

There are a few important developments about the university's budget and budgeting process that I would like to share with you today. As part of the budget process, we must project income from designated tuition and other sources for planning purposes each budget period. Over the past several years, the university has overestimated the amount of funds that would come in from designated tuition. In short, the university has not been realizing projected revenues. We must stem this tide, so this year we are building a very conservative budget based on a zero percent increase in funding from designated tuition.

This is important to you for several reasons. This conservative approach, coupled with mandated limits on increases in designated tuition, means that we cannot award merit raises in Fall 2009. Funds are simply not available.

We will continue with the second year of the faculty pay raise plan, and we have employed a firm to conduct a similar salary and compensation survey for staff. While I had hoped to implement a plan to adjust staff salaries in Fall 2009, I now realize this is not immediately possible. We will implement this plan in March 2010 for those staff who are identified as being undercompensated according to the study.

In addition to budgeting based on a zero percent increase, we are faced with a mandated designated tuition increase of just \$6.14 per semester credit hour— and rightfully so. I share the concerns of the Board of Regents of The Texas A&M University System about the rising costs associated with higher education. I also firmly believe that recruitment and retention is everyone's job. For this reason, I am tying any future merit raises to enrollment growth.

At this time, it appears we will experience a modest growth in enrollment, but we can't take this for granted. Decisions about merit raises will be determined after the 12th class day in Fall 2009. If we experience a certain amount of growth, merit raises will be awarded in January 2010 based on the following criteria:

- 2% raises for an increase of 182 headcount (3.2% enrollment growth)
- 2.5% raises for an increase of 228 headcount (4% enrollment growth)
- 3% raises for an increase of 274 headcount (4.8% enrollment growth)

These increases are very reachable. We have already made great strides in attracting students, and our campus redevelopment is generating excitement among both new and returning students. Our housing occupancy rate is up 28% from last year – and that's just the beginning. I look forward to working alongside you to recruit, retain and graduate more students.