Minnesota State
Board of Trustees

AGENDA ITEM SUMMARY

NAME: Finance and Facilities Committee **DATE:** January 23, 2024

TITLE: College and University Financial Performance Update

☐ Proposed New Policy or Amendment to Existing Policy ☐ Approvals Required by Policy ☐ Other Approvals

☒ Monitoring/Compliance ☐ Information

PRESENTERS
Bill Maki, Vice Chancellor for Finance and Facilities
Metody Popov, Interim System Director for Financial Reporting
Steve Ernest, System Director for Financial Planning and Analysis

PURPOSE
This item provides a review of the Minnesota State fiscal year 2023 and fiscal year 2022 financial statement results and a report on college and university fiscal year 2023 financial health indicators per Board Procedure 7.3.16.

BACKGROUND INFORMATION
In November, the system's Audited Financial Statements for fiscal year 2023 were presented to the Audit Committee. This annual report will briefly recap the 2023 financial statement results, provide an update on system enrollment, and present the 2023 financial health indicator results as provided for in System Procedure 7.3.16.

FISCAL YEAR 2023 FINANCIAL STATEMENT RESULTS

As was presented to the board in November, the Audited Financial Statements for fiscal year 2023 showed that the overall long-term financial condition of the system remained stable. Overall, the system's financial position increased by $84.4 million in fiscal year 2023. Excluding the effects of GASB Statements No. 68 and No. 75, the system's net position decreased by $64.0 million, 2.6 percent, for fiscal year 2023. This follows a net position increase of $60.5 million, or 2.5 percent, for fiscal year 2022. Changes in the main revenue and expenditure areas include the following.

- Income (loss) before other revenues, expenses, gains, or losses, experienced gains of $61.6 million and $221.3 million in fiscal years 2023 and 2022, respectively. This compares to a loss of $20.0 million in fiscal year 2021. Excluding the effects of GASB Statements No. 68 and No. 75, the system experienced a loss of $86.9 million in fiscal year 2023. This follows a gain of $25.1 million in fiscal year 2022 and a loss of $6.6 million in fiscal year 2021.

- Compensation, the largest cost category in the system, increased $106.9 million, or 9.1 percent, in fiscal year 2023. This follows decreases of $232.5 million, or 16.5 percent, and $9.1 million, or 0.6 percent, in fiscal years 2022 and 2021 respectively. Excluding the GASB Statements No. 68 and No. 75 adjustments, the net increase in compensation was $57.5 million, or 4.2 percent, in fiscal year 2023. This follows decreases in compensation of $21.3 million, or 1.5 percent, and $4.8 million, or 0.3 percent in fiscal years 2022 and 2021 respectively. This cost constitutes 67.5 percent of the system's fiscal year 2023 total operating expenses, compared to 62.3 percent for fiscal year 2022.

- The state appropriation and tuition charged to students are the system's two largest revenue sources. The state appropriation decreased by $4.7 million, or 0.6 percent, in fiscal year 2023 following a 3.6 percent increase in fiscal year 2022.

- Gross tuition revenue increased $2.1 million, or 0.3 percent, in fiscal year 2023. This is compared to decreases of $9.3 million, or 1.2 percent, and $27.3 million, or 3.5 percent, in fiscal years 2022 and 2021, respectively. Undergraduate tuition rates for two-year colleges increased by 3.4 percent on average and for state universities increased by 3.5 percent in fiscal year 2023. This follows tuition rates increasing 3.3 percent at two-year colleges and 3.5 percent at state universities in fiscal year 2022.

- The number of full year equivalent students is a significant factor driving both tuition revenue and operating expenses. The number of full year equivalent for credit students in fiscal years 2023, 2022 and 2021 totaled 105,497, 108,034, and 115,758, respectively. Enrollment in fiscal year 2023 decreased 2.3 percent from fiscal year 2022. This follows an enrollment decrease of 6.7 percent between fiscal year 2022 and 2021.

- Federal grants decreased by $250.9 million, or 43.3 percent in fiscal year 2023 compared to fiscal year 2022, following an increase of $171.8 million, or 42.1 percent in fiscal year 2022 compared to fiscal year 2021. The fiscal year 2022 increase is attributable to Higher Education Emergency Relief Fund (HEERF I, II and III) grant revenue, while the decrease for fiscal year 2023 is primarily due to the conclusion of the HEERF grants.

- Financial aid expense decreased by $159.6 million or 68.2 percent in fiscal year 2023 compared to fiscal year 2022, following an increase of $127.4 million or 119.6 percent in fiscal year 2022 compared to fiscal year 2021. The fiscal year 2022 increase is attributable to additional financial aid disbursements to students financed by HEERF grant revenue, while the fiscal year 2023 reduction reflects the reduction in those HEERF disbursements due to the conclusion of the HEERF grants.

- Total debt supporting the system's capital asset investment programs decreased in fiscal year 2023 by $31.5 million to a total of $447.0 million, a 6.6 percent decrease. This decrease was primarily due to the repayment of general obligation and revenue bonds of $35.7 million. The decrease was offset by a net increase of $11.2 million related to leases and subscriptions.

