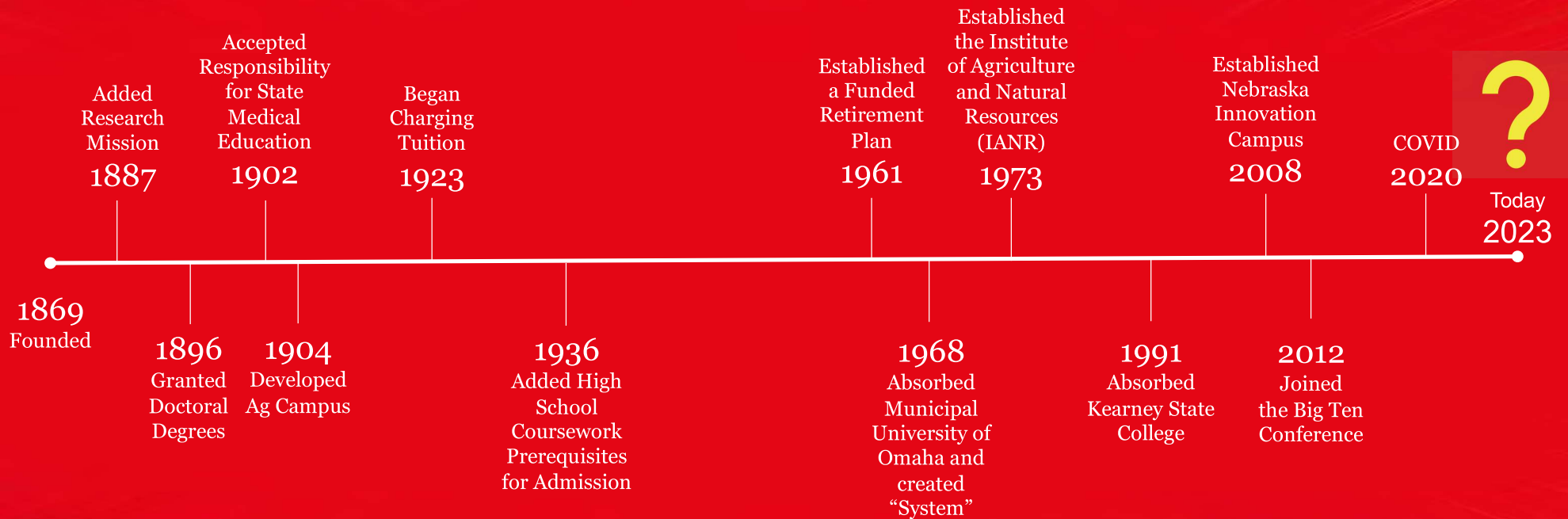


# University of Nebraska

May 31, 2023

# Pivotal Moments



Source: Prairie University: A History of the University of Nebraska by Robert E. Knoll



# Higher Education at a Crossroads?

- / Inflation is driving up payroll and operating costs
- / New and sustained costs associated with the new normal (technology to support hybrid in-person/virtual classes)
- / Muted growth in state funding
- / Demographic challenges: flat to declining high school graduates as birthrates fall
- / Increasing demand for institutional financial aid
- / Federal relief funds drying up
- / Growing impact of social and political issues
- / Evolving employer needs
- / Students' increasing expectations about the services and value higher education should deliver



# Higher Education at a Crossroads?



*"And as we face the demographic cliff over the next five years, that deficit could grow to around \$75 million.... I share that not to alarm but to alert. We need to better understand the reality we face. Keep in mind, the University operates a budget of \$1.3 billion dollars. A \$35-million-dollar deficit equals about 3 percent of our total budget. From a short-term financial perspective, the number is manageable. From a long-term sustainability perspective, it is not unless we budget strategically for the future"*

**- E. GORDAN GEE, PRESIDENT**



*"Our already approved budget for the current year anticipates a gap between recurring expenses and recurring revenues of approximately \$125 million at the end of the fiscal year...I know it feels like we are just emerging from a really hard period, and now I'm sharing additional challenging information. But I wouldn't be here if I didn't believe so deeply in our ability to rise to those challenges and continue to serve the state of New Jersey, the nation and the world."*

**- JONATHAN HOLLOWAY, PRESIDENT**



*"Currently, we have a \$140 million structural budget deficit...In June 2022, the University had \$350 million in reserves to fund commitments of more than \$100 million a year...This budget deficit, the internal and external pressures we face, the exhaustion of our institutional reserves, and the direction of our Board of Trustees have necessitated that we take swift action to ensure Penn State has a bright and thriving future."*

**- NEELI BENDAPUDI, PRESIDENT**



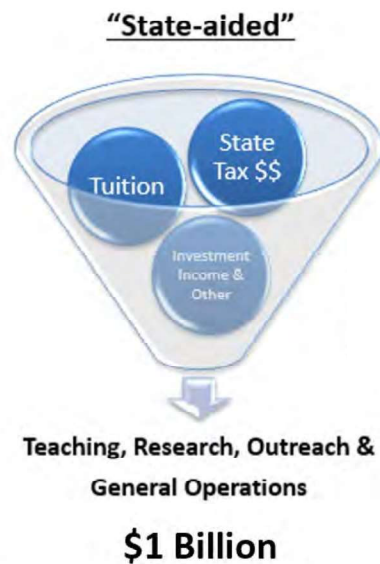
# **Problem Statement #1**

## **Budget**





# STATE-AIDED BUDGET



**State tax dollars and tuition are the  
University's resource foundation**



State Appropriations  
62%

Tuition  
36%

Other  
2%



Compensation  
83%

Utilities  
5%

Other  
12%

# FY2024 & FY2025 Projection Assumptions

- ❑ State funding: 2.5% per year
  - / \$2 million for career scholarships (FY 2024)
  - / \$14.5 million for Rural Health Complex in Kearney operations (FY 2025)
- ❑ Enrollment: Flat
- ❑ Salaries: 3% per year merit pools
- ❑ Health insurance: 10%+
- ❑ Inflation: 5% in FY2024 and 4% in FY 2025
- ❑ New Investments:
  - / Establish Deferred Maintenance Trust Fund: \$2 million per year
  - / Technology enhancements: \$2 million per year
  - / Strategic Opportunities: **ZERO**



