



Budget Forum  
FY24 Budget  
March 15, 2023

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# Presentation Format

- Zoom webinar format
- All lines are muted - Chat function is disabled



This session is being recorded and will be available on the Budget website



Any questions submitted through the Q&A function will be answered at the end of the presentation

# Road Map



- Introduction
- WSU Metrics of Success
- Enrollment
- State Budget and Legislative Update
- Budget FY23/24



# Introduction

## President Olson

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# WSU Strategic Framework

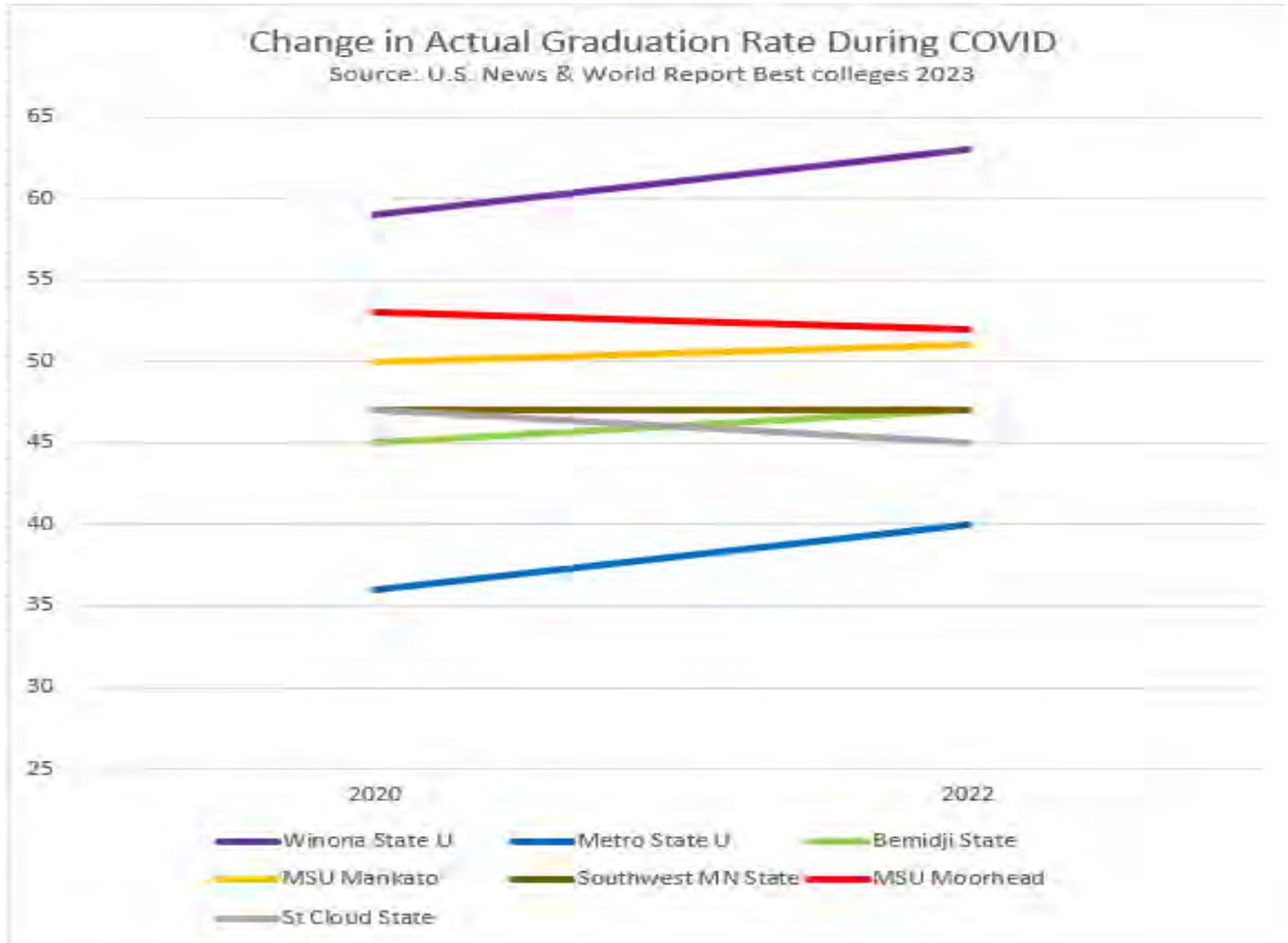




# WSU Metrics of Success

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# WSU Metrics of Success



# WSU Metrics of Success



| <b>MN State</b>       | <b>2022<br/>PREDICTED<br/>Graduation<br/>Rate (%)</b> | <b>2022<br/>ACTUAL<br/>Graduation<br/>Rate (%)</b> | <b>2022<br/>Graduation<br/>"Dividend"<br/>(Actual - Predicted)</b> |
|-----------------------|---|--|--|
| <b>Winona State U</b> | <b>58</b>   | <b>63</b>  | <b>5.0</b>   |
| Metro State U         | 39  | 40   | <b>1.0</b>   |
| Southwest MN State    | 47  | 47   | <b>0.0</b>   |
| MSU Mankato           | 54  | 51   | <b>(3.0)</b>   |
| St Cloud State        | 48  | 45   | <b>(3.0)</b>   |
| Bemidji State         | 52  | 47   | <b>(5.0)</b>   |
| MSU Moorhead          | 59  | 52   | <b>(7.0)</b>   |
|                       | Source: U.S. News & World Report Best Colleges 2023   |  |  |

