

Wayne State University FY 2023 Budget Update



OUR MISSION

We will create and advance knowledge, prepare a diverse student body to thrive, and positively impact local and global communities.



Academic Senate

FY 2021 year-end financial results (*General Fund only*)

FY 2021 increase in Net Position (+\$37M). A few of the major factors that contributed to the increase are:

Revenues increased -

Gross Student Tuition & Fees decreased (-\$5.4M)

State Appropriations one time supplemental funding (+\$7.9M)

Federal Economic Relief Funds (+\$24.7M)

Investment Income (+\$5.2M)

Expenses decreased -

Compensation and benefits (-\$7M)

One time factors like HEERF and supplemental funding from the State have no long-term impact on WSU's structural deficit.



Fiscal Year (FY) 2022 Budget Review

- 3.9% tuition increase
(except School of Medicine)
- One time State Appropriation allocation \$2M
- Pandemic impact on enrollment and operations
- FY 2022's General Fund structural deficit of \$10.3M
- General Fund operational deficit covered from HEERF and rainy day fund if necessary



FY 2022 Actions implemented

- FY 2022 financial challenges addressed through:
 - Permanent budget relief actions:
 - FY 2022 base budget reduction plans ~\$19M (*vacant positions and general expense*)
 - Temporary budget relief actions:
 - Hiring restrictions generating salary savings
 - Use of one time funding as appropriate
 - Financial conditions creating the FY 2022 structural deficit will continue into FY 2023.