# FY2024 & FY2025 Projections

	FY 2024	FY 2025
Total Funding	\$1,028,749,000	\$1,059,856,000
Total Expenses	1,078,139,000	1,139,647,000
New Strategic Investments	-0-	-0-
Net	\$(49,390,000)	\$(79,791,000)

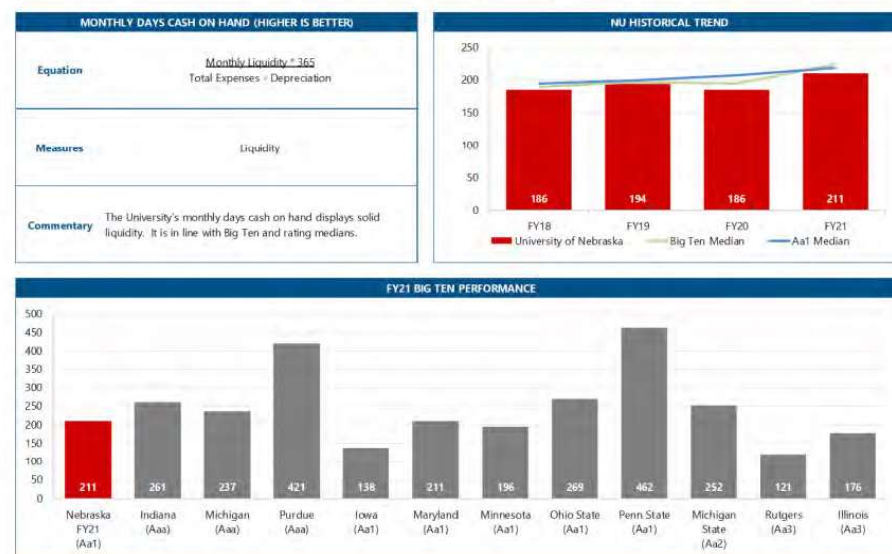




# Cash Reserves

- ❑ NU holds adequate, but not excessive cash
- ❑ Much of our cash is committed
  - Bond collateral
  - Farm operations (seed corn)
- ❑ 34 days of unrestricted cash on hand (\$100 million)
- ❑ Cash provides a runway to manage budget shortfalls, but will not solve our challenge

Metric Performance: Monthly Days Cash on Hand



Source: Moody's Investors Service

Note: University of Wisconsin not included as they are not rated. Northwestern University not included since they are a private institution. FY22 monthly liquidity data not yet available.



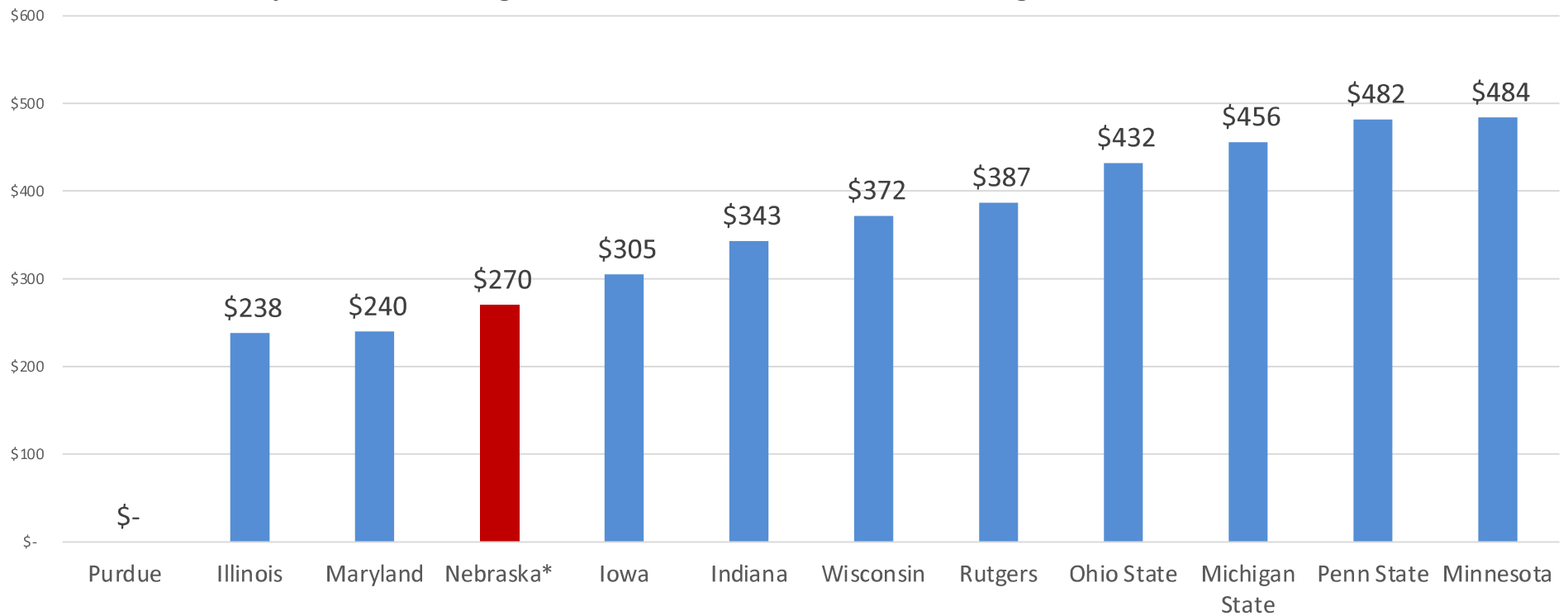
# Tuition Rates



# Estimated Big Ten Tuition Increases

## 2023-24 Academic Year

Projected Assuming 30 Student Credit Hours for Undegrad Resident Students



\*Nebraska assumes a 3.5% rate increase (\$9 per credit hour for UNL resident undergrads). Big 10 peer increases range from 0% to 4%.

