



Office of Finance & Administration

Annual Budget & Finance Report

October 2009

As a result of the campus community working collaboratively to contain costs and return dollars wherever possible, Plymouth State University's general operating and auxiliary funds experienced positive financial trends in FY09 and ended the fiscal year with modest increases to reserves in spite of the ever-changing economic challenges that the University faced. This is due, in large part, to the myriad of cost avoidance decisions made all across campus to successfully meet budgetary goals.

PSU's FY10 budget process began with its own uncertainty in the areas of state appropriation and enrollment. State appropriation represents about 14% of PSU's overall budget. The state agreed to use federal stimulus dollars to supplement state dollars in order to keep funding level for University System of New Hampshire. In this current economy, level funding reflects a significant commitment to public higher education.

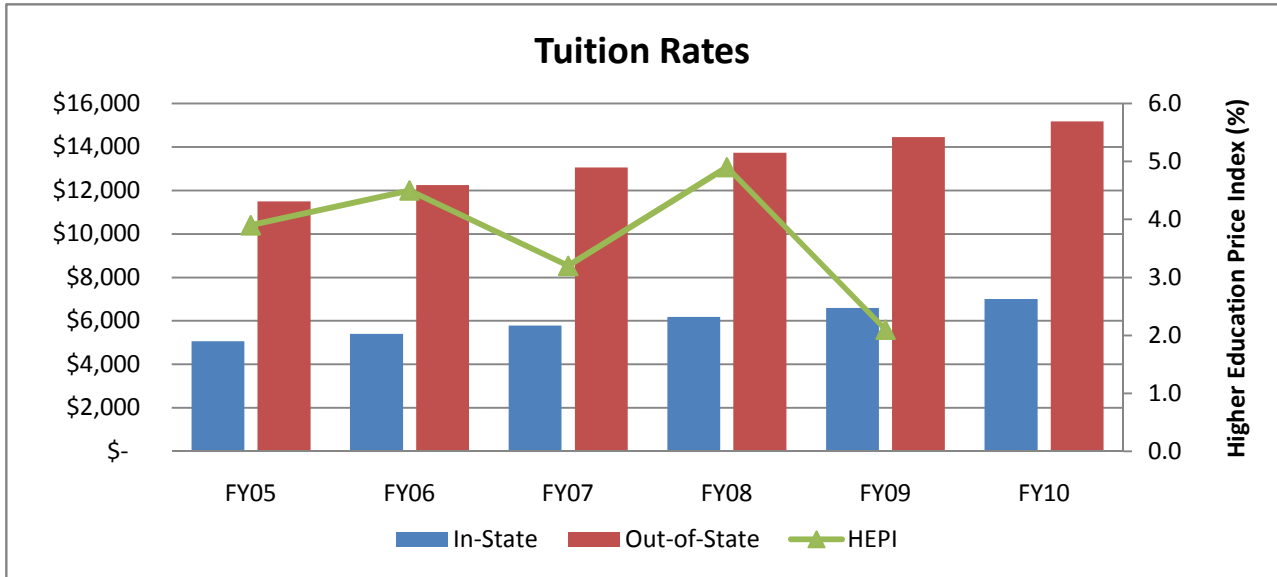
The other major budget driver clouded in uncertainty for FY10 was enrollment. Not only are demographics changing due to the fact that the number of high school graduates has begun to decrease annually until approximately FY16, but also not knowing how the current economic conditions would affect enrollment and enrollment mix (in-state versus out-of-state) due to students and their families' financial situations. As a result, senior administration approved an undergraduate FFTE (financial full-time equivalent) of 3,880 as recommended by the Planning Budgeting Leadership Group (PBLG) which represents a 4% decrease from the FY09 budgeted FFTE of 4,029. At Fall R+30, it was determined that undergraduate enrollment headcount (including continuing education) declined by 39 students from last year. As mentioned previously, with shifting demographics and a troubled economy, this decline was anticipated in the budget. The actual mix of in-state and out-of-state students at R+30 was slightly better than anticipated.

