

Spring 2019 E&G Interim Budget Update

(General Fund; High Level)

FY 2018-19 (Current Year)

FY 2019-20 (Request Year)

As of March 25, 2019

BUDGET SUBCOMMITTEE • March 29, 2019

PLANNING AND BUDGET • April 4, 2019

Interim BUDRPT PASSHE Process Changes

- Submit revised enrollment projections for FY 2018-19 and FY 2019-20
- System office pulls YTD financial information from SAP BI and reviews against last year's actual trends and the original budget submission (fall 2018) to complete updated projections (final projections are expected to be complete by April 12)
- System reviews projections with university Budget Officers (April 25-26)
- Joint conference between Budget Officer, A&F Vice Presidents, and System staff to review projection results (May 1)
- Council of Presidents meeting to review updated budget projections (May 22)

FY 2018-19 and FY 2019-20 Enrollment Projection Revisions – Submitted to PASSHE on March 11, 2019

Annualized FTE Enrollment	FY 2018/19				FY 2019/20				Revised Enroll Proj	
	Original Projection October 2018	Revised Projection March 2019	Change from Original: Amount	Change from Original: Percent	Original Projection October 2018	Revised Projection March 2019	Change from Original: Amount	Change from Original: Percent	FY 2019/20 v. FY 2018/19 Amount	Percent
Resident UG	7131.71	7127.73	(3.98)	-0.06%	7060.45	7100.47	40.02	0.57%	(27.26)	-0.38%
Nonresident UG	735.27	682.1	(53.17)	-7.23%	722.75	678.2	(44.55)	-6.16%	(3.90)	-0.57%
Resident Grad	503.83	508.21	4.38	0.87%	536.50	507.58	(28.92)	-5.39%	(0.63)	-0.12%
Nonresident Grad	66.55	61.04	(5.51)	-8.28%	66.55	61.68	(4.87)	-7.32%	0.64	1.05%
Total FTE Enrollment	8437.36	8379.08	(58.28)	-0.69%	8386.25	8347.93	(38.32)	-0.46%	(31.15)	-0.37%

Assumptions (Revised Projections):

- 2019 Summer I (FY 2018/19)** Consistent with 2018 summer I.

- 2019 Summer II (FY 2019/20)** Consistent with 2018 summer II less 237 headcount/1422 credits (6 credits/student) due to sunsetting of the summer freshmen program plus 225 headcount/675 credits (3 credits/student) associated with the addition of a new online four week session. 225 headcount based on 15 new online courses with an estimated average enrollment per course of 15 (based on 2018 Summer I official enrollments).

- 2019 Fall-UG FT** Increase in UG FT headcount-expanded institutional scholarship program (Academic Excellence/Academic Success)-81, new transfer institutional scholarship program-18, increase fall enrollment due to summer requirement being removed (SPA/Jump Start)-51 (based on 980 Jump Start offers at the current institutional yield rate of 27%, rounded; SEP target = 304). Increases offset by declines in continuing rates (weighted average of last two years official rates).

- 2019 Fall-Grad** Projections reduced as original projections were somewhat aspirational based on the institution's strategic enrollment management plan. Projections will be revisited after the completion of the Hanover Research engagement. Phase I of this project includes an environmental scan of all existing grad programs that will help us assess which programs have room to grow, including those that can be converted to distance education as the educational delivery mode.

- 2020 Residency - Fall/Spring** UG FT based on fall 2018 official composition of in-state/out-state; UG PT based on weighted average of official composition of in-state/out-state for the prior three fall semesters; Grad FT and PT based on official enrollment composition for fall 2018.

- 2020 Winter Enrollment** Consistent with winter 2019.



