

The Intersection of Fiscal Responsibility and Institutional Mission

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SHEEO

State Higher Education
Executive Officers Association

Who We Are



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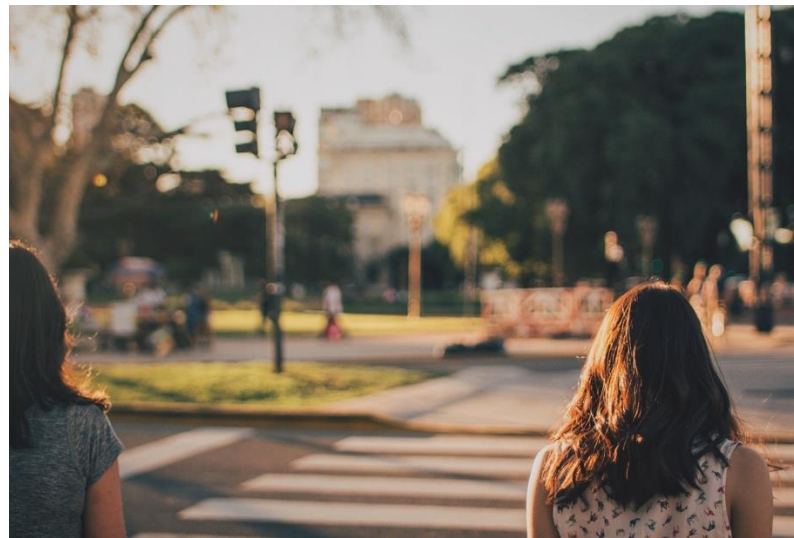
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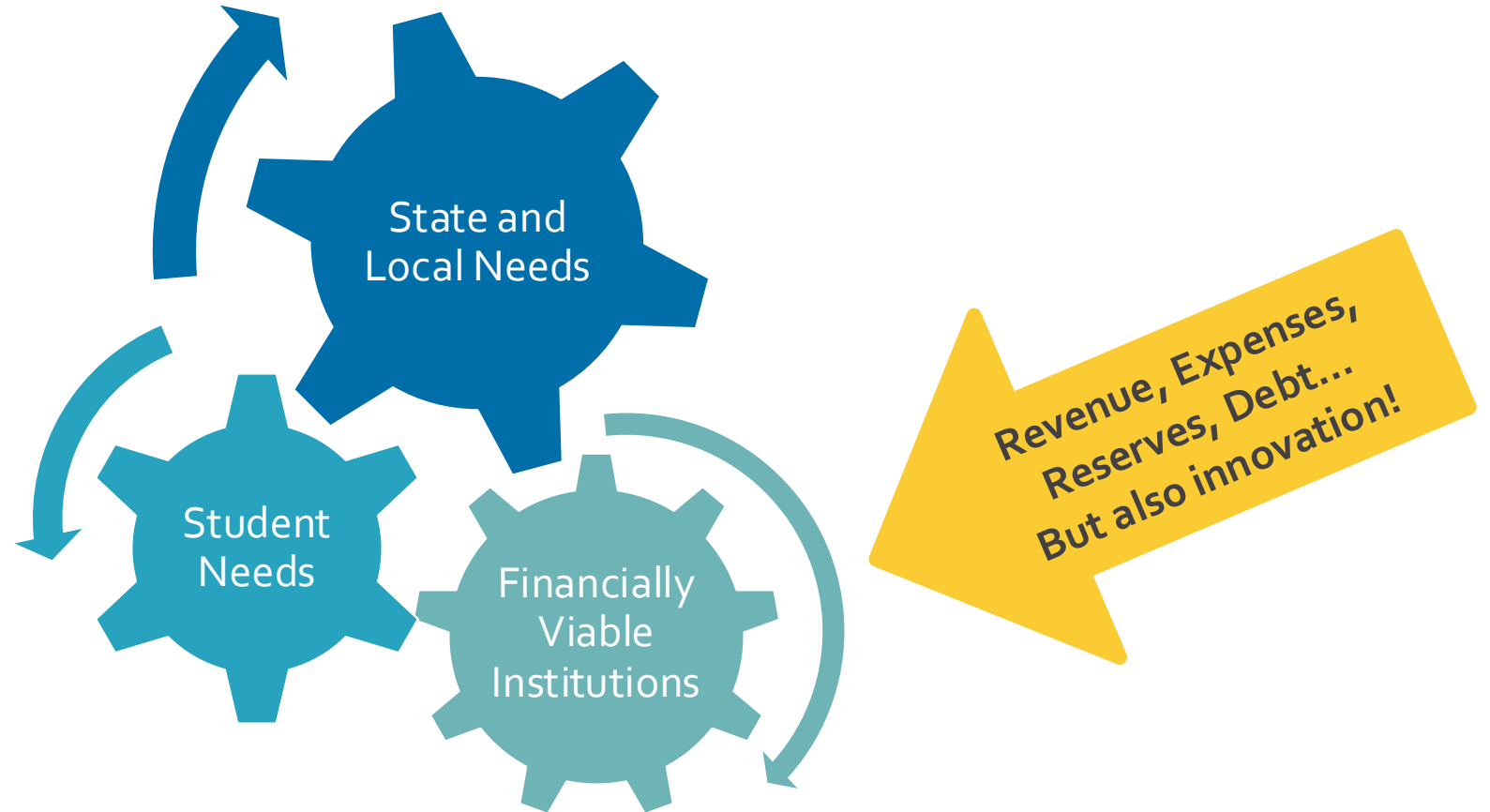


