

State of the University of the Alaska

February 16, 2017

The state of the University of Alaska is strong. This is good news because it takes a great university to build a great state. This strength is important because our state and our university both face serious challenges, challenges that require strong will, open minds, and tough decisions to work through. And work through our challenges, we will. As we make the tough choices our times require of us, not everyone will be happy, but I am confident we will come through these difficult times even stronger as we serve our students to meet the higher education needs of our state.

How can I stand here today and say that the University is strong?

- Let me start by reporting to you that we have proudly served Alaska for 100 years through research, teaching, and service.
- We have grown from 1 campus in 1922 to 15 campuses today, from Ketchikan in Southeast to Kotzebue in the far Northwest.
- We graduated 1 person in 1923 and 4,800 this last year.
- We have risen from a remote territorial college in the far north to the #1 university in the world in Arctic research.
- We are recognized as the #1 most affordable state university system in the nation.
- We are the #1 producer of workforce in Alaska. When the health care sector asked us to graduate more nurses, we did. When the engineering sector asked us to double our graduation of engineers we did. When the oil and gas industry asked us to train more process technicians, we did. Now the education sector is asking for more Alaskan grown teachers and I can say with confidence, we will!
- We are #1 research organization in the state, 410% ROI, and providing real solutions to real problems
- Our good friends here in Juneau at the McDowell Group did a poll for us last year and confirmed that we contribute more than \$1 billion in economic impact for the state each year. For every dollar Alaska invests in the university, we generate \$3 in additional revenue.
- A University of Alaska education means not only a good job; it means better health, more civic involvement, less incarceration, and more opportunity for our kids' success.
- Last and most important, we are strong because of our people:
 - our students: who seek skills, knowledge, and a brighter future full of opportunity
 - our faculty: who have committed themselves to the noble cause of discovery, teaching, and serving society
 - our staff: who give it their best every day to support our educational mission

- our alumni: who carry our flag out into the world, working all across our state, creating new businesses and solving the state's problems, and giving back to the university that moved them forward in life
- our partners: employers, communities, agencies and the many others across our state and the country who help advance our work
- our donors: who pay it forward with their own resources, whose generosity enables our students to realize their dreams, whose foresight provides our university a margin of excellence in all we do
- our leaders: including those here today in the audience, UAS Chancellor Rick Caulfield and numerous elected officials
- all those people with Alaskan values: the grit, perseverance, work ethic, commitment, and respect for each other no matter what city or village we call home. No matter what political party or position on a particular issue—those values bring us together to serve our students every single day and to meet the needs of our state.

2. Yes, the University of Alaska is strong, but like our state, we face very serious challenges:

- Our reliance on the state for funding, in terms of the percentage of our budget that comes from the state, is among the highest in the nation. Such heavy reliance on a source that itself is challenged places the university in a most vulnerable position.
- Our funnel of students from Alaska's high schools is weak, in terms of:
 - low high school graduation rate
 - low college going rate, and
 - of those who go to college, a low level of readiness for college and, then, comparatively low college graduation rates
- We import 70 percent of the new teachers hired each year...outsourcing to other states the single most important job in our state! Now, I know some great teachers come to Alaska from Outside, but our heavy reliance on Outside teachers contributes to high teacher turnover costs. And if you think the financial cost of our teacher turnover is high, it pales when compared to the educational impact on our kids.
- Another challenge is our changing economy. Yes, we'll rely on natural resource development for many years to come, but ultimately, our ability to compete nationally and internationally will depend on the quality of our talent. Looking across the 50 states, and across the nations of the

world, there is a very strong correlation between education attainment and income. Alaska has been an exception. We are a low education, high income state. Looking forward, the choice we face is simple, and stark. Will we become (A) a high education/high income state, or (B) a low education/low income state? We at the University of Alaska, and I am sure every Alaskan listening to these words, choose A. You can rest assured that at the University of Alaska, we'll do all we can to build that high education/high income state.

