COVID-19 Financial Contingency Plan Recommendations for FY21

Faculty Finance Committee (drafted 4/17/20, rev 4/20/20, rev 5/15/20)

Summary

A number of economists and higher education experts are predicting an existential crisis for American colleges and universities as a consequence of COVID-19. *The New York Times* reports that already "colleges have seen their endowments weakened" and "worry that fund-raising efforts will founder even as many families need more financial aid. They also expect to lose international students, especially from Asia, because of travel restrictions and concerns about studying abroad… A higher education trade group has predicted a 15 percent drop in enrollment nationwide."[1] Other universities are planning for the possibility of canceling in-person classes until Spring 2021, including the significant losses in room and board.[2]

In response to these challenges, many university leaders and professional organizations, including AAC&U, are recommending major cuts to non-essential expenses, especially in administration and athletics, in order to curtail the financial damage and maintain the integrity of the academic program.[3] Harvard University has already announced "that it would freeze salaries, forgo new hires, cancel discretionary spending, delay some capital projects, and cut pay for its top administrators as it wrestles with the financial effects of COVID-19."[4] "Interviews with more than a dozen conference and school administrators and coaches" indicate meanwhile that "Athletic department budgets will be trimmed across divisions. Schools trying to stay open might question the importance of having an athletics program at all."[5] In addition to these national trends, which have caused schools from Rollins to Northwestern to begin cutting administration and athletics in order to preserve academics, Stetson's financial health rating has fallen in *Forbes Magazine*'s assessments of private institutions from 2.40 in 2017 to 1.96 in 2019.[6]

1 https://www.nytimes.com/2020/04/15/us/coronavirus-colleges-universities-admissions.html?referringSource=articleShare

2 https://www.cnn.com/2020/04/14/us/university-may-cancel-classes-fall-2021trnd/index.html?utm_medium=social&utm_content=2020-04-14T20%3A00%3A35&utm_term=link&utm_source=fbCNN&fbclid=IwAR24LPlEi0PfmzjJNsOysVKHrFZjk9D1BOiknFyx7NldYnxKScB69ffaTEk; https://www.forbes.com/sites/richardvedder/2020/04/07/500-1000-colleges-to-disappear-survival-of-the-fittest/?fbclid=IwAR3V5PRQDSY5ymjFrgu5bemkqJbci7jkapSaG8k6vXQLD87n6CrxwnXo-qA#59670a9411a1

3 https://www.aacu.org/sites/default/files/files/covid19-survey.pdf?fbclid=IwAR1jrHBE5ZKwQ6qgXx2coHxfCjb88eLHq19w-k0pHJTW4kF64G3rcBuPfS8; https://www.chronicle.com/article/How-Will-the-Pandemic-Change/248474/?key=Q-8a5P7D5OHujVB3ZSRDR8YIqzVhhrg4WqlQyT6qKf2atzsTBDG1dVErQV2T8_29RG01Si1HVVBUcFVESXZfTWNLYll0UFJWbzMwTFVCZy01OXFSdFdjc2ZiVQ&fbclid=IwAR2869wR6H0gVuRzbX95aCtfUX3tWl_RAHa1WxRoZcM-pOhxFfVghOq767A#.XpDlEOsjwis.facebook

4 https://www.bostonglobe.com/2020/04/13/nation/harvard-announces-hiring-salary-freezes-president-top-leaders-take-25-percent-pay-cut/

5 "If you're losing money everywhere on campus and can't make up the difference in enrollment numbers and retention -- if you can't do it because of the changing state of our lives right now -- there's not a lot of promise in there for athletics," said Drexel sports management professor Karen Weaver, former athletic director at Penn State Abington." https://www.inquirer.com/health/coronavirus/coronavirus-covid-19-college-sports-economic-impact-20200327.html

6 https://www.forbes.com/sites/schifrin/2017/08/02/2017-forbes-college-financial-grades-n-through-z/#4b49ea6f6358; https://www.forbes.com/sites/schifrin/2019/11/27/dawn-of-the-dead-for-hundreds-of-the-nations-private-colleges-its-merge-or-perish/#7f9af10b770d. For *Forbes'* methodology, see: https://www.forbes.com/sites/schifrin/2017/08/02/2017-college-financial-grades-how-fit-is-your-school/#b5b19a27d68d; https://www.forbes.com/sites/cartercoudriet/2019/11/27/how-fit-is-your-school-the-methodology-behind-forbes-2019-college-financial-health-grades/#119d48e661c4). Stetson's ratings on the Composite Financial Index scale (McGladrey LLC, NACUBO) are in a similar range: **2.93** in 2012, **5.67** in 2014, **2.38** in 2016, **4.12** in 2019. CFI Scale: -1 to 1 – Assess viability to survive; **0 to 3 – Reengineer** **(Stetson in 2012, 2016);** **3 to 5 – Direct resources to allow transformation** **(Stetson in 2014, 2017, 2018, 2019);** 5 to 7 – Focus resources to compete in the future; 7 to 9 –

Stetson is now in the group of privates that *Forbes* suggested are at risk of insolvency—years before the Covid-19 crisis set in.[7]

In light of the public health and financial repercussions of COVID-19 and Stetson's own internal financial challenges, the Faculty Finance Committee has developed and now updated a contingency plan based on:

- the external national environment for higher education, as indicated above;
- internal information provided by the CFO
- internal information provided by the VP for Enrollment Management;
- and the committee's own careful analysis of Stetson's evolving enrollment projections, financial situation, and budgetary commitments over the past decade.

Per the charge of our committee, this revised contingency plan lays out a number of recommendations for consideration by the current and incoming President and the Trustees. These recommendations would avoid virtually any cuts in full-time personnel across the university, academic or otherwise, and entail utilizing as little of Stetson's cash reserves as possible.

These recommendations clearly prioritize the academic program over across the board cuts, for seven reasons:

1. Academics lie at the core of Stetson's small, private non-profit educational mission.
2. Classroom instruction, whether face to face or virtual, is the chief financial driver of the university.
3. Non-academic expenditures have grown exponentially faster than academic expenditures at Stetson since 2010 (see Appendix One, below).[8]
4. Many non-academic expenses are contingent on students being in residence, which may not be the case in August and perhaps throughout much or all of the Fall semester.
5. Our decade-long disproportional investment in nonacademic programs costs tens of millions more than they return in revenue (see Appendix Two below).[9]
6. Many of these expenditures are proportionally far greater than Stetson's operational peers and exponentially greater than the vast majority of small (under 3,500 students), modestly endowed (under 350 million) private institutions (see Appendix Three, below).
7. The approach that prioritizes the academic program appears to be the norm for other universities already tackling this crisis, according to a survey of Presidents done by AAC&U in March and ACE in April, and is the guiding principle in contingency planning as outlined by the AAUP.[10]

I. Core Budgeting Principles

1. Preserve Stetson University's core academic mission
2. Prioritize retaining people (i.e. look for cuts that do not result in firing full-time employees, across the entire university).

Opportunities to experiment with new initiatives; 8 to 10 – Deploy resources to achieve a robust mission. Source: "Key Benchmarks: NACUBO 2013 Planning and Budgeting Forum," September 17, 2013, McGladrey LLP.

7 The 2017 *Forbes* data is from 2015, while the 2019 data is from 2017.

8 That our university, despite implementing a hiring delay on March 31st, continues to advertise multiple full-time positions in non-academic staff/administration, not directly related to recruitment and retention, is particularly concerning. See https://stetson-careers.silkroad.com

9 https://sports.yahoo.com/with-budgets-tightening-will-more-college-sports-be-cut-204423901.html

10 https://www.aaup.org/aaup-principles-and-standards-covid-19-crisis; https://www.aacu.org/sites/default/files/files/covid19-survey.pdf; https://www.acenet.edu/Research-Insights/Pages/Senior-Leaders/College-and-University-Presidents-Respond-to-COVID-19-April-2020.aspx

3. Protect the endowment and preserve liquidity as much as possible (i.e. only use cash reserves to avoid more drastic and damaging long-term cuts to the academic program, since it's much harder to revive a cancelled academic program and rehire/reappoint tenure-track faculty than it is to restore a few million in unnecessary game day costs or unfunded athletic discount).
4. Minimize cash outflow intelligently: reduce expenditures in areas that generate less revenue and in which re-starting is relatively less onerous than in other areas.

II. Three External Scenarios

In the original version of this document, we outlined three scenarios based on the working assumptions at the time (early to mid-April). In this revised version, we have sharpened our estimates based on available data and informed advice from a wide variety of resources.

Current Official Enrollment Data (as of May 2020)

Headcount vs. Net Tuition Revenue

When parsing the admissions and enrollment data it is important to keep in mind two related, though distinct numbers: total headcount and net tuition revenues. When Stetson is down in enrollment we should not necessarily assume a one-to-one reduction in net tuition revenues, because some large student groups pay on average more or less to attend Stetson. The enrollment office refers to a group of students in each incoming class as "specials," which are those students who have higher than average discount rates (e.g., athletes) or are members of unique programming that may or may not influence their discount rates (e.g., ROTC, School of Music, Bonner, Honors, etc.). Below is the current data on "specials" and regular FTIC students, particularly the number of deposits (number of students), the discount rate (how much Stetson subsidizes their tuition), the average net tuition (how much a student in this group pays in tuition), and total tuition revenues (the sum of the tuition revenues for each group—deposits multiplied by average net tuition).

