MEMORANDUM

DATE: March 19, 2021
TO: Representative Karen Umberger, Chair Finance Division 2
FROM: Representative Rick Ladd, Chair Education Committee
SUBJECT: Final Report of the Study Group for Post-Secondary Education.

Enclosed, please find the final report of the Study Group for Post-Secondary Education.

If you have any questions or comments regarding this report, please do not hesitate to contact me.

I would like to thank those members of the study group who were instrumental in this study. I would also like to acknowledge all those who testified before the study group and assisted in our study.

Enclosures

c: Members of the Study Group
Study Purpose:

Identify key issues regarding the proposed merger of the University System of New Hampshire and the Community College System of New Hampshire for Division II Finance Committee.

Process and Procedures:

The study group met three times. The date and summary of each meeting follow:

Friday, March 12, 2021:

- Dr. Ed MacKay addressed the study group and accepted questions. He highlighted how both systems have been successful, nimble, and able to adapt to changing conditions like recent COVID-19 challenges. He also emphasized the importance of clearly stating desired outcomes of a merger, the need to carefully consider the composition of a combined board, and the value of using the existing USNH/CCSNH Synergies Group to develop recommendations on merger priorities. He also suggested engaging the legislature in appraising these recommendations through an established body like the Public Higher Education Study Committee.

- The study group discussed a plan for its work going forward.

Wednesday, March 17, 2021:

- The following speakers addressed the group and accepted questions:
  
  o Dr. Donald Birx, Plymouth State University President shared his thoughts on the possible opportunities for growth that may arise through a merger of the two systems along with potential challenges.

  o Dr. Susan Huard, Interim Chancellor, CCSNH discussed the unique mission of CCSNH and concerns that mission could be undermined or lost as a result
of merging. She also acknowledged the unique needs of students served by CCSNH that must continue to be recognized.

- Dr. Joe Morone, USNH Board of Trustees Chair discussed existential threats facing institutions of higher education and all the planning that must be undertaken to manage issues like shrinking enrollment, over-built campuses, and the long-term impact of pandemic-era expenses. He made clear the urgency of addressing these concerns never before faced by the higher education community.

- Cathy Provencher, USNH Chief Administrative Officer and Vice Chancellor for Financial Affairs and Treasurer joined Dr. Morone in reviewing enrollment, revenue, and tuition data. The data demonstrated the concerns framed by Dr. Morone and illustrated NH’s position in the regional and national context.

Friday, March 19, 2021:

- Dr. Barbara Brittingham, President Emeritus, NECHE provided information on selection processes for higher education boards, governance, and the relationship between boards and chancellors. She also provided some insight on accreditation and how accreditation could be impacted by unifying the two systems.

All written submissions have been attached to this report along with a contact list should you need to follow up with the experts who contributed to the study group’s work.

Findings:

In consultation with educational experts over three meetings, the study group has determined the following questions are among those to consider in deciding whether and how to merge NH’s higher education systems:

Governance

1. HB 2 overhauls post-secondary governance. Within that organizational structure, what is the specific role of the chancellor? Do presidents report to the chancellor or the board? Does the chancellor evaluate presidents’ performance? Does the board hire and fire presidents? Have job descriptions been defined beyond broad statements made in HB 2, page 52, lines 6-13? Currently, the boards of CCSNH and USNH have different roles. The CCSNH chancellor oversees the college presidents. USNH presidents report to the board.

2. Would the new board of trustees and appointment process be consistent with the New England Higher Education Commission accrediting standards?
3. With a strong CEO/chancellor, is it likely that coordination and alignment across institutions will occur more rapidly than within the current two systems?

4. How should a merged board of directors be selected?

5. Should the current search for a new chancellor be postponed until a decision is made on a new higher education structure? CCSNH plans to forge ahead; should USNH do the same?

**Affordability**

1. Will the merger improve college affordability and accessibility?

2. Is a NH student benefitting financially or losing faith in attending a NH post-secondary institution in which the student runs up unaffordable debt and who has an almost 1 in 2 chance of not graduating?

3. Nationwide, between 2001 and 2021, post-secondary tuition rose over 140%. UNH has the second highest tuition rate among public universities. In light of that reality, how will we attract NH students to attend NH colleges and universities?

4. Will the cost of tuition at the CCSNH remain affordable or reflect increased costs due to system-wide revenue needs?

**Accessibility**

1. Will barriers to transferring credits be reduced?

2. How does the state anticipate improving existing credit transfer ability among institutions, given that program accreditation happens at the individual department or program level?

3. Will the new governance structure expand and simplify transfer/articulation agreements among the institutions?

4. Could the merger result in more 4-year degree programs being offered in regional locations presently served only by the CCSNH?

**Vision for Post-Secondary Education in NH**

1. What should the mission of higher education in New Hampshire be?

2. It is estimated that 25% of colleges could go out of business in the next few years. Can NH’s smaller 4-year schools survive without becoming part of a NH post-secondary
3. Will the merger cultivate institutional adaptation to changing market demands?

4. Is there an expectation that all institutions will continue to be independently accredited?

**Institutional Mission and Vision**

1. What is the overall mission of the proposed “NH College and University System?” Will this mission support current missions of the two systems or supplant those missions and current institution missions?

2. Is the current educational mission of CCSNH compatible with the current educational mission of USNH?

3. What are the current collaboration efforts within the institutions?

4. The CCSNH has an established educational program to provide training and education in skills essential to local and regional business. Will merger with the 4-year system overshadow the mission of the current 2-year, certificate, and badge/credential pathways offered by the CCSNH?

5. Will becoming part of a larger system negatively impact the flexibility of the CCSNH to respond to student and workforce demands?

6. By joining the CCSNH and the USNH, will the 2-year and certificate programs lose their effectiveness in supporting and recruiting the more traditional students?

