

Budget Forum  
with University Budget Committee  
February 23, 2015

THE AMERICAN UNIVERSITY



# AU Budget Process:

## University Budget Committee, FY16 & FY17

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<b>Scott A. Bass</b>	Provost (Co-chair)
<b>Doug Kudravetz</b>	Chief Financial Officer, Vice President and Treasurer (Co-chair)
<b>John Douglass</b>	Associate Professor, School of Communication and Faculty Senate
<b>Abby Dunn</b>	Comptroller, Student Government
<b>Gail Hanson</b>	Vice President of Campus Life
<b>Olivia Ivey</b>	Assistant Librarian, University Library
<b>Judy Jue</b>	Vice President of Finance, Graduate Leadership Council
<b>Khalid Khalid</b>	Associate Dean, Washington College of Law
<b>Emily Lindsay</b>	Executive-in-Residence, Kogod School of Business
<b>Laura McAndrew</b>	Assistant Vice President of Treasury
<b>Celina Ryan</b>	Facilities Training Coordinator and Staff Council Chair
<b>Amanda Taylor</b>	Professorial Lecturer, School of International Service
<b><u>Resource Persons</u></b>	
<b>Nana An</b>	Assistant Vice President for Budget and Finance Resource Center
<b>Violeta Etle</b>	Vice Provost for Academic Administration
<b>Karen Froslid-Jones</b>	Assistant Vice Provost, Institutional Research and Assessment



# Forum Agenda

## Equal Parts – Information & Q&A

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### **Provost Scott Bass & CFO, Vice President & Treasurer Doug Kudravetz**

- Structure of the University Budget
- Budget planning process
- Factors affecting the FY17-FY18 cycle

### **Sharon Alston, Vice Provost for Undergraduate Enrollment**

- Financial Aid Packaging
- Why/How aid packages may change year to year
- Effects of tuition increases on student need

### **Terry Flannery, Vice President of University Communications & Marketing**

- National Student Debt Profile
- AU Student Debt Profile – Influencing Factors

**Q&A.** Presenters slides will be posted on the University Budget Web Page

[www.american.edu/finance/budget/universitybudget/](http://www.american.edu/finance/budget/universitybudget/)

# Forum Objectives

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- Establish a **common core of information** about the university budget, financial aid administration and student debt
- **Answer your questions** so that you are as fully informed as possible about the things that matter to you

# Forum Ground Rules

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1. Speakers have the floor – allow presentations to finish before asking questions or making comments.
2. Audience members who want to speak, please do so from the floor mic (name, year in school, school).
3. Assume good will – everyone here tonight shares the goals of running AU efficiently and effectively and keeping the AU experience affordable.

# AU Budget Process: Principles

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## Representative & Inclusive

- Faculty, staff, and undergraduate and graduate students
- Shared governance: President's Cabinet, Student Government, Faculty Senate, Staff Council

## Transparent

- Agreed upon budget development guidelines
- Consultation at various levels and with stakeholders across AU

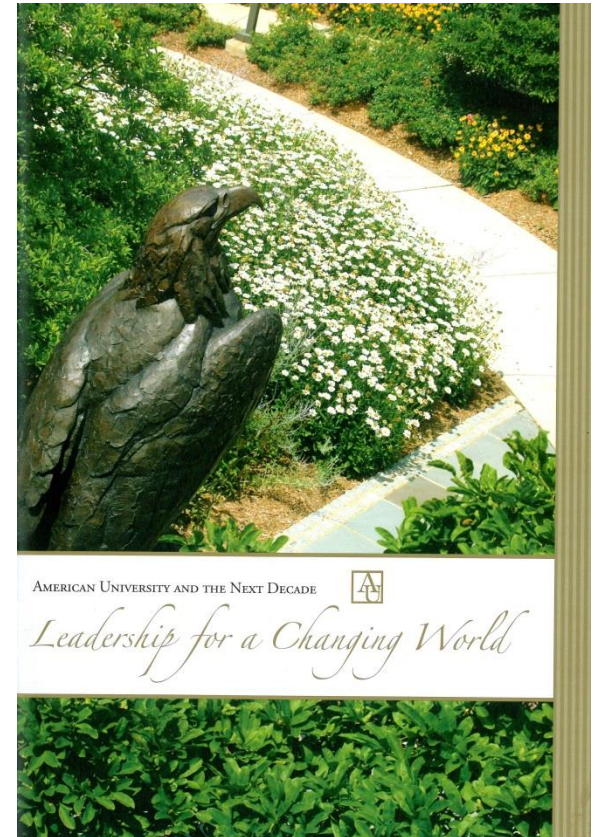


# Budget Development Guidelines, FY16 & FY17:

## Approved by Board of Trustees, November 2014

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1. **AU Strategic Plan: Align objectives and targets with the 2-year budget**
2. **Enrollment: Determine appropriate enrollment targets for incoming freshmen, transfer, and graduate students**
3. **Pricing: Based on market comparisons, projecting 2.5% - 4.5% tuition increase**
4. **Financial Aid: Increases essential to address affordability issues**
5. **Academic Programs:**
  - **Strengthen undergraduate, graduate, summer, and international programs**



# Budget Development Guidelines, FY16 & FY17: Approved by Board of Trustees, November 2014

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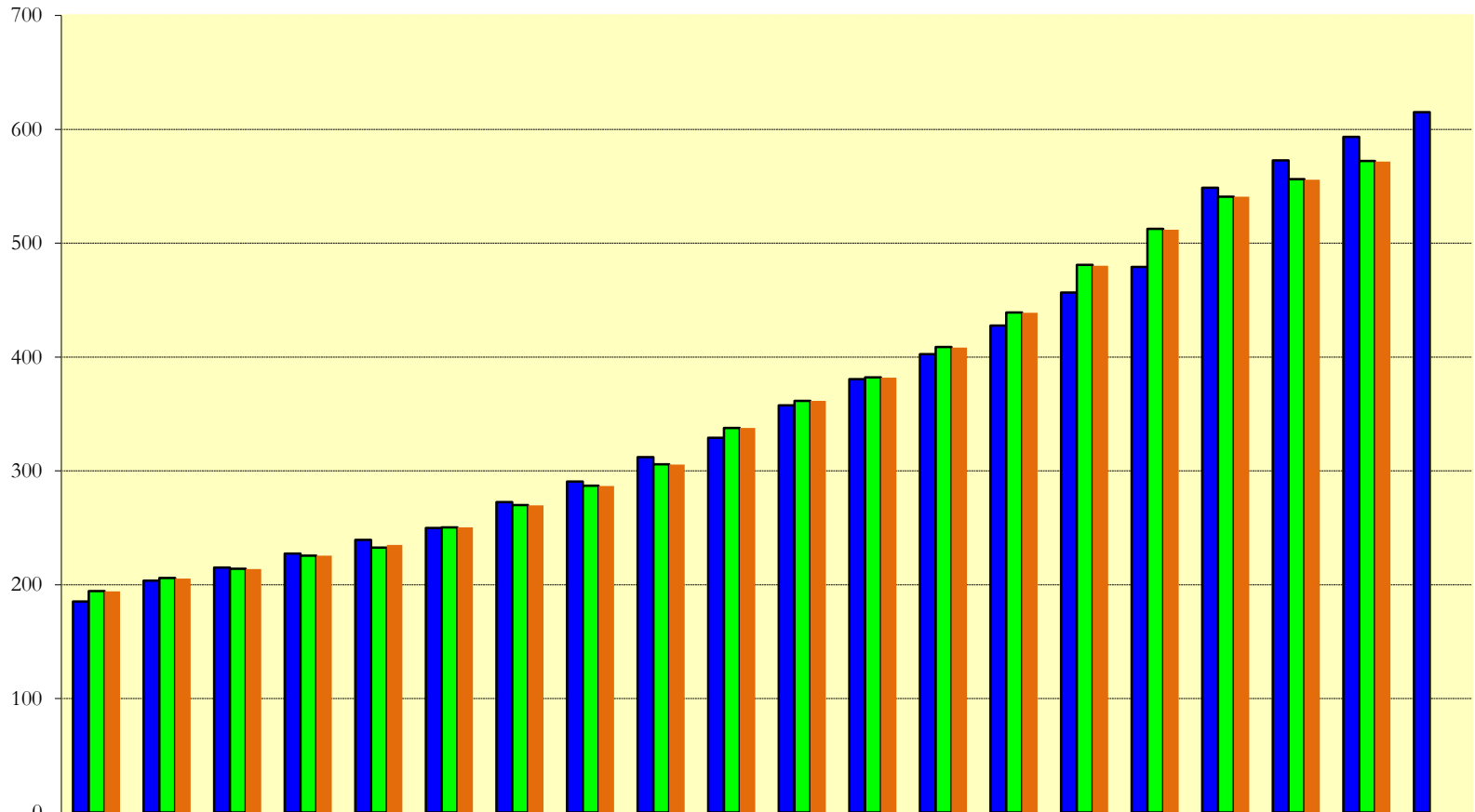
6. Enhance student services
7. Competitive faculty and staff salary and benefits
8. Library and Information Technology
9. Respond to economic conditions/  
external factors





