University of Alaska Revenues and Costs[1]

October 2019 Update

Summary

- UA generates nearly as much revenue, as a percentage of total revenue, as public institutions of higher education (IHE) in other states.
    - UA generates 1.7 times more grant & contract revenue per capita employee than the national average for public IHE. [2]
    - UA generates 1.1 times the amount of tuition & fee revenue per capita student as the national average for public IHE. [2]
- UA receives less revenue from some sources that it does not control than the national average for public IHE.[2] These include local appropriations (which, nationally, are a significant source of funding for community colleges); state and local non-operating grants; and Federal Pell Grants.
- In contrast to many of the institutions reporting to IPEDS, UA does not report any gift revenue, [2] since that is received by the UA Foundation, not the University itself. The national average is 2.5% of total annual revenue, so it is not realistic to suppose that gifts can cover a large portion of costs.
- UA should not be compared with other Land Grant institutions. UA consists of a Land Grant combined with regional universities, community colleges, and an administrative unit. This combination should not be expected to have the same costs or revenue generation as Land Grant universities.
- UA does receive more State undesignated general fund appropriation per capita Alaskan and per capita student than the national average for public IHE.[3] This is explained by four factors:
    - Alaska's high costs
    - Low local government contributions to revenue
    - The very large size and low population density of Alaska, which has led UA to operate more campuses per capita resident than other states
    - Partially unreimbursed facilities & administration costs for the unusually large amount of grant & contract funding secured by UA.
- UA cannot quickly increase its revenues by $70 million before FY2022. Increasing revenue by that amount would take longer and would be especially difficult if there are continued threats of deep cuts to the UA State appropriation, which would decrease enrollments and erode the confidence of the agencies that award grant & contract funding.
- UA can reduce its expenditures by $70 million over the next three fiscal years and will continue to meet its responsibilities to students. However, the proposed cut in State general fund appropriation will lead to a reduction in the UA workforce of about 700 full-time equivalent (FTE) employees, which will have substantial negative impacts.

[1] This analysis was written by Susan Henrichs, a retired University of Alaska Fairbanks administrator. The work was not funded by UA and represents her views, not those of the University of Alaska.

[2] National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), https://nces.ed.gov/ipeds/

[3] FY2018 State Expenditure Report data, National Association of State Business Officers (NASBO), www.nasbo.org

University of Alaska Revenues and Costs

University of Alaska Revenues Compared with Other Public Institutions of Higher Education in the U.S.

This analysis is based on data reported to IPEDS, the National Center for Education Statistics Integrated Postsecondary Education Data System (https://nces.ed.gov/ipeds/use-the-data). The author downloaded FY2017 data (the most recent available) for all public degree granting institutions of higher education (IHE) located in the US, excluding Washington D.C. and other governmental units that are not states, such as Puerto Rico. The data include colleges, universities, and community colleges, as well as central administrative units such as UA Statewide, where those units exist. Data reported for the University of Alaska (UA) include UA Statewide, the University of Alaska Fairbanks (UAF), the University of Alaska Anchorage (UAA), and the University of Alaska Southeast (UAS).

The performance of UA in terms of revenue generation has recently been compared with that of other Land Grant universities by the State of Alaska Office of Management and Budget. While it is true that UA is a Land Grant, with the Land Grant mission being delivered by UAF, UA also includes two regional Universities (UAA and UAS) as well as 13 community campuses[4], the functional equivalent of community colleges in other states. Hence it is not appropriate to compare UA directly to major research universities like University of Washington and Land Grants such as Oregon State, which do not have this same make-up. The revenue streams for research universities, regional universities, and community colleges are quite different. This briefing paper presents a better national comparison that encompasses all state public institutions of higher education (IHE).

IPEDS reports non-capital revenue in two categories, Operating Revenue and Non-operating Revenue. These terms do not have the same meaning as commonly used for budget discussions within UA. IPEDS "Operating Revenue"[5] is similar to the UA term University-generated revenue or to Designated General Fund in the State budget, although it is not precisely the same. IPEDS "Non-operating Revenue"[6] includes appopriations from federal, state, and local governments and gifts that are not linked to specific services or commodities. In this paper "IHE-generated Revenue" will be used to mean IPEDS Operating Revenue.

The national average is that 62% of total public IHE non-capital revenue is IHE-generated Revenue. However, on average 13% of total non-capital IHE revenue is from hospitals operated by universities that have medical schools. Since UA does not have this large revenue source, all of the comparisons in this paper subtract out hospital-generated revenue. When that is done, IHE-generated revenue for UA, 49% of the total, is not greatly different from the national average of 56%. As illustrated in Figure 1, the University of Alaska falls well within the range of other states. States with public institutions of higher education that, on average, generate a smaller portion of their total non-capital revenue than UA include California, Illinois, New Mexico, New York, North Carolina, Texas, and Wyoming.

