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
## HISTORY OF REDUCTIONS IN RECURRING FUNDING

### 1991-92 TO 2007-08

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

Constant 2005-06 dollars per FTE, adjusted for inflation using the Higher Education Price Index (www.commonfund.org). 2007 inflation rate of 3.4% also used for 08-09 estimate.
College & University Cost Increases 2001-2007, U.S. Averages

- Consumer Price Index: 17%
- Higher Education Price Index: 26%
- Utilities: 59%
- Supplies and Material: 24%
- Misc. Services: 19%
- Fringe Benefits: 38%
- Service Employee Salaries: 17%
- Clerical Salaries: 20%
- Administrative Salaries: 31%
- Faculty Salaries: 20%

Est. used for 07-08 and 08-09 Budget: 3.4%
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)**

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Lower</strong></td>
<td>133,239</td>
<td>137,200</td>
<td>143,753</td>
<td>162,441</td>
<td>162,441</td>
<td>177,640</td>
<td>180,561</td>
<td>186,680</td>
<td>189,121</td>
</tr>
<tr>
<td><strong>Upper</strong></td>
<td>244,441</td>
<td>245,080</td>
<td>265,620</td>
<td>281,800</td>
<td>281,800</td>
<td>304,720</td>
<td>315,840</td>
<td>326,481</td>
<td>331,920</td>
</tr>
<tr>
<td><strong>Graduate I</strong></td>
<td>45,183</td>
<td>45,375</td>
<td>50,077</td>
<td>54,337</td>
<td>54,337</td>
<td>62,463</td>
<td>60,064</td>
<td>61,984</td>
<td></td>
</tr>
<tr>
<td><strong>Graduate II</strong></td>
<td>3,552</td>
<td>5,760</td>
<td>7,328</td>
<td>8,416</td>
<td>8,415</td>
<td>8,415</td>
<td>8,415</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>426,415</td>
<td>433,415</td>
<td>465,210</td>
<td>505,906</td>
<td>505,906</td>
<td>553,239</td>
<td>564,880</td>
<td>582,119</td>
<td>592,049</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lower = 1.00</strong></td>
<td>133,239</td>
<td>137,200</td>
<td>143,753</td>
<td>162,441</td>
<td>162,441</td>
<td>177,640</td>
<td>180,561</td>
<td>186,680</td>
<td>189,121</td>
</tr>
<tr>
<td><strong>Upper = 1.263</strong></td>
<td>107,852</td>
<td>108,310</td>
<td>119,534</td>
<td>129,702</td>
<td>129,702</td>
<td>149,099</td>
<td>143,373</td>
<td>144,516</td>
<td>147,956</td>
</tr>
<tr>
<td><strong>Graduate I = 2.387</strong></td>
<td>9,160</td>
<td>19,394</td>
<td>24,673</td>
<td>28,333</td>
<td>28,333</td>
<td>30,384</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Graduate II = 3.367</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>561,779</td>
<td>574,440</td>
<td>618,159</td>
<td>672,730</td>
<td>672,730</td>
<td>739,937</td>
<td>751,173</td>
<td>771,875</td>
<td>786,676</td>
</tr>
</tbody>
</table>

| University Operating Expenditure Budget | 150,859,867 | 153,425,321 | 162,808,925 | 173,012,357 | 173,906,505 | 183,890,784 | 193,345,926 | 203,845,092 | 214,345,092 |

| Less:                         | 129,259,276 | 129,030,852 | 135,386,525 | 147,894,112 | 147,906,505 | 153,890,505 | 162,808,925 | 173,012,357 | 183,906,505 |

| **Net Operating Budget**      | 129,259,276 | 129,030,852 | 135,386,525 | 147,894,112 | 147,906,505 | 153,890,505 | 162,808,925 | 173,012,357 | 183,906,505 |

| **$ 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 | 147,906,505 | 153,890,505 | 162,808,925 | 173,012,357 | 183,906,505 |

| **$ 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 | 212.2 | 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 | 193.56 | 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

Fiscal Year
E & G Dollars per Adjusted SCH
230.09 218.24 205.76 202.89 206.68 204.70 203.64 207.35 201.86
E & G Dollars per Adjusted SCH
Utilizing the Higher Education Price Index
1999-2000 to 2007-08
<table>
<thead>
<tr>
<th>Year</th>
<th>CPI</th>
<th>HEPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-00</td>
<td>167.6</td>
<td>199.9</td>
</tr>
<tr>
<td>2000-01</td>
<td>178.4</td>
<td>206.5</td>
</tr>
<tr>
<td>2001-02</td>
<td>181.6</td>
<td>215</td>
</tr>
<tr>
<td>2002-03</td>
<td>185.5</td>
<td>221.2</td>
</tr>
<tr>
<td>2003-04</td>
<td>188.6</td>
<td>231.5</td>
</tr>
<tr>
<td>2004-05</td>
<td>202.7</td>
<td>239.8</td>
</tr>
<tr>
<td>2005-06</td>
<td>208.4</td>
<td>251.9</td>
</tr>
<tr>
<td>2006-07</td>
<td></td>
<td>260.5</td>
</tr>
<tr>
<td>2007-08</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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

- Korea: 33%
- France: 20%
- Spain: 19%
- Japan: 19%
- Canada: 12%
- Chile: 7%
- United Kingdom: 7%
- Netherlands: 6%
- Australia: 5%
- Italy: 4%
- United States: -2%
- Germany: -3%

Note: Negative values indicate a decrease in educational attainment compared to the older age group.
$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.

