



University of Alaska Consolidates Campuses After Budget Cuts

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The Alaska public higher education system is consolidating its three separate universities into one in the wake of a 41 percent cut in state taxpayer funding.

Gov. Mike Dunleavy stunned the university world by cutting annual expenditures for the University of Alaska by \$130 million, adding to earlier cuts by the legislature.

Alaska spends \$16,391 per higher-education student, more than double the national average of \$7,642, Dunleavy noted in a June 29, 2019 budget memo.

The state's university system has "extensive duplicative programs," including two engineering schools and two business schools, Dunleavy stated. More than half the university staff are "administrative or support in nature," instead of teaching or conducting research.

Dunleavy made the cut to ensure substantial payouts from the Alaska Permanent Fund, which gives a stipend to every Alaska resident, but he did not hesitate to say the university system was overspending.

States Consolidating Colleges

Most state higher education systems do not have to deal with such severe budget cuts, but consolidations are occurring elsewhere.

The University of Wisconsin System is merging 13 community colleges into seven of its regional four-year universities. In Kansas, Wichita Area Technical College, a two-year public college, became part of Wichita State University in 2018. In Georgia, Armstrong State University in Savannah has merged with Georgia Southern University, which is about 50 miles away. In Vermont, Johnson State College merged with Lyndon State College, about 55 miles distant.

The online newsletter Education Dive has compiled the number of closures and mergers of nonprofit private and public colleges and universities in the United States since 2016. As of August 2, 2019, 85 schools had closed, merged, or announced plans to do so. Fifty-three of these schools were private, and 32 were public. Ten of the public institutions were part of the consolidation in Wisconsin.

Declining Enrollment

Until recently, attention to potential closures has focused mostly on small schools where declining enrollment can hit hard. Such schools depend on tuition because they don't have large endowments, significant state support, or federal research money. Similarly, cost concerns explain mergers and consolidations among public universities, says Jenna Robinson, president of the James G. Martin Center for Academic Renewal.

"University mergers, whether public or private, are almost always driven by financial concerns," Robinson said.

"In some cases, it's simply an effort to increase efficiency," Robinson said. "In Alaska's case, the merger was obviously born out of an acute financial crisis. But in both cases, decisions were driven by costs."

Shaky Financial Support

As illustrated by the Alaska experience, government support for universities may be shakier than in the past. The State Higher Education Executive Officers Association (SHEEO) reports annually on financial support of state universities.

After a brief decline, state legislatures have reached and now exceed the annual expenditures on universities in the pre-recession year of 2008, in current dollars. However, when measured in inflation-adjusted spending per student, on average state support is 11.2 percent less than in 2008, SHEEO says.

Declining enrollment is a factor. The number of students at Alaska's three universities has fallen by 19 percent since 2012, Dunleavy says. The number of students at Wisconsin's community colleges fell by 32 percent between 2010 and 2017.

'Empire-Building Incentive'

Although some of these consolidations might be necessary for fiscal reasons, some will not actually reduce expenditures, says Neal McCluskey, director of the Center for Educational Freedom at the Cato Institute.

"One motive may be achieving economies of scale due to tough fiscal times, or having overspent for too long," McCluskey said.

"There is also likely an impetus to centralize control over institutions regardless of the budgetary situation," McCluskey said. "People just assume a single system will be more efficient, without considering the increasing bureaucracy that comes with bigger organizations."

There could also be status-seeking behind the urge to consolidate state university systems, McCluskey says.

"It may also be seen as elevating the prestige of smaller schools, especially community colleges, if they suddenly become part of the state university system," McCluskey said. "And there could be an empire-building incentive for those who would be in charge of bigger, consolidated university systems."

Outsourcing for Solvency

Uniting institutions can cut costs if designed well, Robinson says.

“By combining, two small universities can offer students what they want and improve their per-student costs,” Robinson said. “Mergers within the University of Georgia system showed that if it's done right, a merger can improve student outcomes and save money.”

There are other ways for colleges to make ends meet, Robinson says.

“Schools that don't want to merge could explore outsourcing some services as a way to stay solvent,” Robinson said. “Outsourcing can decrease a school's overhead costs considerably.

“Other schools—like Belmont Abbey in North Carolina—have found that cutting tuition works to attract more students,” Robinson said.

‘Laboratories of Democracy’ Work

Some states will decentralize schools to make them nimbler, McCluskey says. About 15 years ago, the Commonwealth of Virginia gave the University of Virginia, Virginia Tech, and William and Mary more autonomy.

“In other words, I suspect we will see laboratories of democracy continue to work as different states address a changing country and world in different ways,” McCluskey said.