

Granite State College

Keene
STATE COLLEGE

Plymouth State
UNIVERSITY



University of
New Hampshire

University System
of New Hampshire

Senate Finance Budget Presentation

April 27, 2021

USNH FY 22/23 State Operating Budget Request

Granite State College

Keene
STATE COLLEGE

Plymouth State
UNIVERSITY

University of
New Hampshire

University System
of New Hampshire

Flat funding of \$88.5 million per year would support 1) an in-state tuition freeze, 2) maintenance of state services, and 3) the USNH fiscal roadmap.

The House supported flat funding consistent with the USNH request, and the Governor's office recently stated it is supportive of that funding level.

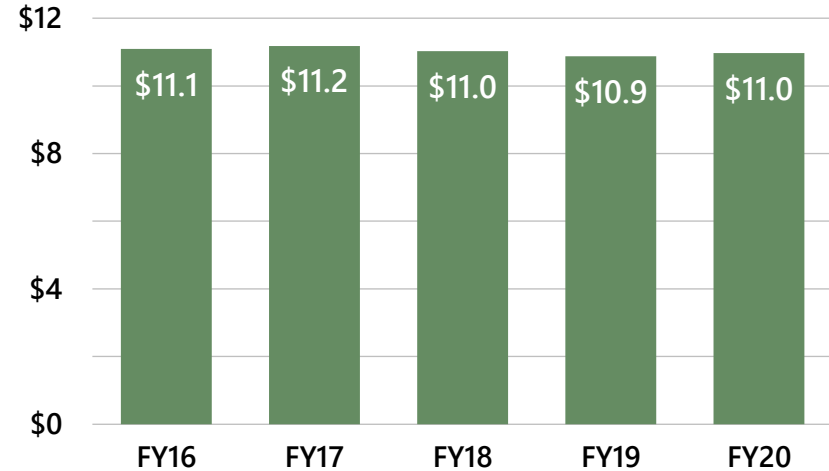
<i>In Millions</i>	Actual			Passed By House		
	FY 20	Adj Auth FY 21	Total	FY 22	FY 23	Total
Ongoing State Operating Support	\$ 85.5	\$ 88.5	\$ 174.0	\$ 88.5	\$ 88.5	\$ 177.0
Nonrecurring Strategic Investment	\$ 9.0	\$ -	\$ 9.0	\$ -	\$ -	\$ -
Total USNH operating appropriations	\$ 94.5	\$ 88.5	\$ 183.0	\$ 88.5	\$ 88.5	\$ 177.0

Support for NH Students

Published Undergraduate Tuition & Mandatory Fees Academic Year 2020-21

	<u>NH Resident</u>	<u>Out-of-State</u>
UNH Durham	\$18,938	\$36,278
Plymouth State	\$14,492	\$23,902
Keene State	\$14,638	\$24,350
Granite State	\$314/credit	\$365/credit

Avg. In-State Net Tuition & Fee Rate dollars in thousands



BUSINESSNH

M A G A Z I N E

USNH Maintains Tuition Freeze

Published Tuesday Apr 6, 2021

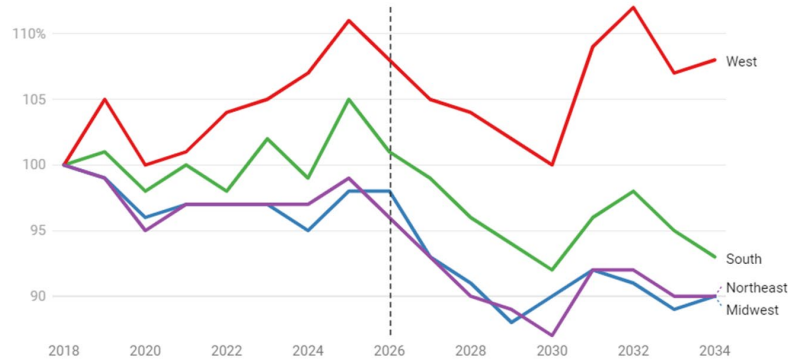
The University System of New Hampshire (USNH) will freeze tuition for in-state students for the 2021-2022 academic year. This is the third straight year USNH has kept tuition the same for New Hampshire residents.

