Fall Budget Forum:
Our Budget and Our Future

David L. Eisler, president
Sally DePew, director, budget planning & analysis
November 17, 2011
Outline for Today

• Federal economic trends, budget
• State economic trends, budget, tax changes
• Areas of concern
• Look back at 2011 budget including net assets
• Information on 2012 budget
• Looking forward to 2013
• 2nd quarter Gross Domestic Product growth was 1.3%
• Federal deficit is $14.9 Trillion and growing
• Employment is growing but not as fast as population growth
  – Need 150,000 additional jobs per month to meet population growth
  – September growth was 103,000 jobs
• Unemployment was 9.1 percent in September
• No Federal budget for 2012
  – Continuing resolution through November 23
  – Joint committee on Deficit Reduction to cut $1.2-$1.5 trillion or automatic budget cuts will occur
• FY 2012 budget balanced through deep appropriation reductions and significant tax restructuring
  – Higher Education Reduction – 15%
  – Higher Education combined with School Aid Fund
• Unemployment 3rd highest in nation at 11.1 percent
  – Unemployment high, August 2009, 681,425
  – September 2011, 519,966
• Revenue growth for FY 2013 projected at 3 percent
• FY 2011 State fiscal year ended with surplus ($500M est.)
  – Discussion as to use of surplus: education, pension liabilities
Michigan Tax Policy Changes

- MBT replaced by 6% Corporate Income Tax
- Personal income tax frozen at 4.35% until January 1, 2013
- Pension deductions, homestead property tax credit changes
- Reduction in EITC, most other credits & deductions gone

Impact:
- Projected increase in GF/GP revenue of $438M
- Reduction in SAF revenue of $662M
Michigan Change in State Spending from State Sources
FY 2002 to FY 2011

- Community Health: 59.8%
- Corrections: 16.6%
- Human Services: -6.1%
- Higher Education: -34.9%
- School Aid: -6.0%
- All Other: 1.6%
Areas of Concern
Pell Grant Dependency

FSU Students Receiving Federal Pell Grants

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount in Thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$7,649</td>
</tr>
<tr>
<td>2003</td>
<td>$8,322</td>
</tr>
<tr>
<td>2004</td>
<td>$8,886</td>
</tr>
<tr>
<td>2005</td>
<td>$8,751</td>
</tr>
<tr>
<td>2006</td>
<td>$8,883</td>
</tr>
<tr>
<td>2007</td>
<td>$8,724</td>
</tr>
<tr>
<td>2008</td>
<td>$10,213</td>
</tr>
<tr>
<td>2009</td>
<td>$12,728</td>
</tr>
<tr>
<td>2010</td>
<td>$21,698</td>
</tr>
<tr>
<td>2011</td>
<td>$25,667</td>
</tr>
</tbody>
</table>

Amount in Thousands | Awards

Areas of Concern
Health Insurance

Family Coverage


Priority Health MUCH1 MESSA Super Care

MESSA Cost includes Vision and Dental Insurance
Areas of Concern
Health Insurance

Family Coverage
Projection using three-year average annual change

MESSA Cost includes Vision and Dental Insurance
Areas of Concern
Student Tuition

FY02 FY04 FY06 FY08 FY10 FY12 FY14 FY16 FY18 FY20

$1,000 $2,000 $3,000 $4,000 $5,000 $6,000 $7,000

12 Credit Hours
Areas of Concern
Student Loan Debt

Bachelor Degree Recipients

2006-07 2007-08 2008-09 2009-10 2010-11
Areas of Concern
Student Loan Debt

Bachelor Degree Recipients

FY07 FY09 FY11 FY13 FY15 FY17 FY19

$10,000 $20,000 $30,000 $40,000 $50,000 $60,000 $70,000 $80,000 $90,000
• Any reduction to Pell Grants will have significant negative impact on our students and university

• Based on current trends, without changes, by 2020 –
  – Annual family healthcare premiums could be $35,000 -$40,000
  – Tuition could be $6,500 a semester for 12 credits
  – Debt of bachelor degree graduates could be $80,000
2010-2011 University Budget
Operating Funds Revenues
$279 Million
Amounts in Millions

General Fund, $190
Designated Fund, $16
Auxiliary Fund, $42
Expendable Restricted Fund, $33
2010-2011 University Budget
General Fund Expenditures

- Instruction and Academic Support: 55%
- Student Services: 7%
- Plant: 8%
- Institutional Support: 10%
- Transfers: 10%
- Financial Aid: 10%
2010-2011 University Budget
General Fund Spending
Purpose of Expense
(Millions of Dollars)

- Compensation: $123.3 (64%)
- Operating Support: $49.1 (26%)
- Financial Aid: $19.2 (10%)
• Net Assets - difference between assets and liabilities
  – Represents accumulated one-time balance at a specified snapshot in time
  – Represents actual dollars as well as paper transaction values
• Classifications
  – Capital Assets (net of debt) – Infrastructure Assets
  – Restricted – use or purpose restricted by outside agencies or persons, ie Federal and State Restricted Scholarships and Loans
  – Unrestricted – without external restriction to use or purpose.
2010-2011 University Budget
Net Assets
$295 Million
(Amounts in Millions)