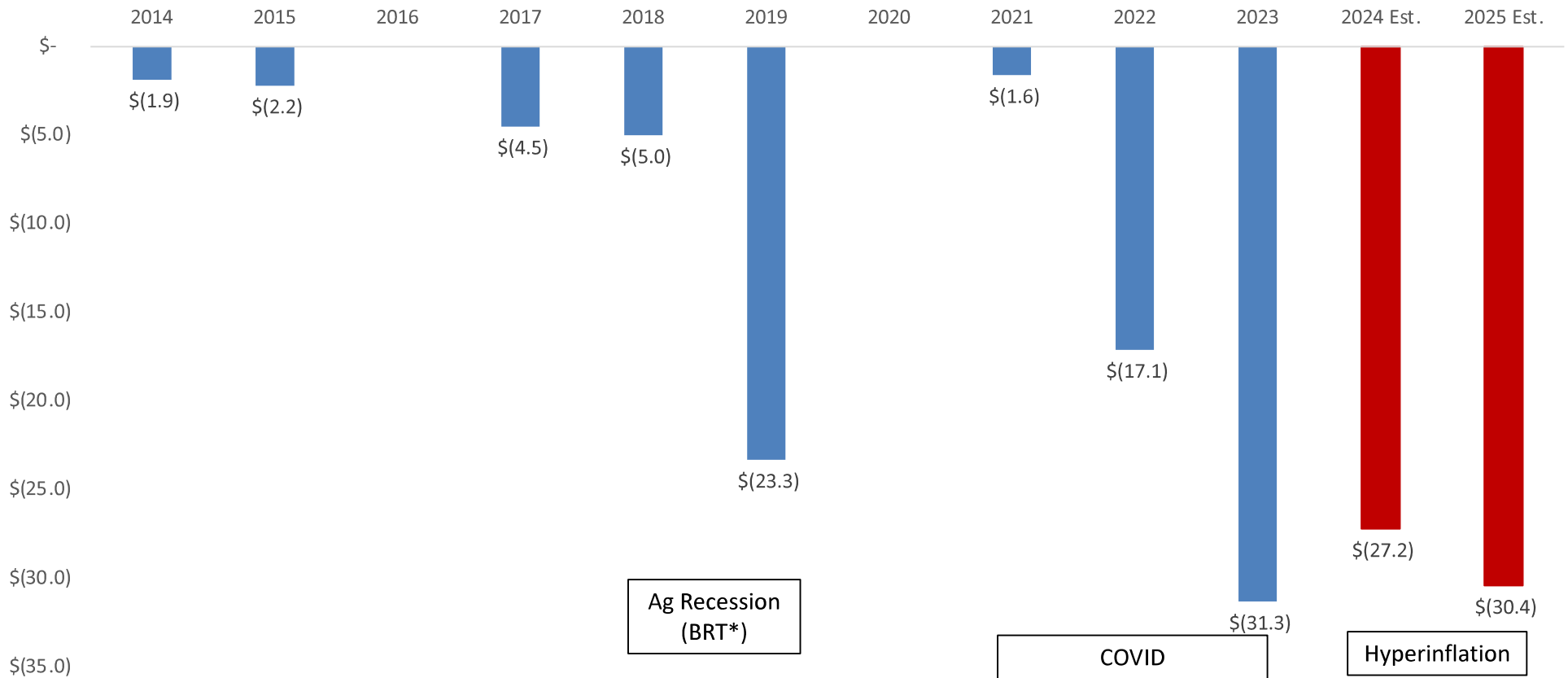
# FY2024 & FY2025 Projections

	FY 2024	FY 2025
Total Funding	\$1,028,749,000	\$1,059,856,000
Total Expenses	1,078,139,000	1,139,647,000
New Strategic Investments	-0-	-0-
Net	\$(49,390,000)	\$(79,791,000)
Cuts in Progress (UNL APC)	10,770,000	10,770,000
Proposed Tuition Rate Increase*	11,423,000	11,423,000
Net Shortfall	\$(27,197,000)	\$(57,598,000)

\*No tuition rate increase assumed for FY 2025 at this time



# Historical Budget Shortfalls



\*BRT refers to Budget Response Teams and the strategy to consolidate back-office functions such as IT, procurement, and facilities to protect academic programs



# **Problem Statement #2**

## **Performance Trends**



# University Mission Sets

The University of Nebraska is a major institution of higher education, consisting of four unique campuses, which serves the state, the nation, and the world through three fundamental missions of teaching, research, and service. Teaching, research, and service are all important activities for University faculty, and all three are valued at the University of Nebraska.

1. Teaching
  - a. Undergraduate or first-professional-level students
  - b. Postgraduate and postdoctoral education
2. Research and the continued pursuit of new knowledge in diverse areas of special interest and benefit to Nebraska
3. Opportunities for life-long learning and statewide outreach

