# The Intersection of Fiscal Responsibility and Institutional Mission

Dannielle Sesay, Pamela Carriveau, and Louisa Hunkerstorm

Policy Conference - August 13, 2025



### Who We Are



Dannielle Sesay
Director of Compliance
New Jersey Office of the
Secretary of Higher Education
dannielle.sesay@oshe.nj.gov





Pamela Carriveau
Associate Vice President for Academic
Programming
South Dakota Board of Regents
Pamela.Carriveau@sdbor.edu





Louisa Hunkerstorm
Senior Associate
National Center for Higher Education
Management Systems (NCHEMS)
louisa.hunkerstorm@nchems.org





# Navigating Uncertainty

Fiscal responsibility and institutional mission must be integrated to sustain relevance, resilience, and results



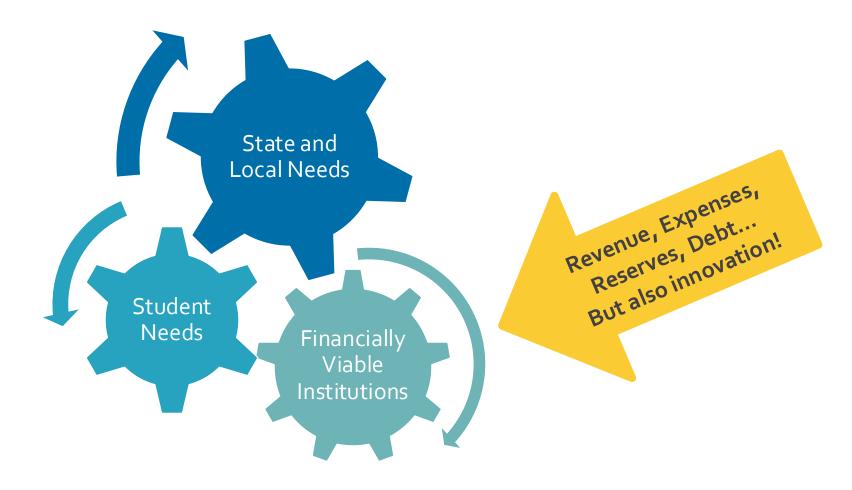








### Financial Viability in Context







# Macro-Level Approach to Financial Assessment and Risk Monitoring (FARM)

**Dannielle Sesay** 





# Overview of the Governing Framework

#### Independent and Proprietary Institutions

#### Legislation

P.L. 2021, Chapter 27 authorizes OSHE to adopt rules for financial assessment and risk monitoring.

#### **Applicability**

Covers all independent and proprietary institutions offering academic degrees in New Jersey.

#### **Annual Assessment and Reporting**

Institutions submit monitoring reports and OSHE assesses financial and non-financial information annually.

#### Secretary's Actions

Determines whether institution is at risk of imminent closure. If yes, institutions must submit a contingency plan for closure or a risk mitigation plan.

#### **Public Institutions**

#### Legislation

P.L. 2023, Chapter 115 authorizes OSHE to appoint a State monitor of certain institutions to oversee the fiscal management and expenditures. It additionally requires higher education chief financial officers to complete training.

#### **Applicability**

Covers all State colleges or universities and all county colleges offering academic degrees in New Jersey.

#### **Annual Assessment and Reporting**

Institutions must submit to a comprehensive audit every five fiscal years and submit an annual fiscal monitoring report.

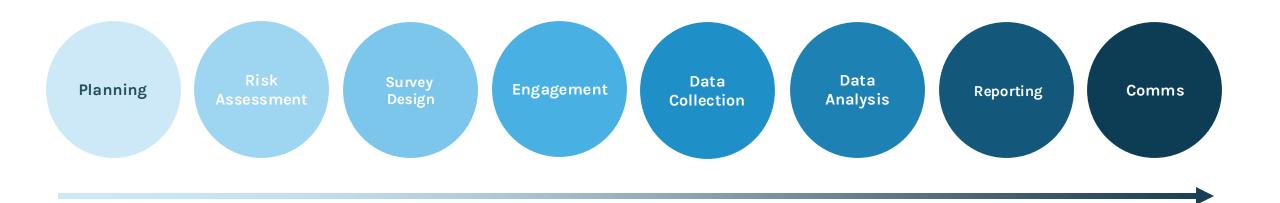
#### Secretary's Actions

Determines whether conditions exist within the institution that significantly or negatively impact its operations. If yes, a state monitor may be appointed.

