



FACULTY SENATE
Budget Q&A

April 10, 2023

QUESTION:

In his State of the University Address, President Gee stated that WVU is facing a structural budget deficit of \$35 Million dollars in fiscal year 2024.

What is a “structural deficit” and how is it different from the short-term budget shortfalls that we have faced and weathered in the recent past?

HYPOTHETICAL UNIVERSITY

	2023				
Tuition	\$700,000.00				
<i>Payroll</i>	\$400,000.00				
<i>Supplies</i>	\$140,000.00				
<i>Loan</i>	\$100,000.00				
<i>Utilities</i>	\$20,000.00				
<i>Insurance</i>	\$10,000.00				
<i>Other</i>	\$ -				
Expenses	\$670,000.00				
Profits (Losses)	\$30,000.00				
Cumulative Savings	\$30,000.00				

HYPOTHETICAL UNIVERSITY

	2023	2024			
Tuition	\$700,000.00	\$707,000.00			
<i>Payroll</i>	\$400,000.00	\$404,000.00			
<i>Supplies</i>	\$140,000.00	\$141,400.00			
<i>Loan</i>	\$100,000.00	\$100,000.00			
<i>Utilities</i>	\$20,000.00	\$20,200.00			
<i>Insurance</i>	\$10,000.00	\$10,100.00			
<i>Other</i>	\$ -	\$ -			
Expenses	\$670,000.00	\$675,700.00			
Profits (Losses)	\$30,000.00	\$31,300.00			
Cumulative Savings	\$30,000.00	\$61,300.00			

HYPOTHETICAL UNIVERSITY

	2023	2024	2025		
Tuition	\$700,000.00	\$707,000.00	\$714,070.00		
<i>Payroll</i>	\$400,000.00	\$404,000.00	\$408,040.00		
<i>Supplies</i>	\$140,000.00	\$141,400.00	\$142,814.00		
<i>Loan</i>	\$100,000.00	\$100,000.00	\$100,000.00		
<i>Utilities</i>	\$20,000.00	\$20,200.00	\$20,402.00		
<i>Insurance</i>	\$10,000.00	\$10,100.00	\$10,201.00		
<i>Other</i>	\$ -	\$ -	\$ -		
Expenses	\$670,000.00	\$675,700.00	\$681,457.00		
Profits (Losses)	\$30,000.00	\$31,300.00	\$32,613.00		
Cumulative Savings	\$30,000.00	\$61,300.00	\$93,913.00		

HYPOTHETICAL UNIVERSITY

	2023	2024	2025	2026	
Tuition	\$700,000.00	\$707,000.00	\$714,070.00	\$660,000.00	
<i>Payroll</i>	\$400,000.00	\$404,000.00	\$408,040.00	\$412,120.40	
<i>Supplies</i>	\$140,000.00	\$141,400.00	\$142,814.00	\$144,242.14	
<i>Loan</i>	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	
<i>Utilities</i>	\$20,000.00	\$20,200.00	\$20,402.00	\$20,606.02	
<i>Insurance</i>	\$10,000.00	\$10,100.00	\$10,201.00	\$10,303.01	
<i>Other</i>	\$ -	\$ -	\$ -	\$30,000.00	
Expenses	\$670,000.00	\$675,700.00	\$681,457.00	\$717,271.57	
Profits (Losses)	\$30,000.00	\$31,300.00	\$32,613.00	(\$57,271.57)	
Cumulative Savings	\$30,000.00	\$61,300.00	\$93,913.00	\$36,641.43	

