

FALCON FORUM:
BUDGET, FINANCE AND
FINANCIAL ASSESSMENT
UPDATES

APRIL 18, 2024





Financial and Strategic Assessment of UW-River Falls

The Current State Assessment Highlights a Case for Change

The current state review of financial health, enrollment trends, and operations suggest that UW-River Falls is on a trajectory of financial unsustainability and opportunities to improve financial performance should be explored in the near-term.

UWRF's mission is to help prepare students to be productive, creative, ethical, engaged citizens and leaders...



River Falls is a **critical contributor to state workforce demand in STEM fields including agricultural sciences as well as business, and education** with notable programs such as the Montessori Teacher Education program and new investments such as the \$117M Science and Technology Innovation Center.



River Falls graduates are prepared for success after graduation, with 99% employed or attending graduate school and an average salary of over \$53,000, making its low cost of attendance attractive for students.

...but several disruptors are challenging the status quo and suggest River Falls is on a path of financial unsustainability



Declining FTE enrollment (-22.8% from Fall 2018-23) and limited state funding are **creating top line pressure**, while threats such as the Minnesota North Star Promise will add risk.



Meanwhile, low employee morale, hiring uncertainty, salary competition, and limited opportunities for internal career progression are **challenging mission delivery and campus climate**.



In FY 2023, **UWRF posted a \$7.1M tuition fund deficit**, which eroded 42% of existing tuition fund balances. With Fall enrollment again down for FY 2024, **deficits are expected to continue**.

...therefore, it's critical to pursue transformative opportunities campus-wide to enable River Falls to thrive in the future.



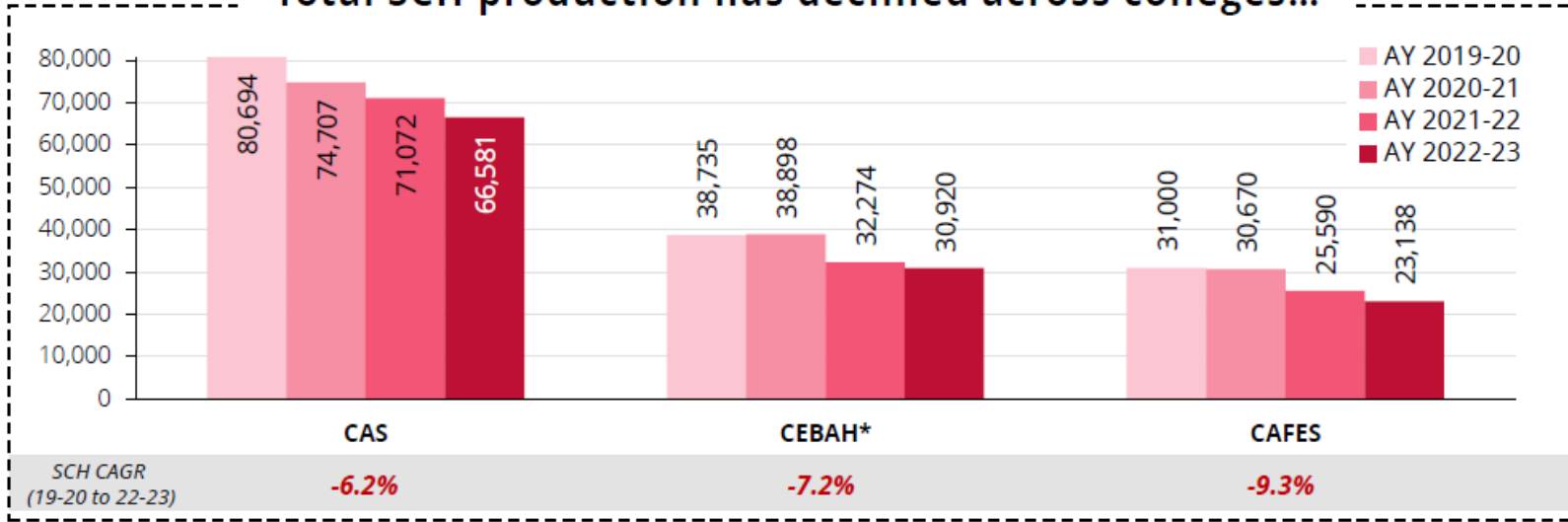
Mission-aligned solutions to **control expenses, grow revenues, and stem undergraduate enrollment declines** can help River Falls counter steep revenue declines, resolve budget gaps, and provide relief from further financial distress.



