

5 April 2017

**To:** Constituency Senates and Student Government Association

**From:** Dale B. Billingsley, Acting Executive Vice President and University Provost

**About:** FY 2018 General Funds Budget

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In May, the new university budget will be presented for the Board of Trustees' initial review. This budget will address all of the university's projected revenue and expenditures for FY 2018 (July 1, 2017-June 30, 2018), including general, endowment, research, hospital, clinical and athletics funds, to a total of almost \$1.3 billion. This memorandum addresses only the proposed reallocations from the FY 2018 general funds (tuition and fees of about \$350 million, state appropriation of about \$135 million).

#### FY 2018 Process

To give the Budget Office direction and time to prepare the FY 2018 budget, President Postel and the senior university leadership, considering 2016 SPIG unit priorities under the university's mission, have outlined the budget path for this and the next two years. This path was presented to the campus community in meetings last month. The Budget Development Committee (BDC) has reviewed the projected cuts and reallocations with the president's guidance in mind. After review by the Council of Academic Officers, the Budget Office will have direction to complete, in about six weeks, the budget development that usually takes about nine months.

#### Budget reset

The FY 2017 budget reset is the base upon which the FY 2018 budget will be built. To address the projected all-funds budget deficit of about \$48 million, expenditures from the various restricted revenue sources (endowment, hospital, clinical and athletics) will be reduced. Revenue increases next year are expected from larger enrollment, service efficiency and administrative economy as well as capture of salary lines vacated through attrition during FY 2018. The Budget Office will actively monitor unit and divisional expenses monthly through the year. Additional constraints may be imposed if actual savings and increased revenue fall short of the projected deficit reduction.

#### Strategic reallocation

At the same time, the university must move forward. Investment for additional revenue (enrollment growth) and advancement urgent strategic goals (academic quality and support, recruitment of superior students, decanal start-ups and unit program development), the university's general funds budget (\$484.4 million from tuition, fees and the state appropriation) will be cut 3% across the board (\$12.3 million, Table 1). The funds realized from this cut will be reallocated to initiatives, hiring or services that will enhance university performance and reduce the expected deficit. Funding for strategic initiatives and prior commitments (Table 2) will be monitored and must be expended as indicated unless the Budget Development Committee and the senior leadership agree to redirect the funds. Funds are held in reserve to address emergent needs and initiatives during the fiscal year, but units and divisions are advised not to request or expect any additional funding to cover projected expenses, reductions or other adjustments to the FY 2018 budget.