

# **FY11 Budget Planning**

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- Given the economic downturn, Brown will need to find additional budget savings in FY11 and beyond.
- To ensure that the savings decisions represent the concerns of the entire community, we are focused on a process that will involve broad consultation and input.
- We are seeking your advice and suggestions re the process.

## Impact of Economic Crisis

- The market value of endowment has dropped significantly. The Corporation has recommended that we assume an additional 5% decline in CY09 and anticipate a 5% rate of return for the 4 succeeding years. As a consequence, to stay within our endowment payout policy, the distributions from the endowment are expected to decrease for the next five years.
- Fundraising has also been affected. We have lowered our projections for new gifts to the annual fund, to the endowment and to capital projects.
- Families and students are facing greater employment and earnings uncertainty. The impact on Brown's financial aid program is, as yet, unknown.
- Despite these challenges, we remain focused on the priorities of the Plan for Academic Enrichment.

## Impact on the E&G Budget

- Based on what we know now, we are projecting total E&G revenues to increase by 2% per year vs. the 5% anticipated last year at this time. The affiliates that are included in the E&G budget, e.g. the Watson Institute, the JCB and the Annenberg, will likely experience actual decreases in revenues due to their reliance on endowment income.
- Instead of FY14 projected E&G revenues of \$695 million, we are now projecting revenues of approximately \$600 million. As a consequence, to ensure a balanced budget in FY14, projected expenditures will need to be approximately \$95 million less than previously planned.
- The FY10 E&G and affiliate budget adjustments have addressed \$35 million of the required reductions- \$30 from E&G and \$5 from the affiliates.

# E&G Budget Reduction Targets

May 08 Plan - Projected E&G/Affiliate Expenses	\$695 million
E&G Revenue Projections at 2% *	<u>\$600 million</u>
<b>Reductions Needed to Balance Budget in FY14</b>	<b>~\$95 million</b>
Projected Expenses Based on FY10 Budget	\$660 million
Revised E&G Revenue Projections at 2%	<u>\$600 million</u>
<b>Remaining Reductions Needed to Balance in FY14</b>	<b>\$60 million</b>

\*Assumes endowment -5%, +5%,+5%,+5%; payout declines; student fees increase 4% per year, net tuition increases by 1.4% per year and Watson, JCB, and other affiliates reduce expenses in response to decreased endowment.

# **Impact on the Division of Biology and Medicine's Budget**

- The economic crisis is having a different impact on the Division.
- The Division is more dependent on sponsored funding as a revenue source and less dependent on endowment, current use gifts and student fees than the E&G.
- Assuming relatively successful sponsored funding and a small increase in the size of the MD and MPH student bodies, the Division's revenues are expected to increase by 3% per year.
- As a result, the Division must reduce its projected budget by approximately \$10 million by FY14 – from \$155 million to \$145 million.

## E&G FY 11 Goals

- Given the continued level of economic uncertainty, the current plan is to achieve the full \$95 million in budget reductions within 5 years. As stated previously, \$35 million was achieved with the FY10 budget. The first round of reductions were developed by the URC and the senior officers and approved by the Corporation.
- We intend to achieve \$30 million of additional E&G budget reductions in FY11.
- At this point in time, we do not intend to reduce our commitment to faculty, financial aid or graduate students.
- As a consequence, we need to be more aggressive in other areas. To do so, we intend to expand the Organizational Review Committee to include more faculty, staff and student representation. The ORC will oversee a process that obtains input and advice from the community throughout the fall.
- The final \$30 million of budget reductions, if required, will be achieved between FY11 and FY14.

# FY11 Budget

## Preliminary E&G Revenue Estimates

Total E&G Revenue is Estimated to Increase 2% between FY10 and FY11 – From \$551 to \$562 million or \$11 million

- Endowment Payout Will Decrease 6%
- \$20 million of new gifts to E&G endowment in FY10 resulting in \$1 million in new endowment income in FY11
- Annual Fund increases by 4% after 10% drop in FY10
- Fees increase 4%
- Sponsored support increases 4%

Financial aid alone is expected to increase by at least \$7 million and direct sponsored expenses are expected to increase by \$3 million which would leave **\$1 million for all other needs unless cuts are made.**

# FY11 E&G Budget Expense Reduction Targets

**Remaining Reductions Needed by 2014**

**\$60 million**

**Target Reductions for FY11**

**~\$30 million**

## Preliminary Target Reductions

## FY11

**Revised Capital Plan**

**\$5** (\$7 m by FY14)

**Org Review/Reorgs**

**\$10-20**

**Operating Expenses**

**\$5-10**

**Other TBD, including:**

**\$0-10**

Compensation (S&B)

Net Tuition (tuition less aid)

Net faculty

Net grad student

Other(Programs, RIPTA, TAP, Seed Funding)