7. How will the CCSNH or the USNH sustain or weather the following conditions: net tuition revenue declines, shrinking college-bound demographic, high levels of student debt, high levels of student tuition and increasing demand for financial aid, a regional decline in eligible post-secondary students, increasing costs due to the pandemic, and increasing capital costs?

8. How can the issue of multiple union contracts that govern compensation, benefits, and employment conditions be handled without disrupting merger efforts?

9. With the decline in K-12 students, can NH afford not to merge institutions? How will the merger help the system meet market demands?

10. How will UNH increase its competitiveness with UMaine or UMass when out-of-state institutions are undercutting tuition and offering NH students in-state rates?
Legislature’s Role

1. What cashflow demands will exist in the implementation of the merger; acknowledging transition/ startup funding and potential cost savings?

2. Pursuant to RSA 187-A:28-c, the Public Higher Education Study Committee has statutory responsibility to examine the goals, purposes, organization, and financing of higher education in NH. What is the role of the legislature, including PHESC, with regard to the merger proposed in HB 2?

3. Are funds available to support this effort in the upcoming transition years? Mergers have costs: buildings, refurbishing necessary facilities, reorganizing staff infrastructure, and branding. The Vermont legislature provided $8 million to fund their state’s higher education reorganization.

Merger Implementation and Impact

1. What should the business model be to maximize the resources of the current systems?

2. How will the various information technology systems be merged?

3. How do you accommodate the instructional qualifications of staff serving the various campuses and student body?

4. How does a merged system respect the various student profiles of each campus?

5. Is the identified timeframe for successfully achieving a governance “change” adequate?

6. Is there an established set of benchmark performance measures to assess progress along the path toward a successful merger outcome?

7. What are the estimated cost savings and efficiencies that should be expected from this merger, if any? Mergers in other states have proven to provide opportunity for a number of gains; including financial savings, leveraging of greater size and scale, and transferability of courses/ credits.

8. Mergers must be part of a larger strategic plan and not an isolated endpoint. Is the cost savings goal significantly different from the current post-secondary system?

9. Will the merger enhance regional economic development?

10. Is it possible to create a merged system and still provide autonomy for each campus?

11. How does the consolidation engage representation of each campus?
12. What would the most effective administrative/management structure of a merged system look like?

**Recommendations:**

The study group agrees that sufficient preparation is essential to a successful merger; it is necessary to go slow to get it right and apply care in the approach to evaluate and consider whether a merger of higher education systems can accomplish the desired results. The following thoughts are offered for your consideration:

- Establish a coordinating council with membership that includes representatives of both systems and allows for the inclusion of higher education specialists. There are many talented individuals working within the system who have a wealth of knowledge brought with them from experience in other state systems such as Connecticut and Pennsylvania.

- Empower this coordinating council to create a plan for the merger that contemplates the questions enumerated in this report, among others.

- A flight path should be charted toward the final envisioned merger with measurable benchmarks that can be reported on to the legislature.

- This council should be funded to provide necessary staffing and meet reasonable expenses necessary for it to complete its work.

- The legislature should exercise its oversight function and monitor progress toward merger implementation. This may be accomplished through reporting to the Public Higher Education Study Committee, House and Senate Education Committees, and/or the House Speaker and Senate President.

Respectfully Submitted,

Representative Rick Ladd  
Chair, Education Committee
Contact List

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Dr. Donald Birx, Plymouth State University President:  dbirx@plymouth.edu

Dr. Susan Huard, Interim Chancellor, CCSNH:  sdhuard@ccsnh.edu

Dr. Joe Morone, USNH Board of Trustees Chair:  jgmorone@gmail.com

Cathy Provencher, USNH Chief Administrative Officer and Vice Chancellor for Financial Affairs and Treasurer:  Catherine.Provencher@usnh.edu

Dr. Barbara Brittingham, President Emeritus, NECHE:  BBrittingham@neche.org
HB2 proposes the creation of a new governing board for the “New Hampshire College and University System” as the first step in the merger of the present University System of New Hampshire and the Community College System of New Hampshire (pp 50-53). There are no clear reasons given for the proposed merger other than general statements regarding provision of an effective and efficient system of public higher education that is affordable and accessible. In order to comprehensively review and assess this proposal, it is critical key elements of the current context are stated:

The USNH has the highest graduation rate of any 4-year system in New England, and the lowest student loan default rate. In addition, the USNH has the lowest administrative costs in New England.

The CCSNH has the highest graduation rate of any 2-year system in New England, and notably low administrative costs (there is no comparable source to the USNH data).

General Fund operating support for public higher education in NH is among the lowest – if not the lowest -- of any state in the country, underscoring the long-term capability of both systems to be nimble and responsive to student, state, and regional needs. USNH and CCSNH are more reliant on tuition revenue than other systems and the recognized quality of their academic programs a tribute to their success in meeting these needs.

Due to the pandemic, both systems have quickly adopted various education delivery modalities by reallocating existing funding and focusing on meeting a range of student learning needs.

The CCSNH has and will continue to provide training and education in skills essential to local and regional businesses. These affordable credentials and degrees are stackable and provide pathways to employment and additional education, as documented by the high wages and low unemployment rate for CCSNH graduates and numerous articulation agreements.

The USNH has for decades been a primary source of recruiting out-of-state students to NH, many of whom have engaged in work-based experiences and decided to Stay Work Play here. The economic impact of these students and families should not be underestimated, and any diminished perception of institutional quality and appeal will have workforce and economic vitality consequences.

The USNH has incurred approximately $160 million in revenue losses and additional expenses associated with COVID-19, and is expected to only recover a fraction of that amount through one-time state and federal assistance.

The USNH is in a multi-year effort to reduce financial and administrative costs (“FAR”) as part of an overall effort totaling $70 million to reduce expenses and offset pandemic costs by FY 2023.
Given this context, important questions need to be raised and consideration given to alternative paths for moving forward:

First and foremost, a specific set of issues to be addressed and desired outcomes from the proposed merger must be clearly stated, including why the present independent governing boards should not be given the opportunity to respond to those questions in a timely manner. It is not sufficient to simply state creation of new “super board” will somehow accelerate resolution of perceived issues and concerns.

