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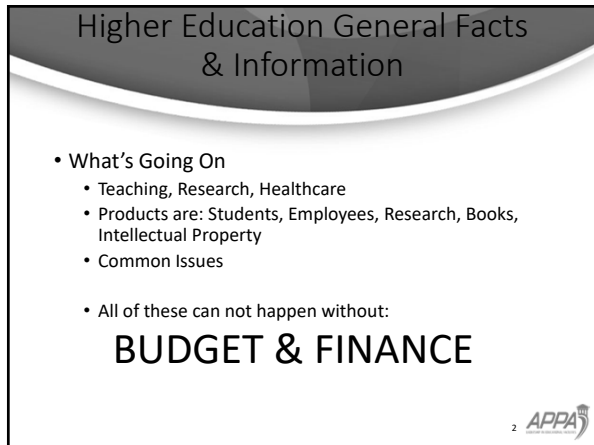
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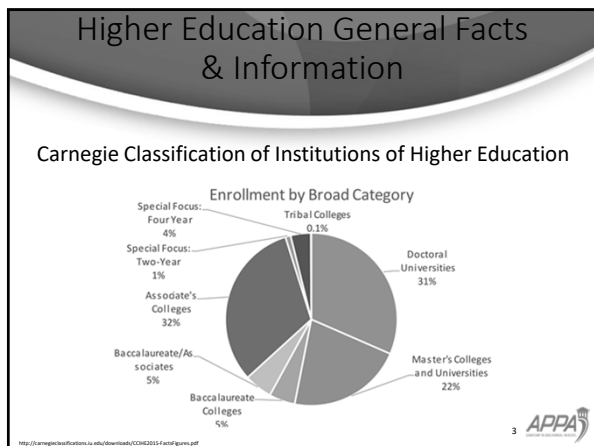
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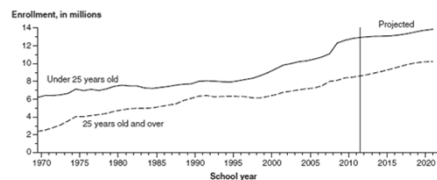
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## Higher Education General Facts & Information

### Enrollment Trends

Figure 14. Enrollment in degree-granting institutions, by age: Fall 1970 through fall 2021








SOURCE: U.S. Department of Education, National Center for Education Statistics, Higher Education General Information Survey (HIGES), "Fall Enrollment in Institutions of Higher Education" surveys, 1970 through 1990; Integrated Postsecondary Education Data System (IPEDS), "Fall Enrollment Survey" 1991 through 1999; IPEDS Spring 2000 through Spring 2010; Enrollment component; and Postsecondary Education Statistics in 2021, U.S. Department of Commerce, Census Bureau, Current Population Survey (CPS), October, selected years, 1970 through 2014.



## Higher Education General Facts & Information

### • Who's Who?

	<b>GI Elders</b>	Born before 1925	Radio, Model-T, Titanic, The war to end all wars
	<b>The Silent Generation</b>	Born between 1926 and 1945	The Great Depression, WW2, Nuclear Age
	<b>Baby Boomers</b>	Born between 1946 and 1964	TV, The Space Age, JFK, Korea, Young Elvis
	<b>Generation X, Gen 13</b>	Born between 1965 and 1975	Moon Landing, MLK Jr., Vietnam, Watergate, Sesame Street
	<b>Generation Y, Millennials</b>	Born after 1975	iPods, Segways, Iraq, 9-11, Mars Rover



## Higher Education General Facts & Information

### • Who's Who?

G.I. GENERATION	SILENTS	BOOMERS	GENX	MILLENNIALS
				
1901-1926	1927-1945	1946-1964	1965-1981	1982-PRESENT
They saved the world and then built a nation. Their Depression was The Great One; their war was The Big One. An ACTION generation.	Came of age deferring to the more assertive G.I. Generation. Our country's last Innocent Generation. A RIGHTS generation.	The Golden Generation in the American workplace. Assertive. Leaders. Ethical. Demanding. A generation about VALUES.	The latch-key kids grew up street-smart but isolated, often with divorced or time-starved, dual-career parents. This generation is all about SURVIVAL.	The older half of America's next great generation is optimistic, idealistic, patriotic, and adult-supervised. They'll be all about ACTION.



