

# Spring 2018 E&G Interim Budget Update FY 2017-18 (Current Year) FY 2018-19 (Request Year)

(As of University Interim BUDRPT Submission-March 8, 2018)

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BUDGET SUBCOMMITTEE ● MARCH 30, 2018

PLANNING AND BUDGET ● APRIL 5, 2018

UNIVERSITY FORUM ● APRIL 25, 2018

# E&G Interim Budget Update

## FY 2017-18

Educational and General Fund (General, Special Programs, Self-Supporting)	Original BUDRPT Submission 8/31/17	Interim (Revised) BUDRPT Submission 3/9/18	Variance
<b>E&amp;G Revenue/Sources</b>			
Tuition	\$ 80,174,165	\$ 78,927,701	\$ (1,246,464)
Fees	22,467,957	21,956,944	\$ (511,013)
Total Tuition and Fees	\$ 102,642,122	\$ 100,884,645	\$ (1,757,477)
State Appropriation	37,059,188	\$ 36,152,927	\$ (906,261)
All Other Revenue	5,524,764	6,275,119	\$ 750,355
Use of Carryforward Fund Balance <sup>1</sup>	5,478,755	5,284,930	\$ (193,825)
<b>Total Revenue/Sources</b>	<b>\$ 150,704,829</b>	<b>\$ 148,597,621</b>	<b>\$ (2,107,208)</b>
<b>E&amp;G Expenditures and Transfers</b>			
Compensation Summary:			
Salaries and Wages	\$ 74,279,271	\$ 73,947,937	\$ (331,334)
Benefits	\$ 38,312,350	36,486,657	\$ (1,825,693)
Subtotal, Compensation	\$ 112,591,621	\$ 110,434,594	\$ (2,157,027)
Student Financial Aid	3,115,554	3,002,084	\$ (113,470)
Utilities	2,584,364	2,684,364	\$ 100,000
Other Services and Supplies	26,157,568	25,958,555	\$ (199,013)
Capital Expenditures and Transfers	6,255,722	6,518,024	\$ 262,302
<b>Total Expenditures and Transfers</b>	<b>\$ 150,704,829</b>	<b>\$ 148,597,621</b>	<b>\$ (2,107,208)</b>
<b>Revenue/Sources less Expenditures/Transfers</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<sup>1</sup> Original BUDRPT submission included a projected E&G General Fund deficit of <b>\$2,204,236</b> . Interim (Revised) BUDRPT submission projects a <b>\$907,878</b> E&G General Fund deficit.			