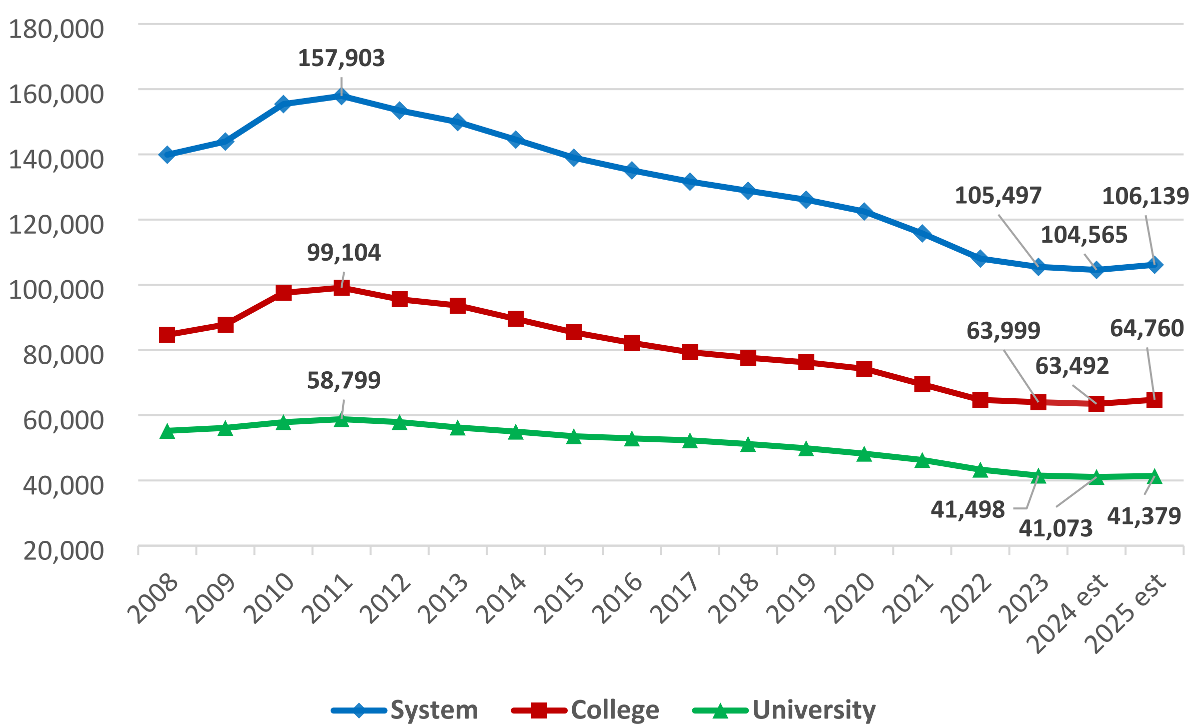
- The system has been building up its cash in fiscal years 2021, 2020, and 2019 to adopt a new Enterprise Resource Planning (ERP) system which began implementation in fiscal year 2021. Expenses outpaced revenues by $10.5 and $4.0 million in fiscal years 2023 and 2022 respectively.

Overall, the adjusted operating margin for the period was a loss of $86.9 million. The most significant component of this was the decrease in federal grants. Tuition revenues for fiscal year 2023 did show a modest increase.

ENROLLMENT

Graph 1 shows the most recent projections of enrollment, from October 2023, together with historical levels back to 2008. This graph shows that the system was already experiencing a decade-long decline in enrollment before the March 2020 pandemic.

Graph 1. Historical and Projected Enrollment for the System



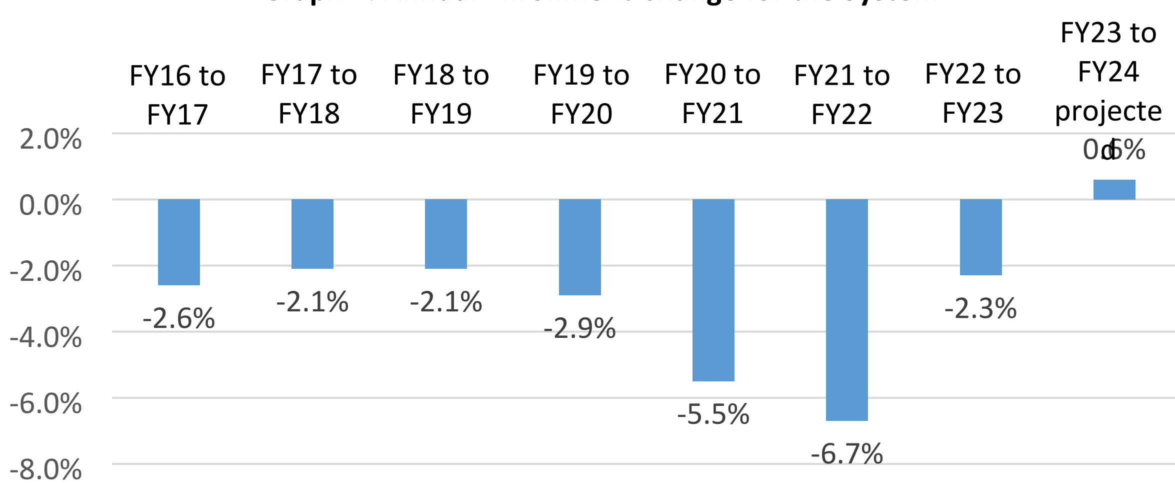
Efforts to analyze and address enrollment patterns are complex due to the multitude of factors that impact them such as demographics, the labor market, and the pandemic. Influences on enrollment trends after the pandemic are different from what they were before the pandemic.

Patterns both in employment opportunities and in higher education offerings have changed. Changes in educational offerings seek to meet post-pandemic workforce challenges while continuing to provide students with a high-quality education that will ensure their own continued success as workforce needs continue to evolve in the years to come.

At the November meeting of the board, a wide variety of strategies were identified to address enrollment concerns. At the system level, these include the maturation of strategic enrollment management infrastructure and building campus capacity; addressing policy barriers; sharing and scaling best practices; and expanding technology and the data analysis infrastructure. Campus strategies include expanding recruitment and retention efforts; augmenting student support; expanding partnerships; and leveraging technology. These strategies will support the colleges and universities in responding to a competitive enrollment environment, maximizing new investments in student financial aid, and in making progress toward our Equity 2030 goals.

Graph 2 shows that year-to-year enrollment change rates at the system level did go back to a pre-pandemic level of -2.3 percent in fiscal year 2023. For fiscal year 2024, the latest projections indicate that the system should start to gain back some of the enrollment lost during the pandemic.

