



Item: AF: I-8

AUDIT AND FINANCE COMMITTEE

Wednesday, October 24, 2007

SUBJECT: HISTORICAL PERSPECTIVE OVERVIEW ON FUNDING AND BUDGET REDUCTIONS.

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

This overview will provide historical funding per FTE and Credit Hour, as well as a listing of budget reductions. This item was briefly discussed during the August 28, 2007 Audit and Finance Committee conference call.

IMPLEMENTATION PLAN/DATE

Not Applicable.

FISCAL IMPLICATIONS

Funding reductions limit the University's ability to fulfill strategic goals and objectives.

Supporting Documents: History of Budget Reductions; Funding per FTE; Cost Increase 2001-2007; CPI vs HEPI; History of Budget per Credit Hour; CPI E&G Dollars; HEPI E&G Dollars; and, National and Florida Trends in Higher Education.

Presented by: Dr. Kenneth A. Jessell

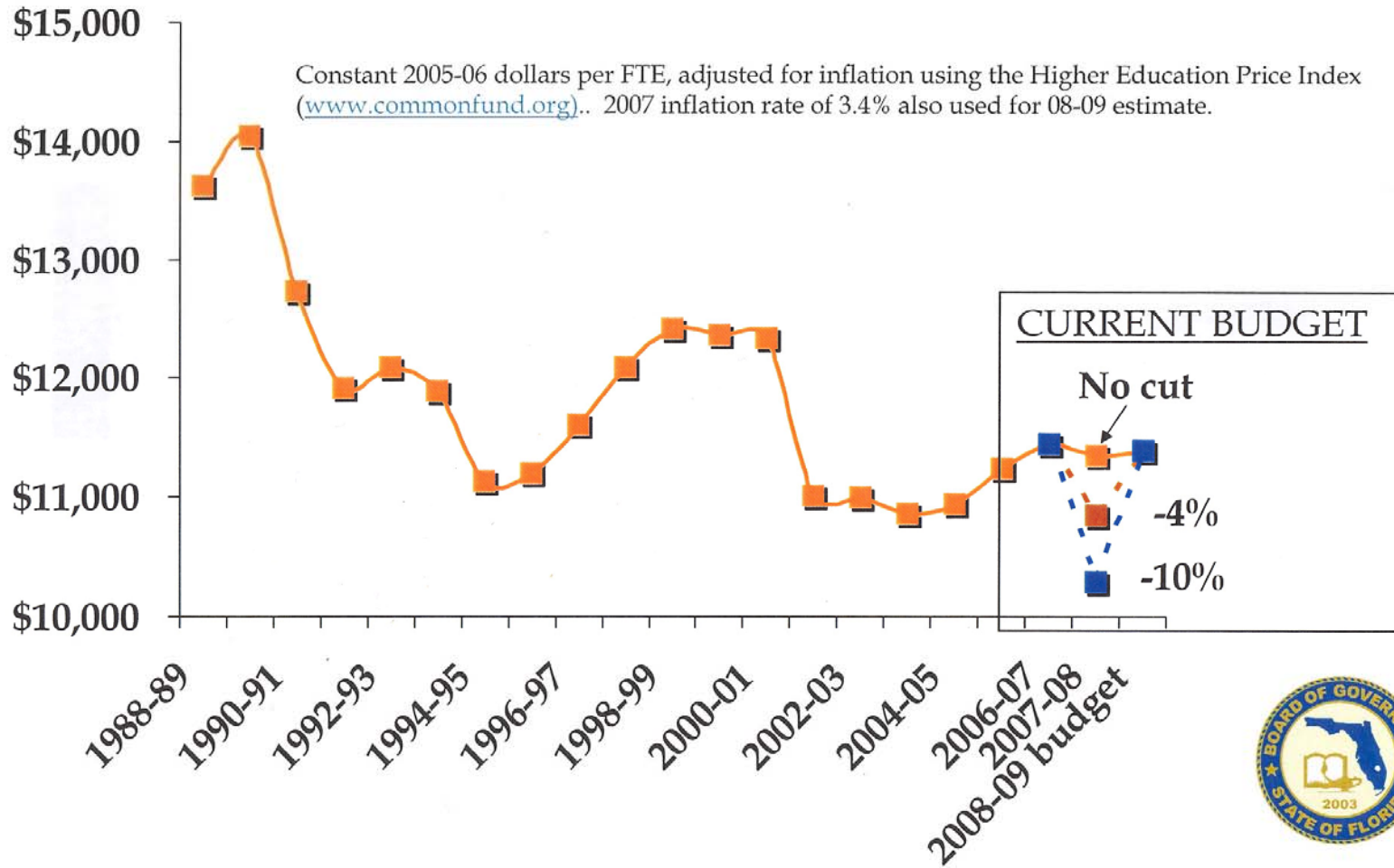
Phone: 561-297-3266

FLORIDA ATLANTIC UNIVERSITY

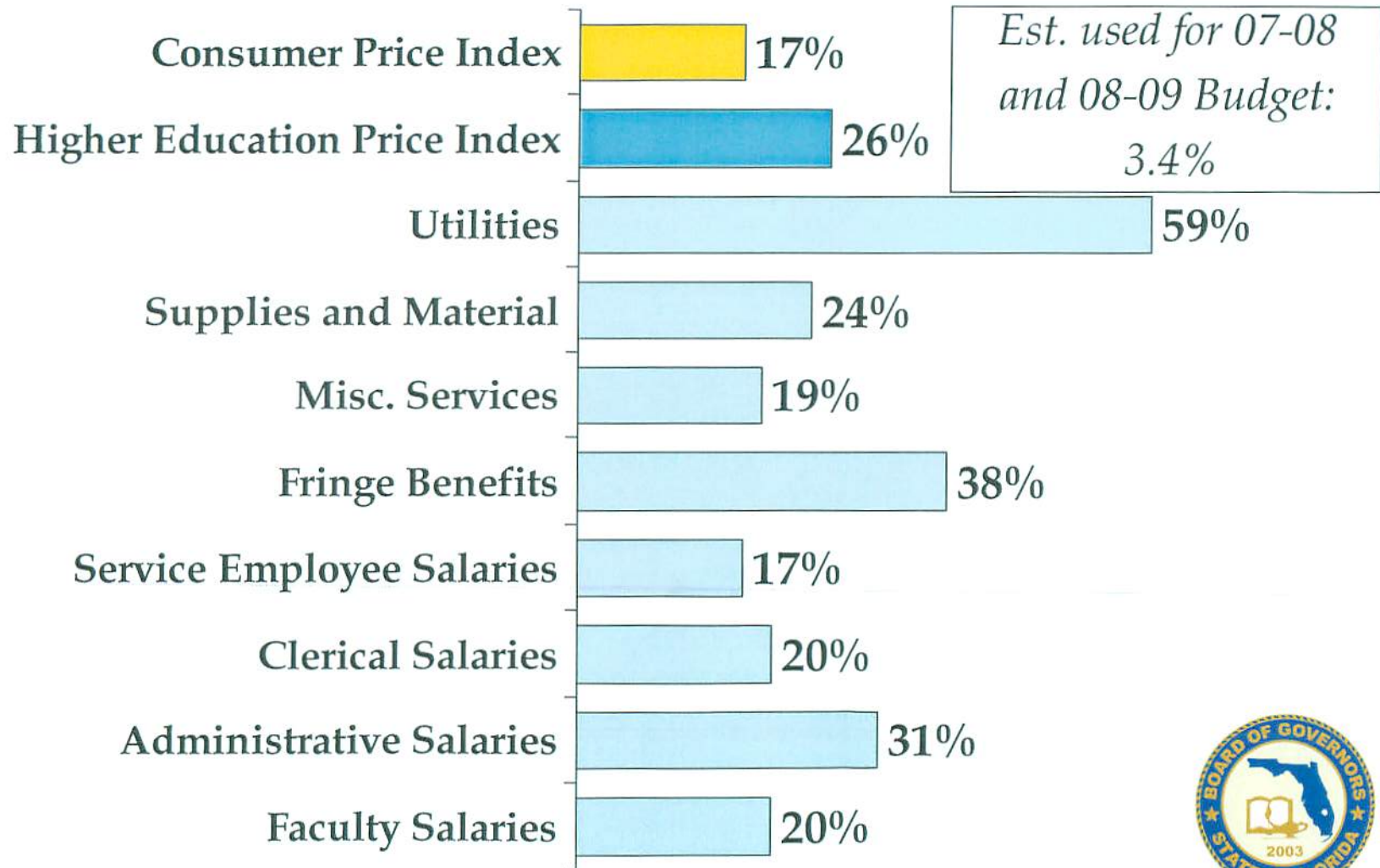
HISTORY OF REDUCTIONS IN RECURRING FUNDING 1991-92 TO 2007-08

