Office of the President
Shippensburg University
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Dear Ship Family:

On October 9, 2009, the 2009-10 Pennsylvania state budget was approved by the Legislature and signed by Governor Rendell. It was a document we were waiting for as we all worked together to continue to provide the academic programming and needed support services to our students.

At first glance, the budget looks good, but, as is often the case, the real story is in the details. Under this new budget, the Pennsylvania State System of Higher Education will receive an E&G appropriation of approximately $482.6 million. This is less than the System's request of $503.5 million, but higher than the 2008-09 appropriation of $477 million. THE CATCH? This year's appropriation includes about $38.2 million in one-time federal stimulus funds so the System's base appropriation is, in reality, more than $33 million less than the previous year at $444 million.

As you remember, early in 2009 the University had to cut its budget by about $1.4 million in response to the dramatic reduction in state revenues. Thanks to your help in using our funds wisely, we were able to end the 2008-09 fiscal year with approximately $898,000 of dedicated reserve for our ongoing projects. The reduction last year was just the latest cut in expenditures the University has made in recent years to balance our budget. For example, the University cut $2.4 million from the 2006-07 budget, $2 million from the 2007-08 budget, and $2.8 million from the 2009-10 budget.

All of these cuts were made in such a way that they created the least interference with the University's ability — or responsibility — to provide students with the education for which they came to Ship. That has been our goal and will remain our goal even as predictions for subsequent fiscal years forecast limited or even diminishing resources.

For this year, the use of the federal stimulus funds presents a unique scenario. Based on the approved budget, the University will have a $2.78 million shortfall. We expect to receive approximately $2.74 million in stimulus funds leaving us with a budget surplus of just less than $32,000. Our continued efforts at saving money will allow us to successfully cope with this more limited deficit. However, we cannot make recurring commitments based on nonrecurring funds and the stimulus (ARRA) funds are one-time funds.

On Tuesday, November 3, 2009, PASSHE's Board of Governors approved a 2010-11 E&G appropriation request of $462 million. According to information from the Chancellor's Office, the System hopes to receive $38.2 million additional federal stimulus funding in the 2010-11 budget that will, for now, partially offset a reduction in state funding in effect since the beginning of the 2008-09 fiscal year. These federal funds are one-time only and are not appropriate to spend on recurring expenses such as on-going programs, personnel and health-care costs, or similar expenditures.

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While we hope that the System, and ultimately Shippensburg University, will receive the requested amount in 2010-11, we will not know until the budget process is complete at the end of the fiscal year. As noted above, history shows that PASSHE's requested amount is usually not the amount we receive. This means we will need to continue to review our expenses for this year, next year and, even more importantly, in the 2011-12 academic year when no federal stimulus funds are expected. That budget year also includes dramatic increases in pension costs for the University as well as other increases such as utility costs, particularly electricity which will no longer have rate caps. **These costs could conceivably mean millions more in new costs without sufficient offsetting appropriations from the state. It will also depend on the Governor's Budget recommendations, the legislature's budget approval, and the recommendations of the Board of Governors for tuition and a budget. We need to begin serious discussions about our budget and will do so in the very near future.**

As before, I ask you again to offer your suggestions for ways to reduce our expenditures, increase our revenues, and minimize the impact this and future budgets will have on the University. Some previous suggestions have been successfully implemented so I hope you will be able to take a fresh look at where we are and find additional and novel ways to allow us to make the most effective use of our funds. Please e-mail me at SUPresident@ship.edu or wnruud@ship.edu.

One of the hallmarks of this great University has always been its ability to adapt to whatever challenges — and opportunities — that present themselves. I know that hallmark will continue. Thanks.

Bill