



Office of Financial Affairs

Memo To: All Employees

From: Bill Crangle, Vice President for Financial Affairs

August 12, 2005

RE: Annual Budget and Finance report

Plymouth State University is financially healthy. We have had small surpluses every year except two in the last eight years. We have a modest operating reserve, and enrollments are at an all-time high. The changes we have made over the past years have improved retention and average class size, and in most areas improved net revenue. However good that news is, we continue to face challenges that create a tight budget and require continued planning to assure that we are funding the critical aspects of the institution to secure our future. The following is a review of the FY (Fiscal Year) 06 budget and our general fiscal health.

1. Highlights of the FY 2005-2006 Budget

- The Board of Trustees at the June 2005 annual meeting approved tuition rates for FY06. Increases in tuition rates for FY06 were 6.9% over the prior year. The following chart compares the last three years.

	% Change	FY06	% Change	FY05	FY04
In-state	6.9%	\$5,410	6.5%	\$5,060	\$4,750
Out-of-state	6.5%	\$12,250	6.5%	\$11,500	\$10,800
CE (per credit)	6.6%	\$226	7.1%	\$212	\$198

- The Board of Trustees at the June 2005 meeting also approved room and board rates. Increases for FY06 were 6.9% and 3.45% respectively over the prior year. The following chart compares the last three years.

	% Change	FY06	% Change	FY05	FY04
Double room	6.9%	\$4,650	6.1%	\$4,350	\$4,100
Full meal plan	3.45%	\$2,040	.7%	\$1,972	\$1,958

- The Board also approved other mandatory fees. Increases varied depending on the fee; the total fee increased by 3.85% for a total of \$1,618.

- State appropriation increased system-wide by 3% and for PSU specifically by 2.04%. This increase follows a similar increase in FY05 and no increase for FY04. The FY06 state appropriation represents 21.7% of general operating funds and 16% of all funds.

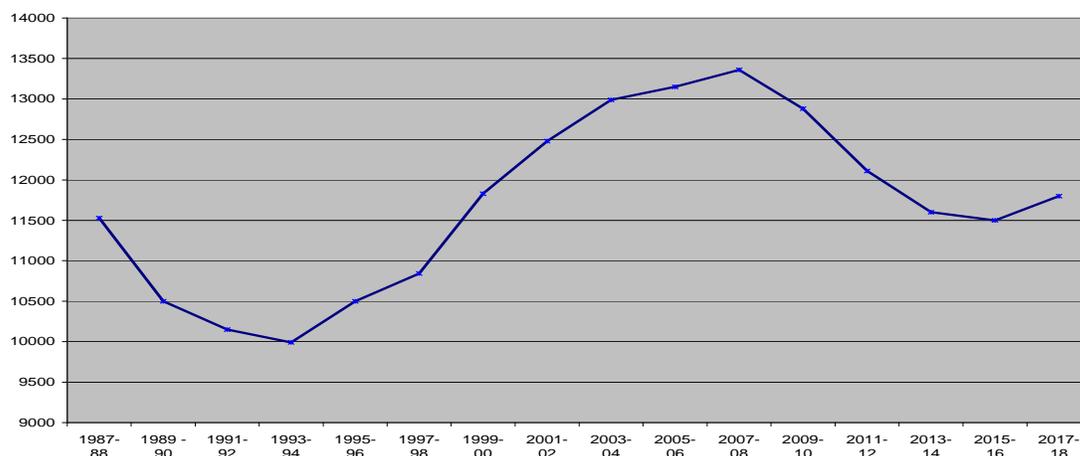
Salaries for all benefited faculty are budgeted to increase by 4.85% and benefited staff by 3%.

- Benefit rate increased by 3% and now represents 41.2% of the salaries of a benefited employee. This increase represents over \$830,000 in new costs or an overall increase of 9.1%.
- The institutional Financial Aid costs are expected to increase 12.4% over FY05 and are currently budgeted at over \$4.5 million.
- Utilities are budgeted to increase by 14.6% over the FY05 budget. The budget for utilities for FY06 is \$3.6 million. We are also faced with huge increases in oil prices which will exceed our budget.

