

**Summary Report from the
UNH Faculty Senate
Finance & Administration
Committee**

April 11, 2022

Summary: UNH's financial position

- UNH has avoided major financial problems from COVID; the fiscal emergency has passed
- In the short term, UNH is in a relatively strong position
- In the long term, UNH faces structural and systemic pressures that will require adaptation
- UNH is working in several areas to build financial strength, though it is too early to assess those efforts

Summary: UNH's financial position

- **UNH has avoided major financial problems from COVID; the fiscal emergency has passed**
 - Savings from CERP, financial and administrative restructuring
 - Expected state/federal reimbursements
 - Lower costs and greater savings than expected (e.g. business travel)

FY22 P1 Financial Comparison to FY22 Budget External Presentation



Covid Effects

FY22 Updated projections assume additional COVID-related recoveries; if realized, USNH will fully recover the loss incurred in FY21

	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Budget	FY22 P1 Projection	Incr/(Dec) FY22 P1 Projection vs FY22 Budget	
						\$	%
Gross Tuition Revenue & Fees	521.7	517.0	508.1	505.0	506.8	1.8	0.4%
Less: student financial aid	(196.8)	(200.3)	(207.2)	(212.6)	(213.6)	(1.0)	0.5%
Financial Aid % of Total All Funds Gross Tuition Revenue & Fees	37.7%	38.7%	40.8%	42.1%	42.1%	0.0%	
Net Tuition & Fees	324.9	316.7	300.9	292.3	293.2	0.9	0.3%
State of New Hampshire general appropriations	81.0	85.5	88.5	88.5	88.5	-	0.0%
Sales of auxiliary services	214.5	166.4	162.5	184.5	190.4	5.9	3.2%
Grants, Contracts and Other Operating Revenue	242.9	259.8	315.9	288.3	371.7	83.4	28.9%
Total Operating Revenues	863.4	828.4	867.8	853.6	943.8	90.2	10.6%
Employee Compensation	534.7	538.0	578.0	523.7	520.6	(3.1)	-0.6%
Supplies and Services	204.4	190.6	234.0	227.3	274.5	47.2	20.8%
Utilities	18.6	18.1	15.8	18.9	18.9	0.1	0.4%
Depreciation, Plant & Equipment Investment	65.3	69.0	69.0	70.5	70.4	(0.1)	-0.2%
Interest and Other Operating Expense	17.2	16.3	15.4	14.4	14.0	(0.4)	-2.6%
Total Operating Expense	840.2	832.0	912.2	854.8	898.5	43.7	5.1%
Operating Margin Including One-Time Impacts	23.2	(3.6)	(44.4)	(1.2)	45.3	46.4	
Operating Margin %	2.7%	-0.4%	-5.1%	-0.1%	4.8%	4.9%	

- **FY22 P1 Operating Margin including one-time impacts is better than the FY22 budget by \$46.4M, 4.9%.**
 - \$39M increase net one-time grant recoveries; \$61M in grant revenue offset by \$22M in one-time COVID related expense
 - \$6M increase in sales of auxiliary services driven by housing and dining at UNH
 - \$3M lower in employee compensation driven primarily by significant position vacancies at PSU partially offset by increases primarily at UNH

Update on \$70M Cost Reduction Initiatives



Charge #4: Huron Update

Current Status as of:

February 2022		Project Owner	Original Annual Savings Targets			STATUS	
			FY21	FY22	FY23	Timeline	Savings
Category 1: Systemwide & Campus Targets			--- in millions ---				
Roll Back Spending to	UNH	President	\$7.0	\$7.0	\$7.0	●	●
FY19 Actual Operating	PSU	President	\$1.0	\$1.0	\$1.0	●	●
Expenses (Excludes	KSC	President	\$1.0	\$1.0	\$1.0	●	●
One-Time Adj in FY19)	GSC	President	\$0.3	\$0.3	\$0.3	●	●
	SYS	CAO	\$0.7	\$0.7	\$0.7	●	●
		Category 1 Total	\$10.0	\$10.0	\$10.0	●	●
Category 2: Shared Services Optimization (Estimates Primarily Based on FY19)							
Employee Benefits		Jim McGrail	\$6.0	\$15.0	\$15.0	●	●
Procurement		Cathy Provencher		\$3.3	\$5.0	●	●
Financial Services		Cathy Provencher		\$2.0	\$3.0	●	●
Information Technology		Bill Poirier		\$1.9	\$3.0	●	●
GSC & System Office Synergies		GSC & Sys Office		\$1.0	\$2.0	●	●
		Category 2 Total	\$6.0	\$23.1	\$28.0	●	●
Category 3: Campus-Specific; To Be Identified							
	UNH	President		\$11.7	\$18.0	●	●
	PSU	President		\$3.3	\$5.0	●	●
	KSC	President		\$5.2	\$8.0	●	●
		Category 3 Total	\$0.0	\$20.2	\$31.0	●	●
		All Categories Total	\$16.0	\$53.3	\$69.0	●	●

STATUS: ● Timing: On Schedule Savings: On Target ● Timing: Delayed Savings: At Risk ● Timing: Significantly Delayed/ Challenged Savings: Below Target/ Challenged

SOURCE:
https://www.usnh.edu/sites/default/files/media/trustees/docs/brd_packages/2022-03-0304/fac-packet-2022-03-03.pdf

Update on Full-Time Equivalents (FTEs)

Excluding Grant Funded FTEs – As of January 2022



CERP Effects

	Consolidated USNH		
	Staff	Faculty	Total
Actual FTEs (excluding Grant Funded Positions)			
April 2020 (assumed to be baseline pre CERP)	2,526	1,248	3,774
January 2022	2,273	1,093	3,366
Increase/(Decrease) November 2021 vs 2020	(253)	(155)	(408)
CERP Details for Reference			
CERP Estimated Net Reduction in Positons - October 2021	(164)	(136)	(300)

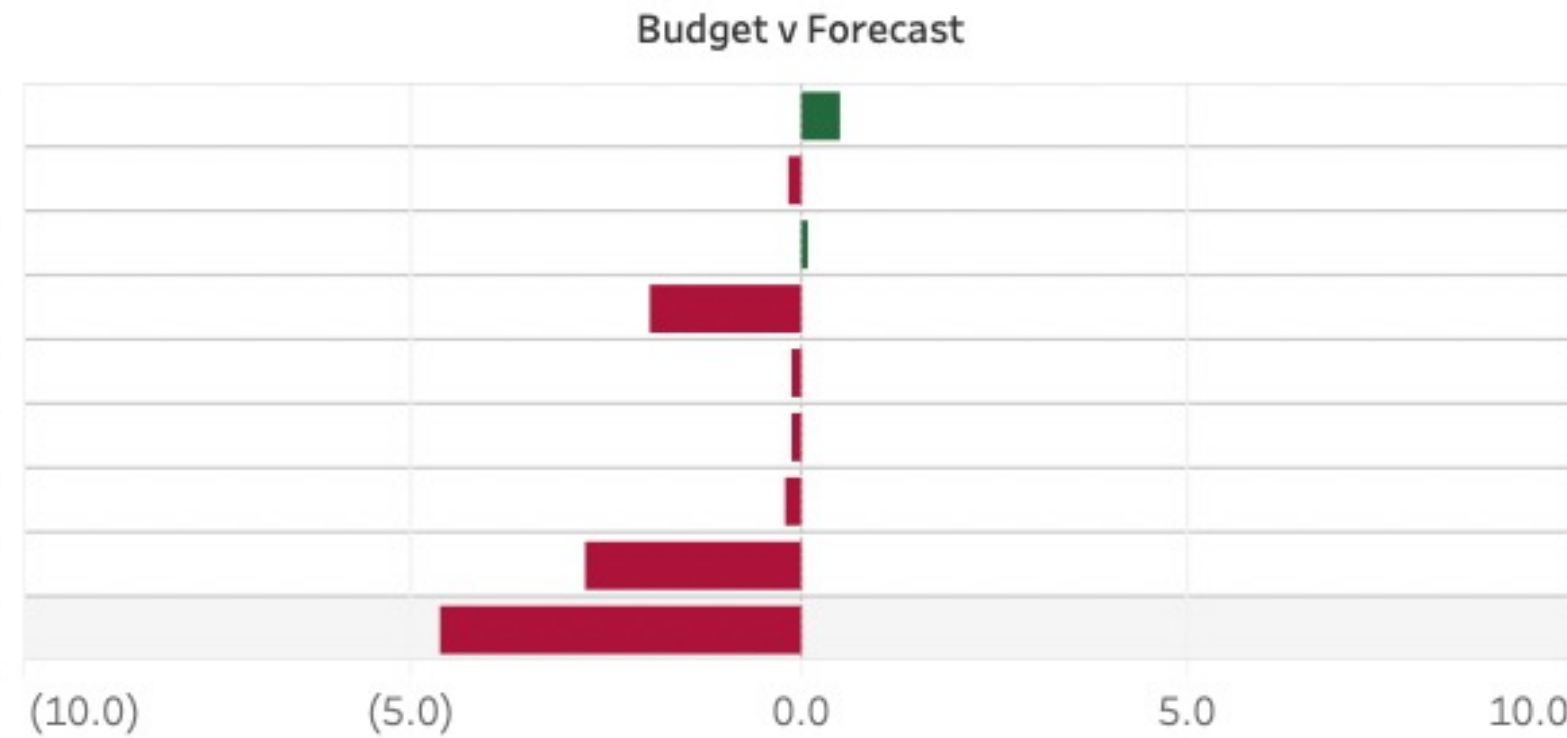
- Compared to the April 2020 (pre-CERP baseline), full time positions as of January 2022 have decreased 408.
- As of Oct 2021, USNH estimated CERP reductions net of add backs would result in a decrease of 300 FTEs
- Campuses have plans to fill many vacancies over the remainder of FY22 and into FY23; FTE counts will increase in the future

