



**OVERVIEW OF CURRENT FINANCIAL MODEL
AND PRELIMINARY FY 2015
OPERATING BUDGET RECOMMENDATIONS**

Finance, Facilities, and Operations Committee
Board of Trustees

Nancy Suttentfield
Interim Chief Financial Officer
May 29, 2014

OUTLINE OF PRESENTATION

- Background through FY 2014
- Uncertainties
- Preliminary Revenue Projections for FY 2015
- New Pension Statute
- Achieving a Balanced Budget
- Timeline for Future Updates and Final Budget Recommendations
- Resolution to Approve Interim FY 2015 Operating Budget



BACKGROUND

New Budget and Financial Planning Principles

- Alignment and Accountability
- Clarity
- Transparency
- Sustainability



BACKGROUND

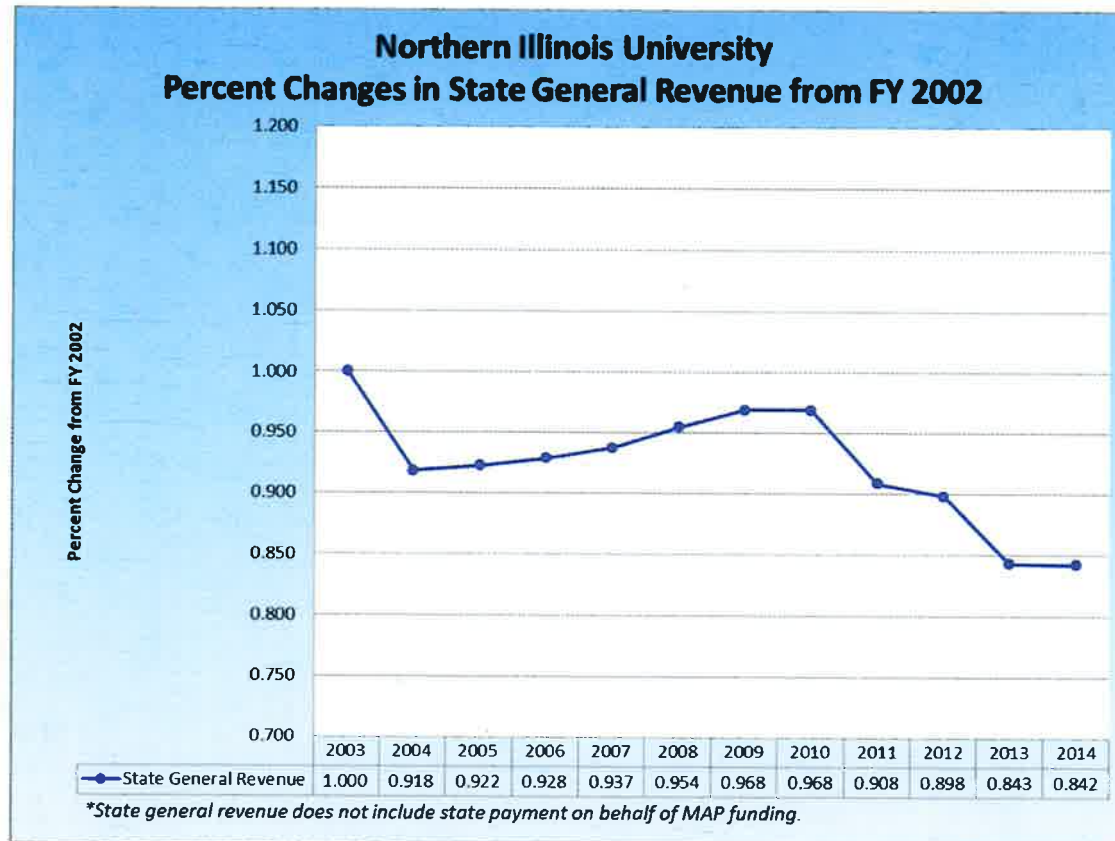
NIU's Primary Revenue Sources Remain:

- State Appropriations
- Tuition and Fees
- Room and Board Charges

...But their relative importance has changed, resulting in greater dependence on enrollment.



