PRELIMINARY PLANNING FOR DEVELOPMENT OF FY16 BUDGET

Finance & Administration Committee
Shawnee State University Board of Trustees
November 14, 2014
Why Start Now? What Will We Do?

• The magnitude of the “knowns” and the uncertainty caused by the “unknowns” makes it prudent to begin planning processes now.

• This is unlike the three previous years when unanticipated reductions in revenue forced budget reduction decisions based more on opportunity than strategic planning.

• The University’s austerity efforts have been dramatic. Since 2012, University budget managers have reduced their budgets through actual cuts and reallocations in the amount of $7.3m. This has enabled the University to operate under extended negative economic conditions:
  - FY2015 (modified) budgeted revenue is -$2,143,000 (-4.2%) less than FY2012 revenue
  - FY2015 (modified) budgeted expenditures are -$3,804,903 (-7.0%) less than FY2012 expenditures
  - While FY2014 budget projected use of $1.5m general fund reserves, SSU achieved a positive net position (without considering investment value)
  - The FY2015 (modified) projected use of general fund reserves is $1.6m which is a reduction of $1.7m (-50.4%) from FY2012
Why Start Now? What Will We Do?

- FY16 budget should not “preempt” Strategic Planning during FY16

- Budget Planning activities should not overshadow the Presidential Search Timeline

- Preliminary planning should have the broadest possible involvement in a process that examines all the functions, services and programming within the University by the individuals involved in these activities

- Due to the broad range of “possible” reductions in State funding and the “unknowns” at this time, budget managers will be asked to recommend a range of budget reductions within their unique units
Why Start Now? What Will We Do?

- Units will be asked to make recommendations for budget reductions for three scenarios: -10%, -5%, and -2%.

- These reduction targets reflect current assessments of worst case, likely case, and best case parameters.

- Recommendations will follow a standardized format.

- Units may recommend budget enhancements for new needs.
Why Start Now? What Will We Do?

• The University Resource Committee will be asked to:
  • Review the University-Wide Budget Development Guidelines
  • Refine a process for Reviewing recommended budget reductions and enhancements
  • Provide recommendations to the President and Vice Presidents

• Goal is presentation of the FY16 budget to the Board of Trustees for approval at its May 2015 meeting

• In the event we are unable to present a recommended budget in May it will be presented to the Board of Trustees Executive Committee in late June
What We Know:

• Access Challenge funds will be reduced in FY16 – by as much as $1.1m

• Contract-driven compensation cost increases

• There is **strong** legislative support for a tuition cut or other cost reductions of as much as -5% in the next biennium

• Continuing national and state-wide declines in the number of high school graduates
What Is Still Unknown:

- **Enrollment**
  - Size of incoming class
  - Continuing graduate and undergraduate retention in Spring 2015
  - Continuing graduate and undergraduate retention in Fall 2015
  - Dual credit enrollments

- **Legislative Mandates**

- **State Funding**
  - Amount of reduction of Access Challenge funds
  - Impact of SSI formula changes

- **Compensation Costs**
  - Salary/wage increases
  - Health care inflation
Principles Guiding Budget Development

- Protect SSU’s Core Mission and its quality
- Minimize time to graduation for students
- Maximize student success
- Invest in student recruitment and retention
- Build capacity for instruction and services
- Minimize impact upon current workforce
- Prioritize the long-term financial viability of the institution
- Budget strategically and minimize across-the-board reductions
- Identify potential reductions in functions, services, and programming—not individuals
- Anticipate critical budget enhancements
Parameters Framing the FY16 Budget (Preliminary)

- FY16 funding base is the approved *modified FY15 budget*

- Target of -$1,250,000 for multi-year plan for reduced use of reserves

- Preserve University’s financial net position (reserves/investment values) through measured liquidation strategies

- Acknowledge impact of FY15 modified budget adjustments upon Auxiliary and Agency Fund Budgets and minimize further reliance
The General Process

1. Unit budget managers recommend budget reductions that reflect the three reduction scenarios

2. Unit budget managers recommend critical budget enhancements

3. University Resource Committee reviews unit recommendations and makes recommendations to President and Vice Presidents

4. President and Vice Presidents develop preliminary draft FY16 Budget taking into account Resource Committee Recommendations

5. Refinement of preliminary draft budget including consultation with Resource Committee

6. Submission of FY16 budget to Board of Trustees for approval
Timeline

• November 2014
  • Develop preliminary budget planning parameters
  • Refine process for development of draft FY16 budget with Executive Staff, President’s Budget Team, Resource Committee, and Board of Trustees’ Finance & Administration Committee
  • Develop materials to support budget planning process

• December
  • Initiate budget planning process
  • Distribute materials and hold information meetings to assist units with development of budget reduction and enhancement recommendations
  • Refine Resource Committee review process
Timeline

- **December-January 2015**
  - Budget units recommend potential FY16 budget reductions and enhancement scenarios and enhancements utilizing prescribed format
  - Units submit recommendations to appropriate Vice President who will forward to the Resource Committee per prescribed timeline

- **January 26-Feb 15**
  - Resource Committee reviews budget units’ recommendations for reductions and enhancements
  - Resource Committee submits recommendations regarding recommended reductions and enhancements
Timeline

• February-Mid April
  • President’s Budget Team establishes final budget planning parameters
  • President’s Budget Team prepares draft FY16 budget
  • Resource Committee reviews the draft FY16 budget and submits any recommendations to the President

• Mid-April-June 2015
  • Draft FY16 budget is finalized
  • Presentation of FY16 budget for approval to Board of Trustees at May meeting OR to Executive Committee of the Board of Trustees in late June