

The slide features decorative geometric patterns in the corners. The top-left corner has a cluster of overlapping squares and rectangles in light blue, teal, and orange. The top-right corner has a cluster of overlapping squares and rectangles in orange, teal, and blue. The bottom-left corner has a cluster of overlapping squares and rectangles in orange, teal, and blue. The bottom-right corner has a cluster of overlapping squares and rectangles in orange, teal, and blue.

Sustaining Regional Colleges

Strategies for Financial Monitoring and Resiliency

SHEEO Policy Conference

August 7, 2024

<#>

About NCHEMS



The National Center for Higher Education Management Systems (NCHEMS) is a postsecondary education research and advising organization that unlocks data and evidence to help states, systems, and institutions design policies and practices to meet their goals.

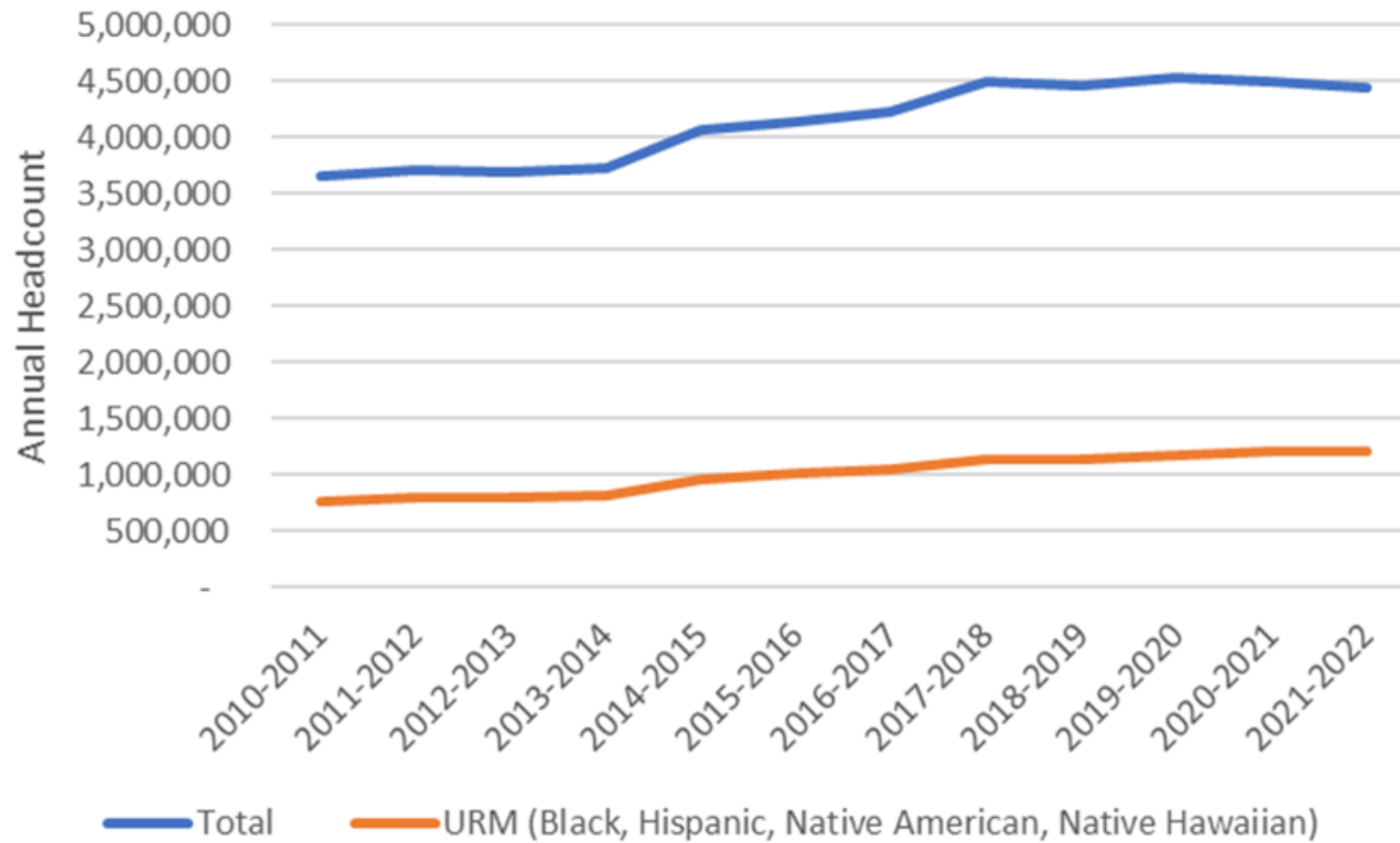


Since 1969, we've been engaging higher education leaders and state and system-level policy makers, providing the insights and intelligence they need to create and sustain successful higher education institutions and systems.

