Objectives

• Share additional information and data
• Continue dialog with campus community
• Provide updates on each initiative
Purdue’s Budget Assumptions FY 2012

- Assumptions
  - Flat appropriation
  - 3% salary increase
  - 1% supplies and expense
  - Mandatory costs increases
  - Maintain
    - Student Success initiatives
    - Instruction
    - Scholarships/financial aid

- Results: shortfall
  - FY 2011 $11.1M
  - FY 2012 $40.0M
  - FY 2013 $67.4M

(before fee considerations)
Understanding Our Budget Challenge

FY 2010: $10.3 M
FY 2011: $25.5 M (Cash) + $11.1 M (Recurring) = $36.6 M
FY 2012: $40 M
FY 2013: $67 M

Total: $154.8 M
Understanding the Budget Challenge

What is the budget challenge?

$67 M
Recurring Budget Deficit

What makes up the $67 M?

$50 M
Planned Compensation Increases

$17 M
Unavoidable Costs & Strategic Plan Initiatives

How will we meet this challenge?

$25 M
Avoid Planned Compensation Increases

$25 M
Administrative Efficiencies (FY 2012 & FY 2013)

$17 M
Reduced Costs and Increased Revenue

What are the benefits?

Benefit Rebalancing (TIAA-CREF Retirement and Medical)

Competitive salaries, recruiting, reputation, flexibility

$42 M
Sustaining New Synergies Initiatives

Compensation Increases

Sustainable Budget
Sustaining New Synergies Initiative

March 2, 2010 • Ken L. Sandel
Task Force for Assessment and Implementation

- Project Manager: Ken Sandel, Office of the Treasurer
- Melinda Bain, Office of the Treasurer
- Denise Laussade, Treasury Operations
- Chris Martin, Business Office, Engineering
- Sharon Steen, Business Services
- Marissa Sura, Marketing & Media
- Julie Talz, Housing and Food Services
- Erick VanMeter, Physical Facilities
- Kevin Vedder, Human Resources
- Masters and Ph.D. Students (8)
Task Force Scope

Engage in a targeted assessment of Purdue University’s administrative processes, practices, policies, organizational structures and systems to achieve the financial targets established by the executive leadership of Purdue University.

Approach

• Collect, analyze and assess feedback
• Review current Purdue initiatives
• Determine, evaluate, prioritize and recommend opportunities
• Develop detailed implementation plans
• Work with units targeted for savings initiatives
• Maintain a project savings scorecard to established targets
• Develop a methodology for sustaining Task Force’s efforts
Initiatives

- Strategic Sourcing
- Information Technology
- Energy Conservation
- Compensation and Benefits
- Administrative Efficiencies

http://www.purdue.edu/sustaining/
Our approach:

• Look at how goods and services are acquired, and find ways to improve the overall price or quality.
  – May involve new bid process
  – Develop vendor alliances
  – Improve and simplify processes

• Strategic Sourcing consultant
  – RFP submitted, responses in
  – March 1 – Engage firm
  – April 30 – Complete analysis and prioritize quick wins
  – June 30 – Organizational structure review

• Gather peer/comparative data
Formed Campus Information Technology Plan Committee (CITPC)

- Chair: Connie Lapinskas, assistant provost for financial affairs
- Committee: Broad campus representation

Governance Sub-Committee
- G. Logan Jordan, Management, Co-Chair
- Patrick Smoker, Agriculture IT, Co-Chair
- Emily Arentson, Foods & Nutrition
- Melissa Dark, Research and Strategic Planning
- Eckhard Groll, Mechanical Engineering
- Ellen Gruenbaum, Anthropology
- Sandra Monroe, Student Services
- Rabindra Mukerjea, Strategic Planning & Assessment
- Alan Rebar, Research and Discovery Park
- Terry Schroeder, Business Services Computing

