Examining Institutional Financial Viability and Program Review for an Uncertain Future

WICHE Academic Partnerships Joint Meeting

Reno, NV | April 25, 2025

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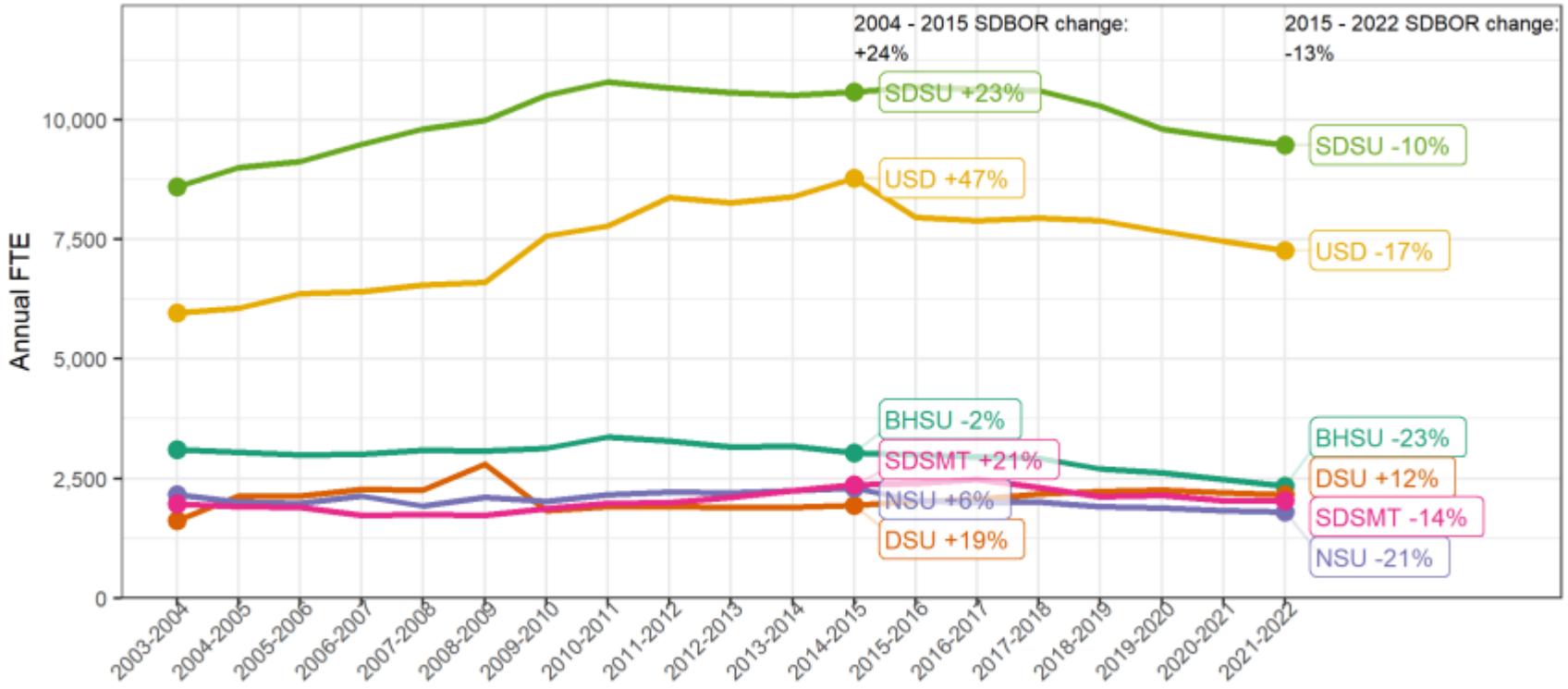
About NCHEMS

We envision a future in which postsecondary education expands opportunities for all, strengthens communities, and advances the public good.

The National Center for Higher Education Management Systems (NCHEMS) partners with institution, system, government, and community leaders to effectively use evidence to improve strategic decision-making in postsecondary education.

Nearly all SDBOR institutions have experienced significant enrollment declines since 2015.



Source: NCES IPEDS 12-Month Enrollment Survey, files efiaYYYY.

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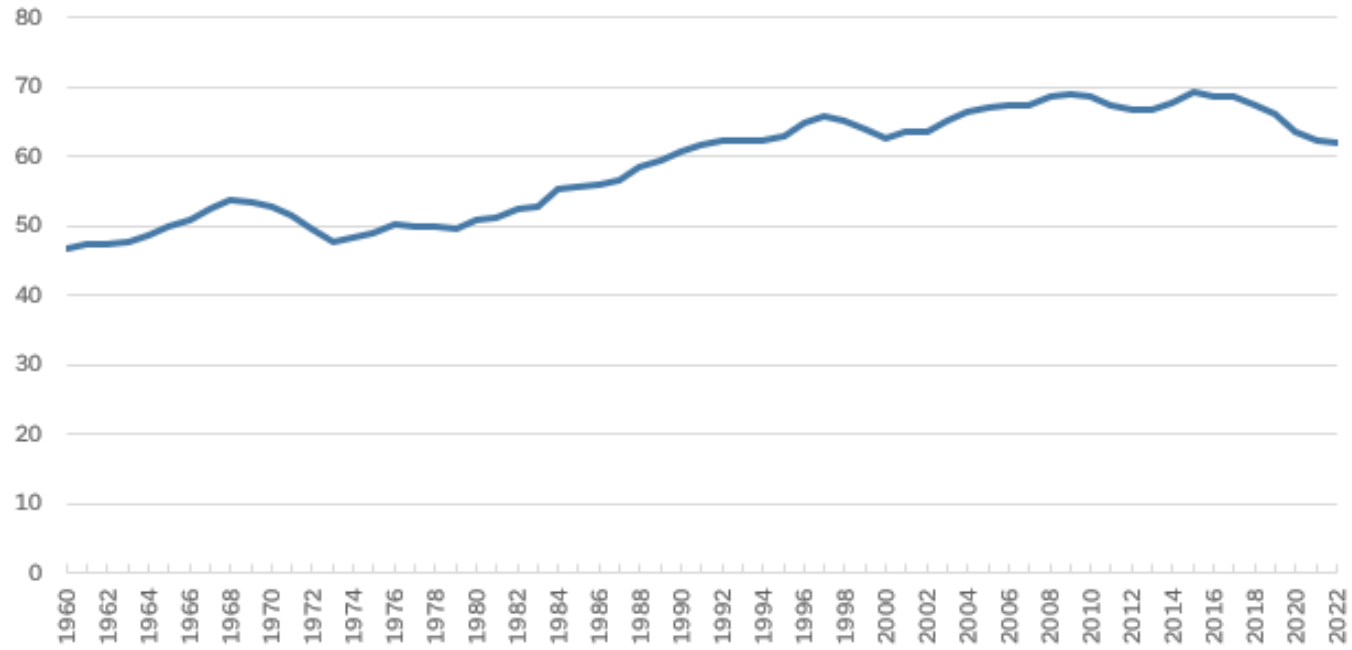
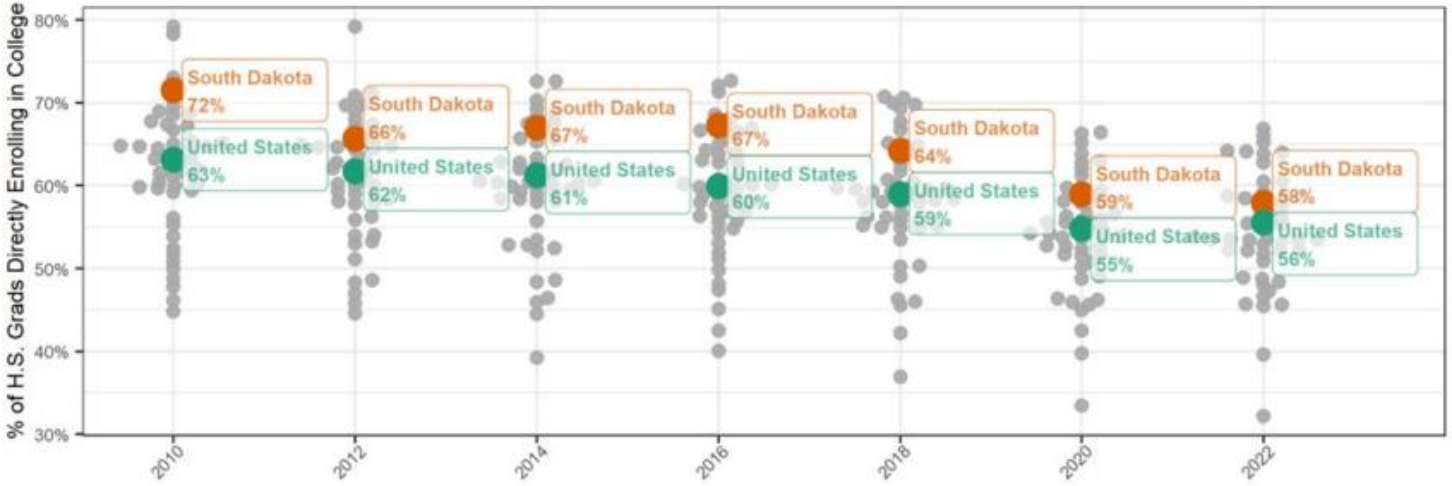
College-going rates have slumped, nationally and in South Dakota

