Date: May 1, 2011

To: Campus Community

From: Lindsay Desrochers, Vice President Finance and Administration
       Roy Koch, Vice President and Provost

Re: University Budget Plan 2011-12

As you know the annual campus budget process has been underway since January 2011. The University Budget Team (UBT) including the Provost, Vice President of Finance and Administration, Associate Vice President of Budget and Planning and the Vice Provost Academic Fiscal Strategies and Planning, have created a set of recommendations related to ongoing reductions, fund balance recapture and investment shown on the attached items.

At the March 1, 2011 campus wide budget forum the President, Provost and Vice President presented information concerning the projected financial circumstances of the University for the next fiscal year. Given the anticipation of significant reductions in state appropriations and significant increases in the costs for personnel benefits among other assumptions, the University Budget and Planning Office projected an approximate $23.7 million shortfall in funds for the operations of the campus next year. This is prior to any tuition adjustments and to any discussion regarding investments required for strategic purposes.

Looking forward to budget year 2011-12, the UBT developed a multiple pronged strategy that mixes some budget reductions; use of fund balance; increases in administrative overhead charges; and tuition increases. The tuition increases represent a little more than a third of the total required to address the shortfall. The President asked the team to draft a plan which would cover the $23.7M gap and provide funds for strategic investments or reinvestments in critical areas.

Attached is a budget plan that amounts to $29.4 million. This plan is contingent on the State and OUS Board making final budget decisions and allocations to the university that are consistent with the following assumptions and decisions:

1) State appropriations will be reduced by $17.7M and costs will increase by $6.0M especially in the personnel benefits area.
2) Tuition rates will be increased by 9.2% for undergraduate resident students; 6% for other groups. Additionally, some minor differential tuition increases are planned. This revenue will yield $11.3M, a little more than one third of the required $29.4M.
3) Units were asked to identify 3% in permanent funds to assist with filling the budget gap and that exercise yielded $3.6M.
4) Units were further directed to hold 45% of their beginning year fund balances. These balances will now be returned to cover the budget gap. The UBT modified this request to an average of 30% for instructional units and 40% for non-instructional units; yielding in total, $6.2M. An additional use of $4.5M in fund balance from central resources will bring the use of fund balance total to $10.7M.

5) Administrative overhead charges to self support units are increasing to 18% (an increase of 2% points) or 20% (an increase of 4% points) for academic self support programs and auxiliary programs respectively, yielding $1.7M.

6) The primary responsibility of the University for reinvestments was to meet current permanent positions which have been on a non permanent funding base in the College of Liberal Arts and Sciences.

7) Other strategic reinvestments are related to the University’s larger strategic goals including enrollment management and retention of students; research administration infrastructure to assist faculty in their research endeavors; and further development of the University’s information database integration effort in the Data Master program.

All University requests for strategic investments or reinvestments totaled $15.3M; however, only a total of $5.7M was fundable given other demands on University resources to fill the funding gap from state reductions and cost increases. Other priorities are shown as high, medium and low and would merit funding should additional resources become available.