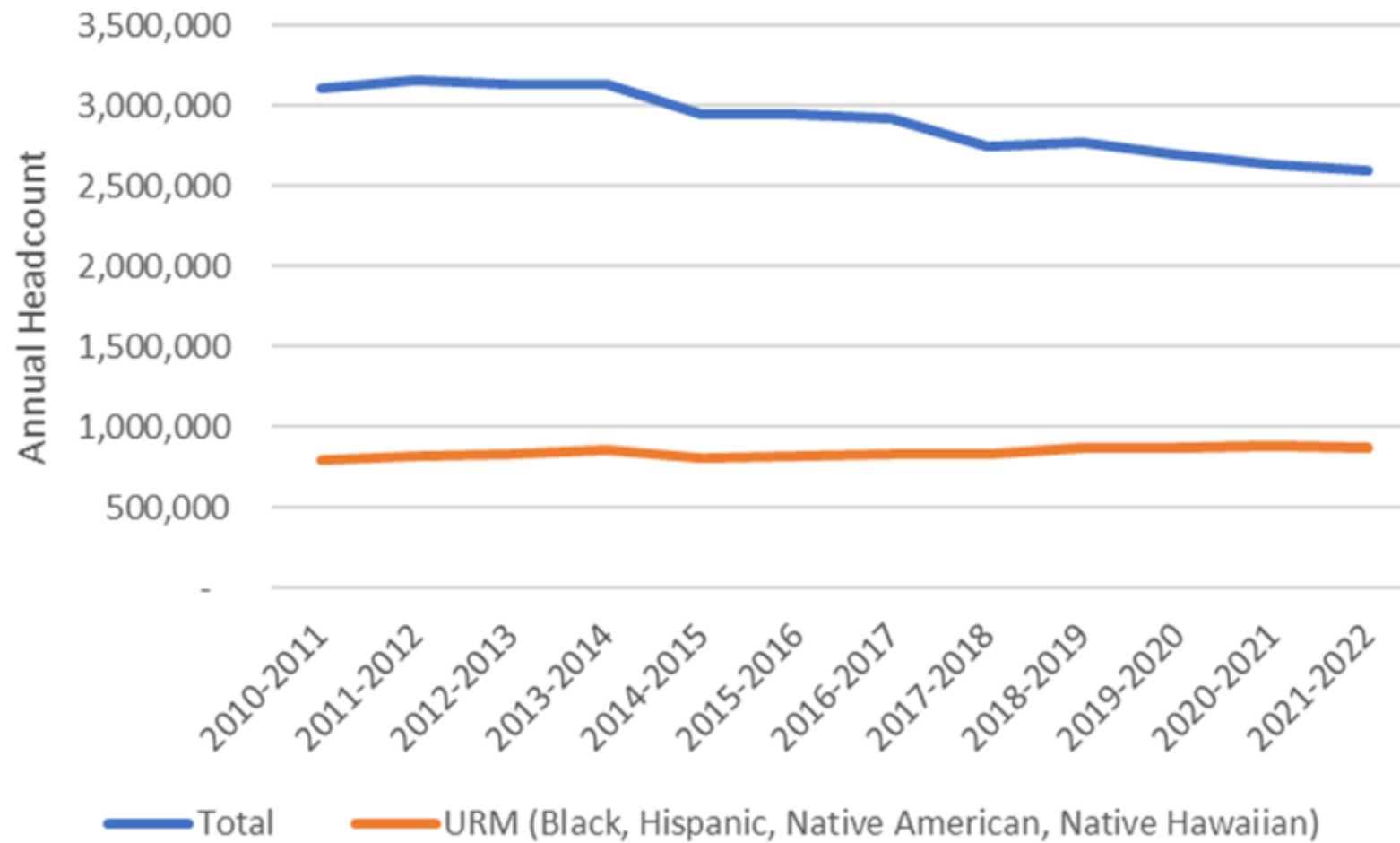
Objectives

- Examine enrollment trends in regional colleges and universities and discuss their financial implications
- Learn from three different state perspectives focused on:
 - Proactive financial monitoring
 - Proactive modeling of possible future challenges
 - One-time state investment to increase financial viability