The following charts, graphs, and tables provide a visual and brief narrative of the major drivers in the FY10 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. Some other FY10 budget highlights include:

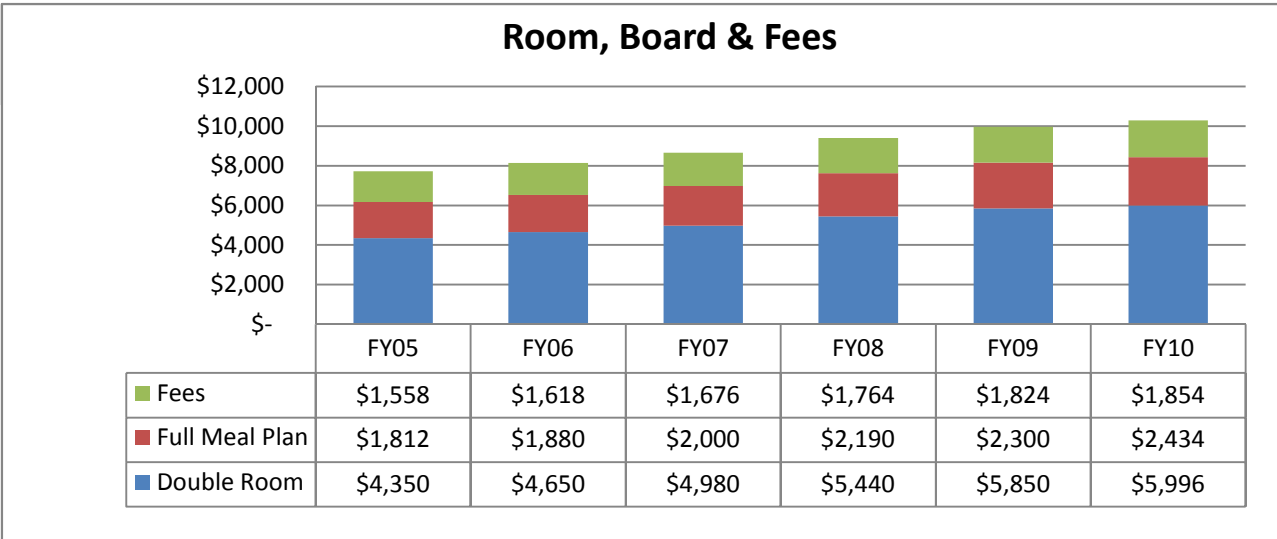
- Strategic planning activities, prioritized by groups, were provided to the President's Cabinet as a recommendation from the PBLG.
- Strategized to keep tuition and fee increases to a minimum. PSU had the lowest overall increase in tuition and fees of all the USNH residential campuses. Tuition increased 6% for in-state students and 5% for out-of-state; mandatory fees increased 3%; and room, board, and fees composite increased 4%.

- Maintained a stable work environment for faculty and staff – no mandatory reductions in staff.
- Reduced non-personnel operating expense accounts by 2%.
- Increased undergraduate financial aid by 12% to help students and families and fund meeting all need program for in-state residential students.
- Encouraged campus participation in PSU-great-ideas@plymouth.edu as a means to gather cost-saving ideas and initiatives.
- Reduced utilities budget by locking in 75-80% of energy usage for FY10 at very reasonable prices which minimized utilities expense increase from FY09 budget to less than 3%.
- Utilized internal reallocations as temporary funding resources rather than decreasing base budget.

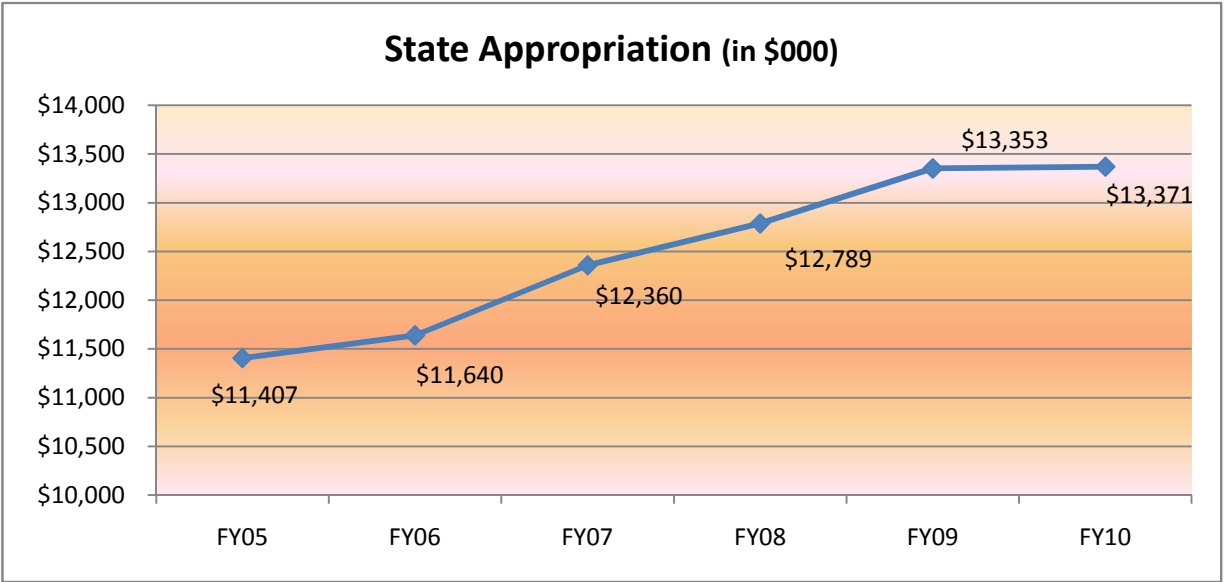
We hope this information helps you to understand the budget process and the measures that were undertaken to contain costs and enhance revenues in order to balance the FY10 budget. If you have any specific questions or need additional data, please feel free to contact Linda Dauer (535-3278) or Steve Taksar (535-2550).



