College Finances and Budget Planning Forum

Sponsored by Committee on Priorities and Resources, Provost’s Office & VP for Finance and Operations’ Office
October 26, 2022
Economic Context for FY24 Budget Planning

• Inflation
  - Additional cost pressures above anticipated growth rate in operating expenses for FY24.
    - Energy and utilities, food, insurance, building materials and supplies.
    - Salaries and benefits.

• Negative Endowment Performance / Market Volatility
  - Negative endowment return in FY22.
  - Impact of inflation on real returns.
Revenues ($252M, FY22)

- Gifts $28M (11%)
- Endowment avail $138M (55%)
- Net tuition $77M (30%)
  - Gross tuition $147M
  - less financial aid -$70M
  - = Net tuition $77M

Expenses ($252M, FY22)

- People $157M (62%)
  - Salaries $116M
  - Manager’s budgets $51M (20%)
  - Buildings $40M (17%)
  - Debt: $24M (2%)
  - Renewal: $16M
  - Benefits: $41M
  - Other $5M (2%)
FY24 Budget Principles

- Address financial pressures exerted by inflation and exacerbated by negative endowment return, and prepare for period of economic stress
- Consider all possible dials to both increase revenues and manage expenses
- Prioritize salaries and benefits
- FY24 budget planning process as opportunity to discuss in each area, and with respective senior staff member, what we could stop doing
- Encourage collaboration across units and areas
FY24 Budget Approaches

- **Budget Reductions:**
  - First Goal is calculated as 15% of FY23 manager’s budgets at the level of senior staff area. Start by planning for 15% reduction in all units.
  - In budget process, senior staff member will discuss expectations with individual units; reduction may differ from 15% goal across units in the area.
    - Unavoidable inflationary increases should be identified, documented, and proposed.
    - Spending for compliance, health and safety, cost-saving measures in long term should be prioritized.
  - Second Goal is to achieve $1m savings in student wages in units that have student employees.
FY24 Budget Approaches

- **Strategies to Achieve the Targets:**
  - Reallocate dollars to highest priorities. Support from senior staff member and economic context for decisions about what to stop doing.
  - Preference for savings in unrestricted funding rather than restricted funding.
  - Think flexibly about manager’s budget and compensation dollars. Discuss with senior staff member opportunities to reduce through management of vacant positions and temp budgets.
  - Consider collaboration across units to achieve reduction goal. Communicate with other units to ensure that reductions do not have unintended consequences for their priorities.
  - Reduce student wages budget by evaluating this work and/or ability to reallocate this work.

- **Funding for New Initiatives:**
  - Request new spending on strategic initiatives to be considered if economic situation improves.