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Southern Illinois University Edwardsville, "Edwardsville Bulletin: April 29, 1987" (1987). *SIUE "Bulletin"*. 394.
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SIUE **BULLETIN**
To the Faculty and Staff of Southern Illinois University at Edwardsville

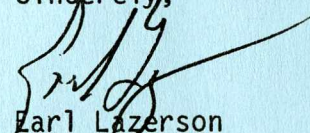
Vol. 18, No. 2
April 29, 1987

Dear Colleague:

I invite you to meet with me on Monday, May 11, at 3:00 p.m. in the Maple/Dogwood Rooms of the University Center to exchange views on University budgeting practices. Copies of the FY88 Budget Planning Guidelines are enclosed as background.

I hope to see you on May 11.

Sincerely,



Earl Lazerson
President

Enclosures



Southern Illinois University at Edwardsville

Interoffice Communication
OFFICE OF THE PRESIDENT

July 2, 1986

MEMO TO: Earl Beard
James Buck
Connie Rockingham
Barbara Teters

FROM: Earl Lazerson

Handwritten signature

SUBJECT: FY88 Budget Planning Guidelines

University budget planning for FY88 must continue to recognize a number of influences which affect resource availability and allocations. Primary amongst these are enrollments and the economy.

Enrollments

The data below display southwestern Illinois high school populations and undergraduate enrollment trends through FY 1986, and projections for FY 1987, FY 1988 and FY 1991. Note that high school senior enrollments decreased approximately 16% from academic year 1979-80 to 1984-85, whereas our annual undergraduate FTE enrollment (one annual FTE = 45 SCH) decreased from FY 1981 to FY 1986 by only 3%. In those years, on-campus headcount enrollment increased by 4%, and the SIUE share of the high school senior "pool" also increased (the ratio of annual FTE enrollments to high school seniors was .539 in FY 1981 and .626 in FY 1986).

Table with 5 columns: Academic Year, SW Illinois Seniors, Fiscal Year, SIUE Undergraduate Enrollment (Fall On-Campus Headcount), and Annual FTE. Rows include data from 1979-80 to 1989-90.

Graduate enrollments are not as easily related to age cohorts as undergraduate enrollments. The projections below assume continued enrollment management efforts based on sound assessment of student needs.

Fiscal Year	SIUE Graduate Enrollment	
	Fall On-Campus Headcount	Annual FTE
1981	1,825	1,380
1982	1,862	1,415
1983	1,792	1,407
1984	1,877	1,342
1985	1,786	1,293
1986	1,859	1,323(Estimated)
1987	1,860(Projected)	1,381(Projected)
1988	1,860(Projected)	1,381(Projected)
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1991	1,860(Projected)	1,381(Projected)

Both undergraduate and graduate projections essentially are past patterns extended to the future. Enrollments are subject to numerous factors, many of which have been mentioned in previous years: the value placed on education, awareness of the University's programs, regional economic development, and, above all, programs of high quality. Once more I stress the fact that enrollment opportunities will not be realized unless we ensure the quality of academic programs and the vitality of our educational climate.

The Economy

I quote from the June 12, 1986 revenue report of the Illinois Economic and Fiscal Commission:

"Although revenue growth in FY 1987 is expected to be minimal, the forecast should be regarded as cautiously optimistic. Nationally, moderate real economic growth (2%-4%) with modest inflation (again 2%-4%) and slowly falling unemployment remain likely. The State, however, is expected to make even more modest progress. Whether the indicators will fall at the high or low ends of their range (or below the range) remains uncertain. Lower inflation, the result of weaker commodity prices (particularly for oil), would place downward pressure on income and sales tax receipts through several routes. First, low inflation directly affects sales tax receipts since the tax is based on the selling price. A potential increase in the quantity of items sold may not fully offset this effect.

Second, lower inflation would reduce income tax growth because of its impact on wages and profits. Cost-of-living adjustments (COLAs) have fueled wage increases in past years, contributing significantly to income tax growth. Lower inflation means lower COLAs and slower income tax growth. Profits are squeezed in a low inflation environment as providers of goods and services face more intense competition. While recent declines in the value of the dollar may provide some relief from such price competition, the respite is likely to be short-lived.