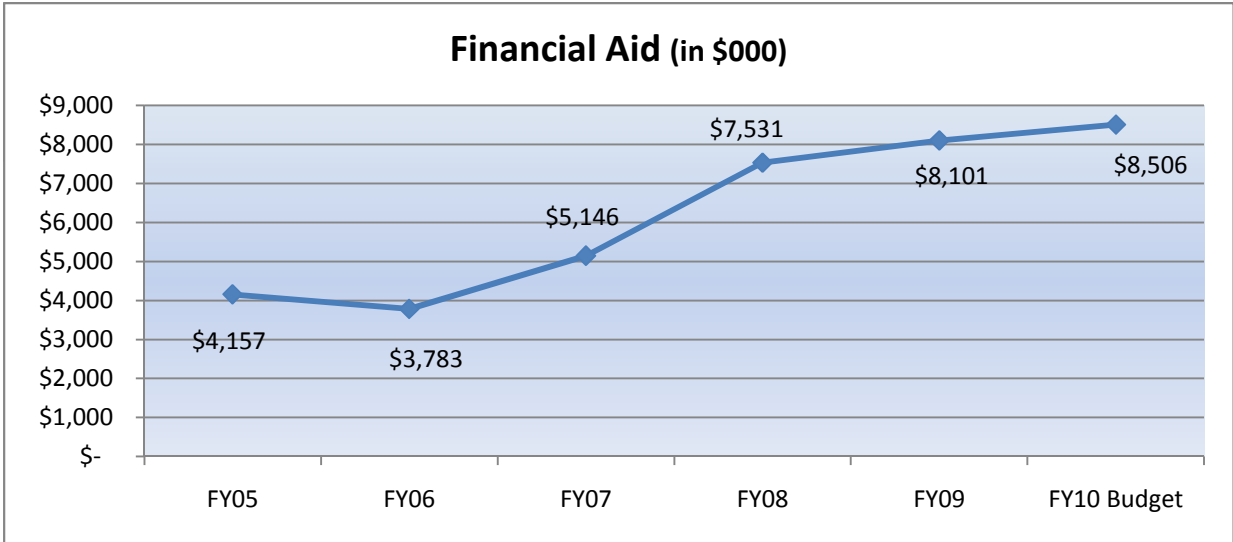
Increases in in-state rates for FY10 are 6% over the prior year and out-of-state rates are 5% higher. From FY05 - FY10, in-state tuition increased 6.7% on average per year and out-of-state increased 5.7% on average. The higher education price index (HEPI) is an inflation index designed specifically for use by higher education institutions. It is a more accurate indicator of cost changes for colleges & universities than the consumer price index (CPI). The HEPI provided above reflects Master's public institutions. It increased an average of 3.7% from FY05 - FY09.



FY10 double room rates are 2.5% higher than the prior year, board rates are 5.8% higher, and fees 1.6% higher. The total cost of room, board, & fees has increased *on average* 5.9% *per year* from FY05 to FY10. The campus community, including student leadership, worked very hard to keep room, board, and mandatory fees to a minimum. As a result, PSU's total increase in room, board, and fees for FY10 is 3.1%, the lowest increase of the three residential campuses in the system.

