BACKGROUND

ISU has been operating with a structural budget deficit for several years, a challenge we have been tackling together as we implement strategies and practices to reduce the deficit over time. Our unified efforts have resulted in a new budget model, positive changes to our enrollment, increased philanthropy, expanded sponsorship, stabilization of local and auxiliary funds, and strategic efficiency measures that optimize our resources.

Over the past year, we upgraded our financial reporting structures and systems. We now clearly understand our operating budget and cash reserves for all university funds. We have also increased transparency through regular communications and outreach and created a standing Budget Advisory Group to support shared governance in our budget processes.

As we worked to implement these improvements, we also navigated a pandemic, legislative budget reductions, unfunded CEC increases, and, most recently, unprecedented inflationary cost escalations.

FY2024 BUDGET OUTLOOK

The FY2024 budget reflects a $15 million deficit in Central University Funds. This deficit is not new but has grown over time as expenses outpace revenues.

The key drivers impacting this deficit are declining net tuition revenue, unfunded CEC and benefit cost increases, and inflation.

We must increase net tuition and other revenue sources to solve the deficit and reduce expenditures.

Our Path Forward

BALANCE OF FOUR ELEMENTS

The plan for balancing our budget and creating long-term financial stability includes four essential elements.
Cash Reserves serve as a savings account and contingency fund for the University. They are used to meet policy requirements, short-term and emergency funding needs, and/or future investments.

The University has intentionally drawn down excess central reserves over the past several years as we invested in enrollment and our campus infrastructure. Our reserves are now at a reasonable level that provides sufficient cash flow and meets all policy requirements. We now need to reduce our central deficit so that we can maintain this healthy level.

Reserves in other funds are healthy and stable. These reserves are designated for program support and investment and are not available for central use.

### DEFERRED MAINTENANCE & CAPITAL CONSTRUCTION

ISU will continue to move forward with essential deferred maintenance projects using dedicated funds from the legislature and Division of Public Works (DPW). DPW administers deferred maintenance funding and cannot be used or reallocated for other ISU purposes. We will continue with capital construction projects funded through bonds, gifts, and donations, such as our Pharmacy Building remodel.

### FY2024 SHORT-TERM MEASURES

To reduce the projected FY2024 deficit and drawdown of central reserves, the University is implementing a hiring pause and a slowdown of capital expenditures. These temporary measures will increase flexibility and time as we work through the complex Budget Optimization Initiative. Information about the hiring pause is available on the budget website, isu.edu/budget.

### KEY TAKEAWAYS

- When viewed holistically (considering all fund balances, cash reserves, capital assets, investments, and revenue), the University is in an overall strong financial position. However, our lingering structural budget deficit must be closed to maintain that position.
- We have developed new financial reporting structures and tools to help us understand the scope of the deficit and its impact on our cash flow and reserves.
- Our deficit is cause for strategic, data-driven action, not alarm.
- We have started several important initiatives to address the budget challenge strategically.
- We are also implementing short-term measures in FY2024 to slow down our use of reserves through a hiring pause and analysis and a slowdown of capital expenditures.

### CASH RESERVES

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<th>ISU Cash Reserves ($ millions)</th>
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<tr>
<td><strong>FY Reserve</strong></td>
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<tr>
<td>Central University (uncommitted)</td>
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<td>Local</td>
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<tr>
<td>Auxiliary</td>
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<td>Agency/Custodial</td>
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<td><strong>Total All</strong></td>
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Resources

For general questions, comments, and feedback, please contact Jennifer Steele at 208.282.4277 or email her at jennifersteele@isu.edu.

isu.edu/budget/