# Operating Budget History FY2005 vs. FY2015

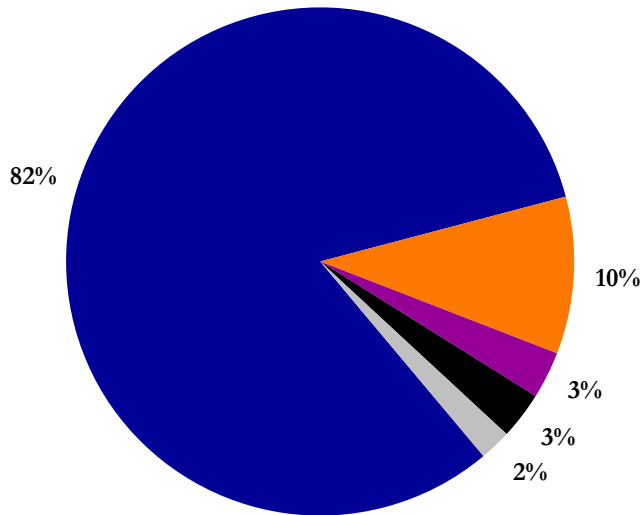
millions



	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
■ Budget	185.3	203.7	215.2	227.4	239.4	249.9	272.6	290.5	312.1	329.2	357.6	380.7	402.6	427.7	456.7	479.2	548.8	572.8	593.4	615.1
■ Actual Revenue	194.5	205.8	214.1	225.6	232.7	250.5	269.9	287.1	305.7	337.8	361.6	382.2	408.7	439.3	481.0	512.6	541.0	556.3	572.3	
■ Actual Expense	194.2	205.5	213.7	225.5	235.0	250.3	269.8	286.8	305.6	337.6	361.4	382.0	408.3	438.9	480.1	511.8	541.0	555.9	571.7	

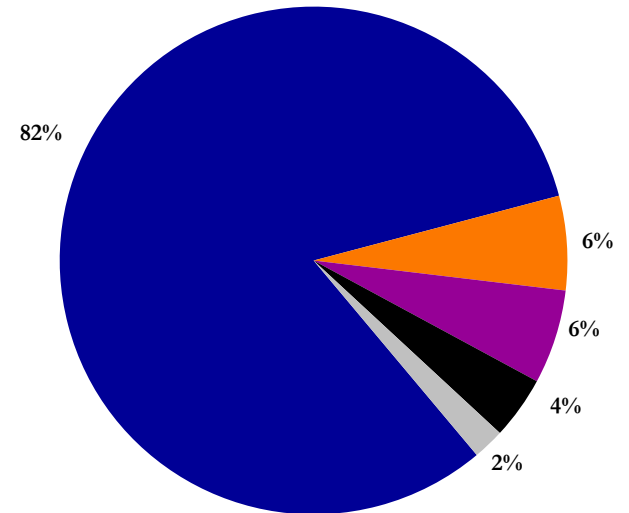
# Revenue Budget FY2005 vs. FY2015

**FY2005 \$329 million**



- Tuition & Fees
- Residence Halls
- Auxiliary
- Investments, Gift & Other
- WAMU

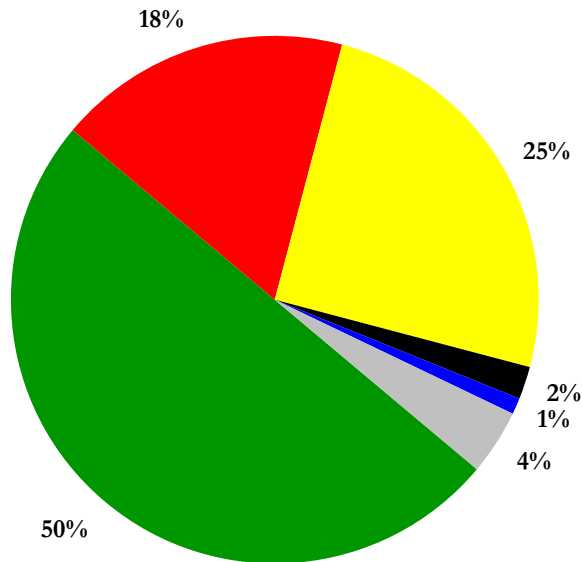
**FY2015 \$615 million**



- Tuition & Fees
- Residence Halls
- Auxiliary
- Investments, Gift & Other
- WAMU

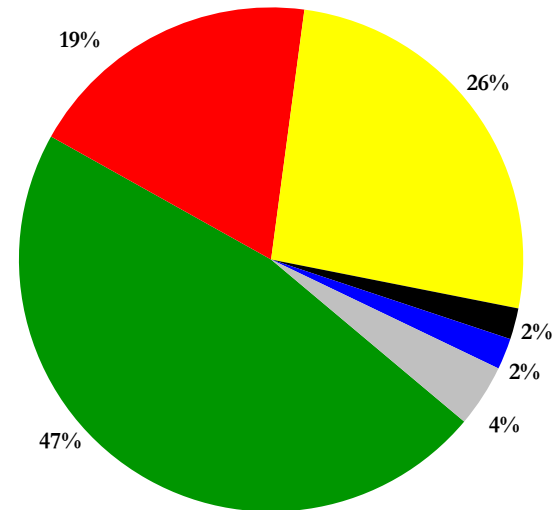
# Expenditure Budget FY2005 vs. FY2015

**FY2005 \$329 million**



- Personnel
- Supplies & Other
- Tech/Furnish/Facilities
- Financial Aid
- Utilities
- Debt Services

