

I would like to share a budget update with the campus as part of our university planning processes. Regarding our most recent fiscal year, FY23, which ended on June 30, we appreciate the responsible spending across campus. This has helped our bottom line. We had a positive operating margin for this past year. This means we lived within our financial means and did not need to use our reserve funds.

Regarding this upcoming year's budget, I asked Mr. Donoway, VP for Administration and Finance (A&F), to begin modifying our budget approach, while ensuring our resources and decisions are aligned with our mission and strategic goals. This request comes about for two reasons. First, the realignment of colleges and the upcoming change from PeopleSoft to Workday (on July 1, 2024) will necessitate some changes in financial processes. Second, and more importantly, I want to provide greater budget flexibility and decision-making at the division level.

Vice Presidents will be tasked with making operational decisions that are fiscally responsible and align with the mission. Decisions, such as approving personnel searches, travel and conference requests, and equipment purchases, will be made within the scope of the divisional budgets. This is a change from our previous process where many of those decisions were made centrally.

For this fiscal year, we have shifted our budgeting approach for our divisions to a percentage of our overall university budget (including Object 1 – which includes most of our permanent personnel expenses) that is informed by recent yearly expenditures (not what was budgeted). Those percentages have been shared with the VPs and will be used to establish this year's fiscal budget (FY24). Approximately 70% of our budget is tied to personnel and we have ongoing fixed costs.

As in the past, VPs will have the freedom to budget their funds across operations. Now, those will include personnel expenses based on the priorities of each division and aligned with our university mission. For instance, we will be moving away from the model of a centralized "PIN" request process for personnel replacements or new positions. Those decisions will now be framed as budget requests that align with our mission and goals.

We have challenges in this year's budget. First, we do not receive funding from the state for pay increases for staff funded through auxiliary services (approximately \$1 million gap). We are funding those raises from our current budget. Second, while we are seeing an increase in the number of new students this fall, the most recent graduating class was larger than the Covid-19 pandemic classes (fall 2020 and fall

2021) that are working their way through FSU. Third, we increased our level of university-funded scholarships the past several years, which has also reduced our net tuition revenue.

We are confident we can continue to operate within our budget. However, these challenges will need to be addressed with some urgency. If we do not exercise fiscal responsibility now, we will be facing much more difficult decisions in a year or two.

The Executive Cabinet will be responsible and accountable for addressing these challenges. We will need to identify and implement cost-reduction opportunities across all areas of our operations as an institution. For example, I have significantly reduced both the number of annual national/regional memberships for FSU and travel. In A&F, we will see a reduction in some software platform costs.

The most important part of the long-term equation is increasing our revenue. As part of our strategic enrollment management plan, that means diversifying our revenue streams by enrolling students from different markets and attracting and enrolling students based upon the quality of our academic programs and experiences – not simply because we are affordable. This is a challenge facing most rural state comprehensive institutions.

We have the means to increase FSU's enrollment, both in recruitment and, as importantly, retention – which is our main, but not only, revenue source. The increased funding for scholarships and other needs through the FSU Foundation is just one example (and points to the optimism people have regarding FSU's future). The other is to carefully examine our operations. The pandemic has certainly accelerated this need. The changes we are making to our budgetary operations and processes will involve more of the campus. I have asked the co-chairs of the Budget Advisory Committee, the Provost and the VP for A&F, to schedule a meeting of that group to discuss the processes moving forward.

I ask for your help in conveying to the university and local community that we are a strong and viable institution. While there are institutions across the nation that are experiencing severe financial challenges (often small private institutions who are highly tuition dependent) we are not in a similar situation. Please continue to enjoy the remainder of the summer knowing we will have successful academic years ahead

of us. We value your contributions to our students and our institutional mission. Go Bobcats!