- Another challenge is our facilities, more than 400 buildings across the state; some are the oldest in the state. Due to insufficient funding for building maintenance over the years, we face a deferred maintenance backlog of close to \$1 billion.
- We face the challenge of high operating costs of our rural campuses. They make us the university of ALL Alaska. These campuses are critical to our mission of providing Alaskans access to the myriad opportunities and benefits that come from higher education. But their cost, like all other services in rural Alaska, is high.
- Yet another challenge is that the University of Alaska did not get the land it's due as a land grant university. Under various federal laws, we should have received nearly a half a million acres but only got about a quarter of that, less than all but two states in the US (Delaware and Hawaii, and Hawaii got money instead of land, and we'll take either). This land grant deficit has forced us to rely more on the state for funding than is the case in other states. We're working on a solution and I look forward to speaking with you more about that.
- Our state faces huge unmet needs for higher education. By 2025, the projection is that our economy will need 65% of the jobs to have some postsecondary certificate, degree, or the like...25% a bachelor's or above and 40% some career and technical certificate....we are now at 37%. We need to increase our production of degrees and certificates by 76% by 2025.
- Retaining our super star researchers in a very competitive research labor market is a big challenge. As other states' economies are doing a lot better than ours, they are able to invest in their universities' capacity to compete in the increasingly important field of Arctic research. Our recent budget cuts threaten our ability to recruit and retain those top notch faculty.
- We are experiencing a long term trend of declining enrollment, which impacts the university financially, but more critically, it impacts our

ability to serve our mission for the state. Enrollment has been falling since 2011. And as a share of the state's population, it has declined by a third since 1975.

- Which brings me to our budget:
 - Our state funding has been cut by \$52 million, or 14%, over the last couple years, resulting in 923 fewer people working at the university and about 10 percent of our degree programs deleted or under review for deletion. Statewide administration positions have been reduced by 29 percent over this period.
 - While the governor has proposed no additional cut next year over last year, for which we are thankful, we are very much in the target for some legislators. We hear that we may face another 5%, or \$16 million, cut. Bringing our total cut over the last several years to just shy of 20%. That will result in a cut of an additional 160 people, for a total of more than 1,000 fewer employees at the university.
 - We acknowledge the state's fiscal condition and understand the push for additional cuts. At the same time, Alaskans must know that these cuts exact a serious price on our university's ability to serve our state's people, our economy and, most important, our state's future.
 - While these many challenges facing the University of Alaska are daunting, we face the challenge of maintaining a safer climate on our campuses for our students. We are working closely with the federal government on strengthening our compliance with federal guidelines for campus safety relating to sexual harassment. We were the only university in the nation to step up and publicly account for those shortcomings that took place between 2011 and 2015, and I stand here today uncompromising in our commitment to providing a safe learning environment.

3. So, in the face of all those daunting challenges, what gives you confidence in the university's future?

I believe with every ounce of my soul, that as an Alaskan committed to this great state and its prosperous future, despite our challenges, we will succeed.

Here's why: First, the Strategic Pathways process, designed to help the university step up its performance with less money from the state, to increase efficiency, and to build on our campus' unique strengths

- We are looking at all 23 major academic and administrative units of UA

statewide in three phases

- Decisions have already been made by the Regents in phase 1, resulting in a planned consolidation of 30% in the number of departments that we looked at:
 - from 3 research administration offices to 1
 - from 3 procurement offices to 1
 - from 3 schools of management to 2
 - from 3 schools of education to 1

- While we are implementing phase 1 decisions, we are analyzing our options in phase 2, with decisions set for June....we kicked off our final phase 3 reviews last month

- It is clear that some people are upset about this process. I understand their concerns, and have implemented a number of their recommendations. As we make tough decisions, though, there's no way around some of that upset. We are striving for a process that is inclusive, transparent, and goal driven. I've listened to the concerns and suggestions and I am working to implement improvements in response to input from our faculty, staff, and students and the community.
 - More than 250 faculty, staff, students, and community leaders have participated on our review teams
 - Literally thousands of hours have been spent generating and analyzing 75 different options for improvement, with more to come
 - Thousands of inputs have been reviewed by management and the Board of Regents
 - We are seeking savings to be reallocated this year into top priorities for growth

- Now, making sausage in public can be a challenging process, but at the end of the day, I am sure we will make better decisions and we'll have a stronger university as a result.

The second reason for my confidence in our future is the strong leadership from our Board of Regents, specifically in terms of reallocating the legislative appropriation.