HYPOTHETICAL UNIVERSITY

	2023	2024	2025	2026	2027
Tuition	\$700,000.00	\$707,000.00	\$714,070.00	\$660,000.00	\$721,210.70
<i>Payroll</i>	\$400,000.00	\$404,000.00	\$408,040.00	\$412,120.40	\$416,241.60
<i>Supplies</i>	\$140,000.00	\$141,400.00	\$142,814.00	\$144,242.14	\$145,684.56
<i>Loan</i>	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00
<i>Utilities</i>	\$20,000.00	\$20,200.00	\$20,402.00	\$20,606.02	\$20,812.08
<i>Insurance</i>	\$10,000.00	\$10,100.00	\$10,201.00	\$10,303.01	\$10,406.04
<i>Other</i>	\$ -	\$ -	\$ -	\$30,000.00	\$ -
Expenses	\$670,000.00	\$675,700.00	\$681,457.00	\$717,271.57	\$693,144.29
Profits (Losses)	\$30,000.00	\$31,300.00	\$32,613.00	(\$57,271.57)	\$28,066.41
Cumulative Savings	\$30,000.00	\$61,300.00	\$93,913.00	\$36,641.43	\$64,707.84

HYPOTHETICAL UNIVERSITY

	2027				
Tuition	\$721,210.70				
<i>Payroll</i>	\$416,241.60				
<i>Supplies</i>	\$145,684.56				
<i>Loan</i>	\$100,000.00				
<i>Utilities</i>	\$20,812.08				
<i>Insurance</i>	\$10,406.04				
<i>Other</i>	\$ -				
Expenses	\$693,144.29				
Profits (Losses)	\$28,066.41				
Cumulative Savings	\$64,707.84				

HYPOTHETICAL UNIVERSITY

	2027	2028			
Tuition	\$721,210.70	\$713,998.59			
<i>Payroll</i>	\$416,241.60	\$430,000.00			
<i>Supplies</i>	\$145,684.56	\$160,000.00			
<i>Loan</i>	\$100,000.00	\$100,000.00			
<i>Utilities</i>	\$20,812.08	\$21,020.20			
<i>Insurance</i>	\$10,406.04	\$12,510.10			
<i>Other</i>	\$ -	\$ -			
Expenses	\$693,144.29	\$723,530.30			
Profits (Losses)	\$28,066.41	(\$9,531.71)			
Cumulative Savings	\$64,707.84	\$55,176.14			

HYPOTHETICAL UNIVERSITY

	2027	2028	2029		
Tuition	\$721,210.70	\$713,998.59	\$685,438.65		
<i>Payroll</i>	\$416,241.60	\$430,000.00	\$434,300.00		
<i>Supplies</i>	\$145,684.56	\$160,000.00	\$161,600.00		
<i>Loan</i>	\$100,000.00	\$100,000.00	\$100,000.00		
<i>Utilities</i>	\$20,812.08	\$21,020.20	\$21,230.40		
<i>Insurance</i>	\$10,406.04	\$12,510.10	\$12,615.20		
<i>Other</i>	\$ -	\$ -	\$ -		
Expenses	\$693,144.29	\$723,530.30	\$729,745.60		
Profits (Losses)	\$28,066.41	(\$9,531.71)	(\$44,306.96)		
Cumulative Savings	\$64,707.84	\$55,176.14	\$10,869.18		

HYPOTHETICAL UNIVERSITY

	2027	2028	2029	2030	
Tuition	\$721,210.70	\$713,998.59	\$685,438.65	\$678,584.26	
<i>Payroll</i>	\$416,241.60	\$430,000.00	\$434,300.00	\$438,643.00	
<i>Supplies</i>	\$145,684.56	\$160,000.00	\$161,600.00	\$163,216.00	
<i>Loan</i>	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	
<i>Utilities</i>	\$20,812.08	\$21,020.20	\$21,230.40	\$21,442.71	
<i>Insurance</i>	\$10,406.04	\$12,510.10	\$12,615.20	\$12,721.35	
<i>Other</i>	\$ -	\$ -	\$ -	\$ -	
Expenses	\$693,144.29	\$723,530.30	\$729,745.60	\$736,023.06	
Profits (Losses)	\$28,066.41	(\$9,531.71)	(\$44,306.96)	(\$57,438.80)	
Cumulative Savings	\$64,707.84	\$55,176.14	\$10,869.18	(\$46,569.62)	

