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The Need for Institutional Fiscal Responsibility

SYMPOSIUM ON FINANCIAL LITERACY AND COLLEGE SUCCESS AT MINORITY-SERVING INSTITUTIONS

The Symposium on Financial Literacy and College Success at Minority-Serving Institutions (MSIs) brings together representatives from Historically Black Colleges and Universities (HBCUs), Hispanic Serving Institutions (HSIs), and Tribal Colleges and Universities (TCUs) to think critically about current institutional practices and how these practices relate to broader institutional goals; specifically, financial literacy and student retention. Participants include a range of senior-level leaders, such as college and university presidents, chief student affairs personnel, and financial aid representatives. The symposium aims to equip institutions to better meet both student and institutional financial needs, with careful consideration given to issues of accessibility, affordability, retention, and financial aid. The symposium is funded by USA Funds®, the nation's largest guarantor of student loans.

Colleges and universities across the nation face a number of economic and social conditions that affect institutional operations. Limited financial resources due to the nation's economic recession, increased calls for improved degree productivity to meet civic and labor market demands, and shifting demographic patterns create a challenging environment for postsecondary leaders and place a premium on sound institutional practice. For minority-serving institutions (MSIs), these conditions challenge already restrictive operations and limited resources.

Adding to this strain is the fact that the majority of students enrolled at MSIs—low-income, first-generation, and minority—face a complex set of environmental and social barriers that often conflict with postsecondary access and mobility. To best serve and support the success of students, MSIs and non-MSIs alike need to closely examine the relationship between institutional financial management and student success.

Concentrating on institutional finance is not new for postsecondary institutions or their constituents. Initiatives in this area have usually focused on one of the anchors of fiscal responsibility: student fiscal literacy and institutional fiscal management, treating each as a discrete phenomenon. For example, institutions and constituents of postsecondary education offer a number of student fiscal literacy programs (Lusardi and Tufano 2009). Typically, these programs aim to increase student knowledge and understanding of basic financial skills such as budgeting, management of student loans, and credit. In addition to student-focused programs, many national associations, for-profit firms, and professional organizations offer tools and training to support postsecondary institutions in sound financial management.

UNDERSTANDING MINORITY-SERVING INSTITUTIONS (MSIS)

Historically Black Colleges and Universities (HBCUs)
Perhaps the best known of the minority serving institutions, HBCUs pioneered the MSI concept, providing access to postsecondary education for students of color in the early 19th century. Today, 105 HBCUs exist, primarily in the South. HBCUs vary in institutional type, with a mix of public and private four-year campuses and a few public and private two-year institutions.

Tribal Colleges and Universities (TCUs)
Tribal Colleges were developed to provide additional access to postsecondary education for American Indian students and preserve the unique qualities and traditions of Native communities. There are 36 TCUs, primarily in the Great Plains and the Southwest. These institutions are predominantly public two-year campuses; many are in extremely rural areas.

Hispanic Serving Institutions (HSIs)
Supported through the federal Title V program, HSIs are institutions with a Hispanic/Latino student enrollment of 25 percent or higher. HSIs are one of the fastest growing MSI designations and are spread out across the country, with high concentrations in California, Florida, Texas, and Puerto Rico.

Predominantly Black Institutions (PBIs)
PBIs—another fast-growing MSI category—are institutions with African-American/Black student enrollment of 40 percent or higher. Of this, at least 10 percent must be eligible for Pell grants. Supported through Title III funds, PBIs tend to be more heavily concentrated in dense urban environments.

Asian American Native American Pacific Islander Serving Institutions (AANAPISIs)
AANAPISI is the most recent MSI designation, and these schools are supported by federal Title III funds. Eligible institutions must have at least 10 percent Asian-American student enrollment. The campuses are a mix of public two- and four-year institutions.

For the past three years, IHEP—with the support of USA Funds®, the nation's largest student loan guarantor—has convened representatives from Historically Black Colleges and Universities (HBCUs), Hispanic Serving Institutions (HSIs), and Tribal Colleges and Universities (TCUs) to examine institutional practices and discuss how these practices relate to broader institutional goals such as financial literacy and retention. The symposium aims to broker stronger networks across MSIs, provide resources to enhance institutional services, and frame fiscal literacy and student success within broader policy contexts. As part of this effort, institutions are encouraged to use strategies that connect their decisions about fiscal management to activities aimed at increasing student financial literacy; each affects the other, and campus-wide initiatives that integrate both are an emerging best practice (IHEP 2010).

