

# Outline for the Main Campus Three-Year Financial Strategic Plan

## Preamble

The mission of the University of New Mexico is to serve as New Mexico's flagship institution of higher learning through demonstrated and growing excellence in **teaching, research, patient care**, and **community service**. This is our purpose. UNM's core values are the principles that guide our decisions, actions and behaviors and these cannot be compromised for short-term expediency. It is important to state these once again, as we are accountable for upholding them through the best and worst of times:

- **Excellence** demonstrated by our people, programs, and outcomes, as well as by the quality of our decisions and actions.
- **Access with Support to Succeed** that gives all who desire the opportunity to take full advantage of the wealth of resources at UNM and to be fully included in the UNM community.
- **Integrity** that holds us accountable to our students, the community, and all who serve UNM's mission, to manage our resources wisely and keep our promises.
- **Diversity** that enlivens and strengthens our university, our community, and our society.
- **Respectful Relationships** that build trust, inspire collaboration, and ensure the teamwork that is essential to UNM's success.
- **Freedom** of speech, inquiry, pursuit of ideas, and creative activity.
- **Sustainability** so that as we meet the needs of the present, we are not compromising the well-being of future generations.

It is vital that we keep front and center these concepts that speak to the value of New Mexico's premier academic institution and that must drive our decisions as we face the significant financial challenges that lie ahead.

## I. Internal Assessment

A. Our budgets will need to accommodate the use of \$13 million of one-time monies for recurring expenses, the FY11 3.2% state rescission, a projected 5% state budget reduction in FY12, potential increases in various fixed costs, and the need to infuse additional funds into various essential academic programs. Initial estimates target the shortfall at \$28.0M, absent the incremental increases in fixed costs such as health care, insurance and utilities, and the desired strategic budget increases in academic programs, both of which are not yet quantified.

B. Many academic programs are already on the brink of not being able to deliver a quality curriculum and/or conduct meaningful research.

C. Morale is extremely low among faculty and staff due to confusion as to how we will all address the extraordinary fiscal challenges, and on the heels of two years of internal conflict.

D. Several groups are already working on a number of approaches to help address our budgetary problems but are unaware of an overarching plan or even of each other's activities.

## **II. Comprehensive Action Plans**

A. A Financial Strategic Plan encompassing both reductions in expenses and revenue enhancements must be developed by 4/1/2011 in preparation for the 4/8/2011 Regents' meeting to approve the FY12 tuition and fee increase. In order to meet these firm deadlines, we must be prepared to make final decisions regarding specific budget cuts and increases in tuition and fees by early March so executive leadership has the necessary information available to balance the budget when final legislative appropriations levels are known at the close of the legislative session on March 19, 2011.

B. This Plan must be phased in over a three-year period. With this understanding, the budget challenges and needs for strategic academic reinvestment become manageable.

C. With numerous groups working on strategies that address the budget challenges, this plan will lay the groundwork to assure that these efforts are coordinated, and that they flow into the final strategic financial decision-making process.

D. The Plan must be widely communicated, with all constituents bearing the responsibility of accurately reflecting the facts involved in the decision-making and implementation processes.

## **III. Guiding Principles**

A. After implementation of the FY11 3.2% rescission, the university will mitigate against further reductions in fundamental teaching and research programs while continuing to support infrastructure and core services that aid our academic mission.

B. There will be no further "across the board cuts" after the current 3.2% rescission.

C. To the extent possible, the university will protect the core academic programs. If such cuts are necessary, they will be guided by strategic priorities.

D. There will be broad input and consensus building between administration, faculty, staff and students prior to the Regents adopting this Plan.

E. This will be a painful but fair and transparent process that will be sensitive not only to essential programmatic needs but to individuals as well.

#### IV. Plan

A. EVP Harris will develop **Revenue Enhancement Strategies** (Attachment #1) with broad input from the President's Strategic Advisory Team (PSAT) by 1/21/2011. A key component of the revenue strategies will be a proposed four-year tuition plan that will aid in the development of a tiered reinvestment program in core academic departments and services.

B. The Provost will develop **Academic Affairs Cost Containment Strategies** (Attachment #2) by identifying essential teaching and research programs within Colleges through broad input from the Deans and faculty by 1/21/2011.