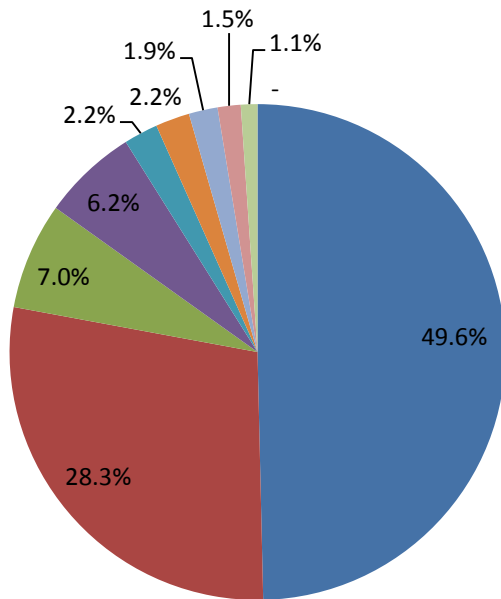
**FY2015 \$615 million**



- Personnel
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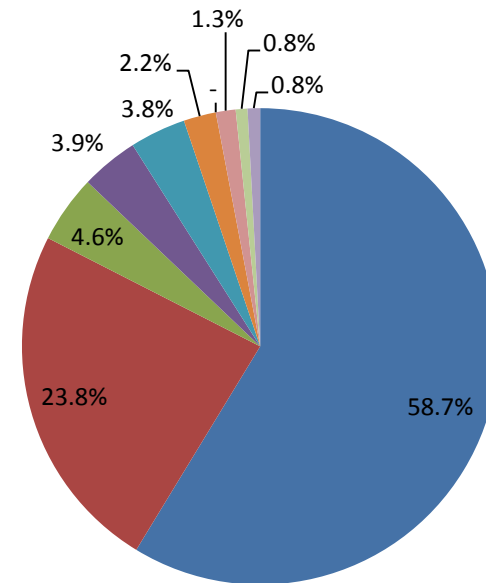
# Expenditure Budget FY2005 vs. FY2015

**FY2005 \$329 million**



- Provost
- Central Reserves
- WAMU-FM
- International Affairs
- Finance & Treasurer
- Campus Life
- Athletics
- Development

**FY2015 \$615 million**



- Provost
- Central Reserves
- WAMU-FM
- International Affairs
- Finance & Treasurer
- Campus Life
- Athletics
- Development

# Major Questions

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**What have the budget increases of the last few years enabled us to achieve?**

**Numerous initiatives and outcomes with immediate and long-term benefits.**



For example . . .



# Results of Strategic Investment, 2008-2015

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- **Reduction in class size with increase in new faculty**
- **Addition of new three-year degree programs**
  - Global Scholars
  - Public Health
  - Politics, Policy and the Law
- **New undergraduate degree programs**
  - Accounting
  - Computational Science
  - Environmental Science
  - Mathematics and Economics
  - Public Health (BA/ BS)
  - Finance



# Results of Strategic Investment, 2008-2015

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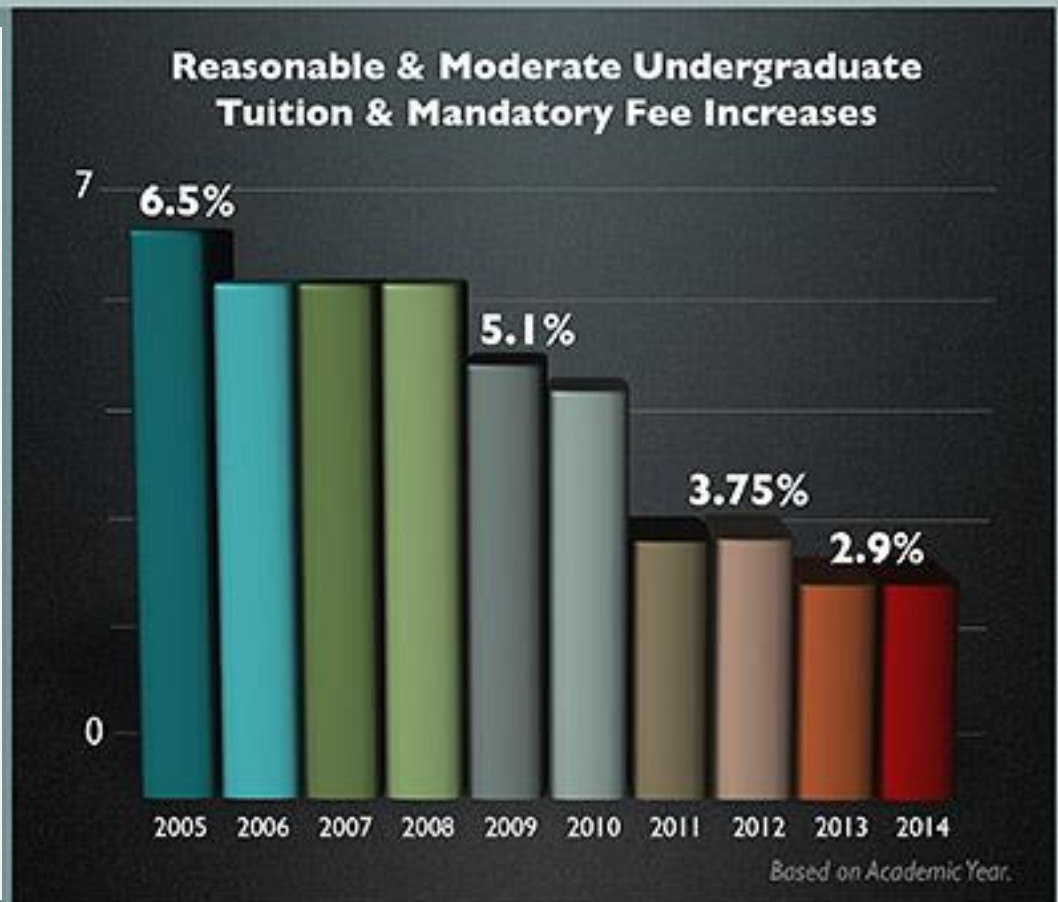
- Enhanced and more rigorous undergraduate experience
- Center for Diversity and Inclusion
- Investments in DC Reads program
- New Enrichment Grant
- Library improvements
- Performance-based salary increases for faculty and staff
- President's Campus Climate Commitment – commitments on energy, carbon footprint, sustainability



# Major Questions

## How is AU Addressing College Costs?

- Tuition consistently below the national average for private universities
- In Academic Year 2014 (FY2015), AU's tuition increase at 2.9% was below the 3.7% average of private institutions
- Introduction of debt reduction education program
- A shift in financial aid to the neediest students