Fiscal Year	Funding Reduction	Comments
1991-92	(\$ 8,245,317)	General Revenue Reduction
1992-93	(\$ 213,488)	Lottery Reduction
1993-94	(\$ 1,328,845)	Lottery, Efficiencies, Priorities Reallocation
1994-95	(\$ 377,035)	Redirect Classroom Activities
1995-96	(\$ 2,195,108)	Administrative Reductions, Lottery, Public Service, Distance Learning, Excess SCH
1996-97	(\$ 996,798)	General Revenue Reduction, Public Service, Efficiencies, Excess SCH
1997-98	(\$ 220,430)	Lottery, Efficiencies
1998-99	(\$ 641,447)	Lottery, SAMAS User Fee
1999-00	(\$ 1,181,868)	Lottery, Administrative Reductions, Corridor Reduction, Performance Incentives
2000-01		None
2001-02	(\$ 2,933,805)	Administrative Reductions, Lottery, Employee Courses, University Infrastructure, Class C Travel
2002-03	(\$ 7,083,583)	Session C – Recurring
2003-04	(\$ 3,329,073)	General Revenue Reductions, Change in Student Mix
2004-05	(\$ 592,205)	Change in Student Mix
2005-06		None
2006-07		None
2007-08	<u>(\$ 7,530,348)</u>	General Revenue Reductions, Change in Student Mix
Total	(\$ 36,869,350)	

Total Funding per Full-Time Equivalent Student, History & Proposed Budget



College & University Cost Increases 2001-2007, U.S. Averages



Consumer Price Index versus Higher Education Price Index

The Consumer Price Index (CPI) reports on purchasing power of the buyer by observing changes in prices paid for food, clothing, shelter, transportation and other goods and services that people buy for day-to-day living – family purchasing power. Such an index may not be appropriate for industries or commercial and business enterprises that buy substantially different goods and services involving different price changes; each sector is usually sufficiently unique to require its own measure of inflation.

The Higher Education Price Index (HEPI), an inflation index designed specifically for higher education, is a more accurate indicator for colleges and universities than the CPI. It is published by Research Associates of Washington, D. C. and has been utilized to measure inflation in higher education since 1961. HEPI measures the average relative level in the prices of a fixed market basket of goods and services purchased by colleges and universities each year (excluding expenditures for research).

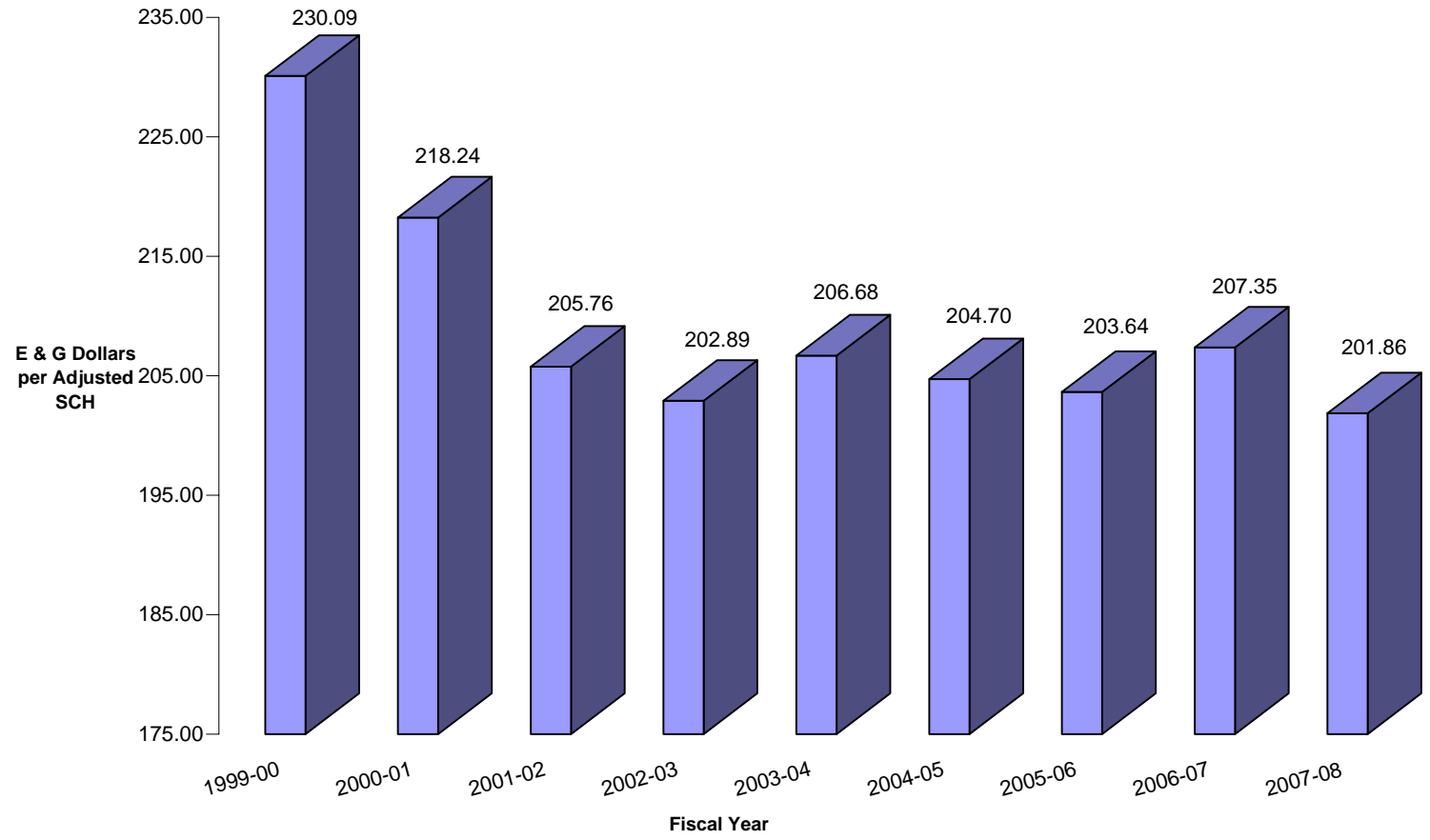
HEPI is based on the price data for 25 budget components: including professional salaries and fringe benefits for faculty and administrators and other service personnel; non-professional wages; salaries and fringe benefits for clerical, technical, service and other non-professional personnel; contracted service such as data processing; communication; transportation; equipment, library acquisitions; and utilities.

Sources: College and University, Higher Education Price Index, 2004 Update (website) and www.commonfund.org

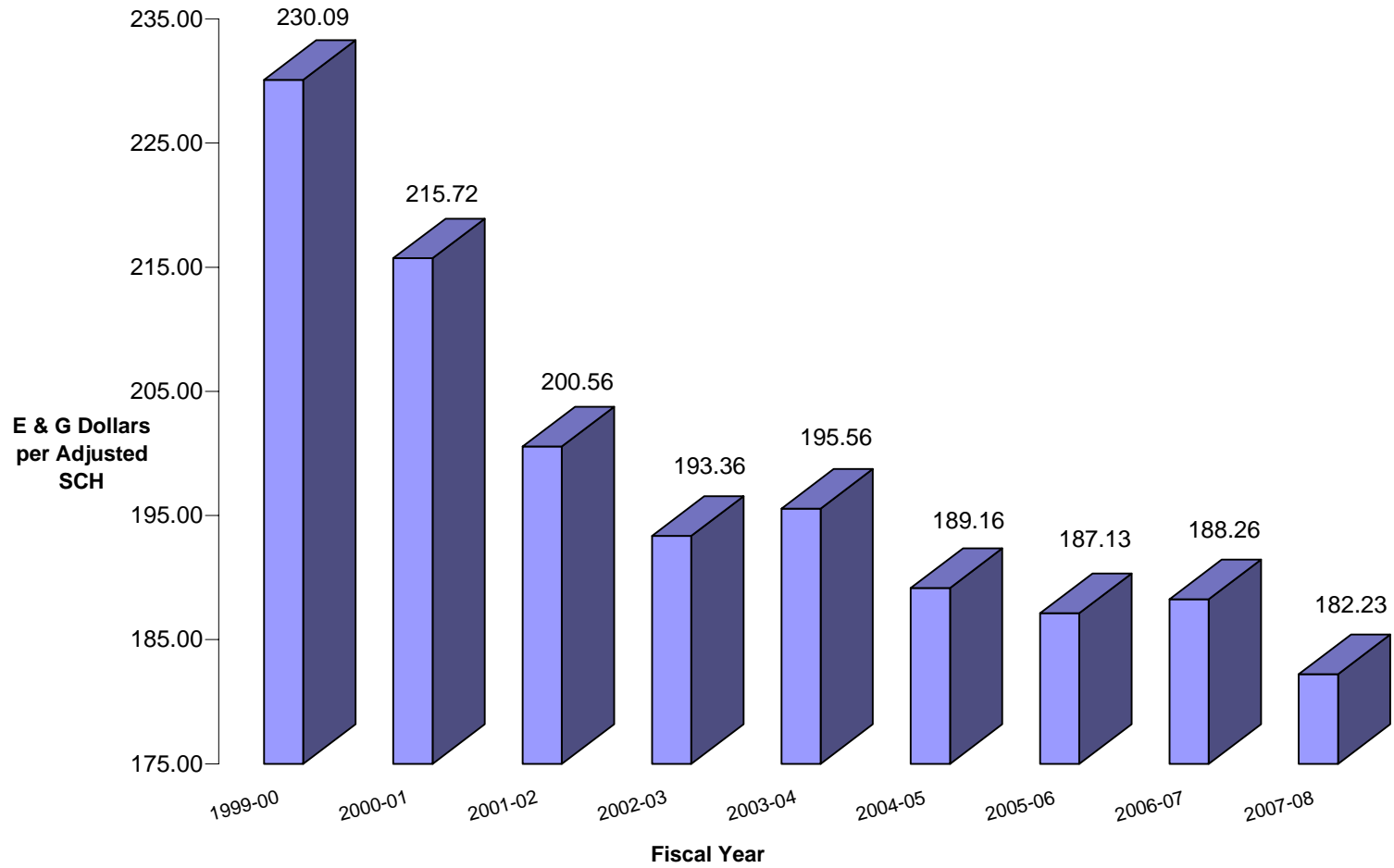
**History of Student Credit Hours, FAU Operating Budgets, Special Allocations and CPI/HEPI Adjustments
1999-00 to 2007-08 (estimated)**

