

Budget 1010: Budget Trends

Budget Planning Council

October 9, 2023

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This presentation is intended to provide a high-level overview of the major trends in the Athens budget for members of Budget Planning Council and other stakeholders with an interest in learning more about the budget.

Budget Trends and History

Overview of Most Influential Trends Affecting the Budget

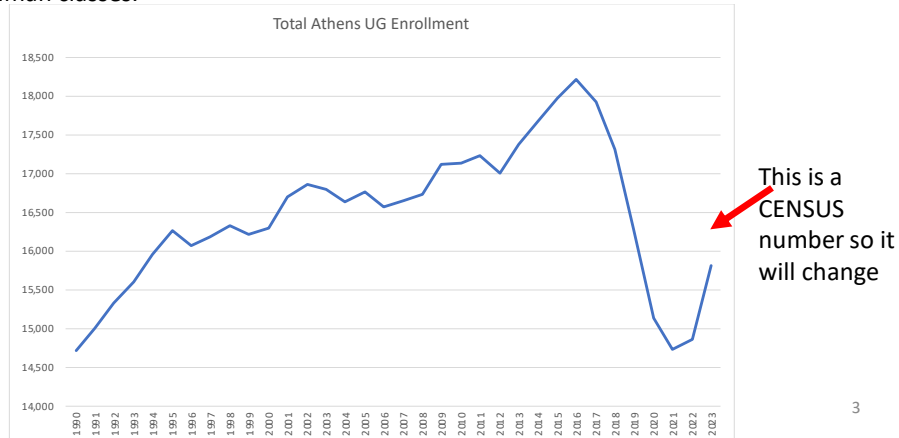
- Enrollment
 - Incoming Freshmen
 - Total Enrollment
 - Graduate Enrollment
 - Online Undergraduate Enrollment
- Tuition Trends – Net of Scholarships
- Subsidy Trends
- Expense Trends
 - Salaries
 - Benefits
 - Debt

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Now that there is a basic understanding of the major components of the budget, this second session will focus on the trends impacting those components primarily on the Athens budget. This is an overview of the areas where trends will be discussed.

Enrollment Challenges

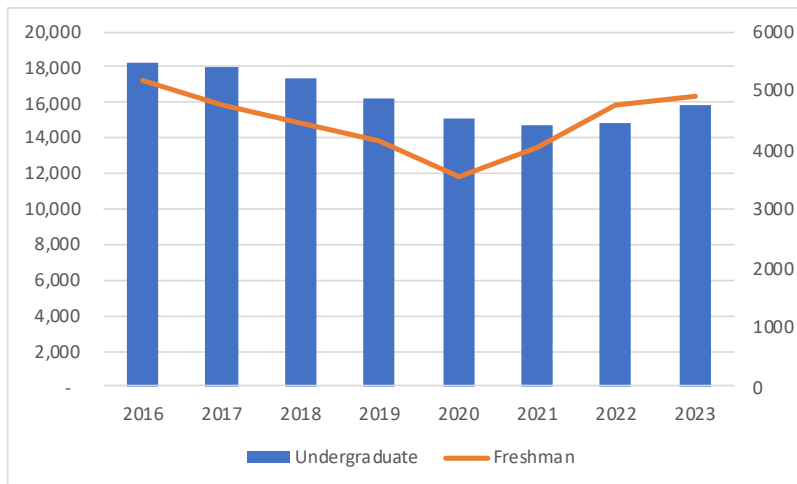
- Undergraduate enrollment drives nearly everything.
- Relatively steady increase for 26 years from 14,711 in 1990 to a high point of 18,209 in 2016 for Athens undergraduate enrollment which is 24% growth.
- Dramatic change after 2016 with several consecutive years of decline in total enrollments back to where we were 30 years ago.
- Recent improvement in the last two years has started to reverse the decline which needs to continue to replace the current small junior and senior classes with larger freshman classes.



To accentuate the change, this graph starts the Y axis at 14,000. Here we can see that the enrollment level through 2021 had dropped to below where we were 30 years ago. Recent improvements in the freshmen class have started to reverse this decline. Need to continue this so we can replace the current small junior and senior classes with larger freshman classes.

Enrollment Challenges

Total Enrollment vs. Freshman



Incoming class size is only one component – total enrollment has been declining because we are replacing larger senior classes with smaller freshmen classes and more students are graduating in 4 and even 3 years rather than staying around longer probably because of the financial incentive with the Guarantee and general affordability issues. The recent increase in freshmen will take several years to impact the budget assuming that level is sustained. Improvements in retention will also help.

2023 is Census

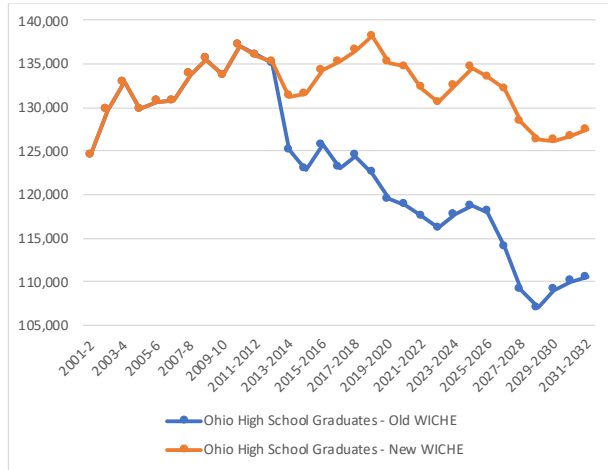
In addition to declines in the size of the entering freshman class, overall enrollment is down even more for several reasons. First, we have graduated the large incoming class from 2017 so we are replacing large senior classes with smaller freshmen classes. In addition, the Ohio Tuition Guarantee was designed to create an incentive for students to graduate in four years. Overall pressure on affordability is also driving students to graduate in four and even three years rather than staying on for a fifth or sixth year. Continued declines in the incoming class will create a ripple effect and similarly recent gains in the incoming class will take several years to fully impact overall enrollment assuming they can be sustained. There is some recent indication of improved retention which will also help.

