'Neill.

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

2. Approval Item and Budget Discussion

A. Approval of the Declaration of Financial Exigency

The board engaged in an in-depth discussion regarding financial exigency (FE) and the board's constitutional duties, noting its responsibility to students and Alaska to maintain and to ensure UA's existence during this unfortunate, difficult and sad situation; stated FE is a tool, not a plan to address the governor's \$136M cut to UA's budget, and will allow the board to consider a plan to review UA's current structure; expressed some hesitancy and opposition by wanting to wait on decisions from the legislature and the governor and the belief the campuses could endure the necessary reductions; stated due to the severe budget reduction, the board has received a dramatic and an appreciated outpouring of support for UA from many individuals across the state; said in this uncertain financial environment, there is not enough money to fund the current operation, and without FE, UA would likely be out of operating money by February 2020; mentioned if circumstances change, the board could revisit FE; however, during this challenging time, a restructuring plan to manage UA's budget reduction is necessary.

PASSED

"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 reduced 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 exercised responsible leadership in response to repeated state funding cuts 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; and 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%; 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; and the shortfall between projected expenses and 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, the exact amount of this year's appropriation remains uncertain, but given the veto override outcome and the governor's clear intent to significantly reduce state support for the University through the exercise of his constitutional veto authority, a material reduction in state support is certain; and

WHEREAS, the need to delay implementation of most academic program reductions until January will effectively double the reduction in employees, programs, and services due to the compressed time in which to achieve reductions, with the effect that even a reduction that is a small fraction of the current \$136 million reduction in state support would have a material adverse effect on the University; 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% – 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, 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; and

WHEREAS, pursuant to policy, applicable to all University employees directly or through incorporation into collective bargaining agreements, the Board of Regents may decide to reduce, to modify, or to close one or more MAUs or an academic or other unit of an MAU, which may require the unilateral reduction of salaries, modification of terms of employee appointments, including the duration of appointments, layoffs or terminations of tenured faculty, non-tenured faculty, or other university employees before the end of their employment term; and

WHEREAS, in recognition of the existence of exigent circumstances Regents' Policy on financial exigency explicitly supersedes policies governing normal operating procedures, including procedures that otherwise would require assessment of programs through program review;

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) At present, cost reductions of approximately \$200 million will be required to address the exigency. The amount required will vary depending on any supplemental or transitional funding received, as well as unavoidable delay in implementing certain academic cost reductions;

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.

5) The Board of Regents directs President Johnsen to prepare and provide for the Board's approval a plan to implement the Board's declaration of financial exigency.

This declaration is effective July 22, 2019 and extends throughout FY20 unless rescinded or modified."

Motion by Mary K Hughes, second by Darroll R Hargraves.

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, Karen Perdue, Andy Teuber

Voting in opposition: Lisa M Parker

B. Budget Discussion

President Johnsen thanked the board for making the difficult decision and its vote to approve financial exigency (FE); said FE is the first step to consider a plan for restructuring UA; reviewed the magnitude of the budget reduction and how delaying the reduction of expenditures and the impact of timing adds to the urgency for a plan; stated UA's principles, much like what was done in the Strategic Pathways process, will continue to provide access, focus, consistency and sustainability by maximizing e-Learning, supporting high demand programs, eliminating redundancy, increasing cost-effectiveness, providing a seamless student-centered student experience, enhancing collaboration and coordination across the university and establishing clear lines of authority and accountability; shared the three options including risks and benefits for structural change which include fewer universities and campuses, the current UA with a lead campus and the new UA and reviewed the draft transition timeline.

The board engaged in an in-depth discussion regarding the three structural options, noting the current structure is not sustainable in this challenging budget climate; raised concerns about accreditation; expressed the need to create the model that best serves UA's students; questioned if UA land and real estate has been utilized to its fullest and stated the need to monetize those assets; said it is necessary to maintain focus and investment in academic programs by centralizing and reducing administration; mentioned surveying the public, staff, students and faculty to allow feedback on the structural choices; noted some excitement regarding creating a new model based on today's reality, and how students learn, using more technology to teach the next generation; stated the need to balance the consolidation and streamlining of options two and three and requested President Johnsen bring back a side-by-side comparison including cost savings for discussion and approval during the July 30, 2019 full board meeting.

3. Executive Session

A. Executive Session

PASSED

"The Board of Regents goes into executive session to receive legal advice and discuss matters that are required to be confidential by law or Regents' Policy related to personnel and Board Governance. This motion is effective July 22, 2019."

The Board of Regents went into executive session at 12:22 p.m. and concluded an executive session at 1:13 p.m. Alaska Time in accordance with AS 44.62.310. to receive legal advice and discuss matters that are required to be confidential by law or Regents' Policy related to personnel and Board Governance. The session included members of the Board of Regents, President Johnsen, General Council Hostina, and such other university staff members the president designated and lasted 51 minutes.

Motion by Karen Perdue, second by Gloria R O'Neill.

Final Resolution: Motion Carries

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

Voting in opposition: Darroll R Hargraves

Note Present at Vote: Cachet Garrett

4. Adjourn

A. Adjourn

Chair Davies adjourned the meeting at 1:14 p.m. on Monday, July 22, 2019.