



October 9, 2008

MUSC Faculty, Staff, and Students

Dear Colleagues:

Undoubtedly, you have been following the news about the world wide financial downturn. None of us know how deep and how protracted this downturn will be, yet the signs appear to be quite ominous. It is natural for all of us to consider how this situation will affect us personally. While there is some comfort in the stability of working for a state agency, we all recognize that no sector of the economy is immune from the impact of this crisis.

We are writing now to inform you of actions that we will undertake at the university to stabilize institutional finances during this time of great challenge. The Medical University Hospital Authority (MUHA) is taking separate but similar actions. The list that follows is not intended to be exhaustive and we welcome the input and suggestions of all faculty, students and staff. It is important to emphasize that the Medical University remains financially strong, despite the constraints that have been placed upon our operating budgets. We are fortunate to have an entrepreneurial faculty and staff who have risen to the challenge of budget reductions in the past. Our ability to navigate through the current troubled waters will require all members of the MUSC community to work together and to keep the institution competitive in all of our endeavors.

Many of you know that we started this fiscal year with a  $\approx 3\%$  reduction in state appropriations, which was followed by another  $\approx 3\%$  mid-year budget cut, with one or more new cuts soon to come. The total of cuts could be 10% or more this year for the university, amounting to a \$10 million or greater reduction to our state budget this year. Academic health centers and comprehensive research institutions have undergone similar budget cuts in other states, resulting in lay-offs and reductions in force numbering in the hundreds at institutions in Pennsylvania, Florida, New Jersey, and many other states; and in stringent restrictions on spending in others. For example, the University of Georgia has drastically restricted travel. As you are likely aware, the overall patient census in MUHA has not risen sufficiently yet to cover the cost of operating the new ART, causing cash flow difficulties. Those cash flow difficulties in MUHA have added a significant acute and local challenge for the entire MUSC enterprise. Thus, we need to develop measures that can sustain key programs through the next several years.

Our aims are to (1) preserve key programs, (2) preserve jobs, and (3) continue to invest in targeted areas of opportunity. Our recommendations reflect those priorities.

**1. Freeze hiring:** We recognize that stabilization of the size of our workforce is likely to be necessary. We prefer that this occur by attrition and careful scrutiny of new hiring. Therefore, we will take the following actions, which are similar to those used effectively during the last economic downturn in the early 2000's:

- a. All new hires will require justification and approval by a committee of Vice Presidents. The following criteria will be used to evaluate the requests for postings:
    - i. Is the posting in a critical area of need?
    - ii. Is the posting in an area likely to generate new revenue for the organization?
    - iii. Does the request for posting include financial projections and/or a business plan?
    - iv. Is the posting a component of a pre-existing written job offer (*i.e.* junior faculty affiliates or staff of newly recruited endowed chairs)?
    - v. Is the posting in an area of opportunity, such as Centers of Economic Excellence (provides 1:1 matching funds); essential clinical, academic, research or service leadership positions; diversity initiatives; or in a “revenue driver” area? Is the posting 100% grant-funded?
  - b. We request that you assess the essential nature of open postings and in-process searches, with the understanding that hires made now might force reductions in force later. Each Vice President will develop a mechanism for evaluating the necessity of filling currently open postings. We should consider canceling ongoing searches.
  - c. Program closures will be considered only if other measures prove to be inadequate. Academic program closures are not optimal due to the nature of faculty contracts (which typically require one year or more of notice of non-renewal), and the implied contracts with students who have matriculated into degree-granting programs that those programs will continue until their graduation.
2. **Focus clinical expansion:** Clinical expansion will be focused on areas of need AND opportunity for new revenue generation. Both short term and long term potentials will be assessed and used as criteria for prioritization.
  3. **Defer or delay expenditures:** These measures will help with our current budget, but are not permanent solutions. If implemented properly over time, they will reduce the possibility of reductions in force.
    - a. Defer/delay computer purchases. All computer purchases must be approved by the Office of the CIO based on existing guidelines.
    - b. Delay non-critical renovations. All proposed or planned renovations should be re-considered. Although we all value and appreciate an attractive workplace, we value preservation of programs and jobs more. All renovations will require sign-off by the appropriate unit heads. Renovations exceeding \$10,000 will require approval and justification from a department chair or equivalent. Renovations over \$25,000 will require approval and justification from a Dean or equivalent. Renovations over \$100,000 will require approval and justification from a Vice President.
    - c. Defer/delay equipment purchases. Consider deferral of non-grant funded equipment until a future date. Non-grant-funded equipment purchases over

\$10,000 must be approved by the appropriate Dean (if within a college) or Vice President.

- d. Defer/delay new leases and assess non-renewal of existing non-essential leases. We will work with the MUSC Office of Planning to develop guidelines.

**4. Limit travel:** Please read this section carefully, as we understand that this is usually an unpopular budgetary strategy.

