

MEMORANDUM

TO: UAHuntsville Community

FROM: Robert A. Altenkirch, President

DATE: March 26, 2012

SUBJECT: FY 2013 Budget Update

I would like to provide you with a brief summary of key financial and legislative issues as we develop the University's proposed operating budget for FY 2013 and monitor activities in Montgomery that could impact our faculty and staff.

As indicated in my most recent budget update of February 14, Governor Bentley has included a 4% reduction of the State appropriation for all four-year institutions in his FY 2013 proposed operating budget, a reduction of about \$1.7 million for UAHuntsville in the base operating appropriation. Typically, the House and Senate develop their own budget proposals in addition to the Governor's, but this has not yet occurred. At this point, we do not anticipate any unit operating budget reductions for FY 2013.

I'm sure that you have read or heard recently about proration. Governor Bentley has declared a 10.6% proration of the State General Fund. This proration impacts only the General Fund, and did not affect the Education Trust Fund from which the University receives its appropriations. While we have no information about a proration for the Education Trust Fund, it would seem prudent for departments to continue wise and conservative spending patterns to maintain a sound financial position.

A number of faculty and staff participating in the Alabama Retirement System have expressed concerns that bills may be introduced in the legislature that negatively impact the retirement benefits of current employees. We have carefully analyzed Senate Bill 388, recently approved by a Senate committee and soon to be debated by the full Senate. This bill would not impact any faculty or staff who are currently employed, but it would reduce pension benefits and make other changes for new employees hired starting January 1, 2013. No bills have been introduced with proposed changes to retirement benefits for current employees.

We will keep you posted as the legislative session progresses and as we continue development of the FY 2013 institutional operating budget.

Thanks,

Bob