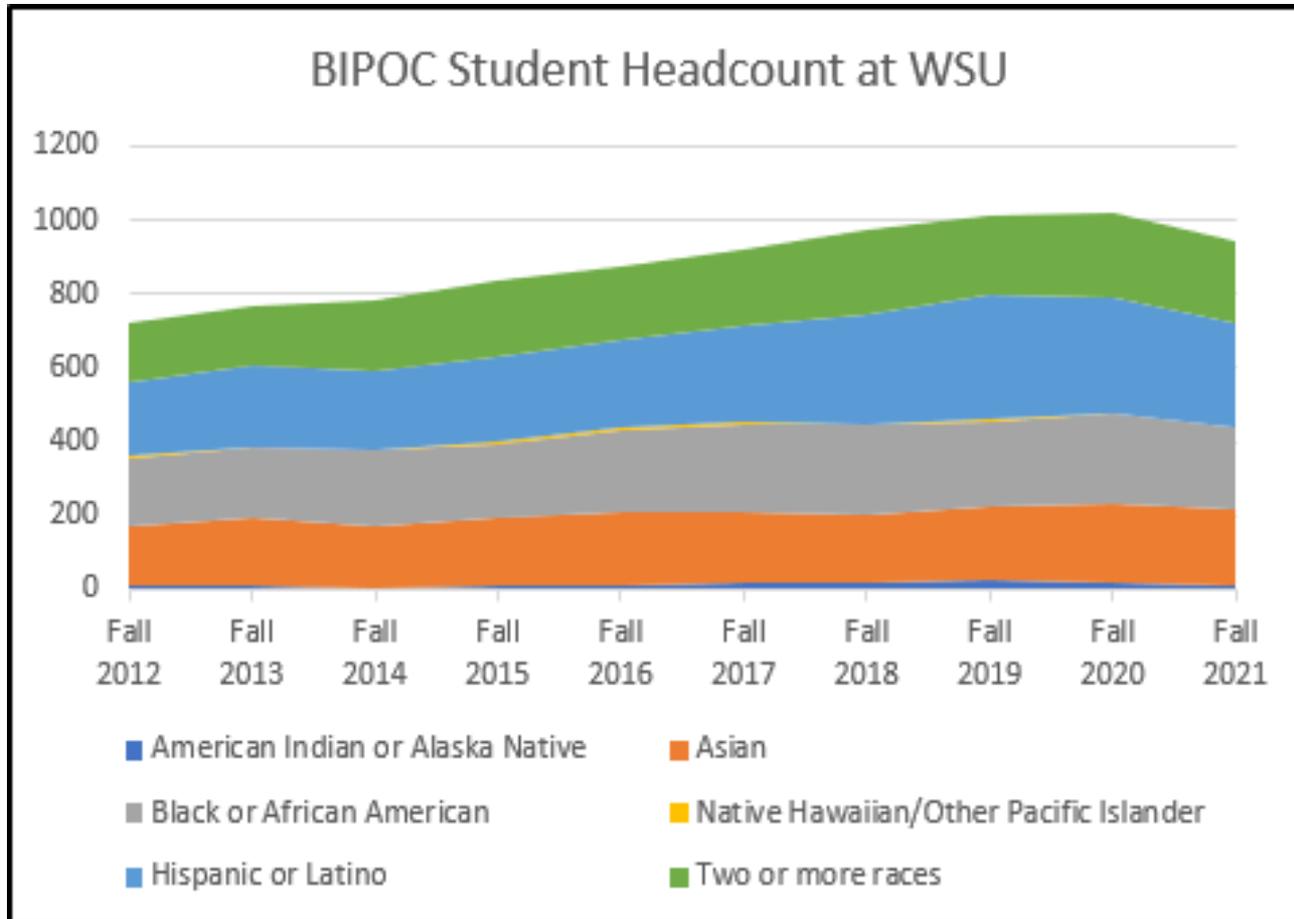
# WSU Metrics of Success



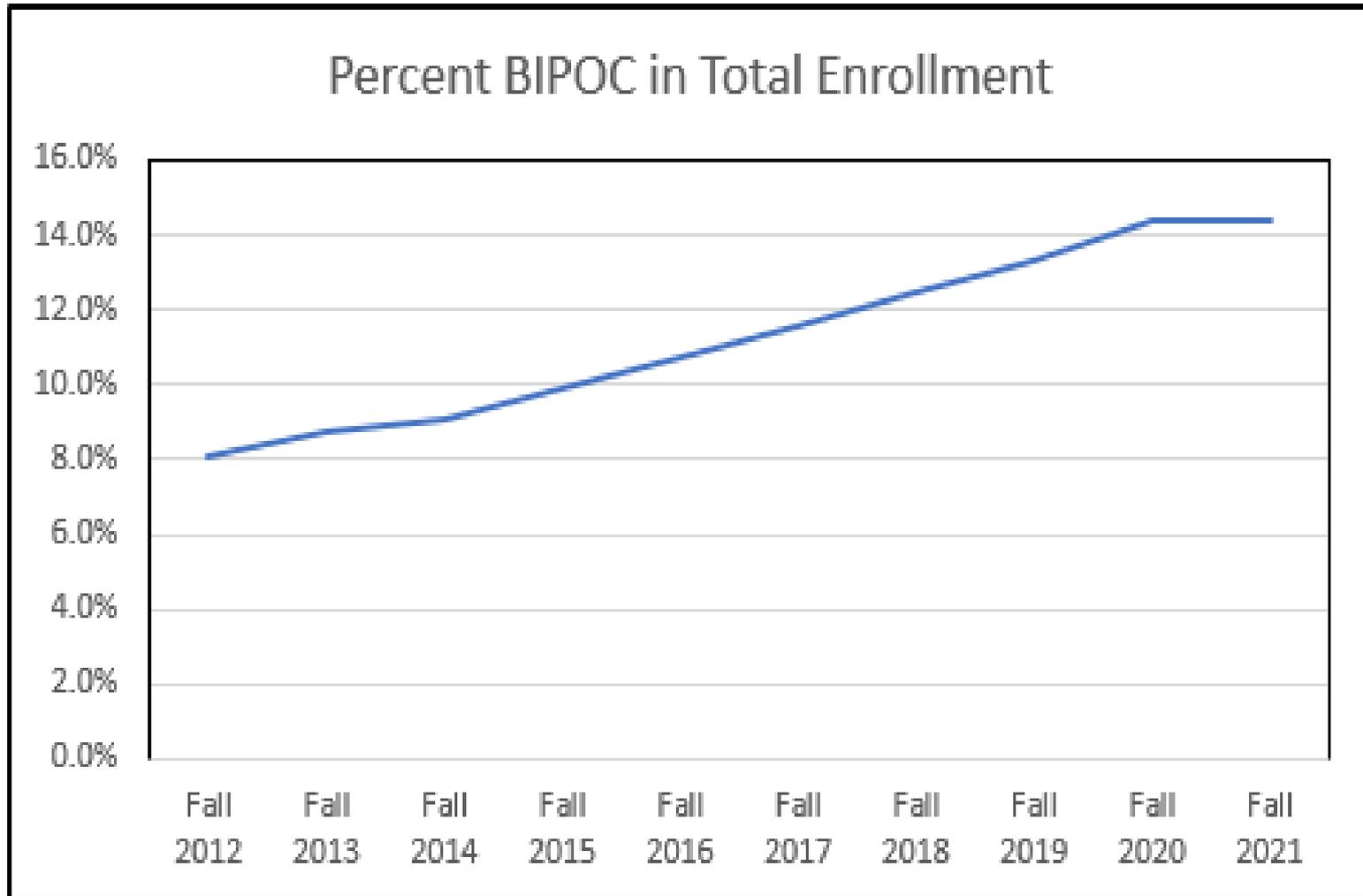
| <b>Regional</b>       | 2022<br>PREDICTED<br>Graduation<br>Rate (%) | 2022<br>ACTUAL<br>Graduation<br>Rate (%) | 2022<br>Graduation<br>"Dividend"<br>(Actual - Predicted) |
|-----------------------|---|--|--|
| <b>Winona State U</b> | <b>58</b>                                   | <b>63</b>                                | <b>5.0</b>   |
| Viterbo               | 59  | 64                                       | 5.0  |
| U St Thomas           | 73  | 78                                       | 5.0  |
| Wisc Eau Claire       | 64  | 68                                       | 4.0  |
| Wisc La Crosse        | 71  | 73                                       | 2.0  |
| Hamline               | 63  | 65                                       | 2.0  |
| Augsburg              | 56  | 58                                       | 2.0  |
| U of MN Twin Cities   | 82  | 84                                       | 2.0  |
| Wisc River Falls      | 56  | 57                                       | 1.0  |
| Wisc Stout            | 55  | 55                                       | 0.0  |
| Wisc Platteville      | 55  | 55                                       | 0.0  |
| Northwestern St Paul  | 67  | 67                                       | 0.0  |
| Crown College         | 52  | 52                                       | 0.0  |

