



Office of Financial Affairs

Memo To: All Employees

From: Bill Crangle, Vice President for Financial Affairs

August 11, 2006

RE: Annual Budget and Finance report

Plymouth State University posted another successful year in fiscal year 2006 when measured in terms of enrollment growth and positive financial trends. Once again enrollments reached an all-time high and despite skyrocketing utility costs, PSU was still able to achieve a modest operating reserve. The strategies undertaken over the past few years to improve retention and average class size appear to be working. However, PSU continues to face challenges and an ever-changing economic environment that could result in a significantly tighter budget. Therefore, we must continue our strategic planning to ensure that critical aspects of our institution are funded and that we remain financially secure in the years to come. Following is a review of PSU's fiscal year 2007 budget and its general fiscal health.

1. Highlights of the FY 2006-2007 Budget

- The Board of Trustees at the June 2006 annual meeting approved tuition rates for FY07. Increases in tuition rates for FY07 were 6.8% over the prior year. The following chart compares the last three years.

Table with 6 columns: Category, % Change, FY07, % Change, FY06, FY05. Rows include In-state, Out-of-state, and CE (per credit).

- The Board of Trustees at the June 2006 meeting also approved room and board rates. Increases for FY07 were 7.1% and 6.4% respectively over the prior year. The following chart compares the last three years.

Table with 6 columns: Category, % Change, FY07, % Change, FY06, FY05. Rows include Double room and Full meal plan.

\* Full meal plan referenced above is stated without \$80/semester flex cash FY05 & FY06 and \$150/semester flex cash FY07.

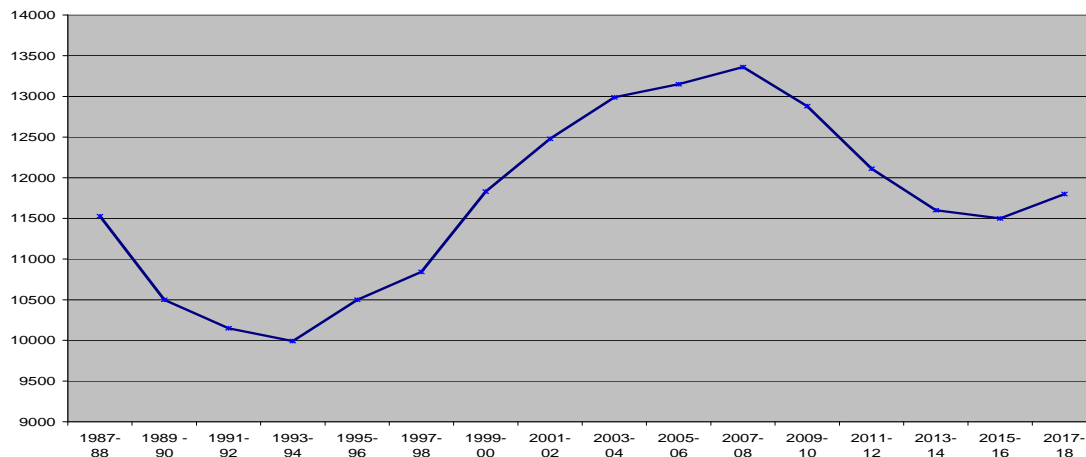
- The Board also approved other mandatory fees. Increases varied depending on the fee; the total fees increased by 3.58% for a total of \$1,676.

- State appropriation increased system-wide by 5.5% and for PSU specifically by 6.2%. PSU's increase includes \$250,000 for critical needs (\$150,000 for financial aid and \$100,000 for R&R). The FY07 state appropriation represents 21.6% of general operating funds.
- Salaries for all benefited faculty and staff are budgeted to increase by 4.0%.
- The benefit charge out rate increased by 1.8% and now represents 43.0% of the salaries of a benefited employee. This increase represents over \$974,000 in new costs or an overall budget increase of 9.5%.
- The institutional Financial Aid costs are expected to increase 12.8% over FY06 and are currently budgeted at over \$5.1 million.
- Utilities are budgeted to increase by 25.4% over the FY06 budget. The budget for utilities for FY07 is \$4.6 million, nearly a \$1 million increase over FY06. However, PSU continues to be faced with huge increases in oil prices and other utility costs which will result in PSU exceeding its budgeted utilities expense for a second year in a row.