Cost-Savings Sub-Committee
- Chris Martin, SNS Task Force, Co-Chair
- Julie Kercher-Updike, ITaP, Co-Chair
- Mimi Arighi, Director, Vet Teaching Hospital
- Dave Carmichael, Engineering Computer Network
- Wei Cui, Physics
- Steven Hare, Science
- Jaylene Nichols, SMAS
- Miguel Rivera, Science
- Carol Shelby, Environment, Health, Public Safety
- Sam Wagstaff, Computer Science
**Charge:** Develop comprehensive IT plan for WL campus where the enterprise IT function will be seen as an integrated, university level service under the Office of the VP for IT and where $15 M in savings will be generated over time.

**Goals:**
- Design an integrated governance model
- Identify cost saving approaches to generate $15 M recurring over time
- Develop strategies to ensure responsiveness to IT needs across all units
- Complete plan by March 30

**Approach:** Two Sub-committee Structure – Governance and Cost Savings
Energy Conservation

- Kicked-off Building Control System (BCS) adjustments
  - Sent campus-wide communication (Feb. 2)
  - Identified initial 11 buildings

- Planning “Lights Out” campaign with campus groups

- Developing Web-based promotion and consumption tracking
  - Consumption data
  - Building-specific action plans
  - Feedback portal
Compensation and Benefits

• Reviewing options as part of total compensation rebalancing
  – Retirement contribution
  – Medical (healthcare split to average 80/20)
  – Off-set strategy

• Recurring savings options
  – Benefits for part-time employees
  – Early retirement incentive
  – Revision of overtime pay policy
  – Delay recurring annual merit increases

• Non-recurring savings options
  – Furloughs/pay reductions
  – Extend constrained hiring
  – Temporary suspension of retirement contributions

• Hewitt study – total compensation, benefits for part-time
Administrative Efficiencies

- Identify cost savings / revenue generation opportunities
- Assess and evaluate opportunities
- Conduct an administrative organizational benchmarking study
Communications

- Up-to-date information on Web site
- Purdue Today / Inside Purdue
- Department talking guides
- FAQs and Q&As with Executive Leadership
- Scenarios
- Upcoming forums
  - 10 colleges
  - 5 open forums
  - 3 regional campus forums
  - 2 staff forums
- Monthly summary reports
- Communication Advisory Board
- Communication plan and cadence
Campus Engagement

- Share ideas
- Identify best practices
- Be open to scrutiny
- Participate in energy conservation efforts
- Remain productive
- Keep a positive attitude
- Assist with special data requests
- Targeted tiger team efforts
- Stay up-to-date on team efforts

http://www.purdue.edu/sustaining/
Benefits of Rebalancing

Benefit to the University

- More competitive salaries
- Improved recruiting opportunities

Benefit to the employee

- Provides flexibility
- Provides income opportunity
## Retirement Contributions

<table>
<thead>
<tr>
<th>INSTITUTION</th>
<th>EMPLOYER REQUIRED CONTRIBUTION</th>
<th>EMPLOYEE REQUIRED CONTRIBUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purdue</td>
<td>15%</td>
<td>0%</td>
</tr>
<tr>
<td>Minnesota</td>
<td>13%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Ohio State</td>
<td>10.5%</td>
<td>10%</td>
</tr>
<tr>
<td>Michigan State</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Iowa</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Michigan*</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Indiana</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>Penn State</td>
<td>9.3%</td>
<td>5%</td>
</tr>
<tr>
<td>Illinois</td>
<td>7.6%</td>
<td>8%</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>5.6%</td>
<td>5%</td>
</tr>
</tbody>
</table>

*Voluntary 2:1 match until age 35
### Purdue Administrative/Professional Salary Comparisons