Official Enrollment Data, as of 5/6/2020				
"Special Category"	Deposits	Discount	Average Net Tuition	Total Tuition Revenues
Athletes	80	75.9%	$11,918	$953,419
Football	26	67.4%	$16,148	$419,841
Music	66	62.7%	$18,441	$1,217,098
Bonner Scholars	13	86.3%	$6,802	$88,430
ROTC	35	92.1%	$3,891	$136,195
Honors	48	73.5%	$13,108	$629,171
Regular FTIC	549	59.6%	$20,001	$10,980,554

Decreases in enrollments of students in the "specials" category may have less of a negative impact on the incoming class's net tuition revenues simply because these students pay significant less to attend Stetson than their "non-special" counterparts, despite, in many cases, lower academic profile (CI) and likelihood of retention. For example, our nonspecial regular students paid over *double* the NTR of student-athletes in Fall 2019: **nearly $21,000 in average net tuition vs less than $9,000 per student-athlete.**[11] So, for some

[11] This time last year (May 2019), we had 121 athletes (not including football players) deposited/enrolled at Stetson for a total net tuition revenue of $1,306,000—or about $10,794 an athlete. By census date (September 2019), we

student populations, as this year's strategy suggests, it is perhaps better *not to* increase their number if we are trying to increase overall institutional net tuition. The **silver lining** in this year's otherwise uncertain enrollment picture is that, by so far *reducing the number of non-specials* in our Fall 2020 FTIC cohort, **we are expecting nearly $1,500.00 more per FTIC student.** Were we to adopt this year's enrollment strategy permanently, over 3,000 students, that would **mean potentially $4.5 million more dollars in net tuition revenue per year *without increasing enrollment*.**

Current Enrollment Picture

As of May 6th, Stetson is currently down 14.4% in FTIC enrollment, roughly 135 fewer deposits when compared to this time last year. Conservatively, this would translate into a $2,000,000 budget deficit from FTIC alone. [12]

Enrollment "Melt" from May 2020 to September 2020

Given that our revenues are already down because of fewer deposits, and we should not assume the qualitatively same kind of summer melt in the era of COVID-19, we should be very careful to monitor enrollment over the summer months. However, while surveys of student preferences and potential behaviors are important data for the Stetson community to consider, our own history can provide a very *conservative baseline* for what we should expect. In other words, even under better economic times, last year our estimated net revenues from tuition were nearly $800,000 more than what we had by census. **In short, we should expect no *less* than a million-dollar shortfall over the summer in net tuition revenue and likely more.**

Current Projections (as of May 2020)

The enrollment management office (via a consultant firm) produces regular enrollment projections—"high," "middle," and "low" estimates.

FTIC—Regular				
Projection	**Enrolled**	**Discount**	**ANTR**	**Net Tuition**
Low	512	56.3%	$21,645	$11,082,240
Mid	545	56.3%	$21,645	$11,796,525
High	561	56.3%	$21,645	$12,142,845

FTIC—Specials[13]				
Projection	**Enrolled**	**Discount**	**ANTR**	**Net Tuition**
Low	285	77.15%	$11,310	$3,223,350
Mid	308	76.71%	$11,530	$3,551,240
High	339	76.28%	$11,741	$3,980,199

These two charts show the projected enrollment levels for both FTIC regular students and special students. The "Mid" levels are typically what is currently true of Stetson's enrollment at the time. Therefore, the projections show a potential low enrollment figure that would have FTIC tuition revenues

actually enrolled an addition 10 athletes but—because of their substantial discount rates—the net tuition for the entire class of incoming athletes *decreased* over $185,000--$8,556 per athlete.

12 Currently, the enrollment management office is running projections that includes a transfer class made up of international students who pay full tuition. These particular students account for over $1,000,000 in tuition revenues. Given their dependency on educational visas, government funding, and the precariousness of international travel, we do not think it prudent to include their revenues in any projection model.

13 Includes "regular" international FTIC students.

down an additional million dollars**, <u>bringing the total likely and actual deficits *as of right now* to nearly $3,000,000 in FTIC tuition revenues</u>** (relative to last year).

A: The Best-Case Scenario: Full Return to Face-to-Face Instruction and Residential Living

1. COVID-19 infections in Florida peak this spring and don't come back.
2. Social distancing is gradually lifted over the summer and students are able to return next fall, which guarantees room and board as well as tuition.
3. The impact on Stetson's budget is solely from the recession.

We present two approaches to projecting the impact of the recession. The **first approach** is simple: project based on what happened in the last recession. In the last recession (2008), FTIC enrollment dropped 19%, although with a similar discount rate to the previous year. That recession included a peak unemployment rate of just over 10% nationally. The following year saw discount jump 7 percent and enrollment grow 9%, still far below the previous year. Interestingly, *the last recession did not impact retention of first year students or upper-level students*. So, a starting point is to look at a 20-30% drop in FTIC enrollment but little impact on returning students. This is based on the 19% drop in the first year of the last recession, during which unemployment in Florida was 10.4%. Unemployment currently is 14.7% nationally (statewide numbers for April are not yet available).

A drop in FTIC enrollment of 20-30% would lead to $3 - $5 million less in tuition revenues and an additional $2-$3 loss in room and board costs. This simple approach based on a superficial look at data from the last recession **thus suggests that in this best-case scenario we would be $5-$8 million below expected revenues.**

Over the past year, the Finance Committee has developed a preliminary model of FTIC enrollment and tuition revenues that is based on a demand regression from the historical data on enrollment, net price and market conditions (unemployment, the DOW, and an index of educational costs). The model allows for a more sophisticated estimate of how current conditions may impact revenues, our **second approach**. It suggests that with the current unemployment rate, DOW average and targeted discount, we should expect only 448 FTIC students, fewer than half of this fall's enrollment. However, that number can be increased to over 700 by raising discount up to 70%. The **model then indicates that tuition revenues would be $6 million below expectation**. By factoring in demand, the model suggests that we may need to aggressively raise discount to attract a reasonable number of students.

Bottom Line: From two approaches we can now see a baseline economic impact of the virus. It will lower FTIC enrollment, which will impact tuition revenue and room and board costs. These combined effects will lead to revenues $5 - $10 million below expectation even in this best-case scenario.

B: A Likely Scenario: A Partial Return to Face-to-Face Instruction and Residential Living

1. COVID-19 returns or lingers and social distancing must stay in place, so we are still able to operate, tentatively, in a hybrid fashion—offering virtual education and suspending face-to-face instruction (and residential living) for some portion of the semester.
2. As a result of that uncertainty, we may need to adjust our academic calendar and instructional methods partially—e.g., **a later start to the semester in terms of residential education (**which *might* save tens if not hundreds of thousands in utility costs, insurance costs, and potential losses due to hurricane season**), or moving to hybrid courses**—which means losing substantial room and board, and fewer students may want to enroll at Stetson (total enrollment

drops 10-15%, equivalent to 300-450 fewer students in the Fall).[14] The drop in enrollment occurs not only in FTIC or transfers, but also in returning students who are not able to continue their studies under these conditions.

In addition to the baseline economic impact outlined above, in this scenario additional students may defer or decline enrollment due to virus concerns. A first impact is additional revenue decline, which now may extend to an **additional $3 - $5 million** directly from fewer students. A second impact is that room and board and dining costs may need to be refunded if the campus is forced to close again. **This could add losses of anywhere from $1 - $8 million** depending on the length of the closure.

In this scenario the campus attempts to open, which means costs are for full staffing and operations. But the virus forces closure once again, leading to revenue decline with a wide range going from $4 - $13 million on top of the initial $5 - $10 million decrease already accounted for. In a worst situation where the university pushes to open in the face of major risks and then is forced to close quickly for the remainder of the fall term losses could exceed $20 million, especially if the closure extends to the spring.

Bottom Line: Stetson would need to budget for a $10-15 million revenue decrease and consider contingencies for worse.

C. The Worst-Case Scenario: Fully Virtual Instruction and Substantial Decrease in Enrollment

1. Covid-19 returns or lingers and social distancing must stay in place, as a result having students on campus in the fall is not possible.
2. The economy is even weaker and enrollment at private residential colleges takes a massive hit.

In this scenario, Stetson could be **down 15-20% in enrollment** (450-600 students) and FTIC discount could be over 70% to attempt to compensate for the decline in enrollment. Stetson would also be in a place where revenues outside of tuition (room and board, etc.) would be drastically diminished. The basic financial model of the university would need to shift for a year. Nearly all on-campus staff would need to be furloughed as the revenue from room and board would be essentially zero. Additionally, all sports seasons would be canceled and coaches furloughed as well. The university would maintain academic operations virtually while everything else was on hold for the year.

Bottom Line: Stetson would be down more than $15-$20 million in revenue and need to furlough large numbers of employees to remain financial solvent.

III. The Official Recommendation

Given the vast amount of uncertainty about things far outside of Stetson's control and the initial projections of some peer institutions, we recommend that **Stetson should produce an operating budget that plans for anywhere from $12,000,000 to $20,000,000 in revenue losses.** This may sound drastic, but it is a prudent, conservative path that will help the institution get ahead of the loses rather than be dangerously reactive.

14 At the time of this revised proposal (May 10th), the Admissions and Enrollment Office has solicited a survey from a third-party consultant measuring the extent to which Stetson's admit pool is willing to enroll at Stetson under a number of conditions related to COVID-19. The results of this survey will be shared with the Admissions Committee sometime in June.

