The following is the transcript of a verbal budget update provided to the Tod Hall Leadership Team by Neal McNally, Vice President for Finance & Business Operations, on February 17, 2022.

Regarding FY 2023 budget planning, I should reiterate that the budget plan is synonymous with the University's *Plan for Strategic Actions* that was adopted by the YSU Board of Trustees almost three years ago. In essence, the annual budget plan is part of the implementation phase of the strategic plan.

The priorities in the budget plan are in many ways already set for this fiscal year and next. The University's largest expense category—personnel—is mostly fixed for next year, at least in terms of having labor agreements in place for all four labor unions, with 2% salary adjustments across-the-board. Along these lines, healthcare costs are rising dramatically. Taken together, more than $100 million of the University's budget is essentially committed for personnel costs.

Beyond that, the University continues to find ways to make investments that are consistent with the priorities of the strategic plan. We're adding new advisors, for example, to help enhance student success—a key tenet of the strategic plan. And Provost Smith is working with the deans and using the Gray data and the APEEI process to identify targeted faculty investments.

And of course, the University continues to experience the effects of inflation on just about everything, including salaries and wages where it's becoming increasingly difficult to attract new hires. Inflation is also driving up costs for other goods and services, including costs for things that we just cannot go without, such as electricity rates that rose by 4% in January alone. So there's a great deal of pressure on the FY 2023 budget.

Ongoing fiscal stewardship will continue to play an important role in budget planning—if we can end the current fiscal year (FY 2022) in the black, we can carry-forward those dollars and help provide budgetary relief next fiscal year. On the other hand, we need to get acclimated with the notion that budget *reallocation* will be part of our strategy. In an environment where revenues are declining or plateauing, the only way to invest in priorities is to disinvest from other areas. And that's the hardest part of budget planning.

Our ability to continue to implement the strategic plan, while at the same time ensuring the university's financial solvency, hinges on our ability to attract, enroll and retain students. The most important planning variable is student enrollment, and the forecast for next year is still under development. But assuming even flat enrollment would still equate to revenues insufficient to cover budgeted expenses. This is because the current year's FY 2022 budget is based, in part, on $10 million in one-time funds made available through our strategic use of federal COVID relief funds. Once those funds are gone, the University will be faced with a sizable budget deficit.

Regarding revenue planning for FY 2023, we will in March recommend to the Board of Trustees that the new Penguin Promise tuition cohort rate be set at 4.6 percent above this year's cohort rate, which is the maximum adjustment permitted by the state of Ohio. This adjustment will provide incremental revenue growth in FY 2023.

The FY 2023 budget will be submitted to the Board of Trustees in June for consideration and approval. More information about the FY 2023 budget will be available after revenue variables are finalized, namely enrollment projections and funding allocations from the state of Ohio that are expected to be finalized later this spring.

In the meantime, there will be discussion with the Board of Trustees to gauge their willingness to use institutional reserves to help mitigate the University's budget challenges in FY 2023. But even if they are amenable, relying on reserves is a temporary solution, and there are limits to our ability to spend-down reserves.