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## President Montgomery's Remarks to the WMU Board of Trustees

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*Western Michigan University*

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***Editor's note:** At today's board meeting, President Montgomery provided important financial information regarding the continuing impact of COVID-19 on WMU. His full remarks are also provided in a link below. A link to Board of Trustees Chair James Bolger's remarks is also available below.*

*A series of "Budget Briefs" will be scheduled in the following weeks so every employee has the opportunity to better understand our financial picture. Please look for an invitation soon.*

[President Montgomery's remarks online](#)

[Board of Trustees Chair James Bolger's remarks online](#)

**President Montgomery's Remarks to the WMU Board of Trustees**

April 23, 2020

It has been only six weeks since our last Board of Trustees meeting on March 12. In that brief span of time, it is alarming the degree to which the world has changed. Our new normal includes working remotely, wearing masks on trips to the grocery store, and in many cases, schooling our children from home. The COVID-19 public health crisis has deprived us of even life's simplest pleasures, while the economic fallout has ravaged our economy and taken a toll on our jobs, our businesses and the institutions upon which we rely.

There is little doubt that our world has changed for the foreseeable future. The COVID-19 pandemic has also transformed higher education and our University in ways that few of us could have imagined. Our extraordinary transition to this new way of learning and working could not have occurred without our amazing faculty and staff who have adapted to the unexpected

demands and allowed us to continue to provide our students with a first-rate education while advancing the public good. I want to thank them for making this leap possible. I'd also like to thank our students, who have rolled with the changes. In particular, I want to say congratulations to our graduating seniors. Though these are not the circumstances under which we wanted to be celebrating your achievements, we extend our deepest congratulations nonetheless.

While we have striven to adjust, higher education must deal with a new reality of softening enrollment projections, increased expenses, eroded endowments and significant cuts to state budgets. These events are generating unprecedented uncertainty and budgetary challenges across the higher education landscape from Harvard to our local community colleges.

While WMU is truly a special place, it is not immune to these same forces that are challenging even the biggest public universities. The University of Michigan and Indiana University each anticipate losses of up to \$1 billion. The University of Minnesota's losses are expected to be up to \$315 million. The University of Arizona projects losses of up to \$250 million, and University of California system leaders forecast a \$558 million gap across 10 campuses.

While we don't have complete estimates of all of our losses yet, I can tell you that the crisis has already cost WMU well over \$45 million, and we expect the tally to rise through the remainder of this fiscal year.

Just a few examples of the losses we have already incurred include credits for room, board and parking; increased expenses due to moving the summer I session to distance education at our lower online tuition rate, combined with associated lost housing, dining and fee revenue; increased custodial costs; curtailed revenue in fitness, event and cultural facilities; lost NCAA distributions; lost state funding for specific research and clinical practices; and declines in available spending due to market declines in our endowment.

To date, we have continued to fulfill our educational mission while protecting the vast majority of our full-time employees. These uncertain and challenging times have no doubt placed a strain on our employees and heightened their anxiety. The four weeks (160 hours) of paid COVID-19 leave allowance we provided was designed to help provide an added measure of income protection. It appears to have worked because as of Tuesday, less than 1% of our over 4,000 employees have had to move to unpaid status.

Unfortunately, we cannot ignore our current challenges or wish away those headed in our direction. The budget passed last year is a shredded piece of paper that does not reflect our current resources or situation, and there are more challenges ahead. WMU, like its peers, has tough decisions to make if it is to survive and serve students for the next 100 years.

The dictates of social distancing make it clear, I believe, that our campus is likely to remain in a limited-operation mode for a longer period than we ever initially envisioned. Even if those dictates ended tomorrow, the current economic crisis will only amplify these pressures on our students and their families. Consequently, it is our responsibility to be careful and responsible stewards of the financial resources entrusted to us by our students and their families, as well as

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the state's taxpayers. We simply cannot continue to operate at anywhere near business-as-usual.

A quick look at our major sources of revenue will reinforce this point.

Our biggest source of revenue, just over \$300 million—comes from the tuition and fees that our students and their families pay. The strains on their budgets are growing. As a student-centered university, we must respond to their challenges accordingly. That's why we are pleased to recommend that the Board of Trustees freeze tuition and room and board rates at 2019-20 levels for the entirety of the 2020-21 academic year. This will have a budget impact, as will the 10 to 15% nationwide enrollment decline that leading experts are predicting.

The second source of our revenue, just over \$100 million, or about 20%, comes from the state of Michigan. With an unemployment rate set to top levels last seen during the Great Recession and with a preliminary estimate of a \$5.7 billion shortfall in the state budget in the current and next fiscal year, we anticipate a reduction in state support. The last time the state faced significant budget challenges in 2011, WMU lost \$16 million of state support.

Third, we earn approximately \$100 million, almost as much as we receive from the state, from our auxiliaries. These revenues come from campus operations that house and feed our students. They support academic and cultural events and athletics. Social distancing requirements have dried up these sources this spring and summer. They are likely to be significantly down in the fall as well.

Lastly, our endowment provides approximately \$11 million in support for everything from scholarships to lectures and arts performances to faculty. The endowment's market value has declined by 13%, adversely affecting support to a broad array of programs and activities. Some might suggest we draw down the endowment further, but the vast majority of its funds can only be used for donor-specified purposes. We must and will honor these commitments we made to our donors so that the endowment can continue to support students and programs into the future.

This is an incredibly fluid situation, and we are now working through these variables and planning against various scenarios. When we add it all up, we believe we need to plan for an additional budget gap next fiscal year of anywhere between \$45M and \$85M, depending which scenario plays out. In dealing with this challenge, we will be guided by three principles:

**First, student-focused.** Educating students is our core mission. Every action we take will put students and their success first. We will become more flexible in meeting their needs and offer a holistic experience that helps them find their purpose.

**Second, equitable decisions.** We must remain a place where people believe in the mission and want to come to work. However, we must avoid a one-size-fits-all approach and focus on strategies that strengthen the University as a whole. As a community, we must share responsibility for decisions that serve students over other interests.

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**Third, candid and forthright.** We will demonstrate accountability to students, parents, employees, donors and taxpayers with well-considered and clearly articulated decision-making. We cannot promise positive news, but we will promise the information necessary to understand our situation and decisions. We will keep all of our audiences informed.

We must continue to take swift action. While we will be strategic, we have concluded that no area—no area—will be untouched. Shared sacrifice will be required. To that end, our first decision as leaders is to begin with us. While I, and the rest of the President’s Cabinet, have already forfeited at least two weeks or more of leave, that is just a start.

Today I am announcing that along with myself, each vice president, our General Counsel, Chief of Staff and Secretary to the Board, and Director of Intercollegiate Athletics will take a 10% pay cut next fiscal year. Further, all associate and assistant vice presidents, vice provosts, associate provosts and deans will take a 5% pay reduction. These measures amount to approximately \$1 million in savings. We have also frozen or postponed nearly \$32 million in construction and renovation projects. We will be continuing a hiring freeze on all positions not externally funded or essential to continuing operations. We will also be looking to reduce or eliminate all non-essential expenditures that represent new financial commitments.

These are but initial steps and more actions will be required. We will not be able to do all of the things we do in the manner we currently do them. We will be strategic and continue to focus on short- and long-term needs as we move forward. Western Michigan has faced major challenges before over the past 117 years, whether it was the Great Depression, the Great Recession or numerous other challenges. We have risen to each of these challenges, invigorated by our mission: “So that all may learn.” I am convinced we can and will do so now.

Thank you for making Western such a special place.

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