



A Draft For Discussion & Further Development: Funding Clarion Now & For The Future

Ensuring Our Financial Capacity to
Achieve Our Mission

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Presidential Priority

Lead the university community to organize itself to ensure the future fiscal capacity of the university

Goal: Establish a financial system called responsibility centered management (RCM) in order to ensure mission driven, evidenced based fiscal decisions.

Actions:

- a. Develop a financial planning model that will help inform expenditure and revenue decisions.
- b. Consider changes in the university organizational structure in order to establish RCM.
- c. Provide support to the faculty and staff through the Office of Planning, Assessment, and Institutional Improvement.

Desired Results: A financial planning model will be created and in use throughout the university by the Provost, Vice Presidents, Deans, Department Chairs and Directors.

The Difficult Truth

- The State Will Continue To Fund Us Less and Less: This is a permanent change.
- High frustration and dissatisfaction with the budget.
- Our Challenge: Ensure our financial capacity to achieve our mission through increasing revenue & controlling our costs

The State Will Continue To Fund Us Less and Less: This is a permanent change.

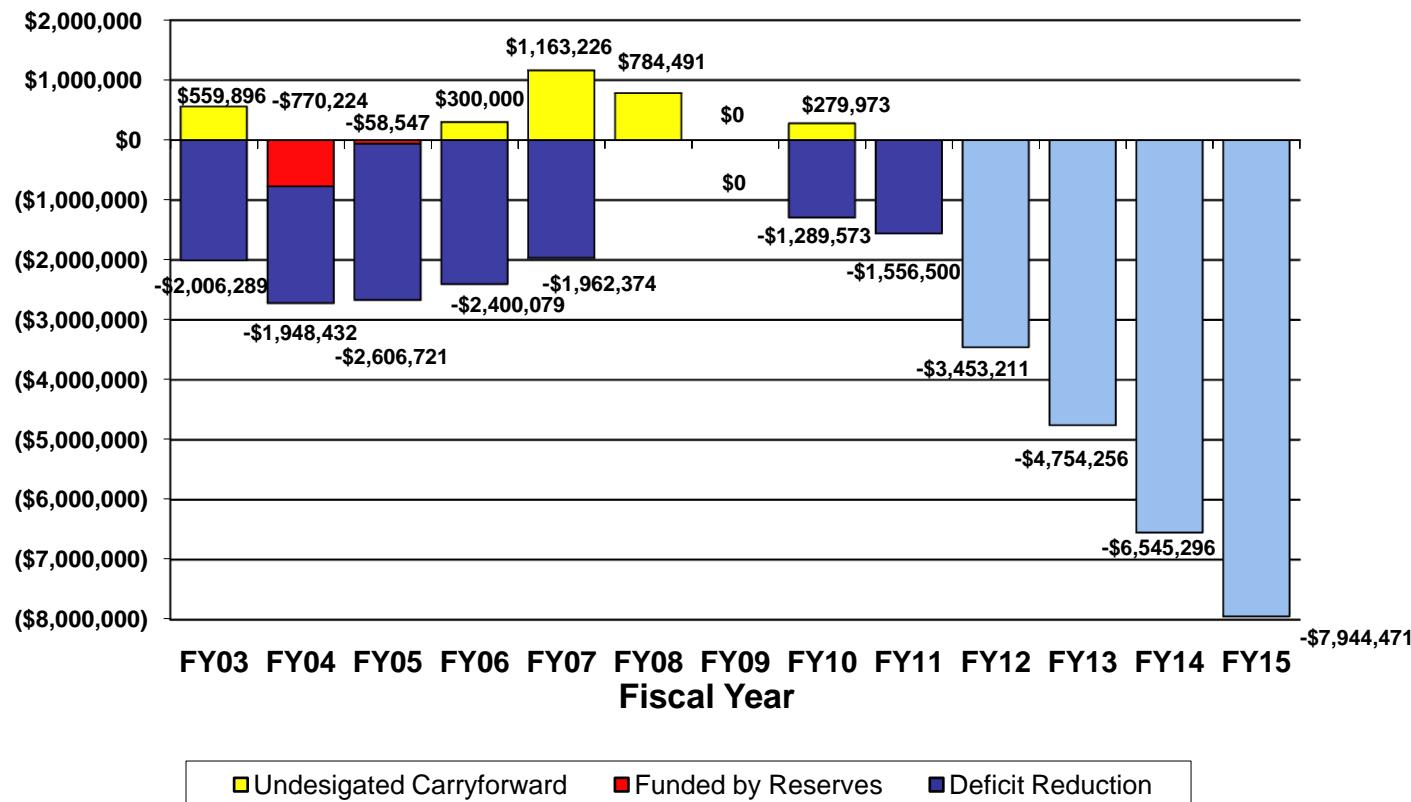
- *Governor Corbett “has pledged to balance the state budget that starts July 1 without raising taxes despite a projected deficit of at least \$4 billion.”* Jan. 26, 2011 The Derrick.

