



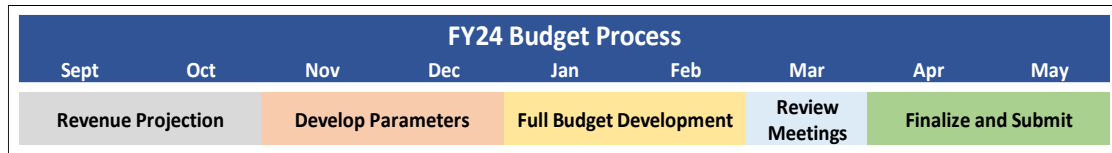
PAT + OS + Extension Educator Councils Financial Structure Overview

03/08/2023

Budget Process vs Resource Allocation Model (RAM)

Budget Process

Establishes university-wide budget and expense parameters to support the objectives set forth by the BOT and unit leadership



Defines the **revenues and expenses** for FY24



Resource Allocation Model (RAM)

An allocation tool that distributes financial resources generated for strategic initiatives and common or shared overhead costs

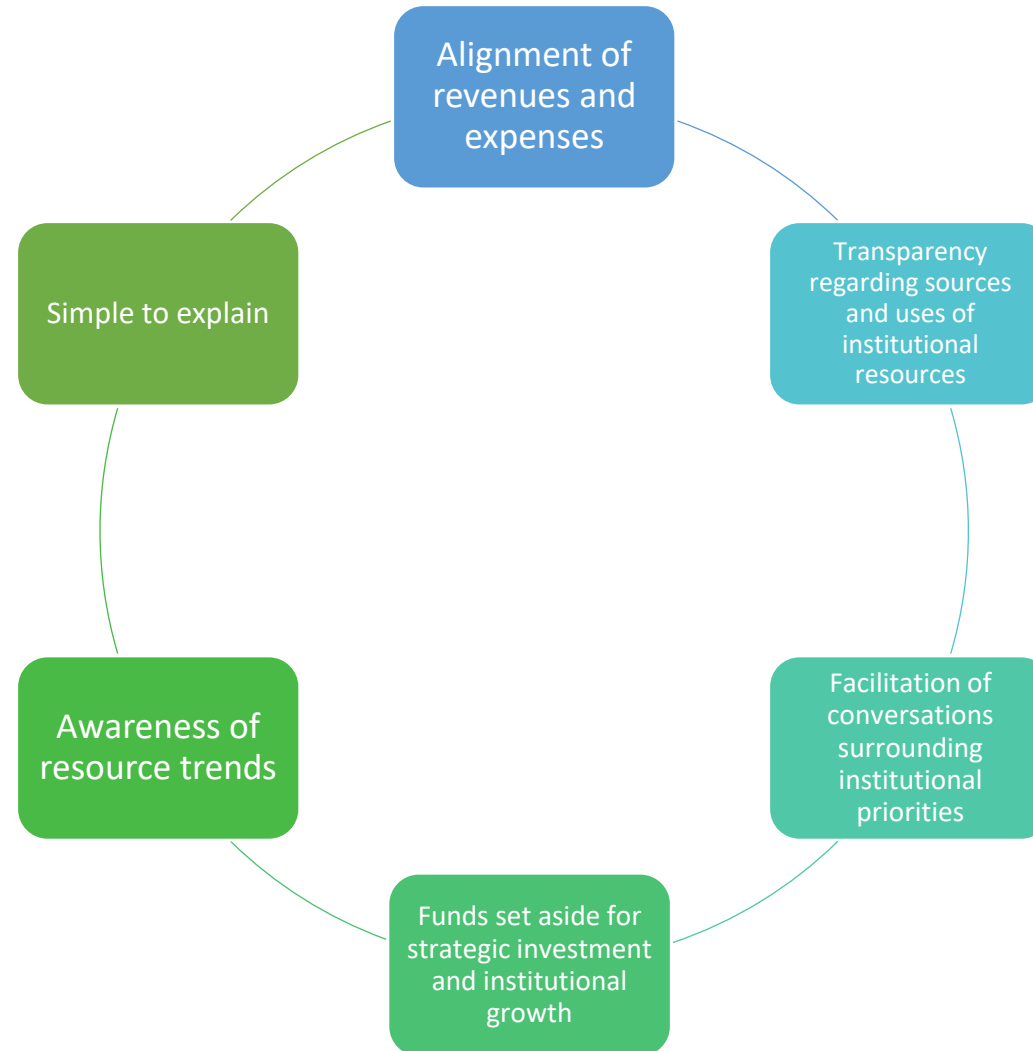


Direct expenses

Strategic initiatives

Overhead costs

RAM Attributes



SOURCES OF \$\$\$

(e.g. – Colleges, Auxiliaries, Hybrids)

