

Maintaining Financial Balance While Moving Ahead: The Challenge to Strengthen Our Mission

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**Helen Giles-Gee
President, Keene State College**

As Keene State develops its FY'10 and FY'11 budget with the Chancellor and the University System of New Hampshire (USNH) Board of Trustees, we must consider how to move the College forward during a time of state and national revenue shortfall. We must be pragmatic as we consider increasing costs and the College's ability to pay for them: We must consider increased fuel and utility costs. We must consider rising costs of health care benefits. Along with the board of trustees, we must weigh the impact of growing student debt; decreased equity in family homes; and students and families' access to federal loans and their ability to pay rising tuition and fees. We must consider employees salaries and contract negotiations. And as we look toward the future, we must create strategies that sustain this College's well-being and assure constituents that we are doing everything possible to hold down costs and spend effectively and efficiently.

The Financial Outlook Facing Higher Education

This recession differs from others because of the number of factors that are affecting the economy: There have been record mortgage failures; significant losses in banking, business, and industries; and deep declines in bond and equities and endowments. Higher education institutions of every type have been impacted.

Ivy League institutions, once thought immune to such economic downturns, have seen significant declines in their endowments:

- Harvard faces a loss of 25 percent of its endowments, and future losses may total more than \$10 billion. Because Harvard contributes interest from the endowments toward its operating budget, it is looking to reduce costs by limiting travel and hiring (Pope, 2009).
- Dartmouth has lost 18% of its endowment (\$700 million on a market value of \$3 billion) and has eliminated about 70 jobs through retirement incentives. It plans to cut spending and reduce some employees' work hours. (Scherr and Keller, January 22, 2009).

Public higher education institutions are specifically impacted by state revenue decreases, which may require cuts in state higher education appropriations. The University System of New Hampshire will return \$7 million in state appropriations to help the state address a shortfall in projected revenues that has ranged from more than \$300 million in November of 2008 to possibly a \$500 million shortfall from 2010 through 2011 (Norton, 1/7/2009).

According to the Center on Budget and Policy Priorities in Washington, D.C., at least 26 states have implemented cuts to public colleges and universities and/or enacted large increases in college tuition to make up for insufficient state funding.

(<http://www.cbpp.org/12-17-08sfp.htm>).

Some private colleges have faced the brunt of declining budgets and enrollment declines:

- Stanford has lost up to 30% of its endowment and plans to reduce its budget by \$120 million over the biennium. Already its business school has eliminated 44 positions (Pope, 2009)
- College of Santa Fe, New Mexico, laid off nine staff members and eliminated vacant positions. With over \$30 million in debt, it is looking to merge with N.M Highlands University (Associated Press, 2008; Kirk, 2009)
- Beacon University in Columbus, Georgia, considered closing. Instead, it eliminated all of its undergraduate programs, kept its graduate programs, and is becoming a more specialized institution: a Seminary (Beacon University, 2008)
- Loma Linda University in California is considering merging with the Atlantic Union College in Massachusetts – both are Seventh Day Adventist institutions. (Atlantic Union College, 2009)

Here are some examples of ways public colleges and universities in the Northeast have responded:

- SUNY Canton plans to implement a four-day workweek during the summer to save on operating costs (Kie, 2008). New York has also enacted mid-year tuition increases of 14 to 15 percent for resident undergraduates.
- The University of Rhode Island, Rhode Island College, and the Community College of Rhode Island all increased tuition last fall, then increased it again at mid-year by an average of 6.4 percent. The University of Rhode Island is also looking at its first layoffs in 15 years and the elimination of four athletic programs. (http://www.projo.com/news/content/budget_higher_education_06-13-08_6IAGFSL_v34.380f708.html)
- In an effort to trim \$11.2 million across the University of Maine System, workers will be laid off, vacancies left unfilled, and some jobs will be eliminated. (<http://pressherald.mainetoday.com/story.php?id=223448=PHnws>)

As I look closely at the variety of strategies used by institutions to address their budget shortfalls, one thing is clear: **This is a challenging time, yet it also presents an opportunity for higher education institutions to fulfill their missions differently. Colleges and Universities that emerge from this era of economic challenge will be more focused and clear about their missions and the funding structures necessary to achieve them. Keene State College will be more focused and comprehensive in its resource restructuring.**

Keene State College Is Efficient in fulfilling its Mission:

Keene State College's budget is lean and efficient by due diligence. The College's new and renovated buildings are sustainable, with recycled materials and energy-efficient lights and toilets. The current building of a plant with co-generation capability will help us save on energy costs.

