

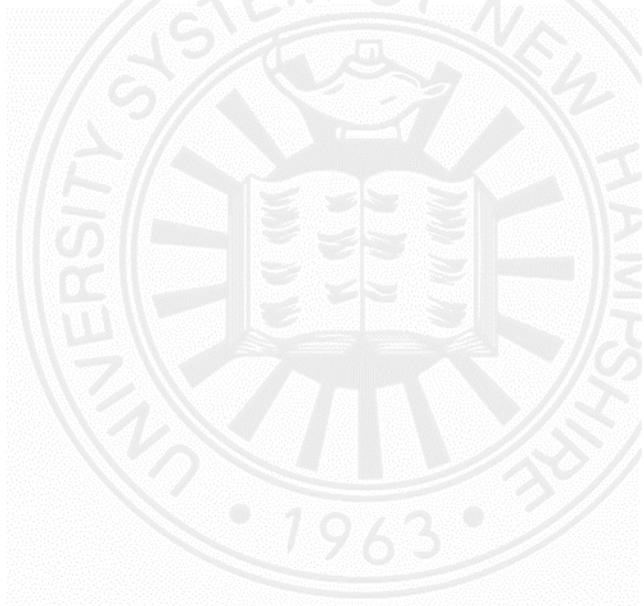
University System *of* New Hampshire



Operating Budget Appropriation Request Fiscal Years 2018 and 2019

Submitted September 16, 2016

University System of New Hampshire



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Commissioner Vicki Quiram
State of New Hampshire
Department of Administrative Services
25 Capitol Street
Concord, NH 03301

Dear Commissioner Quiram:

The University System of New Hampshire (USNH) respectfully submits a state operating budget request that is designed to meet the pressing demand for highly skilled workers across the Granite State and to keep in-state tuition affordable for New Hampshire students and their families.

Consistent with targets provided by the Governor's Office, pursuant to RSA 9:4, USNH requests state operating appropriations totaling \$88.5 million and \$93.5 million for fiscal years 2018 and 2019, respectively. Funding at the level requested represents approximately 10 percent of USNH gross revenues. USNH received \$81 million in state appropriations in each of the last three fiscal years, remaining well below the FY2010 and FY2011 levels of \$100 million, not adjusted for inflation.

Access to an educated workforce is a leading priority for New Hampshire industry groups, including the New Hampshire Coalition for Business and Education and New Hampshire Business and Industry Association. Increasingly, one of the biggest hindrances to economic growth in New Hampshire is the state's inability to retain and attract the skilled talent that our largest and fastest-growing industries require to succeed.

Working in close partnership with Granite State businesses, USNH will develop a robust new internship program and dedicate resources to enhance and elevate career services to support students in their professional development and help them to transition from college to career. Efforts such as these are essential to growing a highly skilled workforce that will encourage more businesses to locate, stay and grow in New Hampshire.

This request would provide vital support to encourage more New Hampshire high school students to attend public higher education in our state, where they can pursue great careers and build the Granite State's nation-leading quality of life after they graduate. The requested appropriation will keep in-state tuition affordable and bolster USNH's ability to keep more New Hampshire students here to study, work and live.

Please do not hesitate to contact me at 862-0963, or Catherine Provencher, USNH Vice Chancellor and Treasurer at 862-1622, with questions or comments.

Respectfully,

Todd Leach
Chancellor

State Operating Budget Appropriation Request For Fiscal Years 2018 and 2019

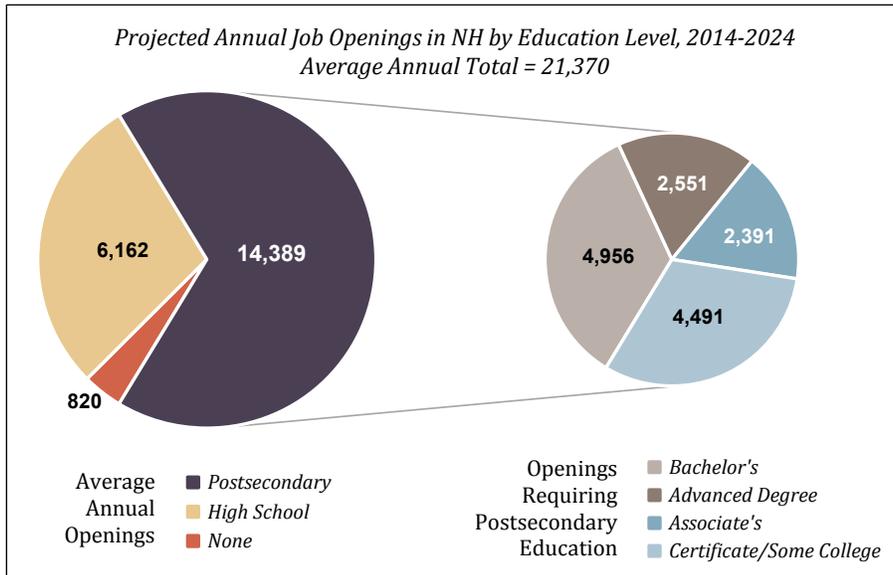
Workforce Needs

New Hampshire employers across all major industries are facing growing challenges in attracting the highly skilled college graduates they depend on to succeed [Figure 1]. As the demand continues to grow, business leaders across the state are increasingly concerned that these shortages will threaten our state’s economic growth and expansion.