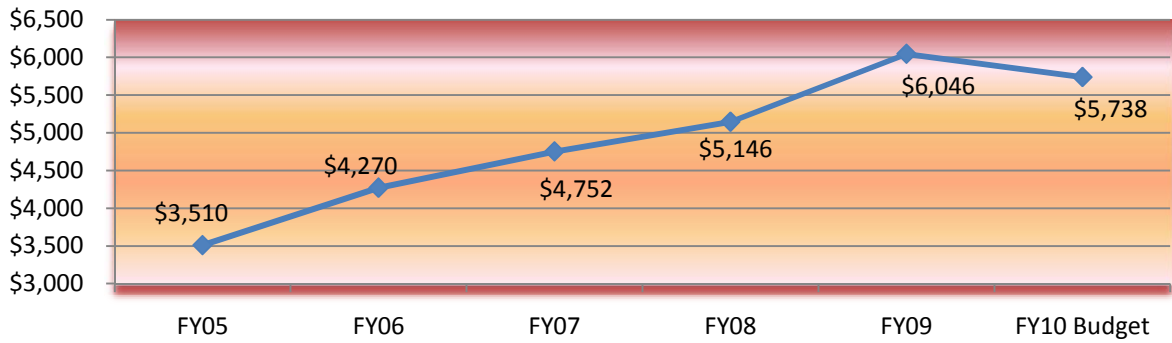


State appropriation increased modestly \$18,000, or .13%, which is formula driven. PSU's state appropriation includes a total of \$530,000 in ACE (Affordable College Effort) financial aid. It represents about 14% of PSU's overall budget. In the current economy, level funding reflects a significant commitment to public higher education on behalf of the State.



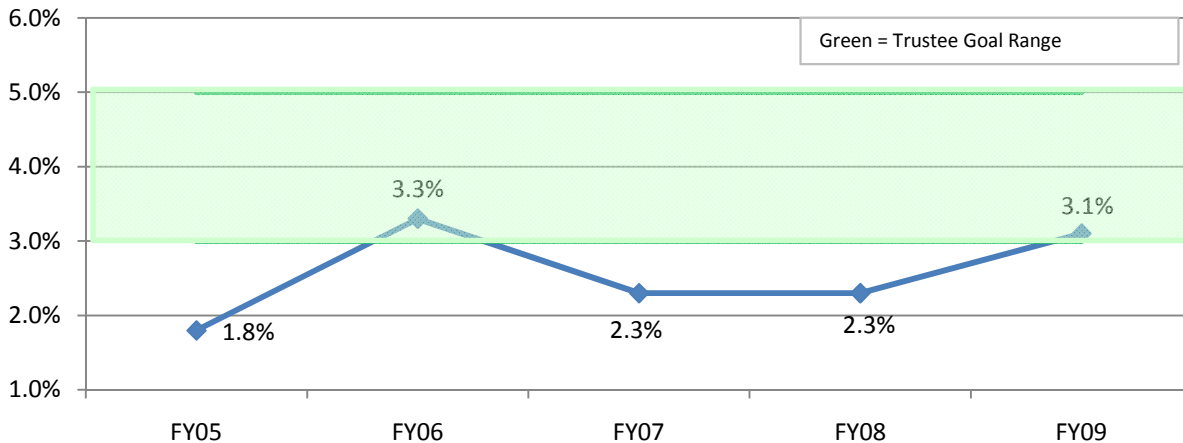
As you can see in the graph above, financial aid is a significant cost to the institution. The \$8.5 million in the FY10 budget represents \$6.6 M for undergraduate and \$1.9 M for graduate students. In an effort to help students and their families, PSU increased undergraduate financial aid by approximately 12%. Note: 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 after financial aid was applied (net number). Since FY08, graduate tuition revenues have been recorded at gross and any discounts posted as financial aid.

Utilities (in thousands)

