

MEMORANDUM

Date: March 11, 2008

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

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

cc: Interim President Michael Reardon; Vice President Cassie McVeety; and
General Counsel Henry Lazenby

RE: University Budget Planning 2008-2009

The purpose of this memorandum is to update the campus on our 2008-2009 budget planning process. This information becomes the starting point for developing our budget, using an updated, yet similar process to the one used last year emphasizing broad consultation across the campus.

The PSU Budget Allocation Model (PBAM)

New this year is the beginning of a transition to a new budgeting approach, the PSU Budget Allocation Model. Through the 2007-2008 academic year, the methodology used to allocate resources to fund the University's academic mission was one based on the historical "current service level," driven by the position management roster and modified by incremental funding from enrollment growth (access dollars and revenue sharing allocations). This approach worked for many years when PSU was a smaller campus focused primarily on teaching. However, the enrollment growth, the move to become more research intensive and a growing focus on student success in recent years have resulted in PSU becoming a much more complex institution. Our current budget model does not acknowledge this range of activities and outcomes. In November 2007, working in consultation with the Council of Academic Deans, FADM Executive Team, and the Faculty Senate Budget Committee, we asked the Office of Budget and Planning to develop a new resource-based budget model more appropriate to the PSU of today. This new model will be used, in parallel with the historical "current service level" model, to allocate resources for the Academic Year 2008-2009 as the transition occurs.

Budget Planning Process 2008-09

Before explaining the 2008-09 budget process, one important contextual point is needed. In the fall of 2007, the Oregon University System Board made allocations to the

campuses based on the actions of the Governor and Legislature in approving the 2007-08 budget. Amongst the actions of the State was the set aside of \$128 million for salary increases across the State. These funds, however, were not allocated by the State, but held in reserve for later distribution. This is a practice that the State has followed in the past. This means that the campuses have not yet been allocated the state salary dollars to cover that portion of the salary increases which are funded by state funds. In early February, the Office of Economic Analysis projected a \$183 million decrease of General Fund revenues (from December 2007 projection). This prompted the decision by the state, to withhold the release of the statewide general salary increase funds. Various state leaders have explained that this action may only be temporary or may be a final decision depending on the condition of the state revenues at the time of the next state revenue forecast in June 2008. Should the campus not receive the state salary funds, there will be a significant budgetary impact given salary increases planned at this time. In summary, a much tighter situation would result that would require the Budget team to rein in resources to maintain campus programs.

Distribution of resources, whether in a tight budget climate or more robust climate, should reflect our institutional goals and priorities. Beginning in 2007-08, an academic priorities identification process was undertaken to establish directions for the next 3 to 5 years and to inform this budget planning process. This process led to the subsequent identification of multiyear 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 2008-09. Consultation on this process, including the Council of Academic Deans, the Faculty Senate Budget Committee, and other campus leaders is underway.

In this overall context, the objective of the campus budget planning process is to maximize the institution's ability to carry out its mission. To achieve this we have prepared budget planning guidelines that will involve requests for proposals related to strategic investments or redirections in all areas of the institution. Vice Presidents will solicit proposals in order to prepare for the possibility of additional discretionary resources should they become available in light of the current state funding situation. Concurrently, all units will be asked to identify potential efficiency savings and possible reductions, should the state funding situation continue to decline.

A timeline for the budget process is attached.

Next Steps

In the next few days, specific directions to academic and administrative units will be sent directly from the appropriate Vice Presidents. Members of the University Budget Team (composed of the two of us, along with Vice Provost Carol Mack and Budget Director Michael Fung) will continue their consultation with the President, Vice Presidents, Council of Academic Deans and the Faculty Senate Budget Committee as well as other administrative leaders.