

# CLAS Faculty Committee to Investigate the History and Causes of the College Financial Situation (CCHC)

## Final Report

*25 April 2007*

On 4 October 2006, the College Assembly of the College of Liberal Arts and Sciences (CLAS) established two committees, the Faculty Finance Committee (made a permanent committee as the College Finance Committee in the constitutional amendments passed on 9 January 2007) and a special elected committee called “CLAS Faculty Committee to Investigate the History and Causes of the College Financial Situation” (hereafter abbreviated CCHC). The purpose of the CCHC was “to investigate and determine the causes of the present budget emergency and to report their findings to the faculty.” In the meeting of 4 October 2006, the College Assembly also passed a resolution calling for the Five-Year Plan to be set aside and for the Faculty Senate to support its own resolution already under consideration to do the same. The Senate Resolution passed on 19 October 2006. The elections of the CCHC were held in November 2006, the results announced on 12 December 2006, and the committee charged on 15 December 2006.

Both committees were established to investigate the reported fiscal crisis that surfaced within the College and the University. A budget shortfall and a College/Central Administration Five-Year budget plan designed without faculty consultation were precipitating events. The College Finance Committee (hereafter abbreviated CFC), in addition to its overall responsibilities regarding advising the Dean on the fiscal affairs of the College, was also charged to provide an examination of the budget situation within the College and to suggest alternatives to the Five-Year Plan. The CCHC was charged to investigate and determine the causes of the current fiscal situation.

The CCHC interviewed office staff, members of the CFC, deans, and two former provosts. It consulted the Auditor’s report to the Provost on the CLAS fiscal situation and the CFC Subcommittee 1 Final Report ([http://www.clas.ufl.edu/gov/comm/finance/121206\\_audit.pdf](http://www.clas.ufl.edu/gov/comm/finance/121206_audit.pdf) and <http://www.clas.ufl.edu/gov/comm/finance/subcommittee1-report.pdf> respectively). It also examined basic figures from the Office of Institutional Planning and Research (OIPR) and the documents of the University on budgeting. The major intent of the CCHC was to determine how CLAS got into the present fiscal situation.

### **Context: Incremental Budgeting**

Financial committees are considered to be, in general, advisory. Their concerns include the use of the budget already determined, possible insufficiencies, and new initiatives, as well as suggestions for cutbacks to make those new initiatives possible, provided no expansion of revenues is possible. Rarely is the mission of such committees to investigate the allocation among colleges or units of the University, in order to understand or present a rationale to faculty regarding the current fiscal situation of one part of the University relative to another. But under the system of incremental budgeting, an independent and elected faculty committee would be one important check on the operation and procedures of the University.

Incremental budgeting is one in which the budget of units—colleges and departments alike—for a given year is established by taking the previous year's budget and adding or subtracting from it.

Deans and department chairs must argue for increases, but they must also make many decisions before they receive their new budgets. This system has at least two unfortunate consequences. First, it makes effective planning, and especially long-term planning, difficult. Many budget decisions regarding growth or investment are and have to be made before budgets are finalized (see Auditor's Report and Final Report of Subcommittee 1 of the CFC). Second, in requiring the heads of the units to argue for increases, incremental budgeting provides little incentive to take a larger, collaborative view of priorities. But even when such longer-range views are taken, the results can be detrimental if individual colleges are "taxed" to provide additional funds to support strategic initiatives. That is, in incremental and low-growth budgeting, a strategic plan can take funds away from basic programs, and it is often difficult to discern the rationale and the principles for the system of taxation. Strategic plans can become superstructural drains in incremental budgeting.

The CFC Subcommittee 1 Final Report indicates that from 1995 to the present the University used incremental budgeting. Among the consequences of this method of budgeting are the following:

- While the University Educational and General Budget (E&G) increased 98% from 1995 to 2005, the CLAS Budget only increased just above half that amount (59%), which is below other colleges on average and particularly colleges with increasing graduate student numbers.

