

REPORT OF THE BUDGET ADVISORY TASK FORCE

Recommendations – Budget Targets

Introduction

Last summer, President Berkman commissioned an advisory task force to focus upon issues related to budget re-alignment across the University, the development of an instructional resource model for academic units, and developing recommendations for dealing with the impact of FY12 &13 state budget reductions on the University. This initial report provides preliminary recommendations for managing the University's budget in response to potentially significant reductions to its allocation of SSI (State Share of Instruction) in FY12 and FY13. Since the state's response to balancing its FY12-13 budget will not be known for several months, the University is developing various internal budget scenarios in order to effectively manage the eventual outcome of the state's budget solution. The Task Force may provide President Berkman with additional reports on budget-related topics.

FY12-FY15 Operating Budget Forecast

In anticipation of a reduction in the University's allocation of SSI, the Task Force is providing recommendations for closing the University's anticipated Operating Budget revenue shortfall beginning in FY12. The state's budget challenges are structural in nature and a return to the pre-FY11 levels of SSI is not likely. Although the actual SSI reduction is not known at this time, the Task Force has developed a preliminary four-year operating budget upon which its recommendations are based.

The FY12-15 forecast is based upon many assumptions, including the following principal ones:

1. Total enrollment increases of 4% in FY12, 3% in FY13, and 2% in FY14 and FY15, while the College of Law enrollment is estimated to remain flat at FY11 levels.
2. While the state's policy regarding tuition increases is also unknown at this time, the forecast assumes a 3% increase undergraduate and graduate tuition rates and a 5% increase for law tuition in each year of the forecast.
3. Our allocation of SSI is forecasted at \$57.3 million for each year of the forecast. This represents a 21.4% reduction from the originally granted FY11 SSI of \$72.9 million. The \$15.6 million reduction is attributed to \$11.4 million of lost federal stimulus funding beginning in FY12 and \$4.2 million in what the state has termed a "lapsed" FY11 SSI monthly payment for June 2011. The Task Force assumes the lapsed payment will not be restored.
4. The forecast estimates expenditures at the current level of employees, including fringe benefit costs; other operating expenditures such as utilities and debt service; expenditures for strategic initiatives; and funds for University contingency.
5. An FY11 operating budget surplus of \$5.8 million is forecasted.

The forecasted cumulative operating budget deficits are:

	Millions			
	FY12	FY13	FY14	FY15
Operating Budget Deficit	\$ (16.27)	\$ (29.77)	\$ (37.61)	\$ (44.90)

The reduction in SSI could be more than the estimate used in the forecast. To cover this possibility, the Task Force established a University-wide target of \$17-21 million to be obtained through a combination of reasonable reliable revenue enhancements and permanent budget expenditure reductions. The Task Force realizes that attaining this target within one fiscal year will be difficult. Therefore, an important component of the plan depends upon the University's ability to prudently utilize the expected one-time surplus from the FY11 budget to assist the transition to a lower permanent budget. Depending on the severity of the SSI cut, the University may need to utilize a portion of its pre-FY11 University Reserve balance.

University Sector Targets

The Task Force recommends allocating the University-wide target among three major sectors: Academic, Academic Support, and University Support. The sectors are comprised of the following units:

Academic Sector	
<ul style="list-style-type: none"> College of Business College of Liberal Arts & Social Sciences College of Sciences & Health Professions College of Education 	<ul style="list-style-type: none"> College of Engineering College of Law School of Nursing College of Urban Affairs
Academic Support Sector	
<ul style="list-style-type: none"> Academic Affairs Academic Planning Provost's Office Research & Graduate Studies 	<ul style="list-style-type: none"> Student Affairs Undergraduate Studies Honors Program Scholarships
University Support Sector	
<ul style="list-style-type: none"> Advancement & University Development Academic Planning Athletics Diversity & Multicultural Affairs Enrollment Services Business Affairs & Finance 	<ul style="list-style-type: none"> IS&T <u>President's Office</u> Affirmative Action Office Board of Trustees Office General Counsel's Office Government Relations

Sector Target Recommendations

The Task Force recommends the following sector budget targets:

<u>Sector</u>	<u>Budget Target</u>
Academic	8-10% \$7.2 – 9.0 million
Academic Support	10-12% \$2.8 – 3.4 million
University Support	12-15% <u>\$6.9 – 8.6 million</u>
	\$16.9 – 21.0 million

The Task Force recommends that, except for the undergraduate Honors Program scholarships, all student financial aid scholarships funded in the Operating Budget be held harmless from reduction. Also, debt service payments for certain University debt issues are fixed, contractual expenditures that cannot be reduced and must be held harmless.

The differentiation among the sector targets reflects a commitment to maintain quality academic programming in light of our growing enrollment and sustain academic support initiatives that support the improvement in retention and graduation rates. The differentiation is also based on the fact that over the previous five years, the level of total full-time faculty has declined nearly 10% and during the same period, total enrollment has increased more than 5%.

Academic Sector Target

The President and Provost requested the Task Force to provide recommendations for differentiated budget targets among all colleges that can be achieved by increases in revenue and reductions in permanent budget expenditures. The Task Force is proposing differentiated targets based upon consideration of a variety of factors, including a college’s contribution to the University’s strategic goals, its recent financial performance, and capacity to increase enrollment and/or tuition and fees.

Based upon this review, the Task Force established three “bands” of targets and categorized each college into Band A, B, and C. Within each band, there are three target percentages. The three additional target percentages provide a broader range of reduction possibilities and provide the President and the Provost with more flexibility, especially if the resulting SSI reduction is higher or lower than our forecasted level.

Band A			Band B			Band C		
Target Range			Target Range			Target Range		
3%	5%	7%	5%	7.5%	10%	7.5%	11%	14.5%
COSHP School of Nursing			College of Business College of Law			CLASS College of Education College of Engineering College of Urban Affairs		

Academic Support Sector Target

The Academic Support Sector is comprised of non-instructional units that directly support the academic mission of the University. The Task Force has provided the Provost with a target recommendation for this sector, as well as a suggested scenario for how units within this sector may attain their targets.

University Support Sector

The University Support Sector is comprised of administrative units reporting to the President. The Task Force did not make specific recommendations regarding budget targets for this sector. The President provided each Vice President a budget target to achieve. These units were directed to provide the President with a plan for achieving its target by January 15, 2011.

Total University Summary

The Task Force’s recommendations produce the following targets:

TOTAL UNIVERSITY - RECOMMENDED BUDGET TARGETS

	\$		
<u>Sector</u>	<u>FY 11 Perm Budget</u>	<u>Perm Budget Target</u>	<u>% of Budget</u>
Academic	\$ 90,248,678	\$ (7,997,477)	-8.9%
Academic Support	24,610,555	(2,669,860)	-10.8%
University Support	<u>57,444,125</u>	<u>(8,385,285)</u>	-14.6%
Total	\$ 172,303,358	\$ (19,052,623)	-11.1%
Provost Position Fund (1)	\$ 3,661,098		
Student Financial Aid - Scholarships	12,414,337		
University Debt Service	8,040,362		
Utilities	11,200,631		
Other University Expenses (2)	<u>7,002,398</u>		
Total	<u>\$ 214,622,184</u>	<u>\$ (19,052,623)</u>	-8.9%

(1) Comprised of salary and fringe costs for academic and academic support positions.

Certain positions in the search process are dependent upon funding from this department. This amount is reflective of the 11/30/10 balance and does not reflect commitment for searches that are presently being conducted.

(2) Bad Debt Expense, Bank Fees, University Contingency.

Respectfully Submitted,

University Budget Advisory Task Force