

Westfield State University
Financial Affairs Committee

FY24 Operating Budget
October 11, 2023

Executive Summary

The University proposed a Provisional FY24 Budget to allow more time for better information on key metrics such as enrollment, occupancy, and meal plan participation as well as state appropriation. The Provisional FY24 budget projected a remaining net deficit of \$6.5M, with a commitment to provide a final balanced budget at the October Board of Trustees meeting. The focus of this document is to provide updates on key revenue and expense changes and major variances from the FY24 Provisional Budget to the October Budget to approve the FY24 budget.

The campus was able to present a balanced FY24 October Budget due to following key factors:

- Glidepath Use of Reserves - \$3.6M
- Additional Short-Term Interest Income - \$1.8M
- Vacancy Savings Factor - \$1.5M (Based on historical position control calculations)
- Operational Underspending Factor - \$1.1M (Based on 3-year trend)
- Vacancy positions reductions including fringe - \$0.5M

Enrollment

Since the provisional budget, the campus is estimating another 100-student decline which has been factored into the October budget. Overall, the annual average full time undergraduate enrollment of billable students is anticipated to be 2,860, which is 137 students lower than the prior year budget of 2,997, a 4.6% decline. The campus utilizes an average annual enrollment by semester and factors in historical average declines from fall to spring to arrive at an annual projected total. Enrollment continues to be an ongoing concern. Lower enrollments have also had a negative impact on residential hall occupancy and dining program participation rates.

The CGCE enrollment budget is projected to remain relatively flat with no major adjustments to the enrollment assumptions at this time.

Revenue

Revenue has increased from the FY24 Provisional Budget to the FY24 October budget by \$0.2M, which is relatively flat. Though, year over year, the revenue budget has increased by \$3.3M or 3% due to increasing state appropriation, increases in investment income, and increases in grant revenue. The major changes from the provisional budget are as follows:

- \$1.8M related to an increase in investment income.
- \$0.2M Additional State Appropriation related to formula funding.

- (\$1.2M) decrease to Tuition & Fee Revenue driven by lower enrollment.
- (\$0.6M) Residential Life revenue due to lower occupancy related to a 100-student enrollment decline. Occupancy was formerly 1,771 in the FY24 Provisional Budget and is anticipated to be 1,700 in the Final October Budget, a 71-occupant decline.
- Dining revenue is flat mainly due to the (\$0.2M) impact of lower meal plan participants offset by the inclusion of \$0.2M Summer Conference revenue.

Expenses

Expenses have increased from the FY24 Provisional Budget to the FY24 October budget by \$0.9M. Major changes are as follows:

- \$1.2M increase in Compensation and Fringe related to the \$1.5M reduction for the vacancy savings factor mentioned above offset by the reversal of a \$2.3M reduction that was part of the budget balancing strategy from the FY24 Provisional Budget, which is no longer being deployed.
- Collective bargaining salary increases are excluded until funded by the state is confirmed (this will be net neutral as additional appropriation will offset most of the collective bargaining expenses).
- \$1.0M Increase to Capital Projects which are being funded by ARPA funds.
- \$0.6M Increase to Dining Program Expenses related to a \$0.1M compensation increase of 6.08% for CBA impacts expected in FY24 as well as the inclusion of \$0.2M of expense related to food and labor costs for Summer Conferences, and \$0.3M related to capital projects.

Reserves

The overall campus use of reserves has increased from the provisional budget by \$0.4M related to a \$0.3M capital project related to Dining Program as well as minor year-end adjustments/true ups to capital projects and other trust fund rollovers. The Glide Path use of cash reserves is expected to be an additional \$0.4M, which is an increase over the FY24 Provisional Budget. Overall, the campus was able to successfully develop a longer-term plan through additional revenue related to interest income and factoring budget allocations related to anticipated vacancy savings and operational underspending.

Summary

Revenue growth through enrollment and alternative revenue sources continues to be one of the highest campus priorities as we continue to navigate a highly competitive landscape. The campus Glide Path Strategy was crucial for balancing the FY24 October Budget. However, the Glide Path Strategy relies on enrollment growth to be successful. Enrollment continues to decline, having a negative multi-year compounding effect on revenue. A new strategic enrollment plan is nearly completed in an effort to make critical and timely investments for FY25 and beyond.

Several strategies have been employed to support revenue growth including the creation of the Innovation Fund and the use of FEMA reimbursement funds. The campus has begun visioning sessions in preparation for the development of its next five-year strategic plan, of which strategies for enrollment growth and financial health will be crucial.

Improved collaboration has begun and the predominate focus is on working to develop strategies for increasing revenue through enrollment growth. However, given the trajectory of graduating high school seniors in Massachusetts, it's expected that enrollment, for this population, will continue to decline over the next five years. The campus will need to continue to focus on innovative approaches to enrollment, retention, branding and marketing while exploring alternative revenue generation.