- First serious sustained decline since the late 60s





Sources: WICHE Knocking at the College Door: Projections of High School Graduates; NCES IPEDS Fall Residency and Migration Files efYYYYc. Note: Each dot represents one state.

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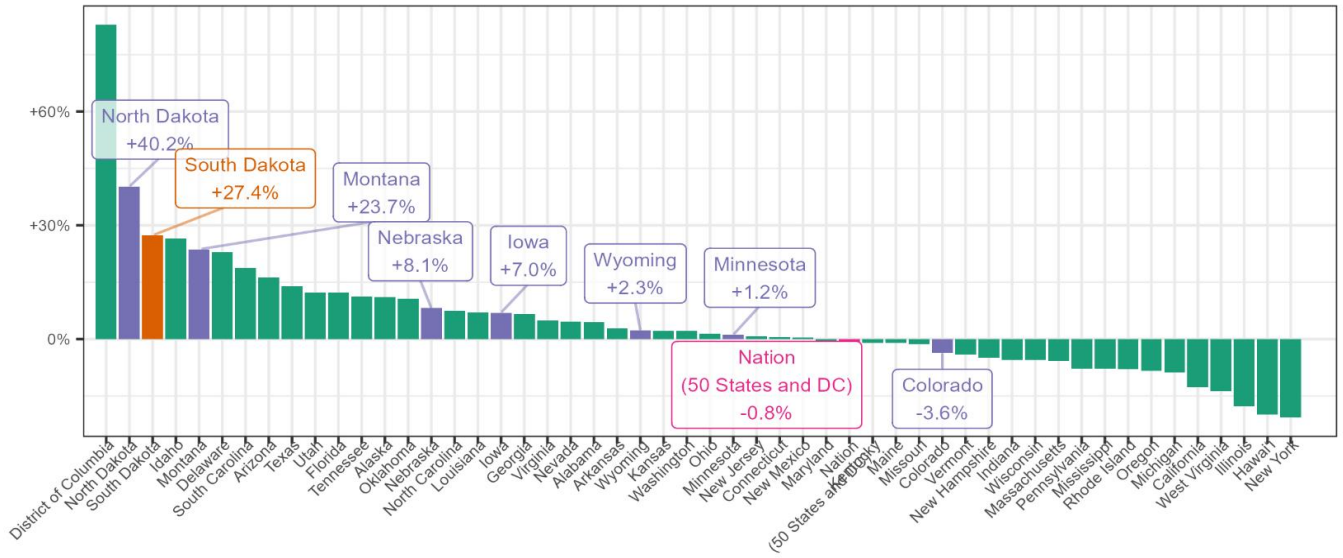
Higher education is facing a generational change in enrollment demand.

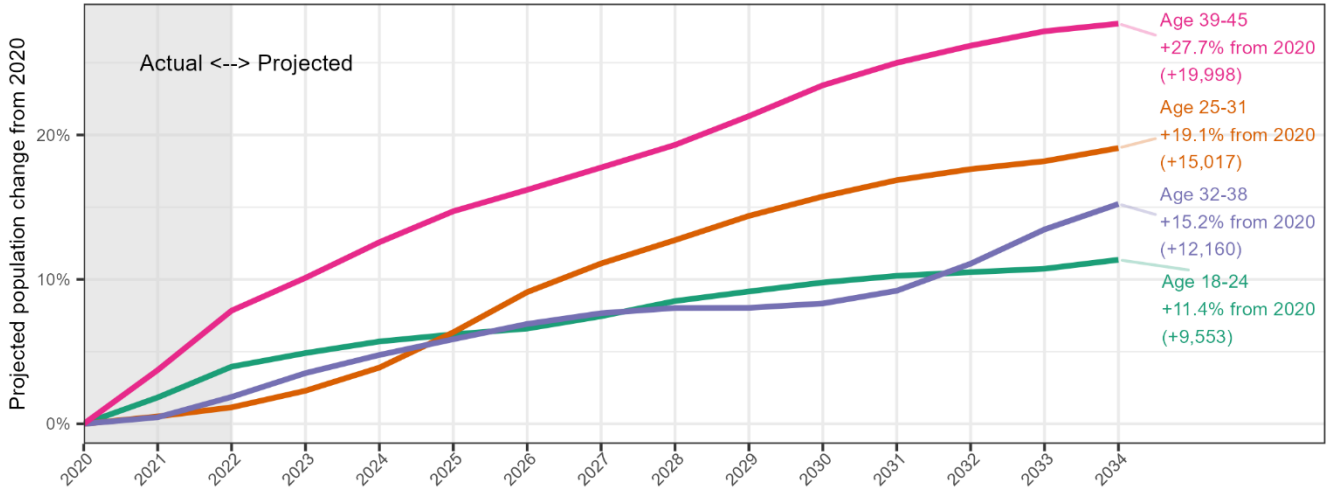
- The pool of traditionally aged students is shrinking.
- SD's pipeline remains relatively more robust.
- Growth among prospective adult populations

Projected 2019-20 to 2033-34 Percentage Change in High School Graduates, by State



Source: Western Interstate Commission for Higher Education, Knocking at the College Door: Projections of High School Graduates, 2024. https://www.wiche.edu/knocking

