

**WESTERN WASHINGTON UNIVERSITY  
SUPPORTING INFORMATION  
SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard *by Paula M. Gilman, Executive Director for University Planning and Budgeting*

**DATE:** June 11, 2010

**SUBJECT:** **Supporting Information for Board Approval of the 2010-11 Supplemental Annual Operating Budget, including One-Time Cost Reductions Commensurate with Engrossed Substitute Senate Bill 6503.**

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**Background on Status of 2009-11 Biennial Operating Budget**

The 2009-10 or current fiscal year operating budget was approved by the Board of Trustees in June 2009. At the same meeting, the Board approved 2009-10 and 2010-11 tuition rates for all student categories, and reviewed Western's 2010-11 annual operating budget plan. Based on the outcomes of the 2010 supplemental legislative session where changes were made to the enacted biennial operating budget, the Board is requested to approve Western's 2010-11 Annual State Operating Budget for Western, including supplemental changes.

**Introduction**

In order to fund the basic instructional and academic support missions of the institution, Western Washington University's proposed 2010-11 budget for state funded operations reflects revenue and expenditure estimates available for university operations from state appropriations, net tuition operating fees and the administrative services assessment. In order to help offset both the original 2010-11 \$9.5M reduction in state appropriations, and the supplemental \$3.1M reduction, it is recommended that non-recurring temporary balances be used. A detailed description of recommended budget changes is included on the University Planning and Budgeting website at the following link: [2010-11 Recommendation Prepared for Board Approval by the Deans, Vice Presidents, and President \(supplemental reductions are reflected\)](#)

**"Furlough" Bill Reduction**

In addition to the \$3.1M supplemental reduction just mentioned, a temporary reduction of \$1.2M in state funds was also approved by the legislature and signed into law by the Governor. Western had just been advised that a comprehensive plan must be submitted to the Governor's Office of Financial Management (OFM) by Friday, June 4, addressing how Western will address this reduction in 2010-11. Western submitted a preliminary plan to OFM by June 3, and has also provided the plan to the university community for review and discussion. After review by the Western community, a final proposal will be presented to the Board for approval at the June 11, 2010, meeting.

**Comparing the original FY 2010-11 Budget Plan to the Recommended FY 2010-11 Supplemental Operating Budget**

A summary of state appropriations and estimated net tuition operating fee revenue for both the 2010-11 original budget plan and the newly enacted supplemental budget is included in the Table B below. Tuition operating fee revenue is presented net of student tuition waivers and Western's student loan/grant fund contributions (\$12.3M for 2010-11). State appropriations reflect a \$1.5M increase in funding provided to cover employee benefit changes, which partially offsets the additional 5.3% permanent reduction for Western reflected in this chart.

TABLE A

<b>2010-11 BUDGET COMPARISONS</b>				
<i>(chart below reflects one-time furlough reduction)</i>				
Funding Source	2010-11 <i>Original Budget</i>	2010-11 Supplemental	\$ Change	% Change
General Fund-State	\$52,752,000	\$48,391,000	(\$4,361,000)	-8.3%
Education Legacy Trust Account	\$6,518,000	\$6,399,000	(\$119,000)	-1.8%
Capital Projects Account	\$1,807,000	\$4,007,000	\$2,200,000	121.7%
<b>Total State Appropriations</b>	<b>\$61,077,000</b>	<b>\$58,797,000</b>	<b>(\$2,280,000)</b>	<b>-3.7%</b>
<b>Net Tuition Operating Fees</b>	<b>\$65,767,953</b>	<b>\$66,930,882</b>	\$1,162,929	1.8%
Administrative Services Assessment	\$1,472,114	\$2,022,114	\$550,000	37.4%
One-Time Funds	\$2,326,697	\$4,000,636	\$1,673,939	71.9%
State Operating Budget	\$130,643,764	\$131,750,632	\$1,106,868	0.8%

**2010-11 Tuition Rates**

At its June 2009 meeting, Western's Board of Trustees approved a resident undergraduate tuition rate increase of 14% per year for each year of the 2009-11 biennium, the maximum allowed by the 2009 legislature.