Navigating Uncertainty

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

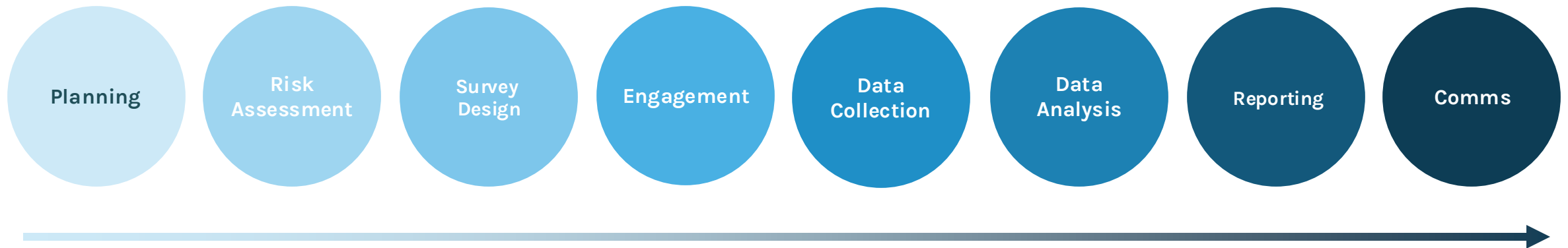
Institutions must submit to a comprehensive audit every five fiscal years and submit an annual fiscal monitoring report.

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.

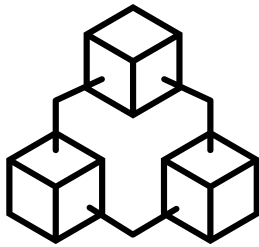
Overview of the Implementation Process

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

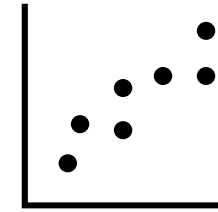
- Internal risk data
- External risk data
- Compliance Risk data



Risk Model

Combines inputs and benchmarks to assess expected severity outcomes :

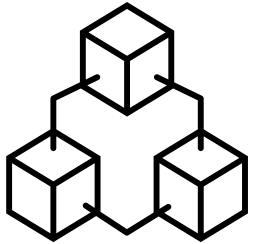
- Acceptable
- Tolerable
- Undesirable
- Intolerable



Risk Output

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

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



Risk Model Data

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.

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



Risk Model

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

Internal Risk

Financial Performance	<ul style="list-style-type: none"> □ CFI \leq 7.0 ■ CFI 4 – 6.99 ■ CFI 1 – 3.99 ■ CFI $<$ 0.99
Cash Management	<ul style="list-style-type: none"> □ Increase/change $<$ 5% ■ Reduction 5-10% ■ Reduction 10-20% ■ Reduction $>$ 20%
Cost Control	<ul style="list-style-type: none"> □ Reduction/change $<$ 5% ■ Increase 5-10% ■ Increase 10-20% ■ Increase $>$ 20%
Audit Findings	<ul style="list-style-type: none"> □ No Findings ■ Findings but no Written Opinion ■ Findings with Written Opinion ■ Findings without Provided Written Opinion to OSHE