HYPOTHETICAL UNIVERSITY

	2027	2028	2029	2030	2031
Tuition	\$721,210.70	\$713,998.59	\$685,438.65	\$678,584.26	\$671,798.42
<i>Payroll</i>	\$416,241.60	\$430,000.00	\$434,300.00	\$438,643.00	\$443,029.43
<i>Supplies</i>	\$145,684.56	\$160,000.00	\$161,600.00	\$163,216.00	\$164,848.16
<i>Loan</i>	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00
<i>Utilities</i>	\$20,812.08	\$21,020.20	\$21,230.40	\$21,442.71	\$21,657.13
<i>Insurance</i>	\$10,406.04	\$12,510.10	\$12,615.20	\$12,721.35	\$12,828.57
<i>Other</i>	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses	\$693,144.29	\$723,530.30	\$729,745.60	\$736,023.06	\$742,363.29
Profits (Losses)	\$28,066.41	(\$9,531.71)	(\$44,306.96)	(\$57,438.80)	(\$70,564.87)
Cumulative Savings	\$64,707.84	\$55,176.14	\$10,869.18	(\$46,569.62)	(\$117,134.49)

THE PROJECTIONS

THE PROJECTIONS: FY2024 – FY2028

	FY2024	FY2025	FY2026	FY2027	FY2028
Net Tuition and Fees	\$407,085,531	\$411,439,359	\$405,967,332	\$406,230,296	\$409,962,758
Appropriations	\$202,143,767	\$202,143,767	\$202,143,767	\$202,143,767	\$202,143,767
Grant Activity	\$351,983,497	\$359,645,585	\$362,499,225	\$355,549,206	\$363,800,435
Auxiliaries and Other	\$234,405,604	\$234,490,754	\$237,140,533	\$238,141,553	\$242,193,323
Total Revenues	\$1,195,618,399	\$1,207,719,465	\$1,207,750,857	\$1,202,064,822	\$1,218,100,283
Salaries and Benefits	\$772,165,238	\$776,845,063	\$792,081,628	\$796,879,907	\$812,541,452
Supplies and Utilities	\$264,382,186	\$269,251,819	\$274,216,594	\$279,278,472	\$284,439,460
Depreciation and Interest	\$141,953,746	\$129,309,254	\$114,021,703	\$116,935,401	\$116,548,882
Scholarship and Fellowship	\$74,426,628	\$75,586,024	\$74,941,045	\$75,351,856	\$76,411,556
Total Expenses	\$1,252,927,798	\$1,250,992,160	\$1,255,260,970	\$1,268,445,637	\$1,289,941,350
Net Position	(\$57,309,399)	(\$43,272,695)	(\$47,510,112)	(\$66,380,815)	(\$71,841,067)
Adjusted Net Position	(\$29,520,399)	(\$27,644,695)	(\$47,510,112)	(\$66,380,815)	(\$71,841,067)
Cash Deployment	(\$31,236,691)	(\$32,477,479)	(\$43,784,676)	(\$52,695,297)	(\$62,841,357)

