

**To:** Board of Trustees  
**From:** Jamie Moffitt, Vice President for Finance & Administration and CFO  
**Re:** E&G Fund Long Term Projections  
**Date:** September 16<sup>th</sup>, 2021

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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. 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) initial first year enrollment, and (2) disenrollment of students due to COVID requirements as follows:

- **Base Case**  
Total Projected Fall 2021 First Year Students: 4,578  
First Year Enrollment: fall 2021 returns to pre-COVID targets (4,728 first year students)  
Disenrollment of Students due to COVID requirements: 150 students
  
- **Downside Case**  
Total Projected Fall 2021 First Year Students: 4,243  
First Year Enrollment: fall 2021 returns to fall 2019 enrollment levels (4,543 first year students)  
Disenrollment of Students due to COVID requirements: 300 students
  
- **Upside Case**  
Total Projected Fall 2021 First Year Students: 4,853  
First Year Enrollment: fall 2021 returns to pre-COVID targets and we enroll 175 extra students who deferred enrollment in fall 2020 (4,903 first year students)  
Disenrollment of Students due to COVID requirements: 50 students

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

- Annual E&G Fund NET
- 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 A1 – 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- FY2026: Hit Enrollment Targets
2. FY2023 - FY2026: Slow Steady Growth in State Appropriation (around 3% 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., skipping strategic investment process, budget cuts, etc.)
6. Projections include one-time HEERF Federal Funds for COVID Costs and Lost Revenue

**Note:** *in some 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, 150 Students disenroll due to COVID**

	FY21	FY22	FY23	FY24	FY25	FY26
Annual NET	\$ 4,842,134	\$ 206,756	\$ 2,681,515	\$ 2,379,009	\$ 6,094,611	\$ 15,486,424
End of Year Fund Balance	\$ 59,243,134	\$ 59,449,891	\$ 62,131,406	\$ 64,510,415	\$ 70,605,026	\$ 86,091,450
Weeks of Operating Expense	5.8	5.5	5.4	5.3	5.6	6.6

**DOWNSIDE CASE - E&G Fund Projections**

**FY22: Fall enrollment mirrors Fall 2019; 300 Students disenroll due to COVID**

	FY21	FY22	FY23	FY24	FY25	FY26
Annual NET	\$ 4,842,134	\$ (6,143,633)	\$ (4,747,053)	\$ (6,402,426)	\$ 1,373,522	\$ 14,536,884
End of Year Fund Balance	\$ 59,243,134	\$ 53,099,501	\$ 48,352,448	\$ 41,950,023	\$ 43,323,545	\$ 57,860,429
Weeks of Operating Expense	5.8	4.9	4.2	3.5	3.4	4.4

**UPSIDE CASE - E&G Fund Projections**

**FY22: Hit Enrollment Targets + extra Fall 2020 deferrals; 50 students disenroll due to COVID**

	FY21	FY22	FY23	FY24	FY25	FY26
Annual NET	\$ 4,842,134	\$ 8,202,089	\$ 9,403,978	\$ 8,234,145	\$ 10,896,096	\$ 16,199,233
End of Year Fund Balance	\$ 59,243,134	\$ 67,445,223	\$ 76,849,201	\$ 85,083,346	\$ 95,979,443	\$ 112,178,676
Weeks of Operating Expense	5.8	6.2	6.7	7.0	7.6	8.6

