

# SHEF Glossary of Terms

## Cost Adjustments

1. **Consumer Price Index (CPI).** A measure of the average change over time in the price of a market basket of consumer goods and services. Sources: Bureau of Labor Statistics, U.S. Department of Labor.
2. **Employment Cost Index (ECI).** A measure of the change in labor costs, outside the influence of employment shifts, among occupations and industries. The ECI for private industry white collar occupations (excluding sales) accounts for 75 percent of the State Higher Education Executive Officers (SHEEO) Higher Education Cost Adjustment (HECA). HECA uses the compensation series that includes changes in wages and salaries plus employer costs for employee benefits. Sources: Bureau of Labor Statistics, U.S. Department of Labor.
3. **Gross Domestic Product (GDP).** The total market value of all final goods and services produced in the country in a given year—the sum of total consumer spending, investment spending, government spending, and exports, minus imports. Source: Bureau of Economic Analysis, Office of Economic Policy, U.S. Department of Commerce.
4. **Gross Domestic Product Implicit Price Deflator (GDP IPD).** Current dollar GDP divided by constant dollar GDP. This ratio is used to account for inflationary effects by reflecting both the change in the price of the bundle of goods comprising the GDP and the change to the bundle itself. The GDP IPD accounts for 25 percent of the SHEEO HECA. Sources: Bureau of Economic Analysis, Office of Economic Policy, U.S. Department of Commerce.
5. **Higher Education Cost Adjustment (HECA).** Measures price inflation experienced by colleges and universities. The HECA uses two external indices maintained by the federal government—the ECI (accounts for 75 percent of the index) and the GDP IPD (accounts for the remainder).
6. **Higher Education Price Index (HEPI).** Developed by Kent Halstead, the HEPI measures the inflationary effect on college and university operations. It measures the average relative level in the price of a fixed market basket of goods and services purchased by colleges and universities through current fund educational and general expenses (excluding those for sponsored research, department sales and services, and auxiliary enterprises). Source: Commonfund. (<https://www.commonfund.org/commonfund-institute/glossary/>).
7. **Price Inflation.** The percentage increase in the price of a market basket of goods and services over a specific time period.

## Enrollment

1. **Full-Time Equivalent Enrollment (FTE).** A measure of enrollment equal to one student enrolled full time for one academic year, based on all credit hours (including summer sessions). The SHEF data capture FTE enrollment in public institutions of higher education from those credit or contact hours associated with courses that apply to a degree or certificate, excluding non-credit continuing education, adult education, and extension courses.

If courses meet the "formal award potential" criterion, they may include vocational-technical, remedial, and other program enrollment at two-year community colleges and state-approved area vocational-technical centers. Medical school enrollment is reported but set aside from the net FTE used in "funding per FTE" calculations because states vary widely in the extent of medical school funding.

The FTE calculation differs from the type and level of instruction:

- ◆ Contact hour courses: One annual FTE is the sum of total contact hours divided by 900.
- ◆ Undergraduate credit hour courses: One annual FTE is the sum of total credits divided by 30 (for semester-based calendar systems) or 45 (for quarter systems).
- ◆ Graduate and first-professional credit hour courses: One annual FTE is the sum of total credits divided by 24 (for semester systems) or 36 (for quarter systems).

## Revenue

1. **Appropriations.** Money set aside by formal legislative action for a specific use.
2. **Educational Appropriations.**<sup>1</sup> Net State Support plus Local Tax Appropriations minus Research, Agricultural, and Medical (RAM) appropriations.
3. **Gross State Support.** The sum of State Tax Appropriations plus:
  - ◆ Funding under state auspices for appropriated nontax state support (e.g., lotteries, casinos, and tobacco settlement funds) set aside for higher education;
  - ◆ Funding under state auspices for non-appropriated state support (e.g., monies from receipt of lease income, cattle grazing rights, and oil and mineral extraction fees on land) set aside for higher education;
  - ◆ Sums destined for higher education but appropriated to some other state agency (e.g., administered funds or funds intended for faculty/staff fringe benefits that are appropriated to the state treasurer);
  - ◆ Interest or earnings received from state-funded endowments pledged to public sector institutions; and
  - ◆ Portions of multi-year appropriations from previous years.
4. **Local Tax Appropriations.** Annual appropriations from local government taxes for public higher education institution operating expenses.
5. **Net State Support.** State support for public higher education annual operating expenses. The difference resulting from Gross State Support less:
  - ◆ Appropriations returned to the state;
  - ◆ State-appropriated funds derived from federal sources;
  - ◆ Portions of multi-year appropriations to be distributed over subsequent years;
  - ◆ Tuition charges remitted to the state to offset state appropriations;
  - ◆ Tuition and fees used for capital debt service and capital improvement (other than that paid by students for auxiliary enterprise debt service);
  - ◆ State funding for students in non-credit continuing or adult education courses and non-credit extension courses;
  - ◆ Sums appropriated to independent institutions for capital outlay or operating expenses;
  - ◆ Allocation of appropriations for financial aid grants to students attending in-state independent institutions; and
  - ◆ Allocation of appropriations for financial aid grants to students attending out-of-state institutions.
6. **Personal Income.** The income received by all persons from participation in production, from government and business transfer payments, and from government interest. Personal income is the sum of net