Given the size of UWRF's deficit in FY 2023 and expected deficit in FY 2024, the end of COVID-19 support, and external market factors such as MN's North Star Promise, River Falls should **consider a combination of revenue-generating and cost-savings opportunities totaling \$7-9 million in the near-term**.

Declining SCH and Retention Present Risk to Academic Programs

Total SCH production has declined across colleges...



KEY RISK AREAS

Declining SCH Production Across Colleges

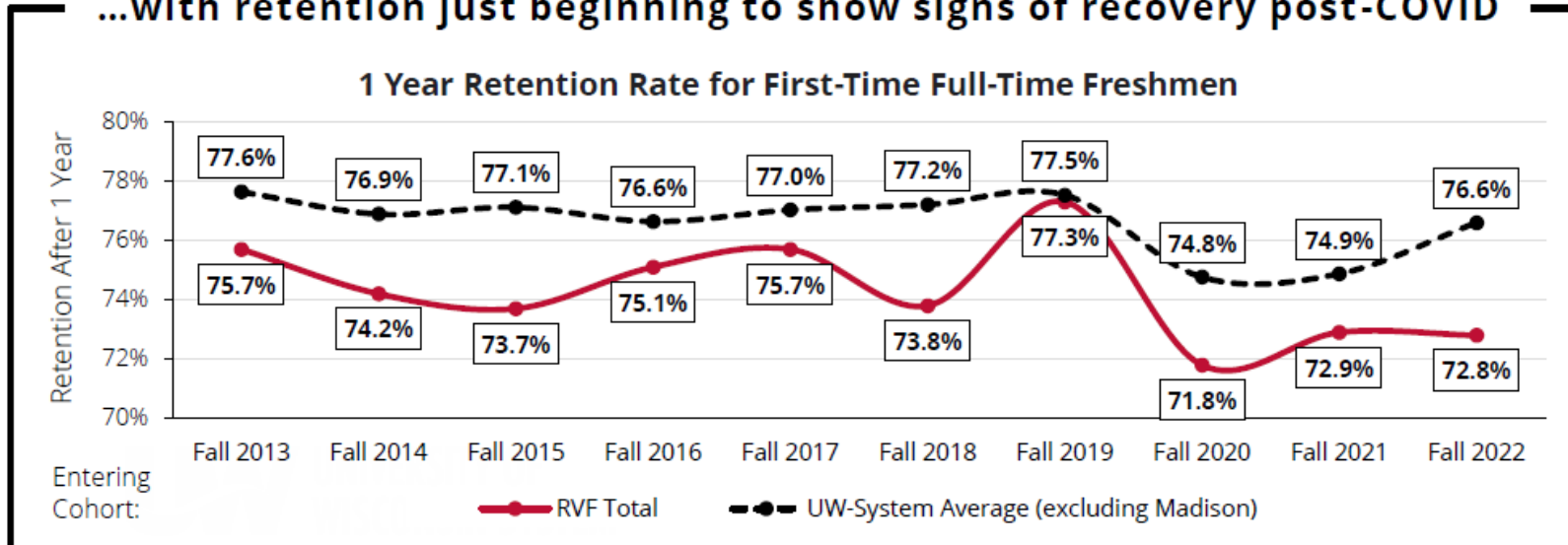
Over the last 4 years, UWRf's total SCH production among the colleges declined by a cumulative -19.8% or a -7.1% compound annual growth rate (CAGR), with consistent year over year declines across CAS (-6.2%), CEBAH (-7.2%) and CAFES (-9.3%) colleges.