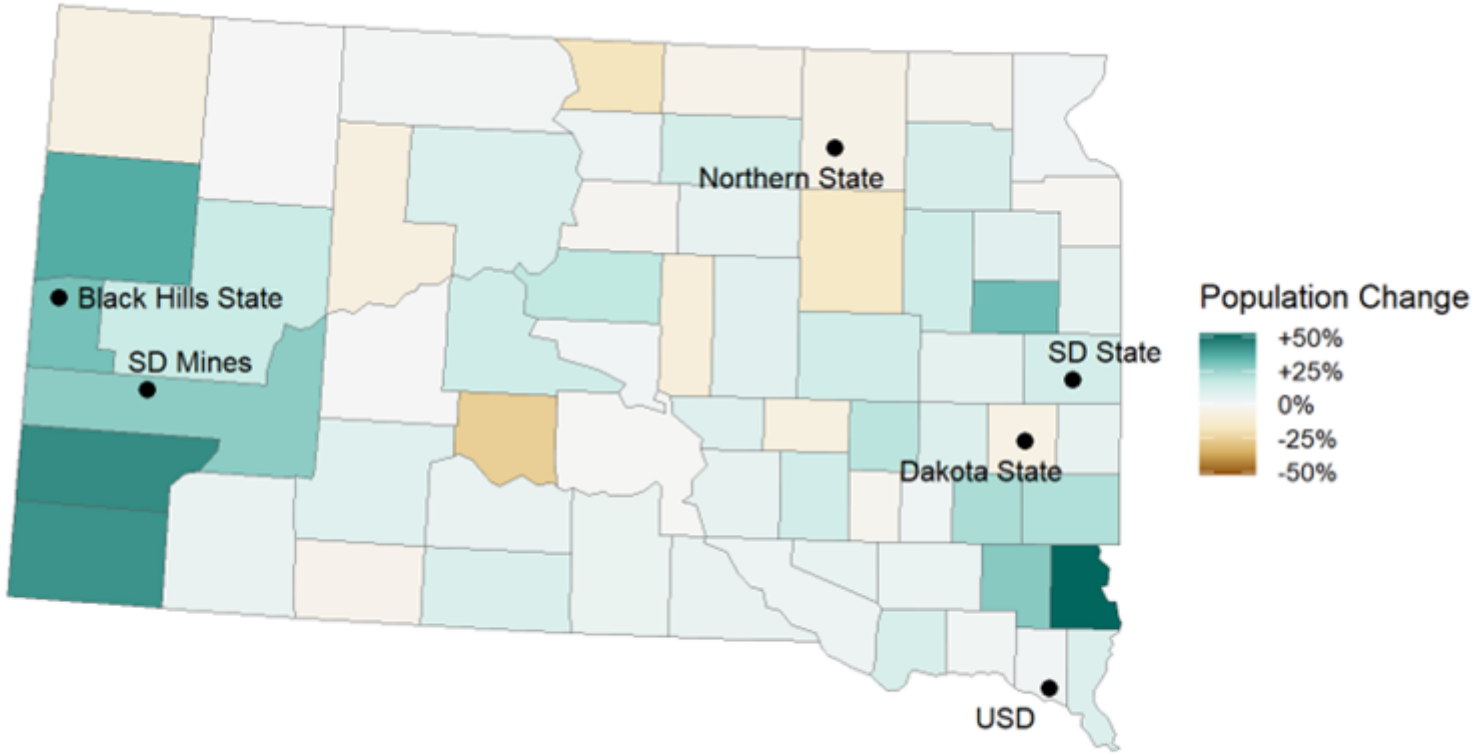
Projected 2020-2034 Change in South Dakota Population, Selected Age Groups



Source: JobsEQ.

Population changes are uneven across the state; some SDBOR institutions will face greater enrollment challenges than others

Projected 2020-2034 Percent Change in Population Ages 18-44



Source: Jobs EQ.

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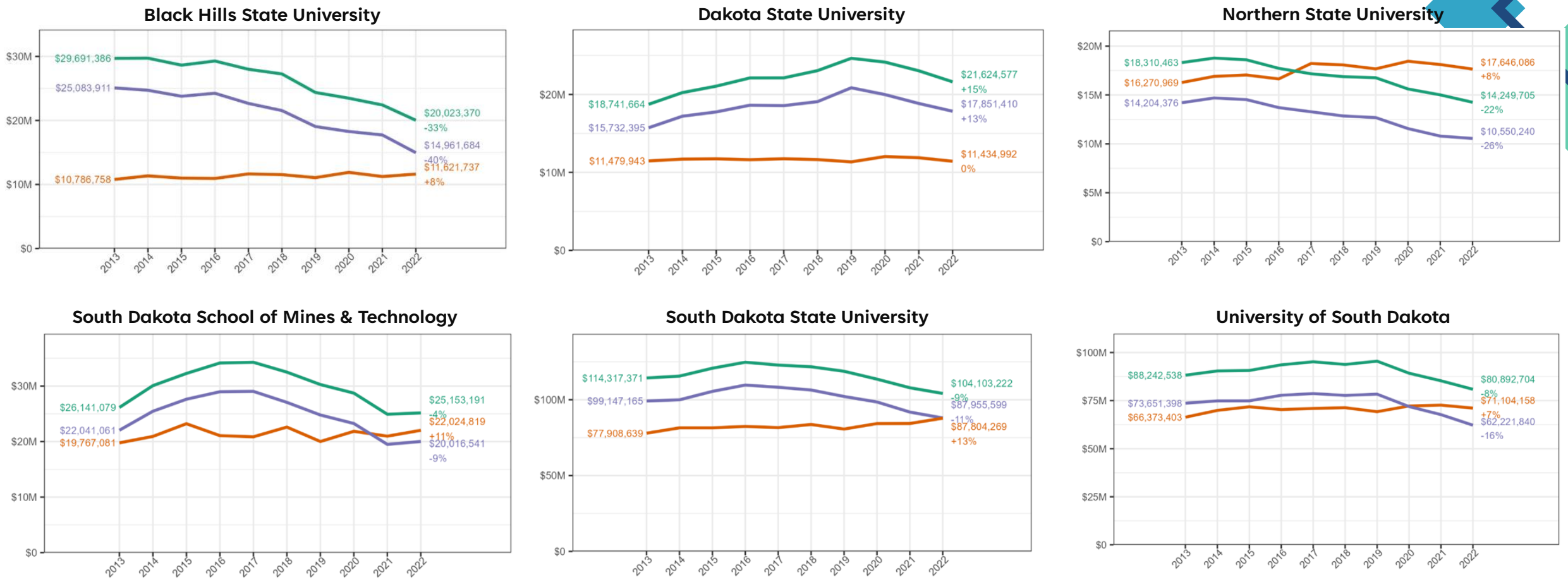
Troubling financial trends: Tuition revenue declined across all SDBOR institutions while state appropriations were steady or increasing slightly



Note: Inflation-adjusted to 2023 dollars using HECA.
Sources: Purple and orange lines from NCES IPEDS; green line from institutions' Annual Financial Reports

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Purpose of the Study

In light of these trends, SDBOR created a SOW:

- "develop and conduct data analytics to ***stress test*** the present and future financial health"
- "[consider] the current higher education landscape and trends pertinent to optimizing the ***academic portfolios*** of the six institutions"
- In order to "encourage critical policy discussions to implement programming strategies"

