

To: Board of Trustees
From: Jamie Moffitt, Vice President for Finance & Administration and CFO
Re: E&G Fund Long Term Projections
Date: December 1st, 2020

Enclosed are the E&G Fund long term projections that we will be discussing at the Board meeting later this 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. Each set of scenarios includes three standard cases: (1) a base case, (2) an upside scenario and (3) a downside scenario.

The main variables that change between the cases are FY2022 assumptions around (1) first year enrollment, and (2) state appropriation as follows:

- **Base Case**
First Year Enrollment: fall 2021 returns to pre-COVID targets
State Appropriation: cut by \$3 million per year in FY2022
- **Downside Case**
First Year Enrollment: fall 2021 is a repeat of fall 2020 lower enrollment levels
State Appropriation: cut by \$5 million per year in FY2022
- **Upside Case**
First Year Enrollment: fall 2021 returns to pre-COVID targets and we enroll extra students who deferred enrollment in fall 2020
State Appropriation: increases by \$2.5 million per year in FY2022

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

- Annual E&G Fund Run Rate
- 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 yet include any new cost cutting measures. The purpose of the projections is to better understand the range of budget challenges that we might be facing in the coming years. Obviously, 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 – Base Case.

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 for All Scenarios

1. FY2023- FY2025: Hit Enrollment Targets
2. FY2023 - FY2025: Slow Steady Growth in State Appropriation (around 3.2% per year)
3. FY2024: Large PERS Cost Increase
4. Assumes future compensation increases consistent with pre-COVID historical experience
5. No additional cost cutting measures assumed (e.g. early retirement savings, skipping strategic investment process, vacancies beyond FY21, budget cuts, etc.)
6. Does not include any implementation of Progressive Pay Reduction (PPR) Plan

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

BASE CASE - E&G Fund Projections

FY22: Hit Enrollment Targets, State Appropriation down \$3 million per year	FY21	FY22	FY23	FY24	FY25
Annual Run Rate	\$ (3,369,010)	\$ (13,754,798)	\$ (4,886,718)	\$ (6,697,966)	\$ 7,474,946
End of Year Fund Balance	\$ 51,031,650	\$ 37,276,852	\$ 32,390,134	\$ 25,692,168	\$ 33,167,114
Weeks of Operating Expense	4.9	3.4	2.8	2.1	2.7

DOWNSIDE CASE - E&G Fund Projections

FY22: COVID Repeat; State Funding down \$5 million; 1/2 year COVID S&S Savings	FY21	FY22	FY23	FY24	FY25
Annual Run Rate	\$ (3,369,010)	\$ (26,102,108)	\$ (23,518,870)	\$ (22,827,765)	\$ (5,726,090)
End of Year Fund Balance	\$ 51,031,650	\$ 24,929,542	\$ 1,410,673	\$ (21,417,092)	\$ (27,143,182)
Weeks of Operating Expense	4.9	2.3	0.1	-1.8	-2.2

UPSIDE CASE - E&G Fund Projections

FY22: Hit Enrollment Targets plus extra Fall 2020 deferrals; State Funding up \$2.5 million	FY21	FY22	FY23	FY24	FY25
Annual Run Rate	\$ (3,369,010)	\$ (3,199,730)	\$ 4,841,944	\$ 2,440,673	\$ 15,968,190
End of Year Fund Balance	\$ 51,031,650	\$ 47,831,920	\$ 52,673,864	\$ 55,114,537	\$ 71,082,727
Weeks of Operating Expense	4.9	4.3	4.6	4.6	5.7

**Long Term Scenarios
Set B of Scenarios**

Set B: Tuition increases for new cohorts of first year students: 3.0% for Nonresidents and 3.0% for resident

Key Assumptions for All Scenarios

1. FY2023- FY2025: Hit Enrollment Targets
2. FY2023 - FY2025: Slow Steady Growth in State Appropriation (around 3.2% per year)
3. FY2024: Large PERS Cost Increase
4. Assumes future compensation increases consistent with pre-COVID historical experience
5. No additional cost cutting measures assumed (e.g. early retirement savings, skipping strategic investment process, vacancies beyond FY21, budget cuts, etc.)
6. Does not include any implementation of Progressive Pay Reduction (PPR) Plan

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

BASE CASE - E&G Fund Projections

FY22: Hit Enrollment Targets, State Appropriation down \$3 million per year

	FY21	FY22	FY23	FY24	FY25
Annual Run Rate	\$ (3,369,010)	\$ (14,190,566)	\$ (6,208,555)	\$ (9,320,675)	\$ 3,166,823
End of Year Fund Balance	\$ 51,031,650	\$ 36,841,084	\$ 30,632,529	\$ 21,311,854	\$ 24,478,677
Weeks of Operating Expense	4.9	3.3	2.7	1.8	2.0

