

# University of Alaska

## *Investing in Alaska's Future*

House Finance Subcommittee  
February 16, 2017

# Agenda

- ✧ UA Budget Walkthrough
  - ✧ Legislative Finance Overview
  - ✧ Transaction Compare 18AdjBase to 18Gov
- ✧ Alaska Education Tax Credit
- ✧ Athletics
- ✧ Indirect Expenditures
- ✧ Western Interstate Commission for Higher Education (WICHE) Exchange Program

# University of Alaska Foundation

- ✧ Established 1974 to solicit, manage and invest donations for the University of Alaska's benefit
- ✧ The mission of the Foundation is to seek, secure and steward philanthropic support to build excellence at the University of Alaska.
- ✧ Private nonprofit corporation, operated as a public foundation
- ✧ Separate and distinct from the University with its own Board of Trustees including prominent private volunteers, the University President, two Regents and the Chancellors from each university
- ✧ Gifts to the Foundation were \$13.4 million in FY16 and helped fund:
  - ✧ faculty support
  - ✧ academic programs and student support
  - ✧ scholarships, internships and fellowships
  - ✧ campus annual funds

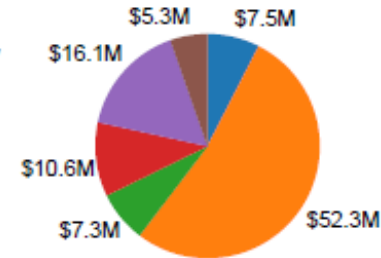
# UA Foundation Donations

*Five Year Trends and Year-To-Date Progress through Jan. 2017*

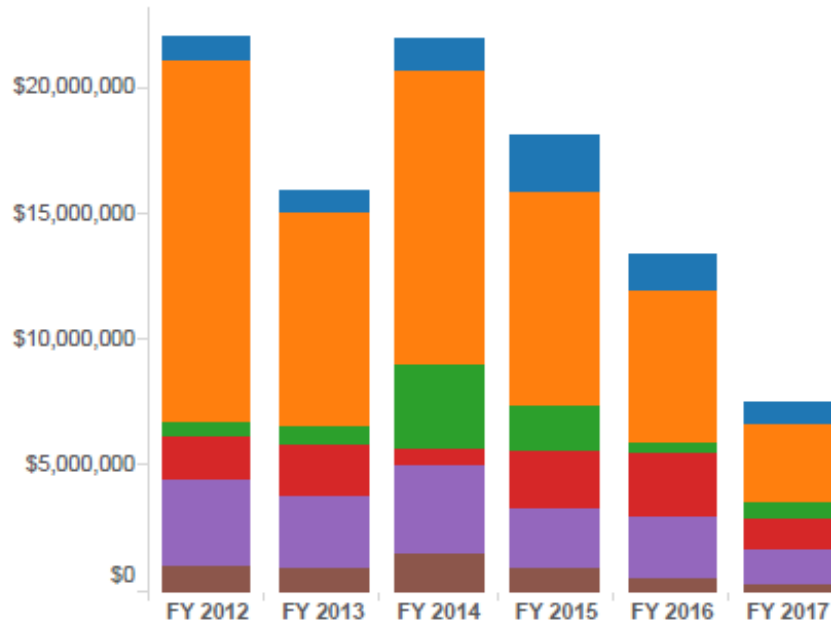
## Legend Constituent Type



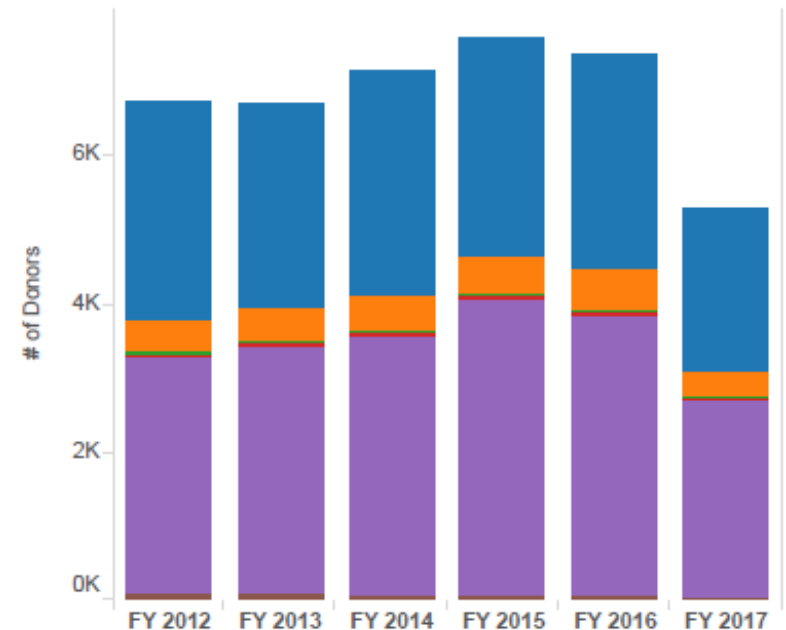