[4] This count includes UAF Community and Technical College in Fairbanks; Bristol Bay, Chukchi, Interior Alaska, Kuskokwim, Northwest, Ketchikan, and Sitka Campuses; Kenai Peninsula College-Kenai River Campus, Kenai Peninsula College-Kachemak Bay Campus, Kodiak College, Mat-Su College, and Prince William Sound College.
[5] According to the IPEDS definition, operating revenues result from providing services and producing and delivering goods.
[6] According to the IPEDS definition, non-operating revenues represents the sum of all revenues generated from non-exchange transactions.

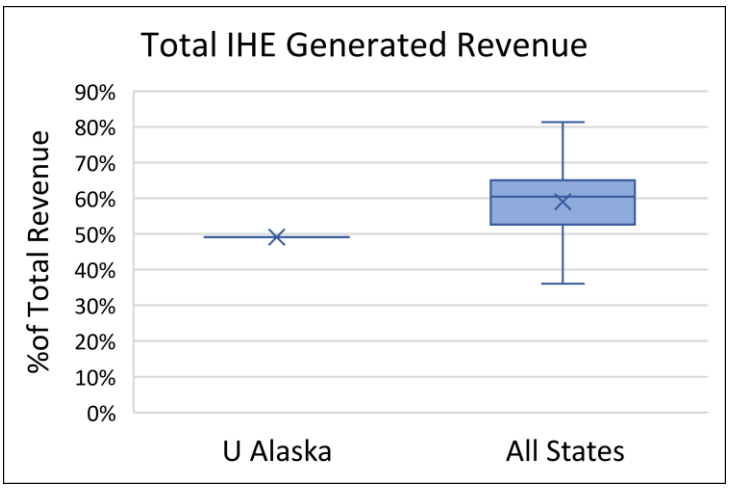

Figure 1. Percentage of total non-capital revenue generated by U.S. public institutions of higher education, excluding hospital revenue. The box plot for All States shows the average (X), the middle two quartiles of the distribution (bounded by the top, internal horizontal line, and bottom of the box), and the range (the vertical line).

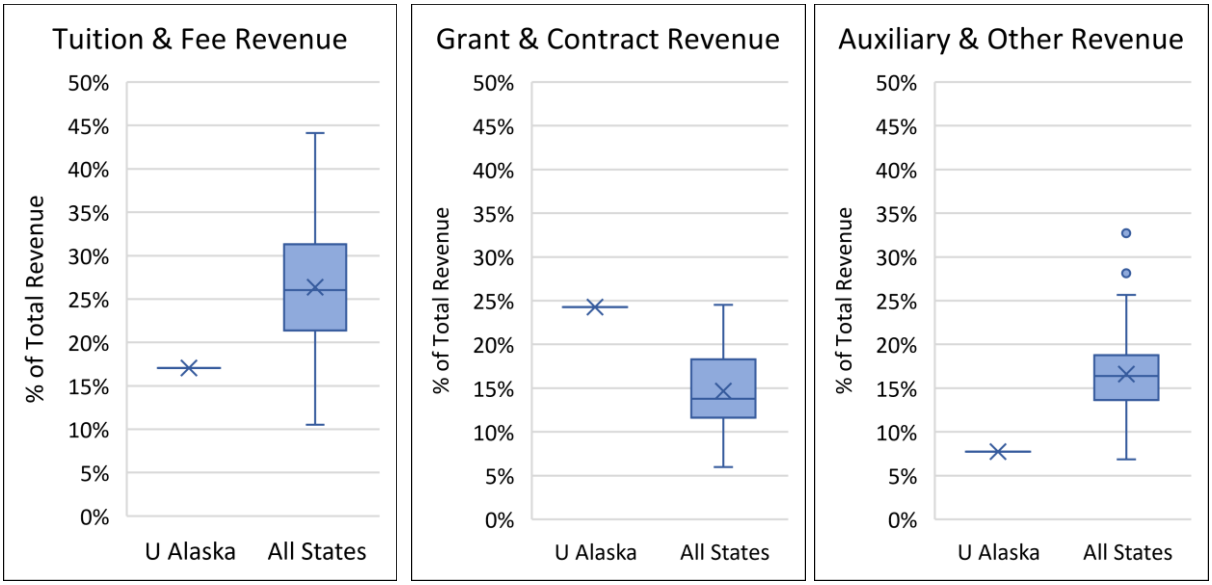

Figure 2. Percentages of total non-capital revenue, excluding hospital revenue, generated by U.S. public institutions of higher education in the categories of Tuition & Fees, Grants & Contracts, and Auxiliary & Other Revenue. The box plot for All States shows the average (X), the middle two quartiles of the distribution (bounded by the top, internal horizontal line, and bottom of the box), and the range (the vertical line). Separate points (•) in the Auxiliary & Other Revenue plot are two outliers, Utah and Oklahoma.