External Risk

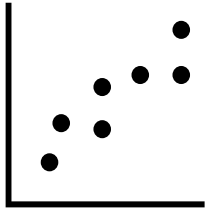
Enrollment	<ul style="list-style-type: none"> □ Positive/change $<$ 5% ■ Reduction 5-10% ■ Reduction 10-20% ■ Reduction $>$ 20%
Tuition Reliance	<ul style="list-style-type: none"> □ $<$ 60% ■ 60-75% ■ 75-90% ■ 90%
Revenue Growth	<ul style="list-style-type: none"> □ Increase/change $<$ 5% ■ Reduction 5-10% ■ Reduction 10-20% ■ Reduction $>$ 20%
Debt Covenants	<ul style="list-style-type: none"> □ No Debt Covenant ■ Debt Covenant in Compliance ■ Noncompliant within the last three fiscal years ■ Noncompliant Debt Covenant

Compliance Risk

Debt Affordability	<ul style="list-style-type: none"> □ $<$ 5% ■ 5-10% ■ 10-15% ■ 15%
Financial Reserves	<ul style="list-style-type: none"> □ \geq 125% ■ 100-125% ■ 75-100% ■ $<$ 75%
Investment Management	<ul style="list-style-type: none"> □ Increase/reduction $<$ 5% ■ Reduction 5-10% ■ Reduction 10-20% ■ Reduction $>$ 20%
Credit Rating	<ul style="list-style-type: none"> □ No Debt or AAA to BBB ■ Not Rated or Withdrawn Rating ■ BB to CCC ■ CC or Default (D) or Breach.

Legend

□ Acceptable ■ Tolerable ■ Undesirable ■ Intolerable



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.



Least Risk

Some exposure to risk indicators. Institution likely has sufficient resilience



Minimal Risk

Increased exposure to risk indicators. Monitoring recommended to prevent further deterioration



Moderate Risk

High exposure to risk indicators. Active mitigation necessary to avoid critical thresholds



Greatest Risk

Evident exposure to risk indicators. Immediate intervention required to protect institutional viability.