Charge #2: Periodic Reporting

Salary Expense - Fully Benefitted Positions

(\$M, excluding Grant Funds)

	FY22 Budget	FY22 Forecast (Prelim)	FY22 YTD Act	FY21 Actual
Faculty/Librarian - AAUP Tenure Track	57.6	57.1	25.8	61.6
Faculty/Librarian - AAUP Lecturers	12.6	12.7	5.8	12.3
Faculty/Librarian - Other	11.1	11.0	5.1	10.7
Professional, admin & technical staff	87.5	89.5	39.9	85.1
Operating staff	28.5	28.6	12.2	28.0
Academic administrators	7.6	7.7	3.7	7.3
Extension educators	2.5	2.7	1.1	2.5
All other (primarily offset to PAT & OS)	(6.1)	(3.4)	(0.1)	0.5
Grand Total	201.3	205.9	93.5	208.0



Green bars/positive amounts reflect favorable impact on Operating Income; Red bars/negative amounts reflect unfavorable impact on Operating Income

FTE - Permanently Budgeted, Term and Perm-Term Positions

	FY22 12/31/21	FY21 12/31/20	Variance
Faculty/Librarian - AAUP Tenure Track	519	565	(46)
Faculty/Librarian - AAUP Lecturers	161	160	1
Faculty/Librarian - Other	111	107	4
Professional, admin & tech staff	987	1,003	(15)
Operating staff	556	633	(77)
Academic administrators	37	31	6
Extension educators	54	62	(8)
Grand Total	2,426	2,561	(136)

Commentary

Fully Benefitted Salary Expense preliminary forecast, excluding grant funds, is \$4.6M unfavorable versus budget and reflects increased hiring in exempt staff as well as a decrease in the centrally-budgeted savings target for FY22. Preliminary forecast is estimated; Q2 forecast details will be refined in early February.

Year-over-Year decreases in Salary Expense and FTE reflect the impact of the COVID Early Retirement Program (CERP), partially offset by CERP refills and new hires.

Notes:

- Forecast reflects preliminary Q2 estimates and will be refined in early February for presentation to the Board of Trustees in March.
- Salary Expense for Academic Year Faculty is incurred over the Academic Year as opposed to the full Fiscal Year span.
- Principal administrators are included in 'Professional, admin & technical staff' rows; Postdoctoral associates are included in 'Faculty/Librarian - Other' rows.

Summary: UNH's financial position

- **In the short term, UNH is in a relatively strong position**
 - Operating margin exceeding USNH 1% benchmark
 - >\$500MM in endowment funds
 - >\$50MM in annual giving
 - >\$38MM in savings from financial and administrative restructuring and \$33.5MM from CERP

FY22 P1 Campus Projections Compared to FY22 Budget



Recurring operating margin improvements of \$7.6 million; Excluding grants, \$3 million increase in revenues and \$4 million additional expense reductions; achieving targeted 1% operating margin

Operating Margin Summary

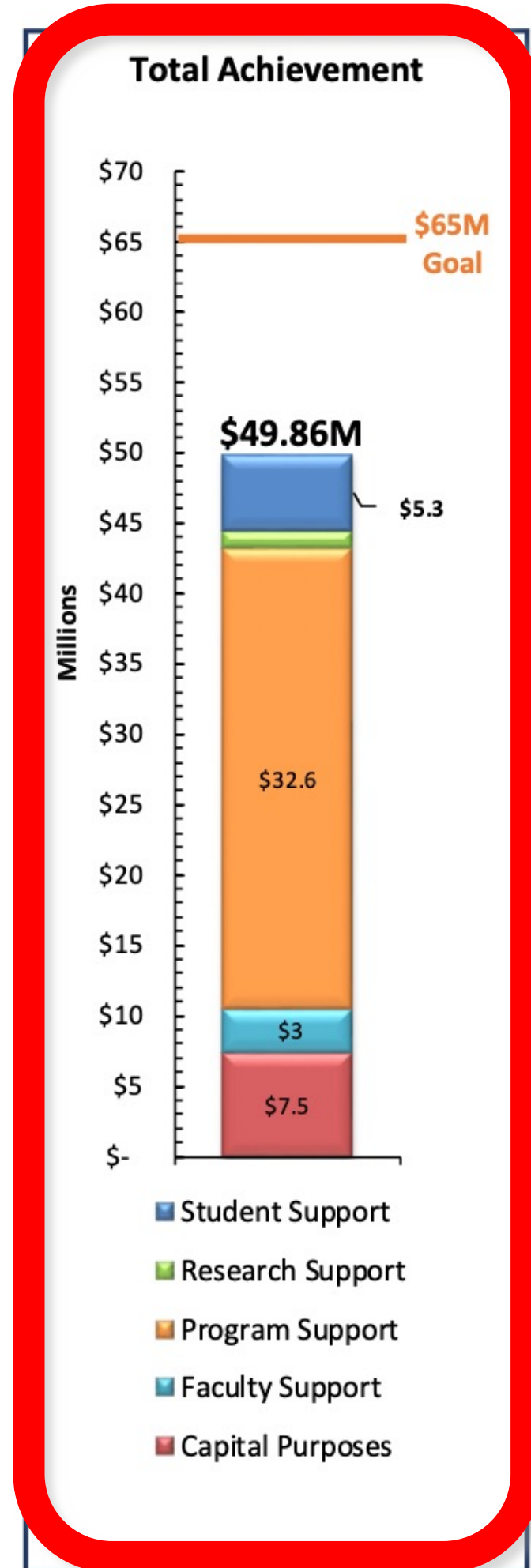
	FY19 Actuals		FY20 Actual		FY21 Actual		FY22 Budget		FY22 P1 Projection		Inc/(Dec) FY22 P1 vs FY22 Budget
	\$	%	\$	%	\$	%	\$	%	\$	%	\$
Recurring Operating Margin											
UNH	24.3	3.9%	3.8	0.6%	6.1	1.0%	7.0	1.1%	15.9	2.5%	8.9
PSU	1.3	1.2%	2.2	2.1%	3.7	3.5%	0.8	0.8%	0.4	0.4%	(0.4)
KSC	(2.8)	-2.9%	(6.0)	-6.2%	(10.0)	-11.4%	(5.5)	-6.4%	(4.7)	-5.5%	0.8
GSC	1.8	9.4%	1.4	7.1%	2.5	12.5%	1.9	9.9%	2.0	10.5%	0.1
SYS	(11.0)	n/a	8.8	n/a	(2.9)	n/a	(3.5)	n/a	(5.3)	n/a	(1.8)
Total Recurring O/M	13.7	1.6%	10.2	1.2%	(0.6)	-0.1%	0.7	0.1%	8.3	1.0%	7.6
Total One-Time Impacts	(9.5)	-1.1%	13.7	1.6%	43.8	5.0%	1.9	0.2%	(37.0)	4.3%	(38.9)
Total O/M Incl One-Time Costs	23.2	2.7%	(3.6)	-0.4%	(44.4)	-5.1%	(1.2)	-0.1%	45.3	4.8%	46.5

