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Summary: University of Alaska; Higher Education, Public Coll/Univ - Unlimited Student Fees

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Credit Profile

US\$11. mil gen rev bnds ser 2003M due 04/01/2030

AA-
Sale date: 17-DEC-2003

AFFIRMED

\$2.120 mil. Univ of Alaska
AA-

\$9.820 mil. Univ of Alaska gen rev bnds ser 1998H dtd 12/01/1998 due 10/01/2007-2018 2023
AAA/AA-(SPUR)

\$12.050 mil. Univ of Alaska gen rev bnds ser 1999J dtd 04/01/1999 due 10/01/1999-2017
AAA/AA-(SPUR)

\$32.425 mil. Univ of Alaska gen rev bnds ser 2002K dtd 07/01/2002 due 10/01/2002-2022 2028
AAA/AA-(SPUR)

OUTLOOK:
STABLE

Rationale

The 'AA-' rating on University of Alaska's (UA) general revenue bonds is based on:

- The university's position as the sole provider of public higher education in Alaska,
- Improved student demand trends,
- Good historical levels of state support, and
- A stable financial profile characterized by historically balanced operating budgets and low debt levels.

Offsetting factors include challenges due to Alaska's geographic isolation and high, although improving, out-migration rate of college-bound students. In addition, the university has relatively low levels of unrestricted funds.

Proceeds will primarily fund the acquisition and partial renovation of a lab, office building, and land in Juneau; land acquisition in Anchorage; construction of the UA Fairbanks (UAF) Institute of Arctic Biology logistics facility; and the renovation of the UAF Tanana Valley Campus Hutch Career Center. Additionally, the university will refinance a deed of trust note.

The University of Alaska system has no in-state competition and consists of campuses in Anchorage, Fairbanks, and Juneau as well as more than 100 extension and research sites. Total headcount was 28,961 in fall 2003, nearly a 15% increase from fall 1999 when enrollment started to drop. Applications continue to rise, with over 5,000 received from prospective first-year students for fall 2003. Operating appropriations remain the largest source of the university system's diversified revenue sources at 42% in 2003 and 45% in 2002. Total university net assets (UNA) were \$782.5 million as of June 30, 2003, of which \$40.8 million was unrestricted. UNA, including the UA Foundation's UNA, was a slim 12.5% of operating expenses and a good 53% of pro forma debt.

For a more detailed review of the university's demand trends and finances, please see the Nov. 14, 2003 analysis, available on RatingsDirect, Standard & Poor's Web-based credit reference system.

Outlook

The stable outlook anticipates that the system will strive toward balanced financial operations and grow unrestricted resources. In addition, student demand trends are expected to grow incrementally. New debt issuance is not

contemplated for at least a year.

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