

### Financial Futures Advisory Committee

The Ad Hoc Financial Futures Advisory Committee is established by the President of the University as an administrative committee and is co-chaired by the Vice President for Finance and Administration and the Vice President Academic Affairs and Provost. The Committee will be composed of a broad cross section of the University community including faculty, administrators and students. The Committee will serve through academic year 2010-11. The purpose of the Committee is twofold: first, to work with the Vice Presidents on the PSU Financial Futures Framework Project which is described below, and second, to advise the President and Vice Presidents on the long term operating principles for the PSU budget allocation model.

First: The Financial Futures Framework Project, which was launched this Fall under the direction of the Vice President for Finance and Administration, is an in-depth analysis of the historic, current and projected financial circumstances of the Portland State University. Phase one of the project has multiple goals: first to evaluate how historic trends for revenue sources, expenditure categories and overall financial capability of the University plays out in future years; second, through interactive modeling to modify and evaluate factors which can alter projected financial futures; and third, to identify the policy choices or levers which emerge from this analysis. The Committee will work with the Vice Presidents in the course of this analysis and aid in assessing various policy choices/levers and attendant strategies, which will inform the University leadership's overall major policy choices for the future

Second: the Committee is charged with recommending principles to guide future budget allocations in the University's annual budget process. With good background from the Financial Futures work, the Committee will have a basis for understanding the University's current financial environment and likely future trends, including the distribution of funds for both the revenue and expenditure sides of the University budget. Allocation practices within the University have become complex over a number of years because of an increasingly complex set of revenue sources including tuition, various fees, state appropriations, federal appropriations, grant and contract funds to mention just a few. Revenue sources are often constrained by OUS or University policy; restricted funds policies derived from professional accounting standards and business practices, donor requirements, federal granting agency requirements and so forth. The complexity of revenue sources and their constraints becomes key to understanding the scope of discretion the University has in the allocation process. Allocations have also become more complex as the University has grown and differentiated. University expenditures are driven by multiple factors most especially historical patterns of expenditures adjusted at the margins. Allocations of funds should maximize the most essential goals and objectives of the University, but allocations based on historical trends may not always accomplish that maximization.

The Committee will be asked to review the current budget allocation model and practices and to recommend principles for future budget allocations which encompass recognition of revenue source complexity and mission based factors.