FITCHBURG STATE UNIVERSITY

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Jay D. Bry
Vice President for Finance and Administration

SUBJECT: FY23 University Budget

Dear Colleagues,

I hope this letter finds you healthy and reenergized after your Winter Break. As we begin a new calendar year, it is time to start planning for the FY23 budget cycle. As in recent years, this will require making some difficult decisions as we continue to navigate demographic changes and the associated financial challenges facing higher education. While we have certainly been negatively impacted by the changing landscape, and face our own financial challenges, I want to assure everyone that the institution is financially stable and well positioned to work through the necessary changes to remain strong. Our financial position was once again confirmed by our annual external audit, along with a separate liquidity review contracted by the Department of Higher Education and conducted by Ernest and Young - Parthenon this past year. The results of this study ranked Fitchburg State in the upper middle of the financial health continuum within the state university segment.

For the past several years both the president and I have made presentations that reflected planning for the decline in enrollment, revenue loss, the increased use of reserves, and the need to further reduce expenditures. The onset of COVID accelerated these challenges, in particular undergraduate day enrollment. The past two years of university budget letters and finance presentations from this office discussed and planned for the potential of larger revenue losses, reduction of cash reserves, and highlighted efforts to reduce expenditures as a result of these accelerated declines. It was our hope that returning to in-person instruction would result in some improved level of pre-COVID undergraduate enrollment. However, enrollment continued to decline, most notably within our returning student population.

Thankfully, the worst financial predictions were avoided. The Federal Coronavirus (COVID-19) Emergency Grants for Postsecondary Education: CARES (HEERF I), CRRSAA (HEERF II), and ARP (HEERF III) provided much needed relief to Fitchburg State by eliminating $12 million dollars in lost revenue created by COVID and replenished cash reserves. Additional actions, such as reducing budgets, early retirement programs, and close evaluation of the rehiring of all open positions across campus, contributed to a reduction in spending and assisted with stabilizing the overall financial health of the institution.

The Federal funds did not solve the current and most pressing challenge – the undergraduate day enrollment decline. Additionally, our residential occupancy rate of 60% is not sufficient to cover our operational expenses as currently configured. To mitigate this downward trend, we have made significant changes and investments into admissions operations. Among these changes include the hiring of an associate vice president of Enrollment Management who has already implemented new streamlined admissions processes in the day undergraduate division. We have also strengthened our recruitment partnership with the Educational Advisory Board (EAB) to enhance our geographic reach and strengthen our student prospect pool. Growth in our accelerated online programs continues and GCE enrollments remain stable. Both of these areas contribute significantly to the overall financial health of the university. We will remain focused and proactive as we monitor the demographics of our region with the understanding that they will continue to pose long-term challenges for us. Further, we will continue to track and monitor the unknown longer-term impacts of COVID.

While we acknowledge challenges ahead, it is not all doom and gloom. In fact, we, the university leadership, are confident that working together we can develop a financial model that is sustainable long term. Part of that plan includes initially stabilizing undergraduate day enrollment at 2600 students with slow growth thereafter and right-sizing our resident student population to 1400. Stable enrollment growth within GCE and continued modest growth in the Accelerated Programs (5%) are targets in our enrollment modeling as well. This will not be easy, but we are committed to providing resources to support the planning and innovation that is necessary for the continued long-term success of our university.

As a starting point, the savings accrued from the FY22 3% operational budget cuts will be returned to each Division for reallocation by the vice presidents. In addition, a new $250,000 Academic Innovation Fund is being created to support the academic departments and faculty with innovation within the academic programs and curriculum. Similarly, $250,000 is being set aside to support the creation of a University Innovation Fund. More information regarding these funds will be announced soon. These funds will be distributed via a competitive application process; therefore, this process will be separate from the annual budget cycle to allow adequate time for the development of competitive submissions. Funding will continue to remain available in support of EBRQ – Extraordinary Budget Request, formerly Strategic Funding Requests. However, with the introduction of the two Innovation Funds, the focus of Extraordinary Budget Requests will be strictly one-time expenditures.

At this time, ***we are asking all departments to submit level-funded budgets.*** As you prepare your budget, you will need to review your current budget allocation and align available resources to the most critical activities and services within your department. If your department is considering new initiatives, you will need to evaluate them relative to existing operations and be prepared to reallocate current resources to those new efforts. The one exception will be student labor. You will not need to reallocate existing resources to cover the increase in minimum wage that will take effect January 1, 2023. Additional funds will be allocated at that time to cover the increase. However, if you are intending to increase the total number of hours of student employment, you will need to reallocate available funding to support that priority.

Again, EBRQ's will be limited to one-time expenses and should be focused on items that are necessary in order to maintain your current academic programs and support services. This means priority will be given to the replacement of equipment rather than additional equipment. The only exception to the one-time expenditures would be for ongoing contractual operating costs that are scheduled to increase per a signed contract. Any expansion of programs or services will either need to be funded by reallocating existing department funds or by submitting an application through one of the Innovation Funds. As noted, more details will be forthcoming on the parameters and submission process for the Innovation Funds.

Lastly, no new positions or requests for additional personnel funding should be submitted. If you have an existing vacant position, you should submit that request for replacement hiring through the standard process administered by Human Resources. Open existing faculty positions should be requested through the Provost's Office. Please watch for updated details regarding that process.

Budget entry into Banner, EBRQ, and Work Study Requests must all be submitted by February 24. Watch for more details regarding the process for the Innovation Funds. Reminder, no new personnel/positions will be considered at this time.

As you begin to work on the development of your budget, please know that Financial Services is available to provide support and analysis as needed. For assistance, please contact Carin Bullis. We will also be offering budget training workshops. The dates and times, necessary forms, and detailed data entry guidelines can be found on the Financial Services website.

In closing, let me assure you that we continue to be committed to supporting our mission and strategic plan. As part of the commitment and effort to make the university budget and financial processes more understandable and accessible, we will continue to develop financial presentations designed to explain the complexities of the budget and inform you of changes in our financial position. I remain confident that together, we can develop a budget that is fiscally responsible, that will move the university forward, and that will maintain our commitment to providing a quality affordable education for our students.

Sincerely,

Jay Bry, Vice President for Finance and Administration