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Dealing with Uncertainty

John Roberts
Furman University

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In higher education circles, as everywhere else, the ongoing volatility of the stock market and the deepening recession have caused great consternation.

At Furman, the administration and trustees have been working for months to manage the turmoil, ensure a balanced budget and plan for the future. “Our foremost goal,” says President David Shi, “is to reduce expenditures without eroding the quality of the educational experience.”

The university implemented a series of steps in October to help meet the goal. Discretionary expenditures were reduced by 6 percent, and purchases of new equipment were virtually eliminated. While Furman stopped short of a hiring freeze, Shi created an ad hoc task force to assess whether personnel openings created by normal turnover need to be filled immediately or at all. The university also suspended the Alumni Fellows Program, a three-year-old initiative that supported six temporary staff jobs for recent graduates.

In a message to faculty and staff, Shi said the impact of the economic crisis on Furman is likely to worsen. As a consequence, the administration has prepared a second wave of potential cost-cutting steps.

“Painful as they may be,” he said, such budget retrenchments “are likely to continue for Furman and for all of higher education and corporate America as the financial crisis deepens.”

uncertainty

Furman is hardly immune to the current economic downturn.

Here's how the university is coping in these unpredictable times.

Eighty-four percent of Furman's annual operating budget comes from tuition and fees, which currently total \$34,588. With standard double room and board, the full cost to attend Furman in 2008-09 is \$43,116.

Despite the budget concerns, Shi remained upbeat. "Although short-term sacrifices are necessary," he said, "we will emerge from this crisis a stronger community and a stronger institution."

Furman's endowment, which at the close of the 2007-08 fiscal year (June 30) was \$560 million, has, like those of other institutions, been seriously affected by the economic downturn. Many institutions have felt it necessary to order layoffs, leave positions unfilled and require employees to take unpaid furloughs. According to an informal survey, about half of the members of the Associated Colleges of the South (a group of 16 private liberal arts institutions to which Furman belongs) have enacted a complete hiring freeze.

Mary Lou Merkt, vice president for business affairs at Furman, says that a year ago members of the university's trustees investment committee, anticipating turbulence ahead, began reallocating some of the university's endowment to cash.

She also points out that Furman's conservative endowment spending policy has helped to ease the blow thus far. Furman spends 4.5 percent of a predetermined asset base annually. The funds are spent on scholarships, salaries, new technology and other operating expenses.

But Merkt is aware that economic conditions may worsen. "The new year will be more of a challenge," she says.

As the credit crunch tightens and portfolio returns shrink, consumer spending is also trending down. The result, Merkt says, is that some university revenue streams, such as athletic ticket sales, bookstore sales and golf course rounds, may slip.

The pinch is being felt in fund-raising as well, although Mike Gatchell, vice president for development, says that Furman currently remains on track toward its \$400 million goal in the "Because Furman Matters" campaign. (See page 22.) As of December 31, the campaign, whose primary goal is to build the university's endowment, had received approximately \$277.5 million in gifts and pledges.

Gatchell says that the university's immediate challenge is to keep annual giving on track to support the university's tightened budget, and he praises alumni and friends for continuing to keep Furman at the forefront of their philanthropic priorities.

Moreover, he says that rather than reducing donor contact, the development office has actually been more active than ever as it plans for the future. "We have spent a lot of time this fall saying thank you to our donors and sharing stories about how we're being good stewards of their money. We're making contacts and building for the comeback. Times will get better."

One bright spot amid the uncertainty is admissions, where early returns show that college-bound students and their parents continue to value high-quality private education. Furman received 819 applications for admission during the fall's Early Decision period, the second highest total in school history, and Regular Decision applications once again exceeded 4,000.

Students also appear determined to remain at Furman to complete their educations. Bill Berg, interim vice president for enrollment, says that pre-registration for the spring semester was strong. He adds that, at least this year, he does not think the economic slowdown will have a significant impact on student retention.

Merkt says that this winter administrators and trustees are continuing to look closely at the university's financial situation. "We're certainly mindful of shrinking incomes and net worth at home," Merkt says. "Our goal in setting tuition and fees for the coming year will be to find an appropriate balance between the university's need for revenue to sustain the quality of our academic programs and the financial strains many Furman families are now facing."

The university has developed a Web page to further explain how the financial crisis is affecting both Furman and higher education in general. Visit www.furman.edu/finance. |F|

Adapted from an article by John Roberts that appeared in the winter issue of Inside Furman, the university's internal faculty-staff newsletter.