FY 2018-19 E&G Budget Update (General Fund) Summary

Primary Budget Drivers - Tuition, Appropriation, Salary and Benefits, and Other Revenue
(as of 3/25/19)

Original E&G General Fund Projected Deficit -9/4/18 (BUDRPT20 submission)	\$(3,760,265)
Changes from Original Projection:	
Summer 2018 (Session I and III) (as of 3/25/19)	24,830
Fall 2018 Tuition Revenue Shortfall (as of 3/25/19; shortfall as of official enrollment date (9/17/18) = \$(355,215))	(409,086)
Winter 2018-19 Tuition Revenue Shortfall (as of 3/25/19; shortfall as of official enrollment date (1/25/19) = \$(166,763))	(167,729)
Spring 2019 Tuition Revenue Shortfall (as of 3/25/19; shortfall as of official enrollment date (2/13/19) = \$(813,267))	(853,451)
FY 2018-19 State Appropriation (Base and performance funding)	0
FY 2018-19 Interest Income Higher then Originally Projected	150,000
FY 2017-18 Healthcare Settlement Refund/(Settlement)-Highmark	424,776
FY 2018-19 Salary and Benefits Net Savings Above Original Projection (original projection = \$6.1MM; mid-year revised projection = \$7.4MM)	1,289,052
FY 2018-19 Operating Expenses Below Original Projection	103,240
Revised E&G General Fund Projected Deficit-3/25/19	\$(3,198,633)

**\$561,632 projected
improvement over original
projection**

Key Assumptions Used for FY 2019-20 E&G Budget Update (General Fund)

Tuition:

- ❑ **No increase in tuition rates;** Enrollment projections updated in accordance with Strategic Enrollment Management plan and most recent trends in continuing rates

State Appropriation (Base Allocation and Performance Funding):

- ❑ **No increase;** Although the Governor's recommendation includes a 1.5% increase (\$7MM) in the System's E&G appropriation, at this time, we have been instructed to assume the same appropriation as was received in FY 2018-19. Per the System Office, this will provide a better picture of unmet need, before any adjustments to appropriation or tuition and will provide opportunity for further discussion on the allocation of resources (Collaborative Allocation of Resources System Redesign Task Group)

Compensation:

- ❑ Assumes all authorized positions will be filled as of July 1, 2019 or August 26, 2019 (start of the fall semester)
- ❑ Salaries and benefits projected based on State System assumptions as of January 8, 2019 (salary step increases = 1.13%-1.25%; salary GPI increases = 1.25%; healthcare increases = 5.50%-6.00%; annuitant hospitalization increases = 0.00%-5.50%; retirement increases = 0.00%-3.80%)

Services/Supplies and Capital Expenditures:

- ❑ Continued reduction in base budgets (put into effect in 2013-14)
- ❑ CPI increases where appropriate
- ❑ Other known or anticipated adjustments included (i.e. Tier 2 student institutional scholarship program (Academic Success) approved by the COT in December 2016, OOS Good Neighbor institutional scholarship program (Good Neighbor) approved by the COT in November 2017, New and expanded institutional scholarship programs approved by the COT in February 2019, reduction in SPA grants associated with the sun setting of the program, etc.)

FY 2019-20 Projected Deficit E&G General Fund

\$(6,483,401)¹

As of March 25, 2019

¹ For every 1% increase in approved tuition rates, the projected deficit would be reduced by \$740,000 (assuming no changes in enrollment). It would take approximately a 9.0% tuition increase to balance the E&G General Fund budget.

FY 2019-20 E&G Budget Update (General Fund) Summary

Primary Budget Drivers - Tuition, Appropriation, Salary and Benefits, and Other
(as of 3/25/19)

