

To: All Faculty, Staff, and Students
From: Thomas F. Rosenbaum, Provost
Re: Budget Update

In October you received a message from President Zimmer describing the University's response to the growing national economic challenge. I am writing to bring you up to date on the intensive planning underway to preserve the University's financial health and to ensure that we are able to make key, priority investments in the University's educational and scholarly work for the long term. As a consequence, we need to identify both priorities for investment as well as cost savings.

Although precise figures aren't available, over the past months the value of our endowment has declined on the order of 25 percent, a magnitude similar to that experienced by other leading universities. That decline, coupled with other revenue and expenditure pressures, has had a serious and very real impact on our operating budget. In the current economy, our students may need more financial assistance to complete their educations; the cost of borrowing funds for construction and other projects has increased; federal funding for research is unlikely to grow significantly in the face of competing demands for government support; and, as is common in significant recessions, patient care revenue in the Medical Center has decreased. These financial pressures are mitigated by the University's positive momentum in fundraising, built upon long-term relationships with alumni and other supporters; continued strong interest from student applicants at all levels; and a prudent approach to our endowment that reduces the payout in years of robust earnings in order to protect the flow of funds in leaner years.

The bottom line is that we must take decisive action to reduce our costs. I have asked each of the deans and officers to recommend budget reductions, in consultation with senior administrators, faculty, and staff in their units. As we undertake this process, I want to outline some key principles that guide our decision-making.

First, and most importantly, we must preserve the significant progress we have achieved in supporting our faculty and students, investing in our academic programs and facilities, and expanding our civic engagement. All our decisions must serve to enhance our academic excellence over the long term.

We have asked administrative units to accommodate proportionally greater cuts (in the range of 3 to 9 percent) than the academic units (2.5 to 5 percent). The Medical Center has more significant and urgent challenges related to its particular economy, and therefore it is acting rapidly to reduce its expenditures by nearly 7 percent. Vice President and Dean James Madara outlined these challenges in a message to the Medical Center community January 9.

Recognizing the complexity of the University and its distinct local cultures, we have decided not to impose any University-wide, across-the-board actions such as hiring or salary freezes (although individual units may do so). We believe that the deans and vice presidents should have maximum flexibility to adjust their budgets in order to direct

resources toward their most important priorities. They will work to identify, wherever possible, ways to increase efficiency reduce or eliminate certain lower priority activities, and increase revenues in an appropriate manner. In addition to the planning occurring within their own units, deans and officers are discussing their preliminary plans with one another, in order to ensure that decisions made in one area will not have unintended consequences in another area.

As you know, the University has a number of construction and renovation projects planned and underway. While some projects will continue as scheduled, others will develop over a longer period than originally intended. This will save capital expenses and significant operating costs in the next few years. Slowing construction may also allow us to benefit from declining costs in materials. However, we will continue actively planning for each of these projects so that we will be ready to accelerate individual projects as financial circumstances improve.

Even as we are making targeted cuts in some areas of our budget, we will continue to invest in other areas that are central to our mission, support our priorities, and position us for future excellence.

We are committed to maintaining and increasing support for our faculty and students, and finding ways to reward outstanding performance among our employees. In particular, our commitment to financial aid for undergraduate and graduate students remains firm.

We will not decrease the financial aid packages for individual students, and in some cases those packages may be increased, if individual circumstances warrant it.

The process of identifying potential budget savings began in the late fall and will continue through January. Many of you have shared your ideas with officers, deans, directors, and department chairs about ways to make budget cuts that reinforce our mission and priorities. We welcome your continued input. Over the next few weeks many of you will be hearing more about immediate budget decisions that have been made within your respective areas. This is a long-term process, and we will continue to evaluate our financial circumstances over the coming months. We believe the budget reductions we make now will be sufficient to address the current economic challenges, but we must be prepared to take further action if circumstances change. Your contributions and your assistance throughout this process are greatly appreciated.

As President Zimmer recently noted in a letter to alumni, the value of the University of Chicago has never been more apparent than during our world's current challenges and volatile times. Our mission is to produce students who can think critically and assess the changing landscape; to contribute scholarship that blazes new trails and illuminates solutions to the world's most pressing problems; and to ensure that we benefit from and contribute to the larger community of which we are a part. Our response to the current challenges will ensure we remain focused on that mission and position us to achieve our highest ambitions.