

## State Appropriations - An Update

*February 13, 2009*

Colleagues,

I want to bring you up to date on state budget news and how it may affect Oakland University.

Yesterday, State Budget Director Robert Emerson released details of Governor Granholm's 2010 budget recommendations. Unfortunately, higher education will take a significant hit under her plan. The governor's budget calls for an across-the-board cut of 3 percent in higher education, but surprisingly, community colleges were held harmless. This cut, combined with the tuition freeze she is asking state universities to implement, would present a significant fiscal challenge for us.

This disinvestment in higher education is alarming. Michigan continues to be at the very bottom of the list in terms of state dollars committed to higher education on a per-student basis. At this critical juncture in Michigan's economic history, it's disappointing that the state is choosing to cut higher education rather than invest in it.

The governor has talked about allocating a portion of the federal stimulus package to higher education if Michigan universities agree to freeze tuition, but counting on that is fraught with risks. First, the governor may not have any discretion whatsoever in how Michigan's portion of the stimulus plan is meted out. It's entirely possible that the federal government will mandate how Michigan is to use the stimulus funds the state receives. Secondly, as the governor acknowledges, the federal stimulus package is one-time money that will not solve any long-term structural funding problems. In essence, the federal economic recovery package will merely shift state budget problems to next year, making Oakland's future state appropriations all the more tenuous.

With state revenue projections already way below expectations, we cannot completely rule out receiving another cut for the current year. You'll recall that last year we budgeted for a flat appropriation, and received a 1 percent increase. We chose not to spend that increase (roughly \$520,000) and instead kept it as a hedge against a possible mid-year cut. If we were to receive a mid-year cut of 1 percent, we would be able to handle that well. A larger mid-year cut would present added challenges to our current budget.

As you know, the state budget process is a long and arduous one. The governor's budget must now go through both houses of the state legislature, and could undergo several changes in the process. It's likely to be months before we see a final state budget.

I and my university president colleagues will meet with Governor Granholm later this month to discuss a variety of issues facing higher education in Michigan. A major portion of this discussion will revolve around funding issues.

I will keep you apprised of any new developments that may arise in the weeks ahead. In the meantime, I ask that you continue your steadfast commitment to this great university. Working together, we can overcome the significant budget challenges we face.

Sincerely,  
Gary