

IT Society finances

The purpose of this white paper is to lay the foundations for financial discussions at the IT BoG meeting in Porto. The first section takes a long-term, high-level perspective, and asks what our general financial strategy should be. The second section takes at closer look at 2007–2009 budgets. The third section makes specific proposals for current implementation.

1 Overall strategic question: How to respond to prosperity

After several years of improvement from the black days of 2001–2002, the Information Theory (IT) Society had a phenomenal year financially in 2007, with a record surplus of \$719.9K. The following table shows the surpluses (deficits) since 2002, along with a few other vital statistics (all financial numbers in thousands of U.S. dollars):

Year	2002	2003	2004	2005	2006	2007
Net surplus	(271.3)	151.9	203.8	461.4	566.0	719.9
Trans surplus	190.7	203.3	169.5	203.1	337.8	681.8
Conf surplus	50.3	128.6	87.5	382.3	329.4	376.7
IEEE charges	(374.5)	(65.5)	(216.8)	(236.1)	(262.8)	(390.6)
Members	4853	4538	3995	3652	3413	3316
Nonmember subs	561	485	406	366	328	284

For a more detailed breakdown of 2007 income and expenses, see the next table.

Most societies ran surpluses last year relative to their budgets. The IEEE is urging societies to forecast better, to spend more to meet their budgets, and not to run up their reserves.

The broad strategic question for our society is whether to change our income and/or expenses to reduce our surplus, or whether to continue running the society in the same way as previously.

In thinking about whether to become more expansive in our budgeting, we are all conscious of the fact that most of our income and expenses are not under our control. The deficits of 2001–2002 were due to overspending and negative investment returns at the IEEE level. IEEE spending increased a great deal last year due to the new Business Management System and other initiatives, but this was offset by positive investment returns. We have benefited from changes to the IEEE allocation formulas, which have rewarded high-quality publications that get lots of clicks, but these can change at any time. We know of an upcoming change in the conference publications algorithm that will cost us of the order of \$130K per year. So there is good reason to continue to budget conservatively.

2 2008 and 2009 budgets

The 2007 actual income and expenses, the current 2008 budget, and the first-draft 2009 budget proposed by the IEEE are shown in the next table. The 2009 budget is based on no change in member dues or print Transactions fees, the IEEE-recommended increase in nonmember subscription rates, and internal estimates or extrapolations of the remaining line items. (It is

not clear whether it reflects the expected change in allocations of conference publication income. It does not reflect eliminating the print publication of the Transactions index, which should save us \$15K per year.)

Item	2007	2007	2008	2008	2009	2009
<u>Transactions income</u>						
Xplore	894.4		663.1		691.7	
Nonmember subs	283.0		305.5		275.3	
Member print	66.4		61.7		54.7	
Other	<u>9.6</u>		<u>20.1</u>		<u>8.6</u>	
Total Trans income	1253.4		1050.4		1030.3	
<u>Transactions expense</u>						
Editing	414.8		511.5		519.7	
Printing	148.9		144.3		148.4	
Other	<u>10.4</u>		<u>9.6</u>		<u>9.2</u>	
Total Trans expense	571.6		665.4		677.3	
Transactions surplus		681.8		389.4		353.0
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Conference pubs		280.1		219.0		199.8
Conf income	795.9		706.9		859.5	
Conf expenses	699.3		643.9		774.2	
Net conf surplus		96.6		63.0		85.3
Member dues		80.9		83.6		83.3
Committee exp		(70.0)		(38.1)		(53.3)
Newsletter		(34.9)		(26.9)		(27.4)
Miscellaneous		(22.5)		(11.5)		(13.8)
IEEE charges		<u>(390.6)</u>		<u>(270.2)</u>		<u>(335.2)</u>
Operating surplus		621.4		408.3		291.7
Investment income		<u>98.5</u>		<u>0.0</u>		<u>0.0</u>
Net surplus		719.9		408.3		291.7

Budget items that are under our control are member dues, print Transactions fees, nonmember subscription rates, and various budget line items, including conference surpluses.

The member dues have been constant at \$30 for a long time. The IEEE estimates the current marginal cost per member as \$17.44.

The fee for a print copy of the Transactions was raised from \$30 to \$45 in 2005 for 2006, when the marginal cost of a print copy was \$58.60. The 2007 marginal cost was \$76.20, and the predicted marginal cost in 2008 is \$78.40.

IEEE Marketing has recommended raising our nonmember Transactions subscription price by 12% next year, from \$915 to \$1025. In recent years we have generally followed their recommendations. Their justification is that we are cheaper per page than our competition (a weighted average of much more expensive commercial journals and generally less expensive professional society journals), and that our Transactions is demonstrably a high-quality journal.

3 Proposals

The officers and several committee chairmen have reviewed the background discussed above, and have offered various modest suggestions for reducing our surplus. Basically, the consensus is that our approach should be: “Steady as she goes, but let’s be more open to spending somewhat more at the margins.”

There is certainly a lot of wisdom in this approach. Some other societies that have tried to be more aggressive and entrepreneurial have not done nearly as well financially. The IT Society has done well by doing good and sticking to its knitting.

On the other hand, none of these proposals will make a significant dent in our current staggering surpluses. If our reserves keep increasing at the current rate, then there is a very real possibility that the IEEE may simply take some of them back (either directly or by changing formulas), as they did in 2001–2002. We must prepare ourselves to be philosophical if this happens.

With respect to 2008 operations and the 2009 budget, here is a set of concrete proposals:

1. Freeze all dues and fees at their present levels— *i.e.*, do not raise fees for member print copies; do not raise nonmember subscription fees.
2. Change our guidance to conferences to allow them to budget on a breakeven basis. The Porto ITW has already been authorized to do this.
3. Offer free half-year membership to non-IT ISIT attendees (if it is not already too late to do so).
4. Provide an additional \$10K of support to the IT School at Penn State in June.
5. It seems that it will be difficult to spend any more money on IT Web site development this year than the BoG has already authorized (\$60K).

These proposals will be the subject of individual motions at the BoG meeting.