Factors Related to Challenges

State of Ohio Demographics: WICHE Projections - www.knocking.wiche.edu

Since the vast majority of our incoming freshmen come from Ohio high schools, changes in the number of high school graduates and relocation patterns could present challenges to our recruiting.

You can see how volatile these data can be so this is a rough future outlook but it indicates that growing enrollment in the future may be difficult.



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One pressure on the size of the incoming freshman class is that the overall pool of high school graduates in the state has been declining. The WICHE data set is updated every four years and you can see the difference between the 2016 and 2020 projections. In not only include birth rate but also migration changes so many factors influence these projections and as can be seen here, the projection will change. Since most of our students come from within the state this has a potentially large effect on our future enrollments. Note that the demographic decline in the state started around 2013 but our enrollments did not start dropping until 2017.

Factors Related to Challenges

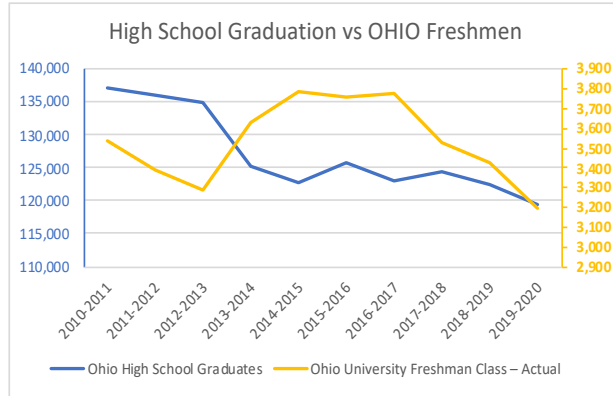
State of Ohio Demographics

Through 2016, we had been able to avoid an impact from this trend by basically increasing our share of this smaller total pool by taking enrollments away from other universities in the state.

After 2016 we were not able to maintain that share.

Competitors have ramped up their recruiting efforts and scholarship offers causing students to shift to other Ohio schools as our reputation declined.

This trend is a leading indicator. Changes to the budget are based on actual enrollment trends.



Budget reductions did not start to occur until after 2017 when actual enrollment started to decline and create revenue shortfalls. Even then, reductions are lagged and buffered with reserves to allow for actions and investments to potentially make up for shortfalls.

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As just noted, while the number of high school graduates started dropping around 2013, our enrollments continued to go up through 2016. This means that we were successfully countering this trend by increasing our share of students from this shrinking pool – basically attracting more students away from other universities in the state. After 2016, we have lost this advantage and dropped our share back down to and below prior levels. Note that this trend is monitored to give an early warning of potential future revenue issues. Budgets are projected on actual enrollment changes which may or may not follow this trend.

Factors Related to Challenges

Market Share

Perhaps more important than the simple trend in high school graduates, the percentage of students going to college could increase to offset the difference.

HS Class of	2015	2016	2017	2018	2019	2020	2021	2022
Entering Class Fiscal Year	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
OHIO Academic Year	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
WICHE Ohio High School Graduates	131,560	134,302	135,197	136,502	138,136	135,160	134,700	132,230
Number of First-Time College Students at a USO College or University	48,533	47,050	50,874	51,075	49,911	45,269	45,115	
% of WICHE projection attending College or University	36.9%	35.0%	37.6%	37.4%	36.1%	33.5%	33.5%	
% Entering Students Enrolling in a Public University or Regional Campus	75.0%	74.0%	77.0%	77.0%	75.6%	75.0%	75.7%	
Graduates Attending University	36,400	34,817	39,173	39,328	37,733	33,952	34,152	
OSU Enrollment In-state	4,917	4,885	5,314	5,002	5,162	6,113	5,773	
% Grads Attending Univ Attending OSU	13.5%	14.4%	13.8%	13.6%	14.5%	18.0%	16.9%	
UC Enrollment	4,394	5,011	5,400	5,329	5,480	5,242	5,414	
OSU + UC Enrollment	9,311	9,896	10,714	10,331	10,642	11,355	11,187	
Non-OSU/UC Graduates Attending University	27,089	24,921	28,459	28,997	27,091	22,597	22,965	
OHIO Freshman Class—Actual (Model)	3,756	3,774	3,529	3,427	3,199	2,682	3,055	3,908
OHIO Share of Total Graduates	2.9%	2.8%	2.6%	2.5%	2.3%	2.0%	2.3%	
OHIO Share Graduates attending Univ	10.3%	10.8%	9.0%	8.7%	8.5%	7.9%	8.9%	
OHIO Share non-OSU/UC grads in univ (Row 21)	13.9%	15.1%	12.4%	11.8%	11.8%	11.9%	13.3%	

From 2010 to 2016, our share of Ohio high school graduates attending a university rose from 9.2% to 10.8% but then dropped four consecutive years with the biggest drop during the pandemic to a low of 7.9%. The actions of OSU and UC, in particular, can have a large effect on our pool since they are our top competitors for students.

This particular view of the market uses the state remediation report that ODHE is no longer maintaining so this view of market share will not be available in the future

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This shows you additional detail about our share of Ohio High School graduates. In terms of our actual freshman enrollment, we had previously attracted about 9.2% of the students attending a university. Through 2016 we increased that share up to nearly 11% over a five-year period. More recently this gain has been lost and we have declined to below our previous share. There are a number of potential reasons that may be related to this including increased competition in terms of marketing and scholarship offers. Some of our recent marketing studies have shown that our reputation is declining. In addition, when you compare prices, our guarantee rate is now second highest in the state. As other universities have implemented guarantees they have not rolled course fees up into their tuition which makes their price look lower and requires us to make complex arguments that families are not seeing comparable prices and need to add fees to the other university prices to get a comparable number. The recent uptick in the size of the freshman class will result in an increase in our market share so the previous assumption of steady growth in our share will have to be reevaluated.

