Dear University of Maryland Family:

On Wednesday, July 22, the Board of Public Works approved Governor O'Malley’s recommended cut of $281 million from the State’s FY10 budget that started on July 1, 2009. My goal here is to inform you about the effect of that reduction on the University of Maryland.

Of the State’s reduction, $37.8 million will be taken back from the University System of Maryland, and our share of this reduction is $14.5 million, with $6.8 million to come from our base budget and $7.7 million coming from fund balances. The Baltimore Sun reported that the Governor will bring an additional $420 million or greater reduction to the Board of Public Works before Labor Day, and that it will target State employee compensation among other reductions. Regrettably, the State’s finances have worsened from those used to prepare its FY10 budget. The Director of Policy Analysis for the State Department of Legislative Services projects the State budget shortfall will increase to $1.5 billion in FY11 when federal stimulus funds will no longer be provided. Our campus must respond right away to the July 22 recall and begin preparation for the probable additional reductions for FY10.

Over the last two fiscal years, FY08 and FY09, we have been buffeted by base funding cuts of $12.6 million plus one-time cuts, including furloughs, of $21.4 million. Our FY10 State General Fund budget began this fiscal year at about $420 million. However, that budget was not sufficient to meet our mandatory obligations. Our necessary response was a 2.5% ($12.1 million) base reduction in the campus working budget. That initial base shortfall has now risen to $18.9 million for FY10 because of the July 22 base cut.

Given these budget reductions over the past two years, there are no excess funds in our budget and cuts must be made. Cuts will not be taken "across-the-board." We will be guided to the extent possible by the priorities of our strategic plan and by our goal to strengthen our core mission. It is prudent to re-institute an immediate hiring freeze. Instructions on its implementation have been sent to the Vice Presidents. Some reduction in our workforce is likely through hiring restrictions, retirements and other separations. These can be remarkably and personally painful for us all. When they occur, we will seek to treat members of our community with dignity and respect through any transition. Time is needed to redesign operations so that they can continue to provide the services needed.

Clearly, we are beginning a process of doing our business in new ways. An obvious response to these circumstances is to raise revenues and reduce expenditures. We are doing both, scouring all possibilities and following up on all leads. We ask for your suggestions in dealing with these fiscal challenges. We are working closely with the Senate Executive Committee as budgetary issues develop and would like input from the campus as we analyze our options. The administration and the University Senate have set up a web site to receive your suggestions for new revenues, expenditure reductions, operating efficiencies and other ideas (www.president.umd.edu/budget). Suggestions can also be sent directly and confidentially to president@umd.edu.

Most base budget reductions take time to produce savings. There are also limitations on the use of some funds that were raised for other purposes. For instance, federal stimulus funds, research funds, State bonds sold for capital construction, private gifts, and federal pass-through funds must be used for their designated purposes. Increasing the amount of these funds is good for the campus but provides little relief for the shortfall in the State’s support to the operating budget. Similarly, the costs that we can reduce are also limited. For instance, our debt service and utility charges must be paid.

We have already implemented new revenue-enhancement measures by: closing the Office of Professional Studies; increasing the overhead rate for self-support auxiliaries; negotiating a higher federal overhead
rate; offering new professional masters degree programs, new short
courses, and expanding summer and winter term course offerings that
generate new revenues; and, of course, by intensifying our private fund
raising that has raised $645 million towards its ambitious $1 billion goal.

Through our shared commitments to increase revenues, and to reduce the
costs of delivering instruction, research and administrative services,
we will emerge from this budgetary setback a more determined and
efficient university. Together, we will move the university closer to
the great university with affordable access we seek.

I am enormously grateful to you for your commitment to the University of
Maryland. It is your unwavering determination to build a great
University that carries us through challenging times like these. I
cannot thank you enough for all you give of yourself to the University.

Yours sincerely,

C. D. Mote, Jr.
President

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This note was authorized for distribution to
University of Maryland Community by:
President C. D. Mote, Jr.