Introduction

The Process

Western’s operating budget for the 2015-17 biennium is now available for your consideration. Beginning last fall many, many proposals have been assessed and then selected through an increasingly fine sieve as the usual, transparent and participative, bottom up processes unfolded: from departments, up through divisions, and then evaluated at the university level by the broadly representative University Planning and Resources Council (UPRC).

All this had to be done without knowing what the final state appropriation would be. With the state budget now law, the vice presidents, deans, and president have met to consider recommendations and to draft an operating budget. This set of documents presents their conclusions.

Once campus feedback has been obtained, the president will finalize his recommendations to the Board of Trustees. The Board will act on the operating budget at a special meeting on July 20th.

Progress Made

Reflect on how far we have come over the course of this near-year-long process. Last summer, we were told to expect a budget environment for public higher education that would be worse than any in recent memory. And, some very ugly budgets are easy to remember.

Then came the Governor’s direction to prepare budgets with 15% reductions. When the Governor’s budgets came out last December, the “no new revenue” version involved drastic cuts and even in the version that added $1B in new revenues, Western would have been cut by many millions of dollars.

Today, the picture is quite different: our maintenance level budget is, by and large, left intact; a tuition buy-down represents a large reassertion of state responsibility for supporting state public higher education; there is maintenance-level funding of the state financial aid need grant; our top capital project has been funded; and funding for more competitive compensation has been included.

For this, we certainly are deeply grateful to the elected leadership who saw the critical importance of public higher education in building brighter futures for Washington. But it was also the fact that so many, with Western often in the lead, stood together to make sure, week-after-week-after-week, that this legislative vision and financial commitment held firm.
Proposed 2015-17 Budget: Overview

The Approach

Western, as always, posts detailed, line-by-line budgets and will again do so once the Trustees act. That document can number hundreds of pages. So, to succinctly understand how one biennial budget proposal differs from that of the preceding biennium, we focus on the margin.

We use a “sources and uses” approach. Taking the preceding budget as a starting point, we consider possible new sources for the coming biennium: e.g., efficiencies, program eliminations, tuition increases, increased state appropriations, budget reductions, expanded self-support initiatives….We also consider possible new “uses.” These can range from mandated state cuts to compensation adjustments, to proposals for new programs, personnel, or other investments.

Even after the heavy filtering of departmental proposals through divisions and UPRC and allowing for only the single top priority of each college, we began with uses exceeding sources by about $15M.

To bring these into balance, we had to add sources while eliminating most proposed uses.

We chose to do so in a budget that exactly balances sources and uses without requiring “rebasing.” Put more simply, we chose to propose a budget that would not require divisions or departments to cut their budgets in order to fund additional uses.

And finally, a budget priority that has gone without saying in years past: to assure that our budget commitments are sustainable in the long run. We have always critically considered whether commitments made today risk fiscal challenges tomorrow. That commitment has assured us, during unexpectedly tough times, of a degree of stability that, frankly, has not always been anticipated elsewhere. We only mention this long-standing commitment now for, during a year of presidential transition, assurance that our commitments today do not create future budgetary challenges has been a top priority: for us, for President Shepard, and for our Board of Trustees.

Priorities

With those bottom lines – no rebasing cuts, fiscal prudence – three priorities then drove our budget choices: removing fiscal barriers to attendance for resident undergraduates, investing in the competitive compensation essential to sustain our excellence, and continuing success in a future enriched by increasing diversity.

First is the priority we share with the legislature: to reduce financial barriers to public higher education. It seems only appropriate that the state that chose, during the great recession,
cut public higher education more severely than most any other state in the nation and thereby
driving up tuition is now the first state in the nation to actually reduce tuition.
Western’s tuition for state support resident undergraduates will be reduced by 5% for 2015-
2016 and by another 15% for 2016-17. (This applies to state support resident undergraduates. Tuition is not reduced for those in self support – i.e., Extended Education and summer session – those programs remain self-support.)

The tuition reduction is a much welcome and very large state reinvestment in and
recommitment to public baccalaureate education. It is important to understand, though, that
this large additional expenditure ($18M for Western) does not increase Western’s operating
budget by one nickel. Nor does it add one more classroom seat to our capacity to meet
Washington’s needs.

Next, comes what we have consistently maintained to be our top priority: competitive
compensation to assure Western’s continuing excellence. Beginning with the Governor’s
budget and through the legislative process, this has been a continuing battle but one that did
largely succeed. At the state level, the question has been the degree to which the legislature
would fund a 3% increase in 2015-16 and an additional 1.8% increase in the following year.

After much back and forth, the state did, eventually, fund about 90% of the costs of the
3%/1.8% increases for Western’s classified colleagues, pro staff, and faculty. Specifically, the
biennial costs for Western total $10.7M; the state appropriated $9.8M. The difference will
come from Western’s base budget.

But, this is only a start on our need to assure what, to repeat, has been our top priority. In the
proposed budget, and through internal reallocation, we designated the state appropriated $9.8
million, along with $4.8 million in existing or new institutional resources for a total of $14.6M
for biennial compensation adjustments.

