



**Office of Financial Affairs**

Memo To: All Employees

From: Linda Dauer, Director of Budget & Financial Planning

August 17, 2007

RE: Annual Budget and Finance Report

Fiscal year 2007 was another successful year for Plymouth State University when measured in terms of enrollment growth and positive financial trends. Enrollments increased by a modest amount and despite increases in utility costs, fringe benefits, and financial aid, PSU was able to achieve the financial goals set by the Board of Trustees. The strategies undertaken over the past few years to hold first year class size steady and 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 embrace our strategic planning process 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 2008 budget and its general fiscal health.

1. Highlights of the FY 2007-2008 Budget

- The Board of Trustees at the June 2007 annual meeting approved tuition rates for FY08. Increases in in-state tuition rates for FY08 were 6.9% over the prior year. The following chart compares the last three years.

	% Change	FY08	% Change	FY07	FY06
In-state	6.9%	\$6,180	6.8%	\$5,780	\$5,410
Out-of-state	5.2%	\$13,730	6.5%	\$13,050	\$12,250
CE (per credit)	7.5%	\$258	6.2%	\$240	\$226

- The Board of Trustees at the June 2007 meeting also approved room and board rates. Increases for FY08 were 9.2% and 9.5% respectively over the prior year. The major cost increase for room rates in FY08 result from the HEFA debt associated with Langdon Woods and Mary Lyon residence halls and the increased cost of utilities. The major increase in board rates results from increases in food costs, labor, health care, and an unfortunate error in the FY07 dining budget. As a result, last year's dining rates were set lower than they should have been. Therefore, the 9.5% increase required in FY08 is covering the budget shortfall for FY07 in addition to the new FY08 cost increases. The chart on the next page compares the last three years' rates.

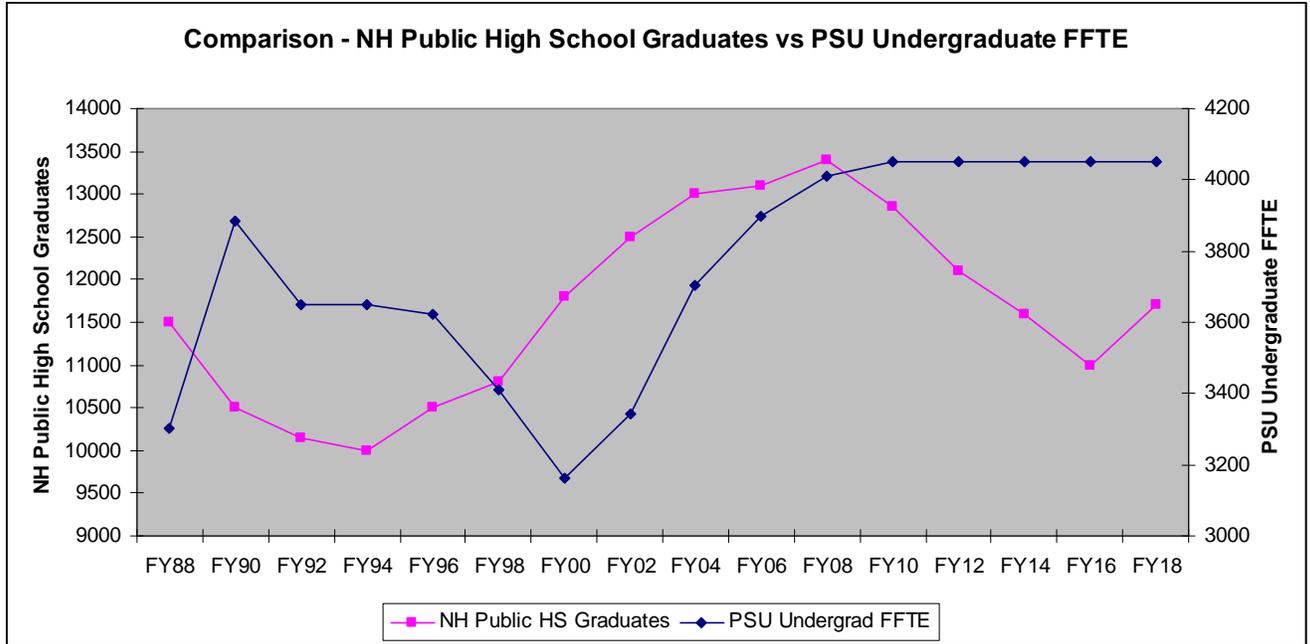
	% Change	FY08	% Change	FY07	FY06
Double room	9.2%	\$5,440	7.1%	\$4,980	\$4,650
Full meal plan	9.5%	\$2,190	6.4%	\$2,000	\$1,880

\* Full meal plan referenced above is stated without flex cash added.