Total Recurring Operating Margin higher than budget by \$7.6M

- **UNH** \$8.9M increase primarily revenue driven increased operating revenues
- **PSU** \$0.4M decrease; \$1.5M reduction in net tuition and fees offset by reduced employee compensation
- **KSC** \$0.8M increase; \$1M increase in financial aid more than offset by \$1.8M additional expense reductions (which is also net of \$.4M lower procurement savings projected)
- **System Office** \$1.8M decrease; \$1.5M reduction in Short Term Investment earnings projected
- Note: The current projection includes a reduction of \$1.6M in total estimated strategic procurement savings as anticipated and discussed at the October meetings (FY22 Budget of \$3.6M and current projection \$2M)

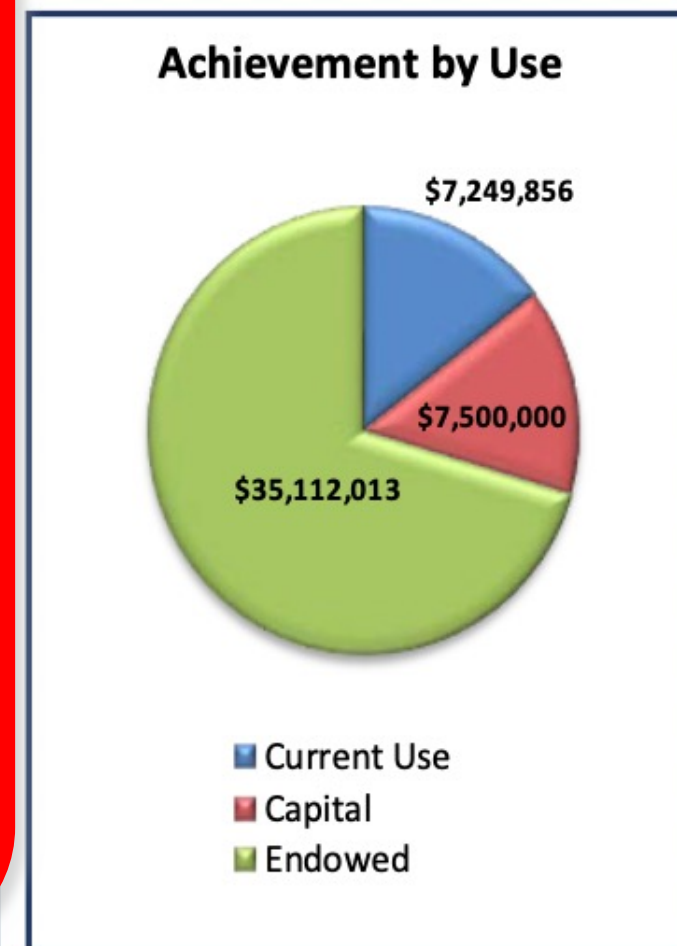
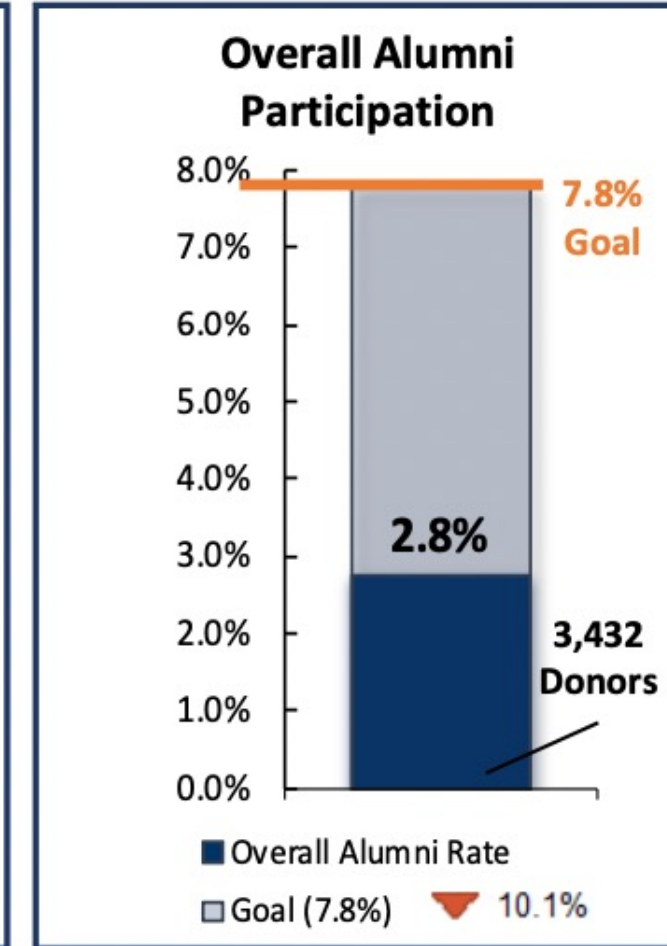
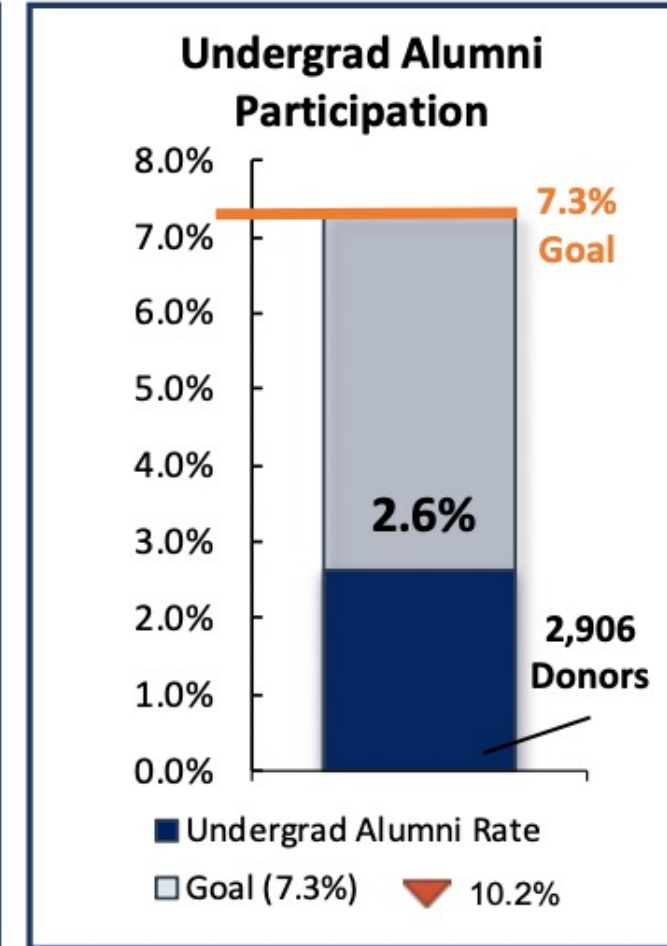
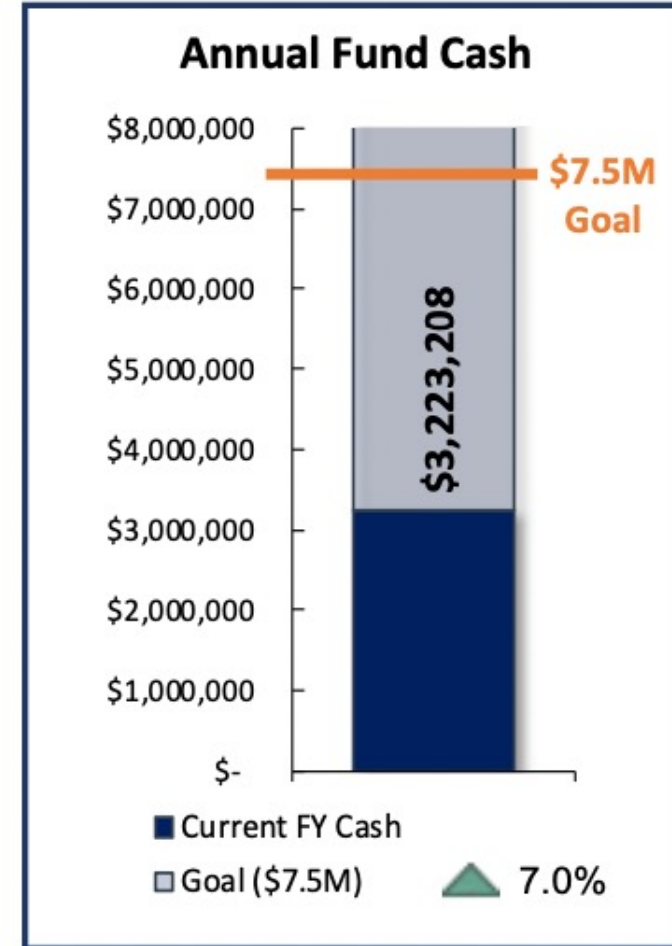


Charge #1b: Advancement (Fundraising)



Donor Count

Gift Band	Count
\$1M+	3
\$500K-1M	4
\$100K-500K	34
\$25K-100K	37
\$1K-25K	589
\$500-1K	272
\$100-500	1,977
\$0-100	1,807
Total	4,723



Development Activity

Proposals	
FY Planned Proposals	Total Submitted
\$104,180,000	\$35,477,083
Submitted - Pending	Total Granted
\$74,207,225	\$44,357,934
Development Officer Visits	
Actual	% to Goal (3,500)
1,857	53.1%

Donor Summary

Number of Donors	7,606	4.4%
Donor Retention Rate	22.8%	9.6%
Average Commitment Size	\$7,338	71.0%

NOTES:

- (1) Undergrad Alumni Participation includes all undergraduate alumni for whom UNH has valid contact information.
- (2) Overall Alumni Participation includes graduate and undergraduate alumni who are reachable for solicitation.
- (3) The Total Achievement bar chart includes a Capital Purposes category reflecting gifts for property, buildings, and equipment, which may include endowed, capital, or current use funds, whereas the Capital category of the Achievement by Use pie chart includes only those gifts with a capital expenditure fund restriction.

