**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**

- **Introduction**
  - President Martin

- **FY12 Budget Update**
  - John Lumm
    - Dimensioning the challenge
    - Trade off between cost savings & tuition increases
    - Athletics at Eastern
    - Budget development next steps

- **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):
  - Base Reduction  $(14.7) \quad $(14.5) \quad $(11.4)  All result in approx. 15%
  - Tuition Incentive Grant  3.3  3.3  n/a  net reduction
  - Net Reduction  $(11.4) \quad $(11.2) \quad $(11.4) from $76M in FY11

- 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

<table>
<thead>
<tr>
<th>Tuition &amp; Fee Rate Increase</th>
<th>Increased Revenue</th>
<th>Required Cost Savings</th>
<th>Impact on Full-Time Resident Undergrad</th>
</tr>
</thead>
<tbody>
<tr>
<td>7%</td>
<td>$13M</td>
<td>$11M</td>
<td>$586</td>
</tr>
<tr>
<td>5%</td>
<td>9M</td>
<td>15M</td>
<td>$419</td>
</tr>
<tr>
<td>3%</td>
<td>6M</td>
<td>18M</td>
<td>$251</td>
</tr>
<tr>
<td>0%</td>
<td>----</td>
<td>24M</td>
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</tbody>
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- 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

**Potential Roadmap to $24 Million**

**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 - Women’s Basketball
  – Men’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)

  Expenditures $ (18.9) $ (24.8) *Total Univ. Exp. $330M
  Revenues 12.8 12.8 *Revenue includes Tuition, Room & Board paid by student athletes
  Net $ (6.1) $ (12.0)

• 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 22\textsuperscript{nd} Legal, Gov’t Relations, DPS
  – May 6\textsuperscript{th} Academic Affairs/Colleges, Auxiliaries/Financial Aid
  – May 13\textsuperscript{th} SAEM, Athletics, IT, Marketing/Communications
  – May 20\textsuperscript{th} Physical Plant, B&F, HR, other Revenues/Fees
  – May 25\textsuperscript{th} 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 21\textsuperscript{st} meeting.