This particular view of the market uses the state remediation report that ODHE is no longer maintaining so this view of market share will not be available in the future

Athens UG Net Tuition (All Sources)



	FY17	FY18	FY19	FY20	FY21	FY22	FY23 Forecast	FY24 Budget
Budgeted Enrollment	18,209	17,925	17,312	16,272	14,925	14,505	14,684	15,255
Net Tuition	\$ 186.9	\$ 182.8	\$ 176.0	\$ 162.1	\$ 139.2	\$ 132.4	\$ 132.8	\$ 129.2
Financial Aid	\$ 54.7	\$ 53.8	\$ 56.5	\$ 58.7	\$ 65.3	\$ 70.3	\$ 81.0	\$ 92.5
Financial Aid % of Gross Tuition	22.6%	22.7%	24.3%	26.6%	31.9%	34.7%	37.9%	41.7%
Non-Guarantee Tuition Rate Increase	0.0%	0.0%	0.0%	2.0%	0.0%	1.8%	2.0%	0.0%
Guarantee Tuition Rate Increase	1.7%	1.3%	1.3%	3.5%	0.0%	1.8%	4.0%	0.0%

Our net tuition is declining as our enrollment has been declining, but in addition, we are having to spend more in scholarships to attract students which further decreases the net tuition available for the budget as our scholarship investment increases. Part of our enrollment decline is likely a result of our competitors investing more in scholarships than we were when we were growing.

To quantify the impact of the enrollment decline, this slide shows the effect on various tuition metrics.

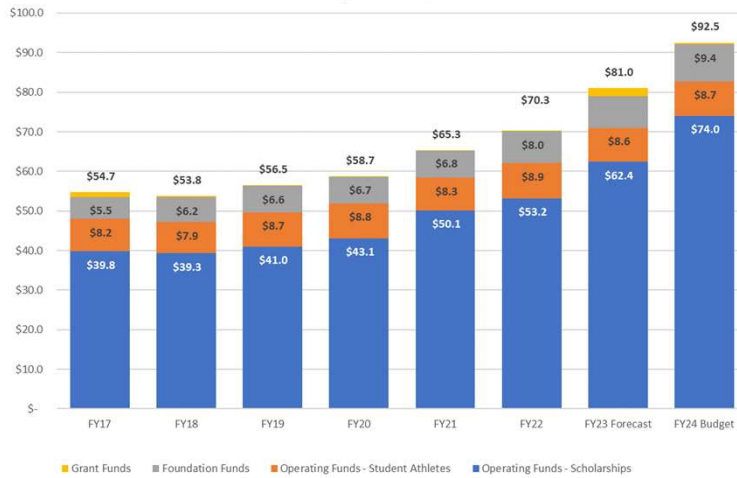
In addition to the assumed enrollment in the first line, the amount spent in financial aid is shown (represented by the orange bar) since the tuition we charge is reduced by this amount to produce the net tuition that is available to fund the budget. Note that the assumption is that even with lower enrollments, we are going to have to offer more financial aid just to yield those students.

The second row is the net tuition available in the budget – blue bar. Since our peak enrollment in FY17, the projection is that we will have lost \$57.7M in net tuition across the period shown.

Note that the last row shows tuition increases and increases in the guaranteed tuition rate have been relatively suppressed with some recent increases. The FY24 budget was created with a 0% assumption but ultimately we were able to increase by 3% after the legislature passed the new biennial budget.

Athens UG Financial Aid

(in millions)



Here is the recent trend in financial aid. The reality is that competition for students is only increasing and financial aid is critical for maintaining enrollments. Some of the recent increase results from larger enrollment and rate increases. It is very difficult to ever decrease the amount of aid given the actions of competitors so one strategy is to try to find other sources like Foundation Funds to supplement the operating budget investment.

Funding from gifts/endowment distributions and grants help support scholarships but some of the investment from the operating budget continues to increase both as our tuition rate increases and our enrollment. In addition, we have to increase our investments to compete with what other universities are doing.

Graduate Enrollments

Prior to 2006, the vast majority of graduate enrollments were in traditional on-campus graduate programs with a relatively stable level since 1990 but have seen some decline recently as budgets have become challenged.

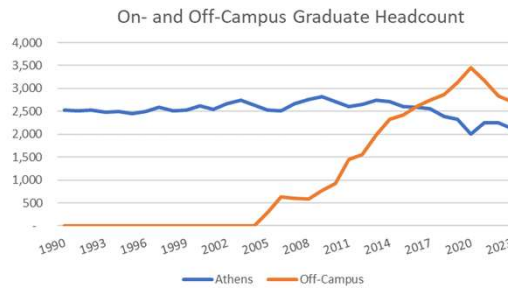
Starting in 2005, some colleges created off-campus professional graduate programs.

The positive revenue impact of this growth helps the budget but is not comparable to the revenue decline of Athens undergraduate enrollments.

Predominately part-time, so the headcount here is not comparable to UG headcount.

Involve Online Program Management partners for quick launch and marketing – with up to 50% revenue share.

Increased competition and poorer performance by Pearson has led to a recent decrease.



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While we have been experiencing declines in undergraduate enrollments, many colleges have been working to diversify their revenues by adding off-campus graduate programs. As can be seen in this chart, traditional on-campus graduate programs have been relatively flat with some recent declines. Around 2005, some colleges launched off-campus programs and those have steadily grown. The additional revenue from these programs, however, is not large enough to offset the loss in undergraduate revenues because these programs are typically part-time so the revenue per student is not comparable, these programs typically involve external partners like Pearson that provide marketing and student support in exchange for a large percentage of the revenue. Recently, Pearson has been unable to deliver enrollments as competition increased and their performance has declined. Last year we stopped using Pearson and switched to Wiley but it is yet to be seen if this can turn around the decline.

Revenues added in this area also have added expenses to colleges to handle these programs and these revenues have added some revenue to the overall budget but are not of the same magnitude as the loss of revenue that is resulting from the decline in our core undergraduate enrollments.

