

2003 Oakland University Update

September 18, 2003

Presented by Gary Russi, president, Oakland University, to OU faculty, staff and students at Meadow Brook Theatre

Good afternoon and welcome. I thought it would be important for us to gather today to share the great progress Oakland University has made in recent years in support of our mission, strategic plan and vision for 2010.

We continue to reach new heights in areas of instructional innovation, focused academic degree programs and offerings, research accomplishments – from both faculty and student researchers – and in campus life. If you judge our success by the achievements of our students and alumni, I think you will agree that our progress has been steady and in many cases remarkable.

More and more, we are becoming known as a university that truly prepares learners for the workplace and for fulfilling lives – a university that is on the move, responsive to the community we serve, and growing in stature in the region and beyond as an academic institution that is committed to quality and improvement every day and in every program.

We have much to be proud of, but also much to aspire to, and in the face of mounting fiscal challenges. Our university is healthy and vibrant, yet we must be vigilant as economic forces are poised to test our resolve once again.

As president, one of my roles is to secure the financial revenues necessary to take our great university to the next level by the year 2010, providing students with an ever-improving educational experience along the way. I would like to spend the next few minutes discussing our current financial situation, then move to the progress we are making to increase revenues, strengthen the curriculum and enhance student life.

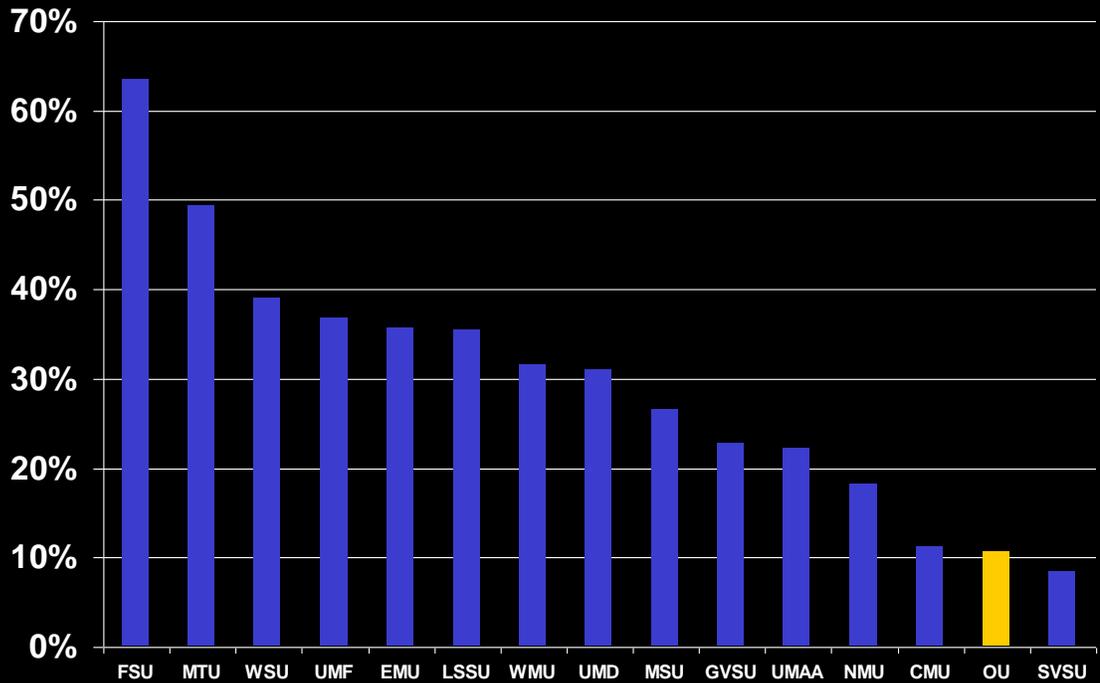
As employees, students and friends of Oakland are acutely aware, we and most other universities in this country have had to make painful cost-cutting decisions in recent years. As difficult as our particular situation has been, we could be far worse off. Institutions throughout the United States have been making drastic cuts for the past several years, up to and including cuts of 40 to 50 percent, huge tuition increases, consolidations and closings.

Key to Oakland's success in this budget environment will be our ability to secure outside resources to supplement our funding through grants and contracts, private philanthropy, enrollment growth and, even today, state appropriations. ([Michigan Universities Appropriations per FYES - FY 1993 to FY 2003 Growth](#))



