

To: Campus Community  
From: President Wim Wiewel  
Re: 2009-10 Budget Plan Update

Prior to the end of the spring term, I reported to the campus community our preliminary budget plan for 2009-10. I also reported that the legislative budget process was still under way, and the Oregon University System (OUS) had not yet approved tuition rates or allocations for 2009-10. The Legislature and the governor have now completed their budget deliberations and the OUS board has set tuition rates (but has yet to determine the allocation formula for state funds). Below I outline our original budget plan, the revised budget plan based on the actual legislative outcome, and next steps in the University budget process.

## BACKGROUND

In anticipation of an originally projected shortfall of \$28 million in the essential budget level, the University developed a strategy of sharing the pain between tuition rate increases and expenditures reductions. The original budget plan included:

New revenues of \$15.2 million

- \* Proposed tuition rate increases (13% for resident undergraduates and 10% for other groups) or \$13.5 million
- \* Other revenue enhancements of \$1.7 million

Expenditure reductions of \$14 million

- \* Reductions at a university-wide level totaling \$6.4 million, including salary reductions of \$3.9 million
- \* Reductions in academic (instructional) units of \$1.86 million, or 3.99%
- \* Administrative and academic support reductions (and some revenue offsets) totaling \$5.74 million, or 6.65%.

## REVISED BUDGET PLAN

The legislative budget decisions will result in a budget shortfall of \$21 million. It is also very likely that the state will again reduce agency budgets during the fiscal year; probably by 5 % but possibly as much as 8%. An additional 5% cut would increase the shortfall to \$25 million.

I believe a mix of tuition revenue increases and expenditure reductions to meet a shortfall of this size remains the prudent and appropriate strategy.

Specifically, the OUS board actions on tuition this month should result in the University receiving \$11.9 million in tuition revenue increases. Added to an additional \$1.7 million in other revenue increases, it will result in a total of \$13.6 million in additional funds.

Expenditure reductions of \$14 million will move forward as planned: the University-wide reduction of \$6.4 million and unit reductions of \$7.6 million (reductions of 3.99 % in the academic instructional units and 6.65 % in the administrative units). Salary reductions are anticipated pending collective bargaining. The 4.6 percent salary reduction for senior management started earlier this year will continue.

However, we may not be able to realize all of the planned reductions or revenues. Additional, state budget cuts may well be higher than 5%. Therefore, we have included a 3% margin for unanticipated shortfalls.

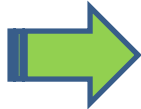
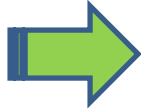
Attached is a summary of the current 2009-10 budget elements and major plan impacts at this time.

## NEXT STEPS

The revised budget plan assumes zero growth in enrollments. Some growth, however, may occur. If enrollment is higher than the zero-based budget plan assumption, additional revenues would be available. These revenues will be used to support instructional capacity, rebuild some instructional support services, provide fee remissions for graduate students, and assist with critical academic initiatives.

As the University's budget process proceeds I will continue to update you. I want to thank you for all of your hard work and dedication to Portland State University during these challenging times.

## Final Budget Plan July, 2009

13% STATE APPROPRIATION REDUCTION (Plus EBL & Financial Aid Adjs.) Results in Shortfall:	\$19,900,000		<b>Total \$25.0 M</b>
TUITION REVENUE LOSS (due to capacity loss)	1,000,000		
ADDITIONAL STATE APPROPRIATION REDUCTION PHASE 2 (Estimated 5%)	4,100,000		
TUITION RATE INCREASES (Based on 8.5% Resident UG/12.3% NR – UG and 12.1% Graduate)	11,900,000		
SALARY/FTE/WORK FURLOUGH SAVINGS @ 4.6%	3,900,000		
OVERHEAD RATE INCREASE of 4% SELF SUPPORT PROGRAMS/AUXILLARIES	1,200,000		
SUMMER SESSION CONTRIBUTION INCREASE (25% to 30%)	500,000		
REDUCTIONS FROM CAMPUS CLOSURES/LEASES/MOVES/ ENERGY COSTS AND MISC.	2,000,000		
SERVICES AND SUPPLIES REDUCTION of 3%	500,000		
ACADEMIC (INSTRUCTIONAL) REDUCTIONS	1,860,000		
ADMINISTRATIVE & ACADEMIC SUPPORT UNIT REDUCTIONS	4,000,000		
OTHER ADMINISTRATIVE REDUCTIONS/REVENUE OFFSET	1,740,000		
3% Margin for Unanticipated Shortfall	<2,500,000>		<b>Net Total \$25.0 M</b>