

MEMORANDUM

From the Office of the President

TO: Provost, Chancellor and Vice Presidents

FROM: Michael T. Nietzel
President

DATE: December 9, 2005

SUBJECT: Fiscal Year 2007 Operating Budget

I want to outline the approach that we will take to develop the FY 2007 operating budget. The process will rely on budget hearings at the cost center, Provost/VP, and Presidential levels that will evaluate requests for budget enhancements as well as scenarios for budget reductions, should those be necessary. The newly formed Executive Budget Committee will meet with Administrative Council as the final step in the Administration's preparation of the budget.

You are aware of information we have received from the Department of Higher Education and the Missouri Office of Administration that indicates a likelihood that higher education's appropriation will decrease for FY 2007. For that reason, I do want to develop an internal operating budget planning process that includes both programmatic enhancement requests and core budget reduction scenarios calculated at prescribed percentages. At the Executive Budget Committee on December 6, 2005, initial guidelines and a time line for budget hearings leading to the development of the fiscal year June 30, 2007, internal operating budget were discussed and finalized.

Budget Requests – Programmatic Enhancement

A one-page Budget Request Form is attached for requests by departments and cost centers. Please complete one form for each request indicating the number of additional employees requested, total salaries for those employees (fringe benefits will calculate automatically), operating expenses, the unit goal these funds will support, assessment data that indicate the need or impact of such allocations, how the requested funds will help the unit achieve its goal, and how you will measure success.

Core Budget Reduction Scenarios

Each cost center is expected to develop plans to reduce operating budgets by 1%, 3% and 5%. A separate proposal for how units would have made available 1% of their budget for the planned

internal reallocation will not be necessary; that reallocation plan will simply be considered to be the 1% reduction scenario or a component of the 3% and 5% reduction plans.

A list of cost centers and their targets is attached. Although a specific form for communicating the 1%, 3%, and 5% reduction plans is not required, in each of these scenarios you will need to identify the number of employee positions affected, what type of employee positions (e.g., faculty, staff, student workers, graduate assistants, and part-time employees) would be affected, the amount of operating expenses, the amount of capital expenses (e.g., furniture, fixtures and equipment that costs more than \$5,000), whether you will discontinue any services and/or programs, and the effect, if any, on generating revenue. Any proposal to eliminate positions will not preclude their reinstatement at a subsequent time, should the final budget permit it. As stated before, position control is now vested at the cost center.

During periods when we struggle with inadequate resources, it is vital that we not aggravate these challenges by reducing our credit-hour production, which would, of course, produce less revenue. Consequently, budget reduction plans should be based on the assumption that units will meet enrollment projections as described in recent enrollment management planning documents.

Should there be a reduction in state support, the University will identify a combination of administrative reductions/savings, recurring reductions, one-time monies, and increases in student fees and other revenues to address the problem. An across-the-board reduction will not be employed.

Budget Hearings – Time Line

To enable a budget plan to be developed using this process, an aggressive time line is necessary. The Provost, Chancellor, and Vice Presidents should obtain budget enhancement requests and core budget reductions scenarios from their colleges, divisions, departments and units and hold budget hearings on these plans between January 15 - 31, 2006. Prior to this period, it is important for academic departments and other units to meet and formulate their request and reduction strategies, using processes of participatory decision-making that they develop .

Beginning in February, the Provost, Chancellor and Vice Presidents will develop and present a plan for their respective cost center(s). The Provost, Chancellor, and Vice Presidents will meet individually with me and Kent Kay to present and explain their operating fund budget requests and core budget reduction scenarios. We will schedule these hearings between February 1 - 15, 2006. Separate meetings will be conducted to discuss the auxiliary and designated funds.

When the hearings are completed, the Administrative Council and the Executive Budget Committee will meet together to review, discuss, and evaluate the plans and the final budget formulation I will present to the Board of Governors. This process will occur between February 16 – March 15, 2006.

From March 16 – April 30, 2006, we will request additional details, should they be necessary, about any increases or reductions determined for cost centers during the budget hearing process.

We will construct a form to be used to submit this information. Between May 15 – June 16, we will accumulate and summarize the budget requests for Board of Governors' review.

Hiring Frost

As I indicated at the beginning of this memorandum, it is prudent for the University to take steps at this point that would enable it to deal as effectively as possible with any reduction in state appropriations. While a total hiring freeze was considered, I do not believe that action is currently feasible nor necessary. Consequently, my decision is to impose the following limitation: cost centers should maintain (not fill) at least 25% of current and future vacant positions until we have a better understanding of the status of the fiscal year 2007 State appropriation. Alternatively, if a unit can identify the equivalent in funds of 25% of its vacant positions, it may proceed with filling vacant positions, understanding that the equivalent funds will be subject to any necessary budget reductions.

In the case of faculty searches, those that are underway may continue, but candidates should be told that a formal hiring decision is contingent on budget availability. Units will not be penalized by freezing positions; frozen positions are not at any higher risk to be eliminated should budget cuts occur.

Please work with your Deans, Chairs and Department Heads to develop meaningful budget documents. These documents should represent your plan of how you will finance your effort to advance the University's missions and goals and will assist us as we make crucial decisions about investments in programs. The budget is the main mechanism for addressing the five goals we have been discussing for the institution (Democratize Society; Incubate New Ideas; Imagine Missouri's Future; Help Make Missouri's Future; and Model Ethical Behavior), and unit plans, particularly those that involve requests for enhanced support, should be formulated with those goals in mind.

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Attachments (FY2007 Budget Funding Request Form, Reallocation Targets)

cc: Administrative Council
Executive Budget Committee
Deans
Michael Franks, President, Board of Governors