Biennially, this is more than a 50% increase in what the legislature appropriated for
compensation at Western.

In so doing, we fund classified contractual commitments including the market parity “salary
study” that have been too long postponed by the State. Funding that study is essential to
achieving competitive compensation; it provides, on average, significant and immediate salary
improvements; and it will allow us to fill critically important positions as skilled colleagues are
retiring at increasing rates.

During the last biennium and working with the Professional Staff Organization (PSO) and using a
market survey, we were able to bring salaries close to a competitive level. More recent market
analysis shows we have again slipped seriously behind; the funds allocated in this proposed
budget will allow that problem to begin to be addressed. We will be working with the PSO on
priorities and criteria for implementation.
Faculty compensation will be determined through a contract between the Board of Trustees and the United Faculty of Western Washington University. That contract, once agreed to and approved, takes precedence over any budget provisions contained within this proposal and, indeed, over any 2015-17 operating budget approved by the Trustees. Still, in a budget that shows all, we must make some initial provision for faculty compensation.

About 10 years ago, our Board of Trustees set an aspirational target of taking faculty salaries, then well below the median of institutional peers, to the 75th percentile of peers. With UFWWU partners, we went through two tough biennia with scant faculty compensation increases. During the last biennium and, again, in proud partnership, together we made some progress toward that aspirational goal. This budget includes funds sufficient to meet the Board’s target, using the method for peer comparisons proposed by the UFWWU. Again, and critically important to emphasize: the University’s actual expenditures on faculty compensation and the manner in which those expenditures are made will be determined by the contract that emerges from our ongoing collective bargaining. That process is independent of our unavoidable responsibility to adopt (and, as may be necessary, later adjust) an operating budget.

So, the proposed budget does deliver on what, in a university committed to excellence, must be its top priority: attracting and retaining outstanding faculty, staff, and classified colleagues. How, in a “steady state” budget, do we propose to take a state appropriation of about $10M and then expend $15M for compensation? How, without cutting elsewhere?

We looked for additional recurring funds from a variety of sources. These included utility savings, reductions in tuition waivers for intercollegiate athletics, revenue from growth in auxiliary operations, and a 2016-17 increase in the overhead charged to auxiliary operations.

Further, we propose modest (cost-of-living level) increases in non-resident and graduate tuition. The state reduced resident undergraduate tuition for state supported students while partially funding compensation increases. So, costs are up. Non-residents and graduate students do need to cover a share of these increased costs. We do add budget dollars to cover the effects of these tuition increases on graduate assistantships.

A major part of the answer, though, has to do with nuances only of interest to true budget wonks – with recurring contingency funds and one-time reserves. Reserves are needed to cover unanticipated, one-time expenses. For example, during the four years of budget cutting, we were able to use reserves to buy a full year to make cuts deliberatively, strategically and with wide involvement. Had we no reserves, the cuts would have had to be immediate and opportunistic.

As was explained in years past, though, our uncommitted one-time reserves were well short of accepted fiduciary standards. Inadequate reserves not only create institutional risks but also bear upon, through bond ratings, our capital construction project costs. So, again as was explained at the time, we developed a recurring contingency fund with end-of-year balances.
used to grow the one-time reserve. It has taken some years but the one-time reserve now is close to reaching those accepted fiduciary requirements. In this budget, we propose that the recurring funds once dedicated to that critical need now be reassigned to support competitive compensation.

With our top priority appropriately being the focus for the proposed 2015-17 operating budget, there is very little flexibility to address the many other meritorious proposals brought before us. We do propose to fund the initiatives recommended by the President’s Taskforce on Equity, Inclusion, and Diversity as well as proposals serving Western’s commitment to diversity coming from Woodring and Fairhaven and Enrollment Management and Student Services.

We were also guided by the recommendations of the UPRC and do include – through direct support or other means – their top quartile of recommendations. These include:

- Strategic enrollment management investments and waivers.
- Health insurance for Teaching Assistants
- Analytical toolsets for Advancement
- Base funding for Drupal Developer

We also recommend funding, although not always through the operating budget, for:

- Certificates of participation as a part of the Carver Academic Building renovation
- Departmental impacts of parking lot long-term maintenance and stabilization plan
- The shift of core capital projects personnel to state budget.

Several other proposals for state funding, while not included as a part of our base budget proposal, will proceed using alternative approaches. These are:

- The Audiology Doctorate
- The Front Door to Discovery program
- BRAVE: Addressing suicide at Western

Further and in response to our much appreciated efforts on the Kitsap and Olympic peninsulas, the legislature provided funding to extend our Cyber Security Program to Olympic and Peninsula Colleges.

The Sources/Uses Table contains further detail. And, the various items in the table have links that provide additional explanation.

**What’s Next?**

Questions and critiques should be posted here. The President will review all critiques posted at these forum prior to close of business on July 15. He will then form his recommendations for the Board of Trustees to consider at their meeting on July 20th.