

Drake University
Senate Budget Committee

DATE: April 22, 2015
TO: President David Maxwell; Faculty Senate President David Wright
Copies: President-elect Earl F. "Marty" Martin; President's Cabinet
FROM: Senate Budget Committee (Andrea Charlow, Renee Cramer, Teresa Koch, Wade Leuwerke, Keith Summerville, John Rozycki, chairperson)
SUBJECT: Report of the Senate Budget Committee for academic year 2014-15

EXECUTIVE SUMMARY

In this report, we highlight challenges related to Drake University's enrollment, investments, revenues, certain expenses, and investments in property and equipment. Drake's declining level of indebtedness and total liabilities is a strength. We reiterate our call for a five-year cash budget, available to the campus community.

INTRODUCTION

The Senate Budget Committee's charge (May 2004)

The Committee shall be a standing committee of the Faculty Senate. The Committee is charged with monitoring the University budget in order to insure that academic concerns are the central focus in Drake University's strategic planning and in the translation of those plans into the University's budget. The Committee shall advise the President and his/her Cabinet and advise the Senate on budget related Senate actions. The Committee gathers information on the budget from the Office of Business and Finance and provides that information to the faculty as a whole through reporting to the Faculty Senate. (Excluded from the above description is the description of the membership.)

Method of analysis

An effective budget is an important tool to implement the Strategic Plan. Goal III of the Strategic Plan states: "Develop a sustainable business model to ensure that Drake University will continue to provide an exceptional learning environment that is financially accessible to students and their families."¹

Analysis of historical trends

It is difficult to evaluate current or future budget forecasts without having a solid historical perspective on where we've been and, barring any changes, where we are heading. Therefore, the Committee elected to obtain historical data on enrollment, inflation, and selected financial data. We obtained financial data from the Drake University's publicly available audited

¹ For details, see: Drake University Strategic Plan 2013-2017, https://www.drake.edu/conversations/?page_id=406.

financial statements;² enrollment data from the University's data books;³ and inflation data from the Federal Reserve Economic Data database (FRED).⁴ We did *not* analyze the financial data on a per-student or per-FTE basis. In most cases, in order to compare series that differ in scale, we convert the numbers to an index, which starts at 100.

We wrestled with how many years of data to examine. Analyzing data over only a few recent years is apt to overly emphasize recent historical events such as the 2008 financial crisis. Examining trends over an excessively long period of time might cause one to draw conclusions from a historical period that is no longer relevant. We settled on 11 years, 10 years of percentage changes. In our judgment, 11 years is long enough to span a typical economic (or educational) cycle.

Categories analyzed

Exhibit 1 summarizes the categories that we used for analysis.

Exhibit 1: Categories for Analysis

Category	Specific item
Enrollment:	Undergraduate, graduate, PharmD, Law, and total enrollment
Inflation:	Consumer Price Index (CPI); Consumer Price Index for All Urban Consumers: Education (Education CPI)
Revenues:	Student tuition and fees; scholarships and fellowships; endowment income used in operations; and total operating revenues
Operating expenses:	Scholarships and Fellowships; instruction; academic support; institutional support; total operating expenses; and the change in net assets from operations ("income")
Assets and liabilities:	Total investments and cash ⁵ ; bonds payable; total liabilities
Cash flow:	Purchases of property and equipment

While the numbers are important, we are convinced that "a picture is worth a thousand words." Hence, we relegate most of the numerical data to the Appendix. Instead, we present a series of graphs that we think convey broad overall trends much better.

For each category, we present graphs, note observations, and then make comments, raise issues, or ask questions. We rarely offer specific solutions; that is for others to decide. Our intent is to provide a valuable picture of the forest, not the trees. On the basis of the past two years of Senate Budget Committee discussions, we have concluded that a detailed analysis of the current year's budget is not very useful. Additionally, by the time the budget year is in progress, very little or nothing can be done to change course.

² Finance & Administration Reports, <http://www.drake.edu/busfin/financeadministrationreports>.

³ Institutional Research & Assessment, <http://www.drake.edu/ir/institutionaldata/databooks>, with assistance from Kevin Saunders, Director of Institutional Research and Assessment.

⁴ Federal Reserve Bank of St. Louis, FRED, <https://research.stlouisfed.org/fred2>.

⁵ Historically, total investments plus cash appears to be more representative of the University's investments as a whole. Henceforth, we simply refer to the sum of these two as investments

We think that a broader, more historical presentation shows us where we've been and where we are going. This approach allows for more reflective, strategic, and longer-term thinking. Finally, we think that this type of analysis should be part of the Senate Budget Committee's charge each year.

A brief word about accrual accounting and cash flow⁶

Finally, we wish to say an important word about using the audited financial statements. While the statements are readily available, they are based on *accrual* accounting, which attempts to match revenues with the appropriate expenses. (The statement of cash flows is an exception.) For example, suppose the University purchases a desk for a faculty member. The desk costs \$100 and is expected to last 10 years. Because the faculty member is involved in instruction, generally accepted accounting principles (GAAP) might require \$10 of depreciation expense to be allocated each year to the category "instructional expenses." The \$100 one-time cost of the desk does not show up in the University's Statement of Activities (income statement). Everyone needs to understand that an expense category like instructional expenses contains more than salaries.

Why did we not use the actual *cash* inflows and *cash* outflows for each item (e.g., faculty salaries)? We simply did not have 11 years of data available to us. Still, we are convinced that for the purpose of examining long-term trends, the accrual-based statements should be fine.

OBSERVATIONS, ANALYSIS, AND COMMENTS

Enrollment

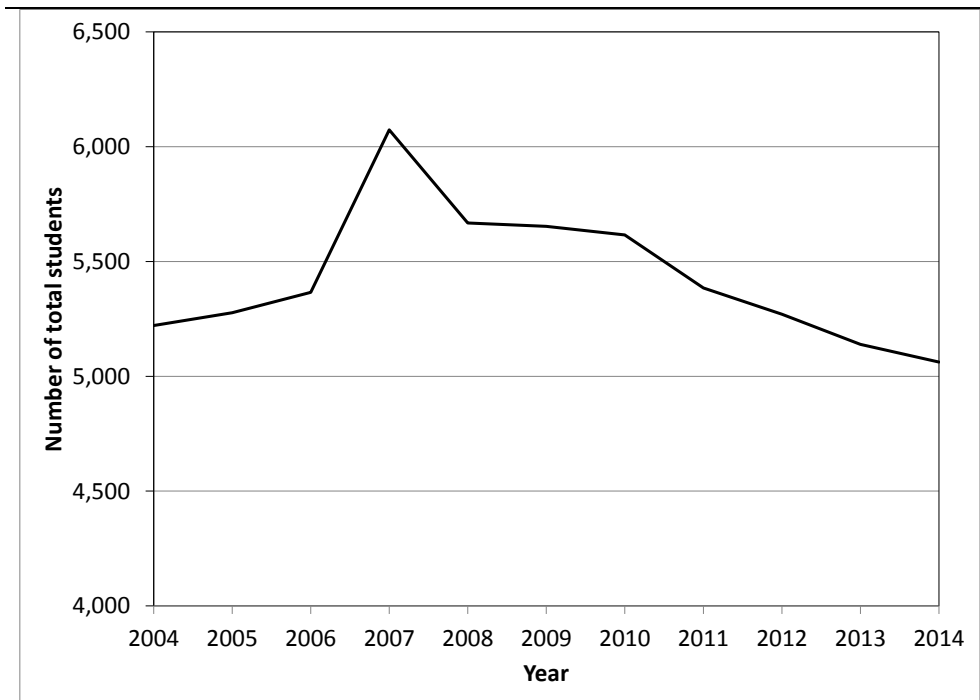
What are Drake's enrollment trends? Exhibit 2 presents a table of Drake University's enrollment over the past 11 years. Exhibit 3 presents a graph of total enrollment over the same 11-year period. In the Appendix, Exhibit 14, Exhibit 15, and Exhibit 16 present enrollment graphs for Undergraduate, Graduate, and Law and PharmD respectively.

