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ALASKA STATE LEGISLATURE

REPRESENTATIVE LES GARA

MEMORANDUM

RECEIVED
FEB 0 8 2006
BY:

DATE: February 8, 2006

TO: Rep. Mark Neuman, Chair
House Special Committee on Education

FROM: Rep. Les Gara

RE: Hearing Request for HB340, Tuition Grants Funded by Oil Taxes

I respectfully request that House Bill 340, relating to tuition grants funded by oil taxes, be scheduled for a hearing in the House Special Committee on Education. Please feel free to contact me, or my aide Darcy Dugan, with questions or thoughts at 465-4955.

Attached you will find a background packet for HB340. This includes the current version of the bill, and a sponsor's statement, and backup materials.

Thank you for your consideration.

January-May: State Capitol • Juneau, AK 99801-1182 • (907) 465-2647 • Fax (907) 465-3518
June-December: 716 W. 4th Avenue • Anchorage, AK 99501• (907) 269-0106• Fax (907) 269-0109
Representative_Les_Gara@legis.state.ak.us

ALASKA STATE LEGISLATURE

REPRESENTATIVE LES GARA

HB 340: 2% for Tuition – Enhanced Financial Aid for University and Vocational Education

Sponsor Statement

Higher education and vocational education should be available to all Alaskans, regardless of their wealth. Recent statistics show Alaska sends a smaller percentage of its children to higher education than any other state. Additionally, Alaska provides less need-based college financial aid per capita than any other state. Because of this, Alaska earned an "F" for college affordability on the National Center on Public Policy and Higher Education's *National Report Card On Higher Education* in 2004.

Several factors contribute to these disturbing statistics. Only in the last two years has Alaska provided state need-based grants to students, and the majority of aid is still in the form of loans. Additionally, average annual tuition has increased by 10% during the last two years in the UA system.

These barriers make students who might otherwise pursue a college degree or vocational education choose other alternatives due to insufficient financial support. HB340 would designate a 'Two Percent for Tuition' program, establishing a fund to provide financial aid for students to attend the University of Alaska or a public state-supported vocational education program. The fund would be created as an account in the general fund and be administered by the Alaska Postsecondary Commission on Education. Funds would be available to full-time, part-time, degree-seeking, and certificate-seeking students. The bill also includes a provision granting free tuition, room, and board to students raised under the foster care system if enrolled at the University of Alaska or a public vocational education program.

Many statistics support the necessity of this bill. Of the $4 million of university gift aid dispersed to undergraduates in 2004, less than 3% was clearly need-based. Most of the money went to merit-based UA Scholars, tuition wavers, and employee waivers. Need-based aid for undergraduates was predominately in the form of loans, which still places high financial pressure on students. Seventy-seven percent of need-based aid for part-time undergraduates was in the form of loans.

The University of Alaska has more non-traditional students than most state universities, and many needy students don't qualify for federal financial aid because of their enrollment status. These students are even more reliant on our under-funded state aid but their needs are not being

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met. In 2004, 14,000 students were enrolled at the University of Alaska as 'non-degree seeking' students, many of whom were pursuing certificates of competence that did not require a post-secondary degree. Lumped into an enrollment category of "other", these students were disqualified from receiving federal grants even though 90% of them were attending classes full-time. The State aid program fell short, and only a modest 7% of this group received financial aid in 2004. Two-thirds of that aid was from employee waivers from the University of Alaska, not from grants.

As shown by recent statistics, the group most left out by need-based aid are adults 25 years or older enrolled as "other" part-time students, but undergraduates, full-time students, and certificate-seeking students are all in need of additional educational funding. According to a 2005 study examining need-based grant aid at the University of Alaska, state financial aid is under-funded by more than $3 million.

Many avenues exist to apply these funds toward enhancing the development of our students and providing more opportunities to Alaskans seeking education. Federal matching funds through the LEAP Program (Leveraging Educational Assistance Partnerships) could provide the state with a dollar-for-dollar grant of $1.7 million if the state provides more aid to its students.

Under HB340, funding for the "Two Percent for Tuition" program would be generated by a 2% supplemental income tax on oil revenue. With oil prices currently around $60 per barrel, oil companies are recording staggering windfall profit margins of over 40%. According to Department of Revenue FY05 data, the proposed 2% tax would generate $88 million at an oil price of $43 per barrel (the FY05 average price). These would allow Alaska to greatly raise its post-secondary enrollment and provide a bright future to thousands of Alaskans.

NEED-BASED GRANT AID AT UNIVERSITY OF ALASKA: AN INDEPENDENT ANALYSIS

MAY 2005

Report prepared by Derek V. Price, Ph.D.
DVP-PRAXIS
Under contract to University of Alaska

The data indicate that more than $34 million in student financial aid was awarded to UA students for Fall 2004. Almost 90 percent of this aid was awarded to non-degree seeking and undergraduate students, and 81 percent was awarded to full-time undergraduates. UA students borrowed more than $23 million for Fall 2004 and received more than $11 million in gift aid. The federal government is the largest provider of financial aid for UA students: 45 percent of total gift aid was provided through the Pell Grant and Supplemental Education Opportunity Grant; 63 percent of total loan financial aid was borrowed through the Stafford loan and PLUS programs. The University of Alaska provided more than $4 million in gift aid for Fall 2004; less than 3 percent of this gift aid was clearly need-based. Rather, 42 percent of UA gift aid was awarded to UA Scholars, 22 percent was awarded through tuition waivers, and 33 percent was awarded through employee waivers. *These data show that the Pell Grant is virtually the only form of need-based gift aid awarded to UA students.*

Undergraduate students at University of Alaska receive the lion's share of financial aid, especially full-time undergraduates. Although more than half of all UA undergraduates received some form of financial aid, the national figure of 62 percent is much higher. About 67 percent of the total aid received by 8,500 UA undergraduates for Fall 2004 was from federal Stafford, Alaska and private loans. Federal grant aid made up another 16 percent of total aid received, and external grants and scholarship aid made up 6 percent of total aid received. Gift aid from the University of Alaska represented 11 percent of total financial aid received by undergraduates. *Among UA undergraduates receiving any financial aid, UA undergraduates relied on student loans to finance college; loan reliance is especially true for part-time undergraduates who borrowed 77 percent of the total aid they received for Fall 2004.*

Almost 14,000 UA students were enrolled as "other," which means they were not classified as degree-seeking; however, many of these "other" students may be pursuing certificates of competence that do not require a postsecondary degree. More than 93 percent of the "other" students enrolled part-time, and 71 percent were adults 25 years of age and older. Only 7 percent of "other" students received slightly more than $550,000 in financial aid for Fall 2004; more than two-thirds of this aid was from the University of Alaska through the employee waiver. *Because "other" enrollment typically disqualifies students from receiving federal financial aid, the UA employee waiver and personal or private loans are virtually the only sources of financial aid to help these students pay for college. In other words, the majority of adult students 25 years of age and older enrolled at UA currently do not receive student financial aid.*

Several types of gift aid were awarded to UA students for Fall 2004; these include institutional aid from the University of Alaska (UA Scholars, tuition waivers, employee waivers, and the need-based tuition assistance grant), the federal Pell Grant and Supplemental Education Opportunity Grant, and grants and scholarships from private sources. About one-third of the almost 10,000 UA non-degree seeking and undergraduate students who received any financial aid received a Pell Grant, and 14 percent received a federal SEOG. About 18 percent of non-degree seeking and undergraduate students received an

The largest group of students not currently served by financial aid at the University of Alaska is adults 25 years of age and older enrolled as "other" part-time students. Many of these students may be seeking certificates of competence that do not require a postsecondary degree. *A new need-based grant program targeted to financially needy adults pursuing certificates of competence could benefit between 3,000 and 4,000 students with average annual maximum grants of $525 for students taking 3 credits per term and $1,050 for students enrolled in at least 6 credits. This type of program should be capped at no more than 3 terms and would require enrollment in a program leading to a certificate of competence. The average annual cost for such a program is estimated between $2.1 million and $2.7 million. This type of program to benefit working adults pursuing occupational and technical certificates could be described as a workforce development initiative. Because of the new and expanded skills of the adult workforce that would result from such a program, the University of Alaska could seek resources from key employers in the state that would benefit from a more skilled workforce. If the state of Alaska expanded tax credits for employers who invested in an initiative to provide need-based grants to working adults, many employers may be willing to support such a program. One way to fund a need-based grant program for working adults would be for the University of Alaska to allocate $750,000 annually for such a program and seek $1.5 million annually in matching funds from employers who would most likely benefit from the program.*

A second possible need-based grant program could target part-time adults 25 years of age and older who are enrolled as undergraduates. These adults are eligible for federal financial aid if they make satisfactory progress toward a degree objective; in fact, part-time adult undergraduates received more than $500,000 in federal gift aid and work-study awards for Fall 2004 and borrowed more than $2.6 million through federal Stafford, Alaska and private loan programs. About 725 adults enrolled as part-time undergraduates for Fall 2004 received a Pell Grant or a UA tuition assistance grant. *A new need-based grant program targeting part-time adult undergraduates with financial need could provide average annual additional grants ranging from $600 for TAG eligible students to $1,400 for Pell eligible students, and cost about $875,000 annually. The University of Alaska would most likely need to reallocate existing resources to fund this type of program. However, less than 20 percent of the $500,000 UA allowed for the tuition assistance grant was awarded for Fall 2004; thus, approximately $300,000 should be available from this tuition waiver authorization. An additional $575,000 could be added to the TAG program and the new need-based grant program could supplement gift aid for Pell eligible part-time adult undergraduates and further complement financial aid for part-time adults eligible for the current TAG program.*

A third option for a new need-based grant program is to focus on the most financially needy full-time undergraduate students – that is, those who are eligible for a federal Pell Grant. These students tend to be traditional-age students between 17 and 24 years old. Pell Grant recipients are more likely to be Alaskan Natives and American Indians, Blacks and Hispanics. Of the almost 2,400 full-time undergraduate Pell Grant recipients, 57 percent of the total financial aid they received was in the form of student

For example,

- Does UA want to increase full-time enrollment for students currently enrolled less than full-time?
- Does UA want to reduce the extent of borrowing for all students, or a specific group of students?
- Does UA want to provide an equity threshold or minimum level of grant financial aid for all students with financial need?
- Does UA want to complement existing financial aid programs to better serve part-time students?