**2025 Policy Conference** 

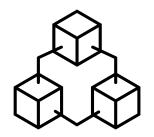
# Overview of the Implementation Process

There are eight key steps in the financial assessment and risk monitoring process:



## **FARM Risk Modeling**

OSHE uses risk modeling to help our institutions assess and scenario plan their risk elements, determine likely financial impacts and develop relevant risk mitigation strategies.



#### **Risk Model Data**

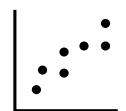
- Internal risk data
- External risk data
- Compliance Risk data





Combines inputs and benchmarks to assess expected severity outcomes:

- Acceptable
- Tolerable
- Undesirable
- Intolerable



### **Risk Output**

Evaluates risk metrics and severity to place risks into four categories:

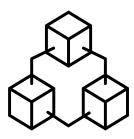
- Least Risk
- Minimal Risk
- Moderate Risk
- Greatest Risk



Compares financial reserves to total debt,

assessing institutional capacity to weather

market disruptions.



### Risk Model Data

Performance

Today's higher education leaders face the dual challenge of managing immediate financial pressures while preparing for long-term disruptions. This risk model integrates internal operations, external trends, and compliance metrics to help institutions anticipate challenges and respond with agility.

**Audit Findings** 

strength.

#### **Internal Risk External Risk Compliance Risk** Evaluates the change in operating revenue, Financial Evaluates **financial stability** over the past three Assesses the **debt service ratio** to operating Debt Revenue indicating adaptability to fluctuating market expenses, indicating the institution's debt years using a composite score that reflects Performance Affordability Growth institutional resilience. and funding conditions. burden and flexibility. Tracks student enrollment trends, reflecting Evaluates adherence to borrowing terms, Cash Assesses the change in cash and cash Enrollment institutional competitiveness and shifting Debt Covenant flagging risks to continued access to capital. equivalents, indicating the institution's liquidity Management demographics. and ability to absorb shocks. Measures dependency on tuition revenue, Measures external assessments of Tuition Cost Control Measures the change in operating expenses, highlighting vulnerability to enrollment and Credit Rating creditworthiness, offering insight into Reliance reflecting how well the institution can manage pricing shifts. perceived institutional risk. costs amid uncertainty. Analyzes liquid investment income changes, Investment Reviews the outcomes of external audits,

indicating the institution's ability to generate

non-operating revenue amid market volatility.



assessing control effectiveness and compliance

Financial

Reserves



### Risk Model

Our risk model offers a strategic framework for financial planning, investment evaluation, and institutional sustainability.

#### **Internal Risk**

Financial Performance	□ CFI ≤ 7.0 □ CFI 4 − 6.99 ■ CFI 1 − 3.99 ■ CFI <0.99
Cash Management	<ul> <li>□ Increase/change &lt;5%</li> <li>■ Reduction 5-10%</li> <li>■ Reduction 10-20%</li> <li>■ Reduction &gt;20%</li> </ul>
Cost Control	<ul> <li>□ Reduction/change &lt;5%</li> <li>□ Increase 5-10%</li> <li>□ Increase 10-20%</li> <li>□ Increase &gt;20%</li> </ul>
Audit Findings	<ul> <li>No Findings</li> <li>Findings but no Written Opinion</li> <li>Findings with Written Opinion</li> <li>Findings without Provided Written Opinion to OSHE</li> </ul>

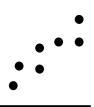
#### **External Risk**

Enrollment	□ Positive/change < 5% ■ Reduction 5-10% ■ Reduction 10-20% ■ Reduction > 20%
Tuition Reliance	□ <60% ■ 60-75% ■ 75-90% ■ 90%
Revenue Growth	□ Increase/change <5% ■ Reduction 5-10% ■ Reduction 10-20% ■ Reduction >20%
Debt Covenants	<ul> <li>No Debt Covenant</li> <li>Debt Covenant in Compliance</li> <li>Noncompliant within the last three fiscal years</li> <li>Noncompliant Debt Covenant</li> </ul>

