

Date: February 9, 2010

To: Members of the Council of Academic Deans, University Relations,
Finance and Administration Council, Faculty Senate Budget Committee Chair

From: Lindsay Desrochers, VP Finance and Administration
Roy Koch, Provost and Vice President for Academic Affairs

cc: President Wim Wiewel,
Vice President Richard Knight (Interim),
General Counsel Henry Lazenby

RE: University Budget Planning Process 2010-11

Over the last few weeks, the University Budget Team (UBT) has been reviewing our University's current financial condition and the fiscal year 2010-11 campus budget planning process. Since this process is for the second year of the 2009-2011 biennium, most of the uncertainties related to the state funding have been addressed last year. Furthermore, with passage of the tax measures in the special election last month, the possibility of additional major reduction of state allocation in the current biennium is not likely. However, the state is still looking for options to address the current projected revenue shortfall, estimated to be about \$330M from the close of session last year. These options will be addressed at the special legislative session currently underway. Should there be a *mild reduction* of state allocation resulting from the current legislative session, the University will likely have adequate resources to manage the reduction centrally.

As we approach the planning period for 2011-2013 biennium, the University will face some significant financial challenges. In the recent meetings at the Council of Deans and the FADM Council, we discussed some of these challenges. Major issues and currently estimated dollars (in annual terms) associated with them include:

- Elimination of the Federal Stimulus funds (as backfill of the state revenue shortfall in current biennium), \$7M
- PERS rate increase, \$6M
- PEBB rate increase, \$1M
- Risk Management assessment increase, \$1M

These estimates are based on state level decisions and are subject to change in subsequent months based on changing circumstances. They represent a potential budget gap of possibly \$15M on an annual basis due to events beyond the control of the University. Additionally, the University needs to assess likely enrollment increases in the coming biennium in light of this year's performance; but also recognizing that an improvement in employment, especially part time employment, may scale down student enrollment.

As mentioned above, the University is approaching the 2010-11 budget planning process with a simplified, optimistic, yet cautious approach. In the next couple of weeks, academic and administrative units will receive specific direction to make proposals of their highest priority requests for potential investment, should there be additional funds available. Members of the University Budget Team (comprised of the two of us, along with Vice Provost Carol Mack and Budget Director Michael Fung) will continue their consultation effort with the President, Vice Presidents, Council of Academic Deans, FADM Council and the Faculty Senate Budget Committee as well as other campus wide major stake holders.