“Ensuring that public higher education is accessible and affordable for students is a top priority for our institutions as we continue working to serve New Hampshire and to make our colleges and universities the first choice for New Hampshire students,” says Cathy Provencher, USNH Vice Chancellor. “This has been an incredibly challenging year in so many ways, and we continue to work to lessen the financial burden on our students and their families, many of whom have suffered job losses, business closures and other impacts of the COVID-19 pandemic.”

Higher Education Trends & the USNH Roadmap

What The Data Shows: Shrinking Enrollment

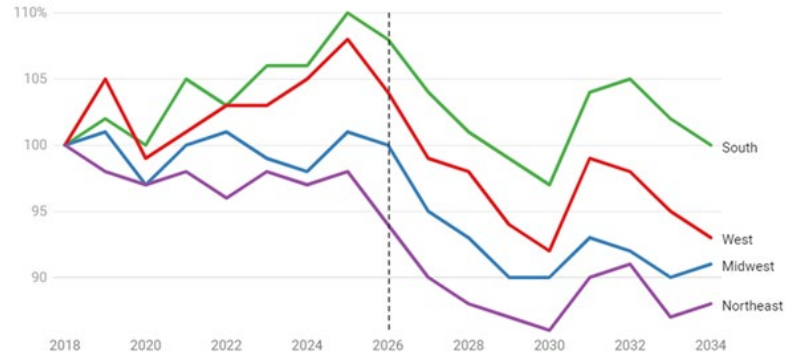
4-Year Regional Colleges



Source: Nathan D. Grawe, "The Agile College" • Get the data • Created with Datawrapper

These graphs presented in *The Chronicle of Higher Education* in January 2021 depict the remarkable demographic decline in New England high school students by 2025. This decline will continue to put enormous pressure on higher education.