Figure 2 illustrates three subcategories of IHE-generated revenue, tuition & student fees; grants & contracts; and auxiliary & other revenue sources. The largest percentage of UA IHE-generated revenue, 24% of the total non-capital revenue, is from operating grants and contracts, mainly Federal. UA excels in securing this source, obtaining 1.7 times the national average in grant & contract revenue per FTE employee. [7,8] Tuition and fees comprise 17% of total revenue, within the range of all states but less than the national average of 24%. UA tuition & fees charged per FTE student, $7341, are 1.1 times the national average of $6600, but enrollments per campus are lower due to Alaska's small population and very low population density. This point is discussed in more detail later in the paper.

UA auxiliary & other revenue is low compared with other states' public IHE. Most of the revenue in this category is auxiliary revenue, which is mainly from residence halls, food service, and other services for students. An important point is that auxiliary revenue, by IPEDS definition, is for self-supporting activities. Auxiliary revenue does not directly impact the instruction, research, or public service missions of IHE. Hence, lower auxiliary revenue does not reflect on UA's basic performance. UA's relatively low enrollment per campus is a factor in auxiliary revenues, but an additional important reason is that only UAF has enough student housing to be a largely residential campus. An additional difference between UA and IHE in some other states is that 29% of the public IHE in the IPEDS data set operate intercollegiate athletics programs as auxiliaries, which UA does not.

Non-operating IHE revenue, which is not generated by the institutions in exchange for services, makes up 51% of total non-capital revenue for UA, compared with a national average of 44%. The revenue subcategories within non-operating revenue are summarized in Table 1. For both UA and the national average, State appropriation is by far the largest source of non-operating revenue. UA receives a substantially larger part of non-operating revenue as State appropriation than the national average, but the gap narrows if all state and local government sources are added together (Table 1, Figure 3). Unlike the community colleges in many states, UA community campuses don't receive substantial direct financial support from local sources.[9] Other states with more than 40% state and local government support of public IHE include Hawaii, New Mexico, New York, and Wyoming. Additional states with 35% or more state and local government support include California, Connecticut, Delaware, Florida, and North Carolina. Except for Hawaii and Connecticut, all of these states fall in the lowest quartile of tuition & fee revenue per FTE student, less than $5500.

In summary, the University of Alaska generates a similar proportion of its revenue when compared with other public IHE in the United States, when revenues from auxiliaries and hospitals are excluded, as they should be since UA has no teaching hospital and limited facilities to generate auxiliary revenue. UA secures an extraordinary amount of operating grant & contract revenue compared with other states' public higher education institutions.

[7] Full-time equivalent.

[8] This ratio is also from IPEDS data, using human resources data (fall 2016) as well as financial data (FY2017). UA secured more than $43,000 in operating grant & contract revenue per FTE employee.

[9] A few communities, such as Valdez, provide some funding, but this was not reported to IPEDS as "local appropriation" and constitutes a very small fraction of total community campus revenue.

Table 1. Sources of non-operating, non-capital revenue to IHE.

Revenue source	UA, % of total non-capital revenue	National average, % of total non-capital revenue
Federal appropriation	0	0.6
State appropriation (unrestricted general fund)	42.3	21.8
Local appropriation*	0	4.2
Federal non-operating grants (almost entirely Pell Grants)**	2.6	6.3
State non-operating grants	0	1.7
Local non-operating grants	0	0.1
Gifts	0***	2.5
Investments	3.2	4.4
Other non-operating revenue	2.8	2.6
Subtotal of all state and local government sources	**42.3**	**27.8**
TOTAL	**50.9**	**44.2**

*Education district taxes or similar source. Some Alaska communities provide limited support for community campuses, but the amount reported to IPEDS was zero.

** Pell Grants are distributed to IHE based on their enrollment of needy students, according to a Federal definition of need which includes parents' income as well as the students' in most cases. Although Alaska has many low-income residents, the proportion is well below the national average. This category is 100% Pell Grants for UA and 94% Pell Grants for the national average.

***UA receives gifts through the University of Alaska Foundation. Since it does not receive gifts directly, zero gift revenue is reported to IPEDS.

