



## Office of Finance and Administration

---

Memo To: All Faculty and Staff

From: Linda Dauer, Director of Budget & Financial Planning

September 8, 2008

RE: Annual Budget and Finance Report

It is hard to believe that another fiscal year has come and gone and that we are well underway in FY09! For the most part, fiscal year 2008 proved to be another successful year financially for Plymouth State University. In fall 2007 the Planning Budgeting Leadership Group was established. It combined the former University Planning Committee (UPC), Faculty Budget & Resources Committee (FBRC), and the Campus Budget Committee (CBC) in an effort to integrate the strategic planning and budgetary processes. Its purpose is to provide a participatory budget process based upon the values of PSU, bring an understanding of financial and budget issues to the campus community, and maximize the utilization of the institution's resources. Strategic planning workshops and meetings were held in various departments and academic areas throughout the fall and early in 2008 to encourage support of the strategic planning process and explain the use of strategic planning activity worksheets as a means to garner participation across all levels in the campus community. It was expressed in the first meeting of the PBLG that 100% participation across academic departments specifically was crucial in order for the strategic planning and budgeting process to be successful. PSU's Strategic Plan was finalized and distributed in January 2008. It provides the framework to guide our planning efforts through 2012. Although the timing of the finalized Strategic Plan, submittal of strategic planning activity worksheets by departments/areas, and the FY09 budget schedule did not directly coincide, the strategic planning and budgeting process is ongoing and the information that was submitted will be assessed, updated if necessary, and prioritized in accordance with the PSU Strategic Plan when the PBLG convenes in the fall.

Despite level undergraduate enrollments and rising utility costs, as you will note in the following graphs and tables, FY08 experienced positive financial trends. Perhaps the most telling chart is "Reserve Balances". Reserves are the accumulation of annual margins that have not been expended in each fund group. Not only does the Board of Trustees expect healthy campus reserve balances because they indicate strong financial health and stability, but reserves also provide a cushion for future operations to deal with major problems, such as potential enrollment decline, skyrocketing utility costs, a slowing economy, and/or student loan uncertainties.

Graduate enrollments continued to increase in FY08, particularly in the CAGS and MBA areas. If you look at the General Fund Revenues and Expenses table, you will notice a \$2.4 million increase in graduate tuition from FY07 to FY08. Please note that this is not all attributable to growth. Prior to FY08, graduate tuition revenues were recorded net of discounts. Beginning in FY08, graduate tuition

revenues are posted at gross and the related discounts are recorded as financial aid expense. However, if you could strip away the accounting change and the increase in the tuition rate, you would still see significant growth in the graduate area.

Another area that fared well in FY08 is the Frost School of Continuing and Professional Studies. Although the Frost School experienced a budget shortfall in matriculated tuition revenues, budget surpluses in Summer and community education programs allowed the Frost School to exceed its overall budgeted revenues by \$25,000, or 1.2%. In FY08, there were 44 online and/or blended courses offered during Summer compared to 30 during Winterim and an average of 16 during Fall and Spring. The higher number of online/blended courses in Summer may account for Summer revenues being 17%, or \$77,000 higher than anticipated.

FY08 is now behind us and PSU is facing an ever-changing economic environment in fiscal year 2009 that could result in a very challenging budget year. Some of the major factors include a weakening economy, declining investment returns, student loan uncertainties, and skyrocketing utility costs. However, rather than looking only at the downside, we need to look for and investigate opportunities. The PBLG held a SWOT (strengths, weaknesses, opportunities, and threats) in January 2008. Here are some of the opportunities that were highlighted:

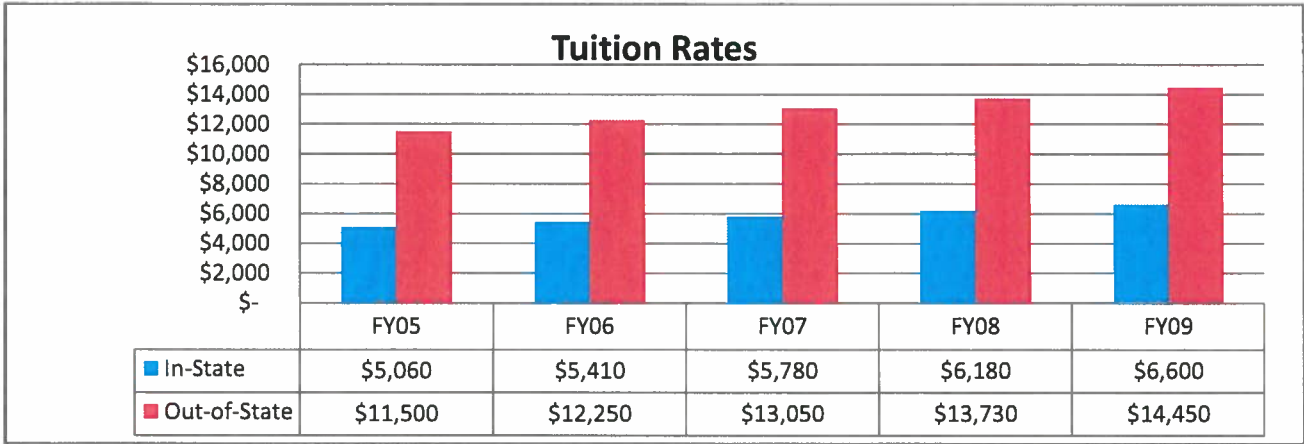
- Intercampus articulation agreements with community college system and others – an opportunity to recruit from them
- Recruit new populations – international, non-traditional, Frost, etc.
- Capitalize on opportunities for graduate students in a weakening economy
- Converting to biomass in order to heat the campus
- Investigate additional “marketable” majors/courses in the areas of environmental studies and climate control
- Creating efficiencies campus-wide