## 2. Higher Education Issues and Trends

A. 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 in 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 may 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



- B. 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, i.e. the rising cost of salaries, benefits, utilities, deferred maintenance, and technology. 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 it has not seen the cuts many other states have experienced.
- C. 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.
- D. 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 additional funding to support new ones has become extremely difficult.
- E. Implementing environmentally friendly and energy-efficient design and construction strategies has become a major concern at universities as the result of skyrocketing utility costs. Being energy efficient is no longer just a good idea, but rather a priority as institutions strive to operate within their operating budgets.
- F. Comparative Financial Analysis – Three years ago, a group of PSU 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 was 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. The comparator information is usually published in this annual budget report. However, the FY05 information is not currently available. A separate report will be published as soon as the comparator information for FY05 is completed.

### 3. Campus Reserves

Campus reserves result from the accumulation of annual margins that are not expended in each fund group. PSU is required to have reserve balances for several reasons. They provide a cushion for future operations and, in part, provide a measure of flexibility that allows PSU to deal with major unexpected problems. For example, PSU reserves were used to cover the \$500,000 needed to repair damages caused by a fire in Seavey Apartments a number of years ago. Reserves also helped PSU to manage financially during the enrollment decline in the late 90's.

Healthy reserve balances are also important when financing major construction projects. They are a measure of financial health and security. The following summary is a list of PSU's reserves for its major operating funds as of the years ended June 30, 2005 and 2006:

Fund	General	Telecom	Res Life	Dining	HUB
Reserve balance 05	\$2,741,905	\$418,414	\$755,579	\$774,270	\$685,899
Reserve balance 06	\$3,533,619	\$601,291	\$910,406	\$916,396	\$785,403

### 4. Major Budget Drivers for PSU

A. Undergraduate enrollment – We have had growth in enrollment for six years in a row. We expect small growth in FY07 and then a leveling off in FY08, as shown in the table below:

#### FFTE (Financial Full Time Equivalent) Undergraduate Only

	FY08 Forecast	FY07 Budget	FY06 Actual	FY05 Actual	FY04 Actual
In-State	2435	2435	2357	2255	2154
Out-of-State	1560	1540	1541	1612	1548
Total Undergraduate	3995	3975	3898	3867	3702

- Our actual undergraduate enrollment grew for FY06 by 31 FFTE (financial full-time equivalent) students. This was an increase of 102 in-state students and a decrease of 71 out-of-state students.
- The mix between in- and out-of-state students changed slightly in FY06 to 60.5% for in-state students and 39.5% for out-of-state. If this trend in mix continues, it will create significant budget implications in the future. PSU's goal is a mix of 45% in-state and 55% out-of-state.
- Our budget for undergraduate enrollment for FY07 is currently 77 FFTE students greater than FY06 actual.
- Our current forecast for FY07 is that we will fall short of our budget for in-state students and slightly exceed our out-of-state budget, resulting in a 59.9% in-state and 40.1% out-of-state mix.

The following table shows the change in actual fall undergraduate headcount enrollment by class between FY96 and FY06 compared to the FY07 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 – All Undergraduates

	Fall FY07 Budget	Fall FY06 Actual	Fall FY05 Actual	Fall FY03 Actual	Fall FY00 Actual	Fall FY96 Actual
First year	1145	1202	1259	1180	1023	1150
Sophomore	939	957	889	821	673	778
Junior	858	805	725	729	587	627
Senior	694	617	643	517	477	588
Senior +	477	500	503	399	481	570
Undesignated	0	0	0	5	10	0
Total	4113	4081	4019	3651	3251	3713

- Actual admission numbers for Fall 2006 are slightly ahead of projections.
- Actual retention for the upper grades appears to be strong. Preregistration numbers from last April were the highest we have had in some time.
- Based on the data, we expect to slightly exceed our total student headcount enrollments.

#### B. Graduate Program

Guided by the mission of PSU as a regional university, the College of Graduate Studies continues to serve the state and the region by providing access to quality programs, service to the community through partnerships and applied research, and innovative courses structured to respond to the economic and professional goals and needs of graduate students. The number of graduate registrations for FY 05-06 totaled 6,593.

The Master of Education in Instrumental Music and the Master of Science in Biology are two new degree programs developed this year, resulting from institutes and applied grant research in the region. The Master of Science degree in Environmental Science and Policy, in conjunction with the Center for the Environment, has attracted new graduate students who are supported through grant research monies from the Center. A partnership with the Forest Service enabled graduate students in the Master of Science in Science Education the opportunity to participate in internships in the North Country this summer.