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

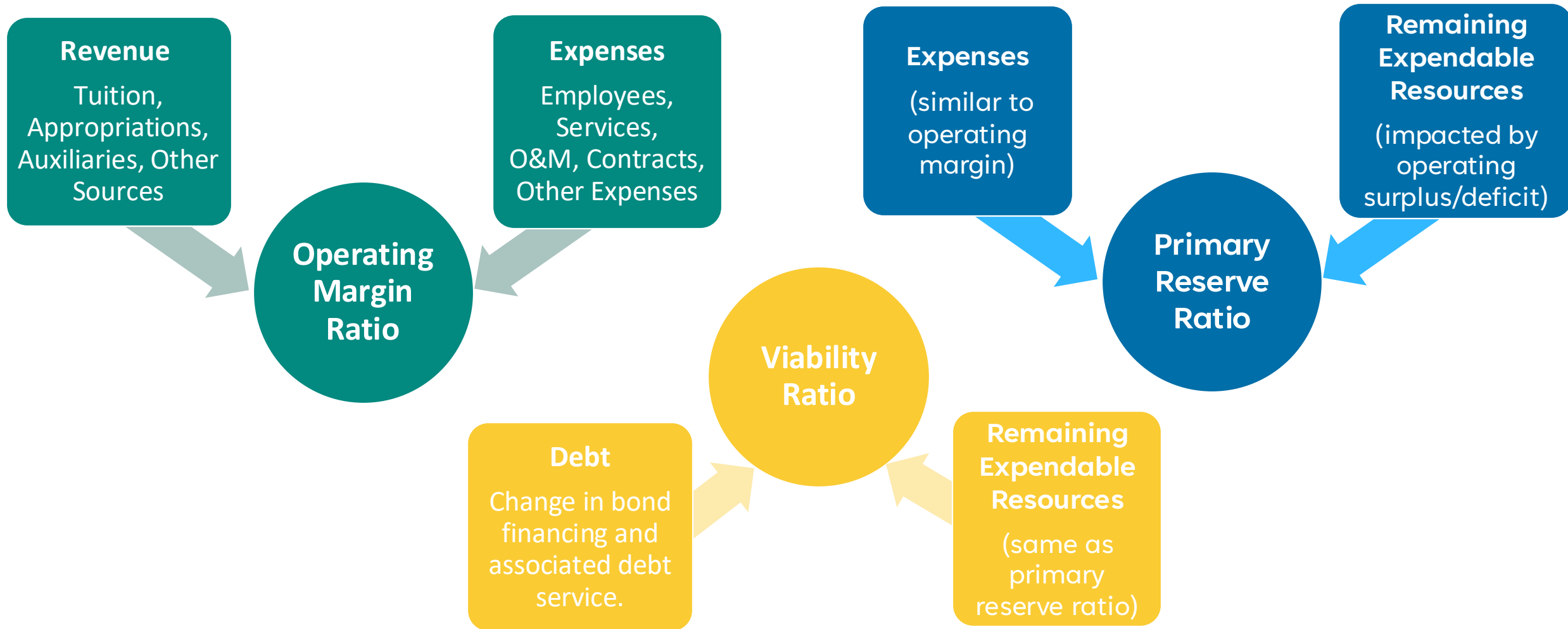


Planning for Uncertainty