The Governor asked the University System of New Hampshire and thus the College to share the state's fiscal burden, and Keene State has done so. The College has reduced its reserves, strategically held vacancies open so as to save salaries and benefits payments, and selectively limited its capital projects. In addition, the College made a choice to protect, as much as is possible, the academic program in order to preserve our principal mission, education. The cabinet and I also decided to continue with the construction of the Alumni Center to assure that students and alumni have the best possible tools with which to fulfill their employment goals, and a facility within which they can gain career support from other alumni and College staff. I consider this construction an investment in our students' futures, and alumni have already donated funds to make this Center a reality. The Vice President of Advancement and I, with the Director of Alumni Relations and the Alumni Board, will work together to raise the remaining funds to make this Center happen.

Given the size of the projected state revenue deficit in FY'10, there is no expectation that state appropriations should increase. Therefore, with some costs continuing to rise, the College needs to seek new strategies to make ends meet. These strategies will have to include new revenue streams, cost containment, and reduced budgets.

I do not foresee immediate layoffs. Our current strategy is to hold vacancies open and thus save salary and benefit dollars, spend down the reserve, and limit capital projects in order to return about one million dollars of appropriations back to the state. I cannot guarantee that there will be no layoffs in the future. I do not know how long and how deeply the state, the nation and this college will be affected by this downturn. Right now, what I know is that all of us at the College should work hard to employ any sound strategies we can to prevent layoffs and cuts to financial aid.

Unlike so many institutions across the country, we are not implementing a hiring freeze on our campus. But we must contain the costs of searches as much as possible.

Should future appropriations be affected by the downturn in state revenues, salaries and benefits may be impacted. We should not expect the level of salary increases that we have seen in recent years. The final decisions about compensation as well as tuition rates will be made by the board of trustees collaboratively with the Chancellor and the presidents, as we get more information and work with the Governor and legislature.

Our Mission and Goals are clear:

Through a college-wide planning process, we have refined and clarified Keene State's mission, and this mission statement has been reviewed and approved by the board of trustees. The College has established a continuous, transparent strategic planning process, accessible online, that incorporates principles of shared governance and also engages the entire campus community in fulfilling the College's strategic goals. Within two years, the College has linked the strategic plan with the budget, and has documented how we have funded more than 70 strategic initiatives at a cost of over 2.6 million dollars. Keene State will continue to work towards achieving its goals of academic excellence, community, investment in faculty and staff, engaging students service learning, and affordable and accessible academic programs. Keene State will fulfill its values of diversity and sustainability while it works to maintain its ability to operate a fiscally sound organization: one that employs over 1,000 employees, houses about 60% of its students on campus, and feeds an additional 1,000 students who live off-campus.

Key questions emerge regarding the dollars needed to make this college function:

- What are the key sources of the College's revenue?
- Does the College use its funds/budget efficiently and effectively, and how did it provide funds back to the state?
- Has the College provide added value to students for past increases in tuition and fees?
- What can the College doing to cushion itself against another fiscal downturn and protect its core mission and its future?

Keene State College's Revenue Sources

Keene State College is a public institution that receives an appropriation from the state of New Hampshire, tuition and fees from students, and grants and gifts. The state also assists the college with capital funds and supports its ability to borrow funds for capital projects. Because the board of trustees and the College have held system-wide reserves and invested those reserves wisely, the College has held an enviable bond rating which has allowed it to build residence halls with good bond rates. I am proud of the fiscal conservatism demonstrated by the board, the chancellor, presidents, USNH staff, vice presidents for business and finance and other campus managers as this has kept the College on solid fiscal grounds.