- The Board also approved other mandatory fees. Increases varied depending on the fee; the total fees increased by 5.3% for a total of \$1,764.
- State appropriation increased system-wide by 4.1% and for PSU specifically by 3.5%. PSU's increase includes \$115,000 for critical needs (ACE financial aid). The FY08 state appropriation represents 20.4% of general operating funds.
- Salaries for all benefited faculty and staff are budgeted to increase by 4.5%.
- The benefit charge-out rate increased by 1.8% and now represents 43.8% of the salary of a benefited employee.
- Undergraduate financial aid costs are expected to increase 9% over FY07 and are currently budgeted at over \$5.3 million.
- Utilities are budgeted to increase by 11.5% over the FY07 budget. The budget for utilities for FY08 is \$5.1 million, a \$500,000 increase over FY07.

## 2. Higher Education Issues and Trends

- A. In the past few years enrollments across the country have been increasing because of the second generation of baby boomers. As shown in the following chart, New Hampshire can expect continued growth in the number of college-age students graduating from high school and moving on to higher education until 2009. Then the number of high school graduates begins to drop. The first response may be to assume that enrollments at PSU will drop beginning in FY10. However, it should be noted that the PSU strategic plan has already been addressing this college-age population issue by improving retention, expanding the graduate program, and establishing the Frost School of Continuing and Professional Studies, which is designed to meet the needs of non-traditional students and working professionals. Although we need to consider the size of the college-age population, it is not the *only* variable that determines enrollment trends. We will continue to investigate other variables in our enrollment planning process such as the availability of financial aid, admission and recruiting policies, increasing the number of international/minority students attending PSU, and continuing to promote the educational experience to New Hampshire's aging population. These are just a few of the enrollment strategies that can be investigated.



- B. There is continuing concern across the country about the ever-rising cost of higher education and increasing reliance on student borrowing to cover the cost of attendance. The costs driving tuition/room & board 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, new construction debt, and technology. In addition to rising costs, there is concern at PSU for the amount of state appropriation that is being received. In the past five years the state appropriation has increased 14.3%, from \$11.2 million to \$12.8 million, but the cost of education (tuition, room & board) for an in-state student has increased 27.8%, from \$10,808 to \$13,810.
- 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 continues to increase, 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) have moved towards increasing the share of medical costs paid for by the employee. In addition, new programs that are aimed at making us all better consumers of health care are being reviewed and implemented as a means to help stabilize health care costs in the future.
- 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 rising utility costs and increased environmental awareness. Being energy efficient is no longer just a good idea, but rather a priority as institutions strive to promote sustainability and operate within their operating budgets. PSU’s commitment to sustainability is evidenced by the completion last year of Langdon Woods residence hall, the university’s first LEED-certified building and one of the largest residence halls in the United States to achieve gold-level certification. Langdon Woods is expected to use 58% less energy than a similar-sized conventional building. As a result, PSU should save approximately \$230,000 per year in utility costs. All future renovations and new construction projects at PSU will strive to meet LEED standards at some level.

Also, President Steen recently announced the formation of the President’s Commission on Environmental Sustainability. The primary goals of the commission will be to conduct a PSU greenhouse gas emissions inventory, develop a plan and timeline for making the PSU campus carbon neutral, and integrate the concepts and ideas of environmental sustainability across the curriculum.

### 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, reserves 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, 2006 and 2007:

Fund	General	Telecom	Res Life	Dining	HUB
Reserve balance 06	\$3,533,619	\$601,291	\$910,406	\$916,396	\$785,403
Reserve balance 07	\$4,474,485	\$660,023	\$1,174,562	\$990,159	\$914,712