Graph 2. Annual Enrollment Change for the System



While most colleges and universities are projecting stable or increasing numbers for fiscal year 2024, enrollment will continue to be one of the most important variables in maintaining financial health.

SYSTEM PROCEDURE 7.3.16

System Procedure 7.3.16 facilitates the board's financial administration of the system by annually monitoring key financial metrics and assessing those results within the larger managerial environment at colleges and universities. Metrics address enrollment levels, fund balance health, and certain facilities-related obligations. Several metrics are derived directly from the year-end financial statements.

As a result of the past year's regular review of procedure 7.3.16, several amendments were made to the procedure and are newly implemented in this year's report. The amendments were made to provide additional insight into the financial health of both the General Fund and the Revenue Fund.

The first change was to remove the budget-to-actual measure of enrollment. This measure was triggered for follow-up information if actual enrollment was more than two percent lower than the assumption used in the year's initial operating budget materials. This trigger put the focus on changes from projections—projections that were made months before the year even began—rather than a more balanced focus on how the institution adjusted its plans in light of those changes.

Taking a more balanced approach, a measure was added to assess how much of an institution's year-end General Fund balance was planned to be spent in the coming year's operating budget. Building on the existing measure of year-end General Fund balance, the new measure is triggered based in part on how strong an institution's year-end fund balance is as compared to the prior year's revenues: the stronger the fund balance is, the more an institution can budget for ongoing operations without triggering the new measure for follow-up action. This new measure replaced a prior measure of decrease in General Fund balance, which was triggered by a ten percent drop over three years regardless of the reason. Focusing the balance use analysis on ongoing operations is more meaningful because, for example, it is not triggered by one-time non-operating expenses like capital projects which may have been planned and anticipated for many years.

In response to challenges related to user revenue supported facilities, two additional financial ratio measures have been added to System Procedure 7.3.16 to look specifically at the health of the Revenue Fund. The two measures now included are the change in unrestricted net position and the maximum annual debt service coverage. The first ratio measures the profit or loss for the year net of accrued obligations. The second ratio measures the ability of the fund's net operating income to pay the fund's debt obligations for the year.

It is important to note that these two new measures only apply to the seven universities and eight colleges that currently have Revenue Fund activity. The Revenue Fund is used to account for the revenues, expenses, and net position of revenue producing facilities, which are supported through usage. Through this fund, the Board uses its authority to sell revenue bonds to finance the acquisition, construction, and renovation of revenue-producing facilities. Generally, these facilities are required to have fees that generate sufficient revenue to pay debt service, operate, equip, maintain, and repair the facilities. Revenue fund facilities include residence halls, student unions, some parking facilities, health/wellness centers, and a few other facilities. Table 1 shows the institutions and types of facilities in the Revenue Fund at each. Chart 1 shows the relative size of each institution's activity in the Revenue Fund. The bulk of the activity in this fund is at universities, which have more extensive facilities for student housing, food service, athletics, and so on.

Table 1. Colleges and Universities in the Revenue Fund

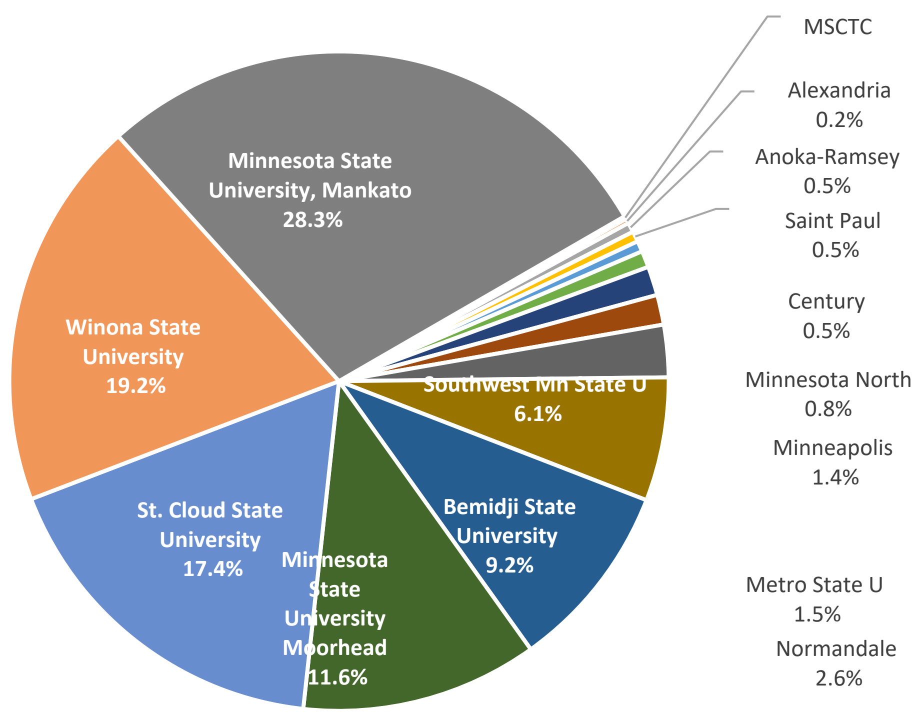
INSTITUTIONS	Student Housing	Student Union	Parking	Wellness	Other
Universities					
Bemidji State University	X	X			
Metropolitan State University		X	X		
Minnesota State University, Mankato*	X	X			X
Minnesota State University Moorhead	X	X		X	
St. Cloud State University**	X	X	X		X
Southwest Minnesota State University	X	X			
Winona State University	X	X		X	
Colleges					
Alexandria Technical and Community College			X		
Anoka Ramsey Community College, Coon Rapids				X	
Century College			X		
Minneapolis College		X	X		
Minnesota State Community & Technical College, Moorhead				X	
Normandale Community College		X	X		
Saint Paul College			X		
Minnesota North College, Vermilion Campus	X				

* "Other" - recreational athletic fields and Sports Dome

** "Other" - Herb Brooks National Hockey Center

Chart 1. Percent of Total Revenue Fund Use (Expenditures, Depreciation & Amortization) Fiscal Year 2023 By College and University with Activity in the Fund

Because of aging infrastructure and lower numbers of students using facilities, financial



challenges began before the pandemic happened in 2020 but were also exacerbated by enrollment losses and the increase in the delivery of virtual services. Both of the new measures have already been calculated for the Revenue Fund in past years at the system level as part of ongoing reporting to national credit rating agencies.

