

AMERICAN UNIVERSITY BUDGET

Fiscal Years 2008 and 2009

(May 1, 2007–April 30, 2009)



A Report from the Interim President

Adopted by the Board of Trustees
February 23, 2007

REPORT FROM INTERIM PRESIDENT KERWIN

The AU Board of Trustees recently approved the university budget for fiscal years 2008 and 2009. Since the budget covers two fiscal years, it will be reviewed by the board at the midpoint in the two-year cycle in case adjustments need to be made in light of changing conditions.

Let me highlight several positive points with regard to this year's budget process. The two-year budget cycle adopted in fiscal year 2004 has proven to be effective in enhancing multiyear initiatives outlined in the 15-Point Plan, as well as achieving operating efficiency. Multiyear investment in the academic programs of this institution is an obvious priority throughout this budget. Second, the proposed budget now exceeds \$400 million in revenue and expenditures, reflecting a steady growth in the size and complexity of our institution. This underscores the importance of continued emphasis on effective management and rigorous internal controls. Finally, I reconstituted the University Budget Committee (composed of faculty, students, staff, and administrators) to seek broader participation from the community, increase information, and enhance transparency. Town hall meetings and open forums also served as an effective means for educating the campus community about the budget process and provided broad consultation on various issues and priorities.

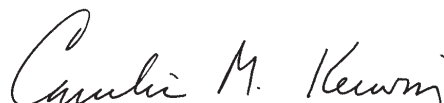
Freshmen and transfer enrollments are budgeted at 1,377 and 350, respectively, while we continue to increase student quality and selectivity. Graduate enrollment is budgeted slightly higher than this year's actual enrollment level. Washington College of Law full-time enrollment is budgeted slightly lower than this year to further increase selectivity. Washington Semester and nondegree students are budgeted conservatively. Particular attention has been paid to the pricing structure for summer and MBA programs to regain enrollment and remain competitive.

For fiscal years 2008 and 2009, there will be a 6.0 percent increase in undergraduate, graduate, and law school tuition rates, as well as residence hall rates. The undergraduate tuition rate offered in summer 2006 will remain the same for the summers of 2007 and 2008. We will also hold the current MBA and graduate business tuition rates for fiscal year 2008 and increase the rates by 3.0 percent in fiscal year 2009 in order to maintain competitiveness. These increases are necessary to make needed improvements while supporting the implementation phase of the 15-Point Plan.

Consistent with the 15-Point Plan, this budget provides for

- increased full-time faculty and reduced teaching loads;
- competitive salaries and benefits for faculty and staff;
- enhanced academic programs;
- expanded faculty and student research;
- increased library resources;
- increased financial aid;
- increased student recruitment, including international students;
- new debt service for Nebraska Hall, a new SIS building, and renovation of the McKinley Building for SOC;
- increased support for the fund-raising campaign;
- improved student services;
- continued technology commitments;
- new marketing initiatives to both attract high-quality students and enhance the public image of the university;
- increased facilities modernization and equipment funding;
- increased external expenses such as utilities and health insurance;
- new sources of revenue; and
- the financial safeguards through the tuition reserve and the quasi-endowment transfer to fund strategic priorities.

I am grateful to all who participated in the budget process. I am confident that the FYs 2008–2009 budget will enable the university to make significant advances in realizing its strategic goals.



FISCAL YEARS 2008–2009 BUDGET HIGHLIGHTS

Tuition—All Enrollment Categories: 6.0% tuition increase for FY08 and FY09 except MBA and graduate business programs.

Tuition—Summer Undergraduate: The summer 2006 rate remains the same for the summers of 2007 and 2008.

Tuition—MBA and Graduate Business: 0% increase for FY08 and 3.0% increase for FY09.

Residence Halls: 6.0% increase for FY08 and FY09.

Parking: \$110 monthly rate for faculty, staff, and students effective May 2007, which was set two years ago; \$114 monthly rate (3.5% increase) effective May 2008.

Endowment Income: \$3 million for FY08 and \$3.2 million for FY09.

Faculty-Staff Salaries and Benefits: 3.7% performance-based salary increase for faculty and staff in September 2007 and 2008. An additional 0.25% pool is set aside for faculty to maintain AAUP Level 1 standards. No additional market adjustment pool is set aside for staff as average salaries are above the market median. However, we will continue to systematically increase our salary table and set aside a pool to respond to a minimum wage increase. A new Wellness Program will be launched. The university's contribution to the health plan will also increase.