Source: U.S. News & World Report Best Colleges 2023

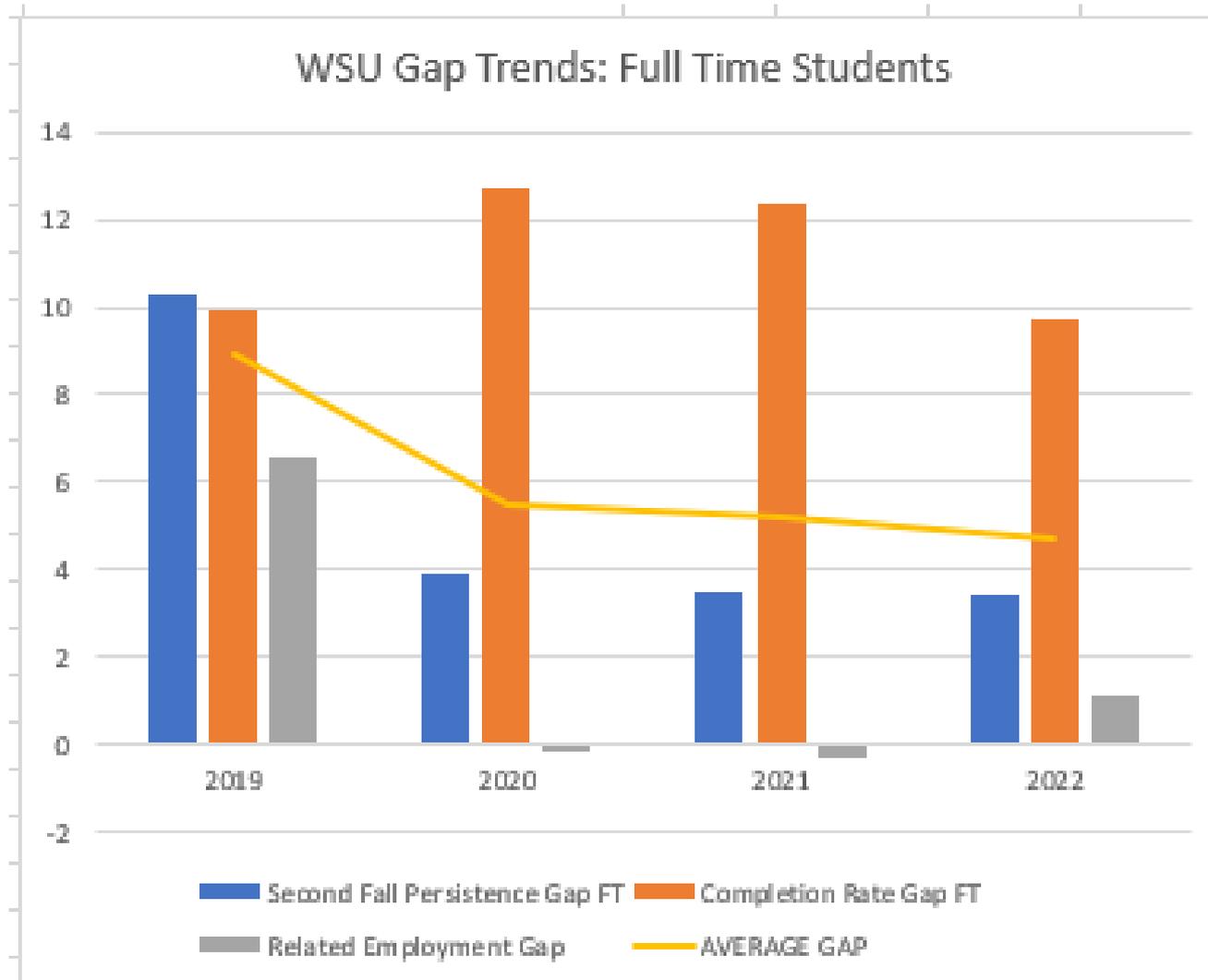
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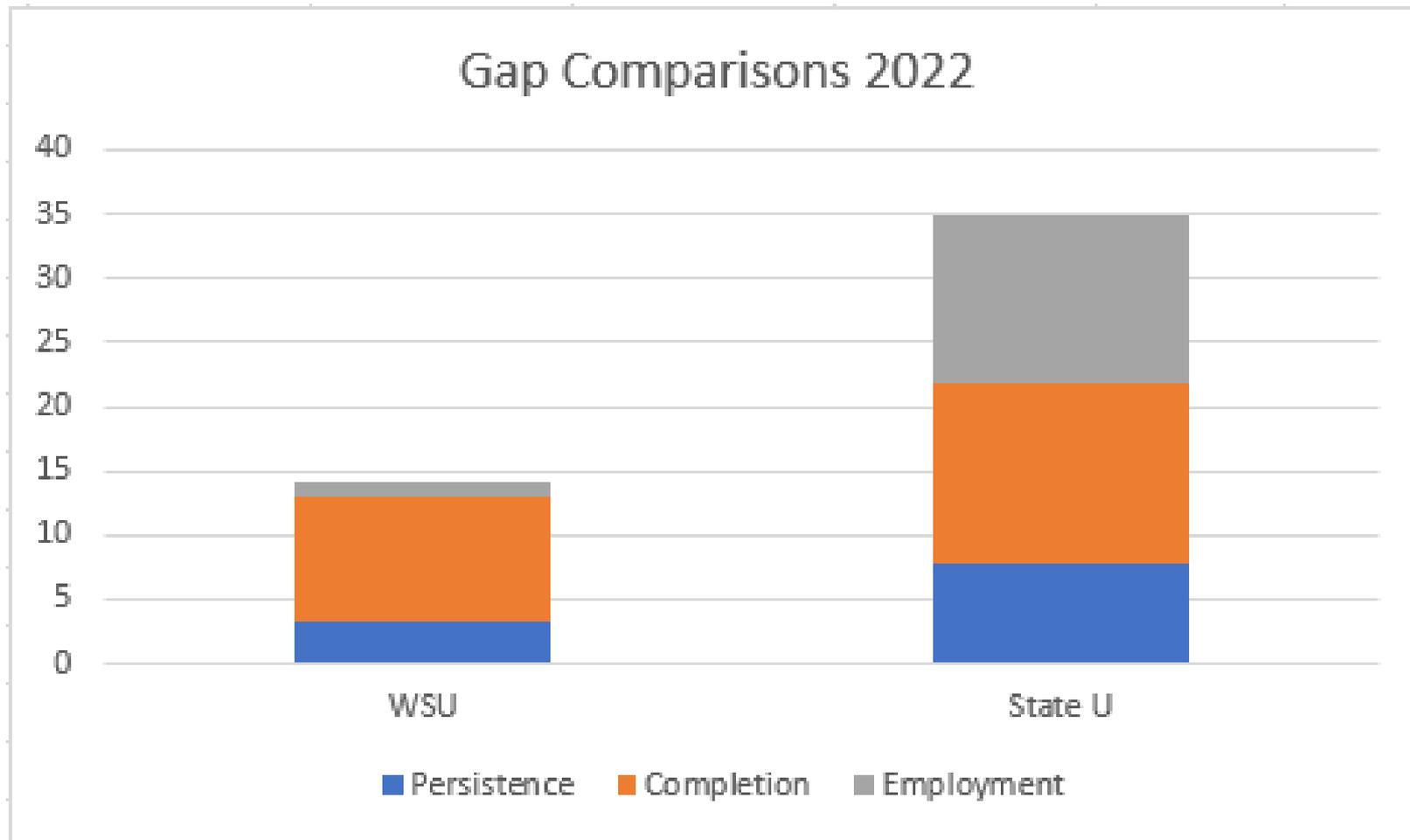
# WSU Metrics of Success