# Enrollment & Student Outcomes

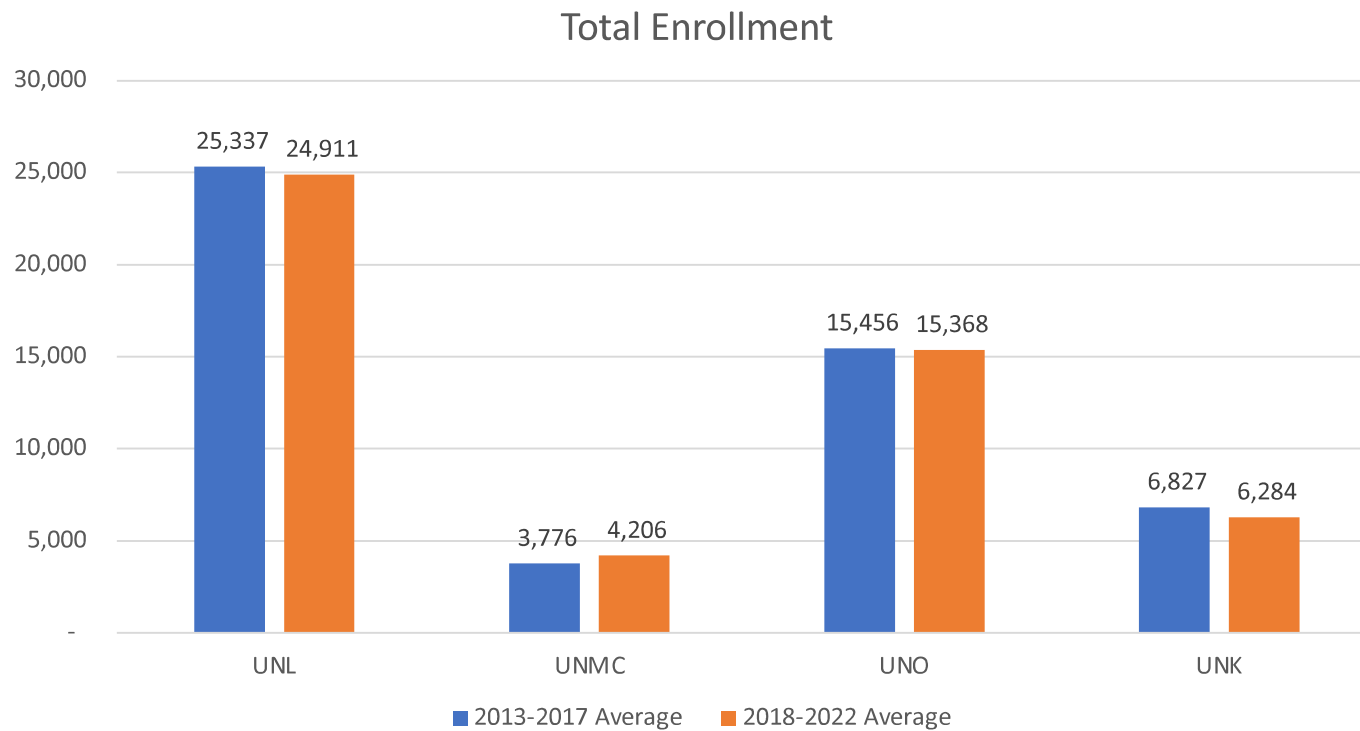


# Headcount Enrollment

<p style="text-align: center;"><b><u>UNL</u></b></p> <ul style="list-style-type: none"> <li>• Total High: 26,079 (2017)</li> <li>• Total Current: 23,805</li> <li>• Undergraduate High: 20,954 (2017)</li> <li>• Undergraduate Current: 19,189</li> </ul>	<p style="text-align: center;"><b><u>UNMC</u></b></p> <ul style="list-style-type: none"> <li>• Total High: 4,406 (2022)</li> <li>• Total Current: 4,406</li> </ul>
<p style="text-align: center;"><b><u>UNO</u></b></p> <ul style="list-style-type: none"> <li>• Total High: 15,717 (2017)</li> <li>• Total Current: 15,065</li> <li>• Undergraduate High: 12,768 (2020)</li> <li>• Undergraduate Current: 12,031</li> </ul>	<p style="text-align: center;"><b><u>UNK</u></b></p> <ul style="list-style-type: none"> <li>• Total High: 8,374 (1992)</li> <li>• Total Current: 6,041</li> <li>• Undergraduate High: 5,805 (1999)</li> <li>• Undergraduate Current: 4,269</li> </ul>

Sources: Enterprise Data Solutions; Offices of Institutional Research  
Period: Census

# Headcount Enrollment

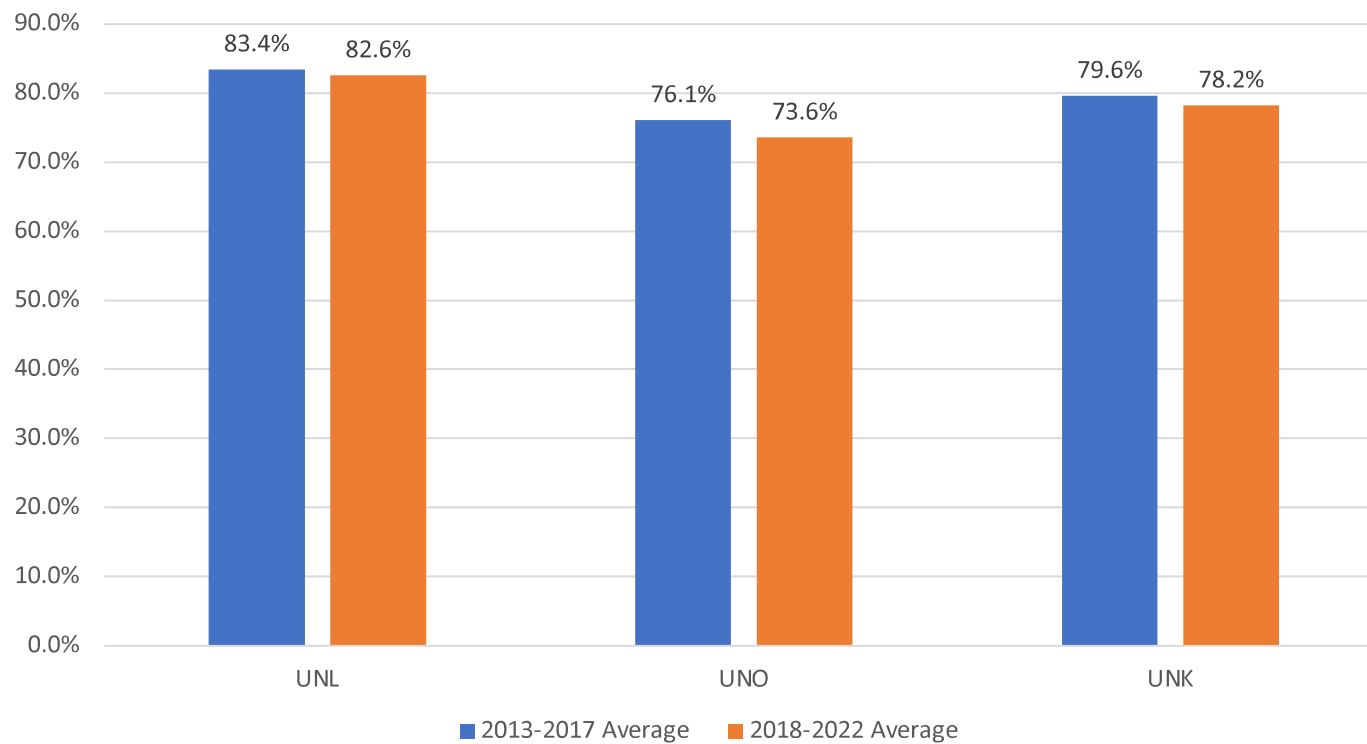




# First-to-Second Year Retention

<b><u>UNL</u></b> <ul style="list-style-type: none"><li>• High: 85.0% (2020)</li><li>• Current: 81.7%</li></ul>	<b><u>UNMC</u></b>
<b><u>UNO</u></b> <ul style="list-style-type: none"><li>• High: 77.9% (2016)</li><li>• Current: 73.7%</li></ul>	<b><u>UNK</u></b> <ul style="list-style-type: none"><li>• High: 85.0% (2002)</li><li>• Current: 74.3%</li></ul>