#### **Compliance Risk**

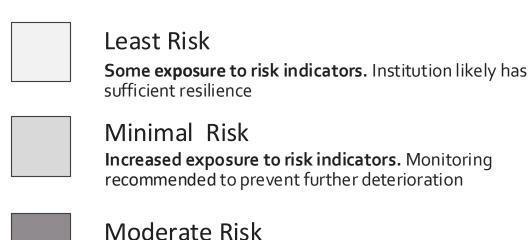
Debt Affordability	□ < 5% ■ 5-10% ■ 10-15% ■ 15%
Financial Reserves	□ ≥125% ■ 100-125% ■ 75-100% ■ <75%
Investment Management	<ul> <li>□ Increase/reduction &lt;5%</li> <li>■ Reduction 5-10%</li> <li>■ Reduction 10-20%</li> <li>■ Reduction &gt;20%</li> </ul>
Credit Rating	<ul> <li>No Debt or AAA to BBB</li> <li>Not Rated or Withdrawn Rating</li> <li>BB to CCC</li> <li>CC or Default (D) or Breach.</li> </ul>

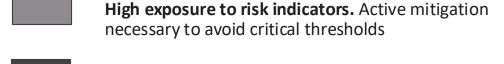




## Risk Output

OSHE classifies institutions into one of the following four risk categories, from least to greatest to illustrate the potential risk of financial insolvency.









# **FARM Risk Mitigation**

OSHE coordinates with institutions with risk modeling to help our institutions with undesirable and intolerable risks. To facilitate better alignment, OSHE shares best practices on risks and risk interdependencies that threaten institutions financial viability and impacts their growth.



**Risk Planning -** Design and build a Risk Mitigation Plan (RMP) that outlines the shorter-term (annual) initiatives to protect institutions operations, brand and market reputation.

**Due Diligence** - Confirm that the institution has established key performance indicators, implemented actionable strategies, and is actively mitigating identified risks.

**Ongoing Monitoring -** Develop and present an executive level summary of the identified issues, strategies employed, and progress monitored in the subsequent fiscal year.



### What we're watching...



#### Enrollment and Tuition Dependency

**High Sensitivity to Enrollment Declines:** Institutions with high tuition reliance are vulnerable to demographic shifts and pricing elasticity.



#### Grants and Contracts (Revenues)

External Funding Declines Constrain
Operations: Diminishing grant revenues
limit innovation and mission-aligned
programming.



#### **Operating Costs**

Affordability Pressures Shrink Margins: Tight operating margins challenge institutional capacity to maintain quality and competitiveness.



#### Credit Quality and Debt Levels

Elevated Debt Weakens Flexibility: High debt loads and poor credit ratings increase long-term costs and reduce strategic agility.



#### **Assessment Culture**

**Data-Informed Institutions Are More Resilient:** Internal reviews and benchmarking enable proactive planning and risk mitigation.



#### Risk Management and Compliance

Compliance Lapses Can Be Costly: Governance failures or third-party violations jeopardize continuity and reputation.



#### Financial Flexibility and Liquidity

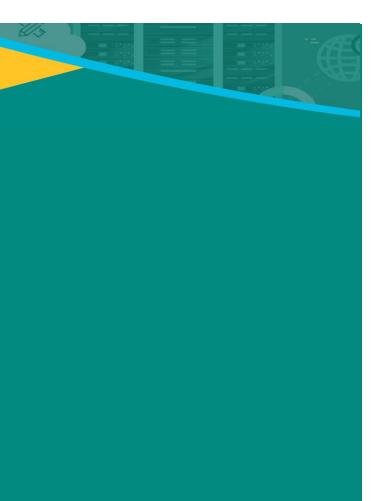
**Liquidity Underpins Stability:** Metrics like days cash on hand reflect institutional readiness for fiscal shocks.



#### Deferred Maintenance and Capital Projects

Deferred Maintenance Increases Future Risk: Underinvestment leads to rising costs, safety concerns, and declining student appeal.