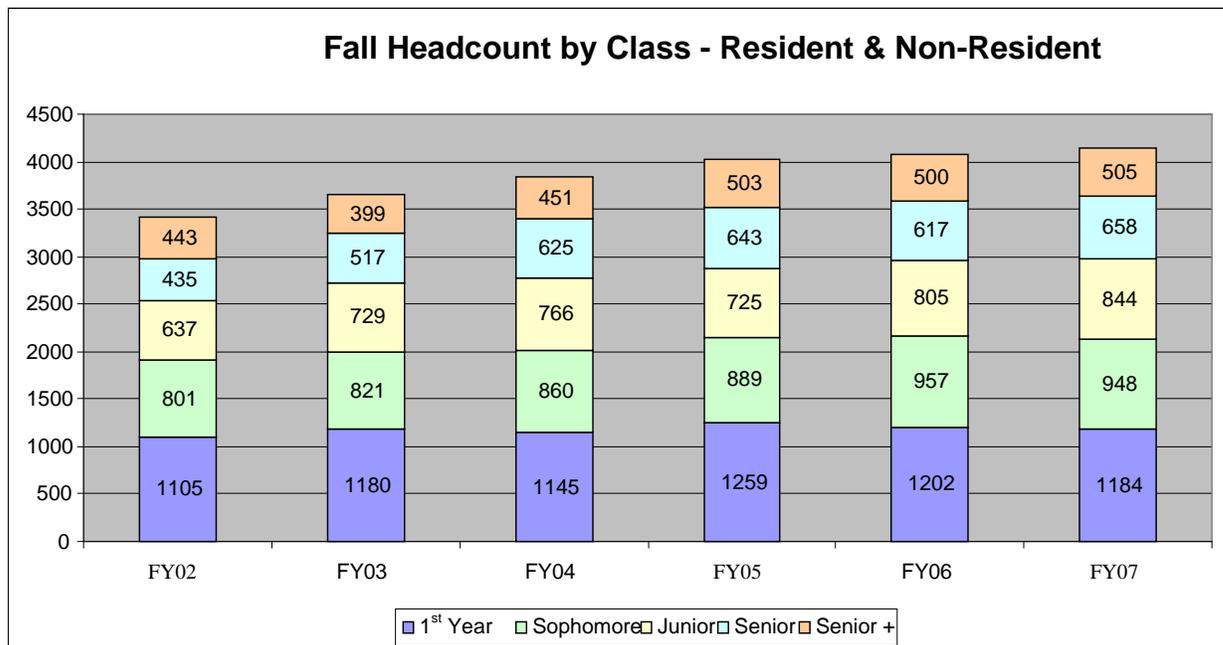
### 4. Major Budget Drivers for PSU

- A. Undergraduate enrollment – PSU has experienced enrollment growth for seven years in a row. We expect small growth in FY08 and then a leveling off in FY09, as shown in the table on the following page:

FFTE (Financial Full-Time Equivalent) Undergraduate Only

	FY09 Forecast	FY08 Forecast	FY08 Budget	FY07 Actual	FY06 Actual	FY05 Actual
In-State	2350	2339	2390	2348	2358	2255
Out-of-State	1665	1656	1620	1594	1541	1612
Total Undergraduate	4015	3995	4010	3942	3899	3867

- PSU’s actual undergraduate enrollment grew for FY07 by 43 FFTE (financial full-time equivalent) students. This represented a decrease of 10 in-state students and an increase of 53 out-of-state students.
- The mix between in- and out-of-state students changed slightly in FY07 to 59.6% for in-state students and 40.4% for out-of-state. If this trend in mix continues, it will help promote budget stability for the future. PSU’s goal is a mix of 55% in-state and 45% out-of-state.
- Our budget for undergraduate enrollment for FY08 is currently 68 FFTE students greater than FY07 actual.
- Our most recent forecast for FY08 projects that we will fall short of our budget for in-state students and slightly exceed our out-of-state budget, resulting in an overall 58.5% in-state and 41.5% out-of-state undergraduate mix.



The graph above shows the changes in actual fall undergraduate headcount enrollment by class for fiscal years 2002 to 2007.

- Over the past six years, the first year class has averaged 1179 students. One of PSU's strategies has been to hold first year enrollments steady and improve retention. Considering the "crystal ball" factor that goes into predicting first year enrollments, it appears that PSU has been successful.
- Retention for the sophomore class was 74% in FY03; 73% in FY04; 78% in FY05; 76% in FY06; and 79% in FY07. The 5-year trend appears to be very positive.
- Retention for the junior class was 91% in FY03; 93% in FY04; 84% in FY05; 91% in FY06; and 88% in FY07. The retention percentage has been greater than 90% for three out of the past five years.
- Retention for the senior class was 81% in FY03; 86% in FY04; 84% in FY05; 85% in FY06; and 82% in FY07. The senior class retention percentage averages 84% over the past five years.