Total Revenue

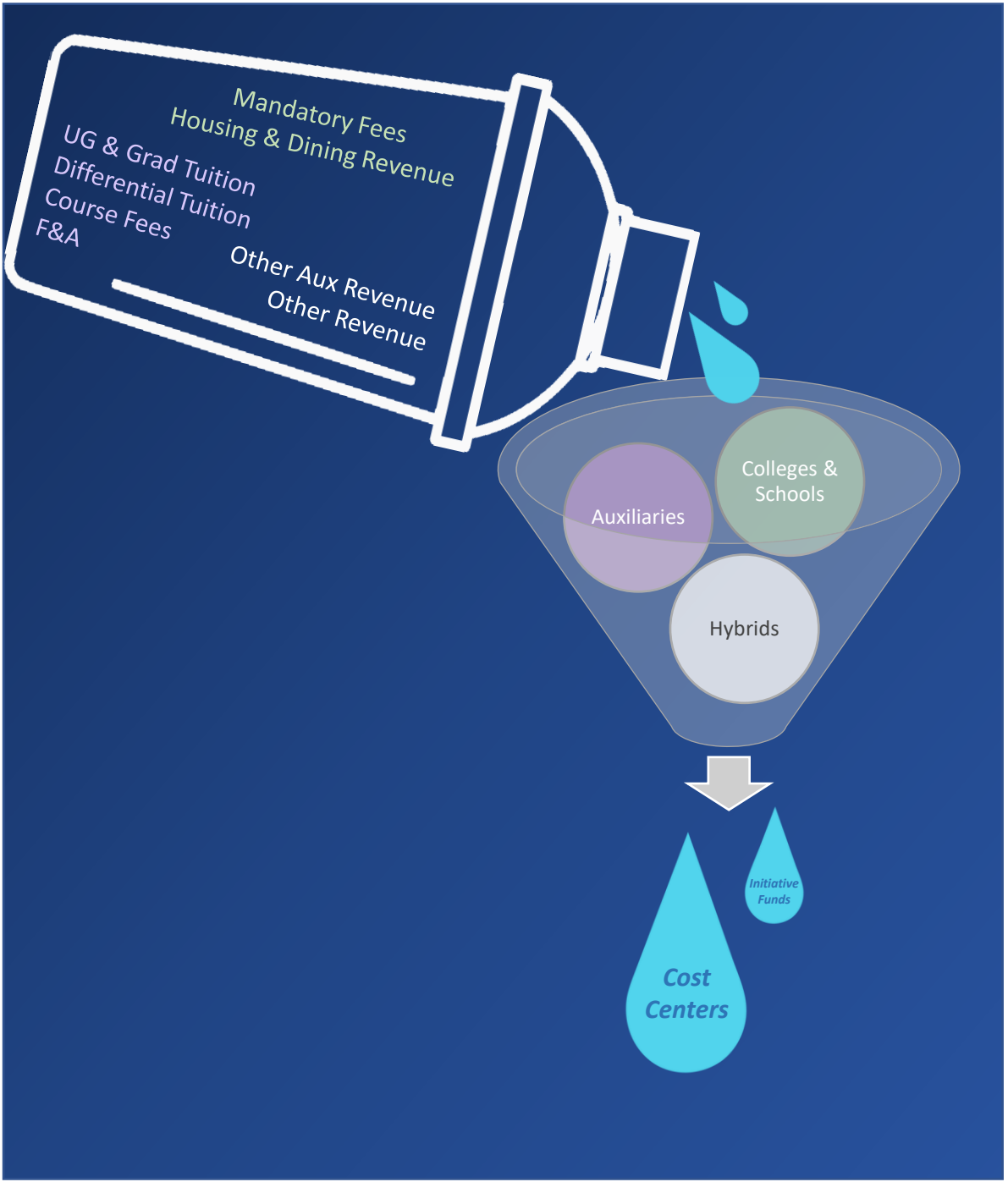
- Less:** Direct Expenses
- Less:** UNH Shared Service Cost
- Less:** 2% Strategic Investments
- Less:** X% Central Admin
- Less:** X% Facilities
- Less:** X% Academic Initiatives/Incentives