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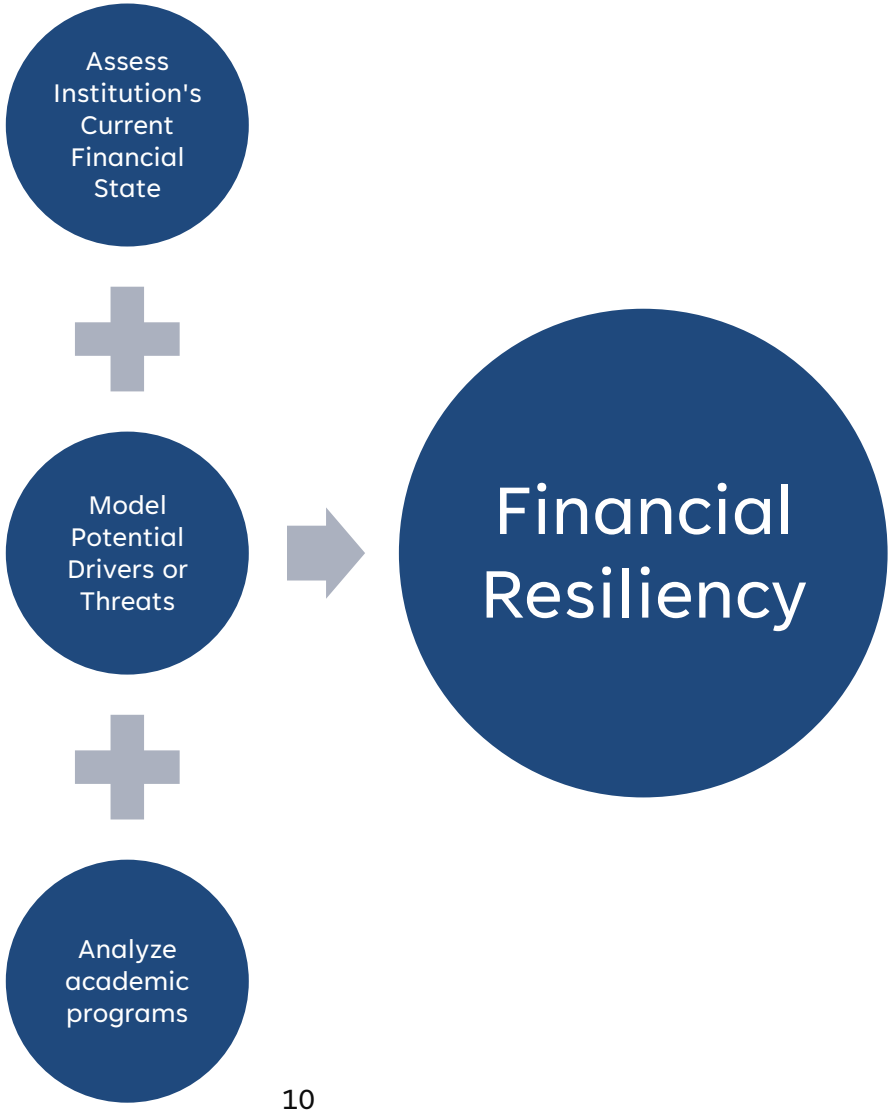
Institutional Financial Health and Academic Programs



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Stress Test

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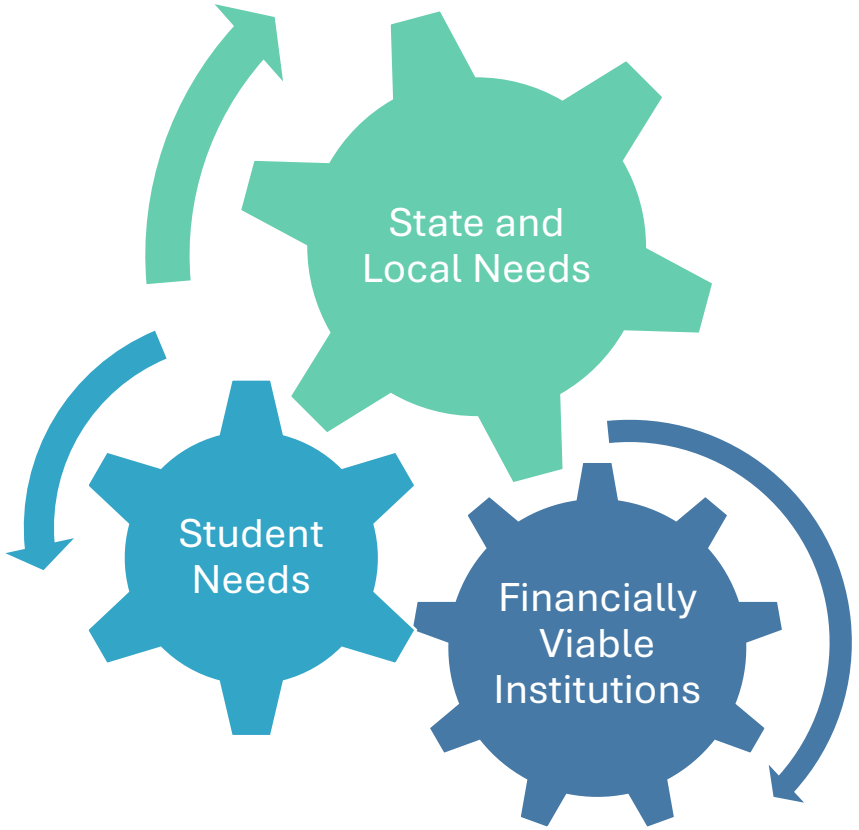
Financial Viability in Context



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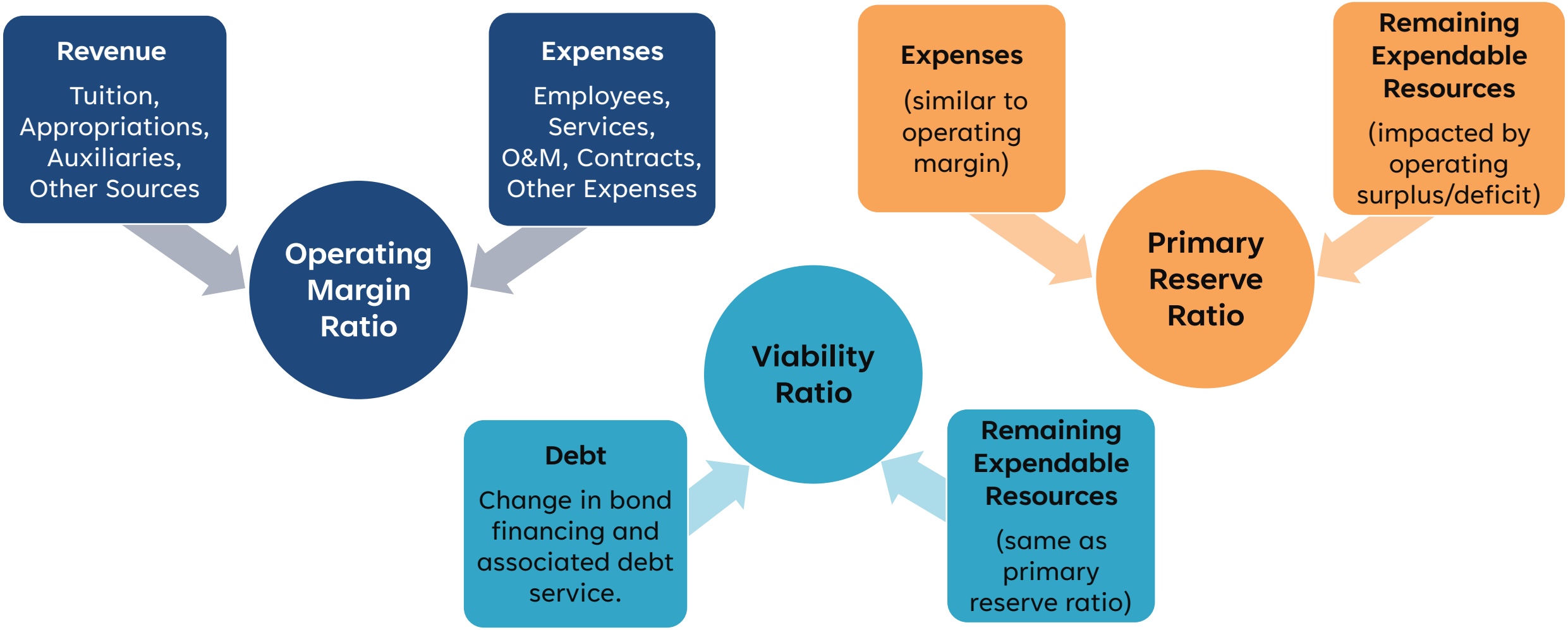
Financial Health Modeling ("Stress Test")