## B. Graduate Program

Plymouth State University's College of Graduate Studies continues to serve local, state, regional, and international students in providing opportunities for graduate academic coursework, research, and professional development. Summer institutes, which included the New England Band Institute, Arts in Education Institute, and the Plymouth Writing Project were well attended this year. The Pakistani Leadership Institute continued this year with 15 administrators brought to PSU to study research design and program evaluation. Plymouth State University offered arts, organizational wellness courses, and internship opportunities with the Pakistani Project this summer for students enrolled in the Doctor of Arts degree program at Franklin Pierce University (formerly Franklin Pierce College).

The Math Department offered several grant-supported courses for teachers at the elementary and secondary levels to assist them in learning new curriculum and instructional practices. Graduate Studies offered ten courses at Waterville Valley in an intensive institute format for graduate students in business, health, and educational leadership. The Concord site courses proved to be a popular choice for many students and the number of enrollments in Concord continues to grow. The Concord School District and several professional organizations also utilized the Concord site for their summer institutes and conference meetings.

The number of graduate registrations for FY 06-07 totaled 6748. Graduate enrollments in the Master of Business Administration reached peak levels, with 570 enrollments this year, and the Small Business Institute was recognized with several national awards.

The Master of Science programs, offering degrees in Applied Meteorology, Biology, Environmental Science and Policy, and Science Education, continue to enroll new graduate students and this year seven students completed their degree programs. As part of their degree program, graduate students in the sciences are involved with diverse research projects partnering with agencies such as USDA, NOAA, NASA, NH Department of Environmental Services, National Science Foundation, NH Department of Transportation, UNH, White Mountain National Forest, Hubbard Brook Experimental Forest, and NH Electric Cooperative Foundation as well as multiple NH towns and non-government agencies such as the Squam Lakes Association. Grant funding for research projects continues to allow many students the opportunity to focus full-time on classes and research. Graduate students in the M.S.

programs represent both traditional- and non-traditional-age students, often working full-time in the field or pursuing a career change. Most of the students complete a thesis summarizing their research as part of their degree.

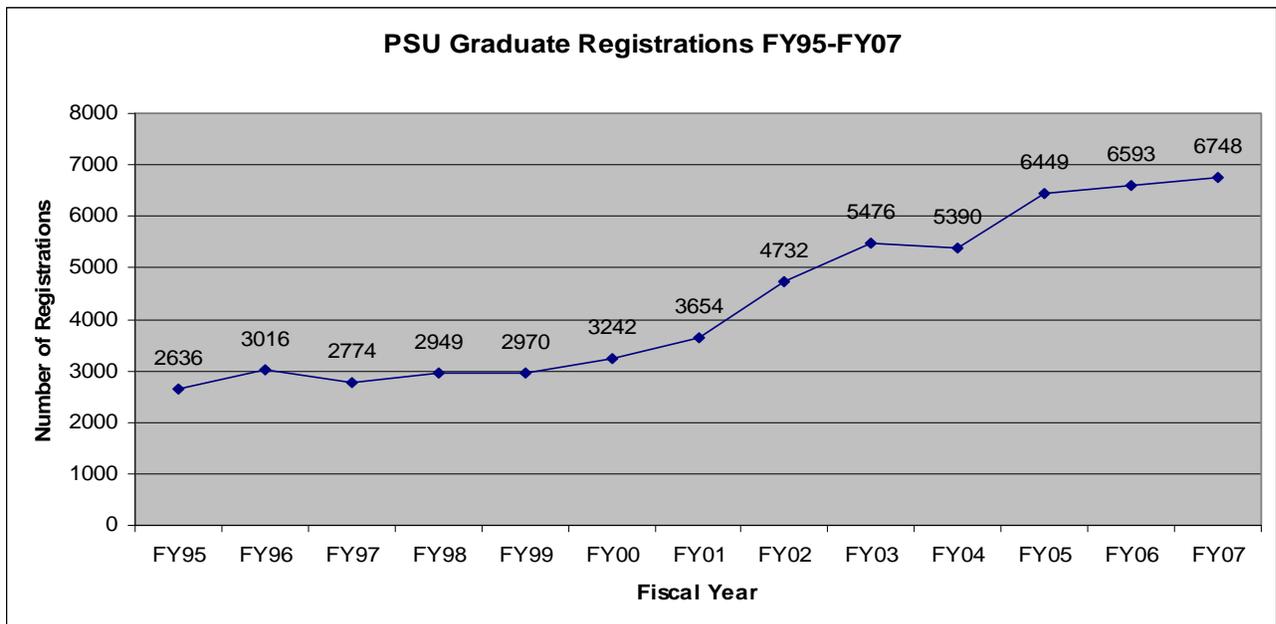
#### 2006-7 M.Ed. Outreach Activities

The College of Graduate Studies has launched a new CAGS cohort with the North Country Educational Services, and these courses will be offered at the North Country Educational Services site in Gorham. We continue to offer M.Ed. courses in Conway at the Tech Village and in Whitefield at the White Mountain Regional High School.