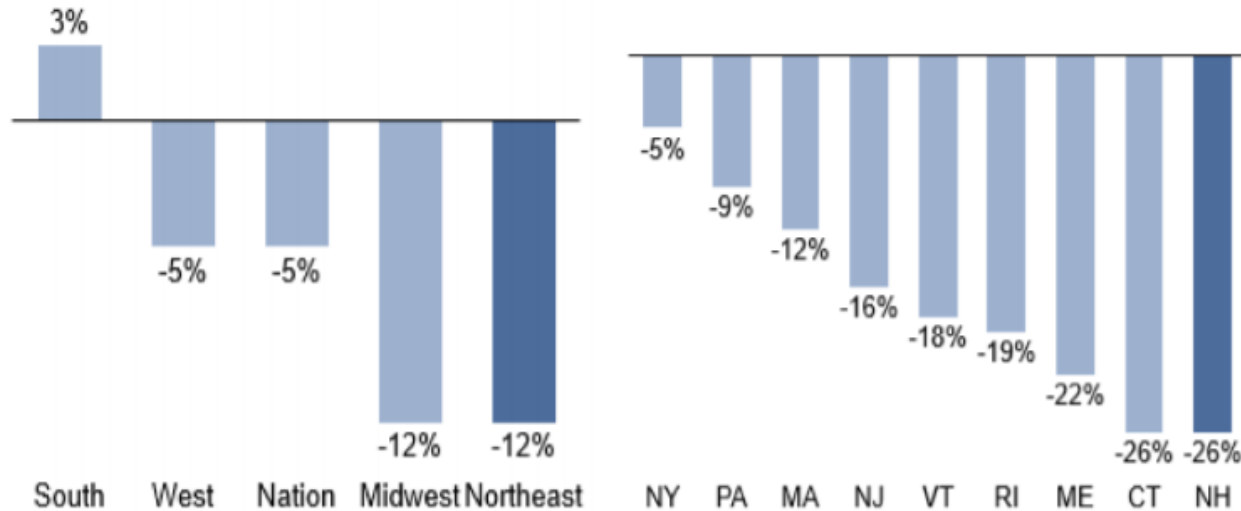
2-Year Colleges



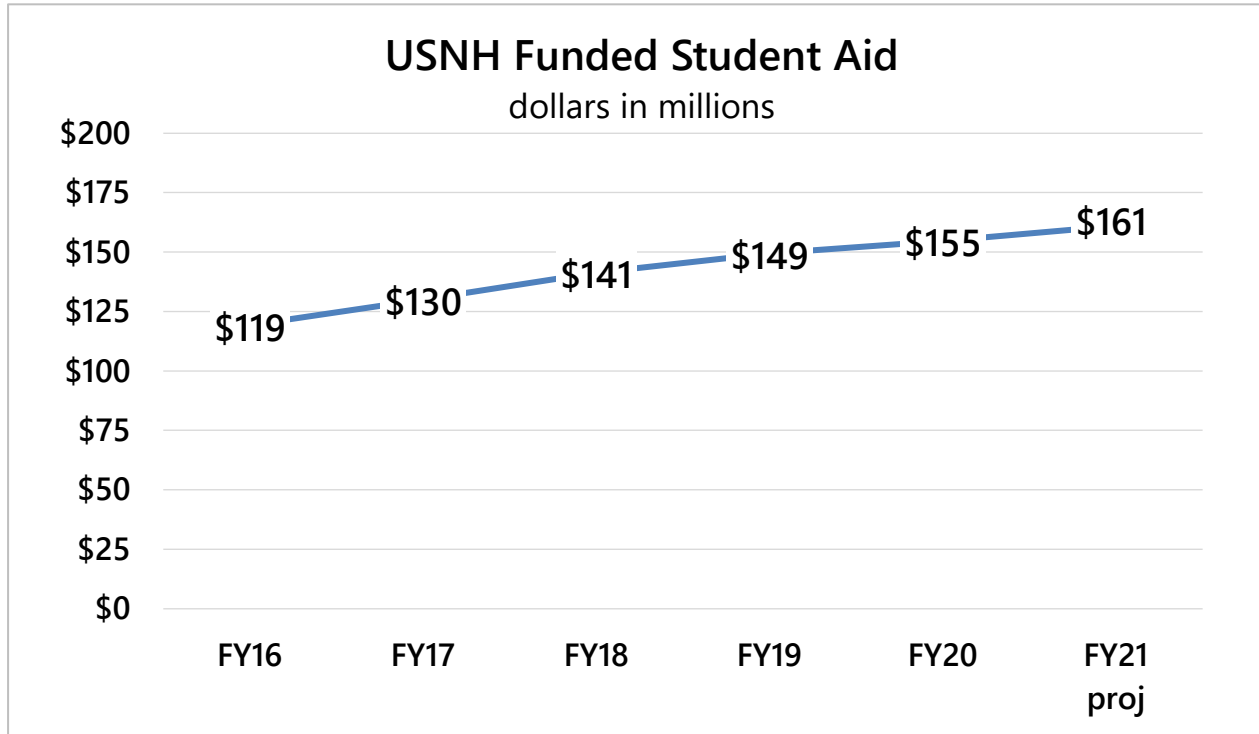
Source: Nathan D. Grawe, "The Agile College" • Get the data • Created with Datawrapper

NH will be especially hard hit

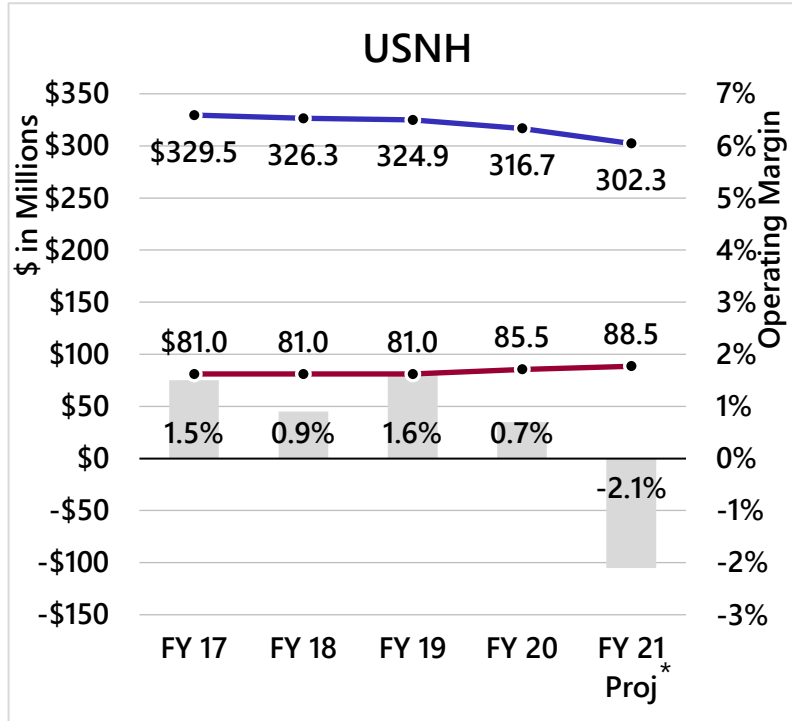
Projected growth / decline by US region and northeast states in high school graduates by 2032, i.e., 15 years out (data from 2017)