**Student Enrollments**

The proposed 2010-11 budget is based on maintaining 2009-10 actual enrollment levels of approximately 12,419 FTE or 14,029 Fall 2009 headcount. State funded enrollment, according to the appropriations act, was set for WWU at 11,762 FTE for 2010-11. Average annual FTE enrollments are subject to variables such as average student course load and are not based on solely the numbers of students enrolled.

**Percentage Share of Tuition and State Appropriations**

Western's state operating expenditures have been historically supported by a combination of state appropriations and tuition operating fees. In 2008-09, state appropriations represented 60% of WWU's state operating budget compared to 40% in net tuition operating fees; however, in 2010-11, because of state budget reductions, state appropriations will represent only 47% as indicated in the chart below.

State	\$58,797,000	47%
Net Tuition	\$66,930,882	53%
<hr/> Total	<hr/> \$125,727,882	<hr/> 100%

### **Compensation Adjustments**

Across-the-Board Salary Increases: The legislature did not provide state appropriations for across-the-board salary increases for the 2009-11 biennium for any employee category (faculty, classified staff or professional staff).

Classified Staff ; Western is required by the state to continue to provide classified staff longevity step or anniversary date salary increases in 2010-11, an unfunded mandate as part of contractual obligations. Classified staff longevity step or anniversary date increases (usually 5% on the employee's anniversary date until the employee reaches the top step of his or her salary range) will be funded by a combination of additional annual budget allocations and self-funding by the university divisions via salary differentials and/or other savings.

Faculty: As negotiated between WWU and United Faculty of Western Washington University, the following faculty salary increases will be provided in 2010-11: faculty promotion and tenure increases; advancement to senior instructor increases; and post-tenure review salary increases. Of special note is that the negotiated 2008-09 Faculty Special Merit salary increase, delayed by faculty agreement from September 2008 until September 2010, will be enacted in Fall 2010. Faculty agreed to delay implementation of this fall 2008 special merit increase until Fall 2010 so that these funds – approximately \$437,000 (\$218,000 each year delayed) -- could be dedicated in the interim two years to help the university pay for limited term faculty.

### **Employee or Position Reductions**

Approximately 38 positions will be affected: vacant positions due to attrition or retirements will be held open, some filled positions will be shifted from state funds to self-sustaining funds, and ten filled positions will be eliminated. A number of tenure-track faculty positions will be held open on a temporary basis and funds reallocated to support non tenure track faculty to promote access, quality and strategic directions.

### **Increased Reliance on Non Tenure Track Faculty**

The proposed 2010-11 budget makes a significant shift in the way in which course demand will be met for the immediate future. There will be increased reliance on non tenure track faculty accomplished by temporarily holding open tenure-track faculty positions. This short-term approach is necessary at this time in order to maintain access and clear course backlogs. These positions will eventually be restated.

### **Sources and Uses**

In order to free-up additional sources to cover the budget reduction and to support high priority needs, initiatives that were built into the original 2010-11 budget plan have been eliminated (related to program innovation, sustainability and graduate programs). Also to this end, the cost of renting off-campus offices for Extended Education /Summer Programs has been shifted to that operation – a self-support entity; and institutional budget lines related to mail services, property acquisition and campus utility savings have been rededicated.

Additionally, the budget proposes a variety of steps that effectively will increase tuition revenue without increasing enrollments or increasing tuition rates beyond the +14% approved by the Board in June 2009: 1) by adding more out-of-state students for Fall 2010 without increasing overall enrollments (since out-of-state tuition is higher than in-state tuition); 2) by eliminating \$500,000 in tuition waivers while continuing to protect need-based waiver; and 3) by more aggressively projecting 2010-11 tuition revenue collections based on current enrollments.

Another \$550,000 in new recurring revenue is included in the proposal to be generated by increasing the Administrative Services Assessment overhead fee charged to auxiliary operations to 4% in 2010-11. In addition to these new or increased sources, a \$1.7M increase in reliance on temporary fund balances is recommended for 2010-11.

Over \$1M in permanent base budget reallocations are included in the proposed 2010-11 budget to provide additional and permanent funding of the following high priority needs: eliminate bottlenecks in time to degree; make an investment in recruitment activities for out-of-state students; initially fund a Veterans' program initiative; energy savings initiative; and invest to increase institutional grant writing capabilities. Though not reflected at the institutional-level, additional reallocations of resources are currently under consideration by Academic Affairs.