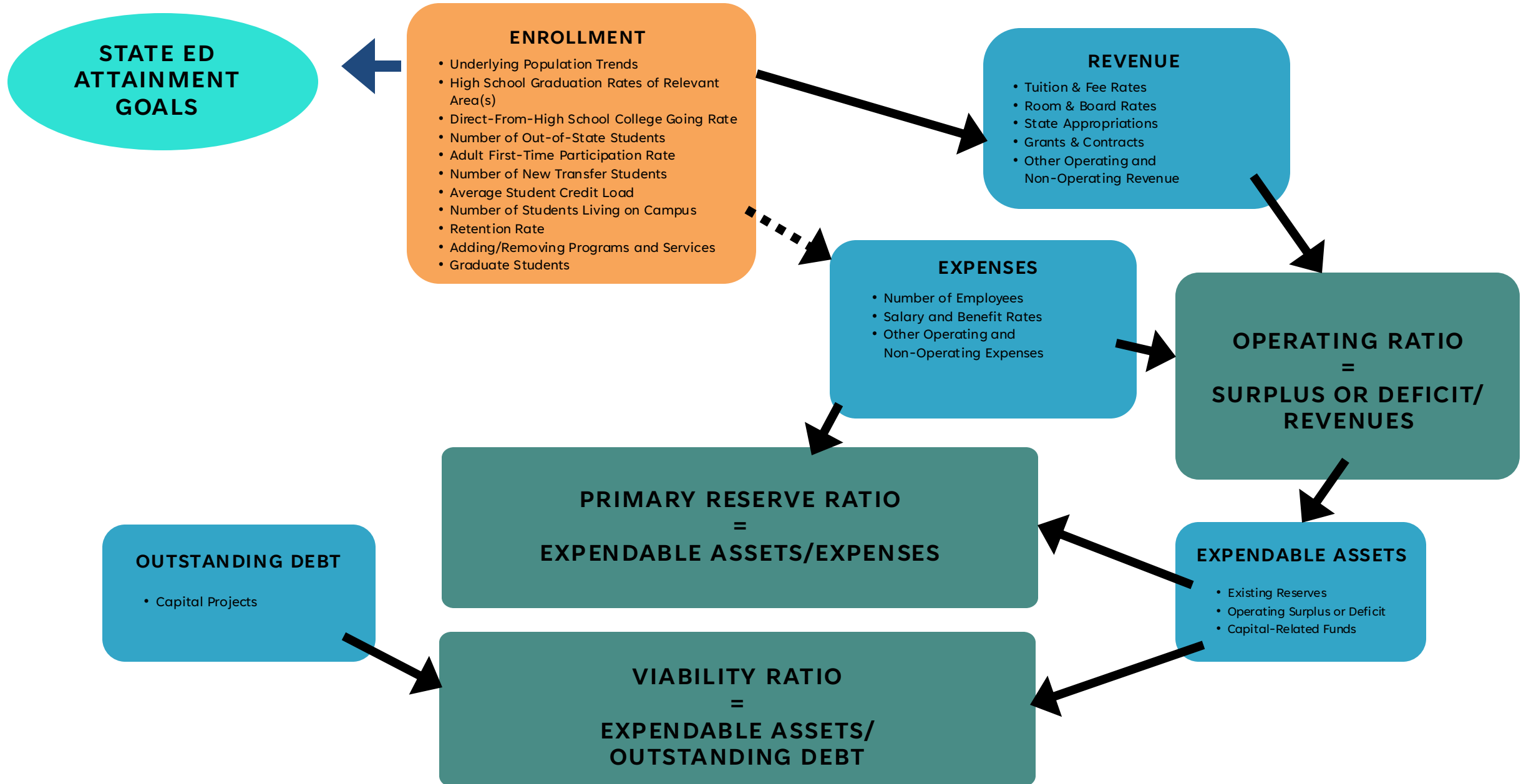
What would an institution's financial health look like if...