New Faculty: \$1.27 million to hire 15 new tenured and tenure-track faculty over two years and an additional \$200,000 for new temporary faculty positions to respond to the planned enrollment increase.

Adjunct Faculty: Increased funding for adjunct faculty.

Financial Aid: Increased to match the tuition rate and indexed to enrollment projections at a 29% tuition discount ratio for undergraduate and graduate students. The budget includes \$1.4 million in need-based awards to recruit more freshmen and retain upper-level students with financial needs. Additional athletic scholarships will be awarded to increase our competitiveness among Patriot League schools.

Supplies and Expenses: Additional funding for a wide range of programs and services, including academic initiatives, the AU Abroad program, service contracts, dining service operations, and operating costs for Nebraska Hall, which is scheduled to open as a student residence hall in fall 2007.

Library Acquisitions: Increased \$200,000 in FY08 and an additional \$200,000 in FY09.

Development: Increased \$250,000 to support the next phase of the Capital Campaign.

Athletics: Increased revenue by \$270,000 in FY08 and an expense increase of \$437,000 to fund team travel and new marketing initiatives.

Campus Life: Increased \$200,000 to implement new initiatives to enhance the quality of student life.

Deferred Maintenance Fund: Increased \$400,000 in FY08 and an additional \$400,000 in FY09.

Furnishings and Capital Equipment Renewal Fund: Increased \$300,000 in FY08 and an additional \$300,000 in FY09.

Facilities Modernization Fund: Increased \$300,000 in FY08 and an additional \$300,000 in FY09.

Debt Service: An increase of \$2.8 million over two years: \$976,000 for Nebraska Hall, \$1.2 million for SIS, and \$600,000 for SOC.

Transfer to Quasi-Endowment: Equals 1% of the gross revenue budget for FY08 and 2% of gross revenue budget for FY09.

Enrollment Contingency: Equals 1.5% of tuition revenue.

New Marketing Initiatives: \$1.5 million over two years to revamp the university Web site as a recruiting tool and to enhance the public image of the university. We will upgrade our Web presence and technology by implementing a new content management system and revising the current Web pages for each school and university office over the next several years. In addition, we will strengthen the university marketing team and enhance promotional materials.

Transfer to Fund Institutional Initiatives: \$1 million in FY08 to fund the Web technology and academic initiatives and an additional \$250,000 to further implement the university marketing plan.

AMERICAN UNIVERSITY
 FY2008 BUDGET
 REVENUE AND EXPENDITURES

REVENUE (\$000's)	FY2007 Budget	Budget Changes	FY2008 Budget	% Change
Student Tuition and Fees	\$310,500	\$14,560	\$325,060	4.7%
New Revenue Initiatives	0	0	0	n/a
Residence Halls	27,372	2,517	29,889	9.2%
Auxiliary Enterprises	24,065	1,119	25,184	4.7%
Investment Income	4,000	0	4,000	0.0%
School as Lender Premium	1,400	0	1,400	0.0%
Unrestricted Gifts	750	0	750	0.0%
Indirect Cost Recovery	2,100	200	2,300	9.5%
Endowment Income	1,000	2,000	3,000	200.0%
WAMU-FM Revenue	9,520	1,480	11,000	15.5%
Total Revenue	\$380,707	\$21,876	\$402,583	5.7%

EXPENDITURES (\$000's)	FY2007 Budget	Budget Changes	FY2008 Budget	% Change
Faculty and Staff Salaries	\$129,061	\$3,805	\$132,866	2.9%
Adjunct Faculty Salaries	4,706	93	4,799	2.0%
Part-Time Staff	13,336	337	13,673	2.5%
Employee Benefits	34,273	1,732	36,005	5.1%
Transfer to Fund Sept. 2007 Salary Increase	(2,850)	(100)	(2,950)	3.5%
Transfer to Pre-Fund Sept. 2008 Salary Increase	2,950	850	3,800	28.8%
Salaries and Benefits	\$181,476	\$6,716	\$188,192	3.7%
Financial Aid	69,822	4,322	74,144	6.2%
Supplies and Expenses, etc.	69,543	5,424	74,966	7.8%
Institute Expense	6,243	1,786	8,029	28.6%
Library Acquisitions	3,919	200	4,119	5.1%
Utilities	6,256	341	6,597	5.5%
Technology Fund	5,857	0	5,857	0.0%
Deferred Maintenance Fund (including residence halls)	8,301	400	8,701	4.8%
Furnishings and Capital Equipment Renewal Fund	1,500	300	1,800	20.0%
Facilities Modernization Fund	1,500	300	1,800	20.0%
Debt Service	14,020	1,576	15,596	11.2%
WCL Additional Expenditures	0	3,939	3,939	n/a
KSB Additional Expenditures	0	(1,088)	(1,088)	n/a
WAMU Additional Expenditures	0	1,335	1,335	n/a
Transfer to Quasi-Endowment Funds	7,614	(3,588)	4,026	(47.1%)
Enrollment Contingency	4,657	213	4,870	4.6%
New Marketing Initiatives	0	700	700	n/a
Transfer to Fund Institutional Initiatives	0	(1,000)	(1,000)	n/a
Total Expenditures	\$380,707	\$21,876	\$402,583	5.7%

