

President Russi
Remarks to the Board of Trustees

April 2, 2003

Thank you Mister Chairman.

I would like to bring the Board up to date on recent cuts to balance the 2002-2003 budget and our planning to reduce the 2003-2004 budget even further.

As you know, our state appropriations were cut 3.5 percent this fiscal year through executive orders.

The deans and vice presidents solicited suggestions from their faculty and staff, and turned in recommendations for their areas to the Budget Office, primarily using one-time funding sources, for final approval.

Many of these decisions were extremely difficult, but we 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.

The more than \$2 million in cuts affect virtually all areas of the university. We let faculty and staff know exactly what those cuts were in each area through several communications.

As I reported last month, as we develop our budget for Fiscal Year 04, we are faced with a proposed net 10-percent cut in state appropriations, amounting to \$5.3 million, and approximately \$7.5 million in non-discretionary cost increases, for a total deficit of nearly \$13 million.

We have once again asked the vice presidents and deans to request individual departments and units to offer recommendations for cuts - this time from base funding.

Consultations within each unit on base budget cuts have begun, and will 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.

I have also been exchanging ideas with deans and directors, department chairs, faculty committees, the University Senate budget and planning committees and Student Congress.

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 for discussion at your May 7 working session.

I expect the budget will include a proposal to increase tuition, effective Fall 2003. The amount of the proposed increase will be determined as part of our planning process.

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.

I should point out that the legislature is currently debating alternatives to the higher education cut proposed by the Governor.

I will keep you informed as this debate plays out, since any change in that percentage will affect our planning.

In the end, our overriding goal is to protect the delivery of a top-quality education and services to the students in our classrooms and labs.

Oakland has a long history of running lean and containing costs. In that spirit, we did 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.

On 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.

This restructuring will save the university some \$140,000 in base funding annually.

Also on March 14, 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, as you know, has provided outstanding health management and disease prevention services to the campus and surrounding communities since the early 1980s.

But, it has accumulated a total debt of nearly \$400,000 in recent years, with a projected operating deficit of another \$90,000 this year.

The staff worked hard to improve profitability, but competition from other more mainstream health care providers made that road extremely difficult.

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 Theatre has accumulated a fund balance deficit in the past couple of years of about \$300,000.

Beginning this fall, each production must have a sponsor or sponsors before the play can be staged.

In the meantime, we are also considering other approaches to managing theatre operations, which I will share with you as they develop.

Mister Chairman, that concludes my report.