



March 4, 2019

President Rodney Hanley
Lake Superior State University
650 W. Easterday Ave.
Sault Sainte Marie, MI 49783-1699

Dear President Hanley:

The interim report you submitted to our office has now been reviewed. The staff analysis of the report is attached.

On behalf of the Higher Learning Commission staff received the report on enrollment and budget.

The institution is required to submit an additional report on enrollment and budget/finances. The report, to be embedded in the University's Assurance Filing as part of the Standard Pathway Four-Year Comprehensive Evaluation, should include, at minimum, the following: 1) The operating budget for FY2021 (AY2020-2021) and final budget figures for FY2019 and FY2020; 2) Budget projections through FY2023; 3) Current (Fall 2020) enrollment figures for degree-seeking students, broken down by full-and part-time status with comparative numbers for Fall 2019; 4) Comprehensive student retention figures for AY2018-2019, AY2019-2020 and retention projections for AY2020-2021.

A Focused Visit is scheduled for 3/25/2019 on program review and assessment of curricular and co-curricular activities.

The Standard Pathway Year Four Comprehensive Evaluation is scheduled for 2020 – 2021. The institution's next reaffirmation of accreditation is scheduled for 2026 – 2027.

For more information on the interim report process contact Lil Nakutis, Accreditation Processes Manager, at lnakutis@hlcommission.org. Your HLC staff liaison is Steph Brzuzy (sbrzuzy@hlcommission.org); (800) 621-7440 x 106.

Thank you.

HIGHER LEARNING COMMISSION



STAFF ANALYSIS OF INSTITUTIONAL REPORT

DATE: March 4, 2019

STAFF LIAISON: Steph Brzuzy

REVIEWED BY: Steven Kapelke

INSTITUTION: Lake Superior State University, Sault Sainte Marie, MI

EXECUTIVE OFFICER: Dr. Rodney Hanley, President

PREVIOUS COMMISSION ACTION AND SOURCES: An interim report is required by 12/03/2018 on enrollment and budget.

This interim report derives from the Team Report of the institution's 2016 Comprehensive Evaluation and should include an analysis of enrollment patterns, operating budget deficit/surplus numbers, and the status of repayment of the general fund debt.

REPORT PRESENTATION AND QUALITY: The Lake Superior State University (LSSU) interim report is presented in a clearly written narrative in which are embedded a range of data pertaining to the University's enrollment and finances. These include tables on enrollment and various aspects of finances. Indications are that the report is thorough and candid.

REPORT SUMMARY: Following a brief introductory section ("*Background*") that provides context for the body of the report, the document is presented in four sections, each addressing one aspect of the institution's efforts to address its enrollment and financial challenges.

The first section of the report's body, "Enrollment," describes the institution's recent student enrollment history and notes the University's efforts to address enrollment challenges. Indicating that LSSU has "*refined its model for revenue based on student enrollment in an effort to provide realistic revenue projections,*" the report makes reference to several key points with regard to enrollment. These include

- An expanded enrollment strategy to improve student recruitment with emphases on digital marketing, better use of data analytics, and engagement of Gen Z students through social media
- A restructured scholarship protocol to improve enrollment yield, focusing on a revised "target" group, with the goal of increasing enrollment and net revenues

- The shift in LSSU’s student population over the past several years, with a decreasing number of degree seeking student and a significant increase in non-degree students
- Total student enrollment increase between Fall 2017 and Fall 2018 mitigated by the increase in part-time and non-degree seeking students.
- An increase of 31% in new First-Time Freshmen from 288 in Fall 2017 to 376 in Fall 2018

The second content section of the report focuses on the institution’s budget, and is presented in several subsections, the first of which is “*Resource Allocation and Budgets.*” Here the document describes the procedures employed by the University in developing its FY2020 operating budget, noting that each institutional unit “*will be required to make a budget request and presentation to the Provost and the Vice President for Finance (CFO) before formally entering budget requests into the budget management system.*” These requests will be evaluated in terms of several factors, including assessment results and enrollment trends, among a number of others.

With regard to Capital Investments, the report notes several sustainability and cost-saving initiatives, while also making reference to projected infrastructure improvements coupled with the development of “*new sustainability curriculum, creation of internships, and community outreach projects.*” The document also describes briefly the positive results of funded grants that have enabled the institution to invest in upgrading its underground high-voltage power distribution system and its community/campus center’s main conference room.

The institution has enjoyed some recent savings from a reduction in the University’s obligation to the Michigan Public School Employee Retirement system (MPERS) though the report notes that new GASB “*pronouncements will impact the liability and the institution’s financial reports.*”

The final subsection of this part of the document shows that the institution’s general fund revenues have remained relatively steady for the past five fiscal years, as reflected in the table below—though the table also provides a view of the decrease in tuition revenue resulting from enrollment shifts.

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

The third major part of the interim report is titled “*General Fund Debt,*” noting the past practice of balancing operating budget through use of reserve funds. The report states that this practice has changed and that the University’s Reserve Funds “*have been*

strong and generally growing over the past several years.” This is reflected in the table below, which shows four categories of reserve funds: MUSIC-Insurance Reserve, Workers Compensation, Unemployment Compensation, and Health Insurance Reserve.

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

According to the report, current reserves are adequate to their purposes, with ongoing review by the CFO in collaboration with the Office of Human Resources and LSSU’s President to determine if changes are desirable or necessary. Here the report notes the institution’s efforts at decreasing the General Fund deficit over the past decade, though Fiscal Years 2015 through 2017 showed uneven progress toward that goal, with the deficit peaking at more than \$3.3 million in FY2016 before falling off again during the next two years, as reflected in the table below. The 2016 figure resulted from “*unbudgeted expenditures and a gross miscalculation of revenue*,” according to the report, while FY2018 and FY2019 budgets included greater investments in recruitment and retention. The ultimate goal of these investments is increased new student enrollment.