DOWNSIDE CASE - E&G Fund Projections

FY22: COVID Repeat; State Funding down \$5 million; 1/2 year COVID S&S Savings

	FY21	FY22	FY23	FY24	FY25
Annual Run Rate	\$ (3,369,010)	\$ (26,507,554)	\$ (24,812,177)	\$ (25,424,223)	\$ (10,011,842)
End of Year Fund Balance	\$ 51,031,650	\$ 24,524,096	\$ (288,080)	\$ (25,712,303)	\$ (35,724,145)
Weeks of Operating Expense	4.9	2.3	0.0	-2.1	-2.9

UPSIDE CASE - E&G Fund Projections

FY22: Hit Enrollment Targets plus extra Fall 2020 deferrals; State Funding up \$2.5 million

	FY21	FY22	FY23	FY24	FY25
Annual Run Rate	\$ (3,369,010)	\$ (3,635,499)	\$ 3,520,108	\$ (182,036)	\$ 11,660,067
End of Year Fund Balance	\$ 51,031,650	\$ 47,396,152	\$ 50,916,259	\$ 50,734,223	\$ 62,394,290
Weeks of Operating Expense	4.9	4.3	4.5	4.2	5.0

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 for All Scenarios

1. FY2023- FY2025: Hit Enrollment Targets
2. FY2023 - FY2025: Slow Steady Growth in State Appropriation (around 3.2% per year)
3. FY2024: Large PERS Cost Increase
4. Assumes future compensation increases consistent with pre-COVID historical experience
5. No additional cost cutting measures assumed (e.g. early retirement savings, skipping strategic investment process, vacancies beyond FY21, budget cuts, etc.)
6. Does not include any implementation of Progressive Pay Reduction (PPR) Plan

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

BASE CASE - E&G Fund Projections

FY22: Hit Enrollment Targets, State Appropriation down \$3 million per year

	FY21	FY22	FY23	FY24	FY25
Annual Run Rate	\$ (3,369,010)	\$ (14,197,960)	\$ (6,238,211)	\$ (9,388,411)	\$ 3,045,882
End of Year Fund Balance	\$ 51,031,650	\$ 36,833,690	\$ 30,595,480	\$ 21,207,069	\$ 24,252,951
Weeks of Operating Expense	4.9	3.3	2.7	1.8	1.9

DOWNSIDE CASE - E&G Fund Projections

FY22: COVID Repeat; State Funding down \$5 million; 1/2 year COVID S&S Savings

	FY21	FY22	FY23	FY24	FY25
Annual Run Rate	\$ (3,369,010)	\$ (26,461,605)	\$ (24,799,272)	\$ (25,458,497)	\$ (10,108,346)
End of Year Fund Balance	\$ 51,031,650	\$ 24,570,045	\$ (229,226)	\$ (25,687,723)	\$ (35,796,069)
Weeks of Operating Expense	4.9	2.3	0.0	-2.1	-2.9

UPSIDE CASE - E&G Fund Projections

FY22: Hit Enrollment Targets plus extra Fall 2020 deferrals; State Funding up \$2.5 million

	FY21	FY22	FY23	FY24	FY25
Annual Run Rate	\$ (3,369,010)	\$ (3,667,546)	\$ 3,469,810	\$ (267,550)	\$ 11,524,480
End of Year Fund Balance	\$ 51,031,650	\$ 47,364,104	\$ 50,833,914	\$ 50,566,363	\$ 62,090,844
Weeks of Operating Expense	4.9	4.3	4.4	4.2	5.0

**SAMPLE MODEL WITH BASELINE ASSUMPTIONS
FOR ILLUSTRATIVE PURPOSES ONLY - Scenario A-1
\$ in thousands**

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
INPUTS (in blue)						
Increase in State Appropriation		2,837	(3,000)	2,551	2,627	2,706
Strategic Investment Fund		600	600	2,000	2,000	2,000
Resident Tuition Increase - New Cohort		9.75%	4.5%	4.5%	4.5%	4.5%
Nonresident Tuition Increase - New Cohort		7.5%	3.0%	3.0%	3.0%	3.0%
General Fund Undergraduate Remissions*		52,961	60,608	67,346	72,778	80,078
Undergraduate Discount Rate (General Fund Remissions)*		14.8%	15.8%	16.3%	16.6%	16.9%
Original Targets - Incoming Freshmen Class						
Resident	1,880	1,880	1,880	1,880	1,880	1,880
Non-Resident	2,270	2,270	2,320	2,495	2,595	2,670
International (in addition to exchange students)	300	300	300	300	300	300
Total	4,450	4,450	4,500	4,675	4,775	4,850
Percent Achievement of Target						
Resident	116.3%	107.8%	118.5%	118.5%	118.5%	118.5%
Non-Resident	102.0%	85.9%	100.0%	100.0%	100.0%	100.0%
International	58.5%	0.7%	60.0%	70.0%	70.0%	70.0%
Net Fall Incoming Freshman Class						
Resident	2,186	2,027	2,228	2,228	2,228	2,228
Non-Resident	2,314	1,951	2,320	2,495	2,595	2,670
Regular International	176	2	180	210	210	210
Extra International (Exchange)	79	79	79	79	79	79
Total	4,755	4,059	4,807	5,012	5,112	5,187
OUTPUTS (in yellow)						
E&G Fund Projections						
Beginning Fund Balance	63,822	54,401	51,032	37,277	32,390	25,692
Net (includes cap ex and accounting adjustments)	(9,421)	(3,369)	(13,755)	(4,887)	(6,698)	7,475
Ending Fund Balance	54,401	51,032	37,277	32,390	25,692	33,167
Operating Expenses per week	10,635	10,395	11,021	11,438	12,031	12,479
Fund Balance - Weeks of Operating Expenses	5.1	4.9	3.4	2.8	2.1	2.7