Retention Rates Rebounding, but Still Significantly Lag Recent Highs

Retention rates for first-time, full-time freshmen fell over five percentage points from the Fall 2019 cohort (77.3%) to Fall 2020 cohort (71.8%) but showed slight improvement for the Fall 2021 and 2022 cohorts (~72.8%).

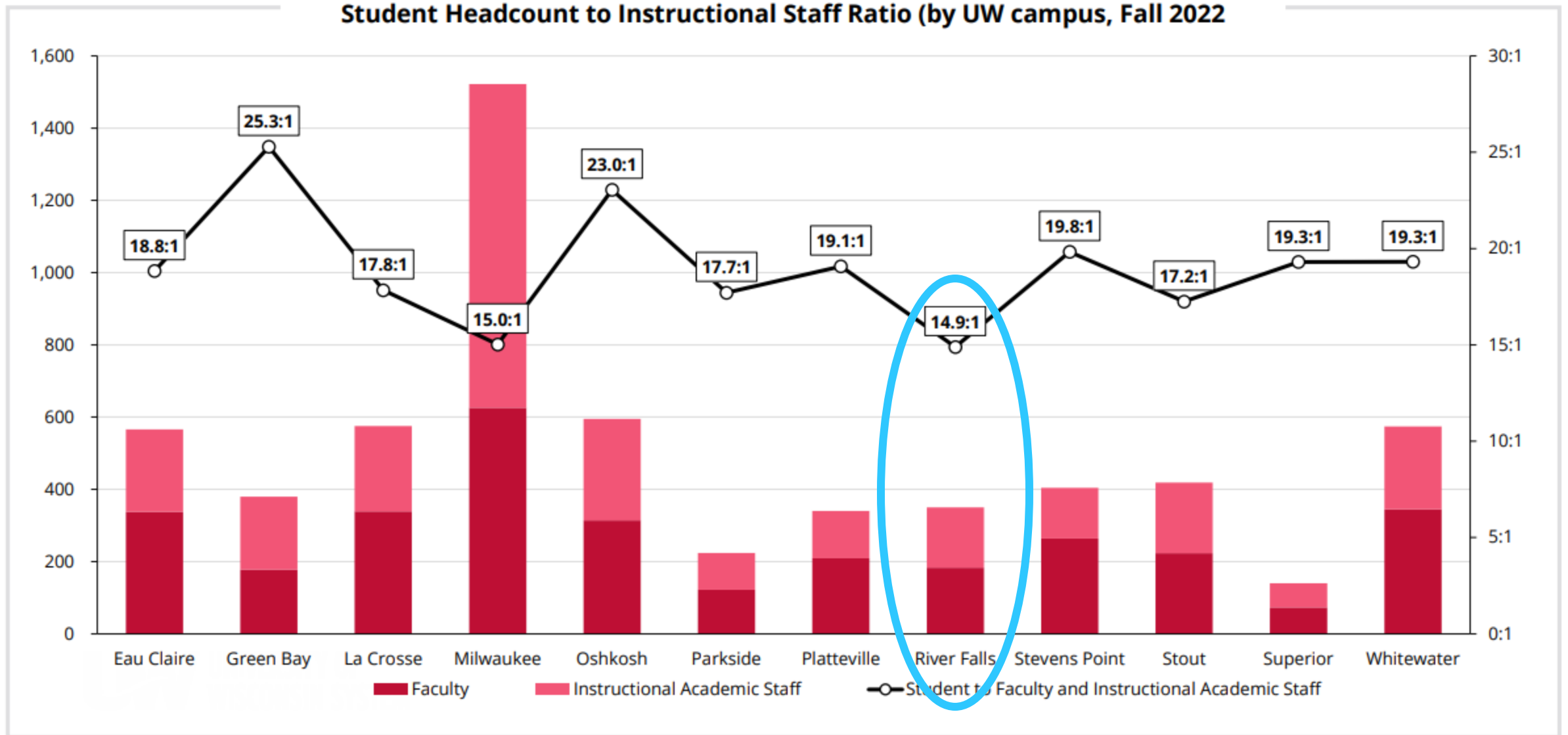
Retention rates have consistently trailed averages for Universities of Wisconsin peers (excluding Madison), with a system-wide average of 76.6% in Fall 2023 (Fall 2022 entering cohort).

