

Lock Haven University
of Pennsylvania

Financial Plan



2007/2009

Lock Haven University
Business Office

Section I Background and History

A) Enrollment

After more than a decade of enrollment growth, 2007/2008 is projected to see a restoration in the number of students. The planning assumption is that enrollments will stabilize around the 2005/2006 level. (Chart 1) Growth has occurred in all categories, Graduate, Undergraduate, Main Campus, Clearfield and Distance Education. While this has been favorable in terms of tuition, state appropriations have not kept pace.

B) Appropriation

The Commonwealth of Pennsylvania appropriates annually to the State System of Higher Education. Subsequently, the System employs a formula approach to allocating these monies to the individual Universities and system entities. This formula recognizes items such as enrollment, programs offered and facilities needs. There is recognition of high cost vs. normal cost program offerings. System policy states the non-Pennsylvania resident students must pay the full cost of their education. Therefore, there is no recognition of these students in the formula.

A portion of the appropriation is retained by the System office and reallocated to the Universities based on the results of the performance measures. The amount retained for this purpose has been steadily increasing.

Until recently, there was a steady increase in the funds appropriated to the System. Beginning in FY 01/02, this trend was reversed and the total system appropriation was reduced. At Lock Haven University, the effect of this reduction has been compounded by a revision in the formula which is used for the internal State System allocation. The revised formula reallocated monies from several Universities, Lock Haven included, to the others. It was agreed that this reallocation would occur over three years beginning in FY 02/03. While this reallocation is now complete, the impact in the University base allocation will continue to be felt.

Section II

A) Tuition Trends

1). Tuition and fees

Tuition rates are established by the Board of Governors of the State System. Within the constraints of Board policy, local Councils of Trustees are empowered to set the level of additional fees charges to students. Lock Haven University charges students a fee to support the cost of student health services and an Educational Services fee which in part supports academic equipment and library purchases. Chart (2) shows the trend in tuition rates and Chart (3) shows the trends in total tuition and fees collected.

2). Waivers and Discounts

System policy allows a discount from the Board approved non-Pennsylvania resident tuition rate for U.S. citizens if it can be shown that these students are covering the cost of attendance at the local University. Lock Haven University has been approved to offer a \$2,000 annual discount.

International students attending Lock Haven University may be eligible for a waiver of tuition based on financial need. System policy limits these waivers to 2% of the total University tuition assessed to all students.

The Board of Governors has implemented a Board of Governors Scholarship Program. Under this program, each University may waive the tuition for qualifying students to a maximum of 2% of the previous Fall's FTE enrollment.

In order to become more competitive in offering courses through distance education, approval has been received to reduce the non-resident tuition rate for these courses to 102% of the resident rate. Approval has been received to bundle the tuition and fees applicable to Distance Education graduate students in order to facilitate reimbursements by employers.

B) Appropriations

In 2006/2007, the State System reserved 6% of the appropriation to be distributed to the Universities based on their performance measures. Lock Haven University contributed approximately \$1.38 million to the pool and received \$1.14 million based on the performance measures.

Chart (3) shows the trend in the appropriations received by Lock Haven University. It shows the reduction as dictated by the revised formula and reduced State funding and the increasing reliance on Tuition and Fee revenue.

Chart (4) is even more graphic. On an appropriation per FTE student basis, the impact of sagging State funding, the allocation formula change and funding recognition lagging enrollment growth is evident.

The University has also been receiving a special appropriation restricted to expenditures for the library and accreditation. Given the allowance of multi-year spending which is provided and the specificity of the spending, this money is excluded from this plan.

Section III Expenditure Trends

A) Human Resources

As Chart (5) indicates, until FY 02/03 personnel costs as a percent of total University revenue had been declining. Beginning that year, as revenue growth has been restricted by the appropriation decline, the percentage has begun to increase. Chart (6) shows the history of salary expenses by bargaining unit and demonstrates the University's priority on the educational mission.

B) Categories of expenses

Chart (7) shows the trend in total University expenses. Factors such as the growth in the enrollment, System operations costs and increased costs of goods and services have all contributed to a general overall increase in University spending.

Section IV Fiscal Year 07/08 & 08/09 Plan

The plan is based on the assumptions which were either provided by the system office or the result of internal planning. Revenue changes are driven by the assumed 4% increase in tuition income in both years and an estimation of the appropriation revenue provided based on the Governor's recommendation of a 3.5% appropriation increase for the SSHE.

Expenditure assumptions are based on the benefits projection supplied by the system office, the collective bargaining agreements and the internally generated spending plans. The planning assumption for inflation in the operating budget is 4%.