+/- Net Operating Revenue

USES OF \$\$\$

- Direct Expenses (e.g. – Cost Centers)
- Strategic Initiative Fund (i.e., Margin Achievement, Strategic ROI Decisions)
- X% Academic Initiatives/Incentives Fund

Zero Operating Revenue



Improvements in the new model

- Redistributes revenue to advance strategic priorities
- Eliminates credit hour weighting factors that distorted actual cost of delivery
- Eliminates 2-year delay in credit hour production allocation
- Simple to explain and operationalize, i.e. fewer assessment rates and internal transfers
- Promote rather than inhibit interdisciplinary work
- Incentivize efficient and effective ways to provide discovery coursework across units
- Multiple “levers” recognize the different ways that a unit can advance the university’s strategic priorities and initiatives.



Resource Allocation Model in FY24

- First year of implementation will be used to calibrate the model
- Create FY24 budget using new model methodology (Unrestricted, Internally Designated and Auxiliary funds only)
 - Revenue centers will budget both revenue and expense.
 - * Initial undergrad(UG) tuition allocations will be based on FY23 headcount and credit hour production.
 - * Graduate tuition will continue to flow to home college.
 - * F&A allocation remains 66% unit, 24% central and 10% PI
 - * Auxiliary and all other operating revenue flows directly to the unit.



Resource Allocation Model in FY24 (continued)

- Assessments will be applied to all revenue to create sufficient funding for the following:
 - Central administration assessment to offset cost centers (% based on total budget)
 - Facilities assessment to offset facilities annual operations (% based on facilities budget)
 - Academic assessment will be applied to Durham undergrad tuition to create the academic initiatives funding pool.
 - Strategic assessment to fund institutional priorities

- Outstanding items will be identified and researched for potential adjustment in the FY25 budget.