Balanced; all E&G funds



# Key Revenue/Source Variance Drivers-E&G Interim Budget Update FY 2017-18

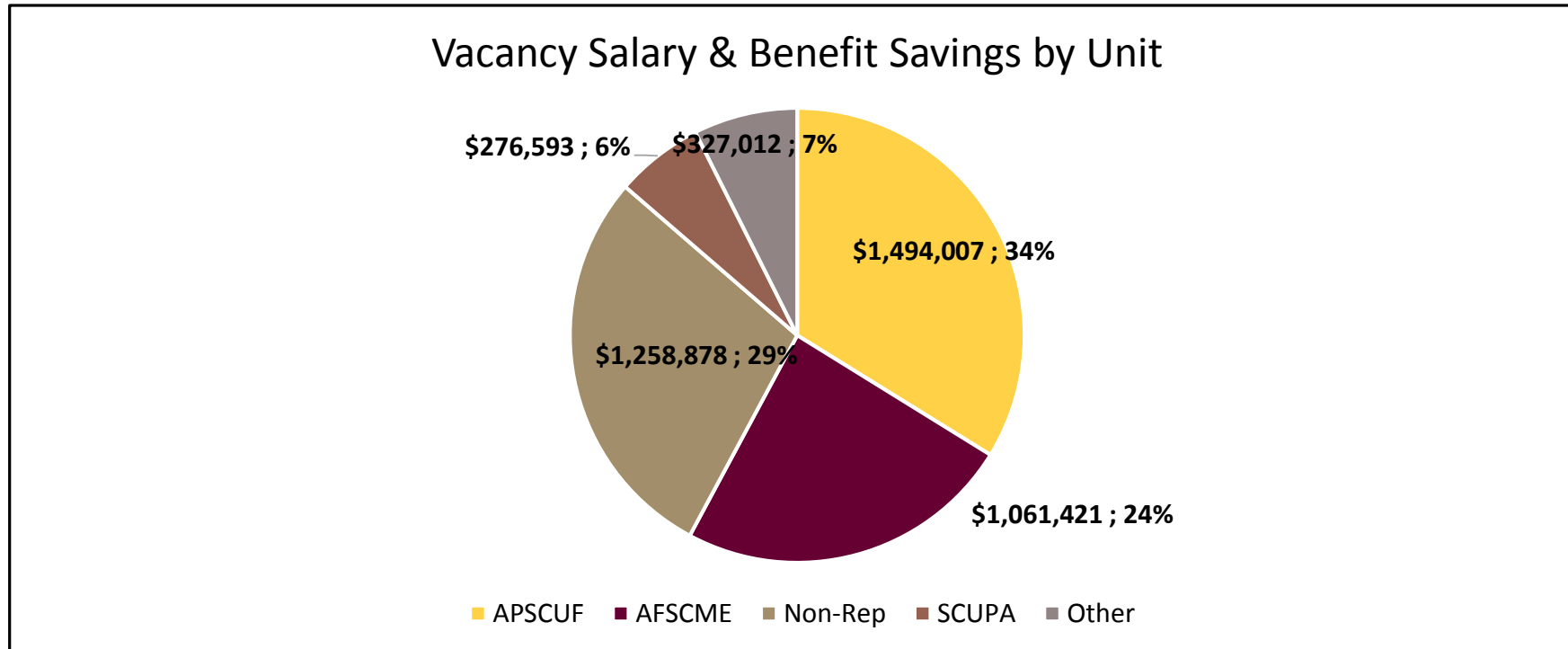
- ❑ Tuition revenue lower than originally projected (-\$1.3MM); Enrollment for fall/spring ↓ (primarily non-resident undergraduate and non-resident graduate); winter/summer ↔
- ❑ Fee revenue lower than originally projected (-\$.5MM); enrollment changes (technology tuition fee, academic enhancement fee, student success fee, health services/wellness fee, and transportation fee)
- ❑ Performance funding lower than originally projected (-\$.9MM); performance funding awards made on November 1, 2017
- ❑ Other revenue higher than originally projected (+\$.8MM):
  - Unexpected 2016/17 healthcare settlement-Highmark (+\$.7MM)
  - Higher than expected interest income (+\$.1MM)
- ❑ Adjustment to Planned Use of Carryforward Fund Balance-Source (-\$.2MM); primarily attributed to:
  - Decrease in projected use of Institutional Reserve to balance the E&G General Fund budget (-\$1.3MM)
  - Increase in projected use of Carryforward Fund Balance-Special Programs and Self-Supporting funds (primarily Health/Wellness and Technology Fee funds) (+\$.3MM)
  - Increase in projected use of Carryforward Fund Balance-Special Programs and Self-Supporting funds for various initiatives identified after original budget submission was made (+\$.7MM)

# Key Expenditure/Transfer Variance Drivers-E&G Interim Budget Update FY 2017-18

❑ Labor costs **\$2.2MM lower** than originally projected:

- Revised Salary and Benefit Savings Projection-March 2018-\$5.5MM <sup>1</sup>
  - Original Salary and Benefit Savings Projection-August 2017-\$3.3MM
- **Projected Decrease in Salary and Benefits = \$2.2MM** (\$5.5MM less \$3.3MM)

<sup>1</sup> Primarily comprised of: vacancies (\$4.4MM), healthcare reserves (\$.5MM), PEBTF mid-year annuitant rate change (\$.3MM); unpaid leaves (\$.2MM), FICA savings max-pools (\$.2MM)