The Problem

Our money going out
(expenses) is increasing faster
than our money coming in
(revenues).

The Future If We Do Not Change

COMPARISON OF UNDESIGNATED CARRYFORWARD BALANCES AND REQUIRED DEFICIT REDUCTIONS FY03 - FY15



Major Projected Budget Assumptions

FY12 Assumptions:

0% State Appropriation increase; 43.6% Performance Funding decrease; 3.0% Tuition increase; 0% Enrollment increase.

1.3% Salary increases; 10% Health Care Benefit increases; 21.1% Retirement increases;

FY13 Assumptions:

0% State Appropriation decrease; 0% Performance Funding increase; 4% Tuition increase; 0% Enrollment increase.

2% Salary increases; 10% Health Care Benefit increases; 21.9% Retirement increases; 9.8% Utility increases

FY14 Assumptions:

0% State Appropriation increase; 0% Performance Funding increase; 4% Tuition increase; 0% Enrollment increase.

3% Salary increases; 8% Health Care Benefit increases; 24.1% Retirement increases; 9% Utility increases

FY15 Assumptions:

2% State Appropriation increase; 2% Performance Funding increase; 4% Tuition increase; 0% Enrollment increase.

3% Salary increases; 8% Health Care Benefit increases; 20.5% Retirement increases; 9% Utility increases

Note: Assumptions developed based on information provided by PASSHE, as of 8/16/10.

To Move From Survive To Thrive

Courageous, creative, and committed faculty and staff who are willing to work together to collectively construct a **Clarion University Financial Framework and A Financial Planning Model** which will guide us in making future evidenced based, mission driven decisions.

Stages (This IS Going To Take Years)

1. Balancing: Revenues = Expenditures
2. Investing: Revenues Exceed Expenditures;
Invest \$\$ To Secure Our Future
3. Thriving: Revenues Always Exceed
Expenditures With Sharing Available Revenues
Throughout The Organization