Net Surplus/(Deficit)	\$0	\$0	\$0	
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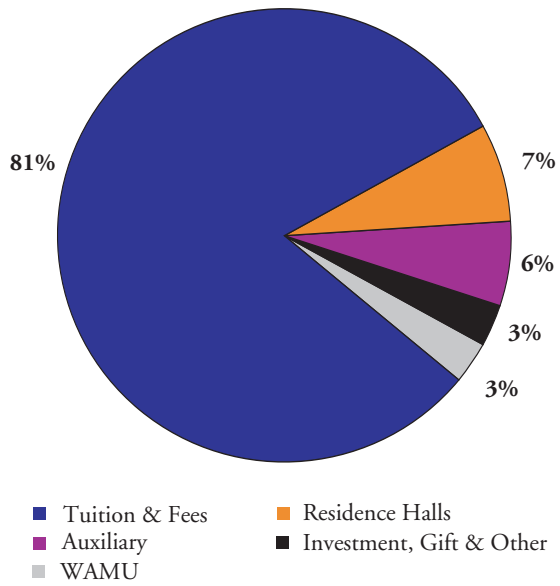
AMERICAN UNIVERSITY
 FY2009 BUDGET
 REVENUE AND EXPENDITURES

REVENUE (\$000's)	FY2008 Budget	Budget Changes	FY2009 Budget	% Change
Student Tuition and Fees	\$325,060	\$20,355	\$345,415	6.3%
New Revenue Initiatives	0	1,000	1,000	n/a
Residence Halls	29,889	1,822	31,711	6.1%
Auxiliary Enterprises	25,184	905	26,089	3.6%
Investment Income	4,000	0	4,000	0.0%
School as Lender Premium	1,400	0	1,400	0.0%
Unrestricted Gifts	750	0	750	0.0%
Indirect Cost Recovery	2,300	0	2,300	0.0%
Endowment Income	3,000	200	3,200	6.7%
WAMU-FM Revenue	11,000	860	11,860	7.8%
Total Revenue	\$402,583	\$25,142	\$427,725	6.2%

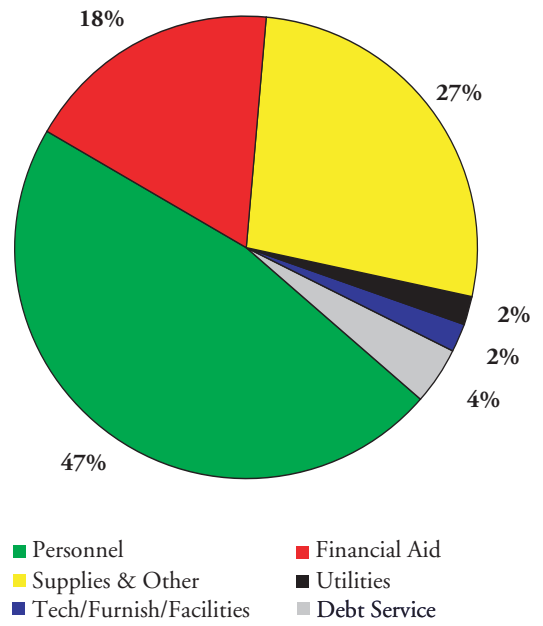
EXPENDITURES (\$000's)	FY2008 Budget	Budget Changes	FY2009 Budget	% Change
Faculty and Staff Salaries	\$132,866	\$5,046	\$137,912	3.8%
Adjunct Faculty Salaries	4,799	0	4,799	0.0%
Part-Time Staff	13,673	48	13,721	0.4%
Employee Benefits	36,005	2,251	38,256	6.3%
Transfer to Fund Sept. 2008 Salary Increase	(2,950)	(850)	(3,800)	28.8%
Transfer to Pre-Fund Sept. 2009 Salary Increase	3,800	141	3,941	3.7%
Salaries and Benefits	\$188,192	\$6,636	\$194,828	3.5%
Financial Aid	74,144	4,027	78,171	5.4%
Supplies and Expenses, etc.	74,966	2,489	77,455	3.3%
Institute Expense	8,029	(457)	7,572	(5.7%)
Library Acquisitions	4,119	200	4,319	4.9%
Utilities	6,597	791	7,388	12.0%
Technology Fund	5,857	0	5,857	0.0%
Deferred Maintenance Fund (including residence halls)	8,701	400	9,101	4.6%
Furnishings and Capital Equipment Renewal Fund	1,800	300	2,100	16.7%
Facilities Modernization Fund	1,800	300	2,100	16.7%
Debt Service	15,596	1,200	16,796	7.7%
WCL Additional Expenditures	3,939	2,238	6,177	56.8%
KSB Additional Expenditures	(1,088)	1,553	465	(142.7%)
WAMU Additional Expenditures	1,335	774	2,109	58.0%
Transfer to Quasi-Endowment Funds	4,026	4,529	8,555	112.5%
Enrollment Contingency	4,870	312	5,182	6.4%
New Marketing Initiatives	700	100	800	14.3%
Transfer to Fund Institutional Initiatives	(1,000)	(250)	(1,250)	25.0%
Total Expenditures	\$402,583	\$25,142	\$427,725	6.2%

