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March 9, 2020

TO: UAS Chancellor Rick Caulfield
UAA Chancellor Cathy Sandeen
UAF Chancellor Dan White

FROM: Jim Johnsen James R. Johnsen

SUBJECT: FY 2021 – FY 2022 Budget

As provided in the Board of Regents' agreement with the Governor on budget related matters covering FY 2020 through FY 2022 (Compact Agreement), we anticipate state funding for operations at the university system to be reduced by a total of $70 million, $25 million in FY 2020, $25 million in FY 2021, and $20 million in FY 2022. The agreement was not only about Unrestricted General Fund (UGF) funding; it included other terms, such as support for the scholarship programs funded by the Higher Education Investment Fund (HEIF), reauthorization of the Technical and Vocational Education Program (TVEP), resolution of our land grant deficit, and expansion of dual enrollment programs. State funding for capital expenses was "TBD" in the agreement.

As you are aware, while the legislature is in session, we are advocating for HEIF, TVEP, and the other initiatives summarized above. And while we are not asking for additional UGF over and above the amounts provided for in the Compact Agreement, we are working on state funding in the capital budget for certain expenses often borne by operating funds, including deferred facility maintenance and debt. At this point in the legislative process, it is premature to predict the results of these efforts, except to say that there appears to be substantial support among the members of the two finance committees for this approach. We are working closely with legislative staff on the options, all the while keeping the Governor's office in the loop, and will review developments with you as they become clearer.

In addition to these important efforts to generate additional state funding, we have allocated ~$2.5 million of one-time funds from the Statewide office to the universities for stepped up recruitment and marketing activity in support of strengthening enrollment, accreditation costs, transition costs for the teacher education program, K-12 outreach programs, OneHealth program, and match funding for shelving Senator Stevens' papers. We have allocated $1.5 million for additional tuition waivers for use by the universities in support of student recruitment and retention, and we have withdrawn the requirement that $5 million be reallocated by the universities for strategic initiatives in both FY 2021 and again in FY 2022.

Shifting now to the cost reduction side of the equation, we have done a good job implementing the reductions for FY 2020. Looking forward, plans for the additional reductions for FY 2021 and FY 2022 are being developed at the universities and at Statewide for my review beginning March 23 in preparation for recommendations I will make to the Board's Academic and Student Affairs reductions, we must also recognize the importance of administrative services in ensuring that our academic and student services can be effectively delivered. In addition, we must ensure that we have the capacity to comply with applicable laws, regulations, policies, and contracts (e.g., Title IX, OSHA, and CBAs).

5. As you prepare your target reduction plans, in addition to those evaluation criteria provided in Board policy, also consider the extent to which programs and services impact the Board's strategic goals (economic development, workforce development, research, educational attainment, and cost effectiveness). Comparisons with peer institutions, such as academic program and administrative services costs as a share of total expenses and student to instructional faculty ratios, will be included in our consideration of future allocations.

6. We are reviewing our modest reserve funds now held at Statewide on behalf of the university system for possible use to support FY 2021 transition expenses. I anticipate more information on these funds and their potential utility to be available later this month.

7. We are exploring options for mandatory unpaid furloughs and/or a suspension of our leave cash-in program. If we opt for a furlough, I would expect it to be in tiers, such that our highest salary employees would be required to take more time off than our employees at middle and lower salary levels. In addition, we would need to work through scheduling issues to minimize disruption to university operations and accommodate employee needs and interests to the best of our ability.

I look forward to addressing any questions or suggestions you may have in our meeting Monday, March 16. In the meantime, thank you for your leadership during these challenging times.

Copy: Mike Hostina, General Counsel
Myron Dosch, Chief Financial Officer
Paul Layer, VP for Academics, Students, and Research
Michelle Rizk, VP for University Relations
Susan Foley, UA Foundation President
Mark Kondrak, Chief Information Technology Officer
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