**Note 1:** The E&G budget increase of 98% includes the enlargement of this budget around 1999 to incorporate all instructional allocations and expenditures, including Medicine and IFAS.

- The average (mean) allocation increase for the eleven colleges considered by the CFC Subcommittee 1 Report was 66%, while CLAS's was 59%.

**Note 2:** Because their budgets, like CLAS, fall mainly within the E&G budget, the following eleven colleges/units were considered in the CFC Subcommittee 1 Report: Business, Design, Education, Engineering, Fine Arts, HHP, IFAS, Journalism, Law, CLAS, and Continuing Ed.

- The expenditures of CLAS during this period grew 65%, while the average increase for the eleven colleges was 61%.

**Note 3:** The University's E&G expenditures grew 92% during the same period. This 92% increase includes the additions in the change of the calculation of the budget in 1999.

- The 4% difference in CLAS expenditures from the average occurred during the period of an increase of 30% in graduate full-time equivalent students (FTE) and an 8% increase in undergraduate FTE student growth.

**Note 4:** Full-time equivalent student refers, not to head count of the actual number of students registered (whether full- or part-time), but to the following ratios: total number of undergraduate student credit hours taught in an academic year divided by 40 hours for the undergraduate

FTE; the total number of graduate hours taught in an academic year divided by 32 hours for the graduate FTE.

- During this period CLAS was funded below the average student FTE of all of the eleven colleges. If CLAS had been funded at the average per student FTE of the colleges, the 2005 budget would have been substantially larger (\$135 million for the mean or \$126 million for the median, rather than the \$95 million that was actually allocated).

**Note 5:** In this case, the difference for CLAS would be between \$31 million and \$40 million.

- During this period, CLAS generated 42% of the total student FTEs of the eleven colleges.

**Note 6:** In 2004-5, of all student FTEs generated in the University (33,0633.98), CLAS generated 39% (12,868.72) (data from OIPR), and 42% of the eleven colleges (12,868.72/30,334.68) (according to Table D of CFC Subcommittee 1 Final Report). In the same period, CLAS generated 40.2% (504,221/1,254,390) of all fundable student credit hours (data from OIPR).

## 2002-2006 Data for the College during the Budget Situation

For the four years 2002 to 2006 (2002-3, 2003-4, 2004-5, 2005-6) (see Tables A and B below for further information), we see the following trends in growth.

### • **Headcount Enrollment Growth and Percentage Increase 2002-2006**

- *Total*  
 Total UNIVERSITY enrollment increased from 48,184 to 50,512: **4.8%**  
 Total CLAS enrollment increased from 12,954 to 14,496: **11.9%**
- *Undergraduate*  
 UNIVERSITY undergraduate enrollment increased from 33,348 to 34,286: **2.8%**  
 CLAS undergraduate enrollment increased from 10,939 to 12,334: **12.8%**
- *Graduate and Professional*  
 UNIVERSITY graduate student enrollment increased from 9,468 to 10,426: **10.1%**  
 UNIVERSITY professional student enrollment increased from 3,434 to 4,168: **21.4%**  
 UNIVERSITY graduate and professional student enrollment combined increased from 12,902 to 14,594: **13.1%**  
 CLAS graduate enrollment in CLAS increased from 1,933 to 2,142: **10.8%**

### • **Sample Ratios of Undergraduate to Graduate and Professional**

- **2002-2003**  
*Headcount*  
 UNIVERSITY undergraduate to graduate and professional combined **2.58/1**  
 CLAS undergraduate to graduate **5.66/1**

*Student FTE*

UNIVERSITY undergraduate to graduate and professional combined	<b>3.08/1</b>
CLAS undergraduate to graduate	<b>8.93/1</b>

- **2005-2006**

*Headcount*

UNIVERSITY undergraduate to graduate and professional combined	<b>2.52/1</b>
CLAS undergraduate to graduate	<b>5.76/1</b>

