September 21, 2009

To: Chancellor Brady J. Deaton  
Chancellor Leo E. Morton  
Chancellor John F. Carney III  
Chancellor Thomas F. George

From: Gary Forsee

RE: Expenditure Reductions

Fiscal year 2009, which ended June 30, was a challenging one. The dramatic downturn in the economy touched everyone. Individuals and institutions saw their investments significantly decline in value; state revenues decreased materially; and unemployment reached double digits. At the University of Missouri, we implemented a hiring freeze and reviewed, and prioritized all lines of expense. Together, we severely curtailed expenses—resulting in significant cost savings. For example, travel and training expenses in the operating budget alone were down $5.9 million (year over year). Through our collective efforts, we have been able to avoid the furloughs or massive layoffs experienced by other higher education institutions.

The national economy appears to be turning in the right direction; however, we are not out of the woods yet. State revenues were 6.9% below expectations for 2009, and revenue projections for 2010 and 2011 point to a slow recovery. With -2% to -4% general revenue growth projected for 2010, the possibility of additional budget challenges this year remain. Even with an improvement in the national economy, the state budget director has indicated it often takes six to 18 months for such improvements to be fully realized by the state. The state used approximately $1.0 billion dollars of federal stimulus dollars in the FY 2010 budget. Of that, approximately $49 million of federal stabilization funds were used to keep the University of Missouri operating budget whole in FY 2010. It is unclear at this point whether there will be adequate resources to fill the hole or increase the resource base in the near future.

Given the continuing challenges in the national and state economies, it is apparent we need to continue to be extremely cautious in our resource use. In addition to the continuation of the hiring freeze, I am directing we continue to severely curtail all other expenses. The greater the cost savings from these non-personnel expenditures, the less we may have to reduce personnel expenditures in the future. In order to reduce expenditures without putting the university at risk, management will need to exercise judgment in deciding what to eliminate and what to allow.
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The expectation is the university will continue to significantly control expenditures in each of the categories listed below:

- In-state and out-of-state travel, including international travel.
- Business meals and refreshments for meetings involving university employees only.
- 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.
- Publishing/printing/reproduction (copy services). Electronic documents and Web postings should be used in place of hard copies, especially in the case of multi-color annual report-like documents produced by departments, campuses and/or programs.
- Supply purchases, particularly those not under university supply chain agreements.
- Non-capital equipment purchases, such as desk top computers, except those needed for direct instructional or research purposes.
- Professional service and consulting contracts.
- Non-capital expenditures for maintenance and repair and minor renovation, unless required for life safety purposes.
- Non-capital expenditures for vehicles and furniture.
- 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.
- Position reclassifications; mid-year promotions; mid-year salary adjustments.
- Employee overtime whether paid as additional salary or compensatory time off.
- Employee recognition events.

We will need to continue to monitor progress in controlling expenses closely. We will be doing this at the system level and also expect each campus to monitor their own. I will expect to receive a monthly status report on staffing levels from each campus. New projects and incremental investments in existing programs need to be vetted and approved according to established parameters. I expect each campus and general officer to continue with headcount controls (freeze) that have been in place...leaving you the discretion to fill critical positions, but also to continue managing this cost area very diligently.

These actions will allow us to be ready to respond to any changes in the state’s revenue situation that could impact us. And, given that we have made funding the salary gap a strategic priority in crafting the 2011 budget, we will have a head start in identifying ways to deliver on this priority.

My expectation is you will distribute this memo widely on your campus along with any campus specific implementation guidelines. I appreciate everyone’s hard work and individual efforts on behalf of the University of Missouri.

GF:nk