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January 20, 1997

The Honorable Eric Croft
House of Representatives
Alaska State Legislature
State Capitol, Mail Stop 3100
Juneau, AK 99801-1182

Dear Representative Croft:

Accompanying this letter is the information that you requested about the University of Alaska's past 15-year revenue trend. The funding sources which are being reported reflect the actual rather than budgeted revenues for this time period. If for some reason this information is not responsive to your request, or if you have any questions about the information, please feel free to contact me at your convenience.

When examining the patterns associated with the University of Alaska's revenue over the past 15 years, it is extremely important that you take into consideration the factors that contributed to the growth in some of the revenue categories. Much of this revenue growth can be attributed to new costs associated with expanded research and other initiatives fully funded by federal agencies or other organizations external to the university, in addition to the simple effect that inflation has had on many of the revenue categories. Distinguishing these influences from new revenues which lessened the impact of the flat general fund appropriations over the course of the past 15 years is a complex task, but the following is intended to identify and explain these distinctions.

Three receipt categories that have grown substantially during the past 15 years are "federal receipts," "university receipts," and "indirect cost recovery." This growth reflects the success of the university in generating sponsored funds from federal agencies and other external organizations such as corporations, private foundations, other universities, and even other countries. Although these funds generate new jobs, fund information and services that benefit Alaskans, enhance the university's laboratories and equipment which many times are also made available to the University of Alaska's students, provide enriching experiences for faculty that can be shared with students and make additional assistantships available to the university's graduate students, very little of the tens of millions of dollars in new money can directly be used to lessen the effect of flat appropriations on the university's instructional programs.

One example of a major new initiative funded by both federal and university receipts is the Arctic Region Supercomputing Center (ARSC). The Center annually expends in excess of $8 million and has a staff of more than 23 people. Although substantial revenue is generated annually by the Center, all of these receipts are used to provide support for the Center. Even the increased indirect cost recoveries resulting from these grants are needed to support higher utility, administrative, and equipment costs associated with the Center. Although ARSC has been a very important research and instructional addition to the university, its millions of dollars in new revenues do not and cannot replace or substitute for foregone general fund support for the university's instructional programs.

Two other receipt categories that have grown substantially during the past 15 years are "intra-agency" and "auxiliary receipts." Intra-agency receipts reflect transactions associated with sales or services conducted within the university. These "paper transactions" do not increase the amount of cash flowing to the university, and, as such, cannot replace or substitute for flat or declining general fund appropriations.

Auxiliary receipts primarily are generated from bookstore sales and room and board charges for on-campus housing. These activities are organized in such a manner so as to enable the cost of the services to be fully recovered from the receipts that are collected. However, the goods and services are not priced for the purpose of generating net income. The growth in these receipts simply reflects the higher cost of books, food, utilities and other services passed on to the students and some increased demand for these services. As an example, the auxiliary receipts associated with the Anchorage campus almost certainly will increase by several million dollars in fiscal year 1999 when approximately 500 new beds are added to its campus housing. However, all of the auxiliary receipts will be needed to fund the operating and debt service costs associated with the new units.

Although several receipt categories provide little, if any, support for the university's instructional programs, one receipt category that does benefit the university's instructional programs and has grown by about $36.4 over the past 15 years is tuition and fees. Support for the university's instructional programs is derived from three basic sources: tuition and fees and general fund appropriations from state and local governments. Even though higher tuition rates are troubling to parents and students, increased receipts from tuition and fees have lessened the impact of the flat general fund appropriations. The question is how much have the increased tuition and fee receipts offset the impact of the general fund appropriations? Two factors which by their nature erode the benefit of the increased tuition and fee receipts are inflation and expanded services.

Overall, student credit hours have grown about 22.8% since fiscal year 1983, 8.4% since fiscal year 1986, and 14.2% since the post 1986 general fund appropriation reduction. Although at least some portion of the growth in tuition and fees during the past was needed to fund the additional course selections required by the increase in student enrollment, it is recognized that these costs did not consume all or even most of the growth in tuition revenue. The more important element to consider is the effect of inflation on university receipts during this timeframe, and this is the only element considered in the analysis which follows.

