
WESTERN MICHIGAN UNIVERSITY WESTERN NEWS

Special Edition

June 8, 1992

A letter to the University community

Haenicke outlines budget considerations for '92-'93

I have occasionally used this format to address the University regarding issues of concern to all of us, and today I want to let you know how our General Fund Budget for the coming year is shaping up. On June 26, I shall present to the Board of Trustees my recommendations for Fiscal Year (FY) 1992-1993, and I want everyone at WMU to know what considerations went into this year's planning.

We all know that the support from the State of Michigan has been minimal and woefully insufficient due to sharply reduced state revenues in Michigan and due to a severe budget deficit at the beginning of FY 1990-1991. Last year we received an increased allocation of 2.9% from the State; this year it will be 1%. In order to meet the increases in operational cost, I have no option but to recommend to the Board of Trustees that tuition rates be raised again: 8% for resident lower division; 10% for resident upper division; and 10% for resident graduate students. For non-resident students we shall recommend rate increases of more than 12%.

Increasingly our students shoulder an ever larger share of the cost of their education. I see this with great concern. Public education has become too expensive, and we must be careful not to prevent access to our University for motivated and talented but financially needy students. I fear that we are getting close to that point. On the other hand, the ever growing cost of maintaining a competent work force compels us to seek each year tuition increases beyond the rate of inflation simply because the State cannot provide sufficient funds for the operational cost increases.

During the last few years, the University fared relatively well financially because we experienced massive increases in enrollment. As student numbers grew, so did the tuition

income, and we were able to meet our cost increases mainly through growing tuition income. Generally, in each of the last six years, we were able to schedule wage increases for employees above the rate of inflation. This year, however, I am advised by our forecasting group that the student numbers will no longer grow, in fact that they will decline, and hence no additional income is to be expected. We have debated these forecasts extensively, and I believe that they are reasonable and reliable. Further decreases in enrollment are predicted for FY 1993-1994. This will have a drastic impact on our revenues.

In light of the poor State funding situation and because of the predicted enrollment decline we have discussed the budget for FY 1992-1993 extensively with many campus groups. We have shown our budget model with its projections to our Trustees; we have discussed it twice in the Budget and Finance Council of the Faculty Senate; we have shown it to the APA, the CTO and the AAUP leadership; and we have made presentations to our students. Let me repeat one more time the major aspects of our FY 1992-1993 budget.

I foresee the need for increased allocations in the following areas:

1. We will need \$6,052,570 if we are to pay the negotiated pay increases in our collective bargaining agreements and if we want to create a 5% salary pool for all other employee groups.
2. We need \$256,383 to increase the stipends of graduate assistants by 5% and to add a small number of new GA positions throughout the University.
3. If we want to improve the compensation of our student workers and other part-time hourly workers by 5%, we need another \$212,137.
4. The cost of providing fringe benefits

next year is estimated to increase by \$1,308,236 (Hospital/Medical and retirement contribution).

5. If we are to increase the supply budgets by a mere 3%, staying slightly below the rate of inflation, we will need \$523,785.
6. The cost of utilities is estimated to increase by 5.9% or \$276,873.
7. We have traditionally added funds to the student financial aid budget at a rate that corresponds with the tuition increases. This year, I think we should go higher and add 15% due to the fact that our financial aid budget lags way behind that of other public institutions in Michigan. WMU is spending approximately \$2,800,000 on institutionally funded scholarships whereas one of our main competitors has institutionally funded student aid programs of over \$10,000,000. Eventually, our ability to attract good students to our University will be negatively affected by our inability to provide appropriate and competitive student aid packages. I am therefore proposing that we add at least \$980,880 (15%) to this category.
8. I am proposing to add at least 10% or \$162,509 to our library acquisitions budget. Inflation in this category runs much higher than 10% and this addition is, in my opinion, a bare minimum. We must preserve, even in bad fiscal times, the strength of our acquisitions.
9. I shall recommend that we add \$100,000 to the Academic Affairs equipment budget. That budget now stands at \$837,914, and this addition brings it a step further to the goal of \$1,000,000 per year that we need to purchase scientific instru-

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mentation, equipment for teaching and research, and provide teaching and research facilities renovation.

