



# **CAMPUS CONVERSATION**

## **Budget Update**

March 30, 2023

# WHAT WE WILL COVER TODAY

- ✓ How today will work
- ✓ Introduction from President Gordon Gee
- ✓ Presentation from Rob Alsop
- ✓ **Discussion:** Q&A session with Rob Alsop, Paula Congelio and Maryanne Reed

A blue-tinted photograph of a busy hallway, likely in a university or public building. People are walking in both directions. On the left, a young woman carries a blue bag with a yellow 'WV' logo. A man in a dark jacket walks away from the camera. On the right, a young woman with blonde hair in a ponytail, wearing a yellow and black shirt and a backpack, walks away. The wall on the left is lined with numerous international flags. The text "THERE ARE SO MANY FUTURES HERE." is overlaid in white, bold, sans-serif font in the center.

**“THERE ARE SO MANY  
FUTURES HERE.”**

# HIGHER EDUCATION IN TRANSITION

- ✓ The effects of the COVID-19 pandemic and a decline in the college-going rate in West Virginia are significantly impacting enrollment.
- ✓ WVU has significantly increased institutional aid to students.
- ✓ Federal and State support provided a “Band-Aid” to help with revenue declines. However, those resources are no longer available.
- ✓ The University reduced expenses during the pandemic, but those expense reductions are not sustainable post-pandemic.
- ✓ Inflation is wreaking havoc on payroll and supply expenses.
  - ✓ Utilities, insurance, hiring and retaining talent all are more expensive.
- ✓ As we exited the pandemic, WVU had pent-up demand relating to startup and other obligations that we have begun to fulfill.

# HIGHER EDUCATION IN TRANSITION



**PennState**

*“Currently, we have a **\$140 million** structural budget deficit . . . In June 2022, the University had **\$350 million** in reserves and was using those reserves to fund commitments of more than **\$100 million** a year. . . . This budget deficit, the internal and external pressures we face, the exhaustion of our institutional reserves, and the direction of our Board of Trustees have necessitated that we take swift action to ensure Penn State has a bright and thriving future. I know we are up to the challenge.”*

*- Neeli Bendapudi, President*



*“Our already approved budget for the **current** year anticipates a gap between recurring expenses and recurring revenues of approximately **\$125 million** at the end of the fiscal year. . . . I know it feels like we are just emerging from a really hard period, and now I’m sharing additional challenging information. But I wouldn’t be here if I didn’t believe so deeply in our ability to rise to those challenges and continue to serve the state of New Jersey, the nation and the world.”*

*- Jonathan Holloway, President*



*“We have **\$305 million** in revenue and **\$330 million** in expense; that’s not the model we need, so we have a game plan in place to strengthen our financial resiliency.”*

*- Brad Smith, President*

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# **THE STRESS TEST MANDATE FROM THE WVU BOARD OF GOVERNORS**

Develop a projection of the University's revenues and expenses, assuming that we maintain the same level of market share of students that we currently have, but with the impact of the demographic cliff on enrollment.

# THE COVID-19 AND DEMOGRAPHIC CLIFF IS UPON US

- For FY2023, WVU had slightly more than **26,000** students.
- For FY2024, we are projecting **25,082** students.

**DUE TO THE IMPACT OF SMALLER CLASSES DURING THE PANDEMIC AND THE DEMOGRAPHIC CLIFF:**



## PROJECTIONS

*If we maintain the same market share, retention, persistence and graduation rates:*

- For FY2028, we potentially could have **22,012** students.
- For FY2033, we potentially could have **20,890** students.

# ENROLLMENT IN A FINANCIAL CONTEXT

We have a detailed model of our future:

✓ If we have **26,000** students now, and the impact of COVID-19 and the demographic cliff means that we might have **20,980** students in 2033, that means we could lose **5,000** students throughout the next decade.