Net Surplus/(Deficit)	\$0	\$0	\$0	
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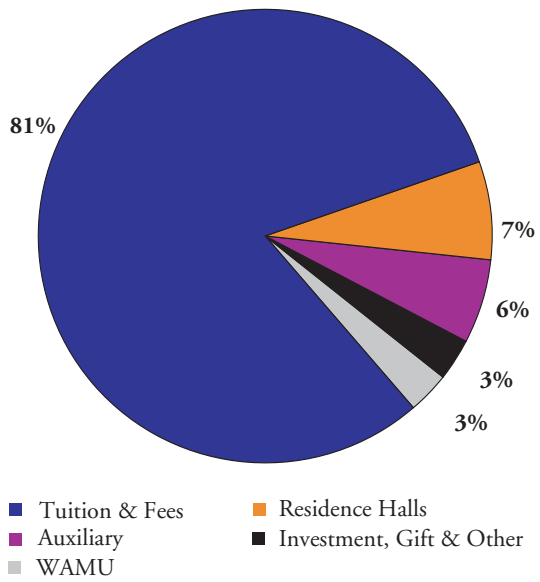
FY2008 REVENUE BUDGET



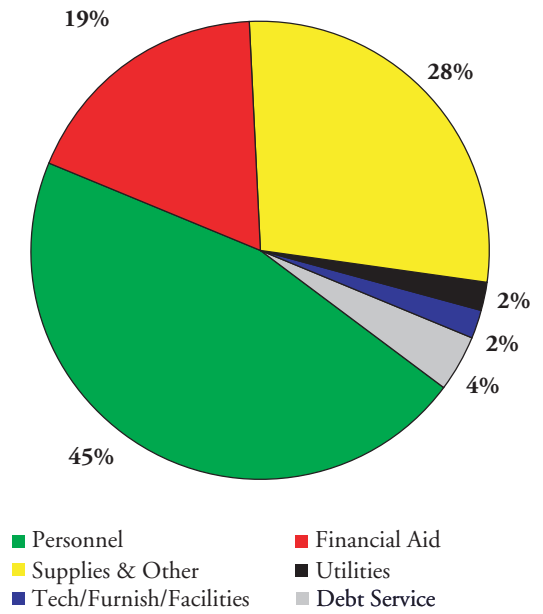
FY2008 EXPENDITURE BUDGET



FY2009 REVENUE BUDGET



FY2009 EXPENDITURE BUDGET



TUITION AND HOUSING RATES

Tuition Rates—Fall and Spring Semesters

Fall and Spring Semesters	FY2007	FY2008	FY2009	FY07–08 Change	FY08–09 Change
Full-Time Undergraduates (semester)	\$14,603	\$15,479	\$16,408	6.0%	6.0%
Part-Time Undergraduates (credit hour)	973	1,031	1,093	6.0%	6.0%
Graduate Students (credit hour)	1,048	1,111	1,178	6.0%	6.0%
Graduate Full-Time MBA Program (semester)	13,702	13,702	14,113	0.0%	3.0%
Graduate Part-Time MBA Program (credit hour)	1,048	1,048	1,079	0.0%	3.0%
Washington College of Law (semester)	17,200	18,232	19,326	6.0%	6.0%
Washington College of Law (credit hour)	1,274	1,350	1,431	6.0%	6.0%
Nondegree Undergraduates (credit hour)	973	1,031	1,093	6.0%	6.0%
Nondegree Graduates (credit hour)	1,048	1,111	1,178	6.0%	6.0%
Part-Time Off Campus (credit hour)	882	935	991	6.0%	6.0%