...with retention just beginning to show signs of recovery post-COVID



Instructional Staff Breakdown

River Falls' 14.9 Student to Instructional Academic Staff ratio is the lowest among UW System universities and resides well below the UW System median (excluding Madison) of 18.9:1.



The Path Forward Should Leverage Strengths and Address Challenges

The current external environment, coupled with internal operating model issues, makes overcoming the ongoing structural deficit challenging; similarly, top line pressure and limited expendable balances make investing in growth difficult.

The Path Forward Should Leverage Strengths...

...and Seek to Address Existing External and Internal Challenges



Unique Market Position

Although the MN North Star Promise has added risk, UWRF is the only UW campus within a 50-mile radius of the Twin Cities, creating a unique advantage for the campus to bolster enrollment and expand partnerships with regional and national businesses.



Immersive Hands-on Learning Opportunities

Through experiential agricultural science, internship opportunities with Fortune 500 companies in the Twin Cities, the new SciTech building, and the University Business Collaboration Center, UWRF provides students with unique opportunities for hands-on learning to prepare them for careers.



Recognition of the Criticality of Data-Informed Decision Making

Structural changes, such as uniting IR and Enrollment Management functions, have laid the groundwork for broader data reporting capabilities that interviewees identify as essential to building collective trust and support across the campus.



Motivated Leadership

Although River Falls has seen recent changes in senior leadership, both new and seasoned campus leaders are united around the need to address the structural deficit.

Declining Enrollment

- Since Fall 2018, River Falls has seen significant declines in undergraduate enrollments, which have fallen over 1,250 students (-5.2% per year on avg).
- Graduate enrollments have demonstrated stability, maintaining an average enrollment of approximately 246 FTEs over the past five years.

Minnesota North Star Promise

- With nearly half of undergraduates coming from Minnesota, the MN North Star Promise could disrupt tuition revenue streams as qualifying students may pursue in-state schools to lessen the cost of education.
- 13% of UWRF's Fall 2022 undergraduates would be eligible for the program.

Limited State Appropriations

- Per the *Wisconsin State Journal*, WI ranks 43rd in state funding / student.¹
- Regulatory complexity and economic uncertainty add further risk to UWRF's long-term outlook as the institution has become increasingly dependent on State Appropriations.

Academic vs. Admin Barriers

- A perceived disconnect between administrative and academic units has led to varying narratives on campus regarding UWRF's current financial position, leading to an inability to rally behind a common strategy.

Employee Attrition and Vacancies

- Interviewees cite that it is challenging to promote high-performers, and opportunities to provide training and development are limited.
- Total FTEs have fallen in nearly every administrative unit and every college, placing added strain on existing employees.

Lack of Data Availability

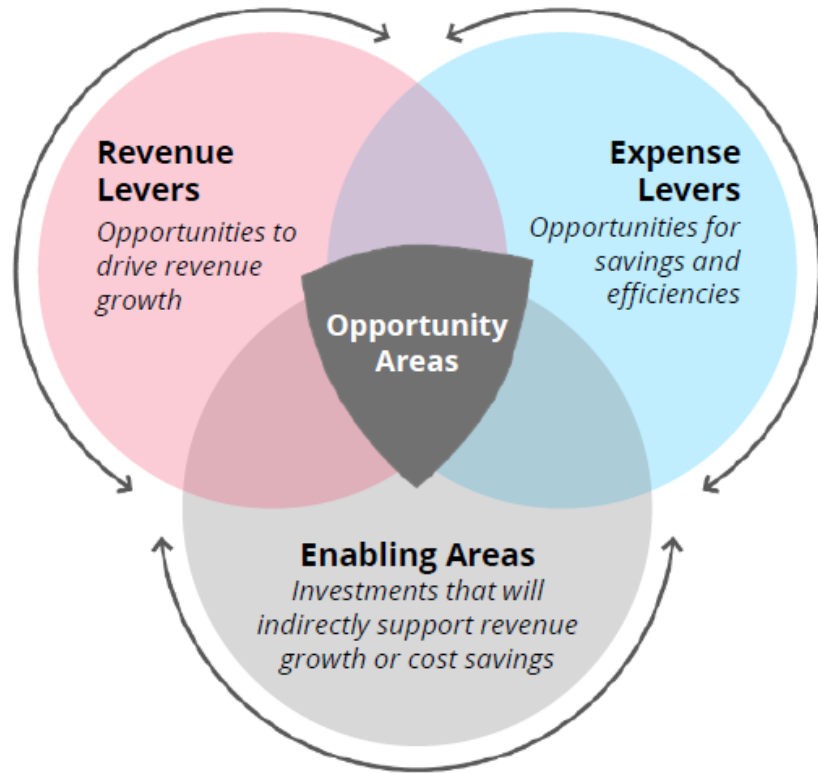
- Interviewees indicated that data for assessment and strategic planning are not readily available. Key tools such as enrollment projections and long-range plans do not yet exist. Leadership recognizes data gaps and is working to build critical campus reporting infrastructure.