IV. Proposed Tactics to Help Reduce Stetson's Operating Expenses:

Below is a list of possible tactics, arranged in a rough order of both ease and severity to the operations of the University, which identify **$27-$30 million in potential cuts,** one-time cash contributions, and budget reallocations in FY21 and possibly beyond **that would enable Stetson to withstand the worst-case scenario above, preserve the academic program as much as possible, and come out stronger on the other side of the crisis.**

1. Use CARES Act Funds: Use the **$3.5 million CARES Act money** to make up some of the costs. There are strings attached, but a substantial proportion can go directly to subsidizing losses linked to COVID-19 and the rest could go to funding discount and recruiting expenses to bring in students we couldn't otherwise recruit/retain with higher scholarships and hence net revenue.

2. Deploy Cash Reserves: Deploy some portion of our cash reserves: $8 million in Operating Cash ($5 million in Deland, $3 million in School of Law); another $5 million in revolving line of credit; and, if necessary, $16 million in restricted cash accounts ($13 million in Deland; $3 million in the School of Law). While we would want to be conservative in spending money from the endowment/restricted funds, this gives us as much as $26 million we could access if absolutely necessary. **A one-time "investment in ourselves" in FY21** can easily be replenished in subsequent years (FY22, FY 23, etc.) by millions in permanent savings on non-academic expenses (see below). Given that we have supported these non-academic expenses since 2010 by reducing the relative investment in academics in comparison both to Stetson before 2010 and in comparison to peer institutions (see Appendix One), academics has already contributed tens of millions in "savings" in order to balance the budget over the past decade. It is time to reverse this trend by investing **up to $3-$5 million in cash reserves in ourselves for FY21** that can be gradually replenished by permanent cuts (FY22, FY23, and beyond) to non-academic areas going forward.

3. Defer "Renewal and Replacement":

Renewal and Replacement could be deferred, and the R&R fund could be re-deployed, providing another **$1-2 million.**

4. Curtail Expenses Outside of Academic Programming:

Operating budgets could be trimmed across the university, following the principles above.

4.a. Athletics:

- According to EADA, Stetson's total athletic expenditures are **now approaching 21 million dollars**, nearly three times what they were in 2008 and among the highest of any of Stetson's operational peers.[15]
- Many larger, wealthier and more successful NCAA Division I institutions are *already* cutting entire sports from their programs and planning for millions of dollars in reductions in expenditures for as much as four years.[16] Even our regional rival **Rollins, which spends barely half what Stetson spends on athletics** (11.5 million or 9% of its total budget vs. 21 million or 20% for Stetson), **has already committed to 15% cuts in athletics** and the elimination of cross-

15 https://ope.ed.gov/athletics/#/institution/details. The best long-term solution would be to change Athletic Division to Division II or III, but that wouldn't be necessary in the short-term to save millions.
16 https://sports.yahoo.com/with-budgets-tightening-will-more-college-sports-be-cut-204423901.html

country.[17] Were Stetson to follow our recommendations, **we could easily save up to $7.5 million** in annual expenditures and much more were we to reduce our expenses to Rollins' *current* (pre-COVID-19) levels (see below and Appendix Three)

Eliminate Gameday and Athletic Recruitment Expenses. The University should be prepared to cancel seasons for various sports, if not the entire year (depending on NCAA requirements). **This would save upwards of $3 million dollars.**[18] Last year, the **university reported spent $2.7 million on game-day expenses and another $360,000 on recruiting.** Therefore, if social distancing is imposed for all or part of next year, neither of these can operate and we should be able to save up to $3 million in expenses. Even were the season to go forward, we could still spend hundreds of thousands less than we do (as indicated by any comparison of our Athletics budgets to those of other lower tier DI institutions). The NCAA, in response to a request from five DI conferences for "a blanket waiver on the minimum number of sports required (16) to compete in Division I" will allow schools to "apply for a waiver to the sport minimum on a case-by-case basis."[19] That is, due to COVID-19 **Stetson could cut DI expenses and even entire athletic programs that are particularly costly,** without having to relinquish its DI status.

Reduce or Eliminate Athletic Scholarships. **Last year Stetson provided almost $6.5 million in athletics scholarships.** These should be reduced to the minimum allowed by the NCAA, where only men's and women's basketball require full scholarships, and **we should eliminate scholarship stacking** (which allows DI scholarship-athletes to receive academic as well as athletic scholarships). Non-scholarship athletes, like football players, would still be able to receive both academic and need-based aid. The NCAA has in fact just "approved a waiver that will allow schools to spend below the minimum level on athletic scholarships required to compete in Division I" (around $4 million dollars), meaning **we could reduce our scholarship spending from $6.5 to only $1-2 million if necessary** (student-athletes still receive almost ten million in academic and need-based scholarships).[20] By eliminating or significantly curtailing athletic scholarships for the foreseeable future, per the data above and below (Appendix Three), we could actually **increase the university's net tuition per undergraduate** by millions of dollars.

Make a change in Athletic Division. Changing Athletic Division, per the analysis below (Appendix Three), **could save 10-17 million a year** beginning in FY23 or FY24 and **save $10-12 million combined** in FY21 and FY22 by simply committing now to drawing down investments in one of the nation's most expensive DI programs, relative to enrollment and endowment (cutting the 5-6 million in expenses/scholarships we've suggested above for both FY21 and FY22). That is, were we to commit gradually to phasing out DI and moving to DII or DIII over the next three to five years (shifting to the Pioneer League, including the addition of football, took only two years), we could anticipate millions more in savings over the medium to longer-term that might allow us to make a greater short-term investment in ourselves (drawing on cash reserves) for FY21.

4.b. Non-Academic:

1. Maintain Hiring Delay, Possibly Institute Freeze. Spending on CLaSS and other non-academic staff has grown exponentially since 2010 (see Appendix One), ostensibly for the purposes of increasing

[17] https://m.orlandoweekly.com/Blogs/archives/2020/05/13/rollins-college-cutting-15-percent-of-staff-across-all-departments?fbclid=IwAR0Igmh8yVFm_Mk0O-TtkgtNfnR-UEAQ8izbMtksglssFLfdRwDE4hpBLuo

[18] Over the past decade, athletics expenditures at Stetson grew at an average annual rate of 9.8% while the DeLand budget grew at an average annual rate of 5.4%. If athletics had grown at the same rate as the DeLand campus overall, the athletics budget would have been $4.1 million less this year. Our athletics budget could stand to be trimmed substantially without harm to the mission of the university. More background data is available here: https://intranet2.stetson.edu/faculty-senate/wp-content/uploads/2020/02/Faculty-Finance-Committee-Interim-Report-1.10.20.pdf

[19] https://local12.com/sports/college-sports/ncaa-approves-waiver-to-allow-di-members-to-spend-below-minimum-level-on-scholarships-cincinnati-american-athletic-conference-mid-american-college-sports-football-uc-bearcats-miami-redhawks

[20] https://local12.com/sports/college-sports/ncaa-approves-waiver-to-allow-di-members-to-spend-below-minimum-level-on-scholarships-cincinnati-american-athletic-conference-mid-american-college-sports-football-uc-bearcats-miami-redhawks

retention and graduation rates. The minimal ROI on this spending (Appendix Two) suggests that it could be substantially reduced, **perhaps by a 1 million or more in the short-term**. Given current staff turnover rates, a hiring freeze/delay may organically produce a healthy decrease in staff, which would contribute to savings without any further action by the institution.[21]

2. Reallocating Staff Time to Recruitment. If campus remains closed into the Fall semester, for those staff members employed in areas like "campus vibrancy" or "residential life and learning" Stetson should move their positions to recruitment, enrollment, and admissions. While accreditation guidelines—not to mention Stetson's commitment to academic excellence—prevent Chemistry Professors from teaching History classes, there are no such restrictions preventing staff in one area, many of whom have higher education degrees in similar fields, from working in another.[22]

4.c. Administration:

1. Maintain Hiring Delay, Possibly Institute Freeze. Given the increases in administration and staff outlined below (Appendix One) and the difficult to measure return on investment (Appendix Two), the hiring freeze and attrition process should be applied here as well. Extending a freeze on administrative hiring into FY22 and reallocating administrative responsibilities could **save hundreds of thousands (500,000 to 1 million or more).** Note that Rollins and other similar institutions are already making 15% across the board cuts in staff and administration.[23]

2. Administrative Teaching Initiative. Additionally, many administrators are former faculty members and may be able to teach courses, as originally suggested in the Friday Group Report, which could be another source of savings should we be forced to extend hiring freezes to the academic program.

5. Effect a University-wide Hiring Freeze

The only positions that would be filled are those necessary for essential academic and student recruiting functions (i.e. teaching, admissions, and fund-raising/development). All or most non-academic hires in other areas should be delayed because it is preferable to cut positions through attrition rather than severance. We already have a hiring "delay" in place, which can be extended to a freeze.

6. Eliminate the Personnel Raise Pool

The raise pool could be eliminated, **saving approximately a $1 million expenditure in FY 2020-21** (although this would not be necessary in the best-case scenario and possibly unnecessary in the second case, especially given the minimal amount it would save and importance for morale).

7. Temporarily Reduce Executive Administrative Pay by 25%

Harvard and other leading institutions have already begun reducing the salaries of higher-ranking administrators in order to preserve the much salaries of faculty and staff. The Chronicle of Higher Education notes that Stetson's President's salary has been above the median since 2010, as have a number of the salaries of Stetson's Vice Presidents and other higher-ranking administrators. Most faculty and staff salaries meanwhile remain below the median for our comparison groups. Given how many administrators Stetson now has making six figure salaries this tactic could easily save $**1 million or more** without undermining the academic program**. In making 16 million in cuts, Rollins is cutting administrative**

[21] Over the past decade, expenditures on Student Services have grown at an annual rate of 7.7% versus 5.4% for the DeLand campus as a whole. Had Student Services grown at the same rate as overall spending, the budget for it would have been $1.5 million less last year. Source: Budget Office data provided to Finance Committee.