Recent discussions at the symposium were driven by the underlying observation that postsecondary financial literacy efforts seldom view fiscal responsibility holistically—as a campus-wide discussion that ultimately requires linking student fiscal literacy with sound fiscal management at all levels of institutional administration. Thus, few efforts try to reach outside their natural constituencies when providing financially focused programs. Rarely do student-focused fiscal literacy initiatives intersect with discussions of overall institutional financial management, and not often are institutional financial management conversations accessible to campus practitioners with non-financial job functions.

To build on the efforts of the symposium and keep the momentum going, this brief was commissioned to focus on the role of institutional financial management and provide an overview of tools for measuring institutional fiscal health. Fiscal health metrics are increasingly popular for measuring trends in institutional finance and alignment with strategic goals. They can provide a foundation for a campus dialogue on how best to meet institutional and societal goals for postsecondary education in challenging fiscal times. The brief reviews several tools used to assess institutional fiscal health, discusses the components of one widely used tool in detail, and concludes with a call for more campus-wide dialogues on fiscal accountability and responsibility. The information in this brief is meant to encourage institutions, both MSIs and non-MSIs, to revisit or begin meaningful conversations about assessing institutional financial health as a way to support student success.

FACTORS AFFECTING INSTITUTIONAL FINANCIAL HEALTH

The financial climate for postsecondary education is a difficult one. The nation's economy continues to lag, restricting public, private, and nonprofit financial support for postsecondary education (Vestal 2009). Moreover, the federal assistance that recently buttressed postsecondary education against the harsh fiscal environment will be spent down or, in some states, will have evaporated entirely (Jones and Wellman 2010). In addition, the families and students who constitute the postsecondary consumer market are facing historic regression of housing values, investment market losses, and high levels of unemployment—factors that affect students' ability to finance their education (Nelson and Goodman 2009).

Adding to this bleak picture, endowments have suffered significant setbacks as investment markets have contracted; the financial cost to institutions borrowing money has increased (Nelson and Goodman 2009); and operational costs continue to climb (Commonfund Institute 2010). Taken together, these factors have created a "new normal" in postsecondary education finance, one that features restricted public outlays and lean institutional budgets (Jones and Wellman 2010).

But although this may be the new normal for many institutions, these conditions are not new for many MSIs. And MSIs have been particularly hard hit by the financial crisis, while they try to continue serving a large percentage of disadvantaged students. Students at MSIs are likely to be from low-income backgrounds—41 percent of undergraduates at MSIs were Pell Grant recipients in 2007–08, compared with 21 percent at non-MSIs (Li and Carroll 2007). Compounding this situation is the historical legacy of limited financial resources and capacity. Traditional economic cushions—large endowments, alumni support, and donations—are limited or non-existent at many MSIs; thus, any threat to declining federal and state support seriously jeopardizes institutional stability and viability.

DEGREE ATTAINMENT

In the face of difficult fiscal circumstances, postsecondary education is being asked to do more with less. Federal and state policymakers, business leaders, and philanthropists have coalesced around an aggressive college completion and attainment agenda that will significantly increase the number of United States citizens holding a postsecondary credential. Although there is no single attainment goal, wide agreement exists that the United States must increase the proportion of the working-age population with a postsecondary credential to 60 percent over the coming decade (Sponsler, Kienzl, and Wesaw 2010).

The call for increased degree completion creates new challenges for all institutions, especially those that serve underrepresented populations and students who are less likely to graduate. Many students who enroll at MSIs, which are likely to have open admissions policies (Li and Carroll 2007), are underprepared and ill-equipped. To increase completion rates and keep pace with their peers, MSIs require financially sound institutional management to ensure the availability of adequate support for struggling students

DEMOGRAPHIC CHANGE

As the nation focuses on educational attainment, it is also undergoing significant demographic change. America's population is becoming larger and more diverse. The population grew at a rate of nearly 9 percent over the past decade, topped 309 million in 2009, and is projected to top 330 million in the coming decade (Brookings Institution Metropolitan Policy Program 2010). Non-Whites account for 83 percent of all population growth since 2000, with the Hispanic community contributing to over half of this growth. Non-Whites now make up one-third of the U.S. population and are projected to reach majority status by 2042 (Brookings Institution Metropolitan Policy Program 2010).