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

The last section of the report’s narrative describes other actions and initiatives in the institution’s efforts at continuous improvement. These include continued emphasis in “data analytics,” with particular focus on filling a data analyst’s position in enrollment management. The document summarizes the range of duties this individual would take on, including the design, development and implementation of strategies “*for CRM-based university database systems with admissions and related areas.*”

With regard to sponsored funds, the other subsection in this part of the report, the document describes some of the actions taken by the institution to increase grant funded projects and initiatives. These include the development of the External Funding Procedures Manual, which assists the LSSU faculty and staff in developing and managing grant proposals. The institution also updated the Office of Sponsored Programs website which, along with the Manual, are reviewed and updated regularly, as

appropriate. Other items of note mentioned in the report with respect to sponsored programs include, but are not limited to, the following:

- The Office collects grant announcements and related information on a monthly-to bi-weekly basis to give faculty and staff ready access to funding opportunities
- The Office holds weekly meeting (“office hours”) in the Center for Engaged Teaching and Learning, located in the campus library.
- The Office holds monthly training sessions fashioned for faculty and staff, each of which focuses on a specific area of proposal development.

REPORT ANALYSIS: The LSSU interim report provides what is, generally, a comprehensive update on the institution’s efforts to address its challenges with regard to declining student enrollment and the attendant effect on the University’s finances.

The report presents a range of pertinent enrollment data, the most salient characteristics of which are the steady decline in degree-seeking and full-time students and a corresponding increase in non-degree seeking and part-time enrollees; consequently, the overall student increase in AY2017-2018 is somewhat misleading. The numeric data for these are shown in the tables included in the report and provided in the Report Summary section above. Although the enrollment trends are unsettling, the increase in recent first-time, full-time students in Fall 2018 is a positive sign, reflecting the institution’s updated enrollment strategies; further positive signs are indicated in some improvements in student retention. This recent increase has also slowed—though not halted--the overall decline in full-time degree seeking students, which has fallen steadily from 2604 in Fall 2010 to 1885 in Fall 2018.

As pertains to LSSU’s finances, the information/data provided in the report show an institution that has undertaken a range of initiatives that it believes will have a positive, sustainable impact on its finances. These initiatives, which are strategic in nature, focus largely, though not exclusively, on infrastructure improvements, with additional attention to be given to reducing the General Fund deficit. The infrastructure improvements include a number of actions that will have a long-term positive effect on the budget;

The report provides evidence showing that the institution’s Reserve Funds have, in general, shown growth in the recent past, with current totals of more than \$3.8 million at a ten-year high. And General Fund revenue has remained relatively steady despite the decline in tuition revenue, which has been offset by increases in Appropriations and Other revenues.

Analysis Concluding Statement: Lake Superior State University has made some progress with regard to resolving its enrollment and financial challenges. In the Conclusion of its interim report, the University confirms its commitment to ensuring that all facets of its resource base are sufficient to its mission and purposes, stating “*the University has implemented processes to ensure our resource base adequately supports our education programs, and enrollment strategies to increase tuition revenue...*”

It is evident from the materials presented in the report that the University has, as it states, undertaken a range of initiatives designed to reverse its enrollment declines and stabilize its finances, some of which have already taken root. However, the evidence shows that there is still considerable work yet to be done in establishing a sustainable enrollment-financial foundation.

The institution is required to submit an additional report on Enrollment and Finances/Budget. This report was originally scheduled to be submitted no later than 12/02/2020. However, given the proximity of that date to the University's Standard Pathway Four-Year Comprehensive Evaluation in AY2020-2021, the Higher Learning Commission will require instead that the report be embedded in the institution's Assurance Argument for the Four-Year Comprehensive Evaluation.

The specifics of the report are described in the Staff Action Section below.

STAFF FINDING:

Note the relevant Criterion, Core Component(s) or Assumed Practice(s): Core Component 5.A pertaining to enrollment and finances.

Statements of Analysis (check one below)

- Evidence demonstrates adequate progress in the area of focus.
- Evidence demonstrates that further organizational attention is required in the area of focus.
- Evidence demonstrates that further organizational attention and HLC follow-up are required.
- Evidence is insufficient and a HLC focused visit is warranted.

STAFF ACTION: Receive the report on enrollment and budget.

The institution is required to submit an additional report on enrollment and budget/finances. The report, to be embedded in the University's Assurance Filing as part of the Standard Pathway Four-Year Comprehensive Evaluation, should include, at minimum, the following: 1) The operating budget for FY2021 (AY2020-2021) and final budget figures for FY2019 and FY2020; 2) Budget projections through FY2023; 3) Current (Fall 2020) enrollment figures for degree-seeking students, broken down by full- and part-time status with comparative numbers for Fall 2019; 4) Comprehensive student retention figures for AY2018-2019, AY2019-2020 and retention projections for AY2020-2021.

Embedded monitoring is to be addressed by the institution in the applicable core components of its Assurance Argument. The review team is to ascertain whether the institution has satisfactorily addressed the monitoring issue(s) and will document its findings in the conclusion section of the team report.

A Focused Visit is scheduled for 3/25/2019 on program review and assessment of curricular and co-curricular activities.

The Standard Pathway Year Four Comprehensive Evaluation is scheduled for 2020 – 2021. The institution's next reaffirmation of accreditation is scheduled for 2026– 2027.