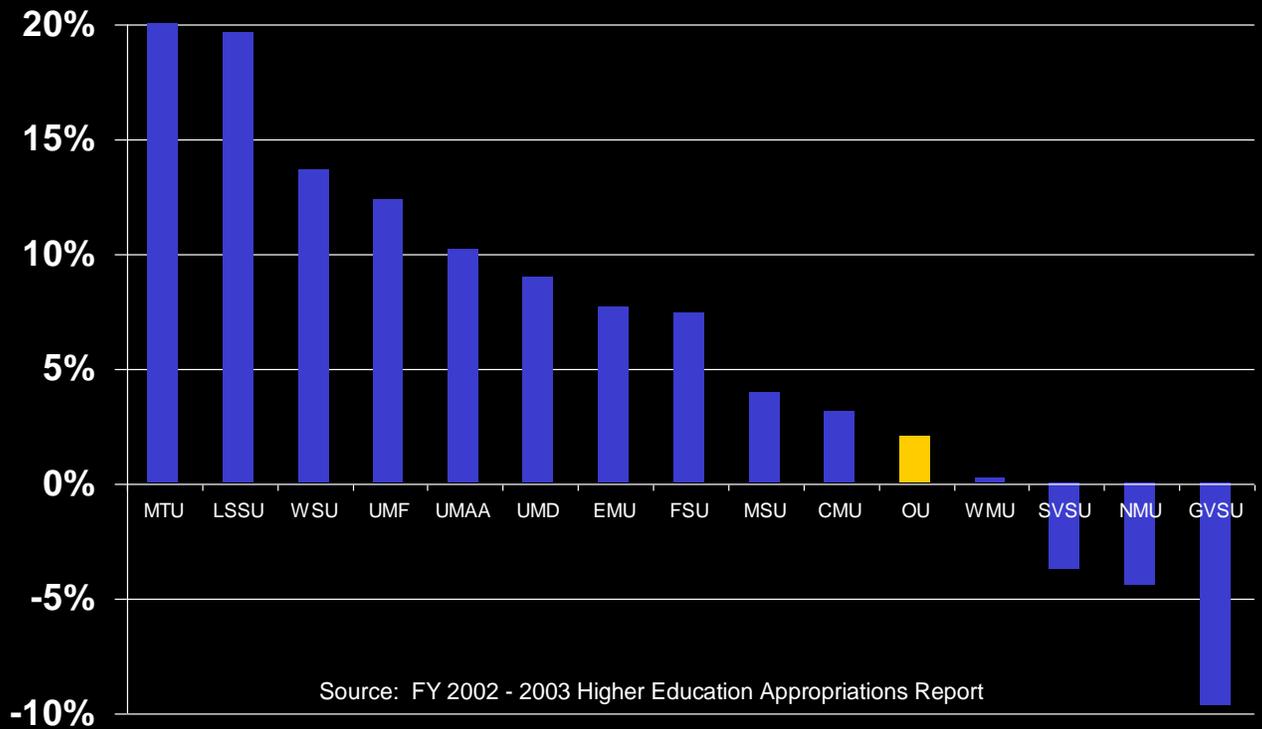
OU President Gary Russi

Michigan Universities Appropriations per FYES FY 1993 to FY 2003 Growth



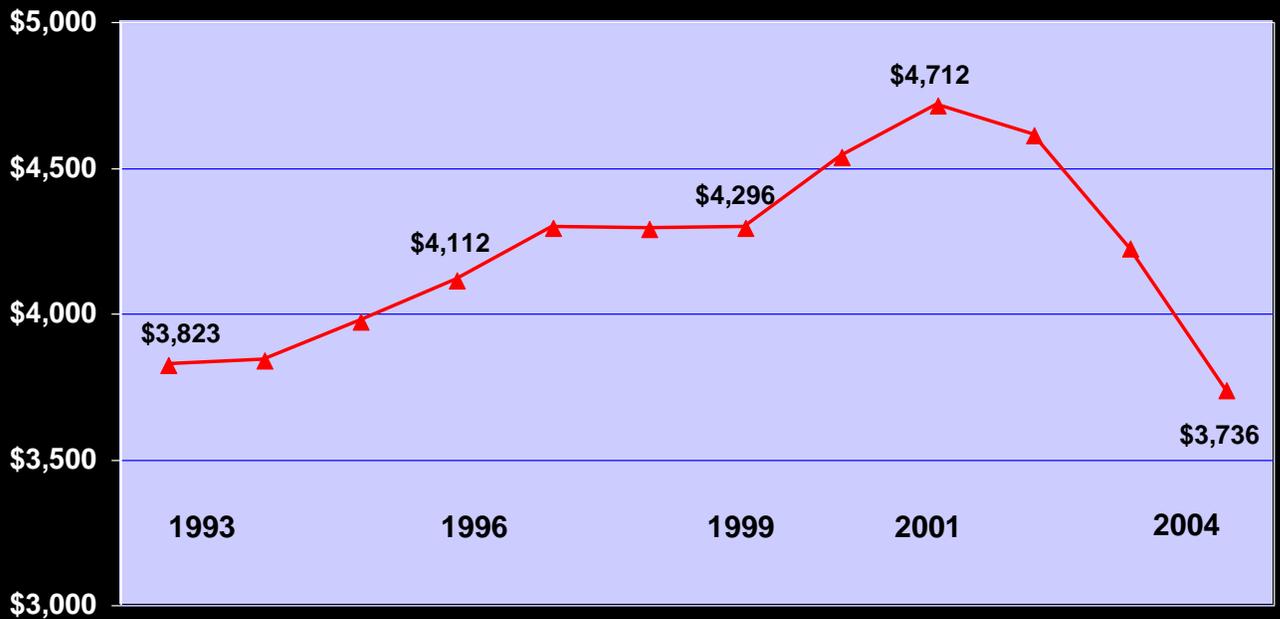
Over the past 10 years, Oakland's growth in state appropriations has lagged behind our sister institutions ([Michigan Universities Percentage Growth in Appropriations per FYES from FY 1998 to FY 2003](#)).

Michigan Universities Percentage Growth in Appropriations per FYES from FY 1998 to FY 2003



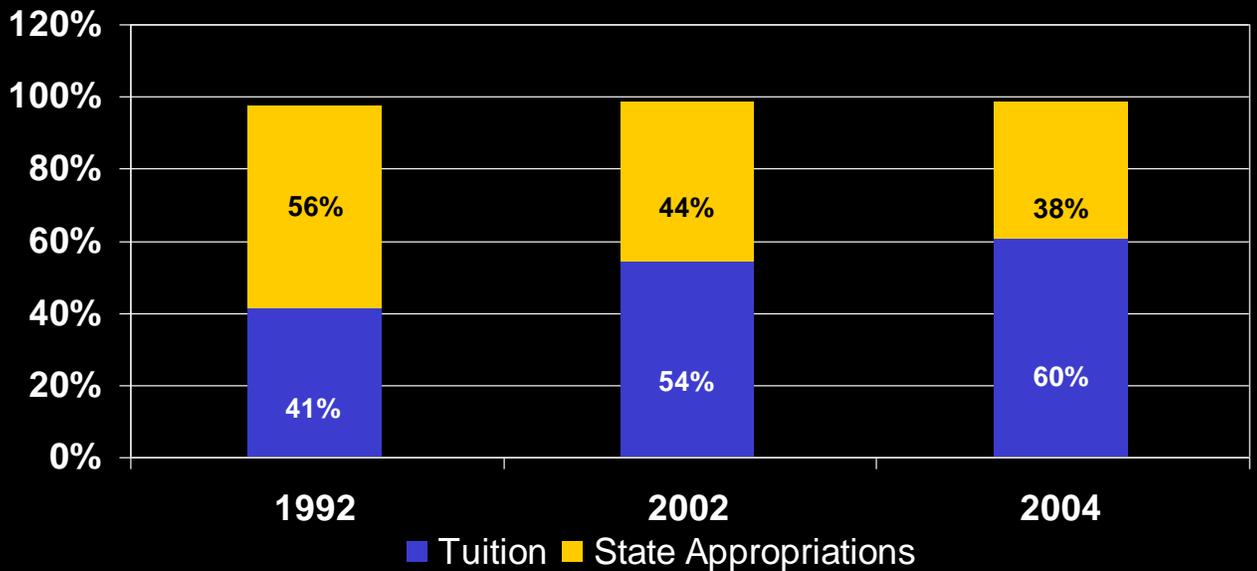
However, over the past 5 years, despite shrinking state resources, we have been making some progress, even as our enrollment has continued to grow. Our relative position had improved through fiscal year 2003, even after last year's 3.5 percent cut in state funding ([OU Appropriation per FYES](#)). Still, we were very concerned with the state's cut last year and the proposed 6.7 percent cut for the current fiscal year.

