STRATEGIC BUDGET REALLOCATIONS FY2012

Executive Summary

The global downturn in the economy has significantly impacted institutions of higher education across the United States. Universities from coast to coast have been forced to respond to declining state appropriations and decreased endowment values and distributions through budget reductions, fewer programs and services, and a greater share of tuition being shouldered by students and their families.

While Texas was slower than other states to enter the recent recession, the economic slowdown began to impact the Lone Star State in the summer of 2009, although not as dramatically in other states. As a proactive measure, the Board of Regents of The Texas A&M University System launched the Shared Services Initiative in June 2009 as a means to increase cost savings and efficiencies between the System Offices and its flagship university in preparation for potentially declining economic conditions. Shortly after being named Interim President of Texas A&M University, Dr. R. Bowen Loftin hosted a campuswide Town Hall meeting in July 2009 at which he cautioned faculty, staff and students that several of the state’s economic indicators were beginning to show signs of weakness, and most notably, that the 82nd Legislative Session beginning in January 2011 faces a significant structural deficit. At that time, Dr. Loftin implemented a plan of immediate actions to reduce the university’s administrative costs, resulting in savings and cost avoidance of $6.8 million, and to reduce the need for a significant tuition and fee increase, as well as plan for potentially lower state appropriations in the upcoming FY2012-13 biennium.

These cost savings strategies also played a key role in providing additional funding for the university’s Academic Master Plan, a comprehensive academic planning effort initiated in 2008 involving hundreds of faculty, staff and students to identify areas of opportunity to achieve distinction in teaching and learning, service and engagement, and research, while ensuring that Texas A&M’s academic enterprise is in alignment with Vision 2020.

Recognizing the unique missions and areas of responsibility for each of the colleges and major university units, Texas A&M initiated the campuswide strategic planning for each unit beginning in September 2009. The individual plans of the colleges and units are being compiled to form A&M Action Plan 2015, a five-year university strategic plan. The plan, as of today, has been reviewed by deans and vice presidents and will continue to be reviewed and refined by broad campus participation throughout the rest of the summer and into early fall.

In January, as the Texas economy continued to slow, the Legislative Budget Board (LBB) instructed all state agencies, including Texas A&M University, to begin preparing for a 5 percent reduction in spending. Although higher education accounts for only 12 percent of the total state budget, the state’s public colleges and universities shouldered 41 percent of the statewide budget reductions once federal matches and required programs were excluded. Texas A&M’s share of this reduction resulted in a $13.7 million reduction to our annual base budget for FY2010 and a $14.3 million reduction for FY2011.

Texas A&M addressed this budget reduction by empowering the vice presidents and deans to make decisions that were in the best interests of their respective units, focusing primarily on areas that could be reduced with the least detriment to the university’s academic mission. Texas A&M’s budget reduction plan was submitted to the LBB in February 2010 and implementation began in May 2010. Most of these budget reductions included increased efficiencies, not filling vacant positions, a lowering of operating costs that do not impact academics, and forgoing merit pay increases for FY2011, among other measures.
Upon implementation of the statewide 5 percent reductions, many economists and state government experts began estimating that Texas could face anywhere from an $11 billion to an $18 billion budget shortfall for the 2012-13 biennium once the Legislative Session begins in January 2011. The reasons for this projected shortfall include the loss of one-time federal stimulus dollars that were included in the state’s current base budget; underperforming tax revenues; increases in health care costs for Medicaid and public employee group insurance; increasing public school and higher education enrollments; the costs of public school property tax relief; and the expectation that only a portion of the state’s “rainy day fund” would be available for use by the Legislature.

Consequently, in late May, the LBB indicated further budgetary impacts for all state agencies. This request was to submit a plan through the university’s upcoming Legislative Appropriations Request reflecting reduced state appropriations for the upcoming 2012-13 biennium by 10 percent, in 5 percent increments.

After soliciting feedback from all of the colleges and divisions regarding this request, Texas A&M convened a working group representing university stakeholder leadership to make recommendations to President Loftin in addressing this significant potential budget reduction. The group established guiding principles:

- We must ensure that the value of the education for our current students, and all students we admit in the future, continues to be enhanced, ensuring that costs to students are well in line with the value they receive;
- We must not change the fundamental composition and essence of the university or its mission by inadvertently excluding students because they cannot afford to attend Texas A&M;
- We must maintain and even surpass our current trajectory in serving society through our research and service, and also our recognized preeminence in providing this vital mission to the state and nation; and
- Units must be allowed to plan flexibly and creatively to meet the principles and directives to achieve the budget reductions assigned to them. In considering all reductions, every unit must engage stakeholders – faculty, staff and students – appropriately.