The Shanghai American School program was launched in January, 2007, serving 45 teachers from a variety of countries including China, New Zealand, Canada, Germany, Australia and the United States. Coursework is offered in a combination of online and face-to-face learning opportunities. Two PSU faculty members will be traveling to Shanghai this year and two the following year to provide quality personal experiences to the Shanghai audience.

The College of Graduate Studies continues to foster collaborative relationships with the New Hampshire Department of Education by offering graduate credit and support for several projects including the Follow the Child Institute, OPEN-NH, CEIL and NH Reads. Relationships with all six NHDOE Professional Development sites allow Plymouth State to continue to provide graduate students regional access to professional development opportunities for graduate credit. Over a dozen school districts are offering quality professional development opportunities with graduate credit to their faculties.

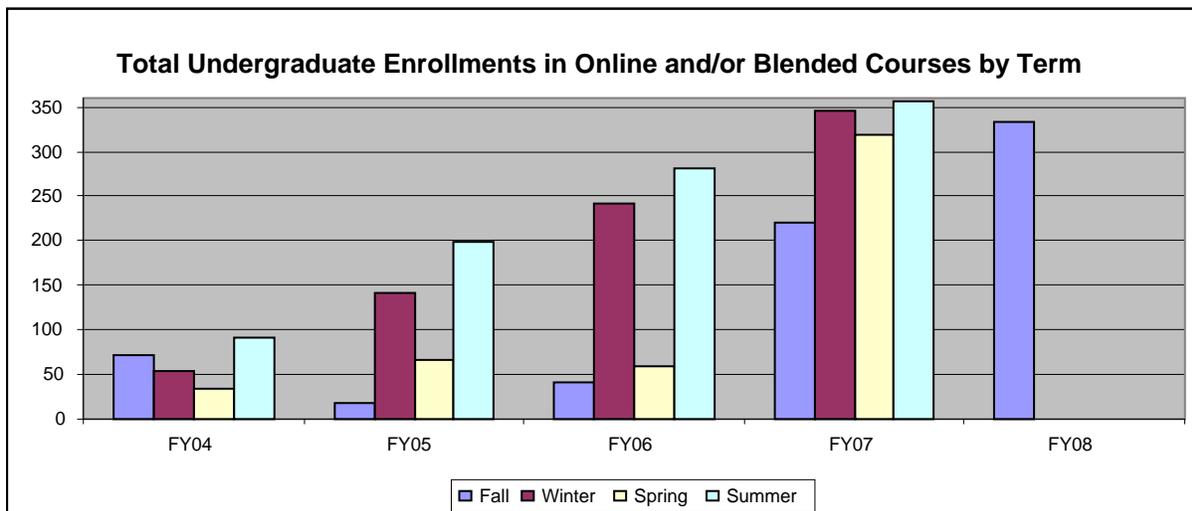
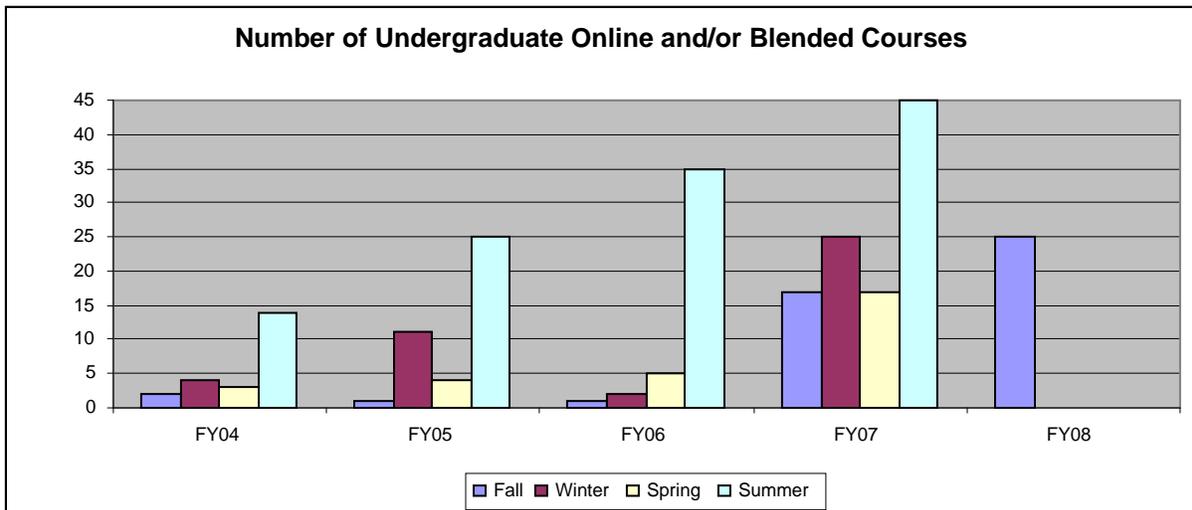
Overall, the number of graduate courses offered for the 2006-2007 year was 1385, with 695 courses offered off-campus and a total of 61 courses offered totally online during the regular academic year. In terms of fiscal efficiency and revenues, the College of Graduate Studies obtained 104% of the projected revenues and held expenses to 99% of projection.