2. Higher Education Issues and Trends

1. Enrollments across the country are increasing because of the second generation of baby boomers. As shown in the following chart, we can expect continued growth in the number of college age students graduating from high school and moving on to higher education. This growth will level off around the year 2009 and then begin to decline. New Hampshire is the only state in New England that forecasts a population growth over the next 15 years. The decline in our neighboring states' populations may have a negative impact on our out-of-state enrollments and therefore on our operating budget. On the other hand, growth in other areas of the country places a significant burden on the infrastructure in these states and they will need to grow or find alternatives for students wanting higher education.

**New Hampshire Public High School Graduates
1987-88 to 2001-02 Actual and 2002-03 to 2017-18 Projected**



2. There is concern across the country about the ever-rising cost of higher education. The costs driving these rate increases are the same as those PSU has been dealing with for many years. The rising cost of salaries, benefits, utilities, deferred maintenance, and technology has had a significant impact on tuition rates. Recent

recessions have caused many institutions to experience significant reductions in state appropriations (10 to 25%). New Hampshire has traditionally had a very low state appropriation, so we have not seen the cuts many other states have experienced. Some states, such as Colorado, have increase tuitions for FY06 by 25% while NH has provided small increases for the same period. New Hampshire remains in 50th or last place for public funding of higher education.

3. Salaries and benefit costs continue to place a strain on higher education. Competition from the private sector with higher paying jobs and a tight job market for individuals with advanced degrees has forced many institutions to increase salaries at rates well above inflation in order to retain faculty and professional staff. At the same time, the cost of medical insurance has been increasing at the rate of 15% to 20% per year for the last few years, thus driving up the total cost of benefits by significant amounts. There does not appear to be an end in sight to this growth unless changes are made soon. Many businesses and institutions (including USNH) are moving toward increasing the share of medical costs paid for by the employee. In addition, we are looking at new programs that are aimed at making us all better consumers of health care. If successful, this may help stabilize the future cost.
4. The growth in demand for technology has not and does not appear to be slowing down. The replacement of hardware and software continues on a three to four year cycle, and new technologies are delivered to the market place on what seems like a daily basis. Deciding what new technologies to invest in and how much is a very difficult proposition and must be entered into only through a good planning process. Many institutions are struggling to find ways to support their existing technologies, and finding further funding to support new ones has become extremely difficult.

2.1 Comparative Financial Analysis –Two years ago, a group of faculty and staff appointed by the provost went through a very elaborate process to develop a new set of comparator and aspirational institutions. The purpose of this exercise is to have a small (18) group of institutions that are similar to PSU or what PSU aspires to be, and use this cohort as a basis for comparison over time. Statistics such as enrollment trends, retention, and graduation rates are all part of this annual analysis conducted by the Office of Institutional Research. Financial comparisons are also a critical part of this review and the following is a discussion of several of these financial comparisons.

- Comparator for Cost of Attendance – PSU ranks 5th and 8th most expensive for in-state and out-of-state respectively for total cost per student within our comparator group of institutions. This is comparable to 5th and 7th the year before. We need to be very cautious that we do not lose more ground with out-of-state rates. With 41.7% of our students from out-of-state we do not want to risk further reductions in these full-paying students.
http://www.plymouth.edu/finman/budgetbook/comparators_2004_costs.pdf
- Comparator for Financial Aid – At PSU, 85% of our students receive some form of financial aid, predominantly in the form of loans. Therefore, the cost and sources of financial aid are critical to our future planning. The comparator report

on financial aid for first-time first year students shows some of these critical areas:

- PSU ranks 7th from the top in the average dollar amount of institutional grants. PSU also ranked 3rd from the top in the percentage of students receiving institutional funds.
- PSU ranks 18th from the top (last) in the number of state grants received institutionally and last in the average state/local grants funds received by students. This continues to reflect how the state of New Hampshire undervalues higher education.
- PSU ranks 1st in average loans with PSU students taking out the highest amount in loans. This means that our students have higher debt after graduation.