# FY 2017-18 E&G Interim Budget Update Summary

- ❑ Budget is balanced for all E&G funds (General, Special Programs, Self-Supporting)
- ❑ Interim budget projection requires use of institutional reserve, in the amount of \$907,878 to balance the E&G General Fund budget
- ❑ Projected E&G General fund bottom line net improvement of \$1.3MM (original projected E&G General Fund projected deficit of \$2.2MM vs. revised projected E&G General Fund deficit of \$.9MM) is primarily attributed to the following:

Revised E&G General Fund Proj. Deficit	-\$\$.9MM	Lower than Projected Tuition Revenue	-\$\$.3MM
Original E&G General Fund Proj. Deficit	-\$\$.2MM	Lower than Projected Fees (primarily Student Success and Application fees)	-\$\$.1MM
Projected E&G General Fund Bottom Line Net Improvement	\$\$.3MM	Lower than Projected State Appropriation (Performance Funding)	-\$\$.9MM
		Higher than Projected Other Revenue (primarily healthcare settlement and interest income)	\$.8MM
		Lower than Projected Salary and Benefits	\$.5MM
		Lower than Projected Student Financial Aid	\$.2MM
		Lower than Projected Other Services and Supplies	\$.2MM
		Projected E&G General Fund Bottom Line Net Improvement*	\$\$.3MM

\*Numbers may not add due to rounding

## 6/30/18 Institutional Reserve (E&G General Fund) Rollforward - Projected and Uncommitted Institutional Reserve Balance Available for Use-FY 2019 and Beyond - Projected

Institutional Reserve Balance 7/1/17	\$	18,573,830
Original E&G General Fund Projected Deficit-FY 2017-18		(2,204,236)
Projected FY 2017-18 Carryforward to Institutional Reserve - E&G General Fund Bottom Line Net Improvement		1,304,894
Transfer for 1099 Lightstreet Road Property Purchase as per Planned Use of Carryforward (FY 2018)		(250,000)
<b>Institutional Reserve Balance 6/30/18-Projected</b>	<b>\$</b>	<b>17,424,488</b>
Strategic Enrollment Plan-Action Plan as per Planned Use of Carryforward (FY 2019)		(837,094)
Market Research and Brand Development Study-Year 1 (FY 2019)		(666,667)
<b>Uncommitted Institutional Reserve Balance Available for Use-FY 2019 and Beyond-Projected</b>	<b>\$</b>	<b>15,920,727</b>



Represents  
approximately  
10.4% of FY 2018-19  
E&G Budget

## E&G Interim Budget Update FY 2018-19

Educational and General Fund (General, Special Programs, Self-Supporting)	Original BUDRPT Submission 8/31/17	Interim (Revised) BUDRPT Submission 3/9/18	Variance
<b>E&amp;G Revenue/Sources</b>			
Tuition	\$ 81,012,729	80,396,729	\$ (616,000)
Fees	22,669,636	22,162,016	(507,620)
Total Tuition and Fees	\$ 103,682,365	102,558,745	\$ (1,123,620)
State Appropriation	37,059,188	36,152,927	(906,261)
All Other Revenue	5,517,246	5,599,219	81,973
Use of Carryforward Fund Balance	1,203,435	1,827,186	623,751
<b>Total Revenue/Sources</b>	<b>\$ 147,462,234</b>	<b>146,138,077</b>	<b>\$ (1,324,157)</b>
<b>E&amp;G Expenditures and Transfers</b>			
Compensation Summary:			
Salaries and Wages	\$ 76,053,161	77,625,306	\$ 1,572,145
Benefits	39,315,818	39,914,566	598,748
Subtotal, Compensation	\$ 115,368,979	117,539,872	\$ 2,170,893
Student Financial Aid	3,534,763	3,659,203	124,440
Utilities	2,636,051	2,736,051	100,000
Other Services and Supplies	24,143,623	24,521,780	378,157
Capital Expenditures and Transfers	5,115,133	5,110,939	(4,194)
<b>Total Expenditures and Transfers</b>	<b>\$ 150,798,549</b>	<b>153,567,845</b>	<b>\$ 2,769,296</b>
<b>Revenue/Sources less Expenditures/Transfers</b>	<b>\$ (3,336,315)</b>	<b>(7,429,768)</b>	<b>\$ (4,093,453)</b>