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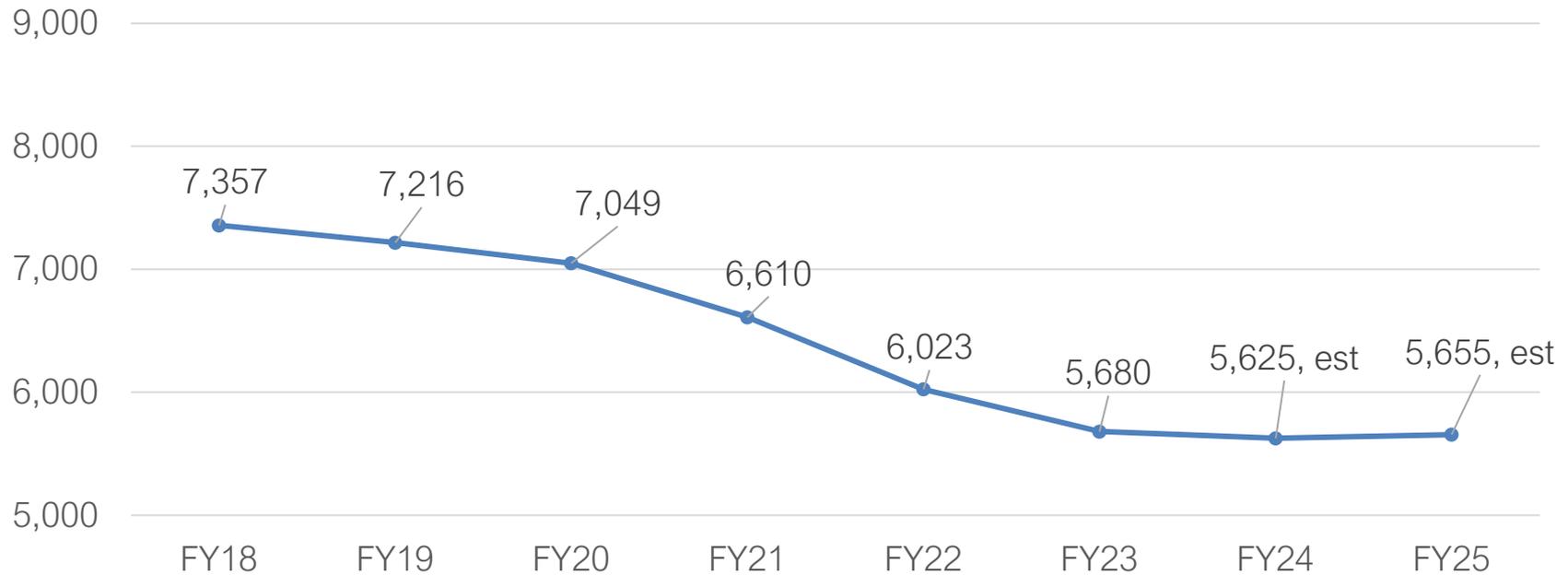




# Enrollment

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# Total FYE (Full Year Equivalent) Enrollment



