Analysis of an Additional Increase in Educational Fees

Adjustments to FY 2003 core budget:

10% Cut in State Core Funding* $44.3

Changes Due to Original Financial Planning Assumptions:

- 5.7% increase in benefit costs 5.4
- 4% compensation pool adjustment 20.9
- 3% increase in expense and equipment
  - Increase in uncontrollable mandatory costs (utilities, insurance, opening new buildings, etc.) 3.5
  - Normal inflationary increases in operating expenditures 4.7
- Inflationary increase in educational fees of 3% (6.2)
- Increase in non-student fee revenues (such as F & A) (5.0)

Net budget shortfall 67.6

Strategies to address budget shortfall:

FY2002 Strategies Continued in FY2003

- Eliminate planned funding of Year 4 Mission Enhancement initiatives in order to fund on-going operations and to fulfill academic program commitments to students. Therefore, initiatives already underway will continue to be funded by reallocation resulting in thin resources stretched more thinly. $14.5
- Reduce required M & R policy requirement from 1.5% to 1.25%. This action will defer scheduled maintenance and repair projects on all of the campuses. 4.7
- Defer Faculty Shares program 1.0
- Reduce Research Board Funding 1.0

Total core savings 21.2
Remaining shortfall 46.4

* A cut in core funding greater than 10% will require a review for possible program elimination.
Additional strategies for FY2003:

Eliminate 4% compensation adjustment

- Maintaining competitive salaries for faculty and staff is a top investment priority for the university. Not being able to increase faculty and staff salaries will cause the University to fall farther behind our peers in this area and make it even harder to attract and retain high quality instructors, researchers, and support staff. In the long run, this could have a negative impact on the quality of teaching and research.

Further reduce non-personnel related expenditures.

- Travel, professional development, and equipment purchases will be curtailed and other cost saving measures will be taken to offset normal inflationary increases in expenditures.

Faculty and staff positions will not be filled.

- Some open positions will be eliminated; other open positions will not be filled. Some adjunct faculty positions will be eliminated. These actions will result in a decrease in class offerings and an increase in class size. Staff workloads will increase. Student services will be reduced. Programming will be reduced. This could have a detrimental effect on the ability of students to complete their programs in a timely manner.

Total Core Reductions/Savings

Remaining shortfall before additional educational fee increase

Additional 5.4% increase in educational fees (total increase = 8.4%)

- Since the core budget is 2/3’s compensation, the magnitude of the FY2003 cuts requires substantial reductions in personnel and related services. Further personnel reductions, over those previously identified, would have a significant and negative impact on the academic program offerings of the University and would require a longer planning horizon to implement.

Therefore, it will be necessary to increase educational fees more than the typical inflationary amount. An additional increase of 5.4% would generate approximately $11.1 million in net educational fee revenue. This increase assumes the following: No change in enrollment and amount is net of fee based scholarships and waivers.

The percent of $44.3 million state funding reduction funded by additional 5.4% increase in educational fees is 25%. The percent of $66.7 million budget shortfall funded by additional 5.4% increase in educational fees is 17%.