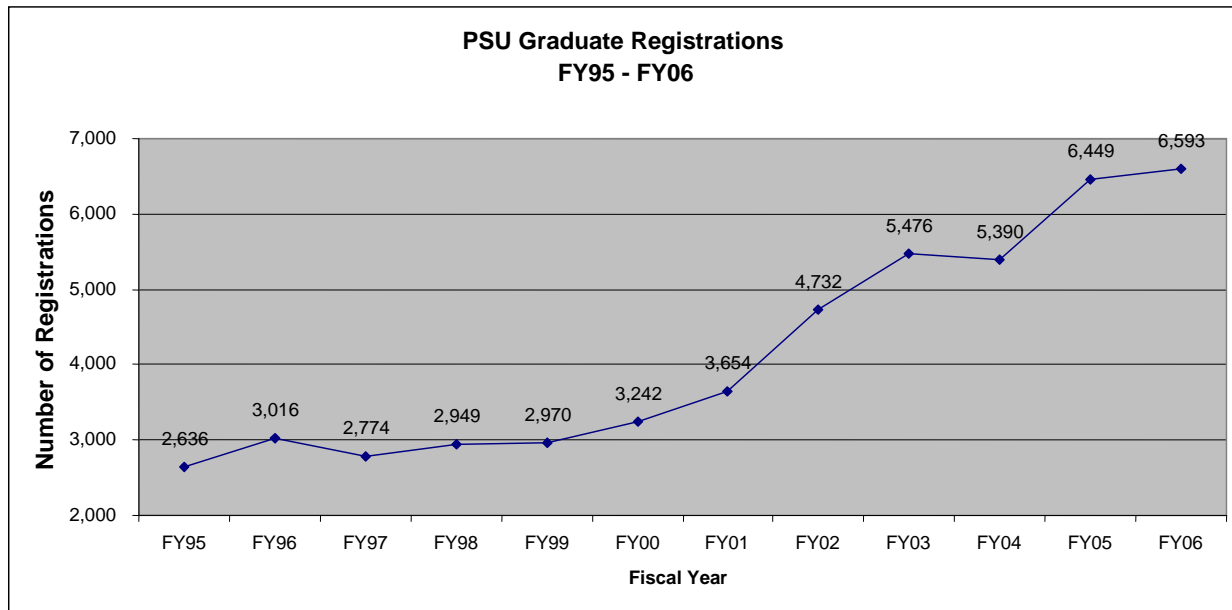
The Master of Business Administration program demonstrated a strong increase in enrollment this year. A new certificate program in Health Care Administration was developed as well as more core online course offerings. The MBA program is developing more online electives to help satisfy the needs of distance learners. The Small Business Institute continues to be nationally recognized and new partnerships with business organizations continue to be explored.

The Master of Education program enrollments continue to be strong, supported by new partnerships with the Eckert Foundation, which involves learners from the Atlantic seacoast; professional development initiatives for teachers with the Federal Reserve Board, UCLA, the Association for Supervision and Curriculum Development, Heinemann, Southeast Regional Education Service Center, North Country Education Services in Gorham, WGBH public television, and a partnership with the NH State Department of Education for E-Learning for educators. The National Writing Project attracted many graduate students to the campus this summer, and the outreach from this national grant project continues throughout the year. The Math Impact Center has been awarded significant grant monies to work with secondary math teachers on high school reform, and the graduate courses offered this summer were well attended and will continue throughout the year. Graduate students in the Master of Education degree in Athletic Training participated in grant research projects this year in collaboration with companies involved in motor coordination and fitness equipment. The Positive Behavior Intervention Strategies Institute this summer attracted 880 educators from around the state, and was the largest ever enrollment in the four year history of the program. This program is funded through a grant from the NH Department of Education, in collaboration with Rivier College.

The Certificate of Advanced Studies degree program's increase in enrollment has been supported through partnerships with Amesbury, Massachusetts teachers, who accessed the coursework through PSU's partnership with Granite State College in Portsmouth. The Doctor of Arts collaboration with Franklin Pierce College and the Doctor of Education partnership with Argosy University in Florida are two advanced degree programs which have positively influenced the growth in the CAGS enrollments.

In striving to attain a more global presence in our recruitment of graduate students, the College of Graduate Studies will collaborate this year with the Shanghai International School to offer the M.Ed. and CAGS courses for their students to address the school's strategic initiatives. The current administrators at this school are former graduates of these programs.

Overall, the number of graduate courses offered per year is approximately 1468, in an online, hybrid, and face-to-face 5-term structure at sites which include Concord, Bedford, Conway, Littleton, Lebanon, Penacook, Plymouth, and Portsmouth. Of the 1468 courses offered last year, 54% were off-campus and/or online. In terms of fiscal efficiency and revenues, the College of Graduate Studies obtained 113% of projected revenues and held expenses to 103% of projection. The graduate student profile ranges in age from 21 to 79, with approximately 1400 enrolled in degree and/or certification programs, and with a total enrollment (number of registrations for courses) of 6593 for last year (see graph next page).



