Our Budget, Our Future:

Net Assets, Economic Stimulus Funds, Impacts of a Tuition Freeze, and Next Steps

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Sally DePew, budget planning
March 4, 2009
Our biggest budget challenge has to do with the General Fund, which is a combination of state support and tuition.
Net Assets

• Net Assets - difference between assets & liabilities

• Classifications
  – Capital Assets
  – Restricted Assets
  – Unrestricted Assets

• It’s important to remember that these assets are one-time funds, once spent they do not replenish
FSU FY 2008 University Net Assets - $249 Million
(Amounts in Millions)

Invested in Capital Assets
(the value of the buildings, land and equipment, minus indebtedness and depreciation)
$125.6

Restricted Schol/Loan
$27.8

Restricted Other
(mostly grants)
$1.8

Unrestricted
$93.4
FSU Unrestricted Net Assets as of June 30, 2008 - $93.4 Million
By Major Components
(Amounts in Millions)

- Divisional Carryover/Encum. $12.6
- Plant Projects in Progress $17.2
- Development $24.9
- Maintenance $25.7
- Auxiliary Operations $1.8
- Student Loan Funds $1.1
- Other $10.2
FSU Unrestricted Net Assets as of June 30, 2008 - $86.9 Million
By Major Components (Excludes Kendall*)
(Amounts in Millions)

- Plant Projects in Progress: $16.1
- Development: $24.9
- Maintenance: $20.4
- Auxiliary Operations: $1.8
- Student Loan Funds: $1.1
- Other: $10.2
- Carryover Encumbered: $12.4

*Kendall College of Art and Design does not receive a state appropriation and is primarily supported by student tuition.
**FSU Net Assets**

**Department Activities**
(Amounts in Millions)
(June 30, 2008)

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ferris Foundation</td>
<td>$13.2M</td>
</tr>
<tr>
<td>Department Activities</td>
<td>$ 5.9M</td>
</tr>
<tr>
<td>College Development and Gifts</td>
<td>$ 3.1M</td>
</tr>
<tr>
<td>University Development and Gifts</td>
<td>$ 2.5M</td>
</tr>
</tbody>
</table>

The $13.2 figure for the Ferris Foundation is the amount not legally restricted, but is an endowment and so the principal is used to accrue usable interest. Also, since June 30, Foundation investments have declined.

Departmental Activities include such things as workshops and conferences, as well as departmental gifts.
**FSU Net Assets**
**Maintenance**
(Amounts in Millions)
(June 30, 2008)

- Housing/Dining: $5.9M
- Off Campus: $4.9M
- General Fund: $4.5M
- Academic Affairs: $2.6M
- Unit: $2.5M

- Housing and Dining is a self-sustaining auxiliary enterprise, which generates its own maintenance revenues, so its maintenance reserve has to be directed to that purpose.
- Off-Campus maintenance reserves support delivery of courses through equipment, software or physical site enhancement.
- The General Fund goes to upkeep of all the buildings we have on campus; these funds are less than 3.8% of the total value of the buildings.
- Academic Affairs dollars go toward maintaining classrooms and laboratories.
- Units maintenance includes self-supporting units such as Telecommunications, Katke Golf Course, which do not receive General Fund support.
• Classroom Renovation, Ice Arena Mechanical and Pharmacy Auditorium projects are completed.
• Examples of Projects in Planning include the new Michigan College of Optometry Buildings and the Jim Crow Museum.
• Minor capital improvements are smaller/departmental projects.
• Over the years we have set aside funds for when we are in a position to renovate the Rankin Student Center, so students do not have to bear the full burden of that major project.
FSU Net Assets
Carryover/Encumbrances
(Amounts in Millions)
(as of June 30, 2008)

Some of these one-time assets may be able to be re-directed to help cushion necessary budget cuts.

