

General Budget Framework Document FY 2010 & 2011 January 29, 2010

The formulation and promulgation of this “General Budget Framework” initiates the process for permanent budget reductions contained in the document entitled “Procedures to be Invoked for Significant Budget Reallocations and Reductions [hereinafter “Procedures Document,”] approved by the Academic Planning Committee on February 20, 1993, and referred to in the UNL Bylaws. These procedures were followed during the six previous budget reductions since 2002.

I. Nature and Amount of Reduction

The country continues to face serious economic issues as recovery from the recession of 2009 continues. Although the Nebraska economy has fared better than most states, we continue to have significant declines in the growth of state tax revenue. Last July, UNL was forced to make a \$3.7 million reduction in its budget. The Nebraska Unicameral met in special session last fall to further reduce the state budget. As a result, we now need to make even more reductions for FY10 and FY11. Depending on state tax revenues, further budget reductions in this and the next biennium are possible. In order to assure an orderly process, and one that involves consultation with the broader university community, the Chancellor is initiating the UNL budget reduction procedures now under the timeframe contained herein.

In order to balance the timeframes required for implementation of the Procedures Document and the timing of Legislative and Regental approval of the amended budget for FY10 and FY11, the nature and amount of the reduction will initially be based on the results of the special legislative session in November 2009 and our best projections about further reductions that might be imposed. We do not know if there will be any increase in tuition in 2011 nor do we know the status of potential faculty and staff raises. Tuition increases and salary increases are normally not determined by the Board until its June meeting, which will be on June 11, 2010. It is also important to note that some mandatory university expenditures will increase even though there may be a decline in revenue.

Our initial budget assumptions will be adjusted throughout the legislative session if revenue projections are adjusted. While President Milliken has made Programs of Excellence funds available this year to assist the campuses in cash-flowing these reductions, we know that at a minimum we will need to reduce our permanent budget by at least \$5.2 million at some point during this biennium, with additional reductions possible. Thus, as a

target number, we hope to identify \$5.2 million in permanent reductions this spring. Some of these reductions may or may not be possible to implement immediately.

In addition to UNL's share of any budget deficit at the System level, UNL may have its own obligations that need to be considered in determining the amount of any budget shortfall on the Lincoln campus. During the enrollment decline in 2005, many units received an assigned minus in their budgets in order to account for this decline. These budget minuses continue to restrain the budgets of most units and should be accounted for in implementing permanent reductions.

II. Timeline for Implementation of Procedures

The timeline contained in this document is designed to initiate the process for permanent reductions. Initial steps required by the Procedures Document, including publication of this general budget framework document, will be completed by February 1, 2010. Preparation by Deans and Directors of budget cut proposals should be completed no later than March 1, 2010. However, the earlier cuts can be finalized and reviewed by the APC, the easier it will be to manage the reduction and the less uncertainty will be experienced by the campus.

A critical step in any budget reduction process is when the Chancellor makes public his recommendations for cuts, which permits the Academic Planning Committee to conduct the public hearings required by the Procedures Document. Public identification of a cut has serious consequences for the employees and any clients associated with that unit. These consequences can include loss of morale and reduction in the effectiveness of that unit, even if the cut ultimately is not required. Thus, ordinarily, we try to delay public announcement of any recommended cut until there is greater certainty that a cut is required. At the same time, those associated with any proposed reduction are entitled to a thoughtful hearing before the Academic Planning Committee, and hearings held too close to the end of the academic year or in the summer are less effective and can create an appearance of unfairness. This presents a significant dilemma, given that any budget reduction will not be absolutely certain until June 2010, when the Board of Regents adopts its amended budget. However, this year, because we already know the minimum amount of required budget reductions for FY10 and FY11, based on the November 2009 Special Session of the Legislature, it may be possible to announce proposed budget reductions as they are formulated rather than all at once. This will allow the APC to stagger its workload and will provide some affected units more time to make budget adjustments. This framework contemplates this as a possible way to proceed. If we do adopt this process, the Chancellor will be available to the APC, on a confidential basis, to discuss the broader context in which the cuts are being considered. Thus, the intention is to announce recommended cuts as they are formulated, and some may be announced prior to March 1.

III. Principles for the Budget Reduction Process

The principles governing the development of proposals for budget reductions are set forth in a separate document entitled “Principles Governing Budget Reductions” [hereinafter Principles Document]. It previously has been reviewed by the Academic Planning Committee and the Academic Senate Executive Committee and presented to the Academic Senate for comments.

The Principles Document requires that budget reductions be the product of considered judgments and relate to the priorities of the University and the goal of positioning the University to continue its upward momentum. Such judgments must be informed by relevant data but cannot be exclusively data-driven. Ultimately, these decisions, like those relating to budget enhancements, require judgments formed after broad consultation and discussion with the University community.

The ultimate principle in fashioning budget reduction recommendations is to leave the University in as strong a position as circumstances permit. Decisions should be consistent with the Strategic Framework adopted by the Board of Regents, UNL’s Strategic Compass, and the strategic plans of the various units. Across-the-board reductions do not reflect thoughtful application of University priorities and ultimately have the effect of weakening all units of the University. However, the six previous budget reductions in recent years have reduced considerably the opportunity to identify units that are peripheral to the core missions of the University since many of those were eliminated in earlier budget reductions. The intention remains to effectuate targeted reductions in order to preserve the University’s core strengths.