The importance of this monitoring activity was underscored in a 2021 credit opinion from Moody's, which stated that debt service coverage from the net revenue pledge of the system's Revenue Fund, which relies on auxiliary revenues and various student fees, has narrowed notably and that unrestricted Revenue Fund reserves are critical to offset thin and reduced debt service coverage.

Finally, the trigger level for the annual adjusted Composite Financial Index (CFI) score was increased from 0.5 to 1.0 as an attempt to address potential concerns sooner rather than later. This measure is explained in detail below.

Incorporating the above changes to the procedure, this report will cover the following measures of financial health.

- A. Full-Year Equivalent Enrollment Change
- B1. Year-End Fund Balance – General Fund
- B2. Use of Fund Balance to Balance the Annual Operating Budget – General Fund
- C1. Adjusted Composite Financial Index – All Funds (annual and 2-year average)
- C2. Change in Unrestricted Net Position – Revenue Fund (annual and 2-year trend)
- C3. Maximum Annual Debt Service Coverage – Revenue Fund

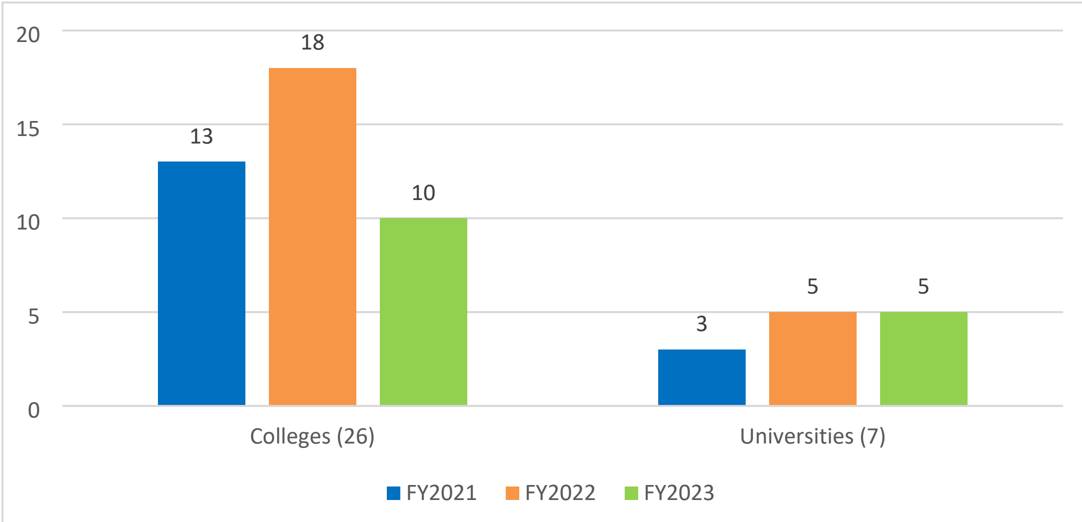
The following sections provide a description of each measure, the trigger point(s) at which each measure requires a college or university to provide response information, and the results for the measure for fiscal year 2023.

A. FULL-YEAR EQUIVALENT ENROLLMENT CHANGE

Because of the primary importance of enrollment to an institution's financial health, the first financial health indicator identified in System Procedure 7.3.16 measures enrollment change over time. This indicator is measured in Full Year Equivalent (FYE) students in order to roughly equate each FYE to a more equivalent amount of tuition revenue. This measure is only one aspect of the broader subject of strategic enrollment management, which takes into consideration individual students, student demographics, academic programs, financial aid, student support programs, and many other factors. This measure compares FYE enrollment in fiscal year 2023 to enrollment in fiscal year 2021. For this measure, institutions trigger follow-up action if enrollment has declined more than eight percent over the past two years.

Graph 3 shows that ten colleges and five universities triggered this measure for fiscal year 2023. While colleges and universities have seen enrollment levels increasing compared to pandemic-related lows, the fact that these numbers cover two years means they lag behind recent numbers where many institution's enrollments have stabilized or grown in fiscal year 2024.

Graph 3. Enrollment Decline of More than 8% Over 2 Years (Measure A)