**Supplemental Reductions**

Planning Units proposed \$3.5M in possible reductions at the beginning of the supplemental budget process. After careful consideration by the campus, the President and Vice Presidents, of the impacts of reductions and the net effect of both reductions and recommended additional funding to support high priority needs, a reduction amount of \$1.6M is recommended for planning units in 2010-11. The collaborative and thoughtful process used to evaluate and recommend these reductions ensured that cuts would not be taken across-the-board, and that the colleges, library and graduate school would be spared the deepest cuts. Additionally, divisions will not be required to implement these reductions until 2011-12 due to a combination of new sources and temporary fund balance support.

A summary of proposed changes – reductions and additions -- for Academic Units is included in the Table B below. Academic units include the Library, the Provost's Office/Programs, the Graduate School and the colleges.

TABLE B

Western Washington University  
 Proposed 2010-11 Supplemental Reductions and Additions  
 State Operating Expenditure Budget - ACADEMIC UNITS

	A	B	C	A+B+C = D
	Originally Proposed 2010-11 Operating Budget Plan	2010-11 Supplemental Reductions* or Reallocations	2010-11 New or Required Investment**	Proposed 2010-11 Operating Budget for Board Approval June 2010
State Operating Budget (Net Tuition and State Appropriations)				
Academic Units	61,991,511	(1,017,211)	816,515	61,790,815
Employee Benefits Academic Units	16,005,337	-	1,171,525	17,176,862
<b>TOTAL ACADEMIC UNITS</b>	<b>77,996,848</b>	<b>(1,017,211)</b>	<b>1,988,040</b>	<b>78,967,677</b>

\* Associated employee benefits reflected in reductions.  
 \*\* Additions include partial coverage of classified step increases.

A summary of proposed changes – reductions and additions -- for Non-Academic Units is included in table C below.

TABLE C

Western Washington University  
 Proposed 2010-11 Supplemental Reductions and Additions  
 State Operating Expenditure Budget - NON-ACADEMIC UNITS

	A	B	C	A+B+C = D
State Operating Budget (Net Tuition and State Appropriations)	Originally Proposed 2010-11 Operating Budget Plan	2010-11 Supplemental Reductions* or Reallocations	2010-11 New or Required Investment**	Proposed 2010-11 Operating Budget for Board Approval June 2010
Information/Telecommunication Services	5,819,723	(232,789)	8,781	5,595,715
Business and Financial Affairs	13,047,983	(165,000)	121,126	13,004,109
Students Affairs / Academic Support Services	6,845,007	(125,000)	201,515	6,921,522
University Advancement	2,340,268	(93,495)	7,171	2,253,944
University Relations	965,231	-	6,588	971,819
President/Institutional Accounts***	11,627,906	(934,201)	100,222	10,793,927
Employee Benefits Non-Academic Units	7,074,119	-	264,060	7,338,179
<b>TOTAL NON-ACADEMIC UNITS</b>	<b>47,720,237</b>	<b>(1,550,485)</b>	<b>709,463</b>	<b>46,879,215</b>

\* Associated employee benefits reflected in reductions.

\*\* Additions include partial coverage of classified step increases.

\*\*\* Includes reallocation of \$450k in original institutional investments to new investments; also includes \$93.5k reallocated from University Advancement to support comprehensive campaign.

**Budgeted Contingency Reserve**

Within the 2009-10 approved operating budget, a permanent, recurring, and centrally budgeted contingency reserve was established. In the past, WWU has maintained an off-budget reserve to cover one-time expenses. For FY 2009-10, the Board approved a \$3.2M allocation to the budgeted contingency reserve, approximately 2% of total recurring budgeted revenue. For 2010-11 it is recommended that this reserve be increased to \$4.9M, approximately 3.7% of budgeted revenue. For FY 2011-12, it will be recommended that the reserve be increased to \$6.1M, approximately 4.8%. A 5% reserve is strongly advocated, and, when area reserves are also considered, we are at that fiscally prudent level.