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

	2021	2022	2023	2024	2025	2026
<b>INPUTS (in blue)</b>						
Initial Plan Target - Fall Incoming First Year Class						
Resident	1,880	1,880	1,880	1,880	1,880	1,880
Non-Resident	2,270	2,320	2,495	2,595	2,670	2,670
International	300	300	300	300	300	300
Total	4,450	4,500	4,675	4,775	4,850	4,850
Percent Achievement of Target						
Resident	107.8%	118.5%	118.5%	118.5%	118.5%	118.5%
Non-Resident	85.9%	100.0%	100.0%	100.0%	100.0%	100.0%
International	0.7%	60.0%	70.0%	70.0%	70.0%	70.0%
Revised Targets - Fall Incoming First Year Class						
Resident	2,027	2,153	2,228	2,228	2,228	2,228
Non-Resident	1,951	2,245	2,495	2,595	2,670	2,670
Regular International	2	180	210	210	210	210
Extra International (Exchange)	79	79	79	79	79	79
Total	4,059	4,657	5,012	5,112	5,187	5,187
Increase in Guaranteed Tuition Rate for Incoming Cohort						
Resident	9.75%	4.5%	4.5%	4.5%	4.5%	4.5%
Non-Resident Domestic	7.5%	3.0%	3.0%	3.0%	3.0%	3.0%
General Fund Undergraduate Remissions*	52,357	64,330	71,171	76,653	84,006	89,333
Undergraduate Discount Rate (General Fund Remission)*	14.7%	17.0%	17.4%	17.6%	17.8%	17.9%
Increase in State Appropriation	3,200	4,200	4,000	2,728	2,809	2,894
Strategic Investment Fund	-	-	(2,000)	(2,000)	(2,000)	(2,000)
<b>OUTPUTS (in yellow)</b>						
<b>E&amp;G Fund Projections</b>						
Beginning Fund Balance	54,401	59,243	59,450	62,131	64,510	70,605
Net Run Rate (includes COVID Lost Revenue Funds)	4,842	207	2,682	2,379	6,095	15,486
Ending Balance (includes COVID Lost Revenue Funds)	59,243	59,450	62,131	64,510	70,605	86,091
Operating Expenses per Week	10,201	10,849	11,520	12,146	12,647	13,104
Fund Balance Weeks of Operating Expenses	5.8	5.5	5.4	5.3	5.6	6.6

\*Remissions figures include general fund remissions only. They do not include foundation scholarships.

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

	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>
<b>REVENUE</b>						
Undergraduate Tuition	\$ 355,090,861	\$ 379,273,479	\$ 408,908,503	\$ 434,734,141	\$ 470,767,256	\$ 498,906,086
Graduate Tuition	\$ 82,023,852	\$ 86,097,183	\$ 89,473,707	\$ 92,990,710	\$ 96,654,286	\$ 100,470,804
Summer Tuition	\$ 22,464,055	\$ 18,647,295	\$ 22,297,861	\$ 23,889,642	\$ 25,300,373	\$ 27,219,377
Student Fees, Remissions and Other	\$ (46,922,965)	\$ (53,317,973)	\$ (60,158,704)	\$ (65,641,268)	\$ (72,994,580)	\$ (78,320,963)
<i>Total Tuition and Fees</i>	<i>\$ 412,655,803</i>	<i>\$ 430,699,983</i>	<i>\$ 460,521,367</i>	<i>\$ 485,973,225</i>	<i>\$ 519,727,335</i>	<i>\$ 548,275,304</i>
State Appropriation	\$ 82,720,112	\$ 86,920,112	\$ 90,920,112	\$ 93,647,715	\$ 96,457,147	\$ 99,350,861
Gifts, Grants, and Contracts	\$ 382,053	\$ 382,053	\$ 382,053	\$ 382,053	\$ 382,053	\$ 382,053
ICC Revenue	\$ 25,952,583	\$ 27,250,212	\$ 28,612,723	\$ 30,043,359	\$ 31,545,527	\$ 33,122,803
Interest & Investment	\$ 7,814,418	\$ 7,970,706	\$ 8,130,121	\$ 8,292,723	\$ 8,458,577	\$ 8,627,749
Other Revenues	\$ 5,585,945	\$ 7,150,000	\$ 7,150,000	\$ 7,150,000	\$ 7,150,000	\$ 7,150,000
<b>Total Revenue</b>	<b>\$ 535,110,914</b>	<b>\$ 560,373,067</b>	<b>\$ 595,716,376</b>	<b>\$ 625,489,076</b>	<b>\$ 663,720,640</b>	<b>\$ 696,908,770</b>
<b>EXPENSES</b>						
Personnel	\$ 437,853,843	\$ 452,359,530	\$ 474,604,958	\$ 502,027,363	\$ 522,713,953	\$ 541,020,204
S&S	\$ 80,765,466	\$ 92,987,720	\$ 99,222,545	\$ 101,941,926	\$ 104,749,016	\$ 107,647,100
Student Aid	\$ 4,709,505	\$ 6,764,582	\$ 7,024,755	\$ 7,266,847	\$ 7,532,718	\$ 7,801,269
Capital Outlay	\$ 3,791,094	\$ 5,125,000	\$ 5,253,125	\$ 5,384,453	\$ 5,519,064	\$ 5,657,041
Net Transfers	\$ 3,348,942	\$ 6,929,478	\$ 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	\$ 8,367,254
<b>Total Expenses</b>	<b>\$ 530,468,850</b>	<b>\$ 564,166,310</b>	<b>\$ 599,034,861</b>	<b>\$ 631,610,067</b>	<b>\$ 657,626,029</b>	<b>\$ 681,422,346</b>
Accounting Adjustments	\$ 118,991	\$ -	\$ -	\$ -	\$ -	\$ -
Early Retirement Program Expenses	\$ 6,139,934	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Run Rate Without Federal Funds - Lost Revenue</b>	<b>\$ (1,616,861)</b>	<b>\$ (3,793,244)</b>	<b>\$ (3,318,485)</b>	<b>\$ (6,120,991)</b>	<b>\$ 6,094,611</b>	<b>\$ 15,486,424</b>
One Time Federal Funds - Lost Revenue	\$ 6,458,995	\$ 18,500,000	\$ -	\$ -	\$ -	\$ -
Reserve - One Time Federal Funds - Lost Revenue	\$ -	\$ (14,500,000)	\$ 6,000,000	\$ 8,500,000	\$ -	\$ -
<b>Net Run Rate with Federal Funds - Lost Revenue</b>	<b>\$ 4,842,134</b>	<b>\$ 206,756</b>	<b>\$ 2,681,515</b>	<b>\$ 2,379,009</b>	<b>\$ 6,094,611</b>	<b>\$ 15,486,424</b>
Beginning Fund Balance	\$ 54,401,000	\$ 59,243,134	\$ 59,449,891	\$ 62,131,406	\$ 64,510,415	\$ 70,605,026
Ending Fund Balance	\$ 59,243,134	\$ 59,449,891	\$ 62,131,406	\$ 64,510,415	\$ 70,605,026	\$ 86,091,450
Weeks of Operating Expenses	5.8	5.5	5.4	5.3	5.6	6.6

