

## Clarion University of Pennsylvania – Fiscal 2014 Budget Report

### Background

The macro environment continues tough for Clarion University and other PASSHE universities, particularly in the western half of the Commonwealth with a growing number of institutions indicating that they are in financial stress and planning for changes to try to bring operating budgets into balance. Declining pools of high school graduates and declining support for higher education in the legislature and the state house are causes for concern.

Clarion's revenue base is made up of student support, 70%, appropriations from the Commonwealth, 25%, and other sources 5%. Declining enrollments have mirrored the overall drop in population and in the pool of high school graduates in western PA. The recent respite from the longer term downward trend in appropriation support from the Commonwealth has been welcome. Overall, the revenue base is under profound stress. Prospects for re-working this picture will require new ways of thinking about service delivery and development of programmatic initiatives that respond to student demand and can be run on a net revenue positive basis. Fundraising initiatives over time will assume increasing importance as a way to add robustness to the revenue base and the planned capital campaign can be a vehicle to drive up annual giving support. Tuition, instructional support, and tech fee pricing is established by PASSHE; other student fees are set by the University.

Clarion's cost structure is highly inflexible with over 75% of costs devoted to compensation, most of which is for faculty and staff covered by collective bargaining agreements. Collective bargaining agreements are negotiated by PASSHE for the faculty and most other unions and by the Commonwealth for AFSCME. Near-term cost inflators for APSCUF and AFSCME are in the range of 6% and for the other unions and non represented staff, somewhat less.

### Budget Development and Process

In September of each year, PASSHE collects budget information from the fourteen universities via its BUDRPT. The PASSHE budget development process does not cohere exactly with GAAP (generally accepted accounting principles) requirements for reporting out the year's financial activity in the Statement of Revenues, Expenses, and Changes in Net Assets. Thus, the budget presented here does not include provisions for growth in the post retirement liabilities, does not budget depreciation, and includes several expenditure items that are not expenses (e.g., debt service, funds transfers).

BUDRPT is divided into three parts: unrestricted educational and general funds, auxiliary funds, and restricted funds. Restricted funds, not reported here, are for the most part financial aid funds for which the University is a conduit for passing aid along to students in payment of their accounts. Educational and general funds are resources that are devoted to the University's core educational mission while auxiliaries deliver non educational services (housing, dining services) and are financially self sustaining.

The key drivers for budget are, on the revenue side, enrollment, tuition and fee pricing, and appropriation support from the Commonwealth. Appropriation support to the University is a function

of overall support appropriated to PASSHE and, within PASSHE, the University's relative enrollment trends and facilities needs as compared with other PASSHE institutions. On the expense side, employment levels and compensation inflators are the main drivers. Inflationary impacts on non compensation expense have not been a factor over recent years.

#### Current Budget Picture

The University finds itself in the midst of a several year stretch of deficits that will be corrected through reduced numbers of faculty and staff and with renewed attention to the twin enrollment drivers, new student recruitment and student retention. Deficits in fiscal 2013, 2014, and 2015 will give way to a balanced budget in fiscal 2016 if all targets are met.

Enrollments continue under pressure in the current year with full-time equivalent(FTE) students down 5.8% year over year and 16.4% over the last five years.

Appropriations are roughly flat with the prior year as a result of a strong showing in the performance funding sweepstakes. Over the recent five years, however, appropriation revenue is down \$5.7 million or 20%.

Workforce planning and other steps are being undertaken to bring the budget into balance. The plan relies on a combination of workforce reductions (retirements, resignations, retrenchments, and furloughs), other cost reductions, and enhanced revenues through improved student recruitment and retention experience.

The environment is difficult: renewed declines in appropriation support would bring added pressure on budgets and, if we are unable to turn around the recent enrollment declines, further budget reductions beyond what is contemplated in the emerging work force plan would likely be necessary.

PF, September 19, 2013

CLARION UNIVERSITY OF PENNSYLVANIA  
 FISCAL 2014 BUDGET  
 (with fiscal 2013 actual comparisons)