In Fall 2009, the UNL Faculty Senate appointed a committee to consider changes to the Procedures Document. Although the Faculty Senate has not yet had the opportunity to approve the committee’s proposed revisions, the committee has requested that for this round of budget reductions, the Chancellor honor two of their suggestions. First, the Chancellor has agreed to encourage administrators tasked with proposing budget reductions to their units to interpret their responsibility to consult with affected parties broadly. Thus, they should provide ample opportunity for the potentially affected parties in their units to have discussions and to offer advice, input, and alternatives. Second, the Chancellor recommended that the APC expand its membership to include the Presidents of UNOPA and UAAD who will serve on the APC only during Phases One, Two, and Three of the budget reallocation and reduction process. The committee recommended this so there is staff representation on the APC during hearings and deliberations, particularly since reductions in force typically fall entirely or mostly on staff positions. The APC agreed to include the presidents of UNOPA and UAAD as non-voting members, pending official adoption of a new Procedures Document.

IV. Allocation of Reductions to Divisions and Units of the University.

The intention of this administration is to make strategic vertical reductions if significant cuts to the UNL budget are required. However, in order to make careful comparisons between alternatives, it is essential that each unit surface, in a confidential manner, a percentage of its budget for review. Necessarily, this percentage will be larger than the announced percent required for the overall university reduction because some categories of expenditures, such as utilities, insurance, opening of new buildings, and assessments are not available for reduction.

Accordingly, each University unit will be asked to do a budgeting exercise and develop scenarios that describe a reduction of approximately 5 percent of its FY10 and FY11 budgets. The Vice Chancellors and Deans will be encouraged to focus on structural changes that will not only serve to cover the projected deficit over the next 18 months, but will also help position the university to maximize its resources and build on its strengths over the next decade.

V. Implementation of Reductions

Phase-in period for reductions. The “Principles Document” refers to those University policies that apply to budget reductions that adversely affect university employees. These policies often provide notice and other procedural requirements that may require a period of time for implementation. Similarly, if academic programs are reduced or eliminated, student reliance may suggest a phase-in of any such reduction. In developing reduction scenarios, units may in appropriate circumstances propose a planned phase-in reduction not to exceed 3 years in length. In such a case, the unit shall also propose a method of bridging the phase-in with other funds. This provides an opportunity, if necessary, to utilize a three-year planning horizon for full implementation of the proposed reductions. However, units must keep in mind that if the economy does not improve, it is possible that additional reductions will be required in subsequent fiscal years. The emphasis should be on fashioning a plan for the reduction that produces the maximum revenue savings in the shortest amount of time.

Evaluation of cost implications of cuts. Any proposed reduction should contain a careful assessment of the likely savings to be produced. This requires not only an assessment of the expenditure savings, but also a realistic assessment of any revenue to be lost by the reduction. For example, any proposed cut in an academic program must take into account loss of tuition revenue.

Revenue enhancements. Units may propose revenue enhancements to offset in whole or in part any proposed reductions. However, significant increases in student or other fees will be closely examined. If such fees are proposed, an alternative must also be included. Revenue enhancements may include proposals to increase enrollment of new

students (not at the expense of another unit) and such proposals can be made with assurance that the increased revenue will be credited to the unit.

Efficiency enhancements. Units may propose changes to their operating procedures, academic requirements, or organizational structures that reduce costs and/or enhance revenue.

Moving expenditures to non-state-aided accounts. Units may propose to move permanent expenditures to non-state-aided accounts. However, units should understand this would be a permanent change of funding, and might affect other programs currently funded by non-state-aided accounts.

Operating funds and non-academic personnel. A strong University cannot exist without productive faculty and faculty cannot be productive without adequate support in terms of operating funds and non-academic personnel. Proposals that appear to reduce the support that faculty need to succeed in their research and teaching will be closely scrutinized.

Governor, Legislative, and Regent's Budget Timeline

Event	Official	Date
Legislative Session Begins	Legislature	January 6, 2010
Legislative Session Ends	Legislature	June 4, 2010 (approx)
University Budget Adopted	Board of Regents	June 11, 2010
Fiscal Year Begins		July 1, 2010

UNL Budget Reduction Process

Task	By Whom	Participants	Date for Completion
Discuss budget problem with general amounts and general timeframe	Chancellor	Cabinet, APC, FSE, DD, UNOPA, UAAD, ASUN ¹	Complete
Develop preliminary general budget framework to include: Reduction total; reduction assignments to units; timelines; restraints, guidelines	Chancellor and Vice Chancellors		Jan. 4-15 2010
Present preliminary general budget framework to joint meeting of Cabinet and APC	Chancellor	Cabinet & APC (joint meeting)	Jan 21, 2010
Review general budget framework and make recommendations to Chancellor	APC		
Adopt final general budget framework and make public	Chancellor		Jan. 29, 2010
Specific budget proposals developed and submitted to Vice Chancellors	DD	Vice Chancellors	No later than March 1, 2010
Tentative budget proposals presented	Vice Chancellors	Cabinet Chancellor	*
Budget proposals adopted	Chancellor		Ongoing
Briefing on budget proposals	Chancellor	APC, FSE, DD, UNOPA, UADD, ASUN	*
Proposals formally forwarded to APC and made public	Chancellor		*
Hearings for affected units	APC		*
Recommendations on proposals	APC	Chancellor	*
Discussion of recommendations	Chancellor	APC/Cabinet	*
Announcement of final budget recommendations	Chancellor		*

* To be determined as external budget process unfolds

¹ The "Cabinet" referred to in the Procedures Document no longer exists. For purposes of this procedure, when the Cabinet is referred to it shall mean the Senior Administrative Team, the President of the Academic Senate, the President of ASUN, the President of UNOPA, and the President of UAAD. APC is the Academic Planning Committee. FSE is the Faculty Senate Executive Committee. DD is the Deans and Directors.