## Higher Education General Facts & Information

- Total Institutions: 7,021
  - Public Institutions: 2,015
  - Private – Nonprofit: 1,812
  - Private – For-profit: 3,194
- Total Students: 21,588,124
- Total Staff: 3,920,836



Source: U.S. Department of Education, Digest of Education Statistics 2012

Tables: 5, 219

<http://nces.ed.gov/pubs2014/2014015.pdf>




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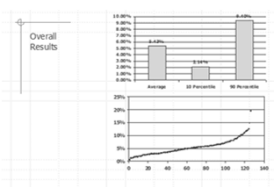
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## Higher Education General Facts & Information

### • Facility Operating/GIE Index

Annual Facility Maintenance Operating Expenditures (\$) Divided By Gross Institutional Expenditures (GIE)

Level of funding provided for the stewardship responsibility of the institution's education and general capital assets




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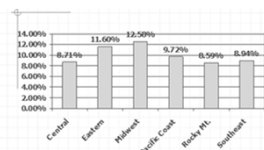
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## Higher Education General Facts & Information

### • Facilities Condition Index

Deferred Maintenance Deficiencies (\$) Divided By Current Replacement Value (CRV)

Comparative indicator of the relative condition of facilities




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## Higher Education General Facts & Information

- \$19 Billion Spent on Facilities Operations.
- 2012 \$9.7 Billion was spent on New Construction, Renovations and Additions to existing buildings.

Sources: U.S. Department of Education, Digest of Education Statistics 2012

Tables: 412

<http://nces.ed.gov/pubs2014/2014015.pdf>

College Planning & Management 2013 Annual College Construction Report




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## Higher Education General Facts & Information

- \$1.1 Billion Current Replacement Value (CRV) per institution
- Average age of buildings 33.3 years per institution
- According Society for College and University Planning (SCUP) in 2007 the Net Assignable Square Footage (NASF) on all college campuses is 6.0 Billion and growing *(this statistic is no longer calculated)*

Source: 2008-14 Facilities Performance Indicators Report –

FPI Trend Analysis of Key Performance Indicators 2008 - 2013

<http://www.appa.org/research/FPI/documents/Web%20Report%202014.pdf>




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## Accountability of Higher Education

- Higher education is focused on the delivery of a service as efficiently as possible. We are accountable to students, tax payers, parents, faculty and the state and federal systems.
- The discussion is changing in Higher Education, what was important historically has changed.
- Models of funding for higher education have been changing.




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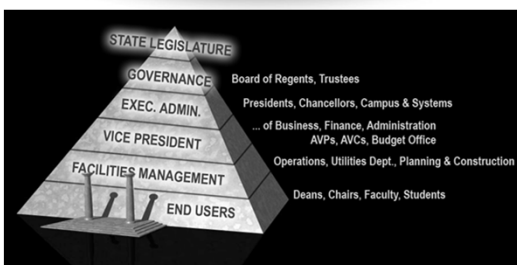
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## Higher Education Finance Pyramid



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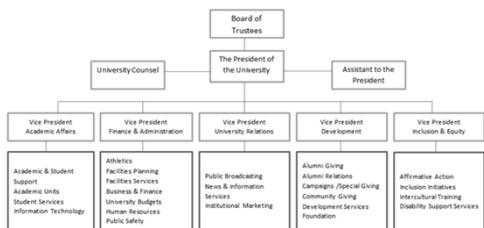
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## University Administrative Organization

Sample Administrative Chart – Model Grand Valley State University



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## Key Players in Higher Education Finance

- Vice President for Finance & Administration
- Controller
- Budget Office
- Other Vice President's
- Institutional Research



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### Mission of University Budget Office

- Budget Planning
- Budget Allocation
- Budget Control & Maintenance
- Financial Planning
- Financial Reporting (Accountability Reports)
- State Budget Requests
- Governs University Budget Policies & Procedures.