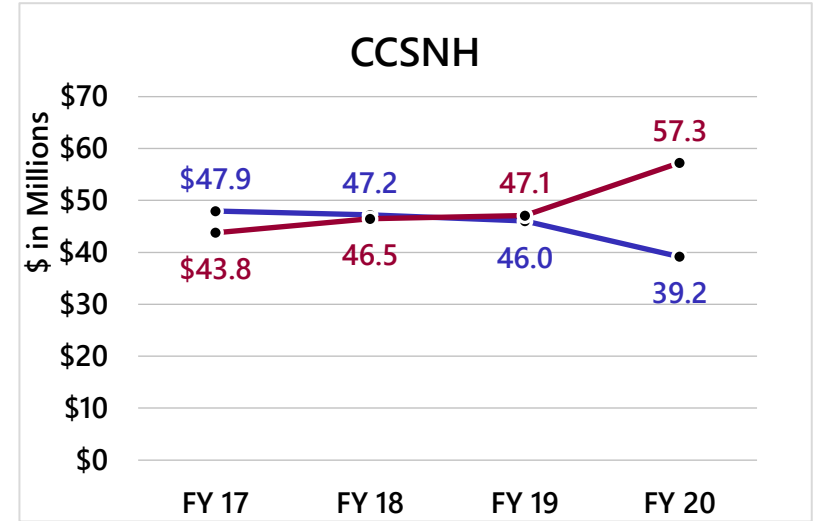
Increasing Direct Student Financial Aid



Net Tuition Has Been Declining Before the Significant Future Headwinds



* FY 21 projected operating margin excludes one-time COVID related costs.



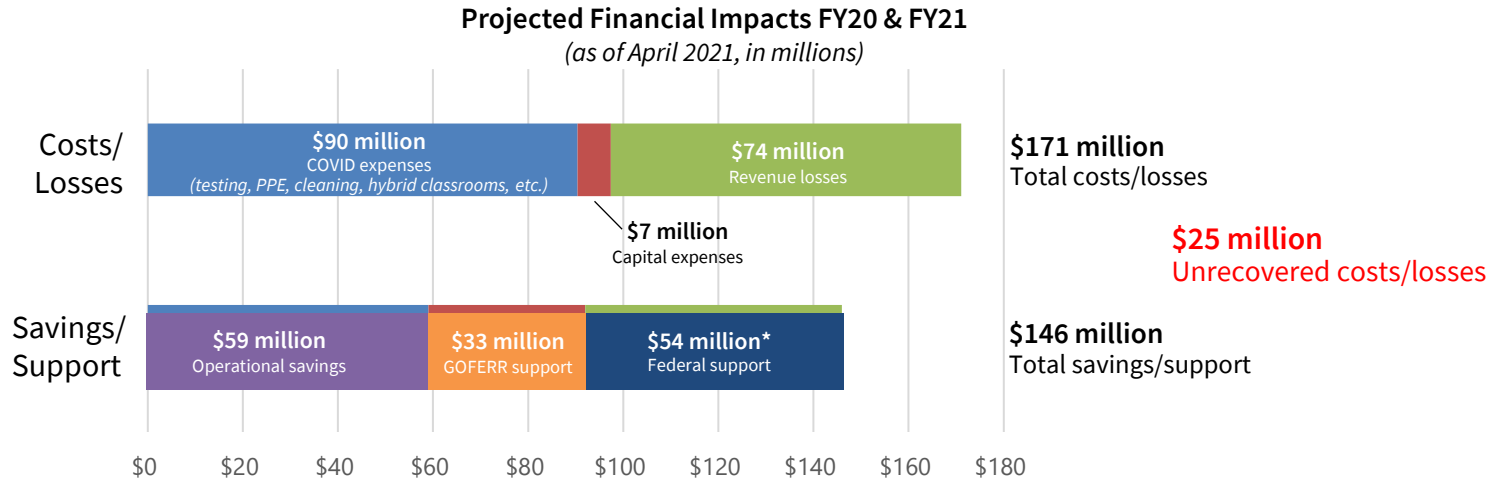
— Net Tuition & Fees (\$)