These are just some of the examples of opportunities that were brainstormed at the SWOT, many of which are already being acted upon. We also need to build and concentrate on our strengths. Those include:

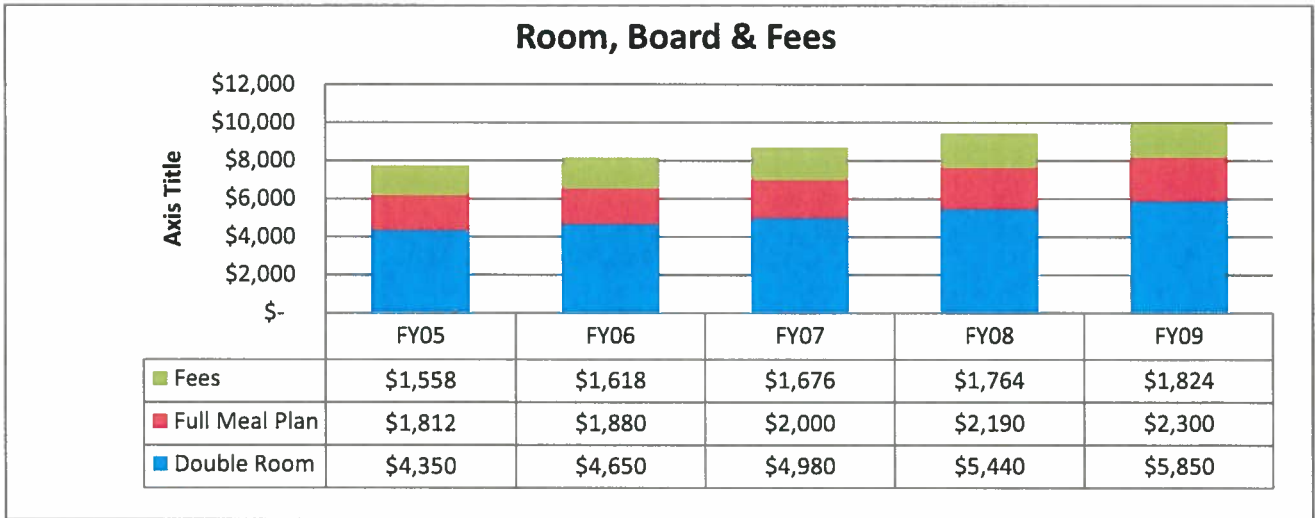
- Centrally located within New Hampshire in close proximity to the White Mountain National Forest, ski resorts, climbing, hiking, kayaking, etc.
- Beautiful campus and facilities
- Programs & majors – i.e. PSU’s national reputation for meteorology, Small Business Institute, etc.
- Talented and skilled faculty and staff
- Committed alumni
- Technological innovation and services
- Engaging events

Looking to the FY09 budget, the following charts, graphs, and tables provide a visual of the major drivers in the budget – tuition rates; room, board, & fees rates; state appropriation; financial aid; utilities; and budgeted financial full-time equivalents (FFTEs) for undergraduate, graduate, and continuing education. I hope that they are helpful and informative. If you have any specific questions or need additional data, please feel free to call me at 535-3278.