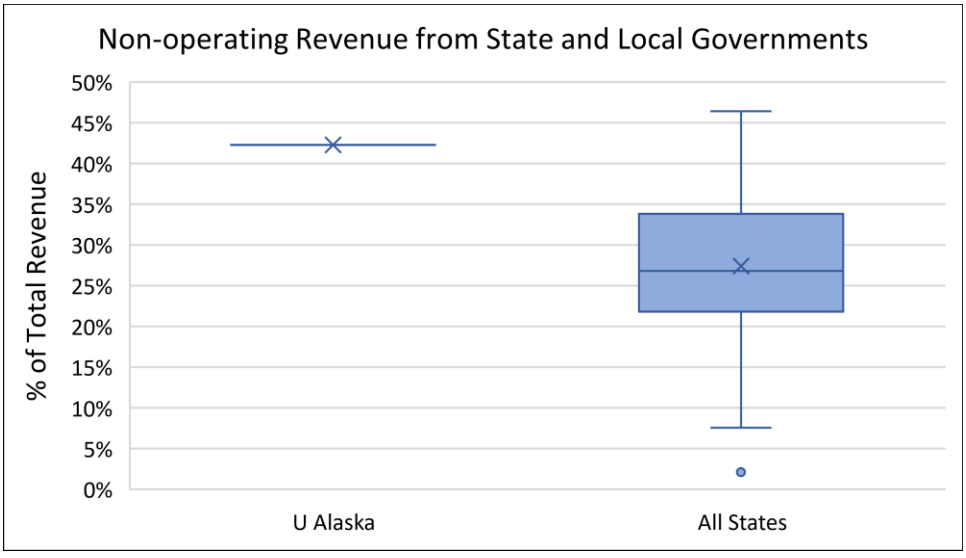

Figure 3. Non-operating revenue from state and local government sources as a percentage of total non-capital revenue, excluding hospital revenue. The non-operating revenue sources included are state and local appropriations and state and local non-operating grants. The box plot for All States shows the average (X), the middle two quartiles of the distribution (bounded by the top, internal horizontal line, and bottom of the box), and the range (the vertical line). The separate point (•) is an outlier, Colorado.

University of Alaska Costs Compared with Other Public Institutions of Higher Education in the U.S.

Another source of national comparison data, the National Association of State Business Officers (NASBO) compilation of state budget information[10], shows that that the UA State general fund appropriation per capita Alaskan is 1.8 times the national average for IHE. There are four main factors that explain the higher cost to the State: higher operating costs in Alaska; low local government contributions to the cost of higher education; effects of small enrollments per campus (which stem from large State size and very low population density, Table 2); and partially unreimbursed Facilities & Administration (F&A) costs of Federal funds.

For an initial approximation, the UA operating cost was assumed to be 1.3 times the national average.[11] In terms of local appropriations for public university and community college operations, the average for all states is 19% of the state appropriation[12], while UA receives almost no local appropriations[13].

A difference between UA and the public higher education institutions in the rest of the U.S. is that it operates more campuses per full-time equivalent FTE student; the average FTE/college and university for other states is 6665, while it is 1147 for UA.[14] Small enrollments at some of UA's campuses lead to smaller class sizes. While UA's smaller class sizes are good for students, they do increase costs net of tuition revenue, albeit to a relatively small extent (see Table 3 on p. 9). Those costs include facilities, and operating community campuses in many smaller communities adds to UA costs. However, UA operates twenty times fewer university and community campuses per square mile than other states; the national average is 0.5 campuses per 1000 sq. mi., while UA has only 0.024 campuses per 1000 sq. mi. Many Alaskans do not have a community campus within commuting distance, are not on the road system, and lack good internet access, which makes it difficult for them to participate in online programs. Those circumstances are rare in other states.

[10] FY2018 State Expenditure Report data, National Association of State Business Officers (NASBO), www.nasbo.org
[11] The Cost of Living. July, 2018. Neal Fried, Alaska Economic Trends, Alaska Department of Labor & Workforce Development, Volume 38, Number 7, http://labor.alaska.gov/trends/jul18.pdf.
[12] National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS) (https://nces.ed.gov/ipeds/). The author downloaded FY2017 data for all public, degree granting higher education institutions in the 50 states, and also data for system or regional administrative offices if those existed. Washington DC was excluded from state averages. FY2017 data are the most recent available. Although the NASBO budget data are from FY2018, UA grant and contract revenues are fairly consistent from year to year. The UA cost accounting information for F&A costs is also from FY2017.
[13] The North Slope Borough supports a Tribal College, Iḷisaġvik College. This institution does not receive State support. Community contributions to UA are small.
[14] National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS) (https://nces.ed.gov/ipeds/) for enrollment and institution numbers for the other states. UA includes 16 campuses; in this calculation the community campuses were counted separately as they would be in other states.

Table 2. Alaska Area and Population[15]

State	Population	Area in Square Miles (excluding water)	Persons per Square Mile
Alaska	737,438	571,951	1.3
Total of All States (includes Alaska)	327,167,434	3,537,377	92.5

A substantial portion, but not all, of the F&A costs related to Federal and other grants and contracts are recovered as part of the funds awarded. Some Federal grant programs do not pay F&A and most others pay less than actual costs. Under-recovered F&A is common to all colleges and universities, but in national cost comparisons UA is disadvantaged because it secures far more grant and contract funding per capita student, three times more, than the all-states average for public institutions of higher education.[16]

Most Federal funding of the University, about 60%, is for research, but there are also substantial amounts for outreach, public service, student services, and instruction. The FY2017 UA total of grant and contract funding reported to IPEDS was $192 million, and the author estimated that the under-recovered F&A costs were approximately $38 million.[17] It is important to note that Federal and other grant & contract funding provides tremendous benefits to Alaska, the University, and its students, but just as for the Federal funds received by State agencies, there are some associated costs.