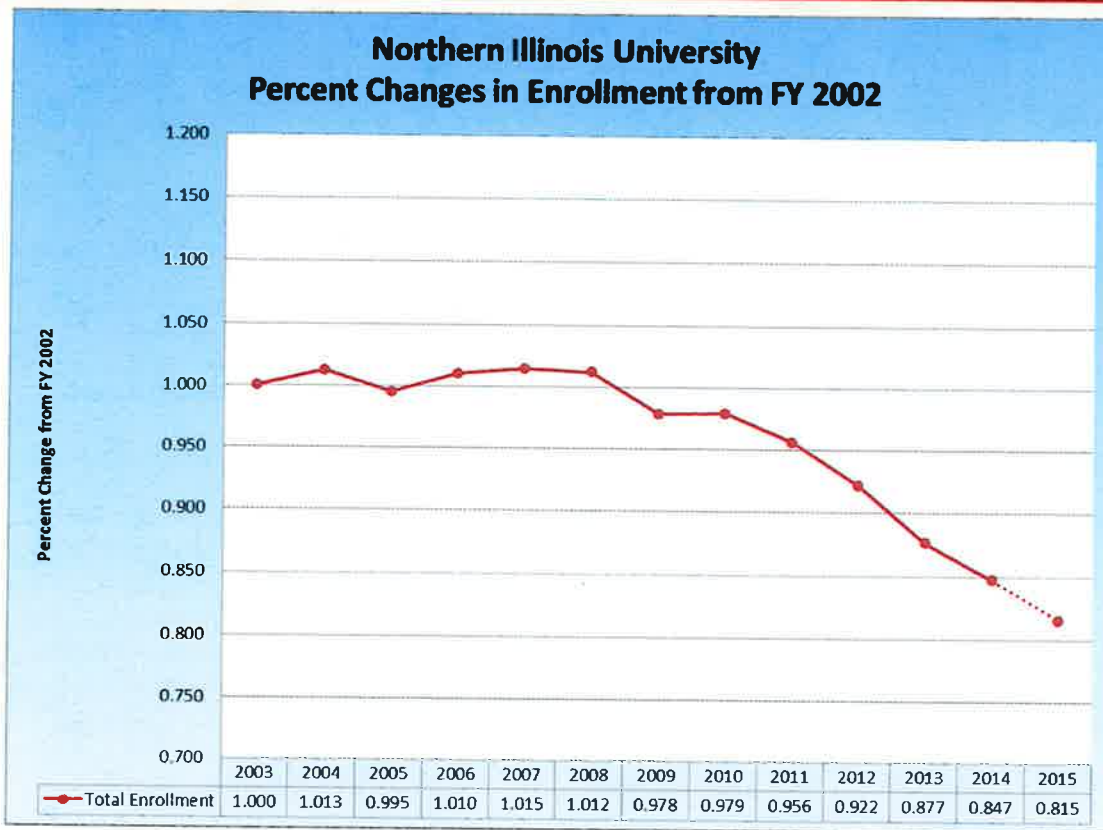
BACKGROUND



DIRECT STATE SUPPORT HAS DROPPED 15%, MOSTLY SINCE 2009



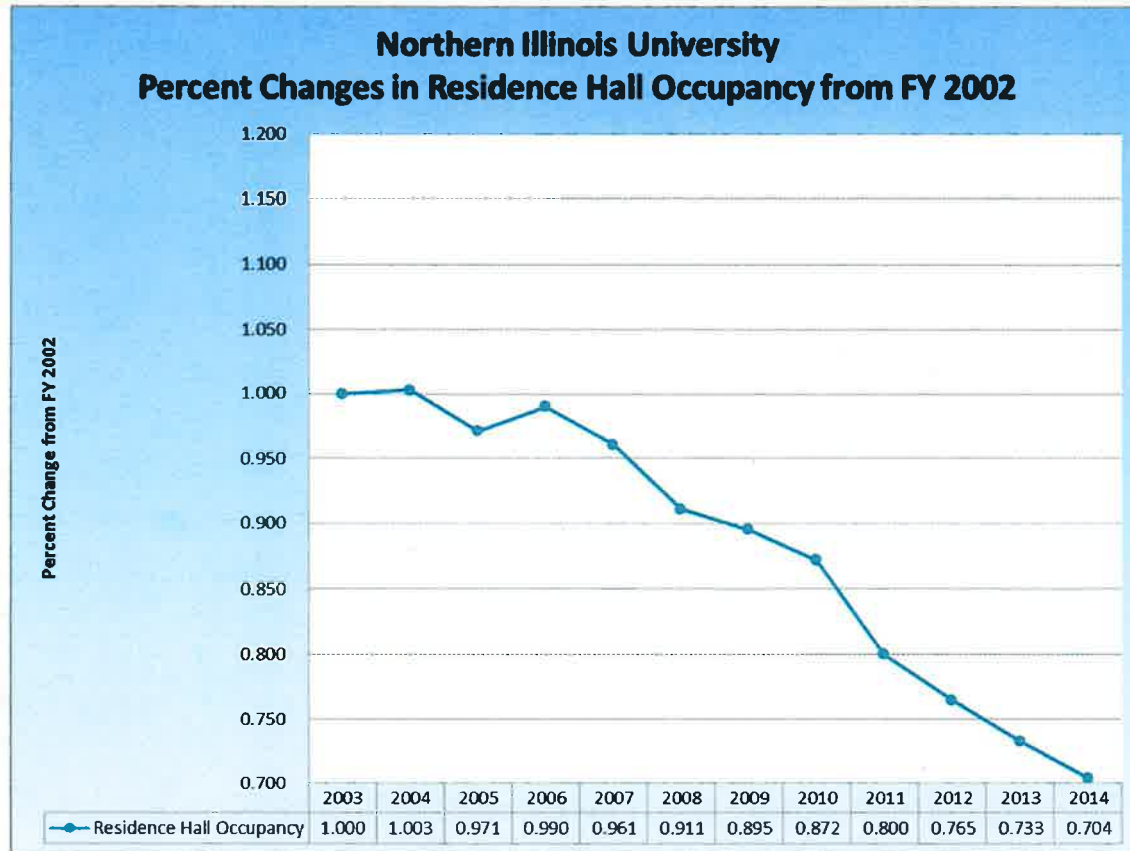
BACKGROUND