O.U. Appropriation per FYES



You can see in the chart how those cuts, coupled with our enrollment growth, would have dropped our per-FYES funding nearly \$1,000 in just three years ([Comparison of General Fund Revenue Sources FY 1992, FY 2002 and FY 2004 Budget](#)).

Comparison of General Fund Revenue Sources FY 1992, FY 2002 and FY 2004 Budget

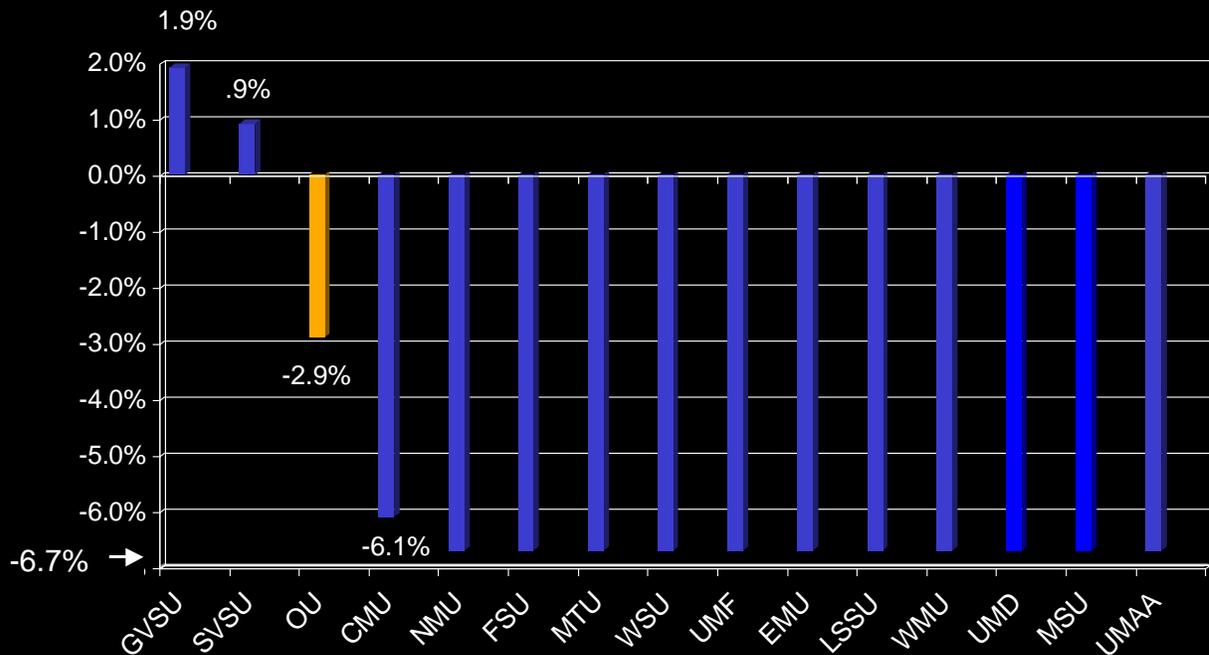


Since 1992, Oakland University's relative reliance on tuition and fees in the General Fund has grown from 41% to a projected 60% in 2004.

Source: OU Financial Statements

These cuts also negatively affect our appropriations-versus-tuition revenue ratios, creating stress on our operating budget, on our students and their families, and on our faculty and staff as we work to keep our quality high ([Fiscal 2004 State Appropriations Adjustments](#)).

Fiscal 2004 State Appropriations Adjustments



There has been some better news of late, however. After weeks of discussions by legislators and hard work by our lobbying team in Lansing, led by Rochelle Black, our director of government relations, our appropriations cut was reduced from 6.7 to 2.9 percent. We were one of only four universities in the state to receive extra consideration.

Rochelle, if you are here today, could you stand and be recognized for your excellent work telling the university's story in Lansing.

The Legislature, with this year's budget, is clearly recognizing the value of a floor-funding model – that is, a minimum appropriation per full-time equated student. Our per FYES funding has been set at \$3,890 for this year, or \$154 more than initially proposed, and definitely moving in the right direction. So, the floor-funding concept is critical to us, and we are very appreciative that our legislators are recognizing this.

Despite all this budgetary pressure, I think our financial house is quite strong as we move into the 2003-2004 academic year, which gives us the capability of moving ahead toward our goals.

We successfully made up a budgeting shortfall of some \$10 million to enter this year balanced ([Fiscal 2004 Budget Balancing](#)).