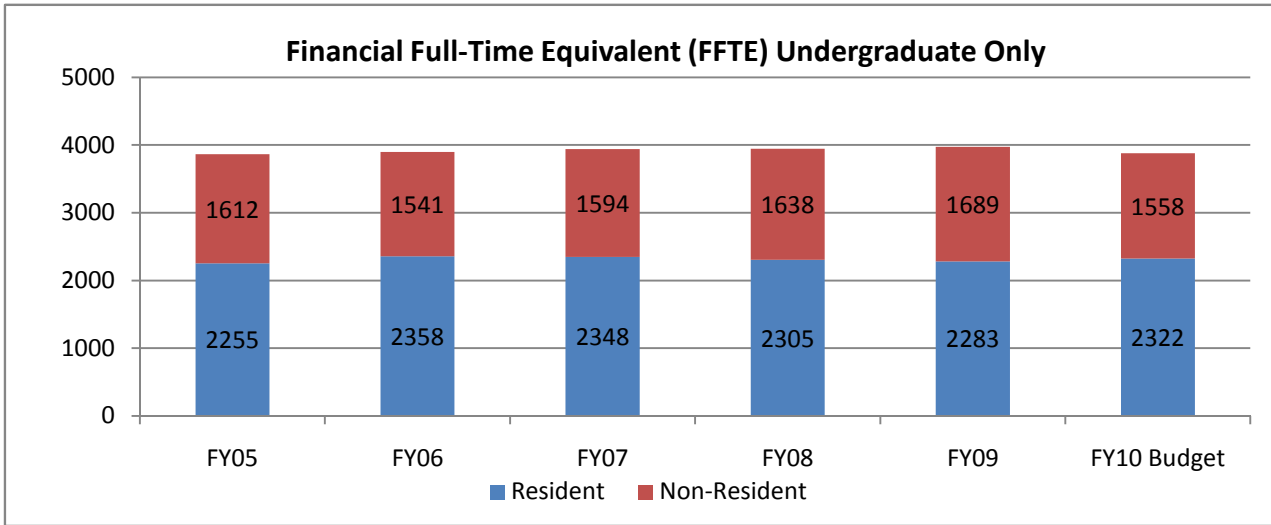


During the time period FY05 - FY09 utilities expense increased *on average 14.6% per year*. As you can see from the graph above, however, the budget for FY10 is actually 5% less than FY09 actual. PSU was able to lock in 75-80% of its energy usage for FY10 at very reasonable prices especially compared to the higher oil prices that were experienced in FY09. As always, 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.

