MSU Full-Time Staff and Instructors,

We are making significant progress with our work to identify the strategies that will best enable us to address the budget shortfall we face due to declining enrollment and retention rates and continued reductions in state support. MSU's total budget challenge for the 2016-17 year includes a $9.7 million deficit based on the following reductions in revenue sources and increases in fixed and unavoidable expenditures:

Revenue Declines and Fixed Cost Increases	Amount
Tuition Revenue *(reductions due to declining retention, declining service region enrollment and anticipated changes due to raising the admission index)*	$4,382,578
State Appropriations *(4.5% base reduction)*	$1,950,300
Health Benefits	$330,720
KERS Retirement Rate Increase	$915,386
Personnel Adjustments *(faculty promotions, contract obligations and winter term instructional expenses)*	$275,281
Insurances, Utilities, Service Contracts, Leases, etc.	1,040,576
Debt Service *(Campus Technology and Security Improvements)*	1,400,000
Auxiliary Services Operational Savings *(primarily due to reduction in utilities due to improvements in housing facilities and energy savings initiatives)*	(586,753)
Total Budget Deficit	**$9,708,088**

In February, a process was developed and shared with the campus on how we would identify strategies to address our budget challenges. That process included establishing a Budget Planning and Advisory Task Force that included members of the President's Cabinet, five Deans from Academic Affairs and leadership from Faculty Senate, Staff Congress and Student Government Association. The task force was charged with considering all resources across the institution while maintaining a focus to identify strategies that would minimize the impact on students and academic quality. In April the task force submitted a number of recommendations that were grouped in three categories for further consideration.

Category	Strategies	Est. Savings
Feasible to implement	48	$5.2 million
Feasible but with caution	5	$1.3 million
Feasible but avoid if possible	14	$3.2 million
Total	**67**	**$9.7 million**

After further evaluation and discussion of the strategies recommended for consideration, we have identified a total of $8.5 million from annual tuition and housing rate increases and budget reductions from the "feasible to implement" and "feasible but with caution" categories. These strategies include a total of $4.9 million in revenue enhancements, $718,594 reductions in operating budgets across all divisions and $2.9 million in personnel expenditure reductions from the elimination of 64 positions—30 filled and 34 vacant. Budget decisions made to date that will be included in the budget recommendation taken to our Board in June include the following:

Revenue Enhancements and Budget Reductions	**Amount**
Tuition & Fee Rate Increase *(5.33% increase for undergraduate students)*	$2,919,751
Auxiliary Services Revenue Increases *(primarily 4% increase in housing rates)*	$1,352,493
New Student Program fees in targeted academic disciplines	$627,780
Operating Budget Reductions	$718,594
Position Eliminations *(staff and instructor positions)*	$2,885,567
Total	**$8,504,185**

These position eliminations were not an easy decision to make and I recognize the grave difficulty this will impose on 30 of our current employees and their families. We will follow our personnel policies related to position elimination and reduction in force as we implement these cuts and provide appropriate support to those individuals impacted.

<table>
<tr><th>Employee Category</th><th>Vacant</th><th>Filled</th><th>Total</th><th>Percent</th></tr>
<tr><td>Staff</td><td>20</td><td>24</td><td>44</td><td>68.8%</td></tr>
<tr><td>Instructors</td><td>10</td><td>6</td><td>16</td><td rowspan="2">31.2%</td></tr>
<tr><td>Tenure/Tenure-Track Faculty</td><td>4</td><td>0</td><td>4</td></tr>
<tr><td>Total</td><td>34</td><td>30</td><td>64</td><td>100%</td></tr>
</table>

Even with the decisions above, we remain short of addressing the full budget deficit by $1.2 million. Given the proportionality of the cuts already made with our existing discretionary operating budget, I see no choice but to look at one of the options included in the task force recommendation as "feasible but avoid if possible." This strategy included the reduction of our instructional personnel expense budget with elimination of tenured and tenure-track faculty lines, some of which exist in programs that were (or are targeted to be) sunset or modified in the Academic Affairs Self Study and programs that have experienced significant enrollment declines.

I am surveying the faculty to get their preference regarding how to approach additional reduction in faculty personnel expenditures that may impact tenured and tenure-track faculty.

A draft budget plan will be shared with the Board of Regents at their workshop on May 13, 2016 for discussion only. Following that workshop, individual faculty and staff directly impacted by the proposed budget reductions will be notified as soon as possible. I appreciate the patience you have shown as we have worked through this difficult task given the uncertainty that it has created for our employees. Final approval of the budget will not occur until the quarterly meeting of the Board scheduled for June 10, 2016.

Wayne D. Andrews
President

Cc: MSU Board of Regents