

Granite State College

Keene  
STATE COLLEGE

Plymouth State  
UNIVERSITY



University of  
New Hampshire

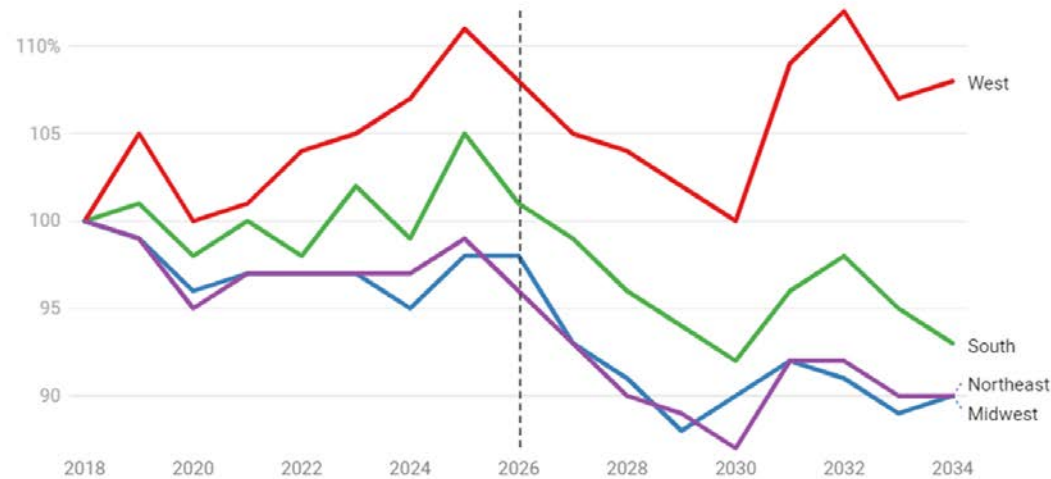
University System  
of New Hampshire

# House Education Subcommittee on Post-Secondary Education

*March 17, 2021*

# What The Data Shows: Shrinking Enrollment

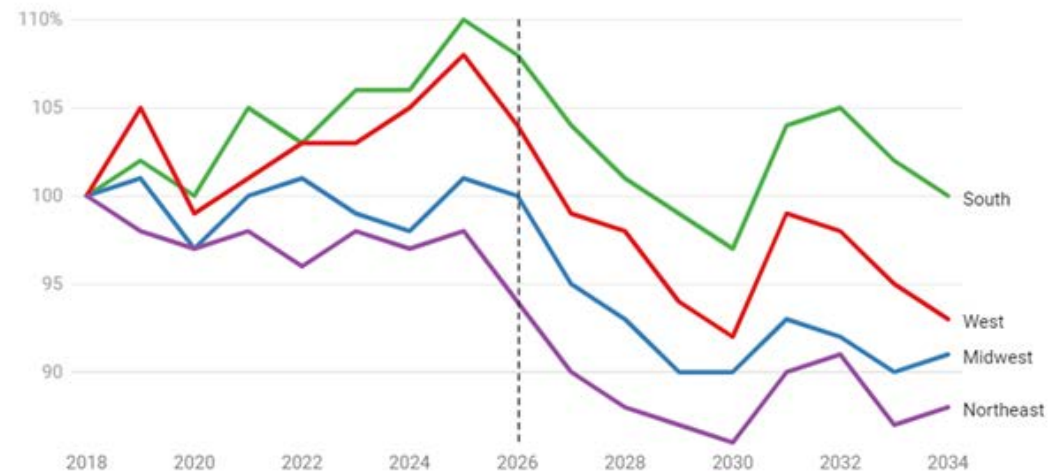
## 4-Year Regional Colleges



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.