**Unbalanced;** Projected deficit is in the E&G General Fund; Special Programs/Self-Supporting funds are balanced.

# Key Assumptions Used for FY 2018-19 E&G Interim Budget Update

## Tuition and Fees:

- ❑ **No increase in tuition rates;** Enrollment projections updated in accordance with Strategic Enrollment Management plan and most recent trends in continuing rates
- ❑ **No increase in Academic Enhancement and Technology Tuition fees;** enrollment projections updated for most recent trends
- ❑ Miscellaneous fees adjusted based on FY 2017-18 revised budget (projected FY 2017-18 actuals)

## State Appropriation (Base Allocation and Performance Funding):

- ❑ **No increase;** Although the Governor's recommendation includes a 3.3% increase (\$15MM) in the System's E&G appropriation, at this time, we have been instructed to assume the same appropriation as was received in FY 2017-18. 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)

## All Other Revenue:

- ❑ Generally consistent with FY 2017-18 revised budget (projected FY 2017-18 actuals) less healthcare settlement

## Use of Carryforward Fund Balance:

- ❑ Majority of balance (\$1.2MM) reflects planned use of carryforward fund balance as submitted by divisions to the Budget Office during July/August 2017

## Compensation:

- ❑ Assumes all authorized positions will be filled as of July 1, 2018 or August 27, 2018 (start of the fall semester)
- ❑ Salaries and benefits projected based on State System assumptions as of January 3, 2018 (salary step increases = 2.25%-5.00%; salary GPI increases = 1.25%-2.63% ; healthcare increases = 2.75%-3.00%; annuitant hospitalization increases = 3.00%-20.82%; retirement increases = 0.00%-2.70%)

## 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. BU Academic Excellence Scholarship program approved by the COT in November 2014, new tier 2 student institutional scholarship program (Academic Success) approved by the COT in December 2016, new OOS institutional scholarship program (Good Neighbor) approved by the COT in November 2017, base budget increases for Unrestricted Professional Experience Grants and Ruffalo Noel-Levitz Demand Builder (SEP initiative), Market Research and Brand Development Study, etc.)

# FY 2018-19 Projected Deficit E&G General Fund

# \$(7,429,768)<sup>1</sup>

As of March 9, 2018 (Interim BUDRPT19 Submission Date)

<sup>1</sup> For every 1% increase in approved tuition rates, the projected deficit will be reduced by \$765K (assuming no changes in enrollment). It would take approximately a 9.7% tuition increase to balance the E&G General Fund budget.





# Key Revenue/Source Variance Drivers-E&G Interim Budget Update FY 2018-19

- ❑ Tuition revenue lower than originally projected (-\$.6MM) based on most current enrollment projections developed from the Strategic Enrollment Management plan and the most recent trends in continuing rates
- ❑ Fee revenue lower than originally projected (-\$.5MM); enrollment changes (technology tuition fee, academic enhancement fee, student success fee, health services/wellness fee, and transportation fee)
- ❑ Appropriation revenue lower than originally projected (-\$.9MM)
  - Figure provided by the State System
  - Although the Governor's recommendation includes a 3.3% increase (\$15MM) in the System's E&G appropriation, at this time, we have been instructed to assume the same appropriation as was received in FY 2017-18. 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)
- ❑ Adjustment to Planned Use of Carryforward Fund Balance (+\$.6MM); primarily attributed to:
  - Market research and brand development study-Year 1 (+\$.7MM)
  - Reduction in planned use of carryforward fund balance for Academic Excellence Scholarships (renewal attrition) (-\$.05MM)

# Key Expenditure Drivers-E&G Interim Budget Update FY 2018-19

- ❑ Net labor cost increase (+\$2.2MM) primarily attributed to:
  - Salary and benefits associated with the APSCUF contract extension and SPFPA contract that were ratified after the original budget submission was prepared (\$1.7MM APSCUF and \$.09MM SPFPA)
  - Increase in positions (11.17) due to primarily due to:
    - Temporary appointment extensions (2.5)
    - New positions (6.5) (3.0 associated with providing HR/Labor Relations services to Mansfield University; Cost will be fully reimbursed)
    - Reintroduction of previously frozen positions (1.0)
  - Projection includes \$4.7MM in salary and benefit savings based on recent trends
  