Original E&G General Fund Projected Deficit -9/4/18 (BUDRPT20 submission)	\$(8,374,509)
Changes from Original Projection:	
Tuition (does not include a tuition increase)	(1,114,819)
State Appropriation/Performance Funding (assumes level funding with FY 2018-19 for both base and performance funding)	0
Sun setting of SPA program (6 week credit based) with Jump Start (2 week non-credit based)	436,337
Salary and Benefits (includes no pay increases and projected increases for benefits) (see next slide for detail)	2,774,590
New Institutional Scholarship, Effective Fall 2019 (Academic Excellence expansion-tiers 1 and 2A)	(115,000)
New Institutional Scholarship, Effective Fall 2019 (Council of Trustees Scholarship-tier 2B)	(72,000)
New Institutional Scholarship, Effective Fall 2019 (BU Husky Merit Scholarship-Transfer Students)	(18,000)
Revised E&G General Fund Projected Deficit-3/25/19	\$(6,483,401)

Key Drivers in Changes to Salaries and Benefits

- Faculty salaries:
 - Initial projections included salary rates for all faculty vacancies at an assistant professor level. Since this time, tenure searches have been issued. Those positions that are not being searched as a tenured position have been re-projected at the instructor rate.
 - Re-projection of summer school salaries based on lower summer enrollment offset by a new four-week summer II session. Both of these events emerged after the original budget projections were made.
 - Use of vacant tenure lines to fund temporary faculty (decreases the temp pool budget).
 - Associated benefit reductions.
- Retirement:
 - Changes to the PSERS/SERS retirement benefits, effective January 2019, have made these plans less attractive than the ARP (TIAA-CREF) plan. All vacant positions are now being projected using the ARP rate.
- Freezing of positions

6/30/19 Institutional Reserve (E&G General Fund) Rollforward - Projected and Uncommitted Institutional Reserve Balance Available for Use-FY 2020 and Beyond - Projected

Institutional Reserve Balance 7/1/18	\$	19,982,750
Original E&G General Fund Projected Deficit-FY 2018-19		(3,760,265)
Projected FY 2018-19 Carryforward to Institutional Reserve - E&G General Fund Bottom Line Net Improvement		561,632
Campus Gateway Project as per Planned Use of Carryforward (FY 2019)		(650,000)
Third Floor Greenly Buildout as per Planned Use of Carryforward (FY 2019)		(500,000)
Scoreboard Project as per Planned Use of Carryforward (FY 2019)		(50,000)
Branding Campaign-Year 1 as per Planned Use of Carryforward (FY 2019)		(504,000)
Bellevue Contract		(45,000)
Return of Unused Funds (1099 Lightstreet Road purchase, Presidential Inauguration, and SPA grants)		75,572
Institutional Reserve Balance 6/30/19-Projected	\$	15,110,689
Branding Campaign-Year 2		(748,000)
Branding Campaign-Year 3		(748,000)
Uncommitted Institutional Reserve Balance Available for Use-FY 2020 and Beyond-Projected	\$	13,614,689



Represents
approximately
10.4% of FY 2019-20
E&G General Fund
Budget



FY 2019-20 Interim Budget Update Summary

- ❑ Original submission projected a **\$8.4MM** shortfall/deficit in the E&G General Fund
- ❑ Interim budget update adjusted for current enrollment trends, updated salary/benefit information, and other assumptions as previously outlined results in a revised projected shortfall/deficit of **\$6.5MM**
- ❑ Additional considerations:

FY 2019-20 Additional Considerations Summary	
Projected E&G General Fund Deficit w/Given Assumptions	\$ (6,483,401)
2.5% Tuition Increase ¹	1,479,240
Potential Remaining Deficit	\$ (5,004,161)
¹ For illustrative purposes only. Does not reflect action taken by the Board of Governors.	

Key Unknowns Going into FY 2019-20

- ❑ Final state appropriation allocation and related impacts to tuition/technology tuition increases
- ❑ System Redesign Taskforce recommendations around collaborative allocation of resources and what it means to be a “sharing” system
- ❑ Obligation for Cheyney loan forgiveness
- ❑ Pay increases for all units and finalization of benefit rates
 - Salary adjustments for non-represented employees have not been approved by the Board of Governors
 - All CBAs expire 6/30/19 and are still being negotiated



Discussion
