



**LOCK  
HAVEN**  
UNIVERSITY  
OF PENNSYLVANIA

# **Lock Haven University**

**Business Model and Budget**

# Economic Environment

- Revenues
  - Projected decline in number of high school graduates
  - Board of Governors limiting tuition increases to cost of living
  - Increases in state appropriation unlikely
- Expenses
  - Health care and utility costs rising faster than revenues
  - Majority of LHU's costs determined by CBAs
- Conclusion
  - Challenging economic environment for the foreseeable future

# Demographics

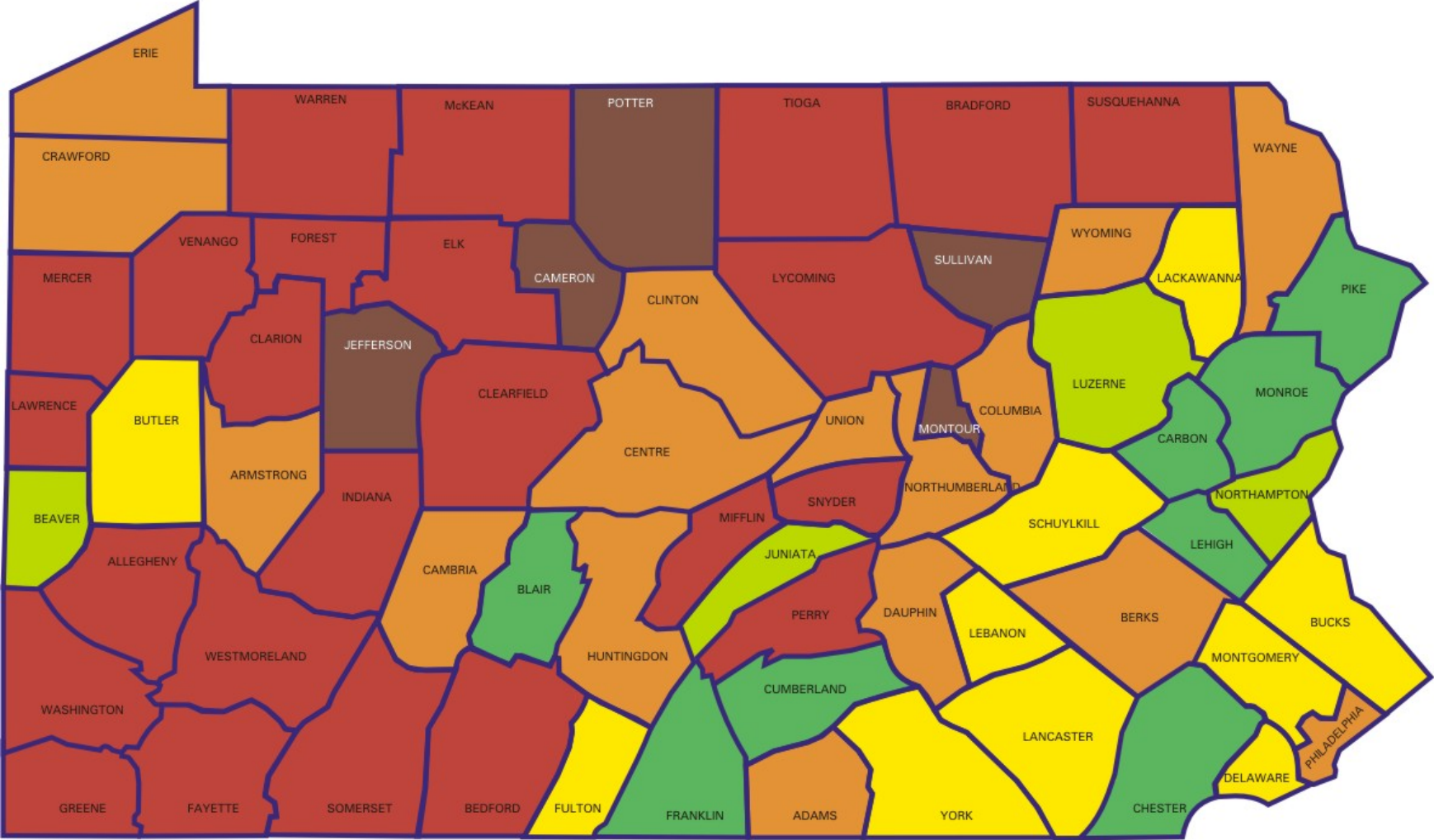
High School Grads	2007-08	2017-18	
Pennsylvania	143,250	124,597	-13.0%
New Jersey	105,114	103,371	-1.7%
New York	181,641	158,196	-12.9%