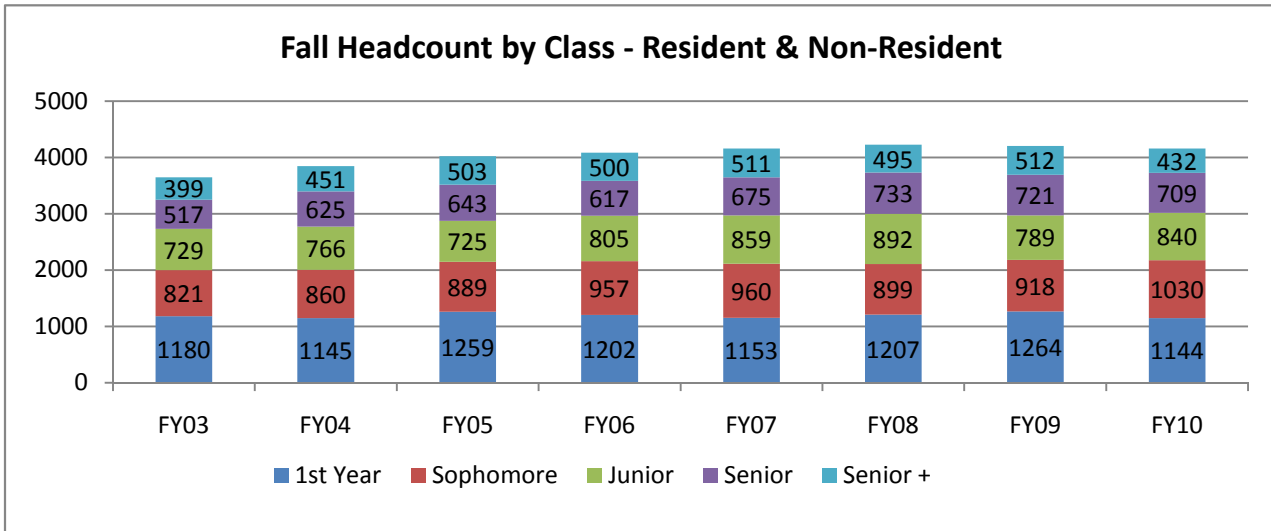
Operating Margin



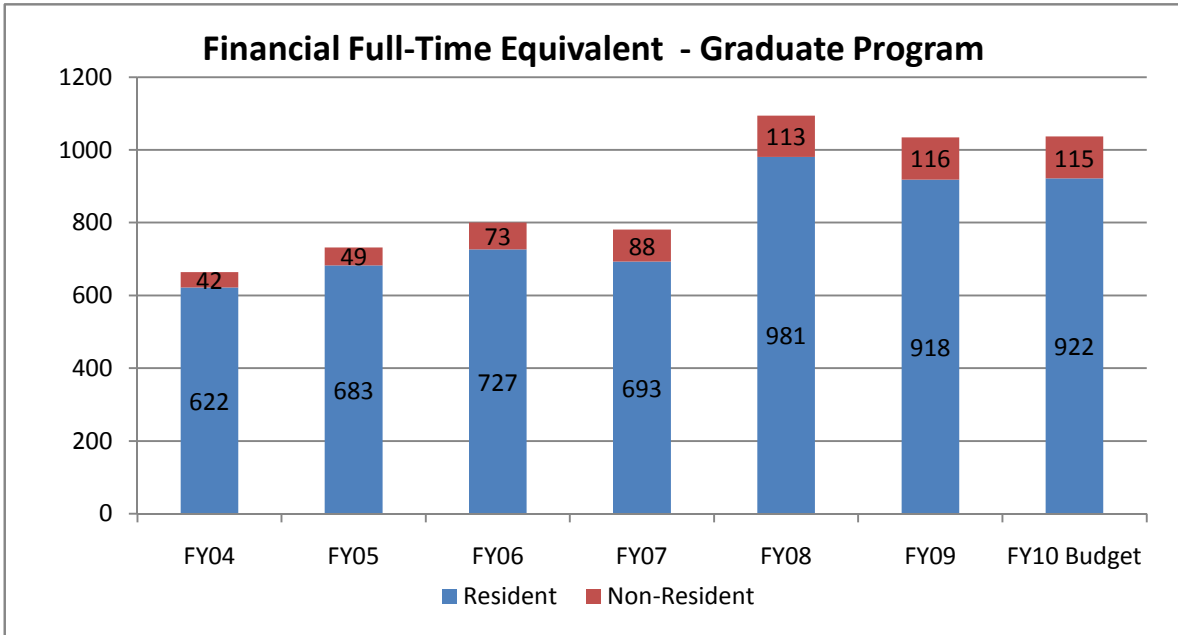
Operating margin is one of four financial strategic indicators that are monitored by USNH Board of Trustees. It measures the extent to which total recurring revenues exceed recurring expenses for the fiscal year. To be viable for the long-term, Plymouth State University must generate an adequate operating margin to cover debt principal payments and provide for continuing capital reinvestment (physical plant renewal, improvements, and equipment) while building financial resources to a level appropriate for the size of the institution in order to cover contingencies. A low operating margin indicates resources are being utilized more heavily for current operations rather than being invested for future opportunities or contingencies. PSU must carefully monitor and manage revenues and expenses to attain operating margins in the 3-5% range, as expected by system, to ensure long-term financial health. It is important for this ratio to be sufficiently positive in order to improve the other three financial strategic indicators over time.



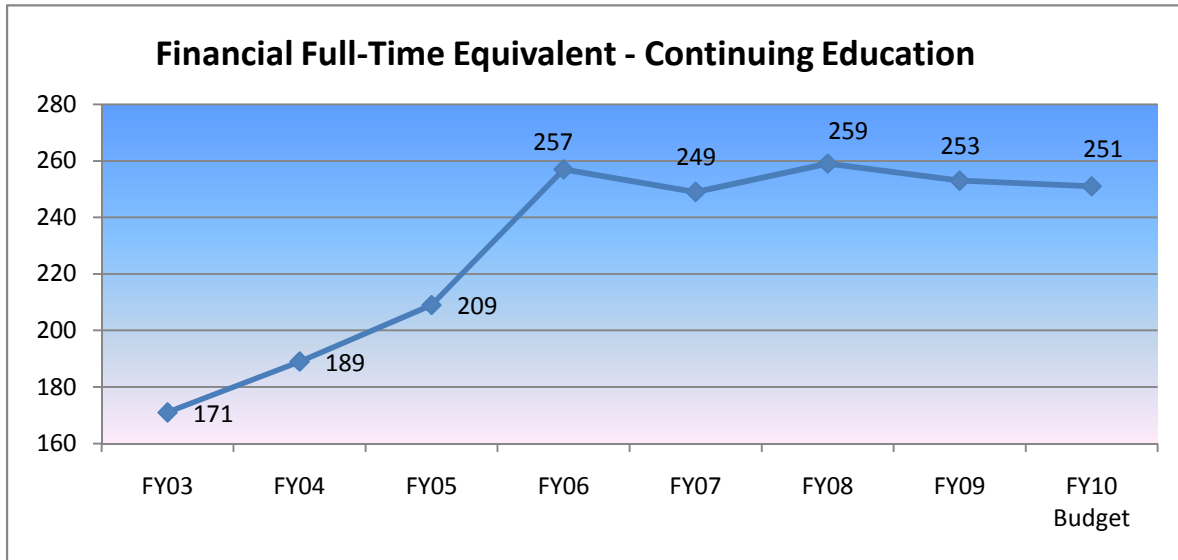
PSU's actual total undergraduate enrollment for FY09 was slightly higher than FY08, but less than budget. In FY08 the mix was 58% in-state and 42% out-of state; in FY09, 57% in-state and 43% out-of-state. PSU's goal in order to promote budget stability for the future is a mix of 55% in-state and 45% out-of-state. However, in FY10 undergraduate enrollment is budgeted to decrease by 92 FFTE as compared to last year actual due to the current economy and changing demographics. These variables are also causing the mix to change - 60% instate and 40% out of state. The budgeted drop in FFTE and the unfavorable swing in mix added financial pressure to balancing the FY10 budget.



