

2026-03-25 Meeting notes:

- **Net Tuition Revenue Projections and Assumptions:** Paul led the discussion on updated net tuition revenue projections for the upcoming fiscal year, explaining the methodology, key assumptions, and the impact of enrollment changes.
 - **Projection Methodology:** Paul described the process for updating net tuition revenue projections, which involved analyzing current enrollment data, subtracting expected graduations, adding anticipated new students, and adjusting for non-persisting students. The methodology was refined from previous years by proactively forecasting changes in student composition rather than assuming a static student body.
 - **Enrollment and Tuition Rate Changes:** The team projected an increase of approximately 212 tuition-paying students, primarily attributed to a rise in WUE students, who receive a discounted rate. Paul noted that while the number of students is increasing, the higher proportion of discounted-rate students limits the overall revenue growth.
 - **Discount Rate Adjustments:** Paul explained that the discount rate, which reflects waivers and scholarships, has been increasing over time. For the upcoming year, the discount rate was adjusted upward by about one percentage point in major categories to better reflect recent trends.
 - **Revenue and Expense Gap:** Despite the projected \$2.7 million increase in net tuition revenue, Paul highlighted that this gain is offset by cost escalations, including a pay plan and other anticipated expenses, resulting in a continued budget shortfall that must be addressed.
 - **Impact of Fee Structures:** Trish inquired about the tuition increase for both resident and non-resident students, and Paul clarified that a flat dollar amount per credit hour was applied to all students, resulting in a higher percentage increase for residents due to their lower tuition base.
- **Budget Shortfall and Cost Escalation Challenges:** Paul and the group discussed the ongoing budget shortfall, the inability of increased enrollment to fully offset the deficit, and the anticipated cost escalations for the next fiscal year, emphasizing the need for reductions and strategic financial planning.
 - **Shortfall Persistence:** Paul stated that even with positive enrollment trends, the projected revenue increase is insufficient to cover the existing shortfall and upcoming cost escalations, such as the pay plan and other mandatory expenses.

- **Cost Drivers:** Key cost drivers identified include the implementation of a pay plan (2.5% or \$1/hour increases), health insurance, and other present law adjustments, which collectively add several million dollars to the expense base.
- **Potential Commissioner Support:** Paul mentioned the possibility of additional support from the commissioner's office, though the extent and certainty of such funding remain unclear.
- **Strategic Planning for Reductions:** The group acknowledged the necessity of making reductions and reallocations to address the gap, with Paul emphasizing the importance of making decisions that minimize harm while enabling future investments.
- **Allocation and Reduction Recommendations and Decisions:** Paul presented the committee's recommendations for budget reductions and allocations, reviewed the prioritization of areas for cuts, and explained how senior leadership translated these recommendations into actual budget actions.
 - **Committee Recommendations:** The committee's top recommendations for reductions targeted athletics and research, with lower priority placed on cutting core student services and enrollment functions. Suggestions included shifting costs to alternate funding sources, reducing administrative expenses, and consolidating staff roles.
 - **Leadership Decision Process:** Paul explained that senior leadership reviewed the committee's recommendations, focusing on prioritization rather than specific dollar amounts, and made final decisions based on the potential impact and feasibility of reductions.
 - **Actual Reductions Implemented:** Implemented reductions included cuts to athletics, research, and administrative areas, with the largest percentage reduction occurring in student or community relations. Some reductions involved shifting costs to non-general funds or slowing loan repayments to mitigate the immediate impact.
 - **Tracking and Future Adjustments:** Paul noted that specific reductions must be tracked and reported to the budget office, as these decisions may be revisited in future years if financial conditions improve.
- **Use of Non-General Funds and Sustainability Concerns:** Participants, including Paul and others, discussed the increasing reliance on non-general funds (such as foundation

accounts) to cover recurring costs, raising concerns about the long-term sustainability of this practice.

- **Shifting Costs to Other Funds:** Paul and others described how many areas have moved costs from the general fund to designated or foundation accounts, which provides short-term relief but may not be sustainable if those funds are not recurring or growing.
- **Recognition and Tracking:** The group acknowledged the need to recognize and track the extent of cost shifting, as it can lead to future financial challenges if non-recurring funds are depleted.
- **Sustainability Limitations:** Paul emphasized that while using foundation or other non-general funds can be helpful, it is not a viable long-term solution if those resources are not replenished, and the university must eventually align spending with recurring revenue.
- **Fee Structures and Opportunities for Revenue Generation:** Paul and the group explored the constraints and opportunities related to mandatory and non-mandatory fees, discussing the potential for incremental increases and the limitations imposed by external authorities.
 - **Mandatory Fee Constraints:** Paul explained that there is a strict cap (typically 3%) on increases to mandatory fees, as imposed by the commissioner's office, which limits the university's ability to generate additional revenue through this channel.
 - **Non-Mandatory Fee Flexibility:** There is generally less scrutiny on non-mandatory fees, providing some opportunity for incremental revenue generation, though there has been reluctance to make large increases to long-standing fees.
 - **Review and Input Process:** Paul encouraged participants to review fee schedules in their areas, assess the necessity of existing fees, and provide feedback on potential adjustments.
- **Debt Obligations and General Fund Usage:** Paul addressed questions about the university's debt obligations, clarifying that most debt is not serviced by the general fund and explaining the circumstances under which the general fund may be used for debt payments.

- **Debt Service Practices:** Paul clarified that virtually none of the university's debt is paid from the general fund, with most obligations covered by other sources such as housing revenues.
 - **Special Assessments and Exceptions:** In rare cases, such as city-imposed special assessments, the general fund may be used to cover debt payments, but these are typically managed by refinancing with bond funds when possible.
- **Financial Aid, Scholarships, and Tuition Waivers:** Paul responded to questions about the impact of scholarship swaps and the accounting of waivers versus foundation-funded scholarships in tuition discount calculations.
 - **Scholarship Swaps:** Paul explained that when foundation-funded scholarships are used in place of tuition waivers, it results in real revenue for the university, even though the student experiences the same net cost.
 - **Discount Rate Calculation:** The tuition discount rate in the budget calculations only accounts for waivers, not foundation-funded scholarships, which are tracked separately.
- **Budget Estimation Methodology Improvements:** Paul described enhancements to the budget estimation process, including more proactive forecasting of student body composition and the use of new data sources for improved accuracy.
 - **Methodological Changes:** The estimation process now incorporates current enrollment data, anticipated graduations, and expected new students, rather than assuming a static student body, resulting in more accurate revenue projections.
 - **Continuous Refinement:** Paul noted that methodology has evolved each year, with the current approach considered the most robust to date due to the availability of more detailed student data.