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Funded Student Credit Hours									
Lower	133,239	137,200	143,753	162,441	162,441	177,640	180,561	186,680	189,121
Upper	244,441	245,080	265,620	281,800	281,800	304,720	315,840	326,481	331,920
Graduate I	45,183	45,375	50,077	54,337	54,337	62,463	60,064	60,543	61,984
Graduate II	3,552	5,760	5,760	7,328	7,328	8,416	8,415	8,415	9,024
Total	426,415	433,415	465,210	505,906	505,906	553,239	564,880	582,119	592,049
Adjusted Credit Hours									
Lower = 1.00	133,239	137,200	143,753	162,441	162,441	177,640	180,561	186,680	189,121
Upper = 1.263	308,729	309,536	335,478	355,913	355,913	384,861	398,906	412,346	419,215
Graduate I = 2.387	107,852	108,310	119,534	129,702	129,702	149,099	143,373	144,516	147,956
Graduate II = 3.367	11,960	19,394	19,394	24,673	24,673	28,337	28,333	28,333	30,384
Total	561,779	574,440	618,159	672,730	672,730	739,937	751,173	771,875	786,676
University Operating Expenditure Budget	150,859,867	153,425,321	162,808,925	173,012,357	183,150,784	203,504,317	212,045,779	234,887,611	260,637,592
Less:									
4% base reduction August 2007									(6,960,314)
Plant, Operations & Maintenance	(11,985,015)	(12,167,357)	(14,083,399)	(13,879,983)	(14,866,895)	(16,957,304)	(18,380,295)	(21,241,048)	(21,529,898)
Library/Learning Resources	(9,615,576)	(11,177,112)	(11,389,001)	(10,488,262)	(11,415,232)	(12,401,087)	(13,412,560)	(14,127,295)	(14,943,288)
Non-Credit Producing Operations									
Challenge Grant					(2,978,152)				
Medical Sciences FAU/UM		(1,050,000)				(2,300,000)	(2,000,000)	(5,000,000)	(4,700,000)
Harbor Branch Marine Science			(950,000)	(750,000)					(8,500,000)
BioMedical			(1,000,000)						
Florida Institute for Advancement of Teaching Profess									(500,000)
St Lucie Charter School						(500,000)			
Center for Disaster & Emergency Health Care								(750,000)	
Florida Israel Institute								(200,000)	(50,000)
Torrey Pines									(6,000,000)
Net Operating Budget	129,259,276	129,030,852	135,386,525	147,894,112	153,890,505	171,345,926	178,252,924	193,569,268	197,454,092
\$ Per Adjusted Credit Hour	230.09	224.62	219.02	219.84	228.76	231.57	237.30	250.78	251.00
Consumer Price Index (1984=100)	167.6	172.5	178.4	181.6	185.5	189.6	195.3	202.7	208.4
CPI Adjusted Net Operating Budget	129,259,276	125,365,628	127,190,480	136,492,584	139,040,693	151,464,015	152,970,763	160,050,367	158,797,053
CPI Adjusted \$ Per Credit Hour	230.09	218.24	205.76	202.89	206.68	204.70	203.64	207.35	201.86
Net Operating Budget	129,259,276	129,030,852	135,386,525	147,894,112	153,890,505	171,345,926	178,252,924	193,569,268	197,454,092
\$ Per Adjusted Credit Hour	230.09	224.62	219.02	219.84	228.76	231.57	237.30	250.78	251.00
CPI for higher education as represented by Higher Education Price Index (HEPI)	189.1	196.9	206.5	215	221.2	231.5	239.8	251.9	260.5
HEPI Adjusted Net Operating Budget	129,259,276	123,919,422	123,978,653	130,078,031	131,558,293	139,963,346	140,565,588	145,311,427	143,353,718
HEPI Adjusted \$ Per Credit Hour	230.09	215.72	200.56	193.36	195.56	189.16	187.13	188.26	182.23

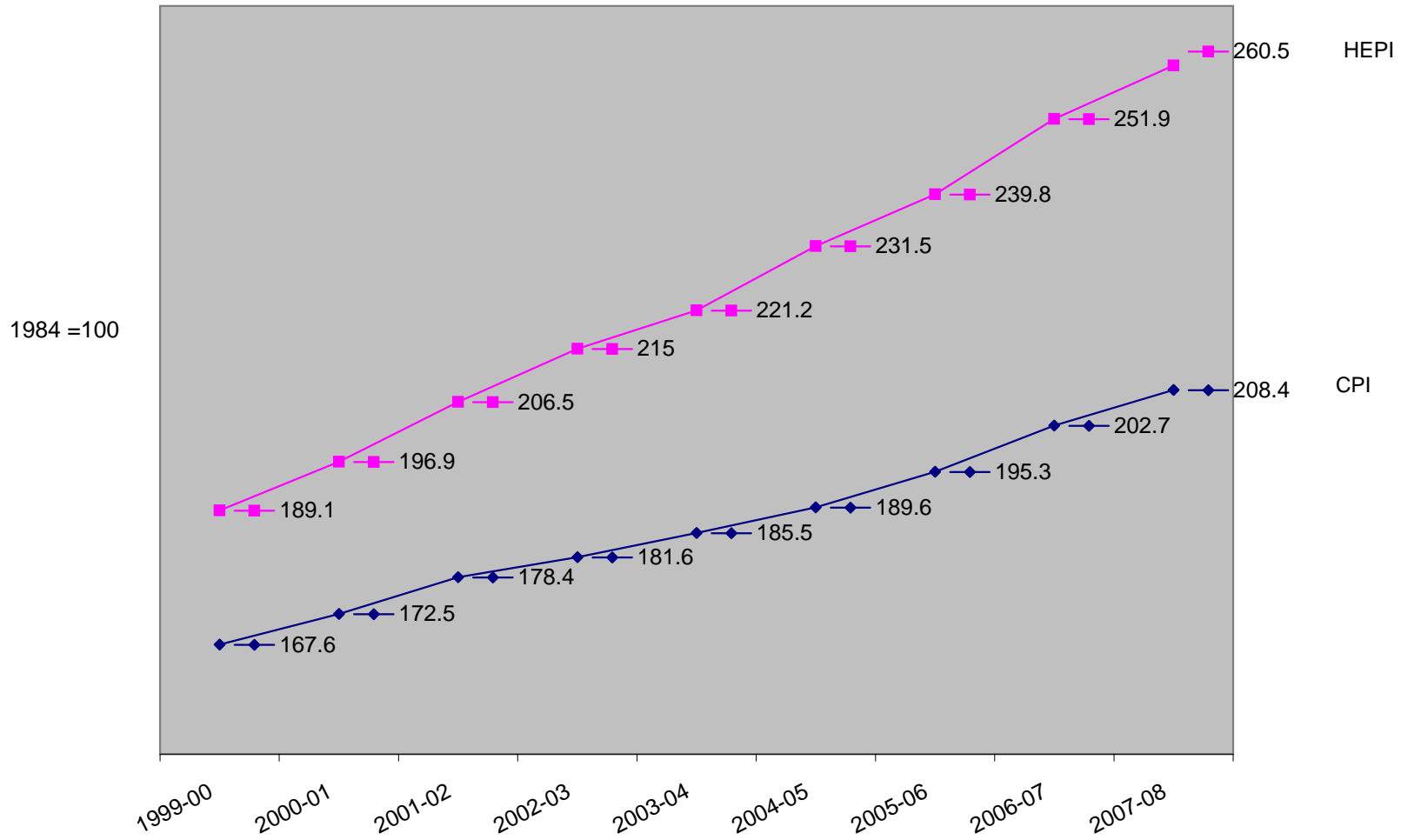
**E & G Dollars per Adjusted SCH
Utilizing the Consumer Price Index
1999-2000 to 2007-08**



**E & G Dollars per Adjusted SCH
Utilizing the Higher Education Price Index
1999-2000 to 2007-08**



Consumer Price Index (CPI) Compared to the Higher Education Price Index (HEPI)