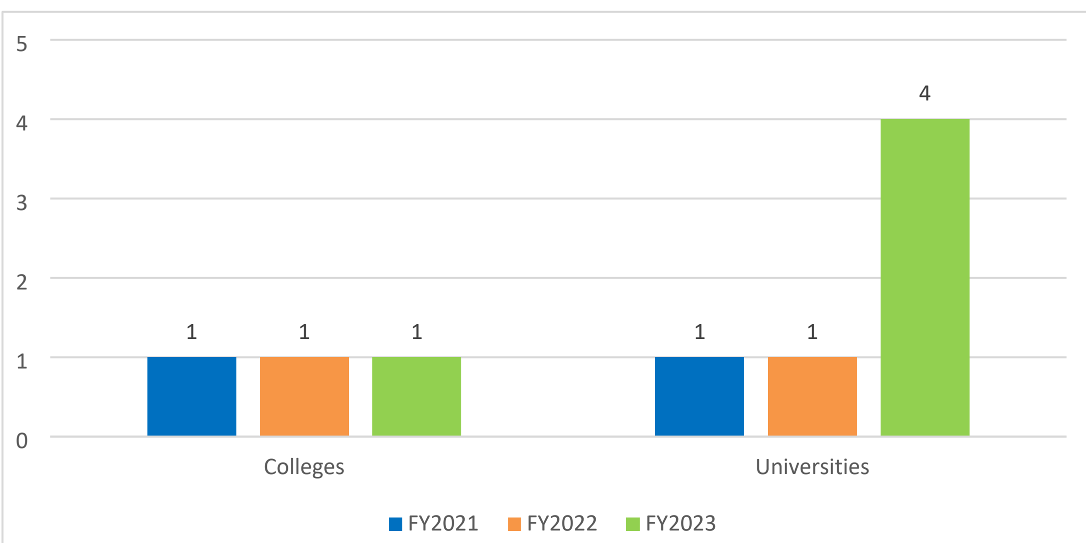


No new colleges or universities are included this year that were not included last year, and eight colleges that triggered last year did not trigger this year. Though these numbers show improvement, long-term enrollment trends that began before the pandemic still have effects on enrollment that will continue to challenge institutions going forward.

B1. YEAR-END FUND BALANCE – GENERAL FUND

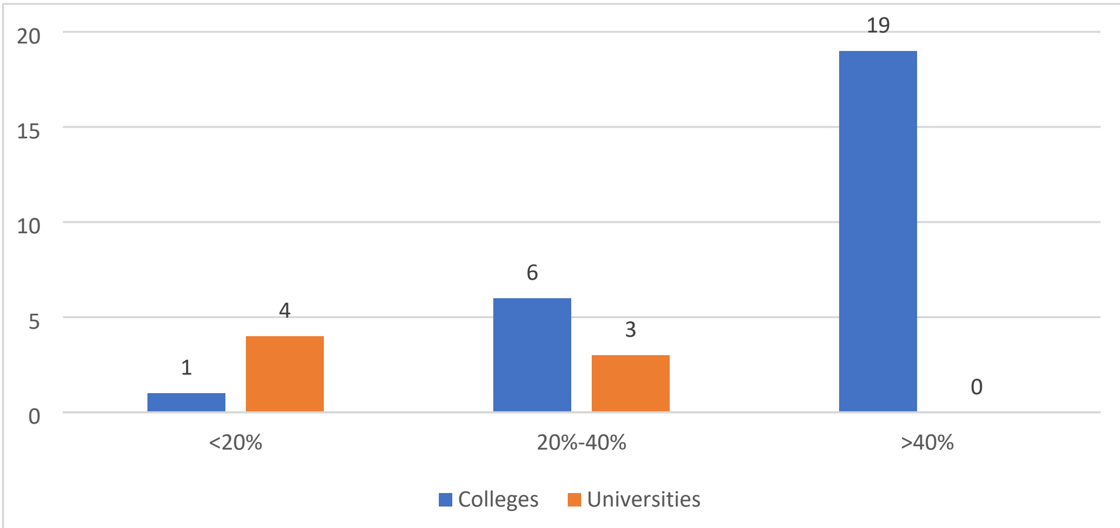
The next area of financial health focused on is cash balances in the General Fund at the end of the year. For this measure, institutions trigger follow-up action if the cash balance is less than twenty percent of the General Fund revenue in that year. As shown in Graph 4, one college and four universities triggered this measure for fiscal year 2023, the same college and university that triggered last year plus three additional universities.

Graph 4. Fund Balance Less Than 20 Percent of Annual Revenues (B1)



As shown in Graph 5, six colleges and the other six universities had fund balances between twenty and forty percent, while a majority of colleges (nineteen of the twenty-six) had cash balances equal to more than forty percent of the revenue they realized in fiscal year 2023.

Graph 5. Fund Balance as Percent of Annual Revenues (B1)



There are many reasons for colleges and universities to need to preserve a certain amount of fund balance, especially for emergencies but also for planned strategic investments such as large facilities/technology projects or academic program development. The two measures included in System Procedure 7.3.16 are year-end fund balance as a percentage of revenues into the fund during the year, and the percentage of that fund balance that is budgeted to be used for general operating purposes in the coming year.

B2. USE OF FUND BALANCE IN THE ANNUAL OPERATING BUDGET – GENERAL FUND

The second measure in subpart B measures the percentage of the year-end fund balance that is budgeted to be spent on ongoing operations in the coming year. For this measure, the trigger for follow-up action depends on each institution's year-end fund balance as measured by measure B1, above. If the institution has a B1 below 30 percent, reducing the year-end fund balance by 5 percent or more would trigger follow-up action. If the institution has a B1 between 30 and 50 percent, reducing the year-end fund balance by 10 percent or more would trigger follow-up action.

For planned use of fiscal year 2023 year-end fund balance in fiscal year 2024 budgets, no college or university triggered this measure for follow-up. This is not surprising, however, because $50 million in one-time state appropriation for operation support was all distributed to colleges and universities in fiscal year 2024 and our base state appropriation has historically been front-loaded in the first year of a new biennium. Last year three institutions would have triggered this new measure had it been included at that time. It is expected that this measure will provide valuable information in assessing financial health going forward.