## FY12-17 Dollars by Constituent Type



## Number of Dollars by constituency, FY12-17



## Number of Donors by constituency, FY12-17



Gifts counted by CASE standard including charitable portions of: cash, pledges, in-kind, matching gift payments, recurring gifts, other, stock-property. Does not include planned gifts or pledge payments.

# Education Tax Credit

- ✧ 1987: Alaska Education Tax Credit (ETC) established to encourage private businesses to make charitable contributions to Alaska educational institutions and facilities
- ✧ 2010: Credit increased from 50% to 100% on contributions between \$101-\$300k; maximum annual credit expanded from \$150k to \$5 million (SB236)
- ✧ 2011 and 2014: List of institutions and programs eligible for donation were expanded; eligibility varies by tax-type (SB84 & HB278)
- ✧ 2014: ETC sunset established for Dec 2018 as part of newly established Indirect Expenditure Report (HB306)

# Education Tax Credit

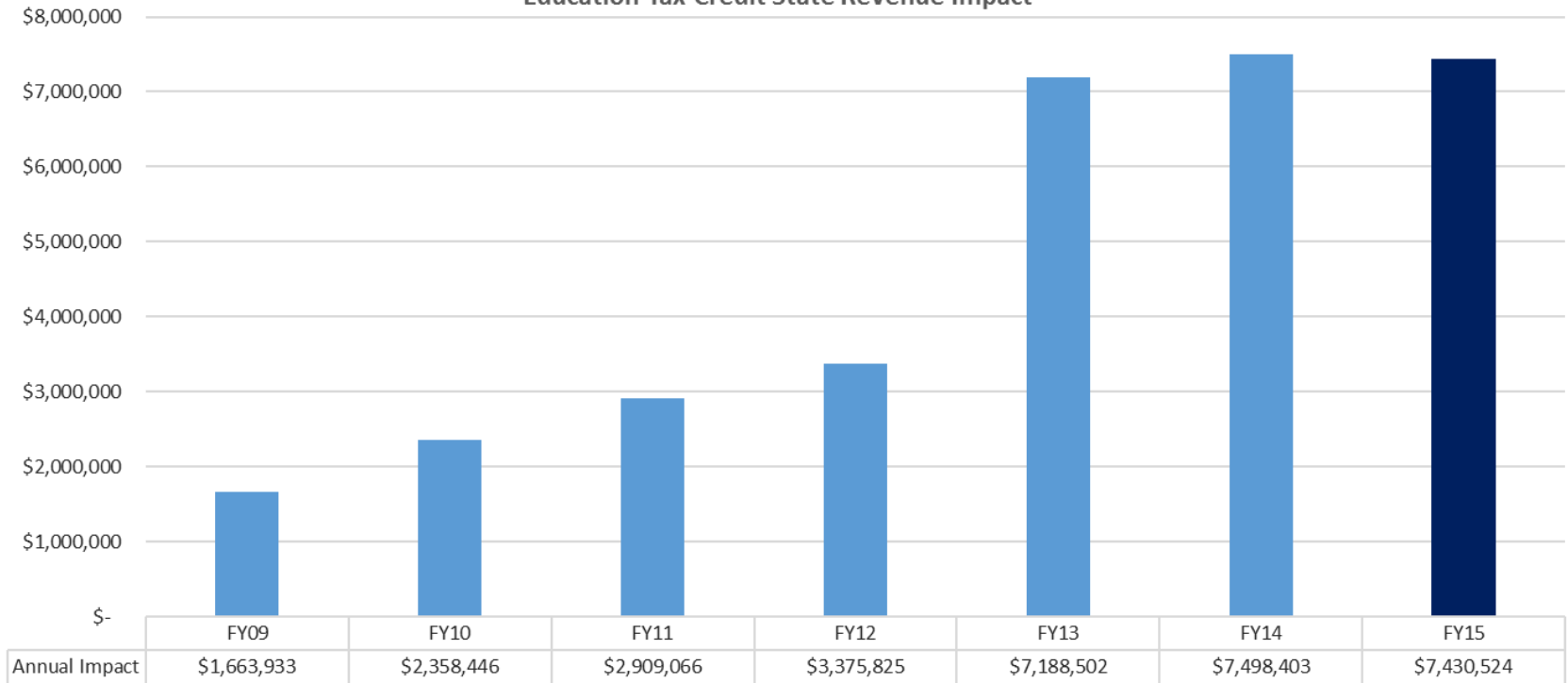
- ✧ Today, there are many opportunities to make private donations to a variety of educational institutions, facilities and programs
- ✧ However, there are specific eligibility requirements for both organizations and tax type
- ✧ Selection of eligible entities:
  - ✧ **Non-profit, public or private accredited Alaska two-year or four-year colleges**
  - ✧ Non-profit elementary or secondary schools and school districts
  - ✧ State operated vocational education and training schools
  - ✧ Non-profit regional vocational training centers
  - ✧ Apprenticeship programs
  - ✧ Alaska higher education investment fund
  - ✧ Postsecondary institutions providing dual-credit courses