This concern has been expressed by New Hampshire employers seeking to grow their operations here, as well as employers considering a move to the state. The Coalition for Business and Education, Business and Industry Association and other leading industry groups believe that developing an educated workforce should be one of our state’s top priorities.

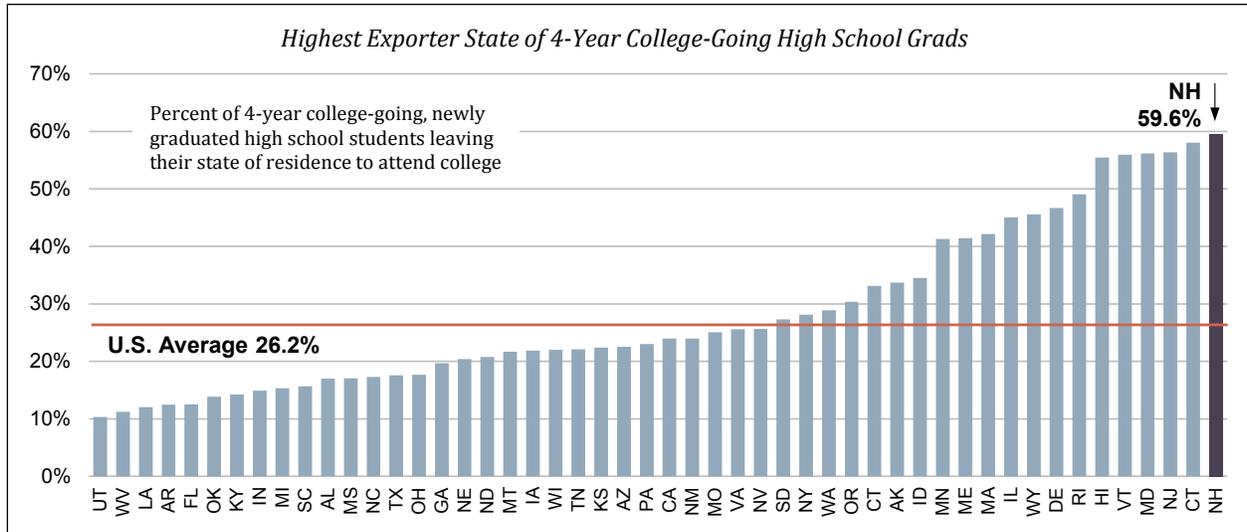
These concerns generated great interest in the “65 by 25” goal for New Hampshire, which seeks to achieve a college-credentialed workforce of 65 percent by 2025. A great deal of evidence supports a correlation between this goal and the health of our state’s economy. In recognizing the importance of this effort, the New Hampshire Legislature passed a resolution in its last session supporting the 65 by 25 goal.

Figure 1



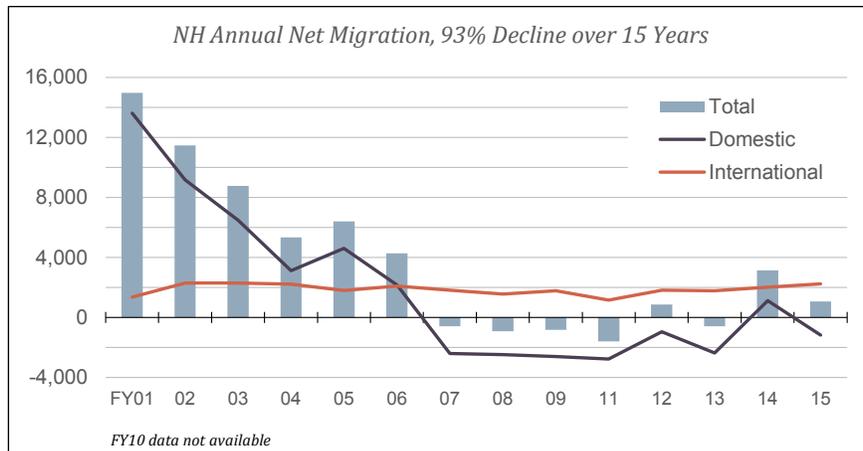
One of the biggest factors working against achieving the 65 by 25 goal is the fact that New Hampshire exports the highest percentage of four-year college-going students in the nation [Figure 2]. We also export the second highest percentage of college-going students overall. Fulfilling our state’s future workforce needs will require New Hampshire to keep more of its college-bound students in New Hampshire.

