



## **INTERIM REPORT: INSTITUTIONAL ENROLLMENT AND BUDGET**

### **INSTITUTIONAL INFORMATION:**

---

**INSTITUTION:** Lake Superior State University  
Sault Sainte Marie, Michigan

**CHIEF EXECUTIVE OFFICER:** Dr. Rodney S. Hanley

**DATE SUBMITTED:** December 3, 2018

**ACTION:** Interim report including an analysis of enrollment patterns, operating budget deficit/surplus numbers, and the status of repayment of the general fund debt.

**CORE COMPONENTS:** (5.A) The institution's resource base supports its current educational programs and its plans for maintaining and strengthening their quality in the future.

**AREAS OF FOCUS:** LSSU should provide interim reports after fall enrollment is known in 2018. These reports should include an analysis of enrollment patterns, operating budget deficit/surplus numbers, and the status of repayment of the general fund debt.

## Contents

<b>Report Focus: Enrollment and Budget</b> .....	3
Background .....	3
A. Enrollment .....	3
Enrollment Strategy .....	3
Revenue Projections & Census Day Counts .....	4
B. Budget.....	6
Resource Allocation and Budgets .....	6
Capital Investments .....	7
Obligation to State-funded Retirement System .....	8
Revenue .....	8
C. General Fund Debt.....	8
Reserve Funds .....	8
Revenue and Budget.....	9
D. Other Factors .....	10
Data analytics.....	10
Sponsored Programs.....	11
Conclusion and Next Steps.....	12

## Report Focus: Enrollment and Budget

### Background

Lake Superior State University's most recent Comprehensive Evaluation was conducted in the fall of 2016. This interim report provides a follow-up to the Higher Learning Commission's review related to Core Component 5.A "The institution's resource base supports its current educational programs and its plans for maintaining and strengthening their quality in the future".

The 2016 Reaffirmation Review analysis noted that the University was responding appropriately to challenges, and had begun to refocus its strategies to anticipate and respond effectively to current and emerging factors. Specifically, the report noted challenges that included declining enrollment and its impact on budget, maintaining a balanced budget while addressing operational support, development of new enrollment strategies, and deferred maintenance and equipment replacement. This 2018 monitoring report provides an analysis of enrollment patterns, operating budget deficit/surplus numbers, and the status of repayment of the general fund debt.

### A. Enrollment

Lake Superior State University (LSSU) has refined its model for revenue based on student enrollment in an effort to provide realistic revenue projections. Additionally, LSSU will take further steps in preparation of the Fiscal Year 2020 (FY20) budget to ensure resource allocation and institutional strategies are better aligned. Both topics are explained below.

#### Enrollment Strategy

LSSU is seeking to further expand its previous enrollment strategy of attracting more students who are a "good match." Boosting new and returning student enrollment continues to be the single most important indicator of the financial stability of the institution.

The expanded enrollment strategy being implemented by the Vice President of Enrollment Management and Marketing includes plans to improve across the board marketing and recruitment capabilities, in order to better target LSSU's higher performance programs, expand reach through digital marketing, improve yield through the use of data analytics, and engage prospective Generation Z students through social media. These newer capabilities will also allow greater scalability of efforts to market to charter schools, out of state markets, and non-traditional programs.

In addition to these expanded marketing and recruitment capabilities, LSSU will be seeking to restructure its scholarship segmentation and discount strategy to improve enrollment yield,

defined as the percent of students enrolling after being admitted. With most of current scholarship dollars focused on merit and needs-based aid, there is a large “middle class” of students who qualify neither for sufficient merit aid or needs-based aid, despite being the middle of the bell curve with respect to LSSU’s enrollment prospects. By targeting the middle of the bell curve, the goal will be to grow enrollment and net revenues at the same time.