However, the analysis found that many UA students would benefit from additional need-based grant aid, and that support for additional need-based grants and a corresponding reduced reliance on student loans is widespread among stakeholders of the University of Alaska.

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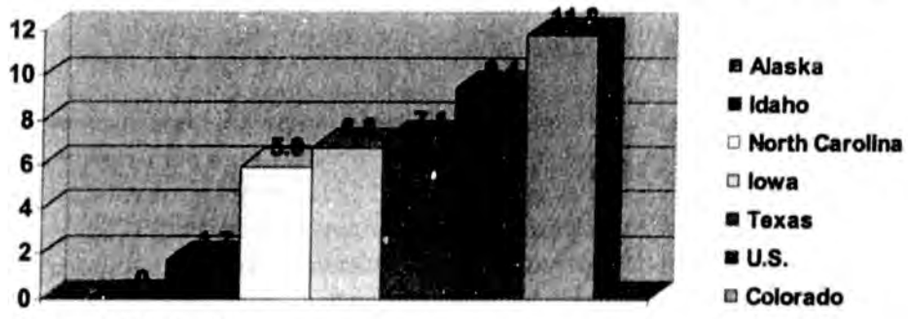
and the share of state appropriations that cover general and educational expenditures at colleges and universities declined by 25 percent (Price and Wohlford, 2005).

During the last few years, several national reports have indicated that colleges are increasingly less affordable for low- and middle-income students. According to the *Measuring Up 2004* report card, 17 states have declined on every indicator of college affordability since 2002, and only 2 states improved on more than half of the affordability indicators (National Center for Public Policy and Higher Education, 2004). Alaska fared poorly in this report card, receiving a failing grade (F), which represents a steady decline from a 'C' in 2000 and a 'D' in 2002. Three reasons explain Alaska's failing grade:

- The lack of a need-based grant financial aid program,
- The reliance on student loans to provide financial aid, and
- A 10 percent average annual tuition increase during the past two years.

According to a 2002 report from Lumina Foundation, *Unequal Opportunity: Disparities in College Access Among the 50 States*, the Anchorage and Fairbanks units of the University of Alaska system were affordable for low-income dependent students only after the use of federal Stafford loans; all three units of the University of Alaska system (Anchorage, Fairbanks and Southeast) were unaffordable for low- and median-income independent students (Kipp III, Price and Wohlford, 2002).

FIGURE 1
STATE GRANT AID AS A PERCENTAGE OF HIGHER EDUCATION OPERATING EXPENSES



Source: NASSGAP, 2004

The annual survey from the National Association of State Student Grant and Aid Programs (NASSGAP, 2004) underscores the negligible investment in need-based grants by the state of Alaska: in 2002-03, Alaska was one of only two states without a need-based grant program (South Dakota). Put another way, Figure 1 illustrates that zero percent of Alaska's $212 million state appropriation for higher education operating expenses were allocated to grant aid in 2002-03 compared to a national average of 9.4 percent (NASSGAP, 2004). The only need-based state aid program in Alaska provides student loans to help pay for college ($56 million in 2002-03). Thus financially needy students in Alaska are forced to use loans to pay for higher

nationally, are from low-income families (e.g., annual income less than $25,000). Another report, *Held Back: How Student Aid Programs Fail Working Adults* estimates that less than 8 percent of low-income working adults enrolled in college receive any federal, state or institutional aid (FutureWorks, 2002).

FIGURE 3
NET TUITION AFTER GRANT AID, UA AND THE NATION

Source: University of Alaska Statewide Office of Institutional Research, 2004

Research has repeatedly demonstrated that tuition levels affect college enrollment, and that low-income students, African-Americans and Hispanics are more price-responsive than are upper-middle-income students and white students (Heller 2001). In other words, higher tuitions are more likely to discourage low-income students and students of color from attending college, or divert these students to lower-priced community colleges. Research also indicates that grant aid is more effective than loans and work-study in terms of helping financially needy students enroll and succeed in college. For example, a recent Lumina Foundation for Education research report, *Expanding College Access: the Impact of State Finance Strategies*, concluded that state need-based grants have a stronger influence on college enrollments than do non-need-based grants (e.g. merit scholarships) or tuition levels (St. John et al. 2004).

The lack of need-based grant aid in Alaska coupled with rising tuitions and a reliance on student loans does not translate into affordable postsecondary education opportunity. The following report analyzes data on 33,000 students enrolled at UA campuses in Fall 2004, including demographic information, enrollment status, and financial aid information. This analysis was undertaken on behalf of the Statewide Office of Student and Enrollment Services to ascertain the extent to which financial need is (or is not) met for UA students.

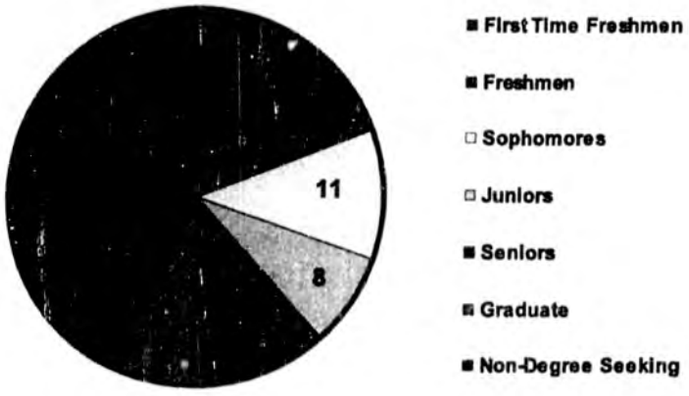
Institutional Perspective: Financial Aid Investments at UA

Enrollment Profile

For the Fall 2004 term, UA enrolled 32,711 students; almost two-thirds of these students enrolled part-time while 38 percent enrolled full-time. Only 39 percent of students enrolled

A little more than half of Fall 2004 enrollment consisted of undergraduate students; 43 percent of enrollment consisted of students classified as "other" (generally meaning non-degree seeking), and 6 percent of enrollment consisted of graduate students. Figure 4 illustrates the distribution of enrollment by class level.

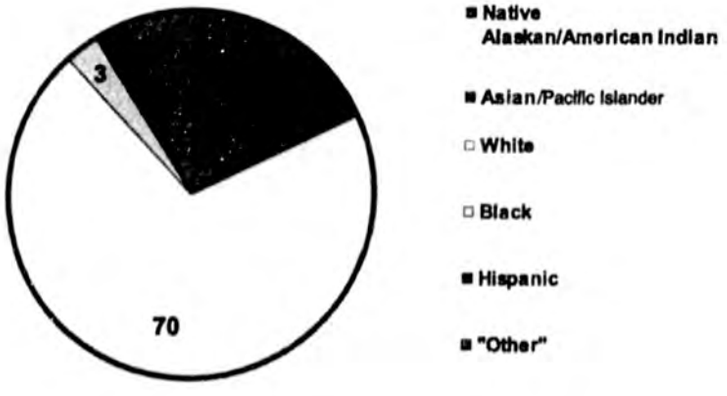
FIGURE 4
ENROLLMENT PERCENTAGES BY CLASS LEVEL, FALL 2004



N=32, 711

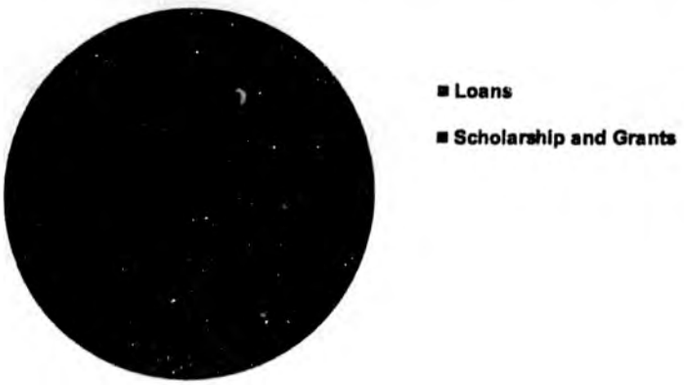
Figure 5 illustrates the race and ethnic distribution of Fall 2004 enrollment. Although 70 percent of total enrollment consisted of students identified as white, UA nonetheless has a diverse student population: 13 percent are Native Alaskan or American Indian, 5 percent are Asian/Pacific Islanders, and 3 percent each are black or Hispanic.

