 Want to share my perspectives on the economic and budget times we are in.

Certainly we recognize the challenges, real and yet to be realized, which confront MSU, our state and the nation.

However, though we need to be aware of and respond to the details, we also need to maintain a big picture perspective on what we are facing.

Those of you who have been here longer than I know that we have faced budget cuts and other serious economic impacts in the past. It has been difficult, but we have made the hard decisions and worked together to implement the necessary plans to get us through the tough times and stabilize us for the good times.

Today you will be discussing issues that relate to this year’s budget (FY09), but our FY09 budget is stable. It’s clear, however, that we will have less state funding than we need for the next biennium (FY10-11.) And because that picture can change dramatically as we move through the legislative session, we have even more reason to proceed with caution.
The realities of our situation are that the executive budget in November only provided state funding to cover 35% of our fixed cost increases---contrasted with over 80% this biennium. We learned yesterday that this funding level was cut further, and the current budget contains no additional funding for our Present Law needs or the Pay Plan. If this funding level is eventually approved by the legislature, then the Regents in May will be deciding how much of a tuition increase can be imposed to cover some portion of our fixed costs increases.

Tuition, however, is not an easy fix. Because of the severe economic downturn, it will be even more difficult for our students, both resident and nonresident, to pay tuition. Furthermore, the huge losses in the stock market and other financial markets have negatively impacted our endowments. As a result, we anticipate a reduced ability to award scholarships for AY10, which causes us to be even more cautious about tuition increases. We are addressing this--the Foundation is aggressively soliciting cash donations to supplement the revenue stream from our endowments and ensure we can offer the scholarships necessary to attract and retain students. We are making progress with these efforts.

As we deal with these budget constraints, we need to be sensitive to the morale of faculty and staff. A number of factors can seriously impact morale:

- Indications on the state level tell us to expect a minimal if any wage increase.
- Though departments need to consider the criticality of a position before filling a vacancy, unfilled positions, if not managed properly, can create additional workload for others.
- At times like these, rumors tend to run rampant, and create uncertainty and anxieties.
- And the general reach of the national economic downturn can create added strain on employees’ families.
So we can count a number of reasons for concern—but certainly not despair. There are bright spots that we should not lose sight of, and give me cause for optimism.

- The research agenda for federal funding seems to be “energy” focused, which is good for us. We have the faculty and resources to compete for these grants. We think we can continue to have a strong research agenda as we move into the future.
- The culture we have developed around shared governance and the workings of this body, thoughtful and strategic decision making, are advantages that will enable us to effectively plan for our future.
- We have in place the people, the structures and the priorities to meet these challenges. Our shared governance, all of you serving on UPBAC, provide us an important opportunity to discuss the needs, thoughtfully review our options and decide on the most appropriate strategies.

Our job is to leverage these challenges and our strengths to do all that we can do to work smarter, to eliminate inefficiencies, to stop doing the least important and focus our efforts on those tasks that have the greatest return for our students, departments and the university as a whole. Recruitment and retention of students and renewed commitment to student success has never been more important.

We are fortunate that so much effort has gone into creating and updating our vision and strategic plan, as it identifies the key priorities for our future. I am asking all of you, and other members of leadership, to carefully consider how you can impact these priorities:

- To expand our reputation for excellence in integrating learning and the discovery of knowledge.
- To recruit students
- To support the success of our students
To provide the programs and services which impact citizens and communities around the state

I am asking you to consider these priorities as you review your accomplishments this past year, as you develop plans for next year, and as you assess the performance of yourselves, your faculty and your staff. Without a pervasive culture of supporting these priorities across the campus, we will not achieve the success we are capable of.

I look to you as key members of our leadership team to work with me in this communication effort. We need to be open and honest, but to convey the confidence that we can and will address these challenges effectively. I ask you to talk with your faculty and staff in colleges and departments. For those of you representing constituencies --- faculty, professional and classified staff and students, to talk with your leadership groups. Your communications efforts will help us ensure there is wide understanding of our situation as one that poses challenges for us, but which we know we have the talent and commitment to address successfully and retain the excellence that is very much a part of our university.