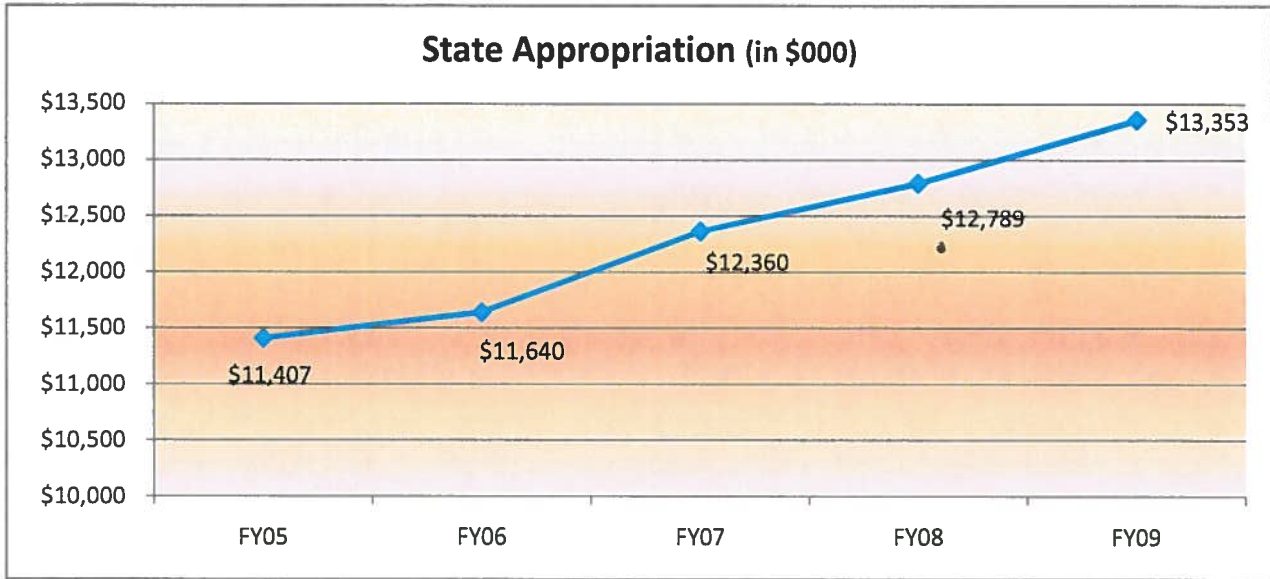
I would also like to encourage all of you to continue to participate in the university's strategic planning process. The strategic planning activity worksheets that were submitted by many departments/areas are the building blocks used to link the planning, assessment, and budgeting components of the strategic plan. As mentioned earlier, those already submitted will be assessed, updated if necessary, and prioritized in accordance with the PSU Strategic Plan when the PBLG convenes for its second year in the fall. It is the PBLG's goal to seamlessly link planning and budgeting efforts and effectively utilize PSU's resources.



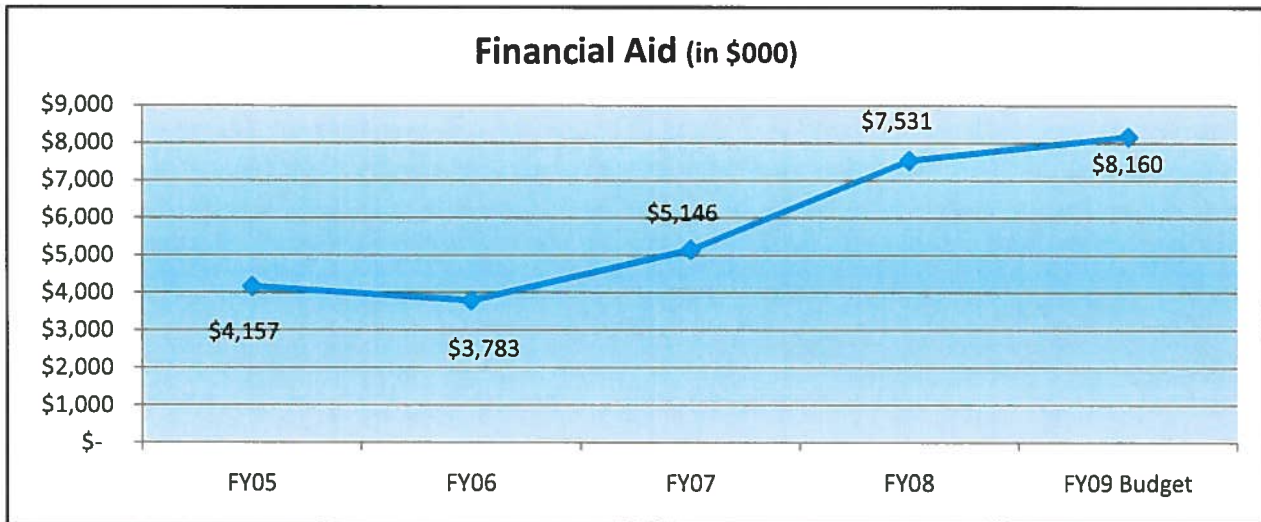
The Board of Trustees at the June 2008 annual meeting approved tuition rates for FY09. Increases in in-state rates for FY09 were 6.8% over the prior year and out-of-state rates were 5.2% higher. For the 5-year period illustrated above, the average annual rate of growth for in-state tuition rates was 6.9% and out-of-state 5.9%.



The Board of Trustees also approved room and board rates at the June 2008 meeting. FY09 room rates are 7.5% higher than the prior year, board rates are 5.0% higher, and fees 3.4% higher. The room increase continues to result from the HEFA debt associated with Langdon Woods, Mary Lyon, and Grafton residence halls and the increased cost of utilities. The cost drivers behind the board increase are rising food costs, labor, and health care benefits. The average annual rate of growth for the total cost of room, board, & fees from FY05 - FY09 was 6.6%.