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

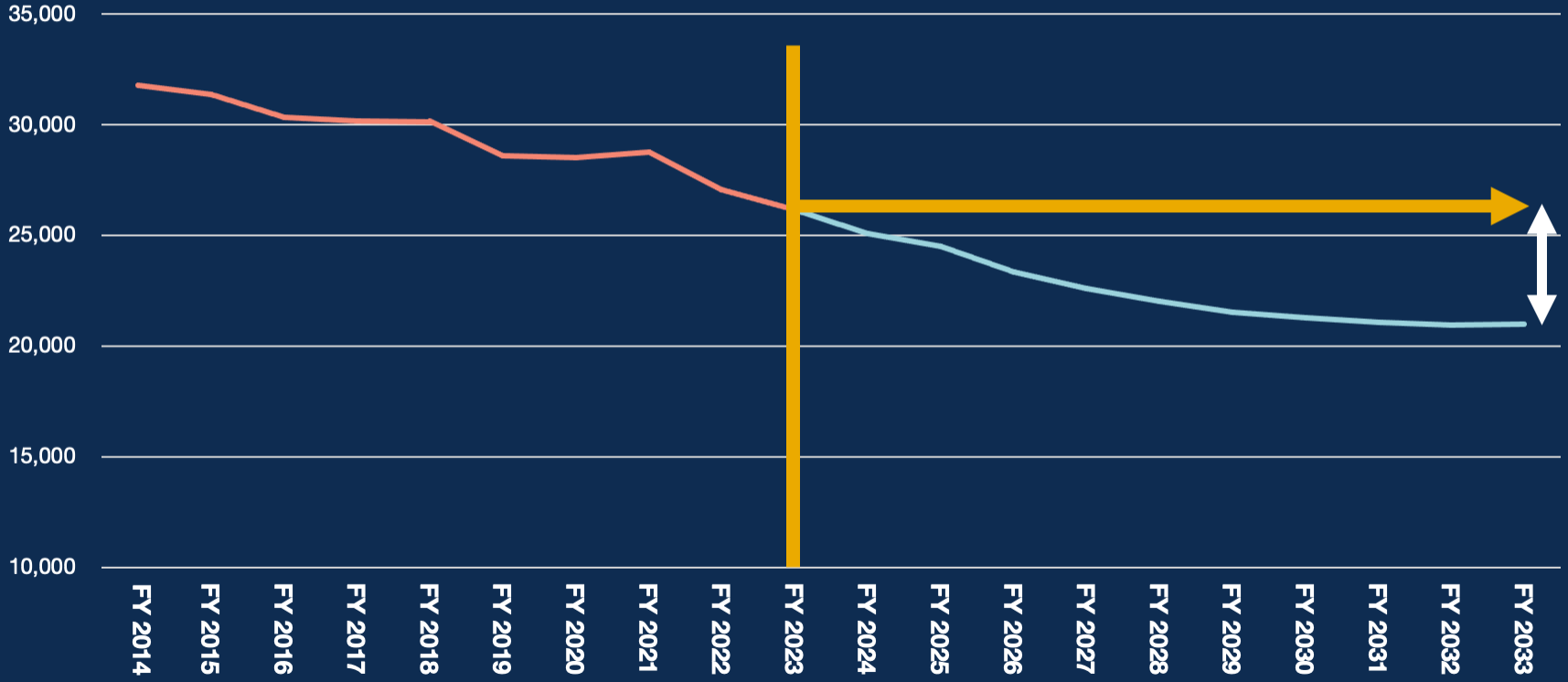
QUESTIONS:

- 1 How did we get here? What factors contributed to such a sizable budget deficit in what seems to be a relatively short period of time?
- 2 We have heard the term “demographic cliff” mentioned when discussing the budget. What is the demographic cliff? How will it impact WVU and when will the effects be felt?