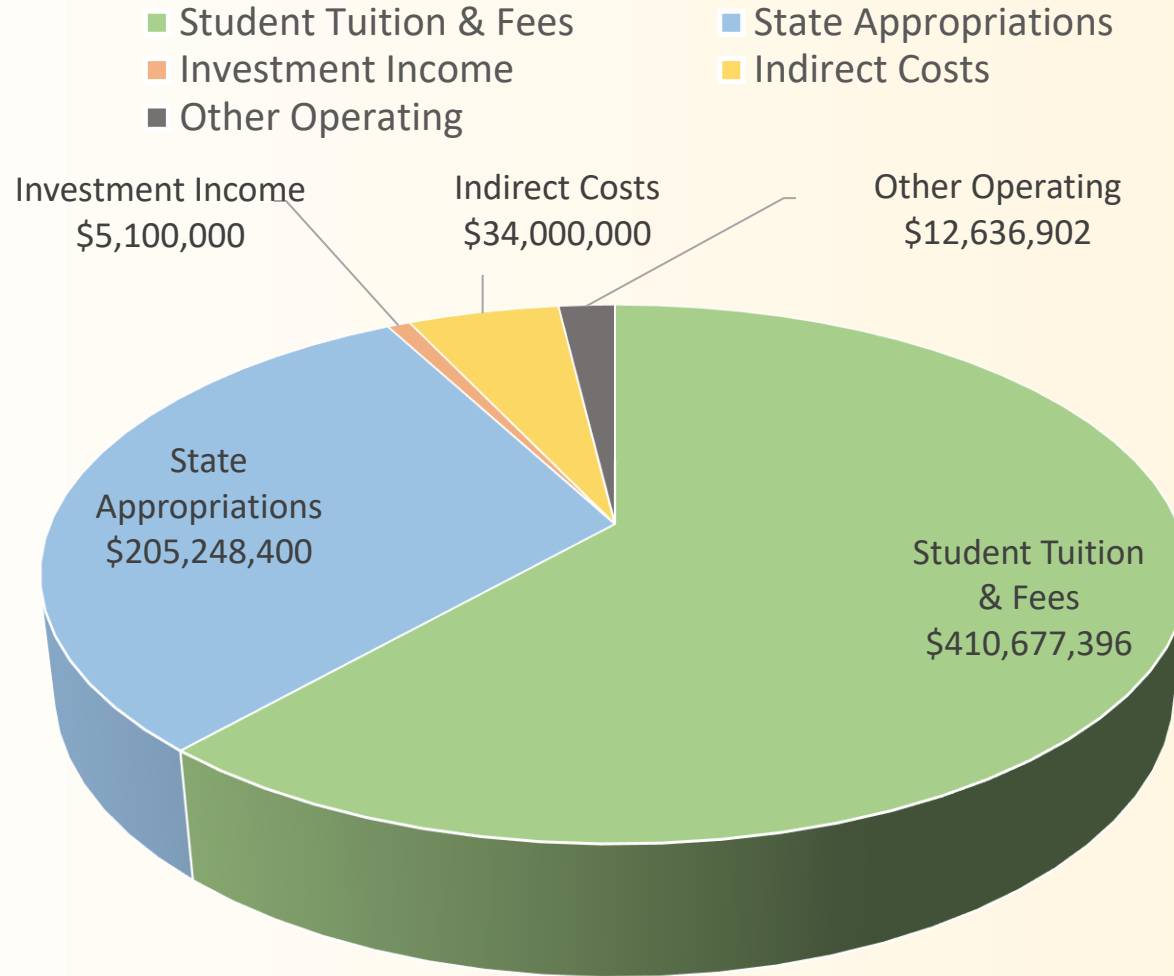


Challenges ahead

- Winter enrollment lower than FY 2022's budget (*\$1.5M negative impact*). Spring/Summer trending down, potentially driving a larger variance to budgeted revenue.
- Governor Whitmer proposed base and one-time allocations to Higher Education. Final decision is still uncertain.
- Increase in unavoidable expenses (*contractual obligations, debt, insurance, utilities etc.*)
- Long term impact of FY 2022 budget shortfall carried forward to FY 2023
- Deferred maintenance critical needs



WSU General Fund Revenue Breakdown

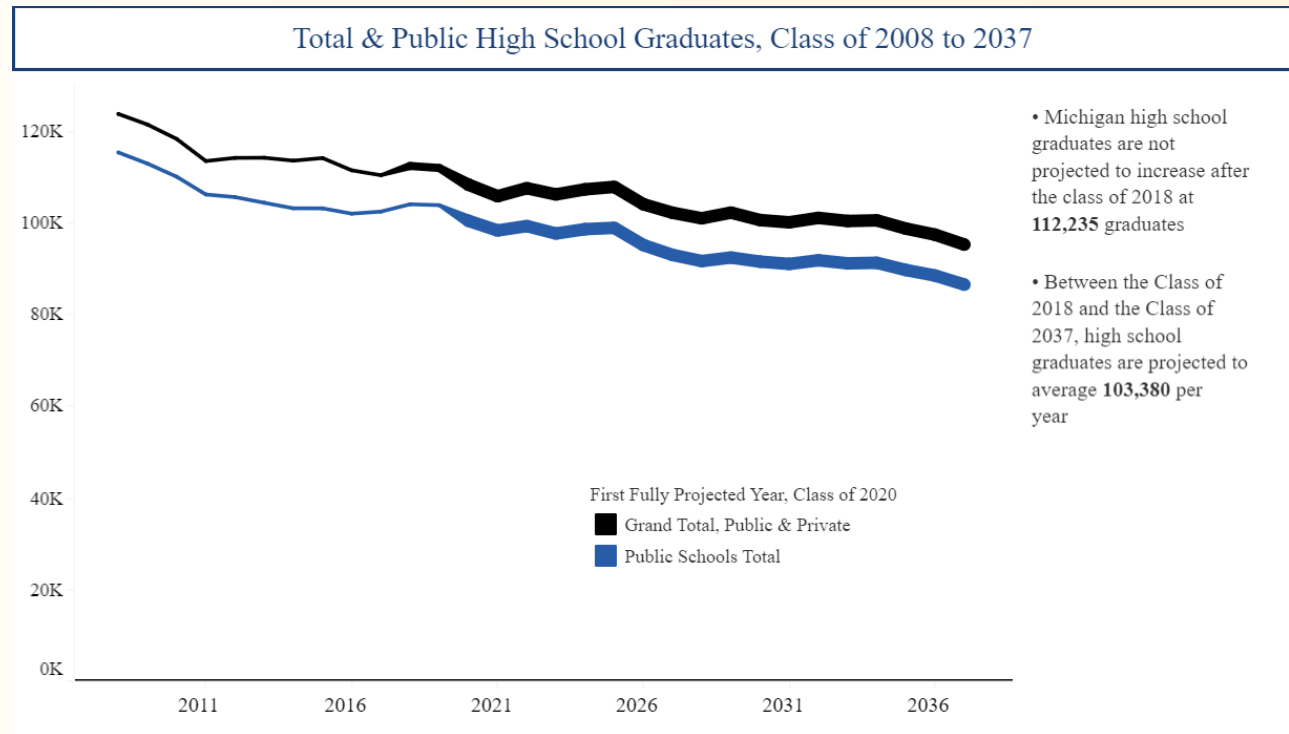


FY 2022 Tuition and Fees and State Appropriations make up **92%** of the revenue sources for the General Fund operations.



