
Administrative Affairs Town Hall

A Budget Discussion from Projections to Strategies

FEBRUARY 2, 2021



Objectives

Many questions have been expressed across campus that this presentation plans to discuss and explain.

- Explain how budgeting and financial management has changed at the University
- Discuss why after budget reductions entering FY21 we are still focused on budget reductions
- Explain how the need for reductions are translated into strategies
- Discuss what this means for the future

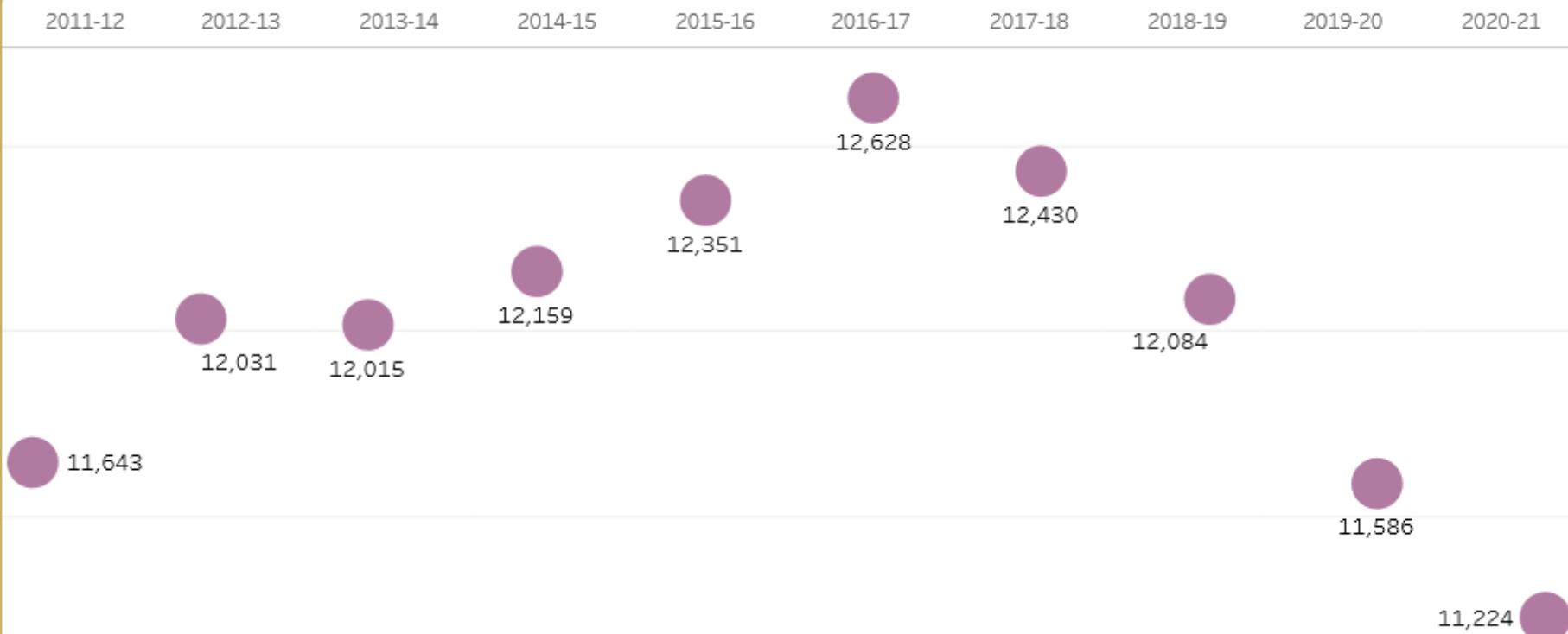
Budget and Financial Management Change

Several factors has caused a need for change.

