

### Current Financial Context

In June 2009, the Indiana General Assembly lowered the base budgets of each of IU’s seven campuses and the School of Medicine by \$22.2 million. However, the State committed \$22.2 million in one-time federal stimulus funding to “backfill” these budget cuts in 2009-10.

In response, IU developed a two-part strategy:

1. IU immediately began implementing the recurring budget cuts by (a) cutting the budget line for each vacated non-faculty position by 50 percent, and (b) reducing non-faculty travel budgets by 50 percent.
2. IU extended the General Assembly’s budget reductions to University Administration in order to create an additional \$1.1 million in budget flexibility.

As shown below, IU has now completely implemented its planned \$23.3 million recurring budget cut for the current year:

Campus	Base Budget Reduction Target for 2009-10	Base Budget Reduction through March 2010	% of Target
Bloomington	\$ 10,134,642	\$ 10,134,642	100%
IUPUI Health	\$ 5,620,000	\$ 5,620,000	100%
IUPUI General Academic	\$ 2,980,000	\$ 2,980,000	100%
University Administration	\$ 1,098,000	\$ 1,098,000	100%
South Bend	\$ 1,080,000	\$ 1,080,000	100%
Southeast	\$ 850,000	\$ 850,000	100%
Northwest	\$ 820,000	\$ 820,000	100%
Kokomo	\$ 410,000	\$ 410,000	100%
East	\$ 340,000	\$ 340,000	100%
Indiana University	\$ 23,332,642	\$ 23,332,642	100%

The majority of this spending cut was created by filling only one non-faculty position for every two vacated. As a result, IU currently funds 237 fewer non-faculty employees than it did on June 30:

Month	Compensation Budget for Non-Faculty Employees		
	All	Paid from Grants and Medical Practice Plans	Funded by IU
June 2009	\$665.7 million	\$76.9 million	\$588.8 million
March 2010	\$656.5 million	\$80.9 million	\$575.6 million
Change	-\$9.2 million	+\$4.0 million	-\$13.2 million
% Change	-1.4%	+5.2%	-2.2%

## Financing Plan Going Forward

In addition to the 2009-10 base reductions, the 2009-11 biennial state budget cuts IU's base budget by a further \$7.1 million in 2010-11. When added to the 2009-10 base reductions, the total base reduction in 2010-11 is \$29.3 million. However, the State committed \$29.3 million in one-time federal stimulus funding to "backfill" these budget cuts in 2010-11.

Campus	2009-10 Base Reduction	Additional Base Reduction in 2010-11	Total Base Reduction in 2010-11
Bloomington	\$10,134,642	\$4,238,506	\$14,373,148
IUPUI Health	\$5,620,000	\$1,793,423	\$7,413,423
IUPUI General Academic	\$2,980,000	\$81,979	\$3,061,979
South Bend	\$1,080,000	\$384,362	\$1,464,362
Southeast	\$850,000	\$155,518	\$1,005,518
Northwest	\$820,000	\$294,264	\$1,114,264
Kokomo	\$410,000	\$63,568	\$473,566
East	\$340,000	\$82,679	\$422,679
Indiana University	\$22,234,642	\$7,094,300	\$29,328,942

IU will reduce recurring spending in 2010-11 by \$29.3 million by:

1. Maintaining the lower spending level created by the \$23.3 million reduction in 2009-10,
2. Consolidating campus purchasing offices into a single university-wide office that will serve all seven campuses,
3. Including early retirement (i.e., 18/20) costs when we negotiate our federal indirect cost recovery rate,
4. Requiring faculty and staff hired after August 31 to meet a 3-year vesting requirement to retain employer contributions to TIAA/CREF, and
5. Changing the formula for calculating overtime pay for non-exempt staff so that non-work time (e.g., sick leave) is no longer included.

In December 2009, the State announced that, due to revenue shortfalls, it would withhold an additional \$58.1 million in one-time state funding from IU over the next 18 months. IU is cutting \$58.1 million in one-time spending as follows:

1. Elimination of \$22.2 million in backfill for 2009-10 budget cuts and \$29.3 million in backfill for 2010-11 budget cuts. Although the State had committed such backfill from federal stimulus funding, IU chose to quickly implement the legislatively-mandated budget cuts. This approach provides IU with the flexibility to cover most of the one-time funding reduction from savings created by spending cuts.
2. State funding for repair and rehabilitation is being cut from \$18.9 million to \$12.9 million (i.e., by \$6.0 million). As a result, Vice President Morrison is delaying or scaling back R&R projects.
3. Special state funding for eight IU units is being cut from \$10.5 million to \$10.0 million (i.e., by \$0.5 million). These units—the largest being the Indiana Geological Survey and the Indiana Institute for Disability and Community—will lower spending by an equivalent amount.