



Budget Planning Update

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Fiscal 2009 and 2010 Budget Highlights

- FY09 GIB achieved balanced budget
 - Operating results include \$35M for future task force investments & contingencies
- FY10 budget achieves reductions in GIB operating expenses of \$58.3M
 - Endowment payout the same as that for FY09
 - Includes \$27M for future task force investments and contingencies

Fiscal 2010 Expense Budget Reduction	
(\$M)	
Reduction Area	Savings
Cost Avoidance	
Total compensation reduction	\$11.3
New recurring programs	\$5.0
Budget Cuts	
Academic unit budget cuts	\$10.5
Administrative unit budget cuts	\$12.9
Other (e.g.: CRSP, renovation and renewal, utilities)	\$18.6
Total Fiscal 2010 Expense Budget Reduction	\$58.3



Budget Planning Update

- **FY11 budget plan objectives**
 - Absorb most of the effects of endowment decline in FY11
 - Cut endowment payout to achieve distribution rates in the 5-5.25% range
 - Modeled reduction of 18.0% from FY10 levels
 - Reduce GIB by \$60-70M through a combination of:
 - Task Force-related recommendations
 - Academic and administrative budget reductions
 - Additional task force recommendations expected to yield further revenues/savings beyond FY11



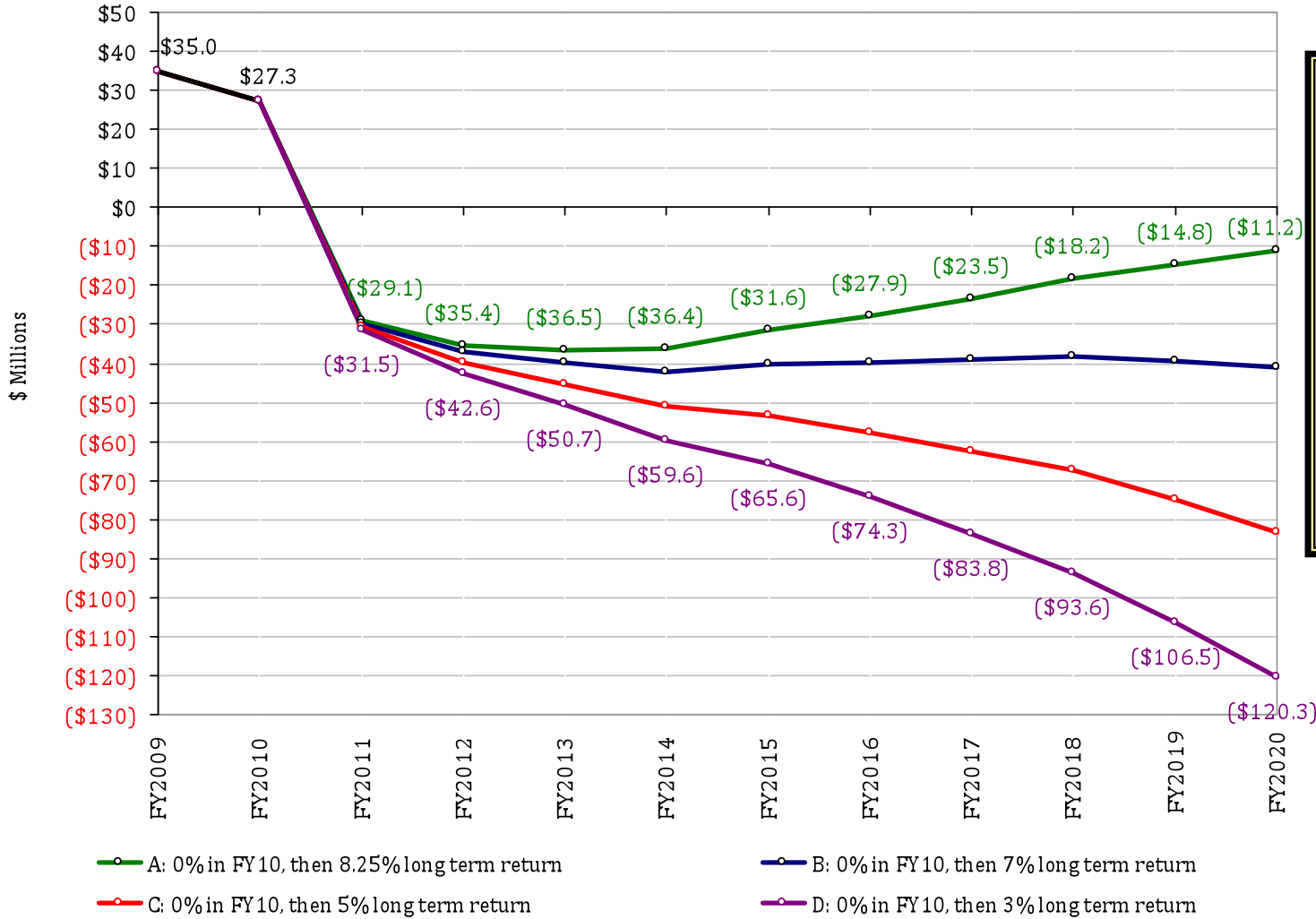
Budget Model Update

- **Budget model update & assumptions**
 - FY11-FY20 projections use FY09 figures and FY10 budget expectations

 - Assumptions for FY11 and beyond:
 - Endowment distribution reduced by 18% in FY11; smoothing distribution rule thereafter
 - Tuition increase = 4.0% per year, up from 3.8% in FY10
 - MTDC increase = 3.0% per year
 - Utilities increase = 5.0% per year
 - Gifts to GIB = \$9.0M per year
 - Gifts increase to endowment = 1.0% per year