FIGURE 5
ENROLLMENT PERCENTAGES BY RACE AND ETHNICITY, FALL 2004



N = 32, 711

FIGURE 7
PERCENTAGE OF GIFT AND LOAN FINANCIAL AID, FALL 2004



TOTAL = $34,166,987

FIGURE 8
PERCENTAGE OF UA GIFT AID BY SOURCE, FALL 2004

TOTAL = $4,111,959

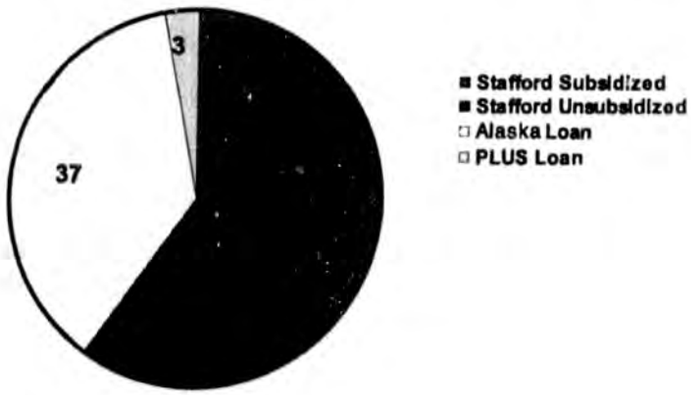
The remaining 38 percent of gift aid came from UA in the form of employee waivers, tuition assistance grants, UA scholars, and tuition waivers. Figure 8 illustrates the source of UA student gift aid for Fall 2004. Overall, UA provided more than $4 million in gift aid to students, but less than 3 percent was unambiguously need-based. Rather, the bulk of UA gift aid was awarded to UA scholars (~$1.74 million), and through tuition waivers (~$920,000) and employee waivers (~$1.35 million). In contrast, less than $100,000 was awarded through the need-based UA tuition assistance grant.

Based on Fall 2004 enrollment and financial aid data, students who receive financial aid at UA are primarily using the Alaska loan program and federal Stafford Loan programs (both subsidized and unsubsidized) to borrow for college. As mentioned earlier, students borrowed more than $23 million for Fall 2004. Figure 10 illustrates the distribution of student loans by source. Students borrowed approximately $8.6 million from the federal Stafford subsidized loan program and approximately $8.6 million from the Alaska loan program. Students also borrowed about $5.25 million in unsubsidized Stafford loans.

Through the Alaska loan program, the state of Alaska contributed about 25 percent of the total financial aid awarded for 2004-05. The federal government contributed 55 percent of total financial aid, including need-based grants and loans as well as the non-need-based unsubsidized Stafford Loan. About 8 percent of financial aid was contributed by external sources in the form of scholarships, grants and loans.

UA contributed about 12 percent of the total financial aid awarded (both loans and gift aid) to students for Fall 2004. In terms of need-based grants, UA awarded less than $100,000 for Fall 2004 – a negligible amount of the more than $4 million in total gift aid awarded by UA. In short, based on the dollar value of loan and gift financial aid for Fall 2004, it does not appear that need-based grant aid is a current institutional priority for the UA system, nor is it a statewide policy priority.[4]

FIGURE 10
PERCENTAGE OF TOTAL STUDENT LOANS BY SOURCE, FALL 2004



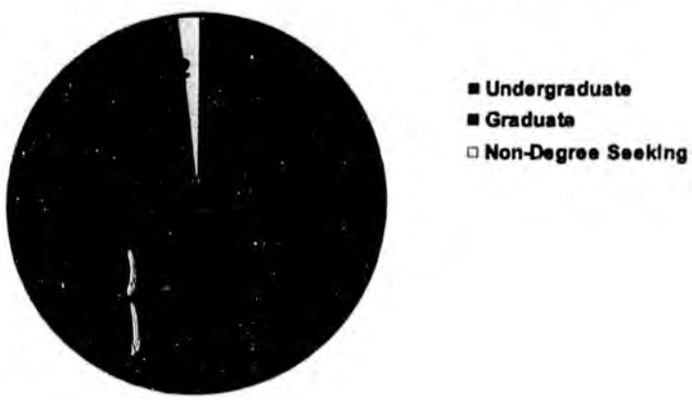
TOTAL = $23,234,112

[4] Although the University did not intentionally award institutional financial aid based on need, a report from UAF indicated that 41 percent of institutional financial aid recipients who completed the FAFSA did have financial need; however, the number of students was not provided and these data were not verified by the author of this report.

43 percent of total UA enrollment, received less than 2 percent of the total financial aid awarded totaling a little more than half a million dollars. Importantly, students classified as "other" may not be eligible for federal financial aid.

Given this stark contrast of financial aid awarded between undergraduates and non-degree seeking students, data for these two groups were analyzed independently.

FIGURE 12
PERCENTAGE OF TOTAL FINANCIAL AID AMOUNT AWARDED BY CLASS LEVEL, FALL 2004



TOTAL = $34,165,542

Financial Aid for Undergraduates

More than 16,500 students were enrolled Fall 2004 as undergraduates in the UA system; 63 percent were enrolled full-time and 37 percent were enrolled part-time. A significant majority (61%) of these students were between 17 and 24 years of age; the remaining 39 percent were adult students 25 years and older. Consistent with overall enrollment demographics, 62 percent of undergraduates were women. Table 3 provides the distribution of total undergraduate enrollment according to selected demographic characteristics.

A big-picture view of financial aid reveals that slightly more than half (51%) of all undergraduates received financial aid for Fall 2004. This figure is much lower than the national average of 62 percent for public four-year colleges and universities (NCES, 2001). About 67 percent of the total aid received by the 8,500 aid recipients was from federal Stafford, Alaska and private loans. Federal grant aid made up another 16 percent of total aid received and external scholarships and grant aid made up 6 percent of total aid received. UA institutional aid (e.g., waivers, UA scholars and tuition assistance grants) represented 11 percent of total aid received by undergraduates. Other than federal grants and work-study, less than $100,000 in need-based grant aid (UA TAG) was awarded to undergraduates.

The majority of financial aid awarded to UA undergraduates went to full-time students. Figure 13 shows they received 83 percent of total financial aid awarded, or about $25 million, while part-time undergraduates received slightly more than $5 million. Table 4 shows the percentage of total financial aid awarded to full-time and part-time students by type of aid. For all types of aid, full-time undergraduates receive significantly more dollars than do part-time undergraduates.

TABLE 4
PERCENTAGE OF TOTAL FINANCIAL AID AMOUNT AWARDED TO UNDERGRADUATES BY ENROLLMENT STATUS AND TYPE OF AID, FALL 2004

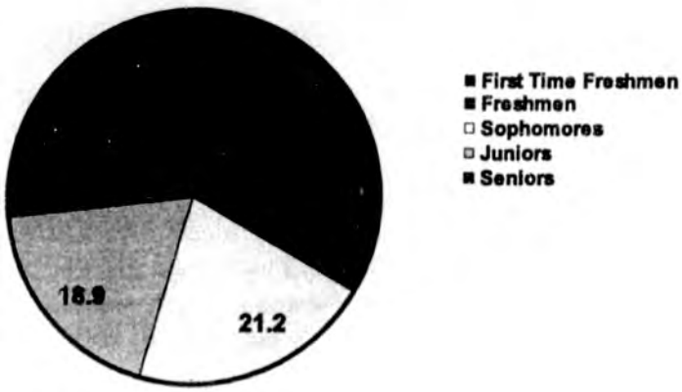
TYPE OF FINANCIAL AID	PART-TIME	FULL-TIME	AMOUNT
UA Employee Waiver	25%	75%	$782,162
UA Tuition Assistance Grant	19%	81%	$99,357
UA Tuition Waiver	3%	97%	$680,506
UA Scholarship	1%	99%	$1,742,125
Other Scholarships	5%	95%	$1,681,532
Other Grants	19%	81%	$28,221
Pell Grant	17%	83%	$4,424,338
SEOG	25%	75%	$296,795
College Work-Study	19%	81%	$112,428
Stafford Subsidized Loan	22%	78%	$7,076,577
Stafford Unsubsidized Loan	27%	73%	$4,507,842
Alaska Loan	13%	87%	$7,765,421
PLUS Loan	9%	91%	$645,961
Private Loan	—	100%	$64,532

N = 8,468 *TOTAL = $29,907,793*

Because part-time students attempt fewer credits and thus pay lower prices overall, it is expected that the amount of financial aid would flow disproportionately to full-time students. Figure 14 provides an alternative view of financial aid awards by enrollment status; it is statistically significant that full-time students at UA are more likely to receive financial aid. Overall, 51 percent of undergraduates received financial aid; however, 63 percent of full-time students received some form of financial aid compared with only 32 percent of part-time students.

Another way to examine the distribution of financial aid is to compare the loan and grant percentages of total aid awarded for both full-time and part-time students. For full-time students, loans represented 65 percent of total financial aid awarded while scholarship and grant gift aid represented 35 percent of total financial aid awarded. Financial aid for part-time students was more heavily weighted toward loans: 77 percent of all financial aid awarded to part-time undergraduates was in the form of loans while only 23 percent of aid for part-time undergraduates was in the form of gift aid. Figure 15 illustrates this imbalance between loan and gift aid by enrollment status.

FIGURE 16
PERCENTAGE OF TOTAL FINANCIAL AID AMOUNT AWARDED BY CLASS LEVEL FOR UNDERGRADUATES, FALL 2004



TOTAL = $29,907,793

TABLE 5
PERCENTAGE OF TOTAL FINANCIAL AID AMOUNT BY AID TYPE AND CLASS LEVEL FOR UNDERGRADUATES, FALL 2004

Class Level	Federal Need-Based Grants	Private Scholarships and Grants	UA Gift Aid (including waivers)	Loans (federal and Alaska)
First-Time Freshmen	15.7%	6.3%	19.2%	53.6%
Freshmen	21.4%	4.3%	8.2%	64.9%
Sophomores	15.6%	5.5%	11.6%	65.5%
Juniors	13.8%	5.8%	10.6%	69.3%
Seniors	13.9%	6.0%	7.3%	71.2%

Table 5 suggests that the proportion of financial aid UA students receive through student loans increases as they flow through the undergraduate years.[6] By the senior year, more than 71 percent of financial aid received by UA students is through student loans. Put another way, almost 1 of every 3 dollars in financial aid received by freshmen (including first-time freshmen) at UA are from federal grants and UA gift aid; the share of federal need-based grant aid declines to 14 percent in the final two years of college while the share of UA gift aid declines to 10 percent of all financial aid in the junior year and to 7 percent in the senior year. Part of this decline may be the result of higher borrowing limits in the federal Stafford loan program in the final two years of college.

