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Dear members of the Temple University community:

I am acutely aware that Temple University's financial health and stability are important factors in each of your lives. As the national recession continues, universities across the country are grappling with budget shortfalls, cutting costs by scaling back programs and retooling operations in anticipation of continued pressures on their finances.

Temple's Board of Trustees and administrative leadership have been working extremely hard since the first signs of the crisis to address the impact on the university. In this letter, I will summarize the steps we have taken thus far, as well as other actions the university is taking. The guiding principles of these efforts continue to be: 1) safeguarding the interests of Temple's students and academic community by maintaining the quality of programs; 2) raising productivity, improving efficiency and eliminating redundancy throughout the university; and 3) increasing and diversifying Temple's revenue streams.

Temple University's education and general budget for FY08-09 totaled \$775 million. (This figure excludes the budget for the Temple University Health System.) The university's annual appropriation from the Commonwealth of Pennsylvania accounted for \$190 million of Temple's revenue. The Commonwealth has already reduced the appropriation twice, by a total of \$11.4 million, since September due to significant shortfalls in state tax revenues. Governor Rendell has indicated that tax revenues are lower than earlier projections, which is a strong indicator that additional cuts to the Commonwealth budget – and Temple's appropriation – will be made before the end of the current fiscal year.

To absorb this sudden drop in revenue, Senior Vice President, Chief Financial Officer and Treasurer Tony Wagner and I worked with senior administrators to adjust Temple's FY08-09 spending plan. The university initiated a hiring freeze, suspended all non-essential out-of-state travel, cancelled a 2 percent inflationary increase for non-compensation related costs, and reduced other spending throughout the university. These measures resulted in savings of \$11.6 million.

Temple's partnership with the Commonwealth of Pennsylvania is absolutely central to the university's educational mission; since 2002 alone, however, reductions in Temple's state appropriation and inflation account for a \$35 million loss in real buying power. Temple faces a critical task in making its case to the Governor and General Assembly, and it is reasonable to expect further reductions as tax revenues continue to fall.

For the remainder of this fiscal year, existing construction projects continue on track, including those for the Boyer College of Music and Dance and the School of Medicine, and the renovation of the Baptist Temple. The move-in process for the Fox School of Business and Management's Alter Hall and the Tyler School of Art's new home on the Main Campus is also on schedule. Fund raising for these and other capital projects is not complete, however, and additional private support will be critical to finishing the work. Other programs and projects that have sufficient grant or private philanthropic support and are essential to Temple's core academic mission will continue, including certain new ventures, but these too will be analyzed for all feasible cost savings. Many events are being scaled back, including aspects of the commemoration of Temple's 125th anniversary.

There is no question that Temple needs to diversify and increase its revenue streams for its future financial health. The university's current fund-raising campaign, *Access to Excellence: The 125th Anniversary Campaign for Temple*, has brought more than \$325 million in new resources to the university. A large portion of these funds consists of pledges that will be paid over time and are restricted to capital projects, endowment and other uses and do not represent significant budget relief in the short term. Endowment growth is also critical, but will neither occur quickly enough nor generate sufficient payouts to provide budget relief in this immediate crisis. Temple must also be sensitive to the burdens students are already bearing in the cost of tuition, debt loads and growing difficulties in qualifying for loans.

The spending reduction measures thus far have been helpful in preserving the level and quality of the university's operations. However, there is no indication as to when the economic crisis will abate or how long it will be before a recovery takes full effect. Additional steps must be taken to prepare for the effects of the recession continuing into the next fiscal year. Toward this end, Temple is initiating the following actions:

- **Effective immediately, salaries for all non-collective bargaining employees will remain at current levels throughout FY09-10. Revenue-based, clinical faculty salaries based on incentive pay programs will not be affected. The university will initiate discussions related to wage and compensation costs with all unions with which it has existing collective bargaining agreements.**

- **Tony Wagner, Senior Vice President, Chief Financial Officer and Treasurer, and Lisa Staiano-Coico, Provost and Senior Vice President for Academic Affairs, will oversee a comprehensive review to prepare a budget for FY09-10 reducing recurring operating costs by 5 percent, for a total reduction of approximately \$40 million. This will be a collaborative exercise, guided by the framework of the strategic academic plan and involving all administrative and academic units.**

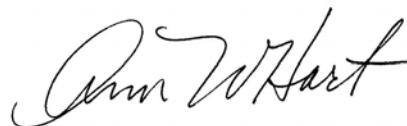
These actions will require creativity as well as sacrifice. They will only be effective if the entire Temple community remains focused on the commitment to access and excellence as more than just a theme or slogan, but as the core value that drives all of the university's activities. Temple University must provide access to an intellectual and creative space where academically talented, highly motivated and prepared students can achieve excellence, regardless of their status or station in life. Its research enterprise must grow as a critical source of innovation and knowledge creation. The university must also serve the local community, the city, the state and, indeed, the global society by providing intellectual and moral leadership.

The current economic environment makes these mandates and Temple's long-term strategic goals more difficult to achieve. I would argue also that difficult economic times make Temple's mission even more important and its task more urgent than in times of prosperity. Institutions like Temple must be a source of ideas and leadership to build a stronger, more stable global economy.

We have created a web site that will provide updates on the financial planning process, as well as links to articles and reports that demonstrate how other universities are addressing economic conditions, including other state-related institutions in Pennsylvania. The web site is located at www.temple.edu/newsroom/economy, and regular updates to the site will be highlighted in the *Temple Today* email.

I deeply appreciate the efforts of each member of the Temple community as we work through these difficult times to forge a brighter future for the university and its many stakeholders. I am grateful as well to Temple's alumni and friends who continue to invest in the future of the university. As we mark the 125th anniversary of Temple University, we can continue to take pride in what we have achieved and what we will accomplish in the years ahead.

Sincerely,



Ann Weaver Hart