TO: NDUS Campus Presidents
FROM: Dr. Mark R. Hagerott, Chancellor
DATE: January 22, 2016
SUBJECT: Allotment Guidelines

Through November 30, 2015, the State’s general fund tax revenue collections are $152 million less than forecasted. The Office of Management and Budget and Moody’s Analytics have begun to develop an updated revenue forecast, which is expected to be completed in late January. This updated revenue forecast will be the first step in preparing for a potential revenue shortfall for the biennium. If the updated forecast indicates that the State will not have adequate revenues to cover its obligations, the second step to reduce the shortfall will be an across-the-board reduction in all 2015-2017 state agency appropriations. This cut could be as high as 2.5 percent of total general fund appropriations. Any additional shortfall would be covered by the State’s Budget Stabilization Fund. All state agency budgets, including higher education institutions, would be affected. The only exception is the K-12 education budget, which would be unaffected because of the Foundation Aid Stabilization Fund.

The attached schedules illustrate potential allotment scenarios, with reductions ranging from .5 percent to 2.5 percent. If a 2.5 percent general fund allotment is ordered, the budget cuts will total $29.1 million for all NDUS organizations and the system office.

The allotment will immediately impact the 2015-17 biennium. Agencies and institutions will have approximately 16 months to achieve the required savings. Additionally, if the declining revenues are expected to extend into the 2017-19 biennium and beyond, the next biennial budget could contain permanent budget cuts.

This revenue shortfall greatly increases the significance of the cost containment, shared services, and tuition/fees studies, and I thank you for your work on these important assignments.

In anticipation of the general fund budget allotment, I am asking each president to submit a budget reduction plan for my approval on or before February 1, 2016. The plan should assume a 2.5 percent reduction for the 2015-2017 biennium.
The goal of your budget adjustments should be to comply with mandated reductions in general fund dollars while minimizing negative impact on academic programs and student services.

The following guidelines have been developed to assist in your budget reduction planning process:

- Examine all travel policies and practices to create efficiencies and cost savings.
- Where not already in place, elevate approval processes to the president or senior staff for all hiring, salary adjustments, out-of-state travel, equipment purchases, and other items at the discretion of the president.
  - Note: For smaller campuses, the authority may best elevate to the president; for the larger campuses, perhaps this would be done by senior staff.
- Presidents have the flexibility to adjust salary increases in accordance with campus needs. The chancellor has the authority to establish a system-wide salary increase policy, if necessary.
- Accelerate ongoing efficiency efforts in administrative processes and consider shared service agreements with other institutions that yield more immediate cost savings.
- Examine academic courses for those that lend themselves to more cost-effective delivery methods. (e.g. collaborative, online, etc.)
- Evaluate faculty course loads and class sizes.
- Prioritize building repairs and maintenance to those that most closely relate to safety and student/staff well-being.
- Consider utilizing available reserves for essential one-time projects.

The following should not be considered in your plans:

- Increasing tuition or student fees to offset this general fund budget allotment.
- Cuts to essential student services.
- Reductions in emerging, high priority programs and initiatives.
  - UAS, high performance computing, cybersecurity, energy related workforce, teacher education, retention/attrition initiatives.

These guidelines are subject to review and change as more information becomes available. Thank you for your patience and thoughtful consideration during this time of fiscal uncertainty.

cc: State Board of Higher Education Members
    NDUS Staff