Exhibit 2: Fall Enrollment Trends

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Undergraduate	3,164	3,141	3,255	3,443	3,516	3,547	3,527	3,438	3,365	3,383	3,364
Graduate	1,112	1,160	1,175	1,265	1,237	1,190	1,147	1,035	1,020	935	932
Graduate FTE	399	415	419	455	498	500	480	444	441	396	404
Law	474	471	438	428	452	469	471	440	418	372	339
PharmD	471	505	498	482	463	447	471	472	467	449	427
Total	5,221	5,277	5,366	6,073	5,668	5,653	5,616	5,385	5,270	5,139	5,062

⁶ We add this short section for completeness. Those who understand accrual accounting or are not interested in it can skip this section without sacrificing an understanding of the report.

Exhibit 3: Total Enrollment



Overall, total enrollment peaked in 2007 and is down 16.6% from the peak. Undergraduate enrollment peaked in 2009 and is now down 5.2%. Graduate enrollment peaked in 2007 and is down 26.3%. Law enrollment peaked in 2010 and is down about 28%.⁷ Finally, PharmD enrollment peaked in 2005 and is now down 15.4%.

We make no statement about the optimal enrollment for any program or even for the University overall. Nevertheless, *the enrollment declines are consistent across programs, and these declines have financial implications.* We think enrollment has to be managed by someone with the knowledge, skill, and ability to commandeer the needed resources. That person has to be held accountable. We are convinced that reliable and integrated enrollment forecasts for all programs are necessary to allow for sound financial planning and the construction of a five-year budget.

On March 2, 2015, the SBC submitted the following recommendation to President David Maxwell, with a copy to President-elect Earl F. "Marty" Martin:

The Senate Budget Committee recommends that the Vice-President for Admissions and Financial Aid be charged with the additional work responsibilities for enrollment management across Drake University.

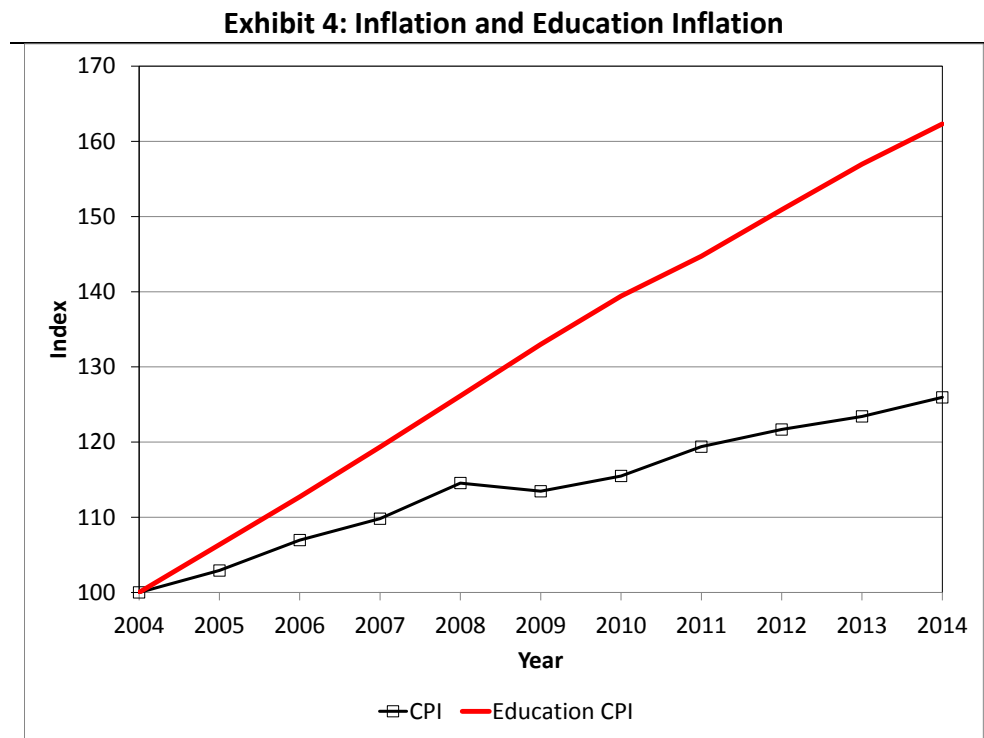
The Senate Budget Committee believes that the Vice-President for Enrollment Management should be responsible for:

⁷ Law enrollment was slightly higher in 2004, but fluctuated until 2010.

- *Recruiting and admissions for all programs, non-Law;*
- *Student financial planning;*
- *Student retention; and*
- *The office of the registrar.*

Education inflation

Over the past 11 years, education-related inflation has vastly outstripped overall inflation. Exhibit 4 presents a graphical view of the trend in overall inflation as measured by the Consumer Price Index (CPI) and the trend for education-related inflation (Education CPI).⁸



From 2004 to 2014, overall inflation, as measured by the CPI increased at an average annual rate of 2.3%. For the past 5 years, the rate has been slightly lower. In contrast, average annual rate for education-related inflation has been 5.0%, more than twice as fast as the overall

⁸ Sources: US. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: Education [CUSR0000SAE1], retrieved from FRED, Federal Reserve Bank of St. Louis <https://research.stlouisfed.org/fred2/series/CUSR0000SAE1/>, February 1 20, 2015, and US. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items [CPIAUCSL], retrieved from FRED, Federal Reserve Bank of St. Louis <https://research.stlouisfed.org/fred2/series/CPIAUCSL/>, February 1, 2015.

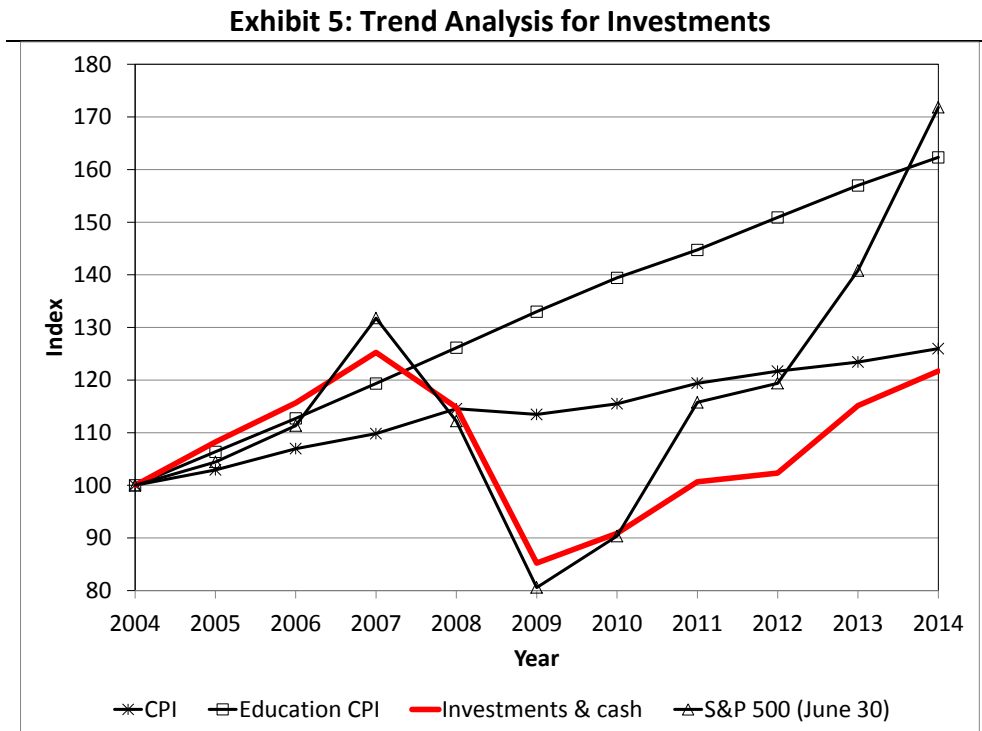
inflation rate.⁹ No one has to tell us that the outcry about the costs of higher education is growing increasingly vocal.¹⁰

The historical evidence related to inflation is a very important part of this report. We will use the above two inflation rates as reference points when we examine other items in this report.

Investments

How have Drake's investments performed over the past 11 years? In addition to the *type* of investments held, the level of investments is affected by four main factors: investment performance of the associated funds, fees and transactions costs, inflows to the funds, and outflows from the funds. Drake's investments consist of equities (stocks), fixed income securities, real estate investments, and other investments.

