

A SYSTEM

SYSTEM-LEVEL FINANCIAL RISK ASSESSMENT AND STRATEGIC RECOMMENDATIONS

Analysis Date: July 2025 | **Risk Distribution:** xx High Risk, xx Moderate Risk Institutions

Source: More than two dozen performance measures from IPEDS and other national data, 2010-23, assessing institutional financial and operational performance, benchmarking against peers, and analyzing patterns predictive of financial decline.

EXECUTIVE SUMMARY

The System faces significant financial challenges requiring coordinated intervention across multiple campuses to preserve the state’s public higher education infrastructure. Risk assessment analysis reveals that xx institutions require immediate strategic intervention, while xx others operate in moderate risk territory requiring sustained attention over the next several years.

The system's core strengths—including flagship research excellence, consistent state appropriations, and systemwide liquidity management—provide a foundation for coordinated response. However, the concentration of operating margin distress across xx of xx campuses, combined with enrollment volatility affecting half the system, indicates that current intervention strategies require substantial acceleration and expansion to address the scope of institutional challenges within the necessary timeframe.

ASSESSMENT OF CURRENT SYSTEM CONDITIONS

1. Operating Margin Performance Requiring Immediate Attention

Data analysis confirms severe operating margin challenges across the majority of system campuses. Xx of xx institutions report current operating margins below -5%, with university xx (-xx%), university y (-xx%), and university z (-xx%) showing margins significantly below sustainable levels. These performance indicators fall substantially below peer averages ranging from 5.2% to 6.0%.

This pattern extends beyond the institutions previously identified for focused support, indicating that operating margin stabilization requires system-level coordination rather than campus-specific interventions alone. The universality of margin pressure suggests structural revenue and cost alignment issues that necessitate a coordinated strategic response.

Institutions Requiring Immediate Focus: University A, University B, and University C show margin performance requiring immediate intervention. University D approaches critical thresholds.

2. Enrollment Sustainability Challenges Across Multiple Campuses

The risk assessment confirms enrollment challenges at five campuses; three of them particularly acute. University A's xx% enrollment decline since 2010 has elevated its risk profile significantly, while University B (xx% decline) and University C (xx% decline) show patterns consistent with institutions requiring intensive enrollment stabilization efforts.

These enrollment patterns reflect sector-wide demographic and competitive pressures but exceed normal market fluctuations. The concentration of enrollment challenges across half the system indicates that individual campus recruitment efforts require supplementation with coordinated system-level enrollment strategies.

3. Financial Flexibility and Reserve Management

Analysis confirms varied reserve positions across the system, with several campuses showing limited financial flexibility relative to peer institutions. University A's primary reserve ratio of xx% compared to peer average of 27.8% exemplifies the constrained financial flexibility affecting multiple campuses.

While systemwide debt management remains healthy, campus-level reserve constraints limit individual institutions' capacity to address enrollment or revenue fluctuations without system-level support.

SYSTEM-LEVEL STRATEGIC CAPABILITIES AND RESOURCES

1. Flagship Research Excellence Provides System Anchor

University E demonstrates strong performance with moderate risk assessment (29.7%) and substantial protective factors including xx% student retention and research funding of \$xxM compared to peer

average of \$xxM. This flagship strength provides systemwide credibility and potential coordination capacity for supporting challenged campuses.

2. Consistent State Appropriations and Revenue Diversification

State appropriations dependency ranges from xx% (University A) to xx% (University's B and C), providing revenue stability while avoiding excessive political risk. This consistent state support, combined with moderate tuition dependency, creates a foundation for coordinated financial planning.

3. Systemwide Infrastructure and Coordination Capacity

The system's existing shared service initiatives, vendor coordination, and capital planning frameworks provide infrastructure for expanded coordination efforts. Current systemwide analytics capabilities can support enhanced monitoring and intervention strategies.

STRATEGIC RECOMMENDATIONS BUILDING ON CURRENT INITIATIVES

Priority 1: Campus Viability Assessment and Intervention Framework

Conduct comprehensive viability assessments for institutions with high-risk profiles or persistent financial challenges, establishing clear criteria for standalone operation versus integration alternatives. This expands current financial monitoring to include formal evaluation of long-term sustainability options.

- **Immediate Viability Studies:** Complete formal assessments for University A and other campuses with margins below -8% or reserves below peer thresholds
- **Integration Option Analysis:** Evaluate federated campus models, program consolidation, and administrative integration opportunities, particularly for geographically proximate institutions
- **Sustainability Criteria Development:** Establish quantitative benchmarks for standalone campus viability including minimum enrollment, operating margin, and reserve thresholds

Priority 2: Accelerated Financial Stabilization Framework

Expand current financial monitoring initiatives to include comprehensive margin improvement protocols for institutions with operating deficits below -5%. This builds on existing financial early-warning systems while adding specific intervention triggers and support mechanisms.

- **Enhanced Financial Monitoring:** Implement monthly margin tracking with intervention protocols for institutions approaching critical thresholds

- **Coordinated Budget Planning:** Establish system-level budget coordination for institutions requiring margin improvement support
- **Liquidity Management Optimization:** Leverage systemwide liquidity strength to provide temporary operating support where needed

Priority 2: Comprehensive Enrollment Stabilization Initiative

Expand current recruitment coordination to include intensive support for the five campuses with enrollment decline exceeding 10% (Universities A, B, and C) or persistent enrollment challenges (Universities D and E). This builds on planned systemwide recruitment campaigns while adding targeted intervention for highest-risk institutions.