# Education Tax Credit

- ✧ Non-transferable, non-refundable credit that a donor can apply against the following categories of State of Alaska taxes. The use and deductibility of contributions varies by tax type:
  - ✧ Corporate Income Tax
  - ✧ Fisheries Business Tax / Fisheries Resource Landing Tax
  - ✧ Insurance Premium Tax / Title Insurance Premium Tax
  - ✧ Mining License Tax
  - ✧ Oil and Gas Production Tax
  - ✧ Oil and Gas Property Tax
- ✧ General Credit Provisions:
  - ✧ 50% of annual contributions up to \$100,000
  - ✧ 100% of the next \$200,000
  - ✧ 50% of annual contributions beyond \$300,000
  - ✧ Total annual credit per taxpayer, across all tax types not-to-exceed \$5 million

# State Revenue Impact

Education Tax Credit State Revenue Impact



Source: Legislative Finance Division, "Indirect Expenditure Report" 2015 & 2017

DOR and Legislative Finance Estimates (FY15):

- ✧ 25-35: approximate number of companies have used the benefit
- ✧ \$250,000: estimated annual monetary benefit to recipients



# Benefit to UA

**Alaska Department of Revenue**  
Tax Division

## Summary of 2015

Tax Program	Credits Claimed	Total of Contributions	Beneficiary			
			U of A	APU	Secondary Vocational	Other
Corporation Net Income	\$3,720,856	\$5,766,002	\$2,848,112	\$200,100	\$691,325	\$2,026,465
Insurance Premiums	151,000	202,000	202,000	-	-	-
Fishery Resource Landing	925,000	1,150,000	727,778	346,222	76,000	-
Mining License	2,098,668	3,397,891	997,891	-	2,400,000	-
Fisheries Business	535,000	700,000	396,667	109,333	194,000	-
Oil and Gas Production (No credits claimed)	-	-	-	-	-	-
Oil and Gas Property (No credits claimed)	-	-	-	-	-	-
<b>Total - All Tax Types</b>	<b>\$7,430,524</b>	<b>\$11,215,893</b>	<b>\$5,172,448</b>	<b>\$655,655</b>	<b>\$3,361,325</b>	<b>\$2,026,465</b>