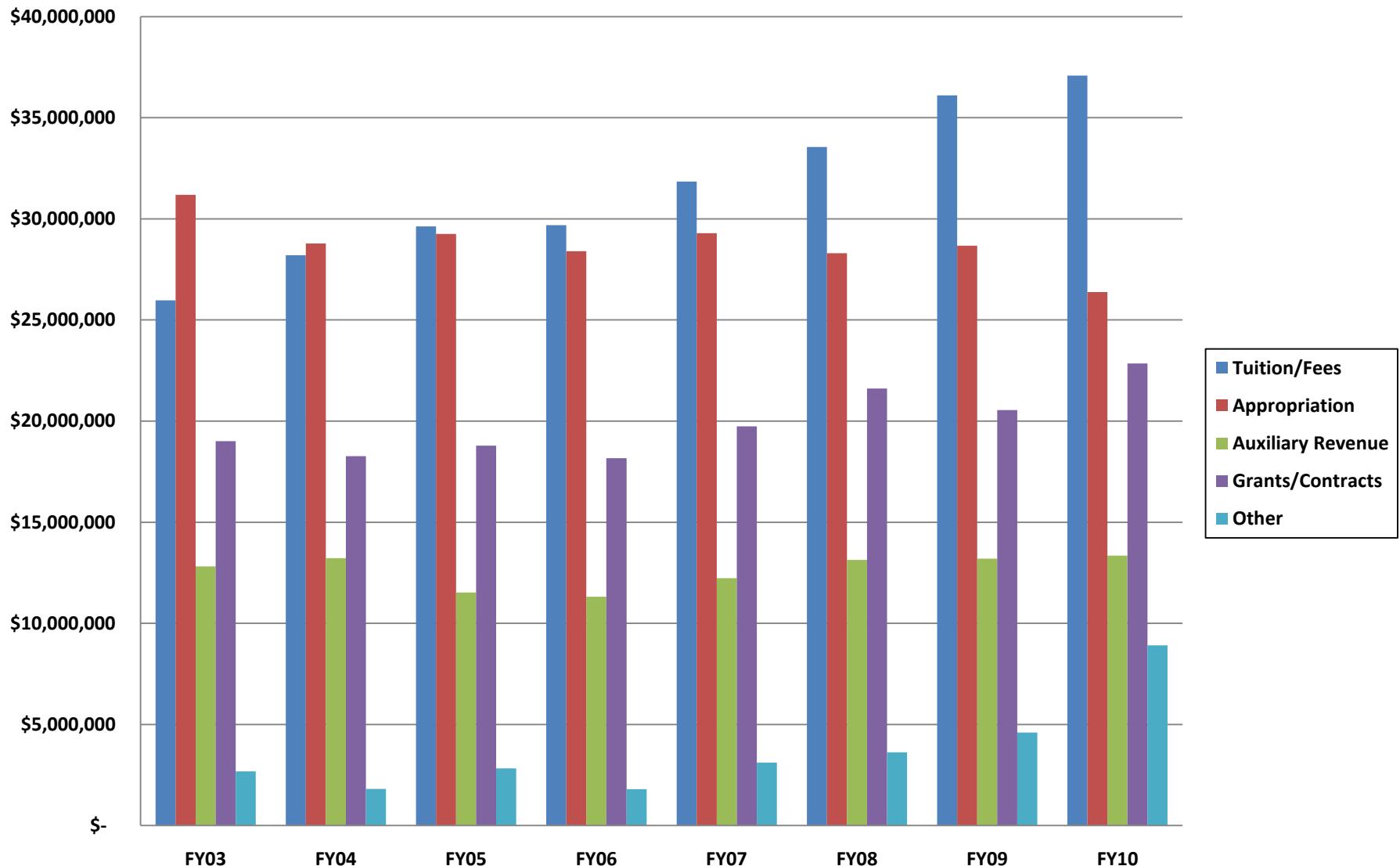
A Quick Intro To Funding Clarion

- Annual Money Going Out To Operate
 - Costs/Espenses: What we spend (2009-2010: \$108 Million)
 - Salaries & Benefits (67%)
 - Buildings/Facilities (7%)
 - Financial Aid For The Students (6%)
 - Dining Hall (4%)
 - Supplies (3%)
 - Utilities (3%)
 - Advertising, Rental, Interest (3%)
 - Fund Balance (3%)
 - Other (3.5%)