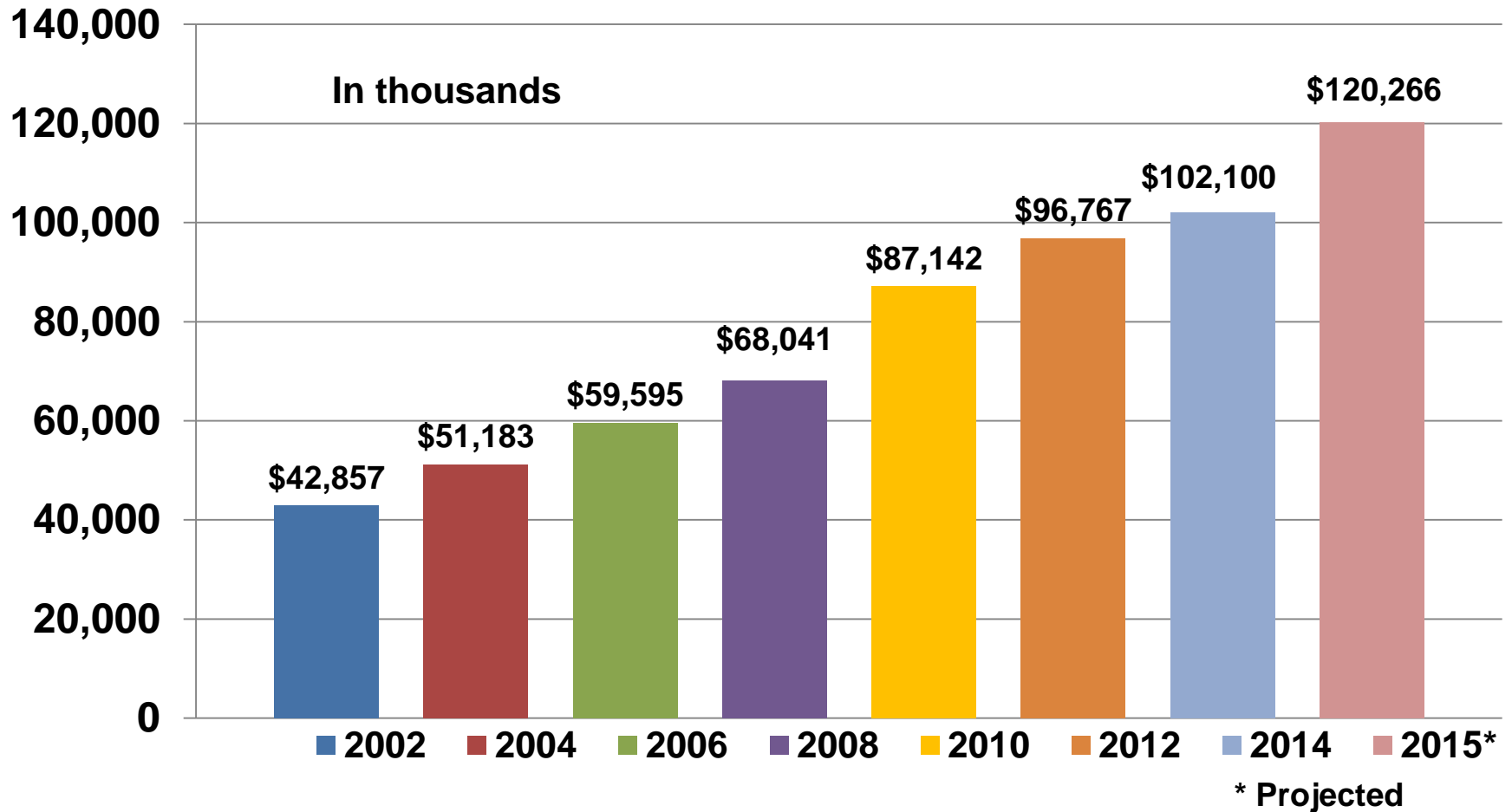


# Full-Time Undergraduate Tuition and Mandatory Fees

	School	FY2014	FY2015	Increase FY14 to FY15	
				\$	Percent
1	Carnegie Mellon University	\$47,642	\$49,022	\$1,380	2.9%
2	George Washington University	\$47,343	\$48,850	\$1,507	3.2%
3	Tufts University	\$46,598	\$48,643	\$2,045	4.4%
4	Bucknell University	\$46,902	\$48,498	\$1,596	3.4%
5	Tulane University	\$46,930	\$48,305	\$1,375	2.9%
6	Colgate University	\$46,380	\$48,175	\$1,795	3.9%
7	Johns Hopkins University	\$45,970	\$47,560	\$1,590	3.5%
8	Boston College	\$45,622	\$47,436	\$1,814	4.0%
9	University of Rochester	\$45,372	\$46,960	\$1,588	3.5%
10	Georgetown University	\$44,805	\$46,744	\$1,939	4.3%
11	Boston University	\$44,910	\$46,664	\$1,754	3.9%
12	Washington University in St. Louis	\$44,841	\$46,467	\$1,626	3.6%
13	New York University	\$44,845	\$46,148	\$1,303	2.9%
14	College of the Holy Cross	\$44,272	\$45,692	\$1,420	3.2%
15	Lafayette College	\$44,670	\$45,635	\$965	2.2%
16	Fordham University	\$43,577	\$45,507	\$1,930	4.4%
17	Emory University	\$44,008	\$45,008	\$1,000	2.3%
18	Lehigh University	\$43,520	\$44,890	\$1,370	3.1%
19	Vanderbilt University	\$43,368	\$44,542	\$1,174	2.7%
20	University of Miami	\$42,852	\$44,350	\$1,498	3.5%
21	Northeastern University	\$41,686	\$43,440	\$1,754	4.2%
22	Case Western Reserve University	\$41,800	\$43,158	\$1,358	3.2%
23	Syracuse University	\$40,458	\$41,886	\$1,428	3.5%
24	<b>American University</b>	<b>\$40,649</b>	<b>\$41,833</b>	<b>\$1,184</b>	<b>2.9%</b>
25	Rice University	\$38,941	\$40,665	\$1,724	4.4%
26	College of William and Mary*	\$37,851	\$39,360	\$1,509	4.0%
27	Hofstra University	\$37,400	\$38,900	\$1,500	4.0%
	<b>Average</b>	<b>\$43,823</b>	<b>\$45,346</b>	<b>\$1,523</b>	<b>3.5%</b>



# Institutional Aid Expenditures by Year



Source: AU Annual Report, Audited Financial Statement



# Major Questions

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## What steps will AU take to control costs and help fund new priorities?

- President Kerwin has called for a 1.0 % (\$2.7 million) reduction of operating expenses each year in FY 2016 and FY 2017 (\$5.4 million total)
- Considering a lower salary increase in Fall 2015 (FY2016)
- Continued review of opportunities for efficiency and effectiveness initiatives



# Proposed New Expenditures – Student Focused

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- Title IX support and training
- Victim advocate support
- RA stipend increase
- Minimum wage increase
- Athletics club sports
- DC Reads transportation support
- Enrichment grant support
- Post-doctoral clinician for counseling



# Major Questions

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## What would be the effect of a 0% increase in tuition?