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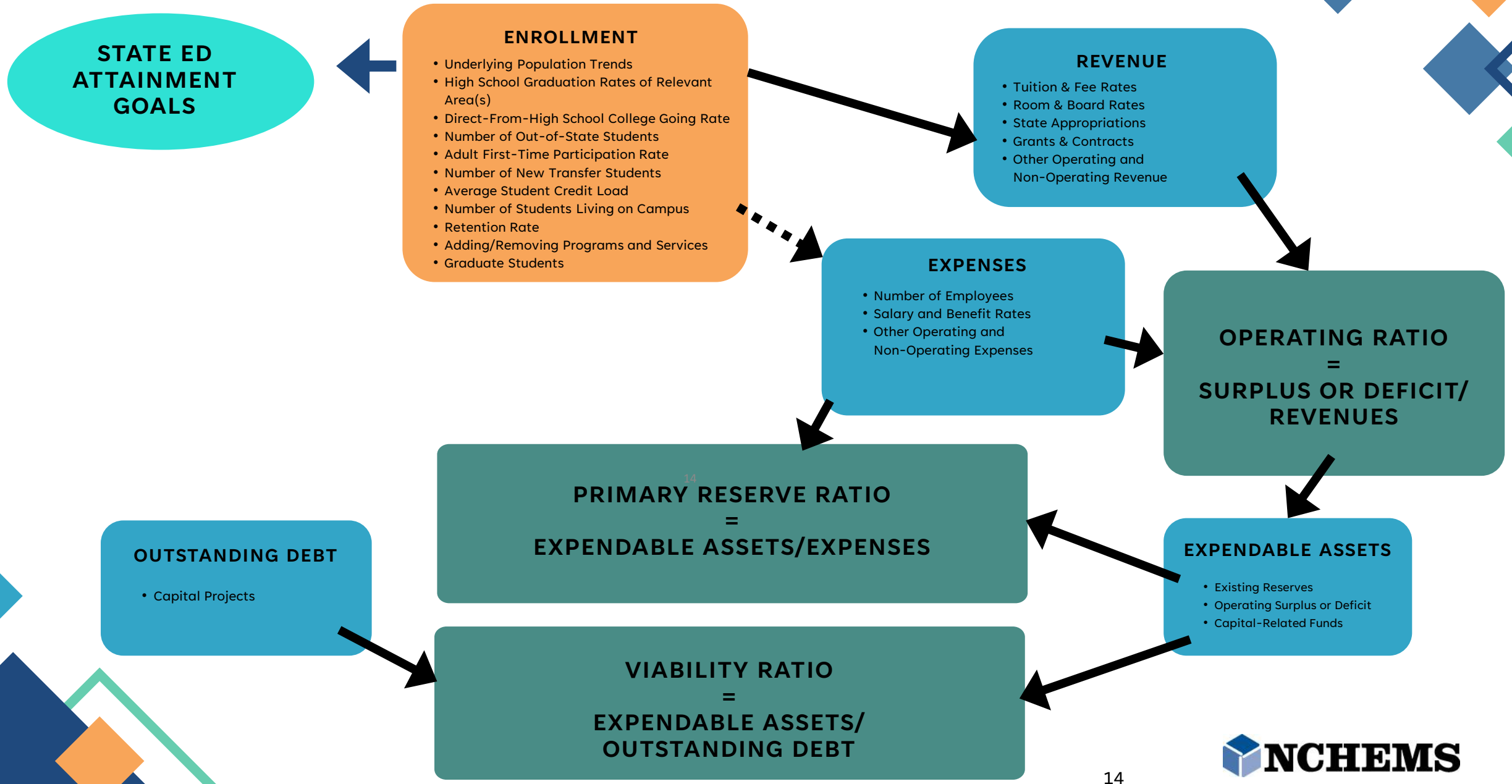
“Stress Test” Concept to Variables and Math



What It Looks Like

Baseline Scenario

Select Institution

Pheasant State U

	Variables	Actual 2022	Actual 2023	Projected 2024	2025	2026	2027	2028	
Enrollment	High School graduation rates of relevant area	89.0	88.5	88.9	89.2	89.0	89.0	88.9	NCHEMS-WICHE Projections
	College-going rate (in-state, directly from HS)	7.2	7.3	7.7	7.3	7.4	7.4	7.4	NCHEMS Projections
	Number of out of state students direct from HS	1,490	1,537	1,528	###	###	###	1,433	NCHEMS Projections
	Number of first-time in state adult students	34	30	29	29	31	31	30	NCHEMS Projections
	# of new transfer students	1,112	1,034	1,033	###	###	###	1,036	NCHEMS Projections
	Retention Rate	71.8	77.7	75.6	75.7	75.6	75.3	76.0	NCHEMS Projections
	Number of students living on campus	5,512	5,612	5,847	###	###	###	5,634	5-year average (fixed)
	Total Undergraduate FTE (excluding dual)	11,257	11,221	11,409	###	###	###	11,545	NCHEMS Projections
Enrollment	Dual FTE	555	593	687	581	598	618	623	NCHEMS Projections
	Grad student FTE	1,491	1,433	1,407	###	###	###	1,437	NCHEMS Projections
	Total Student FTE	**13,303**	**13,247**	**13,503**	**###**	**###**	**###**	**13,605**	
Revenue Variables	Undergraduate Tuition/Fees/Pell per student FTE	$9,443	$9,264	$9,264	###	###	###	$9,264	Freeze at current rate
	Dual Tuition/Fees per student FTE	$4,350	$4,350	$4,350	###	###	###	$4,350	Freeze at current rate
	Graduate Tuition/Fees/Pell per student FTE	$10,944	$10,326	$10,326	###	###	###	$10,326	Freeze at current rate
	Auxiliaries revenue and vehicle fees per student living on campus	$8,179	$8,356	$8,356	###	###	###	$8,356	Freeze at current rate
		2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	
Revenue	Undergraduate Enrollment-related revenue (Tuition, Fees, Pell)	$106,300,074	$103,951,810	$105,696,558	###	###	###	$106,957,500	
	Dual Enrollment-related revenue ($145 per credit)	$2,412,220	$2,580,130	$2,987,580	###	###	###	$2,709,597	
	Graduate Enrollment-related revenue (Tuition, Fees, Pell)	$16,316,818	$14,796,955	$14,528,483	###	###	###	$14,835,034	
	Auxiliaries revenue and vehicle fees	$45,081,312	$46,895,285	$48,859,004	###	###	###	$47,082,465	
	State General Fund- Base	$110,884,395	$121,774,642	$120,894,642	###	###	###	$134,990,228	Linear trend
	Grants & Contracts	$85,756,005	$106,119,434	$85,662,321	###	###	###	$85,662,321	5-year average (fixed)
	Other Operating Revenue	$37,775,528	$42,904,622	$36,014,364	###	###	###	$36,014,364	5-year average (fixed)
	Other Nonoperating Revenue (Depreciation, Amortization, Asset Disposal, etc)	$28,982,020	$11,391,704	$18,860,001	###	###	###	$18,860,001	5-year average (fixed)
	Total Revenue	**$437,257,867**	**$453,791,760**	**$437,191,268**	**###**	**###**	**###**	**$450,552,681**	
Expense Variables	Employee FTE: enrollment-related	1581	1575	1575	1575	1575	1575	1575	Current level plus X% per year; Type here →
**"Enrollment-related" includes*	Employee FTE: Auxiliary	123	118	118	118	118	118	118	Current level plus X% per year; Type here →
Instruction, Student Services,	Employee FTE: non-enrollment-related	1204	1238	1238	1238	1238	1238	1238	Current level plus X% per year; Type here →
Academic Support, and	Average employee salary	($66,538)	($71,306)	($71,320)	###	###	###	($79,398)	Linear trend
Scholarships/Fellowships	Average employee benefits	($15,834)	($16,882)	($17,822)	###	###	###	($19,838)	Linear trend
Functions	Employee FTE per 100 Student FTE	21.9	22.1	21.7	20.7	21.0	21.4	21.5	*(FYI)*
		2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	
Expenses	Personal Services total	($239,560,858)	($258,531,436)	($260,574,501)	###	###	###	##########	*calculated based on above selections*
	Depreciation	($37,317,751)	($39,259,206)	($35,680,235)	###	###	###	($35,680,235)	5-year average (fixed)
	Other Operating Expenses	($153,974,481)	($156,539,451)	($139,620,428)	###	###	###	##########	5-year average (fixed)
	Nonoperating Expenses	($486,492)	($460,449)	($1,016,515)	###	###	###	($1,016,515)	5-year average (fixed)
	Total Expenses *(excluding capital interest)*	**$ (431,339,584)**	**($454,790,541)**	**($436,891,678)**	**###**	**###**	**###**	**##########**	
	FYI Expenses from published financial statements that have been excluded	*($6,859,819)*	*($13,028,348)*						
	Operating Surplus or Deficit (Revenues-Expenses)	$5,918,283	($998,781)	$299,590	###	###	###	($14,812,045)	
=(Revenues-Expenses)/Revenues	**Annual Operating Margin**	**1.4%**	**-0.2%**	**0.1%**	**0.4%**	**###**	**###**	**-3.3%**	