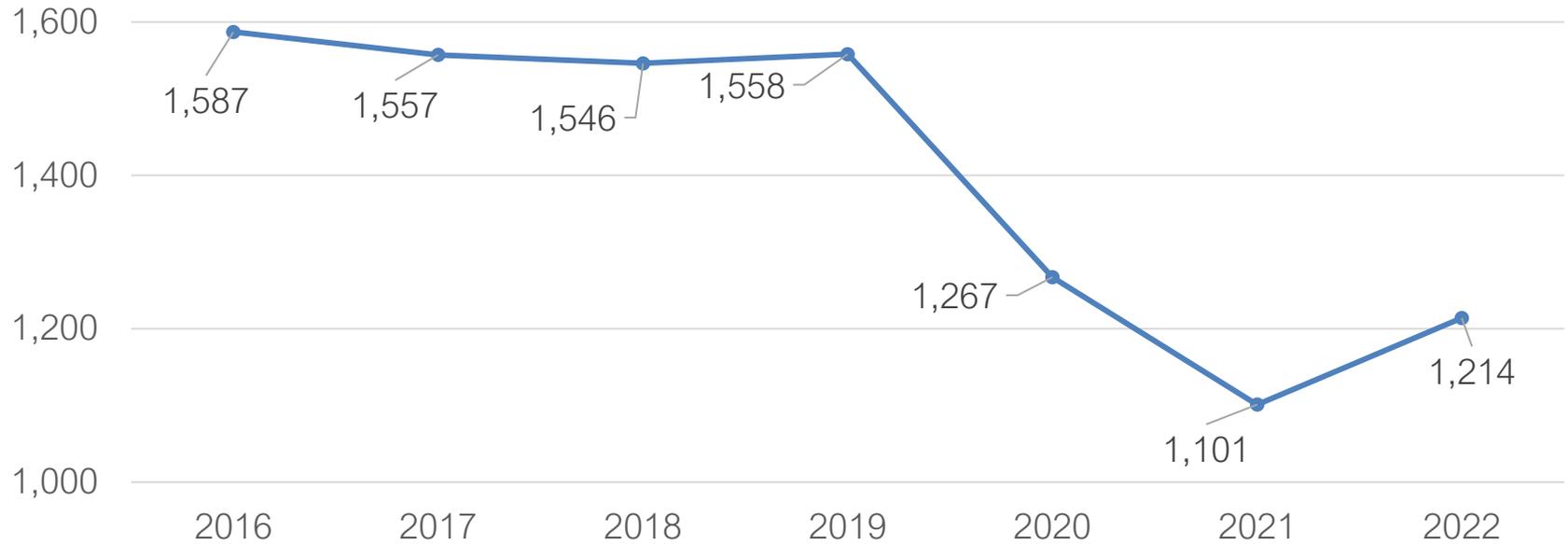
## Enrollment Change

FY18 to FY23: -1,677 or -22.7%

FY22 to FY23: -343 FYE or -5.6%

FY23 to FY24: -55 FYE or -1.0%

# New Entering Freshman Enrollment

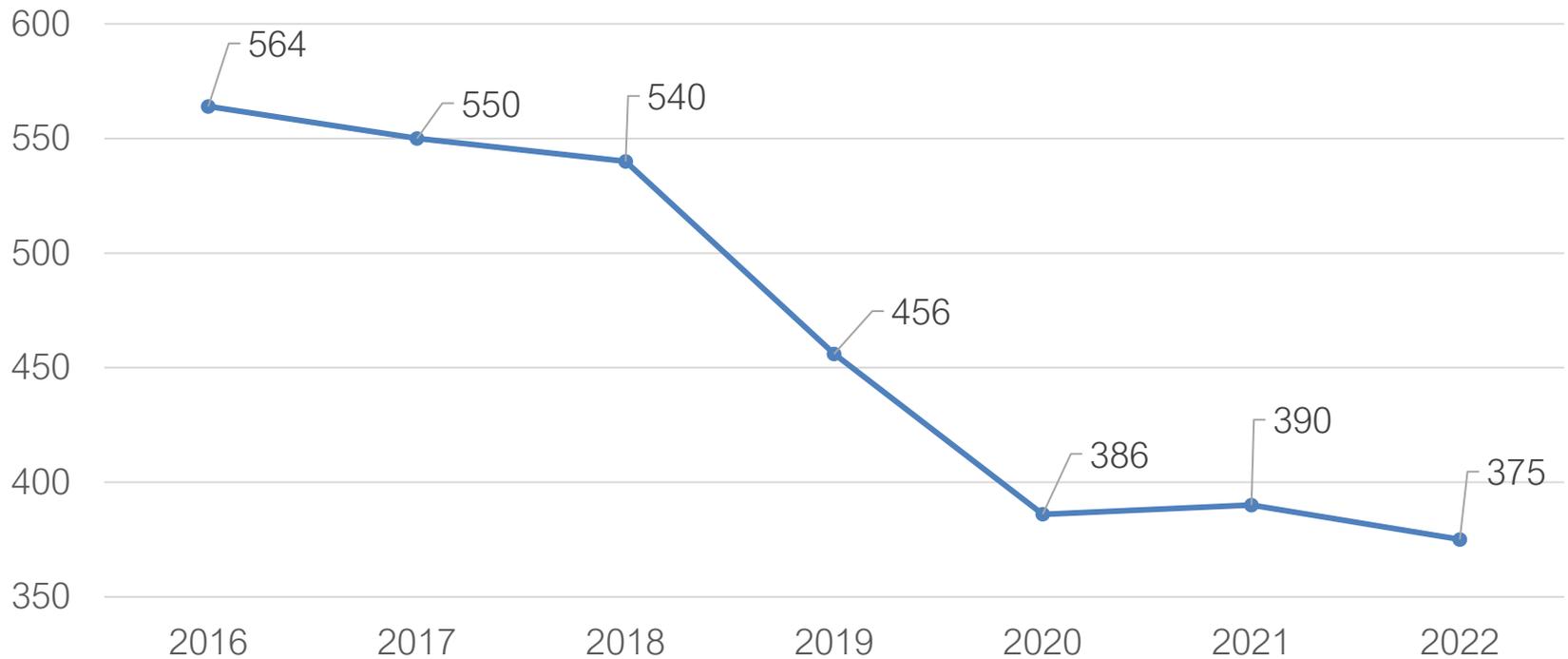


## NEF Change

2020 to 2021: -166 or -13.1%

2021 to 2022: +113 or +10.2%

# New Entering Transfers Enrollment



# Enrollment – Fall 2023 Metrics

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- Targets(budget based on):
  - New Entering Freshman: 1,225 (1,214 in 2022)
  - New Entering Transfer: 400 (374 in 2022)
  
- As of March 6<sup>th</sup> :
  - Admits tracking up 9%
  - Housing deposits up 13%

# Enrollment – Mn State



| Full Year Equivalent (FYE) | Spring 2023 vs. Spring 2022 |
|----------------------------|-----------------------------|
| Bemidji State              | -4.9%                       |
| Metro State                | -7.6%                       |
| MSU-Mankato                | 0.8%                        |
| MSU-Moorhead               | -4.6%                       |
| St Cloud State             | -5.3%                       |
| SW Minn State              | -3.2%                       |
| Winona State               | -5.4%                       |
|                            |                             |
| Riverland CC               | -4.3%                       |
| Rochester CTC              | 0.7%                        |
| MNState College SE         | 0.1%                        |



# State Budget and Legislative Update

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# State Budget



- State budget surplus as of February 2023 is \$17.5 billion
  - Total State budget is about \$54B
  - Largest ever recorded – Typical surplus is \$1B-2B
  - \$1.4B in inflation is included in this forecast (Law change this session)
  
- \$12.5 billion is one-time, \$5.0 billion is recurring(base)

# Legislative Activity - Budget

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- House Higher Education Committee
  - Hearing bills related to Mn State System Request
  - Campus by campus deep dive into budgets – Different than the past when funding was discussed at the macro level
- Senate Higher Education Committee
  - First two years college free tuition
- Governor recommended \$131.5M in funding for Mn State v. request of \$350M
  - Silent on tuition freeze

# Mn State Biennial Budget Request



|  | FY2024       | FY2025       | Biennium     |
|--|--------------|--------------|--------------|
| Student Support<br><b>\$77M for tuition freeze</b>                 | \$50         | \$75         | \$125        |
| Minnesota State Stabilization – 5%<br><b>Direct campus support</b> | \$40         | \$85         | \$125        |
| Workforce & Economic Development                                   | \$50         | \$50         | \$100        |
| <b>Total</b>   | <b>\$140</b> | <b>\$210</b> | <b>\$350</b> |