[22] Indeed, the reality is that Stetson has cut corners academically over the past decade, at times risking our accreditation, by failing to hire TT faculty to match enrollment and consequently enlisting staff without PhDs to teach undergraduate classes.

[23].https://m.orlandoweekly.com/Blogs/archives/2020/05/13/rollins-college-cutting-15-percent-of-staff-across-all-departments?fbclid=IwAR0Igmh8yVFm_Mk0O-TtkgtNfnR-UEAQ8izbMtksglssFLfdRwDE4hpBLuo

pay 26% and the President is forgoing his salary, while faculty and staff in the 45,000-99,000 range are only receiving 1-2% reductions in compensation.[24]

8. Furlough Staff in Residential Services and Athletics

If the campus must remain closed next fall, and in lieu of laying off any full-time employees, staff in residential life and athletics could be furloughed until students (student-athletes) are able to return to campus.

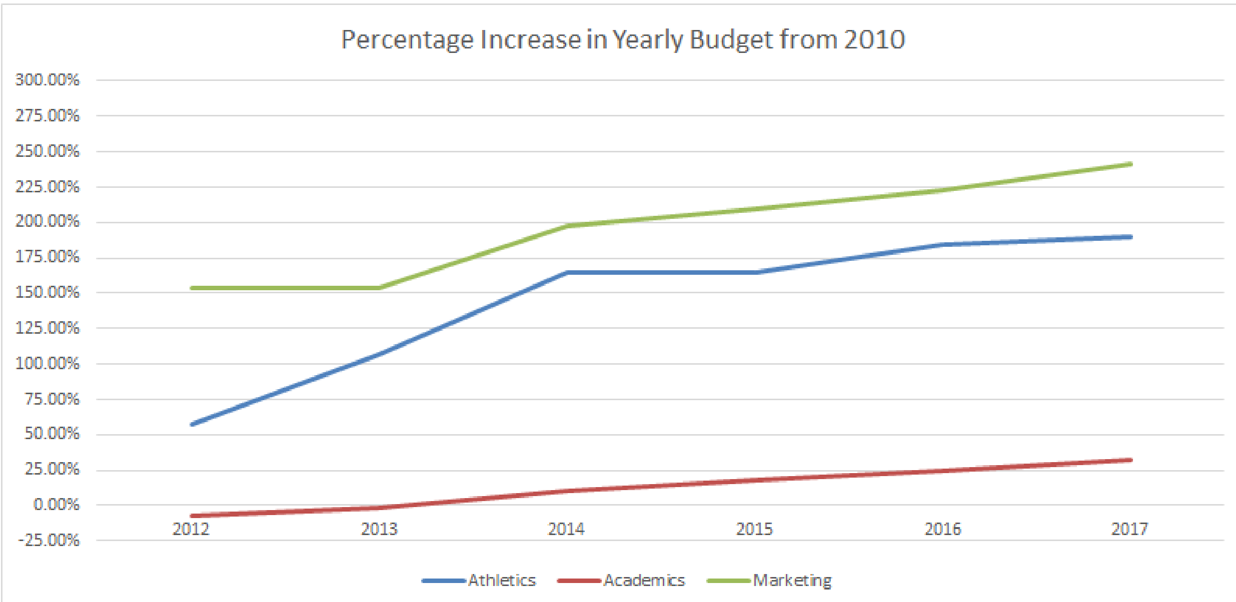
9. Increase the School of Law's Financial Contributions

When the School of Law is successful with enrollment and budget, they keep their excess revenues. But when they miss their target, they take subsidies from the DeLand campus—despite vastly higher salaries and research budgets. The Dean in Gulfport has moreover had much wider discretion in spending and capital projects over the past decade, whereas the DeLand Deans have much less ability to allocate tuition dollars and other revenues to support the academic program. Given that we are in a time of financial crisis and our Law School faculty make three times the salaries of most Deland faculty, this imbalance has to be remedied. Based on the School of Law's share of Stetson's Endowment and percentage of total operating expenses, those contributions should be **at least $5-6 million annually**, just to cover the SoL's proportion of athletic expenses alone. Even a fraction of that amount (2-3 million) would make a huge difference in our overall budget.

24 https://m.orlandoweekly.com/Blogs/archives/2020/05/13/rollins-college-cutting-15-percent-of-staff-across-all-departments?fbclid=IwAR0Igmh8yVFm_Mk0O-TtkgtNfnR-UEAQ8izbMtksglssFLfdRwDE4hpBLuo

V. Appendix One: Relative Increases in Academic vs. Non-Academic Expenditures (2010-2019)

Percentage Increase in Yearly Budget from 2010



The graph above shows the estimated percentage increase in three various areas throughout campus: athletics (blue), academics (red), and marketing (green). The left axis shows the percentage increase from 2010 budget. For example, by 2015, the spending on academics had increased barely 25% since 2010, the athletic program over 150%, and the marketing budget over 200%.

Relative Increase in Athletic vs Academic Expenditures from 2010 - 2019

The two tables below indicate the relative growth of athletic operating expenses (excluding nearly 9 million in *scholarships and auxiliary costs*) in comparison to academic expenses since 2010. The first row in the first chart ("stable growth") shows where athletic expenditures would be in 2019 had athletic expenses increased at the same rate as other university expenses since 2010 ($6.8 million). The section ("actual") indicates where athletic expenditures actually are ($11 million). *Stetson has increased athletics operating expenses by $4.2 million per year more than it would have had athletics grown at the same rate as the rest of the university*.

Athletics Expenditures (in thousands) *Stetson has increased athletics operating expenses by $4.2 million per year more than it would have had athletics grown at the same rate as the rest of the university.*											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	TOTAL
Stable Growth	4097	4,334.18	4,585.08	4,850.51	5,131.31	5,428.36	5,742.61	6,075.05	6,426.73	6,798.77	CAGR 5.20%
Actual	4,097	4,587	5,437	7,034	8,920	9,169	9,984	10,392	10,562	11,049	10.4%
Difference	0	252.82	851.92	2,183.49	3,788.69	3,740.64	4,241.39	4,316.95	4,135.27	4,250.23	$27,761.41

The second chart shows the same calculations for academic expenditures. Note that academics (only 3.85% CAGR) *is down nearly $5 million* ***per year*** from where it would be had it grown at just the CAGR for the entire institution (5.20%).

Academic Expenditures (in thousands) *Stetson has increased academic expenditures at nearly $5 million* ***per year*** less than it would had expenditures on academics only kept pace with the CAGR for the institution as a whole (5.20%).											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	TOTAL
Stable Growth	23,741	25,115.37	26,569.30	28,107.39	29,734.53	31,455.86	33,276.84	35,203.24	37,241.15	39,397.04	CAGR 5.20%
Actual	23,741	23,806	24,918	25,971	27,871	30,977	32,132	33,159	33,925	34,623	CAGR 3.85%
Difference	0	(1,309.37)	(1,651.30)	(2,136.39)	(1,863.53)	(478.86)	(1,144.84)	(2,044.24)	(3,316.15)	(4,774.04)	(18,718.71)

Hence since 2010, ***athletics has received almost $28 million more than it would have received had it grown at the institutional CAGR of 5.20%***. Meanwhile, **Academics has received nearly $19 million less** than it would have received had its expenditures grown in line with those of the university as a whole (a net difference of $48 million). These calculations, moreover, do not include the well over 6.5 million in mostly unfunded athletic scholarships, which has doubled since 2010 or more than two million in auxiliary costs that we report to the NCAA (the total athletic budget is now almost $21 million).

Relative Increase in Tenure Track Lines since 2010

Table 1: University Revenues, Enrollment and Tenure Track Faculty 2009-2018:
*The ratio of students to tenure track faculty has increased form **12.2:1** in 2009-10 to **17.1:1** in 2018-19.*
*It has **increased 39%** since 2009*[25]

Year	TenureTrackFaculty	Assistant Professors	Fall Enrollment	Undergrad Tuition Revenue	Real Tuition Revenue[1]	Student: TT fac
2009-10	176	26	2162			12.3
2010-11	169	20	2134	$ 36,912,000	$ 42,506,795	12.6
2011-12	169	26	2291	$ 39,460,000	$ 44,050,530	13.6
2012-13	183	37	2516	$ 40,350,000	$ 44,130,802	13.7
2013-14	188	47	2729	$ 45,183,000	$ 48,703,270	14.5
2014-15	188	45	2841	$ 49,290,000	$ 52,282,137	15.1
2015-16	186	59	3084	$ 52,962,000	$ 56,110,443	16.6
2016-17	188	67	3089	$ 54,517,000	$ 57,038,338	16.4
2017-18	191	65	3081	$ 53,437,000	$ 54,742,187	16.1
2018-19	184	59	3150	$ 55,027,000	$ 55,027,000	17.1

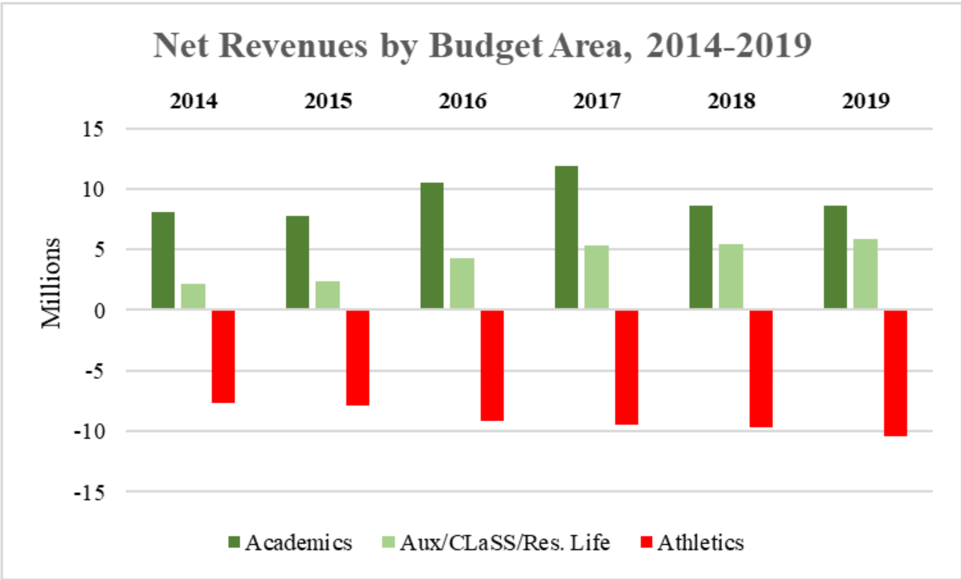
1: Real Tuition revenue is stated in 2018 dollars to show changes in revenue separate from overall inflation.

