

Approval of the Declaration of Financial Exigency

MOTION

"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."