C1. ADJUSTED COMPOSITE FINANCIAL INDEX (CFI) – ALL FUNDS

The most widely used measure of financial health for higher education institutions is the Composite Financial Index, the CFI score. This measure is a combination of four key ratios derived from the year's audited financial statements. These four ratios focus on the ability of the institution's financial reserves to withstand unexpected pressures, the ability of the institution to pay off debts, how much the institution's assets have grown in the past year, and how well revenues matched expenses in the past year. CFI numbers are calculated on an all-funds basis, including the General Fund (tuition and fee revenues plus state appropriations), the Revenue Fund (for certain facilities operations), and auxiliary funds, combined. The specific ratios include two ratios of financial position from the system's balance sheet and two ratios of financial operation from the system's income statements:

1. The *primary reserve ratio* measures spendable resources on hand compared to the prior year's expenses. (35 percent weight)
2. The *viability ratio* measures spendable resources on hand compared to total debt and obligations. (35 percent weight)
3. The *return on net asset ratio* measures the change in net assets during the prior year compared to where they were at the beginning of the year. (20 percent weight)
4. The *operating margin ratio* measures the difference between revenues and expenses in the past year as a percentage of those revenues. (10 percent weight)

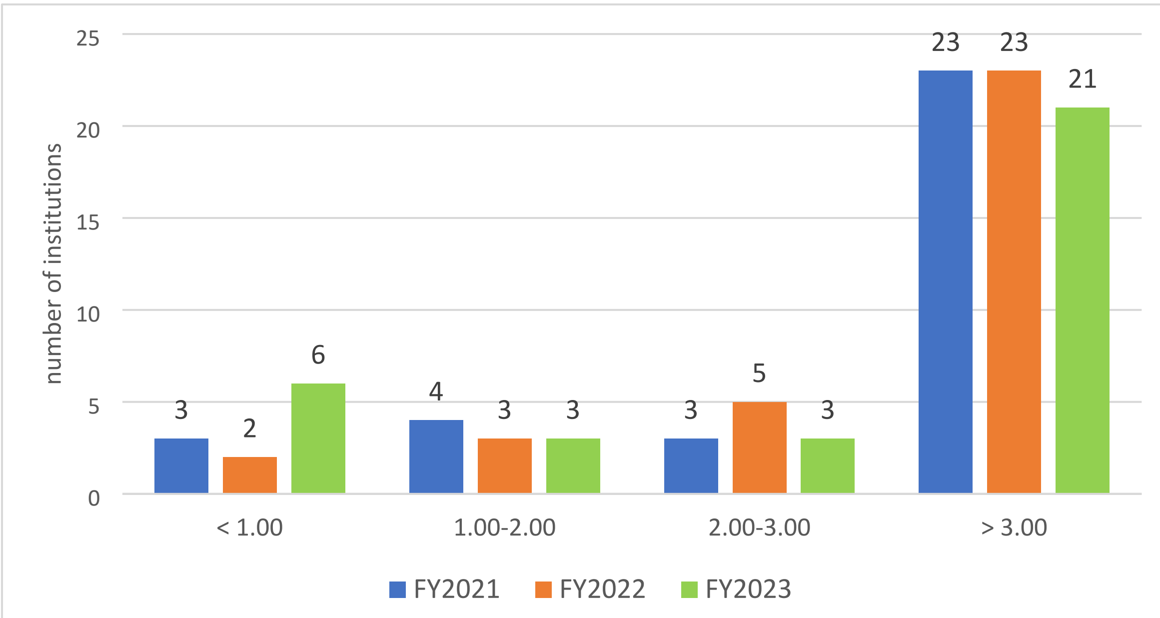
The system office calculates these values as a part of the annual financial statement process. Each ratio on its own provides a measure of financial health. When the four are combined and weighted (more heavily on the first two than the second two), the resulting CFI score is used across the United States as a key measure of financial health for higher education institutions.

CFI scores, by definition, range from a negative four to a positive ten. An annual CFI value below 1.0 indicates that an institution could have issues with viability and survival and may require more intense analysis to make sure the situation is properly managed. A CFI of between 1.0 and 2.0 indicates that an institution needs to be re-engineered to have longer-term financial stability. A value of 2.0 to 3.0 is considered to signify stronger financial health and that the organization has moderate capacity to deal with adversity or invest in innovation and opportunity. A CFI value greater than three represents increasingly stronger financial health and the ability to be transformational and to allow for experimentation and new initiatives. It is important to note that this indicator only measures the financial component of an institution's well-being, and it must be analyzed in that context, especially with the achievement of its mission.

While CFI measures are only operational at the individual institution level, the combined CFI measure for the system also provides a sense of financial health overall. From fiscal year 2022 to fiscal year 2023, the overall CFI for the system went from 3.15 to 2.26 when excluding the provisions of the Governmental Accounting Standards Board (GASB) Statements 68 and 75. These provisions address long-term pension and other post-employment benefit obligations which may have significant volatility due to projections of future values of invested funds and actuarial projections of the members covered by each of those retirement funds. In order to focus on nearer-term financial health, it is useful to look at the CFI without the effects of these retirement-related provisions. When including these provisions, the system's CFI has gone from 3.57 to 2.33. As a reminder, the audited financial statements use the full accrual method of accounting, so non-cash items like depreciation are included on the expense side and the ratios used in the CFI scores measure operating positions from a non-cash basis.

Looking at CFI results at the institutional level, Graph 6 summarizes the fiscal year 2023 CFI scores for the system's colleges and universities.