The Higher Education Research & Development (HERD) survey[18] offers a way to assess whether UA (and Alaska) are paying more of the facilities and administrative costs of research than other states. The HERD survey data include research expenditures and sources of research funding. It is important to understand the definitions of funding source categories, because those differ from how terms are commonly used within UA. In brief, Federal funds are those that originate directly from an agency of other unit of federal government; State & Local funds are grants & contracts and other *restricted* funds from a state or local government; and Institutional funds are *unrestricted* funds, which can include state general fund or any other funding source of the institution that is unrestricted *except* indirect cost recovery (ICR) from research grants & contracts. In the HERD survey ICR funds are counted with the source, e.g., federal or state. While Institutional funds can include sources other than state general fund, nearly all public universities have only three major funding sources; federal government, state & local government, and student tuition & fees. Student tuition & fees are generally not used to support research, and federal funds are generally restricted funds (except for ICR), so Institutional funds normally consist mainly of state appropriation.

Federal, Institutional, and State & Local Government funds are the three largest sources of research funding for universities nationwide, and so those will be considered in more detail. The HERD survey also collects data on Business, Non-profit, and Other sources of research funds, but those are relatively

[15] Population data from the U.S. Census Bureau, American Factfinder, https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk#

[16] IPEDS, the National Center for Education Statistics Integrated Postsecondary Education Data System (https://nces.ed.gov/ipeds/use-the-data).

[17] This estimate is based on University of Alaska System, Cost Analysis, https://www.alaska.edu/files/cost-analysis/UA-FY19-FY22-FA-Proposal.pdf, plus the IPEDS (https://nces.ed.gov/ipeds/information) on grant & contract funding and UA data on actual indirect cost recovery.

[18] Higher Education Research & Development (HERD) survey (https://www.nsf.gov/statistics/srvyherd/#tabs-2) for FY2017, the most recent year available.

small, constituting 15% of the research funding of higher education institutions on average. They are a somewhat smaller than average source of funding in Alaska, constituting 4% on average in FY2017. The largest source of funding for public university research is federal, on average accounting for 50% of research expenditures. UAF ranks 9th among the states in the proportion of its research funding that comes from federal sources, 64% in FY2017. State & Local (restricted) funding of research is quite variable, ranging from zero (Vermont) to 25% (North Dakota). At 3% Alaska is at the lower end of this type of support. Institutional support is a substantial fraction of the total for all states, averaging 27%. Alaska is very close to the average, at 30% of total research expenditures. Hence, there is no basis for an argument that State of Alaska general fund support of research is unusual, compared with other states, relative to the overall research expenditures of UAF or its amount of Federal funding.

UA has sometimes been criticized for inefficiency, particularly in the area of administration and administrative services, because of its large number of campuses and the existence of the central Statewide System administrative unit. To assess this, the author examined data on employee numbers for UA and all states.[16] IPEDS reports employee numbers in 15 categories, for example, instruction, research, public service, management, and several administrative and facilities support categories. However, there is no information on whether the employees are supported by general funds, other unrestricted funds, or grant & contract funds; only total numbers are provided. For UA, the ratio of total FTE employees to FTE students is 1.44 times the national average, but UA has **three times** the national average of grant & contract revenue per FTE student as IHE in other states. The number of UA employees per student above the national average can be entirely explained by that greater grant & contract revenue.[19]

Reorganization has been proposed as a way to reduce administrative costs and so avoid some cuts to academic programs, research, and public service. However, administrative reorganization alone—eliminating chancellor, dean, and director executive class positions—could save at most $10 million annually.[20] That means that a $70 million reduction would still require eliminating many faculty and staff positions, and so some academic, research, and public service programs would be discontinued at some or all campuses. Further, impacts of reorganization and program elimination on tuition and grant & contract revenue are uncertain, but are likely to be negative, exacerbating the impact of general fund reductions.

Table 3 is a quantitative summary of the reasons for UA's additional expenditures compared with the all-states average. The top line of the table is the amount of the additional Alaska State general fund expenditures compared with the average for all states. The remaining lines of the table are the reasons for additional Alaska costs, with a total of those at the bottom. If the bottom total is equal to or greater than the additional expenditures on the top line, then all of Alaska's additional expenditures are explained. The added UA costs total *more* than the additional expenditures compared with other states. This suggests that Alaska is providing less in the area of higher education than the average state. Some examples of the impacts of that are limited access to most academic programs for students outside of

[19] The full calculation and supporting data are available on request. In brief, it was assumed that 70% of grant and contract dollars (including indirect cost recovery) are spent on employee compensation, and that the average annual compensation per FTE employee (including benefits) is $100,000.