*Student FTE*

UNIVERSITY undergraduate to graduate and professional combined	<b>2.86/1</b>
CLAS undergraduate to graduate	<b>8.79/1</b>

- **Student Credit Hours Growth and Percentage Increase 2002-2006**

- *Grand Total*

UNIVERSITY Fundable SCHs increased from 1,221,878 to 1,290,896:	<b>5.6%</b>
CLAS Fundable SCHs increased from 476,583 to 511,123:	<b>7.2%</b>

- *Graduate and Professional*

UNIVERSITY Fundable Graduate and Professional SCHs increased from 252,243 to 282,412:	<b>12.0%</b>
CLAS Fundable Graduate SCHs increased from 38,378 to 42,643:	<b>8.8%</b>

- **Full-Time Faculty Growth and Percentage Increase 2002-2006** (OIPR Table III-2)

- Total UNIVERSITY Full-Time Faculty increased from 3,692 to 4,341: **17.6%**
- Total CLAS Full-Time Faculty increased from 686 to 823: **20.0%**

**Note 7:** If you add a year either side, the CLAS increase ranges from **18.2%** (2001-2006) to **18.8%** (2001-2007), while the University increase ranges from **17.4%** to **18.2%** respectively.

**Note 8:** Full-Time Faculty from OIPR Table III-2 includes faculty pay plan positions with the ranks of Eminent Scholar, Graduate Research Professor, Distinguished Professor, Distinguished Service/Research Professor, Professor, Associate Professor, Assistant Professor, Sr. Lecturer, Lecturer, Career Faculty, PostDoctoral /Research Associates, Librarians, Advisors. It does not include clinical titles, nor positions of dean and above.

- **CLAS Allocation and Expenditure Growth and Percentage Increase 2002-2006**

- Salary expenditures increased from \$66,120,522 to \$79,526,281: **20.3%**
- Actual expenditures increased from \$85,458,913 to \$103,572,320: **21.2%**

- Total state budget allocation given to CLAS increased from \$85,778,168 to 94,850,745. **10.6%**

**Note 9:** The Auditor's report lists the final budget allocation for 2005-2006 as \$98,730,407; the resulting change would then be **15.6%**.

### Difficulties in Obtaining Consistent Data for Analysis

- The data that CCHC obtained from various sources at the University were inconsistent. For example, budget figures from CLAS and the Auditor's Report are similar, but not exactly the same. We were not able to reconcile nor clarify the sets of figures from the various sources due to different account periods and methods.
- The current systems do not facilitate accurate tracking of revenues, budgets, or expenditures.
- There is no consistent and transparent set of criteria for, or method of, budgeting and resource allocation.

### Major Findings

Even with these difficulties regarding data and criteria, we were able to determine the following:

- **The first CLAS deficit was at the end of the FY03-04 budget.** There were surpluses in the two previous years, with a net surplus of \$2.2M in FY01-02.<sup>a</sup>
- **The deficits for FY03-04 (\$1.6-2.3M) and FY04-05 (\$0.72-1.6M) were paid back each of the next FYs.** This exacerbated the deficit for the subsequent FY. Therefore, budget deficits seem to be a recurring and even inevitable feature of the University's current budgeting method.
- **CLAS has had a number of new demands imposed on it with insufficient new funding.** For example: unfunded salary increases and additional graduate student costs, and about \$1.4M in charges against its already declining Indirect Cost (IDC) returns. Raises for graduate stipends mandated by union agreement were not paid by central administration and so became the responsibility of the College as it was increasing its graduate programs. And graduate and professional tuition rates (and hence the cost of tuition waivers) increased without additional funds provided to cover these increase costs to the College. Add together the shortfall in salaries, OPS, and the IDC losses, and the net result is a \$10M real reduction

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<sup>a</sup>Figures in Appendix A and Table E of the CFC's Subcommittee 1 Final Report indicate a small deficit of \$75,729 in FY02-03, which is in disagreement with the Auditor's Report and the College's figures. Similarly, the surpluses were not indicated in Appendix A or Table E, or were considerably smaller than reported here. Sources of College Data are OIPR Table V-5 and Table V-7.

in CLAS's budget during the last three years. (It can be argued that part of the growth in salary expenditures is the result of new hiring, rather than of unfunded salary increases and that the former, unlike the latter, was at the discretion of the dean. But that part would be a relatively minor one.)