External Market Pressures

Internal Operating Model Challenges

River Falls Opportunity Areas

Through review of the qualitative information and insights gathered through interviews and analysis of the quantitative data provided by both River Falls and the Universities of Wisconsin system office, the following five key opportunity areas have been identified.



#1 Align Resourcing with Current and Projected Enrollments | Since Fall 2018, undergraduate enrollment at River Falls has declined over 1,250 students. As such, there is an opportunity to adapt the campus budget to be aligned with the size of the student body. This is particularly critical as UWRF faces external threats like the Minnesota North Star Promise, which could exacerbate existing revenue pressures.

#2 Redesign Program Evaluation to Optimize Delivery of Academic Programs | As student credit hours have declined across UWRF's three colleges, the institution needs a clear framework for how to evaluate the sustainability of its current academic portfolio and shape the portfolio accordingly as student demands evolve. By revamping course scheduling (including course section sizes, classroom space utilization, optimum faculty FTE and workload distribution, and processes for approving and tracking overloads and stipends), UWRF can realize potential efficiencies in academic programming delivery.

#3 Improve Retention by Enhancing the Student Journey | For Fall 2023, retention challenges are a large contributor to overall enrollment declines. In addition to a focus on first-time new freshmen, UWRF should build upon the First Year Experience program and other efforts by identifying a set of early indicators that often place students at risk of attrition and implementing intervention strategies to help mitigate risks.