Additionally, the working group recommended, with concurrence from President Loftin:

- The need to be prepared for a worst-case budget reduction from the state, even though the full extent of this potential reduction would not be known until after the Legislative Session in May 2011;
- The continuation of a budget reallocation process that would support merit increases for FY2012 and, if possible, FY2013;
- The need for the colleges to proportionally participate in the budget reallocation given that non-academic units took much greater cuts in the previous 5 percent reduction; and
- Units without significant state appropriations should also be involved in the reallocation effort, with few exceptions.

Based on these guiding principles and recommendations made in mid-June, Texas A&M began planning through the vice presidents and deans for a $60 million budget reallocation, which includes the worst-case scenario of a $39 million reduction in state appropriations ($13 million for the first 5 percent reduction, $13 million for the second 5 percent reduction, and $13 million for base budget funds provided through the federal stimulus package) to be implemented at the beginning of FY2012 on September 1, 2011. The remaining $21 million would be used to fund high-priority needs across the campus such as a merit pool and other priorities based on college and division strategic plans.
Dr. Loftin and Interim Provost and Executive Vice President for Academic Affairs Dr. Karan L. Watson solicited input regarding the reallocation process from many different constituent groups, including the vice presidents, Council of Deans, Faculty Senate Executive Committee, Faculty Senate, and Council of Principal Investigators. As requested, the vice presidents and deans submitted their respective plans to address the $60 million reallocation on July 15, 2010. The previous working group will convene again on July 20, 2010, to review each of the submitted plans and then develop a set of recommendations for the President’s consideration.

While we have been instructed to plan for a 10 percent reduction in state allocations, it is important to note that Texas A&M’s Legislative Appropriations Request (LAR) due on August 2, 2010, will include only a portion of the university’s FY2012-13 biennial state budget request. An aggressive schedule of engagement has been developed to solicit input from key constituent groups prior to submission of the LAR that will focus on the entire challenge before us, not just the subset that must be in the LAR. The groups to be engaged from July 21-29, 2010, include:

- Council of Deans
- Vice Presidents
- Council of Principal Investigators Executive Committee
- University Staff Council Executive Committee
- Student Government and Graduate Student Council Leaders
- Department Head Council Steering Committee
- Faculty Senate Executive Committee

The college and division plans following this executive summary are the next step in an overall strategic budget reallocation for Texas A&M. While these plans technically would not go into effect for 13 months, at the beginning of FY2012, it is anticipated that some measures may be required to be implemented in the near future.

As indicated previously, Texas A&M continues to prepare for a worst-case scenario of a 10 percent reduction ($39 million) in state appropriations for FY2012, which begins September 1, 2011 – the foremost reason being that the state’s budget outlook continues to project a significant revenue shortfall. While June 2010 tax revenues are slightly above the 2009 levels, they continue to be below the 2008 and 2007 levels. In addition, year-to-date sales tax deposits to general revenue accounts are down 8 percent when compared to last year. Some estimates indicate that all tax revenues for the state are down as much as $3 billion for the current biennium.

Regardless of the final state budget reduction percentage, Texas A&M intends to proceed with a total $60 million budget reallocation. These funds will be taken by central administration and reallocated to the colleges and other units of the University in a manner consistent with their respective strategic priorities. As mentioned earlier, discussions regarding these strategic plans at the college, unit and University levels will continue into early fall.

During the months of August and September, key constituent groups will continue to be engaged regarding the reallocation process, anticipated consequences, and the finalization of A&M Action Plan 2015, the university’s 5-year strategic plan to be submitted to the A&M System this fall. Additionally, Dr. Loftin will host a series of campuswide Town Hall meetings in September to finalize the FY2012-13 Strategic Budget Reallocation and implementation schedule.

Any questions regarding the strategic budget reallocation process should be directed via email to budget@tamu.edu.
Links:
College and Division Strategic Plans
Draft A&M Action Plan 2015
College and Division Budget Reallocations Plans
Stakeholder Group
Engagement Schedule