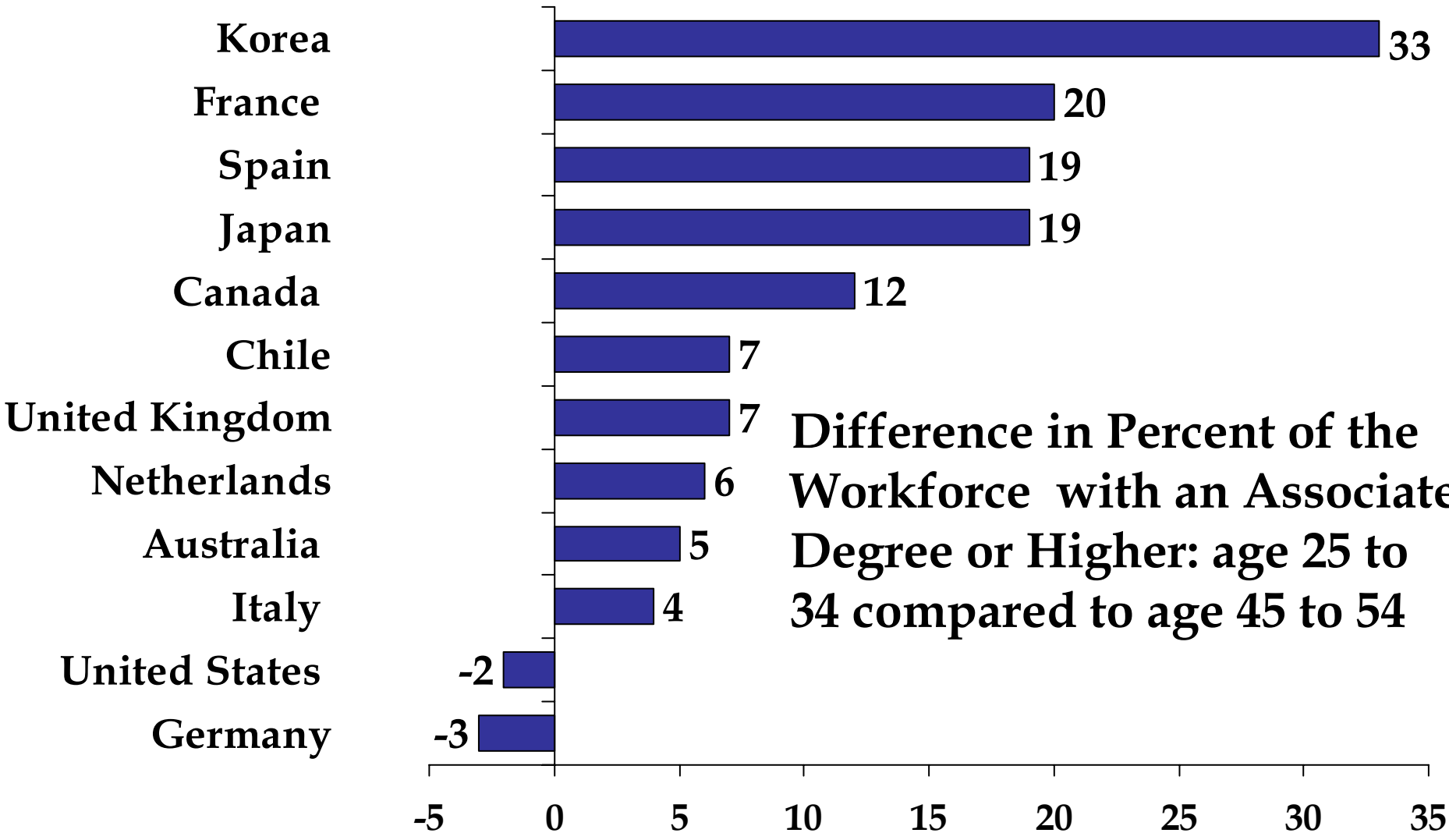
National and Florida Trends in Higher Education

**Dr. Lawrence Abele, Provost and Executive Vice President for
Academic Affairs, FSU**

Dr. Mark Rosenberg, Chancellor, State University System of Florida

August 8, 2007

The Next Generation of U.S. Workers May Not Be Economically Competitive



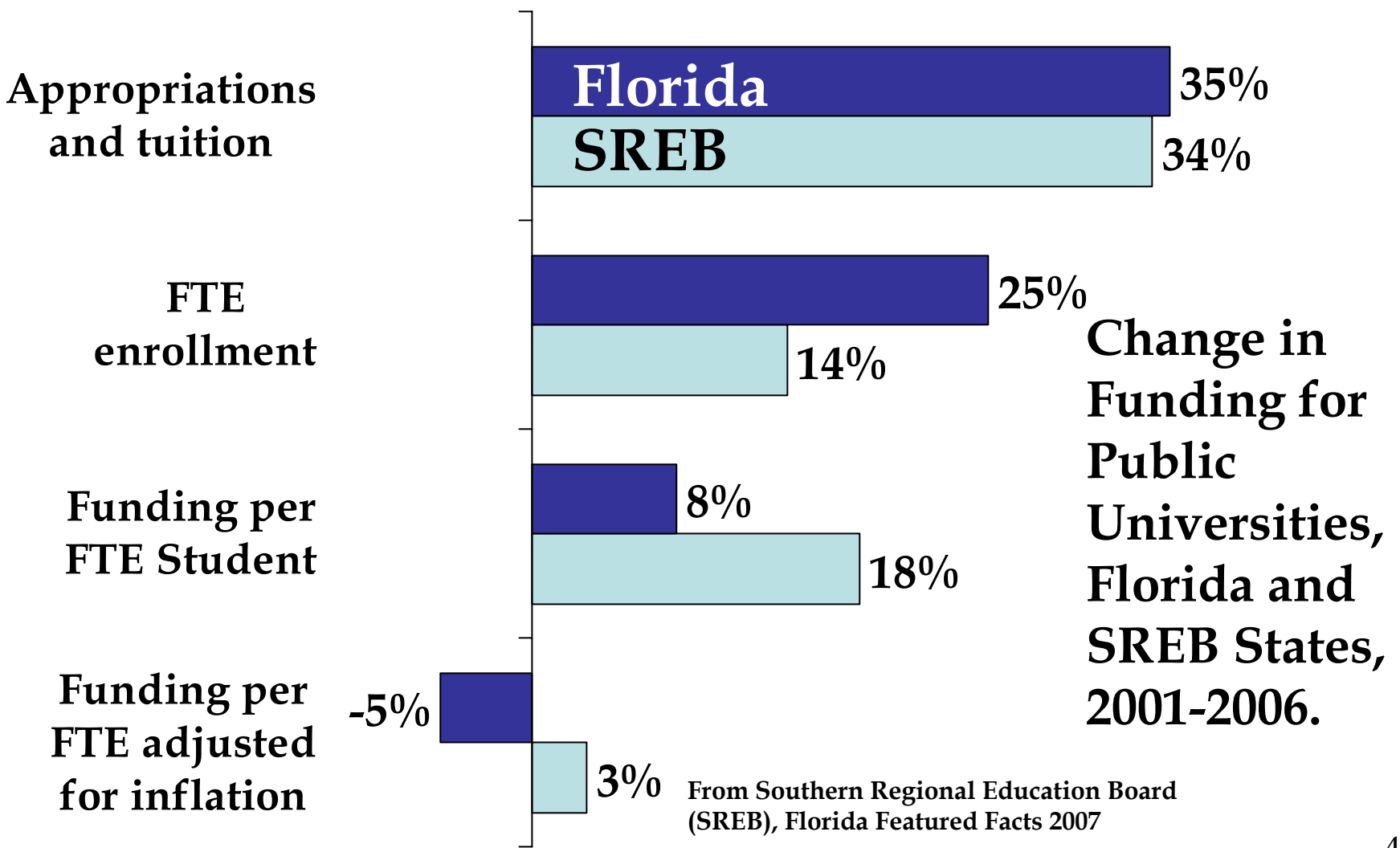
Difference in Percent of the Workforce with an Associate Degree or Higher: age 25 to 34 compared to age 45 to 54