Tuition Rates—Summer Semesters

Summer	2006	2007	2008	2006–07 Change	2007–08 Change
Undergraduates (credit hour)	\$918	\$918	\$918	0.0%	0.0%
Graduates (credit hour)	989	1,048	1,111	6.0%	6.0%
MBA Program (credit hour)	989	1,048	1,048	6.0%	0.0%
Washington College of Law (credit hour)	1,202	1,274	1,350	6.0%	6.0%
Nondegree Undergraduates (credit hour)	918	918	918	0.0%	0.0%
Nondegree Graduates (credit hour)	989	1,048	1,111	6.0%	6.0%
Off Campus (credit hour)	832	882	935	6.0%	6.0%

Student Housing

	FY2007	FY2008	FY2009	FY07–08 Change	FY08–09 Change
Single Occupancy (semester) including Nebraska Hall	\$4,609	\$4,886	\$5,179	6.0%	6.0%
Double Occupancy (semester)	3,675	3,896	4,129	6.0%	6.0%
Triple Occupancy (semester)	2,685	2,846	3,017	6.0%	6.0%
Centennial Hall Single Occupancy (semester)	5,384	5,707	6,049	6.0%	6.0%
Centennial Hall Double Occupancy (semester)	3,675	3,896	4,129	6.0%	6.0%

Meal plan rates will increase by 4%.

