



## MEMORANDUM

TO: Faculty and Staff

FROM: Dave Williams  
Ray Pinner

RE: Operating Budget Update

DATE: April 7, 2009

The financial picture for the State of Alabama and UAHuntsville continues to evolve as we adjust to declining resources on campus. This memorandum will provide you with the latest information available to us.

As previously communicated, the Governor announced statewide prorationing in December, with a \$4.6 million appropriation reduction for the University in 2008-09. The entire campus has worked diligently to analyze current year budgets, and we have successfully reduced operating expenses by \$4.6 million in response to this challenge. Our 2008-09 budget is now balanced and further appropriation cuts for 2008-09 appear unlikely.

With 2008-09 taken care of, the next major hurdle is the preparation of the 2009-10 operating budget. We don't have perfect information at this point. The Governor's proposed budget as announced at the beginning of the legislative cycle would reduce the University's appropriation by an additional \$1.4 million, for a total of \$6.0 million reduction as compared to the 2008-09 opening base. We are expecting a new budget proposal from the Governor soon, and the budget will obviously be a hot topic during this legislative session as the final appropriations are hammered out in the House and Senate. In the meantime, we must continue to develop a budget for 2009-10.

Chancellor Malcolm Portera visited the campus last week and provided great insight to our financial picture in a presentation to the Faculty Senate. Some of the key points made by the Chancellor were:

- State taxes declined in at least 35 states in 2008.
- Recovery as measured by state taxes is typically a multi-year process after a recession.
- State taxes are projected to remain below historical levels through 2012-13 and beyond.

Chancellor Portera also discussed the possibility of federal stimulus funds, indicating that amounts to be received and stipulations for the use of such funds are unknown at this point. In any event, these funds are temporary and will not be available after two to three years, and should not be budgeted for recurring expenses. Further information on the financial modeling discussed by the Chancellor and Ray Hayes, the System CFO, are here:

<http://www.uah.edu/admin/Budget/budgetinfo.php>

So where do we stand today? Campus budget plans for 2009-10 have been turned in to the Budget Office for many units, with some plans due to arrive this week. We will continue to monitor developments in Montgomery and Washington as the State appropriations and federal stimulus funds are finalized. The State legislation session runs through mid-May.

Further correspondence will follow as we move through the process. Thanks again for your dedication to the University as we seek solutions together to preserve the financial integrity of the University in these difficult times.