These demographic shifts have profound implications for postsecondary education. While the racial/ethnic diversity of the nation is increasing, disturbing disparities in postsecondary attainment remain. As of 2008, for example, only 19 percent of Hispanics and 26 percent of Blacks had earned a two- or four-year postsecondary degree, compared with 42 percent of Whites (U.S. Census Bureau 2008). A substantial increase in the educational performance of the nation's growing racial and ethnic populations will be required to close these gaps, and MSIs and other institutions that serve high proportions of Black and Hispanic students will have to play an essential role in graduating more students. The financial stability of these institutions is crucial if they are to provide the support necessary to help disadvantaged students stay on a path toward graduation.

TOWARD GREATER FISCAL STEWARDSHIP

Taken together, constricted fiscal conditions and increased demands for degree production as well as shifting demographics place a premium on institutional practice. To meet the challenge of awarding high-quality postsecondary credentials to increasing numbers of students, colleges and universities must take a sound approach to institutional finance. The next section describes some methods and tools colleges and universities can use to deal with financial pressures, to make strategic decisions about revenues and expenditures that further their educational missions, and to support student achievement.

TOOLS FOR ASSESSING INSTITUTIONAL FISCAL HEALTH

For much of their history, postsecondary institutions have assessed financial conditions as part of decision-making (Chabotar 1989). The recent increase in the popularity of metrics designed to measure institutional performance has been driven by the increasingly complex nature of postsecondary finance, the need to distill complex financial information for decision makers who lack formal financial training, and the emergence of more formalized accountability initiatives (Prager et al. 2005).

Fiscal health metrics based on financial ratios can distill complex information into widely understandable terminology, giving decision makers' and external evaluators' powerful information about institutional financial performance. In addition to translating financial information, these tools allow institutions the flexibility to track their performance over time and enable them to emphasize specific areas of finance that are important to institutional priorities.

Several fiscal health assessment tools are available to postsecondary leaders and campus practitioners. Although each tool assesses fiscal health in a slightly different fashion, they have similar underpinnings, including the following:

- A common reliance on core financial ratios to communicate information on the standing of institutional finances;
- Assessment of institutional fiscal health over the span of several years to identify trends; and
- The intent of making complex fiscal information on postsecondary institutions widely accessible.

Three tools drawn from institutional financial management literature are briefly reviewed. These measures are often used to assess and communicate fiscal health. They cover public and private institutions and have gained wide support among national associations, government agencies, and postsecondary institutions.

Composite Financial Index

The Composite Financial Index (CFI) is one method for assessing the financial health of postsecondary institutions. The CFI combines four ratios that assess different aspects of the financial strength of an institution, resulting in a composite score. Financial ratios in the CFI are: the (1) Primary Reserve Ratio, (2) Viability Ratio, (3) Return on Net Assets Ratio, and (4) Net Operating Revenues Ratio. Because each ratio addresses a slightly different component of institutional operations, the weighted average of all four ratios taken together offers a broad interpretation of an institution's financial position. When compiled over several years, the CFI can enable a nuanced understanding of trends in key financial indicators that affect operations (Prager et al. 2005).

Developed in 1999, the CFI has become popular among strategic decision makers at public and private colleges and universities for its easy-to-understand metrics, which are accessible to campus constituents who lack financial backgrounds. The CFI is often used in concert with strategic planning processes to measure the financial viability of various plans. The CFI highlights areas of concern and strength to inform decision-making (Prager et al. 2005).[1]

Financial Indicators Tool

The Financial Indicators Tool (FIT) is a customized version of the CFI created by the Council of Independent Colleges (CIC) for the benefit of its member institutions. FIT reports are available to member institutions annually. The FIT uses public data from an institution's tax forms and the U.S. Department of Education's Integrated Postsecondary Education Data System (IPEDS) to produce four core financial ratios: (1) Institutional operations, (2) debts, (3) assets, and (4) sufficiency of resources. CIC member institutions can view graphical representations of their CFI results benchmarked against market-basket competitors; regional institutions; or those with the same Carnegie

[1] The National Association of College and University Business Officers offers an array of publications on fiscal literacy issues, including a discussion of the CFI. Go to www.nacubo.org.