- 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



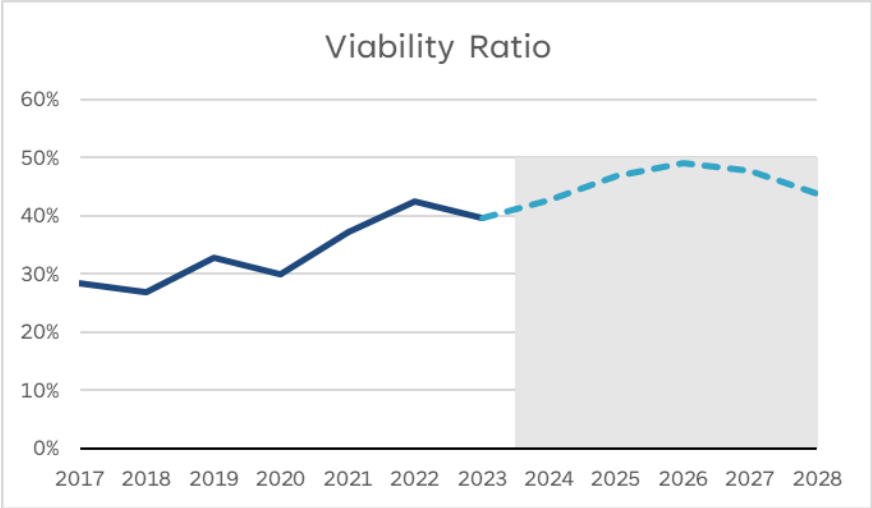
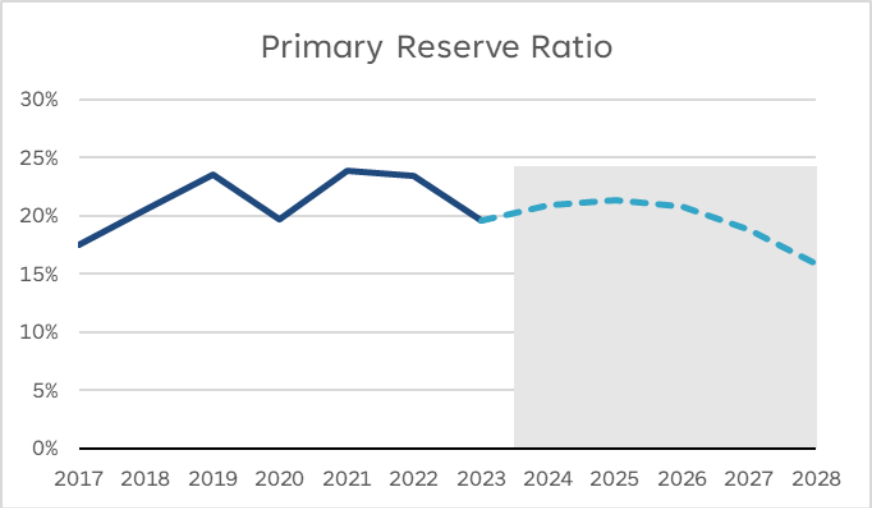
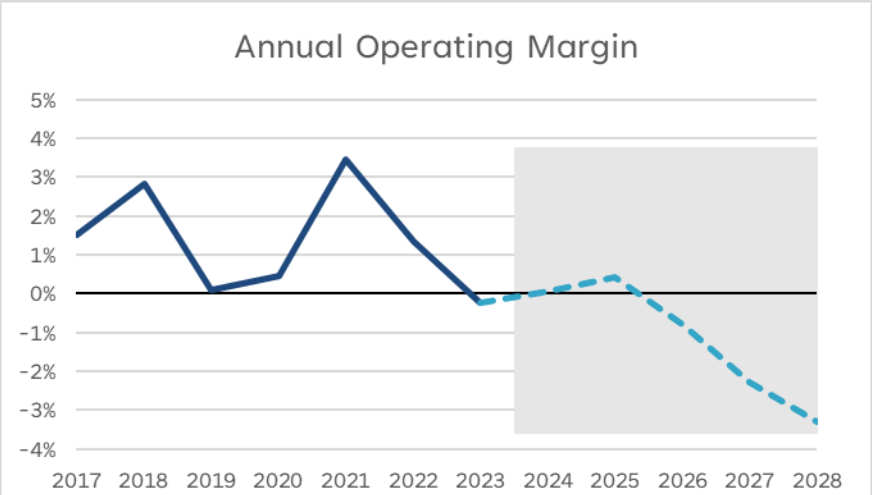
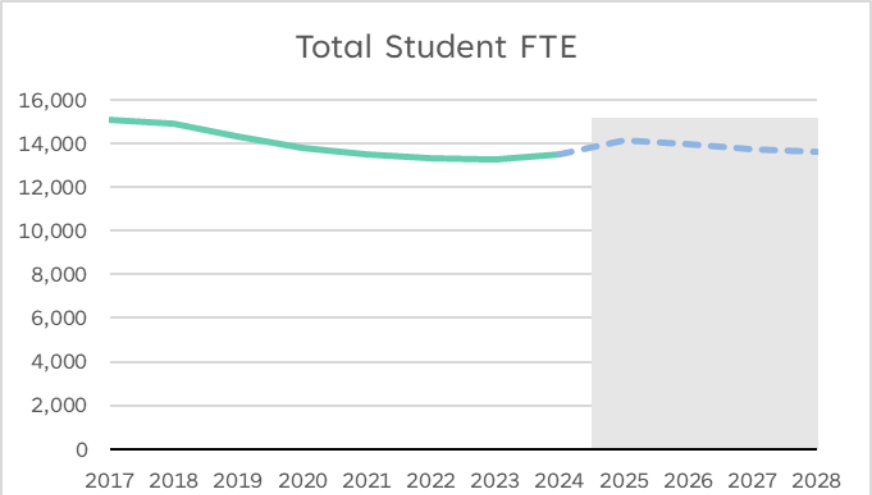
Baseline Scenario