Exhibit 5 presents the trend for Drake's investments from 2004 to 2014. As a comparison, Exhibit 5 also contains a graph of the CPI, Education CPI, and the value of the S&P 500 index.¹¹



⁹ Education-related inflation has even outstripped the average rate of growth in *nominal* Gross Domestic Product over the same period (3.6%).

¹⁰ One student in an SBC member's class asked the *unsolicited* question at the beginning of class: "When will Drake's tuition stop increasing?"

¹¹ The S&P 500 is a value-weighted index of the stocks of 500 large domestic companies. It is arguably the world's best known portfolio and is used as a benchmark of investment performance for many funds, including Warren Buffett's Berkshire Hathaway.

We examine all items in this report over a long period of time, 11 years. This is especially appropriate for investments since investment performance can vary greatly over shorter time periods.

While Drake's investments consist of more than equities, Drake's investments roughly tracked the S&P 500 index until 2010. Both Drake's investments and the S&P 500 were substantially affected by the recent severe recession. However, since 2007, investments have not kept up with inflation (CPI), education inflation, or with the S&P 500.¹² We think that the following questions need to be addressed.

What is the proper amount of investments for Drake University? Is Drake's endowment sufficient to support the University's needs? Without specific goals for size, growth, total returns, contributions, and drawdown, the University will not know if it is achieving its investment-related goals.

Why have Drake's investments not exceeded the rate of increase in the CPI? Have inflows to Drake's investments been inadequate? Have outflows from Drake's investments been excessive? What is the optimal rate of withdrawal from Drake's investments?

Are fund-related fees *and* investment consulting fees too much of a drain? This question is not to be taken lightly as the negative effects of fees compound over time. Consider the following example illustrating the effects of management fees and transactions costs. It assumes an investment of \$1,000 for 30 years at a rate of return of 7.5% *before* transactions costs and fees. We assume that the managed fund does not perform better than the market as a whole.¹³ Note the substantial differences in the funds at the end of 30 years owing to investment-related fees.

	Rate of Fund return	Fees	Net annual return	Begin 0	End 30	Percent increase over fund A
A	7.50%	1.00%	6.50%	\$1,000	\$6,614	
B	7.50%	0.50%	7.00%	\$1,000	\$7,612	15.09%
C	7.50%	0.25%	7.25%	\$1,000	\$8,164	23.43%
D	7.50%	0.00%	7.50%	\$1,000	\$8,755	32.36%

Fees matter. But, don't take our word for it. Here is what Warren Buffett, arguably one of the world's best long-term investors, has to say about fees.

¹² Exact comparisons with the S&P 500 are *not appropriate* and we are *not* suggesting such. The S&P 500 index has no external inflows to the fund. Outflows in the form of dividends paid are not reflected. Drake's investments levels reflect both inflows from donors and outflows for operating revenue.

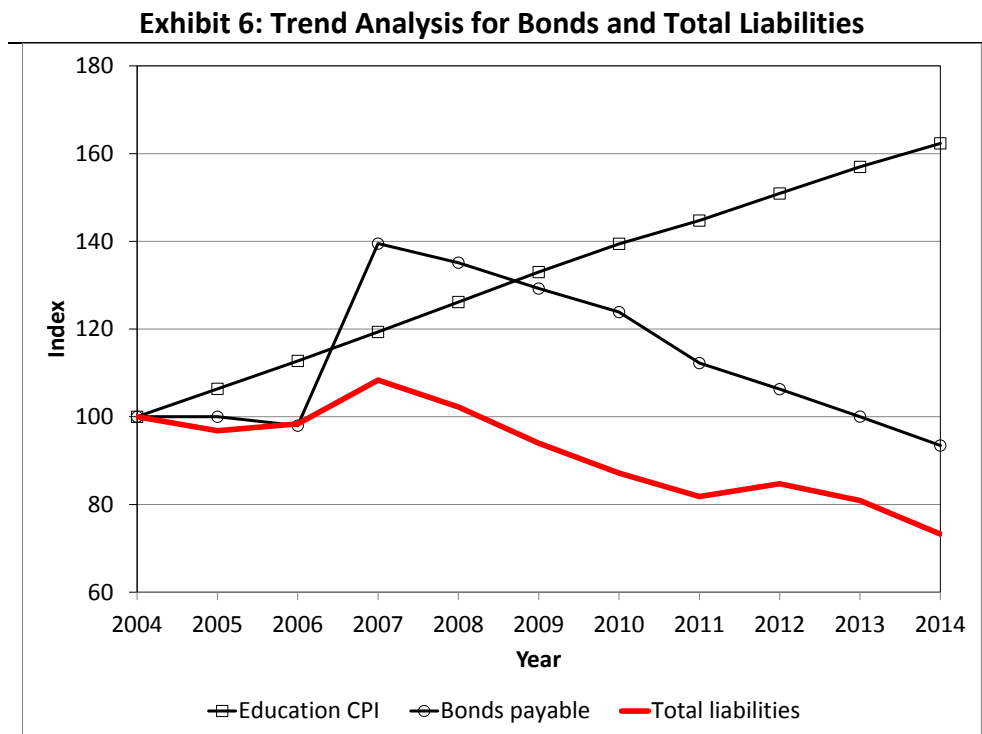
¹³ Depending on the study and the time period, the majority of managed funds fail to do better than the S&P 500 index before fees.

The commission of the investment sins listed above is not limited to “the little guy.” Huge institutional investors, viewed as a group, have long underperformed the unsophisticated index-fund investor who simply sits tight for decades. A major reason has been fees: Many institutions pay substantial sums to consultants who, in turn, recommend high-fee managers. And that is a fool’s game.¹⁴

Is Drake's mix of investments optimal? Is there a better or simpler or less expensive combination of funds that enhances performance?

Liabilities (bonds payable and total liabilities)

Has the growth rate for Drake's liabilities exceeded the inflation rate? No. Exhibit 6 presents the trend for bonds payable and total liabilities.



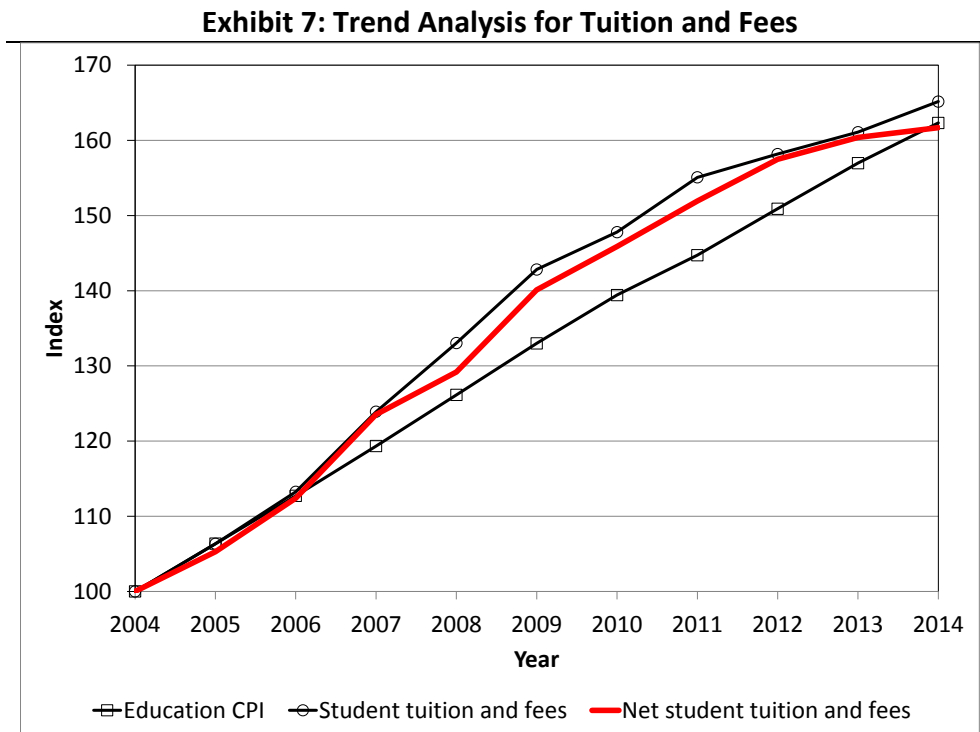
The University's indebtedness has *declined* since 2007. *All other things being equal*, it would appear that Drake's financial flexibility and debt capacity have increased.¹⁵ We think this is a strength to keep in an era of increased uncertainty.