**Total**

**\$20-45 million**

# The Levers

## Expenditures

<b>Non-critical Operating/Programmatic Support</b>
<b>Wages and Salaries</b>
<b>Fringe Benefits</b>
<b>Capital Projects</b>
<b>Undergraduate Financial Aid Policies</b>
<b>Graduate Student Support</b>
<b>Staff Headcount/Operational Efficiencies</b>
<b>Faculty Growth/Size of Faculty</b>

## Revenues

<b>Tuition and Fee Increases</b>
<b>Enrollment Levels</b>
<b>Endowment Payout</b>

## Context for Possible E&G FY11 Reductions

(\$ in millions)	<b>FY10 Budget</b>	<b>FY11 Possible Reductions</b>
Faculty	\$85.0	
<b>Staff</b>	<b>143.3</b>	<b>\$10-20</b>
UG & Grad Student Support	116.5	
Utilities	19.5	
Debt Service	36.9	
<b>Operating/Program Expenses</b>	<b>83.5</b>	<b>\$5-10</b>
Sponsored Projects	66.2	
<b>Total</b>	<b>\$550.9</b>	

## Bio Med FY 11 Goals

- This spring, the Division has undertaken a substantial restructuring of its administration. Combined with the freeze on salary increases, this restructuring will reduce FY10 and future operating expenses by approximately \$10 million.
- In addition, the Division is now planning for a renovated Medical Education Building vs a new facility. The capital cost and carrying costs are expected to be substantially less than previously planned.
- The stimulus bill includes \$10b for the NIH. The Division's dependence (>55%) on sponsored funding – particularly NIH- offers some upside potential.
- As a result, the Division is not currently expecting to require additional budget reductions in FY11
- Adjustments will be made as needed in the future.

# Organizational Review

- Objectives
  - Identify options by which critical services and programs can be provided more efficiently and effectively for less cost and non critical services can be eliminated or reduced
  - Recommend reorganization options that could result in **savings of \$10 to 20** million by FY11
  - If we are able to achieve more from budget reductions, we will have more available for reallocation to other priorities
- Process
  - Based on suggestions from the campus community, the current ORC has developed a list of functions and departments where organizational efficiencies might be achieved
  - The ORC will be expanded this spring to include more faculty, staff and student representation. The expanded committee will refine the functions and departments that will be evaluated in the fall.
  - Over the summer, additional data will be gathered.
  - In September, the ORC will establish representative teams that will be tasked with evaluating the data, developing options, soliciting input and recommending changes
  - The teams will solicit input from existing advisory bodies in the fall. Based on those consultations, the Teams will develop recommendations and present them to the ORC in late fall 2009
  - Consolidated FY11 recommendations will be made by ORC to the Cabinet
  - The FY11 proposed budget will be presented to the President before winter break
  - The Corporation will determine the final FY11 budget in February
  - The “freeze” on filling positions will be maintained throughout to minimize the impact on existing positions.

# Operating Expenses

- Objectives
  - Identify options (changes to policies, purchasing procedures, budget cuts, etc.) that can help Brown reduce operating costs
  - Recommend options that could result in **savings of \$5 to 10 million** by FY11
- Process
  - The administration has gathered suggestions from campus community about areas where operating reductions might be achieved
  - An internal team will be established to pursue these expense reduction options
  - Team will solicit input from existing advisory bodies
  - Team will present options to the URC in the fall 2009
  - The FY11 budget recommendations will be made by the URC to the President before the winter break.

# Areas of Opportunity for Operating Expenditure Reductions

<b>FY 2008 Total University Expenditures</b>							
In thousands							
				<b>FY 2008 Total</b>	<b>Operating Funds</b>	<b>Sponsored Programs</b>	<b>Auxiliary Services</b>
				343,000	272,120	51,600	19,280
				135,300	118,040	15,570	1,690
				76,700	49,700	5,140	21,860
				13,400	9,290	3,830	280
				3,300	2,710	480	110
				22,300	17,680	3,840	780
				53,200	31,920	15,450	5,830
				46,800	43,050	-	3,750
				<b>694,000</b>	<b>544,510</b>	<b>95,910</b>	<b>53,580</b>
				106,000			
				<b>800,000</b>			

# Spring 09 Communications

Cabinet/Executive Committee

FEC

MFEC

Dept. Chairs

BUCC

URC

Faculty

SAC

UCS Exec

GSC Exec

Med Student Exec

HRAB

APC

Admin Leadership

Others??

# The Organizational Review Committee

## Current Members

Beppie Huidekoper

Brenda Allen

Vince Tompkins

Jim Patti

Karen Davis

Dick Spies

Russell Carey

Bob Pelcovits

We intend to add more faculty, staff and students this spring.