Data and Information for 10/26/12 Budget and Productivity Committee Discussion

Included in this document are data points and information that will assist the Committee during its discussion on October 26, 2012.

**Funding Levels for Higher Education**

- As of fiscal year 2013, higher education is funded from the state’s general fund at $1,701,997,799, which includes operating, debt service, line items and state financial aid.
- A 1% increase at the 2013 appropriation level results in $17 million.
- The following represent a 1% increase in individual areas of higher education:
  - **Operations** - $12.2 million
  - **Debt Service** - $1.5 million
  - **University Line Items** - $444K
  - **State Financial Aid** - $2.8 million
  - **Other Higher Education Line Items** - $95K

- Based on historical funding levels from the state general fund, IN’s **funding of higher education as a percent of the total state general fund budget** has decreased over time (Figure 1):

<table>
<thead>
<tr>
<th>INDIANA</th>
<th>Higher Ed Ops Only</th>
<th>State Ops Only</th>
<th>% of Total Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$1,775,151,999</td>
<td>$14,126,237,970</td>
<td>12.6%</td>
</tr>
<tr>
<td>2010</td>
<td>$1,725,047,566</td>
<td>$13,360,913,006</td>
<td>12.9%</td>
</tr>
<tr>
<td>2011</td>
<td>$1,754,481,203</td>
<td>$13,904,128,619</td>
<td>12.6%</td>
</tr>
<tr>
<td>2012</td>
<td>$1,696,072,128</td>
<td>$13,710,536,895</td>
<td>12.4%</td>
</tr>
<tr>
<td>2013</td>
<td>$1,701,724,252</td>
<td>$14,055,686,287</td>
<td>12.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2 Year % Change</th>
<th>0.3%</th>
<th>2.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 Year % Change</td>
<td>-4.1%</td>
<td>-0.5%</td>
</tr>
<tr>
<td>5 Year CAGR</td>
<td>-1.1%</td>
<td>-0.1%</td>
</tr>
</tbody>
</table>

*Figure 1 (As-passed Budget Books – State Budget Agency)*

- The National Association of State Budget Officers (NASBO) reports that on average in 2011, the nation invested roughly 11.5% of the **general fund expenditures in higher education** (Figure 2). Assuming all state funds, the investment is 13.3% (Figure 3). Overall IN invested approximately 13.2% of the state’s general fund in higher education and 10.7% of all state funds in higher education for 2011.
Figure 2 (NASBO State Expenditure Survey)

Figure 3 (NASBO Expenditure Survey)
- Regarding the **state's funding per FTE**, both CHE and the State Higher Education Executive Officers (SHEEO) have calculated figures for this measure. CHE uses a simple operating appropriation per resident FTE (both undergrad and graduate) and does not include medical school students. SHEEO uses higher education operating, debt service and line item appropriations compared to total FTE and is adjusted for inflation.

  - Below are the SHEEO (Figure 4) and CHE (Figure 5) funding per FTE data.
  - CHE analysis shows funding per FTE dropping from $5,542 in 2002 to $4,898 in 2011 (not adjusted for inflation). Over the most recent three year, state funding per resident FTE has dropped 16.0%, and over ten years has decreased 11.6%.
Other Higher Education and Financial Data

- Regarding **trends in enrollment**, the table below shows the overall trend in enrollment for all of Indiana’s public postsecondary institutions. Below is a chart (Figure 6) showing growth in resident enrollment FTE from 2002 through 2011 (last year of actual annual enrollment figures). IU and PU regional campuses are combined into one line.
- Over the last 3 years, resident FTE enrollment has grown 14.5%, mostly due to growth in the 2 year sector. Over the last 10 years, resident FTE enrollment has grown 25% from 2002 to 2011.

![Resident FTE (UG and Grad)](Figure 6 (CHE SIS Database System Download))

*Figure 6 (CHE SIS Database System Download)*
Changes in the Consumer Price Index (CPI), the Higher Education Cost Adjustment Index (HECA) and the per capita income levels allow for an understanding of trends that could impact higher education funding from states, affordability for students and trends in higher education expenditures over time. Below are charts that show changes in these indices and changes in per capita income for IN, other states and the US (Figures 7 and 8).

<table>
<thead>
<tr>
<th></th>
<th>CPI -U</th>
<th>HECA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>207.3</td>
<td>90.3</td>
</tr>
<tr>
<td>2008</td>
<td>215.3</td>
<td>94.7</td>
</tr>
<tr>
<td>2009</td>
<td>214.5</td>
<td>96.8</td>
</tr>
<tr>
<td>2010</td>
<td>218.1</td>
<td>97.7</td>
</tr>
<tr>
<td>2011</td>
<td>224.9</td>
<td>100.0</td>
</tr>
</tbody>
</table>

2 Year % Change 3.2% 2.3%
5 Year % Change 8.5% 10.8%
5 Year CAGR 2.1% 2.6%

Figure 7 (Bureau of Labor Statistics and SHEEO Financial Report)

2008 through 2011 Per Capita Income Levels

Figure 8 (Bureau of Economic Analysis – Not adjusted for inflation)
- From 2006 through 2011, Indiana’s per capita income grew 8.8%, or 1.7% based on six year compounded annual growth rate. From 2010 to 2011, the increase was 4.6%, one of the largest increases in the past six years.

- The state funds **debt service payments** to the public institutions to support buildings and facilities focused on academic and administrative services. Over time, the amount of funding for state supported debt service increased to a point where the amount of funding was more than 10% of the total operating and debt service appropriation combined. Historically, it has been the desire of the CHE and the state to keep the debt service ratio around 10%. Below is a historical chart reflecting the history of the debt service ratio (Figure 9).

![History of University Debt Service to Operating Appropriation* Ratio](image)

*Operating appropriation is the sum of debt service and operating appropriations. Fee Replacement includes $16.5M of Budget Agency Fee Replacement Contingy Appropriation in 2011.

*Figure 9 (As-passed Budget Book – State Budget Agency)*
Regarding tuition and mandatory fees at the public institutions, Indiana has seen substantial growth in these figures over time. Below is a long-chart for tuition and fees overall, at 2 year institutions and 4 year institutions (Figure 10). Over the last 5 years overall tuition and fees have grown 18.3% with a 4.3% compounded annual growth rate (CAGR). 4 year institutions increased by 18.5% with a 4.3% CAGR while 2 year institutions increased by 16.8% with a 4.0% CAGR.

![2001 to 2013 Base Tuition and Mandatory Fee Levels](image)

**Figure 10 (CHE Tuition and Fee Data)**

**Financial Aid Information and Data**

- Overall support for state financial aid has increased steadily over time. Funding in 2013 included $281 million of grants and awards to Indiana residents. That is a 4.5% increase from 2011 and a 16.2% increase from 2008. The majority of funding is focused on the Higher Education Award (HEA), Freedom of Choice Award (FOC), Children of Veteran Officers Awards (CVO) and 21st Century Scholars Awards.

- The average award for the major award programs (HEA, FOC, 21st Century and CVO) in 2012 is $3,203 for all postsecondary institutions in Indiana. This represents a 15.8% increase in the average award amount from 2008 to 2012.
- The number of students receiving awards in the major award programs is 86,069 as of 2012. This represents a 2.7% increase from 2008 in the number of students receiving awards for the major award programs.

- Even with an increase in funding and recipients of the major award programs, utilization has stayed stable for Freedom of Choice and to a degree 21st Century Scholars, but has dropped steadily for the Higher Education Award.