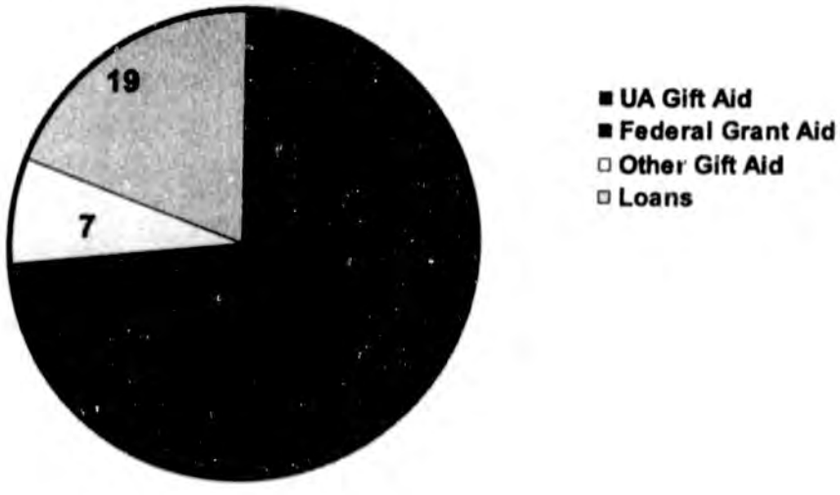
[6]A longitudinal analysis would allow more precise conclusions about the trend in loan reliance for UA students.

part-time undergraduates in the UA system. The amount of private scholarships and grants was also minimal for part-time undergraduates: less than $90,000. Thus, part-time undergraduates at UA rely on federal loans and grants and the Alaska student loan to pay for college.

Financial Aid for Non-Degree Seeking UA Students

In Fall 2004, 13,937 UA students were classified as "other" in the UA database - 93 percent of students were part-time (see figure 4); many of these students may be pursuing certificates of competence related to employment opportunities. About 7 percent of these students received financial aid, which totaled $566,000 for Fall 2004. This amount represented less than 2 percent of all the financial aid awarded to UA students. Figure 17 illustrates that more than two-thirds of financial aid for non-degree seeking students comes from UA institutional aid, particularly the employee waiver. In fact, $380,000 of the $391,000 in UA gift aid awarded in Fall 2004 was through the employee waiver. It is clear that loans and the UA employee waiver are virtually the only sources of financial aid to help students who are not classified as degree-seeking and enroll part-time pay for college.[7]

FIGURE 17
PERCENTAGE OF TOTAL FINANCIAL AID AWARDED BY TYPE OF AID FOR NON-DEGREE SEEKING UA STUDENTS, FALL 2004



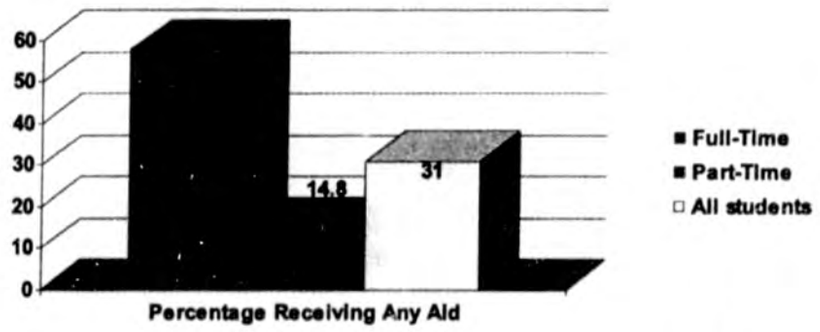
TOTAL = $566,297

[7] Non-degree seeking students may receive National Guard tuition waivers or other employer aid, but these awards are not reported within the UA database.

grant. Of these forms of institutional aid, only the tuition assistance grant is targeted to financially needy students; and less than 1 percent of UA students who received financial aid received this award that ranged between $200 and $400.

Figure 18 illustrates the statistically significant difference between students who received any financial aid for Fall 2004 and enrollment status. About 31 percent of all UA students received some form of financial aid, but 58 percent of full-time students and only 15 percent of part-time students received any financial aid. Thus enrollment status has an impact on whether students receive financial aid.

FIGURE 18
PERCENTAGE OF NON-DEGREE SEEKING AND UNDERGRADUATE UA STUDENTS RECEIVING ANY FINANCIAL AID BY ENROLLMENT STATUS, FALL 2004*



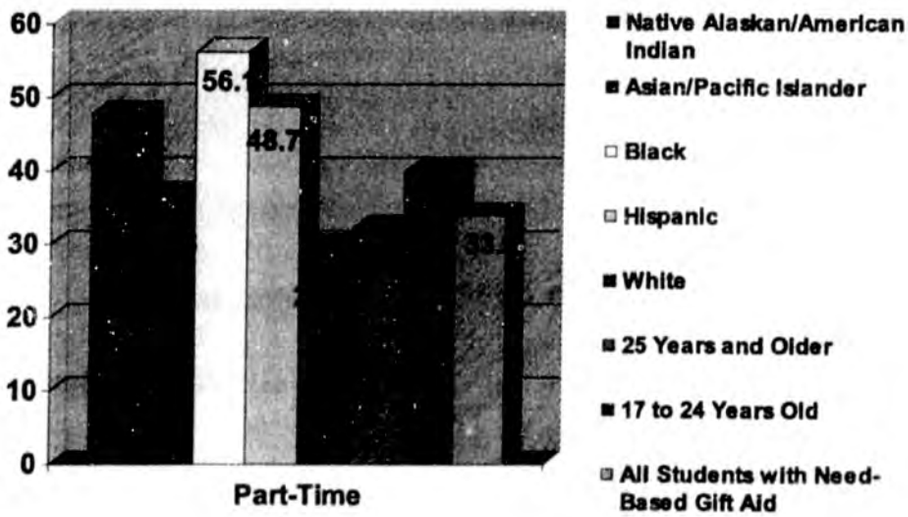
*$p < .001$ $N = 30,509$

TABLE 8
PERCENTAGE OF NON-DEGREE SEEKING AND UNDERGRADUATE UA STUDENTS RECEIVING SOME FORM OF FINANCIAL AID BY GENDER, RACE, ETHNICITY AND AGE, FALL 2004*

DEMOGRAPHIC CHARACTERISTIC	% RECEIVING ANY AID
Men	29.1
Women	32.2
Native Alaskan/American Indian	29.3
Asian/Pacific Islander	34.5
Black	44.7
Hispanic	34.9
White	30.9
25 years of Age and Older	24.6
Between 17 and 24 years of Age	40.4
All Students	31.3

*$p < .001$ $N = 30,509$

FIGURE 20
AMONG PART-TIME UA STUDENTS WHO RECEIVED ANY FINANCIAL AID, THE PERCENTAGE WHO RECEIVED NEED-BASED GRANT AID BY RACE, ETHNICITY AND AGE, FALL 2004*



* $p < .001$

$N = 2,820$

Figure 21 provides the average total amount of each type of financial aid for full-time and part-time students. As expected, full-time students received larger awards across all types of financial aid. Among students who received federal-need-based grants, award amounts for full-time students were 62 percent higher than for part-time students. Among students who received scholarships and grants from private sources, award amounts for full-time students were more than twice as large as the amounts for part-time students. And for students who received UA gift aid, award amounts were more than three times higher for full-time students than for part-time students.

In contrast to the large differences in average gift aid awards between full-time and part-time students, average loan amounts for full-time students were only 14 percent higher than for part-time students (about $1,000). These data indicate that students borrow relatively similar amounts to pay for college regardless of enrollment status; however, full-time students receive much higher gift aid awards from federal, private, and UA sources than do part-time students.

FIGURE 22
AVERAGE ANNUAL FINANCIAL AID AMOUNT RECEIVED FOR FULL-TIME NON-DEGREE SEEKING AND UNDERGRADUATE STUDENTS, 2004-05[10]

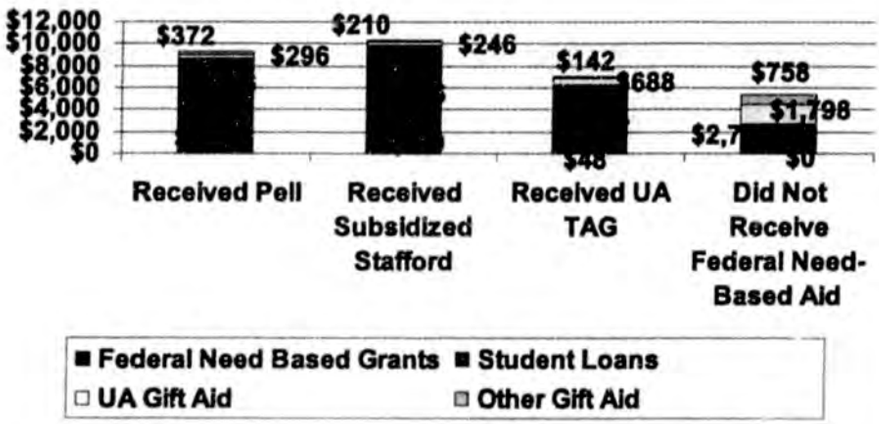


Figure 22 also indicates that Pell Grant recipients received annual average financial aid awards much greater than the average for students who received any financial aid. Pell Grant recipients' financial aid packages were 75 percent higher than the average for students who did not receive federal need-based financial aid ($9,324 vs. $5,326). The average loan amount for Pell Grant recipients was also higher; however, Pell Grant recipients received less than $300 in UA institutional aid of any type (waivers, UA scholarships or tuition assistance grants) compared with almost $1,800 among students who did not receive federal need-based aid. These data suggest that UA institutional aid is not targeted to the neediest students, who qualify for larger Pell Grants, but rather to students with more modest financial need or none at all.