ENROLLMENT HAS ALSO DROPPED 15%, WITH A FURTHER DROP COMING NEXT YEAR



BACKGROUND



OCCUPIED BEDS HAVE DROPPED 30%



BACKGROUND

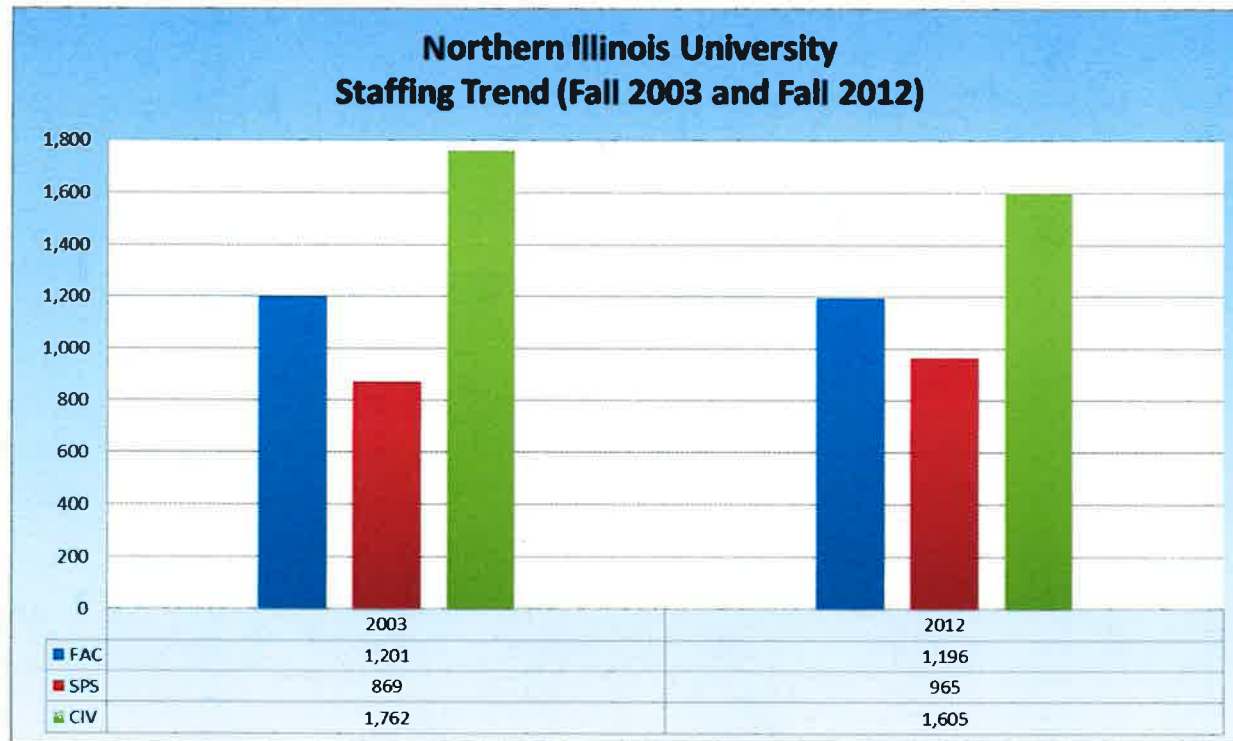
NIU's Primary Expenses Remain:

- People
- Student Aid

...But, students are more needy.



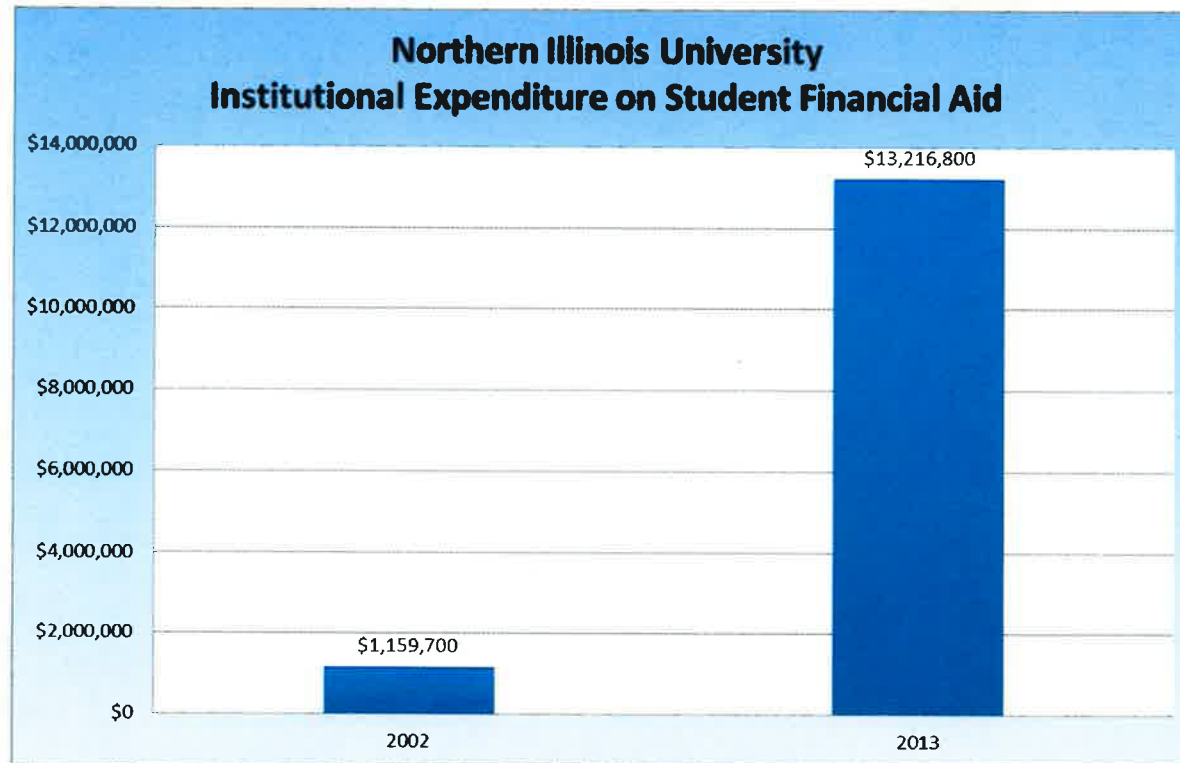
BACKGROUND



OVERALL, NIU EMPLOYMENT HAS CHANGED VERY LITTLE



BACKGROUND



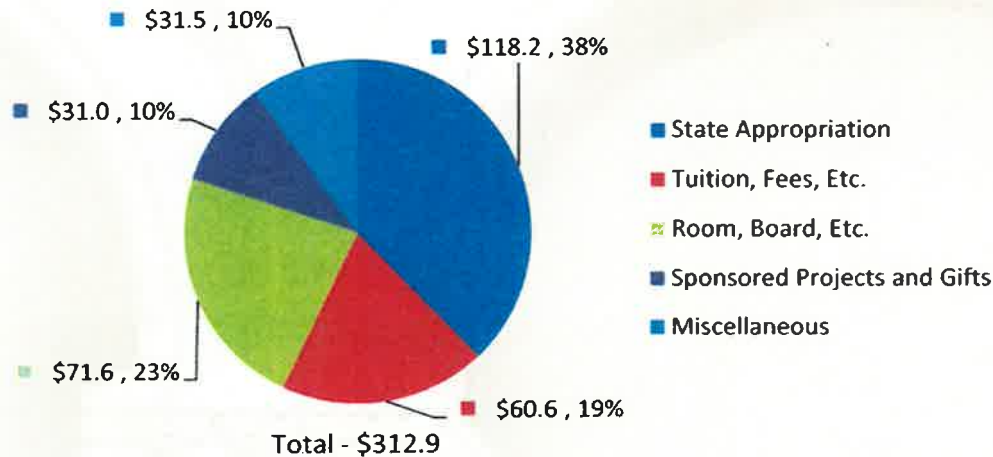
THE COMBINATION OF ECONOMIC RECESSION, LACKLUSTER