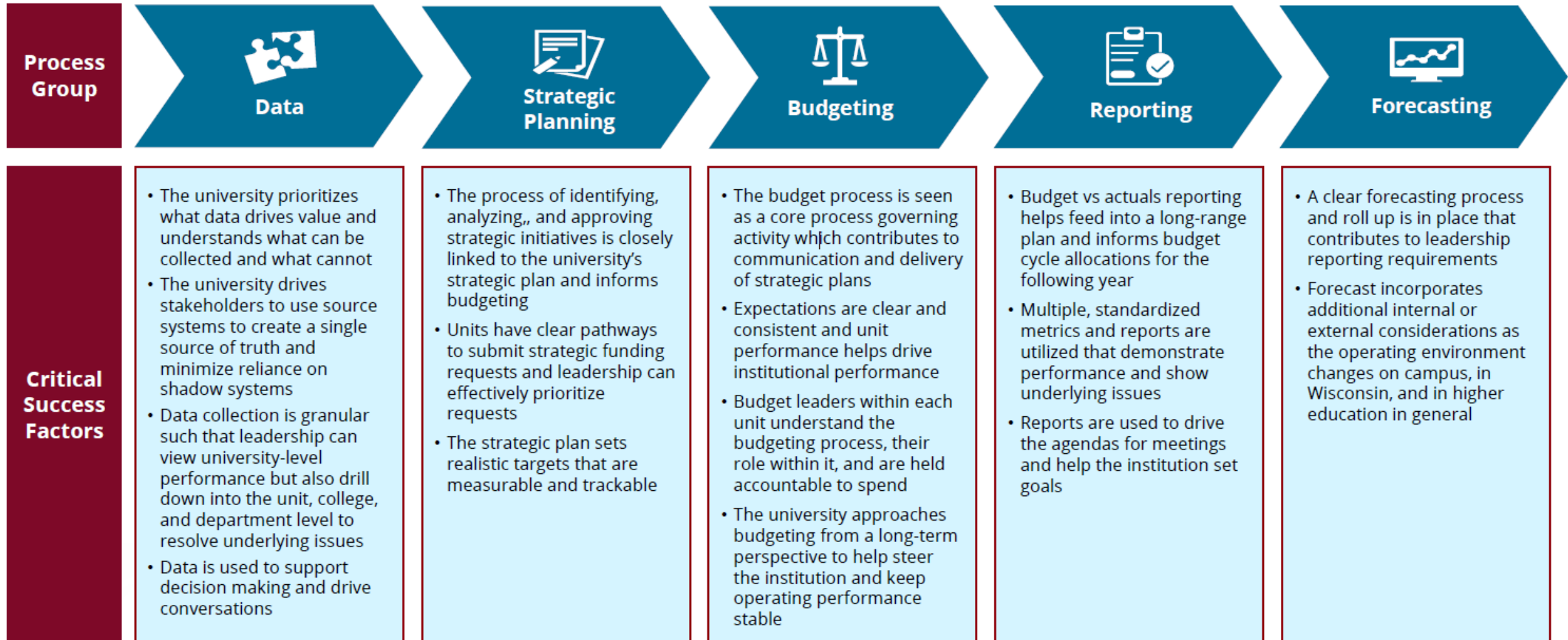
#4 Shore Up Enrollment through Expansion of New and Existing Student Segments | With several market disruptions driving increased competition for students, UWRF should leverage its position as the only UW campus within a 50-mile radius of the Twin Cities to build momentum around increases in new traditional students, but also diversify enrollments via non-traditional student populations (e.g., transfers, stop-outs; some college, no degree) as well as summer courses and certificates for upskilling.

#5 Lead with Structured, Intentional Change Management to Create a Culture of Urgency and Accountability | Enabling success of the change initiatives and opportunities necessary to narrow UWRF's structural deficit requires an aligned culture of urgency and accountability across all levels and units of campus. Therefore, UWRF should develop clear messaging, communicate consistently and effectively, and empower staff to serve as change champions to counter any cultural barriers.

Improving Data and Financial Maturity can Promote Accountability

Aligning processes and advancing capabilities in these areas can help UWRF better track, manage, and plan for expenses, as well as better understand how changing enrollment dynamics may impact operating capacity and strategic priorities going forward.

Target Future State Goals: Planning and Managing the Institution Financially



IPEDS Fall Enrollment – Actuals

Enrollment data source: IR

	Fall 2021	Fall 2022	Fall 2023	
New First Year Students	1,016	1,014	1,063	
New Transfer Students	252	215	188	
Returning Freshmen	262	239	234	
Returning Sophomores	791	777	759	
Returning Juniors	1,001	856	820	
Returning Seniors	1,408	1,226	1,088	
Post-Bacc/Non-Degree	71	69	46	
High School Specials	187	380	477	
Undergrad Head Count	4,988	4,776	4,675	
Undergrad FTE	4,485	4,210	4,086	
Graduate Head Count	406	412	389	
Graduate FTE	230	258	234	
Total Head Count	5,394	5,188	5,064	6.1% reduction (loss of 330 HC)
Total FTE	4,715	4,468	4,320	8.4% reduction (loss of 395 FTE)

PROJECTED FALL 2024 ENROLLMENT SCENARIOS

	Upper Projection	Centered Projection	Lower Projection
New First Yr UG	1,100	1,025	950
New Transfer UG	215	188	161
Continuing UG	3,002	2,800	2,725
UG PB/ND (new & cont)	69	46	46
UG HS SPEC (new & cont)	500	477	400
New Graduate	81	79	76
Continuing Graduate	345	311	280
Graduate Non-Degree (new & cont)	1	1	1