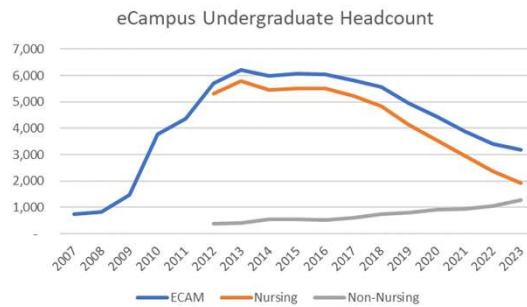
Online Undergraduate Enrollments

Since 2007, some colleges have created online undergraduate offerings through eCampus. These are mostly bachelor completion programs with the largest by far being the RN-to-BSN program with close to 6,000 students at its peak.

As with off-campus graduate programs, these are predominately part-time.

The RN-to-BSN started in the Ohio market and brought in both tuition and SSI.

More recently the demand backlog in Ohio has been satisfied and the program has had to go out of state and at a price that is half that of Athens tuition with minimal non-resident fee since the market is price competitive.



The overall recent decline is primarily in one Nursing program with all the non-nursing programs actually growing, but much more modestly.

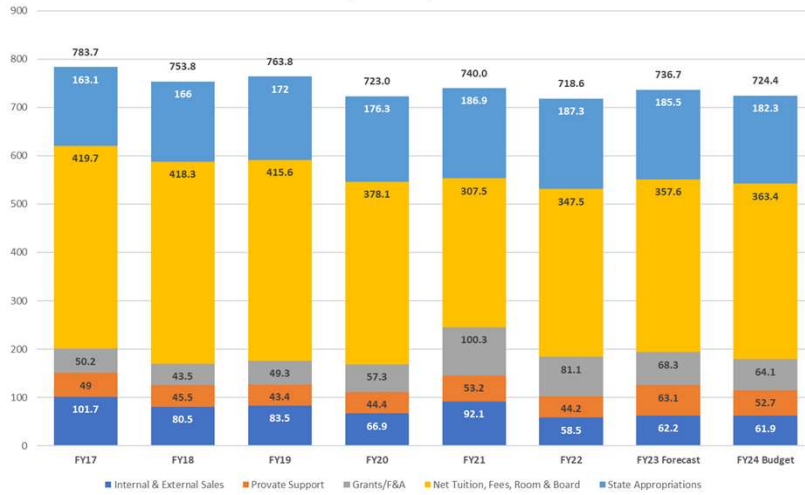
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Similar to expanding off-campus graduate programs, colleges have also been expanding online undergraduate programs through OHIO Online. These are predominantly bachelor completion programs designed for students that already have an associate degree. The vast majority of these enrollments have been in the RN-to-BSN program that was created when the nursing profession increased its entry requirements to a bachelor's degree. This created a large backlog of need in Ohio and our program was an early offering, so our enrollments surged to close to 6,000 students in a short time. This program has peaked and declined now that the backlog has been addressed and competing programs have sprung up. To compensate for this decline, the program has moved to other states but this will at best slow the decline as these markets are more competitive and many other programs have started.

While we were serving Ohio students, this program was generating both tuition and subsidy. As it moves to other states, the subsidy will be lost. In addition, to compete with other programs, the tuition for this program is half that of a normal undergraduate student. We have made an investment in broadening our portfolio of online completion programs (e.g. Business) but these programs are growing much more slowly. Also, as with off-campus graduate programs, the revenue added by these programs is offset by some added expenses and is not of the same magnitude as the revenue lost in the core undergraduate program.

FY17-24 Multi-Year Revenue Trends

(in millions)



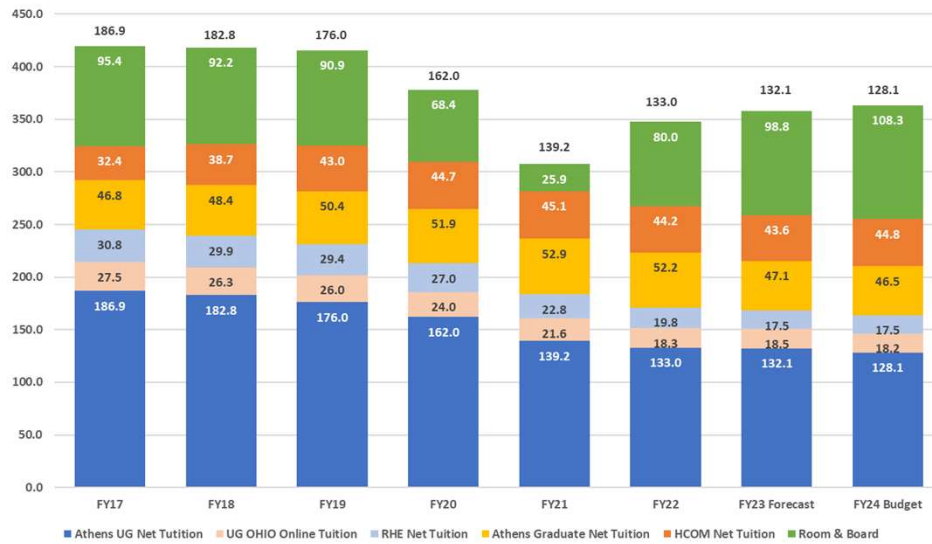
Note: FY20-22 Grants/F&A subtotal contains COVID-associated support funding

Most of our revenue sources are constrained or declining. Subsidy is still increasing but this is related to the lag in funding as will be illustrated in a subsequent slide. You can see the effect of COVID on the yellow bar in FY21. The increase in the Grants that year are the inflow of federal COVID funds, We have recovered some but are still nearly \$60M below our peak in FY17.

Our revenue sources have declined nearly \$60M since 2017 and are not projected to significantly recover in the future. Subsidy is increasing but this funding is related to the enrollment peak in 2018 given the lag in the subsidy formula as will be described in a subsequent slide. You can see the effect of COVID on Tuition, Fees, Room & Board in FY21. The increase in Grants that year are the federal funds for COVID which are counted as a grant since their use was restricted.

