

June Budget Update

June 12, 2003

Colleagues:

As a result of last week's Board of Trustees meeting, we now have more certainty about our budget and thus our tactical operations for FY04.

We have been successful in operating our institution conservatively, and we have accomplished this with resources lower than most, if not all, of our sister and peer institutions. Over the past several years alone, we have saved more than \$3.6 million in annual costs through cost-containment measures. As an administration, as faculty and as staff, we should be extremely proud of this record.

For both the 03 and 04 cuts in appropriations from the state, we began planning months ago, and asked all areas of the university to generate suggestions and ideas. As a community, we did our best to protect our core academic mission through guiding values approved by the University Senate.

May Budget Proposal

At the May Board meeting, we proposed to balance the budget through cost-containment measures, personnel and operating cost reductions, and a tuition-and-fee increase. We made great efforts:

- * to protect our core academic mission on behalf of current and future students,
- * to keep a tuition increase at a reasonable level so the pain of balancing the budget is not borne solely by our students and their families,
- * and to keep our tuition-and-fee rate strategically at or below the median level for Michigan state universities.

Last month, the Board reviewed the proposed budget and requested that we examine ways to cut more from expenses to reduce the proposed FY04 tuition-and-fee increase below 12 percent.

Further Cuts Requested

I asked the vice presidents to develop ideas for further cuts, based on the following criteria from the Board:

- * Cut more to reduce the tuition increase and lessen the financial impact on our students;
- * Ask the college and schools to make proactive and strategic decisions that would bring about positive institutional change even while making cuts;
- * Include program review as a discipline for cost cutting;

- * Protect - and where possible enhance - academic instruction, program and service quality in the process.

I also asked the vice presidents to keep in mind two other factors:

- * The need to protect our ability to respond to additional anticipated FY04 cuts from the state, possibly with a mid-year tuition increase.
- * And, the need to retain funds to deal with emergencies.

Final Budget Approved

In the budget presented on June 4, which the Board approved, we detailed further cuts in expenses that reduced the tuition-and-fee increase for the 03-04 academic year to 9.9 percent.

Here are our revised plans:

- * We cut some \$5.5 million in expenses from our budgets, including 4.5 percent from Academic Affairs and 5.5 percent from all other university divisions;
- * We have cut or reduced in hours some 60 positions, including 21 full-time faculty positions. This represents the equivalent of 44 full-time positions across the university;
- * Remaining employees in many areas will have to take on additional workloads;
- * Our hiring freeze, announced in March, remains in place;
- * Executive and upper-level academic administrators' salaries have been frozen;
- * Two academic programs have been eliminated - one in nursing and one in health sciences;
- * Operating budgets have been cut;
- * Cost-containment measures continue to be implemented;
- * Program review will be accelerated;
- * Incentive programs will be restructured;
- * We will reduce workers' and unemployment compensation costs.

Impact of Budget Cuts

The budget adjustment impact is significant. Following are examples of operational cuts that, over the long term, will directly affect the quality of our educational delivery, and will take a considerable amount of time from which to recover:

- * An increase in the student-to-faculty ratio;
- * Decreases in the frequency of classes offered and in the variety of electives;
- * Increases in class sizes, teaching loads and reliance on part-time faculty;
- * Less ability to maintain and grow our research capability;
- * Reduced student advising and tutorial services;
- * Reduced marketing and recruiting reach;
- * A less-stable technology infrastructure;
- * And, fewer resources to meet facility maintenance and repair needs.

In addition to the program and personnel cuts already announced, all divisions have been asked to cut an additional one-half percent from their budgets between now and June 2004. Your vice presidents, deans and department heads will be talking with you about ideas for these further cuts, which are necessary to balance the budget approved by the Board last week. You can find detail about our FY04 budget - including cuts in each unit - on the Budget Development Web page, available from the Administration button throughout OU's website.

Even with these challenges before us, I am confident that with the creativity and dedication of our faculty and staff, Oakland University will continue on its steady path to distinction and an increasingly enhanced reputation in the region and beyond.

Meadow Brook Theatre Operations

I am pleased to report that the university and theatre community have reached an agreement on an innovative approach to the longstanding financial challenges that have faced Meadow Brook Theatre. At the June 4 meeting, the Board approved the lease of Meadow Brook Theatre to a new 501c3 organization, The Meadow Brook Theatre Ensemble, effective July 1 this year. The new group plans to present at least 30 weeks of locally produced theater beginning in the fall. They will pay the university a weekly rental fee and a portion of ticket sales. Most importantly, the university will no longer be responsible for covering theatre deficits, which have amounted to more than \$2 million since 1997 - and the community will still benefit from live theatre on our campus.

We appreciate the generous offer of Joseph Nederlander some months back to take over theatre operations. While in the end he withdrew his proposal and supported the new Theatre Ensemble group, his initiative was in many ways responsible for the new path the theatre is taking.

I would like to thank Provost Virinder Moudgil, CAS Dean David Downing, Vice President Lynne Schaefer and General Counsel Vic Zambardi for effectively working with both external groups to bring their proposals to the Board with enhanced collaborations between the theatre operation and our department of Music, Theatre and Dance. Their work should go a long way toward enriching the educational experience for our MTD students and faculty.

Gary Russi