- **The deficit for FY05-06 (when the deficit became public knowledge) was \$4.8M.** That deficit has been met by inputs from Academic Affairs and Research and Graduate Programs. The shortfall in meeting startup commitments for new science faculty as of May 2006 was \$5.8M.
- **The deficits over the past three years can be more than accounted for by the OPS shortfalls.** They were \$7M in FY03-04, unknown in FY04-05, and \$6.5M in FY05-06. This was presumably due to the fact that OPS has always been underfunded and balanced by using salary funds from unfilled faculty lines. (Unfilled faculty lines did not grow by the mandated raise percentages, which would require more unfilled lines to cover the OPS shortfalls.)
- **In addition to apparent increased OPS and Salary costs, there appears to be a decline in IDC return from RGP during the reporting period.**
  - Since the Strategic Plan and UF Genetics Institute initiative in FY02-03, the IDC collected from CLAS grants has increased from \$5.4M (FY01-02) to \$8.2M in FY05-06. During that same period, the IDC return to CLAS has fallen from \$2.2M (40%) to \$2.05M (25%). If the 40% return had continued, CLAS would have had (\$8.2M X 0.4) \$3.2M returned in FY05-06, \$1.2M more than it actually received. That would have reduced the deficit for FY05-06 by 25%.
  - It is difficult to get data before FY05-06, but in the past two years, CLAS has had to return (from IDC) \$1.2M to DSR "Internal Operations," \$766K to the Cancer Genetics Bonding Assessment, \$1.5M to the UF Strategic Plan, and \$367K to the UF Strategic Initiative. During those two years, CLAS has also returned \$3.8M to departments, centers, and PIs as their IDC return. All of these are necessary and recurring payouts, but it certainly reduces the usable IDC funds.
- **The data we have presented show clearly that CLAS has been consistently, severely, and increasingly under-funded during the period examined.** Recently, unfunded mandates, "taxes," and reductions in IDC returns have combined to put even more strain on an already inadequate budget. The auditor's report notes that "academic units typically make their resource commitments in advance and in accordance with expectations of a certain level of funding. Budgetary problems may emerge as a result of the gap between expected and actual budgets they receive." The evidence strongly suggests that the response to such a problem arising in CLAS has been different from the response to similar problems in other colleges and units. According to the Auditor's Report, "By the end of the 2003-2004 fiscal year, the Provost and the CLAS Dean's Offices were aware of the deficit situation and meetings were held; however, there was no documented plan to address and correct the situation." It has to be a matter of speculation why the central administration did not act

earlier and why it chose to act when and how it did in 2006. Other units at the University of Florida have sustained deficits. The measures imposed on CLAS are cause for concern.

### **Assessments**

- **CLAS has had a number of new demands imposed on it with insufficient new funding.**
- **The data we have presented show clearly that CLAS has been consistently, severely, and increasingly under-funded during the period examined.**
- **Other units at the University of Florida have sustained deficits. The measures imposed on CLAS are cause for concern.**

CCHC Committee:

John Biro  
David Evans  
Mitch Hart  
Pradeep Kumar, Chair  
John Leavey  
Barbara McDade  
Karen Parker  
Hernan Vera  
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**Table A**  
**Trends in Budget, Expenditures, Full-Time Faculty, and Student Credit Hours for CLAS, 2001-2006**