**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- FY2026: Hit Enrollment Targets
2. FY2023 - FY2026: Slow Steady Growth in State Appropriation (around 3% 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., skipping strategic investment process, budget cuts, etc.)
6. Projections include one-time HEERF Federal Funds for COVID Costs and Lost Revenue

**Note:** *in some 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, 150 Students disenroll due to COVID**

	FY21	FY22	FY23	FY24	FY25	FY26
Annual NET	\$ 4,842,134	\$ 206,756	\$ 2,681,515	\$ 2,379,009	\$ 6,094,611	\$ 15,486,424
End of Year Fund Balance	\$ 59,243,134	\$ 59,449,891	\$ 62,131,406	\$ 64,510,415	\$ 70,605,026	\$ 86,091,450
Weeks of Operating Expense	5.8	5.5	5.4	5.3	5.6	6.6

**DOWNSIDE CASE - E&G Fund Projections**

**FY22: Fall enrollment mirrors Fall 2019; 300 Students disenroll due to COVID**

	FY21	FY22	FY23	FY24	FY25	FY26
Annual NET	\$ 4,842,134	\$ (6,143,633)	\$ (4,747,053)	\$ (6,402,426)	\$ 1,373,522	\$ 14,536,884
End of Year Fund Balance	\$ 59,243,134	\$ 53,099,501	\$ 48,352,448	\$ 41,950,023	\$ 43,323,545	\$ 57,860,429
Weeks of Operating Expense	5.8	4.9	4.2	3.5	3.4	4.4

**UPSIDE CASE - E&G Fund Projections**

**FY22: Hit Enrollment Targets + extra Fall 2020 deferrals; 50 students disenroll due to COVID**

	FY21	FY22	FY23	FY24	FY25	FY26
Annual NET	\$ 4,842,134	\$ 8,202,089	\$ 9,403,978	\$ 8,234,145	\$ 10,896,096	\$ 16,199,233
End of Year Fund Balance	\$ 59,243,134	\$ 67,445,223	\$ 76,849,201	\$ 85,083,346	\$ 95,979,443	\$ 112,178,676
Weeks of Operating Expense	5.8	6.2	6.7	7.0	7.6	8.6

