MEMORANDUM

DATE: September 24, 2009

TO: Chancellor Staff
    Provost Staff
    Deans/Library Director
    Department Chairs/Directors
    Directors

FROM: Brady J. Deaton, Chancellor

RE: Expenditure Reductions – Phase II

ATTACHMENT: President Forsee’s September 21 memo on “Expenditure Reductions”

In January, UM President Gary Forsee sent a letter to the Chancellors and General Officers directing that we severely curtail non-personnel expenses. He asked that we provide campus-specific guidelines to supplement or explain the areas of reduction, and I listed those in a memo sent to you January 14. All of you took this effort seriously, and I am pleased to report that in FY09 we reduced non-salary expenditures by $9.6M compared to the previous year. Thank you!

We indicated in the January notice to you that we would analyze at the beginning of this fiscal year if further reductions were required. I am pleased to report that it is currently unlikely we will see holdbacks from the state during FY ’10. However, the outlook for FY ’11 is much more uncertain, so caution suggests that we continue to monitor and curtail expenses where possible. Those savings will build reserves that you almost certainly will need in FY ’11 and FY ’12. Earlier this month the CBHE recommended to the Governor a flat budget for higher education for FY ’11. With increasing costs and tuition levels unknown at this point, FY ’11 will be a difficult year, and FY ’12 appears even more uncertain.

It is important that we continue to appreciate the gravity of the financial crisis that we face in Missouri, nationally and internationally. However, I want to emphasize that we must not compromise our primary missions of teaching, research, service and economic development. MU is one of the key economic engines that drives efforts to restore our state to economic health.

Even in the face of economic difficulties, students continue to seek us out for a world-class education – and we will continue to provide that to them. This fall we set record total
enrollments, and we want to maintain MU as a frontier university. As I said in January, let us not lose sight of what we are here to do:

- Provide high-quality education to a diverse group of Missouri’s best and brightest students (and similar students from other states and countries).
- Generate research that improves the lives of Missourians and increases the knowledge economy that has made this country great.
- Deliver the resources of the university to Missourians in every county in our state.

Managing our way through these difficult times requires everyone’s cooperation. I know I can count on yours – and it is highly appreciated.

Set out below is our annotated list of expenditure areas where we expect to continue to achieve reductions in expenditures and which we will continue to track on a campus-wide basis.

The general factors to consider remain the same:

1. Carefully evaluate before cutting expenses in areas where there is a negative impact on the ability to generate revenue for the university.

2. Avoid any cuts that could directly affect safety of MU employees or students or that jeopardize state or external compliance operations, and then only after thorough analysis.

3. Carefully evaluate where there is a direct and CLEARLY damaging effect on instruction, clinical services or research.

Attached is President Forsee’s memo of September 21, 2009, directing that we continue to “severely curtail all other expenses.”

Below are MU-specific annotations for the categories outlined in President Forsee’s letter that must be significantly reduced. The reductions in expenses below apply to expenditures from all sources – G.O., grants, gifts, auxiliary, reserves and all other sources. However, for expenditures from grant and gift accounts, it is important that we not compromise the assurances we made to the granting agencies and the donors, while still carefully monitoring those expenditures.

- In-state and out-of-state travel, including international travel

  Travel must continue to be evaluated. Travel on grant funds should be examined carefully and pursued only when important for research purposes. Research travel on GO and other funds should be closely examined for benefits. For example, if a person is presenting a paper at a conference then travel should occur. There may be other benefits to the university gained by travel. As deans and chairs, you are in the best position to
make those judgments. Travel that is directly related to revenue generation should continue.

Administrative travel should continue to be severely decreased.

- Business meals and refreshments for meetings involving university employees only.

  ALL such expenditures should continue to be significantly curtailed.

- Marketing and advertising using outside vendors except in circumstances where it has a direct impact on the ability to generate future revenues for the university.

  Generating future revenues for the University should be interpreted broadly to include enrollments (i.e., tuition revenue), development, and sales of services.

- Publishing/printing/reproduction (copy services). Electronic documents and web postings should be used in place of hard copies, especially in the case of multicolor annual report-like documents produced by departments, campuses and/or programs.

  An important exception may be print publications that generate future campus revenues, enrollments or alumni support and documents that are directed to areas where high-speed internet is not generally available, as is the case for much of rural Missouri. The most cost-efficient and effective means of communicating based on the target audience must be utilized.

- Supply purchases, particularly those not under university supply chain agreements.

  Always use the university contracted vendors as the primary source for any purchase for which a contract exists.

- Non-capital (i.e., under $5,000) equipment purchases, such as desk top computers, except those needed for direct instructional or research purposes.

  Clearly dysfunctional equipment will have to be replaced, but continue to use that which is working well, regardless of age. This also applies to laptops, PDA’s, and the like.

- Professional service and consulting contracts except those that could impact the generation of future revenues.

  Contracts that may be considered should directly promote student recruitment and revenue generation, including donor/alumni support. Such contracts should be very carefully vetted; at a minimum there must be consultation with administrators one step up the reporting line before any such contracts are sent forth for university signature.

- Non-capital expenditures for maintenance and repair and minor renovation, unless required for life-safety purposes.
Some M&R must be pursued if there are significant, direct negative effects on instruction, research, revenue generation or service. Such claims should be documented and proceed through the normal PIRF process.

- Non-capital (i.e., less than $5,000) expenditures for vehicles and furniture.
  
  *Do not buy new furniture, carpet, etc., unless absolutely necessary.*

- Employee dues to professional associations and other organizations. Payment should be made by the individual not the institution unless membership is a job requirement. This does not apply to university memberships to professional organizations.

- Employee training other than that which is required directly for the position.
  
  *Training mandated for licensure, compliance, etc., should continue but in the most cost-efficient manner.*

- Position reclassifications; mid-year promotions; mid-year salary adjustments.
  
  *Reclassifications and other adjustments may be considered if the final result is an open position not being filled. Counter offers to retain outstanding employees will be carefully evaluated and, if approved, the adjustment will normally occur as part of the next year’s salary.*

- Employee overtime whether paid as additional salary or compensatory time off.
  
  *Overtime that occurs regularly will be considered problematic. Overtime should occur only on unusual and documentable occasions and only with the specific written prior approval of the immediate supervisor and the next level supervisor. Please refer to HR Policy 211.*

- Employee recognition events.
  
  *Employee awards and other recognition remain important events; however, costs for food, beverages, and other expenses should be carefully evaluated and controlled.*

Thanks to all of you for helping to ensure that MU emerges from these difficult economic times as a strong and vibrant university.

BJD/bd