

Eastern Michigan Budget Forum-May 4

- Eighth in a series of campus budget discussions w/ President Martin that began in the Summer of 2009.
- Focus is on Eastern's budget and financial position as well as topics impacting the budget.

TODAY'S AGENDA

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|---|------------------|
| • Introduction | President Martin |
| • FY12 Budget Update <ul style="list-style-type: none">• Dimensioning the challenge• Trade off between cost savings & tuition increases• Athletics at Eastern• Budget development next steps | John Lumm |
| • Q & A / Open Dialogue | All |

Guiding principles and approach to FY12 budget development..... building on Eastern's positive momentum (March 17 Forum)

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)

Major Year-to-Year Budget Challenges are Lower State Appropriations & Funding Normal Operating Cost Increases

- State Appropriations Reductions (Millions):

	<u>Gov</u>	<u>House</u>	<u>Senate</u>	}	All result in approx. 15% net reduction from \$76M in FY11
– Base Reduction	\$(14.7)	\$(14.5)	\$(11.4)		
– Tuition Incentive Grant	3.3	3.3	n/a		
– Net Reduction	\$(11.4)	\$(11.2)	\$(11.4)		

- FY12 Costs projected to increase \$12M before savings/avoidance actions including;

– Scheduled Pay Increases	\$3.3M	– Health Care/Other Cost Inflation	\$2.3M
– Financial Aid	3.3M	– Science Complex Addition	0.7M
– Volume Related Instruction	0.8M	– All Other/Contingency	1.6M

- FY11 budget deficit carryover largely offset with 2% increase in student credit hours for FY12. Total challenge before tuition increase or any cost savings is \$24 Million.

- Faculty Senate Resolution (April 6th) recommends \$11.1M in cost savings, 7% tuition and fee increase is then required to balance budget at 2% SCH growth.

- 7% is equivalent to \$586 for full-time (30 hours) in-state undergraduate.

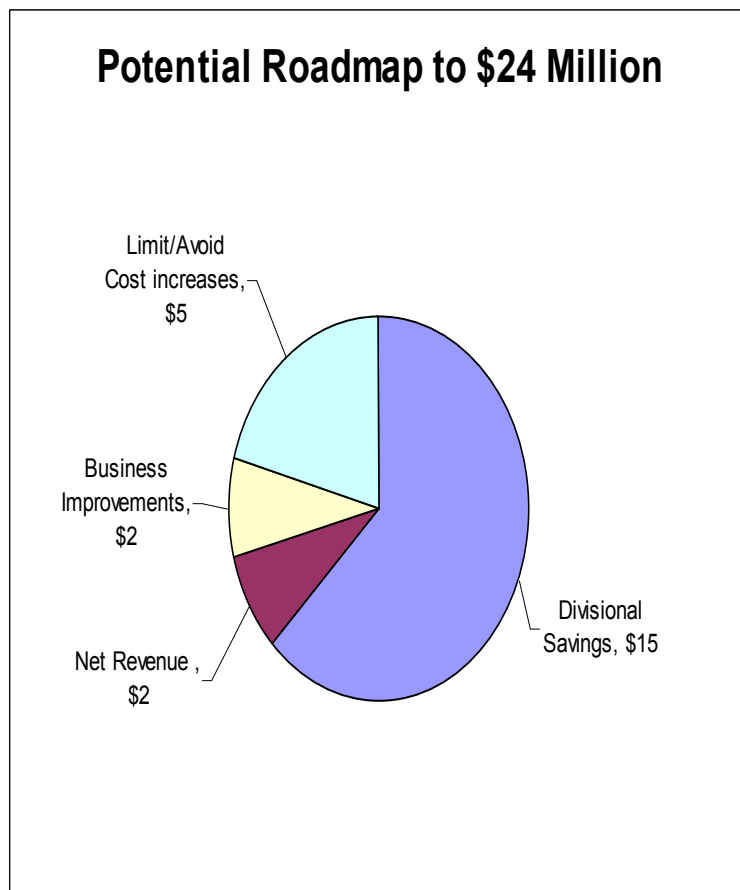
Balancing the FY12 Budget.....

Cost Savings and Increases to Tuition and Fee Rates

<u>Tuition & Fee Rate Increase</u>	<u>Increased Revenue</u>	<u>Required Cost Savings</u>	<u>Impact on Full-Time Resident Undergrad</u>
7%	\$13M	\$11M	\$586
5%	9M	15M	\$419
3%	6M	18M	\$251
0%	----	24M	----

- Challenge is to develop a budget that optimizes Educational Quality, Campus Life/Experience **and** Affordability/Accessibility for students.

Painting a Picture of \$24M in Cost Savings & Revenue Enhancements



Divisional Savings **\$15 M**

- *How to Achieve \$15M in Savings?
 - Prioritize Actions with Impacts
 - Targets to Divisions (DPS, Legal “held harmless”, AA 6%, all others 10%)
- *Reductions in staffing levels, SS&M, travel,

Limit/Avoid Cost Increases **\$5 M**

- *Pay Increases(Pres. Apr. 20th Announcement)
- *Health Care/Other/Contingency

Business Improvements **\$2 M**

- *Ancillary, GF-supported activities become more self-sustaining
- *Purchasing-related and other business process savings

Net Revenues **\$2 M**

- *Selected Fees, Financial Aid
- *Other non-tuition based revenues

Athletics at Eastern

- MAC Affiliation, Division 1A Athletic Status strategically important for Eastern
 - (21 teams, 500+ student athletes, Fall 2010 GPA 3.117)
- MAC's Four Priority Sports
 - Football
 - Men's Basketball
 - Women's Basketball
 - Women's Volleyball
- Relative to Other MAC Universities, Eastern's:
 - Revenues are Low
 - Expenditures are Average
- Eastern's Athletic Assets, Infrastructure in place, so challenges are:
 - To generate additional ticket revenues and campus engagement.
 - To raise performance level of primary revenue-generating sports (Football, Men's B-Ball) to the level of Eastern's "Olympic" sports teams.

- Athletics Financials (FY10 Actuals)

	<u>Direct</u>	<u>Incl. Allocated Costs (EADA)</u>	
Expenditures	\$ (18.9)	\$ (24.8)	} —
Revenues	<u>12.8</u>	<u>12.8</u>	
Net	\$ (6.1)	\$ (12.0)	

*Total Univ. Exp. \$330M
 *Revenue includes Tuition, Room & Board paid by student athletes

- Title IX and NCAA Certification-related spending

FY12 Budget Development – Next Steps

- Continue to refine/understand impacts of cost savings plans
- President Martin divisional reviews earlier this week and on-going.
- Weekly work sessions w/ BOR's ad-hoc committee - Division, topic and status reviews
 - April 22nd Legal, Gov't Relations, DPS
 - May 6th Academic Affairs/Colleges, Auxiliaries/Financial Aid
 - May 13th SAEM, Athletics, IT, Marketing/Communications
 - May 20th Physical Plant, B&F, HR, other Revenues/Fees
 - May 25th Scheduled BOR Pre-Finance Conference Call
- University Budget Council (UBC) to meet May 10 & 17.
- Board of Regent action on budget expected at the June 21st meeting.