— State Appropriation (\$)

The Impact of Covid

- The Pandemic has exacerbated these trends
 - Lower revenue
 - » Smaller incoming enrollments
 - » Lower retention of existing students
 - » Fewer students using on campus room and board
 - Substantially higher financial need
 - Substantially higher costs, safety related
- Short-term financial impact: ~ \$25 million in unrecovered costs and losses
- Longer-term financial impact:
 - Depleted cash reserves (used to cover losses in FY 21)
 - Smaller Fall 2020, 2021 freshmen classes will have multiple-year impacts (pipeline effect)
 - Loss of family income due to pandemic will accelerate financial need
 - In sum: pandemic probably wipes-out what might have been a few years of breathing space before the mid-decade demographic cliff.

Bringing students, faculty and staff safely back to our campuses this academic year has been a successful but costly endeavor. The support received from the state GOFERR and the federal relief/stimulus bills have had a significant impact on USNH’s ability to successfully provide on-campus education and services during the 2020-21 academic year. However, costs and losses continue to grow with each week of operations.



*Note: Does not include federal support to postsecondary students which passed through the institutions as part of the federal relief bills.

Charting USNH's Financial Future

Granite State College

Keene
STATE COLLEGE

Plymouth State
UNIVERSITY

University of
New Hampshire

University System
of New Hampshire

- **In FY 2020, USNH launched a \$70M (~10% of cost) restructuring program**
 - Goal: offset the projected revenue impact of the demographic trends and the pandemic
 - Approach:
 - » Roll back expenses to FY2019 levels
 - » Restructure benefits
 - » System-wide consolidation of common, back-office administrative functions
 - » Campus-specific initiatives
 - » Utilizing voluntary separation and retirement program: ~500 faculty and staff
- Although unprecedented in scale and scope, it is progressing and on schedule
- If all goes to plan, this will only catch USNH up to the accelerating structural challenges. The cliff lies ahead.

Charting USNH's Financial Future

FY 22 – 23 Projections *(in millions)*

	FY20 Actual	FY21 P2 Projection	FY22 Projection	FY23 Projection	FY23 vs FY20 Actual
Excludes DIRECT Grant Contract Rev/Exp					
Total Operating Revenue	751.8	700.2	679.7	678.6	-9.7%
Total Operating Expense	741.7	714.7	746.6	746.6	
<i>Operating Margin Inc/(Loss) Before Target Expense Reduction</i>	10.2	(14.5)	(66.9)	(68.0)	
Target Expense Reduction			(53.2)	(69.0)	-9.9%
<i>Operating Margin Inc/(Loss) After Target Expense Reduction</i>	10.2	(14.5)	(13.7)	1.0	
<i>Operating Margin %</i>	1.4%	-2.1%	-2.0%	0.1%	

Note: Excludes One-Time Costs/Net COVID Revenue Loss in FY20-FY21

- Estimated gap of ~\$70M identified by FY23 post-COVID
- Restructure Plans included:
 - Rolling operating expenses back to FY19 level beginning in FY21
 - Shared Services Opportunities (Financial Services, IT, etc.)
 - Campus-specific restructuring and expense reductions

Merger Proposal

Granite State College

Keene
STATE COLLEGE

Plymouth State
UNIVERSITY

University of
New Hampshire

University System
of New Hampshire

The Challenge: How to address financial trends and operational challenges while preserving (a) the full scope of mission, from training and certificates programs to MS and PhDs, and (b) the physical presence across all regions of the state.

