



**University  
of Idaho**

# **UNIVERSITY OF IDAHO**

## **FINANCIAL CHALLENGES**

**CHUCK STABEN, PRESIDENT**

**BRIAN FOISY, VICE PRESIDENT FOR  
FINANCE & ADMINISTRATION**

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# GOALS FOR TODAY

## TRANSPARENCY AND PROCESS

- I Inform our community of emerging financial challenges
- I Seek input and offer possible strategies to address challenges including immediately minimizing further damage
- I Next steps:
  - Define immediate action in June
  - Working group will develop a long-range plan next fall

# RECENT ACTIONS IMPACTING FINANCES

1. Legislative session ended – firmed up health insurance funding
2. State Board of Education set tuition and fees
3. Change in Employee Compensation (CEC) guidelines implemented
4. Health consultant recommended new health insurance rates
5. State Board of Education (SBOE) authorized ICCU Arena construction
6. Fall enrollment looks encouraging, but mix is of concern
7. State Board audit committee reported concerns to SBOE in Dec. 2018

# PRIMARY FINANCIAL GOALS AND STRATEGIES

## 1. LIVE WITHIN OUR MEANS (REVENUE > EXPENSES)

- Strategies:
  - Increase revenue
  - Decrease expenses

## 2. ADDRESS SBOE CONCERNS ABOUT NET POSITION

- Strategies:
  - Continue discussion with SBOE about appropriate measures of financial health
  - Accumulate more cash on hand

# GOAL 1: BALANCE REVENUE/EXPENSES

## CASH CHALLENGES

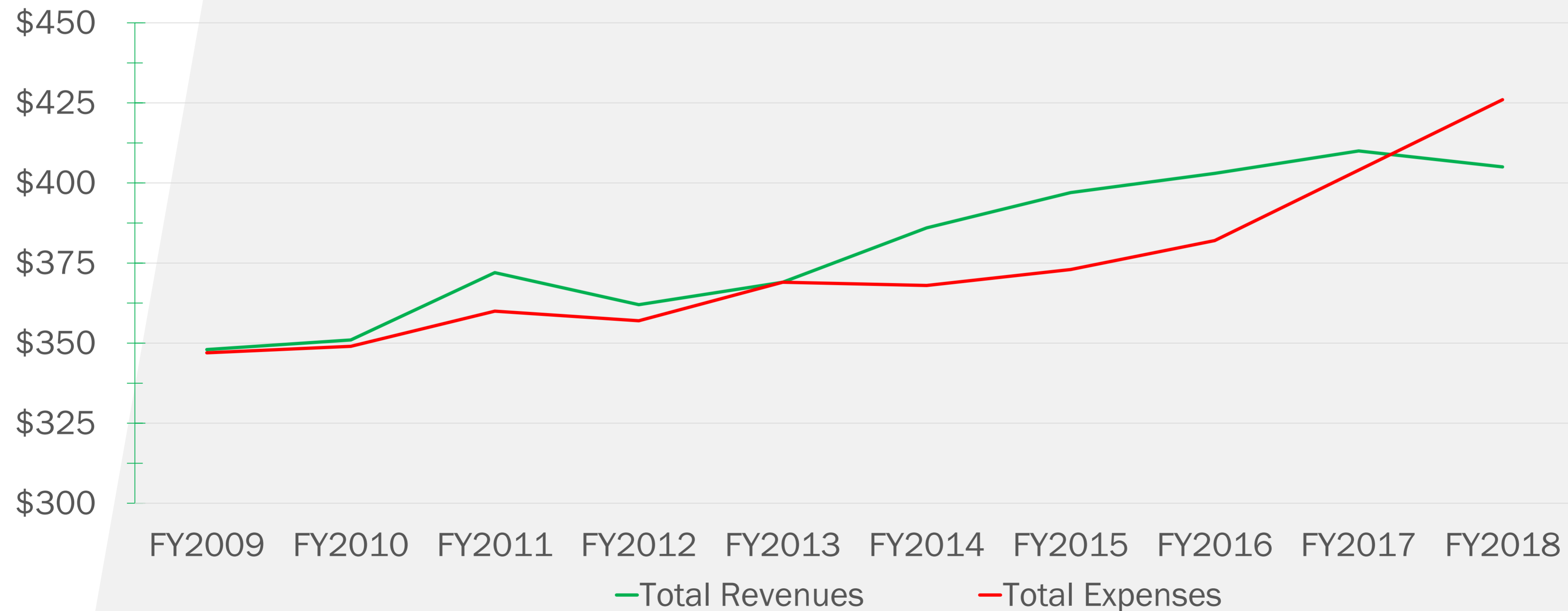
- I Consolidated Fringe Rate Adjustment (\$6M)
- I Health insurance State/self funding (\$1.2M)
- I Expansion of WUE program (TBD)
- I Athletics deficit (\$2M estimate)
- I ICCU Arena financing (\$1.6M estimate)
- I College deficits (TBD)

NOTE: Will clarify estimates in the fall, but these are expected challenges



# CASH CHALLENGES

TOTAL EXPENSES EXCEED TOTAL REVENUES



# HOW TO LIVE WITHIN OUR MEANS

## 1. INCREASE REVENUE

- Potential long-term strategies:
  - Grow enrollment
  - Increase tuition rates
  - Decrease effective discount rate
  - Increase health insurance payments

## 2. DECREASE EXPENSES

- Potential short-term strategies:
  - Manage vacant positions, new hires
  - Decrease operating expenses
  - Other

