FY23 OPERATING BUDGET

Board of Trustees – June 10, 2022

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Operating Budget Components

Included:

- Operating (Including Debt)
- +
- Repair and Rehabilitation (R&R)
- +
- Sponsored Programs (SPS)
- =
- Total Operating Budget

Not Included:

- Capital (New Building and Major Renovations)
- Endowment (Gifts and Investment Gain/Loss)
- Agency Funds (Pass through Student Aid)

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FY23 Goals & Objectives

Student affordability

- 10th year of tuition freeze at West Lafayette campus
- Small tuition increases at Northwest and Fort Wayne campuses
- No increase to West Lafayette housing and dining rates

Fiscal responsibility

- Modest steady-state operating surplus

Strategic investments

- Instructional enhancements to support 38,000+ undergrads
- 5% compensation increase at West Lafayette Campus
    - 4% merit pool **PLUS** 1% compensation pool for targeted market adjustments to ensure competitive salaries for faculty, staff, and graduate assistant stipends
- Staffing for Purdue Online growth
- Year 2 of 5-year investment in Next Moves – new research, learning and student access initiatives

Transparent and adaptive financial culture

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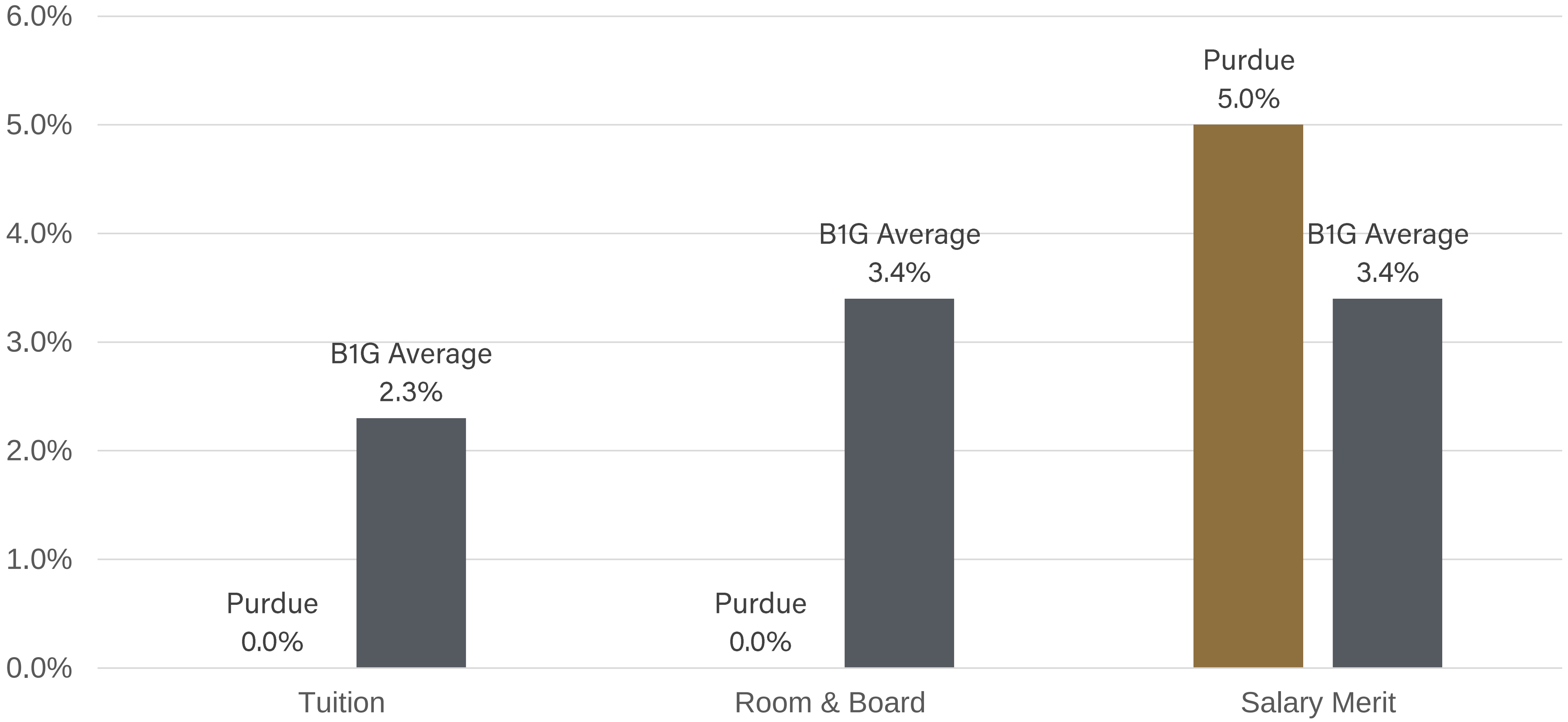
FY23 Key Assumptions - West Lafayette