In the past, the university has widely disseminated information about the erosion in its general fund appropriation since 1986. Because some have criticized the use of 1986 as the base year for such comparisons, the following looks at the impact of reduced or flat appropriations in the 1990s with 1991 serving as the base year for comparison purposes.

Fiscal Year	General Fund Approp	GF* Real Dollars	Change From FY91	Tuition	GF & Tuition	Real Dollars	Change From FY91
91	$ 170.4	$ 170.4	$ -	$ 29.1	$ 199.5	$ 199.5	$ -
92	172.7	166.8	(5.9)	34.2	206.9	199.9	0.4
93	170.4	159.9	(10.5)	37.9	208.3	195.5	(4.0)
94	174.8	158.7	(11.7)	42.3	217.1	197.0	(2.5)
95	172.6	152.1	(18.3)	44.3	216.9	191.1	(8.4)
96	171.6	146.7	(23.7)	49.0	220.6	188.6	(10.9)
97	170.4	141.5	(28.9)	48.3	218.7	181.6	(17.9)
98	166.9	134.5	(35.9)	48.3 **	215.2	173.5	(26.0)

*Nominal dollars have been adjusted for the rate of inflation associated with the higher education price index.
**FY98 tuition and fees estimated

As the above table reflects, the last three or four appropriations have been quite devastating for the university. Although for several years increases in tuition and fees were able to mitigate the declining purchasing power of the general fund appropriations, this has not been true since fiscal year 1994. The "real" reductions in the university's purchasing power have especially been quite large during the past two fiscal years as almost two-thirds of the decline in the purchasing power of the combined revenue from tuition and fees and the appropriation has occurred during this period.

In addition to examining the impact of inflation on the university's appropriation during the 1990s, it is important that you also consider the relative amount of financial support for the University of Alaska as compared to similar states. I have enclosed a

table prepared by Research Associates of Washington, D.C. which compares the amount of financial support available to public systems of higher education nationwide. The three revenue sources captured by Research Associates for use in their study are state appropriations, local appropriations, and tuition and fees, net of scholarships and fee waivers.

From the accompanying table, I have highlighted two western states quite similar in population to Alaska: North Dakota and Wyoming. As of fiscal year 1997, North Dakota's total support for higher education from these sources exceeded Alaska's by more than $8 million while Wyoming's trailed Alaska's by about $8 million. Since Alaska was only one of two states with a declining general fund appropriation for fiscal year 1998, it is quite likely that it will trail Wyoming in next year's report while the gap associated with North Dakota will continue to widen.

One other piece of information that is available on the accompanying table is a "system support index" for each state. This index is used to estimate the impact of cost of living differences and differences in costs associated with elements affecting the delivery of higher education in the state. As you will note, Alaska, along with Hawaii, has the largest index rate at 149.5 while Wyoming is at 110.5 and North Dakota at 99.5. If you consider the impact of the cost of delivering higher education in Alaska versus North Dakota, the difference in resources available to these states grows to about $77 million more in North Dakota.

I hope that this information proves useful. Please let me know if there is anything else that you require.

Sincerely,

David K. Creamer

David K. Creamer
Vice President for Finance & Planning

DKC/pe

Enclosure

cc: Wendy Redman, Marylou Burton

University of Alaska
Actual Expenditures and Revenues by Fund Source
FY83-FY97
(In thousands)