### Revenue Projections & Census Day Counts

Past budgetary revenue estimates were based on expected census day headcount (seventh day of the fall semester). Census day student counts do not necessarily provide the best indicator of revenue. This process was sufficient when LSSU’s student population was largely full-time degree-seeking students. Over the last few years, the student profile has shifted.

	Fall 14	Fall 15	Fall 16	Fall 17	Fall 18	
<b>Degree Seeking</b>						
Full-Time	1,934	1,816	1,813	1,703	1,667	Traditional Tuition Paying Student
Part-Time	299	293	250	209	206	Traditional Tuition Paying Student
Sub-Total	2,233	2,109	2,063	1,912	1,873	
<b>Non-Degree Seeking</b>						
Full-Time DE	0	0	0	3	0	\$177/Credit-Hour
Part-Time DE	15	15	19	15	15	Part-Time & \$177/Credit-Hour
Full-Time DE (CE)	0	0	0	0	0	DE Student with CE course(s)
Part-Time DE (CE)	0	3	9	24	19	DE Student with CE course(s)
Full-Time CE	0	0	0	0	2	\$65/Credit-Hour
Part-Time CE	0	0	0	28	70	Part-Time & \$65/Credit-Hour
Part-Time Grad	0	1	2	0	16	Part-Time, but Full Tuition
Part-Time Other	12	11	5	10	12	Part-Time, but Full Tuition
Sub-Total	27	30	35	80	134	
<b>Totals</b>	2,260	2,139	2,098	1,992	2,007	

Table I: Census Day Enrollment

Table I shows how the LSSU census date enrollment has shifted over the last five years. The table is first divided into two major sections: degree-seeking and non-degree-seeking students. For LSSU, the degree-seeking population of students has decreased in each of the years noted. The number of non-degree-seeking students generally increased each year with dramatic increases in the last two years. Non-degree-seeking students tend to be part-time and comprised of dual-enrolled (DE), concurrently-enrolled (CE), and graduate (grad) students. CE and DE students also pay a reduced tuition rate.

Note that even though the total headcount increased from fall 2017 to fall 2018, the increase was predominately in part-time students, and the impact on the revenue projection is significant for a school of LSSU’s size. As such, LSSU is tracking admitted and enrolled student

populations more closely and taking steps to prepare revenue estimates based on student population profiles.

Additional review and deconstruction of the overall fall enrollment (not census data) yielded insights into student profile patterns. As previously noted, CE and DE students greatly increased the census day counts. If we examine the total fall headcount (Table II), we see the issue is even more evident and more important to

revenue. Over the last five years, the number of non-degree seeking students has gone from 194 to 295 (or from 8% to 14% of the enrollment). As noted earlier, most of these students do not pay full tuition since they are predominantly concurrent- and/or dual-enrolled students. Overall, the percent of full-time degree seeking students fell from 80% to 77% of the total enrollment and the total enrollment itself fell from 2,406 to 2,153 students (a decrease of 11%).

	Fall 14	Fall 15	Fall 16	Fall 17	Fall 18
<b>Degree Seeking</b>					
Full-Time	1,916	1,807	1,807	1,698	1,653
Part-Time	296	288	238	207	205
Sub-Total	2,212	2,095	2,045	1,905	1,858
<b>Non-Degree Seeking</b>					
Full-Time DE	0	0	0	3	0
Part-Time DE	181	15	17	15	15
Full-Time DE (CE)	0	0	0	7	0
Part-Time DE (CE)	0	3	10	18	19
Full-Time CE	0	0	0	0	2
Part-Time CE	0	125	149	184	231
Part-Time Grad	1	1	2	0	16
Part-Time Other	12	10	8	0	12
Sub-Total	194	154	186	227	295
<b>Totals</b>	2,406	2,249	2,231	2,132	2,153