	FY24			Year over Year Comparison		
	FY23 October Budget	Provisional Budget	Final - October Budget	Provisional vs. Final Incr/(Decr)	\$ Fav / (Unfav)	% Fav/(Unfav)
Revenue:						
State Appropriation	35,404,926	36,404,926	36,610,982	206,056	1,206,056	3%
Total Tuition/Fee Revenue	34,813,216	34,912,758	33,731,605	(1,181,153)	(1,081,611)	(3%)
Foundation	1,065,500	1,195,500	1,195,500	-	130,000	12%
Grant Revenue	1,678,737	2,632,937	2,632,937	-	954,200	57%
Other Revenue	2,869,509	3,498,062	5,347,103	1,849,041	2,477,594	86%
CGCE	12,140,783	12,140,783	12,140,783	-	-	0%
Residential Life	15,477,267	15,205,342	14,541,806	(663,536)	(935,461)	(6%)
Dining Services	9,303,938	9,644,916	9,618,608	(26,308)	314,670	3%
Grants: HEERF/ARPA	1,908,352	2,212,072	2,193,719	(18,353)	285,367	15%
Total Revenue	\$ 114,662,227	\$ 117,847,297	\$ 118,013,042	\$ 165,746	\$ 3,350,815	3%
Expense:						
Compensation & Fringe	49,487,120	47,424,348	48,658,439	1,234,090	828,681	2%
Department Operations	15,205,475	15,969,504	14,862,763	(1,106,741)	342,712	2%
Utilities	2,833,500	3,403,383	3,403,383	-	(569,883)	(20%)
Financial Aid	5,158,621	4,594,420	4,443,151	(151,268)	715,470	14%
Debt Service	1,481,315	1,488,098	1,488,098	-	(6,783)	(0%)
Contingency	629,000	650,000	650,000	-	(21,000)	(3%)
Capital Investments	3,575,000	5,004,318	4,985,965	(18,353)	(1,410,965)	(39%)
CGCE	9,465,305	9,590,305	9,590,305	-	(125,000)	(1%)
Residential Life	17,635,468	19,926,961	20,133,499	206,538	(2,498,031)	(14%)
Dining Services	7,961,754	8,541,316	9,170,507	629,190	(1,208,753)	(15%)
Strategic Investments	372,581	372,581	351,581	(21,000)	21,000	6%
All Other	5,025,116	6,153,227	6,362,444	209,216	(1,337,328)	(27%)
Innovation Fund	800,000	1,416,475	1,359,976	(56,499)	(559,976)	(70%)
FEMA Reimbursement Funds	1,269,232	1,459,972	1,459,972	-	(190,740)	(15%)
Covid Related Expenses	908,352	-	-	-	908,352	100%
UEAAC Savings	-	-	-	-	-	0%
Total Expense	\$ 121,807,837	\$ 125,994,908	\$ 126,920,081	\$ 925,173	\$ (5,112,244)	-4%
Net Profit/(Loss)	\$ (7,145,609)	\$ (8,147,611)	\$ (8,907,039)	\$ (759,428)	\$ (1,761,429)	-25%
Reserve Funding:						
Planned Use of Reserves	2,983,610	3,175,356	3,031,451	(143,905)	47,841	2%
Capital Rollover	1,511,196	1,294,987	1,819,618	524,631	308,421	20%
FEMA Rollover for Capital Projects	-	377,637	377,637	-	377,637	100%
Total Use of Reserves	\$ 4,494,806	\$ 4,847,979	\$ 5,228,705	\$ 380,726	\$ 733,899	16%
Structural Deficit / Glide Path Use of Reserves	\$ 2,650,803	\$ 3,299,632	\$ 3,678,333	\$ 378,701	\$ 1,027,530	39%
Adjusted Surplus/(Deficit)	-	-	-	-	-	-

	FY23 October Budget	Provisional Budget	Final - October Budget		\$ Fav / (Unfav)
Planning Assumptions:					
Revenue Assumptions					
Billable Students	2,997	2,960	2,860		(100)
% Change YoY	-6.8%	-1.2%	-4.6%		
Housing Students	1,788	1,771	1,700		(71)
% Change YoY	1%	-1%	-5%		
Occupancy Rate	75%	74%	71%		
In-State Tuition and Fees Incr.	3.4%	3.5%	3.5%		
General Fee Increase	322	382	382		-
Residential COA Incr. (weighted avg.)	3%	4%	4%		
State Appropriation as % of Revenue	31%	31%	31%		
Investment Earnings	\$ 115,000	\$ 115,000	\$ 1,915,000		
Operating Reserve / Contingency	\$ 1,898,232	\$ 650,000	\$ 650,000		-
Expense Assumptions					
Strategic Plan Funding	\$ 372,581	\$ 372,581	\$ 351,581		(21,000)
Financial Aid Incr/(Decr)	\$ 859,400	\$ (564,202)	\$ (715,470)		(151,268)
Overhead Contributions					
Dining Contribution	\$ 1,342,184	\$ 1,103,600	\$ 1,060,654		(42,946)
CGCE Contribution	\$ 2,750,478	\$ 2,750,478	\$ 2,750,478	\$	-
Net Results					
CGCE Surplus	-	-			-
Residential Housing Deficit (unadjusted)	(2,158,201)	(4,721,619)	(5,591,693)		(870,075)
Campus Transfer to Offset the Res Life Deficit		624,649	1,494,723		870,074
Dining Deficit	-	-	(312,552)		(312,552)

Notes:

Total Use of Reserves – The sum of \$5.2M is a combination of previously generated savings, incomplete capital projects funded last year, and unspent but budgeted FEMA funds.