- Declining enrollment
- Declining reserve balances
- Prior reliance on central spending
- Tuition freeze

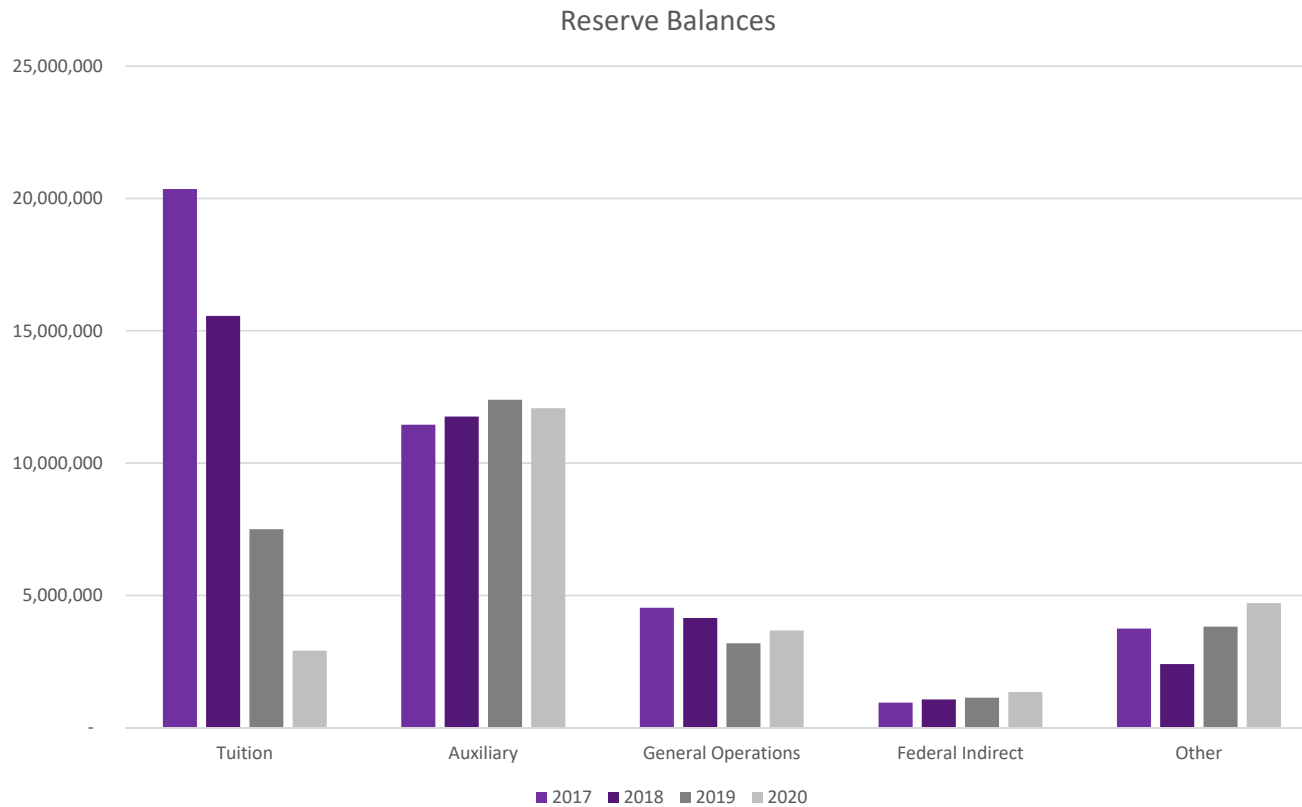
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Population: Fall Term Student Headcount for All Students



Numbers do not include the Rock County campus.

Several factors has caused a need for change.



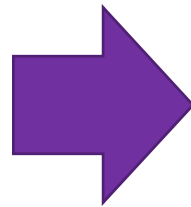
The first step to addressing the changes involved setting guiding principles.