AMERICAN UNIVERSITY

FALL FULL-TIME EQUIVALENT ENROLLMENT

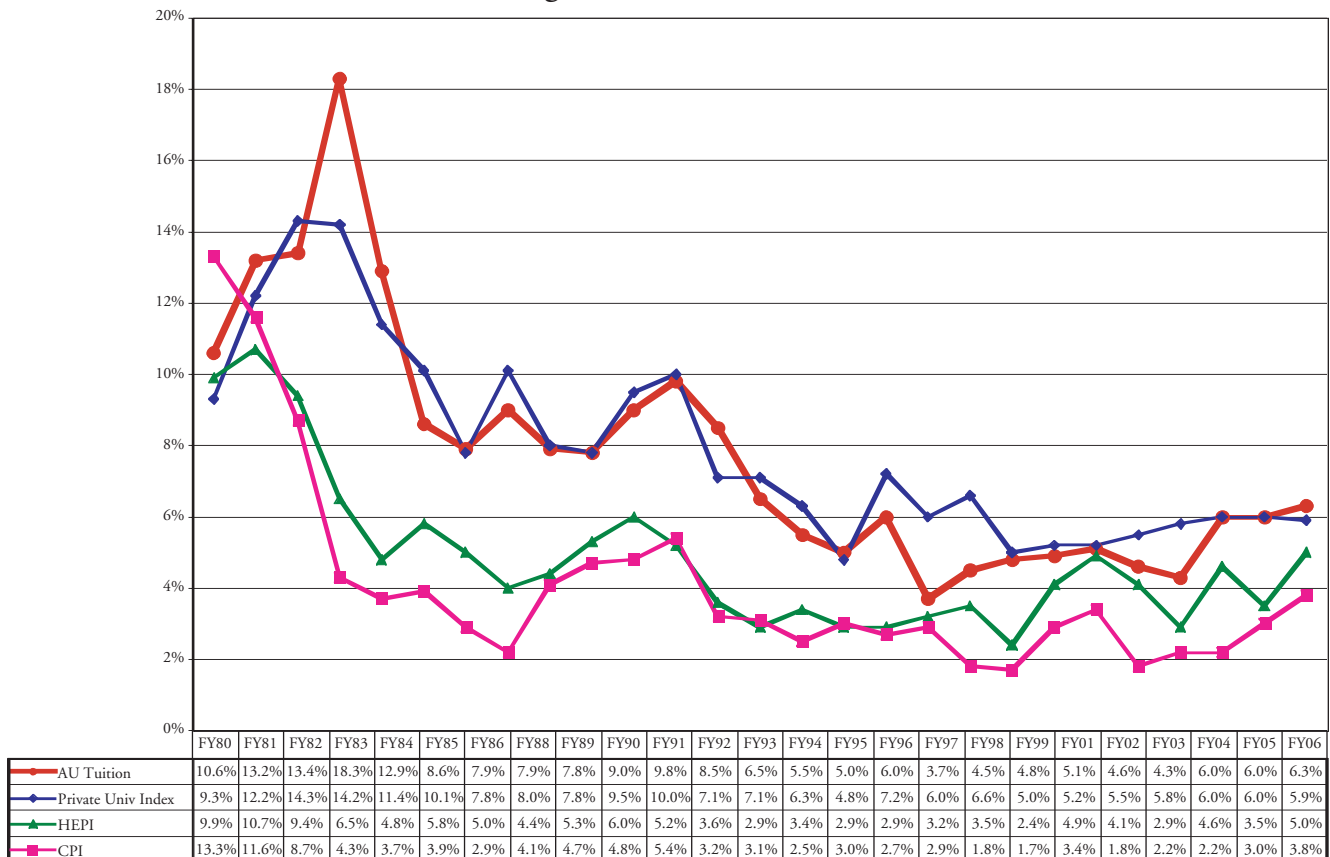
Fall Semester	Under-graduates	% Change Since 1990	Wash. Semester & Non-AU Study Abroad	Graduates	Non-Degree	Subtotal	% Change Since 1990	Law	Law as % of Total	TOTAL	% Change Since 1990
1990	5,361		506	2,028	688	8,583		1,077	11.1%	9,660	
1991	4,930	(8.0%)	461	2,200	655	8,246	(3.9%)	1,068	11.5%	9,314	(3.6%)
1992	4,692	(12.5%)	564	2,435	652	8,343	(2.8%)	1,067	11.3%	9,410	(2.6%)
1993	4,623	(13.8%)	464	2,590	592	8,269	(3.7%)	1,163	12.3%	9,432	(2.4%)
1994	4,460	(16.8%)	426	2,496	542	7,924	(7.7%)	1,184	13.0%	9,108	(5.7%)
1995	4,700	(12.3%)	330	2,469	504	8,003	(6.8%)	1,137	12.4%	9,140	(5.4%)
1996	4,797	(10.5%)	457	2,392	425	8,071	(6.0%)	1,182	12.8%	9,253	(4.2%)
1997	4,797	(10.5%)	382	2,285	450	7,914	(7.8%)	1,229	13.4%	9,143	(5.4%)
1998	4,919	(8.2%)	334	2,176	416	7,845	(8.6%)	1,245	13.7%	9,090	(5.9%)
1999	4,912	(8.4%)	318	2,198	375	7,803	(9.1%)	1,336	14.6%	9,139	(5.4%)
2000	5,161	(3.7%)	472	2,166	366	8,165	(4.9%)	1,317	13.9%	9,482	(1.8%)
2001	5,343	(0.3%)	438	2,134	355	8,270	(3.6%)	1,354	14.1%	9,624	(0.4%)
2002	5,500	2.6%	393	2,312	249	8,454	(1.5%)	1,458	14.7%	9,912	2.6%
2003	5,493	2.5%	457	2,421	181	8,552	(0.4%)	1,415	14.2%	9,967	3.2%
2004	5,583	4.1%	484	2,393	232	8,692	1.3%	1,527	14.9%	10,219	5.8%
2005*	5,619	4.8%	421	2,301	263	8,604	0.2%	1,498	14.8%	10,102	4.6%
2006	5,757	7.4%	382	2,202	245	8,586	0.0%	1,529	15.1%	10,115	4.7%
2007 Budget	5,829	8.7%	416	2,127	203	8,575	(0.1%)	1,533	15.2%	10,108	4.6%
2008 Budget	5,850	9.1%	486	2,183	202	8,721	1.6%	1,518	14.8%	10,239	6.0%

Source: Office of Institutional Research. Data as of the 5th week.

* Katrina students are not included in enrollment data.

