Open Forum for Faculty, Staff, and Administrators: Positioning the University for the Future

Presentation by President Sidney A. McPhee

Tuesday, November 18 – 3:00 – 4:00pm
Wednesday, November 19 – 1:30 – 2:30pm
Presentation Outline

- Review of operating budget
- Review of budget reductions for FY 08-09
- Plans to position the University for future challenges and opportunities
- Opportunities for campus-wide participation
- Questions and answers
Review of operating budget
2008-09 Total Budget

**Auxiliaries**
Self-supporting activities: bookstores, housing, health services, etc.

**Restricted**
Expendable only for purposes, programs, or activities specified by the donors and organizations providing the funds through gifts, grants, or contracts.

**Education and General**
Operating Funds used to support academic and instructional programs and their administration. Examples are State Appropriations, Tuition and Fees, and Sales and Services of Education Departments. Education and General Funds pay for daily operations.

- **Auxiliaries**
  - $33,406,400
  - 9%

- **Restricted**
  - $82,894,900
  - 23%

- **Education & General**
  - $238,684,288
  - 68%

Total: **$354,985,600**

4
2008-09 Education & General Base Expenditure Budget By Division

- **Academic Affairs**: $135,933,506 (56%)
- **Auxiliaries**: $33,406,400 (14%)
- **Athletics**: $17,915,300 (7%)
- **President**: $1,971,640 (1%)
- **Student Affairs**: $17,234,522 (7%)
- **Information Technology**: $8,486,477 (4%)
- **Business / Finance**: $20,587,517 (9%)
- **Development / University Relations**: $4,650,623 (2%)
2008-09 Education and General
Base Expenditure Budget By Category

- Salaries: $123,591,600 (59%)
- Operating: $20,835,136 (10%)
- Benefits: $41,122,400 (20%)
- Travel: $3,603,256 (2%)
- Scholarships: $14,168,329 (7%)
- Equipment: $3,458,813 (2%)

Total Base Expenditure Budget: $222,639,400
2008-09 Base Salary Budget By Division

Total Salaries: $130,526,836

- **Academic Affairs** $91,773,189 (71%)
- **Student Affairs** $7,135,059 (5%)
- **President** $1,373,226 (1%)
- **Information Technology** $4,059,383 (3%)
- **Development / University Relations** $2,573,527 (2%)
- **Business / Finance** $12,363,494 (10%)
- **Auxiliaries** $6,935,163 (5%)
- **Athletics** $4,313,795 (3%)

**Total Salaries: $130,526,836**
# Distribution of new funds 2001-02 through 2008-09

<table>
<thead>
<tr>
<th>Department</th>
<th>Funds</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Academic Affairs</td>
<td>$21,278,321</td>
<td>81.5%</td>
</tr>
<tr>
<td>Business &amp; Finance</td>
<td>409,135</td>
<td>1.6%</td>
</tr>
<tr>
<td>Development &amp; University Relations</td>
<td>1,235,462</td>
<td>4.7%</td>
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<tr>
<td>Information Technology</td>
<td>1,140,863</td>
<td>4.4%</td>
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<tr>
<td>President</td>
<td>866,154</td>
<td>3.3%</td>
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<tr>
<td>Student Affairs</td>
<td>1,169,790</td>
<td>4.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$26,099,725</strong></td>
<td><strong>81.5%</strong></td>
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</table>
Review of budget reductions for FY 08-09
### 2008-09 Budget reductions for Fiscal Year