Membership of the current USNH and CCSNH governing boards consists of dedicated individuals committed to the respective system missions and comprised of individuals with the experiences and skills required to successfully achieve institutional goals.

The proposed 23 member “super board” would essentially all be appointed through a political process that may not be in accordance with New England Higher Education Commission accrediting standards.

A USNH and CCSNH “Synergies Group” has been collaborating on joint initiatives since last summer, and provides a viable vehicle for continued coordination and consolidation where warranted. There has been a particular focus on expanding and simplifying transfer/articulation agreements among institutions. Such agreements are predicated on adherence to institutional/program learning outcomes that are required to continue to meet respective accreditation standards.

When the specific outcomes state officials want addressed are clearly identified, those items can and should be provided to the joint working group along with one-time funding support. That body can then determine how to best respond to the stated priorities, and report the results to the Public Higher Education Study Committee. The charter of the PHESC specifically states the responsibility to study the operation, goals and purposes, organization, size, and financing of public higher education and is the legislative entity responsible for holding the public systems accountable.

A timeline can be established such that the PHESC provides recommendations to the legislature for the 2022 session, enabling any policy and/or organizational changes to be approved and initiated in FY 2023.
To: Representative Rick Ladd, Chair House Education Committee  
From: Cathy Provencher, USNH Chief Administrative Officer  
Cc: Don Birx, PSU President  
Date: March 14, 2021

As discussed last week, below is a list of benefits and challenges of an integrated system compiled by PSU President Don Birx based on his experiences working in a number of higher education systems around the country. As you know, President Birx will be joining the subcommittee next Wednesday, March 17 at 10:00.

**Benefits of an integrated system**

- Better representation in the various communities across the state and touch points with local legislators
- One unified system for the governor and legislature to work while still being able to hear from individual campuses
- Better able to address cross cutting issues like health care, and business needs
- Enhanced ability to serve the communities across the state with a fuller range of academic offerings (particularly with the recent outfitting of hybrid classrooms)
- Strengthened academic pathways for students from Associate to Ph.D with much improved credit transferability
- Greater affordability with more student options and financial paths to student success
- Superior branding opportunities (unified and clearer) and ability to compete with out of-state systems to retain NH students
- Working as one team reducing competitiveness and redundancies that brings little value, while being able to deploy resources more efficiently
- Better able to respond to the needs of the various regions of the state and to tailor operations and offerings at cross state sites using the many and varied outlets the system has available
- The system brand and messaging is strengthened better attracting talented students from across the country. The flagship stature is increased but this further supports regional campuses (4 and 2 year) as students are drawn to the system and flagship but
are allocated to other campuses with secure pathways to their desired destination and ultimately employment in NH

- Allows the flagship to concentrate more on graduate and Ph.D. programs, and Business Innovation Services and R&D

- Ability to efficiently consolidate back office and administrative operations with greater critical mass for negotiations with suppliers

- Allows the development of efficient processes to better serve students and enhance graduation rates and retention from entry to graduation no matter what the campus.

- Better tracking of student progress and leveraging of support

- Considerable benefit to the community colleges and their students by having a seamless pathway to four year and graduate degrees as well as providing a pathway for students that may be struggling at one of the four-year institutions

- Collocation and partnerships between and with campuses would be much easier

- If done right, could really enhance business support, partnerships, and innovation to all the regions across the state, including extending the I-93 tech corridor

Challenges and things to watch out for

- Public higher education’s independence from political influences of the two higher ed systems, so essential to good governance and continued accreditation, could be compromised by the new legislation.

- The board, through its composition and governance, must ensure that the full spectrum of missions across the full spectrum of campuses is supported and fairly represented. There is a risk that overtime, the flagship will come to dominate the system and grow at the smaller campuses expense. The smaller campuses risk losing representation at the system level and resource distribution can become inequitable.

- Not realizing that no matter what the level, each campus will need a leader.

- Consolidating operations without design input from campuses and not realizing campuses and their needs are different (one size fits all rather than unified processes and tailored distributed services)

- Loss of creativity and focus on efficiency over time
• Not having a very strong, capable, and versatile enterprise-wide management system with unified processes and definitions, but tailor-able dashboards and ease of utilization at all levels of program management - giving clear insight to system wide operations and synergies
While HB2 proposes the step of bringing both systems under a single board, this raises the very important question of what comes next, as this proposed new board looks at merging systems. These are, in fact important questions to raise, if not address in some way, before any significant step is taken, including a major change in governance. Below are examples of policy considerations connected with the question of merging two systems. These are complicated areas from an organizational and operational standpoint. They also bear very real consequences on students and on the employees of both systems whose daily work sustains higher education across New Hampshire. We believe such topics deserve and focused consideration and planning.

- **Strategy, governance, and decision-making**
  If the language in HB2 passes, two twenty-plus member boards which understand each system and have been engaged in efforts from academic and strategic planning to fiscal and budgeting, will be dissolved this summer. The new board will consist of five members who understand the community college system but not the university system, five members who understand the university system but not the community college system, and five members who come from neither board. We lose significant institutional knowledge, while the new group will be tasked with honoring and understanding the missions and operations of both systems while restructuring them into a merged entity that can meet the range of educational and workforce needs in NH.

- **Academics**
  How would this new board reconcile the implications of courses and instruction being within one system, in areas such as credit hours, instructor levels, instructor pay, and accreditation, as examples?

- **Admissions and Registration**
  Would Admissions remain separate and/or how would that eventually be merged? CCSNH is open access, while USNH Institutions have a selective admissions process. Would a single system be used to register students, and if so, what is the cost to bring the two systems together?