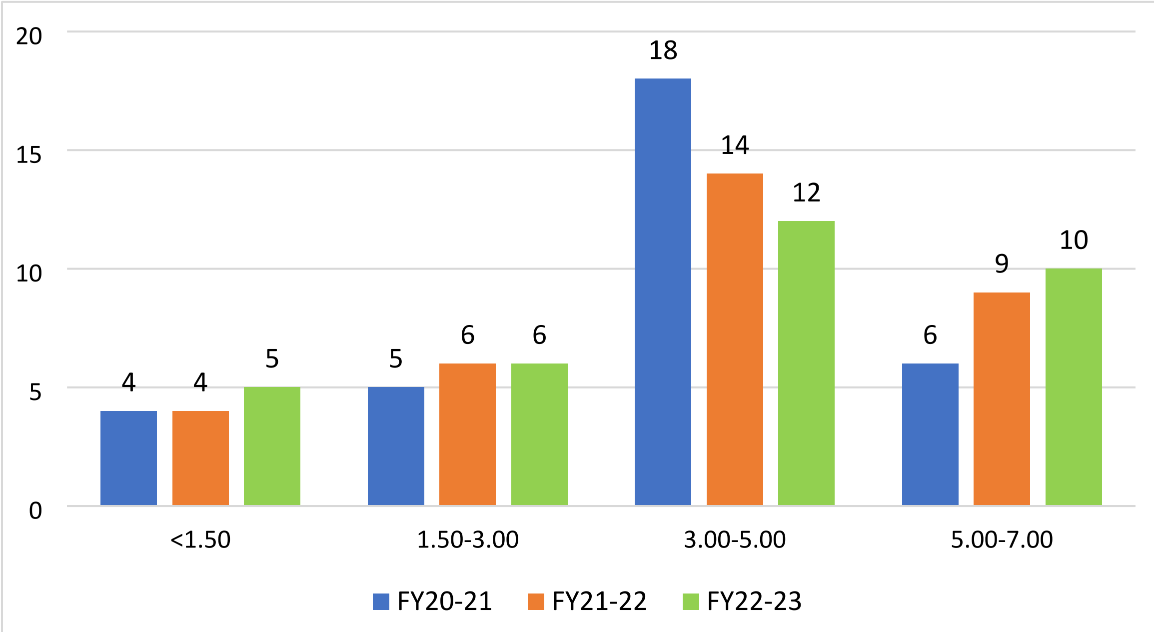
Graph 6. Annual Composite Financial Index (CFI) Scores for FY 2023



This graph shows that the overall pattern is one of stability. For fiscal year 2023 metrics, system procedure requires follow up if an institution's annual CFI score is less than 1.0. For fiscal year 2022, the trigger was set at 0.5 and no institutions were in that range. Had the trigger been at 1.0 last year, two institutions would have been in that range. Looking at numbers between 1.0 and 2.0 for 2023, three institutions fell in this range. Between 2.0 and 3.0, three institutions fell in this range also. And looking at institutions with CFIs greater than 3.0, there were 21.

To take a slightly longer-term look at CFI, the system procedure also sets a trigger for two-year average CFI scores, requiring follow-up if an institution's two-year moving average CFI score is less than 1.5. This information is shown in Graph 7, below.

Graph 7. Two-year Average CFI Scores for FY 2023



For 2023, the same four institutions plus one additional college were below 1.5 for the two-year CFI measure. On the other side of the graph, one additional college over the 5.0 level. One factor contributing to the stability of these numbers was the fact that many colleges still had federal HEERF funds to help support their activities in fiscal year 2022.

C2. CHANGE IN UNRESTRICTED NET POSITION – REVENUE FUND

The long-term enrollment declines the system has experienced caused significant reductions in the use of Revenue Fund facilities. Significant reductions in on-campus housing and dining facilities were especially prominent at universities. Both colleges and universities saw reductions in food service, parking facilities, events and other ongoing activities that generated the revenues needed to run Revenue Fund facilities. While HEERF dollars provided support during the pandemic to backfill lost revenues at many institutions, continued enrollment challenges, changes in the numbers of students and visitors to campus, and the ongoing aging of facilities posed significant challenges to Revenue Fund activities. To address the financial stresses caused by these trends, this measure is appearing as a financial health indicator for the first time this year.

Unrestricted net position measures the profit or loss for the year net of accrued obligations. As with CFI, there are two ways an institution can trigger this measure for follow-up. The first is if the current year's unrestricted net position is negative and is more than ten percent below the prior year's number. For example, if the current year's number is -1 percent and the prior year's number was +15 percent, this measure would be triggered by going negative and being more than ten percent below the prior year's number. The second way an institution can trigger this measure for follow-up is if the current year's number and the prior year's number are both negative, regardless of the gap between the two.

For fiscal year 2023, three colleges and two universities triggered this measure for follow-up. These institutions will work with system office finance and facilities staff to improve their net positions for fiscal year 2024.

C3. MAXIMUM ANNUAL DEBT SERVICE COVERAGE – REVENUE FUND

For the same reasons behind adding the measure above, the measure of maximum annual debt service coverage for an institution's Revenue Fund activity is also appearing as a financial health indicator for the first time this year.

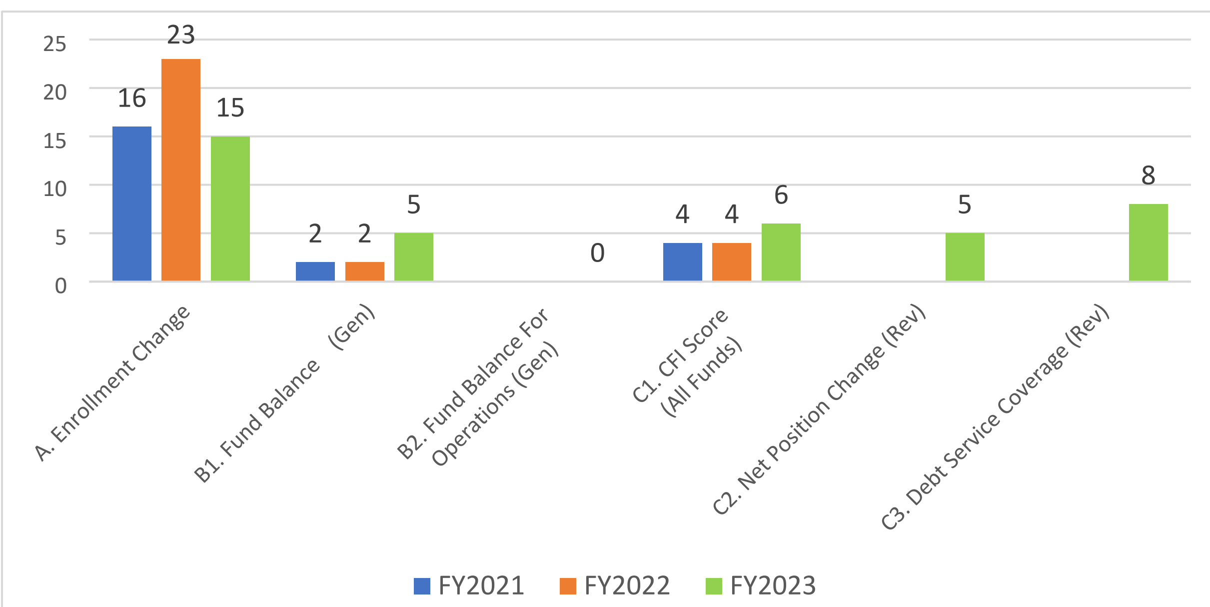
Maximum annual debt service coverage measures the ability of the fund's net operating income to pay the fund's debt obligations for the year. This measure is triggered for follow-up by a value of less than 1.25. For 2023, four colleges and four universities triggered this measure for follow-up. For fiscal year 2023, three colleges and two universities triggered this measure for follow-up. These institutions will work with system office finance and facilities staff to improve their debt service coverage for fiscal year 2024.