These indicators show us that PSU is investing more financial aid per student than the average institution, which is necessary because the state of New Hampshire has a very weak student grant program. Though necessary, expending more institutional funds on financial aid takes resources away from other important needs of the institution. Students also have to rely increasingly on loans.

http://www.plymouth.edu/finman/budgetbook/comparators_2004_finaid.pdf

- Comparator for Faculty Salaries – Overall, our faculty salaries are very close to the mean of our comparator institutions. Considering the number of faculty who has taken advantage of Separation Incentive Plans (SIP) in the last six years (34), these comparisons show a slight improvement from last year.
 - Full Professor salaries rank 9th from the top out of 18.
 - Associate Professors are at the mean at 9th from the top out of 18.
 - Assistant Professors are at the mean at 9th from the top out of 18.

The differences between male and female salaries are primarily a function of years of service. We continue to make headway in this area.

http://www.plymouth.edu/finman/budgetbook/comparators_2004_sal.pdf

- Comparator of full time Instructional Faculty Fringe Benefits – PSU ranks 8th out of 18 in average benefit costs per faculty member. It is difficult to obtain and measure the full cost of all benefits in this area. I believe that if the data were available that would allow us to include the full cost of benefits, we would rank much higher. The primary reason is that our retirement plan is more comprehensive than at most institutions.

http://www.plymouth.edu/finman/budgetbook/comparators_2004_fringe.pdf

3.0 Campus reserves are the result of the accumulation of annual margins that we do not spend in each fund group. Reserves are the cushion that we are required to have and are set aside toward the future. Reserves are, in part, a measure of flexibility that allow us to deal with major unexpected problems. This could be a situation such as the fire we had in Seavey Apartments a number of years ago in which our reserves allowed us to pay the \$500,000 needed to repair the damage, or when reserves helped us get through the enrollment decline in the late 90's.

Reserves are also important when we want to borrow money for new buildings and projects; they are a measure of financial health and security. The following summary is a list of our reserves for our major operating funds as of the year ended June 30, 2004 and 5:

Fund	General	Residential life	Dining	HUB
Reserve balance 04	\$1,923,796	\$607,958	\$601,706	\$546,637
Reserve balance 05	\$2,776,329	\$755,579	\$774,270	\$685,899

As a part of our review of comparator institutions, we were unable to obtain annual reserve balances, but we were able to obtain the bond ratings information for each institution. The result of this comparison shows that PSU has a way to go to catch up with our comparators. The CBC (Campus Budget Committee) will review this information during the fall term and provide a recommendation to the president on ways to address these problems.

4. Major Budget Drivers

4.1 Undergraduate enrollment:

We have had growth in enrollment for five years in a row. We expect growth to continue for FY06 and then level off in FY07, as shown in the table below:

FFTE (Financial Full Time Equivalent) Undergraduate Only

	FY07 Forecast	FY0 Budget	FY0 Actual	FY0 Actual	FY Actual
In-State	2304	2222	2255	2154	2013
Out-of-State	1575	1610	1612	1548	1560
Total Undergraduate	3879	3832	3867	3702	3573

- Our actual undergraduate enrollment grew for FY 05 by 166 FFTE (financial full-time equivalent) students. This was an increase of 101 in-state students and 65 out-of-state students.
- Our budget for undergraduate enrollment for FY06 is currently 35 FFTE students less than our FY05 actual, but 50 more than the FY05 budget.
- Our forecast for FY06 is that we will exceed the budget for in-state students and out-of-state will be slightly below budget.
- The mix between in- and out-of-state students changed slightly in FY 05 to 58.3% for in-state students and 41.7% for out-of-state.
- For additional information on enrollment trends, please visit the Factbook produced by Institutional Research at the following web site:
<http://www.plymouth.edu/ir/factbook/index.htm>

The following table shows the change in actual fall undergraduate headcount enrollment by class between FY96 and FY05 compared to the FY06 budget:

- The dip in enrollment from FY96 to FY00 of 462 students was across all grades. The worst drop was in our junior and senior classes and was a reflection of the drop in retention and graduation rates during that time.

Fall Headcount Enrollment by Class

	Fall FY06 Budget	Fall FY05 Actual	Fall FY04 Actual	Fall FY03 Actual	Fall FY00 Actual	Fall FY96 Actual
First year	1150	1259	1148	1180	1023	1150
Sophomore	890	889	860	821	673	778
Junior	750	725	767	729	587	627
Senior	630	643	625	517	477	588
Senior +	480	503	451	399	481	570
Undesignated	0	0	9	15	10	0
Total	3900	4019	3860	3651	3251	3713

- Actual admission numbers for Fall 2005 are exceeding our projections.
- Actual retention for the upper grades appears to be very strong. Preregistration numbers from last April were the highest we have had in some time.
- Based on the data, we expect to exceed our total student headcount enrollments.