# Institution-Level Financial Viability and Scenario Planning

Louisa Hunkerstorm







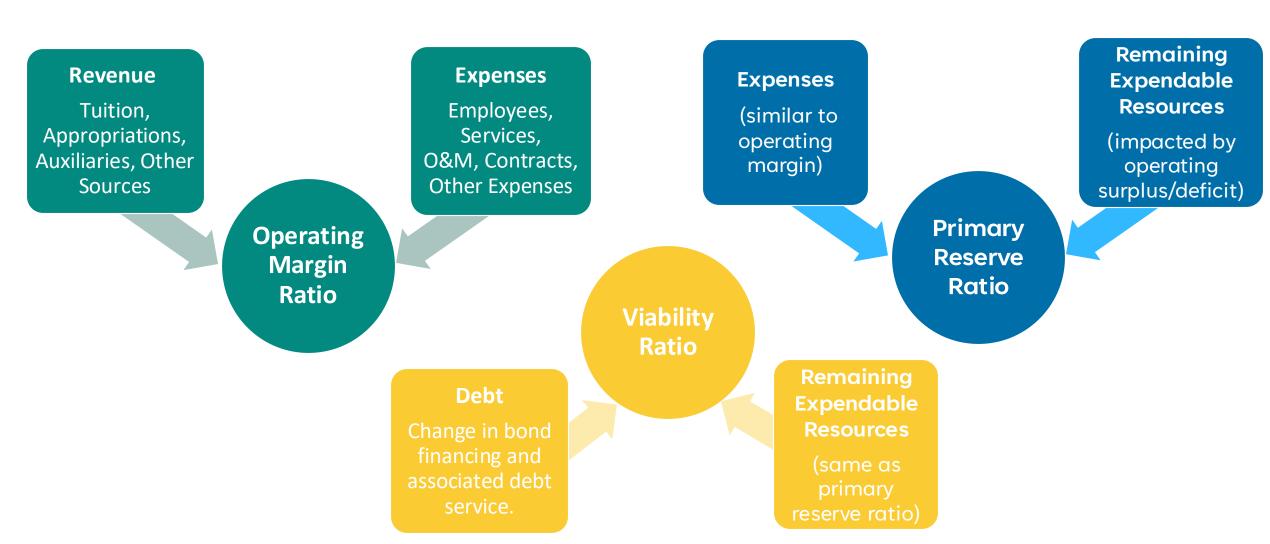
# Planning for Uncertainty

# What would an institution's financial health look like if...

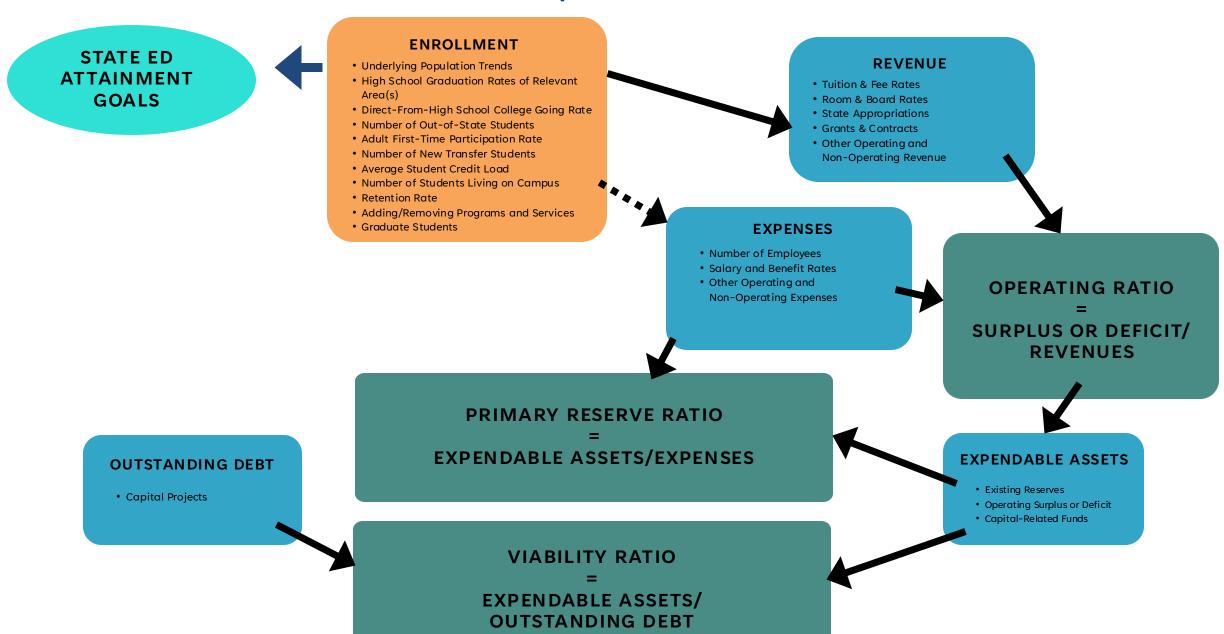
- Enrollment dropped 15%?
- State appropriations shrunk?
- Salaries and benefits increased but revenue did not?
- Revenue declined but staffing stayed the same?
- Some combination of these scenarios?