- ❑ Student financial aid increase (+\$.1MM) attributed to:
  - New out-of-state institutional scholarship program approved by the Council of Trustees in November 2017 (+\$.2MM)
  - Base budget increase for Unrestricted Professional Experience Grants (PEGS) (+\$.05MM)
  - Reductions in Academic Excellence and Academic Success institutional scholarships (attrition on renewals) (-\$.1MM)
  - Reduction in BOG Waiver budget based upon System provided maximum number of waivers available (-\$.05MM)
  
- ❑ Other services and supplies increase (+\$.4MM); primarily attributed to:
  - Market research and branding study-year 1 (+\$.7MM)
  - Base budget increase-Ruffalo Noel-Levitz Demand Builder (+\$.3MM)
  - Net decrease in other services and supplies expense (-\$.5MM) within the E&G special programs/self-supporting funds to align with revised revenue projections

# FY 2018-19 Interim Budget Update Summary

- ❑ Original submission projected a **\$3.3MM** 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 **\$7.4MM** in the E&G General Fund
- ❑ Additional considerations:

<b>FY 2018-19 Additional Considerations Summary</b>	
Projected E&G General Fund Deficit w/Given Assumptions	\$ (7,429,768)
3.3% State Appropriation Increase <sup>1</sup>	1,193,047
2.5% Tuition Increase <sup>2</sup>	1,913,598
Most Current Estimate of Cheyney Loan Forgiveness Obligation	(866,667)
2.0% Merit Increases (salaries and associated benefits) for Non-Rep Employees <sup>2</sup>	(258,526)
Potential Remaining Deficit	<u>\$ (5,448,317)</u>
<sup>1</sup> For illustrative purposes only. Based on Governor's recommendation applied to FY 2017-18 state appropriation received.	
<sup>2</sup> For illustrative purposes only. Does not reflect action taken by the Board of Governors.	

## 2017-18 Interim BUDRPT19-E&G Budget Summary

<b>Educational and General Budget</b>								
<b>Revenue/Sources</b>	<b>Original Projection</b>	<b>Revised Projection</b>	<b>Change from Original</b>		<b>Original Projection</b>	<b>Revised Projection</b>	<b>Change from Original</b>	
	<b>FY 2017/18</b>	<b>FY 2017/18</b>	<b>\$</b>	<b>%</b>			<b>FY 2018/19</b>	<b>FY 2018/19</b>
Tuition	\$80,174,165	\$78,927,701	(\$1,246,464)	-1.6%	\$81,012,729	\$ 80,396,729	(\$616,000)	-0.8%
Fees	22,467,957	21,956,944	(511,013)	-2.3%	22,669,636	22,162,016	(507,620)	-2.2%
State Appropriation	37,059,188	36,152,927	(906,261)	-2.4%	37,059,188	36,152,927	(906,261)	-2.4%
All Other Revenue	5,524,764	6,275,119	750,355	13.6%	5,517,246	5,599,219	81,973	1.5%
Planned Use of Carryforward	5,478,755	5,284,930	(193,825)	-3.5%	1,203,435	1,827,186	623,751	51.8%
<b>Total Revenue/Sources</b>	<b>\$150,704,829</b>	<b>\$148,597,621</b>	<b>(\$2,107,208)</b>	<b>-1.4%</b>	<b>\$147,462,234</b>	<b>\$146,138,077</b>	<b>(\$1,324,157)</b>	<b>-0.9%</b>
<b>Expenditures and Transfers</b>								
Compensation Summary:								
Salaries and Wages	\$74,279,271	\$73,947,937	(\$331,334)	-0.4%	\$76,053,161	\$ 77,625,306	\$1,572,145	2.1%
Benefits	38,312,350	36,486,657	(1,825,693)	-4.8%	39,315,818	39,914,566	598,748	1.5%
Subtotal, Compensation	\$112,591,621	\$110,434,594	(\$2,157,027)	-1.9%	\$115,368,979	\$ 117,539,872	\$2,170,893	1.9%
Student Financial Aid	3,115,554	3,002,084	(113,470)	-3.6%	3,534,763	3,659,203	124,440	3.5%
Utilities	2,584,364	2,684,364	100,000	3.9%	2,636,051	2,736,051	100,000	3.8%
Other Services and Supplies	26,157,568	25,958,555	(199,013)	-0.8%	24,143,623	24,521,780	378,157	1.6%
Subtotal, All Services and Supplies	\$31,857,486	\$31,645,003	(\$212,483)	-0.7%	\$30,314,437	\$ 30,917,034	\$602,597	2.0%
Capital Expenditures and Transfers	6,255,722	6,518,024	262,302	4.2%	5,115,133	5,110,939	(4,194)	-0.1%
<b>Total Expenditures and Transfers</b>	<b>\$150,704,829</b>	<b>\$148,597,621</b>	<b>(\$2,107,208)</b>	<b>-1.4%</b>	<b>\$150,798,549</b>	<b>\$ 153,567,845</b>	<b>\$2,769,296</b>	<b>1.8%</b>
<b>Revenue/Sources Less Expenditures/Transfers</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>(\$3,336,315)</b>	<b>\$ (7,429,768)</b>	<b>(\$4,093,453)</b>	