<table>
<thead>
<tr>
<th>Division</th>
<th>Discretionary Budget</th>
<th>% of Discretionary Budget</th>
<th>Div / Dept Reduction</th>
<th>% of Div / Dept Discretionary</th>
<th>% of 6.156 m Total Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic Affairs</td>
<td>$95,337,140</td>
<td>68.5%</td>
<td>$2,250,000</td>
<td>2.4%</td>
<td>36.5%</td>
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<tr>
<td>Business &amp; Finance</td>
<td>7,615,451</td>
<td>5.5%</td>
<td>282,530</td>
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<tr>
<td>Development &amp; Administration</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>President</td>
<td>1,628,401</td>
<td>1.2%</td>
<td>56,994</td>
<td>3.5%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Student Affairs</td>
<td>9,868,148</td>
<td>7.1%</td>
<td>345,385</td>
<td>3.5%</td>
<td>5.6%</td>
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<tr>
<td>Athletics</td>
<td>6,826,300</td>
<td>4.9%</td>
<td>239,000</td>
<td>3.5%</td>
<td>3.9%</td>
</tr>
<tr>
<td>O &amp; M</td>
<td>7,118,600</td>
<td>5.1%</td>
<td>355,900</td>
<td>5.0%</td>
<td>5.8%</td>
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<tr>
<td>Total Unrestricted Budgets</td>
<td>$139,142,348</td>
<td>100.0%</td>
<td>$3,906,000</td>
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</table>

As you can see, even though Academic Affairs holds the largest portion of the budget, this division had the least impact of this reduction.

Total Base Reduction: $6,156,000

(Reserve $1,250,000; PC Replacement $500,000; Capital Commitment $500,000)
## 2008-09 October Budget Reduction

<table>
<thead>
<tr>
<th>Division</th>
<th>Discretionary Budget</th>
<th>% of Discretionary Budget</th>
<th>Div / Dept Reduction</th>
<th>% of Div / Dept Discretionary</th>
<th>% of 6.156 m Total Reduction</th>
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</thead>
<tbody>
<tr>
<td>Academic Affairs</td>
<td>$104,210,594</td>
<td>71.0%</td>
<td>0</td>
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<td>Business &amp; Finance</td>
<td>807,3056</td>
<td>5.5%</td>
<td>118,300</td>
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<tr>
<td>Development &amp; Univ Rel</td>
<td>3,624,994</td>
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<td>53,100</td>
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<td>1.6%</td>
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<tr>
<td>Information Technology</td>
<td>7,196,462</td>
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<td>105,400</td>
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<td>3.2%</td>
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<tr>
<td>President</td>
<td>1,571,407</td>
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<td>23,000</td>
<td>1.5%</td>
<td>0.7%</td>
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<td>Student Affairs</td>
<td>8,649,181</td>
<td>5.9%</td>
<td>126,800</td>
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<td>3.9%</td>
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<td>Athletics</td>
<td>6,945,200</td>
<td>4.7%</td>
<td>101,700</td>
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<td>3.1%</td>
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<tr>
<td>O &amp; M</td>
<td>6,454,100</td>
<td>4.4%</td>
<td>94,500</td>
<td>1.5%</td>
<td>2.9%</td>
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<td>Total Unrestricted Budgets</td>
<td>$146,724,994</td>
<td>100.0%</td>
<td>622,800</td>
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<tr>
<td>Central Administration / Pool reductions</td>
<td></td>
<td></td>
<td>$2,658,200</td>
<td></td>
<td>81.0%</td>
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Total Base Reduction: $3,281,000 or 3.4%
State Appropriation Reductions

FY 2007-08 Appropriation  $100,775,700
FY 2008-09 Base Reduction  6,156,000
FY 2008-09 Appropriation  94,619,700
FY 2008-09 Mid-year reduction  3,281,000
FY 2008-09 Revised Appropriation  $ 91,338,700
Impact of Reductions

• **Elimination of vacant positions** in areas such as the Records Office, Information Technology, Development and University Relations, and Business and Finance

• Faculty positions
  – Reduced number of **faculty lines**, increased **faculty load**, and increased **faculty-student ratio**

• Decreased **operating budgets**
  – Reduced faculty travel and operating funds

• **Equipment** purchases
  – Reduction in equipment replacements / upgrades and lower response time

• **Office cleaning** reduced to one time per week

• **Cost for facility use** will increase

• **Significant impact on services and activities**
  – A reduction in **athletic scholarship funds**; student programming, **training** and development activities; **travel** and professional development funds; and custodial and grounds services
  – A revision in the weekend lockdown schedule which will **eliminate two shifts of building lockdown services** on the weekend
  – Delays in the development and implementation of some Information Technology projects and services
### Position Reductions
Reflects cuts in July and October 2008