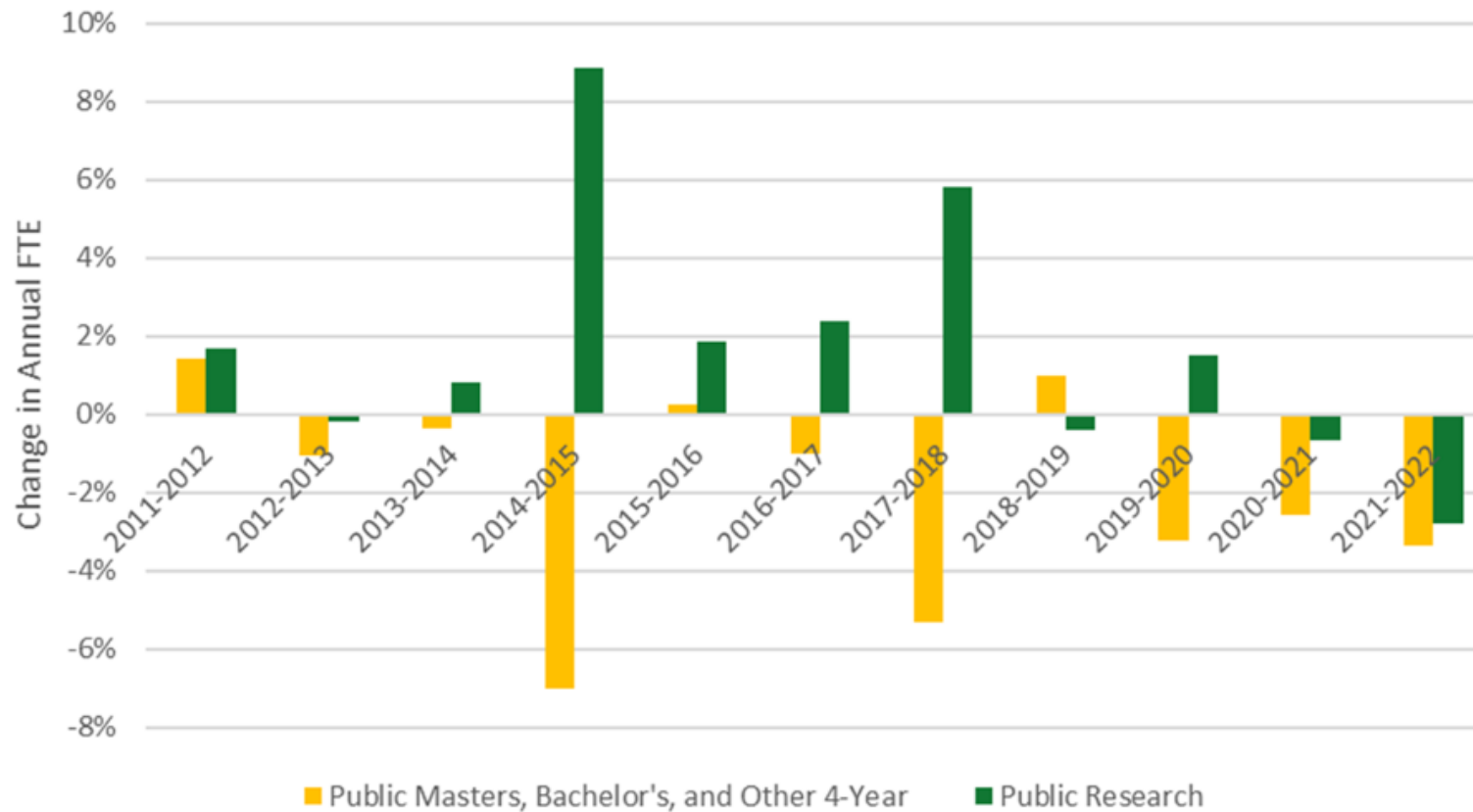
Public Research Sector Undergraduate Annual Headcount



Public Master's, Bachelor's, and Other 4-Year Sector Undergraduate Annual Headcount



Year-Over-Year Percent Change in Undergraduate FTE Students by Sector



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New Jersey

Dannielle Sesay

Director of Compliance, Office of the Secretary of
Higher Education (OSHE)

Key Legislation



OSHE was authorized through two key pieces of legislation to ensure all relevant institutions adhere to consistent financial oversight standards, promoting transparency and accountability across New Jersey's higher education sector.