[20] This rough estimate is based on a total expenditure of about $29 million/year for executive salaries and benefits, and a potential reduction of 1/3 if a "One UA" structure was adopted. However, this estimate ignores the fact that some administrators are paid by grants & contracts, rather than State general fund. Other forms of reorganization (e.g., the "Lead Campus" approach or elimination of UA Statewide) would save less.

Anchorage and Fairbanks, and the relative lack of in-state programs at the graduate and professional level.[21]

Table 3. State of Alaska Higher Education Expenditures

Additional Alaska UGF Expenditures Compared with All-States Average*	$146 million
*Reasons for Alaska's Added Costs:***	
Higher operating costs, based on Cost of Living (X1.3)	$ 73 million
Very low local funding of community campuses and public service***	$ 62 million
Additional operating costs not recovered through tuition, due mainly to lower than average course enrollments (X1.08 instructional portion of costs)[22]	$ 18 million
Partially unreimbursed administrative and facilities costs of Federal funding	$ 25 million
TOTAL of Reasons	**$178 million**

*National Association of State Business Officers data.

**Note that the dollar figures given are the additional costs incurred by the State compared with other states, not the total costs in a category.

*** In some states, local appropriations partly fund university public service efforts, such as Cooperative Extension. In most states, larger communities would have community colleges partly funded by local appropriations. *If* Alaska had separate community colleges, most of the students would attend in Anchorage, Fairbanks, and Juneau, and it would be those communities that would cover most operating costs.

Higher Educational Costs in Small Population States

Table 3 and the related discussion has been based on expenditures per capita Alaskan rather than per capita student. The author regards that as the best approach, because the University has important responsibilities in research and public service[23] that are not related to student numbers. However, State of Alaska OMB has argued that the general fund appropriation should be primarily a function of student numbers. Governor Dunleavy's proposed FY2019 State budget reduced the unrestricted General Fund appropriation for the University of Alaska by 41%, from $327 million to $193 million. The reduction was intended to bring UA general fund expenditures per FTE student to the national average, adjusted upwards using a COLI (cost of living index) factor. The source of the national average cost is SHEEO, the State Higher Education Executive Officers Association, which publishes a report on State Higher Education Finance (SHEF) each year. The most recent available is for FY 2017.[24]

However, the method the Governor's staff used is flawed. Figure 4 shows the data on Total Educational Revenues (adjusted for special purpose appropriations, cost of living index and "educational mix" as was done in the SHEF report) plotted vs. total state enrollments for 49 states, excluding Alaska. As can be seen from the graph, there is a tremendous range, caused mainly by the range in population of states.

[21] For example, while UA it has established various partnerships with institutions outside Alaska to enable students to complete some or all of their coursework as Alaska residents, UA lacks complete professional programs in law, medicine, veterinary medicine, pharmacy, physical therapy, and a number of other health-related fields. Unlike other states, there are no Alaska doctoral programs in fields like education, English, or business.

[22] This factor is based on FY2017 IPEDS data showing that UA instructional costs per student are 1.41 times the national average. Hence the additional cost, above the 1.3X cost factor already applied, is 1.08.

[23] For example, UAF delivers public outreach services statewide through Cooperative Extension and the Marine Advisory Program.

[24] SHEF: FY 2017, State Higher Education Finance, 2018. State Higher Education Executive Officers, http://www.sheeo.org/sites/default/files/project-files/SHEEO_SHEF_FY2017_FINAL.pdf

That means that an "average" calculated as it was done in the SHEF report – "…the U.S. average [state and local appropriations per FTE [full-time equivalent student] is not an average of each state, but rather an average of total educational appropriations divided by total FTE" – is dominated by the ratio for the most populous states. Small-population states affect it much less. Table 4 illustrates this point.

Table 4. Total Educational Revenue/FTE Student Enrollment[27]

Group of states average	Total Educational Revenue/FTE Student Enrollment
U.S. Average, by SHEF method	$14,151
Ten smallest enrollment states excluding Alaska[25]	$15,994
Ten largest enrollment states[26]	$13,658

The smallest-enrollment states spend significantly more per FTE student than the largest. This arises because of efficiencies of scale available to the largest states and their often very large universities. For example, class sizes on average are likely to be larger and facilities are more likely to be operating at or near capacity.