**To be eligible for the Education Tax Credit, a contribution to the University of Alaska must be used for:**

- ✧ Direct instruction
- ✧ Research
- ✧ Education support including libraries, museums and contributions to a UA Foundation Endowment
- ✧ Facilities
- ✧ Intercollegiate Sports

# Industry Investment in Education

- ✧ In 2000, members of the At-Sea Processors Association began making private contributions to support student fellowships and to fund sustainable oceans and fisheries research
- ✧ Association members established the Ted Stevens Professorship of Marine Policy
- ✧ UA and the At-Sea Processors created the Pollock Conservation Cooperative Research Center (PCCRC) within the College of Fisheries and Ocean Sciences at UAF
- ✧ The PCCRC has put over \$20 million into marine research and education since 2000, the largest single contributor to marine research at the University of Alaska.
- ✧ The work done over the years has had an impact far beyond what we could have ever accomplished.
- ✧ Participating companies have included Trident, American, Starbound, Glacier Fish, Arctic Storm, and the Coastal Villages Region Fund



# Athletics

Intercollegiate Athletics (FY16)		UAA	UAF	Total
<b>Revenue \$</b>	GF Appropriation	6,459,307	2,810,100	9,269,407
	Student Tuition/Fees	1,483,048	943,800	2,426,848
	Internal Subtotal	7,942,355	3,753,900	11,696,255
	Receipts (ticket sales, sponsorships, other)	2,059,860	1,486,000	3,193,708
	External Subtotal	2,059,860	1,486,000	3,193,708
	Total	10,002,215	5,239,900	14,889,963
<b>Expenses \$</b>	Commodities, travel, salaries and benefits, scholarships, contractual services, misc	10,042,791	5,250,700	15,293,491

# Athletics

<b>UAA Athletics</b>	<b>FY16</b>	<b>Student</b>
<b>Expenditures - by Sport</b>	<b>Expenditures %</b>	<b>Participation</b>
Men's Ice Hockey	1,925,112 19%	29
Women's Basketball	689,973 7%	14
Men's Basketball	582,105 6%	15
Women's Volleyball	570,774 6%	12
Women's Gymnastics	487,599 5%	17
Men's Ski	311,433 3%	13
Women's Ski	298,401 3%	13
Women's Track & Field	290,221 3%	48
Men's Track & Field	284,708 3%	53
Women's Cross Country Running	184,994 2%	15
Men's Cross Country Running	177,071 2%	11
Administration & Other	4,240,400 42%	n/a
<b>Total</b>	<b>10,042,791 100%</b>	<b>240</b>

<b>UAF Athletics</b>	<b>FY16</b>	<b>Student</b>
<b>Expenditures - by Sport</b>	<b>Expenditures %</b>	<b>Participation</b>
Men's Ice Hockey	1,827,968 35%	26
Men's Basketball	529,005 10%	18
Women's Basketball	441,041 8%	15
Women's Volleyball	367,060 7%	16
Women's Swimming	297,712 6%	15
Women's Skiing	171,812 3%	7
Coed Rifle	167,264 3%	10
Men's Skiing	149,896 3%	11
Men's Running	92,812 2%	16
Women's Running	67,849 1%	15
Administration & Other	1,138,249 22%	n/a
<b>Total</b>	<b>5,250,667 100%</b>	<b>149</b>

# Athletics

- ✧ UAF commissioned an Intercollegiate Athletics Financial Assessment from Majeski Athletic Consulting. The report was published in Dec 2015.
- ✧ UA's athletics were reviewed in Strategic Pathways Phase 1; team was charged with identifying options for reducing overall costs. The team's work was reported out on August 17, 2016.
- ✧ In September, the university requested waivers from the National Collegiate Athletics Association (NCAA) "ten team minimum" rule, and approval of consortium program to allow UAA and UAF to reduce team rosters to below the NCAA's 10-team requirement.
- ✧ In November, the NCAA declined to take action on the requests, saying that it was neither approving nor denying the university's request.
- ✧ Due to the NCAA refusal to consider UA's request and the potential for violations and sanctions the Board of Regents decided in November not to reduce the number of athletic teams
- ✧ The Regents support stepping up private fundraising for athletics based on the many commitments of support made during public testimony and at meetings held in Anchorage and Fairbanks.

