

Budget Information 3/18/03

*March 18, 2003*

Colleagues,

Thank you all for your work over the past weeks in suggesting areas that could be trimmed to balance our 3.5 percent cut in state appropriations for this fiscal year, 2002-03. The deans and vice presidents considered all suggestions and turned in recommendations for their areas to the Budget Office, primarily using one-time funding sources.

While I know many of these decisions were extremely difficult, I feel they meet our goals of balancing the budget and preserving our core mission of educating and serving students.

In total, more than \$700,000 was trimmed from supplies and services budgets, \$680,000 from salaries and fringe benefits, \$660,000 from non-General Fund accounts (grant, indirect cost recovery and program incentive funds), \$170,000 from equipment purchases, \$45,000 from travel and \$4,000 from telephone accounts.

### **FY03 Cuts by Major Division**

The more than \$2 million in cuts affect virtually all areas of the university. You can find the following list, with more detail, linked to the [Budget Development Web](#) page.

College of Arts & Sciences - \$552,559  
School of Business Administration - \$191,373  
School of Education and Human Services - \$227,823  
School of Engineering and Computer Science - \$159,670  
School of Health Sciences - \$57,245  
School of Nursing - \$56,641  
Kresge Library - \$84,703  
Instructional and Information Technology - \$111,187  
Academic Affairs - Other - \$236,799  
Finance & Administration - \$360,000  
Student Affairs - \$103,000  
Development, Alumni and Community Engagement - \$35,000  
President (Athletics, Communications & Marketing, etc.) - \$90,000  
Central Sources - \$167,000

Total - \$2,433,000

### **FY04 Budget Development Process**

As we develop our budget for FY04, we are faced with a proposed net 10-percent cut in state appropriations (\$5.3 million) and approximately \$7.5 million in non-discretionary cost increases for a total deficit of nearly \$13 million. We will once again ask the vice presidents and deans to request individual departments and units to offer recommendations for cuts - this time from base funding.

I truly believe that we have minimized the negative impact of this fiscal year's 3.5 percent in cuts because so many faculty and staff came up with both creative and practical ideas.

Good strategy starts with core values and clearly defined goals. We have our goals defined to take us to 2010. And, as with this fiscal year's cuts, values developed by the deans and vice presidents, once complete, will guide our financial management decisions. The Senate Budget and Senate Planning committees are reviewing the proposed values, which are:

- Managed growth/faculty support
- Quality
- Distinctive undergraduate programs/general education
- Collaborations and partnerships
- Capital campaign
- Student services/retention
- Graduate programs - grants and contracts
- IT support

By putting these values at the forefront of our decision-making, we will protect the delivery of a top-quality education and services to the students in our classrooms and labs.

#### **FY04 Timetable**

You will soon be hearing from your supervisors relative to processes and deadlines for submitting ideas on base budget cuts. Consultations within each unit will take place beginning this week and continue through April 7, when proposals from departments are due to each vice president. The vice presidents will then pass on their division recommendations to the Budget Office by April 14.

During the March 18 to April 7 period, I will also be exchanging ideas with deans and directors, department chairs, faculty committees, the University Senate budget and planning committees, Student Congress and the Board of Trustees finance committee.

We will use recommendations from the units and divisions to help develop the university's FY03-04 budget, which Vice President Lynne Schaefer expects to present to the Board of Trustees at its May 7 working session. The board must approve the budget, and that action would typically take place at the June 4 voting session.

The budget will almost assuredly include a proposal to increase tuition, effective Fall 2003. The historical pattern is clear: As the percentage of state funding support decreases in all public universities, tuition rates need to increase to maintain quality. We will, of course, work diligently to minimize any increase by continuing to find ways to contain costs.

### **Initial FY04 Actions**

Since our revenue shortfall and scheduled cost increases total nearly \$13 million, we do not want to wait until June to make cuts that make strategic sense right now.

Effective Friday, March 7, I initiated a hiring freeze for all faculty and staff positions, which will remain in place until our budget situation improves sufficiently. Since we will continue to look for ways to grow in a managed way to meet our 2010 goals, we have established a human resources management committee to consider appeals for filling critical positions. The four divisional vice presidents and I staff the committee.

### **IT Reorganization**

This past Friday, March 14, Interim Vice President for Academic Affairs and Provost Virinder Moudgil announced a major reorganization of our information technology resources, a move based on widespread input from the university community over the past two years, a move that will significantly strengthen the delivery of services to the campus community. In addition, this restructuring will save the university some \$140,000 in base funding annually. I applaud Dr. Moudgil and the countless faculty and staff who worked so diligently on this new approach. This action represents the bold thinking and roll-up-the sleeves attitude that has characterized our community in the past, and which we will need more of in the days and weeks ahead.

### **Meadow Brook Health Enhancement Institute**

Also last Friday, we took the major step of announcing the closure on April 25 of the Meadow Brook Health Enhancement Institute as a cost-containment measure. The institute, which has provided outstanding health management and disease prevention services to the campus and surrounding communities since the early 1980s, has accumulated a total debt in excess of \$400,000 over the past several years. The staff worked hard to improve profitability, but competition from other more mainstream health care providers made that road extremely difficult.

Many thanks to Dr. Fred Stransky, founder and longtime director of the institute, for his dedicated and inspired leadership. Even since his retirement last year, Fred has served as a consultant to the institute and has written a weekly column on health and disease prevention for the Oakland Press, Macomb Daily and Royal Oak Daily Tribune. And thanks also to the institute's professional and caring staff, which recently has included doctors from the St. John Health system. Our Human Resources staff is working with these individuals to find employment on campus or elsewhere.

Members of various fitness programs run by the institute will be given the opportunity to switch their memberships to the university's Recreation Center.

### **Meadow Brook Theatre**

I have also suggested a change in operational approach for Meadow Brook Theatre, effective with the 2003-04 season. Despite strong numbers at the box office, contributed (gift and grant) income is down and the budget continues to run a deficit. Beginning this fall, each production must have a sponsor or sponsors before the play can be staged. I am confident that the quality of our productions, and our excellent reputation over the years, will attract sponsors, encourage attendance and continue to shine the bright light of visibility on the theatre and the university. In the meantime, we are also considering other approaches to managing theatre operations.

### **Looking Ahead**

We should all take pride in the manner in which we have operated a growing institution with high-quality programs and limited resources for so many years. We thank Michigan legislators over the years for their vision and support of higher education. You will find an excellent commentary on this topic by longtime state senator and former chair of the appropriations committee on higher education, [John J. Schwartz, M.D.](#), on our Budget Development website.

While we believe the budget situation is extremely serious and the effect on OU and higher education in Michigan will be painful and long lasting, we are confident that together we are prepared to make the hard decisions to keep focused on our core mission of educating students, and on our key strategies that will make Oakland University a university of distinction by 2010.

Gary Russi