

Office of the Treasurer and Chief Financial Officer

TO: Members of the Board of Trustees

FROM: Christopher A. Ruhl, Chief Financial Officer and Treasurer  
Eva M. Nodine, Associate Vice President, Finance

DATE: June 1, 2021

RE: FY 2022 University Operating Budget

At your June meeting, we will be seeking approval of the University's FY 2022 operating budget.

Attached is the presentation we plan to review at the meeting.

Highlights:

- System-wide operating revenues of \$2.591 billion exceed operating expenses of \$2.517 billion, resulting in an operating surplus of 3% (\$74 million)
- Revenue growth is budgeted to grow 5% compared to FY 2021 driven by West Lafayette undergraduate enrollment increases, auxiliary revenues recovering to pre-COVID 19 levels (chiefly housing/dining and athletics), increased research grants, and growth of Purdue Online, offset slightly by a reduction in gift revenues as one-time activities in FY 2021 normalize for FY 2022
- Expense growth is primarily attributable to the strategic investments listed below, plus merit salary increases (3% for West Lafayette), return to normal campus operations resulting in additional R&R, purchasing and travel costs compared to FY 2021, offset by reduced expenses for Protect Purdue and savings due to early retirement of university debt
- Strategic Investments:
  - \$21 million in enrollment growth;
  - \$28 million in Next Moves; and
  - Programmatic expenses related to the growth in Purdue Online and the opening of the new Veterinary Teaching Hospital
- Tuition rates remain frozen at the West Lafayette campus for the ninth consecutive year. Tuition increases at the regional campuses are at the 1.45% rate recommended by the Indiana Commission for Higher Education

If you have any questions in advance of the meeting, please let us know.

# ***FY22 OPERATING BUDGET***

**Board of Trustees - June 11, 2021**

# *Operating Budget Components*

## Included:



## Not Included:



# *FY22 Goals & Objectives*

## Student affordability

- 9<sup>th</sup> year of tuition freeze at West Lafayette campus
- Small tuition increases at Northwest and Fort Wayne campuses

## Fiscal responsibility

- Sizable savings in certain expense categories and new revenue streams allow for reinvestment
- Modest steady-state operating surplus












## Strategic Investments

- Support instructional needs for growth to 37,000+ undergrads
- 3% Merit for employees at West Lafayette Campus
- Year 1 of 5-year investment in Next Moves – new research, learning and student access initiatives
- Continued Protect Purdue activities to mitigate pandemic risk

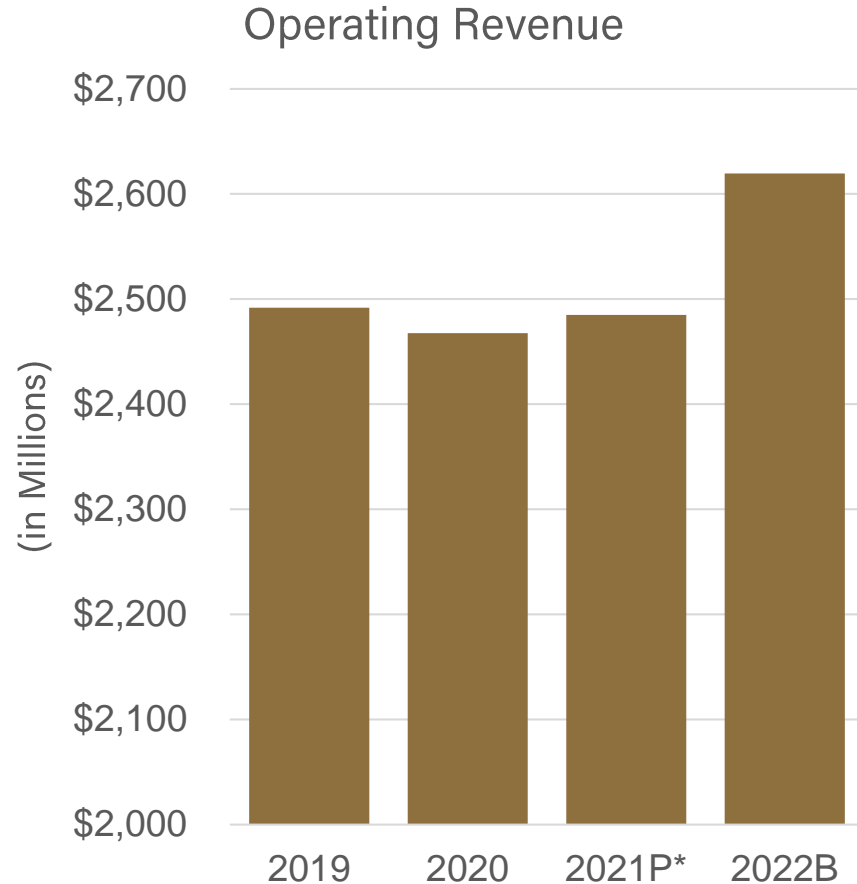
## Transparent and adaptive financial culture