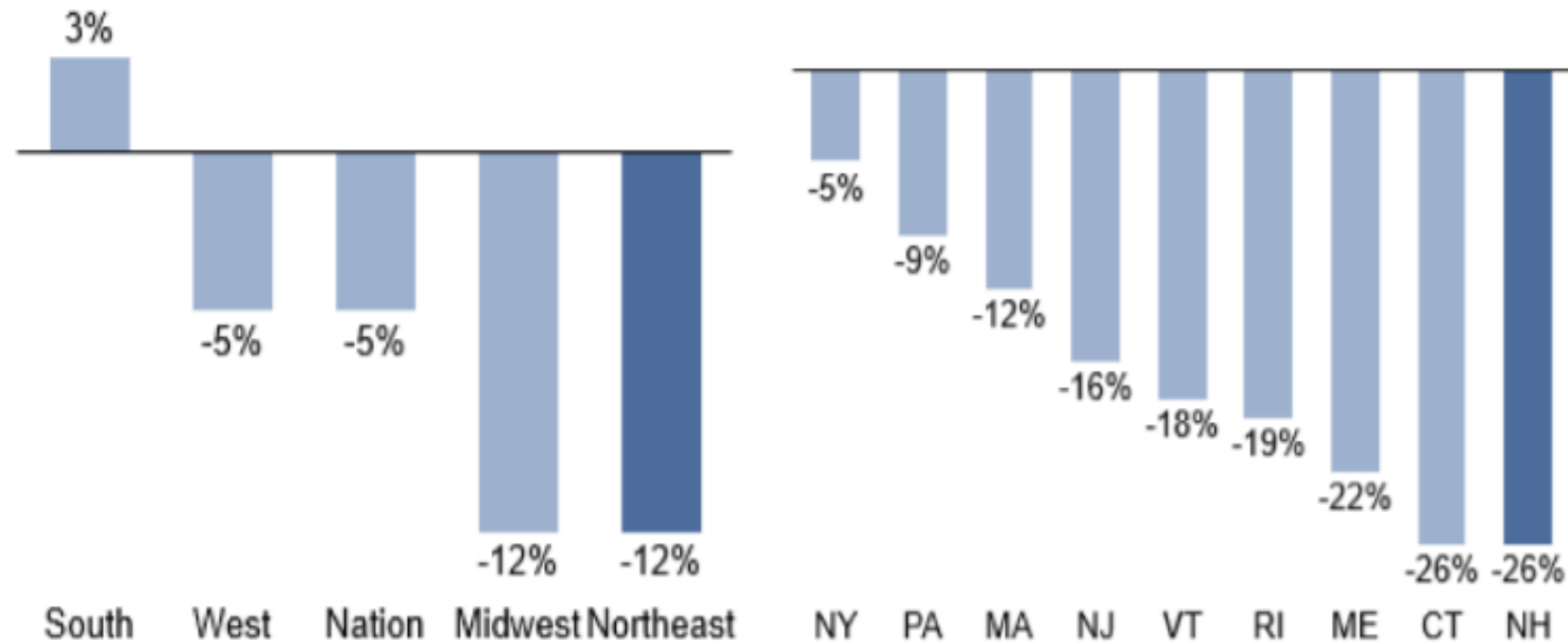
## 2-Year Colleges



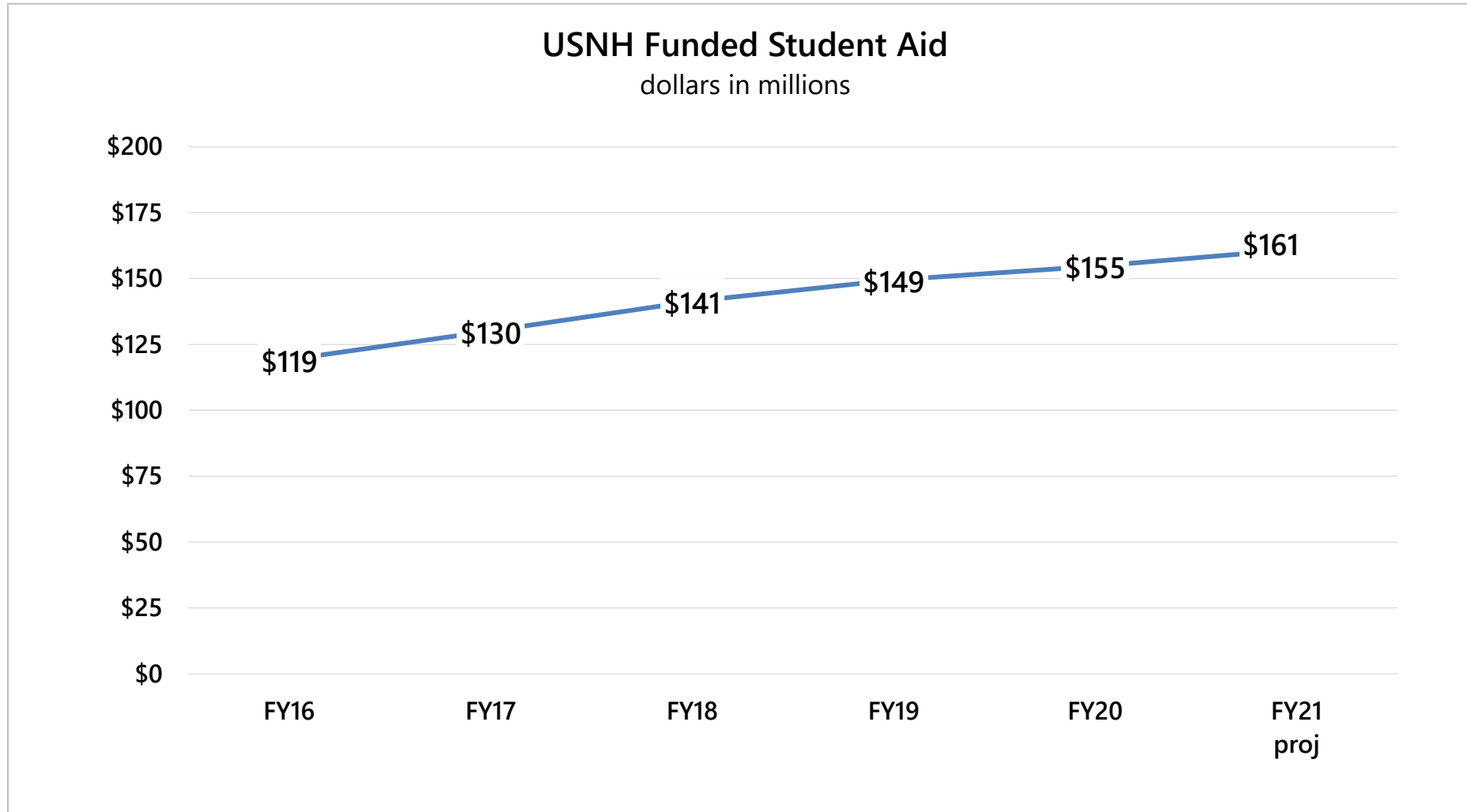
Source: Nathan D. Grawe, "The Agile College" • Get the data • Created with Datawrapper