	Upper Projection	Centered Projection	Lower Projection
UG Degree Seeking Total	4,317	4,013	3,836
UG FTE	4,061	3,775	3,607
Graduate Degree Seeking Total	426	390	356
Graduate FTE	257	237	216
Total Headcount	5,313	4,927	4,638
Total FTE	4,507	4,179	3,968
Loss of FTE	+187	-141	-352
% gain/loss	+4.3%	-3.3%	-8.1%

Draft – for discussion purposes only (data source: IR)

Additional Impact on Campus Budget of Projected 2024-25 Enrollment Decline

	Upper	Centered	Lower
Tuition	\$178K	\$2.2M	\$3.4M
Graduate Tuition	\$218K	\$28K	\$171K
Segregated Fees	\$47K	\$583K	\$900K
Residence Life	\$124K	\$1.54M	\$2.4M
Dining Services	\$74K	\$918K	\$1.4M
Total	\$205K	\$5.2 M	\$8.3M

“Status Quo” Baseline Tuition Fund Balance Forecast

UWRF’s forecasted changes in net assets are projected to have a negative financial impact on the university’s tuition fund equity balance, fully deteriorating the balance by Fiscal Year End 2025, reinforcing the institution’s need to align expenditures with revenues.

Projected Financial Impact on Tuition Fund Equity Balance

River Falls Tuition Fund Equity Balance Baseline Projections						
River Falls (\$Ms)	FY End 2023 Actual	FYE24 Proj.	FYE25 Proj.	FYE26 Proj.	FYE27 Proj.	FYE28 Proj.
Beginning Tuition Fund Equity Balance	\$17.1	\$9.9	\$2.9	(\$4.2)	(\$11.7)	(\$20.5)
Change in Net Assets	(\$7.1)	(\$7.0)	(\$7.1)	(\$7.5)	(\$8.7)	(\$9.9)
Ending Fund Equity Balance	\$9.9	\$2.9	(\$4.2)	(\$11.7)	(\$20.5)	(\$30.4)
Cumulative Impact on Fund Balance	---	(\$7.0)	(\$14.1)	(\$21.6)	(\$30.4)	(\$40.3)

KEY TAKEAWAYS



Current Fund Equity Balance

River Falls had \$9.9M in equity in the tuition fund at FYE23. After being buoyed by COVID-19 Aid and expense reductions in recent years, the \$7.1M deficit in FY23 cut the balance nearly in half (-42%).



Enrollment Drives Decline

Long-term falling enrollment is the main driver of the status quo deficit. River Falls should consider opportunities to grow revenues and reduce expenses to resolve the existing structural deficit and enable investment for long-term sustainability.



Auxiliary Fund Support

Transferring funds from Auxiliaries allows River Falls another 12-18 months of runway but should only be seen as a temporary measure.

If the Tuition Fund Equity balance falls at this rate, River Falls will not be able to meet current obligations and will need support from the Universities of Wisconsin System Office to fund operations by the end of Fiscal Year 2025.

New Revenue to UWRF

- **Revenue from Minnesota-Wisconsin Tuition Reciprocity**
 - UWRF keeps more, but a portion goes back to MN
 - **Difference in MN and WI tuition rates drives amount**
 - MN rate is higher but flat
 - WI rate is lower but is increasing
- **Joint Finance Committee supplemental appropriation:**
 - **\$1 million** new base in Engineering, Healthcare, Business, Computer/Data Science
- **Title III Grant Eligibility (Potential Grant Revenue)**

~~“Status Quo”~~ Baseline Tuition Fund Balance Forecast

River Falls Tuition Fund Equity Balance Baseline Projections						
River Falls (\$Ms)	FY End 2023 Actual	FYE24 Proj.	FYE25 Proj.	FYE26 Proj.	FYE27 Proj.	FYE28 Proj.
Beginning Tuition Fund Equity Balance	17.1	9.9	4.5	0.9	0.9	1.9
Change in Net Assets	-7.1	-5.4	-3.6	0.0	1.0	1.0
Ending Fund Equity Balance	9.9	4.5	0.9	0.9	1.9	2.9
Cumulative Impact on Fund Balance	---	-5.4	-9.0	-9.0	-8.0	-7.0