10. The University Computing Center has no regular account for maintenance and replacement. Therefore, we are hit hard every four or five years with enormous one-time costs when equipment is worn out and needs to be replaced. I propose to build up systematically an equipment budget of about \$650,000 which we can achieve within three years if we schedule an annual allocation of \$215,000 through FY 1994-1995.
11. The Haworth College of Business expects an accreditation visit in three years from now and is currently not staffed to meet the stringent reaccreditation standards. We need to add at least \$250,000 each year for three years to meet the mandates of the accreditation agency.
12. Both the State of Michigan and the Federal Government regularly impose legislation such as the Americans with Disabilities Act which compels public institutions to meet guidelines for which the government does not provide funding. This year we estimate cost increases of \$100,000.
13. We need substantial funds each year to make repairs or replace roofs, windows, heating and cooling systems, elevators and the like simply because our plant is large and most buildings are more than twenty years old. These funds are essentially used in buildings used for teaching, research and offices. (The maintenance of residence halls and student facilities is financed out of auxiliary accounts paid for by student fees.) I will propose that we schedule \$325,000 for this purpose. (As a yardstick: replacement of one major chiller costs about \$1,000,000.)
14. I would like to schedule again, as in previous years, \$100,000 for Minority Recruitment. This fund allows us to recruit minority faculty and staff to our campus even when current openings do not exist. In the past, this fund has enabled us to make steady progress toward greater campus diversity.

All the above cost increases appear necessary and reasonable. However, meeting them all takes a total of \$10,863,373. Close to 70% of that figure or \$7,460,806 comprises in-

creased personnel expenses (salary increases, fringe benefits and minority recruitment). On the other hand, we expect to have only \$7,418,580 in new revenues (tuition increase \$6,087,081 if enrollment remains stable; State allocation \$854,399; and Continuing Education Revenue \$477,100). This leaves us with a shortfall of \$3,444,793 or, if enrollments decline by 2.84% as predicted, with a potential shortfall of \$5,097,175.

Where will we cut to make ends meet? We will cut in every category and will attempt to effect any economy we can imagine. Through position control we already give the most careful scrutiny to each vacancy and each new position. I am making great efforts to cut as much administrative cost as possible without damaging vital and income producing University services. In many departments and service areas we are already so tightly staffed that further cuts in the work force appear impossible or imprudent.

In order to balance the General Fund Budget for FY 1992-1993 and since our major costs (about 80%) lie in the personnel sector, I have asked all groups which bargain collectively with the University to consider one of two options:

- either to forego half of their negotiated salary increases with corresponding reduction in the negotiated base increases;
- or to agree to a postponement of their salary and wage increases until January 1, 1993. This second option would represent a real return in income to the University during FY 1992-1993, but the negotiated higher bases would be preserved for future years.

I am making this request only after careful consideration and wide consultation. I strongly believe in appropriate salary increases for all groups in the University; but this is an unusually difficult budget year and we don't have many options. My request means personal sacrifice, but many people on campus have encouraged me by telling me that, given the general bad economic outlook, they would respond favorably to such an agreement.

My proposals would make a significant difference in the management of our General Fund Budget this year as they would save \$3,026,285 and would bring us close to a balanced budget if our enrollment remains stable. If we cannot agree on either of these proposals, we must finance next year's sal-

ary increases mainly through reductions in the work force. This would be a bitter moment for our University community, and I do hope very much that we will not be driven to this necessity.