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

<table>
<thead>
<tr>
<th>appropriations and tuition</th>
<th>Florida</th>
<th>SREB</th>
</tr>
</thead>
<tbody>
<tr>
<td>change in funding for public universities, Florida and SREB States, 2001-2006.</td>
<td>35%</td>
<td>34%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FTE enrollment</th>
<th>Florida</th>
<th>SREB</th>
</tr>
</thead>
<tbody>
<tr>
<td>change in funding for public universities, Florida and SREB States, 2001-2006.</td>
<td>25%</td>
<td>14%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Funding per FTE Student</th>
<th>Florida</th>
<th>SREB</th>
</tr>
</thead>
<tbody>
<tr>
<td>change in funding for public universities, Florida and SREB States, 2001-2006.</td>
<td>8%</td>
<td>18%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Funding per FTE adjusted for inflation</th>
<th>Florida</th>
<th>SREB</th>
</tr>
</thead>
<tbody>
<tr>
<td>change in funding for public universities, Florida and SREB States, 2001-2006.</td>
<td>-5%</td>
<td>3%</td>
</tr>
</tbody>
</table>

From Southern Regional Education Board (SREB), Florida Featured Facts 2007
Funding Has Not Kept Pace with Costs or Enrollment Growth

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

- **2007**
  - Hispanic: 25%
  - Black non-Hispanic: 20%
  - Other non-Hispanic: 3%
  - White non-Hispanic: 52%

- **2012**
  - Hispanic: 25%
  - Black non-Hispanic: 20%
  - Other non-Hispanic: 3%
  - White non-Hispanic: 51%

- **2027**
  - Hispanic: 30%
  - Black non-Hispanic: 21%
  - Other non-Hispanic: 4%
  - White non-Hispanic: 45%

Source: Legislature’s Office of Economic and Demographic Research
Degree Attainment Rates are Too Low For All Citizens

Percent of United States Adults Age 25 and Older Who Have Completed College, 2004

- All: 27.7%
- White Non-Hispanic: 30.6%
- Black Non-Hispanic: 17.7%
- Hispanic (Any Race): 12.1%

Source: U.S. Census
<table>
<thead>
<tr>
<th></th>
<th>Females</th>
<th>Males</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>29.4%</td>
<td>24.9%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>27.2%</td>
<td>23.4%</td>
</tr>
<tr>
<td>Black</td>
<td>20.8%</td>
<td>15.5%</td>
</tr>
</tbody>
</table>
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

## Access and Affordability

### Distribution of Family Income

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Public Two-Year</td>
<td>37% (29%)</td>
<td>19% (15%)</td>
<td>13% (13%)</td>
<td>7% (6%)</td>
</tr>
<tr>
<td>Public Four-Year</td>
<td>47% (41%)</td>
<td>26% (22%)</td>
<td>18% (16%)</td>
<td>11% (10%)</td>
</tr>
<tr>
<td>Private Four-Year</td>
<td>83% (60%)</td>
<td>41% (33%)</td>
<td>29% (25%)</td>
<td>19% (17%)</td>
</tr>
</tbody>
</table>

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

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

## CLAST Results 1992*

<table>
<thead>
<tr>
<th>Institution</th>
<th>Number Of Students</th>
<th>Essay</th>
<th>English</th>
<th>Reading</th>
<th>Math</th>
<th>All Subjects</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>4528</td>
<td>94%</td>
<td>91%</td>
<td>90%</td>
<td>90%</td>
<td>76%</td>
</tr>
<tr>
<td>B</td>
<td>4520</td>
<td>78%</td>
<td>60%</td>
<td>57%</td>
<td>55%</td>
<td>32%</td>
</tr>
</tbody>
</table>

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

![Graph showing the relationship between Mean CLA Total Score and Mean SAT Score. The graph includes data points for Freshmen and Your Freshmen, with a linear regression line. The regression statistics are provided: Intercept = 346, Slope = 0.69, R-square = 0.82.](image-url)
VSA Accountability

Accountability University
Washington, DC 20005 • (202) 252-7870 • 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*

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### About Our Students...

#### Admissions

- **Transfer Students**: 2,812
- **New Freshmen**: 1,768

#### Academic Preparation of New Freshmen

- **ACT Composite**: 20 (20%)
- **ACT English**: 19 (20%)
- **ACT Reading**: 19 (20%)
- **ACT Math**: 20 (20%)
- **SAT**: 1,230 (12%)
- **SAT Math**: 690 (60%)
- **Critical Reading**: 410 (41%)

- **WAVES 2006 Graduating Class**: 97%
- **WAVES 2005 Graduating Class**: 93%
- **Average High School GPA**: 3.28

#### Enrollment

- **Total AU Enrollment**: 28,901

#### Gender Distribution

- **Total Female Enrollment**: 15,625 (52%)
- **Total Male Enrollment**: 13,276 (48%)

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### Student Origin

- **Resident**
- **From Other US states**
- **Other Countries**

### Diversity

- **American Indian / Alaska Native**: 1%
- **Asian / Pacific Islander**: 1%
- **Black / African American**: 13%
- **Hispanic**: 16%
- **White**: 57%
- **Veterans**: 1%
- **International**: 1%

### Undergraduate Student Rates

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

**Time to Baccalaureate at this Institution**

- **4 Years**: 22%
- **6 Years**: 44%
- **8 Years**: 15%

**Total Fall 2000 Freshman Starting Cohort = 2,500**

**Total Fall 2000 Transfer Starting Cohort = 700**
Guiding Principles for the SUS

• **Quality.**
  o Best in class- for all citizens.
  o Refuse to accept the norm of mediocrity as standard.

• **Competitiveness.**
  o Access without quality does not prepare us for success in the global economy.
  o World-class State University System.

• **Accountability.**
  o Efficiency and transparency in the context of performance.
  o Must demonstrate what we have been able to produce—given the resources.
Discussion: Where to Go