FY17-24 & Multi-Year Tuition and Fee Trends

(in millions)

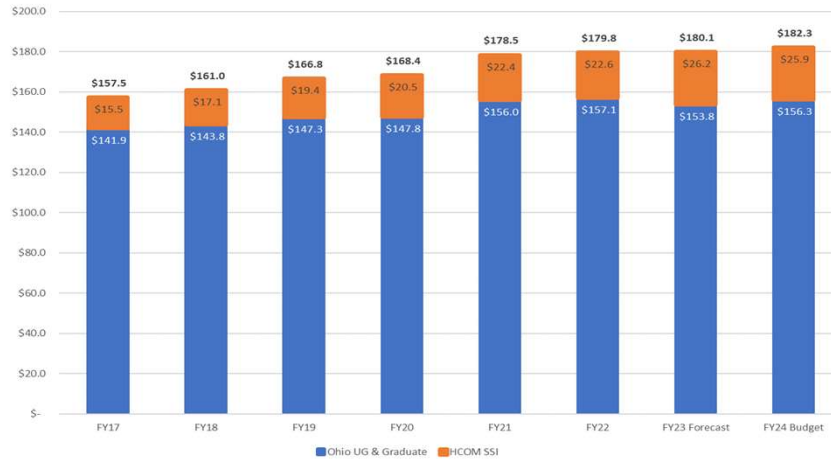


Here you can see the major decrease in Room & Board during COVID in FY21. Net tuition also declined and will come back some if our incoming classes remain strong and we replace small senior classes with larger freshman classes but there is no expected return to where we were at our peak.

This graph shows the current projection of the various types of tuition revenues. Apart from the increasing revenue for the medical college from their additional locations in Dublin and Cleveland, and some modest increase in graduate program revenue, all other revenue streams are projected to decline. The pandemic resulted in sharp declines in undergraduate tuition and revenue from room and board. These areas are projected to bounce back in the future as well as recovery in undergraduate tuition based on recent improvements in freshman enrollments.

Subsidy Trends

(in millions)



OHIIO % Share	FY17	FY18	FY19	FY20	FY21	FY22	FY23 Forecast	FY24 Budget
	10.3%	10.6%	10.9%	11.3%	11.4%	11.4%	11.1%	10.8%

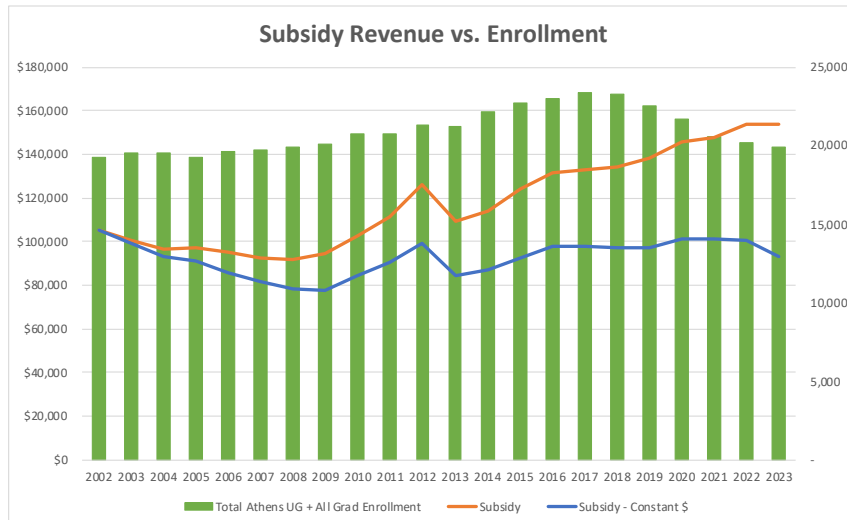
Since SSI is based on three-year averages and degree subsidy is awarded at the time of degree, we are still seeing an increase in total subsidy related to the peak enrollment in 2018 – recent enrollment declines will have negative effects on subsidy going forward.

At the bottom you can see our share of students from Ohio increasing and peaking in 2022 and starting to come back down with our enrollment declines.

The other major revenue stream associated with enrollment is subsidy. More than half our subsidy is awarded at the time of the degree. This means that changes in subsidy tend to lag changes in enrollment. This lag can be seen here where our subsidy has been going up through this past year as we have received degree funding for the large senior classes in the build up of enrollment through 2018. As these larger senior classes are being replaced with smaller freshmen classes, we will likely see a decline playing out into the future. This may be offset partially if the state keeps adding to SSI as they have done in a modest way in recent years but if other universities do better than us, we could continue to lose share. So, this delay has helped buffer the recent decline, but it also means that if we can continue our enrollment increases, we won't see the increase in subsidy for seven years.

SSI Trends

The amount of revenue we have received in SSI has increased, but this was driven by increases in our enrollment, which also adds costs. You can see this if you look at our SSI trend in relation to our enrollment. As our enrollment declined, SSI is still going up but this is related to lag in SSI funding. In addition, if you put the SSI in constant \$ but using inflation, you can see that we actually have less SSI to use support our costs.



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To further illustrate the pressures on the budget, consider that our annual cost inflation is higher than the national inflation rates represented in the consumer price index (CPI). Higher education cost inflation follows the Higher Education Price Index (HEPI) which runs higher than CPI. This means that in order to handle increasing costs, universities need more revenue every year. We have been able to achieve this primarily through enrollment growth and partly through tuition rate increases – but now with enrollment declines, the ability to grow revenues is challenged.

Historically, universities received a large portion of their support from the state but for decades state support has been declining nationally. Our subsidy revenue is tracked here against enrollments. The orange line shows the total SSI dollars received. The spike in 2010 is where federal stimulus funds were used by the governor to temporarily add to subsidy when 0% tuition caps were applied but those were one-time funds that then went away. In general, the increases in subsidy over time are related to our increases in enrollment. The SSI is still going up slightly even as our enrollments have decline which again illustrates the lag in that system.

While the dollars received have been going up, so has inflation so in terms of the actual power of those dollars to cover rising costs, the blue line adjusts the amount for COI inflation, which is really an underestimate of our cost inflation. With this line, you can see that our support from subsidy has actually declined. Without the enrollment increases, the rate of decline would be even greater.

