



WAYNE STATE UNIVERSITY

Financial Update

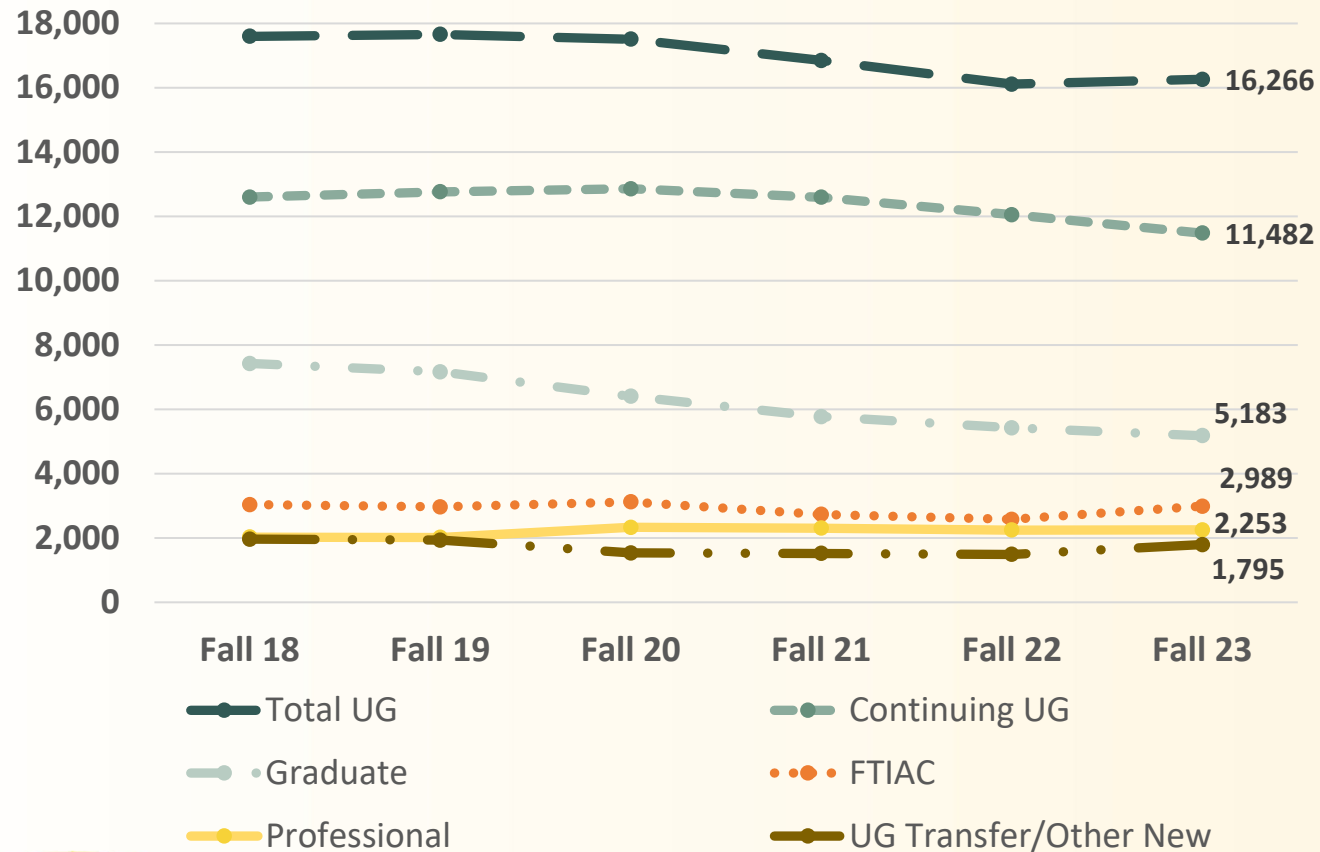
Board of Governors

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 courseloads 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