*source: Chronicle of Higher Education 2007-08 Almanac*

- Statewide decline begins fall 2010
- 20% decline in central PA already begun (our primary service area)
- Projected increases only in SE and E PA

# Pennsylvania Public High School Graduates

Trend: Current HS/Middle School Students (2006 to 2016)



Source: PDE

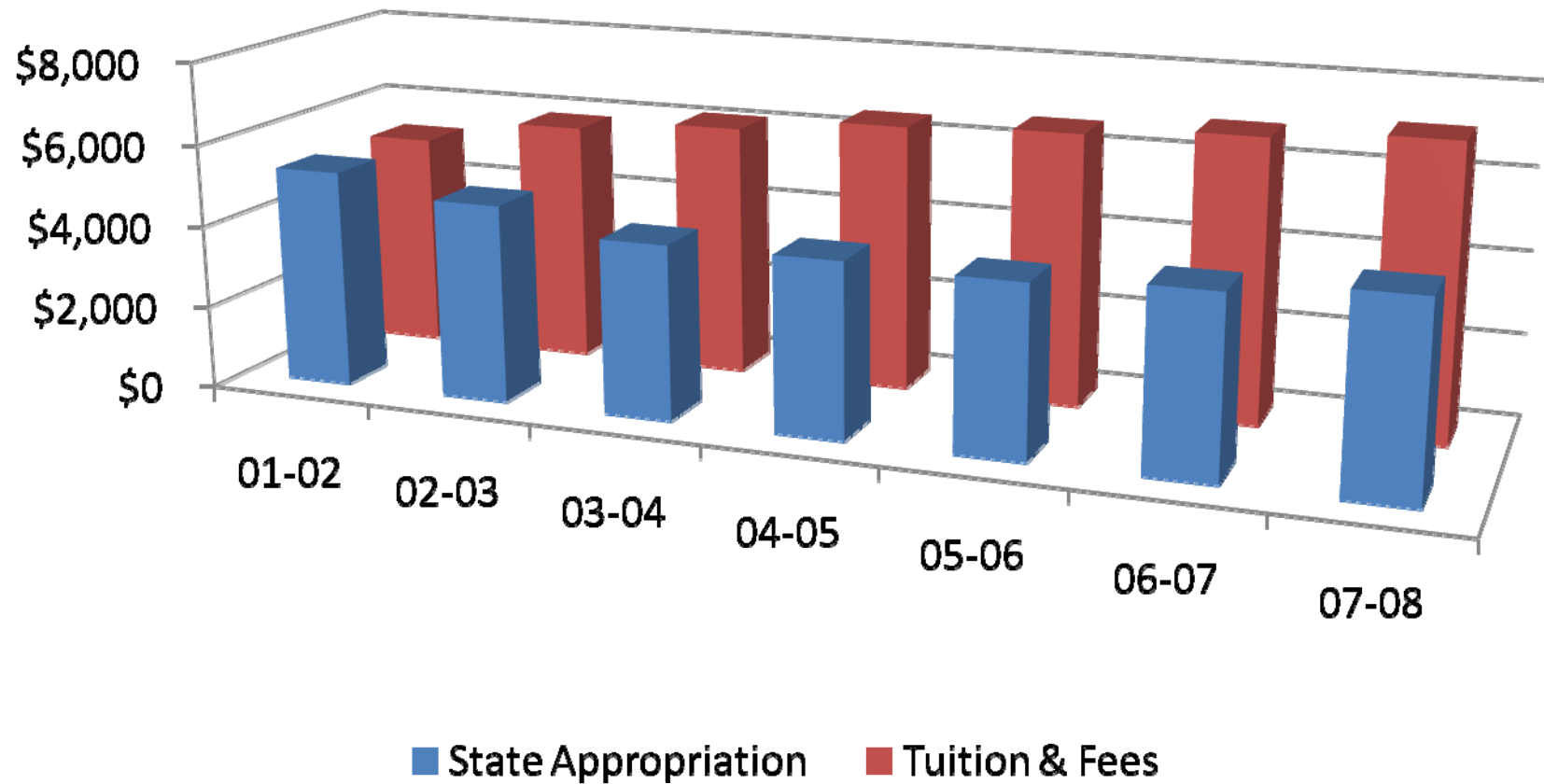
# E&G Budget Overview

	Education & General	Auxiliary	Plant Funds
<b>Revenue Sources</b>	Tuition Fees Appropriations Miscellaneous	Room Charges Board Charges Student Facilities Fees	Transfers from E&G or Auxiliary Operating Budgets Key 93 Capital Appropriations
<b>Main Activities</b>	Instructional Activities University Operations	Housing Services Food Services Student Rec. Center PUB	Life-cycle Maintenance of Facilities Renovations
<b>Budget Drivers</b>	88% of E&G revenue is driven by student enrollment. 78.3% of E&G expense is in personnel cost. (FY 08-09 budget)		Maintenance of aging facilities

# Appropriation Allocation

- Starting point is total E&G allocation (\$489.5 M in 2008-09)
  - 8% allocated to performance funding
  - \$4.8 M in other “Off-the-Top” funding items
  - Remaining funds allocated to 14 PASSHE universities
- Allocation formula estimates each university’s cost in 3 broad categories:
  - ***Instruction*** – driven by FTE enrollment number and distribution (high normal cost; lower, upper & graduate)
  - ***Support*** – driven by FTE enrollment number
  - ***Plant*** – driven by facility square footage with downward adjustment for under-utilized space
  - **79% of formula result is driven by FTE enrollment**
- Appropriation covers only 36.8% of “need” as estimated by PASSHE

# Revenue / FTE Student



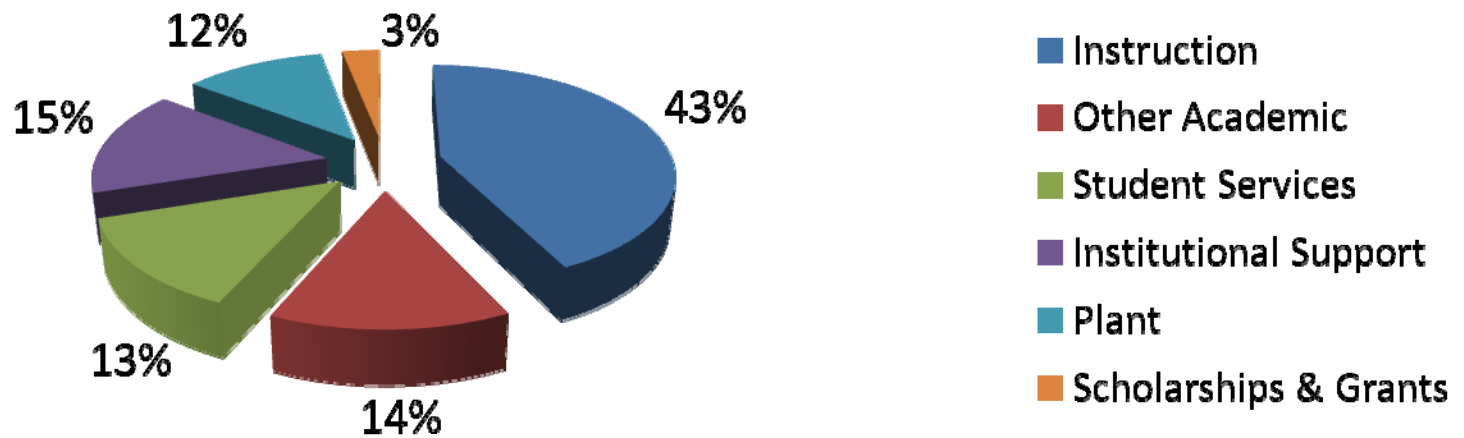
# Budget Process

1. Project revenue for the new year
  - Enrollment – IR (trends, history); Admissions (applications, acceptances, paid)
  - Tuition Rates – PASSHE projections (updated after BoG July meeting)
  - Appropriation Change – PASSHE projections (updated after BoG July meeting)
2. Estimate personnel costs
  - Existing staff plus approved positions plus other known requirements
  - Salary and wage increases from CBA's
  - Benefit cost increases – PASSHE projections
3. Non-Discretionary expenses are forecasted
  - Consolidated University Operations (CUO's) and other charges from PASSHE
  - Separately accounted expenses (e.g. tech fee and academic equipment)
  - Utilities
4. Discretionary operating expense targets are set
  - Current year budget
  - Department budget hearings