C. EVP Harris will develop **Further Cost-Cutting Strategies** (Attachment #3) in the President's administrative units and the overall Administration by 1/21/2011.

D. The Provost will identify further cost-cutting strategies in Academic Support offices by 1/21/2011.

E. VP Krebs will identify further cost cutting strategies in the Athletics Department by 1/21/2011.

F. Our objective is to have a definitive list of financial options by 2/4/2011. Initial drafts of all the above strategies will be discussed and vetted with Deans' Council, Faculty Senate, Staff Council and undergraduate and graduate students upon their return from the winter break. EVP Harris will then consolidate them into a unified, preliminary Three-year Strategic Financial Plan by 2/25/2011 and submit the Plan to the President for his approval. The President will then submit the plan to the Regents for adoption during their 3/14/2011 Regents' meeting, including assumptions for the FY13 and FY14 budgets which detail 1) expenditure reduction plans, 2) the phase-out of current one-time revenues, and 3) a phased tuition and fee increase plan to address core academic programs and services. During its development, components of the preliminary plan will serve as overall discussion points for the University's **General Legislative Strategy** during the upcoming legislative session (Attachment #4).

## **Attachment #1: Revenue Enhancement Strategies**

- A. Overall short-term and long-term tuition strategies**
  - 1. What are our benchmarks
    - a. Listing of Peers
    - b. Goal – 50%/75%/100% of peers
  - 2. Fixed yearly percentage increase - if so, how much?
  - 3. Guaranteed tuition strategy, is it reasonable?
  - 4. Role of differential tuition and strategy related to its use
  - 5. Relationship to tuition credit – should UNM model its proposed tuition strategy under different assumptions about the tuition credit?
  - 6. Should we develop a strategy of a total tuition plus fee percent increases?
- B. Fee strategy - Integrated with tuition strategies**
  - 1. Student Fee review board working group report
  - 2. Follow up on next steps regarding fee proposals
  - 3. Relationship between:
    - a. University-wide “Comprehensive Fees”
    - b. Curriculum and course fees
  - 4. Should we develop a strategy of total tuition plus fee percent increases?
  - 5. Do we need to include assumptions about escalating costs for core initiatives/programs such as library acquisitions, Student Health Center, Scholarships and Tuition Waivers?
- C. Alternative revenue strategies**
  - 1. Summer session tuition-sharing model
  - 2. Facilities rental
  - 3. Auxiliaries – cost-sharing opportunities (Housing pays for some of the costs of student services that take place within residence halls)
  - 4. Administrative overhead to Research, HSC, Auxiliaries, Athletics and Branches
  - 5. Miscellaneous Fringe Benefit Payroll Tax use of funds
  - 6. Lobo Development: Development revenues generated – prepayment of bonds?

## **Attachment #2: Academic Affairs Cost Containment Strategies/LFC Audit Implementation**

- 1. Academic Program Prioritization
- 2. Academic Administration and Student Support prioritization and review
- 3. Deans’ instructional efficiencies strategies
- 4. Relationship between enrollment growth and revenue study

5. Analysis of the current Pause & Hold strategy within Academic Affairs to determine feasibility of permanent implementation, with the acknowledgement that core academic programs will be protected
6. PSAT initiatives/recommendations
  - a. Consolidation of email and calendaring system – need full business plan with more precise estimates of cost savings and how those saving will be apportioned/budgeted
  - b. Strategy with respect to I&G subsidies for non-I&G entities
  - c. Deans’ suggestions for improvements in business processes need development and assessment for potential cost savings
  - d. Others?

### **Attachment #3: Administrative Cost-Cutting Strategies**

1. Clarify assumptions about energy costs and future increases
2. Analyze the benefits portfolio for mission “centrality” and consider alternative employer/employee funding mix/strategies for current and future employees
3. Continued improvements in procurement and review of services
4. Models for cost savings from a mandatory furlough program
5. Analysis of the current Pause & Hold strategy within Administrative units to determine feasibility of permanent implementation, with the acknowledgement that core services will be protected

### **Attachment #4: General Legislative Strategy**

1. The University of New Mexico will begin discussing common ground with other higher education institutions
2. Overall strategies will continue to be developed as conversations continue with constituents groups; however, two concepts that must be addressed include:
  - a. Equalizing cuts across 2- and 4-year institutions
  - b. Reevaluation of Higher Education Formula & Tuition Credit