¹⁴ Buffett, Warren. E. (2014). Chairman’s Letter. Annual Report to the Shareholders of Berkshire Hathaway. p. 19.

¹⁵ We are somewhat tentative in this statement since enrollment has also declined.

Revenues

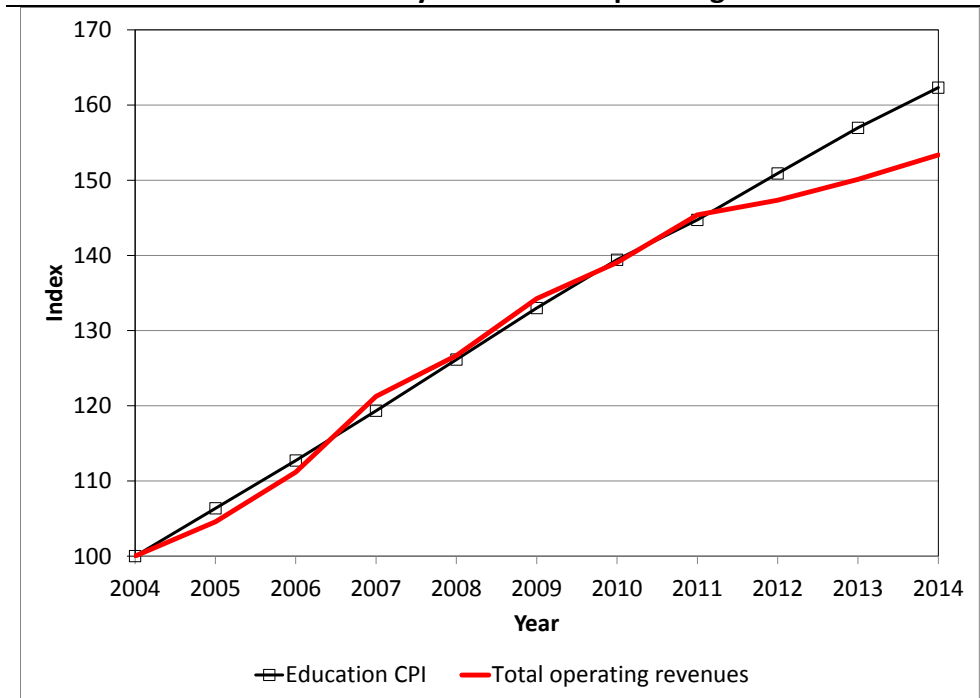
Have revenues kept up with the Education CPI? The answer is somewhat mixed. Exhibit 7 presents a graph of the trend for student tuition and fees along with a graph of student tuition and fees, *net of scholarships and fellowships*.



Until 2012 or so, net tuition and fees increased at a faster rate than the Education CPI (5.9% per year versus 5.3% per year). Subsequently, the rate of increase slowed. For the entire 11-year period, net tuition and fees increased at about the same rate as the Education CPI, about 5% per year. In the aggregate, the rate of growth in tuition and fees is clearly affected by the decline in enrollment. However, we did not track tuition and fees on a per-student basis.

Exhibit 8 depicts the trend in *total operating revenues*.

Exhibit 8: Trend Analysis for Total Operating Revenues



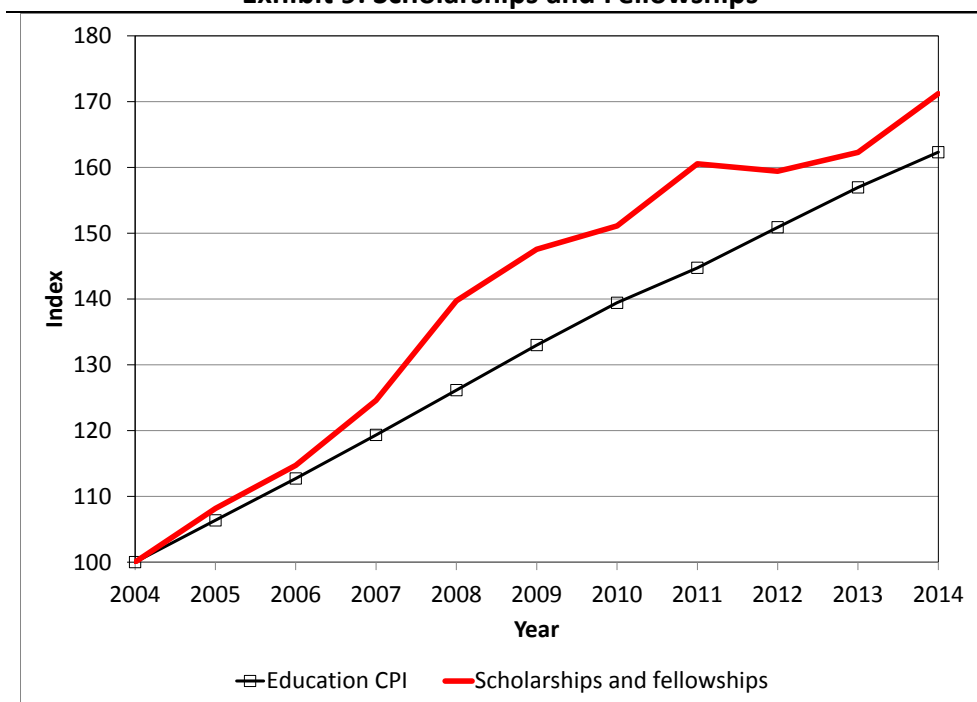
From 2004 through 2011, total operating revenues moved in lockstep with the Education CPI at about 5.5% per year. For the past 3 years, total operating revenues have been increasing at a much slower rate, about 1.8%. There are a number of sources that provide significant supplements to net tuition and fees: government grants and contracts, private grants and contracts, private gifts, endowment income used in operations, sales and services of auxiliary enterprises, and other income. In 2014, sales and services of auxiliary enterprises was the largest contributor at \$16.9 million. In the aggregate, in 2014, these non-tuition items contributed 37% of total operating revenues.

What is the cause of the abrupt decline in the growth rate in total operating revenues? Is this a trend?

Scholarships and fellowships

Scholarships and fellowships are *not* an operating expense per se. However, they are an *opportunity cost*, and we think it is worth discussing this category separately. Exhibit 9 presents the trend in scholarships and fellowships as compared to the Education CPI.

Exhibit 9: Scholarships and Fellowships



Until 2011, scholarships and fellowships increased at a faster rate than the Education CPI (7% versus 5.4%) This is partly due to the fact that undergraduate enrollment increased steadily between 2005 and 2009. But, undergraduate enrollment started to decline in 2010. Yet, scholarships and fellowships continued to increase until 2011. After leveling off for two years, in 2014, scholarships and fellowships again returned to growing at rate faster than the Education CPI. See also Exhibit 19 in the Appendix.