# NH will be especially hard hit

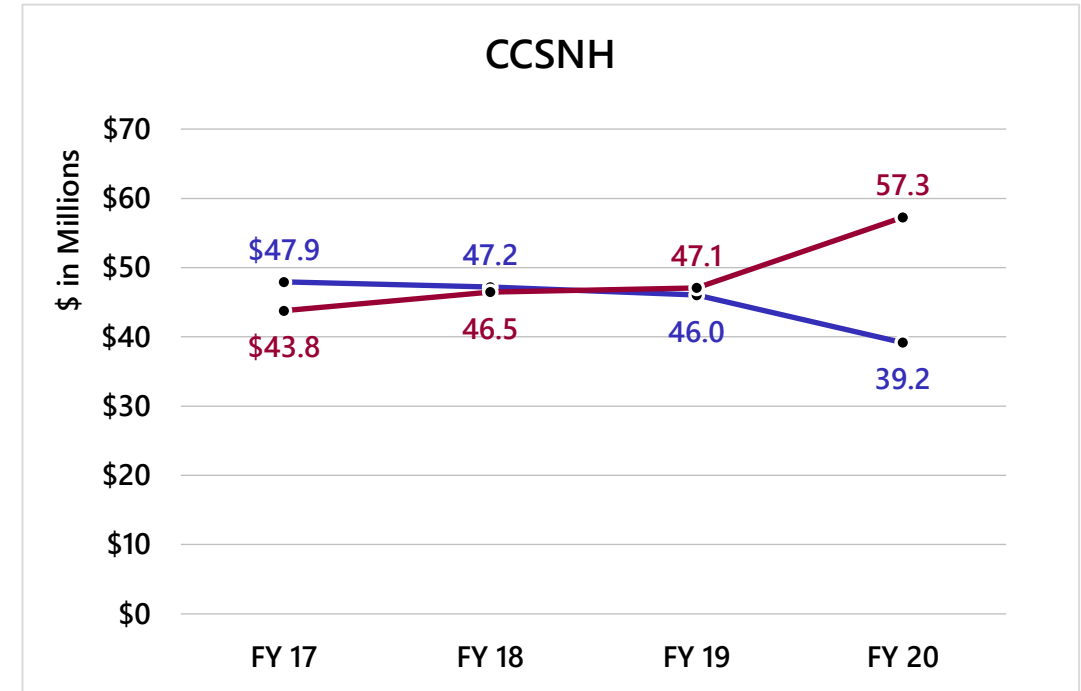
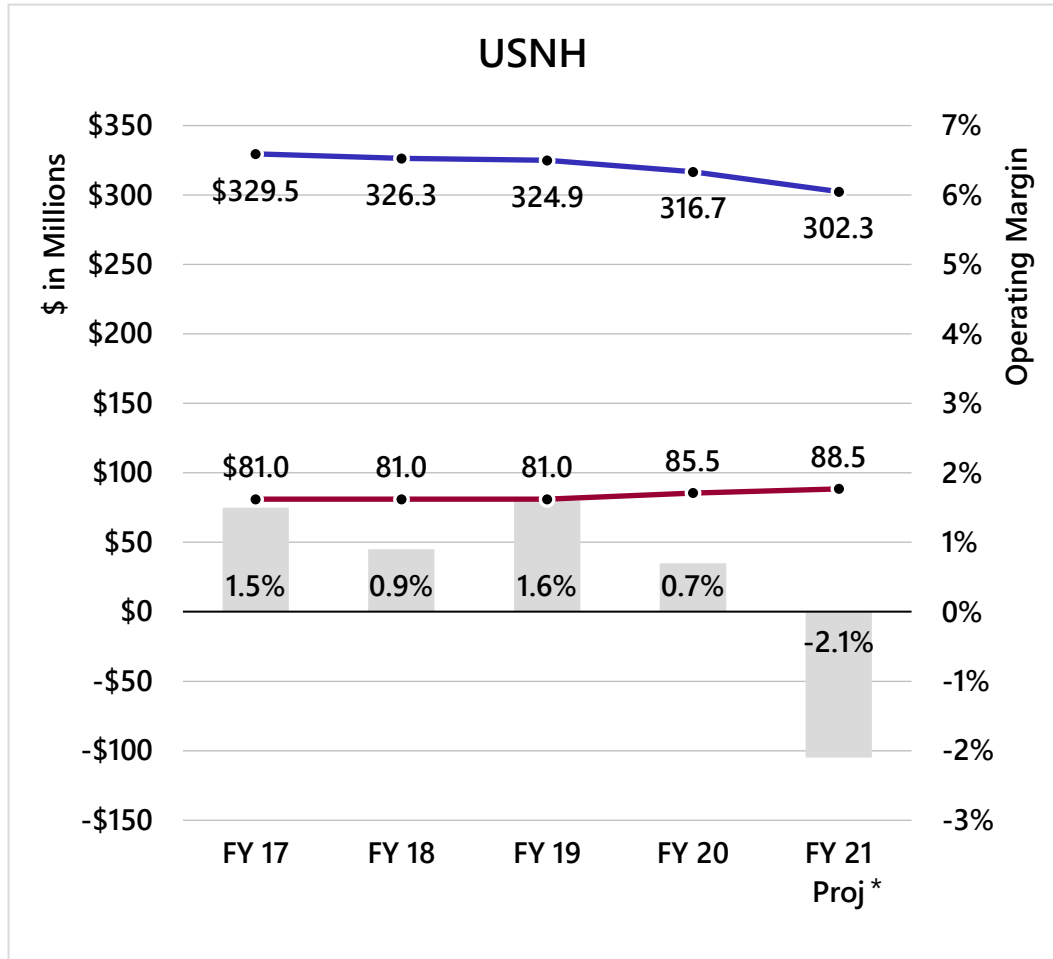
Projected growth / decline by US region and northeast states in high school graduates by 2032, i.e., 15 years out (data from 2017)



# What The Data Shows: Increasing Direct Student Financial Aid



# What The Data Shows: Net Tuition Has Been Declining Before the Significant Future Headwinds



— Net Tuition & Fees (\$)

— State Appropriation (\$)

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

# What The Data Shows: Increasing Out of State Competition

## Resident High School Grad Enrollment Out of State

	4-Yr Enrollment	"Exporter Rank"
NH	57.9%	1
VT	55.9%	3
New Engl Avg	47.1%	
US Avg	25.7%	

	2- and 4-Yr Enrollment	"Exporter Rank"
VT	52.0%	1
NH	48.4%	2
New Engl Avg	38.4%	
US Avg	19.5%	

New England and US average of states excludes NH. VT ranks 3rd highest in 4-year enrollment migration after Hawaii at 57.7%.