Note that one of the eight colleges in the Revenue Fund does not have a C3 calculation because it has no outstanding debt.

SUMMARY OF FINANCIAL HEALTH INDICATORS AND FOLLOW-UP ACTIONS

Graph 8 summarizes the number of institutions that have triggered each financial health measure for the past three fiscal years. Attachment 1 lists all colleges and universities and identifies which enrollment, General Fund, and All-Funds indicators were triggered. Attachment 2 lists only the colleges and universities that have financial activity in the Revenue Fund and identifies which indicators were triggered for that fund. Also shown on Attachment 2 is the relative size of each institution's activity in the Revenue Fund.

Graph 8. Summary of Financial Health Indicators FYs 2021, 2022, 2023



Of the six measures, ten colleges triggered none of them, thirteen colleges triggered only one (in most cases, the enrollment trigger), two colleges triggered two and one college triggered three. Two universities triggered none of the measures, one university triggered two measures, one university triggered three measures, one university triggered four measures, and two universities triggered five measures.

Institutions triggering any measure are required to provide responses explaining why the measure was triggered and what plans are in place that will help the institution to not trigger that measure again. In addition, colleges and universities that triggered the CFI measure discuss their situations in more detail in meetings including campus and system office leadership.

Enrollment is the most important single factor in college and university financial health but is also the factor most in need of non-financial strategies to address it, and strategies that that address the specific factors most prominent at each college and university. Significant collaborative work has been done across the system to lay the foundation for local strategic enrollment management that is comprehensive, data-informed, and aligned across programs, practices, policies, and planning to ensure the equitable recruitment, persistence, goal completion, and graduation of students. One of the concepts being employed at institutions is the student-centered framework of creating Guided Learning Pathways. The framework includes three key pillars: well-articulated program design that aligns with careers, comprehensive orientation and first year experience including robust career assessment, and proactive, holistic, and sustained advising that includes basic needs resources bridging to maintain focus on program completion.

While many of the institutions triggering the enrollment measure cited a strong local economy that offered high levels of pay upon entry, colleges and universities are also working with local businesses to help students acquire skills and degrees that will get them great pay plus greater ability to help businesses even more by taking on more responsibility in the future. Colleges and universities are instituting outreach and communication campaigns to reach potential students in and out of high schools. Much more in the way of mentoring, advising, multicultural services, health and basic needs support is being offered to help students progress and succeed without delays. And institutions are marketing all the financial aid available, now including the North Star Promise program that can provide free tuition.

For the four universities and one college that triggered the General Fund year-end balance measure, strategic enrollment management is also an important part of plans to prevent this measure from being triggered again by enhancing revenues. Plans include adding more students to existing programs and, in some cases, adding new programs where market opportunities exist.

Colleges and universities are also continuing to pursue cost efficiencies in all aspects of their operations. Changes to program offerings are being instituted to achieve instructional efficiencies while still meeting student needs. One data-driven strategy centers around the most efficient scheduling of classes to maintain a financially sustainable number of students in each section. This may even extend across institutions with “seat sharing” in common course offerings. Where larger spending reductions are needed, higher requirements are being set for filling vacancies and Board Early Separation Incentive (BESI) programs are being implemented pursuant to Board Policy 4.11.

While CFI is an all-funds measure derived from the accrual-based financial statements, responses to triggering this measure generally center around the same revenue and cost actions as the General Fund year-end balance measure does. This is because annual changes in fund balances are one of the most important factors affecting CFI score, and issues with reserves, return on net assets, and operating margins are generally helped by the same strategies. The fourth component of the CFI score, the viability ratio, is concerned with the ability to cover debt. Since universities tend to have more extensive facilities, debt service often adds more possibility for them to trigger this measure.

As mentioned previously, all seven universities and eight of the twenty-six colleges have financial activity in the Revenue Fund. Activities that require revenues sources tied to the costs of facilities (especially debt service) and their operation and maintenance are generally established in the Revenue Fund.

Since declining enrollment and the pandemic has caused significant reductions in the number of people physically on campus, living in residence halls, eating at dining halls, attending athletic events, cultural events, and other activities on campus, revenues to support these facilities dropped significantly. Federal HEERF dollars helped bridge some pandemic-related revenue losses, but generally were not sufficient to maintain normal financial health for these activities.

In order to restore financial stability for Revenue Fund activities, universities and colleges will benefit from increasing enrollments, more people back on campus, including students in residence halls and dining halls, people visiting student unions and attending athletic and cultural events, and commuters using parking facilities. In some cases, fee increases have been implemented or are being considered.