I have asked Dr. Jay Kahn, vice president for Finance and Planning, to provide an overview of the revenue sources.

Why does the College appear to need more money each year? Can't it just get by with the same budget or less?

Some operational costs continue to climb. For example,

- The utility shortfall estimates will approach \$600,000 given a predicted 10 percent increase for 2009.
- Fuel costs have increased and have affected supply and contractual service costs.
- The College has implemented the minimum wage increases at an additional cost of \$300,000 annually.
- In addition, benefit costs for employees are expected to increase by a minimum of 10 percent.

Has the College provided added value to students for past increases in tuition and fees?

Through deliberate faculty and staff committee work, the use of its strategic planning process, grants and funds raised, and the development of capital projects, the College has enhanced the value and quality of education, financial aid, services, and facilities for students:

- **Financial Aid:** The College has added annually to institutional financial aid to students. Last year, I approved an additional \$500,000 in financial aid to discount students' tuition. Since FY '05, the College has provided increased funds, from \$4,112,525 in '05 to \$6,075,357 in FY'09 in unrestricted and restricted financial aid. (USNH Budget Office, January 12, 2009).
- **Increased Donor Support:** College faculty and administrators have sought foundation and donor support for student scholarships. For example, Morris Foundation funds for the Honors program provided \$225,000 for FY'08 and '09. The Cohen family provided significant funds to establish the College's first endowed faculty chair in Holocaust and Genocide Studies. College faculty and administrators sought and received donor support from the Davis Foundation, raising \$233,834 for Academic Years 2006-08 to assist with the transformation of the general education curriculum and pedagogy for the direct benefit of students.
- **Enhanced Academic and Support Technology:** The Information Technology staff has used student technology fees to directly support projects that have upgraded technology in smart classrooms, provided online registration, fueled Blackboard, and opened web access for students. We currently spend about \$1 million a year on technology upgrades in classrooms and offices and network and software improvements.
- **Learning Communities:** Since 2005, the College has added three new residence halls, refurbished Fiske Hall, and is continuing modifications to Huntress Hall. Residential Life has added new learning communities since 2005 and fulfilled the board of trustee's goal of 60% of students living on campus.
- **Curricular Review and Academic Program Development:** Faculty review and evaluate curricula continuously through Senate committees and have developed new programs in Architecture, SPEDI, Political Science, Honors, Holocaust and Genocide Studies, and Political Science since 2005.

These examples demonstrate that College faculty and staff are committed to increasing the value of the educational and residential life of students.

I believe that the significant *value added* each year resonates in the outcome assessments made of student and alumni and staff. Here are a few:

- First-year students' retention rates improved from 76% in 2005 to 80% in 2007 (Carson, 2008)
- Graduation rates have increased from 54% in 1999 to 58% in 2002 (Carson, 2008)
- Keene State students ranked first among their Carnegie peers with their overall satisfaction with the full residential life experience (national benchmarking study) (Carson, 2008)
- Student satisfaction with the overall education at KSC increased from 84% in 2005 to 92% in 2007 (Carson, 2008)
- Alumni satisfaction has increased from 80% in 2005 to 90% in 2008 (Carson, 2008)
- Keene State College has built or refurbished facilities since 2005 that have won major architectural awards from Association of Building Contractors, New Hampshire Chapter of American Institute of Architects, American Society of Landscape Architects, American Association of School Administrators, Society for College and University Planning (Science Building); LEED Silver Certification from the US Green Building Council (Pondside III), Awards of Excellence (Zorn Dining Commons) and Merit (Butler Court and Pondside III) from the New Hampshire Construction Association. Without a doubt, these facilities have enhanced the College's ability to hire faculty, enroll students, and enhance service learning, residential learning communities, and student/faculty research, scholarship, and interactions.
- **Personnel Equity Adjustments:** Due to the collaborative work of the Operating Staff and PAT Councils with Human Resources and the Cabinet, significant equity adjustments for staff moved from 26% of staff meeting their target salary range in 2006 to a current percentage of 80% (Harkness, 2009). This was accomplished within the trustee salary guidelines.
- **Increased Number of Instructional and Support Positions:** From 2005 to 2007, the College has increased the number of faculty and staff positions to account for the increased number of students, including 14 instructional positions and 12 other positions (Harkness, 2009)

The College is not satisfied with these increases in outcomes and wants to continue to do more, particularly in retaining and graduating students.

