

To: Board of Trustees
From: Jamie Moffitt, Vice President for Finance & Administration and CFO
Re: E&G Fund Long Term Projections
Date: May 10, 2022

Enclosed are the E&G Fund long-term projections that we will be discussing at the Board meeting next week. As we have done in the past, the packet contains a range of scenarios for your consideration.

There are three different sets of scenarios, each of which is based upon different assumptions about how much we increase the guaranteed tuition rate between incoming cohorts of first year undergraduate students. Following are the assumptions:

- Set A of Scenarios assumes increases for each incoming cohort of undergraduate students of 3.0% for non-residents and 4.5% for residents.
- Set B of Scenarios assumes increases for each incoming cohort of undergraduate students of 3.0% for non-residents and 3.0% for residents.
- Set C of Scenarios assumes increases for each incoming cohort of undergraduate students of 2.5% for non-residents and 4.5% for residents.

Each set of scenarios includes five standard cases: (1) base case, (2) below-target enrollment, (3) state funding reductions, (4) accelerating inflation, and (5) above-target enrollment. In each scenario staffing is assumed to be increasing over the forecast period as pandemic level attrition is reversed, supplies and services expenses are rebuilt to inflation-adjusted pre-pandemic levels, and, except where stated otherwise, state funding increases moderately (4% annually).

- **(1) Base Case**
Total Projected Fall 2022 First Year Students: 5,056 (100% of non-resident targets)
Description: Incoming resident student enrollment remains at fall 2021 levels. Incoming non-resident enrollment hits 100% of targets throughout the forecast period.
- **(2) Downside – Below-Target Enrollment**
Total Projected Fall 2022 First Year Students: 4,916 (95% of non-resident targets)
Description: Incoming resident student enrollment remains at fall 2021 levels. Incoming non-resident enrollment falls to 95% of target at fall 2022 and remains at 95% of target throughout the forecast period.
- **(3) Downside – State Funding Reductions**
Total Projected Fall 2022 First Year Students: 5,056 (100% of non-resident targets)
Description: State funding is reduced by 20% in FY2024 during the first year of the next biennium. State funding then increases at 4% annually from its re-set lower base.

- **(4) Downside – Extended Inflation**

Total Projected Fall 2022 First Year Students: 5,056 (100% of non-resident targets)

Description: Inflation accelerates across personnel and general expenses, requiring additional increases of 3% during FY2023. Inflation returns to normal levels during FY2024 and for the rest of the forecast period. Incoming guaranteed tuition rates do not adjust upward due to market pressure.

- **(5) Upside – Above-Target Enrollment**

Total Projected Fall 2022 First Year Students: 5,140 (103% of non-resident targets)

Description: Incoming resident student enrollment remains at fall 2021 levels. Incoming non-resident enrollment grows to 103% of target at fall 2022 and remains at 103% of target throughout the forecast period.

For each of the fifteen scenarios, five years of summary projections are provided for three key metrics:

- Annual E&G Run Rate, including Federal HEERF Funds
- End-of-Year E&G Fund Balance
- Number of weeks of E&G fund expenses covered by end-of-year fund balance

Please note that these scenarios do not include any new cost cutting measures. The purpose of these projections is to better understand the range of budget challenges that we may face in the coming years. If some of these scenarios were to materialize, we would need to take budget actions to balance our projected expenses with projected revenues.

Also included – for illustrative purposes - are more detailed assumptions and projections for Scenario A-1 – Base Case.

E&G Fund Projections: Base Case
Key Assumptions

Enrollment Targets

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Resident	2,010	1,880	1,880	1,880	1,880	1,880	1,880	1,880
Non-Resident	2,259	2,270	2,320	2,495	2,595	2,670	2,670	2,670
International	300	300	300	300	300	300	300	300
FTF Total	4,569	4,450	4,500	4,675	4,775	4,850	4,850	4,850

Enrollment % of Target

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Resident	110.8%	107.8%	116.4%	116.0%	116.0%	116.0%	116.0%	116.0%
Non-Resident	100.6%	85.9%	105.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Regular International	40.0%	0.7%	38.8%	100.0%	100.0%	100.0%	100.0%	100.0%