Classification, enrollment size, or CFI scores (Council of Independent Colleges 2010; Hignite 2009).

CIC member institutions can combine the FIT with the Key Indicators Tool (KIT). The KIT is an additional benchmarking report that covers 20 indicators of performance in four main areas: (1) Student enrollment and progression, (2) faculty, (3) tuition revenue and financial aid, and (4) financial resources. Together, these customized tools allow an institution to understand its fiscal position in the postsecondary education landscape (Council of Independent Colleges 2010; Hignite 2009).

Financial Responsibility Test

The Financial Responsibility Test (FRT) developed by the Department of Education is a stress test that links an institution's financial strength to its eligibility to receive Title IV funds (U.S. Department of Education n.d.). Unlike other fiscal health measurements, the FRT is punitive in nature and can be used as one basis for withdrawing eligibility to receive Title IV student aid funds.

Sections of the Higher Education Act of 1965, as amended, require private for-profit and nonprofit[2] institutions to annually submit audited financial statements to the Department of Education to demonstrate that standards of financial responsibility necessary to participate in the Title IV programs are being met. The FRT uses three ratios—(1) primary reserve ratio, (2) equity ratio, and (3) net income ratio—to measure the fiscal health of an institution.

Institutional financial statements are evaluated on a composite score from 3.0 to minus 1.0 on the basis of financial ratios that measure factors such as operating losses, the relationship of assets to liabilities, and net worth. Institutions that "fail" the test (score below 1.5) are subject to extra monitoring by the Education Department, and institutions with a score below 1.0 are required to post a letter of credit with the Education Department (Blumenstyk, O'Leary, and Richards 2010).[3]

[2] Public institutions are not subject to the FRT because their financial operations are backed by a government entity.

[3] For more information on the Department of Education's FRT go to http://federalstudentaid.ed.gov/datacenter/compositescores.html.

USING FISCAL HEALTH INDICATORS TO SUPPORT CAMPUS DIALOGUE

Measuring and understanding fiscal health is critical for effective administration. The tools described above have been developed to assess fiscal health and communicate financial information in understandable terms to wide audiences. The primary intent of these tools is to support sound institutional practice, though the federal government's fiscal test is used punitively. Although several other tools exist for assessing institutional fiscal health, the wide use of the CFI by diverse public and private postsecondary institutions makes it especially relevant to institutions that serve disproportionate numbers of underserved students, such as MSIs.

An understanding of the CFI can support a campus-wide dialogue on institutional fiscal health. As professionals who work closely with students through academic, financial, and student development programming (e.g., directors and student development staff personnel, faculty advisors, and financial aid professionals) become versed in the methods and meaning behind the metrics that assess institutional fiscal health, they will be better able to contribute to discussions on the kind of fiscal stewardship that supports the institutional mission. The following section highlights the individual components of the CFI, explains what they mean and how they are computed and scored, and highlights how the CFI can be integrated into strategic planning. Examples of institutions that have used the CFI provide more insight into its potential.

A CLOSER LOOK AT THE COMPOSITE FINANCIAL INDEX

The CFI provides an overall picture of an institution's financial health. Combining four ratios that reflect different aspects of the financial strength of an institution (**SEE CFI RATIOS AND SCORING SIDEBAR**), the CFI creates a composite metric that can function as a "sustainability index" for planning future fiscal outlays and activities. Because each ratio addresses a different component of an institution's operation, the overall CFI score is a broad-based measure of financial strength or weakness. Viewed over a multi-year time frame, the CFI can lead to a deeper understanding of trends in key financial indicators that reflect the overall fiscal health of an institution, allowing campus constituents to understand drivers of budgetary decisions and frame

THE FOUR CFI RATIOS

The CFI is based on four core ratios:

1. **Primary Reserve Ratio**—A measure of the level of institutional financial flexibility.
2. **Viability Ratio**—A measure of the institution's ability to cover debts with available resources.
3. **Return on Net Assets**—A measure of overall returns and performance of institutional assets.
4. **Net Operating Revenues Ratio**—A measure of the operating performance of the institution.

After calculating the four ratios, the institution weights each ratio according to its importance to overall fiscal health and its relationship to strategic goals. The ratios are then aggregated to create the composite CFI score. In the following list, possible strategies are related to composite scores.