What can the College do to cushion itself against another fiscal downturn and protect its core mission and its future for its students and alumni?

In the future, the College's major challenge will be how to continue to make available the funds to enhance academic and institutional quality and well-maintained facilities while providing sufficient access, so that our students continue to succeed on ever-improving levels. Given the current economic climate, the funding of public higher education will

require both short-term and long-term strategies to yield revenues sufficient to maintain, and enhance, its quality.

For the short term, I am asking members of the College community to consider the following:

- (1) In the spring of 2008, I proposed a limit on enrollment at an optimal size, to be determined by the Enrollment Management Committee. They have done their job and have reported their findings to the campus, proposing an optimal enrollment of 1200 first-year, first-time students. The current first-year class is 1300. I now ask you to consider a delay in fulfilling that recommendation, reducing current first-year enrollment by 50 instead of the targeted 100. I recognize that this additional number impacts the number of classes, the size of classes, and the numbers of students in residence halls. Yet this number may provide a small cushion against the fiscal uncertainties of next year.
- (2) In the fall of 2008, I asked the Budget and Resource Council to work with the campus to develop and/or capture strategies to contain costs and/or generate revenue. The Budget and Resource Council has developed Task Forces to do this job
 - a. Working with academic departments and Continuing Education, one task force will develop a strategy to schedule course offerings for summer school, making available new courses that are needed by current students and offering the potential to generate additional revenue and to bring in a greater number of students. To assist this effort, the Cabinet has agreed that a percentage (not to exceed 10%) of any gains in revenue over those made during FY08 will be remitted back to the department for its operational uses.
 - b. Another task force will determine other initiatives that could promote greater revenue development (and identify those which have already done so).
 - c. The Budget and Resource Council and Dr. Jay Kahn, vice president for Finance and Planning, will develop a response to the Chancellor and board of trustees that identifies past and future College-wide cost containment efforts.
- (3) Dr Jay Kahn, vice-president for Finance and Planning, with budget managers across the College, will gather information from units about possible ways to generate revenue and savings.
- (4) The Advancement Division, led by Vice President Maryann Lindberg, will work with all facets of the campus to raise additional revenue, starting with specific target cases that have been identified by senior management and approved by me.

- (5) Sponsored Research and Grants, led by Director Penny Micelli, will look at how it can broaden its assistance to faculty and administrators to write grants that support strategic goals.

I call on all of us to support them with these efforts. We need to make these decisions now so that the College is prepared to face the fiscal uncertainties of the future. I am hopeful that in reviewing its operations, the College will become stronger, enhance its quality and outcomes for students, and maintain its access for generations.

In closing, the Cabinet and I will involve the representatives of the College's shared governance – specifically the College Senate, the Operating Staff Council, the PAT Council, the Student Assembly, the KSCEA, the KSCAA, the Alumni Board, the Parents Association – in our decision-making, and provide communications on the College website.

We will move forward together and celebrate this centennial year and this great institution. We will do so as we always have done, frugally. On January 31, we will celebrate the members of our community who have supported us. We will be serenaded by student musicians, the community members will pay for their drinks, and we have asked them to contribute towards an endowed scholarship to benefit the nonprofit employees. This is a year to honor the achievement of this great College and to celebrate its future. We move forward with confidence, realizing that out of the challenges of our time come strength and clarity about our priorities, our mission, and our funding. **I am certain that by working together, we will ensure that Keene State College responds to these challenges with greater focus, with a solid financial infrastructure, and with its academic goals intact and thriving.**

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