*(dollars in millions)*

# Legislative Activity - CICEL



- MN House passed capital investment bill including \$4+M for CICEL planning
  - Also passed out of Senate Capital Investment Committee, awaiting action on the Senate floor
  - Bonding bills require super majority to pass
  - If passed and signed by Governor, construction funding could follow in either 2024 or 2026
- CICEL = Replacement building for Gildemeister and Watkins Halls
  - Net Zero Energy Building



# FY23/24 Budget Update

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# Budget Pressures – General Fund

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- Increased scholarship spending to attract the same number of students
  - Non-general fund scholarship sources also drying up
  
- Enrollment patterns shifting towards higher cost programs
  - Investments made in new programs or expansion of existing
  - Additional costs to keep the same number of students

# Budget Pressures – General Fund

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- Prior budget reductions not implemented or actual reductions lower than estimates
- Inflation – higher costs spread over a base of fewer students
- Budget dust issues, but they add up:
  - Positions related to program level accreditation
  - Interpreter services
  - Insurance (Liability, Workers Compensation, etc)
  - HR-TSM
  - Next Gen

# Increased Competition for Students



- Competitive marketplace for students requires more scholarship funding
  - Presidential Scholarship Program - Primary source of freshman scholarships
  - Combination of scholarship expenses increasing and declining other revenue sources from items such as vending, bookstore, commission, interest income, etc
  - Removing the ACT score allowed the number of eligible NEF to receive the scholarship increased from 40+% to 90+%
  - **General fund scholarship expenditures(all students) have increased from \$750k in FY20 to \$2,764k in FY23**
- Scholarship Spending per New Entering Freshman

|                | FY20        | FY21        | FY22        | FY23        |
|----------------|-------------|-------------|-------------|-------------|
| Scholarship \$ | \$1,628,578 | \$1,545,300 | \$2,087,083 | \$2,574,115 |
| NEF Size       | 1,558       | 1,267       | 1,101       | 1,214       |
| \$ per NEF     | \$1,045     | \$1,544     | \$1,895     | \$2,120     |

# Shifting Programmatic Enrollment Patterns



| College FYE%   | 2019  | 2023  | Change |
|----------------|-------|-------|--------|
| Nursing        | 16.9% | 22.8% | +5.9%  |
| Education      | 13.5% | 14.7% | +1.2%  |
| Business       | 11.9% | 10.1% | -1.8%  |
| Science & Engr | 22.8% | 20.7% | -2.1%  |
| Liberal Arts   | 34.1% | 30.9% | -3.2%  |
| Total          | 100%  | 100%  |        |

| UD Cost per FYE | FY22     | FYE |
|-----------------|----------|-----|
| Nursing         | \$12,561 | 447 |
| Business Admin  | \$8,556  | 250 |
| History         | \$7,146  | 34  |
| Psychology      | \$7,095  | 127 |
| Education       | \$5,246  | 435 |

# Spending More for the Same Students



- Increased spending on new or expanded programs with lower overall University enrollment
  - Total investment of around \$3M with enrollment declining from 7,000 in FY20 to 5,600 in FY23
  - Departments performed as expected
  - University commits to achieving its mission and regional employment needs with impacts on our budget
  
- Revenue cost sharing
  - As an incentive program, the University allows certain departments to share in the surplus(25/75 models) from certain activities (New programs, expanded programs, Summer Session)
  - Program also allows hiring as needed to meet student demand (see above)
  - Review/eliminate the allocation of profits when University budget overall is not balanced