## Financial Health Modeling ("Stress Test")



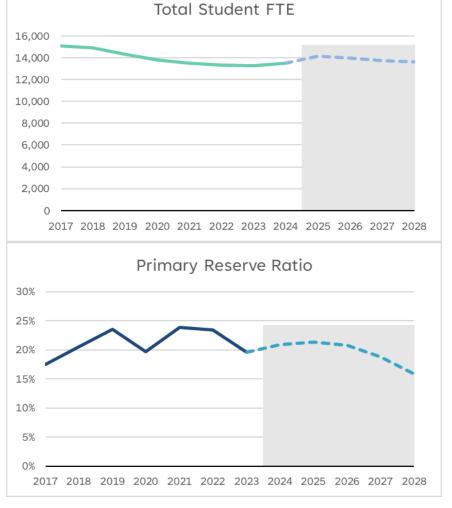
### "Stress Test" Concept to Variables and Math

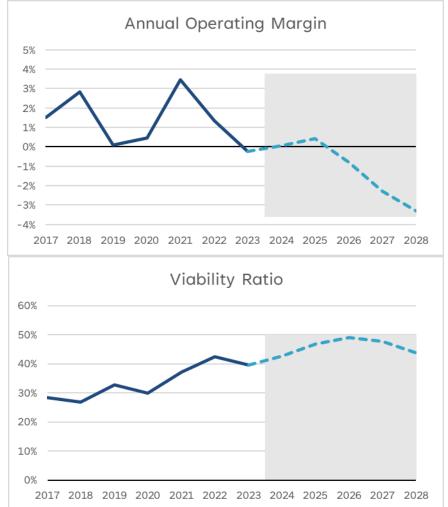


# What It Looks Like

	Baseline Scenario								
	Select Institution								
	Pheasant State U								
		Actu	ıal		Proj	ected			
	Variables	2022	2023	2024	2025	2026	2027	2028	
Enrollment	High School graduation rates of relevant area	89.0	88.5	88.9	89.2	89.0	89.0		NCHEMS-WICHE Projections
	College-going rate (in-state, directly from HS)	7.2	7.3	7.7	7.3	7.4	7.4	7.4	NCHEMS Projections
	Number of out of state students direct from HS	1,490	1,537	1,528	###	###		1,433	NCHEMS Projections
	Number of first-time in state adult students	34	30	29		_	31	30	NCHEMS Projections
	# of new transfer students	1,112	1,034		_	###			NCHEMS Projections
	Retention Rate	71.8	77.7	75.6	_	_			NCHEMS Projections
	Number of students living on campus	5,512	5,612	5,847	_	_			5-year average (fixed)
	Total Undergraduate FTE (excluding dual)	11,257	11,221	11,409	_	_			NCHEMS Projections
Enrollment	Dual FTE	555	593	687		_	618		NCHEMS Projections
	Grad student FTE	1,491	1,433	1,407	_	###			NCHEMS Projections
	Total Student FTE	13,303	13,247	13,503	###	###	###	13,605	
Revenue Variables	Undergraduate Tuition/Fees/Pell per student FTE	\$9,443	\$9,264	\$9,264	###	_	###		Freeze at current rate
	Dual Tuition/Fees per student FTE	\$4,350	\$4,350	\$4,350	###				Freeze at current rate
	Graduate Tuition/Fees/Pell per student FTE	\$10,944	\$10,326	\$10,326	###	_		- ,	Freeze at current rate
	Auxiliaries revenue and vehicle fees per student living on campus	\$8,179	\$8,356	\$8,356	###	###	###	\$8,356	Freeze at current rate
		2000	2022	2024	2025	2026	2027	2020	
Revenue	Undergraduate Enrollment-related revenue (Tuition, Fees, Pell)	\$106,300,074	\$103,951,810			2026		2028 \$106,957,500	
Revenue	Dual Enrollment-related revenue (\$145 per credit)	\$2,412,220	\$2,580,130	\$2,987,580	_	_	###		
	Graduate Enrollment-related revenue (Tuition, Fees, Pell)	\$16,316,818	\$14,796,955	\$14,528,483	_	_		+-,,	
	Auxiliaries revenue and vehicle fees	\$45,081,312	\$46,895,285	\$48,859,004	_	_		- , ,	
	State General Fund- Base	\$110,884,395	\$121,774,642	\$120,894,642	_	_		\$134,990,228	Linear trend
	Grants & Contracts	\$85,756,005	\$106,119,434	\$85,662,321	###	_	###		5-year average (fixed)
	Other Operating Revenue	\$37,775,528	\$42,904,622	\$36,014,364	_	###		- , ,	5-year average (fixed)
	Other Nonoperating Revenue (Depreciation, Amortization, Asset	,		,,					
	Disposal, etc)	\$28,982,020	\$11,391,704	\$18,860,001	###	###	###	\$18,860,001	5-year average (fixed)
	Total Revenue	\$437,257,867	\$453,791,760	\$437,191,268	###	###	###	\$450,552,681	
Expense Variables	Employee FTE: enrollment-related	1581	1575	1575	1575	1575	1575	1575	Current level plus X% per year; Type here → ∨