- **Transfer and Accreditation**
  While college are distinct, accreditation and transfer will need to be addressed.

- **IT systems**
  Would we eventually be on fully shared platforms, and if so how much would integrations cost?

- **Human Resources and Labor**
  How do we look at pay structures, benefits programs, unions representation, personnel policies in a merged system? How is tenure considered in the context of a merged system where CCSNH does not have tenure?

- **Finance and Cost**
  How are budgets integrated? How are funds allocated and needs prioritized?

- **Risk management**
  Do those become integrated in such areas as liability insurance, fleet insurance, facilities insurance and deductibles? Presently we have two very different risk environments with very different attendant costs.

- **Intellectual property**
We would need to look at current policies and whether/how to align them across institutions.

- Debt
  How does the merged system address existing debt among the entities?
- Reserves
  Each system likely has a strategy about its reserves. Do the systems retain separate reserves? Merge them? How would they be allocated and considered when budgeting?
- Marketing
  How do we market the various opportunities in a merged system? This also implicates deeper question of the relationship among all the colleges, including how incoming revenue is credited.

There are undoubtedly additional considerations, and the above is intended to raise examples and suggest how these areas are important to understand at some level early in the process being contemplated by the Legislature.
House Education Subcommittee on Post-Secondary Education

March 17, 2021
These graphs presented in *The Chronicle of Higher Education* in January 2021 depict the remarkable demographic decline in New England high school students by 2025. This decline will continue to put enormous pressure on higher education.
NH will be especially hard hit

Source: CCSNH 2018 Audited Financial Statements
What The Data Shows: Increasing Direct Student Financial Aid

USNH Funded Student Aid

dollars in millions

FY16  FY17  FY18  FY19  FY20  FY21 proj

$119  $130  $141  $149  $155  $161
What The Data Shows: Net Tuition Has Been Declining Before the Significant Future Headwinds

* FY 21 projected operating margin excludes one-time COVID related costs.
What The Data Shows: Increasing Out of State Competition

Resident High School Grad Enrollment Out of State

<table>
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<th>4-Yr Enrollment</th>
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<tr>
<td>NH</td>
<td>57.9%</td>
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<tr>
<td>VT</td>
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<td>New Engl Avg</td>
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<td>VT</td>
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<tr>
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<tr>
<td>New Engl Avg</td>
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<td>US Avg</td>
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New England and US average of states excludes NH. VT ranks 3rd highest in 4-year enrollment migration after Hawaii at 57.7%.

NH is a top exporter of college going high school graduates. Competition from out-of-state institutions will intensify further as the demographics decline. UMaine and UMass Lowell already provide in-state pricing to out-of-state students.
What The Data Shows:
NH Has Second Highest Tuition and Fees in the US
What The Data Shows: 
NH Has Second Highest Tuition and Fees in the US

Tuition and Fees by State: Public Two-Year

In 2020-21, average published tuition and fees for full-time in-district students at public two-year colleges range from $1,430 in California and $1,940 in New Mexico to about $7,100 in South Dakota and New Hampshire and $8,600 in Vermont.

FIGURE CP-5 Average 2020-21 In-District Tuition and Fees at Public Two-Year Institutions and 2015-16 to 2020-21 Five-Year Percentage Changes in Inflation-Adjusted In-District Tuition and Fees, by State
With ~125K people per public institution, New Hampshire ranks below the median for population per institution and in the bottom quintile for population below age 25 per institution.

### What The Data Shows:
**NH Is Below Median In Population Per Institution**

<table>
<thead>
<tr>
<th>State</th>
<th>Pop. / Public Institution ('000)</th>
<th>Rank</th>
<th>Pop. &lt;25 Rank</th>
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<tbody>
<tr>
<td>Utah</td>
<td>414</td>
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<tr>
<td>North Dakota</td>
<td>55</td>
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</table>

The median for all states for population per institution is 181k residents per institution, 57k residents per institution higher than NH.

Source: NCES Fall 2019 Digest Table 317.20, Kaiser Population Distribution 2019
The Pandemic has exacerbated these trends

- Lower revenue
  - Smaller incoming enrollments
  - Lower retention of existing students
  - Fewer students using on campus room and board
- Substantially higher financial need
- Substantially higher costs, safety related

Short-term financial impact: ~ $136M of covid related losses, partially offset by $61M of Stimulus and GOFERR funding

Longer-term financial impact:
- Depleted cash reserves (used to cover losses in FY 21)
- Smaller Fall 2020, 2021 freshmen classes will have multiple-year impacts (pipeline effect)
- Loss of family income due to pandemic will accelerate financial need
- In sum: pandemic probably wipes-out what might have been a few years of breathing space before the mid-decade demographic cliff.
• In FY 2020, USNH launched a $70M (~10% of cost) restructuring program
  – Goal: offset the projected revenue impact of the demographic trends and the pandemic
    » Break-even by FY2022
    » Small positive margin by FY2023
  – Approach:
    » Roll back expenses to FY2019 levels
    » Restructure benefits
    » System-wide consolidation of common, back-office administrative functions
    » Campus-specific rebalancing of academic programs
    » Utilizing voluntary separation and retirement program: ~500 faculty and staff
• On the one hand, although this is unprecedented in scale and scope, it is progressing and on schedule
• On the other hand, if all goes to plan, this will only catch USNH up to the accelerating structural challenges. The cliff lies ahead.
Advantages of Proposed Merger

If ever there were a time to rethink the structure of public higher ed in NH, this is it

- Significant potential for cost reduction
- Significant potential for benefit to students and employers
Areas of Potential Cost Reduction

- Two Chancellors
- Two System Offices
- Procurement (purchased goods and services = ~30% of budgets)
- IT Hardware, Software and Systems
- Academic redundancies
- Regional redundancies
- Multiple physical locations (20 distinct locations)
- Internal price competition
- Internal competition for State funding
Areas of *Potential* Benefit