If we assume during that time that we collect a net **\$14,500** from each student, then:

**\$14,500** tuition revenue  
× **5,000** students  

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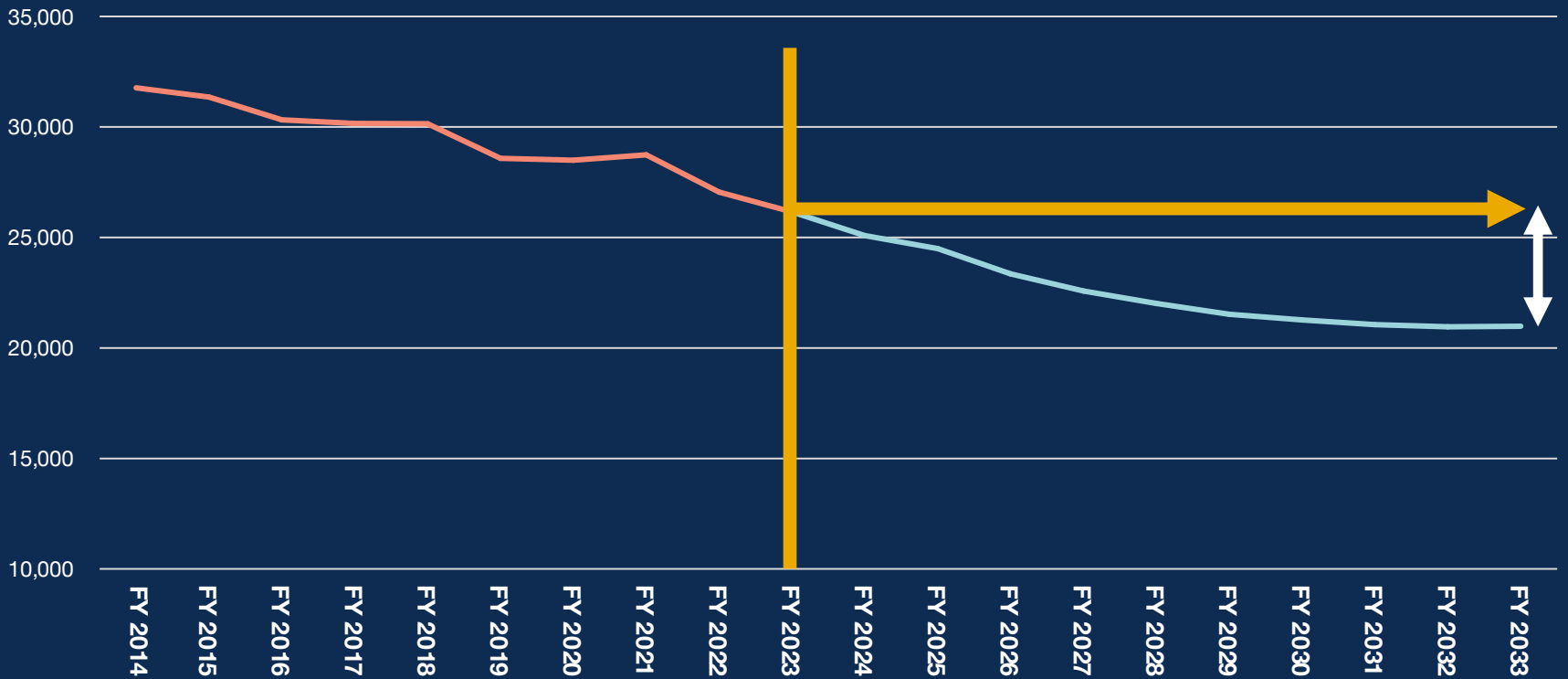
**\$72.5 MILLION** loss