4.2 Graduate enrollment:

The Division of Graduate Studies and Outreach has seen significant enrollment growth over the past few years. Though it is early to make projections in this area, the information in the table below provides some early indicators:

- M.Ed. continues to enjoy significant growth in new programs. Increasing demand for teachers and administrators in our secondary schools generated a 15.18% increase in FY05. This is the seventh year in a row in which we have experienced this kind of growth. The total number of class registrations during 04-05 was 6,443. We also added new concentrations to assist in meeting the critical shortage areas in teacher education in New Hampshire and new degree programs (MS and MAT) to address the needs of a variety of professionals in teaching, environmental science, and meteorology. We are looking to become the graduate school of choice for candidates not only from our traditional applicant pool in NH and New England but also from an increasingly national and even international base.
- The MBA program had a very large graduating class in the spring of 2004; therefore, we experienced a drop in enrollment in FY05. The program changes made over the past few years have helped stabilize this program. Competition from other MBA programs around the state has made it difficult to grow the program. We continue to expand our online component offerings to position ourselves more competitively in this market.
- Please remember that this is FFTE (Financial Full-Time Equivalent) data. Most graduate students take only one or two courses; therefore, the headcount comparison is much greater than the FFTE data shown below. For example, during FY05 the Division of

Graduate Studies and Outreach served 2,900 individual students, up from 1,255 individual students in FY03. The department continues to collaborate with school districts and businesses across the state. In terms of overall 2004-2005 fiscal health, the division obtained 103% of projected revenue and held expenses to 99% of projection.

FFTE (Financial Full Time Equivalent) Graduate and Continuing Education

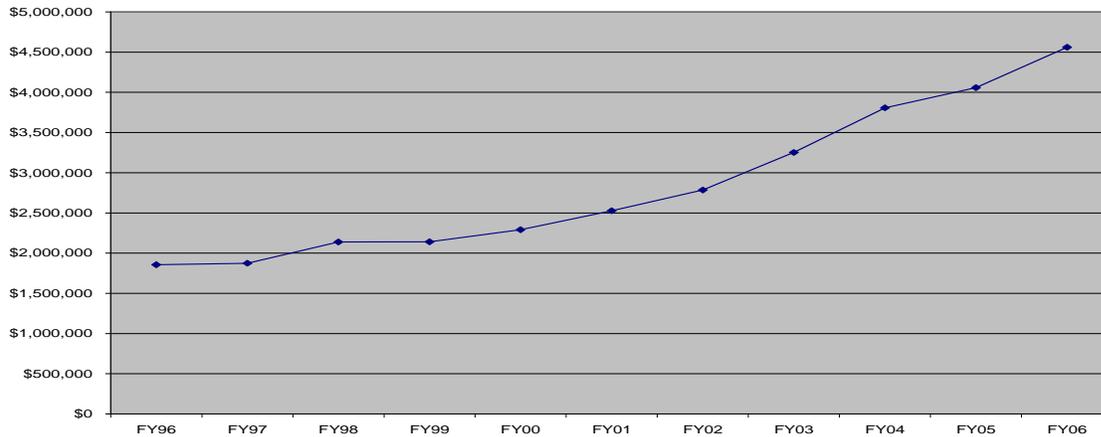
	FY06 Budget	FY05 Actual	FY04 Actual	FY03 Actual	FY96 Actual
M.Ed.	666	656	584	508	314
MBA	70	76	79	68	106
Total	736	732	663	576	420

4.3 Evening Division/Continuing Education – The Division of Continuing Education has seen significant increases in enrollment particularly during Winterim and Summer sessions. Enrollments increased 13% over FY04 and 23.7% over the two previous years. This growth is due in part to a 75% increase in the number of online course offerings during Summer and Winterim. Over the next year we expect to see development of the Evening Division with evening, weekend, online, and blended (hybrid) course offerings throughout the year. There are 50,000 nontraditional adult learners in the state of New Hampshire who expect to begin or return to earn a degree in the next four years (Ross Gittel, UNH, 2005). Plymouth State will provide service to some of these students through thoughtfully planned programs offered in a flexible schedule and a variety of formats.