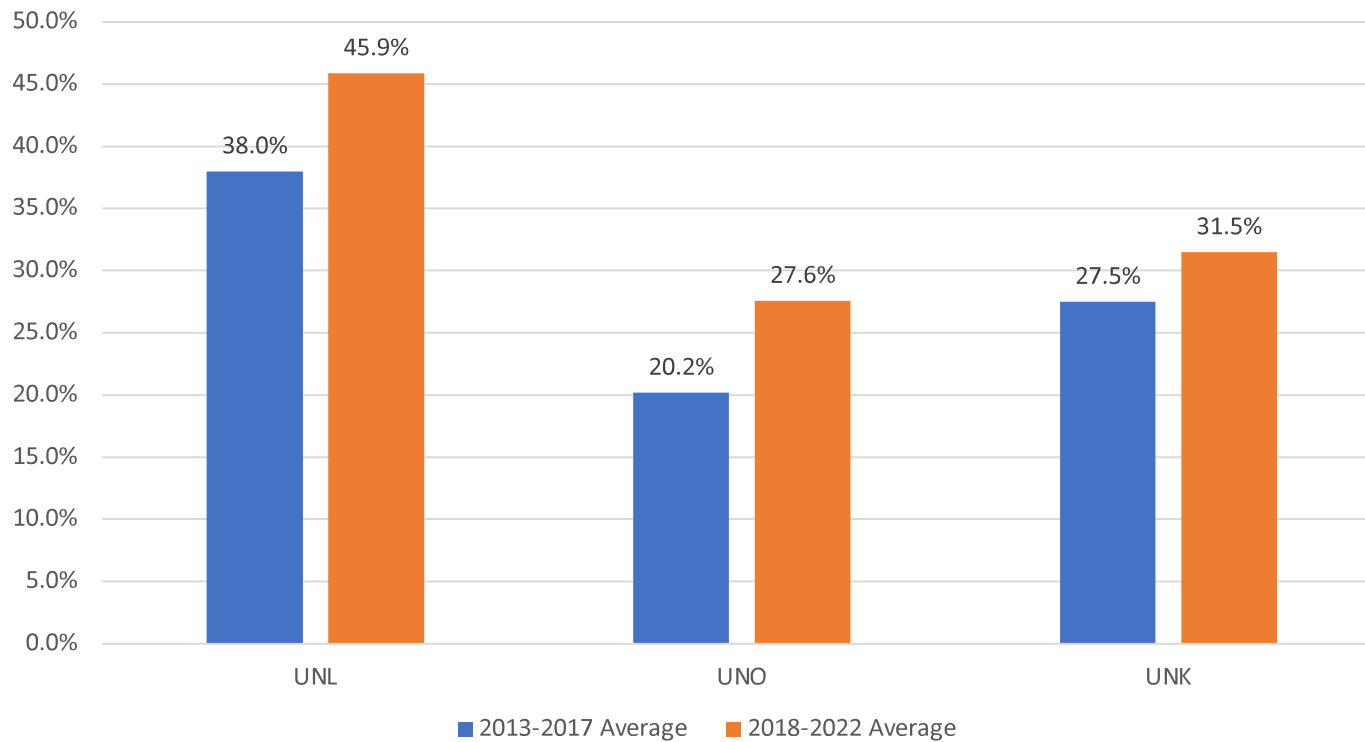
# First-to-Second Year Retention



# Four-Year Graduation Rates

<b><u>UNL</u></b> <ul style="list-style-type: none"><li>• High: 47.9% (Reported 2022)</li><li>• Current: 47.9%</li></ul>	<b><u>UNMC</u></b>
<b><u>UNO</u></b> <ul style="list-style-type: none"><li>• High: 27.8% (Reported 2019)</li><li>• Current: 27.2%</li></ul>	<b><u>UNK</u></b> <ul style="list-style-type: none"><li>• High: 34.8% (Reported 2021)</li><li>• Current: 33.0%</li></ul>