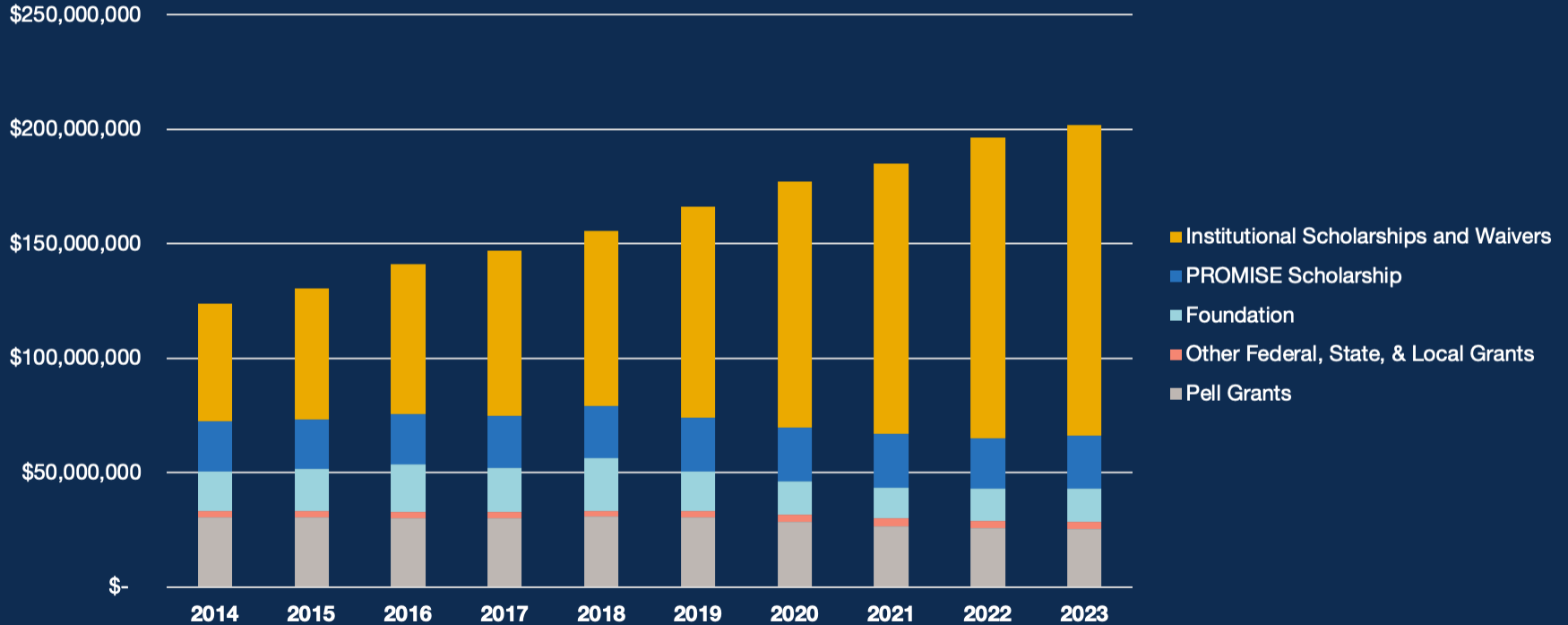
HIGHER EDUCATION IN TRANSITION

- ✓ 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.

WVU ENROLLMENT – PAST, PRESENT AND FUTURE



STUDENT FINANCIAL SUPPORT AT WVU



EXAMPLES OF FISCAL YEAR 2023 AND 2024: COST AND REVENUE PRESSURE

Tuition Loss Due to Enrollment Decline	\$24,700,000
Debt Service Increase	\$6,750,000
Utilities Increase	\$4,000,000
Salaries Increase	\$6,000,000
Supplies Increase	\$4,460,000
Benefits Increase	\$10,000,000
Margin Impact	\$55,910,000

**Amounts are approximate*

QUESTION:

Has the budget deficit changed since President Gee's address and is it possible that other factors beyond our control may cause the 2024 deficit to grow further?

QUESTION:

Why do we need to develop a longer-term strategic solution?

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

QUESTIONS:

- 1** What actions has the administration taken to date to save costs?
- 2** What other strategies beyond restructuring academic programs, are being considered or implemented to reduce costs going forward?
- 3** The prevailing sense among faculty is that the longer-term financial restructuring will primarily be accomplished through reduction (sunsetting) of academic programs and elimination of faculty positions. Are reductions in other types of positions including staff positions, and mid-and high- level administrative positions also being considered?

ADMINISTRATIVE COST AND EFFICIENCY EFFORTS

- ✓ Legislative Freedom Agenda
- ✓ Budget Cuts to Central Units
- ✓ Furloughs During COVID-19
- ✓ Shared Services
- ✓ Managed Print
- ✓ Outsourcing Dining
- ✓ Voluntary Separation Incentive Program
- ✓ Spend Restrictions Memorandum
- ✓ Hiring Freeze
- ✓ Soft Phones
- ✓ IT Consolidation
- ✓ Strategic Procurement Spend Policies
- ✓ Public Private Partnerships
- ✓ Energy Efficiency

QUESTION:

How are we addressing the budget deficit in 2024 and how are those actions different from the transformative restructuring that will come?

ANSWER:

Fiscal Year 2024 will be a combination of expense reductions, we believe around \$21 million in cuts – measured from our Fiscal Year 2023 current projections and deploying \$24 million in one-time resources from the WVU Foundation.

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FURTHER QUESTIONS?