RECOVERY, AND INCREASES IN THE COST OF ATTENDANCE HAVE REQUIRED INCREASED STUDENT AID, EVEN AS FEWER STUDENTS ENROLL



NIU REVENUE

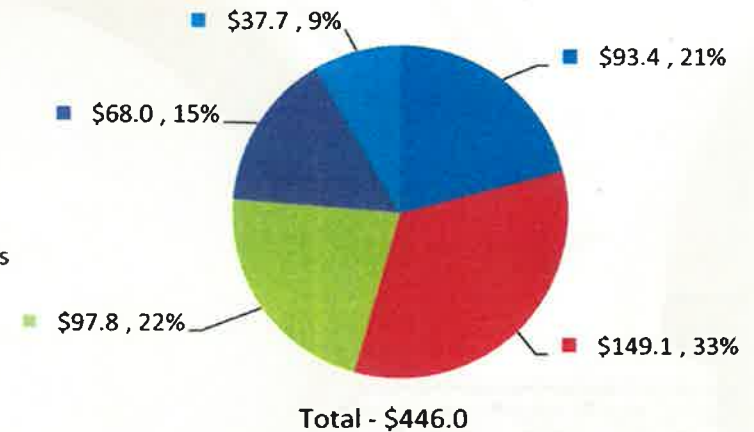
FY02 Revenue by Source

(\$ in millions)



FY14 Revenue by Source

(\$ in millions)

