March 9, 2016

Dear university community—

I am writing to you today to confirm that we project a very significant budget shortfall due to an unexpected sharp decline in first-year enrollments and student retention this coming fall. I wish I had better news.

The anticipated declines—which total about 1,500 fewer students than current enrollment at MU— in addition to a small number of necessary investments are expected to leave us with an approximate $32 million budget gap for next year. A smaller entering freshman class will have continuing impact on finances as they progress toward their degrees at MU. I must also point out that this shortfall does not take into account any additional budget losses that might come from a decline in the state appropriation for next year. As you know the state appropriation proposal to date would keep MU flat, but the UM System appropriation could be reduced by $7.6 million or more. Such a cut to the System budget would have to be shared with the four campuses as critical functions provided by the system offices will need to be carried out on behalf of each of our campuses. We at MU would probably bear a significant percent of the system reduction in order to maintain treasury, legal counsel, benefits administration and other services system administers.

Given that these declines are the result of drops in first-time student enrollments and retention of enrolled students, there are a number of initiatives and projects currently underway to stem the tide in both the short- and long-term. We are reaching out to admitted students who have not yet enrolled and to their parents with phone calls, Skype calls, videos and a text campaign – all of which involve current students, faculty and administrators throughout the university. We also are in the process of adding more out-of-state recruiters and we are redesigning all our Admissions materials to ensure they meet the expectations and needs of prospective students. I have also asked Admissions to develop a new web-based admissions platform that is streamlined and that will involve live feedback to prospective students. The goal is to make it easy to apply and to know very quickly what their prospects are for admission to MU. The key is to be faster, more personal and much more interactive.

We cannot meet a significant portion of the revenue shortfall with an increase in tuition rates. Tuition increases are limited to the Consumer Price Index—per Senate Bill 389. In fact CPI last year was just 0.7 percent and if a tuition increase were approved by the Board of Curators it will account for only about $2 million in new revenues. Therefore, we as a university must undertake the arduous task of balancing our budget by carefully reducing expenditures.
To this end, we are implementing the following guidelines for FY17 budget planning. We will:

- Impose a cut of 5 percent to all annual recurring general revenue budgets (rate dollars) without exception. Should the current assumptions that led to a $32 million gap be absolutely accurate, we will be $10 million short of balancing our recurring budget. A gap of that nature will be addressed in FY17 with reserves (cost dollars), and then any additional cuts necessary to balance the recurring budget will be carried into the following year.
- We are implementing an across-the-board hiring freeze for all units on campus. We urge all campus administrators to carefully review their staffing levels and to not refill any positions unless they are absolutely necessary to the mission. Decisions to add faculty or staff must be exceptional, but will be left to the discretion of the deans, vice chancellors, vice provosts and the director of athletics.
- We will not have an annual merit increase program this year. Effectively that means merit increases are at zero for the entire campus. Promotional increases for faculty will still be provided.

While these budget challenges will affect our ability to deliver teaching, research and service to Missourians in the short term, we also know that we have survived other stressors of this kind before. We will endeavor as a campus to make decisions on these reductions that will least hamper our ability to deliver our core mission. We also will seek to build on the strengths of this university as we move forward.

Hank Foley
Interim Chancellor