

Governor's Budget Recommendation

February 15, 2005

Dear Colleagues:

I want to give you a brief update on the recently announced state budget and what it means for Oakland University.

As you may know, State Budget Director Mary Lannoye presented Governor Granholm's FY 2006 Executive Budget recommendation and FY 2005 budget reductions to a joint session of the House and Senate Appropriation Committees on February 10.

Unfortunately, the budget she presented included additional cuts for higher education. The governor's budget calls for an immediate cut of 1.87 percent for the current fiscal year (roughly \$850,000 for OU), carried over as a base cut for our next fiscal year, which begins July 1.

Frankly, we were a bit surprised by this news. All preliminary indications pointed to a zero-increase/zero-cut scenario.

As it stands, the governor's FY 2005 Executive Order calls for a 1.87 percent across-the-board reduction in state appropriations for each of the 15 public universities in Michigan. To offset this reduction, the governor proposed \$83.6 million in one-time State Building Authority bonds for special maintenance projects.

However, this proposal must be approved by two-thirds of the Michigan Legislature, which might be difficult to achieve.

Moreover, her FY 2006 budget recommendation for higher education includes a tuition cap of 5 percent, or \$307, whichever is greater. The net effect of all this is that our budget has been cut three times. As a result, we must continue to look for ways to pare and contain costs, and to continue on a path of fiscal caution.

I will be communicating soon with cabinet, deans and department heads to discuss how best to incorporate these latest cuts into our operating budget. As always, we will remain committed to holding instruction and our students as harmless as possible in the process.

But, I should point out that we have cut nearly \$12 million from our budget over the past four years. Also, the university's current state appropriation per full-time student, based on 30 credits per year, is down to \$3,681, less than the \$3,840 we received 11 years ago in fiscal year 93-94.

While this is a statewide problem the average per student state appropriation has dropped from \$7,002 in 2000 to \$5,646 in 2004 we still have to work harder than most to maintain quality at \$3,681 per student. So, we have our work cut out for us.

It is our expectation that higher education will escape the budget knife in the years ahead, but of course there is no guarantee that this is so. The state of Michigan's economy will continue to dictate how the governor and legislature decide to fund higher education. In the meantime, we will continue to adjust our plans accordingly.

I want to thank you all for your continued flexibility, and for all your outstanding work in the face of continued budget cuts. Working together, we will persevere and continue on the road to making Oakland University a university of distinction for the benefit of our students, alumni and region.