Fiscal 2004 Budget Balancing

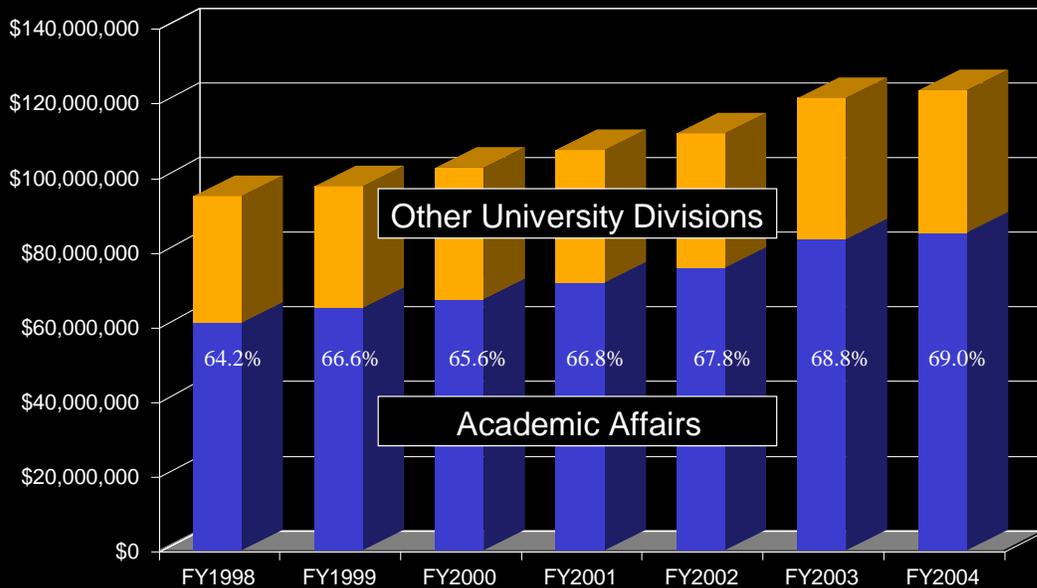
Cuts by Division

• Academic Affairs	3.4%	\$2.9M
• Finance & Admin.	5.5%	.9M
• Student Affairs	5.5%	.3M
• University Relations	5.5%	.1M
• Office of the President	5.5%	.3M
Total Budget Reductions		\$4.5M
Tuition & Fees Increase (8.5%)		\$5.7M
Total Shortfall Met		\$10.2M

Cuts reflect a reduction of 44 FTE positions.

We did this through a combination of personnel and program cuts and tuition and fees increases – increases that were in the end the fifth lowest in the state. Thanks to all of you – our deans, our chairs, our faculty, our administrators and our staff – who have made the tough decisions on behalf of our students and our mission ([Fiscal 2004 General Fund Budget](#)).

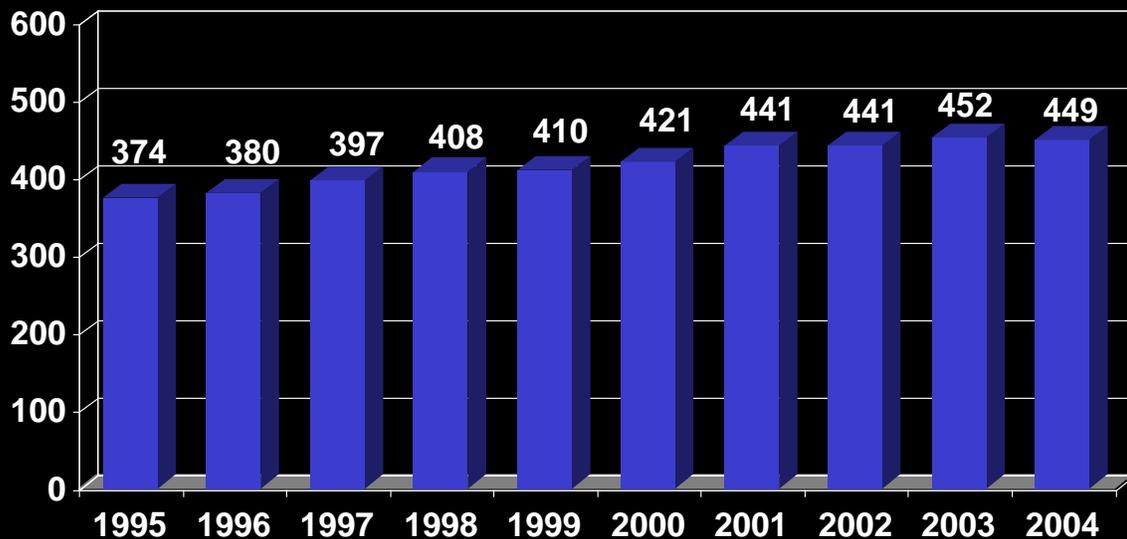
Fiscal 2004 General Fund Budget



In the end, a budgetary approach that is both creative yet disciplined will put Oakland in a strong and healthy position as we work through these tough times.

Our management team – deans and vice presidents – kept funding priorities focused on our core business – instruction, research and academic support. And, despite our appropriations cuts of the past two years, we have managed to keep our faculty numbers strong, reallocating nearly \$3 million for new and replacement faculty positions in this year’s budget. ([Oakland University Full-Time Faculty Head Count](#)).

Oakland University Full-Time Faculty Headcount



To underscore that point, when the state dropped our appropriations cut to 2.9 percent, we were able to add back \$1.9 million to our base budget ([\\$1.9M Allocations](#)). We made a commitment to give back 100 percent to students – first by rolling back our tuition increase to save students nearly \$1 million a year and second by returning \$850,000 to faculty lines.

\$1.9M Allocations

The approved initiative includes:

- A tuition rollback of 1.4 percent for
Winter 2004 \$969,280
- Funding to restore faculty positions \$852,305
- Additional money for Distinctive
Undergraduate Experience Fund \$50,000
- Additional graduate student support \$100,000

With this boost, we have been able to give a growing student body the class sections they need this fall by adding primarily part-time faculty. And, with that \$850,000 restored to base, we will move to fill those positions in fiscal year 2005 with full-time faculty.

As part of the restored \$1.9 million, we also added \$50,000 to fund new research and instructional initiatives that will enhance the distinctiveness of our educational experience and another \$100,000 to support graduate assistants. I think these actions show that even in the face of difficult financial challenges, Oakland continues to focus its efforts to offer a unique and distinctive undergraduate education, one that is complemented by the strength of our graduate programs and research accomplishments.

But, we must recognize that our difficult budget days are not over. Governor Granholm has already stated that further cuts might be necessary in the 2003-04 state budget, and we have to be prepared for the possibility that our 15 state universities will be affected in this current year and next.

