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UNM PRESIDENT SPEAKS CANDIDLY ABOUT BUDGET OUTLOOK

Introduction

We were hoping to release information about UNM's 2010 budget today, but since the legislative session doesn't conclude until tomorrow and we've just received final appropriation allocations, it will be Monday or Tuesday before our budget recommendations will be finalized.

In the meantime, I want to address some of the most common questions I have received from many of you – students, faculty, staff, administrators, alumni and supporters alike:

What's the outlook for the University of New Mexico in the coming months?

Let me share with you exactly what I know and what I don't know.

As we all know far too well, we are in the longest, deepest recession since World War II. This is a financial environment unseen in our lifetimes, and like every other state, New Mexico's finances have been seriously affected.

We started fiscal 2009 with a reasonably stable budget that allowed for ambitious goals including physical and academic expansion, the acquisition of new faculty, improvement in existing facilities and an aggressive marketing effort aimed at increasing student and faculty recruitment.

Last November, as the economic crisis deepened, the UNM community responded immediately with a reduction in spending and an across-the-board suspension in hiring, pay hikes and promotions. While difficult, these measures allowed us to meet the mid-year revenue adjustments contained in the State's Solvency Plan: mid-year spending rescissions which, in UNM's case, eventually totaled \$8.387 million for main campus, HSC and the

branches. The main campus share of that was \$5.3 million. Not only were we able to shoulder those reductions, our plans to fill faculty and dean vacancies were able to continue, unaffected.

That's what I do know. For what I don't know, I'd need a crystal ball.

Looking ahead, fiscal year 2010, which begins July 1, presents the greatest uncertainty I have ever experienced. The current version of House Bill 2, which now awaits action by the Governor, proposes a 4.7% reduction in UNM revenues – a loss of about \$15.7 million. This includes main campus, HSC, branches and special projects.

Meanwhile, steadily declining state revenues below original forecasts could lead to yet further budget rescissions in 2010. I would not be serving you well if I didn't develop contingency plans for that possibility.

What about the stimulus?

The American Recovery and Reinvestment Act will provide some relief to our University through formula dollars, scientific research grants, research-related construction grants and, we hope, some of the Governor's discretionary dollars. We recently received a briefing from Senator Bingaman's staff about all of the funding and grant opportunities contained in the stimulus package and we have formulated a game plan to go after every possible dollar available to us.

I'm optimistic at this moment because of the capital construction dollars contained in the stimulus for research-related projects and, possibly, several other key areas like our childcare facility. In addition, there are funds dedicated to higher education programs and scientific research funding through agencies like the National Science Foundation and the Department of Energy.

What will happen to the cost of tuition?

No final decisions will be made until the April Board meeting, when the Regents are scheduled to adopt the 2010 budget. Next week, though, we plan to release a preliminary set of budget scenarios that will include several tuition pricing options.

What we do with tuition will be crucial to our ability to maintain classroom instruction. Right now, those dollars comprise 5.0 % of our \$2.0 billion operating budget, and tuition is responsible for 5.99 % of our income.

I don't envy the Board of Regents. This is going to be an excruciating decision for them, having to balance academic excellence while still keeping tuition affordable during the worst recession in 50 years.

As background, tuition was increased last year by 4.85% for incoming resident undergraduate students. The upcoming FY 2010 budget currently includes a 2.5% tuition credit and we will do all we can to hold tuition beyond that as low as possible.

What about funding University administration?

It should always have been our goal to run the University with a minimum amount of administrative costs. I think the faculty and the Board of Regents are right to challenge us about administrative overhead: we all need to be reminded, constantly, that administration should be as lean as possible, so that we can get the most bang for our bucks when it comes to classrooms, research and patient care.

For the record, last year's budget moved \$3M from non-academic funding into academic purposes.

In addition, 78 cents of every dollar of the \$5.3 million we saved during last year's budget rescission came from non-academic accounts.

Based on what we've done already, I think we can do even better in the year ahead to reduce non-academic spending. Consider what's happened so far:

We plan to reduce non-academic Main Campus administrative spending by 15% over the

next three years.

Meanwhile, we expect a net increase of at least 10 new full-time Main Campus tenure-track faculty positions during the same period.

We have frozen all executive compensation for the President, Executive Vice Presidents and main campus Vice Presidents, including salaries, allowances and deferred compensation.

With 33 University employees contractually bound to receive an approximate \$1 million in combined deferred compensation, we are developing a comprehensive University-wide policy on deferred compensation, the first preliminary analysis to be submitted to the Board of Regents at its April 2009 meeting.

We have frozen compensation for all Main Campus non-academic administrative staff earning more than \$125,000 annually through the end of FY 2009-2010.

Why can't you use private endowment funds to fix buildings and address some of these problems?

Many donors place explicit restrictions directing precisely how their gifts should be used, so that few if any of our endowment funds can be spent for general purposes. We do apply the interest, however, where we're allowed to do so under the terms of the gift.

What's the case for supporting higher education in such tough economic times?

When you are in a downward economic spiral, the most important thing you have to do is keep people employed -- stop the job loss. UNM is the third largest employer in our community, and 5th largest in New Mexico. Our jobs pay well and are secure, with a strong multiplier effect in the surrounding economy.

The second thing that's needed in economic bad times is to try and create *new* jobs. That's why the Stimulus plan calls for "shovel-ready" projects -- repairs, reconstruction,

renovations. We're more than happy to oblige, because we've got quite a list, with good, high-paying construction jobs that carry excellent benefits. It's really an investment in our future, because these improvements will be helping prepare future generations for even better jobs in the years ahead

Many of you will recall that during the Great Depression, government built many of the buildings and facilities here at UNM – buildings where, thanks to the GI Bill, many of your parents and grandparents got a UNM education that allowed them (and you) to enjoy the American Dream.

As before, America's and New Mexico's commitment to higher education is a solid, long-term investment in our future – whether in the form of financial aid to students, investments in research or sustaining and improving our infrastructure.

Do you hear sympathy among legislators for higher education funding?

I'm convinced that our legislators genuinely believe in the transforming power of education, and that they want to help. There's no lack of commitment at work here: this is purely a question of balancing limited resources against competing demands.

Our Government Relations people in Santa Fe have worked very hard to convince members of the Legislature to do everything possible to minimize the budget impact on UNM, and we've been very gratified by the loyalty and support we've received from our Legislators.

Throughout it all, in every conversation, our Legislature and Governor have been keenly aware that UNM employs more than 22,000 people and is one of the most powerful economic engines in our city and state. They realize the importance of our mission, and of the need to shepherd our resources to ensure that teaching, research and patient care continues – all while keeping tuition within the reach of every promising student.