**FFTE (Financial Full Time Equivalent) - Graduate Program**

	FY07 Budget	FY06 Actual	FY05 Actual	FY04 Actual	FY96 Actual
M.Ed.	689	715	656	584	314
MBA	65	83	76	79	106
Total	754	798	732	663	420

C. Frost School of Continuing and Professional Studies

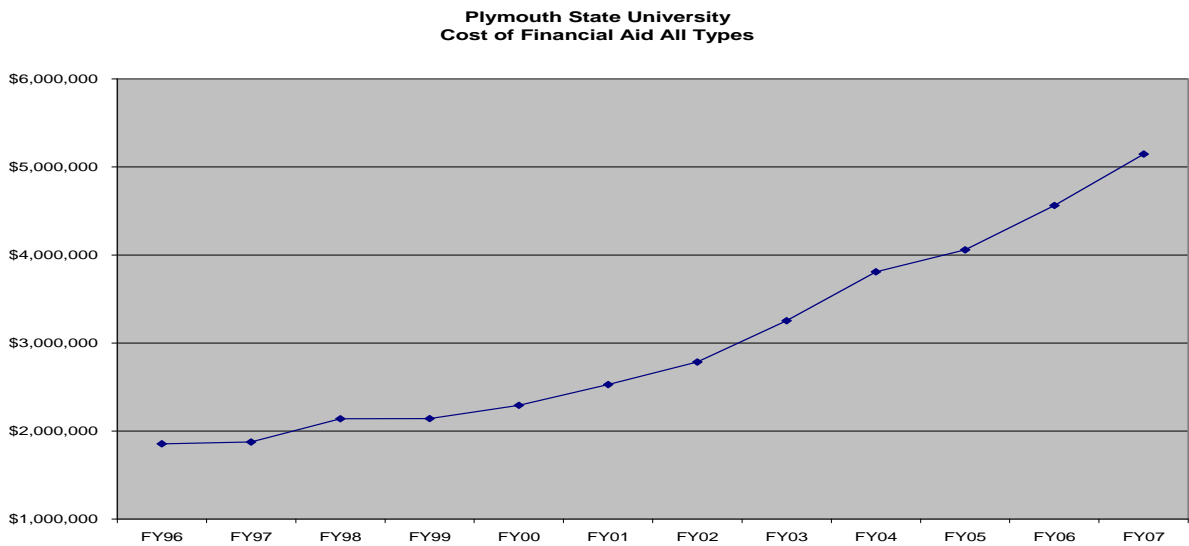
Continuing Education has seen significant increases in enrollment particularly during Winterim and Summer sessions. Enrollments increased nearly 22% over FY05 and 37% over the two previous years. This growth is due in part to an increase in the number of online course offerings during Summer and Winterim. In August we will be welcoming Dr. Nancy Betchart as the Dean of the Frost School. Over the next year we expect to see more courses of the evening, weekend, online, and blended (hybrid) type. 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.

**FFTE (Financial Full Time Equivalent) - Continuing Education**

	FY07 Budget	FY06 Actual	FY05 Actual	FY04 Actual	FY96 Actual
Continuing Ed	250	254	209	185	184

#### D. Financial Aid

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.



#### E. Deferred Maintenance

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 \$21.7 million. We invest approximately \$2.5 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. The USNH Board of Trustees also shares our concern and is currently studying this issue. We are collaboratively working on a strategic plan to address this issue.



## F. Giving

Plymouth State University raised a total of \$1,001,902 including a grant of \$31,000 from the NH Commission on Higher Education to provide annual scholarships to promising New Hampshire students. Eighty percent of total contributions to PSU came from individuals - alumni, friends, faculty and staff. The balance of 20 percent came from foundations and corporations.

Gifts to endowment totaled \$515,546 or 51 percent of all gifts. Another 35 percent or \$350,494 was given to the Tower Fund for current projects, and the balance of \$135,862 or 14 percent will support capital projects. The total number of donors for FY 2006 was 2,629, down slightly (48) from FY 2005.

PSU ended a 4 year campaign in 2005. For 2006 two special projects were the focus of fund raising activities. A mini-campaign to make improvements to the soccer field raised over \$40,000 in gifts and pledges. A second project generated \$35,000 for the Donald P. Wharton Fund for University Studies to honor President Wharton on his retirement.

Five Year History of Giving

FY 2002	\$ 541,259
FY 2003	\$ 886,001
FY 2004	\$ 786,022
FY 2005	\$ 1,017,740
FY 2006	\$ 1,001,902

## 5. General Fund Revenues and Expenses

The following table is a two-year comparison of actual general fund revenues and expenses for FY05 and FY06 and the Board approved budget for FY07. Many of the issues that have been discussed previously in this document will stand out.

