

**Office of Academic Affairs**

March 26, 2003

To: CADS Plus

From: Mary Kay Tetreault, Provost  
Mike Driscoll, Vice Provost, Academic Personnel and Budget

Re: Proposals for 2003-05 Budget Cuts and Revenue Enhancements

As you know, the details of our budget for the 2003-05 biennium continue to be uncertain. We know, however, that state appropriations will be reduced and that PERS and PEBB costs will rise. Thus, we must make the best plans possible in spite of the uncertainty.

The Budget and Priorities Committee has asked the President and the Vice Presidents to prepare proposed cut scenarios for their units. We have reviewed their instructions, consulted extensively with President Bernstine, Vice President Kenton, and Associate Vice President Dyck. As a result, we have made significant changes to the scenarios suggested by the Budget and Priorities Committee. The Budget and Priorities Committee plan uses increased tuition revenue (from enrollment growth and tuition increases) and university reserves to reduce the impact of projected shortfalls. We have further reduced the impact by using additional institutional reserves, continuing with reduced utility use, and by making targeted cuts in Athletics, the Office of Information Technology, the Center for Academic Excellence, and in our contribution to Portals. Finally, additional revenue will be generated by increasing the overhead fee for self-support expenses from 8% to 10%.

After these changes, we have set a 2003-04 cut target for each unit within Academic Affairs. It is important to note that we believe these targets to be **worst-case**; the situation may be better. These targets have been differentially assigned based on three factors. First, some budget components have been excluded, e.g., study resource fees. Second, components that are directly related to instruction, research, service, and library have been cut at 3.5%. Finally components that are administrative have been cut at 5.6%. Attached, you will find a summary of the targets for academic units and campus. If you are interested in the details of the calculation for your unit, please speak with Mike or Mary Kay.

We are asking that you provide to us by **Friday, April 4, 2003**, proposals for absorbing the specified permanent cuts to your E&G budgets for 2003-04, while continuing to grow enrollment. Please prepare your proposals using the attached template. An electronic copy of the template is available from Sharon Buhlinger. Because the cut targets are

worst-case estimates, you should prioritize the elements of your proposals in the hope that the cuts will not be as drastic as the targets suggest.

In preparing your proposals, remember that cuts may be covered by a combination of actual budget reductions, new revenue generation, and reallocation of E&G expenses to other funding streams.

Your proposals should be brief and pay attention to the statement of the Budget and Priorities committee:

The Budget and Priorities Committee believes that the crucial criterion for budgetary decisions in the face of prospective budgetary stringencies is the goal of maintaining the University's growth trajectory, as outlined in the University's planning documents. PSU's growth trajectory includes several elements (which are not listed in priority order; we consider them interdependent):

- Growth in enrollment together with proportionate growth in human resources, facilities, technologies, and training necessary to provide larger numbers of students a high quality educational experience.
- Growth in regional, statewide, national, and international recognition the University receives for its innovative educational programs, scholarship of distinction, and research capacity/productivity.
- Growth in public-private partnerships and in related entrepreneurial activities, which are necessitated by a continuing decline in state assistance to the University.
- Growth in multiple funding streams that include, among others, research funding and private fund raising and in the infrastructure and incentives necessary to sustain that.

We will be developing an overall proposal for Academic Affairs units, which we will discuss with you at a special CADS Plus meeting, currently being scheduled, possible for Tuesday, April 8, before submitting it to the Budget and Priorities Committee. Our proposal will be at a high enough level to avoid identifying specific positions that may be cut. As a group we will treat more detailed proposals from each of you as confidential.

If you have any questions or concerns, please talk with one of us. We recognize that the cuts will be challenging for us all. We are, however, thankful for the work of the Budget and Priorities committee and the ongoing collaboration within EXCOM that allows us to continue to move forward with the minimum possible impact on academic units.

cc: President Bernstine  
Vice President Kenton  
Assoc. Vice President Dyck  
David Johnson  
Sharon Buhlinger

enclosures