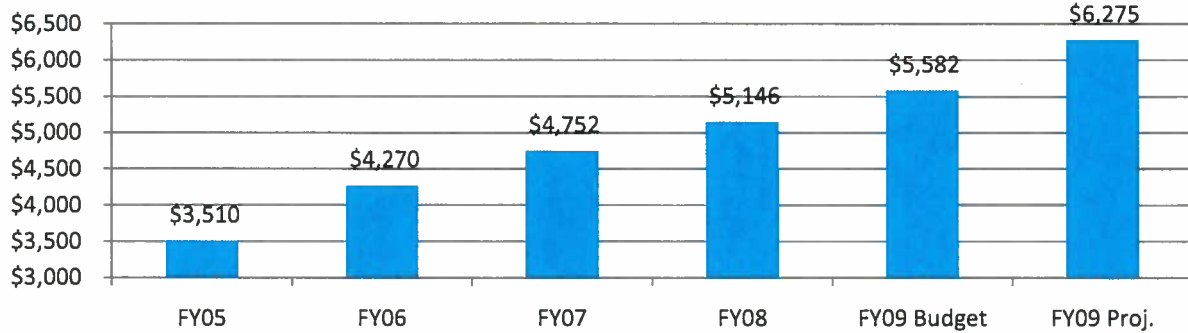
State appropriation increased 4.4% in FY09. This increase includes \$132,500 in ACE (Affordable College Effort) financial aid. The FY09 state appropriation represents 13.3% of current fund (general operating, auxiliary, internally designated, gifts, & sponsored programs) revenues.



Making college more affordable continues to be a top concern of the University System's Board of Trustees. The Affordable College Effort (ACE) financial aid program that was endorsed by the Trustees in FY06 continues to help our needy NH students. Any New Hampshire resident attending PSU as a full-time freshman within one year of graduating from high school and whose expected family contribution (EFC), as determined by FAFSA, is \$0 - \$1,000 is eligible for the ACE grant. ACE is just one example of financial aid. As you can see in the graph above, the cost of financial aid has nearly doubled since FY05. The significant increase from FY07 to FY08 is due in part to a change in accounting for graduate revenues. Prior to FY08 discounted graduate tuition revenues were posted at net (tuition less financial aid). Beginning in FY08, the graduate tuition revenues are recorded at gross and any discounts are posted as financial aid. This explains part of the 46% increase from FY07 to FY08.