Figure 2



Historically, New Hampshire has relied upon both in-migration and higher education to develop its workforce. As in-migration has slowed [Figure 3], higher education is becoming the primary pipeline for the state’s educated workforce. The state and USNH must continue to develop a strong partnership to ensure the vitality of the state’s economy and to keep public higher education affordable and accessible to New Hampshire students and families.

Figure 3



Tuition Subsidy

State operating dollars are used by USNH for two purposes: primarily, to subsidize tuition for New Hampshire resident students, and also to fund statutorily required programs.

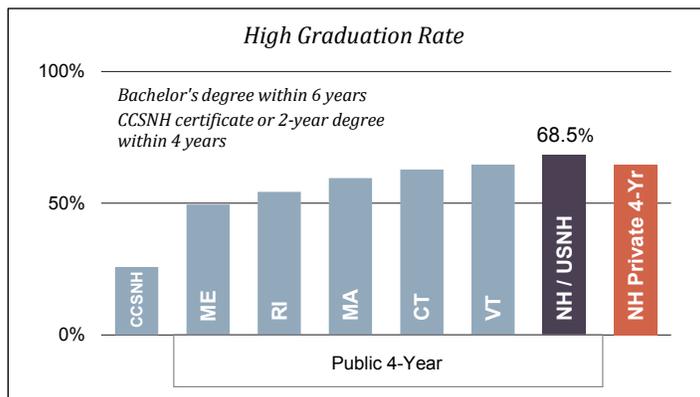
The budget for the statutorily required programs totals approximately \$11 million per year, leaving \$77.5 million and \$82.5 million to subsidize resident tuition in fiscal years 2018 and 2019. Assuming stable resident enrollment of approximately 14,000 full time equivalent (FTE) New Hampshire students, the USNH state appropriations request would result in an average subsidy on a per-student basis of about \$5,500 and \$5,900 in fiscal years 2018 and 2019, respectively.

These subsidies are absolutely necessary to keep higher education opportunities affordable for Granite Staters. Importantly, New Hampshire students who attend college in New Hampshire are more likely to stay, work and live in our state, directly benefitting our future workforce and building strong communities.

Student Outcomes

The quality of USNH education is evident in our students' graduation rates, which exceed all other New England public bachelor's degree completion state averages. With a graduation rate of 68.5 percent, USNH even exceeds the New Hampshire's private nonprofit average rate of 64.6 percent [Figure 4].

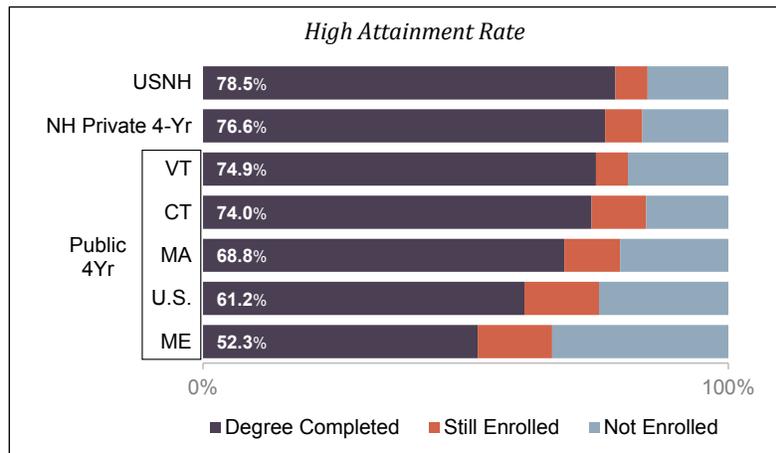
Figure 4



Similar to the graduation rate, which measures program completion at the starting institution, the attainment rate measures six-year completion by students who start at one institution and complete at the same or another institution. At the state level, the 78 percent attainment rate of USNH bachelor’s students ranks New Hampshire first in New England and third in the U.S. among public four-year institutions [Figure 5].