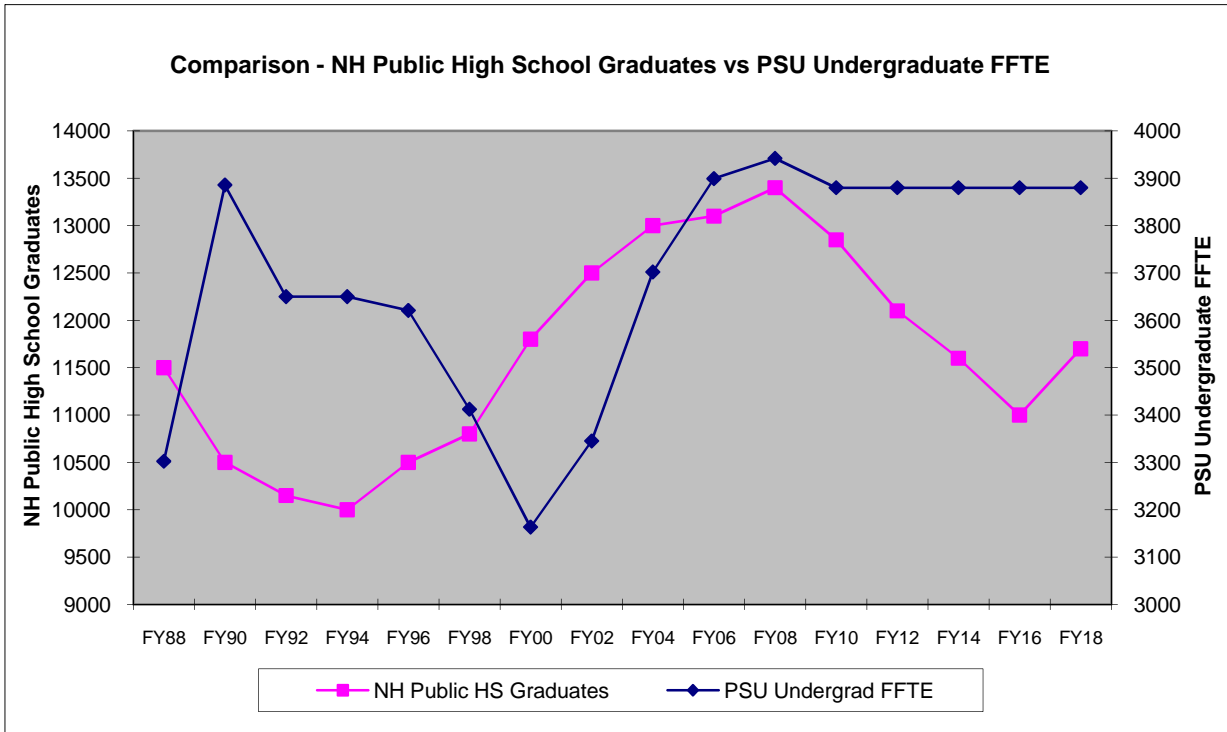
This graph shows actual fall undergraduate headcount enrollment by class for fiscal years 2003 to 2010. Over the past 8 years, the first year class has averaged 1,194 students. One of PSU's strategies has been to hold first year enrollments fairly steady and improve retention. Persistence rates for the sophomore class average 77.4% for period shown above; junior class average 90%; and senior class average 85%.



PSU has experienced significant growth in its graduate program since FY04. 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. The FY10 budget reflects that graduate FFTE is expected to remain level with FY09 actual.



Continuing education also experienced significant growth since FY03. An increase in the number of online course offerings during Summer & Winterim explains the growth after FY05. There is a drop in FFTE from FY08 to FY09 since Winterim numbers came in lower than anticipated. The Winterim calendar was "short" in FY09 and there were not as many classes available. FY10 continuing education budgeted revenues increased 5% overall as the result of a 6% rate increase and a slight drop in FFTE. Due to current economic uncertainty, it was determined to budget FFTE conservatively in FY10.



New Hampshire experienced growth in the number of college-age students graduating from high school and moving on to higher education from FY94 to FY08 as shown in the graph above. However, in FY09 that trend began to change. The number of NH high school graduates has begun to decrease until approximately FY16. Nonetheless, PSU's goal is to achieve stable enrollments over that same time. 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.

