

FY 04 and MBT

*May 9, 2003*

Colleagues,

The university had an eventful week, and I thought it would be timely to update you on several important issues.

### **FY 2004 Budget**

Thank you all for your work over the last few weeks -- and months -- in developing the proposed Fiscal Year 2004 budget we presented to the Board of Trustees at the May 7 meeting. Balancing a \$13-million budget shortfall, while ensuring that we still provide high-quality services and instruction to our students, was no easy task.

It was, however, a challenge we tackled together. The budget Vice President for Finance and Administration Lynne Schaefer presented to the Board of Trustees was the result of collective thinking by faculty -- individually and through the University Senate -- staff, department chairs, deans and vice presidents.

It also represented an outstanding piece of work, and dedication, by Lynne and our Budget Office. Budget Director Tom Lemarbe and the rest of the staff in that department are to be commended for the long hours and creative thinking they contributed to get the job done.

Many -- if not all -- of the decisions were extremely difficult ones. In making those decisions, we worked to protect our core educational mission. We also focused diligently on keeping a proposed tuition increase at a reasonable level to help ensure college remains an affordable option for our students and their families.

### **Impact on Positions**

While budget cuts for Fiscal Year 2003 trimmed one-time funds, our cuts for Fiscal Year 2004 impacted our base funding, touching many areas of the university and its people. Each division, except Academic Affairs, reduced its base budget by 5% for Fiscal Year 2004. Academic Affairs reduced its budget by 4%, reflecting our desire to protect instructional and academic support programs as much as possible.

Despite our very best efforts, I am sorry to report we could not avoid affecting some positions. As a result of the proposed cuts, some 60 positions have been cut or reduced in hours, including 21 vacant full-time faculty positions. Our colleagues in the affected positions were informed of the impact prior to this week's Board meeting. As we lead up to the Board's approval of a final fiscal year 2004 budget, which typically happens at the June meeting, University Human Resources will work closely with those employees affected to help them determine their options and next steps.

Our hiring freeze, announced in March, will remain in place (though some critical vacancies may be filled on a case-by-case basis). In addition, we have frozen the salaries of executive officers and upper-level academic administrators.

### **Effect on Instruction**

Unfortunately, despite our best efforts to protect the academic core, the result of these cuts means the impact also will echo throughout our instructional and support areas. The proposed cuts will mean an increase in our student-to-faculty ratio, decreases in frequency of classes offered and in the variety of electives, larger class sizes and teaching loads, reduced student advising and tutorial services, a less-stable technology infrastructure, delayed equipment purchases and upgrades, and fewer resources to meet facility maintenance and repair needs.

### **Next Steps**

The Board this week asked us to come back to them in June with further budget cuts - to lower our proposed increase in tuition and to lessen the impact on our students. I ask all of you once again to look for ways to trim expenses, and to let your department head or Vice President Schaefer know what those might be. Discussions will begin immediately to examine ways to reduce expenses in the proposed FY 2004 budget.

Over the past several years we have saved nearly \$4 million through ongoing cost-containment measures - and those savings made a significant difference during this budget-planning process. Cost-saving measures implemented today will help with this budget, and will lessen the impact of future cuts.

Our state-funding situation continues to be unpredictable. Even as we presented the proposed budget to the Board, we did so without knowing exactly what our final cut for Fiscal Year 2004 would be. And, regardless of the actual reduction in state appropriation funding, the state's budget problems will continue. At this time, we think a mid-year cut in FY04 is quite possible.

Please take some time to learn more about the proposed budget by visiting the Budget Development website which you can find by clicking the Administration button from the OU website, then selecting Budget Development Process under the Finance and Administration heading. Human Resources has also posted a Q&A page on its website devoted to the budget-cutting process and position reductions. And, you can always check out the News @ OU page for further information and links.

### **Meadow Brook Theatre**

You are likely aware that Meadow Brook Theatre has been in financial difficulty for the past several years, amassing a budget deficit of some \$320,000 even after a \$1.2 million deficit was covered by other university funds in 1997.

The university administration has considered a number of proposals over the past two years in particular for putting the theatre on firm financial footing. Discussions have included various segments of the campus and surrounding community, including the theatre staff, arts patrons and our own College of Arts and Sciences leadership.

Our intent all along has been to keep Meadow Brook Theatre open and operating, for the benefit of the surrounding community and our students. The theatre staff has done a tremendous job in staging plays at their consistently high level of quality. But, we cannot let the deficit continue to grow, especially in these challenging budget times.

A few months ago, we were pleased to receive an offer from a private corporation, headed by Joe Nederlander, a nationally renowned theater owner and producer, to lease Meadow Brook to stage off-Broadway and other touring shows. We believe the Nederlander proposal makes good sense given our core educational mission and the current economic climate. We feel it will continue the tradition of professional theatre at Oakland University, while offering at least some significant learning opportunities to our students.

Since over the past week we have learned of the community's desire to quickly submit alternative proposals, I asked the Board to delay its decision on the theatre until the June 4 Board meeting, which they agreed to do.

### **Moving Ahead**

In closing, I encourage you to continue your dedicated work on behalf of Oakland University. Your work makes a difference to our students and their families every day. And, I urge you to take time to offer support to your colleagues in the positions that have been affected by our budget cuts. After watching how the Oakland team pulled together to face these recent budget challenges, I am more convinced than ever that together we will remain focused on our core mission of educating students, and on our strategies that will make Oakland University a university of distinction by 2010.

Gary