HIGHER EDUCATION INFLATION MEASURES

(As measured against AU tuition rate increases)

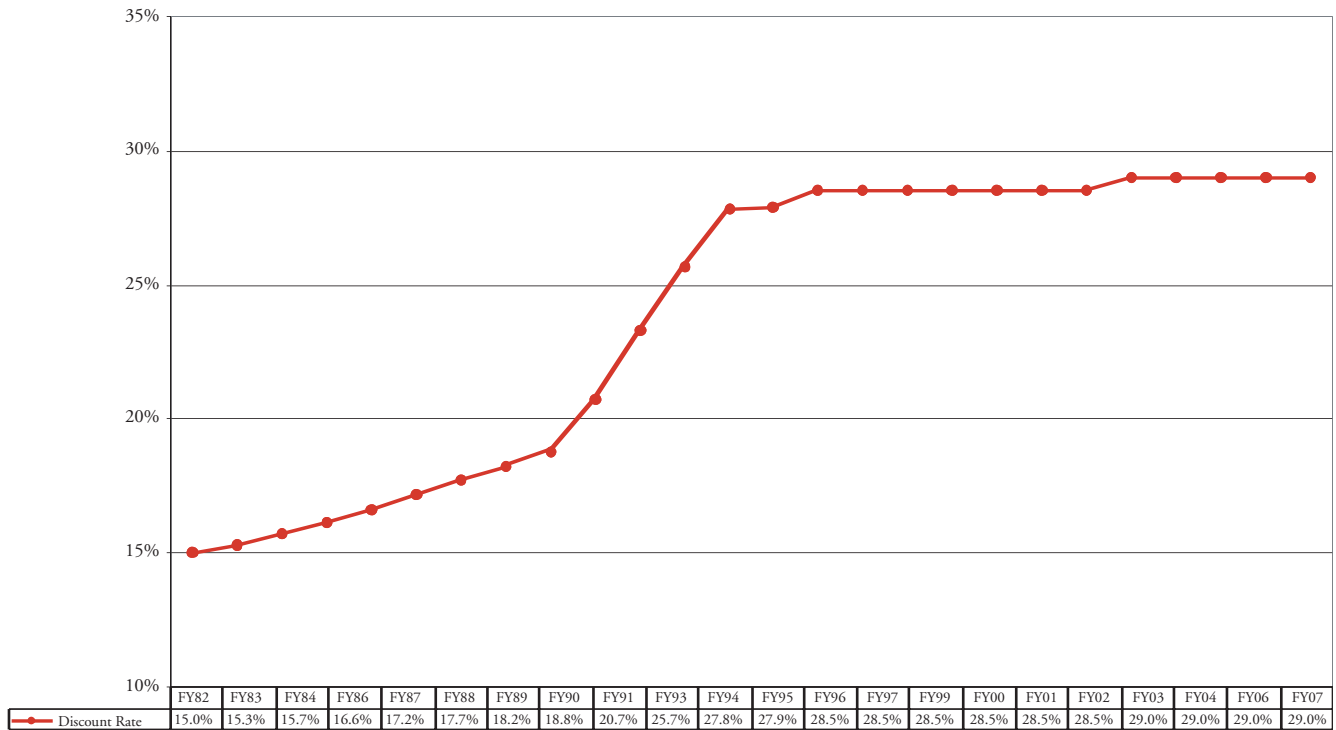


Sources:

Private University Index: The College Board

Higher Education Price Index and Consumer Price Index provided by Commonfund Institute (www.commonfund.org)

AU TUITION DISCOUNT RATE (Financial aid as a percent of tuition revenue)



Excludes employee remitted tuition

STAFF AND FACULTY PERFORMANCE-BASED SALARY INCREASE AND MARKET ADJUSTMENTS

	Performance-Based Salary Increase %	Staff Market	Faculty Market
FY1997	3.00%	\$600,000	\$300,000
FY1998	3.00%	1,200,000	265,000
FY1999	2.50%	1,400,000	225,000
FY2000	2.50%	1,400,000	350,000
FY2001	4.00%	1,400,000	800,000
FY2002	4.00%	1,700,000	943,000
FY2003	4.00%	0	0
FY2004	4.00%	0	0
FY2005	4.00%	0	0
FY2006	3.75%	150,000	100,000
FY2007	3.50%	0	0
FY2008	3.70%	0	110,000
FY2009	3.70%	0	120,000
Total		\$7,850,000	\$3,213,000