In short, we have paid for our multimillion-dollar investments in new athletics and administration by relying on contingent faculty, larger classes, and/or larger per faculty advising loads since 2010, which has directly undermined our "value proposition" (see below), since adding athletics and administration does not improve the quality of classroom education. ***Given the lack of increase in TT lines since 2010, the elimination of virtually any lines in the wake of COVID-19 is therefore completely at odds with our mission.***

This chart illustrates very clearly the exponentially greater value of academics in generating revenue relative to Athletics and CLaSS, even though the latter have increased at an exponentially higher rate than academics since 2010:

25 Data in Table 1 come from the following sources: Number of tenure track faculty and assistant professors comes from the Professional Development Committee report shared in April 2019. CPI data is from the Bureau of Labor Statistics. Fall enrollment data is from Institutional Research and Effectiveness. Undergraduate Retention Revenue is from annual reports from the Finance Office.

Cost and Expenditure Breakdown of Academics vs Non-Academics from 2014 – 2019



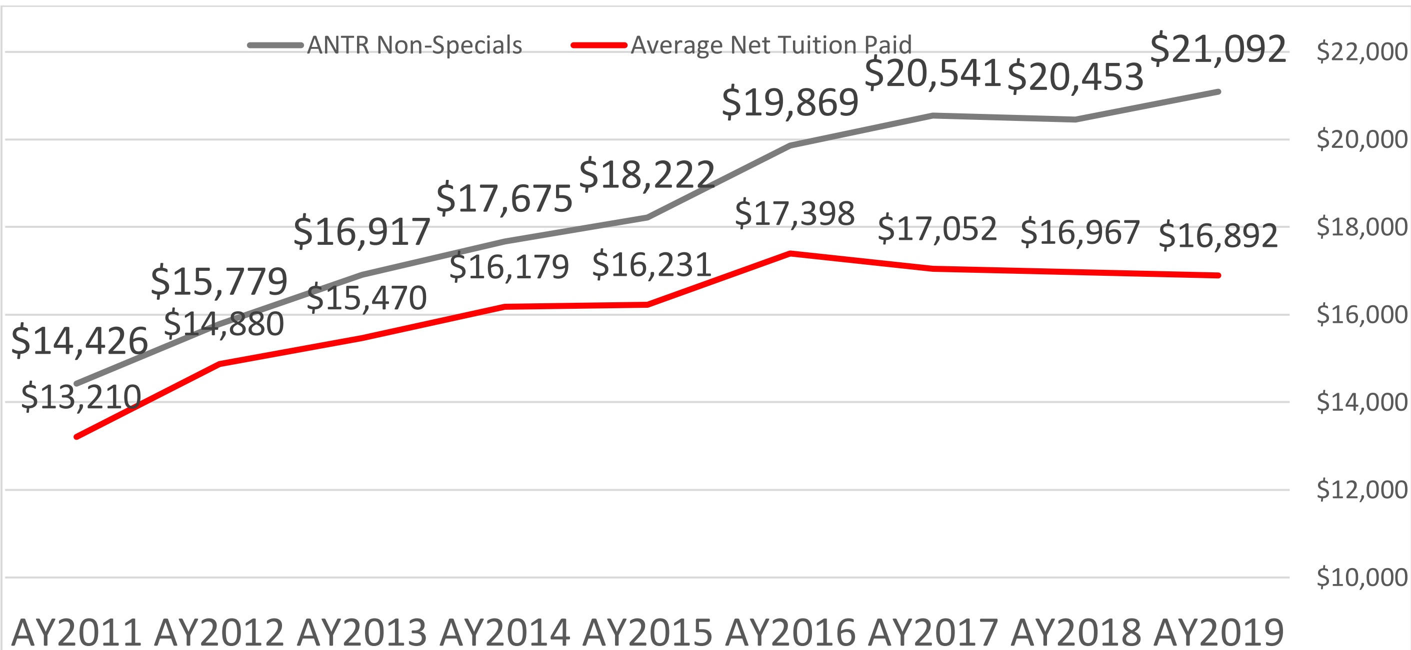
This breakdown however, which is based on Stetson's own internal reporting, attributes revenues in room and board to Aux/CLaSS/Residential Life, when in fact most students paying room and board are doing so primarily in order to achieve their degree. *That is, there is no evidence, per below (Appendix Two), that the exponential increase in expenses in Aux/CLaSS/Residential Life since 2010 has enhanced proportionally our ability to accrue room and board.* To the contrary, most such measures, including our value proposition (higher net tuition/lower discount rate) and retention, have gotten worse since 2010. While we certainly need a robust residential life staff and well-trained professionals to work in the Commons or Counseling, this chart therefore overestimates the degree to which Aux/CLaSS/Res.Life produces revenue (see Appendix Two).

VI. Appendix Two: Negative Impact of Non-Academic Expenditures on "Value Proposition" (Student Selectivity, Yield, Student Satisfaction, Net Tuition Revenue per Student, Retention and Graduation Rates)

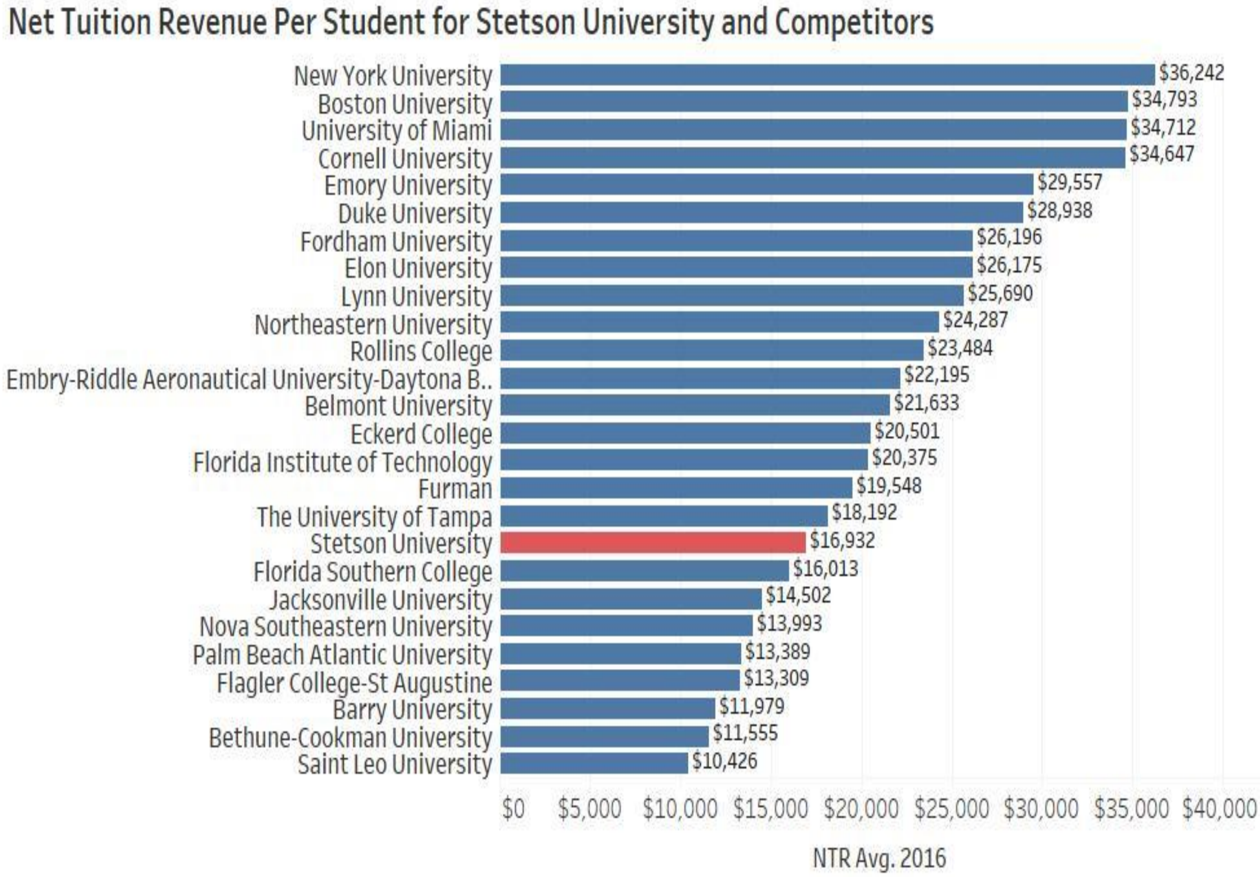
The main reasons cited for spending 21 million on athletics per year and millions more new operating dollars since 2010 on CLaSS, etc. were 1) To increase Stetson's "value proposition" both relative to pre-2010 and relative to regional competitors and operational peers going forward; 2) To increase retention and graduation rates relative to pre-2010 and relative to regional competitors and operational peers; 3) To bring in greater numbers of out of state students (which have lower melt, per below) relative to pre-2010 and relative to regional competitors and operational peers going forward. Instead of any of these three goals occurring, we have seen that, in regard to 1), that our net tuition per student has declined since 2009, both relative to pre-2010 (in real dollars) and relative to most peer/competitor institutions; 2) graduation and retention rates have flatlined or declined both relative to pre-2010 and relative to most peer/competitor institutions, and 3) we now have not a greater but a smaller proportion of out-of-state students relative to pre-2010 and relative to most peer/competitor institutions. All three goals have largely failed *because of the faulty premise that adding tens of million in non-academic expenditures increases a small, selective private institution's perceived and real academic value (*see below).