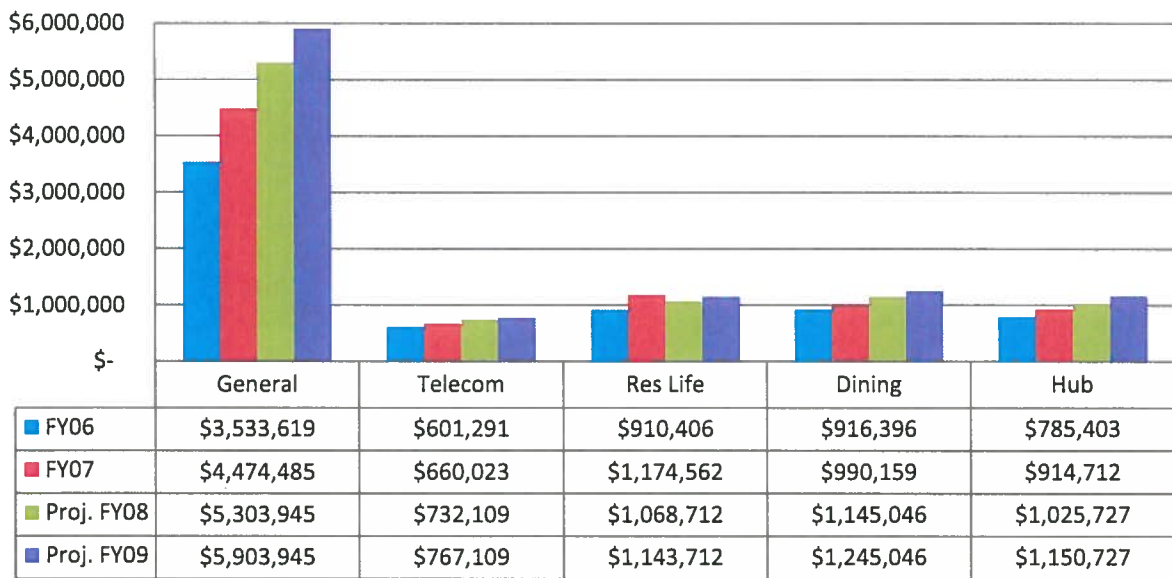


### Utilities (in thousands)



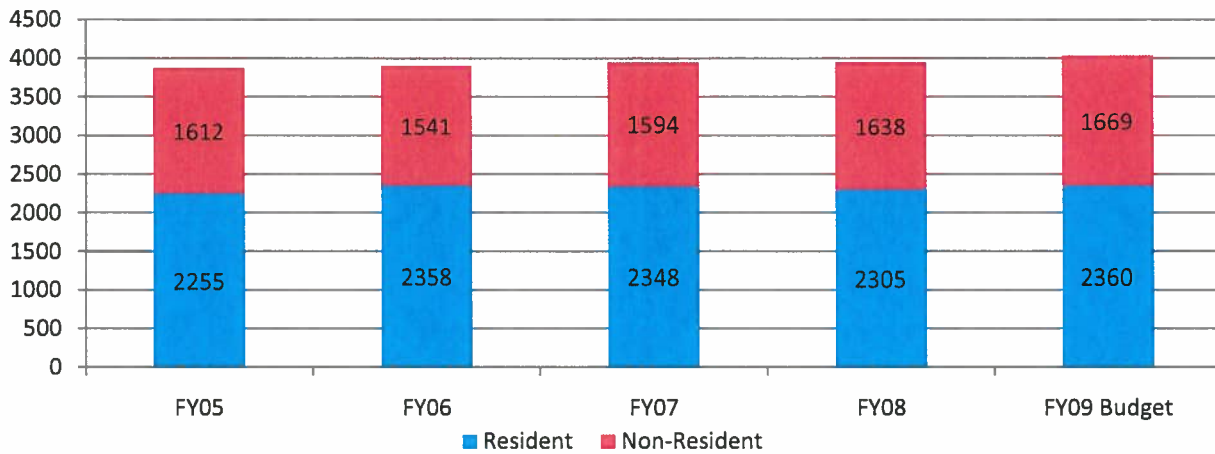
As you can see from the graph above, PSU is already looking at a \$693,000 budget overrun in FY09 due to the volatility of market oil prices. Practicing energy efficiency must be a priority for all campus faculty, staff, and students. As an institution bound by the President's Commission on Environmental Sustainability (PCES), we must strive to promote sustainability and operate within our utility operating budget. The PCES has developed a baseline greenhouse gas emissions inventory, is setting goals to make PSU carbon neutral, and integrating sustainability concepts and ideas across the curriculum.

### Reserve Balances



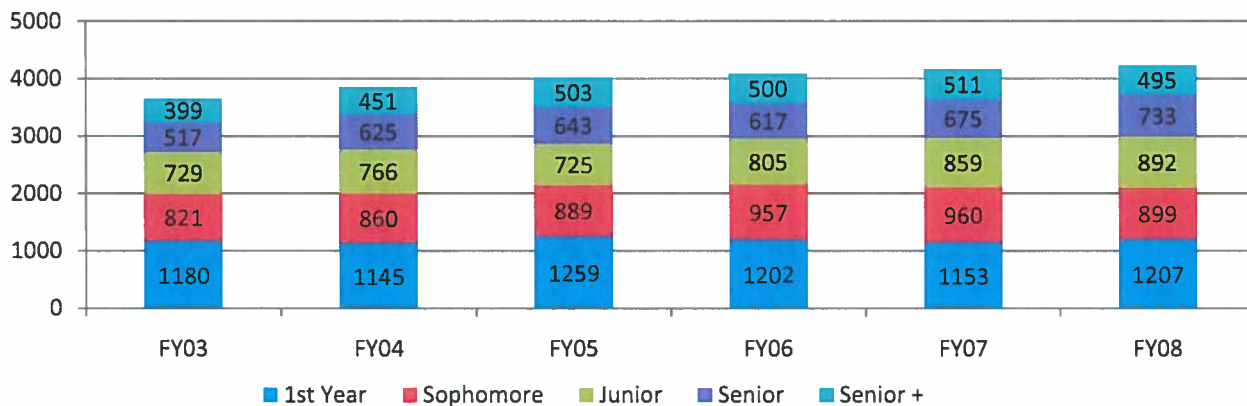
Reserves are the accumulation of annual margins that have not been expended in each fund group. It is important to have reserve balances for several reasons. The Board of Trustees desire healthy campus reserve balances because they indicate strong financial health and security which is critical especially when securing financing for major construction projects. Reserves also provide a cushion for future operations, and in part, provide a measure of flexibility that allows PSU to deal with major unexpected problems, such as a future enrollment decline. As you can see in the graph above, PSU's major funds are showing consistent growth in their operating reserves. Res Life is projected to have a drop in reserves in FY08 due to increased debt service, but is expected to rebound in FY09.