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
<th>Filled</th>
<th>Unfilled</th>
<th>Retirement</th>
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<td>Tenured</td>
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<td>Tenure track</td>
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<tr>
<td>Temp faculty</td>
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<td><strong>Student Affairs</strong></td>
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<tr>
<td>Admin / Prof</td>
<td>7</td>
<td>5</td>
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<td><strong>Information Technology</strong></td>
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<tr>
<td>Admin / Prof</td>
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<td><strong>Development</strong></td>
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<tr>
<td>Admin / Prof</td>
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<tr>
<td><strong>Business / Finance</strong></td>
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<td>1</td>
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<tr>
<td>Admin / Prof</td>
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<td>4</td>
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<tr>
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<td>Admin / Prof</td>
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<tr>
<td><strong>Totals</strong></td>
<td>50</td>
<td>11</td>
<td>39</td>
<td>5</td>
<td>6</td>
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</table>

Note:
16 teaching positions (7 tenure track, 9 temp faculty)
34 admin / professional positions / classified positions
Plans to position the University for future challenges and opportunities
Governor seeks cuts of 10% or more from all state departments

by Dean Help

An announcement begins two weeks of budget hearings, but a week, the governor says, he will ask department heads to cut their budgets by 10% or more to the strains of building revenue and financial decisions of statewide importance.

My commitment to people is I'm not going to get the state to trouble, I'm not going to get us on a financial shape," he said Thursday. "We're going to make the cuts that it takes to stay healthy and move forward and get through this."  

The financial stress that began earlier this winter has turned into an avalanche, as the state's financial condition goes deeper into the black. The state's overall budget is expected to be $5.9 billion lower than anticipated, which is only $838 million less than the governor cut from this year's roughly $27 billion budget early in the year.

Beginning next Monday, the governor will question department heads one after the other about their spending plans, looking for places where money can be cut.

Brumfield said he hopes to find most of the savings through cuts, to avoid shrinking reserves too substantially.

"This will be an ugly budget. Those cuts are pretty painful," he said.

Plans are under way

The administration has asked department heads to draw up plans for cutting 10 percent from their budgets.

As the appointment of the state's treasurer has come into focus, the governor says that many departments -- though not all -- will need to cut "well over 10 percent."

"They have to have cuts in the, 10 percent range to get where we need to be," he said. "I've confirmed there is not a fixed number at this point for the total amount that needs to come out of the budget."

The state is also working on reserves to help fill the budget.

The state has more than $5.2 billion in reserves, with about $3.75 billion in the treasurer's rainy day fund. Another $8.75 billion is in TennCare reserves.

Other states in trouble

http://www.tennessean.com/app/news/20081114NEWS90208111408433&template=pt ... 11142008
Bredesen won't rule out layoffs amid budget gap

NASHVILLE, Tenn. (AP) — Gov. Phil Bredesen won't rule out laying off state employees amid a growing Tennessee budget shortfall.

Bredesen, a Democrat, told reporters Tuesday that it won't be possible for the state to balance what could total up being an $800 million budget gap without reducing the number of employees on the payroll.

"In something like this government, a huge portion of the costs are in the costs of personnel, and it's not realistic to get the kinds of cuts without some cutting down there," Bredesen said. "I'll say it voluntarily."

The state will accomplish some savings through laying off employees in effect because an average of about 10 percent of workers leave state employment every year, he said.

"But I'm certainly not taking all the time to make the possibility that there might have to be some layoffs or some kind of personnel action," Bredesen said.

Jim Tucker, executive director of the Tennessee State Employees Association, said Bredesen should keep the state's budget reserves to prevent layoffs — especially given the increasing costs of the economy.

"It's just not a time for the state to turn its back on state employees who have given their lives to provide services to the citizens of Tennessee," Tucker said.

"In the year that he offered a voluntary buyout to our employees, we had 12,000 state workers in homes to training the state's workforce live, 2,500 people. But only 1,200 volunteered, and the state decided to appeal only 1,200 people for the buyout.

It costs the state $2.5 billion a year in thereby 40,000 employees' salaries and benefits, according to the state Department of Human Resources.

Governor's comments on state employees came after Education Department officials gave the first of several public budget hearings scheduled over the next two weeks.

