

Budget Developments

March 1, 2004

Colleagues,

In January, I shared recent budget developments and their expected effects on Oakland University. Since that time, the picture has become somewhat clearer.

State Appropriations Picture

On February 12, Governor Granholm released her 2004-05 budget to the Legislature for discussion, changes and ultimately a vote. Her budget attempts to balance next year's projected shortfall in state revenues of some \$800 million to \$1.3 billion.

For higher education specifically, universities would be cut an additional 3 percent over the 5 percent cut we received in December, unless they agree to the state's tuition-restraint proposal.

Oakland's Board of Trustees already accepted the proposal in early February, under which the state promises to restore 3 percent of the 5 percent cut in December to those higher education institutions that pledge 1) not to increase 2003-2004 tuition and fees mid-year and 2) to keep 2004-2005 tuition and fee increases for resident undergraduates at or below inflation (estimated at 2.4 percent).

The Governor further promises to hold these institutions harmless in FY 2004-05 if they meet the criteria for the agreement by June 30, 2004.

Under this agreement, after taking into account our non-discretionary cost increases for such things as compensation, insurance and utility rate increases and so forth, OU will still be faced with a budget shortfall beginning July 1, 2004 of approximately \$2.5 million.

The divisional vice presidents and I have been planning for this round of cuts since last fall. Consistent with our commitment to protect the academic core, our base budget reduction targets for 2004-05 would cut instructional costs one-half a percent, other areas of Academic Affairs 2.1 percent, all other divisions 2.7 percent each and central sources 11 percent. These cuts would amount to about \$2 million, leaving us with another \$500,000 to cut from other sources.

The vice presidents' suggested cuts are now in, and we are analyzing what those reductions might mean to the Oakland experience - now and in future years.

One outstanding factor, however, is that the Legislature still has to consider the Governor's budget proposal and pass a final budget. So, it is conceivable that the tuition-restraint proposal for universities may change and thus so would our reduction target. I

will keep you posted on developments as they occur.

Freshman Enrollment Limit

Over the past decade, the demand for an Oakland education has translated into enrollment growth. As long as state appropriations increased to meet the additional costs that enrollment growth brought with it, we were able to preserve and in some cases enhance our program offerings and support services. But, with declining state appropriations, we have to be very careful that student enrollment does not outstrip our ability to deliver quality education and support services. Therefore, it is important to add as much resource as possible to critical areas to preserve quality in times of budget stress.

That is why the provost, vice presidents and I released 28 faculty positions for hiring for Fall 2004 - as I reported in my January broadcast message.

Furthermore, with agreement of the provost and vice presidents, for fall 2004 I have asked our Admissions staff to slow the rate of growth at OU, holding new freshman enrollment at the same level as Fall 2003. Once the class reaches the 2003 level, admitted applicants will be placed on a waiting list.

This measure has been shared with admitted students and their parents, who have been encouraged to sign up for Orientation, and with high school counselors and principals.

The move is intended only to slow the rate of growth - the entire university will continue to grow overall - and we will assess the success of the tactic on a year-to-year basis.

Inaugural Budget Briefing

These financial factors challenge all areas of the university as we seek to serve our students. As such, I believe that marshalling the functional managers of our institution - the people who direct our academic and service-related activities on a day-to-day basis - is critical to successfully executing our shared goals and objectives.

To that end, on February 17, I called together roughly 200 faculty chairs, front-line managers, members of the Senate Planning and Budget Review Committees and critical administrators for OU's first-ever comprehensive budget briefing. The vice presidents and I addressed challenges and also suggested areas that we think offer significant potential for expanding our resource base and thus strengthening the entire Oakland experience as we move toward our vision for the year 2010.

We plan to meet with this group periodically on institutional issues - probably twice a year - to improve communication back-and-forth and thus enhance our flexibility and responsiveness to both external and internal factors.

In the February meeting, I strongly encouraged managers to pass the word about our key communication tools - the Budget Development Web page, the News @ OU website for

general OU news, the weekly broadcast emails from the News @ OU and my periodic campus emails.

The Budget Development Web page collects a variety of pertinent information, including email messages, BOT budget presentations, budget talking points developed by Rochelle Black (OU's director of government relations) and timely newspaper articles related to educational budget issues. In fact, the entire budget briefing presentation, with charts and graphs, can be found on that Web page.

Employee Suggestion Program

I was also pleased to announce at the budget briefing the launch of our new Employee Suggestion Program. The employee suggestion committee developed an excellent program after weeks of gathering information about best practices across the country. I would encourage you to participate in the program, which offers great benefits to OU and tangible incentives for individual employees. You can find all the information you need on our website.

We have more challenges to come, but I am confident we will weather them. In fact, with your commitment and energy, we will continue to defy the odds and move our initiatives forward with creativity and purpose - and come out in a stronger position overall.

Thank you again for all your hard work.

Gary Russi