

Eastern Michigan Budget Forum-March 17

- Seventh in Series of campus budget discussions with President Martin, beginning in Summer of 2009
- Focus on Eastern's budget and financial position as well as topics impacting budget

TODAY'S AGENDA

- Introduction President Martin
- Eastern Budget Update John Lumm
 - FY11 Status
 - FY12 Challenges (Principles and Process)
- "Michigan's Economy: Past, Present And Future" Charles Ballard
Professor of Economics,
Michigan State University

Outlook for Fiscal Year 2011 “Mixed”
Second Consecutive Year of Enrollment Growth, but Budget Challenge

- Three Primary University Budgets:

	<u>Annual Budget</u>	<u>Status</u>
• General Fund (GF) Operating	\$280.9 M	Challenge
• Auxiliary Activities Fund	\$ 38.6 M	On Track
• Capital Expenditures	\$ 67.6 M	On Track

- GF Operating Budget Challenge -about 1% (\$3.0 - \$3.5M), resulting from revenue growth less than budget and higher than anticipated expenditures in first half of year

- Student Credit Hour Growth of 2.4% projected for FY11
 - 6.8% growth (35,000 hours) over last two years
 - 3.4% growth reflected in FY11 budget

- Expenditures - through January, trending about \$2.5M over budget for year. Savings plans identified and implemented that will bring costs in line with budget for year
 - University wide savings with all Divisions committed and participating
 - Savings primarily SS&M; also unspent ABBP, designated fund actions, and strict control over filling open positions; most savings actions one-time

- Continue to closely monitor budget performance; evaluate further near-term actions

Challenge for FY2012 Much More Severe..... Governor's Budget Proposal Reflects Significant Reduction in Higher Education Funding

- Eastern's current year appropriation \$76.0M -Governor's proposal for FY12:
 - Reduces Eastern's base funding by \$14.7M (19.3%) to \$61.3M
 - Adds \$3.3M back (Tuition Incentive Grant) if FY12 tuition increase below 7.1%
 - Assuming Tuition Incentive Grant, net funding reduction of \$11.4M (15.0%)
 - \$11.4M equivalent to 4.1% of Eastern's total GF operating budget of \$281M
- Depending on enrollment assumption, \$10M - \$12M of cost avoidance, cost savings, or new revenues required to balance FY12 operating budget even if the Board adopted a 7% tuition and fee increase, reflecting:
 - State funding reduction
 - Scheduled pay and normal operating cost increases
 - Budget deficit carryover from FY11
- Planning for FY12 underway since last Fall:
 - Scenario planning / modeling - staff and University Budget Council (UBC)
 - Board of Regents retreat Feb. 14 - UBC input presented to Board
 - Next Board retreat to discuss budget issues will be April 13 or 14
 - Board action on budget expected June 21
- Difficult discussions and decisions in next 60 days – over two-thirds (68%) of Eastern's costs are personnel.

Guiding principles and approach to FY12 budget development..... building on Eastern's positive momentum

Principles:

- Resource allocation focused on growth and building on momentum
- Academic quality, and campus safety and security are top priorities
- Recognize importance of re-investment in aging facilities
- Participation and ownership of need to reduce expenditures significantly
- Budget structurally balanced and sustainable

Approach:

- NOT across-the-board reductions
- Transparent, frequent communication with full campus engagement
- Re-assess all we do and how we do it
 - context of core/non-core, cost/benefit; optimize service delivery
- Budget development workstreams:
 - University-wide compensation (cost avoidance and cost savings)
 - Auxiliaries, Centers, Institutes (plans for self-sustainability)
 - Support Divisions (efficiency actions)
 - Academic Affairs (efficiencies in Academic support and instructional delivery)
 - Revenue-related (enrollment, revenue enhancements, financial aid)