Figure 23 shows average annual financial aid awards for part-time students who received need-based financial aid. Part-time students who received a federal Pell Grant received an average annual award of $2,058. These students also borrowed more than part-time students who received any financial aid ($3,550 vs. $2,794). Among part-time students who received any financial aid, the average annual financial aid package was about $3,900 – 72 percent of this aid was in the form of federal, state and private loans. Pell Grant recipients received average annual financial aid packages of $5,714. This amount is 43 percent higher than the average for part-time students who received any financial aid; moreover, part-time students who were eligible for the Pell Grant received average gift aid of more than $2,100 which is twice as much as the average gift aid received by part-time students overall. Given the limited amount of institutional and private financial aid awarded to part-time students, applying for federal financial aid appears to be a good strategy to receive more financial aid overall, and to receive a need-based federal grant.

[10] These data are estimates that assume students will receive the same average awards for Spring 2005 as they did for Fall 2004.

(1) *A need-based aid program should expand opportunity for students with financial need to attend college, and*

(2) *A need-based aid program should be consistent with the open admissions mission of the UA system.*

Although a few stakeholders emphasized targeting specific career pathways or including a merit component, these deviations from the general consensus were rare. Issues and comments raised by specific groups of stakeholders are addressed below.

Faculty [N =6]
Faculty interviews were conducted via the web-based meeting center, Genesys. Despite repeated attempts by the University of Alaska Statewide Office of Student and Enrollment Services, faculty at UAA was unable to schedule interviews. Most of the comments from faculty were from the UAF, but a faculty member from Juneau was also interviewed.

Faculty emphasized access to college and students' ability to pay. They specified Alaskan natives, first-generation students and rural students as groups with high financial need. All faculty interviewed perceive student financial aid as inadequate; one faculty mentioned Native Corporation resources and the federal Pell Grant specifically in her comment that these sources of financial aid were insufficient at UA. Faculty also expressed concern over loan reliance because of a perception of financial hardship that accompanies high amounts of borrowing.

Faculty also discussed the importance of graduate student eligibility for need-based aid, especially to keep Alaskans in state for graduate education and in high priority areas like teaching. In this context, a merit-component was suggested as a filter for the distribution of need-based aid, especially given the limited resources at UA for a new financial aid program.

Lastly, faculty did not identify areas where UA could reallocate resources for need-based aid; instead they recommended the state invest resources in financial aid.

Students [N=5]
Initial student interviews were conducted in December via the web-meeting software, Genesys; because of the end of the semester and limited participation in the initial meeting, a second student group interview was scheduled in January 2005. Based on information from a student questionnaire provided by me to the Statewide Office of Student and Enrollment Services, Table 1 provides summary information for students who filled out the questionnaire (N = 16).

Unfortunately, only 5 students participated in four group interviews scheduled. Of these students, 3 were part-time and 2 full-time; all but one student received some type of financial aid. Full-time students borrowed but part-time students did not; one student stated that she

indicated that faculty and administrative resistance would be significant. Additional probing found that college deans, department chairs, and faculty had considerable autonomy in awarding tuition waivers under the current program, which they would not necessarily want to relinquish. Regardless of the source for a new UA need-based aid program, financial aid officers emphasized accountability for the program be explicit – that is, they expect to administer these programs according to central eligibility guidelines (with some campus flexibility) without interference from college faculty and administrators. Unused need-based aid resources should be returned by MAUs and reallocated where need is greater, or should "carry-over" to subsequent terms.

Staff and Administrators [N=5]
The consensus perspective among UA staff and administrators was for need-based aid to focus on access and to help students pay for college. The need to include part-time students, especially adults who are working but want to improve their labor market skills, and to reduce loan reliance was also emphasized.

Most staff and administrators indicated that supplementing existing aid for the neediest students was important, especially in the context of reducing loan burden. However, complementing need-based aid for adults and for part-time students taking 6 or fewer credit hours was also encouraged. In general, staff and administrators want to broaden eligibility to help more students and expand available aid for the neediest students.

One respondent made specific mention of Alaska natives as an important population to target need-based aid, especially those living in rural villages. Another respondent emphasized first-generation students, and expressed an interest in front-loading need-based grant aid during the first year and avoiding student loans for this group. Finally, one respondent suggested that the 4% tuition set aside was too unstructured and did not necessarily meet the needs of the system in expanding access – this person recommended these resources be used exclusively for need-based financial aid.

Other UA Stakeholders [N=3]
Three additional stakeholders were interviewed, including a high school counselor, Native Corporation Executive, and a staff person of the Alaska Commission on Postsecondary Education. These stakeholders brought unique perspectives to questions on need-based financial aid; however, one area with strong consensus was the need to reduce loan reliance for students who enroll at UA. In addition, all three respondents want to increase need-based financial aid for existing aid recipients (e.g., Pell Grant recipients) and expand eligibility to more students.

Broadly speaking, it was suggested that UA understand who is not currently served by financial aid, but who have need, as well as understand the extent to which students are being served inadequately. One suggestion was for a new UA need-based aid program to set aside a portion of resources for Pell Grant recipients (especially zero EFC) but also allocate a portion of resources for non-Pell eligible students with financial need. Another suggestion was for a new

a grant-in-aid program to complement existing Texas state grant programs and the federal Pell Grant. The "equity" model seeks 65 percent of grant aid and 35 percent loans and/or work-study. The 150% tuition guarantee for Pell Grant recipients requires a 2.5 cumulative GPA and results in about one-third of students losing additional grant aid each year. The University of Maine invests $2 million annually from the institution budget to meet a 60-40 grant to self-help ratio for all students. Institutional grant awards complement the state grant of $500 per student, which basically covers books. In addition, University of Maine expects students to take a full federal Stafford loan and accept work-study awards.

The common thread among these five peer institutions is that need-based grant financial aid should meet at least 60-65 percent of a student's budget less expected family contribution. Where state and institutional investments in need-based aid are significant, institutions seek to provide grant aid equal to 100 percent of tuition and/or 80 percent of total budget. In all cases, institutional aid supplements existing federal and state financial aid. However, several financial aid professionals expressed concern for students with financial need who just miss the Pell eligibility threshold. In one case, University of North Carolina established an alternative eligibility threshold pegged to the federal poverty threshold. This eligibility threshold includes Pell Grant recipients, but also allows the Carolina Covenant to complement federal and state financial aid programs by expanding the institutional aid eligibility pool.

The stakeholders interviewed for this project believe that total financial aid is insufficient and that finding additional resources for financially needy students is important. They are concerned about loan reliance for all students. They are also concerned about the lack of need-based financial aid for part-time students and for students who do not qualify for the federal Pell Grant. Importantly, the perspectives provided by UA stakeholders are supported by the quantitative analysis in this report. That is, need-based financial aid should be increased for UA students; however the design and implementation of a need-based grant program could serve several purposes. The next section describes three possible models for a need-based grant program.

Designing a Need-based Grant Program

Before they design a new financial aid program, or expand the UA tuition assistance grant or the just announced *AlaskaAdvantage* grant, UA stakeholders and leaders need to grapple with the objectives of a need-based grant program. At a policy-level it is imperative for the University of Alaska to identify the purpose (goal) for a need-based grant program?[12] For example,

- Does UA want to increase full-time enrollment for students currently enrolled less than full-time?
- Does UA want to reduce the extent of borrowing for all students, or a specific group of students?

12 For an overview of state grant program objectives and subsequent design, see Jerry S. Davis (September 2001), Designing a State Student Grant Program: A Framework for Policy-Makers, Indianapolis, IN: Lumina Foundation for Education. Available online – http://www.luminafoundation.org/publications/synopsis/studentgrantprogram.pdf

UA data, non-traditional adults 25 years of age and older represent more than two-thirds (71%) of "other" enrollment - slightly more than 900 of these adults (or 7%) receive any financial aid. In contrast, 51 percent of all UA students receive some form of financial aid, including 65 percent of undergraduates.

Part-time adult students at UA are not served well by existing federal, state, institutional and private financial aid programs. More than 50 percent of the almost 31,000 non-degree seeking and undergraduate UA students enrolled Fall 2004 were adults 25 years of age and older – 81 percent of these adults were enrolled part-time. Almost 10,000 adults were enrolled as "other" part-time. Yet part-time adult students received only $3.7 million of financial aid for Fall 2004, which is about 12 percent of the total financial aid awarded to UA students. Moreover, 72 percent of this aid was in the form of loans.

Although part-time adult students have much lower tuition and fees because they take fewer credits, indirect costs for college can still be significant. For example, books for a single class can cost a few hundred dollars, and driving to campus for one class or for three classes requires the same amount of fuel. In addition, living expenses (i.e., housing and food) tend to be constant regardless of enrollment status. Thus, financial need for part-time adults can often be a function of indirect costs, including housing, meals, books and transportation.

If UA decides to target need-based financial aid for non-degree seeking part-time adult students, several parameters need to be defined to estimate the potential cost of such a program. First, about one-third of undergraduates received the need-based Pell Grant and 41 percent received the need-based subsidized federal Stafford loan. It seems reasonable to assume that between 35 percent and 45 percent of "other" part-time adult students would also meet the eligibility threshold for federal need-based financial aid.

Second, many "other" students enroll part-time as the first step toward getting a degree or certificate, because they are uncertain of their ability to succeed and/or they cannot afford to stop working and attend college full-time; but adult students also enroll as "other" part-time with the goal of obtaining a certificate of competence. It seems practical to limit a need-based grant program to part-time "other" adult students who are enrolled in a program to obtain a certificate of competence; these adults could receive a need-based grant for up to three semesters. Adult students who eventually "transferred" into a degree seeking undergraduate program would retain eligibility for need-based financial aid and may also qualify for federal grant aid.