### General Fund Actual Revenues and Expenses:

	FY07 Budget	FY06 Actual	FY05 Actual
<b>Revenue:</b>			
Resident Undergraduate Tuition	\$14,071,444	\$12,754,271	\$11,408,330
Non-resident Undergraduate Tuition	19,654,137	18,303,695	17,990,208
New England Regional Tuition	443,700	568,310	550,275
Resident Graduate Tuition	3,994,567	3,934,562	3,456,199
Non-resident Graduate Tuition	821,308	890,015	563,407
Continuing Education	1,446,568	1,397,856	1,086,610
Student Fees (note 2)	2,511,611	3,566,263	3,327,085
State Appropriation	12,359,537	11,640,000	11,406,985
Indirect-Sponsored Programs	190,000	307,471	178,762
Other Invest. Income - Advancement Endowment	20,000	38,400	19,890
Short Term Interest	500,508	447,522	356,973
Sales of Educational Activity	479,200	619,334	561,367
Other Sources of Income	594,335	356,417	301,441
Transfers In	117,817	155,539	119,697
<b>Total Revenues</b>	<b>57,204,732</b>	<b>54,979,655</b>	<b>51,327,229</b>
<b>Expense:</b>			
Salary & Wages	29,914,529	28,758,840	27,133,731
Benefits	11,190,881	10,070,464	9,186,735
Supplies and Services	6,642,266	5,946,393	5,982,862
Financial Aid	5,146,556	3,783,059	4,157,010
Capitalizable Plant and Equipment	195,681	116,146	166,620
PPOM/ASC (note 3)	(7,165,489)	(6,215,144)	(5,755,383)
USNH System Services	1,975,614	1,807,751	1,664,648
Library Acquisitions	682,998	667,334	648,352
Utilities	4,587,211	4,270,294	3,510,199
Mandatory & Non-mandatory Transfers	713,314	1,750,329	1,428,690
R&R	2,418,412	3,216,701	2,696,266
<b>Total Expense</b>	<b>56,301,973</b>	<b>54,172,167</b>	<b>50,819,730</b>
<b>Total Budget Variance Surplus (Deficit)</b>	<b>\$902,759</b>	<b>\$807,488</b>	<b>\$507,499</b>

Note: 1. FY06 actual revenues and expenses were included prior to the final audit and are subject to change.

2. Student Fees are budgeted to be lower in FY07 since student health fees will now be accounted for in an auxiliary.

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

## 6. Auxiliary Fund Revenues and Expenses

The following table is a two-year comparison of auxiliary funds of actual revenues and expenses for FY05 and FY06 and the Board approved budget for FY07.

### Auxiliary Funds Actual Revenues and Expenses:

	FY07 Budget	FY06 Actual	FY05 Actual
<b>Revenue:</b>			
Conferences & Events	\$199,095	\$227,355	\$149,266
Parking Enforcement/Shuttle	397,435	408,279	335,916
Copying Sales	27,199	9,676	11,167
Telecommunication	714,895	929,555	412,967
Residential Life	10,863,160	9,804,934	9,041,620
Dining Services	4,419,050	3,983,687	3,805,123
Hartman Union Building	2,850,550	3,336,664	3,115,574
Health & Wellness	848,500		
<b>Total Revenues</b>	<b>20,319,884</b>	<b>18,700,150</b>	<b>16,871,633</b>
<b>Expense:</b>			
Salary & Wages	2,597,508	2,069,924	1,989,428
Benefits	795,671	607,700	559,553
Supplies and Services	6,076,671	5,713,860	4,837,158
Financial Aid	347,589	266,048	232,588
Capitalizable Plant and Equipment	207,012	19,819	13,000
PPOM/ASC (note 2)	6,000,190	4,881,496	4,578,311
Mandatory & Non-mandatory Transfers	158,861	172,980	79,330
<b>Annual Debt Service:</b>			
Residential Life	2,528,622	1,499,244	1,478,410
Dining	263,509	266,204	263,641
HUB	693,636	693,636	692,176
R&R	395,246	1,970,808	1,646,400
<b>Total Expense</b>	<b>20,064,515</b>	<b>18,161,719</b>	<b>16,369,995</b>
<b>Total Budget Variance Surplus (Deficit)</b>	<b>\$255,369</b>	<b>\$538,431</b>	<b>\$501,638</b>

Note: 1. FY06 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.).

7. The annual online budget book is available at  
<http://www.plymouth.edu/finman/budgetbook/budgetbook2007.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.