- Halt progress on many *Strategic Plan* objectives
- Personnel and program cuts
- Salary freezes for faculty and staff
- Impact on the quality of services
- Little or no increase to financial aid
- Reduced capacity to recruit high quality faculty
- Challenges to maintaining staff and faculty morale



# Budget Forum

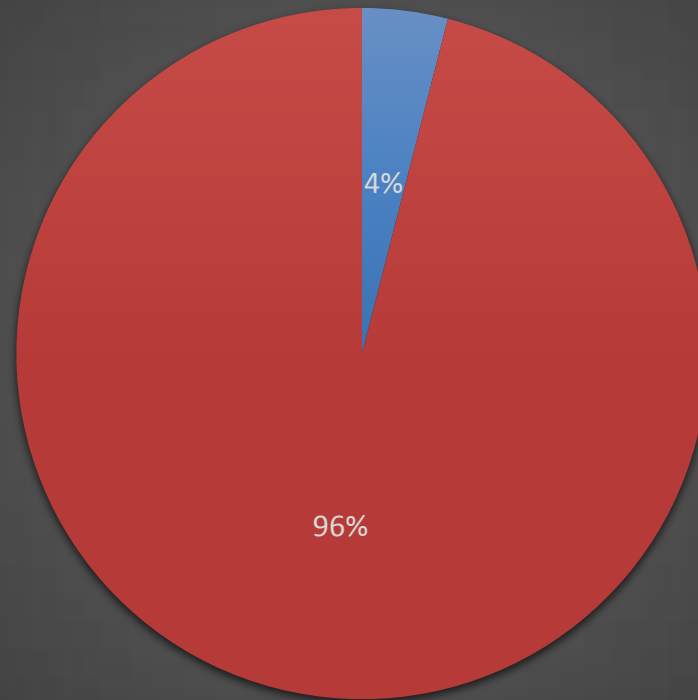
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Understanding Financial Aid

# Need-Based Grant Aid

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Source of Need-Based Grant Aid

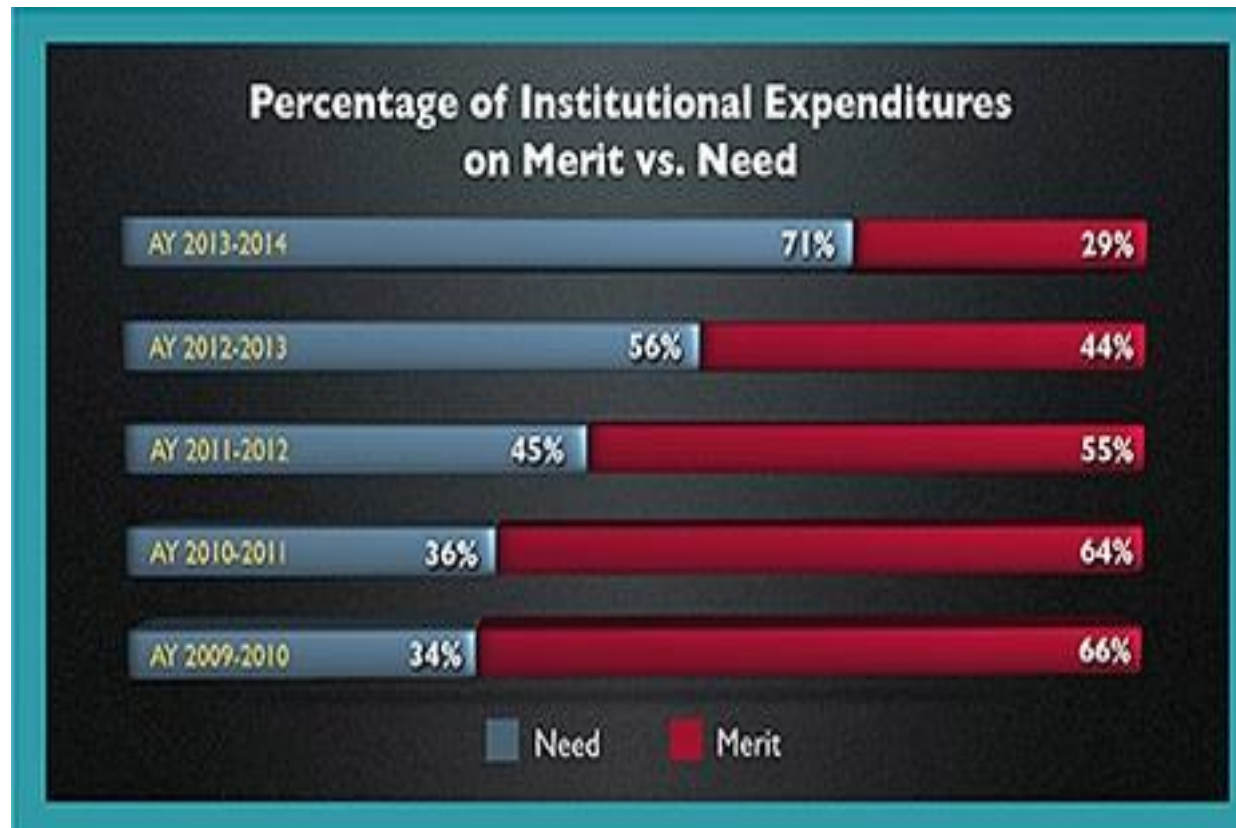


■ Federal ■ American University



# Reallocation of Resources

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# How is Financial Need Determined: COA

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Federal regulations require that schools determine a standardized Cost of Attendance (COA) based on an estimate of what it may cost to attend during the Academic Year (AY) including both Fall and Spring semesters:

## Cost of Attendance

Billable	Non-Billable
Tuition and Fees	Books
Room	Transportation
Board	Personal Expenses

# How is Financial Need Determined: EFC

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- Expected Family Contribution (EFC) is determined by the financial information students and parents provide on the FAFSA.
- Significant factors in EFC calculation include:
  - **Income**
  - **Number in college**
  - **Family size**
  - **Assets**

# Financial Need Calculation

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COA { Cost of attendance includes:  
tuition, fees, room, board, books,  
transportation, and personal  
expenses