# Four-Year Graduation Rates

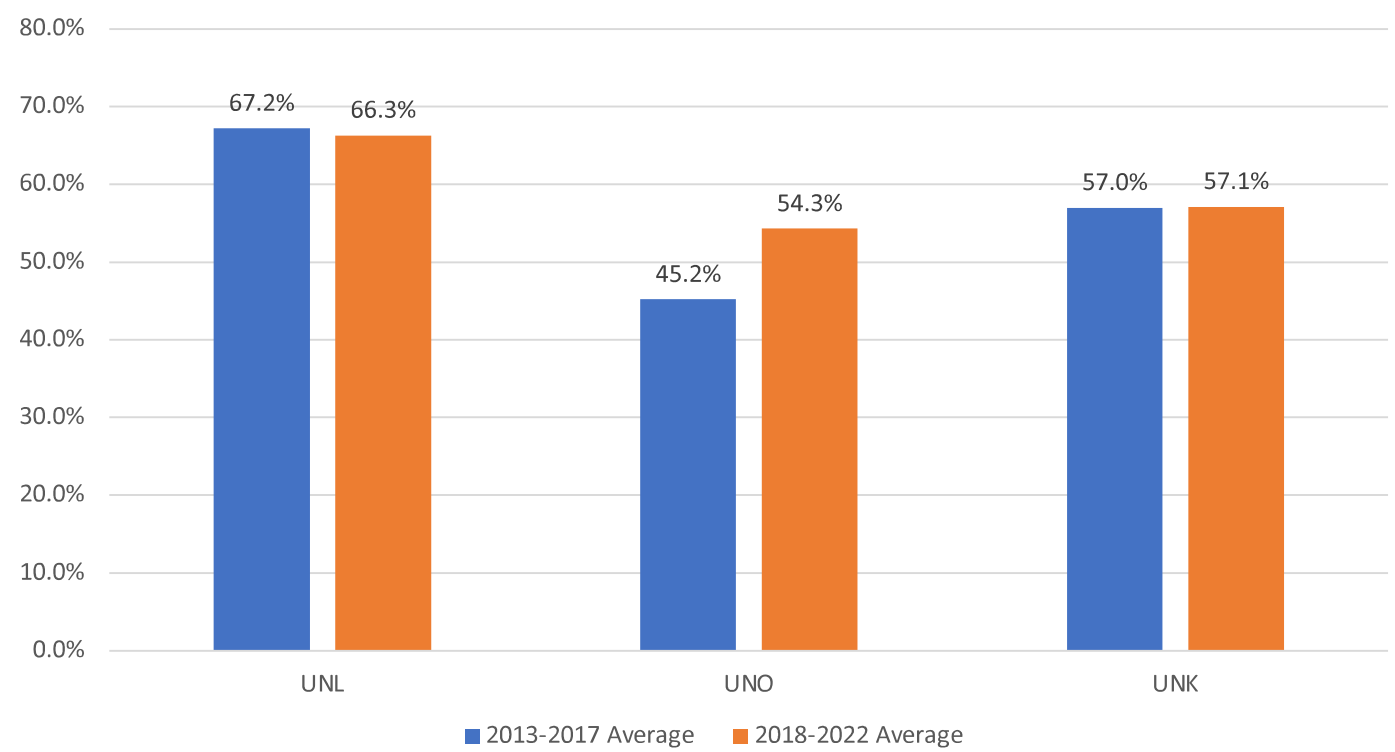


# Six-Year Graduation Rates

<b><u>UNL</u></b> <ul style="list-style-type: none"><li>• High: 68.8% (Reported 2018)</li><li>• Current: 64.8%</li></ul>	<b><u>UNMC</u></b>
<b><u>UNO</u></b> <ul style="list-style-type: none"><li>• High: 58.4% (Reported 2021)</li><li>• Current: 58.4%</li></ul>	<b><u>UNK</u></b> <ul style="list-style-type: none"><li>• High: 61.3% (Reported 2017)</li><li>• Current: 54.1%</li></ul>