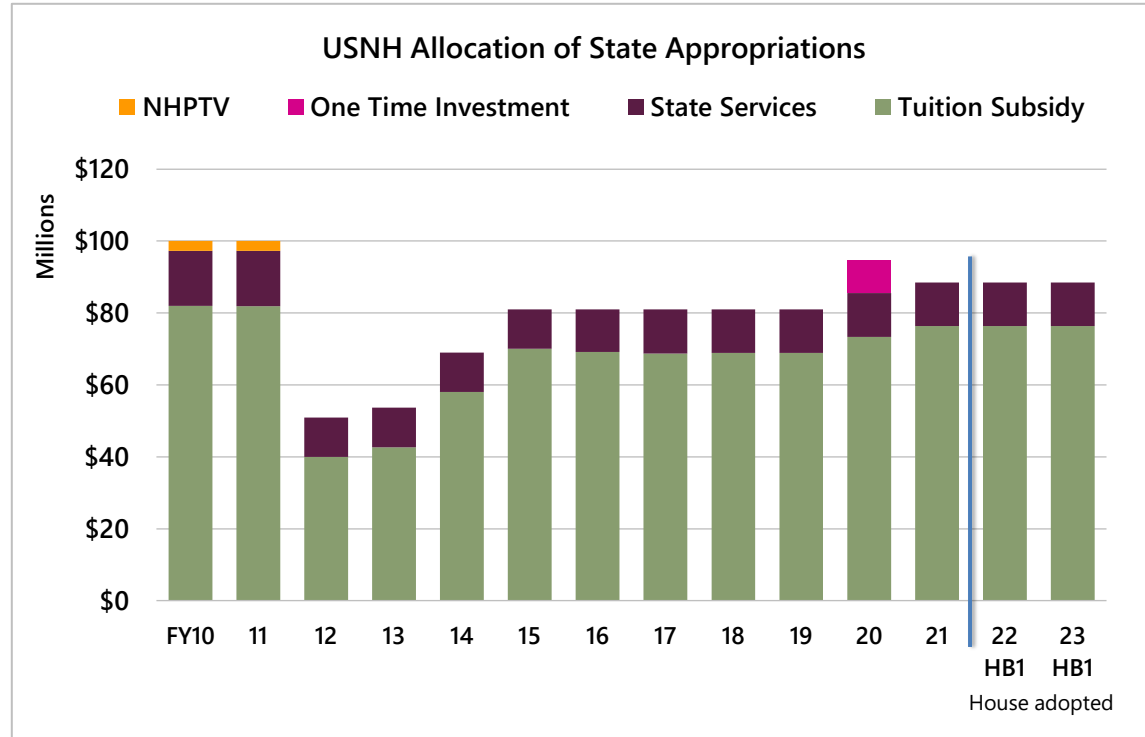
The Upside: *Significant* potential for both cost reduction *and* benefit to students and employers

In the meantime, stable state funding supports students and public higher education

State Operating Funds History

State operating dollars are primarily used by USNH to subsidize in-state tuition.

Continued level appropriations will extend the in-state tuition freeze and support the long-term financial health of public higher education, including statutory programs that benefit all residents, such as the UNH Cooperative Extension.