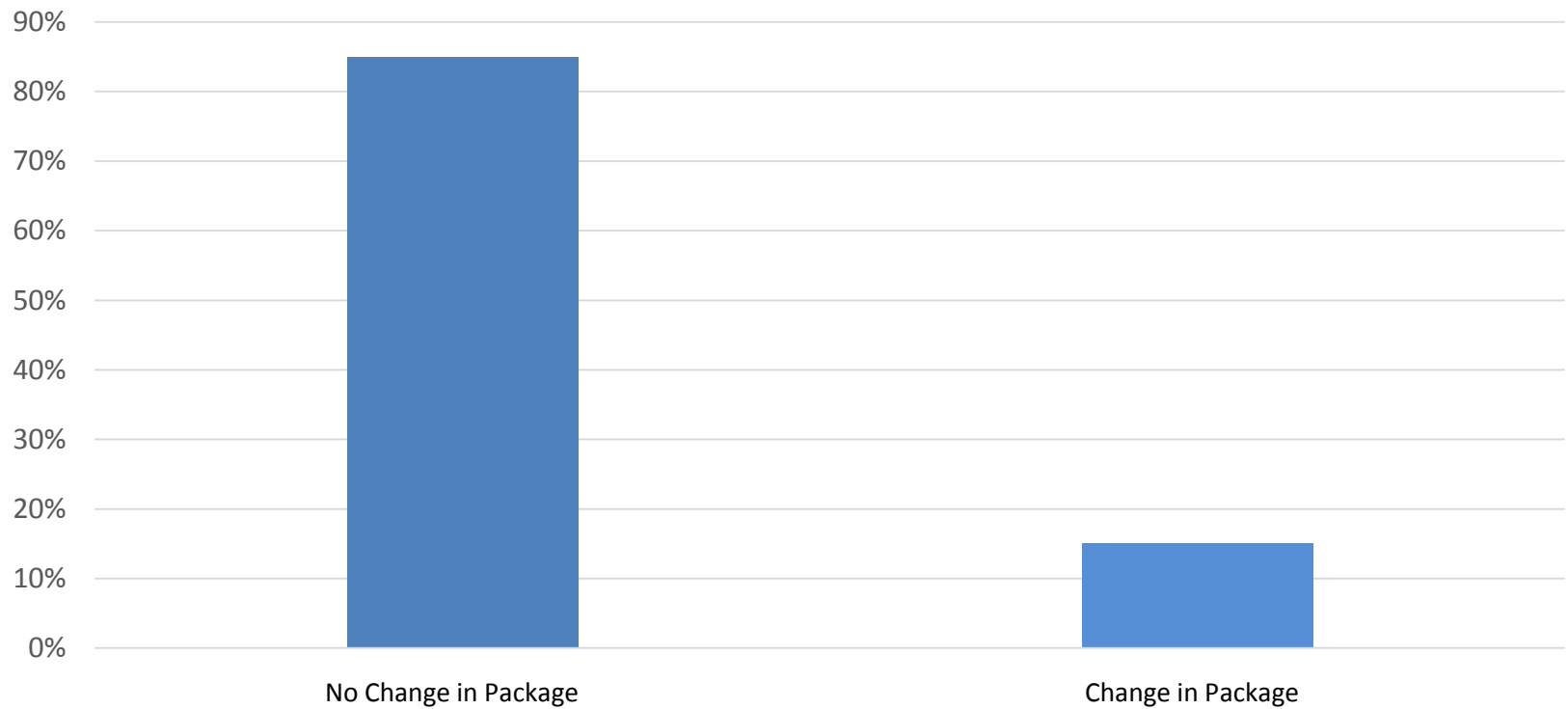
-EFC { EFC determined by the FAFSA.  
Significant factors in EFC calculation  
include income, number in college,  
family size, and assets and assets

FINANCIAL NEED

# Changes in Financial Aid

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Percent of Students Experiencing Changes in Aid Year Over Year





# Cost of Attendance- Billable and Non-Billable Charges

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Financial Aid is awarded to assist students and families in defraying educational costs.

Aid is used to cover both billable charges, including tuition fees room and board, and non-billable (controllable) expenses, including transportation, books, and other miscellaneous expenses.

At AU, non-billable expenses are estimated at \$2,500

# What happens when tuition increases?

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Tuition Increases	Current Tuition Rate = \$41,316	
2.50%	\$1,033	\$42,349.00
3.00%	\$1,239	\$42,555.00
3.50%	\$1,446	\$42,762.00
4.00%	\$1,653	\$42,969.00
4.50%	\$1,859	\$43,175.00

# What happens when tuition increases?

**2.9% = \$41,316**

<u>AY 2013-14</u> Freshman	
<b>Tuition=\$40,132</b>	
COA-Billable Charges	\$54,312
<u>- EFC</u>	(\$30,000)
NEED	\$24,312
FINANCIAL AID PACKAGE	
Self help (Fed loan)	\$5,500
AU Grant Aid	\$21,308
Funds available for non-billable costs (Misc. Expenses, Books, Transportation)	\$2,496

<u>AY 2014-15 (Actual)</u> Sophomore	
<b>Tuition= \$41,316</b>	
COA-Billable Charges	\$55,724
<u>- EFC</u>	(\$30,000)
NEED	\$25,724
FINANCIAL AID PACKAGE	
Self help (Fed loan)	<b>\$6,500</b>
AU Grant Aid	\$21,308
Funds available for non-billable costs (Misc. Expenses, Books, Transportation)	\$2,084

# What happens when tuition increases?

**3.5% = \$42,762**

<u>AY 2014-15 (Actual)</u> Sophomore	
<b>Tuition= \$41,316</b>	
COA-Billable Charges	\$55,724
<u>- EFC</u>	(\$30,000)
NEED	\$25,724
FINANCIAL AID PACKAGE	
Self help (Fed loan)	\$6,500
AU Grant Aid	\$21,308
Funds available for non-billable costs (Misc. Expenses, Books, Transportation)	\$2,084

<u>AY 2015-16</u> Junior	
<b>Tuition= \$42,762</b>	
COA	\$57,400
<u>- EFC</u>	(\$30,000)
NEED	\$27,400
FINANCIAL AID PACKAGE	
Self help (Fed loan)	<b>\$7,500</b>
AU Grant Aid	\$21,308
Funds available for non-billable costs (Misc. Expenses, Books, Transportation)	\$1,408

# What happens when tuition increases?

**3.5% = \$44,045**

<u>AY 2015-16</u>	
<u>Junior</u>	
<b>Tuition= \$42,762</b>	
COA	\$57,400
<u>- EFC</u>	(\$30,000)
NEED	\$27,400
FINANCIAL AID PACKAGE	
Self help (Fed loan)	\$7,500
AU Grant Aid	\$21,308
Funds available for non-billable costs (Misc. Expenses, Books, Transportation)	\$1,408

<u>AY 2016-17</u>	
<u>Senior</u>	
<b>Tuition= \$44,045</b>	
COA	\$58,683
<u>- EFC</u>	(\$30,000)
NEED	\$28,683
FINANCIAL AID PACKAGE	
Self help (Fed loan)	\$7,500
AU Grant Aid	\$21,308
Funds available for non-billable costs (Misc. Expenses, Books, Transportation)	\$125