	FY83	FY84	FY85	FY86	FY87	FY88	FY89	FY90
EXPENDITURES								
Personal Services	147,500.0	161,043.7	165,840.0	169,932.4	152,438.1	154,474.4	165,374.0	176,315.3
Other	72,622.2	73,325.5	80,940.7	83,242.4	76,906.2	83,882.9	103,084.4	120,421.7
Total Expenditures	220,122.2	234,369.2	246,780.7	253,174.8	229,344.3	238,357.3	268,458.4	296,737.0
REVENUES								
GF/GF Match/GF-MH	145,740.8	159,378.1	166,970.1	167,615.7	143,522.0	144,905.3	154,226.4	161,014.6
Science/Technology Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total State Support*	145,740.8	159,378.1	166,970.1	167,615.7	143,522.0	144,905.3	154,226.4	161,014.6
Federal Receipts	17,908.1	16,235.9	18,108.5	19,210.0	19,478.0	20,934.4	25,234.0	33,681.6
Intra-Agency Receipts	9,141.2	9,928.3	13,073.0	13,622.0	13,073.3	14,144.7	22,311.7	28,797.1
Interest Income	0.0	3,200.3	2,683.0	2,717.0	2,216.9	2,511.4	3,526.5	2,449.5
Program Receipts**	18,460.1	16,520.7	18,394.4	18,058.0	n/a	n/a	n/a	n/a
Auxiliary Receipts**	n/a	n/a	n/a	n/a	11,565.4	12,165.4	13,277.3	14,902.4
Student Tuition/Fees	11,901.5	12,687.5	14,425.1	16,277.3	18,169.4	18,004.8	19,628.1	22,533.0
Indirect Cost Recovery	5,737.8	4,896.8	4,283.8	4,999.9	4,566.1	4,732.1	5,947.9	7,465.7
University Receipts	11,232.7	9,865.9	8,842.8	8,972.7	15,403.8	19,801.5	23,105.9	24,830.9
CIP Receipts	0.0	1,655.7	0.0	1,702.2	1,349.4	1,157.7	1,200.6	1,062.2
Total Revenues	220,122.2	234,369.2	246,780.7	253,174.8	229,344.3	238,357.3	268,458.4	296,737.0

* FY98 GF and ASTF Authorizations are $164,304.5 and $2,630.0, respectively, for a total decrease in state support from FY97 of $3,409.1 or 2%.

** Prior to FY87, Program Receipts included Auxiliary Receipts as well as certain unrestricted University Receipts.

University of Alaska
Actual Expenditures and Revenues by Fund Source
FY83-FY97
(in thousands)

	FY91	FY92	FY93	FY94	FY95	FY96	FY97	% Change FY83-FY97
EXPENDITURES								
Personal Services	185,721.8	197,644.6	208,224.3	220,971.3	219,131.2	216,718.3	221,291.3	50%
Other	132,640.6	121,675.6	135,010.2	146,550.1	154,044.2	153,882.1	153,525.1	111%
Total Expenditures	318,362.4	319,320.2	343,234.5	367,521.4	373,175.4	370,600.4	374,816.4	70%
REVENUES								
GF/GF Match/GF-MH	170,434.3	168,105.5	167,409.2	171,815.6	169,513.5	168,680.0	167,693.6	15%
Science/Technology Funds	0.0	0.0	3,000.0	3,000.0	3,119.9	2,900.0	2,650.0	n/a
Total State Support*	170,434.3	168,105.5	170,409.2	174,815.6	172,633.4	171,580.0	170,343.6	17%
Federal Receipts	35,191.5	36,169.6	49,190.7	52,140.3	50,826.9	46,795.0	42,457.1	137%
Intra-Agency Receipts	29,835.1	23,276.1	23,716.1	32,485.1	34,834.6	28,422.1	28,094.4	207%
Interest Income	2,699.5	2,606.7	2,228.2	1,656.0	2,620.5	2,788.7	3,001.4	n/a
Program Receipts**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Auxiliary Receipts**	16,323.4	16,949.4	18,959.3	19,400.2	20,408.5	20,344.1	21,321.2	n/a
Student Tuition/Fees	29,076.8	34,209.7	37,904.2	42,318.3	44,281.9	48,965.1	48,275.5	306%
Indirect Cost Recovery	8,698.2	9,454.2	9,118.4	11,359.2	11,204.1	13,401.7	12,488.4	118%
University Receipts	24,557.4	26,728.4	29,543.0	30,296.2	34,080.9	35,682.3	46,543.3	314%
CIP Receipts	1,546.2	1,820.6	2,165.4	3,050.5	2,284.6	2,621.4	2,291.5	n/a
Total Revenues	318,362.4	319,320.2	343,234.5	367,521.4	373,175.4	370,600.4	374,816.4	70%

* FY98 GF and ASTF Authorizations are $164,304.5 and $2,630.0, respectively, for a total decrease in state support from FY97 of $3,409.1 or 2%.

