



May 10, 2011

To: Faculty and Staff

From: President Bernie Machen

Re: 2011-12 Budget

As many of you know, the spring legislative session ended Saturday, with lawmakers passing a budget and a series of bills that will affect most of our valued faculty and staff members. We spent the past few days reviewing the documents. I am writing to share with you our conclusions.

The University of Florida's overall state appropriation is almost \$54 million less than it was last year. That figure includes a reduction in financial aid funding and the loss of federal stimulus money – most of which we used for one-time, non-recurring expenses, but some of which we will need to replace. With a planned tuition increase of 15 percent, we expect a total loss to UF's budget of about \$33 million. Over the next few weeks, we will review how we can achieve this savings. Our goal, as in previous years, is to keep to a minimum the impact on students and employees, while maintaining the high quality and integrity of the educational and research programs at the core of UF's mission.

Many state employees are concerned about the news that they will be required to contribute 3 percent of their salaries toward their retirement plans beginning July 1st. We share this concern, and to help ease the burden, we are investigating benefit changes that may allow us to restore all – or some – of this 3 percent reduction for UF employees. We will provide more information on this opportunity as it becomes available.

For this year, we have no plans to end programs or lay off employees. Instead, we will seek to reach our goals through a combination of strategic budget reductions and the use of non-recurring funds.

However, if state revenues do not rebound, additional steps may be necessary over the next few years. We are evaluating several options for further reducing our budget and generating new recurring funding. These include:

- Expanding and expediting our distance learning initiatives to generate new revenues
- Developing shared, university-wide service centers that pool human resources, finance, information technology and administrative functions for multiple units
- Increasing enrollment by out-of-state students, who pay more for tuition than Florida students
- Seeking additional revenues from university operations that are not state funded
- Soliciting recommendations from the RCM Budget Review Council, which is already in the process of reviewing our budget operations

Lawmakers did not raise health insurance rates for state employees this year. Moreover, we plan to begin evaluating the possibility of creating UF's own self-insurance health plan – which we believe could allow us to maintain or improve benefits while keeping costs down. In addition, Shands at UF received sovereign immunity, which will reduce our insurance costs. Lawmakers approved \$6 million for UF to complete the Research and Academic Center at Lake Nona near Orlando and \$400,000 for the university to continue restoring historic buildings in St. Augustine.

Perhaps most promising, legislators allocated \$10 million to the state's Institute for the Commercialization of Public Research, which we expect to be relocated from South Florida to the Florida Innovation Hub at UF. This decision represents a strong endorsement of UF's growing technology commercialization enterprise at the Innovation Hub and Innovation Square.

The latest round of cuts follows a hiatus last year and three years of reductions before that. UF faculty and staff members have shown a great deal of resilience and creativity in responding to these cuts, reducing costs while maintaining UF's excellence in teaching, research and university operations. With your dedication and resourcefulness, we feel confident we will continue that record this year, sustaining and advancing UF's well-deserved reputation as a top national research institution.