In addition, the Board of Governors has directed that each University submit an expenditure reduction plan to be implemented in 07/08. This has since been replaced by a contingency plan which includes potential estimated cost reductions and/or avoidances of \$1,710,893.

The submitted \$742,000 reduction plan calls for the following actions:

1). Reduction in overload	\$250,000
2). Energy Savings	\$60,000
3). Voice over IP Telephone	\$432,000

The 07/08 projection reflects the portion of these reductions not included in the complement planning numbers.

A) Revenue

1). Tuition revenue in fiscal year 06/07 is projected to be \$30,250,000. The 07/08 projection assumes a 4% increase in tuition revenue resulting from a tuition rate increase and additional students. Each additional 1% increase would yield approximately \$300,000.

2). Educational and General Appropriation revenue in fiscal year 06/07 is \$22,096,568. The current planning assumption for 07/08 is an appropriation increase of 3.5%. This yields an approximate increase of \$773,000 in 07/08.

Personnel Expenses

- 1). The most recent benefit rate projections received from the System budget office reveal that it is not unrealistic to expect benefit costs to increase next year in the magnitude of \$1,100,000.
- 2). In line with the collective bargaining agreements signed to date, an increase of 4.6% in salaries is assumed in the projection for 07/08.
- 3). On July 1, 2007 the minimum wage paid to students will increase to \$7.15 per hour. Maintaining the current level of student employment hours will cost an additional \$200,000.

C) Fiscal Year 07/08 & 08/09 Planned spending

1). Facilities Plan

The facilities plan is funded from the University plant funds. These funds are regenerated annually through the transfer of operating revenue in excess of expenditures. The plan contains three categories of expenditures.

a) Educational and General : One time projects and those designed to benefit the general campus and which are not specifically related to an auxiliary operation. The projects are approved in a given fiscal year and, depending on the scope of the project, the spending may occur over a more lengthy time period. Total new one time project spending approval for fiscal year 07/08 is \$2,320,000

For fiscal year 08/09, the facilities plan details a total request of \$1,100,000. This spending is still subject to approval and the final list of projects approved for that year will be determined after further review of priorities and the fiscal condition of the University.

c) Auxiliary spending occurs in those facilities which are dedicated to auxiliary operations and, by Board policy, must not be funded through Educational and General Revenues. These monies are generated from both the annual operating surplus of the individual auxiliaries and through a portion of the residence hall charges which the local Council of Trustees has earmarked for this purpose.

2). Technology Plan

University technology is funded through multiple sources. The Board of Governors has initiated a Technology Tuition Fee applicable to all enrolled students. This fee is to fund specific technology purchases as defined by the Board. The University budgets \$350,000 annually from operating funds for the replacement of obsolete technology as defined by the Information Technology procedures. Significant one time equipment and software purchases can be funded from the University plant funds.

A). Tuition Technology Fee collections are anticipated to be about \$670,000 in fiscal year 06/07. This is a flat fee assessed to all students. Collections and spending should approximate \$700,000 in subsequent years.

b). \$350,000 will again be allocated for the replacement of obsolete technology.

c). There are additional projects totaling \$130,000 in 07/08 included in the technology plan. Where possible, spending will occur from the Obsolete Technology budget, the balance being funded from the University plant funds.

3). Complement Plan

The University planning assumption for both years is that there will be no net increase in the complement. The spending plan as presented reflects this assumption.

4) .Academic Plan

All personnel requirements are included in the complement plan

5). Non-mandatory transfer to plant funds

The University capital facility funds are not included in the E&G budget. These funds are required to maintain and upgrade the University physical plant. While not reflected as an operating expenditure during a given year, the funds maintained for this purpose must be replenished for the current operating budget annually. A target of \$2,000,000 has been established as a budgetary goal to provide for this need.

D). E&G Revenue and Expenditure projection

The projected revenues and expenditures for 07/08 presented below are based on the assumptions detailed in this plan. For 08/09, it is assumed that all rate increases follow the same pattern as detailed for 07/08.

Subsequent to the creation of this plan, University enrollment forecasts for 07/08 indicate an increase in Fall financial FTE's from 4,929 to 5,155 or 226 FTE's. It is assumed that the resulting increase in revenue will be offset by an increase in the personnel and operating expenses required to support the enrollment increase.

	06/07 Estimated	07/08 Projected	08/09 Projected
Revenue	58,300,000	59,900,000	62,200,000
Salaries and wages	31,800,000	33,500,000	34,800,000
Benefits	11,700,000	12,700,000	13,800,000
Operating Expenses	13,700,000	13,100,000	13,600,000
Non-mandatory transfers	1,100,000	600,000	
Additional Savings			
Total Anticipated Expenses	58,300,000	59,900,000	62,200,000