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

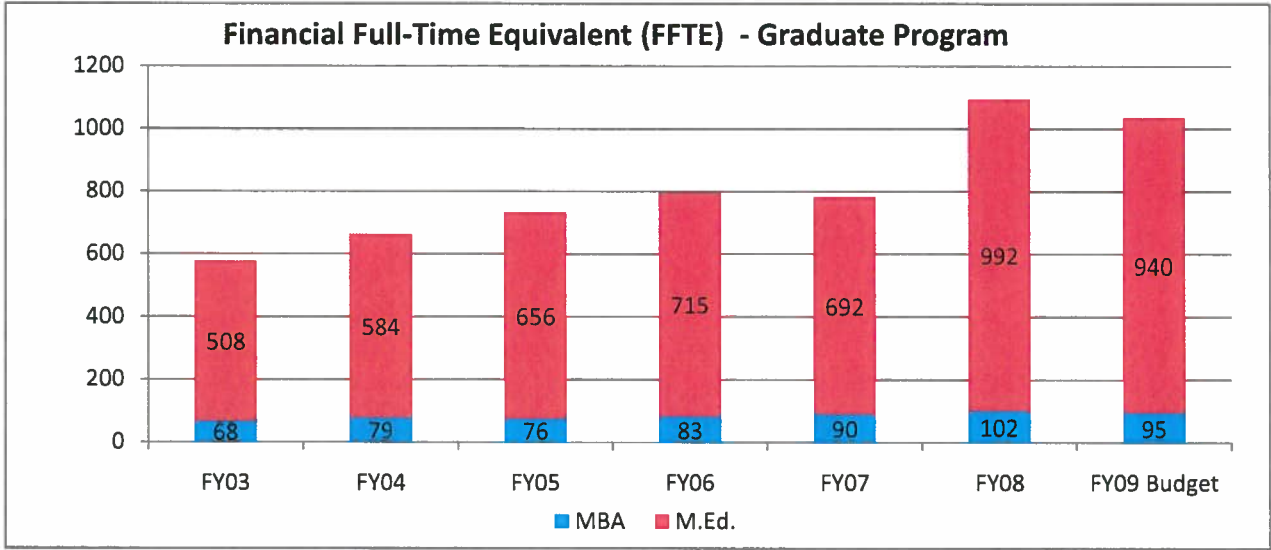


PSU's actual total undergraduate enrollment for FY08 remained level with FY07, but the mix changed. In FY07 the mix was 59.6% in-state and 40.4% out-of state. In FY08 the mix was 58.5% in-state and 41.5% out-of-state. With continued efforts, this change in mix will help promote budget stability for the future. PSU's goal is a mix of 55% in-state and 45% out-of-state. For FY09 undergraduate enrollment is budgeted to increase by 86 FFTE. Paid deposits to date and pre-registration numbers currently indicate that we should at least meet our budgeted FFTE for FY09.

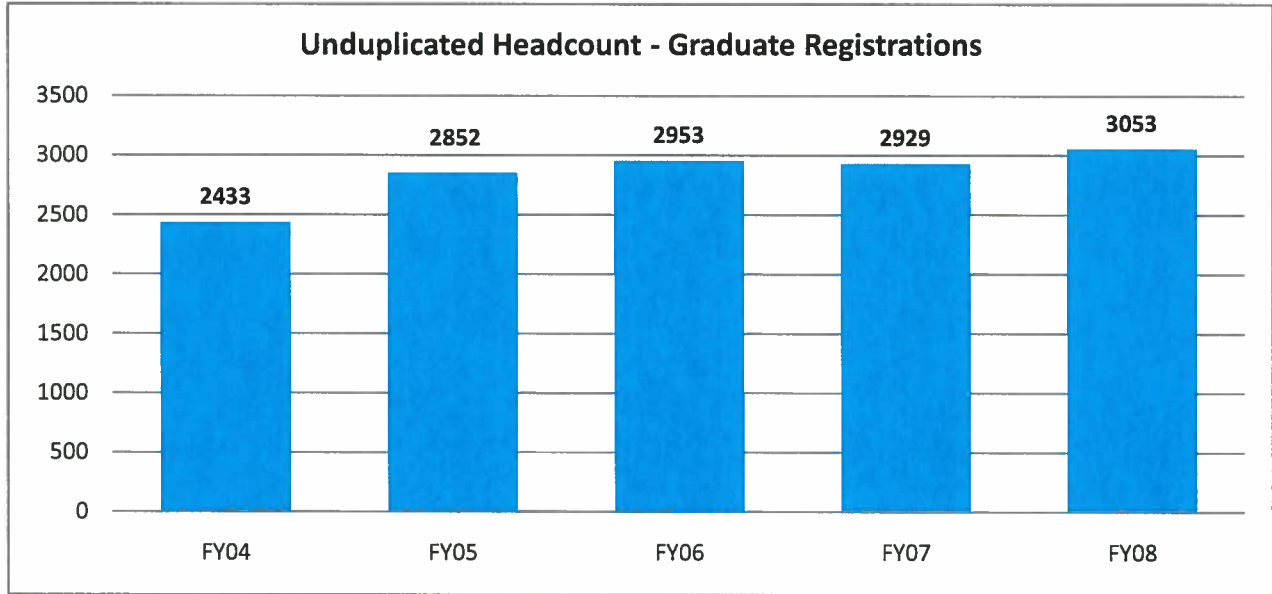
### Fall Headcount by Class - Resident & Non-Resident



This graph shows the changes in actual fall undergraduate headcount enrollment by class for fiscal years 2003 to 2008. Over the past 6 years, the first year class has averaged 1,191 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 averages 76.9% for period shown above; junior class averages 90.2%; and senior class averages 84.8%.