NOTES:

- (1) Donor Count by Gift Band: Counts include legal donors only.
- (2) Donor Summary - Number of Donors: Counts include all donors who received recognition credit.
- (3) Colored arrows indicate increase/decrease over same period prior year.

Summary: UNH's financial position

- **In the long term, UNH faces structural and systemic pressures that will require adaptation**
 - Geographic and demographic enrollment trends
 - Increased competition; demand for online and nontraditional programs
 - Deferred-maintenance obligations

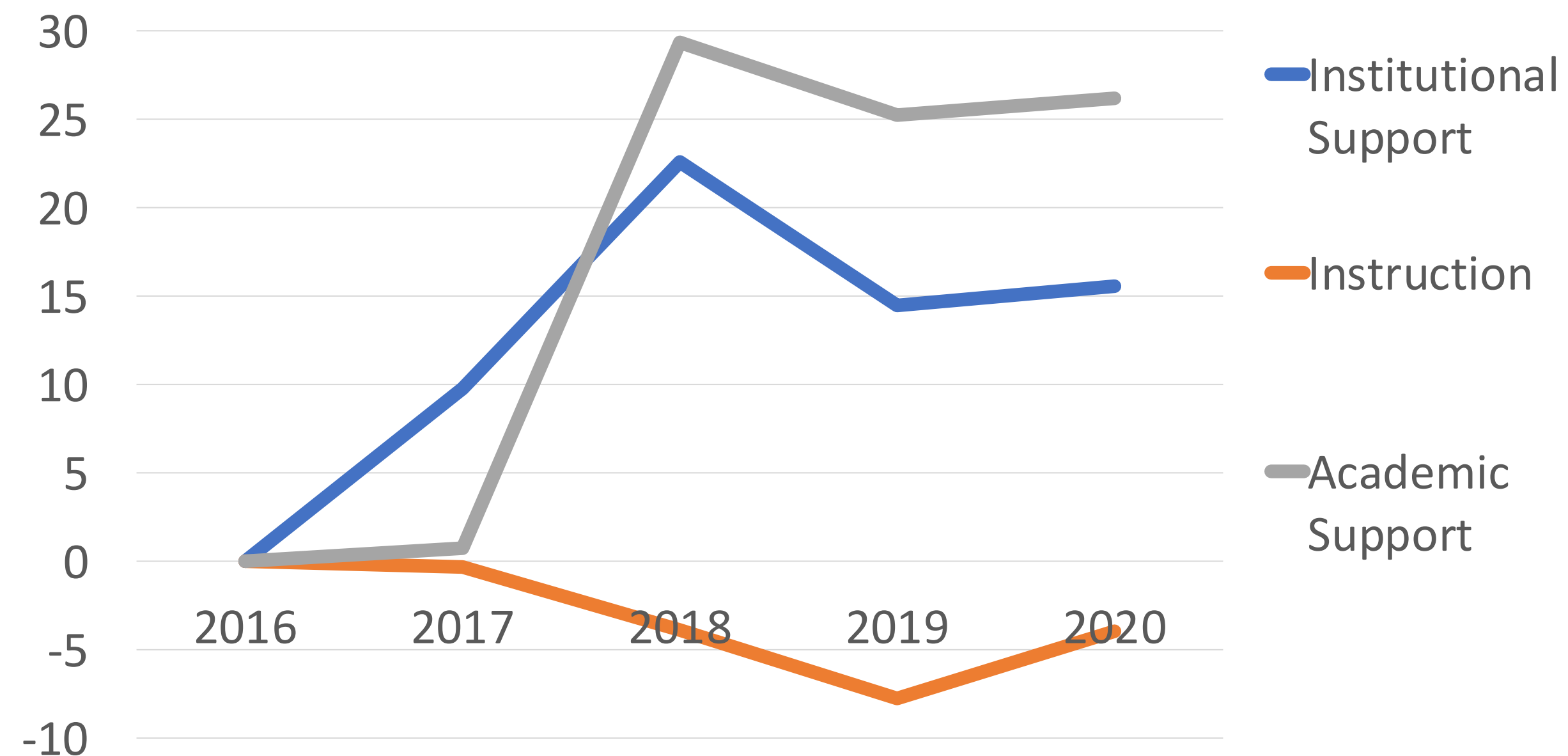
Summary: UNH's financial position

- **UNH is working to build financial strength, though it is too early to assess the results**
 - Financial and administrative restructuring
 - Expanding graduate, professional, and online programs
 - Granite State College / UNH Manchester merger
 - Marketing focus on building UNH brand

In 2016, Instructional Expenditures peaked while Academic Support Expenditures and Administrative Expenditures grew rapidly until 2018 (29% and 23% above 2016 levels respectively), while Instructional Expenditures were down 4% compared to 2016 levels.

Expenditures Relative to 2016

Increase of Expenditures from 2016 Expenditure Levels (five years)



In 2020, Administrative Expenditures were up 16%, Academic Support Expenditures were up 26%, and Instructional Expenses were down 4%, all compared to 2016 Expenditures.

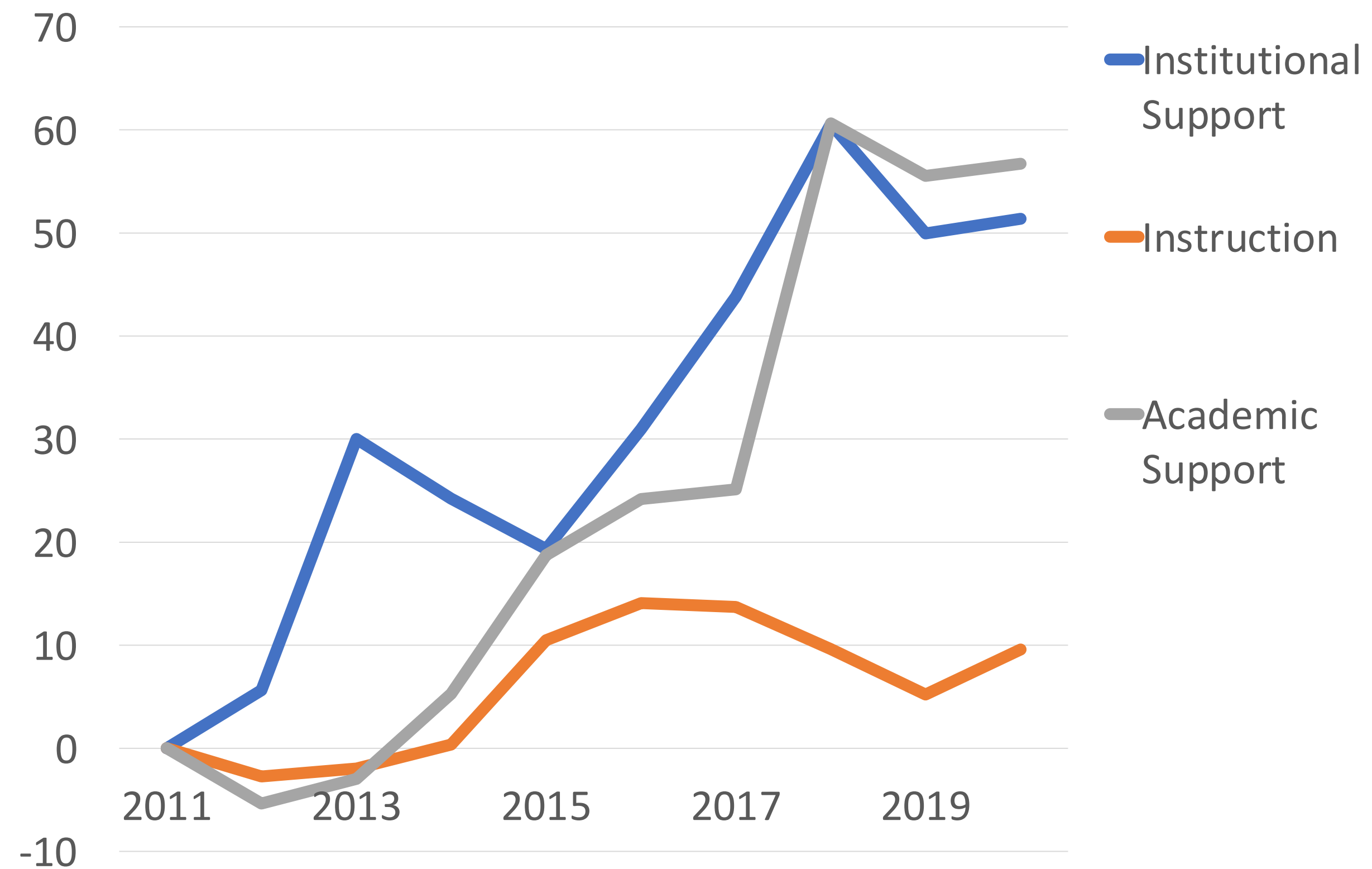
Data Source: IPEDS
<https://nces.ed.gov/ipeds/use-the-data> Data is for Durham Main Campus only (excludes Manchester and the Law School)

