IUB Fall Fiscal Workshop

November 6, 2013
SMART PRACTICES
Connect

• Connected in relationship
• Connected in principal
• Connected in thought
• Connected in outcome

Collaborate

• Collaborate within department
• Collaborate across departments/schools
• Collaborate across campuses

Share

• Transparency during the year
• Transparency at close of fiscal year
• Transparency with projections
THINK
A well-thought-out, reasonably transparent funds flow model can align behavior with strategic objectives, promote collaboration, and reward behaviors that contribute to the greater good.

A poorly designed or overly secretive funds flow model can impede collaboration, create a “bunker” mentality among faculty, and lead to energy wasted fighting internal battles.

Source: Academic Medicine, Vol. 87, No. 12/ December 2012
Higher Education Headwinds

- Significant pressures on tuition rate increases
- Decreased household wealth
- National focus on student debt levels and student loan defaults
- Downward trend in state appropriation
- Declines in research spending
- Escalated regulatory and accreditation risk
- Investment volatility
- Health Care Exposure
In the absence of perfect information, leaders must:

- Share financial information and assumptions
- Develop better understanding of the cost drivers
- Agree on the strategies to be pursued and who will pay
- Find synergies among missions
- Collaborate
Revenue Sources Stressed and Volatile
Operating Expenses Continue to Increase at a Fairly Steady State
# 1% Change in Key Assumptions

<table>
<thead>
<tr>
<th>$000s</th>
<th>1% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Fees</td>
<td>$ 12,614</td>
</tr>
<tr>
<td>Scholarship Allowance/ Student Financial Aid</td>
<td>$ 6,836</td>
</tr>
<tr>
<td>State Appropriation - Operating</td>
<td>$ 4,640</td>
</tr>
<tr>
<td>Federal Grants &amp; Contracts</td>
<td>$ 3,252</td>
</tr>
<tr>
<td>State/ Nongovernmental Contracts</td>
<td>$ 1,263</td>
</tr>
<tr>
<td>Compensation</td>
<td>$ 13,133</td>
</tr>
<tr>
<td>Healthcare</td>
<td>$ 2,072</td>
</tr>
<tr>
<td>Compensation + Total Benefits</td>
<td>$ 17,895</td>
</tr>
<tr>
<td>General Supplies, Expense &amp; Travel</td>
<td>$ 1,166</td>
</tr>
</tbody>
</table>

*Note: Estimated with FY13 as the base year.*

1% increase in student fees no longer covers a 1% increase in compensation and benefits.
Operating Income

$100M improvement in operating income estimated to bring ratios back in line with Aaa levels.

Total Revenue (left axis)
Operating Expenses (left axis)
Income b/f Interest Expense (right axis) - AS IS
Income b/f Interest Expense (right axis) - $75M Expense Reduction
Income b/f Interest Expense (right axis) - $27M Revenue Increase; $75M Expense Reduction; Delay $145M in Capital Spending
### Headcount – FTE

<table>
<thead>
<tr>
<th>Year</th>
<th>Jan</th>
<th>Apr</th>
<th>Jul</th>
<th>Oct</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>17,727</td>
<td>17,663</td>
<td>17,477</td>
<td>17,750</td>
</tr>
<tr>
<td>2011</td>
<td>17,764</td>
<td>17,581</td>
<td>17,384</td>
<td>17,259</td>
</tr>
<tr>
<td>2012</td>
<td>17,281</td>
<td>17,350</td>
<td>17,162</td>
<td>17,411</td>
</tr>
<tr>
<td>2013</td>
<td>17,365</td>
<td>17,371</td>
<td>17,170</td>
<td>17,654</td>
</tr>
</tbody>
</table>

**Trends going the wrong way!**
SMART PRACTICES – Why?

➢ There is a cost to doing business

➢ Free goods tend to be over consumed

➢ Higher education is operating under a “new normal”
OPPORTUNITIES

- **STRONG FINANCIAL BASE**
  - Face headwinds in a position of strength
  - Strong governance, internal controls and management
  - Recent tone at the State has been positive

- **ENHANCED ANALYTICS**

- **UPSIDE POTENTIAL FROM STRATEGIC INITIATIVES**
SMART PRACTICES – What?

- Parking Task Force
- Housing Task Force
- Managed Procurement
- Wellness Initiative
- ERIP 2013
- Student Services Initiatives
- Online Education Initiative
- Physical Plant Review
SMART PRACTICES – What Else?

- Further Benchmarking
- School/ Campus Business Centers?
- ???
- ???
- ???
- ???

IDEAS?

mmmccour@iu.edu
Drive efficiency

Reduce “back office” cost

Invest in the mission
Connect

Collaborate

Share

• Collaborate within department
• Collaborate across departments/schools
• Collaborate across campuses

Develop, nourish and leverage a culture of collaboration.
But Let Us Not Forget.....

- **Fundamental Demand for Higher Education is Still High**
  - Stronger Earnings by Educational Attainment
  - Unemployment Inversely Related to Educational Attainment
    - Recent graduates are having a tougher time finding jobs
  - Global Economy Drives Demand for Educated Worker

- **No Viable Substitute for a Higher Education Degree**

- **Strong Demand for IU Brand**
QUESTIONS?