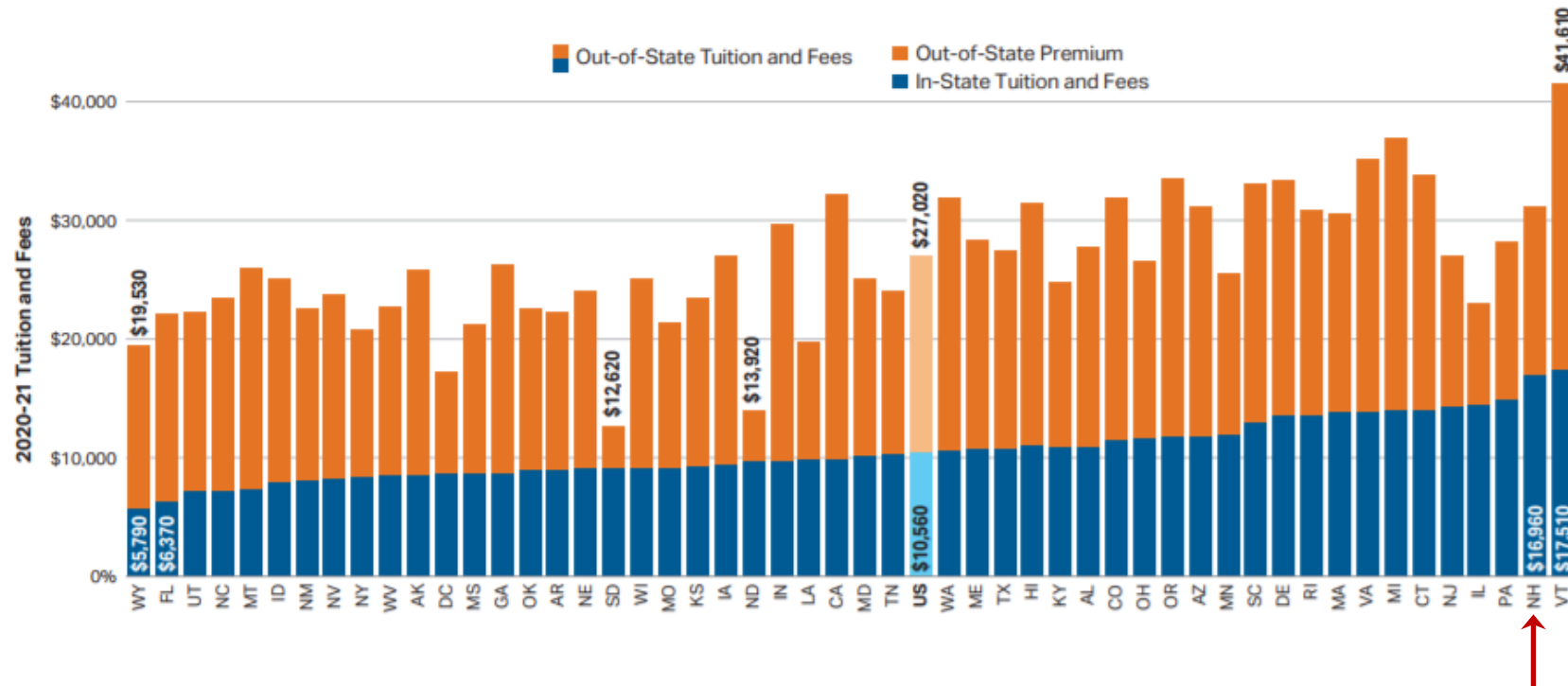
NH is a top exporter of college going high school graduates. Competition from out-of-state institutions will intensify further as the demographics decline. UMaine and UMass Lowell already provide in-state pricing to out-of-state students.

# What The Data Shows: NH Has Second Highest Tuition and Fees in the US

## Tuition and Fees by State: Public Four-Year

In 2020-21, average published tuition and fees for full-time in-state students at public four-year institutions range from \$5,790 in Wyoming and \$6,370 in Florida to \$16,960 in New Hampshire and \$17,510 in Vermont.