<table>
<thead>
<tr>
<th>JOB CATEGORY</th>
<th>PURDUE AVERAGE SALARY</th>
<th>INDEX TO MEAN</th>
<th>ADJUSTED INDEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic Affairs</td>
<td>$ 33,791</td>
<td>0.78</td>
<td>0.81</td>
</tr>
<tr>
<td>Business &amp; Administrative</td>
<td>$ 53,089</td>
<td>0.95</td>
<td>0.99</td>
</tr>
<tr>
<td>Human Resources</td>
<td>$ 48,811</td>
<td>0.93</td>
<td>0.97</td>
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<tr>
<td>Information Technology</td>
<td>$ 60,326</td>
<td>0.98</td>
<td>1.02</td>
</tr>
<tr>
<td>Athletics</td>
<td>$102,277</td>
<td>0.81</td>
<td>0.85</td>
</tr>
<tr>
<td>Student Affairs</td>
<td>$ 45,352</td>
<td>0.82</td>
<td>0.85</td>
</tr>
<tr>
<td>External Affairs</td>
<td>$ 49,075</td>
<td>0.89</td>
<td>0.92</td>
</tr>
<tr>
<td>Engineering/Research &amp; Agricultural</td>
<td>$ 44,996</td>
<td>0.99</td>
<td>1.03</td>
</tr>
<tr>
<td><strong>WEIGHTED AVERAGE</strong></td>
<td><strong>$ 51,594</strong></td>
<td><strong>0.95</strong></td>
<td><strong>0.99</strong></td>
</tr>
</tbody>
</table>

*2008-09 College and University Professional Association (CUPA) Salary Survey Comparisons for the Committee on Institutional Cooperation (CIC) – includes Big Ten institutions and the University of Chicago

**Based on number of incumbents
<table>
<thead>
<tr>
<th>INSTITUTION</th>
<th>AVERAGE SALARY (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of California-Berkeley</td>
<td>$111.9</td>
</tr>
<tr>
<td>Georgia Tech</td>
<td>$110.9</td>
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<tr>
<td>Michigan</td>
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<td>Minnesota</td>
<td>$100.5</td>
</tr>
<tr>
<td>Ohio State</td>
<td>$ 99.6</td>
</tr>
<tr>
<td>Iowa</td>
<td>$ 97.8</td>
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<tr>
<td>Michigan State</td>
<td>$ 95.7</td>
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<td>Indiana</td>
<td>$ 94.3</td>
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<td>Texas A&amp;M</td>
<td>$ 93.7</td>
</tr>
<tr>
<td>Purdue</td>
<td>$ 92.8</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>$ 91.8</td>
</tr>
</tbody>
</table>

Data Source: March-April 2009 Academe
Tax Implications of Rebalancing*†

<table>
<thead>
<tr>
<th>SALARY LEVEL</th>
<th>Option 1: Non-Tax Deferred (As Pay)</th>
<th>Option 2: Tax Deferred Account</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>NET INCOME</td>
<td>INCREASED TAX</td>
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<tr>
<td>$ 25,000</td>
<td>$ 566</td>
<td>$ 243</td>
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<tr>
<td>$ 50,000</td>
<td>$1,362</td>
<td>$ 584</td>
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<td>$ 75,000</td>
<td>$2,157</td>
<td>$ 925</td>
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<tr>
<td>$100,000</td>
<td>$2,953</td>
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<td>$125,000</td>
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<td>$1,606</td>
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<tr>
<td>$150,000</td>
<td>$4,544</td>
<td>$1,947</td>
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<tr>
<td>$175,000</td>
<td>$5,339</td>
<td>$2,288</td>
</tr>
<tr>
<td>$200,000</td>
<td>$6,135</td>
<td>$2,629</td>
</tr>
</tbody>
</table>

*Based on 30% marginal rate  
†TIAA-CREF eligible employees only
Continuing to Evaluate Options

- *No final decisions about eliminating jobs, changing compensation or canceling programs have been made at this time.*

- *Everything is still on the table for review and consideration.*
Questions

• What are your views about these options (strategic sourcing, IT, energy conservation, compensation and benefits, administrative efficiencies)?

• What are your specific suggestions for making these options better or different?