Structural Deficit/Glide Path Use of Reserves – projected use of cash reserves which are utilized to balance the budget. These funds may or may be needed if offset by additional budget savings.

Westfield State University
 FY24 Detailed Budget by Trust Fund
 October Budget

	Operating Budget	Innovation Fund	FEMA Reimb. Funds	ARPA Funding	Grants	Capital Project Fund	CGCE	Residential Life	Dining Services	Other Trust Funds	FY24 Budget
Revenue											
Scholarship Allowance					(11,570,448)						(11,570,448)
Tuition and Fees	33,731,605						12,140,783			-	45,872,388
Federal Grants and Contracts				2,193,719	8,478,385						10,672,104
State Grants and Contracts					5,375,000						5,375,000
Private Grants and Contracts					350,000					-	350,000
Residence Fees								14,260,580			14,260,580
Dining Fees									9,618,608		9,618,608
Other Operating Revenues	561,868							261,226		1,773,590	2,596,684
Commissions	296,645							20,000			316,645
State General Appropriations	36,610,982										36,610,982
Foundation Support	1,195,500										1,195,500
Innovation Fund		800,000									800,000
Investment Income	1,915,000										1,915,000
Total Revenue	74,311,600	800,000	-	2,193,719	2,632,937	-	12,140,783	14,541,806	9,618,608	1,773,590	118,013,042
Expenses											
Personnel	44,251,588				275,000		3,985,579	2,342,495	2,253,480	51,166	53,159,307
Fringe Benefits	4,406,851				115,750		1,880,447	1,073,097	1,060,494	23,946	8,560,585
Operations	14,862,763				2,069,187		3,649,279	2,130,193	5,193,003	2,493,676	30,398,101
Strategic Investments	351,581										351,581
Utilities	3,403,383							2,105,494			5,508,877
Debt Payments	1,488,098								520,063		2,008,161
FEMA Reimb. Spending Plan			1,082,335								1,082,335
Operating Contingency	650,000								143,467	18,738	812,205
Capital Projects			377,637	2,193,719		3,934,227			-		6,505,583
Scholarships	4,443,151				173,000		75,000	93,500	-	-	4,784,651
Transfers	28,541				69,659	(2,414,609)	2,750,478	(1,494,723)	1,060,654		-
MSCBA Assessment								12,388,720			12,388,720
Innovation Fund Expenditures		1,359,976									1,359,976
Total Expense and Transfers	73,885,955	1,359,976	1,459,972	2,193,719	2,702,596	1,519,618	12,340,783	18,638,776	10,231,160	2,587,526	126,920,081
Net Revenue over Expense	425,645	(559,976)	(1,459,972)	-	(69,659)	(1,519,618)	(200,000)	(4,096,970)	(612,552)	(813,936)	(8,907,039)
Planned Use of Reserves	305,544	559,976	1,082,335		69,659		200,000			813,936	3,031,451
Capital Rollover						1,519,618			300,000		1,819,618
FEMA Rollover for Capital Projects			377,637								377,637
Glide Path - Cash Reserves								3,365,780	312,552		3,678,333
Total Use of Reserves	305,544	559,976	1,459,972	-	69,659	1,519,618	200,000	3,365,780	612,552	813,936	8,907,038
Net Surplus/(Loss)	731,189	-	-	-	-	-	-	(731,189)	-	-	-

Notes:

1. Other Operating Revenues consist of parking, application fees, phone fee, non-credit program revenue and other miscellaneous fees
2. Transfers represent the movement of cash from one trust fund to another

FY24 Budget Shortfall:	Amount	Notes
Provisional Budget Shortfall	\$ (6,599,264)	
Add'l 100 Student Enrollment Decline	\$ (1,575,453)	Net of Add'l State Appropriation
CBA Impacts	\$ (381,948)	Base comp & Fringe for Res Life and Dining
Total Revenue Shortfall	\$ (8,556,665)	

Budget Balancing Strategy:

Glidepath Use of Reserves	\$ 3,678,333	Cash Reserves
Additional Short-Term Interest Income FY24	\$ 1,800,000	
Topside - Vacancy Savings Factor	\$ 1,500,000	
Topside - Underspending Factor	\$ 1,100,000	
Vacancy Savings	\$ 328,052	Represents approximately 4-5 positions
Fringe on Vacancy Savings	\$ 150,281	Fringe at 45.81%

Remaining to Solve	-	
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Notes

Includes CBA Impacts for Dining and Residential Life
 Assumes 100 student FYA billable decline in enrollment
 Includes revised State Appropriation revenue gain of approx \$300k