The CFI Scoring Scale

Range	*Strategy*
9–10	Deploy resources to achieve robust mission.
7–8	Allow experimentation with new initiatives.
5–6	Focus on resources to compete in the future.
3–4	Direct resources to allow for institutional transformation.
1–2	Reengineer institutional practices to increase fiscal performance.
-1–0	Assess viability to survive; develop aggressive improvement plan.

department-level discussions of resource allocation.[4] We summarize the components of the CFI in the following section; information on each ratio was drawn from Prager et al. (2005).[5]

Primary Reserve Ratio

The Primary Reserve Ratio (PRR) captures the ability of an institution to handle adverse financial situations. The ratio is calculated by measuring an institution's expendable net assets against its total expenses. The PRR therefore provides a snapshot of resource strength and flexibility by indicating how long an institution can survive on reserve funds alone without generating new revenue from continuing operations.

Viewing the trend of the PRR is more important than its value. Ideally, the PRR should increase over time; a decrease indicates a weakening financial condition, which could threaten institutional stability in the event of an unexpected fiscal shock. A reserve ratio value of .40 is considered acceptable; it equates to about five months of operating expenditure, which is typically enough to manage moderately adverse financial situations. A value less than .15 indicates a continued reliance on short-term borrowing, which could be a sign of financial instability.

The PRR is useful from both a historical and predictive point of view. Historically, the PRR provides insight into whether an institution has been able to balance resources and debt as it has grown. When calculated with expected future spending, the ratio is useful to understand the sustainability of an institution's strategic plan.

Viability Ratio

The Viability Ratio (VR) assesses whether or not an institution has managed debt strategically to advance its mission. The VR is calculated as the ratio of the institution's expendable net assets to its total long-term debt. (For public institutions, government appropriations are not included when computing expendable net assets).

The VR is similar to the PRR in that both assess how well an institution would handle an adverse financial situation; however, the VR is more robust than the PRR because it

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[4] The information used to calculate the CFI ratios is publicly available through the U.S. Department of Education's Integrated Postsecondary Education Data System and from the Internal Revenue Service 990 tax form filed by all nonprofit organizations.

[5] For a more detailed look at each ratio and the original development of the CFI, see Prager et al. (2005).

measures the institution’s ability to respond to fiscal changes beyond a year-to-year snapshot. The VR is also useful to gauge the ability of an institution to borrow to finance future projects. Typically, institutions with a high VR will find it easier to borrow to finance long-term capital-intensive projects.

As with the PRR, there is no “right” value for the VR. A value of 1:1 indicates that an institution has sufficient expendable resources to cover debt as of the balance sheet date, but this value is somewhat misleading. For example, because government appropriations are not reflected in the VR, public institutions often operate at values less than 1:1.

The VR must be viewed in the context of an institution’s mission. If an institution has recently engaged in a long-term capital-intensive project, it is reasonable to expect a lower VR. Although this implies a loss of operational flexibility, it does not mean that an institution cannot function effectively. In this sense, it is useful to think of the VR as an institution’s margin of error for dealing with future financial conditions.

Return on Net Assets Ratio

The Return on Net Assets Ratio (RNAR) assesses whether an institution is better off financially than it was in previous years on the basis of the effectiveness of its investments. The RNAR is computed as the ratio of change in net assets to the institution’s total assets. The word “assets” here refers to both physical and financial assets, making the RNAR one of the most comprehensive measures of change in institutional wealth.

Like the other ratios, the RNAR should be viewed over time and in the context of an institution’s long-term plans. Because long-term plans and investments are specific to an institution’s mission and goals, there is no nominal “target” for the RNAR, although an inflation-adjusted growth of 3 to 4 percent is usually considered reasonable. Although high growth of the RNAR is a sign of future financial strength, it is important that these resources are used to achieve goals rather than being stockpiled. Thus, a decline in the ratio may be appropriate and justified if it reflects a strategic financial decision that advances the institutional mission.

Net Operating Revenues Ratio

The Net Operating Revenues Ratio (NORR) is calculated as the change in unrestricted net assets over the total unrestricted revenue of the institution. It explains how much surplus an institution has each year, addressing the question, “Has the institution lived within its means?” A positive NORR indicates an operating surplus, while a negative NORR implies a deficit. This ratio is a primary ratio in that it directly affects the other three ratios—an operating surplus results in an increase in net assets, while an operating deficit implies that the institution experienced a decline in its net assets.