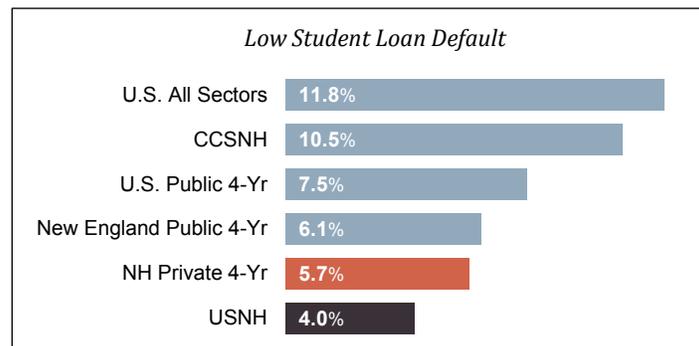
High graduation and degree attainment rates directly relate to the low student loan default rates of USNH students. High rates of degree completion indicate students are more likely to be employed and able to repay student loans. Low default rates indicate students are well prepared for gainful employment and real world success.

Figure 5



The USNH student loan default rate at 4.0 percent ranks third lowest in the nation for the state average of public four-year institutions and falls below the default rate of New Hampshire private institutions [Figure 6]. Nationally, across all sectors of postsecondary education, nearly 12 percent of students entering repayment default on their student loans—three times the average rate of USNH students.

Figure 6



Fiscal Stability

USNH provides New Hampshire with a fiscally strong system of four-year public higher education institutions. However, as is the case nationally, our smaller residential campuses are experiencing fiscal instability because of enrollment swings caused by ever-increasing competition and increasingly unfavorable demographic trends. Stable and reliable state support is critically important to the affordability and accessibility of all USNH institutions for New Hampshire students.

In May 2016, USNH received an upgrade in its credit rating from Standard and Poor's (S&P), which praised the system's resiliency in light of reductions in state support and enrollment pressures. The USNH enterprise profile was assessed as very strong, but was offset by historically weak levels of both operating and capital support from the state.

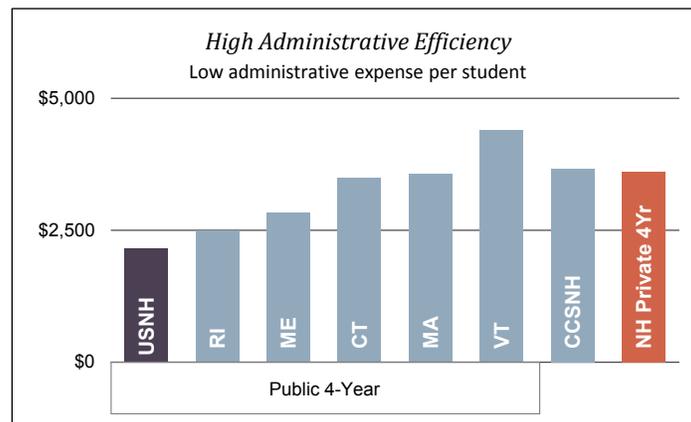
While USNH has succeeded in weathering uncertain and weak state support in the past, funding uncertainty is not in the best interest of our students or our economy. The level of support included in this request provides stability, rebuilds the state's commitment to higher education and recognizes the importance of higher education to the workforce and the economy.

USNH Efficiency

Across the University System, on every campus and in the Chancellor's office, there are multiple examples reflecting a culture of continuous improvement; below are just some of those examples and outcomes.

1. USNH has the lowest administrative expense per student of any other public four-year system in New England, and well below the expense rate of the state's private colleges [Figure 7].

Figure 7



2. All employees of the Chancellor's Office have been trained in LEAN process improvement by the UNH project management office. Multiple projects are ongoing to improve efficiency.
3. A culture of pay-for-performance has been adopted. Goals for employees are set at the beginning of each review period, and compensation decisions are based on meeting those goals.
4. Multiple changes to the benefits structure will be rolled out effective January 1, 2017 to provide more choice to employees at less cost to USNH.
5. UNH has developed Lean Pathways, a comprehensive process improvement training program. The number of people trained in LEAN has doubled in one year, to 223 people. UNH has partnered with the state in this training and hosted the second NH LEAN summit, with more than 200 attendees.

Awards were given for LEAN culture, methodology and operational efficiency. A LEAN intake process has been developed to vet and respond to improvement ideas and opportunities.

6. UNH has adopted a balanced scorecard methodology to show areas of improved efficiency, savings and performance.

Investments in New Hampshire's Future

The statutory mission of USNH is to provide a well-coordinated system of public higher education providing programs that serve the needs of the state and the nation, to engage in research which contributes to the welfare of mankind, to the development of the faculty, and to the educational experience of students; and through its faculty and staff to bring educational resources and professional experience to the benefit of the state and its people.

State support for USNH provides a tremendous return on investment for all New Hampshire citizens. Through its partnership with the state and by working closely with New Hampshire business leaders, USNH can train the highly-skilled workforce that our economy requires to succeed and will keep tuition affordable so that more New Hampshire students can remain in the Granite State to build great lives and great communities.