Education Generates Income and Builds the State's Economic Base

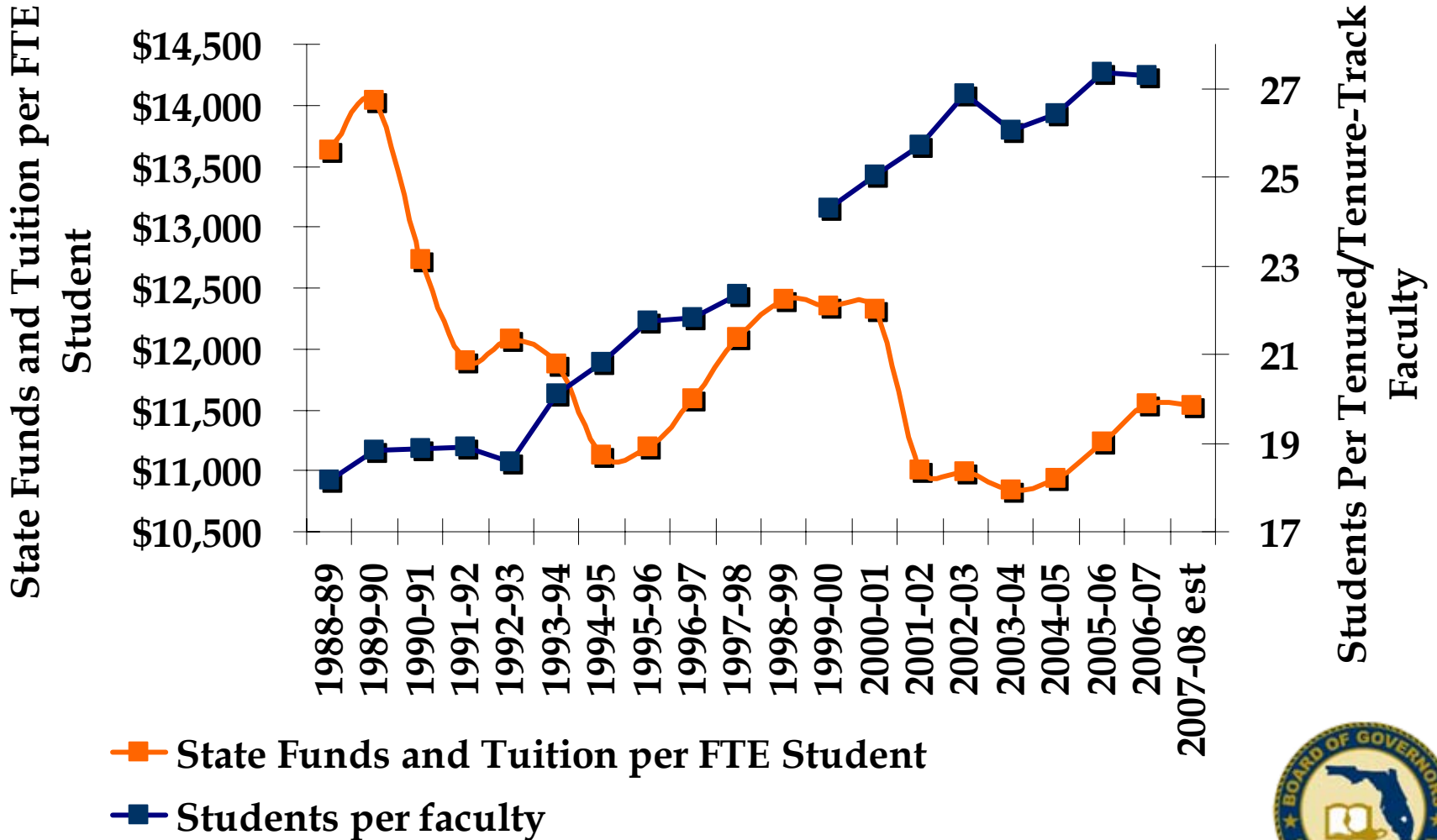
- **\$20,000 annually in additional earnings over HS Diploma**
- **= \$2,000 more in annual state/local taxes.**
- **= \$50,000 more in state/local taxes over 25 years.**
- **50,000 annual degrees = \$25 billion more in career income, \$2.5 billion in long-term state/local tax revenue.**

Source: BOG Staff Estimates using data from *Digest of Education Statistics 2006*, Implicit Florida state/local tax rate of 10% from www.taxfoundation.org

Florida's Investment Has Not Kept Pace With Growth, While Most Southern States Have Gained

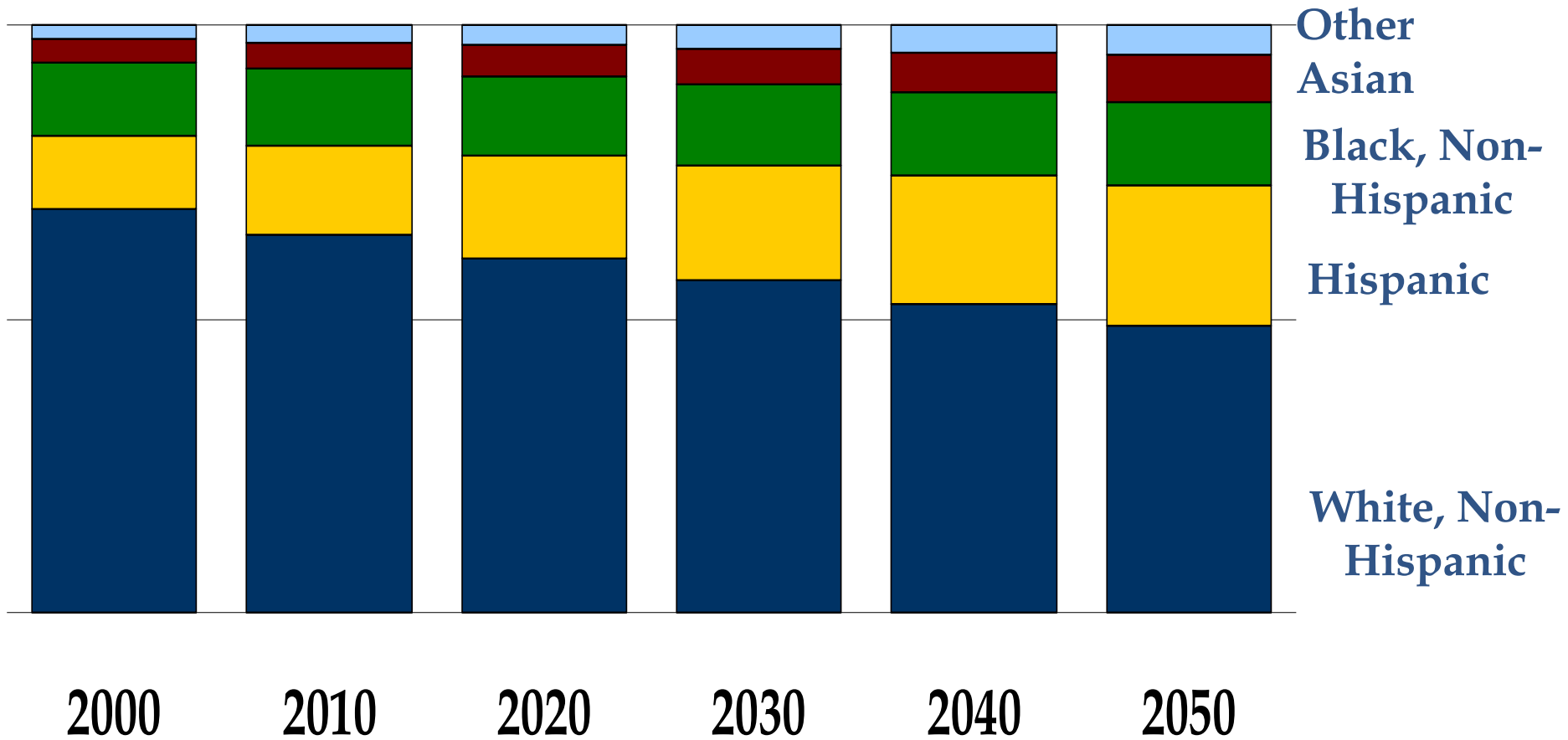


Funding Has Not Kept Pace with Costs or Enrollment Growth



Constant 2005-06 dollars, adjusted using the Higher Education Price Index at www.commonfund.org. Full- and part-time tenured and tenure track and multi-year contract faculty

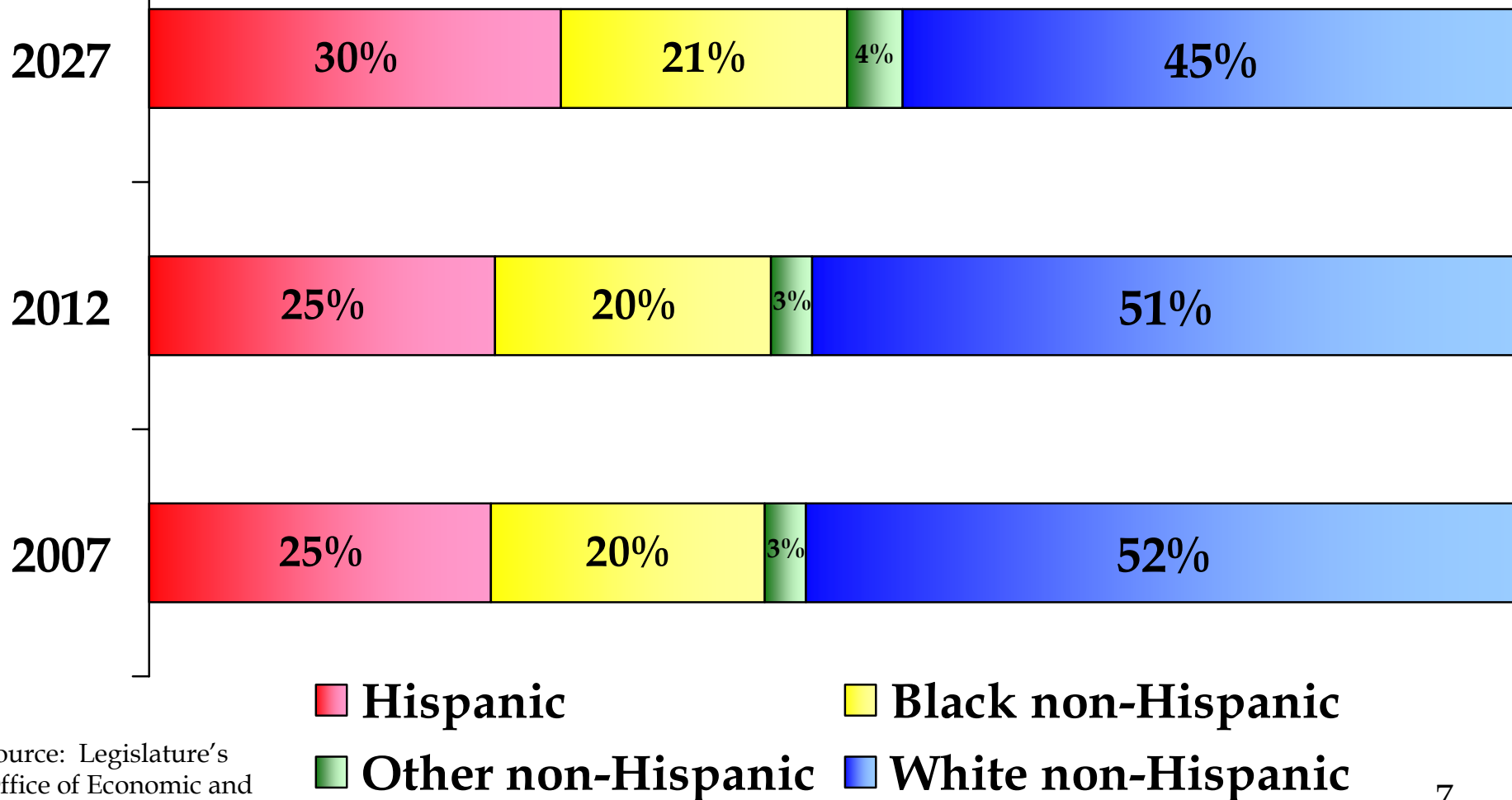
Composition of the U.S. Population, 2000 to 2050



