

March 23, 2016

Dear Colleagues:

I trust you all enjoyed some much deserved rest and recovery over spring break and are ready for the sprint to the end of the semester and the beginning of a new life for thousands of our students. Thank you for all you do for our great university!

It's a good thing that most of us are focused on the important work of making sure our students are doing well in their classes and are safe on our campuses, our research and creative activities are creating new knowledge and inspiring innovation, our buildings and IT systems are maintained and secure, our bills are paid, and everything else we do on behalf of our community and state is on track.

At the same time, many of us are working hard on the university's budget and planning for the unfortunate likelihood that our state funding will be reduced for the third year in a row. This work involves several streams of activity:

1. Budget advocacy and contingency planning on the campuses and at Statewide;
2. Statewide Transformation, a project that seeks to more cost effectively align Statewide's administrative work with that of the campuses; and,
3. Strategic Pathways, the framework we are using to strengthen how we meet Alaska's many needs for higher education during these tough fiscal times.

I would like to take a few minutes to update you on all three of these important bodies of work so that you are well informed and share my confidence that our university will become stronger than ever. I close this letter with a request for your help.

### **FY2017 Budget**

The operating budget from the state for the current fiscal year (FY2016) is \$350 million. For the coming year (FY2017) the Board of Regents requested \$377 million in operating funds along with a separate request of \$34.8 million in one-time capital funds for completion of the engineering building at UAF, \$50 million for deferred maintenance and \$50 million for annual renewal & repurposing sustainment funding across the university system. The lion's share of our request for more operating funds is for salary and benefit costs increases.

In his budget, the Governor requested \$335 million for the operating budget and \$10 million in the capital budget for deferred maintenance. The Senate is currently set at \$325 million for operating funds and the House is set at \$300 million, with just \$275 million in recurring funds and \$25 million in funds from the Power Cost Equalization program.

These budget scenarios require us to become more cost effective. The less money we get from the state the more we will need to cut. In order to honor our commitments for salary and benefits cost increases we will require even deeper cuts. Under the Governor's budget, we had estimated an effective gap of \$42 million. The current Senate's budget would mean an effective gap of \$52 million, and the House's budget would create a gap of \$77 million.

We will continue to advocate in Juneau for our budget and I encourage you to take time and let your legislators know you support our state funding. At the same time, we will seek to offset the impact of budget reductions by looking at tuition and fees, using reserve funds, leaving vacant positions unfilled and streamlining processes. We also will need to reduce programs and positions across the state.

There are two ways through which we can mitigate the negative effects of the funding cuts while we strengthen our service to Alaska: Statewide Transformation and Strategic Pathways.

### **Statewide Transformation**

Last year, President Gamble initiated a review of the roles and responsibilities of administrative staff in Statewide in relation to the campuses. Headed up by a steering committee of campus and Statewide leaders, the review identified a number of opportunities for improved performance and efficiency.

Working Teams were then formed to look over the steering committee's recommendations from the perspective of front-line employees to identify issues and to suggest additional options. Potential changes include realigning offices within Statewide, moving functions and resources to the campuses, consolidating functions at one of the campuses or at Statewide, outsourcing of non-core functions to lower cost providers and discontinuing functions that we can do without.

The steering committee is now reviewing all the issues and recommendations and is slated to report to me later this month. I will review the recommendations, consult with the Summit Team, and then announce my decisions on April 14.

### **Strategic Pathways**

The Board of Regents has approved the direction for our university envisioned in Strategic Pathways. A number of key assumptions/observations provide the foundation for how we make tough decisions about our future.

On the positive side of things:

- Our campuses all deliver signature, or "halo" programs, programs of superb quality that should serve as areas of focus and investment for each campus.
- Our myriad contributions to the state in terms of research, teaching, workforce training service and outreach are unparalleled in Alaska.
- The demand for what we do continues to be high: pushing the frontiers of knowledge through our research and scholarship; training our own workforce for Alaska's jobs; preparing critical thinkers and engaged citizens; and, providing opportunities for all Alaskans to build a better life; and serving as the venue for our diverse people to come together and build community.

In terms of our challenges:

- The population of our state is small.
- Our higher education funnel is narrow--low high school graduation rates, low college going rates, low college readiness and low college completion rates.

- Our operating costs are high, even after considering Alaska's cost of living.
- Our administrative structure is complex.
- Our resources are being reduced this year and, likely, next year as well.

Strategic Pathways will align each campus' unique and distinctive strengths with the state's compelling needs for higher education, in the context of ever tightening budgets. It clarifies leadership roles and responsibilities for our campuses and Statewide. It protects the quality of our programs and strengthens accountability to our stakeholders. It encourages collaboration and consolidation across the university system. It enables us to operate more cost effectively while providing opportunities for place-committed students to study "at" other campuses through e-learning technology. It gives us a rational way to make decisions with an eye toward the future.

I have asked faculty, staff, and governance groups to share with me by April 8 the criteria we should use to select the academic programs and administrative services that will be reviewed in Phase 1 of Strategic Pathways. I will consider the input and then, after consulting with the Summit Team, make a decision shortly thereafter. During this time, I will also be working with governance to select faculty, staff and students to be involved in the review process.

The timeline for the review process along with the FAQ are posted at [www.alaska.edu/pathways](http://www.alaska.edu/pathways). Please note that the timeline may be modified on a case-by-case basis depending upon a variety of considerations including readiness for implementation, the budget and the importance of the program. We will need to move much more quickly if our budget is severely cut.

### **In Closing**

I want to thank you for taking the time to read through this letter. It is very important that you are up to date on what we are doing to advance the university in our service to Alaska.

I would also like to encourage you to communicate with your legislators in support of our budget and to attend one of these upcoming meetings on the campuses to discuss Strategic Pathways and other issues that are on your mind. Specific information about the time and location for these meetings will be coming from your campus.

April 11 – University of Alaska Southeast

April 14 – University of Alaska Anchorage

April 21 – University of Alaska Fairbanks

We are a strong university. Yes, we face serious challenges, but we also have tremendous opportunities. We most certainly need to make tough choices, but if we dig deep into our Alaskan courage, optimism and grit, I am confident that we will be an even stronger university in the years to come.

Best Regards,  
Jim Johnsen, President  
University of Alaska