# Indirect Expenditures

- ✧ In 2014 the legislature passed HB 306 establishing a requirement for the Department of Revenue (DOR) and the Legislative Finance Division to prepare biennial reports on the legislature on indirect expenditures
- ✧ AS 43.05.095(d) defines an “indirect expenditure” as an express provision of state law that results in foregone revenue for the state through:
  - ✧ a tax or other credit
  - ✧ an exemption
  - ✧ a discount
  - ✧ a deduction
  - ✧ a differential allowance
- ✧ The report provides the legislature with an estimate of foregone state revenue, the monetary value to beneficiaries, a determination as to whether the expenditure is meeting legislative intent and any recommendation on whether the expenditure should be changed going forward.

# UA Provisions Evaluated

- ✧ Legislative Finance has produced two Indirect Expenditure Reports, in 2015 and in 2017
- ✧ The University of Alaska has no qualifying expenditures to report as we have no credits, exemptions, discounts, waivers or deferrals that are express provisions of state law
- ✧ Tuition waivers are not fully foregone revenue because if the waiver was not available the recipient may not otherwise take classes



# UA Provisions Evaluated

- ✧ The University does have tuition waiver programs established by Board of Regents or Presidential policies, that could potentially forego university tuition revenue:
- ✧ Employee and Dependent Tuition Waivers - these are part of the employee's benefit package ~7% of student population;
- ✧ Senior Citizen Tuition Waiver - available to Social Security eligible Alaska residents, but only after the first day of class and only if there are no paying students wanting to take the class ~1.4% of the student population;
- ✧ Resident tuition vs Non-resident – Alaskan residents pay resident tuition rates; out-of-state students (~10% of the student population) pay a non-resident surcharge.



# WICHE Exchange Programs

- ✧ The Western Interstate Commission on Higher Education (WICHE) is a 16-member commission working to increase higher education access for students in Western states
- ✧ Annual WICHE membership is just \$141,000
- ✧ Alaska is active in all 3 WICHE Student Exchange Programs:
  - ✧ Western Undergraduate Exchange (WUE)
  - ✧ Professional Student Exchange Program
  - ✧ Western Regional Graduate Program
- ✧ Alaskans enrolled in out-of-state programs pay 150% of that state's resident tuition rate
- ✧ WUE students coming to Alaska, pay 150% of UA's instate tuition rate

# WUE Program Benefits

## ✧ Advantages to University of Alaska

- ✧ Controls which academic programs will be available to incoming WUE students
- ✧ Builds enrollment in key programs
- ✧ Fills excess capacity to strengthen programs
- ✧ Provides student diversity

## ✧ Advantages to Alaska

- ✧ Alaskans are able to attend institutions in other Western states
- ✧ Many visiting students stay after graduation and help build an educated Alaskan workforce
- ✧ Annual membership is \$141,000

## ✧ Advantages to Alaskan Students

- ✧ Access to educational programs unavailable in Alaska
- ✧ Diversity of educational institutions for little additional cost

# WICHE Exchange Programs

- ✧ Since 1988, Alaska students have saved \$198 million from the WUE program only
- ✧ Alaskans save approximately \$10.5 million annually through WICHE exchange programs

**WICHE Programs (2016 - 2017)**

	Out-Bound Alaskans	Tuition & Fees Saved by Alaskans	In-Bound Non-Res Students	Est Tuition Paid In- Bound Non- Res Students
<b>WUE</b>	1165	\$ 9,639,260	528	\$ 5,037,120
<b>PSEP</b>	17	\$ 296,917	0	\$ -
<b>WRGP</b>	39	\$ 512,295	10	\$ 79,920
	1221	\$10,448,472	538	\$ 5,117,040