PRIVATE INSTITUTIONS

P.L. 2021, Chapter 27:

Authorization: This legislation empowers OSHE to establish rules for financial assessment and risk monitoring.

Annual Assessment and Reporting: Institutions are required to submit an annual fiscal monitoring report.

PUBLIC INSTITUTIONS

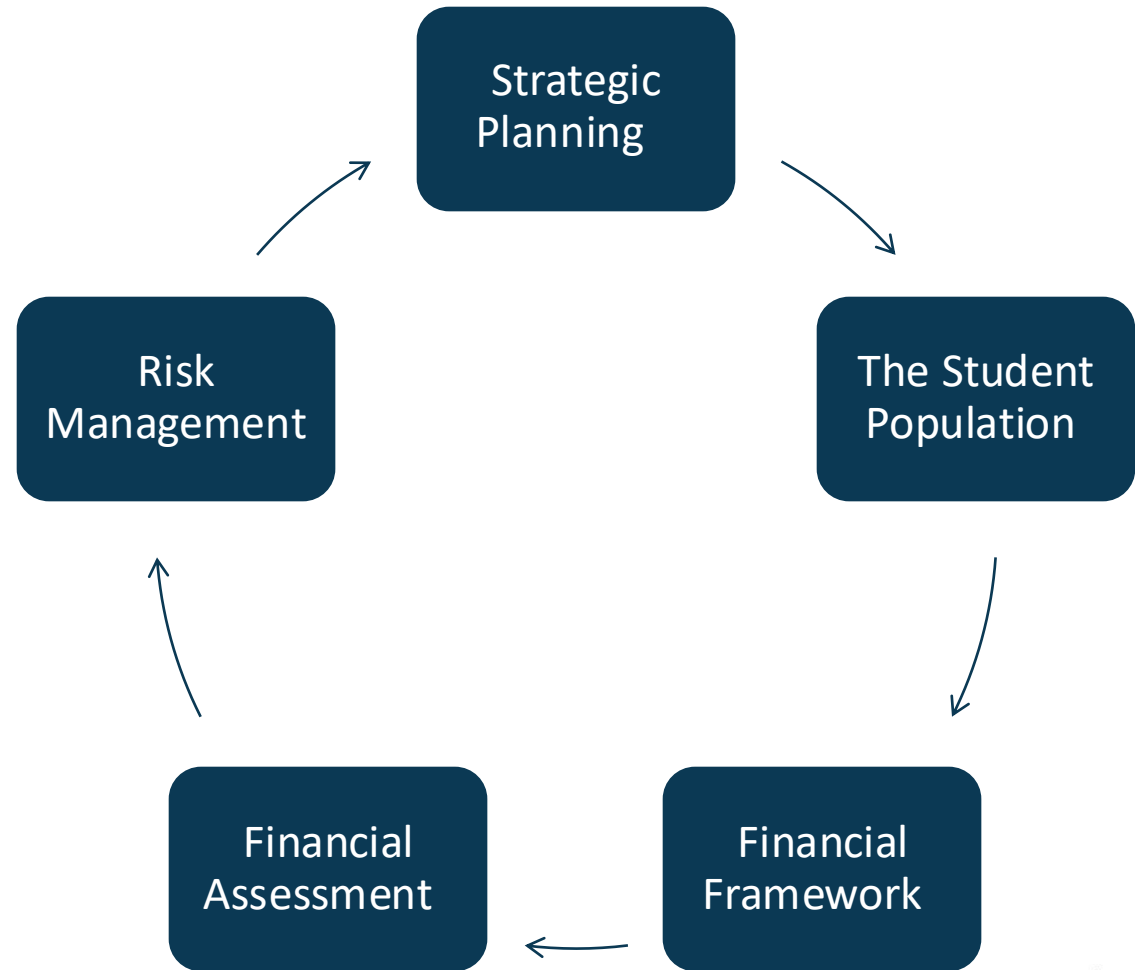
P.L. 2023, Chapter 115:

Authorization: This legislation authorizes OSHE to appoint a State monitor for certain institutions to oversee fiscal management and expenditures. It also mandates training for higher education chief financial officers.

Annual Assessment and Reporting: Institutions must submit an annual fiscal monitoring report and undergo a comprehensive audit every five fiscal years.