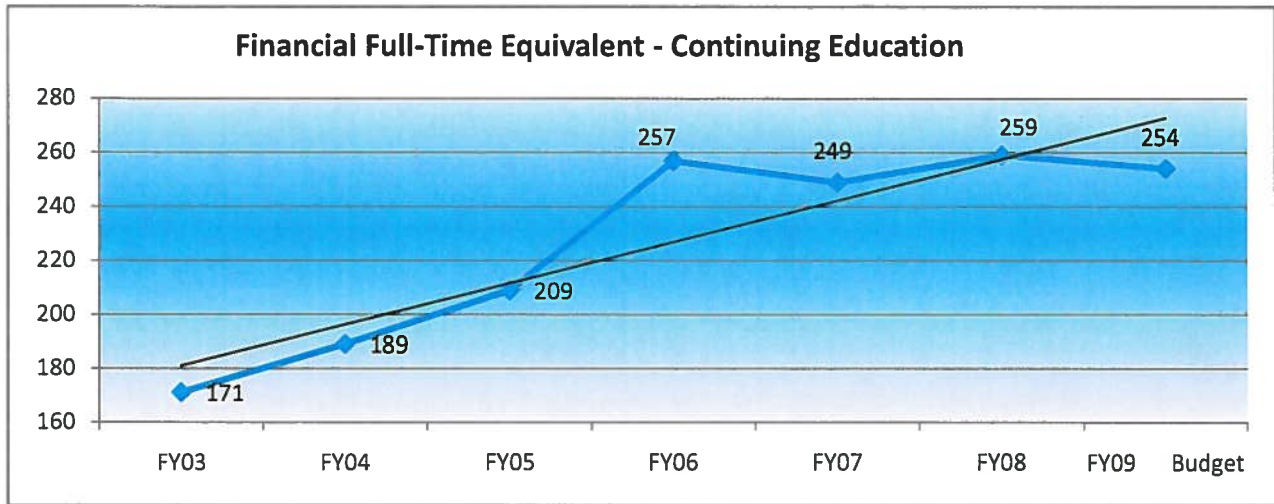


PSU has experienced significant growth in its graduate program since FY03. The College of Graduate Studies has more than 75 graduate degree and certification programs. Classes are conveniently offered nights, weekends, & online at over 20 locations throughout New Hampshire. The major jump in FFTE between FY07 & FY08 is the result of both growth and a change in accounting for graduate tuition revenues. Prior to FY08, graduate tuition revenues were recorded net of discounts. Beginning in FY08 graduate tuition revenues are recorded at gross and the discounts are recorded as financial aid. This change in accounting results in a higher FFTE number.

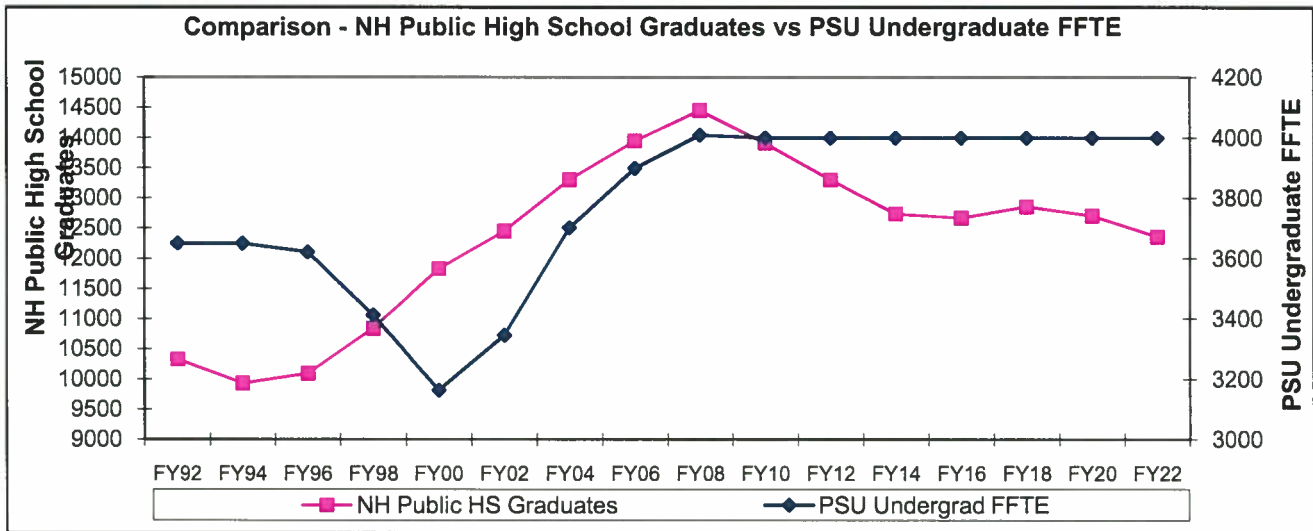


Unduplicated headcount counts every student only once for the full year time period regardless of the number of courses or programs he/she is enrolled. The numbers provided above for the overall graduate program give another view of its success and growth over the years. On average from FY04 to FY08 the graduate program has increased the number of students enrolled in one or more courses by 155 each year.