*"Enrollment-related" includes	Employee FTE: Auxiliary	123	118	118	_	118		118	Current level plus X% per year; Type here → ∨
Instruction, Student Services,	Employee FTE: non-enrollment-related	1204	1238	1238	1238	1238	1238	1238	Current level plus X% per year; Type here → ∨
Academic Support, and	Average employee salary	(\$66,538)	(\$71,306)	(\$71,320)	###	###	###	1 / /	Linear trend
Scholarships/Fellowships	Average employee benefits	(\$15,834)	(\$16,882)	(\$17,822)		_	###		Linear trend
Functions	Employee FTE per 100 Student FTE	21.9	22.1	21.7	20.7	21.0	21.4	21.5	(FYI)
		2022	2023			2026		2028	
Expenses	Personal Services total	(\$239,560,858)	(\$258,531,436)		_	_			calculated based on above selections
	Depreciation	(\$37,317,751)	(\$39,259,206)		_			1- /	5-year average (fixed)
	Other Operating Expenses	(\$153,974,481)	(\$156,539,451)						5-year average (fixed)
	Nonoperating Expenses	(\$486,492)	(\$460,449)	(\$1,016,515)	_	_			5-year average (fixed)
	Total Expenses (excluding capital interest)	\$ (431,339,584)	(\$454,790,541)	(\$436,891,678)	###	###	###	#########	
	FYI Expenses from published financial statements that have been excluded	(\$6,859,819)	(\$13,028,348)						
	excluded	(\$0,859,819)	(\$13,028,348)						
	Operating Surplus or Deficit (Revenues-Expenses)	\$5,918,283	(\$998,781)	\$299 590	###	###	###	(\$14,812,045)	
=(Revenues-Expenses)/Revenues		1.4%	-0.2%			###		-3.3%	

### Pheasant State University Baseline Scenario









# Micro-Level Approach to Integrating Financial Viability into Program Productivity Analysis

Pamela Carriveau





### South Dakota Program Productivity Review

- South Dakota: Large and Rural
- Mission Driven
  - Land Grant (SDSU) and Flag Ship (USD)
  - Specialized Institutions (SDSMT and DSU)
  - Comprehensive Regional (BHSU and NSU)
  - Statutory Requirements
  - Well-Integrated Regental System
- Financial Responsibility
- Workforce Development





# SDBOR Program Productivity Policies

- SDBOR Policy 2.3.4 Academic Program Evaluation and Review
  - Establishes a consistent, system-wide, evidence-based evaluation process for all new and established academic programs to ensure their effectiveness.
  - The process is designed to review and reveal academic program strengths and opportunities for improvement through examination of strategic impact, academic quality, student success, and financial health.
- Academic Affairs Guidelines 2.3.4.A Program Evaluation and Review Guidelines
  - Metrics:
    - One and Five-Year Program Completions
    - Three-Year Program Enrollment





# SDBOR Program Productivity Process

#### **ANNUALLY**

#### YEAR THREE

#### YEAR SIX

University Health
Analytics Program Review
(All Programs)

University Health Analytics Mid-Cycle Program Review (Only Programs on Year 3 Cycle) University Comprehensive Program Review (Only Programs on Year 6 Cycle)

Program Action

Reviews BOR analytic data via system-wide portal with common metrics.

