E&G Budget Update-Fall 2019
Executive Summary

As part of **System Redesign**, the university implemented the System's **multiyear budget process** effective with the fiscal year 2019-20 through 2021-22 projections. The multiyear budgeting process was developed to ensure the consistent application of terms, guidelines, and expectations by all universities to produce reliable, consistent, and realistic budget projections. The multiyear budget implementation includes 4 years of data; the prior year completed (2018-19), the current year (2019-20), the request year (2020-21), and the future year (2021-22). Once fully implemented, the budget process will be wholly aligned with integrated **strategic planning**, **university goals**, **multiyear net price strategies**, and **investment priorities**. New System requirements incorporated into the fiscal year 2019-20 through 2021-22 projections include the assumption of tuition and appropriation increases in the request and future years (1.5% and 2.0%, respectively; the current year includes a 0% tuition increase and a 2.2% state appropriation increase) and balanced budgets for the current, request, and future years.

Fiscal year 2018-19 ended with an E&G budgetary deficit of $889,749 (comprised of an E&G General fund deficit of $1,845,360 offset by an E&G Special Programs/Self-Supporting funds budgetary surplus of $955,611). Although better than originally projected, the E&G General fund budgetary deficit is primarily the result of lower than projected tuition and fee revenue, attributed to enrollment declines, offset by slightly more salary and benefit savings and less operating and capital expenditures than originally planned (prudent spending).

Annualized FTE enrollment is expected to decline by 2.5% in fiscal year 2019-20 and .7% in the following fiscal year, 2020-21. Given the significant **retention initiatives** in place, a 1% increase in undergraduate retention is included in the 2021-22 projection, resulting in an overall annualized FTE enrollment increase of .8%. **Annualized FTE employees** are projected to remain relatively stable for fiscal years 2019-20 through 2021-22. **Contractual salary increases**, based on recently completed negations, are included for the AFSCME unit for each fiscal year. There are no salary increases included in the 2019-20 through 2021-22 projections for any other units, except for residuals associated with the mid-year 2018-19 contracted increases. Ratification of **new labor contracts** (non-AFSCME) and action taken by the Board of Governors (**nonrepresented employees**) may significantly alter the projections. Benefit rate increases are relatively modest and included for each of the fiscal years.

The 2019-20 through 2021-22 projections include funding for recurring, cohort based **institutional scholarships**, as approved by the Trustees, ranging from $2,777,656 in fiscal year 2019-20 to $3,532,656 in fiscal year 2021-22. In addition, the projections include the infusion of funds earned in prior years to fund **strategic/one-time initiatives** ($2,606,679 (FY 20), $1,015,642 (FY 21), and $133,332 (FY 22)) approved by Cabinet. Examples include the branding campaign, capital equipment replacement, capital projects, and academic program promotion and marketing. Overall, salaries and benefits comprise most of the expenditure budget (75%) with revenue being derived primarily from tuition and fees (65%) and state appropriation (26%).

A significant amount of **carryforward reserves** is needed to balance the 2019-20 through 2021-22 budgets, particularly in the E&G General fund ($15.2 million over three years), as projected expenses exceed projected revenue each year. At the end of fiscal year 2021-22, it is projected that without further action, the **institutional reserve** will be depleted. Other actions, above the utilization of carryforward reserves, taken to help balance the E&G General fund budget include: a reduction in the amount transferred to plant contingency for fiscal years 2019-20 through 2021-22 ($400,000/year), the reduction of base operating budgets, beginning in fiscal year 2021, by $900,142 (based on historic underspending), and a $1,000,000 reduction per year (2020-21 and 2021-22) in the annual amount transferred to plant to fund the university's capital project plan. The **strategic initiatives reserve fund**, created by President Hanna in fiscal year 2017-18, remains intact, with a current balance of $452,887. These funds will be used to help ensure that the university's planning processes, resources, and structures are aligned with strategic priorities.

Key **fiscal sustainability** strategy priorities include: **retention** improvement, **recruitment of** additional transfer and graduate students, **control and prioritization** of labor costs, and **control and improvement** of operating costs.