

1-3-1980

Edwardsville Bulletin: January 3, 1980

Southern Illinois University Edwardsville

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Recommended Citation

Southern Illinois University Edwardsville, "Edwardsville Bulletin: January 3, 1980" (1980). *SIUE "Bulletin"*. 260.
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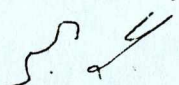
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Edwardsville Bulletin

To the Faculty and Staff of Southern Illinois University at Edwardsville

Vol. 12, No. 1
January 3, 1980

MEMO TO: The University Community
FROM: Earl Lazerson 
SUBJECT: IBHE FY 1981 Budget Recommendations for SIUE -- I

In keeping with our resolve to inform you in a timely fashion on matters of significant import we present in this Bulletin the FY 1981 budget recommendations for SIUE prepared by the staff of the IBHE. These will be acted upon by the IBHE on January 8. The results of those actions will constitute the recommendations of the IBHE to the legislature and Governor on our FY 1981 budget request.

As these recommendations go forward the University must concurrently plan for their contingent consequences. In this regard the administration will provide to the University Planning and Budget Council a series of options/recommendations on FY 1981 budget matters for their consideration and comment early in February.

1. IBHE Staff Recommendations for All Universities

- a) An average 8% salary increase for all faculty and staff, this increase to be calculated on 95% of the personnel base to account for turnover.
- b) An additional 1% of the personnel base to be used to improve fringe benefits. The exact nature of these improvements to be determined in the future.
- c) A 14.1% increase for the State Universities Retirement System budget to provide funding at the level of "gross benefit payout" plus 1%.
- d) A 7% increase in general support costs - commodities, contractual services, telephone, travel, equipment, etcetera.
- e) A 13 to 18% increase in utility costs depending on the mix of fuel used by an institution.
- f) Tuition increases of \$48 per academic year for all undergraduate and graduate students and \$80 per academic year for dental students.

2. IBHE Staff Recommendations for SIUE - Capital

a) Multi-purpose Facility Construction Funding (P.E. Building)	\$ 9,765,000
Utility Funding for P.E. Building	265,000
East St. Louis Center Remodeling	435,400
Roof Replacement (Rendleman and Supporting Services Buildings)	348,300
Minor Remodeling (Handicapped Provisions, Wagner Center, SDM Clinic)	431,500
Conservation Modifications	<u>291,800</u>
	\$ 11,537,000

- b) In addition to the above, IBHE Staff acknowledges the need for a new dental clinic facility at the SDM in Alton and will work closely with the University on an acceptable scope and cost determination for this project prior to FY 1982 budget submittals.

3. IBHE Staff Recommendations for SIUE - Operating Additions

a) Program Support

Academic Resource Center	\$ 30,000
B.S. in Construction	18,200
B.S. in Engineering	24,800
Faculty Development	10,000
Nursing (Curricular changes and Off-Campus Programs)	100,000
School of Dental Medicine (Team Program)	87,000
Library Resource Sharing Network	121,200*
*(Only approximate figure known at this time)	
	<u> </u>
	\$ 391,200

b) Other Support

Physical Plant Maintenance (East St. Louis Center)	\$ 43,400
Physical Plant Maintenance (Energy Conservation)	189,800
Equipment Replacement	100,000
Fire Protection Cost Increase	6,000
Repair and Maintenance of Older Buildings	34,700
Waste Treatment Plant Operations	<u>45,000</u>
	\$ 418,900

TOTAL \$ 810,100

4. IBHE Staff Recommendations for SIUE - Base Budget Reductions

a)	Based on the Comparative Cost Analysis	\$ 663,500
	Based on Loss of Tuition Reserve	<u>94,900</u>

	TOTAL	\$ 758,400
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b) To more fully inform you of both the derivation and significance of the figures presented in a), we provide in an Appendix the exact IBHE Staff statement on these items.

c) In a later Bulletin, the Comparative Cost Analysis for SIUE will be presented and its effects analyzed.