History of Cost Containment Efforts

	Estimated Annual Savings
• <u>Outsourcing/Partnerships (\$1,301,000)</u>	
– Bookstore	\$ 200,000
– Central Stores	164,000
– Food Service	250,000
– Meadow Brook Music Festival	250,000
– Concours D'Elegance	150,000
– Custodial Services	200,000
– Nursing Hospital Partnerships	87,000
• <u>Utilities (\$950,000)</u>	
– Energy Conservation Measures	\$ 650,000
– Electric Choice - Deregulation	300,000
• <u>Going Paperless (\$170,000)</u>	
– Electronic Distribution of Reports	\$ 50,000
– Fall 2003 Student E-Mail Communication	120,000

Campus leadership, including our Board of Trustees, has been preparing for the next round of cuts ([History of Cost Containment Efforts](#)). As part of this effort, I am asking all employees to carefully watch expenditures and to continue to come up with creative ways to save. Vice President Schaefer will be announcing a new employee suggestion program soon.

We have been containing costs aggressively for the past several years, saving some \$3.6 million by a variety of measures. I think it is worth taking a moment to get the full effect of these savings, on which many of you have worked extremely hard ([History of Cost Containment Efforts](#)). And, it is important to note that you are not just working hard, but working smarter as well – continually looking for ways to eliminate waste and improve processes.

Our reorganized training staff in University Human Resources is playing a key support role in this activity by creating a new and exciting series of training and professional development tools, which you will soon hear more about.

Additional Cost Containment Efforts

- No Salary Increases for President, Provost, Vice Presidents, Deans and other selected senior administrators
- Accelerated Program Review
- Employee Suggestion Program
- Hiring Freeze
- Energy Conservation
- Re-Bid Contracts
- Health Care Initiatives
- Pawley Institute Lean Management Training

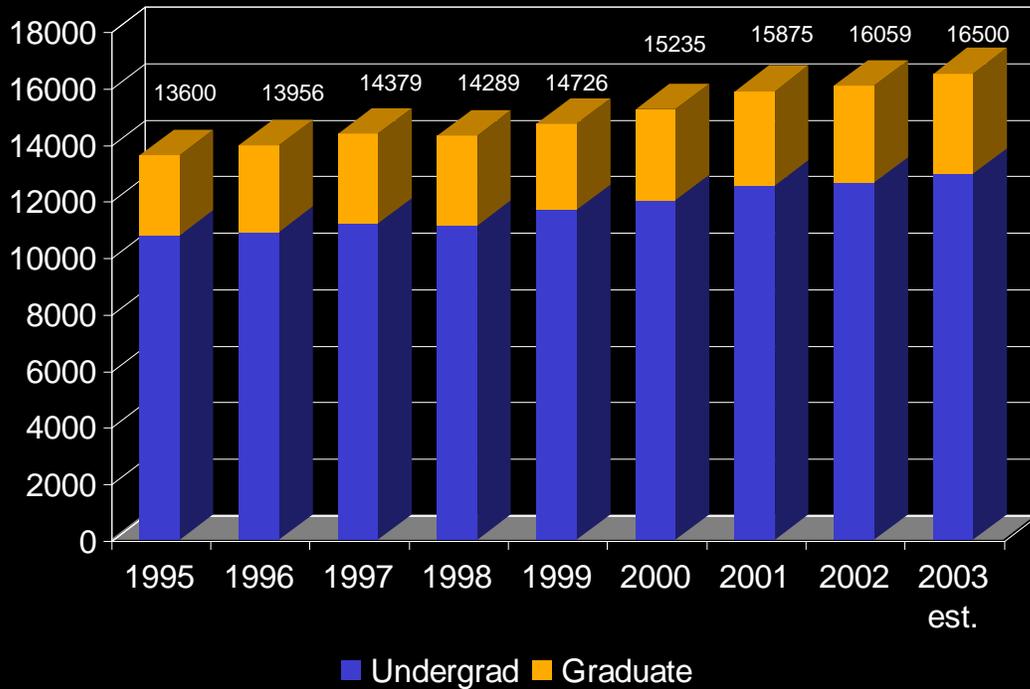
[\(Additional Cost Containment Efforts\)](#). We have taken additional cost-containment steps this year, including aggressive energy conservation, carefully managing skyrocketing health care benefit costs, rebidding contracts, and maintaining our hiring freeze. And, finally, we have built up our rainy day fund to \$1.5 million as a hedge against emergencies.

We have been helped significantly by an increase in our enrollment. Without steadily increasing numbers of students, our operational cuts would have been far deeper – likely threatening our ability to keep the quality of our educational programming consistently high.

Still, despite all our best efforts, should the state cut our appropriations again, we will have to take another hard look at our operational costs and operating efficiencies, particularly in core activity areas. To that end, Provost Moudgil will soon be expanding initiatives in the academic community addressing program review. In the meantime, we will continue to work hard on the revenue side.

Our recruiting efforts are key. We need to remember that all of us – from administrators to faculty to police officers – are vital opinion leaders. So, it is important that we all wear our black-and-gold hats in the community and with family and friends. We can all make a difference.