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### Mission of University Budget Office

The mission of the University Budget Office is to coordinate and provide leadership for University-wide financial and resource planning, budgeting and policy analysis.

These activities include financial and resource analysis and planning; capital planning and budgeting; development of biennial budget requests and annual operating budgets; institutional data management; and budgetary and policy analysis.

University of Kentucky Budget Office

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### Scope of Budgeting Activities

- General Operating Funds
- Designated Funds
- Auxiliary Funds
- Benefits
- Capital Maintenance Funds
- Plant Funds
- Grants and Contracts

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## Terminology

- Higher Education Terminology
- Finance Terminology



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## Higher Education Terminology

It is important to know the language of Higher Education

- **Interdisciplinary Curriculum** – A curriculum that is structured to study a topic or concept by gathering and relating ideas from multiple disciplines.
- **Pedagogy** - the art, science, or profession of teaching
- **Built Environment** - refers to the human-made surroundings that provide the setting for human activity, ranging in scale from buildings and parks or green space to neighborhoods and cities that can often include their supporting infrastructure, such as water supply, or energy networks.
- **Integrated Budgeting or Performance Based Budgeting** - Performance budgets use statements of missions, goals and objectives to explain why the money is being spent. It is a way to allocate resources to achieve specific objectives based on program goals and measured results.
- **Academy** - A school for special instruction.
- **Enterprise** - A business organization.
- **Collegial** - Characterized by or having power and authority vested equally among colleagues

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## Finance Terminology

- ROI – Return on Investment
- Net Asset/Net Value
- Capitalization
- Book Value
- Accrual Basis/Method
- Restricted Funds
- Auxiliary Funds
- Debt Service – Capacity - Ratio
- Bonds
- Commercial Paper



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## Finance is a Balancing Act

### Definitions:

- Assets/Revenues = Income

“something that is owned by a person or company”



Find the right balance

- Liabilities/ Expenditures = Costs

“something (such as the payment of money) for which a person or business is legally responsible.”




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## Headline – Higher Education

- Higher Education Costs are Rising
- Higher Education funding sources are changing.
- There is greater accountability and justification is required.




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## Higher Education Finance Trends

*You better cut the pizza in four pieces. I'm not hungry enough to eat eight.*

Yogi Berra




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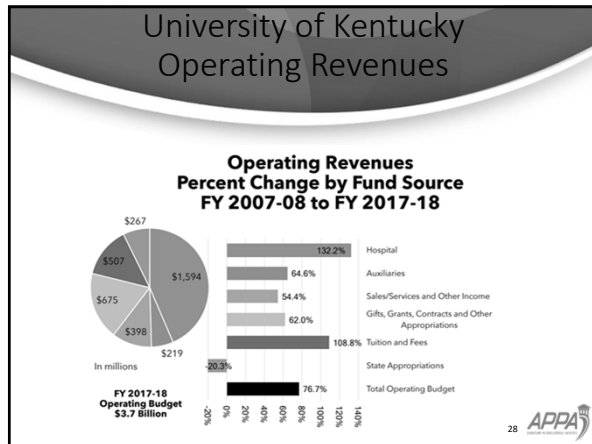
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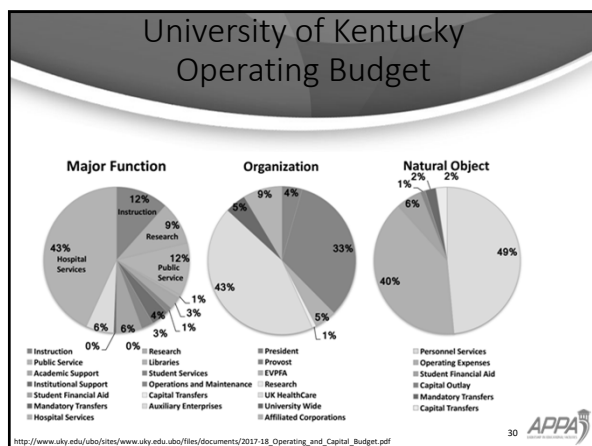
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## Expenditures by Classification