Category	FY23 Change	Notes
		Revenue
Tuition & Fees	↗	**10th year Tuition freeze**; 38K undergrads (+899 vs. FY22), 7% increase in Purdue Online growth
Sales & Services	↑	Hospitality growth (Union Club, Retail Dining), increased student housing capacity
F&A Recovery	↗	5% growth driven by increasing awards and expenditures
Gifts & Investments	↗	Modest growth in fixed income yields, increase in endowment distributions from growth
State Operating	→	<0.5% operating increase
		Expenses
Strategic Initiatives	↑	Enrollment Growth, Next Moves - Year 2
Compensation	↑	4% merit increase + 1% pool for market wage adjustments, grad stipend investment
Purchasing	↗	New housing master leases, increased startup expenses from faculty growth
Travel	↗	International/Study Abroad travel increases (total travel at 75% of FY19)
R&R	↑	Project expenses return to pre-COVID levels
Protect Purdue	↓	PPHC transitioned to new operational model

Big 10 FY23 Key Rate Comparisons



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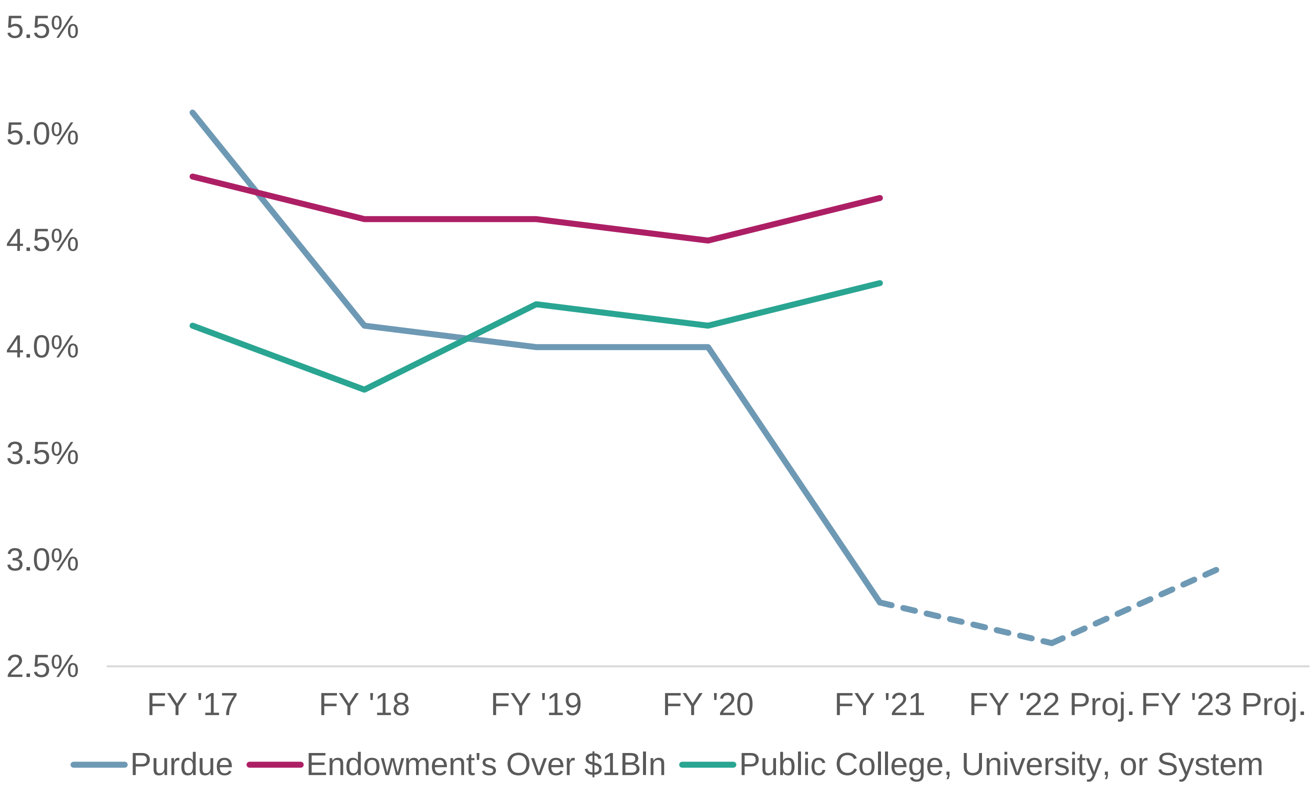
Endowment Effective Spending Rate Comparison