Appendix

Areas of Potential Benefit

- Improved student retention and graduation rates
 - Greater affordability, more financial pathways to student success
 - Strengthened academic pathways, from Associate to Ph.D, with much improved credit transferability
 - Greater ability to share courses and programs across locations
- Strengthened branding and coordinated marketing and recruitment should enhance ability to retain NH students
- Greater ability to develop system-wide approaches to broad state economic and business
- Greater ability to develop system-wide partnerships with key business sectors and employers
- Greater ability to develop more comprehensive responses to specific regional needs
- Long-term financial viability

Areas of Potential Cost Reduction

- Two Chancellors
- Two System Offices
- Procurement (~30% of budgets)
- IT Hardware, Software and Systems
- Academic redundancies
- Regional redundancies
- Multiple physical locations (20 distinct locations)
- Internal price competition
- Internal competition for State funding

Use of State Operating Funds

Granite State College

Keene
STATE COLLEGE

Plymouth State
UNIVERSITY

UNH University of
New Hampshire

University System
of New Hampshire

	FY18	FY19	FY20	FY 21
UNH Durham	39,493,694	39,274,116	42,112,384	43,879,796
UNH Manchester	2,539,974	2,545,156	2,555,227	2,581,687
UNH Total	42,033,668	41,819,272	44,667,611	46,461,483
Keene	10,991,515	10,991,515	11,602,155	11,902,155
Plymouth	11,451,238	11,451,238	12,087,418	12,587,418
Granite	3,212,071	3,212,071	3,390,519	3,590,519
Subtotal, Core Campuses:	67,688,492	67,474,096	71,747,703	74,541,575
Agricultural Experiment Station	4,852,996	4,852,996	4,852,996	4,852,996
Center for Industrial Research Development	157,651	157,651	157,651	157,651
Cooperative Extension Service	4,505,600	4,505,600	4,505,600	4,505,600
Cooperative Extension Service Counties	2,803,051	3,017,447	3,243,841	3,449,968
Marine Research and Development	992,210	992,210	992,210	992,210
Subtotal, Research & Public Service:	13,311,508	13,525,904	13,752,298	13,958,425
Total Actuals by Fiscal Year:	81,000,000	81,000,000	85,500,000	88,500,000

USNH Carefully Manages Its Debt Portfolio

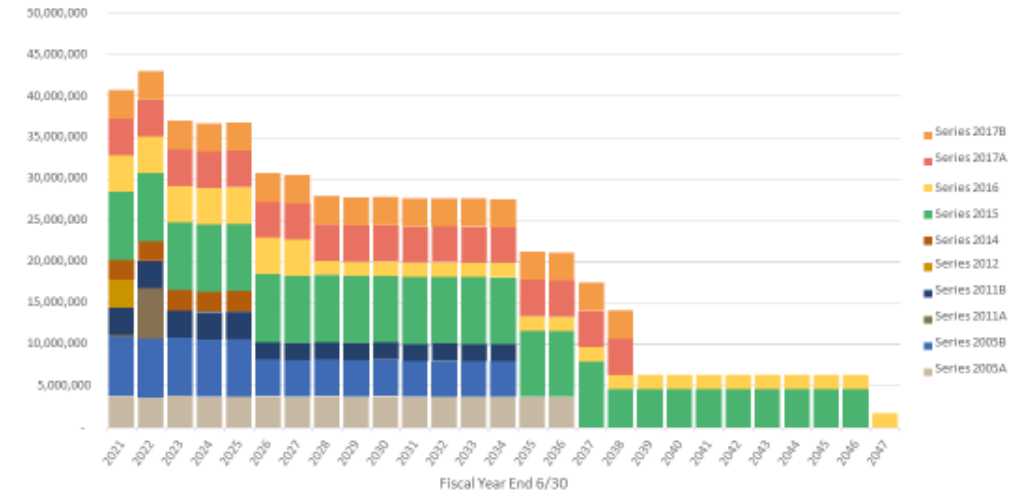
USNH last issued new money bonds in 2016 and has no plans to issue bonds in the foreseeable future. As of 3/31/21, USNH had \$382 million in outstanding bonds.

Moody's reaffirmed USNH strong Aa3 credit rating in December 2020, but with negative outlook because of near term impacts caused by the pandemic. The negative outlook is consistent with its outlook for higher education.