- Long-term financial viability
- Greater affordability, more financial pathways to student success
- Strengthened academic pathways, from Associate to Ph.D, with much improved credit transferability
- Greater ability to share courses and programs across locations
- All of the above should improve student retention and graduation rates
- Strengthened branding and coordinated marketing and recruitment should enhance ability to retain NH students
- Greater ability to develop system-wide approaches to broad state economic and business
- Greater ability to develop system-wide partnerships with key business sectors and employers
- Greater ability to develop more comprehensive responses to specific regional needs
USNH Financial Modeling and Roadmap
### Estimated Gap

- Estimated gap of ~$70M identified by FY23 post-COVID

### Restructure Plans
- Rolling operating expenses back to FY19 level beginning in FY21
- Shared Services Opportunities (Financial Services, IT, etc.)
- Campus-specific restructuring and expense reductions

### Financial Projections

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<thead>
<tr>
<th></th>
<th>FY20 Actual</th>
<th>FY21 P1 Projection</th>
<th>FY22 Projection</th>
<th>FY23 Projection</th>
<th>FY23 vs FY20 Actual</th>
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<tr>
<td><strong>Total Operating Revenue</strong></td>
<td>751.8</td>
<td>709.6</td>
<td>687.9</td>
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<td><strong>Total Operating Expense</strong></td>
<td>745.5</td>
<td>727.2</td>
<td>746.6</td>
<td>746.6</td>
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<td><strong>Operating Margin Inc/(Loss) Before Target Expense Reduction</strong></td>
<td>6.3</td>
<td>(17.6)</td>
<td>(58.7)</td>
<td>(62.6)</td>
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<td><strong>Target Expense Reduction</strong></td>
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<td>(53.2)</td>
<td>(69.0)</td>
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<td>-9.9%</td>
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<td><strong>Operating Margin Inc/(Loss) After Target Expense Reduction</strong></td>
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<td>(17.6)</td>
<td>(5.4)</td>
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<td><strong>Operating Margin %</strong></td>
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<td>-2.5%</td>
<td>-0.8%</td>
<td>0.9%</td>
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**Note:** Excludes One-Time Costs/Net COVID Revenue Loss in FY20-FY21
Plan to Achieve $70 Million in Savings by FY 23

<table>
<thead>
<tr>
<th>Estimated Savings to Fill the Gap</th>
<th>FY21 Projection</th>
<th>FY22 Projection</th>
<th>FY23 Projection</th>
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<tbody>
<tr>
<td><strong>Category 1: Across the Board Reductions</strong></td>
<td></td>
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<tr>
<td>Roll Back Spending To FY19 Actuals (excl one-time adjis)</td>
<td>10.0</td>
<td>10.0</td>
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<tr>
<td>(Savings will be higher as any cost increases from FY19 will need to be absorbed and offset)</td>
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<tr>
<td><strong>Subtotal Category 1</strong></td>
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<tr>
<td><strong>Category 2: Shared Services Optimization</strong></td>
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<tr>
<td>Employee Benefits Restructuring - net of employee reductions</td>
<td>6.0</td>
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<tr>
<td>Procurement</td>
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<td>Financial Services</td>
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<td>GSC &amp; System Office Synergies</td>
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<tr>
<td><strong>Subtotal Category 2</strong></td>
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<tr>
<td><strong>Category 3: Campus-Specific Expense Reductions To Be Identified</strong></td>
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<td>KSC</td>
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<td><strong>Subtotal Category 3</strong></td>
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<td><strong>Total Projected Savings Targets</strong></td>
<td>16.0</td>
<td>53.2</td>
<td>69.0</td>
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</table>
Execution of the Plan

• The primary tool in execution of the plan is an early retirement program offered in the fall of 2020. Fifty percent of those eligible, 480 employees, took advantage of the plan.

• Changes to benefit plans began January 1, 2021. Additional changes are being negotiated.

• IT consolidation is complete and exceeded savings target.

• Wholesale financial and administrative restructure across the system is underway and projected to exceed savings targets starting in FY 22.

• Campus specific initiatives are in progress.
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Statement on Appointment to Governing Boards of Public Systems and Public Institutions of Higher Education

**Introduction.** The New England Commission of Higher Education (NECHE) accredits all public intuitions of higher education in the six New England states. The Commission understands and appreciates both the importance of public higher education to the states and the key role of the governing boards in ensuring institutional success and therefore the success of students and graduates. This statement is designed as a resource for Governors in consideration of appointments to the governing boards of higher education institutions and systems.

**Considerations when appointing members of higher education governing boards**

Public higher education is one of the most important investments a state can make to ensure the economic success and well-being of its citizens and of its economy and civic life. Appointing persons of stature to the board communicates this importance. Appointing persons with a diverse set of expertise and backgrounds who understand their responsibilities in this key role can provide the governing board with the capacity to ensure the effectiveness and integrity of the state’s public institutions of higher education.

1. **Collective composition of the board.** Overall, the board should:
   * Include individuals with executive level experience in complex organizations in the private, public, and voluntary sectors.
   * Broadly represent the population to be served, including economic and demographic diversity
   * Include alumni/ae of the institution(s) as well as those with different higher education experiences.

2. **Expertise of individuals.** The board should include a mix of individuals with high-level expertise in:
   * Law
   * Finance, including strategic finance
   * Complex systems
   * Higher education
   * Risk management
   * Human resource management
   * Strategic planning
   * Evaluation, including program assessment
   * Public policy
   * Economics and workforce development
   * Communications and crisis management
   * Mission-related fields (e.g., research, arts, maritime affairs)
   * Legislative affairs

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1 The Commission’s standard on *Organization and Governance* includes its expectations for governing board and can be found here: [https://www.neche.org/resources/standards-for-accreditation/#standard_three](https://www.neche.org/resources/standards-for-accreditation/#standard_three)
• Major business sectors
• K-12 education

3. **Responsibilities of board members.** Board members should:

- Understand and assume the fiduciary responsibilities of the governing board:
  - Duty of care: to prepare for, attend, and actively participate in board and committee meetings.
  - Duty of loyalty: to operate in the interest of the system or the institution, and not in one’s self-interest.
  - Duty of obedience: to understand and accept the responsibility to operate within relevant law and board governing documents.