SSI and Tuition Trends

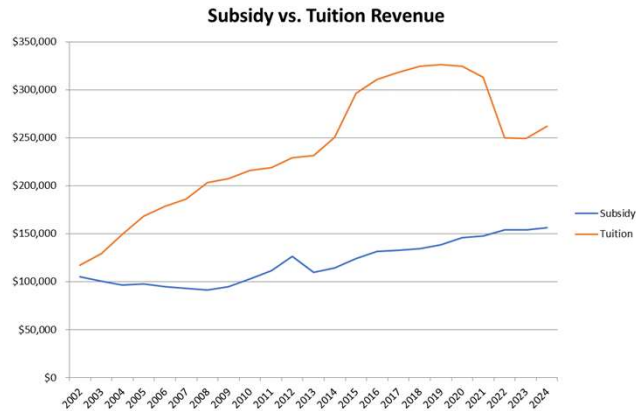
Here you can see how the main source of revenue to cover our costs has been tuition. But remember that these revenue lines are going up both for rate increases but also from increases in enrollment.

The jump in tuition revenue starting 2014 is the OHIO Guarantee which combined previously separate fee revenue (course, tech, etc.) into tuition so the total revenue available in the budget did not jump like this.

Recent enrollment declines have had a major impact on tuition while SSI still lags and will eventually start to decline.

No option to increase tuition with 0% tuition caps for four years FY07- FY10 and FY16 - FY19.

2001 to 2004 tuition grew in a mirror image to the decline in SSI.



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The decline in state support has historically led to increasing tuition rates to make up for that loss. This has shifted the burden of paying for college from the state to families and resulted in rising concerns about affordability. So, at the same time subsidy is constrained, legislatures have responded to the affordability issue by capping tuition. Ohio has capped tuition to 0% for eight of the last 20 years.

When you hit the recession in 2008, tuition revenue becomes flat when the state instituted a 0% tuition cap for four years. The spike in SSI was the governor providing one-time stimulus funds to offset 0% caps but this immediately went back down. So, in the middle of this period, we have had to basically absorb any expense increases by becoming more efficient.

In 2014, tuition increases with the implementation of the guarantee but remember that when a student enters the guarantee, their tuition rate will not go up, so this initial increase is followed by flat revenue. In addition, our implementation of the guarantee rolled course and technology fees into tuition so much of the increase in 2014 is from this addition which was previously separate in the budget.

Recent enrollment declines have had a major impact on tuition revenues while the decline in SSI will lag given the way the formula works.

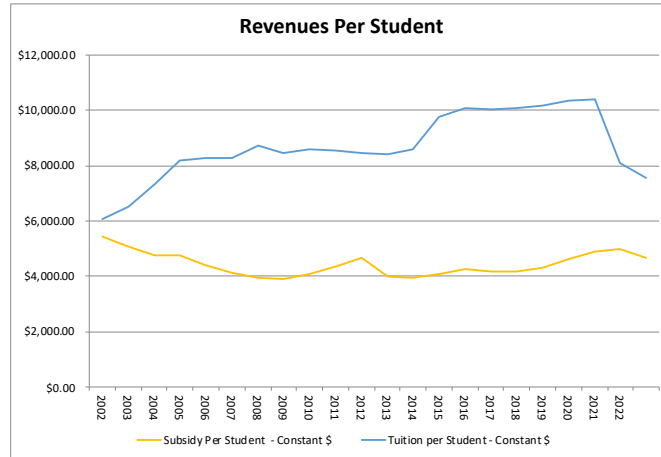
Revenues per Student

Here is a per student view of the same data that eliminates the fluctuations in enrollment and takes inflation into account.

The tuition line shows how tuition had to grow in the beginning to adjust to dropping SSI but then tuition caps eliminated that growth.

SSI was getting slightly better recently but both tuition and SSI are being challenged by higher inflation.

Basically this shows that revenues are constrained while expenses continue to grow as we will see next.



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Here is a per student view of the same data that eliminates the fluctuations in enrollment and takes inflation into account.

The tuition line shows how tuition had to grow in the beginning to adjust to dropping SSI but then tuition caps eliminated that growth and cost inflation eats away at the revenue increase.

The recent drop in this line is a result of applying recent high inflation.

SSI was getting slightly better recently but the net tuition revenue is constrained until total enrollment rebounds assuming we can maintain our growth in the freshman class .

Basically this shows that revenue are constrained while expenses continue to grow.

Overall Expense Trends

Multi-Year Expense Trends – includes HCOM, RHE and Auxiliaries
(in millions)

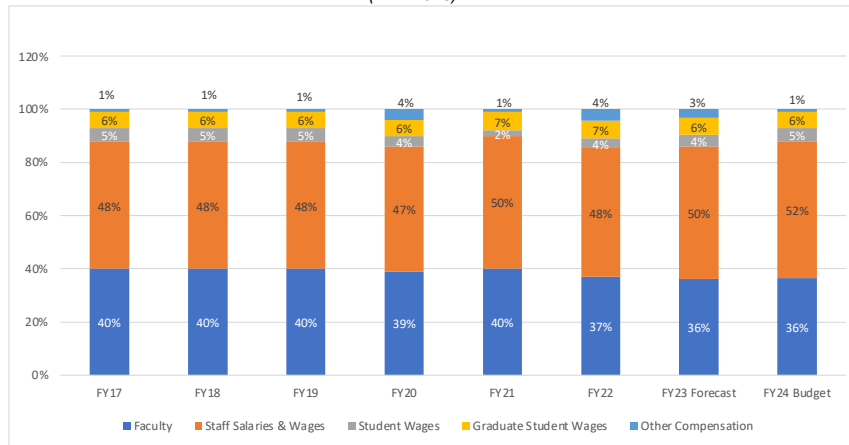


Notes: (1) FY20 Internal P&I includes HCOM's advance principal repayment in the amount of \$14.2M; (2) FY21 COVID-19 expenses offset with one-time CARES Act funding.