Fiscal Year Debt Service

- The graph below summarizes the System's current annual debt service obligations on a fiscal year basis
- Maximum Annual Debt Service is currently in 2022 at \$42.9 Million



Please note the \$6 million Series 2011A bullet maturity due in 2022

Summary of Moody's Update December 2020

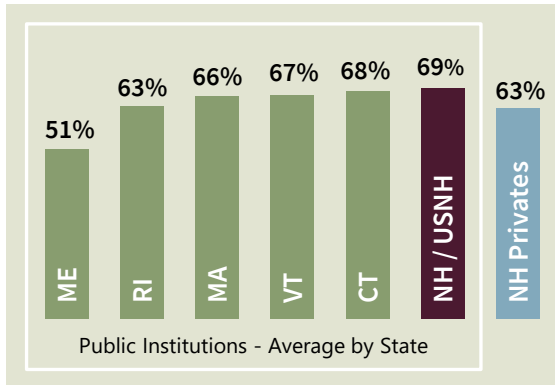
- **Credit strengths**

- » Sole provider of four-year public higher education throughout New Hampshire, including flagship land-grant institution, serving 23,559 FTE students
- » Sound wealth and liquidity relative to operations, with spendable cash and investments to expenses of 0.8x and 236 monthly days cash on hand
- » Demonstrated expense management with consistent operating performance and good debt service coverage
- » Manageable leverage, with fiscal 2020 spendable cash and investments to debt of 1.7x, debt to cash flow of 4.7x and no near term additional debt plans

- **Credit challenges**

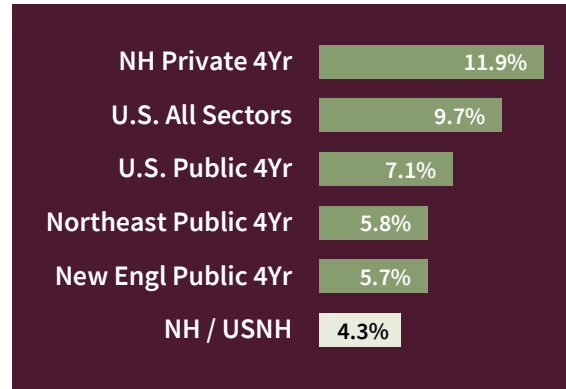
- » Significant near-term expense pressures because of impacts of the coronavirus pandemic, including net tuition weakness and protocol-related expenses
- » Lagging net tuition revenue growth because of weak regional demographics and stiff competition for students
- » Very low state funding, averaging 10% of operating revenue over fiscal 2016-20, and limited prospects for substantial improvement
- » Narrow pledged revenue, as system facility revenue accounting for only 15% of operating revenue secure revenue bonds

Bachelor's 6-Year Graduation Rate



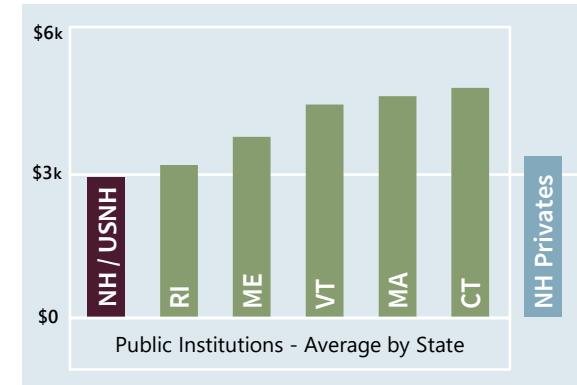
U.S. Dept. of Education, National Center for Education Statistics, IPEDS. FY19 provisional data, most recent available.

Student Loan Default Rate



National Student Loan Data System, official 3-year default rates released 09/2020 on borrowers entering repayment in 2017. New England and Northeast averages exclude NH/USNH.

Administrative Expense per Student



U.S. Dept. of Education, National Center for Education Statistics, IPEDS. FY16-18, 3-year average. Institutional support expense per 12-month FTE. FY18 provisional data, most recent available.

Major performance metrics updated quarterly,
available at: www.usnh.edu/about/publications

Granite State College

Keene
STATE COLLEGE

Plymouth State
UNIVERSITY



University of
New Hampshire

University System
of New Hampshire

Contact

Cathy Provencher – Chief Administrative Officer

catherine.provencher@usnh.edu

Cell: (603) 494-0638

Office: (603) 862-1622

Tom Cronin – Director of Government Relations

thomas.cronin@unh.edu

Cell: (603) 264-5659

Office: (603) 862-0574