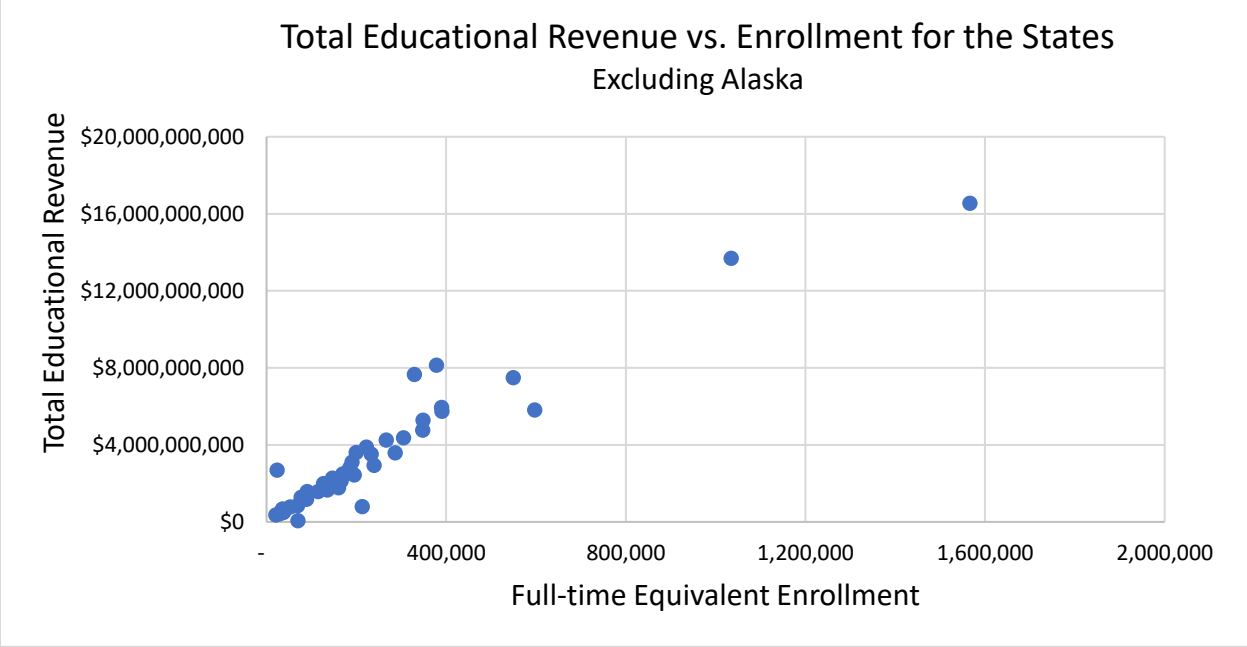

Figure 4. Total educational revenue, adjusted according to SHEF protocols, vs. full-time equivalent enrollment in public institutions of higher education.[27]

[25] These states are Delaware, Hawaii, Maine, Montana, New Hampshire, North Dakota, Rhode Island, South Dakota, Vermont, and Wyoming.
[26] These states are Illinois, Georgia, Pennsylvania, Michigan, North Carolina, Ohio, New York, Florida, Texas, and California.
[27] SHEF: FY 2017, State Higher Education Finance, 2018. State Higher Education Executive Officers, http://www.sheeo.org/sites/default/files/project-files/SHEEO_SHEF_FY2017_FINAL.pdf

However, Alaska has a much smaller enrollment (and a much greater geographic area) than even the ten other smallest enrollment U.S. states. Those states' average enrollment was 32,500 FTE, while Alaska's was only 18,456 in FY2017. Extrapolating the trend shown in Figure 1 downwards to Alaska's enrollment yields a cost of $17,600 per FTE student[28], without adjustment for COLI. Using the COL factor of 1.3, the figure would be $22,900 per FTE student, or $422 million in FY2017. Subtracting the UA FY2017 tuition & fee revenue of $135 million, that yields $287 million in State general fund appropriation, exclusive of the appropriation for research ($23.6 million in FY2017).

Consequences of a Large Reduction to UA State Appropriation

UA has experienced a large reduction in State undesignated general fund support before. During FY1987 and FY1988, due to a sharp drop in the price of crude oil, UA's State general fund appropriation was cut 15%. For the next decade, UA received very little in State funding increases, and so the effective State general fund appropriation reductions to UA during the FY1987-1999 period were significant, amounting to about 40% in Consumer Price Index - adjusted dollars.[29] In inflation adjusted dollars, UA's state appropriation did not return to the FY1985 level until FY2015, and by that time, UA was serving 33% more FTE students than in FY1985. From FY2015-2020, State general fund support of UA declined 19%.[30]