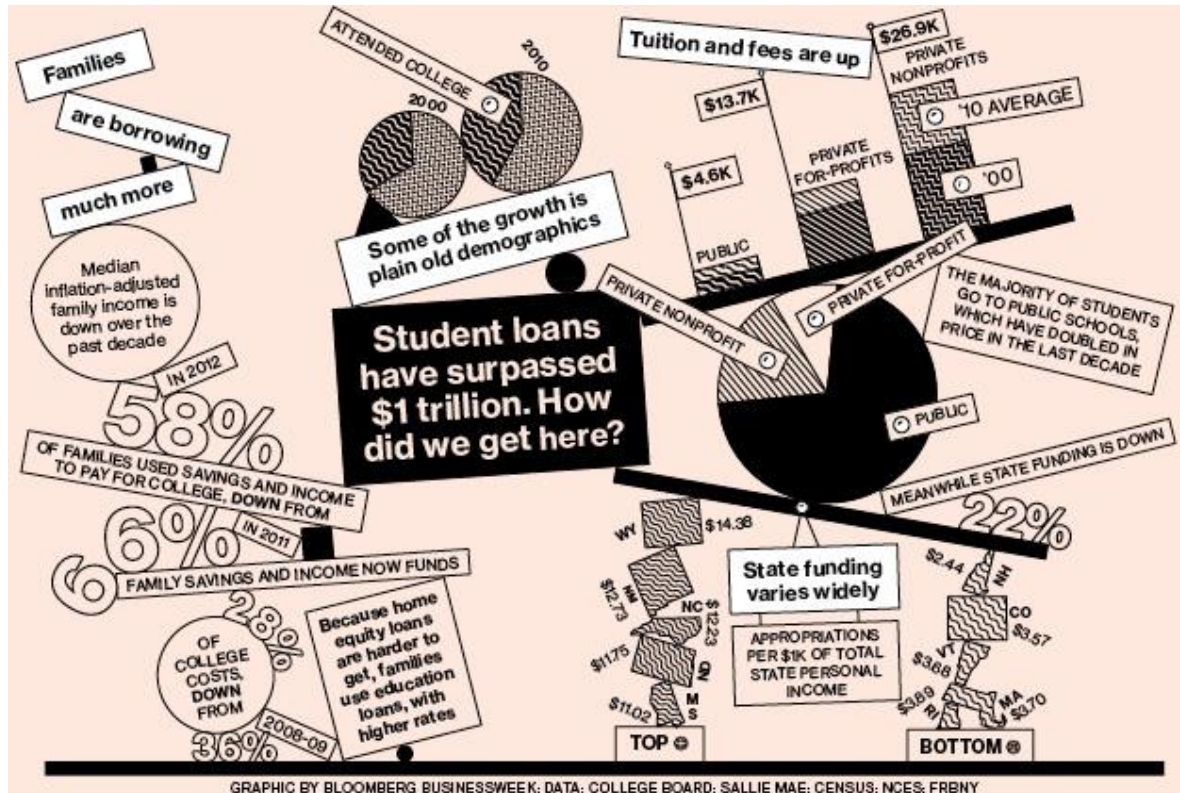
# Budget Forum

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Student Debt

# Headline:

## In 2013, total student debt surpassed 1 trillion dollars.



This just in:  
 In 2013-14, total student debt dropped from previous year by 8.7 billion.

-The College Board, Trends in Student Aid, 2014



# Reversing the Trend at AU

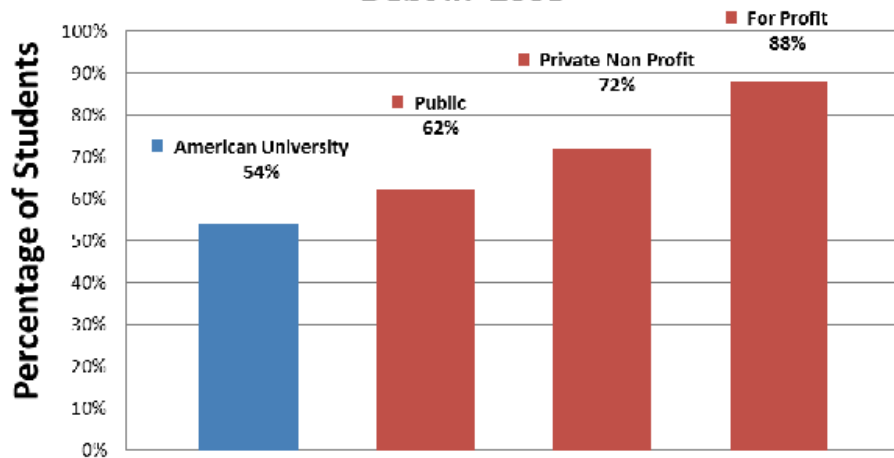
## Average Student Debt for Graduates



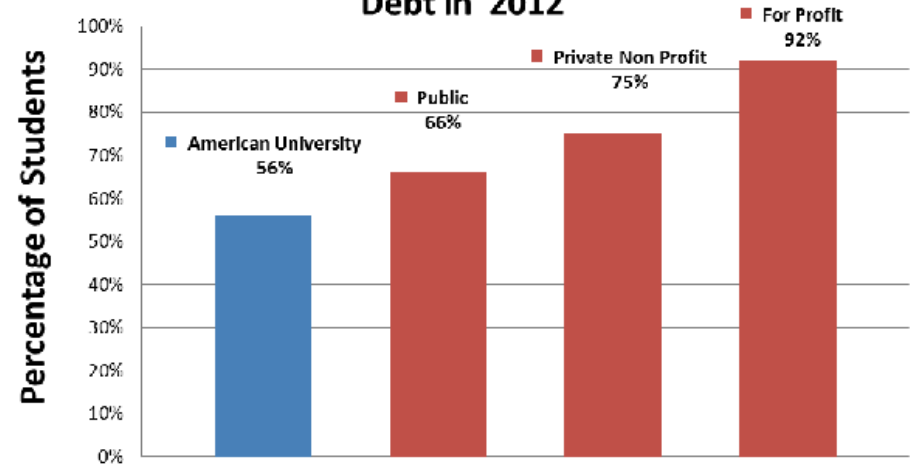
\* Projected Numbers for 2014

# National Trends and AU, 2008-2015

Percentage of Graduating Seniors at Public, Private Non-Profit and AU with Student Loan Debt in 2008

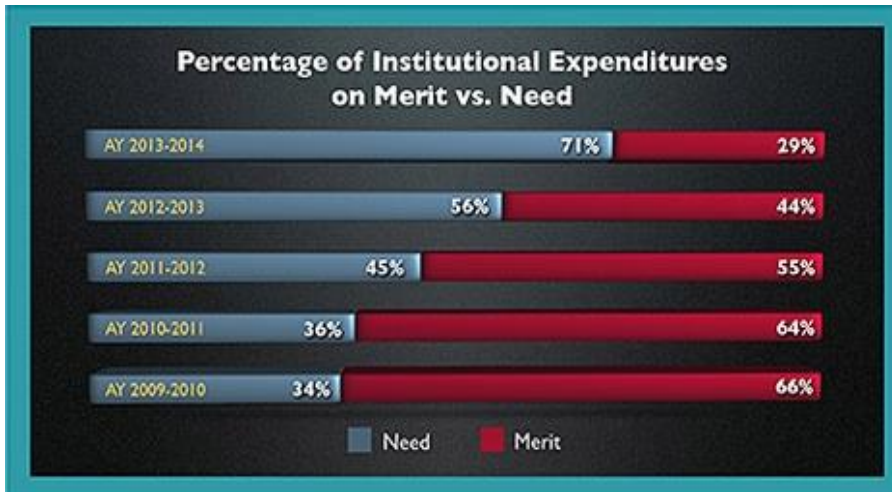


Percentage of Graduating Seniors at Public, Private Non-Profit and AU with Student Loan Debt in 2012

