

March 17, 2008

To: Members of the Council of Academic Deans
Faculty Senate Budget Committee Chair

From: Roy Koch, Provost and Vice President for Academic Affairs
Carol Mack, Vice Provost for Academic Administration and Planning

cc: Interim President Michael Reardon, Vice President Lindsay Desrochers, Vice
President Cassie McVeety, General Counsel Henry Lazenby, and Michael Fung,
Budget Director

Re: Development and Submission of 2008-2009 AY Budgets

Update on biennial budget planning

As we develop our budgets for the upcoming year, it is important to keep in mind the context that impacts our decision-making process. Complicating this year's positive budget outlook is the revenue forecast of the State of Oregon Office of Economic Analysis. In February, this Office projected a \$183 million decrease in revenue from their December 2007 projection. This prompted the decision by the legislature to withhold the release of the statewide general salary increase package until June 2008 in order to gain more clarity from the next revenue projection scheduled to be released on May 28, 2008. This requires us to develop contingency plans, in which we identify potential savings through efficiencies or reductions, in the event that we do not receive the full state allocation.

Other factors that impact our budget development include the final settlements with AFT and AAUP, the projections from OUS and OIRP regarding the anticipated revenue generated by student credit hours, our previous commitments to invest in faculty and staff to support our academic priorities, and our desire to maintain a fund balance of 10%.

Note: For a more general, campus-wide perspective on the 2008-2009 budget planning process see the attached memo from Provost Koch and Vice President Desrochers (*Memo: University Budget Planning 2008-2009 from Vice Presidents Koch and Desrochers [Word attachment] and Portland State Budget Planning Timeline Process [Excel attachment]*).

Goals

The primary objective of our budget planning process is to allocate funding in a way that maximizes the Portland State's ability to carry out its mission, with an eye toward the future. Beginning in 2007-2008, an academic priority identification process was undertaken to establish directions for the next three to five years and to inform the budget planning process. As you know, this process led to the subsequent identification of multi-year strategic investments to build academic program capacities for **Improving Student Success** and **Expanding Innovative Scholarship** with an initial focused investment in **Sustainability**. This process will continue for academic year 2008-2009. Consultation on this process, including the Council of Academic Deans, the Faculty Senate Budget Committee, and other campus leaders is underway.

New this year, is the beginning of a transition to a resource-based budget model specific to Portland State (the PSU Budget Allocation Model). This new model will address the evolution of Portland State to an institution that is increasingly focused on the strategic priorities above. This new model will be used, in parallel with the “historical service level” model, to allocate resources for the 2008-2009 academic year as the transition occurs.

Thus, our goals for the budget development process for the 2008-2009 academic year are as follows:

- Transition to the new budget model by 2009-2010 that will include an annual, web-based process. This year we will focus on the development of principles for revenue generation that guide the allocation of funds, including Portland State and OUS performance measures.
- Align our budgets with unit planning, specifically allocating funds, where appropriate, for program transitions (from hybrid self support/self support to in-load), program expansion, and new programs that are, at a minimum revenue neutral.
- Develop contingency strategies in which we identify potential savings through efficiencies or reductions, in the event that we do not receive the full state allocation. An additional goal will be to maintain a fund balance of 10%.

Principles

In evaluating the budget requests for 2008-2009 we propose using the following principles. These are generally the same as those used to develop the 2007-08 budget but now rely on the work we have been doing with regard to PSU’s leadership position and academic priorities and on the experience we gained in last year’s process. The budget decision principles are as follows:

- All programs and support units will be evaluated in terms of four key elements: contributions to our leadership position and academic priorities, program quality, program productivity, and program cost.
- Historic equity in funding, in comparison to unit productivity and performance, will also be considered in allocating funding and in the determination of any budget reductions.
- Investments will be made in areas that provide evidence of (1) Portland State’s leadership position and (2) support for academic priorities and accompanying infrastructure needs.
- Budget decisions should position the university and the academic units strategically for both the short- and long-term.
- It will be necessary to develop contingency strategies in the event that Portland State’s allocation from state funds is reduced.

Process

Note: Support units will complete Parts 1, 4, 6, and 7. Other OAA units will complete all Parts. See attached *Instructions for 2008-2009 Planning and Budget Development Parts 1 through 7 (Word attachment)*.

It is our intent, as it was in last year's process, that the allocation of funding be accomplished in a transparent, rational, and consistent manner. Toward that end, this year's process will be based on the following components:

1. Unit Plans. Review and update your 2007-2008 unit plans (if necessary), specifically as they relate to Portland State's strategic plans, next steps and the relationship of these to your requests for funding. Review the ways your unit will measure progress of these next steps for the 2009-2010 annual planning and budget development process.
2. Student Credit Hour Projections. Update your 2007-2008 three-term student credit hour projections and provide projections for 2008-2009 to help establish our revenue generation and determine the University's capacity to increase enrollment by 1.6%.
3. Proposals for Revenue-neutral Positions. Units who have previously submitted funding requests for converting Hybrid Self-Support courses to in-load should review the data provided. Units may request funding for converting Self-Support courses to in-load, expanding existing programs, or developing new ones.
4. Strategic Investments. Support units may request funding to enhance infrastructure for achieving Portland State's priorities. Academic units should review the list of requests that were unfunded in the recent cycle and propose any changes in priority. Should funding become available, we will have an opportunity to revisit these priorities.
5. Adjustments Required by Collective Bargaining Agreements. Estimate additional funding required for meeting requirements of the 2007-2009 AFT settlement without loss of Student Credit Hours. Identify any un-rostered AAUP faculty positions that will be affected by the eventual settlement.
6. Renovation/Refurbishment Priorities. Review your unit's recent requests and submit additional needs in priority order to establish an ongoing list for the campus.
7. Contingency Strategies for Potential Loss of State Funding. Outline three strategies for potential savings through efficiencies or reductions that total 4.16% of your unit's Education and General base budget.

Timeline

Send your completed templates and narratives to Sharon Buhlinger (buhlingers@pdx.edu) **no later than 5pm on Monday, April 7th, 2008**. Call Sharon if you have questions (5-8317).

Attachments Related to this Memo

- *Memo: University Budget Planning 2008-2009 from Vice Presidents Koch and Desrochers (Word attachment)*
- *Portland State Budget Planning Timeline Process 2008-2009 (Excel attachment)*
- *Instructions for 2008-2009 Planning and Budget Development: Parts 1 through 7 (Word attachment)*