Unsustainable Increase in Discount Rate and Decrease in Net Tuition
Revenue Per Student since 2010 - 2019

One reason we have consistently failed to meet our projected revenues is that we have become reliant on an unsustainable discount rate (projected at 64.8% FTIC for FY 2020) and thus we generate insufficient net revenue per student. Net tuition revenue per student is declining for Stetson. In 2009 we got $*18,416.00 in net revenue per student (at 42% discount); in 2019 we got* $*16,892 dollars per student (at 64.5% discount). That's an unfortunate trend.*

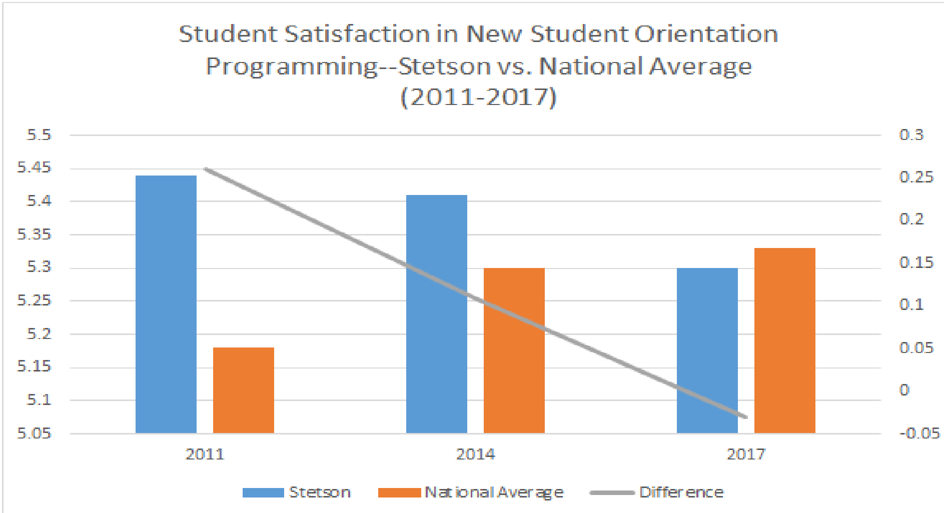


Regional competitors such as Rollins, Eckerd, and Embry-Riddle, including institutions with more modest endowments and ostensibly less impressive reputations ("value propositions"), average between $20,000 and $24,000 in net revenue per student with discount rates in the 50% range.



Stetson could achieve these net tuitions per student numbers, given that the vast majority of our students ("non-specials") pay $21,000 per. *But we cannot achieve this net tuition per student without reducing the amount of revenue we forgo (in tuition discounts) on "special" students*, most unproductively the more than $6.5 million in athletic scholarships that go to a few hundred students, but also ballooning discounts in the School of Music as well as other areas.

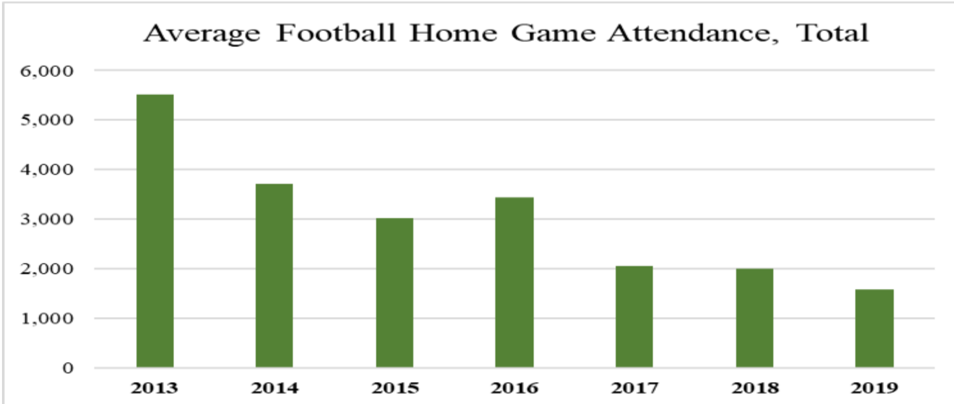
Relative Decrease in Student Satisfaction from 2010 - 2017



This graph above shows the average rating (1-7) of student satisfaction in the first-year orientation program, central to our QEP and the main motivation for the continued expansion of non-academic programs like CLaSS. This chart shows the difference in Stetson's average (blue) versus the national average (orange). The difference between these two is charted by the grey line, which follows the right-hand axis. The main interpretation of this graph is that, contrary to our multi-million-dollar investment in helping students' transition, our students are not only *less* satisfied with the first-year orientation programming, but the national average (which we were significantly better than in 2011) has grown since 2017. **We were better in every student satisfaction measure pre-FOCUS, pre-athletic expansion, and pre- unnecessarily aggressive (non-selective) enrollment growth.**

When it comes to the first-year experience—which, since 2011 has steadily declined in student satisfaction—we have jettisoned the traditional liberal-arts college experience for unproven, more-expensive staff- and administratively-run programming. For example, there is talk on campus that we should "professionalize" our advising, which would require hiring more staff members—professional academic advisors. Rather than solving the ballooning student-faculty teaching load that has put a strain on our traditional, valuable advising model by hiring more full- time faculty, the solution proposed is to expand the already expansive CLaSS and administrative wings of the university. There is seemingly money for advising professionals, but not professional academics. Most evidence suggests that *reducing the proportion of the budget devoted to these expenses through hiring freezes and cuts to operating expenses would actually increase the university's financial and academic viability in the long run*.

As for the "intangible" returns on athletics in terms of recruitment and retention (which now loses 19 million a year in real dollars), even our signature sport during the era of athletic expansion has experienced plummeting attendance between 2013 and 2019:



Average Seasonal Per Game Attendance at Stetson Home Football Games, 2013-2019

None of these poor results in terms of return on investment should be surprising or require a "Budget Priorities Committee" to evaluate. Both Stetson's own internal survey data and national data show clearly that students **care far more about the quality of academics and academic outcomes than anything related to Athletics or CLaSS.**

Essential Factors in the Decision to Attend Stetson (2015)[26]

Essential	Current	Inquiring
Small, interactive classes	54%	18%
Accessibility of faculty	52%	30%
Career preparation	50%	43%
A strong major in your field	49%	55%
Preparation for graduate school	43%	34%
Excellent career services	43%	30%
Preparation for professional school such as medical or law school	43%	28%
Academically challenging	41%	35%
Attracts intellectually oriented students	39%	25%
Opportunities for internships	38%	33%
Excellent academic advising	37%	42%
Ability to personalize your education to meet your special interests and needs	34%	37%
Opportunities for independent study	34%	17%
A strong sense of community	33%	22%
Active social life	23%	22%

Strongly Agree	Current	Inquirers
College should dare students to push beyond success and pursue significance	52%	29%
In college I expect to have a total experience that connects my academic, social, personal and residential lives	49%	
Graduating from college as a leader is important to me	49%	27%
A college with a program to track my progress toward my degree would be very valuable to me	45%	9%
A college with a program to help me identify my skills and passions is important to me	45%	9%
I learn best when theory is blended with hands-on learning	45%	48%
College should be a transformational experience	36%	27%
I expect to learn as much from my out-of-class experience as I do from my academic program	35%	31%
I want the college I attend to push me beyond my comfort zone	30%	25%
Residential life should be an important part of a college's learning experience	23%	

Note that 11 of the top 13 **essential factors** in students choosing to attend Stetson are related directly to Academics, with a twelfth, career preparation, representing a category that belongs jointly to academics and CLaSS. A strong sense of community and active social life are ranked as essential by fewer than a third and a quarter of all Stetson students respectively. The opportunity to "participate in intercollegiate athletics" doesn't even appear on the list as it is **ranked as essential by only 15% of students**, which barely matches the number of student-athletes at Stetson and, more importantly, doesn't even differentiate between Division One, Division Two, Division Three, or Club Sports (see Club Sports Retention and

26 These three charts are based on Hanover Research data and internal Stetson data presented annually by the Admissions Office.

