



Eastern Michigan Budget Forum – July 14, 2011

- Ninth in series of campus budget discussions w/President Martin that began in the Summer of 2009 (Last Forum - May 4, 2011).
- Focus on Eastern's budget and financial position as well as topics impacting our budget and external environment.

Today's Agenda

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| ■ Introduction | President Martin |
| ■ “The New Agenda for a New Michigan” | Lou Glazer, President Michigan Future, Inc. |
| ■ FY12 Budget Update | John Lumm |



FY12 BudgetSignificant Challenges, Difficult Decisions.....

Adopted Budgets Focused on Students and Building on Positive Momentum

- **Maintain Leadership Position in Tuition Restraint**
 - 3.65% Increase (\$10.20 / credit hour)
 - Three year average 2.5% (vs. 6.3% other public universities)
 - Eastern's increase over three years about \$1,000 less
 - With new lab and studio fees, 4.25% weighted average increase

- **Continue Investments in:**
 - Educational Quality (Faculty, \$1M to fund New/Growing Acad. Programs)
 - Financial Aid (up \$3.3M, 10.8% in FY12; 57% increase over four years)
 - Facilities (Third year of Five year \$200M Capital Spending Plan)

- **Difficult Challenges, Discussions, Decisions, and Tradeoffs**
 - Cost containment focus on administration; try not to impact students, classroom, campus life experience
 - Personnel actions very painful for campus community



Three Primary FY12 Budgets - the Numbers and Key Assumptions

- FY12 General Fund Operating Budget - \$281.4 Million
 - Balanced Revenues and Expenditures
 - Operating Budget essentially flat year-to-year (FY11 \$280.9M)
 - Revenues - 1.75% assumed growth in credit hours plus tuition/fee increases offsetting \$11.4M (15%) reduction in state appropriation
 - Expenditures – administrative cost savings offsetting increased financial aid, higher instructional costs, new program funding, and other increases
 - No planned use of reserves, but meeting FY12 budget a challenge
 - Enrollment up 7% last two years
 - Fall 2011 enrollment trending slightly up, but not close to budgeted 1.75%
 - Expenditure budgets tight and must be met – need your help

- FY12 Auxiliary Activity Operating Budget - \$40.7 Million
 - Reflects 2.15% aggregate room and board increase



Three Primary FY12 Budgets - the Numbers and Key Assumptions (Cont)

- **FY12 Capital Budget – \$38.1 Million**
 - \$26.7M - Science Complex (\$90M total), Pray-Harrold (\$42M)
 - \$2.0M - IT Infrastructure
 - \$1.9M - Rackham Renovation (expand academic programs)
 - \$1.8M - Hoyt Renovation
 - \$1.3M - Athletics Facilities (Title IX gender equity compliance)
 - \$4.4M - Asset Preservation, Parking Infrastructure, Safety & Security, Energy Savings

- **Five Year Capital Spending (FY10 through FY14) of \$200M - spending allocation:**
 - 70% academic facilities, 7% housing, 5% IT, 4% athletic facilities, 14% for safety/security, asset preservation/infrastructure, energy savings projects

Cost Containment....not across the board cuts, reduced administration

- Over \$15M in cost avoidance and savings included in FY12 Operating Budget
 - Comprehensive, rigorous process – division based, division led
 - Savings focused on administration – actions to minimize impact on students/classroom
 - Modest increases projected in number of Faculty and FT- Lecturers
 - Savings in both personnel and non-personnel (SS&M, travel, etc) costs
 - Only departments of Public Safety, Legal Affairs, Govt. Relations “held harmless”

- Cost avoidance and savings by division

<u>Division/Dept.</u>	<u>Total Savings as Percent of FY11 GF Budget</u>	<u>Position (FTE) Reductions as Percent of FY11 GF (FTE) Budget</u>
□ Academic Affairs	4.5%	2.7%
□ Physical Plant	9.4	8.8
□ SAEM	8.9	8.1
□ Information Technology	8.3	8.3
□ Athletics	5.0	2.9
□ Business and Finance	7.7	9.9
□ All Other	<u>6.1</u>	<u>6.0</u>
□ Total University	5.5%	4.4%

Summary of Personnel Actions in FY12 Budget.....

- Status of Personnel Actions (at July 12 including re-calls)

<u>Employee Group</u>	<u>Position/FTE Reductions</u>	<u>Employee Layoffs</u>			<u>June 1 Actual Headcount</u>
		<u>Vol</u>	<u>Invol</u>	<u>Total</u>	
Admin/Prof (AP)	19.50	1	9	10	245
Prof/Tech (PT)	26.07	0	9	9	413
Clerical/Sec (CS)	21.50	3	8	11	248
Food/Maint (FM)	8.00	0	4	4	201
Faculty/FT Lecturer	None		None		786
Police/Coaches/CC/AH	<u>None</u>		<u>None</u>		<u>85</u>
Total University	75.07	4	30	34	1,978

- On June 21 (day Board adopted budgets), the number of anticipated layoffs was “over 40” and the position reductions were “more than 70”.
- Approximately 85 employees impacted (layoff, new position, new classification). Recalls as vacancies occur already happening
- FY12 pay freeze for some employees (NBF, AFSCME, Police Sergeants)



Conclusion and A Look Ahead.....

- Budget Process and Development
 - Could have implemented Across-the-Board cuts or simply raised tuition 7% - Instead, chose strategic path to build on recent growth, positive momentum.
 - Priorities were/are affordability, access while continuing investments in our students, academic quality, and campus experience

- Transition Period Now
 - Change is difficult, but necessary, normal and offers opportunity
 - How adjustments are made will be critical to future success

- Eastern on Positive Trajectory – with everyone’s full, positive engagement, leadership, and best efforts, that will continue

- Begin building FY13 now – continue to look for administrative efficiencies and to build enrollment