Attachment

APPENDIX

Presented below is the text of the IBHE Staff statement related to Comparative Cost Analysis and Loss of Tuition Revenues due to declining enrollments represented in their FY '81 budget recommendations to the IBHE:

"Past budgetary decisions and historical patterns of enrollment growth and decline have resulted in significant variations among university campuses in instructional costs. Although cost analysis is a complex and inexact science, it is a useful tool in making judgments concerning the relative resource needs of university campuses. One of the adjustments to FY1980 appropriations included in these recommendations is based upon a comparative analysis of cost among similar academic programs at different campuses as reported in the FY1979 unit cost study.

This comparative cost analysis examines the reported unit cost for credit hours offered by each public university in relation to the statewide average unit cost for similar disciplines and levels of instruction. The analysis asks, "What would the total costs at this university be if its unit cost for each discipline and level of instruction were exactly at the average unit cost for each discipline and level of instruction for all public universities?" This approach avoids the common distortions caused when total unit costs among campuses are compared without regard for differences in the mix of expensive and inexpensive programs and differences in the number of upper division or graduate level students enrolled in each disciplinary area.

It is important to note that the cost comparisons used in these budget recommendations also exclude physical plant maintenance costs and fixed operating costs for academic support, student services, and institutional support. Physical plant maintenance costs were excluded because these expenditures do not vary with changes in enrollment in colleges and universities. Other fixed costs were excluded because every university, regardless of size, normally must maintain certain overhead functions. Large universities can spread the cost of these functions over many students and thus reduce their overall unit cost. Smaller institutions are unable to achieve these economies of scale. The exclusion of fixed costs from the cost analysis is based upon a Board staff study of internal budgets for public universities. The estimated fixed costs for institutional support total \$1 million; fixed costs for student services are estimated to be approximately \$400,000; and academic support fixed costs are estimated to be \$500,000

The instruction of Graduate II or doctoral students was also excluded from the comparative cost analysis. An examination of these costs indicates that the State-supported cost of Graduate II programs at the University of Illinois, Urbana campus, tends to be significantly lower than the State-financed cost of these programs at other universities across the State. This may be due to greater availability of external funding at the Champaign-Urbana campus or, in part, to economies of scale. Costs for public service and organized research are also excluded from the analysis because these costs are not directly related to instructional credit hours.

One of the important priorities for the Board of Higher Education staff in the future is to develop more adequate means of evaluating public service and organized research activities. In addition, it will become increasingly important to ask whether all of the high-cost, small doctoral programs that exist in public universities are justified in the context of the overall needs and priorities of higher education in Illinois and the nation.

The results of the comparative cost analysis are presented in Table IV-11. The extent to which institutions are relatively "overfunded" or "underfunded" is shown as a percentage of total instructional expenditures excluding physical plant costs, fixed costs, and Graduate II instruction. A negative adjustment is recommended to the base budget of four universities, Western Illinois University, Sangamon State University, Southern Illinois University-Edwardsville, and University of Illinois-Chicago Circle, where the amount of "overfunding" exceeds two percent of the instructional cost base. These adjustments, totaling 20 percent of the relative overfunding, are presented in Table IV-12.

Table IV-11

COMPARATIVE COST ANALYSIS
UNIVERSITIES

(In thousands of dollars)

	Total FY1979 Instructional Costs with Adjustments*	Relative Overfunding	Relative Underfunding	Relative Underfunding or Overfunding as Percent of Adjusted FY1979 Instructional Costs
<u>Board of Governors</u>				
Chicago State University	\$11,607.6		\$ (35.6)	(0.31)%
Eastern Illinois University	16,898.0		(2,089.2)	(12.36)
Governors State University	7,665.4		(15.5)	(0.20)
Northeastern Illinois University	13,961.6		(2,413.6)	(17.29)
Western Illinois University	24,409.8	2,174.2		8.91
<u>Board of Regents</u>				
Illinois State University	33,506.9		(1,973.9)	(5.89)
Northern Illinois University	40,203.2		(1,280.3)	(3.18)
Sangamon State University	6,803.4	1,456.2		21.40
<u>Southern Illinois University</u>				
Carbondale	41,937.4	417.6		0.99
Edwardsville	21,787.5	3,753.4		17.23
<u>University of Illinois</u>				
Chicago Circle	36,268.1	1,264.9		3.49
Urbana/Champaign	72,643.5		(1,263.5)	(1.74)

