

MEMORANDUM

DATE February 5, 2009

TO Chancellor's Staff

FROM Brady J. Deaton, Chancellor

SUBJECT Non-Salary savings for remainder of FY 2009

As you know, President Forsee has directed the campuses to achieve very substantial one-time (i.e., cost) savings during the last half of this fiscal year in areas such as travel, printing, and non-capital equipment equal to 5% of the state appropriation for the present year (i.e., FY 2009) or approximately \$9M. Note that this exercise is entirely separate from the "hiring freeze," which will provide recurring (i.e., "rate") funds that will be set aside to cover any possible reductions in the state appropriation for the next fiscal year, that is, for FY 2010, and to cover other budget issues such as our "needs list" and enrollment uncertainties.

My letter of January 14 elaborated on the areas that were identified in the President's letter, providing some guidance for each of the areas, but leaving as much as possible to your discretion. Although the guidelines were "softened" for some areas—particularly for grant-funded travel and other grant expenditures—the main thrust of President Forsee's letter was sustained. Moreover, it is entirely clear that our expenditures in areas specified by the President will be tracked monthly, and it is expected that the savings will be achieved.

That said, after examining the expenditure patterns in the categories specified in the President's letter, it is clear that cuts in many areas would be counterproductive (e.g., cutting travel and printing in enrollment management, which would negatively affect enrollments, or cutting overhead payments to the campus by the auxiliaries), or would simply be impossible (e.g., eliminating teaching technology in classrooms). The pool for achieving these savings is smaller than originally anticipated. Moreover, given the dramatic cut in the Governor's proposed Extension budget, we have removed Extension expenditures from the base on which the cuts are calculated, thus reducing the potential savings. Our current estimate of a reasonable target is still substantial, but it will be difficult (i.e., damaging to many key functions) to reach \$6 million in the categories specified by the President.

This memo and the attachments show essential steps that will be necessary to achieve our financial goals; specifically, (a) how we will recover the funds on campus, (b) our method for tracking the savings by category, (c) guidelines for the savings process. It is very important to realize at the outset that these savings are not optional and the campus will be working with all units to ensure that our goals are met.

Recovery of funds

The attached spread sheets indicate the amount of funds that will be **transferred to a central campus fund in February**. It will, however, be necessary to track actual savings carefully by college and by spending category, as indicated below.

The following general rules were used for allocating these savings goals to units.

- Some categories of expenses were eliminated from the calculations:
 - Cost of goods sold (e.g., in the bookstore)
 - Campus overhead payments by the auxiliaries
 - Team travel savings for Athletics
 - Expenses in Enrollment Management (this is a revenue generating unit via enrollment numbers)
 - Travel for large study abroad programs (students paid for the travel in program fees—e.g., Business, Journalism, CAFNR)
 - Extension's budget (removed from the base in view of the \$14.7 reduction in the Governor's proposed budget)
- From the remaining expenses in the identified categories, approximately \$0.8 million will be recovered from auxiliaries and \$4.5 million from GO units. See Attachment A for amounts to be recovered.

Tracking the Savings

The savings will be tracked in two ways. First, the expenditures for each organizational unit will be tracked monthly and compared with last year's expenditures. It is expected that we will see reductions that align with the savings goals we have articulated (see above). Second, it will be useful to have your best estimate of projected savings by category (Attachment B). Clearly you are in the best position to make these estimates.

Guidelines

- Funds will be captured centrally in February.
- Questions/requests for reconsideration of savings goals for units must be submitted to Tim Rooney before February 13th.

- Spreadsheets showing projected savings by category must be submitted to Tim Rooney no later than February 21st.
- Comparisons of this year's and next year's expenditures will be forwarded to you as soon as the data are available.
- All of the savings are expected to result from reduced expenditures. **Any reductions in reserves will be examined carefully to see that "savings" goals were not achieved by spending down reserves.**

It is important to reiterate that these non-human resource savings are separate from the hiring freeze. You will receive a second set of guidelines soon about how the savings from the "freeze" will be transferred to central accounts, the time line, and the guidelines for that process.