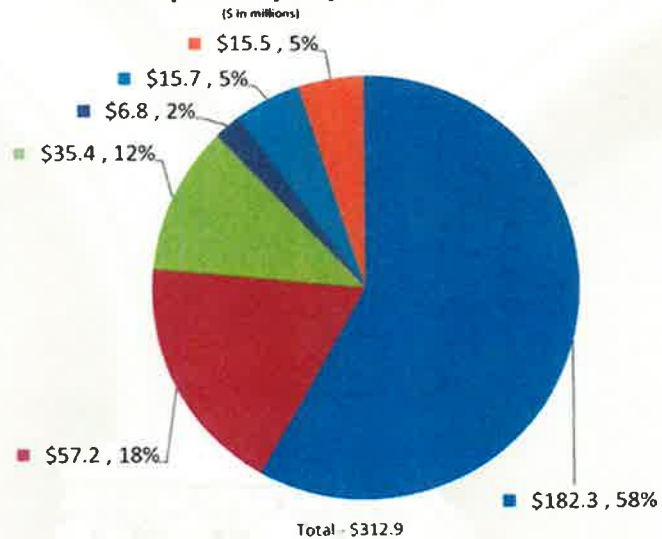


- **NIU's FINANCIAL MODEL HAS BECOME MORE DEPENDENT ON ENROLLMENT**
- **TODAY, TUITION, FEES, ROOM AND BOARD CONTRIBUTE 55% OF TOTAL REVENUE**



NIU EXPENSES

FY02 Expense by Object Code



- Personnel Services, Including Social Security and Contribution to CMS for Employee Insurance
- Contractual Services

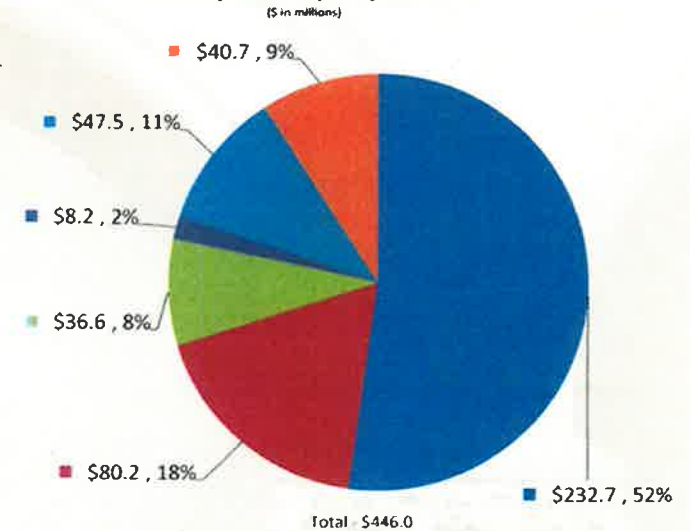
- Commodities & Equipment/Library Books

- Travel, Automotive, & Telecommunications, Etc.

- Scholarships, Other Grants, Etc.

- Repairs, Maintenance & Other Capital Improvements, Debt Service, Etc.

FY14 Expense by Object Code



NIU CARRIES OUT ITS MISSION THROUGH ITS FACULTY AND STAFF



UNCERTAINTIES

The NIU budget development process for FY 2014-15 must accommodate an unprecedented combination of variables and unknowns:

- State Appropriation
- Enrollment
- On-Going Confusion About Pension Reform for Those Considering Retirement
- Numbers and Timing of Retirements
- Impacts of Retirements on Students and Operations
- Significant One-Time Leave Payouts
- Recent Stay Issued by Court



UNCERTAINTIES

FY 2014-15 Process Responses

- Leadership Engagement: Transparency of situation to all Cabinet members, deans, and departments (including what we do not know)
- Academically Responsive: “Vacancy hearings” with deans- program data guided decisions- process endorsed by University Council Academic Planning Committee and Resource, Space and Budget Committee
- Fiscally Responsible: Balancing mission-critical obligations with deficit avoidance
- Sensible Criteria: In addition to “Guiding Principles”, criteria for vacancy management



PRELIMINARY FY 2015 REVENUE PROJECTIONS (MAJOR SOURCES)

Northern Illinois University

Revenue Projections for FY15 (Loss of 1000 Students and 12.5% State Budget Cut)

(\$ in millions)

	<u>FY14 Budget</u>	<u>FY14 Est. Actual</u>	<u>FY15 Estimated</u>	<u>FY14 to FY15 Est. Reduction</u>
State Appropriation	\$ 93.4	\$ 93.4	\$ 81.7	\$ (11.7)
Tuition Revenue	\$ 125.4	\$ 125.2	\$ 111.7	\$ (13.5)
Fee Revenue	47.5	46.4	44.9	(1.5)
Room and Board Revenue	40.5	39.6	34.2	(5.4)
Total	\$ 306.8	\$ 304.6	\$ 272.5	\$ (32.1)