Finally, income tax receipt growth will be dampened as interest income falls. Interest rates generally follow inflation. Should economic activity become more sluggish, the Federal Reserve Board may allow rates to slide further.

Two additional factors add to the uncertainty concerning the course of the economy over the coming year: tax reform and trade legislation. While economists are divided on both issues, comprehensive trade restrictions appear most onerous.

Although tax reform will change the tax incentives associated with various economic activities, such reform should not restrict the movement of the economy toward the most efficient utilization of resources. In fact, tax reform may accelerate such movement. Comprehensive trade barriers, however, may well restrict any rationalization of economic activity and, indeed, inhibit economic activity itself."

Other Considerations

Although economic factors should allow at least marginal funding increases from state appropriations, we will not be able to support all high priority initiatives with increased state general revenues. Thus we should anticipate tuition increases for FY88 equal to projected inflation--4%. Even if revenues increase moderately, we will not be able to meet all demands for allocations to accommodate enrollment shifts among existing programs or other high-priority items. Similarly, we cannot depend on sufficient increases in state revenue to fund ongoing maintenance, repair and renovation needs.

FY88 planning must deal with greater uncertainty than has been the case for several years because of the potential effects of the Gramm-Rudman-Hollings Act (GRH). The federal budget which is constructed in compliance with GRH will not be known until October 1, and that budget ultimately will reflect several major imponderables -- U.S. Supreme Court action on GRH's constitutionality, Congress' action to reduce spending or increase revenues, the executive and legislative branches' ability to compromise, and the size of deficit projections finally developed by the Congressional Budget Office and the Office of Management and Budget -- to cite the most important.

Not knowing the impact of GRH, we must plan in the most flexible manner, assuming serious potential resource reductions.

Planning Strategies

FY88 planning should continue to rely on the methods we have used in the past: prudent use of reserves, establishment of contingency funds for nonrecurring uses during the year, and reallocations to the degree possible to accommodate shifts in resource demand and high priority initiatives.

Assumptions for FY88 follow.

1. A tuition increase at the expected inflation rate increase of 4%.
2. A 1.5% decrease in tuition revenue due to undergraduate enrollment declines associated with projected demographic and attrition factors.
3. A 1% decrease in tuition revenue due to undergraduate enrollment declines related to possible federal student aid reductions and more stringent University admission standards.
4. A contingency reserve of 2% at the functional area level to accommodate revenue uncertainties.

Based on these assumptions, I ask that the functional areas plan for the following base reductions for FY88. (Reductions are prorata based on FY87 planning budget at the Governor's level with Senate Appropriations Committee adjustments.)

	<u>1.5%</u> <u>Enrollment</u> <u>Reduction</u>	<u>1%</u> <u>Enrollment</u> <u>Reduction</u>	<u>Total</u>
Dean of Students	\$ 888	\$ 594	\$ 1,482
Office of the President	1,208	808	2,016
V.P. and Provost	91,574	61,285	152,859
V.P. for Administration	32,898	22,016	54,914
V.P. for Development and Public Affairs	<u>3,432</u>	<u>2,297</u>	<u>5,729</u>
Total	<u>\$130,000</u>	<u>\$87,000</u>	<u>\$217,000</u>

I further request that each functional area establish a 2% contingency reserve as follows (reductions are based on the FY87 planning budgets cited above).

Dean of Students	\$ 6,924
Office of the President	9,409
V.P. and Provost	713,718
V.P. for Administration	256,404
V.P. for Development and Public Affairs	<u>26,746</u>
Total	<u>\$1,013,201</u>

FY88 budget materials, including a description of how the 2% reserve funds would be utilized if released, are to be completed by October 15, 1986. Mr. Ulrich will provide appropriate formats.

cc: President's Staff
Constituency Heads
UPBC, Chair
LRPC, Chair
BRC, Chair