



Tuesday, March 11, 2003

## OU faces serious budget cuts

Last week, Governor Jennifer Granholm proposed a balanced **\$38.6-billion state budget** for fiscal year 2003-04 that protects K-12 funding but significantly cuts higher education and other areas like arts and life-sciences funding.

The proposal included cutting state higher education appropriations to each of Michigan's 15 public universities by 6.5 percent for the upcoming fiscal year on top of the 3.5 percent cut from this fiscal year. That equals a 10 percent cut – or a loss of roughly \$5.3 million to OU for the budget year beginning July 1, 2003.

Additionally, non-discretionary cost increases – such as compensation and fringe benefit increases, rising health care costs, costs to keep up with technology, rising utility costs, and student services for a growing student body – will cost OU an additional \$7.5 million, which when added to the appropriations cut brings the total deficit to around \$12 to \$13 million for fiscal year 2003-04.

"We are handling this year's reduction primarily through one-time funding sources," said Lynne Schaefer, vice president of finance and administration. "Next year we will be looking at a combination of base-budget reductions and revenue increases."

In addition, OU has taken a number of measures over the last several years to control costs. To learn more about the university's cost-containment efforts, the budget development process, and national and local perspectives on the budget situation, visit the **Budget Development Process** Web site by selecting "Administration" from the OU site then Budget Development Process under Finance and Administration.

Although Granholm's budget requires approval by the Legislature, Oakland University administration is using the governor's proposed budget for planning purposes and is asking members of academic and administrative units to suggest further cuts – this time from base budgets.

"We will continue to look for ways to reduce costs in our already tight budgets to minimize the impact on students, programs, and support to faculty and research," said Gary Russi, president of Oakland University. "It is important to note these cuts will come from recommendations by the divisions, led by department chairs, deans and vice presidents, and based on values and guidelines that recognize our core mission of educating students ... and that keep our strategic focus on developing Oakland University's programs for distinction by the year 2010."

In the March 7 issue of **Crain's Detroit Business**, Michael Boulous, executive director of the **Presidents Council of State Universities of Michigan**, said the 6.5 percent reduction on top of the 3.5 percent cuts will force universities to consider staff and academic program reductions and tuition increases.

Maintaining quality in the face of lower state appropriations will likely mean an increase in tuition at Oakland University. The historical pattern is clear: As the percentage of state funding support decreases in all public universities, tuition rates increase.

At this time, the rates for next year's tuition and fees at Oakland University have not been set. The Board of Trustees will review recommendations at the May working session and ultimately act on any tuition increase through the budget approval process.

"We are committed to holding down increases as much as possible to ensure Oakland University remains an affordable choice for families inside and outside of Michigan," Russi said. "Our first step will be to implement the 3.5 percent in cuts proposed by the units for this current fiscal year. Next, we will review the cuts necessary for the next fiscal year."

In a related move, the university implemented a hiring freeze effective Friday, March 7. Appeals for critical hires can be made to a human resource committee, made up of Russi and four divisional vice presidents.

"These are admittedly challenging times, but our students and our state are depending on our determined effort and resolve on their behalf," Russi said.

### SUMMARY

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