**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- FY2026: Hit Enrollment Targets
2. FY2023 - FY2026: Slow Steady Growth in State Appropriation (around 3% 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., skipping strategic investment process, budget cuts, etc.)
6. Projections include one-time HEERF Federal Funds for COVID Costs and Lost Revenue

**Note: in some 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, 150 Students disenroll due to COVID**

	FY21	FY22	FY23	FY24	FY25	FY26
Annual NET	\$ 4,842,134	\$ 206,756	\$ 2,229,530	\$ 1,009,722	\$ 3,366,933	\$ 11,004,693
End of Year Fund Balance	\$ 59,243,134	\$ 59,449,891	\$ 61,679,420	\$ 62,689,142	\$ 66,056,075	\$ 77,060,768
Weeks of Operating Expense	5.8	5.5	5.4	5.2	5.2	5.9

**DOWNSIDE CASE - E&G Fund Projections**

**FY22: Fall enrollment mirrors Fall 2019; 300 Students disenroll due to COVID**

	FY21	FY22	FY23	FY24	FY25	FY26
Annual NET	\$ 4,842,134	\$ (6,143,633)	\$ (5,199,039)	\$ (7,771,713)	\$ (1,354,156)	\$ 10,055,153
End of Year Fund Balance	\$ 59,243,134	\$ 53,099,501	\$ 47,900,463	\$ 40,128,750	\$ 38,774,594	\$ 48,829,747
Weeks of Operating Expense	5.8	4.9	4.2	3.3	3.1	3.7

**UPSIDE CASE - E&G Fund Projections**

**FY22: Hit Enrollment Targets + extra Fall 2020 deferrals; 50 students disenroll due to COVID**

	FY21	FY22	FY23	FY24	FY25	FY26
Annual NET	\$ 4,842,134	\$ 8,202,089	\$ 8,951,992	\$ 6,864,858	\$ 8,168,419	\$ 11,717,502
End of Year Fund Balance	\$ 59,243,134	\$ 67,445,223	\$ 76,397,215	\$ 83,262,073	\$ 91,430,492	\$ 103,147,994
Weeks of Operating Expense	5.8	6.2	6.6	6.9	7.2	7.9

**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- FY2026: Hit Enrollment Targets
2. FY2023 - FY2026: Slow Steady Growth in State Appropriation (around 3% 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., skipping strategic investment process, budget cuts, etc.)
6. Projections include allocated HEERF Federal Funds for COVID Costs and Lost Revenue

**Note: in some 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, 150 Students disenroll due to COVID**

	FY21	FY22	FY23	FY24	FY25	FY26
Annual NET	\$ 4,842,134	\$ 206,756	\$ 2,188,960	\$ 921,978	\$ 3,224,026	\$ 10,838,972
End of Year Fund Balance	\$ 59,243,134	\$ 59,449,891	\$ 61,638,851	\$ 62,560,829	\$ 65,784,855	\$ 76,623,827
Weeks of Operating Expense	5.8	5.5	5.4	5.2	5.2	5.8

**DOWNSIDE CASE - E&G Fund Projections**

**FY22: Fall enrollment mirrors Fall 2019; 300 Students disenroll due to COVID**

	FY21	FY22	FY23	FY24	FY25	FY26
Annual NET	\$ 4,842,134	\$ (6,143,633)	\$ (5,239,608)	\$ (7,859,457)	\$ (1,497,063)	\$ 9,889,432
End of Year Fund Balance	\$ 59,243,134	\$ 53,099,501	\$ 47,859,893	\$ 40,000,437	\$ 38,503,374	\$ 48,392,806
Weeks of Operating Expense	5.8	4.9	4.2	3.3	3.0	3.7

**UPSIDE CASE - E&G Fund Projections**

**FY22: Hit Enrollment Targets + extra Fall 2020 deferrals; 50 students disenroll due to COVI**

	FY21	FY22	FY23	FY24	FY25	FY26
Annual NET	\$ 4,842,134	\$ 8,202,089	\$ 8,911,423	\$ 6,777,114	\$ 8,025,512	\$ 11,551,781
End of Year Fund Balance	\$ 59,243,134	\$ 67,445,223	\$ 76,356,646	\$ 83,133,760	\$ 91,159,272	\$ 102,711,053
Weeks of Operating Expense	5.8	6.2	6.6	6.8	7.2	7.8