

PROPOSAL: General Fund Fiscal Year 2024-25 Operating Budget

Background

The general fund is the primary operating fund of the University and provides the University with the financial resources to meet instructional, programmatic and operating needs. WMU wants to ensure a distinctive and supportive learning experience that fosters success in a diverse and inclusive culture while advancing economic and environmental sustainability practices and policies. Resource allocation should promote WMU as a destination for experience-driven holistic education in order to recruit and retain students, ensure their academic success, and diversify revenue streams.

The budget being proposed today reflects our practice and commitment to present a balanced general fund budget for Board approval. The attached proposed fiscal year 2024-2025 general fund budget totals approximately \$414.5M, which represents an increase of 1.4% from last year's budget. In terms of real dollars, both revenue and expenses increased \$5.7 million over last year's general fund budget.

The anticipated State of Michigan FY2024/25 higher education budget allocations provide WMU a 1.5% increase in base appropriations (\$1.8M) and the State tuition restraint of 4.5% or \$703 whichever is greater. The proposed FY2024/25 general fund budget is consistent with the State's anticipated action. The change in budgeted revenues results from the state appropriation increase, the tuition and required fees rate changes, adjusting for an enrollment change, as well as allocation of the student assessment fee increase to the Western Student Association.

The change in expenses recognizes compensation increases including 2.75% increase for non-bargaining employees as well as other contractually obligated increases for multiple employee unions. Other expense increases include a strategic commitment of 7% to student financial aid (\$2.5M) and increasing utility costs. The increase in general fund expenses is offset by a large reduction (\$4.0M) in the annual payments due to the Michigan Public Schools Retirement System (MPERS). This decrease is due to the State providing a significant payment towards the outstanding liability for seven of the State universities as part of the State's FY24 budget. Due to the State's year ending September 30, this action was taken after our budget was set for the FY23-24 year and is now being reflected in the FY24-25 budget. The projected difference of \$881K where expenses exceed revenues will be offset by use of the base budget stability fund established with the FY23-24 general fund budget. In the 23-24 budget, \$2.6M was retained as stability fund to help offset potential economic downside for the FY24-25 and FY25-26 budget years due to projected declines in Michigan high school graduation demographics.

Recommended Action

It is recommended the Board approve the proposed fiscal year 2024-2025 general fund budget, which provides the necessary University financial resources to meet instructional, programmatic and operating needs.