- Understand the responsibilities of the board to: establish the mission of the institution(s) or system consonant with legislative statute and intent; serve as the legal owner of the institution’s/system’s assets with all attendant legal and governance responsibilities; select, support, and evaluate the chancellors and presidents; set board policies within statutory authority; approve major institutional decisions such as strategic plans and new degree programs; approve and audit system and institutional budgets; and ensure the integrity and educational effectiveness of the institution(s)/system.

- Accept the broad responsibility of the governing board to serve the state, avoiding partisan or overly parochial interests.

- Discuss challenging topics in public sessions, being open to varying perspectives.

- Support the system or institution through influence in the community, fund-raising, and as ambassadors for public higher education.

November 2019
Several challenges face public colleges and universities as they enter the third decade of the 21st century. Changing student demographics and the need for more college graduates require that greater attention be paid to access, enrollments, college costs, and college completion rates. Disruptions from new technologies are affecting how faculty teach and how students learn. The need for impactful research to drive innovation and spur the national and state economies is perhaps greater than it has been since the post-World War II or Sputnik eras. The competition for scarce government resources is growing ever more intense from other priorities essential to the public’s welfare—health care, transportation, corrections, and public schools—and the decline of those resources is leading many states to consider institutional mergers and consolidations. Public confidence in higher education is eroding, in part because of the perception that it is less productive and less conducive to needed change than it should be when public funding is constrained, and in part because of recent controversies and scandals at several high-profile universities.

The responsibilities of the guardians of public colleges and universities—the men and women who serve on public governing boards—have never been more critical to supporting purposeful leadership, stimulating change, and restoring public and policymaker confidence in the higher education enterprise. Yet when strong and effective governing boards are most needed, many boards are not fulfilling their fiduciary responsibilities adequately, nor serving as effective bridges between their institutions and state governments. It is incumbent on public governing boards to be at the top of their game. But boards can be no more effective than the character, competence, commitment, and dedication of their individual members.

Although notable exceptions exist, states have generally underestimated the potential of boards to strengthen higher education by stimulating change, leveraging responsiveness to societal needs, ensuring accountability, and preserving the conditions necessary for academic excellence. And while several states have developed an expectation for high-caliber board appointments and have sustained this practice from governor to governor and administration to administration, other states are seemingly unable to build strong boards and successful governance structures.

Although the process of board member appointment is fundamentally a political process, its aim should be the placement of the most able, experienced, and deserving citizens on public boards of higher education—
institutional or multicampus—as well as the boards of statewide coordinating agencies. No selection process is perfect, but a process with standards and some level of rigor sends the message to the general public and to those being considered for academic trusteeships that they have serious responsibilities to perform.

Suggestions and Recommendations for Governors and Legislatures

The Association of Governing Boards of Universities and Colleges (AGB) offers the following suggestions and recommendations to strengthen public college and university governance. These are drawn from studies, statements, and work in several states conducted by AGB in recent decades. They are intended primarily for governors and legislators; most would require legislation or gubernatorial executive orders.¹

Send a clear signal that merit comes first in recruiting, screening, and appointing public higher education governing board members. State leaders should send a clear signal that merit comes first in recruiting, screening, and appointing public higher education board members. Governors, who hold appointment authority in the vast majority of states, should seek to recruit and appoint citizens of stature who have the knowledge base to craft effective policy in a rapidly evolving environment; and who demonstrate the leadership—and listening—skills to work with a diverse array of internal and external stakeholders. These citizens should also represent a diversity of backgrounds and professional experiences. To help identify and recruit such talent, governors should establish and issue a publicly available list of qualifications and criteria. These “standards” should be tailored to each institution or multicampus system and its board, but could follow general qualifications and merit criteria sought in all candidates, such as those that follow. The same steps could be taken in states in which the state legislature elects governing board members.

Personal
- Integrity, breadth of vision, and independence
- An inquiring mind and an ability to speak articulately and succinctly
- An orientation to the future with an appreciation of the heritage of the university or system
- The ability to function as a member of a diverse group in a collegial atmosphere
- An appreciation of the public nature of the position and the institution or system, including the open process of decision-making and service

Professional/Experiential
- Knowledge and experience that can bear on university challenges, opportunities, and deliberations
- An understanding of the board’s role in governance and a proven record of contribution with the governing board of one or more appropriate organizations
- A record of personal and professional accomplishment

Commitment
- A commitment to education and to the mission of the university or system
- A willingness to commit the time and energy necessary to fulfill the ongoing responsibilities
- A willingness to forego any partisan political activity that could be disruptive or harmful to the university or system

¹ Citizen board members for four-year universities and multicampus systems in the majority of states are appointed by governors subject to confirmation by the legislature. In three states—North Carolina, South Carolina, and Minnesota—legislatures have major appointment responsibilities. At two-year colleges, governors make the majority of appointments, although in several states, local elections and local elected officials also determine board membership.
An overriding loyalty to the university or system and to the public interest rather than to any region or constituency

Create a nonpartisan citizen screening or nominating committee. Several states have had success with the establishment of screening/nominating committees to recommend candidates to the appointing authority for each vacancy that occurs on the states’ higher education boards. The best of these committees are guided by detailed and tailored qualifications, criteria, and expectations for prospective board members.

