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Dear Colleague,

On Friday January 18, I will update our Board of Regents on a number of the university's important issues, including the FY2020 budget. Because the budget is an issue of importance to all of us, here is where we are today along with some foreshadowing of what will come in the near future.

The university's FY2020 operating and capital budget request was approved by the Board of Regents on November 8, 2018. The budget then went to the Governor for review and referral to the Legislature.

UA's operating budget request included \$358.5 million in state funding for the following:

- \$327 million in continued funding of FY2019 base budget
- \$31.5 million to fund compensation increases, Title IX staff and programs, strategic initiatives, facility maintenance, and a variety of additional "fixed cost" increases

UA's capital budget included \$57 million in state funding for these items:

- \$50 million for deferred facility maintenance
- \$5 million for the USArray
- \$2 million for digital fabrication labs

Before he left office, former Governor Walker prepared his budget request, which included state funding for the university in the amount of \$348.7 million in operating funds and \$10.0 million in capital funds. While not exactly what the regents asked for, we were pleased with this budget. Newly elected Governor Dunleavy initially adopted the Walker budget, but as you may have heard from public statements by members of the new administration, the Governor plans to amend that budget to reflect current revenue projections. At this point in the process, that would require a budget cut of approximately \$1.6 billion from the state's overall budget. Depending on how much of that cut is allocated to the university and how much of it survives the legislative process, we could be facing a very rough road ahead.

The Governor's team is working on those budget amendments now and we appreciate that he has provided us several opportunities to meet with the new OMB Director and with him and his leadership team. We were very pleased to have these opportunities to show the Governor how valuable we are to the state, how we contribute to economic and workforce development, how our research solves real problems here in Alaska, how we educate Alaskans both on our campuses and increasingly on-line, how we have diversified our revenue sources and become more cost effective, and how—in the face of disabling budget cuts—we have made serious sacrifices. We were clear that in order for Alaska to have a strong economy, to be a place that is growing and thriving, a strong university is required.

As to the Governor's response, his amended budget request is due to the Legislature by February 15. So, we will know much more in just a few short weeks. You have also heard that the Legislature, which must appropriate the funds for our budget, has not fully organized. Although the Senate is ready to go, the

House is still resolving organizational leadership issues. In the meantime, we will continue to push for a funding increase because it's what we need to serve Alaska's substantial unmet higher education needs. We will keep you informed on what's happening and how you might help as we press forward together in support of our university and, as a result of our work, in support of our students and our state.

Thank you.

Jim Johnsen