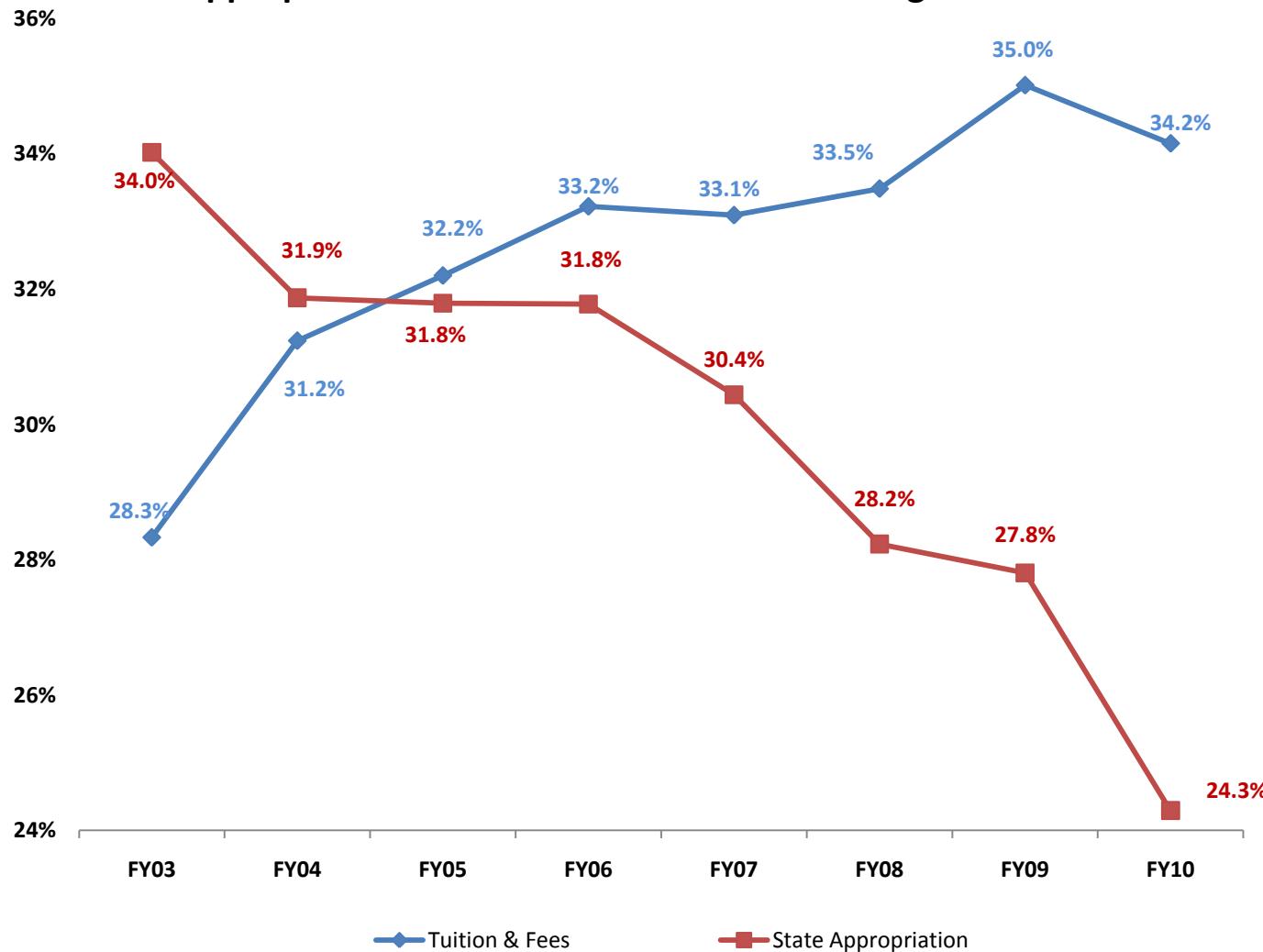
A Quick Intro To Funding Clarion

- Annual Money Coming In (2009-2010: (\$108 Million)
 - Price: What we charge students for what we do
 - Tuition and Fees (34%)
 - Subsidy: What others fund us to do
 - CU: What we earn from our own efforts
 - Grants, Contracts, Sales, Income, Gifts, Investments (38%)
 - State appropriations for instruction and infrastructure (24%)
 - Federal appropriations for specific items and financial aid (4%)