**FIGURE CP-6** Average 2020-21 Tuition and Fees at Public Four-Year Institutions and 2015-16 to 2020-21 Five-Year Percentage Changes in Inflation-Adjusted In-State Tuition and Fees, by State

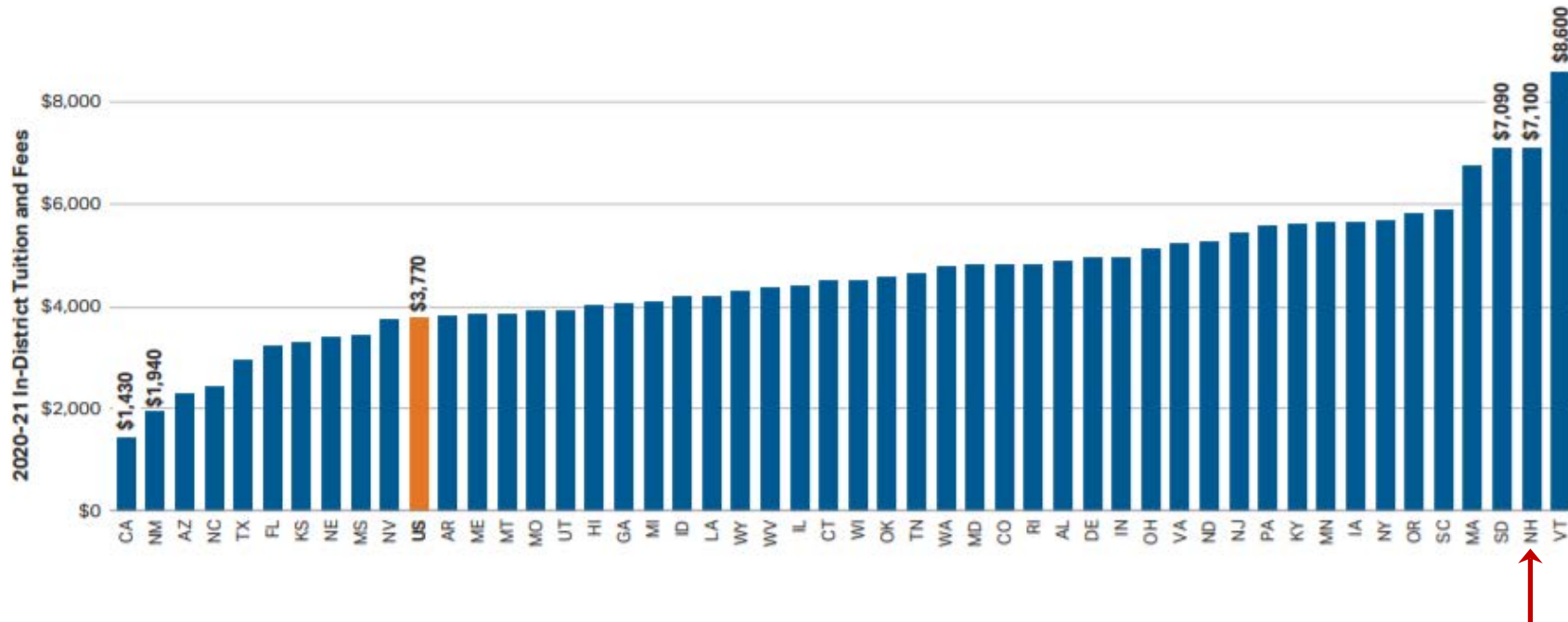


# What The Data Shows: NH Has Second Highest Tuition and Fees in the US

## Tuition and Fees by State: Public Two-Year

In 2020-21, average published tuition and fees for full-time in-district students at public two-year colleges range from \$1,430 in California and \$1,940 in New Mexico to about \$7,100 in South Dakota and New Hampshire and \$8,600 in Vermont.

**FIGURE CP-5** Average 2020-21 In-District Tuition and Fees at Public Two-Year Institutions and 2015-16 to 2020-21 Five-Year Percentage Changes in Inflation-Adjusted In-District Tuition and Fees, by State





# What The Data Shows: NH Is Below Median In Population Per Institution

With ~125K people per public institution, New Hampshire ranks below the median for population per institution and in the bottom quintile for population below age 25 per institution.

