

Faculty Meeting – April 29, 2008

Issue #1 – Impact of Financial Decisions on Research & Academic Programs

I want to acknowledge to each of you that there has been a breakdown of communications involving these decisions. I believe that the Deans, the Department Chairs – and every affected individual in our University community – needs to be fully apprised of decisions that impact them. That didn't happen here, and it should have.

Today, the Regents approved our budget – over \$2 billion for the first time. It's what I call a "soft-dollar" budget – 20% from the State, 80% from other sources of our own. In other words, we pretty much depend on what we make.

When you have a lot of soft dollars in a budget, you can become susceptible to sudden revenue downturns that can stress budget models. While our overall financial picture is very promising, we're dealing with one of these stress periods today.

From what I have determined, here is what has happened. Revenue is not keeping pace with our spending needs. Put another way, overspending has caught up with us, and the piper has to be paid. In short, we haven't grown the revenue to support our academic programs.

This University – ANY University – has only four ways of generating revenue:

1. **By Growing Enrollment.** In our case, while overall enrollment is up by 2.4%, graduate enrollment is DOWN by 3.5 percent. And it's graduate enrollment that generates the most funding formula dollars. Right now, 59 percent of the Departments report decreased enrollment over the past 5 years.
2. **By Growing research.** In the past 2 years, Research F&A to this University has gone down by more than \$1.2 million. For at least 2 years now, in an effort to support our academic units, this University spent more of its F&A money than it was taking in, and it's caught up with us. Frankly, I was surprised to learn when I came here 1 year ago about the financial condition of our Research Department.
3. **By Increasing tuition.** I think I speak for everybody in this room when I say that we consider it our mission to keep tuition as low as we can.
4. **With Private Fundraising.** We're moving forward with only the second major capital campaign in the history of this University, but it's going to take time.

In our efforts to make corrections – and at the same time keep tuition low – the Regents directed an internal audit of the \$47 million in Academic Affairs Carry-Forward balances. For the audit to be completed, spending was suspended for a three week period – not on all funds, not on payroll, not on budgeted funds – but on non-budgeted, non-obligated funds only.

Once the audit was finished, the accounts were Re-opened.

Let me reiterate this: you should have known all about this in advance.

One of the things I want to do, as we assemble our leadership team in full, is address the issue of communications – not just with the outside world, but internal communications as well.

The crucial thing now is for us to change fiscal direction at UNM, and run our operations in a more businesslike manner. It isn't easy to change directions, or to change cultures, and do so in a way that meets the many challenges of a place as complex as a major research University. Nevertheless, that's our mission.

Our greatest challenge, though, is an archaic approach to budgeting. It's not the amount of money involved, it's our process for allocating the resources that we do have.

Every single decision we make about allocating resources has to be weighed against our core mission and our basic values. We have to ask ourselves, "Does this expense advance our objectives, or not?" In short, we need a productivity- and quality-based system for allocating resources.

Additionally, we've got to take a long range view of things. We must link planning and budgeting – and do so over a 5 year horizon. That, too, is something that's been foreign to the culture at UNM.

I'm an academic myself. I felt many of the same frustrations you've voiced here, and which many of you have expressed in your private statements to me. That's why, once I became an administrator, I devoted a considerable part of my efforts to trying to achieve transparency and openness.

It doesn't come easy – and we're going to make mistakes from time to time, like we did here. But we're not going to let mistakes get in the way of progress – and over time, with an open dialogue that involves the entire University community, I know we can make it happen.

I'm committed to making it happen, and to running UNM in a more businesslike fashion. I want your help, and I welcome your advice.

I do want to reassure you that:

- ***We are NOT Trying to cover the Research deficit in one year.*** We've heard your concerns, and as a result, we're spreading the debt repayment out over a period of three years. This will mean that the F&A reallocations will be less than you might have heard or anticipated.
- ***We're NOT going to take the interest on your endowed and non-endowed foundation accounts.*** There's confusion. To finance the new capital campaign, we are going to utilize the low-yield interest earned on the reserves on the spending accounts – we will not touch principal, nor interest on the principal, just the low-yield interest earned on the REMAINING BALANCE of the spending account – about \$465 on a \$1 million endowment.
- ***Every department – EVERY Department, not just Academics – has been assessed the "Banner Tax"*** We believe Banner will benefit everyone, and the fee is universal.
- ***The "Banner Tax"*** is being used to fund the implementation of the Banner system – not for raises, not for administrative costs, not for any purpose other than repaying the debt for conversion to the Banner system.

Thank you.