

## Boston University

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October 15, 2009

Dear Colleague:

The Fiscal 2011 budget planning process will begin this week. As we work together to develop next year's budget, we remain acutely aware that our planning will undoubtedly be shaped by the fiscal realities of the continuing recession and uncertain economic environment. Last year Boston University was among the very first educational institutions in the country to react to the unprecedented global financial dislocation and capital market volatility. As a result of our early action and collaborative work, we completed Fiscal Year 2009 on target. Consequently, we have a great deal to be proud of and you should review the major year-end highlights summarized in the [President's State of the University letter of October 5, 2009](#). In formulating the Fiscal 2011 budget guidelines we will all need to exercise continued restraint, remain mindful of the financial needs of our students, and follow successful patterns previously established to lower expenses and preserve capital. Many of the financial challenges that emerged last year stubbornly remain with us.

Last October, Boston University made the decision to temporarily freeze administrative staff hiring. The outcome of this action allowed the University to preserve funds and avoid a situation that would have otherwise resulted in numerous work force reductions. In January, a target was established to reduce \$10.0 million of recurring expense permanently from the operating budget. Eight task forces were formed to review operational areas for efficiencies. Four work groups have completed their assignments and submitted recommendations; many of their suggestions have been implemented. Later in the year and after careful consultation and review with unit leaders, approximately 35 open positions were eliminated, generating \$1.8 million of permanent budget savings at the Charles River Campus. These two activities resulted in sustainable annual savings of \$3.2 million or \$32 million over the next ten years.

There were numerous other expense reduction measures taken during Fiscal 2009, in order to develop a responsibly balanced Fiscal 2010 budget. Examples include:

- Reduced salary increases for administrative staff, and salary freezes for staff earning more than \$150,000 per year
- Frozen salaries for the senior leadership until at least July 2010
- The closing of Sargent Center for Outdoor Education
- Changes in health benefit options for employees who leave the University prior to reaching retirement age

- The closing of the University Computer Store and the redesign and consolidation of services into the Personal Computing Support Center (PCSC)
- Changes in printing policies for undergraduate and graduate students and the elimination of residential computing clusters
- The elimination of paper versions of bulletins for schools and colleges
- The restructuring of conference and event management staff and supervision
- Reductions in transfers for deferred maintenance and plant funds

Collectively these initiatives equate to approximately \$18 million of budget savings. The Fiscal 2010 budget is \$20 million higher than Fiscal 2009 or an increase of only 2.7%. These results could not have been achieved without the genuine dedication of faculty and staff alike, and we want to express our gratitude to all who have made sacrifices and contributions during this unprecedented time of economic stress. It was through such thoughtful efforts that the University successfully balanced its operating budget, while supporting students, maintaining progress towards faculty appointments, enhancing academic programs and new initiatives, and investing in student services for the future.

As we begin this year's budget process, we must recognize that one of our greatest financial challenges is to manage the uncertainty facing our students and their ability to afford a Boston University education. Even though Fiscal Year 2009 ended solidly, the year actually began with a modest enrollment budget shortfall. Our entering and continuing student enrollments were 210 FTE below budget targets, which carry forward into out-year revenue projections. You will undoubtedly recall that last year we initiated a series of student outreach activities, which resulted in providing additional financial assistance to returning students whose families had experienced financial hardship. These financial obligations carry forward as well. As a result of these conditions, adjustments have been made to our financial aid and enrollment budget models for both continuing and entering students. As we continue to manage through the current economic reality, a great deal of uncertainty remains and we must take this into account as we build the new budget.

#### Fiscal 2010

First, there are some noteworthy aspects about the current fiscal year. While it is still too early to accurately predict outcomes, the preliminary data appears to be tracking closely to our budget plans. However, for reasons already stated, we still need to be extremely conscious of the fiscal volatility of today's environment. Thus, we are closely monitoring external economic factors that directly affect the University's operating budget, such as variable debt interest rates, energy and utility costs, inflationary increases such as faculty and staff benefits, enrollment trends, financial assistance costs, sponsored research program activity and awards, and all other revenue sources. And as stated earlier, while we do appear to be on target regarding enrollment, we have needed to increase the financial aid budget. The working groups formed last year continue to function and, thus, efforts also continue across campuses to determine ways to streamline operations and create more efficient administrative processes. The Fiscal

Year 2010 budget contains prudent reserves and at this time remains in balance.