# Six-Year Graduation Rates

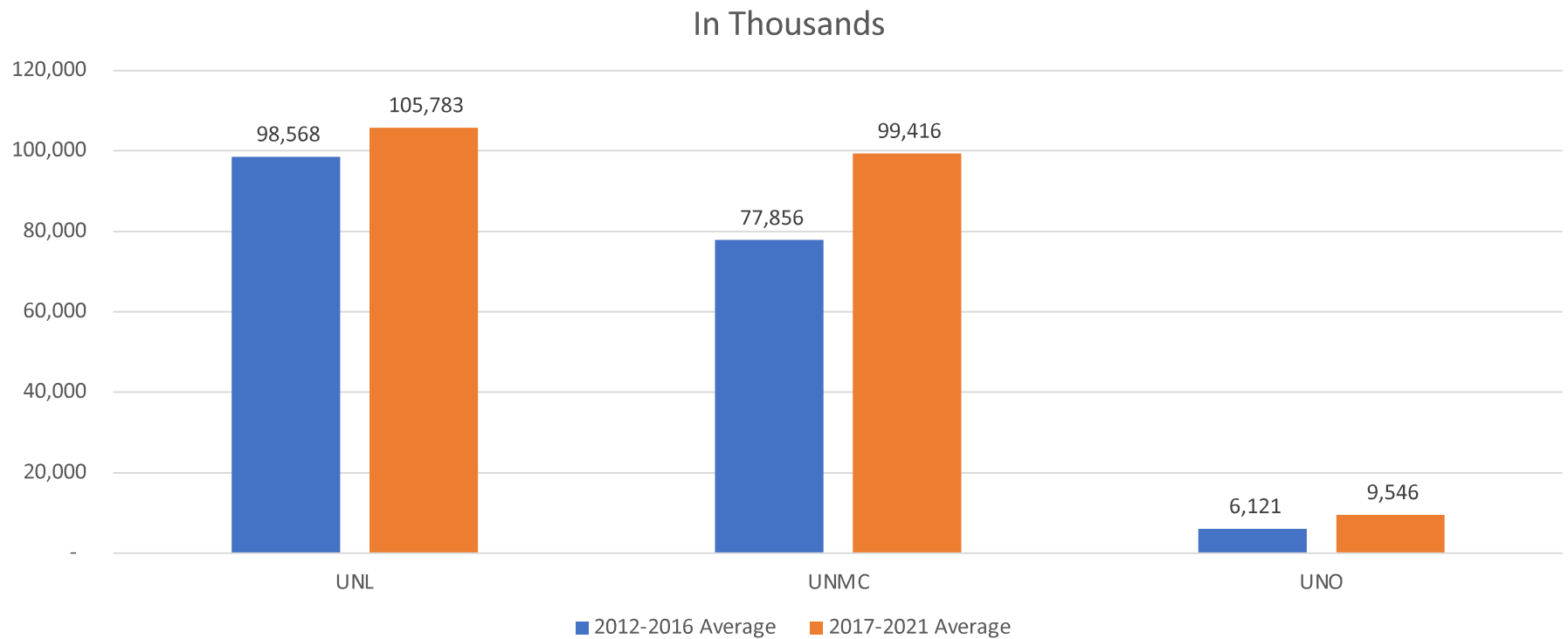


Sources: Common Data Set

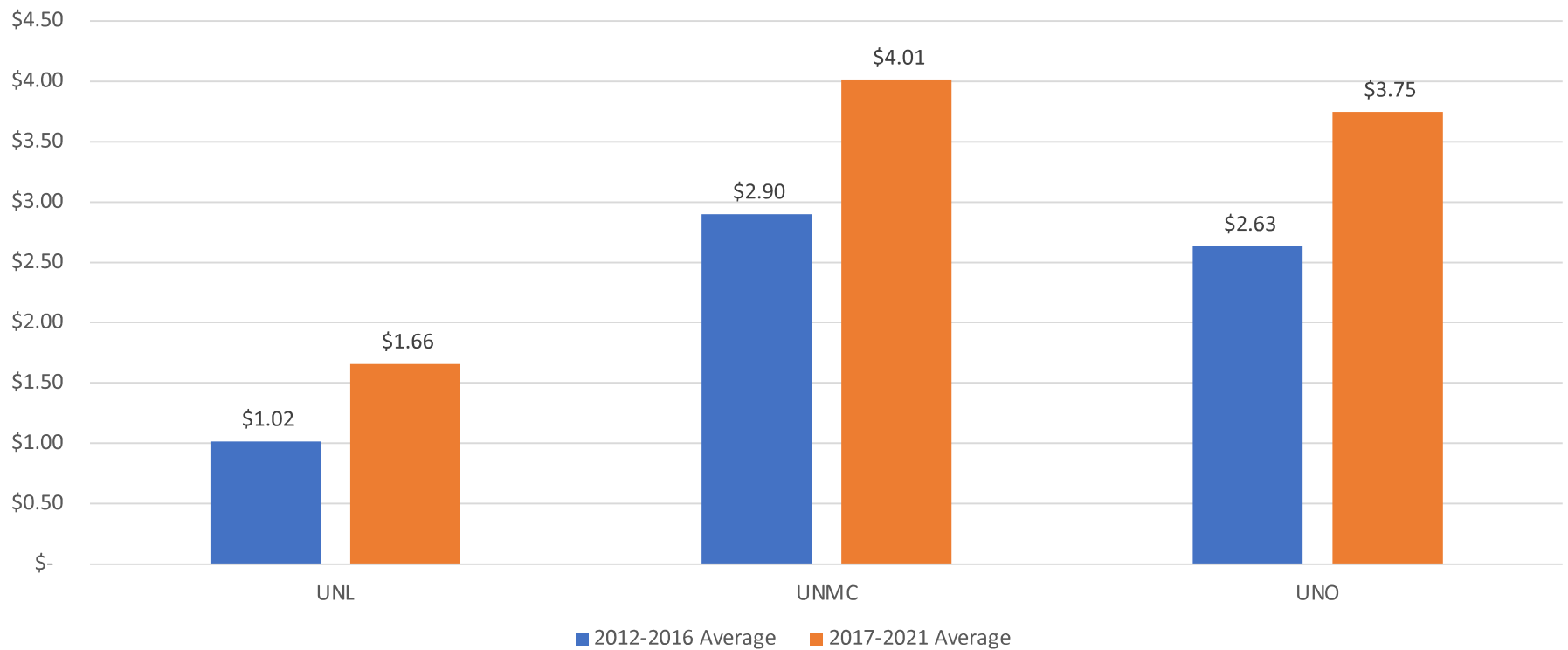
# Research



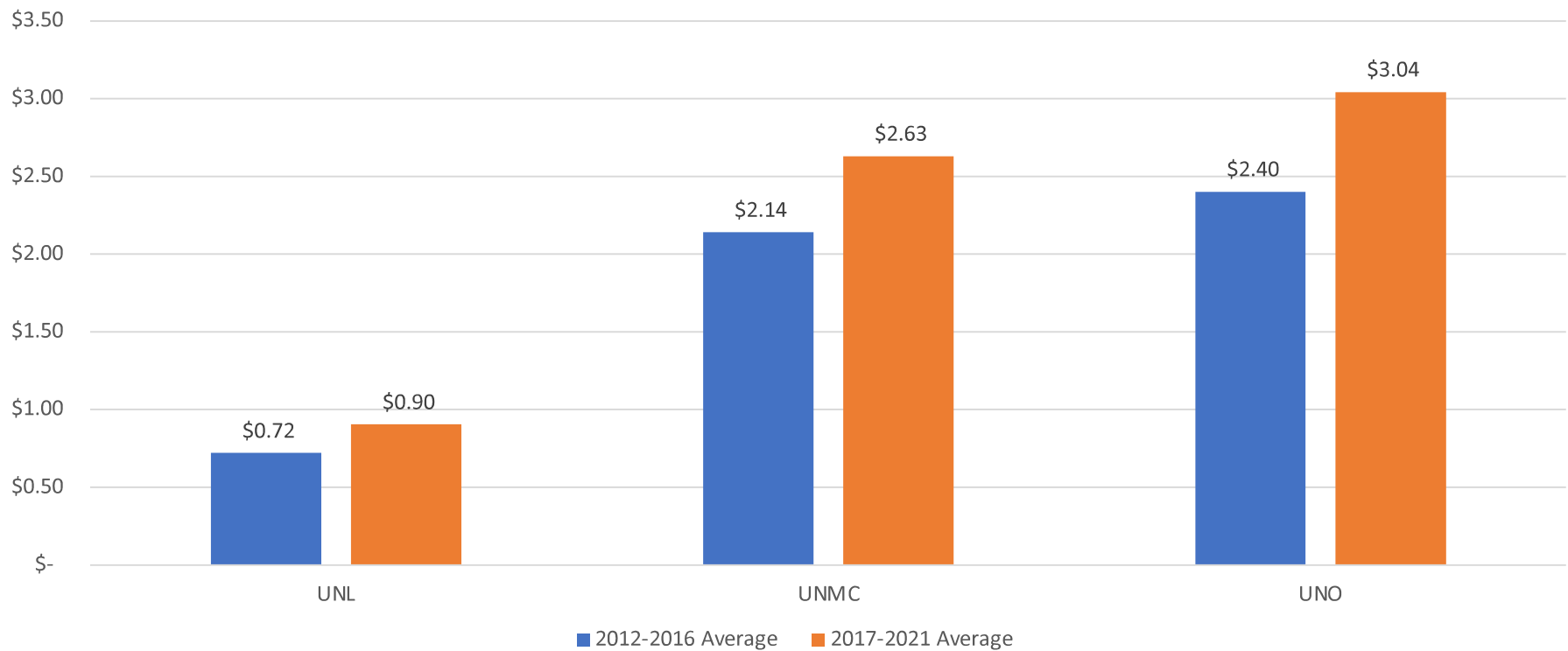
# Federal Research Expenditures



# Extramural Support per Institutional \$



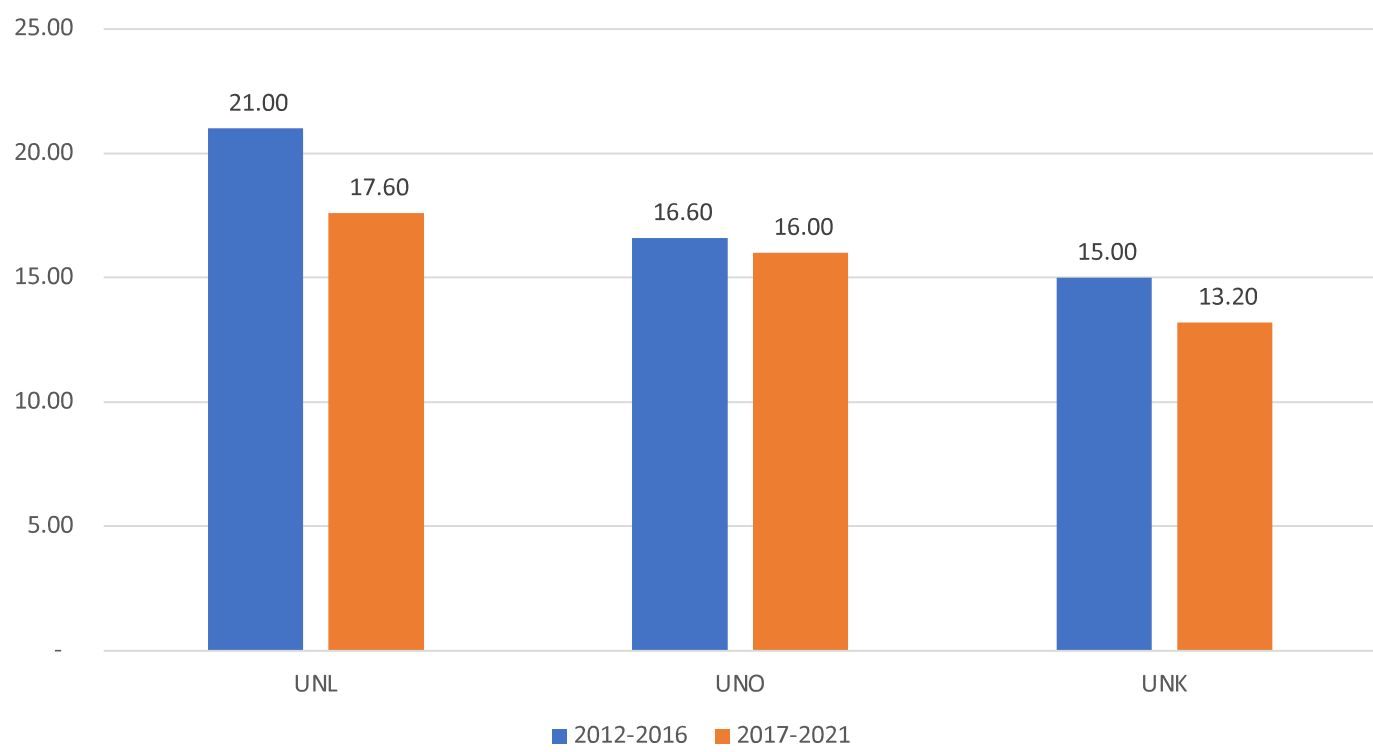
# Federal Support per Institutional \$



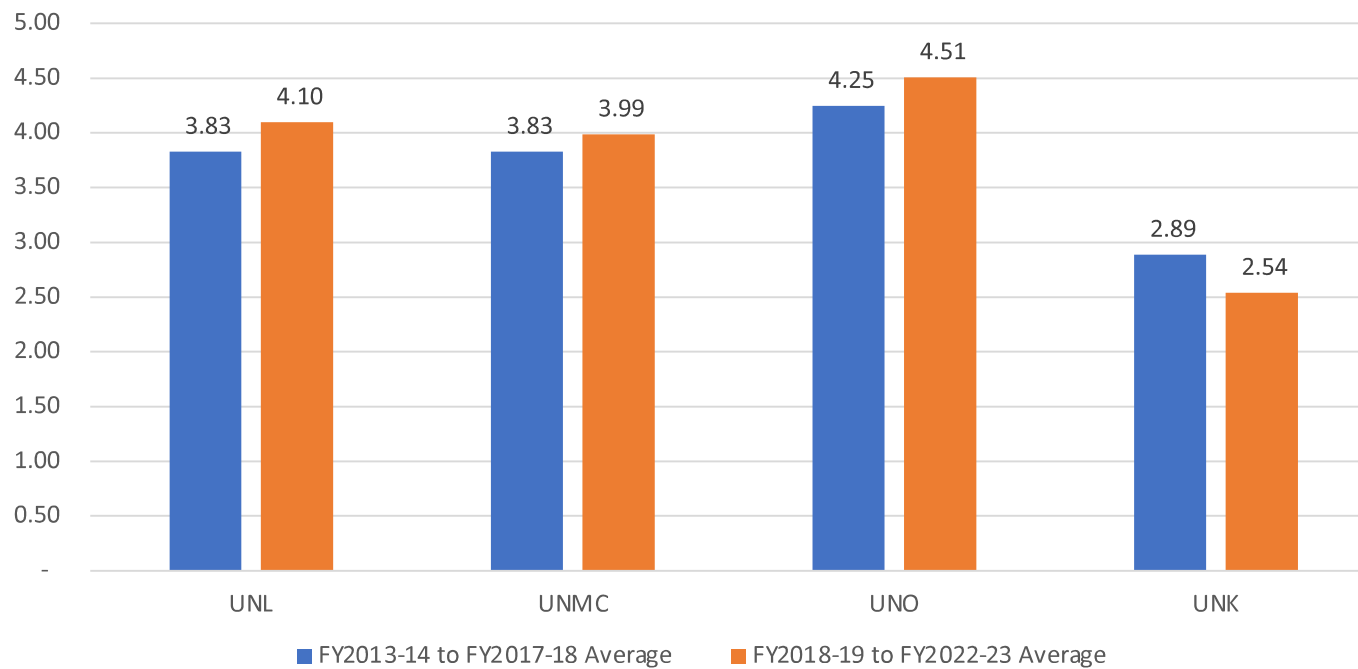
# Operational



# Student to Faculty Ratio



# Revenue Generated per General Fund Dollar



Sources: General Operating Budgets



# Key Points



# Key Points

1. NU's long-term budget and operating model is unsustainable
  - Macroeconomic headwinds expected to continue beyond two years
2. External help is not coming
  - Muted state funding growth
  - Demographic challenges: flat to declining high school graduates
3. Continuing to “peanut-butter” budget reductions across the University weakens the entire institution