The governor has asked departments to trim 3 percent out of their spending plans, but some say the cuts will likely have to cut about 10 percent out of their budgets. Education funding for elementary through high school programs "will be the only place in state government where substantial cuts will not be seen," he said.

Education officials said it will cost $160 million in most enrollment growth and inflation for the state's Game Education Plan formula, which would bring the state's annual education spending to $3.96 billion.

Bredesen acknowledged that he may have more trouble persuading lawmakers to keep the $2.9 billion of education spending intact, especially since住院ization this results won mandates in both

Budget officers' forecast is 'grim'
Lawmakers brace for deep cuts

By Thea Emery
THE TENNESSEAN

Lawmakers who returned en masse to Capitol Hill to take in the post-election landscape Wednesday received a dire economic forecast from state budget officers about the state's deteriorating financial condition.

Appearing before a joint meeting of the Fiscal Review and House Ways and Means committees, Matthew Murray of the Center for Business and Economic Research at the University of Tennessee didn't mince words, telling lawmakers at the outset: "I have very grim news."

"We've all been following the economy, we know it's doing poorly, and I think you're going to see some evidence that things are not going to get better any time soon," he said. "In fact, we expect that things will continue to deteriorate for the remainder of this year and into next year."

The briefing starts the clock on the state budget process for next year.

Earlier Wednesday, the governor said he wants lawmakers to understand the enormity of the state's fiscal problems, and that balancing the books this year will require "some pretty deep cuts to the budget."

"I think that bringing the legislature along and helping them understand just how serious the situation is one of the things they're trying to accomplish today," he said.

Hanging over the budgetary issues are significant questions about the organization of the General Assembly next year in the aftermath of the Nov. 4 election, which saw the Republican Party gain control over the House and Senate for the first time since Reconstruction.

Many House committees, such as Finance and Ways and Means, probably will shed their Democratic chairmanships with Republicans now in charge. Many lawmakers from both parties packed into the crowded hearing room to hear the economic news.

Housing is the key

Murray told lawmakers that the earliest the state might expect an economic turnaround is mid-2009, and that would be entirely based on a bottoming out of the housing market, which has so far shown no signs of nationwide since 1945, and some Tennessee counties have seen new building permits fall by 50 percent over last year.

"When you have a slowdown in housing, you have very serious ripple effects across other sectors of the economy," he said, and that has dire consequences for state and local sales tax collections.

He said job losses are mounting; unemployment is on the rise and expected to reach a statewide average of over 8 percent next year; and consumer confidence is falling to record levels.

The one boon to the economy is the decrease in fuel prices, which he called a "windfall" that has kept the economy from getting worse.

Overall, he summarized the outlook in a word: "grim."

"That is perhaps the best way to summarize the short-term outlook. It's likely to be the deepest outlook since 1982," he said. "Time will tell. We'll know this in a couple of months whether we go back beyond"

Revenues drop sharply

The hearing came on the same day that the state reported revenue collections for October showing that the state took in almost $72 million over $200 million for the first three months of this budget year.
November 18, 2008

A Sober Message From Harvard’s President

The current economic crisis has reached even the nation’s wealthiest university.

In a letter today to Harvard University students and members of the staff and faculty, President Drew Faust wrote that Harvard’s operating statement and principal source of revenue will be hit by the downturn and that the university will need to make hard choices about how it spends its money.

Harvard’s endowment, which was reported last year to be more than $3.3 billion and pay for more than one-third of the university’s operating budget, has declined. While not specifying what Harvard’s endowment performance has been in recent weeks, Ms. Faust pointed out in her letter that Moody’s recently projected a 20 percent decline in the value of college and university endowments in the current fiscal year.

While we can hope that markets will improve, we need to be prepared to absorb unprecedented endowment losses and plan for a period of greater financial constraint,” Ms. Faust wrote.

Ms. Faust also noted that donors and foundations may be financially constrained, and that federal grants and contracts for research may be vulnerable to government budgets. At the same time, the university cannot keep tuition increases moderate because faculty are feeling financially squeezed, too.