# THE PROJECTIONS

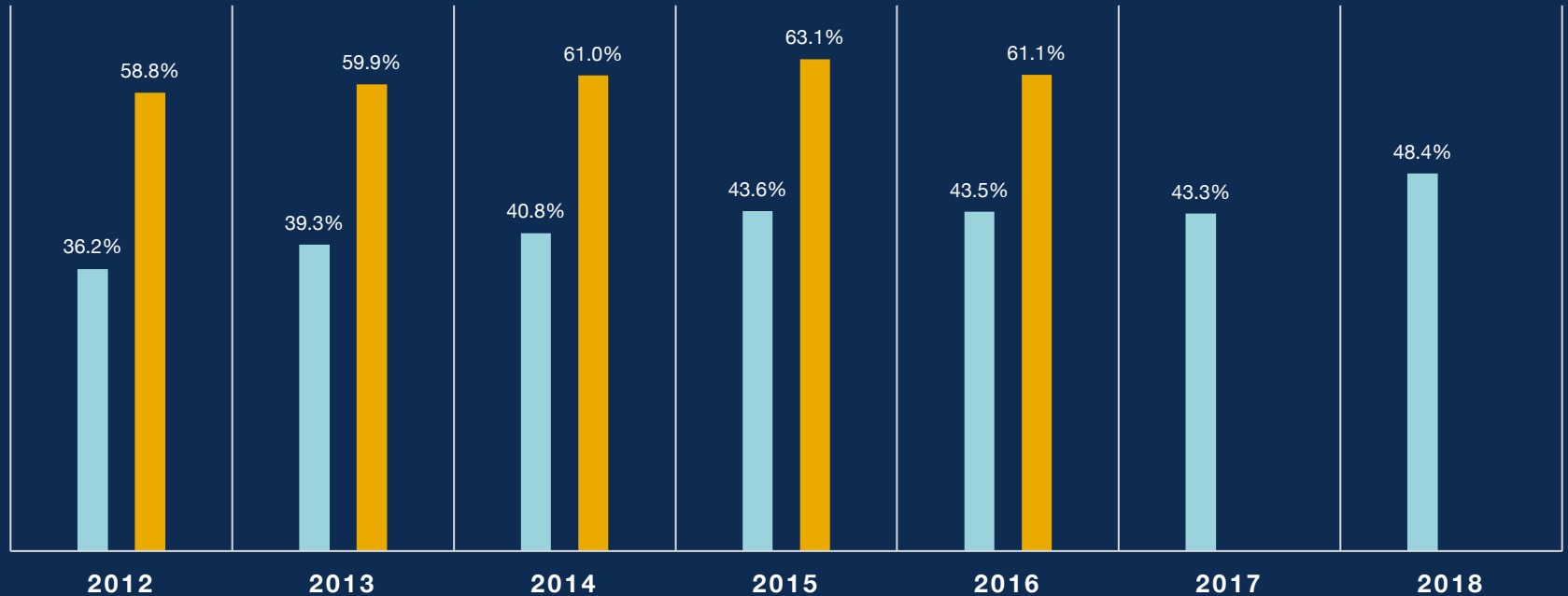
- ✓ Our goal is to have a reasonable positive margin for new strategic investments of approximately **\$15 MILLION** a year.
- ✓ Our model shows that the University needs to adjust our margin by at least **\$75 MILLION** over the next five to seven years to attain our goals – if we see the potential enrollment decline of **5,000** throughout the next decade.

# WVU ENROLLMENT – PAST, PRESENT AND FUTURE



# WVU GRADUATION RATES

■ Four-Year Graduation Rate ■ Six-Year Graduation Rate



# PREDICTING WVU ENROLLMENT

	FY2024	FY2025	FY2026	FY2027	FY2028
System Headcount Enrollment	25,082	24,493	23,350	22,575	22,012
Morgantown FTF Enrollment	4,451	4,535	4,628	4,611	4,516
Enrollment Change over Prior Year	(1,013)	(589)	(1,143)	(775)	(563)
Tuition Increase	3.00%	3.50%	3.50%	3.50%	3.50%
Per Student Tuition and Fees	\$16,230	\$16,798	\$17,386	\$17,995	\$18,625
Per Student Scholarship Expense	(\$2,967)	(\$3,086)	(\$3,209)	(\$3,338)	(\$3,471)
Per Student Net of Scholarships	\$13,263	\$13,712	\$14,177	\$14,657	\$15,153
Per Student % Revenue Growth	-	3.39%	3.39%	3.39%	3.39%