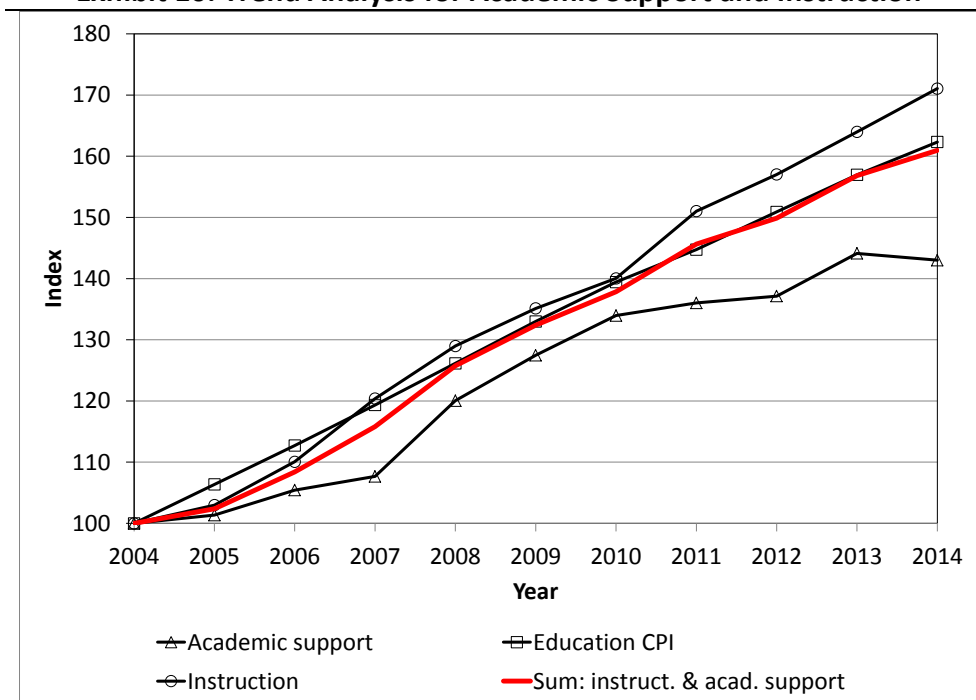
People will not pay premium prices for commodity competencies. We think that Drake University needs to determine and aggressively market its core competencies. This might allow us to decrease the "discount" that we offer to attract talented, hardworking students.

Academic support and instructional expenses

The SBC is charged with "monitoring the University budget in order to insure that academic concerns are the central focus in Drake University's strategic planning and in the translation of those plans into the University's budget." Exhibit 10 presents the trend for Academic Support and Instruction.¹⁶

¹⁶ The *academic support category* includes expenses incurred to provide support services for the institution's primary missions: instruction, research, and public service. It includes the retention, preservation, and display of educational materials, such as libraries, museums, and galleries; the provision of services that directly assist the academic functions of the institution, such as demonstration schools associated with a department, school, or college of education; media such as audio-visual services and technology such as computing support; academic administration (including academic deans but not department chairpersons) and personnel development providing

Exhibit 10: Trend Analysis for Academic Support and Instruction



While instructional expenses have increased at a faster annual rate (5.5%) than the Education CPI (5.0%), academic support has increased at a slower rate (3.7%). Combined, however, they are spot-on with the Education CPI. The evidence suggests that, *in the aggregate, and collectively, "academic concerns" have not been shortchanged over the 11-year period.*

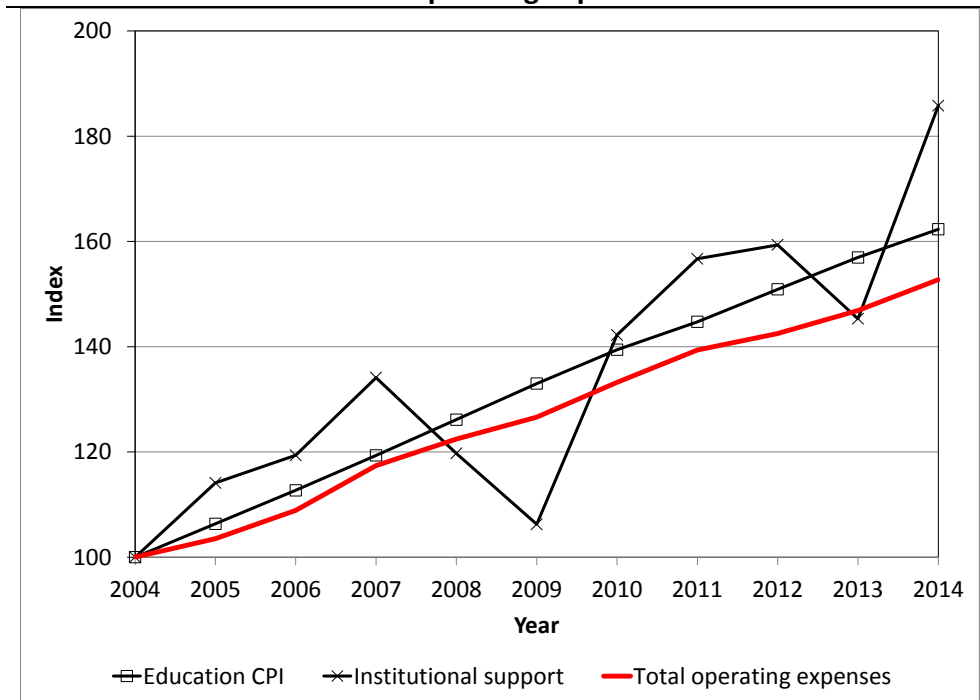
Institutional Support and Total Operating Expenses

Exhibit 11 presents the trend for Institutional Support (administration) and Total Operating Expenses.¹⁷

administration support and management direction to the three primary missions; and separately budgeted support for course and curriculum development. For institutions that currently charge some of the expenses—for example, computing support—directly to the various operating units of the institution, this category does not reflect such expenses. The *instruction category* includes expenses for all activities that are part of an institution's instruction program. Expenses for credit and noncredit courses; academic, vocational, and technical instruction; remedial and tutorial instruction; and regular, special, and extension sessions should be included." Source: National Association of College and University Business Officers, <http://www.nacubo.org>.

¹⁷ The *institutional support category* includes expenses for central, executive-level activities concerned with management and long-range planning for the entire institution, such as the governing board, planning and programming operations, and legal services; fiscal operations, including the investment office; administrative data processing; space management; employee personnel and records; logistical activities that provide procurement, storerooms, printing; transportation services to the institution; support services to faculty and staff that are not operated as auxiliary enterprises; and activities concerned with community and alumni relations, including development and fund raising. Source: National Association of College and University Business Officers, <http://www.nacubo.org>.

Exhibit 11: Trend Analysis for Institutional Support and Total Operating Expenses



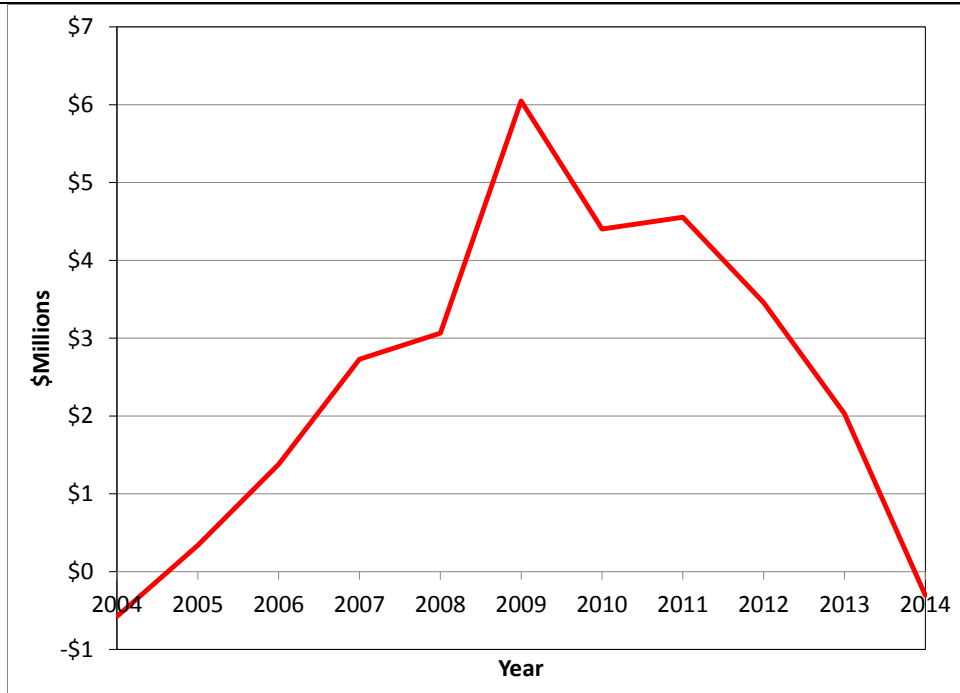
Institutional support has been volatile. We do not know why. It might be related to a change in the composition of this category or to the timing of component expenditures. Aside from the spike in 2014, these expenses appear to have been growing in line with the Education CPI. Ignoring comparisons with the lower 2013 level, the 2014 level is 16.6% above the 2012 level. In any case, the volatility in institutional support makes it difficult to reliably determine its long-term growth rate.