Table II: Semester Headcount

		Fall 10	Fall 11	Fall 12	Fall 13	Fall 14	Fall 15	Fall 16	Fall 17	Fall 18
Full Time	Freshman	527	489	435	386	426	391	349	320	426
	Sophomore	449	492	426	429	406	382	391	308	360
	Junior	406	454	461	417	423	401	406	399	366
	Senior	800	800	769	731	661	633	661	670	501
	Total Full Time	2,182	2,235	2,091	1,963	1,916	1,807	1,807	1,697	1,653
Part Time	Freshman	43	35	39	26	19	19	15	16	17
	Sophomore	33	38	35	25	16	29	15	12	12
	Junior	54	73	66	56	59	53	60	40	46
	Senior	219	235	214	236	214	197	156	149	141
	Graduate	73	2	9	6	1	1	2	-	16
	Total Part Time	422	383	363	349	309	299	248	217	232
		2,604	2,618	2,454	2,312	2,225	2,106	2,055	1,914	1,885

Table III: Semester Headcount without CE/DE Students

During FY18, the same semester-based headcount data was reviewed, with CE and DE students removed. It was evident that freshman enrollment had been declining for a number of years and that those declining numbers were impacting SO, JR, and SR enrollments. Table III shows those trends.

Since 2016, substantial new financial resources were allocated to enrollment, marketing, and retention efforts. The results were a substantial increase in freshman enrollment and freshman retention. Table III shows the full-time freshman counts increasing from 320 in the fall of 2017

to 426 in the fall of 2018. New First-Time-Freshmen counts increased from 288 to 376; an increase of 31%. The freshman retention rate also increased from 64% to 72%<sup>1</sup>.

For FY19, additional resources have been allocated to enrollment and marketing efforts and a new Vice President for Enrollment Management, Marketing, and IT has continued the expanded efforts. LSSU is strategically targeting new students through carefully crafted social media messaging, some traditional methods, and increased personal contact from Admissions staff and faculty.

Quality application counts (fully complete applications including a completed Free Application for Federal Student Aid (FAFSA)) are up compared to last year and LSSU is targeting a 6% growth in new-student counts for FY20. A 6% increase in new-student enrollment coupled with the continued retention efforts will have a dramatically positive impact on the revenue for LSSU.

## B. Budget

LSSU has reacted to several years of decreasing enrollment and revenue with a number of initiatives that have begun to yield positive results. The institution is now acting pro-actively to improve the campus infrastructure, reduce energy usage, renovate and build housing, while working to reduce the General Fund deficit (discussed later in this report). The President has given clear direction to the institution and challenged all personnel to work together to improve recruitment, to improve retention, and to rejuvenate LSSU. These are the three highest priorities of the institution and they form the basis for all decisions and resource allocations.

### Resource Allocation and Budgets

For FY20, LSSU will be providing all budget managers with expected enrollment and revenue projections, as well as targeted budget allotments and strategic objectives. The strategic objectives will be determined by the President after input from his Senior Management Team. Each unit will be required to make a budget request and presentation to the Provost and the Vice President for Finance (CFO) before formally entering budget requests into the budget management system. Requests will be reviewed based on use of assessment results, enrollment trends, compliance with state and federal regulations, accreditation needs, staffing needs, programmatic needs, and how these align with the mission and strategic objectives of the institution.

---

<sup>1</sup> Using the federal definition “For the cohort of all full-time bachelor’s (or equivalent) degree-seeking undergraduate students who entered your institution as freshmen in Fall 2016 (or the preceding summer term), what percentage was enrolled at your institution as of the date your institution calculates its official enrollment in Fall 2017” as reported to the U.S. Department of Education.

As the Provost and CFO consider budget requests, they will also include funding for strategic initiatives, infrastructure support, General Fund deficit reduction, and debt reduction.

### Capital Investments

The University has taken steps to address infrastructure across campus. In 2018, a Request for Qualification (RFQ) and Request for Proposals (RFP) were issued for the selection of a partner for implementation of a Performance Contract. Johnson Controls Incorporated (JCI) was selected as the partner and they began a study of the institution. They determined that a number of energy savings initiatives could be implemented, resulting in significant energy use reduction. The cost savings could then be used to address other infrastructure needs on campus.

