

TO: President Michael Reardon

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

DATE: July 18, 2008

SUBJECT: FY2008-2009 Budget Process and Recommendations

The University Budget Team (Provost Roy Koch, Vice President Lindsay Desrochers, Vice Provost Carol Mack and Budget Director Michael Fung) began the FY2008-09 budget process through information gathering in Fall of 2007 and continued with discussions of budget planning principles in January 2008. The Team began meetings with the deans, administrative units and the Faculty Senate Budget Committee in the late Fall and winter.

Shortly after January, the University learned of the potential loss of anticipated state compensation funding, originally scheduled for release in February 2008. PSU's share of this allocation was just below \$5 million. The decision to release this allocation was put on hold by the State Legislature until after the next state revenue forecast which was scheduled for the end of May. The new May 2008 forecast indicated that the State did not suffer additional significant losses in revenues as feared. Still, to be cautious in a very unstable, recessionary economy and to be prepared for other large financial obligations / problems looming (i.e. loss of federal Timber funds), the State E Board (representing the Legislature) chose to release only 80% of the State employee compensation funds at this time. Thus PSU, as with all other OUS institutions, will lose 20%, or \$1 million of the funds intended to cover two years of employee compensation needs. There are no indications of other reductions at this time.

While waiting for clarity of the new state revenue forecast, the University Budget Team continued consultations with the Faculty Senate Budget Committee, the Council of Academic Deans, and administrative leaders on campus. Additionally, in the early summer, the Team received and analyzed new enrollment projections for the campus. (Enrollment for 2008-09 is projected to be 3.85%) The University Budget Team has now finalized its review of FY2008-09 budget circumstances and proposals and is making the following general recommendations to:

- Recapture one time savings to build fund balance,
- Invest in expansion of several academic programs that generate additional credit hours, meet the needs of some new program growth; meet enrollment growth requirements; and increase revenue to the university,
- Allocate additional resources from enrollment generated revenues to meet compensation requirements for final bargaining agreements,
- Invest modest resources for presidential initiatives, and
- Invest modest resources for student services, development, and information technology.

Funding these budget recommendations is dependent on the continued support of the State and OUS. In July, 2008, the OUS Board approved the 2008-09 Budget and state funds which were

anticipated have now been allocated to the campuses. These budget recommendations are also dependent on the realization of a 3.85% enrollment growth in 2008-09. Should this level of enrollment not be met, or should the State turn to a strategy of further reductions mid year, the University will need to implement other approaches to identifying permanent funds to cover the recommendations. As such, the University is exploring two further possible changes, that may take effect in 2009-10:

- 1) Consider the pros and cons of discontinuing the Western Undergraduate Exchange program; and
- 2) Consider an increase in overhead rate for self support programs from 12% to 14%.

These examinations will continue into the Fall and be rolled into the next year's process.

The specific budget recommendations are attached in Table 1 (attached). We recommend your approval of these recommendations:

approved:
Muhammad F. Rezaei
7/30/08

**2008-09 Recommended Budget Proposals to the President
07-18-2008**

Summary of Proposed Actions to Restore Fund Balance

One Time Savings:		
FADM Energy Reserve Savings (one time saving)		1,000,000
University Relations (one time saving)		100,000
	Total	\$ 1,100,000

Summary of Proposed Academic Program Expansion that Enhance Revenue

Courses to meet enrollment growth (reserve)		300,000
CLAS - Speech Language Pathology		82,240
CLAS - Speech Language Pathology - Clinical Instructor		62,441
UGE - 43 new classes for additional enrollment growth		441,171
GSE - PACE (Postsecondary Adult Continuing Education)		90,269
FPA - Architecture, Theater Arts, Art, FPA		189,167
GSSW - Bachelor Social Work Program		47,040
GSSW - Bachelor Social Work Program Director		128,583
GSSW - Retention Specialist 0.5 FTE		32,099
	Total	\$ 1,373,010

Other Proposed Strategic Investments

High Priority Items:		
* Additional Compensation Requirements (from central resources)		1,847,000
Presidential Initiatives		500,000
	Total	\$ 2,347,000
Medium Priority Items:		
Student Support Services - OAA		250,000
Development Support		250,000
Information Technology and misc. services		300,000
	Total	\$ 800,000
* Will be funded by additional enrollment growth resources.		

Recommended Potential Changes for FY2009-2010

4 Year Gradual phase out of Western Undergrad Exchange Program (starting Fall 2009)		165,000
Self-support programs overhead charge increase from 12% to 14% effective FY2009-10		500,000
	Total	\$ 665,000