Data has not been adjusted for any changes made by UNH in the categorization of expenses from year to year.

In general, Institutional Support expenses can fluctuate significantly. Both Administrative Expenses and Academic Support Expenses have increased by over 50%, while Instruction Expenses are up only about 10%.

Expenditures Relative to 2011

Increase of Expenditures
from 2011 Expenditure Levels (ten years)

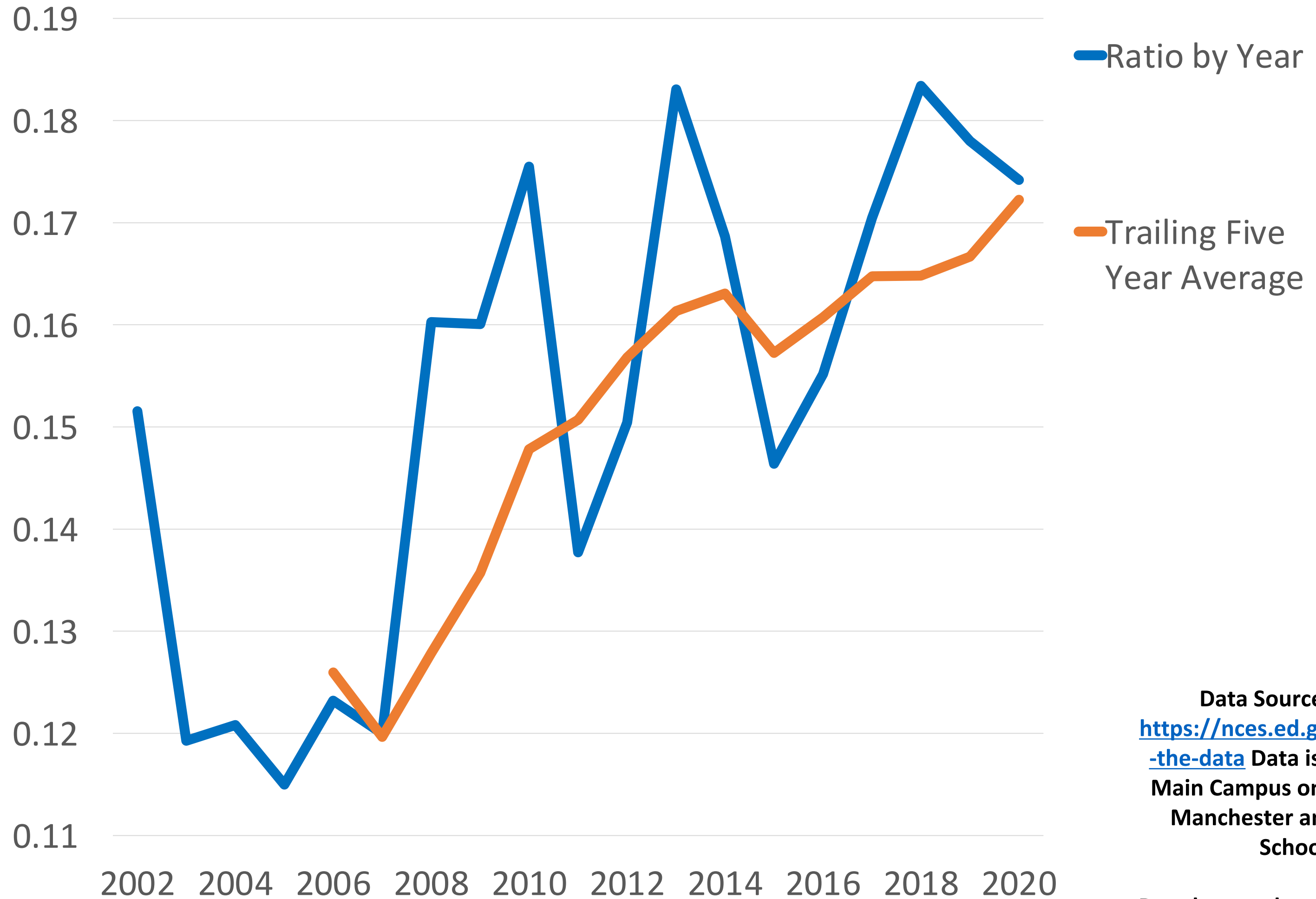


Data Source: IPEDS
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Data has not been adjusted for any changes made by UNH in the categorization of expenses from year to year.

Ratio of Administrative to Instructional Expenses and Academic Support

The calculated ratios are volatile, however using a five-year trailing average helps identify a clear trend over the past nearly two-decades.



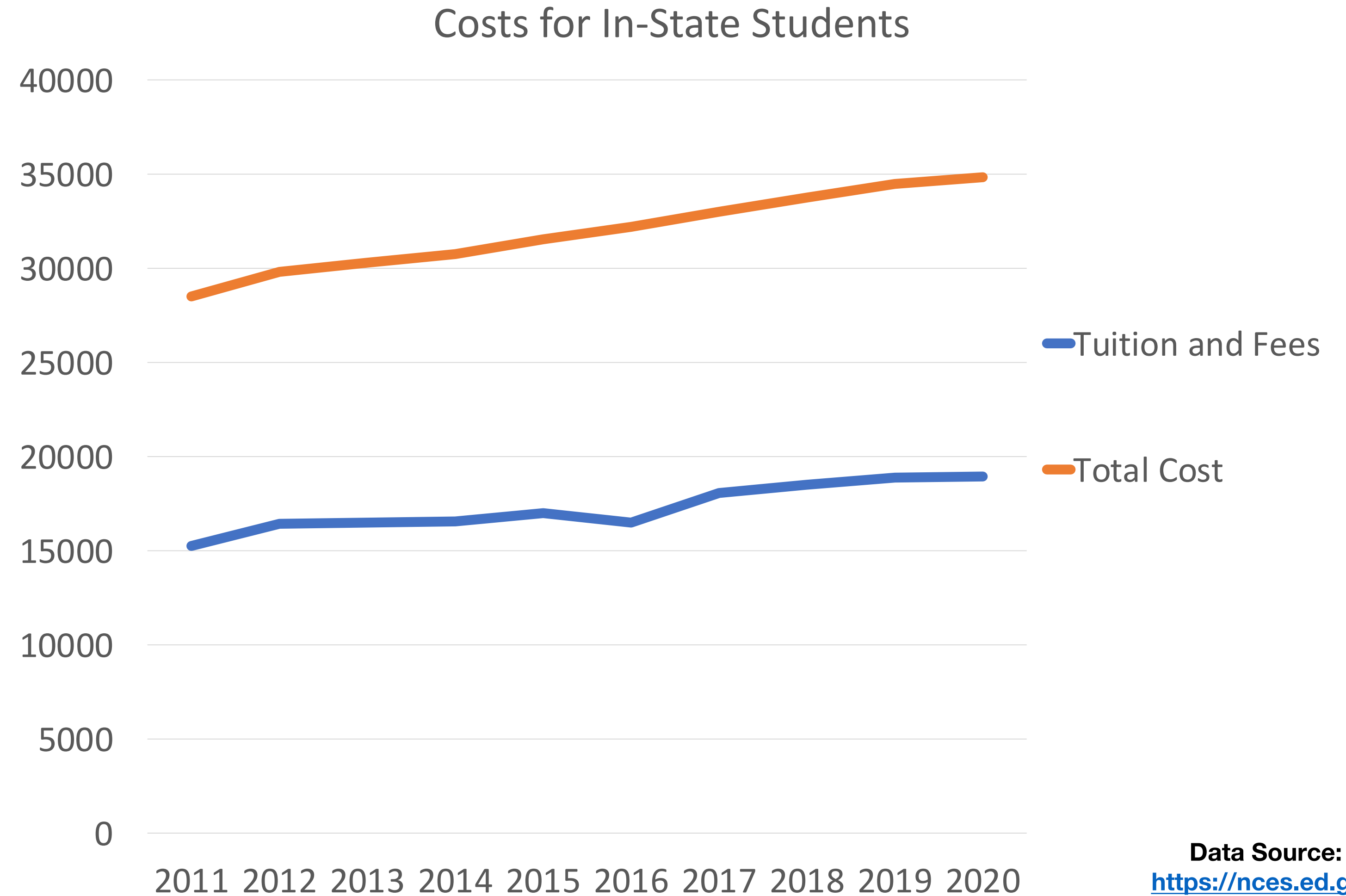
As Academic Support has significantly increased in the last several years, the primary driver of the increased ratio is the rapid growth in Administrative Expenses against relatively flat Instructional Expenses.

