

# ***Budget Discussion***



Northern  
Michigan  
University

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***Board of Trustees Meeting  
July 18, 2014***

# *Overview*

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- ▶ Resource and Expenditure adjustments
- ▶ Divisional budget reductions
- ▶ Faculty Early Retirement Incentive Plan (ERIP) summary

# ***FY2014-2015 Revenue Budget Summary***

Category	Amount
<b>Net tuition and enrollment revenue adjustment:</b>	
Current year tuition shortfall fall/winter/summer [fiscal year 2013-2014]	-\$780,000
Fiscal Year 2014-2015 projected enrollment decline – net impact (-5.0%)	-\$3,949,000
Fiscal Year 2014-2015 tuition increase – net impact (3.2%)	\$2,844,000
Fiscal Year 2014-2015 financial aid decrease – net of enrollment decline	\$194,000
Total tuition and enrollment revenue impact	-\$1,691,000
Percent Increase	-2.7%
<b>Appropriation adjustment:</b>	
State appropriation (+6.1%) [tuition restraint at 3.2%]	\$2,557,000
Percent increase	6.1%
<b>Total revenue adjustments (excluding carry-over balances):</b>	
Net revenue increase	\$866,000
Percent Increase	0.8%

# ***FY2014-2015 Expenditure Budget Summary***

Category	Amount
<b>Expenditures increases for 2014-2015 :</b>	
Compensation, taxes, and other benefits	\$2,370,000
Utilities	\$500,000
General support (supplies, materials, services, technology, and equipment)	\$217,000
Enrollment related initiatives	\$182,000
Total Inflationary costs	\$3,269,000
Percent Increase	3.0%
<b>State Mandates increases for 2014-2015:</b>	
Increased state mandates [minimum wage]	\$275,000
Percent increase	0.3%
<b>Divisional budget reductions for 2014-2015:</b>	
Reductions to fiscal year 2013-2014 divisional budgets	-\$2,678,000
Percent decrease	-2.5%
<b>Total adjustments for 2014-2015:</b>	
Total cost increase	\$866,000
Percent Increase	0.8%

# Faculty ERIP Summary

	Enrollment Decline Levels		
Summary	5%	4%	3%

## Summary for 2014-2015

Total ERIP funds available	\$4,869,000	\$4,869,000	\$4,869,000
Reserve for plan payback over 2 years	-\$1,704,000	-\$1,704,000	-\$1,704,000
Savings utilized for reductions	-\$1,589,000	-\$959,000	-\$328,000
<b>Reserve balance available for academic initiatives and educational equipment in FY2014-15</b>	<b>\$1,576,000</b>	<b>\$2,206,000</b>	<b>\$2,837,000</b>
Reserve balance available for reinvestment in academic initiatives and educational equipment in FY2015-16	\$1,576,000	\$2,206,000	\$2,837,000
Reserve balance available for academic initiatives and educational equipment in FY2016-17	\$3,280,000	\$3,910,000	\$4,541,000

# *Process*

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- ▶ Preliminary targets identified based on across-the-board cuts by division
- ▶ Divisions identify potential reductions based on targets
- ▶ Review and identify university-wide operational saving opportunities
- ▶ Identify savings from early retirement incentive plan
- ▶ Prioritize reductions based on impact to strategic goals, mission, vision, and critical operations of the university
- ▶ Final review and recommendation of reductions
- ▶ Implement reductions

# *Areas Recommended for Reductions*

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- ▶ Position reductions through restructuring of operations and utilization of early retirement incentive plan savings
- ▶ Suspension and elimination of low enrollment programs
- ▶ Reductions of positions through new technologies
- ▶ Reductions in travel and professional development budgets
- ▶ Reduction in supplies budgets
- ▶ Selective reductions in programming
- ▶ Restructuring technology program

# ***FY2014-2015 Potential Divisional Cuts and Impact***

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Amount	Type of Reduction
<b>Academic Affairs: (Total Reductions: -\$2,040,000)</b>	
\$1,589,000	Elimination of faculty positions (utilization of faculty ERIP savings)
\$192,000	Suspension and elimination of Early Childhood Development Program (low enrollment program)
\$159,000	Suspension and elimination of Respiratory Therapy Program (low enrollment program)
\$100,000	Reduction in adjuncts and overloads for academic programs

*Note: Total reductions for Academic Affairs will be reduced should enrollment decline less than budgeted (the amount of ERIP savings utilized will be reduced and set aside as a reserve for Academic Affairs program initiatives and academic equipment reinvestment)*

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# ***FY2014-2015 Potential Divisional Cuts and Impact***

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Amount	Type of Reduction
Finance and Administration: (Total Reductions: -\$500,000)	
\$300,000	Reduction in technology investments and restructuring of notebook program
\$120,000	Elimination of senior management position and support budget and restructuring to business analysis and compliance support
\$40,000	Elimination of vendor payables audit positions through implementation of new technologies – net savings
\$15,000	Reduction in travel and professional development
\$15,000	Reduction in professional services for capital projects
\$10,000	Reduction in office supplies and support across all departments

# ***FY2014-2015 Potential Divisional Cuts and Impact***

Amount	Type of Reduction
<b>Enrollment Management and Student Services: (Total Reductions: -\$84,000)</b>	
\$84,000	Restructuring of student services staffing
<b>President's Division: (Total Reductions: -\$10,000)</b>	
\$10,000	Change in campus student shuttle bus services.
<b>Advancement: (Total Reductions: -\$20,000)</b>	
\$18,000	Reduction in Alumni Relations support for production of Horizons
\$2,000	Reduction in transfer of funds to the Foundation from the general fund for support of corporate and foundation development

# ***FY2014-2015 Potential Divisional Cuts and Impact***

Amount	Type of Reduction
Athletics and Recreational Services: (Total Reductions: -\$24,000)	
\$15,000	Decrease in custodial and trades overtime in recreational facilities
\$6,000	Decrease in concession manager position FTE
\$3,000	Decrease in number of fitness classes and close PEIF facility on select days
Total Reductions: (-\$2,678,000)	

# *Adjustment Impact Summary*

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- ▶ Retained competitive tuition and fees
- ▶ Set aside funds from early retirement program savings to realign investments in key high growth/high quality programs and academic facilities capital and equipment improvements
- ▶ Invested in enrollment services, branding and marketing to facilitate competitive enrollment growth and long-term sustainability
- ▶ Retained funding for maintaining and improving the technological infrastructure of campus
- ▶ Secured quality, accreditation, compliance, and student assessment
- ▶ Maintained high quality support for student services and retention
- ▶ Limited inflationary cost increases for support, maintenance, and supplies
- ▶ Maintained investments in intercollegiate athletic programs to maintain competitiveness and provide greater athletic opportunity for non-varsity sports

# QUESTIONS

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