Fall Enrollment Growth

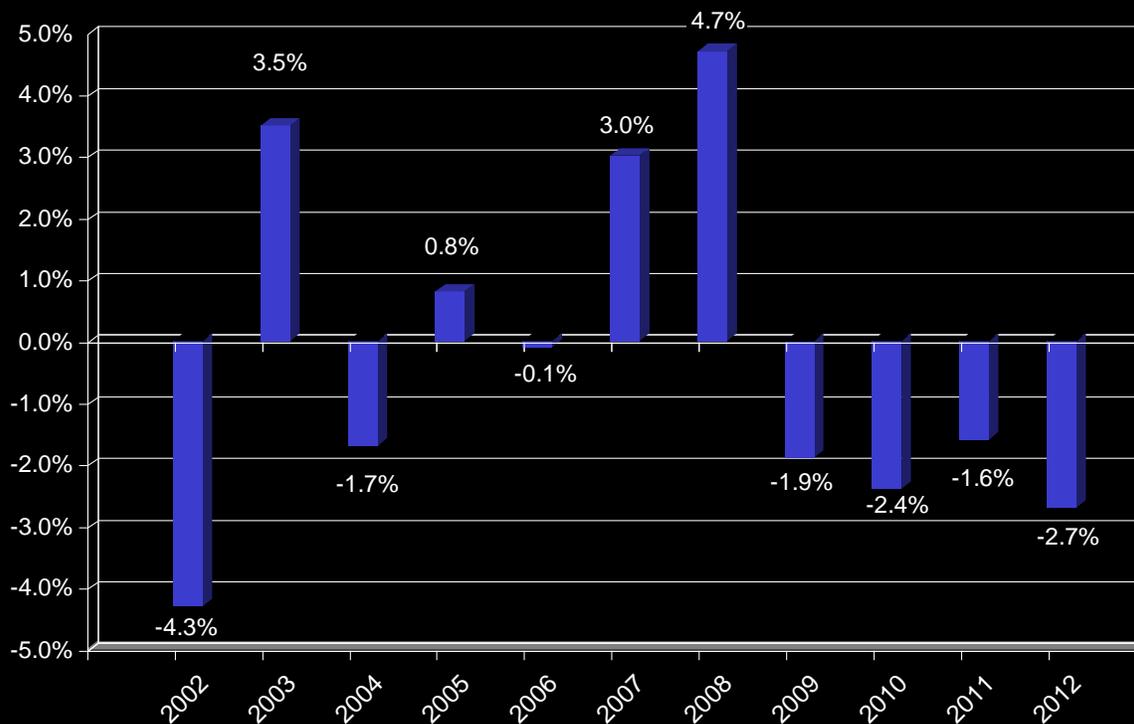


[\(Fall Enrollment Growth\)](#). I'd like to take a moment while we are on the topic of recruiting to thank Vice Provost for Enrollment Management Robert Johnson and his very capable admissions team for the job they did in bringing to campus this fall's freshmen class. And, to Dawn Aubrey and the staff of New Student Programs for getting these new students off to a good start.

While final numbers are not in, it looks like the number of first-year students increased by more than 12 percent over last fall. And, graduate enrollment is up by at least 4 percent. Our enrollment overall will likely increase more than 3 percent, passing the 16,500 student mark.

Please join me in a round of applause for all those involved in recruiting – both undergraduate and graduate.

NCES Projected Change in Michigan High School Graduates 2002 - 2012



([NCES Projected Change in Michigan High School Graduates 2002-2012](#)). For the future, a note of caution. We are keeping a close watch on demographic data that shows high school graduation rates in the state, primary feeder counties and so forth. We are facing immediate challenges in the next two recruiting years and then a multi-year downturn in the number of high school graduates beginning in 2009.

As a university, we need to approach this challenge in two primary ways: being assertive in recruiting to increase market share and by focusing on retention initiatives. You will be hearing more about this in the coming weeks and months.

State appropriations and enrollment growth, of course, are not our only revenue sources. Key to our success in sustaining our progress toward our 2010 objectives will be our ability to increase gift income and grant funding.

As you may know, Oakland University is in the silent phase of a comprehensive capital campaign. Our Internal Campaign Committee, comprised of division vice presidents, the provost and deans, has been meeting on a monthly basis to help direct and set priorities for the campaign ahead.

Ultimately, through the campaign, we will be realizing monies to support scholarships, faculty endowments, curricular enhancements and endowments to support student and faculty research.

Campaign Dollars to Units

• College of Arts and Sciences	\$3,830,224
• School of Business Administration	\$2,979,507
• School of Education and Human Services	\$288,311
• School of Engineering and Computer Science	\$504,198
• School of Health Sciences	\$30,775
• School of Nursing	\$1,209,352
• Academic Affairs – other	\$2,957,468
• Athletics	\$210,533
• Student Affairs	\$48,247
• Office of the President	\$113,377
• Auxiliaries	\$961,888
• Other	\$1,597,321
Total	\$14,731,201

([Campaign Dollars to units](#)). Since it is a silent phase, some of you may be surprised to learn that we have already raised more than \$15 million since July 2002. Major gifts during that period include:

- A bequest from alumnus Barry Klein who contributed \$2 million to fund the Barry M. Klein Endowed Chair in Culture and Globalization in the Department of Sociology and Anthropology and the Barry M. Klein Endowed Scholarship benefiting Honors College students.
- A \$1 million gift from alumnus and trustee Dennis Pawley to establish the interdisciplinary Pawley Institute, which will provide education, research and outreach to students, faculty, staff and the community in the lean approach to all areas of the workplace.

Visionary gifts such as these are critical and impact our ability to provide an education that is meaningful and prepares our students for success in work and life.

It is important to realize that we are all ambassadors and fund-raisers for OU. What we're doing and saying about the institution will help make us successful.

Alumni want to give back to honor faculty who have touched their lives or because of memorable student life experiences.

We as employees can give back as well through the All-University Fund Drive, which will kick off this November. Last year, employees generously gave more than \$167,000 to advance Oakland. This was a 39-percent increase over the previous year – a great accomplishment.

While gifts numbered in the hundreds, I will mention two to illustrate the breadth of your support:

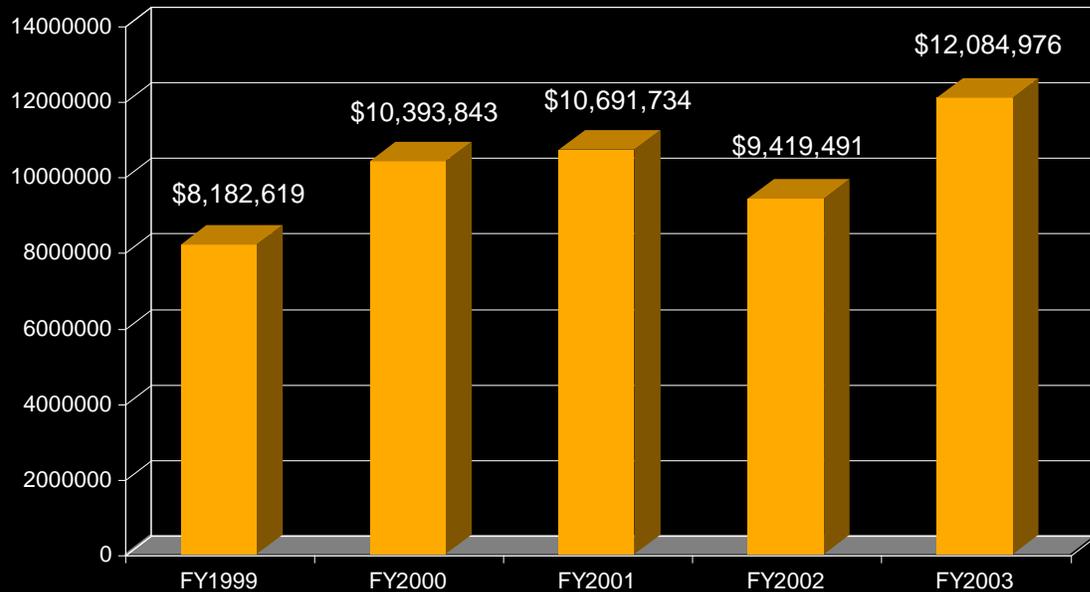
- Dean Mary Otto established a planned gift through her estate plan to fund both student scholarships and faculty research in the School of Education and Human Services.
- Mel and Jenny Gilroy, both alums of the university, gave back by supporting projects that mean a lot to them, including athletics, the Women of OU Critical Difference Scholarship, the English Department and the Woodcock Legacy. They also supported the College of Arts and Sciences Distinguished Programs Fund.