Data Source: IPEDS
<https://nces.ed.gov/ipeds/use-the-data> Data is for Durham Main Campus only (excludes Manchester and the Law School)

Data has not been adjusted for any changes made by UNH in the categorization of expenses from year to year.

While tuition has been frozen recently, the total costs faced by our students has continued to grow as the University charges more in fees and for other services.

Tuition and Fees and Total Costs for In-State Students living on-campus



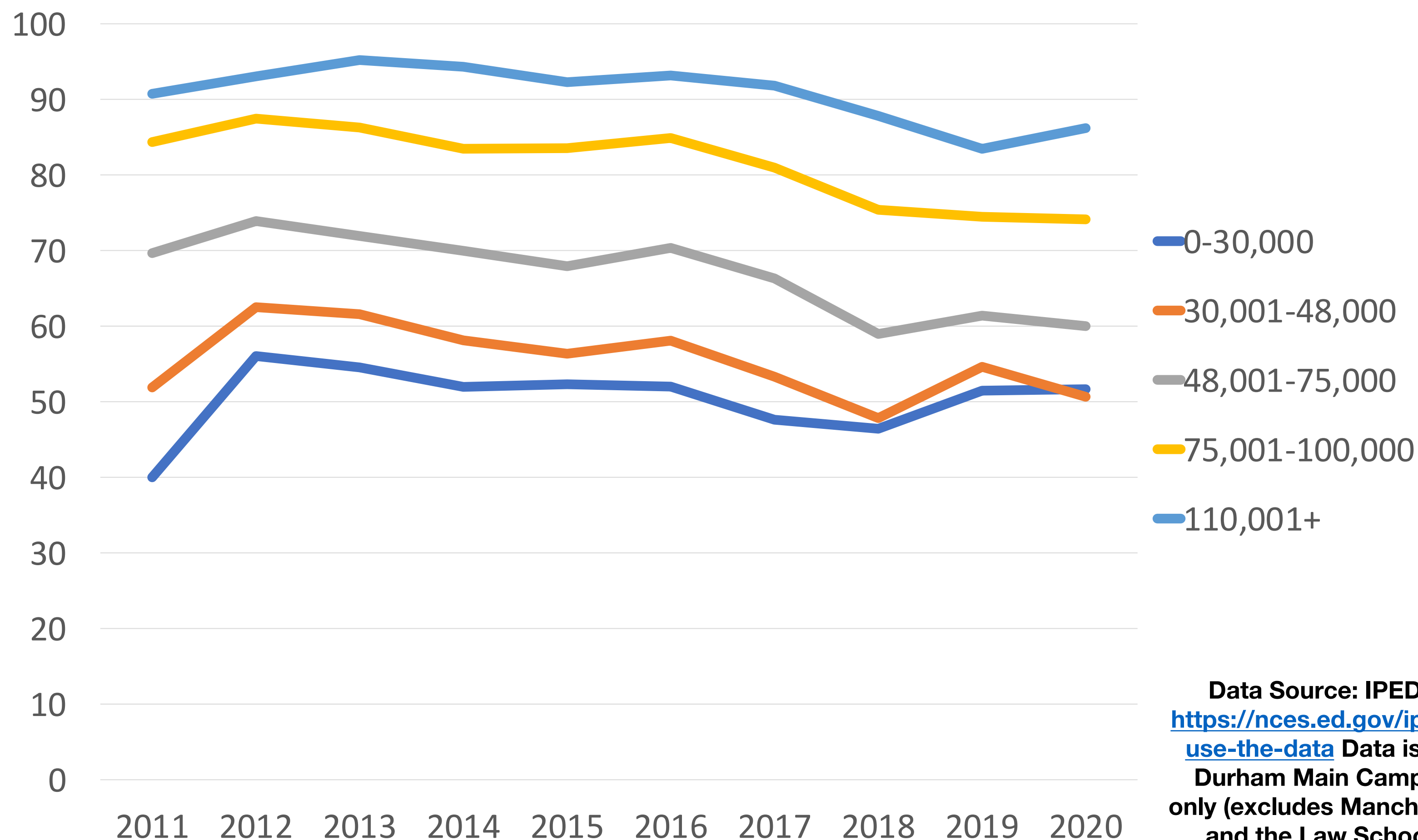
Not all expenses factored into the Total Costs are controlled by the University.

Data Source: IPEDS
<https://nces.ed.gov/ipeds/use-the-data> Data is for Durham Main Campus only (excludes Manchester and the Law School)

Starting in 2017, Financial Aid seems to have increased and students receiving aid started paying a smaller percentage of the total costs.

Average Net Price for In-State Students who were Awarded Federal Financial Aid

Average Net Price as a Percent of Total Cost for In-State Students who were Awarded Title IV Federal Financial Aid by Income



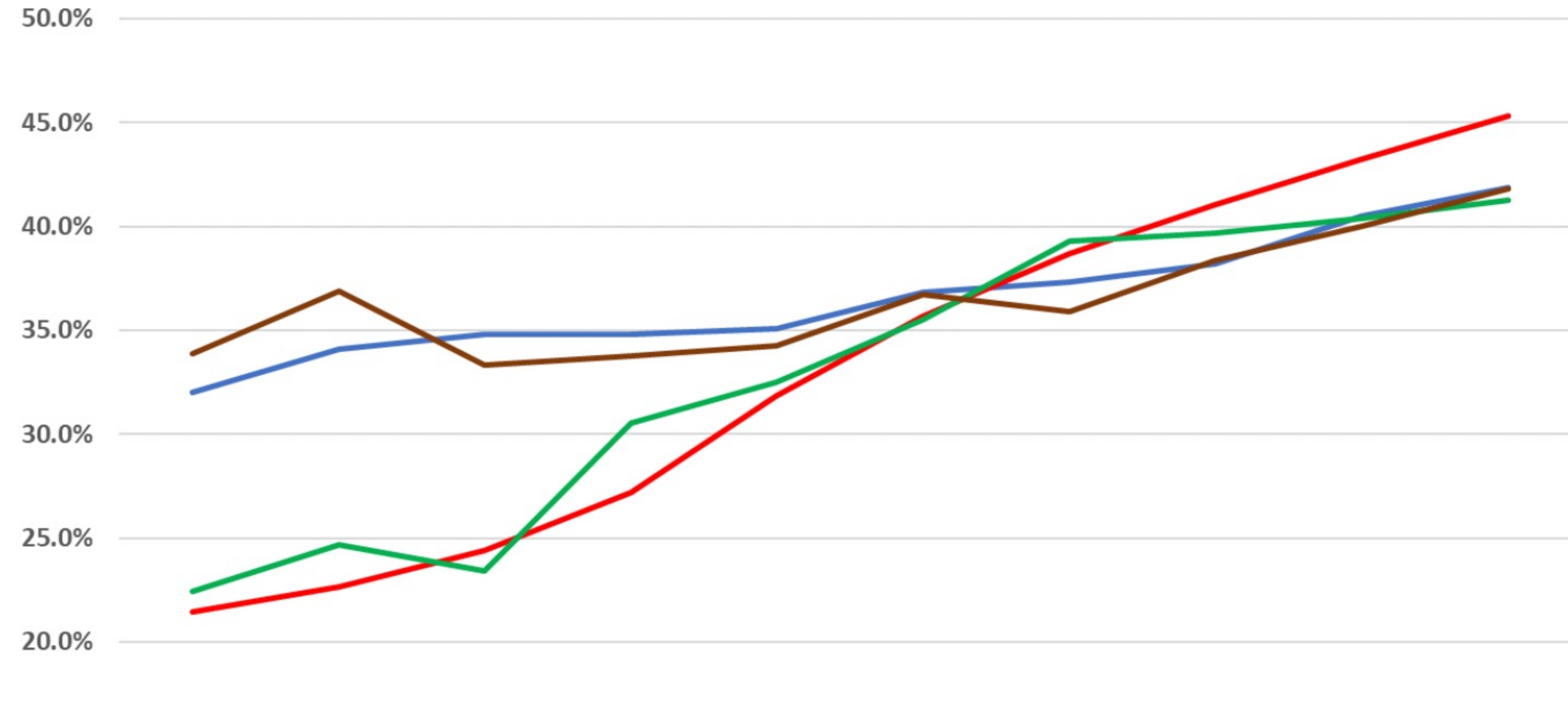
However, students with the lowest income have started paying more since 2018, so that in 2020 they are paying approximately the same percentage of total costs in 2020 as they did in 2016, while the top three income levels are down by 7%, 11%, and 10% respectively in 2020 from 2016 levels.