Enrollment

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Resident	2,227	2,027	2,188	2,181	2,181	2,181	2,181	2,181
Non-Resident	2,273	1,951	2,436	2,495	2,595	2,670	2,670	2,670
Regular International	120	2	116	300	300	300	300	300
Extra International (Exchange)	-	79	79	80	79	79	79	79
FTF Total	4,620	4,059	4,820	5,056	5,155	5,230	5,230	5,230
Resident Transfer	686	674	735	700	700	700	700	700
Non-Res Transfer	240	241	281	250	250	250	250	250
Transfer and Other Total	926	915	1,016	950	950	950	950	950
Total New Enrollment	5,546	4,974	5,836	6,006	6,105	6,180	6,180	6,180

UG STUDENT COUNTS (Fall Term)

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Resident	10,517	10,182	10,330	10,339	10,354	10,446	10,443	10,457
Non-Resident	7,112	7,065	7,641	8,120	8,406	8,878	9,073	9,205
International	1,361	827	674	758	864	1,005	1,097	1,128
Total UG Enrollment	18,990	18,074	18,645	19,217	19,624	20,329	20,613	20,791

Tuition

	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Resident	9.8%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Non-Resident	7.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

Remissions*

	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Total UG Remissions \$	\$ 52,357,113	\$ 60,221,001	\$ 70,380,212	\$ 75,556,206	\$ 80,587,755	\$ 84,677,606	\$ 87,452,850
Total UG Remissions %	15.8%	16.5%	18.0%	18.3%	18.2%	18.2%	17.9%

State Appropriations

+4% per year

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
\$	\$ 79,520,551	\$ 82,720,112	\$ 85,750,238	\$ 89,200,000	\$ 92,768,804	\$ 96,480,361	\$ 100,340,380	\$ 104,354,800

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Beginning Fund Balance	\$ 77,206,732	\$ 63,821,674	\$ 54,401,248	\$ 61,285,476	\$ 82,669,608	\$ 91,929,608	\$ 91,659,101	\$ 97,862,393	\$ 92,217,059
One Time Federal Funds - Lost Revenue	\$ -	\$ -	\$ 6,458,995	\$ 18,700,000	\$ -	\$ -	\$ -	\$ -	\$ -
Net Run Rate w/ Federal Funds - Lost Revenue	\$ (13,385,058)	\$ (9,420,426)	\$ 6,884,676	\$ 21,111,139	\$ 9,260,000	\$ (270,507)	\$ 6,203,292	\$ (5,645,334)	\$ 2,762,574
Net Run Rate w/out Fed Funds - Lost Revenue	\$ (13,385,058)	\$ (9,420,426)	\$ 425,681	\$ 2,411,139	\$ 9,260,000	\$ (270,507)	\$ 6,203,292	\$ (5,645,334)	\$ 2,762,574
Ending Fund Balance	\$ 63,821,674	\$ 54,401,248	\$ 61,285,476	\$ 82,396,615	\$ 91,929,608	\$ 91,659,101	\$ 97,862,393	\$ 92,217,059	\$ 94,979,632
Weeks of Operating Expenses	6.1	5.1	5.8	7.2	7.7	7.2	7.3	6.4	6.4