Third, federal financial aid is available for part-time adult students if they make satisfactory progress toward a postsecondary credential. However, to receive federal financial aid students must fill out the FAFSA. The recently announced *AlaskaAdvantage* state grant program requires students to complete this form; thus it would be consistent with current policy in the state to require "other" part-time students to complete the FAFSA to be eligible for a new need-based grant program. A few caveats are important:

Slightly more than 80 part-time adult undergraduates, but more than 150 full-time adult undergraduates, received a UA tuition assistance grant for Fall 2004. If an expanded TAG program served an equal number of part-time and full-time adult undergraduates, and awarded the maximum annual grant of $600 to all eligible part-time adults, $105,000 in additional resources would need to be invested by UA.

In sum, a new need-based grant program targeting part-time adult students 25 years of age and older – including both undergraduates and non-degree seeking adults - would require between $2.9 million and $3.6 million annually. The bulk of the cost for this program would support part time "other" adults enrolled in programs that lead to certificates of competence. This focus would expand need-based grant aid to more than 3,000 adults currently enrolled as "other" part-time, and cost between $2.1 million to $2.7 million annually. Table 10 also shows estimates for a need-based grant program to benefit part-time adult undergraduates who are financially needy. A much smaller number of part-time adults are enrolled as degree seeking undergraduates; a new need-based grant program to supplement financial aid for Pell-eligible adult undergraduates who enroll part-time, and complement financial aid for part-time adult undergraduates through an expanded UA TAG would cost less than $1 million annually and benefit about 700 adult students. If all three of these components were implemented at UA, approximately 4,000 adult students could benefit from this type of need-based grant program

Focus on Full-Time Undergraduates

This analysis found that full-time students borrow large amounts of money primarily from federal and state sources to pay for college at UA, and that Pell Grant recipients still face high net prices after all financial aid is awarded (see Appendix A). Full-time undergraduates also receive the lion's share of total financial aid among UA students and reflect a population quite different fro n part-time students overall. For example, more than 70 percent of full-time undergraduates are traditional college students 17 to 24 years of age. Although the gender, race, and ethnic diversity of full-time undergraduates reflect the overall student population at UA, full-time undergraduates represent a minority of total UA enrollment.

One approach for a new UA need-based program to benefit full-time undergraduates would be to reduce loan reliance so that student loans do not exceed 50 percent of all financial aid awarded. In other words, UA could choose to maintain a consistent loan to grant financial aid ratio for all full-time undergraduates across all class levels. This supplemental program could target full-time undergraduates who qualify for federal need-based financial aid; that is, who received a Pell Grant or subsidized Stafford loan. For Fall 2004, 36 percent of full-time undergraduates received a Pell Grant, and 45 percent borrowed a subsidized Stafford loan. Overall, 57 percent of full-time undergraduates who received any financial aid (more than 3,700 students) were awarded a Pell Grant or borrowed a subsidized Stafford loan.

Figure 25 illustrates the estimated average annual loan and gift financial aid amounts for full-time undergraduates who received any financial aid. Two conclusions are readily apparent.

TABLE 11
ANNUAL COST ESTIMATES FOR NEED-BASED GRANT PROGRAM TO TARGET LOAN TO GRANT RATIO OF 50-50 FOR FULL-TIME UNDERGRADUATES WHO QUALIFY FOR FEDERAL NEED-BASED FINANCIAL AID

	CURRENT	SCENARIO 1	SCENARIO 2
Loan Average Amount	$6,548	$6,548	$4,651
Gift Average Amount	$2,754	$6,548	$4,651
Total Average Aid	$9,302	$13,096	$9,302
Total Estimated Cost	—	**$14,193,354**	**$7,096,667**

N = 3,741

If UA decided to target a need-based grant program to full-time undergraduates, this type of program might cost between $7.1 million and $14.2 million annually. To reduce the overall cost of this type of program, UA could focus only on Pell eligible students and reduce their loan to grant ratio from 57-43 to 50-50 or 40-60. Table 12 provides cost estimates for an approach that reduces student borrowing for the most financially needy full-time undergraduates.

TABLE 12
ANNUAL COST ESTIMATES FOR NEED-BASED GRANT PROGRAM TO REDUCE LOAN RELIANCE FOR FULL-TIME UNDERGRADUATES WHO RECEIVED THE PELL GRANT

	CURRENT	50-50 RATIO	60-40 RATIO
Loan Average Amount	$5,318	$4,862	$3,889
Gift Average Amount	$4,406	$4,862	$5,835
Total Average Aid	$9,724	$9,724	$9,724
Total Estimated Cost	—	**$1,079,352**	**$3,382,443**

N = 2,367

This more targeted approach to benefit full-time undergraduates with the most financial need could benefit about 2,400 students. UA could award full-time Pell Grant recipients between $500 and $1,400 in additional need-based grant aid annually. The estimated annual cost for this type of need-based grant program is between $1.1 million and $3.4 million. This approach would not increase the overall amount of financial aid awarded to Pell Grant recipients, but would increase the share of gift aid – and reduce the share of loans - awarded to the most financially needy full-time undergraduates at UA.

Implement Equity-Model for Financially Needy Undergraduates

Given the level of concern about student indebtedness among UA stakeholders, and the fact that financially needy students receive very little UA gift aid, a third option for a new need-based grant program is to develop a minimum equity threshold of grant aid that all financially needy undergraduates would receive. More than three-fourths (78%) of undergraduates who

Most UA peer institutions target a grant to loan financial aid ratio of 60 to 65 percent gift aid and 35 to 40 percent loan aid.

FIGURE 26
AVERAGE ANNUAL LOAN AND GIFT AID AMOUNTS FOR UNDERGRADUATE UA STUDENTS, 2004-05[14]

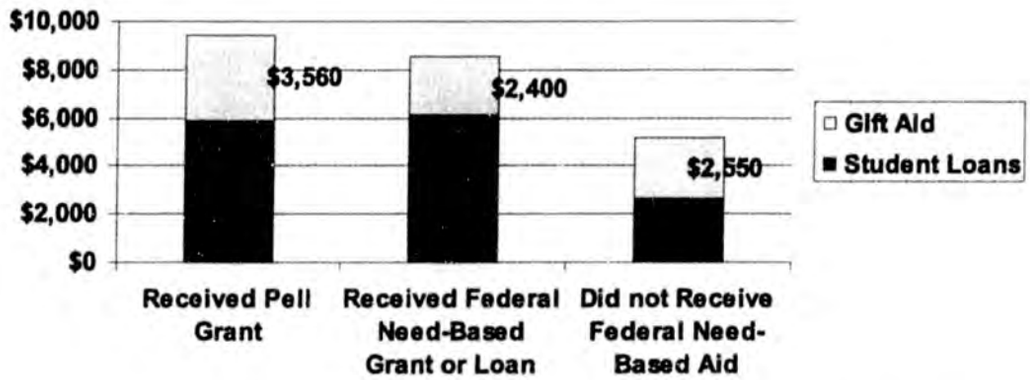


Table 14 provides cost estimates for a new need-based grant program to increase gift aid for financially needy UA undergraduates. The models reflect an equity threshold of gift aid that all financially needy undergraduates would receive. UA would make up the difference between the equity threshold and the current amount of gift aid received by undergraduates. The equity threshold could be set at 100 percent of tuition and fees for full-time enrollment ($3,500) or it could be set at the maximum Pell Grant ($4,050). The equity threshold model reduces loan reliance for financially needy undergraduates, and it lowers the net price UA students pay for college. Part-time financially needy undergraduates would receive one-half of the equity grant award. As Table 14 shows, the most expensive component of the equity grant aid model is to include undergraduates who borrowed a subsidized Stafford loan but were not eligible for a Pell Grant. To reach the equity threshold for this group of undergraduates would cost approximately $5 million annually.

A more narrow approach could target undergraduates who currently receive the Pell Grant or who are eligible for the UA tuition assistance grant. Based on Fall 2004 financial aid data, Pell Grant recipients received annual average gift aid of $4,046 – this amount is roughly equivalent to the maximum annual Pell Grant. Establishing an equity threshold for Pell Grant recipients would complement gift aid for part-time students, but would not provide supplemental gift aid

[15] These data are an estimate that assumes students will receive the same average awards for Spring 2005 as they did for Fall 2004.

Conclusion: Expanding Need-Based Financial Aid at University of Alaska

This six-month analysis of financial aid at UA included interviews with 34 UA stakeholders and financial aid professionals, and a quantitative analysis of financial aid awards, student budgets and student demographics for almost 33,000 students enrolled at UA in Fall 2004. The analysis demonstrates two core conclusions:

1) *Many UA students would benefit from additional need-based grant aid; and*

2) *Support for additional need-based grants and a corresponding reduced reliance on student loans is widespread.*

More specifically, this analysis found three areas in which need-based financial aid could make a large impact and meet the potential objectives of a new need-based grant program. First, part-time adult learners 25 years of age and older represent more than half of all UA students, and yet receive very little financial aid. One reason for the lack of aid for adult students is their enrollment tendencies; adults tend to enroll part-time, often as non-degree seeking "other" students so they do not qualify for federal and state financial aid programs. A new UA need-based grant could target part-time adult learners.

Second, full-time undergraduate students receive the bulk of the financial aid awarded to UA students; however, about two-thirds of this aid is in the form of student loans. Only first-time freshmen receive less than 65 percent of their aid through borrowing. A new UA need-based grant program could target full-time undergraduates and lower the reliance on borrowing, especially for students who continue after their freshmen year. This type of program would generally benefit traditional-age students 17 to 24 years old.