Invested in Capital Assets
$148.7

Restricted Schol/Loan
$31.0

Restricted Other
$4.3

Unrestricted
$111.4
2010-2011 University Budget
Unrestricted Net Assets

- Development
- Fiscal Year-End Balances (Encumbered and Unencumbered)
- Plant Projects in Progress
- Maintenance Reserve
  - Held for University maintenance needs
  - Ferris’ Facility Condition Index stands at 32%
  - Represents 3.8% of physical plant replacement cost
- Other unrestricted amounts
  - Monies earmarked for specific purposes, provision for self insurance, booked unrealized gains (paper entry only), unallocated investment income waiting for distribution
- Auxiliary Operations
- Student Loan Funds
2010-2011 University Budget
Unrestricted Net Assets
$111.4 Million
(Amounts in Millions)

- Divisional Carryover/Encum. $10.7
- Plant Projects in Progress $24.6
- Maintenance Reserve $34.6
- Development $25.6
- Auxiliary Operations $1.2
- Student Loan Funds $1.0
- All Other $13.7
### 2011-2012 University Budget
Unrestricted Net Asset Comparison
(Amounts in Millions)

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 2010</th>
<th>FY 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Other</td>
<td>$9.1</td>
<td>$13.7</td>
</tr>
<tr>
<td>Student Loan Funds</td>
<td>$1.0</td>
<td>$1.0</td>
</tr>
<tr>
<td>Auxiliary Operations</td>
<td>$1.4</td>
<td>$1.2</td>
</tr>
<tr>
<td>Development</td>
<td>$21.0</td>
<td>$25.6</td>
</tr>
<tr>
<td>Maintenance Reserve</td>
<td>$25.1</td>
<td>$34.6</td>
</tr>
<tr>
<td>Plant Projects in Progress</td>
<td>$17.4</td>
<td>$24.6</td>
</tr>
<tr>
<td>Divisional Carryover/Encum.</td>
<td>$13.6</td>
<td>$10.7</td>
</tr>
</tbody>
</table>
• FY 2012 budget approved on November 4 - $184.5M
  – $7.3M appropriation cut
  – Cut offset entirely with budget reductions, no reductions passed on to students through increased tuition
  – 127 full- and part-time positions eliminated, primarily through attrition and early retirement incentives
  – 5.14% tuition increase
  – Required additional $800K reduction

• Ferris is in good fiscal health
<table>
<thead>
<tr>
<th>Division</th>
<th>Approved Budget</th>
<th>Percent of Total Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic Affairs</td>
<td>$99,886,479</td>
<td>54.14%</td>
</tr>
<tr>
<td>Administration and Finance</td>
<td>$24,865,555</td>
<td>13.48%</td>
</tr>
<tr>
<td>Governmental Relations/General Counsel</td>
<td>$1,410,702</td>
<td>0.76%</td>
</tr>
<tr>
<td>Student Affairs</td>
<td>$7,494,372</td>
<td>4.06%</td>
</tr>
<tr>
<td>University Advancement and Marketing</td>
<td>$4,057,651</td>
<td>2.20%</td>
</tr>
<tr>
<td>General Division</td>
<td>$28,549,874</td>
<td>15.48%</td>
</tr>
<tr>
<td>Kendall College of Art and Design</td>
<td>$18,245,000</td>
<td>9.89%</td>
</tr>
<tr>
<td><strong>General Fund Total</strong></td>
<td><strong>$184,509,633</strong></td>
<td><strong>100.00%</strong></td>
</tr>
<tr>
<td>Department</td>
<td>Approved Budget</td>
<td>Percent of Total Budget</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>-----------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>Housing/Dining General Budget</td>
<td>$11,215,717</td>
<td>31.88%</td>
</tr>
<tr>
<td>Total Dining Budget</td>
<td>$10,961,317</td>
<td>31.16%</td>
</tr>
<tr>
<td>Total Housing budget</td>
<td>$12,998,966</td>
<td>36.95%</td>
</tr>
<tr>
<td>Total Housing/Dining</td>
<td>$35,176,000</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
• Competition in the School Aid Fund
• Negative perception from tuition restraint
• Desire for greater control
• Community college baccalaureate
• Implementation of funding formula
• Guiding Principles
  – Reverse decline in state support
  – Do no harm to any university
  – Support for two-prong strategy
    • Performance-based funding for improvements
    • Funding for extraordinary enrollment growth
  – University boards set tuition
• Requests for Support
  – MPSERS
  – TIP

• Reasons for guarded optimism
  – No mid-year cuts projected
  – State has balanced budget
  – Prospect of level funding with uncertainty of formula
  – Desire and experience in completing budget by July

• No new budget reductions at this time
Thank you

For your continued efforts for our students and to move Ferris State University forward

David L. Eisler
November 17, 2011