In August of 2018, the Board of Trustees of Lake Superior State University announced the successful sale of its General Revenue Bonds, Series 2018 in the amount of \$21,910,000.

The University is working with Johnson Controls Incorporated (JCI) to implement \$23.6M of sustainability initiatives and infrastructure upgrades. The sustainability measures will reduce the institution's use of water, electricity, and natural gas, resulting in substantial energy-cost savings. Much of the savings will be used to finance the bonds, but some of the savings will be used to improve fire/safety systems, expand keyless entry, and improve instructional facilities. This collaborative project with JCI is designed to serve as an example for our students and the community, as LSSU makes great progress in reducing its carbon footprint and reducing its energy costs. Investment by LSSU into its infrastructure is focused on student safety and the educational environment.

The project goes beyond energy savings as JCI and LSSU work toward development of new sustainability curriculum, creation of internships, and community outreach projects. The project is scheduled to be completed early in 2020 and work has already begun on a number of projects on campus.

LSSU is also examining a possible P3 relationship for on-campus housing. LSSU has retained the services of Reith Jones Advisors and has issued RFPs for Legal Counsel, a Financial Advisor, and a Development Partner. The proposed project would be off balance sheet and would impact all housing on campus.

Finally, LSSU submitted grants to the Michigan Economic Development Corporation (MEDC) for upgrades to its underground high-voltage power distribution system and its community/campus center. Both were funded. The first project allowed LSSU to invest \$650,000 into the upgrade of about 20% of LSSU's underground high-voltage power distribution system. The second will provide about \$200,000 for the upgrade of its community/campus center's main conference room.

### Obligation to State-funded Retirement System

While it is clear that the University workload associated with managing the institutional obligation in the Michigan Public School Employee Retirement System (MPERS) has increased over the years, it is not clear “that the institution will be required to increase funding for these obligations for many years to come”. LSSU and the other members of the MPERS-7 have been in continuous conversations with the state for MPERS relief. During the last year, legislation was passed that reduced the payment floor from 3.5% to 2%, resulting in immediate savings for LSSU, and savings well into the future. However new Governmental Accounting Standards Board (GASB) pronouncements will impact the liability and the institution’s financial reports.

Nevertheless, LSSU agrees that revenue growth, through increased enrollment is a necessity. Enrollment plans have been addressed elsewhere within this report.

### Revenue

General Fund revenue has remained relatively constant across the previous five fiscal years providing the university a sufficient resource base for its current educational programs.

	FY14	FY15	FY16	FY17	FY18
<b>Tuition &amp; Fees</b>	23,191,223.33	23,521,728.10	22,101,151.80	22,368,092.15	21,872,415.50
<b>Appropriations</b>	12,178,126.00	12,847,917.00	13,218,055.00	13,567,383.00	13,877,664.00
<b>Other</b>	1,443,505.61	1,327,274.26	1,423,703.21	1,583,389.61	1,507,776.39
<b>Total</b>	<b>36,812,854.94</b>	<b>37,696,919.36</b>	<b>36,742,910.01</b>	<b>37,518,864.76</b>	<b>37,257,855.89</b>

### C. General Fund Debt

As noted in the 2016 Reaffirmation Report, the University had, in years prior to the visit, relied heavily on general fund reserves held in health insurance and general insurance funds to achieve balanced budgets. This was in part a result of inadequate budgeting practices, and budgets not tied to realistic enrollment estimates. While the University had acted appropriately in 2016 to address this, the monitoring report provides an opportunity to update the status of the University’s effective management of its funds.

### Reserve Funds

The funds in question (the Reserve Funds) have been strong and generally growing over the last several years. An 11-year profile of the funds is provided below. Funds are currently at the highest point over the entire 11-year period shown. While the previous CFO did intentionally take action to reduce the Health Insurance reserves, the Worker’s Compensation reserves grew over that same period.