### Fiscal 2011

The economic factors described above will undoubtedly create pressure and challenges as we develop the University's budget. In addition, the President and University Provost have recently asked each school and college to update their individual strategic plans, taking into account changes that have occurred over the last two years and the economic environment that we face going forward. The university-wide strategic plan, *Choosing to be Great*, was finalized in the fall of 2007, but started with individual academic unit planning that began in 2005-2006. For many schools and colleges this is an exercise aimed at reexamining our priorities and making appropriate mid-course corrections. For others, it will be appropriate to more dramatically rethink their plans in the context of the University's long-range directions and new decanal leadership that is in place.

As indicated earlier, the single biggest variable for Boston University relates to student enrollment and its potential impact on our budget. Over one-half of the University's revenue is enrollment related. If the economy continues to challenge the ability of students and their parents to pay for a Boston University education, our budget will also be affected, resulting in higher costs of financial aid and potentially lower enrollments. In light of these circumstances, we need to do our very best, working collaboratively, to continue the practice of aligning our individual priorities harmoniously with institutional goals.

At this early stage of development, the Fiscal Year 2011 budget model incorporates historical assumptions for enrollment and financial aid, and also factors in both inflation and revenue rate increases, with prudent institutional contingency reserves, adequate transfers for academic units and reasonable allocations for physical plant renewal. As you well know, the end result of this process must be a balanced budget.

Given the circumstances that we see at this time we ask that all units undertake a comprehensive review and analysis of administrative positions. We need to maintain a healthy balance of staff to perform necessary functions. However, even with the hiring freeze of last year, it is clear from available data that units still experienced significant growth in administrative positions this past year. We need to continue to assess this large expense category and, to the extent possible, redeploy these funds to support both academic initiatives and activities that would support and improve student experiences.

The University Provost will provide detailed guidance to academic units reporting to him for narrative justifications regarding both specific issues impacting the Fiscal Year 2011 budget and on their progress of updating their strategic plans. Bearing in mind current economic conditions, we will be asking all units to provide recommendations for potential savings, as well as areas of revenue improvement. Some units will be asked for more detailed analyses regarding specific expense categories. . We are not contemplating the need for dramatic budget reductions, but we would like to develop a realistic menu of opportunities to reduce

expenses based on your priorities in the event that reductions are necessary. Although new funding will be extremely tight, we also welcome requests for supplemental funding that will substantially increase the quality of services and/or help generate new revenue for the enterprise.

The Budget Office will continue to use the modeling technique begun three years ago that allows budget projections to be developed along two parallel paths. We continue to use a standard detailed budget submission process in which all units participate. In this regard, the Budget Office has sent instructions for the online tools that should be used to submit your projections. We will also run models that allow us to test various assumptions, financial scenarios and examine budget outcomes in future years. Assumptions will be tested using variables such as enrollment, student retention rates, tuition discount rates, inflation, student housing occupancy, salary increases, interest rates, etc.

Fiscal Year 2011 budget submissions should include a written summary of 3 to 5 pages in length that provides support for new budget requests or other changes. In addition, for schools and colleges, information should be provided as to how such requests correspond with the goals and needs being defined in the revised strategic plans.

We look forward to constructive and mutually supportive discussions with you as we begin the hard work of planning for the Fiscal 2011 budget. We thank you for the patience and the mutual cooperation that has kept Boston University in such good fiscal status. We are confident that our collaborative efforts will make the Fiscal 2011 budget process successful and as efficient as possible, even during this unpredictable economic climate.

Sincerely,

Robert A. Brown  
President

David K. Campbell  
University Provost

Joseph P. Mercurio  
Executive Vice President