More than the other three ratios, the NORR can be ambiguous if it is not viewed in the context of an institution’s goals. For example, a short-term operating deficit owing to a significant capital expansion is a positive outcome for an institution if it aligns with an institutional strategic plan, while an operating surplus resulting from cuts in programmatic spending can be a negative outcome. Although a small short-term deficit is acceptable if it is aligned with institutional strategy, a large structural budget deficit over time is a sign of financial instability and poor overall fiscal health.

Computing the Overall CFI Score

The overall CFI score is the result of a two-step process. First, the four individual ratios are converted to a common scale; then the CFI score is computed as the weighted average of the individual ratios. An institution can set the weights for each ratio according to strategic priorities; however, weighting must be consistent over the long term to allow for comparability from year to year.

The overall CFI score ranges from a low of -1 to a high of 10, with a score of 3 considered acceptable (**SEE CFI RATIOS AND SCORING SIDEBAR**). A score below 3 indicates financial instability; a score above 8 indicates that the institution may not be allocating enough resources to support its mission. A high score on the CFI could mean that the institution is stockpiling resources instead of using them to advance its strategic goals. The CFI score should be viewed in the context of the institution’s mission over a period of at least five years to account for inter-year variations caused by adverse financial situations, strategic initiatives, and capital expansions. By analyzing long-term trends, an institution can determine areas of strength and weakness in its financial profile.

The CFI scores are not intended to encourage head-to-head, fiscally based comparisons among institutions in which the highest scoring institution is considered “better.” The goal is to stay in a healthy, sustainable range. However, although using the CFI scores to rank or sort institutions is inappropriate, the CFI scores can be effectively used to benchmark an institution’s performance against that of peer institutions. The CFI is particularly useful for comparison purposes for institutions that consider both public and private institutions as peers; unlike other fiscal health indicators, a CFI score can be calculated for both public and private institutions. Used in this way, the CFI can give institutional decision makers a sense of their position relative to peer institutions operating in similar economic climates.

Examples of the CFI in Practice

The CFI score does not provide much useful information unless it is placed in the context of the institution's larger goals. Therefore, the score is typically incorporated into other practices and evaluation tools that colleges and universities use to guide their operations. Often the CFI is used as one of the regular reporting tools for an institution's board of regents or governing board, as well as other campus constituents. In some cases, the CFI has been used as an evaluation tool as part of accreditation reports, and it is commonly used in discussing financials related to larger campus-wide plans—discussions that typically involve an array of campus constituents. The experiences of three very different institutions/systems show how the CFI can be used in discussions of overall institutional or postsecondary system fiscal health.

Bacone College

BACONE COLLEGE

Location: Muskogee, Okla.
Type: Four-year, private
Degrees Awarded: AA, BA

Enrollment:

- 30 percent American Indian/Alaska Native
- 24 percent Black
- 36 percent White
- 10 percent Other

Percentage Receiving Aid: 100

Tuition and Fees 2010–11: $12,300

Web Site: www.bacone.edu

Source: IPEDS 2011

Bacone College, a private four-year college in Muskogee, Okla., is attempting to re-establish financial stability. It is using the CFI in its financial recovery plan report. Incorporated into the institution's recovery planning documents is a detailed breakdown of the CFI score by ratio since 2006, with projections for scores through 2015. The documents contain a year-by-year breakdown of how Bacone College plans to move from a CFI composite score of less than 1 to a score above 3. The CFI score and ratios are examined in the context of total projected revenues and expenditures each year from the perspectives of programming, housing, full-time versus part-time enrollment, financial aid, utilities, and tuition.

The report outlines how policy decisions at the level of student academic and support services affect financial ratios. It includes detailed plans for changes in academic advising, retention strategies, and remediation that will increase student retention rates and thus affect income and cost projections for the college.