Budget Model Update – Before Budget Cuts

Endowment Return Case Scenario Analysis - FY11 Planning
 0% Endowment Return in FY10 & 18% FY11 Endowment Payout Cut



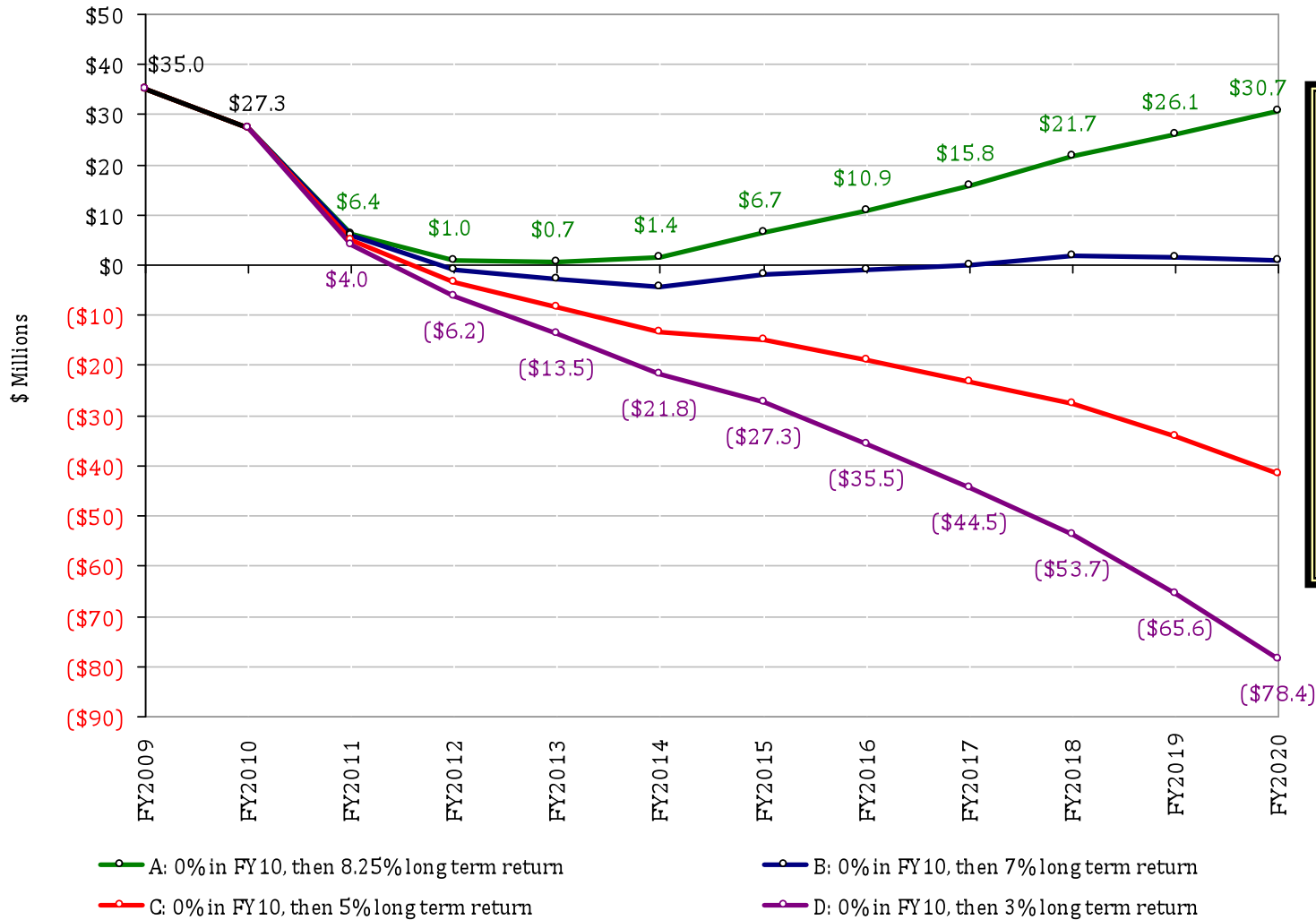
Planning model demonstrates the effect of the following factors:

- Impact of FY10 budget cuts
- FY11 and beyond actions not yet incorporated
- 18% payout reduction in FY11 with smoothing rule thereafter

Budget Model Update – After Budget Cuts

\$61M Budget Cuts

Endowment Return Case Scenario Analysis - FY11 Planning
 0% Endowment Return in FY10 & 18% FY11 Endowment Payout Cut



Planning model demonstrates the effect of the following factors:

- Impact of FY10 budget cuts
- FY11 budget cuts = 61M
- 18% payout reduction in FY11 with smoothing rule thereafter

Budget Reductions & Task Force Initiatives

Preliminary Estimates

Budget reductions		Fiscal 2010	Fiscal 2011	Fiscal 2012
	Total compensation reduction	\$11M	\$8-11M*	
	Academic units reduction	\$11M	\$12-15M**	
	Administrative units reduction	\$13M	\$14-17M	
	No new recurring programs	\$5M	\$5M	
	Other budget reductions (e.g.: CRSP/Renovation & Renewal, utilities)	\$18M		
	Task Force initiatives for near-term savings		\$12-27M	\$xM
Total		\$58M	\$51-75M	\$xM

*Compensation reduction in FY11 also recommended by Institute-wide Planning Task Force

**GIB only; does not include effect of projected decreased Pool A payout