		June 30, 2014		June 30, 2013	
Revenue		Educational	& General	Auxiliaries	University
<b>From students</b>					
Tuition		39,682,271		39,682,271	43.9%
Residence halls		4,636,335		4,636,335	5.1%
Dining services		5,473,865		5,473,865	6.1%
Other auxiliary sales (see note)		2,705,210		2,705,210	3.0%
Instructional support		4,223,609		4,223,609	4.7%
Technology		2,246,748		2,246,748	2.5%
Other student fees (see note)		4,818,349		4,818,349	5.3%
All other		405,700		480,300	0.5%
Less 1% allowance for tuition and ISP melt		(434,712)		(434,712)	-0.5%
Total from students		50,941,965		63,831,975	70.7%
<b>Appropriation</b>					
Base		20,191,777		20,191,777	22.4%
Performance funding		2,069,962		2,069,962	2.3%
Total appropriation		22,261,739		22,261,739	24.6%
Other sources (see note)		4,221,522		4,221,522	4.7%
Total revenue		77,425,226		90,315,236	100.0%
<b>Expenditures (expenses and other)</b>					
Compensation (see note)		64,311,384		67,444,399	68.9%
Other		20,633,227		30,390,222	31.1%
Total expenditures		84,944,611		97,834,621	100.0%
Revenue over (under) expenditures		(7,519,385)		(7,519,385)	(4,627,073)

			June 30, 2014						
			Educational & General		Auxiliaries		University		
Compensation, including benefits									
	APSCUF		35,496,174	55.2%	-	0.0%	35,496,175	52.6%	
	AFSCME		12,857,662	20.0%	1,579,124	50.4%	14,436,786	21.4%	
	SCUPA		1,704,854	2.7%	421,620	13.5%	2,126,474	3.2%	
	Other represented		4,825,883	7.5%	415,048	13.2%	5,240,931	7.8%	
	Non-represented		9,426,811	14.7%	717,223	22.9%	10,144,034	15.0%	
		Total	64,311,384	100.0%	3,133,015	100.0%	67,444,400	100.0%	
Compensation, including benefits			June 30, 2013						
	APSCUF		36,665,515	58.1%	-	0.0%	36,665,516	55.4%	
	AFSCME		12,064,787	19.1%	1,477,332	48.1%	13,542,119	20.5%	
	SCUPA		1,763,640	2.8%	408,195	13.3%	2,171,835	3.3%	
	Other represented		4,436,895	7.0%	419,346	13.7%	4,856,241	7.3%	
	Non-represented		8,140,921	12.9%	764,732	24.9%	8,905,653	13.5%	
		Total	63,071,758	100.0%	3,069,605	100.0%	66,141,364	100.0%	

CLARION UNIVERSITY OF PENNSYLVANIA					
Analysis of Auxiliary Sales, Student Fees and Other Revenue Sources					
	FY13 Act	FY14 Bud	Vari \$	Vari %	
Other Auxiliary Sales					
Student Center	1,912,474	1,751,859	(160,615)	-8%	
Recreation Center	1,042,057	953,351	(88,706)	-9%	
Other Auxiliary Sales	2,954,531	2,705,210	(249,321)	-8%	
Student Fees					
Student Support Fee (includes Venango)	4,243,135	3,992,113	(251,022)	-6%	
Graduation & Records Fee	141,145	134,000	(7,145)	-5%	
Clarion Student Association Fee	562,459	692,236	129,777	23%	
Student Fees	4,946,739	4,818,349	(128,390)	-3%	
Other Sources of Revenue					
Continuing Education	332,562	332,562	-	0%	
Gov't Grants & Contracts	791,002	689,867	(101,135)	-13%	
Gifts	29,250		(29,250)	-100%	
Income on Investments, net	310,479	300,000	(10,479)	-3%	
Sales & Services	2,473,657	2,430,947	(42,710)	-2%	
Coordinated Care Network	1,542,044	1,734,102	192,058	12%	
Rental of Facilities	101,209	100,000	(1,209)	-1%	
Parking-Clarion & Venango	212,530	207,800	(4,730)	-2%	
Printer & Copier Charges	169,216	139,416	(29,800)	-18%	
Summer Athletic Camps	359,291	249,629	(109,662)	-31%	
Ticket Sales/Specs Plans/Telephone	89,367	-	(89,367)	-100%	
Corporate Partnerships	58,123	55,000	(3,123)	-5%	
Parking & Library Fines	31,663	30,200	(1,463)	-5%	
Miscellaneous Revenue	430,121	382,946	(47,175)	-11%	
Reinhardt Village Revenue	50,000	50,000	-	0%	
Credit Card Fee	160,000	160,000	-	0%	
Bus Transportation Fee	104,346	104,346	-	0%	
Insurance Claim	47,092	-	(47,092)	-100%	
Other Miscellaneous Revenue	68,683	68,600	(83)	0%	
Other auxiliaries	254,736				
Other sources of revenue	4,711,593	4,221,522	(235,335)	-5%	