- ❑ UW-Whitewater will prioritize student well-being and success as a deciding factor when making budgetary decisions.
- ❑ UW-Whitewater will monitor the impact of the budgetary decisions on our financial viability in order to build a vibrant future.
- ❑ UW-Whitewater will make strategic budget decisions that are structural reductions, innovative solutions, and revenue-generating opportunities to eliminate budget shortfalls currently and permanently, while maintaining the academic integrity of the institution.
- ❑ UW-Whitewater will engage governance associations in making budgetary recommendations and decisions.
- ❑ UW-Whitewater will be transparent and provide supporting documents that are used to make budgetary decisions.
- ❑ UW-Whitewater will maintain public and stakeholder confidence through frequent and transparent communications in a variety of modalities.

Using those guiding principles, budget and financial management are adapting.

Old Approach

- Review results annually
- Approve central spend in isolation
- Limited focus on revenues
- Limited focus on enrollment projections
- Incremental budgeting
- Manage to budget for most areas

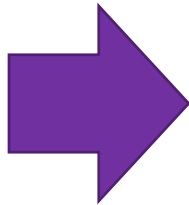
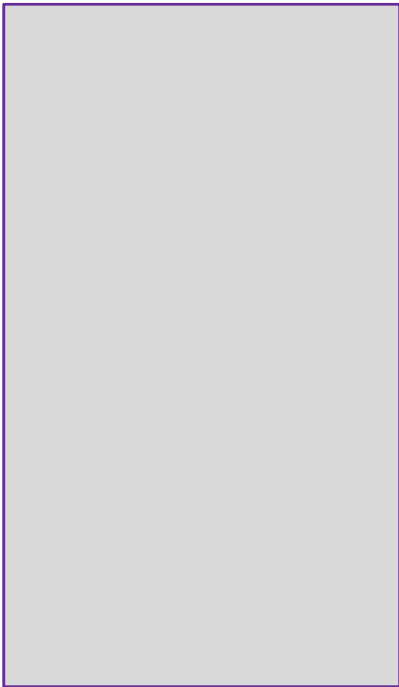


New Approach

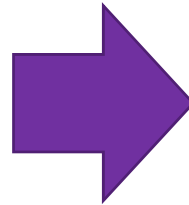
- Review results quarterly
- Review all unbudgeted as a group
- Department involvement in revenues
- Projecting enrollment and other revenue multiple times during year
- Identify larger changes in budget
- Manage to lower of budget and revenue

And we are not done with the changes

Old Approach



New Approach



Future Approach

- Standard monthly financial reports
- Enhanced enrollment projections
- Continued refinement of the 5-year financial plan (and perhaps extending to a 10-year plan)
- Increased visibility to revenues
- Increased connection with the next strategic plan

Continued Budget Focus

We made the adjustments needed for FY21

	Revenues	Expenses	Net
Tuition Funds	119,711,889	117,522,863	2,189,026
Auxiliary Funds	43,614,293	41,168,119	2,446,174
Operational Funds	25,077,742	25,010,241	67,501
Initial Total	188,403,923	183,701,223	4,702,700
Unbudgeted Items			(5,470,705)
Total			<u>(768,005)</u>

COVID dramatically impacted the plans

	FY20	FY21*	Total
Net Revenue Losses	7,500,827	7,515,648	15,016,475
Lost Revenue - State Lapses	2,240,000	2,080,500	4,320,500
Added Expenditures	583,505	2,886,823	3,470,328
Total Losses	10,324,332	12,482,971	22,807,303
HEERF - CARES Institutional			4,084,877
HEIFA			1,638,661
State Testing (estimate)			1,111,000
Total Support			6,834,538

* Some losses are through only Fall 2020

We managed the situation extremely well.

- ❑ **Strategy One:** Worked diligently to reopen safely and effectively. This investment and focus avoided \$8-10M of losses.
- ❑ **Strategy Two:** Created intense tracking for all expenses. This yielded more than \$2.7M in expense reimbursements.
- ❑ **Strategy Three:** Identified losses to properly take actions. This resulted in \$5.4M of savings and approximately \$5.0M in furlough and travel/train reductions to address our situation.

This represents approximately \$22.1M of proactive decisions.

We navigated our situation using our evolving strategic financial approach.