# FY2023 AND FY2024 REVENUES

	FY2023	FY2024
Tuition and Fees	\$407,418,436	\$407,085,531
State Appropriations	\$186,725,000	\$190,344,000
Other Appropriations	\$11,500,000	\$11,799,767
Deferred Maintenance Grants	\$0	\$20,000,000
State and Federal Grants	\$167,764,363	\$173,000,000
Private Grants	\$26,101,590	\$28,635,003
WVU Health System Pass Through Revenues	\$64,303,047	\$65,448,494
Indirect Grants and Contracts	\$39,401,000	\$39,400,000
Pell	\$25,500,000	\$25,500,000
Auxiliaries	\$128,025,000	\$128,499,591
Other Revenues	\$136,744,000	\$105,906,013
<b>TOTAL REVENUES</b>	<b>\$1,193,482,436</b>	<b>\$1,195,618,399</b>

# FY2023 AND FY2024 PROJECTED EXPENDITURES

	FY2023	FY2024
Non-Grant Salaries and Wages	\$522,214,032	\$529,958,052
Grant Salaries and Wages	\$75,494,020	\$77,850,000
Non-Grant Benefits	\$108,478,432	\$110,257,000
Grant Benefits	\$15,266,568	\$15,743,000
Student and Employee Waivers	\$39,577,000	\$39,000,000
Non-Grant Supplies	\$156,089,247	\$153,935,000
Grant Supplies	\$72,138,730	\$74,390,000
Depreciation	\$119,381,000	\$106,410,975
Utilities	\$38,520,997	\$35,000,000
Scholarship and Fellowship	\$74,383,660	\$74,426,628
Interest Payments	\$32,486,158	\$34,957,143
Other	\$50,000	\$1,000,000
<b>TOTAL EXPENSES</b>	<b>\$1,254,079,844</b>	<b>\$1,252,927,798</b>
Software Gift Adjustment	(\$42,796,000)	(\$27,789,000)
<b>TOTAL EXPENSES</b>	<b>\$1,211,283,844</b>	<b>\$1,225,138,798</b>

# FY2023 AND INITIAL FY2024 DEFICIT

	FY2023 PROJECTION	INITIAL FY2024
Total Revenues	\$1,193,482,436	\$1,195,618,399
Total Expenditures	\$1,211,283,844	\$1,225,138,798
Gain (Loss)	(\$17,801,408)	(\$29,520,399)
Cash Gain (Loss)	(\$19,489,809)	(\$31,236,391)

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# MANAGEMENT IMPROVEMENT PLAN

<b>Total Revenues</b>	\$1,195,618,399
<b>Total Expenditures</b>	\$1,225,138,798
<b>Management Improvement Plan</b>	(\$35,000,000)
<b>Restated Expenditures</b>	\$1,190,138,798
<b>Gain (Loss)</b>	\$5,479,601
<b>Cash Gain (Loss)</b>	\$3,763,309