AMERICAN UNIVERSITY MARKET COMPARISON

FULL-TIME UNDERGRADUATE TUITION AND MANDATORY FEES

School	FY2006	FY2007	Increase FY06 to FY07	
			\$	Percent
George Washington University	\$36,400	\$37,820	\$1,420	3.9%
Columbia University	\$33,246	\$35,166	\$1,920	5.8%
Tulane University	\$34,696	\$34,896	\$200	0.6%
Tufts University	\$32,621	\$34,730	\$2,109	6.5%
Brown University	\$32,974	\$34,620	\$1,646	5.0%
University of Pennsylvania	\$32,364	\$34,156	\$1,792	5.5%
Georgetown University	\$32,024	\$33,934	\$1,910	6.0%
University of Southern California	\$32,008	\$33,888	\$1,880	5.9%
Boston University	\$31,966	\$33,792	\$1,826	5.7%
Lehigh University	\$31,420	\$33,770	\$2,350	7.5%
Boston College	\$31,438	\$33,506	\$2,068	6.6%
New York University	\$31,690	\$33,420	\$1,730	5.5%
Villanova University	\$29,618	\$33,300	\$3,682	12.4%
Cornell University	\$31,467	\$32,981	\$1,514	4.8%
Emory University	\$30,794	\$32,506	\$1,712	5.6%
Loyola College of Maryland	\$30,500	\$32,370	\$1,870	6.1%
University of Miami	\$29,515	\$31,288	\$1,773	6.0%
Fordham University	\$27,775	\$30,365	\$2,590	9.3%
Northeastern University	\$28,792	\$30,309	\$1,517	5.3%
Syracuse University	\$28,285	\$29,970	\$1,685	6.0%
American University	\$28,019	\$29,673	\$1,654	5.9%
Catholic University of America	\$26,000	\$27,440	\$1,440	5.5%
Ithaca College	\$25,194	\$26,832	\$1,638	6.5%
University of Virginia*	\$23,877	\$25,945	\$2,068	8.7%
College of William & Mary*	\$22,993	\$25,048	\$2,055	8.9%
Penn State University at University Park*	\$21,744	\$22,712	\$968	4.5%
University of Connecticut*	\$20,416	\$21,562	\$1,146	5.6%
University of Pittsburgh*	\$20,784	\$21,456	\$672	3.2%
University of Maryland at College Park*	\$20,145	\$21,345	\$1,200	6.0%
University of North Carolina at Chapel Hill*	\$18,313	\$19,682	\$1,369	7.5%
University of Massachusetts at Amherst*	\$18,397	\$19,317	\$920	5.0%
George Mason University*	\$17,160	\$18,552	\$1,392	8.1%
Rutgers University*	\$16,706	\$18,463	\$1,757	10.5%
University of Delaware*	\$17,474	\$18,450	\$976	5.6%
James Madison University*	\$15,322	\$16,232	\$910	5.9%
State University of NY at Binghamton*	\$12,086	\$12,170	\$84	0.7%
Average	\$26,506	\$28,102	\$1,596	6.0%

Sources: The universities' Web sites and the *Chronicle of Higher Education* 11/3/06 issue.

Notes: According to the College Board's annual tuition survey of 3,000 institutions, the FY07 average tuition rate increase was 5.9% for 4-year private institutions and 6.3% for 4-year public institutions.

*State institutions indicate out-of-state tuition rates.

MARKET COMPARISON UNDERGRADUATE TUITION AND MANDATORY FEE INCREASES

	American University	All 3-tiers Average*	Private Institutions**
AY95-96 to AY96-97	3.7%	4.9%	5.0%
AY96-97 to AY97-98	4.6%	4.7%	5.0%
AY97-98 to AY98-99	4.7%	5.6%	5.0%
AY98-99 to AY99-00	4.8%	4.8%	4.7%
AY99-00 to AY00-01	5.0%	4.5%	5.2%
AY00-01 to AY01-02	5.1%	5.2%	5.5%
AY01-02 to AY02-03	4.3%	6.3%	5.8%
AY02-03 to AY03-04	5.9%	7.3%	6.0%
AY03-04 to AY04-05	5.9%	6.4%	6.0%
AY04-05 to AY05-06	6.5%	6.3%	5.9%
AY05-06 to AY06-07	5.9%	6.0%	5.9%
AVERAGE	5.1%	5.6%	5.5%

*Institutions (36) identified by Enrollment Services. Includes both private and public institutions.

**Annually reported by the College Board.

MARKET COMPARISON RESIDENCE HALL ROOM RATES AT AREA INSTITUTIONS

School	FY2006 Residence Hall Fee	FY2007 Residence Hall Fee	Increase FY06 to FY07	
			\$	Percent
George Washington University	\$8,050	\$8,600	\$550	6.8%
Georgetown University	\$7,214	\$7,576	\$362	5.0%
American University	\$6,970	\$7,350	\$380	5.5%
Loyola College	\$6,560	\$6,890	\$330	5.0%
Catholic University	\$5,646	\$5,928	\$282	5.0%
Average	\$6,888	\$7,269	\$381	5.5%

Sources: University Web sites survey by the Budget Office

Note: All rooms are double occupancy, no private bath. Cost is for room only.

