



THE SYSTEM CONNECTION

Greetings:

I hope all of you had a great Thanksgiving weekend and are now rested and ready for that push through to the end of the semester and the winter break period.

Many readers likely learned from media reports last week that all of the state's public universities have been asked to prepare operating budgets for Fiscal Year 2016 (which begins July 1) that would reflect significant cuts in our state support dollars. Governor-elect Bruce Rauner and his staff will be developing a draft State of Illinois budget that he will present to the General Assembly in February — and they have asked the universities and other state agencies to put together a variety of scenarios that take into account the expiration of the temporary income tax increase as of Dec. 31.

Of course, this request doesn't really come as a surprise; any new governor, particularly, must gather the fullest range of information possible when preparing a budget blueprint that reflects the state's financial realities.

The directive each institution received from Dr. James Applegate, executive director of the Illinois Board of Higher Education, indicated Mr. Rauner's team has asked for budget modeling reflecting up to a 20 percent reduction in state appropriations. In addition, the state agencies, including universities, may further be asked to create a 5-to-10 percent spending reserve out of our *current-year budget* (which could be viewed as equating to a 10-to-20 percent figure ... since we would be taking it all from the last half of this fiscal year).

So, I won't even attempt to sugarcoat the potential impact of such a reduction to our budget — even holding back the 5-10 percent this fiscal year translates to between \$10 million and \$20 million system-wide. We will share with the IBHE, the General Assembly and the governor-elect the stark realities of a 20-percent cut to our budget. To illustrate:

- SIUC's state appropriation would be at approximately \$83 million and the School of Medicine would be at approximately \$31 million for a total of \$114 million. The last time the two campuses saw that level of state funding was a quarter of a century ago, around 1989-1990. State-appropriated funds represented nearly 68 percent of the SIU Carbondale operating budget in fiscal year 2002. Over the course of the past

12 years, the percentage has continued to decline, resting today at less than 50 percent of the university's operating budget.

- At SIUE, a 20-percent reduction in the state appropriation would work out to \$11.7 million, or about 8 percent of the university's total state operating budget. That would be on top of the \$13.3 million already cut from SIUE's state appropriation since fiscal year 2002.

Previous budget reductions have led to tuition and fee increases on all of our campuses, but as a university system committed to access and opportunity, we have been as conservative as possible in passing costs on to our students. That has been a sustaining value for our Board of Trustees as well.

Much of the credit goes to our faculty and staff, who continue to be good stewards of the taxpayers' dollars in the face of very challenging circumstances. The impacts of previous budget cuts have included: a reduction or elimination of travel and professional development activities, hiring freezes or significant delays in hiring, delays of replacements or upgrades of equipment, and the elimination of materials needed by faculty and students in our libraries. (One collegiate unit even eliminated office phones for faculty in all three of its academic departments, while voice mail has been eliminated from phones in other colleges and units.) There is no question that a 20-percent reduction in our state appropriation will dramatically affect student services, academic programming, and ... in turn ... student success.

To recapture this level of funding in personnel would take extremely painful reductions in the workforce at all three of our campuses ... and for the local economies our wages and salaries support! At SIUC, up to 325 positions would be eliminated among all employment categories. We would be forced to cut about 100 positions at the School of Medicine, and another 210 at SIUE. Obviously, dozens of open positions could remain unfilled, current searches would be halted, and a hiring freeze would likely be extended indefinitely.

Now — before ringing all the alarm bells — please realize that all these things indicated above are EXAMPLES of what could happen in a worst-case scenario. Remember, it is very early in the budget development cycle for both the state and SIU and, in the end, this will be a political process that will play out through the spring of 2015. Also, I think we will have to anticipate some revenue growth from tuition and fees for the 2015-16 academic year. While the SIU System was justifiably proud to be able to hold the line and freeze tuition pricing heading into this year, I'm hard-pressed to think we will be able to repeat that feat for FY16 — we will need to remain open to various ways to mitigate any loss in state support as we head into next year.

As we know more concrete details, I'll make sure to share those here and in other venues. Numerous finance and budget staffers across the system have actually been looking ahead for some time, anticipating the expiration of the temporary income tax increase. My overall goal at this juncture is to get through the spring semester as

much as we can without drastic budget cuts that would disrupt university operations. I have asked our budget folks to look carefully at reserves and to conserve cash in large accounts wherever possible, rather than whipsawing the campuses by implementing unwise cuts that would be knee-jerk reactions ... that can sometimes be very hard to fix in the future ...

That gives us as normal a spring semester as we can make it (my hope ... not yet a promise) to closely monitor the ongoing discussions and political machinations in Springfield. My plan would then be to form teams or utilize existing groups (e.g., the Executive Planning and Budget Committee already in place at SIUC) involving constituency representatives to assist us in preparing campus budget recommendations for the SIU Board of Trustees.

I can tell you one thing for certain: We cannot achieve these levels of reduction through continued across-the-board cuts ... because that approach will weaken our entire operation. We may be forced to undertake a very close examination of our full range of programs and services — setting priorities and potentially making very difficult choices.

But it's still very early in a long process.

I realize I am painting a pretty dim — even scary — picture here. At the same time, rest assured that the SIU System is not going out of business ... our campuses will not wither and die. The fact of the matter is that many of us in Illinois higher education, and nationally, have been discussing the ever-approaching “new normal” since the Great Recession of 2008. I think we've known that the time would come when we would be forced to critically review — and maybe even change — our operational model. That day may have arrived for us in the Prairie State.

I encourage you to keep in mind that even though we have this directive from Springfield, which we will be fully responsive to, there will be many budget proposals floated before we get to July 1, 2015. We have many miles to go. And I know that despite the budget challenges we have faced in recent years, you are as dedicated to our students and our communities as ever, and I appreciate your ongoing commitment to all that is SIU.

Randy Dunn