Data Source: IPEDS
<https://nces.ed.gov/ipeds/use-the-data> Data is for Durham Main Campus only (excludes Manchester and the Law School)

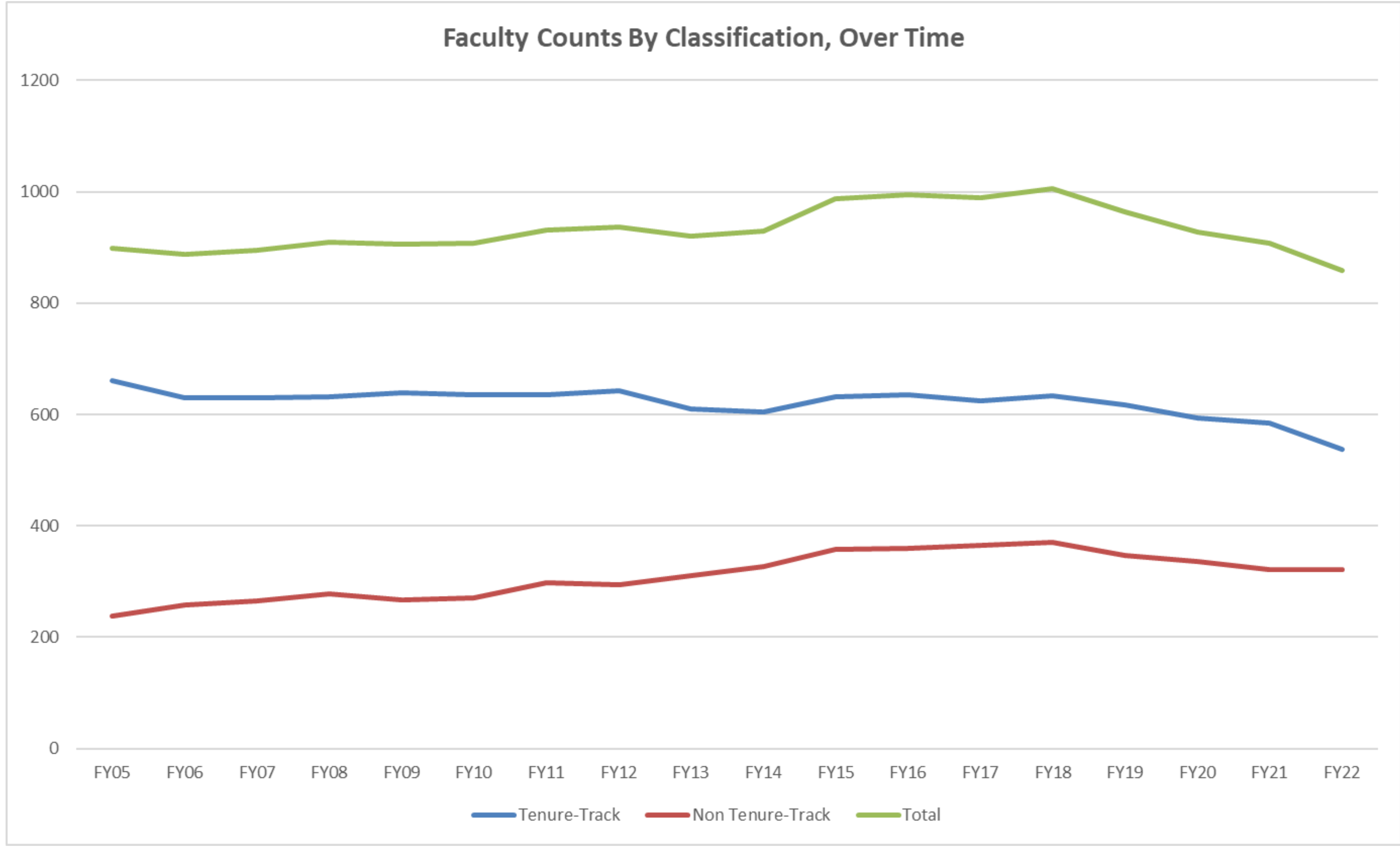
Trend of increased financial aid is anticipated to continue and will impact future revenues

Discount Rate

Financial Aid Trends by Campus



	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Projection
UNH	32.0%	34.1%	34.8%	34.8%	35.1%	36.8%	37.3%	38.2%	40.5%	41.9%
KSC	21.5%	22.6%	24.4%	27.2%	31.8%	35.7%	38.7%	41.0%	43.2%	45.3%
PSU	22.4%	24.7%	23.4%	30.5%	32.5%	35.5%	39.3%	39.7%	40.4%	41.3%
GSC	33.9%	36.9%	33.3%	33.8%	34.3%	36.7%	35.9%	38.4%	40.0%	41.8%



**Charge #1c:
TT vs. NTT
(Past 5 years)**



PLC/EC Financial Dashboard
as of Fiscal Year 2022 and Fiscal Period 06 - DECEMBER

Charge #2: Periodic Reporting (Easy Button)

Key Performance Indicators (KPI)

		FY22 Budget	FY22 Forecast (Prelim)	FY22 YTD Act	FY21 Actual	FY20 Actual
Operating Income	Operating Revenues (\$M)	624.6	649.0	560.8	616.2	602.6
	Operating Expenses (\$M)	614.8	641.8	314.9	629.7	607.1
	Operating Income (\$M)	9.8	7.2	245.9	(13.5)	(4.6)
	Operating Income Pct	1.58%	1.12%	43.85%	-2.20%	-0.76%
Undergraduate Enrollment	Undergrad Enrollment (Fall R30)	11,934	12,073	12,073	12,358	12,811
	Undergrad Gross Tuition (\$M)	279.6	285.8	292.9	285.8	290.6
	Undergrad Financial Aid (\$M)	(130.4)	(131.9)	(67.4)	(125.6)	(118.6)
	Undergrad Net Tuition (\$M)	149.2	153.9	225.5	160.2	171.9
	Undergrad Net Tuition/Student (Fall, \$)	7,473	7,363	7,363	7,349	7,623
Graduate Enrollment	Grad Enrollment (Fall R30)		2,948	2,948	2,925	2,736
	Grad Gross Tuition (\$M)	55.6	57.4	51.4	50.6	46.5
	Grad Financial Aid (\$M)	(22.4)	(24.5)	(15.0)	(21.3)	(20.4)
	Grad Net Tuition (\$M)	33.2	32.9	36.4	29.3	26.1
Non-Credit Tuition (\$M)	2.0	1.4	0.8	1.4	1.9	
Balances	Unrestricted Reserves (\$M)	68.9	70.1	329.9	65.4	57.4
	Total External Debt (\$M)	152.8	152.8	158.1	163.4	173.5
	Unrestricted Reserves/Debt	0.5	0.5	2.1	0.4	0.3
	Current Use Gift Fund Balance (\$M)	31.3	32.4	48.5	44.2	35.6
	Restricted Reserves (\$M)	1,135.8	1,144.6	1,086.8	1,089.0	991.2

Commentary

Note: Forecast reflects preliminary Q2 estimates and will be refined in early February for presentation to the Board of Trustees in March.

Operating Income: FY22 Operating Income preliminary forecast is \$2.6M unfavorable versus budget. FY22 YTD Actual Operating Income is temporarily inflated due to timing - initial Spring semester tuition revenue has been recognized as of 12/31/21, but enrollments are in flux until the R30 census date, financial aid is not yet posted and operating expenses will be incurred throughout the remainder of the fiscal year.