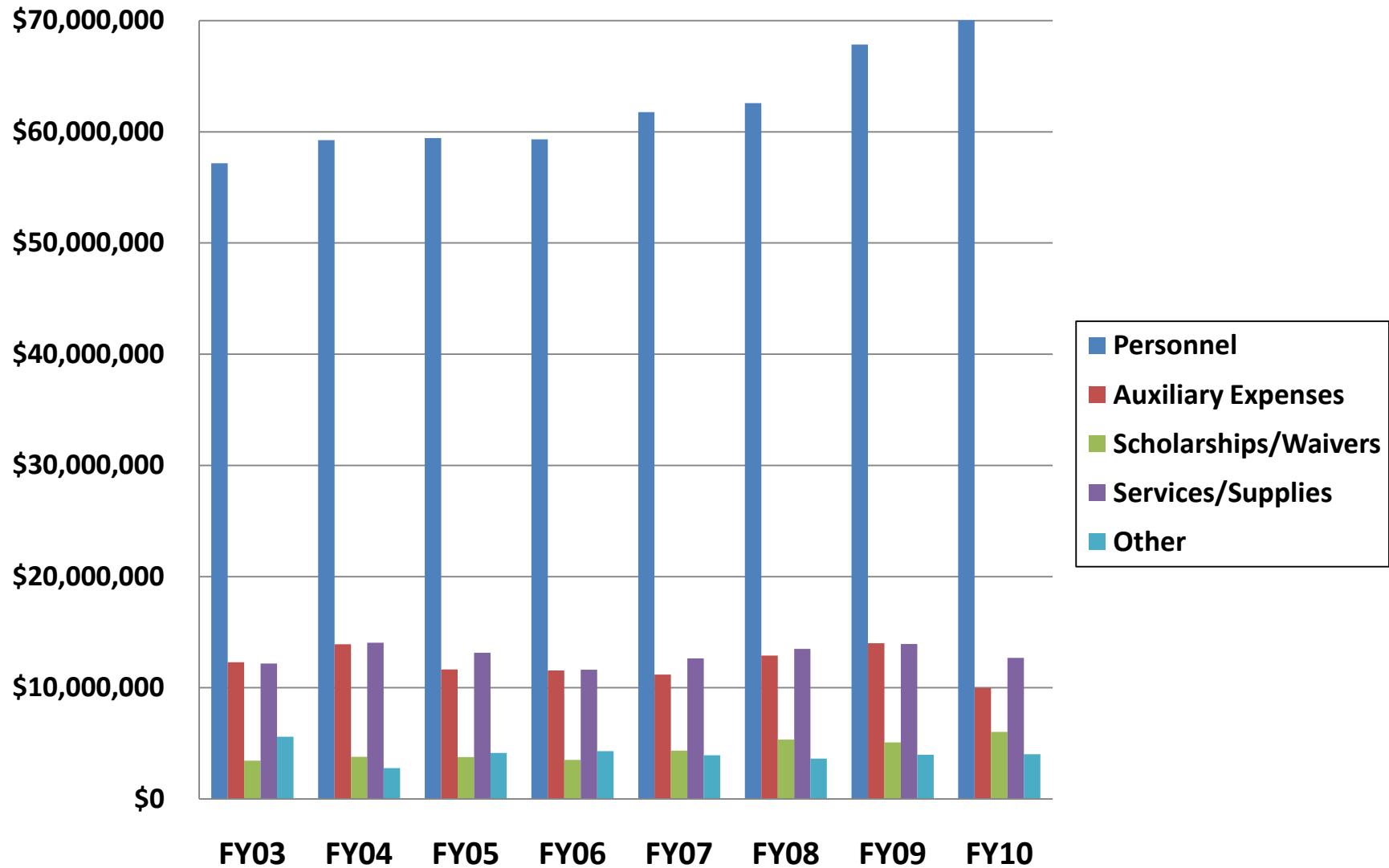
Clarion University of PA - Summary of All Revenues



State Appropriations & Tuition & Fees As Percentage of Total Revenue



Clarion University of PA - Summary of All Expenses



Employees By CBA: 2010

Bargaining Unit	Regular FT	Inc (Dec)	Regular PT	Inc (Dec)	Temporary FT	Inc (Dec)	Temporary PT	Inc (Dec)
AFSCME	203	(17)	6	4	5	3	14	14
APSCUF	256	(5)	0	-	28	-	107	(6)
APSCUF Coaches	17	3	5	-	0	-	0	-
Unrepresented	71	(2)	0	-	0	-	0	-
OPEIU	9	-	0	-	0	-	0	-
PSSU	4	-	1	1	0	-	0	-
SCUPA	37	(5)	0	-	0	-	0	-
SPFPA	11	(1)	0	-	0	-	0	-
TOTAL	608	(27)	12	5	33	3	121	8