<table>
<thead>
<tr>
<th>Divisional Balances</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic Affairs</td>
<td>$ 6.0M</td>
</tr>
<tr>
<td>Central</td>
<td>$ 1.8M</td>
</tr>
<tr>
<td>General Counsel</td>
<td>$ 1.3M</td>
</tr>
<tr>
<td>Administration &amp; Finance</td>
<td>$ 1.2M</td>
</tr>
<tr>
<td>Advancement &amp; Marketing</td>
<td>$ 0.7M</td>
</tr>
<tr>
<td>Student Affairs</td>
<td>$ 0.5M</td>
</tr>
<tr>
<td>Executive</td>
<td>$ 0.4M</td>
</tr>
</tbody>
</table>

Encumbered $0.5M

Encumbered assets reflect transactions that were in process as of June 30, but completed after July 1.
### FSU Net Assets Other
(Amounts in Millions)
(June 30, 2008)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>University Initiatives</td>
<td>$4.9M</td>
</tr>
<tr>
<td>Unallocated Investment Income</td>
<td>$2.6M</td>
</tr>
<tr>
<td>Unrealized Gains</td>
<td>$2.1M</td>
</tr>
<tr>
<td>Provision for Self Insurance</td>
<td>$0.6M</td>
</tr>
<tr>
<td>All Other</td>
<td>$10.2M</td>
</tr>
</tbody>
</table>

- Examples of University Initiatives include computer replacement and Ferris’ new emergency broadcast system and blue light phone system. As of March 4, 2009, the University Initiative balance is about $1.7 million.
- With market declines, our Unallocated Investment Income is substantially less than $2.6 million.
- Unrealized gains are required accountings of appreciations of holdings and don’t represent actual funds.
Auxiliary Operations:
Residence Halls and Dining $1.1M
Telecommunications $0.7M

Student Loan:
FSU short-, mid-term loans $0.6M
Loans established through gifts to the University $0.5M

These represent modest reserves in the various areas.
FSU Unrestricted Net Assets as of June 30, 2008 - $86.9 Million
By Major Components (Excludes Kendall)
(Amounts in Millions)

This is the full 86.9 million. As shown above, most of this designated for other purposes. See next slide.
The dollars that are readily available to cushion the budget reduction is about $13.6 million – or 5.9% of the overall University budget of $232 million. Taken altogether, the $93 million of Unrestricted Net Assets at first seems like more than you might expect. When you look more closely, it’s much less than we would like it to be.
Economic Stimulus

• 2010 higher education state budget cannot be less than 2006 budget

• If 2010 state budget is less than 2008 or 2009, replace difference with stimulus funds for 2010 and 2011

• For Ferris this would be $1.6 million
  – Replace general & operating, mitigate tuition
  – Not to endowment
  – Not for infrastructure or capital projects

• What are the best uses for economic stimulus funds?
Tuition Freeze

- Governor proposed tuition freeze in State of the State address

- Revenue needs for 2010 are approx $6.2 million

- 1% tuition increase generates approx. $900,000
## Tuition Freeze
### Cuts to Balance the Budget
Amounts in Millions

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount</th>
<th>Budget Cut</th>
<th>Tuition Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2010</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue Needs</td>
<td>$ 6.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Appropriation</td>
<td>($1.6)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Total</td>
<td>$ 7.8</td>
<td>$ 7.8</td>
<td>0%</td>
</tr>
<tr>
<td>FY 2011</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue Needs</td>
<td>$ 6.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Appropriation</td>
<td>$ 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Total</td>
<td>$ 6.6</td>
<td>$ 4.0</td>
<td>3%</td>
</tr>
<tr>
<td>FY 2012</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue Needs</td>
<td>$ 6.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Appropriation</td>
<td>$ 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Total</td>
<td>$ 6.9</td>
<td>$ 0</td>
<td>7%</td>
</tr>
</tbody>
</table>
## Tuition Restraint

### Cuts to Balance Annually

**Amounts in Millions**

<table>
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</tr>
<tr>
<td>Revenue Needs</td>
<td>$6.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Appropriation</td>
<td>($1.6)</td>
<td>$3.6</td>
<td>5%</td>
</tr>
<tr>
<td>Annual Total</td>
<td>$7.8</td>
<td>$3.6</td>
<td>5%</td>
</tr>
<tr>
<td><strong>FY 2011</strong></td>
<td></td>
<td></td>
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<td>$6.6</td>
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<td></td>
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<tr>
<td>State Appropriation</td>
<td>0</td>
<td>0</td>
<td>6.8%</td>
</tr>
<tr>
<td>Annual Total</td>
<td>$6.9</td>
<td>$0</td>
<td>6.8%</td>
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Budget Discussions

• What are the Opportunities for savings?

• What are the Challenges for these opportunities?

• What Work is needed to realize opportunities?

• What are the Impediments to reaching these opportunities?
Questions and Discussion

...now is not the time to ask what can we get, but rather, what can we do...

Thank you for caring and for taking time to consider how we best move Ferris forward in these challenging times.

Dave Eisler