

James R. Johnsen, Ed.D.

President

Butrovich Bldg, Ste. 202, 910 Yukon Drive
P.O. Box 755000, Fairbanks, AK 99775-5000
Phone: (907) 450-8000; Fax: (907) 450-8012
Email: ua.president@alaska.edu
www.alaska.edu



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April 11, 2017

The Honorable Anna MacKinnon

Co-Chair

Senate Finance Committee

State Capitol, Room 516

Juneau, AK 99801

Dear Senator MacKinnon:

Thank you for taking time out of your busy schedule to meet with me on Sunday. I appreciate the difficult set of challenges you face as Alaska enters its sixth year of structural budget deficits.

Despite these difficult times, the University of Alaska is still producing highly educated, skilled and innovative Alaskans working to strengthen and diversify our economy. We are working diligently to accomplish our mission on behalf of our students and the state, and doing so with far less general fund support than we had just three years ago.

The Board of Regents has established aggressive student recruitment and retention goals, and instituted a number of revenue diversification and cost reduction strategies with the goal of continuing to moderate gradually our reliance on state general funds. However, these plans anticipated a more incremental reduction in state funding than we have experienced. UA's operating budget has been reduced by \$53 million, or 14%, over the past three years and the Senate has approved an additional \$22 million reduction for FY18, for a total reduction of \$75 million, or 20%. Phasing out the Alaska Performance Scholarship and the Alaska Education Grant could result in an additional \$14 million revenue loss and dramatically reduce our enrollment.

An organization as large and complex as the university needs adequate time to adjust to budget reductions of this magnitude. Strategic Pathways is the process we are using to implement organizational change in a thoughtful, strategic manner. Unfortunately, the budget reductions we now face constrain our ability to implement the improvements we identify through the pathways initiative and prevent us from making the strategic investments needed to lower our operating costs and generate new revenues over time. Integrating and automating our "back office" systems and processes will reduce administrative waste and improve our students' experience as they access courses and programs from other campuses in the university system.

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Expanding our online programs will enable students working full-time and with family obligations to continue their education and move forward in their careers. Employing proven innovations like predictive analytics to improve student retention and completion, can also improve results while lowering cost.

In the face of dramatically lower operating funding, these strategic transformations could be greatly assisted through a multi-year capital appropriation and I respectfully request your consideration of \$5 million in this year's capital budget designated for this worthy purpose.

This request is made with full awareness of the state's fiscal challenges and you can be assured that these funds will be invested with a relentless focus on cost reduction, revenue diversification, and our students' success.

I appreciate your continued trust and support.

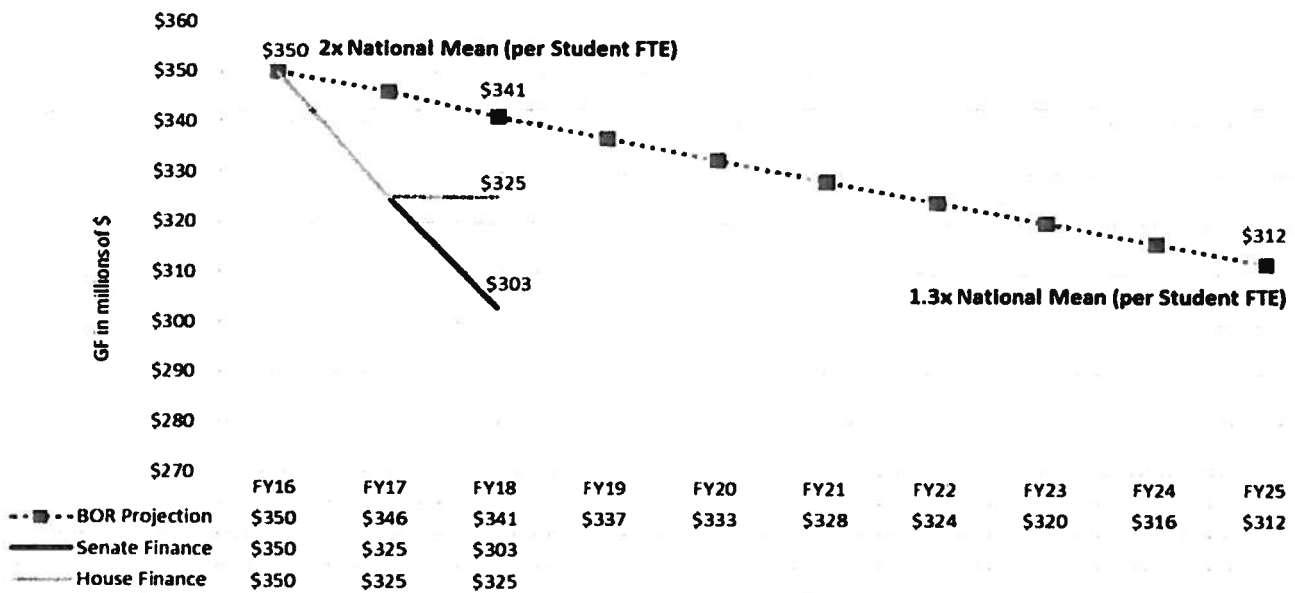
Sincerely,

A handwritten signature in black ink that reads "James R. Johnson". The signature is written in a cursive style with a large initial "J".

James R. Johnson

Board of Regents – 10 Year Glide Path to Moderate GF Support over time

- Regents have proposed a plan to gradually moderate UA’s reliance on general funds
 - Increase tuition to WICHE average by 2025
 - Increase recruitment, enrollment and retention
- UA needs time to implement that plan while ensuring wide access to an affordable, high quality education



Revenue Diversification Strategies:

- In addition to tuition and enrollment increases, UA is pursuing a number of other revenue diversification strategies:
 - Grow research capacity and investments
 - Increase Public Private Partnerships
 - Monetize physical and intellectual property assets
 - Increase philanthropic and corporate giving
 - Extend Alaska Education Tax Credit
 - Improve working capital and endowment returns
 - Address federal trust land deficit
- However, none of these measures is capable of replacing GF in the near-term