The following table is a two-year comparison of actual general fund revenues and expenses for FY08 and FY09 and the Board-approved budget for FY10. Many of the issues that have been highlighted previously in this document will stand out.

General Fund Revenues and Expenses:

	FY10 Budget	FY09 Actual	FY08 Actual
Revenue:			
Resident Undergraduate Tuition	\$ 16,254,000	\$15,065,638	\$ 14,247,606
Non-resident Undergraduate Tuition	23,034,860	23,800,634	21,838,570
New England Regional Tuition	600,000	603,084	648,130
Resident Graduate Tuition	6,454,000	6,061,492	6,065,444
Non-resident Graduate Tuition	1,744,550	1,678,089	1,549,190
Continuing Education	1,759,005	1,668,685	1,610,715
Student Fees (note 2)	3,418,790	3,074,460	3,138,412
State Appropriation	13,371,000	13,353,000	12,789,000
Indirect-Sponsored Programs	195,700	231,813	128,211
Other Invest. Income - Advancement Endowment	49,738	63,444	45,221
Short Term Interest	576,031	605,353	595,640
Sales of Educational Activity	548,560	699,788	596,520
Other Sources of Income	681,786	454,433	455,874
Transfers In	419,932	488,763	201,842
Total Revenues	69,107,952	67,848,676	63,910,375
Expense:			
Salary & Wages	34,191,758	33,640,996	31,899,366
Benefits	13,523,714	12,505,352	11,838,671
Supplies and Services	7,669,437	6,844,688	6,801,399
Financial Aid	8,506,053	8,100,596	7,531,197
Capitalizable Plant and Equipment	172,569	98,033	96,376
PPOM/ASC (note 3)	(8,920,192)	(8,308,981)	(8,042,133)
USNH System Services	2,319,343	2,167,857	2,069,080
Library Acquisitions	763,005	753,341	717,085
Utilities (note 4)	5,737,545	6,045,955	5,146,349
Transfers to Other Funds, IFB payments (note 5)	729,557	2,125,828	1,993,461
Transfer to Plant (Deferred Maintenance)	3,503,650	3,443,460	3,030,064
Reserves/Contingency	911,513		
Total Expense	69,107,952	67,417,125	63,080,915
Total Budget Variance Surplus (Deficit)	\$ -	\$ 431,551	\$ 829,460

Note: 1. FY09 revenues and expenses were included prior to the final audit and are subject to change.

2. The budget for student fees is 11% higher than last year's actual largely due to the new Deferred Maintenance fee that is being instituted in FY10.

3. 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.).

4. By locking in 75-80% of its energy usage for FY10 at very reasonable prices, PSU was able to budget 5% less than FY09 actual.

5. IFB payments = internal fund borrowing payments to the system

The following table is a two-year comparison of auxiliary funds of actual revenues and expenses for FY08 and FY09 and the Board-approved budget for FY10.

Auxiliary Fund Revenues and Expenses

	FY10 Budget	FY09 Actual	FY08 Actual
Revenue:			
Conferences & Events	\$ 204,505	\$131,344	\$ 158,395
Parking Enforcement/Shuttle	570,542	547,445	572,120
Copying Sales	26,792	3,684	4,929
Telecommunication	74,832	88,220	365,971
Residential Life	14,906,457	14,723,406	13,393,830
Dining Services	6,403,367	6,416,086	5,631,444
Hartman Union Building	3,060,800	3,227,405	3,138,763
Ice Arena	-	10,000	-
Health & Wellness	1,150,500	1,135,036	1,072,787
Total Revenues	26,397,795	26,282,626	24,338,239
Expense:			
Salary & Wages	2,785,355	2,591,355	2,609,126
Benefits	1,007,745	886,738	888,395
Supplies and Services	6,937,095	6,475,609	6,656,001
Financial Aid	485,298	446,556	421,124
Capitalizable Plant and Equipment	178,500	-	14,243
PPOM/ASC (note 2)	8,099,972	7,505,110	6,469,704
Transfers to Other Funds, IFB payments (note 3)	445,629	532,251	477,495
Annual Debt Service:			
Residential Life	4,390,091	4,382,753	4,487,107
Dining	264,314	267,634	265,709
HUB	693,563	694,253	694,277
Transfer to Plant (Deferred Maintenance)	802,390	1,935,198	1,024,000
Reserves/Contingency	307,843		
Total Expense	26,397,795	25,717,457	24,007,181
Total Budget Variance Surplus (Deficit)	\$ -	\$ 565,169	\$ 331,058

Note: 1. FY09 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)