Dean Otto, Jenny and Mel, would you please stand if you are here and be recognized.

This year's fund drive offers a great opportunity to support a program, scholarship or initiative that you feel strongly about or want to impact. And, once again this year, I will match gifts up to \$5,000 with 50 cents on the dollar.

In the area of major research grants, we have had some tremendous successes over the past year. Oakland received a record \$12 million in grants and funding for research efforts across multiple disciplines in the 2002-03 academic year ([Office of Research Administration](#)).

Grants, Contracts and Sponsored Research



While faculty across the university have contributed to our expanding research activity over the years, a few recent grants stand out, among them:

- Biological sciences and chemistry received an impressive \$2 million grant from the National Institutes of Health for their work to detect the presence of hazardous agents.
- Oakland's Eye Research Institute received a \$1 million, five-year award for a Vision Research Infrastructure Development Grant from the National Eye Institute.
- The newly established Fastening and Joining Research Institute in the School of Engineering and Computer Science, funded through \$3.8 million in grants from the federal government and support from DaimlerChrysler, is the only known facility of its kind in the world.

We anticipate even more grant and research activity in the future through the leadership of Provost Moudgil as he continues to encourage faculty in their drive to discover and interpret life's mysteries.

In addition to enrollment growth, fund raising and grants, and contract activity, ongoing partnerships with business, government, health care and educational organizations in the region and worldwide are helping our programs grow and increasing our profile among important constituencies.

Our partnership with Lansing-based Cooley Law School allows first- and second-year law students who live in the metro Detroit area to take classes through the convenience of OU's location. The visibility this partnership offers is a positive boost to our overall image.

Through innovative work with the Michigan Economic Development Corporation; the communities of Rochester Hills, Troy and Southfield; Oakland County; Automation Alley; and Lawrence Tech, Oakland is actively promoting the attraction and development of high-technology industries through a new SmartZone. Watch for significant university research and business development projects to surface through this endeavor.

That, I hope, gives you a good picture of our growing resource structure, which allows us to aggressively pursue our mission. Growth offers opportunities – opportunities for academic program enhancement, expansion of student services, new and advanced academic research and support facilities, and corporate and community outreach. I'd like to take the next few minutes to share progress on those fronts.

As many of you are aware, we have been working to strengthen our general education program as recommended by the North Central Association of Colleges and Schools. Last spring, the University Senate approved a new framework for general education at OU. This framework is central to our vision for 2010 of preparing students for success in work and life. The gen ed task force will be submitting a program plan for a renewed general education to the Senate this semester.

There has been an incredible amount of time, careful thought and assessment put into revamping and improving general education. My thanks to all who have been involved with this important work, which has advanced under the skilled leadership of Vice Provost for Undergraduate Education Susan Awbrey. The NCA will be returning for a focus visit on general education and assessment in the winter of 2005.

The work that the faculty has done to renew Oakland's general education program should once again put OU in the forefront of universities with sound and forward-looking curricula.

Our students are definitely benefiting from the strength of our existing curriculum and recent additions to it. And, others are taking notice. The Princeton Review recently named OU one of the best colleges in the Midwest. And, Oakland University's Beaumont Graduate Program of Nurse Anesthesia has been recognized and ranked as sixth in the United States in the 2004 edition of U.S. News and World Report's "America's Best Graduate Schools."

Several new degree programs have recently come on-line in response to market demand. Our thanks go out to the faculty and staff who worked so diligently to make this happen.

New programs this fall include a Master of Arts degree in liberal studies, offered through the College of Arts and Sciences, making OU one of only five Michigan universities to offer its students such a program.

The School of Nursing has launched two new master's degree programs: a Master of Science in adult/gerontological nurse practitioner and a Master of Science in nursing education.

And, finally, a new Bachelor of Arts degree in studio art builds on the strengths of OU's Department of Art and Art History and the university's longstanding commitment to the creative arts.

We continue to provide outstanding academic and real-world learning opportunities for students, as evidenced by recent noteworthy accomplishments:

- Through the University Student Research Scholar program, 35 students received \$1,000 to \$1,500 each to pursue their research projects.
- Undergraduate researchers from Oakland University shared their scholarship with other students and faculty at the 11th annual Meeting of Minds symposium.
- In athletics, The Golden Grizzlies Excellence in Academics honor is given based on a term grade point average of 3.0 or higher with a minimum of 12 semester credit hours. Since its inception two years ago, an average of 152 student-athletes have been recognized with this honor each semester, more than half our student athlete population.

As our mission, strategic plan and 2010 guiding principles strongly indicate, the educational experience we provide emphasizes student development outside the classroom and lab. We continue to make progress in improving our support facilities and services to our increasingly diverse student body.

To help students succeed academically and socially during their first year of college, Oakland University offers Freshman Outlook and Parent Outlook – free programs that deliver weekly tips, advice and resource links via e-mail.

After nine years of existence, Oakland University's Trustees Academic Success Scholarship program continues to be one of the most successful recruitment and student retention programs in the country. The program is designed to create an ethnically and culturally diverse group of high-achieving students and leaders, and is Oakland's marquee retention initiative.