Last year, in the face of a \$25M cut, the third in a row, the Regents courageously reallocated another \$25M, they cut even deeper, in order to make sure top priority programs were funded.

Examples include:

- Going to the bond market to borrow the money needed to finish the Engineering Building at UAF, after it was not funded by the legislature
- Funding for ANSEP, the world class program to prepare indigenous people for careers in the sciences, after its state funds were cut
- Investing in our Title IX compliance efforts at each campus
- Funding the K-12 outreach program and mentors for new teachers, after its funds were cut
- Funding for each in general but also for programs, the superb applied research programs, e.g., ACEP and ISER
- Funding for responsible facility maintenance after those funds were not included in last year's capital budget
- Funding for an aggressive program of recruitment and retention of our students, and
- Funding for research--so we remain a strong, competitive research university

The Regents have, and continue to display unprecedented courage in making tough decisions.

A third reason for confidence in your university, is our commitment to look out ten years for how we will meet the state's workforce needs--65% by 2025 with some postsecondary education--and to benchmark against other states our state funding, tuition, private giving, and research.

So, instead of coming to the legislature each year with our hand out asking for last year's budget plus inflation, we are asking for the amount needed to put us on a glide path to a more sustainable university with general funds more comparable to other states and more market competitive tuition, private giving, and research funding. The glide path would give us a small bump up this year, but then moderate over the coming decade. The glide path, if funded by the legislature, will go a long way to helping us reach the state's 2025 workforce goal.

Key to this plan--in terms of both meeting the state's workforce preparation needs and operating more cost effectively--is enrollment. That's why we are stepping up in the area of marketing, recruiting and retaining our students.

It's why we are partnering with the K-12 system to strengthen the funnel of students graduating high school and going on to some form of higher education, vocational or academic--our economy needs process technicians

and nurses and most important, teachers.

It's why we are reaching out to you for what you need to grow your businesses. It will surely take a while, but we will create that culture of education that Alaska needs and deserves!

Yet another asset is our world class research organization, which not only brings us a 410% ROI, but enhances our reputation, strengthens the training our students receive in our labs and in our classrooms, solves real problems we face here in Alaska, and contributes to Alaska's economic development and diversification.

After all, those tech firms in the Silicon Valley, are NOT there just because the weather is nice. No, they are there because of Berkeley and Stanford! Because of the talented, well educated, innovative workforce they can draw upon.

To that end, we are stepping up our focus on the commercialization of our intellectual property and I look forward to seeing UA ideas and technologies as the foundation for new businesses that strengthen our economy, that provide good jobs for our people, and that turn around and support our university.

As I close, despite our many challenges...no, because of our many challenges in Alaska and at UA, it's critical that we keep our eyes on what we can be, what we must be, and the assets we have to build the university and the state we all want.

At UA, our confidence comes from support for the Strategic Pathways process, our Board of Regents' leadership, our long range financial framework, our work on creating a culture of education, our focus on workforce development, and our investment in research and opportunities for economic development.

But our greatest asset at the university is our people—our faculty, staff, students, alumni, donors, and partners--and our values, our spirit, our grit, our confidence, our diversity, and our rock solid commitment to realizing Alaska's best. I call your attention to the young men and women in the room today who are serving as legislative interns as part of their course work at UA. The program, run by UA Southeast with significant financial support from the Ted Stevens Foundation, provides them a stipend so that they can have first-hand experience with the process of legislative politics.

So what can you, as chamber members, do to support us? Go to www.DriveChangeAK.org and enroll in our change force effort, learn more about the 65 by 2025 program and stay updated on our overall efforts to drive the change that Alaska needs.

Join me on the trail, which will be hard, but when wasn't it hard? It was hard over 10,000 years ago when Alaska's first people settled this land. It was hard

100 years ago when UA was founded. And it's hard today.

But our founders' dream was to build a great state for all our people. All our people.

The good news is that progress is being made, but there is much more work ahead, and--now more than ever--I ask you all to join me, to reach high, to push hard, to give forward to the university that lives to serve you and all our fellow Alaskans, in this our 100th anniversary year, for another 100 years to come.

Thank you.