- ❑ **Financial Projections.** The projections were being run throughout the summer and into the fall semester. Visibility of losses and need for reductions was determine in mid to late September.
- ❑ **Proactive Approach.** We did not inherently rely on unknown federal funding for our mounting losses. Instead we addressed them up front. This will yield results for our budget roadmap.

Projections Transform to Strategies

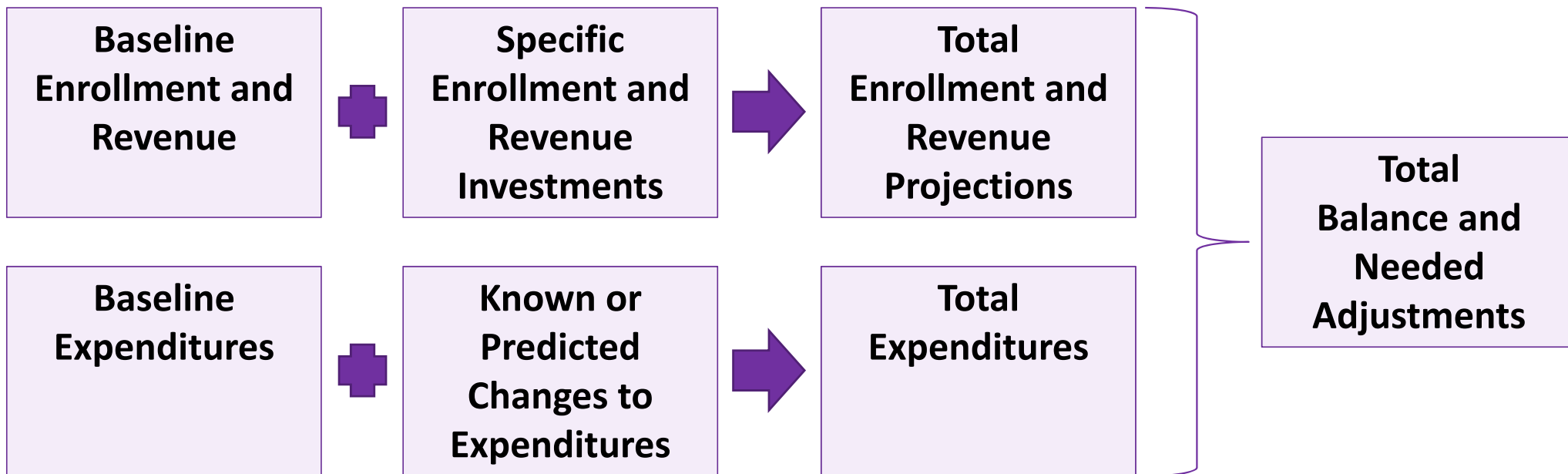
What really are projections?

Projections try to provide a reasonable prediction of the future.

- Utilize past trends
- Utilize information from knowledgeable people
- Utilize external data
- Utilize influence of specific strategies
- Utilize known changes

It is important to note projections provide a guidance in a particular direction and should not be consider an absolute number.

Projections follow a certain order.



Projections require assumptions.

- ❑ **COVID is New Baseline.** COVID enrollment and housing/dining participation rates are the new baseline. This lowers future expected revenue by \$10-12M
- ❑ **Service Based Pricing.** Service based pricing programs will contribute to central tuition revenue estimate, but some of the net revenues will remain within the programs that generate them. This impacts us by approximately \$2-3M.
- ❑ **Unbudgeted Items Will End.** The new budget will absorb any remaining unbudgeted items. This has an impact of \$4-5M.

A projected gap requires strategies that will resolve the gap.

- Brainstorm Ideas.** SPBC, Cabinet, BOC, Division/Department Leaders, Faculty and Staff and Students.
- Research.** Other institutions and studies.
- Data Observations.** Revenues lower than expenses. Declining participation.