Her letter makes the community think: “not just about what more we might want to do, but what we might do as a different pace or do without.”

Other Ivy League colleges are also being affected by the country’s economic problems. In recent days, both Brown and Cornell Universities announced tuition freezes. — Matthew Amsterbone

Submit Commend This Month: November 19, 2008 | Return to the Opinion Section
At least it is somewhat helpful to know that our TN institutions are not alone. The truly Big Boys and Ivey League groups are having problems with funding just as is the case here.

It is a good time to refresh our mantras to faculty, staff, and students that education is both an investment and a bargain. Nothing is free and most things worth acquiring require work and planning to accomplish. I recall my mother saying that during the depression when she was in school at East Carolina University to become a teacher (then East Carolina Teacher College) the cafeteria served beans and cornbread consistently for lunch and dinner for over 60 days. The institution had little funding to work with and everyone pulled together to keep the academic torches lit. I recall, in more recent hard times a number of years ago, at Mellow State Community College there was no paper or money to buy more paper. Used and wastepaper was cut up to make the library book cards in order to save. Again, people worked together to overcome. We may have to draw upon that very American concept once again.

Brad

The New York Times

November 8, 2008

Tough Times Strain Colleges Rich and Poor

By TAMAR LEWIN

Arizona State University, anticipating at least $25 million in budget cuts this fiscal year -- on top of the $30 million already cut -- is ending its contracts with as many as 200 adjunct instructors.

Boston University, Cornell and Brown have announced selective hiring freezes.

And Tufts University, which for the last two years has, proudly, been one of the few colleges in the nation that could afford to be need-blind -- that is, to admit the best-qualified applicants and meet their full financial need -- may not be able to maintain that generosity for next year's incoming class. This fall, Tufts suspended new capital projects and budgeted more for financial aid. But with the market downturn, and the likelihood that more applicants will need bigger aid packages, need-blind admissions may go by the wayside.

"The target of being need-blind is our highest priority," said Lawrence S. Bacow,
Arizona State University wants to close all of its state-run grocery stores. The Arizona State University administration is currently considering this option as a possible solution to the financial crisis facing the institution. The decision to close these stores is not taken lightly and is expected to have a significant impact on the university and its community.

The university currently operates several grocery stores on its campus, providing a convenient and affordable option for students, faculty, and staff. However, the financial downturn has forced the administration to consider alternative revenue streams. By closing these stores, the university hopes to generate additional funds that can be used to support essential programs and services.

The proposed closure is part of a broader strategy to address the university's financial challenges. Other measures being considered include budget reductions, increased tuition fees, and more aggressive fundraising efforts. The administration is aware that these decisions will have a substantial impact on the university community and is committed to ensuring that affected stakeholders are informed and involved in the decision-making process.

Despite the difficult circumstances, the university remains committed to providing high-quality education and support to its students. The administration is working diligently to find solutions that balance the need for financial stability with the commitment to excellence in education.

For more information about this decision and the steps being taken to address the university's financial challenges, please visit the university's official website or contact the communications office directly.
What lies ahead???

- Additional cuts
- Tough decisions regarding priorities
- Fewer dollars available

We can no longer do “business as usual”
What we have done so far…

- **April** – Two brainstorming meetings - one with Department Chairs and one with Deans and Vice Presidents

- **June** – Brainstorming meeting - combined group

- **October / November** – Preliminary work designed to shape the processes that will be used to continue efforts to solicit campus-wide involvement
Positioning the university for the future – Strategic Work Groups

Work Group for **External Resource Development**

Work Group for **Energy Efficiency and Conservation Initiatives**

Work Group For **Realignment, Restructuring, Consolidation or Elimination of Non-Academic Support Units**

Work Group for **Academic and Instructional Review**
Opportunities for campus-wide participation
Members of the steering committee

Charles Perry – Chair
Jill Austin
Jim Burton
Virginia Donnell
Janet Kelly
Loren Mulraine
Deb Sells

Rick Moffett – Assistant Chair
Kim Bailey
Tonjanita Johnson
Alfred Lutz
Patrick McCarthy
Web Site

http://www.mtsu.edu/strategicgroups.s
Questions and Answers
Thank you !!!