What is driving the growth rate in institutional support? How can the University contain these costs?

Changes in net assets from operations (operating income)

A change in net assets from operations is calculated by subtracting *operating* expenses from *operating* revenues. For a corporation, this would be called *operating income*. Exhibit 12 depicts the trend in changes in net assets from operations.

Exhibit 12: Change in Net Assets from Operations ("Operating Income")



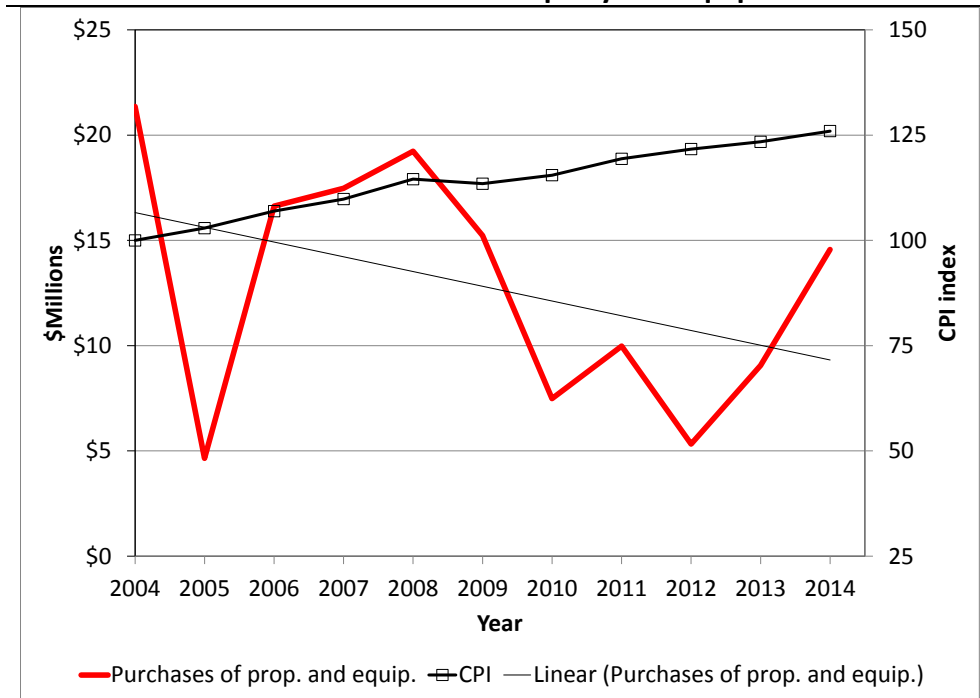
The shape of the graph is startling. It reflects the collision between declining enrollment and the unimpeded growth in expenses. Exhibit 12 drives home the necessity of right-sizing enrollment, revenues, scholarships, and operating expenses. What role did the growth in instructional and academic support expenses play in the decline in operating income? What role did an inadequate endowment play? We wonder if expenses already discussed should have been allowed to increase at the rate of the Education CPI in the face of declining enrollment.

We also examined the *change in net assets*. For a corporation, this would be called net income. We do not present its graph as it is highly volatile and not very useful. Instead, we refer the reader to Exhibit 17 in the Appendix. Suffice to say that the change in net assets is roughly flat over the 11-year period. While Drake University is not a for-profit enterprise, the reality is that it must cover its expenses with revenues with cash to spare to weather the vicissitudes of modern-day higher education. At a minimum, "net income" needs to increase with the CPI.

Purchases of property and equipment

Investments in property and equipment involve long-term commitments that are not easily modified after the investment is made. On average, over a long period of time, property and equipment expenditures should probably keep up with inflation (CPI). Exhibit 13 presents the trend in *cash outlays* on property and equipment. The expenditures are compared to the CPI. We added a linear trend line.

Exhibit 13: Purchases of Property and Equipment



The series is volatile; spending on fixed assets is lumpy. Nevertheless, the graph provides evidence that outlays for property and equipment might not be keeping up with inflation. (We did not examine the balance sheet levels of land, buildings, and equipment.) Owing to the volatile nature of this item, it is possible that we need more than 11 years to establish a reliable trend. Still, we wonder if the University is behind on its investment in fixed assets, which, *at least under the current educational model*, are necessary for the University to attract students and effectively deliver its services.

SUMMARY AND PERSPECTIVE

In this report, we have highlighted challenges related to education inflation, enrollment, investments, revenues, certain expenses, and investments in property and equipment. We raised important questions that need to be answered. Drake's declining level of indebtedness and total liabilities is a strength. We recommended that the Vice-President for Admissions and Financial Aid be charged with the additional work responsibilities for enrollment management across the University.

Last year, we strongly recommended that Drake create a five-year cash budget. We also recommended that all capital expenditures and the like need to be evaluated in light of that budget. Finally, we indicated that the five-year cash budget needs to be evaluated and revised annually.

This year, we reiterate our call for a five-year cash budget. Moreover, we think that the five-year budget should be visible to everyone, but at a minimum to vice-presidents and deans. This would provide transparency and allow us collectively to hold decision makers accountable.

Faculty colleagues, were you surprised at any of the graphs? We were. But in no way were we or are we disheartened. The graphs pulled the scales from our eyes. Our vision is clearer now. And with a better understanding of what has happened, where we are, and what we need to do, we are convinced that Drake's best days lie ahead. We look forward to working with you.

