

The Situation As We Now See It

The Impact of the Past Several Years:

- State appropriations have lagged the CPI and HEPI for several years.

	<u>Appro</u>	<u>CPI</u>	<u>HEPI</u>
1988-89	2.7%	4.9%	6.2%
1989-90	4.5%	5.3%	6.6%
1990-91	3.7%	5.2%	6.5%
1991-92	?	5.5%	7.0%

- UMAA has ranked last, 15th among the 15 public campuses, in appropriation increase for each of the past 6 years.
- The state has provided no capital outlay funding for facilities projects for the past five years, other than a small (but critical) amount for deferred maintenance.

The Year Past (FY90-91):

- 1% Executive Order Cut in Operating Base (-\$2.6 M)
- Executive Order Cut of Deferred Maintenance funding (-\$3.4 M)
- Deferring of August and September payments (-\$40 M)

This Year Ahead (FY91-92):

- While the proposed appropriation increases (4.2% by House, 4.7% Senate) look encouraging, the state's estimated budget shortfall for FY92 is staggering: \$1.8 B or 20%. Hence, even if we manage to receive an appropriation bill with an increase of 4.0%-4.7%, it is quite likely that much if not all of this will be rescinded by Executive Order cuts when the budget imbalance crunch hits next spring.
- This increase will be on a FY90-91 base already reduced by -1%.
- The deferred maintenance appropriation (\$3.6 M) has been eliminated again.
- There is real concern that we may never see the August and September payments for FY90-91, but rather these may simply be shifted indefinitely into the future
- The situation at the federal level looks ominous, with proposed changes in indirect cost recovery policy posing as much as a \$12 million per year reduction for UM.

UMAA FY91-92 Budget
Plan A (Preferred)

Revenue Assumptions:

- State appropriation increase: 4.7% (Senate figure)
- Tuition increase: 7.0% across the board

Expenditures:

- Total regular expenditures will increase by only \$35.3 million, or \$9.5 million less than last fall's budget request
- Major areas of increased expenditure include:
 - i) general base increase (3.0%)
 - ii) fringe benefits rate increase
 - iii) minority faculty hiring
 - iv) student financial aid
 - v) various programmatic areas of serious underfunding

Reallocation:

- Nearly \$6 million of planned reallocation will be required

Other Components:

- To cover the loss of \$3.4 M of critical deferred maintenance funding by the state, an additional fee of \$50 per term will be charged to all students (which will generate \$3.4 million to be targeted to our most critical infrastructure needs).
- Academic programs characterized by high costs and student earning capacity (engineering, health sciences, law, business) will see somewhat higher tuition increases.
- While units will be provided with 3.0% increases for faculty/staff salary programs, they will be asked to reallocated an additional 1% internally to achieve a 4.0% average program (which once again will fall behind the estimated FY92 CPI of 5.4%).

Contingency:

- Potential Problems:
 - i) State appropriation may be less than expected (or reduced by subsequent Executive Order cuts)
 - ii) Federal indirect cost recovery may be sharply reduced
- Resolution:
 - i) Expenditures from a number of central accounts will be frozen until the revenue picture is clarified.
 - ii) In the event of a serious shortfall, we may return to the Regents in late fall for a mid-year tuition increase.

UMAA FY91-92 Budget
Plan B (Alternate)

Revenue Assumptions:

- State appropriation increase: 4.7% (Senate figure)
- Tuition increase:
 - 8.5% for all except resident undergraduates
 - 7.8% for resident undergraduateswhere the lower 7.8% rate represents the difference in funding between the Senate 4.7% recommendation and the Governor/House recommendation 4.0%

Expenditures:

- Total regular expenditures will increase by only \$35.5 million, or \$6.0 million less than last fall's budget request
- Major areas of increased expenditure include:
 - i) general base increase (3.0%)
 - ii) fringe benefits rate increase
 - iii) minority faculty hiring
 - iv) student financial aid
 - v) various programmatic areas of serious underfunding

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