A glimpse of the future

Decline in Michigan high school graduates as a result of smaller elementary school and birth cohorts since 2007

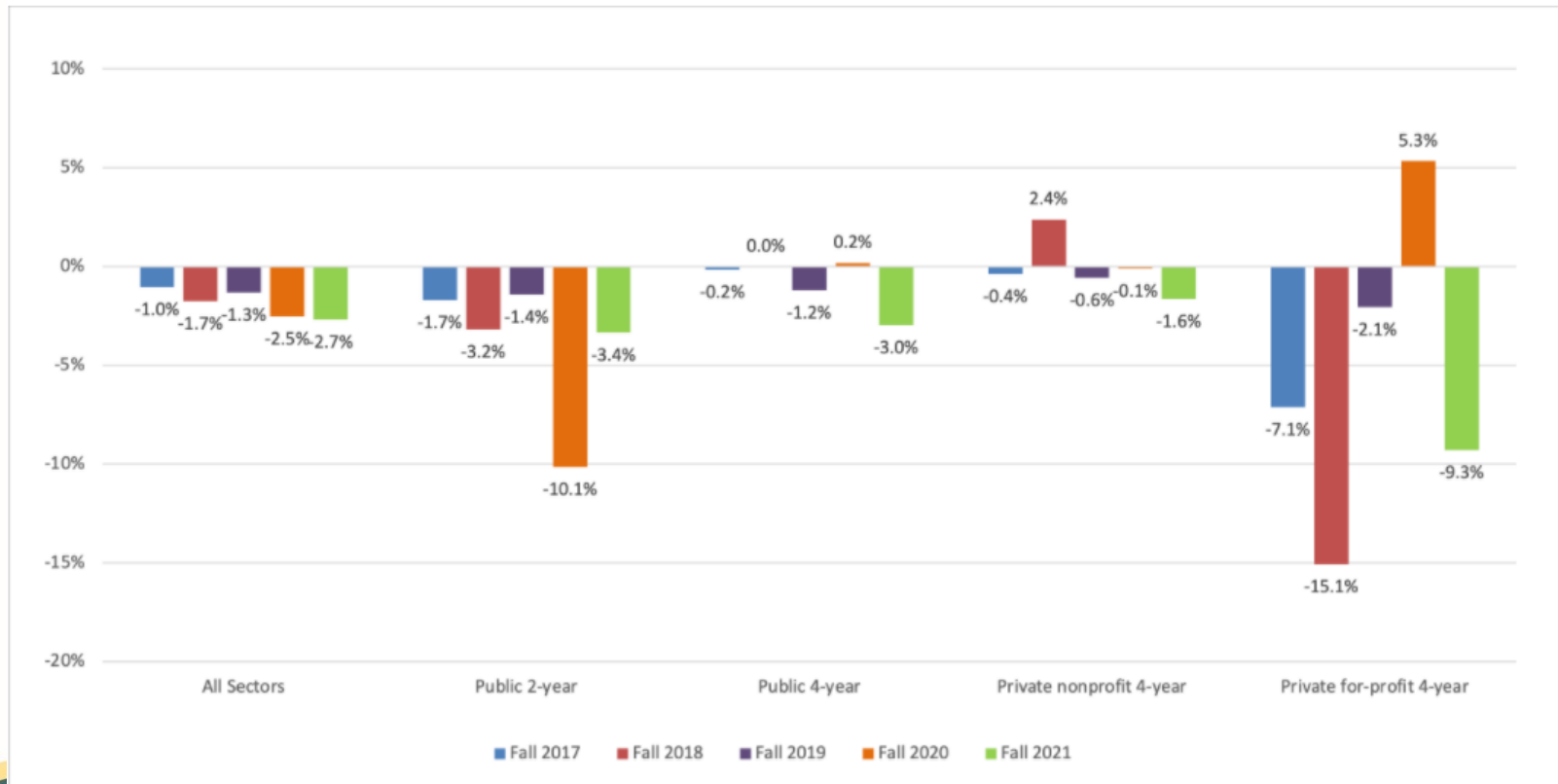


Source: Western Interstate Commission for Higher Education, *Knocking at the College Door*, 10th edition, 2020.