Program Action
Reviews BOR analytic data 3-year

trends via system-wide portal.

Submits report with additional

summary findings in BOR template

via system-wide portal.

Program Action
Completes a self-study using
BOR analytic data, own data,
and external/internal peer
reviewer feedback.

No report to BOR required.

BOR Office Productivity Review

**Program Action** 

Writes program action plans as needed to address areas of concern, including program productivity.

(Only Programs on Year 3 Cycle)

BOR Action

Flags programs not meeting criteria thresholds. Initiates review.

University Action

Recommends program investment, continuation, moratorium, or closure.

threshold

University Action
Responds to BOR with additional program information.

 $\leftarrow$ 

YEARS 2-6: BOR NEW PROGRAM PRODUCTIVITY REVIEW



BOR Academic Affairs Office Action Completes annual review of a new program's performance against benchmarks. University Action
Submits annual
report for new
program.

BOR Action Closes new program if needed.

**AD-HOC PROGRAM REVIEW** 

**University Action** 

Conducts, as deemed appropriate by the institution's President, an unplanned, tailored program review in response to significant extenuating circumstances.





# Program Productivity Review: Complicating Factors



Institutional Mission



**General Education** 



Interdisciplinary Programs



Balancing High and Low-Cost Programs





# NCHEMS Methodology

- Identify academic units
  - Low SCH per Teaching Faculty FTE
    - oFor students in each academic unit (department), identify the number of SCH enrolled in each unit
    - Low SCH per FTE: departments with a high number of faculty relative to the number of students cost more to operate
  - Average class size
    - Small class sizes (lower and upper undergraduate)
- Programs with low completions from departments flagged using the Low SCH/FTE and low average class size analysis
- Low enrollment in self-contained programs



# Departments with Low Student Credit Hours Per Teaching Faculty FTE and Low Average Class Sizes

University	Department	Attempted Student Credit Hours	Teaching Faculty FTE (FT)	SCH Per Teaching Faculty FTE	Lower Division UG Avg Class Size	Upper Division UG Avg Class Size
SDBOR Institution	Dairy and Poultry Science	1,218	3	440	21	9
	Performing Arts	6,645	13	514		13
	Art and Design	9,457	16	575	32	14
	Electrical Engr/Computer Sci	5,717	10	578	17	16
	Architecture and Construction Mgmnt	5,439	9	601	22	15
	Pharm, Allied, Population Health	12,158	16	779	13	19
	Ag & Biosystems Engineering	3,033	4	812	24	16
	English &Interdisc Studies	12,000	14	863	24	20
	(institution total; excludes librarians)	279,365	299	934	33	21
SDBOR	(system total; excludes librarians and HS E-Learning)	738,182	912	810	27	18

# Programs with Low Graduates in Departments Identified by the FTE and Class Size Analysis

University	Department	CIP	Major(s)	Assoc/Bach	Masters/Doc
SDBOR Institution			Ag & Biosystems Engineering; Ag/Biosystems/Mechanical Engr (Inactive)	9.6	4.6
Architecture and Construction Mgmnt		15.1001	Construction Technology	3	
		15.1501	Operations Management; Management Foundations	12.2	3.2
	Dairy and Poultry Science	01.1001	Dairy Science	3.4	
English&Interdisc Studies		30.0000	Interdisciplinary Studies (Masters is 2019 New Program)	10.4	1
		23.0101	English	12.2	3.6
	Pharm, Allied, Population Health	51.0908	Respiratory Care (2020 New Program)	10.6	
	Art and Design	50.0702	Studio Art	4.8	
		04.0601	Landscape Architecture	6.8	
	Performing Arts	50.0901	Music	4	
		50.0501	Theatre	6.8	