# ONE WVU FOR ALL

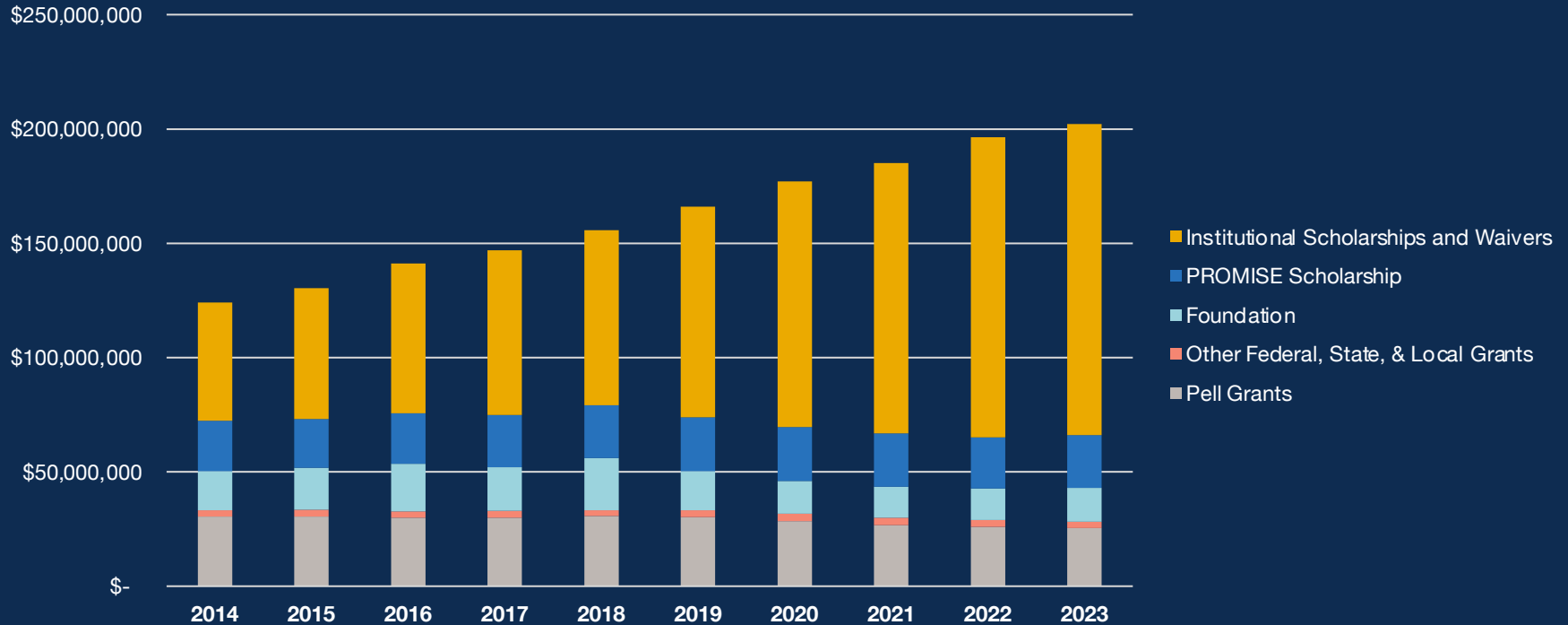
	FY2023	FY2024	OPTION 1	OPTION 2	OPTION 3
Central Allocation	\$7,000,000	\$6,650,000	\$6,650,000	\$6,650,000	\$4,650,000
Non-Central Allocation	\$2,000,000	\$1,900,000	\$1,900,000	\$1,900,000	\$1,900,000
Foundation Funding	\$1,000,000	\$1,050,000	\$1,050,000	\$1,350,000	\$3,350,000
Total Revenues	\$10,000,000	\$9,600,000	\$9,600,000	\$9,900,000	\$9,900,000
Expenses	\$10,000,000	\$10,000,000	\$9,600,000	\$9,900,000	\$9,900,000
Surplus (Deficit)	-	(\$400,000)	-	-	-