## 2017-18 Interim BUDRPT19-E&G Budget Summary

<b>Annualized FTE Enrollment</b>								
	Original Projection FY 2017/18	Revised Projection FY 2017/18	Change from Original		Original Projection FY 2018/19	Revised Projection FY 2018/19	Change from Original	
			Number	%			Number	%
In-State Undergraduate	7,397.00	7,434.00	37.00	0.5%	7,456.00	7,330.00	(126.00)	-1.7%
Out-of-State Undergraduate	803.00	760.00	(43.00)	-5.4%	807.00	836.00	29.00	3.6%
In-State Graduate	491.00	513.00	22.00	4.5%	502.00	529.00	27.00	5.4%
Out-of-State Graduate	76.00	68.00	(8.00)	-10.5%	76.00	67.00	(9.00)	-11.8%
<b>Total FTE Enrollment</b>	<b>8,767.00</b>	<b>8,775.00</b>	<b>8.00</b>	<b>0.1%</b>	<b>8,841.00</b>	<b>8,762.00</b>	<b>(79.00)</b>	<b>-0.9%</b>

<b>E&amp;G FTE of Budgeted Positions</b>								
	Original Projection FY 2017/18	Revised Projection FY 2017/18	Change from Original		Original Projection FY 2018/19	Revised Projection FY 2018/19	Change from Original	
			Number	%			Number	%
Faculty	490.75	492.75	2.00	0.4%	491.75	493.75	2.00	0.4%
AFSCME	321.95	325.64	3.69	1.1%	322.45	326.14	3.69	1.1%
Nonrepresented	111.12	116.74	5.62	5.1%	113.12	118.74	5.62	5.0%
SCUPA	63.13	62.49	(0.64)	-1.0%	63.13	62.49	(0.64)	-1.0%
All Other	59.77	60.27	0.50	0.8%	59.77	60.27	0.50	0.8%
<b>Total FTE of Budgeted Positions</b>	<b>1,046.72</b>	<b>1,057.89</b>	<b>11.17</b>	<b>1.1%</b>	<b>1,050.22</b>	<b>1,061.39</b>	<b>11.17</b>	<b>1.1%</b>

# Key Unknowns Going into FY 2018-19

- ❑ Final state appropriation allocation and related impacts to tuition/technology tuition increases
- ❑ System Redesign Taskforce recommendations around collaborative allocation of resources
- ❑ Obligation for Cheyney loan forgiveness
- ❑ Pay increases for non-represented employees
  - Salary adjustments for non-represented employees have not been approved by the Board of Governors



# Discussion

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