## Low-Enrollment, Self-Contained Programs

University	CIP	Major	Program Level	Enrolled FTE, 2022-23	Program Exemption
SDBOR Institution	50.0912	Piano Pedagogy	Certificate - UnderGrad	0.1	,
	13.1206	K-12 Teacher Certification	Certificate - UnderGrad	0.3	
	26.0802	Integrative Genomics	Masters	3.9	
	13.1001	Special Education	Masters	7.2	2019 New Program
	13.1315	Reading Education	Masters	8.1	
	30.3301	Sustainability	Masters	8.3	
	52.0201	Applied Management	Masters	8.3	
	13.0301	Curriculum and Instruction	Masters	9.0	



# Merging BOR Productivity Process with NCHEMS Methodology

- Rationale for Program Retention
  - Mission Alignment
  - Interdepartmental Impact
  - Efficiency Improvements
  - Workforce Relevance
  - Alternative Delivery
  - Other
- Is the program in the initial ramp-up period?
  - When was the program approved?
  - Is it on track for projected productivity?
- Has the program been previously flagged for program productivity review?
  - If so, what plan was approved?
    - Program Closure
    - Retain with Realignment and/or Augmentation
    - Exemption (for example, statutory mission)



# SDBOR Institutional Program Response to NCHEMS Analysis Presented to the Board in July 2025

Program Identified for Review	Potential Rationale for Maintaining Program						If Program in Ramp-Up Period		Plan if Previously Flagged for Program Productivity			
		Interdepartme ntal Impact			Alternative Delivery	Other	Year Program Approved	On-Track for Projected Productivity Threshold?	Program Closure	Moratorium	Retaining/R ealigning/A ugmenting Program	
Tourism/Hospitality Management (Assoc)									Summer 2025		2023 R/FR	Teachout AY 2024-25
Business Administration/Applied Mgmt. (Assoc)				Yes								
Human Services (Assoc)	Yes			Yes								
Speech Communication (Bachelors)									Fell 2025			Teachout AY 2024-25
Composite Music (Bachelors)	Yes	Yes				Yes						
Spanish (Bachelors)	Yes			Yes	Collaboration						2023 T/5C	
Music Education (Bachelors)	Yes	Yes		Yes		Yes						
Art/Studio Art (Bachelors)	Yes	Yes										
Photography (Bachelors)	Yes	Yes										
Graphic Design (Bachelors)	Yes	Yes										
Composite Science Education (Bachelors)	Yes	Yes		Yes							2023 R/E	
Composite Early Child/SPED (Bachelors)	Yes			Yes								
American Indian Studies (Bachelors)	Yes	Yes			Collaboration	Yes						
Composite Social Science (Bachelors)	Yes	Yes		Yes							2023 R/E	
Mathematics (Bachelors)	Yes	Vac										
Political Science (Bachelors)		Yes				Vec						
Environmental Physical Science (Bachelors)		Yes		Yes	Online							
Integrative Genomics (Masters)			Yes	Yes								
Special Education (Masters)			Yes	Yes		Ves	2019	No				
Sustainability (Masters)			Yes	Yes		152	*****	170				



# SDBOR Next Steps: Develop Management Tools and Metrics



Contribution Margin



Course Management Tool



Workload Management Tool



System Approach to Overloads/Stipends Updates





# **Helpful Links**

- NJ OSHE <a href="https://www.nj.gov/highereducation/">https://www.nj.gov/highereducation/</a>
- South Dakota Board of Regents:
  - SDBOR <u>Academic Program Evaluation and Review Policy</u>
  - SDBOR Academic Affairs <u>Program Evaluation and Review Guidelines</u>
- NCHEMS Blogs on:
  - Institutional Financial <u>Stress Testing</u>
  - Program Financial Impacts, <u>Part I</u> and <u>Part II</u>



# **Contact Information**



Dannielle Sesay
Director of Compliance
New Jersey Office of the Secretary of Higher
Education
dannielle.sesay@oshe.nj.gov



Pamela Carriveau

System Associate Vice President for Academic

Programming

South Dakota Board of Regents

Pamela.Carriveau@sdbor.edu



Louisa Hunkerstorm
Senior Associate
National Center for Higher Education
Management Systems (NCHEMS)
louisa.hunkerstorm@nchems.org