# FY22 Key Assumptions – West Lafayette

Category	FY22 Change	Notes
<b>Revenue</b>		
Tuition & Fees		<b>9<sup>th</sup> year Tuition freeze</b> ; AY 20-21 online pricing discontinued; 37K+ undergrads (+2,386 vs. FY21)
State Operating		FY21 operating/line item appropriation cuts restored; no new operating \$
Auxiliaries		Student Life/Athletics revenue restored to pre-COVID levels
F&A Recovery		Modest growth in grant activity
Federal Stimulus		HEERF I & II claims completed in FY21, HEERF III in FY22 (student aid + institutional)
<b>Expenses</b>		
Strategic Initiatives		Enrollment Growth, Next Moves
Compensation		3% merit increase, faculty hiring, market wage adjustments for some hourly operations staff
R&R		Project activity begins return to pre-COVID levels
Protect Purdue		Significant decrease but some residual continues
Purchasing/Travel		Travel at 3x FY21 levels but only 60% of FY19; purchasing restrictions eased
Student Aid		HEERF III student aid; growth in West Lafayette undergrads

# System Operating Revenue



## Drivers of change in FY22 vs. FY21

### Tuition and Fees (+\$66M)

- West Lafayette
  - 0% tuition increase
  - 37k+ undergraduates (10K new beginners)
  - New online programs
- Regionals
  - 1.45% tuition increase; enrollment changes -8%

### State Appropriations (+\$23M)

- Restoration of 7% FY21 operating reductions
- New PFW Academic Expansion line item (+\$2.45M)

### Sales & Services (+\$74M)

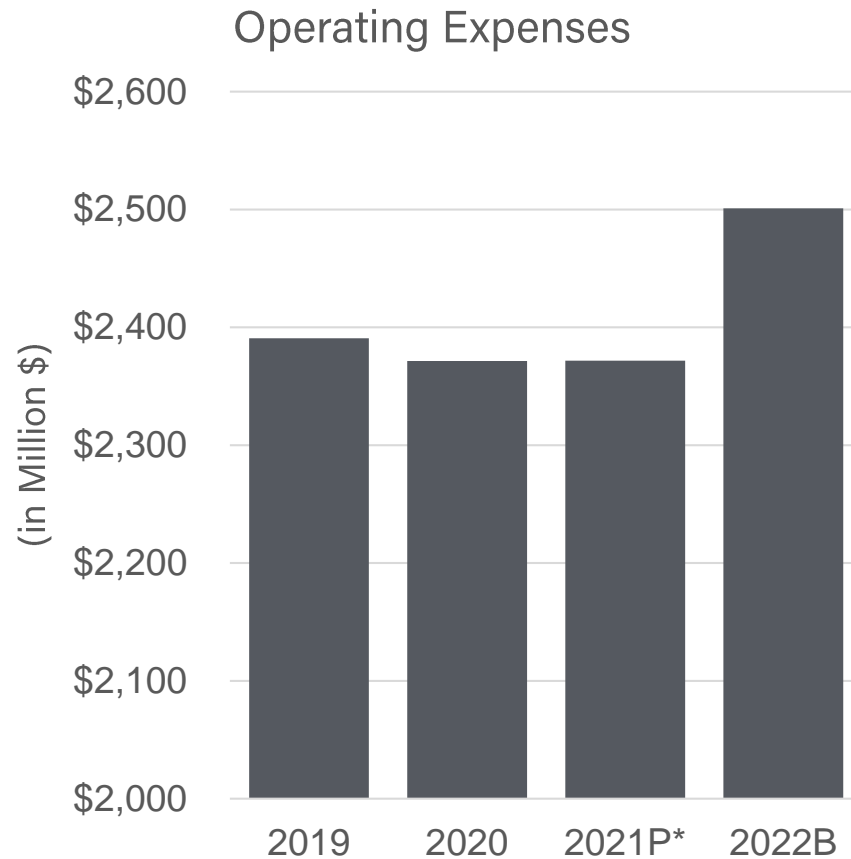
- Athletics (+\$41M) – conference distributions and game day sales
- Student Life (+\$22M) – residences, dining, and hotel