Passing legislation or issuing an executive order to create a screening/nominating committee could be seen as conceding appointment authority, or surrendering too much gubernatorial or legislative control and influence over higher education. But establishing such a committee is a viable option that many states should consider. In addition to a sound practice that institutionalizes merit criteria into board member selection, it can also minimize political considerations—political activities, campaign donations, party affiliation, and the like—while providing some needed or desired distance between the appointing authority and board nominees. Every state has outstanding citizens or public servants who are widely viewed as placing the broad public interest ahead of political party, partisanship, and special interests, and who in various ways demonstrate their understanding of the special place that colleges and universities hold within the state.

Those who chair such committees should be widely respected by political leaders on “both sides of the aisle,” and preferably selected by the committee’s members. The committee should be expected to meet at least quarterly, and, given the importance of protecting individual rights to privacy, their deliberations should be exempt from the state open meetings law. Continued support and proper utilization by elected leaders is also critical; without it a screening/nominating committee will risk losing its effectiveness.

Committee Responsibilities

- Articulate and widely publicize its mission and responsibilities, procedural rules, membership and staffing, and office location.
- Articulate, publicize, and periodically review the qualifications to be sought in outstanding board candidates.
- Develop and periodically review a generic job description for 1) institutional or multicampus system governing boards (and the statewide coordinating board, if one exists) and 2) individual board members (a statement of responsibilities and expectations in the conduct of trusteeship can be found in the Appendix.
- Confer as necessary with the board chair and chief executive of each institution (or system) concerning how they view their board’s current and future membership composition needs in terms of skills, experience, geography, and gender and minority balance.
- Interview all candidates.
- Develop a policy and procedure to accommodate citizen self-nominations (if this is part of the panel’s charge; it need not be).
- Provide the governor (or legislature) with names of candidates for each vacancy, including those being asked to fill partial terms. (Preferably, a provision should be made to require the governor [or legislature, if the appointing authority] to choose from among at least two, no more than three, candidates for each vacancy, provided the governor can request that the panel provide a different slate of candidates if the names submitted are deemed unacceptable.)

Give serious attention to the reappointment of sitting board members. Allowing members to serve two or three consecutive terms helps bring continuity and stability to a governing board and prevent unnecessary disruptions when members depart the board. Unfortunately, because some board members were appointed by
previous governors of a different political party, current governors often fail to reappoint these well-deserving members simply because of different party affiliation. This is a practice that can and should be seriously reconsidered. Many public boards are relatively small (fewer than the average size of 12 members), and the loss of two or three contributing members can weaken the board. Current performance and demonstrated commitment to the board and the institution or system should be the predominant considerations in board reappointments. A growing number of boards conduct assessments of their individual members. Governors and legislators should inquire whether these assessments can be shared for purposes of renewal consideration. State officials discreetly asking presidents and board chairs about the performance of board members up for renewal is not an uncommon or unwelcome practice.

Elevate the important responsibilities of legislatures in the confirmation process. In the majority of states in which governors are the appointing authority, the legislatures—most often state senates—should see the confirmation process as a major responsibility and opportunity to improve boards. In addition to confirming candidates on the basis of merit, legislators also should seek to minimize political considerations. Specifically, legislatures can do the following, which are especially important if a screening/nominating committee does not exist:

- Develop qualifications and criteria to use in the confirmation process, even if different from those of the governor. Board candidates, the public, (and the governor) should understand these in advance of any confirmation process.
- Devote adequate time and support for the proper vetting of candidates and their credentials.
- If a higher education committee is not the first level of board candidate review, ensure that legislators and legislative staff most knowledgeable about higher education are involved in the confirmation process.
- Ensure a fair and bipartisan review process of the performance of board members renominated for reappointment.

Consider allowing governing boards to be their own appointing or nominating body. States should give serious consideration to two related processes that would provide a greater degree of direct board input into the governance of their institution or system. A process of either board self-perpetuation or self-nomination would allow a governing board a level of formal authority to call upon individuals with proven leadership skills and experience to consider joining the board. Many qualified individuals—be they from the community, the business or corporate sector, or who serve on alumni, university foundation, or advisory boards, or other relevant organizations—may not be on the radar of legislators and governors as potential governing board candidates. Formalizing either process in state statute would be a reasonable way for these individuals to be appointed or considered for appointment.

- Allow some number of self-perpetuating members on the board. It might be reasonable for some governing boards to become “hybrid boards” composed of a combination of self-perpetuating members and members appointed by the governor or elected by the legislature. The number of self-selected seats could be set by law but perhaps be never more than half to allay any concerns about conceding elected leaders appointment authority or influence. As vacancies occur for the self-selected seats, current members would choose replacements for those departing the board. Examples of this practice are found at the University of Vermont, where nearly half its members are self-perpetuating and do not need legislative confirmation, and the University of Alabama System, where all members of the board are self-perpetuating but state senate confirmation is required.

- Allow current boards to make direct nominations to the governor. Short of authority for institutions to self-select a portion of their board members, states could allow governing boards to make direct nominations to the governor. The governor need not be bound by the nominations. Informally, this practice often happens when governors solicit board or presidential input about a board’s future
composition needs prior to making nominations to the legislature. New Jersey formalized this process in state statute in 1994.

**Set clear expectations for board members.** Bright and well-informed individuals called to board service often do not have clear understandings about what is expected of them, what distinguishes American higher education and its citizen governing boards, how boards exercise their fiduciary responsibilities, and what are likely to be the demands on their time. Appointing authorities may not be able to adequately answer all such questions, but they can make clear that board members:

- Establish, disseminate, and keep current the mission of the institution.
- Select and support the president of the institution.
- Periodically assess the president’s performance and review his or her compensation.
- Charge the president with the task of leading a strategic planning process, participating in that process, approving the strategic plan, and monitoring its progress.
- Ensure the institution’s fiscal integrity, preserve and protect its assets for posterity, and engage directly in fundraising and philanthropy.
- Ensure the quality of the education provided by the institution.
- Safeguard both the autonomy of the institution and the related tradition of academic freedom.
- Ensure that the policies and processes of the institution remain current and are properly implemented.
- Engage regularly with the institution’s major constituencies.
- Ensure that its business is conducted in an exemplary fashion, that its governance policies and practices are kept current, and that the performance of the board, its committees, and its members are periodically assessed.