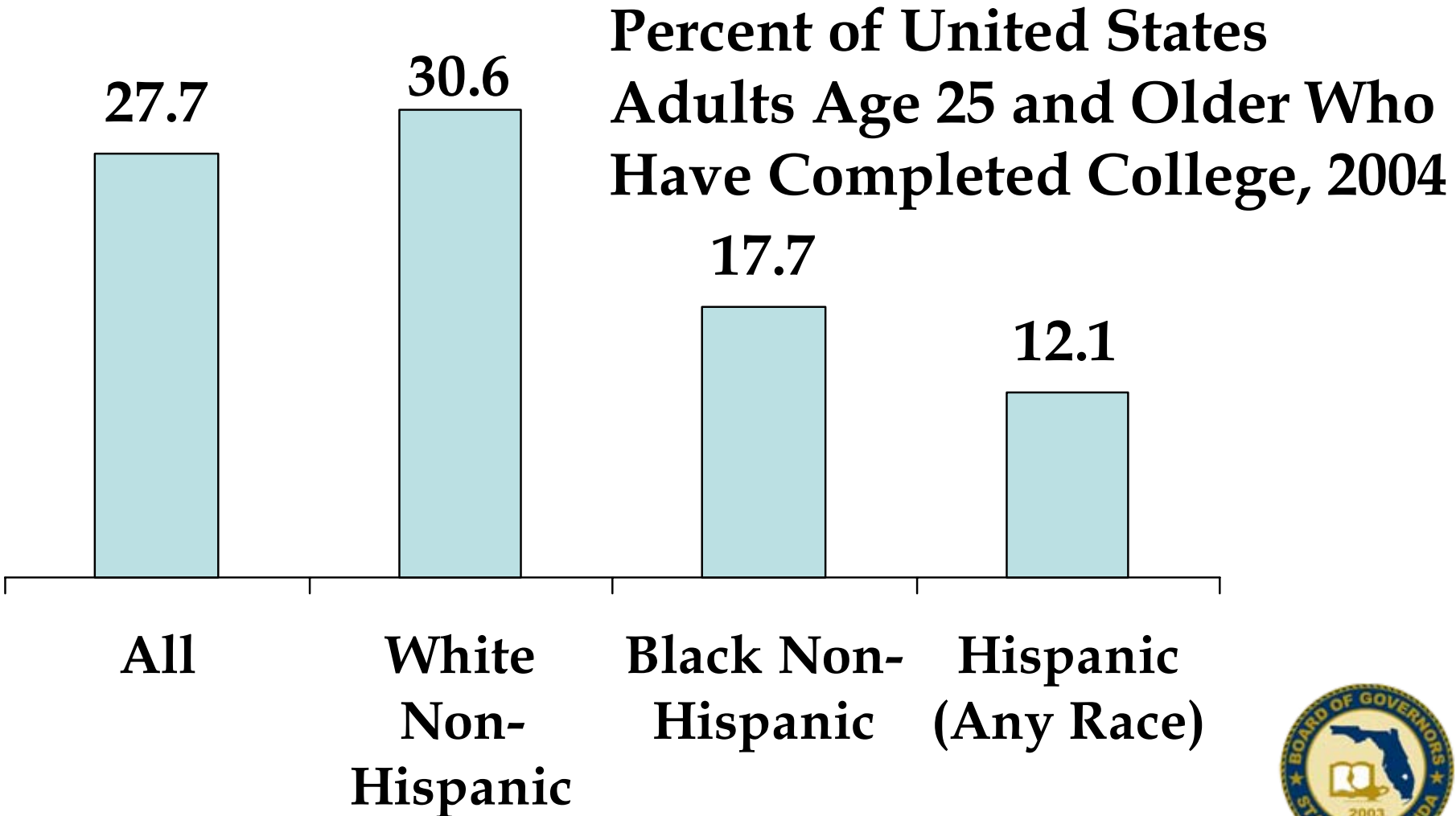
Source: United States Census Bureau

Florida's College-Age Population Is Becoming Even More Diverse

18-34 Population by Race/Ethnicity



Degree Attainment Rates are Too Low For All Citizens



Source: U.S. Census

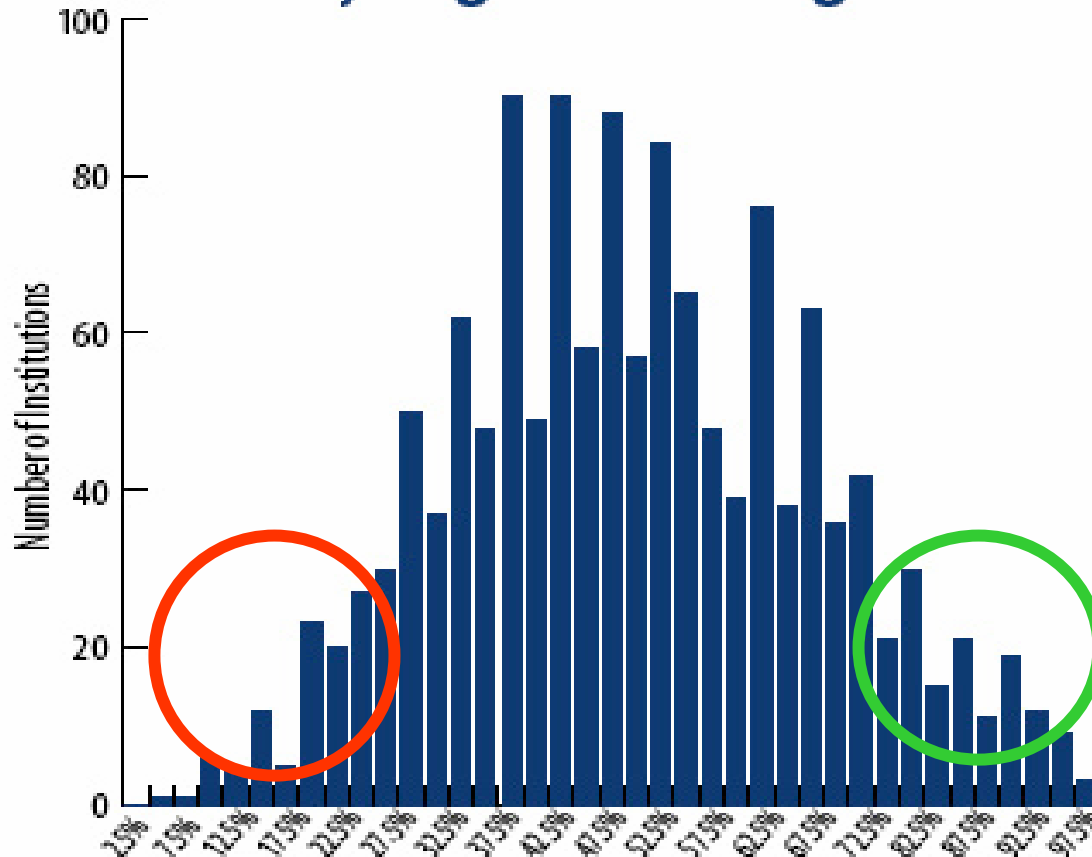


% High School Graduates Entering the SUS (2005)

	<u>Females</u>	<u>Males</u>
White	29.4%	24.9%
Hispanic	27.2%	23.4%
Black	20.8%	15.5%

Graduation rates vary significantly across the nation's postsecondary institutions.

Six-Year Graduation Rate, Entering Class of 1996 Full-Time, First-Time, Degree Seeking Freshmen



Source: U.S. Department of Education, National Center for Education Statistics Integrated Post-Secondary Data System (IPEDS), Graduation Rate Survey, 2002.