Fund	Title	2008	2009	2010	2011
701	MUSIC-Insurance Reserve	255,636.12	255,636.12	254,888.12	254,513.14
731	Workers Comp	604,129.85	704,528.73	853,759.16	1,016,905.16
732	Unemployment Comp	114,851.47	149,678.45	138,674.58	150,637.09
734	Health Insurance Res	677,231.86	974,591.32	1,758,961.61	1,635,594.17
		<b>1,653,857.30</b>	<b>2,086,443.62</b>	<b>3,008,293.47</b>	<b>3,059,660.56</b>

2012	2013	2014	2015	2016	2017	2018
254,513.14	254,416.14	254,416.14	251,671.06	251,347.48	251,347.48	251,347.48
1,282,158.49	1,289,030.98	1,394,958.56	991,526.89	1,292,937.35	1,623,511.29	1,918,606.44
179,735.71	218,353.66	192,788.56	174,148.93	189,263.68	209,376.47	209,963.02
1,669,173.98	1,694,809.57	1,708,170.11	2,285,600.05	1,777,240.76	1,191,510.07	1,434,446.47
<b>3,387,593.32</b>	<b>3,458,623.35</b>	<b>3,552,347.37</b>	<b>3,704,961.93</b>	<b>3,512,805.27</b>	<b>3,277,762.31</b>	<b>3,816,381.41</b>

The current CFO works closely with Human Resources and the President to determine the level of reserves necessary and has been looking for options to reduce the institution's liability. LSSU recently took steps to reduce its Workers Compensation liability by moving from a self-funded plan with a \$550,000 per claim umbrella, to a fully insured plan at nearly the same cost. LSSU is also considering a move from being self-insured to fully insured. The reserves are currently more than adequate for the purposes they serve.

### Revenue and Budget

The Institution has done a good job in balancing the General Fund deficit while taking into account decreasing enrollment and necessary strategic institutional expenditures. A review of the last 11 years shows good progress in reducing the deficit from 2008 to 2013. The deficit grew slightly the next two years, as enrollment goals were not met.

Fund Title	2008	2009	2010	2011	2012
1000 General Fund	(1,093,210.47)	(1,258,474.30)	(1,100,945.70)	(682,200.28)	(376,510.60)
2013	2014	2015	2016	2017	2018
(333,721.54)	(465,878.64)	(642,697.98)	(3,313,377.78)	(1,306,560.02)	(927,654.44)

In 2016, unbudgeted expenditures and a gross miscalculation of revenue led to a large increase in the deficit, which was largely addressed the following year. The deficit also decreased in FY18 even though significant investments were made in recruitment and retention efforts. Again in FY19, LSSU plans to make significant investments in recruitment efforts, retention effort, and new program development. Census date enrollment is up slightly from FY18, but FTIC

enrollment is up 14% and freshmen retention rose 5% to 72%. With small SO, JR, and SR classes, if LSSU simply maintains its current new student and retention numbers, overall enrollment will grow. However, stable new student enrollment is not the goal; the goal is increased new student enrollment. LSSU has the infrastructure and staffing in place to serve many more students without adding significant costs. Increased enrollments will address the deficit.

## D. Other Factors

The 2016 Reaffirmation Review noted a number of related topics and concerns in the evidence section of the final report. The University works continuously to ensure our resources, structures and processes are sufficient to fulfill our mission. To that end, and part of our commitment to continuous improvement, the University continues to take steps to strengthen quality of the educational offerings, develop effective governance and administrative processes, and engage in integrated and systematic planning.