Third, financially needy undergraduates at UA receive very little gift aid from the institution. A new UA equity grant program could target all Pell-eligible undergraduates (i.e., generally dependent students who come from families with less than $40,000 in annual income, or independent students whose income is at or below the federal poverty threshold) to increase their gift aid. This approach would benefit undergraduates who enroll part-time and receive a Pell Grant, especially adult students 25 years of age and older. An additional 500 undergraduates could benefit if TAG recipients were also eligible for an equity grant.

Based on this analysis, three specific types of programs were highlighted:

- A need-based grant program targeted to "other" part-time adult students 25 years of age and older who are pursuing a certificate of competence could provide more than 3,200 students with average grants between $525 and $1,050 at an annual cost of approximately $2.4 million.
- A need-based grant program targeted to full-time Pell-eligible undergraduates to reduce loan reliance and establish a 50-50 loan to grant financial aid ratio could provide more

APPENDIX A

Net Price Analysis for Undergraduates who Received Any Financial Aid, Fall 2004

An important measure of affordability is the net price of college students are expected to pay through work and/or personal and family contribution after all financial aid is awarded. The Statewide Office of Institutional Research extracted a database of 9,445 students enrolled for Fall 2004 with data on their housing arrangements. In order to conduct a net price analysis, the total financial aid received by students is subtracted from the total price charged; total price includes tuition, fees, room and board, transportation, books and living expenses. The total price varies based on full-time or part-time status, and based on where a student lives. Table A1 shows the total price for each MAU according to the living arrangements of students: on-campus, off-campus, or with parents.

TABLE A1
TOTAL ANNUAL BUDGET FOR FULL-TIME UA STUDENTS, 2004-2005

MAU	On Campus	Off Campus	With Parents
Anchorage	$14,729	$17,165	$10,338
Fairbanks	$12,369	$16,740	$12,050
Southeast	$11,442	$14,061	$7,191

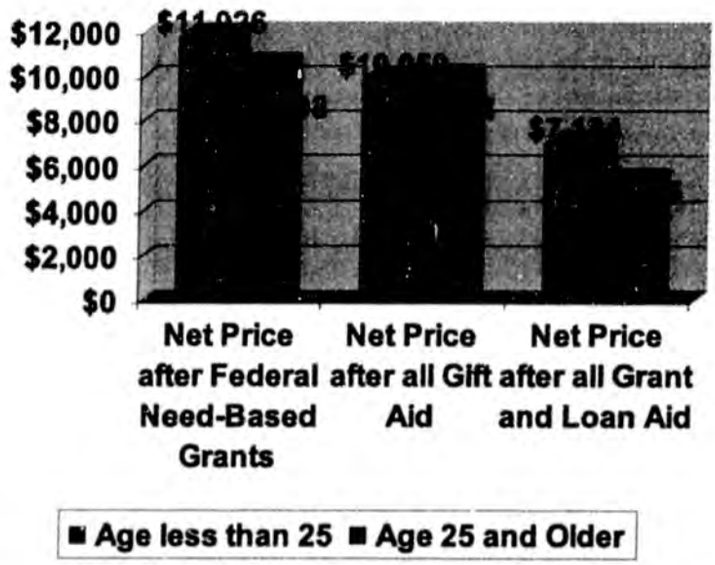
Source: Statewide Office of Institutional Research; UA Offices of Financial Aid

Among the almost 9,500 students in this database, approximately 36 percent received some form of financial aid; this percentage is higher than the 31 percent of all UA students who received financial aid. In addition, about 20 percent of students for whom UA had data on living arrangements received a federal need-based grant or college work-study. In comparison, only 10 percent of all UA students received a federal need-based grant. Thus, in terms of financial aid awards, the database with information on living arrangements is not representative of the total Fall 2004 enrollment at UA. Consequently, the net price analysis is not representative of all UA students who received financial aid; rather, it provides a general impression of net price according to data from students for whom living arrangement data was available.

Table A2 shows the demographic characteristics for students with financial aid in this database and data for all UA students who received financial aid for comparison purposes. The students in the database used for net price analysis were disproportionately undergraduates compared to total UA enrollment for Fall 2004; moreover, 52 percent of the students were enrolled full-time – a stark contrast to the 38 percent of all students enrolled full-time at UA. Further, about 87 percent of the students in this database who received any financial aid were undergraduates - 69 percent were full-time undergraduates (see Table A3). Because the database with students for whom living arrangement data was available included only about one-third of all UA students who received some form of financial aid, and because more than two-thirds of these students were full-time undergraduates, the following net price analysis was conducted only for Fall 2004 full-time undergraduates. Net-price information for traditional-age students less than 25 years old and non-traditional adult learners 25 years of age and older are provided.

the net price for traditional-age full-time UA undergraduates, is almost $12,000 after federal need-based grants, and more than $10,000 after all gift aid. After traditional-age full-time undergraduates borrow, the net price for one year of college is about $7,200. Non-traditional adults fare slightly better because federal need-based grant aid reduced their net price considerably. In addition, because adults 25 years and older can borrow larger amounts through the federal Stafford loan program, the net price after all aid for full-time adult undergraduates at UA was about $5,400. The net price for students must be paid through work, personal and family contributions, additional borrowing, or with other sources not captured in the UA database.

FIGURE A1
AVERAGE NET PRICE FOR FULL-TIME UNDERGRADUATES AT UA, FALL 2004



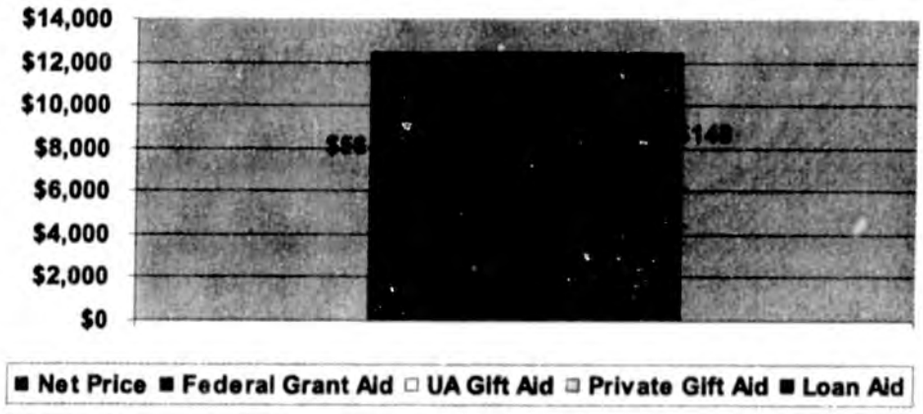
N = 1,890

For comparison, Table A4 provides estimates from the National Center for Education Statistics (2004): net-price after federal grant aid was $10,500 for full-time dependent undergraduates (typically 24 years of age and younger) enrolled in public four-year colleges and universities in 1999-2000; average net price after federal grants and loans was $8,000.[2] These data suggest that traditional-age full-time undergraduates at UA have lower net prices after all grant and loan aid than do students nationally, but the lower net price is the result of additional borrowing and, to a lesser extent, institutional gift aid.

[2] This report from NCES focused only on full-time dependent undergraduates; comparable data for non-traditional adult undergraduates were not provided in the report.

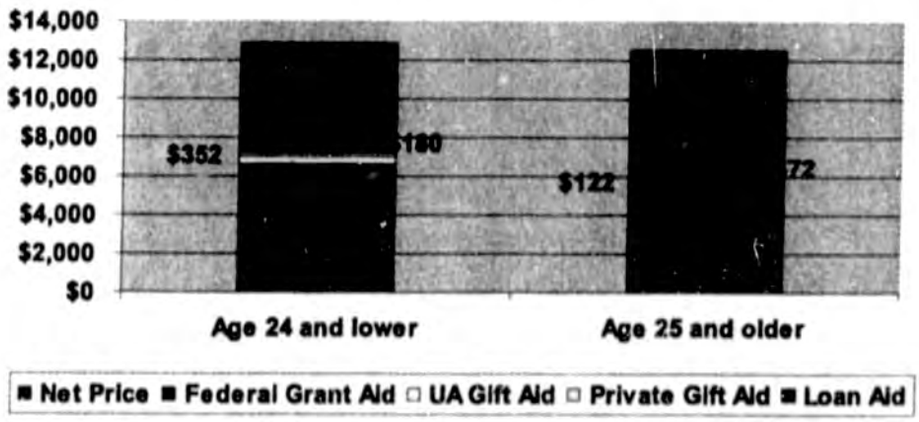
Figure A3 shows data for adult students 25 years of age and older who received a federal Pell Grant; these students can borrow larger amounts for college, which significantly reduces their net price. Among full-time adult undergraduates at UA who received a federal Pell Grant, net price was about $5,000. These data also show that the majority of financial aid received by these students was in the form of student loans (54%), and that average annual UA gift aid was slightly more than $50. These data suggest that non-traditional adults enrolled as full-time undergraduates and who received a Pell Grant primarily borrow for college, and are awarded negligible UA gift aid.

FIGURE A3
AVERAGE NET PRICE AND GRANT AND LOANS RECEIVED FOR NON-TRADITIONAL ADULT FULL-TIME UNDERGRADUATES 25 YEARS OF AGE AND OLDER AT UA WHO RECEIVED A PELL GRANT, FALL 2004



N = 207

FIGURE A4
AVERAGE NET PRICE AFTER ALL GRANT AND LOAN AID FOR FINANCIALLY NEEDY FULL-TIME UNDERGRADUATES AT UA WHO DID NOT RECEIVE A PELL GRANT, FALL 2004



N = 678

APPENDIX B

Project Methodology

Phase 1

The qualitative phase of the need-based financial aid project commenced in November 2004. Phase I included a series of one-on-one and group interviews structured around issues of need-based financial aid with stakeholders of the University of Alaska system. The participants represented a convenience sample. The results of the interviews provide a set of perspectives and conclusions that reflect the individuals interviewed, but these conclusions may not be generalizable to the larger population. Even so, the participant perspectives are consistent with the research literature on need-based financial aid and also reflect the typical practice of financial aid professionals. In total, 34 individuals were interviewed between November 2004 and January 2005. Published reports were also reviewed to situate the state of Alaska and the University of Alaska postsecondary education system in a comparative context with national and peer-state data on college access.