# Discretionary Operating Budgets

- 7.5% reduction in FY 2007-08 operating budgets made in February 2008
  - Needed to address a tuition revenue shortfall
  - Applied to discretionary supplies and services and student employment
  - Applied consistently across all four VP areas and President's budget
  - VP's allocated reductions within their area
- Given expected revenues, we hope to be able maintain operating budgets at reduced 2007-08 levels
- VPs allocate budgets within each area

# E&G Expenses by Category



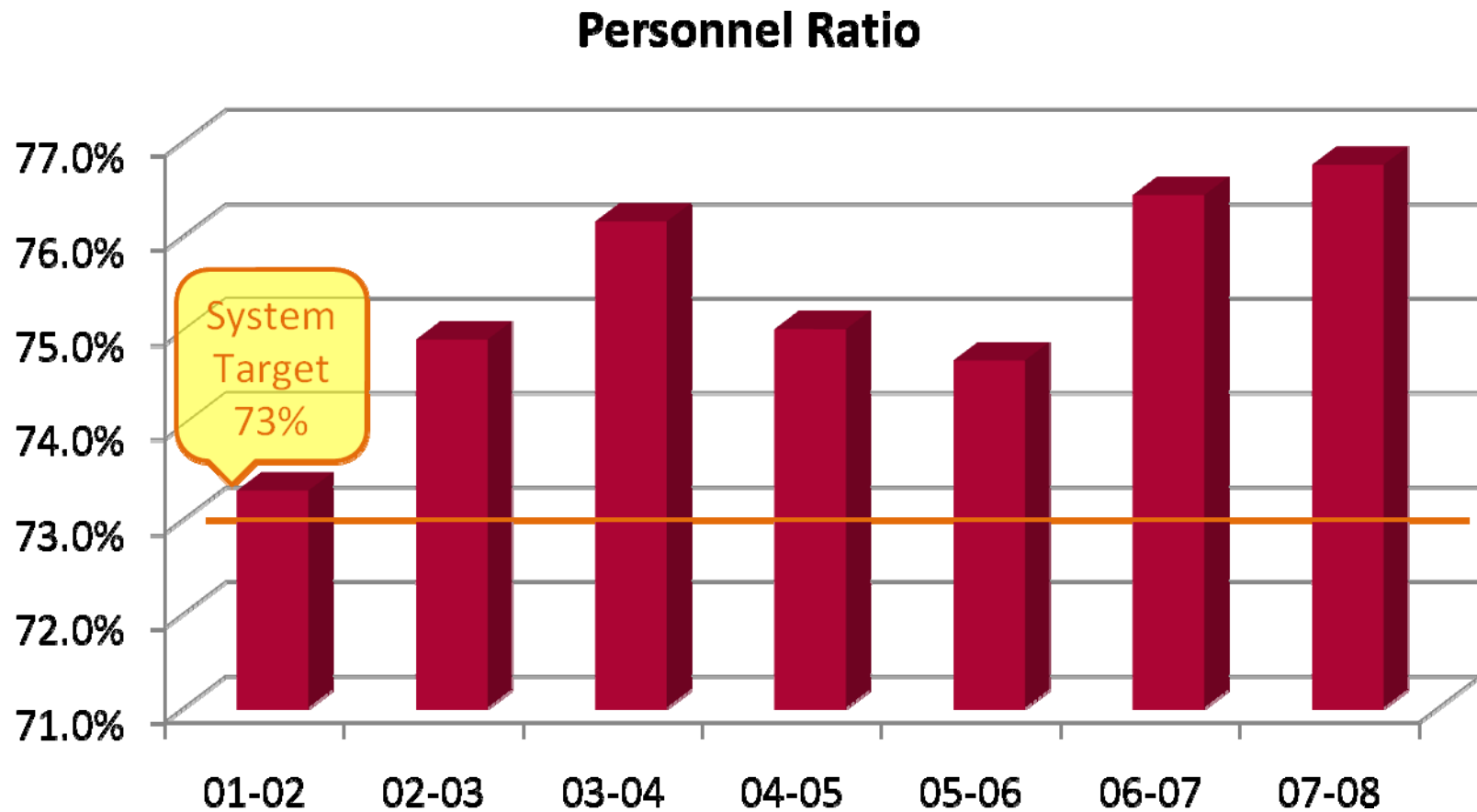
	2005-06	PASSHE	LHU
Instruction		42%	<b>43%</b>
Other Academic		15%	<b>14%</b>
Student Services		10%	<b>13%</b>
Institutional Support		16%	<b>15%</b>
Plant		15%	<b>12%</b>
Scholarships & Grants		2%	<b>3%</b>