### C. Frost School of Continuing and Professional Studies

After several years of increased enrollment in Continuing Education, particularly in Winterim and Summer sessions, the Frost School launched its matriculated degree programs, evenings, weekends, and online in the fall of 2006. Frost School began the fall with 32 matriculated students. Twenty-two of those were traditional students who transferred to the day program in January 2007. We admitted and/or transferred six new students for the spring term. For Fall 2008, we estimate that there will be 28-30 matriculated students, most of whom are likely to stay enrolled at PSU through the Frost School. Over the next year we expect to expand the number of evening, weekend, online, and blended courses. While the courses offered in alternative formats are designed to meet the needs of the more than 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), they are also attractive to PSU's traditional day students who have been filling all the seats available to them. More and more of our traditional students are trying to work while they go to school, so flexible schedules are advantageous.

As noted above, summer session has seen dramatic increases. Summer 2007 showed a 33% increase over 2006 and a 56% increase over 2005 in terms of gross revenue. Much of this growth in enrollments may be attributed to the increase in number of online and blended course offerings (See tables below)



The 357 summer 2007 enrollments in online and/or blended courses shown in the graph above represent almost half of the 790 summer enrollments.

Continuing Education students increased slightly in head count and in total numbers of credits taken (1844 credits in FY06 vs. 2119 credits in FY07). Financial Full Time Equivalent remained stable according to the business office (see table below).

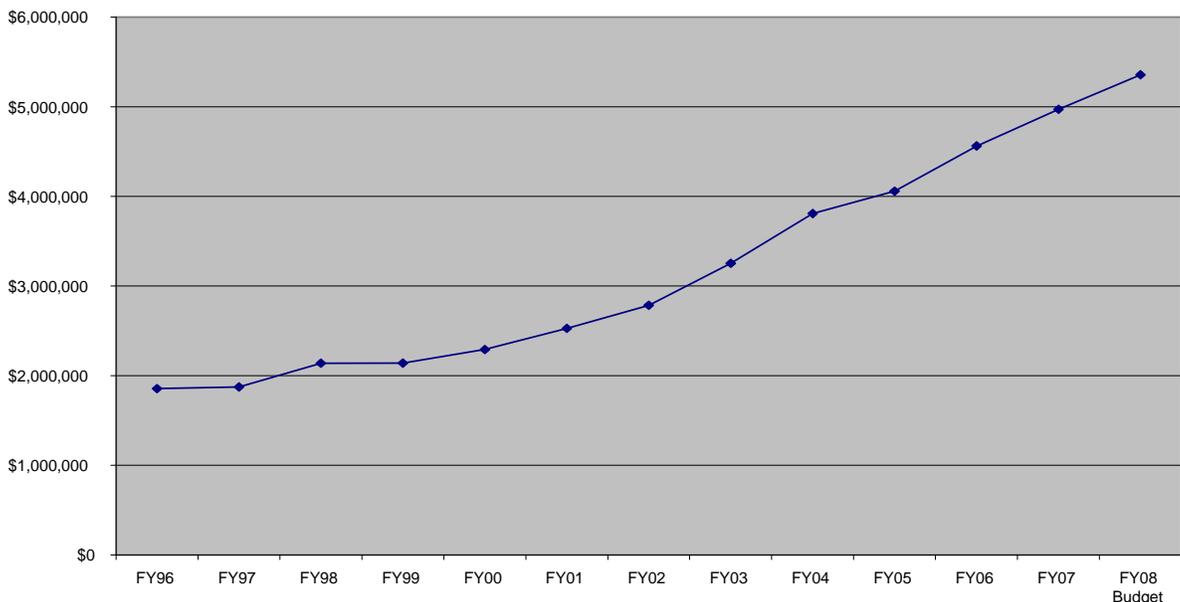
**FFTE (Financial Full Time Equivalent) - Continuing Education**