2009-2010

Bargaining Unit	Avg Base Salary Regular FT	Annual Increase	Avg Salary Regular PT	Avg Salary Temporary FT	Avg Salary Temporary PT
AFSCME	\$ 39,863.92	7/1/09 GPI – 3.00% 1/1/10 Step – 2.25%	\$ 14,696.83	\$ 28,166.20	\$ 2,281.79
APSCUF	\$ 85,698.93	Fall 2009 GPI – 3.00% Fall 2009 Step – 5.00%		\$ 53,020.75	\$ 21,186.04
APSCUF Coaches	\$ 65,050.00	7/1/09 Merit – 3.00% 1/1/10 GPI – 2.25%	\$ 15,049.80		
Unrepresented	\$ 80,611.61	0%			
OPEIU	\$ 67,125.11	7/1/09 GPI – 3.00% 1/1/10 Step – 2.25%			
PSSU	\$ 43,394.00	7/1/09 GPI – 3.00% 1/1/10 Step – 2.25%	\$ 16,430.00		
SCUPA	\$ 51,200.59	7/1/09 GPI – 3.00% 8/29/09 Step – 2.50%			
SPFPA	\$ 42,352.18	7/1/09 GPI – 3.00% 1/1/10 Step – 2.25%			

Bargaining Unit Increase (Decrease) From 2003 – 2010				
Bargaining Unit	Regular FT Inc (Dec)	Regular PT Inc (Dec)	Temporary FT Inc (Dec)	Temporary PT Inc (Dec)
AFSCME	(34)	(1)	4	14
APSCUF	(7)	-	(25)	71
APSCUF Coaches	1	-	-	-
Unrepresented	(2)	(1)	-	-
OPEIU	2	-	-	-
PSSU	-	1	-	-
SCUPA	(6)	-	-	(1)
SPFPA	(2)	-	-	-
TOTAL	(48)	(1)	(21)	84

The Past

- Revenue: There has been a shift from the student paying more and the state paying less.
- Expenses: The largest expenditure is in people.

The Future

- Must adopt a different way of acquiring revenues and allocating expenses.

Many Possible “What We Can Do” Solutions

- Revenue
 - Tuition and Fees
 - State & Federal Appropriations
 - Entrepreneurial Activities
- Expense
 - Salaries & Benefits
- Enterprise Solutions
 - Revenue and Expense Combinations

Balancing: Revenues = Expenditures

- The Financial Framework
 - (RCM or Responsibility Centered Management)
- The Financial Planning Model
 - (Revenue Strength; Enrollment Strength; Employer Strength)

Responsibility Centered Management (RCM): Definition

- A strategy that treats individual units and programs as revenue centers. Revenue centers are allowed to control the revenues they generate and are responsible for financing both their direct and indirect expenses. *(National Association of College & University Business Officers)*

What Are The Benefits of RCM?

- RCM promotes
 - Disciplined financial decision making
 - Responsibility Centers (RCs) are responsible for their own bottom line
 - Entrepreneurial activity
 - RCs retain the majority of the revenue they generate, and reinvest it in their highest priorities
 - Shared Fundraising
 - President, VPs, Deans are actively engaged in fundraising for college, school and cross-University priorities
 - A Culture of Accountability
 - Revenue is distributed in large measure based on course units taught
 - Space charges are directly tied to occupancy and costs
 - Administrative units are funded via transparent algorithms
 - Colleges & Schools recognize the full costs of their programs

For CU, What Should Be An RC?

At What Level Must We Be Net Revenue Positive?

