

MICHIGAN STATE UNIVERSITY

September 3, 2009

MEMORANDUM

TO: Vice Presidents, Assistant Vice Presidents, Associate Provosts
and Directors

FROM: Vice President Fred Poston
Provost Kim A. Wilcox

RE: Campus-wide Budget Reduction Planning

As you are aware, Michigan State University is challenged by significant reductions in its state appropriation over the next two years. Our long-term projections for the decade look little better as the State of Michigan faces sharply declining revenues. At the same time, income from our university investments is depressed because of the downturn in the stock market.

There is additional pressure on the university budget because of increases in health care costs that outstrip inflation, rising energy costs, the funds required to maintain an aging physical plant, and greater demand for student financial aid due to the economic climate. We cannot look to substantial increases in tuition to shore up the budget because our students and their families are likewise experiencing financially difficult times.

We already have implemented a 4 percent reduction in General Fund budgets for all units this year and plan on a 6 percent cut next year. The following years may bring comparable or even more severe reductions.

In the midst of one of the worst economic challenges to the university in its history, we do not have the luxury of stopping the merry-go-round to rearrange the horses. Our business is developing creativity through research and transferring knowledge to others through teaching and outreach. The usefulness of the university to the people we serve is dependent on making progress in these areas. Thus it falls to all of us to find more efficient means of supporting the mission of the university.

This is especially challenging because long-term disinvestment by the state coupled with voluntary constraint of tuition increases through the Tuition Guarantee have already resulted in one of the lowest ratios of support personnel to students in the Big Ten. Yet we must maintain our can-do attitude and look again at how we can change



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the way we work to create greater efficiency. As President Simon has stated, “No savings is too small, but small savings are not enough.” We will need to change not only our activities, but our attitudes and culture.

Toward that end, we, together with other Vice Presidents, are charging each of the university’s support units to break their functional budgets down to the subfunction level. Each of these subfunctions is being prioritized relative to its contribution to the operation of the university. The priorities are:

- 1—The subfunction is absolutely essential to university operations.
- 2—The university could operate without the subfunction, but it would be inadvisable.
- 3—While it’s not desirable to do so, the subfunction could be eliminated.

We expect to receive responses by September 30. While this is a challenging timeline, it is a necessary one to ensure that deliberations related to support units are completed in time to inform preparation of next year’s budget. We must allow time to share this information widely across the campus for discussion and review so that we can prioritize across units rather than simply within them.

A special Web site: (shapingthefuture.msu.edu) has been established to facilitate communication and the sharing of information. As the process unfolds, information will be routinely posted to the site. Your engagement with this process is critical, so please stay informed by visiting the Web site often. Please use it to provide your input or ask questions using the comment tool.

It is our intent to use these data to “sculpt” the subfunctions of the support units across the university. It is unwise to further reduce support personnel in many of our units without commensurate reduction in responsibilities. After examining the subfunction analysis, we will prioritize and review each with regard to the potential for additional efficiency.

Ultimately, we are facing a reduction in the number of staff in many of our units. As difficult as this may be, we must keep our perspective. First, circumstances, not choice, dictate these actions. Second, the vast majority of our current support personnel will remain employed at MSU, even after reductions. And, third, Michigan State University is a great university going into this situation, and with our collective commitment, focus, and determination, it will be a better one in the years to come.

Thank you for your attention to this important task.

c: University Community