State	Pop. / Public Institution ('000)	Rank	Pop. <25 Rank
Utah	414	4	1
Rhode Island	354	5	5
New York	244	12	13
Alaska	181	26	21
Hawaii	140	33	38
Minnesota	130	37	36
Vermont	125	40	40
New Hampshire	125	39	41
Arkansas	92	42	43
Kansas	88	43	42
Montana	64	49	49
North Dakota	55	50	50

The median for all states for population per institution is 181k residents per institution, 57k residents per institution higher than NH.

# 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: ~ \$136M of covid related losses, partially offset by \$61M of Stimulus and GOFERR funding
- 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.

# Charting USNH's Financial Future

- 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
    - » Break-even by FY2022
    - » Small positive margin by FY2023
  - Approach:
    - » Roll back expenses to FY2019 levels
    - » Restructure benefits
    - » System-wide consolidation of common, back-office administrative functions
    - » Campus-specific rebalancing of academic programs
    - » Utilizing voluntary separation and retirement program: ~500 faculty and staff
- On the one hand, although this is unprecedented in scale and scope, it is progressing and on schedule
- On the other hand, if all goes to plan, this will only catch USNH up to the accelerating structural challenges. The cliff lies ahead.

# Advantages of Proposed Merger

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If ever there were a time to rethink the structure of public higher ed in NH, this is it

- *Significant* potential for cost reduction
- *Significant* potential for benefit to students and employers

# Areas of *Potential* Cost Reduction

- Two Chancellors
- Two System Offices
- Procurement (purchased goods and services = ~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

# Areas of *Potential* Benefit

- Long-term financial viability
- 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
- All of the above should improve student retention and graduation rates
- 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

## USNH Financial Modeling and Roadmap

# Modeling Shows Revenue Is Projected To Significantly Decline

	Base Plus Post Pandemic Trend				FY23 vs FY20 Actual
	FY20 Actual	FY21 P1 Projection	FY22 Projection	FY23 Projection	
Excl DIRECT Grant Contract Rev/Exp					
<b>Total Operating Revenue</b>	751.8	709.6	687.9	684.0	-9.0%
<b>Total Operating Expense</b>	745.5	727.2	746.6	746.6	
<b><i>Operating Margin Inc/(Loss) Before Target Expense Reduction</i></b>	6.3	(17.6)	(58.7)	(62.6)	
<b>Target Expense Reduction</b>			(53.2)	(69.0)	-9.9%
<b><i>Operating Margin Inc/(Loss) After Target Expense Reduction</i></b>	6.3	(17.6)	(5.4)	6.4	
<b><i>Operating Margin %</i></b>	0.8%	-2.5%	-0.8%	0.9%	

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



# Plan to Achieve \$70 Million in Savings by FY 23

	FY21 Projection	FY22 Projection	FY23 Projection
<b>Estimated Savings to Fill the Gap</b>			
<b>Category 1: Across the Board Reductions</b>			
Roll Back Spending To FY19 Actuals (excl one-time adjs) <small>(Savings will be higher as any cost increases from FY19 will need to be absorbed and offset)</small>	10.0	10.0	10.0
<b>Subtotal Category 1</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>
<b>Category 2: Shared Services Optimization</b>			
Employee Benefits Restructuring - net of employee reductions	6.0	15.0	15.0
Procurement	0.0	3.3	5.0
IT	0.0	2.0	3.0
Financial Services	0.0	1.9	3.0
GSC & System Office Synergies	0.0	1.0	2.0
<b>Subtotal Category 2</b>	<b>6.0</b>	<b>23.1</b>	<b>28.0</b>
<b>Category 3: Campus-Specific Expense Reductions To Be Identified; Targets Informed by Huron Analysis</b>			
UNH	0.0	11.7	18.0
PSU	0.0	3.3	5.0
KSC	0.0	5.2	8.0
<b>Subtotal Category 3</b>	<b>0.0</b>	<b>20.2</b>	<b>31.0</b>
<b>Total Projected Savings Targets</b>	<b>16.0</b>	<b>53.2</b>	<b>69.0</b>

# Execution of the Plan

- The primary tool in execution of the plan is an early retirement program offered in the fall of 2020. Fifty percent of those eligible, 480 employees, took advantage of the plan.
- Changes to benefit plans began January 1, 2021. Additional changes are being negotiated.
- IT consolidation is complete and exceeded savings target.
- Wholesale financial and administrative restructure across the system is underway and projected to exceed savings targets starting in FY 22.
- Campus specific initiatives are in progress.

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