Pheasant State U

Pheasant State U

- $(\text{Revenues} - \text{Expenses}) / \text{Revenues}$

Pheasant State University Baseline Scenario



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

Pamela Carriveau



South Dakota Program Productivity Review

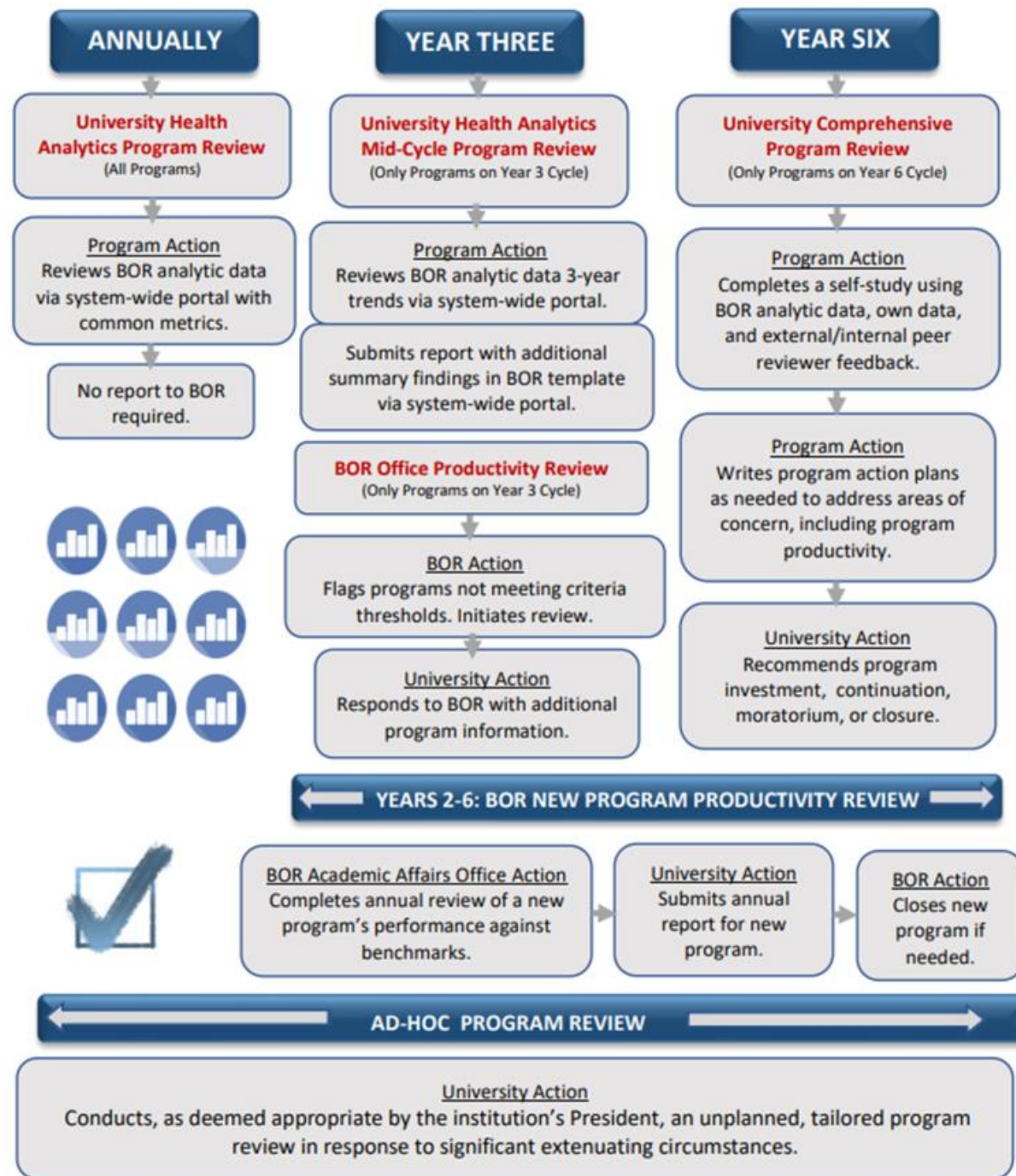
- South Dakota: Large and Rural
- Mission Driven
 - Land Grant (SDSU) and Flag Ship (USD)
 - Specialized Institutions (SDSMT and DSU)
 - Comprehensive Regional (BHSU and NSU)
 - Statutory Requirements
 - Well-Integrated Regental System
- Financial Responsibility
- Workforce Development



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



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
 - For 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	28	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
	<i>(institution total; excludes librarians)</i>	279,365	299	934	33	21
SDBOR	<i>(system total; excludes librarians and HS E-Learning)</i>	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	14.0301	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			Plan for Teach-Out/Elimination
	Mission Alignment	Interdepartmental Impact	Efficiency Improvements	Workforce Relevance	Alternative Delivery	Other	Year Program Approved	On-Track for Projected Productivity Threshold ?	Program Closure	Moratorium	Retaining/Realigning/Augmenting Program	
Tourism/Hospitality Management (Assoc)									Summer 2025		2023 R/FR	Teachout AY 2024-25
Business Administration/Applied Mgmt. (Assoc)	Yes			Yes								
Human Services (Assoc)	Yes			Yes								
Speech Communication (Bachelors)									Fall 2025			Teachout AY 2024-25
Composite Music (Bachelors)	Yes	Yes				Yes						
Spanish (Bachelors)	Yes			Yes	Collaboration						2023 TJSC	
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	Yes										
Political Science (Bachelors)	Yes	Yes				Yes						
Environmental Physical Science (Bachelors)	Yes	Yes		Yes	Online							
Integrative Genomics (Masters)	Yes		Yes	Yes								
Special Education (Masters)	Yes		Yes	Yes		Yes	2009	No				
Sustainability (Masters)	Yes		Yes	Yes								

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 - <https://www.nj.gov/highereducation/>
- South Dakota Board of Regents:
 - SDBOR [Academic Program Evaluation and Review Policy](#)
 - SDBOR Academic Affairs [Program Evaluation and Review Guidelines](#)
- NCHEMS Blogs on:
 - Institutional Financial [Stress Testing](#)
 - Program Financial Impacts, [Part I](#) and [Part II](#)

Contact Information



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