E&G Fund Projections
FOR ILLUSTRATIVE PURPOSES ONLY

	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
REVENUE						
Undergraduate Tuition	\$ 383,576,524	\$ 414,056,604	\$ 441,319,859	\$ 478,337,638	\$ 504,306,618	\$ 529,507,949
Graduate Tuition	\$ 86,097,183	\$ 88,423,141	\$ 91,322,082	\$ 94,064,645	\$ 96,889,624	\$ 99,799,499
Summer Tuition	\$ 18,647,295	\$ 20,308,512	\$ 24,212,129	\$ 25,666,924	\$ 27,605,237	\$ 29,003,986
Student Fees, Remissions and Other	\$ (47,821,001)	\$ (52,980,258)	\$ (58,156,206)	\$ (63,187,755)	\$ (67,277,606)	\$ (72,317,872)
<i>Total Tuition and Fees</i>	<i>\$ 440,500,000</i>	<i>\$ 469,808,000</i>	<i>\$ 498,697,864</i>	<i>\$ 534,881,452</i>	<i>\$ 561,523,872</i>	<i>\$ 585,993,561</i>
State Appropriation	\$ 85,750,238	\$ 89,200,000	\$ 92,768,804	\$ 96,480,361	\$ 100,340,380	\$ 104,354,800
Gifts, Grants, and Contracts	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
ICC Revenue	\$ 28,250,000	\$ 28,815,000	\$ 30,255,750	\$ 31,768,538	\$ 33,356,964	\$ 35,024,813
Interest & Investment	\$ 8,800,000	\$ 9,100,000	\$ 9,282,000	\$ 9,467,640	\$ 9,656,993	\$ 9,850,133
Other Revenues	\$ 7,150,000	\$ 7,282,000	\$ 7,282,000	\$ 7,282,000	\$ 7,282,000	\$ 7,282,000
Total Revenue	\$ 570,850,238	\$ 604,605,000	\$ 638,686,418	\$ 680,279,990	\$ 712,560,210	\$ 742,905,306
EXPENSES						
Personnel	\$ 438,000,000	\$ 465,874,126	\$ 502,413,923	\$ 530,181,526	\$ 568,682,082	\$ 584,839,349
S&S	\$ 96,539,100	\$ 105,371,144	\$ 109,720,281	\$ 114,267,771	\$ 117,124,465	\$ 120,052,577
Student Aid	\$ 4,000,000	\$ 5,100,000	\$ 5,253,000	\$ 5,410,590	\$ 5,545,855	\$ 5,684,501
Capital Outlay	\$ 4,000,000	\$ 5,000,000	\$ 5,150,000	\$ 5,304,500	\$ 5,437,113	\$ 5,573,040
Net Transfers	\$ 25,900,000	\$ 11,999,729	\$ 12,359,721	\$ 12,730,512	\$ 13,048,775	\$ 13,374,995
Cumulative Undistributed Strategic Inve	\$ -	\$ 2,000,000	\$ 4,060,000	\$ 6,181,800	\$ 8,367,254	\$ 10,618,271
Total Expenses	\$ 568,439,100	\$ 595,345,000	\$ 638,956,925	\$ 674,076,699	\$ 718,205,544	\$ 740,142,733
Accounting Adjustments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Early Retirement Program Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
One Time Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Run Rate Without Federal Funds - L	\$ 2,411,139	\$ 9,260,000	\$ (270,507)	\$ 6,203,292	\$ (5,645,334)	\$ 2,762,574
One Time Federal Funds - Lost Revenue	\$ 18,700,000	\$ -	\$ -	\$ -	\$ -	\$ -
Net Run Rate with Federal Funds - Lost I	\$ 21,111,139	\$ 9,260,000	\$ (270,507)	\$ 6,203,292	\$ (5,645,334)	\$ 2,762,574
Beginning Fund Balance	\$ 61,285,476	\$ 82,669,608	\$ 91,929,608	\$ 91,659,101	\$ 97,862,393	\$ 92,217,059
Ending Fund Balance	\$ 82,396,615	\$ 91,929,608	\$ 91,659,101	\$ 97,862,393	\$ 92,217,059	\$ 94,979,632
Weeks of Operating Expenses	7.2	7.7	7.2	7.3	6.4	6.4

**Long Term Scenarios
Set A of Scenarios**

Set A: Tuition increases for new cohorts of first year students: 3.0% for nonresidents and 4.5% for residents

Key Assumptions

1. Increasing staffing levels to build back from current pandemic lows
2. Supplies and Services resetting to inflation adjusted pre-pandemic levels, with increases for property/casualty insurance
3. Limited PERS increase in FY2024 and full PERS increase in FY2026
4. No additional cost cutting measures assumed (e.g. skipping strategic investment process, budget cuts, etc.)

Note: in some of these scenarios, as indicated by financial projections, further cost cutting measures will be necessary