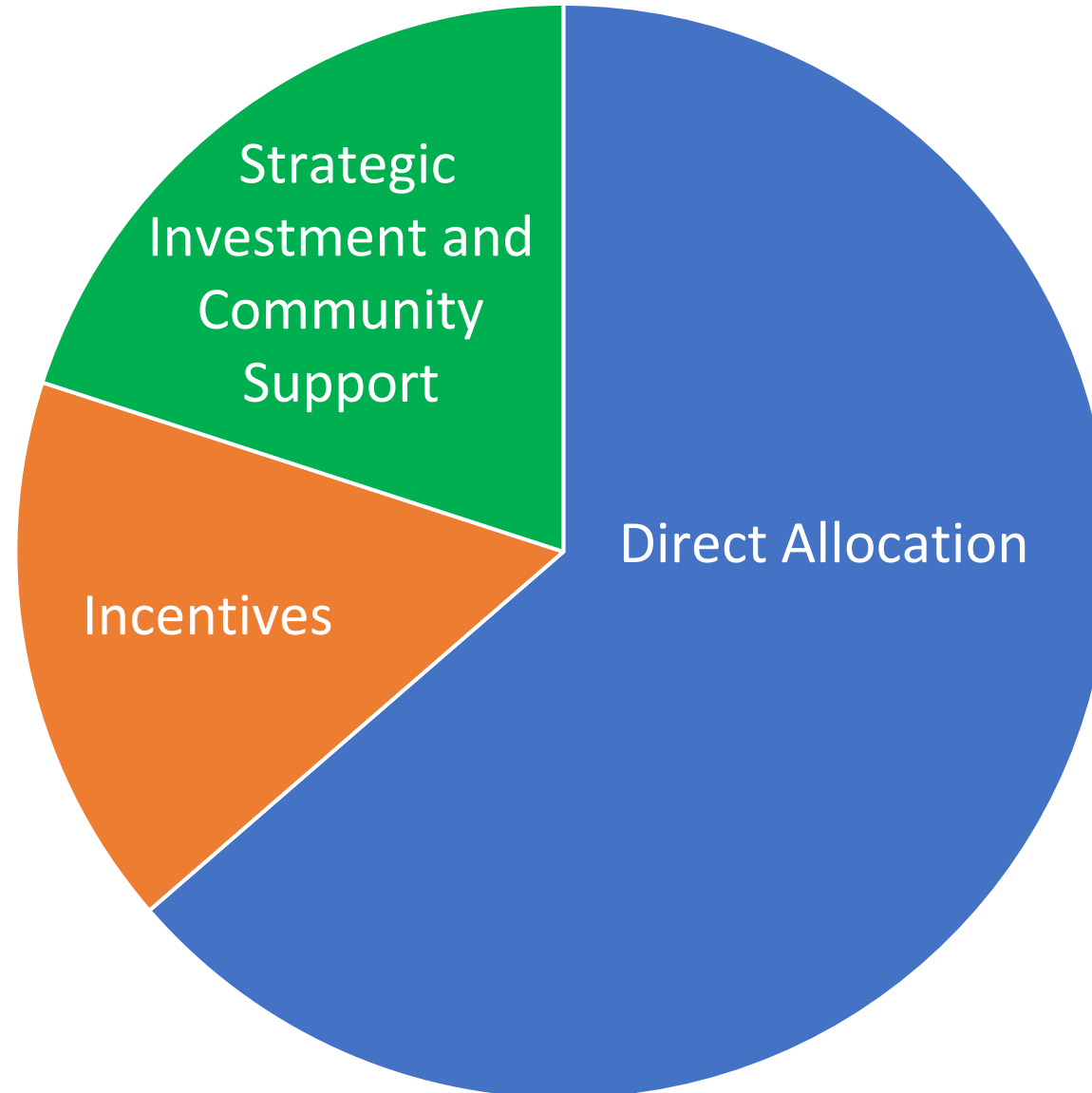
How academic units will be funded

- Funds to support investments and opportunities
- Transitional funds allocated to adjust to new model

~40% of pool

- Expanding academic and research excellence
 - Pell completions
 - Honors completions
 - UG graduation rate
 - High impact learning
 - Research proposals
 - Research graduate completions

~ 60% of pool



- Undergraduate tuition
 - Credit hour delivery (80%)
 - Enrollment home unit (20%)
- Graduate tuition
 - Direct to home college/school
- Grant funding
 - Direct grants
 - F&A (same 66%,24%,10%)
- Current use gifts and endowments



Macroeconomic forces are impacting higher education across the country



Workforce Challenges

More than half of the higher education workforce is at least “somewhat” likely to look for other employment opportunities in the next 12 months (heavily driven by choices around remote work).



Growth in Operating Costs

Overall, total expenses for postsecondary institutions grew 2% from 2019 – 2020, which was similar to the two previous fiscal years.²



Public Financing Declines

While public allocations increased 4.5% to colleges and universities in 2021, if we remove COVID-19 stimulus money, allocations would likely have dropped 1%.³



Enrollment Headwinds

Following a 3.5% drop last Spring, postsecondary institutions have lost nearly 1.3 million students since Spring 2020. Undergraduate enrollment accounted for most of the decline, dropping 4.7% this Spring 2022.⁴

1. CUPA-HR, “More than Half of College and University Employees Say They Are Likely to Look for Other Employment in the Near Future,” available at: <https://www.cupahr.org/blog/more-than-half-of-college-employees-are-likely-to-look-for-other-employment-in-near-future-2022-07>.

2. National Center for Education Studies, “Expenditures,” available at: <https://nces.ed.gov/fastfacts/display.asp?id=75>.

3. Chris Burt, “States gave more money to higher ed in 2021, but will pattern hold in the future?,” *University Business*, available at: <https://universitybusiness.com/states-gave-more-money-to-higher-ed-in-2021-but-will-pattern-hold-in-the-future>.

4. National Student Clearinghouse Research Center, “Spring 2022: Current Term Enrollment Estimates,” available at: <https://nscresearchcenter.org/current-term-enrollment-9-estimates>.



