

# ELEVATE LOUISIANA: FINANCIAL HEALTH ANALYSIS

The Elevate Louisiana Initiative set forth several proposed actions including the development and adoption of a policy for financial early warning systems and financial stress of higher education institutions. Drawing on the Ohio Department of Education Campus Accountability model, this document was created to increase financial accountability of state colleges and universities by using a standard set of measures with which to monitor the financial health of campuses. The Board of Regents will apply these standards annually to monitor individual campus finances, using the year-end audited financial statements of each higher education system. The analysis computes three ratios from which four scores are generated for each campus. Composite scores range from 0 (poor financial health) to 5 (excellent financial health). A composite score of 1.75 or below for two consecutive years results in an institution being placed on fiscal watch.

## Data

**Expendable net assets:** The sum of unrestricted net assets and restricted expendable net assets.

**Plant debt:** Total long-term debt (including the current portion thereof), including but not limited to bonds payable, notes payable, and capital lease obligations.

**Total Revenues:** Total operating revenues, plus total non-operating revenues, plus capital appropriations, capital grants and gifts, and additions to permanent endowments.

**Total operating expenses:** Total operating expenses, plus interest on long-term debt.

**Total non-operating expenses:** All expenses reported as non-operating with the exception of interest expenses.

**Change in total net assets:** Total revenues (operating and non-operating), less total expenses (operating and non-operating).

## Methodology

**Viability ratio:** Expendable net assets divided by plant debt. (Note: if plant debt is zero, then the viability ratio is not calculated and a viability score of 5 is automatically assigned.)

**Primary reserve ratio:** Expendable net assets divided by total operating expenses.

**Net Income Ratio:** Change in total net assets divided by total revenues.

**Composite Score:** Equals the sum of the viability score multiplied by 30%, the primary reserve score multiplied by 50%, and the net income score multiplied by 20%.

**Senior staff recommends** that the Committee approve the following:

- Annual receipt of financial health analysis report at the April Board meeting.
- Institutions with a composite score of 1.75 or below for two consecutive fiscal years will be placed on fiscal watch and the respective management board shall submit a corrective action plan for the institution at the following June Board of Regents meeting.

The results of the FY 2014-15 Fiscal Health Analysis are shown on the following page.

Institution	FY 14-15 Composite Score
Pennington Biomedical Research Center	2.50
Louisiana State University A&M	3.90
Louisiana State University - Alexandria	3.10
Louisiana State University - Eunice	2.10
Louisiana State University Law Center	3.00
Louisiana State University Agricultural Center	3.50
Louisiana State University - Shreveport	2.70
Louisiana State University HSC - NO	4.30
Louisiana State University HSC - Shreveport	1.00
<b>LSU SYSTEM AVERAGE</b>	<b>2.90</b>
Grambling State University	1.30
Louisiana Tech University	3.30
McNeese State University	4.00
Nicholls State University	2.90
Northwestern State University	3.70
Southeastern State University	2.80
University of Louisiana at Lafayette	3.10
University of Louisiana at Monroe	3.90
University of New Orleans	2.10
<b>UL SYSTEM AVERAGE</b>	<b>3.01</b>
Southern University A&M	2.10
Southern Law Center	3.00
Southern Agricultural Center	2.50
Southern University at New Orleans	0.00
Southern University at Shreveport	1.40
<b>SU SYSTEM AVERAGE</b>	<b>1.80</b>
Baton Rouge Community College	4.50
Bossier Parish Community College	4.00
Central LA Technical Community College	2.00
Delgado Community College	4.00
Nunez Community College	4.50
Fletcher Community College	4.00
LA Delta Community College	2.50
Northshore Technical Community College	4.00
Northwest LA Technical Community College	3.50
River Parishes Community College	4.50
South Central LA Technical College	4.00
South Louisiana Community College	5.00
Sowela Technical Community College	5.00
<b>LCTCS AVERAGE</b>	<b>3.96</b>

**A Composite Score of or below 1.75 signifies a campus under significant financial stress.**