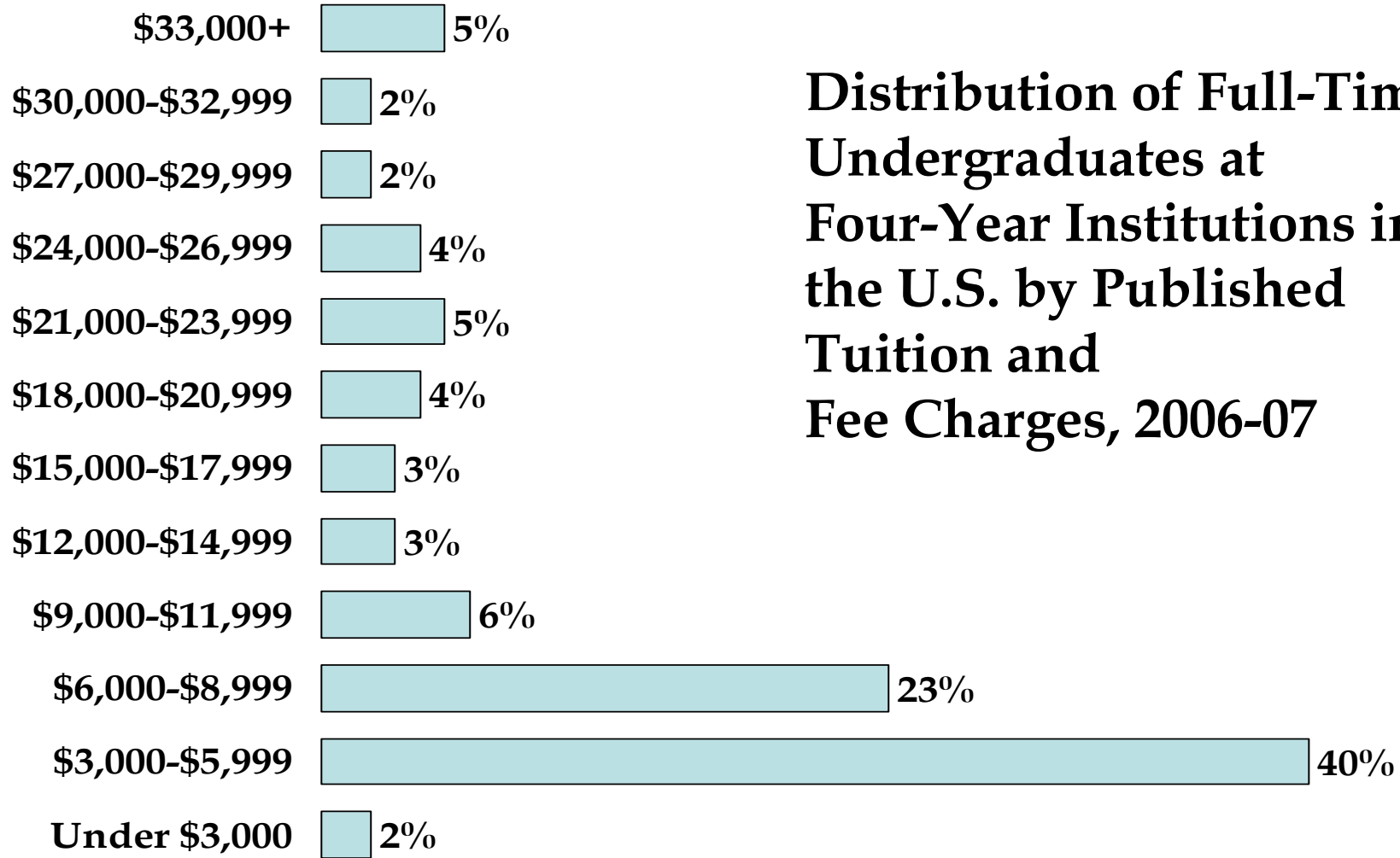
Access and Affordability

Distribution of Family Income

Type of Institution	Lowest Quartile 2003 (1992)	2 nd Quartile 2003 (1992)	3 rd Quartile 2003 (1992)	Highest Quartile 2003 (1992)
Public Two-Year	37% (29%)	19% (15%)	13% (13%)	7% (6%)
Public Four-Year	47% (41%)	26% (22%)	18% (16%)	11% (10%)
Private Four-Year	83% (60%)	41% (33%)	29% (25%)	19% (17%)

Lowest quartile: \$0-\$34,000; 2nd quartile: \$34,000-\$62,000; 3rd quartile: \$62,000-\$94,000;
 Highest quartile: \$94,000+. (Source: College Board, 2005)

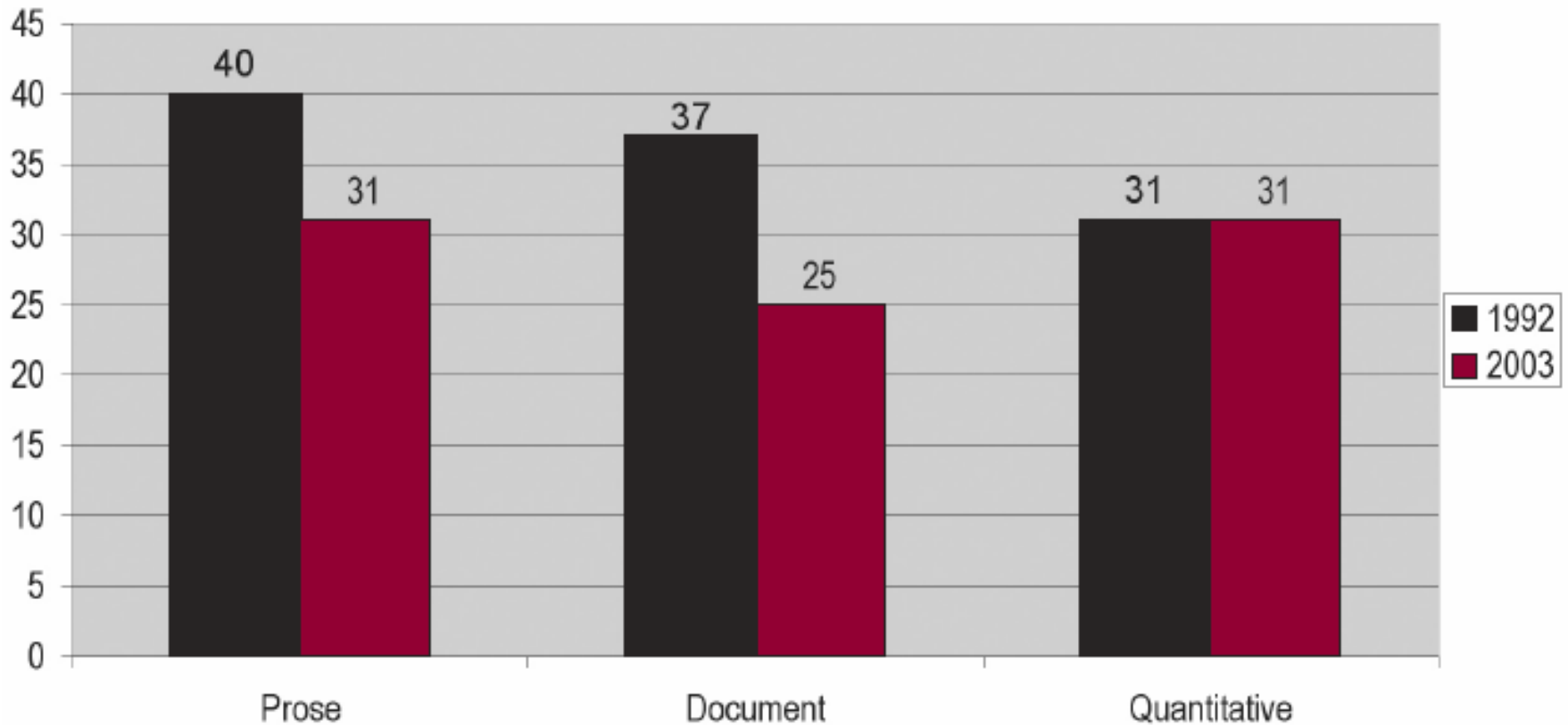
Most Undergraduates Attend the Lowest-Cost Institutions



Distribution of Full-Time Undergraduates at Four-Year Institutions in the U.S. by Published Tuition and Fee Charges, 2006-07

Source: *Annual Survey of Colleges*, The College Board, New York, NY.

U.S. College Graduates Proficient in Prose, Document, and Quantitative Literacy: 1992 and 2003 %



Source: U.S. Department of Education, National Center for Education Statistics, 1992 National Adult Literacy Survey and 2003 National Assessment of Adult Literacy.

CLAST Results

1992*

Institution	Number Of Students	Essay	English	Reading	Math	All Subjects
A	4528	94%	91%	90%	90%	76%
B	4520	78%	60%	57%	55%	32%

* The exam was required of all college students at this time.

We Must Ensure Quality Control for State University System Degrees

The Concern:

I **spoked** with you on March 2 after the lecture exam. I had a problem with the practical exam, all the exam **times was full at times** I had no class but, it was on the other side of campus so I wasn't going to make it to both class and the exam. I know i'm a little late **writting** you, my computer was destroyed in a car accident I was involved in so this was my only chance to e-mail you.. I would greatly appreciate the favor of asking you to **excuse my absents** on March 1st because all the other **times was full** for the practical exam. Thank You.