- Instruction
- Research
- Public Service
- Academic Support
- Student Service
- Instructional Support
- Operations and Maintenance
- Scholarship
- Auxiliary




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## Higher Education Expenditures

TYPE OF EXPENDITURES	PUBLIC INSTITUTIONS (ALL LEVELS)	PRIVATE (NON-PROFIT) INSTITUTIONS	PRIVATE (FOR-PROFIT) INSTITUTIONS
Instruction (Including Salaries & Wages)	44.9%	32.58%	25.04%
Research	9.91%	11.39%	**0.9%
Public Service	4.01%	1.48%	**
Academic Support	6.53%	8.92%	***65.76
Student Services	4.58%	8.03%	***
Instructional Support	8.06%	13.27%	***
Operation & Maintenance of Plant	6.36%	N/A	N/A
Depreciation	5.21%	N/A	N/A
Scholarships & Fellowships	5.95%	*51%	*.39%
Auxiliary Enterprises, Hospitals, Independent Operations & Interest	19.04%	22.35%	2.15%
Other	3.54%	1.48%	6.57%

\* Net Grant Aid to Students

\*\* Combined Research & Public Service

\*\*\* Combined Student Services, Academic and Instructional Support

Source: U.S. Department of Education, Digest of Education Statistics 2012

Tables: 412, 414, 416

<http://nces.ed.gov/pubs2014/2014015.pdf>




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## Typical Facilities Budget

- Personnel
- Equipment
- Supplies
- Operations and Maintenance
- Renovation/Repair Projects
- Capital Construction
- Others




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## Alternative Financing

(Typically for Capital Construction)

- Private 3<sup>rd</sup> Party Finance
- Land Lease
- Asset Leveraging
- Lease vs. Build
- Joint Ventures
- Performance Contracting

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## Higher Education Finance What You Should Know!

- What do I need to know about funding (Finance)
- What funding strategies do I need to know
- Where the funding (\$\$\$) comes from
- Where the funding (\$\$\$) goes

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## University Budgets – Tools of the Trade Establishing a Budget

Beware of little expenses. A small leak will sink a great ship.  
*Benjamin Franklin*

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## University Budget Tools of the Trade

### Building the Base Budget

- Forecast University Resources
  - State Appropriations
  - Tuition
  - Program Revenues
- Prioritize New Initiatives
- Compensation Increases
  - Collective Bargaining Contracts
  - Other University Staff



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## University Budget Tools of the Trade

### Budgeting Request Process

- Base Budget Requests (Permanent Budget Requests)
  - A Base Budget request is an expense that would be anticipated annually.
  - This type of request would be renewed annually
- Working Budget Requests (One-Time Budget Request)
  - A Working Budget request would be an item that does not roll over into the next fiscal year
  - Types of Working Budget Requests
    - One time expense for equipment
    - One time request for additional programming or supplies for that fiscal year



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## University Budget Tools of the Trade

### Line Item Budgeting

- Salaries & Compensations
  - Position Control Budgeting
    - Position Control for Regular Staff Appointments
    - Budgeted by Position
      - Base dollars are associated with the position or salary
      - Compensation is the Base dollars and associated Fringe Benefits depending on the Appointment (FICA, Retirement, other Fringe)
- Non-Position Control Budgeting
  - Temporary Employee Line Items
  - Budgeted in a Lump Sum
  - Students & Grad Assistants
  - Adjunct Faculty



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## University Budget Tools of the Trade

### Line Item Budgeting

- Revenue Accounts
- CSSM – Contracts, Services, Supplies & Maintenance
  - Sub-Category Account Budgeting
  - Broad Categories for Supplies, Equipment, Travel, Maintenance, Transfers, Contractors
  - Account Detail for each category/code.



