

Fiscal Year 04 Update

December 3, 2003

An e-mail from OU President Gary Russi to faculty and staff

I want to bring you up to date on the state budget situation and how it is affecting higher education and Oakland University.

In the news, you may have heard about Governor Granholm's plans to further cut Michigan's general fund (which includes higher education appropriations) to balance this year's state budget, which she is required to do by the state constitution. Current projections for the state revenue shortfall for Fiscal Year 2003-04 are \$920 million.

We expect the governor to announce her plans through an executive order later this month. Over the past several weeks, rumors have circulated that suggested her cut to appropriations for the 15 state universities - the fourth cut to higher education in the past 12 months - would be in the range of 3 to 10 percent, with 6 percent the number most often mentioned.

Based on our state appropriation of approximately \$50 million, a 6-percent cut would mean a \$3 million loss to OU. We would have to cut this \$3 million from our budget by June 30, 2004, our fiscal-year end, to offset the loss in state revenue. Unfortunately, the effect of this cut when we are halfway through our fiscal-year spending activity really means that a 6-percent cut would have the impact on our January-June activity of a 12-percent cut.

We anticipate balancing our budget for the remainder of this fiscal year primarily through one-time funding cuts, where possible.

Last week, I asked the vice presidents, in consultation with deans, chairs, department heads and directors, to develop ideas and strategies for permanently reducing base budgets for Fiscal Year 2005, anticipating an 8-percent reduction in state funding this year. Each vice president has been given targeted percentages for their areas, which they will share with leadership in their divisions. Suggestions are due back to the Budget Office by January 30.

While we are not yet certain about this month's executive order, the 8-percent target should prepare us for that cut and for the eventuality of another cut being added on this winter. The state budget reconciliation process is based upon revenue projections and, as we have seen painfully over the past year, these projections are often overestimated.

Provost Virinder Moudgil and I have already met with the Senate Budget Review and Planning committees and student government leaders to brief them on these budget challenges and to solicit feedback. I will keep all faculty, staff and students informed as

details unfold, including posting the latest information on this [budget development](#) Web page.

Once again, I am asking each one of you for fresh ideas, which you can submit to your supervisor or directly to me. You have handled previous cuts with creativity and flexibility, and I would ask that you approach this recent round with the same resolve. With that resolve, and your collective talents, we will once again emerge in a strong position to pursue our commitment to the quality of our educational experience and to our goals for distinction by 2010.