

TO: UALR Faculty and Staff

FROM: Joel E. Anderson

RE: State Budget Reductions – UALR Response

DATE: January 13, 2010

On January 11, Governor Mike Beebe announced that, due to continuing shortfalls in state tax collections, he was mandating an additional reduction of \$106 million in the state budget. This means UALR's state appropriation for the balance of the fiscal year ending June 30, 2010, will be reduced by almost \$1.5 million. This amount is in addition to the previous reductions totaling \$1.3 million.

UALR is widely and rightly seen as a university on the move. UALR offers excellent opportunities to our students, engages in cutting-edge research, and makes invaluable contributions to the development of our community and state. With students as our top priority, we will tighten our belts, again, and continue to manage resources so that we maintain our momentum.

Last year the vice chancellors and deans and other budget officers at all levels effectively managed budget reductions so as to avoid the need to terminate employees. Mindful of the widespread economic stress and the scarcity of jobs, we plan to handle this latest budget cut the same way.

Cutting the budget now will be harder than it was earlier in the year because this time we will have to reduce operating dollars that were allocated to units across campus to support their programs throughout the year. The state cuts earlier this year were covered with dollars from two sources: one-time state funds that we did not budget but set aside as a reserve in the event of a state cut, and tuition revenue that was higher than expected due to an increase in fall enrollment.

In response to this latest loss in appropriated dollars, I am directing that two measures be put in place immediately in order to accomplish this new required reduction in spending.

Hiring Freeze

First, there will be a hiring freeze on all vacant positions as well as on any that become vacant. Since a high portion of the institution's budget is in personnel costs, this will have to be the primary place of spending reduction. Exceptions will be made only for critical positions, and any exception to the hiring freeze will require a recommendation by the appropriate vice chancellor and approval by the chancellor.

As a first step in implementing the freeze, all salary dollars in vacant lines will be removed and consolidated in a single reserve account.

The hiring freeze does not apply to positions funded by non-state sources such as grants, federal earmarks, endowments, and other private funds.

Despite the fact that some see signs that the national recovery has begun, the next fiscal year beginning July 1 could well be a worse year than this year for state tax collections in Arkansas, resulting in still fewer state dollars available for the colleges and universities. We will have to develop plans for next year's budget accordingly. Therefore, the hiring freeze will also apply to positions for the next fiscal year that begins July 1. Again, exceptions will be made for critical positions, and any exception will require a recommendation by the appropriate vice chancellor and approval by the chancellor.

Purchasing Freeze

Second, since a hiring freeze will not yield the total dollars needed to cover the cut, I am also directing an immediate freeze on purchasing until **February 4**. This means that no one should initiate a purchase

order, use a purchasing card (P-Card), BTA (travel card), or a blanket purchase order during the period of the freeze.

Exceptions for essential purchases may be authorized at the vice-chancellor level.

The purchasing freeze does not apply to purchases funded by non-state sources such as grants, federal earmarks, endowments, and other private funds. Purchase orders against such funds should be processed as usual.

Regarding travel: I am not asking that near-term travel commitments already in place be canceled. Once the temporary purchasing freeze has ended, units can evaluate travel plans that are farther out and make decisions about them in light of the dollars that remain available to them for the year.

The purpose of the freeze on purchasing is to provide a pause during which we will be able to see where non-personnel dollars are available in accounts across campus and how we can re-claim a portion of them with as little disruption as possible to important activities. Also, by February 1 we should have a clearer understanding of spring semester tuition revenue. In addition, an immediate purchasing freeze will prevent a unit from spending out its accounts and then having no dollars to contribute to the campuswide effort.

The vice chancellors are being given target figures for cuts for their respective divisions that match their respective shares of the budget. The dollars yielded to the cut will come from different combinations of accounts—personnel and non-personnel—as is appropriate to the great diversity of units and circumstances across campus. Through the years we have consistently used some version of this approach when dealing with budget cuts. The approach has served the university well. It permits attention to priorities and preserves as much room as feasible for the exercise of good judgment and thoughtful decisions by budget managers at all levels.

Summary

By February 4, I expect that: (1) All salary dollars in vacant positions will have been moved to a single reserve account to provide dollars for the cut. (2) The hiring freeze will continue in place as outlined above. (3) Most non-personnel accounts will have been reduced during the purchasing freeze to provide dollars for the cut. (3) The purchasing freeze will end, and normal purchasing will resume, with fewer dollars available. (4) We will have recaptured or identified the dollars we need to meet the state cut.

Additional Comments

Budget reductions, particularly sizable ones, are never pleasant or easy. However, despite the cut, we will maintain a university with strong momentum, with wonderful people continuing to do wonderful things.

I ask two things of everyone: (1) Please give your full cooperation and support to the measures I have outlined above. If we can proceed with them thoughtfully and with everyone's cooperation, we will minimize the impact of the cut. (2) This year and last year have not been easy for the university, but please keep our circumstance in perspective. In comparison with numerous universities in a sizable majority of states—as well as in comparison with numerous businesses and families in Arkansas—university employees have been less affected by the nation's severe recession than many others.

At the same time, last year employees received only a minimal raise and this year many received none. This too will pass, but it is painful in the meantime. We should not pretend otherwise. It is often said that Arkansas trails the nation going into recessions and also coming out of recessions. Arkansas has certainly trailed going into this one. It remains to be seen whether we will similarly trail in the recovery.

In any event, there remains much uncertainty as we look ahead. The

upcoming legislative session will have an impact on the fiscal landscape for the coming fiscal year. While state officials have stated that they believe this latest cut will be the last for this fiscal year, they acknowledge that no one has a perfect crystal ball in forecasting the future of the economy. Neither do we on campus have such a crystal ball. That is particularly true regarding the next fiscal year.

I plan to meet with the University Assembly's Policy Advisory Council later this week, and Dr. Sandra Robertson, Director of Budget, will be meeting with the Faculty Senate's Planning and Finance Committee. As more information is available, I will share it with the campus.