Scenario A-1 (BASE CASE)						
Hit enrollment targets, state funding unchanged	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Net Run Rate w/ Federal Funds - Lost Revenue	\$ 21,111,139	\$ 9,260,000	\$ (270,507)	\$ 6,203,292	\$ (5,645,334)	\$ 2,762,574
Ending Fund Balance	\$ 82,396,615	\$ 91,929,608	\$ 91,659,101	\$ 97,862,393	\$ 92,217,059	\$ 94,979,632
Weeks of Operating Expenses	7.2	7.7	7.2	7.3	6.4	6.4
Scenario A-2 Downside						
Hit 95% of target for nonresident and international enrollment in FY2023-FY2027	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Net Run Rate w/ Federal Funds - Lost Revenue	\$ 21,111,139	\$ 4,019,881	\$ (10,193,326)	\$ (8,089,725)	\$ (23,649,232)	\$ (16,259,764)
Ending Fund Balance	\$ 82,396,615	\$ 86,689,689	\$ 75,996,363	\$ 67,406,638	\$ 43,257,405	\$ 26,497,641
Weeks of Operating Expenses	7.2	7.3	5.9	5.0	3.0	1.8
Scenario A-3 Downside						
State funding falls 20% in FY2024, +4% annual increase thereafter	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Net Run Rate w/ Federal Funds - Lost Revenue	\$ 21,111,139	\$ 9,260,000	\$ (21,699,559)	\$ (15,235,968)	\$ (27,095,004)	\$ (18,697,715)
Ending Fund Balance	\$ 82,396,615	\$ 91,929,608	\$ 69,730,010	\$ 53,994,043	\$ 26,399,039	\$ 7,201,324
Weeks of Operating Expenses	7.2	7.7	5.4	4.0	1.8	0.4
Scenario A-4 Downside						
Additional 3% increase to personnel and general expenditures in FY2023	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Net Run Rate w/ Federal Funds - Lost Revenue	\$ 21,111,139	\$ (6,677,797)	\$ (17,353,869)	\$ (11,784,802)	\$ (24,797,478)	\$ (16,917,759)
Ending Fund Balance	\$ 82,396,615	\$ 75,992,011	\$ 58,138,142	\$ 45,853,340	\$ 20,555,862	\$ 3,138,104
Weeks of Operating Expenses	7.2	6.2	4.4	3.2	1.3	0.1
Scenario A-5 Upside						
Hit 103% of target for nonresident and international enrollment in FY2023-FY2027	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Net Run Rate w/ Federal Funds - Lost Revenue	\$ 21,111,139	\$ 12,403,689	\$ 5,666,789	\$ 14,746,374	\$ 5,107,620	\$ 14,109,603
Ending Fund Balance	\$ 82,396,615	\$ 95,073,497	\$ 100,240,286	\$ 114,486,660	\$ 119,094,280	\$ 132,703,883
Weeks of Operating Expenses	7.2	8.0	7.9	8.6	8.5	9.2

**Long Term Scenarios
Set B of Scenarios**

Set B: Tuition increases for new cohorts of first year students: 3.0% for nonresidents and 3% for residents

Key Assumptions

1. Increasing staffing levels to build back from current pandemic lows
2. Supplies and Services resetting to inflation adjusted pre-pandemic levels, with increases for property/casualty insurance
3. Limited PERS increase in FY2024 and full PERS increase in FY2026
4. No additional cost cutting measures assumed (e.g. skipping strategic investment process, budget cuts, etc.)

Note: in some of these scenarios, as indicated by financial projections, further cost cutting measures will be necessary

Scenario B-1 (BASE CASE)						
Hit enrollment targets, state funding unchanged	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Net Run Rate w/ Federal Funds - Lost Revenue	\$ 21,111,139	\$ 8,764,409	\$ (1,779,025)	\$ 3,201,560	\$ (10,570,385)	\$ (3,883,278)
Ending Fund Balance	\$ 82,396,615	\$ 91,434,217	\$ 89,155,191	\$ 91,856,751	\$ 80,786,366	\$ 76,403,088
Weeks of Operating Expenses	7.2	7.7	7.0	6.9	5.7	5.3
Scenario B-2 Downside						
Hit 95% of target for nonresident and international enrollment in FY2023-FY2027	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Net Run Rate w/ Federal Funds - Lost Revenue	\$ 21,111,139	\$ 3,524,529	\$ (11,691,597)	\$ (11,071,002)	\$ (28,543,418)	\$ (22,864,132)
Ending Fund Balance	\$ 82,396,615	\$ 86,194,337	\$ 74,002,740	\$ 62,431,738	\$ 33,388,319	\$ 10,024,187
Weeks of Operating Expenses	7.2	7.2	5.8	4.6	2.3	0.6
Scenario B-3 Downside						
State funding falls 20% in FY2024, +4% annual increase thereafter	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Net Run Rate w/ Federal Funds - Lost Revenue	\$ 21,111,139	\$ 8,764,409	\$ (23,197,830)	\$ (18,217,245)	\$ (31,989,190)	\$ (25,302,082)
Ending Fund Balance	\$ 82,396,615	\$ 91,434,217	\$ 67,736,387	\$ 49,019,142	\$ 16,529,953	\$ (9,272,130)
Weeks of Operating Expenses	7.2	7.7	5.3	3.6	1.1	(0.8)
Scenario B-4 Downside						
Additional 3% increase to personnel and general expenditures in FY2023	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Net Run Rate w/ Federal Funds - Lost Revenue	\$ 21,111,139	\$ (7,173,149)	\$ (18,852,141)	\$ (14,766,079)	\$ (29,691,664)	\$ (23,522,126)
Ending Fund Balance	\$ 82,396,615	\$ 75,496,659	\$ 56,144,519	\$ 40,878,440	\$ 10,686,776	\$ (13,335,350)
Weeks of Operating Expenses	7.2	6.1	4.2	2.9	0.6	(1.0)
Scenario B-5 Upside						
Hit 103% of target for nonresident and international enrollment in FY2023-FY2027	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Net Run Rate w/ Federal Funds - Lost Revenue	\$ 21,111,139	\$ 11,908,337	\$ 4,168,518	\$ 11,765,097	\$ 213,434	\$ 7,505,235
Ending Fund Balance	\$ 82,396,615	\$ 94,578,145	\$ 98,246,662	\$ 109,511,760	\$ 109,225,194	\$ 116,230,429
Weeks of Operating Expenses	7.2	8.0	7.8	8.2	7.8	8.1