As institutions return to Pre-COVID-19 operations and enrollment, colleges and universities must assess their business models

Strengths

- Wide Range of Academic Programs
- Retention and Graduation Rates
- NE Location/Campus Setting

Weaknesses

- Razor Thin OM
- High Expense Structure
- Limited Revenue Sources

Opportunities

- Graduate Program Growth
- Increased Research Grants
- Online Program Growth
- P3

Threats

- Declining High School Graduates (N.E.)
- Return of Trade Schools
- Improving Competition (UMass, UVM, UConn)

FY23 January PLC Dashboard

Key Performance Indicators (KPI)

		FY23 YTD	FY23 Full Year Forecast	FY23 Budget	FY22 Actual	FY21 Actual
Operating Income (Total)	Operating Revenues (\$M)	551.7	706.1	663.9	690.5	616.4
	Operating Expenses (\$M)	390.9	700.1	683.8	656.7	631.0
	Operating Income (\$M)	160.7	6.0	(20.0)	33.7	(14.5)
	Operating Income Pct	29.1%	0.8%	-3.0%	4.9%	-2.4%
Undergraduate Enrollment	Undergrad Enrollment (Fall R30)	11,903	11,903	12,173	12,073	12,358
	Undergrad Gross Tuition (\$M)	300.9	298.0	304.7	284.5	285.8
	Undergrad Financial Aid (\$M)	(133.9)	(138.2)	(142.9)	(130.1)	(125.6)
	Undergrad Net Tuition (\$M)	167.0	159.7	161.8	154.4	160.2
	Undergrad Net Tuition/Student (Fall, \$)	7,553	7,553	7,473	7,374	7,353
Graduate Enrollment (Total)	Grad Enrollment (Fall R30)	2,974	2,974		2,948	2,925
	Grad Gross Tuition (\$M)	59.4	61.7	66.1	55.3	50.6
	Grad Financial Aid (\$M)	(26.8)	(26.9)	(26.4)	(24.2)	(21.3)
	Grad Net Tuition (\$M)	32.6	34.8	39.8	31.1	29.3

FY23 January PLC Dashboard

FY23 - Recurring vs Non-Recurring Operating Income

	Recurring			Non-Recurring			Total		
	FY23 YTD	FY23 Full Year Forecast	FY23 Budget	FY23 YTD	FY23 Full Year Forecast	FY23 Budget	FY23 YTD	FY23 Full Year Forecast	FY23 Budget
Operating Revenues (\$M)									
Gross Tuition / Fees	375.5	376.0	385.0	0.0	0.0	2.0	375.5	376.0	386.9
Financial Aid	(161.1)	(165.9)	(170.7)	(0.1)	0.0	0.0	(161.2)	(165.9)	(170.7)
State Appropriation	35.2	60.4	60.4	0.0	0.0	0.0	35.2	60.4	60.4
Grants & Contracts/F&A/Pell	118.6	190.5	178.4	11.0	31.7	2.8	129.6	222.1	181.2
Non Cap Gifts & Endowment Income	18.0	38.0	37.4	0.0	0.0	0.0	18.0	38.0	37.4
Sales of Aux Services	136.6	145.4	141.7	0.0	0.0	0.0	136.6	145.4	141.7
Other Operating Revenue	17.8	29.9	26.8	0.0	0.0	0.0	17.8	29.9	26.8
Grand Total	540.7	674.3	659.1	10.9	31.7	4.8	551.6	706.0	663.9
Operating Expenses(\$M)									
Employee Compensation	231.7	413.6	406.8	2.5	6.9	6.9	234.2	420.5	413.8
Supplies & Services	112.4	187.4	184.4	3.5	19.1	19.2	115.9	206.5	203.6
Depreciation	30.9	54.1	50.6	0.0	0.0	0.0	30.9	54.1	50.6
Other Operating Expense	9.9	19.0	15.8	0.0	0.0	0.0	9.9	19.0	15.8
Grand Total	385.0	674.1	657.7	6.0	26.0	26.1	390.9	700.1	683.8
Operating Income	155.8	0.4	1.4	5.0	5.6	(21.3)	160.8	6.0	(20.0)
Operating Margin	28.8%	0.1%	0.2%				29.1%	0.8%	-3.0%