# Budget Reductions Not Meeting Target

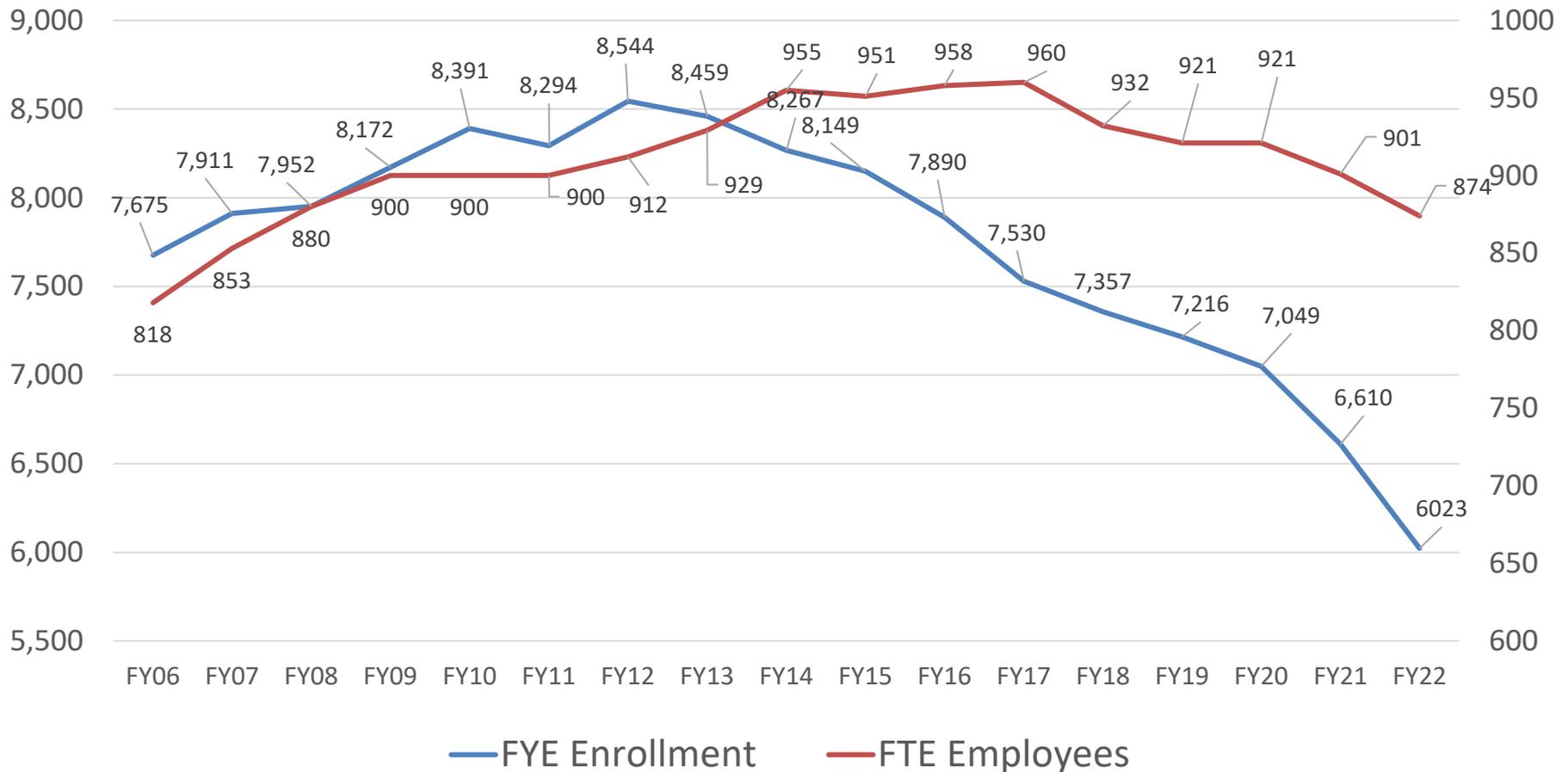


- Budget reductions from prior years often do not meet their intended amount
  - Estimated salary savings from replacing positions (Estimate was \$50k savings, actual savings may end up being \$25 or \$30k)
  - Budget actions do not hold in the long term – Replacing positions at varying % of full time that upon replacement are replaced at a higher %
  - Bridge funding needs change over time – A pledge out 2-3 years cannot be implemented due to changing personnel, accreditation requirements, etc

# Employees and Enrollment



From FY18 (5 yrs ago)  
 Enrollment ↓ 18%    Employees ↓ 6%



# Student Fee Funded Budgets

|                 | Deficit                        |
|-----------------|--------------------------------|
| Student Union   | Range from \$275k<br>to \$400k |
| Wellness Center |                                |
| Health Service  |                                |

- Technology Fee, Athletic Fee and Student Life Fee are also facing rising inflation and reduced reserve levels
- Primary cause is reduced enrollment following COVID (-20% in 4 years)
- Reserves have also been depleted due to COVID - University used HEERF Funds for General Fund and Residence Life
- Student consultation process is followed via Student Fee Management Committee(SFMC) and Student Senate
- Directors are working on balancing their budgets while keeping fee increases minimal

# Where are we? – FY23 Budget

- Budget deficit in FY23 (\$4M+?) will have to be solved with fund balance and COVID funds
  - Fall estimate was around \$1.5M before factoring in items such as increased scholarship spending, enrollment changes, inflation, other budget items
- Fund balance is already slightly below the 20% Mn State threshold
  - Mn State is watching and monitoring
  - Once budget is balanced, will have to rebuild this fund balance above 20%
- **We need as much carryforward as possible**
  - Carryforward comes from salary savings due to unfilled positions, unspent operating budgets, etc
  - Annually about \$2M is realized from carryforward (hopefully higher this year)

# Where are we? – FY24 Budget

- **Probable \$4M to \$6.5M budget deficit for FY24**
- Items that could help this number:
  - Legislative support above request
  - Increase in enrollment
  - Contract settlements less than 4%
  - Inflation cools off dramatically
- Items that could hurt this number:
  - Legislative support moves to a tuition freeze (limited new campus support \$)
  - Decrease in enrollment
  - Contract settlements higher than 4%

# Where are we? – FY24 Budget

- Collective bargaining units will begin negotiations in the upcoming months related to a new contract covering FY24/25
- Inflation remains high but has come down – CPI +6.0% YoY (Feb 23)
  - Peak had been 9.1% in June 2022
  - Highest CPI rate in 40 years
  - On campus felt through large increases to energy costs, food prices, travel and personnel costs
  - Departments that are seeing larger(10%+) inflation amounts:
    - Athletics
    - Library
    - Food Service
    - Facilities

# Where are we? – FY24 Budget

- Admits and housing deposits still trending higher
  - Admits + 9% YoY (1,225 NEF x +9% = 1,300 NEF?)
  - Housing Deposits +13% YoY
- BESI offerings have not proven as effective
  - Incentive program would require System Office approval
- Tuition and Fees increases are limited
  - Tuition is +3.5% (either funded by Legislature or passed on to students)
  - Other fees are coming in at 0 to +3.5%
  - Room and Board
    - Board +8% (Chartwells)
    - Room 0% (In order to remain competitive with the local market)

# Where are we? – FY24 Budget

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- Replacement of every position is reviewed by Cabinet
  - Currently about 20 vacant positions
  - Administrators and Directors will be asked to evaluate every position for replacement with a goal of generating budget savings
- At present time, no layoffs of existing personnel or reduction in operating budget
  - We will continue to monitor the budget situation as it relates to staffing
- Following conclusion of Legislative session this spring
  - Deep dive into the FY24/25 budget
  - Rollout budget strategy to campus start of Fall Semester 2023

# Looking Ahead

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- Legislative Session Begins – January 3, 2023
- State Economic Forecast – End of February
- WSU Budget Forum – March 15, 2023
- Legislature Adjourns – May 22, 2023
- Budget and tuition/fees action @ May/June Board of Trustees
- Future budget communications



Thank You!

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