

From: Office of the President
Sent: Thursday, May 13, 2010 1:23 PM
To: University Community
Subject: Update on Budget Direction

In November 2009, I wrote to you concerning the very serious issues we face in balancing the University's budget this year and in the upcoming two years. A series of detailed budget presentations by the Vice President for Finance and Administration and the Vice President for Academic Affairs held during the academic year outlined the challenges we face, the conditions we must recognize, and the options we must consider. I want to thank all of you who participated and especially those who took the opportunity to make suggestions and offer solutions. We will reach the end of the 2009-10 year with a budget balanced by having carefully controlled spending and aggressively managing personnel costs.

However, as we look ahead, it is impossible to ignore the fact that additional reductions will be required to balance the budget for fiscal year 2010-11 and 2011-12. Millersville University continues to foresee a shortfall for 2010-11 of approximately \$3.4 million based on projections of level or decreasing annual appropriation budget support from the Commonwealth and tuition increases determined by the Board of Governors of the Pennsylvania State System of Higher Education that do not keep pace with rising costs, such as utilities and contractual agreements. This is after cutting more than \$4.3 million in 2009-10. Equally daunting will be the budget hurdles for 2011-12, when the University will lose more than \$3 million in stimulus funds, and the cost of SERS will increase from \$711,548 in this year's budget to more than \$2.2 million for 2011-2012.

In order to meet these challenges, we have already reduced operating expenses, and we have controlled personnel costs by managing all and eliminating some vacant positions. With approximately 80% of the University's budget in labor costs, the time has come to recognize the likely need for personnel reductions as we move into the next fiscal year. We remain hopeful that the Voluntary Retirement Incentive Program, in which most of our unions have agreed to participate, will help minimize layoffs and provide extra flexibility in the budget. Eligible employees have until May 28, 2010, to decide whether to accept the retirement incentive.

In our ongoing efforts to communicate about the budget, I want to let you know that while our goal is to prevent layoffs, it is possible that they might be inevitable for administrators and staff in 2010-11. In addition, retrenchment of faculty might be a possibility for the 2011-12 academic year. Yesterday and earlier today, the administration met with all of the unions on campus to inform them of the severance plan process.

Managers at all levels are actively engaged in reviewing the core functions of the University and making recommendations on further reductions for 2010-11. If personnel reductions are necessary, Millersville University will use the Severance Program for Abolished Positions authorized by the Board of Governors of the Pennsylvania State System of Higher Education.

Once the University has had time to review participation in the Voluntary Retirement Incentive Program, a final decision will be made. We anticipate taking approximately 30 days to come to a final conclusion and will provide an update to the campus at that time.

Although these challenges are certainly unprecedented, they are not insurmountable. My faith in the steadfast character of the Millersville University community is strong. These are challenging economic times, and I continue to appreciate your continued support of Millersville University.

Francine G. McNairy
President