The University of Alaska Statewide Office of Student and Enrollment Services set up the initial interviews: 12 individual interviews and 4 group interviews were conducted. The 23 interviewees included faculty, students, financial aid professionals, staff, administrators and other UA stakeholders. Individual interviews were conducted via telephone during December 2004 and January 2005. Group interviews were conducted via telephone and the web-based Genesys meeting center during December 2004 and January 2005. Participants in these interviews were assured *confidentiality* so individuals are not attributed specific quotes or ideas in this report.

In addition to the stakeholder interviews, in November interviews with six national experts on federal, state and institutional financial aid programs were conducted.[17] These experts informed the development of a structured interview questionnaire used during the interviews with UA Stakeholders. This questionnaire is included as Appendix C. Interviews with five financial aid professionals among University of Alaska peer institutions were also conducted in January 2005.[18]

[17] Jerry S. Davis, former VP of Research for Lumina Foundation for Eduation; Cheryl Maplethorpe, Director of Student Financial Services Minnesota Higher Education Services Office; Dennis Jones, President National Center for Higher Education Management Systems; Cheryl Blanco, Senior Program Director Policy Analysis and Research Western Interstate Commission on Higher Education; Ken Redd, Director of Research National Association of Student Financial Aid Administrators; and Don Heller; Associate Professor and Senior Research Associate Center for the Study of Higher Education The Pennsylvania State University.

[18] Shirley Ort, University of North Carolina; Craig Munier, University of Nebraska; Peggy Crawford, University of Maine; Rob Sheridan, University of Houston; and Dan Davenport, University of Idaho.

APPENDIX C

Stakeholder Interview Questionnaire
December 2004

1. What should the purpose be for a need-based aid program? What outcome do you expect... for students? Institutions? The state? Others?

2. Which students do you most want to help with the need-based aid program?

3. Do you want to help students who would otherwise not enroll without the aid access a low-price institution? Do you want to expand the choices for students to attend higher-priced four-year colleges?

4. Do you want to increase the retention of students already enrolled? Do you want to increase full-time enrollment, or the number of credits attempted by students?

5. Do you want to encourage students to enroll and complete specific postsecondary education programs where employer demand is growing?

6. Do you want the need-based aid program to *complement* or *supplement* federal financial aid programs, like Pell and SEOG?

7. Do you want the need-based aid program to reduce the reliance on federal and private loans by your students?

8. What resources are available to finance the need-based aid program? Can you reallocate existing institutional or system revenues? Can you seek state or private resources?

9. Who do you think should administer the new program—-a state agency, the students' institutions, or maybe a contractor?

National Center for Public Policy and Higher Education (2002). *Measuring Up 2002: The National Report Card on Higher Education*. San Jose, CA: Author.

National Center for Public Policy and Higher Education (2000). *Measuring Up 2000: The National Report Card on Higher Education*. San Jose, CA: Author.

Price, D.V. and Wohlford, J.K. (2005 forthcoming). Educational Attainment Equity: Racial, Ethnic and Gender Inequality in the 50 States. In *Higher Education and the Color Line: College Access, Racial Equity, and Social Change*. G. Orfield and P. Marin, Eds. Cambridge: Harvard Education Publishing Group.

St. John, Edward P. et al. (2004). *Expanding College Access: The Impact of State Finance Strategies*. Indianapolis: IN: Lumina Foundation for Education. Available online at URL: http://www.luminafoundation.org/publications/fiscalindicators/FiscalIndicators.pdf

Western Interstate Commission on Higher Education (2003). *Knocking at the College Door: Projections of High School Graduates by State, Income, and Race/Ethnicity, 1998 to 2018*. Boulder, CO: Author.

Western Interstate Commission on Higher Education (2002). *Supporting Higher Education in Alaska (the WICHE Factbook)*. Boulder, CO: Author.

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

FRANK H. MURKOWSKI, GOVERNOR

P.O. BOX 110300
JUNEAU, ALASKA 99811-0300
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March 23, 2005

The Honorable Frank H. Murkowski
Governor
State of Alaska
P. O. Box 110001
Juneau, Alaska 99811-0001

Re: HB 158 -- relating to the public school account and renaming the public school account as the public education fund
Our file: 883-05-0005

Dear Governor Murkowski:

At the request of your legislative director, the Department of Law has reviewed HB 158 relating to the public school account and renaming it "the public education fund." The purpose of HB 158 is to create a special fund that does not lapse at the end of a fiscal year.

Section by Section:

Section 1 of the bill amends AS 14.17.300 by changing the name of the account, as noted, to the "public education account." Amendments to AS 14.17.300(a) add appropriations for pupil transportation to appropriations for school districts, boarding schools, and centralized correspondence study, as the sources of the fund. Amendments to subsec. (b) add language providing that (1) money appropriated to the fund may be expended without further appropriation, (2) money appropriated to the fund does not lapse, and (3) interest earned on money in the fund may be appropriated to the fund by the legislature.

Section 2 rewords AS 14.17.400(b) to reflect that it is money appropriated to the fund rather than money in the fund that will determine the basis for prorating school districts' basic need when there is not a sufficient balance to meet the need, and reflects the fund's name change.

Sections 3, 4, and 5 amend AS 14.17.430, 14.17.440(a), and 14.17.610(b) to reflect the fund's name change.

Section 6 amends AS 14.17.900(b) in conformity with the amendments made in sec. 1 of the bill.

Section 7 of the bill provides an immediate effective date.

Legal Issues Presented by the Bill

Two issues are raised by the bill: whether amounts deposited in the fund under this statute are considered expendable without further action so that they are not considered available for appropriation for purposes of applying the formulas set out in sec. 17(b) and (d) of the constitutional budget reserve fund (art. IX, sec. 17(b) and (d) of the Alaska Constitution), and whether the non-lapse provisions offend the dedicated fund provisions of art. IX, sec. 7 of the Alaska Constitution.

The testimony before the House Finance Committee raised an issue about the money appropriated to the fund being available for appropriation elsewhere. House Fin. Comm., February 23, 2005, hearing (*remarks of Pete Ecklund, staff to Rep. Meyer*). This would indeed raise the question addressed in *Hickel v. Cowper*, whether the funds remained available for appropriation and thus subject to the requirements of art. IX, sec. 17 of the Alaska Constitution. However, the text of the bill clearly indicates that the fund would be distributed in accordance with existing statutes, and that no further appropriation would be required. Thus only the fund's interest is available for annual appropriation and would be subject to deposit in the constitutional reserve fund. HB 158, sec. 1, proposed amendments to AS 14.17.300. *Hickel v. Cowper*, 874 P.2d 922 (Alaska 1994) (funds that do not require further legislative action before expenditure are not "available for appropriation" under art. IX, sec. 17; available does not mean "accessible by any means.")[1]

A provision in the bill indicating that the fund does not lapse may raise an issue as to whether the fund is a prohibited dedicated fund under art. IX, sec. 7 of the Alaska Constitution. The fact that the balance of the fund is derived from appropriations would tend to remove any doubt that it is not a dedicated fund. It is not unusual to create a statutory fund from which administrators can spend without further appropriation. The

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[1] It should be noted that the court did not express an opinion about whether a fund that required no further appropriation for expenditure but that contained sums in excess of what was needed was subject to inclusion in the budget reserve. *Cowper v. Hickel*, 874 P.2d 934, n.27.

legislative history indicates that those testifying particularly wished to avoid the placement of the fund in the general fund because of the requirement that surplus money in the general fund must be swept into the budget reserve fund at the end of each fiscal year, but expressly declared that they had no intention of creating a prohibited dedicated fund. House Fin. Comm., February 23, 2005, hearing (*remarks of Pete Ecklund, staff to Rep. Meyer; Rep. Hawker*). However, the fact that the fund is not immediately available for appropriation under art. IX, sec. 17, does not mean that it is completely inaccessible to the legislature, in that nothing precludes the executive branch from requesting that the balance of the fund be reappropriated, or that it not accessible at all from future action of the legislature. *Hickel v. Cowper*, 874 P.2d 922, 926 n.8 (Alaska 1994).

We thus suggest that the bill avoids the constitutional dedicated fund prohibition.

Conclusion

We find no significant constitutional or other legal concerns with the bill.

Sincerely,

Deborah E. Behr

for Scott J. Nordstrand
Acting Attorney General

SJN:KJS:rca

Moira Sullivan

From: Kathleen Strasbaugh [Kathleen_Strasbaugh@law.state.ak.us]
Sent: Thursday, February 02, 2006 11:41 AM
To: Rep. Mark Neuman
Cc: David Marquez; Randy Ruaro; Shana Valente
Subject: Dedicated fund issues and HB 332, HB 333, and HB 340

As I discussed with you yesterday, we do not see a dedicated funds problem under Article IX, Section 7 of the Alaska Constitution with section 2 of HB 332, section 1, proposed Sec. 14.43.455, of HB 340, or section 4, proposed 14.38.210 of HB 333, all of which create accounts in the general fund. I left the bill review of last year's HB 158 with you as it discusses applicable legal issues. I said I would get back to you on the provisions related to the separate accounting for the tax revenue raised in these bills in the funds created by them. I conferred with others here at the Department of Law, and have reviewed the sections in question. These sections, sec. 3 of HB 332, sec. 5 of HB 333, and sec. 2 of HB 340, do not require that the tax proceeds be appropriated to the funds, but only accounted for in them. Since the revenues raised by these are available for appropriation, these sections do not implicate art. IX, sec. 7.

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