	FY06 Budget	FY05 Actual	FY04 Actual	FY03 Actual	FY96 Actual
CE	180	209	185	169	184

4.4 Student financial aid has been a significant cost driver for the last ten years. Beginning in FY96, PSU began a program to increase the amount of financial aid dedicated to scholarship or non-need-based aid. Over this period, the university invested over \$850,000 in new funding for new programs that support this strategic initiative. Statistics show that our retention of students receiving scholarship support is among our highest. In addition, we are required by Board policy to fill the “gap” between the cost of education and available aid for needy students. As a result of stagnant federal financial aid, a very small state grant program, and the increase in loans our students are required to incur, the cost of need-based aid has increased significantly as demonstrated in the diagram below.

**Plymouth State University
Cost of Financial Aid All Types**



5. Deferred Maintenance continues to be a major problem for PSU, USNH and, in fact, for most higher education institutions. At PSU, our outstanding deferred maintenance is currently estimated at approximately \$25 million and growing. We invest approximately \$1.8 million per year to address these issues. The problem for the institution is that we are in a catch-up mode and solving the problem for the long term will take more than our current investment. The Campus Budget Committee and the University Planning Committee are looking at this issue and we are trying to address it within the annual budget cycle.

6. Plymouth State University raised a record total of \$1,107,740 in private gifts in FY05. This figure does not include pledges or planned gifts, but only gifts paid. Of the total, 44% or \$444,262 was given for the Annual Fund, either for scholarships, ongoing projects or unrestricted funds. The Annual Fund total is an increase of over \$25,000 from the prior year. The *Expanding Our Reach* campaign giving totaled \$572,813, including \$89,884 given for Boyd Science Center, \$93,251 for the Silver Cultural Arts Center, \$350,953 for endowment, \$23,148 for the PSU Gateway, and \$15,577 for class and department projects. Total contributions for FY05 are over \$131,000 more than was raised in FY03, our previous all-time high total.

The number of donors increased from 2,624 last year to 2,677 in FY05. 2,157 of those were PSU alumni, who gave 45% of the total contributions this year. Of the alumni donors, 15% increased their giving this year and 26% renewed their giving to PSU. 149 non-alumni faculty and staff continued their loyal support, giving nearly \$67,500 to campaign and annual projects; a 40% increase over their giving of the previous year.

Five Year History of Giving

FY2001	\$ 440,464
FY2002	\$ 541,259
FY2003	\$ 886,001
FY2004	\$ 786,022
FY2005	\$1,017,740

As a result of this increase in giving and an improved stock market, our endowment grew by almost \$600,000 or 17% to a new total of \$4,139,389.

7. The following table is a two-year comparison of actual general fund revenues and expenses for FY04 and FY05 and the Board approved budget for FY06. Many of the issues that have been discussed previously in this document will stand out.

General Fund Actual Revenues and Expenses:

	FY06 Budget	FY05 Actual	FY04 Actual
Revenue:			
Resident Undergraduate Tuition	12,022,181	11,408,330	\$10,230,383
Non-resident Undergraduate Tuition	19,303,941	17,990,208	\$16,224,920
New England Regional Tuition	412,214	550,275	\$482,722
Resident Graduate Tuition	3,715,769	3,456,199	\$2,956,012
Non-resident Graduate Tuition	594,352	563,407	\$457,216
Continuing Education	975,277	1,086,610	\$899,757
Student Fees	3,242,492	3,327,085	\$3,233,551
State Appropriation	11,640,144	11,406,985	\$11,167,000
Indirect-Sponsored Programs	162,000	178,762	\$117,643
Other Investment Income - Advancement Endowment	20,000	19,890	\$16,538
Short Term Interest	448,080	356,973	\$405,678
Sales of Educational Activity	495,918	561,367	\$550,801
Other Sources of Income	585,418	301,441	\$330,591
Budgeted Use of Reserve	0	0	\$0
Transfers In	70,900	119,697	\$75,170
Total Revenues	53,688,686	51,327,228	\$47,147,982
Expense:			
Salary & Wages	28,436,088	27,133,731	\$25,742,572
Benefits	10,216,868	9,186,735	\$8,645,831
Supplies and Services	5,950,985	5,948,162	\$5,475,133
Financial Aid	4,562,106	4,157,010	\$3,810,283
Capitalizable Plant and Equipment	180,041	166,620	\$194,417
PPOM/ASC (note 2)	(6,107,744)	(5,755,383)	(\$5,245,400)
USNH System Services	1,807,751	1,664,648	\$1,537,978
Library Acquisitions	667,998	648,352	\$562,852
Utilities	3,658,451	3,510,199	\$3,057,016
Mandatory & Non-mandatory Transfers	749,207	1,168,317	\$738,838
R&R	2,618,412	2,696,266	\$2,303,252
Reserves-(Contingencies/redistributions/prov rev shortfall)	948,523	0	\$0
Total Expense	53,688,686	50,546,446	\$46,822,773
Total Budget Variance Surplus (Deficit)	0	780,782	\$325,210