Respectfully submitted,

The 2014-2015 Senate Budget Committee

APPENDIX

Exhibit 14: Undergraduate Enrollment

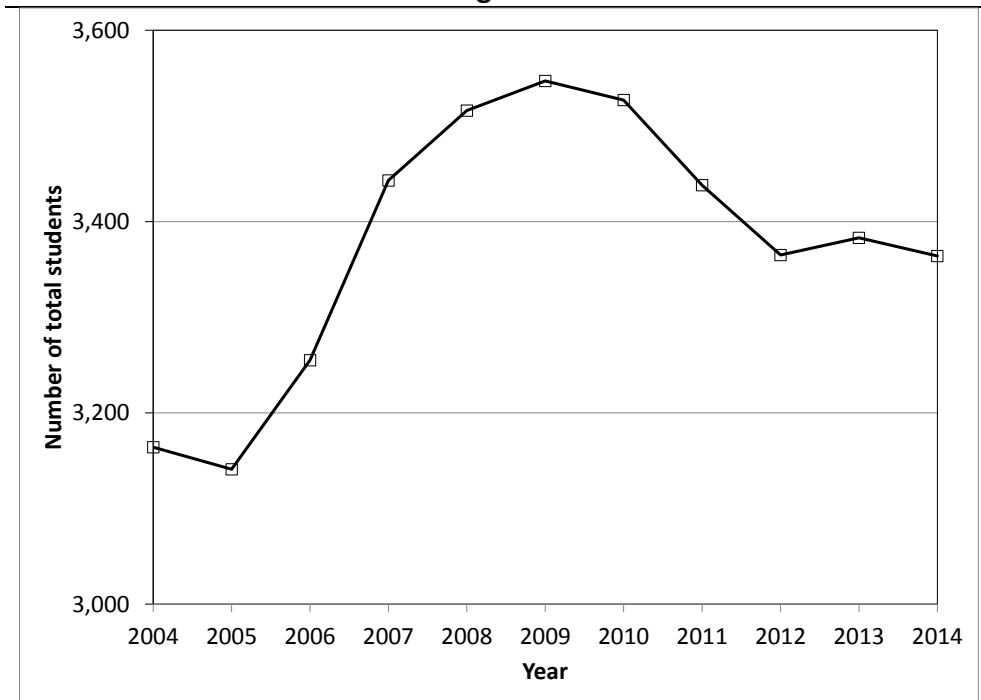


Exhibit 15: Graduate Enrollment

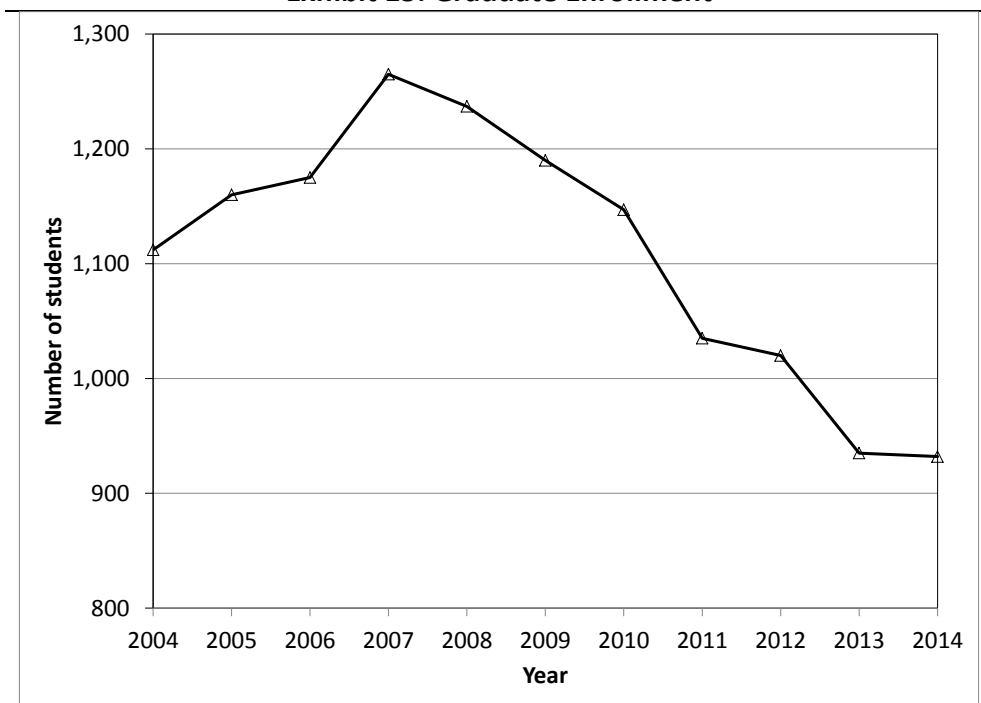


Exhibit 16: PharmD and Law School Enrollment

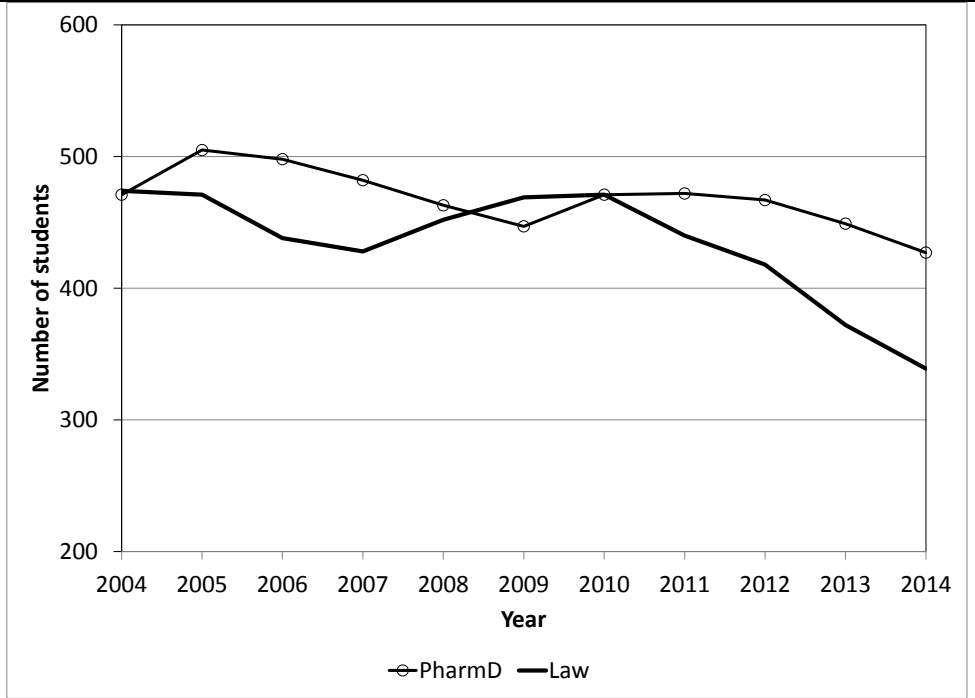


Exhibit 17: Inflation and Financial Data

Fiscal year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Avg. g	Exp	cpd g
Inflation measures														
Consumer Price Index (CPI)	188.2	193.7	201.3	206.6	215.5	213.5	217.3	224.7	229.0	232.2	237.0	2.3%	2.2%	2.3%
Education CPI	142.6	151.7	160.7	170.2	179.9	189.7	198.8	206.4	215.2	223.8	231.5	5.0%	5.0%	5.0%
Selected assets and liabilities														
Investments & cash	\$ 173.5	\$ 187.8	\$ 200.7	\$ 217.3	\$ 199.2	\$ 147.8	\$ 157.7	\$ 174.6	\$ 177.5	\$ 199.8	\$ 211.1	2.7%	0.2%	2.0%
S&P 500 (6/30) comparison	1,141	1,191	1,270	1,503	1,280	919	1,031	1,321	1,362	1,606	1,960	7.0%	3.4%	5.6%
Bonds payable	\$ 50.5	\$ 50.5	\$ 49.5	\$ 70.5	\$ 68.3	\$ 65.3	\$ 62.6	\$ 56.7	\$ 53.7	\$ 50.6	\$ 47.2	0.2%	-0.6%	-0.7%
Total liabilities	135.7	131.4	133.5	147.0	138.7	127.6	118.3	111.0	115.0	109.8	99.4	-2.9%	-3.1%	-3.1%
Total net assets	186.6	208.2	229.2	263.9	261.0	221.7	243.4	275.0	270.0	294.9	325.0	6.1%	4.3%	5.7%
Selected revenue items														
Student tuition and fees	\$ 82.9	\$ 88.2	\$ 93.9	\$ 102.7	\$ 110.3	\$ 118.4	\$ 122.5	\$ 128.6	\$ 131.1	\$ 133.5	\$ 136.9	5.2%	5.3%	5.1%
Scholarships and fellowships	30.2	32.7	34.7	37.6	42.2	44.6	45.6	48.5	48.2	49.0	51.7	5.6%	5.5%	5.5%
Net student tuition and fees	52.7	55.5	59.2	65.1	68.1	73.8	76.9	80.1	83.0	84.5	85.2	5.0%	5.3%	4.9%
Endowment income used in op.	5.6	5.5	5.7	5.9	5.0	6.3	6.3	6.7	6.5	7.0	7.8	3.8%	3.2%	3.3%
As a % of investments	3.2%	2.9%	2.8%	2.7%	2.5%	4.2%	4.0%	3.8%	3.7%	3.5%	3.7%			
Total operating revenues	88.7	92.8	98.6	107.6	112.4	119.1	123.4	129.0	130.7	133.2	136.1	4.4%	4.5%	4.4%
Selected operating expenses														
Instruction	\$ 25.9	\$ 26.7	\$ 28.5	\$ 31.2	\$ 33.4	\$ 35.0	\$ 36.3	\$ 39.1	\$ 40.7	\$ 42.5	\$ 44.3	5.5%	5.7%	5.5%
Academic support	14.6	14.7	15.3	15.7	17.5	18.6	19.5	19.8	20.0	21.0	20.8	3.7%	4.2%	3.6%
Sum: instruct. & acad. support	40.5	41.4	43.9	46.9	50.9	53.6	55.8	58.9	60.7	63.5	65.1	4.9%	5.2%	4.9%
Institutional support	10.6	12.1	12.7	14.2	12.7	11.3	15.1	16.6	16.9	15.4	19.7	7.4%	5.0%	6.4%
Total operating expenses	89.3	92.4	97.2	104.8	109.3	113.0	119.0	124.4	127.2	131.1	136.4	4.3%	4.4%	4.3%
Change in net assets from op.	\$ (0.6)	\$ 0.3	\$ 1.4	\$ 2.7	\$ 3.1	\$ 6.0	\$ 4.4	\$ 4.6	\$ 3.5	\$ 2.0	\$ (0.3)	15.4%	N/A	-6.2%
Change in net assets	15.1	21.6	21.0	34.7	(2.9)	(39.4)	21.7	31.6	(5.1)	24.9	28.2	44.9%	N/A	6.5%
Selected cash flow items														
Contrib. for LT investments	\$ 1.7	\$ 9.0	\$ 4.2	\$ 7.5	\$ 3.6	\$ 4.1	\$ 6.2	\$ 5.5	\$ 2.2	\$ 2.0	\$ 4.0	48.4%	-3.4%	8.9%
Cash provided by op. activities	3.4	2.2	13.9	11.4	7.0	10.4	11.7	8.0	11.5	12.1	8.8	48.4%	10.2%	9.9%
Purchases of prop. and equip.	21.4	4.7	16.6	17.5	19.2	15.2	7.5	10.0	5.3	9.1	14.6	24.0%	-4.2%	-3.8%

