WAYNE STATE UNIVERSITY

Financial Update

Board of Governors

Budget & Finance Committee

September 29, 2023
Enrollment is the University’s Main Revenue Driver

Enrollment Trends

- Fall 22 was down 4.6%
- Fall 23 essentially flat, down 0.4%
  - FTIAC class up 16%
  - Continuing Undergrad down 2%
  - Graduate down 4.5%
- The large first year class is promising and could lead to undergraduate growth if entering classes continue to exceed the graduating classes they’re replacing.
- Graduate School declines offset a portion of undergraduate gains.
- Improved graduation rates will continue to put pressure on enrollment
- Long-term, low birth rates and state population trends will continue to pose future challenges
FY 2023 Revenue Adjustments

• **FY 2023 Operating General Fund Beginning Balance:** - $5.9M

• **Tuition and fee revenue:** Institutional Research projected an average of 5% decline in FY 2023’s student credit hours (compared to FY 2022’s budgeted credit hours). Actual enrollment and resulting revenue came in lower than estimated:
  - Estimated total net FY 2023 tuition and fee shortfall as compared to budget: - $10M
    - Decline in Fall/Winter enrollment
    - Higher decline in Spring/Summer
    - Bad debt due to an increase in student registration holds the threshold
    - Increase in discounts/waivers

  • Final tuition revenue will be revised based on year-end deferred revenue and other financial activity.

• **State appropriations:** The FY 2023 budget was approved, assuming a 2.5% increase in State appropriations. WSU received a 5% increase, resulting in an additional $5M

• **Facilities and administrative costs recovery:** Research activity increased and resulted in an estimated increase in revenue: $2.5M
FY 2023 Year End

- **Structural Operating Deficits**
  - All General Fund base budget deficits, except School of Medicine (SOM), have been resolved
  - The SOM will rely on the use of PEPPAP and FMRE funds to balance its budget
    - For the FY 2024 budget, more accurate FMRE and PEPPAP funds are reflected in the base budget
    - FY 2024 departmental budgets due September 1. SOM is still finalizing them.
  - Designated/Auxiliary/Endowment deficits will be resolved as part of the year-end process
    - Deficit elimination plans are established for large deficits

- As approved by the BOG, available year-end balances, as necessary, along with other one-time funding, will be used to cover any FY 2023 General Fund net operating budget shortfall.
  - Current Carryforward Reserve: $10M
  - FY 2023 year-end balances largely generated by vacancy savings
FY 2024 off to cautiously optimistic start

FY 2024 General Fund Budget is first Board-approved structurally balanced budget since before the pandemic

- Since being adopted, initial experience points to slightly higher revenue than anticipated:
  
  - State Appropriations exceeded budget by $2.4M (5% increase rather than 4%)
  
  - Fall 23 Enrollment driving net tuition and fee revenue higher than the budgeted by $1.5M

- However, flat rate tuition model is expected to reduce Spring/Summer 24 tuition revenue as students take full-time course loads in Fall and Winter

- The University faces continued long-term expense pressures likely to exceed revenue growth:
  
  - Deferred Maintenance/Construction costs remain high after two years of double-digit growth
  
  - Utility/Insurance/Technology Cost Increases
  
  - Compensation
  
  - General Fund continues to subsidize Housing Public/Private Partnership which still faces occupancy challenges
Discussion