

**University of Nebraska – Lincoln**  
**General Budget Framework**  
**FY 2012**

**Presented April 6, 2011**

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 previous budget reductions. Amendments and updates to these procedures are pending and considered applicable.

**I. Nature and Amount of Reduction**

The State of Nebraska continues to address the challenges faced by the recent recession. The projection for the current biennium is that the State faces an approximate \$946 million shortfall over the two years. The Governor has recommended that the University’s budget be essentially the same as it was in FY 2011 over the course of the biennium. (Actually there is a small reduction in the FY 2012 budget that is restored in FY 2013). The Appropriations Committee appears to have tentatively accepted this recommendation. The Legislature is scheduled to adopt the state budget on May 17, 2011. The Board of Regents will adopt any tuition increase, salary program, and the University’s budget at its meeting on June 17, 2011. Under any reasonable assumption regarding all of these uncertainties, the University will face the need to make some budget reductions. In order to assure an orderly process, and one that involves consultation with the broader University community, I am initiating the UNL budget reduction procedures now under the time frame contained herein.

Our initial assumptions relating to the nature and amount of the budget reduction will be based on looking at a best case scenario, one that assumes steady state revenues, a 2.5% salary program, and a modest tuition increase of 4%. Under such a projection, UNL could face up to an approximate \$9.7 million reduction in FY 2012. Recognizing the harm and disruption associated with the mere announcement of a budget reduction, we are recommending at this point that we set a target of a \$5 million reduction. This is a conservative projection unlikely to lead to making any recommendations for reductions that would subsequently be unnecessary.

## **II. Timeline for Implementation of Procedures**

The timeline contained in this document is designed to initiate the process for permanent reductions so that an initial set of recommendations can be submitted to the Academic Planning Committee before May 1, 2011. The Chancellor, Vice Chancellors, and Deans and Directors have been working through potential budget reductions throughout this academic year. We believe it is important to make some progress this Spring so that the Academic Planning Committee can begin its processes. The sooner budget reductions are implemented, the less costly it is to cash flow transitions. If any academic programs are implicated, it is important to give students the earliest possible notice. UNL makes every possible effort to assure that students are permitted to complete their course of study. Thus, many of the formal steps in the required procedures – those involving internal administrative conversations – have been completed. The proposed timeline preserves the opportunity for the APC to review and comment on this Framework before it is implemented and provided notice to appropriate groups before any proposed reduction becomes public.

## **III. Principles for the Budget Reduction Process**

The principles governing the development of proposals for budget reductions are set forth in the Procedures Document. It previously has been approved by the Academic Planning Committee, Faculty Senate, and Association of Students of the University of Nebraska.

The Procedures 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, 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.

#### **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.

Vice Chancellors, Deans and Directors, have been working on different options over the course of the academic year.

#### **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.

*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 in the form of user fees 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.

*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.

### UNL Budget Reduction Process\*

| Task   | By Whom                         | Participants                                      | Date for Completion           |
|--|---------------------------------|---|-------------------------------|
| Discuss budget problem with general amounts and general time frame.  | Chancellor                      | SAT, APC, FSE, DD, UNOPA, UAAD, ASUN <sup>1</sup> | <i>Complete</i>               |
| Develop "preliminary general budget framework" to include: Reduction total; reduction assignments to units; time lines; restraints, guidelines | Chancellor and Vice Chancellors |   | <i>Complete</i>               |
| Present "preliminary general budget framework" to Senior Administrative Team and APC.  | Chancellor                      | SAT, APC, FSE, DD, UNOPA, UAAD, ASUN              | April 6, 2011                 |
| Review "general budget framework and make recommendations to Chancellor."  | APC                             |   | April 6, 2011 – April 8, 2011 |
| Adopt "final general budget framework and make recommendations and make public.  | Chancellor                      |   | April 8, 2011                 |
| Specific budget proposals developed and submitted to Vice Chancellors  | DD                              | Vice Chancellors                                  | <i>Complete</i>               |
| Tentative budget proposals presented   | Vice Chancellors                | SAT, Chancellor                                   | <i>Complete</i>               |
| Budget proposals adopted   | Chancellor                      |   | On-going                      |
| Briefing on budget proposals (meeting or electronic) and made public   | Chancellor                      | APC, FSE, DD, UNOPA, UAAD, ASUN                   | April 14, 2011                |
| Proposals formally forwarded to APC.   | Chancellor                      |   | April 14, 2011                |
| Hearings for affected units  | APC                             |   | May 1, 2011 – June 1, 2011    |
| Recommendations on proposals   | APC                             | Chancellor  | June 1, 2011                  |
| Discussion of recommendations  | Chancellor                      | APC/SAT   | June 1, 2011 – June 9, 2011   |
| Announcement of final budget recommendations   | Chancellor                      |   | June 10, 2011                 |

\* To be determined as external budget process unfolds

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<sup>1</sup> "Cabinet" is referred to in the current Procedures Document. For purposes of this procedure, Cabinet was replaced with the Senior Administrative Team (SAT). Also referenced is the President of the Faculty 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.