Dear USF Faculty and Staff,

As you read last week in the **Spring 2023 Census message**, there are encouraging reports that our graduate enrollments in some programs show signs of improving, as well as the very sobering news that the current third-quarter forecast of the university's net tuition revenue for FY23 is approximately $5.9 million less than budgeted. The decline in overall enrollment underpinning this forecast is one of several conditions that combine to create a situation for university operations next year that requires constraint and careful thought.

Like many organizations — both in higher education and beyond — USF is still weathering the many repercussions of the COVID pandemic. The challenges we are facing range from inflation that has dramatically driven up our costs for insurance, utilities, and software licensing to the decisions our current and potential future students and their families are making about college in the context of significant financial pressures.

This is an extremely challenging time for us all. Many of you are now hearing from your deans and division heads about the actions we are taking to submit a balanced budget to the USF Board of Trustees when it meets at the end of March. As we undertake this difficult work, USF's leadership is committed to continuing to strengthen our core mission-driven activities, to supporting our students, to investing in programs and initiatives that will position us for success, and to ensuring we work together to advance our distinctive brand of Jesuit justice-oriented education.

We must navigate the challenges we face with transparency for our community and our students and unity in our mission, vision, and values as a Jesuit university educating persons for and with others.

We write today to share where we are and what's next.

For FY24 we are currently anticipating an estimated $39.5 million gap comprising net revenue declines (estimated at $2.4 million), increased operating expenses of $24.1 million, and a $13 million carry forward of last year's gap. The unusually large increase in expenses is attributable to inflationary pressures throughout the university's operations. Revenue declines are driven by decreased new and continuing undergraduate and graduate enrollment projections. Deans, program heads, and our Strategic Enrollment Management division are leveraging innovative recruitment and yield activities, with the goal of improving our enrollment forecast. Since we do not yet know the outcome of those efforts, we are asking the schools, the college, and divisions to submit budget cuts totaling $26.5 million at this time. After May 1, we will have more clarity around enrollments for the fall, as potential students respond to our offers of admission. If the gap persists, we may need to institute another round of cuts.

This is a very significant budget gap. We want to share information on the process we followed and the input we received from the President's Cabinet, the University Budget Advisory Council (UBAC), and how we reviewed and considered requests for additional funding from the community.

The FY24 budgeting process began in spring 2022, when we began reviewing 60 budget assist requests for specific funding increases. The requests totaled $34.4 million, including $22.4 million in non-discretionary and contractual increases.

At about the same time, four factors combined to impact our budgeted revenues and expenditures, specifically:

1. Undergraduate fall-to-fall retention dropped to our lowest level since fall 2018, resulting in fewer continuing students and lower overall enrollment, an indication of the ongoing mental health and financial impacts of the pandemic on the communities we serve.

2. We saw a sharp decline in undergraduate applications beginning in early December — especially from public schools — and, despite prompt action including the creation of a new Direct App that increased application metrics, we anticipate that we will fall short of our original fall target.

3. The newly acquired building at 250/270 Masonic Avenue added approximately 1.1 percent to the budget for FY24, mostly for facilities maintenance and debt payments.

4. We saw a decrease of 19 percent in new graduate enrollments in fall 2022 relative to budgeted targets, resulting in a shortfall of $4 million on our net tuition goal for the current year.

So, what's next?

On March 1, schools and divisions will submit their reductions to the president.

Some areas of the university, particularly those that directly serve our students such as student mental health support and public safety, have been exempted from cuts.

Despite the fact that this is a large budget gap, we do not anticipate wide-scale layoffs, and we are committed to seeing through bargaining for our represented employees and ensuring our non-represented employees are fairly compensated.

Savings to close the budget gap are allocated to university divisions on a pro rata basis, relative to each division's portion of the current base budget minus the exemptions. Planning to achieve those savings is underway.

In previous years, reductions were a combination of base and one-time cuts. At this time, divisions have not been asked to distinguish between one-time and base cuts. As the Integrated Strategic Enrollment Plan (ISEP) was implemented, the Office of the Provost began an evaluation of the optimal pace for enrollment growth and the impacts on tuition revenue. The team is now working to develop realistic multi-year projections that will enable the university to identify whether base cuts need to occur to match projected expenses to projected revenues.

The acquisition of the 250/270 Masonic Avenue property adds approximately $4.1 million, or 1.1 percent, to the FY24 budget, needed for facilities maintenance and debt payments. This acquisition is an important investment for our future, supporting growth in vital academic programs and the expansion of faculty research and grant activity in STEM and beyond.

The university is actively engaged in addressing the cycle of annual budget cuts. Extraordinary efforts are underway to improve USF's market position, enhance the attractiveness and visibility of our programs, and bolster enrollments and net revenues. These include a new digital marketing campaign, enhancement of academic program websites, new scholarships and yield efforts, reimagining the core curriculum, developing cutting-edge academic programs, and expanding retention efforts. Your hard work on these initiatives and more are positioning USF for a strong future. By leveraging the collective talent and vision of our community, we will emerge from this challenging time poised to thrive.

We will be communicating with you on a regular basis over the coming weeks about the budget development process as deans and vice presidents bring forward their gap closing plans.

Please watch for information and consider registering for the upcoming President's Town Hall and the Provost's Open Forum.

Sincerely,

Paul J. Fitzgerald

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