Budget Improvement Exercise – Income Options

Tuition increase (gen+addl tuition) - considering pay plan 30%, DEI cuts *

Tuition increase (proposed CAFES prog diff)- 25% central

Net Enrollment Change (FTFY, Transfer, +2% retention, -graduating)

J-Term enrollment

Summer enrollment *

Increase PR program assessments from 10-18% to 15-25% - further discussion

JFC Supplemental *

Reciprocity *

Grants - Title III – seek funding in Oct 2025 (FY25-26)

Grants - Indirects

Grants - New Grants

Grants - Valuation of faculty time covered by grants

Private philanthropy - program support (150th camp.)

Other

* = priority ideas from campus survey

Budget Improvement Exercise – expense reduction Options

Academic - Hiring pause savings (replacing TT with IAS - one time) *

Academic structure efficiencies (e.g., section sizes; course rotations...)

Non-Academic Hiring pause savings (one time) *

Non-Academic structure efficiencies

S & E savings

Facilities - Fleet/Maintenance/Farm (audit)

Other compensation/personnel savings & volunteered savings

Travel limitations

Shared services

Other

* = priority ideas from campus survey

PRINCIPLES

- **UWRF mission, vision and values**
- **Soaring to New Heights Strategic Plan Goal 4: Stable and Thriving Institution**
- Changing higher education landscape: **threats and opportunities**
 - **GROW ENROLLMENT:** retention, recruitment, tap new markets
 - **RIGHT-SIZE** to current enrollment with an eye-on **INVESTMENTS** for future growth in areas of unrealized potential
- Every part of the university is a part of the solution
- Transparency and regular communication are keys to success

STRATEGY TO SECURE A STRONG FINANCIAL FUTURE

- **Strategic Enrollment Plan (!)** – May 9 rollout
- **Financial Actions:**
 - **Immediate: end of FY24**
 - Near-term: FY25-FY26 (\$8 million goal)
 - Long-term: FY27-FY28

IMMEDIATE ACTIONS

FISCAL YEAR 2024

1. COMPLETE Strategic Enrollment Management Plan to increase student headcount
2. ADVOCATE for maximum allocation of revenue from Wisconsin-Minnesota Tuition Reciprocity
3. EVALUATE hiring pause, analyzing vacant positions for possible permanent elimination
4. INITIATE analysis of instructor workload data to maximize section availability and course rotations, review program requirements and program array
5. INITIATE review of staffing and workload in all divisions on campus to identify potential efficiencies and savings
6. IDENTIFY other budget improvement steps with campus input

NEAR-TERM ACTIONS

FISCAL YEAR 2025-2026

1. Implement SEMP actions specific to increasing retention and enrollment in new markets
2. Raise instructional staff:student ratio
3. Implement Institutional Planning and Management Groups
4. Hiring freeze / restructure

Timeline and Next Steps

April 24, 2024	Open Dialogue with Chancellor Gallo
April 29, 2024	UBAC Meeting (lead: Provost & CBO)
May 9, 2024	Strategic Enrollment Plan Launch (lead: VC King)
May-July 2024	Non-instructional unit financial analysis (lead: Executive Cabinet)
May-Oct 2024	Instructional unit financial analysis (lead: Provost)
<i>August 2024</i>	<i>Regents review 2025-2027 Biennial Budget Request</i>
September 2024	Student headcount and FTE data for Fall 2024 (<i>preliminary</i>)
Through Fall 2024	Implementation of initial base reductions
January 2025	Implementation of further base reductions
<i>By February 2025</i>	<i>Governor's 2025-2027 Biennial Budget Proposal announced</i>
<i>By June 2025</i>	<i>Legislature's 2025-2027 Biennial Budget finalized/signed by Governor</i>



QUESTION & ANSWER