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<sup>1</sup> For FY 2009 through FY 2012, educational appropriations includes funds allocated to states by the federal government through the American Recovery and Reinvestment Act of 2009 (ARRA), specifically those funds from the Education Stabilization Fund and Other Government Services Fund that were to be used to fill shortfalls in state support for general operating expenses at public colleges and universities. In FY 2011, this totaled \$2.8 billion.

earnings by place of residence, rental income, personal dividend income, personal interest income, and transfer payments. Net earnings is earnings by place of work (wage and salary disbursements, and proprietors' income) less personal contributions for social insurance, including an adjustment to convert earnings by place of work to earnings by place of residence. Personal income is measured before the deduction of personal income taxes and is reported in current dollars. Sources: Bureau of Economic Analysis, Office of Economic Policy, U.S. Department of Treasury.

7. **Research, Agricultural, and Medical Appropriations (RAM).** Special purpose appropriations targeted by legislative budget line-item identification or institutional designation for the direct operation and administrative support of research centers and institutes, agricultural experiment stations, cooperative extension services, teaching hospitals, health care public services, and four types of medical schools—medical, osteopathic, dental, and veterinary.
8. **State Tax Appropriations.** Appropriations from state government taxes for public and private higher education institution and agency annual operating expenses, excluding capital outlay (for new construction or debt retirement) and revenue from auxiliary enterprises. These sums are largely the same as those reported as part of the annual *Grapevine* survey of the Center for the Study of Higher Education Policy at Illinois State University. Source: *Grapevine*, as reported to SHEEO.
9. **Student Share.** The share of Total Educational Revenue from students or their families. Net Tuition Revenue as a percentage of Total Educational Revenue.
10. **Total Educational Revenue.** The sum of Educational Appropriations and Net Tuition Revenue.

## State Tax Revenue, Capacity, Effort, and Higher Education Allocation

1. **Actual Tax Revenue (ATR).** General revenue derived from taxation by state and local governments. Source: U.S. Census Bureau.
2. **Effective Tax Rate (ETR).** Actual Tax Revenue per capita divided by Total Taxable Resources per capita, expressed as a percentage. In 2000, the national average effective tax rate was 7.8 percent, or \$3,086 divided by \$39,579. An indexed value is derived by dividing the state's effective tax rate by the national average effective tax rate. Sources: Population and Actual Tax Revenue from the U.S. Census Bureau; Total Taxable Resources from the Bureau of Economic Analysis, Office of Economic Policy, U.S. Department of Treasury.
3. **State Higher Education Allocation.** Measures total state support and local appropriations to higher education as a percentage of state plus local tax revenues. Source: SHEEO calculation from SHEF and U.S. Census data.
4. **Total Taxable Resources Index (TTR).** Total Taxable Resources is the sum of Gross State Product (in-state production) minus components presumed not taxable by the state plus various components of income derived from out-of-state sources. An indexed value for each state is derived by dividing the state's TTR per capita by the national average TTR per capita. Source: Bureau of Economic Analysis, the Office of Economic Policy, and the U.S. Department of Treasury (with the exception of net realized capital gains (from the Internal Revenue Service).

## Tuition and Fee Revenue

1. **Gross Tuition and Fees.** Gross assessments by public postsecondary institutions for tuition and mandatory education fees. Includes in-state and out-of-state tuition and fees.
2. **Net Tuition Revenue.** The sum of Gross Tuition and Mandatory Fee Assessments minus state-funded student financial aid, institutional discounts and waivers, and medical school student tuition revenue. Enrollment, state appropriations, and medical school tuition revenue are set aside in many SHEF analyses to improve interstate evaluation.