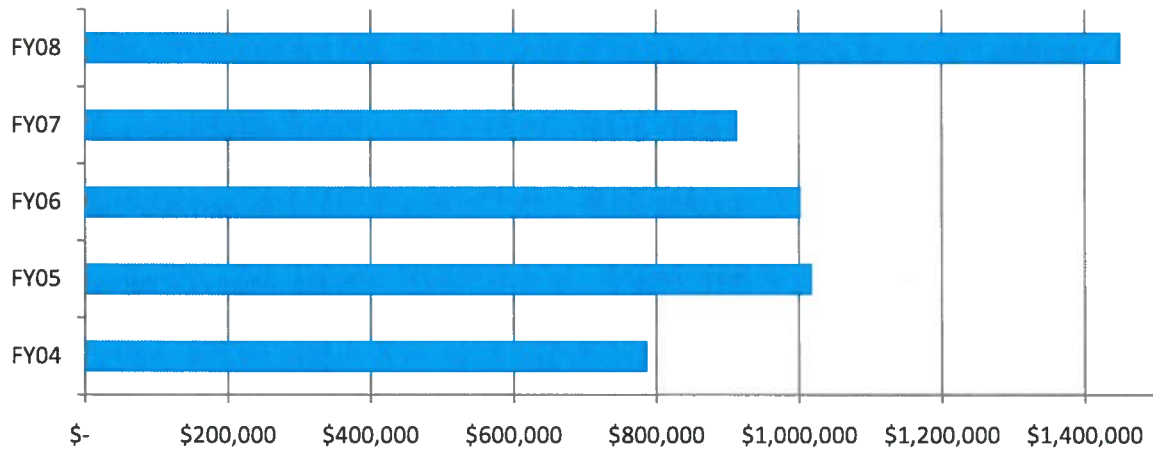


Continuing education has also experienced significant growth since FY03. An increase in the number of online course offerings during Summer & Winterim explains the growth after FY05. In FY08 Summer, community education and workshops exceeded budgeted FFTE. There is a drop in FFTE from FY08 to FY09 budget due to concerns that Winterim numbers will come in lower than expected. The Winterim calendar is very "short" in FY09 and there may not be as many classes available.



New Hampshire has experienced growth in the number of college-age students graduating from high school and moving on to higher education since FY94 as shown in the graph above. However, that trend is about to change. The number of NH high school graduates will begin to decrease until approximately FY16. PSU's goal is to achieve stable enrollments over that same time period. Its strategic plan has already been addressing this college-age population issue by improving retention and establishing the Frost School of Continuing and Professional Studies which is designed to meet the needs of non-traditional students and working professionals. The size of the college-age population is not the *only* variable that determines enrollment trends. Other variables, such as financial aid, admission and recruiting policies, growth in international/minority students, and the promotion of the educational experience to NH's aging population, will be investigated in an effort to maintain stable enrollment.

### 5-Year History of Giving



PSU raised a total of \$1,449,293 in 2008 per the Advancement office. Seventy-five percent of those contributions came from individuals - alumni, friends, faculty, and staff. The remainder came from foundations and corporations. Gifts to endowment represented 65% of all gifts; Tower Fund gifts for current projects 32%; and support for capital projects 3%.

The following table is a two-year comparison of auxiliary funds of actual revenues and expenses for FY07 and FY08 and the Board-approved budget for FY09.

**Auxiliary Fund Revenues and Expenses**

	FY09 Budget	FY08 Actual	FY07 Actual
<b>Revenue:</b>			
Conferences & Events	\$ 202,095	\$ 158,395	\$ 255,679
Parking Enforcement/Shuttle	507,526	572,120	413,427
Copying Sales	26,792	4,929	6,697
Telecommunication	73,197	365,971	716,020
Residential Life	14,259,241	13,393,830	11,318,237
Dining Services	6,048,880	5,631,444	4,812,402
Hartman Union Building	2,996,750	3,138,763	3,116,181
Health & Wellness	1,099,000	1,072,787	923,169
<b>Total Revenues</b>	<b>25,213,481</b>	<b>24,338,239</b>	<b>21,561,812</b>
<b>Expense:</b>			
Salary & Wages	2,789,979	2,609,126	2,449,163
Benefits	981,534	888,395	758,947
Supplies and Services	6,787,359	6,646,689	6,629,180
Financial Aid	436,089	421,124	368,697
PPOM/ASC (note 2)	7,501,807	6,469,704	5,801,441
Transfers to Other Funds, IFB payments (note 3)	432,345	501,049	471,305
Reserves - Budget only	253,743	-	-
Annual Debt Service:			
Residential Life	4,388,189	4,487,107	2,292,488
Dining	267,634	265,709	263,509
HUB	694,253	694,276	693,492
Transfer to Plant (Deferred Maintenance)	680,549	1,024,000	1,302,768
<b>Total Expense</b>	<b>25,213,481</b>	<b>24,007,179</b>	<b>21,030,990</b>
<b>Total Budget Variance Surplus (Deficit)</b>	<b>\$ -</b>	<b>\$ 331,060</b>	<b>\$ 530,822</b>

Note: 1. FY08 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)