

## All University Budget Update – 10/16/17

As we are now into full swing of the Fall semester, I would like to provide with you with an update on the University's financial and budget condition. In my 20+ years at Winona State I have never seen so much uncertainty as it relates to our budget situation. We have always **employed scenario-based planning** in our budget deliberations, but **I have never seen the gaps as wide** as they are for both FY18 and FY19. As you can read the detail below, we are estimating a potential two year **budget fluctuation in excess of \$5 million dollars**, with total two year **deficits ranging from \$2.5 million to \$8 million**.

With all of this uncertainty you will see below, **I can assure you that no budget reduction or budget actions have been authorized by the President's Cabinet**. The all University Finance and Facilities Committee will be reviewing this information and making recommendations as to process in the near future. We will be **holding a couple of Budget Forums** to provide more detail to the campus community. We are currently working on scheduling the dates and times for those, but I anticipate they will be in the next couple of weeks or so.

### Enrollment:

As we have discussed in the past, WSU is experiencing a period of declining enrollment. While we have a solid first year class this Fall of about 1,610 new entering freshman and about 560 new entering transfer students, our overall Full Year Equivalent(FYE) enrollment continues to decline. Now that we are past the 30<sup>th</sup> day enrollment milestone for Fall, we have revised our estimate for the current year enrollment from 7,530 down to 7,380. This **decline of about 150 FYE in the current year translates into about \$1.1 million dollars in reduced tuition revenue**.

FY12: 8,544

FY13: 8,459

FY14: 8,267

FY15: 8,185 (-82 or -1%)

FY16: 7,921 (-264 or -3.2%)

FY17: 7,530 (-391 or -4.9%)

FY18(Est): 7,380 (-150 or -2%)

**Cumulative Change from FY12 to FY18: 1,164 or -13.6%**

### Collective Bargaining:

The largest expense factor in our budget is personnel and related fringe benefits. These **two areas make up just short of 80%** of our total general fund budget. The university's employees are represented by various bargaining units for their contract negotiations. The **AFSCME and MAPE** units had a tentative agreement on their contracts that were voted on and ratified by their respective unions. These contracts were presented to a legislative committee earlier in October and they were not approved. All of the other bargaining units are in various stages of negotiation with the State of Minnesota and/or our Minnesota State system office.

**So what does this all mean?** What this means is that we are now 3-4 months into the new fiscal year and we really **do not know what 80% of our costs** are. We are literally at a standstill when it comes to our budget and determining what reductions or approvals can be given in terms of our budget. As we have done in the past, we will continue to work with various scenarios surrounding the outcome of these contracts.

**Fiscal Year 2018-Current Year(7/1/17 to 6/30/18):**

Last year, the University had been estimating a \$4 million budget deficit in FY18. Plans were made, targets were developed and reductions were approved that balanced the FY18 budget under certain assumptions. One of those assumptions was enrollment. As we discussed above our enrollment is now about 150 FTE short of the FY18 projection so we are forecasting a reduction in tuition revenue of about \$1.1 million dollars.

When the 2017 legislative session concluded, the State Universities were granted the power to increase tuition for FY18. Winona State increased tuition on average, 3.9% for FY18. While this is good news for our budget, it came along with a undergraduate tuition freeze in FY19.

**We currently have budget scenarios that show a range of a \$2 million dollar deficit to a \$500,000 surplus in FY18.**

**Fiscal Year 2019 (7/1/18 to 6/30/19):**

As I have stated above, there is much uncertainty in our budget outlook for FY18 and it is even cloudier for FY19. Since the bargaining unit contracts are all negotiated on two year intervals (FY16-17, FY18-19, etc) the amounts that are given in the first year of a contract can greatly influence your expenditures in the second year.

Another issue is how the new Legislative appropriation was distributed. In the past, new funds were allocated on a 1/3 and 2/3 split between the two years of a biennium. This past session, they were allocated along the lines of ½ and ½ between the two years. The result is a slightly larger amount in the first year, but an even or smaller amount in the second year. Typically you like to match up revenues with expenses, but given this shift in funding, it is now more difficult.

We have also developed more conservative projections for our enrollment. Given certain assumptions, we are estimating enrollment to be around 7,280 for FY19. This is another decline of about 100 students and \$750,000 in tuition revenue from FY18.

**We currently have budget scenarios that show a range of a \$3 million dollar deficit to a \$6 million dollar deficit in FY19.**

**BESI and Fund Balance**

I am frequently asked about when the next Board Early Separation Incentive(BESI) will be offered. Last year, we established that we will **not be considering offering a BESI until after FY2020** at the earliest. The BESI payments are typically done when the University has accumulated a certain level of fund balance(think: savings account) that will allow the University to make these payments. Actually what has been happening is quite the opposite. Our fund balance has shrunk from what was at one time 30% of our general fund budget to now right around 20% of our general fund budget. This reduction has **triggered a financial warning from the Minnesota State system office** that will require the University to present a plan on how we will not only maintain our fund balance, but also increase it.