While revenues are constrained, expenses will continue to increase. Budget reductions since 2017 decreased expenses through F22 with the FY21 expenses inflated with spending COVID funds that were added to the budget. Future expense inflation is showing up after that as we come out of COVID and things like travel pick back up.

Expense Trends – Salaries & Wages

Includes HCOM, RHE and Auxiliaries
(in millions)



Other Compensation includes OTO VSRP & ERIP expenses including:
FY19 \$0.5M; FY20 \$10.4M; FY21 \$2.6M; FY22 \$5.4M.
Additionally, FY22 contains \$6.9M of OTO bonus payouts and \$7.5M in FY23.

Since our operation relies on heavily on personnel, inflation in salaries and wages is a constant pressure on the budget. Voluntary separation plans and COVID effects have created some recent reductions but these will be offset in the future as the need for raise pools increases.

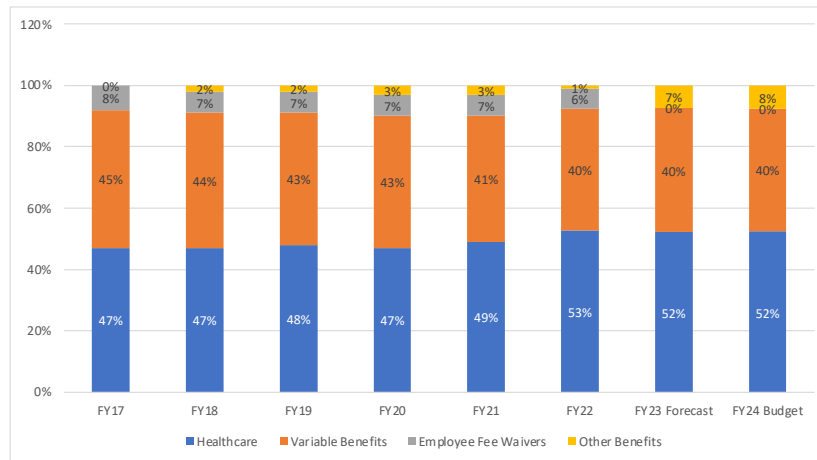
While stagnant revenues create a challenge for balancing the budget, cost inflation continues to add to the imbalance in areas that are not easily controlled. This means that to balance the budget, we now need to cut the budget in order to make room for inflating areas.

The largest area of expense in the budget is compensation since our residential campus requires large numbers of people. Over time the proportion of compensation for faculty has been about 40% but this has dropped with the implementation of recent VSRPs. The percentage for non-faculty (union and administrative) staff has gone from 48% to 52% of total salaries.

The budget for compensation had been going up with enrollment through 2017. As enrollment has declined in recent years the amount spent on compensation started to level off and has gone down slightly in response to the revenue loss.

Expense Trends – Benefits

Includes HCOM, RHE and Auxiliaries
(in millions)

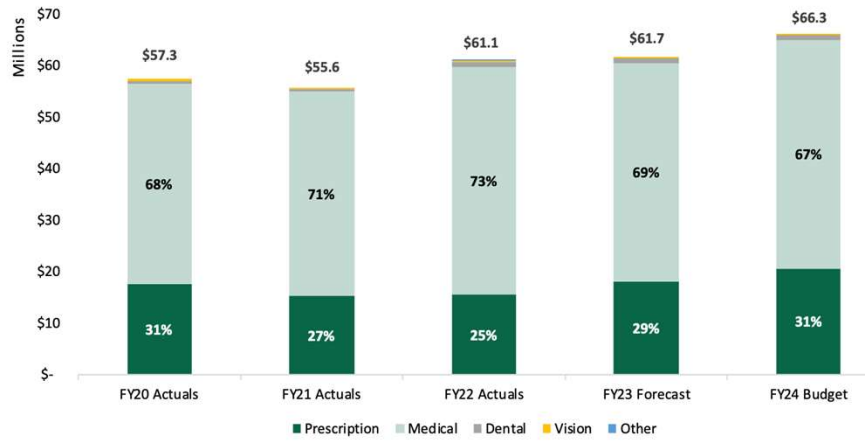


Variable Benefits (retirement, worker’s compensation, etc.) go up automatically with compensation. You can see this declining as we have reduced personnel. Other Benefits include things like unemployment. Healthcare is becoming a larger percentage of the benefits total.

Along with salaries, the trend with benefits is also inflationary. Healthcare cost inflation is a national trend and the amount spent on benefits as not only increased but it is also becoming a larger component of our budget now over 50% of our total spending on benefits.

Expense Trends – Healthcare

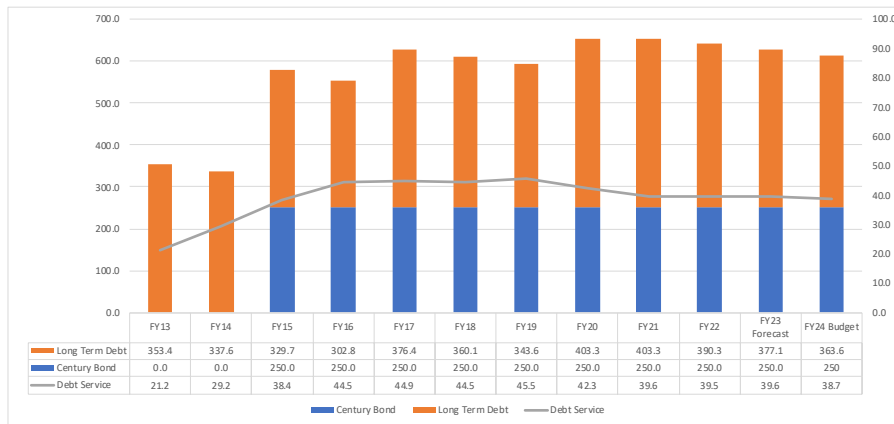
Includes HCOM, RHE and Auxiliaries
(in millions)



Here you can see that the pressure on the healthcare budget varies. Costs were down during COVID but then coming out of COVID they jump back up as everyone goes back to the doctor. The spike in FY22 was driven by a few very large claims.