At the end of the 2002-03 academic year, 30 OUTAS scholarship recipients graduated, bringing the total number of graduates to 102 since 1994. It is expected that an additional 22 students will

graduate after the winter semester 2004. And, the GPAs of these students, all of whom are actively involved on campus, are well above the general student population.

The Honors College Residential Program, under the leadership of Professor of English Jude Nixon, is just one of four new living and learning communities in the residence halls. Residence life has also added a wellness hall, community service hall and international hall.

To increase awareness of the numerous opportunities Oakland University offers its students and faculty to study and teach abroad, the university has created the International Education Office. Directed by Associate Professor of Rhetoric Margaret Pigott, the office serves as a one-stop international education center for students and promotes international faculty teaching opportunities and exchanges.

OU's long-established consortium of study-abroad programs in Italy, Mexico, New Zealand, Austria, England and Ireland was recently enhanced by a scholar exchange agreement with the Foreign Affairs College in Beijing, China.

And, back on campus, minority student enrollment this fall for new freshmen increased by 5 percent over last year.

The King Chavez Parks College Day program provided one-day and summer residential programs to more than 1,300 students from middle and high schools in Detroit, Oak Park, Southfield and Pontiac. Eighteen percent of the students who participated in the summer residential program enrolled at OU this fall.

To aid success and retention in our general student population, a new mid-term evaluation policy will go into effect for all 100- and 200-level courses this year. Faculty members will use Banner to inform students who are not performing satisfactorily by the mid-point of each semester. Faculty and Academic Skills Center advisers will then follow-up with students who are having difficulty in their classes.

Our Com 101 FTIAC orientation course and Connections class have reached a record enrollment of more than 600 first-year students. These courses are designed to assist students in their transition and adjustment to college coursework, schedules and expectations.

Additionally, we are in the planning stage of creating a first-year advising center for students that will bring many of our services together in a comprehensive way. The Center for Student Activities will launch the first, yearlong Student Leadership Institute to provide 12 sophomores and junior students with applied experiences in conjunction with their academic majors. And, adding bricks and mortar improvement to our student life area, tomorrow we will officially dedicate the new 30,000-square-foot expansion to the Oakland Center.

Our primary community outreach initiatives – the Meadow Brooks – received much attention this past year as budget concerns were addressed.

The Board of Trustees approved a proposal submitted by the Committee to Save Meadow Brook Theatre to operate the theatre through an independent 501c3 corporation. OU general fund support of Meadow Brook Theatre, resulting in hundreds of thousands of dollars of deficit over the past few years, has ceased. And, the agreement with the new “Theatre Ensemble” includes lease payments to the university for the space we are in today and various support facilities, including equipment.

The new company hopes to more actively involve OU students and faculty from the Music, Theatre and Dance Department in theatre operations. I encourage all of you to support the new group’s efforts to continue the longstanding tradition of this major and important regional theatre. Your support will not only benefit our community but our students and faculty.

Regrettably, the university was forced to close the Meadow Brook Health Enhancement Institute after 20-plus years of promoting healthy lifestyles to the OU and surrounding communities. The health institute was one of the first programs to combine health analysis with lifestyle behaviors. When others began to follow suit, increasing competition negatively impacted the institute’s business, creating a significant operating deficit.

I would like to publicly recognize the pioneering work of former OU professor of Health Sciences Fred Stransky, longtime director of the institute. Fred retired last year, but his work will literally live on through many of us in this room.

Later this month, we will be taking a look at the operation of Meadow Brook Hall, searching for the right combination of operational services and historic preservation that will keep that operation viable for many years to come. The Hall, of course, was here well before the beginning of the university.

And, in a few weeks, we will revisit our history as graduates from the charter class of 1963 will come back for a weekend reunion Oct. 3 - 5 on Oakland’s campus.

Few faculty members have witnessed as much of OU’s development, or have devoted as much of themselves to the institution, as charter faculty member Paul Tombouljian. This past April, in recognition of his many contributions to the university, OU elevated Paul to the status of Distinguished Professor of Chemistry. I would like to ask Paul to stand and be recognized for his years of devoted service to our students.

It is also my distinct honor to introduce this year’s Teaching and Research Excellence Award winners. Please stand as I call your name and remain standing until all have been introduced.

Teaching Excellence Award

Mary T. Stein, associate professor of teacher development and educational studies, School of Education and Human Services.

Research Excellence Award

Robert N. K. Loh, professor of engineering, School of Engineering and Computer Science.

New Investigator Award

John V. Seeley, assistant professor of chemistry, College of Arts and Sciences.

Excellence in Teaching Award

Phyllis Wolfe White, special lecturer of music, theatre and dance, College of Arts and Sciences.

Let's give them a well-deserved round of applause.

It is now my distinct pleasure to introduce to the Oakland community the newest member of our academic leadership team, School of Nursing Dean Linda Thompson.

Dean Thompson brings a wealth of professional, academic and administrative experience to OU, most recently exhibited at the University of Maryland in Baltimore.

Linda, would you please stand.

Finally, I would like to publicly thank and recognize the leadership and integrity that Provost Virinder Moudgil brings to Academic Affairs and to the university as a whole.

Unfortunately, Virinder could not be with us today. He left early this morning for Rochester, Minnesota, to attend the funeral of the wife of his close friend and longtime faculty mentor. His deep respect for his mentor overcame his strong desire to sit with his faculty and staff colleagues today as we discuss the state of the university that means so much to him. He asked that I share with you his support and best wishes for the new academic year.

As we leave today to enjoy conversation and refreshment outside the theatre, I would like you to reflect on a few key points:

- We are sound financially, but watchful for further cuts from the state.
- We are working hard to ensure both quality and efficiency in all that we do for our students, for our disciplines and for the world around us.
- We have an accomplished, eager student body that needs our help to navigate the waters of the classroom, labs, stages, playing fields and, ultimately, their communities and places of work.
- Fortunately, we have extremely dedicated faculty, staff and administrators, committed to moving Oakland toward further distinction in undergraduate and graduate education by 2010, just six short years away.
- And, we all need to think of ourselves as recruiters and fund-raisers to advance the university to the best it can be.

Thank you all for coming today. Please enjoy the refreshments outside in the hallway. And good luck for the rest of the school year as we all work together to take the university to a new level. Thank you.