Budget Update – FY 18 and Beyond
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Introduction
Presentation Overview

• Our Operating Environment and its Impact
• Our Immediate Response
  – Presidential Goals
  – Revisions to our Budget Processes and Practices
• Our Commitment to Addressing Long-term Challenges
• Opportunity for Feedback, Q&A

Our Operating Environment

• Expected and Unexpected Transitions
• Long-term damage from IL Budget Impasse
• Uncertainty regarding FY19 Budget/Appropriations
• Continued Commitment to NIU Mission/Core Values
• Requirement for Strategic, Long-term Solutions
Presidential Goals

1. Grow Student Enrollment & Success
2. Enhance Fiscal Sustainability of NIU
3. Implement Program Prioritization
4. Foster an Organizational Culture that is Ethical and Accountable
5. Increase Capacity for Research, Innovation and Regional Engagement
6. Enhance the Student Experience

The Budget Process
To develop a long-term budget that is academically responsive and fiscally responsible, we will work together to:

- Provide an informed and inclusive process
- Provide and respond to feedback
- Strive for a balanced budget - protect our cash position.
- Identify strategies that reduce near-term expenses.
- Identify and strategically invest in revenue-generating opportunities.

**Budget Responsibility**

**EBC Responsibilities:**
- Reviews the budget development processes;
- Advises EVPP & CFO in preparing their budget recommendations to the president;
- Assists in the monitoring of budget;
- Assists in the involvement of the larger NIU community.

**RSB Responsibilities:**
- Advises on development of long-range budget and space allocation;
- Advises on goals and priorities and provides periodic evaluations of progress;
- Advises on critical, time-sensitive budget issues;
- Advises on resource allocation matters and revenue-generating opportunities that arise.
Budget Process

- **Redesigning the annual budget development process**
  - Working closely with the Executive Budget Committee
  - Engaging RSB as designated shared governance body
  - Engaging division leads
- **Improving fiscal management**
  - Refining quarterly budget review
  - Improving connection between budget control and position control
  - Addressing discretion over use of funds

Current Financial Status
Current Financial Status – Quick Facts

• FY’18 Operating Budget @ $429M

• Total Revenues % to total
  - Tuition and Fees ~ 35%
  - Auxiliary Enterprises ~ 23%
  - State Appropriation ~ 19%
  - Sponsored Programs ~ 5%
  - All Other ~ 18%

  Total 100%

Current Financial Status – Expense

Source: Integrated Postsecondary Education Data System; Nat’l Ctr for Educational Statistics
## FY ‘18 Budget Assumptions

<table>
<thead>
<tr>
<th>Original Budget – June ‘17</th>
<th>Current Assumptions – Oct ‘17</th>
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</thead>
<tbody>
<tr>
<td>Enrollment Down 750 Students from FY ‘17</td>
<td>Enrollment Down 1000 Students from FY ‘17</td>
</tr>
<tr>
<td>Tuition Revenue @ $154 M</td>
<td>Tuition Revenue @ $149 M</td>
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<tr>
<td>Foundation Revenue @ $8.5M</td>
<td>Foundation Revenue @ $2 M</td>
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<tr>
<td>State Appropriation @ $77.5M</td>
<td>State Appropriation @ $82.0M</td>
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<tr>
<td>Salary Increment @ $0.0</td>
<td>Salary Increment @ $3.3M</td>
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<tr>
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<td>Investment in EMMC @ 600K</td>
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**Net Change to FY ‘18 Budget:**

- $10.9M to be met by expense reductions

## Additional Expenses for FY ‘18

There are two remaining issues in our financial planning:

- Unfunded Requirements (UFR’s) ~ $6 M
- Investments to Grow Revenue ~ $2.5 M

**Net Change:** $8.5 M to be met out of cash on hand
• **Definition** – All Revenue and Expense streams included in our financial statements.

• **Key Concept** – “Reserves” vs. Cash on Hand

• **Timing**
  – Tuition and Fees (two peak periods)
  – State Appropriation (highly volatile)
  – Operating Expenses (relatively stable)

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**Cash Flow – A Closer Look**

**Importance of Maintaining Cash on Hand**

• Make Payroll

• Compensate for slow or no State Appropriation

• State reimbursement after expense is incurred.

• Unexpected Expenses
Cash Flow - FY ‘18 Projection

FY 18 and Beyond
Strategy for FY 18

- **Budget reductions** on the order of $11M are being distributed to divisions.
- **Essential Unfunded Requirements** on the order of $6M will be met from cash on hand.
- **Targeted investments** on the order of $2.5M are being identified and will be met with cash on hand.
- We will **strengthen our cash position** to $60M by the end of FY 18
- We are moving on to address **structural changes for FY 19 and beyond**.

Strategy beyond FY 18

Program Prioritization aligns resources with mission. We will continue to:
- Invest in revenue-generating opportunities
- Restructure to create greater effectiveness & efficiency
- Eliminate or down-size functions
- Address long-term needs that support our mission
Summary

• We are making immediate budget corrections
• We are making investments to grow our future
• We are revising the annual budget development process to be more inclusive and responsive
• We are committed to making the structural changes needed to create the financially sustainable environment that allows us to fulfill our mission.

Questions