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## University Budget Tools of the Trade

### Position Management Explained

- Why Position Control:
  - Compensation continues to be 75% or more of the University's operating budget
  - Line Items are Budgeted at the Position Level
    - Regular Continuing and Terminal Staff Appointments
    - Includes (FTE – Full Time Equivalency)
    - Based on Time and Effort
    - Track Permanent and One-time Changes for State Budget Request requirements and other analysis



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## University of Kentucky Budget Summary

In millions	FY 2017-18
<b>Undesignated General Funds</b>	
State Appropriations	\$ 267.1
Tuition	468.9
Other	41.7
	<u>777.7</u>
<b>Designated General Funds</b>	
UK HealthCare - Hospitals	1,590.2
Other	419.0
	<u>2,009.2</u>
Auxiliary Funds	211.1
Restricted Funds	385.5
Fund Balances (non-recurring)	277.2
<b>Total</b>	<b>\$3,660.7</b>



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### Top 5 Finance Things to Know

**5) Language**

If you want to be successful and move up the ladder in Higher Education you cannot avoid discussions and decisions about finance. Every Director and AVP is immersed in budgets. Some sort of additional training in finance and budgeting is always advantageous.

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### Top 5 Finance Things to Know

**4) Numbers**

There are numbers (\$) and there are the numbers (data). Using both in combination is the art of reliable and credible persuasion to build a business case.

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### Top 5 Finance Things to Know

**3) How to read your University Financial Statement!**

The annual campus financial statement should be available in the Facilities Management area. Reviewing the University Financial Statements as well as some of your Facilities data and metrics will help you in financial discussions and arguments.

In part, it will give you a sense of the general equity across campus.

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## Top 5 Finance Things to Know


**2) Finance is really Accountability**

More and more accountability is expected by everyone: the students, the public, the parents, and the government! We need to be able to show value more than ever before as we are consuming limited public dollars.



Grand Valley State University produces an annual Accountability Report, statistics are also available on their website.

Grand Valley State University  
Accountability Report 2013-2014



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## Top 5 Finance Things to Know

**1) Understand Revenue Bonds (System)**

Revenue Bonds continue to represent the single most popular financial instrument/vehicle for most public colleges and universities to borrow money and fund capital construction. Understand how these instruments work in your state, along with the debt capacity and service.



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## What is a Revenue Bond Anyway?

A special type of bond distinguished by its guarantee of repayment solely from revenues generated by a specified revenue-generating entity. Unlike general obligation bonds, only the revenues specified in a legal contract between the bond issuer are required to be used for repayment of the principal and interest of the bond; other revenues (notably tax revenues) and the general credit of the issuing agency are not so encumbered. Because the pledge of security is not as great as that of general obligation bonds, revenue bonds may carry a slightly higher interest rate than G.O. bonds; however, they are usually considered the second-most secure type of municipal bonds.

Revenue bonds may be issued to construct or expand upon various revenue-generating entities, including:

- Infrastructure/Utilities
- Facilities that generate revenue – Residence Halls, Dining/Rec.
- Toll Roads and bridges
- Airports, and other transportation type hubs
- Power Plants and electrical generation facilities



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## Ensuring Sustainability in Post-Secondary Education

- “The bodies that fund higher education need to know that the activity they fund is well-managed, efficient and sustainable, to ensure that public investment (including through student tuition fees) will deliver value for money.”
- “... Sustainability is broader in scope and longer-term than whether an institution is financially solvent, or a going concern. It includes an assessment of whether an institution is delivering on its academic and business objectives (and how realistic these are), not just whether it can manage financially for the next three years.”

From the Report commissioned by the Higher Education Funding Council for England,  
“Assessing the Sustainability of Higher Education Institutions”, June 2011




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## Trust & Responsibility

- Does your team all have the same understanding about priorities and risk?
- A key is consistency and transparency. Create that through messages that tell your story with conviction and consistency in good and bad times.
  - The 85 % Solution
  - Balancing Act
  - Triage - A process in which things are ranked in terms of importance or priority




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## Higher Education Finance – Your Knowledge...

- Do you know your institution's budget?
- Do you know the trending of your campus budget?
- What is your total facility operating budget?
- Do you know the trending of your facility budget and FTE count?
- How much capital construction is your campus doing?
- What other metrics are helpful to create a ratio with your institution and facility budget?




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## Higher Education Finance – Your Knowledge...