Exhibit 18: Trend Analysis

Fiscal year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Avg. g	Exp	cpd g
TREND ANALYSIS														
Inflation measures														
CPI	100.0	102.9	107.0	109.8	114.5	113.5	115.5	119.4	121.7	123.4	126.0	2.3%	2.2%	2.3%
Education CPI	100.0	106.4	112.7	119.3	126.1	133.0	139.4	144.7	150.9	157.0	162.3	5.0%	5.0%	5.0%
Selected assets and liabilities														
Investments & cash	100.0	108.2	115.7	125.2	114.8	85.2	90.9	100.7	102.3	115.2	121.7	2.7%	0.2%	2.0%
S&P 500 (6/30) comparison	100.0	104.4	111.3	131.8	112.2	80.6	90.3	115.8	119.4	140.8	171.8	7.0%	3.4%	5.6%
Bonds payable	100.0	100.0	98.0	139.5	135.1	129.2	123.9	112.2	106.3	100.0	93.4	0.2%	-0.6%	-0.7%
Total liabilities	100.0	96.8	98.4	108.3	102.2	94.0	87.1	81.8	84.7	80.9	73.3	-2.9%	-3.1%	-3.1%
Total net assets	100.0	111.6	122.8	141.4	139.9	118.8	130.4	147.4	144.7	158.0	174.2	6.1%	4.3%	5.7%
Selected revenue items														
Student tuition and fees	100.0	106.3	113.3	123.9	133.0	142.8	147.8	155.1	158.2	161.1	165.2	5.2%	5.3%	5.1%
Scholarships and fellowships	100.0	108.2	114.7	124.6	139.7	147.6	151.1	160.6	159.4	162.3	171.2	5.6%	5.5%	5.5%
Net student tuition and fees	100.0	105.3	112.4	123.5	129.2	140.1	145.9	151.9	157.5	160.4	161.7	5.0%	5.3%	4.9%
Endowment income used in op.	100.0	98.6	101.8	105.4	89.3	112.1	112.5	119.6	115.7	125.2	138.6	3.8%	3.2%	3.3%
Total operating revenues	100.0	104.6	111.2	121.3	126.7	134.3	139.1	145.4	147.3	150.1	153.4	4.4%	4.5%	4.4%
Selected operating expenses														
Instruction	100.0	103.0	110.1	120.4	129.0	135.1	140.0	151.0	157.0	164.0	171.1	5.5%	5.7%	5.5%
Academic support	100.0	101.3	105.4	107.7	120.0	127.5	134.0	136.0	137.1	144.1	143.0	3.7%	4.2%	3.6%
Sum: instruct. & acad. support	100.0	102.4	108.4	115.8	125.8	132.4	137.9	145.6	149.9	156.8	161.0	4.9%	5.2%	4.9%
Institutional support	100.0	114.1	119.4	134.1	119.7	106.3	142.2	156.7	159.4	145.3	185.8	7.4%	5.0%	6.4%
Total operating expenses	100.0	103.5	108.9	117.4	122.4	126.6	133.2	139.4	142.5	146.9	152.7	4.3%	4.4%	4.3%
Change in net assets from op.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Change in net assets	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Selected cash flow items														
Contrib. for LT investments	100.0	526.9	245.9	438.2	212.7	241.0	363.0	322.6	130.8	116.2	233.7	48.4%	-3.4%	8.9%
Cash provided by op. activities	100.0	65.0	405.5	333.6	203.5	302.7	341.6	232.3	334.0	351.4	255.9	48.4%	10.2%	9.9%
Purchases of prop. and equip.	100.0	21.8	77.8	81.8	90.0	71.3	35.0	46.7	24.9	42.4	68.2	24.0%	-4.2%	-3.8%

Exhibit 19: Growth Rates

Fiscal year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Avg. g
GROWTH RATES												
Inflation measures												
Consumer Price Index (CPI)		2.9%	3.9%	2.7%	4.3%	-0.9%	1.8%	3.4%	1.9%	1.4%	2.1%	2.3%
Education CPI		6.4%	6.0%	5.9%	5.7%	5.4%	4.8%	3.8%	4.3%	4.0%	3.4%	5.0%
Selected assets and liabilities												
Investments & cash		8.2%	6.9%	8.3%	-8.3%	-25.8%	6.7%	10.7%	1.7%	12.5%	5.7%	2.7%
S&P 500 (6/30) comparison		4.4%	6.6%	18.4%	-14.9%	-28.2%	12.1%	28.1%	3.1%	17.9%	22.0%	7.0%
Bonds payable		0.0%	-2.0%	42.4%	-3.1%	-4.3%	-4.2%	-9.4%	-5.3%	-5.9%	-6.6%	0.2%
Total liabilities		-3.2%	1.6%	10.1%	-5.6%	-8.1%	-7.3%	-6.1%	3.6%	-4.5%	-9.4%	-2.9%
Total net assets		11.6%	10.1%	15.2%	-1.1%	-15.1%	9.8%	13.0%	-1.8%	9.2%	10.2%	6.1%
Selected revenue items												
Student tuition and fees		6.3%	6.5%	9.4%	7.4%	7.4%	3.5%	4.9%	2.0%	1.8%	2.5%	5.2%
Scholarships and fellowships		8.2%	6.1%	8.6%	12.2%	5.6%	2.4%	6.3%	-0.7%	1.8%	5.5%	5.6%
Net student tuition and fees		5.3%	6.8%	9.9%	4.6%	8.4%	4.1%	4.1%	3.6%	1.9%	0.8%	5.0%
Endowment income used in op.		-1.4%	3.3%	3.5%	-15.3%	25.5%	0.4%	6.3%	-3.3%	8.2%	10.7%	3.8%
Total operating revenues		4.6%	6.3%	9.1%	4.5%	6.0%	3.6%	4.6%	1.3%	1.9%	2.2%	4.4%
Selected operating expenses												
Instruction		3.0%	6.9%	9.4%	7.1%	4.8%	3.6%	7.8%	4.0%	4.4%	4.3%	5.5%
Academic support		1.3%	4.0%	2.1%	11.5%	6.2%	5.1%	1.5%	0.8%	5.1%	-0.8%	3.7%
Sum: instruct. & acad. support		2.4%	5.9%	6.8%	8.6%	5.3%	4.1%	5.6%	2.9%	4.6%	2.6%	4.9%
Institutional support		14.1%	4.6%	12.4%	-10.7%	-11.3%	33.9%	10.2%	1.7%	-8.8%	27.9%	7.4%
Total operating expenses		3.5%	5.2%	7.8%	4.3%	3.4%	5.2%	4.6%	2.3%	3.1%	4.0%	4.3%
Change in net assets from op.		-158.6%	308.9%	97.6%	12.3%	97.4%	-27.2%	3.4%	-24.1%	-41.3%	-114.9%	15.4%
Change in net assets		43.4%	-2.7%	65.4%	-108.4%	1255.9%	-155.2%	45.6%	-116.0%	-592.4%	13.2%	44.9%
Selected cash flow items												
Contrib. for LT investments		426.9%	-53.3%	78.2%	-51.5%	13.3%	50.6%	-11.1%	-59.4%	-11.2%	101.1%	48.4%
Cash provided by op. activities		-35.0%	524.0%	-17.7%	-39.0%	48.7%	12.9%	-32.0%	43.8%	5.2%	-27.2%	48.4%
Purchases of prop. and equip.		-78.2%	257.5%	5.1%	10.1%	-20.8%	-50.9%	33.4%	-46.6%	70.1%	60.7%	24.0%