*Remission figures include general fund remissions only. They do not include foundation funded scholarships.

Sample E&G Fund Projections
FOR ILLUSTRATIVE PURPOSES ONLY - Scenario A-1

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
REVENUE						
Undergraduate Tuition	\$ 360,177,651	\$ 358,802,595	\$ 384,729,028	\$ 413,332,808	\$ 438,654,296	\$ 474,155,608
Graduate Tuition	\$ 75,928,714	\$ 81,766,637	\$ 84,993,463	\$ 88,307,992	\$ 91,760,051	\$ 95,355,594
Summer Session	\$ 19,540,321	\$ 22,493,916	\$ 19,736,744	\$ 21,041,568	\$ 22,472,361	\$ 23,758,671
Student Fees, Remissions & Other	\$ (31,262,571)	\$ (49,119,578)	\$ (51,854,183)	\$ (58,591,790)	\$ (64,023,939)	\$ (71,324,070)
<i>Total Tuition & Fees</i>	<i>\$ 424,384,114</i>	<i>\$ 413,943,569</i>	<i>\$ 437,605,052</i>	<i>\$ 464,090,578</i>	<i>\$ 488,862,769</i>	<i>\$ 521,945,803</i>
State Appropriations	\$ 79,520,551	\$ 82,357,582	\$ 79,357,582	\$ 81,908,193	\$ 84,535,321	\$ 87,241,264
Gifts, Grants, and Contractds	\$ 136,496	\$ 136,496	\$ 136,496	\$ 136,496	\$ 136,496	\$ 136,496
ICC Revenue	\$ 25,087,226	\$ 26,300,000	\$ 27,615,000	\$ 28,995,750	\$ 30,445,538	\$ 31,967,814
Interest & Investment	\$ 7,124,366	\$ 7,600,000	\$ 7,752,000	\$ 7,907,040	\$ 8,065,181	\$ 8,226,484
Other Revenues	\$ 8,596,683	\$ 6,850,000	\$ 6,850,000	\$ 6,850,000	\$ 6,850,000	\$ 6,850,000
Total Revenue	\$ 544,849,436	\$ 537,187,647	\$ 559,316,130	\$ 589,888,057	\$ 618,895,305	\$ 656,367,862
EXPENSES						
Personnel	\$ 446,866,769	\$ 445,150,130	\$ 454,569,234	\$ 471,143,997	\$ 496,895,464	\$ 514,853,120
S&S	\$ 90,010,996	\$ 77,427,497	\$ 95,819,938	\$ 98,439,407	\$ 101,143,125	\$ 103,934,239
Student Aid	\$ 5,431,884	\$ 4,971,509	\$ 6,627,278	\$ 7,008,769	\$ 7,180,750	\$ 7,475,214
Capital Outlay	\$ 3,721,532	\$ 5,000,000	\$ 5,125,000	\$ 5,253,125	\$ 5,384,453	\$ 5,519,064
Net Transfers	\$ 7,007,520	\$ 8,007,520	\$ 10,929,478	\$ 10,929,478	\$ 10,929,478	\$ 10,929,478
Cumulative Undistributed Strategic Investment	\$ -	\$ -	\$ -	\$ 2,000,000	\$ 4,060,000	\$ 6,181,800
Total Expenses	\$ 553,038,701	\$ 540,556,657	\$ 573,070,928	\$ 594,774,775	\$ 625,593,271	\$ 648,892,917
NET	\$ (8,189,265)	\$ (3,369,010)	\$ (13,754,798)	\$ (4,886,718)	\$ (6,697,966)	\$ 7,474,946
Beginning Fund Balance	\$ 63,821,674	\$ 54,400,660	\$ 51,031,650	\$ 37,276,852	\$ 32,390,134	\$ 25,692,168
Net Income	\$ (8,189,265)	\$ (3,369,010)	\$ (13,754,798)	\$ (4,886,718)	\$ (6,697,966)	\$ 7,474,946
Accounting Adjustments	\$ (1,231,749)	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Fund Balance	\$ 54,400,660	\$ 51,031,650	\$ 37,276,852	\$ 32,390,134	\$ 25,692,168	\$ 33,167,114