Year	Salary and Fringe Expended	Percent Change /year in Salary Exp'd	Percent of Salary Exp'd to Total Exp'd	Total Expended	Percent Change /year in Total Exp'd	Total Budgeted	Percent Change /year in Total Budg'd	Percent of Salary Exp'd to Total Budg'd	Full-Time Faculty (OIPR Table III-2)**	Percent Change /year in Full-Time Faculty	Student Credit Hours Undergraduate	Percent Change /year in SCHs Undergraduate	Fundable Student Credit Hours Graduate	Percent Change/ year in SCHs Graduate
2006-2007						94,311,639*	-0.6%		827	0.5%				
2005-2006	79,526,281	9.8%	77%	103,572,320	8.3%	94,850,745	1.0%	84%	823	8.7%	476,990	1.1%	42,643	1.3%
2004-2005	72,406,541	4.8%	76%	95,592,785	7.9%	93,901,622	9.7%	77%	757	8.0%	471,927	2.4%	42,111	2.3%
2003-2004	69,100,629	4.5%	78%	88,592,630	3.7%	85,573,857	-0.2%	81%	701	2.2%	461,045	3.6%	41,150	5.0%
2002-2003	66,120,522	4.4%	77%	85,458,913	6.7%	85,778,168	4.2%	77%	686	-1.4%	444,989	0.6%	39,181	2.1%
2001-2002	63,311,635		79%	80,107,290		82,325,945		77%	696		442,349		38,378	
→	Percent Change from 2001 to 2006	25.6%			29.3%		15.2%			18.2%		7.8%		11.1%
→	Percent Change from 2001 to 2007									18.8%				
→	Percent Change from 2002 to 2006	20.3%			21.2%		10.6%			20.0%		7.2%		8.8%

\* This figure does not include the summer budget.

\*\* See Note 8 above for a definition of Faculty in OIPR Table III-2.

Sources: CLAS Dean's Office, Auditor's Report of 6 September 2006 to Provost Fouke, and Office of Institutional Planning and Research

**Table B**  
**Trends in UF and CLAS Graduate Student Headcount Enrollment and CLAS Fundable Graduate Student Credit Hours, Fall Terms, 2001-2006\***

Year	UF Graduate Students*	Percent Change/year in UF Graduate Students	Percent of UF Graduate Students to UF Total Students	UF Total Students	Percent Change/year in UF Total Students	CLAS Graduate Students	Percent Change/year CLAS Grad	Percent of CLAS Grad to Total Grad	CLAS Students Total	Percent Change/year in CLAS Students	Percent of CLAS Grad to CLAS Total	Professional Students	Percent Change/year in Professional	CLAS Fundable Graduate Student Credit Hours	Percent Change/year in Grad SCHs
2005-2006	10,426	3.3%	21%	50,512	3.6%	2,142	3.4%	20.5%	14,496	3.4%	14.8%	4,168	9.9%	42,643	1.3%
2004-2005	10,089	1.6%	20.7%	48,765	0.2%	2,072	-0.3%	20.5%	14,016	2.2%	14.8%	3,793	6.4%	42,111	2.3%
2003-2004	9,928	4.9%	20.4%	48,673	1.0%	2,078	7.5%	20.9%	13,713	5.9%	15.2%	3,564	3.8%	41,150	5.0%
2002-2003	9,468	4.4%	19.7%	48,184	3.0%	1,933	3.0%	20.4%	12,954	5.0%	14.9%	3,434	4.7%	39,181	2.1%
2001-2002	9,067		19.4%	46,798		1,877		20.7%	12,337		15.2%	3,281		38,378	
→	Percent Change from 2001 to 2006	15.0%			7.9%		14.1%			17.5%			27.0%		11.1%
→	Percent Change from 2002 to 2006	10.1%			4.8%		10.8%			11.9%			21.4%		8.8%

\*Graduate Headcount Enrollment in this Table does not include Professional Student Headcount, which is given in a separate column.

Sources: CLAS Dean's Office and Office of Institutional Planning and Research