Steps

1. Engage stakeholders broadly and specifically (CEOs, CFOs, and provosts) in the purpose and process.
2. Gather audited financial statements.
3. Supplement with specific finance data for each institution.
4. Analyze geographic origins of entering students at each institution.
5. Develop enrollment projections based on those origins.
6. Build reasonable scenarios.
7. Test and refine scenarios.

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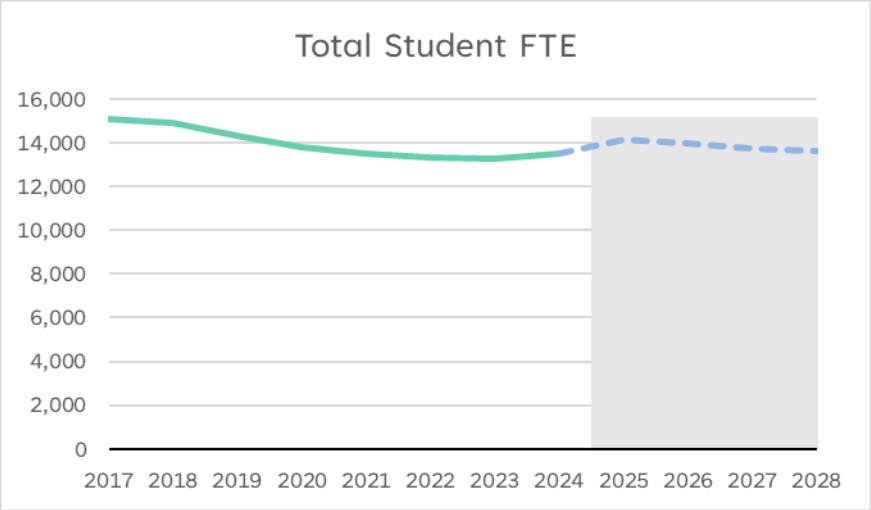
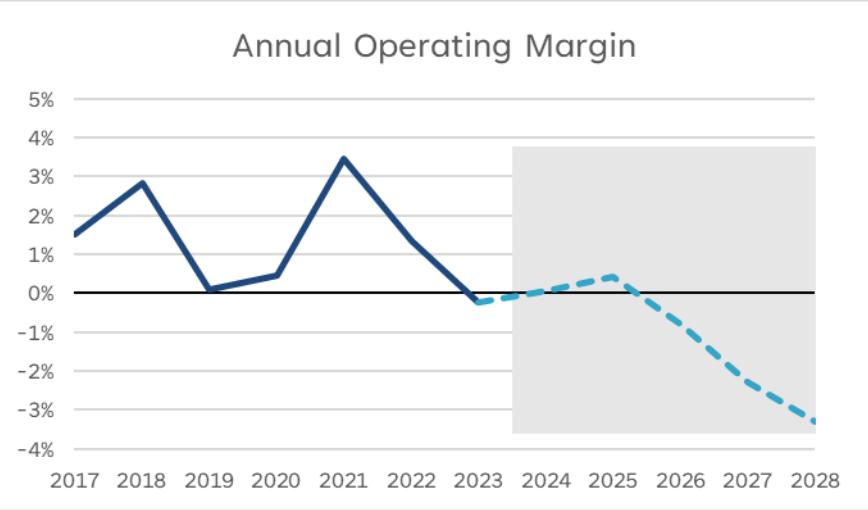
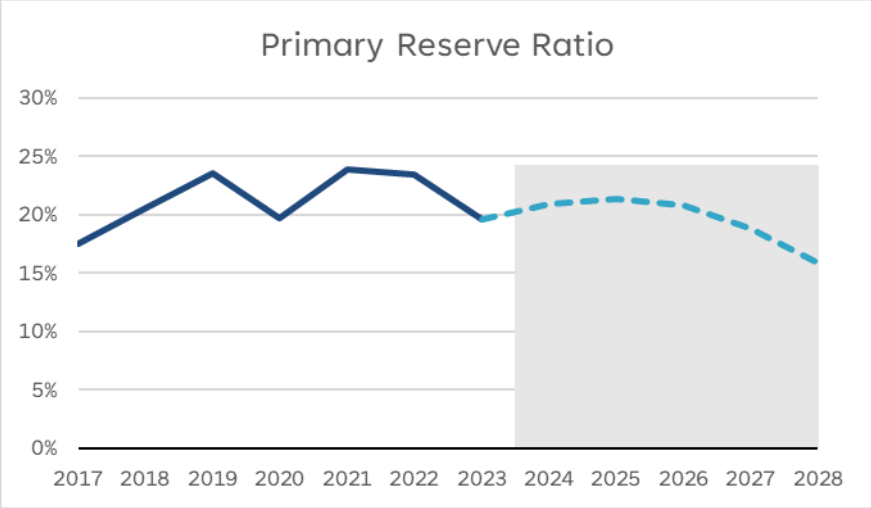
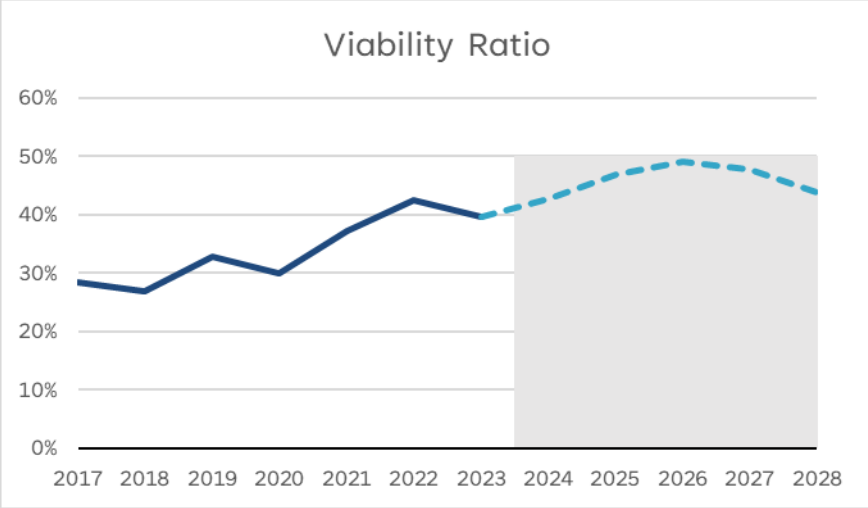
Pheasant State University
Baseline Scenario