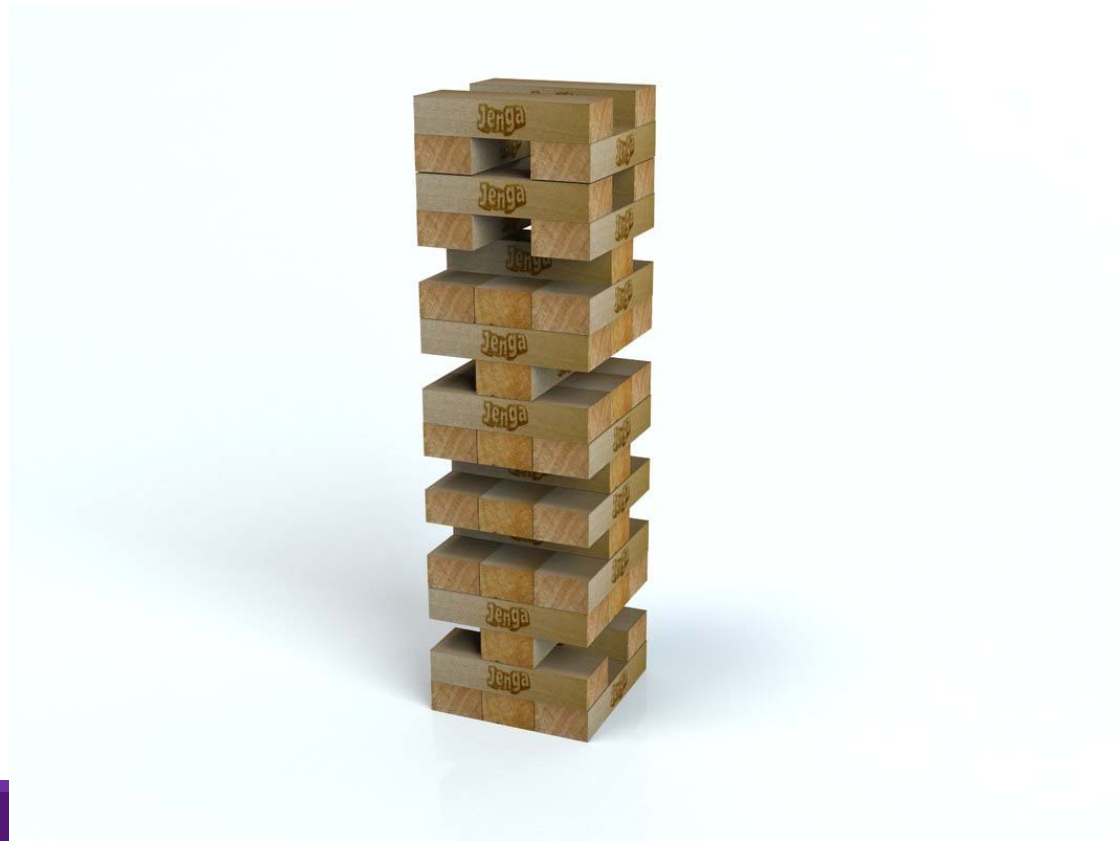
Each strategy needs to be sized reasonably though they are still estimates.

- Comparative.** % of budget the item represents.
- Estimated Reduction.** Reduction based on other information or a relatively small reduction.
- Targets.** Set as a goal that may not have a basis other than a desire.

Strategies need to evolve from short-term to long term.



Our initial strategies are short term in the jenga analogy.



The final goal is a restructure that promotes strength and sustainability.



Methods to Accomplish

- Program Optimization
- University Services Review
- Process Improvement
- Other Restructures

Future Financial Management

We continue to work toward a balanced plan.

	Amount	
	FY2020-2021	FY2021-2022
Total Amount of Savings	5,103,290	7,876,292
Estimated Budget Deficit	(5,400,000)	(17,300,000)
Remaining Savings to Identify	(296,710)	(9,423,708)

NOTE: Numbers based on proposals approved through January 26.

This is a journey toward a strong future.



Questions and Answers