** Prior to FY87, Program Receipts included Auxiliary Receipts as well as certain unrestricted University Receipts.

Table 3. Basic Data, 1996-97

	A	B	C	D	E	Fa	Fb	Fc	G	H	
	Population July 96 (000)	High School Grads Spr 96	Annual FTE Pub Enroll 1996-97	Taxable Resources FY 1996 (mil $)	Tax Revenue FY 1996 (mil $)	State Approp 1996-97 (mil $)	Local Approp 1996-97 (mil $)	State Res-Ag-Med App 96-97 (mil $)	Tuition Revenue 1996-97 (mil $)	Median Income of Households 1995	System Support Index 1993-94
ALABAMA	4,273	36,268	170,861	$9,283	$7,590	$951.1	$4.7	$258.4	$424.7	$25,991	97.2
ALASKA	607	5,770	17,216	$2,348	$2,196	$170.3	$0.7	$14.1	$38.7	$47,954	149.5
ARIZONA	4,428	31,774	165,724	$9,737	$9,970	$890.2	$250.0	$113.0	$330.4	$30,863	100.1
ARKANSAS	2,510	25,069	75,404	$5,187	$4,627	$482.8	$0.0	$130.6	$184.8	$25,814	91.2
CALIFORNIA	31,878	285,864	1,309,193	$90,370	$84,912	$5,847.4	$1,374.6	$547.8	$1,330.9	$37,009	102.9
COLORADO	3,823	32,807	136,260	$10,129	$9,222	$585.0	$22.6	$93.9	$444.9	$40,706	105.5
CONNECTICUT	3,274	31,319	56,659	$11,710	$12,662	$521.3	$0.0	$90.4	$208.9	$40,243	121.6
DELAWARE	725	7,858	27,225	$2,478	$1,979	$158.3	$18.9	$3.5	$176.2	$34,928	116.4
DIST COL	543	4,100	4,754	$1,770	$2,835	$0.0	$37.8	$0.0	$13.5	$30,748	115.0
FLORIDA	14,400	101,883	402,441	$34,718	$34,286	$2,112.1	$0.0	$262.6	$518.1	$29,745	83.7
GEORGIA	7,353	66,620	217,236	$18,312	$16,768	$1,561.1	$4.8	$271.9	$417.1	$34,099	99.7
HAWAII	1,184	12,482	30,633	$3,578	$4,220	$281.7	$0.0	$71.1	$51.1	$42,851	150.6
IDAHO	1,189	16,655	40,591	$2,520	$2,494	$248.5	$10.4	$26.6	$55.4	$32,676	101.9
ILLINOIS	11,847	119,146	359,976	$34,212	$32,675	$1,953.1	$440.5	$416.4	$509.7	$38,071	96.1
INDIANA	5,841	60,190	173,498	$14,237	$13,896	$969.3	$0.0	$142.5	$571.5	$33,385	104.7
IOWA	2,852	34,151	106,108	$6,876	$7,300	$675.2	$27.0	$112.4	$300.0	$35,519	106.5
KANSAS	2,572	27,866	100,292	$6,474	$6,630	$525.5	$125.1	$148.5	$224.7	$30,341	100.4
KENTUCKY	3,884	39,638	115,007	$6,644	$6,299	$679.1	$0.0	$222.4	$260.3	$29,810	102.5
LOUISIANA	4,351	43,161	136,135	$10,260	$8,340	$545.9	$0.0	$150.4	$330.6	$27,949	96.9
MAINE	1,243	14,063	27,154	$2,832	$3,275	$175.4	$0.0	$10.2	$100.6	$33,856	100.6
MARYLAND	5,072	48,257	155,231	$14,378	$14,945	$805.5	$138.3	$211.0	$479.2	$41,041	100.7
MASS	6,092	56,057	114,327	$19,207	$19,243	$799.2	$0.0	$32.8	$317.3	$38,574	111.0
MICHIGAN	9,594	87,605	313,844	$24,910	$27,230	$1,598.5	$290.0	$207.0	$1,372.5	$36,426	97.7
