To: Deans
Vice Chancellors
Chief Information Officer
University Librarian

From: Keith Alley, Executive Vice Chancellor and Provost
Mary Miller, Vice Chancellor for Administration

Re: 2008-09 Budget update and call

Date: January 9, 2008

We are writing to provide you with an update on the budget forecast for the coming year and to solicit your critical resource requests for the 2008-09 fiscal year. Our primary goal for the coming year is to protect the academic core and to continue to build the faculty commensurate with the growth of the student body.

By now you know that the State's budget for the coming year is in significant difficulty with deficits in the $10B to $14B range being reported. The Governor has requested that all State agencies prepare for cuts to their budgets of 10%. Indications are that this will also include Higher Education and we have been requested to prepare for scenarios of either 5% or 10% reduction in State funds. Initial indications suggest that the State will honor the UC Compact but then inflict a cut of 10% on the total budget allocation, including the compact. This would lead to a system-wide reduction in the State support of over $100M. It would then be up to the Office of the President to distribute cuts to the campuses as reduction in their operating funds.

On the positive side our application pools for freshman, transfer and graduate students are all up substantially this year. This bodes well for meeting our enrollment target of 2,700 FTEs for the 2008-09 academic year. In contrast to last year, we can expect to receive the marginal cost for the full complement of new students and the student fees associated with enrollment growth. We are hopeful that the additional revenues associated with enrollment growth will allow us to backfill the $4M reduction in the State's temporary allocation, the $5M line of credit and whatever, if any, cut we may be asked to absorb. Under the worst case scenario, filling these three holes could require most of the new funding generated by enrollment growth. However, we are continuing to work with the Office of the President to maintain the $5M line of credit as a buffer through the coming years and to limit the depth of the cut to our share of the State support. No matter what else happens it is a certainty that we will lose $4M as the State ratchets down our temporary support from $14M to $10M.

By May, we hope to have a clearer picture of enrollment levels for next year and the budget situation. Despite the rather austere outlook, we are asking that the Schools and administrative units begin to plan their resource needs for the 2008-09 academic year. Once again we must request that you prioritize **only** your most essential needs and provide an explanation of how each will enhance student and/or faculty life; is necessitated by currently projected enrollment growth, or is otherwise essential to meeting the long-term strategic goals of your unit and the rest of the campus.

Funding will be provided to Schools and VC units in priority order, and non-faculty expense items will be funded only as funds become available. It may be necessary to reallocate resources to meet the needs of the campus over the next two years, although we hope to avoid this worst case scenario.

Budget proposals are due March 21, 2008. The Budget Committee will hold meetings with the unit heads in April. We are hopeful to conclude the deliberations and make allocations by mid June or when the State budget is finalized and the Office of the President indicates the funding picture for the campus.

You will receive an electronic file with your 2007-08 budget allocation including any adjustments that have occurred since July 1, with one-time costs removed for 2007-08. Please use this template to request either additional base or one time funding requests. These requests should be submitted electronically to the Budget Office (budget@ucmerced.edu) by Friday, March 21. The Budget Office will work with you on the format of your submission.

Schools should submit requests for both administrative resources and their instructional budgets. In addition to the academic year instructional budget, we request that each School submit its instructional budget for the 2008 summer session. Resources to support delivery of instruction (teaching assistants, lecturers, course materials, etc.) should coincide with those requested in the Academic Resource Plan, a copy of which should be attached to the budget proposal.

Please contact the Budget Office if you have any questions at extension X4450.

c: Chancellor Kang
Members of the Campus Budget Committee