University

Academic

- College
- School
- Department
- Major
- Minor
- Concentration
- Certificate
- Course
- Workshop

Infrastructure

- Division
- Department
- Program
- Service

Under Development: CU's Financial Planning Model: 3 Parts

- Fiscal Strength
 - The extent to which revenues meet and/or exceed expenses. *This is our focus this year.*
- Enrollment Strength
 - The extent to which our enrollment meets the desired results. *Will begin work this year into next.*
- Employer Strength
 - The extent to which graduates become employed and/or are accepted into graduate programs of their choice. *Will begin work this year into next.*

First Thoughts: Revenue Generating Possibilities

- Online programs
- 3 Year degree programs
- Accelerated Adult Degree Programs
- Grow High Demand/ Low Cost Programs
- Growth Investment Fund
- Out of state / International Student Recruitment
- Increase retention
- Increase graduation
- Endowed Scholarships, Professorships, Programs
- All New Efforts Must Be Net Revenue Positive
- Grow Winter/Summer Term Enrollments
- External Funding
- Graduate Programs

BOG Recent Changes: Tuition Policy Allows Greater Flexibility

- Nonresident Tuition
- Summer/Winter Session Pricing
- Distance Education Off-Campus
- Student Fees
- Graduate Tuition
- Institutional Financial Aid

First Thoughts: Cost Control Efforts

- Critically review our approach to human resources to ensure that each person is doing their highest best work for the university
- Purchasing Consolidation
- IT Centralization
- Increase Program Productivity
- Program Eliminations
- Improve our processes and programs
- Assess degree progress to determine pedagogical effectiveness
- Schedule courses more efficiently to ensure matriculation and maximizing resources
- Identify and delete outdated courses

Made Up Examples

DEPARTMENT	CREDIT HRS	TOTAL APPR GENERATED	TUITION REVENUE GENERATED	INFRAS REV	TOTAL REVENUE	DEPART COSTS	INFRAS COSTS	TOTAL COSTS	NET INCOME (LOSS)
ENGINEERING	9646	1,223,697	2,115,365	129,352	3,468,416	(1,300,165)	(1,729,527)	(3,029,693)	438,723
ARCHITECTURE	11425	1,376,400	2,498,304	153,209	4,027,914	(2,601,664)	(2,048,502)	(4,650,167)	(622,252)
AGRICULTURE	3942	524,781	877,478	52,862	1,455,122	(756,670)	(706,800)	(1,463,471)	(8,348)

Draft For Discussion:

CU Financial Planning Model

DEPARTMENT	Fiscal Strength	Enrollment Strength	Employer Strength
ENGINEERING	438,723 (Net Rev Positive)	Strong	Strong
Architecture	(622,252) (Net Revenue Negative)	Weak	Weak
AGRICULTURE	(8,348) (Net Revenue Neutral)	Strong	Weak

We all have a role...

- The Administration will need to:
 - Reduce the bureaucracy
 - Provide cost-efficient and value-added support services for faculty, staff and students
- The Students will need to:
 - Prepare themselves to work hard, keep focused, work with faculty and staff and be determined to graduate

We all have a role...

- The Faculty will need to:
 - Contribute to the graduation of our students
 - Reduce the time to degree completion
 - Offer high impact educational experiences
 - Articulate relevant and measureable learning outcomes
 - Offer more course options
 - Streamline and align curricula and curricula related requirements

We all have a role...

- Alumni
 - Mentor students
 - Assist students with job placement
 - Fund scholarships
- Employers/Industry/Business
 - Hire our students while at CU and upon graduation
 - Provide advise regarding current & future credentials
 - Fund scholarships & Fund program/faculty endowments

We all have a role...

- The Community
 - Express Golden Eagle Pride
 - Continue the long tradition of “Clarion Cares” about the CU students.
 - Continue and expand campus and community partnerships

Time Line

- **Fall 2010**
 - Conduct a “Hitting The Ground Listening” effort with a findings report on the web. *Outcome: Financial stewardship and the need for change emerged as a major theme.*
 - Discussions/dialogue with the university community regarding the benefits of constructing a financial planning model and using RCM as a financial framework.
 - Begin to develop a new financial planning model with Vice Presidents and Deans.
 - Begin to apply parts of an emerging model to future hiring decisions to determine the level of “confidence” in making hiring commitments.