### Gifts (-\$26M)

- Decline attributable to special circumstances in FY21:
  - Two large, one-time gifts
  - Two Purdue “Days of Giving”
  - Athletics “More Than A Game” campaign

\*FY21Q2 projection plus CRRSAA award

# System Operating Expenses



## Drivers of change in FY22 vs. FY21

### Strategic Investments

- Next Moves (+\$28M)
- Enrollment Growth (+\$21M)
- 3% WL Merit Program (+\$32M)

### Normalization of COVID-impacted operations

- R&R (+\$8M)
- Healthcare Claims (+\$16M)
- Travel & Hospitality (+\$25M) – 40% below pre-COVID levels

### Program Growth

- New and Expanded Vet Teaching Hospital
- Purdue Online Growth

### Savings

- Debt Retirements and Restructuring



# FY22 Operating Budget By Campus

## Steady-State Operations (in millions)

		West Lafayette	Fort Wayne	Northwest	Total
<b>Revenue</b>					
Tuition & Fees		928	59	60	1,047
Appropriations		337	51	52	440
Sales & Services		341	13	5	359
Gifts		54	1	1	56
Grants & Contracts		472	29	36	537
Investment Income & Distributions		110	4	3	117
Other Revenue		9	1	2	12
Recovery		23	-	-	23
	<b>Revenue Total</b>	<b>2,274</b>	<b>158</b>	<b>159</b>	<b>2,591</b>
<b>Expenses</b>					
S&W		1,030	62	62	1,154
Fringes		350	20	20	390
Supplies & Services		469	24	24	517
Overhead		(5)	2	3	-
Capital		101	5	2	108
Scholarships, Fellowships & Awards		185	34	36	255
Debt and Financing Expenses		76	10	7	93
	<b>Expenses Total</b>	<b>2,206</b>	<b>157</b>	<b>154</b>	<b>2,517</b>
<b>FY22 Surplus/(Deficit)</b>		<b>68</b>	<b>1</b>	<b>5</b>	<b>74</b>



# *Risks & Opportunities*

## Risks

- Enrollment disruptions
  - International travel restrictions
  - Retention
  - Long-term trends with international and graduate students
- Economic recovery progress
  - Impact to state revenues/appropriations
  - Gift volatility
- Fewer/smaller events
  - Revenue impact of long-term shift away from large in-person conferences and events

## Opportunities

- Next Moves investments in research and learning generate new revenue streams
- Online growth
  - Purdue Online – new program launches in several colleges
  - Increased WL undergrad content available online
- Purdue For Life impact on fundraising
- Shift to virtual/remote work
  - Less travel to meetings
  - More efficient/lower cost space utilization
- Public-private hospitality partnerships operating in a post-pandemic environment