By incorporating not only macro-level institutional financial operations but also programmatic level changes, Bacone's recovery plan is a useful example of how discussions of institutional fiscal health can involve departments that typically engage fiscal literacy from a student-centered perspective.[6]

UNIVERSITY OF COLORADO SYSTEM

Locations: Boulder, Colorado Springs, and Denver
Type: Four-year, public
Degrees Awarded: BA, MA, doctor's research and professional

Aggregate Enrollment (2009):

- 1 percent American Indian
- 3 percent Black
- 8 percent Hispanic
- 74 percent White
- 6 percent Other

Percentage Receiving Aid: Boulder, 52; Colorado Springs, 79; Denver, 72

In-State Tuition and Fees 2010–11: Boulder, $8,511; Colorado Springs, $6,029; Denver, $7,214

Web Site: www.cu.edu

Source: IPEDS 2011

University of Colorado System

In the University of Colorado System, the Office of University Controller takes a detailed look at CFI indicators on a quarterly basis as its financial reports to the board of regents and the broader university community. The quarterly reports break down each ratio and examine it in the context of trends over time, with mention of specific events or policy changes that caused changes in value.

Discussion also covers a comparison group of state university systems, allowing the reader to consider ratios in the context of peer systems. The University of Colorado System augments the CFI with additional ratios that examine factors deemed important to its goals. For example, it reports a demand ratio that determines what percentage of the operating revenues is being used for instruction and research.[7]

UNIVERSITY OF TEXAS AT SAN ANTONIO

Location: San Antonio, Texas
Type: Four-year, public
Degrees Awarded: BA, MA, doctor's research/scholarship

Enrollment:

- 7 percent Asian/Native Hawaiian
- 9 percent Black
- 37 percent White
- 44 percent Hispanic
- 3 percent other

Percentage Receiving Aid: 68

In-State Tuition and Fees for 2010–11: $6,718

Web Site: www.utsa.edu

Source: IPEDS 2011

University of Texas at San Antonio

The University of Texas at San Antonio, a public four-year HSI, created a CFI analysis document that it makes publicly available. In addition to the individual institution document, the analysis includes information on the CFI scores of all institutions in the University of Texas (UT) system.

These reports examine each of the four CFI ratios. They describe how the ratios are calculated and the relative weighting of each ratio in the overall CFI score. The weighted ratios are displayed in such a manner that the weaknesses and strengths of the institution are easily distinguishable. UT-San Antonio provides an analysis explaining what it believes to be the reason behind each trend or change in the CFI indicators,

[6] For more information on Bacone College's Financial Recovery Plan using the CFI, go to http://www.bacone.edu/pdf/HLC_Recovery_Plan_Document.pdf.

[7] For additional details on the University of Colorado System's use of the CFI, go to https://www.cu.edu/controller/financial-rpts.html. For a historic example of the use of CFI ratios in financial information dissemination, go to https://www.cu.edu/regents/BoardMeetings/powerpoint/June07Presentations/BF%20RACSS%203rdQrt%20FY07%20final.ppt.

demonstrating how CFI performance can be intentionally linked to practice with an eye toward improving institutional practice.[8]

CONCLUSION

Postsecondary institutions face a challenging fiscal environment and sound fiscal responsibility will be required to make the most effective use of finite resources. Fiscal responsibility requires institutions to view student fiscal literacy efforts and institutional fiscal management as complementary strategies in pursuit of the institutional mission and student success goals. Institutions are most likely to be successful if institutional finances and student fiscal literacy are both sound.

To support assessment as an approach to fiscal responsibility, this brief provided an overview of several tools that can be used to measure and track institutional fiscal health within MSIs. By understanding how these tools work, the data points that go into them, and the areas of campus practice that influence their outcomes, campus practitioners in all areas of institutional operations can be more informed participants in dialogues on fiscal responsibility that inform effective institutional practice.

For MSIs, fiscal responsibility is a necessity, as they apply their limited resources to support some of the most marginalized and underserved students in higher education. MSIs have placed a priority on improving students' financial literacy as a key tool for improving their prospects for graduation and beyond. Like many institutions, MSIs recognize that supportive programs are essential to accomplish this goal; however, continued investment in such programs requires that the institution itself be fiscally sound. It is worth considering how the CFI and similar assessment tools can advance strategic goals in this area.

[8] For further details on the use of the CFI by UT-San Antonio, go to http://www.utsystem.edu/cont/Reports_Publications/AFC/2009AFC.pdf and http://www.utsa.edu/financialaffairs/cfi.html.

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