

Budget Update 3/7/03

March 7, 2003

Colleagues,

We received some important news on Thursday relative to state appropriations and to our budget development for Fiscal Year 2003-04, which begins July 1. Governor Granholm publicly announced her state budget recommendations, detailing how she proposes to balance some \$1.7 billion in revenue shortfalls with reductions in expenses, revenue enhancements and one-time funds. You can find more detail about the Governor's budget through the following Web links:

http://www.michigan.gov/documents/Gov_letter_58844_7.pdf

http://www.michigan.gov/documents/Univ_Grants_&Fin_Aid_58839_7.pdf

http://www.michigan.gov/documents/Overview_58846_7.pdf

6.5 percent cut to OU

Included in the announcement was her proposal to cut state higher education appropriations to each of Michigan's 15 public universities 6.5 percent beginning Fiscal Year 2003-04, on top of the 3.5 percent cut we are facing this fiscal year.

The Governor's budget now goes to the state legislature for consideration, debate and, ultimately, approval. While I hesitate to speculate on cuts without knowing the actual percentage, I would like to explain how serious the situation likely will be for the university.

A cut of 6.5 percent, added to this year's 3.5 percent, would mean a cut of 10 percent within the past year, a loss of roughly \$5.3 million in state appropriations for the budget year beginning July 1. This cut will effectively take OU's per-student funding from the state back to late 1980s levels.

Non-discretionary cost increases

When we factor in our increasing costs of doing business (non-discretionary increases for such things as compensation and fringe benefits, rising utility rates, insurance premiums and technology enhancements, not to mention a growing enrollment) our challenges compound. In fact, these non-discretionary cost increases for the next fiscal year will total approximately \$7.5 million. So, our total deficit will be on the order of \$12 to \$13 million for FY03-04, more than 10 percent of our total budget.

Even as we wait for final approval of the state budget by the legislature, we will use the Governor's number for planning purposes, and once again ask academic and

administrative units to suggest further cuts, this time from their base budgets. It is important to note that 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.

However difficult these challenges may be, our intent is to protect the delivery of service to our students even while improving the quality of the Oakland experience. This is an investment that must be made for the economic health and future of our state and our region.

I will be communicating with you periodically over the next two to three months as we prepare FY 2003-04 budgets for the Board of Trustees' approval.

Next step: FY03 cuts

Our first step will be to implement the 3.5 percent in cuts proposed by the units for this current fiscal year, FY 2002-03. Units turned in their suggested cuts, primarily from one-time funds, to the Budget Office on or before March 5.

Once we are certain that the unit suggestions will indeed balance our overall budget (which should be within the next two weeks), I will share this information with you from a broad university perspective. The vice presidents, deans and directors will then inform their faculty and staffs of the specific cuts that they finally proposed and that will need to be enacted in each affected area.

Please continue to share creative ideas for revenue enhancement and expense reduction with your department heads, with your dean or vice president, or with me. These are admittedly challenging times, but our students and our state are depending on our determined effort and resolve on their behalf.

Gary Russi