A *Statement of Commitment and Responsibilities*, from *The Governance Committee: Public Institutions*, can be found in the Appendix.

**Ensure gender and racial diversity.** Governing boards should be representative of the state’s population and be seen as representative of those they govern, so it is incumbent on governors and legislators to ensure diversity in their board appointments with regard to gender, sexual orientation, and race and ethnicity. Although progress has been made in terms of broadening diversity, data from AGB’s most recent survey of public governing board composition (2016) show that the numbers are much the same over the course of the last decade. The data tell us that the racial composition of public governing boards is 74.9 percent white non-Hispanic and 23.9 percent minority, with African American/black members accounting for 13.6 percent, Hispanic members 5.8 percent, Asian Americans/Pacific Islanders 2.9 percent, and American Indians/Alaska Natives 1.6 percent. Women comprise 32.3 percent of public board voting members, up from 28 percent in 2010.

**Promote and set expectations for board orientation and education programs.** Governors and legislators should promote board member orientation and education programs at both the institutional and multicampus system levels, and also at the state level. Governors and legislators should make an explicit expectation that board members will participate in both types of programs for purposes of understanding their responsibilities to the institution or system, and also to the state’s citizens. An annual or bi-annual state sponsored education program—particularly in states with multiple higher education boards—can serve to bring together higher education board members to reinforce an understanding of fiduciary responsibilities; connect board members to the state’s educational, social, and economic challenges and opportunities; and communicate a broader
sense of roles, responsibilities and purposes. State-level programs are best conducted by the state’s higher education agency, often in cooperation with the governor’s office. (For a full description of state-level board education programs, see the AGB state policy brief “Building Public Governing Board Capacity through State-Level Education Programs for College and University Board Members.”)

**Resist calls for more “constituents” on governing boards.** The ideas and opinions of key internal stakeholders—faculty, staff, and students—are important for all institutional leaders to hear. Accommodations should be made by governing boards to do so, including invitations to serve on committees of the board. But faculty, staff, and students often make the case for seats on the full board, not only to be voting members but also to give collective voices to the constituents they represent. Currently, students serve on nearly half of all public boards as voting members and on a quarter of boards as nonvoting members; faculty are voting members on only 11 percent of boards and nonvoting faculty serve on an additional 9.6 percent of governing boards. A designated board seat for staff is the law in only two states. As indicated in AGB’s 2010 Statement on Board Responsibility for Institutional Governance:

> It is AGB's view that faculty, staff, and students ordinarily should not serve as voting members of their own institution's governing board because such involvement runs counter to the principle of independence of judgment required of board members. Particularly in the case of faculty or staff members, board membership can place them in conflict with their employment status. Even when constituent groups are represented on the board, the board should be mindful that the presence of one or more students, faculty, or staff as members of the board or its committees or institutional task forces neither constitutes nor substitutes for communication and consultation with these constituent groups.

**Consider political balance on the board.** A different but related strategy to a merit-based process to minimize political considerations in board appointments would be to mandate political balance on governing boards. Such action could help to minimize the intrusion or distraction that statewide politics can bring to governing board deliberations. Eleven states require such balance. Nine of these 11 states set a limit on the number of board members from a single political party so that members of one party do not dominate a board’s composition. The others do not set limits on the number of board members from a single political party but require that the state’s major political parties are represented. Requirements for political balance should not preclude independent or nonpartisan board candidates.

**Allow a modest number of out-of-state members on public governing boards.** Expanding the pool of potential governing board members who reside outside of the state is not at all unreasonable. Six states allow such a practice. Doing so can provide institutions with access to individuals with important expertise.

**Conclusion**

A strategy to build greater board leadership capacity begins with governors and legislators appointing the most able, experienced, and deserving citizens to institutional and multicampus system governing boards and providing them with the tools and independence to perform their jobs successfully. Elected leaders should not let partisan or ideological considerations outweigh merit criteria when nominating or selecting governing board members. Governors, in particular, must recognize that the appointment of board members represents one of the most important policy tools for maintaining or enhancing vigorous systems of higher education. Such appointments are among governors’ most important legacies to the continued effectiveness, vitality, and sustainability of public colleges and universities.
Building and sustaining effective public governing boards and governance structures can be its own challenge. But having the “right” board(s) with the “right” members in place can create responsive and accountable colleges and universities—to the benefit of higher education and the state and its citizens.
APPENDIX
Statement of Commitment and Responsibilities

Commitment of the Governing Board
1. Briefly state the distinct mission of the institution.
2. Provide oversight and review and approve strategies, policies, and plans for implementation while deferring to the university’s president and administrative staff to manage day-to-day business
3. Ensure sound management of the institution.
4. Attend and participate in the plenary meetings of the board, and actively contribute as a member of the committees of the board.
5. Actively participate in defining and regularly updating a plan for the strategic direction of the institution.
6. Attend public functions such as receptions, programs, and athletic events throughout the year, recognizing the importance of a board “face” at these occasions.
7. Act as stewards of the institution’s mission and values.
8. Where appropriate and permitted within the public meetings laws, maintain confidentiality of sensitive information.
9. Recognize that members do not act as individuals, but as collective members of the board and that their obligations include the avoidance or full disclosure of conflicts of interest, and even the appearance of conflict.
10. The currency of board membership is “trust.” Every effort will be made to ensure there is not a perception that inappropriate benefits and perquisites are given to members in return for their service.
11. Reciprocal to this Statement of Commitment and Responsibilities, the university shall at all times carry in force directors’ and officers’ liability insurance. Such insurance shall include coverage for all members and those who are non-board voting members of committees of the governing board.

From The Governance Committee: Public Institutions, 2019