FY 2011 Budget Discussions

Budget & Finance Committee of the Academic Senate—March 8, 2010
State of Michigan
General Fund Revenue Estimates

- Appears that State has hit bottom of recession
  - Revenues are down $2.0 B from FY 2008
  - 21 other states had larger percent decreases in their budgets
- State lost over 200k jobs in FY 2009 alone
- State revenue, after inflation adjustment, are now what they were in 1960s
- FY 2011 will be out of balance by $1.5 B unless there is a significant change to revenue stream or budget cuts
• National Average: 67% or 5.6%/yr; Michigan: 17% or 1.4%/yr
• In FY 1997 NC & MI had basically same appropriation ($1.7 B). Since then, NC has invested an additional $2.0 B into Higher Ed. MI invested an additional $300 M.
Changes in WSU General Fund Budget

FY 2001--$381 M

- Tuition & Fees: 28%
- State Approp: 63%
- Other: 3%
- ICR: 6%

FY 2010--$543 M

- Tuition & Fees: 53%
- State Approp: 39%
- Other: 1%
- ICR: 7%
State Appropriations
Actual vs. HEPI Adjusted

Source: HEIDI
General Fund Revenue
Actual vs. HEPI Adjusted

Source: HEIDI
FY 2011 Budget Overview

• Governor’s Budget plan:
  – No reductions in State appropriations to higher education
    • Replaces stimulus funds as base funds.
    • Base impact of $6 M increase to WSU
  – Governor also indicated:
    • Would veto any bill that included cuts to education
    • Would not submit a stimulus waiver plan to feds

– Michigan Promise
  • Now a tax credit of $4000 if student graduates and works for one year in State of Michigan
Examples of Past Permanent Budget Reductions

• Over the past several years, WSU has taken over $50 M in base reductions. The following are some examples of these cuts:

  – Elimination of over 200 positions: ---$14 M
    • Cutting non-academic vacant lines
    • Reduction of management and support staff due to consolidation and administrative restructuring
    • Early retirement program
    • Reduction in use of Technicians
  – Reduced faculty lines--$2.8 M over last three years
  – Salary freezes for top paid administrative positions-- $0.4 M
  – Combined College of Liberal Arts & Sciences --$0.4 M
  – Eliminated College of Urban, Labor and Metropolitan Affairs --$1.5 M
  – Re-organized & consolidated two Vice President areas -- $1.0 M
  – Eliminated and/or consolidated departments-- $3.1 M
  – Elimination of Graduate Assistant lines $0.2 M
  – Implemented purchasing and hiring freezes $0.4 M
  – Improvement of business processes such as Information Technology efficiencies or centralizing services $3.2 M
  – Developed purchasing plans to provide saving with mass purchasing--TBD
  – Consolidated administrative support $0.2 M
  – Recaptured a portion of travel and supplies $0.1 M
  – Reduction of Program Enhancements $0.2 M

<table>
<thead>
<tr>
<th>Category</th>
<th>$ Amount</th>
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<tr>
<td>Instruction</td>
<td>$19.2 M</td>
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<tr>
<td>Admin &amp; Support</td>
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<tr>
<td>Operating</td>
<td>$7.4 M</td>
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<tr>
<td>Total</td>
<td>$51.6 M</td>
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How are Other Institutions Dealing with the State Budget Situation?

• University of Michigan
  - President told the Senate hearing last week that UM is cutting $22 M (1.5%) from budget

• Michigan State
  - Committed to cutting $50 M (2.5% per year) over two years.
    - Includes a 30% increase in general fund financial aid dollars
    - Impact is about $10 M per year
FY 2011 Budget Planning Summary

- Plans to deal with potential cuts at three levels:
  - University wide
  - Deans/Schools and Colleges
  - Vice presidents

- Vice President / Schools / Colleges are developing preliminary budget reductions
- Deans will work with faculty budget groups finalize School / College recommendations
- All VP and Deans are meeting with President over next several weeks to further refine possible reductions
FY 2011 & FY 2012 Budget Model

- Interactive Budget Model allows users to examine interaction of revenue and expenditure assumptions.
- Model shows how budget adjustments in FY 2011 will have impact in FY 2012
- Models works with “sliders”
  - Move slider to show impact on specific category and the corresponding impact on the entire budget
  - Model will be emailed to you on Friday (March 12)
# FY 2011 and FY 2012 Budget Model

## Revenue Inputs

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<tr>
<th>Item</th>
<th>FY 2010 (Current)</th>
<th>% Change</th>
<th>FY 2011 (Preliminary)</th>
<th>% Change</th>
<th>FY 2012 (Preliminary)</th>
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## Expense Inputs

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## 2011 Deficit ($ in M)

- Revenue: $570
- Expenses: $970
- Deficit: $-370

## 2012 Deficit ($ in M)

- Revenue: $570
- Expenses: $970
- Deficit: $-370
What Combination of Tuition & State Appropriations does WSU Need to Balance the FY 2011 Budget?

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<th>7.5%</th>
<th>10%</th>
<th>12.5%</th>
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<th>17.5%</th>
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<td>-20%</td>
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<td>($18.8)</td>
<td>($14.3)</td>
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Questions?