Financial Assessment and Risk Monitoring Survey

OSHE collects data to obtain a comprehensive overview of the financial planning, recruitment, resource management, and risk mitigation initiatives implemented by our higher education institutions.



Risk Assessment Framework



OSHE examined each institution against 12 unique metrics to categorize potential areas of deficiencies, develop measurable benchmarks, and assess them to determine the level of risk they pose to an institution.

Internal Risks

- Financial Performance
- Cash Management
- Cost Control
- Financial Reserves

External Risks

- Revenue Growth
- Enrollment
- Tuition Reliance
- Investment Performance

Compliance Risks

- Debt Affordability
- Debt Covenant
- Credit Rating
- Audit Findings

Risk Categorization

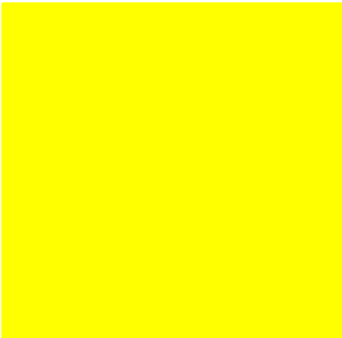


Using a rubric, OSHE classifies institutions into four risk levels from least to greatest to illustrate the potential risk of financial insolvency.



Least Risk

Risk exposure that results from one or more risk indicators.



Minimal Risk

Increased exposure to risk that results from two or more risk indicators



Moderate Risk

High exposure to risk that results from four or more risk indicators.



Greatest Risk

Evident exposure that results from six or more risk indicators.

Recommendations for Other States



OSHE has established a comprehensive framework that includes clear objectives, standardized assessment criteria, and robust data collection methods. We emphasize our commitment to refining the program through continuous improvement processes, incorporating feedback, and adapting to evolving best practices.



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South Dakota

Heather Forney

System Vice President of Finance and
Administration, South Dakota Board of Regents



SOUTH DAKOTA
BOARD of
REGENTS



South Dakota Board of Regents Facts

- Nine-member governing Board
 - Members appointed by the Governor to 6-year terms
- Govern six institutions and two special schools
 - South Dakota Services for the Deaf
 - South Dakota School for the Blind and Visually Impaired
- Fall 2023 Enrollments
 - 24,414 FTE
 - 34,372 Headcount
- Tuition and fees set by the Board every spring for the following academic year
 - Frozen tuition and fees 4 of the last 5 years
 - 3 of those years, state has contributed General Funds to assist
 - Increase of 1.1% in FY22
 - Average cost of Resident Undergraduate mandatory tuition and fees in FY24 - \$9,356
 - Average cost of Non-Resident Undergraduate mandatory tuition and fees in FY24 - \$12,815
 - We offer resident rates to students from: Minnesota, North Dakota, Colorado, Wyoming, Montana, Nebraska, Iowa, Illinois, Wisconsin, Kansas, and Missouri.