Time Line

- **Spring 2011**
 - Continue development of a financial planning model with Vice Presidents, Deans, Departments Chairs and Directors.
 - Engage in discussion and build a proposed RCM and financial planning model
 - Make Clear Our Financial Situation; Construct A CU RCM approach and Financial Planning Model

Time Line

- **Summer 2011**
 - Launch a first version of RCM and a financial planning model that will help inform expenditure and revenue decisions. This version will be piloted and evaluated July 1, 2011 – June 30 2013.
- 2011 – 2012: Launch RCM & The Planning Model holding every unit financially harmless
- 2012 – 2013: All units that do not meet the model's expectations will meet at least 50%
- 2013 – 2014: All units meet 100% of the model's expectations.

"Big Questions" To be Answered by May 1, 2011 which would go into effect July 1, 2011:

- Define a financial planning model which we would pilot for 3 years?
 - Define our approach to RCM?
 - Define what is an RC?
 - Select our CU specific performance funding measurers.
- Within RCM how do we organize Extended Programs, the Venango Campus, Honors College?

What Are Your Big Questions?

I heard It Through The Grapevine.....

- What if my class costs more than it makes?
- What if my department costs more than it makes?
- The details of RCM has already been decided.
- The financial formula has already been decided.
- ?

RCM

- Is a managerial framework for our internal budgeting and financial reporting activities
- Used by many universities throughout the country since the early 70s
- RCM was designed to control expense, but has proven to be an even stronger driver of revenue
- RCM seeks to promote the broadest possible stewardship of financial resources and to
 - Enhance the capacity to generate revenue
 - Encourage and reward innovation and efficiency
- Units (Colleges/Schools/Departments) benefit from entrepreneurial activity: incentives are aligned to promote stewardship and revenue generation

General RCM Principles

- Divide University into **Responsibility Centers**. There are two basic types of Centers:
 - Revenue-generating: Colleges, Schools, Resource Centers, Business Services
 - Non-revenue-generating: Administrative/Support Service Centers
- Revenue-generating centers are expected to:
 - fund the direct cost of their own operations
 - cover their share of services (Infrastructure) provided by the Administrative/Support Service Centers (via a formula of allocated costs)
 - maintain internal budget balance

Draft For Discussion: Fiscal Strength: Defined

- **TOTAL APPR GENERATED** - Calculated by multiplying credit hours times the appropriation per credit hour from the Allocation of FY10 Appropriation worksheet.
- **TOTAL REVENUE GENERATED** - Calculated by multiplying credit hours times the revenue per credit hour from the FY10 Tuition & ISF Fee Allocation worksheet.
- **INFRASTRUCTURE REVENUE** – Consists of all other revenue posted to the E&G fund that is not appropriation or tuition & ISF fees. Examples would include interest income, application fees, and late payment fees. Calculated by multiplying credit hours times the infrastructure revenue per credit hour from the FY10 Infrastructure Revenue Allocation worksheet.
- **TOTAL REVENUE** - The sum of the appropriation, tuition revenue, and infrastructure revenue columns.

Draft For Discussion: Fiscal Strength: Defined

- **DEPARTMENTAL COSTS** – Consists of instruction related costs. Examples would include faculty and department secretary salary/benefits, department operating and capital costs. Taken from SAP, added Venango Academic Program costs where necessary, subtracted certain non-contractual releases and all sabbaticals.
- **EXT PROG COSTS** - Administrative costs plus revenue share and Wednet loss, allocated on a per credit basis to Extended Program courses.
- **INFRASTRUCTURE COSTS** - All E&G costs that are not departmental costs. Would include any E&G expenditures for public service, academic support, student services, institutional support, operations and maintenance of plant, and student aid. Calculated by multiplying credit hours times the infrastructure expense per credit hour from the FY10 Infrastructure Costs worksheet.
- **TOTAL COSTS** - The sum of the departmental, extended program, and infrastructure costs.
- **NET INCOME (LOSS)** - Total Revenue minus Total Costs