### Data analytics

At the time of the HLC visit, LSSU did have two full-time data analysts and significant progress was made in examining student retention, in developing admission and enrollment reports, and in supporting several programmatic accreditation areas. Since then, one of the data analysts took a job at another institution. LSSU has made an offer to an individual to fill a data analyst type position within the Enrollment Management area. The individual will be responsible for designing, developing, and implementing strategies for CRM-based university database systems within admissions and related areas; setting standards for operations; database programming and security; supporting enrollment strategies, admissions workflow, and recruitment processes, while supporting LSSU's strategic enrollment plans, goals, and initiatives. In an effort to realize efficiencies within the recruitment areas, the position is also responsible for transforming business requirements into data models; analyzing source system data and profile data as needed; designing data models for the analytics platform; and implementing best practices and standards for data modeling. This position, dedicated to enrollment efforts, will relieve the remaining data analyst of many enrollment-focused activities, thereby freeing up time for work on strategic and budgetary reporting.

Also, the CFO, having some background in SQL and databases, has begun to work more closely with the data analyst. This has resulted in a number of finance and enrollment related reports being generated. The CFO has also designed and automated the delivery of monthly reports to all General Fund budget managers. These automated processes will be expanded to all budgeted areas and additional automation focused initiatives will be launched.

## Sponsored Programs

In response to perceived deficiencies in seeking and securing grant funds, Lake Superior State University has implemented a number of campus-wide actions to improve and recognize the importance of identifying and procuring external grant funds for program and research opportunities. In the spring of 2007, the University increased the Director of Sponsored Programs position from a half-time position to a full-time position. The position adjustment was executed to increase the availability of services and support from the Office of Sponsored Programs and to demonstrate the University's commitment to providing a robust and structured external funding process. The full-time position has since developed a comprehensive External Funding Procedures Manual. The developed guidelines were created to assist faculty and staff throughout the stages of proposal development and grant award management. The Office of Sponsored Programs met with program deans, chairs, faculty and staff across campus to gather recommendations, hear concerns and collaboratively discuss opportunities to improve the campus-wide grant proposal development process. Recommendations and clarified processes were included in the developed manual and this resource is posted on the Office of Sponsored Programs website for easy access. The Office of Sponsored Programs website was revamped to include expanded information and easy access to required forms and documents. The manual and website are continuously updated, as necessary. <https://www.lssu.edu/office-of-sponsored-programs/>

In addition, the Office of Sponsored Programs compiles a collection of grant announcements, funding opportunities and relevant news and updates on a monthly to bi-weekly basis. This compilation of opportunities is designed to give faculty and staff quick access to funding opportunities that may be of interest to their respective programs of study.

Further still, the Office of Sponsored Programs holds weekly "office-hours" in a centralized location at the Center for Engaged Teaching and Learning in the campus library. Holding regular hours in a high-traffic and centralized location is intended to facilitate organic discussion and collaborative opportunities to share ideas. Also organized by the Office of Sponsored Programs, and held at the Center for Engaged Teaching and Learning are monthly mini-training discussions. The Office of Sponsored Programs trainings are tailored for faculty and staff and highlight a specific area of proposal development each month. Trainings range in topics from funding research, to budget development, to building collaborative partnerships.

Throughout the past year, the Office of Sponsored Programs has taken the initiative to meet with various community groups with the intent of developing collaborative partnerships between campus and non-campus entities. The Office of Sponsored Programs regularly meets with on-campus departments such as the business office, human resources, and risk management to ensure a transparent and efficient grant process, sits on various community boards, and regularly attends pertinent community meetings and functions to continue building collaborative partnerships.

## Conclusion and Next Steps

Lake Superior State University ensures that resources, structures and processes are sufficient to fulfill its mission, continuously improves the quality of its educational offerings and responds effectively to challenges and opportunities. In the time since the 2016 Reaffirmation Report, the University has implemented processes to ensure our resource base adequately supports our education programs, and enrollment strategies to increase tuition revenue allowing us to maintain the quality of our programming and infrastructure.

The University will submit the next interim report on or before 12/04/2020. The next report, completed after fall enrollment is known for 2020, will update our analysis on enrollment patterns, operating budget/deficit/surplus numbers and the general fund.