	FY07 Actual	FY06 Actual	FY05 Actual	FY04 Actual	FY03 Actual
Continuing Ed	249	257	209	189	171

**D. Financial Aid**

Making college more affordable has become a top concern of the University System’s Board of Trustees. In FY06, the Trustees endorsed a new effort to lower the cost of a college education for the neediest New Hampshire residents during their first year of attendance. The University System’s Affordable College Effort (ACE) grant is available to any New Hampshire resident attending one of the four USNH institutions as a full-time freshman within one year of graduating from high school and who’s Expected Family Contribution (EFC), as determined by FAFSA, is \$0 - \$1,000. The ACE award ensures these students will incur no loan debt for meeting the direct costs of education (tuition, fees, standard room & board) during their first year. These grants may be renewable in future years pending funding availability. The ACE awards are just one example of financial aid, but as you can see in the diagram below, the cost of financial aid at PSU has increased significantly over the last decade.

Plymouth State University  
Cost of Financial Aid All Types – E&G Only



## E. Giving

Plymouth State University raised a total of \$912,823 in FY 2007. Seventy-two percent of total contributions to PSU came from individuals - alumni, friends, faculty, and staff. The balance of 28 percent came from foundations and corporations.

Gifts to endowment totaled \$477,833 or 52 percent of all gifts. Another 39 percent or \$357,727 was given to the Tower Fund for current projects, and the balance of \$77,263 or 8 percent will support capital projects. The total number of donors for FY 2007 was 2,564, down slightly (66) from FY 2006.

In 2007, three new scholarship endowments were established through gifts from alumni and friends of the university that will support awards to students who are first in their families to go to college. In addition, three new funds were established to provide support for professorships, to be awarded to faculty who are exemplary models of teaching, scholarship, and service.

Five-Year History of Giving

FY 2003	\$ 886,001
FY 2004	\$ 786,022
FY 2005	\$ 1,017,740
FY 2006	\$ 1,001,902
FY 2007	\$ 912,823

## F. Deferred Maintenance

Deferred Maintenance continues to be a major concern for PSU, USNH and, in fact, for most higher education institutions. At PSU, our outstanding deferred maintenance is estimated to be approximately \$22.3 million. In 2007 we invested approximately \$4.8 million to address some of the deferred maintenance issues. Solving the problem for the long-term will take more than our current investment. The Financial Affairs Division and the Planning, Budgeting and Leadership Committee (PBLC) will be looking at this issue and trying to address it within the annual budget cycle. The USNH Board of Trustees also shares our concern and is currently studying this issue and working collaboratively with the campuses.

## 5. General Fund Revenues and Expenses

The following table is a two-year comparison of actual general fund revenues and expenses for FY06 and FY07 and the Board-approved budget for FY08. Many of the issues that have been discussed previously in this document will stand out.

### General Fund Actual Revenues and Expenses:

	FY08 Budget	FY07 Actual	FY06 Actual
<b>Revenue:</b>			
Resident Undergraduate Tuition	\$14,770,200	\$13,567,488	\$12,754,271
Non-resident Undergraduate Tuition	21,742,600	20,227,949	18,303,695
New England Regional Tuition	500,000	575,110	568,310
Resident Graduate Tuition	5,240,640	4,007,092	3,934,562
Non-resident Graduate Tuition	1,484,145	1,144,112	890,015
Continuing Education	1,430,352	1,438,153	1,397,856
Student Fees (note 2)	2,787,679	2,872,296	3,566,231
State Appropriation	12,789,000	12,359,537	11,640,000
Indirect-Sponsored Programs	190,000	209,641	307,471
Other Invest. Income - Advancement Endowment	20,000	44,095	38,400
Short Term Interest	596,011	500,289	447,522
Sales of Educational Activity	506,380	644,714	619,366
Other Sources of Income	602,629	409,007	356,417
Transfers In	102,908	179,888	155,539
<b>Total Revenues</b>	<b>62,762,544</b>	<b>58,179,371</b>	<b>54,979,655</b>
<b>Expense:</b>			
Salary & Wages	31,827,875	30,098,152	28,758,840
Benefits	12,169,453	11,023,730	10,070,464
Supplies and Services	6,793,207	6,395,827	5,950,965
Financial Aid (note 3)	7,059,747	5,146,106	3,783,059
Capitalizable Plant and Equipment	192,981	14,949	116,146
PPOM/ASC (note 4)	(8,004,841)	(7,187,203)	(6,215,144)
USNH System Services	2,069,080	1,975,614	1,807,751
Library Acquisitions	727,148	682,739	667,334
Utilities	5,115,875	4,747,690	4,270,294
Transfers to Other Funds, IFB payments (note 5)	863,812	1,653,964	1,761,530
Transfer to Plant (Deferred Maintenance)	2,808,412	2,686,939	3,216,701
<b>Total Expense</b>	<b>61,622,749</b>	<b>57,238,507</b>	<b>54,187,940</b>
<b>Total Budget Variance Surplus (Deficit)</b>	<b>\$1,139,795</b>	<b>\$940,864</b>	<b>\$791,715</b>