Expense Trends: External Debt Service

*Includes HCOM, RHE and Auxiliaries
(in millions)*



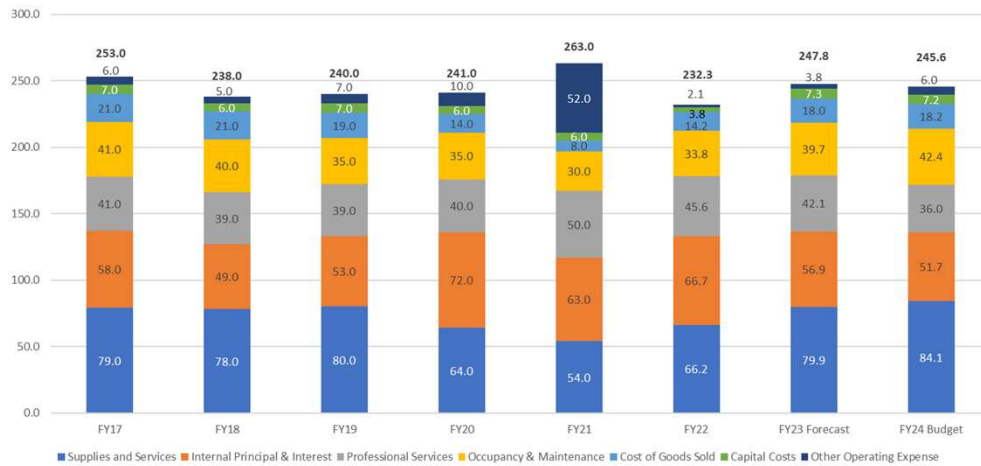
As noted earlier, the University has had to take on more debt to deal with deferred maintenance needs that the state capital funding is insufficient to handle. This means that we need more room in the budget for these costs which will consequently put pressure on other things in the budget.

One of the major non-compensation expenses that are increasing has been discussed before – debt service to pay for our need to address our deferred maintenance issues. Both our long-term debt associated with building projects as well as the implementation of the Century Bond to address deferred maintenance, which requires \$1.3M to be added to the budget every year for 10 years and we have now reached the tenth year of that schedule.

Non-Personnel Expenses

Includes HCOM, RHE and Auxiliaries

(in millions)



Professional services and principal & interest are the two fastest growing categories of non-personnel expenses. Professional Services is the vendor share of revenues for off-campus graduate revenue so these expenses offset a large amount of that revenue.

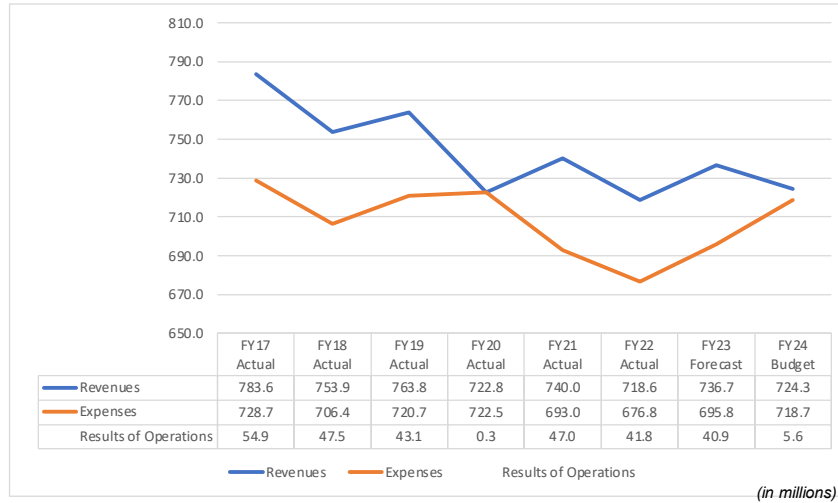
FY21 Other = COVID funds

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In addition to the increase in debt service (here shown as Internal Principal & Interest) the other category with the largest increase is professional services, which is where revenue sharing payments to vendors for off-campus graduate program marketing and student support show up.

Based on the accounting treatment used to spend down COVID-relief funds, the Other Operating Expense line includes \$4.2M in FY20 and \$45.5M in FY21 of paired Internal Charge (IC) expenses associated with COVID funds. The offsetting paired IC revenue appears as Internal Sales.

Results of Operations



When you subtract the total revenues from the total expenses you get the Results of Operations, which is basically the balance between revenues and expenses. Normally the revenues should be greater than expenses with the difference being used for capital expenditures, particularly in auxiliaries. You can see how revenues dipped during COVID. Expenses also came down which helped when revenues were down. As we come back out of COVID, revenues have been relatively flat while expenses have come back up. Constraints on future revenues will require containment of expenses.

Summary

Financial stability is a major issue with higher education in general. There have been decades of declining state investment and public questioning of the value of a college degree in the face of resulting increases in tuition. This has led to a constant and increasing struggle to balance revenues and expenses.

Revenues are constrained

- Enrollment growth is challenged by fewer students opting for a high-cost residential experience. Every 100 additional students yields about \$1M and will increase costs.
- Revenues from other areas like off-campus graduate and online programs helps but the magnitude of these revenues does not match the loss in the on-campus undergraduate program.
- The ability to increase tuition is capped by the legislature. Increases that are allowed are limited to only the incoming students under tuition guarantees – the 3% increase this year yields \$1.3M.
- Higher Education funding is not high on the list of state fund investment given increases in spending on things like Medicare and prisons.

Expenses keep rising

- Our budget is heavily compensation based: 1% raise adds \$3.5M to the budget.
- Healthcare is taking an increasingly larger part of the budget.
- We have to invest more in financial aid just to keep our enrollment flat let alone increase.
- We have to take out debt to maintain buildings since the state does not provide enough to keep up with deferred maintenance.

All of these expense pressures with insufficient revenue to offset them make our only option to become more efficient.