What is the average cost in higher education facilities per gross square foot for:

Custodial Costs per GSF	\$ 1.37
GSF per Custodian	34,551
Grounds Cost per Acre	\$ 5,114
Maintenance Cost per GSF	\$ 1.63
GSF per Maintenance FTE	73,296
Energy cost per GSF	\$ 2.15

Source: 2012-13 Facilities Performance Indicators Report –  
FPI Trend Analysis of Key Performance Indicators 2008 - 2013

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## Finance Broad Policy Questions

- What level of state funding to Higher Education is necessary to achieve the education goals required for economic and social well-being of the American People?
- What tuition levels are appropriate given the cost of Higher Education, its benefits to the individual, and the desirability of encouraging participation

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## Finance Broad Policy Questions

- What amounts and forms of student financial assistance are required to provide meaningful educational opportunities to students from low and moderate-income families?
- To what extent might Higher Education increase productivity or reduce expenditures without impairing the quality of services to students?

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## Higher Education Associations

- National Higher Education Efforts
  - Targeting CHEMA Organizations (Council on Higher Education Management Association) CHEMA is an umbrella organization consisting of 35 associations representing all of the professions in the management of higher education.



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## Good Reference Materials

- Thought Leader Series (TLS)
- Center for Facilities Research (CF@R)
- Facilities Performance Index (FPI)



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## Financing Facilities in Higher Education

# Questions?

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## Financing Facilities in Higher Education

### Appendix




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## Headline – Higher Education

Forbes

Creative Solutions to Higher Education Finance, Part 1.

Andrew Kelly, Contributor 4/29/2014 @ 12:32PM

<http://www.forbes.com/sites/akelly/2014/04/29/creative-solutions-to-higher-education-finance-part-1/>

Forbes

Creative Solutions to Higher Education Finance, Part 2: Using Private Money to Promote the Public Good.

Andrew Kelly, Contributor 4/30/2014 @ 8:05AM

<http://www.forbes.com/sites/akelly/2014/04/30/creative-solutions-to-higher-education-finance-part-2-using-private-money-to-promote-the-public-good/>




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## Headline – Higher Education

KPMG Survey: Higher Education Leaders Worried about Enrollments

By Terri Eyden on Sep 13 2013

<http://www.accountingweb.com/article/kpmg-survey-higher-education-leaders-worried-about-enrollments/222397>

The Chronicle of Higher Education

Accounting for Success: Brenau U., a women's college in Georgia, is running million-dollar surpluses. Here's how.

By Scott Carlson, February 3, 2014 <http://chronicle.com/article/Accounting-for-Success/144351/>

The Chronicle of Higher Education

Higher Education Price Index Climbs to 2.3%, as Utility Costs Rise

By Collin Eaton, September 14, 2011

<http://chronicle.com/article/Higher-Education-Price-Index/128993/>




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## Headline – Higher Education

U.S. News & World Report

The Rise in Tuition Is Slowing, But College Still Costs More - Tuition prices aren't increasing as rapidly, but what students actually pay is still on the rise.

By Allie Bidwell, October 24, 2013

<http://www.usnews.com/news/articles/2013/10/24/the-rise-in-tuition-is-slowing-but-college-still-costs-more>

The Chronicle of Higher Education

Students and States Near a 50-50 Split on the Cost of Public Higher Education

By Eric Kelderman, March 6, 2013

<http://chronicle.com/article/StudentsStates-Near-a/137709/>




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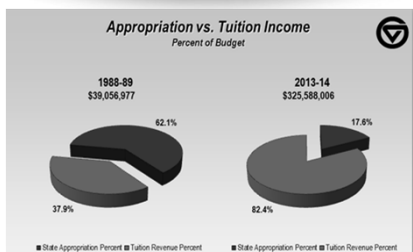
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## Higher Education Funding has Changed




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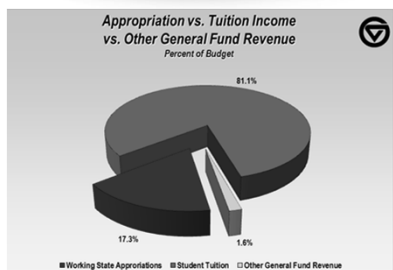
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## General Fund Resources (GVSU)




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