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:  
<table>
<thead>
<tr>
<th>Annual Budget</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund (GF) Operating</td>
<td>$280.9 M</td>
</tr>
<tr>
<td>Auxiliary Activities Fund</td>
<td>$ 38.6 M</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>$ 67.6 M</td>
</tr>
</tbody>
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• 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)