Note: 1. FY07 actual revenues and expenses were included prior to the final audit and are subject to change.

2. Student Fees dropped in FY07 because student health fees are now accounted for in an auxiliary.

3. The increase in Financial Aid from FY07 to FY08 budget is primarily due to redefining graduate tuition income and discounts.

4. 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.).

5. IFB payments = internal fund borrowing (borrowing monies from the System)

## 6. Auxiliary Fund Revenues and Expenses

The following table is a two-year comparison of auxiliary funds of actual revenues and expenses for FY06 and FY07 and the Board-approved budget for FY08.

### Auxiliary Funds Actual Revenues and Expenses:

	FY08 Budget	FY07 Actual	FY06 Actual
<b>Revenue:</b>			
Conferences & Events	\$199,095	\$255,679	\$227,330
Parking Enforcement/Shuttle	409,060	413,427	408,304
Copying Sales	27,199	6,697	9,676
Telecommunication	770,955	716,020	929,554
Residential Life	13,551,114	11,318,237	9,804,995
Dining Services	5,555,415	4,812,402	4,079,387
Hartman Union Building	2,875,300	3,116,181	3,240,904
Health & Wellness	1,023,000	923,169	
<b>Total Revenues</b>	<b>24,411,138</b>	<b>21,561,812</b>	<b>18,700,150</b>
<b>Expense:</b>			
Salary & Wages	2,772,820	2,449,163	2,069,923
Benefits	926,221	759,809	607,700
Supplies and Services	7,289,302	6,629,180	5,714,309
Financial Aid	438,097	368,697	266,048
Capitalizable Plant and Equipment	243,063	45,700	19,819
PPOM/ASC (note 2)	6,641,254	5,801,441	4,881,497
Transfers to Other Funds, IFB payments (note 3)	259,236	225,836	172,980
<b>Annual Debt Service:</b>			
Residential Life	4,621,946	2,492,257	1,499,244
Dining	265,709	263,509	266,204
HUB	694,272	693,492	693,636
Transfer to Plant (Deferred Maintenance)	102,240	1,302,768	1,970,808
<b>Total Expense</b>	<b>24,254,160</b>	<b>21,031,852</b>	<b>18,162,168</b>
<b>Total Budget Variance Surplus (Deficit)</b>	<b>\$156,978</b>	<b>\$529,960</b>	<b>\$537,982</b>

Note: 1. FY07 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.).

3. IFB payments = internal fund borrowing (borrowing monies from System)

7. The annual online budget book is available at <http://www.plymouth.edu/finman/budgetbook/budgetbook2008.pdf>.

### **Strategic Planning Efforts:**

PSU has engaged a new strategic planning process to guide our mission-driven decision making into the next decade. Institutional goals and subsequent priorities have been identified by accounting for all previous planning efforts prepared by divisions/departments and coordinating those with PSU's future needs.

As part of this new strategic planning process, the University Planning Committee and the Campus Budget Committee have been reorganized into a single committee, the Planning, Budgeting and Leadership Committee (PBLC). This new committee, composed of representatives from all areas of the campus, will be better suited to seamlessly link planning and budgeting efforts and effectively utilize PSU's resources.

Many areas have already participated in strategic planning workshops conducted by Associate Dean for Institutional Research and Assessment Scott Mantie that concentrate on constructing strategic planning activities specific to an individual campus area/department. These activities are the building blocks used to link the planning, assessment, and budgeting components of the strategic plan. The workshops allow any and all members of the campus community to have input into the planning process.

I encourage all of you to participate in the university's strategic planning process. Your input is valuable and everyone will benefit.

I hope this report is informative and helpful. If you have specific questions or need additional data, please feel free to call my office at 535-3278.