Unlike the first option, the postponement of salary and wage increases would not solve our problems in the long term, however, because the negotiated higher bases in all salaries would be maintained and would form the new bases for FY 1993-1994. If the State revenue picture does not improve in the next several years, we would still be in serious trouble since I think we can no longer tax our students each year with double digit tuition increases. Thus the postponement would give us only a one year solution to our problem, and we would thereafter either hope for a significant improvement of the State economy or would have to work very hard to further contain our operating costs. Perhaps both.

It has been suggested that several possibilities could improve our situation.

What if the State would find additional monies for Higher Education? From all we know at this time, this possibility is truly remote.

What if we had another increase in student enrollment while we currently project a decline of 2.84%? I would like to believe this, but all the calculations that were presented to me, lead me to plan responsibly and that means going with the careful and sober projections of our Enrollment Management Committee. If unexpected enrollment increases occur, we will immediately direct these funds to any budget area where curtailments have taken place.

What about other University resources, like the endowment and other gifted funds? The vast majority of our endowment is restricted to uses determined by the donors, and no donor has so far directed gift monies toward salary pools. Most of our endowment funds are to be used for buildings, student scholarships, and support of teaching and research.

What if we used the funds for the Student Recreation Complex to balance the General Fund Budget? That facility is funded by a student assessment fee earmarked specifically for the construction of this building. No funds may be diverted from this project to the General Fund.

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What if we had fewer flower beds on campus or would cut the President's salary? I mention these two items only because someone brings this up every year. The flower beds will be reduced but not eliminated. One of our major recruiting strengths is the improved physical appearance of our campus. The resulting savings will be minimal as any reasonable person can figure out. And the President has donated every pay increase over the last four years to the University and will, of course, do so again. Both these actions unfortunately will have absolutely no impact on the anticipated \$3.4 million (stable enrollment) or \$5.1 million (declining enrollment) shortfall.

I wanted to share this outlook with the University community so that you have an informed understanding of my budget recommendations to our Board of Trustees.

This is not a good fiscal year. But it need not be a year for despair and low achievement. We all read the papers and realize that many other segments of our society face much greater difficulties than we do. All things considered, we are doing reasonably well and may look into the future with some confidence. We have at this time a stable work place. The State has exempted Higher Education from budget cuts declaring education a strategic priority. Together we have built a strong University, and we are receiving praise and support from many outside constituencies. The larger community backs our efforts and is proud of them.

Most institutions and businesses these days face financial problems and are finding ways to meet them. We can do nothing less. A few lean years should not diminish our resolve to continue confidently and with vigor our march toward excellence in all aspects of our University. We can, with good will, find ways to tide us over. We may, on good grounds, expect the economy to turn around. And we may, as a University community, rely on our tested ability to weather the occasional storm. We did before, and we can do it again.

I am asking each one of us to bring understanding and reason to our plight and to help our University.

Diether H. Haenicke

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WESTERN MICHIGAN UNIVERSITY Tentative Budget Outlook for 1992-93

		In Thousands 000.0
1991-92 Revenue Base	146,139	
1991-92 Expense Base	146,139	
Sub-Total - Difference		0.0
1992-93 BUDGET CHANGES		
REVENUE		
State Approp. Increase for 1992-93	854	
Estimated Tuition Inc. 1992-93		
On-Campus	4,435	
Off-Campus	477	
Sub-Total - 1992-93 Revenue Changes		5,766.0
EXPENSE		
Compensation Increase	6,521	
Fringe Benefits	1,308	
Supplies Increase (3.0%)	524	
Utilities Increase	277	
Student Financial Aid (15.0%)	981	
Library Acquisitions (10.0%)	162	
Equipment Increase	100	
ACC Equipment	215	
Accreditation Mandates	250	
Minority Recruitment	100	
Mandated State & Federal Programs	100	
Delayed Maintenance	325	
Sub-Total - 1992-93 Expense Changes		10,863.0
Excess of Expenditures Over Income		(5,097.0)*

* This shortfall assumes that enrollment will decline by 2.84% as projected. If enrollment is stable, the anticipated shortfall will be \$3.4 million.