**BASED ON CURRENT INFORMATION, NIU IS FACING A NEW
“BASELINE” REVENUE BUDGET...**



NEW PENSION STATUTE

- Current number of NIU employees *intending* to retire based on age and/or years of service:

Civil Service	48
Supportive Professional Staff	22
Faculty	<u>45</u>
Total	115

- Unbudgeted expense for vacation and sick leave payouts, based on 115 retirements:

\$2.0 million

- Base annual salary expense:

\$8.2 million



ACHIEVING A BALANCED BUDGET

Criteria for Strategic Refill of Essential Positions

- Directly supports student career success (especially retention and recruitment), and aligns with FY 2014-15 areas of tactical emphasis (see next slide)
- Represents staff support needed by faculty or other student service staff in achieving the above goal, etc., AND also represents a service that must be continued and is not duplicative.
- Essential to protection of life, health, safety and security-or relates to compliance, bargaining unit or similar obligations-according to best judgments about comparative levels of risk across competing needs within this principle
- Demonstrates a significant return on investment (revenue); or represents an activity or expenditure today that significantly reduces future costs (routine preventive maintenance).



Criteria for Strategic Refill of Essential Positions (cont)

Directly supports student career success (especially retention and recruitment), along with one of the following goals:

- Promote excellence in research, scholarly and artistic activity through targeted investment in programs of recognized excellence, interdisciplinary promise, or external impact.
- Adopt the LEAP High Impact Educational Practices as a framework for aligning our academic programs with the Student Career Success goal
- Expand outreach and engagement of faculty, staff and students with the university's external stakeholders
- Accelerate initiatives to engage alumni with students
- Establish an integrated Marketing and Communications program plan
- Recognize the importance of physical place in our student experience, makes our campus and our college town more welcoming



ACHIEVING A BALANCED BUDGET (cont.)

- Contributes to diversity and inclusiveness, both strategically and in select important tactical ways.
- Establishes a new position that satisfies one or more of the above principles and also will: serve a “hybrid” role (examples: supported with shared funding; provides promotion opportunities for current staff); and/or result in a reduction in student fees or other costs passed on to students.
- Creates opportunities to increase student internships and experiential learning using salary lapse, while at the same time providing a flexible alternative for managing personnel costs and addressing real University needs.
- Provides for temporary positions to facilitate process re-design.
- Substitutes new permanent jobs or internships for current “open-ended” reliance on temporary help or employment of retirees.



ACHIEVING A BALANCED BUDGET (cont.)

- First priority is budget equilibrium
- Next, strategic cross-prioritization and re-purposing of those vacancies representing critical/essential duties and/or needs
- Adapt programmatically, operationally, and financially through vacancy management (both short-term and continuing longer-term)
- Hearings, employing metrics where possible, and consultation with internal governance structure
- FY 2014-15 budget process will likely not be repeated; it reflects extraordinary circumstances of large wave of retirements.



TIMELINE

Summer 2014:

- President's strategic planning retreat (July)
- Essential vacancy recruitments/reassignments implemented in conjunction with student internships
- Strategic scenarios workshop/analysis LAS and potential new budget model
- Process re-design opportunities identified and initiated (e.g., bursar, financial aid, procure-to-pay, etc.)
- Retention and recruitment initiatives continue (e.g. scholarship optimization, community college/international relationships, "informed" marketing)
- Programmatic realignments/mergers at College/departmental level take shape
- Identification of required permanent budget cuts as well as bridge funding to balance FY 2014-15 budget
- Revenue opportunities selected for analysis and pursuit (e.g., filling beds, meal plans for commuter students)
- Annual capital budget process created



TIMELINE (cont.)

Fall 2014:

- FY 2015 operating and capital budgets completed
- Pricing and financial aid options analyzed/decisions advanced to December
- Continuation of other “re-invention” strategies above

2015:

- Programmatic, operational, and financial “re-invention” continues, and becomes part of a continuous improvement culture



RESOLUTION

Provides interim authority to continue operations after June 30, 2014 at approved FY 2013-14 budget levels minus the anticipated decline in revenue of up to \$32.1 million, as appears in Agenda item 7.a., pending recommendation of a final budget.