Undergraduate Enrollment: FY22 Undergraduate Net Tuition preliminary forecast is \$4.7M favorable versus budget. FY22 YTD Actual Undergrad Net Tuition is temporarily overstated as initial Spring semester tuition revenue has been recognized as of 12/31/21, but financial aid has not yet posted and enrollments are in flux until the R30 census date. Undergraduate Financial Aid includes aid charged to grants; however, Undergrad Net Tuition per Student excludes grant-funded financial aid.

Graduate Enrollment: FY22 Graduate Net Tuition preliminary forecast is approximately equal to budget. FY22 YTD Actual Graduate Net Tuition is temporarily overstated and will fluctuate throughout the year due to differing programmatic, billing and financial aid posting schedules. Graduate Financial Aid includes aid charged to grants. FY22 Budget for Graduate Enrollment was not collected as part of the budget process.

Non-Credit Tuition: FY22 preliminary forecast reflects lower PD&T revenue versus budget due to the continuing impacts of COVID-19 on in-person professional programs.

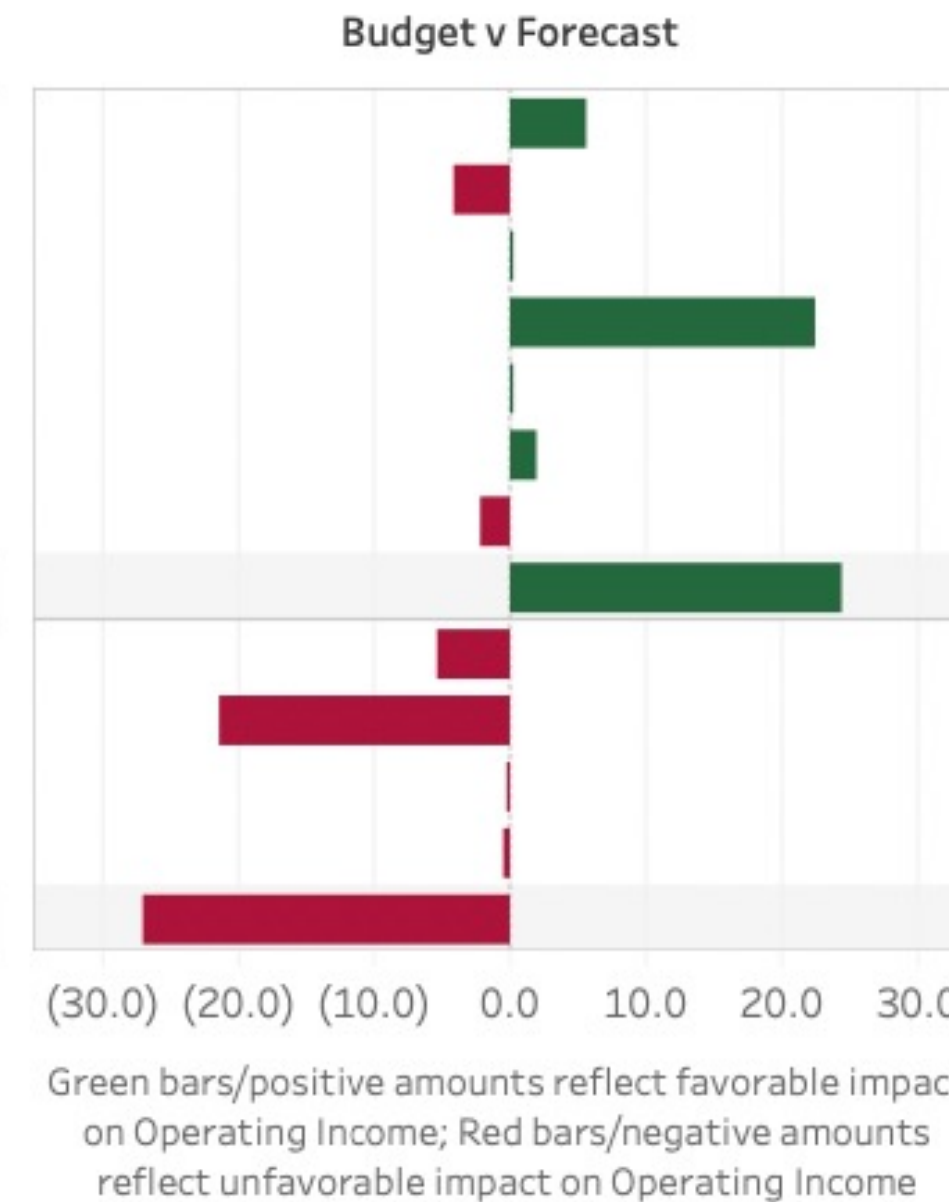
Balances: FY22 YTD Actual Unrestricted Reserves are temporarily inflated due to the timing of Operating Income described above. Current Use Gift Fund Balance excludes certain funds not available for spending (i.e. pledges, investments, future capital projects, accounting adjs) and the FY22 YTD Actual balance is reduced for outstanding commitments (\$3.4M) which may not fully expend in FY22. Restricted Reserves include Perkins loan funds, endowment corpus and net investment in capital plant and equipment.



Charge #2: Periodic Reporting (Easy Button)

Operating Income

		FY22 Budget	FY22 Forecast (Prelim)	FY22 YTD Act	FY21 Actual
Operating Revenues (\$M)	Gross Tuition & Fees	366.2	371.8	370.8	365.2
	Financial Aid	(153.9)	(157.9)	(83.2)	(148.0)
	State Appropriation	60.4	60.4	30.2	60.4
	Grants & Contracts/F&A/Pell	162.9	185.5	90.4	164.7
	Non Cap Gifts & Endowment Income	35.4	35.5	14.3	41.1
	Sales of Aux Services	126.3	128.3	124.8	108.8
	Other Operating Revenue	27.4	25.4	13.4	24.0
	Total	624.6	649.0	560.8	616.2
Operating Expenses (\$M)	Employee Compensation	386.8	392.2	183.7	427.4
	Supplies & Services	163.5	184.9	99.1	141.7
	Depreciation	52.1	52.1	25.6	50.7
	Other Operating Expense	12.3	12.6	6.6	10.0
	Total	614.8	641.8	314.9	629.7
Operating Income (\$M)	9.8	7.2	245.9	(13.5)	
Operating Income Pct	1.58%	1.12%	43.85%	-2.20%	



Commentary

Operating Income preliminary forecast is \$2.6M unfavorable versus budget.

Gross Tuition & Fees preliminary forecast reflects favorability versus budget in Undergraduate (\$6.3M) and Graduate (\$1.9M), partially offset by unfavorable variances in Summer (\$1.1M), Non-Credit (\$0.6M) and Non-Mandatory Student Fees (\$0.8M, primarily ECOQuest).

Financial Aid preliminary forecast is \$4.0M unfavorable versus budget primarily due to higher aid expenses resulting from higher enrollment.

Grants & Contracts/F&A/Pell preliminary forecast is \$22.7M favorable versus budget primarily due to \$15.5M in additional HEERF II/III funding as well as increased research activity and grant-related COVID-19 testing.

Employee Compensation preliminary forecast is \$5.3M unfavorable versus budget. Details are available on the following slide.

Supplies & Services preliminary forecast is \$21.4M unfavorable versus budget due to additional student and institutional support expenses related to the HEERF II/III funding referenced above, as well as additional expenses related to increased research activity and grant-related COVID-19 testing.

Notes:

- FY22 Forecast reflects preliminary Q2 estimates and will be refined in early February for presentation to the Board of Trustees in March.
- FY22 YTD Actual Operating Income is temporarily inflated due to timing - initial Spring semester tuition revenue has been recognized as of 12/31/21, but enrollments are in flux until the R30 census date, financial aid is not yet posted and operating expenses will be incurred throughout the remainder of the fiscal year.
- 'Budget v Forecast' is calculated as Forecast-Budget for Operating Revenues and Budget-Forecast for Operating Expenses.

Budget Model Committee Update

Quick Review: Objective and Timeline

The committee is charged with establishing a new budget model for UNH that will prioritize simplicity and transparency, while fostering innovation and strategic decision making

Timeline and Key Milestones

February - March

- Establish desired principles and the initial framework of a proposed budget model

March – April

- Detailed vetting using historical data in the proposed framework
- Review modeling results, discuss implications, and refine the model
- Engage stakeholders outside of the committee for input
- Finalize model structure and methodology

May - June

- Create a comprehensive plan for communication, socialization, and implementation
- Establish a governance process for evaluating and enhancing the model going forward