Board of Governors Budget Request Summary (as submitted 9/5/08)

Lock Haven University

<b>Educational &amp; General Budget</b>				
<b>Revenue/Sources</b>	<b>FY 2007/08</b>	<b>FY 2008/09</b>	<b>Percent Change</b>	<b>Comments</b>
Tuition	\$31,028,390	\$31,338,674	1.0%	Drop in non-resident enrollment affecting revenue
Fees	\$4,664,036	\$4,700,704	0.8%	
State Appropriation	\$23,523,033	\$24,265,466	3.2%	Assumed flat Performance Funding; actual grant 9/9/08 was \$307,000 lower
All Other Revenue	\$2,076,165	\$1,538,869	-25.9%	SBDC grant, Harrisburg internship program, interest income
Use of Carryforward Fund Balance	(\$1,094,499)	\$260,000	n/a	SBDC grant, CMS delay, reserve for future operating deficits
<b>Total Revenue/Sources</b>	<b>\$60,197,125</b>	<b>\$62,103,713</b>	<b>3.2%</b>	<b>Without Carryforward effect, revenue increase is .9%</b>
<b>Expenditures and Transfers</b>				
<u>Compensation Summary:</u>				
Salaries & Wages	\$34,288,187	\$35,538,565	3.6%	Mostly driven by CBA's
Benefits	\$11,466,337	\$13,087,608	14.1%	Health care costs - active employees and annuitants
Subtotal, Compensation	\$45,754,524	\$48,626,173	6.3%	<b>Personnel cost ratio at 78.3% vs. 73% goal - \$3.3 million over</b>
Services & Supplies	\$11,506,946	\$12,082,499	5.0%	Utilities, CUO's
Capital Expenditures	\$943,868	\$1,155,179	22.4%	CMS implementation
Transfers	\$1,991,787	\$239,862	-88.0%	FY 08/09 transfer is mandatory AFRP; \$0 to Plant funds.
<b>Total Expenditures and Transfers</b>	<b>\$60,197,125</b>	<b>\$62,103,713</b>	<b>3.2%</b>	
<b>Revenue/Sources less</b>				
<b>Expenditures/Transfers</b>	<b>\$0</b>	<b>(\$0)</b>		
<b>Annualized FTE Enrollment</b>				
	<b>FY 2007/08</b>	<b>FY 2008/09</b>	<b>Percent Change</b>	
Resident Undergraduate	4,222.08	4,260.97	0.9%	
Nonresident Undergraduate	548.60	499.03	-9.0%	
Resident Graduate	218.94	229.59	4.9%	
Nonresident Graduate	67.15	70.41	4.9%	
<b>Total FTE Enrollment</b>	<b>5,056.77</b>	<b>5,060.00</b>	<b>0.1%</b>	

# Personnel Ratio



# Addressing the Financial Challenge

- Two main drivers of financial results are student enrollment and size/cost of complement.
- To maintain and/or grow student enrollment we must:
  - Continue to strengthen offerings in programs where there is high demand and we have a competitive advantage.
  - Improve retention rates through initiatives like Foundations of Excellence.
- To manage our costs within the available revenue we must:
  - Continue to streamline operations as opportunities arise (e.g. Business Office and HR reorganizations.)
  - Improve efficiency of operating processes through process streamlining and automation.