MINNESOTA	4,658	54,104	157,291	$12,835	$14,024	$1,029.4	$0.0	$156.8	$404.4	$37,933	101.8
MISSISSIPPI	2,715	26,705	117,773	$3,161	$4,958	$603.4	$29.3	$188.8	$216.0	$26,536	91.1
MISSOURI	5,359	54,531	130,247	$13,204	$11,061	$749.2	$76.2	$96.1	$491.0	$34,825	98.9
MONTANA	879	10,589	33,105	$1,816	$1,877	$125.7	$2.6	$11.1	$84.3	$27,757	100.1
NEBRASKA	1,652	19,619	66,770	$4,202	$4,176	$402.6	$53.8	$132.8	$124.5	$32,929	101.7
NEVADA	1,603	10,374	37,276	$4,459	$3,854	$238.8	$0.0	$25.9	$46.7	$36,084	94.8
NEW HAMP	1,162	11,513	27,463	$3,202	$2,787	$86.0	$0.0	$4.3	$109.0	$39,171	99.7
NEW JERSEY	7,986	79,409	181,622	$28,666	$28,564	$1,306.8	$165.7	$310.2	$576.4	$43,924	108.2
NEW MEXICO	1,713	16,859	62,808	$3,676	$3,907	$418.2	$41.3	$66.7	$96.6	$25,991	118.5
NEW YORK	18,185	159,100	422,139	$57,815	$78,685	$2,349.7	$337.0	$467.9	$1,111.2	$33,026	107.6
NO CAROLINA	7,323	59,670	237,822	$18,238	$16,783	$1,788.1	$87.7	$365.9	$385.9	$31,979	93.8
NO DAKOTA	644	8,492	30,917	$1,450	$1,455	$154.3	$0.0	$33.8	$64.0	$29,089	89.6
OHIO	11,173	119,044	336,050	$28,418	$27,488	$1,678.5	$73.6	$281.7	$1,120.4	$34,941	102.0
OKLAHOMA	3,301	33,714	111,504	$6,997	$6,758	$731.8	$18.7	$187.5	$221.4	$26,311	90.4
OREGON	3,204	28,668	99,039	$7,640	$7,857	$473.4	$73.7	$98.0	$264.7	$36,374	99.3
PENN	12,056	122,610	279,669	$31,622	$31,715	$1,410.8	$81.4	$77.4	$1,273.4	$34,524	107.1
RHODE ISLAND	990	9,033	24,776	$2,597	$2,788	$134.9	$0.0	$0.0	$108.8	$35,250	109.7
SO CAROLINA	3,699	34,274	125,362	$8,134	$7,413	$687.9	$26.2	$189.6	$355.0	$29,071	92.5
SO DAKOTA	732	8,950	21,375	$1,707	$1,474	$108.8	$0.0	$21.1	$63.8	$29,578	94.1
TENNESSEE	5,320	46,265	155,466	$12,826	$10,228	$897.0	$0.0	$169.2	$317.8	$29,015	93.2
TEXAS	19,128	180,483	628,150	$47,837	$41,852	$3,664.0	$312.3	$1,000.0	$1,174.1	$32,039	89.6
UTAH	2,000	28,897	83,379	$4,156	$4,116	$456.4	$0.0	$34.9	$148.1	$36,480	100.9
VERMONT	589	5,897	15,162	$1,404	$1,618	$45.4	$0.0	$8.1	$135.1	$33,824	131.8
VIRGINIA	6,675	61,966	217,712	$18,215	$15,913	$1,023.6	$8.7	$113.7	$670.8	$35,222	99.9
WASHINGTON	5,533	53,168	194,795	$15,099	$15,587	$1,061.9	$0.0	$106.8	$330.8	$35,568	98.5
WEST VIRGINIA	1,826	21,149	60,822	$3,628	$3,766	$302.5	$0.0	$108.1	$153.5	$24,880	103.3
WISCONSIN	5,160	57,511	179,836	$12,967	$15,410	$958.9	$197.7	$126.7	$441.0	$40,956	95.2
WYOMING	481	5,886	23,867	$1,338	$1,344	$145.4	$12.9	$11.3	$43.8	$31,529	110.5
U S	265,284	2,512,884	8,315,201	$701,347	$702,845	$46,609.8	$4,337.2	$7,890.3	$19,235.2	$34,076	100.0