*“We will take immediate action to reduce the financial impact .... including reallocating current carry-forward or reserve balances, making additional base budget reductions and adjusting employee health insurance costs.”*



# GOAL 2: ADDRESS SBOE CONCERNS ABOUT NET POSITION

## NET POSITION CHALLENGES – REAL AND PERCEIVED

- I** Our expenses exceeded our revenues by \$21M in FY18
- I** Governmental Accounting Standards Board (GASB) Rule 75 (FY18 = \$33M)





Assets	Value	Liabilities	Amount Owed
Cash	\$ 500	Credit Cards	\$ 950
Certificates of Deposit	\$ -	Car Loans	\$ 25,000
Savings Accounts	\$ 1,200	Mortgages	\$ 150,495
Checking Accounts	\$ 1,400	HELOCs	\$ -
Investment Accounts	\$ 5,000	Personal Loans	\$ 250
Retirement Accounts	\$ 25,000	Student Loans	\$ 13,450
Real Estate	\$ 195,000	Payday Loans	\$ -
Cars	\$ 33,000	Cash Advances	\$ -
Jewelry	\$ 2,500	Tax (IRS) Debt	\$ -
Other #1	\$ -	Other #1	\$ -
Other #2	\$ -	Other #2	\$ -
Other #3	\$ -	Other #3	\$ -
<b>Total Assets</b>	<b>\$ 263,600</b>	<b>Total Liabilities</b>	<b>\$ 190,145</b>
<b>Total Assets</b>	<b>\$ 263,600</b>		
<b>Less: Total Liabilities</b>	<b>\$ 190,145</b>		
<b>Net Worth</b>	<b>\$ 73,455</b>		

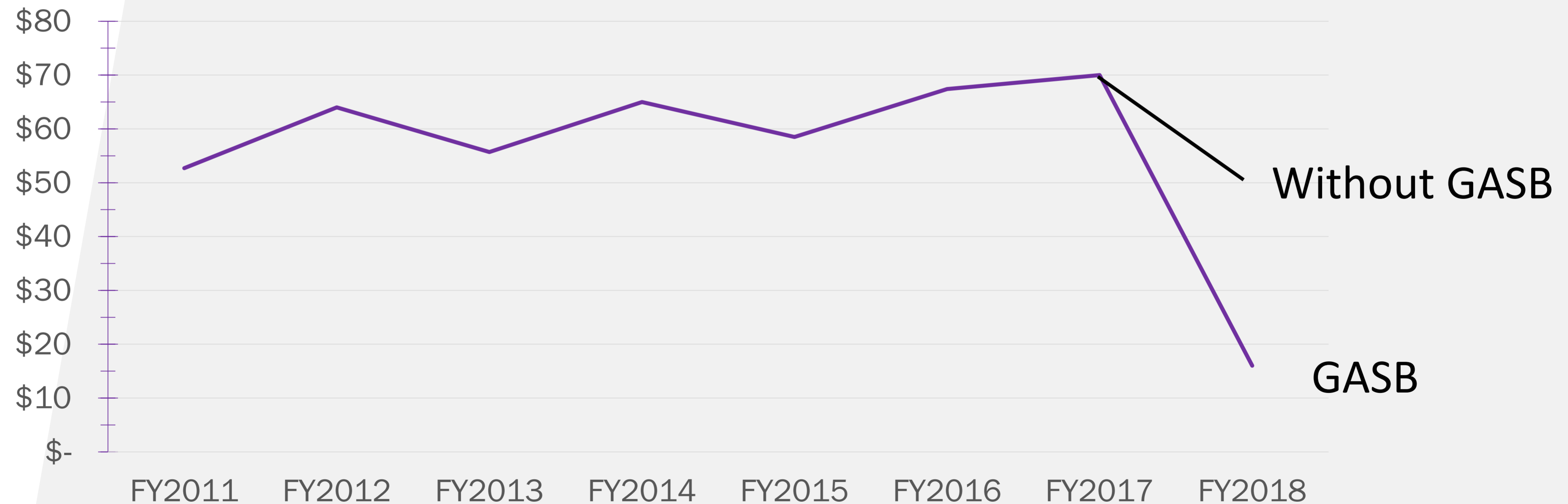
# WHAT IS NET POSITION?

- I For a university, net worth is called *net position*
  - Revenue increases net position
  - Expenses decrease net position
- I We have a net position problem
  - A recent change in accounting standards required us to record a \$33 million expense related to health insurance and other commitments to certain retirees
  - This change reduced our net position



# NET POSITION CHALLENGE (PERCEPTION)

NET POSITION DEFINITION CHANGES RESULT IN SBOE CONCERN






# MORE THAN A GEN ED PROBLEM

- I Our net position challenge affects all funds of the institution (at the financial statement level)
- I Historical strategy = cost-shifting rather than cost-cutting
- I Spending from some other fund does not address the net position problem.
  - We must spend less overall.

# PROCESS GOING FORWARD

- I We need to solve this together
- I Immediate goal is to curtail spending so we don't make the problem worse
- I Short-term actions will be announced in June
  - Focus on controls that minimize spending against current cash balances
  - Meetings with deans, vice presidents, ASUI, Faculty Senate, Staff Council
- I Long-term solutions will be developed by working group in the fall

# ONGOING VIGILANCE

-  Monitor spending to avoid a run on cash balances
-  Monitor the impact of WUE expansion
-  Meet SBOE expectations on net position



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**QUESTIONS?**