BLACK HILLS
STATE UNIVERSITY

● BLACK HILLS STATE UNIVERSITY - RAPID CITY



* SOUTH
DAKOTA
MINES



NORTHERN
STATE UNIVERSITY



SOUTH DAKOTA
STATE UNIVERSITY

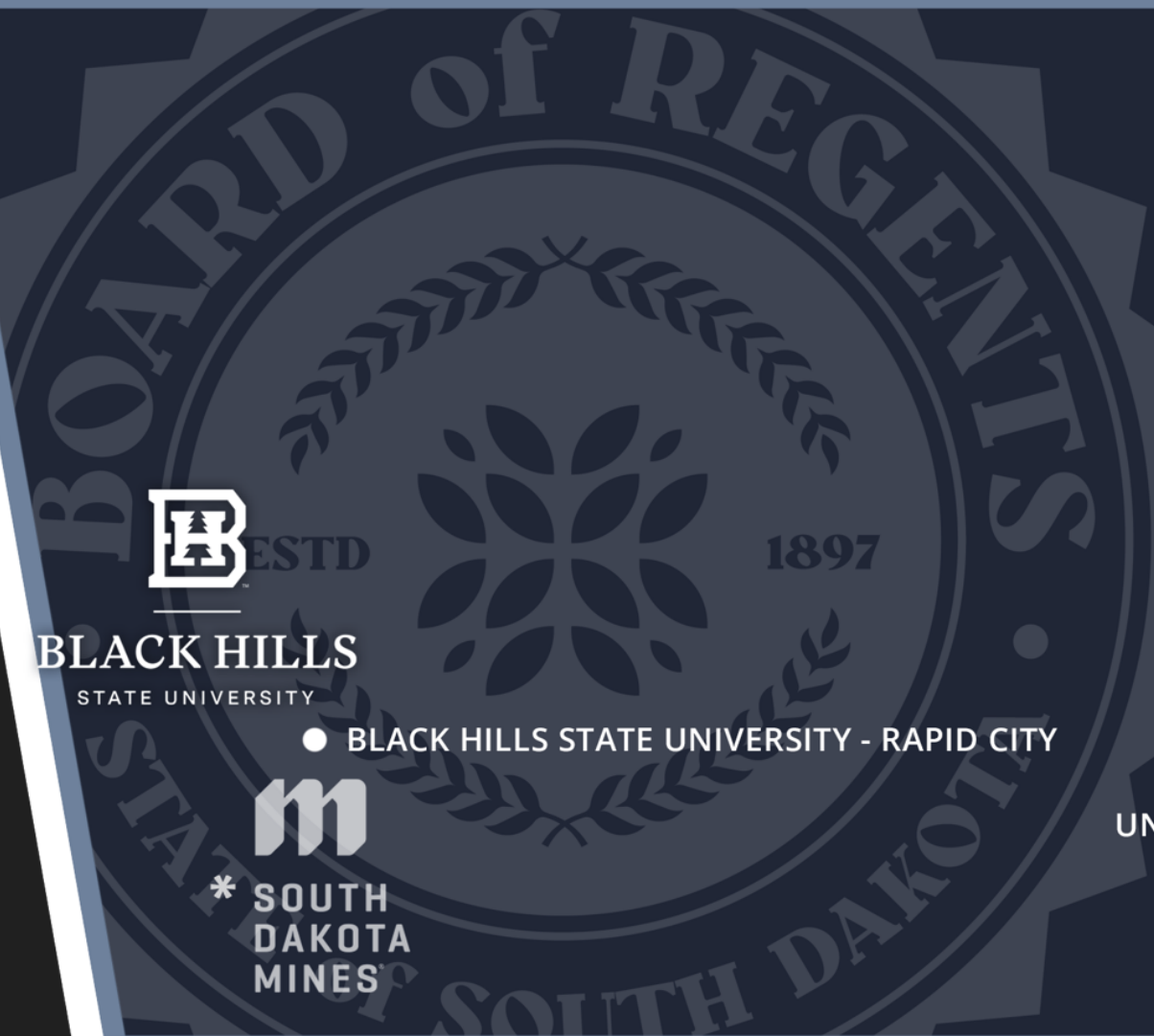


* **DAKOTA STATE**
UNIVERSITY

UNIVERSITY OF SOUTH DAKOTA - SIOUX FALLS ●



UNIVERSITY OF
SOUTH DAKOTA





South Dakota Board of Regents Financial Monitoring – Phase 1

- Began monitoring annual financial indicators in FY15 – red/yellow/green indicators
 - Cash balances
 - Uncommitted cash
 - Credit hour production
 - Debt
 - Higher Learning Commission ratios
 - Revenues
 - Expenses
 - Auxiliary System coverage ratios
- Reported to the Board with no mandatory follow-up required



South Dakota Board of Regents Financial Monitoring – Phase 2

- Began generating and reviewing monthly financial statements for each campus in FY20
- Expanded financial indicators in FY23 to include:
 - First-Time Full-Time enrollment
 - Degree seeking undergraduate enrollment
 - Change in enrollments via 3-year rolling average
 - Operating margin (without foundation)
 - Primary reserve ratio (without foundation)
 - Cash reserves breaking out tuition and fees
- Now four metrics:
 - Stable
 - Less stable 1
 - Less stable 2 – campus must respond in writing to the Board
 - Not stable – campus must meet with the Board



South Dakota Board of Regents Financial Monitoring – Phase 3

- Board is looking to further expand their monitoring by both reviewing retroactive data and forecasting the future stressors of the institutions
 - Issued RFP for stress testing in August 2023
 - Analyze prior years financial data, enrollment trends, operating expenses, net revenue by program, student FTE to faculty FTE.
 - Identify programs which are strong contributors to financial health & growth
 - Identify underperforming or resource intensive programs which may require restructuring, more funding, realignment, or potential discontinuation.
 - Develop potential adverse scenarios which could impact financial health of each university and evaluate potential impact, vulnerabilities, and critical decision points.
 - Prepare comprehensive report and actionable recommendations to improve financial resilience for each university.
- NCHEMS selected in October 2023
- Final report to the Board in December of 2024

DATA WITHOUT AN ACTION PLAN IS JUST DATA

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Oregon

Jim Pinkard

Director, Office of Postsecondary Finance and Capital
Oregon Higher Education Coordinating Commission

Setting the Stage

Changing statewide demographics are shifting the students they serve, and will be serving, in the future.