**Long Term Scenarios
Set C of Scenarios**

Set C: Tuition increases for new cohorts of first year students: 2.5% for nonresidents and 4.5% for residents

Key Assumptions

1. Increasing staffing levels to build back from current pandemic lows
2. Supplies and Services resetting to inflation adjusted pre-pandemic levels, with increases for property/casualty insurance
3. Limited PERS increase in FY2024 and full PERS increase in FY2026
4. No additional cost cutting measures assumed (e.g. skipping strategic investment process, budget cuts, etc.)

Note: in some of these scenarios, as indicated by financial projections, further cost cutting measures will be necessary

Scenario C-1 (BASE CASE)						
Hit enrollment targets, state funding unchanged	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Net Run Rate w/ Federal Funds - Lost Revenue	\$ 21,111,139	\$ 8,697,198	\$ (1,940,679)	\$ 2,916,603	\$ (10,959,082)	\$ (4,331,943)
Ending Fund Balance	\$ 82,396,615	\$ 91,367,007	\$ 88,926,328	\$ 91,342,931	\$ 79,883,849	\$ 75,051,906
Weeks of Operating Expenses	7.2	7.7	7.0	6.8	5.6	5.2
Scenario C-2 Downside						
Hit 95% of target for nonresident and international enrollment in FY2023-FY2027	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Net Run Rate w/ Federal Funds - Lost Revenue	\$ 21,111,139	\$ 3,482,755	\$ (11,778,056)	\$ (11,207,285)	\$ (28,690,594)	\$ (22,989,793)
Ending Fund Balance	\$ 82,396,615	\$ 86,152,563	\$ 73,874,507	\$ 62,167,221	\$ 32,976,627	\$ 9,486,834
Weeks of Operating Expenses	7.2	7.2	5.8	4.6	2.2	0.6
Scenario C-3 Downside						
State funding falls 20% in FY2024, +4% annual increase thereafter	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Net Run Rate w/ Federal Funds - Lost Revenue	\$ 21,111,139	\$ 8,697,198	\$ (23,359,483)	\$ (18,502,201)	\$ (32,377,887)	\$ (25,750,748)
Ending Fund Balance	\$ 82,396,615	\$ 91,367,007	\$ 67,507,523	\$ 48,505,322	\$ 15,627,435	\$ (10,623,312)
Weeks of Operating Expenses	7.2	7.7	5.2	3.5	1.0	(0.9)
Scenario C-4 Downside						
Additional 3% increase to personnel and general expenditures in FY2023	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Net Run Rate w/ Federal Funds - Lost Revenue	\$ 21,111,139	\$ (7,240,359)	\$ (19,013,794)	\$ (15,051,036)	\$ (30,080,361)	\$ (23,970,792)
Ending Fund Balance	\$ 82,396,615	\$ 75,429,449	\$ 55,915,655	\$ 40,364,619	\$ 9,784,259	\$ (14,686,533)
Weeks of Operating Expenses	7.2	6.1	4.2	2.8	0.5	(1.1)
Scenario C-5 Upside						
Hit 103% of target for nonresident and international enrollment in FY2023-FY2027	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Net Run Rate w/ Federal Funds - Lost Revenue	\$ 21,111,139	\$ 11,825,865	\$ 3,961,748	\$ 11,390,936	\$ (320,175)	\$ 6,862,767
Ending Fund Balance	\$ 82,396,615	\$ 94,495,673	\$ 97,957,421	\$ 108,848,357	\$ 108,028,182	\$ 114,390,949
Weeks of Operating Expenses	7.2	7.9	7.7	8.2	7.7	7.9