



To: UAHuntsville Faculty and Staff

From: Dave Williams  
Ray Pinner

Re: Budget Planning for 2008-09 and 2009-10

Date: February 19, 2009

In previous correspondence we addressed the severe financial conditions currently facing UAHuntsville, primarily as a result of three consecutive reductions in State support that have been announced or implemented. The University community has already responded with tremendous dedication to the financial situation and continues to offer our students the very best education possible, at substantially lower cost than our peer institutions. We would like to thank each one of you for your dedication to UAHuntsville and to our students.

Over the next few weeks there will be many opportunities for you to learn more about the University's basic finances, the current downturn, and plans to proactively address financial shortfalls. A Staff Senate meeting was held yesterday at which we presented financial information. The Faculty Senate has asked VP Pinner to present financial information at its regular meeting on 3/2. An open forum for all faculty and staff will be conducted in early March, to further detail our financial position and to outline the steps being taken to protect the core of this fine institution. It is incumbent on us to work together as we face these difficult times, and I look to you to assist us in coming up with innovative solutions that will help us preserve the institution while meeting the challenges placed before us through severely decreased state appropriations.

Our state appropriation was \$58.1 million on October 1, 2007, was reduced by \$6.6 million to \$51.5 million on October 1, 2008, and was further reduced by \$4.6 million in December 2008. The Governor's proposed budget for FY 2010 cuts an additional \$1.4 million. While the budget will be deliberated and revised in the legislative session, the cumulative effects of these reductions are \$12.6 million including the proposed FY 2010 reductions.

As State appropriations provide 31% of the University's funding, we must reduce expenditures and raise additional revenues to stabilize the University's operating budget. In doing so, we must protect mission-critical activities to the maximum extent possible as we compile an integrated response from all campus units to this multi-year reduction.

A budget reduction of this size will require significant adjustments to the University's organizational and business models. These adjustments must be formulated to address both the current year budget deficiencies and the anticipated long-term impact of reductions.

## 2008-09

UAHuntsville opening state appropriations were reduced by 11.3%, or \$6.6 million, from the 2007-08 base. The University formulated a budget plan to balance the operating budget, and the Board of Trustees approved this plan in September 2008. Opening budgets for all divisions effective October 1, 2008 were adjusted accordingly.

The Governor's December 2008 proration action reduced the University's FY 2008-09 appropriations by an additional \$4.6 million. Accordingly, the University must implement plans to save \$4.6 million between now and September 30, 2009, equating to a 5.8% reduction in available unrestricted Ledger 2 budgets:

|                   | <u>Budget Base</u> | <u>% of Base</u> | <u>\$ Reduction</u> | <u>% Reduction</u> |
|-------------------|--------------------|------------------|---------------------|--------------------|
| President         | 2,793,000          | 3.50             | 162,000             | 5.8                |
| Academic Affairs  | 49,743,000         | 62.34            | 2,891,000           | 5.8                |
| Finance & Admin   | 14,926,000         | 18.71            | 868,000             | 5.8                |
| Student Affairs   | 1,824,000          | 2.29             | 106,000             | 5.8                |
| Univ. Advancement | 2,294,000          | 2.87             | 133,000             | 5.8                |
| Research          | <u>8,208,000</u>   | <u>10.29</u>     | <u>477,000</u>      | <u>5.8</u>         |
| Total             | 79,788,000         | 100.00           | 4,637,000           | 5.8                |

The University has asked each division to cut 5.8% from its ledger 2 base budget and units are currently assessing plans which are due to the Budget Office by **March 2, 2009**. We are confident that these cuts will be met through a variety of measures including use of fund balances, reductions in expenses and strategic reorganization.

## 2009-10

In addition to the 9% reductions announced in December, the Governor has proposed additional appropriation reductions of about 3% for the FY 2009-10 Education Trust Fund budget, including higher education. However, the FY 2009-10 operating appropriations may not be finalized until the end of the legislative session, currently scheduled for May 18. While the stimulus package may indeed provide us with much needed funds to offset part of these cuts, there is still significant uncertainty about the level of funding that will be available to us, the timing of its availability, and even how the money could be spent. Keeping in mind that there are no guarantees regarding this money, and that at best the stimulus would provide a short-term bridge, UAHuntsville must be proactive and establish a sustainable budget model by planning for long-term appropriation reductions effective October 1, 2009. We will, however, continue to closely monitor the situation and work with the UA System and the state on this matter.

However, fiscal prudence and System requirements related to budgets necessitate that we complete our budgeting process in time for action by the Board of Trustees. This requires that we complete the process by April 1, and preliminary targets (based on the best possible information available today) for each division are given below. We recognize that Academic Affairs represents the core of our mission and hence we taking steps to protect it to the maximum extent possible resulting in a lower target for reductions in this division. We acknowledge that this will place a higher burden on other divisions and may indeed affect supporting services that ensure smooth operation of the University.

|                   | <u>Budget Base</u> | <u>% of Base</u> | <u>\$ Reduction</u> | <u>% Reduction</u> |
|-------------------|--------------------|------------------|---------------------|--------------------|
| President         | 2,793,000          | 3.50             | 234,000             | 8.4                |
| Academic Affairs  | 49,743,000         | 62.34            | 3,498,000           | 7.0                |
| Finance & Admin.  | 14,926,000         | 18.71            | 1,249,000           | 8.4                |
| Student Affairs   | 1,824,000          | 2.29             | 153,000             | 8.4                |
| Univ. Advancement | 2,294,000          | 2.87             | 192,000             | 8.4                |
| Research          | <u>8,208,000</u>   | <u>10.29</u>     | <u>686,000</u>      | <u>8.4</u>         |
| Total             | 79,788,000         | 100.00           | 6,012,000           | 7.5                |

The following information must be submitted to the Budget Office by **April 1, 2009**:

- A budget reduction summary of not more than one page.
- A brief description as to the impact of budget reductions.
- Specific 10-Digit account numbers
- If personnel positions are impacted, provide specific 6-digit position numbers, note whether the position is vacant or filled, and include name, title, and FTE.

**As stated previously, forecasts for State appropriations available to support the University and other economic factors affecting our budget will be updated periodically. Projected reductions are not final until the State budget is finalized later this year and a number of situations could cause modifications to these targets.**

We recognize the severe impact that the economic situation is having on the community at large. UAHuntsville is, unfortunately, not immune to the larger effects being seen across our nation. We are, however, committed to ensuring that the core mission and offerings of our university remain strong. Let's work together to craft a plan that maintains the University's positive momentum in enrollment and research. Our success is critical to Huntsville, north Alabama, and beyond. Thank you again for your support, your dedication, and your commitment.