* Adjustments include removal of fixed costs totaling \$1,911.6 from Academic Support, Student Services and Institutional Support, exclusion of Graduate II Level Instruction and Physical Plant Maintenance costs.

Table IV-12

COMPARATIVE COST ADJUSTMENTS
RELATIVE OVERFUNDED UNIVERSITIES

(in thousands of dollars)

	<u>Total FY1979 Instructional Costs with Adjustments*</u>	<u>Two Percent of Col. 1</u>	<u>Relative Overfunding in Comparative Cost Analysis</u>	<u>Difference between Col. 3 and Col. 2</u>	<u>Recommended Comparative Cost Analysis Adjustment Col. 4 x 20%</u>
Western Illinois University	\$24,409.8	\$488.2	\$2,174.2	\$1,686.0	\$337.2
Sangamon State University	6,803.4	136.1	1,456.2	1,320.1	264.0
Southern Illinois University- Carbondale	41,937.4	838.7	417.6	(421.1)	-0-
Southern Illinois University- Edwardsville	21,787.5	435.8	3,753.4	3,317.6	663.5
University of Illinois- Chicago Circle	36,268.1	725.4	1,264.9	539.5	107.9

* Adjustments include removal of fixed costs totaling \$1,911.6 from Academic Support, Student Services and Institutional Support, exclusion of Graduate II Level Instruction and Physical Plant Maintenance costs.

The percentage factors used for these adjustments are based upon judgments concerning the level of budgetary reduction that can reasonably be accomplished within a single fiscal year. The largest adjustment made to any university represents less than three percent of its recommended FY1981 budget.

Two approaches have been used to provide greater support per student at five institutions where comparative cost analysis shows significant amounts of relative "underfunding." The program support recommendations include funds to deal with specific needs for improving program quality documented by these institutions in analytical studies and requests for program support. The second approach for improving support per student at these universities involves a planned reduction of enrollments.

The recommended enrollment targets implement in a tangible way the goal of improving educational quality during a time of declining enrollments. These enrollment targets represent cooperative efforts involving the Board staff and system and campus administrators to utilize every opportunity for improving quality during a period of enrollment decline. The recommended reductions in enrollment for FY1981 will enable underfunded institutions to reduce class sizes and will provide flexibility for other qualitative improvements.

The amount of enrollment reduction recommended would bring each campus to a level of "underfunding" no greater than two percent of its variable instructional cost in a period of about three years. The number and the mix of students involved each year will depend on the development of specific plans at each institution. An increase in General

Revenue Funds is recommended for each of these institutions to offset the loss of tuition revenue attributable to planned reductions in enrollment.

The original budget requests of two of the five universities in this group, Northeastern Illinois University and the University of Illinois Urbana campus, reflected plans to reduce enrollments that are consistent with this overall objective. For the three remaining universities, Eastern Illinois University, Illinois State University, and Northern Illinois University, an adjustment to the institutional estimate of University Income Fund revenues is shown to reflect the replacement with General Revenue Funds of tuition revenues not collected due to planned enrollment reductions.

An adjustment to FY1980 appropriations also was made to reflect losses in projected tuition revenues due to enrollment declines at institutions that are relatively "overfunded" according to the cost analysis. Both the comparative cost adjustment and this adjustment made for reduced tuition revenues tend to reduce appropriations at campuses with higher costs and/or declining workloads. In essence, these adjustments provide a degree of sensitivity to the relative needs of individual campuses among public universities before budgetary increases are provided to meet inflationary costs and other programmatic needs common to all universities. "