DII/DIII analysis below). In terms of the most important characteristics of the college experience, note **that every one of the factors that received a 45% or above "strongly degree" are purely academic**, **with residential life all the way at the bottom (only 23%).**

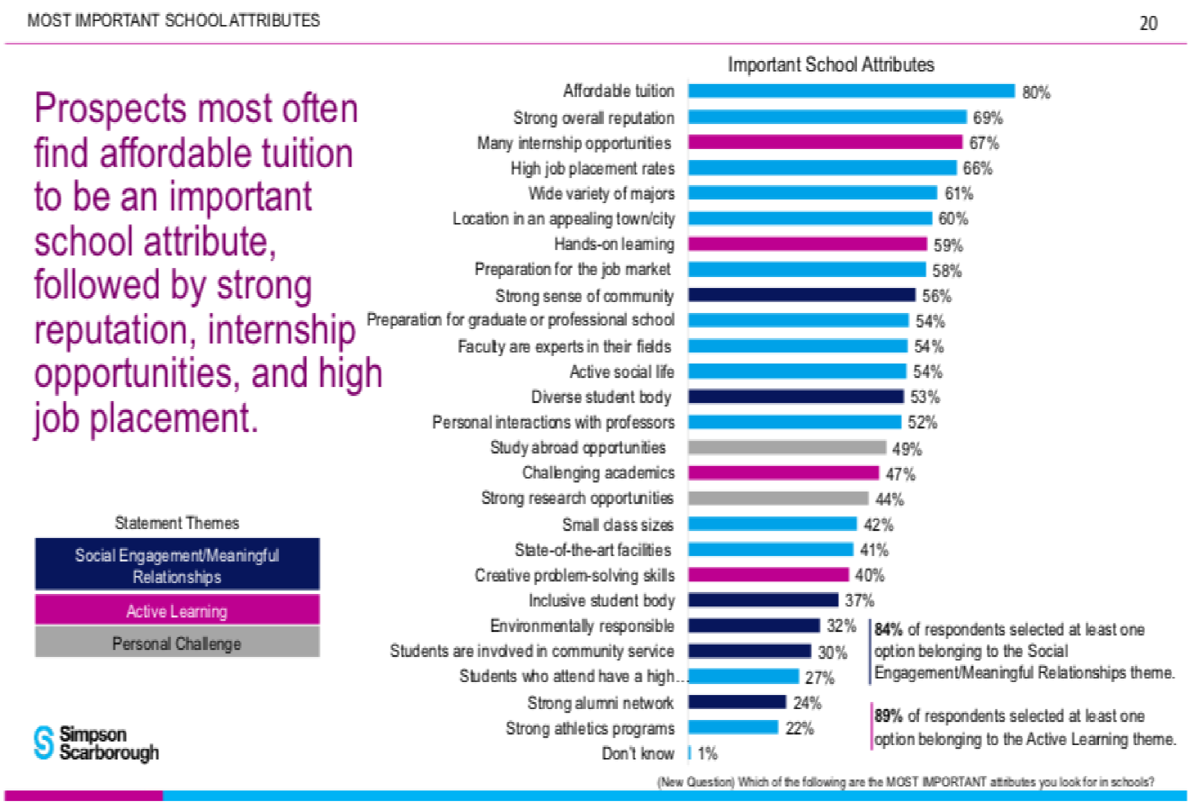
Figure 3.1: Factors Affecting Application Decisions of Affluent Students and Parents

How important are these attributes in deciding where to apply?	Students	Rank +/- Average*	Parents	Rank +/- Average*
Faculty are committed to excellence in teaching undergraduate students.	1	+2	5	-3
Helps graduates get good jobs.	2	+2	2	+2
Has a strong academic reputation.	3	+3	6	-1
Major I'm interested in has a strong academic reputation.	4	+1	7	-1
The campus is safe.	5	-3	1	-
Offers good scholarships and financial aid packages to students.	6	-5	3	-
Graduates are well prepared to enroll in graduate school.	7	+1	10	-
Offers a wide variety of majors and academic programs.	8	+2	12	-
The students are motivated and hard working.	9	+2	4	+4
Offers significant experiential learning opportunities/internships.	10	-1	8	+3
The college's tuition and fees are affordable.	11	-5	9	-2
Offers many social activities, intramural athletics, and student organizations.	12	+1	14	-1
Faculty are known for advising/mentoring students.	13	-1	11	-2
There is a sense of school spirit on campus.	14	+2	13	-1
Offers global experiences such as study abroad.	15	+4	15	+3

Source: Cappex[10]

*Indicates the difference in rank between affluent students and parents compared to all students and parents. For instance, affluent students ranked campus safety as the fifth-most important attribute, whereas all students ranked this as the second-most important attribute (-3).

When it comes to the national pool of students which Stetson attempts to attract, per above and below, **note how factors related to academics are by far the most important**, two to three times more important than most factors related to CLaSS and administration. **Intercollegiate athletics either does not even appear on the list (above) or, in the chart below, appears at the very bottom.**



VI. Appendix Three: Aligning Stetson's Athletic Commitments with Stetson's Mission and Resources

Stetson's Outlier Status and Misalignment of Athletic Expenses/Division with Resources/Mission Relative to Peers/Competitors

The vast majority of small private universities with Stetson's enrollment are not Division I, but Division III, Division II, or NAIA. According to EADA (https://ope.ed.gov/athletics/#/), as of 2017, **only 22/1282 (1.8%) of schools with 3,000 or fewer undergraduates were Division One with football (FBS/FCS).** Only 52/1587 (3.2%) with 5,000 or fewer undergraduates were DI with football. Only 45/612 (7.3%) of schools with 2,000 to 5,000 (3,500 average) in enrollment were Division One with football.

Stetson is a **radical outlier in athletic expenses and commitments**, even more so when one looks at how many of those 22 small, DI institutions are far wealthier than Stetson (e.g. Furman, Davidson, etc.). **Only one small college with an endowment comparable to ours spends as much on athletics as we do: Siena College**. Siena and Stetson are numbers 6 and 7 overall in terms of spending the most among this peer group. The average endowment of the five institutions that spend more money on athletics in 2017 than Stetson or Siena is more than $1 billion. "Athletics departments that make more than they spend still a minority," NCAA website (2015).[27]

Below are the top peer institutions (as of 2017)

27 http://www.ncaa.org/about/resources/media-center/news/athletics-departments-make-more-they-spend-still-minority

Rank	Institution	Endowment	Total Athletic Spending
1	College of the Holy Cross	$679,400,000	$32,140,448
2	University of Richmond	$2,200,000,000	$28,690,278
3	Furman University	$609,700,000	$28,179,039
4	Colgate University	$821,600,000	$26,220,452
5	Lafayette College	$774,700,000	$22,638,590
6	Siena College	$121,500,000	$18,366,060
7	Stetson University	$208,000,000	$18,187,619

Stetson's 3000 students pay a premium of approximately $4,000-6,000 tuition per student per year to subsidize the costs of our extravagant athletics program, compared to DII Sunshine State conference schools (see below) or DIII Southern Athletic Association (SAA) or Southern Collegiate Athletic Association (SCAC) schools (see below). Given that our average non-special pays barely 20,000 in NTR that's **as much as a 20-30% premium in NTR that Stetson students must pay to subsidize DI athletics**, a premium that could be used to reduce the cost of tuition for high-achieving students, increase ethnic and geographic diversity or attract more academically outstanding students— without requiring any additional revenue (see below).

We are not advocating the elimination of intercollegiate athletics at Stetson, in the immediate, medium, or long-term. But in response to those who worry about the repercussions of losing DI athletics, **we need to be very clear about the fact that there is absolutely no risk whatsoever in terms of negative financial or academic consequences.** In fact, if Stetson eliminated DI Athletics completely and did not replace it with DII or DIII; indeed, if Stetson did not replace a single one of its nearly 400 student-athletes with a non-student athlete, the institution would only lose approximately $1.8 million in direct revenue and 4$ to $4.8 million in tuition revenue ($10,000-12,000 x 400 student-athletes) or $5.8-6.6 million total in revenue against almost $21 million in expenses. That's $**14-15 million in savings (revenue) to manage the financial challenges of COVID-19.**

But imagine how wealthy and academically robust Stetson could be were it to spend another **$14-15 million dollars** on the same academic programs it has now, but with an average enrollment of only 2,600 students instead of 3,000, especially when our 400 student athletes are among the least academically successful students (relative to CI/discount, per the chart below). By eliminating DI athletics completely and employing those **14-15 million dollars on academics (programs and scholarships)**, Stetson could, without increasing revenue or enrollment, **immediately transform itself into the best private liberal arts university in Florida.**

While the financial and academic costs of DI are very clear on a macro-level, per above, they are also clear on a micro-level, per the table below:

Below is a table that shows the differences between our non-athlete students (broken up into quintiles, based on discount rate) for ease of interpretation (as of Fall 2017). (Remember: a CI of 1 is best, and the lowest CI is 8.)