Planned multi-year distribution rate decrease began in FY18

- From 5.0% of the trailing 12-quarter market value to 4.0%
- All distribution rates at 4.0% as of FY23

Effective spending rate declines also attributable to:

- Reinvestment of PIPC Quasi and other distributions
- Strong market value gains
- Robust fundraising

Source:2021 NACUBO-TIAA Study of Endowments. Effective spending rate is the amount spent from the endowment divided by its current market value. It differs from the stated spending rate as it uses current market value in the denominator rather than the 12-quarter average market value. As such, it will fluctuate around the stated spending rate. When the market value is growing, it will be lower than the stated rate and when the market value is shrinking, it will be less than the state spending rate. FY '22 ending market value assumes the April 30, 2022, market value of $3,900mm is the market value of Endowment assets on June 30, 2023. Furthermore, the analysis assumes that the PIPC Quasi continues to reinvest distributions. The value of PIPC Quasi assets are assumed to be $675mm on June 30, 2023, which is the value of PIPC Quasi assets on April 30, 2022. Projected spending in FY '23 does not consider differences in the spending policy for Separately Held endowments and trusts. FY '23 projection goes up largely due to lower market values from FY '20 rolling off the 12-quarter average.

FY23 Operating Budget By Campus

Steady-State Operations (in millions)

		West Lafayette	Northwest	Fort Wayne	Total
Revenue					
	Tuition & Fees	1,003	59	60	1,121
	Appropriations	344	56	54	453
	Sales & Services	380	5	14	399
	Gifts	69	1	1	71
	Grants & Contracts	486	21	13	521
	Investment Income & Distributions	122	3	4	130
	Other Revenue	39	1	1	41
	Revenue Total	**2,443**	**146**	**147**	**2,736**
Expenses					
	S&W	1,103	66	65	1,234
	Fringes	367	21	21	410
	Supplies & Services	535	24	26	586
	Overhead	(5)	3	2	-
	Capital	129	3	4	136
	Scholarships, Fellowships & Awards	158	18	20	195
	Debt and Financing Expenses	76	6	10	91
	Expenses Total	**2,363**	**141**	**148**	**2,652**

FY23 Surplus/(Deficit)	**80**	**5**	**(1)**	**84**

Risks & Opportunities

Risks

- Workforce constraints
  - Tight labor market for staff, especially service positions
  - Consistently increasing wage competition
- Supply chain disruptions
  - Long lead times and limited availability
  - Increasing costs
  - Biggest impacts on commodities, equipment, and construction materials
- Recession indicators
  - Impacts to philanthropy, endowment performance, and family income
- Covid resurgence

Opportunities

- Growth in sponsored programs
  - Upward awards trends in both PU and PARI
  - New and enhanced facility capabilities
- Improved national recruiting through remote work
- Continued Online program growth driven by more capable in-house management and services
- Improved recruitment of grad students
  - Especially among domestic students in competitive fields

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