- a. All travel that is fully funded by *extramural* grants remains authorized. No extra approval is required.
- b. All travel for essential clinical outreach remains authorized, but we strongly encourage the judicious use of non-state funds for this travel.
- c. Faculty travel for professional development activities (attending national meetings) that is not 100% funded by *extramural* grants requires approval and sign-off by the appropriate department chair (or by division director in a larger unit such as the Department of Medicine).
- d. Staff travel using state funds only will be authorized for required certifications, licensing, and accreditation. Such travel must be approved by a Department Chair, Dean, Associate Provost, or equivalent position, and must follow the guidelines outlined in 4f.
- e. Travel for philanthropic solicitations, donations and fundraising is allowable if approved by the Vice President for Development and Institutional Advancement, because it generates new revenue for the enterprise. The use of non-state funds is strongly encouraged when feasible.
- f. Non-essential staff travel on state funds will be disallowed. This means that:
  - i. There will be no out-of-state travel using state funds unless exceptional justification is provided, and unless travel is approved in writing by a Vice President.
  - ii. In-state travel for official university business (interactions with government officials, the Legislature, state regulatory and governing bodies) is allowed only when approved in writing by a Vice President. Overnight stays require special justification (for example, an evening meeting at the Madren Center at Clemson) and written approval by a Vice President.
  - iii. For 4fi and 4fii, we strongly encourage teleconferencing or video conferencing as an alternative to physical travel.

**5. Reduce consumption:** MUSC already has programs to reduce energy consumption and waste. However, we can do better. **Please turn off lights and computers when not needed.** Re-use campus mail envelopes... many people dispose of these after a single use. Use electronic communications to reduce paper consumption. Remember, if all 5,000 of our university employees get serious about reducing consumption, we could save hundreds of thousands of dollars each year. If we each


save 5 cents a day, it would result in \$90,000 of savings over the course of a year ( $$.05 \times 5,000 \times 365 = \$91,250$ ). Our collective actions will save jobs.


6. **Reduce overtime:** All supervisors must develop a plan to reduce the use of overtime. At a minimum, special sign-off will be required for overtime. Guidelines will be developed and communicated soon.
7. **Restrict spending of reserves:** The university, colleges, departments and other units will consider this action if other measures do not work. A similar strategy was used with success six years ago by the College of Medicine.
8. **Limit increases in compensation:** Cost of living and merit-based increases in compensation already have been implemented or are in process for this fiscal year. **These will stand.** However, we are likely to be forced to curtail further increases in base compensation depending on future developments that will affect the financial standing of MUSC, and on the effectiveness of the measures described in this letter. In anticipation of the current budgetary challenges, and in order to set an example, neither the President nor any of the Vice Presidents accepted cost of living or merit increases this year. We understand that limiting increases in base compensation will be unpopular and painful, as individuals and families will feel the pinch of the economic downturn. This will be especially difficult for employees with limited means. We will do our best to be sensitive to the individual situations of our employees as we consider what types of limits on increases in compensation will be implemented as we move through this year and into the next fiscal year. We will seek input and comments as we develop and refine compensation guidelines. Existing incentive/practice plans will continue to be honored. As plans are reviewed for next fiscal year, we urge all members of academic management to continue encouraging our faculty to achieve quality and productivity in our mission areas, and where appropriate, to provide financial incentives for increased revenue generation.
9. **Generate new revenues:** We request that all faculty and staff consider ways to increase revenue generation, within the missions of our university. Although we believe that some gains are possible, these are likely to be dampened by the overall downturn in the economy. The reality is that sources of revenue for academic health centers are relatively limited in scope (clinical revenues, grants, tuition and fees, state appropriations, philanthropy). With our relatively small student body, tuition increases will not come close to offsetting further cuts to our state appropriations. Indeed, tuition and student fees constitute less than 3% of overall enterprise revenues. This is a unique challenge that sets us apart from our research sector partners at USC and Clemson. We also are concerned with the growing lifetime debt burden accumulated by many of our students. Additionally, our faculty and staff have become increasingly entrepreneurial and innovative over the last decade, and opportunities for increased productivity and efficiencies will be somewhat limited. Our faculty and staff have accommodated repeatedly to the call to “do more with less”.
10. **Close programs:** If state appropriations are cut even further, we will be forced to contemplate the full range of programs and services that we provide and whether or not we can continue to maintain them. Any reductions in the scope of our activities will be made after careful deliberation, taking into consideration factors such as the centrality to our mission, loss of employment, and other consequences.

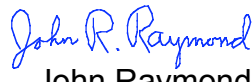
- 11. Reduce the sizes of future classes in our colleges:** It is expensive to provide graduate and health professions education. If state appropriations are cut further, we may be forced to reduce the number of students admitted to some (or many) of our programs. Although we have no specific plans to reduce class sizes at the moment, each Dean is evaluating carefully class sizes in the context of preserving core educational missions and quality. If the size of our faculty is reduced by attrition, or if faculty efforts are re-deployed further to revenue-generating tasks, we might need to reduce the number of students admitted to MUSC. We hope that this will not come to pass, in light of the personnel shortages in many health care disciplines. Nevertheless, reductions in the numbers of students admitted to MUSC are possible.


We would like to emphasize that we hope that further reductions in funding will be modest and that we can sustain our full portfolio of activities. Whereas the current situation poses significant challenges, it is also an opportunity for us to improve efficiencies and perhaps to redesign our work processes. We seek your suggestions and guidance for ways to improve our operational efficiencies without degrading services to the citizens of our state, and to each other. We believe that the steps outlined above can be implemented without great hardship to the institution or to the talented and dedicated people who work here. We thank you for your invaluable service to the University and to the people of South Carolina. We will keep you apprised of any new developments in the weeks and months ahead.

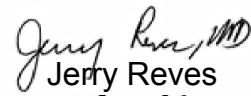
Sincerely,


  
Ray Greenberg

  
Lisa Montgomery

  
John Raymond

  
Jim Fisher

  
Jerry Reves

  
Frank Clark

For the MUSC University Academic Leadership team (listed below, in alphabetical order)

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