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Dear Colleagues,

In the five months since I gave the annual address, there has been a growing consensus that the recession is ending but that economic recovery for the nation and the global community will be slow and will stretch out over several years. There is also a growing consensus that the landscape of higher education is undergoing a profound, permanent transformation driven by economic constraint, technological changes, demographics, and competition. More than ever, it is imperative that we understand the changes to our economy and to higher education, and that we act decisively and proactively to position Miami for long-term success.

Over the past year, we have made many hard decisions necessary to balance our current budget, and we have begun to take steps to meet the ongoing challenges we face. Some of the actions taken in the past few months include:

- *Improving productivity* – Housing, Dining and Guest Services has undertaken a department-wide initiative to identify multiple points of savings and performance improvements through LEAN (Leveraging Efficiencies and Aligning Needs).
- *Improving sustainability* – The Revolving Green Fund has been established to provide funding for projects that will improve sustainability while generating cost savings. A sustainability coordinator has been appointed and the University Senate has created a Sustainability Committee for the University.
- *Improving admissions* – The Offices of Admission and Student Financial Assistance are now coordinated under a Director of Enrollment Management, a new merit scholarship plan has been adopted, admission processes have been reviewed and revised, and new counselors are being placed in California and the New York City region.
- *Clarifying and enhancing Miami's image* – A new homepage and Web architecture were launched at the end of the year and Highwire Brand Studio provided new visions for Miami's brand that are being used as input into a process to clarify our branding and build a stronger marketing campaign.
- *Meeting changing student requirements* – Provost Herbst appointed a Pathways Committee to determine how the university can best respond to the increased amount of AP credits incoming students bring with them, and to changes in state policies for transferring credit. A report will be out in early March.

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- *Better meeting regional educational needs* – The search for a new dean to oversee and coordinate the two regional campuses and the Voice of America Learning Center is nearing completion.

Actions such as these are essential to our future, and we must continue to identify every possible option for improving efficiency and quality. However, the magnitude of the long-term challenges we face — as almost all colleges and universities face — requires proactive, comprehensive institutional action. We expect that state funding will at best remain flat over the next five years and at worst be subject to sudden reductions, placing the burden for meeting our financial needs squarely on tuition. It would take tuition increases of nearly 6% per year to cover the normal increases in ongoing costs, fund innovation, and compensate for the lack of increased state funding. Realistically, it is unlikely that we will be able to raise tuition by more than 3 to 3.5 percent per year over the next several years.

Consequently, we estimate that Educational and General Fund (E and G) expenditures will outpace revenues beginning in 2012, and this gap will widen throughout the next five years if changes are not made. Clearly, this is not a sustainable trajectory, but it is a situation that we can overcome if we continue to find ways to increase our productivity, strategically align our budget with institutional priorities, and develop new revenues to replace those that are expected to decline. We must approach this challenge in the most coordinated, visionary, and proactive manner possible. And we must create this future together.

To accomplish this, I will appoint a Strategic Priorities Committee this month to advise us on the creation of a sustainable financial plan for the Oxford campus that aligns with our Strategic Goals. A similar committee will be formed on the regional campuses after the new dean is in place.

The Strategic Priorities Committee will be made up of key faculty, staff, administrators, and students who will be selected, with campus consultation, based on both their knowledge of the university and their expertise in areas that are important to the decisions that are needed. The members of the Strategic Priorities Committee will carefully and fully review all important financial information, including forecasts for tuition revenue, state support, and university costs, in order to provide recommendations necessary to accomplish our long-term goals. These recommendations will cover areas such as salaries and benefits, capital expenditures, operating budget expectations for all university units, and new investments and changes necessary to secure the university's future success. The committee will also look at how the annual budget process can be improved to stimulate new revenue opportunities while encouraging the best use of university resources.

The construction of a realistic, forward-looking financial plan for the university will provide a predictable baseline for future planning. This baseline will, in turn, frame and stimulate major planning efforts within each unit to determine how we can best seize the initiative in this rapidly

evolving landscape, and how we can become a more agile, entrepreneurial, and forward-looking university.

The committee will complement the critical work of the Fiscal Priorities Committee by looking at our Strategic Goals in the context of the long-term forces that are transforming higher education. The committee will regularly share information with the campus community on a Web site and will hold campus forums to engage the community in these critical conversations. I will request that the committee provide a report to the campus by October 15th in order to inform our long-term decision-making for the next five years.

In the meantime, we will continue to work closely with the Fiscal Priorities Committee to determine a budget for next year, including the need to address the unexpectedly high medical costs that we have encountered this year. We must also continue to encourage every possible effort that can more efficiently and effectively make use of our resources.

As I noted at the outset, the challenges we face as a global society and as a university are long-term and significant, and thus our response must be long-term and extensive. By anticipating and building on the changes that higher education will face, we will position Miami to be a progressive leader in higher education regardless of the circumstances we encounter. Given the transformation of higher education, we cannot continue with business as usual. But we can, and we will, continue our commitment to provide the most exceptional learning and discovery experience in one of the best universities in the nation.

David Hodge  
President