In FY1987-FY1988 there was a moderate enrollment drop, about 5% in terms of FTE students. After that, with state funding stabilized, enrollment climbed gradually to a FY1995 peak that was about 15% above FY1986. However, by that time inflation had resulted in a substantial effective funding reduction. UA began publicizing the impacts on programs, and particularly, facility maintenance. Enrollment plunged 14% by FY2000, before a rebound fueled by funding increases in the early 2000s that enabled UA to offer many new programs and expand others, like nursing. However, as a fraction of the growing Alaska population, enrollment did not recover to the FY1995 level until FY2014.[29] A particularly sensitive enrollment indicator is the proportion of recent Alaska high school graduates enrolling in higher education who choose to attend an Alaska institution. In fall 2017, for new Alaska high school graduates enrolling for the first time, 62% attended an Alaska IHE.[31] Alaska falls somewhat below the national average on this measure, which is 74%, but is currently well within the range for all states, 39% to 90%.[32]

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[28] The high (Wyoming) and low (Nevada) outliers were excluded from the extrapolation based on the remaining 20 states at the lower end of the population distribution.

[29] UA in Review, https://www.alaska.edu/ir/reporting/, and similar publications prepared by the UA system in earlier years that are not available online.

[30] The extent of reductions varies slightly depending on the reference points used. This is the FY15 Management Plan to FY19 Enacted reduction posted at the State of Alaska Office of Management and Budget website, https://www.omb.alaska.gov/ombfiles/19_budget/PDFs/Agency_Reductions_Since_FY2015_6-13-18.pdf, plus the additional $25 million FY2020 reduction.

[31] In Alaska, unlike other states, UA is almost the only option for degree-seeking students. Alaska Pacific University, Alaska Career College, several small religious institutions, and Iḷisaġvik College collectively enroll less than 1200 FTE. Of these, only Alaska Pacific University and Iḷisaġvik College (total enrollment of about 500) are regionally accredited. AVTEC-Alaska's Institute of Technology, which enrolls about 200 FTE, is not degree-granting.

[32] U.S. Department of Education, National Center for Education Statistics, NCES Digest of Education Statistics, Table 309.3, https://nces.ed.gov/programs/digest/d17/tables/dt17_309.30.asp. The states with the lowest retention of

In fall 1992 the percentage for Alaska was 52%, and the national average was 81%.[33] In fall 1998, the percentage for Alaska was only 33%, while the national average was 80%.[34] This illustrates that there can be a dramatic change in the willingness of Alaskans to attend UA if it is perceived as lacking adequate resources.

Prospective UA students are already being spurred to decide not to attend college or to choose out-of-state institutions due to UA funding reductions. As of October 21 2019, UA student headcount was down 8.4% and student credit hours were down 9.9% relative to October 2018. Student flight would have severe and wide-ranging impacts on Alaska's future as well as that of the University. For UA the loss of tuition revenue will compound reductions to State support, even if those reductions are not as large as what the Governor has proposed. For Alaska there would no longer be as many in-state graduates to fill health care, teaching, engineering, business management, and a myriad of other career and professional positions requiring a college degree.

A recent *Alaska Economic Trends* article[35] examined 2005 Alaska high school graduates. Of those, by 2015 78% had attended college at some point and 37% had earned an associate degree or higher. Of individuals who had enrolled in college in Alaska, 70% remained in Alaska in 2014. Of individuals who had attended college but never in Alaska, only 30% were in Alaska in 2014. For 2005 high school graduates employed in Alaska in 2015, college graduates earned an average of about $46,000 per year; those with some college but no degree earned $39,000 per year; and those who had not attended college earned $35,000 per year. In addition the earnings for college graduates increased at a higher rate than that for the other two groups. Taken together, these statistics indicate that diminishing UA would result in a substantial "brain drain" as more students choose out-of-state colleges and do not return to Alaska and that the opportunities for Alaskans to qualify for higher paying jobs would be limited.

Conclusion

The Governor's proposed FY2022 budget for UA would decrease its undesignated general fund appropriation by $75 million compared with FY2019 and sets the expectation that UA will increase its revenues to compensate. While UA is always striving to increase revenue, that magnitude is impossible in so short a time. UA tuition & fee revenue per capita student is already 10% above the national average, and grant & contract revenue per capita employee is 1.7 times the national average, among the highest for any states' public institutions of higher education. Further, publicity surrounding the Governor's budget is very likely driving prospective students, funding agencies, and donors away from UA. The only way that UA could respond to additional general fund reduction would be substantial cuts to campuses and research, academic, and public service programs.

high school graduates, such as Vermont and New Hampshire, tend to be those with the highest tuition for in-state students.

[33] U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), "Residence and migration of all freshmen students graduating from high school in the past 12 months, by state: Fall 1992." Table 198, https://nces.ed.gov/programs/digest/d95/dtab198.asp

[34] U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), "Residence of First-Time Students" survey, 1998." Table 205, https://nces.ed.gov/programs/digest/d00/dt205.asp

[35] Yauncie Lee. Alaska Grads 10 Years Later. *Alaska Economic Trends,* April 2017, Volume 37, Number 4. http://labor.alaska.gov/trends/trends2017.htm