National Trends in Enrollment Fall 2017- Fall 2021

Percent Change in Total Enrollment from Previous Year by Institutional Sector: 2017 to 2021



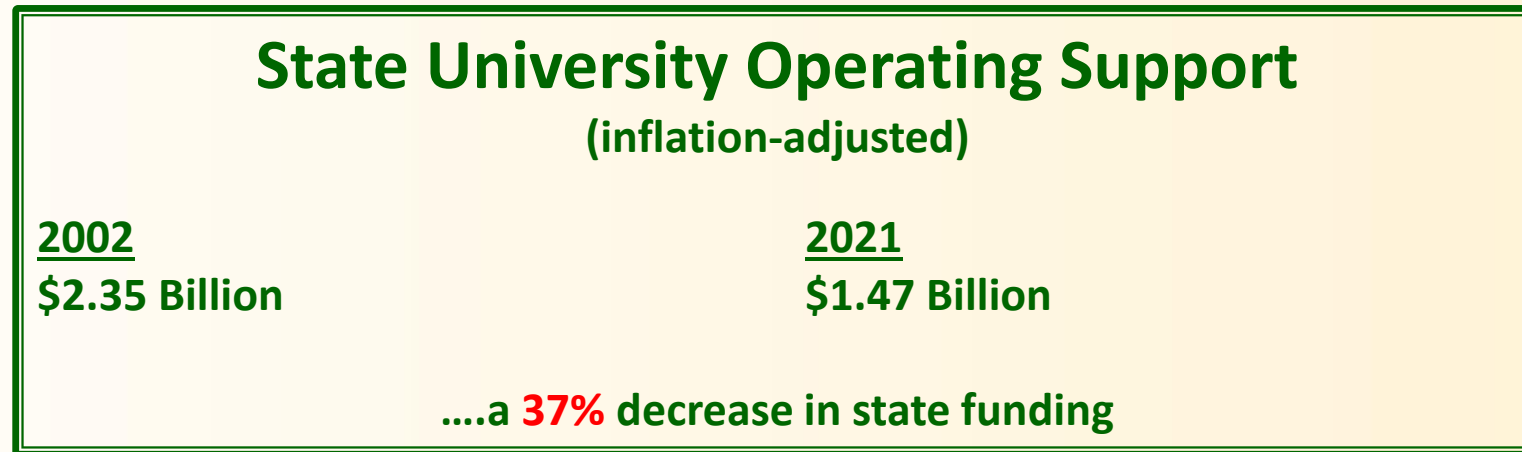
- Continued enrollment losses in the pandemic represent a total two-year decline of 5.1 percent or 938,000 students since fall 2019.
- Every institution sector saw undergraduate enrollment drops, with the largest numerical drops at public four-year institutions (251,400 students or -3.8%) and the steepest percentage decline at private for-profit four-year colleges (-11.1% or 65,500 students)



Data source: National Student Clearinghouse Research Center

Lack of State investment in Higher Education

- Michigan's rank in per capita state fiscal support for higher ed
 - 2001: 20th Today: 44th
- State appropriations since 2011: \$193.5 million *reduction* (inflation-adjusted)



Source: Michigan Association of State Universities

Early FY 2023 Budget Outlook

Assumptions:

- 0%-5% tuition increases (UG & GR, non SOM)
- 2.5% in state appropriation (base increase)
- **Enrollment changes between -4% and 0%** (UG & GR, SOM flat)
- 2%-2.5% inflationary pay increases for all employees based on contracts and assumptions
- 3% inflationary increases for certain operating costs

Estimated FY 2023 Structural Deficit between **-\$44M and **-\$12M****

Note: This outlook is based on high level assumptions to provide a general outlook for the near future. Assumptions are focused on long-term commitments and revenue sources. They will be refined for future budget reports.



Budget Actions:

- Increase revenues
- Re-allocate existing funding
- Reduce expenses
- Budget reform and fiscal discipline
 - Monthly and quarterly monitoring of current funds
 - Unavoidable expense budgets will be set based on estimated actual needs not prior year budget allocations (utilities, insurance etc.)
 - Efficient use of one-time funding available
 - Focus on better utilizing current fund balances to support our mission
 - Endowments
 - Designated fund balances



FY 2023 Budget Considerations

- Tough decisions must be made to balance the General Fund budget
- Current programs/functions must be looked at closely
- A tuition increase will be needed
- One-time funding will be used as appropriate
- Better utilization of non-general fund balances



FY 2023 Budget Timeline

February/March Schools/Colleges/Division deadline to submit budget hearing templates
Review and finalize budget hearing submissions

March/April Budget Planning Council: Budget Hearings with Schools/Colleges/Divisions
Budget Planning Council: Provide Recommendations

April: Schools/Colleges/Divisions Finalize budget plans and enter changes in Adaptive
BOG Budget and Finance Committee Meeting (April 29th):
School of Medicine Tuition Approval



FY 2023 Budget Timeline cont.

May/June

Budget Meetings with Governors (individual or small group)

Present budget update to Academic Senate, Student Senate, Campus community

June 24

BOG General Fund and Tuition Approval

Dining and Housing Rate Approval

July

Budget Books Created and Published