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Important Limitations

- No crystal ball on projections
- Faulty assumptions
- Interactions between variables are not modeled
- Strategic investments
- Consistency and comparability

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Academic Programs

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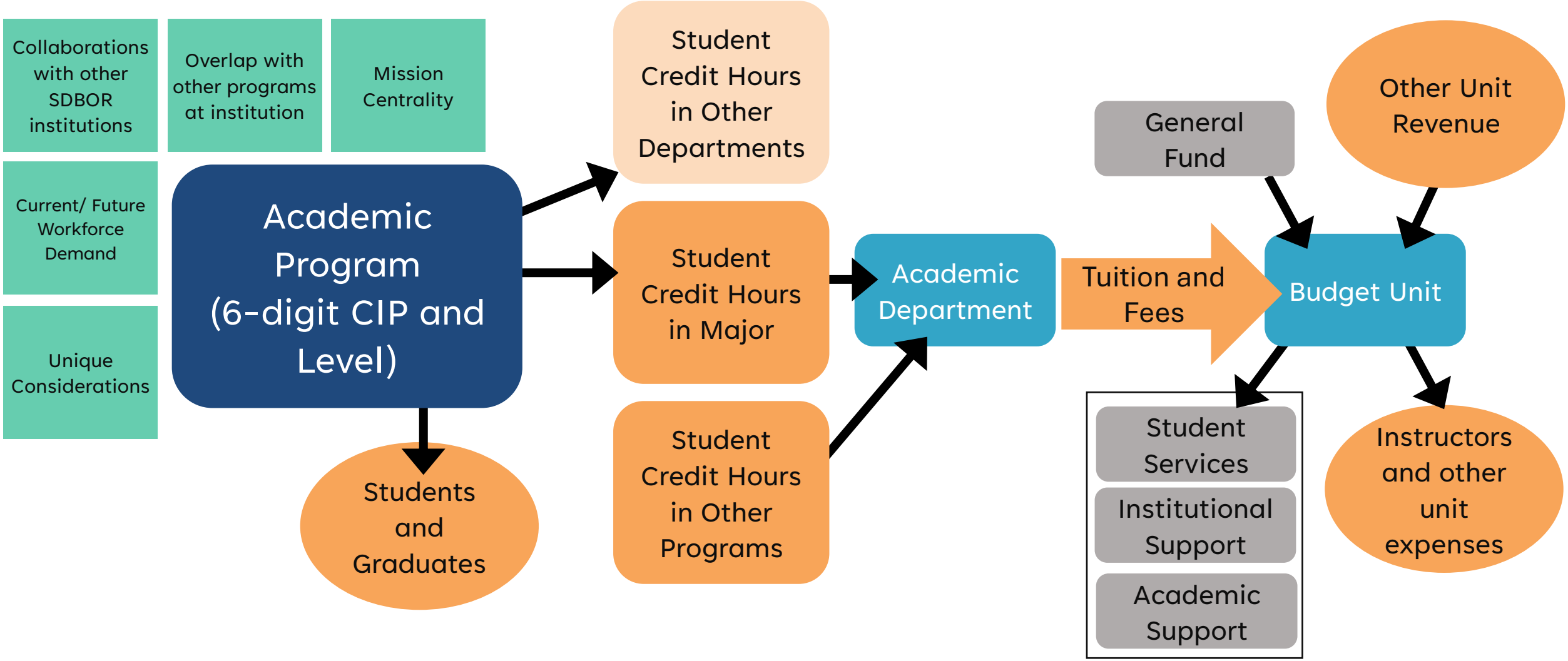
Translating from Programs to Departments, Revenues, and Costs



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Key Indicators of Program Performance

Existing

- Program graduate and enrollment counts
- Program-generated tuition revenue vs. program costs

Additions

- SCH generation per teaching faculty FTE
- SCH production by department for majors & non-majors
- Class size by lower-division vs. upper-division, graduate
- Low-enrolled, “self-contained” programs

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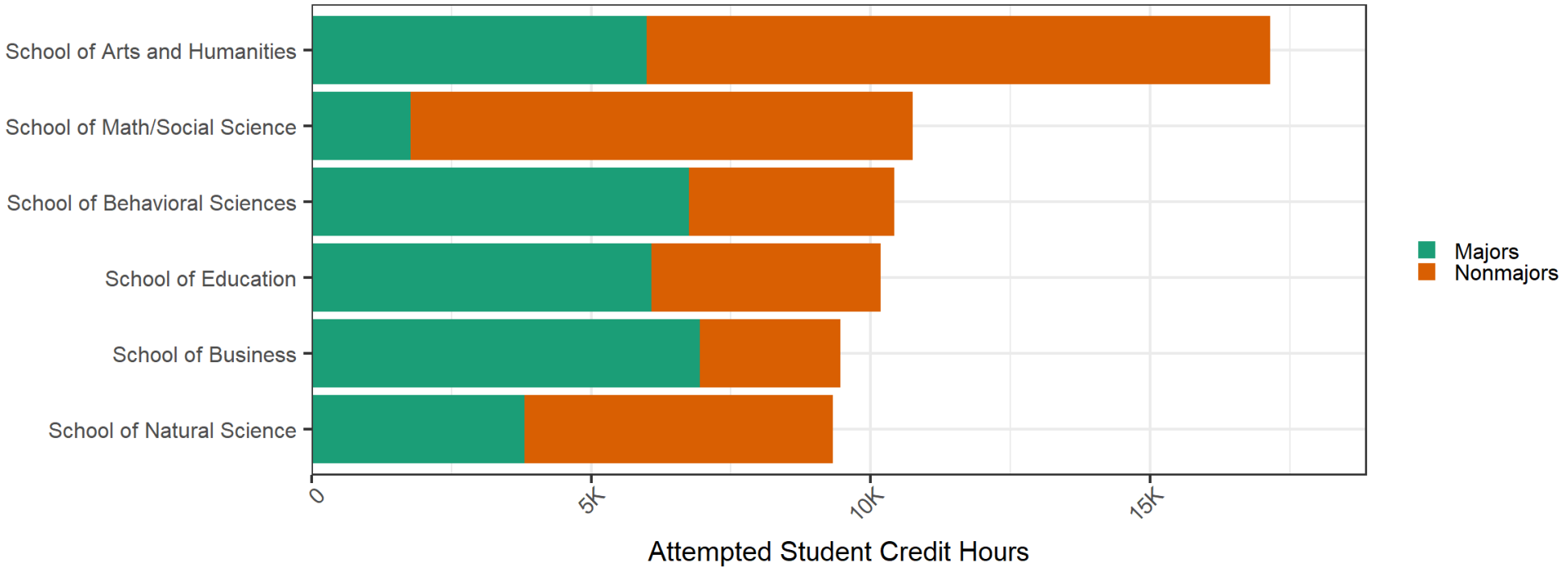
Attempted Credit Hours by Department, Majors vs. Non-Majors



Source: SDBOR. Excludes sections with an instruction method of "tracking." Major/Nonmajor split is approximate as some students are enrolled in multiple programs. Excludes departments where course departments and faculty departments could not be mapped to one another.