2011-2016 Sport	Mean Discount	CI	Retention	1st Term GPA	1st Year GPA
Nonathlete—Lowest 20%	36.55%	5.93	66.82%	2.47	2.53
Nonathlete—2nd Quintile	51.08%	4.55	76.60%	2.86	2.86
Nonathlete—Median	57.55%	3.55	78.06%	3.00	2.98
Nonathlete—4th Quintile	64.60%	2.86	83.79%	3.19	3.12
Nonathlete—Top 20%	79.47%	2.59	87.53%	3.32	3.27
Football	58.60%	4.96	71.53%	2.81	2.85
Men's Rowing	61.13%	4.10	76.60%	2.82	2.92
Men's Crew	61.30%	4.00	80.00%	2.10	3.24
Women's Crew	62.91%	3.91	91.67%	2.73	2.86
Women's Rowing	64.24%	3.77	78.69%	2.94	2.80
Men's Golf	66.90%	3.90	90.48%	2.92	3.22
Men's Cross Country	69.00%	3.47	100.00%	3.20	3.24
Women's Lacrosse	70.56%	3.76	90.00%	3.14	3.08
Women's Cross Country	71.00%	3.43	91.30%	3.17	3.15
Men's Soccer	76.32%	4.92	73.68%	2.93	2.94
Baseball	85.80%	3.89	66.18%	3.14	3.00
Women's Volleyball	86.47%	4.10	76.67%	3.35	3.38
Beach Volleyball	90.17%	3.77	80.00%	3.33	3.31
Women's Soccer	92.31%	3.13	70.49%	3.25	3.31
Men's Tennis	93.77%	5.69	84.62%	3.26	3.07
Women's Golf	95.00%	3.45	90.90%	3.36	3.29
Women's Tennis	95.00%	4.77	77.78%	3.32	3.31
Women's Softball	99.10%	4.40	92.50%	3.10	3.15
Men's Basketball	122.50%	6.69	60.87%	2.42	2.42
Women's Basketball	127.12%	6.48	60.00%	2.61	2.56

The simple story of the table above is this: our student-athletes by sport are overall well-below the CI scores of non-athletes at comparable discount rates (the top 20%); the vast majority of our student athletes are well-below the GPAs and retention rates of this group, too. In fact, for some of our scholarship sports—which is a product of Division I—are actually far below the University retention rate, even though they have a full ride at Stetson.

This table shows that even if we take, for example, our 100 football players, which are ostensibly non-scholarship athletes, they receive a significantly higher discount than the typical non-athlete with a CI around 4.55 (appreciably better than the football player CI of 4.96) and retain at a lower rate than non-football players in the second quintile (only 71.5% for football players vs. 76.6% for the well below average non-athlete). That means a typical football player was only paying about 20,000 of the 47,000 Stetson charged as of 2018 (receiving 27,000 in mostly unfunded scholarship) while a nonathlete in the 2nd Quintile, with better academic preparation (CI) and better retention (77% vs. 72%), was paying around 24,000 (receiving only 23,000 in scholarship).

So, we are losing potentially at least 400,000 dollars in net tuition revenue a year (4,000.00 x 100) on 100 non-scholarship football players versus 100 below average students in the second quintile. But we are also losing an additional amount of net tuition revenue per 100 students due to the lower retention rate for football players vs. non-athletes in the second quintile (5% of 100 students per year = 5 x 24,000 x 3 = 360,000). **In short, one could argue that DI football not only adds 1.5 million or so**

annually in operating expenses, but also loses around 750,000 in net tuition revenue (a total loss of 2.25 million). Since the total tuition dollars of all football players is only around 2 million a year, barely enough to cover the operating expenses, it's clear that Stetson football is operating at a net loss of $250,000 dollars. That means we save money by eliminating football—and increase retention, graduation rates, average net tuition revenue, etc.—**even if we fail to replace a single one of the 100 football players with an average student paying average tuition.**

But imagine what would happen were we to eliminate football altogether and redistribute nearly 3 million in scholarships currently going to 100 football players to 75 students in the top non-athlete quintile, per above). Even at a nearly 80% discount, those students would return nearly 10,000 in tuition per student (750,000 more in NTR) and retain at nearly 17% higher than the typical football player (an additional 12 students out of 75 per year or 12 x 10,000 x 3 = 360,000), **which means potentially 75 more top students paying 1.1 million more in net tuition revenue were we to eliminate football completely**. In fact, following the principles of preserving people above, Stetson would actually be better off financially and academically by paying our nine football coaches not to coach unless or until they could find a position elsewhere, eliminating the additional 750,000 in football operating expenses, and replacing our 100 football players with approximately 60 average students.

Indeed, non-scholarship Club sports (per below), which cost virtually nothing in terms of operating costs, in comparison to ostensibly non-scholarship football, produce retention rates more than 15% higher on average than football for students paying more tuition.

Club Sports Retention15	
Fall 2011 Cohort	
All new FTIC	78.7%
FTIC - Club Sports	89.9%
Fall 2012 Cohort	
All new FTIC	77.9%
FTIC - Club Sports	84.7%
Fall 2015 Cohort	
All new FTIC	79.1%
FTIC - Club Sports	84.3%

If one compares the costs of any other DI sport above, whose student-athletes pay even less tuition than non-scholarship football, **with lower CI and retention in comparison to the equivalent non athlete**, one sees how the macro-level comparisons between DII or DIII and DI yield $10, $12, even $15 million more in net tuition revenue/reduced operating expenses (see "Stetson's Cost Savings" below), usually with better students. **If we're making hard decisions regarding academic vs. non-academic priorities, should Stetson be cutting *any* faculty travel when we *spending more on just football travel than all faculty travel*?**

	2014	2015	2016	2017
Faculty Travel Budget	205,419	264,070	268,133	281,119
Football Travel	221,419	271,463	270,540	332,496

Given this evidence, the most conservative response to our current budget crisis is not to cut academics further, exacerbating many of the structural financial and enrollment bottlenecks caused by aggressive enrollment growth, especially given our perennial inability to either 1) make our projected class; 2) meet our projected retention and graduation rates; and/or 3) maintain a manageable discount rate (net tuition revenue). Nor is this wise given the current instability in the stock market and demographic trends suggesting that fewer college age students will be willing or able to afford a private university tuition in the coming decade. Rather, we should take this opportunity to ratchet down our investment in DI athletics, following the general model of our similarly sized and endowed peers, and emphasizing academic quality over quantity.

Stetson's Cost Savings (Additional Net Tuition Revenue) by Committing to a Change in Division, whether DIII with football, DIII without football or DII

The case for DIII is obvious. While **Stetson's athletic expenses have ballooned to nearly 21 million** with revenues under 2 million (**a net loss of nearly 19 million),** most DIII institutions spend less than 5 million against a few hundred thousand in revenues (a net loss of 4 million). Hence **moving to DIII might mean, for Stetson, savings in the neighborhood of 13-15 million**, depending on whether we keep football. For at least a decade, a number of faculty have therefore argued that Stetson should move as soon as possible to one of the two Division III conferences in our region, either the SAA[28], which includes non-scholarship football, or the SCAC[29] , which does not. Both such conferences would mean associating with better institutions, more similar to Stetson in mission, and involve *less* travel than our current Atlantic Sun/Pioneer League commitments.

Another option however, one that would be even easier in the short- to medium term, would be to move to DII in order to join the Florida-based Sunshine State Conference. For reasons that remain difficult to understand, a number of administrators and some faculty have perpetuated the myth that moving to DII would not save Stetson any money and would mean being associated with schools with which we have nothing in common (unlike the Atlantic Sun). Neither of these claims have any basis in empirical reality. **Per below, joining the SSC would likely save Stetson 10-12 million in expenses** and/or permit us to generate 10-12 million more in net tuition revenue. Indeed, moving to the SSC would save Stetson so much money that **we could do everything we are currently doing academically with only 2,400-2,500 students**—an important option giving the likelihood of low enrollment in the Fall.

Sunshine State Conference (2018 EADA Enroll/Exp, 2019 IPEDs Tuition, 2016 NTR)

School	Enrollment (EADA)	Tuition	Athletic Exp	NTR per	EXP per
Rollins	2,433	$49,760	$11,525,887	$23,484	
Eckerd	1,925	$44,540	$5,700,847	$20,501	
FIT	3,261	$41,850	$10,697,165	$20,375	
Lynn	2,048	$38,210	$8,746,461	$25,690	
Florida Southern	2,517	$36,348	$10,316,653	$16,013	
Embry-Riddle	5,588	$35,814	$12,013,507	$22,195	
Palm Beach Atlantic	2,262	$31,450	$5,589,424	$13,389	
Barry	2,949	$30,014	$7,661,868	$11,979	
Nova Southeastern	3,683	$30,900	$12,876,527	$13,993	
Tampa	8,145	$29,208	$12,307,656	$18,192	
Saint Leo	6,085	$23,020	$8,231,086	$10,426	
SSC Average	**3,718**	**$35,010**	**$9,606,098**	**$17,839 [+907]**	**$2,584 [+4,002]**

28 https://en.wikipedia.org/wiki/Southern_Athletic_Association
29 https://en.wikipedia.org/wiki/Southern_Collegiate_Athletic_Conference#Former_members

Comp Average[30]	**2,962**	**$41,087**	**$9,833,420**	**$21,376 [+4,444]**	**3,319 [+3,267]**
Stetson	**3,086**	**$46,030**	**$20,323,156**	**$16,932 [-4,444]**	**6,586 [-3,267]**

Difference Between Stetson Athletic Expenses and SSC Peers = $10,489,736

Potential Lost Revenue Calculated by additional NTR per student: $4,444 x 3,086 = $13,714,184
Potential Lost Revenue Calculated by additional Exp per student: $3,267 x 3,086 = $10,081,962

Average Lost Total Net Tuition Revenue of two different methods= $11,983,073 – $1 million in lost revenue in terms of DII vs. DI = $11,000,000[31]

Additional Undergraduate Enrollment Necessary to pay for $11,000,000 in lost revenue ($11,000,000/$16,932) = 650 students

Average Undergraduate Enrollment Stetson would need to maintain current academic/non-athletic expenses if it had the average SSC (DII) expenses: 2,430

30 Rollins, Eckerd, FIT, Florida Southern, Lynn, Embry-Riddle

31 According to the NCAA, direct median athletic revenues for DII schools are around 800,000. Since Stetson generates between 1.5 and 2 million in direct athletic revenues, the net loss for moving from DII to DI would be about 1 million.
https://www.ncaa.org/sites/default/files/2017DIIRES_Division_II_Financial_PPT_%20web_version_20180125.pdf