



Friday, May 3, 2002

## FY 2003 Budget Introduction

Presented at the BOT working session, May 1, 2002 By Oakland University President Gary D. Russi

- The process to develop and propose the FY 2003 budget has been well publicized, open and participatory. A strong effort was made to give everyone the opportunity to participate in the process.
- Managers were asked to work with their constituencies to develop, prioritize and communicate budget submissions.
- As the level of management increased, the budget priorities were refined and widely communicated.
- Once the Board has approved the FY 2003 budget, extensive campus communications will once again occur to share all budget decisions.

### Challenges

- The preparation of the FY 2003 budget proposal for Board consideration posed significant challenges.
- FIRST, because of a general economic slowdown, state revenue has fallen behind projections. Thus, the funding for higher education has been held at the same amount in FY 2003 as for FY 2002.
- We are pleased that the governor and legislators have agreed not to cut funding to higher education institutions, but instead to fund with a flat budget.
- However, please recall that part of the flat-funding legislation states that the total tuition and fee increase for FY 2003 should not exceed 8.5 percent or \$425, whichever is higher.
- For OU, the \$425 maximum equates to nearly 9.2 percent.
- We remain sensitive to holding the cost of education as low as possible while delivering the highest quality programs. Therefore, the budget we bring to the Board today has a tuition and fee increase proposal for the average residential undergraduate student at 8.47 percent.
- The SECOND challenge was that fixed costs – which include contractual compensation, operating costs, utilities, health care, insurance, debt service, etc. – continue to increase.
- Vice President Schaefer will provide more detail on these non-discretionary costs.
- We realize that any university must examine operational processes to ensure proper allocation of funds to vital educational activities. I will say more about cost containment in a moment.
- THIRD, the priority budget requests from all levels of the university far exceeded our ability to fund them.
- FINALLY, while enrollment growth can contribute to increased budget demands, in a time of flat state funding, enrollment growth provides the key source of funds to sustain essential operating elements and quality programming.
- Without the enrollment growth of the past several years, and as projected for Fall 2003, significant personnel and program cuts would be necessary.

### Cost Containment

- The administration has worked diligently to initiate cost-containment measures, and over time a reduction in fixed costs

has resulted.

- Like enrollment growth, the cost-containment measures have helped us to allocate funds to core areas of the university during a challenging budget year. Vice President Schaefer will describe many of the steps launched to date in her presentation.
- Furthermore, recognizing that we should continue our efforts to improve efficiencies, I am asking Vice President Schaefer to lead a broad-based process re-engineering task force to propose, initiate and document more measures to streamline OU's operations.

### **FY2003 Budget Priorities**

- I am pleased to report that despite the funding challenges facing us this year, we are presenting to the Board today a budget that will directly support our plans to create a visionary undergraduate experience – and directly benefit our students.
- We have accomplished this by working with the campus community and leadership to set sound, shared strategic priorities, which include . . .
- **QUALITY FACULTY & STAFF** – Provide compensation and benefits for faculty and staff.
- **QUALITY ACADEMIC PROGRAMS** – Provide funds to add faculty, to selectively hire staff, to expand programs, to support the library, to address academic program operating needs, to improve the teaching and learning environment and facilities, and to provide for technological upgrades.
- **QUALITY STUDENT SUPPORT SERVICES** – Provide funds to selectively expand staff in direct support of student activities, to expand student success support systems, and to strengthen budget-monitoring capabilities.
- **HEALTH AND SAFETY** – Provide funds to expand the number of police officers and to meet fire-safety code requirements.
- **CAPITAL CAMPAIGN** – Provide incremental funding for staff and operations as we build the necessary infrastructure to ensure a successful capital campaign.
- **CAMPUS FACILITY RENEWAL AND DEFERRED MAINTENANCE** – Allocate funds to improve campus teaching and learning facilities in the form of debt service, fixed operating costs and deferred maintenance.
- Last but not least, **STRATEGIC INITIATIVES** – Allocate funding to support projects to enrich the undergraduate experience consistent with vision 2010.

### **2010 Vision Process**

- In that regard, I am pleased to report that Provost Moudgil is working with the University Senate and the faculty to both refine our 2010 Profile and Vision Statement, and to ask for pre-proposals and proposals to fund initiatives that will create and define our undergraduate experience.

#### **SUMMARY**

OU President Gary D. Russi presented remarks on the proposed fiscal year 2003 budget and its preparation process at the Board of Trustees working session on May 1.

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