# THE PROJECTIONS: FY2024 – FY2028

	FY2024	FY2025	FY2026	FY2027	FY2028
Total Revenues	\$1,195,618,399	\$1,207,719,465	\$1,207,750,856	\$1,202,064,823	\$1,218,100,283
Total Expenses	\$1,252,927,798	\$1,250,992,160	\$1,255,260,970	\$1,268,445,637	\$1,289,941,350
Adjusted Net Position without MIP	(\$29,520,399)	(\$27,644,695)	(\$47,510,113)	(\$66,380,815)	(\$71,841,067)
Operational Cash Gain/Loss without MIP	(\$31,236,691)	(\$32,477,479)	(\$43,784,676)	(\$52,695,297)	(\$62,841,357)
MANAGEMENT IMPROVEMENT PLAN DETAILS					
MIP In-Year Base Expense Reductions	\$35,000,000	-	\$10,000,000	\$10,000,000	\$20,000,000
MIP Cumulative Base Expense Reductions	\$35,000,000	\$35,000,000	\$45,000,000	\$55,000,000	\$75,000,000
Operational Cash Gain/Loss	\$3,763,309	\$5,142,521	\$4,334,624	\$3,138,193	\$14,036,335
Strategic Investment Pool	\$3,763,309	\$5,142,521	\$4,334,624	\$3,138,193	\$7,018,168
Investment Gains	\$3,000,000	\$3,060,000	\$3,121,200	\$3,183,624	\$3,247,296
Increase/Decrease to Cash Position	\$3,000,000	\$3,060,000	\$3,121,200	\$3,183,624	\$10,265,464

**THESE ARE PROJECTIONS,  
NOT EXPECTATIONS.**

# STUDENT FINANCIAL SUPPORT AT WVU



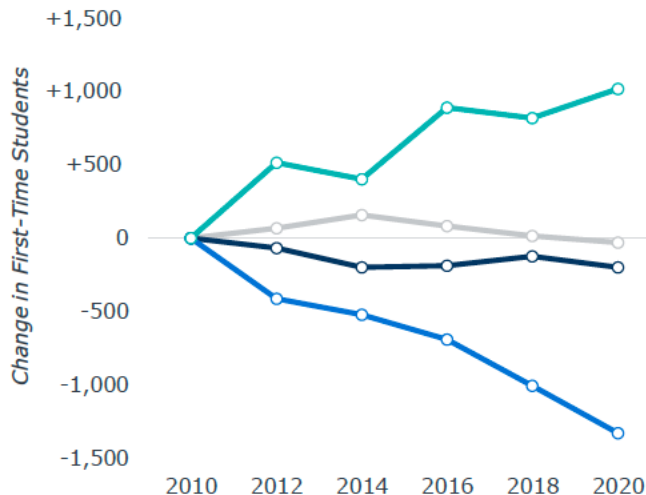
# WVU MUST INCREASE MARKET SHARE

## College-Going Rate Was the Biggest Factor Driving Down First-Year Enrollments at WVU

Strategic  
Advisory  
Services

### How Demographics, College-Going Rates, and Market Share Help Explain Past Enrollment Trends For West Virginia University

Cumulative Change From 2010 by Enrollment Force



Dem. Change College-Going Rates Market Share Intl. & Other

Cumulative Impact of Each Force from 2010-2020

**Demographic Change**  
**-198** Students

**College-Going Rate**  
**-1,332** Students

**Market Share Change**  
**+1,018** Students

**International & Unknown Origin**  
**-29** Students

**Overall Enrollment Change**  
**-540** Students  
-11% change from 2010 levels

# NEXT STEPS

Addressing our current budget situation will be a multi-year process:

## Near Term

- ✓ Many near-term actions to reduce expenditures are already underway, such as transitioning to softphones and enhanced printer management.
- ✓ Departments and units will receive allocations to balance and reduce expenses and deploy Foundation funds.

## Longer Term

- ✓ We still are working through many aspects of our modeling and projections; however, we are committed to engaging with our campus community throughout this process and will share more in the coming weeks regarding FY2024.

# QUESTIONS?

Please post your question in the Q&A box at the bottom of your screen.

# STAY INFORMED

- Stay tuned for additional Campus Conversations.
- An archived version of this Campus Conversation will be available at [bureaucracybusters.wvu.edu/campus-conversations](https://bureaucracybusters.wvu.edu/campus-conversations).
- You may submit questions to [campusconversation@mail.wvu.edu](mailto:campusconversation@mail.wvu.edu).