P.S. Sorry for the **writting**
I'm really not good at it.

Voluntary System of Accountability Program (VSA)

Involved Associations

- **NASULGC: National Association of State Universities and Land Grant Colleges**
- **AASCU: American Association of State Colleges and Universities**
- **AAU: Association of American Universities**

Goals of VSA

- **Self Determination rather than Federal Regulation**
- **Identify Key Elements of Accountability**
- **Gather Consensus on Measures**
- **Select a Range of Assessment Instruments**
- **Identify Measures and Data to Report to the Public**

Why is “Value Added” Verified by Testing?

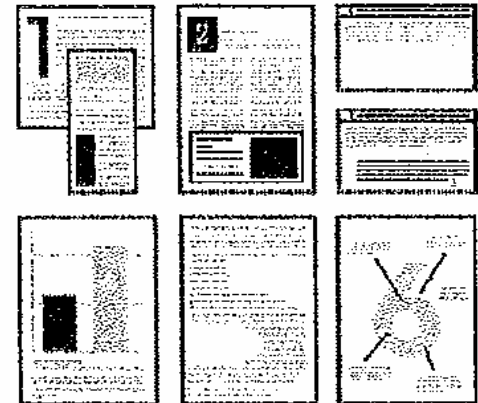
- Easily mapped to course content
- Highly reliable
- Relatively inexpensive
- Yields both individual and institutional results
- Is relatively unobtrusive
- Yields comparative results (a strong recommendation of the Spellings commission)

Higher Level Skills

Example: Performance Task

You are the assistant to Pat Williams, the president of DynaTech, a company that makes precision electronic instruments and navigational equipment. Sally Evans, a member of DynaTech's sales force, recommended that DynaTech buy a small private plane (a SwiftAir 235) that she and other members of the sales force could use to visit customers. Pat was about to approve the purchase when there was an accident involving a SwiftAir 235. You are provided with the following documentation:

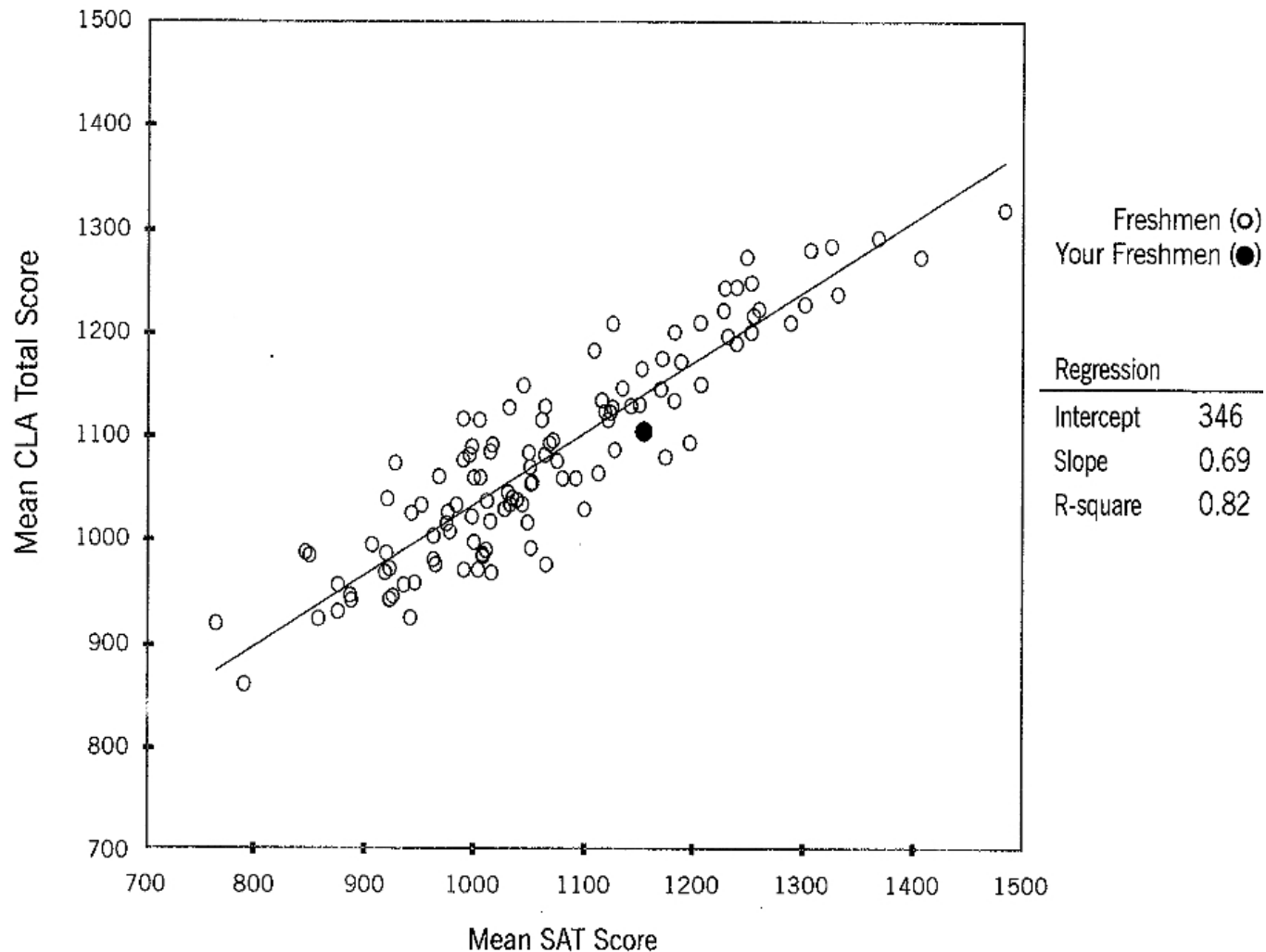
- 1: Newspaper articles about the accident
- 2: Federal Accident Report on in-flight breakups in single engine planes
- 3: Pat's e-mail to you & Sally's e-mail to Pat
- 4: Charts on SwiftAir's performance characteristics
- 5: Amateur Pilot article comparing SwiftAir 235 to similar planes
- 6: Pictures and description of SwiftAir Models 180 and 235



Please prepare a memo that addresses several questions, including what data support or refute the claim that the type of wing on the SwiftAir 235 leads to more in-flight breakups, what other factors might have contributed to the accident and should be taken into account, and your overall recommendation about whether or not DynaTech should purchase the plane.

A Sample of >200 Universities

Relationship Between CLA Performance and Incoming Academic Ability



VSA Accountability

ACCOUNTABILITY UNIVERSITY VSA SM 2006-07

Accountability University

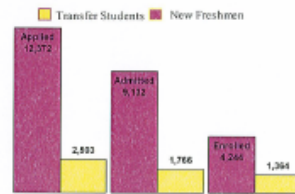
Washington, DC 20005 • (202) 293-7070 • <http://www.aascu.org>

There are many great reasons to choose Accountability University for your college experience. We have selected some of the most important ones for you to consider here. Enjoy learning about AU, and come soon for a campus visit.

Fall 2006 Data Used

...About Our Students...

Admissions

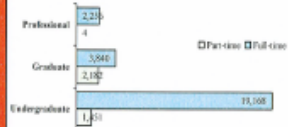


Academic Preparation of New Freshmen

	25th Percentile	75th Percentile
ACT Composite	20	25
ACT Math	19	23
ACT Reading	21	26
SAT Combined	1,120	1,270
SAT Math	530	640
SAT Critical Reading	600	650
% in top 25% of HS Graduating Class		72%
% in top 50% of HS Graduating Class		93%
Average High School GPA		3.59

Enrollment

Total AU Enrollment = 28,901



Gender Distribution

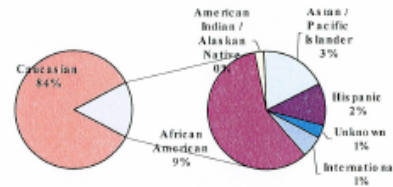
Total Female Enrollment	15,023	52%
Total Male Enrollment	13,878	48%
Total Enrollment	28,901	

For more Admissions information, click here: <http://www.aascu.org/vsa>

Student Origin

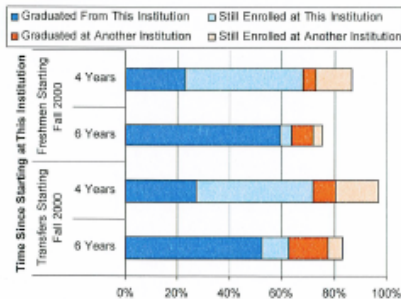


Diversity



Undergraduate Success Rates

Retention to Fall 2006 for New Freshmen Starting in Fall 2005 = 86%



Total Fall 2000 Freshmen Starting Cohort = 2500

Total Fall 2000 Transfer Starting Cohort = 700

Guiding Principles for the SUS

- Quality.
 - Best in class- for all citizens.
 - Refuse to accept the norm of mediocrity as standard.
- Competitiveness.
 - Access without quality does not prepare us for success in the global economy.
 - World-class State University System.
- Accountability.
 - Efficiency and transparency in the context of performance.
 - Must demonstrate what we have been able to produce – given the resources.

Discussion: Where to Go

