

ALASKA STATE LEGISLATURE



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Regent John Davies
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Regent Lisa Parker
Regent Karen Perdue
Regent Andy Teuber

Transmitted Electronically
June 2, 2020

Dear Regents,

We appreciate the unprecedented circumstances currently facing the Board of Regents. Before the Covid-19 pandemic struck, the UA system faced sustained budget cuts on a scale never before seen in Alaska, and possibly by any public university in America. The impacts of the virus have only exacerbated the effects of these cuts.

As you know, this spring the Governor vetoed \$12.5 million in state funding for the University of Alaska in order to bring funding in line with the terms of the compact signed by Governor Dunleavy and former Chair Davies. While this cumulative reduction of \$50 million since FY19 represents a far better outcome than Governor Dunleavy's initial \$134 million veto last year, the repercussions of these cuts were already expected to be severe before the novel coronavirus appeared in our state. The combination of budget cuts and lost revenue due to the virus has the potential for cataclysmic disruption to the University of Alaska system.

Since FY14, UGF funding for the University of Alaska has dropped by \$100 million. In addition to reduced state funding, President Johnsen has stated that the UA system expects a \$35-\$45 million reduction in revenue due to Covid-19 this year. Although additional federal funding may be forthcoming (see below), CARES Act funding currently allocates a relatively paltry \$12.2 million to the system. A massive deficit looms.

We recognize the monumental task before you, and the enormous constraints imposed by the current fiscal environment. Colleges and universities are defined by the student experience; academic programs form the core of this experience. Potential cuts in this area are understandably devastating to the system and may not result in substantial savings for quite some time (due to teach out mandates). Furloughs have

already begun and multiple merger proposals are under consideration. While each of these may reduce the financial deficit facing the University, the non-monetary costs to students, staff, and Alaska may ultimately be much higher.

This double crisis demands action, but such action must be taken with a view toward both the short- and long-term health of the system. To the extent that revenue can be replaced, we implore you to utilize all means possible; to the extent cuts are necessary, please prioritize those cuts which are most easily reversed in the future and which negatively impact the student experience the least. While this crisis is unlike anything we've experienced before now, the form and function of Alaskan higher education will be impacted for decades to come by the decisions which are made now and in the near future. Deliberate cost-benefit analyses with a view toward this future ought to be prioritized.

We have one final consideration for you all:

As noted above, the possibility exists that the State of Alaska may receive additional federal dollars. As you are undoubtedly aware, governors around the United States are clamoring for additional, no-strings-attached revenue. In our case, a reduction in oil prices is causally related to COVID-19, which has in turn decreased anticipated taxes and royalties to the state. There are multiple sources of potential near-term revenue for the University which ought to be considered prior to making drastic decisions that can't be undone in the near term. Those sources include: (1) a legislative Supplemental Budget; (2) a Capital Budget (although unpassed, the Capital Budget, Senate Bill 154, was being considered as a vehicle to pay a large sum toward debt service and/or deferred maintenance); (3) no-strings-attached, additional federal appropriations. Majority Leader Mitch McConnell has indicated that these monies may come as early as this month. Indeed, our Legislative Finance Director has indicated that portions of the \$568 million already earmarked for local governments could be forwarded to the University system for COVID-related purposes. Given the potential for additional funding, we encourage you to move cautiously.

This storm began years ago and reached record intensity last year, before ratcheting up even further this spring. We applaud the nimble response of the Board of Regents and the University as a whole, and trust that you will do everything in your power to ensure the best outcome possible for the system, given the unfortunate circumstances currently in play.

Sincerely,



Rep. Andy Josephson
Chair, House Finance University Subcommittee



Sen. Elvi Gray-Jackson



Sen. Tom Begich



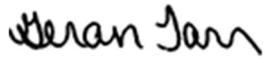
Rep. Harriet Drummond



Rep. Zack Fields

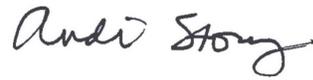
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Rep. Grier Hopkins

Handwritten signature of Geran Tarr in black ink.

Rep. Geran Tarr

Rep. Sara Hannan

Handwritten signature of Andi Story in black ink.

Rep. Andi Story

Handwritten signature of Chris Tuck in black ink.

Rep. Chris Tuck