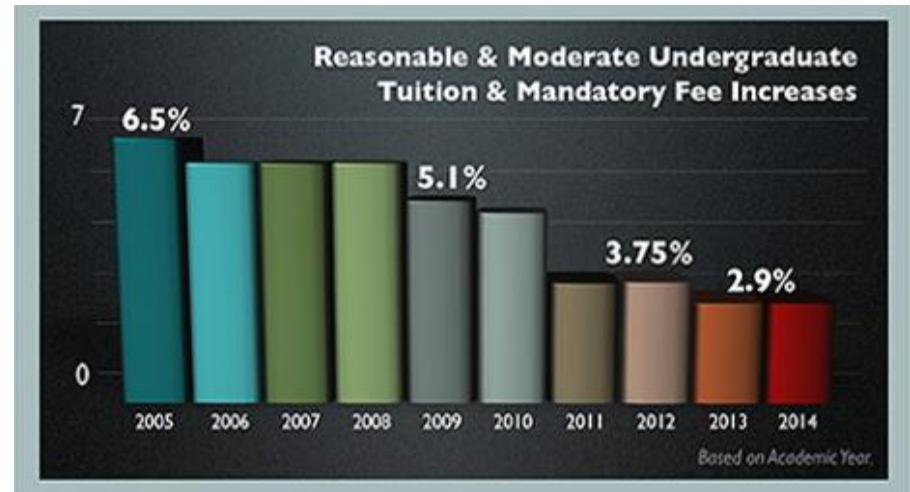


# How did we reverse the trend?

- Shift from merit to need based aid



- Moderated tuition increases



- Financial literacy programs and tools
- Counseling about private loans



# ROI: Are recent graduates with debt in a position to manage it effectively?


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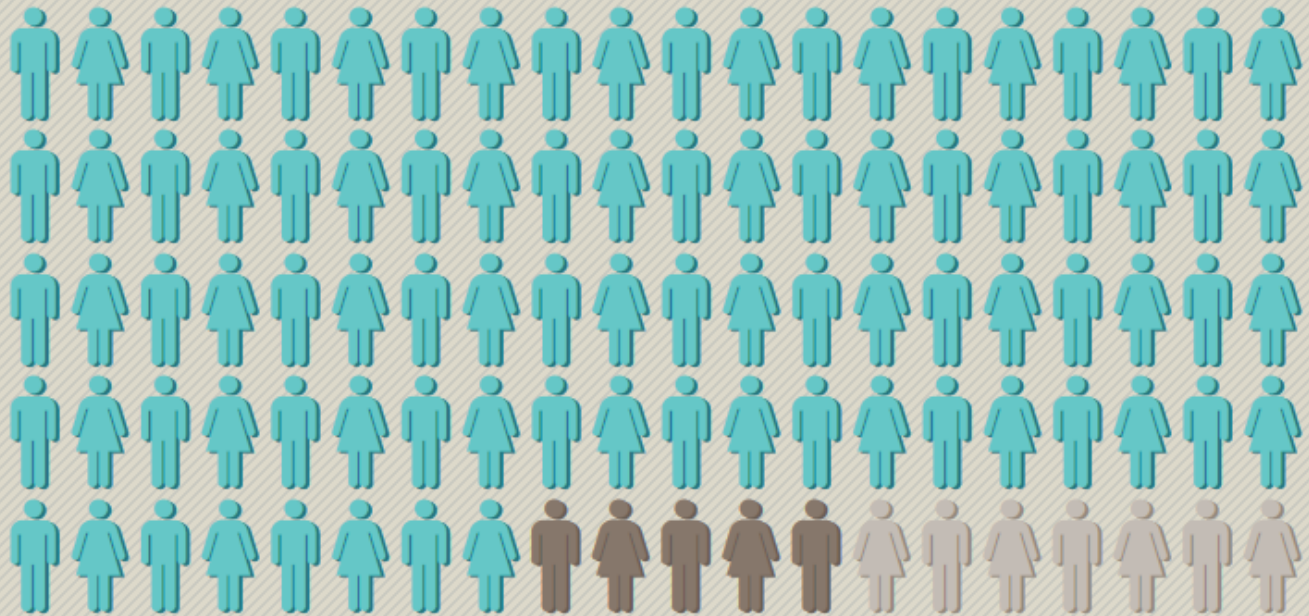
*From Great Jobs to Grad Schools, New AU Grads are Ready to Succeed*

# 88%

**WORKING,  
GRAD SCHOOL,  
OR BOTH**

 5%  
OTHER

 7%  
SEEKING  
EMPLOYMENT



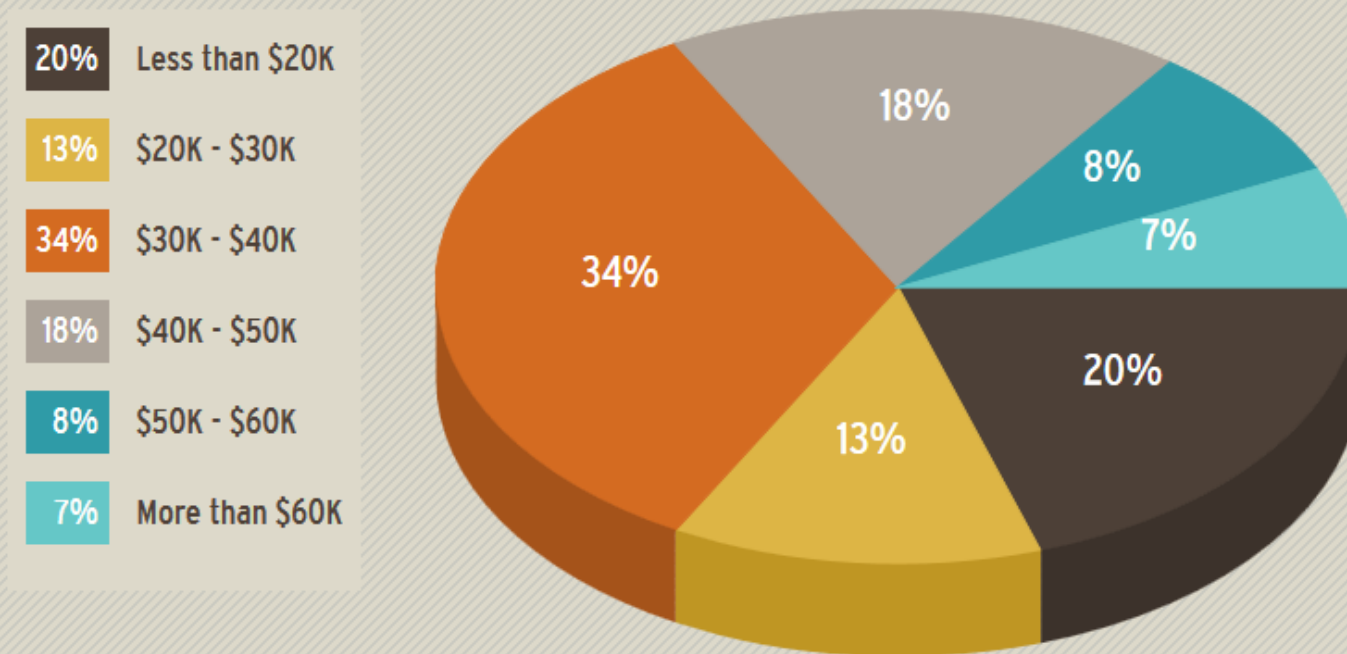
Data represent results for bachelor's degree recipients



# ROI: Are recent graduates with debt in a position to manage it effectively?

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## Recent AU Grads are Competitive in the Marketplace



Results are based on individuals surveyed in the Graduation Census as of six months after graduation.



Data represent results for bachelor's degree recipients

# Challenge: To Balance Priorities

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- Lowest, reasonable tuition increase
- Increased financial aid funding
- Core academic program enhancements
- Competitive salaries for faculty and staff
- Investments in technology and library resources
- Compliance with external, regulatory requirements: Minimum Wage, Affordable Care Act, Title IX
- Strategic Plan momentum