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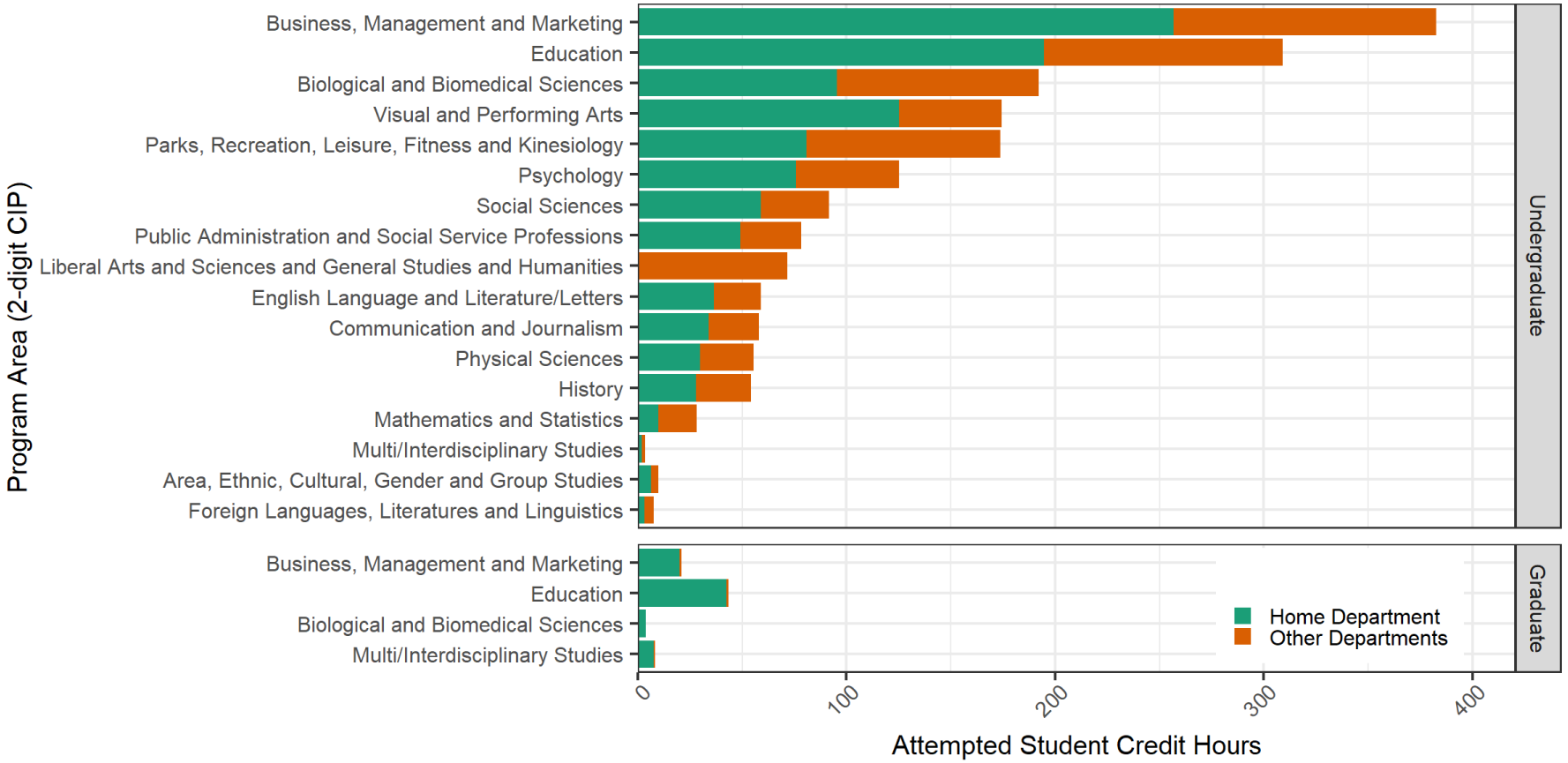
Attempted Credit Hours by Student Academic Program



Source: SDBOR. Notes: "Home" departments for each program are determined by number of enrolled credit hours. Credits are counted once for each program; they are duplicated for students enrolled in more than one program.

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Key Questions About Program/Department Health

1. Does the program have a special purpose related to mission, specific workforce need, or state goal attainment?
2. How does the program/department link to other programs/departments?
3. Can the program's productivity be improved?
4. Are there other special factors worth considering?

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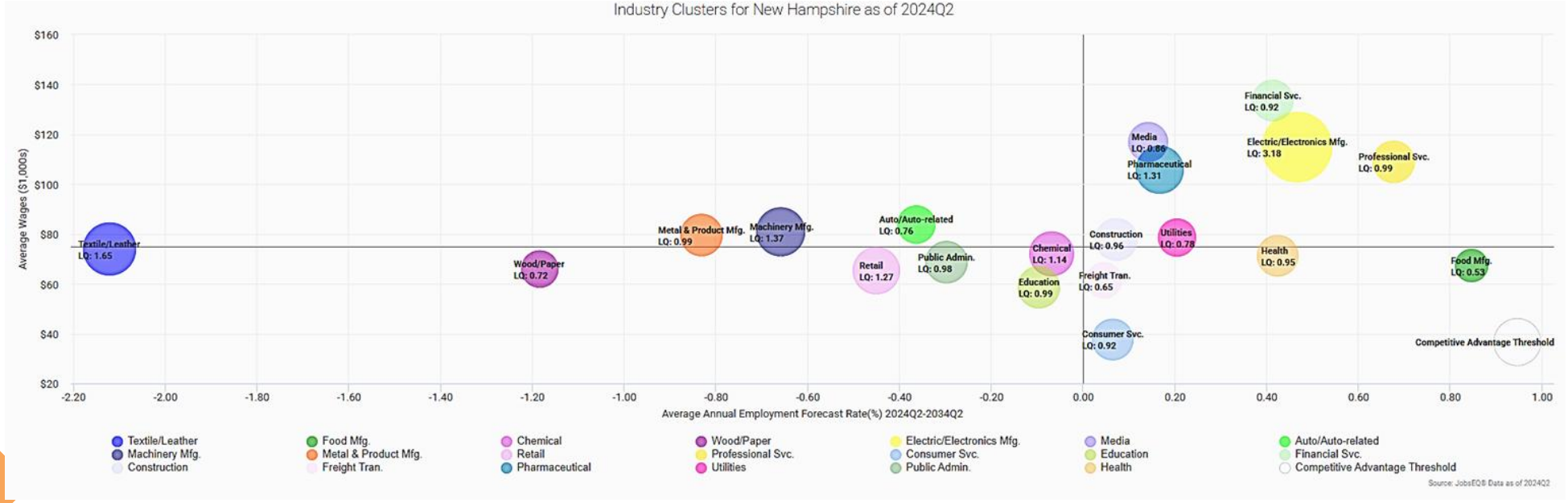
Workforce Demand



Industry	Local Competitiveness Employment Growth Attributed to Regional Factors
Wholesale Trade	5,704
Professional, Scientific, and Technical Services	4,927
Administrative and Support and Waste Management and Remediation Services	4,195
Unclassified	1,673
Manufacturing	1,436
Public Administration	867
Management of Companies and Enterprises	810
Arts, Entertainment, and Recreation	464

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Questions & Discussion

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