Note: 1. FY05 actual revenues and expenses were included prior to the final audit and are subject to change.

2. PPOM/ASC is the cost of utilities and administrative services which are reimbursed to the general fund by the auxiliaries (Res. Life, Dining, HUB, Telecom, etc.).

8. The following table is a two-year comparison of auxiliary funds of actual revenues and expenses for FY04 and FY05 and the Board approved budget for FY06.

Auxiliary Funds Actual Revenues and Expenses:

	FY06 Budget	FY05 Actual	FY04 Actual
Revenue:			
Conferences & Events	\$199,095	\$149,266	\$56,156
Parking Enforcement/Shuttle	326,399	335,916	401,032
Copying Sales	25,844	11,167	12,497
Telecommunication	313,901	412,967	407,969
Residential Life	9,291,647	9,041,620	8,309,024
Dining Services	3,656,175	3,805,123	3,494,257
Hartman Union Building	3,024,050	3,115,574	2,858,579
Total Revenues	\$16,837,111	\$16,871,633	\$15,539,514
Expense:			
Salary & Wages	\$2,186,552	\$1,989,428	\$1,894,187
Benefits	\$631,700	\$559,553	\$522,870
Supplies and Services	\$4,964,196	\$4,837,158	\$4,881,887
Financial Aid	\$268,198	\$232,588	\$229,510
Capitalizable Plant and Equipment	\$302,746	\$13,000	\$31,135
PPOM/ASC (note 2)	\$4,876,653	\$4,578,311	\$3,616,781
Mandatory & Non-mandatory Transfers	\$5,030	\$9,205	\$21,329
Annual Debt Service:			
Residential Life	\$1,514,228	\$1,481,710	\$1,408,947
Dining	\$340,499	\$330,466	\$332,448
HUB	\$693,636	\$692,176	\$717,118
R&R	\$892,420	\$1,646,400	\$1,585,099
Reserves-(Contingencies/redistributions/prov rev shortfall)	\$161,253	0	\$0
Total Expense	\$16,837,111	\$16,369,995	\$15,241,311
Total Budget Variance Surplus (Deficit)	\$0	\$501,638	\$298,203

Note: 1. FY05 actual revenues and expenses were included prior to the final audit and are subject to change.

2. PPOM/ASC is the cost of utilities and administrative services which are reimbursed to the general fund by the auxiliaries (Res. Life, Dining, HUB, Telecom, etc.).

9. The annual online budget book is available at <http://www.plymouth.edu/finman/budgetbook/budgetbook2006.pdf>.

Strategic Planning Efforts:

The University Planning Committee, the Campus Budget Committee, the president, and the Cabinet continue to work on our strategic planning and budget efforts. As strategic planning becomes increasingly integrated into our annual university budget cycle, I am confident that the planning process will have a greater influence on the allocation of the budget and we will be working in a value-based budget environment. If you are interested in what the CPC and the CBC are up to, please see their web pages at the following addresses:

<http://www.plymouth.edu/cpc/cpchome.htm>

<http://www.plymouth.edu/cbc/homecbc.htm>

Please participate in the planning process and be part of the change. We will all benefit.

I hope this review is informative and helpful. If you have specific questions or need additional data, please feel free to call my office at 535-2550.