Budget Planning Update

Rafael Reif
MIT Provost
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)

<table>
<thead>
<tr>
<th>Reduction Area</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost Avoidance</strong></td>
<td></td>
</tr>
<tr>
<td>Total compensation reduction</td>
<td>$11.3</td>
</tr>
<tr>
<td>New recurring programs</td>
<td>$5.0</td>
</tr>
<tr>
<td><strong>Budget Cuts</strong></td>
<td></td>
</tr>
<tr>
<td>Academic unit budget cuts</td>
<td>$10.5</td>
</tr>
<tr>
<td>Administrative unit budget cuts</td>
<td>$12.9</td>
</tr>
<tr>
<td>Other (e.g.: CRSP, renovation and renewal, utilities)</td>
<td>$18.6</td>
</tr>
<tr>
<td><strong>Total Fiscal 2010 Expense Budget Reduction</strong></td>
<td>$58.3</td>
</tr>
</tbody>
</table>
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

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total compensation reduction</td>
<td>$11M</td>
<td>$8-11M*</td>
<td></td>
</tr>
<tr>
<td>Academic units reduction</td>
<td>$11M</td>
<td>$12-15M**</td>
<td></td>
</tr>
<tr>
<td>Administrative units reduction</td>
<td>$13M</td>
<td>$14-17M</td>
<td></td>
</tr>
<tr>
<td>No new recurring programs</td>
<td>$5M</td>
<td>$5M</td>
<td></td>
</tr>
<tr>
<td>Other budget reductions (e.g.: CRSP/Renovation &amp; Renewal, utilities)</td>
<td>$18M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Task Force initiatives for near-term savings</td>
<td></td>
<td>$12-27M</td>
<td>$xM</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$58M</strong></td>
<td><strong>$51-75M</strong></td>
<td><strong>$xM</strong></td>
</tr>
</tbody>
</table>

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

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