They all face enrollment challenges that will impact revenue.

They have room to grow retention.

They are currently in fragile financial positions.

Each of them have unique paths to financial sustainability that can be strengthened through collaboration.

Financial Position

“The overall picture indicates fragility although none are in a moment of emergent crisis. They are vulnerable to extraordinary financial pressures.”

Operating Losses

All have been operating at a loss for most of the five-year period analyzed.

Insufficient Reserves

Only one has sufficient reserves when compared to appropriate benchmarks.

Lack of Capacity

Even with recent improvement, they lack the ability to cover long-term debt if repayment was necessary.

Components of Funding

\$6.3 Million

Funding for the regionals to be distributed based on existing funding model for innovative proof of concept efforts.

\$18.7 Million

Special purpose appropriation earmarked for potential HECC grants to regionals to assist with long-term financial sustainability.

\$25M Total

One-time funding intended to support the universities in realigning services and resources with emerging enrollment, economic, and workforce realities.

Workgroup Process

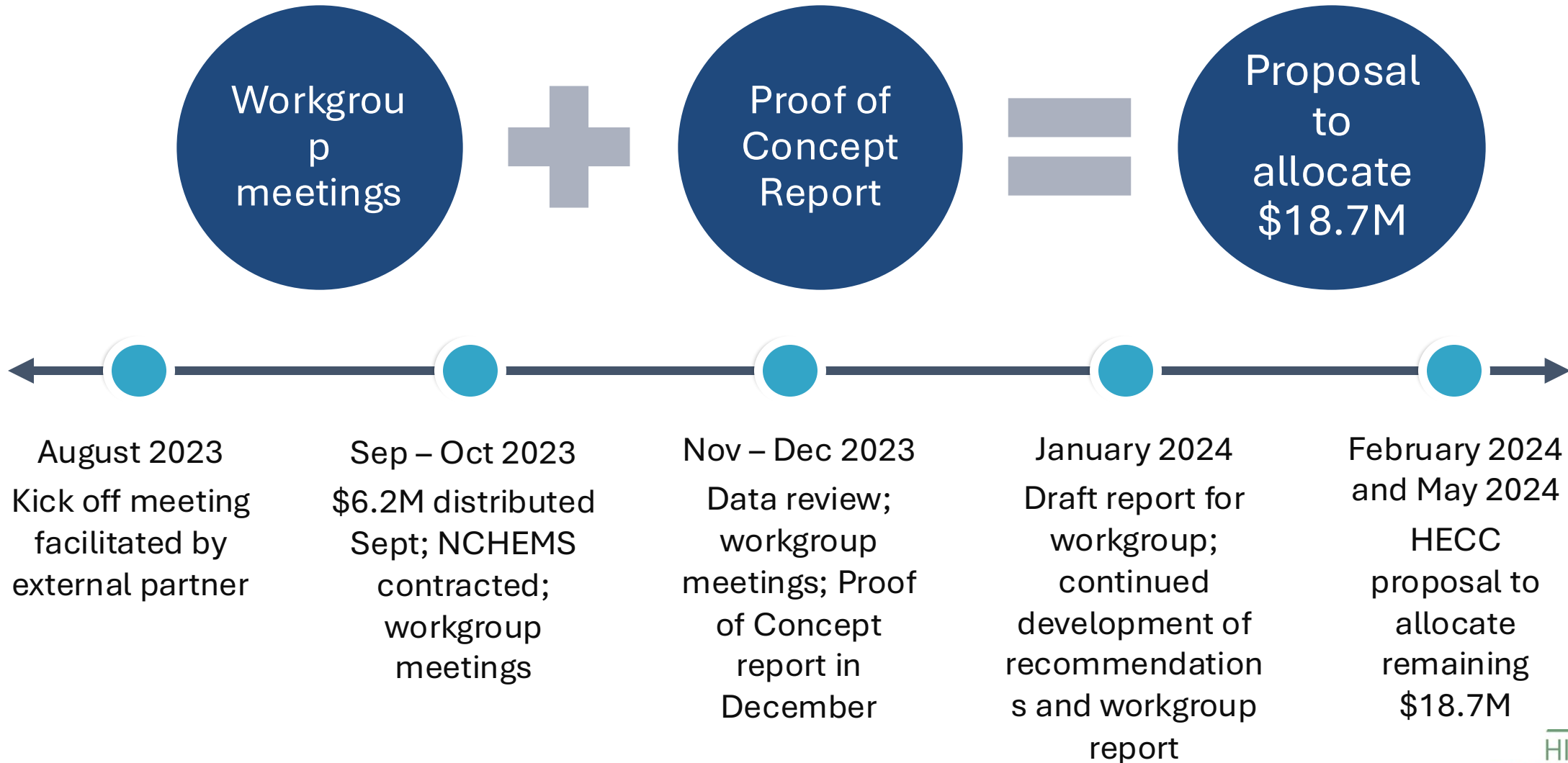
- Workgroup included all five universities plus faculty and staff unions (AAUP, AFT, SEIU, IFS) and the Oregon Student Association (OSA).
- 17 full and sub workgroup meetings from August 2023 to January 2024.
- Workgroup decisions based on consensus.
- Additional partners included through campus-level engagement.