- **Coordinated Enrollment Management:** Deploy shared enrollment services and analytics across challenged campuses
- **System-Wide Marketing Integration:** Leverage flagship brand strength to support enrollment stability at regional campuses
- **Transfer Pipeline Enhancement:** Accelerate planned transfer pathway development to retain students within the system
- **Campus Integration Pilots:** Explore shared program delivery and cross-campus enrollment opportunities, particularly for small campuses with overlapping missions

Priority 3: Campus Integration and Operational Efficiency Expansion

Accelerate planned shared service implementation while evaluating deeper integration opportunities for campuses with constrained financial flexibility. This expands current efficiency initiatives to include campus integration models that maintain local presence while achieving operational sustainability.

- **Shared Services Implementation:** Deploy IT, HR, and procurement coordination with specific cost reduction targets for challenged campuses
- **Campus Integration Pilot Programs:** Evaluate federated campus models for geographically proximate institutions.
- **Administrative Consolidation:** Assess opportunities for shared leadership, consolidated academic programs, and integrated student services
- **Facility Optimization:** Implement planned asset optimization strategies with evaluation of shared facility opportunities

Priority 4: Academic Program Alignment and Revenue Diversification

Build on planned program alignment initiatives while adding revenue diversification strategies appropriate for institutions with limited financial flexibility. This coordinates academic programming with market demand while developing alternative revenue sources.

- **Program Portfolio Optimization:** Accelerate planned program alignment with labor market demand using centralized analytics
 - **Research Collaboration Enhancement:** Develop partnerships between flagship research capacity and regional campus needs
 - **Auxiliary Revenue Development:** Implement coordinated auxiliary revenue strategies building on systemwide vendor relationships
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IMPLEMENTATION COORDINATION AND ACCOUNTABILITY

Enhanced Monitoring and Support Framework

Building on current accountability initiatives, implement comprehensive performance tracking that links system support to measurable outcomes while providing necessary resources for institutions requiring intensive intervention.

Performance Metrics Integration:

- Monthly operating margin monitoring with intervention triggers
- Enrollment trend analysis with early warning indicators
- Reserve ratio tracking with rebuilding targets for constrained institutions
- Coordination effectiveness measurement across shared service implementations

Resource Allocation and Timeline Coordination

Coordinate system resources to support institutions requiring intensive intervention while maintaining performance standards across all campuses. This requires balancing immediate stabilization needs with long-term system development.

Prioritized Resource Deployment:

- Immediate support for institutions with margins below -8%
- Intensive enrollment support for institutions with >20% decline
- Coordinated efficiency implementation across all moderate-risk institutions

THREE-TO-FIVE YEAR OUTLOOK AND SUSTAINABILITY

The System's long-term sustainability requires honest assessment of campus viability alongside enhanced system-level coordination. Current data indicate that traditional standalone operation models may not be sustainable for all campuses, requiring evolution toward more integrated operational approaches that maintain educational access while ensuring financial viability.

Strategic Imperatives for System Sustainability:

Campus Viability and Integration Assessment: The concentration of financial challenges across multiple campuses requires systematic evaluation of long-term viability for standalone operation. This includes formal assessment of integration alternatives that could preserve educational access while achieving operational sustainability. University A's high-risk profile and University B's small scale particularly warrant comprehensive viability studies.

Coordinated Intervention Success: The concentration of financial challenges across multiple campuses requires coordinated intervention that exceeds individual campus capacity. Success depends on leveraging system-level resources and coordination capabilities to address challenges at the scale revealed by risk assessment data, including evaluation of integration models that preserve mission while ensuring sustainability.

Structural Adaptation Requirements: Long-term sustainability requires evolution of operational models that balance campus mission distinctiveness with system-level efficiency and viability. This includes enhanced shared services, coordinated academic programming, and potential campus integration that maintains educational access while achieving necessary operational sustainability. Some campuses may require transition to federated models or specialized mission focus rather than traditional comprehensive operation.

Market Position Strengthening: The state's public higher education infrastructure requires positioning for demographic and competitive changes through coordinated program development, enhanced transfer pathways, and strategic campus integration that leverages system scale advantages while maintaining geographic access to higher education.

Difficult Decisions Framework: The system must develop clear criteria and processes for evaluating campus sustainability, including protocols for campus integration, mission specialization, or potential closure if other alternatives prove insufficient. While closure should remain a last resort, the System board will require a framework for making evidence-based decisions about campus viability.

The risk assessment data indicate that current challenges require coordinated system action including honest evaluation of campus integration alternatives. The system's core strengths—flagship excellence, state support consistency, and existing coordination infrastructure—provide the foundation for successful

intervention. However, preserving the state's comprehensive public higher education infrastructure may require evolution beyond traditional campus autonomy toward more integrated operational models that ensure both access and sustainability.

COORDINATION WITH ONGOING SYSTEM INITIATIVES

This assessment indicates the need for an accelerated financial recovery plan, implemented across four to five campuses to address the system's most urgent needs. The data confirm that coordinated system action can preserve and strengthen the System's public higher education infrastructure, provided that intervention strategies match the scale and urgency indicated by institutional risk assessments.

We recommend coordination with existing system initiatives to develop comprehensive implementation timelines that address immediate stabilization needs while building long-term coordination capabilities for sustained system strength.