Acronyms: AAUP is the American Association of University Professors. AFT is the American Federation of Teachers. SEIU 503 is the Service Employees International Union. IFS is the Interinstitutional Faculty Senate.

Additional Information

- ✓ An external partner facilitated workgroup meetings and collaborated with members to develop consensus.
- ✓ NCHEMS charged with workgroup engagement, gathering and analysis of information and options. Drafted workgroup report.

Workgroup Timeline



Proof of Concept Report

- Met legislative deadline (Dec 2023).
- One report for all five universities.
- Included projects for the \$18.7M.

- Since the funding was received in September 2023, there is little information on outcomes.
- Report includes spend plans, detailed expectations, and proposed measures for success.

Key Takeaways

Many of the projects align with existing efforts or a future direction already planned.

NCHEMS noted they were worth pursuing, but failing to understand their potential impact is a missed opportunity.

Evidence suggests collaboration is key; report proposes to use some funding for collaborative projects, but none were noted.

HECC Recommendations

Release the \$18.7 million for grants to the regional universities.

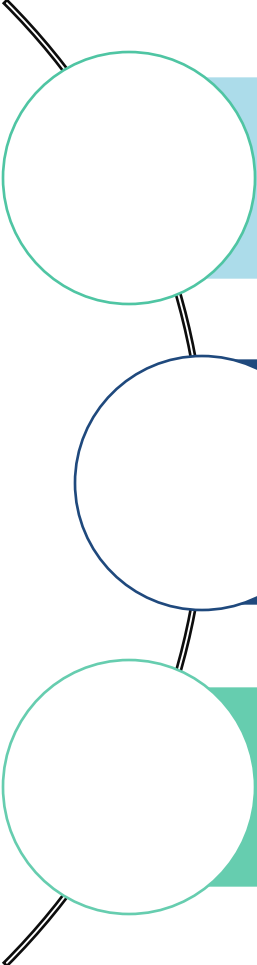
Funding will be awarded based on a structured process for projects focused on enrollment, student success and retention, administrative services and efficiencies, and workforce development.

Each regional will be eligible for a limited amount of funding with \$2.5M reserved for collaborative projects. Grants will be awarded by June 30, 2025.

“The past is not prologue for the future of regional public higher education. While the fundamental reason for the creation of public institutions remains, the needs they were created to address have changed. The future requires them to consider how they may have to change to adapt.”

NACUBO and Baker Tilly, *Path to Sustainability* Project, 2023.

Key Takeaways



Focus on a larger viability plan. Driven by governing boards, informed by campus partners, require financial sustainability assessments*.

Is a proactive transformation with limited, one-time state funding even possible? Over what timeframe and with how much funding? What is possible for state involvement?

Ensure the intent is clear. Clarify principles, desired outcomes, boundaries, and expectations up front and consistently throughout.

*For more information and related tools: NACUBO and Baker Tilly, *Path to Sustainability Project*, 2023.

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